

ALASKA LEGISLATURE COMMITTEE FILES, 2005-2006 86/2

11669 HOUSE STATE AFFAIRS

Sec. 14.25.340. Establishes the member contribution rate for TRS employees as 11% to be deducted from their salary at the end of each pay roll period and to be credited to their account. Allows the member to choose within the first 30 days of employment between having their member and employer contribution calculated from their basic salary or their total salary. Defines basic salary, salary base and total salary.

Sec. 14.25.350. Establishes an employer contribution rate at 11% of the member's salary, basic or total depending on the member's election as described in Sec. 14.25.340. Distributes the employer contribution in the following manner: 5.75% to the member's contribution account, 3.75% to the member's medical plan, and 1.5% to the members Health Reimbursement Account.

Sec. 14.25.360. Gives 15 days from the close of pay roll for member and employee contributions to be transferred to the member's retirement fund. Establishes consequences for non-transmittal.

Sec. 14.25.370. Establishes immediate vesting of a member in both the employer and employee contributions.

Sec. 14.25.380. Tasks the Alaska State Pension Investment Board with providing a range of investment options for members and exercising control over those options.

Establishes that if the account has been divided under a qualified domestic relations order, each individual exercises control over his or her account.

Sec. 14.25.390. Establishes requirements for the distribution of a member's account. A former member, or their beneficiary if the member is deceased, may choose between the following distribution options: a lump sum, a direct rollover of the lump sum into another qualified plan, periodic distributions, or no distribution until the member elects to do so. If a former member's account balance is less than \$5,000 that amount is automatically distributed out unless the former member submits a written statement within 120 days of termination requesting that the balance remain in the plan.

Sec. 14.25.400. Acknowledges the refund of members upon termination when a qualified domestic relations order applies.

Sec. 14.25.410. Establishes rights of participants if married or under a qualified domestic relations order upon termination of member.

Sec. 14.25.420. Allows a member to roll over funds from a previous qualified plan upon hire or into another qualified plan upon termination. Establishes that rollover contributions cannot count as service towards medical eligibility. Defines qualified plans eligible for rollover.

Sec. 14.25.430. Establishes distribution requirements for the interest of a member's account in the event that member dies, that member's dependents die, or no one claims the distributions. Defines designated beneficiary and required beginning date.

Sec. 14.25.440. Requires that each member designate a beneficiary and allows them to change that choice at any time except to the extent that a qualified domestic relations order applies. If a member fails to designate a beneficiary, at the time of the member's death the spouse if married to the member at some point during the member's employment automatically becomes the designated beneficiary. If there is no surviving spouse, the amount is distributed between the surviving children, if there are no surviving children to the surviving parents of those children. If none of the above, the account is distributed to the estate. Establishes a time limit on beneficiaries claiming benefits.

Sec. 14.25.450. Establishes procedures for correcting an error in the calculation of benefits. Gives the Alaska Teacher's Retirement Board responsibility for taking action on such claims.

Sec. 14.25.460. Allows the board to waive an adjustment that would be deemed unfair for a variety of reasons and provides a time period and process for appeals.

Sec. 14.25.470. Establishes requirement for eligibility of medical benefits. A member must retire directly from the system at any age with 30 years of service or at normal retirement age with 10 years of service. Defines the normal retirement age as 60 plus the increase in life expectancy from the current mortality table to the board adopted new mortality table.

Sec. 14.25.480. Establishes medical benefits to retirees as access to a major medical insurance plan and to the health reimbursement account. Establishes eligibility of members and any dependents for medical benefits. Outlines the eligibility of medical benefits for an early, normal, and Medicare eligible retiree.

Sec. 14.25.495. References the statutes that define the terms administrator, beneficiary, board, compensation, employer, fund, former participating member, fund, retirement fund, Internal Revenue Code, member, member contribution account, qualified domestic relation order, school year, teacher, and year of service. Defines terminated as a person no longer employed by an employer participating in the plan.

Sec. 11. Subjects an employee who wishes to transfer assets out of the system to a qualified domestic relations order and establishes relevant requirements.

Sec. 12. Allows the Department of Administration to obtain group insurance under the condition that it provides certain types of insurance, such as hospital expense, life, surgical, etc.

Requires members whenever possible to obtain drugs from a preferred drug list (formulary) established by the insurance provider. If the member opts for a non-formulary drug when the formulary version is available, they will pay the difference between the two.

Establishes eligibility of member's dependents for said group insurance policy.

Establishes the procedure for employers to participate in said group insurance policy.

Establishes the procedure for the Department of Administration to procure an insurance policy for members. Requires that the Department allow all eligible insurance carriers to bid and determine selection of carrier based on lowest bid amount to be reviewed at least once every 5 years.

Establishes that the level of benefits for persons over age 65 shall be the same as for persons under age 65, however the cost of post-65 member's benefits will be supplemented by any benefits provided under the federal old age, survivors, and disability insurance programs.

Allows a member to elect and pay for long-term care insurance for member and dependents.

Sec. 13. Establishes a Health Reimbursement Account Plan for State of Alaska Teachers and Public Employees and outlines eligibility.

Sec. 39.30.310. Establishes the purpose of the Health Reimbursement Account as the reimbursement of qualified medical expenses. Establishes an effective date of July 1, 2005.

Sec. 39.30.320. Establishes the attorney general of the State as legal council for the administrator of the plan.

Sec. 39.30.330. Establishes the commissioner of administration, or the commissioner's designee as the administrator of the plan.

Sec. 39.30.340. Establishes the powers and duties of the administrator of the Health Reimbursement Account fund.

Sec. 39.30.350. Specifies that only employer contributions are permitted to the Health Reimbursement Account.

Sec. 39.30.360. Establishes the Alaska State Pension Investment Board as the fiduciary of the fund.

Sec. 39.30.370. Establishes that when a person terminates employment before becoming eligible for medical they forfeit any access to their Health Reimbursement Account. However, if a person is re-employed at a later date their account balance will be restored without interest or other adjustments attributed to it.

Sec. 39.30.380. Establishes that a member is eligible for the plan when they become eligible for medical benefits.

39.30.390. Establishes that if the participant elects major medical insurance the administrator will pay the premium on behalf of that member from their Health Reimbursement Account. When the participant's member account is exhausted, the participant is responsible for those payments.

If a participant dies before exhausting their account their surviving dependents are eligible to use the remaining balance. If any amount remains in the account after the death of the member and all remaining dependents, the balance reverts to the trust.

Sec. 39.30.400. Exempts contributions to the plan from taxes, however a member's right to receive benefits may be assigned under a qualified domestic relations order, a trust or a similar qualifying legal device.

Sec. 39.30.410. Gives the state the right to amend the plan at any time. Bars the administrator from changing the plan in a manner to reduce the accrued benefits of any member. Allows the state to terminate the plan in whole or in part without any liability. If this occurs, all investments remain in the account until all accounts have been distributed.

Requires any contribution made to the plan by an employer because of a mistake of fact to be returned to the employer.

Sec. 39.30.420. Requires that the fund not be used for any other purpose than the benefit of the participants. The assets of the plan may not be used to pay other plans of an employer.

Sec. 39.30.495. Refers to the definition of the following terms in statute: administrator, board, dependent child, employer, and qualified domestic relations order. Defines the terms fund, individual account, member, and participant.

Sec. 39.30.500. Establishes a past service cost offset account for employers and employees in a defined contribution plan.

Sec. 39.30.510. The purpose of the account is to help employers pay their past service cost and will consist of legislative appropriations and investment returns.

Sec. 39.30.520. Establishes the attorney general of the State as legal council for the account.

Sec. 39.30.530. Establishes the commissioner of administration or the designee of the commissioner as administrator of the account.

Sec. 39.30.540. Establishes the powers and duties of the administrator.

Sec. 39.30.560. Requires the administrator to pay into the teacher's retirement fund on the employer's behalf the employer's past service cost for each member in a defined contribution plan.

Sec. 39.30.595. Defines the terms accrued liability, administrator, blended employer past service cost rate, member, past service cost, and past service cost rate.

Sec. 39.35.005. Establishes applicability of the following provisions only to members first hired before July 1, 2005.

Sec. 39.35.010. Substitutes the term "plan" for "system" in existing defined benefit statutes. Substitutes a specific statute reference for the term "this chapter" in existing statute referring to a defined benefit plan.

Sec. 39.35.158. Substitutes the term "plan" for "system" in existing defined benefit statutes.

Sec. 18. Establishes the procedure for collecting and transferring member contributions.

Sec. 19. Sec. 39.35.250. Establishes that an employer will contribute an amount to the plan as determined by the board.

Sec. 20. Sec. 39.35.272. Gives the board the authority to annually establish employer and employee contribution rates with the goal of paying the entire normal cost rate and some portion of the past service cost.

Establishes employer and employee contribution rates as equal with a ceiling on employee contributions at 13% and a floor on employer contributions at 10%. Neither can increase more than 5% annually.

Defines the terms accrued liability, actuarially computed rate, employer contribution rate, member contribution rate, normal cost, normal cost rate, past service cost, past service cost rate, and valuation date.

Sec. 21. Exempts the University of Alaska as eligible for credible service under the teachers retirement plan.

Section 24. Defines parameters under which member may claim credited service.

Section 25. Determines indebtedness of member to plan if contributions plus interest exceed actuarial benefit costs based on member's credited service.

Section 26. Defines method of calculation for public service benefits.

Sec. 27. Establishes that a member who claims credited service in a DC plan by transfer loses all rights to benefits under a defined contribution plan. Disqualifies public service benefits as counting towards years of service requirements.

Sec. 28. Allows a former member to reinstate service when they have received a refund of contributions.

Sec. 29. Establishes that when a member retires from the plan and is later re-hired they will suspend collection of their retirement benefits and begin paying into the retirement plan again.

Sec. 30. Establishes elected officials as eligible for benefits under this plan.

Sec. 31. Lists the different types of eligible members that the plan will cover. Lists the different types of ineligible members the plan will not cover.

Sec. 32. Defines plan as the defined contribution retirement plan as established in this legislation.

Sec. 33. Sec. 39.35.700. Applies the following to employees hired on or after July 1, 2005.

Sec.39.35.710. Establishes a defined contribution plan in compliance with federal qualification requirements.

Sec. 39.35.720. States that the purpose of the legislation is to encourage qualified personnel to enter and remain in the state.

Sec. 39.35.730. Establishes the member contribution rate for public employer retirement system employees at 10% to be deducted from their salary at the end of each pay roll period and credited to their account.

Allows the employee to choose within the first 30 days of employment between having their member and employer contribution calculated from their basic salary or their total salary. Defines basic salary, extra payments, salary base and total salary.

Sec. 39.35.740. Establishes an employer contribution rate at 10% of the members salary, basic or total depending on the members election as described in Sec. 39.35.730. Distributes the employer contribution in the following manner: 5.5% to the members

account, 3.5% to the member's medical plan, and 1% to the member's Health Reimbursement Account.

Sec. 39.35.750. Gives 15 days from the close of pay roll for member and employee contributions to be transferred to the members retirement fund. Establishes repercussions for non-transmittal.

Sec. 39.35.760. Establishes that a member is immediately vested in both the employer and employee contributions.

Sec. 39.38.770. Tasks the Alaska State Pension Investment Board with providing a range of investment options for members and exercising control over those options. If the account has been divided under a qualified domestic relations order, each individual exercises control over his or her account.

Sec. 39.35.780. Establishes requirements for the distribution of a member's account. A former member, or their beneficiary if deceased, may chose between the following distribution options: a lump sum, a direct roll over of the lump sum into another qualified plan, periodic distributions, or no distribution until the member elects to do so. If a former member's account balance is less than \$5,000 that amount is automatically distrusted unless the former member submits a written statement within 120 days of termination requesting that the balance remain in the plan.

Sec. 39.35.790. Acknowledges the refund of members upon termination when a qualified domestic relations order applies.

Sec. 39.35.800. Establishes rights of participants if married or under a qualified domestic relations order upon termination of member.

Sec. 39.35.810. Allows a member to roll over funds from a previous qualified plan upon hire or into another qualified plan upon termination. However, rollover contributions cannot count as service towards medical eligibility. Defines qualified plans eligible for rollover.

Sec. 38.35.820. Establishes distribution requirements for the interest of a member's account in the event that member dies, that member's dependents die, or no one claims the distributions. Defines designated beneficiary and required beginning date.

Sec. 39.35.830. Requires that each member designate a beneficiary and allows them to change that choice at any time except to the extent that a qualified domestic relations order applies. If a member fails to designate a beneficiary, at the time of the member's death the spouse if married to the member at some point during the member's employment automatically becomes the designated beneficiary. If there is no surviving spouse, the amount is distributed between the surviving children, if there are no surviving children to the surviving parents of those children. If none of the above, the account is distributed to the estate. Establishes a time limit on beneficiaries claiming benefits.

Sec. 39.35.840. Establishes procedures for correcting an error in the calculation of benefits. Gives the Alaska Teacher's Retirement Board responsibility for taking action on such claims.

