

Multiple Agency Fiscal Note Summary

Bill Number: 5420 SB	Title: Plan 2 members/insurance
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Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Washington State Health Care Authority	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Retirement Systems	.0	0	0	0	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Total \$	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Washington State Health Care Authority	.0	0	0	.0	0	0	.0	0	0
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Marcus Ehrlander, OFM	Phone: (360) 489-4327	Date Published: Final
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Individual State Agency Fiscal Note

Bill Number: 5420 SB	Title: Plan 2 members/insurance	Agency: 107-Washington State Health Care Authority
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Amanda Cecil	Phone: 360-786-7460	Date: 01/16/2023
Agency Preparation: Molly Christie	Phone: 360-725-5138	Date: 01/17/2023
Agency Approval: Tanya Deuel	Phone: 360-725-0908	Date: 01/17/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/20/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached narrative.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

See attached narrative.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

See attached narrative.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

HCA Fiscal Note

Bill Number: 5420 SB

HCA Request #: 23-044

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Section 1 (RCW 41.05.011, State Health Care Authority Definitions)

Amends the definition of “Separated employees” in RCW 41.05.011 to allow Plan 2 members under the Teachers’ Retirement System (“TRS”), the Washington School Employees’ Retirement System (“SERS”), and Public Employees’ Retirement System (“PERS”) who are at least 55 years old with at least 20 years of service to be eligible to enroll in or defer enrollment in Public Employees’ Benefits Program (“PEBB”) retiree insurance coverage and elect PEBB retiree term life insurance coverage without the requirement to immediately begin receiving a monthly retirement allowance. Those wanting to delay drawing a pension until age 65 when they could obtain the full benefit could do so and still elect to enroll in PEBB retiree insurance coverage and PEBB retiree term life insurance coverage. Effective January 1, 2024.

II. B - Cash Receipts Impact

None.

II. C – Expenditures

This bill has an indeterminate fiscal impact on the PEBB Program due to an increase in the retiree population and resulting state spending on the Medicare subsidies.

Section 1(25) allows TRS Plan 2, SERS Plan 2, and PERS Plan 2 members who are at least 55 years old with at least 20 years of service to elect to remain in PEBB insurance coverage after separation from employment without drawing a monthly retirement allowance.

HCA assumes that an unknown number of PEBB members who fall into this category either continue working or exit PEBB instead of choosing to draw a reduced monthly retirement allowance. Under this proposed legislation, many of these members may separate early and elect to remain in the PEBB Program. They could choose to enroll in PEBB retiree insurance coverage as non-Medicare retirees immediately upon separation from employment or defer enrollment if they have other qualifying coverage (described in PEBB Program rules).

Retaining a larger share of retirees over age 55 could have a negative impact on future rates in the PEBB non-Medicare risk pool; conversely, fewer non-Medicare retirees would put downward pressure on rates. The magnitude of this impact would depend on the risk of these individuals and the size of the population. Rate impacts would affect premiums for both employees and retirees enrolled in PEBB non-Medicare health plans. In addition, HCA assumes there will be Plan 2 separated employees who choose to defer coverage until they are eligible for Medicare, an option not available to them under existing state law. This would ultimately increase the membership in PEBB Medicare plans, which would result in an increase in state spending for the retiree subsidies.

For example, the state would spend up to an additional ~\$2.2 million per year on the Medicare Explicit Subsidy for every 1,000 new members (retiree subscribers and dependents) who join the PEBB Medicare risk pool:

2023 Medicare Explicit Subsidy = Up to \$183 per member per month

Annual cost per 1,000 members = \$183 x 12 months x 1,000 members = ~\$2.2 million

HCA Fiscal Note

Bill Number: 5420 SB

HCA Request #: 23-044

HCA does not know how this expanded access to PEBB retiree benefits may impact employees' retirement and benefits decisions and are therefore unable to estimate the number of new retirees per year that would result from this change.

