

STRENGTHENING ALASKA'S PUBLIC WORKFORCE

House Bill 78

A Shared-Risk Retirement Plan

*Presented by Rep. Chuck Kopp
for the House Finance Committee*

*Senate Finance Committee
February 9, 2026*

Governor Dunleavy's FY 2027 budget highlights the critical struggle of recruitment and retention in most public service agencies



“The State of Alaska has had a really hard time hiring and retaining...It has gotten progressively worse...we used to have around 30-35 findings in a single audit, now we have 80-90 right now.”

–Kris Curtis, State Auditor (LB&A, Nov. 2025 meeting)

Legacy Defined Benefit PERS & TRS 2025 Valuations

- **2025 LEGACY DB FUNDING RATIO**
 - **TRS - 80%**
 - **PERS - 70%**
- **ARM Board is committed to paying off the LEGACY DB past service cost by 2039**
- **The assets had a 10.1% actual return for FY25 exceeding the benchmark of 7.25% assumed return**

Gallagher 2025 Valuation Results to ARMB (Dec. 2025)

- **Total nominal gains for calendar year 2025 were approximately \$4.4 billion**

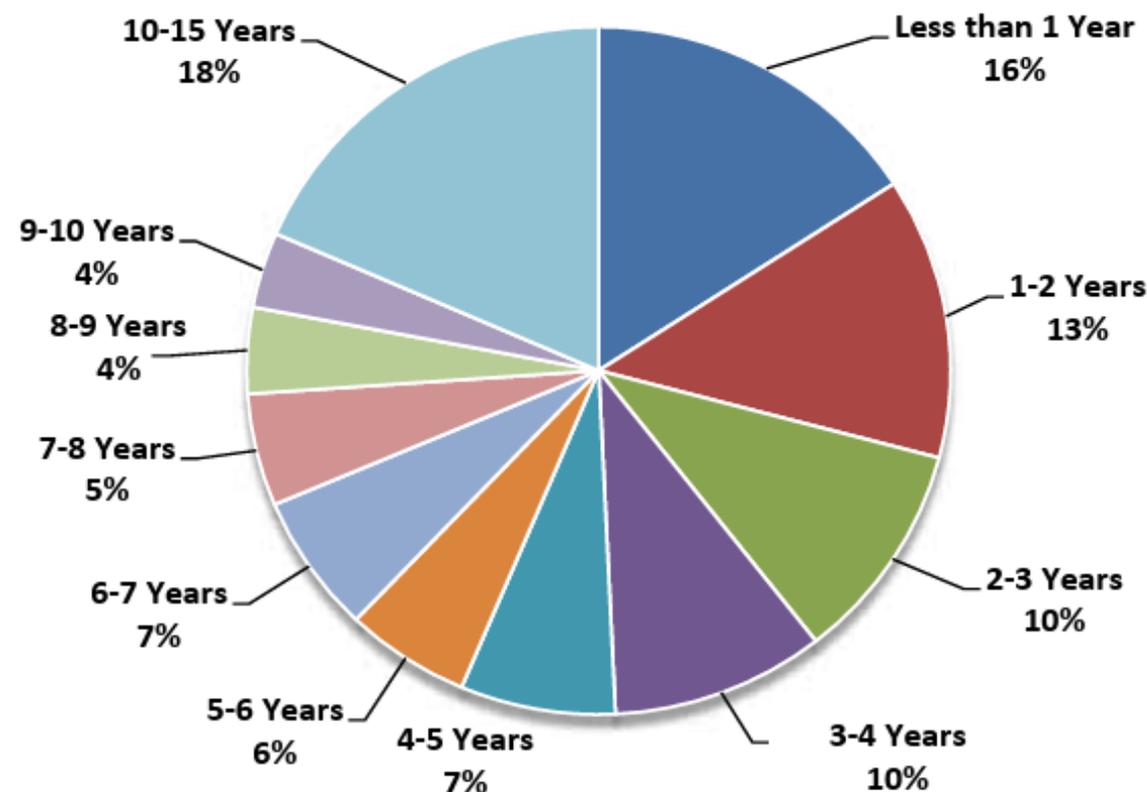
Dept. of Revenue Investment Updated to HFIN (Jan. 2026)

