

HB

277

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: February 15, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/7/00

The FINANCE Committee considered:

HB 277

HOUSE BILL NO. 277

RETIREMENT BENEFITS FOR REHIRED TEACHERS

"An Act relating to payment of retirement benefits for subsequently reemployed retired members of the teachers' retirement system."

recommends it be replaced with the following committee substitute CS HB 277 (Fin) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) DOA 2-15-00
 fiscal note(s) _____ fiscal note(s)

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault	X			
<i>Alan Mulder</i>	Mulder	X			
<i>Carl Bunde</i>	Bunde	✓			
<i>Allen Auster</i>	Austerman			X	
<i>Ben Grossendyck</i>	Grossendyck	X			
<i>Tom Davis</i>	Davis	X			
<i>W.K. Williams</i>	Williams	X			
<i>Gail Phillips</i>	Phillips	✓			
<i>[Signature]</i>	Foster	X			

CHAIR'S SIGNATURE *Gene Theriault* *Alan Mulder*

FISCAL NOTE

No: 1

Bill Version: HB 277
 (H) Publish Date: 2/15/00

**STATE OF ALASKA
 2000 LEGISLATIVE SESSION**

Revision Date <u>2/9/00</u>	Dept. Affected <u>Administration</u>
Title <u>An act relating to payment of retirement benefits for subsequently reemployed retired members</u>	BRU <u>Centralized Administrative Services</u>
Sponsor <u>Representative Halcro</u>	Component <u>Retirement and Benefits</u>
Requester <u>(H) HESS</u>	Component No. <u>64</u>

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: <u>Guy Bell</u>	Phone <u>465-4471</u>
Division <u>Retirement and Benefits</u>	Date/Time <u>2/9/00</u>
Approved by Commissioner <u>Robert Poe</u>	Date <u>2/9/00</u>
Agency <u>Department of Administration</u>	

House Bill 277

The fiscal impact of this legislation is difficult to quantify for the following reasons:

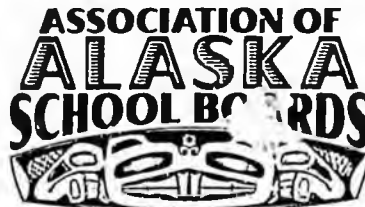
1. The Teachers' Retirement System (TRS) is funded with rates charged against the salaries of active members (certificated teachers and administrators), and earnings from fund investments. Teachers currently pay 8.65% and employers pay 12% of salary into TRS.

The State of Alaska employs only approximately 100 of the 9,300 active TRS members. The rest of the members are employed by Alaska school districts. Therefore, the fiscal impact of any legislation falls on school districts, not the State of Alaska. Since a fiscal note reflects the cost of legislation to state government, even legislation with a high cost to TRS could show minimal fiscal note impact.

2. Currently, when a retired TRS member returns to TRS covered employment, the member's retirement benefit is suspended until the member again retires. Under this legislation, the benefit would no longer be suspended, so the member would receive a TRS retirement check and a TRS employer paycheck. System demographics indicate that relatively few TRS retirees currently return to employment covered by TRS. If this were to continue, our actuaries have estimated that the legislation would only increase TRS rates by approximately 0.01 percent of payroll. If this were the case, the long-term employer contribution rate of 12 percent of payroll would be adequate to fund the System.

However, relieving the penalty for retired members to come back to work may increase the number who choose to do so. We asked our actuaries to quantify the possible impact if this occurs.

Our actuaries focused on the portion of the population for whom the legislation produces a measurable cost increase – members who earn 20 years of service before otherwise becoming eligible for retirement. We found that for these members, retiring when they first achieve 20 years of service, returning to work for two years and then re-retiring increases the liability associated with their benefits by about 10%. If half of the members elect to do this, we estimate that the annual cost increase would be approximately 0.75% of total TRS payroll. The cost increase is roughly proportional to the assumptions. For example, if all employees who attain 20 years before other retirement eligibility return to work for 2 years, the cost increase should be about 1.5% of payroll. Moreover, if the period of return is doubled, so is the cost.



