URS Fiscal Analysis of 2020 H.B. 225

This document has been prepared by the Utah Retirement Systems (URS) based on agency analysis and information received from its consulting actuary, Gabriel Roeder Smith & Company.

Summary of Fiscal Impact
If enacted, 2020 H.B. 225, Phased Retirement Amendments, likely will not result in a material fiscal impact on the URS:

Increase in unfunded actuarial accrued liability:	Increase in annual cost for all participating employers:	Increase in actuarially determined contribution rates:
None	None	None

Proposed Legislative Provisions
This bill makes amendments to the employer optional "Phased Retirement" program that was initially established within URS by 2016 S.B. 19, which took effect on January 1, 2017. The original Phased Retirement program allows continuing employment on a half-time basis of a retiree with the same participating employer after the retiree's retirement date while the retiree receives 50% of the retiree's monthly retirement allowance.

Under this legislation, for a retiree employed as a public safety service member or a firefighter service member, the retiree must be at least 50 years old to participate in Phased Retirement.

This bill would allow public safety and firefighter members an additional option to elect Phased Retirement in which the retiree would continue employment on a three-quarter time basis with the same participating employer after the retiree's retirement date while the retiree receives 25% of the retiree's monthly retirement allowance. For those eligible, the retiree will not earn additional benefit accruals or receive a cost-of-living-adjustment (COLA) on their retirement allowance while they are in Phased Retirement. The employer will contribute the certified contribution rate applicable to the retirement system that would have covered the retiree if the retiree's part-time position were considered to be an eligible, full-time position within the system.

When the Phased Retirement has ended, the retiree will receive 100% of the retirement allowance based on the retirement benefit earned at the time the retiree entered Phased Retirement. There is no restriction regarding the time-period a member is in Phased Retirement.

Discussion and Actuarial Analysis
If enacted, these amendments to the Phased Retirement program would change the actuarially determined contribution rates by less than one basis point (i.e. 0.01%) for each of the public

safety and firefighter funds. The program would not have a measurable change on the unfunded actuarial accrued liability. This Phased Retirement program is not projected to have a fiscal impact because we expect there will be a relatively low rate of utilization and the design of the program will result in a relatively small change in the net actuarial value of the member's retirement benefit.

The actuary notes that many public safety and firefighter members may choose to return to work under the current working retiree provisions because there may be greater opportunity for the retiree to substantially increase their financial resources (i.e. the retiree may continue receiving 100% of their entire retirement allowance while employed on a full-time basis). We expect those that elect to participate in the Phased Retirement do so because the program provides them an opportunity to exit the workforce in a more moderate manner.

A reduction to 75% of full-time may be a fit for employers and members for some type positions, but there may be other type positions where the employer or member may prefer a different work schedule (e.g. working 50% of full-time).

Other Comments

It should be noted that URS and its actuary are neither for nor against the proposed changes. Benefit changes are a policy decision for the Legislature and employers. Our goal is to inform the stakeholders of the impact on URS of changes to these provisions.

Administrative Cost Analysis

As with all bills that alter benefit design or make substantive benefit modifications, implementation of 2020 H.B. 225 may result in some administrative costs. If such costs are incurred, they will be handled within existing budgets and will not result in direct, measurable costs for URS. Accordingly, this bill likely will not have a material fiscal impact on URS nor will it increase actuarially determined contribution rates.