

**SB**

**79**

<TARGET><BILL>SB 79</BILL><SUBJECT>SB  
79</SUBJECT><COMM>SCRA29</COMM></TARGET>

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# ALASKA STATE LEGISLATURE

600 East Railroad Ave., Ste 1  
Wasilla, Alaska 99654  
(907) 376-3370  
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State Capitol  
Juneau, Alaska 99801  
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**Mike Dunleavy**  
*Senator*

## **Committee Substitute for Senate Bill 79 (EDC) Reemployment of Retired Teachers and Administrators**

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Committee Substitute for Senate Bill 79 (EDC) made three changes to the original version of Senate Bill 79. The changes are as follows:

- Clarifies Senate Bill 79 applies to educators who have retired under a Defined Benefit Plan or a Defined Contribution Plan
- Establishes the length of a bona fide separation of service from active employment to reemployment as a retired educator:
  - (1) three months if the member is at least 62 years of age; or
  - (2) one year if the member is less than 62 years of age
- Requires school districts to contribute 12.56 percent of the retired educators' salary to the Teachers Retirement System.

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**Mike Dunleavy**  
*Senator*

## Sponsor Statement

### **Committee Substitute for Senate Bill 79 (EDC) Reemployment of Retired Teachers and Administrators**

Currently Alaska is experiencing a shortage of qualified educators, especially in hard to fill areas of the state. This situation is compounded by the drastic reduction in state revenue due to low oil prices. Senate Bill 79 expands the pool of experienced, qualified educators available to school districts.

This legislation will allow school districts to reemploy educators who are retired for one year if the educator is less than 62 years of age or three months if the individual is 62 years or older. *This bill will not require any school district to reemploy any particular retired individual. It will only give the district an option to do so.* Under SB 79, a school district may offer a contract to a retired educator for a part-time or full-time position at a lower cost to the district.

Educators reemployed under this provision continue to receive retirement benefits during the period of reemployment. Under the committee substitute, school districts are required to contribute 12.56 percent of the retired educator's salary to the Teachers Retirement System, the same rate submitted by districts for active employees.

Senate Bill 79 provides one more tool for local school districts struggling from a shortage of qualified educators and a decrease in funding. I hope that you will give it your support.

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**Mike Dunleavy**  
*Senator*

## MEMORANDUM

TO: Senator Click Bishop, Chair  
Community and Regional Affairs Committee

FROM: Senator Mike Dunleavy *Senator Dunleavy by sp*

DATE: April 1, 2015

RE: Senate Bill 79 – Reemployment of Retired Teachers and Administrators

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I respectfully request a hearing, pending referral, before the Senate Community and Regional Affairs Committee on Senate Bill 79 – Reemployment of Retired Teachers and Administrators.

Senate Bill 79 will allow school districts to reemploy educators who are retired for one year if the educator is less than 62 years of age or three months if the individual is at least 62 years old.

This bill will not require any school district to reemploy any particular retired individual. It will only give the district an option to do so.

Thank you for your consideration and attention to this request.

29-LS0444E  
Wayne  
3/30/15

**CS FOR SENATE BILL NO. 79( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-NINTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): SENATOR DUNLEAVY**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to reemployment of persons who retire under the teachers' retirement**  
2 **system."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **\* Section 1.** AS 14.20 is amended by adding a new section to read:

5 **Sec. 14.20.136. Reemployment of member of teachers' retirement system.**

6 (a) Subject to (b) of this section, a school district may reemploy a member who is  
7 retired under a retirement plan established in AS 14.25.009 - 14.25.220, or a member  
8 who is retired under a retirement plan established in AS 14.25.310 - 14.25.590. In this  
9 subsection, "school district" has the meaning given in AS 14.30.350.

10 (b) A member who is retired under AS 14.25.110(a) may not be reemployed  
11 under (a) of this section unless the member has been retired for at least

12 (1) three months if the member is at least 62 years of age; or

13 (2) one year if the member is less than 62 years of age.

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

1 (a) Except as provided in (f) of this section, if [IF] a retired member again  
2 becomes an active member, benefit payments may not be made during the period of  
3 reemployment. [THE RETIREMENT BENEFIT MUST BE SUSPENDED FOR THE  
4 ENTIRE SCHOOL YEAR IF THE TEACHER IS REEMPLOYED AS AN ACTIVE  
5 TEACHER FOR A PERIOD EQUIVALENT TO A YEAR OF SERVICE.] During  
6 the period of reemployment, deductions from the member's salary will be made in  
7 accordance with AS 14.25.050.

8 \* Sec. 3. AS 14.25.043(c) is amended to read:

9 (c) Except as provided in (f) of this section, upon [UPON] subsequent  
10 retirement, the retired member is entitled to receive an additional benefit based on the  
11 credited service and the average base salary during the period of reemployment in  
12 accordance with AS 14.25.110. If the initial benefit payments to which the retired  
13 member is eligible have been actuarially reduced because the member retired early  
14 under AS 14.25.110(b), the member shall also receive an incremental benefit based on  
15 the amount of the actuarial reduction imposed by AS 14.25.110(j) on the first benefit  
16 and the length of time that the employee was reemployed and not receiving retirement  
17 benefits. The amount of the incremental benefit is equal to the difference between the  
18 normal retirement benefit to which the member would have been entitled had the  
19 member taken a normal retirement and the early retirement benefit that the member  
20 has been receiving based on the member's initial period of employment multiplied by  
21 the total number of months that the member did not receive retirement benefits  
22 because of reemployment and that amount actuarially adjusted to be paid over the  
23 expected lifetime of the member.

24 \* Sec. 4. AS 14.25.043 is amended by adding a new subsection to read:

25 (f) If a member who retired under AS 14.25.110(a) is reemployed by a school  
26 district under AS 14.20.136,

27 (1) the member does not become an active member;

28 (2) the member shall continue to receive retirement benefits as though  
29 the member were not reemployed by the school district;

30 (3) deductions from the member's salary may not be made under  
31 AS 14.25.050; and

1 (4) the member may not receive credited service in the plan during the  
2 period of reemployment.

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

5 APPLICABILITY. AS 14.20.136, enacted by sec. 1 of this Act, AS 14.25.043(a), as  
6 amended by sec. 2 of this Act, AS 14.25.043(c), as amended by sec. 3 of this Act, and  
7 AS 14.25.043(f), enacted by sec. 4 of this Act, apply to contracts made on or after the  
8 effective date of this Act.

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**Mike Dunleavy**  
*Senator*

## Sponsor Statement

### **Committee Substitute for Senate Bill 79 (Version E) Reemployment of Retired Teachers and Administrators**

Currently Alaska is experiencing a shortage of qualified educators, especially in hard to fill areas of the state. This situation is compounded by the drastic reduction in state revenue due to low oil prices. Senate Bill 79 expands the pool of experienced, qualified educators available to school districts.

This legislation will allow school districts to reemploy educators who are retired for one year if the educator is less than 62 years of age or three months if the individual is at least 62 years old. *This bill will not require any school district to reemploy any particular retired individual. It will only give the district an option to do so.* Under SB 79, a school district may offer a contract to a retired educator for a part-time or full-time position at a lower cost to the district.

Educators reemployed under this provision continue to receive retirement benefits during the period of reemployment. SB 79 provides one more tool for local school districts struggling from a shortage of qualified educators, as well as a significant decrease in funding. I hope that you will give it your support.

