

COMMITTEE REPORT

SENATE

5/3/75

Mr. President:

Date 5/7/75

The Committee on FINANCE has had SB 380
relating to teacher retirement fractional credit and medical coverage
under consideration. A Majority of the members of the Committee

- () recommends it DO PASS
- () recommends it DO NOT PASS
- () recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- (X) recommends it BE REPLACED WITH CS FOR SB 380 AND THAT
CS FOR SB 380 DO PASS
- () "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- () reports it back WITHOUT RECOMMENDATION
- () "other"

Members signing the Majority report:

| | | |
|-------|-------|-------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

Members NOT concurring in the Majority report:

_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:

_____ Chairman

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Members signing the Majority report:

| | | |
|--------------------|------------|-------|
| <u>Neil Kay</u> | _____ | _____ |
| <u>John D. ...</u> | <u>...</u> | _____ |
| <u>...</u> | _____ | _____ |
| <u>...</u> | _____ | _____ |

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Neil Kay Chairman

Original sponsor: Croft, Miller,
Hohman and Chance

Offered: 5/24/75
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 380 am H

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to teacher retirement fractional
7 credit and retirement credit for military service;
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 14.25.220(16) is amended to read:

11 (16) "year of service" means membership service during the
12 dates set for a school term under AS 14.03.030; fractional credit shall
13 be given for membership service [AFTER JULY 1, 1967,] during any school
14 year as follows: (A) less than nine days, no credit; (B) nine days or
15 more but less than 27 days, 0.1 years; (C) 27 days or more but less than
16 45 days, 0.2 years; (D) 45 days or more but less than 63 days, 0.3 years;
17 (E) 63 days or more but less than 81 days, 0.4 years; (F) 81 days or more
18 but less than 100 days, 0.5 years; (G) 100 days or more but less than
19 118 days, 0.6 years; (H) 118 days or more but less than 136 days, 0.7
20 years; (I) 136 days or more but less than 154 days, 0.8 years; (J) 154
21 days or more but less than 172 days, 0.9 years; (K) 172 days or more,
22 1.0 years; if service is performed on a part-time basis, one-half credit
23 shall be given for each day of service;

24 * Sec. 2. AS 14.25.100(a) is repealed and re-enacted to read:

25 (a) A teacher who served as an active member of the armed forces of
26 the United States after December 31, 1939, may receive creditable service
27 under this retirement system up to a maximum of five years. Each 12
28 months of military service equals one school year, and lesser military
29 periods will be determined for credit purposes in a proportionate ratio

1 to a year. To receive creditable service under this section, the teacher
2 must have received a discharge other than dishonorable. Credit for
3 service in the armed forces shall be granted only if the teacher makes
4 contributions for the service in the same manner as required for outside
5 service under sec. 60 of this chapter. The military service credited
6 under this section shall be included in the 10 year limitation of outside
7 service as specified in sec. 60 of this chapter, except, if entry into
8 the armed forces is immediately preceded by Alaska membership service
9 and, following discharge, is continued by Alaska membership service
10 within one year thereafter or military service time which was acquired
11 prior to Alaska statehood, service may not be counted for purposes of
12 determining the applicability of the 10 year limitation on outside
13 service.

14 * Sec. 3. AS 14.25.220(6) is amended to read:

15 (6) "military service" means active duty service in the armed
16 forces of the United States on or after January 1, 1940;

17 * Sec. 4. AS 14.2' 100(c) and (d) are repealed.

18 * Sec. 5. This Act takes effect July 1, 1975.
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Original sponsor: Croft, Miller,
Hohman and Chance

Offered: 5/24/75
Referred: Rules

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DEPARTMENT OF EDUCATION
AGENCY COMMENTS
on

SB 380 "An Act Relating to Teacher Retirement Fractional Credit
and Medical Coverage."

Comments: This bill removes the prior cut-off date of "after July 1, 1967" in respect to counting of fractional years of membership service. At the present time only fractional years after July 1, 1967 may be counted.

In addition, the bill provides for the state to pay 50% of the health insurance premium. It is our understanding the retiree picks up the entire premium cost under the present arrangement.

