State of Alaska Retirement Systems

Presentation to House Finance Committee

Potential Impact of HB 78 on Projected State Contributions FY27-FY39

April 29, 2025

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Insurance | Risk Management | Consulting

Contents

Overview of PERS and TRS Funding

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PERS and TRS Funding – Who Pays What and How Much?

- Employer Contributions:
  - PERS non-State employers contribute 22% of total payroll.
  - The State-as-an-Employer (PERS) contributes the full actuarial rate based on the total payroll of its PERS employees.
  - TRS employers contribute 12.56% of total payroll.

- Member Contributions (DB):
  - PERS Peace Officers/Firefighters (P/F) contribute 7.50%
  - PERS All Others contribute 6.75%
  - TRS members contribute 8.65%

- The DB Actuarially Determined Contribution consists of two components:
  - Normal Cost (the cost of benefits expected to accrue in the upcoming year).
  - Past Service Cost (25-year layered amortization of the unfunded liability).
  - These components are calculated separately by trust (pension and healthcare).

PERS and TRS Funding – Who Pays What and How Much? (cont'd)

- Members and employers contribute the DB Normal Costs.

- Employers also contribute the DCR costs for occupational death & disability, healthcare, DC contributions (5% PERS and 7% TRS), and 3% HRA contributions.

- A portion of the employer contribution also goes towards the DB Past Service Costs:

  = (Total Employer Contribution) - (Employer Portion of DB Normal Cost) - (DCR Costs)

- The DB Past Service Cost not paid by the employers is paid by the State as Additional State Contributions.

- The Additional State Contributions can increase due to:
  - Increases in the cost of the underlying benefits, and/or
  - Changes in the distribution of the employer contributions.

PERS and TRS Funding – Unfunded Liability

- Unfunded Liability = (Actuarial Accrued Liability) - (Actuarial Value of Assets)
  - Actuarial Accrued Liability = Present Value of future benefits attributable to service to date
  - Actuarial Value of Assets = Smoothed Market Value (market gains/losses recognized 20% per year)

- Unexpected changes in the Unfunded Liability can occur each year due to:
  - Asset experience
  - Liability experience
  - Contributions greater/less than the Actuarially Determined Contribution
  - Changes in actuarial assumptions
  - Changes in plan provisions

PERS and TRS Funding – Unfunded Liability (cont'd)

- Key elements of the funding methodology established in 2014 by Alaska Statutes:
  - Unfunded liability amortization method was changed from level dollar to level percent of pay. Under level percent of pay, the amortization amounts increase each year as payroll is expected to grow (current payroll growth rate is 2.75%). The amortization amounts start out lower under level percent of pay amortization and are higher in later years, when compared to the pattern of level dollar amortization.
  - Amortization period was reset to a closed 25-year period. Full funding of the trusts was expected by 2039.
  - Contribution rate setting process was changed to a 2-year roll-forward of liabilities and a 1-year roll-forward of assets.
  - Actuarial Value of Assets was reset to Market Value of Assets with 5-year smoothing implemented prospectively and the 20% market value corridor was eliminated.

PERS and TRS Funding – Unfunded Liability (cont’d)

- Changes adopted by the ARMB in 2018:
  - 25-year *layered* amortization was implemented.
  - While this change was made primarily to help mitigate future contribution volatility, it had the effect of extending the year by which the trusts are expected to reach 100% funding.
  - Based on the June 30, 2024 valuations, the pension trusts are projected to reach 100% funding by 2048 assuming future experience matches the valuation assumptions. The healthcare trusts are currently over 100% funded.

- The next 2 slides show key changes in the PERS/TRS pension unfunded liabilities since 2014. They are provided for informational purposes only.

PERS Sources of Pension Unfunded Liability Changes Since 2014

$ in millions

Fiscal Year	Market Value of Assets (Gain)/Loss (A)	Actuarial Value of Assets (Gain)/Loss (B)	Liability (Gain)/Loss (C)	Contribution (Gain)/Loss (D)	Assumption Changes (E)	Net Incr/(Decr) in Unfunded Liability (B)+(C)+(D)+(E)
2015	$ 405	$ 81	$ (119)	$ (835)	$ 0	$ (873)
2016	732	254	(184)	54	0	124
2017	(394)	215	(280)	52	0	(13)
2018	(18)	168	(225)	44	555	542
2019	136	182	76	40	0	298
2020	311	160	(91)	55	0	124
2021	(2,104)	(396)	(161)	(22)	0	(579)
2022	1,570	(128)	202	(50)	206	230
2023	(35)	(14)	513	(1)	0	498
2024	(168)	(75)	22	27	0	(26)
Total	**$ 435**	**$ 447**	**$ (247)**	**$ (636)**	**$ 761**	**$ 325**

