

STRENGTHENING ALASKA'S PUBLIC WORKFORCE

House Bill 78
A Shared-Risk Retirement Plan

*Presented to House Finance Committee
by Representative Chuck Kopp*

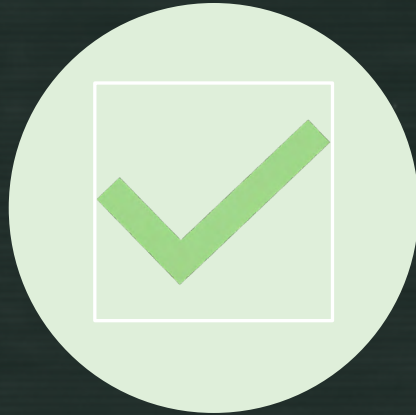
February 10, 2025

Governor Dunleavy's FY 2026 budget highlights the critical struggle of recruitment and retention in most public service agencies



DPS, DNR, OCS, DOC, DF&G, DHS, DOL, LAW, DOR,
AMHS, DOT&PF, DOH, DEC, DCCED, DEED +

How Did We Get Here?



Prior to 2002 the DB system was well funded



2002 to 2004 -
Erroneous actuarial advice by Mercer compromised the DB system



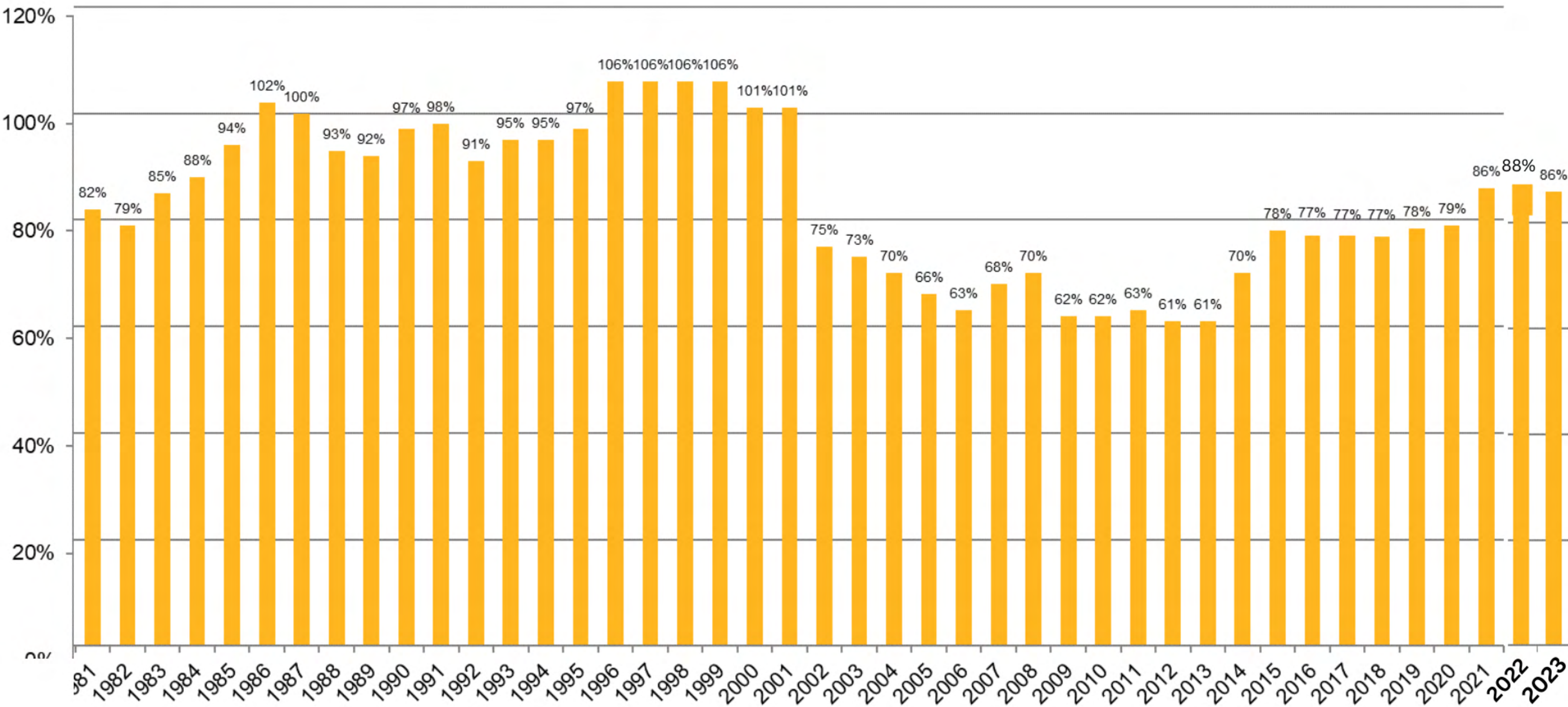
2006 - The Defined Contribution plan was implemented



2007 State of Alaska ARM Board filed suit against Mercer for covering up its malpractice, SOA prevailed

DB System Funded Ratio History

(Based on Valuation Assets - Combined)



SOURCE: State of Alaska Public Employees' Retirement System

Department of Revenue
Treasury Investment Result Summary
Alaska Retirement Management Board Fund Returns (09/30/2024)

- **9.1% Overall Return** for Calendar Year 2024 – exceeded benchmarks
- State of Alaska DB Retirement system has **performed in the top third** of peer public pensions
- Resulted in **\$2b in excess returns** over the past ten years
- Total nominal **gains for 2024 were \$2.7b**

Past service cost is WELL FUNDED!

