



2007 RETIREMENT ISSUES/HEALTH BENEFITS

April 23, 2007 – Final Report

- ◆ **EHB 2391 Gain-Sharing (Rep. Fromhold & Rep Conway):** Eliminates gain-sharing after the 2008 event and replaces gain-sharing with: **(1)** The TRS and PERS **Plan 1 COLA** is increased. Sets a target of adding 40 cents to the Plan 1 Uniform COLA by July 1, 2009. This 40 cent amount is assured if the total of the 2008 gain-sharing distribution (presently projected at approximately 26 cents) does not need any more than 20 cents to reach the 40 cent target. With this increase the Uniform COLA is estimated to be \$1.81 per year of service per month by July 1, 2009. **(2)** The TRS, SERS and PERS **Plan 2 and 3 ERRF** (early retirement reduction factor) is improved starting September 1, 2008. Instead of the 3% reduction each year for members with at least age 55 and with at least 30 years of service, the reductions are gradated in a chart moving from a 0% reduction between age 62 and 65 and then up to a total reduction of 20% for a member retiring at age 55. The reduction for age 61 is 2% then reduction are gradated 3% per year for years down to age 55;

Retirement Age	Current Law	EHB 2391
55	70%	80%
56	73%	83%
57	76%	86%
58	79%	89%
59	82%	92%
60	85%	95%
61	88%	98%
62	91%	100%
63	94%	100%
64	97%	100%
65	100%	100%

A member who elects to retire under these improved early retirement reduction provisions is not eligible for reemployment or a compensated relationship with a retirement system-participating employer without immediate suspension of retirement benefits.

(3) New members in TRS and SERS are given the **choice** between Plans 2 and 3.

(4) Throughout the bill there are “**Poison Pills**”, meaning that if the courts strike down the repeal of gain-sharing and orders reinstatement of gain sharing benefits, for persons who have not retired under the improved ERRF provided in the bill, the new benefits are repealed. Similarly, if the courts strike down the repeal of Plan 1 gain sharing, then the July 1, 2009 adjustment to the Uniform Cola will not be included in future Uniform COLA increases. Del to Gov



- ◆ **SB 5175 Age-66 COLA (Sen. Pridemore)**: Amends the Uniform COLA eligibility requirements of the TRS and PERS Plans 1 to include all retirees who have been retired one year and will have attained age 66 by December 31st (instead of July 1st) of the calendar year in which the increase is given. (\$4.5M 07-09 GF-S cost) Governor Signed

- ◆ **SHB 1262 Post-retirement Employment (Rep. Bailey)**: Requires employers utilizing the expanded retire-rehire program in the Plans 1 of TRS and PERS to hire retirees pursuant to a written policy; and applies the following to TRS 1 (in order to provide consistency with PERS 1): prohibition of prior agreements, documentation of need and documentation of the hiring process. It continues to restrict the annual limit of hours to 1500, however, lengthens the separation period from 1 month to 1 ½ months and limits the program usually to three prospective years (1900 hours in excess of 867 annually) for TRS Plan 1. (No fiscal impact from these changes, however the 2005 SCPP interim study projected a cost of Retire/Rehire for 2007-09 to be \$1.7m GF-S.) Governor Signed

- ◆ **2SHB 1266 \$150,000 Death Benefit (Rep. Conway & Fromhold)**: Survivors of public employees (also includes TRS, SERS and PERS employees) who die as a result of duty related injuries sustained or, in some cases, illnesses contracted in the course of employment are also eligible to receive a lump sum death benefit of \$150,000. L&I make determination of eligibility. (The bill will increase the contribution rate for WSP, .01%; however, the liability increases in all other retirement systems are insufficient to affect contribution rates.) An amendment was added that provides a survivor benefit (200% of employee contributions plus interest) to the spouse of a PERS 2 member who dies while serving in the armed forces. Del to Gov.

- ◆ **SHB 1261 Service Credit Purchase Due to Injury (Rep. Crouse)**: Allows members of TRS, SERS, PSERS, and LEOFF 2 to purchase up to 24 consecutive months of service credit for each period of temporary duty disability. Both the employer and employee shall pay retirement contributions at the rate in effect for the period of the service credited. (The cost of this bill is insufficient to increase the member or employer contribution rates in any of the affected systems.) Governor Signed

- ◆ **SHB 1264 Dual Membership (Rep. Fromhold & Conway)**: Amends the chapter providing portability of public employee retirement benefits to remove certain adverse impacts on public employees who change retirement systems during the course of their careers. Deals with overtime service caps and indexing. (\$0.2M GF-S) Del to Gov.



