

High-Risk Job Classifications (Preliminary Summary)

Issue

In 2012 the Legislature passed 2ESB 6378 (Chapter 7, Laws of 2012, First Special Session). Among other provisions, this bill modified Early Retirement Factors (ERFs) for newly hired employees in the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS). It also required the Select Committee on Pension Policy (SCPP) to study two things.

- ❖ High-risk job classifications.
- ❖ Classroom Employee ERFs.

This report responds to the mandate to "study high-risk job classifications that entail high degrees of physical or psychological risk, or result in elevated risks of injury or disablement for older employees for potential inclusion in the Public Safety Employees' Retirement System (PSERS)." This version of the report discusses considerations of using pension policy to address concerns over job risk. It will be updated as the study progresses to include additional information, and, where appropriate, conclusions and findings.

Policy Questions

The study mandate raises the following key policy questions.

- ❖ Are current retirement eligibility requirements appropriate for older employees working in high-risk or high stress jobs?
- ❖ Should pension policy be adjusted in response to potential risks of older employees working in high-risk or high stress jobs?
- ❖ If so, how should they be adjusted and for which employees?

Policy Highlights

- ❖ PSERS has more generous early retirement and disability benefits than PERS, SERS, and TRS; which could be one reason why certain groups seek inclusion in PSERS.
- ❖ Potentially, there are negative risks associated with retaining older employees in the workplace.

- ❖ The state has existing policies regarding lower retirement ages for certain high-risk occupations.
- ❖ Not all workplace risk is the same. Risk varies in type and severity.
- ❖ Lowering retirement age does not necessarily eliminate all risk for older employees. However, it will likely reduce exposure.
- ❖ There are many ways to address concerns over job risk both inside and outside of the pension system, including options available to members under current law.
- ❖ Improving benefits for employees in high-risk occupations will likely create long-term contractual rights to those benefits which cannot be easily undone.
- ❖ Ultimately, determining appropriate retirement age for employees in high-risk/stress jobs is a balancing act between employee and employer needs and affordability.

Committee Activity

The SCPP was briefed on the passage of the bill and the bill's main provisions at the meeting on May 15, 2012.

Staff presented the preliminary study plan and study approach at the meeting on June 27, 2012.

Next Steps

At the September 18, 2012, meeting, staff will present preliminary results and/or findings regarding job risk classifications, injury rate data, and high level options. At that time, policy makers may wish to select certain positions or job classifications to analyze in more detail for the October 16, 2012, SCPP meeting.

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In Brief

Issue

The Legislature directed the SCPP to study high-risk job classifications that entail high degrees of physical or psychological risk or disablement for older employees during the 2012 interim. Findings and any potential recommendations are due by December 15, 2012.

The key policy questions for this study are: Should pension policy be adjusted in response to increased risk for older employees in the workplace? If so, how and for whom?

Member Impact

The study mandate is geared toward members of the PERS, SERS, and TRS Plans 2/3 and PSERS Plan 2.

There are approximately 259,000 active PERS, SERS, and TRS Plans 2/3 members. At this point in the study, it is unknown how many active members would be considered high-risk.

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High-Risk Job Classifications (Preliminary Issue Paper)

During the 2012 Legislative Session, legislation* was passed that reduced Early Retirement Factors (ERFs) for all state employees hired on or after May 1, 2013. This ERF reduction affects all future Plans 2/3 members of the Public Employees' Retirement System (PERS), School Employees' Retirement System (SERS), and the Teachers' Retirement System (TRS).

In addition to the aforementioned reduced ERFs, the legislation included a study mandate. Under Chapter 7, Laws of 2012 First Special Session, the Select Committee on Pension Policy (SCPP) is required to study job risk classifications that entail high degrees of physical or psychological risk, or result in elevated risks of injury or disablement for older employees. The SCPP shall identify groups and evaluate them for potential inclusion in the Public Safety Employees' Retirement System (PSERS). Findings and any potential recommendations of the study must be submitted to the fiscal committees of the Legislature no later than December 15, 2012.

The same study mandate also requires the SCPP to study the effectiveness of older classroom employees and the possible creation of different ERFs for school employees. A separate issue paper with separate findings will be made available discussing this second part of the study.

This version of the issue paper discusses considerations around using pension policy to address workplace risks. It will be updated as the study progresses to include additional information, and, where appropriate, conclusions and findings.

*More information on the changes made by 2ESB 6378 (2012) is available in the May SCPP [meeting materials](#) and the legislative history of the [bill](#).

Issue

A majority of members in the public pension systems belong to PERS, SERS, and TRS. Some groups of these members may seek inclusion in PSERS due to the more generous early retirement and disability benefits and lower normal retirement age provided.

Taking the study mandate into account, the following high-level policy questions are raised:

- ❖ Are current retirement eligibility requirements appropriate for older employees working in high-risk or high-stress jobs?
- ❖ Should pension policy be adjusted in response to potential risks of older employees working in high-risk or high-stress jobs?
- ❖ If so, how and for whom?

Committee And Legislative History

Public safety retirement benefits have been studied in depth throughout SCPP history.

The issue of public safety retirement benefits predates the SCPP. Before the SCPP was created in 2003, the Joint Committee on Pension Policy (JCPP) studied the issue of high-risk or high-stress jobs in depth over the course of multiple interims.

The JCPP studied the issue of providing additional public safety benefits to certain members of PERS Plans 2/3 over a three-year period from 2000-2002. In their final year, the JCPP heard presentations and public testimony on the issue but did not forward a recommendation to the Legislature.

PSERS was created in 2004 and implemented in 2006.

When the SCPP replaced the JCPP in 2003, a subcommittee on PERS public safety was formed to study the issue in more depth. The PERS Public Safety Subcommittee brought a proposal to the full SCPP that same interim and a recommendation from the full SCPP was made to the Legislature for the 2004 Session. This recommendation included the creation of the PSERS plan, with a delayed implementation until 2006.

