

Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version:	HB 17
Fiscal Note Number:	1
(H) Publish Date:	2/26/2025

Identifier: HB017-DOA-DRB-02-13-25
 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)

	FY2026	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2026 Request	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
OPERATING EXPENDITURES	FY 2026	FY 2026					
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	0.0	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2026) 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 If yes, by what date are the regulations to be adopted, amended or repealed?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:

Initial version, not applicable.

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Division:	Retirement and Benefits	Date:	02/14/2025 12:00 AM
Approved By:	Eric DeMoulin, Administrative Services Director	Date:	02/14/25
Agency:	Department of Administration		

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 39.35.40(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.

Based on discussion with the Division's actuarial consultant, Buck, a Gallagher Company, it is not possible to generate a fiscal cost to the State of Alaska. While it is estimated that this bill will impact roughly 48 members based on information provided at prior committee meetings, there are too many unknown variables (number of members ultimately impacted, number of years of military service to claim, how it will impact a member's pension benefit) to calculate the costs to the PERS. Additionally, the repeal of the 3 statutes listed in the bill open up the PERS to additional members who can use prior military service. This information is not tracked currently, and the Division is unable to determine how many members this could impact nor the impact on pension benefit costs to the PERS. As such, the Division provides an indeterminate fiscal note based on this analysis and conclusion.