



Anchorage School District

Education Center

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March 29, 2016

Senate Finance Committee
State Capital Room 532
Juneau, AK 99801

RE: State Responsibility for the Support of the Alaska Teacher Retirement System (TRS) and the Public Employees Retirement System (PERS)

Honorable Members of Senate Finance:

I respectfully urge your reconsideration of the approach taken to rapidly force state-managed pension costs back onto local school districts and am calling upon you to withdraw SB 207 and 209.

I am deeply troubled by the release of these bills; the practical consequences of this shift are alarming. Increasing the TRS school district employer cost allocation from 12.56% to 19% is a 51% cost increase in just the first year, which, in the absence of an endowment to fully support the cost shift, will undoubtedly lead to major reductions in teaching staff to balance school district budgets across the state and a corresponding public protest over significantly larger class sizes as students return to school this coming fall. Without an endowment level commitment of financial resources, the net impact of these bills is equivalent to placing over 200 teachers in our district at risk by next fall – increasing to 300 teachers at risk in four years, as the proposed TRS school district contribution rate increases to 22%.

In addition, shifting the costs of state-managed pensions to school districts without concurrent, proportional, and sustainable financial support raises serious and substantial constitutional and public policy issues. The State of Alaska judiciary has affirmed the State of Alaska constitutional commitment to public education and has likewise affirmed the State of Alaska constitutional commitment to public employee retirement systems.

Clear and explicit affirmations from the judiciary illustrate these critically important points:

- 1) The constitutional requirement to provide public education is a State responsibility
- 2) The constitutional prohibition on diminishment or impairment of public employee retirement benefits, including the means designed to maintain the system of financial resources for those benefits
- 3) Teachers and other public employees have a constitutional interest in the security and integrity of the funds available to pay future pension benefits

This structural change to the system of adequate support for public education and teacher pensions raises worrisome questions. For example, the State has reserved a host of responsibilities for TRS, establishing itself as the program trustee. Accordingly, the State has a fiduciary duty to operate the TRS program for the benefit of participants and beneficiaries. Requiring local government entities to be responsible for

the unfunded vested benefit for the TRS and PERS programs without concurrent and sustainable financial commitments could be viewed as a breach of that fiduciary duty.

The profound public educational consequences of this decision will be far reaching and impact every student in our state. I understand the State's extremely challenging fiscal climate. Alaska's school districts are keenly aware of, and affected by, this climate. Districts face increasingly daunting challenges recruiting and retaining high quality teachers as underfunded salary and benefit packages¹ are further undermined by a somber funding outlook. To weather these challenges, we must craft solutions reflecting the best allocation of resources to meet the education needs of our children. Please reconsider these late session pension cost shifting bills and instead consider a cooperative approach to solving our fiscal challenges by engaging in a frank and open dialogue which will build support from local mayors, assemblies, city councils and local school boards.

Finally, the Anchorage School District highly values and has great appreciation for the Alaska Performance Scholarship program. Over the last four years, nearly 4,500 or approximately 40% of ASD students have qualified for the scholarship and been afforded an opportunity for postsecondary education that is essential for strengthening the Alaska workforce and maintaining a healthy economy. We support our university partners and understand that we fortify and enhance our educational system by working together.

In summary, I request your consideration of:

- recognizing that shifting responsibility for support of TRS and PERS to those least able to provide it, will result in an erosion of the very educational foundation teachers and public employees support;
- acknowledging and sustaining the State's role in providing public education for all children, and ensuring the financial viability of Alaska's public retirement systems by providing adequate and sustainable state support of those obligations; and
- although we respect the written intentions of funding included in the bills, a change of this magnitude requires an associated guarantee of full funding.

I am available to speak about the impact this would have on the Anchorage School District.

Sincerely,



Ed Graff
Superintendent

cc: Anchorage School Board
Anchorage Assembly
Mayor Berkowitz
State House of Representatives
State Senate
Governor Walker

¹ A 2015 UAA Center for Alaska Education Policy Research study indicated that Anchorage School District teacher salaries are 10% below the levels required to attract and retain high-quality teachers.