

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 86th General Assembly  
3 Regular Session, 2007  
4

As Engrossed: H3/19/07

# A Bill

HOUSE BILL 2703

5 By: Representative Saunders  
6  
7

## For An Act To Be Entitled

9 AN ACT TO REVISE THE STATE AND PUBLIC SCHOOL LIFE  
10 AND HEALTH INSURANCE BOARD MEMBERSHIP, DUTIES,  
11 AND ADMINISTRATION; AND FOR OTHER PURPOSES.  
12

## Subtitle

13 TO REVISE THE STATE AND PUBLIC SCHOOL  
14 LIFE AND HEALTH INSURANCE BOARD  
15 MEMBERSHIP, DUTIES, AND ADMINISTRATION.  
16  
17  
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
20

21 *SECTION 1. Arkansas Code § 21-5-401 is amended to read as follows:*  
22 *21-5-401. Legislative intent.*

23 *It is the purpose of this subchapter to:*

24 ~~*(1) Create a single board to set policy and select plans and*~~  
25 ~~*coverages for the state employee and public school personnel health and life*~~  
26 ~~*insurance and self-funded medical programs, so as to enhance the ability to*~~  
27 ~~*control premiums, expand health care options, and utilize managed care*~~  
28 ~~*capabilities where feasible and in the best interest of state employees and*~~  
29 ~~*public school personnel, and study alternate funding arrangements which*~~  
30 ~~*minimize or eliminate problems associated with selection among multiple*~~  
31 ~~*methods of funding plans when more than one (1) program is utilized;*~~

32 ~~*(2) Propose future goals and measures to address the common*~~  
33 ~~*objectives of both groups, including improving quality of health care*~~  
34 ~~*services under the program, increasing participants' understanding of the*~~  
35 ~~*program features, and slowing the rate of growth in health care expenses*~~  
36 ~~*under the program; and*~~



1           ~~(3) Enable a single board to set and manage policies for the~~  
 2 ~~programs in a concerted effort and to work toward a common goal that multiple~~  
 3 ~~benefit options be made available to participants under both public school~~  
 4 ~~and state employee current programs.~~

5           (1) Create a single board to select health insurance and life  
 6 insurance plan coverages for state and public school employees and retirees;

7           (2) Develop self-funded health programs to enhance the ability  
 8 to control premiums and utilize managed care capabilities if feasible and in  
 9 the best interest of plan members; and

10          (3) Enable a single board to:

11           (A) Set and manage policies for the health insurance and  
 12 life insurance programs of state and public school employees;

13           (B) Work in a concerted effort toward a common goal of  
 14 parity between public school and state employee insurance programs;

15           (C) Improve the quality of health care services under the  
 16 programs;

17           (D) Increase participants' understanding of program  
 18 features; and

19           (E) Slow the rate of growth in health care expenses under  
 20 the programs.

21  
 22          SECTION 2. Arkansas Code § 21-5-402 is amended to read as follows:

23          21-5-402. Members.

24          (a)(1) There is created the State and Public School Life and Health  
 25 Insurance Board, composed of the following twelve (12) voting members:

26           (A) A state employee who is eligible to participate in the  
 27 insurance program under this subchapter to be appointed by the Governor;

28           (B) A certified classroom teacher to be appointed by the  
 29 Governor;

30           (C) The Insurance Commissioner or his or her designee;

31           (D) The Director of the Department of Education or his or  
 32 her designee;

33           (E) The Director of the Department of Finance and  
 34 Administration or his or her designee;

35           (F) ~~Two (2) members~~ One (1) member who ~~are~~ is engaged in  
 36 employee benefits management or risk management in private industry to be

1 appointed by the Governor;

2 (G) ~~One (1)~~ Two (2) additional member ~~position~~ positions  
3 which shall be filled ~~alternately~~ by a retired teacher and by a retired state  
4 employee appointed by the Governor. ~~This position shall first be filled by a~~  
5 ~~retired teacher serve for a term of four (4) years, then by a retired state~~  
6 ~~employee for a term of four (4) years, and four year terms thereafter shall~~  
7 ~~be alternated between a retired teacher and a retired state employee;~~

8 (H) One (1) public school administrator to be appointed by  
9 the Governor;

10 (I) The Executive Director of the Arkansas State Board of  
11 Pharmacy or his or her state employee pharmacist designee;

12 (J) The Director of Health Facility Services of the  
13 Department of Health and Human Services or his or her designee; and

14 (K) One (1) member who is a licensed health care provider  
15 appointed by the Governor.

16 (2) However, any appointee who has a conflict of interest shall  
17 be disqualified to serve.

18 (b)(1)(A) ~~Except for retiree positions, the members initially~~  
19 ~~appointed by the Governor shall draw lots for terms so that two (2) serve for~~  
20 ~~a term of four (4) years each, two (2) for a term of three (3) years, one (1)~~  
21 ~~for a term of two (2) years, and one (1) for a term of one (1) year.~~

22 ~~(B) All successor members appointed by the Governor shall~~  
23 ~~be appointed for terms of four (4) years but may be reappointed for~~  
24 ~~additional terms.~~

25 (2)(A) Vacancies in the Governor appointed positions shall be  
26 filled by appointment of the Governor for the unexpired term.

27 (B) Members appointed by the Governor shall serve at the  
28 will of the Governor.

29 (c) A chair and vice chair of the board shall be selected annually by  
30 and from the membership of the board and shall serve no more than two (2)  
31 years.

32

33 SECTION 3. Arkansas Code § 21-5-403 is amended as follows:

34 21-5-403. Policy-making body only - Reports.

35 (a) The State and Public School Life and Health Insurance Board shall  
36 be a policy-making body only.

1           (b) The executive director shall report upon request to the House  
2 Interim Committee on Insurance and Commerce and the Senate Interim Committee  
3 on Insurance and Commerce regarding the state ~~employees~~ and public school  
4 ~~personnel~~ employees and retirees insurance program.

5  
6           SECTION 4. Arkansas Code § 21-5-404 is amended to read as follows:

7           21-5-404. Powers - Functions - Duties.

