

AAM 270. COMPENSATION

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AAM 270.010 Workweek Defined

As provided in Personnel Rule [2 AAC 07.805](#), the standard workweek consists of the number of hours from Sunday midnight to Sunday midnight, with exceptions for holidays, applicable for the majority of

employees whose work hours are established pursuant to a collective bargaining agreement under [AS 23.40](#). The standard workweek consists of 37.5 hours in pay status (hours of work, paid leave, and paid holidays) for full-time employees in the classified and partially exempt services. Some collective bargaining agreements provide for workweek schedules that require 40 hours in pay status each week.

Alternate workweek schedules such as “week on, week off” or “alternating Fridays off” must be documented in labor union contracts, in a letter of agreement or understanding, or some other appropriate record.

AAM 270.020 Holiday Pay (07-09)

Holidays for most employees are enumerated in Personnel Rule [2 AAC 07.810](#):

New Year’s Day	the first of January
Martin Luther King Jr.’s Birthday	the third Monday of January
President’s Day	the third Monday in February
Seward’s Day	the last Monday in March
Memorial Day	the last Monday in May
Independence Day	the fourth of July
Labor Day	the first Monday in Sept.
Alaska Day	the eighteenth of October
Veterans Day	the eleventh of November
Thanksgiving Day	the fourth Thursday in Nov.
Christmas Day	the twenty-fifth of December

Every day designated by public proclamation by the President of the United States as a national holiday or by the governor of the State as a legal holiday.

The personnel rule further provides when a holiday falls on a Sunday, the following Monday is observed (a day off with pay) as the holiday. When a holiday falls on a Saturday, the preceding Friday is observed as a holiday. If all employees are directed to work on a day designated as a holiday, an additional day of personal or annual leave is credited to their leave accounts. All employees may not be directed to work on New Year’s Day, Independence Day, Labor Day, Thanksgiving Day, or Christmas Day.

General state policies related to holiday pay include:

Employees on leave-without-pay for the full day before or the full day following a holiday are on leave-without-pay for the holiday and not eligible for holiday pay, unless they actually work on the designated holiday. Employees who work on a designated holiday are in pay status

that day and are therefore eligible for holiday pay, in addition to the appropriate compensation for working that day. Refer to [AAM 270.030 Compensation for Hours Worked on a Holiday](#), for additional information.

Personal, sick, or annual leave is not charged for holidays falling within a period of paid leave.

Holidays are considered time in pay status for purposes of fulfilling workweek requirements.

Refer to collective bargaining agreements for additional holiday provisions for employees.

AAM 270.030 Compensation for Hours Worked on a Holiday

Compensation provisions for hours worked on a holiday by covered employees are established by collective bargaining agreements. Compensation for all other employees must be paid in compliance with personnel rules.

AAM 270.040 Overtime Authority

Overtime compensation policies are issued pursuant to Personnel Rule [2 AAC 07.390](#). The rule states that overtime eligibility and entitlements must be in accordance with the Fair Labor Standards Act (FLSA) unless provided for elsewhere in the regulations. The rule further states all hours worked by an overtime eligible employee in excess of 40 hours worked in a workweek are overtime and will be paid at the rate of one and one-half times the appropriate hourly rate of pay. Collective bargaining agreements further define overtime eligibility and entitlements. When there is a difference between a collective bargaining agreement and the FLSA, the more generous provision applies.

AAM 270.050 Overtime Eligibility (07-09)

Eligibility for overtime compensation is determined by the Fair Labor Standards Act of 1938, As Amended (FLSA).

Note: Some exceptions have been negotiated through the collective bargaining process.

The Department of Administration, Division of Personnel and Labor Relations, is responsible for final decisions on overtime eligibility. These determinations are based on the application of collective bargaining agreement provisions, the FLSA, and the regulations defining and

delimiting the exemptions for executive, administrative, professional, outside sales, and computer employees in Title 29, Part 541 of the Code of Federal Regulations (CFR). Most of the state's overtime exempt employees are ineligible based on the FLSA rules for exemption as executive, administrative, professional, or computer employees.