*“Collectively on **PERS** its about 86% funded and on the **TRS** it is about 92% funded, so the rating agencies look at that positively.*

SOA Debt Manager Fadil Limani

Monday, February 5, 2024

House Finance Committee

“State of Alaska: Credit Rating Outlook and Debt Summary”



Recruitment and Retention Crisis is *“The Cost of Doing Nothing”*

ALASKA RETIREMENT MANAGEMENT BOARD

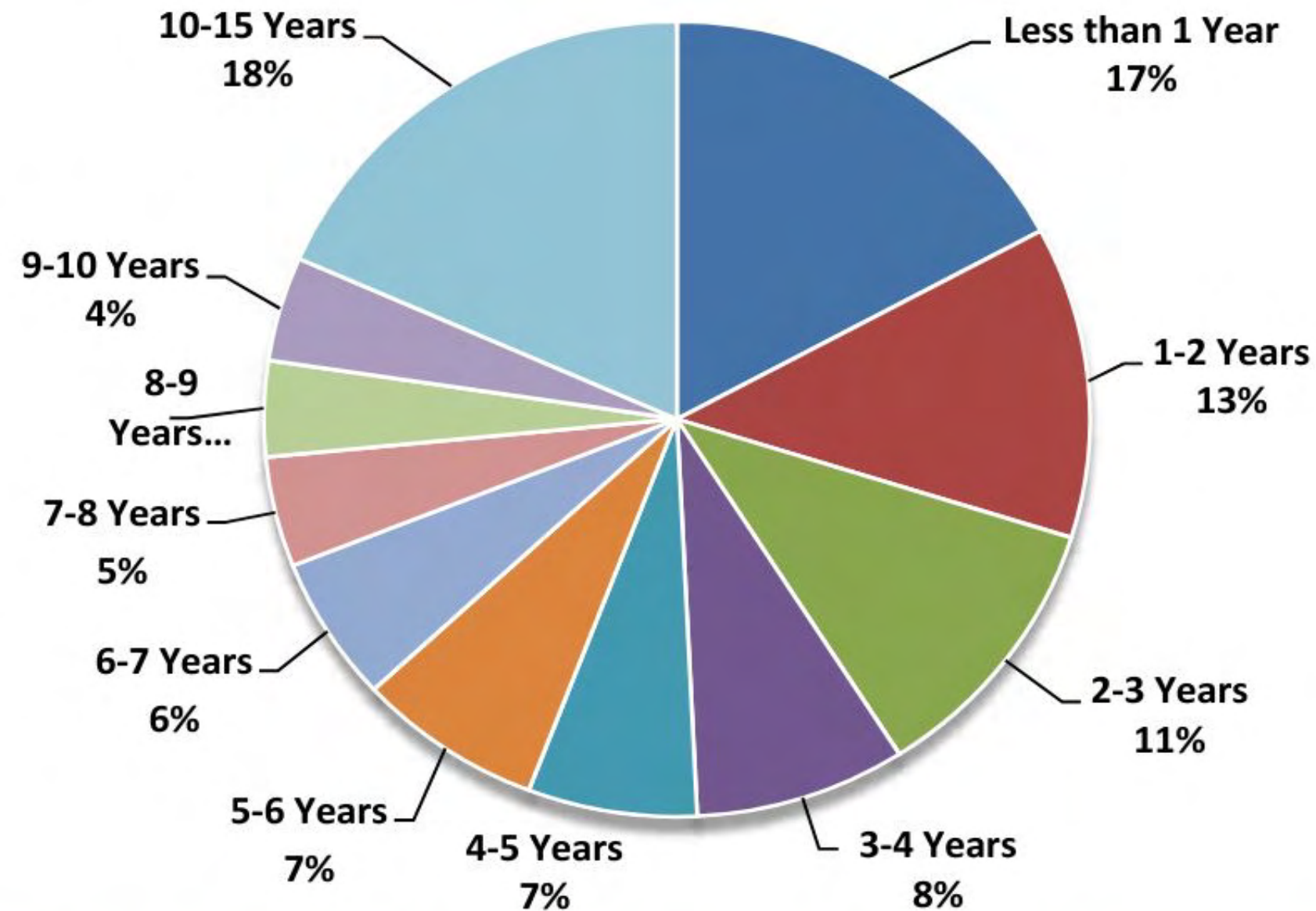
*Report for the **twelve months** ending June 20, 2023*

- TOTAL **DC** PERS AND TRS WITHDRAWALS exceeded **\$145 million**
- TOTAL **DC** PERS AND TRS WITHDRAWALS including the Supplemental Annuity and the Deferred Compensation Plan was nearly **\$500 million**
- **90%** of these withdrawals came after 5 years of service or **100%** vested

ALASKA WORKFORCE PROFILE 2024

Tier 4 began July 1, 2006

Percentage of Tier 4 Employees by Years of State Service



Executive Branch Employees: Classified (Permanent, Probationary, and Provisional), Partially Exempt, and Exempt

STATEWIDE HEADLINES

LAWLESS

Alaska's Law Enforcement Crisis Is a Public Emergency. Here's How Experts Want to Fix It.

