Classic Values, Innovative Advice

Alaska House Finance Committee

Actuarial Analysis of HB78

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Topics for Discussion

- Cheiron's Experience
- DB vs DC Assumptions
- Scenarios Analyzed
- Retirement Cost Impact
- Economic Impact Considerations

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Cheiron's Public Sector Experience

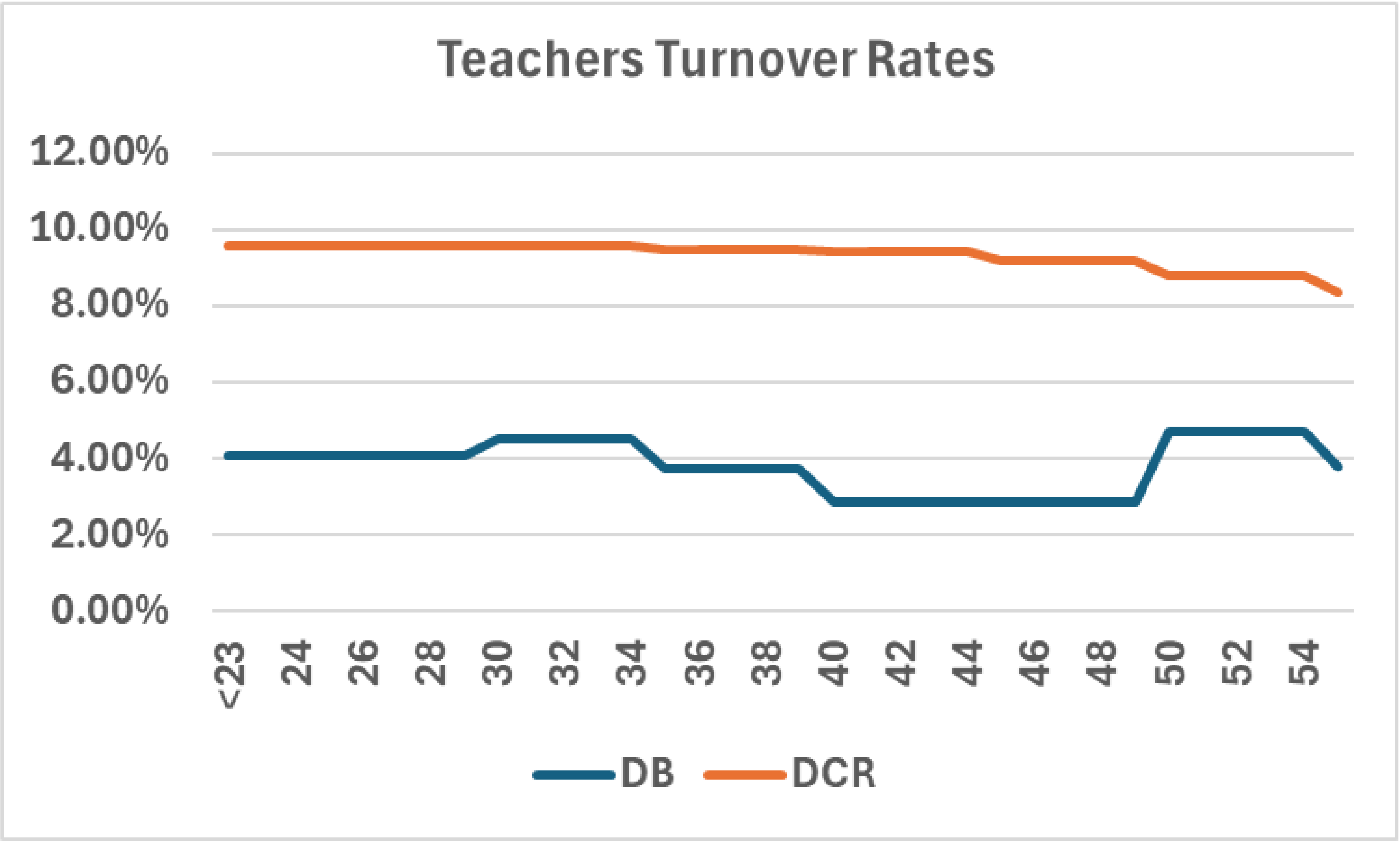
Statewide Plans:
- **Alaska**
- CalPERS
- CalSTRS
- Connecticut
- Delaware
- Florida
- Illinois
- Idaho
- Kansas
- Louisiana
- Maine
- Maryland
- Michigan Municipal ERS
- Mississippi
- Missouri
- Montana
- New Mexico PERA
- New Jersey
- New York State Teachers
- Ohio State Teachers
- Oregon
- Pennsylvania
- Rhode Island
- Texas ERS & TRS
- Utah
- Vermont Municipals
- Virginia
- Washington State
- **West Virginia**

