



Select Committee on Pension Policy

WSPRS Study: Initial Briefing

Lauren Rafanelli, Associate Policy Analyst

May 17, 2016




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What's the Issue?

- WSP reports difficulties recruiting and retaining officers
- Legislature directs SCPP to study options for retaining retirement-eligible troopers outlined in Joint Transportation Committee (JTC) report

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Today's Presentation

- Brief chronology of events
- Overview of JTC report
- Bill briefing on E2SHB 2872
 - SCPP study requirement
- Possible timeline for SCPP Study



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Brief Chronology of Events

- What has happened?
 - 2015 budget directed JTC to study WSP recruitment and retention
 - JTC released report in January 2016
 - During 2016 Session
 - House and Senate held hearings on the JTC report
 - Legislature considered several WSP-related bills
 - Legislature passed E2SHB 2872
 - Salary increase for WSP officers
 - SCPP study requirement
- What happens next?
 - SCPP studies pension-related options from JTC report
 - SCPP reports to Legislature/Governor by November 1, 2016

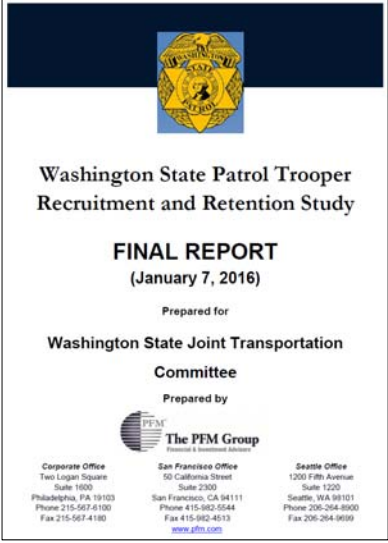


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Brief Overview of JTC Report



**Washington State Patrol Trooper
Recruitment and Retention Study**

FINAL REPORT
(January 7, 2016)


Prepared for
**Washington State Joint Transportation
Committee**

Prepared by

The PFM Group
Formerly PFM Financial Services

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JTC Report: Methodology

- Interviews
 - WSP staff
 - OFM - Human Resources and Budget staff
 - Chief state labor negotiator
- Review of data provided by WSP - Human Resources
- On-site visits
 - WSP Basic Trooper Academy
 - Criminal Justice Training Commission (CJTC)
- Surveys
 - Local WA law enforcement
 - Other State Patrol agencies nationally
 - WSP cadets, troopers, and sergeants
 - CJTC recruits
 - Separated WSP troopers

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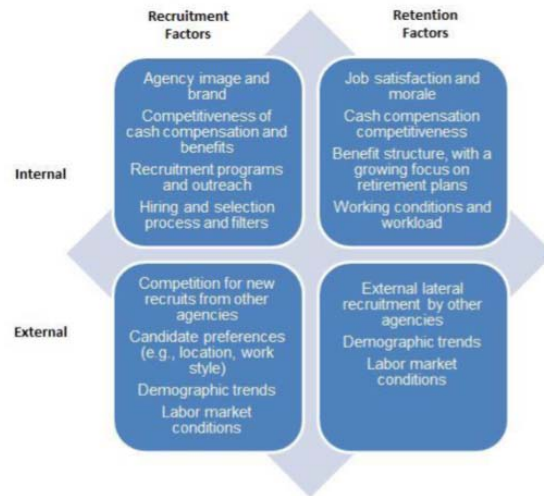
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JTC Report: Overview of Key Findings

Figure 2: Internal and External Factors Affecting Recruitment and Retention



Source: WSP Trooper Recruitment and Retention Study, page 10.

JTC Report: Overview of Pension-Related Options

- These items will be the focus of the SCPP study this interim
- An in-depth review of each of these items will be provided at a later meeting

Option

- 1 Increase pay for retirement-eligible troopers
- 2 Offer a retention bonus
- 3 Increase retirement eligibility to 30 years of service
- 4 Increase pension accrual after 25 years of service
- 5 Evaluate a limited-duration DROP (Deferred Retirement Option Program)
- 6 Create a trooper reserve program (retire-rehire)

E2SHB 2872: Provisions

- In 2016, provides 5 percent pay increase
- In 2017, requires minimum pay levels be guided by average compensation of corresponding ranks from six specific law enforcement agencies
 - Proportionate increase for certain captains and lieutenants
- To fund pay increases
 - Increases distribution of vehicle license fee to State Patrol Highway Account, effective July 1, 2017
- Directs OFM, WSP, and SCPP to take steps towards further studying and implementing recommendations from JTC report

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E2SHB 2872: Actuarial Fiscal Note

- Cost due to compensation policy not anticipated in current assumptions, resulting in larger than expected pensionable compensation
- OSA fiscal note assumed 5 percent salary increase in first year, about 20 percent salary increase in second year
 - To maintain comparable compensation with other law enforcement agencies
- Link to [fiscal note](#)

Budget Impacts			
(Dollars in Millions)	2016-2017	2017-2019	25-Year
General Fund-State	\$0.0	\$0.4	\$19.4
Total Employer	\$0.1	\$5.1	\$277.7
Employee	\$0.1	\$2.7	\$63.5

Note: We use long-term assumptions to produce our short-term budget impacts. Therefore, our short-term budget impacts will likely vary from estimates produced from other short-term budget models.

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SCPP Study: Possible Timeline

June
Background

July
Review Options from JTC Report

September
In-Depth Review of Options Identified for Further Study

October
Possible SCPP Rec.

November 1
SCPP Report Due to Legislature & Governor

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Summary

- WSP reports difficulties recruiting and retaining officers
- JTC report identifies possible areas for improving recruitment and retention of officers
- Legislature directs SCPP to study pension-related options in JTC report
 - Any SCPP recommendations due to Legislature/Governor by November 1
 - Possible timeline for SCPP study

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Appendix

- E2SHB 2872: SCPP Study Language
 - *"The select committee on pension policy must review the pension-related items in the [Joint Transportation Committee] study and make recommendations to the governor's office and the legislature by November 1, 2016, on pension policy that will assist in recruiting and retaining state patrol commissioned officers."*



WSPRS Study: Initial Briefing

Issue

The Washington State Patrol (WSP) reports that it is having difficulties recruiting and retaining officers. A legislative study of this issue undertaken by the Joint Transportation Committee (JTC) identified several pension-related options for addressing trooper retention. The Legislature has directed the SCPP to study these options and report any recommendations to the Legislature and Governor.

Background

In recent years, the WSP has experienced an increase in trooper turnover which in combination with regular retirements has resulted in rising vacancy rates. In response, the JTC studied this issue in 2015 and released a [report](#) recommending changes to pay, working conditions, and workload. The report also identified pension-related options for addressing the retention of retirement-eligible troopers.

During the 2016 Session, the Legislature passed [Engrossed Second Substitute House Bill \(E2SHB\) 2872](#) which addresses some of the recommendations in the JTC report. The bill also requires the SCPP to study the pension-related options identified in the JTC report and report any recommendations to the Legislature and the Governor by November 1, 2016.

E2SHB 2872

This bill does the following:

- ❖ Provides a 5 percent pay increase for WSP troopers, sergeants, lieutenants and captains, effective July 1, 2016.
- ❖ Requires that future minimum WSP pay levels be guided by the average compensation of corresponding ranks from six specific law enforcement agencies, with a proportionate increase for certain captains and lieutenants.
- ❖ Requires the WSP develop an outreach and marketing strategic plan.
- ❖ Directs the Office of Financial Management, WSP, and SCPP to take steps towards implementing the recommendations from the JTC Report.

Overview of JTC Report

This report provides projections on future trooper levels, identifies barriers to recruitment and retention, and provides recommendations in the following areas:

- ❖ Employee satisfaction.
- ❖ Compensation competitiveness.
- ❖ Recruitment process.
- ❖ WSP culture.

Additionally, the JTC report includes six pension-related options for retaining retirement-eligible officers:

- ❖ Increase pay for retirement-eligible troopers.
- ❖ Offer a retention bonus.
- ❖ Increase retirement eligibility to 30 years of service.
- ❖ Increase pension accrual after 25 years of service.
- ❖ Evaluate a limited-duration Deferred Retirement Option Program.
- ❖ Create a trooper reserve program (retire-rehire).

Possible Timeline for SCPP Study

SCPP staff have developed a draft timeline for accomplishing this study by the statutory deadline of November 1, 2016.

- ❖ May: Overview of JTC report, E2SHB 2872, and SCPP study requirement.
- ❖ June: Background on the issue and WSP Retirement System (WSPRS) provisions.
- ❖ July: Review of the six pension-related options outlined in the JTC report.
- ❖ September: In-depth review of those pension-related options from the JTC report identified by the SCPP for further study.
- ❖ October: Possible SCPP recommendations.

