

SENATE BILL REPORT

SB 5846

As Reported by Senate Committee On:
Ways & Means, April 14, 2011

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: 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: 3/24/11, 4/01/11 [DPF], 4/13/11, 4/14/11 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5846 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Brown, Conway, Fraser, Hatfield, Kastama, Keiser, Kohl-Welles, Pridemore, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Honeyford, Pflug and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baxter and Hewitt.

Staff: Erik Sund (786-7454)

Background: Plan 1 of the Teachers' Retirement System (TRS 1) 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.

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.

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. TRS retirees 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. TRS retirees who are eligible for Medicare are placed in a separate pool with Medicare-eligible retired state employees and are eligible for a state subsidy.

Summary of Bill (Recommended Substitute): 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.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The prohibition on the post-retirement employment in excess of 867 hours per year for a retiree receiving the \$250 per month subsidy applies while the member is receiving the subsidy rather than until the end of the subsidy program. The restrictions on post-retirement employment are placed in the chapter of RCW governing TRS rather than in the chapter governing employee health benefits.

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 on Original Bill: PRO: There are around 5000 active members of TRS 1 and every one of them is eligible to retire today. For many teachers, the cost of health care is the main obstacle to retirement and even with the subsidy provided by allowing K-12 retirees buy into the PEBB pool, the cost of health benefits for a retiree remains very high. We know that more staff reductions will be required moving forward, and this bill provides a more humane way to achieve those reductions.

OTHER: Please expand this bill to cover classified school employees enrolled in PERS and SERS. For every teacher that has been laid off by a school district over the past two years there have been 12 classified school employees laid off. Schools will continue to cut classified employee positions as they make budget reductions.

Persons Testifying: PRO: John Kvamme, WA Assn. of School Administrators, Assn. of WA School Principals; Randy Parr, WA Education Assn.

OTHER: Doug Nelson, Public School Employees.