CURRENT DEFINED CONTRIBUTION ACTIVITY

DRB PERS & TRS Comprehensive Financial Reports for June 30, 2025

- **TOTAL DC PERS AND TRS WITHDRAWALS exceeded \$160 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**

PERCENTAGE OF TIER 4 EMPLOYEES BY YEARS OF STATE SERVICE



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

RETIREMENT SYSTEM MEMBERSHIP

(as of June 30, 2025)

	PERS					TRS				Total	%
Employers	151					57					
Defined Benefit (DB) Plans	Tier I	Tier II	Tier III	Total		Tier I	Tier II	Total			
Actives	336	1,322	5,521	7,179	DB: 20%	49	2,124	2,173	DB: 25%	9,352	DB: 21%
Inactive – Vested	167	1,071	2,916	4,154	DB: 56%	14	559	573	DB: 29%	4,727	DB: 51%
Retired	20,571	10,082	6,796	37,449	DB: 99%	9,215	4,501	13,716	DB: 99%	51,165	DB: 99%
TOTAL	21,074	12,475	15,233	48,782		9,278	7,184	16,462		65,244	
Defined Contribution (DC) Plans											
Actives	28,616				DC: 80%	6,528			DC: 75%	35,144	DC: 79%
Inactive - Vested	3,205				DC: 44%	1,378			DC: 71%	4,583	DC: 49%
Retired	412				DC: 1%	88			DC: 1%	500	DC: 1%
TOTAL	32,233					7,994				40,227	
GRAND TOTAL	81,015					24,456				105,471	

DRB's PERS & TRS Funding Status (HFIN meeting, Feb. 3, 2026)

HOUSE BILL 78

A **NEW** Competitive and Responsible Retirement Plan

- **HB 78** will lower recruitment and **training costs** while **preserving** service quality
- **Shares Risks** with Safeguards
- Built on **Best Practices** of other States
- **HB 78** is a strategic investment **in Alaska's** workforce, economy, and future.

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

(SECTIONS 8 & 63)

HB 78 Structure

EMPLOYEE CONTRIBUTION

States that use a **Variable** Employee Contribution Rate



- Idaho
- Iowa
- Maine
- Montana
- Nevada
- Wisconsin
- Arizona



Alaska

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

HB 78 Structure

EMPLOYER CONTRIBUTION

PERS

12-22%

TRS

12-12.56%

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

(SECTIONS 8, 10, 63, & 68)

HB 78 Structure

Vesting

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

PERS consistent with **prior DB Tier 3**

Aligns **PERS** and **TRS**

(SECTIONS 17, 28, & 73)

Qualification for Retirement

TRS & PERS (non-public safety)

Age **60 with 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

(SECTIONS 17 & 74)

BENEFIT CALCULATION

PERS (public safety)

2.0% first 10 years

2.5% thereafter

TRS & PERS (non-public safety)

2.0% first 10 years

2.25% next 10 years

2.5% thereafter

(SECTIONS 19)

HB 78 Structure

FINAL AVERAGE SALARY

PERS

Highest 5 consecutive years of service

TRS

Highest 5 non-consecutive (contract) years of service

(SECTIONS 26 & 84)

HB 78 Structure

Retirees “Skin in the Game”

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

Keeps the **plan solvent**

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

- **ARM Board** may **provide or withhold PRPA** to retirees if **DB Trust Fund valuation drops below 90%**
- **Adjusts with the market, reduces risk**
- **Keeps the plan solvent** regardless of funding level

(SECTIONS 21-23, 76, & 78)

States with PRPA contingent on fund performance
Nebraska 101% • South Dakota 100% • Wisconsin 102%

