

# Fiscal Note

State of Alaska  
2024 Legislative Session

Bill Version:	HB 232
Fiscal Note Number:	1
(H) Publish Date:	2/28/2024

Identifier: HB232-DOA-DRB-02-13-24  
 Title: DISABLED VETERANS: RETIREMENT BENEFITS  
 Sponsor: RAUSCHER  
 Requester: (H) MILITARY AND VETERANS AFFAIRS

Department: Department of Administration  
 Appropriation: Centralized Administrative Services  
 Allocation: Retirement and Benefits  
 OMB Component Number: 64

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2025	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2025 Request	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
<b>OPERATING EXPENDITURES</b>	<b>FY 2025</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	***	<b>0.0</b>	***	***	***	***	***

**Fund Source (Operating Only)**

None							
<b>Total</b>	***	<b>0.0</b>	***	***	***	***	***

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2024) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2025) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**  
 If yes, by what date are the regulations to be adopted, amended or repealed? **TBD**

**Why this fiscal note differs from previous version/comments:**

Not applicable; initial version.
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Division: <u>Retirement and Benefits</u>	Date: 02/13/2024
Approved By: <u>Leslie Isaacs, Administrative Services Director</u>	Date: 02/13/24
Agency: <u>Department of Administration</u>	

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
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## Analysis

This bill will impact the existing PERS defined benefit plan members, both active, inactive, and retired members.

This bill would award a lifetime normal retirement benefit to disabled veterans based upon a total and permanent disability analysis by the United States Veteran's Administration. Placing the member into normal retirement will not allow any safeguards for the plan, such as a determination regarding the individual's ability to work at the time of PERS application or in the future. A veteran can be disabled from being an effective member of the military and still be able to work at a civilian job. There is also no provision for funding to the plan for this lifetime benefit other than contributions paid to the system by the member or the employer up to the time of application. This will create additional unfunded liability to the plan. Because employer costs are capped at 22% of pay, any excess cost will be paid by the State of Alaska through changes to the PERS Additional State Contribution.

The bill makes no changes to the current retiree health plan eligibility statutes. If the member has less than 10 years of service, the member would not be eligible for medical benefits. If the member had at least 10 years of service, the member would have to self-pay the full cost of medical insurance until the established normal retirement age for Medicare. The member would not meet the PERS statutory definition of "disabled member" under AS 39.35.680(13) as the member did not receive a disability benefit from the PERS.

The bill also repeals:

AS 39.35.340(d) stating "credited service under this section [military service] may not be used to satisfy the credited service requirements for normal retirement." This allows all defined benefit members of the PERS to use military service for eligibility credit but again provides no change in cost. Currently, peace officer/firefighter class employees may purchase their military service to meet the 20-year requirement, but they must pay the full actuarial cost for the years they are claiming. (Full actuarial cost=employer contributions + employee contributions+ the amount representing investment earnings needed to fully fund the benefit). By repeal of this section, all members of the PERS would be able to use military service to meet the 30 years of service required to retire at any age but would pay only 8.5% of their annualized first salary in a PERS covered position (AS 39.35.340(b)).

AS 39.35.340(i) is the ability of "foreign service officers and limited foreign reserve officers to claim military service performed from August 4, 1969, through November 7, 1975, and members of the United States Merchant Marine Service from December 7, 1941, through September 30, 1945."

AS 39.35.541 refers to an actuarial reduction of a retirement benefit to pay the cost of claimed service and protects members from receiving a benefit lower than would have been calculated had the service not been claimed. Subsection (b) stating "this section does not apply to an election to use service credit and a corresponding indebtedness under AS 39.35.340(j)." refers to the new provision for disabled veterans to claim military service to use towards meeting years of service requirements for retirement at any age.

Implementing this bill's provision will require an actuarial analysis due to the impact on the PERS defined benefit system. DRB submits an indeterminate fiscal note until such time as an actuarial analysis can be completed.