

## URS Fiscal Analysis of 2021 H.B. 438

### Summary of Fiscal Impact

If enacted as drafted, 2021 H.B. 438, Law Enforcement Retirement Amendments, is not anticipated to have a material fiscal impact on the Utah Retirement Systems (URS) or affected participating employers and Tier 2 members' required employee contributions.

### Proposed Legislative Provisions

H.B. 438 amends Utah Code Title 49, Chapter 11, Part 12, the Postretirement Reemployment Restrictions Act (Act). Currently Utah law requires URS to suspend the retirement allowance for members who become reemployed within one year of their initial date of retirement unless the member's postretirement reemployment qualifies for one of the exceptions provided in the Act.

According to the bill's Highlighted Provisions, this bill "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." This summary seems to provide a new exception to the general working retiree restrictions.

However, because the amendments are made to Subsection 49-11-1205(1), the bill actually only limits the availability of an existing exception in the Act. This exception currently applies to all URS retirees who are reemployed within one year of their retirement date. Such retirees may continue to receive to a monthly retirement benefit only if they meet these conditions:

1. They are not reemployed for a period of at least 60 days from the retiree's retirement date;
2. They don't receive any employer provided benefits, including: medical, dental, paid time off, annual leave, sick leave, other insurance benefits, excluding workers' compensation; and
3. The working retiree salary is limited to the lesser of \$17,000 or half of the retiree's final average salary during a calendar year.

H.B. 438 adds an additional condition for this exception:

4. The retiree is a law enforcement officer.

Accordingly, this bill does not enact a new postretirement reemployment exception for law enforcement officers, but rather limits availability of the existing exception to only law enforcement officer retirees. This proposed legislation would become effective on the normal effective date for bills, May 5, 2021.

### Discussion and Actuarial Analysis

Because H.B. 438 does not enact a new postretirement reemployment exception, it is not anticipated to have a material fiscal impact on URS or affected participating employers and Tier 2 members. When enacted, the return to work exception under Subsection 49-11-1205(1) did not result in increases to actuarially determined retirement systems costs because the limitation on earnings and other conditions for the exception were not assumed by the

consulting actuary to permit or encourage members to commence their retirement benefit at an earlier age. Likewise, limiting the availability of the existing exception to only law enforcement officer retirees would not result in actuarially determined retirement systems savings.

#### Other Comments

Limiting the availability of the existing postretirement reemployment exception to only law enforcement officer retirees will make the exception unavailable to other groups of retirees, including firefighters, some public safety (other than law enforcement officers), educators, and other state and local government public employees. These changes will also impact some participating employers that could previously hire more working retirees under the broader exception.

If H.B. 438 did enact a new exception to the Postretirement Reemployment Restrictions Act that reduces the required period of separation from one year to 60 days for a retiree who is a law enforcement officer, there would be significant fiscal impact for the public safety retirement systems. For more background information, general discussion, and actuarial analysis of postretirement reemployment restrictions and the fiscal impact of potential changes to the working after retirement provisions, please see the public safety portions of URS' fiscal analysis for 2021 H.B. 150, Public Safety Post-retirement Reemployment Amendments, at <https://newsroom.urs.org/2021URSFiscalAnalysis>.

It should be noted that URS and its actuary are neither for nor against the current working retiree restrictions or the proposed changes. Benefit changes are policy and financial decisions for the Legislature, employers, and members. URS' responsibility is to inform stakeholders about the impacts of changes to rules and benefits on contribution rates, including providing fiscal analysis on bills.

#### Administrative Cost Analysis

Implementation of H.B. 438 will likely result in some administrative costs but these will be handled within existing budgets and will not result in direct, measurable costs for URS.