HB 78 Structure

RETIREMENT MEDICAL COVERAGE

- Coverage is consistent with DC Plans
- Employees no longer must retire directly from the plan
- Reduced years of service for healthcare eligibility
 - PERS & TRS: 30 years to 25 years*
 - PUBLIC SAFETY: 25 years to 20 years*
- Employer of Public Employees & Teachers contribute 3% to Health Reimbursement Arrangement (HRA)
- Employer of Public Safety Employees contribute 4% to HRA
- (SECTIONS 25, 44, 46, 76, & 82)

HB 78 Structure

Current DC Employee Choice

TRS Tier III & PERS IV (*hired after June 30, 2006*)

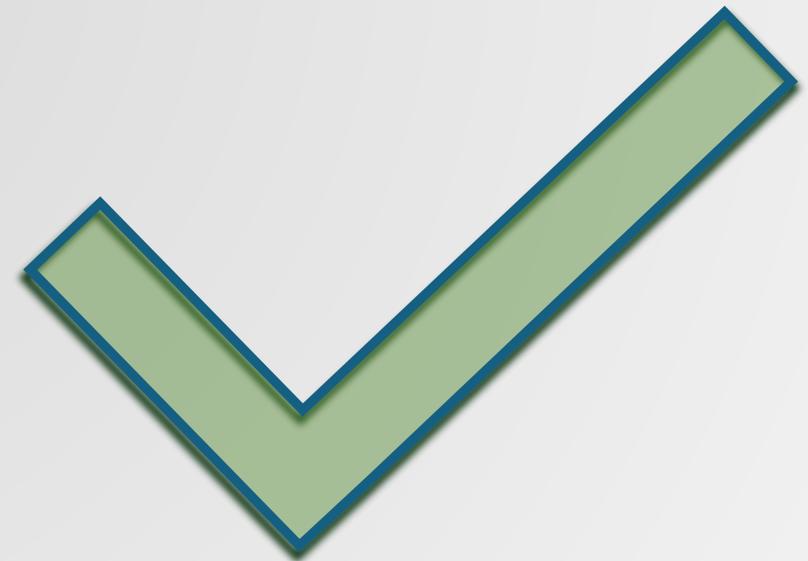
Have 180 days to opt-in the DB plan

New Employees

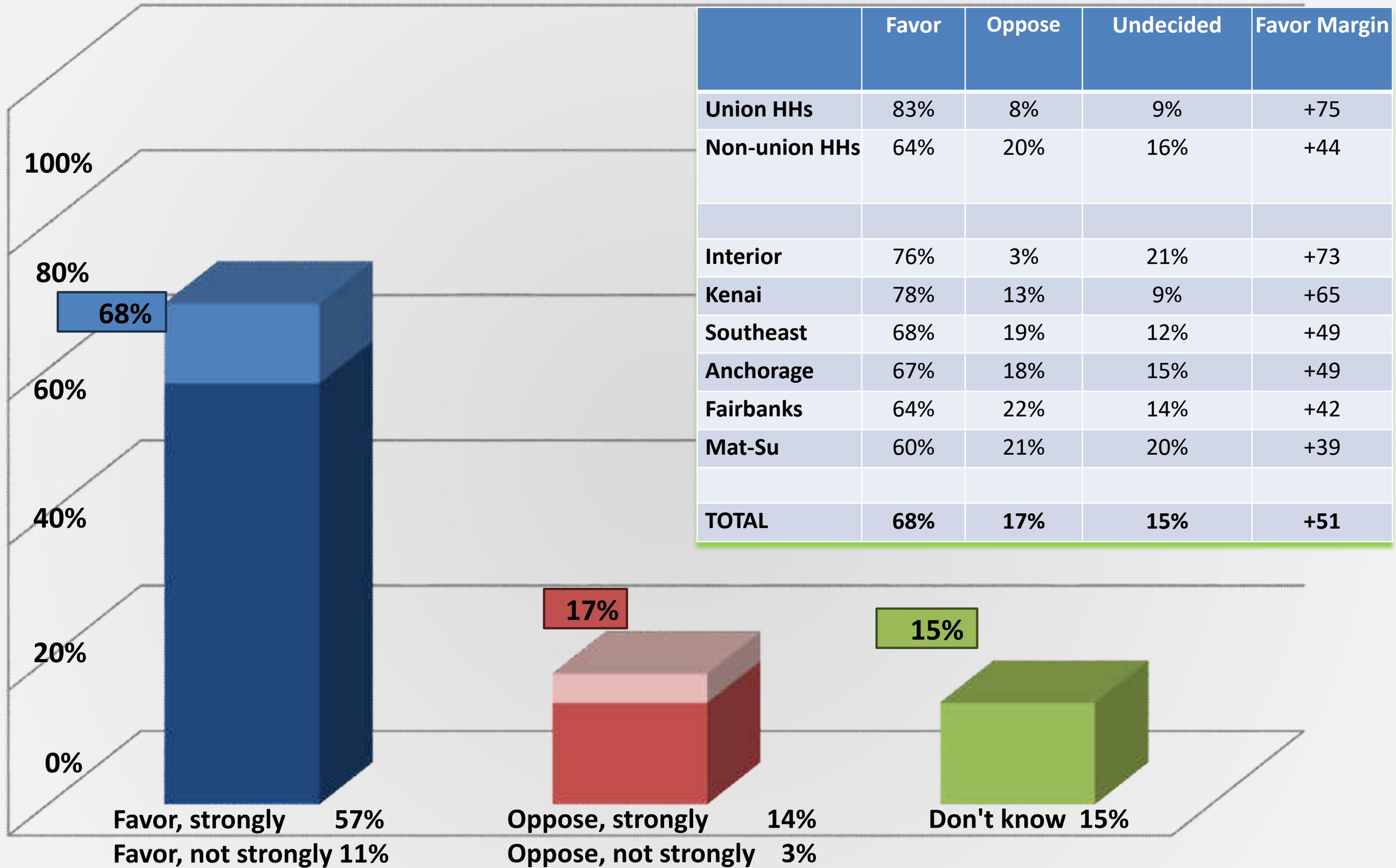
New employees will be enrolled in DB plan

(SECTIONS 1, 2, 59, & 96)

When Surveyed....
Alaskans overwhelmingly say...
YES!



