



TO: Senator Bill Stoltze, Chair
Senate State Affairs

FROM: John Boucher, Deputy Commissioner
Department of Administration

DATE: June 1, 2016

RE: Responses to Questions from Committee Members on SB 4002

Questions Asked in Committee on 5.26.16

1. Can you provide actuarial evidence of death rates of police and firefighters, to back the notion that they are more likely to be faced with a death-like circumstance?

In the context of SB 4002, there are two pools/groups of individuals that are under consideration: PERS employees that meet the statutory definition of Peace Officer/Fire Fighter and those PERS employees that do not (designated in PERS as "All Others"). The occupational death rates for PERS Peace Officers/Firefighters is 0.5/1000 lives exposed and the occupational death rate for PERS "All Others" is 0.05/1000 lives exposed.

The Department acknowledges that there are high risk occupations within the "All Others" employee group.

2. What options are used by other states?

Initial research indicates that 27 states offer some form of enhanced benefit to peace officers and firefighters. Options vary greatly among states, municipalities, counties and other local groups.

- **Premiums:** Most plans require a survivor contribution. Two states offer a phased-in survivor contribution.
- **Spousal marriage status:** Health insurance coverage terminates upon remarriage of the surviving spouse in about half of the states. Some plans also terminate coverage if survivor has other coverage, such as employer health plans.

- **Dependent coverage:** Most plans offer dependent coverage until a range of ages 21-26. Other options include termination upon marriage of the dependent, and continual coverage for dependents with mental or physical disabilities.
- Three states limit enhanced benefits to law enforcement officers only
- One state limits enhanced benefits to law enforcement and correctional officers only, and only those who are killed by an act of violence during law enforcement or riot conditions.
- One state issues life insurance certificates of \$10,000 for peace officers and firefighters, including volunteer firefighters.
- One state's plan included a retroactive application, limited to state employees. County and local entities were given the option to offer benefits retroactively.
- Illinois provides premium-free health benefits to the surviving spouse until the spouse becomes Medicare eligible. Dependents receive premium-free health coverage until age 26.

3. Will prior legislation on first responders/firefighters be effected? (Sen. Stoltze)

It is our understanding that legislation passed in previous sessions addressed workers' compensation benefits. SB 4002 would not have an impact on the provisions of that legislation.

4. What does Administration think about possible amendments:
- a. percentage contribution
 - b. graduated contribution
 - c. needs-based

The Administration would be happy to work with Senator McGuire and the committee to explore options.

Additional Questions from Committee Members

5. For the record, can you explain to the committee where in the bill you tie the coverage to someone dying in the line of duty?

Section 2 (page 2, lines 25-31) adds that for deceased members of peace/fire the dependent children and/or surviving spouse who are eligible to receive a pension benefit under AS 39.35.430 are entitled to major medical. AS 39.35.430 is the defined benefit statute describing Occupational Death Benefits.

Similarly, Section 4 (page 4, lines 1-6) adds that a peace officer/firefighter's surviving spouse and/or dependent child that are eligible to receive a benefits under AS 39.35.892 are eligible to elect medical benefits. AS 39.35.892 is the defined contribution statute describing Occupational Death Benefits.

Both occupational death provisions allows a benefit only if the proximate cause of death is a bodily injury sustained or a hazard undergone in the performance and within the scope of the employee's duties.

6. Are there any surviving spouses and/or minor dependents who are not receiving medical insurance coverage?

We have identified 6 families who would be impacted by the legislation. None of these families are currently receiving premium free medical benefits under the retiree plan; however, the Department of Public Safety is covering medical premiums for a subset of these families.

A chart with occupational deaths and benefit status is attached.

7. Why was the date January 1, 2013 used for the retroactive clause?

It is our understanding that attention was first brought to the issue by a surviving spouse approaching former Governor Parnell and the Legislature. January 1, 2013, seemed to be a logical effective point for this benefit, related to the occupational deaths suffered in March, 2013.

8. Is there a situation that is covered under this retroactive date?

The surviving spouses/dependents of the three Troopers who experienced occupational deaths in 2013 and 2014, as well surviving spouses/dependents of three employees from various political subdivisions are covered by this provision.

9. Insurance coverage only goes back so far, how would the costs falling into the retroactive provision be paid? Where would the funding come from?

