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# Alaska State Legislature

## Senate

### Committee on Labor & Commerce

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### SUMMARY SB 63 by Ray

SEC 1: Terminated employee, with at least 20 years special credited service, is eligible for a normal retirement benefit.

SEC 2: An employee may contribute a percentage of compensation to his employee contribution account towards a 20 year special credited service retirement plan. The administrator will determine the percentage to be contributed by the employee. The employee may terminate his participation at any time and the amount contributed will be treated as a voluntary contribution.

FISCAL IMPACT: \$50,000 for the modification of a new data processing system; One full-time employee (retirement benefit technician) \$28,339 annual pay with benefits; One 6 month(temporary) (retirement benefit technician) at \$11,436.

DEFINITIONS FOR PERS:

CREDITED SERVICE: The number of years (including fractional) recognized for computing retirement benefits.

DEFERRED VESTED SERVICE: An inactive member who meets the 5 year credited service requirement to qualify for retirement benefits.

EARLY RETIREMENT: A member at least 50, with a minimum of 5 years credited service.

EMPLOYEE CONTRIBUTION ACCOUNT: An account maintained to record mandatory contributions of each employee, including interest and adjustments to the Account.

EMPLOYEE SAVINGS ACCOUNT: An account maintained to record voluntary contributions of each employee including interest and adjustment.

INACTIVE MEMBER: Employee who is terminated and has not received a refund contribution from the system, or layed off, or on leave without pay and has not received a refund.

NON VESTED MEMBER: An active or inactive member who does not meet the 5 year credited service requirement to qualify for retirement benefits.

NORMAL RETIREMENT: Retirement for a member at least 55 years old with a minimum fo 5 years credited service or a peace officer or fireman any age with 20 or more years credited service.

PRESCRIBED RATE OF INTEREST: Rate of interest used for computing employee contributions; preparing actuarial tables used by the system, and for crediting interest to employee contributions and savings accts., and for charging interest on employee indebtedness accounts.

RETIRED MEMBER: An employee who is terminated who has not received a refund from the system and is receiveing a benefit other than disability from the system.

VESTED MEMBER: ACTIVE MEMBER WHO MEETS THE 5 YEAR CREDITED SERVICE REQUIREMENTS TO QUALIFY FOR RETIREMENT BENEFITS.

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 63

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act creating a 20-year retirement option for  
7 public employees."

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

9 \* Section 1. AS 39.35.370(a) is repealed and reenacted to read:

10 (a) A terminated employee is eligible for a normal retirement  
11 benefit (1) at age 55 with at least five years credited service, or (2)  
12 with at least 20 years of credited service as a peace officer or fire-  
13 man, or (3) with at least 20 years of special credited service, as  
14 provided in AS 39.35.355(c), or (4) with at least 30 years of credited  
15 service for all other employees.

16 \* Sec. 2. AS 39.35 is amended by adding a new section to read:

17 *new section* Sec. 39.35.355. SPECIAL CREDITED SERVICE. (a) In addition to  
18 other contributions under this chapter, an employee may contribute to  
19 his employee contribution account a percentage of his compensation as  
20 determined by the administrator in accordance with (b) of this section.

21 (b) The administrator shall determine the percentage of compensa-  
22 tion required from all participating employees to finance special  
23 credited service retirement. The administrator may not increase the  
24 required percentage of compensation without substantial actuarial  
25 justification.

26 (c) Credited service for which additional contributions are made  
27 under this section is special credited service. At the option of the  
28 employee, credited service as a peace officer or fireman shall be  
29 considered to be special credited service under this section.

1 (d) An employee may terminate his participation in special  
2 credited service at any time. Upon his termination, the amounts con-  
3 tributed for special credited service shall be treated as voluntary  
4 contributions made under AS 39.35.180.  
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**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

WPH/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

## Synopsis Senate Bill No. 63

### Section 1

(3) A terminated employee is eligible for a normal retirement benefit with at least 20 years of special credited service.

### Section 2

An employee may contribute to his/her employee contribution account a percentage of his/her compensation towards a 20-year special credited service retirement plan. The administrator will determine the compensation percentage to be contributed by the employee. The employee may terminate his participation in special credit service at any time and the amount contributed will be treated as a voluntary contribution.

