

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 9, 2015

3:32 p.m.

MEMBERS PRESENT

Senator Click Bishop, Chair
Senator Bert Stedman, Vice Chair
Senator Lyman Hoffman
Senator Dennis Egan

MEMBERS ABSENT

Senator Anna MacKinnon

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 146(CRA)

"An Act relating to a municipal tax exemption for certain subdivided property."

- MOVED SCS CSHB 146(CRA) OUT OF COMMITTEE

SENATE BILL NO. 79

"An Act relating to reemployment of persons who retire under the defined benefit plan of the teachers' retirement system."

- HEARD & HELD

SENATE BILL NO. 88

"An Act relating to new defined benefit tiers in the public employees' retirement system and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 146

SHORT TITLE: MUNICIPAL TAX EXEMPTION

SPONSOR(S): REPRESENTATIVE(S) MUNOZ

03/12/15 (H) READ THE FIRST TIME - REFERRALS
 03/12/15 (H) CRA
 03/24/15 (H) CRA AT 8:00 AM BARNES 124
 03/24/15 (H) Moved CSHB 146(CRA) Out of Committee
 03/24/15 (H) MINUTE(CRA)
 03/25/15 (H) CRA RPT CS(CRA) 2DP 5NR
 03/25/15 (H) DP: SEATON, TILTON
 03/25/15 (H) NR: REINBOLD, NAGEAK, DRUMMOND, ORTIZ,
 HUGHES
 03/27/15 (H) TRANSMITTED TO (S)
 03/27/15 (H) VERSION: CSHB 146(CRA)
 03/30/15 (S) READ THE FIRST TIME - REFERRALS
 03/30/15 (S) CRA, FIN
 04/07/15 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
 04/07/15 (S) Heard & Held
 04/07/15 (S) MINUTE(CRA)
 04/09/15 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: SB 79

SHORT TITLE: REEMPLOYMENT OF RETIRED TEACHERS & ADMIN

SPONSOR(s): SENATOR(s) DUNLEAVY

03/18/15 (S) READ THE FIRST TIME - REFERRALS
 03/18/15 (S) EDC, CRA
 03/26/15 (S) EDC AT 3:30 PM BUTROVICH 205
 03/26/15 (S) Heard & Held
 03/26/15 (S) MINUTE(EDC)
 03/31/15 (S) EDC AT 3:30 PM BUTROVICH 205
 03/31/15 (S) Heard & Held
 03/31/15 (S) MINUTE(EDC)
 04/02/15 (S) EDC AT 3:30 PM BUTROVICH 205
 04/02/15 (S) Scheduled but Not Heard
 04/07/15 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
 04/07/15 (S) <Pending Referral>
 04/07/15 (S) EDC AT 3:30 PM BUTROVICH 205
 04/07/15 (S) Moved CSSB 79(EDC) Out of Committee
 04/07/15 (S) MINUTE(EDC)
 04/08/15 (S) EDC RPT CS 1DP 1NR 3AM NEW TITLE
 04/08/15 (S) DP: DUNLEAVY
 04/08/15 (S) NR: HUGGINS
 04/08/15 (S) AM: STEVENS, GIESSEL, GARDNER
 04/09/15 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

BILL: SB 88

SHORT TITLE: TEACHERS & PUB EMPLOYEE RETIREMENT PLANS

SPONSOR(s): SENATOR(s) EGAN

03/25/15 (S) READ THE FIRST TIME - REFERRALS
03/25/15 (S) CRA, FIN
04/09/15 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
04/09/15 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

TERRY HARVEY, Staff
Representative Cathy Munoz
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an overview of HB 146 on behalf of the sponsor.

SHEILA PETERSON, Staff
Senator Mike Dunleavy
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an overview of SB 79 on behalf of the sponsor.

LISA SKILES PARADY, Executive Director
Alaska Council of School Administrators, and Alaska
Superintendents Association
Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 79.

PETER HOEPFNER, Member
Cordova School District Board of Education
Cordova, Alaska

POSITION STATEMENT: Testified in support of SB 79.

PEGGY COWAN, Superintendent
North Slope Borough School District
Barrow, Alaska

POSITION STATEMENT: Testified in support of SB 79.