Advocates for Alaska's Youth

POSTION PAPER IN SUPPORT OF HB 277

The Association of Alaska School Boards (AASB) supports House Bill 277, sponsored by Rep. Halcro. The proposal addresses a priority issue of AASB—urging the state and university to address the severe shortage of teachers, specialists, and administrators in Alaska.

AASB believes this proposal is a necessary step to entice experienced, retired teachers back into the classroom. It adds another tool to address Alaska's teacher shortage.

Specifically, the proposal allows retired educators to continue to receive retirement benefits after they've been rehired. Current law requires benefit payments be suspended for one year when a retired teacher is rehired.

BACKGROUND

There is a national debate going on right now over whether or not there is, indeed, a teacher shortage. "According to the National Commission on Teaching and America's Future, the U.S. is not facing a teacher shortage...IF you're in the right geographical area and IF you need teachers that are not in the high demand areas," says Mary Ellen LaBerge, University of Alaska/Fairbanks' Alaska Teacher Placement Office. "That's good for districts in the Seattle area or for districts looking for elementary level teachers. It's not good if you're in Alaska and looking for mathematics teachers, special education teachers, counselors, administrators, English teachers and science teachers."

Alaska's recent Retirement Incentive Programs gave school districts short-term financial relief, but at a price. It exasperated the teacher shortage in Alaska.

Some additional issues and remedies to consider:

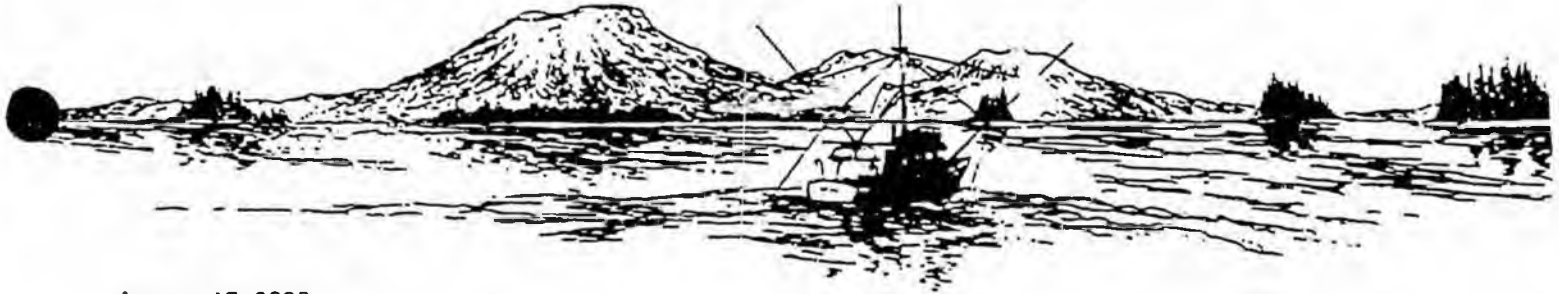
--establishing licensing reciprocity across states. Alaska recently signed the NASDTEC Interstate Contract, an agreement which facilitates the movement of educators among the various states which have signed the contract. Goes into effect in June 2000.

--alternatives to licensure.

--signing bonuses, raising salaries, or at least compensating educators for years of experience when they arrive in a district.

--national recruitment initiatives, streamlined hiring procedures, online information technologies to speed up hiring, scholarship programs and forgivable loans to prepare candidates in shortage fields, teacher education programs.

SITKA SCHOOL DISTRICT



January 17, 2000

Representative Andrew Halcro
State Capitol, Suite 418
Juneau, AK 99801-1182

Dear Representative Halcro:

Thank you for taking the time to send your proposed legislation to me for comment. I appreciate the opportunity.