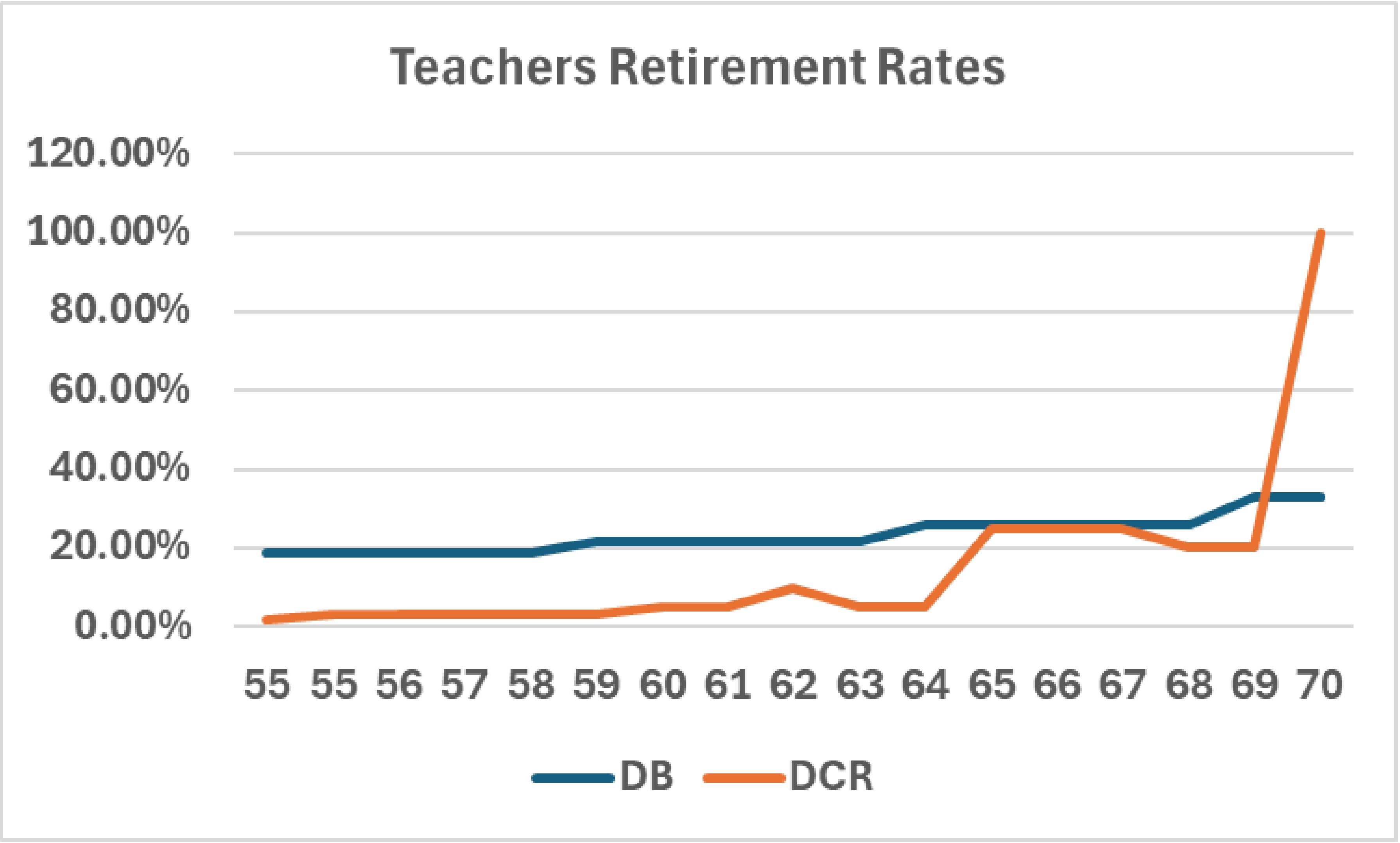
Local Government Plans:
- Allentown (PA)
- Alexandria (VA)
- Allegheny County (PA)
- Annapolis (MD)
- Arlington County (VA)
- Austin Fire Fighters (TX)
- Baltimore (MD)
- Chattanooga (TN)
- Cincinnati (OH)
- Contra Costa County (CA)
- Dallas Police & Fire (TX)
- Denver
- **Detroit (MI)**
- District of Columbia
- Fairfax County (VA)
- Falls Church (VA)
- Fresno County (CA)
- Hampton (VA)
- Jackson County (MO
- Kansas City (MO)
- Knoxville (TN
- Los Angeles (CA)
- Marin County (CA)
- Mendocino County (CA)
- Merced County (CA)

