

S B

356



JUNEAU, ALASKA

ALASKA STATE LEGISLATURE
BLUE RIBBON COMMISSION ON THE
STATE PERSONNEL ACT
Pouch AG/Mail Stop 0123
Juneau, Alaska 99811
(907) 465-4442

Senator Bill Ray
Chairman

MEMORANDUM

March 27, 1981

TO: Senator Bill Ray, Chairman

FROM: Teresa B. Cramer *TBC*
Administrative Assistant

SUBJECT: Marianne Sheridan -- Retirement Credit for Temporary Service

I talked with Marianne Sheridan concerning her retirement situation. She is a retired state employee with some years of temporary employment in addition to her permanent employment. She applied for credit for the periods of temporary employment and has been informed by the Division of Retirement and Benefits that it would cost her more to pay for credit for her temporary time than she would gain in increased benefits for that time. This happens because the law requires that in order to receive credit for temporary service, the employee must pay the full actuarial cost to the system for the benefits. Employees of the Division of Retirement & Benefits have advised me that their experience indicates that Ms. Sheridan's case is typical of what is happening to almost all retired state employees who have applied for credit for temporary employment.

The law provides in AS 39.35.345(a) that:

A vested employee is entitled to credited service for periods in which he regularly rendered full-time personal service to an employer but was not qualified to participate in the system because of the exclusion of temporary workers as described in AS 39.35.680(21)(C)(iii). Benefits are not payable on this credited service unless the employee makes retroactive contributions to the system for the period of time that credited service is claimed. The retroactive contribution is the full actuarial cost of providing benefits for the credited service claimed.

I spoke with Chuck Elrod from the Division of Retirement. He pointed out that this is one of only two programs which require that the employee pay the full actuarial cost of the benefit in order to be

Senator Bill Ray
March 27, 1981
Page Two

eligible for credit for the service. The other program is for teachers who want credit for years of employment in the Lower 48. For receiving credit for prior military service, for credit for temporary legislative service, for credit for employment as a permanent employee of the Territory or for the various peace officer or correctional officer service periods, employees are required to pay less than the full actuarial cost.

Ms. Sheridan is concerned about why the legislature amended the law to apparently provide benefits for temporary service when, in fact, it is no benefit at all to presently retired Alaskans.

TBC:lmk

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 356
 Title An Act relating to temporary service credit with the DEPS
 Requested by Senator Vic Fischer 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 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 | | 145.6 | 160.2 | 176.2 | 192.8 | 213.2 |
| TOTAL | | 198.6 | 190.4 | 208.2 | 227.8 | 249.2 |

FUNDING (Thousands of Dollars)

| | | | | | | |
|------------------|--|-------|-------|-------|-------|-------|
| GENERAL FUND | | 119.2 | 131.2 | 144.1 | 158.7 | 174.6 |
| FEDERAL FUNDS | | 6.7 | 7.4 | 8.1 | 8.9 | 9.8 |
| VETERAN'S FUND | | 0.3 | .3 | .3 | .4 | .4 |
| FISH & GAME FUND | | 0.9 | 1.0 | 1.1 | 1.2 | 1.3 |
| HIGHWAY FUND | | 1.9 | 2.1 | 2.3 | 2.5 | 2.8 |
| AIRPORT FUND | | 4.2 | 4.6 | 5.1 | 5.6 | 6.2 |
| CAPITAL FUND | | 12.4 | 13.6 | 15.0 | 15.5 | 18.1 |
| PERS | | | | | | |
| TRS | | | | | | |

POSITIONS

| | | | | | | |
|-----------|--|---|---|---|--|--|
| FULL TIME | | 1 | 1 | 1 | | |
| PART TIME | | | | | | |
| TEMPORARY | | | | | | |

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

1. Estimate FY 82 state covered payroll to be \$296,614,000; increasing 10% annually.
2. Increase in state contribution rate would be .0491% of covered payroll.
3. Estimate personnel services to increase at 6% per year.
4. Estimate approximately 5000 affected members.
5. Estimate the average service per affected member to be approximately three months.
6. The cost to political subdivisions is estimated to be \$125,000 in FY 82 increasing at 10% each year thereafter.

