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*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.

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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

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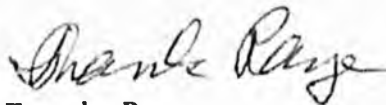
who have risked their lives for their country. What is not arguable is the gross inequity of the proposition to give retirement credit to one group of state employees (here teachers) and not to other state employees. This clearly discriminatory bill should not be passed out of committee.

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

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill No. 394  
 Title An Act Allowing Service Credit Under TRS for Service in the Peace Corps  
 Requested by Senator Fischer Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement & Benefits  
 Program Category Affected Labor Services and Elementary & Secondary Education  
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-02 (TRS) 02-11-8-02-01-00 (TRS MATCH)  
 (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						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 STATE TRS MATCHING		52.3	52.3	52.3	52.3	52.3
100 BENEFITS		9.4	9.4	9.4	9.4	9.4
TOTAL	0	61.7	61.7	61.7	61.7	61.7

FUNDING (Thousands of Dollars)

GENERAL FUND	0	61.7	61.7	61.7	61.7	61.7
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PEPS						
TRS						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

- The cost of this bill would be level as teachers hired on or after July 1, 1978 would pay the full actuarial cost of the service credit.
- Estimate that approximately 100 current teachers have some Peace Corps service.
- Estimate that of those 100 teachers, they each have approximately 3 years Peace Corps service.
- To fund this bill, the TRS contribution rate must be increased by .04% of covered payroll in FY82.
- Estimate FY82 TRS covered payroll to be \$261,775,000.

IV. DATE April 21, 1981 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 Stimson  
 Office of the Governor (Keith Snickling)

## ATTACHMENT

Bill/Resolution No. SB 394ASSUMPTIONS:

- |  |   |               |
|--|---|---------------|
| 1. Estimated FY82 Payroll (Total System) | = | \$261,775,000 |
| 2. State Contribution Rate to Fund Bill  | = | .02%          |
| 3. State TRS Matching Rate to Fund Bill  | = | .02%          |
| 4. School District Rate to Fund Bill     | = | .02%          |

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 4,712,000	X	.02%	\$ .9	To Their Budget
2. University of Alaska	\$ 42,617,000	X	.02%	\$8.5	To Their Budget
				<u>\$9.4</u>	
3. State TRS Matching	\$261,775,000	X	.02%	\$52.3	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ -0-	To Personal
Travel				\$ -0-	To Travel
Contractual				\$ -0-	To Contractual
Commodities				\$ -0-	To Commodities
Equipment				\$ -0-	To Equipment
				<u>\$ 61.7</u>	
COST TO STATE IN FY82					
5. All School Districts	\$214,446,000	X	.02%	\$ 42.9	
TOTAL COST IN FY82				<u>\$104.6</u>	

REMARKS:

Fred Muller - beneficial to state?

+ ABBA

Introduced: 4/7/81  
Referred: State Affairs and Finance

1 IN THE SENATE BY STIMSON AND RODEY

2 SENATE BILL NO. 394

3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act allowing service credit under the teachers'  
7 retirement system for service in the Peace Corps."

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

9 \* Section 1. AS 14.25 is amended by adding a new section to read:  
10 Sec. 14.25.102. CREDIT FOR SERVICE IN THE PEACE CORPS. A member  
11 who served as a member of the United States Peace Corps may receive  
12 creditable service for that service under this system up to a maximum  
13 of five years. Each 12 months of Peace Corps service equals one school  
14 year, and lesser periods of service in the Peace Corps will be deter-  
15 mined for credit purposes in a proportionate ratio to a year. Credit  
16 for service in the Peace Corps shall be granted only if the member  
17 makes contributions for the service in the same manner as required for  
18 outside service under AS 14.25.060. Service in the Peace Corps credited  
19 under this section shall be included in the 10-year limitation of  
20 outside service as specified in AS 14.25.060, except that if entry into  
21 the Peace Corps is immediately preceded by Alaska membership service  
22 and termination from the Peace Corps is followed by Alaska membership  
23 service within one year, the service in the Peace Corps may not be  
24 included in the 10-year limitation on outside service.

VISTA + Teacher

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