

HB371

SENATE FINANCE COMMITTEE REPORT

DATE: 3/6/92

FURTHER:

DATE TURNED INTO OFFICE: 5-2-92

The Finance Committee considered CS FOR HOUSE BILL NO. 371 (FINANCE)

"An Act relating to a conditional benefit for certain seasonal employees in the public employees' retirement system."

and recommends:

- [ ] replace with CS (FINANCE)
or [ ] adopt previous CS
[ ] attaches amendment(s)

- [ ] same title
[ ] new title
[ ] technical title change (HB only)

[ ] adopts Letter of Intent

[ ] further referral to the

[ ] do pass

[ ] do not pass

[ ] no recommendation

[x] individual recommendations

NEW FISCAL NOTES: Dept/Date
[ ] zero fiscal notes AII/DOA 4-27-92 (w/new analysis)

PREVIOUS FISCAL NOTES: Dept/Date
[ ] zero fiscal notes

[ ] fiscal notes

[ ] fiscal notes

[ ] appropriation--no fiscal note

DO PASS:

Signatures of committee members under DO PASS.

OTHER RECOMMENDATIONS:

Signatures of committee members under OTHER RECOMMENDATIONS.

1. Co-Chair: Signature/Recommendation

2. Co-Chair: Signature/Recommendation

FISCAL NOTE

BILL NO. CSHB 371 (FIN)

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: 4/27/92  
Title: "An act relating to a conditional service benefit in the Public Employees Retirement System for seasonal Employees"  
Sponsor: Bover  
Requestor: Senate Finance Committee

Department Affected: ALL STATE  
BRU: ALL STATE  
Component: ALL STATE  
COMPONENT SERIAL NO. \_\_\_\_\_

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	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

Estimate of current year impact: \$0

ANALYSIS: (attach a separate page if necessary.) Since we estimate that number of members advantaged would be less than 100, the actuarial impact to the PERS contribution rate would be unmeasurable. We estimate that the PERS accrued liability would increase by \$450,000 upon passage of this bill.

Prepared By: Garv Bader  
Division: Retirement and Benefits

Phone: 465-4470  
Date: April 24, 1992

Approved by Commissioner: Nancy Bear Usher  
Agency: Department of Administration

Date: 4/27/92

CS FOR HOUSE BILL NO. 371 (FINANCE)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 2/28/92  
Referred: Rules

Sponsor(s): REPRESENTATIVES BOYER, B.Davis

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to a conditional benefit for certain seasonal employees in the public  
2 employees' retirement system."

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

4 \* Section 1. AS 39.35.385 is amended by adding a new subsection to read:

5 (g) Subject to AS 39.35.450, an employee is eligible for a normal retirement benefit at  
6 age 55 or an early retirement benefit at age 50 if the employee was first hired as an employee  
7 before July 1, 1986, and has made contributions to the system on a total of 9,750 hours worked  
8 as a seasonal employee. However, an employee may not receive credit towards the total for  
9 more than 1,950 hours in a calendar year. Subject to AS 39.35.450, an employee who was first  
10 hired on or after July 1, 1986, and is otherwise eligible under this subsection is eligible for a  
11 normal retirement benefit at age 60 or an early retirement benefit at age 55.

# Alaska State Legislature

REPRESENTATIVE  
**MARK BOYER**  
VICE-CHAIRMAN  
HOUSE FINANCE COMMITTEE



House of Representatives

FAIRBANKS  
SUITE 205  
119 NORTH CUSHMAN STREET  
FAIRBANKS, ALASKA 99701-2879  
(907) 456-6473

JUNEAU  
STATE CAPITOL  
JUNEAU, ALASKA 99801-1182  
(907) 465-3466

## MEMORANDUM

TO: Senator Pat Pourchot, Co-Chair  
Senator Jay Kerttula, Co-Chair

FROM: Rep. Mark Boyer *MB*

DATE: March 6, 1992

RE: HB 371, credited service for seasonal employees

I would like to request that HB 371 be scheduled for a hearing in the Senate Finance Committee. This bill is identical to SB 336 that is already in your committee.

