

SB

24

COMMITTEE REPORT
SENATE

1/16/79

FURTHER: Finance

Date: 3-14-79

Mr. President:

The Committee on Health, Education & Social Services has had SB 24 insurance coverage for persons receiving benefits under public employee's and teacher's retirement systems

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
- and recommends _____ new title
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation *INDIVIDUAL*
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Handwritten signatures]

[Handwritten Signature]
CHAIRMAN

DO PASS AS AMENDED

SR 24 "An Act relating to ^{SYNOPSIS 79-80} insurance coverage for persons receiving benefits under the Social Security Act and for the dependents of such persons"

By Ray

FN Berlin Meid 2-2-79 - 2:20 P.M.

Notes - John Coffey 364-2181

7/8/79 - FN in error sent to H. Hess then to Paul Bennett - Dir. of Retirement 4460

Introduced 1-16-79

Logged 1-16-79

Referrals Finance

Comm. Meeting 1-31-79 ~~for~~ 2-2-79 - awaiting FN - held

" Action Passed with am. taken Senate May @ 7:50 AM
9:00 + 3-15-75

Don Coffey Dir. of Retirement 2577
not interested as long as Paul Bennett



Alaska State Legislature

Senate

Committee on

Health, Education & Social Services

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

Glenn Hackney, Chairman
Frank Ferguson, Vice Chairman
Mike Colletta
Bettye Fahrenkamp
Arliss Sturgulewski

M E M O R A N D U M

TO: The Honorable John Sackett
Chairman, Senate Finance Committee

FROM: Senator Glenn Hackney
Chairman, Senate Health, Education
and Social Services Committee

SUBJECT: Auditory, Visual, and Dental Insurance

DATE: April 30, 1979

Identical bills to provide the above-referenced insurance for retired individuals were entered in the Senate and in the House. The House Bill number was HB 26, the Senate Bill number was SB 24. Under both bills, the retired employee would have paid one-half the cost of the insurance, the retirement fund would have paid the other half. The Division of Retirement and Benefits submitted a fiscal note indicating the cost to the system would be \$1,608,300 for the PERS and \$1,199,200 for the TRS.

In the Senate, SB 24 was amended to allow the retiree to pay 90% of the cost and the system to pay the other 10%. The fiscal note on the amended version indicated a cost of \$330,100 to the PERS and \$248,000 to the TRS.

The House passed HB 26 with an amendment indicating the retiree would pay the full cost of the insurance.

About a week ago we had a number of lobbyists in Juneau representing the NRTA and the AARP. I think that one or the other of these individuals visited every Representative and Senator. The message that was brought to me by these retired individuals was that they did not object to paying the cost of this insurance, they were pleased to even be able to purchase it since the cost would be much higher on the open market.

With that information in hand, I made the motion in Senate Finance Committee to move CSHB 26, the bill that requires retirees to pay the full cost of the insurance.

Office copy

Introduced: 1/16/79
Referred: Health, Education
& Social Services and
Finance

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 24

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to insurance coverage for persons
7 receiving benefits under the public employees' and
8 teachers' retirement systems."

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

10 * Section 1. AS 39.30.090 is amended by adding a new paragraph to read:

11 (15) A person receiving benefits under AS 14.25 or AS 39.35
12 may obtain auditory, visual, and dental insurance for himself under this
13 section. The level of coverage for persons over 65 shall be the same as
14 that available before reaching age 65 except that the benefits payable
15 shall be supplemental to those afforded under the federal old age,
16 survivors, and disability insurance program, if any. A person electing
17 to have insurance under this paragraph shall pay ^{90%} ~~one-half~~ the cost of
18 the insurance, and the retirement system from which he is receiving
19 benefits shall pay the other one-half.

20 *Ask Paul Arnold*

29

Introduced: 1/16/79
Referred: Health, Education
& Social Services and
Finance

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18 the insurance, and the retirement system from which he is receiving
19 benefits shall pay the other ^{10%} ~~one-half~~.

