

HB

215



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

April 21, 1987

Barry L. Haight, President
Fairbanks Central Labor Council
A. F. of L. - C. I. O.
819 First Avenue
Fairbanks, AK 99701

Dear Barry:

On April 8, the House State Affairs Committee passed out House Bill 215. The committee report is attached. Its next referral is to the Finance Committee.

I agree with your position that the bill addresses an unfair situation and I believe the proposed remedy is appropriate. Thank you for writing to share your concerns.

Sincerely,

It's a good bill!

Fran
Fran Ulmer, Chair
House State Affairs Committee

HB 215

FAIRBANKS CENTRAL LABOR COUNCIL

A. F. of L. - C. I. O.

819 FIRST AVENUE
FAIRBANKS, ALASKA



April 6, 1987

Representative Fran Ulmer, Chairwoman
House State Affairs Committee
P.O. Box V
Juneau, Alaska 99811

RECEIVED

Dear Fran:

The Fairbanks Central Labor Council supports passage of H.B. 215. Enactment of this legislation will resolve a longstanding problem in the public employee workplace.

A number of AFL-CIO members in the Fairbanks area have recently discovered that they have service not credited for retirement just as they were ready to retire. The problem of uncredited service tends to be worse with public safety employees who are more likely to suffer from occupational injuries or illness than other workers.

Because of contract language many City of Fairbanks employees continue to pay into the Public Employee retirement system even when they are on workmen's compensation. House Bill 215 will resolve this unfair situation.

Sincerely,

Barry L. Haight, President
Fairbanks Central Labor Council

cc: Representative Mark Boyer
Representative Niilo Koponen

BL:jb

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR
JUNEAU, ALASKA 99811-0203
PHONE: (907)465-4460

2600 DENALI ST. SUITE 401
ANCHORAGE, ALASKA 99503
PHONE (907) 277-7504

Public Employees Retirement System
Teachers Retirement System
Judicial Retirement System
Elected Public Officers Retirement System
National Guard Retirement System
Territorial Retirement System
Retirees Voluntary Dental Vision-Audio Plan
Supplemental Benefits System
Group Health Life Insurance Benefits
Deferred Compensation Plan
Public Employers Social Security Contributions

STEVE COWPER, GOVERNOR

April 7 1987

The Honorable Fran Ulmer
Chairman
House State Affairs Committee
P.O. Box V
Juneau, AK 99811

Dear Madam Chair:

Re: House Bill 215

In accordance with Alaska Statute 24.08.036, I am providing the analysis below on House Bill 215. The analysis includes the long-term and short-term costs to the State if the bill is adopted and the impact the bill will have on the actuarial soundness of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) funds. Required changes to the appropriation for the Division of Retirement and Benefits are discussed in a separate fiscal note.

This bill would allow PERS members to receive credit for periods of leave without pay for which they receive workers' compensation payments. They would only have to pay the employee's contribution for that equivalent service. It is estimated to result in a .02% increase in PERS employer contribution rates in FY 88 and level thereafter. The State PERS payroll is estimated to be \$521,290,584.00 in FY 88 and remain level each year thereafter. This would result in an annual State cost of \$104.3 in FY 88 and in succeeding years (the PERS contribution rate increase of .02% times the State PERS estimated payroll of \$521,290,584.00).

In addition to the State costs above, there would also be an increase in political subdivisions FY 88 contribution rate of .02%. This would result in an increase in their annual costs by \$65.9 (rate increase of .02% times the estimated political subdivision payroll of \$329,282,769.00).

6

Rep. Fran Ulmer
House Bill 215
PO Box V
Juneau, AK 99811

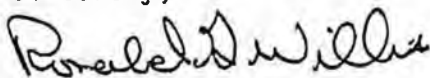
Dear Ms. Ulmer:

I have been employed with the City of Fairbanks Fire Dept. since 1970. In the 17 years I have been employed I have been hospitalized twice for smoke inhalation and sustained a neck and shoulder injury in 1975 after falling through a roof in the line of duty. Subsequently, I have had three surgeries for this injury for which I am currently recuperating from the third surgery in February 1987. I should be able to return to work by the end of April.