8           The State and Public School Life and Health Insurance Board shall have  
9 the following powers, functions, and duties:

10           (1) To explore various cost-containment measures and funding  
11 options;

12           (2) To promote competition among vendors by requiring  
13 transparent contracts and create a systematic formula for measuring  
14 competitiveness of programs, quality-of-care delivery, portability, and  
15 accessibility to and affordability of health care;

16           (3) To prepare a comprehensive analysis of the various health  
17 benefit plan options approved by the board to provide coverage to state and  
18 public school employees and retirees, including cost, quality, and access  
19 differentials among the various plans as well as any other comparisons of the  
20 plans ~~as will enable the state and school employees to make a well-informed~~  
21 ~~choice of plans~~;

22           (4) To undertake studies and to take any appropriate action that  
23 the board determines will promote the financial soundness and overall well-  
24 being of the ~~state employee and public school personnel~~ members' health  
25 insurance programs;

26           (5) To establish and set penalties as allowed under § 21-5-415;

27           ~~(5)(6)(A)~~ To develop, with the assistance of the Office of State  
28 Procurement of the Department of Finance and Administration, bid  
29 specifications and requests for proposals and to evaluate bids and  
30 proposals.

31           (B) However, the board shall allow the office to execute  
32 all other actions relating to the purchasing procedures in contracting for  
33 consultants, third party administrators, providers, or insurance companies on  
34 behalf of the programs;

35           ~~(6)(7)~~ To evaluate responses to requests for proposals, select  
36 contractors for all services, and approve the award of contracts resulting

1 from bids for all health and life insurance offerings for participants ~~of the~~  
2 ~~various plans;~~

3 ~~(7)(8)~~ To perform plan design, summarize plan document approval,  
4 including, but not limited to, lifetime limitations, copayments, deductibles,  
5 and eligibility rules;

6 ~~(8) To promote increased access to various health plan options~~  
7 ~~and models;~~

8 (9)(A) To direct the office to contract with ~~all~~ qualified  
9 vendors, as defined by the board, offering the ~~health~~ benefit plans  
10 prescribed by the board without regard to § 19-11-228 or other statutes  
11 requiring competitive bidding.

12 (B) Each contract shall be for a ~~uniform~~ term of at least  
13 one (1) year but may be made automatically renewable from term to term in the  
14 absence of notice of termination by either party;

15 (10)(A) To obtain quality-of-care information from systems,  
16 networks, hospitals, and clinical providers to inform plan design, plan  
17 management, and consumer decisions.

18 (B) The board shall:

19 (i) Use accepted national standards for assessment  
20 of quality-of-care information provided by systems, networks, hospitals, and  
21 clinical providers;

22 (ii) Be empowered to determine the appropriate use  
23 of quality-of-care information and scope of system, network, hospital, and  
24 clinical provider accountability;

25 (iii) Be empowered to request aggregate performance  
26 information for patients; and

27 (iv) Be empowered to publicly report conclusions of  
28 quality-of-care assessment; and

29 (11) To appoint three (3) subcommittees of the board to study  
30 and research health and life plan option benefits, formulary management,  
31 quality of care provided, and the financial impact of implementing the  
32 recommendations made to the board as follows:

33 (A)(i) The Benefits Subcommittee shall consist of:

34 (a) Three (3) board members;

35 (b) Two (2) state employees; and

36 (c) Two (2) school district employees.

1                                   (ii) The Benefits Subcommittee shall review,  
2 evaluate, and investigate benefits, new benefit offerings, and annual  
3 insurance rates;

4                                   (B)(i) The Drug Utilization and Evaluation Subcommittee  
5 shall consist of:

6   (a) Three (3) pharmacists as follows:

7   (1) The Executive Director of the  
8 Arkansas State Board of Pharmacy or his or her pharmacist designee;

9   (2) The Dean of the University of  
10 Arkansas for Medical Sciences College of Pharmacy or his or her pharmacist  
11 designee; and

12   (3) A pharmacist selected by the  
13 Arkansas Pharmacists Association;

14   (b) Four (4) physicians as follows:

15   (1) The Dean of the University of  
16 Arkansas for Medical Sciences College of Medicine or his or her physician  
17 designee;

18   (2) The Associate Medical Director of  
19 the University Hospital at the University of Arkansas for Medical Sciences or  
20 his or her physician designee;

21   (3) The Medical Director of the Arkansas  
22 Poison Control and Drug Information Center or his or her physician designee;  
23 and

24   (4) A physician selected by the Arkansas  
25 Medical Society;

26   (c) One (1) registered nurse who is the Dean  
27 of the University of Arkansas for Medical Sciences College of Nursing or his  
28 or her registered nurse designee; and

29   (d) One (1) state employee and one (1) public  
30 school employee appointed by the board, each of whom shall have expertise in  
31 accounting, finance, auditing, or insurance.

32   (ii) The Drug Utilization and Evaluation  
33 Subcommittee shall review drugs for formulary management and evaluate the  
34 financial impact of its recommendations; and

35                                   (C)(i) The Quality of Care Subcommittee shall consist of:

36   (a) Three (3) board members;

- 1 (b) Two (2) ~~State~~ state employees;
- 2 (c) Two (2) school district employees;
- 3 (d) One (1) representative from the Arkansas
- 4 Foundation for Medical Care;
- 5 (e) One (1) representative from the Arkansas
- 6 Pharmacy Association;
- 7 (f) One (1) representative from the Arkansas
- 8 Center for Health Improvement;
- 9 (g) One (1) representative from the Arkansas
- 10 Medical Association;
- 11 (h) One (1) representative from the Arkansas
- 12 Osteopathic Medical Association; and
- 13 (i) One (1) representative from the Arkansas
- 14 Hospital Association.
- 15 (ii) The Quality of Care Subcommittee may review and
- 16 recommend quality performance indicators for use, recommend baseline
- 17 performance goals, recommend alignment of financial incentives to improve
- 18 performance, and track improvements in delivery of care.

19

20 SECTION 5. Arkansas Code § 21-5-405 is amended to read as follows:

21 21-5-405. Additional duties.

22 (a) The State and Public School Life and Health Insurance Board and

23 the executive director shall take a risk management approach in designing the

24 state ~~employee~~ and public school ~~personnel health~~ employees and retirees

25 benefit programs. The board shall ensure that the state ~~employee~~ and public

26 school ~~personnel health~~ employees and retirees benefit programs are

27 maintained on an actuarially sound basis as determined by actuarial standards

28 established by the board.