Under the general rule for executive employees the term "employed in a bona fide executive capacity" means an employee:

1. compensated on a salary basis at a rate not less than \$455 per week exclusive of board, lodging, or other facilities;
2. whose primary duty is management of the enterprise in which the employee is employed or of a customarily recognized department or subdivision thereof;
3. who customarily and regularly directs the work of two or more other employees; and
4. who has the authority to hire or fire other employees or whose suggestions and recommendations as to the hiring, firing, advancement, promotion, or any other change of status of other employees are given particular weight.

Under the general rule for administrative employees the term "employed in a bona fide administrative capacity" means an employee:

1. compensated on a salary basis at a rate not less than \$455 per week exclusive of board, lodging, or other facilities;
2. whose primary duty is the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; and
3. whose primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

Under the general rule for professional employees the term "employed in a bona fide professional capacity" means an employee:

1. compensated on a salary basis at a rate not less than \$455 per week exclusive of board, lodging, or other facilities; and
2. whose primary duty is the performance of work:
 - a. requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction; or

- b. requiring invention, imagination, originality or talent in a recognized field of artistic or creative endeavor.

Under the general rule for computer employees “computer systems analysts, computer programmers, software engineers, or other similarly skilled workers in the computer field are eligible for exemption as professionals under section 13(a)(1) and section 13(a)(17) of the Act, when such computer employee is:

1. compensated on a salary basis at a rate not less than \$455 per week exclusive of board, lodging, or other facilities; or
2. compensated on an hourly basis at a rate not less than \$27.63 an hour

And whose primary duty consists of:

1. the application of systems analysis techniques and procedures, including consulting with users, to determine hardware, software, or system functional specifications;
2. the design, development, documentation, analysis, creation, testing, or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications;
3. the design, documentation, testing, creation, or modification of computer programs related to machine operating systems; or
4. a combination of the aforementioned duties, the performance of which requires the same level of skills.

AAM 270.060 Authorizing Overtime
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Personnel Rule [2 AAC 07.390](#) provides for payment of overtime to employees. All overtime must be approved by the appointing authority in advance. No employee is permitted to work overtime without such advance authorization. Permission granted by the appointing authority must state specific reasons and times authorized for overtime. In cases where advanced authorization is impossible due to the nature of the employee’s work or work schedule, the appointing authority should specify in advance those circumstances in which employees or classes of employees may work overtime. In such cases, an overtime authorization or approval form may be signed by the appointing authority after overtime has been performed.

Overtime eligible employees working overtime without authorization may be disciplined for insubordination. Supervisors allowing such situations to occur may be disciplined for subjecting the State to potential financial liability.

Managers shall plan and schedule work to avoid or minimize overtime. Agency heads are responsible for developing management work schedules for their agencies that meet the objectives of this policy. Work schedules must comply with FLSA and collective bargaining agreements.

Overtime for employees is permitted when:

1. An emergency condition exists in which overtime work is necessary for the protection of life and property.
2. Cyclical peak workloads cannot be rescheduled or performed by available personnel during the regular workday or workweek.
3. Costs of transportation and travel to isolated projects substantially exceed the cost of paying overtime on a project.
4. It is essential to complete work necessary to meet seasonal or other deadlines established by a department head. The department head must first determine additional personnel cannot be recruited or the amount of work is insufficient to warrant separate recruitment.
5. Contractors working on construction projects are working in excess of the normal workday or workweek and engineers and/or inspectors who are eligible for overtime are required on the project.

AAM 270.070 Overtime Retroactivity

Overtime eligibility of a position may be changed from ineligible to eligible if an analysis of duties of the position or an oversight in the original overtime designation indicates the change is necessary. When a change in overtime eligibility for a position occurs, no retroactive payment will be made for overtime worked prior to the eligibility change. Employees who are not eligible for overtime compensation should be apprised of this policy before they work overtime.

AAM 270.080 Additional Straight Time (07-09)

Additional straight time for overtime eligible employees is paid at the annualized hourly rate. Some overtime eligible employees are paid the straight time rate for time worked between 7.5 and 8 hours in a workday, or for time worked between 37.5 and 40 hours in a workweek.