This original proposal created an activity criteria list in the intent section of the bill and used occupational titles and a statutory list of employers as the main criteria for membership, which were listed in the definition section. The following occupational titles were in the original proposal from the SCPP and passed the Legislature.

- ❖ City and County Corrections Officers, Jailers, Police Support Officers, Bailiffs, and Custody Officers.
- ❖ County Sheriffs Corrections Officers, Probation Officers, Probation Counselors, and Court Services Officers.
- ❖ State Correctional Officers, Correctional Sergeants, and Community Corrections Officers.
- ❖ Liquor Control Officers.
- ❖ Park Rangers.

- ❖ Commercial Enforcement Officers.
- ❖ Gambling Special Agents.

During the initial phases of planning and implementation, the occupational title requirement became problematic due to inconsistent job duties across agencies and government jurisdictions. The SCPP found that certain occupational titles included in statute did not meet the activity criteria set forth in the intent section of the bill.

With this original model, there was potential for employees whose duties met the intent of the bill to be unintentionally excluded and employees whose duties did not meet the intent of the bill, but were serving in one of the listed occupations, to be included in PSERS.

Throughout the 2005 Interim, the SCPP reexamined the original PSERS statute and ultimately took action. Their recommendation was to amend the statute to establish a criteria/duty-based membership design while retaining the statutory list of employers. In this new proposal was language to include the Department of Natural Resources (DNR) and the Department of Social and Health Services (DSHS) on the statutory list of employers. However, this new provision was amended out of the bill in the House of Representatives. The version of the bill that passed into law did not include DNR or DSHS in the PSERS statutory list of employers.

The new PSERS plan was implemented in 2006.

The Legislature amended the new statute to add DNR as a PSERS employer during the 2007 Legislative Session.

The SCPP reviewed the PSERS plan in the 2006 and 2011 Interims but took no further action.

Understanding the differences in retirement provisions may help policy makers understand the potential impact of altering eligibility requirements for PSERS membership.

Background

PSERS Plan 2 provides different retirement eligibility than PERS, SERS, and TRS Plans 2/3. Understanding the differences in retirement eligibility between the plans may help policy makers understand the potential impact of altering the eligibility requirements for PSERS membership to include risk classifications or create a lower retirement age for occupations with a higher degree of risk.

Understanding the Workers' Compensation Program in the Department of Labor and Industries (L&I) will help inform policy makers about current benefits offered to employees who have suffered injuries in the workplace.

Normal Retirement Is Age 65 In The Plans 2/3

Retirement benefits are consistent between PERS, SERS, and TRS.

PERS, SERS, and TRS are primarily defined benefit (DB) plans* covering approximately 92 percent of all state and local retirement system members. The Plans 2/3 in these systems provide full retirement benefits at age 65. Early retirement is available beginning at age 55 with twenty years of service for Plan 2 or ten years of service for Plan 3. If a current member retires early under either plan their benefits are reduced by 3 percent per year if they have worked for thirty years or longer. If their total service is less than thirty years an actuarial reduction is taken. Under the new ERFs established in Second Engrossed Senate Bill 6378 (2012), all PERS, SERS, and TRS members hired after May 1, 2013, will have a 5 percent reduction for each year the member retires prior to reaching the normal retirement age of 65. All PERS, SERS, and TRS members receive an actuarially reduced accrued benefit in the case of disability. More information on plan provisions is available on the [DRS website](#).

**The Plans 3 are hybrid plans with both DB and defined contribution components.*

Normal Retirement Is Age 60 In PSERS

PSERS benefits are more generous than PERS, SERS, and TRS.

PSERS is a DB plan created in 2004 for limited authority law enforcement officers who are not eligible for membership in the Law Enforcement Officers' and Fire Fighters' Plans (LEOFF).

PSERS Plan 2 provides full retirement benefits at age 60 with ten years of service with a PSERS eligible employer. Early retirement is available beginning at age 53 with twenty total years of service but is reduced by 3 percent per year. In the case of disability, a PSERS member will receive an accrued benefit, which is actuarially reduced from age 60. More information on plan provisions is available on the [DRS website](#).

PSERS Eligibility Is Narrowly Defined

Current statutory criteria for PSERS membership are quite specific. To be eligible for PSERS, an employee must be employed on a full-time basis and:

Risk classifications are not currently criteria for PSERS eligibility.

- ❖ Serve as a limited authority peace officer or corrections officer; or
- ❖ Have the primary responsibility of supervising eligible members.

In addition to meeting the above criteria, members must be employed by one of the following agencies.

- ❖ Department of Corrections.
- ❖ Parks and Recreation Commission.

- ❖ Gambling Commission.
- ❖ Washington State Patrol.
- ❖ Liquor Control Board.
- ❖ Department of Natural Resources.
- ❖ Washington State Counties.
- ❖ Washington State Cities (except Seattle, Tacoma, and Spokane).

While the intent section of PSERS statute explicitly states “a high degree of physical risk” to one’s personal safety and providing “public protection of lives and property” as primary criteria of PSERS membership, there is no specific mention of risk or risk classifications in the definition section of PSERS membership.

The majority of PSERS members are corrections officers.

PSERS Membership

PSERS is a relatively young plan with active membership totaling 4,187 members, as shown in the following chart. The majority of PSERS members (over 90 percent) are corrections officers. Only 15 members have retired from the PSERS system to date.

PSERS Averages as of July 2012				
	Count	Age	PSERS Service	Salary
Actives	4,187	39.5	3.7	\$55,597

Workers' Compensation

If a PERS, SERS, or TRS member suffers a workplace injury they are entitled to a worker's compensation benefit, depending on the severity of the injury. Workers' compensation covers medical expenses and pays a portion of wages lost while a worker recovers from the injuries sustained in the workplace. The Workers' Compensation Program at L&I places emphasis on getting employees back to work. L&I reimburses eligible employees for one-half an injured worker's base wage for providing light-duty or transitional work. More information on Workers' Compensation is available on the [L&I website](#).