Local Government Plans:
- Miami (FL)
- Milwaukee County (WI)
- Newport News (VA)
- Norfolk (VA)
- Oakland (CA)
- Orange County (CA)
- Peoria (IL)
- Philadelphia (PA)
- Phoenix (AZ)
- Richmond (VA)
- Roanoke (VA)
- Sacramento County (CA)
- Saint Louis (MO)
- **San Diego (CA)**
- San Francisco (CA)
- San Joaquin County (CA)
- San José (CA)
- San Luis Obispo County (CA)
- Santa Barbara County (CA)
- Sonoma County (CA)
- Stanislaus County (CA)
- Tulare County (CA)
- Wayne County (MI)
- Wichita (KS)
- Wilmington (DE)

DB vs DC Assumptions

- Retirement members behave differently in DB versus DC plans in terms of turnover and retirement
- DC plan turnover rates are much higher than DB plans, especially after 5 years of service
- DB plan members can afford to retire earlier than those under DC plans


Teachers Turnover Rates
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
<23
24
26
28
30
32
34
36
38
40
42
44
46
48
50
52
54
DB
DCR


Teachers Retirement Rates
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
55 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70
DB
DCR

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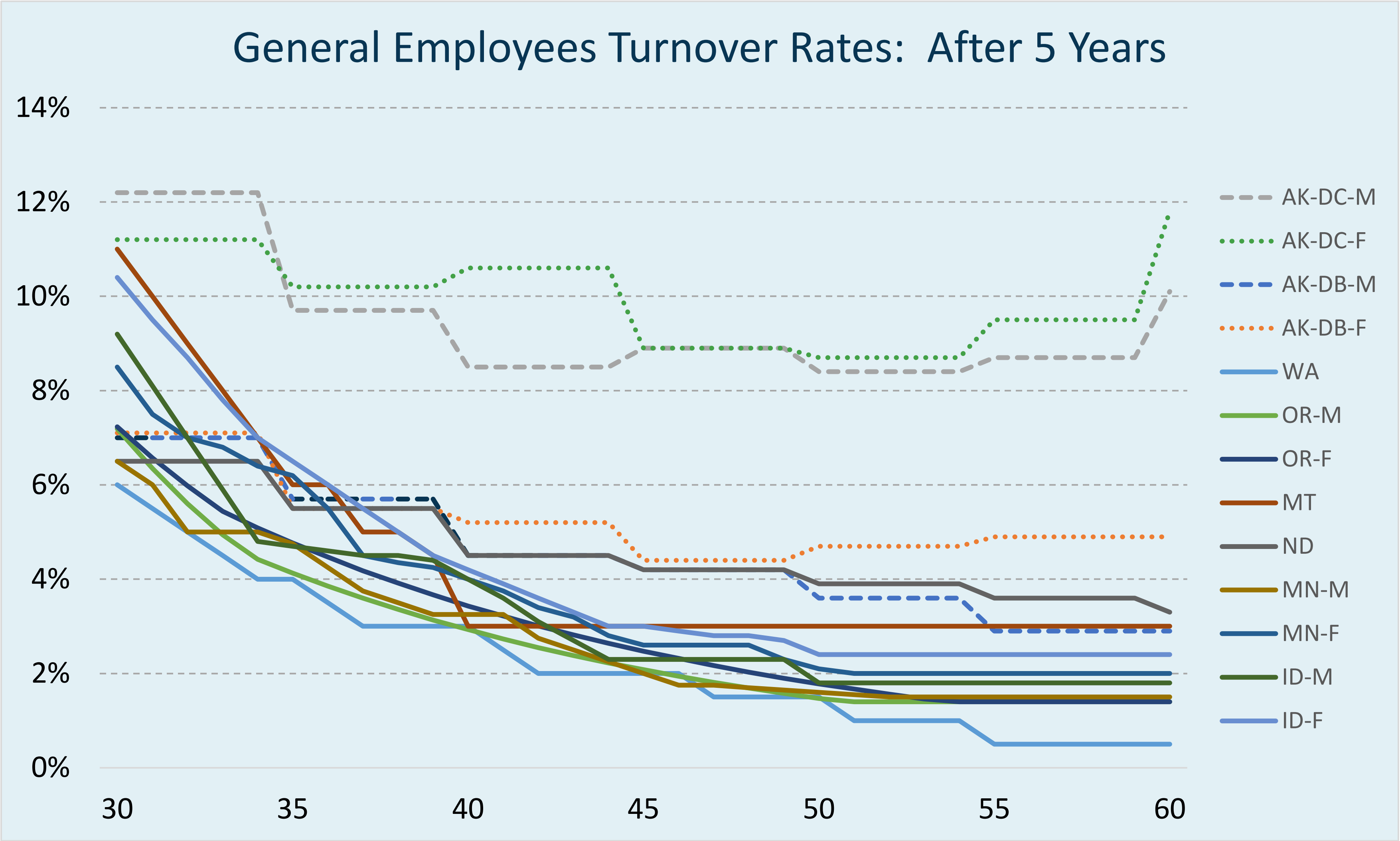
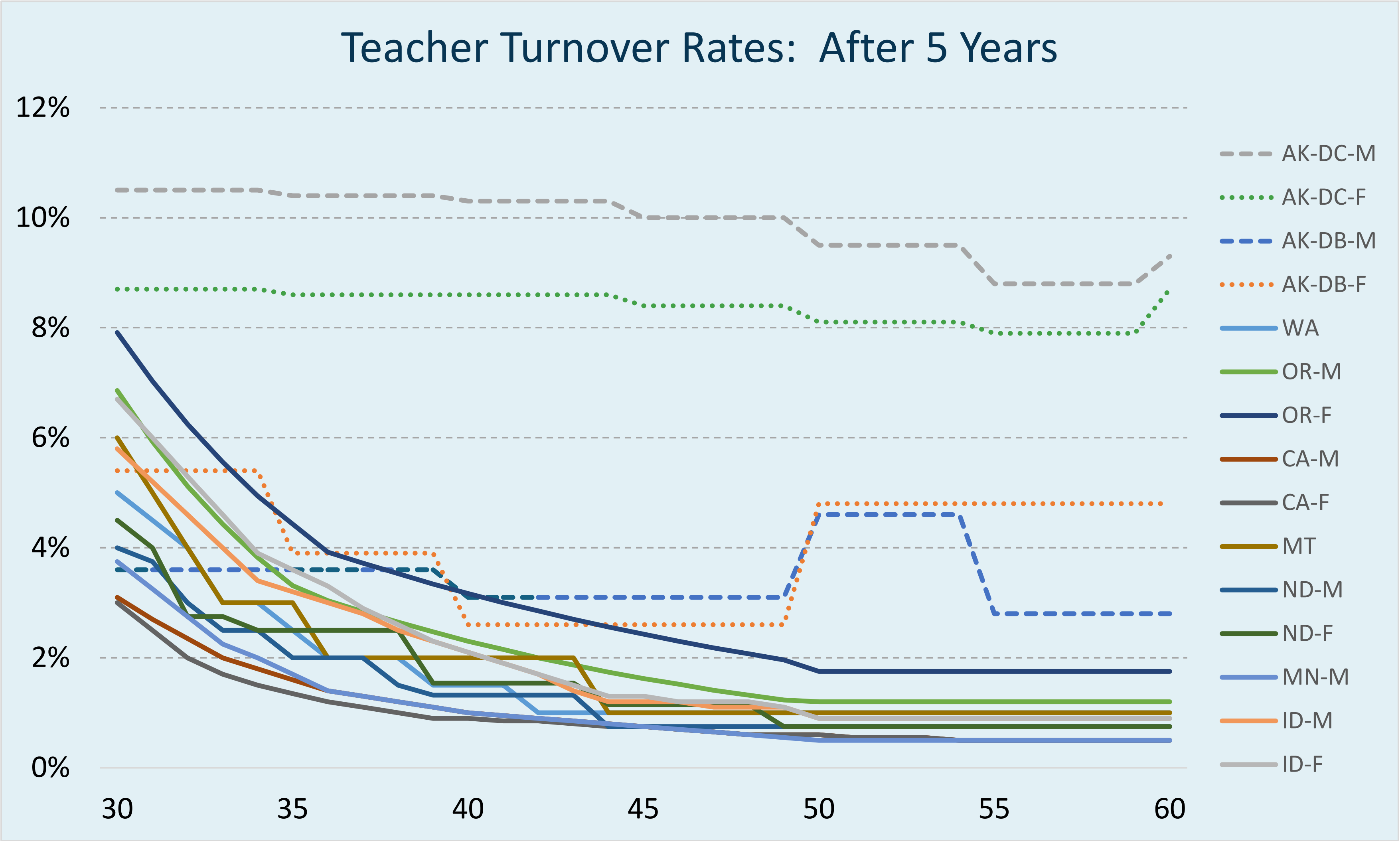
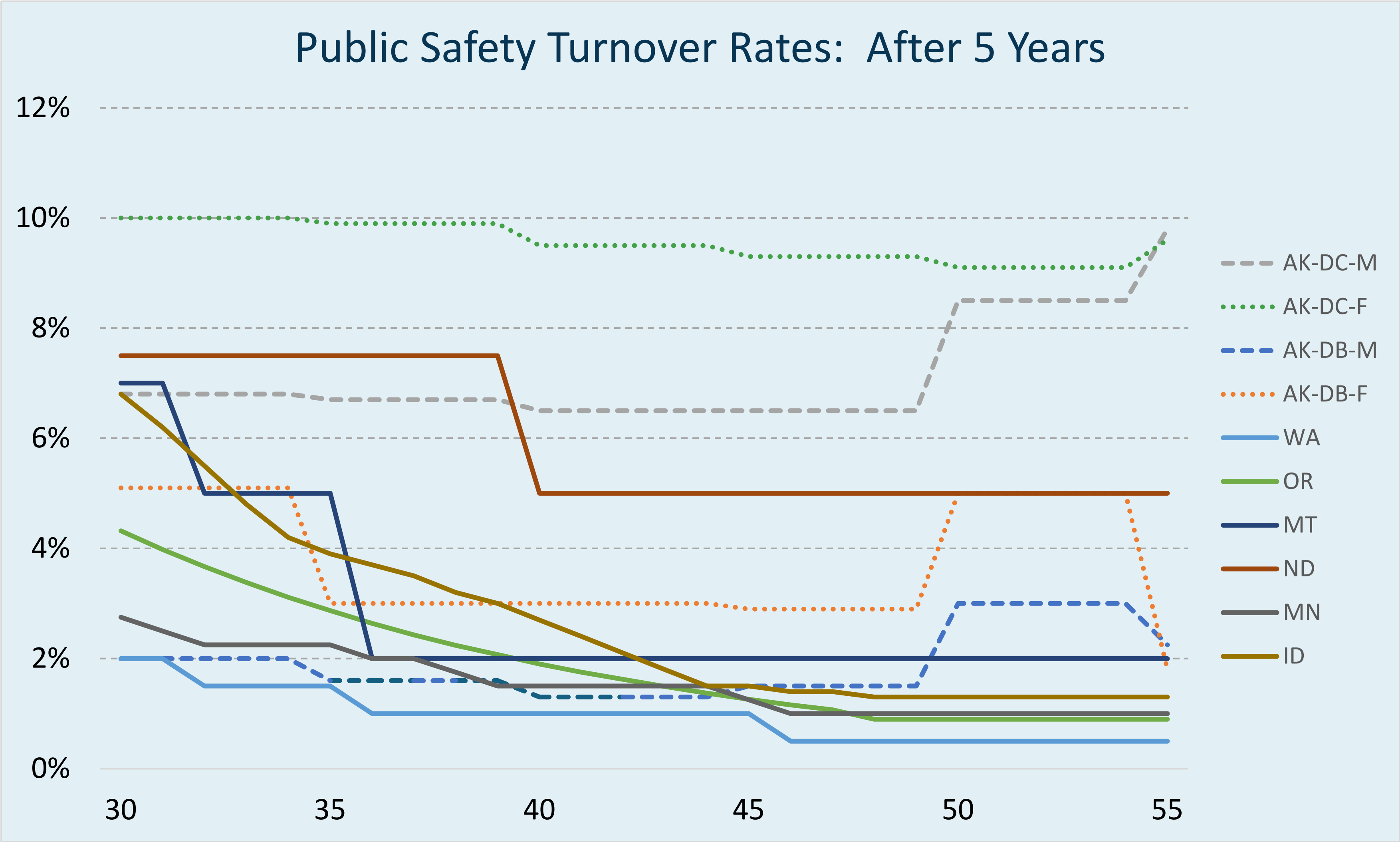

