

# HOUSE BILL REPORT

## SSB 5846

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### As Reported by House Committee On: Ways & Means

**Title:** An act relating to offering health benefit subsidies for certain retired public employees.

**Brief Description:** Offering health benefit subsidies for certain retired public employees.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Brown, McAuliffe, Tom, Fraser, Hobbs, Conway, Harper, Nelson, Rockefeller, Keiser, Kilmer, Litzow, Hatfield, Prentice, Shin, Kohl-Welles and White).

#### **Brief History:**

##### **Committee Activity:**

Ways & Means: 5/23/11 [DPA].

#### **Brief Summary of Substitute Bill (As Amended by House)**

- Provides a \$250 per month subsidy for health benefits for Teachers' Retirement System Plan 1 members that apply for retirement between June 1, 2011, and August 31, 2011, and begin retirement benefits by October 1, 2011.

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### HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended. Signed by 22 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Cody, Dickerson, Haigh, Haler, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Seaquist, Springer, Sullivan and Wilcox.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Chandler, Hinkle, Ross and Schmick.

**Staff:** David Pringle (786-7310).

#### **Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Plan 1 of the Teachers' Retirement System (TRS) provides benefits for certificated employees who first entered eligible employment with school districts, educational service districts, and other public educational employers prior to October 1, 1977. Members of TRS 1 are eligible to retire from age 60 with five years of service, from age 55 with 25 years of service, or at any age with 30 years of service. A member's basic retirement allowance is equal to 2 percent of the member's average final compensation for each year of service credit.

Retired members of TRS may choose to purchase health benefits through the Public Employee Benefits Board (PEBB). In order to do so, a member must begin to collect a retirement allowance immediately upon separation from service and must also elect PEBB coverage within 60 days. Retirees of TRS who are not eligible for Medicare are placed in the same insurance pool as active and retired state employees; however, they are responsible for paying both the active employee premium contribution and the premium contribution that would be made by an employer. Retirees of TRS who are eligible for Medicare are placed in a separate pool with Medicare-eligible retired state employees and are eligible for a state subsidy.

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**Summary of Amended Bill:**

From September 1, 2011, through August 31, 2014, a subsidy of \$250 per month is available for health benefits for retired members of TRS 1 who are ineligible for Medicare. In order to receive the subsidy, a member must apply for retirement between June 1, 2011, and August 31, 2011, and receive the first installment of a TRS 1 retirement allowance by October 31, 2011. A member who is receiving the \$250 per month subsidy may not work more than 867 hours per year in a retirement-system covered position.

**Amended Bill Compared to Substitute Bill:**

Eligibility for the \$250 per month health benefit subsidy is further limited to TRS Plan 1 members that have signed a contract for employment for the 2011-12 school year by May 20, 2011, have not notified the school district of an intent to retire at the conclusion of the 2010-11 school year, and who apply for retirement after May 20, 2011, and before September 1, 2011.

The amendatory section limiting the availability of the TRS Plan 1 1,500 hour per year postretirement employment rules to TRS Plan 1 retirees that do not take advantage of the \$250 per month health benefit subsidy is removed.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) This bill provides a way to clear the path for newer teachers. In the Senate budget, this bill is assumed to generate about \$3.2 million in staff mix savings from the incented retirement of senior teachers. It currently costs a non-Medicare eligible retiree and spouse over \$1,000 per month for health benefits, so these costs really do serve as a significant disincentive and this is a good idea to mitigate that disincentive.

(In support with concerns) While this is a nice benefit for teachers, this same benefit should be extended for classified school employees as well. If not, the representatives of the classified school employees will be back next year to ask for a similar benefit for their similarly situated Public Employees' Retirement System Plan 1 employees.

(Opposed) None.

**Persons Testifying:** (In support) Randy Parr, Washington Education Association; and John Kvamme, Washington Association of School Administrators.

(In support with concerns) Doug Nelson, Public School Employees Service Employees International Union.

**Persons Signed In To Testify But Not Testifying:** None.