CHRIS REITAN, Superintendent
Galena City School District
Galena, Alaska

POSITION STATEMENT: Testified in support of SB 79.

DEENA PARAMO, Superintendent
Matanuska-Susitna Borough School District
Palmer, Alaska

POSITION STATEMENT: Testified in support of SB 79.

PATRICK MAYER, Superintendent
Wrangell Public School District
Wrangell, Alaska

POSITION STATEMENT: Testified in support of SB 79.

MARY MCMAHON, President-Elect
Alaska Association of School Principals
Palmer, Alaska

POSITION STATEMENT: Testified in support of SB 79.

JESSE KIEHL, Staff
Senator Dennis Egan
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Supplemented the introduction of SB 88.

AARON DANIELSON, President
Public Safety Employees Association
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 88.

JACOB BERA, member
Region VI Board of Directors
National Education Association-Alaska
Chugiak, Alaska

POSITION STATEMENT: Testified in support of SB 88.

PEGGY COWAN, Superintendent
North Slope Borough School District
Barrow, Alaska

POSITION STATEMENT: Testified in support of SB 88.

ACTION NARRATIVE

[3:32:05 PM](#)

CHAIR CLICK BISHOP called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators Stedman, Hoffman, Egan, and Chair Bishop.

HB 146-MUNICIPAL TAX EXEMPTION

[3:33:18 PM](#)

CHAIR BISHOP announced the consideration of HB 146. [Senate CS for CSHB 146, labeled 29-LS0048\H, was before the committee.]

[3:33:25 PM](#)

TERRY HARVEY, Staff, Representative Cathy Munoz, Alaska State Legislature, Juneau, Alaska, summarized that HB 146 is an optional tool for municipalities to help develop land for housing. He said HB 146 addresses a housing issue by incentivizing development of three or more lots on a piece of property. He specified that HB 146 would allow for a municipality, if they choose, to abate the increase in property tax above and beyond the property tax base at the time development begins, until the property went into commercial or residential use where the full assessment kicks in for the municipality. He summarized that HB 146 has flexibility for a municipality to choose to abate all or a portion of the increase in property taxes.

CHAIR BISHOP confirmed that public testimony was closed at the last meeting and noted that the bill had overwhelming public support.

[3:35:15 PM](#)

At ease.

[3:35:41 PM](#)

SENATOR STEDMAN moved to report the bill [29-LS0048\H] from committee with individual recommendations, attached fiscal note, and title change.

CHAIR BISHOP found no objection and announced that [SCS CSHB 146(CRA)] was moved from the Senate Community and Regional Affairs Standing Committee.

[3:36:06 PM](#)

At ease.

SB 79-REEMPLOYMENT OF RETIRED TEACHERS & ADMIN

[3:37:30 PM](#)

CHAIR BISHOP announced the consideration of SB 79.

[3:38:05 PM](#)

SHEILA PETERSON, Staff, Senator Mike Dunleavy, Alaska State Legislature, Juneau, Alaska, said she would address SB 79 and the committee substitute that passed out of the Senate Education Committee.

MS. PETERSON revealed that Alaska is experiencing a shortage of qualified educators, especially in hard to fill areas, and the

situation is compounded by the drastic reduction in state revenue due to lower oil prices. SB 79 expands the pool for experienced and qualified teachers available to school districts. SB 79 becomes another tool for the school districts to be able to reach and educate Alaska's students.

She set forth that the bill allows school districts to reemploy educators younger than 62 who have been retired for one year, or educators older than 62 who have been retired for at least 3 months. She specified that SB 79 will not require any school district to reemploy any particular individual, the bill only gives the school district the option to do so. She noted that educators rehired under the bill's proviso receive their retirement benefits during the period of reemployment.

[3:39:47 PM](#)

She explained that the Division of Retirement Benefits recommended that the CS in the Senate Education Committee require school districts to pay the standard 12.56 percent to the Teachers' Retirement System (TRS) that is based on the educator's salary. She noted that the standard 12.56 percent is the same rate that the school districts must pay for active employees.

She revealed that a recent Alaska Teacher Placement (ATP) Job Fair had 707 openings for teachers and administrators, only 265 candidates attended. She asserted that the job fair shows the disparity between people looking for jobs and the openings that school districts have.