### Background Material

This provides the 30-year employee with an option of 20-year retirement, under a special credited service plan, whereby he/she, in addition to regular retirement contributions, may contribute to the special account, an amount determined by the administrator.

based on retroactive credited service under this subsection.  
 SLA 1960: am § 4 ch 50 SLA 1964: am §§ 5, 6 ch 155 SLA  
 1965: am § 1 ch 55 SLA 1973: am §§ 1, 2 ch  
 1974: am §§ 1, 2 ch 245 SLA 1976: am §§ 31 — 33 ch 125 SLA  
 1977: am § 1, 7 ch 174 SLA 1978: am § 3 ch 51 SLA 1979: am § 10  
 SLA 1979: am §§ 31, 32, 41 ch 146 SLA 1980)

Subsection (a) of this section has no effect after July 1, 1980, since it applies only to service under this subsection claimed by that date.  
 The 1976 amendments. — The 1976 amendments, among other things, added "and heavy machinery operators" to the end of that subsection.  
 The 1977 amendment, among other things, substituted "credited service for service before January 1, 1961" for "credited service for prior service" and "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. 52, SLA 1979 provides that AS 39.35.360 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
Retirement benefits	489. Cost-of-living allowance
Repealed	485. Minimum benefit
Occupational service retirement benefits	490. Designation of beneficiary
Repealed	495. Time limit for application
Voluntary contribution benefit	500. Safeguard of employee funds held by the system
Nonoccupational disability pensions	510. Voluntary waiver of benefits
Occupational disability pensions	520. Adjustments
Nonoccupational death benefits	522. Waiver of adjustments
Occupational death benefit	522. Limitation on use of credited service as peace officer or fireman
Death after occupational disability	530. Limit on pension
Survivor and survivor option	535. Medical benefits
Public survivor benefits under Public Employees Retirement Act of 1979	540. Minimum benefit
Level income option	545. [Repealed]
Other forms of payment	546. Tax exemption
Post-retirement pension adjustment	547. Effect of amendments,

§ 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 20 years of credited service for all other employees.  
 (b) A terminated employee is eligible for an early retirement benefit at age 50 with at least five years credited service.

Title 40  
Public Records  
and Recorders

Title 41  
Public Resources

Title 42  
Public Utilities  
and Carriers

ch following this in which has been established" for retroactively to July 1, 1977" at of the subsection and added subsection b.

note. — Section 51, ch. 146 provides: "An employee who is a member of the public employees' system on July 1, 1980, is to receive increased benefits based on service granted under AS 39.35.350 as amended by ch. 13, SLA

note. — This section was enacted as AS 39.35.156

Sec. 39.35.350. Reinstatement of credited service. (a) An employee who receives a refund of contributions in accordance with AS 39.35.200 forfeits corresponding service under this chapter.

(b) An employee may reinstate credited service associated with a refund by repaying the total amount of the refund. Interest will accrue from the date of 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 either (1) option one — to receive a refund of the principal paid on the reinstatement indebtedness and forfeit the corresponding credited service, or (2) option two — to cancel the outstanding indebtedness due by accepting an actuarial reduction to the retirement benefit for life. (AS ch 143 SLA 1960; am § 3 ch 235 SLA 1968; am § 2 ch 51 SLA 1975, am § 30 ch 128 SLA 1977)

Effect of amendment. — The 1977 amendment rewrote this section.

→ insert Sec. 39.35.355

dit. (a) A vested employee which he regularly rendered but was not qualified to exclusion of temporary (C)(iii). Benefits are not employee makes retroactive time that credited service the full actuarial cost of aimed.

ection, an employee must temporary service before e date when the employee ater. When eligibility for an indebtedness shall be Interest as prescribed by oning July 1, 1981, or one times vested, whichever is at the time an employee : to the benefits payable

1980, is eligible to claim obtain credited service e must elect to do so and efore July 1, 1981. When is been established, an ed in (a) of this section. is on that indebtedness btedness existing at the ll require an actuarial the temporary service. ection may not be used is for normal or early

Sec. 39.35.360. Earlier service. (a) An employee employed before January 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 and former 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 before January 1, 1961, is not required to make retroactive contributions under this chapter.

