

"An Act relating to public employees' retirement system benefits; effective date."

COMMITTEE REPORT

4/12/76

HOUSE

By Speaker:

Date _____

The Committee on FINANCE has had HB 670

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

"and" recommends it BE REFERRED TO THE _____

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ Chairman

"An Act relating to public employees' retirement system benefits; and providing for an effective date."

COMMITTEE REPORT

1/29/76

HOUSE

FINANCE

Mr. Speaker:

Date 4/9/76

The Committee on STATE AFFAIRS has had HB 670

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

() recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

<u>Joe McKinnon</u>	_____	_____
<u>M. Miller</u>	_____	_____
<u>Bin Paul</u>	_____	_____
<u>_____</u>	_____	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Joe McKinnon Chairman

AMENDMENT # 1

OFFERED IN THE HOUSE:

By: STATE AFFAIRS

To: _____ HOUSE BILL No. 670

SENATE BILL No. _____

PAGE: 5

LINE: 29

After the word "his", insert the word "gross".

Page 8, Line 15:

Insert new Section 23 and renumber remaining section appropriately:

"Sec. 23. A person receiving retirement benefits under AS 39.35.430 on the effective date of this Act is eligible to receive any increased benefits resulting from the amendment of AS 39.35.430 made by this Act."

Introduced: 1/29/76
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 670

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public employees' retirement
7 system benefits; and providing for an effective
8 date."

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

10 * Section 1. AS 39.35.400(b) is repealed and re-enacted to read:

11 (b) The nonoccupational disability pension benefits accrue
12 beginning the first day of the month following termination of employ-
13 ment as a result of the disability. If a final determination granting
14 the pension is not made in time to pay the first month's pension when
15 due, a retroactive payment shall be made to cover the period of defer-
16 ment. Benefits shall be continued after one year from the date of
17 appointment to nonoccupational disability only if the disabled person
18 fulfills the requirements set out in (e) of this section. The last
19 payment shall be for the month in which (1) the death of the disabled
20 employee occurs, or (2) the month in which the disabled employee
21 recovers from disability, or (3) the month in which the disabled
22 employee ceases to be eligible for disability benefits under the
23 Social Security Act, or (4) the month the disabled employee reaches
24 normal retirement age, whichever occurs first.

25 * Sec. 2. AS 39.35.400(c) is amended to read:

26 (c) If the disabled [RETIRED] employee becomes ineligible to
27 receive [RECOVERS FROM THE] nonoccupational disability benefits, he is
28 entitled to receive a normal or early retirement pension if he would
29 have been eligible for the pension had his employment continued during

COMMITTEE COPY

1 the period of disability. However, the period of disability does not
2 constitute credited service.

3 * Sec. 3. AS 39.35.400(d) is amended to read:

4 (d) The monthly amount of the nonoccupational disability pension
5 shall be determined in accordance with sec. 370(c) of this chapter,
6 considering the employee's credited service and compensation before
7 termination of employment. [HOWEVER, THE AMOUNT SHALL BE REDUCED BY
8 WAGE CONTINUATION PAYMENTS WHICH ARE AVAILABLE TO THE EMPLOYEE AND
9 WHICH ARE ATTRIBUTABLE TO THE EMPLOYERS. THE AMOUNT MAY NOT EXCEED
10 THE BENEFIT DETERMINED IN ACCORDANCE WITH SEC. 410(d) OF THIS CHAPTER.]

11 * Sec. 4. AS 39.35.400(e) is repealed and re-enacted to read:

12 (e) A disabled employee receiving a nonoccupational disability
13 pension shall provide the administrator, one year after appointment to
14 disability retirement and once each year thereafter until disability
15 benefits cease, proof of continuing eligibility to receive disability
16 payments under the Social Security Act. If a disabled employee is
17 otherwise ineligible for social security, he shall provide the admini-
18 strator with sufficient medical evidence once each year to demonstrate
19 that disability benefits under the Social Security Act would be payable
20 had the employee been otherwise eligible. If the disabled employee
21 fails to provide the administrator with evidence of continuing eligi-
22 bility for disability payments under the Social Security Act or other
23 medical evidence required by the administrator within 30 days following
24 each anniversary date, the disability payments from the system shall
25 cease. If that information is subsequently provided to the admini-
26 strator, payments will resume beginning for the month following that
27 in which the information is provided. When disability payments under
28 the Social Security Act cease, it is the responsibility of the disabled
29 employee to notify the administrator immediately. Upon notification,

1 the administrator shall cease making disability payments.

2 * Sec. 5. AS 39.35.400 is amended by adding a new subsection to read:

3 (f) A disabled employee's nonoccupational disability pension
4 terminates when the employee first attains eligibility for normal re-
5 tirement. At that time, his retirement benefits will be calculated
6 under the provisions of sec. 370(c).

7 * Sec. 6. AS 39.35.410(b) is repealed and re-enacted to read:

8 (b) The occupational disability pension benefits accrue beginning
9 the first day of the month following termination of employment as a
10 result of the disability. If a final determination granting the
11 pension is not made in time to pay the first month's pension when due,
12 a retroactive payment shall be made to cover the period of deferment.
13 Benefits shall be continued after one year from date of appointment to
14 occupational disability only if the disabled person fulfills the
15 requirements set out in (g) of this section. The last payment shall be
16 for the month in which (1) the death of the disabled employee occurs,
17 or (2) the month in which the disabled employee recovers from dis-
18 ability, or (3) the month in which the disabled employee ceases to be
19 eligible for disability benefits under the Social Security Act, or (4)
20 the month the disabled employee reaches normal retirement age, which-
21 ever occurs first.

