

ALASKA DEPARTMENT OF ADMINISTRATION **DEPARTMENT OVERVIEW**

Presentation to
**House Labor &
Commerce Committee**
May 26, 2016
Deputy Commissioner John Boucher



HB 4002: WHAT THE BILL DOES

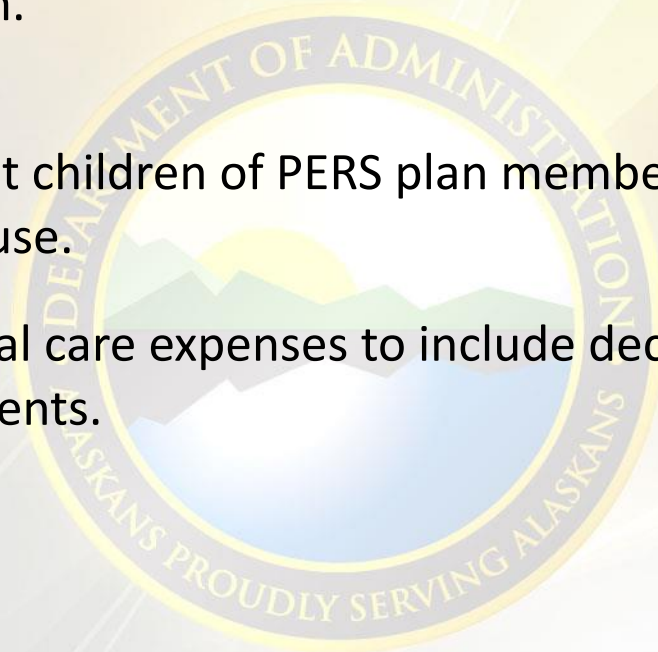
Goal: Provide premium-free medical coverage to families of peace officers and firefighters killed in the line of duty

- **Issue 1:** Surviving spouses/dependents are not eligible to receive premium-free health benefits until survivor becomes eligible for those benefits at retirement age.
- **Solution 1:** Bill allows surviving spouses/dependents to start premium-free medical coverage upon occupational death of peace officer /firefighter.
- **Issue 2:** Defined Contribution Plan (Tier IV) does not allow access to health coverage until the time at which the deceased member would have reached 25 years of service. At that time, coverage may be accessed with 100% cost to surviving spouses/dependents until the time at which the survivor reaches Medicare age.
- **Solution 2:** Bill allows 100% premium subsidy for surviving spouses/dependents of peace officers/fire fighters upon occupational death of peace officer/firefighter until survivor reaches Medicare age. At Medicare age, premium subsidy and access to health reimbursement arrangement begin.

HB 4002: WHAT THE BILL DOES

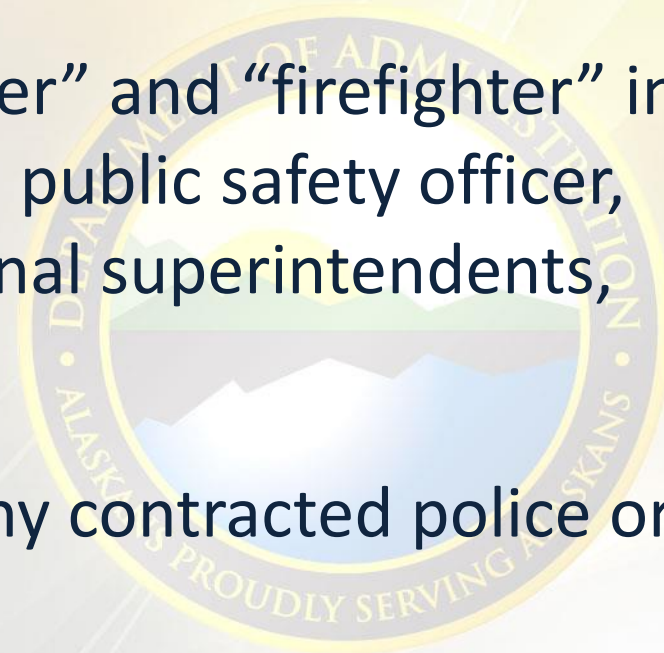
Goal: Provide premium-free medical coverage to families of peace officers and firefighters killed in the line of duty

- **Issue 3:** Current law requires DCR retirement plan members to retire directly from PERS plan.
- **Solution 3:** HB 4002 removes this requirement for survivors of peace officers/firefighters that experience occupational death.
- **Issue 4:** Benefits not available to dependent children of PERS plan members if member dies and there is no surviving spouse.
- **Solution 4:** HB 4002 extends eligible medical care expenses to include deceased peace officer/firefighter member's dependents.



HB 4002 – WHO IS COVERED

- 3,639 members designated as peace officers/firefighters in PERS system
- 1,916 are state employees
- 1,723 are spread over 150 political subdivisions
- Statutory-defined “peace officer” and “firefighter” includes: police, chief of police, regional public safety officer, correctional officers, correctional superintendents, firefighter, fire chief
- Does NOT include VPSO’s or any contracted police or firefighter positions