Currently seasonal employees only receive PERS credit for a 7.5 hour work day even though they may have worked many more hours due to overtime. Subsequently, though they may work as many hours as a year-round employee, it can take them two to four times as long to qualify for a retirement benefit. The Finance version of HB 371 would allow these employees to receive credit in PERS for a conditional benefit based on the number of hours actually worked, not to exceed 1950 hours per year, the equivalent of a full year of service. The committee substitute does not provide for early or full vesting. Vesting would still only accrue to the employee based on days/years worked. The attached analysis describes the current system and how HB 371 proposes to change it.

HB 371 passed the House on Monday with a vote of 34 to three. It has a zero fiscal note from the Dept. of Administration.

Thank you.

FAIRBANKS 20B

March 6, 1992

## HB 371 Credited Service for Seasonal Employees

Currently, seasonal employees only receive PERS credit for a 7.5 hour work day even though they may have worked many more hours due to overtime. Subsequently, though they may work as many hours as a year-round employee, it can take them two to four times as long to qualify for a retirement benefit.

One of the examples of employees affected by this inequity is firefighters. Firefighters must work when forest fires exist and cannot go home when the clock strikes 5:00 p.m. (or 4:30 p.m.). Experienced firefighters can save the state millions of dollars in fire suppression costs. Yet our current system does not encourage these employees to return by allowing for a reasonable opportunity for retirement benefits.

Another type of seasonal employee affected is state construction inspectors. Inspectors work along side construction workers on highway projects, working the same long hours as the contractors' employees. Traditionally, construction workers earn their pension credits based on hours worked, assuring that they can qualify for retirement benefits in five years (on average). Yet the inspectors must work for 10 to 15 years, in many cases, before they can count on retirement benefits.

The Employee Retirement Income Security Act (ERISA), is our nations most comprehensive and far reaching law regarding pension plans. While the State of Alaska is not bound by ERISA, it influences the statutes and regulations for PERS. Under ERISA a pension plan must grant workers a full "year of service" when an employee has at least 1,000 hours of service in a year. In the case of seasonal industries, the Secretary of the Dept. of Labor may set an even lower standard than 1,000 hours.

According to statute, permanent part-time employees receive credited service on a pro rata basis. It follows that if we reduce credit for significantly less time worked, we should increase credit for significantly more time worked.

HB 371 would allow state seasonal employees to receive credit in PERS for a conditional benefit based on the number of hours actually worked, not to exceed 1950 hours per year, the equivalent of a full year of service. This is similar to the existing provisions allowing conditional benefits for legislative employees. The current version of the bill does not provide for early or full vesting. Full vesting would still only accrue to the employee based on days/years worked.

*1000 hours = 19.2 hours/week  
1950 hours = 37.5 hours/week*

# ALASKA STATE AFL-CIO

2501 Commercial Dr.  
Anchorage, Alaska 99501  
(907) 258-6284

819 1st Ave.  
Fairbanks, Alaska 99701  
(907) 456-2030



MANO FREY  
Executive President

GARY BROOKS  
Secretary / Treasurer

February 26, 1992

Mr. and Madame Chair, Members of the House Finance Committee:

We are writing to urge your support of House Bill 371, which would amend the Public Employees Retirement System to allow eligibility of hours worked for retirement credit for seasonal employees.

It goes without saying that the bill is important to the thousands of seasonal employees who work for the state, and it is equally important to those of us who represent them in the workplace. Many of these seasonal employees work during the summer months--fighting forest fires, ensuring that Alaska's fish and game stocks are not in jeopardy, and doing countless other jobs. Many of these jobs also require numerous hours of overtime so that, in the course of a season, the employee works nearly as many hours as a permanent full-time employee. Often, seasonal jobs are conducted under difficult, remote and physically demanding conditions. Occasionally, the conditions are extremely hazardous, such as fighting forest fires.

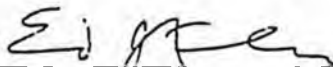
Presently, seasonal employees receive retirement credit on a monthly basis, regardless of the hours worked in that month. The average seasonal employee may put in eight months of service in terms of hours worked, but receives only five months of credit in the retirement system. Accordingly, it would take 12 years for the seasonal employee to be vested under PERS.

Passage of House Bill 371, sponsored by Rep. Mark Boyer, would allow this same employee to be PERS vested in 7.5 years. We believe this is a fair expectation for an employee devoting their career to serving the state and its citizens.