She summarized that SB 79 does not replace active employees, but provides school districts with another tool to be able to staff their schools.

SENATOR HOFFMAN asked where the job fair openings were located.

MS. PETERSON replied that she did not know, but would provide additional information.

[3:41:37 PM](#)

SENATOR STEDMAN asked to verify that a local school district pays the normal 12.56 percent TRS rate. He asked what the future accumulated benefits are when a rehired-teacher is pulling in a pension.

MS. PETERSON explained that Senator Dunleavy envisioned a school district first going to active employees to fill positions and

then turning to retired teachers if a position cannot be filled. She added that a reemployed teacher would maintain their retirement benefits throughout their reemployment period.

SENATOR STEDMAN asked that Ms. Peterson address the accumulation of any future additional benefits.

MS. PETERSON replied that there is no accumulation of any future benefits.

SENATOR STEDMAN asked to verify that there is no impact on potential unfunded liabilities where the school district just pays the 12.56 percent to help mitigate the unfunded liability.

MS. PETERSON answered that Senator Dunleavy asked the Division of Retirement and Benefits to submit a reasonable fiscal note that would not slow down the bill's concept and provide school districts with another hiring tool. She noted that the division's actuary was concerned that current employees might be incentivized to retire early and go back on the rolls as reemployed retired teachers. She asserted that Senator Dunleavy does not think the actuary's concerns would be the case, but the CS proposed in the Senate Education Committee helps mitigate any potential increase into the unfunded liability.

[3:44:21 PM](#)

CHAIR BISHOP asked how many school districts will be impacted by SB 79.

MS. PETERSON replied that school districts have been asking for the option provided by SB 79. She surmised that a third to a half of Alaska's 53 school districts will be interested in rehiring retired teachers. She explained that Senator Dunleavy envisions the bill's benefit, particularly in rural Alaska with 30 percent turnover rate, is to supplement new hires with experienced teachers that know Alaska and can act as a mentor to the new teachers. She noted that Senator Dunleavy was a leader several years ago of the mentor program and saw firsthand the benefits from mentoring.

[3:47:02 PM](#)

LISA SKILES PARADY, Executive Director, Alaska Council of School Administrators, and Alaska Superintendents Association (ASA), Juneau, Alaska, said she had prepared testimony but would also answer questions.

CHAIR BISHOP asked for hypotheticals that could be employed if SB 79 became law.

MS. SKILES PARADY revealed turnover rates as follows:

- 30 percent or higher in rural areas,
- 7 percent or higher for teachers in urban areas,
- 14 percent for principals,
- 50 percent for superintendents new to Alaska over the past 2 years.

She explained that in terms of answering Senator Bishop's question will depend on the position's greater need where rehiring retired superintendents will be used more than rehiring retired urban teachers.

She provided a breakdown of 707 positions available at the ATP Job Fair as follows:

- administrative positions: 53,
- athletic positions: 15,
- elementary teaching positions: 125,
- high school teaching positions: 115,
- middle school teaching positions: 43,
- nutrition services and other: 116,
- student support services: 131.

She pointed out that the 265 people attending the recent ATP Job Fair in addition to the University of Alaska (UA) producing about 250 people shows that there is a supply-demand issue.

She said questions have been asked whether new teachers will be denied the opportunity to take the positions; school districts wish they had that problem, but that is not the current situation.

She summarized that rehiring retired teachers will see limited use, but the ability to rehire retired teachers will add an additional tool. She surmised that under half of the school districts will rehire retired teachers.

[3:50:34 PM](#)

CHAIR BISHOP noted that there are 53 school districts in Alaska. He asked that Ms. Skiles Parady provide an approximation of how many positions would be filled by rehired retirees.

MS. SKILES PARADY answered that less than 200 teachers were hired the last time rehiring retirees was in law. She said the school districts' needs are greater now, but rehiring retirees should be comparable. She noted that 85 percent of UA graduates are working in education occupations, but a greater need still exists.

[3:52:02 PM](#)

SENATOR STEDMAN asked what the current status was for retire-rehires.

MS. SKILES PARADY answered that school districts are allowed to hire up to 49 percent of the time for a position. She admitted that recruiting someone for a halftime position in a highly qualified or high needs area like special education, math, or science is almost impossible to do.