Special Problems: Since the Department of Education does not administer Teacher's Retirement, we do not know what special problems might arise. The proposed amendments would certainly cost more but we would have no way of computing the additional cost.

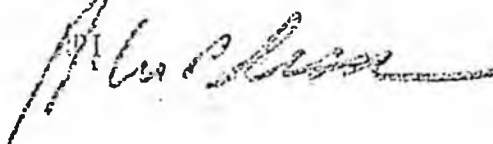
The fractional year amendment would be applicable only for those who had membership service prior to July 1, 1967. Eventually, removing the July 1, 1967 cut-off date will have no effect.

The health provision could require a substantial increase in funding since it could apply to a fairly large group of retirees, especially from now on, since it can be expected that more persons will be retiring at an earlier age.

AGENCY RECOMMENDATIONS

The Department concurs in the amendments and recommends passage.

Prepared by



STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

*DIVISION OF ADMINISTRATIVE SERVICES
PUBLIC EMPLOYEES' RETIREMENT & TEACHERS' RETIREMENT SYSTEMS,
HEALTH INSURANCE PROGRAM, GOVERNMENT SOCIAL SECURITY PROGRAM*

JAY S. HAMMOND, Governor

POUCH CR - JUNEAU 99801

April 30, 1975

The Honorable George Hohman, Chairman
Senate HESS Committee
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Senator Hohman:

I have reviewed the language contained in Senate Bill #380 per your request. Enclosed you will find our suggested amendments to Section 1 of this bill along with the reasons for our recommendations. The additional language which we are recommending would, in our judgement correct several deficiencies which exist in the current law as well as recognize fractional service which is intended in the bill as drafted. There would be no fiscal impact for Section 1 in its original form or by using the suggested amendments.

I can foresee numerous difficulties in providing group insurance as required under Section 2 of Senate Bill #380. In my judgement the approach followed under House Bill #363 is a more desirable way to provide group insurance coverage to retired persons. Regardless of the approach taken, I would recommend that the subject of granting fractional credit to a teacher be handled in a separate bill from the procurement of group insurance for teachers. My reason for this recommendation is the fact that two separate chapters are involved and there will be a substantial cost impact involved in making group insurance available; whereas, the granting of fractional service credit will have no fiscal impact.

The following reasons are given to support my recommendation that the approach used in House Bill #363 might be considered.

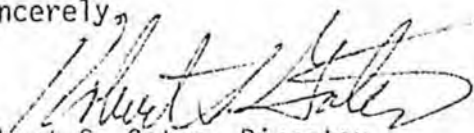
1. Group Insurance would be provided to both retired teachers and retired public employees and survivors who are eligible for a retirement benefit.
2. There would be no age restrictions on those who would receive major medical benefits which is important because disabled persons have a difficult time obtaining major medical insurance and they are frequently younger than age 55.

April 30, 1975

3. The cost of such insurance would be prefunded like any other retirement benefit and would be available to all persons receiving benefits rather than only those who can afford the coverage. This is extremely valuable coverage to any retired person and would have the effect of giving them a tax free increase in benefits.
4. This approach would be substantially less expensive and complicated to administer since we would have a large enough group to obtain lower overall insurance rates and could remit premiums to the carrier based on head count rather than getting involved with payroll deductions from only those enrolled for such coverage. This also greatly reduces the adverse selection which can occur when you have optional participation in a group insurance plan.
5. It would avoid having our present group insurance plan adversely effected by including retired persons. As you probably know there are many employers who participate in the retirement system but do not necessarily participate in the States Group Insurance program. Also the employee makes partial contributions for group insurance with a number of political subdivision. To allow retired persons to participate under our present State Group Insurance Plan and not receive premiums for the active employees with the same employer could have a rather drastic impact on the overall experience of the current group insurance plan. I do not feel this is desirable and could cause a number of political subdivisions to withdraw their participation.
6. Coverage would be restricted to major medical insurance coverage only and would not provide audio, dental or visual coverage. Audio, dental and vision insurance coverage is rarely made available to retired persons due to the absorbent costs which are involved. It is in the area of major medical coverage where most of the serious financial hardships arise and I feel that it is of primary importance to provide coverage in that area.