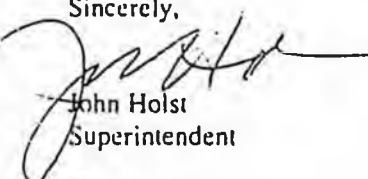
The whole area of certification is fraught with huge implications. Both of your bills do address the need for additional teachers and provide potential avenues to solve the problem short-term, but weakening the requirements for certification could have long-term implications that are very dangerous, relegating teaching to those who just cannot get employment elsewhere. I know that isn't your intention, but the outcome needs serious consideration.

Yes, we are experiencing a nation-wide teacher shortage, but Alaska has taken the problem to a new level by capping salaries since 1985. Flat funding of education has had a huge affect on what districts can pay their teachers. We are now nearing a crisis but we are still refusing to face this reality. In Sitka, which is one of the more attractive locations to recruit teachers, we are having a very difficult time finding quality teachers. In the past, we could expect to hire only those in the top 10% of the profession, and in times of shortage, at least in the top half. This past year, we had a more difficult time finding quality teachers, even though we did almost all of our hiring by the end of May! I can only imagine what other districts, hiring in the summer, to much less attractive school districts, must have experienced.

The Legislature must begin a dialog of how to resolve this problem. Yes, in this case, more money will matter. For the past 15 years, we have all said it is not a matter of money. Now it is becoming exactly that! This will become a crisis in Alaska during the next 2-3 years, and will eventually require draconian solutions, at least for those of us who want to see public education survive. I have come to believe that many who are currently making these decisions do not have the best interest of public education in mind and are doing their very best to make it collapse. We may be seeing the beginning to that right now!

Please continue to do what you are doing, to solve the short-term problems. Both bills do that pretty well, with the HB 271 doing some questionable things with the quality of teacher candidates. But please also begin to talk about the real problem, salaries that are too low to attract competent people, either to prepare for the profession or to come here to teach after they have the certification. A yearly adjustment to the per pupil expenditure in the new formula would be a good place to start. Yes, the crisis is nearly upon us. Help!

Sincerely,


John Holst
Superintendent

C: Board
Representative Ben Grussendorf
Senator Robin Taylor

BERING STRAIT SCHOOL DISTRICT

DISTRICT OFFICE • P.O. BOX 225 • UNALAKLEET, ALASKA 99684-0225 • (907) 624-3611 • FAX 624-3099

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24 January, 2000

The Honorable Andrew Halcro
State Capitol, Room 418
Juneau, AK 99801-1182

Re: HB 277: Retirement benefits re-employed teachers

Dear Representative Halcro,

Thank you listening to me regarding HB 277. I feel this is productive legislation and should enjoy the support of your colleagues. As stated in my comments to you, I feel certain issues, if addressed, would make this more productive for everyone. Here are a few ideas for your consideration.

- Allow retired TRS members to return to the classroom, and continue to collect their retirement stipend.
- Do not make TRS contribution - contribute to Social Security.
- Let school districts decide how to pay - do not legislate.
- Retired TRS members should not earn tenure.
- Allow Districts to issue multi-year (two) contracts.
- Returning TRS members should not earn additional years in TRS.

These changes will allow the teacher pool to increase and save Districts money.

Your efforts with issues addressing education are important and should you require information or assistance, please instruct your staff to contact me as needed. I hope this session is productive for you and I look forward to meeting you again.

Sincerely,

A handwritten signature in black ink, appearing to be "John A. Davis".

Dr. John A. Davis
Superintendent

cc. J. Walsh

"OUR MISSION"

The Mission of the Bering Strait School District is to educate students to become self-sufficient productive citizens in a changing world, recognized for their social, academic, and marketable skills, by providing standards of excellence.



Alaska Association of Elementary Schools Principals
 Alaska Association of Secondary School Principals
 Alaska Association of School Administrators
 Sponsor of the Alaska Staff Development Network

326 Fourth St. Suite 404 • Juneau, Alaska 99801-1101
 Phone: (907) 586-9702 (800) 478-9702 Fax: (907) 586-5679
 E-mail: acsa@ptialaska.net • HOME PAGE: www.ptialaska.net/~acsa

Alaska Council of School Administrators

Excerpt from the *ACSA Education Bulletin* January 2000 Issue

Where are the Teachers?