22 * Sec. 7. AS 39.35.410(c) is amended to read:

23 (c) If the disabled [RETIRED] employee becomes ineligible to
24 receive [RECOVERS FROM THE] occupational disability benefits before
25 his normal retirement date, the disabled [RETIRED] employee shall then
26 be entitled to receive an early retirement pension if he would have
27 been eligible for the pension had his employment continued during the
28 period of disability. The period of disability constitutes credited
29 service [FOR ALL EMPLOYEES].

1 * Sec. 8. AS 39.35.410(d) is repealed and re-enacted to read:

2 (d) The monthly amount of an occupational disability pension is
3 40 per cent of the disabled employee's gross monthly compensation at
4 the time of termination due to disability.

5 * Sec. 9. AS 39.35.410(e) is repealed.

6 * Sec. 10. AS 39.35.410(f) is repealed and re-enacted to read:

7 (g) A disabled employee receiving an occupational disability
8 pension shall provide the administrator, one year after appointment to
9 disability retirement and once each year thereafter until disability
10 benefits cease, proof of continuing eligibility to receive disability
11 payments under the Social Security Act. If a disabled employee is
12 otherwise ineligible for social security, he shall provide the admini-
13 strator with sufficient medical evidence once each year to demonstrate
14 that disability benefits under the Social Security Act would be pay-
15 able had the employee been otherwise eligible. If the disabled
16 employee fails to provide the administrator with evidence of continu-
17 ing eligibility for disability payments under the Social Security Act
18 or other medical evidence required by the administrator within 30 days
19 following each anniversary date, the disability payments from the
20 system shall cease. If that information is subsequently provided to
21 the administrator, payments will resume beginning for the month
22 following that in which the information is provided. When disability
23 payments under the Social Security Act cease, it is the responsibility
24 of the disabled employee to notify the administrator immediately.
25 Upon notification, the administrator shall cease making disability
26 payments.

27 * Sec. 11. AS 39.35.420(a) is amended to read:

28 (a) If the death of an employee occurs from nonoccupational
29 causes before appointment to [HIS] retirement, and [BUT] after complet-

1 ing [HE HAS COMPLETED] at least one year but less than five years of
2 credited service, [AND THE EMPLOYEE'S SURVIVOR IS NOT ENTITLED TO A
3 SURVIVING SPOUSE'S PENSION UNDER SEC. 430 OF THIS CHAPTER,] a lump sum
4 death benefit shall be paid to the beneficiary of the employee. The
5 amount of the lump sum death benefit shall be \$1,000 plus \$100 for
6 each year of credited service. The lump sum death benefit is in
7 addition to a refund of the balance of the employee contribution
8 account of the deceased employee under sec. 210 of this chapter.

9 * Sec. 12. AS 39.35.420(b) is amended to read:

10 (b) If the death of an [THE] employee or deferred vested member
11 occurs from nonoccupational causes before appointment to [HIS] retire-
12 ment and after completing [HE HAS COMPLETED] at least five years of
13 credited service, [AND THE EMPLOYEE'S SURVIVOR IS NOT ENTITLED TO A
14 SURVIVING SPOUSE'S PENSION UNDER SEC. 430 OF THIS CHAPTER,] the
15 surviving spouse [SURVIVOR] may at his or her discretion receive
16 either the benefits described in (a) of this section or a 50 per cent
17 joint and survivor option based upon credited service to the date of
18 the employee's death or termination and payable to the surviving spouse
19 [SURVIVOR] commencing for [THE FIRST DAY OF] the month following the
20 death of the employee.

21 * Sec. 13. AS 39.35.430(a) is repealed.

22 * Sec. 14. AS 39.35.430(b) is amended to read:

23 (b) If (1) the death of an employee [A PEACE OFFICER OR A FIRE-
24 MAN] occurs before his retirement and before his normal retirement
25 date, and (2) the proximate cause of death is a bodily injury sustained
26 or a hazard undergone while in the performance and within the scope of
27 his duties, and (3) the injury or hazard is not the proximate result
28 of wilful negligence of the employee, a monthly survivor's pension
29 equal to 40 per cent of his monthly compensation in the month in which

1 he died shall be paid to his surviving spouse. If [HIS SURVIVING
2 SPOUSE REMARRIES OR IF] there is no surviving spouse the monthly sur-
3 vivor's pension shall be paid in equal parts to the children of the
4 employee, including those adopted, who are either under 19 [18] years
5 old or under 23 years old and registered at and attending on a full-
6 time basis an accredited educational or technical institution recog-
7 nized by the Department of Education. On the date the normal retire-
8 ment of the employee would have occurred if he had lived, monthly
9 payments shall equal the monthly amount of the normal retirement
10 benefit to which the employee, had he lived and continued his employ-
11 ment [AS A PEACE OFFICER OR A FIREMAN] until his normal retirement
12 date, would have been entitled with an average monthly compensation as
13 existed at his death and the credited service to which he would have
14 been entitled [HAD].

15 * Sec. 15. AS 39.35.430(c) is amended to read:

16 (c) The first payment of the surviving spouse's pension or of
17 the surviving child's [SURVIVOR'S] pension shall be made for [ON THE
18 FIRST DAY OF] the month following the month in which the employee dies
19 and the payment shall cease to be made for [AS OF THE FIRST DAY OF]
20 the month in which there is no eligible surviving spouse or child
21 [BENEFICIARY].

22 * Sec. 16. AS 39.35.430(d) is repealed.

23 * Sec. 17. AS 39.35.430(e) is repealed.

24 * Sec. 18. AS 39.35.440(a) is repealed.