As a result of the job related injuries sustained over the years I have been off work for approximately 7 to 9 months cumulatively. In the past we were all under the understanding that time off for on the job injuries were for full credited services. Under the new APERS system any on the job injuries under 10 days is full credited service while injuries or illness requiring more than 10 days is considered LWOP non-credited service from date of injury.

I have given you a brief outline of my work and medical background to give you an idea although I'm sure you are already aware of the hazards of this line of work. I feel we are penalized under the current APERS laws system for job related injuries and would like your support for House Bill 215.

Sincerely,



Ronald G. Willis

cc: Nilo Koponen
Mark Boyer

Ron Willis
1716 Southern Ave
Fairbanks, AK 99701

907 456 7554

4/7/87

STATE OF ALASKA
Interdepartmental Route Slip

TO: Mail Station 3100	Department House State Affairs 102
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Attention

- | | |
|--|---|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return as Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return for Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> For Your Information |

Remarks:

Replacement for Position
Paper on HB 215

FROM: Mail Station 0200	Department Administration
By Mike McMullen/Comm.'s Office	Date 4-9

POSITION PAPER

HB 215

This bill would allow Public Employees' Retirement System (PERS) members who take more than ten days leave of absence without pay (LWOP) in a calendar year because of an on-the-job injury or work-related illness and who are receiving workers' compensation benefits to receive service credit in the PERS. The members could establish an indebtedness for that LWOP service in an amount equal to their employee contributions which would have been paid had they been working.

Because the department is sympathetic to the concerns represented, its position is neutral even though the bill has a cost of \$104.3 in FY 88 during a time when the administration is struggling with holding personal services costs down. If it is determined to address these concerns with service credit in the PERS, it could be addressed at approximately one-half the cost if treated as in the Teachers' Retirement System (TRS). In the TRS, the member can receive credit for LWOP service by paying both the employee and employer contributions. Even though this would still result in a cost, this would help to offset the cost to the employers and thereby make this bill more fiscally conservative.

The department is neutral on this bill due to the cost. However, the department would support the bill if it were amended as described above.

J. K. Humphreys
for J. K. Humphreys, Director
Division of Retirement and Benefits

4-9-87
Date

Garrey Peska
Commissioner Garrey Peska
Department of Administration

4/9/87
Date



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

April 13, 1987

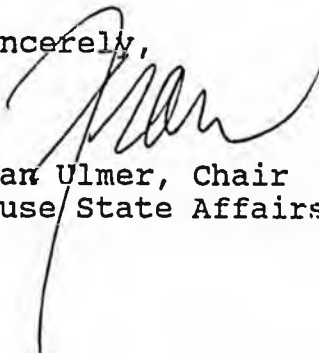
Barry L. Haight, Chairman
Fire Fighters Legislation Action Committee
P.O. Box 784
Fairbanks, AK 99707

Dear Mr. Haight:

Thank you for your letter on House Bill 215. The State Affairs Committee considered this bill on Wednesday, April 8, and passed it on to the Finance Committee. I have enclosed a copy of the State Affairs Committee report for your information and will send your letter on to the Finance Committee.

Thank you, again, for writing.

Sincerely,


Fran Ulmer, Chair
House State Affairs Committee

Enc.

Fire Fighters Legislative Action Committee

P.O. Box 784 Barry L. Haight, Chairman

Fairbanks, Alaska 99707

April 6, 1987

Representative Fran Ulmer, Chairwoman
House State Affairs Committee
Post Office Box "V"
Juneau, Alaska 99811

A Chronology - Workers' Compensation payments as Creditable Service under the Public Employees Retirement System

1960- The Public Employees Retirement System (PERS) is created. Later review by an Alaska Court and the Alaska Public Employees Retirement Board determined that legislative intent was for Workers' Compensation payment to be included as creditable service. The Department of Administration followed this practice until 1979.