21
22 the amendment

23
24
25 Audrey
26 this is amendment
27 line 17 delete one-half add 90% of
28 line 19 delete one-half add 10%
29

STATE OF ALASKA
Inter-Department Route Slip

SB 24
//

TO:
MAIL STATION NUMBER 3100

DEPARTMENT Alaska State Legislature
House H&SS

ATTENTION _____

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> Your Information |

Remarks:

FROM:
MAIL STATION NUMBER 0208
ADmin/Admin. Services
DEPARTMENT _____
BY Kellus Sewell DATE 2/6

02-002 (REV.10/73)

112 Cap.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUFST
 Bill/Resolution No. Senate Bill 24
 Title Insurance Coverage for Persons Receiving Benefits Under the Public Employees' R/S
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Retirement and Benefits (PERS)
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-01
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		9.8	10.4	11.0	11.7	12.4
200 TRAVEL						
300 CONTRACTUAL		0.3				
400 COMMODITIES		0.2	0.2	0.2	0.2	0.2
500 EQUIPMENT		0.2				
600 LAND & STRUCTURES						
700 TRS STATE MATCH						
100 BENEFITS		1,597.8	1,757.6	1,933.3	2,126.7	2,339.3
TOTAL		1,608.3	1,768.2	1,944.5	2,138.6	2,351.9

FUNDING (Thousands of Dollars)

GENERAL FUND	1,308.6	1,439.6	1,583.4	1,741.7	1,916.0
FEDERAL FUNDS	73.5	80.8	88.9	97.8	107.6
VETERAN'S FUND	3.2	3.5	3.9	4.3	4.7
FISH & GAME FUND	9.6	10.5	11.6	12.8	14.0
HIGHWAY FUND	20.8	22.8	25.1	27.6	30.4
AIRPORT FUND	46.3	51.0	56.1	61.7	67.8
CAPITAL FUND	135.8	149.4	164.3	180.8	198.8
PERS	10.5	10.6	11.2	11.9	12.6
TRS					

POSITIONS

FULL TIME	1/2	1/2	1/2	1/2	1/2
PART TIME					
TEMPORARY					

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Audio, dental, vision coverage will be extended to present and future retirees.
2. Estimate FY 80 covered state payroll to be \$241,000,000.
3. Estimate future state payrolls will increase at 10% annually.
4. Increase in state employer contribution rate would be .6630% of covered payroll.
5. Administrative costs per attachment (Page 2).

IV. DATE 2/02/79 PREPARED BY Paul B. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 Office of the Governor (Keith Specking) Senator Ray

ATTACHMENT SB 24

The following administrative funds would be required to implement the provisions of this bill.

1. Personal Service - one permanent full-time position Accounting Clerk III (range 10) - salary and merit increases at 6% per year.

FY 80 monthly salary	\$1,254 X 12 = \$15,048
Plus benefits at 30.23%	= <u>\$ 4,549</u>

\$19,597

2. Miscellaneous Expenses - initial cost office equipment, annual commodity, replacement costs, and printing/ mailing costs.

FY 80	= \$1,300
Succeeding FY's	= \$ 300

Administrative costs will be shared equally between the Public Employees' Retirement System and the Teachers' Retirement System.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 24
 Title Insurance Coverage for Persons Receiving Benefits Under the Teachers' Retirement System
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and BenefitsProgram Category Affected Retirement and Benefits (TRS)BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-02

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		9.8	10.4	11.0	11.7	12.4
200 TRAVEL						
300 CONTRACTUAL		0.2				
400 COMMODITIES		0.1	0.1	0.1	0.1	0.1
500 EQUIPMENT		0.3				
600 LAND & STRUCTURES						
700 TRS STATE MATCH		967.0	1,063.7	1,170.1	1,887.1	1,415.8
100 BENEFITS		221.8	244.0	268.4	295.2	324.7
TOTAL		1,199.2	1,318.2	1,449.6	1,594.1	1,753.0

FUNDING (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND		1,188.8	1,307.7	1,438.5	1,582.3	1,740.5
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS						
TRS		10.4	10.4	11.1	11.8	12.5

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
FULL TIME		1/2	1/2	1/2	1/2	1/2
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Audio, dental, vision coverage will be extended to present and future retirees.
2. Estimate FY 80 covered TRS payroll to be \$231,000,000.
3. Estimate future state payrolls will increase at 10% annually.
4. Increase in combined TRS State Match and district contribution rate will be .8372% of covered payroll.
5. Administrative costs per attachment (Page 2).

