

HOUSE BILL NO. 396

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES KAWASAKI, Tuck

Introduced: 2/21/18

Referred: State Affairs, Labor and Commerce

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the Retiree Health Benefit Board; and providing for an effective**
2 **date."**

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

4 * **Section 1.** AS 14.25.003 is amended by adding new subsections to read:

5 (c) Before hiring or selecting a private third party to administer or provide
6 services related to health benefits to or on behalf of the system, the administrator shall
7 solicit and consider advice of the Retiree Health Benefit Board and allow at least one
8 member of the board to participate fully in the hiring or selection process, including
9 evaluation of proposals to administer or provide health benefits.

10 (d) The administrator shall adopt reasonable advice or a reasonable
11 substantive change recommended by the Retiree Health Benefit Board under (c) of
12 this section or, if the advice or substantive change is not adopted, promptly provide the
13 board with a written explanation.

14 * **Sec. 2.** AS 14.25.004(a) is amended by adding a new paragraph to read:

(14) provide information to and coordinate with the Retiree Health Benefit Board as provided in AS 39.30.510 - 39.30.549.

* **Sec. 3.** AS 14.25.005 is amended by adding a new subsection to read:

(j) In addition to the notice requirements under (b) of this section, before the adoption, amendment, or repeal of a regulation relating to a medical benefit or a supplemental benefit under the system, the commissioner of administration shall provide to the Retiree Health Benefit Board a copy of the proposed regulation for review and allow the Retiree Health Benefit Board to comment and recommend changes for a period of not less than 30 days. The commissioner shall adopt a reasonable change recommended under this subsection or, if the change is not adopted, promptly provide the board with a written explanation.

* **Sec. 4.** AS 14.25.008 is amended by adding a new paragraph to read:

(3) "Retiree Health Benefit Board" means the board established under AS 39.30.510.

* **Sec. 5.** AS 37.10.220(c) is amended to read:

(c) Expenses for the board and the operations of the board shall be paid from the retirement fund. **The board may determine that administrative costs for the Retiree Health Benefit Board under AS 39.30.515 are expenses for the board and the operations of the board under this section.**

* **Sec. 6.** AS 39.30 is amended by adding new sections to read:

Sec. 39.30.510. Retiree Health Benefit Board. (a) The Retiree Health Benefit Board is established in the Department of Administration. The board shall coordinate with the commissioner of administration to administer retiree health benefits provided by the teachers' retirement system under AS 14.25 and the public employees' retirement system under AS 39.35 on behalf of the members of those systems.

(b) The board consists of the following seven members, appointed by the governor:

(1) one member who is a retired member of the teachers' retirement system under AS 14.25 or the public employees' retirement system under AS 39.35, who is a trustee of the Alaska Retirement Management Board under AS 37.10.210(b)(2)(C) or (D), and who is recommended for appointment by a

majority vote of the Alaska Retirement Management Board established under AS 37.10.210;

(2) one member who is employed as a finance officer for a political subdivision participating in the teachers' retirement system under AS 14.25 or the public employees' retirement system under AS 39.35;

(3) two members who are retired members of the public employees' retirement system under AS 39.35 selected from a list of six nominees submitted by the Retired Public Employees of Alaska, a private organization representing and composed of retired members of the public employees' retirement system under AS 39.35;

(4) one member who is a retired member of the teachers' retirement system under AS 14.25, selected from a list of three nominees submitted by the National Education Association;

(5) one member who is a retired member of the teachers' retirement system under AS 14.25, selected from a list of three nominees submitted by the American Federation of Teachers; and

(6) one member who is not a retired member or beneficiary of the teachers' retirement system under AS 14.25 or the public employees' retirement system under AS 39.35 and has knowledge or experience in one or more subject areas relevant to administering retiree medical benefits, including knowledge or experience obtained as a health plan or health benefit administrator, chief or senior medical officer, or manager of a health trust or pension trust.

