BEFORE THE ALASKA OFFICE OF ADMINISTRATIVE HEARINGS

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In the Matter of

S. N.

OAH No. 19-0823-TRS Agency No. 2019-049

DECISION AFTER PROPOSAL FOR ACTION

I. Introduction

S. N. retired as a member of the Teachers' Retirement System (TRS) with over 250 days of accrued unused sick leave. By statute, he was entitled to receive TRS service credit for his unused leave if the Division of Retirement and Benefits (Division) received his completed, verified application within twelve months of his retirement. The application required S. N.'s last employer, the University of Alaska (University or UA_), to confirm and convey his unused sick leave balance to the Division.

S. N. provided the relevant *Claim and Verification of Unused Sick Leave Credit* form to UA_'s human resources department, as required by the Division's procedure. UA_ assured him that it would complete and submit the form to the Division on his behalf, as it routinely did for retiring faculty. Almost two years after his effective retirement date, S. N. learned the Division had never received his completed form. He then submitted a new form through the University, which the Division denied as untimely.

On appeal, the parties agree the Division did not receive S. N.'s completed application for unused sick leave credit within one year of his date of retirement. S. N. argues that, under the circumstances, fairness requires the Division to be equitably estopped from denying his application for unused sick leave credit. He asserts that to do otherwise would result in the Division becoming unjustly enriched.

This decision concludes that the Division cannot accept the late-filed application. It has no authority to waive the statutory one-year deadline, and S. N. did not show that the doctrines of equitable estoppel or unjust enrichment require a different result. Although he reasonably relied on UA_'s assurance that it would submit the form on his behalf, the University's conduct cannot be attributed to the Division, and the Division's own conduct does not support S. N.'s equitable theories. Consequently, neither estoppel nor unjust enrichment apply in this matter. The Division's decision is therefore affirmed.

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II. Facts

The Department of Administration is the administrator of the TRS,¹ which is managed by the Division for the benefit of participating teachers employed in public schools in Alaska.² Upon retiring, an eligible TRS participant may ask that unused, accrued sick leave be counted towards the time of service, thereby increasing the person's TRS retirement benefits.³

S. N. was a professor of x at UA_ for x years before a cancer diagnosis in 2014 precipitated his decision to retire. In December 2016 he met with the University human resources department and obtained an application to claim TRS retirement benefits. Included was a *Claim and Verification of Unused Sick Leave Credit* form (USL form) which solicited information from both the employer and the applicant. S. N. completed his portion of the USL form and handed it to a UA_ Benefits and Retirement specialist to complete the section requiring the certification of the unused sick leave balance by the employer. He was assured by the specialist that the University would provide the Division with the completed and certified form, but he was also cautioned that it could take up to two years for his benefits to reflect the credit for the unused leave.⁴ Additionally, he was aware that UA_'s calculation of his USL balance could not be completed until his final paycheck from his faculty position had been issued.⁵

S. N. returned home to complete the rest of the retirement application. Included was a section entitled "Unused Sick Leave," and he checked the appropriate box expressing that he planned to claim unused sick leave and apply it towards his TRS monthly benefit.⁶ He also acknowledged with a check mark that he had one year to claim the unused sick leave and return the separate *USL* form to the Division no later than one year after the date of his retirement.⁷ The TRS retirement application instruction booklet that is typically provided to applicants with the retirement application forms⁸ addressed unused sick leave credit, stating:

It is your responsibility to ensure your employer completes the [USL] form and submits it to the Division within one year of your retirement date. Alaska Statute

¹ AS 14.25.003.

² AS 14.25.001, .004.

³ See AS 14.25.115; 4 AAC 15.040(a)(5).

⁴ S. N. testimony. This is an exaggerated projection – as S. N. had an estimated 268 days of leave accrued, under TRS pension guidelines the increase in his benefits would have appeared about nine months after retirement. Bonnett testimony; *see* Exh. 1, p. 79. It is noted that the Division's counsel seemed to take the position during questioning of S. N. that the increase would have appeared about 1.7 years after retirement.

⁵ S. N. testimony.

⁶ Exh. 1, p. 51.