IV. DATE 2/02/79

PREPARED BY

Paul B. Arnoldt, Director

AGENCY

Division of Retirement & Benefits

PHONE

465-4460

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Office of the Governor (Keith Specking)

Senator Ray

ATTACHMENT

Bill/Resolution No. SB 24

ASSUMPTIONS:

- 1. Estimated FY80 Payroll (Total System) = \$213,000,000
- 2. State Contribution Rate to Fund Bill = .4186%
- 3. State TRS Matching Rate to Fund Bill = .4186%
- 4. School District Rate to Fund Bill = .4186%

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 6,000,000	X	.4186%	\$ 25.1	To Their Budget
2. University of Alaska	\$ 47,000,000	X	.4186%	\$ 196.7	To Their Budget
				<u>\$ 221.8</u>	
3. State TRS Matching	\$231,000,000	X	.4186%	\$ 967.0	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ 9.8	To Personal Services
Travel				\$ -0-	To Travel
Contractual				\$ 0.2	To Contractual
Commodities				\$ 0.1	To Commodities
Equipment				<u>\$ 0.3</u>	To Equipment
				<u>\$1,199.2</u>	
5. All School Districts	\$178,000,000	X	.4186%	<u>\$ 745.1</u>	
				<u>\$1,944.3</u>	

AML
MEMBER

MONTHLY GROSS
PAYROLL(x12+10%)

EST. FY
1980 SALARY

ADDITIONAL COST
IF SB 24 ENACTED

AML	3,600.00	47,520.00	315.06
City of Valdez	112,641.40	1,486,861.00	9,857.89
Mat-Su Borough	111,855.10	1,476,480.00	9,789.10
City of Haines	22,557.84	297,764.00	1,974.18
City of Kenai	145,490.92	1,920,480.00	12,732.78
FNBS	325,786.79	4,300,385.00	28,511.55
C/B Sitka	184,140.47	2,430,654.00	16,115.24
Ketchikan Gateway	60,060.66	792,805.00	5,256.30
City of Soldotna	30,525.00	402,930.00	2,671.43
C/E Juneau	697,849.58	9,211,615.00	61,073.01
City of Kodiak	201,524.50	2,660,123.00	17,636.62
City of Fairbanks	820,000.53	10,824,007.00	71,763.17
City of Skagway	16,980.04	224,137.00	1,486.03
City of Wrangell	66,489.73	877,664.00	5,818.91
City of Bethel	8,489.60	112,063.00	742.98
City of Nome	33,850.34	446,824.00	2,962.44
City of Kotzebue	21,561.96	284,618.00	1,827.02
City of Petersburg	116,314.52	1,535,352.00	10,179.38
Bristol Bay	13,866.84	183,042.00	1,213.57
North Slope Borough	358,129.63	4,727,311.00	31,342.07
City of Cordova	52,465.83	692,549.00	4,591.60
City of King Cove	6,936.60	91,563.00	607.06
City of St. Paul	10,219.71	134,900.00	894.39
Anchorage	3,452,173.31	45,568,670.00	302,120.28
Kodiak Borough	20,061.16	264,807.00	1,755.67
City of Sand Point	10,357.47	136,719.00	906.45
City of Dillingham	18,254.06	240,954.00	1,597.53
City of Unalaska	39,605.52	522,793.00	3,466.12
Kenai Pen Borough	169,217.96	2,233,677.00	14,809.28
City of Ketchikan	155,900.07	2,057,881.00	13,643.75
City of Seward	26,978.41	356,115.00	2,361.04

Total Additional Cost to
League Members

640,081.87

DRAFT

SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE
January 31, 1979

Members Present

Members Absent

Senator Hackney, Chairman
Senator Colletta *late 2:53 PM
Senator Fahrenkamp
Senator Sturgulewski

Senator Ferguson

Others Present

Paul B. Arnoldt, Department of Administration
Cherie Shelley, Alaska Public Employees Association, National Association of Retired Persons, National Association of Retired Teachers
Jim Beima, Postsecondary Education Commission
Jane Hanna, Board of Nursing Home Administrators
Roberley R. Potter, Board of Nursing Home Administrators
Leona F. Borules, Board of Nursing Home Administrators
Dove Kull, Board of Nursing Home Administrators
Bert Wagnon, Department of Commerce and Economic Development
Don Hostak, Department of Commerce and Economic Development
Elaine Garret, Department of Commerce and Economic Development
Bob Cooksey, National Educational Association - Alaska
Marilou Maddan, Department of Education
Rocelyn Gilman, Department of Commerce and Economic Development
Donna Stephens, Board of Nursing Home Administrators

Bills on Agenda

- SB 24 -- An Act relating to insurance coverage for persons receiving benefits under the public employees' and teachers' retirement systems; RAY
- SB 35 -- An Act relating to adult education; RULES/REQ. OF THE GOVERNOR

Chairman Hackney called the meeting to order in the Butrovich Room of the Capitol Building at 2:38 PM.

