

S

B

6

2

Senate Bill No's 61 & 62

24 Feb 81

Dear Mr. Mulcahy,

I am writing this letter to confirm my feelings in behalf of the state employees and its citizens on Senate Bill No's 61 and 62.

I think it is only fair to the people of Alaska that this legislation is passed in favor of. It is a fair bill; it represents good work incentive, cooperation, and needed benefits for the state's retirement system. This bill would indeed pass on to the state and its people added benefits not seen now.

Sincerely,

David C. Waite

David C. Waite

cc Don Gilman

**DEPARTMENT OF ADMINISTRATION**

OFFICE OF THE COMMISSIONER

POUCH C

JUNEAU, ALASKA 99811

465-2200

March 12, 1981

Honorable Bob Mulcahy  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Dear Senator Mulcahy:

Re: SB 60, 61, 62, 63, 114

As requested by your office, the following information is provided pertaining to the bills listed above.

SENATE BILL 60: If this bill becomes law, the State's contributions to PERS and TRS will more than triple. Those systems are the most lucrative in the nation. The necessity of further enhancing retirement benefits that are already the highest in the nation by placing a monetary burden on the State for distribution of public funds to a disproportionately small group of its population is highly questionable. It is suggested that the large benefits that our retirees now enjoy or our existing employees can look forward to are in actuality a form of hedge against inflation.

SENATE BILL 61: If this bill passes, the cost to the State in FY 82 will be \$15.8 million, and it will cost our political subdivisions \$13.5 million. We project this cost to increase by at least 10 percent for each year thereafter. We question the need to increase benefits that are already the highest in the nation and the disproportionate distribution of public funds.

SENATE BILL 62: The minimal increase in retirement benefits that a small number of employees will receive as a result of credit for unused medical leave is outweighed by the cost to implement and maintain such a program. Only 30 percent of PERS employees will actually retire; and of that number, a small percentage will actually take advantage of such a provision. In most cases, their actual increase in benefits would be minuscule. Cost aside, as a matter of public policy we object to any proposal to credit unused sick leave for retirement purposes. Such a provision will not realistically serve as an inducement to not take sick leave. It would serve to "reward" those employees who are already quite properly not using sick leave unless it is actually necessary. We do not believe it will resolve any problem that may now exist with unwarranted absences.

March 12, 1981

SENATE BILL 63: The stated purpose of the Public Employees' Retirement System per AS 39.35.010 is ". . . to encourage qualified personnel to enter and remain in the service of the State or a political subdivision or public organization of the State. . . ." This bill would offer a means for employees to retire earlier than what is now allowed under the law, which certainly is contrary to the stated purpose of the system. Therefore, we are opposed.

SENATE BILL 114: This bill creates a level of management personnel within the merit system but outside collective bargaining. The result is to lessen the opportunity for conflicts of interest resulting from managers and subordinates belonging to the same bargaining unit. Another advantage is to remove the potential for strikes against the State by managers. The Department supports this bill.

I hope this provides the information you need. If you have further questions, please call me or Judy Crondahl at 465-2277.

Respectfully,



W. R. Hudson  
Commissioner

WRH/mjc

cc: Judy Crondahl, Director  
Division of Administrative  
Services

Paul B. Arnoldt, Director  
Division of Retirement and  
Benefits

Sandra Withers, Director  
Division of Labor Relations



Official Business

# Alaska State Legislature

## Senate

### Committee on Labor & Commerce

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### SUMMARY SB 62 by Ray

SEC 1: Terminated employee who is re-employed within 3 years of termination, would be allowed to reinstate banked medical leave.

SEC.2: (A). Employee, upon retirement, shall receive retirement service credit for all accrued medical leave, at the same rate of pay as his salary upon retirement. (B.) A vested employee (5 years of service), upon termination for reasons other than retirement, shall receive retirement service credit for all accrued medical leave.

SEC.3: An employee, upon retirement, may elect to receive retirement service credit for accrued medical leave.

Title 39  
Public Officers  
and Employees

Effect of amendments. — The 1978 amendment substituted "personal leave" for "annual leave" in the first and second sentences of subsection (a).

The 1979 amendment, in subsection (a), deleted "as a lump sum" following "shall be allowed" in the first sentence, deleted "lump-sum" preceding "payment" in the second sentence, and added the third

sentence: in subsection (b), the amendment inserted "balance of the" preceding "unused leave payment" and substituted "equal to the leave payment" for "equal to the compensation" in the first sentence and added "which has been paid to him" to the end of the first sentence, and in subsection (c), deleted "lump-sum" preceding "payment."

