

**HB 23, work draft version O:**  
**Previous Legal and Policy Concerns with PERS Approach Compared to Current Fund Approach**

Created by Department of Law  
Assistant Attorneys General Cori Mills and Joan Wilkerson  
February 3, 2017

1. The cost of providing a new benefit in the PERS system exceeds the cost of providing a payment through a needs-based fund, and could add to the PERS system's unfunded liability. Regardless of how many police officer and firefighter deaths actually occur, the amount to fund PERS would continue to rise according to the actuarial fiscal note.
2. The fund approach does not open the PERS Act. Opening the PERS Act creates a risk of unexpected amendments which may not be favorable to retirees and may fundamentally change the way PERS is administered.
3. The PERS is funded by the State and all participating municipalities through a cost share system that has a 22% funding cap. Municipalities are paying up to that cap and the State is currently paying costs exceeding the 22% cap. If the legislature increased or removed the cap, municipalities would have to pay for the cost of this benefit whether or not they lose a police officer or firefighter.
4. Any group not covered by PERS cannot receive the survivor medical payment because the IRS prohibits non-participants from benefiting from a pre-tax health trust funds, so including a non-covered group would jeopardize the tax-exempt status of PERS retiree plan.
5. Concerns were raised that the PERS retiree medical benefits do not meet the needs of young families. The plan does not cover preventive care such as immunizations, preventive screenings, sports physicals and other wellness examinations, which are offered by active employee plans.
6. Using the fund approach allows coverage of dependent children until they are 26, while the PERS retiree medical plan ends coverage for dependent children at age 19 or up to age 23 if the child is enrolled full time in an institution of higher education.
7. Offering this benefit through PERS would condition medical benefit coverage of surviving children on whether the surviving child is dependent upon the surviving spouse. If there was a child but not a spouse at time of death, the child would not be covered. AS 39.30.400. Although the PERS statute could possibly be amended to address this, it could have unintended consequences or be more expansive than desired, resulting in a larger fiscal note. The present bill does not have a similar restriction.