

# State of Alaska Retirement Systems

Presentation to Senate Finance Committee

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

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This presentation for the Senate Finance Committee includes the same figures we presented at the April 29, 2025 House Finance Committee meeting.

Please see our HB 78 fiscal note letter dated March 24, 2025 for additional details.

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# Overview of PERS and TRS Funding

# 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% of pay.
- PERS All Others contribute 6.75% of pay.
- TRS members contribute 8.65% of pay.

- **The DB Plan Actuarially Determined Contribution** consists of two components:

- Normal Cost (the cost of active members' 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 (i) the actuarial costs for occupational death & disability and healthcare benefits, (ii) DC contributions (5% PERS and 7% TRS), and (iii) 3% HRA contributions for DCR members.
- A portion of the **employer** contribution also goes towards the DB Past Service Cost:  
= Total Employer Contribution – Employer DB Normal Costs – Employer DCR Contributions
- 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
- See the Appendix for key changes in PERS/TRS pension unfunded liabilities since 2014.

# PERS and TRS Funding – Methodology

- 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 at a rate equal to the assumed payroll growth rate.
    - The amortization amounts start out lower under level percent of pay amortization and are higher in later years, when compared to the pattern under level dollar amortization.
  - Amortization period was reset to a closed 25-year period. Full funding of the trusts was expected by 2039.
  - The contribution rate setting process was changed to a 2-year roll-forward of liabilities and a 1-year roll-forward of assets.
  - The 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 – Methodology (cont'd)

- Key changes adopted by the ARMB in 2018:
  - 25-year *layered* amortization was implemented to help mitigate future contribution volatility.
  - Each year's unexpected change in unfunded liability after FY18 creates a new layer and is amortized over a closed 25-year period.
  - The amortization period for the layer associated with the 2014 unfunded liability was unchanged.
- Per Alaska statutes, actuarial assumptions are reviewed every 4 years (healthcare costs and trend rates are reviewed annually).
- See the Appendix for details on the actuarial assumptions used for actuarial valuations and the HB 78 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 8% HB 78 members' contribution rate to as much as 12% if the funded status of the HB 78 sub-trusts falls below 90%.
- Because we are assuming future experience matches the valuation assumptions, the HB 78 sub-trusts are not projected to fall below 90%.
- As a result, the thresholds for triggering these risk-sharing provisions would not be met based on our projections.

# Other Economic Considerations

- Our actuarial analysis focuses on the potential changes in costs and liabilities for the retirement systems, and how these changes could impact projected State contributions.
- The following are 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

# 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
<b>Total</b>	<b>\$ 1,429.5</b>	<b>\$ 1,824.0</b>	<b>\$ 394.5</b>	<b>\$ 2,373.7</b>	<b>\$ 2,446.2</b>	<b>\$ 72.5</b>	<b>\$ 3,803.2</b>	<b>\$ 4,270.2</b>	<b>\$ 467.0</b>

# Projected State Contributions FY27-FY39 (cont'd)

## 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
<b>Total</b>	<b>\$ 4,175.9</b>	<b>\$ 5,847.3</b>	<b>\$ 1,671.4</b>	<b>\$ 1,577.9</b>	<b>\$ 593.7</b>	<b>\$ (984.2)</b>	<b>\$ 5,753.8</b>	<b>\$ 6,441.0</b>	<b>\$ 687.2</b>

\* 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.

- DCR members 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 account (3% of pay)
  
- HB 78 members will receive the following benefits under the DB plans:
  - Lifetime pension
  - Healthcare (same as current DCR healthcare benefits\*)
  - Death and disability benefits
  - Postretirement Pension Adjustments (PRPAs)
  - Employer contributions to the member's HRA account (4% of pay for PERS P/F, 3% of pay for PERS Others and TRS)

\* Although the underlying healthcare benefits are the same, the actuarial costs of the HB 78 healthcare benefits are higher. This is because the expected higher employee retention will lead to more healthcare benefit recipients and higher liabilities.

