

**Public Pension Plans:  
Washington and the United States**

**Study Design**

**Law Enforcement Officers' and Fire Fighters'  
(LEOFF) Plan 2 Retirement Board**

September 26, 2012

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Washington State Institute for Public Policy  
[www.wsipp.wa.gov](http://www.wsipp.wa.gov)

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Introduction   Assignment   **Study Design**   Prelim. Data

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**Study Assignment**

*"conduct an evaluation of the benefits provided in the pension  
plans offered by public employers in the state"*

*HB 2127 § 606 (13)*

- Compare benefits across state public retirement plans and local government plans in Washington State.
- Identify barriers to portability of retirement benefits among public employers in the state.
- Describe how "excess compensation" (including overtime) is handled in pension calculations.
- Due: December 1, 2012.

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## Two-part Design

1. Public Pension Plan Comparison
2. Excess Compensation Analysis

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## Public Pension Plan Comparison

Other states' and local plans:

- Plan type: defined benefit, defined contribution or hybrid?
- Type of public employees covered.
- Participation in Social Security.
- Benefit multipliers.
- Retirement ages and vesting rules.
- Member and employer contribution rates.
- Excess compensation regulations.
- Cost-of-living adjustments.

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## Public Pension Plan Comparison

- Compare benefit levels among different state and local plans for hypothetical public employees.
- Focus on open plans.
- Examine law enforcement and firefighter plans separately:
  - Currently we have 42 plans in our data that are specifically law enforcement and firefighter related.

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## Excess Compensation Analysis

*examine the "impact of excess compensation on state retirement system contribution rates"*

HB 2127 § 606 (13)

- DRS data:
  - pension and earnings history data for over 26,000 recent retirees (January 1, 2009—June 30, 2012).
  - pension information includes retirement system, date, employer, AFC, cash-out and excess compensation.
  - earnings history includes monthly compensation and hours from January 1999 to June 2012; earnings, lump sum payments and cash-outs reported separately.

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## Retirements From State Service

January 2009—June 2012

Retirement System	Plan	Retirees
Public Employees' Retirement System (PERS)	1	4,793
	2	9,862
	3	977
Teachers' Retirement System (TRS)	1	2,566
	2	1,015
	3	2,078
School Employees' Retirement System (SERS)	2	1,745
	3	1,667
Law Enforcement Officers' & Firefighters' Retirement System (LEOFF)	1	229
	2	1,156
Washington State Patrol Retirement System (WSPRS)	1	118
Public Safety Employees' Retirement System (PSERS)	2	25
Judicial Retirement System (JRS)	1	7

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## Retirements From State Service

January 2009—June 2012

LEOFF Retirements	Retirees
Law Enforcement Officer, Cities	489
Law Enforcement Officer, Counties	243
Firefighter, Cities	328
Firefighter, All Others	209
Other	116

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## Excess Compensation Analysis

- HRMS and Pay1 data:
  - HRMS (since July 2006): earnings components (including overtime), hours, job class and title
  - Pay 1 (pre-July 2006): base salary, range, step and job title.

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## Excess Compensation Analysis

- Data constraints: limited information on overtime earnings.
- Sample sizes are small when examining individual departments.
- Compensation rises with seniority; it may be difficult to distinguish "excess" from "appropriate" compensation increases.

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## What have we learned to-date: Open Public Employee and Teacher Pension Plans

**DB:** Set benefit amount (by formula)

**DC:** Variable benefits (depends on investment performance and other factors)

**Hybrid:** Combination of both

Plan Type	Percentage	Count
DB Plans	74%	79
Hybrid Plans	15%	15
DC Plans	12%	13
<b>Total</b>		<b>108</b>

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## Types of Pension Plan, By State General Employees & Teachers

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## Preliminary Review of Benefit Plans for Law Enforcement and Firefighters

- 32 states have a specific plan only for these members.
- Most plans DB (exceptions are UT and RI)
- In comparison with public plans for general employees and teachers (reflecting working conditions):
  - Lower retirement age (normal and early).
  - Fewer vesting years.
  - Higher benefit percentage.
  - Higher employer contribution.
  - Slightly higher employee contribution.

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## Types of Pension Plan, By State Law Enforcement and Firefighters

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**Questions?**

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