

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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JUNEAU, ALASKA 99811
PHONE: (907) 465-2200

January 15, 1986

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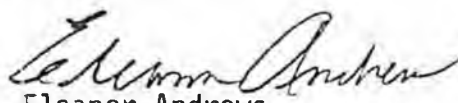
Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

Re: Collective Bargaining Agreements

Pursuant to AS 23.40.215(b), I am hereby submitting the "monetary terms" of the recently signed agreements with the International Organization of Masters, Mates and Pilots, Pacific Maritime Region, and the Marine Engineers Beneficial Association. The enclosed memorandum from myself to Jay Hogan identifies the "monetary terms" for FY 86, FY 87, and FY 88. Funding will be formally requested by the Office of Management and Budget.

Sincerely,


Eleanor Andrews
Commissioner

EA/KVD/mm
6/8D1/1008-06/1
Enclosure

cc: Ski Olsonoski
Deputy Commissioner
Human Resources
Department of Administration

Bruce Cummings
Acting Director
Division of Labor Relations
Department of Administration

Jay Hogan
Associate Director
Division of Budget Review
Office of Management and Budget
Office of the Governor

MEMORANDUM

State of Alaska

To
FIN

TO: Jay Hogan
Associate Director
Division of Budget Review
Office of Management and Budget

JH

FROM: Commissioner Eleanor Andrews
Department of Administration

DATE: January 15, 1986

FILE NO:

TELEPHONE NO: 465-2200

SUBJECT: Monetary Terms of 1985-88
Agreements with MMP and MEBA

The International Organization of Masters, Mates and Pilots, Pacific Maritime Region (MMP), and the Marine Engineers Beneficial Association (MEBA) have signed their 1985-88 Agreements. This memorandum will recap the new MMP and MEBA Agreements' monetary terms as defined in AS 23.40.250(8) and provide our estimates of funding requirements. These estimates have been reviewed with the Alaska Marine Highway System, Department of Transportation and Public Facilities, and they have concurred with them:

I. MONETARY TERMS OF THE AGREEMENT WHICH REQUIRE AN APPROPRIATION FOR THEIR IMPLEMENTATION.

MMP: The new MMP agreement is effective from April 1, 1985, until March 31, 1988. It succeeds a one-year extension agreement (April 1, 1983, to March 31, 1984). One result of the recent contract settlement is the MMP's assent to no pay increase for 1984, following a pattern established by this Administration in its 1984 negotiations with the major bargaining units.

- A. General Wage Increases: The following figures represent the total personal services costs of the MMP wage increases. A variable benefits factor of 5.6695 percent was used for FY 86, and 6.2088 percent was used for other fiscal years.
1. 2.0% pay increase to the Southeast salary schedule effective July 1, 1985. Estimated cost, beginning FY 86: \$79.8 per year.
 2. 2.0% pay increase to the Southeast and Southwest salary schedules effective July 1, 1987. Estimated cost, beginning FY 88: \$102.8 per year.
 3. Cost-of-Living Adjustments (COLA) for Southwest employees to be paid in equal thirds, beginning FY 86: \$26.7 each year.
- B. Health Insurance Improvements: The MMP Agreement provides for the same health insurance coverage as applies to the Supervisory Unit, terminating the State's participation in the Northwest Marine Benefit Trust (NMBT) which had previously provided health coverage. The increased cost for this change in insurance is approximately \$27.05/month per

employee. Estimated increase for the life of this Agreement is \$24.7 per fiscal year.

Prior to Supervisory Unit health coverage, while negotiations were underway, funds were diverted from MMP members' Individual Retirement Accounts (IRAP's) to pay the NMBT health insurance increase of \$52.00/month per employee. As indicated above, the parties ultimately addressed the escalation of health insurance costs by changing to the more economical Supervisory Unit plan. The transition agreement provides for reimbursement of funds diverted from the members' IRAP's, which carries a one-time cost of \$56.3 for 76 employees in FY 86.

- C. PERS Coverage: A major achievement of the new MMP Agreement is the provision for including the Deck Officers in the Public Employees' Retirement System (PERS) as a substitute for retirement benefits now carried by the Northwest Marine Retirement Trust (NMRT) and the IRAP's mentioned above. The inclusion of MMP in PERS is an important step towards achieving uniform benefits for all State employees. Since the NMRT has been in financial trouble for some time, the transition to PERS also assures Deck Officers of a more equitable and secure retirement benefit.