Sec. 39.35.850. Allows the board to waive an adjustment that would be deemed unfair for a variety of specified reasons and provides a time period and process for appeals.

Sec. 39.35.860. Establishes requirement for eligibility of medical benefits. A member must retire directly from the system at any age with 30 years of service or at normal retirement age with 10 years of service. Defines the normal retirement age as 60 plus the increase in life expectancy from the current mortality table to the figure of a new board adopted mortality table.

Sec. 39.35.870. Establishes medical benefits to retirees as access to a major medical insurance plan and to a health reimbursement account. Establishes eligibility of members and any dependents for medical benefits. Outlines the eligibility of medical benefits for an early, normal, and Medicare eligible retiree.

Sec. 39.35.880. Establishes the Alaska State Pension Investment Board as fiduciary of the fund and determines their responsibilities and statutory limitations.

Sec. 39.35.884. Allows service credit to be obtained for military service.

Sec. 39.35.888. Exempts member contributions from taxation or any kind of anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge. However a member's right to receive benefits may be assigned under a qualified domestic relations order or a trust or similar legal device.

An inactive member may directly transfer their account into a qualified retirement plan.

Sec. 39.35.890. If a former member has not filed for benefits or refund by the time they reach 75 or within 50 years of the most recent active membership, benefits or refunds will be forfeited and the member's records destroyed.

Sec. 39.35.892. Establishes knowingly falsifying records of this plan as a misdemeanor and defines knowingly.

Sec. 39.35.895. Defines the following terms: active member, actuarial adjustment, administrator, beneficiary, board, calendar year, compensations, employee contribution account, former member, fund, and inactive member.

Lists the different types of eligible members that the plan will cover. Lists the different types of ineligible members the plan will not cover. Lists the different types of employees the plan may cover.

Defines military service, peace officer, plan, public organization, and qualified domestic relations order.

Recognizes the rights to an alternate payee to a member's benefits. Establishes those distribution requirements and the conditions of payment to the alternate payee. Defines the terms: retired member, retirement, surviving spouse, and terminated.

Sec. 34. Repeals AS 39.35.680(39)

Sec. 35. Allows a Teachers Retirement System non-vested defined benefit tier member to transfer into a defined contribution plan. The present value of the members account balance will be transferred to the defined contribution plan and the appropriate amount to cover payments towards medical benefits will be applied. Upon transfer credit under the defined contribution plan is nullified, however the member's accrued years of service will count towards qualifying for medical eligibility in the defined contribution plan.

Establishes a 90 Day window after the effective date of this legislation for the member to transfer.

Gives the board the authority to establish regulations to regulate the transfer of employees.

Requires the employee's election be stated in writing and ensures that the employee is fully aware of the implications of their transfer.

If a member makes no election within the time period provided, they will remain in the defined benefit tier.

Defines the terms administrator, board, defined benefits retirement plan, defined contribution retirement plan, International Revenue Code, member, member contribution account, and qualified domestic relations order.

Sec. 36. Allows a Public Employees Retirement System non-vested defined benefit tier member transfer into a defined contribution plan. The present value of the members account balance will be transferred to the defined contribution plan and the appropriate amount to cover payments towards medical benefits will be applied. Upon transfer credit under the defined contribution plan is nullified, however the member's accrued years of service will count towards qualifying for medical eligibility in the defined contribution plan.

Establishes a 90-day window after the effective date of this legislation the member has to transfer.

Gives the board the authority to establish regulations to regulate the transfer of employees.

Requires the employee's election be stated in writing and ensures that the employee is fully aware of the implications of their transfer.

If a member makes no election within the time period provided, they will remain in the Defined benefit tier.

Defines the terms administrator, board, defined benefits retirement plan, defined contribution retirement plan, International Revenue Code, member, member contribution account, and qualified domestic relations order.

Sec. 37. Establishes the legislative intent of this legislation: to provide the members with investment options similar to the State Supplemental Annuity Plan.

Sec. 38. Gives instruction to revisor.

Sec. 39. Effective date of July 1, 2005

**Medical Plan Portion of
CSHB 238 24-LS0761/I**

WORK DRAFT

Note: Same changes apply to both PERS and TRS sections. The TRS equivalent of the following pages can be found on page 16, line 9 thru page 18, line 25 of HB 238.

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→ **Sec. 39.35.860. Retirement.** (a) In order to obtain medical benefits under AS 39.35.870 and access to the health reimbursement account plan under AS 39.30.300, an active member must retire directly from the plan. A member is eligible to retire from the plan if the member has been an active member for at least 12 months before application for retirement and

1 (1) the member has at least 30 years of membership service; or

2 (2) the member reaches the normal retirement age and has at least 10
3 years of membership service.

4 (b) The normal retirement age is 60 months less than the age set for Medicare
5 eligibility.

6 (c) A member must apply to the administrator for appointment to retirement.
7 Application shall be made on forms and in the manner prescribed by the administrator.

8 (d) A member who continues in the employ of the employer after reaching
9 normal retirement age shall continue to participate in the plan and to have
10 contributions allocated to the member's account.

11 **Sec. 39.35.870. Medical benefits.** (a) The medical benefits available to
12 eligible persons are access to the retiree major medical insurance plan and to the
13 health reimbursement account. Access to the retiree major medical insurance plan
14 means that an eligible person may not be denied insurance coverage except for failure
15 to pay the required premium.

16 (b) The following persons are eligible for the retiree major medical insurance
17 plan provided under this section and the health reimbursement account:

18 (1) a member with at least 30 years of service and who retires directly
19 from the plan;

20 (2) the surviving spouse of a member who elected coverage under (1)
21 of this subsection;

22 (3) a member who reaches the normal retirement age as provided in
23 AS 39.35.860, has at least 10 years of service, and retires directly from the plan;

24 (4) the surviving spouse of a member who elected coverage under (3)
25 of this subsection.

26 (c) Retiree major medical insurance plan coverage elected by an eligible
27 member under this section covers the eligible member, the spouse of the eligible
28 member, and the dependent children of the qualified member.

29 (d) Retiree major medical insurance plan coverage elected by a surviving
30 spouse of a eligible member under this section covers the surviving spouse and the
31 dependent children of the surviving spouse.

1 (e) Major medical insurance coverage takes effect on the first day of the
2 month following the date of the election and stops when the person who elects
3 coverage under (b) of this section dies or fails to make a required premium payment.

4 (f) The coverage for persons who are eligible for Medicare is the same as that
5 available for persons who are not yet eligible for Medicare. The benefits payable to
6 those Medicare eligible persons supplement any benefits provided under the Medicare
7 program.

8 (g) The medical and optional insurance premiums owed by the person who
9 elects coverage under (b) of this section shall be deducted from the health
10 reimbursement account. If the amount of the health reimbursement account becomes
11 insufficient to pay the premiums, the person who elects coverage under (a) of this
12 section shall pay the premiums directly.

13 (h) The board may increase the premium amount for retiree major medical
14 insurance not more frequently than once a year. An increase in the premium amount
15 may not exceed five percentage points annually.

16 (i) The portion of the cost of premiums payable by the employee for retiree
17 major medical insurance coverage for an eligible member or surviving spouse who is

18 (1) younger than the normal retirement age set in AS 39.35.860 is the
19 amount equal to the full monthly group premium for retiree major medical insurance
20 coverage;

21 (2) the normal retirement age set in AS 39.35.860 or older is the
22 following percentage of the premium amount established for retirees normal
23 retirement age or older: 70 percent if the member had 10 years of service; for each
24 additional year of service after the member's tenth year of service, the cost of
25 premiums decreases by three percentage points; however, the minimum employee
26 portion of the premium is 10 percent if the member had 30 or more years of service.

27 (j) The eligibility for and cost of premiums for retiree major medical insurance
28 coverage for an alternate payee under a qualified domestic relations order shall be
29 determined based on the years of service of the member to which the alternate payee is
30 entitled under the order.

31 (k) The monthly group premiums for retiree major medical insurance coverage

1 are established by the administrator in accordance with AS 39.30.095. Nothing in
2 AS 39.35.700 - 39.35.895 guarantees a person who elects coverage under (a) of this
3 section a monthly group premium rate for retiree major medical insurance coverage
4 other than the premium in effect for the month in which the premium is due for
5 coverage for that month.

6 (I) In this section,

7 (1) "health reimbursement account" means the plan established in
8 AS 39.30.300;

9 (2) "retires directly from the plan" means that the member is an active
10 member at the time that the member applies to the administrator for appointment to
11 retirement and that the member continues as an active member up through the day
12 before the day the member is appointed to retirement.

Insert into Work Draft of CSHB 238, page 15, line 2.

Sec. 14.25.470. Retirement. (a) In order to obtain medical benefits under AS 14.25.480 and access to the health reimbursement ~~account~~ arrangement under AS 39.30.300, a member must retire directly from the plan. A member is eligible to retire from the plan if the member has been an active member for at least 12 months before application for retirement and

- (1) the member has at least 30 years of service; or
- (2) the member reaches the normal retirement age and has at least 10 years of service.

(b) The normal retirement age is 60 months less than the age set for Medicare eligibility at the time the member retires from the plan.

(c) A member must apply to the administrator for appointment to retirement. Application shall be made on forms and in the manner prescribed by the administrator.

(d) A member who continues in the employ of the employer after reaching normal retirement age shall continue to participate in the plan and have contributions allocated to the member's account.

Sec. 14.25.480. Medical benefits. (a) The medical benefits available to eligible persons are access to the retiree major medical ~~insurance~~ plan and to the health reimbursement account arrangement. Access to the retiree major medical ~~insurance~~ plan means that an eligible person may not be denied ~~medical insurance~~ coverage except for failure to pay the required premium.

(b) The following persons are eligible for the retiree major medical ~~insurance~~ plan provided under this section and the health reimbursement-~~account~~ arrangement:

- (1) a member with at least 30 years of service and who retires directly from the plan;
- (2) the surviving spouse of a member who elected coverage under (1) of this subsection;

(3) a member who reaches the normal retirement age as provided in AS 14.25.470, has at least 10 years of service, and retires directly from the plan;

(4) the surviving spouse of a member who elected coverage under (3) of this subsection.

(c) Retiree major medical ~~insurance~~ plan coverage elected by an eligible member under this section covers the eligible member, the spouse of the eligible member, and the dependent children of the eligible member.

(d) Retiree major medical ~~insurance~~ plan coverage elected by ~~a~~ the surviving spouse of an eligible member under this section covers the surviving spouse and the dependent children of the eligible member who are dependent on the surviving spouse.

(e) A member's spouse and dependents are only covered if they were spouses or dependents while the member was an active employee.

~~(f)~~ Major medical ~~insurance~~ coverage takes effect on the first day of the month following the date of the election and stops when the person who elects coverage under (b) of this section dies or fails to make a required premium payment.

~~(g)~~ The coverage for persons who are eligible for Medicare is the same as that available for persons who are not yet eligible for Medicare. The benefits payable to those Medicare eligible persons supplement any benefits provided under the Medicare program.

~~(h)~~ The medical and optional insurance premiums owed by the person who elects coverage under (b) of this section shall be deducted from the health reimbursement ~~account arrangement~~. If the amount of the health reimbursement ~~account arrangement~~ becomes insufficient to pay the premiums, the person who elects coverage under (a) of this section shall pay the premiums directly.

~~(i)~~ The administrator shall separate retiree health coverage premiums for participants who are Medicare eligible and for participants who are not yet Medicare eligible. ~~An increase in the premium amount may not exceed five percentage points annually.~~ A participant's share of the applicable premium shall be determined according to ~~(j)~~ (j) and (k) of this section.

(j) Participants who have not reached the normal retirement age as defined in 14.25.470 (b) are required to pay the full amount of the applicable premium cost as established in section (i).

~~The portion of the cost of premiums payable by the participant is 70 percent if the member had 10 years of service; for each additional year of service after the member's 10th year of service, the cost of premiums decreases by three percentage points; however, the minimum employee portion of the premium is 10 percent if the member has 30 or more years of service.~~

(k) For participants who have reached normal retirement age as defined in 14.25.470 (b), the portion of the cost of premiums payable by the participant is determined as the difference between the applicable premium amount as established in section (i) and a subsidy amount which is determined by the product of the annual subsidy base and the subsidy percentage defined in this section. The subsidy base will be established upon passage of this legislation and set equal to the current premium amounts as established in (i) of this section. The subsidy base will increase annually at the lesser of 5% or the annual percentage increase in the applicable premium amount as established in section (i). The subsidy percentage will be 3% per year of service, but shall not exceed 90%. Only when the rate of health care inflation is over 5 percent will the subsidy base increase by no more than 5 percent annually.

(l) The eligibility for retiree major medical insurance coverage for an alternate payee under a qualified domestic relations order shall be determined based on the eligibility of the member to elect coverage. The alternate payee shall pay the full month premium for retiree major medical insurance coverage.

