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Note: relates to SB 14

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF ADMINISTRATION  
OFFICE OF THE COMMISSIONER

POUCH C  
JUNEAU, ALASKA 99811  
465-2200

April 3, 1981

Honorable Mike Miller  
Chairman  
House State Affairs Committee  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Representative Miller:

There were some questions asked by committee members regarding HB 379 "An Act providing for retirement credit in the public employees' retirement system for unused sick leave. . . ."

One question was how other governmental organizations or private firms handle sick leave. The following table is an excerpt from the latest annual survey by the State Division of Personnel.

SICK LEAVE PLANS  
STATE OF ALASKA COMPARED TO OTHER ORGANIZATIONS

<u>ORGANIZATION</u>	<u>HAVE PLAN</u>	<u>LEAVE IS ACCUMULATIVE</u>	<u>ALLOWS TIME OFF FOR FAMILY CARE</u>	<u>LEAVE BALANCE IS PAID ON SEPARATION:</u>
Mun. of Anchorage	Yes	Yes	No	Full
Anch. School Dist.	Yes	Yes	Yes	No
Federal Government	Yes	Yes	In some cases	Credit to retirement
Anch. Private Firms	33	21	18	Full 4 Partial 5 Credit retirement 1 Not paid 19
State of California	Yes	Yes	Yes	No
State of Oregon	Yes	Yes	Yes	50% credit to retirement
State of Wash.	Yes	Yes	Yes	25% upon retirement or death
State of Alaska	Yes	Yes	Yes	Unused sick leave balance is paid in cash to beneficiary upon death of employee.

SOURCE: Division of Personnel, State of Alaska

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There were two Anchorage firms who reported they had no plan or policy regarding sick leave. The following is a list of firms which participated in the survey.

Alascom	Hewitt V. Lounsbury & Associates
Alaska Base Exchange	Hope Cottage
Alaska Gas and Service Company	Industrial Indemnity Company
Alaska Hospital & Medical Center	J. C. Penney Company
Alaska National Bank of the North	Marathon Oil Company
Alaska Railroad	Matanuska Maid, Inc.
Alaska Title & Guaranty Company	Nordstrom's
Alyeska Pipeline Service Company	Providence Hospital
Anchorage Cold Storage	RCA-Operations & Maintenance Services
Anchorage Westward Hilton Hotel	Reeve Aleutian Airways, Inc.
AMFAC Supply of Alaska	Rural Alaska Community Action Program
Bomhoff and Associates	Sea-Land Service Company
Captain Cook Hotel	Sears, Roebuck and Company
Chugach Electric Association	Security National Bank
Cook Inlet Native Association	Spenard Builder's Supply
Duty Free Shoppers, Ltd.	Wien Air Alaska, Inc.
First National Bank of Anchorage	X-Cel Services, Inc.
Flying Tigers	Xerox Corporation

Out of the forty firms and governmental organizations which participated in the survey only four indicated they had some provision for crediting retirement with unused sick leave. Twenty-one indicated they provided no cash settlement or retirement credit for sick leave when an employee terminates employment or retires. Sick leave historically has been handled much like employee health insurance. It's there when you need it, to the maximum allowed, however, when you terminate employment, you lose your access to the employee health program and coverage. It should be noted that HB 379 does not cover all State employees. In effect, some employees will receive a substantive benefit and others will not.

The Legislature has given the administration the responsibility to bargain with the various unions and associations that represent State employees. There are certain areas that are specifically called out in the Public Employment Relations Act (Sec. 23.40) for which public employers are required to bargain including ". . . wages, hours, and other terms of conditions of employment." The policies related to sick leave are clearly conditions of employment and as such are areas available for negotiation. The effect of HB 379 is to legislate that which at present belongs in the collective bargaining arena. The question then

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becomes, why give the State the responsibility to negotiate with employee organizations on a variety of issues, and then selectively withdraw that responsibility. In effect, this procedure complicates the collective bargaining process by granting employees that which they do not gain at the negotiating table.

The following represent an estimate of the costs associated with funding sick leave.

1. FY 82 cost of providing a cash-out at termination for retirement.

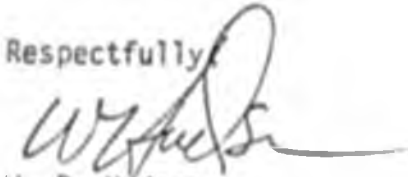
	<u>25 PERCENT OF TOTAL</u>	<u>50 PERCENT OF TOTAL</u>	<u>100 PERCENT TOTAL</u>
	(IN THOUSANDS OF DOLLARS)		
State PERS	305.0	610.0	1,220.0
Political Subdivisions	<u>258.0</u>	<u>515.0</u>	<u>1,030.0</u>
TOTAL PERS SYSTEM	563.0	1,125.0	2,250.0

2. FY 82 cost of converting sick leave to retirement credit.

(IN THOUSANDS OF DOLLARS)

State PERS	<u>1</u> 296.0
Political Subdivisions	<u>684.0</u>
TOTAL PERS SYSTEM	1,480.0

