

B-Engrossed
House Bill 2279

Ordered by the House June 24
Including House Amendments dated April 17 and June 24

Sponsored by Representative GREENLICK; Representative THOMPSON (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Allows employees of local governments to participate in benefit plans provided by Public Employees' Benefit Board and Oregon Educators Benefit Board. Defines "local government." Modifies membership of boards if governing body of local government elects to participate in benefit plan offered by board. [*Specifies that decision to participate in benefit plan is not subject to collective bargaining. Allows governing body to withdraw from participation in benefit plan offered by board to participate in certain plans offered by Oregon Health Authority. Requires Director of Oregon Health Authority to appoint executive director for boards.*] **Specifies that decision to participate in benefit plan is permissive subject of collective bargaining. Allows governing body to withdraw one time from participation in benefit plan offered by board to participate in plan offered through health insurance exchange. Excludes certain police officers and firefighters from definition of "eligible employee." Requires executive director of Public Employees' Benefit Board to report to Director of Oregon Health Authority.**

A BILL FOR AN ACT

1
2 Relating to participation of employees of local governments in certain benefit plans; creating new
3 provisions; and amending ORS 243.061, 243.105, 243.125, 243.135, 243.140, 243.145, 243.160,
4 243.170, 243.200, 243.215, 243.221, 243.275, 243.860, 243.862, 243.864, 243.866, 243.868, 243.874,
5 243.878 and 243.882.

6 **Be It Enacted by the People of the State of Oregon:**

7 **SECTION 1.** ORS 243.061 is amended to read:

8 243.061. (1) There is created in the Oregon Health Authority the Public Employees' Benefit
9 Board consisting of **at least** eight voting members and two members of the Legislative Assembly as
10 nonvoting advisory members. Two of the voting members are ex officio members and six are ap-
11 pointed by the Governor. The voting members shall be:

12 (a) Four members representing the state as an employer and management employees, who shall
13 be as follows:

14 (A) The Director of the Oregon Health Authority or a designee of the director;

15 (B) The Administrator of the Office for Oregon Health Policy and Research or a designee of the
16 administrator; and

17 (C) Two management employees appointed by the Governor from areas of state government
18 other than the Oregon Health Authority or the Office for Oregon Health Policy and Research; and

19 (b) Four members appointed by the Governor and representing nonmanagement representable
20 employees, who shall be as follows:

21 (A) Two persons from the largest employee representative unit;

22 (B) One person from the second largest employee representative unit; and

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 (C) One person from representable employees not represented by employee representative units
2 described in subparagraphs (A) and (B) of this paragraph.

3 (2) One member of the Senate shall be appointed by the President of the Senate and one member
4 of the House of Representatives shall be appointed by the Speaker of the House to serve as non-
5 voting advisory members.

6 **(3)(a) If the governing body of a local government elects to participate in a benefit plan**
7 **offered by the board, in addition to the members appointed under subsections (1) and (2) of**
8 **this section, the Governor shall appoint two voting members, one of whom represents local**
9 **government management and one of whom represents local government nonmanagement**
10 **employees.**

11 **(b) After the appointment of members under paragraph (a) of this subsection, if the**
12 **number of eligible employees of a local government or local governments enrolled in a benefit**
13 **plan or plans offered by the board exceeds 25,000, the Governor shall appoint two additional**
14 **voting members, one of whom represents local government management and one of whom**
15 **represents local government nonmanagement employees.**

16 **(c) After the appointment of members under paragraphs (a) and (b) of this subsection,**
17 **for every additional 25,000 eligible employees of a local government or local governments**
18 **enrolled in a benefit plan or plans offered by the board, the Governor shall appoint one ad-**
19 **ditional voting member representing local government management and one additional voting**
20 **member representing local government nonmanagement employees.**

21 **(4) A maximum of three members may be appointed to represent local government**
22 **management and a maximum of three members may be appointed to represent local gov-**
23 **ernment nonmanagement employees.**

24 [(3)] **(5) The term of office of each appointed voting member is four years, but an appointed**
25 **voting member serves at the pleasure of the Governor. Before the expiration of the term of a voting**
26 **member appointed by the Governor, the Governor shall appoint a successor to take office upon the**
27 **date of that expiration. A member is eligible for reappointment. If there is a vacancy for any cause,**
28 **the Governor shall make an appointment to become immediately effective for the unexpired term.**

29 [(4)] **(6) The appointments by the Governor of voting members of the board are subject to con-**
30 **firmation by the Senate in the manner prescribed in ORS 171.562 and 171.565.**

