

H B

535

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____
(Page 1 of 2)

<p>REQUEST</p> <p>Bill/Resolution No.: <u>CSHB 535 (SA)</u></p> <p>Title: <u>"An Act relating to purchase of group life insurance by retirees."</u></p> <p>Sponsor: _____</p> <p>Requestor: _____</p> <p>Date of Request: _____</p>	<p>FISCAL DETAIL</p> <p>Agency Affected: <u>All State Agencies</u></p> <p>Program Category Affected: <u>Health Insurance</u></p> <p>BRU, Program or Subprogram(s) Affected: _____</p>
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EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 Personal Svcs						
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual						
400 Supplies						
500 Equipment						
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

General Fund						
Federal Funds						
Other						
Total	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

Full-Time						
Part-Time						
Temporary						

SOURCE OF FUNDS TO OFFSET IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: J.K. Humphreys *J.K. Humphreys* Phone: 465-4460
 Division: Retirement & Benefits Date: 3-12-84

Approved by Commissioner: Lisa Rudd *L. Rudd* Date: 3-15-84
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CSHB 535
Fiscal Note Analysis
Prepared by the Division of Retirement & Benefits
Department of Administration

March 12, 1984

IV Analysis: This bill would allow retirees age 65 and older to continue to purchase optional group life insurance. Currently, retirees are ineligible to purchase this insurance after age 65.

In addition, it provides that those persons who were previously ineligible to enroll in optional life coverage because they were over 65 years of age at retirement or whose coverage was terminated when they reached age 65 would be allowed to enroll within one year after the effective date of this Act.

There is no cost to the State. Premiums for this insurance would be paid by the retiree.

COMMITTEE SUBSTITUTE FOR HOUSE BILL 535

CSHB 535(SA) WOULD ALLOW RETIREES AGE 65 AND OLDER TO CONTINUE TO PURCHASE OPTIONAL GROUP LIFE INSURANCE. CURRENTLY, RETIREES ARE INELIGIBLE TO PURCHASE THIS INSURANCE AFTER AGE 65.

IN ADDITION, IT PROVIDES THAT THOSE PERSONS WHO WERE PREVIOUSLY INELIGIBLE TO ENROLL IN OPTIONAL LIFE COVERAGE BECAUSE THEY WERE OVER 65 YEARS OF AGE AT RETIREMENT OR WHOSE COVERAGE WAS TERMINATED WHEN THEY REACHED AGE 65 WOULD BE ALLOWED TO ENROLL WITHIN ONE YEAR AFTER THE EFFECTIVE DATE OF THIS ACT.

THERE IS NO COST TO THE STATE. PREMIUMS FOR THIS INSURANCE WOULD BE PAID BY THE RETIREE. ~~ALTHOUGH~~, FAVORABLE PREMIUM RATES WOULD BENEFIT THE RETIREES

THIS LEGISLATION IS SUPPORTED BY THE ADMINISTRATION, ALASKA PUBLIC EMPLOYEES ASSOCIATION, AND THE UNIVERSITY OF ALASKA.

CSHB 535(SA) WILL REMOVE DISCRIMINATORY LANGUAGE FROM THE STATUTE AND WILL MAKE INSURANCE COVERAGE AVAILABLE AT A TIME WHEN PEOPLE NEED IT THE MOST. I URGE THAT YOU VOTE FOR THIS LEGISLATION.

FURTHER INFORMATION

- 1) THE HOUSE SUPPORTS THIS LEGISLATION 40 - 0.
- 2) SENATE COMMITTEE OF REFERRAL WAS 4 "DO PASS".
- 3) THE ACTUAL CHANGES IN THIS LEGISLATION ARE ON PAGE 2, LINE 23 -- DELETE "WHO IS NOT 65 YEARS OLD" AND PAGE 3, LINE 17 -- ADD SEC. 2. (ALLOWS FOR THOSE PREVIOUSLY DENIED AN OPPORTUNITY TO ENROLL FOR COVERAGE TO DO SO WITHIN ONE YEAR AFTER EFFECTIVE DATE).