Respectfully,

  
W. R. Hudson  
Commissioner

WRH/mjc

cc: Sandra Withers, Director  
Division of Labor Relations

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill No. 143  
 Title Ar. Act allowing retirement credit for unused sick leave (Political subdivisions only)  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and Benefits  
 Program Category Affected Labor Services  
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-01 (PERS)  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)  
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		28.3	30.0	31.8	33.8	35.8
200 TRAVEL						
300 CONTRACTUAL		22.7				
400 COMMODITIES		0.2	0.2	0.2	0.2	0.2
500 EQUIPMENT		1.8				
600 LAND & STRUCTURES						
700 STATE TRS MATCHING						
100 BENEFITS						
<b>TOTAL</b>	<b>-0-</b>	<b>53.0</b>	<b>30.2</b>	<b>32.0</b>	<b>34.0</b>	<b>36.0</b>

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS		53.0	30.2	32.0	34.0	36.0
TRS						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

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

- Assumes current retirees and all State employment will not be affected by this bill.
- Estimate that the average political subdivision employee will receive an additional 4.7 days (unused medical leave) of service credit for each year of employment under PERS.
- Estimate FY 82 political subdivision covered payroll to be \$254,656,000; increasing 10% annually.
- Increase in political subdivision contribution rate would be .2685% of covered payroll.
- Estimate Personal Services to increase at 6% per year.
- Estimate costs for data processing system modifications (one time only) to be \$20.0.
- The costs to political subdivisions is estimated to be as follows:

FY 82	FY 83	FY 84	FY 85	FY 86
\$663.8	\$752.2	\$827.4	\$910.3	\$1,001.1

IV. DATE 3/10/81 PREPARED BY Paul B. Arnoldt, Director  
 AGENCY Division of Retirement & Benefits  
 PHONE 465-4460

Original: Legislative Finance  
 Budget and Management  
 cc. Prime Sponsor (First Legislator Named) Senator Parr  
 \_\_\_\_\_ of the Governor (Vice President)

POSITION TITLE Retirement & Benefits Technician			RANGE/STEP 12/B	BARG. UNIT. G	LOCATION Juneau	GOV	APPROV	DISAP
TYPE OF POSITION PFT	STAFF MONTHS. 12	RP No.	PCN No.	PRIORITY	FORM 12 , PAGE/LINE	LEG		

TYPE OF EXPENDITURE		AMOUNT -
1	2	3
PERSONAL SERVICES:		
SALARY \$1,814/month	\$21,768	
BENEFITS 15.79%	3,437	
SBS 6.13%	1,334	
HEALTH INS. \$150/month	1,800	
TOTAL PERSONAL SERVICES	01	\$28,339
TRAVEL	02	
CONTRACTUAL	03	2,700
COMMODITIES	04	200
EQUIPMENT	05	1,800
OTHER		
TOTAL COST		\$33,039

JUSTIFICATION:

This employee will be responsible for verifying and recording the additional credited service granted for unused sick leave, for calculating the additional benefit, and for handling correspondence.

It is estimated that approximately 30% or 4,400 members of the current PERS political subdivision membership will ultimately retire and will require crediting of unused sick leave under this bill.

CODE	FUNDING SOURCE	
	FED RCPTS. 1002	
	GF MATCH. 1003	
	GEN. FUND 1004	
	I-A RCPTS. 1105	
	PGM RCPTS 1020	
	OTHER PERS	\$33,039

21 CONTINUATION

22 ADDITION

FOR B&M USE ONLY

AA KEY NUMBER

COLUMN NO.

Senate Bill No. 143

AGENCY Administration PROGRAM Labor Services

ORU Retirement & Benefits

COMPONENT PERS

13 REQUEST FOR NEW POSITION

FY 82

REVISED



**Alaska Court System**

**State of Alaska**

**FRANK RAYE**  
Personnel Director

**OFFICE OF ADMINISTRATIVE DIRECTOR**

**303 K Street**  
**Anchorage, Alaska 99501**

**October 12, 1981**

**The Honorable Victor Fischer, Chair**  
**Senate Affairs Committee**  
**Pouch V**  
**Juneau, AK 99811**

**Dear Senator Fischer:**

In response to your memorandum of September 29, 1981, I have read the 16 bills concerning retirement now being considered by your committee.

The main reason I am commenting on these proposals is to urge re-writing of Chapter 35 of Title 39 to eliminate present discriminatory provisions. I also wish to speak against discriminatory provisions contained in SB 557, 143, 402 and 394 as well as supporting SB 196.

**SB 557:**

First I would like to point out that SB 557 is an effort to make some housekeeping corrections to ease administrative oversights. In that effort, the bill has some merit. The problem is that all of Chapter 35 of Title 39 needs to be re-written to comply with the state constitution and with Title 18 protections against discrimination on the basis of sex, marital status, and parenthood.

SB 557 proposes on page 15 to re-write AS 39.35.535 to give medical benefits only to retired employees, their spouses or children. Single retired persons are thereby precluded from naming a beneficiary of their own. Yet single employees pay into the retirement system at the same rate as married employees.