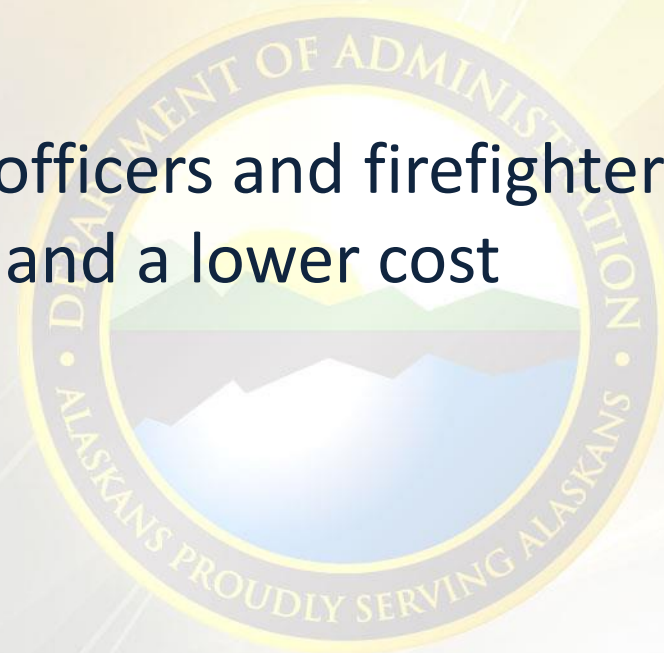


HB 4002 – BILL HISTORY

- Governor Parnell worked with legislators on HB 66 and SB 202, which included all PERS & TRS employees and removed the DCR requirement to retire directly from the plan, resulting in large fiscal note.
- Leg Legal revised HB 66 (version P) to expand health insurance under AS 39.30.090 (Group Insurance), but this statute does not apply to Troopers because they have their own health trust and thus were not included in this version of the bill.
- Law and Leg Legal drafted a new version of HB 66 (version S), but no hearings were held. Rep. Millet pulled the bill and rolled it into SB 91.
- House removed HB 66 from SB 91.

HB 4002 – WHERE WE ARE NOW

- Governor Walker introduced HB 4002, modeled on HB 66 version S
 - HB 4002 returns to the PERS system Occupational Death benefit as the vehicle
 - Limits application to peace officers and firefighters, resulting in a smaller group and a lower cost



HB 4002 – COSTS

			FY17 Included in Appropriat ion Requested	Governor's FY17 Request	Out-Year Cost Estimates				
			FY17	FY17	FY18	FY19	FY20	FY21	FY22
OPERATING EXPENDITURES									
Personal Services			174.0	0.0	183.0	194.0	204.0	215.0	226.0
Travel									
Services									
Commodities									
Capital Outlay									
Grants, Benefits									
Miscellaneous									
TOTAL OPERATING			174.0	0.0	183.0	194.0	204.0	215.0	226.0
FUND SOURCE			(Thousands of Dollars)						
1002 Federal Receipts									
1003 GF Match									
1004 GF			174.0	0.0	183.0	194.0	204.0	215.0	226.0
1005 GF/Prgm (DGF)									
1007 I/A Rcpts (Other)									
1178 temp code (UGF)									
			174.0	0.0	183.0	194.0	204.0	215.0	226.0

HB 4002 – COSTS

The impact to the normal cost rate for the DB plan for this change was 0.01% for peace/fire only and 0.002% 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.

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 fluctuation 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.

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

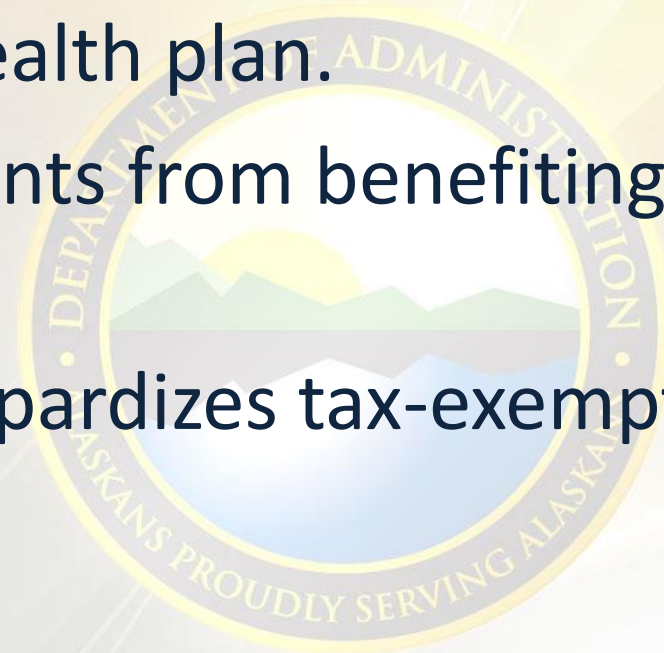
	FY17	FY18	FY19	FY20	FY21	FY22
Past service costs	\$36	\$38	\$40	\$42	\$45	\$46
Increase in contributions	\$138	\$145	\$154	\$162	\$170	\$180
Total costs	\$174	\$183	\$194	\$204	\$215	\$226

HB 4002 – POTENTIAL EXPANSION

Option: Expand scope of bill to include National Guard, VPSO's and other contractors who do similar work to peace officers/fire fighters

Problem: These groups are not part of PERS and do not contribute to PERS retiree health plan.

- IRS prohibits non-participants from benefiting from pre-tax health trust funds
- Including these groups jeopardizes tax-exempt status of PERS retiree plan



HB 4002 – POTENTIAL LIMITATION

Request: Limit scope of bill to only state employees, ie Troopers

Problem: Definition of “peace officers/firefighters” would have to be changed for this bill, creating two groups:

- State employees who qualify for benefits under PERS
- Non-state employees who qualify for benefits under PERS
- Limiting benefit to state employees would provide one group with enhanced benefit
- Would require change to existing PERS system in order to create separate rate for this group, requiring actuarial and legal analyses
- Could result in other groups seeking carve-outs, increasing costs and complications

HB 4002 – OUR COMPROMISE SOLUTION

- Applies to existing statutorily-defined group of peace officers and firefighters
- Consistent with existing legal distinction of this group from other state employees
- Reduces fiscal impact compared to previous iterations of legislation
- Provides solution to four Trooper families, after 2 years of working on issue