General Employees Turnover Rates: After 5 Years
14%
12%
10%
8%
6%
4%
2%
0%
30
35
40
45
50
55
60
AK-DC-M
AK-DC-F
AK-DB-M
AK-DB-F
WA
OR-M
OR-F
MT
ND
MN-M
MN-F
ID-M
ID-F



National Institute on Retirement Security



National Institute on Retirement Security

Scenarios Requested

- Scenario 1A- **100%** of current DC members and future hires join the DB plan using **DB** assumptions
- Scenario 1B- **0%** of current DC members and all future hires join the DB plan using **DB** assumptions
- Scenario 2A- **100%** of current DC members and future hires join the DB plan using **DC** assumptions
- Scenario 2B- **0%** of current DC members and all future hires join the DB plan using **DC** assumptions

Scenario	Assumptions	% Transfer to DB	Present Value of Cost* Increase/(Decrease) FY 2026-2039
1A	DB	100%	$ 583.7
1B	DB	0%	$ 467.3
2A	DCR	100%	$ (124.7)
2B	DCR	0%	$ 85.5

Summary of Results Based on June 30, 2023 Valuation
Projected Contributions from FY 2026-2039 ($ Millions)

Scenario 1A - DB Assumptions and 100% Transfer

	Current	HB 78	Inc/(Dec)	Current	HB 78	Inc/(Dec)	Current	HB 78	Inc/(Dec)
Additional State Contributions (PERS and TRS)									
	PERS			TRS			Sum of State Costs FY 2026-2039		
Total	1,779.6	2,184.4	$ 404.7	2,699.7	2,716.9	$ 17.2	10,575.6	11,654.7	$ 1,079.2
State-as-an-Employer Contributions (PERS/PERS DCR)									
	DB			DCR			Present Value as of July 1, 2025		
Total	4,487.9	6,154.7	$ 1,666.8	1,608.3	598.8	$ (1,009.5)	6,324.0	6,907.6	$ 583.7

Scenario 1B - DB Assumptions and 0% Transfer

	Current	HB 78	Inc/(Dec)	Current	HB 78	Inc/(Dec)	Current	HB 78	Inc/(Dec)
Additional State Contributions (PERS and TRS)									
	PERS			TRS			Sum of State Costs FY 2026-2039		
Total	1,779.6	2,196.3	$ 416.7	2,699.7	2,772.2	$ 72.5	10,575.6	11,507.9	$ 932.3
State-as-an-Employer Contributions (PERS/PERS DCR)									
	DB			DCR			Present Value as of July 1, 2025		
Total	4,487.9	5,591.4	$ 1,103.5	1,608.3	947.9	$ (660.4)	6,324.0	6,791.2	$ 467.3

Scenario 2A - DCR Assumptions and 100% Transfer

	Current	HB 78	Inc/(Dec)	Current	HB 78	Inc/(Dec)	Current	HB 78	Inc/(Dec)
Additional State Contributions (PERS and TRS)									
	PERS			TRS			Sum of State Costs FY 2026-2039		
Total	1,779.6	1,843.0	$ 63.4	2,699.7	2,466.5	$ (233.2)	10,575.6	10,502.4	$ (73.1)
State-as-an-Employer Contributions (PERS/PERS DCR)									
	DB			DCR			Present Value as of July 1, 2025		
Total	4,487.9	5,634.5	$ 1,146.6	1,608.3	558.4	$ (1,049.9)	6,324.0	6,199.2	$ (124.7)

