

BILLS OF IMMEDIATE INTERESTA.B. 9 – Pension Credit for Service in the Peace Corps, VISTA, etc.

Data has been requested from the Peace Corps to enable estimation of this bill's cost. A source for VISTA data is being sought. We will also need to identify other federal programs that might also be covered by this bill. The cost estimate will be easy to make once we have the data, and basic data in summarized form should be sufficient.

A.B. 309 – Excluding Part-Time, Seasonal and Contractual Employees from Social Security

-Plate -Shibilsky

The general effect of this would be to save the State 7.65% of the payroll for employees currently covered by Social Security who elect the alternative money purchase plan to be provided for them in lieu of Social Security coverage.

There are two questions to be answered in order to estimate the cost savings to the State under this bill:

1. The Data Question: How many employees and how much payroll would be affected? We may also have to get some idea of their relative ages, as explained below.
2. The Election Question: What percentage of employees at different pay levels would be likely to decline Social Security in favor of the private retirement plan offered to them?

I would think that older low paid employees would be inclined to prefer Social Security over the 7.5% money purchase plan, if they realized that Social Security uses a front-loaded benefit formula that greatly favors the lower paid. Also, Social Security benefits are not (yet) fully taxable, while pension benefits are. Younger employees with more years to go until retirement would seem likelier to choose the money purchase plan. Also, younger people seem to have little faith in the survival of Social Security.

Ideally, we would like to get data on election rates from another state that has already implemented this. If we cannot get data this way, then we will have to try to get age information and make some educated guesses as to rates of election of the alternate plan.

We have "absolute coverage" agreement w/ feds

S.B. 119 – Joint & Survivor Death Benefit Beneficiary No Longer Must Be a Dependent

Information needed to estimate the cost of this bill can probably all be obtained from ETF. I would need some information about the election of lump sums by those eligible for the J&S benefit, and also it might help to have the active life data that ETF gave the actuaries for the 1998 valuation. With this, it would require from 1 to 3 days of work (2 to 6 working days) for me to prepare the fiscal estimate -- depending on whether I could find a way to estimate it by hand, or had to adapt spreadsheets that I developed for the ORP study.

## A.B. 245 -- Physical Examinations Required for Duty Disability

There are three conditions for a protective participant to be eligible for duty disability:

1. Injured or sickened in the line of duty, and
2. The disability is likely to be permanent, and
3. It causes him/her to retire, to be given light duty, or to lose chance of advancement.

This bill would require periodic medical examinations to determine whether the disability has continued. If not, then the disability benefit would be terminated. It might be helpful to define more carefully to what degree the disability must have persisted -- e.g., if the doctor no longer thinks that it seems likely to be a permanent condition, then has the disablement ended?

Note that the final paragraph of the bill is not enforceable against the former employer. There is no way to assure that an employee who has recovered from disability will get his or her former job back -- or for that matter, that the individual will be able to secure a similar job anywhere. If the recovered employee cannot secure a similar job, then he or she might have to accept a new line of work in order to find employment.

For such employees, this legislation would, in effect, be imposing *after the fact* the same strict definition of disability as non-protective employees are subjected to by 40.63(1)(b) *before the fact* (i.e., before they are granted disability benefits) -- namely, that the ability to perform any substantial gainful activity is enough to disqualify them from disabled status.

From here it is only a small step of logic to ask why the law should not be changed to apply to protective participants the stricter 40.63(1)(b) definition of disability in the first place. If this seems too harsh a policy to apply to police, etc., then a smaller partial duty disability benefit could be defined to fill the gap. Other police plans have this. (Just a thought.)

Employer contribution rates for the Section 40.65 disability insurance program are now about 3.3% of protectives' \$710 million payroll. Therefore, the full cost for duty disability is running at about \$23.5 million annually. If, for example, one in four future disabilities would be terminated under this bill, then the ultimate savings (in current dollars) would be somewhat less than one-fourth of the full \$23.5 million now being spent -- that is, somewhat less than 0.8% of payroll or \$6 million annually.

It would not be a full one-fourth of the total disability cost because (1) ETF would bear some expense for the medical examinations, and (2) each person disqualified for benefits would have drawn some benefits before being disqualified. For this example we can roughly estimate that the actual cost savings to the employers from this bill would be about 75% of the potential savings, which is about 0.62% of payroll or \$4,400,000 annually (in current dollars).

This much savings would not be realized immediately, but would be the limit of a pattern of increased savings each year over a period of time. This is because much of the current 3.3% of payroll contribution is needed to pay for those currently disabled, who are less likely to lose their benefits under this bill than are those who will become disabled in the future.

The assumption that one in four disabilities might be terminated under this bill is for purposes of example only. Further research would have to be done to learn what level of recovery might indeed be expected. "One in four" is a subjective impression that I have based on my previous experience with the West Virginia State Police, and it may or may not be a good assumption to use for a WRS estimate.

## NOTES ON OTHER BILLS

### A.B. 48 & S.B. 142 – Protective Status for County Jailers

Fiscal note has been sent out.

### A.B. 124 / S.B. 88 – Allows Pre-1974 Military Service & "Double-Dipping"

I have the necessary data for costing out the addition of pre-1974 military service. The "double-dipping" part of the bill may prove to be more problematical. It will take a couple of working days to estimate the former. I should have a better idea of the latter once I've done the former.

S.B. 88 also allows "double-dipping", so it will be estimated along with A.B. 124.

### A.B. 145 – Pension Credit for Public Health Service Work

I should have the fiscal note done in a couple of days. Very minimal cost to WRS.

### A.B. 916 – Social Security/Part-Time Employees

This is similar to A.B. 309. *SS admin. won't want to do this (ETF has concerns also)*

### S.B. 105 – Corrections Teachers Getting Protective Status

We will send this fiscal note out today or tomorrow. Pension cost is about \$300,000. These teachers don't satisfy the physical part of the definition for protectives, according to someone over at Corrections.

### S.B. 127 – Retroactive Death Benefits to 1/1/97

Should not be too hard to estimate, but this is a bad idea. Why draw the line at 1/1/97?

Scott's calendar:

May 18: Coalition of Annuitants meeting

May 19: DER class

May 20: DER class

May 26: DER class

May 27: DER class

June 17-July 5: Vacation

Jul 8: Dental appointment

Jul 26: Dental appointment

Debra Breggeman's bad days (when she can't stay late):

June 2, June 9, June 16.

Other considerations:

Norm should have the variable annuity study done around June 15 thru the end of June.

As soon as we get into the new fiscal year he can begin his study of benefit increase bill(s) [A.B. 260, A.B. 323, S.B. 131, maybe others?].