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**474**

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Administration  
 Title: An Act relating to estimated BRU: Finance  
benefit payments and penalties for\*  
 Sponsor: Senator Duncan Components: \_\_\_\_\_  
 Requestor: \_\_\_\_\_

\*delay in timely payments in the TRS/PERS systems.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	2,387.6	111.5	111.5	111.5	111.5	111.5
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	2,387.6	111.5	111.5	111.5	111.5	111.5
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	2,387.6	111.5	111.5	111.5	111.5	111.5
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	2,387.6	111.5	111.5	111.5	111.5	111.5

POSITIONS:

FULL-TIME	0	1	1	1	1	1
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached pages.

Prepared by: Keith Busch, Director *John Thomas* Phone: 465-2240  
 Division: Finance Date: 4/4/90  
 Approved by Commissioner: Frank S. Baxter *Frank S. Baxter* Date: 4/4/90  
 Agency: Department of Administration

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

CONTINUATION OF FISCAL NOTE ANALYSIS  
For SB 474

The bill provides for a payment of 75% of the estimated benefit to the retiree of the Teachers' Retirement System or the Public Employees' Retirement System. It also includes a penalty to the employer of \$100 per day. The payment of 75% of the estimated benefit and penalty begins 30 days after the first pay period benefits accrue. To receive payment the delay must be caused by failure of the employer to supply or verify employment information about the member.

The financial consequences of this legislation could be significant. During periods of normal retirement, employment verification is completed within 30 days for 80% of the applicants. Another 17% are completed within 60 days, with the remainder being difficult to research and normally completed within a 90 day period. Even though we have significantly streamlined the process for employees without breaks in service, many employees can take a number of hours of research.

Verification of employment involves a detailed analysis of employment history to determine length of service and any periods of leave without pay and breaks in service. Employment history records are only available in the form of microfiche and paper files, many of which must be retrieved from archives. Once the records are retrieved, the analysis must be performed. Frequently the information required is not readily apparent in the documentation available and must be calculated. Adding a full-time position to work on verifications would reduce the time required for processing as this task is presently normally performed by employees when they are not working on payroll.

Cost Analysis FY 92 - FY 96

One Accounting Technician II	\$ 39.0
Penalty Pay for 5% Retirees for 60 days	<u>72.5</u>
Total Estimated Cost	\$111.5

With the Retirement Incentive Program the number of retirees soar, and we can not process timely. Traditionally retirement incentive programs have been very popular with a high number of employees participating. This consequently creates a backlog in the verification process.

Presently the Division of Finance is estimating as many as 1,200 employees may retire under the proposed Retirement Incentive Program in FY 91. The division is budgeting four nonpermanent positions to work retirement verifications during this period with the possibility of adding an additional three positions if the program is expanded. During this time period, we estimate that retirement employment verification will be completed within 30 days for 25% of the applicants. Another 60% are completed within 60 days with the remainder being the most difficult to research and normally completed within a 90-day period. A few cases will exceed 90 days. To add any more positions to work on verifications during the RIP timeframe would not significantly reduce the time required for processing. Additional employees would be standing in line to use the resources and equipment available.

CONTINUATION OF FISCAL NOTE ANALYSIS  
For SB 474

A survey of the Social Security Administration and other western states indicate that the State of Alaska timeframe from application for retirement to receiving compensation is approximately the same amount of time. The survey also indicated that some respondents require that the applicant apply for benefits and prove eligibility well in advance of retirement.

There is another potential problem. If large groups of employees retire at the same time, either knowingly or unknowingly they create a workload beyond an employer's ability to respond. It may therefore, be necessary to overstaff the payroll section in order to be prepared for this eventuality.

The effect of a \$100 a day penalty to the State in 1991 for late retirement verifications is summed up in the following table.

	Verification Requests	Number of retiree verifications processed per period.				Verifications Processed Late
		Less than 30 Days (.25)	30 to 60 Days (.60)	60 to 90 Days (.10)	Over 90 Days (.05)	
JUL	50	12	30	5	3	38
AUG	60	15	36	6	3	45
SEP	150	37	90	15	8	113
OCT	300	75	180	30	15	225
NOV	550	137	330	55	28	413
DEC	50	12	30	5	3	38
JAN	20	5	12	2	1	15
FEB	20	5	12	2	1	15
MAR	20	5	12	2	1	15
APR	20	5	12	2	1	15
MAY	20	5	12	2	1	15
JUN	20	5	12	2	1	15
<b>Total</b>	<b><u>1,280</u></b>	<b><u>318</u></b>	<b><u>768</u></b>	<b><u>128</u></b>	<b><u>66</u></b>	<b><u>962</u></b>
Average number of days late			16	46	76	
Total application days late			12,288	5,888	5,700	
Cost at \$100 per day			<u>\$1,228.8</u>	<u>\$588.8</u>	<u>\$570.0</u>	
Total estimated penalty pay in FY 91				<u><u>\$2,387.6</u></u>		