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*Senator*

## Committee Substitute for Senate Bill 79 ( ) Changes to Version E

### Reemployment of Retired Teachers and Administrators

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#### Section 14.20.136. Reemployment of member of teachers' retirement system

This section on Page 1, Lines 5 – 13 was rewritten to address the following:

- Clarifies Senate Bill 79 applies to teachers or administrators who have retired under a Defined Benefit Plan (AS 14.25.009 – 14.25.220) or a Defined Contribution Plan (AS 14.25.310 – 14.25.590).
- Establishes the length of a bona fide separation of service from active employment to reemployment as a retired teacher or administrator:
  - (1) three months if the member is at least 62 years of age; or
  - (2) one year if the member is less than 62 years of age

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 30, 2015

**SUBJECT:** Sectional summary  
(CSSB 79( ); Work Order No. 29-LS0444E)

**TO:** Senator Mike Dunleavy  
Attn: Sheila Peterson

**FROM:** Daniel C. Wayne  
Legislative Counsel 

You have requested a sectional summary of the above-described draft bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the draft bill as it may apply to a particular set of circumstances, please advise.

**Section 1** would allow borough school districts, city school districts, regional educational attendance areas, state boarding schools, and the state centralized correspondence study program to reemploy members of either the defined contribution plan or the defined benefit plan of the teachers' retirement system who have retired. It would require that a member of the defined contribution plan of the teachers retirement system who takes a normal retirement may be reemployed only if the member has been retired under the plan for three months or longer if the member is at least 62, or one year or longer if the member is less than 62.

**Section 2** would allow retirees who are reemployed as permitted by section 1 of the bill, in a job other than commissioner, to continue to receive retirement benefits during the period of reemployment.

**Section 3** would make retirees who are reemployed as permitted by section 1 of the bill ineligible to receive an additional retirement benefit based on their service and salary during the period of reemployment, unless they are reemployed as a commissioner.

**Section 4** would add language to the defined benefit plan of the teachers' retirement system to require that while a member under section 1 of the bill is reemployed, the member's legal status remains that of a retiree from the plan and not an active member of the plan, the member does not receive credited service in the plan, and money is not deducted from the member's salary and contributed to the defined benefit plan.

Senator Mike Dunleavy  
March 30, 2015  
Page 2

**Section 5** would make the bill's provisions applicable to contracts that are made on or after the bill's effective date.

DCW:lnd  
15-284.lnd

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## MEMORANDUM

April 8, 2015

**SUBJECT:** Sectional Summary  
(CSSB 79(EDC); Work Order No. 29-LS0444\N)

**TO:** Senator Mike Dunleavy  
Attn: Sheila Peterson

**FROM:** Daniel C. Wayne  
Legislative Counsel 

You have requested a sectional summary of the above-described draft bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the draft bill as it may apply to a particular set of circumstances, please advise.

**Section 1** would allow borough school districts, city school districts, regional educational attendance areas, state boarding schools, and the state centralized correspondence study program to reemploy members of either the defined contribution plan or the defined benefit plan of the teachers' retirement system who have retired. It would require that a member of the defined contribution plan of the teachers retirement system who takes a normal retirement may be reemployed only if the member has been retired under the plan for three months or longer if the member is at least 62, or one year or longer if the member is less than 62. It would require the employer to make employer contributions to the defined benefit plan of the teachers' retirement system.

**Section 2** would allow retirees who are reemployed as permitted by section 1 of the bill, in a job other than commissioner, to continue to receive retirement benefits during the period of reemployment.

**Section 3** would make retirees who are reemployed as permitted by section 1 of the bill ineligible to receive an additional retirement benefit based on their service and salary during the period of reemployment, unless they are reemployed as a commissioner.

**Section 4** would add language to the defined benefit plan of the teachers' retirement system to require that while a member under section 1 of the bill is reemployed, the member's legal status remains that of a retiree from the plan and not an active member of the plan, the member does not receive credited service in the plan, and money is not

Senator Mike Dunleavy  
April 8, 2015  
Page 2

deducted from the member's salary and contributed to the defined benefit plan.

**Section 5** Conforms an employer contribution requirement in the defined benefit plan of the teachers' retirement system to the requirement (proposed in sec. 1 of the bill) that employers who reemploy retirees from the plan shall make employer contributions.

**Section 6** would make the bill's provisions applicable to contracts that are made on or after the bill's effective date.

DCW:ld  
15-323.lnd

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## Summary of Retiree Rehire Program - TRS (HB 161)

The following information summarizes the activity reported by employers to the Division of Retirement and Benefits from January 1, 2008 through December 31, 2008.

|  |     |
|--|-----|
| Total number of TRS employers                                  | 58  |
| Total number of TRS employers participating in HB 161          | 34* |
| Percentage of total TRS employers participating in HB 161      | 58% |
| Total number of TRS waivers received                           | 85  |
| Total number of employers submitting a knowledge transfer plan | 27  |

\* Once an employer has submitted a resolution and policy to participate in the Retiree Rehire Program, the participation is valid until the program sunsets on June 30, 2009.

## Job Classes Rehired Under TRS HB 161

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|                                    |                              |
|------------------------------------|------------------------------|
| ASSISTANT SUPERINTENDENT/DIRECTOR  | BERING STRAIT SD             |
| BEHAVIOR SPECIALIST                | KODIAK ISLAND BOROUGH SD     |
| CERTIFIED DIRECTOR                 | MATANUSKA-SUSITNA BOROUGH SD |
| COUNSELOR                          | ANCHORAGE SD                 |
| COUNSELOR                          | LOWER KUSKOKWIM SD           |
| COUNSELOR                          | NORTH SLOPE BOROUGH SD       |
| COUSELOR                           | YUPIIT SD                    |
| CURRICULUM DIRECTOR                | DENALI BOROUGH SD            |
| DIRECTOR (2)                       | BERING STRAIT SD             |
| DIRECTOR                           | LOWER KUSKOKWIM SD           |
| DIRECTOR OF INSTRUCTIONAL PROGRAM  | SOUTHWEST REGION SD          |
| DIRECTOR OF PROGRAM SUPPORT        | BERING STRAIT SD             |
| EDUCATION SPECIALIST (2)           | LOWER KUSKOKWIM SD           |
| ELD TEACHER                        | LOWER KUSKOKWIM SD           |
| ELEMENTARY LIBRARIAN               | KETCHIKAN GATEWAY BOROUGH SD |
| ENGLISH TEACHER                    | KETCHIKAN GATEWAY BOROUGH SD |
| EXECUTIVE DIRECTOR                 | SPECIAL ED SERVICE AGENCY    |
| HEALTH OCCUPATIONS TEACHER         | ANCHORAGE SD                 |
| HEALTHY LIFESTYLE SPECIALIST       | NORTHWEST ARCTIC BOROUGH SD  |
| IND SAFETY/EMT INSTRUCTOR          | MATANUSKA-SUSITNA BOROUGH SD |
| LIBRARIAN                          | ANCHORAGE SD                 |
| LIBRARIAN                          | PETERSBURG CITY SD           |
| LIFE SKILLS TEACHER                | ANCHORAGE SD                 |
| MATH/SCIENCE TEACHER               | DENALI BOROUGH SD            |
| PERSONNEL OFFICER                  | SOUTHWEST REGION SD          |
| PRINCIPAL (2)                      | BERING STRAIT SD             |
| PRINCIPAL                          | KETCHIKAN GATEWAY BOROUGH SD |
| PRINCIPAL (2)                      | NORTH SLOPE BOROUGH SD       |
| PRINCIPAL                          | IDITAROD AREA SD             |
| PSYCHOLOGIST (2)                   | ANCHORAGE SD                 |
| RESOURCE SPECIALIST                | MATANUSKA-SUSITNA BOROUGH SD |
| RESOURCE TEACHER                   | MATANUSKA-SUSITNA BOROUGH SD |
| SCHOOL PSYCHOLOGIST (3)            | ANCHORAGE SD                 |
| SEC CLSRM TEACHER                  | ANCHORAGE SD                 |
| SECONDARY PRINCIPAL                | ANNETTE ISLAND SD            |
| SITE ADMINISTRATOR (5)             | LOWER KUSKOKWIM SD           |
| SPANISH TEACHER                    | ANCHORAGE SD                 |
| SPECIAL EDUCATION DEPARTMENT CHAIR | ANCHORAGE SD                 |
| SPECIAL EDUCATION TEACHER (20)     | ANCHORAGE SD                 |
| SPECIAL EDUCATION TEACHER          | DILLINGHAM CITY SD           |
| SPECIAL EDUCATION TEACHER          | JUNEAU BOROUGH SD            |
| SPECIAL EDUCATION TEACHER          | LOWER KUSKOKWIM SD           |
| SPECIAL EDUCATION TEACHER (2)      | LOWER YUKON SD               |
| SPECIAL EDUCATION TEACHER          | NORTHWEST ARCTIC BOROUGH SD  |
| SPECIAL EDUCATION TEACHER          | WRANGELL PUBLIC SD           |
| SPEECH LANGUAGE PATHOLOGIST (7)    | ANCHORAGE SD                 |
| SPEECH THERAPIST                   | MATANUSKA-SUSITNA BOROUGH SD |
| STUDENT PSYCHOLOGIST               | ANCHORAGE SD                 |
| STUDENT SERVICES DIRECTOR          | JUNEAU BOROUGH SD            |
| SUPERINDENDENT                     | TANANA SD                    |
| SUPERINTENDENT                     | BERING STRAIT SD             |