The Workers' Compensation Program was created to cover medical expenses and pay a portion of wages lost while an employee recovers.

L&I tracks information on Workers' Compensation claims and injuries for public employees. L&I also creates risk classifications for purposes of charging premiums for the Workers' Compensation program. This study will consider Workers' Compensation data as a way to help policy makers identify high-risk occupations.

Policy Analysis

A study of high-risk job classifications could be approached as a risk management exercise. However, this study will focus on pension policy, given the scope of the SCPP.

A study of high-risk classifications and retirement system membership for public employees can reasonably be approached as an exercise in risk management* or as an issue of pension policy. Given the primary role of the SCPP is considering pension policy, this paper assumes a pension policy approach to the study.

From a pension policy perspective, the study mandate raises three key questions for policy makers.

- ❖ Are current retirement eligibility requirements appropriate for older employees working in high-risk or high-stress jobs?
- ❖ Should pension policy be adjusted in response to potential risks of older employees working in high-risk or high-stress jobs?
- ❖ If so, how and for whom?

In responding to these key questions, policy makers will likely consider current policy, SCPP goals, implications of older employees in high-risk jobs, data from other states, types of workplace risk, implications of changing pension policy, and potential cost implications.

**A typical risk management exercise involves identifying risks to the organization and determining which risks should be avoided, transferred or mitigated. This would allow policy makers to develop strategies both inside and outside of pension policy to address the risk. However, a full risk management study is beyond the statutory role and expertise of the SCPP.*

Normal Retirement Age Is 65 For Most Workers

Retirement systems are designed to address the needs of the larger group and have consistent benefits, generally.

The majority of public employees have a normal retirement age of 65. This age is likely linked to life expectancy and consistency with Federal Social Security standards. The normal retirement age for a plan is designed to apply to the group as a whole and may not take into account individual circumstances.

PERS, SERS, and TRS Plans 2/3 all have a normal retirement age of 65. They also have a diverse membership demographic. Overall, these plans cover a wide range of job types, including those that are more physically demanding, have a greater exposure to workplace risk, or have a more stressful workplace environment. For example, a PERS employee in a state hospital is consistently exposed to a greater amount of risk than a PERS member who works in an office setting. Additionally, a PERS member who operates heavy machinery on a daily basis and has high physical demands is in the same retirement plan as a licensing specialist who interacts with the public all day.

Some policy makers may view age 65 as appropriate for employees in professional and administrative jobs that are generally low risk with low physical demands. However, policy makers may view age 65 as inappropriate for physically demanding, high-risk, or high-stress occupations.

Early Retirement Is Available Beginning At Age 55

For members who feel for various reasons that they cannot work until the normal retirement age of 65, the plans allow for early retirement. This gives members a certain amount of flexibility and individual choice as to when they retire.

For members who feel they cannot work until age 65, there is an option for early retirement. However, there is a financial consequence.

For some members, the financial consequences of early retirement may be prohibitive due to ERFs. ERFs reduce the monthly benefit in recognition that the pension of a member retiring early will be paid over a longer period of time. It is likely that due to these financial consequences or the individual choice to work past early retirement eligibility, some members choose to work until normal retirement age.

The State Provides Lower Retirement Ages for Public Employees in High-Risk Jobs

LEOFF, PSERS and WSPRS Plan 2 provides a lower retirement age than the other Plans 2/3, as shown in the following chart.

System	Normal Retirement Age (Age/Service)	Early Retirement Eligibility (Age/Service)
LEOFF Plan 2	53/5	50/20
PSERS Plan 2	60/10	53/20
WSPRS	55 Any age/25 Mandatory at 65	n/a
PERS Plan 2	65/5	55/20
PERS Plan 3	65/10	55/10

Occupations covered by LEOFF, PSERS, and WSPRS - such as police officers, fire fighters, state patrol, corrections officers, and other limited authority law enforcement officers - are generally considered higher risk. This perception likely comes from the nature of the required job duties. Members in these professions are likely exposed to different types of risk compared to other public employees in general. This may be one reason why the public tends to support more generous retirement benefits for public safety employees.

However, it is hard to determine if other occupations or positions in public employment would receive similar support from the public.

The SCPP Has Established A Goal Around Normal Retirement Age

Generally, selecting retirement benefits and retirement age is a balancing act between employee and employer needs and affordability.

Some policy makers may look to SCPP goals when considering the appropriateness of the current retirement eligibility requirements. These goals state that selecting a retirement age is a balancing act between employee and employer needs and affordability.

The SCPP revised and adopted [goals](#) for the state public pension systems in the 2005 interim. SCPP goal 3 addresses normal retirement age

“To establish a normal retirement age for members currently in the Plans 2/3 of PERS, SERS, and TRS that balances employer and employee needs, affordability, flexibility, and the value of the retirement benefit over time.”

The SCPP goals recognize every perceived need may not be affordable or sustainable over a long-term basis. Ultimately, this issue will likely require policy makers to determine and balance employee and employer needs with affordability.

Policy Implications For Older Employees Working In High-Risk Jobs

Some occupations are inherently more physically demanding, stressful, and dangerous. An aging workforce may contribute to increased injury in these occupations.

For the purpose of this study, a high-risk occupation or position is considered to have, relative to public employees in general, higher physical demands, higher levels of job stress, or higher levels of injury in the workplace.

As discussed earlier, there are occupations that are inherently more physically demanding, dangerous, or stressful than others. Policy makers may wish to consider if employees in these jobs should have a lower retirement age than other public employees.