The Commissioner of Administration may authorize payment for additional hours worked to employees who are overtime exempt without affecting the salary basis of their pay. Payment is generally at the straight time rate when authorized by the commissioner unless another rate is specified in the commissioner's authorization. This may occur when a

large number of overtime exempt employees are assigned to assist with a natural disaster and such assignments require working unusually long hours to promptly and effectively deal with the situation. Refer to [AAM 270.100](#) Overtime Authorization - Commissioner of Administration.

AAM 270.090 Pyramiding of Overtime Hours

Pyramiding or duplication of overtime hours is not required by the FLSA and is not permitted unless specifically provided for in collective bargaining contracts. Hours paid at the overtime rate cannot be added to nonwork hours in pay status in the workweek for purposes of determining the number of overtime hours worked. For example, recall hours paid to an employee at the appropriate overtime rate may not be summed with other hours in pay status in the workweek for computing overtime hours worked in excess of the standard workweek hours.

AAM 270.100 Overtime Authorization - Commissioner of Administration

Employees occupying overtime exempt positions are not normally compensated for overtime. However, an agency head may petition the Commissioner of Administration to authorize overtime for overtime exempt employees in unusual situations. When requesting overtime authorization for overtime exempt employees, an agency head must provide clear and convincing evidence of the need to pay overtime based on application of the following standards:

1. Overtime payment will be approved when it can be shown the employee will be expected to work unusually long hours for an extended period, under conditions that cause significant inconvenience or undue hardship to the employee.
2. Hours will not be considered “unusually long” unless they exceed 50 per week. All employees who are exempt from the Fair Labor Standards Act (FLSA) are expected to work in excess of 37.5 hours per week periodically without additional compensation; therefore, overtime will not be paid for any hours worked up to 50 hours in a workweek.
3. Payment of overtime will normally be approved at the straight time rate for each hour worked between 50 and 72 per week. Productivity declines and threats to worker safety increase when an employee works too many hours. With a 72-hour cap on compensable overtime, managers are encouraged to plan their operations in a manner that reduces the need to work excessive hours.

4. "An extended period of time" means approximately a three-month period. Approval will be granted only for the period of time the overtime work is expected to continue.
5. "Significant inconvenience or undue hardship" means the work requires the employee to be away from home under conditions not foreseeable to management or within management's control. Examples of such conditions include emergency response efforts or fighting a fire.
6. Regular base pay for a workweek will be calculated on the basis of the employee's official pay scale and duty station.

For employees covered by a collective bargaining agreement, the decision of the Commissioner of Administration will be pursued through a letter of agreement.

AAM 270.110 Swing and Graveyard Shift Differentials (04-11)
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A shift is normally defined as hours worked by an employee that have not been interrupted by a period of four continuous hours during which the employee is not required to be at the work station. Eligibility for shift differential pay is determined by the time of day the shift begins.

Shift differential payments are provided for in several collective bargaining agreements and in [AS 39.27.025](#) for classified and partially exempt employees. There are two types of shift differential: swing and graveyard.

Swing Shift

A swing shift differential is paid to an employee when the employee's regular daily shift begins between 12:00 p.m. (noon) and 7:59 p.m. Refer to collective bargaining agreements for swing shift start times that vary from the statute and for the swing shift differential rate.

For an employee who is covered by statute, swing shift differential pay is calculated at one step above the employee's base salary rate for all compensable hours worked on a swing shift as follows:

$$(\text{annualized hourly rate} \times \# \text{ of hours reported} \times 3.75\%)$$

Graveyard Shift

Graveyard differential is paid to an employee whose regular assigned shift begins between 8:00 p.m. and 3:59 a.m. Refer to collective bargaining agreements for graveyard shift start times that vary from the statute and for the graveyard shift differential rate.

For an employee who is covered by statute, graveyard shift differential pay is calculated at two steps above the employee's base salary rate for all compensable hours worked on a graveyard shift as follows:

(annualized hourly rate x # of hours reported x 7.5%)

AAM 270.120 Overtime Pay and Shift Differentials (04-11)

An overtime eligible employee, who works a shift qualifying for shift differential pay and works overtime hours while on the shift, is eligible for overtime at the overtime rate with shift differential included for all hours of overtime. For employees covered by collective bargaining contracts, the calculation for overtime with a shift differential is defined in the payroll system earnings codes.

