Multiple Agency Fiscal Note Summary

Bill Number: 5538 SB	Title: Postretirement employment in nursing positions for a state agency

Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Retirement Systems	4.6	0	0	1,172,000	.0	0	0	0	.0	0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	**4.6**	**0**	**0**	**1,172,000**	**0.0**	**0**	**0**	**0**	**0.0**	**0**	**0**	**0**

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Retirement Systems	.0	0	0	.0	0	0	.0	0	0
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Marcus Ehrlander, OFM	Phone: (360) 489-4327	Date Published: Revised 2/ 6/2023

FNPID 66487

Individual State Agency Fiscal Note

Bill Number: 5538 SB	Title: Postretirement employment in nursing positions for a state agency	Agency: 124-Department of Retiremen Systems

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	7.1	2.0	4.6	0.0	0.0
Account					
Department of Retirement Systems Expense Account-State 600-1	996,000	176,000	1,172,000	0	0
Total $	996,000	176,000	1,172,000	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Amanda Cecil	Phone: 360-786-7460	Date: 01/21/2023
Agency Preparation:	Amy McMahan	Phone: 360-664-7307	Date: 01/26/2023
Agency Approval:	Mark Feldhausen	Phone: 360-664-7194	Date: 01/26/2023
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 01/27/2023

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This bill expands return to work provisions for retirees of PERS Plan 2 and 3 and PSERS Plan 2 re-entering service in nursing positions for state agencies.

Section 1(2)(b) allows PSERS Plan 2 retirees who have satisfied the break in employment requirement (one full calendar month) to return to work in a nursing position for a state agency up to 1,040 hours in a calendar year between the effective date of this bill and July 1, 2026, without a suspension of their retirement benefit.

Section 2(2)(c) allows PERS Plan 2 and 3 retirees, including those who have retired under the 3% and the 2008 Early Retirement Factors (ERFs), to return to work in a nursing position for a state agency up to 1,040 hours in a calendar year between the effective date of this bill and July 1, 2026, without suspension of their retirement benefit.

Section 3 declares an immediate effective date.

NOTE: the Department of Retirement Systems (DRS) does not have systems currently in place to effectively administer this legislation immediately due to the complexity of required modifications to DRS' automated systems. Until the system changes can be made, DRS must administer the provisions of this bill manually.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Administrative Assumptions:

- DRS processes and systems must still allow for the current 867 rules, the current 1040-hour limit rules for school districts through July 1, 2025, and add these new rules through July 1, 2026.
- PSERS rules will need to be created since no retire return to work provisions exist for that retirement system/plan.
- DRS will request that employers provide data to clearly identify retirees that have returned to work, including a new data element that will require employers to clearly identify a member has returned to work in a nursing position.
- Public employers may need to make changes to their payroll systems to report data to DRS, including HRMS.
- All letters associated with the retiree return to work laws will be revised.
- DRS customer notifications concerning return to work will be made available in the customer's Online Account Access (OAA).
- DRS will leverage WAC 415-106-010(7) for the definition of "nursing care" to determine what nursing positions are eligible for the provisions of this bill.
- DRS will leverage RCW 43-88-020 for the definition of "state agency", which includes every state office, officer, institution (educational, correctional, or otherwise), department, division, board, and commission. Based on this definition, DRS assumes higher education institutions are impacted by the provisions of this bill.

To implement this legislation, DRS will:

- Confirm project scope, timeline, and conduct project implementation tasks,

- Conduct business analysis and business process design,
- Complete systems changes, which includes defining system requirements, coding system changes in our web and Linux applications, testing, and deploying those changes,
- Update agency WACs,
- Support employers through updates to their reporting systems,
- Update member guides, all relevant letters and forms, communicate to members, retirees, and employers, and
- Train employers and team members.

To support this implementation, DRS will form a project team that will include a project manager, retirement specialist, management analyst, business systems analyst, web developer, IT system administrator, and communications consultant. It is estimated that at least nine months of requirements development, programming and testing will be required to complete the system modifications. DRS will have to manually administer these changes until the work on our systems can be implemented. DRS will also hire a contractor to implement changes to Linux applications.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
600-1	Department of Retirement Systems Expense Account	State	996,000	176,000	1,172,000	0	0
		Total $	996,000	176,000	1,172,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	7.1	2.0	4.6		
A-Salaries and Wages	657,000	126,000	783,000		
B-Employee Benefits	219,000	50,000	269,000		
C-Professional Service Contracts	107,000		107,000		
E-Goods and Other Services	13,000		13,000		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	996,000	176,000	1,172,000	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Communications Consultant 4	72,756	0.4		0.2		
IT Applications Develop-Journey	96,888	0.6		0.3		
IT Applications Develop-Snr/Spec	112,176	0.2		0.1		
IT Business Analyst-Journey	96,888	1.8		0.9		
IT Project Manager-Mgr	123,636	1.4		0.7		
IT Systems Admin-Journey	101,748	0.0		0.0		
Management Analyst 3	69,264	0.4		0.2		
Retirement Specialist 3	61,224	2.3	2.0	2.2		
Total FTEs		7.1	2.0	4.6		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Clarifying WACs will be created.