Seasonal positions tend to be the most abused in state service, and the employees are often mistakenly viewed as "disposable." Employees in this category are not guaranteed the length of their season and do not receive other benefits extended to year-round employees. Yet the state relies on the expertise and loyalty of these employees to protect the Alaska's resources. House Bill 371, if approved, would let these employees know their efforts are appreciated.

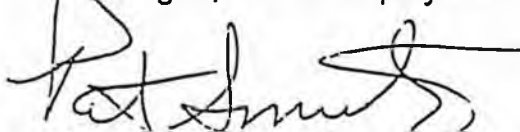
As you are probably aware, it is the norm in Alaska's private sector to provide retirement based on hours worked for seasonal trades employees. Within the state and private sectors, the harsh and dangerous nature of the work often means that such seasonal employees seldom last long enough to attain vestment. The end result is that employees devote 10-plus years of their lives to state service and have no retirement benefits despite having made contributions to PERS.

From our perspective, H.B. 371 is only asking that you give the state's seasonal employees a modicum of fairness with regard to retirement benefits. Accordingly, we respectfully ask your support of this much-needed legislation.



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Ed Flanagan, Public Employees Local 71, AFL-CIO



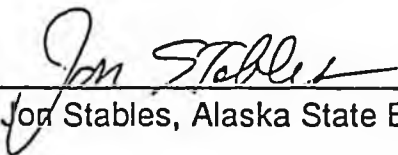
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Pat Smutz, Alaska State AFL-CIO



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Bruce Ludwig, Alaska Public Employees Assn./AFT, AFL-CIO



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Jon Stables, Alaska State Employees Assn./AFSCME, AFL-CIO

1460 Old Richardson Hwy.  
Fairbanks, Ak . 99705  
Jan. 25, 1992

HB 371

Post-It™ brand fax transmittal memo 7671		# of pages ▶ 1
To Senator Pourchot	From Michael McGowan	
Co.	Co.	
Dept.	Phone # 4747916	
Fax # 465 2069	Fax # 4747335	

Dear Representative Boyer:

I would like to express my support for HB371. This is probably the most important employment issue affecting turnover of seasonal fire fighters at State Forestry. This bill would go a long ways to recognize the important role served by the seasonal workforce within Alaska. It would create more incentive for workers to return each year rather than look for other jobs. This will help maintain a more stable workforce. The State will benefit through greater efficiency of experienced fire fighters and save unnecessary expense of training new recruits.

If you had a raging forest fire near your home, would you prefer to be protected by a workforce averaging fifteen fire seasons of experience or three fire seasons of experience? These people have to rapidly make decisions that can affect life safety of whole communities and obligate the State for millions of dollars. The Tok fire in 1990 cost over \$20 million. Has anybody even wondered how many fire seasons experience the Initial Attack Incident Commander had? You would probably insist on having an experienced surgeon do a heart bypass rather than an intern so why not use the same logic in hiring seasonal employees?

Most seasonal forestry technicians are funded for five months work per year. It takes about ten to twelve years just to get vested for retirement. Based on an average season of 500 hours of overtime, vestment would occur within eight or nine years with HB 371 in effect. This is a big deal to someone thinking of remaining with a seasonal job or looking elsewhere.

I have personally worked at State Forestry as a seasonal for eleven years and have accumulated aproximately eight years time in service. If my overtime had been included, I would have accumulated eleven years of time in service. If I continue to work another fifteen years without HB371, I will probably only have a total of sixteen years of service for retirement at age 55. HB 371 would boost that up to a total of twenty three years.

I would like to ask you to amend HB 371 to include a provision to allow seasonal employees to receive credited service for all overtime worked since their original date of hire. Let's stop treating the seasonal workforce in the State like they're a bunch of second class citizens. An hours service credit for every hour worked is only fair to those who go beyond the call of duty to serve the State.

Please feel free to contact me at 488-2096 (home) or 474-7916 (work) if you need any further information. Thanks for your support.