[3:54:01 PM](#)

SENATOR STEDMAN asked that Ms. Skiles Parady explain what 49 percent means.

MS. SKILES PARADY answered that 49 percent refers to time where 49 percent is less than halftime.

SENATOR HOFFMAN noted that the turnover rates for rural Alaska was 30 percent and 7 percent in urban Alaska. He asked why the intent was to make the program statewide when the obvious problem is in rural Alaska. He inquired why the legislation is not made to address only hiring retired individuals in areas that have the highest turnover percentage.

MS. SKILES PARADY concurred that there is a greater need in rural Alaska, but noted that one of the largest school districts has suffered from not being able to recruit special education teachers. She stated that the teachers and administrators shortage is a statewide issue that impacts both rural and urban Alaska.

[3:56:19 PM](#)

SENATOR HOFFMAN asked if there is anything that can be done to address the areas in the state that have the highest turnover. He said the legislation seems to set into motion a program to hire retirees to address a statewide problem, but four times as much of a problem in rural Alaska versus urban Alaska. He asserted that the majority of retire-rehires will occur in the urban areas.

MS. SKILES PARADY answered that she agreed that recruiting for rural areas is more difficult, but urban areas struggle equally to recruit highly specialized areas where teachers in special education, math, and science are in short supply both in Alaska and nationally. She noted that retire-rehire is one of ASA's highest priorities.

[3:58:55 PM](#)

SENATOR HOFFMAN asked what the special education teacher turnover rates were in rural versus urban Alaska. He assumed that special education teachers are more specialized and tend to look at getting employed in urban areas.

MS. SKILES PARADY responded that she will provide specific data. She conceded that specialized positions are hard to recruit for. She said 131 specialized openings exist and the number of positions open climbs every day.

SENATOR HOFFMAN asked if the Legislature should wait on SB 79 to see exactly what happens with teacher layoffs due to the budget cuts that are being contemplated.

MS. SKILES PARADY replied that ASA hopes that the Legislature passes SB 79 because districts are not required to rehire retirees, but the legislation provides another tool as a possibility.

SENATOR HOFFMAN asked if there are programs or legislation that can be proposed to target hiring teachers in rural Alaska and does ASA have any recommendations in that regard.

[4:01:38 PM](#)

MS. SKILES PARADY replied that ASA supports all districts. She noted that ASA has been on record supporting things like mentoring. She stated that mentoring focuses on rural Alaska and is a best practice to retain teachers.

SENATOR HOFFMAN responded that mentoring is an existing program. He asked if ASA has any new recommendations to address the high turnover rate in rural Alaska.

MS. SKILES PARADY answered that SB 79 is legislation that has come directly from superintendents in rural areas.

SENATOR HOFFMAN asked specifically if legislation is being put forward that is aimed at those areas that have 30 percent

turnover, not over-arching legislation that addresses the whole state.

MS. SKILES PARADY replied that ASA has not put forward ideas specific to the 30 percent turnover rate in rural Alaska.

SENATOR HOFFMAN asked which state organization is looking at the high turnover rate in rural Alaska and is trying to find a solution.

MS. SKILES PARADY answered that ASA and the Alaska School Boards Association are the two organizations. She remarked that not splitting between urban and rural is a very important tenet for both organizations. She said ASA advocates for the entire state and both urban and rural areas are suffering from the high turnover rate.

SENATOR HOFFMAN replied that he is not trying to divide urban and rural. He detailed that he is trying to acknowledge that there is four times the problem in rural Alaska than there is in urban Alaska. He said students suffer when there are high turnover rates and asked what can be done to get the students in rural Alaska on parity by reducing the turnover rate.

[4:04:52 PM](#)

CHAIR BISHOP asked that when exit reviews are done, why teachers and superintendents are leaving. He remarked that fixing the turnover rate cannot be done until the reason for leaving is known. He pointed out that there are rural districts with teachers that have served for 20 years. He recommended that rural districts that have retained teachers for 20 years be asked how they are doing it. He noted another problem where he knows UA-Fairbanks graduates that have applied for teaching positions that could not get hired in Alaska, but states like Arizona have hired them immediately.

