

ALASKA DEPARTMENT OF ADMINISTRATION

DEPARTMENT OVERVIEW

Presentation to
**House Finance
Committee**
June 14, 2016

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HB 4002: WHAT THE BILL DOES

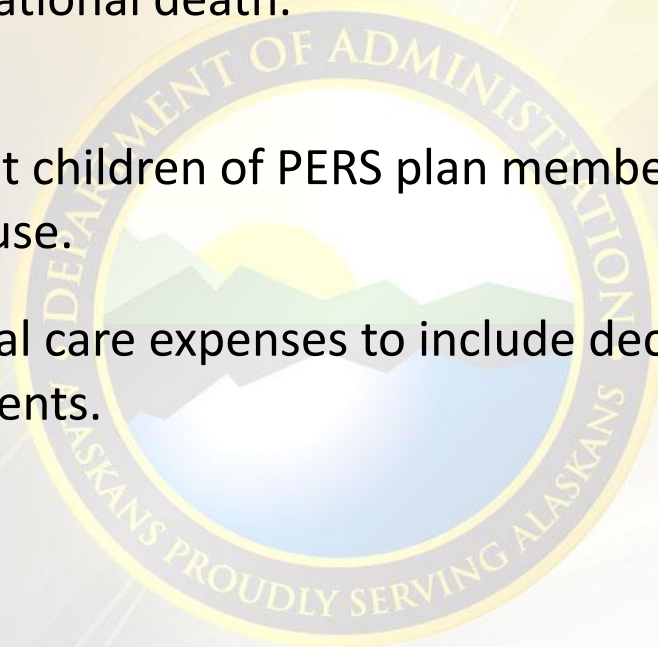
Goal: Provide premium-free medical coverage to families of peace officers and firefighters killed in the line of duty

- **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

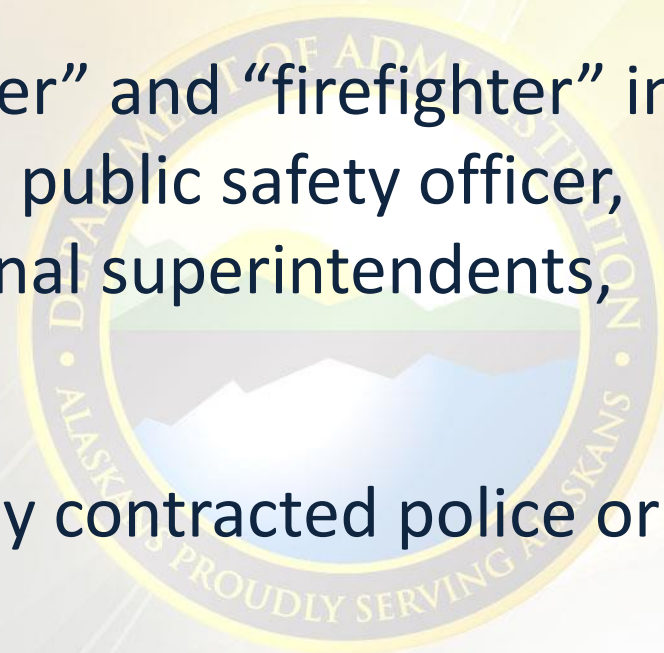
Goal: Provide premium-free medical coverage to families of peace officers and firefighters killed in the line of duty

- **Issue 3:** Current law requires DCR retirement plan members to retire directly from PERS plan in order to be eligible for medical benefits.
- **Solution 3:** HB 4002 removes this requirement, but only for survivors of peace officers/fire fighters 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 employed by 43 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 VPSOs or any contracted police or firefighter positions