|                                    |                               |
|------------------------------------|-------------------------------|
| SUPERINTENDENT                     | CHATHAM SD                    |
| SUPERINTENDENT                     | COPPER RIVER SD               |
| SUPERINTENDENT                     | HOONAH CITY SD                |
| SUPERINTENDENT                     | LOWER KUSKOKWIM SD            |
| SUPERINTENDENT                     | VALDEZ CITY SD                |
| SUPERINTENDENT OF SCHOOLS          | SOUTHEAST ISLAND SD           |
| SUPERINTENDENT/PRINCIPAL TEACHER   | ALEUTIAN REGION SD            |
| TEACHER (4)                        | ANCHORAGE SD                  |
| TEACHER                            | BERING STRAIT SD              |
| TEACHER (2)                        | CHATHAM SD                    |
| TEACHER (2)                        | KETCHIKAN GATEWAY BOROUGH SD  |
| TEACHER                            | LAKE AND PENINSULA BOROUGH SD |
| TEACHER (28)                       | LOWER KUSKOKWIM SD            |
| TEACHER                            | MATANUSKA-SUSITNA BOROUGH SD  |
| TEACHER                            | NORTH SLOPE BOROUGH SD        |
| TEACHER                            | PELICAN CITY SD               |
| TEACHER                            | PETERSBURG CITY SD            |
| TEACHER SPEECH PATHOLOGIST         | SITKA BOROUGH SD              |
| TEACHER VOC ED                     | YUPIIT SD                     |
| TEACHER, VOCATIONAL EDUCATION      | LOWER KUSKOKWIM SD            |
| VOCATIONAL EDUCATION               | ANCHORAGE SD                  |
| VOC-ED TEACHER                     | KLAWOCK CITY SD               |
| YUPIK FIRST LANGUAGE ED SPECIALIST | LOWER KUSKOKWIM SD            |

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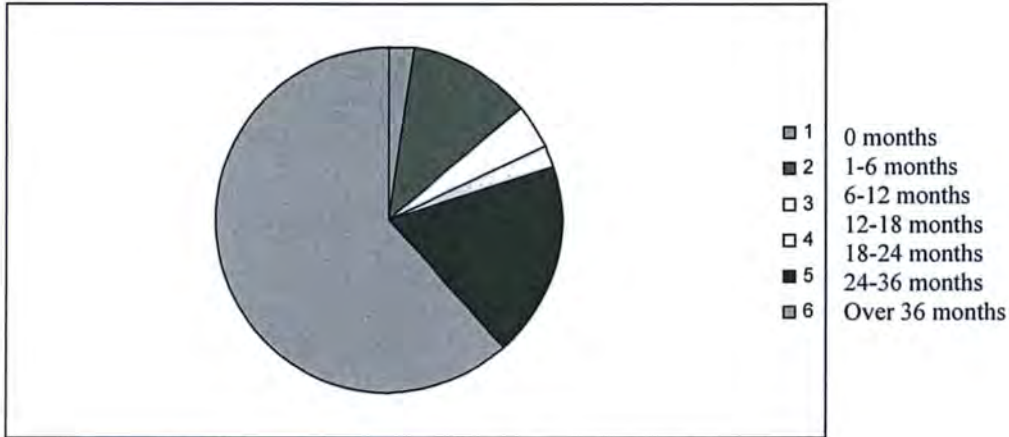
**Detail of number of Retirees participating in HB 161 between  
January 1, 2008 and December 31, 2008 by Each Participating  
TRS Employer**

| <b>Employer</b>                  | <b>No. of Waivers</b> |
|----------------------------------|-----------------------|
| ANCHORAGE SD                     | 17                    |
| BERING STRAIT SD                 | 1                     |
| CHATHAM SD                       | 2                     |
| COPPER RIVER SD                  | 1                     |
| DENALI BOROUGH SD                | 1                     |
| HOONAH CITY SD                   | 1                     |
| KETCHIKAN GATEWAY BOROUGH SD     | 3                     |
| KLAWOCK CITY SD                  | 1                     |
| KODIAK ISLAND BOROUGH SD         | 1                     |
| LOWER KUSKOKWIM SD               | 39                    |
| LOWER YUKON SD                   | 2                     |
| MATANUSKA-SUSITNA BOROUGH SD     | 4                     |
| NORTH SLOPE BOROUGH SD           | 3                     |
| PELICAN CITY SD                  | 1                     |
| SITKA BOROUGH SD                 | 1                     |
| SOUTHWEST REGION SD              | 1                     |
| SPECIAL EDUCATION SERVICE AGENCY | 1                     |
| TANANA SD                        | 1                     |
| VALDEZ CITY SD                   | 1                     |
| WRANGELL PUBLIC SD               | 1                     |
| YUPIIT SD                        | 2                     |
|                                  | <hr/> 85              |

**TRS Rehired Retiree Employer Rate for Fiscal Year 2010 is 12.56%**

**Number of Months Retired Before Rehired under HB 161 for participating TRS employers**

**TRS Months Between Retirement and Return to Work**



| <b>Employer</b>      | <b>No. of Months Retired Before Rehire</b> |
|----------------------|--|
| ALEUTIAN REGION SD-1 | Over 36 months                             |
| ANCHORAGE SD         |  |
| 1                    | 1-6 months                                 |
| 1                    | 6-12 months                                |
| 2                    | 12-18 months                               |
| 1                    | 18-24 months                               |
| 2                    | 24-36 months                               |
| 38                   | Over 36 months                             |
| ANNETTE ISLAND SD-1  | 60 months                                  |
| BERING STRAIT SD     |  |
| 1                    | 12-18 months                               |
| 6                    | 24-36 months                               |
| 2                    | Over 36 months                             |
| CHATHAM SD           |  |
| 1                    | 18-24 months                               |
| 2                    | Over 36 months                             |
| COPPER RIVER SD-1    | 61 months                                  |
| DENALI BOROUGH SD    |  |
| 1                    | 12-18 months                               |
| 1                    | Over 36 months                             |
| DILLINGHAM CITY SD-1 | 13 months                                  |
| HOONAH CITY SD-1     | 54 months                                  |
| IDITAROD AREA SD-1   | 91 months                                  |
| JUNEAU BOROUGH SD    |  |
| 1                    | 12-18 months                               |
| 1                    | Over 36 months                             |

