

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

January 28, 2025

3:16 p.m.

MEMBERS PRESENT

Representative Ashley Carrick, Chair
Representative Andi Story, Vice Chair
Representative Rebecca Himschoot
Representative Ky Holland
Representative Sarah Vance
Representative Kevin McCabe
Representative Elexie Moore

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

OVERVIEW: DIVISION OF RETIREMENT AND BENEFITS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

Kathy Lea, Director
Division of Retirement and Benefits
Department of Administration
Juneau, Alaska

POSITION STATEMENT: Gave an overview describing the Alaska Division of Retirement and Benefits.

AMY GALLAWAY, Retired Teacher
Invited testifier
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony regarding retirement processing delays and her experience.

ACTION NARRATIVE

[3:16:07 PM](#)

CHAIR ASHLEY CARRICK called the House State Affairs Standing Committee meeting to order at 3:16 p.m. Representatives Story, Himschoot, Holland, Vance, McCabe, Moore and Carrick were present at the call to order.

Overview: Division of Retirement and Benefits

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CHAIR CARRICK announced that the first order of business would be an overview of the Division of Retirement and Benefits.

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Kathy Lea, Director, Division of Retirement and Benefits, Department of Administration, gave an overview via PowerPoint describing the Alaska Division of Retirement and Benefits [hard copy included in committee file]. She remarked that the presentation was a general overview and specific elaboration on the Processing. Beginning on Slide 2, she described the operating role of the division and its governance. On Slides 3 and 4, she discussed both the pension programs and health benefits programs. She noted that the Division of Retirement and Benefits (DRB) administers nine different pension programs. She remarked that each of these pension programs has specific rules and eligibility guidelines. Moving to Slides 5 and 6, she described the internal organization within the division. She noted that this includes a director and three officers. She proceeded to describe each officer and their governing units.

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REPRESENTATIVE HIMSCHOOT asked how much state healthcare benefits have increased in cost.

MS. LEA was unable to provide those numbers but could get them later.

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MS. LEA continued with the overview and described Slide 7, which illustrates the organizational hierarchy of the Chief Pension Officer. She noted that when fully staffed, 45 employees work in the Member Benefits Unit.

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MS. LEA responded to a series of questions from committee members. She noted that currently the vacancy rates were doing well and noted that the last position within the processing unit was in the process of being filled. She explained that in June, the Member Benefits Unit had a 47 percent vacancy rate; however, the rest of the division was not as high. Regarding tenure, she said that DRB has the blessing of a seasoned staff that has worked within the division for a long time. She also remarked that no positions have been cut from the division, and positions have been added in the last five years. She confirmed that \$4,000 hiring incentives were used, and these helped with the hiring process. These incentives involved a \$2000 initial payment and a \$2000 payment following 2 years of service. The retention bonuses follow the same pay-out model. She said that DRB saw few applications for their positions, and the incentives were helping address the thin application pools. She explained that in the last few years, DRB was not conducting exit surveys, as managerial prioritization was placed on refilling positions; however, the Division of Personnel conducts them and can be a source of this information.

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MS. LEA continued with the division overview and presented Slide 11, which illustrates retirement benefit processing time. She clarified that retirement benefits are due at the end of the month, and this can create some confusion for applicants. She noted that about 20 percent of retirement processing goes over six weeks and is typically due to missing applicant paperwork.

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MS. LEA responded to questions from committee members. She noted that the timing to initiate retirement processing begins at the first of the month and explained that it can take time to process because of applicant paperwork requirements and ensuring the issuance of the correct benefits package. She remarked that approximately 75-80 percent of plans are paid on time. She clarified that employment termination and retirement eligibility are different. She stated that the division encourages early submission of applications and applicants with delays are entitled to retroactive payments.

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MS. LEA continued with the overview and discussed Slides 12-14, which highlight the 2022 division reorganization. She elaborated on what units were moved and provided the rationale. She explained that the July retirement load can be four to five times the standard application load due to teacher retirements. She explained that staffing issues and the additional workload created problems within the division. She mentioned that DRB reputation was damaged from the high workload placed on employees and this created additional hiring complications. On Slide 15, she provided an illustration of both the staffing requirements and vacancies during 2023/2024. She explained that the retirement processing unit was about 47 percent staffed and approximately 14 weeks were required to process retirement applications. On Slide 16, she discussed the division's decision to reverse the 2022 reorganization. She mentioned that overtime was offered to all staff to assist with retirement processing, and that retirement applications were caught up by the end of August 2024.

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MS. LEA responded to a series of questions from committee members. She clarified Slide 15 and remarked that it describes the types of benefits, not how many units handle an application. She also mentioned that in anticipation of the July workload, the division has a planning meeting in May. She explained that during the busy period, extended periods of leave are not expected from employees. She also mentioned that in the absence of a chief pension officer, typically the operations manager is responsible for staffing oversight and help requests are issued to the director. She also mentioned that to prepare for exiting division employees, a mentoring program was implemented, and cross-training employees is a requirement for every chief and manager. She noted that this program has been successful for the division. She could not explain the rationale for the actions taken by the prior director and their decision to move staff. Lastly, she noted that most DRB employees are in Juneau's State Office Building, but some are in Anchorage and periodically requested for help.

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MS. LEA discussed Slide 17 and mentioned the cultivation of the idea within DRB that it is a united division, regardless of sections and units. She noted that when one sections falls behind, others are expected to support it. On Slide 18, she

explained that cross-training was practiced to better prepare staff to help in other divisional areas. In conclusion on Slide 19, she iterated that paying benefits is a number one priority and a division point of focus.

