

NEA-Alaska/Retired

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The Latest on Efforts to Restore a Defined Benefit

During the most recent legislative session, freshman Senator Jesse Kiehl (D-Juneau) introduced Senate Bill 46 to restore an option for a Defined Benefit Retirement (DB) for members of the Teacher's Retirement System (TRS) and Public Employee's Retirement System (PERS).

Kiehl, an NEA-Alaska endorsed candidate, was first elected in 2018. Previously, he had served for seven years on the Juneau Assembly. For many years he worked as a legislative staffer for Senator Dennis Egan (D-Juneau) and Senator Kim Elton (D-Juneau). Kiehl was the lead staffer on Egan and Elton's efforts to restore a defined benefit and was considered the legislative staff expert on Alaska retirement issues. Needless to say, his experience and expertise on this issue is a valuable asset (tool) in the effort to restore a DB retirement for Alaska's educators and state employees.

Senate Bill 46 received one hearing in the Senate Community and Regional Affairs Committee last session. NEA-Alaska President Tim Parker was on hand to testify in support of the legislation on behalf of NEA-Alaska members and retirees. NEA-Alaska continues to work to educate members, legislators, and the public on the damaging effects of a retirement system that does nothing to incentivize educators to make their careers in Alaska.

Closed System Dangerous for All

As you may know, when the State of Alaska closed the Defined Benefit Retirement System and switched employees to a Defined Contribution System (DC) it did nothing to actually address the unfunded liability or reduce DB plan costs. In fact, Alaska saw increased pension costs for PERS and TRS after it switched to a DC plan for new hires.

With the closure of the DB system, there are fewer and fewer contributions going into the collective retirement system pool. More and more members are retiring and beginning to draw out of the system each year. As a result, the unfunded liability is more of a challenge and increases over time. This closed system and lack of additional contributions is a danger to both current employees and retirees. We all need to speak up and continue to make the case to fix our broken retirement system.

Letters of Support Needed

Please take a moment to write a letter of support for Senate Bill 46. Letters of support can be sent to: **Senator.Jesse.Kiehl@akleg.gov**
CC: **Edric.Carrillo@akleg.gov**

In addition, you are encouraged to contact your own State Senator and State Representative. Make sure that they know about the situation educators in

Alaska are facing.

Alaska has the worst retirement system in the country for educators.

Many TRS members and PERS members do not receive Social Security or SBS. This leaves them without any guaranteed annual benefit and makes running out of retirement savings a very real possibility.

A recent analysis by the Chief Investment Officer of the State of Alaska showed that only 31% of TRS members who worked for 30 years would have sufficient assets to retire.

An ISER analysis details the cost of the recruitment and retention crisis: \$20,000 per educator and up to \$20 million per year is spent recruiting educators to Alaska to replace the educators leaving on an annual basis.

— *Matthew Moser, Government Relations and Community Outreach Director*

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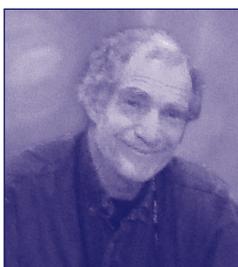
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President's Message**aka Kronberg's Corner**

As we head into the height of summer, it is strange but true that this is the time to consider whether you want to be an NEA-Alaska/Retired delegate to the 2020 NEA-Alaska Delegate Assembly. For the first time this coming year, the Thursday of DA Week will feature an annual business meeting of NEA-Alaska/Retired in lieu of our

non-mandatory Thursday afternoon caucus. Veteran delegates will recall that in the past the Thursday caucus was primarily an opportunity to reconnect with old friends whom we had not seen since the prior year's DA. This year will be different. The NEA-Alaska/Retired Board has begun planning a business meeting where issues of importance to NEA-Alaska/Retired will be considered and action taken to direct our statewide local in the 2020-2021 fiscal year. The Board has not yet fully articulated the format of this annual meeting and whether we will invite retired members from the SouthCentral area to attend as well as our delegates. Much of that will depend on cost factors. The Delegate Assembly is already the largest single item in our annual budget. Simply adding in mileage for even a hundred non-delegate members from SouthCentral areas would be costly.