(c) Not later than 60 days after a position under (b)(3) - (5) of this section becomes vacant, the administrator shall submit the list of nominees submitted under (b)(3) - (5) of this section to the governor. The governor shall appoint a nominee to fill the vacant position not later than 60 days after receiving the list of nominees.

(d) Members shall serve three-year terms, staggered, under AS 39.05.055, and may be reappointed. Members of the board do not receive a salary but are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(e) A member shall serve the balance of the term the member was appointed to

1 serve unless disqualified by a change in the member's status or removed by the
 2 governor for cause. The governor may, by written notice to the member, remove a
 3 member for cause. After a member is disqualified by a change in status or receives a
 4 written notice of removal for cause, the member may not participate and may not be
 5 counted for purposes of establishing a quorum.

6 (f) Four members constitute a quorum for the transaction of business and the
 7 exercise of the powers and duties of the board. A vacancy on the board does not
 8 impair the authority of a quorum of the board to exercise all the powers and perform
 9 all the duties of the board.

10 (g) A member may not designate a person, including another member, to serve
 11 on the board.

12 (h) The board shall elect a member to serve as chair and a member to serve as
 13 vice-chair for one-year terms. A member may be reelected to serve as chair or vice-
 14 chair.

15 **Sec. 39.30.515. Administrative costs.** The administrative costs of the board
 16 are payable from the health care trust of the teachers' retirement system under
 17 AS 14.25 and the health care trust of the public employees' retirement system under
 18 AS 39.35, divided equally, if the Alaska Retirement Management Board determines
 19 the costs are payable under AS 37.10.220(c).

20 **Sec. 39.30.520. Powers and duties of the board.** (a) The Retiree Health
 21 Benefit Board shall

22 (1) hold meetings at the call of the chair, the administrator, or at least
 23 three members and keep a full record of its proceedings;

24 (2) review regulations proposed under AS 14.25.005 or AS 39.35.005
 25 and provide comments to the administrator;

26 (3) review actions and proposed actions by the administrator or the
 27 Department of Administration which could materially change a medical, health, or
 28 insurance benefit of a system and submit comments to the administrator regarding the
 29 actions or proposed actions;

30 (4) recommend improvements to health benefits, the administration of
 31 health benefits, and proposals by the administrator for changes to health benefits,

1 insurance premiums, or the maintenance of reserve funds to support the providing of
2 benefits under a system;

3 (5) meet with the Alaska Retirement Management Board established
4 under AS 37.10.210 at least once a year to share information and discuss matters of
5 mutual concern;

6 (6) report to the governor and the legislature regarding review,
7 comment, recommendation, proposal, and other action by the board at least once a
8 year.

9 (b) The board may

10 (1) request from the administrator information that is relevant to
11 exercising the powers and carrying out the duties of the board;

12 (2) hire or consult with hearing officers and experts;

13 (3) make recommendations, under AS 14.25.005(j) and
14 AS 39.35.005(j), regarding regulations;

15 (4) make recommendations to the administrator regarding actions or
16 proposed actions by the administrator or the Department of Administration that affect
17 one or more health benefits of a system;

18 (5) advise the administrator regarding the hiring or selecting of a
19 private third party to administer or provide services related to health benefits to or on
20 behalf of a system, and fully participate in the hiring and selection process, including
21 considering proposals relating to administering or providing health benefits or care to
22 members of the system as part of an evaluation team.

23 **Sec. 39.30.525. Recommendations to the administrator.** Upon review of an
24 action or regulation proposed by the administrator, or upon making a recommendation
25 to the administrator about the action or regulation, the board shall consider the
26 following:

27 (1) the potential effect on the state's cost of maintaining and
28 administering the system or a benefit under the system, including the cost to an
29 employer and the necessity for long-term sustainability of the system;

30 (2) the potential effect on the financial cost to system members and
31 beneficiaries, including the cost of premiums for coverage;

(3) the requirements under art. XII, sec. 7, Constitution of the State of Alaska;

(4) the ongoing need for members and beneficiaries of a system to understand how to obtain system benefits, the scope and limitation of system benefits, and the rights of members and beneficiaries under the system;

(5) the need for the administrator to oversee and provide consistent direction to a private third party who administers or provides services to or on behalf of a system;

(6) the advisability of maintaining reserve funds to support optional or supplemental benefits, including benefits for long-term dental, vision, and hearing health care, and life insurance.