The first bill on the agenda was SB 24. Present to testify was Paul Arnoldt.

Paul Arnoldt. Mr. Chairman, for the record, I am Paul Arnoldt, Director of the Division of Retirement and Benefits. For the last few days we have been trying to generate cost data on the bill. We have contacted our health insurance consultant through the William M. Mercer Company. He is working with our carrier, Blue Cross, to generate the firm number or a cost per month per employee for providing the audio, dental and visual benefit as indicated on under this bill. Then that data is going to be given to our actuary and from there we will calculate a cost-impact on the system. We have really two consultants and a carrier involved in costing the bill, but we don't have that cost as of yet. We have commitments to have the data by

Friday and have the fiscal note done by Friday. At this point in time we don't have a fiscal impact. The administration's position on this is that quite obviously we like to provide as much coverage as possible to everyone including our retirees. The only constraint is the fiscal impact and without that we really can't say what our support is. Looking at the bill in a positive vane, we'd like to do something if we can afford it.

Sen. Sturgulewski. Mr. Arnoldt, I realize that we deal with different departments and divisions but on behalf of the administration has there every been an analysis done of total benefits that are given to senior citizens or people based on an age level, say 55, 60, 65 looking into the property tax exemption? In other words have we taken a look to really see how we handle our senior citizens of which I may soon become?

Mr. Arnoldt. The answer to that is really no. If I can expand on that a little bit, other states have looked at that same issues, not necessarily regarding senior citizens but persons going on retirement. Other states that found that time they add in your retirement benefit, some of the tax deductions, your social security, etc. that many employees are actually going on retirement with an excess of 100% of their final salary. It's just a gut feel, if you will, of most state administrators at the national conference that I do attend that most states are in that environment. In particular when you recognize that they are actually providing benefits greater the final average salary. Especially when you recognize that studies written by actuarial firms, Winkleboss out of New York is the primary one, that shows that a person on retirement really in order to maintain their same standard of living would need a salary somewhere between 40 and 69% of their final salary in order to maintain that same standard of living. But again, just throwing it back to our particular situation, no, I am not aware of any study that addresses that area.

Sen. Fahrenkamp. Two things, (1) I am concerned about the statement about 100% of the final salary because many times I know that employees will, before retiring, have put in their time in one field and change fields and maybe that is no relation to what their capabilities and salary were or have been at one time or another and that statement is bothering me just a little bit. If they are retiring at 100% of their final salary then I admire their ingenuity. Another thing, I don't object to testimony concerning this bill, but its been my experience so far in this procedure that unless a fiscal note accompanies a bill our hands are rather tied.

Sen. Hackney. I wouldn't intend to pass the bill our today absent a fiscal note.

Sen. Fahrenkamp. In the interest of time I know that I'm a little bit restrained today with these Joint Senate and House Committee Resources meetings and I'll stay as long as you deem it necessary, but in the interest of time, if we are not going

DRAFT

to pass it out, as much testimony as we could get as quickly and if the witness is not prepared . . .

Sen. Hackney. We did not know that we were not going to be able to get a fiscal note until it was too late to do anything. People had been notified. We do have several others who would like to testify, I'm sure, on the bill. So I think what we will do, do you have any further comments Mr. Arnoldt?

Mr. Arnoldt. No. Other than regarding the 100%. I get excited when I want to testify, I've got so much I want to say without developing it. There are a whole gamut of things in the bill so its almost like throwing it out of context when I give you a little something without developing it. I'm sorry for that, I get too excited someties, but I can really develop it at someother time is you would like.

Sen. Hackney. By Friday?

Mr. Arnoldt. I could probably give you material that was done by the Winkleboss Actuarial firm by Friday. It speaks to that whole area. I can get material.

Sen. Hackney. I think we would like to see whatever material you've got. We'd also like to see anything that projects the longterm effects of something like this 20 years down the road. Because there is a cumulative effect there.

Mr. Arnoldt. ^{THE FISCAL NOTE} This would show the longterm effect for this particular bill and the study would show what other states are showing as far as benefits.