The budget cuts made by Governor Dunleavy promise significant pain for all Alaskans who work for a living and/or need extra help in feeding, clothing, and providing shelter for their families. If the legislature is unable to override some or all of those vetoes it is likely that the next few months will be a scramble to fund public schools, essential medical services, particularly for the poor, and other critical public services that so many Alaskans rely upon. By the time we meet in January at the Delegate Assembly, the landscape of Alaska may no longer be recognizable by those of us who worked in Alaskan public schools during much better times. If you still live in Alaska, calling your legislators and gently reminding them they work for the people of Alaska who need these services would be in order.

Next January will be the time to finalize NEA-Alaska's strategy for dealing with the legislature and the Governor. If you want to be a part of that effort, please consider running for one of our 30+ seats at Delegate Assembly. You will find the delegate nomination form in this newsletter.

Best wishes to all of you for a wonderful summer, whether yours will be spent in Alaska, in other parts of the US, or in foreign countries.

– Rich Kronberg



Please make sure we have your current email address. Contact Tamara Monroe at 274-0536 to make changes.

Editor: Barbara Stek

This newsletter is the official publication of NEA-Alaska/Retired, printed three times a year: October, February, and July. Retired members are encouraged to submit articles, as well as voice comments and concerns. Articles should be sent in Word via email to bwstekak@yahoo.com no later than the 1st of the publication month.

Board of Directors Report to NEA-Alaska/Retired

March 29 – 30, 2019

1. **Membership:** NEA-Alaska membership numbers continue to be far better than the predictions for post-Janus losses had indicated, in large part due to the excellent organizing work last year in preparation for the loss of agency fee, led by Glenn Bafia, Tim Parker, and leadership and staff all last year. For example, AEA has only 78 non members out of 3,250 teachers in Anchorage. However, everyone anticipates that next year will see a significant drop as members become accustomed to the option of not paying, yet receiving benefits.
2. **Lobbying in Juneau:** Matt Moser gave a legislative update about the enormous challenges facing all public services in the face of the devastating (and in my opinion, totally insane) budget cuts proposed by the Dunleavy administration. The good news is that there is an upswelling of public support for schools with parents joining school employees and other citizens to push back. The NEA-Alaska lobbying action teams are establishing ongoing relationships with specific legislators. As a result, we are getting into some offices where we have been unwelcome in the past.
3. **Save Our Alaska Retirement:** The SOAR task force is hitting high gear, working on restoring a retirement with dignity. The situation with Defined Contribution continues to be grim: Gayle Harbo announced that Alaska is losing \$8 million a month that is going out of state with the Tier III/Tier IV school employees who are leaving and taking both their own contributions as well as those of their employers.
4. **Response to Governor's Budget:** Glenn reported on our work with "Red for Ed" and various coalitions, including a united pre-K through college (ages 3 to 23) in response to the Dunleavy attacks on public services. The consensus is that the most drastic cuts will be prevented this session, but that the next session is a real danger point. There's a possibility that, in response, Alaska will face the reality of the kind of statewide action by school employees that other states have experienced or perhaps a lawsuit against the state. One approach may be to draft an Alaska Student Bill of Rights to protect public schools. (See #5 below). Whatever action is eventually required, we retirees will be able to help in many ways. So stay tuned.
5. **Coalition to Support a Student Bill of Rights:** The Board approved up to \$10,000 to support organizing this coalition with the University of Alaska, AFL-CIO, some pre-K organizations, and other interested citizen groups, like Great Alaska Schools, with a short time line. The work of the Leading the Professions Committee, particularly the Six Principles adopted unanimously by 2013 DA, will inform NEA-Alaska's contributions to the drafting of the document of what Alaskan students have a right to expect from Alaska. We will do some polling and consult with attorneys before drafting anything to present to the public on this topic.
6. **Current Public Opinion:** We learned that recent polling shows a significant increase in the positive image of both NEA-Alaska, teachers, and public schools among all sectors of the Alaskan public. The Board thanked staffer Zac Mannix for his leadership.
7. **Equity in Office Space for Full Time Release Locals:** The Board adopted the ad hoc task force's recommended change to Board policy establishing a formula for the state's contributions to the cost of rent for office space paid by locals who don't own a building.
8. **Task Force on NEA-Alaska Awards:** The recent revision of the Board policy manual revealed widely differing procedures and rewards among our many awards. Tim established a task force to review and recommend in September some standardization where appropriate and appointed Susan as chair.
9. **SOAR Task Force Report:** Vice President Segue Grant shared the exciting working agenda of an energized and extremely productive group of mostly Tier III/IV teachers. One of their immediate asks is that in addition to the stories of Tier III teachers who are leaving, that teachers in other tiers and we retirees share our stories about why we came to Alaska to teach and why we stayed, and why we support the restoration of some kind of system that gives teachers a retirement with dignity. And why it's likely we would not have stayed had we not had such a retirement. Please write to senator.jesse.kiehl@akleg.gov in support of SB 46, which you can read at www.akleg.gov.