|                                    |    |                |
|------------------------------------|----|----------------|
| KETCHIKAN GATEWAY BOROUGH SD       |    |                |
|                                    | 1* | * 0 months     |
|                                    | 3  | 1-6 months     |
| KLAWOCK CITY SD-1                  |    | 68 months      |
| KODIAK ISLAND BOROUGH SD-1         |    | * 0 months     |
| LAKE AND PENINSULA BOROUGH SD-1    |    | Over 36 months |
| LOWER KUSKOKWIM SD                 |    |                |
|                                    | 1  | 0 months       |
|                                    | 9  | 1-6 months     |
|                                    | 1  | 6-12 months    |
|                                    | 1  | 18-24 months   |
|                                    | 10 | 24-36 months   |
|                                    | 20 | Over 36 months |
| LOWER YUKON SD                     |    |                |
|                                    | 1  | 6-12 months    |
|                                    | 1  | Over 36 months |
| MAT-SU BOROUGH SD                  |    |                |
|                                    | 1  | 1-6 months     |
|                                    | 3  | 24-36 months   |
|                                    | 3  | Over 36 months |
| NORTH SLOPE BOROUGH SD-4           |    | Over 36 months |
| NORTHWEST ARCTIC BOROUGH SD-2      |    | Over 36 months |
| PELICAN CITY SD-1                  |    | 150 months     |
| PETERSBURG CITY SD                 |    |                |
|                                    | 1  | 24-36 months   |
|                                    | 1  | Over 36 months |
| SITKA BOROUGH SD-1                 |    | Over 36 months |
| SOUTHEAST ISLAND SD-1              |    | 26 months      |
| SOUTHWEST REGION SD-2              |    | 24-36 months   |
| SPECIAL EDUCATION SERVICE AGENCY-1 |    | 1 month        |
| TANANA SD-1                        |    | Over 36 months |
| VALDEZ CITY SD-1                   |    | 36 months      |
| WRANGELL PUBLIC SD-1               |    | 26 months      |
| YUPIIT SD-2                        |    | Over 36 months |

\* Legislation does not require a 30-day break from termination prior to rehire for TRS.

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version: SB 79  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB079CS(EDU)-DOA-DRB-04-10-15  
Title: REEMPLOYMENT OF RETIRED TEACHERS &  
ADMIN  
Sponsor: DUNLEAVY  
Requester: Senate Community & Regional Affairs

Department: Department of Administration  
Appropriation: Centralized Administrative Services  
Allocation: Retirement and Benefits  
OMB Component Number: 64

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

|                               | FY2016<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2016<br>Request | Out-Year Cost Estimates |         |         |         |         |
|-------------------------------|--------------------------------------|--|-------------------------|---------|---------|---------|---------|
|                               |                                      |  | FY 2017                 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| <b>OPERATING EXPENDITURES</b> | <b>FY 2016</b>                       | <b>FY 2016</b>                                 |                         |         |         |         |         |
| Personal Services             | ***                                  |  | ***                     | ***     | ***     | ***     | ***     |
| Travel                        |                                      |  |                         |         |         |         |         |
| Services                      |                                      |  |                         |         |         |         |         |
| Commodities                   |                                      |  |                         |         |         |         |         |
| Capital Outlay                |                                      |  |                         |         |         |         |         |
| Grants & Benefits             |                                      |  |                         |         |         |         |         |
| Miscellaneous                 |                                      |  |                         |         |         |         |         |
| <b>Total Operating</b>        | ***                                  | 0.0  | ***                     | ***     | ***     | ***     | ***     |

**Fund Source (Operating Only)**

|              |     |     |     |     |     |     |     |
|--------------|-----|-----|-----|-----|-----|-----|-----|
| None         |     |     |     |     |     |     |     |
| <b>Total</b> | *** | 0.0 | *** | *** | *** | *** | *** |

**Positions**

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

|                           |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|
| <b>Change in Revenues</b> |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|

**Estimated SUPPLEMENTAL (FY2015) cost:** 0.0 (separate supplemental appropriation required)  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) cost:** 0.0 (separate capital appropriation required)  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Not applicable, initial version.

Prepared By: John Boucher, Deputy Commissioner  
Division: Division of Retirement and Benefits  
Approved By: Sheldon Fisher, Commissioner  
Agency: Department of Administration

Phone: (907)465-5671  
Date: 04/10/2015 01:00 PM  
Date: 04/10/15

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. SB 79

Analysis

This bill allows the reemployment of members who retire from the Teachers' Retirement System (TRS) Defined Benefit Plan. A member who is retired under the DB Plan and is at least 62 years old may reemploy under this bill after being retired at least 3 months. Members who retire and are under age 62 must be retired at least one year.

If a retired member is reemployed by a school district under this bill, the school district must contribute to the TRS DB Plan the statutory employer contribution rate of 12.56% for each members payroll base salary each pay period. The reemployed retiree does not become an active member of the TRS DB Plan, shall continue to receive their retirement benefits as if they were not reemployed by the school district, deductions from the member's salary for the TRS DB Plan may not be made, and the reemployed retiree will not receive credited service in the TRS DB Plan.

Should this bill pass, there is a large group of active participants that are eligible for the unreduced benefit. Under the current plan, these members are assumed to not retire immediately, but are assumed to retire immediately after reaching 20 years under this bill. After the first year, the only participants affected are those who become eligible for the unreduced retirement during the year.

|   | FY16  | FY17 | FY18 | FY19 | FY20 | FY21 |
|---|-------|------|------|------|------|------|
| Members eligible to be rehired annually | 1,689 | 420  | 424  | 399  | 415  | 370  |

Additionally, the TRS DB Plan could have approximately 10,800 retirees with one or more years of retirement as of July 1, 2015. Of those, there are approximately 6,000 with Alaska addresses.

Buck Consultants, the TRS actuarial consultant, has calculated the financial effects if this bill should pass. They have calculated estimated costs based on different levels of utilization, and they are reflected below (in \$thousands):

|                  | FY16  | FY17  | FY18  | FY19  | FY20    | FY21    |
|------------------|-------|-------|-------|-------|---------|---------|
| 100% utilization | \$321 | \$678 | \$876 | \$585 | \$1,225 | \$2,351 |
| 50% utilization  | \$161 | \$339 | \$438 | \$293 | \$613   | \$1,175 |
| 25% utilization  | \$80  | \$170 | \$219 | \$146 | \$306   | \$588   |
| 10% utilization  | \$32  | \$68  | \$88  | \$59  | \$123   | \$235   |

See attached letter from Buck Consultants/Xerox, April 8, 2015.

All else being equal, at 100% utilization, the increase in the actuarial accrued liability (AAL) is estimated at \$164million. An additional \$38million is the financial impact on the AAL for the retiree health plan, for a total change in the AAL of \$202million. The amounts decrease proportionally if utilization is less than 100%. For example, if 10% of eligible members retire and rehire, the increase in the AAL would be \$20.2million.

The fiscal impact is shown as indeterminate as it is uncertain at which level the utilization will occur. However, the ranges above provide an estimate based on 4 different levels.



David H. Slishinsky,  
ASA  
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fax 720.359.7701

April 8, 2015

**VIA EMAIL**

Ms. Kathy Lea  
Chief Pension Officer  
Department of Administration  
State of Alaska  
333 Willoughby Avenue  
6th Floor State Office Building  
Juneau, AK 99811-0208

**RE: Fiscal Note for TRS Amending Reemployment under SB 79, Revised  
as of April 4, 2015**

Dear Kathy:

As requested, we are providing the following information for the fiscal note on SB 79 as amended under version E, which allows rehired pensioners to continue receiving benefit payments from the State of Alaska Teachers' Retirement System Pension Plan (TRS) while reemployed with the State of Alaska. This bill has no "sunset" provision.