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WSPRS Study: Background and Staff Work Plan

Lauren Rafanelli, Associate Policy Analyst

June 21, 2016




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Today's Presentation

- This is the second presentation of this SCPP study
- WSPRS study
 - Timeline
 - Work plan
- WSPRS background
 - History and plan design
 - Comparisons to other systems
 - Historical demographic data
- Study questions identified by staff
- Panel on other agency activity regarding recruitment and retention at the WSP

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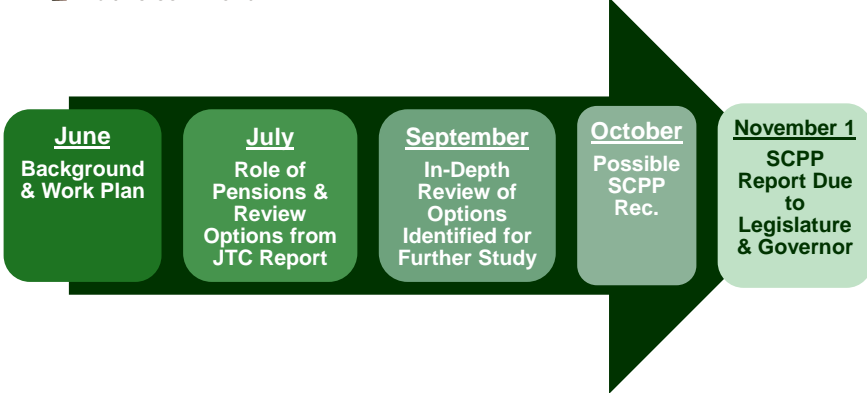
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Study Timeline and Work Plan

- Committee received initial briefing in May
- Follow typical SCPP issue study process
 - Issue paper
 - Public comment




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WSPRS Background

- History
- Plan design
- Comparisons
 - WSPRS, LEOFF, and PERS
 - WSPRS and other states
- Historical demographic data



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WSPRS is One of the Oldest Open State Retirement Systems in WA

- Began in 1947 to provide benefits to commissioned troopers
- No changes to WSPRS when the Plans 2 opened for PERS, TRS, and LEOFF in 1977
- WSPRS Plan 1 closed to new members on December 31, 2002
- WSPRS Plan 2 opened on January 1, 2003
 - Result of JCPP request bill (ESB 5143)

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WSPRS Plan Design and Benefits

- Defined benefit
 - $2\% \times \text{Years of Service (YOS)} \times \text{Final Average Salary (FAS)}$
 - COLA based on CPI, up to 3 percent per year
 - Maximum benefit of 75 percent of FAS
- Retire at any age with 25 YOS, or at age 55 with no required YOS
 - Mandatory retirement at age 65
- Disability benefits up to 50 percent of salary with offsets
 - Paid from WSP operational funds
- Optional annuity purchase
- Retirees may return to any public position (except commissioned patrol officer) without loss of benefits
- Additional information in the Appendix

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How Does WSPRS Compare to Other WA Plans?

	WSPRS Plans 1/2	LEOFF Plan 2	PERS Plan 2
Plan Type	Defined Benefit	Defined Benefit	Defined Benefit
Benefit Calculation	2% x YOS x FAS	2% x YOS x FAS	2% x YOS x FAS
FAS Period	Plan 1: 2 years Plan 2: 5 years	5 years	5 years
Normal Retirement Age	Any age with 25 YOS Age 55 with no minimum required YOS	Age 53 with 5 YOS	Age 65 with 5 YOS
Return to Work with Public Employer	May work in any public position other than commissioned WSP officer without loss of benefits.	May work in some public positions not covered by LEOFF without loss of benefits.	Generally, may work in ineligible public positions or up to 867 hours per year in eligible public positions without loss of benefits.
Mandatory Overtime Included in FAS	Yes	Yes	Yes
Voluntary Overtime Included in FAS	Plan 1: Yes, if earned prior to July 1, 2001 Plan 2: No	Yes	Yes

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How Does WSPRS Compare to Other States?

	WSPRS Plans 1/2	Oregon State Police	Idaho State Police	California Highway Patrol
Plan Type	Defined Benefit	Hybrid	Optional Hybrid	Defined Benefit
Benefit Calculation	2% x YOS x FAS	1.8% x YOS x FAS	2.3% x YOS x FAS	1.7% x YOS x FAS at age 50 and increasing to max. of 2.5% at age 55
FAS Period	Plan 1: 2 years Plan 2: 5 years	Generally, highest 3 consecutive years or 1/3 total salary in last 3 years.	3.5 – 5 years	Any consecutive 1-year or 3-year period, depending on benefit calculation.
Normal Retirement Age	Any age with 25 YOS Age 55 with no min. required YOS	Age 53 with 25 YOS Age 60 with 5 YOS	Age 60 with 5 YOS	Age 50 with 5 YOS
Return to Work with Public Employer	May work in any public position other than commissioned WSP officer without loss of benefits.	May work in a non-qualified public position for up to 600 hours per year without loss of benefits.	May work in eligible public position for less than 1,040 hours per year without loss of benefits.	Generally, may work in some public positions for up to 960 hours per year without loss of benefits.
Voluntary Overtime Included in FAS	Plan 1: Yes, if earned prior to July 1, 2001 Plan 2: No	Yes	Yes	No

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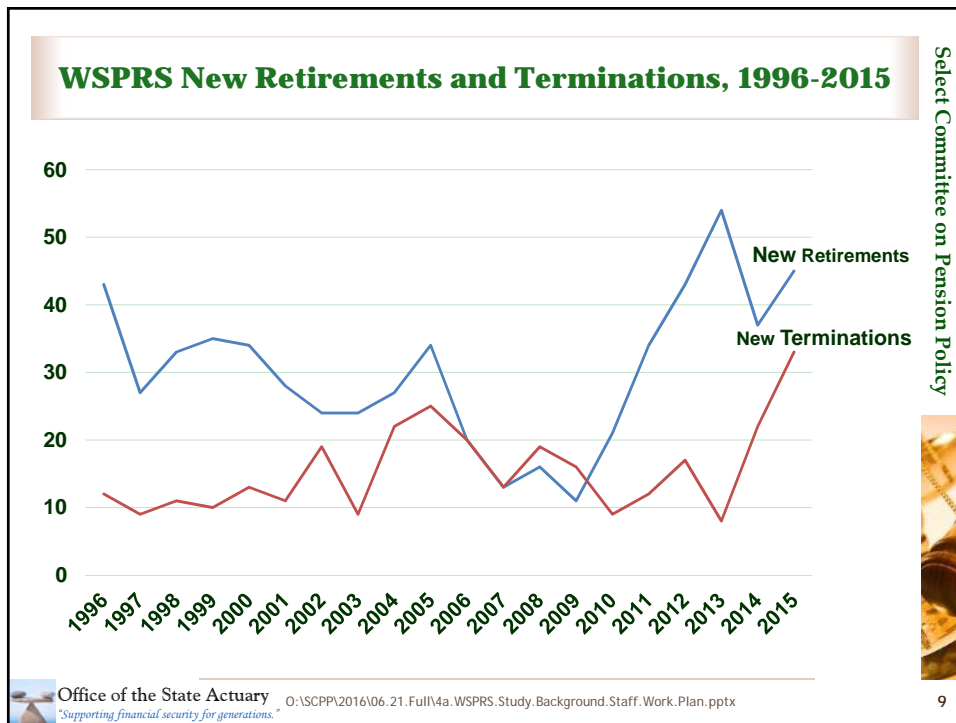
WSPRS Historical Demographic Data

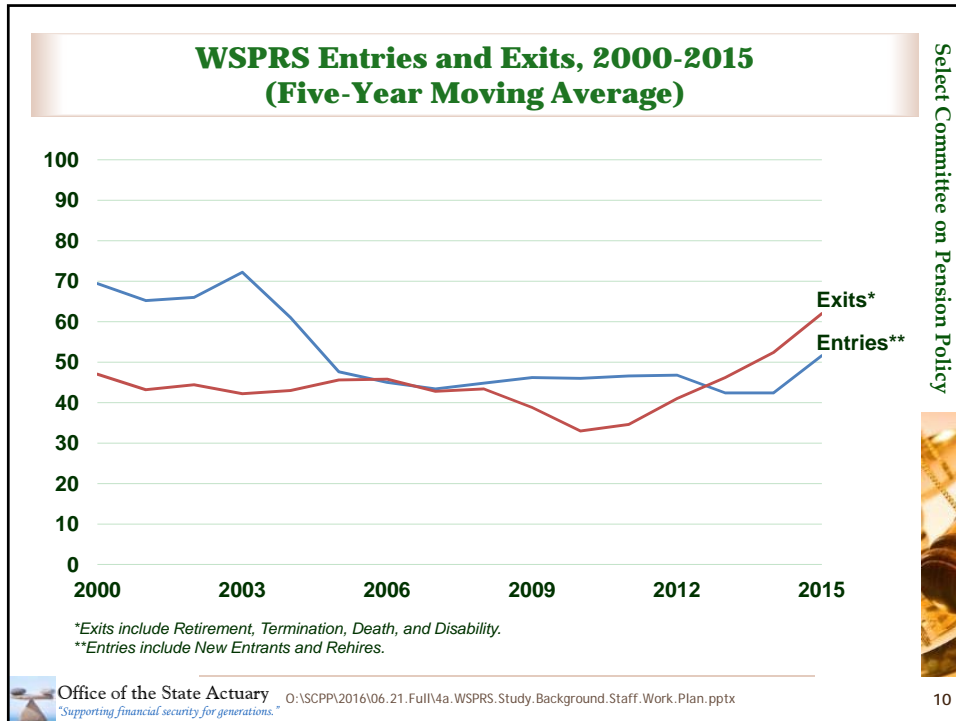
- Retirements and terminations
- Overall entries and exits

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- ### Study Questions Identified by Staff
- To what extent may retirements and/or retirement policy be contributing to current reported recruitment and retention issues?
 - How can retirement policy help address recruitment and retention issues?
 - What may be the implications or possible outcomes of using retirement policy to address recruitment and retention issues?
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Questions?