⁷ Id. \mathbb{R}^{1}

The Division asserts that the instruction booklet is provided to all applicants; S. N. denies ever receiving it.

prohibits the crediting of unused sick leave claims received more than one year after your retirement date.⁹

Shortly thereafter, S. N. submitted his completed retirement benefits forms in person to a representative at a TRS field office in Anchorage.

On January 1, 2017, S. N., honored as a professor emeritus, was appointed to retirement status.

On January 13, 2017, the Division sent S. N. a letter informing him that his application had been received, and that he would be contacted if more information was needed.¹⁰ The Division asserts that on February 14, 2017 it sent S. N. another letter advising him that his completed USL form had not yet been received.¹¹ The Division claims it mailed the second letter to the same post office address as the prior letter, and this claim was supported by testimony describing its procedures in processing retirement applications; S. N., however, denies receiving the letter.¹²

In the months following his appointment to retirement S. N. had several conversations with Division representatives about his TRS benefits and no mention was made of a missing unused leave form. During this same timeframe, Division employees had several contracts with UA staff to confirm details of S. N.'s salary information.

Relying on the UA_ specialist's assurances that the claim form would be submitted by the University, S. N. did not inquire about the status of his application until about two years later, in December 2018 or early January 2019.¹³ It was then that he learned for the first time that the Division had never received his completed USL form from the University.

S. N. immediately contacted the University to inquire about the missing claim form. Despite a thorough search the form was never located; the parties agree that S. N.'s USL form was not properly submitted by UA_ to the Division within one year of his retirement. Presumably the UA_ Benefits and Retirement specialist lost or misplaced the USL claim form that S. N. had filled out and submitted in December 2016. S. N. promptly submitted a new *Claim and Verification of Unused Sick Leave Credit* form which the University certified and

⁹ Exh. 1, p. 67.

¹⁰ Exh. 1, p. 49.

¹¹ Exh. 1, pp. 46-47; Exh. B.

¹² The Division produced copies of the second letter in this appeal, but S. N. disputed whether it was established that the letter had actually been mailed to him. He also acknowledged in his testimony that even had he received the second letter he likely would have taken no action, as he believed at the time, based on what he had been told by UA_, that it would take about two years for his benefits to reflect his additional sick leave credit. ¹³ S. N. testimony.

provided to the Division on January 16, 2019, along with a letter acknowledging that the failure to timely submit the claim form was due to an oversight by UA_'s own human resources department.¹⁴

On January 25, 2019, the Division sent S. N. a letter rejecting his USL form as untimely, as it was submitted well after the deadline of one year after appointment to retirement status. After exhausting his appeal rights within the Division, S. N.'s appeal was referred to the Office of Administrative Hearings for a formal hearing.¹⁵

The hearing took place on August 18, 2020. S. N. was represented by attorneys William Ingaldson and Michael Branson. The Division was represented by Assistant Attorney General Javier Diaz. Witnesses included S. N., Division employees Dawn Bonnett and Larry Davis, and Legislative Assistant George Ascott. Submitted documents were admitted to the record, with the exception of late proffered emails by S. N. The record closed on August 18, 2020.

III. Discussion

S. N. retired from the University in January 2017 intending that the unused sick leave he had accrued over his x year career would be applied towards his TRS retirement benefits. When he learned that the University had failed to submit his December 2016 USL form to the Division, he submitted a duplicate copy to the Division in 2019, which rejected it as untimely. In this appeal, S. N. argues that the Division should accept his late-filed claim form based on theories of equitable estoppel and unjust enrichment.

A. S. N. did not meet the statutory one-year application requirement

To obtain TRS service credit for unused sick leave, AS 14.25.115(a) sets a clear application deadline, stating "a teacher must apply to the administrator no later than one year after appointment to retirement." Subject to the one-year deadline (among other requirements), unused sick leave credit benefits accrue from the first day of the month after all of the following are satisfied:

- (1) the teacher meets the eligibility requirements set out in AS 14.25.115;
- (2) the teacher's written application for unused sick leave credit is received and verified by the administrator; and
- (3) a period of time has elapsed since the date of appointment to retirement equal to the amount of verified unused sick leave.¹⁶

¹⁴ Exh. 1, p. 31.

