

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
**Relating to Teachers' Retirement System and Public Employees'**  
**Retirement System Eligibility for Retirement and Medical Benefits**  
**Years of Service**

**Resolution 2025-02\_A**  
*Updated to Reflect June 30, 2025 Valuation Data*

WHEREAS, the Alaska Retirement Management Board ("ARMB") was established under AS 37.10.210(a) to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210(a), ARMB, consistent with the standards of prudence, serves as a fiduciary for all the systems, plans, programs and trusts it is responsible for managing under Alaska law; and

WHEREAS, under AS 37.10.390(4) the retirement systems ARMB is responsible for managing include the defined contribution system for the Public Employees' Retirement System ("PERS," AS 39.35.700–39.35.990), the defined contribution system for the Teachers' Retirement System ("TRS," AS 14.24.310–14.25.590), and the Teachers' and Public Employees' Retiree Health Reimbursement Arrangement Plan ("HRA Plan," AS 39.30.300–495); and

WHEREAS, under AS 37.10.220(a)(4), ARMB is charged with assisting in prescribing the policies for the proper operation of the systems and taking other actions necessary to carry out the intent and purpose of the systems in accordance with AS 37.10.210–37.10.390; and

WHEREAS, current statutes require 30 years of service for most PERS and TRS Defined Contribution (DC) members (and 25 years for peace officers and firefighters) to access the retiree medical plan before age 65, or allow access at normal retirement age with at least 10 years of service and 12 months of covered service immediately preceding retirement; and  
WHEREAS, this statutory structure prevents certain long-serving members from accessing the retiree medical plan before age 65, even with a fully vested HRA balance; and

WHEREAS, ARMB recognizes that the current statutory scheme includes employers paying the normal cost for retirement healthcare each year of employment; and

WHEREAS, ARMB explored the implications for three possible modifications to the years of service requirements:

- Reducing the eligibility requirement to 25 years of service for all employees
- Reducing the eligibility requirement to 20 years of service for all employees
- Reducing the eligibility requirement to 20 years for PERS peace officers and firefighters and 25 years for all other TRS and PERS employees; and

WHEREAS, ARMB requested and received actuarial feedback from Gabriel, Roeder, Smith & Company (“GRS”) regarding the financial and operational implications of reducing the years of service requirement for DC retiree healthcare eligibility summarized in Attachment 2 and Attachment 2A to this Resolution 2025-02; and

WHEREAS, the GRS actuarial feedback suggested adjusting the eligibility threshold to 25 years for all employees or 20 years for public safety employees, and 25 years for all other employees, maintained funded ratios at or above 100% and required increases in the normal cost, with the June 30, 2025 valuation showing TRS at 109% funded and PERS at 100–104% funded depending on the option selected; and

WHEREAS, the GRS actuarial feedback suggested adjusting the eligibility threshold to 20 years remained financially viable, but required an initial one-time funding contribution to maintain long-term stability, and the June 30, 2025 valuation indicates this would result in a total increase in accrued liability of approximately \$150.2 million (\$110.2 million PERS, \$40.0 million TRS), consuming the entire existing Retiree Medical Trust surplus and creating additional unfunded liabilities of \$80.3 million (\$63.0 million PERS, \$17.3 million TRS); and

WHEREAS, ARMB, as a fiduciary, is compelled to bring attention to the potential detriments to the retirement outcomes of the members it serves; and

WHEREAS, ARMB recognizes that legislation is required to correct any unintended constraints associated with the outcomes dictated by AS 14.25.470(a)(1) and AS 39.35.870(a)(1); and

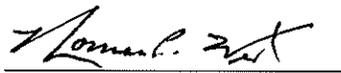
WHEREAS, ARMB has authored a recommendation as to potential changes to AS 14.25.470(a)(1) and AS 39.35.870(a)(1) summarized in Attachment 1 (as amended March 2026) to this Resolution 2025-02.

NOW THEREFORE BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that ARMB adopts the recommendations set out in Attachment 1 (as amended) and supported by Attachment 2 and Attachment 2A related to the restructuring of AS 14.25.470(a)(1) and AS 39.35.870(a)(1).

DATED at Juneau, Alaska this 18 day of March 2026.

  
Chair

ATTEST:

  
Secretary

## Attachments

Attachment 1 – Proposed Changes to TRS and PERS Statutes (as amended March 2026)

Attachment 2 – GRS Actuarial Feedback, February 5, 2025 (original, June 30, 2023 data)

Attachment 2A – Gabriel, Roeder, Smith & Co. February 20, 2026 Supplemental Letter (June 30, 2025 data)

## Attachment 1

### **Proposed Changes to TRS and PERS Statutes: Revisiting Years of Service Requirements for Defined Contribution Retiree Healthcare Eligibility**

#### **Introduction**

The Alaska Retirement Management Board's (ARMB) is adopting recommendations to revisit the years of service requirements for Defined Contribution (DC) Retiree Healthcare eligibility. The current eligibility rules limit access for long-term employees who have contributed significant service.

Under the current system:

- Employees with at least 10 years of service who are Medicare-eligible can access the plan.
- However, employees with 20 years of service who are not yet Medicare-eligible do not meet the eligibility requirements for accessing DC healthcare benefits.
- Employees must currently have 30 years of service (or 25 for peace officers and firefighters) to retire with access to DC healthcare benefits.

The ARMB recommends adjusting these requirements to one of the following options:

1. Reducing the eligibility requirement to 25 years of service for all employees.
2. Reducing the eligibility requirement to 20 years of service for all employees.
3. Reducing the eligibility requirement to 20 years for PERS peace officers and firefighters and 25 years for all other TRS and PERS employees.

This proposal focuses solely on adjusting years of service requirements, as the ARMB has already forwarded a separate resolution (2025-01) regarding the recommendation to remove the 12-month active membership and retire directly from the plan requirement.

#### **Current Statutes**

##### **Teachers' Retirement System (TRS) Statute: Sec. 14.25.470**

Sec. 14.25.470. Eligibility for Retirement and Medical Benefits.

(a) In order to obtain medical benefits under AS 14.25.480, a member must retire directly from the plan. A member is eligible to retire from the plan if the member has been an active member for at least 12 months before application for retirement and

(1) the member has at least 30 years of service; or

(2) the member reaches the normal retirement age and has at least 10 years of service.

(b) The normal retirement age is the age set for Medicare eligibility at the time the member retires.

**Public Employees’ Retirement System (PERS) Statute: Sec. 39.35.870**

Sec. 39.35.870. Eligibility for Retirement and Medical Benefits.

(a) In order to obtain medical benefits under AS 39.35.880, an active member must retire directly from the plan. A member is eligible to retire from the plan if the member has been an active member for at least 12 months before application for retirement and

(1) the member has at least 25 years of membership service as a peace officer or firefighter or at least 30 years of membership service for all other employees; or

(2) the member reaches the normal retirement age and has at least 10 years of membership service.