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

**Reason #2:** The additional costs due to HB 78 will fall directly to the State.

- Statutory employer contribution rates are fixed at 22% of total pay (PERS non-State employers) and 12.56% of total pay (TRS employers).
  - The current Actuarially Determined Contribution (ADC) rates are **above** these caps.
  - The excess cost is paid by the State via Additional State Contributions.
  - Because the ADC rate for HB 78 members' benefits is expected to be higher than the DCR rate, the excess of the ADC rates above the Statutory employer rates will get **even larger** under HB 78.
  - The increase in the excess cost under HB 78 will **increase** Additional State Contributions.
- The State-as-an-Employer pays 100% of the ADC rate based on the payroll of its employees.
  - The increase in the ADC rate due to the more costly HB 78 benefits will **increase** State-as-an-Employer contributions.

## Example – FY30 State Contributions (Current and HB 78)

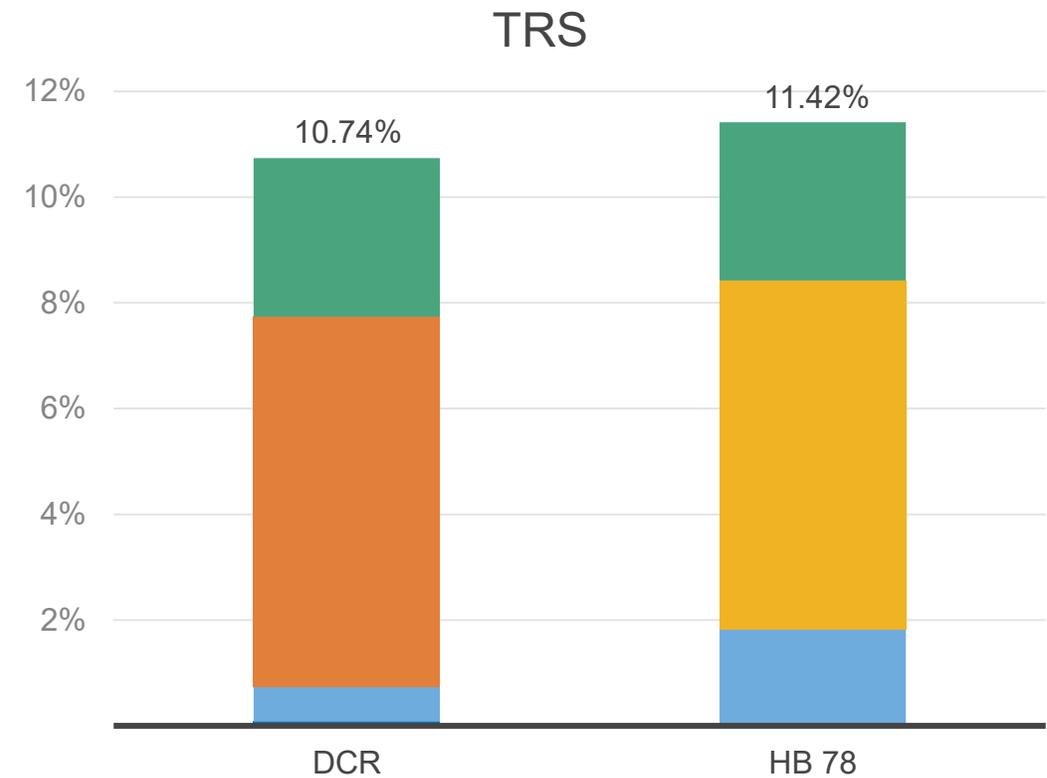
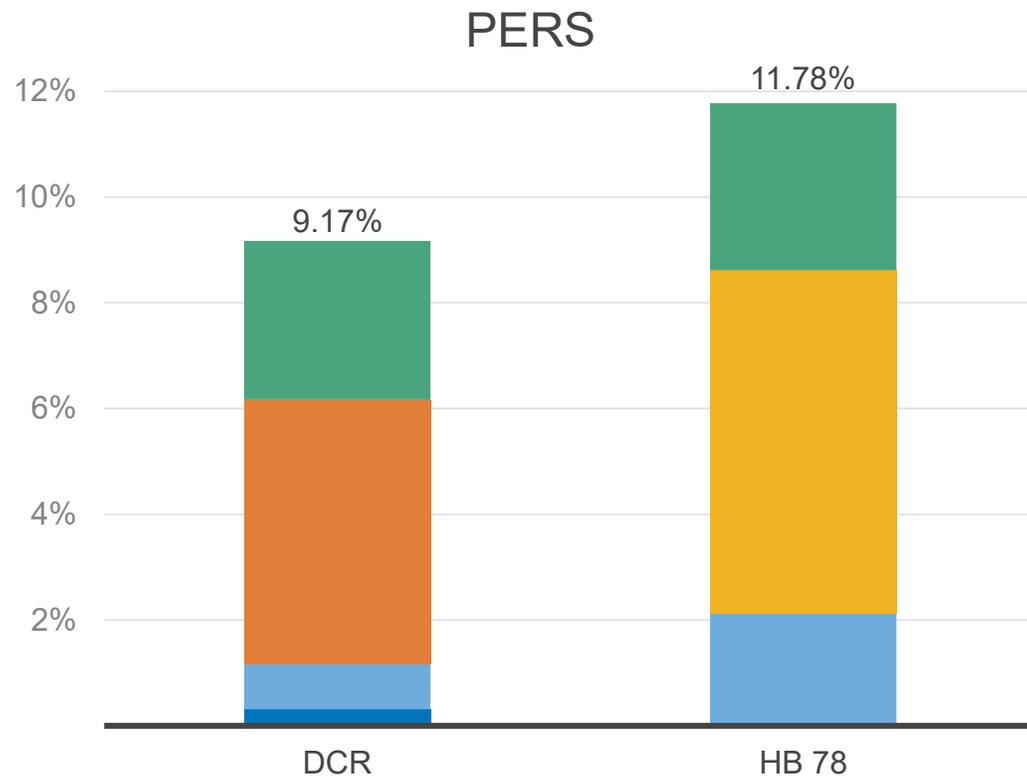
- The next few slides show the following items for FY30\*:
  - Underlying costs of benefits – DCR vs HB 78
  - Components of ADC rates – current and HB 78
  - Development of State Contributions – current and HB 78
- The underlying costs of the DCR and HB 78 benefits are expressed as a percentage of pay for each group, and then converted to a percentage of total pay.
- All other rates are expressed as a percentage of total pay.
- FY30 projected pay increases under HB 78 due to expected increased employee retention.