I appreciate having the opportunity to provide you with our comments on this bill and would enjoy hearing from you if you have any further questions.

Sincerely,



Robert S. Gates, Director
Division of Retirement & Benefits

RSG/jb
Enclosures

Suggested Ammendment to SB 380

* Section 1. AS 14.25.220(16) is amended to read:

(16) "year of service" means membership service during the dates set for a school term under AS 14.03.030; fractional credit shall be given for membership service before July 1, 1969, during any school year as follows: (A) less than 20 days, no credit; (B) 20 days or more but less than 35 days, 0.2 years; (C) 35 days or more but less than 49 days, 0.3 years; (D) 49 days or more but less than 63 days, 0.4 years; (E) 63 days or more but less than 77 days, 0.5 years; (F) 77 days or more but less than 91 days, 0.6 years; (G) 91 days or more but less than 105 days, 0.7 years; (H) 105 days or more but less than 119 days, 0.8 years; (I) 119 days or more but less than 133 days, 0.9 years; (J) 133 days or more, 1.0 years; fractional credit shall be given for membership service after July 1, [1967] 1969, during any school year as follows: (A) less than nine days, no credit; (B) nine days or more but less than 27 days, 0.1 years; (C) 27 days or more but less than 45 days, 0.2 years; (D) 45 days or more but less than 63 days, 0.3 years; (E) 63 days or more but less than 81 days, 0.4 years; (F) 81 days or more but less than 100 days 0.5 years; (G) 100 days or more but less than 118 days, 0.6 years; (H) 118 days or more but less than 136 days, 0.7 years; (I) 136 days or more but less than 154 days, 0.8 years; (J) 154 days or more but less than 172 days, 0.9 years; (K) 172 days or more, 1.0 years; if service is performed on a part-time basis, one-half credit shall be given for each day of service;

REASONS:

1. Effective July 1, 1960 the school year was established as 140 days with no credit given for less than 20 days of service.
2. Effective July 1, 1969 the school year was changed to 180 days with no restriction on minimum number of days required.
3. SB 380 as written would require all school years to be at least 172 days. This would be in conflict with the statutes before July 1, 1969 when the established school year was only 140 days.
4. Due to a typographical error when this section was amended in 1973 the year 1967 was inserted rather than 1969. By changing back to 1969 we will bring the Statutes into conformity with the Statutes prior to 1973.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

*DIVISION OF ADMINISTRATIVE SERVICES
PUBLIC EMPLOYEES' RETIREMENT & TEACHERS' RETIREMENT SYSTEMS,
HEALTH INSURANCE PROGRAM, GOVERNMENT SOCIAL SECURITY PROGRAM*

JAY S. HAMMOND Governor

POUCH CR - JUNEAU 99801

May 7, 1975

The Honorable Bill Ray
Senate Finance Committee
Pouch V
State Capitol
Juneau, Alaska 99801

Dear Senator Ray:

I have received a request from one of your staff members to provide a fiscal note for Senate Bill #380.

Apparently consideration is being given to amending this bill so only Section I pertaining to fractional service credit remains. If this amendment is made removing reference to the procurement of group insurance there will be no fiscal impact as a result of enacting Senate Bill #380. If Section II pertaining to the procurement of group insurance for retired teachers remains in the bill there will be substantial cost implications. Enclosed is a copy of a letter sent to Senator Hohman concerning our position on the group insurance portion of this bill.

I trust this provides you with the information you need and if I can be of any further assistance please advise.

Sincerely,


Robert S. Gates, Director
Division of Retirement & Benefits

RSG/jb
Enclosure

April 30, 1975

The Honorable George Hohman, Chairman
Senate HESS Committee
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Senator Hohman:

I have reviewed the language contained in Senate Bill #360 per your request. Enclosed you will find our suggested amendments to Section 1 of this bill along with the reasons for our recommendations. The additional language which we are recommending would, in our judgement correct several deficiencies which exist in the current law as well as recognize fractional service which is intended in the bill as drafted. There would be no fiscal impact for Section 1 in its original form or by using the suggested amendments.