(b) The normal retirement age is the age set for Medicare eligibility at the time the member retires.

**DCR Health Premium Reduction Structure**

Under the DCR Retiree Health Plan, premiums are paid either through deductions from the retiree’s Health Reimbursement Account (HRA) or directly by the retiree. Retirees eligible for Medicare receive premium reductions based on years of service, as follows:

| Years of Service                   | Percentage of Premium Paid by Retiree |
|------------------------------------|---------------------------------------|
| 10 or more, but less than 15 years | 30%                                   |
| 15 or more, but less than 20 years | 25%                                   |
| 20 or more, but less than 25 years | 20%                                   |
| 25 or more, but less than 30 years | 15%                                   |
| 30 or more years                   | 10%                                   |

If a retiree is not eligible for Medicare, they must pay the full premium for the coverage elected under the DCR Retiree Health Plan.

**GRS Actuarial Feedback**

Gabriel, Roeder, Smith & Company (GRS) provided actuarial feedback on the financial and operational implications of reducing the years of service requirement for DC retiree healthcare eligibility. The original analysis was based on June 30, 2023 valuation data (February 5, 2025 memorandum). The figures below have been updated to reflect the June 30, 2025 valuation data (February 20, 2026 supplemental letter). Key points include:

**TRS DCR Plan**

TRS DCR Plan: Currently 130% funded, with a \$22.7 million surplus (June 30, 2025). Reducing the eligibility requirement to 25 years keeps the plan above 100% funded (109% funded). Reducing the requirement to 20 years results in a total increase in accrued liability of \$40.0

million, consuming the full \$22.7 million surplus and creating an additional unfunded liability of \$17.3 million. A one-time payment of \$17.3 million is needed to restore full funding.

## PERS DCR Plan

PERS DCR Plan: Currently 117% funded, with a \$47.1 million surplus (June 30, 2025). Reducing the eligibility requirement to 25 years keeps the plan above 100% funded (104% funded). Reducing all employees to 20 years results in a total increase in accrued liability of \$110.2 million, consuming the full \$47.1 million surplus and creating an additional unfunded liability of \$63.0 million. A one-time payment of \$63.0 million is needed to restore full funding. Reducing peace officers and firefighters to 20 years and all other employees to 25 years also keeps the plan at 100% funded (approximately 100% funded).

## Key Considerations for Revisiting Years of Service Requirements

### 1. Employer Contributions Support Long-Term Cost Sharing

- The DC retiree healthcare system is designed for cost-sharing, with retiree premiums decreasing based on years of service.
- Employer contributions made throughout an employee's career provide the basis for post-retirement healthcare benefits.

### 2. Limited Scope of Death and Disability Coverage

- The Death and Disability coverage within DCR Healthcare only covers occupational death and disability. Occupational disabilities are much less frequent than non-occupational disabilities.
- A 63-year-old teacher with 28 years of service who became disabled in a non-occupational event would not be eligible for the DCR Plan under the current structure.

### 3. Ensuring Sustainable Funding and Plan Clarity

- A 25-year requirement maintains plan funding above 100% for both TRS (109%) and PERS (104%).
- A 20-year requirement is financially viable with additional upfront funding of approximately \$80.3 million (\$17.3 million TRS, \$63.0 million PERS) based on June 30, 2025 data.
- A 20-year requirement for public safety employees and 25-year requirement for all other employees also maintains plan funding at or above 100% for both systems (TRS at 109%, PERS at approximately 100%).

Since no members have yet reached the 25- or 30-year thresholds, this is the right time to assess eligibility requirements and confirm their alignment with the system's long-term goals.

## Conclusion and Recommendation

### Key Findings:

- The DCR healthcare plan structure has not yet been tested, as no members have met the existing service requirements except through having 10 years of service and being Medicare age eligible.
- Adjusting the eligibility threshold to 25 years for all employees or 20 years for public safety employees and 25 years for all other employees maintains funded ratios at or above 100% and requires increases in normal cost. Under the June 30, 2025 valuation, the 25/20 split option results in a combined increase in accrued liability of \$60.1 million, fully absorbed by existing surpluses.
- Adjusting the eligibility threshold to 20 years remains financially viable but requires an initial one-time funding contribution to maintain long-term stability. Under the June 30, 2025 valuation, this option results in a total increase in accrued liability of \$150.2 million, consuming the entire existing surplus (\$69.8 million combined) and creating additional unfunded liabilities of \$80.3 million.
- The financial impact of these changes is modest relative to the scale of total retirement system costs.

| Option               | Combined Change in Liabilities | Surplus Consumed | Addtl One-Time Cost | Post-Change Funded Status |
|----------------------|--------------------------------|------------------|---------------------|---------------------------|
| 25-Year (All)        | \$48.5M                        | \$48.5M          | \$0.0M              | TRS 109%, PERS 104%       |
| 25/20 Split          | \$60.1M                        | \$60.1M          | \$0.0M              | TRS 109%, PERS ≈100%      |
| <b>20-Year (All)</b> | <b>\$150.2M</b>                | \$69.8M          | <b>\$80.3M</b>      | <b>TRS 85%, PERS 84%</b>  |

The actuarial figures referenced in this Attachment represent a single point-in-time measurement as of June 30, 2025. When measured at a different date, costs may differ. Transferring the exact amounts referenced in the actuarial analysis does not guarantee that the plans will remain at or above 100% funded. Any funding mechanism should be structured to accommodate actuarial adjustments identified in subsequent valuations.



Date: February 5, 2025

To: Mr. Bob Williams, Chair, Alaska Retirement Management Board

From: Paul T. Wood, ASA, FCA, MAAA  
Bill Detweiler, ASA, EA, FCA, MAAA

cc: Ms. Alysia Jones

Re: **Request for Actuary Feedback on Proposed Changes to DCR Retired Healthcare Service Eligibility**

At your request, we have analyzed the impact of changing the eligibility conditions relating to healthcare members participating in the PERS DCR and TRS DCR Plans.

Under the current system:

- Employees with at least 10 years of service who are Medicare-eligible can access the Plan.
- However, employees with less than 30 years of service (25 years for Public Safety) who are not yet Medicare-eligible do not meet the eligibility requirements for accessing DCR healthcare benefits.

We understand the Working Group is exploring choosing between two options for standardizing and reducing service requirements for employees:

1. **Reducing the eligibility requirement to 25 years of service for all employees.**
2. **Reducing the eligibility requirement to 20 years of service for all employees.**
3. **Reducing the eligibility requirement to 20 years of service for PERS Public Safety employees and 25 years for TRS and PERS Other employees.**

The Working Group also confirmed that they still want the Medicare-eligible with at least 10 years of service eligibility to remain.

