



Select Committee on Pension Policy

High-Risk Job Classifications

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High-Risk Job Classifications

- First part of the study mandate in 2ESB 6378
 - High-risk job classifications
 - Classroom employee ERFs
- “Study job risk classifications that entail high degrees of physical or psychological risk to the members’ own safety or unusually high physical requirements that result in elevated risks of injury or disablement for older employees. The study shall identify groups and evaluate them for inclusion in PSERS.”



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Today's Briefing

- Provides background and policy considerations
- Introduces possible approaches to addressing older employees
- No committee action required today
- At September meeting
 - Injury rate data analysis likely
 - Possible options for addressing older employees in high-risk/stress jobs



Presentation

- Issues
- Background
- Policy considerations and preliminary analysis
- Conclusion
- Next steps



The Study Mandate Raises Three Key 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 and for whom?



Preview Of Background

- Retirement ages: Plans 2/3 and PSERS
- PSERS eligibility requirements
- Brief PSERS history



Retirement Ages Are Lower In PSERS

- PERS, SERS, and TRS Plans 2/3
 - Normal retirement age of 65
 - Early retirement available beginning at age 55
- PSERS
 - Normal retirement age of 60
 - Early retirement available beginning at age 53



PSERS Eligibility is Narrowly Defined

- To be eligible for PSERS, an employee must be
 - Employed full-time
 - Serve as a limited authority law enforcement or corrections officer
 - Employed by one of the employers listed in statute
- PSERS has approximately 4,200 active members
- Membership is comprised of two main groups
 - Corrections officers (over 90 percent)
 - Limited authority law enforcement officers
 - Park Rangers, Liquor Control Officers, etc.



Other State's Public Safety Benefits Are Varied

- All peer states offer enhanced benefits to police officers and fire fighters
- Most peer states offer lower retirement ages or some type of enhanced benefit for other public safety occupations
 - Idaho does not
- Occupations and jobs considered public safety vary from state to state
 - Corrections officers and those responsible for inmate care are typically included.
 - Youth correction and juvenile detention facility staff are included in California, Oregon, and Florida, but not in Washington



Public Safety Retirement Benefits Are Not New to the SCPP

- Studied by SCPP in 2003
 - Prior to that, studied by the JCPP
- SCPP recommended creation of PSERS in 2003
 - System created in 2004 and implemented in 2006
- SCPP recommended changes to membership criteria in 2005
 - Switch criteria from job titles to job duties to address administrative challenges
 - Expand membership by including DNR and DSHS as PSERS employers
 - DNR later added by the Legislature, but not DSHS
- SCPP reviewed PSERS in 2006 and 2011



Preview of Policy Discussion

- Revisit policy questions
- Policy considerations and preliminary analysis
 - SCPP goal
 - Risk for older employees in high risk/stress jobs
 - Possible policy approaches



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 and for whom?



SCPP Has Established A Goal Around 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.”**

- Goal recognizes
 - Every need may not be affordable or sustainable
 - Selecting a retirement age is a balancing act between employee and employer needs and affordability.

**For a list of all SCPP goals, visit the [SCPP webpage](#).*



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Retirement Benefits Are Generally Consistent For Most Employees

- A majority of employees have a normal retirement age of 65.
 - Likely tied to life expectancy and Federal Social Security standards
 - Designed to apply to the group as a whole and may not take individual circumstances into account
- Early retirement is available beginning at age 55
 - ERFs reduce the monthly benefit in recognition that the pension will be paid over a longer period of time
 - Members may find the financial consequences prohibitive



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State Provides Lower Retirement Ages For Some Higher Risk Occupations

- Plans for police, fire fighters, and other public safety officers have lower retirement ages
- Lower age likely based on
 - Perceptions of job risk
 - Physical demands of job
 - Recruitment needs
- Public safety occupations
 - Likely exposed to different types of risk than general public employees
 - May receive more public support for enhanced benefits
- Are there other groups in the Plans 2/3 exposed to similar risks?



