



# Retirement Updates: 2021 Legislative Session

*Dee Larsen*

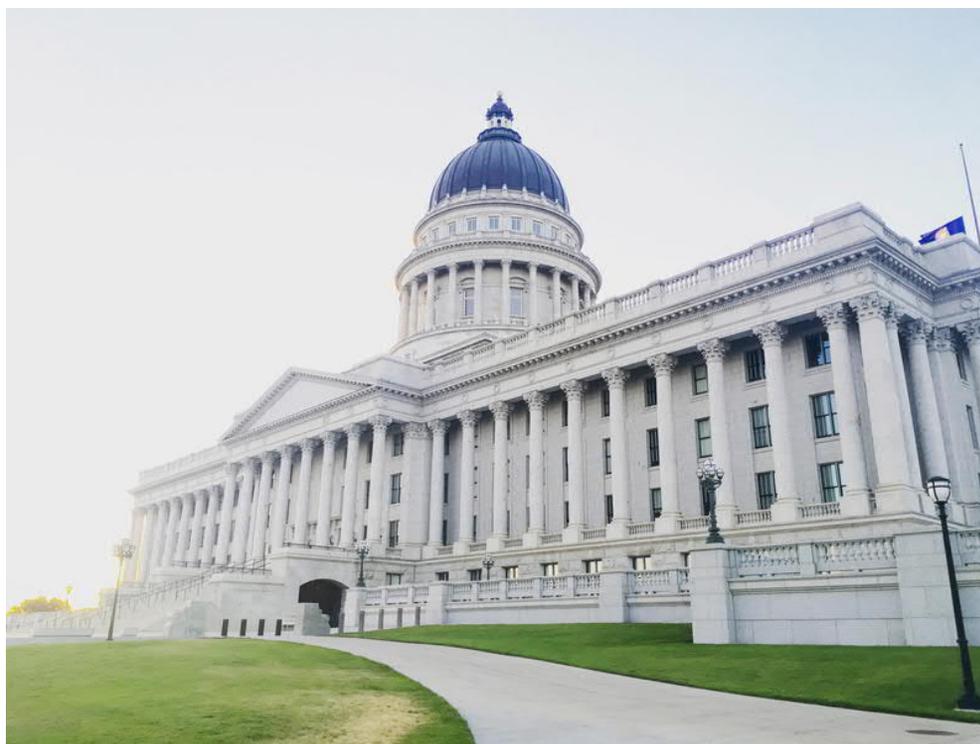
URS/PEHP Employer Event

March 17, 2021



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# Bills that Passed



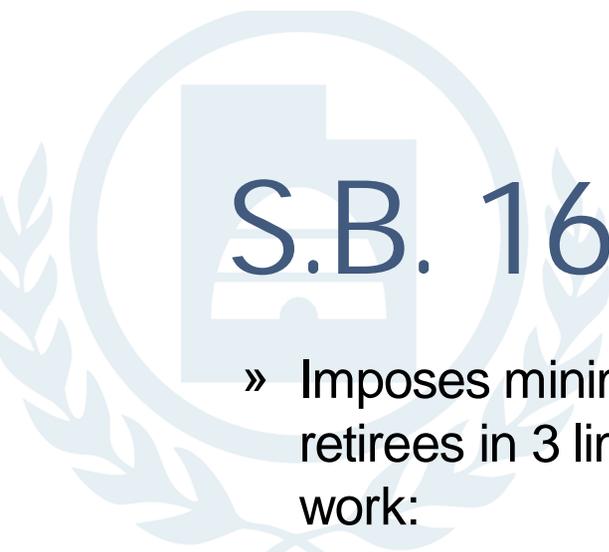


# S.B. 16

## Retirement Systems Amendments

**(1<sup>st</sup> Substitute Version)** (Sen. Harper)

- » These are administrative and technical amendments to Utah Code Title 49 recommended to the Legislature annually by URS.
- » Employer withdrawal from URS participation requires legislative authorization and the language to authorize, but not require, certain independent entities to make a withdrawal election was added in the substitute bill.



# S.B. 16 Continued

- » Imposes minimum age requirements (50 for PS/FF; 55 for others) for retirees in 3 limited situations who receive benefits and may continue to work:
  - › Affiliated Emergency Service Workers;
  - › Public safety service retirees who suffered a line-of-duty injury; and
  - › Phased Retirement.
- » Does not change the other retirement rules (such as bona fide termination) and post-retirement rules (such as an applicable separation of service period) as currently constituted.



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# S.J.R. 2, H.R. 5, and S.R. 2

## Legislative rule changes

Repeals the following legislative committees:

- » Retirement and Independent Entities Joint Appropriations Subcommittee;
- » House Retirement and Independent Entities Standing Committee; and
- » Senate Retirement and Independent Entities Standing Committee.

The Retirement and Independent Entities Interim Committee is retained.



# S.B. 115

## Retirement System Transparency Requirements

(Sen. Fillmore)

- » Despite the Short Title, this is not really a “retirement” bill.
- » It uses URS participation as a trigger to require such employers to disclose employee compensation information through the Utah Public Finance Website or the employer's own website, if the employer is not currently required to disclose the information.
- » Legislators commented that affected entities could instead withdraw from URS participation. However, this would require additional authorizing legislation.