¹⁵ Exh. 1, p. 1.

¹⁶ AS 14.25.115(c).

Like the statute, Division regulations also specify that a TRS member must apply "to the administrator" for the USL service credit.¹⁷ The regulations require that the application include a certified statement from the teacher's last employer, verifying the USL balance at retirement.¹⁸

Division regulations distinguish between documents submitted to a teacher's employer and documents submitted to the Division (or TRS administrator). They expressly provide that submissions filed with an employer are not deemed filed with the Division.¹⁹ Rather, a valid filing with the Division or TRS administrator is effected only if and when the employer forwards the submission to the Division or Commissioner of Administration, as appropriate.²⁰

In this case, S. N. did not validly file his USL application when he left it with the University human resources employee. And there is no dispute that the Division never received his December 2016 *Claim and Verification of Unused Sick Leave Credit*. The subsequent claim form he submitted in 2019 was filed more than two years after his appointment to retirement. Under the plain language of AS 14.25.115(a), the application was not timely received, and S. N. therefore was not eligible for TRS service credit based on unused sick leave.

B. Doctrine of equitable estoppel

There are no statutory exceptions to the one-year filing deadline. However, the Alaska Supreme Court has held that the doctrine of equitable estoppel can prevent the Division from rejecting a late-filed application under certain circumstances.²¹ In *Crum v. Stalnaker*, the Court stated that equitable estoppel can apply against the government and in favor of a private party if four elements are present:

- (1) the governmental body asserts a position by conduct or words;
- (2) the private party acts in reasonable reliance on the assertion;
- (3) the private party suffers prejudice; and
- (4) estoppel serves the interest of justice so as to limit public injury.²²

As the appealing party, S. N. bears the burden of making this showing by a preponderance of the evidence.²³ His primary argument is that the Division should be estopped in this case, because it informed him in its January 13, 2017 letter that he would be contacted

¹⁷ 2 AAC 36.290(a).

¹⁸ 2 AAC 36.290(a), (c).

¹⁹ 2 AAC 36.092(b).

Id.

²¹ *Crum v. Stalnaker*, 936 P.2d 1254, 1256 (Alaska 1997).

²² *Crum*, 936 P.2d at 1256.

²³ 2 AAC 64.290(e).

"should any additional information be required," yet the Division never followed up to tell him that his USL form had not been received.

Despite the unfortunate facts of this case, S. N. does not satisfy the requirements of estoppel against the Division.

1. <u>First element of estoppel – the Division asserted a position</u>

The first question under the *Crum* analysis is whether the Division asserted a position by conduct or words. As clarified by other cases, "conduct" can include a failure to act, if the Division had a duty to respond, and "words" can include silence, if the Division had a duty to speak.²⁴ In *Crum*, for instance, the Division asserted a position by failing to provide Mr. Crum with a form for claiming unused sick leave, despite its obligation to do so under its own regulations and policy. The Division's confusing informational materials also incorrectly suggested that the employer, rather than the employee, bore the ultimate responsibility of completing and filing the necessary forms.²⁵

In this case, S. N. agrees that he was provided with the appropriate TRS retirement forms, which included a section entitled "Unused Sick Leave." S. N. checked the box acknowledging that he understood that he had to return the completed *Claim and Verification of Unused Sick Leave Credit* form to the Division no later than one year after the date of his retirement. The TRS retirement application instruction booklet he was provided with his retirement application forms reiterated that it was <u>his responsibility</u> to ensure that his employer completed the [claim] form and submitted it to the Division within one year of his retirement date. Numerous times S. N. was reminded of his obligation to ensure that the Division received the unused sick leave form within the statutory time limits.