- 1) Reemployment of TRS member: Applicable to members who retired within the next five years with an unreduced benefit under AS 14.25.110(a), has been retired at least three months if at least age 62 and 12 months if under age 62, and has been reemployed by a school district.
  - Under current law:
    1. Benefits payments may not be made during the period of reemployment,
    2. Contributions to TRS will be deducted from the member's salary, and
    3. Upon subsequent retirement, benefit payments will reflect additional service earned as well as most recent average base salary.
  - Under SB 79:
    1. The member does not become an active member of TRS,
    2. The member shall continue to receive benefit payments as though not reemployed by the school district,
    3. No deductions will be made from the member's salary,
    4. Benefit payments shall not reflect additional credited service due to reemployment and will remain unchanged upon subsequent retirement,
    5. Employers who re-employ a retired member shall contribute 12.56% of the re-employed retiree's salary.

### Summary for Analysis

As of July 1, 2014, the increase in the Actuarial Accrued Liability (AAL) due to SB 79 is estimated to be \$164 million, assuming 100% utilization (percentage of retirees who are rehired). Additionally, if participants are assumed to retire under the healthcare plan, the AAL would increase another \$38 million, for a total cost of \$202 million. While this represents the maximum cost under SB 79 should every member eligible to retire rehires, this scenario is highly unlikely. The cost will decrease proportionately with a reduction in utilization. For example, if 10% of eligible members retires and rehires, the increase in the AAL would be \$20.2 million. We cannot say for certain what the TRS utilization rate is likely to be, which is why we are showing results for a range of possible utilization rates. As an example, Buck performs actuarial consulting services for another state that had a return to work provision without a retired period requirement until it was changed in 2010. From 2005 to 2009, this state experienced 34% of retiring members were returning to work. Under the retirement period requirement provisions of SB 79, we would expect Alaska's utilization to be less than 34%, but cannot say with certainty.

Note that there is a large group of active participants who are currently eligible for unreduced retirement. These participants are not assumed to retire immediately under the current plan, but are assumed to retire under SB 79. After the first year, the only participants affected by SB 79 are those who become eligible for unreduced retirement during the year. This means that much of the cost of the bill is incurred in the first year and the effect on the active population can be seen in the following exhibit.

| Active Count                            | FY16  | FY17  | FY18  | FY19  | FY20  | FY21  |
|---|-------|-------|-------|-------|-------|-------|
| Beginning of Fiscal Year                | 5,334 | 3,645 | 3,225 | 2,801 | 2,402 | 1,987 |
| End of Fiscal Year after SB 79          | 3,645 | 3,225 | 2,801 | 2,402 | 1,987 | 1,617 |
| Members Eligible to be Rehired Annually | 1,689 | 420   | 424   | 399   | 415   | 370   |

The table below shows the estimated cost of the bill for Fiscal Years 2016 through 2021 for various levels of utilization. Due to utilization being so highly influential on costs, we have provided costs under different utilization scenarios. Under the 100% utilization scenario, we have assumed that all members, upon reaching eligibility for unreduced retirement under AS 14.25.110(a), will retire from TRS, then are rehired. For the 100% scenario, we have split out costs as either "Explicit", meaning additional cost due to assumed earlier payments, and "Salary", meaning costs shifted to the State due to the employer's 12.56% cap applied to a lower total salary.

| SB 79 Cost            | FY16  | FY17  | FY18  | FY19  | FY20    | FY21    |
|-----------------------|-------|-------|-------|-------|---------|---------|
| 100% Utilization      | \$321 | \$678 | \$876 | \$585 | \$1,225 | \$2,351 |
| Explicit pension cost | 260   | 549   | 710   | 474   | 993     | 1,905   |
| Explicit HC cost      | 61    | 129   | 166   | 111   | 232     | 446     |
| 50% Utilization       | \$161 | \$339 | \$438 | \$293 | \$613   | \$1,175 |
| 25% Utilization       | \$80  | \$170 | \$219 | \$146 | \$306   | \$588   |
| 10% Utilization       | \$32  | \$68  | \$88  | \$59  | \$123   | \$235   |

(Dollars in thousands)

The amounts above include costs due to the net effects on the reduction to employer normal cost as members retire and liability increase as members retire earlier than expected with the opportunity to be rehired.

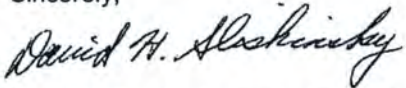
**Additional Notes**

- The assumptions, plan provisions and methods used are described in the draft actuarial valuation report as of June 30, 2014, except retirement rates upon eligibility for unreduced retirement benefits were increased for the SB 79 results.
- We have assumed that the bill will become effective before June 2015.

Future actuarial valuation measurements and projections may differ from the current measurements presented in this letter to such factors as: plan experience different from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

Please let us know if you need any further information.

Sincerely,



David H. Slshinsky, FCA, ASA, MAAA  
Principal and Consulting Actuary

/kr

cc: Mr. John Boucher, State of Alaska  
Mr. Kevin Worley, State of Alaska  
Mr. Todd D. Kanaster, FCA, ASA, Buck Consultants



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April 5, 2016

**VIA EMAIL**

Ms. Kathy Lea  
Chief Pension Officer  
Department of Administration  
State of Alaska  
333 Willoughby Avenue  
6th Floor State Office Building  
Juneau, AK 99811-0208

**RE: Fiscal Note for TRS Amending Reemployment under SB 79B, Updated  
Based on the June 30, 2015 Actuarial Valuation**

Dear Kathy:

As requested, we are providing the following information for the fiscal note on SB 79B which allows rehired pensioners to continue receiving benefit payments from the State of Alaska Teachers' Retirement System Pension Plan (TRS) while reemployed with an employer affiliated with the State of Alaska.

**Summary of Provisions**

The bill is applicable to TRS members who retire with an unreduced benefit under AS 14.25.110(a), remain retired at least three months if at least age 62 or 12 months if under age 62, and are subsequently reemployed by a school district. The bill does not limit eligibility to active members as of the enactment. As such, we have included in the analysis the potential impact of currently retired members of TRS being rehired.

Current law provides for the following for such members:

- 1) Benefits payments may not be made during the period of reemployment,
- 2) Contributions to TRS will be deducted from the member's salary, and
- 3) Upon subsequent retirement, benefit payments will reflect additional service earned as well as the most recent average base salary.

The provisions of SB 79B would provide for the following:

- 1) The member does not become an active member of TRS,
- 2) The member shall continue to receive benefit payments as though not reemployed by the school district,
- 3) No deductions will be made from the member's salary,
- 4) Benefit payments shall not reflect additional credited service due to reemployment and will remain unchanged upon subsequent retirement,
- 5) Employers who re-employ a retired member shall contribute 12.56% of the re-employed retiree's salary.

## Summary of Analysis

The impact of the proposed changes under SB 79B is a function of whether the member is currently active or retired as outlined below. In general, there is an increased liability and cost to the employer when an active employee retires and is then rehired. There is a savings reflected in the plan's net liabilities when a previously retired employee is rehired, as an employer will be making an additional contribution.

For members that are currently active, SB 79B is expected to increase the amount of benefits paid from TRS in the short term and result in both increased liabilities to TRS and increased contribution amounts for the employers/state. In addition, the expected reduction in member contributions over the next several years results in an increase in contribution amounts for the employers/state. The combination of higher benefits and lower member contributions results in a reduction in net cash flow to TRS if the current funding policy is maintained.