25 * Sec. 19. AS 39.35.440(b) is amended to read:

26 (b) Upon the death of a retired employee who [WAS A PEACE OFFICER
27 OR A FIREMAN ON THE DATE OF HIS RETIREMENT AND WHO] is receiving or is
28 entitled to receive an occupational disability pension, a surviving
29 spouse's pension equal to 40 per cent [TWO-THIRDS] of his average

1 monthly compensation shall be paid to his surviving spouse. If [HIS
2 SURVIVING SPOUSE REMARRIES OR IF] there is no surviving spouse, the
3 survivor's pension shall be paid in equal parts to the children of the
4 employee, including those adopted, who are either under 19 [18] years
5 old or under 23 years old and registered at and attending on a full-
6 time basis an accredited educational or a technical institution recog-
7 nized by the Department of Education. On the date the normal retire-
8 ment of the employee would have occurred if he had lived, monthly
9 payments shall equal the monthly amount of the normal retirement
10 benefit to which the employee, had he lived and continued his employ-
11 ment until his normal retirement date, would have been entitled with
12 an average monthly compensation as existed at his death and the
13 credited service to which he would have been entitled.

14 * Sec. 20. AS 39.35.440(c) is amended to read:

15 (c) The first payment of the surviving spouse's pension or of
16 the surviving child's [SURVIVOR'S] pension shall be made for [ON THE
17 FIRST DAY OF] the month following the month in which the employee dies
18 and the payments shall cease to be made for [AS OF THE FIRST DAY OF]
19 the month in which there is no eligible surviving spouse or child
20 [BENEFICIARY].

21 * Sec. 21. AS 39.35.680(10) is amended to read:

22 (10) "nonoccupational disability" means a physical or
23 mental condition which, in the judgment of the administrator [BOARD],
24 based upon medical reports and other evidence satisfactory to the
25 administrator [BOARD], presumably permanently prevents an employee
26 from satisfactorily performing his usual duties for his employer or
27 the duties of another position or job which his [AN] employer makes
28 available and for which the employee is qualified by [HIS] training or
29 education, not including a condition resulting from a cause which the

1 board, in its rules, has concluded;

2 * Sec. 22. AS 39.35.680(12) is amended to read:

3 (12) "occupational disability" means a physical or mental
4 condition which presumably permanently prevents an employee from
5 satisfactorily performing his usual duties for his employer [, OR THE
6 DUTIES OF ANOTHER POSITION OR JOB WHICH AN EMPLOYER MAKES AVAILABLE
7 AND FOR WHICH THE EMPLOYEE IS QUALIFIED BY TRAINING OR EDUCATION];
8 however, the proximate cause of the condition must be a bodily injury
9 sustained, or a hazard undergone, while in the performance and within
0 the scope of the employee's duties and not the proximate result of the
1 wilful negligence of the employee; a determination of whether occupa-
2 tional disability exists shall be made by the administrator [BOARD],
3 based upon medical reports and other evidence satisfactory to the
4 administrator [BOARD];

5 * Sec. 23. This Act takes effect July 1, 1976.
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AB 670

January 29, 1976

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(a) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill which would make significant changes in the death and disability provisions of the Public Employees' Retirement System.

Under the current statutes there are serious inequities in payments made to both disabled persons and survivors of deceased employees. Since these benefits are paid out of employer contributions up until the time the employee reaches or would have reached normal retirement age, it is felt that there should be equitable treatment given to all employees under the system regardless of their occupation. It is difficult to justify making a distinction in the amount of payment to a disabled person or to survivors of deceased employees based solely on the occupation the person was performing at the time he became disabled or dies.

We should place emphasis on assuring that the disabled person or survivor is provided with a reasonable income necessary to maintain a fair standard of living rather than basing our benefit structure solely on what the employee did before his death or disabling injury.

Here is a brief description of the various changes being proposed:

Section 1. AS 39.35.400(b) This section tells when nonoccupational disability benefits commence and under what conditions they terminate. It also requires that in order for a person to continue to receive nonoccupational disability benefits beyond a period of one year after appointment to disability the disabled employee must demonstrate that he is or would be eligible to receive disability benefits under the Social Security Act.

Section 2. AS 39.35.400(c) This amendment is necessary because if this legislation is enacted a person is not considered to recover from the original disability but would become ineligible for

benefits because he no longer meets the standards for disability payments under the Social Security Act.

Section 3. AS 39.35.400(d) This amendment removes the current pension offset provisions for wage continuation payments. This language is not needed since the only wage continuation payments are from workmen's compensation and those payments are not payable in cases of nonoccupational disability. The amendment also removes the restriction that the benefit payments cannot exceed those made under occupational disability.

Section 4. AS 39.35.400(e) These changes require that the disabled employee provide certain information to the administrator at the end of the first year and each subsequent year demonstrating his continuing eligibility for benefit payments. It also provides that benefits will be suspended if the individual fails to provide the required information in a timely manner.

Section 5. AS 39.35.400(f) This new subsection clearly states that an employee is transferred from nonoccupational disability status to normal retirement when he or she reaches normal retirement age. Also provided is the manner in which the normal retirement benefits will be calculated following this transfer.

Section 6. AS 39.35.410(b) This section tells when occupational disability benefits commence and under what conditions they terminate. It also requires that in order for a person to continue to receive occupational disability benefits beyond a period of one year after appointment to disability the disabled employee must demonstrate that he is or would be eligible to receive disability benefits under the Social Security Act.

Section 7. AS 39.35.410(c) This amendment is necessary because if this legislation is enacted a person is not considered to recover from the original disability but would become ineligible for benefits because he no longer meets the standards for disability payments under the Social Security Act.