The PERS actuary was asked to estimate the costs of including MMP in PERS. Applying the percentages he supplied to the bargaining unit's expected gross pay during the various contract years, and offsetting the costs of current NMRT and IRAP contributions yielded the following cost increases: FY 86 - \$40.9; FY 87 - \$495.2; FY 88 - \$515.3. The low FY 86 figure is caused by the delayed effective date of the PERS coverage--only one month of FY 86 PERS coverage has been assumed.

- D. PERS Post-Retirement Health Coverage for NMRT Retirees: As part of the contract's economics the parties agreed to provide post-retirement health care for a group of 14 (or fewer) MMP retirees who retired under the NMRT pension plan before the 1985 negotiated entry into PERS. These individuals are presently paying for their own health insurance coverage. An effective date of June 1, 1986, is assumed since the actual effective date of coverage depends on date of legislative appropriation. However, the agreement provides that retirees will be reimbursed an amount equal to the monthly cost of this coverage (\$175.00 per retiree) for months from July 1, 1985, until the effective date of the coverage. The estimated cost of coverage for FY 86 is \$2.5, which covers only the month of June 1986. Reimbursement for the balance of FY 86 will require \$27.0. A full twelve months' coverage, or \$29.4 per year, will be incurred in each of the next fiscal years.

- E. Uniform and Laundry Allowance Increases: Effective July 1, 1985, the contract provides an increase of \$62/year in the uniform allowance. This results in an annual increase of \$4.7.
- F. License Insurance: License insurance is calculated as a percentage of the gross wages of employees. Because of the salary and COLA increases, the license insurance costs will increase. The increases range from approximately \$.3 for FY 86 to a cumulative increase of approximately \$.8 by FY 88.

We estimate that the new MMP Agreement will require a total additional appropriation of \$238.1 for FY 86. Further, we project that the MMP labor agreement will increase FY 87 funding requirements by the cumulative amounts of \$689.7 and \$839.4 in FY 88. (See Attachment 1 for a more detailed explanation of these estimates and a full accounting of their impact during the entire contract term.)

MEBA: Both a new three-year contract (April 1, 1985, through March 31, 1988) and the bargaining unit's 1984 wage reopener were settled in the recent negotiations, resulting in the following appropriation requirements:

- A. General Wage Increases: The following figures represent the total personal services costs of the wage increases. A variable benefits factor of 5.6695 percent was used for FY 86, and 6.2088 percent was used for other fiscal years.
 - 1. 2.0% pay increase for all Southeast employees and first, second and third assistant engineers on the M/V Tustumena effective July 1, 1985. Estimated cost, beginning FY 86: \$97.3 per year.
 - 2. 2.1% pay increase for all Southeast employees and first, second and third assistant engineers on the M/V Tustumena effective July 1, 1986. Estimated cost, beginning FY 87: \$111.3 per year.
 - 3. 1.3% increase to the salary schedule effective July 1, 1987. Estimated cost, beginning FY 88: \$83.8 per year.
- B. Supplemental Compensation/Pension Savings: The Letter of Agreement settling the 1984 wage reopener provides one-time "supplemental compensation" totaling \$400.0. Because this was traded for a 25 percent reduction in the on-going rate of employer pension contributions, it actually produces savings in subsequent fiscal years. The net cost for FY 86, considering the pension savings that year, is \$144.2. For each of the following fiscal years the State will save \$255.8.

- C. Uniform and Laundry Allowance Increases: Effective July 1, 1985, the contract provides an increase of \$62/year in the uniform allowance. This results in an annual increase of \$5.3.
- D. Actuarial Study: As indicated in the discussion of MMP's entry into PERS, an important long-range objective of the Administration has been to bargain out of union or union/management health and pension trusts. We have largely succeeded in accomplishing this: Only replacement of MEBA Pension Trust coverage with participation in our own Public Employees' Retirement System remains. MEBA and the State have agreed, during the term of our next contract, to perform a joint actuarial study of the costs and benefits of MEBA Pension Trust coverage versus Alaska PERS coverage. The estimated cost of the study, for FY 86 only, is \$10.0. (This appropriation should be to the Division of Labor Relations, Department of Administration, rather than the Department of Transportation and Public Facilities since Labor Relations will be responsible for the State's role in the study.)