(m) The administrator shall establish monthly group premiums for retiree major medical insurance coverage under AS 39.30.095. Nothing in AS 14.25.310-14.25.495 guarantees a person who elects coverage under (a) of this section a monthly group premium rate for retiree major medical insurance coverage other than the premium in effect for the month in which the premium is due for coverage for that month.

(n) In this section,

- (1) "health reimbursement account" means the plan established in AS 39.30.300;
- (2) "retires directly from the plan" means that the member is an active member at the time that the member applies to the administrator for appointment to retirement and that the member continues as an active member up through the day before the day the member is appointed to retirement and was an active member for at least 12 months before application for retirement.

Sec. 14.25.495. Definitions. In AS 14.25.310 – 14.25.495, unless the context requires otherwise,

- (1) "administrator" has the meaning given in AS 14.25.220;
- (2) "beneficiary" has the meaning given in AS 14.25.220;
- (3) "board" has the meaning given in AS 14.25.220;
- (4) "compensation" has the meaning given in AS 14.25.220;
- (5) "employer" has the meaning given in AS 14.25.220;
- (6) "former participating member" means a terminated member;
- (7) "fund" or "retirement fund" means the assets of the defined contribution plan established in AS 14.25.310 – 14.25.495;
- (8) "Internal Revenue Code" has the meaning given in AS 14.25.220;
- (9) "member" has the meaning given "teacher" in AS 14.25.220;
- (10) "member account" means the total maintained by the plan of the member's mandatory contributions, employer contributions on behalf of the employee, indebtedness principal and interest payments, interest credited to each of those accounts, and adjustments to the account in accordance with AS 14.25.450;
- (11) "plan" means the defined contribution plan
- ~~(11)~~(12) "qualified domestic relations order" has the meaning given in AS 14.25.220;
- ~~(12)~~(13) "school year" has the meaning given in AS 14.25.220;
- ~~(13)~~(14) "teacher" has the meaning given in AS 14.25.220,

~~(14)~~(15) "terminated" means a person no longer employed by an employer participating in the plan;

~~(15)~~(16) "year of service" has the meaning given in AS 14.25.220;

*Sec. 12. AS 14.40.671(e) is amended to read:

(e) An employee whose rights to transfer assets out of a state retirement system are subject to a qualified domestic relations is entitled to transfer assets from the state retirement system to the program only if the requirements for receiving a refund under AS 14.25.150(b), 14.25.460, [OR] AS 39.35.200(c), or 39.35.790, as appropriate, are met.

*Sec. 13. AS 39.30.090(a) is amended to read:

(a) 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, 14.25.480, AS 22.25.090, AS 30.35.535, 39.35.870, or former AS 39.37.145, employees of other participating governmental units, or persons entitled to coverage under AS 23.15.136, subject to the following conditions:

(1) A group insurance policy must

~~(A)~~ [SHALL] provide on 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; and

~~(B) require the insurance plan to provide a preferred drug list or formulary and must provide that beneficiaries use the appropriate medication on the preferred drug list or pay the difference in cost between the medication listed on the preferred drug list and the cost of a nonformulary medication; however, if a medication is not on the preferred drug list as a generic or nongeneric drug, the insurance plan shall cover the cost of the medication. For purposes of this subparagraph, a nonformulary medication is one that is not listed on~~

In the bill

the formulary, such as a nongeneric form of the medication when generic for of the medication is in the formulary.

LEGISLATIVE INTENT REGARDING RETIREE'S HEALTH CARE. It is the intent of the legislature for the Division of Retirement and Benefits to implement by regulation all cost saving measures appropriate to current and future retirees in the health care system. This includes but is not limited to: the use of manufacturer's rebates, co-pay levels, multi-tiered co-payment structure, mandating the use of generic drugs, discussion of what type of drug classes is in a formulary, dispensing fees, mandating or providing incentives for mail order pharmaceuticals, using a reduction in the average wholesale price, providing case management services for certain users of pharmaceuticals, capping the number of prescriptions filled per month, restricting the number of refills that users can have at one time.

- (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) In procuring a policy of group health or group life insurance as provided under this section or excess loss insurance as provided in AS 39.30.091, the Department of Administration shall comply with the dual choice requirements of AS 21.86.310, and shall obtain the insurance policy from an insurer authorized to transact business in the state under AS 21.09, a hospital or medical service corporation authorized to transact business in this state under

AS 21.87, or a health maintenance organization authorized to operate in this state under AS 21.86. An excess loss insurance policy may be obtained from a life or health insurer authorized to transact business in this state under AS 21.09 or from a hospital or medical service corporation authorized to transact business in this state under AS 21.87.

- (5) The Department of Administration shall make available bid specifications for desired insurance benefits or for administration of benefit claims and payments to (A) all insurance carriers authorized to transact business in this state under AS 21.09 and all hospital or medical service corporation authorized to transact business under AS 21.87 who are qualified to provide the desired benefits; and (B) to insurance carriers authorized to transact business in this state under AS 21.09, hospital or medical service corporations authorized to transact business under AS 21.87, and third-party administrators licensed to transact business in this state and qualified to provide administrative services. The specifications shall be made available at least once every five years. The lowest responsible bid submitted by an insurance carrier, hospital or medical service corporation, or third-party administrator with adequate servicing facilities shall govern selection of a carrier, hospital or medical service corporation, or third-party administrator under this section or the selection of an insurance carrier or hospital or medical service corporation to provide excess loss insurance as provided in AS 39.30.091.
- (6) 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.
- (7) A person receiving benefits under AS 14.25.110, AS 2.25, AS 39.35, or former AS 39.37 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.
- (8) A person electing to have insurance under (7) of this subsection shall pay the cost of this insurance.

- (9) 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 employees shall contribute the other one-half.
- (10) 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~~ Medicare eligible age shall be the same as that available before reaching ~~age 65~~ Medicare eligible age 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.
- (11) A person receiving benefits under AS 14.25, AS 22.25, AS 39.35, or former AS 39.37 may obtain long-term care insurance for that person and eligible dependents under this section. A person who elects insurance under this paragraph shall pay the cost of the insurance premium. The commissioner of administration shall adopt regulations to implement this paragraph.
- (12) Each licensee holding a current operating agreement for a vending facility under AS 23.15.010 – 23.15.210 shall be covered by the group policy that applies to governmental units other than the state.



State of Alaska
PERS & TRS
Proposed Medical Program
House State Affairs

April 2, 2005



Proposed Medical Program

Key Features

Key features of post-retirement medical program

- ⇒ Members must retire directly from the System to be eligible
- ⇒ System sponsored health plan with varying levels of subsidy or cost to members
- ⇒ Early retirees get “access only” prior to normal retirement eligibility
- ⇒ Defined dollar benefit from normal retirement to Medicare eligibility (currently age 65)
- ⇒ Defined health benefit after Medicare eligibility, similar to the current program with the following key exceptions:
 - Method of coordination with Medicare
 - Retired members will share in the cost through premium contributions



Proposed Medical Program

System Sponsored Health Care Plan

- ⇒ System sponsored health plan available to all eligible retirees, but with varying levels of subsidy
- ⇒ Basic plan design elements

	Current Plan	Alternative Plan
Medical		
▪ Coordination with Medicare	Total Allowable	Maintenance of Benefits
▪ Deductible	\$150/person, \$450/family	\$250/person, \$750/family
▪ Out of Pocket	\$800	\$2,500
▪ Outpatient Surgery Coinsurance	100%	80%
Prescription Drug		
▪ Retail	90 day supply	30 day supply
- Generic	\$4	\$5
- Brand Formulary	\$8	\$15
- Brand Non-Formulary	\$8	\$30
▪ Mail Order	90 day supply	90 day supply
- Generic	\$0	\$5
- Brand Formulary	\$0	\$15
- Brand Non-Formulary	\$0	\$30
Dental, Vision, Audio	No Change	



Proposed Medical Program

Eligibility

- ⇒ Normal retirement eligibility for medical benefits will be defined as the earlier of
 - (1) age 60 with 10 years of service
 - (2) 25 years of service (30 years for PERS “others” retirees).
- ⇒ Disabled participants will be eligible
- ⇒ Terminated vested participants are not eligible. A member must retire directly from active service in order to receive coverage



Proposed Medical Program

Early Retirement

- ⇒ Early retirees who have not reached normal retirement eligibility
 - Receive “access only” plan
 - Will not be eligible for subsidized retiree health plan costs
 - Pay 100% of the pre-Medicare eligible (currently pre-age 65) per member per year (PMPY) claim costs

- ⇒ Dependent spouses of early retirees will pay 100% of the appropriate pre-Medicare or Medicare eligible PMPY claim cost



Proposed Medical Program

Normal Retirement to Medicare Eligibility

- ⇒ Members who retire directly from the Systems will be eligible for a “defined dollar” benefit upon reaching eligibility for normal retirement
- ⇒ Fixed dollar subsidy toward system sponsored health coverage
- ⇒ Access to system sponsored retiree medical plan as outlined above
- ⇒ Subsidy amount is based on length of service
- ⇒ Subsidy amount indexed each year by healthcare inflation up to a maximum of 5 percent (with a “catch-up” provision based on years when healthcare inflation is less than 5%)



Proposed Medical Program

Normal Retirement to Medicare Eligibility

- ⇒ Upon becoming eligible for Medicare, such members will become eligible for the “defined health” benefit
- ⇒ Pre-Medicare dependent spouse is eligible for the same subsidy as retiree
- ⇒ Medicare eligible dependent spouse is eligible for the Medicare eligible benefit level, with contribution percentage based on retiree length of service



Proposed Medical Program

Normal Retirement to Medicare Eligibility

⇒ Apply percentages to the applicable subsidy base to arrive at the appropriate subsidy amount.

⇒ Defined Dollar Subsidy Base Annual PMPY for fiscal year 2004:

Pre Medicare \$5,962*

⇒ Subsidy Percentage

<u>Service (yrs)</u>	<u>Subsidy %</u>
10-14	30%
15-19	45%
20-24	60%
25-29	75%
30+	90%

⇒ Member contributions are determined by subtracting the annual subsidy amount from the annual claims cost for a given year.

⇒ *Equivalent to FY2004 pre-Medicare projected claim cost.

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Slide 8



Proposed Medical Program

After Medicare Eligibility

- ⇒ Defined health benefit similar to current program
- ⇒ Retirees who were previously eligible for 100% subsidy of retiree health plan costs will now participate in the premium cost.
- ⇒ Contributions are per covered individual
- ⇒ Pre-Medicare dependent spouses are eligible to receive a defined dollar subsidy with percentage based on retiree length of service
- ⇒ Medicare eligible dependent spouses are eligible to receive the same defined health benefits as the retiree and pay the same contributions



Proposed Medical Program

After Medicare Eligibility

⇒ Contribution Base PMPY for fiscal year 2004:

Medicare Eligible \$2,667

⇒ Contribution Percentage

<u>Service (yrs)</u>	<u>Contribution %</u>
10-14	30%
15-19	25%
20-24	20%
25-29	15%
30+	10%

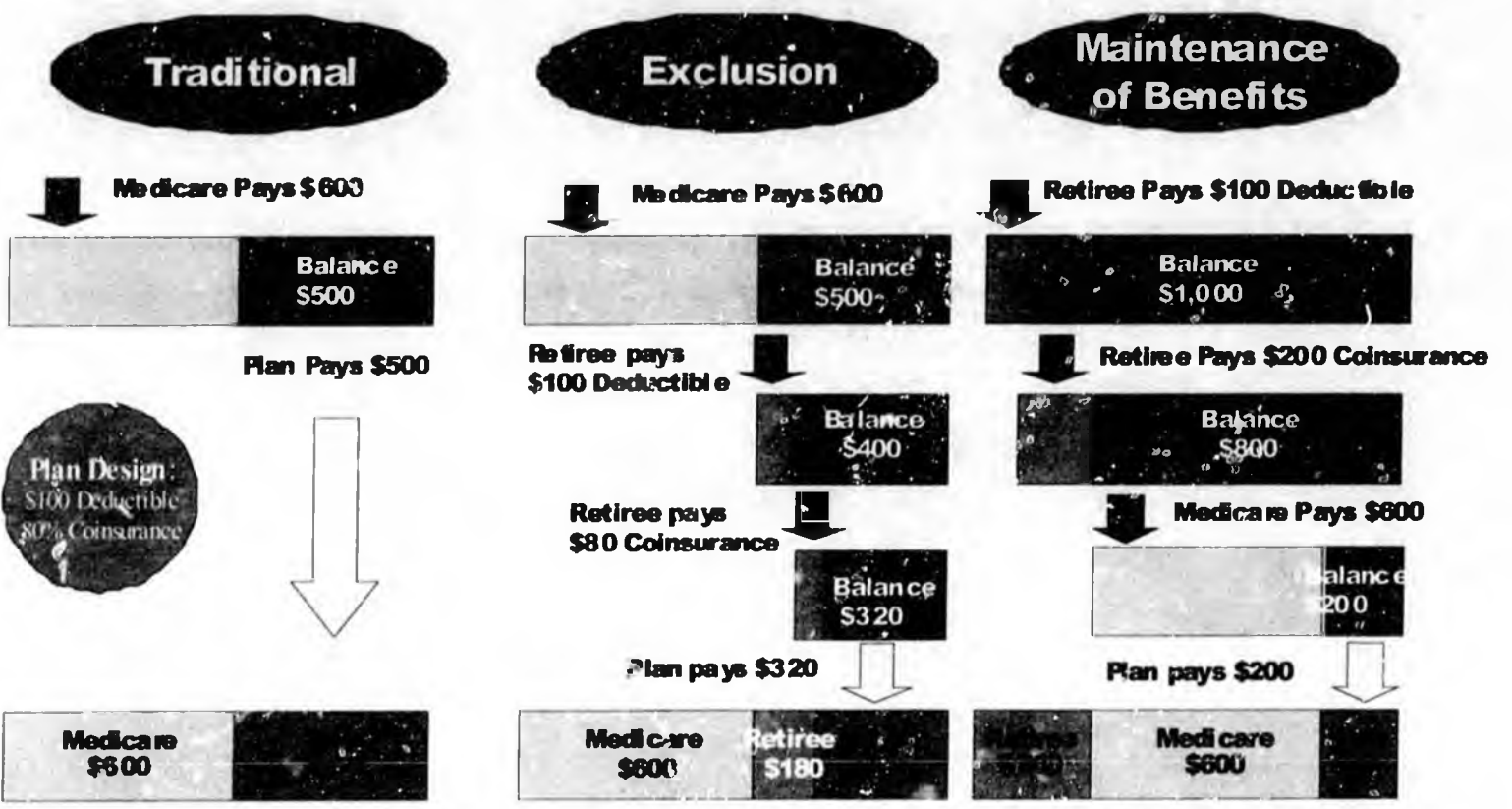
⇒ Apply percentages to the contribution base to arrive at the applicable contribution amount



