

# WSIPP Disability Study

## Issue

Plans 2/3 of the Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and School Employees' Retirement System (SERS) provide actuarially equivalent benefits for members who retire early due to disability. Stakeholders have approached the SCPP over the past few years seeking improved disability benefits for these Plan 2/3 members.

This issue raises two key questions for policy makers:

- ❖ Should the state take on more responsibility for income replacement for Plan 2/3 members retiring early due to disability?
- ❖ If so, should it be done through the retirement systems, insurance products, or both?

## Background

The committee has studied improving disability pensions in the Plans 2/3 in years past and recommended that the Washington State Institute for Public Policy (WSIPP) undertake a broader study of this issue that would include considering both pension and insurance options.

In 2009 the Legislature directed WSIPP to study Plans 2/3 disability benefits. WSIPP was charged to look at both pension and insurance options and report any findings and recommendations on options back to the SCPP. The results of the study were published in November 2009 and are available here: <http://www.wsipp.wa.gov/rptfiles/09-11-4101.pdf>.

In 2010 the Legislature directed WSIPP to continue the study of Plans 2/3 disability benefits for the purpose of more fully developing the options identified. WSIPP was directed to report back to the SCPP and the fiscal committees of the Legislature. The follow up study was published in November 2010 and is available here: <http://www.wsipp.wa.gov/pub.asp?docid=10-11-4101>

## WSIPP Policy Options

- ❖ Option 1: Maintain current system with enhanced education.
- ❖ Option 2:\* Increase the Public Employees Benefits Board (PEBB) basic Long-Term Disability (LTD) insurance plan.
- ❖ Option 3:\* One-time open enrollment for PEBB optional LTD insurance plan.
- ❖ Option 4:\* Provide LTD insurance coverage for all employees.

- ❖ Option 5: Provide an enhanced disability pension benefit for PERS, TRS, and SERS Plans 2/3 members.

*\* These options are currently being developed by the Health Care Authority (HCA). Work is expected to be complete in 2011.*

## Committee Activity

The committee considered this issue at the September, November, and December meetings. At the December meeting, the committee voted to send letters with recommendations on the WSIPP Disability Study as detailed below.

## Recommendation To Fiscal Committees, HCA/PEBB

- ❖ Encourage the House and Senate Committees on Ways and Means to hold a work session on the WSIPP disability report.
- ❖ Encourage HCA and PEBB to continue providing enhanced education to employees regarding long-term disability insurance, and to complete the analysis of the other insurance options identified in the WSIPP Disability Report.

## Staff Contact

Darren Painter  
Senior Policy Analyst  
360.786.6155  
[darren.painter@leg.wa.gov](mailto:darren.painter@leg.wa.gov)

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