Individual State Agency Fiscal Note

Bill Number: 5538 SB	Title: Postretirement employment in nursing positions for a state agency	Agency: AFN-Actuarial Fiscal Note - State Actuary

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:
NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Amanda Cecil	Phone: 360-786-7460	Date: 01/21/2023
Agency Preparation:	Aaron Gutierrez	Phone: 360-786-6152	Date: 02/06/2023
Agency Approval:	Luke Masselink	Phone: 360-786-6154	Date: 02/06/2023
OFM Review:	Marcus Ehrlander	Phone: (360) 489-4327	Date: 02/06/2023

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

SUMMARY OF RESULTS

BRIEF SUMMARY OF BILL: This bill temporarily expands the amount of post-retirement hours retirees can work in eligible positions without a suspension of benefits so long as they are working in a nursing position with a state agency.

COST SUMMARY

Impact on Contribution Rates		
FYs 2023-2025 State Budget	PERS	PSERS
Employee (Plan 2)	0.00%	0.00%
Total Employer	**0.00%**	**0.00%**

This bill does not result in additional contribution requirements during the 2023-25 or 2025-27 Biennia and has no anticipated cost to the retirement systems.

Budget Impacts			
(Dollars in Millions)	2023-2025	2025-2027	25-Year
General Fund-State	$0.0	$0.0	$0.0
Local Government	0.0	$0.0	0.0
Total Employer	**$0.0**	**$0.0**	**$0.0**

HIGHLIGHTS OF ACTUARIAL ANALYSIS

- We believe this bill will primarily impact current retirees and the hours and positions to which they return to work. Retirees returning to work due to the expansion under this bill represent no additional cost to the pension system since workers receiving their pension do not make retirement contributions or earn pension increases.
- Pension system costs due to return-to-work provisions arise when members change their retirement behavior. However, we assume no costs will result from this bill because of the time-limited incentive it offers and the narrow job description requirement. Neither is likely to change member retirement behavior, specifically when members will retire or which early retirement option they select.
- If we were to assume retirement behavior would change as a result of this bill, we would expect the resulting costs to be less than $1 million GF-S over 25 years. For more information, please see the **How the Results Change When the Assumptions Change** section of this fiscal note.

See the remainder of this fiscal note for additional details on the summary and highlights presented here.

WHAT IS THE PROPOSED CHANGE?

Summary of Bill

This bill impacts the following systems:

- Public Employees' Retirement System (PERS) Plans 2/3.
- Public Safety Employees' Retirement System (PSERS).

This bill temporarily expands the amount of post-retirement hours retirees can work in eligible positions without a suspension of benefits. This is available until July 1, 2026. To qualify, the retiree must be working as a nurse in a state agency.

For most eligible retirees, this will represent an increase in maximum hours from 867 hours per year to 1,040 hours per year. For PERS retirees who chose the 2008 Early Retirement Factors (ERF) and are under age 65, this will be an increase from zero hours per year to 1,040 hours per year.

Effective Date: Immediately upon passage.

In this summary, we only include changes pertinent to our Actuarial Fiscal Note (AFN). See the legislative bill report for a complete summary of the bill.

What Is the Current Situation?

Generally, after a bona fide separation of service, all retirees can return to work in a qualified position for up to 867 hours per year without a suspension of benefits.

However, PERS 2/3, the Teachers' Retirement System Plans 2/3, and the School Employees' Retirement System Plans 2/3 members who retire early under the 2008 ERFs are not generally eligible for the return-to-work provisions until they reach age 65.

This summary should be sufficient to understand the analysis in this AFN. However, post-retirement restrictions are highly complex. For a more thorough and in-depth description of current law related to early retirement factors, please see our AFN for House Bill (HB) 1056.

Who Is Impacted and How?

This bill impacts all retirement eligible active, terminated-vested, and retired members of PERS 2/3 and PSERS by allowing them to work more post-retirement hours without a suspension of benefits.

WHY THIS BILL HAS NO EXPECTED COST

Current Retirees

We believe this bill will primarily impact current retirees and the hours and positions to which they return to work. PERS 2/3 and PSERS retirees returning to work due to the expansion under this bill represent no additional cost to the pension system since workers receiving their pension do not make retirement contributions or earn pension increases.