WE NEED A MORE POWERFUL MAGNET!

By Darroil Hargraves,
 Executive Director, ACSA

What's the problem?

What's getting the attention?

Interesting isn't it? During the past few years, public attention has been focused on funding, construction, standards, and testing. Each of these issues is important. However, whenever superintendents get together to talk about immediate and future concerns, another issue tops the agenda—the need to recruit, hire, and keep certified and qualified teachers and administrators.

The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Alaska is not alone. In fact, teacher shortages are entering a critical stage across the nation. U.S. Secretary of Education Richard Riley consistently expresses a concern about the ability of our schools to attract the very brightest and best into education careers. As student enrollments continue to climb nationally, demand is outstripping supply at a time when the hurdles are being lifted even higher. For example, the shortage is becoming even more acute because many states are increasing their standards

for teachers and some are requiring them to have majors in the subjects they teach or to pass qualifying tests. The recent announcement by the University of Alaska that a five-year program will be required for certification will further reduce the number of Alaskans to fill positions in our schools.

Salaries have not kept pace with what talented people can make outside the classroom. A recent Quality Counts 2000, 50-state survey, conducted by *Education Week*, found that one in five college graduates who began teaching in 1993-94 left within three years. The brightest novice teachers, as measured by their college-entrance exams, were the most likely to leave, the study revealed.

There was a time, not so long ago, when Alaska was a magnet for educators.

What's at stake here? The immediate concern for many educators is having excellent teachers in the classroom—preparing students to pass exit exams that are looming in their future. Even more importantly, they are concerned about preparing students for life in the 21st century.

There was a time, not so long ago, when Alaska was a magnet for educators. Our salaries were the highest in the nation. Our recruiters could promise adventure, good hunting and fishing, and a lifestyle that attracted exceptional talent. Let's face it. What worked in the past is not getting us the number and level of certified, qualified educators we need today and will need in the future.

While average teacher salaries in Alaska are still above the national average, we are now caught in what the *New York Times* calls a bidding war. That war has spread from coast to coast, and we are not winning. In fact, we are being out-manuevered as never before. Take, for example, the incentives being offered in several states. California is offering \$10,000

interest-free loans for buying a home, \$30,000 bonuses for attaining advanced certification, and \$11,000 to repay college loans. In Texas, \$2,000 signing bonuses are becoming commonplace. Southern states such as Florida, Georgia and Mississippi have districts paying bonuses of up to \$6,000 to retain quality teachers.

As crises show signs of becoming catastrophes, some state legislatures and state departments of education have gotten the ball rolling on bringing retired teachers and administrators back into the system. Those early retirement incentives that were sold, in some case, as a way to remove the "dead wood" are now looking more like they've caused a "brain drain."

Salaries are a major problem, both for teachers and administrators. Alaska's largest districts provide an example of how noncompetitive our salaries are. These districts have budgets, enrollments, numbers of employees, physical plants, and demands comparable to large districts outside the state that are paying their superintendents nearly double. In fact, an Alaska board member recently admitted to the media that their superintendent is underpaid and speculated that if the present superintendent left and had to be replaced, it would require an additional \$50,000. Even that level of an increase would be low compared to salaries paid in comparable districts outside.

Granted, we need to pay attention to standards, facilities, and a number of other critical issues. At the same time, let's not forget that our ability to attract and keep outstanding teachers and administrators is basic to everything we hope to accomplish. Alaska needs a constant flow of quality, certifiable educators. While the problem may not be completely solved during this session of the Legislature, we simply must make sure that it receives the attention it deserves. The future of our kids depends on it.

4.5 ADDRESSING TEACHER, SPECIALIST, AND ADMINISTRATION SHORTAGE

The Association of Alaska School Boards does hereby urge the Alaska State Legislature, Alaska State Board of Education, and Teacher Education Programs in Alaska's universities to address the severe shortage of teachers, specialists, and administrators in the State of Alaska.