For members that are already retired, the primary impact is that the employer will contribute 12.56% of the re-employed retiree's salary. The system does not incur additional benefit payments, and is not impacted by the reduction in member contributions. It is important to note that we are referring to members that are currently retired. If a member retires early to satisfy the waiting period and is rehired, this has a similar impact seen with current actives above – there is an additional employer cost payable to the system to reflect the increasing liabilities.

A key assumption for this analysis is utilization – that is the percentage of eligible members that are rehired under SB 79B. No one can say for certain which eligible members of TRS will elect the provisions of SB 79B. The last time a rehire provision like SB 79B was effective, 381 members were rehired over a three year period. Of those rehired, at least two-thirds appear to have been retired as of the effective date of the legislation<sup>1</sup>. That being said, nobody can say for certain what the TRS utilization rate is likely to be. The actual results will be based on the actual number and demographics of those members who retire and are rehired.

On the next page is a chart showing the potential liability increase under various levels of utilization. The amount of liability tends to increase with the number of active members that are rehired under SB 79B. Note that the liability increase is only applicable for current active members that elect to be rehired under SB 79B. Rehiring current retirees has no impact on the liability.

---

<sup>1</sup> Based on information provided to us by State of Alaska staff.

**Change in Liability due to SB 79B Under Various Levels of Utilization**

(\$ in Millions)

| % Rehires from Current<br>Retirees | Total Estimated Number Rehired |            |            |
|------------------------------------|--------------------------------|------------|------------|
|                                    | <u>200</u>                     | <u>300</u> | <u>400</u> |
| 0%                                 | 28.6                           | 42.9       | 57.1       |
| 33%                                | 19.1                           | 28.7       | 38.3       |
| 50%                                | 14.3                           | 21.4       | 28.6       |
| 67%                                | 9.4                            | 14.1       | 18.9       |
| 100%                               | -                              | -          | -          |

The increase in State Assistance contributions under various levels of utilization is shown below. The costs below are for rehires from current actives.

**Change in First Year State Assistance due to SB 79B Under Various Levels of Utilization**

(\$ in Millions)

| % Rehires from Current<br>Retirees | Total Estimated Number Rehired |            |            |
|------------------------------------|--------------------------------|------------|------------|
|                                    | <u>200</u>                     | <u>300</u> | <u>400</u> |
| 0%                                 | 0.2                            | 0.4        | 0.5        |
| 33%                                | 0.2                            | 0.2        | 0.3        |
| 50%                                | 0.1                            | 0.2        | 0.2        |
| 67%                                | 0.1                            | 0.1        | 0.2        |
| 100%                               | -                              | -          | -          |

A five year projection based on 300 members being rehired, with two-thirds being rehired from current retirees, is shown below. This FY17 contribution increase of \$0.1 million below corresponds to the \$0.1 million in the chart above.

|                                  | 17   | 18   | 19   | 20   | 21   | 22   |
|----------------------------------|------|------|------|------|------|------|
| SB 79B State Assistance Increase | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 |
|                                  | 0.1  | 0.3  | 0.3  | 0.3  | 0.3  | 0.4  |

Strong consideration should be given to adjusting the funding policy to recognize potential costs of SB 79B over five years as a level dollar payment rather than reflecting the current approach of an escalating amortization amount for 20+ years into the future. The contributions above are insufficient to pay the interest on the \$14.1 million liability increase for this scenario. Steep contribution increases are projected after the five year period shown above. This outcome is true for other scenarios where rehires are expected to occur from currently active members.

In addition, it is worthwhile to note that the increased State Assistance contributions shown above are not sufficient to address the additional cash flows under many scenarios of SB 79B as illustrated below. The net cash flows below are composed of:

- Additional State Assistance contributions above plus
- Additional Employer contributions on behalf of current retirees electing to be rehired less
- Reduced member contributions from currently active members electing to be rehired less
- Additional benefit payments for currently active members electing to be rehired.

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**Change in First Year Cashflow due to SB 79B under Various Levels of Utilization**

(\$ in Millions)

| % Rehires from Current<br>Retirees | Total Estimated Number Rehired |            |            |
|------------------------------------|--------------------------------|------------|------------|
|                                    | <u>200</u>                     | <u>300</u> | <u>400</u> |
| 0%                                 | (11.2)                         | (16.8)     | (22.5)     |
| 33%                                | (6.9)                          | (10.3)     | (13.7)     |
| 50%                                | (4.6)                          | (6.9)      | (9.2)      |
| 67%                                | (2.4)                          | (3.5)      | (4.7)      |
| 100%                               | 2.0                            | 3.0        | 4.0        |

Contributions made on behalf of retirees by employers can be used to pay off unfunded liabilities of other members because the liabilities of rehired retirees are theoretically paid off. Alternatively, contributions made for new hires are used to pay off the DC contribution and the HRA accounts, as well as the death and disability benefits under the DCR. It is worthwhile to note that if all rehires come from currently retired members, there is a net positive cash flow and the State Assistance contributions would be reduced.

**Other Observations**

In addition to our recommendation that the impact of this provision be recognized over 5 years, the following is provided for consideration.

The potential increase in costs for current active members is a result of earlier than expected retirements. For the valuation, we expect members to retire about four to five years after first eligibility for retirement. If consideration is given to limiting eligibility, we recommend that eligibility be limited to five years after retirement eligibility in addition to any legally required period of retirement instead of retirement commencement. This would have the effect of lowering the overall costs of active members.

For purposes of splitting the contribution requirement, SB 79B provides that the employers who re-employ a retired member shall contribute 12.56% of the re-employed retiree's salary. This maintains the status quo for the employers. As a result, the State will be paying for the contribution increases under SB 79B as written.

### Additional Notes

The assumptions and methods used in this analysis are the same as those described in the draft actuarial valuation report as of June 30, 2015 dated January 12, 2016, except retirement rates upon eligibility for unreduced retirement benefits were increased for SB 79B as described above. No future actuarial gains or losses have been reflected, other than those generated by earlier-than-expected retirements. Plan provisions are the same as the draft actuarial valuation report except as noted in the "Summary of Provisions" section above. We have assumed that the bill will become effective before June 2016.

This study includes only costs due to the net effects on the employer normal cost as members retire and unfunded liability as members retire earlier than expected with the opportunity to be rehired. They do not include other costs that may be incurred by employers outside of TRS.

Future actuarial measurements and projections may differ from the current measurements presented in this letter due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

Larry Langer is an Associate of the Society of Actuaries and David Kershner is a Fellow of the Society of Actuaries. Both are Enrolled Actuaries and Members of the American Academy of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this letter. This letter has been prepared in accordance with all applicable Actuarial Standards of Practice.

Please let us know if you need any further information.