Our task is to address the following:

1. **What are the financial and operational implications of reducing service requirements to 25 or 20 years for DC healthcare eligibility?**
2. **Would these changes support the sustainability of the DC Retired Healthcare Plan?**

#### **Comments on the Replication of Results and Assumptions and Methods Used**

As the review actuary for the ARM Board, our role is typically to review the valuation work performed by the DRB retained actuary, Gallagher, on an annual basis via a test life review. As part of that role, we were engaged to perform a full replication of the results for each of the Plans. This project involved an

independent verification and analysis of the assumptions, procedures, methods, and conclusions used by the retained actuary for all of these Plans to ensure that the conclusions are technically sound and conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board. As such we are able to provide some cost analysis that is based on the following:

- The assumptions and methods as used by Gallagher and disclosed in the June 30, 2023 DCR valuation reports dated May 3, 2024.
- The census data used by Gallagher in the June 30, 2023 valuation.
- No changes to the decrement rates, participation assumptions, per capita claims costs, or any other assumptions when measuring the impact of changing eligibility.

In the Appendix, we have included the retirement rates and the participation assumptions from the June 30, 2023 DCR valuation reports. As you can see, the point at which a member is assumed to retire is based on their age. For example, for the TRS Plan, a member age 62 is assumed to have a retirement probability in that year of 10%. Participation at the retirement age will depend on the eligibility conditions. For example, under the current provisions, if the member has less than 30 years of service at age 62, then they would not be eligible to continue in the healthcare Plan. But, if they have 30 or more years of service and, thus, are eligible for continuation, then the participation rates come into play. For an eligible member at the age of 62, it is assumed with 80.75% (85% x 95%) probability that the member actually continues coverage and a 19.25% probability that the member chooses not to continue coverage. Under the 20-year study for a member retiring at age 62 with 20 years of service, it is now assumed with 72.25% (85% x 85%) probability that the member actually continues coverage and a 27.75% probability that the member chooses not to continue coverage. The participation rates are lower for members at earlier ages because they may be receiving healthcare from a different source or they have made the determination that their HRA accounts cannot support the continued payment of the premiums. These are just two of many reasons participation may be lower at earlier ages.

### **Analysis**

Currently, members retiring prior to age 65 that do not meet the 30-year (25-year for Public Safety) requirement are not eligible for continued coverage in the DCR Healthcare Plans. If the members meet the 30-year (25-year for Public Safety) requirement, then they are eligible to participate in the DCR Healthcare Plans provided the retiree pays the full premium prior to becoming Medicare eligible and a subsidized premium upon reaching Medicare eligibility. We studied the two alternatives of a 25-year eligibility requirement and a 20-year eligibility requirement. As you will see below, in both of these alternatives, the total normal cost will increase because younger members who currently may not be eligible to continue coverage are now much more likely to be eligible for the healthcare Plan.

### **TRS DCR**

As of June 30, 2023, the TRS DCR Healthcare Plan is approximately \$21 million overfunded with a funded ratio of 136%. The contributions to the Plan are equal to the normal cost which is 0.74% of TRS DCR payroll.



Under the 25-year service eligibility study, the Plan is expected to remain above 100% with an overfunded accrued liability of approximately \$11 million. As a result of the eligibility change, the normal cost as a percent of TRS DCR payroll would increase from 0.74% to 0.86%. This equates to approximately \$601 thousand in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in TRS DCR payroll. Therefore, because it is expected that the Plan will remain above 100% funded and continue to receive, at a minimum, the normal cost contribution, the Plan with the service eligibility requirement changed to 25 years is expected to remain sustainable.

Under the 20-year service eligibility study, the Plan is expected to drop below 100% funded with an unfunded accrued liability approaching \$10 million. As a result of the eligibility change, the normal cost as a percent of TRS DCR payroll would increase from 0.74% to 1.06%. In addition to this normal cost increase, an additional contribution would be needed to pay down the newly created unfunded liability. In total, this equates to approximately \$2.3 million in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in TRS DCR payroll until the Plan reaches 100% funded, at which point, just the normal cost contribution is made. Therefore, because it is expected that the Plan will drop below 100% funded, then absent additional contributions to pay down the unfunded accrued liability, the long-term sustainability could be at risk. Lump sum funding of the newly created unfunded liability would enhance the sustainability to the Plan. In order for the Plan to be fully funded, a lump sum contribution amount in excess of \$8 million is needed, and some additional margin should also be considered for any future adverse experience.

## **PERS DCR**

As of June 30, 2023, the PERS DCR Healthcare Plan is approximately \$42 million overfunded with a funded ratio of 121%. The contributions to the Plan are equal to the normal cost which is 0.86% of PERS DCR payroll.

Under the 25-year service eligibility study, the Plan is expected to remain above 100% with an overfunded accrued liability of approximately \$18 million. As a result of the eligibility change, the normal cost as a percent of PERS DCR payroll would increase from 0.86% to 0.96%. This equates to approximately \$2.0 million in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in PERS DCR payroll. Therefore, because it is expected that the Plan will remain above 100% funded and continue to receive, at a minimum, the normal cost contribution, the Plan with the service eligibility requirement changed to 25 years is expected to remain sustainable.

Under the 20-year service eligibility study, the Plan is expected to drop below 100% funded with an unfunded accrued liability approaching \$40 million. As a result of the eligibility change, the normal cost as a percent of PERS DCR payroll would increase from 0.86% to 1.19%. In addition to this normal cost increase, an additional contribution would be needed to pay down the newly created unfunded liability. In total, this equates to approximately \$9.0 million in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in PERS DCR payroll until the Plan reaches 100% funded, at which point, just the normal cost contribution is made. Therefore, because it is expected that the Plan will drop below 100% funded, then absent additional contributions



to pay down the unfunded accrued liability, the long-term sustainability could be at risk. Lump sum funding of the newly created unfunded liability would enhance the sustainability to the Plan. In order for the Plan to be fully funded, a lump sum contribution amount in excess of \$38 million is needed, and some additional margin should also be considered for any future adverse experience.

Under the 20-year service eligibility for Public Safety employees and 25-year service eligibility for Other employees study, the Plan is expected to remain above 100% with an overfunded accrued liability of approximately \$10 million. As a result of the eligibility change, the normal cost as a percent of PERS DCR payroll would increase from 0.86% to 1.00%. This equates to approximately \$2.7 million in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in PERS DCR payroll. Therefore, because it is expected that the Plan will remain above 100% funded and continue to receive, at a minimum, the normal cost contribution, the Plan with the service eligibility requirement changed to 20 years for Public Safety employees and 25 years for Other employees is expected to remain sustainable.