31 [(5)] **(7) Members of the board who are not members of the Legislative Assembly shall receive**
32 **no compensation for their services, but shall be paid for their necessary and actual expenses while**
33 **on official business in accordance with ORS 292.495. Members of the board who are members of the**
34 **Legislative Assembly shall be paid compensation and expense reimbursement as provided in ORS**
35 **171.072, payable from funds appropriated to the Legislative Assembly.**

36 **(8) As used in this section, “benefit plan” and “local government” have the meanings**
37 **given those terms in ORS 243.105.**

38 **SECTION 2. ORS 243.105 is amended to read:**

39 243.105. As used in ORS 243.105 to 243.285, unless the context requires otherwise:

40 (1) “Benefit plan” includes, but is not limited to:

41 (a) Contracts for insurance or other benefits, including medical, dental, vision, life, disability and
42 other health care recognized by state law, and related services and supplies;

43 (b) Comparable benefits for employees who rely on spiritual means of healing; and

44 (c) Self-insurance programs managed by the Public Employees’ Benefit Board.

45 (2) “Board” means the Public Employees’ Benefit Board.

1 (3) "Carrier" means an insurance company or health care service contractor holding a valid
2 certificate of authority from the Director of the Department of Consumer and Business Services, or
3 two or more companies or contractors acting together pursuant to a joint venture, partnership or
4 other joint means of operation, or a board-approved guarantor of benefit plan coverage and com-
5 pensation.

6 (4)(a) "Eligible employee" means an officer or employee of a state agency **or local government**
7 who elects to participate in one of the group benefit plans described in ORS 243.135. The term in-
8 cludes, **but is not limited to**, state officers and employees in the exempt, unclassified and classified
9 service, and state officers and employees, whether or not retired, who:

10 (A) Are receiving a service retirement allowance, a disability retirement allowance or a pension
11 under the Public Employees Retirement System or are receiving a service retirement allowance, a
12 disability retirement allowance or a pension under any other retirement or disability benefit plan
13 or system offered by the State of Oregon for its officers and employees;

14 (B) Are eligible to receive a service retirement allowance under the Public Employees Retire-
15 ment System and have reached earliest retirement age under ORS chapter 238;

16 (C) Are eligible to receive a pension under ORS 238A.100 to 238A.245, and have reached earliest
17 retirement age as described in ORS 238A.165; or

18 (D) Are eligible to receive a service retirement allowance or pension under another retirement
19 benefit plan or system offered by the State of Oregon and have attained earliest retirement age
20 under the plan or system.

21 (b) "Eligible employee" does not include individuals:

22 (A) Engaged as independent contractors;

23 (B) Whose periods of employment in emergency work are on an intermittent or irregular basis;

24 (C) Who are employed on less than half-time basis unless the individuals are employed in posi-
25 tions classified as job-sharing positions, unless the individuals are defined as eligible under rules of
26 the board;

27 (D) Appointed under ORS 240.309;

28 (E) Provided sheltered employment or make-work by the state in an employment or industries
29 program maintained for the benefit of such individuals; *[or]*

30 (F) Provided student health care services in conjunction with their enrollment as students at a
31 public university listed in ORS 352.002[.]; **or**

32 **(G) Who are members of a collective bargaining unit that represents police officers or**
33 **firefighters.**

34 (5) "Family member" means an eligible employee's spouse and any unmarried child or stepchild
35 within age limits and other conditions imposed by the board with regard to unmarried children or
36 stepchildren.

37 **(6) "Local government" means any city, county or special district in this state.**

38 *[(6)]* **(7) "Payroll disbursing officer" means the officer or official authorized to disburse moneys**
39 **in payment of salaries and wages of employees of a state agency or local government.**

40 *[(7)]* **(8) "Premium" means the monthly or other periodic charge for a benefit plan.**

41 *[(8)]* **(9) "State agency" means every state officer, board, commission, department or other ac-**
42 **tivity of state government.**

43 **SECTION 3.** ORS 243.125 is amended to read:

44 243.125. (1) The Public Employees' Benefit Board shall prescribe rules for the conduct of its
45 business and for carrying out ORS 243.256. The board shall study all matters connected with the

1 providing of adequate benefit plan coverage for eligible [state] employees on the best basis possible
2 with relation both to the welfare of the employees and to the state **and local governments**. The
3 board shall design benefits, devise specifications, analyze carrier responses to advertisements for
4 bids and decide on the award of contracts. Contracts shall be signed by the chairperson on behalf
5 of the board.

