

**HB**

**161**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
MAY 9 2005  
SENATE FINANCE  
COMMITTEE

DATE: 5/7/05

FURTHER:

DATE TURNED  
IN TO OFFICE: 9 May 2005

Finance Committee considered CS FOR HOUSE BILL NO. 161(STA) am

## HB 161 REEMPLOYMENT OF RETIREES

"An Act relating to reemployment of and benefits for or on behalf of retired teachers and public employees and to teachers or employees who participated in retirement incentive programs and are subsequently reemployed as a commissioner; repealing secs. 5, 7, and 9, ch. 58, SLA 2001; providing for an effective date by amending the delayed effective date for secs. 3, 5, 9, and 12, ch. 57, SLA 2001, and repealing sec. 13, ch. 58, SLA 2001, which is the delayed effective date for secs. 5, 7, and 9, ch. 58, SLA 2001; and providing for an effective date."

and recommends:

- be replaced with 5 CS CS HB 161 (FIN)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**CS Senate Bill:**  
 Same Title  
 New Title

**SCS House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#
Statewide	7/05			✓	#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

MAY 9 2005

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSHE 161(STA)  
(H) Publish Date: 5/3/2005

Revision Date/Time (Note if correction):n: \_\_\_\_\_ Dept. Affected: Statewide  
Title An act relating to reemployment of retired RDU Statewide  
teachers and public employees... Component Statewide  
Sponsor Rep. Elkins  
Requester House State Affairs Component No. \_\_\_\_\_

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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-Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget propos

**POSITIONS**

Full-time					
Part-time					
Temporary					

**ANALYSIS:** (Attach a separate page if necessary)

This bill will extend the Retiree Return to Work Program (HB 242 2001) for retired teachers and public employees who have reemployed under the program prior to November 3, 2004 until December 31, 2006. Teachers or public employees who entered the program on or after November 3, 2004 but before June 30, 2005 will terminate in the prior program as of July 1, 2005 and must rehire under the new bill provisions.

For the Public Employees' and Teachers' Retirement Systems, the actuarial consultant has computed this legislation to have no effect on employer contribution rates until the number of members electing the waiver reaches 500 and 100 respectively. With the new sideboards provided by this bill, it is anticipated there will be fewer participants in the future. The bill also requires employers to make contributions to both systems based on the rehired retiree's wage at the rate prescribed by the actuary to pay the unfunded liability of the systems. This requirement will exceed any liability derived from the program and will act to further assist

Prepared by: Melanie Millhorn, Director Phone 465-4408  
Division: Retirement and Benefits Date/Time 5/2/05 4:10 PM  
Approved by: Mike Tibbles, Deputy Commissioner Date 5/2/2005  
Agency Department of Administration

FISCAL NOTE #2

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

BILL NO. CSHB 161(STA)

ANALYSIS CONTINUATION

in the reduction of the underfunded status of the two retirement funds.

In the original version of the retiree rehire program some employers withdrew active health benefits to rehired retirees in order to further lower their personnel services costs. This resulted in a cost shift to the retiree health plan and a failure to realize the expected savings to the health expenses of the systems. This bill addresses this unintended consequence by requiring employers to provide the same health benefits to rehired retirees as are provided to active employees, thereby ensuring the expected savings are achieved.

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## REPRESENTATIVE ELKINS

### Sponsor Statement

### House Bill 161

House Bill 161 is an "An Act relating to reemployment of and benefits for retired teachers and public employees and to teachers or employees who participated in retirement incentive programs and are subsequently reemployed as a commissioner; repealing secs. 5, 7, and 9, ch. 58, SLA2001; providing for an effective date by amending the delayed effective date for secs. 3, 5, 9, and 12, ch. 57, SLA2001, and repealing sec. 13, ch. 58, SLA 2001, which is the delayed effective date for sec. 5, 7, and 9, ch. 58, SLA 2001; and providing for an effective date."

The Act states that the legislature finds that the reemployment of certain retired members of the teacher's and public employees' retirement systems provide a valuable tool for school districts and public employers to manage workforce shortages. The legislature further finds that school districts and public employers must plan to meet their workforce needs without reliance on retired workers. In extending the termination date of the reemployment provisions, it is the intent of the legislature to allow school districts and public employers to continue to use the management tool, while developing plans that address the knowledge, skills and abilities that need to be transferred or developed to assure that work can be accomplished when the reemployment provisions terminate.