More than a third of Alaska communities have no local police of any kind. Cities hired as cops in some remote villages. A 6-foot-tall man in a black t-shirt and

EDUCATION

Visa program draws foreign teachers to a rural Alaska school district facing a staffing crisis

MAY 24, 2024 · 5:00 AM ET

By Emily Schwing, KYUK

FROM **KYUK!**

Kodiak police shift away from 24/7 patrols due to staff shortages

Alaska Public Media | By **Davis Hovey**, KMXT - Kodiak
Published May 17, 2024 at 3:27 PM AKDT

KTOO

News

Shows & Podcasts

Radio

TV

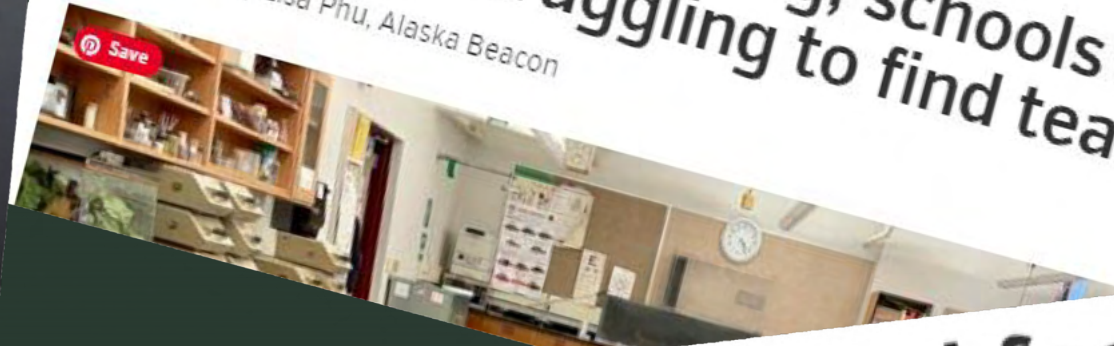
About

Support

Q

Weeks from restarting, schools across Alaska are struggling to find teachers

July 21, 2022 by Lisa Phu, Alaska Beacon



Alaska's unprecedented food stamp backlog is taking a harsh toll on rural communities

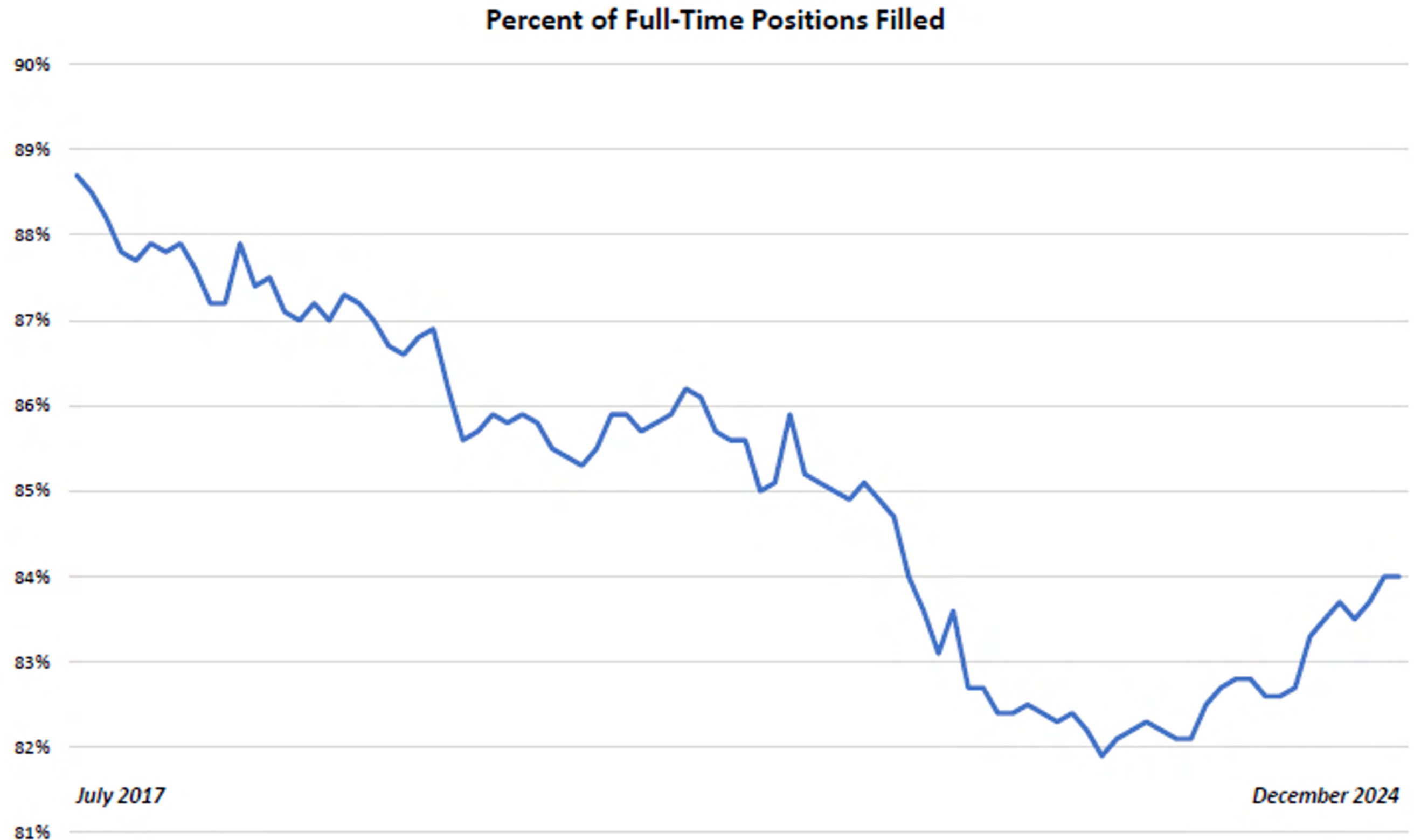
March 2, 2023 by Annie Berman, Anchorage Daily News

