

S B

13

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act relating to reimbursement
of certain medicare premiums. BRU: Retirement and Benefits
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	11.2	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	11.2	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	11.2	0	0	0	0	0
TOTAL	11.2	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	1	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This analysis is written with the assumption that this bill would not become effective until FY 91. If the bill became effective earlier than FY 91, the costs shown for that year would become FY 90 costs at the rate of \$3.7 per month of FY 90 up to the total of \$11.2.

THIS BILL IS ESTIMATED TO COST ALL STATE AGENCIES \$8,676.5 IN INCREASED PERSONAL SERVICES COSTS. THIS BILL IS ESTIMATED TO COST POLITICAL SUBDIVISIONS AND SCHOOL DISTRICTS \$9,394.0 in FY 91.

See pages 2 through 4 for a detailed analysis.

Prepared by: Sally Smith *Sy Mike Paughlin* Phone: 465-4460
 Division: Retirement and Benefits Date: 1/29/90

Approved by Commissioner: Frank S. Baxter *Frank S. Baxter* Date: 1/31/90
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Senate Bill 13
 Financial Implications on Retirement Funds
 Prepared by the Division of Retirement and Benefits
 Department of Administration

This analysis is written with the assumption that Part B premium reimbursement could be made on a monthly basis and that all PERS and TRS retirees over the age of 65 would receive reimbursement. Passage of this bill will require a number of changes in the data processing system to automate the reimbursement requirements for eligible retirees. These changes will require an Analyst/Programmer IV for an estimated three months. The total cost for this position is \$11,172 and is the only funding anticipated for operational costs.

There will be an impact to the State for employer contributions. This bill is estimated to increase the State's contributions by 1.43 percent of the Public Employees' Retirement System (PERS) payroll and 1.24 percent of the Teachers' Retirement System (TRS) payroll. The FY 91 State PERS payroll, including the University of Alaska, is estimated to be \$556,310,861 (State \$492,656,834, and University of Alaska \$63,654,027). It is assumed to remain level each year thereafter.

The FY 91 State TRS payroll, including the University of Alaska, is estimated to be \$58,159,258 (Department of Education/Legislature \$5,673,729, and University of Alaska \$52,485,529). TRS salaries are also assumed to remain level each year thereafter.

The total estimated FY 91 cost to the State of \$9,099.5 is calculated as follows:

Estimated State PERS FY 91 payroll . . .	\$492,656,834	
PERS contribution rate increase . . .	x	1.43%
State Total PERS cost		\$7,045.0

Estimated University of Alaska PERS		
FY 91 payroll	\$ 63,654,027	
PERS contribution rate increase . . .	x	1.43%
University of Alaska Total PERS cost		\$ 910.3

Estimated Department of Education/ Legislature TRS FY 91 payroll . . .	\$ 5,673,729	
TRS contribution rate increase . . .	x	1.24%
Department of Education Total TRS cost		\$ 70.0

Estimated University of Alaska TRS		
FY 91 payroll	\$ 52,485,529	
TRS contributions rate increase . . .	x	1.24%
University of Alaska Total TRS cost		\$ 650.8

In addition to the State cost, there would also be an increase in the political subdivisions' contribution rate to the PERS by 1.43 percent of PERS payroll and school districts' contribution rate to the TRS by 1.24 percent of TRS payroll. The FY 91 PERS payroll for political subdivisions is estimated

to be \$358,420,788. The FY 91 TRS payroll for school districts is estimated to be \$344,238,828. Salaries for both systems are assumed to remain level each year thereafter.

The total estimated FY 91 cost to these entities of \$9,394.0 is calculated as follows:

Estimated political subdivision
 FY 91 payroll \$358,420,788
 PERS contribution rate increase . . . x 1.43%
 Political subdivision Total PERS cost \$5,125.4

Estimated school district FY 91
 payroll \$344,238,828
 TRS contribution rate increase x 1.24%
 School district Total TRS cost \$4,268.6

INCREASE IN FY 91 COSTS DUE TO
 REIMBURSEMENT OF MEDICARE PART B PREMIUMS

	PERS	TRS	TOTAL
State	\$7,955.3	\$ 721.2	\$8,676.5
Political Subdivisions and School Districts	\$5,125.4	\$4,268.6	\$9,394.0

If this bill becomes law, the unfunded liability will increase by \$30,800,000 and the funding ratio will decrease by 2.2 percent in the TRS. The unfunded liability will increase by \$67,200,000 and the funding ratio will decrease by 1.43 percent in the PERS.

Position Title Analyst/Programmer IV		No. of Positions 1	Range/Step 19A	Barg. Unit G
Time Status FT Nonpermanent	Staff Months 3.0	Location AWA		Election District Juneau (4)
Type of Expenditure		Amount		
1	2	3		
Salary	10,008			
Benefits	1,164			
Premium Pay				
Other				
Total Personal Services		11,172		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost				
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004			
I-A Receipts	1006			
CIP Receipts	1061			
Other				

Justification
SB 13 requires the reimbursement of all retirees in the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), for Medicare Part B Premiums.

The Analyst/Programmer IV requested on this form will be responsible for designing, writing and testing the automated program to implement payment to retirees. Specifically, the program must accomplish the following:

1. Identify all retirees age 65 or more in the PERS and TRS.
2. Generate notification letter to each retiree identified explaining monthly benefit check will be increased by the amount of Medicare Part B premiums.
3. Increase monthly benefit by premium amount and maintain appropriate percentages for other benefit components.
4. Identify other retirees as they turn age 65 and notify them as in 2 above and increase benefit as in 3 above.

