

Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version: HB 78
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB078-RET-PERS-4-2-2025
Title: RETIREMENT SYSTEMS; DEFINED BENEFIT
OPT.
Sponsor: FINANCE
Requester: House Finance Committee

Department: State Retirement Payments
Appropriation: PERS State Assistance
Allocation: All Other PERS
OMB Component Number: 2866

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2026 Appropriation Requested	Included in Governor's FY2026 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	6,800.0		10,700.0	13,300.0	14,400.0	19,700.0	24,100.0
Total Operating	6,800.0	0.0	10,700.0	13,300.0	14,400.0	19,700.0	24,100.0

Fund Source (Operating Only)

1004 Gen Fund (UGF)	6,800.0		10,700.0	13,300.0	14,400.0	19,700.0	24,100.0
Total	6,800.0	0.0	10,700.0	13,300.0	14,400.0	19,700.0	24,100.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2026) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? YES
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? YES
If yes, by what date are the regulations to be adopted, amended or repealed? TBD

Why this fiscal note differs from previous version/comments:

House Finance Committee-generated note incorporating analysis from the committee's contracted actuary as the initial fiscal note version.

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Date: 04/02/2025

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2025 LEGISLATIVE SESSION

BILL NO. HB 78

Analysis

This bill establishes new "tiers" with a Defined Benefit (DB) pension system for all new employees who begin service after the effective date of the bill, July 1, 2025. The tiers would impact both members of the Alaska Public Employees' Retirement System (PERS) and the Alaska Teachers' Retirement System (TRS). Pension accrual rates for years of service are comparable to the pre-2006 DB system.

Current employees who are in the Defined Contribution (DC) plans, who began service between July 1, 2006 and June 30, 2025, are able to make a one-time irrevocable election to join the new PERS or TRS DB plan with 180 days to decide. DC employees who have separated from public service, should they return to service, would also have a 180-day window to elect to convert to the new tier. The Division of Retirement and Benefits will calculate, for each eligible employee, the number of years of service that employee can purchase with the funds in their DC account. If this is less than the employee's actual years of employment, the Division of Retirement and Benefits will use existing procedures to enable employees, should they choose, to purchase the additional time.

The healthcare benefit provisions provided in the bill are unchanged from what is currently provided in the current DC healthcare plans for TRS and non-public safety PERS employees. There is a 1% increase to public safety PERS employees health reimbursement arrangement contributions.

New sub-trusts will be established for each of the new tiers' DB benefits. This is necessary to account for the financial activity of each respective PERS and TRS defined benefit pension and healthcare plan. The performance is then used to value the separate trusts in the annual actuarial valuation reports, which are used by the Alaska Retirement Management (ARM) Board to adopt future PERS and TRS contribution rates.

One feature of this bill is that both employee and employer contribution rates can be changed by the ARM Board in order to keep the trusts adequately funded and minimize the accrual of past service costs.

Gallagher/Buck is in the process of their analysis, which is estimated to take six to eight weeks from the time of the request made by House Finance Committee (sent 2/18/2025). Because this analysis will not be available for several weeks, the House Finance Committee is producing their own fiscal note with the input and assistance of the committee's own contract actuary, Gene Kalwarski of Cheiron. It is understood and expected that the committee's fiscal note will be superseded once the Gallagher/Buck analysis is complete.