Aging may negatively impact employees in high-risk jobs more than it impacts other public employees. This could be attributed to a number of factors such as diminished physical capabilities, continuous stress or psychological risk accumulated over one’s career, or burnout. All these factors could lead to decreased effectiveness or increased risk of injury to older employees in certain occupations.

Individuals experience the impacts of aging differently.

However, individuals experience the impacts of aging differently. Some might experience very little impairment in their physical abilities or job performance before the age of 65, while others likely experience more.

Employees working in an office setting might not have the same retirement needs as employees in high-stress or physically demanding jobs.

The cumulative effects of working in physically demanding or stressful occupations vary, as well. A thirty-year career may be quite common and considered reasonable for a teacher or office worker but possibly not for a utility or construction worker.

For those who work in an environment with average levels of stress, thirty years may be considered acceptable; but for those that work in high-stress environments like prisons or are exposed to stressful situations more frequently, like 911 telecommunicators, thirty years may be considered unacceptable.

Policy makers will likely take these factors and others into consideration when contemplating making changes to current retirement systems.

Policy Makers Will Likely Consider Implications For Employees, Employers, And The Public

No position in public employment is without some degree of risk to the personal safety of individual employees. However, some positions are inherently riskier than others. It is possible that retaining older employees in the workforce could increase the risk of injury to the individual, their coworkers, or the public.

Older employees may experience diminished physical capabilities as they age.

Varying levels and types of risk may be considered when determining the relationship of age and risk in the workplace. The following section is broken out by risk to the employee; risk to the employer; and risk to the public. Types of risk, such as risk of violence and occupational risk, are discussed in subsequent sections.

Risks To The Employee

As mentioned earlier, employees may experience diminished physical capabilities as they age. Occupations with high physical demands may become more difficult for employees to execute with age and may pose greater risks to an employee's personal safety. It is possible that employees who are aware of their increased physical challenges as they age could potentially leave younger workers responsible for taking on more physically demanding aspects of a job. This might be considered by some as a transfer of risk.

Individuals experience the impacts of aging differently.

In addition to diminished physical capabilities, older employees may be negatively impacted by cumulative stress throughout one's career. Older employees who have served for many years in a high-stress environment may lose the ability or desire to cope with normal job stresses. Moreover, employees who are exposed to increased risk of physical injury may suffer stress from chronic injury or illness.

However, for many employees, there is likely opportunity to advance throughout their career. It is not atypical for older employees to have the opportunity to advance into a managerial or supervisory role by the time their physical capabilities begin to decrease. Though there will be occupations with inherent limitations and employees who are not able to advance along this path could be exposed to increased risk of injury in the workplace.

Policy makers may wish to consider the individual variability associated with psychological risk and stress. People react to certain situations differently – what is stressful to one person might not be stressful to another. Due to this, some might believe that stress can be present in any job or occupation and is not limited to occupations with high rates of injury. As such, some policy makers may feel that psychological risk and stress should not be considered as a factor in changing retirement benefits.

Risks to the Employer

There is potential for employers to be exposed to increased risk if older employees in physically demanding or high-risk jobs are injured on the job or become incapable of effectively performing the duties of the job.

Employees who are injured in the workplace will generally file a workers' compensation claim to recoup the costs of medical visits and lost work time. Employers contribute towards workers' compensation benefit premiums.

Generally, older employees who have been in the same career for many years possess deeper institutional knowledge and more experience. They may be higher paid than their younger counterparts. This could result in higher costs for employers when older employees suffer injury.

Employers may face a recruitment and retention issue if retirement benefits do not meet the needs of employees in high-risk jobs.

Employers may also be exposed to increased liabilities if an older employee is physically incapable of performing certain critical tasks. For example, if an older employee who is responsible for managing violent inmates or patients can no longer effectively perform the necessary duties, other staff, inmates, or patients may be put in harm's way.

In addition to increased risk and liabilities, employers may face a retention and recruitment issue. Theoretically, if retirement benefits do not meet the needs of employees in high-risk occupations, employers might face challenges in hiring and retaining employees. Policy makers may wish to pursue more information from employers regarding this potential concern.

Risks To The Public

Similar to employer risks, there is potential for the public to be impacted by the costs of injuries to older employees. If injury rates increase with employee age due to decreased effectiveness, public employers' costs increase.

It is possible that with decreased effectiveness, older employees may deliver poorer service to the public. For example, a caseworker who has interacted with social service benefit recipients many years may suffer from burnout due to cumulative stress and might not deliver the same level of service.

In some cases, when older employees suffer from decreased effectiveness there might be a direct threat to public safety. For example, if a Department of Transportation highway maintenance employee can no longer meet the physical demands of the job, the public may be exposed to a hazardous situation.

Other States

The following is a high-level summary of provisions in Washington's peer states. Please see Appendix C for additional details.

Public safety retirement benefits vary among the peer states in structure and complexity. Overall, most peer states offer lower retirement ages or some type of enhanced benefit for public safety occupations. However, there is a great deal of variability among the states in benefit provisions. There is also variability in the occupations eligible for public safety type plans.

Most of Washington's peer states have a public safety retirement system but eligibility requirements and benefits vary greatly.

All of Washington's peer states offer enhanced benefits to police and fire fighters. A majority offer some special benefits for public safety employees. However, not all of Washington's peer states provide enhanced benefits for public safety employees. Idaho is one such example.

Of the ten peer states identified, seven have a lower normal retirement age than Washington in some combination of age and service.

The types of positions covered by public service plans and tiers vary; however, there are similarities among the states. For example, corrections officers and those responsible for inmate care are typically included in public safety plans. Youth correction and juvenile detention facility staff are eligible for enhanced public safety benefits in California, Oregon, and Florida but not in Washington.

Policy Makers May Respond Differently To Different Types Of Workplace Risks

There are varying types of risk in the workplace – such as occupational disease, risk of violence, severe injury or disablement.