For employees covered by the statutes, overtime with shift differential must be calculated manually, entered as a flat amount, and computed as follows:

Swing Shift Overtime

(annualized hourly rate x # of hours reported x 3.75% x 1.5)

Graveyard Shift

(annualized hourly rate x # of hours reported x 7.5% x 1.5)

In general, an employee's overtime shift differential is determined by the time the employee's scheduled shift begins, not the hour of the day on which the overtime work commenced. Refer to the appropriate collective bargaining agreement for specific shift differential provisions.

AAM 270.130 Shift Differentials - Paid Leave and Holidays

An overtime eligible employee is paid a shift differential only for hours actually worked on a swing or graveyard shift. All hours of paid leave or paid holiday are paid at the employee's straight time pay period rate.

AAM 270.140 Premium Pay

Premium pay is compensation that is in addition to an employee's base salary or hourly rate. In addition to overtime and shift differentials, other types of premium pay include, but are not limited to, hazard, lead, on-call, recall, sea duty, and standby pay. Supervisors must be familiar with collective bargaining contract provisions addressing various types of

premium pay, inform employees when premium pay will be paid, and ensure the pay is preauthorized. Amounts for premium pay are set by collective bargaining agreements. The following are brief descriptions of some of the more common types of premium pay. Refer to collective bargaining agreements for definitions specific to the contracts.

Hazard Pay is provided in some collective bargaining agreements for employees who work under conditions considered dangerous. Some working conditions classified as hazardous include: working at heights of more than 25 feet above the ground on towers, bridgework, or antennae; handling explosives as designated by the employer; transportation by or working under helicopters; working from low-altitude, light, fixed-wing aircraft (except pilots); underwater diving; and direct involvement in the clearing of an avalanche from a roadway.

Lead Pay is provided in the Labor, Trades, and Crafts bargaining agreement to employees working in lead positions. Authorization to appoint an individual to a lead position is strictly the right and option of management. An employee may be authorized to act as a working leader while leading four or more employees working as a crew on the same shift. An employee may also be authorized as a nonworking foreman for eight or more employees acting as a crew on a shift in one area.

On-call Pay is similar to standby pay. The Labor, Trades, and Crafts bargaining contract provides on-call compensation to employees who are assigned to an on-call roster when directed to remain at home or report their whereabouts periodically and be available for immediate duty.

Recall Pay is provided in some collective bargaining contracts. Overtime eligible employees are eligible for recall pay when called back to work after their normal shift has been completed. To be classified as recall, the work must not have been scheduled in advance.

Sea Duty Pay is a premium paid to employees engaged aboard a vessel for a period longer than 24 hours (includes eating, sleeping, and working) while the vessel is away from the employee's port of engagement. The vessel will normally provide permanent and reasonable facilities including cabin, bunks, stove, cooking facilities, a marine sanitation device, and fresh water, for two or more individuals.

Standby Pay is provided in some collective bargaining contracts for employees who are directed to remain at home or periodically report their whereabouts and be available for immediate duty. To be eligible for standby pay, employees' names must be placed in standby status or on a standby roster.

AAM 270.150 Office Closures and Compensation (01-13)

State offices will be closed only at the direction of the Governor or the Governor's designee. No other state agency can independently make this determination. The Commissioner of the Department of Administration (DOA) shall be responsible for communicating decisions on office closures to the rest of state government, the media, and the public.

All state offices will be open during normal business hours unless closure is specifically directed by the Governor's Office or the DOA Commissioner for purposes of protecting the safety and health of employees and/or the public. The only exception to this policy is in the event of a state of emergency declared by properly-empowered authorities (e.g., police or fire officials). In such events, employees are to follow the direction of such authorities.

Inclement Weather

The DOA Commissioner's Office will monitor weather conditions and recommend when it is in the best interest of the State to declare an office closure, to delay the opening of state offices, or to allow for the staggered release of employees.