WSPRS Study Panel: Other Agency Activity

- Jay Balasbas
 - Senior Budget Assistant for Transportation
 - Office of Financial Management
- Captain Monica Alexander
 - Office of Government and Media Relations
 - State Patrol



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Differences Between WSPRS Plan 1 and Plan 2

	WSPRS Plan 1	WSPRS Plan 2
FAS Period	Highest 2 consecutive years	Highest 5 consecutive years
Survivor Benefits	Equal to member benefit or 50% of FAS, whichever is less	Single life option or actuarially reduced
Voluntary Overtime Included in FAS?	Yes, if earned prior to July 1, 2001	No
Lump Sum Payments Included in FAS?	Some unused annual leave and Holiday Pay	No
Credit for Prior Military Service?	Yes	No

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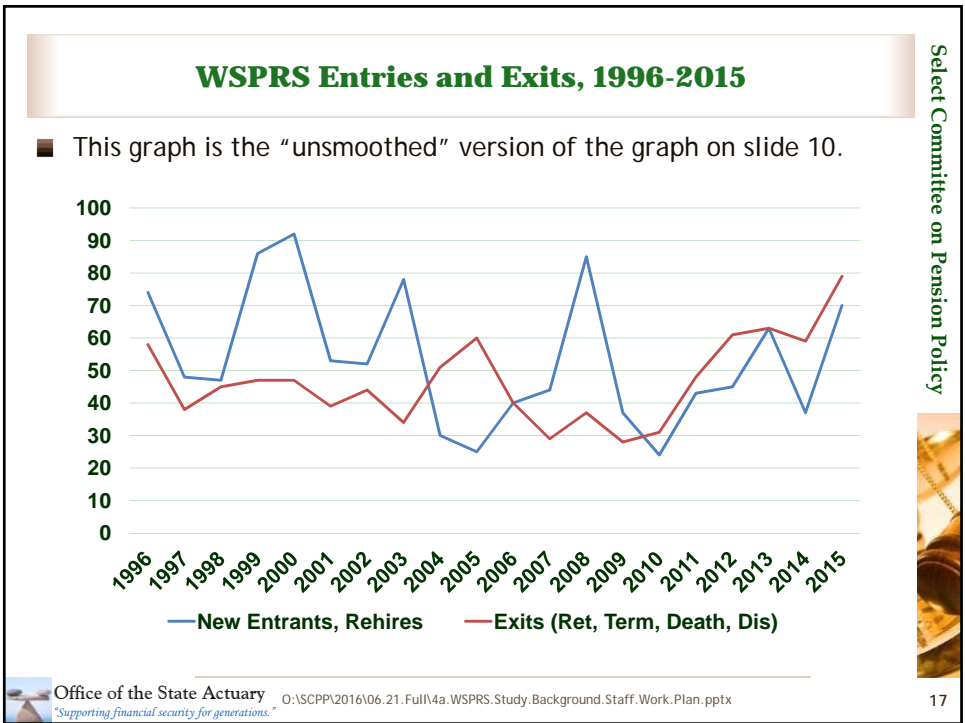
WSPRS Retirements, Terminations, All Exits*, and New Entrants, 1996-2015

Year	Retirements	Terminations	All Exits*	New Entrants
1996	43	12	58	74
1997	27	9	38	48
1998	33	11	45	47
1999	35	10	47	86
2000	34	13	47	92
2001	28	11	39	53
2002	24	19	44	52
2003	24	9	34	78
2004	27	22	51	30
2005	34	25	60	25
2006	20	20	40	40
2007	13	13	29	44
2008	16	19	37	85
2009	11	16	28	37
2010	21	9	31	24
2011	34	12	48	43
2012	43	17	61	45
2013	54	8	63	63
2014	37	22	59	37
2015	45	33	79	70

*Exits include retirements, terminations, disabilities, and deaths.

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WSPRS Study: Background

WSPRS, LEOFF, and PERS			
	WSPRS Plans 1/2	LEOFF Plan 2	PERS Plan 2
Plan Type	Defined Benefit	Defined Benefit	Defined Benefit
Benefit Calculation	2% x YOS x FAS	2% x YOS x FAS	2% x YOS x FAS
FAS Period	Plan 1: 2 years Plan 2: 5 years	5 years	5 years
Vesting Period	5 YOS	5 YOS	5 YOS
Normal Retirement Age	Any age with 25 YOS Age 55 with no minimum required YOS	Age 53 with 5 YOS	Age 65 with 5 YOS
Mandatory Retirement Age	Age 65	None	None
Benefit Maximum	75% of FAS	None ¹	None ¹
COLA	CPI up to max. 3% per year	CPI up to max. 3% per year	CPI up to max. 3% per year
Return to Work with Public Employer	May work in any public position other than commissioned WSP officer without loss of benefits.	May work in some public positions not covered by LEOFF without loss of benefits. ²	Generally, may work in ineligible public positions or up to 867 hours per year in eligible public positions without loss of benefits.
Voluntary Overtime Included in FAS	Plan 1: Yes, if earned prior to July 1, 2001 Plan 2: No	Yes	Yes

¹Retirement benefits are subject to IRS limitations.

²LEOFF 2 retirees may work in a PERS, TRS, SERS, or PSERS eligible position without a loss of retirement benefits as long as the member does not join the new retirement system. LEOFF 2 retirees who return to work in a LEOFF eligible position must re-establish membership in LEOFF 2.

Glossary

COLA: Cost of Living Adjustment.

FAS: Final Average Salary.

LEOFF: Law Enforcement Officers' and Fire Fighters' Retirement System.

PERS: Public Employees' Retirement System.

PSERS: Public Safety Employees' Retirement System.

SERS: School Employees' Retirement System.

TRS: Teachers' Retirement System.

WSPRS: Washington State Patrol Retirement System.

YOS: Years of Service.

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WSPRS Study: Background

	WSPRS and Other States			
	WSPRS Plans 1/2	Oregon State Police ¹	Idaho State Police ²	California Highway Patrol ³
Plan Type	Defined Benefit	Hybrid ⁴	Optional Hybrid ⁵	Defined Benefit
Benefit Calculation	2% x YOS x FAS	1.8% x YOS x FAS	2.3% x YOS x FAS	1.7% x YOS x FAS at age 50 and increasing to max. of 2.5% at age 55
FAS Period	Plan 1: 2 years Plan 2: 5 years	Generally, highest 3 consecutive years or 1/3 total salary in last 3 years.	3.5 years ⁶	Any consecutive 1-year or 3-year period, depending on benefit calculation.
Vesting Period	5 YOS	5 YOS	5 YOS	3 YOS
Normal Retirement Age	Any age with 25 YOS Age 55 with no min. required YOS	Age 53 with 25 YOS Age 60 with 5 YOS	Age 60 with 5 YOS	Age 50 with 5 YOS
Mandatory Retirement Age	Age 65	None	None	Age 60 ⁷
Benefit Maximum⁸	75% of FAS	None	100% of highest 3-year average salary	90% of FAS
COLA	CPI up to max of 3% per year	Up to 2% per year for service on or before Oct. 1, 2013. Blended COLA for service after Oct. 1, 2013.	CPI or 6% per year, whichever is less	CPI up to max of 2% per year
Return to Work with Public Employer	May work in any public position other than commissioned WSP officer without loss of benefits.	May work in a non-qualified ⁹ public position for up to 600 hours per year without loss of benefits.	May work in eligible public position for less than 20 hours per week without loss of benefits.	Generally, may work in some public positions for up to 960 hours per year without loss of benefits.
Voluntary Overtime Included in FAS	Plan 1: Yes, if earned prior to July 1, 2001 Plan 2: No	Yes	Yes	No

¹ Oregon State Police hired on or after August 29, 2003 are members of the Oregon Public Service Retirement Plan (OPSRP) Pension Program.

² Idaho State Police are members of the Public Employee Retirement System of Idaho (PERSI).

³ California Highway Patrol are members of the California Public Employees Retirement System (CalPERS).

⁴ OPSRP includes a defined benefit (Pension Program) and defined contribution (Individual Account Program) component.

⁵ PERSI includes a mandatory defined benefit (Base Plan) and an optional defined contribution (Choice 401(k) Plan) component.

⁶ The FAS period for Idaho State Police depends on the date of the member's last contribution to the retirement system. The range is 3.5 years to 5 years.

⁷ The California Government Code that dictates the mandatory retirement age of patrol officers is in effect until January 1, 2018.

⁸ Retirement benefits are subject to IRS limitations.

⁹ "Non-qualified" refers to public positions that are eligible for OPSRP membership based on the hiring intent of the employer.

Glossary

COLA: Cost-of-Living Adjustment.

FAS: Final Average Salary.

WSPRS: Washington State Patrol Retirement System.

YOS: Years of Service.

Staff Contact:

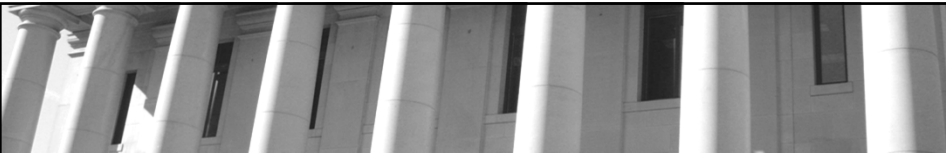
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**IMPLEMENTATION OF
E2SHB 2872
WASHINGTON STATE PATROL
RECRUITMENT AND RETENTION**

Presentation to the Select Committee on Pension Policy
June 21, 2016

OFFICE OF FINANCIAL MANAGEMENT

OFM Provisions in E2SHB 2872

- Contract with an independent third-party consultant to perform an organizational assessment of WSP (report due by September 1, 2016)
- Implement 5 percent compensation increase for troopers, sergeants, lieutenants and captains (July 1, 2016)
- Use results of salary survey of 6 local law enforcement agencies to guide compensation effective July 1, 2017
- As part of 2017-19 collective bargaining process, OFM, WSPTA and WSPLA must evaluate regional cost of living differences to determine areas where geographic pay may be needed

2016 Supplemental Budget / E2SHB 2872

- Provided the following amounts for implementation of E2SHB 2872
 - \$5 million (Transportation Budget) for compensation increases
 - \$410,000 (Operating Budget) for implementation of E2SHB 2872
 - \$150,000 (Transportation Budget) for OFM to conduct the organizational assessment of WSP
- Beginning in 2017-19, an additional \$3.25 of the \$30.00 vehicle license fee is redirected from the Motor Vehicle Account to the State Patrol Highway Account (\$37 million)

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OFM Implementation of E2SHB 2872

- Labor Relations Division recently completed negotiations on Memorandum of Understanding implementing 5.8 percent compensation increase for troopers, sergeants, lieutenants and captains effective July 1, 2016
- Results of salary survey of local law enforcement agencies due by end of June
- Contracted with Slalom, LLC to conduct organizational assessment

4



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OFFICE OF FINANCIAL MANAGEMENT

WASHINGTON STATE PATROL

Recruitment & Retention
Presented by
Captain Monica Alexander

STAFFING LEVELS

Field Operations Bureau	2016 (April 30, 2016)	2015	2009
Budgeted Positions	671	671	671
Staff Levels	550	575	639
Vacancies	121	96	32
Vacancy Levels	18%	14.3%	4.8%

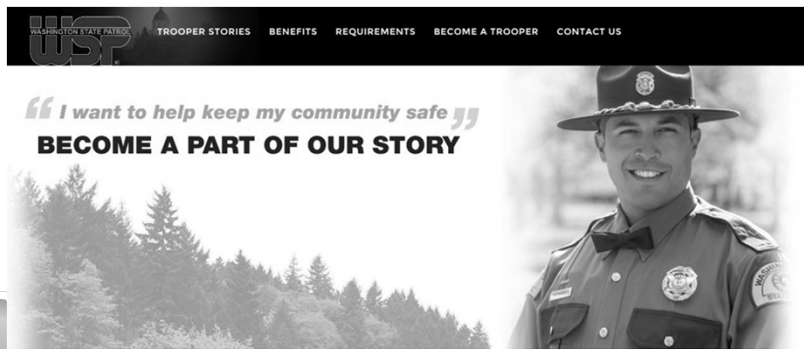
Non-Field Operations Bureau Trooper Vacancies 65

ATTRITION RATE

- ▶ 2015 Lost 8.9 Troopers per month including retirements
- ▶ February 2016 3 troopers resigned to work at other LE agencies. Currently we are down to losing an average of 5 troopers per month.