Nearly Seven-in-10 Alaskans Back Pension Reform



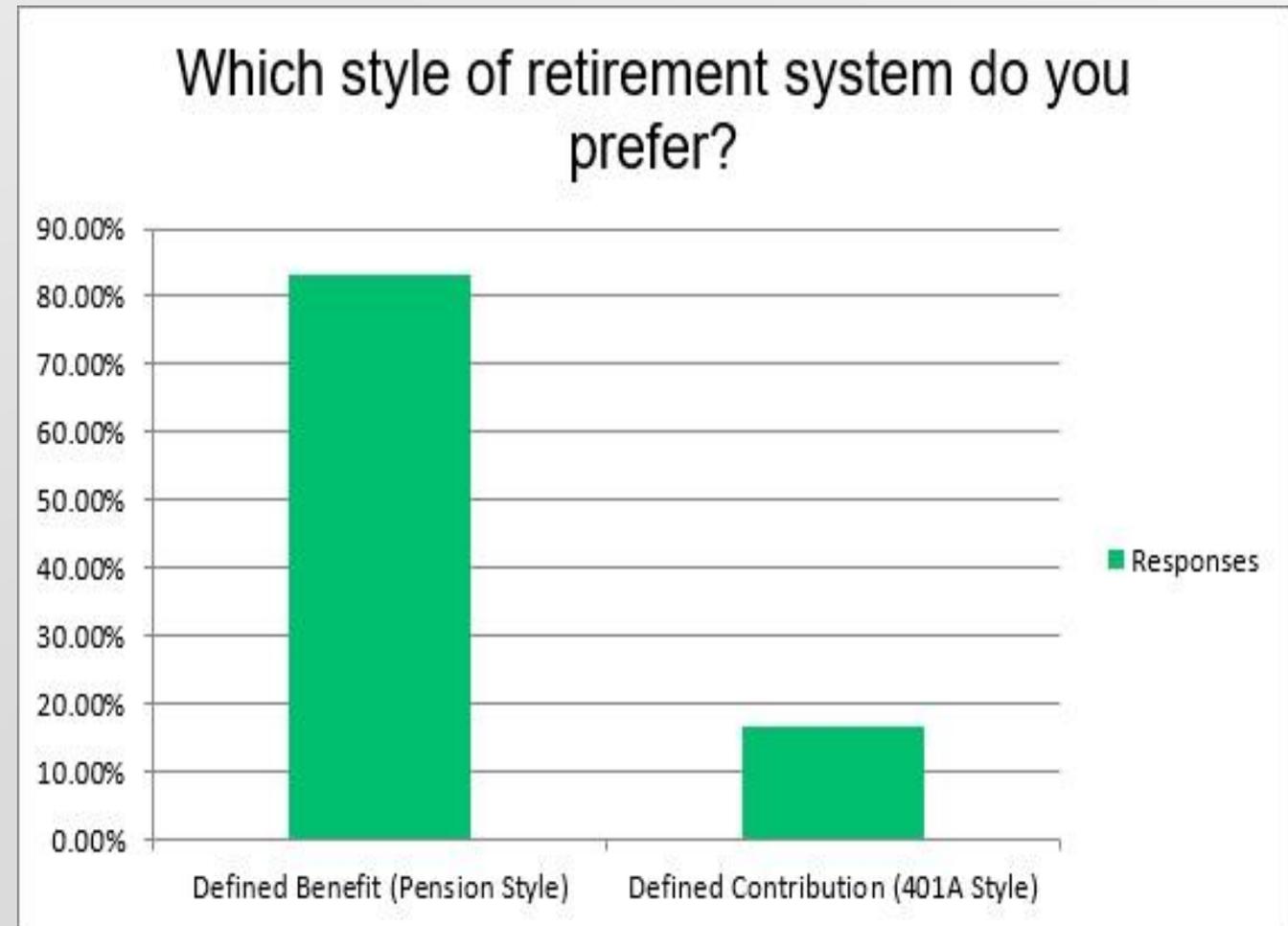
Source: Patinkin Research Surveys
(Public Survey, Nov 2023)

DPS Internal Retirement Survey – March 2024



458 Public Safety Employees participated

82.61% of respondents said YES to a Defined Benefits Retirement



SURVEY PARTICIPANTS



Defined Benefits (Tier I, II, III)

Defined Contribution (Tier IV)