**Sec. 39.20.255. Conversion of accrued annual leave to personal leave.** An officer or employee who has accrued annual leave shall have that annual leave transferred to his personal leave account. (§ 8 ch 136 SLA 1978)

*amended*

**Sec. 39.20.256. Transfer of accrued medical leave.** (a) An officer or employee who has accrued medical leave shall have 40 per cent of that medical leave transferred to his personal leave account and 60 per cent of that medical leave transferred to a medical leave bank. Banked medical leave may be taken only in accordance with this section.

(b) An officer or employee may not take any of his banked medical leave unless

- (1) he has no accrued personal leave; and
- (2) he has a medical disability exceeding 10 consecutive working days in duration; or
- (3) he has a medical disability exceeding 30 consecutive working days in duration.

(c) Once the requirements of (b) and (d) of this section have been met, an officer or employee may take banked medical leave until the medical disability is terminated or his banked medical leave is exhausted. If an officer or employee qualifies for banked medical leave under (b)(3) of this section, his banked medical leave may be taken for all working days of the medical disability following the 10th working day of the disability.

(d) When leave is taken under (b)(1) and (2) of this section, a department or agency head may require a doctor's certificate showing the disability. When leave is taken under (b)(3) of this section, the officer or employee must submit a doctor's certificate showing the disability.

(e) The taking of leave under this section shall be reduced by the amount of wage continuation payments made under the Alaska Workers' Compensation Act (AS 23.30).

(f) Upon an officer's or employee's separation from state service, his banked medical leave shall be cancelled without pay. (§ 8 ch 136 SLA 1978; am §§ 1 — 3 ch 52 SLA 1979; am § 60 ch 94 SLA 1980)

*add section*

Effect of amendments. — The 1979 amendment, retroactive to July 9, 1978, in subsection (b), added "or" to the end of paragraph (2) and added paragraph (3); in

subsection (c), inserted "and (d)" in the first sentence and added the second sentence; and in subsection (d), substituted "under (b)(1) and (2)" for

the first senten  
amendment  
Compensation  
Compensation

§ 39.20.260. Medi  
by § 15 ch 1

reference. — F  
the subject  
AS 3  
The repe  
11-5-6 g. ACL

**Sec. 39.20.270. Cour**  
An officer or employee who is class  
temporary. An officer or  
performed as a witness  
and compensation receive  
greater, for service as  
which he is entitled as  
am § 1 ch 182 SLA

**Sec. 39.20.280. Mater**  
Repealed by § 2 ch 67

Cross reference. — Fol  
provisions covering the subject  
repealed section.  
§ 225 b94

**Sec. 39.20.290. Defini**  
provided for in AS 39.20.  
officer or employee would  
exclusive of holidays. (§ 1  
am § 1 ch 145 SLA 1960)

**Sec. 39.20.295. Specia**  
the procedures estab  
Administration shall pro  
uniform beginning and a  
periods applicable to lea  
employees of state govern

**Sec. 39.20.300. Person**  
with officer or employe  
employment with one depa  
state government and is  
institution, or agency of the

Section 39.35.360. — This section was amended by AS 39.35.156.

39.35.350. Reinstatement of credited service. (a) An employee who receives a refund of contributions in accordance with AS 39.35.350 receives corresponding service under this chapter.

(b) An employee may reinstate credited service associated with a refund by paying the total amount of the refund. Interest will accrue on the refund until repayment of the refund or retirement, whichever occurs first. Payments will apply first to accrued interest and then to principal.

(c) If, on the date of retirement, an employee has not paid in full the amount of his reinstatement indebtedness, he may irrevocably elect under option one — to receive a refund of the principal paid on the amount of his reinstatement indebtedness and forfeit the corresponding credited service; or option two — to cancel the outstanding indebtedness due to the state and accept an actuarial reduction to the retirement benefit for life.

(d) AS 39.35.350 SLA 1960; am § 3 ch 235 SLA 1968; am § 2 ch 81 SLA 1977; am § 30 ch 128 SLA 1977.

Section 39.35.360. — The 1977 Legislature amended this section.

39.35.360. Earlier service. (a) An employee employed before July 1, 1980, who completes three years of credited service with the state after January 1, 1961, for which the employee makes contributions required by this chapter is entitled to credited service for service rendered (1) before January 1, 1961, as an employee of the state or territory of Alaska; (2) before January 1, 1961, as an employee of the United States government in Alaska, excluding service in the armed forces of the United States; or (3) after January 1, 1961, as a peace officer or correctional officer of a participating political subdivision of the state if the employee is vested and is an active peace officer in the system as of July 1, 1980. The retirement benefits payable to an employee under this section shall be reduced by the amount of the retirement pension benefits paid to him by the United States government for the same period of service.