TRS Sources of Pension Unfunded Liability Changes Since 2014

$ in millions

Fiscal Year	Market Value of Assets (Gain)/Loss (A)	Actuarial Value of Assets (Gain)/Loss (B)	Liability (Gain)/Loss (C)	Contribution (Gain)/Loss (D)	Assumption Changes (E)	Net Incr/(Decr) in Unfunded Liability (B)+(C)+(D)+(E)
2015	$ 220	$ 44	$ (56)	$ (1,547)	$ 0	$ (1,559)
2016	443	147	(66)	4	0	85
2017	(237)	124	(121)	(8)	0	(5)
2018	(13)	96	(125)	(3)	14	(18)
2019	82	104	8	(17)	0	95
2020	182	95	(31)	(20)	0	44
2021	(1,201)	(227)	(56)	(3)	0	(286)
2022	881	(74)	121	(29)	144	162
2023	(16)	(9)	179	16	0	186
2024	(90)	(44)	(48)	27	0	(65)
Total	**$ 251**	**$ 256**	**$ (195)**	**$ (1,580)**	**$ 158**	**$ (1,361)**

Example – FY26 Additional State Contributions (Current)

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FY26 Contribution Rates – DB

		PERS			TRS		
		Pension	Healthcare	Total	Pension	Healthcare	Total
1	Normal Cost Rate						
1a	• Total Rate	3.85%	1.97%		4.74%	2.15%	
1b	• Less Member Rate	-1.71%	0.00%		-2.53%	0.00%	
1c	• Employer Rate [1a + 1b]	2.14%	1.97%		2.21%	2.15%	
2	Past Service Cost Rate	18.63%	0.00%		21.12%	0.00%	
3	Actuarially Determined Contribution Rate [1c + 2]	20.77%	1.97%	22.74%	23.33%	2.15%	25.48%
4	**ARMB-Adopted Contribution Rate ***	**21.43%**	**0.00%**	**21.43%**	**23.68%**	**0.00%**	**23.68%**

All rates are as a % of total DB/DCR pay

* The ARMB-Adopted Contribution rate reflects (i) a zero Healthcare Normal Cost, and (ii) amortization of the unfunded liability over a single period equal to the years remaining on the closed 25-year period that was established June 30, 2014 (14 years).

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FY26 Contribution Rates – PERS DCR

$ in thousands

		PERS DCR				
		Occ D&D	Ret Med	DC	HRA	Total
1	Normal Cost Rate	0.31%	0.86%	5.00%	3.00%	
2	Past Service Cost Rate	0.00%	0.00%	n/a	n/a	
3	Total DCR Rate as % of DCR pay [1 + 2]	0.31%	0.86%	5.00%	3.00%	
4	Projected FY26 DCR pay	$ 1,955,952	$ 1,955,952	$ 1,955,952	$ 1,955,952	
5	Projected FY26 DCR amounts [3 x 4]	$ 6,063	$ 16,821	$ 97,798	$ 58,679	
6	Projected FY26 DB/DCR pay	$ 2,598,836	$ 2,598,836	$ 2,598,836	$ 2,598,836	
7	**DCR rate as % of DB/DCR pay [5 / 6]**	**0.23%**	**0.65%**	**3.76%**	**2.26%**	**6.90%**

FY26 Contribution Rates – TRS DCR

$ in thousands

		TRS DCR				
		Occ D&D	Ret Med	DC	HRA	Total
1	Normal Cost Rate	0.08%	0.74%	7.00%	3.00%	
2	Past Service Cost Rate	0.00%	0.00%	n/a	n/a	
3	Total DCR Rate as % of DCR pay [1 + 2]	0.08%	0.74%	7.00%	3.00%	
4	Projected FY26 DCR pay	$ 542,354	$ 542,354	$ 542,354	$ 542,354	
5	Projected FY26 DCR amounts [3 x 4]	$ 434	$ 4,013	$ 37,965	$ 16,271	
6	Projected FY26 DB/DCR pay	$ 767,012	$ 767,012	$ 767,012	$ 767,012	
7	**DCR rate as % of DB/DCR pay [5 / 6]**	**0.06%**	**0.52%**	**4.95%**	**2.12%**	**7.65%**