[4:07:17 PM](#)

SENATOR STEDMAN revealed that he has 12 of the 53 school districts in his district and he monitors turnover rates and performance scores. He said he does not have a good feel for regional data on the state's other school districts. He said having additional data for the bill will allow the committee to focus on either the problem areas versus a broad statewide approach.

MS. SKILES PARADY replied that she will provide a turnover rate breakdown by geographic area. She addressed Chair Bishop's

previous statement and noted that districts do read their exit interviews. She added that part of what has happened is the state has lost competitiveness in terms of salaries and retirement benefits. She asserted that Alaska no longer is able to hold its own against the Lower 48, particularly with pending district cuts. She noted that rural areas also face technological issues due to internet limitations.

[4:10:35 PM](#)

PETER HOEPFNER, member, Cordova School District Board of Education, Cordova, Alaska, stated that SB 79, the retire-rehire bill, is a good bill. He revealed that the Cordova School District faced a sudden departure of its superintendent in mid-July and was allowed special dispensation to hire a retired superintendent for the school year. He said SB 79 will allow districts to utilize teachers and administrators during a crisis. He set forth that the bill would be an excellent tool that districts could use to fill positions critical to schools when facing an unexpected vacancy outside of the regular hiring season. He pointed out that there are not an adequate number of teachers applying for all of the open positions and the superintendent pool has been diminishing over the past number of years.

[4:13:35 PM](#)

PEGGY COWAN, Superintendent, North Slope Borough School District, Barrow, Alaska, stated that she supports SB 79 and noted that the Alaska Council of School Administrators made the bill's legislation one of its statewide priorities. She revealed that the North Slope Borough School District has 27 vacancies remaining and added that a teacher resigned prior to the start of the previous year and the position was not replaced until January. She asserted that the bill would help provide flexibility for a district in high quality hires. She noted that she was superintendent in Juneau when a similar bill was in place and the district rarely used it, but the district did hire retirees mostly for specialist positions. She pointed out that the new amendment where the districts are billed for the TRS retirement was different than it has been with Alaska Public Employees' Retirement System (PERS). She remarked that she was wondering why there is a difference with TRS and PERS.

[4:17:16 PM](#)

CHRIS REITAN, Superintendent, Galena City School District, Galena, Alaska, stated that SB 79 was a good bill and provides one extra tool for school districts in the recruiting process with no financial harm to the state. He pointed out that

superintendents have turned over quite a bit in the state and districts are scrambling to find administrators who have Alaskan experience and success who can provide dedicated leadership in difficult times. He summarized that the bill provides one more avenue to fill high needs areas and positions that cannot be filled.

[4:19:06 PM](#)

DEENA PARAMO, Superintendent, Matanuska-Susitna Borough School District, Palmer, Alaska, stated that for years the Mat-Su School District has accessed the extensive experience and expertise of retired employees and educators by allowing for temporary and part-time employment opportunities. She asserted that the district's efforts to capitalize on a talented veteran workforce have been severely limited without a provision to allow for the unrestricted reemployment of retirees such as SB 79.

MS. PARAMO stated that as she understands the proposed bill would permit districts to essentially enter into an at-will employment agreement with a retired teacher or administrator, so long as the individual has been retired for 3 months or a year, depending on age. She detailed that current protections and benefits such as tenure, sick leave, and health insurance would not be required as the nature of the employment relationship with a retired individual.

She assured the committee that the reemployment of retired teachers is not pursued in Mat-Su to avoid the hire of new teachers. She said retirees fill gaps when properly certified staff cannot be hired in hard to fill areas. She added that SB 79 can provide significant savings where certain costs, most notably health insurance, would not need to be provided to retirees. She remarked that savings could be redirected back to the classroom environment or even used to hire new classroom teachers.

She concurred with Senator Hoffman's sentiment in regards to incentivizing rural Alaska for teachers. She proposed that another bill come forward where individuals are offered an extra \$10,000 per year to be collected after the third or fifth year of rural-service. She summarized that having a stable educational environment was an imperative for children all around Alaska.