We estimate the new MEBA Agreement will require a total additional appropriation of \$268.2 for FY 86. Due to the pension savings, an FY 87 savings of \$23.8 is expected. In FY 88, when a final pay increase takes effect, a net cost of \$67.9 over present levels is projected. (See Attachment 2 for a more detailed explanation of these estimates and a full accounting of their impact during the entire contract term.)

II. MONETARY TERMS OF THE AGREEMENT WHICH WILL RESULT IN A CHANGE IN STATE REVENUES.

Neither agreement has any terms which fall into this category.

III. MONETARY TERMS OF THE AGREEMENT WHICH WILL RESULT IN A CHANGE IN PRODUCTIVE WORK HOURS FOR STATE EMPLOYEES.

Following a pattern established by last year's Inlandboatmen's Union of the Pacific (IBU) settlement, in both the MMP and MEBA bargaining units new vacation schedules were negotiated for employees hired on or after April 1, 1985. The new schedules have lower maximum accrual rates than those allowed under the present schedules. For example, the vacation schedule covering new Southeast employees has a maximum accrual rate of five (5) pay periods per year, which is two (2) pay periods lower than the preexisting schedule. While the changes to the vacation provisions are complex and will occur gradually, their ultimate effect (to be realized several years from now) will be a net increase in the productive work hours of these bargaining units.

This last feature of the new agreements is recounted for informational purposes only and does not require an appropriation for its implementation.

AS 23.40.215(b) requires that the monetary terms of an agreement be submitted to the legislature within ten (10) legislative days after the convening of the next regular session. In this case, therefore, appropriate legislation must be submitted by January 22, 1986. However, consistent with our commitment to MMP and MEBA, every effort should be made to submit these monetary terms at the earliest date possible.

Further details on these new agreements, and an explanation of our estimates, can be obtained from Karen VanDusseldorp, Division of Labor Relations, at 465-4404.

EA/KVD/mm
6/8D1/0108-01

Attachments: (1) Explanation of Funding Estimates
for MMP
(2) Explanation of Funding Estimates
for MEBA

cc: Ski Olsonoski
Deputy Commissioner
Human Resources
Department of Administration

Bruce Cummings
Acting Director
Division of Labor Relations
Department of Administration

Costs Associated with MMP 1985-88 Agreement
Effective April 1, 1985, through March 31, 1988

Fiscal Year 1986:

1.	Reimbursement of Individual Retirement Accounts (76 employees @ \$52.00/month for eight months in FY 85; 76 employees @ \$27.05/month for 12 months in FY 86)	\$ 56,285.60
2.	Reimbursement for Post-Retirement Health Coverage (14 retirees @ \$175.00/month for 11 months)	26,950.00
3.	PERS Post-Retirement Health Coverage for NMRT Retirees (assuming effective June 1, 1986; 14 retirees @ \$175.00/month for one month)	2,450.00
4.	Uniform Allowance Increase (76 uniform allowances @ \$62.00/year)	4,712.00
5.	Cost of Living Adjustments for SW Employees (effective July 1, 1985; 1/3 of difference between current cost of living differentials and 22.5%; based on 14 employees)	26,688.00
6.	2.0% Pay Increase effective July 1, 1985, for SE employees	74,050.78
7.	PERS Retirement Coverage for Employees (assuming effective June 1, 1986; 16.54% of one month's gross pay less existing pension costs)	40,897.71
8.	Variable Benefits on #5 and #6 @ 5.6695%	5,711.39
9.	License Insurance Increases (based on COLA increase for SW employees and 2.0% pay increase for SE employees)	313.67

FY 1986 Total	\$238,059.15
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Fiscal Year 1987:

1.	Continuation of Health Insurance Improvement (76 employees @ \$27.05/month for 12 months)	\$ 24,669.60
2.	Continuation of PERS Post-Retirement Health Coverage for NMRT Retirees (14 retirees @ \$175.00/month for 12 months)	29,400.00
3.	Continuation of Uniform Allowance Increase	4,712.00
4.	Continuation of July 1, 1985, Cost of Living Adjustments for SW employees	26,688.00

MMP (Continued)