FY26 Additional State Contributions

$ in thousands

		PERS	TRS
1	DB Rate	21.43%	23.68%
2	DCR Rate	6.90%	7.65%
3	DB/DCR Rate [1 + 2]	28.33%	31.33%
4	Statutory Employer Rate*	22.00%	12.56%
5	Excess Rate		
5a	• before 1/2 year interest adjustment [3 - 4]	6.33%	18.77%
5b	• after 1/2 year interest adjustment** [5a / (1.0725^.5)]	6.11%	18.12%
6	Projected FY26 DB/DCR pay*	$ 1,306,174	$ 767,012
7	**Additional State Contribution [5b x 6]**	**$ 79,807**	**$ 138,982**

* PERS figures are for non-State employers only

** 1/2 year interest adjustment is to take into account the timing of the Additional State Contributions

Actuarial Assumptions for PERS and TRS Valuations

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Actuarial Assumptions for PERS and TRS Valuations

- Alaska Statutes require:
  - An experience study be conducted at least once every 4 years to analyze recent experience and modify the actuarial assumptions as deemed appropriate.
  - Healthcare assumptions (per capita costs and trend rates) are to be reviewed annually.

- During an experience study, *actual* plan experience during each of the prior 4 years is examined and compared to the *expected* experience based on current assumptions.
  - Actuarial Standards of Practice require the actuary to use assumptions that reflect his/her “best estimate of reasonable long-term experience” under the plan.
  - Although the assumptions are *forward-looking*, they are established in part by examining *past* experience.
  - Experience studies are heavily data-driven, but the actuary also relies on his/her professional judgment.
  - There is no single “right” answer for any assumption. Rather, there is a *range of reasonableness* from which to select each assumption.

Actuarial Assumptions for PERS and TRS Valuations (cont'd)

- The current assumptions used in the actuarial valuations were effective June 30, 2022 based on the experience study for the 4-year period July 1, 2017 though June 30, 2021.
  - Demographic assumptions (i.e., terminations, retirements, deaths) are based on actual experience of the active and inactive members of Alaska's retirement systems.

- The next experience study will cover the 4-year period July 1, 2021 to June 30, 2025. New assumptions adopted by the ARMB based on this experience study will be implemented effective with the June 30, 2026 actuarial valuations.
  - The ARMB has the authority to adopt new assumptions more frequently than every 4 years if it deems it appropriate to do so.

Actuarial Assumptions for HB 78 Fiscal Note Letter

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Actuarial Assumptions for HB 78 Fiscal Note Letter

- Our HB 78 fiscal note letter dated March 24, 2025 states that our analysis “is based on the assumptions used in the June 30, 2024 actuarial valuations, except the retirement rates used to determine the costs of HB 78 members are a blend of 75% of the DCR retirement rates and 25% of the DB retirement rates.”

- This is consistent with Sections 4 and 60 of HB 78 that state the actuarial assumptions of the HB 78 plan provisions “must be based on the most recent actuarial valuation of the plan, except that the retirement rates are computed at 25 percent of the retirement rates used in the most recent actuarial valuation of the retirement fund plus 75 percent of the retirement rates used in the most recent actuarial valuation of the [DCR] plan”.

- Our HB 78 fiscal note letter states that post-June 30, 2024 experience is assumed to match the June 30, 2024 valuation assumptions, and that adverse plan experience and/or changes to more conservative assumptions could affect the projected cost impact of HB 78. Our letter also states that it may be prudent to perform scenario testing that reflects a range of deviations of experience from the assumptions (both positive and negative) in order to provide a sense of the range of possible outcomes. Such an analysis would be outside the scope of our fiscal note letter.

Actuarial Assumptions for HB 78 Fiscal Note Letter (cont'd)

- If adopted, HB 78 is generally expected to lead to higher retention of PERS and TRS employees. The actuarial assumptions used in our HB 78 cost analysis reflect this expectation. For example, we do not believe it would be reasonable to use assumptions that are based on the experience of DCR members to value the benefits that HB 78 members would be receiving under a DB plan.

