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PSERS Proposal

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Office of the State Actuary
"Securing tomorrow's pensions today."

What's The Issue?

- Some policy makers may feel older employees in certain occupations are exposed to too much workplace risk
- May seek to expand PSERS as a means to address this risk
  - Earlier retirement with larger benefits
- Stakeholders approached SCPP regarding a PSERS membership proposal

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Committee Activity

- SCPP studied PSERS membership for the past two years
  - Studied workplace risk and PSERS membership in 2012
  - Considered a non-SCPP, PSERS membership bill in 2013
  - Made no recommendations
- In October, stakeholders approached Executive Committee about a new PSERS proposal being developed
- Executive Committee scheduled a work session

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Today's Presentation

- PSERS overview
- Policy highlights
- Stakeholder proposal
- Policy implications of proposal
- Possible next steps

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PSERS Overview

- Defined benefit plan for limited authority law enforcement personnel
- Comparatively small and young plan
  - Opened in 2006
  - By 2013
    - 4,513 active members
    - 43 retired members
  - Majority state and local corrections officers
- Benefits generally fall between plans for general public employees and police and fire fighter plans

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Key Differences Between PERS And PSERS

Provision	System/Plan	
	PSERS	PERS 2
Normal Retirement Eligibility (Age/Years of Service)	65/5 (total) 60/10 (PSERS)	65/5
Early Retirement Eligibility[1]	53/20	55/20
Early Retirement Reduction Factors (ERF)[2]	3% ERF from Age 60 with 20 YOS, otherwise actuarial	5% ERF from Age 65 with 30 YOS, otherwise actuarial
Disability Benefit	Accrued benefit, actuarially reduced from age 60 with 10 YOS (65 otherwise)	Accrued benefit, actuarially reduced from age 65

[1]Includes actuarial reduction factors.
[2]Hired on or after May 1, 2013.

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Key Policy Questions

- 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?

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Policy Considerations

- Current policy is to provide lower retirement ages and enhanced disability benefits for higher-risk occupations
  - Police, fire fighters, other public safety
- SCPP study found
  - Certain occupations had higher-than-average rates of serious work-related injury
  - Older employees, as a group, may not be more at risk for work-related injury
- Occupational risk can be subjective and difficult to define
- There are many options for addressing risk to older employees both inside and outside pension policy

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Many Options For Addressing Risk

- Inside pension policy
  - Career change
  - Enhanced early retirement
  - PSERS expansion
  - Enhanced disability benefits
  - Higher service/benefit multipliers
  - New benefit tiers in PERS, TRS, or SERS
- Outside pension policy
  - Human resource options
  - Safety practices
  - Disability insurance
  - Technology

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Considerations When Using Pension Policy To Address Workplace Risk

- Using pension policy to address risk has implications for
  - Affordability
  - Contractual rights
  - Retention
- Changing pension policy cannot eliminate all risk

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Current PSERS Membership

- Includes corrections officers and limited authority law enforcement officers
- Employed by
  - Department of Corrections (DOC)
  - Parks and Recreation Commission
  - Gambling Commission
  - Washington State Patrol
  - Liquor Control Board
  - Department of Natural Resources
  - Local corrections departments

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Stakeholder Proposal Expands PSERS Membership To Additional Employers And Occupations

- Provide nursing care to or ensure the custody and safety of offender, probationary, and patient populations at DSHS institutions
  - Juvenile Rehabilitation Administration (JRA)
  - Mental health hospitals
  - Child Study and Treatment Center
  - Special Commitment Center
  - Institutions or residential sites that serve developmentally disabled patients or offenders
- Provide nursing care to offender and patient populations at DOC, local corrections departments, and Department of Veterans Affairs
- Supervise eligible members meeting the above criteria

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Example Occupations Likely Included

- Nurses
- Counselors
- Mental Health Technicians
- Psychiatric Security Attendants
- Security Guards/Officers

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Stakeholder Proposal Includes A Transfer Option For Current PERS Members

- Optional two-month transfer window
- Applies to eligible PERS members
- Prospective PSERS membership
- Past PERS service credit not transferrable
- Excludes Plan 1 members

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Policy Approach Of Stakeholder Proposal