As mentioned in previous sections, not all risk is the same. The risk of injury police or firefighters experience is not the same type of risk as someone who works with heavy machinery. Occupational disease, stress, risk of injury or disablement, and risk of violence are some examples of different types and severity of risks.

Some occupations contain low risk on a day to day basis, but physical demands of the job throughout one's career accumulate, creating health problems later in life, such as with occupational disease. In other occupations, employees are faced with the potential for exposure to severe risk on a daily basis – such as police officers or those working with criminals - but may never actually experience injuries throughout their careers.

For the purpose of this study, it is assumed that high-risk occupations will have a higher rate of injury. Routinely collected injury data from L&I is one tool in identifying certain employees or occupations that contain a high degree of risk. This L&I injury data, combined with personnel data, and retirement data could inform policy makers on rate of injury in certain environments, severity of injury, and age of injured employees. It is expected that this study will gather and analyze data over the interim to be reported to the SCPP in the fall of 2012.

Policy makers may use this information to determine which risks should, if any, be managed through the public pension system.

Some Risks Can Be Addressed Outside Of Pension Policy

There are approaches outside of pension policy to address workplace risk.

Policy makers may determine that options currently available to employees and employers outside the pension system are sufficient to manage increased risk in the workplace for older employees. For example, human resource departments may have the ability to transition older employees into less strenuous, physically demanding positions within the same agency to accommodate their changing needs.

Additionally, safety management practices could be altered to address injury in high-risk environments. Constantly changing technology and safety procedures alter the way in which certain occupations carry out their duties. It is possible that risk to older employees could be managed with different safety management practices.

Some Risks Can Be Addressed Under Current Policy By Individuals

Individuals who cannot work until the normal retirement age of 65 have options within the current retirement system. The following options are discussed in more detail: early retirement, career change, and deferred retirement.

Early Retirement

As discussed in the **Background** section, under PERS, SERS, and TRS, members working in high-risk or high-stress jobs have the option of retiring before the normal retirement age of 65 but will incur a benefit reduction. This benefit reduction will either be an actuarially reduced benefit for every year the member retires prior to age 65 or an alternate early benefit reduction. PSERS members may retire early beginning at age 53 but will incur a 3 percent, per year reduction.

Some plan members may not be able to afford a reduction in their retirement benefits and have the potential to stay in a high-risk position until retirement, thus potentially increasing their risk of injury.

Changing Careers

Employees who feel they can no longer continue in their current occupation due to the high physical demands, high risk of physical injury or psychological stress may consider changing jobs or careers. Employees may be able to change jobs or careers within their current retirement system. However, they may not be able to receive the same salary in a new position. PERS and SERS members likely have greater opportunity to change jobs or careers than most TRS members due to the wide range of positions in PERS and SERS. TRS members may feel that their skills are not transferable to a different occupation and therefore cannot easily change careers. Some PERS and SERS members may have the same challenges as TRS members.

Members who wish to change jobs or careers have options, such as dual membership or portability.

Members may also change careers among state retirement systems without harming their benefit. Dual membership (or portability) provisions allow members to change employment between retirement systems and combine service credit earned in all dual member systems to become eligible for retirement. Employees who wish to do this can also use their highest base salary in a dual member system to calculate their retirement benefit. For example, an employee who works as an enforcement officer with juvenile offenders may wish to leave that employment after a decade of service to work as a school bus driver. This employee may do so and their service at both jobs will

count towards their retirement eligibility. The job with the highest base salary will count towards the overall retirement benefit regardless of whether or not it was the most recent employment.

Deferred Retirement

Not all employees may choose to stay in public employment if they feel like they can no longer continue in their current occupation. If a PERS, SERS, or TRS Plans 2/3 member were to move into the private sector they could defer retirement until they reach normal retirement age. If they do not apply for retirement before normal retirement age, there is no reduction in their benefits. However, Plans 2 members will lose eligibility for Post-Employment Benefits Board (PEBB) benefits if they do not retire immediately after leaving service.

The DB/DC hybrid design of Plan 3 may make it easier for Plan 3 members to defer retirement. Plan 3 allows members to defer the defined benefit portion of their hybrid plan until normal retirement age with no reduction in benefits while taking the defined contribution portion immediately.

Some policy makers may see the options that are currently available to employees as adequate alternatives to staying in a high-risk occupation until normal retirement age and wish to take no further action. However others may believe enhanced benefits for employees in high-risk occupations is necessary to minimize potential risks to employees, employers and the public.

Pension Policy Can Address Some, But Not All Job Risks

Pension policy can mitigate risks that are associated with aging or length of service but cannot eliminate all risk.

The primary way pension policy can be used to address concerns around job risk is through retirement. Retirement is most effective at mitigating risks that are related to or exacerbated by aging or length of exposure. For example, risks to older employees who are more likely to suffer from occupational disease or injuries from physically demanding jobs can likely be reduced through earlier retirement

However, pension policy alone cannot address all workplace risk. Allowing for earlier retirement can reduce how long individuals are exposed to certain risks or job stresses, but does not eliminate the underlying risks or stress. And employees could choose to continue exposing themselves to risk by working past retirement eligibility.

Allowing earlier retirement for certain high-risk occupations will likely increase costs in the retirement system. However, it is possible that lower retirement ages could result in fewer workplace injuries, which

could reduce workers' compensation costs to employers and potentially offset some of the increased pension costs.

Many Higher-Risk Positions Have Been Addressed

Positions that are generally considered higher risk occupations for both employees and the public - such as police officers, fire fighters, and corrections officers - are already in separate retirement plans with lower retirement ages. Also, the SCPP and JCPP have spent several years considering public safety benefits. Given this, it may be difficult for policy makers to identify—and agree upon—other groups that should receive enhanced benefits on the basis on job risk.