- As noted in our HB 78 fiscal note letter, we assumed the current DB "select and ultimate" termination rates would apply to HB 78 members. The DB select termination rates were established several years ago when the DB plans covered many more active members and have not been changed since. HB 78 members could end up exhibiting different patterns of termination than those predicted by the current DB termination rates. If actual termination rates of HB 78 members end up being higher than the current DB termination rates, then the projected cost impact of HB 78 would be lower than what is shown in our fiscal note letter.

HB 78 Risk-Sharing Provisions and Other Economic Considerations

HB 78 Risk-Sharing Provisions

- HB 78 provides the following risk-sharing provisions:
  - The ARMB can reduce the Postretirement Pension Adjustments (PRPAs) for HB 78 members if the funded status of the HB 78 sub-trusts falls below 90%.
  - The ARMB can increase the HB 78 member contribution rate of 8% to as much as 12% if the funded status of the HB 78 sub-trusts falls below 90%.

- As noted earlier, our HB 78 cost analysis assumes future experience matches the June 30, 2024 valuation assumptions. On this basis, the HB 78 sub-trusts are not projected to fall below 90%.

- As a result, the thresholds for implementing any of the HB 78 risk-sharing provisions would not be triggered in our analysis.

Other Economic Considerations

- Our HB 78 fiscal note letter focuses on the potential changes in costs and liabilities for the retirement systems, and how these changes could impact State contributions. The following are explicitly stated as being outside the scope of our actuarial analysis:
  - Costs/savings that may be incurred/realized by employers outside of the DB and DCR plans.
  - Lower recruitment and/or training costs.
  - Increased costs associated with potential anti-selection issues that may arise when individuals are given a choice between the DB and DCR plans.
  - Subsequent changes in asset allocation or investment strategy that might support a different investment return assumption.

- An analysis of these other economic issues should be considered in conjunction with our HB 78 fiscal note letter to fully assess the potential cost impact of HB 78.

Potential Impact of HB 78 on Projected State Contributions

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Projected State Contributions FY27-FY39

Additional State Contributions ($ in millions)

Fiscal Year	PERS			TRS			Total		
	Current	HB 78	Incr/(Decr)	Current	HB 78	Incr/(Decr)	Current	HB 78	Incr/(Decr)
2027	$ 93.0	$ 109.4	$ 16.4	$ 161.0	$ 160.7	$ (0.3)	$ 254.0	$ 270.1	$ 16.1
2028	94.2	112.0	17.8	162.9	164.7	1.8	257.1	276.7	19.6
2029	95.8	115.3	19.5	165.1	167.9	2.8	260.9	283.2	22.3
2030	98.9	119.8	20.9	168.7	172.3	3.6	267.6	292.1	24.5
2031	101.7	125.2	23.5	172.5	176.9	4.4	274.2	302.1	27.9
2032	105.1	131.0	25.9	176.6	181.7	5.1	281.7	312.7	31.0
2033	108.6	137.4	28.8	180.8	186.7	5.9	289.4	324.1	34.7
2034	112.4	143.8	31.4	185.4	191.9	6.5	297.8	335.7	37.9
2035	116.4	150.9	34.5	189.9	197.2	7.3	306.3	348.1	41.8
2036	120.2	158.2	38.0	194.9	202.7	7.8	315.1	360.9	45.8
2037	123.9	165.7	41.8	200.0	208.6	8.6	323.9	374.3	50.4
2038	127.5	173.7	46.2	205.2	214.5	9.3	332.7	388.2	55.5
2039	131.8	181.6	49.8	210.7	220.4	9.7	342.5	402.0	59.5
Total	$ 1,429.5	$ 1,824.0	$ 394.5	$ 2,373.7	$ 2,446.2	$ 72.5	$ 3,803.2	$ 4,270.2	$ 467.0

Projected State Contributions FY27-FY39

PERS State-as-an-Employer Contributions ($ in millions)

