

HOUSE BILL REPORT

HB 1008

As Passed House:

February 6, 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: Representatives Bronoske, Simmons, Goodman, Leavitt, Bateman, Lekanoff, Callan, Kloba, Santos, Ormsby and Fosse.

Brief History:

Committee Activity:

Appropriations: 1/16/23, 1/23/23 [DP].

Floor Activity:

Passed House: 2/6/23, 93-0.

Brief Summary of Bill

- Permits specified individuals who separate from service from positions covered by the Public Employees', School Employees', and Teachers' Retirement System Plans 2, but do not retire, the opportunity to participate in the retiree benefits of the Public Employees' Benefits Board.
- Limits participation to individuals who separate from service on or after January 1, 2024, and who are at least age 55 with 20 years of service in the included state pension plans.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 30 members: Representatives Ormsby, Chair;

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Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Berg, Chandler, Chopp, Connors, Couture, Davis, Dye, Fitzgibbon, Hansen, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Stonier and Tharinger.

Staff: David Pringle (786-7310).

Background:

The state Health Care Authority (HCA), through the Public Employee Benefits Board (PEBB), provides medical benefits for retired employees of the state and participating local governments. PEBB coverage is also available to retired employees of the state and those local governments who purchase active employee benefits through PEBB. School employees covered by the provisions of the School Employees' Benefits Board are also covered by PEBB program as retirees.

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 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 10 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 unless 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 positions covered by the employee health benefit programs operated by the Health Care Authority, and the Public Employees', School Employees', and

Teachers' Retirement System Plans 2, but do not retire, may participate in the retiree benefits of PEBB. To be eligible, members must have separated from service on or after January 1, 2024, and either enroll or defer coverage no later than 60 days after employee coverage ends.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Currently, only Plan 3 members can get these retiree health benefits without beginning retirement benefits. This change evens the playing field. This gives these separated employees additional options. The bill grants access to Public Employee Benefits Board coverage for retirees, allowing them to enroll or defer coverage until they start retirement benefits.

(Opposed) None.

(Other) Plan 2 members that do not retire and enroll or defer can lose benefits forever. The per 1,000 retiree estimate in the fiscal note was made last year and remains reasonable. This does not create a new enrollment window.

Persons Testifying: (In support) Representative Dan Bronoske, prime sponsor; and Fred Yancey, Washington State School Retirees' Association.

(Other) David Iseminger, Washington State Health Care Authority.

Persons Signed In To Testify But Not Testifying: None.