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MS. LEA responded to a series of questions from committee members. She confirmed that delinquent employers are an issue for the division and have been since the '90s. She remarked that most of delinquents were from smaller villages and that a statute allows the division to intercept state funds being issued to that entity; but if funds get intercepted, then critical infrastructure funds can be compromised. She explained that after consultation, it was deemed that there is no money to intercept. She noted that the employees of those delinquent employers do not get all the benefits. She mentioned that about every 2-3 years new solutions are explored. She added that current employers that are delinquent are in suspension and cannot add any additional employees and provide coverage. She also explained that each fund is adequately funded and in good health. She clarified that DRB is neutral regarding legislative planning as this was the responsibility of the legislature. However, she emphasized that understanding plan structure is important and how plans have changed historically. She noted that some benefits haven't been processed, but everything that has a completed application is on a 4- to 6-week schedule. She could not provide the number of applications still being processed but would work on making that information available later. She remarked that bonuses are budgeted until June 30 and a later evaluation would be conducted to determine whether bonuses would be needed. She was unable to provide the amount of money spent on bonuses but would work on getting this information.

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AMY GALLAWAY, Retired Teacher, invited testifier, gave invited testimony regarding retirement processing and her experience. She remarked that she retired in July after 25 years of teaching and her difficulties dealing with retirement were shared by others in the same retirement period. She thanked DRB for changing course and policies to address delays. Initially, she was told in June that her retirement would not arrive until November or December, and this was a point of concern. She mentioned that preparations for her retirement began in 2023, and she provided information in advance. Following submission,

she was told of a backlog of 12-14 weeks from the effective start date. She began hearing about problems with other teachers and DRB confirmed that there was a delay. She noted that these delays caused her to cancel doctor appointments to address a recent diagnosis. She opined that it seemed as if public servants were not a priority and compared it to permanent fund dividend (PFD) prioritization. She expressed that the delays eroded her belief that teachers felt valued, and this sentiment was shared by some still working. She noted that the more she investigated the issue, the more she learned of others being adversely affected by the delays. She provided a few stories of her colleagues with the same issue. She said that within 3 weeks, some relief was provided, and this reduced delays. She raised concern since the problem had been known since March. She noted that Article 12, Section 7 of the Alaska Constitution states that membership in employee retirement systems of the state shall constitute a contractual relationship and should not be impaired. She argued that more than 6 weeks constituted impairment. She said that it should have never been acceptable to wait this long and expressed sympathy and understanding to DRB staffing shortages.

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CHAIR CARRICK noted that Ms. Lea was not employed during the timeframe regarding which Ms. Gallaway was testifying.

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REPRESENTATIVE MCCABE asked MS. Gallaway whom she worked for, the State of Alaska or the Borough School District.

MS. GALLAWAY responded that she worked for the Borough and thought that all teachers were state employees.

[4:25:50 PM](#)

MS. LEA responded to questions from committee members. She clarified backlogs and noted that a server intrusion caused a delay in plan payments. She said that the data was not compromised. She noted that following the intrusion the employer reporting tool, E-Reporting, was a function that didn't migrate to the state cloud platform and required re-programming. She noted that 1,600 employer payrolls are currently awaiting processing, and employees will be compensated for any lost earnings; however, this can't be done until all payrolls are processed. She noted that compensation for delays follow

Internal Revenue Service (IRS) rules. She noted that DRB communicates with employers regarding updates and social media updates are utilized as well. She clarified that the verification of the payroll occurs with the E-Reporting tool, which helps detect payroll errors, makes processing accurate, and has been a tool used since around 2007. She noted that a problem with processing is having to process payrolls in order. She also explained that bonuses helped with recruitment but are just one of many adjustments made by the division to assist with recruiting.

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REPRESENTATIVE HOLLAND asked Ms. Gallaway what she thought about defined benefits being offered to future teachers and employees. He asked about what she has learned about bringing back these benefits.

MS. GALLAWAY said that she was on the governor's Teacher's Recruitment and Retention Working Group and one of the operating objectives was to determine recruitment and retention methods that have efficacy. She noted that every Tier I and Tier II worker she knew was motivated to keep working because of the health benefit. She said that the pension did not help with recruitment, but it was an effective retention tool. She noted that bonuses were an effective recruiting tool. She said some Tier 3 teachers have left the state to pursue pension programs in other states. She noted that pension programs will help retain quality educators. Additionally, she emphasized that pairing mentorships programs and pensions is important for retaining talent.

[4:46:12 PM](#)

REPRESENTATIVE STORY asked Ms. Lea what the average age of retirement was and how DRB plans to deal with any potential influxes of retirement applications. She also inquired to how minimum qualifications for positions have been adjusted, whether any work was contracted, and whether the work was done by Alaskans.

MS. LEA responded that statistics pertaining to upcoming retirement ages can be delivered and that when fully staffed, the division can handle even larger loads of applications. She mentioned that currently DRB have around 300 and felt that it could process up to 1,000. She mentioned that an issue is career change and employee retention, especially amongst younger

employees. Regarding qualification adjustments, she noted that there has been a shift to skill-based recruiting. She noted that many higher-end positions can be difficult to fill. She explained that this work is done completely through Alaska Hire; and only record keeping on the pension side is contracted out. She elaborated on contracted employees.

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MS. GALLAWAY responded to questions from committee members. She remarked that she decided to continue teaching despite her diagnosis because she had a passion for her work, and that after 20 years she could get extra points for retirement and additional benefits for each year she continued. She noted that managing stress was a major factor that helped her condition and allowed her to continue working.

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REPRESENTATIVE STORY noted that another employee of DRB was present.

MS. LEA introduced Chris Novell, the new DRB Chief Financial Officer to the Committee and expressed optimism for the future of the division.

[5:00:37 PM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 5:00 p.m.