- Older employees in certain occupations at DSHS, DVA, and Corrections, are exposed to inappropriate workplace risk
- These high-risk occupations have
  - Higher-than-average rate of serious work-related injury
  - Likely greater exposure to risk of workplace violence
- Risk should be addressed through expansion of pension policy

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Fiscal Impact Is Not Available

- Insufficient time for analysis
- Need to collect additional data
- Prior analysis on a similar bill found
  - PERS savings from members transferring to PSERS, which lowers future benefits in PERS
  - PSERS cost due to adding members that are more expensive than current covered population
  - Net overall cost due to more expensive future service credit under PSERS than PERS
  - Additional employer costs due to the difference in projected contribution rates for PERS and PSERS

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Stakeholder Proposal Has Many Policy Implications

- May mitigate impacts of some job risks for older employees by encouraging earlier retirements
- Open PSERS beyond corrections and limited law enforcement occupations
- Provides benefit consistency for juvenile rehabilitation staff
  - State positions currently in PERS
  - Local positions currently in PSERS
- Possible that other positions with similar risks are not eligible for PSERS under the proposal
- Allows enhancing benefits without increasing costs to non-public safety employees or employers

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Some Policy Makers May Support Addressing Workplace Risk By Expanding PSERS

- Contend retirement systems are an appropriate tool to address workplace risk
- Facilitating earlier retirement in high-risk occupations may
  - Reduce workplace injuries in older employees
  - Make room for a younger workforce
- May aid in recruitment and retention needs

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Some Policy Makers May Oppose Addressing Workplace Risk By Expanding PSERS

- Contend workplace risk should be addressed outside of the retirement system
- Believe expanding PSERS for non law enforcement-type occupations
  - Changes the nature of the plan
  - Makes it more difficult to draw a bright line on membership
- May weaken the affordability of pensions

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Possible Next Steps

- No further action at this time
- Study next interim
- Endorse proposal
- Make a recommendation or policy statement

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Appendix

- Compensable claims by age
- Compensable claims for select occupations
  - CWR = credibility weighted rate
- Note: Data from 2012 SCPP job risk study

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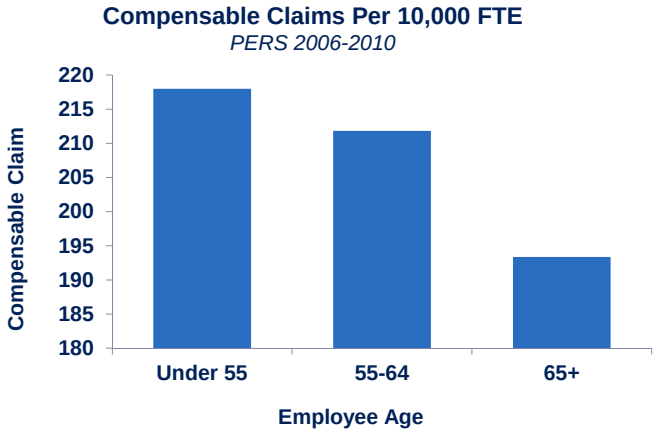
Compensable Claims By Age



Source: Labor & Industries Workers' Compensation Data, 2006-2010.

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Compensable Claims By Select Occupations*

Job Classification	Employer	Annual Average Head-count	Annual Average Claims	CWR % Above Population Studied
Attendant Counselor	DSHS	1,419	202	218%
Mental Health Technician	DSHS, DOC, DVA	479	69	129%
K-12 Service Worker	School Districts	8,197	469	107%
Licensed Practical Nurse	DSHS, DOC, DVA	511	47	63%
Nursing Assistant	DSHS, DOC, DVA	141	18	59%
Psychiatric Security Attendant	DSHS	185	22	58%
Psychiatric Child Care Counselor	DSHS	79	12	53%
K-12 Crafts/Trades	School Districts	1579	91	48%
Attendant Counselor Trainee	DSHS	173	18	43%
K-12 Laborer	School Districts	185	18	43%
PSERS Baseline/Consolidation	DOC, LCB, WSP, Gambling Com., Parks & Rec, DNR	5,682	224	42%

Source: Department of Labor & Industries, Workers' Compensation compensable claims injury rates.
**Occupations shown are all above the calculated group average for compensable claims rates. For the full list of occupational rates, see Appendix E in the 2012 High-Risk Job Classification Issue Paper.*