(c) [Effective until January 1, 1981] An elected state official who elects to participate in the system under AS 39.35.127 is entitled to receive credit for service rendered to the state or territory before 1961

(1) he pays contributions with respect to all his service rendered to the state after January 1, 1961, and

Public Records and Recorders

Public Resources

And Printing

§ 39.35.160

§ 39.35.170

PUBLIC OFFICERS AND EMPLOYEES

§ 39.35.200

January 1, 1980, by the Department of Administration among the active members of the Public Employees' Retirement System. The amendment was repealed.

Legislative history report. — For report on ch. 159, SLA 1972 (FCCS HRS CS52 264), see 1972 House Journal, p. 924.

or of courts. An system who withdraws § 22.25.012 is eligible for e credited service in the e director. To be eligible this subsection, the he system if he had been a member dicial retirement system:

administrative director e became a member of the A 1980)

Employees.

pealed] ealed] and upon death of retired ployee hdrawal of voluntary on- tributions

contributions. (a) While cer and eac reman shall ployee shall contribute four on to the public employees'

nd § 39 ch 146 SLA 1980. A 1968; am § 3 ch 35 SLA 159 SLA 1972; am § 2 ch 5- 146 SLA 1980)

al election conducted by the Pu ees Retirement Board to be active members of the retiree. During the conduct of n, the division shall rical and take a position on on." The amendment was repea- ed. ch 15, SLA 1979, purport- i subsection of this st- n 9 of ch. 55 provided that ment take effect on Janua- if approved by a majority of in a special election conducted

**Sec. 39.35.170. Employment contributions mandatory.** Contrib- utions of employees shall be made by payroll deductions. Every included employee shall be considered to consent to payroll deductions. It is of no consequence that a payroll deduction may cause the compensation paid in cash to an employee to be reduced below the minimum required by law. Payment of an employee's compensation, less payroll deductions, is a full and complete discharge and satisfaction of all claims and demands by the employee relating to remuneration of his services during the period covered by the payment, except with respect to the benefits provided under the system. (§ 8 b ch 143 SLA 1960; am § 3 ch 155 SLA 1966)

Negotiability of retirement system benefits. — Given AS 39.35.120(b) and the section, which make inclusion in the public employees retirement system AS 73.35 a condition of employment for state employees and contributions to it mandatory, the conclusion is that the legislature intended the statutory

provisions of the public employees retirement system to apply to all state employees, and benefits under the public employees retirement system may not be negotiated under the Public Employment Relations Act (AS 23.40.070—23.40.260). January 23, 1978, Op. Att'y Gen.

**Sec. 39.35.180. Voluntary contributions by employee.** In addition to the mandatory contributions required of an employee under AS 39.35.170, an employee may, during each calendar year he is participating in the system, voluntarily contribute to his employee savings account an amount not to exceed five per cent of his compensation for that year. (§ 8 c ch 143 SLA 1960)

**Sec. 39.35.190. Disposition of contributions.**

Repealed by § 55 ch 128 SLA 1977

Editor's note. — The repealed section was repealed by § 5 d, ch. 143, SLA 1980.

**Sec. 39.35.200. Refund upon termination of employment for reason other than death.** (a) An inactive employee, not on leave without-pay status or layoff status, is entitled to receive a refund of the balance of (1) his employee contribution account and (2) his employee savings account.

(b) If, upon termination of employment, an employee has credited less than five years and has less than \$1,000 in his employee contribution account, a refund of the employee contribution account and the employee savings account must be made. An employee who is

Public Records and Records

Public Resources

2-3 Offices

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I. REQUEST  
 Bill/Resolution No. Senate Bill No. 63  
 Title An Act creating a 20-year retirement option for Public Employees  
 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 (PERS)  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for component in the analysis section.)  
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		39.8	30.0	31.8	33.8
200 TRAVEL					
300 CONTRACTUAL		52.7			
400 COMMODITIES		0.4	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>94.7</b>	<b>30.2</b>	<b>32.0</b>	<b>34.0</b>

FUNDING (Thousands of Dollars)

GENERAL FUND					
FEDERAL FUNDS					
VETERAN'S FUND					
FISH & GAME FUND					
HIGHWAY FUND					
AIRPORT FUND					
CAPITAL FUND					
PERS		94.7	30.2	32.0	34.0
TRS					

POSITIONS

FULL TIME		1	1	1	1
PART TIME					
TEMPORARY		6 mo.			