Fiscal Year	DB			DCR			Total		
	Current	HB 78	Incr/(Decr)	Current	HB 78*	Incr/(Decr)	Current	HB 78	Incr/(Decr)
2027	$ 305.0	$ 392.2	$ 87.2	$ 98.1	$ 35.4	$ (62.7)	$ 403.1	$ 427.6	$ 24.5
2028	304.0	397.6	93.6	101.7	37.2	(64.5)	405.7	434.8	29.1
2029	303.8	404.3	100.5	105.4	38.9	(66.5)	409.2	443.2	34.0
2030	305.8	412.6	106.8	109.1	40.6	(68.5)	414.9	453.2	38.3
2031	308.3	422.6	114.3	113.0	42.3	(70.7)	421.3	464.9	43.6
2032	311.8	433.1	121.3	116.9	44.0	(72.9)	428.7	477.1	48.4
2033	316.0	444.6	128.6	120.9	45.8	(75.1)	436.9	490.4	53.5
2034	321.0	456.2	135.2	124.8	47.5	(77.3)	445.8	503.7	57.9
2035	326.5	468.8	142.3	128.8	49.1	(79.7)	455.3	517.9	62.6
2036	332.9	482.2	149.3	133.2	50.8	(82.4)	466.1	533.0	66.9
2037	339.6	496.2	156.6	137.6	52.4	(85.2)	477.2	548.6	71.4
2038	346.5	510.9	164.4	142.0	54.1	(87.9)	488.5	565.0	76.5
2039	354.7	526.0	171.3	146.4	55.6	(90.8)	501.1	581.6	80.5
Total	$ 4,175.9	$ 5,847.3	$ 1,671.4	$ 1,577.9	$ 593.7	$ (984.2)	$ 5,753.8	$ 6,441.0	$ 687.2

* Actuarially Determined Contribution rate for DCR retirees plus 3% (4% for PERS P/F) HRA contributions for HB 78 members.

Why Are State Contributions Projected to Increase?

Reason #1: The underlying benefits to be provided to HB 78 members under the DB plans are more valuable than they currently receive as a member of the DCR plans, and therefore more costly.

- Members of the DCR plans currently receive the following benefits:
  - Occupational death & disability
  - Healthcare
  - Employer contributions to the member’s DC account (5% of pay for PERS DCR, 7% of pay for TRS DCR)
  - Employer contributions to the member’s HRA accounts (3% of pay)

- HB 78 members will receive the following benefits under the DB plans:
  - Lifetime pension
  - Healthcare (same as current DCR healthcare)
  - Death and disability benefits (which are more valuable than the DCR occupational death & disability benefits)
  - Postretirement Pension Adjustments (PRPAs)
  - Employer contributions to the members’ HRA accounts (4% of pay for PERS P/F, 3% of pay for PERS Others and TRS)

Why Are State Contributions Projected to Increase? (cont'd)

- The underlying healthcare benefits that HB 78 members will receive in the DB plans are the same as what they currently receive as members of the DCR plans. Because HB 78 is expected to result in higher retention of State employees over time, more employees are projected to participate in the medical plan at retirement if HB 78 is enacted. As a result, the actuarial cost of the healthcare benefits is higher as a member of the DB plan vs the DCR plan.

- The table below compares the FY30 costs of these benefits as a percentage of pay for each group. As discussed above, the HB 78 costs are higher than the DCR costs.

	Current					HB 78			
	Occ D&D	Healthcare	DC	HRA	Total	Pension*	Healthcare	HRA**	Total
PERS	0.31%	0.86%	5.00%	3.00%	9.17%	6.50%	2.12%	3.16%	11.78%
TRS	0.08%	0.66%	7.00%	3.00%	10.74%	6.59%	1.83%	3.00%	11.42%

* net of 8% member contributions
** 3% of pay except 4% for PERS P/F

- The DCR and HB 78 rates shown in the donut charts on slides 31 and 34 are these DCR and HB 78 costs converted to a total payroll basis.

Why Are State Contributions Projected to Increase? (cont'd)

Reason #2: The additional costs due to HB 78 will shift directly to the State, which will lead to higher State contributions.

- Employer contribution rates are fixed at 22% of total pay (for PERS non-State employers) and 12.56% of total pay (for TRS employers). The Actuarially Determined Contribution (ADC) rates are currently above these caps, and the excess is paid by the State via Additional State Contributions.