The third party claims administrator will be directed to process any claims for covered medical expenses incurred on or after January 1, 2013 that had not already been covered under the retiree medical plan. Claims are paid out of the retiree health trust.

10. Are there surviving spouses pre-2013 that did not receive the same benefits?

- 6 peace officer/firefighter deaths that occurred since January 1, 2013: would be captured by the bill
- 3 peace officer/firefighter deaths that occurred prior to January 1, 2013: survivors are not currently receiving system-paid medical benefits

11. Can you explain the effective date clause in Section 17?

Section 17 provides that the bill would become law on January 1, 2017. This allows the State to identify and communicate with all affected surviving spouse and dependents (including soliciting medical dependent information), make necessary programming changes to the electronic systems that are utilized to pay benefits, update eligibility with third party administrators, and other actions necessary to provide the benefits retroactive to January 1, 2013.

12. What happens if someone dies June 6, 2016?

Under the provisions of this bill, if the surviving spouse/dependent children of a peace officer/firefighter are appointed to occupational death benefits, major medical coverage would be established on January 1, 2017, retroactive to July 1, 2016.

13. Does the actuarial include coverage for all the other positions defined in the definitions?

Yes, the actuarial was based on the plan experience reported from the PERS system for positions reported as Peace Officer/Firefighter. This would include information on all positions defined in Statute as a Peace Officer/Firefighter.

14. How many public employees would be eligible for this coverage? Please give the number for each category (ex: correctional officer, parole officer, chief of police, peace officer, etc.)

The PERS system does not contain the individual employee's titles, only their PERS occupational code designation as Peace Officer/Firefighter. The PERS classification of the individual is reported by their respective employers as peace officer/firefighter. This accuracy of the employer reporting is audited on a periodic basis by the Division auditors. As of May 10th, 2016, there were approximately 3,639 active members classified as peace officer/firefighter in the PERS system.

15. What information did you provide to Xerox for the actuarial? Xerox said they couldn't determine whether the code you provided them included the other positions in the definition. Does the updated actuarial include parole officers?

Individual employee records are provided to the actuary. However, individual position titles are not included as they are not provided to PERS system. Rather, the PERS system uses groupings referred to as occupational codes. The PERS occupational codes include:

- “All Other”
- Firefighter
- Peace Officer

The peace officer occupational code provided for the actuarial analysis includes: peace officer, chief of police, regional public safety officer, correctional officer, correctional superintendent and probation officer.

The firefighter occupational code provided for the actuarial analysis includes: firefighter and fire chief.

16. According to retirement and benefits fish and game and DOTPF maintenance employees have a higher risk of dying on the job because of airplane and helicopter crashes and avalanches and flagmen being hit by a vehicle. Considering the legal opinion we received from would there not be an equal protection issue with those occupations, since they have a higher risk of dying on the job?

We are uncertain of the source of the information related to DOT employees having a higher risk of death due to occupational factors. Although there are high risk occupations within the “All Other” pool, as referenced in Question 1, the risk per 1,000 for the “All Other” category is less than that of peace officer/firefighter.

The PERS system started as a retirement system for peace officers and firefighters (as that group is defined by statute). Later, the "all other" category was added. Since the system has historically had two groups -- peace officers/firefighters and all others, the additional occupational death benefit provided in SB 4002 does not create any new category. Therefore, the Administration believes only providing the benefit to the existing category of peace officers/firefighters does not raise legal concerns.

17. Where is the statute or regulation that says if a surviving spouse remarries or becomes employed with health benefits, the coverage under this bill would become secondary?

This is not a statutory provision. The retiree medical plans coordinate benefits when the member is covered by more than one health plan. Under these coordination rules, when an individual has both coverage as an active employee and retiree coverage, the employee coverage is considered primary. In more limited circumstances, coverage provided through a spouse would pay primary to the retiree plan.

18. Please provide a short summary of what the death benefits are for occupational deaths under current law, broken down by tiers for peace officer/firefighter, “all others” and TRS.

We have provided this information in the attached document labeled "SB 4002 Supporting Documents - PERS, TRS Benefit information."

19. Does the actuarial include all occupational deaths, or just peace officers and firefighters?

The actuarial was based on the plan experience for peace officers/firefighters only.