\* FY30 was chosen arbitrarily for purposes of the example.

# Example – FY30 Cost of Underlying Benefits – DCR vs HB 78

as a percentage of group pay

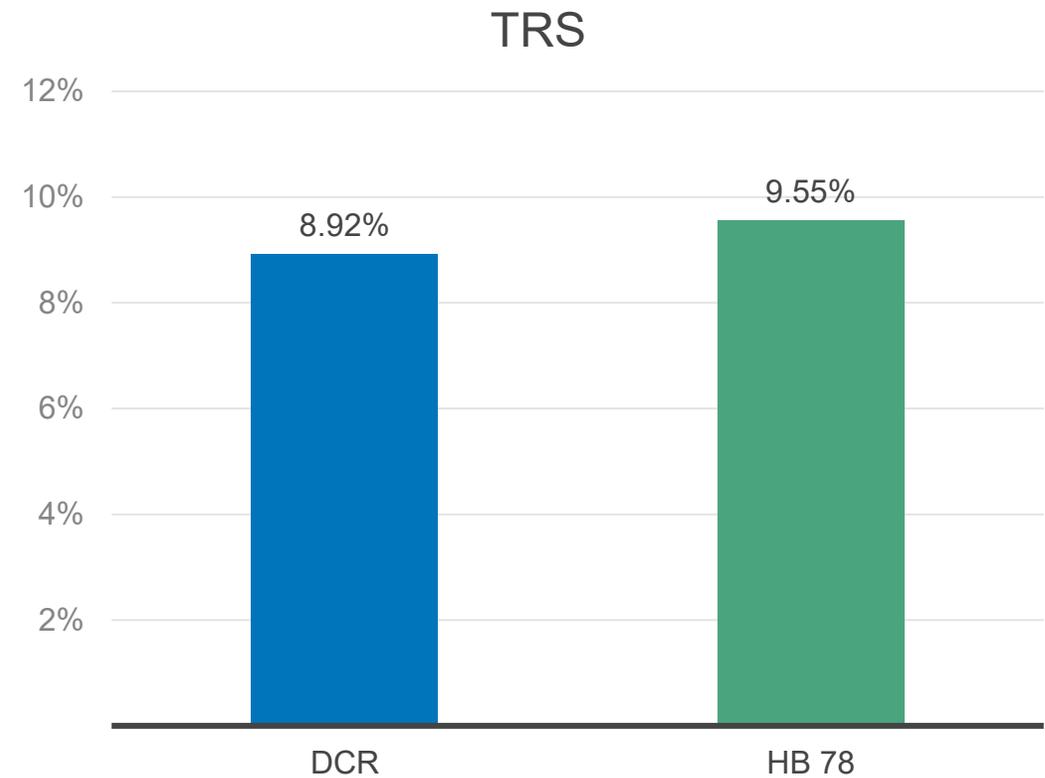
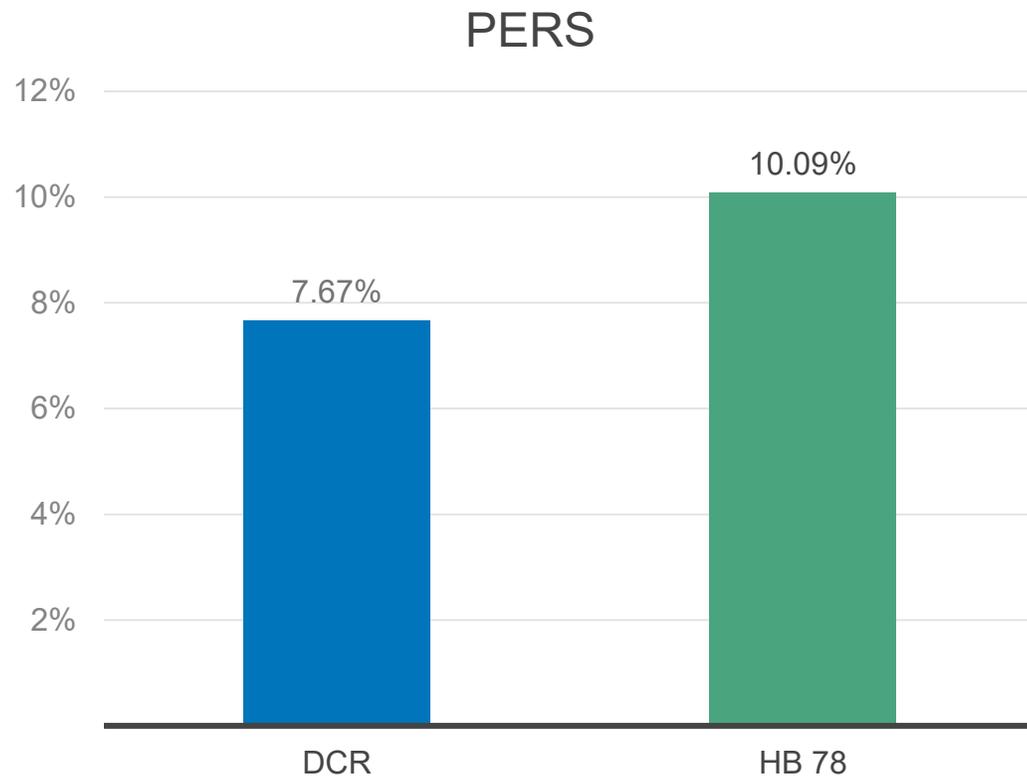
● ODD   
 ● HC   
 ● DC   
 ● Pension   
 ● HRA