Sen. Fahrenkamp. As that fiscal note is prepared, I'd like to ask Mr. Arnoldt, what are the possibilities of including in that some comparison relating to 100% rather than 50%. I know this bill speaks to 50% of the cost being borne by the retiree and I'd like to see some figures comparing with 100%. Would that put you in a bind?

Mr. Arnoldt. No, no problem. The 100% I was speaking to . . .

Sen. Fahrenkamp. I'm well aware of the two differences.

Mr. Arnoldt. If the State were to pay the total cost, the fiscal impact would be just doubled what the fact would be now. If the employee paid the full cost, it would be zero.

Sen. Hackney And you won't know what full cost is until you get . . .

Mr. Arnoldt. Right, the data back from the carrier.

Sen. Sturgulewski. There are two things that I would like to have. One you can answer now and one hopefully you can address on Friday or whatever date. Could you or someone give testimony on the availability of medical coverage for people in this class in fact if they do not come through a plan say that was offered by the state, is it really possible that any kind of reasonable rate to

acquire that service independently. Then a question to you on a comment you made when you referred to the 40 to 69% final salary necessary to maintain a standard of living. Were you talking that that is necessary in coordination with those benefits that the state typically gives?

Mr. Arnoldt. No, in order to maintain the same standard of living that you have the day after you go on retirement, depending on your salary range, it runs from 40 and 69% of your final salary. That same amount of money would be needed to maintain the same standard of living.

Sen. Sturgulewski. OK, in other words, not taking into account the fact you may or may not receive other benefits.

Mr. Arnoldt. It takes into consideration that you are receiving other benefits.

Sen. Sturgulewski. OK, that's what I'm trying to get.

Mr. Arnoldt. To go back to the availability of medical. I think we are only speaking to the audio/dental and visual because the retiree to day does get major medical.

Sen. Sturgulewski. I realize that. No, the bill under consideration.

Sen. Hackney. It really is just an expansion of present benefits, isn't that a fair statement?

Mr. Arnoldt. Yes.

Sen. Hackney. No other questions? Thank you Mr. Arnoldt.
Cherie Shelly, representing APEA, NARP, and NART.

Cherie Shelly. Mr. Chairman, for the record I am Cherie Shelly. I am general counsel for Alaska Public Employees Association and I am also speaking to day on behalf of the National Association of Retired People and Retired Teachers as their lobbyist fell on the ice and hurt a leg and can't be here today. Basically, I work with that organization in drafting legislation. The impetus was APEA now represents current state employees who will eventually become retired. And the information I received from the Retired Persons Association was that these individuals now only have major medical coverage and they found it difficult to procure and expensive to procure audio, visual and dental coverage at a time in their life when it would be most beneficial. With that in mind we requested Senator Ray to introduce this legislation.

Sen. Fahrenkamp. Was your request as representing APEA, NARP and NART, was your request then for a 50% of the cost being borne by the employee or retiree?

Cherie Shelly. When I was working on drafting the legislation, I called Mr. Arnoldt and asked him what his thoughts were on the legislation and based on my conversation with him I consulted the other people and decided it would at least be beneficial to have them pick up 50% of the cost. They thought that was terrific if they could get anything.

DRAFT

Sen. Fahrenkamp. You felt then that it was a matter of 50% or nothing, is that correct?

Cherie Shelly. Well considering the constraints we hear on financing legislation this session

Sen. Hackney. They'll be back for the other 50% next year.

Sen. Sturgulewski. Just briefly, I would be interest if there is any documentation or other testimony about the difficulty of insurance and any coverage in those areas. You've made a statement and if you have any further information on that I would appreciate it.

Cherie Shelly. I'll try to get you some backup on that.

Sen. Sturgulewski. Fine. Thank you.

Sen. Hackney. Thank you Cherie. Bob Cooksey?

Bob Cooksey. Thank you Mr. Chairman. I'm Bob Cooksey with NEA and I am here today in Bob Van Houte's absence and since I'm his assistant in this lobby activity, I'll probably be before you from time to time when he is out of town and tied up in some other matter. I'm here in support of the concept of SB 24. It for the retireed folks, these expenses come at a time when their salaries are significantly reduced and if the person is trying to buy the insurance as an individual, as I understand, it is more difficult for them to get. We surely would support the idea of having it provided for them. I feel even without additional cost in order to get the program going we surely support the idea of sharing the costs. This impact upon their income is even more significant, I feel, once they have been in retirement for 3 or 4 years. Especially with the current inflation.

