

Alaska State Legislature

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Senator Bettye Davis

SB 81, 27-LS0483

“An Act establishing as a standard for the procurement of group life and health insurance for retirement systems for certain public employees a requirement that dependent coverage medical benefits provided to the systems’ retiree members may not be less than dependent coverage medical benefits provided to the systems’ active members.”

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SB 81 requires that dependent coverage medical benefits of retirees in certain state retiree systems be no less than that of active state employees. Active employees may enroll their dependents to age 26 effective July 1, 2011. The prior cutoff date for this group was age 23. The state’s voluntary change in the active employee medical benefit plan matches the private insurance mandate under the Patient Protection & Affordable Care Act (PPACA) which required that insurers provide dependent insurance to age 26 effective September 23, 2010.

Although the state is not a regulated state insurance company, but rather, a self-insured government employer and exempt from ERISA, it provides medical health benefits for the four retirement systems affected by this bill, including:

1. Public Employees Retirement System (AS 39.30)
2. Teachers’ Retirement System (AS 14.25)
3. Retirement System of Justices and Judges (AS 22.25)
4. Elected Public Officers Retirement System (former AS 39.37)

While state health benefit plans are not subject to the federal Employee Retirement Income Security Act of 1974 (ERISA) of 1974 which establishes minimum standards for pension plans in private industry, they are covered by the Public Health Service Act (PHSA), at least with respect to the dependent coverage provision in the PPACA (see Legal Services Memorandum 10/13/2010). Although there is a difference of opinion by the State’s Division of Retirement and Benefits and Legislative Counsel as to excepting retiree health insurance plans based on Interim Final Rules under the PPACA, without a formal court interpretation it is far easier to require coverage immediately under this bill rather than wait for court action or federal mandate later.

Moreover, it is only fair that the state extend medical health benefits to dependents of retirees to age 26, while it covers the same for active employees. The numbers of eligible dependents in retiree plans can be readily identified and actuarial statistics can be generated for this young and relatively healthy group of dependents.