(b) An employee who is entitled to credited service for employment after January 1, 1961, is not required to make retroactive contributions under this chapter.

[Effective until January 1, 1981] An elected state official who is required to participate in the system under AS 39.35.125 is entitled to receive credit for service rendered to the state or territory before 1961.

(c) An employee who pays contributions with respect to all his service rendered to the state after January 1, 1961, and

Title 43  
Finance and Taxation

Title 40  
Public Records  
and Records

Title 41  
Public Resources

Title 42  
Public Utilities  
and Carriers

(2) his service rendered to the state after January 1, 1961, totaling three years or more.

Repealed by § 41 ch 146 SLA 1980, effective January 1, 1981.

(d) Repealed by § 2 ch 26 SLA 1974.

(e) An employee of a detention facility provided by a local government unit to the territorial or state government under AS 33.30.060, who continues in state employment upon transfer of the facility to the state, is entitled to credited service for his prior service with the facility if the employee remains in continuous employment with the state until July 1, 1976. To obtain credited service the employee is required to make retroactive contributions for the period of service between January 1, 1961 and the effective date of the transfer of the facility to the state.

(f) A surviving spouse receiving or entitled to receive a surviving spouse's pension under AS 39.35.440 or benefits under a joint and survivor option filed under AS 39.35.450 is eligible for increased benefits for any service credit authorized under (a) of this section, but not claimed or authorized by law before the employee's death.

(g) An employee is eligible to receive up to 10 years of credited service for service rendered before July 1, 1979, as a temporary employee of the legislature of the state or territory during legislative sessions. To receive retroactive credited service under this subsection, an employee must claim the service before July 1, 1980. When the employee claims the service, an indebtedness of the employee to the system shall be established. The amount of this indebtedness is equal to the contributions the employee would have made if he had been eligible for membership in the system. The rate used to calculate these contributions may not be less than the rate in effect on January 1, 1961. Interest as prescribed by regulation accrues on this indebtedness beginning July 1, 1980. Any outstanding indebtedness which exists at the time the employee retires will require an actuarial adjustment to the benefits which are based upon retroactive credited service under this subsection.

(h) An employee of the state is eligible to receive credited service as provided under AS 39.35.300(b) for service rendered as a permanent part-time employee before January 1, 1976. To receive retroactive credited service under this subsection, the employee must claim the service before July 1, 1981. When the employee claims retroactive credited service, an indebtedness of the employee to the system shall be established. The amount of this indebtedness is equal to the contributions the employee would have made if he had been eligible for membership in the system. The rate used to calculate the contributions may not be less than the rate in effect on January 1, 1961. Interest as prescribed by regulation accrues on the indebtedness beginning July 1, 1981. Any outstanding indebtedness which exists at the time the employee retires will require an actuarial adjustment to the benefits

Title 39  
Public Officers  
and Employees

3370 P  
are based on 1  
143 SLA 190  
§ 4 ch 235  
1974; am §§  
§§ 1, 7 ch  
SLA 1979; am

Sub-  
currently has  
1980, since it  
employed before  
of this sec  
after July  
service under t  
been claimed by  
effect of amendments  
among other  
language beginning  
operators" to th  
and added subsec  
1977 amendment,  
substituted "credit  
before Januar  
credit for prior ser  
for "this system fo  
service credit" in sub-

- Section
- 39.35.360 Retirement benefits
  - 39.35.361 [Repealed]
  - 39.35.362 Conditional service benefits
  - 39.35.363 [Repealed]
  - 39.35.364 Voluntary contribution
  - 39.35.365 Nonoccupational disability
  - 39.35.366 Occupational disability
  - 39.35.367 Nonoccupational death benefits
  - 39.35.368 Occupational death benefits
  - 39.35.369 Death after occupational service
  - 39.35.370 Joint and survivor options
  - 39.35.371 Spouse survivor benefits
  - 39.35.372 Public Employees Retirement System, 1949
  - 39.35.373 Level income option
  - 39.35.374 Other forms of payment
  - 39.35.375 Post-retirement pension

Sec. 39.35.370. Reti-  
gible for a normal ret  
years credited service, c  
a peace officer or fire  
service for all other em  
b) A terminated emp  
age 50 with at least

39.35.360

1961. total

1, 1981.