# Example – FY30 Cost of Underlying Benefits – DCR vs HB 78

as a percentage of total pay

● DCR ● HB 78

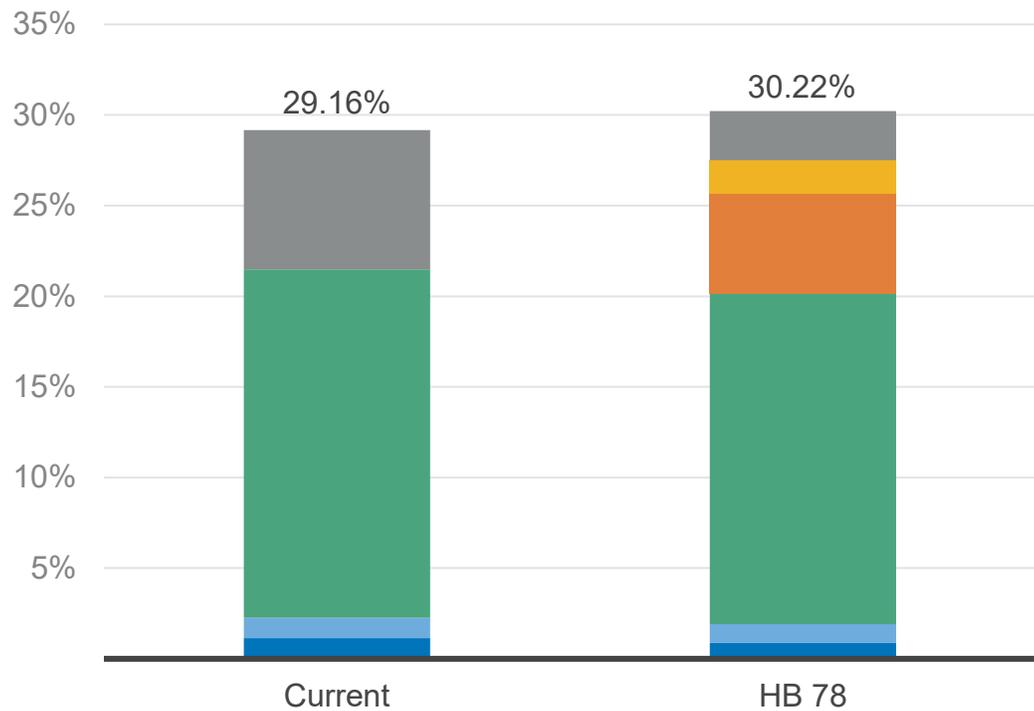


# Example – FY30 ADC Rates – Current vs HB 78

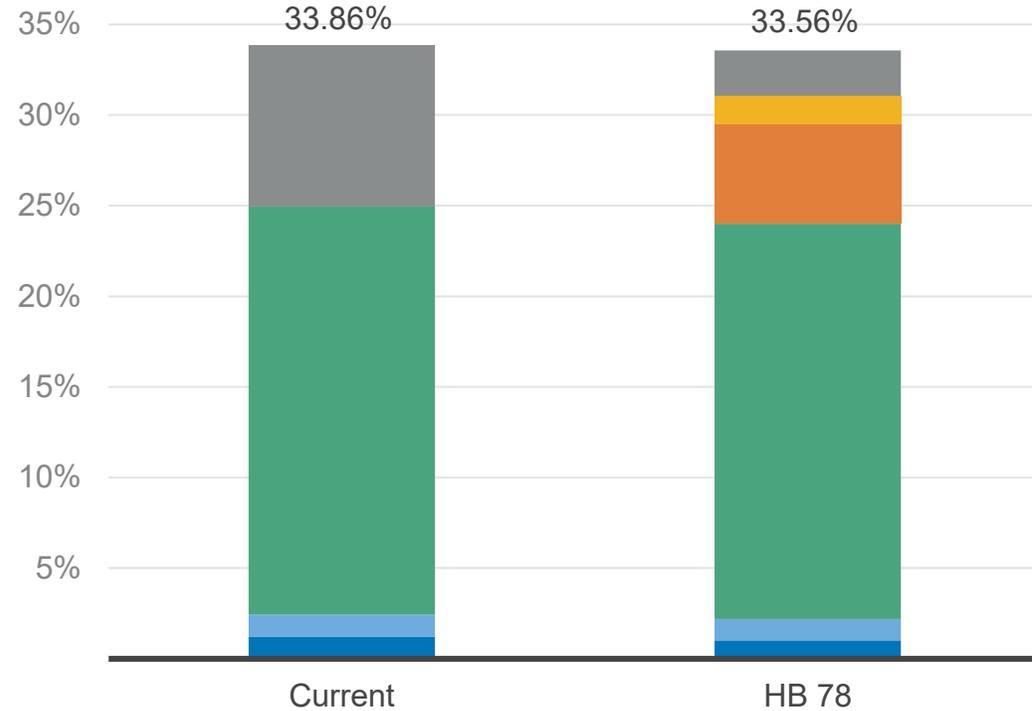
as a percentage of total pay

- DB Pension NC
- DB Healthcare NC
- DB Past Svc
- HB 78 Pension
- HB 78 Healthcare
- DCR/HRA

PERS



TRS



# Example – Development of FY30 PERS State-as-Employer Contribution

\$ in thousands

	Current	HB 78
Total Pay	\$1,422,994	\$1,499,902
Current DB Members' ADC Rate		
- Pension NC	1.14%	0.88%
- Healthcare NC	1.11%	1.03%
- Past Service	<u>19.24%</u>	<u>18.22%</u>
- Total	21.49%	20.13%
DCR Rate	7.67%	0.00%
HB 78 Members' ADC Rate		
- Pension	n/a	5.56%
- Healthcare	n/a	1.82%
- HRA	<u>n/a</u>	<u>2.71%</u>
- Total	n/a	10.09%
Total ADC Rate	29.16%	30.22%
<b>Total Contribution</b>	<b>\$414,945</b>	<b>\$453,270</b>