Notwithstanding the above facts, S. N. argues that the Division should be estopped from denying his USL claim because it promised him he would be contacted if additional information was needed, and it then failed to follow up to tell him his USL form had not been received. In essence he argues that the Division's actions here satisfy the first element of estoppel, because through its silence or inaction it took the position that he needed to do nothing further to obtain USL credit unless it informed him otherwise, which ultimately it failed to do. S. N.'s testimony that he never received the Division's February 14, 2017 letter was credible; thus the Division has a

²⁴ *Crum*, 936 P.2d at 1256; *In re L.R.H.*, OAH No. 12-0094-TRS (Office of Administrative Hearings 2012).

duty to assist retirees in understanding and maximizing their retirement benefits, which in this case meant communicating effectively with S. N. about his deficient application, yet it effectively remained silent. Along with never receiving the Division's second letter, no one advised him of the missing USL form during the multiple conversations he had with the Division following his retirement. The Division also did not mention the missing USL form when it contacted the University several times for salary information while processing his retirement paperwork. All of these facts and circumstances viewed together meet the first element of the *Crum* estoppel requirements: the Division asserted a position by words or conduct.

 Second element of estoppel – S. N. did not rely on the Division's assertion The second pertinent question is whether S. N. acted in reasonable reliance on the Division's assertion. In *Crum*, the Court held that the teacher's failure to timely apply for USL credit was done in reasonable reliance on the Division's failure to provide him a USL claim form and poorly written instructions to retirees on the USL claim process.²⁶

Another previous case involving unused sick leave credit, *In re L.R.H.*, is also instructive on the reasonable reliance issue.²⁷ The administrative law judge (ALJ) in that case first confirmed that the Division had asserted a position through its silence; a Division retirement counselor had informed the teacher he had nothing more to do to complete the retirement process, without even addressing the topic of unused sick leave. The teacher then did not submit a timely application for USL credit. The ALJ found that the teacher's failure to apply was done in reliance on the Division's advice, and his reliance was reasonable, in light of the following: the timing and purpose of the counselor's meeting with the teacher; the counselor's expertise and role in the retirement process; the teacher's direct questions seeking guidance on remaining steps; the counselor's statement that the process was complete; and the counselor's created an obligation to speak.²⁸

S. N.'s situation, however, is clearly distinguishable from that presented in *In re L.R.H.* S. N. admitted that he knew that if the University failed to turn in his USL form, he would not receive USL credit; notwithstanding that knowledge, he also admitted that even had he received the Division's February 2017 letter advising him of his missing leave form, he would not have

Id.

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²⁷ In re L.R.H., OAH No. 12-0094-TRS (Office of Administrative Hearings 2012); compare In re R.D.C., OAH No. 09-0682-TRS (Office of Administrative Hearings 2010).

²⁸ In re L.R.H., OAH No. 12-0094-TRS (Office of Administrative Hearings 2012).

taken action because the University employee told him that it could take two years for the benefit to be reflected in his monthly pension.²⁹ It was in reliance on this advice <u>from the University</u> that S. N. took no action to ensure that his USL form was timely submitted.

S. N. does not point to any conduct <u>by the Division</u> (or a governmental body in privity with the Division) either before he retired or within twelve months of retiring that confused him about the status of his application, led him to believe the overall process was complete, or caused him to actually refrain from taking action. Rather, he points to conduct <u>by</u> his former employer, the University, which erroneously informed him of how long it would take for his increased benefits to appear in his pension payment and erroneously assured him that it would submit his verified application to the Division. S. N.'s harm flows directly from the employer's errors and failure to fulfill its promise.

Though the University and the Division are both public entities, there are important differences in their respective authorities. Most significantly, as TRS administrator, the Division has no oversight or control over the conduct or assertions of University employees. There is no privity between S. N.'s former employer and the Division.³⁰ Therefore, the Division cannot be held accountable for the miscommunication between S. N. and the University employee. Stated differently, the University's conduct cannot be attributed to the Division, and the Division is simply not responsible for the University's misstatements or errors.³¹

For these reasons, the facts of S. N.'s case are distinguishable from those in *Crum*. This case bears more similarity to the conduct at issue in *In re R.D.C.*, a case in which the Division was not estopped to deny a teacher's late-filed USL application.³² There, the retiring teacher argued that he submitted his USL form to his school district's payroll contractor, who then failed to forward the verified form to the Division within the time allowed. The Division notified the teacher by letter that it had not received the form. The teacher then called the payroll contractor, who assured him it had faxed in the form and the matter would be taken care of. The teacher,

²⁹ S. N. also testified that the February letter would not have alerted him to inquire of UA_ because he knew that it would take at least a month after retirement for UA_ payroll to generate his final USL numbers and convey them to UA_.

