

# SENATE BILL REPORT

## HB 2624

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As Reported by Senate Committee On:  
Ways & Means, February 21, 2012

**Title:** An act relating to the administration of medical expense plans for state government retirees.

**Brief Description:** Concerning the administration of medical expense plans for state government retirees.

**Sponsors:** Representatives Hunt and Taylor; by request of Office of Financial Management.

**Brief History:** Passed House: 2/13/12, 96-0.

**Committee Activity:** Ways & Means: 2/20/12, 2/21/12 [DP].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Conway, Fraser, Harper, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Padden, Pflug, Pridemore, Regala, Schoesler and Tom.

**Staff:** Erik Sund (786-7454)

**Background:** State agencies are authorized to provide a Medical Expense Plan (MEP), also known as Voluntary Employees' Beneficiary Association (VEBA), to eligible employees that provides for the reimbursement of eligible medical expenses. Instead of a cash out of sick leave at retirement, employers may deposit the funds in an MEP if certain requirements of state and federal law are met.

In order for an employer to make deposits to an MEP, the employer must consult with an eligible employee group and obtain a signed agreement with each member of the group. The majority of eligible employees must elect to participate in the MEP, in which case all must participate or forfeit their sick leave cash out and balance, otherwise none of the eligible employees may participate. The election to participate in the MEP remains in effect during the calendar year for which the vote was taken. Participating employees must also agree to hold the state harmless in the event of federal income tax assessments being levied on funds placed into the plan, as required by federal law.

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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.*

Retiring state employee MEP or VEBA contributions are administered by a private firm, VEBA Trust, through a services contract formed with the Department of Personnel in 1999. In addition to state agencies, VEBA Trust administers accounts for approximately 40,000 employees and retirees of Washington school districts and public higher education institutions. The contract with VEBA Trust is currently managed by the Health Care Authority.

**Summary of Bill:** Authority to adopt procedures for the implementation of the MEP is changed from the Department of Personnel Human Resources Director to the Director of the Health Care Authority. An obsolete reference to the establishment of bargaining units of classified employees by the Director of Personnel is changed to the Public Employment Relations Commission.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill doesn't change the VEBA program in any way, it just tries to find the right place for it within state government. Right now the authority to direct the program rests with the human resource director, a position that was moved to the Office of Financial Management during last year's reorganization of state agencies. Now that the state has consolidated medical purchasing at the Health Care Authority, this program fits best here.

**Persons Testifying:** PRO: Julie Murray, Office of Financial Management.