Rationale. It has been painfully demonstrated that a severe shortage of teachers, specialists, and administrators is being experienced in the school districts in every region of Alaska. Because of the "flat" funding of school districts imposed by the Alaska State Legislature, districts have been forced to hold salary levels of teachers and administrators at an equally "flat" level, resulting in actual decreases in salary levels. Such decreasing salary levels are highly detrimental to attracting new teachers to Alaska and detrimental to recruiting people into education.

It is equally difficult under the funding structure imposed over the last 10 years to offer district incentives to attract teachers and administrators. At the same time, standards for teachers have been raised significantly, making it more difficult for prospective teacher to gain certification in Alaska. Incentives need to be provided by universities to attract new candidates and by the State Board of Education to attract new teachers to the state, both to be funded by the State Legislature. In addition, the State Legislature needs to provide funding for district incentives to attract new teachers.

Adopted 1999



Wisconsin Department of Employee Trust Funds

Returning to Work After Retirement

ET 4105, Rev. 3/98

Private Employment

As a retiree you can work in private employment and your benefits administered by this Department (retirement and health/life insurance) will not be affected.

Employment With Any WRS Employer After Retirement

To be eligible to receive your retirement benefit, if your new Wisconsin Retirement System (WRS) employment is in a WRS covered position, it cannot begin until 30 days after your termination date, your annuity effective date, or the date you filed your application, whichever is latest after your return.

NOTE: If your re-employment is with the same employer you retired from, the 30 day requirement applies regardless of whether the new employment is covered under WRS or not.

Re-employment Covered by the WRS

If you are rehired in a position that meets WRS participation standards after the 30-day requirement, you will have a choice of:

- Remaining an annuitant. If you decide to remain an annuitant, you do not have to take any action.
- Electing coverage under the WRS. If you choose to be covered by the WRS again, you must file an election form with your employer. Your employer will forward your election to the Department. Your annuity will be terminated and your WRS coverage will begin effective on the first of the month after the Department receives your completed election form. You can elect coverage at any time.

WRS Participation Standards

A position meets WRS participation standards if you are expected to work at least one-third of full-time during one or more years. For example, if you return to work for the state in a project or limited term employment (LTE) appointment, and are expected to work at least one-third of full-time during at least one year, your position will meet WRS participation standards.

Employment Not Covered by the WRS

- Employment with a private employer.
- Employment with a public employer that does not participate in the WRS. (All Wisconsin state employees and most local government employees are covered under the WRS, except for non-teaching employees of the City and County of Milwaukee.)

- Employment with a WRS participating employer in a position that does not meet WRS participation standards.

Election of WRS Participation

If you file an election to participate in the WRS, your retirement annuity is terminated effective with the beginning of the month after the Department receives your election to participate. Upon terminating WRS employment you can reapply for a retirement annuity. At that time you can select any annuity option for which you are eligible, regardless of the option you chose when you originally retired.

Your retirement annuity will be recalculated using your new final average monthly earnings (if applicable) for all of your WRS employment, including your covered employment after you return to work. The portion of your annuity based on the additional creditable service earned after your return to work will be calculated according to the laws in effect on your most recent termination date.

Your benefit based on the service earned prior to your original retirement will be calculated according to the laws in effect when you originally retired. There is one exception; if you have WRS creditable service in at least three continuous years since your return to work, the benefit based on a number of "old" years of creditable service, equal to the years of service you have earned since your return to work, can be calculated under the laws in effect on your most recent termination date. After it has been recalculated, your annuity will be reduced by the value of the payments you received before your normal retirement age. The value of your recalculated retirement benefit may be larger than your original benefit, but it can never be less.

Impact on Health Insurance

The following information applies to annuitants insured under the State Group Health Insurance Program, the Wisconsin Public Employers Group Health Insurance Program, and the Local Annuitant Health Program.

