

SCPP Study Of HERPs

Issue

Some policy makers question the current policy of providing Higher Education Retirement Plans (HERPs) to all civil service exempt staff at Higher Education (HIED) institutions. In response to this, the Legislature has directed the SCPP to study HERP eligibility.

The key policy question for this study is to what extent should HERPs be provided to HIED exempt staff?

Background

Washington State's public universities and colleges are authorized by the Legislature to offer Defined Contribution (DC) retirement income plans to faculty and certain other employees. These plans are referred to as HERPs and operate much like a private-sector 401(k).

In 2011, the Legislature made several changes to eligibility, benefits, and funding for HERPs. The Legislature also expanded the SCPP's duties to include periodically reviewing HERPs and directed the SCPP to study HERP eligibility during the 2011 Interim ([ESHB 1981](#)).

HERP eligibility is generally determined by the HIED institutions and depends on employee classification. Faculty and civil service exempt employees are eligible for HERPs. Civil service classified employees are covered by the Public Employees' Retirement System (PERS).

In 1993, the Legislature expanded the number of HIED exempt positions. This change resulted in more positions becoming eligible for HERPs and moving out of PERS.

Study Mandate

Chapter 47, Laws of 2011, First Special Session, directs the SCPP, during the 2011 Interim, to evaluate the suitability and necessity of HERPs for employees in various positions within HIED institutions. The SCPP is required to report its findings, including any recommendations for restrictions on future plan membership, to the fiscal committees of the Legislature by December 31, 2011.

Policy Highlights

- ❖ HERP eligibility for faculty and classified staff is currently not in question.
- ❖ Some exempt positions are likely similar to PERS positions.

- ❖ HERPs may be necessary to recruit some exempt positions.
- ❖ Policy makers may differ on how consistent benefits should be between HIED institutions and other public employers.
- ❖ Policy makers may differ on how much flexibility HIED institutions should have in offering HERPs.

Key Findings

- ❖ HERPs are likely necessary and suitable for faculty.
 - ◇ Based on industry prevalence and recruitment.
- ❖ HERPs are not necessary for classified staff.
 - ◇ Based on recruitment.
- ❖ HERPs may be necessary and more suitable than PERS for some exempt positions, but not necessary and less suitable than PERS for others.
 - ◇ Finding inconclusive due to insufficient data.
- ❖ Increasing the number of HIED positions exempt from civil service has likely increased the PERS 1 Unfunded Actuarial Accrued Liability (UAAL)* rate.
 - ◇ Based on current funding policy.

** Represents the unfunded cost of past service for PERS 1 members. The UAAL rate is paid by employers.*

Committee Activity

The committee considered this issue at the October and November meetings. At the November meeting the committee moved to take no further action at this time on this issue.

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