PUBLIC OFFICERS AND EMPLOYEES § 39.35.370

are based on retroactive credited service under this subsection. SLA 1960; am § 4 ch 80 SLA 1964; am §§ 5, 6 ch 155 SLA 1968; am § 1 ch 55 SLA 1973; am §§ 1, 2 ch 1974, am §§ 1, 2 ch 245 SLA 1976; am §§ 31 — 33 ch 128 SLA 1978; am § 3 ch 81 SLA 1979; am § 10 SLA 1979; am §§ 31, 32, 41 ch 146 SLA 1980)

— add Sec. 39.35.365 - medical leave credit  
— add Sec. 39.35.367 - personal leave credit

Editor's note. — Subsection (a) of this section has no effect after January 1, 1980, since it applies only to employees employed before that date. Subsection (b) of this section apparently was amended after July 1, 1980, since it refers to service under this subsection which has been claimed by that date. The 1976 amendment, among other things, added language beginning "and heavy equipment operators" to the end of that section and added subsection (e). The 1977 amendment, among other things, substituted "credited service" for "credited service" and "this system" for "this system for the period of credited service" in subsection (b) and

substituted "credited service" for "service credit" in the first and second sentences of subsection (e). The 1978 amendment, among other things, added subsection (f). The second 1979 amendment added subsection (g). Sections 31 and 32, ch. 146, SLA 1980, rewrote subsection (a) and added subsection (h). Section 41 of ch. 146, effective January 1, 1981, repealed subsection (c). Editor's note. — Section 15, ch. 32, SLA 1979 provides that AS 39.35.360(g) applies to a temporary employee of the Eleventh Legislature, First Session, even though he may not be an employee under the public employee's retirement system on July 1, 1979.

Article 6. Benefits.

Section	Section
480. Retirement benefits	480. Cost-of-living allowance
485. [Repealed]	485. Minimum benefit
490. Conditional service retirement benefits	490. Designation of beneficiary
495. [Repealed]	495. Time limit for application
500. Voluntary contribution benefit	500. Safeguard of employee funds held by the system
510. Nonoccupational disability pensions	510. Voluntary waiver of benefits
520. Occupational disability pensions	520. Adjustments
525. Nonoccupational death benefits	522. Waiver of adjustments
530. Occupational death benefit	525. Limitation on use of credited service as peace officer or fireman
535. Death after occupational disability	530. Limit on pension
540. Joint and survivor option	535. Medical benefits
545. Spouse survivor benefits under Public Employees Retirement Act of 1949	540. Minimum benefit
550. Level income option	545. [Repealed]
555. Other forms of payment	546. Tax exemption
560. Post-retirement pension adjustment	547. Effect of amendments

Sec. 39.35.370. Retirement benefits. (a) A terminated employee is eligible for a normal retirement benefit (1) at age 55 with at least five years credited service, or (2) with at least 20 years of credited service as a peace officer or fireman, or (3) with at least 30 years of credited service for all other employees. A terminated employee is eligible for an early retirement benefit at age 50 with at least five years credited service.

Title 43  
Personnel

Title 40  
Public Records and Records

Title 41  
Public Resources

Title 42  
Public Utilities and Carriers

SYNOPSIS OF SENATE BILL NO. 62

SECTION 1

A terminated employee who is re-employed within three years of termination, would be allowed to reinstate his/her banked medical leave.

SECTION 2

Section (a) An employee, upon retirement, shall receive retirement service credit for all accrued medical leave, at the same rate of pay as his salary upon retirement.

Section (b) A vested employee (5 years of service), upon termination for reasons other than retirement, shall receive retirement service credit for all accrued medical leave.

SECTION 3

An employee, upon retirement, may elect to receive retirement service credit for accrued medical leave.

BACKGROUND MATERIAL

SECTION 1 applies only to those employees not represented by a collective bargaining agreement. A personal leave system covers these employees. At the time of conversion from the annual leave system to the personal leave system 60 percent of the employee's accrued medical leave was banked for his/her use in the event of a serious illness. Banked medical leave can only be used if the employee does not have accrued personal leave and he/she has a medical disability exceeding 10

consecutive working days or a medical disability exceeding 30 consecutive working days.

SECTION 2 is a non-negotiable item as the AG's office maintains that retirement is a non-negotiable item and may only be addressed by the legislature.

APEA's interest in this bill is a two-fold one that would prove beneficial to the state, as well as the employee:

1. Many employees retire with hundreds of hours of accrued medical leave left on the books to their credit. It is manifest then that the employee has been conscientious in the usage of medical leave. When this type of employee retires, he/she has garnered a working record of high productivity. It follows that productivity would increase and absenteeism would decrease if all employees received retirement service credit for accrued medical leave. Additionally, it would certainly serve as a retirement incentive goal to accrue as many medical leave hours as possible.
2. Under the present system, there exists a real temptation for some employees close to retirement, to abuse the use of medical leave. Passage of this bill would eliminate all possibility of this eventuality.