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

1. Estimate that approximately 10,000 members could potentially qualify for benefits under this bill.
2. The cost to modify our new Data Processing System to provide for contributions indebtedness payments for the Special Credited Service is estimated to be approximately \$50,000.
3. The cost of the benefits provided under this bill would be paid by the members' contributions to the Special Credited Service Account.
4. One project employee (6 months) to initialize the program and one full-time employee to maintain the program will be required.
5. Personal Services for the full-time employee increase at 6% per annum.

*Paul B. Arnoldt* *gc*

IV. DATE 2/24/81 PREPARED BY Paul B. Arnoldt, Director  
 AGENCY Division of Retirement & Benefits  
 PHONE 465-4460

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named) Senator Ray  
 Office of the Governor (Keith Specking)

1	POSITION TITLE <b>Retirement &amp; Benefits Technician</b>				RANGE/STEP <b>12/B</b>	BARG. UNIT. <b>G</b>	LOCATION <b>Juneau</b>	GOV.	APPROV.	DIS.
2	TYPE OF POSITION <b>PFT</b>	STAFF MONTHS <b>12</b>	RP No.	PCN No.	PRIORITY		FORM 12 PAGE/LINE	LEG.		
3	TYPE OF EXPENDITURE			AMOUNT		<b>JUSTIFICATION:</b> This employee will be responsible for implementing the Special Credited Service program. This will involve ensuring that the data processing programs are established for record keeping, that past service indebtednesses are calculated, that future service contribution rates for individuals are established, and that members are informed and counseled regarding the Special Credited Service program.				
	1	2	3							
4	PERSONAL SERVICES:									
	SALARY	\$1,814/month	\$21,768							
5	BENEFITS	15.79%	3,437							
6	SBS	6.13%	1,334							
7	HEALTH INS.	\$150/month	1,800							
8	TOTAL PERSONAL SERVICES	01	\$28,339							
9	TRAVEL	02								
10	CONTRACTUAL LEASE SPACE COSTS		2,700							
11	COMMODITIES	04	200							
12	EQUIPMENT	05	1,800							
13	OTHER									
14	TOTAL COST		\$33,039							
	CODE	FUNDING SOURCE								
15		FED RCPTS. 1002								
16		GF MATCH. 1003								
17		GEN. FUND 1004								
18		I-A RCPTS. 1005								
19		PGM RCPTS 1008								
20		OTHER PERS		\$33,039						
21	CONTINUATION									
22	ADDITION									
<b>FOR B&amp;M USE ONLY</b>										
4A KEY NUMBER				COLUMN NO.						

AGENCY Administration PROGRAM Labor Services

BRU Retirement and Benefits

FY 82

2	Project	6	
3	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
4	PERSONAL SERVICES:		
	SALARY	\$1,761/month	\$10,566
5	BENEFITS	2.10%	222
6	SBS	6.13%	548
7	HEALTH INS.		
8	TOTAL PERSONAL SERVICES		01
9	TRAVEL		02
10	CONTRACTUAL		03
11	COMMODITIES		04
12	EQUIPMENT		05
13	OTHER		
14	TOTAL COST		\$11,636

JUSTIFICATION:

This employee will assist the full-time Retirement and Benefit Technician during the initial 6 months while this program is being implemented.

The employee will assist in answering questions regarding the Special Credited Services benefit, will calculate indebtednesses for past service eligible for credit under the Special Credited Services Account, and will establish the contribution rate for future service for individual members.

	CODE	FUNDING SOURCE	
15		FED RCPTS. 1002	
16		GF MATCH. 1003	
17		GEN FUND 1004	
18		I-A RCPTS. 1005	
19		PGM RCPTS 1006	
20		OTHER PERS	\$11,636

21 CONTINUATION  
 22 ADDITION

FOR B&M USE ONLY

4A KEY NUMBER \_\_\_\_\_ COLUMN NO. \_\_\_\_\_

AGENCY Administration PROGRAM Labor Services

BRU Retirement & Benefits

COMPONENT PERS

Page 3 of 3

REVISED DATE \_\_\_\_\_

SB 63

**13** REQUEST FOR NEW POSITION.

**FY 82**