Defined Benefits



96.69%

75.73%

Defined Contributions



3.31%

22.98%

No Response



1.29%

THE COST OF DOING NOTHING

Premium Pay in Alaska, FY 20 - FY 26									
Department	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26 YTD	FY 26 Budgeted	Total
Administration	\$879,332	\$634,770	\$1,137,586	\$1,610,482	\$1,551,127	\$1,890,252	\$2,059,159	\$1,266,384	\$9,762,708
Commerce, Community and Economic Development	\$579,840	\$580,802	\$583,678	\$629,959	\$641,137	\$694,324	\$937,935	\$683,552	\$4,647,675
Corrections	\$20,517,829	\$21,718,642	\$27,723,014	\$32,213,713	\$44,417,499	\$39,280,387	\$22,916,144	\$11,251,388	\$208,787,228
Education and Early Development	\$132,044	\$150,748	\$183,797	\$368,652	\$241,240	\$254,817	\$427,299	\$24,037	\$1,758,597
Environmental Conservation	\$103,525	\$59,364	\$119,982	\$189,914	\$161,076	\$162,337	\$1,067,880	\$19,704	\$1,864,078
Family and Community Services				\$13,396,443	\$15,773,274	\$14,999,636	\$11,829,236	\$4,320,476	\$55,998,589
Fish and Game	\$2,194,010	\$1,629,849	\$2,037,244	\$2,366,480	\$2,515,213	\$2,503,374	\$3,854,049	\$3,447,120	\$17,100,219
Health				\$3,134,815	\$4,239,268	\$4,214,761	\$4,971,861	\$294,724	\$16,560,705
Health and Social Services	\$12,716,244	\$14,886,318	\$14,638,769	\$1,828,410			\$0	\$0	\$44,069,741
Labor and Workforce Development	\$697,221	\$3,025,899	\$933,937	\$377,262	\$309,252	\$418,963	\$1,101,020	\$139,847	\$6,863,554
Law	\$116,699	\$117,924	\$130,810	\$239,211	\$251,605	\$144,943	\$516,777	\$37,529	\$1,517,969
Military and Veterans Affairs	\$670,658	\$786,080	\$899,282	\$827,781	\$978,037	\$1,114,645	\$1,127,495	\$721,804	\$6,403,978
Natural Resources	\$6,764,107	\$5,441,270	\$6,835,704	\$6,654,136	\$6,785,446	\$10,999,071	\$12,358,645	\$154,688	\$55,838,379
Public Safety	\$10,104,757	\$11,044,088	\$12,623,851	\$15,148,678	\$16,631,023	\$17,392,554	\$11,328,050	\$14,994,106	\$94,273,001
Revenue	\$244,203	\$141,019	\$1,083,003	\$2,084,606	\$2,276,022	\$1,909,945	\$2,222,456	\$0	\$9,961,254
Transportation and Public Facilities	\$28,041,998	\$30,787,997	\$34,116,481	\$39,826,244	\$49,026,073	\$53,713,011	\$36,223,362	\$23,355,743	\$271,735,226
Total	\$83,762,467	\$91,004,770	\$103,047,138	\$120,896,786	\$145,797,292	\$149,693,085	\$112,941,368	\$60,711,102	\$807,142,901