At this time, AS 39.35 provides married state employees and their spouses an opportunity to choose a type of financial security called a joint survivor option. However, single employees and their beneficiaries do not have this choice. Under AS 39.35.420 and 440, married employees may choose the joint survivor option once they have been employed for five years and have thereby "vested". However, single employees with five years of service are denied that choice.

Specifically, a single employee is not permitted to have his or her beneficiary receive that employee's retirement money through a joint survivor option. Only married employees have that choice under AS 39.35.420 and 440. However, AS 39.35.450 allows "a dependent approved by the administrator" to also be a beneficiary. Such restrictions are based on a false assumption that only spouses and dependent children can develop an economically dependent relationship. Yet both single and married employees pay into the retirement system at the same rate and do not have the same benefits. It is my position that denying single employees an option granted only to married employees is a form of discrimination violating AS 18.80.220 which states in part:

"It is unlawful for an employer to refuse employment to a person or to . . . discriminate against him in compensation or in a term, condition, or privilege of employment because of his . . . sex, marital status . . . or parenthood;"

Since retirement is a compensation, term, condition and privilege of employment, the retirement statutes as now constituted are, in my opinion, illegal.

Furthermore, the Division of Retirement and Benefits' procedures used to determine the amount of money given to employees' spouses under the joint survivor option, are based on outdated, separate male and female mortality tables which have been held illegally discriminatory in many recent court cases. See, for example, City of Los Angeles v. Manhart, 435 US 702 (1978). This discrimination on the basis of sex, in my opinion, is also a violation of Title 18 as quoted above.

Also under SB 557, a new section, AS 39.30.095, is proposed which gives the commissioner of administration complete power and authority over a newly established fund for health and life insurance benefits. Why is it necessary to establish this fund and why is there no check on the commissioner's control over this fund? Why is there no provision for input from affected persons?

SB 143:

SB 143 proposes to grant some state employees credit for unused sick leave upon retirement. On the face of it, there appears

The Honorable Victor Fischer  
October 12, 1981  
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to be nothing wrong with this amendment to AS 39.35.315. The problem is that all state employees would not benefit from this proposed change. Several years ago AS 39.20.310 established a separate group of state employees who no longer have leave. Under Chapter 20, sick and annual leave were done away with and combined into personal leave with a "sick leave bank" established for emergency illnesses. SB 143 fails to speak to those employees, their personal leave and their sick leave bank. Therefore, passage of SB 143 in its present form would discriminate against about 3,000 of the 9,000 state employees who no longer have sick leave. In other words, this bill affects only about two thirds of permanent state employees and leaves the other one third without comparable benefits.

In order to avoid this discrimination, SB 143 should either not be passed out of committee or should be re-written to include employees who have personal leave and a sick leave bank.

SB 402:

Presently state employees who are veterans may buy back up to five years of their military service as credited time for state retirement. However, under present law this buy back cannot take place until the employee is vested or has worked for the state at least five years. SB 402 proposes to eliminate the requirement that an employee must work five years for the state (or be vested) before buying back the military time.

I oppose this bill because it would allow new employees who are veterans to vest their retirement immediately after being employed in state service. All other employees cannot vest until they have had five years of state service.

Furthermore, the formula which establishes the cost of buying back five years of military time amounts to about one third of the employee's annual salary at the time of his or her eligibility to buy back. That means that those veterans who have already bought back their time under this law, after having worked five years for the state, have paid more than a new employee would pay under this proposed law. The reason for this discrepancy is that a five year employee will earn more than a new employee because of annual step pay increases, and the greater probability of promotion.

SB 394

SB 394 proposes to give retirement credit to teachers only who have served in the peace corps. The philosophical base to this proposal is arguable when compared to preference for veterans

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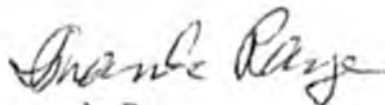
who have risked their lives for their country. What is not arguable is the gross inequity of the proposition to give retirement credit to one group of state employees (here teachers) and not to other state employees. This clearly discriminatory bill should not be passed out of committee.

SB 196:

I support SB 196 to mandate that at least one member of the retirement board be a retired person. It is a logical and equitable proposal since the greatest impact of decisions made by the board will be with regard to retired persons.

If you have any questions on the points raised in this letter, I'll be glad to answer them. Thank you for taking the time to consider these issues.

Sincerely,



Frank Raye  
Personnel Director

FR/jb

# Alaska Federation of Teachers

AFL-CIO

Eugene G. Kubina  
President

P.O. Box 1665  
Valdez, Alaska 99686  
(907) 835-2863



April 7, 1981

Senator Vic Fischer, Chairman  
Senate State Affairs Committee  
Pouch V  
Juneau, Alaska 99811

Dear Senator Fischer:

I will be unable to testify on S.E. 143 concerning applying unused sick leave towards retirement for Public Employees. The Alaska Federation of Teachers, who represent several hundred classified school employees, strongly supports this bill. The bill would give the same benefit to non-certified employees as the teachers now have. We urge your positive action on S.E. 143.

Sincerely,

*Eugene G. Kubina*  
Eugene G. Kubina  
President