

# SCPP Study: High-Risk Job Classifications

## Issue

Recent legislation (Chapter 7, Laws of 2012, First Special Session) 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 inclusion in the Public Safety Employees' Retirement System (PSERS)."

## Background

A majority of public employees are in the PERS, TRS, and SERS Plans 2/3. These plans have a normal retirement age of 65, and early retirement is available for eligible members beginning at age 55—with a benefit reduction.

PSERS membership is based on job duties and employment with an employer listed in statute. The PSERS system includes corrections officers and limited authority law enforcement officers.

PSERS has an earlier normal retirement age of 60 for eligible members and more generous early retirement and disability benefits than PERS, TRS, and SERS.

This study, among other factors, took injury rate data from the Workers' Compensation Program at the Department of Labor and Industries (L&I) into consideration when determining job risk. The Workers' Compensation Program covers medical expenses and pays a portion of wages lost for certain claims while a worker recovers from injuries sustained in the workplace (referred to as "compensable claims").

## Policy Questions

The study mandate raised 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 it be adjusted and for which employees?

## Findings

- ❖ Changing pension policy cannot eliminate all physical and psychological risk for older employees. However, allowing earlier retirement could reduce exposure for some individuals.
- ❖ Research suggests that older workers, as a group, may not be more at risk for job-related injuries. Older workers have lower rates of job-related injury, but experience more time-loss and greater rates of fatality when injured on the job. Also, the impacts of aging on work performance vary by individual. As workers age, physical and cognitive abilities change but most are able to compensate for changes and perform at the same level.
- ❖ There are many ways to address concerns over job risk both inside and outside the pension system, including options available to members under current law.
  - ◇ Outside the pension system: Human resource options, safety practices, disability insurance or technological advancements.
  - ◇ Current pension policy: Early retirement, changing careers, deferred retirement.
  - ◇ New pension policy: Enhanced ERFs, expansion of PSERS, enhanced disability benefits, increased benefit/service credit multiplier for high risk occupations, new pension system for high-risk jobs, expansion of deferred indexed vested benefit, new benefit tier within PERS, TRS, or SERS for high-risk jobs.
- ❖ Job conditions can lead to stress, which can lead to increased overall health risk, but isolating stress caused by the job versus stress caused by other factors is difficult due to the variability of sources of stress.
- ❖ Among employers, three agencies had compensable claims rates that were at least 30 percent higher than the general population studied:

- Department of Social and Health Services (DSHS), Department of Veteran's Affairs, and Department of Corrections.
- ❖ DSHS had the highest compensable claims rates among employers. Within DSHS, the residential habilitation centers and mental health hospitals and institutions have the highest compensable claims rates, with rates more than twice the general population studied.
  - ❖ Over the study period, approximately one-third of the occupations studied had compensable claims rates above the general population.
  - ❖ Ten non-PSERS occupations had higher compensable claims rates over the study period than PSERS occupations including attendant counselor, mental health technician, K-12 service worker, licensed practical nurse, nursing assistant, psychiatric security attendant, psychiatric child care counselor, K-12 crafts/trades, attendant counselor or trainee, and K-12 laborer.
  - ❖ The study was not able to adequately analyze job risk by all risk types, age groups, or for every occupation. This was due to time and resource constraints, the infrequency of certain types of claims, and limitations in the occupational data that could be collected—including lack of local government and higher education data.
  - ❖ PSERS membership may be evaluated on the basis of job duties or job risk. There are multiple criteria that can be used to assess either including injury rates, job risks and hazards, and similarity to current PSERS occupations. Policy makers may weigh various criteria differently when determining if and how to expand PSERS.
  - ❖ Some non-PSERS members may have similar job duties to existing PSERS members but are excluded from PSERS because their employer is not a PSERS-eligible employer. Such members may include Juvenile Rehabilitation Administration staff and Office of the Insurance Commissioner Investigators.

## Policy Highlights

- ❖ The state has existing policies regarding lower retirement ages for certain occupations considered high-risk, such as police officers, fire fighters, state patrol, and corrections officers.
- ❖ Retirement policy is better suited to mitigate risks that are related to or exacerbated by aging or length of exposure. Other risks may be better addressed outside of pension policy.
- ❖ Improving benefits for employees in high-risk occupations will likely create long-term contractual rights to those benefits which cannot be easily undone if job risks change in the future.

- ❖ Ultimately, determining an appropriate retirement age for employees in high-risk/stress jobs is a balancing act between employee and employer needs and affordability.
- ❖ Policy makers may differ on their preferred approaches for addressing workplace risk. Some may find current policies appropriate, others may prefer to address workplace risk outside of pension policy, and still others may prefer to adjust pension policy in response to workplace risk.
- ❖ Further study could provide more data and analysis to better inform policy discussions around addressing risk through the pension system.
- ❖ Policy makers could approach improved benefits for high-risk occupations from the perspective of rewarding individuals for taking high-risk jobs or to promote recruitment and retention in high-risk jobs.

## Options For Further Study

Policy makers seeking to look further into addressing high-risk job classifications through the pension system may wish to further study one or more of the following areas:

- ❖ Comprehensive injury rate data analysis including data from local government and higher education entities and covering a longer period of time. Such analysis falls outside of the expertise of the SCPP and would likely be better suited for the Department of Labor & Industries.
- ❖ Improved benefits for members who separate from service before normal retirement age and defer retirement until normal retirement age.
- ❖ Increased benefit/service credit multiplier within the PERS, TRS, and SERS systems for service in qualifying high-risk jobs.
- ❖ Expansion of PSERS membership based on job risk or job duty. Expanding PSERS based on job duty would require consultation with DRS to determine which occupations would likely qualify.
- ❖ Creation of a new plan for high-risk jobs.
- ❖ Enhanced disability benefits for PERS, TRS, and SERS members.
- ❖ Enhanced ERFs for PERS, TRS, and SERS members.

Addressing risk outside of pension policy is also an option, such as through human resource options, private disability insurance, safety practices, or technology.

However, developing options outside of pension policy falls outside the purview of the SCPP.

It is likely that pursuing one or more of these options for further study would be time consuming and resource intensive and may require funding. Some options, such as creating a new plan for high-risk jobs, would be a major undertaking for the SCPP.

## **Committee Activity**

The SCPP studied this issue at the May, June, July, September, October, and November meetings. At the December meeting, the Full Committee forwarded the study to the Legislature without adopting findings or recommendations.

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