

Select Committee on Pension Policy

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TO: WAYS AND MEANS COMMITTEES

Senator Ed Murray, Chair,
Senate Ways and Means Committee
Representative Ross Hunter, Chair,
House Ways and Means Committee

FROM: Senator Steve Conway, Chair 
Select Committee on Pension Policy

Representative Barbara Bailey, Vice Chair 
Select Committee on Pension Policy

**SUBJECT: SELECT COMMITTEE ON PENSION POLICY
STUDY OF HIGH-RISK JOBS AND EARLY
RETIREMENT FACTORS**

The 2012 Legislature directed the Select Committee on Pension Policy (SCPP), with assistance from the Department of Labor and Industries and the Office of the Superintendent of Public Instruction, to study during the 2012 Interim:

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

This letter transmits the results of the SCPP study as required in Chapter 7, Laws of 2012, First Special Session.

Background

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

The reduction in ERFs for new hires may result in general public and school employees working longer careers. Some stakeholders

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and policy makers may be concerned about the potential impacts of employees working longer careers in higher-risk jobs or classroom settings. Whether or not new hires will actually work longer careers will not be known for at least 30 years, when members begin retiring under the new ERFs.

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

Recommendation To Legislature

The SCPP is forwarding the results of this study without recommendation. Over the course of the study, the committee considered several complex issues with wide-ranging policy implications. These issues included employee effectiveness, ERFs, workplace risk, and plan membership—some of which fall outside of the SCPP's core roles and expertise in pension policy. Ultimately, given the complexity of the issues involved, and the time available, the committee declined to make specific policy recommendations for ERFs or PSERS membership at this time. However, the committee may consider these issues in the future.

Should the Legislature choose, the work of the Committee can serve to advance the development of these issues by laying groundwork for future discussions. The study report offers a policy framework for evaluating the issues, provides injury rate data at a level of detail not previously available, and identifies options for further study.

The remainder of this letter provides key findings, background, and policy highlights for both the study of high-risk jobs and early retirement factors and a link to the full report.

Study of High-Risk Jobs

Background

PSERS is open to limited authority law enforcement and corrections officers. PSERS has an earlier normal retirement age of 60 and more generous early retirement and disability benefits than the Plans 2/3. Currently, risk classification is not a criterion for PSERS membership.

Key Findings

- ❖ Research suggests that older workers, as a group, may not be more at risk for work-related injuries. They have lower rates of work-related injury, but experience more time-loss and higher fatality rates when injured on

the job. Also, the impacts of aging on work performance vary by individual and most workers are able to compensate.

- ❖ Research found job conditions can lead to stress, which can increase health risk. However, isolating stress caused by job conditions is difficult due to the variability of sources of stress.
- ❖ Over the period studied, the majority of occupations included in the study had lower rates of work-related injury than PSERS occupations. However, some non-PSERS occupations in state hospitals, state institutions, and school districts, had higher rates of work-related injury than PSERS.
- ❖ PSERS membership may be evaluated on the basis of job duties or job risk and multiple criteria can be used to assess either.

Policy Highlights

- ❖ “High-risk” is a subjective term and open to debate. Given the same set of facts, policy makers may disagree on whether or not a job is considered high-risk.
- ❖ Concerns over job risk can be addressed under current human resource and pension policies, outside of the pension systems or with new pension policy.
- ❖ Pension policy is more suited to address risk factors related to age or length of exposure/service. Other factors are likely better addressed outside of pension policy.
- ❖ The state’s general policy is to provide consistent retirement benefits to all employees. However, the state does provide lower retirement ages for occupations often viewed as higher-risk such as police, fire fighters, and corrections officers.
- ❖ Changing pension policy could reduce exposure to work-related risks for some individuals. However, it cannot eliminate all work-related risk.
- ❖ Changing pension policy may create long-term contractual rights that cannot easily be undone if job risks change.
- ❖ Selecting an appropriate retirement age for employees in high-risk/high-stress jobs is a balancing act between employee and employer needs and affordability.

Study of Early Retirement Factors

Background

A majority of general public and school employees participate in the Plans 2/3 of the Public Employees', Teachers', and School Employees' retirement systems. ERFs are applied to the benefits of these 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 in recognition that the benefit will likely be paid for a longer period of time. The same ERFs are currently provided for general public and school employees.

Key Findings

- ❖ Research did not identify pension provisions—including ERFs—as factors impacting classroom employee effectiveness. However, pension provisions were raised as ways to manage the impacts of other factors.
- ❖ Research did identify certain factors related to work conditions and personal circumstances as impacting classroom employee effectiveness.
 - ◇ Work conditions: Class size, security, facilities, leadership, colleagues, and policies.
 - ◇ Personal circumstances: Career stage, health and health care, challenging work, sense of efficacy, and qualifications and training.

Policy Highlights

- ❖ “Effectiveness” is a subjective term and open to debate. Given the same set of facts, policy makers may disagree on whether or not an employee is effective.
- ❖ Concerns over effectiveness can be addressed under current human resource and pension policies, outside of the pension systems or with new pension policy.
- ❖ Pension policy is more suited to address effectiveness factors related to age or length of exposure/service. Other factors are likely better addressed outside of pension policy.
- ❖ Changing pension policy could facilitate the retirement of some teachers who are no longer effective. However, it cannot make a teacher more effective.

- ❖ Changing pension policy may create long-term contractual rights that cannot easily be undone if factors limiting employee effectiveness change.
- ❖ Selecting an appropriate retirement age for school employees is a balancing act between employee and employer needs and affordability.

Additional Information

Please refer to the attached SCPP Executive Summaries for the High-Risk Job Classifications and School Employee ERFs portions of the study for more information on the analysis, findings, and areas for possible further study. The full reports including methodology, supporting data, and detailed analysis can be accessed on the [Publications](#) page of the SCPP website.

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