### Summary of Results

|  | <u>TRS DCR</u>             |                            |                                |                            |
|--|----------------------------|----------------------------|--------------------------------|----------------------------|
|  | <u>Current Eligibility</u> | <u>25 Year Eligibility</u> | <u>25/20 Year Eligibility*</u> | <u>20 Year Eligibility</u> |
| Accrued Liability                            | \$ 57,093,000              | \$ 67,174,000              | \$ 67,174,000                  | \$ 86,124,000              |
| Actuarial Value of Assets                    | <u>77,815,000</u>          | <u>77,815,000</u>          | <u>77,815,000</u>              | <u>77,815,000</u>          |
| (Over)/Unfunded Accrued Liability            | \$ (20,722,000)            | \$ (10,641,000)            | \$ (10,641,000)                | \$ 8,309,000               |
| Funded Ratio                                 | 136%                       | 116%                       | 116%                           | 90%                        |
| Normal Cost as a % of TRS DCR Payroll        | 0.74%                      | 0.86%                      | 0.86%                          | 1.06%                      |
| Amort. Payment as a % of TRS DCR Payroll     | <u>0.00%</u>               | <u>0.00%</u>               | <u>0.00%</u>                   | <u>0.11%</u>               |
| Total Contribution as a % of TRS DCR Payroll | 0.74%                      | 0.86%                      | 0.86%                          | 1.17%                      |
| Contribution Dollars Increase in First Year  | \$ -                       | \$ 601,000                 | \$ 601,000                     | \$ 2,300,000               |

|   | <u>PERS DCR</u>            |                            |                                |                            |
|---|----------------------------|----------------------------|--------------------------------|----------------------------|
|   | <u>Current Eligibility</u> | <u>25 Year Eligibility</u> | <u>25/20 Year Eligibility*</u> | <u>20 Year Eligibility</u> |
| Accrued Liability                             | \$ 204,540,000             | \$ 228,922,000             | \$ 237,303,000                 | \$ 285,371,000             |
| Actuarial Value of Assets                     | <u>246,953,000</u>         | <u>246,953,000</u>         | <u>246,953,000</u>             | <u>246,953,000</u>         |
| (Over)/Unfunded Accrued Liability             | \$ (42,413,000)            | \$ (18,031,000)            | \$ (9,650,000)                 | \$ 38,418,000              |
| Funded Ratio                                  | 121%                       | 108%                       | 104%                           | 87%                        |
| Normal Cost as a % of PERS DCR Payroll        | 0.86%                      | 0.96%                      | 1.00%                          | 1.19%                      |
| Amort. Payment as a % of PERS DCR Payroll     | <u>0.00%</u>               | <u>0.00%</u>               | <u>0.00%</u>                   | <u>0.14%</u>               |
| Total Contribution as a % of PERS DCR Payroll | 0.86%                      | 0.96%                      | 1.00%                          | 1.33%                      |
| Contribution Dollars Increase in First Year   | \$ -                       | \$ 2,000,000               | \$ 2,700,000                   | \$ 9,000,000               |

\*25 Years for TRS & PERS Others, 20 Years for PERS P/F



### **Changes in the Context of TRS/PERS DB and DCR Combined Results**

The liabilities and assets for the DCR Plans are relatively small in comparison to the DB Plans and the expected contributions attributable to the TRS and PERS DCR Plans represent less than 25% of the total expected contributions in the upcoming year. The increases in the contribution amounts cited above represent a small increase in the total expected contribution. That is, the expected contributions for the entire PERS and TRS DB and DCR Plans are expected to increase by about 0.26% under the 25-year eligibility study, about 1.16% under the 20-year eligibility study and about 0.34% under the 20-year service eligibility for PERS Public Safety employees and 25-year service eligibility for TRS and PERS Other employees study.

### **Assumptions and Methods**

As noted above, we have relied on the assumptions, methods, and census data from the DRB actuary, Gallagher, as disclosed in the June 30, 2023 DCR valuation reports. Furthermore, changes of this nature may lead to changes in behavior. These potential behavioral changes were not studied as a part of this analysis, therefore, no changes to the assumptions were made in the scenarios studied.

### **Certification**

All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of, where applicable, the Internal Revenue Code and ERISA.

Mr. Wood and Mr. Detweiler are Associates of the Society of Actuaries, and Members of the American Academy of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They are both experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Company



Paul Wood, ASA, FCA, MAAA  
Senior Consultant



Bill Detweiler, ASA, EA, FCA, MAAA  
Consultant



**Appendix – Assumptions from the June 30, 2023 DCR Valuation Reports**

**TRS DCR – Retirement Rates**

| Age  | Rate    |
|------|---------|
| < 55 | 2.00%   |
| 55   | 3.00%   |
| 56   | 3.00%   |
| 57   | 3.00%   |
| 58   | 3.00%   |
| 59   | 3.00%   |
| 60   | 5.00%   |
| 61   | 5.00%   |
| 62   | 10.00%  |
| 63   | 5.00%   |
| 64   | 5.00%   |
| 65   | 25.00%  |
| 66   | 25.00%  |
| 67   | 25.00%  |
| 68   | 20.00%  |
| 69   | 20.00%  |
| 70+  | 100.00% |

**TRS DCR – Participation Assumptions**

| Death / Disability Decrement |                       | Retirement Decrement |                         |
|------------------------------|-----------------------|----------------------|-------------------------|
| Age                          | Percent Participation | Age                  | Percent Participation*  |
| < 56                         | 75.0%                 | 55                   | 50.0%                   |
| 56                           | 77.5%                 | 56                   | 55.0%                   |
| 57                           | 80.0%                 | 57                   | 60.0%                   |
| 58                           | 82.5%                 | 58                   | 65.0%                   |
| 59                           | 85.0%                 | 59                   | 70.0%                   |
| 60                           | 87.5%                 | 60                   | 75.0%                   |
| 61                           | 90.0%                 | 61                   | 80.0%                   |
| 62                           | 92.5%                 | 62                   | 85.0%                   |
| 63                           | 95.0%                 | 63                   | 90.0%                   |
| 64                           | 97.5%                 | 64                   | 95.0%                   |
| 65+                          | 100.0%                | 65+                  | <b>Years of Service</b> |
|                              |                       |                      | < 15 75.0%              |
|                              |                       |                      | 15 – 19 80.0%           |
|                              |                       |                      | 20 – 24 85.0%           |
|                              |                       |                      | 25 – 29 90.0%           |
|                              |                       |                      | 30+ 95.0%               |



**Appendix – Assumptions from the June 30, 2023 Valuation Reports (Cont'd)**

**PERS DCR – Retirement Rates**

| Age  | Rate    |
|------|---------|
| < 55 | 2.00%   |
| 55   | 3.00%   |
| 56   | 3.00%   |
| 57   | 3.00%   |
| 58   | 3.00%   |
| 59   | 3.00%   |
| 60   | 5.00%   |
| 61   | 5.00%   |
| 62   | 10.00%  |
| 63   | 5.00%   |
| 64   | 5.00%   |
| 65   | 25.00%  |
| 66   | 25.00%  |
| 67   | 25.00%  |
| 68   | 20.00%  |
| 69   | 20.00%  |
| 70+  | 100.00% |