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4/11B4/012901-9/1

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 91

FISCAL NOTE

REQUEST: _____ FEB 16 1989

Revision Date: _____ Agency Affected: Department of Administration
 Title: An Act relating to reimbursement of certain medicare premiums. BRU: Retirement and Benefits
 Sponsor: Duncan Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	11.2	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	11.2	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	1	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This analysis is written with the assumption that Part B premium reimbursement could be made on a monthly basis and that all PERS and TRS retirees over the age of 65 would receive reimbursement. Passage of this bill will require a number of changes in the data processing system to automate the reimbursement requirements for eligible retirees. These changes will require an Analyst/Programmer IV for an estimated three months. The total cost for this position is \$11,172 and is the only funding anticipated for operational costs.

THIS BILL IS ESTIMATED TO COST ALL STATE AGENCIES \$9,099.5 IN INCREASED PERSONAL SERVICES COSTS. THIS BILL IS ESTIMATED TO COST POLITICAL SUBDIVISIONS AND SCHOOL DISTRICTS \$10,353.3 IN FY 90. See pages 2 and 3 for a detailed analysis.

Prepared By: Sally Smith *Sally Smith* Phone: 465-4460
 Division: Retirement and Benefits Date: 2/10/89
 Approved by Commissioner: John M. Andrews *JMA* Date: 2/15/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Page 2 of 3
 Senate Bill 13
 Financial Implication on Retirement Funds
 Prepared by Division of Retirement and Benefits
 Department of Administration
 February 10, 1989

There will be an impact to the State for employer contributions. This bill is estimated to increase the State's contributions by 1.6% of the PERS payroll and 1.38% of the TRS payroll. The FY 90 State PERS payroll, including the University of Alaska is estimated to be \$521,208,708 (State \$463,907,093; and University of Alaska, \$57,301,615.) It is assumed to remain level each year thereafter.

The FY 90 State TRS payroll, including the University of Alaska, is estimated to be \$55,085,786 (Department of Education, \$5,025,700; and the University of Alaska, \$50,060,086). TRS salaries are also assumed to remain level each year thereafter.

The total estimated FY 90 cost to the State of \$9099.5 is calculated as follows:

Estimated State PERS FY 90 payroll.....	\$463,907,093
PERS contribution rate increase.....x	1.6%
	State total PERS cost...\$7422.5

Estimated University of Alaska PERS	
FY 90 payroll.....	\$ 57,301,615
Pers contribution rate increase.....x	1.6%
	University of Alaska total PERS cost...\$ 916.8

Estimated Department of Education TRS	
FY 90 payroll.....	\$ 5,025,700
TRS contribution rate increase.....x	1.38%
	Department of Education total TRS cost...\$ 69.4

Estimated University of Alaska TRS	
FY 90 payroll.....	\$ 50,060,086
TRS contributions rate increase.....x	1.38%
	University of Alaska total TRS cost...\$ 690.8

In addition to the State cost there would also be an increase in the political subdivisions' contribution rate to the PERS by 1.6% of PERS payroll and school districts' contribution rate to the TRS by 1.38% of TRS payroll. The FY 90 PERS payroll for political subdivisions is estimated to be \$354,521,366. The FY 90 TRS payroll for school districts is estimated to be \$339,201,043. Salaries for both systems are assumed to remain level each year thereafter.

The total estimated FY 90 cost to these entities of \$10,353.3 is calculated as follows:

Estimated political subdivision	
FY 90 payroll.....	\$354,521,366
PERS contribution rate increase.....x	1.6%
	Political subdivision total PERS cost...\$5672.3

Estimated school district
 FY 90 payroll.....\$339,201,043
 TRS contribution rate increase.....x 1.38%
 School district total TRS cost...\$4681.0

INCREASE IN FY 90 COSTS DUE TO
 REIMBURSEMENT OF MEDICARE PART B PREMIUMS

	PERS	TRS	TOTAL
State	\$8339.3	\$ 760.2	\$ 9099.5
Political Subdivisions and School Districts	\$5672.3	\$4681.0	\$10353.3

If this bill becomes law, the unfunded liability will increase by \$34,400,000 and the funding ratio will decrease by 2.4% in the TRS. The unfunded liability will increase by \$75,000,000 and the funding ratio will decrease by 1.3% in the PERS.

CARTA

Central Alaska Retired Teachers Association

Advocate for Retired and Pre-Retired Educators

MAR 1 1990

February 5, 1990
5801 Radcliffe Drive
Anchorage, AK 99504

Senator Paul Fischer, HESS Committee

The Legislative Committee of the Central Alaska Retired Teachers Association (CARTA) has the passage of SB 13 and HB 127 both dealing with Social Security reimbursement for Medicare B a high priority. The Alaska health insurance plan discriminates against retirees over age 65.

Basic health care is provided premium-free by TRS until age 65, when Medicare B becomes the primary provider. For this coverage the over 65 retiree pays \$33.90 per month for Medicare B. The TRS pays an Aetna premium of \$76.37 for over age 65 retirees. The monthly premium for Aetna under 65 is \$267.43 paid by the TRS system. If the TRS covered the Medicare and added the Aetna cost, the total insurance premium would be about \$110.00 per month, or less than half the premium for under 65 retirees. In addition, the over 65 must meet two deductibles, Medicare B and Aetna. The over 65 retirees are paying premiums for coverage that is decreasing substantially in payments from the insurance providers.

SB 13 and HB 127 speak to the issue of reimbursements of Part B of Medicare and the committee urges enactment of the legislation.

SINCERELY,

Joan S. McKinnon

Joan S. McKinnon, Chairman
Legislative committee