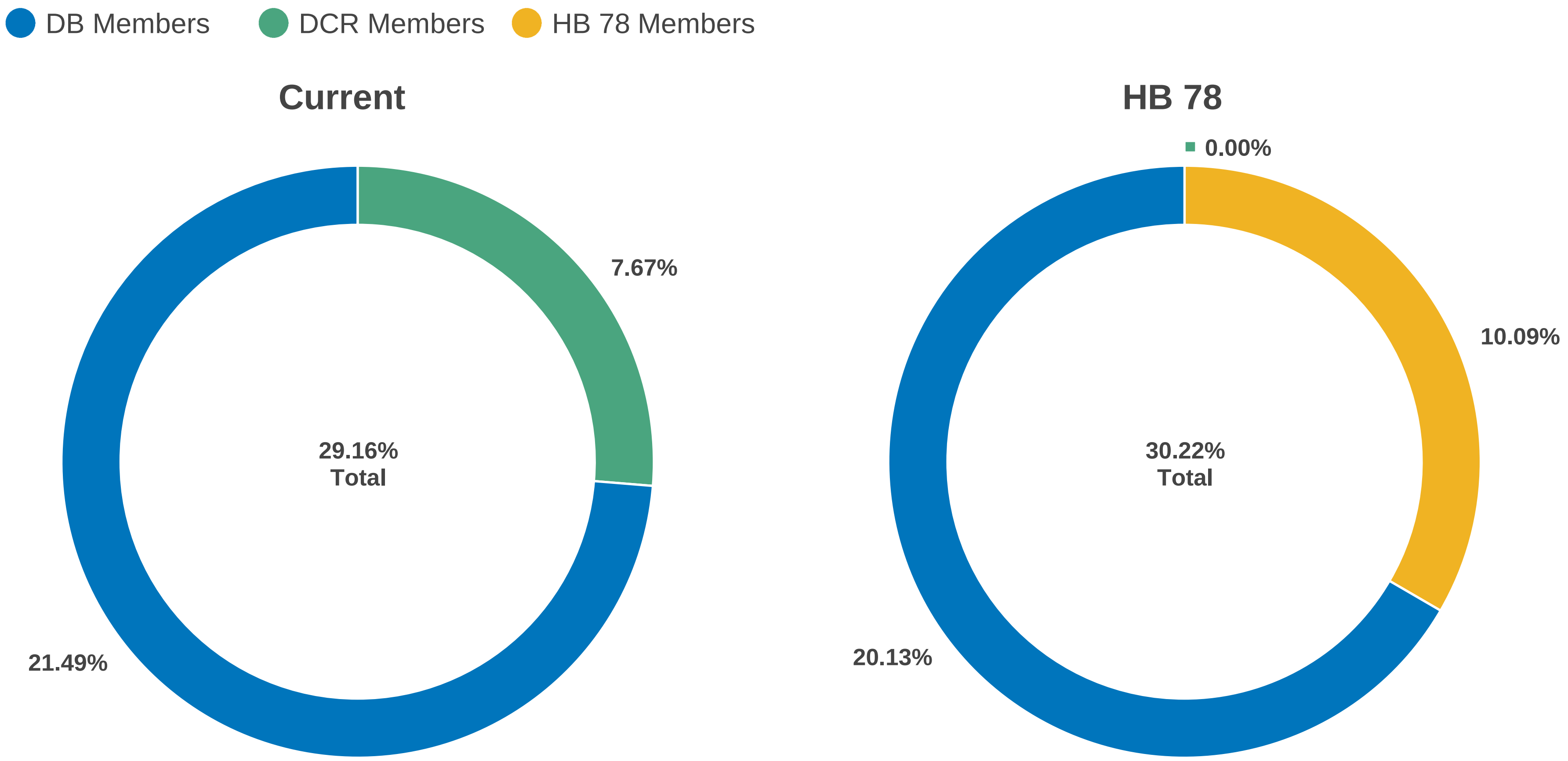
- Because the benefits to be provided to HB 78 members are expected to be more costly than they currently receive as a DCR member, the excess of the ADC rates over the employer contribution rates and the increase in projected pay due to expected higher retention of employees under HB 78 will lead to higher Additional State Contributions.

- The Additional State Contributions are also projected to increase because of the shifting of more employer contributions to the HB 78 sub-trusts compared to the DCR trusts. This means that smaller portions of the employer contributions will be applied toward the DB Past Service Costs. This decrease in DB funding will be made up by the State via higher Additional State Contributions.

- The State-as-an-Employer pays 100% of the PERS/PERS DCR ADC rate based on the payroll of its employees. The increase in the ADC rate due to the more costly HB 78 benefits and the increase in projected pay due to expected higher retention of employees under HB 78 will result in higher State-as-an-Employer contributions.

Example for FY30 State Contributions for PERS

Contribution Rates (as a % of total payroll)



The next two slides provide a detailed explanation.