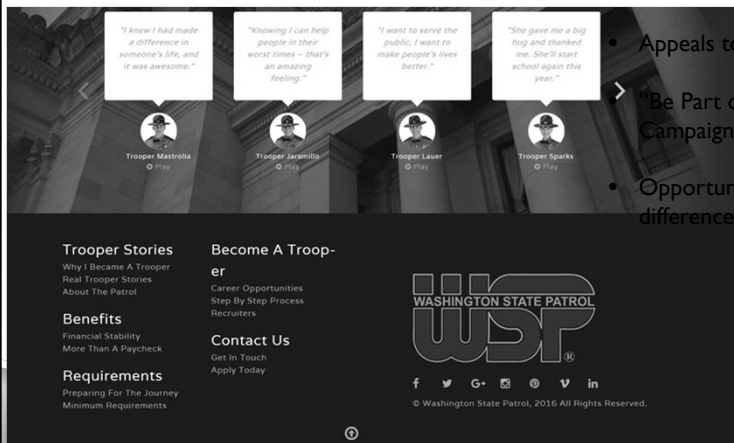
2016 OUTREACH

- ▶ April 2016 Contracted Bigger Pictures Productions
 - ▶ \$400,000 Integrated Marketing/Advertising Strategy
 - ▶ Build on successful TrooperStories.com



2016 OUTREACH

- ▶ Launched new recruitment website went live May 26, 2016.



- Appeals to Millennials
- "Be Part of Our Story Campaign"
- Opportunity to make a difference in their community

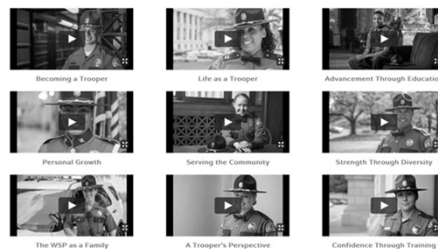
2016 OUTREACH

- ▶ Billboards
- ▶ Streaming Radio Ads
- ▶ Social Media Campaign



Why I Became a Trooper

There's a story behind every badge. And a person behind every story. There are as many reasons and motivations for joining the Washington State Patrol as there are Troopers themselves. Find out how these Troopers are making a difference in their own lives and the lives of others every day.



SOCIAL MEDIA OUTREACH

- ▶ Government Media Relations has new Social Media Communications Consultant 3
- ▶ Increased focus on growing social media channels reach (April 1, 2016-May 26, 2016)
 - ▶ Twitter (@WAStatePatrol)
 - ▶ Impressions 782,000
 - ▶ Total Followers 33,635
 - ▶ InsideOut Blog
 - ▶ Views 42,559
 - ▶ Visitors 20,820
 - ▶ Facebook
 - ▶ Reach 321,039
 - ▶ Total Likes 14,927

SOCIAL MEDIA OUTREACH

- ▶ @TrooperCareers
 - ▶ Impressions 17,832
 - ▶ Total Followers 1,224

Instagram and Snapchat accounts have been retained for future recruitment efforts

POSITIVE MEDIA COVERAGE

- ▶ The Government Media Relations Unit began an InsideOut Blog to promote positive WSP stories internally and externally.



4 WSP Employees Receive Public Service Recognition Awards



POSITIVE MEDIA COVERAGE



Local News | Northwest

'We can't thank her enough': State trooper helps homeless family in 'limbo'

Originally published June 6, 2016 at 11:40 am | Updated June 7, 2016 at 6:02 am



Murray Duncan and Alyssa Dunn play with their 6-month-old son, Noel Acosta-Duncan, at the

Thanks for the feedback! [Undo](#)
We'll use your feedback to review ads on this site.


COMMUNITY OUTREACH

- ▶ WSP Diversity Committee is developing cultural competency training for all agency staff recruiters
- ▶ Job Fairs, Community Events targeting diverse candidate pool.
- ▶ Human Resource Division partnerships with:
 - ▶ Commission of Hispanic Affairs
 - ▶ Commission of Indian Affairs
 - ▶ Veteran's Employee Resource Group
 - ▶ National Minority Update
 - ▶ Commission of African American Affairs

ASSESSMENT/POLLING

- ▶ NEO GOV (careers.wa.gov)
 - ▶ Survey to applicants
 - ▶ Responses used to develop future outreach strategies
 - ▶ Gather the information through the WSP application process.




TALK TO US



WSP Recruiters

Contact us and we'll help you find the recruiter nearest you. Helping you in any way they can is what they're all about. You'll find them open, honest, and friendly. Who knows? It could be the start of a new and fulfilling career.

recruiter about the career paths listed below. It's a career change that could change your whole world.

 <p>Aviation Bomb Squad Canine Detectives Narcotics Auto Theft High Tech Crime Organized Crime Motorcycle Patrol</p>	 <p>Collision Reconstruction Technical Collision Investigators Internal Affairs Missing and Exploited Children Drug Recognition Expert (DRE) Executive Protection Capitol Security Homeland Security Honor Guard Bicycle Patrol</p>	 <p>Corporal Sergeant Lieutenant Captain Special Weapons & Tactics (SWAT) Technical Collision Investigators Training Officers Field Training Officer Training Academy Instructor</p>
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Step-By-Step Process

We want you to be challenged, but we also want to make the process as smooth as possible. We're here to assist you in any way we can. We'll answer all your questions and help you get to know us better. We want to ensure that you feel physically and mentally prepared every step of the way.

Step 1 Get To Know A Recruiting Officer



Select Committee on Pension Policy

WSPRS Study

Lauren Rafanelli
Associate Policy Analyst

July 19, 2016





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Today's Presentation

- SCPP WSPRS study
 - Recap of study so far
 - What's next
- Overview of pension options
 - Six options from JTC report
 - One option from stakeholders
 - Executive committee may identify options for further study
 - Full analysis of identified options in September
- Briefing paper included in materials

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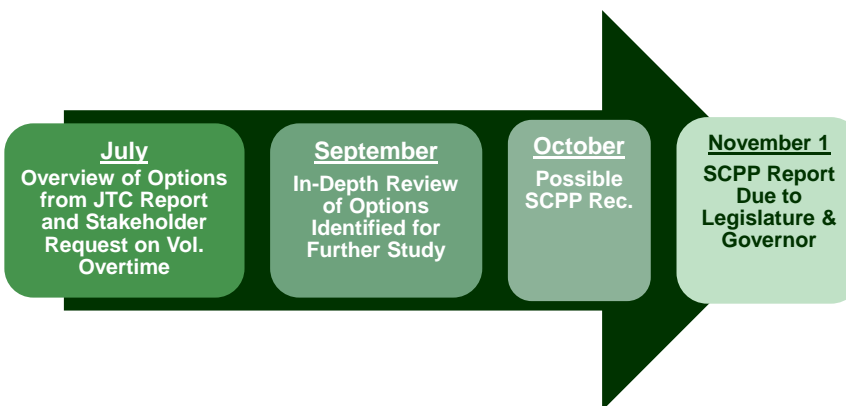
WSPRS Study so Far: Building the Foundation

- May: Initial Briefing
 - Overview of [JTC report](#)
 - Bill briefing on [E2SHB 2872](#)
 - SCPP study requirement
- June: Background
 - Comparison of WSPRS to
 - LEOFF 2 and PERS 2
 - Other states (California, Idaho, and Oregon)
 - Preliminary data on retirements and terminations
 - Panel on other agency activity around recruitment and retention at WSP
 - OFM and WSP

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WSPRS Study: What's Next?