IV. DATE 4-9-81

PREPARED BY Paul B. Arnold, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460

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

Ken Humphreys, for Bill
 9C

| | | | | | | | | | |
|---------------|---|---------------------------|-----------------------------|---------------------------|-------------------------|---------------------------|------|---------|---------|
| 1 | POSITION TITLE Retirement & Benefits Technician | | | RANGE/STEP 12/B | BARG. UNIT. G | LOCATION Juneau | GOV. | APPROV. | DISAPP. |
| 2 | TYPE OF POSITION PFT | STAFF MONTHS 12 | HP No. | PCN No. | PRIORITY | FORM 12 PAGE/LINE | LEG. | | |
| 3 | TYPE OF EXPENDITURE | | | AMOUNT | | JUSTIFICATION: | | | |
| | 1 | 2 | 3 | | | | | | |
| 4 | PERSONAL SERVICES: | | | | | | | | |
| | SALARY | \$1,814/month | \$21,768 | | | | | | |
| 5 | BENEFITS | | 3,437 | | | | | | |
| 6 | FICA | | 1,334 | | | | | | |
| 7 | HEALTH INS | | 1,800 | | | | | | |
| 8 | TOTAL PERSONAL SERVICES | | \$28,339 | | | | | | |
| 9 | TRAVEL | | | | | | | | |
| 10 | CONTRACTUAL | | 2,700 | | | | | | |
| 11 | COMMODITIES | | 200 | | | | | | |
| 12 | EQUIPMENT | | 1,800 | | | | | | |
| 13 | OTHER | | | | | | | | |
| 14 | TOTAL COST | | \$33,039 | | | | | | |
| | CODE | FUNDING SOURCE | | | | | | | |
| 15 | | FED RCPTS | | | | | | | |
| 16 | | GF MATCH | | | | | | | |
| 17 | | GEN. FUND | | | | | | | |
| 18 | | L-A RCPTS | | | | | | | |
| 19 | | PGM RCPTS | | | | | | | |
| 20 | | OTHER | | \$33,039 | | | | | |
| 21 | CONTINUATION | | | | | | | | |
| 22 | ADDITION | | FOR B&M USE ONLY | | | | | | |
| 4A KEY NUMBER | | | | COLUMN NO. | | | | | |

This person will be responsible for verifying and recording the additional credited service granted for past temporary membership employment, for calculating the additional benefit, and for handling correspondence.

AGENCY ADMINISTRATION PROGRAM LABOR SERVICES

BRU RETIREMENT & BENEFITS

13 REQUEST FOR NEW POSITION.

COMPONENT PERS

FY 82

Page 2 of 2

REVISED DATE _____





Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO : SENATOR FISCHER,
CHAIRMAN OF STATE AFFAIRS COMMITTEE

FROM : SENATOR KERTTULA

DATE : MARCH 11, 1982

SUBJECT: RETIREMENT BENEFITS

I have received a call from a constituent of mine, Ed Burgholzer of Wasilla (376-2945), who is a DOT employee. He has a retirement problem which I would like to bring to your attention in connection with SB 356.

Mr. Burgholzer worked as a temporary state employee for 27 months before he was hired on as a permanent employee. He has been informed by the Division of Retirement that his contribution will be \$16,000 to buy back the 27 months. As you can imagine, Mr. Burgholzer finds the cost of the program prohibitive. Mr. Burgholzer mentioned that he knows a number of other state employees in the same situation.

Although the State has created a program by which temporary time can be credited, it has placed the cost so high that few people can take advantage of it.

I hope that you will give this problem your serious consideration when considering SB 356. I have also enclosed a message from Wayne Fleek on the same subject.

JK/mv/cp

enc

cc: Ed Burgholzer

*should be able to pay it out over some
yes. no further int.?*

N

?

MSG 82-00012783 PRTY 1 03/09/82 18:12:47 ORIG: LA02 IN= 0002 OUT= 0137
FROM: MARCIE, ANC INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SURJ: P O M PAGE 0004

TO: SENATORS COLLETTA, AND KERTTULA
REPRESENTATIVES BYLSMA, HAYES, METCALFE

FROM: WAYNE FLEEK, BOX 6788 ANNEX, AND 99502 (UK 249-5541)

I URGE YOU TO SUPPORT SENATE BILL 356. IT SEEMS RIDICULOUS TO HAVE TO PAY MORE FOR THE RETIREMENT BENEFIT THAN THE GROSS MONTHLY SALARY WAS AT TIME OF EMPLOYMENT. ALSO, PLEASE ACT ON HB 305 SOON. THE STATE EMPLOYEES AND THE ADMINISTRATION BARGAINED IN GOOD FAITH FOR ALL CONCERNED. YOU ARE MORALLY OBLIGATED TO NOW ACT FAVORABLY ON THAT AGREEMENT AND PASS THIS BILL.