“We’re sending Troopers to domestic violence by themselves. Bad things happen. Either we end up hurting the person... or a Trooper gets assaulted and gets hurt. I mean this is ridiculous, really, when you think about it.”

DPS Commissioner James Cockrell, Joint House and Senate State Affairs, February 7, 2023

Vacancy Rates

% Vacant Positions	December 2024
DOA	13.7%
DCCED	20.6%
DOC	12.2%
DEED	13.4%
DEC	8.0%
DFCS	16.2%
DFG	15.5%
Gov	29.7%
DOH	19.0%
DOL&WD	21.4%
Law	18.4%
DMVA	13.3%
DNR	19.7%
DPS	17.2%
DOR	14.7%
DOT&PF	15.1%
Total	16.0%



DO WE WANT ALASKA TO BE COMPETITIVE AGAIN?



A PROPOSED SOLUTION

HOUSE BILL 78

- A **NEW** Competitive and **Responsible** Retirement Plan
- **Shared Risk** with safeguards to prevent underfunding
- A **strategic investment** in Alaska's workforce

HOUSE BILL 78

STRUCTURAL FEATURES

- Builds on **best practices** of other states
- **Shares risk** between employees, employers, and retirees
- Ensures system will **remain solvent**

HB 78 Structure

EMPLOYEE CONTRIBUTION

PERS & TRS

8-12% adjustable by ARM Board based on **90%** trust fund valuation

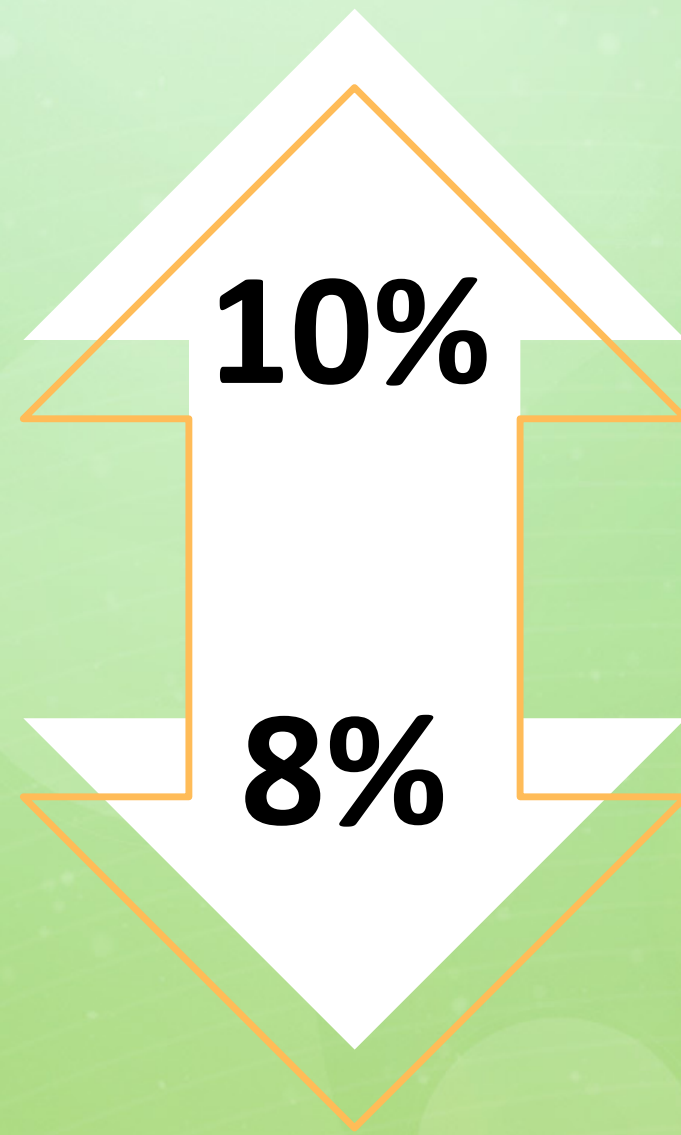
Employees share the risk contributing more during poor market returns