Sec. 39.30.549. Definitions. In AS 39.30.510 - 39.30.549,

(1) "administrator" means the commissioner of administration or the commissioner's designee;

(2) "board" means the Retiree Health Benefit Board established under AS 39.30.510;

(3) "system" means the teachers' retirement system under AS 14.25 or the public employees' retirement system under AS 39.35.

* **Sec. 7.** AS 39.35.003 is amended by adding new subsections to read:

(c) Before hiring or selecting a private third party to administer or provide services to or on behalf of a system related to health benefits, the administrator shall solicit and consider advice from the Retiree Health Benefit Board and allow at least one member of the board to participate fully in the hiring and selection process, including evaluation of proposals to administer or provide health benefits.

(d) The administrator shall adopt reasonable advice or a reasonable substantive change recommended by the Retiree Health Benefit Board under (c) of this section or, if the advice or substantive change is not adopted, promptly provide the board with a written explanation.

* **Sec. 8.** AS 39.35.004(a) is amended by adding a new paragraph to read:

(14) provide information to and coordinate with the Retiree Health Benefit Board as provided in AS 39.30.510 - 39.30.549.

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2 * **Sec. 9.** AS 39.35.005 is amended by adding a new subsection to read:

3 (j) In addition to the notice requirements under (d) of this section, before the
4 adoption, amendment, or repeal of a regulation relating to a medical benefit or a
5 supplemental benefit under the system, the commissioner shall provide to the Retiree
6 Health Benefit Board a copy of the proposed regulation for review and allow the
7 Retiree Health Benefit Board to comment and recommend changes for a period of not
8 less than 30 days. The commissioner shall adopt a reasonable change recommended
9 under this subsection or, if the change is not adopted, shall promptly provide the board
10 with a written explanation.

11 * **Sec. 10.** AS 39.35.008 is amended by adding a new paragraph to read:

12 (4) "Retiree Health Benefit Board" means the board established under
13 AS 39.30.510.

14 * **Sec. 11.** AS 44.21.020 is amended to read:

15 **Sec. 44.21.020. Duties of department.** The Department of Administration
16 shall

17 (1) make surveys and studies to improve administrative procedures,
18 methods, and organization;

19 (2) keep general accounts;

20 (3) approve vouchers and disburse funds for all purposes;

21 (4) operate centralized purchasing and supply services, and necessary
22 storerooms and warehouses;

23 (5) allot space in state buildings to the various departments according
24 to need and available space;

25 (6) supervise telephone, mailing, messenger, duplicating, and similar
26 services adaptable to centralized management;

27 (7) administer the public employees' retirement system and teachers'
28 retirement system, **and provide administrative services to the Retiree Health**
29 **Benefit Board established under AS 39.30.510;**

30 (8) administer a statewide personnel program, including central
31 personnel services such as recruitment, assessment, position classification, and pay

1 administration;

2 (9) administer and supervise a statewide automatic data processing
3 program;

4 (10) study, design, implement, and manage the telecommunications
5 systems and services of the state under AS 44.21.305 - 44.21.330;

6 (11) provide administrative services to the Violent Crimes
7 Compensation Board.

8 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 ADOPTION OF REGULATIONS. The commissioner of administration shall adopt
11 regulations necessary to implement the changes made by this Act. The regulations take effect
12 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law
13 implemented by the regulations.

14 * **Sec. 13.** Section 12 of this Act takes effect immediately under AS 01.10.070(c).

15 * **Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect July 1, 2018.