Example for FY30 State Contributions for PERS

- Total FY30 payroll is projected to increase from $2,853,980,000 to $3,008,228,000 due to expected higher retention of employees under HB 78. The portion of total PERS payroll for the State's employees is 49.86% in both cases.

- Although the underlying costs for DB members do not change, the FY30 contribution rate for DB members is projected to decrease from 21.49% to 20.13%. This is due to the elimination of the rehire load and the increase in projected payroll under HB 78.

- **The FY30 State-as-an-Employer contributions are projected to increase from $414,945,000 to $453,271,000.**
  - Current: 29.16% x $2,853,980,000 x 49.86%
  - HB 78: 30.22% x $3,008,228,000 x 49.86%

- The portion of the FY30 DB contribution rate paid by non-State employers is projected to decrease from 14.33% to 11.91%
  - Current: 22% statutory rate - DCR rate of 7.67%
  - HB 78: 22% statutory rate - DCR rate of 0.00% - HB 78 rate of 10.09%

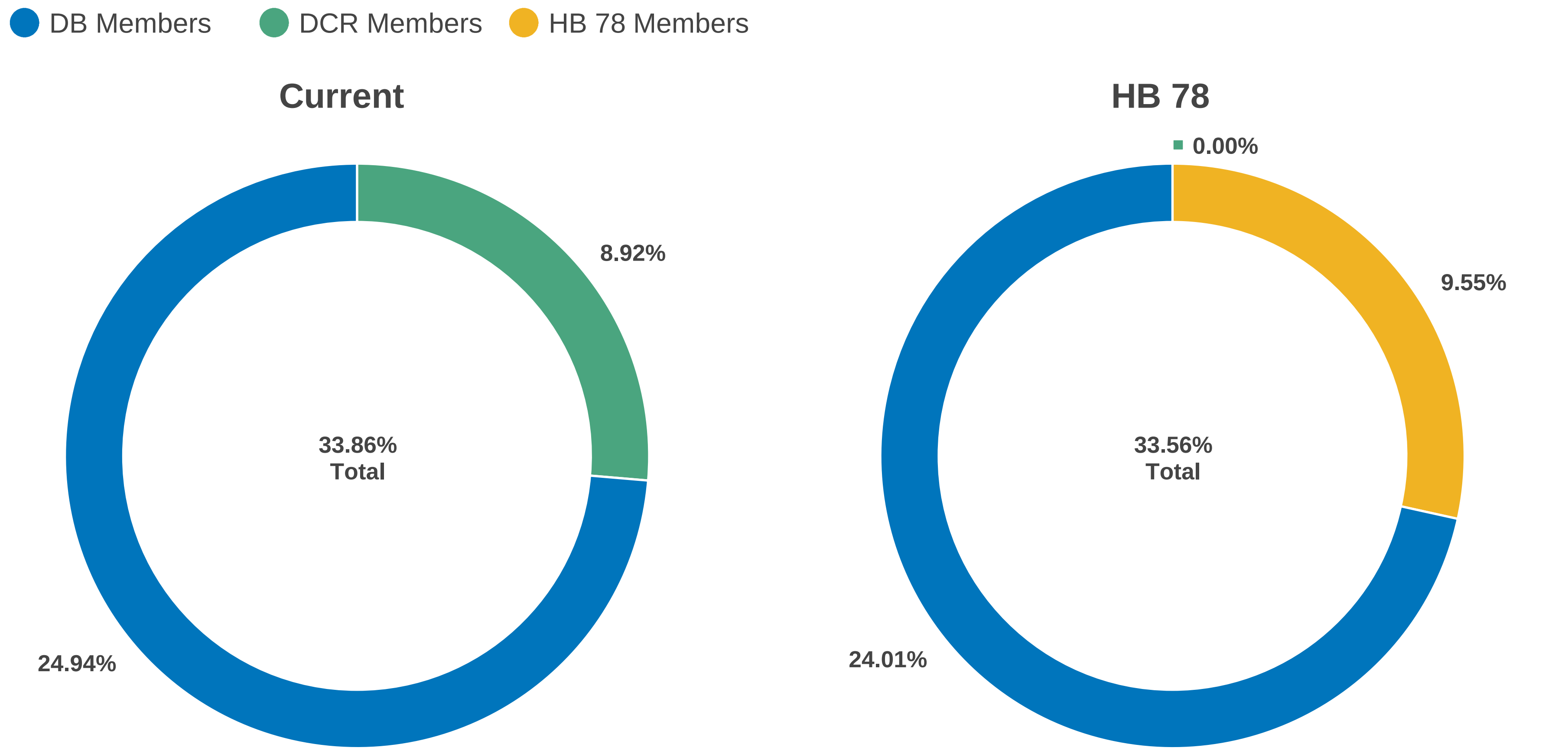
Example for FY30 State Contributions for PERS