6 (2) In carrying out its duties under subsection (1) of this section, the goal of the board shall be
7 to provide a high quality plan of health and other benefits for [state] employees at a cost affordable
8 to both the employer and the employees.

9 (3) Subject to ORS chapter 183, the board may make rules not inconsistent with ORS 243.105 to
10 243.285 and 292.051 to determine the terms and conditions of eligible employee participation and
11 coverage.

12 (4) The board shall prepare specifications, invite bids and do acts necessary to award contracts
13 for health benefit plan and dental benefit plan coverage of eligible employees in accordance with the
14 criteria set forth in ORS 243.135 (1).

15 **(5) The executive director of the board shall report to the Director of the Oregon Health**
16 **Authority.**

17 [(5)] (6) The board may retain consultants, brokers or other advisory personnel when necessary
18 and, subject to the State Personnel Relations Law, shall employ such personnel as are required to
19 perform the functions of the board.

20 **SECTION 4.** ORS 243.135 is amended to read:

21 243.135. (1) Notwithstanding any other benefit plan contracted for and offered by the Public
22 Employees' Benefit Board, the board shall contract for a health benefit plan or plans best designed
23 to meet the needs and provide for the welfare of eligible employees, [and] the state **and the local**
24 **governments**. In considering whether to enter into a contract for a plan, the board shall place
25 emphasis on:

- 26 (a) Employee choice among high quality plans;
- 27 (b) A competitive marketplace;
- 28 (c) Plan performance and information;
- 29 (d) Employer flexibility in plan design and contracting;
- 30 (e) Quality customer service;
- 31 (f) Creativity and innovation;
- 32 (g) Plan benefits as part of total employee compensation; and
- 33 (h) The improvement of employee health.

34 (2) The board may approve more than one carrier for each type of plan contracted for and of-
35 fered but the number of carriers shall be held to a number consistent with adequate service to eli-
36 gible employees and their family members.

37 (3) Where appropriate for a contracted and offered health benefit plan, the board shall provide
38 options under which an eligible employee may arrange coverage for family members.

39 (4) Payroll deductions for [such] costs [as] **that** are not payable by the state **or a local gov-**
40 **ernment** may be made upon receipt of a signed authorization from the employee indicating an
41 election to participate in the plan or plans selected and the deduction of a certain sum from the
42 employee's pay.

43 (5) In developing any health benefit plan, the board may provide an option of additional cover-
44 age for eligible employees and their family members at an additional cost or premium.

45 (6) Transfer of enrollment from one plan to another shall be open to all eligible employees and

1 their family members under rules adopted by the board. Because of the special problems that may
2 arise in individual instances under comprehensive group practice plan coverage involving acceptable
3 physician-patient relations between a particular panel of physicians and particular eligible employ-
4 ees and their family members, the board shall provide a procedure under which any eligible em-
5 ployee may apply at any time to substitute a health service benefit plan for participation in a
6 comprehensive group practice benefit plan.

7 (7) The board shall evaluate a benefit plan that serves a limited geographic region of this state
8 according to the criteria described in subsection (1) of this section.

9 **SECTION 5.** ORS 243.140 is amended to read:

10 243.140. (1) Persons whose homes are certified as a foster home by the Department of Human
11 Services under ORS 418.630 and as defined in ORS 418.625 (3) may participate in a health benefit
12 plan available to [state] employees pursuant to ORS 243.105 to 243.285 at the expense of the foster
13 parent. For such purposes, foster parents shall be considered eligible employees.

14 (2) A person who maintains a developmental disability child foster home that is certified by the
15 department under ORS 443.830 and 443.835 may participate in a health benefit plan available to
16 [state] employees pursuant to ORS 243.105 to 243.285 at the expense of the person. For such pur-
17 poses, the person maintaining the home shall be considered an eligible employee.

18 (3) Persons who participate in the health benefit plan pursuant to subsections (1) and (2) of this
19 section may also participate in a dental plan available to [state] employees pursuant to ORS 243.105
20 to 243.285 at the expense of the foster parent or the person maintaining the developmental disability
21 child foster home.

22 **SECTION 6.** ORS 243.145 is amended to read:

23 243.145. (1) The Public Employees' Benefit Board shall have authority to employ whatever means
24 are reasonably necessary to carry out the purposes of ORS 243.105 to 243.285 and 292.051. [*Such*
25 *authority shall include*] **The board's authority includes**, but is not limited to, **the** authority to
26 self-insure and to seek clarification, amendment, modification, suspension or termination of any
27 agreement or contract that in the board's judgment requires such action.