(PERS: Sec. 62, p.37-38; TRS: Sec. 8, p.7-8)

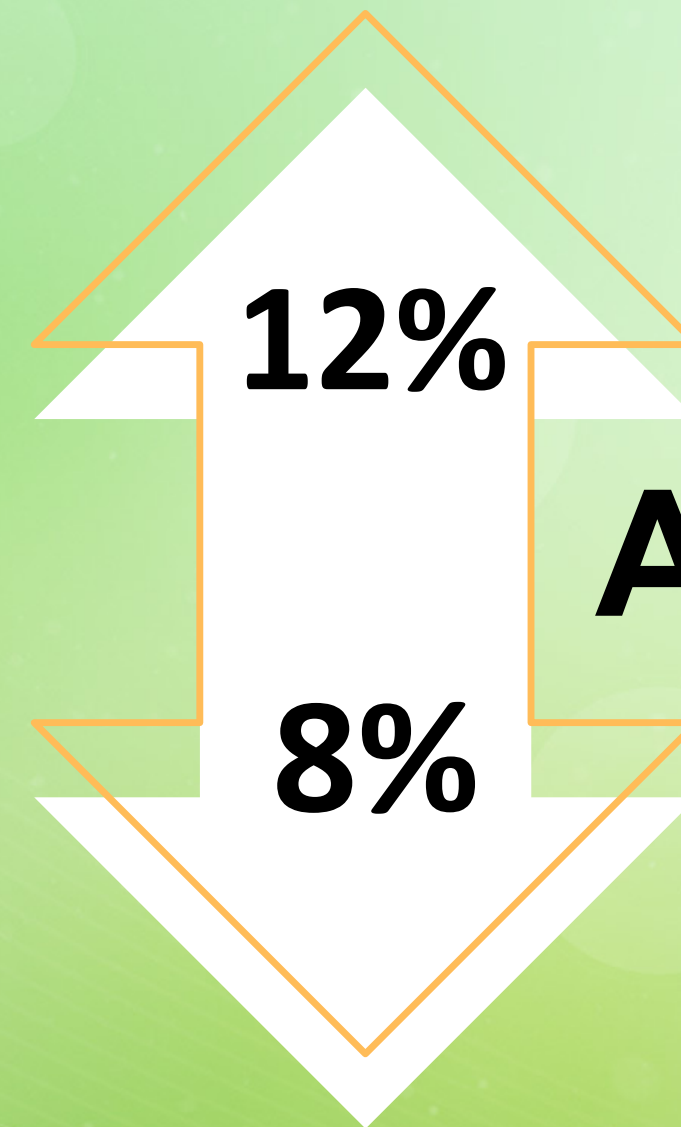
HB 78 Structure

EMPLOYEE CONTRIBUTION

States that use a Variable Employee Contribution Rate



Idaho
Iowa
Maine
Montana
Nevada
Wisconsin
Arizona



Alaska

HB 78 Structure

PERS

EMPLOYER CONTRIBUTION

12-22% (or full actuarially determined cost)

TRS

12-12.56% (or full actuarially determined cost)

PERS & TRS

State maintains existing liability toward past service cost above the 22%

When **Employee contribution** rate rises or is reduced,
Employer contribution is synced by an equivalent total sum

(PERS: Sec. 62, p.37-38; Sec. 67, p.39-40; TRS: Sec. 8, p.7-8; Sec. 10, p.9)

HB 78 Structure

Vesting

5 years for **PERS** and **TRS**

PERS consistent with prior DB Tier 3

Aligns PERS and TRS

PERS: Sec. 71, p.40-41;

TRS: Sec. 17, p.11-12; Sec. 28, p.19

HB 78 Structure

Qualification for Retirement

- **TRS & PERS (non-public safety)**

Age 60 w/5 years of service

or

30 years of service

- **PERS Public Safety**

Age 50 w/25 years of service

or

Age 55 w/20 years of service

PERS: Sec. 73, p. 41-42; **TRS:** Sec. 17, p.11-12

Retirees

“Skin in the Game”

HB 78 Structure

COST OF LIVING ALLOWANCE (COLA)

PERS and TRS

NO COLA is provided for new PERS or TRS
Defined Benefit (DB) plans

Keeps the **plan solvent**

(PERS: Sec. 77, p. 42; TRS: Sec. 20, p. 13)

POST RETIREMENT PENSION ADJUSTMENTS (PRPA) *aka Inflation Protection*

- **ARM Board may provide or withhold PRPA to retirees if Defined Benefit (DB) Trust Fund valuation drops below 90%**
- **This keeps the plan solvent regardless of funding level**

(PERS: Sec 75, p. 42; Sec. p. 42; TRS: Sec. 21, p.13-14; Sec. 22, p. 14; Sec. 23, p. 14)

POST RETIREMENT PENSION ADJUSTMENTS (PRPA)