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Seven Pension Options: Roadmap

- Overview
 - Six options from JTC report
 - One option from stakeholders
 - Including history of voluntary overtime in WSPRS AFS calculation
- Considerations for all options
- Summary of required actions for each option


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Six Options from JTC Report

- Options to incentivize retention of retirement-eligible troopers
- High-level concepts, require further development
- Can be broken into three main categories
 - Related to compensation
 - Related to plan design
 - Related to new programs


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JTC Options Related to Compensation

- Increases to compensation typically go through collective bargaining and require legislative approval
- 1. Increase pay for retirement-eligible troopers
 - JTC report suggests additional 1 percent longevity pay per year beyond 25 YOS, to maximum 5 percent
 - Example: California Highway Patrol provides additional 1 percent longevity pay beyond 18 YOS and additional 2 percent beyond 25 YOS
 - If occurs during AFS period, also increases retirement benefit
- 2. Offer a retention bonus
 - Annual bonus to troopers who remain at WSP beyond 25 YOS or age 55
 - Example: trooper with 25 YOS stays additional three years, receives bonus on anniversary date of 26, 27, and 28 YOS
 - Unclear if impacts AFS

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JTC Options Related to Plan Design

- Changes to statutory plan design require legislative approval
- 3. Increase retirement eligibility to 30 YOS
 - Currently, retirement-eligibility is 25 YOS or age 55
 - Lengthens careers for troopers under age 55
 - Does not impact age-based retirement-eligibility
- 4. Increase pension accrual after 25 YOS
 - May incentivize retention to receive larger benefit
 - JTC report suggests increasing multiplier to 2.2 percent after 25 YOS
 - Example: California Highway Patrol offers 1.7 percent at age 50, increasing to 2.5 percent at age 55

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JTC Options Related to New Programs

- Depending on the design, creating new retirement programs requires legislative approval
- 5. Evaluate a limited-duration Deferred Retirement Option Program (DROP)
 - Optional program usually resulting in lump sum to supplement regular defined benefit
 - DROP plan design can vary significantly
 - Generally, allows retirement-eligible employees to “freeze” YOS and AFS levels of regular defined benefit, continue working, and contribute to separate DROP account which earns interest
 - JTC report suggest cost-neutral, limited-duration DROP
 - Example: Ohio Highway Patrol
 - Officers eligible at age 48 with 25 YOS, or 52 with 20 YOS
 - Depending on age, participate for minimum of two or three years, max of eight years
 - At retirement, receive contributions in DROP account plus market-based investment rate of return



JTC Options Related to New Programs, Continued


- 6. Create a trooper reserve program
 - Allows retired troopers to return to work at WSP to perform commissioned trooper tasks in limited status while receiving retirement benefits
 - Currently, WSPRS members may return to work in any public position except commissioned trooper without loss of benefits
 - JTC report recommends retirees perform part-time, non-benefit, non-career status positions
 - Examples: WSP retirees could potentially provide
 - Security at Governor's Mansion
 - Assistance with investigations
 - Additional staffing during special events



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One Option from Stakeholders

- SCPP received letter from WSP Troopers Association in June requesting consideration of including voluntary overtime in WSPRS AFS calculation
- Executive committee added request to today's agenda
 - Specifically requested history of the issue


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Stakeholder Requested Option Related to Voluntary Overtime in WSPRS AFS

- Change to statutory definition of "salary" requires legislative approval
- Currently, voluntary overtime not included in WSPRS AFS
 - Exception: included for WSPRS 1 members if earned prior to July 1, 2001
 - Included in AFS for all other DRS-administered state systems
- May incentivize retention to receive larger benefit
- Example: WSPRS Plan 1 trooper with 25 YOS may choose to work two additional years, volunteer for more overtime during two-year AFS period and receive larger benefit


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Brief History of Voluntary Overtime and WSPRS AFS

- In 1999, [JLARC performance audit](#) of WSP found
 - Average trooper worked 42 percent more overtime/compensatory time during two-year AFS period than troopers further from retirement
 - Overtime during AFS period increased average trooper's pension by 14 percent
- In 2000, Legislature directs JCPP to study WSPRS
- In 2001, JCPP recommends several changes to WSPRS
 - Prospective removal of voluntary overtime and leave cash-outs from AFS
- In 2002, Legislature passes [ESB 5143](#)
 - Removes voluntary overtime and leave cash-outs from AFS
 - Creates WSPRS Plan 2
- Legislation introduced in 2010, 2011, and 2013 to add certain types of voluntary overtime to WSPRS AFS
 - None passed



Most Options Share Similar Considerations

- If identified for further study, analysis may address
 - Duration of the incentive (short-term versus long-term impacts)
 - Relationship to collective bargaining and current WSP practices
 - Benefit consistency with other state systems
 - How impacts change when design changes
 - Eligibility criteria for the incentive
 - Actuarial analysis of cost impacts
 - Impact on retirement behavior
 - Contractual rights (*Bakenhus*)
 - Potential for pension spiking
 - Intergenerational equity
 - Administrative impacts



Summary of Required Actions for All Options

	Requires Collective Bargaining	Requires Legislative Approval
JTC Report Options	Increase pay for retirement-eligible troopers	X
	Offer a retention bonus	X
	Increase retirement-eligibility to 30 YOS*	X
	Increase pension accrual after 25 YOS*	X
	Evaluate a limited-duration DROP**	X
Stakeholder Request	Create a trooper reserve program	X
	Include voluntary overtime in AFS***	X

*Years of Service (YOS).
 **Deferred Retirement Option Program (DROP).
 ***Average Final Salary (AFS).

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Summary

- E2SHB 2872 requires SCPP study pension-related options to retain retirement-eligible troopers from JTC report
 - 1. Increase pay for retirement-eligible troopers
 - 2. Offer a retention bonus
 - 3. Increase retirement eligibility to 30 YOS
 - 4. Increase pension accrual after 25 YOS
 - 5. Evaluate a limited-duration DROP
 - 6. Create a trooper reserve program
- Stakeholder requests SCPP also consider including voluntary overtime in AFS calculation
- Executive committee may identify options for further study
 - Full analysis provided in September

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Select Committee on Pension Policy

WSPRS Study

Overview of Pension Options

Background

The Washington State Patrol (WSP) reports difficulties recruiting and retaining commissioned troopers. During the 2016 Session, the Legislature passed [E2SHB 2872](#) which, among other provisions, requires the SCPP to study pension-related options for retaining retirement-eligible troopers offered in a Joint Transportation Committee (JTC) [report](#). Stakeholders request the SCPP also study including voluntary overtime in the Average Final Salary (AFS) calculation for Washington State Patrol Retirement System (WSPRS) members.

This briefing paper provides an overview of the JTC report options and the stakeholder request. The Executive Committee may identify which options to study further.

JTC Report Offers Options to Retain Retirement-Eligible Troopers

The JTC report offers six options to incentivize some troopers to stay with the WSP beyond retirement eligibility. All of the options require collective bargaining, legislative action, or both. These options represent high-level ideas and require further development to become detailed proposals. Below is a discussion of what each option entails and the analysis that would accompany further study.

Summary of Required Actions for all Options

		Requires Collective Bargaining	Requires Legislative Approval
JTC Report Options	Increase pay for retirement-eligible troopers	X	X
	Offer a retention bonus	X	X
	Increase retirement-eligibility to 30 YOS*		X
	Increase pension accrual after 25 YOS*		X
	Evaluate a limited-duration DROP**		X
Stakeholder Request	Create a trooper reserve program		X
	Include voluntary overtime in AFS***		X

*Years of Service (YOS).

**Deferred Retirement Option Program (DROP).

***Average Final Salary (AFS).

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Options Related to Later Career Compensation

Options 1 and 2 impact trooper compensation later in the troopers' careers. Any changes to compensation require collective bargaining and approval by the Legislature.

Option 1: Increase Pay for Retirement Eligible Troopers

This option may incentivize retirement-eligible troopers to defer retirement by increasing the trooper's monthly salary.

For example, the California Highway Patrol and Michigan State Police both provide longevity pay when an officer reaches a certain number of Years of Service (YOS). California provides an additional 1 percent for each year from 18 to 22 YOS and an additional 2 percent for each year after 25 YOS. Michigan provides an additional \$180 per month after 25 YOS and an additional \$250 per month after 29 YOS.

The JTC report suggests a potential approach of paying an additional 1 percent of longevity pay for each year of service beyond 25, to a maximum of 5 percent.

Option 2: Offer a Retention Bonus

This option may incentivize retirement-eligible troopers to defer retirement by offering a retention bonus for each year the trooper's remain at the WSP beyond retirement eligibility.

For example, a trooper with 25 YOS who stays with the WSP for an additional three years would receive a cash bonus on the anniversary date (date of hire) of the trooper's twenty-sixth, twenty-seventh, and twenty-eighth YOS.

Considerations for Options Related to Compensation

If Option 1 and/or 2 were identified for further study, that analysis may include:

- ❖ Overview of current pay practices at the WSP. How might a late-in-career pay increase fit within the current pay practices at the WSP? Or with geographic pay differences across the state?
- ❖ What roles do other organizations play in discussions of trooper pay? The SCPP does not typically make recommendations regarding compensation.
- ❖ Eligibility for each incentive. Would all troopers be eligible for the incentive or only officers meeting certain criteria?
- ❖ Relative impacts from different design proposals.
- ❖ Duration of each incentive. Would the WSP offer this pay increase and/or bonus on a short-term basis or as a permanent policy?
- ❖ Potential impact on retirement behavior by incentivizing deferral of retirement.

- ❖ Actuarial analysis of the cost impacts from potentially higher AFS calculations. Any increase in salary during the AFS period could also increase the members' future monthly retirement benefit.¹

Options Related to WSPRS Plan Design

Options 3 and 4 impact pension statutes which requires legislative approval.

Option 3: Increase Retirement Eligibility to 30 YOS

Currently, WSPRS members may retire at 25 YOS or age 55. This option requires longer careers for troopers who become eligible to retire based on YOS. Increasing retirement eligibility to 30 YOS will not impact troopers who become eligible to retire based on age. This change requires legislative action to amend the WSPRS pension statute outlining retirement eligibility.

Option 4: Increase Pension Accrual after 25 YOS

This option may incentivize retirement-eligible troopers to defer retirement by offering an opportunity for the trooper to increase their monthly retirement benefit. Changing pension accrual rates requires changing the benefit multiplier. For WSPRS members, the multiplier is 2 percent (the benefit formula is 2% x YOS x AFS). This change requires legislative action to amend the WSPRS pension statute outlining the benefit calculation formula.

For example, the California Highway Patrol offers a 1.7 percent multiplier at age 50 which increases to a maximum of 2.5 percent at age 55. The JTC report suggests changing the benefit multiplier to 2.2 percent after a trooper reaches 25 YOS.