Exhibit A

Types of Medicare Integration

Total Expense \$1,100



Traditional – Calculates what the plan would have paid as sole provider and adds what Medicare pays. If the total is more than 100% of the bill, the plan pays only enough to total 100%. The retiree often pays no deductible or coinsurance.

Exclusion – Determines the total expenses covered under the plan, reduces them by Medicare benefits and then applies the deductibles, coinsurance and other plan limits.

Maintenance of Benefits – Calculates the plan's payment as if there were no Medicare coverage, applies the deductibles, coinsurance and other plan limits and pays the remaining amount minus what Medicare pays. Also call Carve-Out.

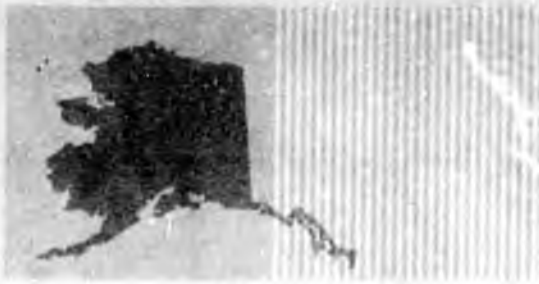


Proposed Alternatives

Alternative 2 – Normal Cost Rates

⇒ “Normal cost” rates for Alternative 2 are expected to be as follows:

	<u>Normal Cost Rates</u>	
	<u>TRS</u>	<u>PERS</u>
Medical normal cost rate	3.75%	3.5%
Defined contribution rate	13.5%	11.5%
HRA contribution rate	<u>1.5%</u>	<u>1.0%</u>
Gross normal cost rate	18.75%	16.0%
Member contribution rate	<u>(10.0)%</u>	<u>(8.0)%</u>
Employer normal cost rate	8.75%	8.0%



Health Reimbursement Accounts (HRAs)



Health Reimbursement Accounts Overview

- ⇒ Arrangement that:
 - Is solely employer paid
 - Reimburses employees for medical expenses
 - Provides reimbursements up to a maximum dollar amount for a defined coverage period
- ⇒ Unused funds are carried forward to the next coverage period
- ⇒ Usually, but not required to be, associated with high-deductible health plans or consumer directed health plans
- ⇒ Includes aspects of FSAs
- ⇒ Also known as
 - Health Reimbursement Arrangements
 - Defined contribution health care plans



Health Reimbursement Accounts Overview

Funding

- ⇒ Employer only
- ⇒ Employer sets own limits

Eligibility

- ⇒ Current and former employees (including retired employees), spouses and dependents
- ⇒ COBRA participants
- ⇒ Dependent medical expenses on death of employee



Health Reimbursement Accounts Overview

Benefits

- ⇒ Reimbursements for medical expenses as defined in IRC section 213(d)
- ⇒ No IRS limit on reimbursements
- ⇒ Employee responsible for substantiating expenses
- ⇒ Cannot use for over-the-counter drugs
- ⇒ Cannot have any right to receive cash benefit



Health Reimbursement Accounts Overview

Plan design

- ⇒ Plan sponsor dictates plan design
 - Contribution amount
 - Covered expenses
 - Termination provisions

Tax Treatment

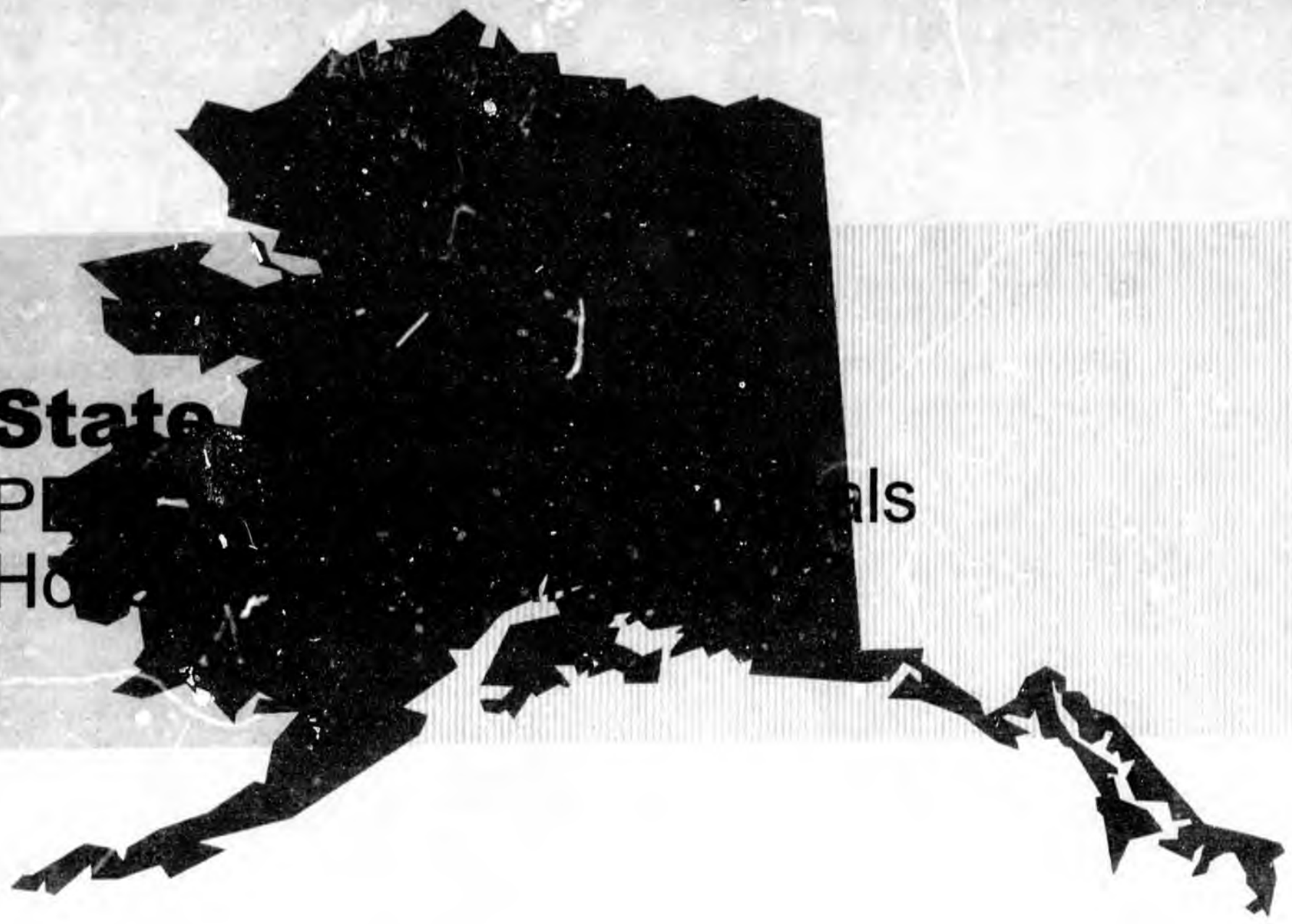
- ⇒ Requirements for exclusion from employee/retiree income:
 - Employer funding only – no employee contributions
 - Only reimbursed for qualified medical expenses
- ⇒ Subject to non-discrimination rules under IRS code section 105(h)

State

PE

HO

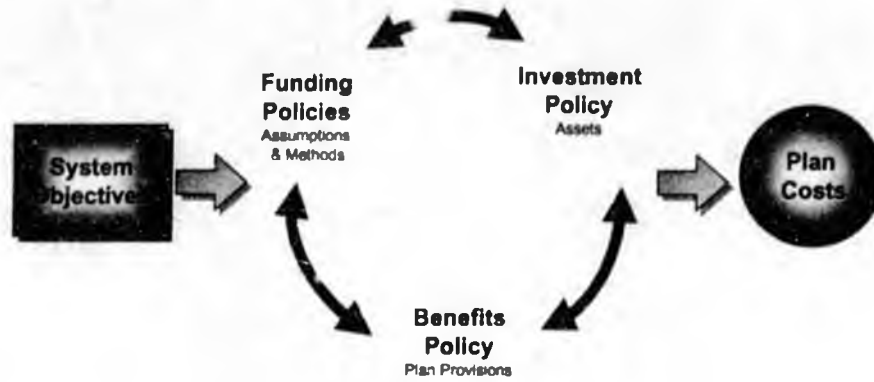
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Overview

Retirement Program Financial Management



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Financial Summary

Employer Contribution Rates - PERS

	<u>FY05</u>	<u>FY06</u>
Normal Cost Rate:	13.31%	13.24%
Average Past Service Rate:	11.60%	12.39%
Average Contribution Rate:	24.91%	25.63%
Board Adopted Rate:	11.77%	16.77%

- The normal cost rate provides for benefits expected to be earned by active members during the fiscal year
- The past service rate is the part of the contribution that is intended to pay off the unfunded liability (over 25 years)

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Financial Summary

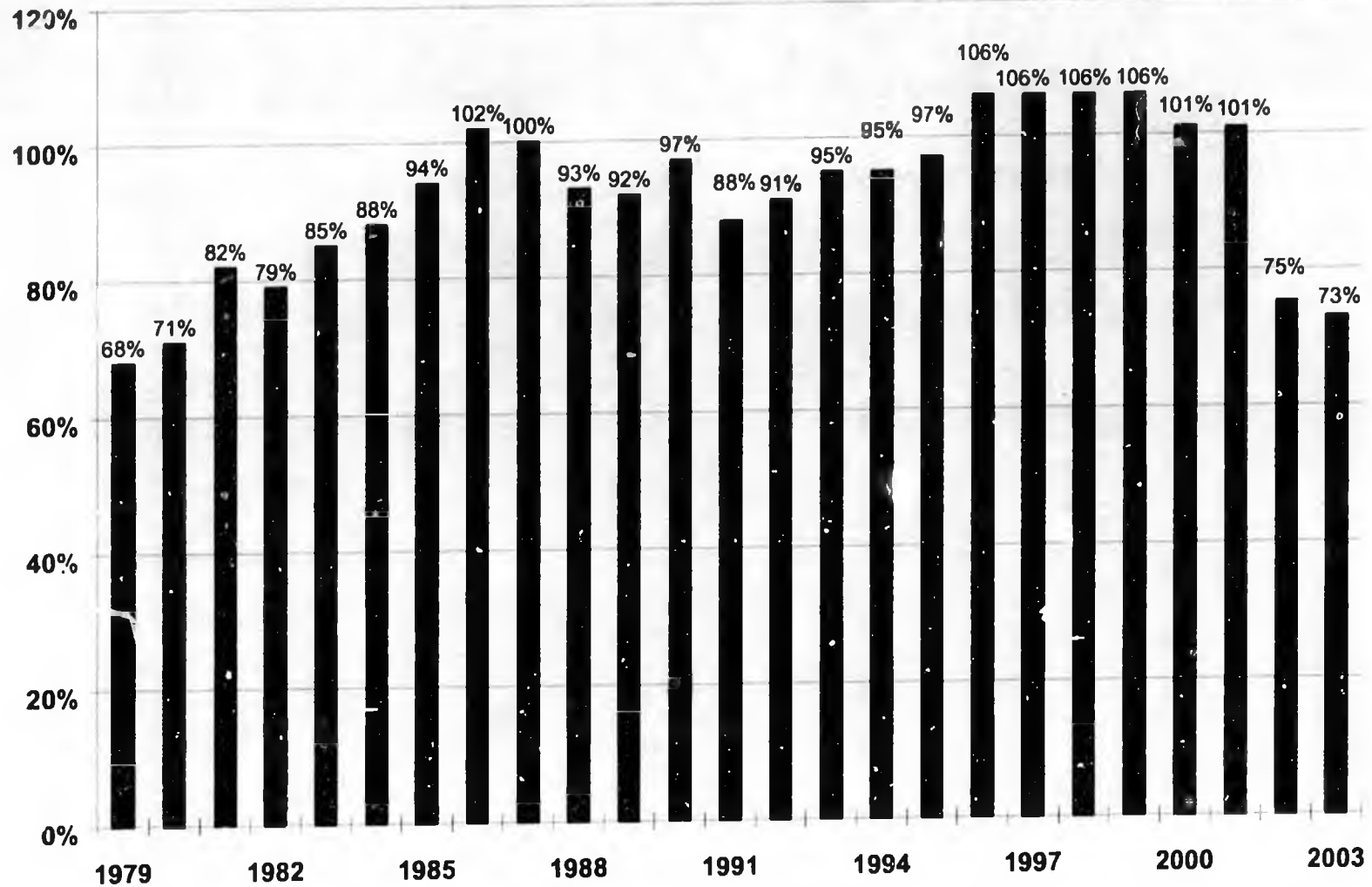
Employer Contribution Rates - TRS

	<u>FY05</u>	<u>FY06</u>
Normal Cost Rate:	14.76%	14.28%
Past Service Rate:	20.81%	24.57%
Total Contribution Rate:	35.57%	38.85%
Board Adopted Rate:	16.00%	21.00%