**PERS DCR – Participation Assumptions**

| Death / Disability Decrement |                       | Retirement Decrement |                         |
|------------------------------|-----------------------|----------------------|-------------------------|
| Age                          | Percent Participation | Age                  | Percent Participation*  |
| < 56                         | 75.0%                 | 55                   | 50.0%                   |
| 56                           | 77.5%                 | 56                   | 55.0%                   |
| 57                           | 80.0%                 | 57                   | 60.0%                   |
| 58                           | 82.5%                 | 58                   | 65.0%                   |
| 59                           | 85.0%                 | 59                   | 70.0%                   |
| 60                           | 87.5%                 | 60                   | 75.0%                   |
| 61                           | 90.0%                 | 61                   | 80.0%                   |
| 62                           | 92.5%                 | 62                   | 85.0%                   |
| 63                           | 95.0%                 | 63                   | 90.0%                   |
| 64                           | 97.5%                 | 64                   | 95.0%                   |
| 65+                          | 100.0%                | 65+                  | <b>Years of Service</b> |
|                              |                       |                      | < 15 75.0%              |
|                              |                       |                      | 15 – 19 80.0%           |
|                              |                       |                      | 20 – 24 85.0%           |
|                              |                       |                      | 25 – 29 90.0%           |
|                              |                       |                      | 30+ 95.0%               |





Date: February 20, 2026

To: Mr. Bob Williams, Chair, Alaska Retirement Management Board

From: Paul T. Wood, ASA, FCA, MAAA

Cassie Rapoport, ASA, MAAA

cc: Ms. Alysia Jones

**Re: 2025 Update - Request for Actuary Feedback on Proposed Changes to DCR Retired Healthcare Service Eligibility**

At your request, we are providing this letter that supplements the letter dated February 5, 2025 (Request for Actuary Feedback on Proposed Changes to DCR Retired Healthcare Service Eligibility). This letter provides the estimated results of the original study based on the draft June 30, 2025 actuarial valuation results.

Under the current system:

- Employees with at least 10 years of service who are Medicare-eligible can access the Plan.
- However, employees with less than 30 years of service (25 years for Public Safety) who are not yet Medicare-eligible do not meet the eligibility requirements for accessing DCR healthcare benefits.

We understand the SRAC is exploring options for standardizing and reducing service requirements for employees:

1. **Reducing the eligibility requirement to 25 years of service for all employees.**
2. **Reducing the eligibility requirement to 20 years of service for all employees.**
3. **Reducing the eligibility requirement to 20 years of service for PERS Public Safety employees and 25 years for TRS and PERS Other employees.**

Please note the impact of these changes are paid from the Retiree Medical Trust.

### **Comments on the Replication of Results and Assumptions and Methods Used**

As the review actuary for the ARM Board, our role is typically to review the valuation work performed by the DRB retained actuary, Gallagher, on an annual basis via a test life review. As part of that role, we were engaged to perform a full replication of the results for each of the Plans. This project involved an independent verification and analysis of the assumptions, procedures, methods, and conclusions used by the retained actuary for all of these Plans to ensure that the conclusions are technically sound and conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board. As such we are able to provide some cost analysis that is based on the following:

- The assumptions and methods as used by Gallagher and disclosed in the draft June 30, 2025 DCR valuation reports dated January 9, 2026.
- The census data used by Gallagher in the June 30, 2025 valuation.
- No changes to the decrement rates, participation assumptions, per capita claims costs, or any other assumptions when measuring the impact of changing benefit provisions.

The following tables show the original analysis based on the June 30, 2023 valuation as well as the estimated results based on the June 30, 2025 valuation for the TRS and PERS DCR plans.

**TRS DCR**

**Original Analysis Based on the June 30, 2023 Valuation**

|  | <b>Current Eligibility</b> | <b>25 Year Eligibility</b> | <b>25/20 Year Eligibility*</b> | <b>20 Year Eligibility</b> |
|--|----------------------------|----------------------------|--------------------------------|----------------------------|
| Accrued Liability                            | \$ 57,093,000              | \$ 67,174,000              | \$ 67,174,000                  | \$ 86,124,000              |
| Actuarial Value of Assets                    | <u>77,815,000</u>          | <u>77,815,000</u>          | <u>77,815,000</u>              | <u>77,815,000</u>          |
| (Over)/Unfunded Accrued Liability            | \$ (20,722,000)            | \$ (10,641,000)            | \$ (10,641,000)                | \$ 8,309,000               |
| Funded Ratio                                 | 136%                       | 116%                       | 116%                           | 90%                        |
| Normal Cost as a % of TRS DCR Payroll        | 0.74%                      | 0.86%                      | 0.86%                          | 1.06%                      |
| Amort. Payment as a % of TRS DCR Payroll     | <u>0.00%</u>               | <u>0.00%</u>               | <u>0.00%</u>                   | <u>0.11%</u>               |
| Total Contribution as a % of TRS DCR Payroll | 0.74%                      | 0.86%                      | 0.86%                          | 1.17%                      |

**Updated Analysis Based on the June 30, 2025 Valuation**

|  | <b>Current Eligibility</b> | <b>25 Year Eligibility</b> | <b>25/20 Year Eligibility*</b> | <b>20 Year Eligibility</b> |
|--|----------------------------|----------------------------|--------------------------------|----------------------------|
| Accrued Liability                            | \$ 76,563,000              | \$ 90,924,000              | \$ 90,924,000                  | \$ 116,574,000             |
| Actuarial Value of Assets                    | <u>99,255,000</u>          | <u>99,255,000</u>          | <u>99,255,000</u>              | <u>99,255,000</u>          |
| (Over)/Unfunded Accrued Liability            | \$ (22,692,000)            | \$ (8,331,000)             | \$ (8,331,000)                 | \$ 17,319,000              |
| Funded Ratio                                 | 130%                       | 109%                       | 109%                           | 85%                        |
| Normal Cost as a % of TRS DCR Payroll        | 0.76%                      | 0.87%                      | 0.87%                          | 1.08%                      |
| Amort. Payment as a % of TRS DCR Payroll     | <u>0.00%</u>               | <u>0.00%</u>               | <u>0.00%</u>                   | <u>0.31%</u>               |
| Total Contribution as a % of TRS DCR Payroll | 0.76%                      | 0.87%                      | 0.87%                          | 1.38%                      |

