

SENATE BILL REPORT

SB 6493

As of January 29, 2010

Title: An act relating to a study of disability benefit options for plan 2 and plan 3 members of the public employees' retirement system, the teachers' retirement system, and the school employees' retirement system.

Brief Description: Requiring a study of disability benefit options for plan 2 and plan 3 members of the public employees' retirement system, the teachers' retirement system, and the school employees' retirement system.

Sponsors: Senators Schoesler, Hobbs and Holmquist; by request of Select Committee on Pension Policy.

Brief History:

Committee Activity: Ways & Means: 1/28/10.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Erik Sund (786-7454)

Background: The Public Employees' Retirement System Plans 2 and 3 (PERS 2/3) provide benefits for all regularly compensated public employees and appointed and elected officials that first entered eligible positions since 1977, unless they fall under a specific exemption from membership, such as qualification for another of the state retirement systems. Covered employers include all state agencies and subdivisions and most local government employees not employed by the cities of Seattle, Tacoma, and Spokane. The Teachers' Retirement System and School Employees' Retirement Systems Plans 2 and 3 (TRS 2/3 and SERS 2/3) provide benefits for certificated and classified employees of school districts, educational service districts, and some other public educational employers that first entered eligible positions since 1977.

A member of PERS 2/3, TRS 2/3 or SERS 2/3 is eligible for a disability benefit upon becoming "totally incapacitated for continued employment by an employer." The benefit provided from the plans is an earned benefit based upon the member's age, average salary, and years of service, in a fashion similar to the retirement benefit provided by Plan 2 or Plan 3, but available at the time the member leaves employment due to disability. The formula calculating the monthly amount paid through the disability benefit is reduced for the difference between the member's age and the normal retirement age in the plan, 65.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Some PERS 2/3, TRS 2/3, and SERS 2/3 employers may provide additional disability insurance, or access to disability insurance to employees. Employees of employers that participate in the Public Employees' Benefits Board (PEBB) plans of the Health Care Authority (HCA) are automatically provided limited long-term disability benefits and have the opportunity to purchase additional group long-term disability coverage from the PEBB. Among the PEBB-eligible state employees, approximately 40 percent purchase additional long-term disability coverage.

The 2009 Legislature provided \$51,000 in the 2009-11 biennial operating budget for the Office of the State Actuary to contract with the Washington State Institute for Public Policy (WSIPP) for a study of the disability benefits provided to members of PERS, TRS, and SERS Plan 2/3. The WSIPP found that the disability allowances received from those retirement plans may be considerably smaller than those provided under other retirement systems that are structured differently. The report also found that 60 percent of Plan 2/3 members do not purchase the optional additional long-term disability coverage offered by the PEBB.

Summary of Bill: The WSIPP is directed to continue to evaluate the disability benefit options identified in their 2009 study during the 2010 interim. The options subject to further evaluation are changes to PEBB long-term disability insurance programs, the use or development of other long-term disability programs, and changes to the state's public employee retirement system benefits.

The HCA is directed to assist in the evaluation of its programs with its contracted vendors and other stakeholders. The HCA is also directed to institute an improved communications program designed to increase awareness of the importance of participation in its optional long-term disability insurance program.

The WSIPP and the HCA must report their findings and recommendations to the Select Committee on Pension Policy, the House Committee on Ways and Means, and the Senate Committee on Ways & Means no later than November 17, 2010.

If specific funding for these purposes in the operating budget bill by June 30, 2010, this bill will not take effect.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The long-term disability coverage currently offered to public employees is dismal. To continue this study would be to take a step towards improving that situation.

Persons Testifying: PRO: Matt Zuvich, Washington Federation of State Employees.