Section 8. AS 39.35.410(d) This subsection establishes the amount of the occupational disability pension payable to all disabled employees regardless of their occupation.

Section 9. Repeal of AS 39.35.410(e) removes the workmen's compensation offset for payments under occupational disability provisions.

Section 10. AS 39.35.410(g) These changes require that the disabled employee provide certain information to the administrator at the end of the first year and each subsequent year demonstrating his continuing eligibility for benefit payments. It also provides that benefits will be suspended if the individual fails to furnish the required information in a timely manner.

Section 11. AS 39.35.420(a) This amendment removes the reference to a survivor who is eligible under sec. 430 of this chapter which relates to occupational disability. This language is not necessary since this subsection relates to nonoccupational death benefits.

Section 12. AS 39.35.420(b) This removes the reference to survivors receiving occupational death benefits under sec. 430. In addition, these amendments allow the surviving spouse of an employee who was on a deferred vested status to elect either a refund of contributions or a 50 per cent joint and survivor's option. Under the present law it is restricted only to an active employee.

Section 13. AS 39.35.430(a) is repealed because this subsection is no longer necessary in view of the amendments made in AS 39.35.430(b).

Section 14. AS 39.35.430(b) These amendments remove the distinction between peace officers and firemen and other types of employees as far as occupational death benefits are concerned. It also provides that the survivors of a deceased member are entitled to 40 per cent of the employee's monthly compensation in the case of occupational death. The amendments also eliminate the discontinuance of death benefits in the event the spouse remarries. If there is no surviving spouse, payments will continue to be made to surviving children up to age 19 (instead of 18) without requiring them to be attending a recognized school on a full-time basis.

Section 15. AS 39.35.430(c) This amendment clearly identifies the duration of benefits payable to either a surviving spouse or surviving child.

Section 16. AS 39.35.430(d) is repealed because its provisions are either included in sec. 430(c) or in the definition of "occupational disability" in AS 39.35.680(12).

Section 17. Repeal of AS 39.35.430(e) removes the workmen's compensation offset for benefits payable under the occupational death provisions.

Section 18. AS 39.35.440(a). Repealed. This subsection is no longer necessary in view of the amendments being made in AS 39.35.440(b).

Section 19. AS 39.35.440(b) This amendment provides uniform benefits for survivors of employees of the system regardless of kind of occupation when death occurs to a person receiving occupational disability benefits. Also the monthly benefit is changed from two-thirds of the employee's average monthly compensation to 40 per cent. I believe this is justified since there will no longer be any workmen's compensation offsets. For persons receiving death benefits under workmen's compensation, they will now get

40 per cent of the employee's average monthly compensation whereas under the current statutes in many cases they receive either nothing or far less than 40 per cent. Payments will be made to surviving children up to 19 (again, instead of 18) years old without requiring that they attend school on a full-time basis.

Section 20. AS 39.35.440(c) This amendment will make the language in this subsection consistent with that in other sections of the statute. It also clearly establishes the duration for which benefits are payable.

Section 21. AS 39.35.680(10) These amendments grant the authority to the administrator to make the initial decisions on disability applications. Several years ago the board delegated this authority to the administrator because it was felt unfair to the applicants to require them to wait until the next semi-annual board meeting in order to get a determination. This amendment merely sets into the law what is the present practice. The board still retains authority to hear any appeal on a decision made by the administrator.

Section 22. AS 39.35.680(12) This amendment modifies the definition of occupational disability in such a way that a person is eligible to receive benefits if he is determined to be totally and permanently disabled for the usual duties of the job held at the time the disability occurred. Also the amendment expressly grants the authority to the administrator to make the initial disability determination.

Sincerely,

Jay S. Hammond
Governor

ALASKA STATE LEGISLATURE

NINTH Legislature SECOND Session

HOUSE BILL..... NO. ...670.

By RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to public employees' retirement system benefits; and providing for an effective date."

Pub. employees' retir. benefits

Introduced in the House ...1/29..., 19..76

HISTORY IN THE HOUSE

1976

Jan 29

Read first time and referred to Committee on State Affairs and Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Reported correctly enrolled

Sent to Governor

..... By Governor

Filed with Lt. Governor

Chapter No.

The Legislature of the State of Alaska
 FISCAL NOTE
 Second Session - Eighth Legislature

I. REQUEST

Bill Identification: House Bill #670
 Title: An Act relating to the Public Employees Retirement System
 Requested by: House State Affairs Date: 3-05-76
 Return Date Requested: ASAP
 Agency: Administration-Retirement Program: PERS

II. FISCAL DETAIL

Budget Request Unit(s) Affected: None

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 COMMODITIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS, ETC.	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

B. FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0
MAN MONTHS (P./T.)	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Passage of this legislation will result in a direct reduction in the current employer contribution rate of .12% or \$216,000 in FY 77.
2. If legislation is not passed, the employer contribution rate will have to be increased by .05% or \$90,000 in FY 77 based on the actual experience.
3. Therefore, the passage of HB #670 will actually decrease the employer contribution in the future by .19%. The dollar cost of savings to the State in FY 77 will be approximately \$342,000.

IV. ATTACHMENTS

V. DATE: 3-08-76

PREPARED BY: 

Director
 Division of Retirement & Benefits

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Introduced: 1/29/76
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 670

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

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7 system benefits; and providing for an effective
8 date."