28 (2) Upon providing specific notice in writing to the carrier, the affected employee organization
29 or organizations, the Oregon Health Authority and affected[,] eligible employees, and after affording
30 opportunity for a public hearing upon the issues that may be involved, the board may enter an order
31 withdrawing approval of any benefit plan. Thirty days after entry of the order, the board shall ter-
32 minate all withholding authorizations of eligible employees and terminate all board-approved par-
33 ticipation in the plan.

34 (3) The board by order may terminate the participation of any state agency **or local govern-**
35 **ment** if within three months the state agency **or local government** fails to perform any action re-
36 quired by ORS 243.105 to 243.285 and 292.051 or by board rule.

37 **SECTION 7.** ORS 243.160 is amended to read:

38 243.160. A retired state **or local government** officer or employee is not required to participate
39 in one of the group benefit plans described in ORS 243.135 in order to obtain dental benefit plan
40 coverage. The Public Employees' Benefit Board shall establish by rule standards of eligibility for
41 retired officers or employees to participate in a dental benefit plan.

42 **SECTION 8.** ORS 243.170 is amended to read:

43 243.170. When more than one individual shares a single position that is classified as a job-
44 sharing position, the state **or the local government** shall contribute to obtain coverage for the
45 individuals a total amount not greater than the amount that would be contributed to obtain cover-

1 age for one individual in the same position. The individuals shall receive credit for the state **or local**
2 **government** contribution in such proportions as they and the employer agree upon, and each indi-
3 vidual who desires coverage shall make further contribution in such amounts as may be appropriate.

4 **SECTION 9.** ORS 243.200 is amended to read:

5 243.200. (1)(a) The Public Employees' Benefit Board may allow self-pay groups to participate in
6 benefit plans available to eligible [*state*] employees, if the group meets a minimum participation level
7 equal to 75 percent of the persons in the group.

8 (b) Notwithstanding paragraph (a) of this subsection, the board may allow nurses or nurse edu-
9 cators who are employed less than half-time by a state agency, **local government** or university and
10 who are not otherwise eligible for a state **or local government** contribution for benefits to partic-
11 ipate in a self-pay group without any minimum participation level of persons in the group.

12 (2) Nothing in subsection (1) of this section applies to:

13 (a) Any person or group of persons similarly situated exempted by state or federal law from any
14 minimum participation requirement; or

15 (b) Any person or group of persons participating prior to January 1, 1992, in a benefit plan that
16 was offered by the State Employees' Benefit Board.

17 (3) As used in subsection (1) of this section, "self-pay group" means a group of persons other
18 than state **or local government** employees for whom the state **or the local government** makes no
19 contributions for benefit plans under ORS 243.105 to 243.285.

20 **SECTION 10.** ORS 243.215 is amended to read:

21 243.215. Any eligible employee unable to participate in one or more of the plans described in
22 ORS 243.135 (1) solely because the employee is assigned to perform duties outside the state may be
23 eligible to receive the monthly state **or local government** contribution, less administrative ex-
24 penses, as payment of all or part of the cost of a health benefit plan of choice, subject to the ap-
25 proval of the Public Employees' Benefit Board and such rules as the board may adopt.

26 **SECTION 11.** ORS 243.221 is amended to read:

27 243.221. (1) In addition to the powers and duties otherwise provided by law to provide employee
28 benefits, the Public Employees' Benefit Board may provide, administer and maintain flexible benefit
29 plans under which eligible employees [*of this state*] may choose among taxable and nontaxable ben-
30 efits as provided in the federal Internal Revenue Code.

31 (2) In providing flexible benefit plans, the board may offer:

32 (a) Health or dental benefits as provided in ORS 243.125 and 243.135.

33 (b) Other insurance benefits as provided in ORS 243.275.

34 (c) Dependent care assistance as provided in ORS 243.550.

35 (d) Expense reimbursement as provided in ORS 243.560.

36 (e) Any other benefit that may be excluded from an employee's gross income under the federal
37 Internal Revenue Code.

38 (f) Any part or all of the state **or local government** contribution for employee benefits in cash
39 to the employee.

40 (3) In developing flexible benefit plans under this section, the board shall design the plan on the
41 best basis possible with relation to the welfare of employees [*and to*], the state **and the local gov-**
42 **ernments.**

43 **SECTION 12.** ORS 243.275 is amended to read:

44 243.275. (1) In addition to contracting for health and dental benefit plans, the Public Employees'
45 Benefit Board may contract with carriers to provide at the expense of participating eligible em-

1 ployees and with or without state **or local government** participation for coverage, including but
2 not limited to, insurance or other benefit based on life, supplemental medical, supplemental dental,
3 optical, accidental death or disability insurance plans.