The DOA Commissioner's Office will confer with other state and local authorities to make an office closure recommendation. This normally includes one or more of the following; Alaska State Troopers, local police department, local school district, municipal officials, Court System, etc. "On-the-ground" weather observations that may require an office closure should be communicated through the chain of command to the DOA Commissioner.

A staggered release is not an official office closure, and every effort should be made to maintain service within normal office hours.

Uninhabitable Office Conditions

The DOA Commissioner, in addition to the Division of General Services, is to be notified of uninhabitable office conditions which may include but are not limited to:

- very low or very high office temperatures;
- excessive noise;
- lack of running water;
- lack of available restroom facilities, etc.
- other impacts from a natural disaster such as a earthquake, flood, volcanic eruption, etc.

The Governor's Office will determine when it is in the best interest of the state to declare an office closure. Prior to declaring any office closure due to uninhabitable office conditions, the expected duration of the condition will be considered in addition to the availability of an alternate worksite.

The Division of General Services will contact the owner of a leased facility to provide for necessary repairs; or work with the Department of Transportation and Public Facilities or directly make arrangements for repairs to state-owned facilities.

Employee Notification and Updates

Always work with your supervisor to stay informed about the status of any office closure. There are several ways you can get office closure information proactively:

- Check www.Alaska.gov for alert notifications and updates
- Use the DOA Office Closure Notification form to sign up for cell phone or email alerts at <http://doa.alaska.gov/OfficeClosureForm.html>
- On your home computer and with a person profile, sign up for the SOA Office Closure alerts on Facebook (<http://www.facebook.com/pages/State-of-Alaska-Office-Closures/130951437021823>) and/or Twitter (http://twitter.com/SOA_OfficeClose)
- Check the State of Alaska Notification Hotline at 877-326-5551

Returning to Duty

All employees who are normally scheduled to work are expected to be ready, willing and able to return to work upon direction to do so; immediate supervisors should maintain a list of contact numbers.

When a state office is closed, permanent full-time employees not on leave initiated prior to the closure will be compensated for scheduled work time. Leave slips will not be adjusted for employees already on leave.

AAM 270.160 Final Pay (07-04)

Final pay is pay due an employee for the partial or full pay period in which the employee separates. Agencies must adhere to time limits for disbursement of final pay to covered employees as set by collective bargaining contracts.

Monies owed to terminating employees must be offset with monies they owe the State. Prior to processing final pay for an employee, the employing agency is required to review the employee's file for outstanding debts such as travel advances, housing rents, moving expenses, education, training, workers' compensation overpayments, or overpayments from prior periods, or any unreported fringe benefits received such as the personal use of a state vehicle. All outstanding debts owed the state or fringe benefits received must be collected/reported from final and terminal leave pay.

AAM 270.170 Payments to Deceased Employee's Beneficiary

[AS 39.20.360](#) provides for disbursement of a deceased employee's unpaid compensation to the surviving person or persons the decedent designated as beneficiary. The beneficiary is entitled to unpaid compensation due the employee. Unpaid compensation is defined in [AS 39.20.400](#) as pay, salary, allowances, or other compensation due for services of the decedent to the State. Unpaid compensation includes wages owed to the decedent and payment for unused personal, annual, sick, compensatory, and donated leave. Additionally, [2 AAC 08.090 \(g\)](#) provides for payment of a decedent's unused banked sick leave to the beneficiary.

Monies owed to deceased employees must be offset with monies they owe the State. All outstanding debts owed the State must be collected from final and terminal leave pay prior to disbursing these funds to the beneficiary. Therefore, prior to processing final pay for a decedent, the employing agency is required to review the decedent's file for outstanding debts such as travel advances, housing rents, moving expenses, education, training, workers' compensation overpayments, and overpayments from prior periods.

When an employee dies, the human resources office of the decedent is responsible for:

1. Identifying the beneficiary by reviewing the Designation of Beneficiary for Unpaid Compensation, Form 02-200, in the decedent's payroll file in the Division of Finance.
2. Contacting the rightful beneficiary or guardian to:
 - a. Advising them of whom to contact in the Division of Retirement and Benefits for assistance concerning the decedent's benefits. The Division of Retirement and Benefits manages disposition of survivor benefits for various state benefit programs.
 - b. Obtaining a certified copy of the birth certificate as proof of age if the beneficiary is a child.