# Example – Development of FY30 Additional State Contributions

\$ in thousands

PERS	Current	HB 78
Total Pay	\$1,430,986	\$1,508,326
Current DB Members' ADC Rate	21.49%	20.13%
DCR Rate	7.67%	0.00%
HB 78 Members' ADC Rate*	<u>0.00%</u>	<u>10.09%</u>
Total ADC Rate	29.16%	30.22%
Statutory Employer Rate	22.00%	22.00%
Additional State Contribution Rate		
- Before Interest Adjustment	7.16%	8.22%
- After Interest Adjustment	6.91%	7.94%
<b>Additional State Contribution</b>	<b>\$98,881</b>	<b>\$119,761</b>

TRS	Current	HB 78
Total Pay	\$820,263	\$849,463
Current DB Members' ADC Rate	24.94%	24.01%
DCR Rate	8.92%	0.00%
HB 78 Members' ADC Rate*	<u>0.00%</u>	<u>9.55%</u>
Total ADC Rate	33.86%	33.56%
Statutory Employer Rate	12.56%	12.56%
Additional State Contribution Rate		
- Before Interest Adjustment	21.30%	21.00%
- After Interest Adjustment	20.57%	20.28%
<b>Additional State Contribution</b>	<b>\$168,728</b>	<b>\$172,271</b>

