

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: HB 4002  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB4002-DOA-PERS-05-24-16  
Title: INS. FOR DEPENDS. OF DECEASED  
FIRE/POLICE  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House Labor and Commerce

Department: State Retirement Payments  
Appropriation: PERS State Assistance  
Allocation: All Other PERS  
OMB Component Number: 2866

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Services	174.0		183.0	194.0	204.0	215.0	226.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>174.0</b>	<b>0.0</b>	<b>183.0</b>	<b>194.0</b>	<b>204.0</b>	<b>215.0</b>	<b>226.0</b>

## Fund Source (Operating Only)

1004 Gen Fund	174.0		183.0	194.0	204.0	215.0	226.0
<b>Total</b>	<b>174.0</b>	<b>0.0</b>	<b>183.0</b>	<b>194.0</b>	<b>204.0</b>	<b>215.0</b>	<b>226.0</b>

## Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2017) cost:** 0.0 (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

## Why this fiscal note differs from previous version:

Not applicable; initial version.

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Approved By: Sheldon Fisher, Commissioner  
Agency: Department of Administration

Phone: (907)465-3225  
Date: 05/24/2016 05:45 PM  
Date: 05/24/16

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

BILL NO. HB4002

### Analysis

The purpose of the bill is to provide system-paid major medical coverage for PERS survivors of Peace Officer/Firefighters whose death occurs before the member's retirement and while in the performance and within the scope of the member's duties (occupational deaths). Surviving spouses and eligible dependent child(ren) would be allowed to commence subsidized medical coverage immediately upon the occupational death of a current Peace Officer/Firefighter member. This change did not impact Tier 1 members of PERS nor any members of PERS "All Others" or Teachers.

Under the existing PERS Defined Contribution Plan, no person is eligible for 100% system-paid major medical benefits. The draft bill would allow for a 100% premium subsidy for major medical benefits for eligible persons who are survivors, or eligible dependent children, of employees who were peace officers or firefighters. The 100% premium subsidy changes to a normal premium subsidy at Medicare age (e.g., 65). The HRA can then be used to fund the portion of the premium for which the spouse/eligible dependent child(ren) is responsible.

The PERS Defined Contribution Plan requires members to "retire directly from the plan" in order to be eligible for medical benefits. The bill removes that language from the plan only as it applies to eligible survivors/eligible dependent child(ren) of a peace officer and firefighter whose death occurs as a result of the job.

The proposed changes will be effective as of January 1, 2013.

The impact to the normal cost rate for the DB plan for this change was 0.01% for peace/fire only and 0.00% overall; the impact did increase the past service cost amortization resulting in a 0.01% impact to the total rate. Similarly for the DCR plan this change was a 0.08% increase to the normal cost rate for peace/fire members and 0.01% overall. The total contribution rate increased 0.10% for peace/fire and 0.01% overall. These results are slightly lower than the estimates in 2015 and reflect June 30, 2015 valuation results and the premium cost-sharing upon Medicare eligibility in the DCR plan.

An actuarial analysis of this bill by Buck Consultants also found:

- That the total additional accrued actuarial liability for addition of this benefit is \$265,000 for DB and \$292,000 for DC (total of \$557,000); amortizing this cost results in an annual payment fluctuate between \$36,000 and \$46,000 in the first five years. (See below)
- Based on the health benefit changes in the rates calculated for the Occupational Death payment the projected increase in contributions associated with the new benefit varies between \$138,000 and \$180,000, between FY17 and FY22 (See below)

See page 4 of Buck Consultants Actuarial analysis for details

Total cost of the bill over the period (in thousands)

	FY17	FY18	FY19	FY20	FY21	FY22
Past service costs	\$36	\$38	\$40	\$42	\$45	\$46
Increase in contributions	\$138	\$145	\$154	\$162	\$170	\$180
Total costs	\$174	\$183	\$194	\$204	\$215	\$226