\*25 Years for TRS & PERS Others, 20 Years for PERS P/F



**PERS DCR**

**Original Analysis Based on the June 30, 2023 Valuation**

|   | <b>Current Eligibility</b> | <b>25 Year Eligibility</b> | <b>25/20 Year Eligibility*</b> | <b>20 Year Eligibility</b> |
|---|----------------------------|----------------------------|--------------------------------|----------------------------|
| Accrued Liability                             | \$ 204,540,000             | \$ 228,922,000             | \$ 237,303,000                 | \$ 285,371,000             |
| Actuarial Value of Assets                     | <u>246,953,000</u>         | <u>246,953,000</u>         | <u>246,953,000</u>             | <u>246,953,000</u>         |
| (Over)/Unfunded Accrued Liability             | \$ (42,413,000)            | \$ (18,031,000)            | \$ (9,650,000)                 | \$ 38,418,000              |
| Funded Ratio                                  | 121%                       | 108%                       | 104%                           | 87%                        |
| Normal Cost as a % of PERS DCR Payroll        | 0.86%                      | 0.96%                      | 1.00%                          | 1.19%                      |
| Amort. Payment as a % of PERS DCR Payroll     | <u>0.00%</u>               | <u>0.00%</u>               | <u>0.00%</u>                   | <u>0.14%</u>               |
| Total Contribution as a % of PERS DCR Payroll | 0.86%                      | 0.96%                      | 1.00%                          | 1.33%                      |

**Updated Analysis Based on the June 30, 2025 Valuation**

|   | <b>Current Eligibility</b> | <b>25 Year Eligibility</b> | <b>25/20 Year Eligibility*</b> | <b>20 Year Eligibility</b> |
|---|----------------------------|----------------------------|--------------------------------|----------------------------|
| Accrued Liability                             | \$ 277,128,000             | \$ 311,276,000             | \$ 322,841,000                 | \$ 387,302,000             |
| Actuarial Value of Assets                     | <u>324,272,000</u>         | <u>324,272,000</u>         | <u>324,272,000</u>             | <u>324,272,000</u>         |
| (Over)/Unfunded Accrued Liability             | \$ (47,144,000)            | \$ (12,996,000)            | \$ (1,431,000)                 | \$ 63,030,000              |
| Funded Ratio                                  | 117%                       | 104%                       | 100%                           | 84%                        |
| Normal Cost as a % of PERS DCR Payroll        | 0.83%                      | 0.92%                      | 0.96%                          | 1.14%                      |
| Amort. Payment as a % of PERS DCR Payroll     | <u>0.00%</u>               | <u>0.00%</u>               | <u>0.00%</u>                   | <u>0.26%</u>               |
| Total Contribution as a % of PERS DCR Payroll | 0.83%                      | 0.92%                      | 0.96%                          | 1.40%                      |

\*25 Years for TRS & PERS Others, 20 Years for PERS P/F

**Assumptions and Methods**

As noted above, we have relied on the assumptions, methods, and census data from the DRB actuary, Gallagher, as disclosed in the June 30, 2025 DCR valuation reports. Furthermore, changes of this nature may lead to changes in behavior. These potential behavioral changes were not studied as a part of this analysis, therefore, no changes to the assumptions were made in the scenarios studied. Also, as this is a supplemental letter, it is subject to all the disclosures found in the letter dated February 5, 2025. Additional details can be found in that letter. You will find a copy of the February 5, 2025 letter attached.

**Certification**

All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of, where applicable, the Internal Revenue Code and ERISA.



Mr. Bob Williams, Chair, Alaska Retirement Management Board

February 20, 2026

Page 4

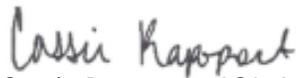
Mr. Wood and Ms. Rapoport are Associates of the Society of Actuaries, and Members of the American Academy of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They are both experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Company



Paul Wood, ASA, FCA, MAAA  
Senior Consultant



Cassie Rapoport, ASA, MAAA  
Consultant





Date: February 5, 2025

To: Mr. Bob Williams, Chair, Alaska Retirement Management Board

From: Paul T. Wood, ASA, FCA, MAAA  
Bill Detweiler, ASA, EA, FCA, MAAA

cc: Ms. Alysia Jones

**Re: Request for Actuary Feedback on Proposed Changes to DCR Retired Healthcare Service Eligibility**

At your request, we have analyzed the impact of changing the eligibility conditions relating to healthcare members participating in the PERS DCR and TRS DCR Plans.

Under the current system:

- Employees with at least 10 years of service who are Medicare-eligible can access the Plan.
- However, employees with less than 30 years of service (25 years for Public Safety) who are not yet Medicare-eligible do not meet the eligibility requirements for accessing DCR healthcare benefits.

We understand the Working Group is exploring choosing between two options for standardizing and reducing service requirements for employees:

1. **Reducing the eligibility requirement to 25 years of service for all employees.**
2. **Reducing the eligibility requirement to 20 years of service for all employees.**
3. **Reducing the eligibility requirement to 20 years of service for PERS Public Safety employees and 25 years for TRS and PERS Other employees.**

The Working Group also confirmed that they still want the Medicare-eligible with at least 10 years of service eligibility to remain.

Our task is to address the following:

1. **What are the financial and operational implications of reducing service requirements to 25 or 20 years for DC healthcare eligibility?**
2. **Would these changes support the sustainability of the DC Retired Healthcare Plan?**

### **Comments on the Replication of Results and Assumptions and Methods Used**

As the review actuary for the ARM Board, our role is typically to review the valuation work performed by the DRB retained actuary, Gallagher, on an annual basis via a test life review. As part of that role, we were engaged to perform a full replication of the results for each of the Plans. This project involved an

independent verification and analysis of the assumptions, procedures, methods, and conclusions used by the retained actuary for all of these Plans to ensure that the conclusions are technically sound and conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board. As such we are able to provide some cost analysis that is based on the following:

- The assumptions and methods as used by Gallagher and disclosed in the June 30, 2023 DCR valuation reports dated May 3, 2024.
- The census data used by Gallagher in the June 30, 2023 valuation.
- No changes to the decrement rates, participation assumptions, per capita claims costs, or any other assumptions when measuring the impact of changing eligibility.

In the Appendix, we have included the retirement rates and the participation assumptions from the June 30, 2023 DCR valuation reports. As you can see, the point at which a member is assumed to retire is based on their age. For example, for the TRS Plan, a member age 62 is assumed to have a retirement probability in that year of 10%. Participation at the retirement age will depend on the eligibility conditions. For example, under the current provisions, if the member has less than 30 years of service at age 62, then they would not be eligible to continue in the healthcare Plan. But, if they have 30 or more years of service and, thus, are eligible for continuation, then the participation rates come into play. For an eligible member at the age of 62, it is assumed with 80.75% (85% x 95%) probability that the member actually continues coverage and a 19.25% probability that the member chooses not to continue coverage. Under the 20-year study for a member retiring at age 62 with 20 years of service, it is now assumed with 72.25% (85% x 85%) probability that the member actually continues coverage and a 27.75% probability that the member chooses not to continue coverage. The participation rates are lower for members at earlier ages because they may be receiving healthcare from a different source or they have made the determination that their HRA accounts cannot support the continued payment of the premiums. These are just two of many reasons participation may be lower at earlier ages.