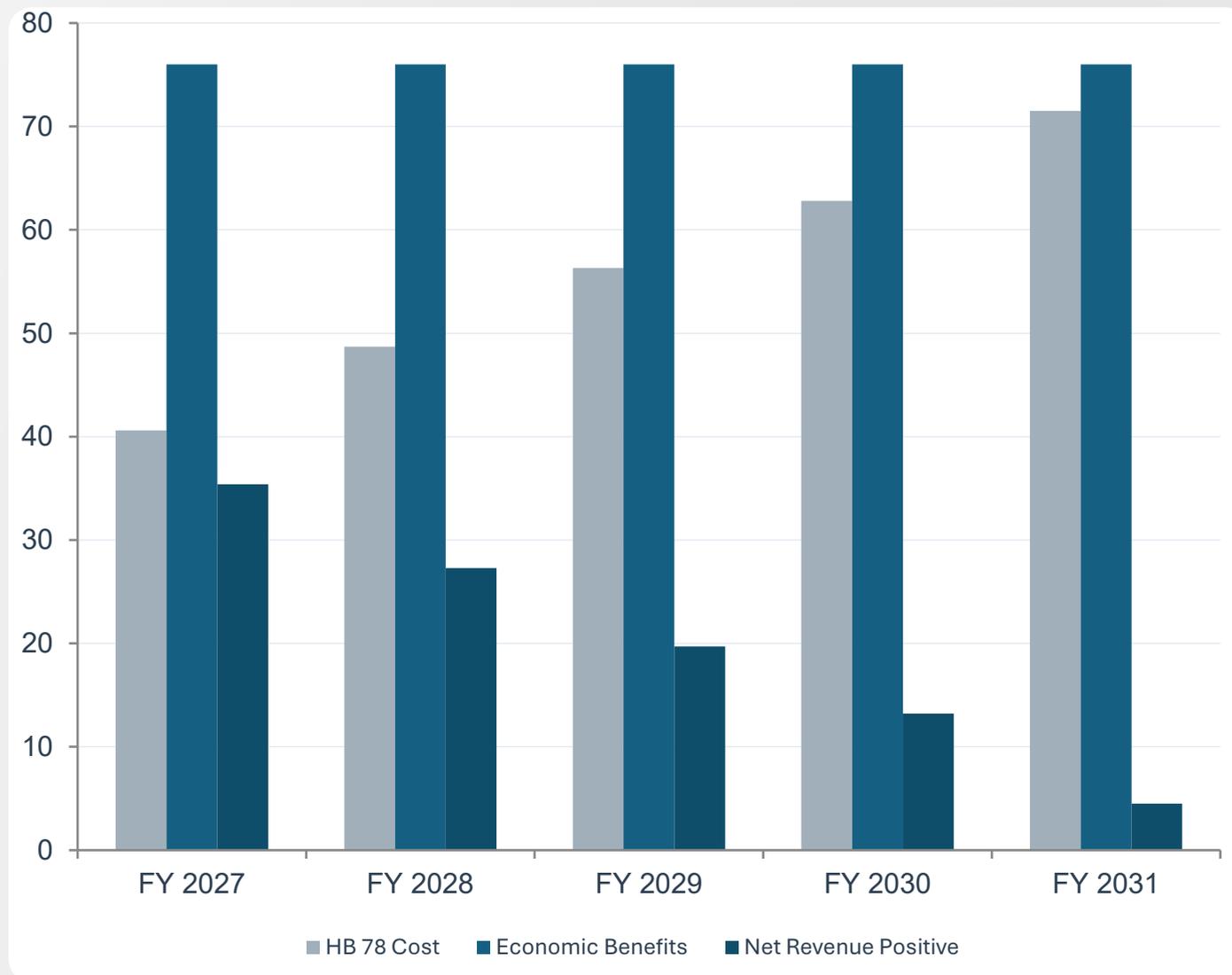
Notes:

- The Department of Health and Social Services was split into the Department of Health and Department of Family and Community Services in 2022.
- FY 26 YTD reflects actual premium pay expenditures year-to-date.
- FY 26 Budgeted amount (\$60.7M) represents the planned/authorized premium pay for the full fiscal year.
- FY 26 YTD actual spending (\$112.9M) is already 186% of the budgeted amount.

PREMIUM PAY EXAMPLES:

Overtime, Holiday, Hazard, Double-time, Differential, Standby, On-call

HB 78: Net Revenue Positive



ECONOMIC BENEFITS

\$62M Reduced Hiring & Training

\$14M Higher Investment Returns

\$76M Annual Savings

(\$64M Average Annual State Errors)

5-Year Net Positive

\$100.1M

Source: Ghilarducci's Executive Summary: Defined Benefits Plans and Alaska Public Employees; FY20-24 Single Audit Reports from Legislative Budget and Audit

- **Recruitment and Retention** will improve **savings in training costs, lost workforce hours & premium pay**
- **Restores** Alaska's ability to provide **critically needed services** to all Alaskans.

HB 78: A CONSERVATIVE, SHARED-RISK DESIGN



- SHARED-RISK FRAMEWORK: EMPLOYEES AND EMPLOYERS SHARE IN GAINS/LOSSES.



- GUARDRAILS ON EMPLOYER RATES; AUTOMATIC ADJUSTMENTS IF FUNDING DRIFTS.



- COST-OF-LIVING FEATURES DISCIPLINED AND ALIGNED WITH FUNDING STATUS.



- STRESS-TESTED FUNDING POLICY WITH CONSERVATIVE ASSUMPTIONS (7.25%).



- MODELED AFTER OTHER STATES DURABLE PLANS TO MINIMIZE VOLATILITY.

THANK YOU

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House Finance Committee*

*February 9, 2026
Senate Finance Committee*