Sen. Hackney. Bob, do you have any comments on the half cost as compared to any other schedule there?

Bob Cooksey. Well, my preference would be that those folks would not have to contribute toward the costs. I don't know the cost figures, but we would surely go along with the idea of sharing that cost in order for them to get the benefits at all. I could see that without some kind of coverage that even what may look like a good retirement income could be wiped out quickly with medical costs, major eye surgery, something of that nature.

Sen. Hackney. Further questions? Thank you.

Bob Cooksey. Thank you. We will be around if you have anymore questions.

Sen. Hackney. Is there anyone else who wanted to testify on SB 24? If not, we will hang onto this until Friday and ask Mr. Arnoldt to come back with the information that he will develop. I think we only have a couple of people who want to testify on SB 35 and I suspect that will go along pretty fast, so let's take up SB 35. An Act relating to adult education and Jim Beima, I guess you are on tap.

Sen. Ray. The idea of this bill is more or less self-explanatory. It allows those people who are retired from the state system and are over 65 to participate in the auditory, visual and dental insurance. The people pay 1/2 of the cost of the insurance and their retirement system from which he's receiving benefits shall pay the other 1/2.

We have a problem with these people who, because of the terrible inflation costs in auditory, visual and dental insurance that the people in that age group need it now more than they have ever needed it and they are less equipped to pay for it. So, by paying for it here rather than through some type of medicaid, general medical it just depends on how we want to pay for it. We are going to pay for it sooner or later. This way the recipient pays 1/2.

Sen. Hackney. According to testimony we had heard previously, the cost of a plan like this would be somewhere in the neighborhood of \$300 per year. Would you have an objection to an amendment to the bill that would require the person electing to have this insurance pay the full cost of it? That would make the service available to them at a price that no other way could they ever hope to obtain it, but at the same time it would remove the fiscal burdens from the retirement system.

Sen. Ray. I would have no objection to that Mr. Chairman. A half of loop is better than no loop.

Sen. Hackney. Personally I am very supportive of this but it was the price tag . . .

Sen. Fahrenkamp. I think perhaps you may have in mind CSHB 26, which is coming through with identical wording except that the person electing to have the insurance under these paragraphs pay the cost of insurance. I think the whole thing here is whether or not our retirees, whether or not we feel they should have the help of half way assistance on this after they have reached 65 or whether or not they should pay it off for themselves. I am wondering what this is going to do to some of our low bracketed people, and if we will still touch the problem at all under CSHB 26.

Sen. Sturgulewski. As I remember, we had some superb testimony on this whole thing and the need is there, the impact is very great. But the problem we ran into is that nobody has a plan like this. I think we are probably going to have to come under some type of a group plan in order to make it available for these people. I think just the fact that it's there, we're probably going to take care of a major part of the problem. Were you able Mr. Chairman to check that out and find in fact that that kind of insurance is available. Do we know that this is an appropriate way to go.

You don't have the same kind of thing where you are able to set your rates because you know just a number of people that are going to be involved. It's a little bit different kind of thing. You are offering a service without having the normal number of people plugged into it. Here it's going to be a very optional thing. Are they going to have those programs actuarially sound. Can we check that at all.

Sen. Hackney. I like the approach of making it available. And here again Senator Fahrenkamp I think what we've got to think about is whether or not we can continue to afford to offer all these side benefits to those who retired. This is a _____ that they are actually paying for, but the cost of it is peanuts compared to what they would be if they could buy it on the open market, and they can't.

Sen. Ferguson. I'd like to move that we, on page 1, line 17 delete "one-half" and line 18 put a "." after "insurance" and strike the rest of the sentence.

Sen. Ray. I would object to that. Not for the reason you anticipate. The retirement system is the system we are talking about that would allow these people to go in. If you delete any reference to the retirement system, they don't have a vehicle. So, rather than say under this paragraph shall pay the full cost of the insurance, I would ask for the indulgence of they shall pay "90%" of the cost of the insurance and the retirement system from which they are receiving the benefits shall pay the other 10%. That will give them an umbrella at a considerably reduced cost to the state.

Sen. Ferguson. I'll so move.

Sen. Sturgulewski. Why the 10%?