29 (b) In addition to the objectives stated in § 21-5-404, the board

30 shall:

31 (1) Develop uniform standards of vendor plan funding ~~so as to~~

32 ~~avoid windfall profits resulting from fully insured nondividend-paying~~

33 ~~funding arrangements;~~

34 ~~(2) Promote increased access to various plan options and health~~

35 ~~care models;~~

36 ~~(3)(2) Promote access to managed care by giving preferential~~

1 ~~treatment, if required, to those vendors who will enhance plan options~~  
 2 ~~availability in rural Arkansas and in bordering states;~~

3 ~~(4)(A) Utilize the combined purchasing power of the state~~  
 4 ~~employee and public school personnel programs to foster competition among~~  
 5 ~~vendors and providers for the programs.~~

6 ~~(B)(3) Any state agency or school district that accepts~~  
 7 ~~state funds intended to partially defray the cost of health and life~~  
 8 ~~insurance for the employees of the state and public schools shall:~~

9 ~~(A) use Use those funds only for the state ~~employee~~ and~~  
 10 ~~public school ~~personnel~~ employees health benefit plans sponsored by the~~  
 11 ~~board; and~~

12 ~~(B) ~~agrees~~ Agree to rules of participation as stated in~~  
 13 ~~the policies adopted by the board and as defined in the regulations and~~  
 14 ~~procedures issued by the Executive Director of the Employee Benefits~~  
 15 ~~Division, including, but not limited to, timely eligibility reporting,~~  
 16 ~~prepayment of insurance premiums, ~~timely payment of premiums, or~~~~  
 17 ~~contributions, actuarial adjustment for new ~~entrants~~ enrollees, and any other~~  
 18 ~~information requirements deemed necessary by the board;~~

19 ~~(5)(4) Assure guaranteed issue ~~of all plans~~; and~~

20 ~~(6)(5) Ensure an annual enrollment period ~~under all plans~~.~~

21 ~~(c) Benefit plan vendors are required to provide detailed information~~  
 22 ~~in order to justify rate increases or inadequate performance reporting as~~  
 23 ~~defined by the board.~~

24  
 25 SECTION 6. Arkansas Code § 21-5-406 is amended to read as follows:

26 21-5-406. Executive director – Staff.

27 (a)(1) The State and Public School Life and Health Insurance Board  
 28 shall choose an executive director with the approval of the Director of the  
 29 Department of Finance and Administration.

30 (2) The executive director shall be employed by and serve at the  
 31 pleasure of the Director of the Department of Finance and Administration.  
 32 However, the board may recommend the removal of the executive director, but  
 33 removal shall be subject to the approval of the Director of the Department of  
 34 Finance and Administration.

35 (3) The executive director shall employ staff adequate to manage  
 36 the program within the funds appropriated therefor within the Department of

1 Finance and Administration.

2 (b) The executive director shall establish internal controls for the  
3 fiscal management of the health and life insurance plans.

4 ~~(b)(1)(c)(1)~~ The executive director and his or her staff shall be  
5 located in the Employee Benefits Division of the Department of Finance and  
6 Administration.

7 (2) Premiums collected from employers, participating employees,  
8 and retirees for health and life insurance plans shall be collected one (1)  
9 month in advance and shall be used solely to pay medical claims, premiums,  
10 and direct administrative expenses of the health and life insurance  
11 programs.

12 ~~(e)(1)(d)~~ The executive director shall be charged with the duty of  
13 administering the provisions of this subchapter and the rules, regulations,  
14 and orders of the division and the board.

15 (e)(1) The executive director may require all participating entities  
16 to appoint health insurance representatives, who will be required to adhere  
17 to the policies adopted by the board and the regulations and procedures  
18 issued by the Executive Director of the Employee Benefits Division in  
19 managing the enrollment and premium payment processes of the agency or school  
20 district.

21 (2) The executive director may request the removal of a  
22 representative to ensure necessary internal controls.

23 ~~(2)(A)(3)(A)~~ The executive director shall have the authority to  
24 supervise the implementation and day-to-day management of the health  
25 insurance programs and other employee benefit programs, plans, and individual  
26 and group policies made available to ~~public school employees and state~~  
27 ~~employees~~ state and public school employees, if applicable.

28 (B) This may include, but not be limited to:

29 (i) Life insurance ~~coverages~~ coverage;

30 (ii) Accident ~~coverages~~ coverage;

31 (iii) Dental ~~coverages~~ coverage;

32 (iv) Disability benefit programs;

33 (v) Optional retirement programs;

34 (vi) Deferred compensation;

35 (vii) Cafeteria plans; and

36 (viii) Such other benefit plans, benefit programs,

1 and individual and group benefit coverages that are offered from time to time  
2 to ~~public school employees and state employees~~ members.

3 (C) This authority shall not include the State Employee  
4 Benefit Corporation benefit plan which is in effect on July 1, 1995.

5 (d) In addition, the executive director and the board may utilize the  
6 services of health care consultants and actuaries if necessary as provided  
7 for through the appropriation of the division.

8 (e) The executive director may direct all aspects of medical  
9 management.

10 ~~(e)(f)~~ The Arkansas State Police Employee Health Plan shall be exempt  
11 from any mandatory participation required by this section.

12  
13 SECTION 7. Arkansas Code § 21-5-407 is amended as follows:

14 21-5-407. Definitions.

15 As used in this subchapter:

16 (1) "Aggregate performance information" means a report or other  
17 means of communication about the measurement of accomplishment of the  
18 execution of certain tasks, achievement of certain results, or occurrence of  
19 certain events related to all patients or to a class or group of patients  
20 identifiable by certain criteria;

21 (2) "Alternate retirement plan retiree" means a retiree of  
22 certain institutions whose employer does not contribute to the State or  
23 Public School Health Insurance Plan during their active employment as defined  
24 in § 24-7-801. Further, an "alternate retirement plan", for the purposes of  
25 this section, is a defined contribution plan allowed under the Internal  
26 Revenue Service regulations and allowed, but not created by Arkansas state  
27 law;

28 ~~(2)(3)~~ "Dependent" means any member of an employee's or  
29 retiree's family who meets the eligibility for coverage under the health  
30 benefit plans approved by the State and Public School Life and Health  
31 Insurance Board;

32 (4) "Dual eligibility" means simultaneous participation as an  
33 employee, dependent, or retiree in the multiple programs offered by the  
34 Employee Benefits Division;