NOTE: If your new employer offers coverage through the State or Wisconsin Public Employers Group Health Insurance and you were not previously covered, you must elect WRS participation to be eligible for coverage.

If you do not elect to participate in the WRS, your health insurance coverage will not be affected.

If you elect to participate in the WRS, you become eligible for the coverage offered to active employees by your employer, and you cease to be eligible for the coverage you had as an annuitant (if different). Federal law provides that you have the right to continue coverage for a maximum of 36 months by paying the entire premium. When you elect to participate in the WRS, this Department will notify you of your right to continue your old coverage for an additional 36 months. However, continuation coverage does NOT make you eligible to return to your old group coverage when you terminate employment. Therefore, it may be in your best interest to enroll in your employer's group coverage as an active employee and review that employer's coverage available to you upon subsequent retirement.

FOR STATE EMPLOYEES ONLY

If your health insurance premiums are being paid from a sick leave credit account and you subsequently elect to participate in the WRS, the dollar amount of your unused sick leave account is frozen until you retire again.

Re-employment as a State Employee:

Any additional sick leave accrued after you elect to participate in the WRS is added to your existing sick leave balance when you retire again.

Re-employment with a Local Employer:

When you retire again, you will be considered a local government retiree and will no longer be eligible for coverage under the State of Wisconsin Employee's Group Health Plan. Any unused sick leave you may have remaining under the state plan is not available for use.

When you again terminate employment and are insured under your new employer's group plan, you are eligible for whatever coverage your employer offers to retirees. If you terminate from a WRS employer other than the state, you are also eligible for the Local Annuitant Health Program. Open enrollment is available if you apply for both your annuity and for this health coverage within 60 days of termination. If you were a retired state employee who became a covered WRS employee for a local employer, you

may be eligible to re-enroll in state group coverage by providing evidence of insurability.

Impact on Life Insurance

If you are insured under the Wisconsin Public Employers Group Life Insurance program as a retiree and you return to work prior to age 70 for an employer who participates in the program, you will continue coverage as a retiree. If you elect to participate in the WRS, you will have a choice of continuing your retiree coverage or of applying for coverage as an active employee.

If you apply for coverage as an active employee your coverage will be based on estimated earnings at the time you elect WRS participation, and that coverage will decrease when you again terminate employment in accordance with applicable state statutes. You can also apply for Age 70 and Over coverage through Evidence of Insurability if you are age 70 or more at the time you elect WRS participation.

Premiums due as an active employee can be deducted from your salary through a participating employer, or they may be paid directly to the insurance company. If you are not continuing coverage as a retiree (annuity premium deduction) and your premium is not paid when due, your coverage will lapse.

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call (608) 266-3285 or TTY (608) 267-0676. We will try to find another way to get the information to you in a usable form.

Always include your name, Social Security number and date of birth on all correspondence to this Department.

ALASKA STATE LEGISLATURE

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REPRESENTATIVE ANDREW HALCRO
District 12

April 7, 2000

The Honorable Gene Therriault
Co-Chairman
House Finance Committee
State Capitol Building
Juneau, Alaska 99801

Re: HB 277 Teacher Retirement

Dear Gene:

The subcommittee you assigned to review potential changes to HB 277 has arrived at a solution. It is embodied in version "I" of the bill. I have attached a copy of the proposed committee substitute for your review.

It was the intent of the subcommittee that the individual school districts would establish policies and standards for determining when a shortage in a teaching discipline or specialty occurs. Once those standards have been fulfilled, the school district could then self-certify a need and rehire retired teachers to fulfill that need.

The subcommittee also agreed that school districts will annually report to the Teachers Retirement System the number of retired teachers who are rehired under the provisions of HB 277. The report should, at a minimum, include the following information for each rehired retiree: 1) the specialty or discipline of the teaching position to be filled, 2) the salary at retirement, 3) the salary upon rehire, 4) the rehire date, 5) the re-retirement date if applicable, and 6) a description of efforts made to otherwise fill openings. Each school district taking advantage of the provisions in HB 277 shall also provide a copy of their rehire policy to the Division of Retirement and Benefits. Version "I" of the bill provides that the Teachers Retirement System shall report to the legislature within the first 30 days of session any effect of HB 277 on the Teachers Retirement System.