Considerations for Options Related to Plan Design

If Option 3 and/or 4 were identified for further study, that analysis may include:

- ❖ Contractual pension rights. How might each option impact new hires versus current employees? Would a comparable benefit advantage be required to implement these changes for current employees?
- ❖ Would a change to retirement eligibility necessitate the creation of a new tier of WSPRS benefits?
- ❖ Administrative impacts from changes to the retirement system.
- ❖ Benefit consistency. Would changes to WSPRS be consistent with peer systems such as LEOFF?
- ❖ Intergenerational equity. A change to pension accrual rates applies to all of an employee's YOS but contributions were not made over a member's career for this increased accrual.
- ❖ Relative impacts from different design proposals.

¹ The AFS period is two years for WSPRS Plan 1 members and five years for WSPRS Plan 2 members.

- ❖ Duration of the option. Would a statute change include an expiration date or be permanent?
- ❖ Potential impact on retirement behavior by mandating or incentivizing deferral of retirement.
- ❖ Actuarial analysis of the cost impacts from higher YOS and pension accruals, both of which could increase the members' future monthly retirement benefit.

Options Related to Developing New Programs

Options 5 and 6 require the development of new programs which may require legislative approval, depending on the details of the programs' design.

Option 5: Evaluate a Limited-Duration Deferred Retirement Option Program (DROP)

A DROP is an optional program that usually results in a lump-sum payout that supplements an employee's pension benefit. Offering a DROP may incentivize some troopers to remain with the WSP by potentially increasing the amount troopers could receive in retirement. A similar program does not currently exist in Washington.

Exactly how a DROP works depends on the plan's design which can vary significantly. Usually, DROPs allow retirement-eligible employees to continue working and instead of accruing service credit and compensation in the employee's defined benefit plan, credit a certain sum to a separate DROP account. Eligible employees choose a future retirement date (usually within three to five years of the employee entering the DROP) and the employee's defined benefit becomes "frozen" at the YOS and AFS level when the employee enters the DROP. When the employee reaches the pre-determined retirement date, the employee receives the accumulated amount in the DROP account plus interest as a lump sum as well as the employee's monthly defined benefit.

For example, the Ohio Highway Patrol offers a DROP to current employees. Officers become eligible to participate in the DROP at age 48 with 25 YOS or age 52 with 20 YOS. Officers entering the program before age 52 participate for a minimum of three years. Officers entering the program after age 52 participate for a minimum of two years. The maximum participation length is eight years. At retirement, the officers receive their contributions into the DROP account plus a market-based investment rate of return.

The JTC report recommends any DROP proposal aim for cost-neutrality and include a sunset date. Cost-neutral design minimizes the risk of actual costs being higher than anticipated costs. A sunset date could allow the WSP to manage the current difficulties in retaining troopers without committing the state to a permanent DROP.

Option 6: Create a Trooper Reserve Program

A trooper reserve program allows retired troopers to return to work for the WSP to perform commissioned officer tasks in a limited status. This limited status allows the

troopers to perform certain commissioned officer tasks without re-entering career status and re-joining WSPRS.

For example, a retired trooper could provide security at the Governor's Mansion, assist with investigations, or provide additional staffing during special events or enforcement events.

Currently, WSPRS retirees may return to work in any public position except that of a commissioned trooper without a loss of pension benefits. Depending on the specifics of the program's design, a trooper reserve program may remove this exception to WSPRS retire-rehire provisions by allowing retired troopers to return to the WSP and perform commissioned trooper tasks, albeit in a limited status. Some WSPRS retirees currently return to work at the WSP in a non-career status, performing tasks such as background checks.

Considerations for Options Related to New Programs

If Option 5 and/or 6 were identified for further study, that analysis may include:

- ❖ Role of collective bargaining. How might these options interact with the current collective bargaining agreement?
- ❖ Relative impacts from different design proposals. For a DROP, design includes establishing a governance structure, setting eligibility criteria, determining the percent of contributions into the DROP account, calculating interest, establishing a funding policy, and setting actuarial assumptions, among other items.
- ❖ Administrative impacts from offering a new retirement program.
- ❖ Benefit consistency. Would changes to benefits and retire-rehire provisions be consistent with peer systems such as LEOFF?
- ❖ Duration of the option. Would a statute change include an expiration date or be permanent?
- ❖ Potential impact on retirement behavior. By allowing troopers to retire and return to work in a limited status, might that encourage earlier retirement?
- ❖ Actuarial analysis of the cost impacts from potential changes in retirement behavior and from offering a new benefit program.

Stakeholder Requests Study of Voluntary Overtime in AFS Calculation

The Washington State Patrol Troopers Association sent a letter to the SCPP (Appendix A) requesting the SCPP also study the inclusion of voluntary overtime in the AFS calculation for WSPRS members. At the June SCPP meeting, the Executive Committee requested an expanded briefing of this option, to include the history of voluntary overtime with the WSPRS AFS.

Option to Include Voluntary Overtime in AFS

Including voluntary overtime in the AFS calculation may incentivize some troopers to defer retirement in order to receive a larger monthly benefit. For example, a WSPRS Plan 1 member with 25 YOS may choose to work until 27 YOS before retiring. During those two additional years, the trooper may choose to work more voluntary overtime in order to increase the trooper's two-year AFS.

Currently, WSPRS Plan 2 does not include voluntary overtime in the AFS calculation. WSPRS Plan 1 does include voluntary overtime earned prior to July 1, 2001 but not if earned after that date. All other Washington state retirement systems administered by the Department of Retirement Systems include voluntary overtime in the AFS calculation.

Changes to reportable compensation require legislative action to amend the WSPRS pension statutes.

Considerations for Including Voluntary Overtime in AFS

If this option were identified for further study, that analysis may include:

- ❖ Role of collective bargaining. How might allowing voluntary overtime in the AFS calculation interact with the current collective bargaining agreement?
- ❖ Administrative impacts from changes to employer reporting and benefit calculations.
- ❖ Benefit consistency. Would a change to the WSPRS AFS calculation provide more benefit consistency with the other state systems?
- ❖ Potential for pension spiking during the AFS period. Would this potential be limited to Plan 1 members whose AFS period is two years, versus five years in Plan 2?
- ❖ Intergenerational equity. A change to AFS applies to all of an employee's YOS but contributions were not made over a member's career for this increased benefit.
- ❖ Duration of the option. Would a statute change include an expiration date or be permanent?
- ❖ Potential impact on retirement behavior. Would allowing the inclusion of voluntary overtime in the AFS calculation encourage troopers to defer retirement? Would there be a difference between Plan 1 and Plan 2 members due to the difference in AFS periods?
- ❖ Actuarial analysis of the cost impacts from potential changes in retirement behavior and higher AFS.

History of Voluntary Overtime and WSPRS AFS

In 1999, the Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to conduct a performance audit of the WSP. JLARC reviewed a variety of

performance areas at the WSP, including the use of overtime. The report does not delineate between mandatory and voluntary overtime.

The JLARC [report](#) found that the average commissioned trooper worked 42 percent more overtime and compensatory time during the trooper's last two years of employment prior to retirement compared to troopers further from retirement. At the time, the AFS period for all WSPRS members was two years. This additional overtime during the AFS period increased the average commissioned trooper's pension by 14 percent, the JLARC report found.

In 2000, the Legislature passed a bill that lowered the WSPRS employee contribution rate and also directed the Joint Committee on Pension Policy (JCPP) to study WSPRS. The JCPP completed this study during the 2001 Interim, looking at plan demographics, major provisions, comparisons with LEOFF Plan 2, and features of WSPRS that distinguish it from the other state systems.

Based on the 2001 study, the JCPP made recommendations to the Legislature regarding member and employer contribution rates, disability benefits, the AFS period, military service credit, retirement payment options, survivor benefits, cost-of-living adjustments, and the definition of salary for the AFS. The change to the definition of salary included removing voluntary overtime, and annual and holiday leave cash-outs from the AFS calculation (prospectively for current members). In 2002, the Legislature passed [ESB 5143](#) which implemented the JCPP's recommendations and established WSPRS Plan 2.

Legislation to re-introduce voluntary overtime into the WSPRS AFS calculation appeared in the 2010, 2011, and 2013 Sessions. None of these bills passed.

Conclusion

E2SHB 2872 requires the SCPP to study the six pension-related options for retaining retirement-eligible troopers offered in the JTC report. Stakeholders request the SCPP also study including voluntary overtime in the WSPRS AFS.

This briefing paper provides an overview of each option (seven total), including considerations for each should the SCPP identify the option for further study. Considerations generally include benefit consistency, administrative impacts, design of the proposal, changes to retirement behavior, the duration of the change, and actuarial analysis. All of the options require legislative approval and Options 1 and 2 also require collective bargaining because these options impact trooper compensation.

The Executive Committee may identify which options to study further. Staff will provide further analysis of the identified options at the September meeting.

Attachments

- A. Letter from Davor Gjurasic, Washington State Patrol Troopers Association (received June 14, 2016).

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WASHINGTON STATE PATROL TROOPERS ASSOCIATION

200 UNION AVE. SE STE. 200, OLYMPIA, WA 98501 (360) 704-7530 FAX (360) 704-7527

June 9, 2016

Senator Steve Conway
Chairman, Select Committee on Pension Policy
P.O. Box 40914
Olympia, WA 98504-0914

RECEIVED

JUN 14 2016

Office of the State Actuary

RE: The use of overtime in calculating the Final Annual Salary in the Law Enforcement Officers & Fire Fighters Plan II (LEOFFII) pension and the Washington State Patrol Retirement System II (WSPRSII) pension.

Dear Chairman Conway:

This interim the Select Committee on Pension Policy (SCPP) per ESSHB 2872, that deals with the recruitment and retention of Washington State Patrol commissioned officers, is tasked to review the pension-related items in the 2015 Joint Transportation Study and make recommendations to the Governor's office and the Legislature by November 1, 2016.

One pension-related item the Washington State Patrol Troopers Association (WSPTA) would like the SCPP to review is the difference between the LEOFFII and WSPRSII pensions when calculating an officer's final average salary. The final average salary is how both systems calculate an officer's final pension benefits.