1977- Statutory definition was changed, dropping "subsistence and maintenance" language.

1979- The Department of Administration decided to change its interpretation of A.S. 39.35.680(8) to find that "compensation" and therefore, creditable service under A.S. 39.35.300 should no longer include payments for Workers' Compensation.

It is interesting to note that in 1979, the department requested an opinion from the Attorney General regarding the 1977 statutory amendment to "compensation" under the PERS Act; the Attorney General, relying on rules of statutory construction, ruled that Workers' Compensation payments were included within the definition of "compensation". A month later, at the request of the department, a second opinion was issued without any legal citations. The Attorney General revised his opinion to state that the portion of an employee's salary paid through Workers' Compensation payments should not be included as "compensation". Thereafter, the department revised its policy. A Board of Review at a later date described this maneuver as a "self-serving rationalization".

1982- The legislature passed a statutory change to the PERS Act and Workers' Compensation was expressly added to a list of itemized exclusions.

Thus, we have three classes of employees:

- 1) Those hired previous to 1979 with whom not only are Workers' Compensation payments creditable service, but also unused leave payments.
- 2) Those employees hired between July 1, 1979 and July 1, 1982, who receive Workers' Compensation payments as creditable service, but not unused leave.
- 3) Employees hired after July 1, 1982, to whom neither Workers' Compensation payments nor unused leave is creditable service under PERS.

Therefore, current law dictates that an employee injured on the job is penalized by having his retirement benefits reduced. The more severe the injury and the greater the length of time out of work, the greater the penalty.

The Fire Fighters Legislative Action Committee supports passage of House Bill 215 as a reasonable method of solving inequities of Workers' Compensation under the Public Employees Retirement System.

xc: Representative Niilo Koponen
Representative Mark Boyer

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/25/87

FURTHER REFERRALS: Finance

DATE: 4-8-87

The State Affairs Committee has considered HB 215

"An Act relating to credited service under the Public Employees' Retirement System for certain periods of leave of absence without pay; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

[Signature]

Cliff Davidson

[Signature]

[Signature]

SIGNING OTHER RECOMMENDATIONS:

[Signature] NO REC.

[Signature] NO REC.

[Signature] No rec.

[Signature]
Chairman's signature



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

FILE CONTENTS

1. HB 215: AN ACT RELATING TO CREDITED SERVICE UNDER THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR CERTAIN PERIODS OF LEAVE OF ABSENCE WITHOUT PAY; AND PROVIDING FOR AN EFFECTIVE DATE.
2. LETTER FROM J.K. HUMPHREYS TO REPRESENTATIVE ULMER, DATED APRIL 7, 1987
3. POSITION PAPER, DEPARTMENT OF ADMINISTRATION
4. MEMO FROM CHERIE SHELLEY TO REPRESENTATIVE ULMER, DATED APRIL 6, 1987
5. LETTER FROM FIRE FIGHTERS LEGISLATIVE ACTION COMMITTEE
6. LETTER FROM RONALD WILLIS TO REPRESENTATIVE ULMER. DATED APRIL 7, 1987

FISCAL NOTE

- A. DEPARTMENT OF ADMINISTRATION, DIVISION OF RETIREMENT AND BENEFITS: -0-

A

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 215
Publish Date: _____

REQUEST _____

Revision Date: _____
Title: An Act relating to credited service under the PERS.
Sponsor: Boyer
Requestor: _____

Agency Affected: Administration
BRU: Retirement and Benefits
Components: Retirement and Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

An analysis of the impact of this bill on the actuarial soundness of the Public Employees' Retirement System (PERS) is provided in the attached letter to Representative Ulmer.