- The normal cost rate provides for benefits expected to be earned by active members during the fiscal year
- The past service rate is the part of the contribution that is intended to pay off the unfunded liability (over 25 years)

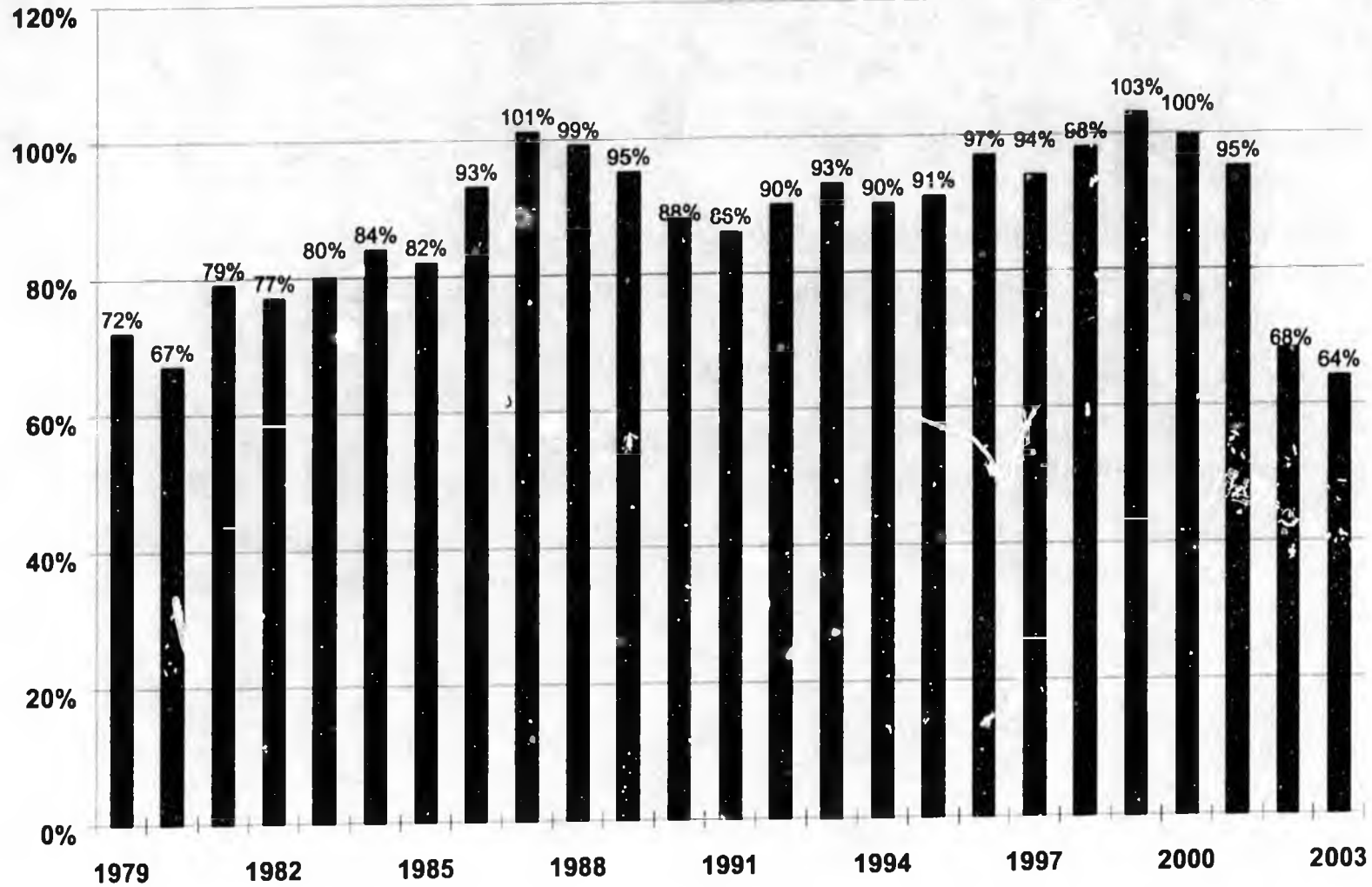
Report Highlights (continued)

PERS Funding Ratio History



Report Highlights (continued)

TRS Funding Ratio History





Overview

Financial Context

- ⇒ Rising contribution levels
- ⇒ Volatile investment returns
 - Investment uncertainty
- ⇒ Rising medical costs

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Overview

Key Information

Key information gathered and analyzed

- ⇒ Employer survey
- ⇒ Member focus groups
- ⇒ Benchmarking
- ⇒ Benefit levels
- ⇒ Demographic projections
- ⇒ Implications of Medicare changes
- ⇒ Trends, issues and alternatives
- ⇒ Cost analysis and projections

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Employer Survey – PERS

Important Conclusions

- ⇒ Employers want the retirement program to continue to provide medical coverage
- ⇒ Many employers open to the possibility of providing differing levels of medical coverage based on service or having members share in the cost of coverage
- ⇒ Other potential cost savings areas that some employers seem open to:
 - Lowering the post-retirement cost-of-living adjustment
 - Not providing medical coverage to vested terminated members
- ⇒ Some responses seem to favor continuing a defined benefit approach
 - Reward long service
- ⇒ However, responses leaned towards shifting investment risk to members

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Employer Survey – TRS

Important Conclusions

- ⇒ Employers want the retirement program to continue to provide medical coverage
- ⇒ Many employers, particularly the largest employers, open to the possibility of providing differing levels of medical coverage based on service or having members share in the cost of coverage
- ⇒ Other potential cost savings areas that some employers seem open to:
 - Lowering the post-retirement cost-of-living adjustment
 - Not providing medical coverage to vested terminated members
- ⇒ Some responses seem to favor continuing a defined benefit approach
 - Reward long service
- ⇒ However, responses leaned towards shifting investment risk to members

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Overview

System Objectives and Constraints

Based on information gathered and stakeholder feedback, the Tier Committee drafted the following objectives:

- ⇒ The System should provide medical benefits to retirees
 - Members should bear a greater share of the cost
 - Members should have to retire from the System to be eligible
- ⇒ Benefits should favor longer-service members
- ⇒ Employer contributions should be more predictable and stable
- ⇒ Investment risk should be shared by employers and members
- ⇒ Healthcare inflation risk should be shared by employers and members

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Overview

System Objectives and Constraints

Based on information gathered and stakeholder feedback, the Tier Committee drafted the following constraints:

- ⇒ Non-medical benefits must be sufficient to satisfy minimum requirements for employers who do not participate in Social Security
- ⇒ Benefit changes must take the form of new "tiers"
- ⇒ Annual cost of benefits should be less than the current Systems' normal cost rates

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Trends and Alternatives

Defined Benefit Observations

- ⇒ Plans have experienced higher cost levels and greater cost volatility
- ⇒ Funded status has declined in last 3 years
- ⇒ Advantages (to employer) of defined benefit plans
 - Retention incentives, lower turnover cost
 - Workforce management
 - Cost allocated to longer-service employees

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Trends and Alternatives

Defined Benefit Observations (continued)

- ⇒ Advantages (to employee) of defined benefit plans
 - Pooling of longevity risk
 - In most cases, employer bears investment risk
 - Predictable, stable retirement income
- ⇒ Challenges (for employer) of defined benefit plans
 - Investment risk
 - Cost volatility

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Trends and Alternatives

Defined Contribution Observations

- ⇒ Advantages (to employer) of defined contribution plans
 - Predictable cost
 - Stable cost
 - Employee assumes investment risk
 - No long-term administrative commitment
 - Contribution equity among employees
- ⇒ Advantages (to employee) of defined contribution plans
 - Portability
 - Ability to direct investments
 - Contribution equity among employees

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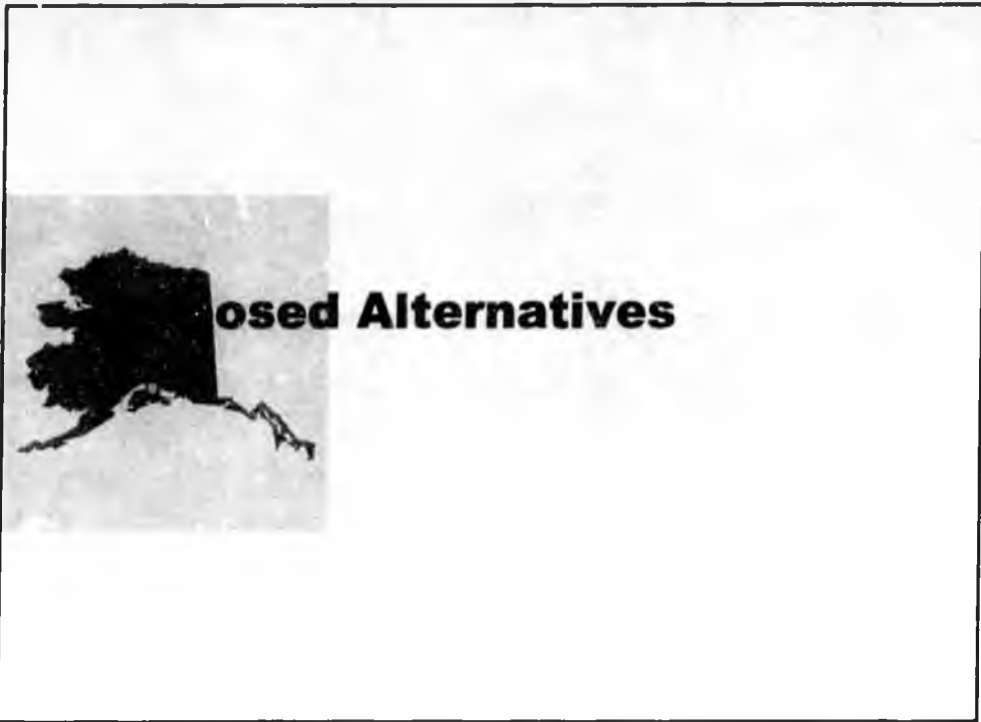
Trends and Alternatives


Defined Contribution Observations (*continued*)

- ⇒ Challenges for defined contribution plans
 - More difficult to manage workforce
 - Employee directed money often earns less
 - Amount needed at retirement is often underestimated
 - Employees need to contribute in excess of 10 percent, but most do not
 - Retirees generally not equipped to transform lump sum into monthly payments that last for a lifetime (difficult to manage longevity risk)

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 **Proposed Alternatives**
Overview

- ⇒ Two alternatives are being presented to the PERS and TRS Boards, with the Tier Committee recommending Alternative 1
- ⇒ Components of Alternative 1
 - defined benefit
 - defined contribution
 - medical
 - health reimbursement account (HRA)
- ⇒ Components of Alternative 2
 - defined contribution
 - medical
 - health reimbursement account (HRA)
- ⇒ Member contributions under both alternatives are higher than the current tiers
- ⇒ Contribution rates for the defined contribution component are higher for Alternative 2
- ⇒ Post-retirement medical program is the same for both alternatives

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Proposed Alternatives Defined Benefit Alternative

