

# How Pension Reform Affects Alaska's Economic Performance

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# Executive Summary



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- • Alaska's workforce is vital to economic growth.
- • Shift from DB to DC pensions increased turnover (Doonan, 2023).
- • DB pensions improve retention and service quality (NIRS, 2014).
- • Restoring DB plans can boost economic stability.

# Economic Impact of DB Plans



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- • \$3B in lost GDP due to stagnant growth (BEA, 2023).
- • Private investment thrives with strong public services (Bartik, 1991).
- • DB plans reduce turnover costs by \$76M/year (Ghilarducci, 2024).

# Alaska's Population Decline Puts Pressure On Public Workforce



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- Population shrank by 0.57% (Alaska Beacon, 2023).
- Outmigration of teachers & workers is a major factor (DeFeo et al., 2017).
- States with better pensions retain more residents (NIRS, 2014).

# Public Services & Business Growth



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- • Infrastructure, education, and safety cut business costs (Fisher, 1997).
- • Alaska lags in business formation (St. Louis Fed, 2024).
- • DB plans support service stability, boosting investment (Glaeser & Saiz, 2000).

# DB vs. DC Pension Systems



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- • DB: Predictable benefits, lower costs over time (Naff & Crum, 2000).
- • DC: Higher turnover, lower long-term savings (McWhirter, 2023).
- • DB reduces recruitment/training costs (Doonan, 2023).

# Cost-Effectiveness of DB Plans



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- • DB plans yield higher returns (Ghilarducci, 2024).
- • DB systems lower administrative costs (NIRS, 2014).
- • DB pensions reduce reliance on social services (Finan et al., 2015).

# Policy Recommendations



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- Reinstate Reformed Defined Benefit (DB) pensions for public employees.
- Adopt funding safeguards to prevent shortfalls (SB88, 2024).
- Create a *Developmental State* which **improves** public services to **attract** private investment and skilled workers.(Wright, 2024).



# Conclusion



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- • Public workforce stability is key to economic growth (Acemoglu et al., 2015).
- • DB pensions improve services, business climate, and retention (Bartik, 1991).
- • Investing in DB plans secures Alaska's economic future (Ghilarducci, 2024).