Inflation Protection

States with PRPA contingent on fund performance

Louisiana 74%

Maryland 77%

Nebraska 90%

South Dakota 101%

Wisconsin 98%

In Depth: Risk Sharing In Public Retirement Plans, National Association of State Retirement Administrators

HB 78 Structure

PERS & TRS

RETIREMENT MEDICAL COVERAGE

- Coverage is consistent with **PERS Tier IV and TRS Tier III** Defined Contributions (DC) Plans for all employees
- Employer of **Public Employees & Teachers** contribute **3%** to employee Health Reimbursement Arrangement (HRA)
- Employer of **Public Safety Employees** contribute **4%** to employee HRA
- **HRA can be used** for any qualifying medical need or premium expenses
- Keeps the **plan solvent**

(PERS: Sec. 81, p.44-47; TRS: Sec. 25, p.15-18; PERS & TRS: Sec. 43, p.28-29; Sec. 45, p.29; Sec. 46, p.29)

HB 78 Structure

Current DC Employee Choice

TRS Tier III & PERS IV (hired after June 30, 2006)
Have 180 days to opt-in the DB plan

PERS & TRS: Sec. 94, p.50-51 (Uncodified Law)

New Employees

New employees will be enrolled in DB plan

PERS: Sec.57, p.32; TRS: Sec. 1, p.1; Sec. 2, p.1-2.

Alaskans overwhelmingly say...

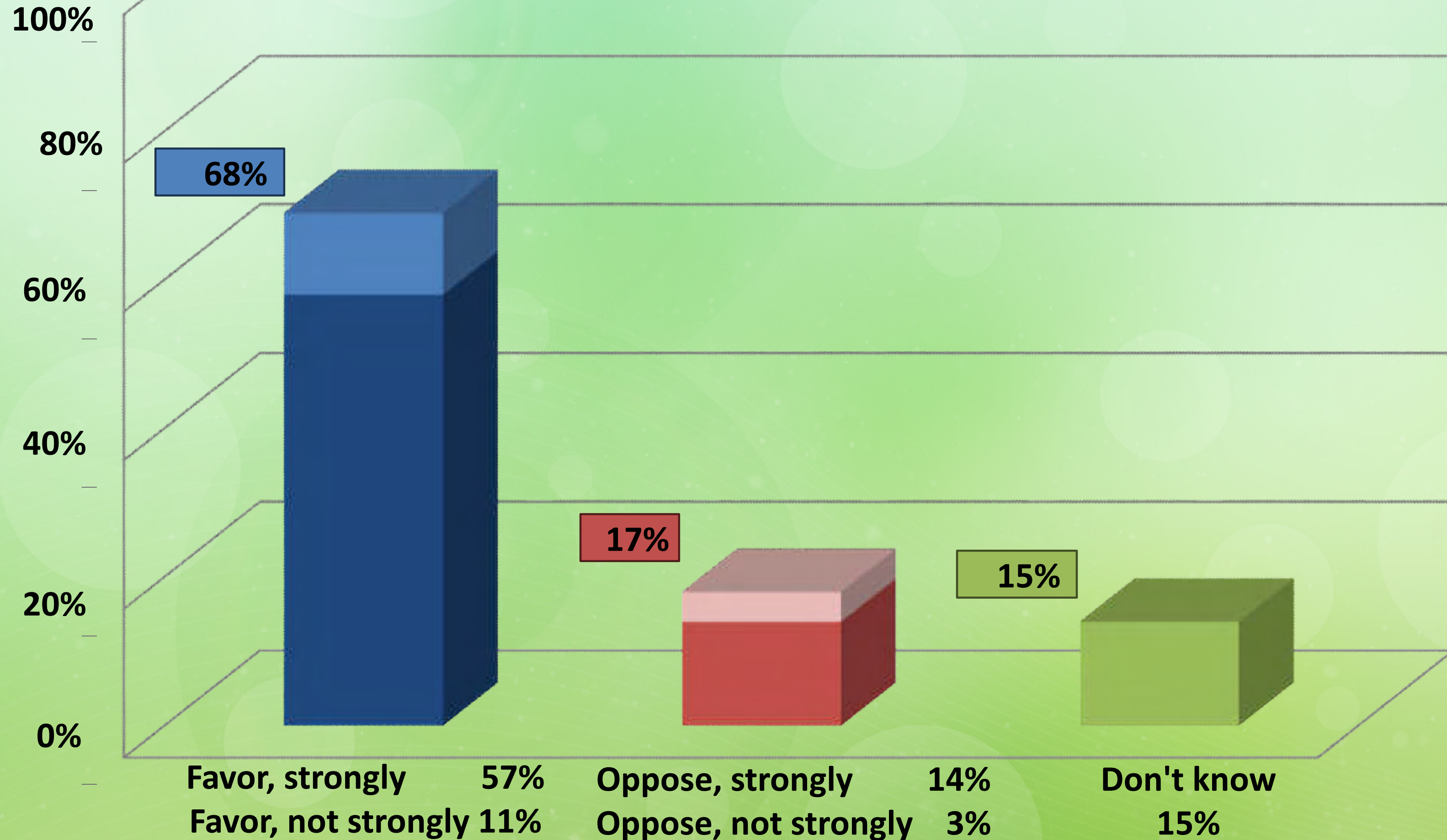
YES!