³⁰ See Holmberg v. State, Div. of Risk Management, 796 P.2d 823, 827-28 (Alaska 1990); Palmer v. Municipality of Anchorage, 65 P.3d 832 (Alaska 2003); see also In re R.S., Teacher's Retirement Board Decision 02-04 (June 3, 2002).

³¹ Nothing in the record suggests that the Division caused S. N. to believe the University was the Division's agent. *See In re F.D.*, OAH No. 17-1040-TRS (Office of Administrative Hearings 2018) (denial of late-filed claim for USL credit affirmed where failure to timely file arose from errors by employer's contractor which could not be attributed to the Division).

³² In re R.D.C., OAH No. 09-0682-TRS (Office of Administrative Hearings 2010).

however, did not verify the contractor's performance with the Division. The teacher did not contend that the Division misled him in any way; he argued instead that he should not be penalized for the lack of communication between the Division and the school district to ensure the form was received. The *In re R.D.C.* decision found that, even assuming the Division had implied that it was sufficient to submit the form to the employer, the teacher could no longer reasonably rely on that implied representation after the Division's letter specifically notified him the USL application had not been received.³³ This result is analogous to S. N.'s situation, where it was UA_'s conduct and promises that he relied upon, rather than a position taken by the Division.

Like the teacher in *In re R.D.C.*, S. N. argues that the process for claiming unused sick leave credit is flawed, and that the Division shares responsibility for the miscommunication in his case. He asserts that it is not fair or reasonable to expect employees to "bird-dog" their employers, over whom they have no dominion or control, to process a leave form that ultimately the employee is responsible for ensuring is timely submitted to the Division. He does not argue, however, that the existing process is inadequate to fulfill the Division's obligations under AS 14.25.115, however, or that the Division's procedure is inconsistent with statutory and regulatory requirements. Therefore, even if the Division could adopt a different process, nothing in the record suggests it is required to do so.

Because S. N. did not establish that he reasonably relied on the Division's assertion of a position, his estoppel argument in this matter fails.³⁴

C. Unjust enrichment

S. N. argues that although his USL claim form was not timely submitted to the Division, he should still be granted the credit on equitable grounds, as otherwise the Division would be unjustly enriched by withholding the increase in his benefits. S. N., however, offers no precedent for the application of the equitable remedy of unjust enrichment in an administrative matter, or even a factual basis for the argument.³⁵

In *Alaska Sales and Service, Inc. v. Millet*, the Alaska Supreme Court identified the following three elements of a claim for unjust enrichment:

³³ Id.

³⁴ For the record, if S. N. were able to show reasonable reliance and meet *Crum's* second element of estoppel, he would likely meet the other elements as well: the harm he suffered in the form of lost pension benefits clearly constitutes prejudice sufficient to meet the third element; and his receipt of those benefits would probably be found to serve the interests of justice, meeting the fourth element.

³⁵ See generally, George v. Custer, 862 P.2d 176, 180-181 (Alaska 1997).

- 1. A benefit conferred upon the defendant by the plaintiff;
- 2. Appreciation by the defendant of such a benefit; and
- 3. Acceptance and retention by the defendant of such benefit under such circumstances that it would be inequitable for him to retain it without paying the value thereof.³⁶]

S. N. did not take any action to confer a benefit upon the Division that the Division "accepted." First, it was S. N.'s *inaction* (and the University's errors) that resulted in his failing to appropriately claim his unused sick leave for his own financial benefit. Second, any alleged benefit was not conferred upon the Division, it was conferred on the pension fund that the Division administers. More importantly, however, the key factor in the unjust enrichment analysis is whether it would be <u>inequitable</u> to not require the TRS to disgorge any benefit conferred upon it due to S. N.'s unclaimed USL benefits. The answer to that question is <u>no</u>; in the absence of any wrongdoing by the Division on which S. N. relied in not claiming those benefits, the unjust enrichment remedy is simply inapplicable. The TRS pension fund cannot fairly be required to pay over benefits that were conferred upon it as a result of errors of a third party. Such a result clearly would not be equitable.³⁷

Based on the foregoing, the Division does not owe S. N. restitution based on a claim for unjust enrichment.