Sen. Ray. For the simple reason that if you don't have an umbrella or vehicle in order to put these people into an insurance program, that's what we are talking about.

Sen. Sturgulewski. But as a matter of fact, you could have it that any percentage or no percent if you had working that would bring them in the plan. It's not necessary is it, to make a contribution?

Sen. Ray. You could make it 95/5% if you want, as long as there is some percentage requirement underneath . . .

Sen. Sturgulewski. Let's take a look at the dollars. What are we talking about because we do have the municipalities in and there is an impact there. 10% would be \$64,000 there and we are talking about \$190,000 or thereabouts. I don't want to debate the issue, but I would like to see it as a minimal thing. I think we are suppose to be in here as a cost-conscience legislature and I realize that is up to Finance, but what we really need is a vehicle for these poor people that can't get hold of any insurance. I think that's concern. Would anyone

go for a 95/5%?

Sen. Hackney. 90/10 is the motion that was made

Sen. Ray. I would promise my colleague that if it is an unreasonable figure certainly I would assist Sen. Hackney in increasing the contribution level of the retiree.

Sen. Ferguson. I move that we move out SB 24 as amended with individual recommendations.

Sen. Hackney. No objections? So ordered.

distributing unclaimed

Original sponsors: Duncan and Miller

Offered: 2/12/79
Referred: Finance

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IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

CS FOR HOUSE BILL NO. 26

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to insurance coverage for persons receiving benefits under the public employees' and teachers' retirement systems."

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

* Section 1. AS 39.30.090 is amended by adding a new paragraph to read:

(15) A person receiving benefits under AS 14.25 or AS 39.35 may obtain auditory, visual, and dental insurance for himself under this section. The level of coverage for persons over 65 shall be the same as that available before reaching age 65 except that the benefits payable shall be supplemental to those afforded under the federal old age, survivors, and disability insurance program, if any. A person electing to have insurance under this paragraph shall pay the cost of the insurance. The commissioner of administration shall adopt regulations implementing this paragraph.

*NRTA ; LEGIS
AARP ;*

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. Senate Bill 24 (Senate Finance Amendments)
 Title Insurance Coverage for Persons Receiving Benefits Under the PERS
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Retirement and Benefits (PERS)
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		9.8	10.4	11.0	11.7	12.4
200 TRAVEL						
300 CONTRACTUAL		0.3				
400 COMMODITIES		0.2	0.2	0.2	0.2	0.2
500 EQUIPMENT		0.2				
600 LAND & STRUCTURES						
700 TRS STATE MATCH						
100 BENEFITS		319.6	351.6	386.8	425.5	468.1
TOTAL		330.1	362.2	398.0	437.4	480.7

FUNDING (Thousands of Dollars)

GENERAL FUND		261.7	287.9	316.8	348.4	383.4
FEDERAL FUNDS		14.7	16.2	17.8	19.6	21.5
VETERAN'S FUND		0.6	0.7	0.8	0.9	0.9
FISH & GAME FUND		1.9	2.1	2.3	2.6	2.8
HIGHWAY FUND		4.2	4.6	5.0	5.5	6.1
AIRPORT FUND		9.3	10.2	11.2	12.3	13.6
CAPITAL FUND		27.2	29.9	32.9	36.2	39.8
PERS		10.5	10.6	11.2	11.9	12.6
TRS						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

1. Audio, dental, vision coverage will be extended to present and future retirees.
2. Retiree would pay 90% of the cost and the retirement system would pay 10% of the cost.
3. Estimate FY 80 covered State payroll to be \$241,000,000.
4. Estimate future State payrolls will increase at 10% annually.
5. Increase in State employer contribution rate would be .1326% of covered payroll.
6. Administrative costs per attachment (Page 2).

IV. DATE 3/22/79 PREPARED BY Paul B. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 455-4460

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 Office of the Governor (Keith Specking)

Senate Bill 24 (Senate Finance Amendments)

The following administrative funds would be required to implement the provisions of this bill.

1. Personal Service - one permanent full-time position Accounting Clerk III (range 10) - salary and merit increases at 6% per year.

FY 80 monthly salary	\$1,254 X 12 = \$15,048
Plus benefits at 30.23%	= <u>\$ 4,549</u>
	\$19,597

2. Miscellaneous Expenses - initial cost office equipment, annual commodity, replacement costs, and printing/mailling costs.