### **Analysis**

Currently, members retiring prior to age 65 that do not meet the 30-year (25-year for Public Safety) requirement are not eligible for continued coverage in the DCR Healthcare Plans. If the members meet the 30-year (25-year for Public Safety) requirement, then they are eligible to participate in the DCR Healthcare Plans provided the retiree pays the full premium prior to becoming Medicare eligible and a subsidized premium upon reaching Medicare eligibility. We studied the two alternatives of a 25-year eligibility requirement and a 20-year eligibility requirement. As you will see below, in both of these alternatives, the total normal cost will increase because younger members who currently may not be eligible to continue coverage are now much more likely to be eligible for the healthcare Plan.

### **TRS DCR**

As of June 30, 2023, the TRS DCR Healthcare Plan is approximately \$21 million overfunded with a funded ratio of 136%. The contributions to the Plan are equal to the normal cost which is 0.74% of TRS DCR payroll.



Under the 25-year service eligibility study, the Plan is expected to remain above 100% with an overfunded accrued liability of approximately \$11 million. As a result of the eligibility change, the normal cost as a percent of TRS DCR payroll would increase from 0.74% to 0.86%. This equates to approximately \$601 thousand in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in TRS DCR payroll. Therefore, because it is expected that the Plan will remain above 100% funded and continue to receive, at a minimum, the normal cost contribution, the Plan with the service eligibility requirement changed to 25 years is expected to remain sustainable.

Under the 20-year service eligibility study, the Plan is expected to drop below 100% funded with an unfunded accrued liability approaching \$10 million. As a result of the eligibility change, the normal cost as a percent of TRS DCR payroll would increase from 0.74% to 1.06%. In addition to this normal cost increase, an additional contribution would be needed to pay down the newly created unfunded liability. In total, this equates to approximately \$2.3 million in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in TRS DCR payroll until the Plan reaches 100% funded, at which point, just the normal cost contribution is made. Therefore, because it is expected that the Plan will drop below 100% funded, then absent additional contributions to pay down the unfunded accrued liability, the long-term sustainability could be at risk. Lump sum funding of the newly created unfunded liability would enhance the sustainability to the Plan. In order for the Plan to be fully funded, a lump sum contribution amount in excess of \$8 million is needed, and some additional margin should also be considered for any future adverse experience.

## **PERS DCR**

As of June 30, 2023, the PERS DCR Healthcare Plan is approximately \$42 million overfunded with a funded ratio of 121%. The contributions to the Plan are equal to the normal cost which is 0.86% of PERS DCR payroll.

Under the 25-year service eligibility study, the Plan is expected to remain above 100% with an overfunded accrued liability of approximately \$18 million. As a result of the eligibility change, the normal cost as a percent of PERS DCR payroll would increase from 0.86% to 0.96%. This equates to approximately \$2.0 million in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in PERS DCR payroll. Therefore, because it is expected that the Plan will remain above 100% funded and continue to receive, at a minimum, the normal cost contribution, the Plan with the service eligibility requirement changed to 25 years is expected to remain sustainable.

Under the 20-year service eligibility study, the Plan is expected to drop below 100% funded with an unfunded accrued liability approaching \$40 million. As a result of the eligibility change, the normal cost as a percent of PERS DCR payroll would increase from 0.86% to 1.19%. In addition to this normal cost increase, an additional contribution would be needed to pay down the newly created unfunded liability. In total, this equates to approximately \$9.0 million in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in PERS DCR payroll until the Plan reaches 100% funded, at which point, just the normal cost contribution is made. Therefore, because it is expected that the Plan will drop below 100% funded, then absent additional contributions



to pay down the unfunded accrued liability, the long-term sustainability could be at risk. Lump sum funding of the newly created unfunded liability would enhance the sustainability to the Plan. In order for the Plan to be fully funded, a lump sum contribution amount in excess of \$38 million is needed, and some additional margin should also be considered for any future adverse experience.

Under the 20-year service eligibility for Public Safety employees and 25-year service eligibility for Other employees study, the Plan is expected to remain above 100% with an overfunded accrued liability of approximately \$10 million. As a result of the eligibility change, the normal cost as a percent of PERS DCR payroll would increase from 0.86% to 1.00%. This equates to approximately \$2.7 million in additional contributions in the first year. This dollar amount is expected to grow each year in proportion to the growth in PERS DCR payroll. Therefore, because it is expected that the Plan will remain above 100% funded and continue to receive, at a minimum, the normal cost contribution, the Plan with the service eligibility requirement changed to 20 years for Public Safety employees and 25 years for Other employees is expected to remain sustainable.

**Summary of Results**

|   | <b><u>TRS DCR</u></b>             |                                   |                                       |                                   |
|---|-----------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
|   | <b><u>Current Eligibility</u></b> | <b><u>25 Year Eligibility</u></b> | <b><u>25/20 Year Eligibility*</u></b> | <b><u>20 Year Eligibility</u></b> |
| Accrued Liability                             | \$ 57,093,000                     | \$ 67,174,000                     | \$ 67,174,000                         | \$ 86,124,000                     |
| Actuarial Value of Assets                     | <u>77,815,000</u>                 | <u>77,815,000</u>                 | <u>77,815,000</u>                     | <u>77,815,000</u>                 |
| (Over)/Unfunded Accrued Liability             | \$ (20,722,000)                   | \$ (10,641,000)                   | \$ (10,641,000)                       | \$ 8,309,000                      |
| <br>  |                                   |                                   |                                       |                                   |
| Funded Ratio                                  | 136%                              | 116%                              | 116%                                  | 90%                               |
| Normal Cost as a % of TRS DCR Payroll         | 0.74%                             | 0.86%                             | 0.86%                                 | 1.06%                             |
| Amort. Payment as a % of TRS DCR Payroll      | <u>0.00%</u>                      | <u>0.00%</u>                      | <u>0.00%</u>                          | <u>0.11%</u>                      |
| Total Contribution as a % of TRS DCR Payroll  | 0.74%                             | 0.86%                             | 0.86%                                 | 1.17%                             |
| <br>  |                                   |                                   |                                       |                                   |
| Contribution Dollars Increase in First Year   | \$ -                              | \$ 601,000                        | \$ 601,000                            | \$ 2,300,000                      |
|   |                                   |                                   |                                       |                                   |
|   | <b><u>PERS DCR</u></b>            |                                   |                                       |                                   |
|   | <b><u>Current Eligibility</u></b> | <b><u>25 Year Eligibility</u></b> | <b><u>25/20 Year Eligibility*</u></b> | <b><u>20 Year Eligibility</u></b> |
| Accrued Liability                             | \$ 204,540,000                    | \$ 228,922,000                    | \$ 237,303,000                        | \$ 285,371,000                    |
| Actuarial Value of Assets                     | <u>246,953,000</u>                | <u>246,953,000</u>                | <u>246,953,000</u>                    | <u>246,953,000</u>                |
| (Over)/Unfunded Accrued Liability             | \$ (42,413,000)                   | \$ (18,031,000)                   | \$ (9,650,000)                        | \$ 38,418,000                     |
| <br>  |                                   |                                   |                                       |                                   |
| Funded Ratio                                  | 121%                              | 108%                              | 104%                                  | 87%                               |
| Normal Cost as a % of PERS DCR Payroll        | 0.86%                             | 0.96%                             | 1.00%                                 | 1.19%                             |
| Amort. Payment as a % of PERS DCR Payroll     | <u>0.00%</u>                      | <u>0.00%</u>                      | <u>0.00%</u>                          | <u>0.14%</u>                      |
| Total Contribution as a % of PERS DCR Payroll | 0.86%                             | 0.96%                             | 1.00%                                 | 1.33%                             |
| <br>  |                                   |                                   |                                       |                                   |
| Contribution Dollars Increase in First Year   | \$ -                              | \$ 2,000,000                      | \$ 2,700,000                          | \$ 9,000,000                      |