5.	Additional Cost of Living Adjustments for SW Employees (effective July 1, 1986; 2nd 1/3 of difference)	\$ 26,688.00
6.	Continuation of July 1, 1985. Pay Increase for SE employees	74,050.78
7.	Continuation of PERS Retirement Coverage for Employees (16.54% of gross pay for 76 employees for 12 months less existing pension costs)	495,186.72
8.	Variable Benefits on #4, #5 and #6 @ 6.2088%	7,911.67
9.	License Insurance Increases (based on COLA increase for SW employees and continuation of pay increase for SE employees)	402.87

FY 1987 Total \$689,709.58

Fiscal Year 1988:

(Costs projected through end of the fiscal year)

1.	Continuation of Health Insurance Improvement	\$ 24,669.60
2.	Continuation of PERS Post-Retirement Health for NMRT Retirees	29,400.00
3.	Continuation of Uniform Allowance Increase	4,712.00
4.	Continuation of July 1, 1985, and July 1, 1986, Cost of Living Adjustments	53,376.00
5.	Cost of Living Adjustments for SW Employees (effective July 1, 1987; last 1/3 of difference)	26,688.00
6.	Continuation of July 1, 1985, Pay Increase for SE employees	74,050.78
7.	2.0% Pay Increase Effective July 1, 1987, all employees (FY 86 estimated gross pay + COLA adjustments = \$4,746,170.52 x 2.0%)	94,923.41
8.	Continuation of PERS Retirement Coverage for Employees	515,301.25
9.	Variable Benefits on #4, #5, #6 and #7 @ 6.2088%	15,462.28
10.	License Insurance Increases (based on COLA increases for SW employees and 2.0% pay increase)	776.34

FY 1988 Total \$839,359.66

Grand Total of Increases \$1,767,128.39

Costs Associated with MEBA 1985-88 Agreement
Effective April 1, 1985, through March 31, 1988
(Also settles 1984 Wage Reopener)

Fiscal Year 1986:

1.	2.0% Pay Increase Effective July 1, 1985, for SE employees and 1st, 2nd and 3rd Assistant Engineers on M/V Tustumena	\$ 91,492.24
2.	Special SW COLA Adjustments effective July 1, 1985, (including the CE on M/V Tustumena and all M/V Bartlett employees)	11,400.00
3.	Net cost of One-Time Supplemental Compensation (\$400,000 one-time total - \$255,826 pension savings = \$144,174)	144,174.00
4.	Uniform Allowance Increase (85 uniform allowances @ \$62.00/year)	5,270.00
5.	Actuarial Study of PERS (to be appropriated to the Department of Administration)	10,000.00
6.	Variable Benefits on #1 and #2 @ 5.6695%	5,833.48
<hr/> FY 1986 Total		<hr/> \$ 268,169.72

Fiscal Year 1987:

1.	Continuation of July 1, 1985, Pay Increase	\$ 91,492.24
2.	Continuation of July 1, 1985, Cost of Living Adjustments	11,400.00
3.	Continuation of Pension Savings	(255,826.00)
4.	Continuation of Uniform Allowance Increase	5,270.00
5.	2.1% Pay Increase Effective July 1, 1986 for all SE employees and 1st, 2rd, 3rd Assistant Engineers on M/V Tustumena	97,988.19
6.	Special SW COLA Adjustment effective July 1, 1986, for CE on M/V Tustumena and M/V Bartlett employees	12,600.00
7.	Variable Benefits on #1 and #2 and #5 and #6 @ 6.2088%	13,254.57
<hr/> FY 1987 Total		<hr/> (\$ 23,821.00)

MEBA (Continued)

Fiscal Year 1988:

(Costs projected through end of the fiscal year.)

1. Continuation of July 1, 1985, and July 1, 1986, Pay Increases	\$ 189,480.43
2. Continuation of July 1, 1985, and July 1, 1986, Cost of Living Adjustments	24,000.00
3. Continuation of Pension Savings	(255,826.00)
4. Continuation of Uniform Allowance Increase	5,270.00
5. 1.3% Pay Increase Effective July 1, 1987 for all SE employees, all M/V Tustumena employees, and 1st and 2nd Assistant Engineers on the M/V Bartlett	65,207.76
6. Special SW Cost of Living Adjustments effective July 1, 1987, for CE on M/V Tustumena and M/V Bartlett employees	21,168.00
7. Variable Benefits on #1 and #2 and #5 and #6 @ 6.2088%	18,617.47

FY 1988 Total	\$ 67,917.66
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Grand Total of Increases	\$ 312,266.38
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