35 (5) "Eligible inactive retiree" means a former member of the  
36 General Assembly or a state elected constitutional officer who has served a

1 sufficient number of years of credited service to be eligible for retirement  
2 benefits, but who has not yet reached retirement age. Eligible inactive  
3 retirees who enroll in the plan must pay the entire premium cost as set by  
4 the board;

5 ~~(3)~~(6) "Employee" means a state employee or a public school  
6 district employee;

7 (7) "Health insurance representative" means an individual  
8 appointed by a participating entity to act as an agent for the Employee  
9 Benefits Division;

10 (8) "Ineligible inactive retiree" means a terminated employee  
11 who has worked a sufficient number of years to be considered vested, but who  
12 has not yet reached the age to qualify to receive a retirement benefit;

13 (9) "Internal Revenue Service" means the United States  
14 government agency responsible for tax collection and tax law enforcement;

15 (10) "Medical management" includes, but is not limited to, case  
16 management, disease management, utilization review, claims appeals, and  
17 predictive modeling;

18 ~~(4)~~(11) ~~"Public school district employee"~~ "Member" means all  
19 public school district salaried employees; any enrolled state or public  
20 school employee, retiree, or covered dependent;

21 (12) "Participating entity" means an organization authorized to  
22 participate in a plan offered under this subchapter;

23 (13) "Participating institution" means any two-year or four-year  
24 college which is participating in a plan offered under this subchapter;

25 (14) "Prepayment" means collection of medical or life insurance  
26 premiums or both medical and life insurance premiums from the employee and  
27 employer one (1) month in advance;

28 (15) "Qualifying event" means a change in an employee's personal  
29 life that may impact their eligibility or a dependent's eligibility for  
30 benefits, as defined by Internal Revenue Service guidelines;

31 ~~(5)~~(16) "Quality-of-care information" means the contents of  
32 medical records, member claims, patient surveys, pharmacy data, lab data, and  
33 other records of or reports about systems, networks, hospitals, and clinical  
34 providers to be gathered for assessment of the quality and costs of health  
35 care provided by systems, networks, hospitals, and clinical providers;

36 ~~(6)~~(17) "Quality performance indicator" means a specific inquiry

1 or standard that, when applied to quality-of-care information, reveals a  
 2 quantifiable measure of success or failure in system, network, hospital, or  
 3 clinical provider care;

4 ~~(7)(18)~~ "Retiree" means a retired employee who is eligible under  
 5 the provisions of § 21-5-411;

6 ~~(8)(19)~~ "State" means the State of Arkansas; ~~and~~

7 (20) "Transparent contract" means a contract in which information  
 8 specific to vendor contracts and payments with providers or subcontractors,  
 9 including proprietary and confidential information, is provided to the  
 10 Employee Benefits Division upon request; and

11 ~~(9)(21)~~ "Vendor" means:

12 (A) A corporation, partnership, or other organization  
 13 licensed to do business ~~in~~ and in good standing with the State of Arkansas;  
 14 and

15 (B) A corporation, partnership, or other organization  
 16 licensed to do business ~~in~~ and in good standing with the State of Arkansas  
 17 that is lawfully engaged in administering employer or employee funded ~~health~~  
 18 benefit plans for employer groups in consideration of an administration fee  
 19 payable to the vendor.

20  
 21 SECTION 8. Arkansas Code § 21-5-410 is amended to read as follows:

22 21-5-410. Employees - Eligibility.

23 (a) Eligible employees shall include:

24 (1) All actively employed ~~permanent~~ eligible employees of  
 25 ~~eligible participating agencies, boards, commissions, institutions, and~~  
 26 ~~constitutional offices;~~ public entities;

27 (2) Members of the General Assembly;

28 (3) Elected constitutional officers;

29 (4) Appointed or elected board and commission members who are on  
 30 a full-time salaried basis; and

31 (5)(A) Those state contract employees hired by the Arkansas  
 32 National Guard on a full-time basis in accordance with the provisions of 10  
 33 U.S.C. § 2304.

34 ~~(b)(B)~~ Membership of the contract employees of the  
 35 Arkansas National Guard is conditioned upon the United States Government  
 36 contributing the employer's share to the ~~State Employees Insurance Section~~

1 Employee Benefits Division of the Department of Finance and Administration.

2 ~~(e)(b)~~ Membership of state employees is conditioned upon the employee  
3 being in a budgeted state employee position or a position authorized by the  
4 General Assembly.

5 ~~(d)(c)~~ ~~Permanent employees are those whose employment is not seasonal~~  
6 ~~or temporary and~~ Employees whose actual performance of duty requires one  
7 thousand (1,000) or more working hours per year.

8 ~~(e)(d)~~ If a participating institution discontinues its participation  
9 in the group health and life insurance program instituted pursuant to the  
10 provisions of this subchapter, then the institution may not re-participate in  
11 the program for ~~one (1) year~~ two (2) years after the institution's final date  
12 of participation in the program unless the executive director of the Employee  
13 Benefits Division of the Department of Finance and Administration gives his  
14 or her consent to an earlier date.

15 (e) Members are not allowed dual eligibility in either the state  
16 insurance plan or the public school insurance plan.

17 (f) The Arkansas State Police Employee Health Plan shall be exempt  
18 from any mandatory participation required by this section.

19  
20 SECTION 9. Arkansas Code § 21-5-411 is amended to read as follows:

21 21-5-411. Eligibility of certain retired employees.

22 (a)(1) Effective at the end of the enrollment period 2007 through  
23 2011, terminating State state and public school employees who are vested  
24 under one (1) of the plans listed in subdivision (a)(2)(A) of this section to  
25 receive a retirement benefit shall be eligible allowed to continue coverage  
26 under the retiree insurance benefit in the State and Public School Health and  
27 Life and, if qualified, to participate in the group health Insurance Program  
28 instituted pursuant to the provisions of this subchapter and other laws.  
29 ~~enacted to implement the program who are:~~

30 (2) Effective at the beginning of the enrollment period 2012,  
31 terminating state and public school employees who were participating in the  
32 plan for the last two (2) years for which they were eligible immediately  
33 before becoming eligible to receive a retirement benefit shall be qualified  
34 to continue coverage in the State And Public School Health And Life Insurance  
35 Program and who are:

36 (A) Participating Members members of:

1 (i) The Arkansas Public Employees' Retirement  
2 System, including the members of the legislative division and the contract  
3 personnel of the Arkansas National Guard;

4 (ii) The Arkansas Teacher Retirement System;

5 (iii) The Arkansas State Highway Employees'  
6 Retirement System;

7 (iv) The Arkansas Judicial Retirement System; or

8 (v) An alternate retirement plan of a qualifying  
9 institution under § 24-7-801; and

10 (B) Retired and drawing benefits under the systems, ~~or~~  
11 ~~retire and receive benefits under the systems.~~

12 ~~(2)(A)(i)(3)(A)(i)~~ If members of these retirement systems  
13 receive retirement benefits, thereby becoming active retirees, the active  
14 retirees shall elect to enroll in a the health benefit program sponsored by  
15 the State and Public School Life and Health Insurance Board.

16 (ii) The election to enroll in the retiree insurance  
17 program shall be made within thirty-one (31) days of the member's becoming an  
18 active retiree and shall be made in writing ~~to the executive director of the~~  
19 ~~State and Public School Life and Health Insurance Board~~ to the Employee  
20 Benefits Division on forms ~~prescribed by the board~~ required by the Employee  
21 Benefits Division.

22 (B)(i) To be eligible to continue coverage or to qualify  
23 for coverage after electing to decline participation, the member must have  
24 been covered ~~or been eligible for coverage~~ on the last day of the member's  
25 employment.

26 (ii) If a retiree declines coverage at the time of  
27 retirement due to other employer-sponsored group health insurance coverage,  
28 the retiree may make a one-time election to return to the retiree insurance  
29 program with proof of continued insurance coverage if the retiree experiences  
30 a qualifying event.

31 (C)(i) Except as provided in subdivision ~~(a)(2)(G)(ii)~~  
32 (a)(3)(C)(ii) of this section, an active retiree's failure to make an  
33 election during the thirty-one-day election period or an active retiree's  
34 election to decline participation in the health program is final.

35 (ii) If an active retiree declining coverage  
36 specifies in writing and provides a letter of creditable employer group

1 coverage to show that the reason for the declination is because the active  
 2 retiree has coverage through another ~~insurance program or~~ employer group  
 3 health plan and the active retiree's coverage is subsequently terminated  
 4 because of a loss of eligibility, as defined by Internal Revenue Service  
 5 regulations, and provides information from the former insurance company of  
 6 the loss of eligibility, then the active retiree and any dependents shall  
 7 qualify for coverage in a the health benefit program under this subsection  
 8 upon payment of the appropriate premium as established by the board, provided  
 9 the active retiree applies for coverage within ~~thirty-one (31)~~ (30) days of  
 10 the loss of eligibility. Loss of coverage is defined by Internal Revenue  
 11 Service and Health Insurance Portability and Accountability Act (HIPPA)  
 12 guidelines for special enrollment periods. Any subsequent termination of  
 13 health benefits by the retiree is final.

14 ~~(3)(A)~~(4)(A) Notwithstanding any other provision to the contrary  
 15 in this section, an employee with ten (10) or more years of creditable  
 16 service under the terms of a retirement plan listed in this section shall  
 17 qualify for continuation of health insurance coverage offered by the board if  
 18 that employee is separated from employment because of the expiration of a  
 19 fixed period of employment.

20 (B)(i) An employee qualifying for continuation of coverage  
 21 under this subsection shall be considered an "inactive retiree" and shall  
 22 have thirty-one (31) days from the effective date of termination to elect to  
 23 continue health insurance coverage under this section by notifying the  
 24 ~~executive director~~ Employee Benefits Division.

25 (ii) The election shall be made in writing on forms  
 26 required by the Employee Benefits Division. ~~upon forms prescribed by the~~  
 27 ~~board.~~

28 ~~(ii) The agency or school district from which the~~  
 29 ~~employee was terminated must certify the applicant's qualifications to the~~  
 30 ~~Employee Benefits Division of the Department of Finance and Administration.~~

31 (C)(i) Except as provided in subdivision ~~(a)(3)(G)(ii)~~  
 32 (a)(4)(C)(ii) of this section, an inactive retiree's failure to make an  
 33 election during the thirty-one-day election period or an inactive retiree's  
 34 election to decline participation in the health program is final.

35 (ii) If an inactive retiree as defined in § 21-5-407  
 36 declining coverage specifies in writing that the reason for the declination

1 is because the inactive retiree has coverage through another ~~insurance~~  
 2 ~~program or~~ group health plan and the inactive retiree's coverage is  
 3 subsequently terminated because of a loss of eligibility, then the inactive  
 4 retiree and any dependents shall qualify for coverage in a board-sponsored  
 5 health benefit program upon payment of the appropriate premium as established  
 6 by the board, provided the inactive retiree applies for coverage within  
 7 thirty-one (31) days of the loss of eligibility.

8 ~~(D) An inactive retiree shall be charged a premium~~  
 9 ~~determined by the board to be actuarially sound, along with administrative~~  
 10 ~~fees deemed appropriate.~~

11 ~~(E) An inactive retiree shall not be eligible to return to~~  
 12 ~~the board-sponsored health program if for any reason the inactive retiree~~  
 13 ~~ceases coverage at any time after election under this subsection.~~

14 ~~(F)(D)~~ An eligible inactive retiree shall be reclassified  
 15 as an "active retiree" upon electing to receive a retirement benefit by a  
 16 retirement system listed within this section and shall be charged the premium  
 17 rate appropriate for his or her rating category as an active retiree.

18 ~~(4)(A)(5)(A)~~ As used in this subsection, "loss of eligibility"  
 19 means a loss of coverage as a result of a legal separation, divorce, death of  
 20 the insured, termination of employment, or a reduction in the number of hours  
 21 of employment.

22 (B) "Loss of eligibility" shall not include a loss of  
 23 coverage from a failure to pay premiums, ~~a failure to pay premiums~~ on a  
 24 timely basis, voluntary termination of coverage, or a termination of coverage  
 25 for cause, such as making a fraudulent claim.

26 (b)(1) Persons who draw retirement benefits under the Arkansas Public  
 27 Employees' Retirement System, the Arkansas Teacher Retirement System, or the  
 28 Arkansas State Highway Employees' Retirement System, and retired contract  
 29 employees of the Arkansas National Guard who wish to participate in the group  
 30 insurance program provided for in this subchapter shall pay the retiree  
 31 amount of the premium or the cost of the policy issued to the retired  
 32 participant.

33 (2) The retiree portion of the premium or cost shall be deducted  
 34 from the retirement benefit checks of the retired participants. If the  
 35 retirement benefit is not large enough for the premium deduction, the premium  
 36 shall be paid by monthly bank draft on a designated date prescribed by the

1 Employee Benefits Division.

2 ~~(e)(1) Eligible employees of institutions of higher education,~~  
3 ~~technical institutes, the Department of Higher Education, the Department of~~  
4 ~~Workforce Education, and the Arkansas Rehabilitation Services of the~~  
5 ~~Department of Workforce Education who are retired with at least five (5)~~  
6 ~~years of creditable service after July 1, 1983, shall be allowed to~~  
7 ~~participate in the group insurance program provided for in this subchapter~~  
8 ~~but shall pay the full amount of the premium or cost of the policy issued to~~  
9 ~~the retired participant.~~

10 ~~(2) All eligible participants must make an option selection of~~  
11 ~~coverage within thirty one (31) days subsequent to the date of their~~  
12 ~~notification of termination or retirement.~~

13 ~~(d)(c)~~ Members of the Arkansas Public Employees' Retirement System and  
14 the Arkansas State Highway Employees' Retirement System who retire before  
15 January 2, 1988, under the provisions of the Incentives for Early Retirement  
16 Act, §§ 24-4-732, 24-5-122, and 24-6-102, shall not have to pay the full  
17 amount of the premium and shall pay a portion of the cost of the policy as  
18 set forth by the Incentives for Early Retirement Act, §§ 24-4-732, 24-5-122,  
19 and 24-6-102.

20 ~~(e)(d)~~ Any future change in coverage other than cancellation shall be  
21 extended only to newly acquired dependents, except that if an active or  
22 inactive retiree declined dependent coverage at the time of election to be an  
23 active or inactive retiree and specified in writing that the reason for the  
24 declination was that the dependent had other coverage, and if subsequently  
25 the dependent involuntarily loses such coverage, except for fraud or  
26 voluntary cessation of premium payment while the active or inactive retiree  
27 is covered by the plan, then the dependent may be added within thirty-one  
28 (31) days of the involuntary termination to the active or inactive retiree's  
29 health insurance coverage for payment of the appropriate premium as  
30 established by the board.

31 (e) If a retiree dies and has covered dependents at the time of death,  
32 the dependents have the right to continue coverage under the plan. Dependent  
33 children may be covered until marriage or until the maximum age limit for a  
34 dependent child has been reached. A surviving spouse may continue coverage  
35 under the plan. If a surviving spouse or dependent declines coverage or  
36 cancels existing coverage, then the surviving spouse or dependent have no

1 further privileges under the plan.

2  
3 SECTION 10. Arkansas Code § 21-5-412 is amended to read as follows:  
4 21-5-412. Eligibility of certain elected officers.

5 (a) Members of the General Assembly and the ~~State~~ state elected  
6 constitutional officers who have served a sufficient number of years of  
7 credited service to be eligible for retirement benefits upon attainment of  
8 retirement age, but who have not yet reached retirement age, shall be  
9 eligible to continue to participate in State employees life and ~~disability~~  
10 health programs upon leaving elective service.

11 ~~(b) Upon ending his or her service in the House of Representatives or~~  
12 ~~Senate, or as a state elected constitutional officer, a person shall have a~~  
13 ~~period of six (6) months to elect whether or not to continue participation in~~  
14 ~~the state employees life and disability programs in accordance with the~~  
15 ~~programs as currently in effect.~~

16 ~~(c)(1)(b)(1)~~ Any person who is leaving the General Assembly or any  
17 state elected constitutional officer who wishes to participate in the state  
18 employee's life and disability program provided for in this subchapter shall  
19 be offered continuation of coverage under the Consolidated Omnibus Budget  
20 Reconciliation Act (COBRA). ~~pay the full amount of the premium or cost of the~~  
21 ~~policy issued to the participant, including the amount which the state is~~  
22 ~~otherwise authorized to pay.~~

23 ~~(2) The payments shall be made on a semimonthly, monthly, or~~  
24 ~~quarterly basis as determined by the State and Public School Life and Health~~  
25 ~~Insurance Board and shall be remitted through the state agency or office from~~  
26 ~~which the person last received his or her salary as a member of the General~~  
27 ~~Assembly or as a state elected constitutional officer.~~

28 (2)(A) An employee with ten (10) or more years of creditable  
29 service under the terms of a retirement plan listed in this section shall  
30 qualify for continuation of health insurance coverage offered by the board if  
31 that employee is separated from employment because of the expiration of a  
32 fixed period of employment.

33 (B)(i) An elected officer qualifying for continuation of  
34 coverage under this subsection shall be considered an "eligible inactive  
35 retiree" and shall have thirty-one (31) days from the effective date of  
36 termination to elect to continue health insurance coverage under this section

1 by notifying the Employee Benefits Division in writing on forms required by  
2 the Employee Benefits Division.

3 (ii) The eligible inactive retiree shall pay the  
4 full amount of the insurance premium.

5 (C)(i) Except as provided in subdivision (b)(3)(C)(ii) of  
6 this section, an eligible inactive retiree's failure to make an election  
7 during the thirty-one day election period, or an eligible inactive retiree's  
8 election to decline participation in the health program is final.

9 (ii) An eligible inactive retiree who declined  
10 coverage and any dependents of the eligible inactive retiree shall qualify  
11 for coverage in the board-sponsored health benefit program upon payment of  
12 the appropriate premium as established by the board, provided the eligible  
13 inactive retiree applied for coverage within thirty-one (31) days of the loss  
14 of eligibility if:

15 (a) The eligible inactive retiree who declined  
16 coverage specifies in writing that the reason for the declination is because  
17 the eligible inactive retiree has coverage through another group health plan;

18 (b) The eligible inactive retiree's coverage  
19 is subsequently terminated because of a loss of eligibility; and

20 (c) The eligible inactive retiree provides  
21 information from the former insurance company confirming the loss of  
22 coverage.

23 (D)(i) An inactive retiree shall be charged the  
24 Consolidated Omnibus Budget Reconciliation Act (COBRA) premium determined by  
25 the board to be actuarially sound, along with administrative fees deemed  
26 appropriate.

27 (ii) An eligible inactive retiree shall be  
28 reclassified as an active retiree upon electing to receive a retirement  
29 benefit by a retirement system listed within this section and shall be  
30 charged the premium rate appropriate for his or her rating category as an  
31 active retiree.

32  
33 SECTION 11. Arkansas Code § 21-5-413 is repealed.

34 ~~21-5-413. Employer contributions.~~

35 ~~The percentage of the premiums or costs to be paid by the participating~~  
36 ~~employer shall be authorized by the General Assembly.~~

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SECTION 12. Arkansas Code § 21-5-414 is amended to read as follows:

21-5-414. State contributions generally - Partial State contribution of employees' premiums.

(a) The Department of Finance and Administration shall seek the advice of the Legislative Council and the House Interim Committee on Insurance and Commerce and the Senate Interim Committee on Insurance and Commerce before additional contributions can be made.

(b)(1) The State of Arkansas, on behalf of agencies participating in the plans adopted by the state, is authorized to make a monthly contribution equal to the number of budgeted state employee positions multiplied by the monthly contribution authorized by the Chief Fiscal Officer of the State, not to exceed ~~three hundred fifty dollars (\$350)~~ four hundred twenty-five dollars (\$425) monthly for each ~~State~~ state employee budgeted position into a fund designated for ~~State~~ state employee health benefits, to partially defray the cost of life and health insurance for employees of the State participating in the plan sponsored by the State and Public School Life and Health Insurance Board.

(2) The department may make a monthly contribution to partially defray the cost of health insurance for State employee retirees, utilizing funds made available for that purpose, not to exceed the amount authorized by the Chief Fiscal Officer of the State.

SECTION 13. Arkansas Code § 21-5-415 is amended to read as follows:

21-5-415. Nonpayment of premiums and failure to file reports by agency or school district.

(a)(1) If any participating agency or school district does not remit insurance premiums and required monthly reports to the Employee Benefits Division of the Department of Finance and Administration by ~~twenty (20)~~ calendar days after the pay period ending date, the division shall have the right to impose interest of ten percent (10%) per annum on the moneys due the last calendar day of each billing month, the division shall impose a penalty of two dollars (\$2.00) per insured member or one hundred dollars (\$100), whichever is greater.

~~(2) Interest will be computed on the actual days of delinquency, with a minimum charge being billed when appropriate.~~

1 ~~(3) Interest payable will be determined using the date the~~  
2 ~~delinquent funds are received, and an invoice for the interest shall be sent~~  
3 ~~to the agency or school district.~~

4 (2) Penalties will be assessed and invoiced based on the actual  
5 number of members included on the monthly billing report that is past due.  
6 Invoices will be processed at the beginning of the month following the  
7 infraction.

8 ~~(b)(1)(3) Payment Penalties shall be payable to the group insurance~~  
9 ~~trust funds Employee Benefits Division and must be received by the division~~  
10 ~~no later than the last calendar day of the month following billing invoicing.~~

11 ~~(2)(4) If payment is not received by the division by the last~~  
12 ~~calendar day of the month following billing due date the following collection~~  
13 ~~methods may be used:~~

14 (A)(i) The Chief Fiscal Officer of the State may cause the  
15 ~~interest payable amount sought~~ to be transferred to the division from:

16 (a) Funds the agency or school district has on  
17 deposit with the Treasurer of State; or

18 (b) Any funds the agency or school district is  
19 due from the State.

20 (ii) If a transfer must be made, a transfer penalty  
21 of twenty dollars (\$20.00) per transfer ~~may~~ shall be assessed each agency or  
22 school district fund and included in the transfer;

23 (B) The agency director or school district superintendent  
24 may be required to appear before the State and Public School Life and Health  
25 Insurance Board to report the reasons for nonpayment or incorrect reporting;  
26 and

27 (C) The Chief Fiscal Officer of the State may use his or  
28 her powers outlined in § 19-4-301 et seq. to aid in collection.

29 ~~(e)(5) Nonpayment of premiums could also result in a lapse of~~  
30 ~~health and life insurance coverage for employees of the school district,~~  
31 ~~agency, or the agency assuming responsibility for paying health and life~~  
32 ~~claims for its employees.~~

33 ~~(d)(1) In the event any participating agency or school district fails~~  
34 ~~to file the necessary reports with the division by twenty (20) calendar days~~  
35 ~~after the due date, the division shall have the right to impose a penalty of~~  
36 ~~fifty dollars (\$50.00) per insured.~~

1           ~~(2) An additional penalty of fifty dollars (\$50.00) per insured~~  
2 ~~will be assessed for each subsequent reporting period the overdue report~~  
3 ~~remains in arrears.~~

4           ~~(e)(1) An invoice for this penalty will be sent to the agency or~~  
5 ~~school district, and payment shall be payable to the group insurance trust~~  
6 ~~funds and must be received by the division no later than the last calendar~~  
7 ~~day of the month following billing.~~

8           ~~(2) If payment is not received by the division by the last~~  
9 ~~calendar day of the month following billing, the following collection methods~~  
10 ~~may be used:—~~

11           ~~(A)(i) The Chief Fiscal Officer of the State may cause the~~  
12 ~~interest payable to be transferred to the division from:~~

13                   ~~(a) Funds the agency has on deposit with the Treasurer of~~  
14 ~~State; or~~

15                   ~~(b) Any funds the school district is due from the state.~~

16                           ~~(ii) If a transfer must be made, a transfer penalty~~  
17 ~~of twenty dollars (\$20.00) per transfer may be assessed each agency fund and~~  
18 ~~included in the transfer;~~

19           ~~(B) The agency director or school district superintendent~~  
20 ~~may be required to appear before the board to report the reasons for~~  
21 ~~nonpayment; and~~

22           ~~(C) The Chief Fiscal Officer of the State may use his or~~  
23 ~~her powers as outlined in § 19-4-301 et seq. to aid in collection.~~

24           ~~(f)(1)(b)(1)~~ If any participating agency or school district fails to  
25 follow established policy and procedures set by the executive director,  
26 including but not limited to ~~notify~~ notifying the division of an insured's  
27 leave without pay, family medical leave, or military leave status, or if any  
28 participating agency or school district provides incorrect benefit  
29 information, or processes unauthorized benefit changes, including system  
30 entries that result in un-reimbursed expenses to the State Employees Benefits  
31 Trust Fund or Public School Employees Insurance Trust Fund, of the State and  
32 Public School Employees Insurance Fund, the division shall have the right  
33 to:

34                   (A) Require the agency to pay the total amount of the  
35 insured's premium; and

36                   (B) Impose a penalty of fifty dollars (\$50.00) per

1 insured.

2 (2) Penalties will be assessed and invoiced based on the actual  
3 number of violations. Invoices will be processed at the beginning of the  
4 month following discovery of the infraction.

5 (3) Penalties shall be payable to the Employee Benefits Division  
6 and must be received by the last calendar day of the month following  
7 invoicing.

8 ~~(2)(A)(4)~~ The Chief Fiscal Officer of the State may cause the  
9 amount sought to be transferred from:

10 ~~(i)(A)~~ Funds the agency or school district has on deposit  
11 with the Treasurer of State; or

12 ~~(ii)(B)~~ Any funds the agency or school district is due  
13 from the state.

14 ~~(B)(5)~~ If a transfer is made, a transfer penalty of twenty  
15 dollars (\$20.00) per transfer ~~may~~ shall be assessed each agency or school  
16 district fund and included in the transfer.

17 ~~(g)(c)~~ The division may correct any error regarding an ~~insured benefit~~  
18 insured's benefits according to existing documentation without authorization  
19 or prior notification to the agency or school district.

20  
21 SECTION 14. Arkansas Code § 21-5-417 is amended to read as follows:

22 21-5-417. State contribution for employee receiving workers'  
23 compensation.

24 Notwithstanding any other provisions of the law, a state agency ~~may~~  
25 shall remit the employer's contribution to ~~a health insurance program~~ the  
26 Employee Benefits Division for state employees when the employee is in a  
27 leave without pay status, ~~provided that the employee is in a leave without~~  
28 ~~pay status~~ because of a work-related injury and is receiving benefits from  
29 workers' compensation.

30  
31 SECTION 15. Arkansas Code § 21-5-504 is amended as follows:

32 21-5-504. Authority of State or political subdivision.

33 (a) The state or any county, city, town, or other political  
34 subdivision may agree, by contract, with any employee to defer, in whole or  
35 in part, any portion of that employee's future compensation to a deferred  
36 compensation program.

1 (b)(1) The administrator of the deferred compensation program may:

2 (A) Contract for, purchase, or otherwise procure annuity  
3 contracts for the deferred compensation program; and

4 (B) Through a trust or custodian, contract for, purchase,  
5 or otherwise procure fixed or variable life insurance contracts, mutual  
6 funds, pooled investment funds, or such other investment vehicles that comply  
7 with State and federal laws and which permit the deferral of compensation for  
8 income tax and retirement savings purposes.

9 (2) If an annuity or life insurance contract is purchased, then  
10 it must be purchased from an insurance company licensed to contract business  
11 in this state, and any insurance agent selling such contracts must be  
12 licensed by this state.

13  
14 SECTION 16. Arkansas Code § 21-5-507 is amended as follows:

15 21-5-507. Payments by administrator.

16 (a) Notwithstanding any other provision of law to the contrary, the  
17 Executive Director of the Employee Benefits Division of the Department of  
18 Finance and Administration or the appropriate officer of the county, city,  
19 town, or other political subdivision designated to administer the deferred  
20 compensation program is authorized:

21 (1) To make payments of premiums for the purchase of annuity  
22 contracts under the deferred compensation program; and

23 (2) To make ~~payments~~ deferrals to a trustee or custodian holding  
24 fixed or variable life insurance contracts, annuity contracts, mutual funds,  
25 pooled investment funds, or other investment vehicles under the deferred  
26 compensation program.

27 (b) The payments and deferrals shall not be construed to be a  
28 prohibited use of the general assets of the state, county, city, town, or  
29 other political subdivision.

30  
31 SECTION 17. Arkansas Code § 21-5-508 is amended to read as follows:

32 21-5-508. Taxation of deferred income.

33 Any sum deferred under the deferred compensation program shall not be  
34 subject to income taxation until distribution is actually made to the  
35 employee or beneficiary.

1           SECTION 18. Arkansas Code § 6-17-1117 is amended to read as follows:  
2           6-17-1117. Health insurance.

3           (a) Beginning on October 1, 2004, local school districts shall pay the  
4 health insurance contribution rate of one hundred thirty-one dollars (\$131)  
5 per month for each eligible employee electing to participate in the public  
6 school employees' health insurance program.

7           (b)(1) The Department of Education shall pay the Employee Benefits  
8 Division of the Department of Finance and Administration sixty-one dollars  
9 (\$61.00) per month for each eligible employee ~~of a public school district~~  
10 electing to participate in the public school employees' health insurance  
11 program administered by the State and Public School Life and Health Insurance  
12 Board.

13           (2) The funds provided to the division under this subsection  
14 shall be administered by the board for the benefit of the employee  
15 participants of the public school employees' health insurance program.

16           (3)(A)~~(i)~~ In the event that appropriation or funding is not  
17 provided, the department shall not be responsible for the increased payments  
18 for the public school employee health insurance program as established by  
19 this section.

20           ~~(ii)~~(B) If funding and appropriation are provided but are  
21 inadequate for the total number of employees electing to participate in the  
22 public school employees' health insurance program, the department shall pay a  
23 proportional share on behalf of each participant.

24           ~~(B) Notwithstanding the special language provision in the~~  
25 ~~department's appropriation act granting transfer authority or any other law~~  
26 ~~to the contrary, appropriation and funding provided for the purposes of this~~  
27 ~~section shall not be transferred by the department for any other purpose.~~

28           (c)(1) A school district shall:

29           (A) Provide the same employer-provided health insurance  
30 benefits for all full-time school district employees; and

31           (B) Pay the same employer contribution rate for each  
32 eligible employee electing to participate in the public school employees'  
33 health insurance program.

34           (2) If a school district entered into a contract with a  
35 superintendent, teacher, or other personnel prior to April 11, 2006, and the  
36 contract provides for a higher employer contribution rate than is paid for a

1 majority of the certified personnel in the district, then the district may  
2 continue to pay the higher contribution rate as provided under the existing  
3 contract but not under extensions, addendums, or new contracts created after  
4 April 11, 2006, without increasing all other employees to the same rate.

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/s/ Saunders