Sincerely,



Larry Langer, ASA, EA, MAAA, FCA  
Principal and Consulting Actuary



David J. Kershner, FSA, EA, MAAA, FCA  
Principal and Consulting Actuary

/mlp

cc: Mr. John Boucher, State of Alaska  
Mr. Kevin Worley, State of Alaska  
Ms. Melissa Bissett, Buck Consultants  
Mr. Todd Kanaster, Buck Consultants

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 79  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB079CS(EDC)-DOA-TRS-04-06-16  
Title: REEMPLOYMENT OF RETIRED TEACHERS &  
ADMIN  
Sponsor: DUNLEAVY  
Requester: Senate Community & Regional Affairs

Department: State Retirement Payments  
Appropriation: TRS State Assistance  
Allocation: School District TRS  
OMB Component Number: 2863

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

|                               | FY2017<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2017<br>Request | Out-Year Cost Estimates |         |         |         |         |
|-------------------------------|--------------------------------------|--|-------------------------|---------|---------|---------|---------|
|                               |                                      |  | FY 2018                 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| <b>OPERATING EXPENDITURES</b> | ***                                  | ***  | ***                     | ***     | ***     | ***     | ***     |
| Personal Services             |                                      |  |                         |         |         |         |         |
| Travel                        |                                      |  |                         |         |         |         |         |
| Services                      |                                      |  |                         |         |         |         |         |
| Commodities                   |                                      |  |                         |         |         |         |         |
| Capital Outlay                |                                      |  |                         |         |         |         |         |
| Grants & Benefits             |                                      |  |                         |         |         |         |         |
| Miscellaneous                 |                                      |  |                         |         |         |         |         |
| <b>Total Operating</b>        | ***                                  | ***  | ***                     | ***     | ***     | ***     | ***     |

**Fund Source (Operating Only)**

|              |     |     |     |     |     |     |     |
|--------------|-----|-----|-----|-----|-----|-----|-----|
| None         |     |     |     |     |     |     |     |
| <b>Total</b> | *** | *** | *** | *** | *** | *** | *** |

**Positions**

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

|                           |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|
| <b>Change in Revenues</b> |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|

**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 (separate supplemental appropriation required)  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 (separate capital appropriation required)  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Fiscal note differs to update actuarial analysis to draft 2015 Buck analysis. Incorporates information from previous rehire/retire programs.

Prepared By: John Boucher, Deputy Commissioner  
Division: Division of Retirement and Benefits  
Approved By: Sheldon Fisher, Commissioner  
Agency: Department of Administration

Phone: (907)465-5671  
Date: 04/06/2016 12:08 PM  
Date: 04/06/16

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. CSSB 79

Analysis

This bill allows the reemployment of Teachers' Retirement System (TRS) Defined Benefit Plan retirees into positions normally covered by the TRS. A defined benefit TRS retiree who is at least 62 years old may reemploy under this bill after being retired at least 3 months. TRS retirees under age 62 must be retired at least one year before reemployment.

If a retired member is reemployed by a school district under this bill, the school district must contribute to the TRS DB Plan the statutory employer contribution rate of 12.56% of base salary for each reemployed retiree each pay period. The reemployed retiree does not become an active member of the TRS DB Plan, pays no contributions to the TRS, accrues no additional retirement benefits and continues to receive their retirement benefit during the period of reemployment.

Currently, there is a large group of active members that are eligible for an unreduced normal retirement benefit. Under the benefit funding plan currently in place, active members are assumed to not retire immediately upon reaching eligibility but to work an additional four to five years. For the purposes of the actuarial analysis and to understand the potential financial impact, the analysis considers the possibility that all eligible employees retire immediately upon reaching eligibility. However, based on similar programs that the State has previously implemented, it is anticipated that only a fraction of those who are eligible may behave in that fashion.

|                                   | <u>FY 17</u> | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|-----------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Active members eligible to retire | 2,070        | 420         | 426         | 387         | 301         | 222         |

Buck Consultants, the TRS actuarial consultant, has calculated the financial effects if this bill should pass using the 2015 TRS valuation. Assuming that one-third of the rehired retiree come from the active population, the total change in liability due to SB79 is \$14.1 million. Amortizing that cost over 20+ years according to the current funding pattern results in a cost to the state for FY17-FY22 as shown below.

|                                 | <u>FY17</u> | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 33% current actives utilization | \$100       | \$300       | \$300       | \$300       | \$300       | \$400       |

Also assumed in the example above is that the ratio of current retirees to currently active members remains constant. If that ratio changes to a smaller participation by current retirees, the costs reflected in the analysis will increase.

Additionally, steep increases in projected costs occur after the five years shown on this analysis. Due to the observation that contributions received in the early years will be insufficient to pay the interest on the liability for this scenario, Buck advises consideration to adjusting the funding policy to pay the costs of CSSB 79 over a five year period as a level dollar payment rather than amortizing over 20+ years.

CSSB 79 is likely to have a negative effect on the cash flow of the TRS by paying more benefits earlier than currently anticipated and reducing member contributions to the plan.

CSSB 79 holds contributions on the part of the employer at the current contribution rate of 12.56%. Increased costs due to the unfunded liability created under CSSB 79 will be borne by the State in the form of an increased state assistance payment.

The fiscal impact is shown as indeterminate as it is uncertain at what level the utilization will be by active employees versus existing retirees. For additional detail see the attached Buck Consultants analysis dated April 5, 2016.



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## Alaska Council of School Administrators

March 11, 2016

The Honorable Bill Walker  
Governor, State of Alaska  
State Capital  
Juneau, AK 99801

Dear Governor Walker:

At our recent legislative fly-in, Michael Johnson our board chair discussed with you and a number of our board members discussed with Chief of Staff Jim Whitaker the critical need for school districts to have the authority to hire retired teachers and administrators. The national teacher shortage that is making the recruitment of staff far more difficult and the high turnover of certified staff make the need for this authority urgent. There are companion bills to accomplish this HB172 sponsored by Representative Gattis and SB 79 sponsored by Senator Dunleavy. In those face to face meetings, Mr. Whitaker indicated a willingness to help.

Let me move directly to the issue. The bills carry an arguably overblown fiscal note, reaching to \$202M if every eligible member of the TRS system chose to retire and rehire. At a 10% utilization rate (likely still high), the proposed impact is \$20.2M. The language in the bill specifically precludes an eligible retiree from receiving credit for additional service, provides for a waiting period, and allows the retiree to draw their existing retirement while working in Alaska schools with Alaska students. It is intended to bridge the need for experienced teachers and educators, while not harming the retiree nor enhancing their retirement.

Essentially, we request that you help Commissioner Fisher and Deputy Commissioner Boucher to assist in drafting language that resolves their fiscal concerns. The presumed problem results from teachers eligible for retirement but still working choosing to retire to take advantage of rehire. The bill uses a one year waiting period to reduce this possibility. Thus, perhaps the consultant on the fiscal note could offer an opinion of the value of a two or three year waiting period to resolve the concern and reduce the fiscal note.

In this session, the bill will not move with such the large scale fiscal note that was brought forward last year. The core issue – the ability of districts to rehire teachers who already earned their retirement in our state with our students - seems worth the effort to put forth a reasonable rather than preclusive fiscal note.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads 'Elizabeth Skiles Parady'. The signature is fluid and cursive, with a long, sweeping tail on the 'y'.

Elizabeth Skiles Parady, J.D., Ed.D.  
Executive Director

cc: Jim Whitaker, Chief of Staff  
M. Johnson – ACSA Board President



OFFICE OF THE SUPERINTENDENT

Dr. Deena M. Paramo

*Mission: Mat-Su Borough School District prepares students for success*

March 31, 2015

**RE: Testimony for Senate Bill 79**

Good Afternoon Senator Dunleavy and Committee Members. My name is Dr. Deena Paramo, Superintendent for the Mat-Su Borough School District and I am speaking to you today in support of Senate Bill 79.

For years the Mat-Su Borough School District has accessed the extensive experience and expertise of retired employees and educators by allowing for temporary and part time employment opportunities. However, our efforts to capitalize on such a talented and veteran workforce have been severely limited without a provision to allow for the unrestricted re-employment of retirees such as SB 79.

As I understand the proposed Bill, districts would be permitted to essentially enter into an at-will employment agreement with a retired teacher or administrator so long as that individual has been retired for three months. Current protections and benefits such as tenure, sick leave, retirement, and health insurance would not be offered or required as the nature of the employment relationship with a retired individual is so different. Though some of these limitations are not clearly identified in the proposed Bill, we would support their explicit restriction as well as ensuring that the benefits of this Bill exist well into the future by also allowing the rehire of retirees under the new defined contribution plan.