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Alaska Retirement Management Board Summer Report 2019



The Alaska Retirement Management Board has met twice this spring, April 4 and 5 and June 20 and 21. All meetings are now held in Juneau with committee meetings held the Wednesday preceding the Board meeting. A new Operations Committee was established at the April meeting and will be chaired by Tom Brice. It will encompass the Budget and Salary Committee and also deal with policies and procedures.

The focus of the last two meetings has been on asset allocation, the number of managers, and the net of fee outcomes. CIO Bob Mitchell and his staff have given excellent presentations on risk management, liquidity, and the wisdom of condensing the number of managers we currently have and managing more assets in house. At the end of April 2019 almost 33% of our current 33 billion in assets is managed internally. CIO Mitchell presented and the Board adopted several investment actions to reduce the number of managers, particularly in Domestic Equities, and to concentrate funds in the S&P 600 and 900 funds.

The following asset allocation was adopted: 44% to equity, global and domestic, 24% to fixed income, 8% to opportunistic, 13% to real assets, and 11% to private equity. This followed the presentation of an asset liability study by Callan. It represents a significant increase (10%) in fixed income, a reduction in real assets, and the elimination of the absolute return sector. Asset allocation is the most important responsibility of the Board and along with setting the assumptions has the most impact on the management of the funds. Since our system is closed to new DB participants, it is important to continuously monitor the liquidity potential of the funds.

In other business, actuaries Buck and GRS presented their final report on the June 30, 2018 valuation. The results of the study show the plans are better funded at the end of FY'18 than FY'17. The Actuarial Committee will meet again by teleconference July 31. Buck presented the Board with a chart showing additional state contributions from FY'10 to FY'19 and then on into the future to FY'2039. It was very helpful to the trustees and commissioners to see the allocation needed to supplement the employer contribution.

Through the 3rd quarter of FY'19, 1302 PERS DC employees and 236 TRS DC employees have taken full disbursements from the funds as they leave the state. The average monthly withdrawal from their cumulative DC funds is about \$6 million dollars. Additional money is withdrawn by PERS DC members from their SBS and Deferred Compensation accounts.

The next meeting of the ARM Board will be in Juneau, September 19 and 20, with committee meetings on September 18. The public is invited to attend and comment. Minutes are posted on the website.

– *Gayle Harbo*

“Board of Directors Report” Cont.

10. Valedictory: This will be my last report as one of your NEA-Alaska Directors. I will be unable to attend the Board retreat in June as we will be returning from Germany where we will meet our new grandson, born March 25th in Stuttgart. It has been a privilege and a pleasure to work again with such a great set of Rs: Nancy Allen, then Rich Kronberg, and of course, Gayle Harbo. When I first returned to the Board in 2013, I had a few specific goals: to move the control of NEA-Alaska's elections policy to Delegate Assembly and to help move the needle on our efforts to restore a meaningful retirement for our members. DA adopted the elections policies, and as you read earlier, the SOARS committee is on an impressive roll. Probably the most significant action of which I was a part was the hiring of Glenn Bafia as our Executive. He continues to be an exemplary leader and manager of staff and creative problem solver. With Glenn and our leadership team of Tim, Segue, and Tammy, I believe NEA-Alaska is in excellent hands as we face arguably the most destructive political force in Alaska's history in the current governor. I know that Rich, Nancy, and Ron will continue to give the Board sound advice and historical context as they all move forward together for Alaska's children.