Prepared By: J.K. Humphreys *J.K. Humphreys* Phone: 465-4460
Division: Retirement and Benefits Date: April 6, 1987

Approved by Commissioner: Garrey Peska *Garrey Peska* Date: 4/8/87
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

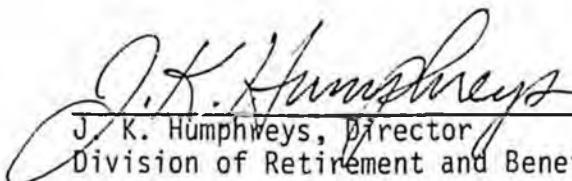
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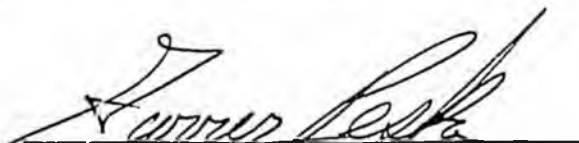
Although the department is sympathetic to the concerns represented by this bill, it does not support a bill with a cost of \$104.3 in FY 88 during a time when the administration is struggling with holding personal services costs down. In addition, it has always been the department's position to oppose service credit for any form of LWOP in any of the systems. Allowing this type of LWOP would only serve to open the door to allow credited service for other forms of LWOP. If it is determined to address these concerns with service credit in the PERS, it could be addressed at approximately one-half the cost if treated as in the Teachers' Retirement System (TRS). In the TRS, the member can receive credit for LWOP service by paying both the employee and employer contributions. Even though this would still result in a cost, this would help to offset the cost to the employers and thereby make this bill more fiscally conservative.

The department is opposed to this bill.



J. K. Humphreys, Director
Division of Retirement and Benefits

4/8/87
Date



Commissioner Garrey Peska
Department of Administration

4/8/87
Date

DEPARTMENT OF ADMINISTRATION
DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR
JUNEAU, ALASKA 99811-0203
PHONE: (907)465-4460

2600 DENALI ST. SUITE 401
ANCHORAGE, ALASKA 99503
PHONE (907) 277-7504

STEVE COWPER, GOVERNOR

April 7 1987

The Honorable Fran Ulmer
Chairman
House State Affairs Committee
P.O. Box V
Juneau, AK 99811

Dear Madam Chair:

Re: House Bill 215

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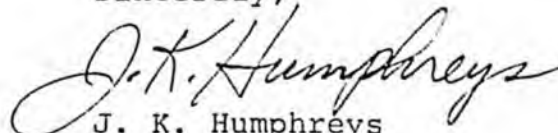
The Honorable Fran Ulmer

-2-

April 7, 1987

Although there will not be a significant adverse impact on the actuarial soundness of the PERS fund if the bill becomes law, the unfunded liability will increase by \$600,000.00 and the funding ratio will decrease by .05%.

Sincerely,



J. K. Humphreys
Director

JKH/RLS/n1

20/6D1/0406--02/1

cc: Commissioner Garrey Peska
Department of Administration

Fire Fighters Legislative Action Committee

P.O. Box 784 Barry L. Haight, Chairman Fairbanks, Alaska 99707

456-2030

April 6, 1987

Representative Fran Ulmer, Chairwoman
House State Affairs Committee
Post Office Box 'V'
Juneau, Alaska 99811

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It is interesting to note that in 1979, the department requested an opinion from the Attorney General regarding the 1977 statutory amendment to "compensation" under the PERS Act; the Attorney General, relying on rules of statutory construction, ruled that Workers' Compensation payments were included within the definition of "compensation". A month later, at the request of the department, a second opinion was issued without any legal citations. The Attorney General revised his opinion to state that the portion of an employee's salary paid through Workers' Compensation payments should not be included as "compensation". Thereafter, the department revised its policy. A Board of Review at a later date described this maneuver as a "self-serving rationalization".

