
Appropriations Committee

HB 1284

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

Sponsors: Representatives Cody, Conway, Schual-Berke, Hunt, Green, Barlow, Simpson, Moeller, Kenney and Morrell.

Brief Summary of Bill

- Permits members of the Plan 2 of the Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), and the Public Employees' Retirement System (PERS) who are at least age 55 and have 10 or more years of service to participate in the insurance plans offered by the Public Employees' Benefits Board without requiring that they begin their retirement benefits.
- Provides eligibility prospectively for members of TRS and SERS Plans 2, and retroactively to March 1, 2002, for members of PERS Plan 2.

Hearing Date: 1/29/07

Staff: David Pringle (786-7310).

Background:

Retired or disabled employees of the state, school districts, and participating political subdivisions may purchase health care benefits from the Public Employees' Benefits Board (PEBB), administered by the Health Care Authority (HCA). This coverage is purchased at full cost based on the risk pool that the participants belong to, and includes administrative costs for each participant. Participants eligible for Medicare are placed in one risk pool, and all other retired or disabled participants are placed in a risk pool along with active employees.

Groups are charged based on their per capita costs incurred by the risk pool they belong to, minus an explicit subsidy in the case of Medicare-eligible participants. Retirees that are ineligible for Medicare participate in the risk pool with active employees. Although they pay at the same cost

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as the employers and active employees participating in the active employee pool, on average these retirees have an approximately 50 percent higher risk factor for medical costs than an active state employee, and thus increase the overall cost of the risk pool as their numbers in relation to active employees in the risk pool increase. This is commonly referred to as an implicit subsidy.

Members of the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and School Employees' Retirement System (SERS) Plans 2 and 3 may participate as retirees in the health care benefit contracts offered by the Public Employees' Benefits Board (PEBB) providing that they choose to participate immediately after both separating from employment and beginning their retirement benefits. Members of PERS, TRS, and SERS Plans 3 may also participate in the PEBB health insurance contracts as "separated employees" without beginning retirement benefits upon separating from employment at age 55 or older and having earned at least ten years of service credit.

Summary of Bill:

Members of PERS, TRS, and SERS Plans 2 may participate in PEBB health insurance contracts as separated employees, without the requirement that they begin retirement benefits, upon separation from employment at age 55 or older and having earned at least 10 years of service credit.

For TRS and SERS Plans 2, members that separate on or after the effective date of the act will have the choice to participate in the PEBB insurance programs without commencing retirement benefits. For PERS Plan 2 members, members that separated on or after March 1, 2002, may participate in PEBB insurance programs as separated employees.

Appropriation: None.

Fiscal Note: Requested on January 22, 2006.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.