For WSPRSII only mandatory overtime is counted and not voluntary. LEOFFII members do not have this same limitation; all overtime is counted. Both systems calculate their final average salary based on the last five years of service.

This one major difference in the two plans needs to be considered when looking at the differences between the two plans in recruiting and retaining current WSP Troopers and Sergeants.

Sincerely,

Davor Gjurasic
WSPTA Government Affairs
360-561-1923

cc. Rep. Bruce Chandler, Vice Chairman, SCPP
Mr. Aron Gutierrez, SR. Policy Analyst, WA ST Actuary



Select Committee on Pension Policy

WSPRS Study

Darren Painter
Information Services Manager

September 20, 2016




Office of the State Actuary
Supporting financial security for generations.

Committee Activity

- May: Initial briefing
 - SCPP study requirement
 - Overview of [JTC report](#)
- June: Background and current situation
 - Data and plan comparisons
 - OFM and WSP briefing on recruitment and retention efforts
- July: Overview of pension-related options
 - JTC Report
 - Stakeholder
- July: Executive Committee identified options for further study

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Five Options Identified for Further Study

- Offer retention bonus
- Increase retirement eligibility to 30 YOS
- Increase benefit accrual after 25 YOS
- Limited duration DROP
- Include voluntary overtime in AFC

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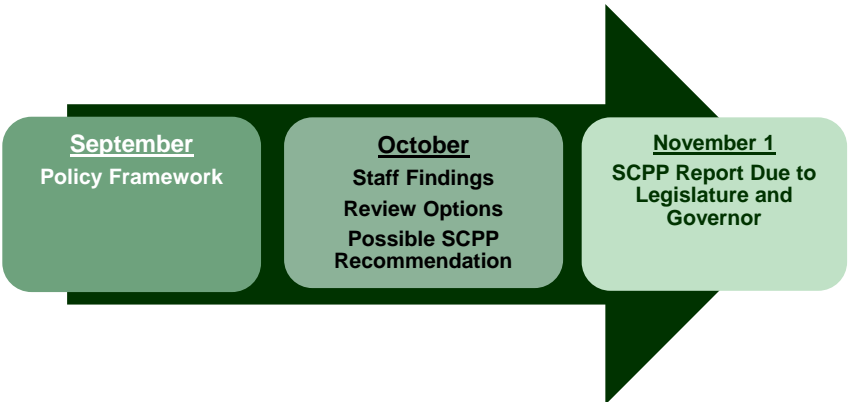


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WSPRS Study Timeline: What's Next?



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Today's Presentation

- Issue
- Key policy questions
- SCPP goal
- Workforce and policy implications
- Possible approaches
- Next steps



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Select Committee on Pension Policy

What's the Issue

- WSP reports difficulties recruiting and retaining officers
- [JTC Study](#) found
 - Losing troopers to local law enforcement agencies
 - Experiencing an increase in retirements
 - Recruitments not keeping pace
 - Compensation and employee satisfaction were key factors
- Options for retaining retirement-eligible troopers have been identified by
 - JTC Study Report
 - Stakeholders




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Key Policy Questions

- To what extent is retirement behavior a factor?
- How may pension policy be contributing to the issue?
- How can pension policy help address the issue?
- What are the implications of using pension policy to address the issue?




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SCPP has Adopted a Goal Relevant to this Issue

- SCPP Goal #2: Balanced Long-Term Management
- Speaks to coordination between pension and HR policies
- Includes managing the state retirement systems with responsiveness to HR policies for recruiting and retaining a quality public workforce.




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Policy Question #1

To what extent is retirement behavior contributing to the trooper retention issue?

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Increasing Retirements are a Contributing Factor

WSPRS Average Annual Entries and Exits		
	2011-2015	1996-2015
New Entrants	52	54
Retirements	43	30
Terminations	18	16

Source: Office of the State Actuary

- Some may be due to aging workforce
 - Percentage of troopers eligible for retirement has increased from 8.5 percent in 2005 to 13.3 percent in 2015
 - 78 percent work average of 4.5 years past eligibility
- Some may be driven by employee satisfaction

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Policy Question #2

How may pension policy be contributing to the trooper retention issue?

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Some Plan Provisions can Work Against Retention

- Retirement eligibility at 25 YOS results in retirements at earlier ages

Service Retirements Since 2005			
	NRA	Age	Service
WSPRS 25 YOS	55	50	26
WSPRS NRA	55	58	26
LEOFF 2 Police	53	56	24

Source: Office of the State Actuary

- Retire-rehire rules may provide a financial incentive to change jobs
 - Can work in any non-trooper public position and collect their pension
 - 174 WSPRS retire-rehires since 2010
 - 24 hired by LEOFF-eligible employers
 - Insufficient data to determine impact
- No impact from benefit cap and mandatory retirement age

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Policy Question #3

How can pension policy help address the retention issues?

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Two Key Pension Policy Levers Impact Retention

- #1: Retirement eligibility
- #2: Financial incentives
- Different policy and cost implications
- JTC report and stakeholder options span both approaches

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Raising Retirement Eligibility can Require Employees to Work Longer Careers

- Requires increasing age or service to qualify for retirement
- Longer careers typically result in
 - Savings to the plan
 - Increased retirement security and adequacy of benefits
- Likely perceived as a benefit cut
- Likely would apply to new hires
 - Contractual rights
 - Long time for impacts to emerge
- Can impact
 - Recruitment
 - Employee effectiveness

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Financial Incentives can Encourage Employees to Work Longer Careers

- Includes benefit increases, expanded retire-rehire, DROP
- May lengthen careers and can add costs to the plan
- Could apply to current members
 - Immediate impact on retention and cost
- Need to target service after retirement eligibility to impact retention
- Outcomes can be uncertain
- Potential for windfalls
- Can impact intergenerational equity


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Policy Question #4

What are the implications of using pension policy to address retention issues?

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Workforce Implications of Retaining Retirement-Eligible Employees

- Represent a highly trained and experienced workforce
- Retaining may be easier and less costly than recruiting
- Delaying current retirements can increase future retirements
- Can limit advancement opportunities for less-senior staff
- Retaining current employees
 - Won't fill current vacancies
 - Can reduce the need for future recruitments

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Implications of Using Pension Policy to Address Retention

- Can lengthen careers over time by changing plan design
- Can temporarily mitigate staffing shortages through incentives
 - May not address the underlying causes
- Allows costs of incentives to be financed over a longer period
- Can create long-term contractual rights or costs
- Can lead to inconsistent benefits
 - Plans, groups of employees, employers
- May set precedent for other positions/employers
 - Teachers, nurses, psychiatrists, Western State Hospital

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Policy Makers may Prefer Different Approaches

- Assess impact of current efforts before taking further action
 - Salary increases
 - Recruiting
- Address the issue outside of pension policy
- Develop one or more pension options
 - Temporary?
 - Cost-neutral?

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Summary

- WSP experiencing difficulty recruiting and retaining troopers
 - Increasing retirements are a contributing factor
 - 25-and-out retirement eligibility results in retirements at earlier ages
- Two primary pension policy levers that can impact retention
 - Retirement eligibility
 - Financial incentives
- Using retirement system to address retention has both workforce and pension policy implications
- Policy makers may prefer different approaches



Next Steps

- Briefing planned in October
 - Review of options
 - Staff findings
- Staff will draft report for submittal to Legislature
- SCPP could develop a preferred option this interim
 - Wouldn't be included in report
 - Executive Committee may provide further direction





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WSPRS Study

Darren Painter
Information Services Manager

October 18, 2016





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Committee Activity

- May: Initial briefing and overview of [JTC report](#)
- June: Background and current situation
 - OFM and WSP briefing on recruitment and retention efforts
- July: Overview of pension-related options
- September:
 - Policy framework
 - Executive Committee selected one option for further study
 - Voluntary OT
 - Identified by stakeholders

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WSPRS Study Timeline: What's Next?

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October
Review Voluntary Overtime Option
Possible SCPP Recommendation

November 1
SCPP Report Due to Legislature and Governor

November & December
Option For Continued SCPP Study

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Today's Presentation

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- Recap of study
- Voluntary OT
- Policy implications
- Policy decisions
- Next steps
- Possible recommendations
- Appendix

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Recap of Study to Date

- WSP experiencing difficulty recruiting and retaining troopers
 - [JTC Study](#) found compensation and employee satisfaction are key drivers
 - Increasing retirements also a contributing factor
 - Plan design results in retirements at earlier ages
 - 25-and-out retirement eligibility
- Addressing retention through retirement systems has implications for
 - Workforce
 - Pension policy
- Two primary pension policy levers that can impact retention
 - Retirement eligibility
 - Financial incentives
- Policy makers may prefer different approaches


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What is Voluntary Overtime?