535 TITLE & SPONSOR SUMMARY

17:15 6/04/84 PAGE 1 OF 3

ENDED TITLE: CS08 535(S.A.)

ACT RELATING TO THE PURCHASE OF GROUP LIFE INSURANCE
FORMER STATE EMPLOYEES AND OTHERS

GENERAL DOLLARS: \$0 (F. NOTE)

THE SPONSOR: SHULTZ.

OTHER DOLLARS: \$0

-SPONSORS:

URGENT STATUS: 5/10/84 CHAPTER 0046 SLA 04

5 535 HOUSE ACTION

17:15 6/04/84 PAGE 2 OF 3

DATE SEQ PAGE

LEGISLATIVE ACTION

6/23/84	01	2533	FIRST READING -- COMMITTEE REPORTS
6/23/84	02	2540	L&C -- 0P05
6/23/84	03	2570	ZERO F/NOTE W/ANALYSIS HSE SUPPL 002
6/07/84	04	2639	S.A. -- CS07
6/14/84	05	2916	FIN -- S.A. CS07, NR01
6/21/84	06	2998	SECOND READING
6/21/84	07	2998	S.A. CS ADOPTED BY UNAN CONSENT
6/21/84	08	2998	ADVANCED TO 3RD READING BY UNAN CONSENT
6/21/84	09	2998	THIRD READING
6/21/84	10	2999	PASSED BY DIV 40-00-00
6/25/84	11	3467	TRANSMITTED TO GOVERNOR
6/10/84	12	3622	SIGNED BY GOVERNOR-CH0046, EFF 08/08/84
###	##	#	### ### ###

5 535 SENATE ACTION

17:15 6/04/84 PAGE 3 OF 3

DATE SEQ PAGE

LEGISLATIVE ACTION

6/22/84	11	2430	FIRST READING -- COMMITTEE REPORTS
6/04/84	12	2652	L&C -- 0P04
6/12/84	13	2716	MOVED FROM FIN TO RLS BY UNAN CONSENT
6/24/84	14	2804	RLS -- OTHER04
			TAKEN UP IMMEDIATELY
6/24/84	15	2817	SECOND READING
6/24/84	16	2807	ADVANCED TO 3RD READING BY UNAN CONSENT
6/24/84	17	2868	THIRD READING
6/24/84	18	2808	PASSED BY DIV 15-00-04
###	##	#	### ### ###

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

Date 11-18-89

Mr. President

The Committee on FINANCE AND COMMERCE considered SALES TAX

purchase of group life insurance by firms, their employees and others.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
Chairman

[Signature]
Chairman recommendation

ANALYSIS

CSHB 535

"An Act relating to the purchase of group life insurance by former state employees and others."

NOTE: One of the purposes of this legislation is to re-number the present statute. Therefore, the entire statute is a part of the bill.

Only CHANGES will be mentioned in this analysis.

Page 2, Lines 22-26:

AMENDS current law to remove the exclusion of persons over the age of 65 for participation in the program.

Page 2, Line 29 and Page 3, Line 1:

AMENDS current law to provide that persons over the age of 65 who elect to continue coverage must pay the premiums for such coverage.

Page 2, Lines 17-23:

ADDS new language to give former employees one year from the effective date of the Act to enroll in the state's life insurance program.

BACKGROUND

HB 535

House Bill 535 is a single purpose piece of legislation designed to allowed retired state employees to continue their group life insurance after age 65. They would be required to pay the premiums on this coverage.

HB 535 arose from complaints from a constituent in House District 17 who is a retired state employee. At the time of her retirement, the group life insurance policy with the state was her only life coverage. By the time she was informed that she was no longer covered, her age made it impossible to purchase life insurance on the open market at a reasonable rate.

Cost of funerals in small, interior communities is very high. This is primarily due to the fact that graves cannot be dug in the winter, and bodies must therefore either be cremated or held in cold storage until after break-up.