4 (2) The monthly contribution of each eligible employee for other benefit plan or plans coverage,
5 as described in subsection (1) of this section, shall be the total cost per month of the benefit cov-
6 erage afforded the employee under the plan or plans, for which the employee exercises an option,
7 including the cost of enrollment [*of such eligible employees*] and administrative expenses [*therefor*].

8 (3) For any benefit plan or plans described in subsection (1) of this section in which the state
9 **or a local government** participates, the monthly contribution of each eligible employee for the
10 benefit plan, for which the employee exercises an option and there is state **or local government**
11 participation, shall be reduced by an amount equal to the portion [*thereof*] contributed by the state
12 **or the local government**, including the cost of enrollment [*of the eligible employee*] and [*the*] ad-
13 ministrative expenses [*therefor*].

14 (4) The board may withdraw approval of any such additional benefit plan coverage in the same
15 manner as it withdraws approval of health benefit plans as described and authorized by ORS 243.145.

16 (5) If any state agency **or local government** contracts for any of the benefits described in
17 subsection (1) of this section on behalf of any [*state*] **eligible** employees, the administrative expenses
18 [*thereof*] **of the contract** shall be paid by assessment of the participating employees. [*Such*] **The**
19 contracts are subject to approval of the board before they become operative. The board may with-
20 draw approval for any such benefit in the same manner as it withdraws approval under ORS 243.145.

21 **SECTION 13. Section 14 of this 2013 Act is added to and made a part of ORS 243.105 to**
22 **243.285.**

23 **SECTION 14. (1) The governing body of a local government may elect to participate in a**
24 **benefit plan offered by the Public Employees' Benefit Board.**

25 **(2) The decision of the governing body of a local government to participate in a benefit**
26 **plan offered by the board is in the discretion of the governing body of the local government**
27 **and is a permissive subject of collective bargaining.**

28 **(3) If the governing body of a local government elects to offer a benefit plan through the**
29 **board, the governing body may elect one time only to provide alternative group health and**
30 **welfare insurance benefit plans to eligible employees if:**

31 **(a) The alternative benefit plan is offered through the health insurance exchange under**
32 **ORS 741.310 (1)(b); and**

33 **(b) The participation of the local government is not precluded under federal law on or**
34 **after January 1, 2017.**

35 **SECTION 15.** ORS 243.860 is amended to read:

36 243.860. As used in ORS 243.860 to 243.886, unless the context requires otherwise:

37 (1) "Benefit plan" includes but is not limited to:

38 (a) Contracts for insurance or other benefits, including medical, dental, vision, life, disability and
39 other health care recognized by state law, and related services and supplies;

40 (b) Self-insurance programs managed by the Oregon Educators Benefit Board; and

41 (c) Comparable benefits for employees who rely on spiritual means of healing.

42 (2) "Carrier" means an insurance company or health care service contractor holding a valid
43 certificate of authority from the Director of the Department of Consumer and Business Services, or
44 two or more companies or contractors acting together pursuant to a joint venture, partnership or
45 other joint means of operation, or a board-approved provider or guarantor of benefit plan coverage

1 and compensation.

2 (3) "District" means a common school district, a union high school district, an education service
3 district, as defined in ORS 334.003, or a community college district, as defined in ORS 341.005.

4 (4)(a) "Eligible employee" includes:

5 (A) An officer or employee of a district **or a local government** who elects to participate in one
6 of the benefit plans described in ORS 243.864 to 243.874; and

7 (B) An officer or employee of a district **or a local government**, whether or not retired, who:

8 (i) Is receiving a service retirement allowance, a disability retirement allowance or a pension
9 under the Public Employees Retirement System or is receiving a service retirement allowance, a
10 disability retirement allowance or a pension under any other retirement or disability benefit plan
11 or system offered by the district **or local government** for its officers and employees;

12 (ii) Is eligible to receive a service retirement allowance under the Public Employees Retirement
13 System and has reached earliest service retirement age under ORS chapter 238;

14 (iii) Is eligible to receive a pension under ORS 238A.100 to 238A.245 and has reached earliest
15 retirement age as described in ORS 238A.165; or

16 (iv) Is eligible to receive a service retirement allowance or pension under any other retirement
17 benefit plan or system offered by the district **or local government** and has attained earliest re-
18 tirement age under the plan or system.

