

Select Committee on Pension Policy



WSIPP Disability Options

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Decision Before The SCPP

- How to respond to the WSIPP disability study?
- Executive Committee has provided options for consideration



Today's Briefing

- Background
- Committee activity
- WSIPP policy options
- Executive Committee options
- Next steps



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Background

- Plans 2/3 provide actuarially equivalent benefits for members retiring early due to disability
- Stakeholders have approached SCPP seeking improved disability benefits for Plans 2/3 members
 - SCPP studied pension changes
 - Recommended broader study to include insurance options
- Legislature directed WSIPP to study Plans 2/3 disability benefits in 2009 and 2010
 - Pension changes
 - Insurance options
 - Report findings to SCPP and fiscal committees



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Committee Activity

- WSIPP briefed the SCPP on the 2010 study in November
 - SCPP received public comment
- Executive Committee
 - Scheduled a public hearing/possible executive session on the WSIPP options
 - Directed staff to prepare letters of recommendation
 - House and Senate fiscal committees
 - HCA and PEBB

Key Policy Questions

- Should the state take on more responsibility to replace income for Plans 2/3 members retiring for disability?
- If so, how should income replacement be done?
 - Retirement systems?
 - Generally lower employee cost, more stability, less flexibility
 - Insurance products?
 - Generally lower employer costs, less stability, more flexibility
 - Both?



WSIPP Identified Five Policy Options

- Education
 - One option
- Insurance
 - Three options
- Pensions
 - One option

WSIPP Education Option: Option 1

- Maintain current system with enhanced education
- Goal is to increase enrollment in PEBB LTD insurance
 - PEBB covers all state and some local government employees
- HCA is taking steps to implement



WSIPP Insurance Options: Options 2-4

- Option 2: Increase PEBB basic LTD insurance plan
- Option 3: Provide one-time open enrollment for PEBB optional LTD insurance plan
- Option 4: Provide LTD insurance coverage for all employees
- Goal is to increase enrollment in/availability of LTD coverage
- Currently being developed by HCA
 - Completed in 2011



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WSIPP Pension Proposal: Option 5

- Provide an enhanced disability pension for Plans 2/3 members
 - Lower reductions for members with 10+ years of service retiring for disability
 - Uses Social Security standard of disability
 - Applies to PERS, TRS, and SERS
- Studied by the SCPP in 2008
- Bill draft and fiscal note included in materials
 - Attached to WSIPP report



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Fiscal Impacts: WSIPP Pension Proposal

	PERS	TRS	SERS
Total Employer Rate Increase	0.16%	0.10%	0.15%

(\$ in millions)	Fiscal Impact All Systems
2011-2013	
Total GFS	\$15.1
Total Employer	45.2
2013-2015	
Total GFS	14.3
Total Employer	43.5
25-Year	
Total GFS	215.9
Total Employer	\$636.6



Recap: WSIPP Policy Options

Policy Options	Impacts	Next Steps
Option 1: Maintain Current System With Enhanced Education.	<ul style="list-style-type: none"> Increases enrollment in PEBB LTD. No new pension system costs. 	Consider broadening to other non-PEBB employers and employees.
Option 2: Increase the PEBB Basic LTD Plan.	<ul style="list-style-type: none"> Increases PEBB LTD benefits. Increases employer premiums. No new pension system costs. 	Awaiting further analysis by HCA (in 2011).
Option 3: Offer a one-time open enrollment for PEBB Optional LTD.	<ul style="list-style-type: none"> Increases enrollment in PEBB LTD. No new pension system costs. 	Awaiting further analysis by HCA (in 2011).
Options 4: Offer LTD insurance for all public employees.	<ul style="list-style-type: none"> Increases enrollment in LTD. No new pension system costs. Increased administrative costs (HCA or DRS). 	Awaiting further analysis by HCA (in 2011).
Option 5: Enhance Plans 2/3 pension system disability retirements.	<ul style="list-style-type: none"> Increases disability pension. Adds \$281.6 million to pension liability. Increased DRS administrative costs. 	Reconsider this option in light of HCA findings regarding insurance-based options.

Source: Jim Mayfield, WSIPP, Presentation to SCPP, November 16, 2010.



Two Letters Provided By Executive Committee

- Letter to House and Senate fiscal committees
 - Encouraging them to hold a work session on the WSIPP disability report
- Letter to HCA and PEBB
 - Encouraging them to
 - Continue to provide enhanced education on LTD insurance
 - (WSIPP Option 1)
 - Complete the analysis of the other insurance options
 - (WSIPP Options 2-4)
- Draft letters are provided in the materials



Next Steps

- No further action
- Send letters of recommendation
 - Fiscal committees, HCA/PEBB, or both
 - As drafted or amended
 - Sample motion
 - I move the committee send the draft letter of recommendation to [fiscal committees, HCA/PEBB, fiscal committees and HCA/PEBB]
- Recommend WSIPP disability pension bill draft
 - Sample motion
 - I move the committee recommend the WSIPP disability bill draft to the 2011 Legislature
- Other action?