- c. Obtaining a proof of guardianship for a minor child when the beneficiary is a child.
 - d. Obtaining an IRS Form W-9 from the beneficiary and advise the beneficiary that, consistent with federal tax reporting requirements, federal taxes will not be withheld from the payment. Form W-9 provides the beneficiary's Social Security number that is necessary for proper accounting and reporting of payment to the beneficiary.
 - e. Obtaining a copy of the death certificate.
5. Preparing a payroll system online warrant request to initiate payment of unpaid wages and unused leave to the beneficiary. Contacting the Division of Finance to advise them of the employee's death and of the forthcoming online warrant request.
 6. Separating the employee in the payroll system, ensuring a payroll warrant will not be issued on the next regular pay run, and depending on when death occurred, requesting the Division of Finance to pull the warrant for the previous payroll.

When the Division of Finance receives an online warrant request for payment of a deceased employee's unpaid compensation, the division is responsible for:

1. Generating a zero net payroll warrant without withholding income taxes or increasing the beneficiary's base income. Employer and employee Medicare taxes and SBS contributions are withheld from compensation only when payment to the beneficiary is paid in the same calendar year in which the employee died.
7. Issuing a financial system warrant to the beneficiary for the net amount due.
8. Issuing a 1099-MISC to the beneficiary and reporting the information to the IRS at the end of the calendar year.

AAM 270.180 Pay in Lieu of Notice (04/10)
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An appointing authority may dismiss a permanent employee for just cause as provided in [2 AAC 07.415](#). The rule requires an agency to give two weeks notice prior to dismissal unless immediate dismissal is necessary because the employee's presence at the work site is not in the best interest of the State.

Most collective bargaining contracts provide for discharge without notice and without pay in lieu of notice when dismissal of a permanent employee

is due to egregious misconduct, such as gross disobedience, dishonesty, chemical abuse or alcoholic intoxication, physical misconduct, abusive or lewd behavior, aggressive physical assault, abandonment of duties, theft or willful destruction of state property, insubordination, excessive absenteeism, falsifying records, and other offenses so serious as to justify summary discharge.

Under most collective bargaining contracts, the appointing authority may dismiss a permanent employee for another just cause with two weeks notice or immediately with two weeks pay in lieu of notice. Where pay in lieu of notice is not provided, it is not a valid, legal obligation of the State and may not be paid.

When an employee is dismissed or resigns in lieu of dismissal or during pendency of investigation with two weeks pay in lieu of notice, compensation generally must be paid at the time of the action. Pay in lieu of notice compensation is a premium paid at the annualized hourly rate. Employer costs that apply to pay in lieu of notice compensation include:

1. Supplemental Benefits System (SBS) contributions.
2. Unemployment insurance, if the employee is eligible for unemployment benefits.
3. Workers' compensation.

Employer costs that do not apply to pay in lieu of notice compensation include:

1. Contributions to the Public Employees Retirement System (PERS) and Teachers' Retirement System (TRS). Under [AS 39.35.680 \(8\)](#) severance pay or other separation bonuses are not compensation eligible for PERS contributions. Pay in lieu of notice is synonymous with severance pay or separation bonuses in application and interpretation of the statute.
9. Terminal leave and leave cash-in. Additionally, leave will not accrue to the employee's account.
10. Health insurance for any months except the month that includes the employee's last day worked.

AAM 270.190 Terminal Leave Payment

An employee's unused balance of personal or annual leave is paid upon separation as provided in [AS 39.20.250](#), [2 AAC 08.110](#), and in collective bargaining contracts. Any monies owed an employee for unpaid compensatory time are also paid upon separation from state service.

Monies owed terminating employees must be offset with monies they owe the State. Prior to processing terminal leave for an employee, the employing agency is required to review the employee's file for outstanding debts such as travel advances, housing rents, moving expenses, education, training, workers' compensation overpayments, and overpayments from prior periods. All outstanding debts owed to the State must be collected from final and terminal leave pay.