19 (b) Except as provided in paragraph (a)(B) of this subsection, "eligible employee" does not in-
20 clude an individual:

21 (A) Engaged as an independent contractor;

22 (B) Whose periods of employment in emergency work are on an intermittent or irregular basis;

23 or

24 (C) Who is employed on less than a half-time basis unless the individual is employed in a posi-
25 tion classified as a job-sharing position or unless the individual is defined as eligible under rules of
26 the Oregon Educators Benefit Board or under a collective bargaining agreement.

27 (5) "Family member" means an eligible employee's spouse or domestic partner and any unmar-
28 ried child or stepchild of an eligible employee within age limits and other conditions imposed by the
29 Oregon Educators Benefit Board with regard to unmarried children or stepchildren.

30 **(6) "Local government" means any city, county or special district in this state.**

31 [(6)] **(7) "Payroll disbursing officer" means the officer or official authorized to disburse moneys**
32 **in payment of salaries and wages of officers and employees of a district or a local government.**

33 [(7)] **(8) "Premium" means the monthly or other periodic charge, including administrative fees**
34 **of the Oregon Educators Benefit Board, for a benefit plan.**

35 **SECTION 16.** ORS 243.862 is amended to read:

36 243.862. (1) There is established in the Oregon Health Authority an Oregon Educators Benefit
37 Board consisting of **at least** 10 members appointed by the Governor, including:

38 (a) Two members representing district boards;

39 (b) Two members representing district management;

40 (c) Two members representing nonmanagement district employees from the largest labor organ-
41 ization representing district employees;

42 (d) One member representing nonmanagement district employees from the second largest labor
43 organization representing district employees;

44 (e) One member representing nonmanagement district employees who are not represented by
45 labor organizations described in paragraphs (c) and (d) of this subsection; and

1 (f) Two members with expertise in health policy or risk management.

2 (2)(a) **If the governing body of a local government elects to participate in a benefit plan**
3 **offered by the board, in addition to the members appointed under subsection (1) of this sec-**
4 **tion, the Governor shall appoint two members, one of whom represents local government**
5 **management and one of whom represents local government nonmanagement employees.**

6 (b) **After the appointment of members under paragraph (a) of this subsection, if the**
7 **number of eligible employees of a local government or local governments enrolled in a benefit**
8 **plan or plans offered by the board exceeds 25,000, the Governor shall appoint two additional**
9 **members, one of whom represents local government management and one of whom repres-**
10 **ents local government nonmanagement employees.**

11 (c) **After the appointment of members under paragraphs (a) and (b) of this subsection,**
12 **for every additional 25,000 eligible employees of a local government or local governments**
13 **enrolled in a benefit plan or plans offered by the board, the Governor shall appoint one ad-**
14 **ditional member representing local government management and one additional member**
15 **representing local government nonmanagement employees.**

16 (3) **A maximum of three members may be appointed to represent local government**
17 **management and a maximum of three members may be appointed to represent local gov-**
18 **ernment nonmanagement employees.**

19 [(2)] (4) The term of office of each member is four years, but a member serves at the pleasure
20 of the Governor. Before the expiration of the term of a member, the Governor shall appoint a suc-
21 cesssor to take office upon the date of that expiration. A member is eligible for reappointment. If
22 there is a vacancy for any cause, the Governor shall make an appointment to become immediately
23 effective for the unexpired term.

24 [(3)] (5) A member of the board is not entitled to compensation, but may be reimbursed from
25 funds available to the board for actual and necessary travel and other expenses incurred by the
26 member in the performance of the member's official duties in the manner and amount provided in
27 ORS 292.495.

28 [(4)] (6) The board shall select one of its members as chairperson and another as vice chair-
29 person, for such terms and with duties and powers necessary for the performance of the functions
30 of such offices as the board determines.

31 [(5)] (7) A majority of the members of the board constitutes a quorum for the transaction of
32 business.

33 [(6)] (8) The board shall meet at times and places specified by the call of the chairperson or of
34 a majority of the members of the board.

35 [(7)] (9) Appointments of members to the board by the Governor are subject to confirmation by
36 the Senate in the manner prescribed in ORS 171.562 and 171.565.

37 **SECTION 17.** ORS 243.864 is amended to read:

38 243.864. (1) The Oregon Educators Benefit Board:

39 (a) Shall adopt rules for the conduct of its business and for carrying out ORS 243.879; and

40 (b) May adopt rules not inconsistent with ORS 243.860 to 243.886 to determine the terms and
41 conditions of eligible employee participation in and coverage under benefit plans.