Key features of Alternative 1 defined benefit program

- ⇒ 1 percent of career average pay
- ⇒ Pay is indexed from year received to year preceding retirement (or termination) based on the Anchorage CPI
 - for example, 1997 pay for a member retiring on December 31, 2009 would be increased at Anchorage CPI for 12 years
- ⇒ Base pay only
- ⇒ Normal retirement at the earlier of
 - (1) age 60 with 5 years of service (8 years for TRS), or
 - (2) 25 years of service (30 years for PERS "others")
- ⇒ Post-retirement pension adjustments similar to current tiers
- ⇒ No 10 percent Alaska cost-of-living adjustment (COLA)

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Proposed Alternatives Defined Contribution Alternatives

Key features of defined contribution components

- ⇒ Individual accounts are maintained for each member
- ⇒ Contributions are a percentage of base pay
- ⇒ Various investment options (member-directed)
- ⇒ 100% vested
- ⇒ Terminating or retiring member takes account (eligible for rollover)

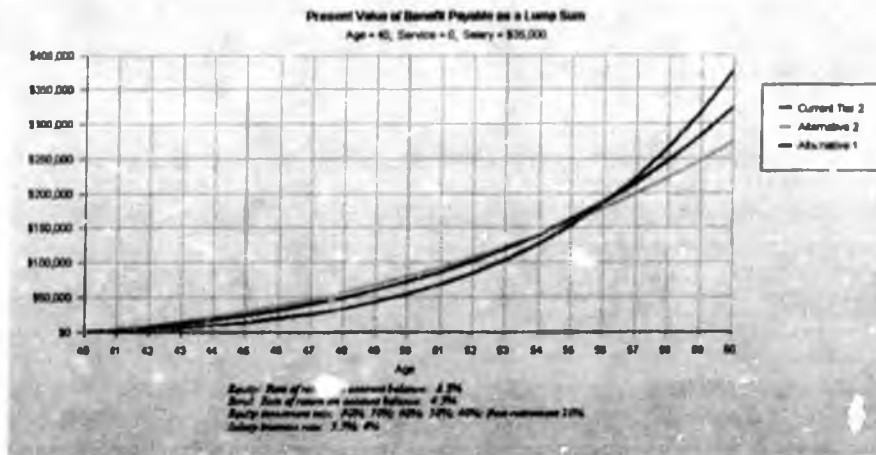
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Proposed Alternatives

Accrual of Non-Medical Benefits - TRS



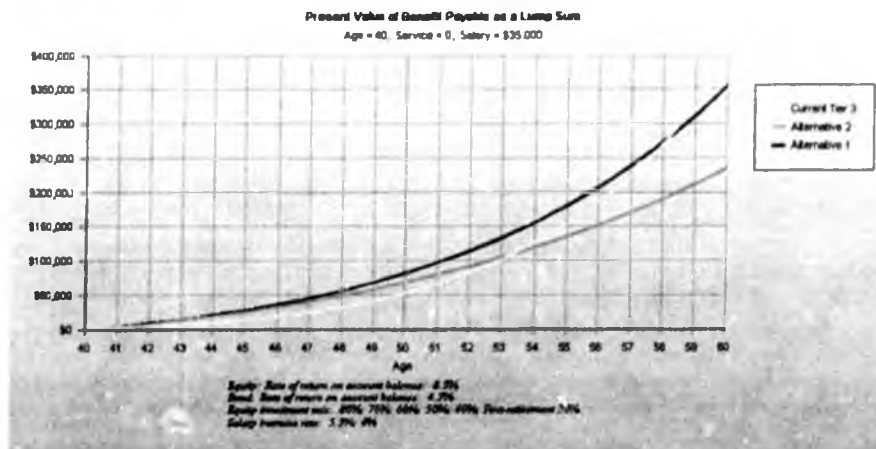
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Slide 19



Proposed Alternatives

Accrual of Non-Medical Benefits - PERS



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Slide 20



Proposed Medical Program

Key Features

Key features of post-retirement medical program

- ⇒ Members must retire directly from the System to be eligible
- ⇒ System sponsored health plan with varying levels of subsidy or cost to members
- ⇒ Early retirees get "access only" prior to normal retirement eligibility
- ⇒ Defined dollar benefit from normal retirement to Medicare eligibility (currently age 65)
- ⇒ Defined health benefit after Medicare eligibility, similar to the current program with the following key exceptions:
 - Method of coordination with Medicare
 - Retired members will share in the cost through premium contributions

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Slide 21



Proposed Medical Program

System Sponsored Health Care Plan

- ⇒ System sponsored health plan available to all eligible retirees, but with varying levels of subsidy
- ⇒ Basic plan design elements

	Current Plan	Alternative Plan
Medical		
• Coordination with Medicare	Total Allowable	Maintenance of Benefits
• Deductible	\$150/person, \$450/family	\$250/person, \$750/family
• Out of Pocket	\$300	\$2,500
• Outpatient Surgery Coinsurance	100%	80%
Prescription Drug		
• Retail	90 day supply	30 day supply
- Generic	\$4	\$5
- Brand Formulary	\$8	\$15
- Brand Non-Formulary	\$8	\$30
• Mail Order	90 day supply	90 day supply
- Generic	\$0	\$5
- Brand Formulary	\$0	\$15
- Brand Non-Formulary	\$0	\$30
Dental, Vision, Audio	No Change	

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Slide 22



Proposed Medical Program

Eligibility

- ⇒ Normal retirement eligibility for medical benefits will be defined as the earlier of
 - (1) age 60 with 10 years of service
 - (2) 25 years of service (30 years for PERS "others" retirees).
- ⇒ Disabled participants will be eligible
- ⇒ Terminated vested participants are not eligible. A member must retire directly from active service in order to receive coverage

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Slide 23



Proposed Medical Program

Early Retirement

- ⇒ Early retirees who have not reached normal retirement eligibility
 - Receive "access only" plan
 - Will not be eligible for subsidized retiree health plan costs
 - Pay 100% of the pre-Medicare eligible (currently pre-age 65) per member per year (PMPY) claim costs
- ⇒ Dependent spouses of early retirees will pay 100% of the appropriate pre-Medicare or Medicare eligible PMPY claim cost

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Slide 24



Proposed Medical Program

Normal Retirement to Medicare Eligibility

- ⇒ Members who retire directly from the Systems will be eligible for a "defined dollar" benefit upon reaching eligibility for normal retirement
- ⇒ Fixed dollar subsidy toward system sponsored health coverage
- ⇒ Access to system sponsored retiree medical plan as outlined above
- ⇒ Subsidy amount is based on length of service
- ⇒ Subsidy amount indexed each year by healthcare inflation up to a maximum of 5 percent (with a "catch-up" provision based on years when healthcare inflation is less than 5%)

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Slide 25



Proposed Medical Program

Normal Retirement to Medicare Eligibility

- ⇒ Upon becoming eligible for Medicare, such members will become eligible for the "defined health" benefit
- ⇒ Pre-Medicare dependent spouse is eligible for the same subsidy as retiree
- ⇒ Medicare eligible dependent spouse is eligible for the Medicare eligible benefit level, with contribution percentage based on retiree length of service

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Slide 26



Proposed Medical Program

Normal Retirement to Medicare Eligibility

⇒ Apply percentages to the applicable subsidy base to arrive at the appropriate subsidy amount.

⇒ Defined Dollar Subsidy Base Annual PMPY for fiscal year 2004:

Pre Medicare \$5,962*

⇒ Subsidy Percentage

Service (yrs)	Subsidy %
10-14	30%
15-19	45%
20-24	60%
25-29	75%
30+	90%

⇒ Member contributions are determined by subtracting the annual subsidy amount from the annual claims cost for a given year.

⇒ *Equivalent to FY2004 pre-Medicare projected claim cost.
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Slide 27



Proposed Medical Program

After Medicare Eligibility

- ⇒ Defined health benefit similar to current program
- ⇒ Retirees who were previously eligible for 100% subsidy of retiree health plan costs will now participate in the premium cost.
- ⇒ Contributions are per covered individual
- ⇒ Pre-Medicare dependent spouses are eligible to receive a defined dollar subsidy with percentage based on retiree length of service
- ⇒ Medicare eligible dependent spouses are eligible to receive the same defined health benefits as the retiree and pay the same contributions

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Slide 28



Proposed Medical Program After Medicare Eligibility

⇒ Contribution Base PMPY for fiscal year 2004:

Medicare Eligible \$2,667

⇒ Contribution Percentage

<u>Service (yrs)</u>	<u>Contribution %</u>
10-14	30%
15-19	25%
20-24	20%
25-29	15%
30+	10%

⇒ Apply percentages to the contribution base to arrive at the applicable contribution amount

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Health Reimbursement Accounts (HRAs)

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Health Reimbursement Accounts Overview

- ⇒ Arrangement that:
 - Is solely employer paid
 - Reimburses employees for medical expenses
 - Provides reimbursements up to a maximum dollar amount for a defined coverage period
- ⇒ Unused funds are carried forward to the next coverage period
- ⇒ Usually, but not required to be, associated with high-deductible health plans or consumer directed health plans
- ⇒ Includes aspects of FSAs
- ⇒ Also known as
 - Health Reimbursement Arrangements
 - Defined contribution health care plans

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Slide 31



Health Reimbursement Accounts Overview

Funding

- ⇒ Employer only
- ⇒ Employer sets own limits
- ⇒ Notional or funded accounts
 - general assets
 - VEBA
 - other trusts

Eligibility

- ⇒ Current and former employees (including retired employees), spouses and dependents
- ⇒ COBRA participants
- ⇒ Dependent medical expenses on death of employee

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Health Reimbursement Accounts Overview

Benefits

- ⇒ Reimbursements for medical expenses as defined in IRC section 213(d)
- ⇒ No IRS limit on reimbursements
- ⇒ Employee responsible for substantiating expenses
- ⇒ Cannot use for over-the-counter drugs
- ⇒ Can be used for after tax insurance premium payments (LTC is gray area)
- ⇒ Cannot have any right to receive cash benefit
- ⇒ Can be used with FSA, but special rules apply

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Slide 33



Health Reimbursement Accounts Overview

Plan design

- ⇒ Plan sponsor dictates plan design
 - Contribution amount
 - Covered expenses
 - Termination provisions

Tax Treatment

- ⇒ Requirements for exclusion from employee/retiree income:
 - Employer funding only – no employee contributions
 - Only reimbursed for qualified medical expenses
- ⇒ Subject to non-discrimination rules under IRS code section 105(h)

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Slide 34



Health Reimbursement Accounts

Comparison of tax advantaged health care accounts

Account requirements	Funds must be held in trust or custodial account	No requirements; often unfunded	No requirements; often unfunded
Qualifying expenses	Miscellaneous IRC 213(d) expenses, limited health premium reimbursements*	Miscellaneous IRC 213(d) expenses, unlimited premium reimbursements, subject to plan design	Miscellaneous IRC 213(d) expenses, no health premium reimbursements
Non-qualified withdrawals	Yes, but taxable, plus 10% penalty. No penalty after age 65, disability, or death (no penalty or tax after death if HSA goes to spouse)	Not allowed	Not allowed
Rollover of unused funds	Unused funds roll over indefinitely	Allowed, although employer can establish limits	Not allowed
Nonforfeitable	Yes and fully portable, can take to new employer	No, but COBRA rights apply	No, but limited COBRA rights apply

*COBRA, long-term care insurance and premiums for account holders, at least 65 or receiving unemployment compensation.

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Slide 35



Health Reimbursement Accounts

Comparison of tax advantaged health care accounts

Eligibility	Individuals (employees) with high deductible plan (HDHP)	Employees whose employers make available	Employees whose employers make available
Health insurance requirement	Qualified high deductible health plan required	None, although employer typically requires high deductible coverage	None
Contributions - Source	Employer, employee, or both	Employer only	Employer, employee or both
Taxability of employee contributions	Tax-free	Employee contribution not allowed	Tax-free
Taxability of employer contributions	Tax-free to employee, tax deductible to employer	Tax-free to employee, tax deductible to employer	Tax-free to employee, tax deductible to employer
Annual contribution limits (employee+employer)	Lesser of 100% of deductible or fixed amount (established by law)	None legally required, employer sets its contribution amounts	None legally required, employer sets employee contribution limits

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Slide 36



Health Reimbursement Accounts Projection scenarios

- ⇒ Illustrate the HRA fund value at retirement, the total costs expected to be borne by the retiree during the pre-Medicare period of retirement and the retiree's expected net cost after HRA reimbursements
- ⇒ Four scenarios
 - Early hire, 1.0% funding - hire at 25, retire at 55
 - Early hire, 1.5% funding - hire at 25, retire at 55
 - Late hire, 1.0% funding - hire at 40, retire at 60
 - Late hire, 1.5% funding - hire at 40, retire at 60
- ⇒ Key assumptions
 - Hire date of 7/1/2004
 - Normal retirement at 25 years or age 60
 - Funded as percent of average salary for group
 - Average salary for group of \$35,000
 - Wage inflation 4.0%

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Slide 37



Health Reimbursement Accounts Projection scenarios

- ⇒ Key assumptions (continued)
 - HRA accumulation rate 8.25%
 - Early retirement access-only plan as described in the proposed medical program
 - Normal retirement to Medicare eligibility defined dollar subsidy as described in the proposed medical program
 - Benefit costs increase at proposed valuation trend
 - Retirees transition to defined health benefit plan at Medicare eligibility
- ⇒ Other assumptions
 - Participant retires from system and is receiving system-sponsored benefits
 - Demographic composition of future pre-Medicare retiree group remains constant
 - No spend down of HRA during active benefit period

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Slide 38



Health Reimbursement Accounts Projection scenarios

	Gross Retiree Cost	HRA at Retirement	Net Retiree Cost
Early Hire, 1.0%	\$153,721	\$64,622	\$72,348
Early Hire, 1.5%	\$153,721	\$96,933	\$12,714
Late Hire, 1.0%	\$ 68,993	\$23,052	\$44,543
Late Hire, 1.5%	\$ 68,993	\$34,579	\$30,590

- ⇒ Gross retiree cost is the total medical premium cost expected to be paid by the retiree less any System-sponsored subsidy. Does not include retiree cost sharing via plan design elements such as deductibles and coinsurance.
- ⇒ HRA at retirement is the beginning fund balance at the year of retirement.
- ⇒ Net retiree cost is the gross retiree cost less expected reimbursements from the HRA. HRA balance continues to earn interest after medical expenses are reimbursed each year.