It is the intent of the legislature that all participation in the retiree reemployments program will end on July 1, 2008, unless extended by law. In addition, the legislature intends that employers that benefit from the provisions of the retiree reemployment provisions pay any increase in unfunded liability to the retirement systems and that they provide retirees with the same health and medical benefits as other active members.

The Act allows PERS & TRS retirees who were rehired before November 3, 2004 to continue to receive their retirement and medical benefits from July 1, 2005 through December 31, 2006, if they continue to serve in the same position. However, on January 1, 2007, the period of reemployment to which the retiree's originally applied is considered terminated. These retirees may apply once again for rehire if they so desire.

All employers desiring to hire a retiree must perform the following:

1. Conduct a recruitment of at least 15 days that resulted in fewer than five qualified, eligible, and available applicants, including the retired member.
2. The employer must then conduct an additional recruitment period that again results in fewer than five qualified applicants including the retired member. Both periods must be at least 30 days total.
3. The retiree must have been retired more than 30 days.

Each employer of a retired member rehired under provisions of the Act, shall make contributions to the unfunded liability of the system on behalf of the retired member at the same rate the employer is making for that employer's other members.

CS HB 161(STA)  
Summary of Provisions

Insert new sections AS 14.20.135(e) and amends AS 14.25.043(b) and AS 39.35.150(b) (Sections 2, 4, 5 and 6)

Requires a PERS or TRS employer to provide the same health insurance to a retiree that is rehired as provided to all other members.

Also requires a retired member to suspend their retirement health coverage if returning to work.

Provision will restrict an employer from achieving a cost savings by shifting health care costs from the employer's active health insurance to the retirement system.

Amends bill language in AS 14.25.070 and AS 39.35.270 (Sections 5 and 8)

Requires employers to contribute to the retirement system for rehired retirees at the same past service rate they contribute to the unfunded liability of the system for other members.

Provision will ensure there is no additional cost to the system.

Insert new section AS 39.35.150(f) and (g) (Section 7)

Requires political subdivisions or public organizations to adopt a policy by resolution prior to rehiring retired members. Policy must include a period of separation from employment for at least 30 days for retirees and a description of the circumstances that constitute the shortage of employees qualified for particular job classes.

Insert new section AS 39.35.150(h) (Section 7)

Requires the State of Alaska and other PERS employers (political subdivisions or public organizations) to recruit for a minimum 30 days and result in an applicant pool of fewer than five qualified, eligible, and available applicants.

Amends uncodified law enacted in section 13, ch. 57, SLA 2001

Requires the administrator of the PERS system to include information in the annual report to the Legislature regarding the efforts of employers in the executive branch to address the recruitment difficulties in job classes in which retired members have been rehired.

Adds additional uncodified law (Sections 14 and 15)

Those individuals who were rehired prior to November 3, 2004 are authorized to continue to receive their retirement benefits until December 31, 2006 or until they separate from service. However, if a retiree was rehired on a full-time basis prior

to November 3, 2004 and the employer failed to provide active health insurance, the employee is not authorized to continue to receive retirement health insurance as their primary coverage. All employers will be required to provide their rehired employees health and medical benefits offered to their other employees.

The period of reemployment for those individuals who were rehired after November 3, 2004 will be terminated June 30, 2005. Employees in this category may continue to work but would suspend retirement benefits as long as they remained employed. Employees may reenter the program only by satisfying all the new requirements in this bill.

Amends sunset date in Section 15, ch. 57, SLA 2001 (Section 17)

Authorizes the rehire of retirees as long as they meet all the requirements in this act until July 1, 2008. Unless extended by law, all individuals rehired who elect to continue receiving retirement benefits, must by July 1, 2008 (1) decide to continue working, accrue additional benefits, resume paying into the system and suspend their retirement benefits or (2) separate from service and continue to receive their retirement benefits.

HB 161  
Talking Points

HB 161 provides a management tool to our school districts, state, and our municipalities to fill those positions where they are unable to find qualified candidates.