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

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12 beginning the first day of the month following termination of employ-
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14 the pension is not made in time to pay the first month's pension when
15 due, a retroactive payment shall be made to cover the period of defer-
16 ment. Benefits shall be continued after one year from the date of
17 appointment to nonoccupational disability only if the disabled person
18 fulfills the requirements set out in (e) of this section. The last
19 payment shall be for the month in which (1) the death of the disabled
20 employee occurs, or (2) the month in which the disabled employee
21 recovers from disability, or (3) the month in which the disabled
22 employee ceases to be eligible for disability benefits under the
23 Social Security Act, or (4) the month the disabled employee reaches
24 normal retirement age, whichever occurs first.

25 * Sec. 2. AS 39.35.400(c) is amended to read:

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27 receive [RECOVERS FROM THE] nonoccupational disability benefits, he is
28 entitled to receive a normal or early retirement pension if he would
29 have been eligible for the pension had his employment continued during

1 the period of disability. However, the period of disability does not
2 constitute credited service.

3 * Sec. 3. AS 39.35.400(d) is amended to read:

4 (d) The monthly amount of the nonoccupational disability pension
5 shall be determined in accordance with sec. 370(c) of this chapter,
6 considering the employee's credited service and compensation before
7 termination of employment. "HOWEVER, THE AMOUNT SHALL BE REDUCED BY
8 WAGE CONTINUATION PAYMENTS WHICH ARE AVAILABLE TO THE EMPLOYEE AND
9 WHICH ARE ATTRIBUTABLE TO THE EMPLOYERS. THE AMOUNT MAY NOT EXCEED
10 THE BENEFIT DETERMINED IN ACCORDANCE WITH SEC. 410(d) OF THIS CHAPTER.]

11 * Sec. 4. AS 39.35.400(e) is repealed and re-enacted to read:

12 (e) A disabled employee receiving a nonoccupational disability
13 pension shall provide the administrator, one year after appointment to
14 disability retirement and once each year thereafter until disability
15 benefits cease, proof of continuing eligibility to receive disability
16 payments under the Social Security Act. If a disabled employee is
17 otherwise ineligible for social security, he shall provide the admini-
18 strator with sufficient medical evidence once each year to demonstrate
19 that disability benefits under the Social Security Act would be payable
20 had the employee been otherwise eligible. If the disabled employee
21 fails to provide the administrator with evidence of continuing eligi-
22 bility for disability payments under the Social Security Act or other
23 medical evidence required by the administrator within 30 days following
24 each anniversary date, the disability payments from the system shall
25 cease. If that information is subsequently provided to the admini-
26 strator, payments will resume beginning for the month following that
27 in which the information is provided. When disability payments under
28 the Social Security Act cease, it is the responsibility of the disabled
29 employee to notify the administrator immediately. Upon notification,

1 the administrator shall cease making disability payments.

2 * Sec. 5. AS 39.35.400 is amended by adding a new subsection to read:

3 (f) A disabled employee's nonoccupational disability pension
4 terminates when the employee first attains eligibility for normal re-
5 tirement. At that time, his retirement benefits will be calculated
6 under the provisions of sec. 370(c).

7 * Sec. 6. AS 39.35.410(b) is repealed and re-enacted to read:

8 (b) The occupational disability pension benefits accrue beginning
9 the first day of the month following termination of employment as a
10 result of the disability. If a final determination granting the
11 pension is not made in time to pay the first month's pension when due,
12 a retroactive payment shall be made to cover the period of deferment.
13 Benefits shall be continued after one year from date of appointment to
14 occupational disability only if the disabled person fulfills the
15 requirements set out in (g) of this section. The last payment shall be
16 for the month in which (1) the death of the disabled employee occurs,
17 or (2) the month in which the disabled employee recovers from dis-
18 ability, or (3) the month in which the disabled employee ceases to be
19 eligible for disability benefits under the Social Security Act, or (4)
20 the month the disabled employee reaches normal retirement age, which-
21 ever occurs first.

22 * Sec. 7. AS 39.35.410(c) is amended to read:

23 (c) If the disabled [RETIRED] employee becomes ineligible to
24 receive [RECOVERS FROM THE] occupational disability benefits before
25 his normal retirement date, the disabled [RETIRED] employee shall then
26 be entitled to receive an early retirement pension if he would have
27 been eligible for the pension had his employment continued during the
28 period of disability. The period of disability constitutes credited
29 service [FOR ALL EMPLOYEES].

1 * Sec. 8. AS 39.35.410(d) is repealed and re-enacted to read:

2 (d) The monthly amount of an occupational disability pension is
3 40 per cent of the disabled employee's gross monthly compensation at
4 the time of termination due to disability.

5 * Sec. 9. AS 39.35.410(e) is repealed.

6 * Sec. 10. AS 39.35.410(g) is repealed and re-enacted to read:

7 (g) A disabled employee receiving an occupational disability
8 pension shall provide the administrator, one year after appointment to
9 disability retirement and once each year thereafter until disability
10 benefits cease, proof of continuing eligibility to receive disability
11 payments under the Social Security Act. If a disabled employee is
12 otherwise ineligible for social security, he shall provide the admini-
13 strator with sufficient medical evidence once each year to demonstrate
14 that disability benefits under the Social Security Act would be pay-
15 able had the employee been otherwise eligible. If the disabled
16 employee fails to provide the administrator with evidence of continu-
17 ing eligibility for disability payments under the Social Security Act
18 or other medical evidence required by the administrator within 30 days
19 following each anniversary date, the disability payments from the
20 system shall cease. If that information is subsequently provided to
21 the administrator, payments will resume beginning for the month
22 following that in which the information is provided. When disability
23 payments under the Social Security Act cease, it is the responsibility
24 of the disabled employee to notify the administrator immediately.
25 Upon notification, the administrator shall cease making disability
26 payments.