Jay Barton
President

UNIVERSITY OF ALASKA
FAIRBANKS ALASKA 99701

April 2, 1984

The Honorable Richard Eliason, Chairman
Senate Labor and Commerce Committee
Pouch V
Juneau, Alaska 99811

Dear Senator Eliason:

When HB 535 was being considered in the House, I asked the University of Alaska Risk Manager to review the bill as it related to University employees. After reviewing the proposed legislation he stated that this is a desirable bill because of the limited insurance opportunities available to retired employees. Therefore, the University of Alaska is happy to support HB 535.

We would appreciate your favorable consideration of this legislation.

Sincerely yours,

W. Russell Jones
Special Assistant
for Legislative Affairs

mlf



Alaska Public
Employees Association **APEA**
State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

To: Senator Richard Eliason, Chairman
Labor and Commerce Committee

From: Cherie Shelley *CS*
Executive Director

Subject: HB 535

Date: April 3, 1984

The Alaska Public Employees Association fully supports HB 535 allowing former public employees to continue to purchase group life insurance after age 65.

The legislation will remove discriminatory language from state statute and make insurance coverage available at a time when people need it the most.

There will be no cost to the state since the premium will be paid by the former employees.

CS/rb

cc: Representative Richard Shultz

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825-D College Road
Fairbanks, AK 99701
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Anchorage Field Office
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Juneau, AK 99801
Telephone: (907) 586-6305



Alaska Public
Employees Association

APEA

State Headquarters: 340 N. Franklin, Juneau, AK 99801 (907) 586-2334

MEMORANDUM

COPY FOR YOUR
INFORMATION

TO: Representative John Cowdery, Chairman
House Labor and Commerce Committee

FROM: Cherie Shelley 
Executive Director

SUBJECT: HB 535

DATE: February 7, 1984

The Alaska Public Employees Association fully supports the provisions of HB 535 allowing all former public employees to continue to purchase group life insurance regardless of age.

This legislation will remove discriminatory language from state statute and make insurance coverage available at a time when people need it the most.

Cost to the state will be minimal since the premium will be paid by the former employees.

CS/rb

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Position Paper

HB 535

The Department of Administration supports this bill. It offers retirees the choice of continuing to purchase optional group life insurance coverage beyond the current limit of age 65. This flexibility can be achieved with no cost to the state. Favorable premium rates would benefit the retiree.

J. K. Humphreys
J.K. Humphreys, Director, Division of Retirement & Benefits

2-3-84
Date

Lisa Rudd
Lisa Rudd, Commissioner, Department of Administration

2/8/84
Date

Sec. 39.30.080. Definitions. In AS 39.30.010 — 39.30.080

- (1) "department" means the Department of Administration;
- (2) "employee" includes an officer of a political subdivision of the state;
- (3) "employment" means any service performed by an employee of a political subdivision of the state, except (A) service which in the absence of an agreement entered into under AS 39.30.010 — 39.30.080 would constitute "employment" as defined in the Social Security Act; or (B) service which under the Social Security Act may not be included in an agreement between the state and the Federal Security Administrator entered into under AS 39.30.010 — 39.30.080;
- (4) "Federal Insurance Contributions Act" means subchapter A of chapter 9 of the Federal Internal Revenue Code as amended;
- (5) "Federal Security Administrator" includes an individual to whom the Federal Security Administrator has delegated any of his functions under the Social Security Act with respect to coverage under that act of employees of states and territories and their political subdivisions;
- (6) "political subdivision" includes an instrumentality of the state or of a political subdivision, or of the state and a political subdivision, but only if the instrumentality is a juristic entity legally separate and distinct from the state or the political subdivision and only if its employees are not, by virtue of their relation to the juristic entity, employees of the state or the political subdivision;
- (7) "Social Security Act" means the Act of Congress approved August 14, 1935, chapter 531, 49 Stat. 620, cited as the "Social Security Act," (including regulations and requirements issued under it), and its amendments;
- (8) "wages" means remuneration for employment, including the cash value of remuneration paid in any medium other than cash, except that "wages" does not include that part of remuneration which, even if it were for "employment" within the meaning of the Federal Insurance Contributions Act, would not constitute "wages" within the meaning of that act. (§ 2 ch 95 SLA 1951; am §§ 82, 83 ch 59 SLA 1982)

Effect of amendments. — The 1982 amendment substituted "a" for "the state or" in paragraph (2), and, deleted "the state, or" preceding "a political subdivision" in paragraph (3).