\*25 Years for TRS & PERS Others, 20 Years for PERS P/F



### **Changes in the Context of TRS/PERS DB and DCR Combined Results**

The liabilities and assets for the DCR Plans are relatively small in comparison to the DB Plans and the expected contributions attributable to the TRS and PERS DCR Plans represent less than 25% of the total expected contributions in the upcoming year. The increases in the contribution amounts cited above represent a small increase in the total expected contribution. That is, the expected contributions for the entire PERS and TRS DB and DCR Plans are expected to increase by about 0.26% under the 25-year eligibility study, about 1.16% under the 20-year eligibility study and about 0.34% under the 20-year service eligibility for PERS Public Safety employees and 25-year service eligibility for TRS and PERS Other employees study.

### **Assumptions and Methods**

As noted above, we have relied on the assumptions, methods, and census data from the DRB actuary, Gallagher, as disclosed in the June 30, 2023 DCR valuation reports. Furthermore, changes of this nature may lead to changes in behavior. These potential behavioral changes were not studied as a part of this analysis, therefore, no changes to the assumptions were made in the scenarios studied.

### **Certification**

All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of, where applicable, the Internal Revenue Code and ERISA.

Mr. Wood and Mr. Detweiler are Associates of the Society of Actuaries, and Members of the American Academy of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They are both experienced in performing valuations for large public retirement systems.

Sincerely,

Gabriel, Roeder, Smith & Company



Paul Wood, ASA, FCA, MAAA  
Senior Consultant



Bill Detweiler, ASA, EA, FCA, MAAA  
Consultant



**Appendix – Assumptions from the June 30, 2023 DCR Valuation Reports**

**TRS DCR – Retirement Rates**

| Age  | Rate    |
|------|---------|
| < 55 | 2.00%   |
| 55   | 3.00%   |
| 56   | 3.00%   |
| 57   | 3.00%   |
| 58   | 3.00%   |
| 59   | 3.00%   |
| 60   | 5.00%   |
| 61   | 5.00%   |
| 62   | 10.00%  |
| 63   | 5.00%   |
| 64   | 5.00%   |
| 65   | 25.00%  |
| 66   | 25.00%  |
| 67   | 25.00%  |
| 68   | 20.00%  |
| 69   | 20.00%  |
| 70+  | 100.00% |

**TRS DCR – Participation Assumptions**

| Death / Disability Decrement |                       | Retirement Decrement |                         |
|------------------------------|-----------------------|----------------------|-------------------------|
| Age                          | Percent Participation | Age                  | Percent Participation*  |
| < 56                         | 75.0%                 | 55                   | 50.0%                   |
| 56                           | 77.5%                 | 56                   | 55.0%                   |
| 57                           | 80.0%                 | 57                   | 60.0%                   |
| 58                           | 82.5%                 | 58                   | 65.0%                   |
| 59                           | 85.0%                 | 59                   | 70.0%                   |
| 60                           | 87.5%                 | 60                   | 75.0%                   |
| 61                           | 90.0%                 | 61                   | 80.0%                   |
| 62                           | 92.5%                 | 62                   | 85.0%                   |
| 63                           | 95.0%                 | 63                   | 90.0%                   |
| 64                           | 97.5%                 | 64                   | 95.0%                   |
| 65+                          | 100.0%                | 65+                  | <b>Years of Service</b> |
|                              |                       |                      | < 15 75.0%              |
|                              |                       |                      | 15 – 19 80.0%           |
|                              |                       |                      | 20 – 24 85.0%           |
|                              |                       |                      | 25 – 29 90.0%           |
|                              |                       |                      | 30+ 95.0%               |



**Appendix – Assumptions from the June 30, 2023 Valuation Reports (Cont'd)**

**PERS DCR – Retirement Rates**

| Age  | Rate    |
|------|---------|
| < 55 | 2.00%   |
| 55   | 3.00%   |
| 56   | 3.00%   |
| 57   | 3.00%   |
| 58   | 3.00%   |
| 59   | 3.00%   |
| 60   | 5.00%   |
| 61   | 5.00%   |
| 62   | 10.00%  |
| 63   | 5.00%   |
| 64   | 5.00%   |
| 65   | 25.00%  |
| 66   | 25.00%  |
| 67   | 25.00%  |
| 68   | 20.00%  |
| 69   | 20.00%  |
| 70+  | 100.00% |

**PERS DCR – Participation Assumptions**

| Death / Disability Decrement |                       | Retirement Decrement |                         |
|------------------------------|-----------------------|----------------------|-------------------------|
| Age                          | Percent Participation | Age                  | Percent Participation*  |
| < 56                         | 75.0%                 | 55                   | 50.0%                   |
| 56                           | 77.5%                 | 56                   | 55.0%                   |
| 57                           | 80.0%                 | 57                   | 60.0%                   |
| 58                           | 82.5%                 | 58                   | 65.0%                   |
| 59                           | 85.0%                 | 59                   | 70.0%                   |
| 60                           | 87.5%                 | 60                   | 75.0%                   |
| 61                           | 90.0%                 | 61                   | 80.0%                   |
| 62                           | 92.5%                 | 62                   | 85.0%                   |
| 63                           | 95.0%                 | 63                   | 90.0%                   |
| 64                           | 97.5%                 | 64                   | 95.0%                   |
| 65+                          | 100.0%                | 65+                  | <b>Years of Service</b> |
|                              |                       |                      | < 15 75.0%              |
|                              |                       |                      | 15 – 19 80.0%           |
|                              |                       |                      | 20 – 24 85.0%           |
|                              |                       |                      | 25 – 29 90.0%           |
|                              |                       |                      | 30+ 95.0%               |