42 (2) The board shall study all matters connected with the provision of adequate benefit plan
43 coverage for eligible employees on the best basis possible with regard to the welfare of the em-
44 ployees and affordability for the districts **and local governments**. The board shall design benefits,
45 prepare specifications, analyze carrier responses to advertisements for bids and award contracts.

1 Contracts shall be signed by the chairperson on behalf of the board.

2 (3) In carrying out its duties under subsections (1) and (2) of this section, the goal of the board
3 is to provide high-quality health, dental and other benefit plans for eligible employees at a cost af-
4 fordable to the districts **and local governments**, the employees and the taxpayers of Oregon.

5 (4) The board shall prepare specifications, invite bids and take actions necessary to award con-
6 tracts for health and dental benefit plan coverage of eligible employees in accordance with the cri-
7 teria set forth in ORS 243.866 (1). The Public Contracting Code does not apply to contracts for
8 benefit plans provided under ORS 243.860 to 243.886. The board may not exclude from competition
9 to contract for a benefit plan an Oregon carrier solely because the carrier does not serve all coun-
10 ties in Oregon.

11 (5) The board may retain consultants, brokers or other advisory personnel when necessary and
12 shall employ such personnel as are required to perform the functions of the board.

13 **SECTION 18.** ORS 243.866 is amended to read:

14 243.866. (1) The Oregon Educators Benefit Board shall contract for benefit plans best designed
15 to meet the needs and provide for the welfare of eligible employees, [and] the districts **and local**
16 **governments**. In considering whether to enter into a contract for a benefit plan, the board shall
17 place emphasis on:

- 18 (a) Employee choice among high-quality plans;
- 19 (b) Encouragement of a competitive marketplace;
- 20 (c) Plan performance and information;
- 21 (d) District **and local government** flexibility in plan design and contracting;
- 22 (e) Quality customer service;
- 23 (f) Creativity and innovation;
- 24 (g) Plan benefits as part of total employee compensation; and
- 25 (h) Improvement of employee health.

26 (2) The board may approve more than one carrier for each type of benefit plan offered, but the
27 board shall limit the number of carriers to a number consistent with adequate service to eligible
28 employees and family members.

29 (3) When appropriate, the board shall provide options under which an eligible employee may
30 arrange coverage for family members under a benefit plan.

31 (4) A district **or a local government** shall provide that payroll deductions for benefit plan costs
32 that are not payable by the district **or local government** may be made upon receipt of a signed
33 authorization from the employee indicating an election to participate in the benefit plan or plans
34 selected and allowing the deduction of those costs from the employee's pay.

35 (5) In developing any benefit plan, the board may provide an option of additional coverage for
36 eligible employees and family members at an additional premium.

37 (6) The board shall adopt rules providing that transfer of enrollment from one benefit plan to
38 another is open to all eligible employees and family members. Because of the special problems that
39 may arise involving acceptable physician-patient relations between a particular panel of physicians
40 and a particular eligible employee or family member under a comprehensive group practice benefit
41 plan, the board shall provide a procedure under which any eligible employee may apply at any time
42 to substitute another benefit plan for participation in a comprehensive group practice benefit plan.

43 (7) An eligible employee who is retired is not required to participate in a health benefit plan
44 offered under this section in order to obtain dental benefit plan coverage. The board shall establish
45 by rule standards of eligibility for retired employees to participate in a dental benefit plan.

1 (8) The board shall evaluate a benefit plan that serves a limited geographic region of this state
2 according to the criteria described in subsection (1) of this section.

3 **SECTION 19.** ORS 243.868 is amended to read:

4 243.868. (1) In addition to contracting for health and dental benefit plans, the Oregon Educators
5 Benefit Board may contract with carriers to provide other benefit plans including, but not limited
6 to, insurance or other benefits based on life, supplemental medical, supplemental dental, supple-
7 mental vision, accidental death or disability insurance plans.

8 (2) The premium for each eligible employee for coverage under a benefit plan other than a
9 health or dental benefit plan described in subsection (1) of this section shall be the total cost per
10 month of the coverage afforded the employee under the plan for which the employee exercises an
11 option, including the cost of enrollment [*of the eligible employee*] and administrative expenses for the
12 plan.

13 (3) The board may withdraw approval of any additional benefit plan in the same manner as it
14 withdraws approval of a health or dental benefit plan as described and authorized by ORS 243.878.