– *Respectfully submitted by
Susan Stitham*

Delegate Assembly 2020 Nominations

To be nominated for Delegate Assembly, **January 16-18, 2020**, please complete this form and include a brief biography. Delegates must attend each caucus meeting to include the Thursday afternoon meeting and all sessions to receive **up to \$40 per diem for each of the three days with \$8.00 deducted for each of the two breakfasts provided by NEA-Alaska**. NEA-Alaska/Retired reimburses delegates **up to half the cost of a hotel room for a maximum of three nights not to exceed the negotiated NEA-Alaska room rate. NEA-Alaska will reimburse airfare costs (up to \$500 for out-of-state transportation)** based on bargain/value airfare.

An on-line election will be held. You will be notified of the results in November. Nominations for elected office as well as nominations for two-year appointments to the NEA-Alaska PACE Committee will be made during the caucus at DA.

To submit your nomination by email, send it to tamara.monroe@neaalaska.org. Be sure to include DA 2020 Retired Nomination in the subject line, along with the information asked for on the form. Emailed nominations must be received **no later than September 3, 2019**. Tamara will send a confirmation upon receipt of your email. If you mail the form, it must be received in the Anchorage office (at the address below) postmarked **no later than September 2, 2019**.

Return form to:
NEA-Alaska/Retired
4100 Spenard Rd.
Anchorage, AK 99517

DELEGATE ASSEMBLY NOMINATION FORM

Name: _____

Mailing Address: _____

City/State/Zip: _____

Email: _____

Phone: _____

CANDIDATE BIOGRAPHY: (Limit: 25 words)



Spotlight On...

Ron Fuhrer

Dear NEA-Alaska/Retired Members,
When I retired I did not think I would have an interest in serving on the NEA-Alaska Board of Directors, but here, in less than three years retired, I am about to serve a two year term on the Board again. You may wonder what caused me to run. Well, there is an old saying, "You can take the dog out of the fight, but you can't take the fight out of the dog." With Mike Dunleavy winning the

governor's race, I knew that Public Education was about to have one of its biggest fights under his leadership. We have seen the true colors of the Dunleavy administration through the line item vetoes recently released. We can anticipate that next year could be worse - if that is possible. I want to be working to safeguard public education as we know it. I have not lost my will to fight!!

— Ron Fuhrer



4100 Spenard Road
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www.neaalaska.org or
email: info@neaalaska.org

Look for the Delegate Assembly Nomination Form for 2020 inside!

Can We Modernize Our Health Plan?

Since its inception the Retiree Health Plan Advisory Board has studied, discussed, and researched the possibility of changes to our health plan that would be allowable under the court decision that prevents the diminishment of retiree benefits. The areas that we have studied have been brought to the table by retirees or by the health team responding to changes in healthcare delivery and advances in treatment.

The RHPAB met in May to review and continue the work done by the Modernization Committee during the Spring. The easy part is adding benefits, but the goal has to be financial neutrality. For example, at the April meeting we discussed Enhanced Clinical Review, a process to examine the medical necessity of expensive medical imaging. We also discussed, in depth, the use of Telehealth Services that provide easy access to professional services for general medical consultations.

There are approximately 16 significant changes that we have been evaluating for the past year. We have been measuring them using a matrix of: Member Impact, Actuarial Impact, DRB Operational Impact, Financial Impact to the Plan, Clinical Considerations, Third Party Administration, and Impact and Provider Considerations.

On August 7th the RHPAB will discuss whether we can develop a package of proposed changes that does not diminish benefits in the aggregate and is a substantive modernization of the plan.

The Board will continue to seek ways to protect and improve health care coverage for Alaska’s retired teachers and public employees. Stay abreast of upcoming meetings and opportunities

to testify by visiting the Division of Retirement and Benefits website.

– *Judy Salo, Chairperson of the Retired Health Plan Advisory Board*

Calendar of Events

September

20-21 NEA-Alaska Board Meeting

October

18-20 Fall Event Anchorage, AK

November

1-2 NEA-Alaska Board meeting

11-15 American Education Week