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Slide 39



Proposed Alternatives Alternative 1 – Normal Cost Rates

- ⇒ "Normal cost" rates for Alternative 1 are expected to be as follows:

	Normal Cost Rates			
	TRS		PERS	
Medical normal cost rate	3.75%	(9.07%)	3.5%	(8.68%)
Defined benefit normal cost rate	5.0%	(13.90%)	4.5%	(11.37%)
Defined contribution rate	8.5%	(N/A)	7.0%	(N/A)
HRA contribution rate	1.5%	(N/A)	1.0%	(N/A)
Gross normal cost rate	18.75%	(22.97%)	16.0%	(20.05%)
Member contribution rate	(10.0%)	(8.69%)	(8.0%)	(6.81%)
Employer normal cost rate	8.75%	(14.28%)	8.0%	(13.24%)

- [Normal cost rates for the current program (all tiers) are shown in parentheses for comparative purposes.

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Slide 40



Proposed Alternatives

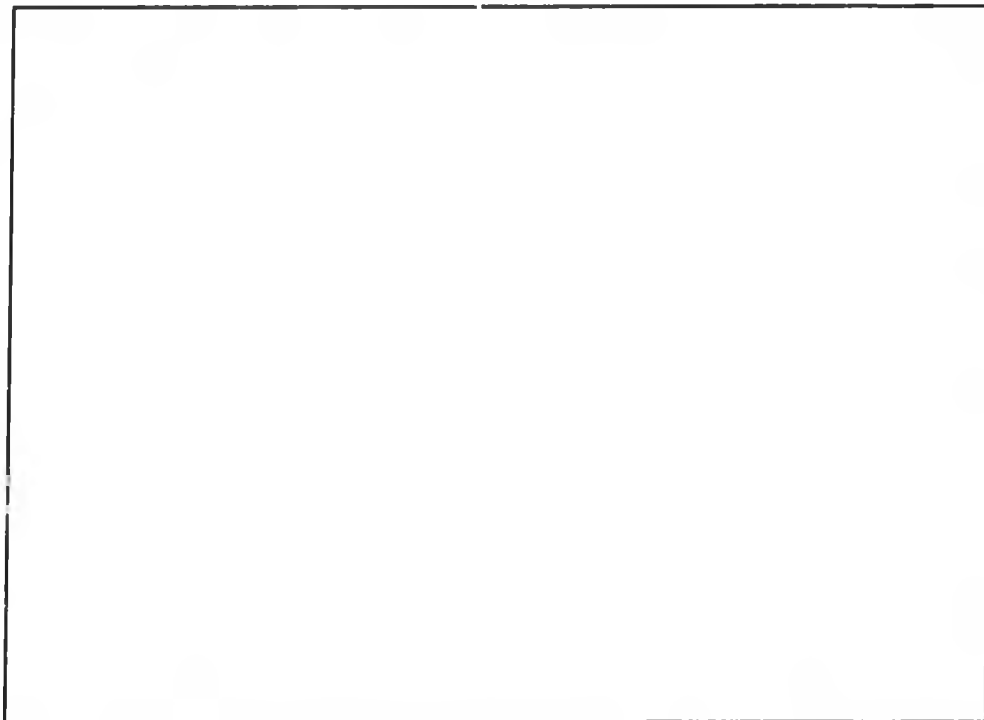
Alternative 2 – Normal Cost Rates

⇒ "Normal cost" rates for Alternative 2 are expected to be as follows:

	Normal Cost Rates	
	TRS	PERS
Medical normal cost rate	3.75%	3.5%
Defined contribution rate	13.5%	11.5%
HRA contribution rate	1.5%	1.0%
Gross normal cost rate	18.75%	16.0%
Member contribution rate	(10.0)%	(8.0)%
Employer normal cost rate	8.75%	8.0%

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Slide 41



State of Alaska

Division of Retirement & Benefits

Normal Cost Rate and Actuarial Computed Rate from FY 1983 through FY 2006

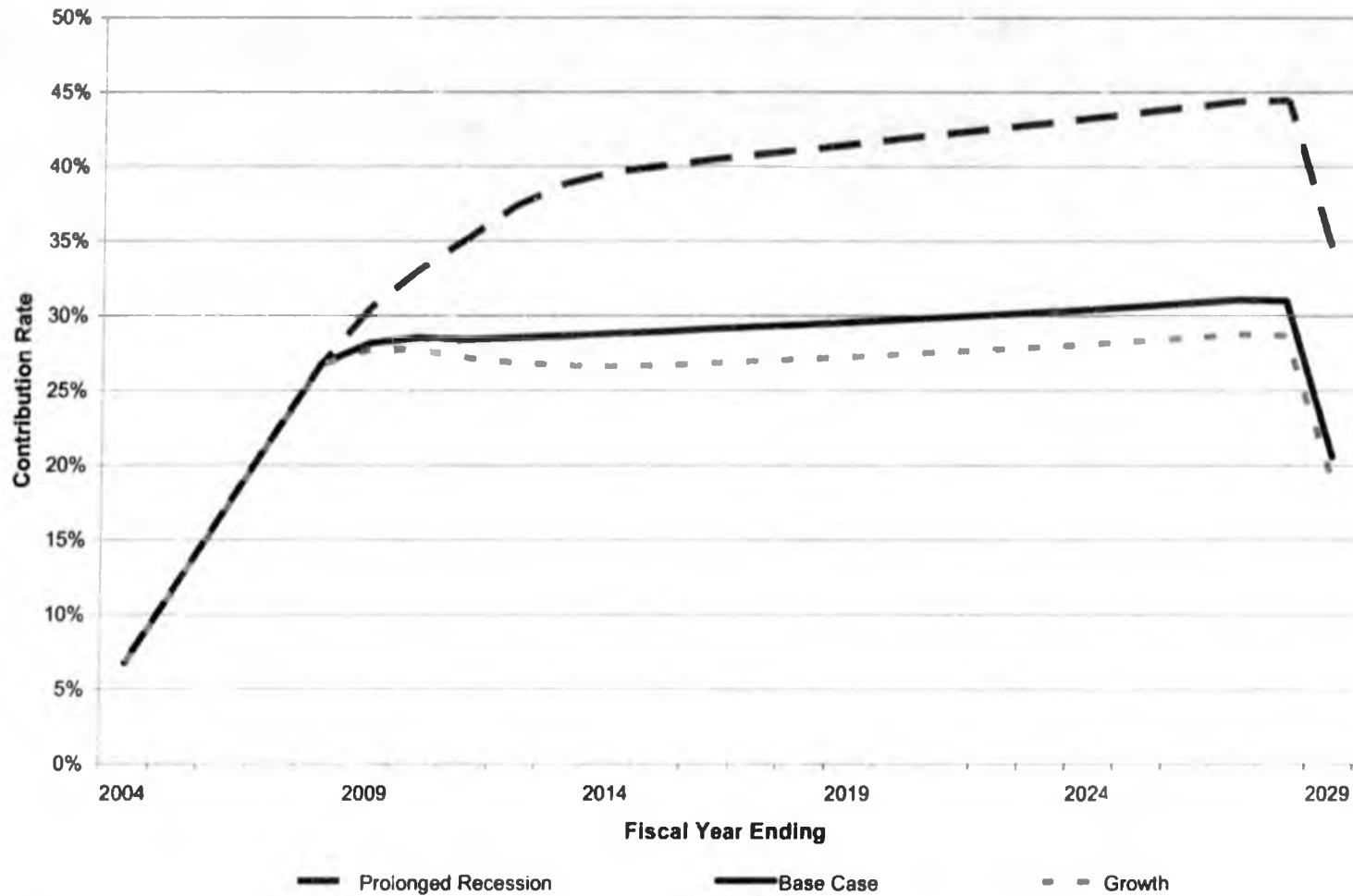
<u>Valuation report date June 30</u>	<u>Fiscal year of rate</u>	<u>Normal Cost rate PERS</u>	<u>Actuarial Computed Rate PERS</u>	<u>Normal Cost rate TRS</u>	<u>Actuarial Computed Rate TRS</u>
1980	1983	11.46%	13.78%	11.95%	16.84%
1981	1984	12.03%	13.68%	13.51%	17.42%
1982	1985	11.36%	13.62%	13.64%	17.96%
1983	1986	11.82%	13.59%	13.13%	17.36%
1984	1987	12.31%	13.84%	13.91%	13.28%
1985	1988	11.13%	9.55%	11.62%	13.28%
1986	1989	10.20%	9.38%	9.36%	11.16%
1987	1990	9.23%	9.30%	9.14%	8.19%
1988	1991	10.37%	12.00%	11.86%	12.27%
1989	1992	12.00%	14.20%	13.26%	15.16%
1990	1993	12.83%	13.58%	14.07%	19.65%
1991	1994	10.18%	13.72%	9.05%	15.59%
1992	1995	10.90%	13.70%	8.57%	13.36%
1993	1996	11.29%	12.82%	9.06%	12.48%
1994	1997	10.36%	12.14%	9.70%	14.96%
1995	1998	10.61%	11.90%	10.10%	14.94%
1996	1999	9.85%	7.74%	8.97%	10.52%
1997	2000	9.89%	7.36%	9.21%	13.00%
1998	2001	8.67%	7.03%	8.99%	10.55%
1999	2002	8.07%	6.56%	8.88%	7.09%
2000	2003	10.07%	6.12%	9.40%	8.29%
2001	2004	9.53%	6.77%	10.36%	14.44%
2002	2005	13.31%	24.91%	14.76%	35.57%
2003	2006	13.24%	25.63%	14.28%	38.85%

Normal Cost Rate: present value of benefits, which are expected to be credited with respect to service during the year beginning on the valuation date.

Actuarial Computed Rate: after comparing plan assets and liabilities, an actuarial rate is computed that would fund the retirement systems over 25 years. There are two components: the normal cost rate and the past service necessary to pay any unfunded liability. Both rates account for differences between actual experience versus anticipated results, changes in actuarial assumptions and / or methods, changes in statutory provisions, and the difference between the rate actually adopted by the Boards for a particular year versus the computed rate.

1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate



1.5(c) Actuarial Projections – Effect of Economic Scenarios

Key Assumptions

- All assumptions and methods are the same as Section 1.5(a) except:

Results are shown only under the 1% population growth scenario

The actuarially calculated contribution rate is adopted in each year beginning in FY06, but rate cannot increase by more than 5% per year.