Article 2. Group Life and Health Insurance.**Section**

90. Procurement of group insurance
95. Group health and life benefits fund

Sec. 39.30.090. Procurement of group insurance. The Department of Administration may obtain a policy or policies of group insurance covering state employees, persons entitled to coverage under AS

14.25.168, AS 22.25.090, AS 39.35.535 or former AS 39.37.145, or employees of other participating governmental units, subject to the following conditions:

- (1) A group insurance policy shall provide one or more of the following benefits: life insurance, accidental death and dismemberment insurance, weekly indemnity insurance, hospital expense insurance, surgical expense insurance, dental expense insurance, audiovisual insurance, or other medical care insurance.
- (2) Each eligible employee of the state, the spouse and the unmarried children chiefly dependent on the eligible employee for support, and each eligible employee of another participating governmental unit shall be covered by the group policy, unless exempt under regulations adopted by the commissioner of administration.
- (3) A governmental unit may participate under a group policy if
- (A) its governing body adopts a resolution authorizing participation, and payment of required premiums;
- (B) a certified copy of the resolution is filed with the Department of Administration; and
- (C) the commissioner of administration approves the participation in writing.
- (4) Repealed by § 37 ch 137 SLA 1982.
- (5) Repealed by § 37 ch 137 SLA 1982.
- (6) The Department of Administration shall obtain the insurance policy from any insurer authorized to transact business in the state under AS 21.09 and AS 21.90.
- (7) The Department of Administration shall make available bid specifications for desired insurance benefits to all insurance carriers licensed in the state and qualified to provide the desired benefits. The specifications shall be made available on or before July 1, 1965, and at least once every succeeding five years. The lowest responsible bid submitted by an insurance carrier with adequate servicing facilities shall govern selection of a carrier under this section.
- (8) If the aggregate of dividends payable under the group insurance policy exceeds the governmental unit's share of the premium, the excess shall be applied by the governmental unit for the sole benefit of the employees.
- (9) A person receiving benefits under AS 14.25.110, AS 22.25, AS 39.35, or former AS 39.37 who is not 65 years of age may continue the life insurance coverage that was in effect under this section at the time of termination of employment with the state or participating governmental unit.
- (10) Repealed by § 37 ch 137 SLA 1982.
- (11) Repealed by § 37 ch 137 SLA 1982.
- (12) A person electing to have insurance under (9) of this section shall pay the cost of this insurance.

(13) Repealed by § 37 ch 137 SLA 1982.

(14) For each permanent part-time employee electing coverage under this section, the state shall contribute one-half the state contribution rate for permanent full-time state employees, and the permanent part-time employee shall contribute the other one-half.

(15) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35, or former AS 39.37 may obtain auditory, visual, and dental insurance for that person and eligible dependents 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 any benefits provided under the federal old age, survivors, and disability insurance program. 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. (§ 2 ch 151 SLA 1955; am § 1 ch 168 SLA 1959; am § 1 ch 105 SLA 1965; am § 1 ch 70 SLA 1968; am § 66 ch 69 SLA 1970; am § 1 ch 123 SLA 1970; am § 1 ch 159 SLA 1972; am §§ 1, 2 ch 46 SLA 1973; am §§ 13, 14 ch 47 SLA 1974; am § 2 ch 27 SLA 1976; am § 39 ch 177 SLA 1978; am § 1 ch 55 SLA 1979; am § 1 ch 62 SLA 1981; am § 37 ch 137 SLA 1982)

Effect of amendments. — The 1981 amendment substituted "AS 22.25" for "or" preceding "AS 39.35" and added "or former AS 39.37" preceding "may obtain" in paragraph (15).

