

SENATE BILL REPORT

SB 5420

As of January 23, 2023

Title: An act relating to participating in insurance plans and contracts by separated plan 2 members of certain retirement systems.

Brief Description: Concerning participating in insurance plans and contracts by separated plan 2 members of certain retirement systems.

Sponsors: Senators Conway, Van De Wege and Hunt.

Brief History:

Committee Activity: Ways & Means: 1/23/23.

Brief Summary of Bill

- Allows certain individuals who separate from a position covered by the Public Employees', School Employees', and Teachers' Retirement System Plans 2, without retiring, the opportunity to participate in retiree benefits of the Public Employees' Benefits Board.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Amanda Cecil (786-7460)

Background: The Health Care Authority (HCA), through the Public Employee Benefits Board (PEBB), provides medical benefits for retired employees of the state, participating local governments, and school employees covered by the School Employees' Benefits Board (SEBB).

Members of most state retirement Plans 2 may continue state employee health insurance coverage when they separate from service only if they also begin to collect their pension benefits at that time. Early retirement in the largest of these plans, Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School

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Employees' Retirement System (SERS), begins at age 55 with 20 years of service.

Members of Plan 3 of the PERS, TRS, and SERS may elect to retain their state employee health insurance upon separation from state employment, regardless of whether they choose to retire from their plan and collect benefits at that time. To be eligible for continued coverage, a separated member of Plan 3 must have at least ten years of service and be at least 55 years of age. Employees choosing to continue coverage as retirees are responsible for paying the full cost of their insurance premiums until they are eligible for Medicare, in which case they qualify for a subsidy provided by the Legislature.

Since 2001 retirees or separated employees eligible for retiree coverage have been allowed to defer PEBB coverage until a later date if they retain continuous enrollment in a comprehensive employer-sponsored medical insurance program as either an employee or dependent of an employee. Retirees may also qualify for deferred enrollment in PEBB coverage if they are enrolled directly or as a dependent in medical coverage provided by a federal retiree plan or a TRICARE plan. To defer PEBB coverage, an employee must apply to the HCA for deferral within 60 days of becoming eligible for retiree coverage and be able to prove continuous coverage.

Summary of Bill: Individuals who separate from a plan 2 PERS, SERS, or TRS position covered by the PEBB and SEBB programs may elect to retain their state employee health insurance upon separation from state employment, regardless of whether they choose to retire from their plan and collect benefits at that time. To be eligible, members must have separated from service on or after January 1, 2024, and either enroll in or defer coverage no later than 60 days after employee coverage ends.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on January 1, 2024.

Staff Summary of Public Testimony: PRO: This bill makes sure there is an equitable, uniform process between plan 2 and plan 3 retirees when they elect retiree coverage from the state. It provides consistency, it speaks to the issue of fairness for healthcare coverage for retirees, which is critical. It will decrease confusion and complexity. This is a good bill.

OTHER: This bill would allow certain PERS, TRS and SERS members broader options to access PEBB retiree coverage. This does not create a new opportunity for retirees who previously missed their enrollment to join PEBB. This bill does not address situations where a political subdivision of the state has previously voluntarily joined the PEBB, left, and must take their retirees. There may be other bills coming that address some of these issues.

Persons Testifying: PRO: Senator Steve Conway, Prime Sponsor; Fred Yancey, Washington State School Retirees' Assn..

OTHER: David Iseminger, WA State Health Care Authority.

Persons Signed In To Testify But Not Testifying: No one.