L&I Data May Help Identify High-Risk Occupations

- L&I tracks claims data for state's Workers' Compensation program
- High-risk occupations will likely have higher rates of injury
- Policy makers may use this information to determine which risks should, if any, be managed through the pension system
- Data for study available in the fall



Some Job Risks May Impact Older Employees More

- Some occupations are inherently more physically demanding, stressful, or exposed to more or greater risks than others
- An aging workforce may contribute to increased chance of injury or inability to perform critical duties in these occupations
 - Due to diminishing physical capabilities with aging
- Has implications for employees, employers, and the public



Implications For Employees

- Potential for higher rates of injury
- Potential for reduced ability to perform physically demanding tasks
- Negative impacts on job performance and health due to cumulative stress throughout one's career
- Cumulative effects of working in high-risk positions and the effects of aging vary among individuals
 - Some can cope better with physical demands and stress
 - Some may be able to advance into less demanding/lower-risk positions



Implications For Employers

- Costs associated with workplace injuries
- Potential risk if employees are unable to perform critical duties
- Employees may seek to avoid certain high-risk situations
 - Could effectively transfer risks to other employees
- Employers may balance increased risks against value of retaining older workers
 - Institutional knowledge
 - Experience



Implications For The Public

- Paying costs of workplace injuries reduces funds available for other public uses
- Employees who are less effective may deliver poorer service
- Inability to perform critical job duties may pose a direct threat to public safety



Recap: Risk For Older Employees In High-Risk/Stress Jobs

- State provides lower retirement ages for certain public safety occupations
- High-risk/physically demanding jobs may impact older employees
 - Increased rates of injury
 - Reduced ability to perform critical tasks
- Individuals experience the impacts of aging differently
- Implications for employees, employers, and the public



There Are Several Types Of Risk In The Workplace

- Types of risks
 - Occupational disease
 - Risk of violence
 - Psychological risk
 - Risk of injury or disablement
- Each can vary in severity
- Some may be of more concern than others
- Many possible ways to address



Some Risks Can Be Addressed Outside of Pension Policy

- There are likely approaches outside of pension policy to address some workplace risk
 - Human resource options
 - Safety management practices
 - Technology
- It is likely that not *all* risk or stress can be eliminated in certain jobs



Pension Policy Can Address Some Risks

- Retirement is most effective at mitigating risks that are related to or exacerbated by aging or length of exposure
- Retirement does not eliminate all workplace risks or stress
- Lowering retirement age can reduce exposure to workplace risk
- Retirement is not mandatory at a specific age



Individuals Can Address Some Risks Under Current Policy

- Individuals who cannot work until the normal retirement age have options within the current retirement system.
 - Early retirement
 - Changing careers
 - Separate and defer retirement
- Options may not be available to all members and there could be negative consequences for employees and employers



Policy Makers May Differ On Preferred Approaches

- Some policy makers may view current options available to employers and employees as sufficient
- Others may prefer that job risk be addressed outside of the pension systems
- Others may prefer concerns regarding older employees in high-risk/stress jobs be addressed with pension policy



Recap: Addressing Risk

- Several types of workplace risk
- Policy makers may address risk
 - Outside the pension system
 - With pension policy
- Pension policy can address some, but not all risk
- Individuals may address some risks under current pension policy
- Policy makers may differ on preferred approaches



Implications For Using Pension Policy To Address Workplace Risk

- Longer life expectancies and quality of health may impact retirement needs and affordability
- Improving benefits in high-risk occupations will likely create long-term contractual rights which cannot easily be undone
- Lowering retirement ages could result in fewer injuries to older employees but also encourage fully capable employees to exit the workforce early



Many Potential Options Under Pension Policy *

- Expand PSERS eligibility based on risk
- “Roll-back” the new ERFs to earlier levels
- PERS high-risk occupation classification
- New high-risk plan
- Increase disability benefits for PERS members

**This list represents a sampling of options and is not intended to be exhaustive.*



Implications Of Expanding PSERS

- May mitigate impacts of some job risks on older employees
- Risk-based eligibility could open PSERS beyond law enforcement-type occupations
- Expanding PSERS beyond law enforcement occupations may change the nature of PSERS membership
- Allows enhancing benefits without shifting increased costs to non-public safety employees and employers
- Other options outside of expanding PSERS can be explored further, if requested



Recap: Using Pension Policy To Address Workplace Risk

- Using pension policy to address risk has implications for
 - Affordability
 - Contractual rights
 - Retention
- There are many potential pension policy options
 - Study mandate identifies one: expanding PSERS
- Expanding PSERS eligibility has policy implications for
 - Retirement age
 - Risk mitigation
 - Nature of the plan membership



Conclusion

- There are various factors that contribute to risk for older employees in the workplace
- Policy makers may consider type and severity in determining if and how to address risk
- There may be options for addressing risk to older employees both inside and outside the pension system
- State provides lower retirement ages for certain higher-risk occupations
- Selecting an appropriate retirement age for employees in high-risk jobs is a balance between employee and employer needs and affordability



Next Steps

- Continue policy discussions and implications
- At the September meeting, staff will present
 - Preliminary analysis of workplace injury data from multiple sources (L&I, DRS, DES) likely
 - Possible approaches for addressing high-risk job classifications
- Final report is due to the Legislature in December
 - Final SCPP action at November meeting