The 1982 amendment, substituted "persons entitled to coverage under AS 14.25.168, AS 22.25.090, AS 39.35.535 or former AS 39.37.145, or" for "and" in the introductory paragraph; substituted "the" for "his" preceding "spouse" and "unmarried children" and substituted "the eligible employee" for "him" in paragraph (2); deleted "or" following "AS 22.25", inserted "or former AS 39.37" and "coverage that was in effect," and substituted "continue the" for "obtain major medical and" and "at the time of termination of employment with the state or participating governmental unit" for "for himself and any dependents who have not reached the age of 65 years" in paragraph (9); repealed paragraphs (10), (11), and (13), which read, respectively, "A person receiving benefits under AS 14.25.110, AS 22.25.010 — 22.25.090 or AS 39.35.010 — 39.35.690 who is 65 years of age or older but who has dependents who are under 65

may obtain major medical insurance for these dependents under this section," "A person receiving benefits under AS 14.25.110, AS 22.25.010 — 22.25.090 or AS 39.35.010 — 39.35.690 may obtain major medical and prescription drug insurance under this section for himself and any dependents to cover costs which are not covered by the federal old age survivor's and disability insurance program," and "No person may elect for coverage under (9), (10) or (11) of this section unless he was or is presently eligible for coverage under this section"; deleted "(10, or (11)" following "under (9)" in paragraph (12); substituted "that person and eligible dependents" for "himself" in the first sentence of paragraph (15); and substituted "any benefits provided" for "those afforded" and deleted "if any" following "disability insurance program" in the second sentence of paragraph (15).

Editor's notes. — As to the purpose of the 1978 amendatory act, see § 1, ch. 177, SLA 1978 as amended by § 7, ch. 46, SLA 1982, in the 1982 Temporary and Special Acts and Resolves.

Sec. 39.30.095. Group health and life benefits fund. (a) The commissioner of administration shall establish the group health and life benefits fund as a special account in the general fund to provide for

group life and health insurance under AS 39.30.090 and 39.30.160. The commissioner shall maintain accounts and records for the fund. The fund consists of employer contributions, employee contributions, appropriations from the legislature, and interest earned on investment of the fund as provided in (d) of this section.

(b) After obtaining the advice of an actuary, the commissioner of administration shall determine the amount necessary to provide benefits under AS 39.30.090 and 39.30.160 and shall set the rate of employer contribution and employee contribution, if any. The commissioner of administration shall pay premiums and claims in accordance with the insurance policies in effect under AS 39.30.090 and 39.30.160 with money in the fund.

(c) The commissioner of administration or the designee of the commissioner is administrator of the fund.

(d) If the commissioner of administration determines that there is more money in the fund than the amount needed to pay premiums or benefits for the current fiscal year, the surplus, or so much of it as the commissioner of administration considers advisable, may be invested by the commissioner of revenue in the same manner as retirement funds are invested under AS 39.35.110.

(e) In this section, "fund" means the group health and life benefits fund. (§ 38 ch 137 SLA 1982)

Article 4. Supplemental Employee Benefits on Withdrawal from Social Security.

Section

153. Repayment of contributions

Sec. 39.30.153. Repayment of contributions. Upon termination of employment the amount held on behalf of a terminating employee in the supplemental benefits account established under AS 39.30.160 shall be paid to the employee under the terms of the State of Alaska Supplemental Annuity Plan. A terminating employee may defer receipt of payment under this section at the employee's option. (§ 39 ch 137 SLA 1982)

Effective dates. — Section 78, ch. 137, SLA 1982, provides: "AS 39.30.153 enacted in sec. 39 of this Act and sec. 77 of this Act take effect on the amendment of the plan by the plan administrator after receipt of a favorable tax ruling by the United States Internal Revenue Service."

Section 77, ch. 137, SLA 1982, makes this section retroactive to January 1, 1980.

Editor's notes. — Section 76, ch. 139, SLA 1982, provides: "The plan administra-

tor of the State of Alaska Supplemental Annuity Plan shall apply to the United States Internal Revenue Service for a ruling that an amendment to the plan to allow participants to receive an annuity benefit as provided in § 39.30.153 at any age will not adversely affect the deferral of taxes and, on receipt of a favorable ruling, shall amend the plan in accordance with the provisions of AS 39.30.153 enacted in sec. 39 of this Act."