Version "I" also includes a sunset clause that takes effect on July 1, 2003 so the legislature will be required to review any effect HB 277 may have on the Teachers Retirement System.

Sincerely yours,

A handwritten signature in cursive script that reads "Andrew".

Andrew Halcro

WORK DRAFT

WORK DRAFT

WORK DRAFT

I-I.S1202M
Cramer
4/4/00

*Adopted
4/7/00*

CS FOR HOUSE BILL NO. 277()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HALCRO, Dyson

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to payment of retirement benefits for certain subsequently
2 reemployed retired members of the teachers' retirement system; and providing for
3 an effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 14.25.043 is amended to read:

6 **Sec. 14.25.043. Reemployment of retired members. Except as provided in**
7 **(b) of this section, if [IF]** a retired member again becomes an active member, benefit
8 payments may not be made during the period of reemployment. The retirement benefit
9 must be suspended for the entire school year if the teacher is reemployed as an active
10 teacher for a period equivalent to a year of service. During the period of
11 reemployment, deductions from the member's salary will be made in accordance with
12 AS 14.25.050. Upon subsequent retirement, the retired member is entitled to receive
13 an additional benefit based on the credited service and the average base salary during
14 the period of reemployment in accordance with AS 14.25.110.

WORK DRAFT

WORK DRAFT

1-LS1202U

1 * Sec. 2. AS 14.25.043(a) is amended to read:

2 (a) If [EXCEPT AS PROVIDED IN (b) OF THIS SECTION, If] a retired
3 member again becomes an active member, benefit payments may not be made during
4 the period of reemployment. The retirement benefit must be suspended for the entire
5 school year if the teacher is reemployed as an active teacher for a period equivalent
6 to a year of service. During the period of reemployment, deductions from the
7 member's salary will be made in accordance with AS 14.25.050. Upon subsequent
8 retirement, the retired member is entitled to receive an additional benefit based on the
9 credited service and the average base salary during the period of reemployment in
10 accordance with AS 14.25.110.

11 * Sec. 3. AS 14.25.043 is amended by adding a new subsection to read:

12 (b) A school district or regional educational attendance area that has or
13 anticipates having a shortage of teachers qualified to teach in a particular discipline or
14 specialty may, by resolution, adopt a policy that permits the employment of retired
15 teachers who are qualified to teach in the discipline or specialty in accordance with
16 this subsection. The policy must describe the circumstances that constitute a shortage.
17 If a shortage of teachers exists in the district or attendance area as described in the
18 policy, the district or attendance area shall notify the administrator that it is hiring
19 retired teachers under this subsection. Retired teachers reemployed under a policy
20 adopted in accordance with this subsection shall continue to receive benefit payments
21 under this chapter during the period of reemployment. The payments shall be based
22 on the member's accrued credited service and the member's average base salary in
23 effect before the period of reemployment. During the period of reemployment,
24 deductions from the member's salary shall be made in accordance with AS 14.25.050.
25 Upon subsequent retirement, the retired member is entitled to receive an additional
26 benefit based on the credited service and the average base salary during the period of
27 reemployment in accordance with AS 14.25.110.

28 * Sec. 4. SUNSET. AS 14.25.043(b) is repealed July 1, 2003.

29 * Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section
30 to read:

31 REPORT TO LEGISLATURE. Beginning in 2001 and ending in 2004, the

WORK DRAFT

WORK DRAFT

I-LS1202U

1 administrator of the teachers' retirement system shall report to the legislature by the 30th day
2 of the regular legislative session concerning the effect of this Act on the retirement system.