\* Including HRA rate

# Appendix

# Example – Derivation of FY26 Additional State Contributions (Current)

# 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	<u>-1.71%</u>	<u>0.00%</u>		<u>-2.53%</u>	<u>0.00%</u>	
1c • Employer Rate [1a + 1b]	2.14%	1.97%		2.21%	2.15%	
2 Past Service Cost Rate	<u>18.63%</u>	<u>0.00%</u>		<u>21.12%</u>	<u>0.00%</u>	
3 Actuarially Determined Contribution Rate [1c + 2]	20.77%	1.97%	22.74%	23.33%	2.15%	25.48%
4 <b>ARMB-Adopted Contribution Rate *</b>	<b>21.43%</b>	<b>0.00%</b>	<b>21.43%</b>	<b>23.68%</b>	<b>0.00%</b>	<b>23.68%</b>

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).

# FY26 Contribution Rates – PERS DCR

\$ in thousands

	PERS DCR				Total
	Occ D&D	Ret Med	DC	HRA	
1 Normal Cost Rate	0.31%	0.86%	5.00%	3.00%	
2 Past Service Cost Rate	<u>0.00%</u>	<u>0.00%</u>	<u>n/a</u>	<u>n/a</u>	
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 <b>DCR rate as % of DB/DCR pay [5 / 6]</b>	<b>0.23%</b>	<b>0.65%</b>	<b>3.76%</b>	<b>2.26%</b>	<b>6.90%</b>

# 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	<u>0.00%</u>	<u>0.00%</u>	<u>n/a</u>	<u>n/a</u>	
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 <b>DCR rate as % of DB/DCR pay [5 / 6]</b>	<b>0.06%</b>	<b>0.52%</b>	<b>4.95%</b>	<b>2.12%</b>	<b>7.65%</b>

# FY26 Additional State Contributions

\$ in thousands

	PERS	TRS
1 DB Rate	21.43%	23.68%
2 DCR Rate	<u>6.90%</u>	<u>7.65%</u>
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 <sup>.5</sup> )]	6.11%	18.12%
6 Projected FY26 DB/DCR pay*	\$ 1,306,174	\$ 767,012
7 <b>Additional State Contribution [5b x 6]</b>	<b>\$ 79,807</b>	<b>\$ 138,982</b>

\* 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

# Sources of Pension Unfunded Liability Changes Since 2014

# PERS Pension

\$ 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)
<b>Total</b>	<b>\$ 435</b>	<b>\$ 447</b>	<b>\$ (247)</b>	<b>\$ (636)</b>	<b>\$ 761</b>	<b>\$ 325</b>

# TRS Pension

\$ 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)
<b>Total</b>	<b>\$ 251</b>	<b>\$ 256</b>	<b>\$ (195)</b>	<b>\$ (1,580)</b>	<b>\$ 158</b>	<b>\$ (1,361)</b>

# Actuarial Assumptions

# 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 were effective with the June 30, 2022 valuation based on the experience study for the 4-year period July 1, 2017 through June 30, 2021.
  - Demographic assumptions (e.g., termination, retirement, life expectancy) 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 valuation.
  - 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

- As required by Sections 4 and 60 of HB 78, 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.
- We assumed post-June 30, 2024 experience matches the valuation assumptions. Adverse plan experience and/or changes to more conservative assumptions could affect the projected cost impact of HB 78.
  - 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.
- 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.

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

- We do not believe it would be reasonable to use assumptions that are based on the experience of DCR members to determine the liability for benefits that HB 78 members would be receiving under the 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 they 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, including the select rates.
  
  - If actual termination rates of HB 78 members turn out to be higher than the current DB termination rates, the projected cost impact of HB 78 would be lower than what is shown in our fiscal note letter.

# Actuarial Certification

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The purpose of this presentation is to provide the Alaska Senate Finance Committee with an analysis of the potential impact of HB 78 on projected State contributions for FY27-FY39. The figures in this presentation are the same as those from our presentation at the April 29, 2025 House Finance Committee meeting.

The results provided are for informational purposes and are not intended to be in favor of 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 June 30, 2024 actuarial valuation reports and our HB 78 fiscal note letter dated March 24, 2025. The 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 actuarial 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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