# Bills that Did Not Pass





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# Did Not Pass

A new working retiree exception to the Utah Code's Postretirement Reemployment Restrictions Act.



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# H.B. 150

## Public Safety Post-retirement Reemployment Amendments

(Rep. Gwynn)

Provides a new exception to the Postretirement Reemployment Restrictions Act that reduces the required period of separation from one year to 60 days for retirees from a public safety retirement system or firefighter retirement system.



# H.B. 438

## Law Enforcement Retirement Amendments

(Rep. Birkeland)

- » According to the bill's own summary, it "permits a law enforcement officer who retires from a public employer to continue collecting a retirement allowance if the law enforcement officer is reemployed by a public employer at least 60 days after retirement."
- » In the way it was drafted, the bill did not create a new working retiree exception but only amended the existing limited earnings exception and limited its availability to a retiree who is a law enforcement officer (also not including others in the public safety retirement systems such as correctional officers, special function officers, and dispatchers).



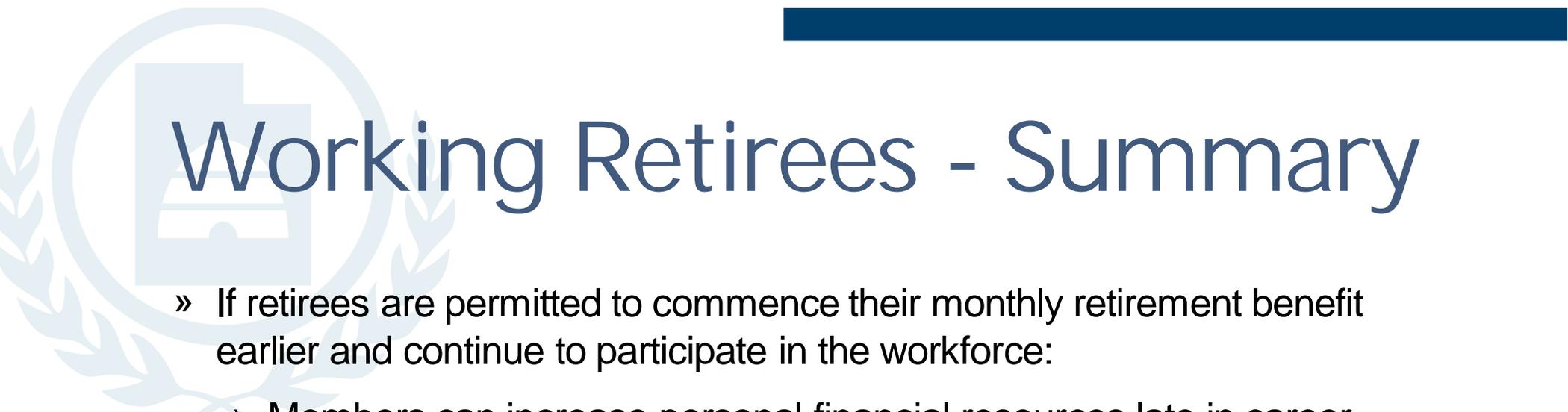
# Post-Retirement Restrictions

- » A post-retirement reemployment restriction is a statutory provision designed by the Legislature to prevent additional costs to the retirement system by discouraging earlier than normal retirement or at least eliminate incentives to retire earlier than normal (i.e., when the retiree is done working).
- » For decades, post-retirement reemployment has been the most frequent topic of retirement bills.
- » Will be studied in the 2021 legislative Interim.



# Working Retiree Principles

- » It is more expensive for employers when statutory provisions permit or encourage members to begin their retirement benefit at an earlier age and continue to participate in the workforce.
- » The financial impact of changes to working retiree provisions is actuarially determined based on the anticipated changes in retirement behavior (How high is the hurdle to return to work in the rules?).
- » Costs or savings are realized over the long term and are hidden in the systems unless specifically identified and analyzed.



# Working Retirees - Summary

- » If retirees are permitted to commence their monthly retirement benefit earlier and continue to participate in the workforce:
  - › Members can increase personal financial resources late in career.
  - › Employers may benefit from the ability to recruit and utilize recent retirees in their workforce.
  - › Increased costs are paid from the Retirement Fund resulting in increased costs to members (Tier 2 Hybrid) and employers (including those that do not hire retirees).



# Retirement Benefit Changes

- » Benefits are established in statute by the Legislature.
- » URS' consulting actuary performs cost analysis for legislation making benefit changes, which are the basis for the fiscal notes on retirement bills.
- » Changes often have a long runway for implementation and costs or savings are usually realized over the long term.



# Retirement Benefit Changes

- » Changes should carefully be reviewed and evaluated for impacts and costs by the stakeholders prior to legislative action, including determining:
  - › Legislative policy objectives;
  - › Employer needs, recruiting and retention considerations, and ability to pay;
  - › Employee needs, considerations, and morale; and
  - › How retirement benefits fit within a competitive overall compensation and benefits package.



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# Retirement Benefit Changes

- » URS and its consulting actuary are neither for nor against the current working retiree restrictions or potential changes.
- » Benefit changes are policy and financial decisions for the Legislature, employers, and members who are required to pay contributions in contributory retirement systems.
- » Our responsibility is to inform stakeholders about the impacts of changes to these rules on contribution rates, including providing fiscal analysis on bills.



Questions?