[AS 39.20.200 \(b\)](#) provides for conversion of accrued personal leave to a cash value for noncovered employees and employees covered under a collective bargaining contract that provides for accrual and use of personal leave in accordance with statutory provisions. Leave is converted to a cash value by multiplying hours accrued by the employee's annualized hourly rate of pay at the time of accrual. As provided in [AS 39.20.250 \(a\)](#), terminal leave paid these employees will equal the cash value of their personal leave balances at the time of separation. For employees covered by a collective bargaining contract, refer to the appropriate agreement for specific terminal leave timing and payment provisions.

[AS 39.20.250](#) also provides that an employee receives full payment for terminal leave as a lump sum. Some collective bargaining contracts provide for terminal leave to be paid in installments over a period of time. Under Internal Revenue Service (IRS) constructive receipt regulations, the State is required to withhold income and Medicare taxes on the full sum of terminal leave compensation when an employee separates from state service regardless of the method of payment. Agencies must advise employees there is no tax benefit for deferring actual receipt of terminal leave payments to a future period.

AAM 270.200 Cancellation of Accrued Leave

When an employee separates before the employee's leave eligibility date, accrued leave balances are canceled without pay upon the employee's separation from state service. However, leave for floating holidays posted to an employee's leave account must be paid to the employee upon separation from state service regardless of the employee's eligibility to use leave.

AAM 270.210 Repayment of Terminal Leave

Repayment of terminal leave is not an option provided to noncovered employees. Some collective bargaining agreements may provide for a rehired employee to refund to the State an amount equal to the compensation covering the period between the date of reemployment and the terminal leave expiration date when the employee is reemployed before expiration of the period covered by terminal leave.

AAM 270.220 Workers' Compensation Benefits (06-19)

The Alaska Workers' Compensation Act (AWCA) [AS 23.30](#), determines eligibility, time periods, and the amount of wage indemnification (compensation) owed to any employee for compensable work time loss due to a job related injury or illness.

As a qualified self-insured employer, the state meets AWCA benefit obligations through the Division of Risk Management who contracts with an independent claims adjuster to arrange direct payment of compensation due under the law.

AWCA does not provide compensation for the initial three days of any disabling injury or illness. However, if the injury or illness results in disability of more than 28 days, compensation is owed from the date of disability.

Leave eligible employees are placed on sick or personal leave for an absence that is the result of a workers' compensation injury or illness. Additionally, family leave entitlements are invoked for those employees who meet the required thresholds. Refer to AAM 280.360 - Family Leave. Once a Report of Occupational Injury or Illness is filed, the employing agency must ensure the employee reports all hours of leave related to the injury or illness and clearly identifies the leave as 'workers' compensation' on the leave slip.

An employee retains all workers' compensation lost wage payments. The employee's use of accrued leave is proportionately offset by the amount of work time represented by such payments. The work time represented by the lost wage payment is considered workers' compensation leave-without-pay.

The DOF, Payroll Section, is responsible for processing all retroactive leave adjustments for workers' compensation claims for all employees except members of the Public Safety Employees Association (PSEA) as described in [AAM 270.230](#).

Group Health and Life coverage will continue as long as the employee provided portion of the health care premium is paid in full. Minimum leave balance requirements or number of leave cash-in restrictions will be waived for employees using leave cash-in to pay for the employee provided portion of the health care premium. For seasonal employees, health insurance coverage will only be continued for the regularly scheduled or budgeted season work months. The employer provided portion of health care benefits premium paid will cease the first day of the month after the:

1. Employee is inactive or terminates their employment with the State.
2. Employer administratively terminates the employee.
3. Employee's workers compensation has resolved to a point of being medically stable.
4. Employee becomes eligible for Occupational Disability.
5. Employee fails to pay for their portion of the health care premium.

AAM 270.230 Workers' Compensation for PSEA Members

Employees who are members of the Public Safety Employees Association (PSEA) are allowed to use up to 12 months of administrative leave to recover from an illness or injury contracted in the line of duty when such illness or injury is workers' compensation related. Compensation paid a PSEA employee while on administrative leave is in lieu of lost wage compensation paid by the State's workers' compensation insurance adjuster. All payments an employee receives from the workers' compensation insurance adjuster while on paid administrative leave must be signed over to the employee's agency human resources office.