- Employees have the choice to work
- Sign up in advance
- Examples
 - WSP presence at DOT construction sites
 - Policing public events
 - Special emphasis patrols


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Voluntary OT Excluded from WSPRS AFC

- Not used in calculating WSPRS pension benefits
- Many troopers work some voluntary OT
- Included in AFC and benefit calculations for all other DRS-administered state systems
- Policy in neighboring state patrols varies
 - Oregon and Idaho include
 - California excludes

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Key Policy Implications

- Benefit consistency
- Retention
- Pension spiking
- Prior legislative action

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Current Policy is Inconsistent with Other Plans

- State policy is to provide similar benefits where possible
 - Some exceptions
- WSPRS is the only state system that excludes voluntary OT
- Creates inconsistency with
 - Other plans
 - Other law enforcement officers
- May be related to past experience

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Including Voluntary OT can Impact Retention

- General eligibility will likely have a short-term impact
 - Initially, some may delay retirement to add voluntary OT to AFC
 - Within a few years, voluntary OT will be in AFC
 - Likely retire as before, with a larger pension
- Service-based eligibility could have a long-term impact
 - Financial incentive to work longer career
 - Example: Including voluntary OT after 25 years
 - Could encourage some to work past eligibility for retirement
- Largest incentive will likely be provided to
 - Plan 1 members
 - Members who can work the most voluntary OT
- Assumes eligibility applies to future service

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Including Voluntary OT can Result in Pension Spiking

- Pension spiking is inflating AFC to increase pensions
 - Can create unexpected costs
 - May be perceived as abusing system
- Including in AFC provides financial incentive to work more voluntary OT near retirement
 - Can create liabilities that aren't fully funded at retirement
 - Unfunded costs spread over the plan
- May be less of a concern in WSPRS
 - Single-employer system
 - Member rates are capped
- Ways to manage risks



Including Voluntary OT Reverses Prior Legislative Action

- Prior to 2001, voluntary OT included in AFC
- In 2001, Legislature removed it for current and future employees
 - Granted improved post-retirement COLA
- [1999 JLARC performance audit](#) of WSP
 - Found OT can significantly impact retirement benefits and was a cost to the state
 - 42 percent more OT worked during AFC period
 - 14 percent increase in pensions
 - Over million dollar impact on Highway Account for 1999-01 Biennium
 - Recommended strengthening agency controls on assignment of OT
- Some policy makers may ask if potential concerns have been addressed



Key Policy Decisions

- What's the primary policy objective?
 - Benefit consistency
 - Retention
 - Immediate, short term impact
 - Long-term increase in career length
- Should potential risks around pension spiking be addressed?
- Answers to these questions drive option development
- May not be possible to maximize benefit consistency and/or retention while minimizing risk of pension spiking



Next Steps

- Staff will report to Legislature and Governor
 - Draft letter in materials
 - Could include SCPP recommendation
- SCPP could continue study of voluntary OT
 - Possible options
 - Possible pricing
- Executive Committee may provide further direction



Possible Recommendation Options

- Make no recommendations at this time
- Further SCPP study of voluntary OT
- Address outside of pension policy
- SCPP revisit issue next interim
- Could come from either the Full or Executive Committee



Appendix: Brief History of Voluntary OT and WSPRS AFC

- In 1999, [JLARC performance audit](#) of WSP found
 - Average trooper worked 42 percent more overtime/compensatory time during two-year AFC period than troopers further from retirement
 - Overtime during AFC period increased average trooper's pension by 14 percent
- In 2000, Legislature directs JCPP to study WSPRS
- In 2001, JCPP recommends several changes to WSPRS
 - Prospective removal of voluntary OT and leave cash-outs from AFC
- In 2001, Legislature passes [ESB 5143](#)
 - Removes voluntary OT and leave cash-outs from AFC
 - Creates WSPRS Plan 2
- Legislation introduced in 2010, 2011, and 2013 to add certain types of voluntary OT to WSPRS AFC
 - None passed





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WSPRS Proposal

Darren Painter
Information Services Manager




December 13, 2016



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What's the Issue?

- WSP is experiencing difficulty recruiting and retaining troopers
- WSPRS is the only retirement system that specifically excludes voluntary overtime from pension calculations
- Stakeholders propose including voluntary overtime in pensions as a means to address
 - Recruitment and retention
 - Benefit consistency



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SCPP and Legislative Activity

- Legislature studied WSP recruitment and retention in 2015
 - Passed [bill](#) addressing some of the [study](#) recommendations
- SCPP studied pension-related options for recruiting and retaining troopers this interim
 - Including voluntary overtime option
- Executive Committee directed staff to work with stakeholders to develop a proposal around voluntary overtime option
 - Benefit consistency
 - Consider controls around pension spiking
- Public hearing scheduled for today

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Possible Pension Policy Controls

- Could help manage the risk of pension spiking if voluntary overtime included in pensions
- Lengthen salary averaging period
- Limit how much AFS can increase due to voluntary overtime
- Limit the types of voluntary overtime includable in AFS

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Agency Controls Currently in Place

- Off-duty employment limited to eight hours per day up to 24 hours per week (excluding days off)
- CBA requires contract overtime slots to be filled first by employees assigned to the district
- District overtime coordinator
- WSP management quarterly reviews overtime worked

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Stakeholder Proposal for Voluntary Overtime

- Include voluntary overtime in average final salary used for calculating WSPRS pensions
 - Plans 1 and 2
 - Salaries earned on or after July 1, 2017
- Provides benefits consistency without additional controls for pension spiking
- Actuarial pricing not available at this time
 - Expected cost
- Draft bill language in materials

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Optional Next Steps

- Scheduled for public hearing and possible executive action today
 - Sample motion: I move the WSPRS voluntary overtime bill be recommended to the 2017 Legislature
- No further committee action at this time

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Darren Painter 786-6155

OSA

November 29, 2016 (5:22 PM)

WSPRS Proposal (Voluntary Overtime in AFS)
Draft Bill Language

AN ACT Relating to defining salary for purposes of the Washington state patrol retirement system; and amending RCW 43.43.120.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 43.43.120 and 2011 1st sp.s. c 5 s 6 are each amended to read as follows:

As used in this section and RCW 43.43.130 through 43.43.320, unless a different meaning is plainly required by the context:

(1) "Actuarial equivalent" shall mean a benefit of equal value when computed upon the basis of such mortality table as may be adopted and such interest rate as may be determined by the director.

(2) "Annual increase" means as of July 1, 1999, seventy-seven cents per month per year of service which amount shall be increased each subsequent July 1st by three percent, rounded to the nearest cent.

(3)(a) "Average final salary," for members commissioned prior to January 1, 2003, shall mean the average monthly salary received by a member during the member's last two years of service or any consecutive two-year period of service, whichever is the greater, as an employee of the Washington state patrol; or if the member has less than two years of service, then the average monthly salary received by the member during the member's total years of service.

(b) "Average final salary," for members commissioned on or after January 1, 2003, shall mean the average monthly salary received by a member for the highest consecutive sixty service credit months; or if the member has less than sixty months of service, then the average monthly salary received by the member during the member's total months of service.

(c) In calculating average final salary under (a) or (b) of this subsection, the department of retirement systems shall include:

(i) Any compensation forgone by the member during the 2009-2011 fiscal biennium as a result of reduced work hours, mandatory or voluntary leave without pay, temporary reduction in pay implemented prior to December 11, 2010, or temporary layoffs if the reduced compensation is an integral part of the employer's expenditure reduction efforts, as certified by the chief; and

(ii) Any compensation forgone by a member during the 2011-2013 fiscal biennium as a result of reduced work hours, mandatory leave without pay, temporary layoffs, or reductions to current pay if the reduced compensation is an integral part of the employer's expenditure reduction efforts, as certified by the chief. Reductions to current pay shall not include elimination of previously agreed upon future salary reductions.

(4) "Beneficiary" means any person in receipt of retirement allowance or any other benefit allowed by this chapter.

(5)(a) "Cadet," for a person who became a member of the retirement system after June 12, 1980, is a person who has passed the Washington state patrol's entry-level oral, written, physical performance, and background examinations and is, thereby, appointed

by the chief as a candidate to be a commissioned officer of the Washington state patrol.

(b) "Cadet," for a person who became a member of the retirement system before June 12, 1980, is a trooper cadet, patrol cadet, or employee of like classification, employed for the express purpose of receiving the on-the-job training required for attendance at the state patrol academy and for becoming a commissioned trooper. "Like classification" includes: Radio operators or dispatchers; persons providing security for the governor or legislature; patrol officers; drivers' license examiners; weighmasters; vehicle safety inspectors; central wireless operators; and warehouse workers.

(6) "Contributions" means the deduction from the compensation of each member in accordance with the contribution rates established under chapter 41.45 RCW.

(7) "Current service" shall mean all service as a member rendered on or after August 1, 1947.

(8) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(9) "Director" means the director of the department of retirement systems.

(10) "Domestic partners" means two adults who have registered as domestic partners under RCW 26.60.040.

(11) "Employee" means any commissioned employee of the Washington state patrol.

(12) "Insurance commissioner" means the insurance commissioner of the state of Washington.

(13) "Lieutenant governor" means the lieutenant governor of the state of Washington.

(14) "Member" means any person included in the membership of the retirement fund.

(15) "Plan 2" means the Washington state patrol retirement system plan 2, providing the benefits and funding provisions covering commissioned employees who first become members of the system on or after January 1, 2003.

(16) "Prior service" shall mean all services rendered by a member to the state of Washington, or any of its political subdivisions prior to August 1, 1947, unless such service has been credited in another public retirement or pension system operating in the state of Washington.

(17) "Regular interest" means interest compounded annually at such rates as may be determined by the director.

(18) "Retirement board" means the board provided for in this chapter.

(19) "Retirement fund" means the Washington state patrol retirement fund.

(20) "Retirement system" means the Washington state patrol retirement system.

(21)(a) "Salary," for members commissioned prior to July 1, 2001, shall exclude any overtime earnings related to RCW 47.46.040, or any voluntary overtime, earned on or after July 1, 2001, and prior to July 1, 2017.

(b) "Salary," for members commissioned on or after July 1, 2001, shall exclude any overtime earnings related to RCW 47.46.040 or any voluntary overtime, earned prior to July 1, 2017, lump sum payments for deferred annual sick leave, unused accumulated vacation, unused accumulated annual leave, holiday pay, or any form of severance pay.

(22) "Service" shall mean services rendered to the state of Washington or any political subdivisions thereof for which compensation has been paid. Full time employment for seventy or more hours in any given calendar month shall constitute one month of service. An employee who is reinstated in accordance with RCW 43.43.110 shall suffer no loss of service for the period reinstated subject to the contribution requirements of this chapter. Only months of service shall be counted in the computation of any retirement allowance or other benefit provided for herein. Years of service shall be determined by dividing the total number of months of service by twelve. Any fraction of a year of service as so

determined shall be taken into account in the computation of such retirement allowance or benefit.

(23) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(24) "State treasurer" means the treasurer of the state of Washington.

Unless the context expressly indicates otherwise, words importing the masculine gender shall be extended to include the feminine gender and words importing the feminine gender shall be extended to include the masculine gender.

--- **END** ---