I can foresee numerous difficulties in providing group insurance as required under Section 2 of Senate Bill #360. In my judgement the approach followed under House Bill #363 is a more desirable way to provide group insurance coverage to retired persons. Regardless of the approach taken, I would recommend that the subject of granting fractional credit to a teacher be handled in a separate bill from the procurement of group insurance for teachers. My reason for this recommendation is the fact that two separate chapters are involved and there will be a substantial cost impact involved in making group insurance available; whereas, the granting of fractional service credit will have no fiscal impact.

The following reasons are given to support my recommendation that the approach used in House Bill #363 might be considered.


1. Group Insurance would be provided to both retired teachers and retired public employees and survivors who are eligible for a retirement benefit.
2. There would be no age restrictions on those who would receive major medical benefits which is important because disabled persons have a difficult time obtaining major medical insurance and they are frequently younger than age 55.

April 30, 1975

3. The cost of such insurance would be prefunded like any other retirement benefit and would be available to all persons receiving benefits rather than only those who can afford the coverage. This is extremely valuable coverage to any retired person and would have the effect of giving them a tax free increase in benefits.
4. This approach would be substantially less expensive and complicated to administer since we would have a large enough group to obtain lower overall insurance rates and could remit premiums to the carrier based on head count rather than getting involved with payroll deductions from only those enrolled for such coverage. This also greatly reduces the adverse selection which can occur when you have optional participation in a group insurance plan.
5. It would avoid having our present group insurance plan adversely effected by including retired persons. As you probably know there are many employers who participate in the retirement system but do not necessarily participate in the States Group Insurance program. Also the employee makes partial contributions for group insurance with a number of political subdivisions. To allow retired persons to participate under our present State Group Insurance Plan and not receive premiums for the active employees with the same employer could have a rather drastic impact on the overall experience of the current group insurance plan. I do not feel this is desirable and could cause a number of political subdivisions to withdraw their participation.
6. Coverage would be restricted to major medical insurance coverage only and would not provide audio, dental or visual coverage. Audio, dental and vision insurance coverage is rarely made available to retired persons due to the absorbent costs which are involved. It is in the area of major medical coverage where most of the serious financial hardships arise and I feel that it is of primary importance to provide coverage in that area.

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Enclosures

Introduced: 4/18/75
Referred: Health, Education
and Social Services and
Finance

BY CROFT, CHANCE,
HOHMAN AND MILLER

1 IN THE SENATE

2 SENATE BILL NO. 380

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4 NINTH LEGISLATURE - FIRST SESSION

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7 and medical coverage."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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11 dates set for a school term under AS 14.03.030; fractional credit shall
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13 year as follows: (A) less than nine days, no credit; (B) nine days or
14 more but less than 27 days, 0.1 years; (C) 27 days or more but less than
15 45 days, 0.2 years; (D) 45 days or more but less than 63 days, 0.3 years;
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19 years; (I) 136 days or more but less than 154 days, 0.8 years; (J) 154
20 days or more but less than 172 days, 0.9 years; (K) 172 days or more,
21 1.0 years; if service is performed on a part-time basis, one-half credit
22 shall be given for each day of service;

23 * Sec. 2. AS 39.30.090 is amended to read:

24 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. The Department of
25 Administration may obtain a policy or policies of group insurance cover-
26 ing state employees and employees of other participating governmental
27 units subject to the following conditions:

28 (1) A group insurance policy shall provide one or more of the
29 following benefits: life insurance, accidental death and dismemberment

1 insurance, weekly indemnity insurance, hospital expense insurance,
2 surgical expense insurance, dental expense insurance, audio-visual
3 insurance, or other medical care insurance.

4 (2) Each eligible employee of the state, his spouse and his
5 unmarried children chiefly dependent on him for support and each eligible
6 employee of another participating governmental unit shall be covered by
7 the group policy, unless exempt under regulations adopted by the
8 commissioner of administration.

9 (4) Repealed by sec. 14 ch. 47 SLA 1974.

10 (5) Repealed by sec. 14 ch. 47 SLA 1974.