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Thus, we have three classes of employees:

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Therefore, current law dictates that an employee injured on the job is penalized by having his retirement benefits reduced. The more severe the injury and the greater the length of time out of work, the greater the penalty.

The Fire Fighters Legislative Action Committee supports passage of House Bill 215 as a reasonable method of solving inequities of Workers' Compensation under the Public Employees Retirement System.

xc: Representative Niilo Koponen
Representative Mark Boyer

Alaska State Legislature

REPRESENTATIVE
MARK BOYER

HOUSE FINANCE COMMITTEE



House of Representatives

MEMORANDUM

FAIRBANKS

1098 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
(907) 456-6473

JUNEAU

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3466

TO: Representative Fran Ulmer, Chair
House State Affairs Committee
Committee Members

FROM: Representative Mark Boyer

SUBJECT: HB 215 - Credited Service under PERS/
Workers Compensation

DATE: April 6, 1987

Under current law, participants in the Public Employees Retirement System who are forced to take leave without pay due to on-the-job injury suffer a break in credited service which, upon retirement, reduces their benefit. This loss of credited service also negatively impacts date of eligibility for retirement, particularly for public safety employees eligible for the "twenty and out" provision. An employee electing to retire on the twentieth anniversary of date of hire who went on leave without pay while receiving workers compensation will be denied retirement until an additional period of time equal to that leave is worked.

Prior to 1979, certain periods of time lost due to job-related injury were considered credited service under PERS, if employees were receiving the portion of normal compensation not covered by workers compensation through sick or annual leave. When Payroll section verified an employee's service to the Division of Retirement and Benefits, Payroll reported no leave without pay for periods when the employee was on workers' compensation and was receiving payments from the state charged against leave. This practice was changed in 1979, when Retirement and Benefits directed Payroll to report periods of time attributed to workers' compensation, rather than to sick or annual leave, as leave without pay.

It is inherently unfair that public employees injured on the job should be doubly penalized by reduced income while on workers' compensation and reduced pension benefits due to loss of credited service upon retirement. HB 215 would remedy this situation by allowing employees to pay an amount equal to

their normal PERS contribution for time spent on leave without pay due to job-related injury or illness. Similar provisions are in statute allow credited service for military service, employment with a BIA school, and temporary service with the state. There will be minimal fiscal impact on public employers, since there is no cost other than the normal contribution which would have been made had the employee not been injured in the course of their employment.



4

Alaska Public
Employees Association **APEA**
State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

RECEIVED APR 8 1987

MEMORANDUM

TO: Representative Fran Ulmer, Chairperson
State Affairs Committee

FROM: Cherie Shelley *CS*
Executive Director

SUBJECT: HB 215 - Credited Service in PERS

DATE: April 6, 1987

The Alaska Public Employees Association urges the committee to recommend passage of House Bill 215. This legislation will correct an injustice suffered by employees with occupational illnesses or on-the-job injuries. HB 215 is an important addition to statutory rights and benefits guaranteed disabled workers.

This bill will allow employees to receive retirement credit for periods during which workers compensation benefits were being received. Employees would be required to pay the full amount of employee contributions for the period of disability. Employees would also be required to pay interest on the indebtedness beginning on the date the employee returns to work or terminates employment as prescribed by regulation. Retirement benefits would be actuarially reduced if there is an outstanding liability to the system at the time the employee is appointed to retirement.

This legislation conforms to a recent court decision which granted credited service under similar circumstances.

Employees disabled in the course of their employment or unable to work because of an occupational illness should not suffer the double injury of reduced retirement benefits. This legislation corrects this injustice

We urge the committee to act favorably on House Bill 215.

Fairbanks Field Office
825-D College Road
Fairbanks, AK 99701
Telephone: (907) 456-5412

Anchorage Field Office
833 Gambell Street, Suite A
Anchorage, AK 99501
Telephone: (907) 274-1688

Juneau Field Office
227 4th Street
Juneau, AK 99801
Telephone: (907) 586-6305