

Sponsor Statement for HB 242 TRS & PERS Reemploy & Med Benefit; COLA

Public Workforce Retention Legislation Public Employees' and Teachers' Retirement Systems

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This bill will make modest improvements to Alaska retirement statutes to assist Alaska's public employers in attracting and retaining qualified workers as workforce shortages become more pronounced. Employers throughout the state are having difficulty filling vacancies. This is occurring at all levels—teaching, professional, technical and clerical. It is clear from demographic trends that the workforce is aging. Attracting qualified employees will become more and more difficult over the next two decades.

This legislation incorporates a three-pronged legislative approach to address employee retention through the retirement systems:

1. Retiree Return Incentives—brings retirees back into the workforce.
2. Improvements to PERS and TRS Tier II and III medical benefits:
 - Add full system paid retiree medical benefits at age 60 and minimum service of 5 years for PERS Tier II, 10 years for PERS Tier III, and 8 years for TRS.
 - Add full system paid medical benefits for Tier II and Tier III members upon reaching 25 years of service for Teachers and Police/Fire members and upon reaching 30 years of service for Others.
3. Change geographic differential language to eliminate confusion and improve recruitment to and retention in high-cost areas of the state.

The retiree return incentive removes a disincentive for retirees to return to full time employment. Currently, a retiree who wishes to return to permanent public employment must forego retirement benefit payments during their period of return. The change we propose would allow the retiree to continue receiving benefit payments after returning to public employment. To keep this cost-neutral, an employee selecting this option would not accrue additional retirement credit during the period of return.

Public employees hired after June 30, 1986 and teachers hired after June 30, 1990 fall into the Tier II retirement plan. Tier II employees are not eligible for system paid medical benefits until age 60, and then the retirement plan only pays one half the premium. The legislation includes medical benefit enhancements to prompt employees to stay in the system an additional 5 or more years to qualify for system paid medical coverage. The fiscal impact associated with this enhancement is a modest 0.17% of payroll each year.

The change in geographic differential will improve recruitment to rural areas of the state for such organizations as the State Troopers, the Department of Fish and Game, and the Department of Health and Social Services. This change carries no actuarial cost to the Public Employees' Retirement System.

I urge your support for this legislation.