15 (4) If the board does not contract for a benefit plan described in subsection (1) of this section,
16 a district **or a local government** may contract for the benefit plan on behalf of any district **or local**
17 **government** employees. The administrative expenses of the plan shall be paid in accordance with
18 the [*district's*] negotiated agreement [*with*] **between** the employees **and the district or local gov-**
19 **ernment**. Benefit plans entered into by a district **or local government** are subject to approval by
20 the board before they become operative. The board may withdraw approval of any such benefit plan
21 in the same manner as it withdraws approval of a benefit plan under ORS 243.878.

22 **SECTION 20.** ORS 243.874 is amended to read:

23 243.874. (1) In addition to the powers and duties otherwise provided by law to provide benefit
24 plans for eligible employees, the Oregon Educators Benefit Board may provide and administer flex-
25 ible benefit plans under which eligible employees may choose among taxable and nontaxable benefits
26 as provided in the federal Internal Revenue Code.

27 (2) In providing flexible benefit plans, the board may offer:

28 (a) Health or dental benefits as described in ORS 243.864 and 243.866.

29 (b) Other insurance benefits as described in ORS 243.868.

30 (c) Any other benefit that may be excluded from an employee's gross income under the federal
31 Internal Revenue Code.

32 (d) Any part or all of the district **or local government** contribution for employee benefits in
33 cash to the employee.

34 (3) In developing flexible benefit plans, the board shall design the plans on the best basis pos-
35 sible with regard to the welfare of the employees and affordability for the districts **and local gov-**
36 **ernments**.

37 (4) The board may pay some or all of the cost of administering flexible benefit plans from funds
38 authorized to pay general administrative expenses incurred by the board.

39 (5) The board shall adopt rules as the board considers necessary for the establishment and ad-
40 ministration of flexible benefit plans.

41 (6) The board may contract with private organizations for administration of flexible benefit plans
42 in accordance with rules adopted under subsection (5) of this section.

43 **SECTION 21.** ORS 243.878 is amended to read:

44 243.878. (1) The Oregon Educators Benefit Board may employ whatever means are reasonably
45 necessary to carry out the purposes of ORS 243.860 to 243.886. This authority includes, but is not

1 limited to, authority to self-insure and to seek clarification, amendment, modification, suspension or
2 termination of any agreement or contract.

3 (2) Upon providing specific notice in writing to the carrier, the affected labor organization or
4 organizations, the districts, **the local governments**, the Oregon Health Authority and the affected
5 eligible employees, and after affording opportunity for a public hearing on the issues that may be
6 involved, the board may enter an order withdrawing approval of a benefit plan. Thirty days after
7 entry of the order, the board shall terminate all withholding authorizations of eligible employees and
8 terminate all board-approved participation in the plan.

9 (3) The board by order may terminate the participation of a district **or a local government** in
10 a benefit plan if, within three months, the district **or local government** fails to perform an action
11 required by ORS 243.860 to 243.886 or by board rule.

12 **SECTION 22.** ORS 243.882 is amended to read:

13 243.882. Subject to legislative budgetary authorization for operation of the Oregon Educators
14 Benefit Board and the board's administration of benefit plans and other duties under ORS 243.860
15 to 243.886, an amount not to exceed two percent of the monthly employer and employee contribu-
16 tions for benefit plans shall be forwarded by each participating district **and local government** to
17 the board and deposited by the board in the State Treasury to the credit of the Oregon Educators
18 Benefit Account to meet the board's administrative and other costs authorized by ORS 243.860 to
19 243.886. The board shall ensure that the balance in the account does not exceed five percent of the
20 monthly total of employer and employee contributions for more than 120 days.

21 **SECTION 23.** Section 24 of this 2013 Act is added to and made a part of ORS 243.860 to
22 **243.886.**

23 **SECTION 24.** (1) **The governing body of a local government may elect to participate in a**
24 **benefit plan offered by the Oregon Educators Benefit Board.**

25 (2) **The decision of the governing body of a local government to participate in a benefit**
26 **plan offered by the board is in the discretion of the governing body of the local government**
27 **and is a permissive subject of collective bargaining.**

28 (3) **If the governing body of a local government elects to offer a benefit plan through the**
29 **board, the governing body may elect one time only to provide alternative group health and**
30 **welfare insurance benefit plans to eligible employees if:**

31 (a) **The alternative benefit plan is offered through the health insurance exchange under**
32 **ORS 741.310 (1)(b); and**

33 (b) **The participation of the local government is not precluded under federal law on or**
34 **after January 1, 2017.**