FY 80	= \$1,300
Succeeding FY's	= \$ 300

Administrative costs will be shared equally between the Public Employees' Retirement System and the Teachers' Retirement System.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. Senate Bill 24 (Senate Finance Amendment)
 Title Insurance Coverage for Persons Receiving Benefits Under the TRS
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Administration - Division of Retirement and Benefits
 Program Category Affected Retirement and Benefits (TRS)
 BRU, Program, or Subprogram(s) Affected 02-96-8-01-01-02
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		9.8	10.4	11.0	11.7	12.4
200 TRAVEL						
300 CONTRACTUAL		0.2				
400 COMMODITIES		0.1	0.1	0.1	0.1	0.1
500 EQUIPMENT		0.3				
600 LAND & STRUCTURES						
700 TRS STATE MATCH		193.3	212.6	233.9	257.3	283.0
100 BENEFITS		44.3	48.7	53.6	59.0	64.9
TOTAL		248.0	271.8	298.6	328.1	360.4

FUNDING (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND		237.6	261.3	287.5	316.3	347.9
FEDERAL FUNDS						
VETERAN'S FUND						
FISH & GAME FUND						
HIGHWAY FUND						
AIRPORT FUND						
CAPITAL FUND						
PERS						
TRS		10.4	10.5	11.1	11.8	12.5

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
FULL TIME		1/2	1/2	1/2	1/2	1/2
PART TIME						
TEMPORARY						

- III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)
1. Audio, dental, vision coverage will be extended to present and future retirees.
 2. Retiree would pay 90% of the cost and the retirement system would pay 10% of the cost.
 3. Estimate FY 80 covered TRS payroll to be \$231,000,000.
 4. Estimate future State payrolls will increase at 10% annually.
 5. Increase in combined TRS State Match and district contribution rate will be .1674% of covered payroll.
 6. Administrative costs per attachment (Page 2).

Paul B. Arnoldt

IV. DATE 3/22/79 PREPARED BY Paul B. Arnoldt, Director
 AGENCY Division of Retirement & Benefits
 PHONE 465-4460

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 Office of the Governor (Keith Specking)

ATTACHMENT

Bill/Resolution No. SB 24
(Senate Finance Amendments)

ASSUMPTIONS:

1. Estimated FY80 Payroll (Total System) = \$231,000,000
2. State Contribution Rate to Fund Bill = .0837%
3. State TRS Matching Rate to Fund Bill = .0837%
4. School District Rate to Fund Bill = .0837%

COST ANALYSIS:

<u>Employer</u>	<u>Payroll</u>		<u>Rate</u>	<u>Cost</u>	<u>Appropriation</u>
1. Department of Education	\$ 6,000,000	X	.0837%	\$ 5.0	To Their Budget
2. University of Alaska	\$ 47,000,000	X	.0837%	\$ 39.3	To Their Budget
				\$ 44.3	
3. State TRS Matching	\$231,000,000	X	.0837%	\$193.3	To TRS Match
4. State TRS Regular Budget:					
Personal Services				\$ 9.8	To Personal Services
Travel				\$ -0-	To Travel
Contractual				\$ 0.2	To Contractual
Commodities				\$ 0.1	To Commodities
Equipment				\$ 0.3	To Equipment
				<u>\$248.0</u>	
5. All School Districts	\$178,000,000	X	.0837%	\$149.0	
				<u>\$397.0</u>	

REMARKS:

** FREE **
CONFERENCE COMMITTEE REPORT

DATE: 4/29/79

Mr. President:
Mr. Speaker:

The Free Conference Committee which has had

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 307 (making transfers between appropriations made for fiscal year ending June 30, 1979 to Dept. of Natural Resources; eff. date) and SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 307 (making transfers between appropriations made for fiscal year ending June 30, 1979 to Dept. of Natural Resources and extending an appropriation made to Dept. of Natural Resources) under consideration, recommends that

SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 307 (FCC) (making transfers between appropriations made for fiscal year ending June 30, 1979 to Dept. of Natural Resources and extending an appropriation made to Dept. of Natural Resources)

be adopted.

Senate Members:

Mike Colletta
Senator Colletta, Chairman

W. Rodey
Senator Rodey

Bill Ray
Senator Ray

House Members:

Rep. Schaeffer
Rep. Schaeffer, Chairman

Rep. Freeman
Rep. Freeman

Rep. Montgomery
Rep. Montgomery