27 * Sec. 11. AS 39.35.420(a) is amended to read:

28 (a) If the death of an employee occurs from nonoccupational
29 causes before appointment to [HIS] retirement, and [BUT] after complet-

1 ing [HE HAS COMPLETED] at least one year but less than five years of
2 credited service, [AND THE EMPLOYEE'S SURVIVOR IS NOT ENTITLED TO A
3 SURVIVING SPOUSE'S PENSION UNDER SEC. 430 OF THIS CHAPTER,] a lump sum
4 death benefit shall be paid to the beneficiary of the employee. The
5 amount of the lump sum death benefit shall be \$1,000 plus \$100 for
6 each year of credited service. The lump sum death benefit is in
7 addition to a refund of the balance of the employee contribution
8 account of the deceased employee under sec. 210 of this chapter.

9 * Sec. 12. AS 39.35.420(b) is amended to read:

10 (b) If the death of an [THE] employee or deferred vested member
11 occurs from nonoccupational causes before appointment to [HIS] retire-
12 ment and after completing [HE HAS COMPLETED] at least five years of
13 credited service, [AND THE EMPLOYEE'S SURVIVOR IS NOT ENTITLED TO A
14 SURVIVING SPOUSE'S PENSION UNDER SEC. 430 OF THIS CHAPTER,] the
15 surviving spouse [SURVIVOR] may at his or her discretion receive
16 either the benefits described in (a) of this section or a 50 per cent
17 joint and survivor option based upon credited service to the date of
18 the employee's death or termination and payable to the surviving spouse
19 [SURVIVOR] commencing for [THE FIRST DAY OF] the month following the
20 death of the employee.

21 * Sec. 13. AS 39.35.430(a) is repealed.

22 * Sec. 14. AS 39.35.430(b) is amended to read:

23 (b) If (1) the death of an employee [A PEACE OFFICER OR A FIRE-
24 MAN] occurs before his retirement and before his normal retirement
25 date, and (2) the proximate cause of death is a bodily injury sustained
26 or a hazard undergone while in the performance and within the scope of
27 his duties, and (3) the injury or hazard is not the proximate result
28 of wilful negligence of the employee, a monthly survivor's pension
29 equal to 40 per cent of his monthly compensation in the month in which

1 he died shall be paid to his surviving spouse. If [HIS SURVIVING
2 SPOUSE REMARRIES OR IF] there is no surviving spouse the monthly sur-
3 vivor's pension shall be paid in equal parts to the children of the
4 employee, including those adopted, who are either under 19 [18] years
5 old or under 23 years old and registered at and attending on a full-
6 time basis an accredited educational or technical institution recog-
7 nized by the Department of Education. On the date the normal retire-
8 ment of the employee would have occurred if he had lived, monthly
9 payments shall equal the monthly amount of the normal retirement
10 benefit to which the employee, had he lived and continued his employ-
11 ment [AS A PEACE OFFICER OR A FIREMAN] until his normal retirement
12 date, would have been entitled with an average monthly compensation as
13 existed at his death and the credited service to which he would have
14 been entitled [HAD].

15 * Sec. 15. AS 39.35.430(c) is amended to read:

16 (c) The first payment of the surviving spouse's pension or of
17 the surviving child's [SURVIVOR'S] pension shall be made for [ON THE
18 FIRST DAY OF] the month following the month in which the employee dies
19 and the payment shall cease to be made for [AS OF THE FIRST DAY OF]
20 the month in which there is no eligible surviving spouse or child
21 [BENEFICIARY].

22 * Sec. 16. AS 39.35.430(d) is repealed.

23 * Sec. 17. AS 39.35.430(e) is repealed.

24 * Sec. 18. AS 39.35.440(a) is repealed.

25 * Sec. 19. AS 39.35.440(b) is amended to read:

26 (b) Upon the death of a retired employee who [WAS A PEACE OFFICER
27 OR A FIREMAN ON THE DATE OF HIS RETIREMENT AND WHO] is receiving or is
28 entitled to receive an occupational disability pension, a surviving
29 spouse's pension equal to 40 per cent [TWO-THIRDS] of his average

1 monthly compensation shall be paid to his surviving spouse. If [HIS
2 SURVIVING SPOUSE REMARRIES OR IF] there is no surviving spouse, the
3 survivor's pension shall be paid in equal parts to the children of the
4 employee, including those adopted, who are either under 19 [18] years
5 old or under 23 years old and registered at and attending on a full-
6 time basis an accredited educational or a technical institution recog-
7 nized by the Department of Education. On the date the normal retire-
8 ment of the employee would have occurred if he had lived, monthly
9 payments shall equal the monthly amount of the normal retirement
10 benefit to which the employee, had he lived and continued his employ-
11 ment until his normal retirement date, would have been entitled with
12 an average monthly compensation as existed at his death and the
13 credited service to which he would have been entitled.

14 * Sec. 20. AS 39.35.440(c) is amended to read:

15 (c) The first payment of the surviving spouse's pension or of
16 the surviving child's [SURVIVOR'S] pension shall be made for [ON THE
17 FIRST DAY OF] the month following the month in which the employee dies
18 and the payments shall cease to be made for [AS OF THE FIRST DAY OF]
19 the month in which there is no eligible surviving spouse or child
20 [BENEFICIARY].

