

Job Risk Classes/ERFs Study

Background

Legislation was passed during the 2012 Session* that reduced early retirement benefits by lowering certain Early Retirement Factors (ERFs) for newly hired general public and school employees. The legislation also required the SCPP to study:

- ❖ High-risk job classes for possible inclusion in the Public Safety Employees' Retirement System (PSERS).
- ❖ The effectiveness of older classroom employees and the possible creation of different ERFs for school employees.

PSERS is open to limited authority law enforcement and corrections officers. Currently, risk classification is not a criteria for PSERS membership.

Currently, ERFs are applied to the benefits of Plans 2/3 members who retire before the normal retirement age of 65. ERFs provide members a portion of the benefit they would have received if they retired at age 65. This reduction recognizes that benefits are expected to be paid for a longer period of time when members retire early. The same ERFs are currently provided in the retirement systems for general public and school employees.

**More information on the changes made by 2ESB 6378 and ERFs is available in the May SCPP [meeting materials](#) and the legislative [bill](#) information.*

Study Mandate

[Chapter 7, Laws of 2012, 1st Special Session](#) directs the SCPP to study:

1. Risk classifications of employees in state retirement systems that entail either:
a) high degrees of physical risk; b) psychological risk; c) or unusually high physical requirements that result in elevated risk of injury or disablement for older employees. The study shall identify groups and evaluate them for inclusion in the PSERS. The Department of Labor and Industries (L&I) is required to provide assistance for the study.
2. Existing early retirement factors (ERFs) and job requirements that may limit the effectiveness of older classroom employees. The study shall identify groups and evaluate them for the creation of other ERFs in the teachers' or school employees' retirement systems. The Office of the Superintendent of Public Instruction (OSPI) is required to provide assistance for the study.

Key Policy Questions

The study mandate creates three primary policy questions for the SCPP to consider:

- ❖ Are current retirement eligibility requirements appropriate for
 - ◇ Older employees working in high-risk or physically demanding jobs?
 - ◇ Older classroom employees?
- ❖ Should pension policy be adjusted in response to potential risks of older employees working in high-risk or physically demanding jobs?
- ❖ Should ERFs for school employees be adjusted to facilitate the retirement of classroom employees with diminished effectiveness?

Current Status

Staff have developed a preliminary study plan and begun gathering data for the study. In developing the preliminary plan, staff met with legislative staff and representatives from the Office of Financial Management and the Department of Retirement Systems to obtain their input. Staff has also met with L&I and OSPI to coordinate data gathering for the study.

Next Steps

Staff will brief the full committee on the preliminary study plan, followed by public comment, at the June meeting. The Executive Committee will discuss the preliminary study plan and may provide additional input and direction to staff.

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Job Risk Classes/ERFs Study

Preliminary Project Plan

Study Approach

The overall study will be divided into two distinct studies with distinct policy implications:

- ❖ High-risk job classifications.
- ❖ School employee Early Retirement Factors (ERFs).

Each study will be staffed and presented as separate policy issues before the SPPP. The studies will have separate findings and potentially separate recommendations. Both studies will be combined for the report to the Legislature

Study Goals

High-Risk Job Classifications

- ❖ Review the Department of Labor and Industries (L&I) risk classifications and injury rates for public employees.
- ❖ Develop job-specific, age-based, injury rate data for public employees.
 - ◇ Including baseline injury rates for current Public Safety Employees' Retirement System (PSERS) members.
- ❖ Evaluate groups for possible inclusion in PSERS.
- ❖ Identify other potential policy options for addressing job risk.

School Employee ERFs

- ❖ Review policy implications of the recent ERF changes for classroom employees.
- ❖ Identify job requirements that might limit the effectiveness of older classroom employees.
 - ◇ Consider if unique to classroom employees.
- ❖ Evaluate possible creation of different ERFs for school employees.
- ❖ Identify other potential policy options for addressing effectiveness of older classroom employees.

Scope of Study

High-Risk Job Classifications

Which Plans Are Included?

- ❖ Plans 2/3 of the Public Employees', Teachers', School Employees', and Public Safety Employees' retirement systems (PERS, TRS, SERS, and PSERS).

What Will Be Considered?

- ❖ Existing L&I risk classifications for public employees.
- ❖ Job specific injury rates for state and school employees.
- ❖ Job specific injury rates for specified groups of local government employees—if provided with SSN and job title by employers.
- ❖ Existing studies on job-related psychological risk.
- ❖ Stakeholder input on jobs with high-risk.
- ❖ Current criteria for PSERS membership.
- ❖ Membership criteria for public safety plans in other states.

What Is Beyond The Scope Of The Study?

- ❖ Revisiting PSERS eligibility for existing groups of PSERS members.
- ❖ Developing job specific injury rates for all groups of local government employees.

School Employees ERFs

Which Plans Are Included?

- ❖ Plans 2/3 of TRS and SERS.

What Will Be Considered?

- ❖ Implications of the recent changes to ERFs for school employees.
- ❖ Existing studies on teacher effectiveness for factors that may limit the effectiveness of older classroom employees.
- ❖ Stakeholder input on factors that may limit the effectiveness of older classroom employees.

- ❖ Retirement provisions for school employees in other states.

What Is Beyond The Scope Of The Study?

- ❖ Defining and measuring the effectiveness of classroom employees.

Key Deliverables

- ❖ SCPP issue paper and executive summary for the high-risk job classifications issue.
- ❖ SCPP issue paper and executive summary for the school employee ERF issue.
- ❖ Letter of transmittal and combined executive summary for both issue papers.
- ❖ Staff presentations.
- ❖ Bill drafts and actuarial pricing, if requested.

Roles

SCPP

- ❖ Provide input to Executive Committee and staff.
- ❖ Receive staff briefings and public comment.
- ❖ Approve recommendations to Legislature.

Executive Committee

- ❖ Provide direction to staff.
- ❖ Make recommendations to full SCPP.

Staff

- ❖ Provide briefings.
- ❖ Suggest possible frameworks for evaluating policy and data.
- ❖ Gather data in coordination with outside entities.
- ❖ Identify findings.
- ❖ Price options and draft bill language, if needed.
- ❖ Write report to Legislature.

The Department of Labor and Industries

- ❖ Provide data on risk classifications and injury rates for public employees.

Office of the Superintendent of Public Instruction

- ❖ Provide data on school employees for the high-risk job classification study.
- ❖ Consult existing studies and data regarding classroom employee effectiveness.

Timeline

Staff will develop the project plan in the spring, gather and analyze data over the summer, and present findings and options in the fall. If requested, actuarial pricing of options would be done in the late fall. Staff will deliver the final report to the Legislature on December 15, 2012.

The following schedule shows how the study may work through the scheduled SCPP meetings this interim.

June

- ❖ Staff briefing on study plan and framework.

July

- ❖ Staff briefings on background and policy.

September and October

- ❖ Staff briefings on injury rate data and findings from existing teacher effectiveness studies.
- ❖ Committee identifies groups and options for actuarial pricing.

November

- ❖ Committee action on study recommendations, if any.
 - ◇ Note: Report due to Legislature prior to December meeting.
- ❖ Possible bill draft requests.

December

- ❖ Possible committee action on SCPP request legislation, if any.

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