If policy makers determine that occupations which entail a higher degree of risk should receive a lower retirement age, they may wish to determine what types and level of risk should be considered.

Policy makers evaluating possible expansion of PSERS eligibility may also wish to consider how similar the risks are to those faced by employees in existing public safety occupations.

Expanding PSERS Eligibility Has Policy Implications

Expanding PSERS eligibility requirements has various implications that policy makers will likely consider. Including positions based on risk, as opposed to job duties, could change the nature of PSERS membership and move it away from a more law enforcement focus. There is potential for many groups to seek inclusion in the system and it may be difficult for policy makers to determine where to draw the line if eligibility is opened up based solely on risk factors. Some physically demanding occupations, highway maintenance or utility workers may have higher rates of certain types of injuries than existing PSERS members. And other occupations, such as 911 dispatchers or food service workers in prisons may face similar levels of job stress.

It is a possibility that expanding plan eligibility might result in current PSERS members seeking enhanced benefits if they feel that the newly added positions do not face similar risks.

Improving benefits in high-risk occupations will likely create long-term contractual rights which cannot be easily undone.

Some Policy Makers May Set A High Bar Before Changing Current Pension Policy

Generally, pension policy is designed to apply to the needs of the majority of workers with the long-term in mind. As life expectancies and quality of health are increasing, the balance between length of

career and length of retirement is shifting. And as employees live longer in retirement, the affordability of retirement systems may change. Given this, some policy makers may be reluctant to lower retirement ages for any group of employees.

While it is possible that policies which encourage employees to retire early may help mitigate risks to some older employees, it is likely that these same policies may encourage fully capable employees to exit the workforce early. This may negatively impact employer's ability to retain experienced workers.

Improving benefits for employees in high-risk occupations will likely create long-term contractual rights to those benefits which cannot be easily undone. However, the same risks that older employees face currently might not apply in thirty years due to advancements in technology and shifting needs. For example, many years ago, most garbage collectors manually emptied cans into the trucks. Today, many trucks have automatic lifts so employees no longer have to physically handle the cans. This has likely reduced rates of injury and allowed older employees to continue to be effective in the job.

Workplace risks will likely evolve over time.

Ultimately, selecting an appropriate retirement age for high-risk jobs will be a balancing act between employee and employer needs and affordability.

Policy Makers May Choose A Variety Of Approaches

Some policy makers may believe current options available to employers and individual employees such as workplace accommodation, changing careers, or deferred retirement are sufficient to address the issue of risk and high physical demands for older employees in the workplace. Other policy makers may prefer that job risks be addressed outside of pension policy to the extent possible before considering changes to retirement benefits. For example, some risks could possibly be addressed through HR policies or safety practices. However, it is beyond the scope of this study to develop specific options outside of pension policy.

Some policy makers may decide that changes to pension policy are required to address concerns over older employees in high-risk/high-stress jobs. While assessing potential inclusion in PSERS was named specifically in the study mandate, policy makers may wish to consider additional options as well. Some options policy makers might consider include:

- ❖ Expand PSERS eligibility requirements based on risk.

Job risk can be addressed both inside and outside of pension policy.

- ❖ "Roll back" the new ERFs to earlier levels for all PERS, SERS, and TRS members.
- ❖ Create a separate classification in PERS for high-risk occupations with enhanced early retirement benefits.
- ❖ Create a new plan for high-risk occupations.
- ❖ Increase disability benefits for PERS members (or only certain members - has been studied before but SCPP didn't make recommendation).

These options, as well as any additional options decided by the SCPP, will be looked at in more detail throughout the interim. Policy makers may also decide that further study is necessary before making any recommendations.

Conclusion

The study mandate prescribed in 2ESB 6378 (2012) requires the SCPP to evaluate jobs that entail a high degree of physical or psychological risk that may result in injury or disablement for older employees; and to consider them for potential inclusion in PSERS. There are several factors that policy makers may decide to evaluate in determining the need to adjust pension policy in response to older employees working in high risk/stress occupations. Such factors may include current policy and policy goals around retirement age, implications of older employees in high-risk jobs, types of workplace risk, implications of changing pension policy, and affordability.

Every position in public employment has some degree of risk and stress. However, some jobs have more risk and stress than others, and policy makers may be more concerned about certain types of risk or stress. Some types of risk or stress may impact older employees to a greater degree. In some cases, retaining older employees in the workforce could create additional risks for the individual, their coworkers, their employer, or the public.

Pension policy—through retirement eligibility—can address some, but not all, workplace risks. Pension policy can be effective in addressing risks that are related to or exacerbated by aging or length of exposure. Other risks may be more effectively addressed outside of pension policy. Some policy makers may set a high bar for changing pension policy to address job risks in consideration of implications for retention, contractual rights, and the long-term sustainability of the retirement systems.

When considering workplace risk, policy makers will likely evaluate the various types of workplace risk for older employees and options

currently available inside and outside of the pension system to mitigate those risks. Some policy makers may feel that the occupations with the most critical risks have already been addressed in the pension systems. These policy makers may further feel that employees in other occupations who cannot or do not want to work until the normal retirement age have sufficient options available to them under current law. Other policy makers may feel that existing options are not sufficient for older employees in certain occupations with higher levels of risk or stress and may seek policy changes either inside or outside of the pension systems. While the study mandate specifically contemplates expanding PSERs membership, policy makers may wish to consider other potential options to address concerns around older employees in high-risk jobs. Ultimately, in responding to this issue, policy makers will likely consider the balance between employee and employer needs and affordability of the systems.

Findings

Collection of data from multiple sources, including the L&I, Department of Retirement Systems, and Department of Enterprise Services is currently being coordinated by staff. Preliminary data analysis on job injury rates will likely be provided to the SCPP in the fall.

It is likely that the data analysis will help members evaluate possible options for SCPP action either inside or outside the pension system. Data analysis may also help policy makers determine which groups to focus on first.