21 * Sec. 21. AS 39.35.680(10) is amended to read:

22 (10) "nonoccupational disability" means a physical or
23 mental condition which, in the judgment of the administrator [BOARD],
24 based upon medical reports and other evidence satisfactory to the
25 administrator [BOARD], presumably permanently prevents an employee
26 from satisfactorily performing his usual duties for his employer or
27 the duties of another position or job which his [AN] employer makes
28 available and for which the employee is qualified by [HIS] training or
29 education, not including a condition resulting from a cause which the

1 board, in its rules, has excluded;

2 * Sec. 22. AS 39.35.680(12) is amended to read:

3 (12) "occupational disability" means a physical or mental
4 condition which presumably permanently prevents an employee from
5 satisfactorily performing his usual duties for his employer [, OR THE
6 DUTIES OF ANOTHER POSITION OR JOB WHICH AN EMPLOYER MAKES AVAILABLE
7 AND FOR WHICH THE EMPLOYEE IS QUALIFIED BY TRAINING OR EDUCATION];
8 however, the proximate cause of the condition must be a bodily injury
9 sustained, or a hazard undergone, while in the performance and within
10 the scope of the employee's duties and not the proximate result of the
11 wilful negligence of the employee; a determination of whether occupa-
12 tional disability exists shall be made by the administrator [BOARD],
13 based upon medical reports and other evidence satisfactory to the
14 administrator [BOARD];

15 * Sec. 23. This Act takes effect July 1, 1976.
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HB 670

January 29, 1976

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill which would make significant changes in the death and disability provisions of the Public Employees' Retirement System.

Under the current statutes there are serious inequities in payments made to both disabled persons and survivors of deceased employees. Since these benefits are paid out of employer contributions up until the time the employee reaches or would have reached normal retirement age, it is felt that there should be equitable treatment given to all employees under the system regardless of their occupation. It is difficult to justify making a distinction in the amount of payment to a disabled person or to survivors of deceased employees based solely on the occupation the person was performing at the time he became disabled or dies.

We should place emphasis on assuring that the disabled person or survivor is provided with a reasonable income necessary to maintain a fair standard of living rather than basing our benefit structure solely on what the employee did before his death or disabling injury.

Here is a brief description of the various changes being proposed:

Section 1. AS 39.35.400(b) This section tells when nonoccupational disability benefits commence and under what conditions they terminate. It also requires that in order for a person to continue to receive nonoccupational disability benefits beyond a period of one year after appointment to disability the disabled employee must demonstrate that he is or would be eligible to receive disability benefits under the Social Security Act.

Section 2. AS 39.35.400(c) This amendment is necessary because if this legislation is enacted a person is not considered to recover from the original disability but would become ineligible for

benefits because he no longer meets the standards for disability payments under the Social Security Act.

Section 3. AS 39.35.400(d) This amendment removes the current pension offset provisions for wage continuation payments. This language is not needed since the only wage continuation payments are from workmen's compensation and those payments are not payable in cases of nonoccupational disability. The amendment also removes the restriction that the benefit payments cannot exceed those made under occupational disability.

Section 4. AS 39.35.400(e) These changes require that the disabled employee provide certain information to the administrator at the end of the first year and each subsequent year demonstrating his continuing eligibility for benefit payments. It also provides that benefits will be suspended if the individual fails to provide the required information in a timely manner.

Section 5. AS 39.35.400(f) This new subsection clearly states that an employee is transferred from nonoccupational disability status to normal retirement when he or she reaches normal retirement age. Also provided is the manner in which the normal retirement benefits will be calculated following this transfer.

Section 6. AS 39.35.410(b) This section tells when occupational disability benefits commence and under what conditions they terminate. It also requires that in order for a person to continue to receive occupational disability benefits beyond a period of one year after appointment to disability the disabled employee must demonstrate that he is or would be eligible to receive disability benefits under the Social Security Act.

Section 7. AS 39.35.410(c) This amendment is necessary because if this legislation is enacted a person is not considered to recover from the original disability but would become ineligible for benefits because he no longer meets the standards for disability payments under the Social Security Act.

Section 8. AS 39.35.410(d) This subsection establishes the amount of the occupational disability pension payable to all disabled employees regardless of their occupation.

Section 9. Repeal of AS 39.35.410(e) removes the workmen's compensation offset for payments under occupational disability provisions.

Section 10. AS 39.35.410(g) These changes require that the disabled employee provide certain information to the administrator at the end of the first year and each subsequent year demonstrating his continuing eligibility for benefit payments. It also provides that benefits will be suspended if the individual fails to furnish the required information in a timely manner.

Section 11. AS 39.35.420(a) This amendment removes the reference to a survivor who is eligible under sec. 430 of this chapter which relates to occupational disability. This language is not necessary since this subsection relates to nonoccupational death benefits.

Section 12. AS 39.35.420(b) This removes the refer-ence to survivors receiving occupational death benefits under sec. 430. In addition, these amendments allow the surviving spouse of an employee who was on a deferred vested status to elect either a refund of contributions or a 50 per cent joint and survivor's option. Under the present law it is restricted only to an active employee.

Section 13. AS 39.35.430(a) is repealed because this subsection is no longer necessary in view of the amendments made in AS 39.35.430(b).

Section 14. AS 39.35.430(b) These amendments remove the distinction between peace officers and firemen and other types of employees as far as occupational death benefits are concerned. It also provides that the survivors of a deceased member are entitled to 40 per cent of the employee's monthly compensation in the case of occupational death. The amendments also eliminate the discontinuance of death benefits in the event the spouse remarries. If there is no surviving spouse, payments will continue to be made to surviving children up to age 19 (instead of 18) without requiring them to be attending a recognized school on a full-time basis.

Section 15. AS 39.35.430(c) This amendment clearly identifies the duration of benefits payable to either a surviving spouse or surviving child.