Scenario 2B - DCR Assumptions and 0% Transfer

	Current	HB 78	Inc/(Dec)	Current	HB 78	Inc/(Dec)	Current	HB 78	Inc/(Dec)
Additional State Contributions (PERS and TRS)									
	PERS			TRS			Sum of State Costs FY 2026-2039		
Total	1,779.6	1,960.2	$ 180.6	2,699.7	2,599.7	$ (100.0)	10,575.6	10,828.4	$ 252.9
State-as-an-Employer Contributions (PERS/PERS DCR)									
	DB			DCR			Present Value as of July 1, 2025		
Total	4,487.9	5,326.2	$ 838.3	1,608.3	942.3	$ (666.0)	6,324.0	6,409.5	$ 85.5

Scenario 1A - DB Assumptions and 100% Transfer Summary of Results Based on 6/30/2023 Census Data ($ Millions)			
Change in State Costs	Current	HB78	Incr/(Dcr)
State as an Employer			
FY26	$ 375.9	$ 393.3	$ 17.4
FY27	$ 390.6	$ 413.1	$ 22.5
FY28	$ 395.7	$ 423.1	$ 27.4
FY29	$ 401.9	$ 431.9	$ 30.0
FY30	$ 409.1	$ 444.9	$ 35.8
FY31	$ 416.9	$ 457.3	$ 40.4
Additional State Cost			
FY26	$ 246.1	$ 252.9	$ 6.8
FY27	$ 274.6	$ 285.3	$ 10.7
FY28	$ 281.1	$ 294.5	$ 13.3
FY29	$ 288.7	$ 303.1	$ 14.4
FY30	$ 296.6	$ 316.3	$ 19.7
FY31	$ 304.8	$ 328.9	$ 24.1
Total			
FY26	$ 622.0	$ 646.2	$ 24.2
FY27	$ 665.2	$ 698.4	$ 33.2
FY28	$ 676.8	$ 717.5	$ 40.7
FY29	$ 690.6	$ 735.0	$ 44.4
FY30	$ 705.7	$ 761.2	$ 55.5
FY31	$ 721.8	$ 786.2	$ 64.5

Scenario 2A - DCR Assumptions and 100% Transfer
Summary of Results Based on 6/30/2023 Census Data
($ Millions)

Change in State Costs	Current	HB78	Incr/(Dcr)
State as an Employer			
FY26	$ 375.9	$ 359.7	$ (16.3)
FY27	$ 390.6	$ 377.2	$ (13.3)
FY28	$ 395.7	$ 385.1	$ (10.6)
FY29	$ 401.9	$ 392.1	$ (9.8)
FY30	$ 409.1	$ 404.2	$ (4.9)
FY31	$ 416.9	$ 415.8	$ (1.1)
Additional State Cost			
FY26	$ 246.1	$ 209.7	$ (36.4)
FY27	$ 274.6	$ 241.7	$ (32.9)
FY28	$ 281.1	$ 250.5	$ (30.7)
FY29	$ 288.7	$ 259.0	$ (29.7)
FY30	$ 296.6	$ 272.6	$ (24.1)
FY31	$ 304.8	$ 285.3	$ (19.6)
Total			
FY26	$ 622.0	$ 569.4	$ (52.6)
FY27	$ 665.2	$ 618.9	$ (46.3)
FY28	$ 676.8	$ 635.6	$ (41.3)
FY29	$ 690.6	$ 651.2	$ (39.4)
FY30	$ 705.7	$ 676.8	$ (29.0)
FY31	$ 721.8	$ 701.1	$ (20.7)

Economic Impact Considerations

- Lower Recruitment Costs
- Lower Training Costs
- Less Expensive to Attract New Hires
- Increased Retention of Experienced Employees
- Positive Impact of DB Pensions on Alaska's economy
- Superior DB investment returns
- Lower DB investment expenses

- *HB78 Risk Sharing Elements*

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Thank you for your time.