While there has been criticism about the past use of the rehire of retirees, there are also some great successes. Qualified teachers have been put in the classroom. Many of our school districts have successfully used this tool to hire teachers when recruitment efforts have failed. In addition, the state has certain job classifications that are extremely difficult to fill. Several examples of successes are (1) nursing positions. The Dept. of Health and Social Services recruited 34 days to fill a nurse position. There were no qualified, eligible and available individuals so the Dept. brought someone back after 3 years of retirement. We now have a qualified nurse in one of our Pioneer Homes serving our seniors. A similar success can be told about a Children's services manager position. Recruiting a range 21 with minimum qualifications of a master's degree and four years professional social work experience serving children at risk is challenging. After receiving no qualified applicants, the Department rehired an individual to fill the important public need. Other examples can be found in the areas of biologists, engineers and higher-ranking public safety officers.

The problem with the original bill is that there were no sideboards to ensure all the hires were in positions where they really needed to bring someone back from retirement. In addition, the program ended up costing the retirement system and prevented qualified individuals from advancing their career to higher level positions.

This bill addresses those concerns. First, it requires all employers to contribute the same rate to the unfunded liability for those rehired as all other employees. It also prevents employers from shifting their health care costs to the retirement system by not funding employee health insurance. Second, the bill places tough requirements in place to make sure the program meets its original intention. Employers will be required to pass a resolution detailing their recruitment difficulties and offering a competitive recruitment for at least 30 days. If a qualified applicant pool exists, a new candidate must be chosen over a retiree.

The program going forward:

Individuals hired prior to November 3, 2004 will be allowed to remain in the program until December 31, 2006. Senate State Affairs Committee offered a one-year extension. This bill would add an additional 6 months so vacancies will not occur in the middle of the commercial fishing season or construction season. The provision will also help address the State's potential liability caused by the information provided to participants that they could remain in the program as long as they remained employed.

Individuals hired on or after November 3, 2004 will be allowed to remain in the program until June 30, 2005 as proposed in the original enabling legislation. These individuals were notified that the program is scheduled to sunset June 30, 2005. These individuals may remain employed past that date; however, they must suspend their retirement benefits until they separate from service.

Individuals hired on or after July 1, 2005 will have to meet the new requirements in this bill restricted to those positions where recruitment efforts have been unsuccessful.

**CS House Bill 161(STA)**

	<b>Legal Issue</b>	<b>Period of reemployment</b>	<b>Approval process</b>	<b>Pension Benefit</b>	<b>Health Benefit</b>
		(upon conclusion of period of reemployment, employee may continue to work, suspending retirement benefits and continue to pay into retirement system or separate from service and attempt to return under new requirements)			
<b>Retirees rehired prior to 11/03/04</b>	Potential Liability - Many were informed that they may remain on the program until they separate from service.	Period of reemployment is terminated December 31, 2006	Employees already enrolled. To continue past period of reemployment, employee must separate from service, all applicant must be considered through competitive recruitment and recruitment difficulty must be proven.	Retiree rehire continues to receive pension benefit until December 31, 2006.	July 1, 2005 all employers will be required to provide active health insurance to rehired retirees. Employees will continue to have coordinated benefits until December 31, 2006.
<b>Retirees rehired on or after 11/03/04</b>	Letter sent to all employer and employee participants that program would end July 1, 2005. New participants were advised and sent letters confirming sunset date.	Period of reemployment is terminated June 30, 2005.	Employees already enrolled. To continue past period of reemployment, employee must separate from service, all applicant must be considered through competitive recruitment and recruitment difficulty must be proven.	Retiree rehire continues to receive pension benefit until June 30, 2005.	Employees will continue to receive retirement health insurance until June 30, 2005.
<b>Retirees rehired on or after July 1, 2005</b>		Program is continued until July 1, 2008.	To be eligible, employee must separate from service, all applicant must be considered through competitive recruitment and recruitment difficulty must be proven.	Retiree rehire continues to receive pension benefit until employee separates from service or program sunsets.	Employers are required to provide same coverage to retirees rehired as all other employees. Retirement health insurance is suspended until employee separates from service.