Investment returns are assumed as follows:

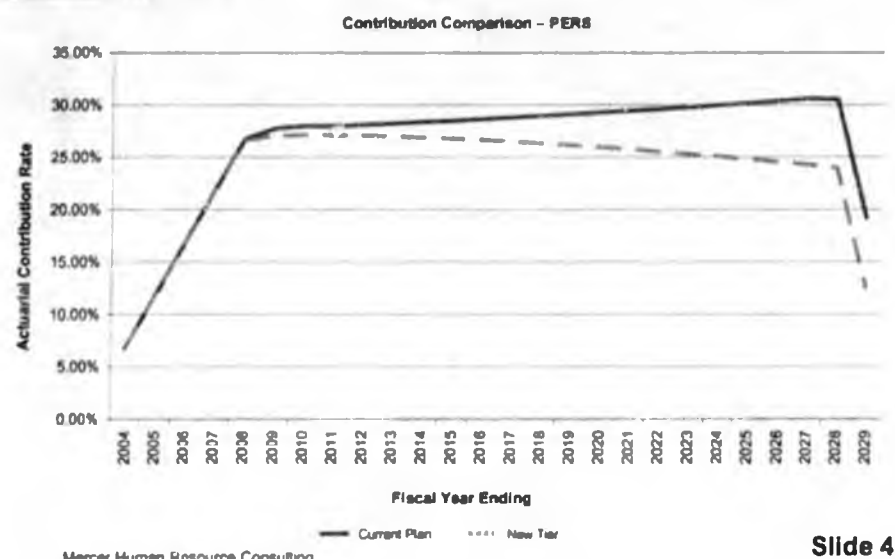
Total Portfolio Investment Return Under Each Scenario

Year Ending June 30	Base Case	Growth	Prolonged Recession
2004	15.08%	15.08%	15.08%
2005	8.25%	10.00%	-3.50%
2006	8.25%	10.00%	-3.50%
2007	8.25%	9.50%	2.10%
2008	8.25%	9.00%	7.75%
2009	8.25%	8.25%	7.75%
2010	8.25%	8.25%	7.75%
2011	8.25%	8.25%	7.75%
2012	8.25%	8.25%	7.75%
2013	8.25%	8.25%	7.75%
2014	8.25%	8.25%	7.75%
2015	8.25%	8.25%	7.75%
2016	8.25%	8.25%	7.75%
2017	8.25%	8.25%	7.75%
2018	8.25%	8.25%	7.75%
2019	8.25%	8.25%	7.75%
2020	8.25%	8.25%	7.75%
2021	8.25%	8.25%	7.75%
2022	8.25%	8.25%	7.75%
2023	8.25%	8.25%	7.75%
2024	8.25%	8.25%	7.75%
2025	8.25%	8.25%	7.75%
2026	8.25%	8.25%	7.75%
2027	8.25%	8.25%	7.75%
2028	8.25%	8.25%	7.75%
2029	8.25%	8.25%	7.75%



Proposed Alternatives

Cost Projections - PERS

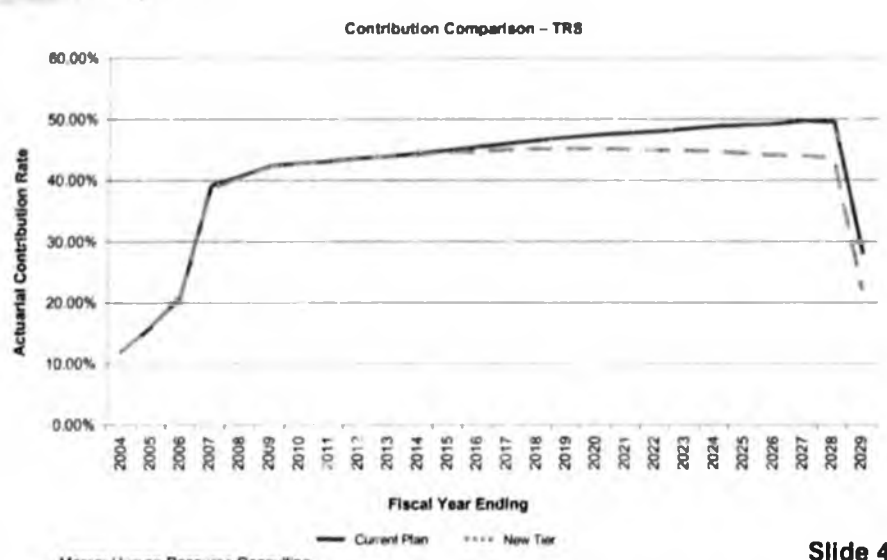


Slide 43



Proposed Alternatives

Cost Projections - TRS



Slide 44

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
TEACHERS' RETIREMENT SYSTEM
SENATE FINANCE BRIEFING ON PROPOSALS FOR NEW TIERS**

Attached are two spreadsheets comparing the specific benefit differences in the existing and proposed Tiers for PERS and TRS. Outlined below is a summary of the major benefit changes and a cost comparison.

PERS / TRS

	Current PERS Tier III / TRS Tier II DB Plan	Alternative 1 DB/DC Plan	Alternative 2 DC Plan
PERS Employee Contribution Rate	6.75% or 7.5 Police/Fire	8% all members 8.5% Police/Fire 11.0% School District	8% all members 8.5% Police/Fire 11.0% School District
TRS Employee Contribution Rate	8.65%	10%	10%
Retirement Age	60 normal - 55 early 30 years "all others" 20 Police/Fire 20 Teachers	Same Same 25 Police/Fire members 25 Teachers	Any age
PERS Benefit Formula/Contribution Rate	2% up to 2.5% DB	1% DB; 8% DC (8% includes HRA)	12.5% DC (12.5% includes HRA)
TRS Benefit Formula/Contribution Rate	2% up to 2.5% DB	1% DB; 10% DC (10% includes HRA)	15% DC (15% includes HRA)
Medical	<ul style="list-style-type: none"> Do not have to retire directly from system to be service or age eligible for medical coverage. Must have 10 years of service. Minimal cost share. 	<ul style="list-style-type: none"> Must retire directly from system to be eligible. Must have 10 years of service. Member pays more through "cost share" design elements. 	Same as Alternative 1
Normal Cost Rate – PERS (does not include unfunded liability portion)	13.24% - Current Normal Cost Rate	8% reduces normal cost rate by 40%	8% reduces normal cost rate by 40%
Normal Cost Rate – TRS (does not include unfunded liability portion)	14.28% - Current Normal Cost Rate	8.75% - this reduces normal cost rate by 39%	8.75% - this reduces normal cost rate by 39%
Future exposure and volatility to loss in investment earnings and increasing medical costs.	Employer bears all the risk.	Employer continues to have risk in two areas: (1) 1% DB component and (2) medical inflation component.	Minimal Exposure to employer in one area only: (1) medical inflation w/capped %.

**Alaska Division of Retirement and Benefits
Public Employees' Retirement System (PERS) Plan Comparison Chart
Rev. January 15, 2005**

Tier I 1/1/81 - 6/30/98	Tier II Entered on or after 7/1/98	Tier III Entered on or after 7/1/98	Tier IV Proposed - Alternative 1 DC/DC Plan Entered on or after 7/1/2006	Tier V - Alternative 2 DC/DC Plan Entered on or after 7/1/2006
Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district	Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district	Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district	Employee Pre-tax Contribution: 6% all members beginning 7/1/2006 6.5% beginning 7/1/2006 - police and fire 11.0% beginning 7/1/2006 School District	Employee Pre-tax Contribution: 6% all members beginning 7/1/2006 6.5% beginning 7/1/2006 - police and fire 11.0% beginning 7/1/2006 School District
Members vest with 5 years of service.	Members vest with 5 years of service.	Members vest with 5 years of service.	Members vest with 5 years of service.	100% Vested upon enrollment
<ul style="list-style-type: none"> Normal retirement age is 55 Early retirement age is 50 Police/fire members can retire at any age after 20 years of police/fire service All other members can retire at any age after 30 years of membership service. 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 20 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 20 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 25 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Can leave employment at any age and take account balance with them, leave account balance in plan or rollover to another qualified plan.
<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years and all years of service prior to July 1, 1986 2.25% for the next 10 years; 2.5% per year thereafter (average of the high three consecutive years' salary). Police/Fire - 2% benefits formula for first 10 years and 2.5% for all years after 10. 	<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years 2.25% for the next 10 years, and 2.5% per year thereafter. Benefit calculation is determined on the average of the high three consecutive years' salary. Police/Fire - 2% benefit formula for first 10 years and 2.5% for all years after 10. 	<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years 2.25% for the next 10 years, and 2.5% per year thereafter (benefit calculation is average of the high five consecutive years' salary). Police/Fire - 2% benefit formula for first 10 years and 2.5% for all years after 10 (benefit calculation is three consecutive years regardless of tier (effective 2002)). 	<ul style="list-style-type: none"> 1% defined benefit formula 6.0% defined contribution rate A portion of the defined contribution rate may be allocated to an account to provide for medical expenditures (HRA). Benefit calculation is computed on indexed career average 	<ul style="list-style-type: none"> 12.5% defined contribution rate A portion of the defined contribution rate may be allocated to an account to provide for medical expenditures (HRA).
<ul style="list-style-type: none"> Medical coverage is provided to all benefit recipients and their eligible dependents. The retiree medical plan premium is paid by the retirement system. 	<ul style="list-style-type: none"> Medical coverage is provided to disableds, regardless of age and benefit recipients over age 60 or <ul style="list-style-type: none"> police/fire members with 25 years of police/fire service all other members with 30 years of membership service and their eligible dependents. The retirement system pays the retiree medical plan premium. Retirees and survivors under age 60 must pay the full premium cost if they want coverage. 	<ul style="list-style-type: none"> Medical same as Tier II. Except, employees must accrue a minimum of 10 years of credited service*, to have system-paid coverage at age 60. Employees with less than 10 years must pay the full premiums as long as they wish to continue medical coverage. 	<ul style="list-style-type: none"> Medical Employees must retire directly from the system to be eligible and Accrue a minimum of 10 years of credited service* Early retirees get "access only" prior to normal retirement age - must pay premium HRA contribution Defined dollar benefit from normal retirement to age 65 Defined health benefit after age 65 (cost share based on length of service) 	<ul style="list-style-type: none"> Medical Employees must retire directly from the system to be eligible and Accrue a minimum of 10 years of credited service* Early retirees get "access only" prior to normal retirement age - must pay premium HRA contribution Defined dollar benefit from normal retirement to age 65 Defined health benefit after age 65 (cost share based on length of service)
<ul style="list-style-type: none"> The automatic PRPA legislated in 1986 applied to all members regardless of hire date. 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years. 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years. 	<ul style="list-style-type: none"> None
<ul style="list-style-type: none"> Alaska Cost-of-Living Allowance of 10% of base benefit is payable to benefit recipients who remain domiciled in Alaska after retirement. 	<ul style="list-style-type: none"> Alaska Cost-of-Living Allowance of 10% of base benefit is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. 	<ul style="list-style-type: none"> Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None

Alaska Division of Retirement and Benefits
Teachers' Retirement System (TRS) Plan Comparison Chart
 Rev. January 15, 2005

Tier I 7/1/55 - 6/30/90	Tier II Entered on or after 7/1/90	Tier III Proposed Alternative 1 - DB/DC Plan Entered on or after 7/1/2004	Tier III Proposed Alternative 2 - DC Plan Entered on or after 7/1/2004
Employee Pre-tax Contribution: 8.65% beginning 1/1/91	Employee Pre-tax Contribution: 8.65% beginning 1/1/91	Employee Pre-tax Contribution: 10% beginning 7/1/2005	Employee Pre-tax Contribution: 10% beginning 7/1/2005
Members vest with 8 years of service.	Members vest with 8 years of service.	Members vest with 8 years of service.	100% Vested at time of enrollment
<ul style="list-style-type: none"> • Normal retirement age is 55 • Early retirement at age 50 • Teachers can retire at any age after 20 years of membership service. 	<ul style="list-style-type: none"> • Normal retirement age is 60 • Early retirement at age 55 • Teachers can retire at any age after 20 years 	<ul style="list-style-type: none"> • Normal retirement age is 60 • Early retirement at age 55 • Teachers can retire at any age after 25 years 	<ul style="list-style-type: none"> • Can leave employment at any age and take account balance with them, leave account balance in plan or rollover to another qualified plan.
<ul style="list-style-type: none"> • 2% defined benefits formula for the first 20 years and all years of service prior to July 1, 1990 • 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries. 	<ul style="list-style-type: none"> • 2% defined benefit formula for the first 20 years • 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries. 	<ul style="list-style-type: none"> • 1% defined benefit formula all years of service • 10% defined contribution rate • A portion of the defined contribution rate may be allocated to an account to provide for medical expenditures (HRA). • Benefit calculation is computed on indexed career average 	<ul style="list-style-type: none"> • 15.0% defined contribution rate • A portion of the defined contribution rate may be allocated to an account to provide for medical expenditures (HRA).
<ul style="list-style-type: none"> • Medical coverage is provided to all benefit recipients and their eligible dependents. 	<ul style="list-style-type: none"> • Medical premiums are paid for all disabled members regardless of age and • Retirees and survivors over age 60 and for retirees with at least 25 years of service including eligible dependents. • Retirees and survivors under age 60, with less than 25 years of membership service must pay the full premium cost if they want coverage. 	<p>Medical</p> <ul style="list-style-type: none"> • Employees must retire directly from the system to be eligible and • Accrue a minimum of 10 years of credited service* • Early retirees get "access only" prior to normal retirement age - must pay premium • HRA contribution • Defined dollar benefit from normal retirement to age 65 • Defined health benefit after age 65 (cost share based on length of service) 	<p>Medical</p> <ul style="list-style-type: none"> • Employees must retire directly from the system to be eligible and • Accrue a minimum of 10 years of credited service* • Early retirees get "access only" prior to normal retirement age - must pay premium • HRA contribution • Defined dollar benefit from normal retirement to age 65 • Defined health benefit after age 65 (cost share based on length of service)
<ul style="list-style-type: none"> • Automatic PRPA legislated in 1990 applied to all members regardless of hire date. 	<ul style="list-style-type: none"> • Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 8 years. 	<ul style="list-style-type: none"> • Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 8 years. 	None
<ul style="list-style-type: none"> • Alaska Cost-of-Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit. 	<ul style="list-style-type: none"> • Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit. 	None	None