[4:22:26 PM](#)

PATRICK MAYER, Superintendent, Wrangell Public School District, Wrangell, Alaska, said he supports the legislation but was puzzled to see the amendment suggesting a 12 percent contribution for rehires paid for by the school district. He said there is a shortage of teachers, principals, and superintendents. He added that the turnover rate for superintendents has been 50 percent over the past 2 years. He noted that there is a national shortage of teachers and asserted that Alaska was not competitive in benefits and salaries with the Lower 48, especially in recruiting special education, math, and science educators.

MR. MAYER remarked that the bill is not a tool to misuse and will be used when needed, but he asserted that the district encourages new hires to fill vacant spots. He set forth that SB 79 would allow districts to fill positions in a manner that won't negatively impact a retired teacher where the individual would continue to collect their retirement benefits while the cost of the district would be minimal. He summarized that SB 79 would be a great tool in the district's toolbox in allowing the option of employing retired teachers.

[4:24:57 PM](#)

MARY MCMAHON, President-Elect, Alaska Association of School Principals, Palmer, Alaska, stated that SB 79 would provide the best educators by increasing the pool of candidates for Alaska's students, especially when the state is experiencing a shortage in securing quality candidates. She remarked that she did not have a concern in people retiring and wanting to get back into the system right away. She set forth that retirees that return to public education could very well be the best candidates to do the job in serving the best interests of students and schools.

[4:27:46 PM](#)

CHAIR BISHOP closed public testimony and announced that SB 79 would be held in committee. He called on school districts to consider how they are planning for succession in growing their own teachers, principals, and superintendents.

[4:29:07 PM](#)

At ease.

SB 88-TEACHERS & PUB EMPLOYEE RETIREMENT PLANS

[4:30:06 PM](#)

CHAIR BISHOP called the committee back to order and announced the consideration of SB 88.

[4:31:16 PM](#)

SENATOR EGAN, as the sponsor, introduced SB 88 as follows:

SB 88 let's teachers, police, firefighters, and other public employees choose one of two state retirement systems: an individual defined contribution retirement account, or earning a new defined benefit pension.

A defined benefit pension takes time to earn, but it rewards public servants by letting them earn a guaranteed monthly benefit when they retire. For long-term employees, they can earn help paying for healthcare, they can stay in Alaska and pay property taxes to their local municipality. Alaska's teachers and public employees don't earn the private sector's defined benefit of Social Security and many even lose Social Security benefits they earned in their past jobs. For most, a defined benefit pension makes sense, but many will still choose defined contribution; as an example, some have a military or private sector pension or some have a spouse employed in Alaska and only plan to stay a few years. Others want to control their investments or take their savings to their next job, they could choose defined contribution.

SB 88 creates a new, more stable and more predictable defined benefit pension tier. A few years ago, Alaska beefed up oversight of the pension system; SB 88 keeps those smart safeguards, making Alaska's retirement system stronger than ever. Analysis of a previous version of this bill showed it saved the state about \$70 million in 5 years and it is cost neutral in the long term, it shares the risk of rising health costs between employees and employers, and it adds nothing, not one red-cent to the unfunded liabilities from the past. To make the new system cost neutral, employees will share the risk of health costs rising in the future, that's a risk worth taking, I think, and is fair to Alaskans.

[4:33:55 PM](#)

JESSE KIEHL, Staff, Senator Dennis Egan, Alaska State Legislature, Juneau, Alaska, noted that testimony from the previous bill pointed out some of the difficulties in the very

complex question of teacher retention. He stated that he would focus on the economic impact of pensions as follows:

The total economic impact of just the PERS and TRS pensions to Alaska, according to an independent research group, is about \$1.4 billion in our economy. More than 70 percent of Alaska's PERS and TRS retirees stay in-state and that's by design, the pension system has a cost of living increase if you retire in Alaska. The PERS and TRS trust together paid more than \$1 billion in fiscal year 2014 in pension payments, roughly 90 percent of those dollars stayed in state. So that really will show you how effective that is in helping Alaska's public servants to retire here in Alaska, and as Senator Egan said, have homes in their communities and contribute to their local economies. In that sense, the pension system has been one of the shock-absorbers for our economy through the national downturn, there have been a number of them, certainly healthy capital budgets were a major piece; but, through the coming years, that more than \$1 billion in functionally payroll, retirement payroll, and an additional \$500 million in medical benefits, will be a huge element in keeping our local economies healthy.

