

JAN 23 1995

EDUCATION

HOUSE FILE 60

BY GRIES, GRUBBS, and OLLIE

Passed House, Date _____ Passed Senate, Date _____
 Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
 Approved _____

A BILL FOR

1 An Act relating to the continuing provision of a health or
 2 medical benefit plan for certain teachers and school
 3 administrators included in the Iowa public employees'
 4 retirement system.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 60

1 Section 1. Section 97B.7, subsection 3, Code 1995, is
2 amended by adding the following new paragraph after paragraph
3 b and relettering the subsequent paragraph:

4 NEW PARAGRAPH. c. To be used by the department to assist
5 in the payment of premiums or charges for continuation in a
6 health or medical benefit plan, as provided in section
7 97B.52B.

8 Sec. 2. NEW SECTION. 97B.52B HEALTH OR MEDICAL BENEFIT
9 PLAN FOR TEACHERS AND SCHOOL ADMINISTRATORS -- APPROPRIATION
10 -- RULES.

11 1. As used in this section, unless the context otherwise
12 requires:

13 a. "Eligible teacher" means a member who, at the time of
14 termination of employment as a licensed teacher, school
15 administrator; area education agency practitioner,
16 administrator, or other employee with professional designation
17 recognized by the department of education; is under age sixty-
18 five and who either meets the requirements for receiving
19 retirement benefits pursuant to section 97B.49, subsection 15,
20 or who meets the requirements for receiving benefits under
21 section 97B.49, subsection 1 or 5, without a reduction for age
22 or years of service pursuant to section 97B.50, subsection 1.

23 b. "Health or medical benefit plan" means a hospital or
24 medical expense incurred policy or certificate, hospital or
25 medical service plan contract, or health maintenance
26 organization subscriber contract provided for employees of the
27 school district or area education agency which employs the
28 eligible teacher in which the eligible teacher is a
29 participant at the time of termination of employment.

30 c. "Total premium" means all premiums or charges to be
31 paid for an eligible teacher's continued participation in a
32 health or medical benefit plan following termination from
33 employment, including any increases in such premiums or
34 charges. "Total premium" includes all premiums or charges
35 paid for coverage, regardless of whether the amounts were

1 previously paid by the employing school district, area
2 education agency, or the eligible teacher.

3 2. An eligible teacher may elect to continue participation
4 in a health or medical benefit plan by submitting an
5 application to the eligible teacher's employing school
6 district or area education agency at least thirty days prior
7 to termination of employment with the employing school
8 district or area education agency. The application shall
9 include the date on which the eligible teacher shall be
10 terminating employment, details pertaining to coverage and
11 premiums or charges under the health or medical benefit plan,
12 the eligible teacher's date of birth, details pertaining to
13 the eligible teacher's service in covered employment, and such
14 other information as may be required by the employing school
15 district, area education agency, or the department. The
16 employing school district or area education agency shall
17 forward a copy of the application to the department. The
18 employing school district or area education agency, and the
19 department shall approve the application if the requirements
20 of this section have been fulfilled.

21 3. If the application is approved by both the employing
22 school district or area education agency, and the department,
23 an eligible teacher may continue participation in a health or
24 medical benefit plan, as authorized by law, after the eligible
25 teacher's termination of employment. Notwithstanding any
26 other provision of law to the contrary, the total premium
27 shall be paid by dividing the costs equally among the eligible
28 teacher, the employing school district or area education
29 agency, and the retirement fund created in section 97B.7. The
30 department shall forward the amounts required as contributions
31 to the total premium from the retirement fund to the employing
32 school district or area education agency, and the employing
33 school district or area education agency shall remit the
34 contributions by the employing school district or area
35 education agency, and the retirement fund to the provider of

1 the health or medical benefit plan. The eligible teacher
2 shall remit the eligible teacher's contributions to the total
3 premium to the provider of the health or medical benefit plan.

4 4. An eligible teacher's continued participation in a
5 health or medical benefit plan pursuant to this section shall
6 terminate upon the occurrence of any of the following events:

7 a. The eligible member attains the age of sixty-five.

8 b. The eligible member is reemployed in regular full-time
9 employment covered by this chapter.

10 c. The eligible teacher requests termination of the health
11 or medical benefit plan in writing, by notifying the employing
12 school district, the department, and the provider of the
13 health or medical benefit plan.

14 EXPLANATION

15 This bill provides that certain teachers, school
16 administrators, and area education agency personnel who are
17 members of the Iowa public employees' retirement system
18 (IPERS) may continue participation in a health or medical
19 benefit plan after termination of employment. Under the bill,
20 in order to be an "eligible teacher," the member must be under
21 the age of 65 and eligible to receive retirement benefits
22 either pursuant to the "Rule of 92" or without a reduction for
23 age or years of service because the member is at least 62
24 years of age and has at least 30 years of service.

25 Under the bill, an eligible teacher is required to send an
26 application to the employing school district or area education
27 agency at least 30 days prior to termination of employment,
28 and the employing school district or area education agency
29 forwards a copy of the application to the department of
30 personnel. The application must be approved by both the
31 employing school district or area education agency, and the
32 department. Upon approval, the eligible teacher may continue
33 participation in a health or medical benefit plan, and the
34 costs of premiums or subscriber charges are divided equally
35 among the member, the employing school district or area

1 education agency, and the IPERS fund.

2 The bill provides that participation in the health or
3 medical benefit plan terminates upon the occurrence of any of
4 the following events: (1) the eligible teacher attains the
5 age of 65; (2) the eligible teacher is reemployed in covered
6 employment; or (3) the eligible teacher elects in writing to
7 terminate participation in the program.

8 The bill may include a state mandate as defined in section
9 25B.3.

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**HOUSE FILE 60
FISCAL NOTE**

A fiscal note for **House File 60** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 60 provides that teachers, school administrators, area education agency employees, and other professional school employees who retire either by meeting the "rule of 92" or by being at least 62 years old and having 30 years of service will be allowed to retain their health insurance through their employer until age 65. The retiree will pay one-third of the insurance premium, the school district will pay one-third, and the IPERS Fund will pay one-third.

Assumptions:

1. There are 986 full-time teachers, 22 part-time teachers, and 372 administrators eligible for the program.
2. The average full-time teacher's salary is \$36,500.
3. The savings from replacing a full-time teacher with an entry level teacher is \$18,000 per year. The savings for replacing a part-time teacher is \$9,000 per year.
4. Administrators are replaced with experienced administrators who receive approximately the same salary.
5. An FY 1993 early retirement program offered a similar benefit; 57.5% of the eligible State employees accepted. It is assumed the same percentage of eligible teachers and administrators will retire under this bill.
6. IPERS data indicates that normally 22.5% of the school employees age 55 and older would retire within the next year.
7. The annual insurance premium is approximately \$4,000.

Fiscal Impact:

The first year costs and savings are distributed as follows:

	Insurance Cost	Salary Savings	Net Savings (Cost)
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School Districts	\$ 1,058,000	\$ 6,291,000	\$ 5,233,000
IPERS Fund	1,058,000	0	(1,058,000)
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Total for All Funds	\$ 2,116,000	\$ 6,291,000	\$ 4,175,000
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The number of persons eligible to retire is expected to decrease after the first year, so fewer school employees will retire early. The effects beyond

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the first year cannot be determined without an actuarial evaluation.

Sources:

Department of Education
IPERS

(LSB 1157hh, MDF)

FILED FEBRUARY 20, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR