

FINAL BILL REPORT

HB 2510

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Synopsis as Enacted

Brief Description: Allowing medicare only health insurance benefits for certain employees of political subdivisions under a divided referendum process.

Sponsors: By Representatives Simpson, O'Brien and Appleton.

House Committee on Local Government

Senate Committee on Ways & Means

Background:

Federal Law: Federal/State Agreements Regarding Federal Retirement Benefits and Public Employee Retirement Systems.

The Social Security Act (SSA) authorizes the states and the federal government to enter into agreements regarding how federal retirement benefit programs such as Medicare and Social Security will be incorporated into retirement systems implemented by the states for their public employees, both state and local. Pursuant to such agreements, the SSA allows the states considerable flexibility in determining which state/local government retirement systems will participate in the various federal retirement benefit programs. Absent a specific agreement with the federal government, a state or local retirement system will not include federal retirement benefits, and the employees without such benefits will not be assessed the pertinent federal payroll taxes.

The provisions of the SSA allow a state to implement a referendum process to determine whether or not a state or local retirement benefits coverage group will participate in federal retirement benefit programs. Under this process, eligible employees must participate in such federal programs in accordance with the state/federal agreement provided the following conditions are met:

- eligible employees participate in a referendum by secret written ballot on the question of whether the positions covered by the retirement system should be included or excluded from participation in the federal programs;
- eligible employees were given an opportunity to vote on the referendum;
- not less than 90 days notice of such referendum was given to all eligible employees;
- the referendum is conducted under the supervision of the Governor or an agency or individual designated by her or him; and
- a majority of the eligible employees vote in favor of participating in the federal retirement programs in accordance with the state/federal agreement.

Federal law also allows the state to utilize an alternative referendum process, sometimes referred to as the "divided referendum" process that, once completed, results in the division of

the retirement system into two separate divisions or parts: (1) one division that will participate in the federal retirement programs and is composed of those employees who voted in favor of the referendum; and (2) one division that does not participate in the federal programs and is composed of those employees who voted against the referendum.

Washington Law: Federal Retirement Benefits Programs and Public Employee Retirement Systems.

State law pertaining to the regulation of public employee retirement systems codifies and implements most of the basic features of the federal law outlined above. Under state law, and consistent with the SSA, the Governor is authorized to enter into an agreement with the federal government for the purpose of extending the benefits of federal retirement programs to the employees of the state and local governments. Such an agreement may contain a wide range of provisions relating to coverage, benefits, contributions, effective date, modification, termination of the agreement, and administration. The state regulatory scheme includes the basic referendum process outlined in the SSA allowing simple majority rule, but does not include the divided referendum process that results in the division of a single retirement system into two divisions or parts with different coverage provisions.

Under state law, those law enforcement officers and firefighters covered by the Washington Law Enforcement Officers and Firefighters Retirement System Act (Act) are recognized as a separate coverage group for the purposes of the federal/state retirement benefits agreement authorized by the SSA. With respect to obtaining the retirement coverage offered under the federal retirement benefits system, those law enforcement officers and firefighters covered by the Act are subject to the basic, majority rule referendum procedure outlined under state law and the SSA.

Summary:

Law enforcement officers, firefighters, and other public employees participating in qualified retirement systems may obtain Medicare coverage through the divided referendum process. Following the completion of this process, those members voting in favor of Medicare coverage will constitute a coverage group separate from those members voting against the referendum and, accordingly, the retirement system will be divided into two divisions or parts with alternative coverage provisions.

Votes on Final Passage:

House	96	0	
Senate	48	0	(Senate amended)
House	93	0	(House concurred)

Effective: June 12, 2008