Sincerely,

*Michael G. McGowan*

Michael G. McGowan

REPRESENTATIVE MARK BOYER  
ALASKA STATE LEGISLATURE  
c/o HOUSE FINANCE COMMITTEE  
STATE CAPITOL  
JUNEAU, ALASKA 99801-1182

DEAR REPRESENTATIVE BOYER

THANK YOU FOR YOUR EFFORTS TO MAKE THE RETIREMENT SYSTEM  
EQUITABLE FOR SEASONAL EMPLOYEES OF THE STATE OF ALASKA.  
THE PRESENT METHOD OF SERVICE CREDIT HAS A NEGATIVE IMPACT  
ON A LIMITED, BUT IMPORTANT GROUP OF EMPLOYEES.

WITH AN AUSTERE ECONOMY THE PRACTICE OF EMPLOYMENT BASED ON  
NEED IS A PRUDENT METHOD OF MANAGING THE WORK FORCE. AS  
LONG AS WE RECOGNIZE THAT SOME FLEXIBILITY IS REQUIRED TO  
MEET OBJECTIVES WE CAN BE FRUGAL AND PROFESSIONAL MANAGERS.  
THE GOOD FAITH ADJUSTMENT TO THE RETIREMENT SYSTEM THAT IS  
PROPOSED IS A SIGNIFICANT GESTURE FOR THOSE WILLING TO SERVE  
AS SEASONAL EMPLOYEES.

DUE TO A VARIETY OF REASONS THERE ARE LIMITED OPPORTUNITIES  
FOR PEOPLE TO BE EMPLOYED FULL TIME IN MANY CAREER FIELDS.  
LIKE TOURISM, THE NATURAL RESOURCES, WILDLAND FIRE  
PROTECTION, AND OTHER GOVERNMENT SERVICES HAVE SOME BASIC  
STAFFING NEEDS AND THE REQUIREMENT FOR A LARGER CORE GROUP  
OF EDUCATED, TRAINED, AND EXPERIENCED PERSONNEL TO BE  
AVAILABLE SEASONALLY. WHEN NEEDED TEMPORARY HELP AUGMENTS  
THE BASIC ORGANIZATION. THE POINT IS THAT THE VALUE OF THE  
SEASONAL CORE GROUP IS OFTEN UNDER ESTIMATED.

DUE TO THE DANGEROUS NATURE OF THE WORK WILDLAND  
FIREFIGHTERS ARE REQUIRED BY NATIONAL STANDARDS TO MEET  
SPECIFIC LEVELS OF PHYSICAL FITNESS AND TRAINING BEFORE THEY  
CAN BE EMPLOYED. ENTRY LEVEL POSITIONS REQUIRE LESS THAN  
ONE WEEK OF TRAINING WHILE THOSE WHO SUPERVISE THOSE PEOPLE  
REQUIRE THREE ADDITIONAL WEEKS OF TRAINING AND THREE OR MORE  
YEARS OF EXPERIENCE. THE REQUIREMENTS FOR THE MORE COMPLEX  
SUPERVISORY AND MANAGEMENT POSITIONS ARE SIMILAR FOR  
PHYSICAL FITNESS AND VERY COMPLEX FOR EDUCATION AND  
TRAINING. ONE ONLY NEED TO REVIEW THE FIRE THAT OCCURRED IN  
TOK IN 1990 TO APPRECIATE THE LEVEL OF EXPERTISE NEEDED TO  
MOBILIZE, EMPLOY, MAINTAIN AND DEMOBILIZE THE WORK FORCE  
WHILE MEETING STRATEGIC AND TACTICAL OBJECTIVES. THE  
EXPENSE OF THE ACTIVITY ALONE DEMANDS EXCELLENT MANAGEMENT,  
ADMINISTRATION, AND SUPERVISION. SEASONAL EMPLOYEES ARE THE  
CORNERSTONE OF SUCH AN EMERGENCY RESPONSE.

WHEN EMERGENCIES EXCEED THE CAPACITY OF THE VERY LIMITED NUMBER OF SEASONAL EMPLOYEES, CREWS ARE EMPLOYED ON A TEMPORARY BASIS TO MEET THE NEED. IN ANTICIPATION OF THAT REQUIREMENT BOTH HERE IN ALASKA, AND OUTSIDE, MORE THAN 1200 PEOPLE ARE TRAINED AND ANNUALLY EVALUATED TO MEET PHYSICAL FITNESS STANDARDS FOR TEMPORARY HIRE. BECAUSE THEY ARE TRAINED TO WORK TOGETHER SAFELY THEY CAN BE ASSIGNED TO A QUALIFIED SUPERVISOR TO PERFORM A VARIETY OF EMERGENCY AND NON-EMERGENCY WORK. THIS SYSTEM HAS BEEN SUCCESSFULLY USED IN RESPONSE TO A NUMBER OF INCIDENTS IN THE PAST, e.g. WILDLAND FIRES, FLOODS, OIL SPILLS, ETC. AND WILL CONTINUE TO PROVIDE EXCELLENT SERVICE WHEN CALLED UPON IN THE FUTURE. A BENEFIT OF THIS METHOD IS THE FACT THAT SEVERAL MILLIONS OF DOLLARS ARE PAID ANNUALLY TO PEOPLE FROM RURAL VILLAGES THAT HAVE EXTREMELY LIMITED OPPORTUNITIES FOR EMPLOYMENT. THE KEY ELEMENT IN THE SUCCESSFUL EMPLOYMENT OF THESE CREWS IS THE SUPERVISION PROVIDED BY SEASONAL EMPLOYEES.

THE INVESTMENT IN TRAINING AND EXPERIENCE FOR SEASONAL EMPLOYEES HAS SOME FAR REACHING POSITIVE EFFECTS. WHEN VACANCIES OCCUR FOR FULL TIME EMPLOYEES THERE CAN BE A POOL OF HIGHLY QUALIFIED CANDIDATES TO COMPETE FOR A POSITION. WHEN INSTRUCTORS ARE NEEDED TO TRAIN OTHERS THE EXPERTISE IS AVAILABLE LOCALLY TO MEET THE NEED. WHEN NOT EMPLOYED AT THEIR SEASONAL JOBS SOME ARE ACTIVE OPERATING SMALL BUSINESSES, SUBSTITUTE TEACHING, WORKING WITH VOLUNTEER FIRE DEPARTMENTS, AND SERVING AS PART TIME FACULTY AT COLLEGES.

BECAUSE SEASONAL EMPLOYMENT WITH THE STATE IS THEIR PRIMARY VOCATION IT REPRESENTS A PROSPECT FOR RETIREMENT INCOME. IN THE PRESENT SYSTEM A PERSON MAY HAVE TO BE EMPLOYED FOR MORE THAN A DOZEN YEARS BEFORE THEY ARE ABLE TO MEET MINIMUM TIME IN SERVICE REQUIREMENTS. IT IS ALSO SIGNIFICANT THAT THE TIME WORKED IS NOT AN INVESTMENT IN SOCIAL SECURITY WHICH MAY BE THE ONLY OTHER OPTION FOR RETIREMENT. THE PROSPECT THAT OVERTIME WILL COUNT AS INCOME TO COMPUTE A RETIREMENT ANNUITY IS SIGNIFICANT ONLY IF A PERSON HAS A REASONABLE EXPECTATION OF GAINING ELIGIBILITY. THE EMPLOYEE IS ALREADY CONTRIBUTING TO THE SYSTEM FOR ALL WAGES EARNED. GIVING CREDIT IN THE SYSTEM FOR NOT MORE THAN 1950 HOURS PER YEAR WILL BE A SIGNIFICANT AND JUSTIFIED INCENTIVE FOR SEASONAL EMPLOYMENT.

THANK YOU AGAIN FOR YOUR EFFORTS IN THIS MATTER.



LOREN C. ROTROFF  
PO BOX 56763  
NORTH POLE, ALASKA 99705

FISCAL NOTE

No. 3

Bill Version: CSHB 371 (FIN)

(H) Publish Date: 2-28-92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: "An act relating to a conditional service benefit in the Public Employees Retirement System for seasonal Employees"  
 Sponsor: Boyer  
 Requestor: House Finance Committee

Department Affected: Administration  
 BRU: Retirement and Benefits  
 Component: Retirement and Benefits  
 COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE	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

Estimate of current year impact: \$0

ANALYSIS: (attach a separate page if necessary.)

Prepared By: Gary Bader *Gary M. Bader*  
 Division: Retirement and Benefits

Phone: 465-4470  
 Date: February 24, 1992

Approved by Commissioner: Nancy Bear Usara *Nancy Bear Usara*  
 Agency: Department of Administration

Date: 2/25/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).  
 Rev 11/91 Page 1 of 1