- ◆ **SB 5014 Contribution Rate Adoption Process (Sen. Pridemore):** Amends the time lines for production of actuarial valuations and the adoption of pension contribution rates. (No fiscal impact) Del to Gov.
- ◆ **SSB 5174 Technical Corrections (Sen. Pridemore):** Makes technical corrections in the public retirement systems. (No fiscal impact) Del to Gov.
- ◆ **2SHB 1128 Operating Budget (Rep. Sommers/Sen. Prentice):** The operating budget includes funds for DRS to implement the new retirement bills passed during the session. These bills are all listed above.
 - ◆ **Contribution Rates** – These rates are based on the funding of HB 2391 as reported in this bill watch. They probably will change depending on what version of gain-sharing is adopted within HB 2391.

Employer/Employee Rates

	In effect		2007-08	2008-09
<u>Employer</u>	(7/06-12/06)	(1/07-6/07)		
TRS Plans 1,2,&3	4.74%	4.74%	5.84%	8.40%
SERS Plans 2&3	4.85%	4.85%	5.90%	7.56%
PERS Plans 1,2,&3	3.69%	5.46%	6.15%	8.33%
<u>Employee</u>	In effect		2007-08	2008-09
TRS Plan 2	3.01%	(2006-07)	2.90%	4.18%
SERS Plan 2	3.79%	(2006-07)	3.90%	4.68%
PERS/TRS Plan 1	6.00%	(2006-07)	6.00%	6.00%

- ◆ **Health Benefits** are increased from the 2006-07 level of \$682.54 per month to \$707.00 in 2007-08 and \$732.00 in 2008-09. The carve-out for retirees moves from \$55.15 per month to \$57.71 starting September 1, 2007 and then \$65.97 starting September 1, 2008.
- ◆ **Retiree Subsidy** increases from \$149.67 per month in 2007 to \$164.08 on January 1, 2008 and then to \$182.89 on January 1, 2009.

Del to Gov

- ◆ **SB 6167 Interest Credited to Retirement Accounts (Sen. Pridemore):** Clarifies the Director of DRS's authority to determine the interest amounts to be credited in public retirement systems. Del to Gov.



Selected Health Benefit Bills

- ◆ **E2SSB 5930/ Blue Ribbon Commission/Health Care (Sen. Keiser)**: Provides a plan to develop high quality, affordable health care to Washingtonians based on the recommendations of the blue ribbon commission on health care costs and access. The bill contains numerous health care issues. Sections 18 through 22 require that any health plan offered to public employees under the Health Care Authority; any individual or group disability insurance contracts; individual or group health care service plan contracts; or individual or group health maintenance agreements must offer the option of covering any unmarried dependent of the subscriber under the age of 25 regardless of whether the dependent is enrolled in an educational institution. The bill also strengthens the state employee's wellness program. Del to Gov.
- ◆ **E2SHB 1569 Reforming Health Care System (Rep. Cody)**: Declares intent, through the public/private partnership reflected in this act, to improve our current health care system. The Health Insurance Partnership is initiated. It is administered by the Health Care Authority and governed by a new Health Insurance Partnership Board. It incorporates subsidies for the private small group market. The bill requires that by December 1, 2009 the Partnership must report to the Legislature and Governor on the risk and benefits of incorporating the high risk pool, Basic Health, the PEBB and public school employees. Del to Gov.
- ◆ **SHB 1337 Colorectal Cancer Screening (Rep. Kenney)**: Requires insurance coverage for colorectal cancer screening. C 23 L 07
- ◆ **2SSB 5597 Chiropractor Services (Sen. Franklin)**: Relates to insurance contracts with chiropractor employee services. Del to Gov.
- ◆ **EHB 1460 Mental Health Parity (Rep. Schual-Berke)**: Effective January 1, 2008, Insurance policies issued for all individuals, groups, and the Washington State Health Insurance Pool are required to include coverage for mental health services equal to coverage for other medical and surgical services. C 8 L 07
- ◆ **HB 2163 Medical Benefits Administration Account (Rep. Cody)**: Creates the PEBB medical benefits administration account. Provides that only the HCA administrator or the administrator's designee may authorize expenditure from this account and the uniform medical or uniform dental plan benefits administration accounts. Del to Gov.
- ◆ **HB 1645 Health Care Authority/Grants(Rep. Pedersen)**: Authorizes the Health Care Authority to administer grants on behalf of the authority. Del to Gov.