3 * Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section
4 to read:

5 EFFECT OF SUNSET ON EXISTING TEACHER CONTRACTS. Notwithstanding
6 the repeal of AS 14.25.043(b) made by sec. 4 of this Act, a retired teacher who is employed
7 under a contract on June 30, 2003, may continue to receive benefits and make deductions as
8 though AS 14.25.043(b) were not repealed for the duration of the teacher's contract of
9 employment then in effect.

10 * Sec. 7. Section 2 of this Act takes effect July 1, 2003.

FISCAL NOTE

Bill Version: HB 277

(H) Publish Date: 2/15/00

**STATE OF ALASKA
2000 LEGISLATIVE SESSION**

Revision Date	2/9/00	Dept. Affected	Administration
Title	An act relating to payment of retirement benefits for subsequently reemployed retired members	BRU	Centralized Administrative Services
Sponsor	Representative Halcro	Component	Retirement and Benefits
Requester	(H) HESS	Component No.	64

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by:	Guy Bell	Phone	465-4471
Division	Retirement and Benefits	Date/Time	2/9/00
Approved by Commissioner	Robert Poe Jr. <i>[Signature]</i>	Date	2/9/00 <i>2/9/00</i>
Agency	Department of Administration		

ALASKA STATE LEGISLATURE



REPRESENTATIVE ANDREW HALCRO

District 12

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COMMUNITY AND REGIONAL AFFAIRS

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HB 277

SPONSOR STATEMENT

The pool of qualified teachers in Alaska is shrinking dramatically. The situation is particularly dire in the area of special education. To address this shortage I have sponsored HB 277.

This legislation would allow teachers who have retired to return to teaching in the public schools without forfeiting their retirement benefits. Retired teachers would be able to be re-employed by a school district. They would continue to receive their retirement benefits. However, individual school districts could negotiate what pay range the rehired teachers would enter at, thus reducing the cost to school districts, but compensating experienced teachers through a combination of pay and benefits.

Presently, teachers, once retired, may only work 40% of full-time in a school district without forgoing their retirement benefits. HB 277 would provide school districts with the opportunity to rehire experienced teachers at a lower cost to the public.

House Bill 277

The fiscal impact of this legislation is difficult to quantify for the following reasons:

1. The Teachers' Retirement System (TRS) is funded with rates charged against the salaries of active members (certificated teachers and administrators), and earnings from fund investments. Teachers currently pay 8.65% and employers pay 12% of salary into TRS.

The State of Alaska employs only approximately 100 of the 9,300 active TRS members. The rest of the members are employed by Alaska school districts. Therefore, the fiscal impact of any legislation falls on school districts, not the State of Alaska. Since a fiscal note reflects the cost of legislation to state government, even legislation with a high cost to TRS could show minimal fiscal note impact.

2. Currently, when a retired TRS member returns to TRS covered employment, the member's retirement benefit is suspended until the member again retires. Under this legislation, the benefit would no longer be suspended, so the member would receive a TRS retirement check and a TRS employer paycheck. System demographics indicate that relatively few TRS retirees currently return to employment covered by TRS. If this were to continue, our actuaries have estimated that the legislation would only increase TRS rates by approximately 0.01 percent of payroll. If this were the case, the long-term employer contribution rate of 12 percent of payroll would be adequate to fund the System.

However, relieving the penalty for retired members to come back to work may increase the number who choose to do so. We asked our actuaries to quantify the possible impact if this occurs.

Our actuaries focused on the portion of the population for whom the legislation produces a measurable cost increase – members who earn 20 years of service before otherwise becoming eligible for retirement. We found that for these members, retiring when they first achieve 20 years of service, returning to work for two years and then re-retiring increases the liability associated with their benefits by about 10%. If half of the members elect to do this, we estimate that the annual cost increase would be approximately 0.75% of total TRS payroll. The cost increase is roughly proportional to the assumptions. For example, if all employees who attain 20 years before other retirement eligibility return to work for 2 years, the cost increase should be about 1.5% of payroll. Moreover, if the period of return is doubled, so is the cost.