**Alaska Public Employees' Retirement System (PERS)**

# House Bill 22 / Senate Bill 35 Threaten Alaska's Budgets

*Alaska House Bill 22 and Senate Bill 35 would re-open a defunct pension plan for public safety workers and allow police and firefighters hired after 2005 to use their defined contribution (DC) benefits to buy their way in. Despite claims that the change would be cost-neutral, this move could realistically add close to $1 billion in additional costs to future state budgets and reintroduce the state to significant pension risk—the same risk that generated over $6 billion in pension debt and spurred the 2005 reform that closed the defined-benefit pension plan to new hires.*

**HB 22/SB 35 costs are dependent on a flawed discount rate:** The claim that the proposed changes will not require any additional funding relies on the pension's current investment return assumption. Alaska PERS would need to achieve overly-optimistic 7.25% annual returns on investments for decades to avoid additional costs to the state.

- Overly-optimistic investment return assumptions were a major contributor to Alaska's $5.1 billion debt still owed on the legacy pension plan.
- Nationally, the average assumed return used by public pension systems is below 7%, so Alaska's current return rate assumption is rosier than most other states.
- Capital market forecasts by most financial experts suggest pension systems should expect investment returns closer to 5%-6% for the next 10-to-15 years.
- The DR is used when pricing the amount needed from employees to purchase their "past service." If the plan earns under 7.25%, or drops that assumed rate in the near future, tens if not hundreds of millions of dollars in unfunded liabilities will have been added.

**HB 22/SB 35 could cost the state an additional $800 million:** Actuarial analysis of Alaska PERS that anticipates realistic market stress and multiple recessions over the next 30 years shows HB 22/SB 35 likely expose the state to significant potential costs.

| | Status Quo | HB 22 / SB 35 |
|---|---|---|
| Total Employer Contribution: Alaska PERS (2023-52) | $20.4 billion | $20.8 billion |
| Unfunded Liability: Alaska PERS (2052) | $2.0 billion | $2.4 billion |
| All-in Cost to Employers | $22.4 billion | $23.2 billion |

*Source: Pension Integrity Project 30-year actuarial forecast of Alaska PERS. Scenario applies recession returns in 2023-26 and 2038-41 and 6% returns in all other years. Values are adjusted for inflation.*

**Bottom-Line:** *HB 22 and SB 35 would likely cost Alaska upwards of $800 million in the coming decades. Since public safety employees make up only about 10% of PERS members, this could be a very costly move that only benefits a relatively small group.*

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