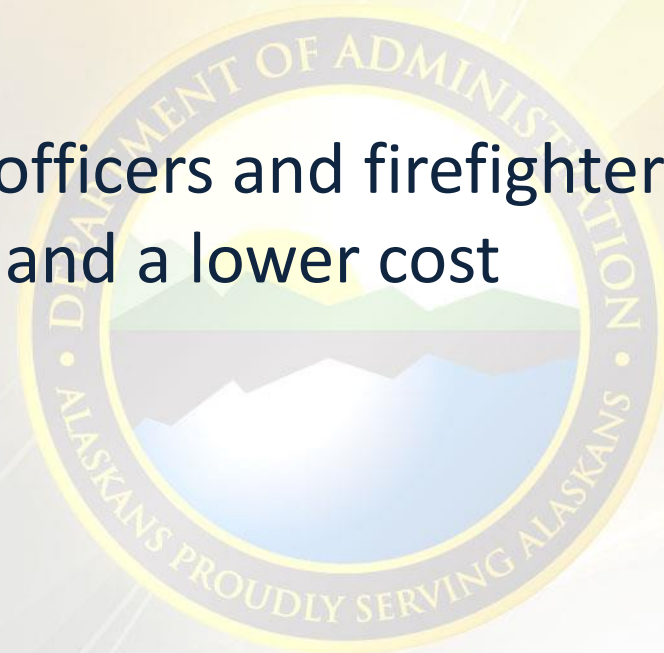


HB 4002 – BILL HISTORY

- 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

Total cost of the bill FY17- FY22 (in thousands)

	FY17	FY18	FY19	FY20	FY21	FY22
Total costs	\$174	\$183	\$194	\$204	\$215	\$226

Why is this a state cost versus an employer cost?

Since the PERS employer contribution rates are capped at 22% and the effective rate is projected to be above 22%, any increase in total liability or contributions by employers results in an increase in the annual State Assistance payment, currently the statutory responsibility of the state.

What if the PERS total contribution rate falls below the 22% cap?

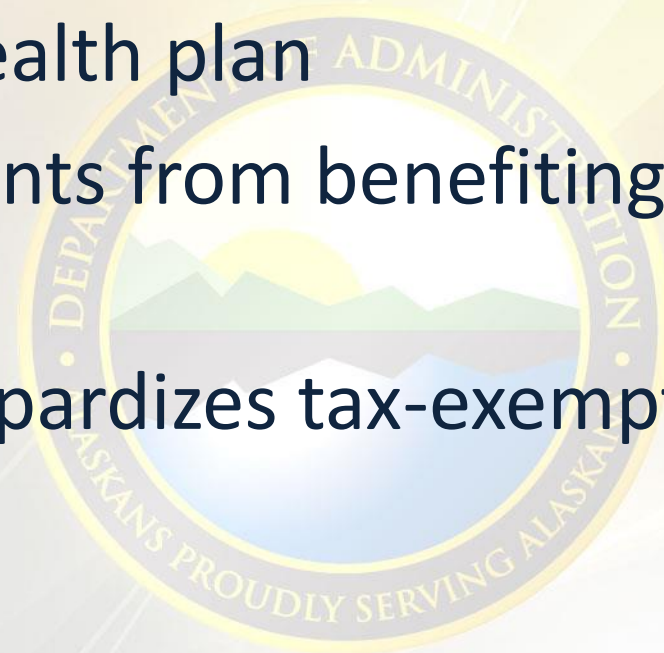
The increased contribution rate for PERS P/F employers associated with this benefit would be a cost borne by employers that have P/F employees.

HB 4002 – POTENTIAL EXPANSION OF BILL

Option: Expand scope of bill to include National Guard, VPSOs 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

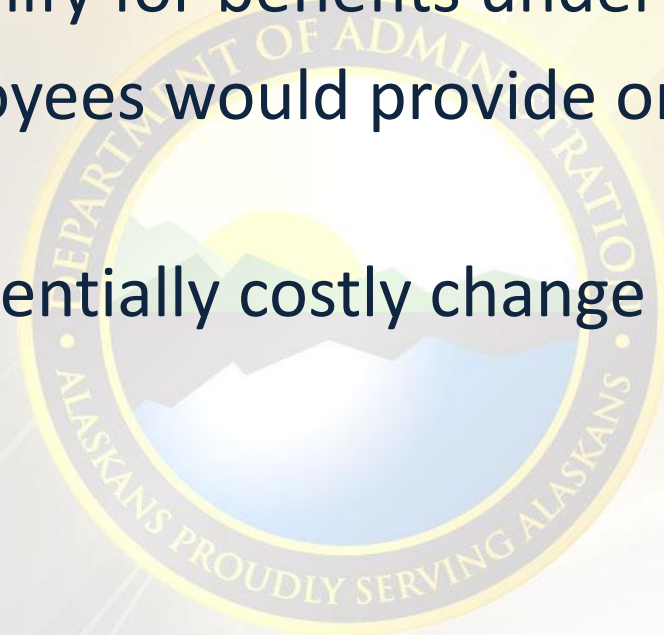


HB 4002 – POTENTIAL NARROWING OF BILL

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 substantial, potentially costly change to existing PERS system



HB 4002 –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 three Trooper families, after 2 years of working on issue