Future Retirees (I.E., Current Active Employees)

Upon retirement, we currently assume all eligible PERS 2/3 members will choose the 2008 ERFs because they are more lucrative for the member (i.e., they have a smaller reduction factor which means larger take home pay for the retiree) and we establish contribution rates based on this assumption.

In reviewing historical experience, we found that PERS 2/3 members sometimes chose the 2000 ERFs, and when that happened, the system experienced an actuarial gain, i.e., actual costs were less than assumed. PERS 2/3 costs would arise under this bill if members **who would have chosen the 2000 ERFs** instead choose the 2008 ERFs due to the enhanced return-to-work provisions in the bill.

However, we do not expect PERS 2/3 active members will change their retirement behavior for the following reasons:

- **Low Take-Up Rate of 2000 ERFs:** Based on historical data, relatively few PERS 2/3 members chose the 2000 ERFs in lieu of the higher lifetime pension benefit provided by the 2008 ERFs. Between July 2008 and January 2019, 137 PERS 2/3 members selected the 2000 ERFs instead of 2008 ERFs. This represents approximately 2 percent of PERS 2/3 retirees who were eligible for subsidized early retirement.
- **Temporary Bill Provision:** The enhanced return-to-work provisions exist for only a three-year period ending on July 1, 2026. In other words, we don't expect members to make a permanent retirement decision based on a temporary return-to-work incentive.
- **Narrow Job Description to Return to Work:** For PERS 2/3 retirees who returned to work after selecting the 2000 ERFs, we do not know what position they are currently in. However, based on the small number of 2000 ERF retirees and the narrow job description, we believe very few of these members returned to work in a nursing position.

In PSERS, there are no ERF selection options so we would not expect the temporarily expanded return-to work provisions in this bill to impact retirement behavior in PSERS.

Assumptions We Made

We determined that this bill results in no expected long-term costs associated with PERS 2/3 and PSERS members due to the reasons and data limitations described in the previous section.

Please see the *June 30, 2021, Actuarial Valuation Report* for our most current data, assumptions, and methods used to measure pension system costs.

Special Data Needed

We relied on historical data from the Department of Retirement Systems to identify the number of PERS 2/3 members who have selected the 2000 ERFs from July 2008 (effective date of the 2008 ERFs) through January 2019. This data was received on January 23, 2019, and has been used in other return-to-work analysis from our office. We believe this data remains a reasonable reference point for percentage of eligible PERS 2/3 retirees that selected the 2000 ERFs.

We do not have data on what position these members take when they returned to work. Thus, the actual number of eligible retirees that selected 2000 ERFs and returned to work *in a nursing position* would be less than 2 percent.

Early Retirement Factor Selection Data	
PERS 2/3	
Total Eligible Early Retirements	7,304
Members Selecting 2000 ERFs	137
Percent of Total	**1.9%**

HOW THE RESULTS CHANGE WHEN THE ASSUMPTIONS CHANGE

If retiree behavior were to change due to the incentives from this bill, we estimate the increase in the General Fund-State (GF-S) 25-year costs to be less than $1 million. We estimated this impact based on prior retire-rehire analysis that reviewed similar enhancements[1]. If you would like to discuss the assumptions or analysis, we used to estimate this 25-year impact, please reach out to our office.

[1] *We relied on analysis from the 2015 Legislative Session, specifically HB 1615/Senate Bill 5545 and Substitute House Bill 1737. We believe the results of the prior analysis are reasonable to assess the sensitivity of the results from this bill.*

ACTUARY'S CERTIFICATION

The undersigned certifies that:

1. The actuarial assumptions, methods, and data used are reasonable for the purposes of this pricing exercise. The use of another set of assumptions, methods, and data may also be reasonable and might produce different results.
2. The risk analysis summarized in this AFN involves the interpretation of many factors and the application of professional judgment.
3. We prepared this AFN based on our current understanding of the bill as of the date shown in the footer. If the bill or our understanding of the bill changes, the results of a future AFN based on those changes may vary from this AFN. Additionally, the results of this AFN may change after our next annual update of the underlying actuarial measurements.
4. We prepared this AFN and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown in the footer of this AFN.

We prepared this AFN to support legislative deliberations during the 2023 Legislative Session. This AFN may not be appropriate for other purposes.

We advise readers of this AFN to seek professional guidance as to its content and interpretation, and not to rely on this communication without such guidance. Please read the analysis shown in this AFN as a whole. Distribution of, or reliance on, only parts of this AFN could result in its misuse and may mislead others.

The undersigned, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

While this AFN is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.

Luke Masselink

Luke Masselink, ASA, EA, MAAA
Senior Actuary

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