Medicaid

No fiscal impact.

No impacts on the Medicaid lines of business because this legislation places the requirements under RCW 41.05.

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Require

None.

Individual State Agency Fiscal Note

Bill Number: 5420 SB	Title: Plan 2 members/insurance	Agency: 124-Department of Retirement Systems
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Amanda Cecil	Phone: 360-786-7460	Date: 01/16/2023
Agency Preparation: Jay Walsh	Phone: 360-664-7266	Date: 01/17/2023
Agency Approval: Mark Feldhausen	Phone: 360-664-7194	Date: 01/17/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/20/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Section 1 of this bill amends the definition of “separated employees” to include persons who separated from employment with a public employer, who are at least age 55 and have at least 20 years of service under Plan 2 of the Teachers' Retirement System (TRS), as defined in RCW 41.32.010, Plan 2 of the School Employees' Retirement System (SERS), as defined in RCW 41.35.010, or Plan 2 of the Public Employees' Retirement System (PERS), as defined in RCW 41.40.010. This adds to the existing definition which included persons who had separated, were at least 55 years of age and had at least 10 years of service under Plan 3 of TRS, SERS or PERS.

Section 2 identifies that this change takes effect January 1, 2024.

There is no cost to the Department of Retirement Systems as the current information used by the Health Care Authority to determine the eligibility of separated Plan 3 members, to continue participation in health insurance plans, can also be used to determine the eligibility of separated Plan 2 members.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 5420 SB	Title: Plan 2 members/insurance	Agency: AFN-Actuarial Fiscal Note - State Actuary
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

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- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Amanda Cecil	Phone: 360-786-7460	Date: 01/16/2023
Agency Preparation: Aaron Gutierrez	Phone: 360-786-6152	Date: 01/17/2023
Agency Approval: Michael Harbour	Phone: 360-786-6151	Date: 01/17/2023
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/20/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This bill impacts Plan 2 members of the Public Employees', Teachers', and School Employees' Retirement Systems. Specifically, under this bill members age 55 or older with at least 20 years of service would be eligible to retain their Public Employees Benefits Board (PEBB) Program membership when separating from service without commencing their defined benefit pension. Under current law, Plan 2 members can only retain their PEBB membership after separating from service if they immediately begin receiving their defined benefit pension; this is in contrast to Plan 3 members who do not need to immediately initiate their pension upon separation from service to retain their PEBB membership.

We expect this bill will increase Other Postemployment Benefits (OPEB) obligations for the state as an employer and certain local governments because certain Plan 2 members would gain access to PEBB upon separation under this bill. This would be captured through a change in the Total OPEB Liability (TOL) as required under the Governmental Accounting Standards Board Statement No. 75 and disclosed in their annual financial reports. Since actuarial fiscal notes from the Office of the State Actuary only capture pension impacts, we did not quantify the possible increase in the TOL.

Additionally, this bill could impact the aforementioned retirement systems through a potential change in termination/retirement behavior by these Plan 2 members. We have not quantified the impact of this bill, but anticipate it will result in an indeterminate savings to the impacted retirement systems since the increased access to PEBB benefits may encourage members to leave employment earlier than we currently assume. If additional members leave employment and defer receipt of their pension benefits, then we expect a savings from this bill since smaller pensions will be accrued and ultimately paid out. Any savings to the retirement systems will be divided between employers and Plan 2 members according to the standard funding methods of the respective plans; in this case, 50 percent employer and 50 percent employee. If additional information or data becomes available, we may produce an Actuarial Fiscal Note (AFN) in the future on this bill's impact to the retirement systems. The AFN could include a best estimate of the expected fiscal impacts of this bill, along with sensitivity of the expected fiscal impacts to the assumptions we selected. If an AFN is produced, please replace this analysis with that AFN.

Michael T. Harbour (ASA, MAAA) served as the reviewing and responsible actuary for this analysis. He is available to provide further support and answer questions as needed.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

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Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.