[4:36:35 PM](#)

MR. KIEHL stated that SB 88 addresses turnover as follows:

SB 88 also addresses a major cost for the State of Alaska from municipalities and school districts of turnover. The cost of training new employees is very high and when you can retain good employees, not lose them to other places and other folks, you save a lot of public dollars, you make a much more efficient use of the public treasury, that is of course vital to municipalities and school districts using local property taxes. Just to give you a couple of, frankly fairly dated estimates, ten years ago the Department of Fish and Game estimated the cost of training a new biologist was \$16,000 in their first couple of years, the Department of Public Safety estimated that a new state trooper through the academy, equipment, and training was \$150,000.

For those who wish to earn a pension, those who choose to make that choice, at present, that is not available to them in Alaska, and so we are beginning to see in

exit interviews an increasing number of folks who elect to begin their careers here, get significant training, and then take their portable retirement benefit south. Now for those who want to do that, that's the ideal choice and SB 88 retains that choice for them, but for those who would prefer to stay in Alaska throughout their lives, stay local as we grow our own, the opportunity to earn a pension comes back into existence with SB 88.

[4:38:19 PM](#)

CHAIR BISHOP noted that there was no need for a sectional analysis, because the bill does not have a fiscal note at the present time. He stated that he looks forward to ultimately reviewing the bill's numbers in Senate Finance.

MR. KIEHL summarized as follows:

Employees will pay more of their paychecks into this new defined benefit tiers than any of the old defined benefit tier. Employees will contribute more cash and will always pay a share of their healthcare in retirement; in the old defined benefit tiers, that was not the case. In this tier, depending on how long you serve, you will pay anywhere from 10 percent to 30 percent or more of your retiree health insurance; that saves a great deal of money, it shares a great deal of risk with the employees, and there is an adjuster in the bill that ensures that the pre-funding cost, the amount we put away each pay period, pre-fund these benefits as they are earned, doesn't exceed the defined contribution. So our pre-funding systems will be equal no matter which system our employees choose. Mr. Chairman, you alluded to the forth coming analysis, the department has worked very closely with our office, we understand that they are beginning work on analysis and will work with us on the bill and we appreciate their willingness to get that rolling and work with the sponsor.

CHAIR BISHOP expressed that he looks forward to reviewing the numbers to see if the state really can save money because the Legislature needs to look at all ways to save revenue regardless of economic conditions due to oil prices.

[4:41:10 PM](#)

AARON DANIELSON, President, Public Safety Employees Association, Fairbanks, Alaska, remarked that the value of experience is what Alaska is losing with having the current Tier IV plan. He disclosed that many police and fire officers have left Alaska because the state cannot keep up with Lower 48 offerings.

[4:43:10 PM](#)

JACOB BERA, member, Region VI Board of Directors, National Education Association-Alaska, Chugiak, Alaska, said SB 88 would greatly improve the current public employee retirement plan, improve teacher quality and retention, and save the State of Alaska money. He noted that according to statistics from Buck Consultants, Alaska has hired 3,037 teachers since 2006, by 2012 only 632 of those teachers have stayed in Alaska more than 5 years; this has led to more cost in recruitment and training, leading to the revolving door in the classroom that does not contribute positively to educational outcomes for students. He set forth that SB 88 creates a choice-pension system that helps attract and retain quality and effective teachers for the long haul, especially in specialized, high need areas in education and for rural Alaska. He disclosed that according to state actuaries, new healthcare costs safeguards and smaller employer contributions, SB 88 would save \$70 million over 10 years.

[4:46:40 PM](#)

PEGGY COWAN, Superintendent, North Slope Borough School District, Barrow, Alaska, stated that she supports SB 88 for the same reasons that she supports SB 79. She noted that SB 88 gives options, especially in recruiting the "millennial" aged workforce. She summarized that defined benefits do make a difference for attracting long term teachers and asserted that retention is good for Alaska's students.

[4:47:46 PM](#)

CHAIR BISHOP announced that public testimony is closed. He said SB 88 will be held in committee.

[4:48:27 PM](#)

There being no further business to come before the committee, Chair Bishop adjourned the Senate Community and Regional Affairs Standing Committee hearing at 4:48 p.m.