- The FY30 Additional State Contribution rate is projected to increase from 6.91% to 7.94%.
  - Current: (DB rate of 21.49% - 14.33% paid by non-State employers) / 1.0725^.5
  - HB 78: (DB rate of 20.13% - 11.91% paid by non-State employers) / 1.0725^.5

- **The FY30 Additional State Contribution is projected to increase from $98,881,000 to $119,761,000.**
  - Current: 6.91% x $2,853,980,000 x 50.14%
  - HB 78: 7.94% x $3,008,228,000 x 50.14%

Example for FY30 State Contributions for TRS

Contribution Rates (as a % of total payroll)



The next two slides provide a detailed explanation.

Example for FY30 State Contributions for TRS

- Total FY30 payroll is projected to increase from $820,263,000 to $849,463,000 due to expected higher retention of employees under HB 78 and the small differences in DB vs DCR salary increase rates.

- Although the underlying costs for DB members do not change (other than the change in PRPA eligibility from 8 years to 5 years for current TRS DB members under age 60), the FY30 contribution rate for DB members is projected to decrease from 24.94% to 24.01%. This is due to the elimination of the rehire load and the increase in projected payroll under HB 78.

- The portion of the FY30 DB contribution rate paid by TRS employers is projected to decrease from 3.64% to 3.01%
  - Current: 12.56% statutory rate - DCR rate of 8.92%
  - HB 78: 12.56% statutory rate - DCR rate of 0.00% - HB 78 rate of 9.55%

Example for FY30 State Contributions for TRS

- The FY30 Additional State Contribution rate is projected to decrease from 20.57% to 20.28%.
  - Current: (DB rate of 24.94% - 3.64% paid by TRS employers) / 1.0725^.5
  - HB 78: (DB rate of 24.01% - 3.01% paid by TRS employers) / 1.0725^.5

- **The FY30 Additional State Contribution is projected to increase from $168,728,000 to $172,271,000.**
  - Current: 20.57% x $820,263,000
  - HB 78: 20.28% x $849,463,000

Actuarial Certification

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Actuarial Certification

The purpose of this presentation is to provide the Alaska House Finance Committee with an analysis of the potential impact of HB 78 on projected State contributions for FY27-FY39.

The results provided are for informational purposes and are not intended to be in favor nor against the proposed changes. Gallagher is not a law firm and the information in this presentation is not intended to constitute legal advice.

The data, assumptions, methods, and plan provisions used to determine the results shown in this presentation are as shown in the draft June 30, 2024 actuarial valuation reports and our HB 78 fiscal note letter dated March 24, 2025. The draft June 30, 2024 actuarial valuation reports contain disclosures required by Actuarial Standards of Practice. Those disclosures also apply to this presentation.

Our analysis includes only estimated projected State contributions as eligible members were assumed to transfer from the DCR plans to the DB plans and future hires were assumed to enter the DB plans. The scope of our analysis does not include other costs/savings that may be incurred/realized by employers outside of the DB and DCR plans (e.g., costs associated with potential anti-selection issues that may arise when individuals are presented with a choice between the DB and DCR plans, or savings in recruitment and training costs due to expected higher retention of State employees). Our analysis also does not assume any subsequent changes in asset allocation or investment strategy that might support a different investment return assumption.

Where presented, references to “funded ratio” and “unfunded actuarial accrued liability” typically are measured on an actuarial value of assets basis. It should be noted that the same measurements using market value of assets would result in different funded ratios and unfunded accrued liabilities. Moreover, the funded ratio presented is appropriate for evaluating the need and level of future contributions but makes no assessment regarding the funded status of the plan if the plan were to settle (i.e., purchase annuities) for a portion or all of its liabilities.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the actuarial assumptions, changes in assumptions, changes expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

The results were prepared under the overall direction of David Kershner, who meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. These results have been prepared in accordance with all applicable Actuarial Standards of Practice.

David Kershner
FSA, EA, MAAA, FCA
Principal, Retirement

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