IV. S. N.'s Proposal for Action

Under the administrative appeal process that applies to teachers' retirement appeals, after receiving the initial proposed decision from the Administrative Law Judge, a party may file a "proposal for action" (PFA).³⁸ The process allows the party to address issues with the proposed decision before the decision is adopted by the final decisionmaker. On December 28, 2020, S. N. filed a PFA contending that most aspects of the proposed decision are erroneous.

S. N.'s PFA takes issue with several of the factual findings in the proposed decision. One finding at page 2 regarding the TRS retirement application instruction booklet has been amended to conform to the evidence, as contemplated by AS 44.64.060(e)(4). S. N. also contends that the finding on page 3 that UA_ had not timely submitted his USL form to the Division is incorrect, because he apparently believes it more likely that UA_ submitted the form and the Division

³⁶ *George v. Custer*, 862 P.2d 176, 180-181.

³⁷ Such a holding would be untenable for another reason: because the TRS pension program apparently is based on predictability of its benefit obligations, to order disgorgement under the present circumstances could compromise the Division's ability to promote actuarial certainty of pension fund liabilities and avoid unfunded liabilities, and thus could force the Division to maintain larger reserves. *See In re R.D.C.*, OAH No. 09-0682-TRS (Office of Administrative Hearings 2010).

³⁸ AS 44.64.060(e).

misplaced it. This contention, however, is entirely speculative, and fails to acknowledge UA_'s admission that "the form was misplaced [at UA_] and never sent to Juneau" due to an oversight by UA 's human resources department.³⁹

S. N. also takes issue with language in the proposed decision at page 3 regarding the Division's mailing of its February 14, 2017 letter to him. The language in question has been amended to address S. N.'s concerns.

The balance of S. N.'s PFA reiterates and recasts arguments that he made during the hearing and in his post-hearing brief regarding the proposed decision's conclusions on his theories of equitable estoppel and unjust enrichment. On the whole, these aspects of the PFA fail to shed any new light on this dispute, and therefore do not present a basis for changing the ultimate result reached by the Decision.

However, to the extent that S. N. contends that the Division's regulations are inconsistent with AS 14.25.115 (which they are not), it must be noted that the administrative law judge does not have the authority to abrogate regulations promulgated by the Division. The Division's regulations explicitly provide that a USL claim "must contain, or be accompanied by, a certified statement by the employer that confirms the amount of the member's [USL]."⁴⁰ The Division complied with its statutory and regulatory requirements in denying S. N.'s claim.

IV. Conclusion

The Division did not receive S. N.'s USL claim form until January 2019, more than two years after his appointment to retirement on January 1, 2017. The application did not meet the mandatory one-year deadline, which is set by statute.

S. N. did not meet the elements of equitable estoppel in this case, because he could not show that his failure to timely file his USL claim was done in reasonable reliance on a position asserted by the Division. Rather, S. N. acted, or failed to act, in reliance on actions and omissions of his employer, UA_. S. N. may have a claim against the University based on his reasonable reliance to his detriment on his employer's assertion that it would timely submit the form to the Division. However, the University's unfulfilled promises cannot be attributed to the Division. Nor is the Division equitably required to accept S. N.'s late-filed USL form based on his unjust enrichment claim.

³⁹ Exh. 1, p. 31.

 $^{^{40}}$ 2 AAC 36.290(c).

As unfortunate as these circumstances are, the Division correctly denied S. N.'s late-filed application. The Division's decision is affirmed.

DATED: January 19, 2021.

By: <u>Signed</u>

Andrew M. Lebo Administrative Law Judge

Adoption

This Order is issued under the authority of AS 39.35.006. The undersigned, in accordance with AS 44.64.060, adopts this Decision and Order as the final administrative determination in this matter.

Judicial review of this decision may be obtained by filing an appeal in the Alaska Superior Court in accordance with Alaska Rule of Appellate Procedure 602(a)(2) within 30 days of the date of this decision.

DATED this 19th day of January, 2021.

By:	Signed
	Signature
	Andrew M. Lebo
	Name
	Administrative Law Judge
	Title

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