Section 16. AS 39.35.430(d) is repealed because its provisions are either included in sec. 430(c) or in the definition of "occupational disability" in AS 39.35.680(12).

Section 17. Repeal of AS 39.35.430(c) removes the workmen's compensation offset for benefits payable under the occupational death provisions.

Section 18. AS 39.35.440(a). Repealed. This subsection is no longer necessary in view of the amendments being made in AS 39.35.440(b).

Section 19. AS 39.35.440(b) This amendment provides uniform benefits for survivors of employees of the system regardless of kind of occupation when death occurs to a person receiving occupational disability benefits. Also the monthly benefit is changed from two-thirds of the employee's average monthly compensation to 40 per cent. I believe this is justified since there will no longer be any workmen's compensation offsets. For persons receiving death benefits under workmen's compensation, they will now get

40 per cent of the employee's average monthly compensation whereas under the current statutes in many cases they receive either nothing or far less than 40 per cent. Payments will be made to surviving children up to 19 (again, instead of 18) years old without requiring that they attend school on a full-time basis.

Section 20. AS 39.35.440(c) This amendment will make the language in this subsection consistent with that in other sections of the statute. It also clearly establishes the duration for which benefits are payable.

Section 21. AS 39.35.680(10) These amendments grant the authority to the administrator to make the initial decisions on disability applications. Several years ago the board delegated this authority to the administrator because it was felt unfair to the applicants to require them to wait until the next semi-annual board meeting in order to get a determination. This amendment merely sets into the law what is the present practice. The board still retains authority to hear any appeal on a decision made by the administrator.

Section 22. AS 39.35.680(12) This amendment modifies the definition of occupational disability in such a way that a person is eligible to receive benefits if he is determined to be totally and permanently disabled for the usual duties of the job held at the time the disability occurred. Also the amendment expressly grants the authority to the administrator to make the initial disability determination.

Sincerely,

Jay S. Hammond
Governor

AMENDMENT #1

OFFERED IN THE HOUSE:

By: STATE AFFAIRS

To: _____ HOUSE BILL No. 670

SENATE BILL No. _____

PAGE: 5

LINE: 29

After the word "his", insert the word "gross".

Page 8, Line 15:

Insert new Section 23 and renumber remaining section appropriately:

"Sec. 23. A person receiving retirement benefits under AS 39.35.430 on the effective date of this Act is eligible to receive any increased benefits resulting from the amendment of AS 39.35.430 made by this Act."

FISCAL NOTE
Second Session - Ninth Legislature

I. REQUEST

Bill No. HCS for S.B. 670
 Title: Number of Superior Court Judges
 Requested by: Legislative Finance Date: _____
 Return Date Requested: _____
 Agency: Alaska Court System Program: _____

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Alaska Court System

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES		95.9	95.9	95.9	95.9	95.9
200 TRAVEL						
300 CONTRACTUAL		2.0	2.0	2.0	2.0	2.0
400 COMMODITIES		1.0	1.0	1.0	1.0	1.0
500 EQUIPMENT		37.0				
600 LAND & STRUCTURES		52.0				
700 GRANTS, CLAIMS, ETC.						
TOTAL		187.9	98.9	98.9	98.9	98.9

B. FUNDING: (Thousands of dollars)

GENERAL FUND		187.9	98.9	98.9	98.9	98.9
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	3 /	3 /	3 /	3 /	3 /
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

House Committee Substitute for Senate Bill 670 increases the number of Superior Court judges in the state by two. The Superior Court judge position in Sitka will replace the existing District Court Judge position there. Therefore, the additional cost of this judgeship is the difference between the salary of Superior and District Court judges, or \$7,500/year.

The Superior Court judge position in Fairbanks is a new position and will require the creation of three new permanent positions - judge, secretary, and in-court clerk. The total personnel services cost of these positions is \$88,400/year. These new positions will need
(see attached page)

IV. ATTACHMENTS

V. DATE: _____ PREPARED BY: *John H. ...*

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

HCS for S.B. 670

furniture, including desks, chairs, typewriters, bookcases, filing cabinets, and other office equipment. The one-time cost of this equipment is \$8,000. Also, an additional \$1,000/year for commodities and \$2,000/year for contractual expenses (phone, postage, equipment rental, etc.) will be needed in support of the 3 new positions.

The additional Superior Court judge will need a new courtroom if he is to be used most effectively. Since the Fairbanks court building is being remodeled at the present time, an additional Superior Court courtroom can be included at a minimum of expense. The major expense items will be the construction of a judge's bench, witness box, in-court clerk area and jury box, plus electrical and ventilation changes and carpeting, all of which would cost approximately \$52,000. In addition to these structural changes or additions, the courtroom must be equipped with spectator seating, jury seating, counsel tables and chairs, and recording equipment. This equipment expense will total \$29,000. The remodeling and equipment expense items are one-time costs and do not increase the ongoing operational cost of the facility.

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Second Session - Ninth Legislature

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200 TRAVEL						
300 CONTRACTUAL		2.0	2.0	2.0	2.0	2.0
400 COMMODITIES		1.0	1.0	1.0	1.0	1.0
500 EQUIPMENT		37.0				
600 LAND & STRUCTURES		52.0				
700 GRANTS, CLAIMS, ETC.						
TOTAL		187.9	98.9	98.9	98.9	98.9

B. FUNDING: (Thousands of dollars)

GENERAL FUND		187.9	98.9	98.9	98.9	98.9
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	3 /	3 /	3 /	3 /	3 /
MAN MONTHS (P./T.)	/	/	/	/	/	/

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PREPARED BY: *John B. ...*

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

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HCS for S.B. 670

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