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8 SYNOPSIS: Under existing law, state employees are
9 eligible for participation in the Flexible
10 Employees Benefits Program. This bill would allow
11 public education employees to participate in a
12 flexible employees benefits program and creates the
13 Public Education Flexible Employees Benefits Board
14 for such program's administration.

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A BILL
TO BE ENTITLED
AN ACT

20 To allow public education employees to participate
21 in a flexible employees benefits program and creates the
22 Public Education Flexible Employees Benefits Board for such
23 program's administration.

24 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

25 Section 1. Legislative Findings. The Legislature
26 finds that private employers have provided their employees
27 with flexible employee benefit plans which provide a savings
28 both to the employer and the employee, and that the State of
29 Alabama, its departments and agencies, may provide the same

1 tax-effective benefits to its public education employees. It
2 is, therefore, the intent of the Legislature to provide for
3 the establishment of one statewide, universal "cafeteria plan"
4 or flexible employee benefit plan to be made available to all
5 employees in public education in compliance with the Internal
6 Revenue Code of 1986, and to implement said plan in accordance
7 with the rules and regulations established by the Public
8 Education Flexible Employees Benefits Board created by this
9 Act.

10 Section 2. Definitions. The following terms shall
11 have the following meanings, unless the context clearly
12 indicates otherwise:

13 (1) BOARD. The Public Education Flexible Employees
14 Benefits Board.

15 (2) EMPLOYEE. Any person employed by a state or
16 local board of education, postsecondary institution, or other
17 employer with employees as defined by Section 16-25A-1 of the
18 Code of Alabama participating in a state health insurance
19 program.

20 (3) INTERNAL REVENUE CODE. The Internal Revenue Code
21 of 1986, as amended.

22 (4) PARTICIPATING EMPLOYEE. An employee who elects
23 to participate in the flexible benefit plan and meets the
24 requirements set forth in said plan.

25 (5) SALARY REDUCTION AGREEMENT. A written agreement
26 between a participating employee and a state agency,
27 department, board of education, institution, or other employer
28 with employees as defined by Section 16-25A-1 Code of Alabama,
29 whereby the employee agrees to reduce his salary by a stated

1 amount, or an amount equal to the cost of benefits selected
2 under a flexible employee benefit plan, and the state agency,
3 department, board of education, or other employer with
4 employees as defined by Section 16-25A-11 Code of Alabama
5 agrees to contribute such amounts to cover the cost of
6 benefits selected by the participating employee, including
7 related administrative expenses.

8 Section 3. Board creation.

9 (a) There is hereby created the Public Education
10 Flexible Employees Benefit Board, which shall consist of the
11 chairman and vice-chairman of the Public Education Employees
12 Health Insurance Board and three members of the Public
13 Education Employees Health Insurance Board, one of whom shall
14 be the Director of Finance. Two members of the Public
15 Education Employees Health Insurance Board shall be elected
16 from the Public Education Employees Health Insurance Board's
17 membership as members of the Public Education Flexible
18 Employees Benefit Board. The individuals presently holding
19 the offices shall constitute the initial membership of the
20 board, and their successors in office, by virtue of assuming
21 such office, shall succeed to membership on the board. The
22 Director of Finance may designate a person to attend the
23 meetings from time to time and to vote in his or her absence.

24 (b) The board shall elect one of its members as
25 chair of the board and another as vice chair and shall also
26 elect a secretary who need not be a member of the board. The
27 chair, vice chair and the secretary shall serve as officers at
28 the pleasure of the board. A majority of the members of the
29 board shall constitute a quorum and the affirmative vote of a

1 majority of those members present shall be necessary for any
2 action taken by the board. No vacancy in the membership of the
3 board shall impair the right of a quorum to exercise all
4 rights and perform all duties of the board.

5 Section 4. The Board is authorized to establish a
6 flexible employee benefit plan for Employees in compliance
7 with Section 125 and any other applicable sections of the
8 Internal Revenue Code. The flexible employee benefit plan may
9 provide for payments or salary reductions for qualified
10 benefits in accordance with Section 125 of the Internal
11 Revenue Code, which presently include health insurance
12 premiums, group life insurance, disability insurance,
13 supplemental health and accident insurance, dependent care
14 expenses, and such other types of employee benefits permitted
15 under Section 125 and any other applicable sections of the
16 Internal Revenue Code. Furthermore, the board may establish a
17 long-term care plan for employees.

18 Section 5. In order to carry out the provisions of
19 the flexible employee benefit plan or any long-term care plan,
20 or both, the head of each department, agency, board of
21 education or other employer with employees as defined by
22 Section 16-25A-1 Code of Alabama shall provide, at no local
23 administrative cost to the employee, the flexible employee
24 benefit plan as provided for in this Act to every employee and
25 is authorized on behalf of the state to deduct or reduce from
26 salary or wages amounts voluntarily designated by the
27 employees pursuant to salary reduction agreements or benefit
28 deduction agreements for purchasing benefits offered under the
29 plan and such reduction from salary and wages shall be

1 remitted to the board for administration of the program.
2 Employers with employees as defined by Section 16-25A-11 Code
3 of Alabama must offer such benefits as required by and under
4 such conditions as established by the Board.

5 Section 6. The board shall promulgate rules and
6 regulations to implement the flexible benefits program,
7 including, but not limited to, setting policies and
8 requirements concerning the administration of employee
9 payments, amounts deducted pursuant to salary reduction
10 agreements, and advances from the Public Employees Health
11 Insurance Plan and appropriations, if any. The Board may
12 contract for services with the Flexible Employees Benefit
13 Board for the first year of operation of the plan regarding
14 pre-tax deductions for the payment of employee health
15 insurance premium payments authorized by the Board and may
16 contract for services with the Flexible Employees Benefit
17 Board or other entities in subsequent years. The Board may
18 contract for necessary services to implement the flexible
19 benefits program including, but not limited to, the
20 administration of salary reduction agreements and non-health
21 insurance premium components of the flexible benefits plan.

22 Section 7. The board and the head of each
23 department, agency, board of education, or other employer with
24 employees as defined by Section 16-25A-1 and 16-25A-11 Code of
25 Alabama and their employees shall not incur any liability to
26 any employee for errors or omissions in the performance of any
27 agreement authorized by this article.

28 Section 8. There shall be no other flexible benefits
29 plan offered Employees for deductions permitted under Section

1 125, and any other applicable sections of IRS Code except
2 those plans in existence as of the effective date of this Act.
3 All public education employers shall offer the plan as
4 authorized by this Act. Employee premium contributions shall
5 be deducted from payroll by all employers on a pretax basis as
6 permitted under Section 125, IRS Code.

7 Section 9. This act shall become effective upon its
8 passage and approval from the Governor or upon its otherwise
9 becoming an act, and upon the passage and approval of the
10 Governor of House Bills ___ of the First Special Session of
11 2004 of the Alabama Legislature. In the event that House
12 Bills ___ of the First Special Session of 2004 of the
13 Legislature are not passed and approved, then this Act shall
14 become null and void.