The employing agency is responsible for depositing any lost wage compensation collected from employees in the State Treasury. A financial system agency receipt is processed to credit collection to personal services expenditure collocation codes from which the administrative leave compensation was paid. If an employee fails to turn over a workers' compensation check to the department, the payroll office must process a deduction to recover the amount of the benefit check from the employee's payroll warrant.

In the event an employee on administrative leave separates before lost wage compensation is fully collected, the department must establish an accounts receivable in the financial system for the amount owed the State. Refer to [AAM 330](#) Overpayments.

AAM 270.240 Pay Shortages

When an employee does not receive a payroll warrant, or believes the warrant is in error, it is the employee's responsibility to notify the human resources office of the error. The human resources office verifies the pay problem and prepares an online warrant or a payroll adjustment batch to correct the pay problem. An online warrant may be used to make payment

only if it is necessary to avert or minimize penalty pay, refer to [AAM 340 Online Warrants](#). When a pay problem does not qualify for penalty pay or can be paid on the next regular payroll run without incurring additional penalty pay, the human resources office prepares a payroll adjustment batch to process pay in the next payroll run.

The Division of Finance processes online warrant requests for pay shortages within two days of receipt. Online warrant requests for pay shortages that can be processed with the next regular pay run and within the time limits specified in collective bargaining agreements are returned to the agency.

AAM 270.250 Penalty Pay

Several collective bargaining contracts provide for penalty pay when employees do not receive their regular payroll warrants or final pay in a timely manner. When a penalty pay liability is incurred, the cost of the liability is charged to the employing agency's budget. Penalty pay compensation is processed in an adjustment batch on the next regular payroll run.

AAM 270.260 Compensation While on Court Leave

A full-time permanent, nonpermanent, or temporary employee who is summoned to jury duty or subpoenaed as a witness is not entitled to payment from the court system for days the employee is normally scheduled to work. Employees are entitled to full salary while on court leave provided they turn over to the State all fees received for performance of court duty on their scheduled workdays as provided for in [AS 39.20.270](#). Some collective bargaining agreements provide paid leave to part-time employees who are on court leave. Reimbursements to an employee for travel expenses, parking, and fees for days the employee is not scheduled to work may be retained by the employee.

When an employee in a leave-accruing position retains jury duty fees to which they are not entitled, the employer must process a leave adjustment against the employee's personal or annual leave balance for the period of absence. When an employee in a nonleave accruing position, such as a short-term nonpermanent or temporary employee, retains jury duty fees to which they are not entitled, the employer must reduce the employee's administrative leave for the period of absence.

Employees who are not eligible for pay while on court leave may retain all payments received from the court. Refer to [AAM 280.290 Court Leave](#), for additional information.

AAM 270.270 Missing Persons

When an employee is missing, the employee's human resources office must place the employee in inactive status in the payroll system. The employee remains in inactive status until officially presumed dead or the employee returns to work.

A relative of the employee may file a declaration of death action as provided in [AS 09.55.020](#) when evidence clearly and convincingly indicates the employee is dead. A magistrate or judge enters an order and issues a Presumptive Death Certificate stating an approximate date of death.

The human resources office processes a transaction to separate the employee upon receiving notification of presumptive death. The human resources office then follows policy and procedures for paying the employee's unpaid compensation to the designated beneficiary.

AAM 270.280 Compensation Paid to Members of Boards and Commissions (01-09)

Some boards and commissions pay members a stipend for attending meetings or performing other work related to the appointment. The Internal Revenue Service requires taxing such compensation the same as compensation paid to employees. To meet this requirement, members of boards and commissions that are paid compensation will be added to the statewide payroll system and all their compensation and travel reimbursements will be paid through the payroll system.

Members of boards and commissions may be paid nontaxable travel reimbursements in accordance with state policies through the accounting system. However, taxable travel reimbursements to board and commission members, as described in [AAM 320.100](#), should be paid through the payroll system and reported on a W-2.