Correspondence*

- ❖ Matt Zuvich, Washington Federation of State Employees, June 25, 2012.
- ❖ Gabe Hall, Local 862 Washington Federation of State Employees, June 18, 2012.
- ❖ Keith Flewelling, Washington State APCO-NENA Chapter, June 15, 2012.
- ❖ Chris Vance, King County Adult Corrections Guild, May 14, 2012.

**To see the full stakeholder correspondence, see the [SCPP correspondence webpage](#).*

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Appendix A

11 NEW SECTION. **Sec. 8.** The select committee on pension policy, with
12 the assistance of the department of labor and industries, shall study
13 the issue of risk classifications of employees in the Washington state
14 retirement systems that entail either high degrees of physical or
15 psychological risk to the members' own safety or unusually high
16 physical requirements that result in elevated risks of injury or
17 disablement for older employees. The select committee on pension
18 policy, with the assistance of the office of the superintendent of
19 public instruction, shall also study existing early retirement factors
20 and job requirements that may limit the effectiveness of the older
21 classroom employee. The study shall identify groups and evaluate them
22 for inclusion in the public safety employees' retirement system or the
23 creation of other early retirement factors in the teachers' or school
24 employees' retirement systems. The select committee on pension policy
25 shall report the findings and recommendations of its study to the
26 legislative fiscal committees by no later than December 15, 2012.

Passed by the Senate April 10, 2012.

Passed by the House April 10, 2012.

Approved by the Governor May 2, 2012.

Filed in Office of Secretary of State May 2, 2012.

Appendix B

Summary of Plan Provisions - PERS			
	Plan 1	Plan 2	Plan 3
Effective Date of Plan	10/1/47	10/1/77	3/1/02
Date Closed to New Entrants	9/30/77	Open	Open
Statutory Reference	Chapter 41.40 RCW	Chapter 41.40 RCW	Chapter 41.40 RCW
Normal Retirement Eligibility (age/service)	60/5, 55/25, Any Age/30	65/5	65/10 or vested
Accrued Benefit Formula	2% x YOS x AFC; Maximum 60% AFC	2% x YOS x AFC	1% x YOS x AFC; 0.25% per month pre-retirement COLA with 20 years of service
Computation of AFC	Annual average of the greatest compensation earnable during a 24 consecutive month period	Average compensation earnable for the highest 60 consecutive months	Average compensation earnable for the highest 60 consecutive months
Credited Service	Monthly, based on hours worked each month (school yr. for edu. emplys.)	Monthly, based on hours worked each month (school yr. for edu. emplys.)	Monthly, based on hours worked each month (school yr. for edu. emplys.)
Vesting	5 years	5 years	10 years (5 under select circumstances)
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions plus investment earnings and deferred retirement allowance
Early Retirement Eligibility (age/service)	n/a	55/20	55/10
Early Retirement Reduction Factors	n/a	3% or alternate subsidized ERF with 30 YOS (5% if hired on or after 5/1/13), otherwise actuarial	3% or alternate subsidized ERF with 30 YOS (5% if hired on or after 5/1/13), otherwise actuarial
Disability Retirement Benefit	Non-duty: reduced accrued benefit; Duty: temporary annuity plus deferred retirement allowance	Accrued benefit, actuarially reduced	Accrued benefit, actuarially reduced
COLA	\$2.00 per month/YOS* on 7/1/12	Lesser of CPI** or 3%	Lesser of CPI** or 3%
Minimum Benefit per Month	\$46.57* per YOS on 7/1/12, \$1,591.35* for select annuitants	n/a	n/a
Changes in Plan Provisions Since Last Valuation	Civil Marriages (C 3 L 12)	Civil Marriages (C 3 L 12); Pension Reform (C 7 L 12, 1 st Spec Ses); DFW Service Credit Transfer (C 248 L 12); WSP Service Credit Transfer (C 72 L 12)	Civil Marriages (C 3 L 12); Pension Reform (C 7 L 12, 1 st Spec Ses); DFW Service Credit Transfer (C 248 L 12)

*Minimum COLA payable to qualified members only; increases by 3% annually. The Uniform COLA was removed under C 362 L 11.

**CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items.

Summary of Plan Provisions - TRS (Continued)			
	Plan 1	Plan 2	Plan 3
Effective Date of Plan	3/1/38	10/1/77	7/1/96
Date Closed to New Entrants	9/30/77	Open	Open
Statutory Reference	Chapter 41.32 RCW	Chapter 41.32 RCW	Chapter 41.32 RCW
Normal Retirement Eligibility (age/service)	60/5, 55/25, Any Age/30	65/5	65/10 or vested
Accrued Benefit Formula	2% x YOS x AFC; Maximum 60% AFC	2% x YOS x AFC	1% x YOS x AFC; 0.25% per month pre-retirement COLA with 20 years of service
Computation of AFC	Annual average earnable compensation for the two highest consecutive service credit years	Average compensation earnable for the highest 60 consecutive months	Average compensation earnable for the highest 60 consecutive months
Credited Service	Yearly, based on days worked each year	Monthly, based on number of months and hours worked during school year	Monthly, based on number of months and hours worked during school year
Vesting	5 years	5 years	10 years (5 under select circumstances)
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions plus investment earnings and deferred retirement allowance
Early Retirement Eligibility (age/service)	n/a	55/20	55/10
Early Retirement Reduction Factors	n/a	3% or alternate subsidized ERF with 30 YOS (5% if hired on or after 5/1/13), otherwise actuarial	3% or alternate subsidized ERF with 30 YOS (5% if hired on or after 5/1/13), otherwise actuarial
Disability Retirement Benefit	Accrued benefit	Accrued benefit, actuarially reduced	Accrued benefit, actuarially reduced
COLA	\$2.00 per month/YOS* on 7/1/12	Lesser of CPI** or 3%	Lesser of CPI** or 3%
Minimum Benefit per Month	\$46.57* per YOS on 7/1/12, \$1,591.35* for select annuitants	n/a	n/a
Changes in Plan Provisions Since Last Valuation	Civil Marriages (C 3 L 12)	Civil Marriages (C 3 L 12); Pension Reform (C 7 L 12, 1 st Spec Ses)	Civil Marriages (C 3 L 12); Pension Reform (C 7 L 12, 1 st Spec Ses)

*Minimum COLA payable to qualified members only; increases by 3% annually. The Uniform COLA was removed under C 362 L 11.

**CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items.

Summary of Plan Provisions - SERS <i>(Continued)</i>		
	Plan 2	Plan 3
Effective Date of Plan	9/1/00	9/1/00
Date Closed to New Entrants	Open	Open
Statutory Reference	Chapter 41.35 RCW	Chapter 41.35 RCW
Normal Retirement Eligibility (age/service)	65/5	65/10 or vested
Accrued Benefit Formula	2% x YOS x AFC	1% x YOS x AFC; 0.25% per month pre-retirement COLA with 20 years of service
Computation of AFC	Average compensation earnable for the highest 60 consecutive months	Average compensation earnable for the highest 60 consecutive months
Credited Service	Monthly, based on number of months and hours worked during school year	Monthly, based on number of months and hours worked during school year
Vesting	5 years	10 years (5 under select circumstances)
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance	Refund of employee contributions plus investment earnings and deferred retirement allowance
Early Retirement Eligibility (age/service)	55/20	55/10
Early Retirement Reduction Factors	3% or alternate subsidized ERF with 30 YOS (5% if hired on or after 5/1/13), otherwise actuarial	3% or alternate subsidized ERF with 30 YOS (5% if hired on or after 5/1/13), otherwise actuarial
Disability Retirement Benefit	Accrued benefit, actuarially reduced	Accrued benefit, actuarially reduced
COLA	Lesser of CPI* or 3%	Lesser of CPI* or 3%
Minimum Benefit per Month per YOS	n/a	n/a
Changes in Plan Provisions Since Last Valuation	Civil Marriages (C 3 L 12); Pension Reform (C 7 L 12, 1 st Spec Ses)	Civil Marriages (C 3 L 12); Pension Reform (C 7 L 12, 1 st Spec Ses)

*CPI: *Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items.*

Summary of Plan Provision - PSERS <i>(Continued)</i>	
	Plan 2
Effective Date of Plan	7/1/06
Date Closed to New Entrants	Open
Statutory Reference	Chapter 41.37 RCW
Normal Retirement Eligibility (age/service)	65/5 Total Service, 60/10 PSERS service
Accrued Benefit Formula	2% x YOS x AFC
Computation of AFS	Average compensation earnable for the highest 60 consecutive months
Credited Service	Monthly, based on hours worked each month
Vesting	5 years
Vested Benefits Upon Termination	Refund of employee contributions plus interest, or deferred retirement allowance
Early Retirement Eligibility (age/service)	53/20 Total Service
Early Retirement Reduction Factors	3% ERF with 20 YOS, otherwise actuarial
Disability Retirement Benefit	Accrued benefit, actuarially reduced from age 60
COLA	Lesser of CPI* or 3%
Minimum Benefit per Month per YOS**	n/a
Changes in Plan Provisions Since Last Valuation	Civil Marriages (C 3 L 12)

*CPI: *Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items.*

Appendix C

Public Safety Retirement Benefits Comparison - Washington's Peer States				
State	Plan	Positions Covered	Normal Age/Service	ERFs
California	California Public Employees' Retirement System	Law enforcement, fire suppression, Department of Forestry, Youth Authority, Corrections	50/5	N/A
Colorado	Colorado Public Employee Retirement Association	Bureau of Investigation	Any/30 50/25 55/20 65/5	50/20 60/5 Benefit reduction applies
Florida	Florida Retirement System Special Risk Class	Public safety, protective services and institutional personnel	60/vested (8 years) Any/25 57/30 Any/33	Any/5% per year before normal retirement age
Idaho	Idaho Public Employees' Retirement System	Police & Fire only		
Iowa	Iowa Peace Officers' Retirement System	State patrol, Capitol Policy, state investigative force, State Fire Marshall	55/22	50 Benefit reduction applies
	Iowa Public Employee Retirement System	Protection Occupations	55	50
Minnesota	Minnesota State Retirement System Correctional Plan	Correctional and other employees responsible for inmate care	55 Vesting is gradual, 50% at 5 years of service, 100% at 10 years of service.	50 Benefit reduction applies
Missouri	Missouri Department of Transportation and Highway Patrol Employees' Retirement System	DOT & civilian patrol employees	62/5 Rule of 80 with a minimum age of 48	57/5 Benefit reduction applies
Ohio	Ohio Highway Patrol Retirement System	Sworn officers and members of the radio division	48/25 52/20	Various options available at differing ages with age 48 being the lowest

Oregon	Oregon Public Service Retirement Plan	State & local police, firefighters other law enforcement: Corrections employees, Parole & probation officers, Liquor Control Officers, Dept. of Agriculture livestock police, DOJ investigators, Lottery commission agents, Youth correction and juvenile detention facilities	60 53/25 including 5 years of service immediately preceding retirement	50/5 years of service immediately preceding retirement
Wisconsin	Wisconsin Retirement System	Protective employees covered by Social Security, state police, other state and local public safety employees	53/25 54	50 Benefit reduction applies
	Wisconsin Retirement System	Protective employees not covered by Social Security, some local government firefighters	53/25 54	50 Benefit reduction applies
Washington	Public Employees' Retirement Systems	Limited authority law enforcement, corrections officers, DNR, Liquor Control	65/5 60/10	53/20 Benefit reduction applies