Patinkin Research Surveys
(Public Survey, NOV 2023)

State of Alaska DPS
(Public Safety Survey, MAR 2024)

Nearly Seven-in-10 Back Pension Reform After a Brief Explanation of the Plan



The proposal garners majorities in every region of the state



	Favor	Oppose	Undecided	Favor Margin
Union HHs	83%	8%	9%	+75
Non-union HHs	64%	20%	16%	+44
Interior	76%	3%	21%	+73
Kenai	78%	13%	9%	+65
Southeast	68%	19%	12%	+49
Anchorage	67%	18%	15%	+49
Fairbanks	64%	22%	14%	+42
Mat-Su	60%	21%	20%	+39
TOTAL	68%	17%	15%	+51



DPS Survey Respondents

Current Retirement Tiers

Defined
Benefits



Defined
Contributions



No
Response



Defined Benefits (Tier I, II, III) 96.69%

3.31%

Defined Contribution (Tier IV) 75.73%

22.98%

1.29%

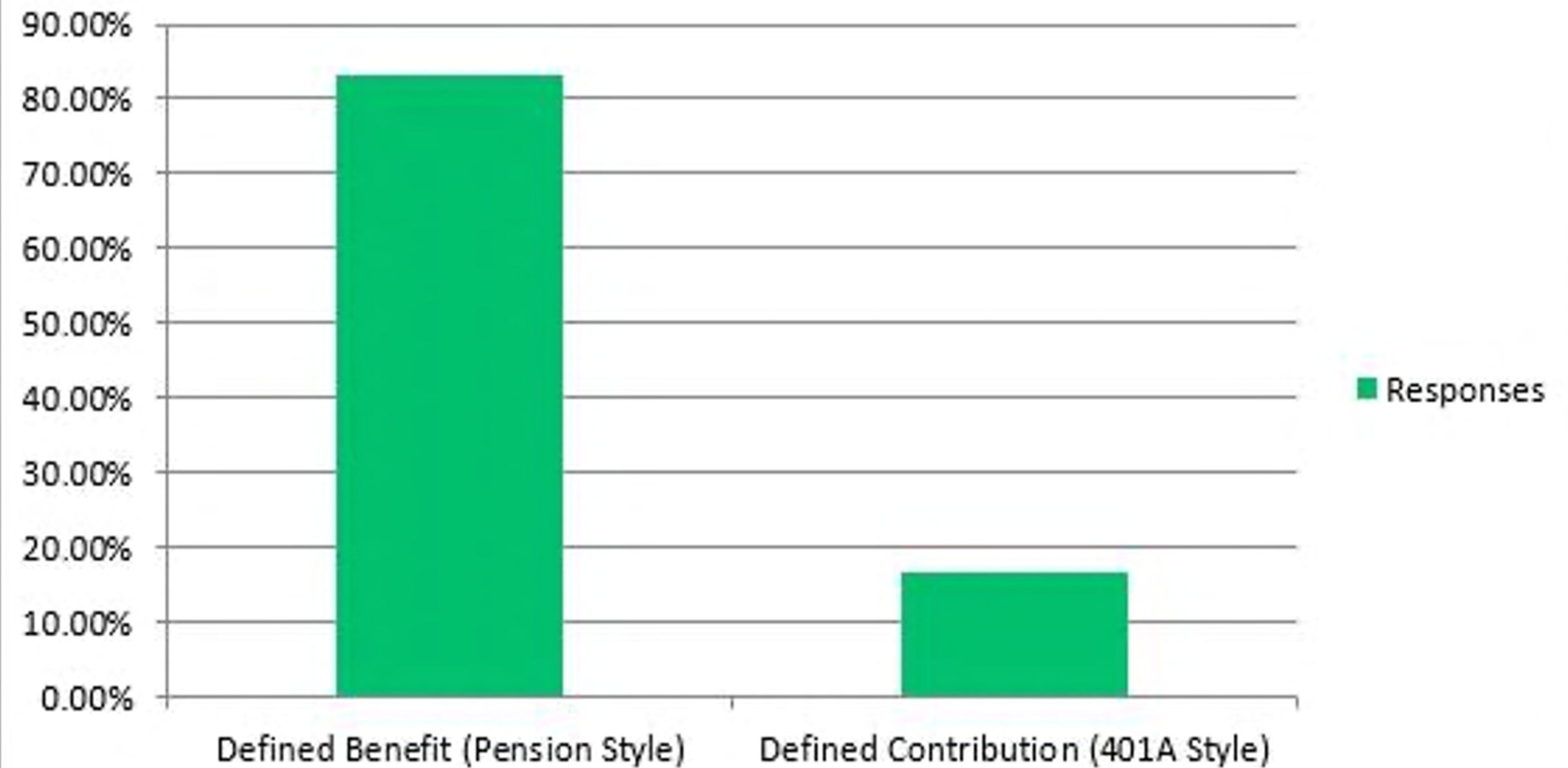


458 Public Safety
Employees
participated

82.61%
of respondents
want a **Defined**
Benefits Pension

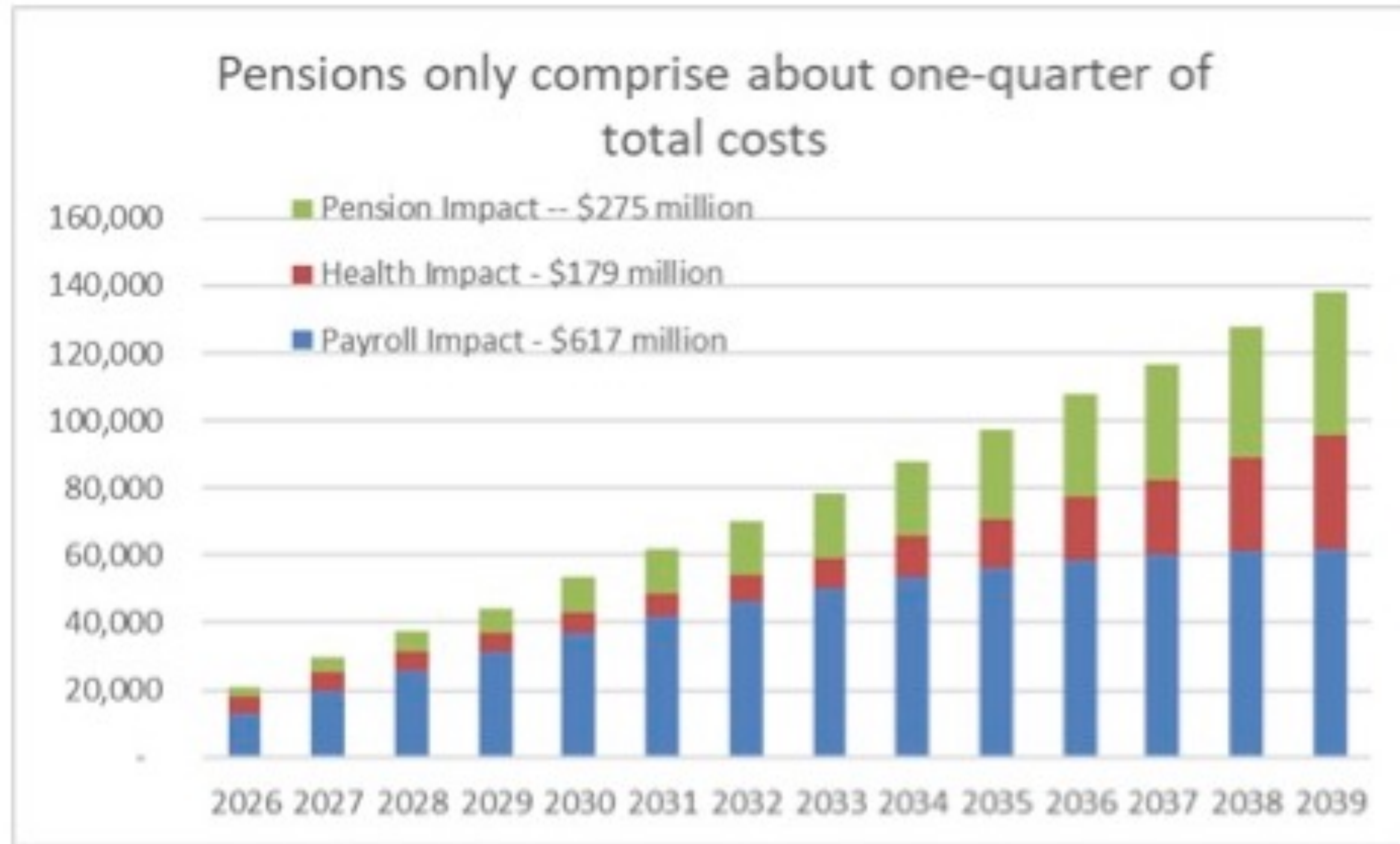
DPS Retirement Survey

Which style of retirement system do you prefer?



Investing in Alaska's Economy

Total Cost Through 2039*



**Pension
Impact
25%**

**Health
Impact
16%**

**Payroll
Impact
56%**

***2039 Projected Date
of Past Service Debt
to be satisfied**

Credit: Pension Trust Advisors
Flick Fornia, April 1, 2024

The Economic Benefits of HB78

- **\$76 million** per year **savings** reported by Economist, Dr. Teresa Ghilarducci to the Senate Finance Committee
- **Recruitment and Retention** will improve, **saving in training costs and lost workforce hours**
- **Restores** Alaska's ability to provide **critically needed services** to all Alaskans.

Source: <https://bit.ly/AKGhilarduccireport>

HB 78

A **NEW** Competitive and Responsible Retirement Plan

The current retirement system has contributed to today's **HIGH** turnover, disrupting essential **public services**

HB 78 will lower recruitment and training costs while preserving service quality

HB 78 is a strategic investment in Alaska's workforce, economy, and future



THANK YOU

Representative Chuck Kopp

*February 10, 2025
House Finance Committee*