I want to assure the committee that the re-employment of retired teachers is not pursued in Mat-Su to avoid the hire of new teachers. Retirees fill gaps when properly certified staff cannot be hired in hard to fill areas, they provide temporary or short term expertise for special projects or initiatives, and they give needed support during high demand times of the year such as during summer months, the start of the school year, or during assessment periods. We are encouraged by the possibility of being able to hire retired teachers rather than contract agencies to more effectively and efficiently fill these needs.

One of the most attractive aspects of SB 79 is the potential savings our district could experience. Again, because certain costs, most notably retirement and health insurance, would not need to be provided to retirees, there are significant savings that could be re-directed back to the classroom environment or even used to hire other new classroom teachers.

On behalf of the Mat-Su Borough School Board, we recognize the fiscal realities that you are facing and appreciate your willingness to provide school districts with increased flexibility and discretion in a time of constricting resources. Mat-Su embraces innovation and supports creative solutions. We are encouraged by the concept proposed in SB 79 and see that it has the potential to offer great benefits to our district. I want to thank you for the opportunity to share my support and the support of the Mat-Su Borough School Board and I welcome any questions you may have at this time.

**Sheila Peterson**

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**From:** Stephen Atwater  
**Sent:** Tuesday, March 31, 2015 3:24 PM  
**To:** Sen. Mike Dunleavy; Sen. Charlie Huggins; Sen. Cathy Giessel; Sen. Gary Stevens; Sen. Berta Gardner  
**Subject:** Support for SB 79

Mr. Chairman, Members of the Committee, my name is Steve Atwater, Associate Vice President for K-12 Outreach with the University of Alaska. I am writing to encourage you to support SB 79 that would allow the employment of retired educators.

One of the roles of my job is to oversee Alaska Teacher Placement (ATP). ATP is tasked with hosting teacher job fairs, housing teacher and administrator application information and recruiting educators from the lower 48. While I am proud of the excellent job that ATP does, I know that it cannot facilitate the filling of all K-12 vacancies.

As you may know it is common for school districts across our state to have unfilled teaching and administrative positions. In its most simple terms the supply of both teachers and administrators is not meeting the demand of Alaska's school districts. It is for this reason that I support SB 79. SB 79 would allow on occasion, school districts to turn to retired educators to fill their vacancies. I don't suspect that this method will be used very often, but I do know that allowing the employment of retired educators will make a big difference to those schools and districts with unfilled vacancies. In sum, SB 79 is another way to help our state's students have a good education.

Thank you for considering this testimony and thank you for all that you do for Alaska.

Steve Atwater, Ph.D.

## Sheila Peterson

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**From:** Richard Dennis  
**Sent:** Monday, March 30, 2015 3:59 PM  
**To:** Sheila Peterson  
**Subject:** Testimony for SB79

I support the efforts of Senator Dunleavy in SB-79.

As retired educator, I am observing a shortage of applicants for Alaskan education at the K-12 level. At this point, I am not noting a downside for the State or school districts in this legislation. Certainly the upside would be that SB79 would save the school districts some funds and give them additional very well qualified applicants.

Thanks you Senator for introducing this legislation.

Richard Dennis  
Red Eagle Lodge, Chistochina, Alaska



### Red Eagle Lodge, Chistochina, Alaska

Authentic theme homestead cabins feature rustic luxury with queen beds with down bedding, wood burning stoves, and hand-crafted quilts.

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Preview by Yahoo



## Alaska Superintendent Turnover: 2012-Current

X: No Turnover    X: Turnover

| District          | 2012-2013 | 2013-2014 | 2014-2015 | Current<br>(X= new this year) | Projected<br>New Supt. |
|-------------------|-----------|-----------|-----------|-------------------------------|------------------------|
| AK Gateway        | X         | X         | X         | X                             |                        |
| Aleutians Region  | X         | X         | X         | X                             |                        |
| Aleutians East    | X         | X         | X         | X                             |                        |
| Anchorage         | X         | X         | X         | X                             |                        |
| Annette Islands   | X         | X         | X         | X                             |                        |
| Bering Strait     | X         | X         | X         | X                             | X                      |
| Bristol Bay       | X         | X         | X         | X                             |                        |
| Chatham           | X         | X         | X         | X                             |                        |
| Chugach           | X         | X         | X         | X                             |                        |
| Copper River      | X         | X         | X         | X                             |                        |
| Cordova           | X         | X         | X         | X                             | X                      |
| Craig             | X         | X         | X         | X                             |                        |
| Delta Greely      | X         | X         | X         | X                             |                        |
| Denali            | X         | X         | X         | X                             | X                      |
| Dillingham        | X         | X         | X         | X                             | X                      |
| Fairbanks         | X         | X         | X         | X                             |                        |
| Galena City       | X         | X         | X         | X                             |                        |
| Haines            | X         | X         | X         | X                             |                        |
| Hoonah City       | X         | X         | X         | X                             | X                      |
| Hydaburg City     | X         | X         | X         | X                             |                        |
| Iditarod Area     | X         | X         | X         | X                             | X                      |
| Juneau            | X         | X         | X         | X                             |                        |
| Kake              | X         | X         | X         | X                             |                        |
| Kashunamiut       | X         | X         | X         | X                             |                        |
| Kenai Peninsula   | X         | X         | X         | X                             | X                      |
| Ketchikan Gateway | X         | X         | X         | X                             |                        |
| Klawock City      | X         | X         | X         | X                             |                        |
| Kodiak Island     | X         | X         | X         | X                             |                        |
| Kuspuk            | X         | X         | X         | X                             | X                      |
| Lake & Peninsula  | X         | X         | X         | X                             |                        |
| Lower Kuskokwim   | X         | X         | X         | X                             | X                      |
| Lower Yukon       | X         | X         | X         | X                             | X                      |
| Mat-Su            | X         | X         | X         | X                             |                        |
| Mount. Edgecumbe  | X         | X         | X         | X                             |                        |
| Nenana City       | X         | X         | X         | X                             |                        |
| Nome Public       | X         | X         | X         | X                             | X                      |
| North Slope       | X         | X         | X         | X                             | X                      |
| Northwest Arctic  | X         | X         | X         | X                             |                        |
| Pelican City      | X         | X         | X         | X                             |                        |
| Petersburg City   | X         | X         | X         | X                             |                        |
| Pribilof Islands  | X         | X         | X         | X                             |                        |
| Sitka             | X         | X         | X         | X                             |                        |
| Skagway           | X         | X         | X         | X                             |                        |
| Southeast Island  | X         | X         | X         | X                             |                        |
| Southwest Region  | X         | X         | X         | X                             |                        |
| St. Mary's        | X         | X         | X         | X                             |                        |
| Tanana            | X         | X         | X         | X                             |                        |



## Alaska Superintendent Turnover: 2012-Current

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| District      | 2012-2013 | 2013-2014 | 2014-2015 | Current<br>(X= new this<br>year) | Projected<br>New Supt. |
|---------------|-----------|-----------|-----------|----------------------------------|------------------------|
| Unalaska City | X         | X         | X         | X                                |                        |
| Valdez City   | X         | X         | X         | X                                |                        |
| Wrangell      | X         | X         | X         | X                                |                        |
| Yakutat       | X         | X         | X         | X                                |                        |
| Yukon Flats   | X         | X         | X         | X                                |                        |
| Yukon Koyukuk | X         | X         | X         | X                                |                        |
| Yupit         | X         | X         | X         | X                                |                        |