

SUPREME COURT OF ALASKA

Duncan v. Retired Public Employees of Alaska, Inc.

71 P.3d 882 (Alaska 2003) · No. S-10377 · Decided June 13, 2003

SUMMARY

The Alaska Supreme Court held that health insurance benefits provided to public employee retirees are accrued retirement benefits protected from diminishment or impairment under article XII, section 7 of the Alaska Constitution. The court further held that constitutional protection extends to the benefits themselves, rather than merely the premiums paid by the state. However, when evaluating changes to health insurance coverage, the balance between disadvantages and offsetting advantages generally must be assessed from the perspective of the retiree group rather than individual retirees. The court affirmed in part, reversed in part, vacated in part, and remanded the case.

CASE DETAILS

COURT	Supreme Court of Alaska
WRITING FOR THE COURT	Matthews, Justice; Matthews; Eastaugh; Bryner; Carpeneti
JURISDICTION	Alaska
DECIDED	June 13, 2003
DOCKET	S-10377
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The State petitioned for review of a superior court order granting the retirees' motion for summary judgment and denying the State's cross-motion in a class action challenging changes to retiree health insurance benefits under article XII, section 7 of the Alaska Constitution.
STANDARD OF REVIEW	Summary judgment is reviewed de novo. Interpretation of a constitutional provision is a question of law reviewed under the court's independent judgment.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Jim Duncan, Commissioner, Alaska Department of Administration, Guy Bell, Director, Division of Retirement and Benefits, State of Alaska v. Retired Public Employees of Alaska, Inc., Alaska AFSCME Retired Chapter 52, William T. Bryant, John Harris, National Education Association, National Education Association Retired,

TOPICS

constitutional law contracts insurance appellate procedure standard of review

PRACTICE AREAS

constitutional law public employee retirement benefits employment law health insurance
appellate procedure

QUESTIONS PRESENTED

1. Whether health insurance benefits provided through Alaska's public employee retirement systems are accrued benefits protected from diminishment or impairment by article XII, section 7 of the Alaska Constitution.
2. Whether the constitutional protection extends only to the premiums paid by the State or instead protects the health insurance coverage and benefits themselves.
3. Whether the comparative analysis of disadvantages and offsetting advantages resulting from changes to retiree health insurance must be conducted individually or from the perspective of the affected retiree group.

HOLDINGS

1. Health insurance benefits that form part of the retirement benefit package are accrued benefits protected by article XII, section 7 of the Alaska Constitution.
2. Article XII, section 7 protects the health insurance benefits and coverage provided, not merely the dollar amount of premiums paid by the State.
3. The balance between disadvantages and offsetting advantages from changes to retiree health insurance must generally be evaluated from the perspective of the affected group rather than on an individual-by-individual basis.

KEY QUOTATIONS

“Summary judgment is proper if there are no material facts in dispute and the moving party is entitled to judgment as a matter of law.” (71 P.3d at 886)

“We conclude that the term “accrued benefits” is not limited to just the benefits that were provided to public employees at the time of ratification of the constitution.” (71 P.3d at 888)

“The natural and ordinary meaning of “benefits” in a health insurance context refers to the coverage provided rather than the cost of the insurance.” (71 P.3d at 889)

“Like the Michigan circuit court, we believe that health insurance benefits must be allowed to change as health care evolves.” (71 P.3d at 891)

“Further, we reiterate that equivalent value must be proven by a comparison of benefits provided—merely comparing old and new premium costs does not establish equivalency.” (71 P.3d at 892)

FACTUAL BACKGROUND

The State began paying major medical insurance premiums for PERS and TRS retirees in 1975, and State publications represented that retiree medical coverage would be provided during retirement. In 1999 and 2000, after consultation with retirees, the State modified the group health plan, increasing some benefits while reducing or restructuring others and seeking cost neutrality. The retirees alleged that the changes diminished or impaired accrued retirement benefits protected by article XII, section 7 of the Alaska Constitution.

PROCEDURAL HISTORY

Retiree organizations and individual retirees filed separate actions challenging 1999 and 2000 modifications to the State's group health insurance plan. The cases were consolidated and certified as a class action involving more than 20,000 PERS and TRS retirees. After discovery, the superior court granted summary judgment to the retirees, deferred consideration of remedies, and the State sought review. The Alaska Supreme Court affirmed in part, reversed in part, vacated the conclusion that the changes violated the Constitution, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The case was remanded for further proceedings consistent with the opinion, including evaluation of the challenged health-plan changes under a generally group-based equivalency analysis supported by reliable statistical or actuarial evidence and the court's stated cautions.

CASES CITED

- Hammond v. Hoffbeck, 627 P.2d 1052 (Alaska 1981)
- Sheffield v. Alaska Pub. Emps. Ass'n, Inc., 732 P.2d 1083 (Alaska 1987)
- Municipality of Anchorage v. Gentile, 922 P.2d 248 (Alaska 1996)
- Alakayak v. British Columbia Packers, Ltd., 48 P.3d 432, 447 (Alaska 2002)
- Hickel v. Cowper, 874 P.2d 922, 926 (Alaska 1994)
- Arco Alaska, Inc. v. State, 824 P.2d 708, 710 (Alaska 1992)
- State ex rel. Hammond v. Allen, 625 P.2d 844 (Alaska 1981)
- Municipality of Anchorage v. Gallion, 944 P.2d 436 (Alaska 1997)
- Flisock v. State, 818 P.2d 640 (Alaska 1991)
- Betts v. Bd. of Admin. of the Pub. Emps.' Ret. Sys., 21 Cal. 3d 859, 582 P.2d 614 (1978)
- Allen v. City of Long Beach, 45 Cal. 2d 128, 287 P.2d 765 (1955)
- In re Unisys Corp. Retiree Medical Benefit 'ERISA' Litig., 58 F.3d 896 (3d Cir. 1995)

- Hozier v. Midwest Fasteners, Inc., 908 F.2d 1155 (3d Cir. 1990)
- Moore v. Metropolitan Life Ins. Co., 856 F.2d 488 (2d Cir. 1988)
- County of Apache v. Southwest Lumber Mills, Inc., 92 Ariz. 323, 376 P.2d 854 (1962)
- Thorning v. Hollister Sch. Dist., 11 Cal. App. 4th 1598, 15 Cal. Rptr. 2d 91 (1992)
- Weiner v. County of Essex, 262 N.J. Super. 270, 620 A.2d 1071 (1992)
- Emerling v. Village of Hamburg, 255 A.D.2d 960, 680 N.Y.S.2d 37 (1998)
- McMinn v. City of Oklahoma City, 952 P.2d 517 (Okla. 1997)
- State ex rel. City of Wheeling Retirees Ass'n, Inc. v. City of Wheeling, 185 W. Va. 380, 407 S.E.2d 384 (1991)
- Dadisman v. Moore, 181 W. Va. 779, 384 S.E.2d 816 (1988)
- Colorado Springs Fire Fighters Ass'n, Local 5 v. City of Colorado Springs, 784 P.2d 766 (Colo. 1989)
- Musselman v. Governor, 450 Mich. 574, 545 N.W.2d 346 (1996)
- Davis v. Wilson County, 70 S.W.3d 724 (Tenn. 2002)
- Lippman v. Bd. of Educ. of the Sewanhaka Cent. High Sch. Dist., 66 N.Y.2d 313, 487 N.E.2d 897, 496 N.Y.S.2d 987 (1985)
- Studier v. Michigan Pub. Sch. Employees Ret. Bd., File 00-92435-AZ (Ingham County Cir. Ct. Feb. 21, 2001)