685

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DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C

JUNEAU, ALASKA 99811

(907) 465-2200

March 8, 1982

Ms. Carol Burnside
Researcher
Senator Colletta's Office
Pouch V
Juneau, AK 99811

Dear Ms. Burnside:

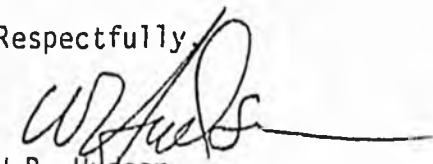
This is in response to your inquiry of February 26, 1982 to Director Arnoldt, regarding a letter received by Senator Colletta from Mr. R. Russell Redick.

Mr. Redick asks that an "obvious inequity" be corrected. What he wants is to have the PERS law amended so that he will not have to pay the full actuarial cost of purchasing his temporary service credit. He wants to pay the "normal contributions" which means that the state would have to pay the difference.

We were opposed to the purchase of temporary service credit when it was introduced in the Eleventh Legislature. Temporary employees should not be afforded retirement coverage--the very nature of the employment supports this viewpoint. Such employees will not be with the PERS long enough to retire; if they are, then they should not be classified as temporary employees. Passage of the bill granting temporary service credit was made somewhat more palatable because those receiving the credit are required to pay the full actuarial cost. Now that the temporary service credit provision is on the books, we are being asked to reduce the cost to the employee for purchasing the service; to do so would serve no public purpose and it would be an unwarranted retroactive increase in employee benefits which would cost the state approximately \$2.1 million.

If you have additional questions on this matter, please let me know.

Respectfully,


W.R. Hudson
Commissioner

PBA/jb

cc: All Legislators

Paul B. Arnoldt, Director
Division of Retirement & Benefits

February 22, 1982

The Honorable Victor Fischer
Chairman, State Affairs Comm.
Pouch V, State Capitol Building
Juneau, Alaska 99811

Dear Senator Fischer:

I recently wrote you (and all other members of the House and Senate) requesting further consideration of Section 32 of HB 121.

My concern was (and is) that if a state employee claims his temporary time the computed indebtedness to the state retirement system is so large as to far exceed any benefits. In my case, to claim 1.928 years of temporary time would cost \$20,500 plus monthly interest until retirement.

I have been advised by Representative Hayes that a bill already exists which would solve this problem. That bill is SB 356. The language of SB 356, which I am told is now in the Senate State Affairs Committee, was included in HB 121 as Section 32.

Now that HB 121 has failed, I urge you to consider SB 356.

As I indicated earlier, numerous employees while working for the state were denied access to the retirement system. Also, the existing legislation required employees to claim their temporary time before July 1, 1981. I know numerous employees who simply did not bother to claim their time before that deadline due to the extreme cost. SB 356 would also extend this filing deadline to July 1, 1982.

Your cooperation and support in this matter would be greatly appreciated.

Sincerely,



R. Russell Redick
Box 199H SRA
Anchorage, Alaska 99502

March 12, 1982

The Honorable Victor Fischer
Chairman, Senate State Affairs Committee
Pouch V, State Capitol
Juneau, AK 99811

Dear Senator Fischer:

The following persons strongly urge your committee to pass out Senate Bill 356 with a strong do pass recommendation. (List attached)

R. Russell Redick
SRA Box 199H
Anchorage, AK 99502

Gregory Thomason
P.O. Box 201
Auke Bay, AK. 99821

David Watsjold
SRA Box 764
Anchorage, AK. 99502

Frank Van Hulle
2301 Meadow Lane
Juneau, AK. 99801

Kenneth Alt
Box 10104
Fairbanks, AK. 99701

Larry Engel
Box 197
Palmer, AK. 99645

Mike Kramer
SR Box 30676
Fairbanks, AK. 99701

Al Havens
Box 2282
Palmer, AK. 99645

Gary Pearce
1700 Tamarack Street
Fairbanks, AK. 99701

Larry L. Larson
Box 55
Sterling, AK. 99672

Wilson Potterville
Box 231
Glennallen, AK. 99588

Stephen Hammarstrom
Box 471
Soldotna, AK. 99669

Gary Sanders
9167 Riverwood
Juneau, AK. 99801

Sid Logan
Box 2589
Soldotna, AK. 99669

Paul Kissner
2343 Kevin Ct.
Juneau, AK. 99801

David Waltemyer
Box 2617
Soldotna, AK. 99669

Dennis Hubartt
Box 2996
Juneau, AK. 99803

Mark Schwan
8863 Birch Lane
Juneau, AK. 99801

Doug Jones
9360 Minor Dr.
Juneau, AK. 99801

Larry Edfelt
P.O. Box: 457
Juneau, AK. 99802

Sue Howell
Box 3151
Kenai, AK. 99611

David C. Nelson
Box 143
Soldotna, AK. 99669

Ted McHenry
Box 1333
Seward, AK. 99664

Pete Murray
Box 2181
Kodiak, AK. 99615

Bruce King
Box 1662
Soldotna, AK. 99669

Paul Ruesch
Box 4095
Soldotna, AK. 99669

Gary Kyle
Box 2527
Soldotna, AK. 99669

Don Seagren
Box 2493
Soldotna, AK. 99669

William E. Altland
Box 4431
Soldotna, AK. 99669

Jim Edmunson
Box 3155
Soldotna, AK. 99669

Sandra Seagren
Box 2498
Soldotna, AK. 99669

March 12, 1982

W

The Honorable Victor Fischer
Alaska State Senate
Pouch V State Capitol
Juneau, AK. 99811

Dear Senator Fischer,

I am writing to you regarding Senate Bill 356 which addresses temporary service credit for public employees. You may be aware that House Bill 121 contained wording which would allow public employees to retroactively contribute to the retirement system for past temporary service credit. This bill did not pass and has been replaced by various other bills none of which address temporary service credit.

Senate Bill 356 does address this issue and I urge your support for passage of this bill.

I am one of the few state employees that were barred from the state retirement system when I was a temporary/seasonal employee. Seasonal employees are now included in the system.

Although I am now allowed to purchase the temporary service through retroactive payments, the debt amount is extremely high as it is based upon current salaries and not on actual wages earned back during the period of actual service. This service also is not allowed to count toward normal retirement and the service rendered by present day seasonal employees does not count.

Sincerely,
David Watzfoll
SRA Box 764
Anchorage, AK. 99507

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

- Fred Miller - provide credit in system for temp employees?
- retirement system - attract full time people,
stay in employ
- this won't enhance system
+ derive - now: employee has to pay full actuarial cost

Introduced: 3/3/81
Referred: State Affairs and
Finance

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 356

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

10 * Section 1. AS 39.35.345 is amended to read:

11 Sec. 39.35.345. TEMPORARY SERVICE CREDIT. (a) A vested employee
12 is entitled to credited service for periods in which he regularly
13 rendered full-time personal service to an employer but was not quali-
14 fied to participate in the system because of the exclusion of temporary
15 workers as described in AS 39.35.680(21)(C)(iii). If an employee
16 claims retroactive credited service under this section, he becomes
17 indebted to the system. The amount of indebtedness is equal to the
18 contributions the employee would have made during the periods of
19 employment for which the credited service is claimed if he had been
20 a member of the system during those periods. Benefits are not payable
21 on [THIS] credited service claimed under this section unless the
22 employee makes retroactive contributions to the system to discharge
23 his indebtedness for the period of time that credited service is
24 claimed. [THE RETROACTIVE CONTRIBUTION IS THE FULL ACTUARIAL COST OF
25 PROVIDING BENEFITS FOR THE CREDITED SERVICE CLAIMED.]

26 (b) To obtain credited service under this section, an employee
27 must elect to do so and must verify his period of temporary service
28 before July 1, 1982 [1981], or within one year following the date when
29 the employee first becomes vested under this chapter, if later. When

1 eligibility for temporary service credit has been established, an
2 indebtedness shall be determined as provided in (a) of this section.
3 Interest as prescribed by regulation accrues on that indebtedness
4 beginning July 1, 1982 [1981], or one year following the date an
5 employee first becomes vested, whichever is later. Any outstanding
6 indebtedness existing at the time an employee retires will require an
7 actuarial adjustment to the benefits payable based on the temporary
8 service.

9 (c) A deferred vested employee on July 1, 1981 [1980], is eligible
10 to claim credited service under (a) of this section. To obtain credited
11 service under this section, a deferred vested employee must elect to do
12 so and must verify his period of temporary service before July 1, 1982
13 [1981]. When eligibility for temporary service credit has been estab-
14 lished, an indebtedness shall be determined as provided in (a) of this
15 section. Interest as prescribed by regulation accrues on that indebted-
16 ness beginning July 1, 1982 [1981]. Any outstanding indebtedness
17 existing at the time a deferred vested employee retires will require an
18 actuarial adjustment to the benefits payable based on the temporary
19 service.

20 (d) The credited service granted under this section may [NOT] be
21 used to satisfy the credited service requirements for normal or early
22 retirement.

23 * Sec. 2. This Act takes effect June 30, 1981.