11 (9) A person receiving benefits under [AS 14.25.110,] AS 22.25
12 or AS 39.35 who is not 65 years of age may obtain major medical and life
13 insurance under this section for himself and any dependents who have
14 not reached the age of 65 years.

15 (10) A person receiving benefits under [AS 14.25.110,] AS 22.25
16 or AS 39.35 who is 65 years of age or older but who has dependents who
17 are under 65 may obtain major medical insurance for these dependents
18 under this section.

19 (11) A person receiving benefits under [AS 14.25.110,] AS 22.25
20 or AS 39.35 may obtain major medical and prescription drug insurance
21 under this section for himself and any dependents to cover costs which
22 are not covered by the federal old age survivor's and disability insurance
23 program.

24 (12) A person electing to have insurance under (9), (10) or
25 (11) of this section shall pay the cost of this insurance.

26 (13) No person may elect for coverage under (9), (10) or (11)
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28 under this section.

29 (14) A retired teacher who is 55 years of age or older may

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an amount equal to 50 per cent of the premium which is or would be
charged a state employee for similar coverage.

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Referred: Health, Education
and Social Services and
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HOHMAN AND MILLER

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BY CROFT, CHANCE,
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14 more but less than 27 days, 0.1 years; (C) 27 days or more but less than
15 45 days, 0.2 years; (D) 45 days or more but less than 63 days, 0.3 years;
16 (E) 63 days or more but less than 81 days, 0.4 years; (F) 81 days or more
17 but less than 100 days, 0.5 years; (G) 100 days or more but less than
18 118 days, 0.6 years; (H) 118 days or more but less than 136 days, 0.7
19 years; (I) 136 days or more but less than 154 days, 0.8 years; (J) 154
20 days or more but less than 172 days, 0.9 years; (K) 172 days or more,
21 1.0 years; if service is performed on a part-time basis, one-half credit
22 shall be given for each day of service;

23 * Sec. 2. AS 39.30.090 is amended to read:

24 Sec. 39.30.090. PROCUREMENT OF GROUP INSURANCE. The Department of
25 Administration may obtain a policy or policies of group insurance cover-
26 ing state employees and employees of other participating governmental
27 units subject to the following conditions:

28 (1) A group insurance policy shall provide one or more of the
29 following benefits: life insurance, accidental death and dismemberment

1 insurance, weekly indemnity insurance, hospital expense insurance,
2 surgical expense insurance, dental expense insurance, audio-visual
3 insurance, or other medical care insurance.

4 (2) Each eligible employee of the state, his spouse and his
5 unmarried children chiefly dependent on him for support and each eligible
6 employee of another participating governmental unit shall be covered by
7 the group policy, unless exempt under regulations adopted by the
8 commissioner of administration.

9 (4) Repealed by sec. 14 ch. 47 SLA 1974.

10 (5) Repealed by sec. 14 ch. 47 SLA 1974.

11 (9) A person receiving benefits under [AS 14.25.110,] AS 22.25
12 or AS 39.35 who is not 65 years of age may obtain major medical and life
13 insurance under this section for himself and any dependents who have
14 not reached the age of 65 years.

15 (10) A person receiving benefits under [AS 14.25.110,] AS 22.25
16 or AS 39.35 who is 65 years of age or older but who has dependents who
17 are under 65 may obtain major medical insurance for these dependents
18 under this section.

19 (11) A person receiving benefits under [AS 14.25.110,] AS 22.25
20 or AS 39.35 may obtain major medical and prescription drug insurance
21 under this section for himself and any dependents to cover costs which
22 are not covered by the federal old age survivor's and disability insurance
23 program.

24 (12) A person electing to have insurance under (9), (10) or
25 (11) of this section shall pay the cost of this insurance.

26 (13) No person may elect for coverage under (9), (10) or (11)
27 of this section unless he was or is presently eligible for coverage
28 under this section.

29 (14) A retired teacher who is 55 years of age or older may

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obtain full participation in the group insurance program by payment of
an amount equal to 50 per cent of the premium which is or would be
charged a state employee for similar coverage.

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