

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 4001
 (S) Publish Date: 11/14/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
 Title An Act relating to employment-related...benefits for RDU Centralized Administrative Services
the same-sex partner of a state employee/retiree... Component Retirement and Benefits
 Sponsor Rules by Request of the Governor
 Requester Rules by Request of the Governor Component No. 64

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous	850.3	1,860.9	2,023.8	2,189.2	2,353.5	2,516.4
TOTAL OPERATING	850.3	1,860.9	2,023.8	2,189.2	2,353.5	2,516.4

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1097 Aetna Res	136.5	296.2	319.9	343.9	368.0	391.9
1142 RHF/MM	713.8	1,564.6	1,703.9	1,845.3	1,985.6	2,124.6
TOTAL	850.3	1,860.9	2,023.8	2,189.2	2,353.5	2,516.4

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill authorizes employment-related benefits for the same-sex domestic partner of a state employee or member of the state's retirement systems (PERS, TRS, JRS, EPORS). These benefits include health insurance coverage and the same survivor benefits that a surviving spouse would have under the retirement systems.

This bill has limited fiscal impact on the operations of the Division of Retirement and Benefits. To date, the Division has expended approximately \$35,000 in printing and mailing costs. All expenses are being absorbed, including staff time and professional services (contracted benefit consultant and actuary). The special enrollment is a one-time expenditure only and will not be necessary in subsequent fiscal years.

FY 2007 numbers on this page are 50% of the numbers discussed on page two because the benefits are not effective until January 1, 2007. Please see page two for the analysis required by AS 24.08.036.

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 Approved by: Charisse Millett, Legislative Liaison
 Agency: Department of Administration

Phone 465-4817
 Date/Time 11/13/06 12:00 AM
 Date 11/13/2006

FISCAL NOTE NO. 1

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. SB 4001

ANALYSIS CONTINUATION

Sec. 24.08.036. Fiscal notes on bills affecting state retirement systems . *Before a bill which would have an effect on the retirement systems of the state is reported to the rules committee, there shall be attached to the bill an analysis of the long-term and short-term costs to the state if the bill is adopted, as well as the impact of the bill on the actuarial soundness of the fund. The analysis is in addition to the fiscal note requirements of AS 24.08.035.*

The additional costs of adding a same-sex domestic partner center around the active and retiree health insurance plans. Survivor benefits include death benefits *pre*-retirement and death benefits *post*-retirement. The impact of extending these survivor benefits to more people, however, is negligible. Death benefits for a non-occupational death prior to retirement for a member who is not vested consists of a payment of the member's contribution account balance and a member already may designate anyone as a beneficiary, with spousal consent if necessary. A spouse, and now a domestic partner, of a vested member may choose either a 50% joint and survivor option monthly payment or the lump sum if no other beneficiary is named. However, the joint and survivor option if chosen would not be an additional expense because the member's death reduces liabilities and the retirement plan would only be paying out half, or less, of what would have been paid out had the person reached normal retirement and met life expectancy. The plans experience so few occupational deaths that any increase by extending the benefits to additional persons is likely negligible.

The analyses provided by two health and welfare benefit consultants, Deloitte Consulting LLP and Buck Consultants, are consistent in their estimate of the number of increased covered dependents. Both consultants agree it is reasonable, given the experience of at least 11 other states and a number of other organizations, including the University of Alaska and the City and Borough of Juneau, to assume an increase of .5% in additional covered lives. (See attached letters.)

Deloitte has estimated the increased costs to the State's active and retiree health plans to be approximately .2% based upon their analysis of Alaska's health cost data, providing a low-high range for the active plan of \$84,000 - \$120,000, and a low-high range for the retiree plan of \$533,000 to \$760,000. Total low of \$617,000 to a high of \$880,000.

Until the plans have actual experience, cost estimates are very speculative. In further discussions with the current benefit consultant, Buck advised it is a reasonable approach to estimating costs to assume a .5% increase in total health claim costs (matching the expected increase in covered lives). Total FY 06 actual health claims costs for the active and retiree plans were \$340,131,451. A .5% increase would result in total increased costs of \$1.7 million to the State's active and retiree health plans. (Select Benefit plan costs of \$54.6 million x .005 = \$273,031; Retiree plan costs of \$285.5 million x .005 = \$1,427,626.)

The State does not have cost or enrollment data for the union health trusts that cover approximately 9,600 active state employees and their dependents. The ratio of dependents to employees in the State's active health plan is 1:1.5. Applying that ratio to the union covered employees yields 14,400 dependents. By increasing the number of dependents by .5% (72) and using the average health claims costs for the State's active employees (\$3789), the Division estimates an annual increased cost of \$272,842 for the union health trusts.

Alternatively, applying these same calculations to the number of dependents covered by the State's active and retiree health plans yields 160 additional covered dependents, 43 active and 117 retiree. Applying average health claims costs to each of these numbers yields increased costs of \$162,927 (43 x \$3,789) for the active plan and \$632,385 (117 x \$5,405) for the retiree plan. Total costs of \$795,312. These costs are more in line with those projected by Deloitte.

All of these calculations result in a range of cost estimates for the first fiscal year for the State's plans: a low of \$.6 million and a high of \$1.7 million, potentially covering 232 additional dependents.

Both the State's active group health insurance fund and retiree health insurance fund have reserves that are sufficient to absorb the projected costs in the first year (see attached reports from Buck Consultants). In subsequent years, the experience of the plans will be reflected in the rates developed by the state's benefit consultant. The numbers for the out years on page one of this fiscal note are based upon the most conservative (high) cost projection and inflated for the medical cost trends contained in the retirement systems' actuarial valuations ending June 30, 2005. It is not possible to project how the State's future negotiations with the unions will impact the State's budget.

As explained in the opening paragraph on this page, it is not anticipated the retirement systems will experience increased costs related to pensions.