

**MINUTES OF THE
RETIREMENT AND INDEPENDENT ENTITIES INTERIM COMMITTEE**
Wednesday, October 17, 2012 – 7:15 a.m. – Room 30 House Building

Members Present:

Sen. Todd D. Weiler, Senate Chair
Rep. Don L. Ipson, House Chair
Sen. Curtis S. Bramble
Sen. Karen Mayne
Sen. Stuart C. Reid
Rep. Bradley M. Daw
Rep. Gage H. Froerer
Rep. Lynn N. Hemingway
Rep. Bradley G. Last
Rep. Merlynn T. Newbold
Rep. Mark A. Wheatley

Members Absent:

Sen. Luz Robles
Sen. Daniel W. Thatcher
Rep. Susan Duckworth
Rep. Wayne A. Harper

Staff Present:

Mr. Benjamin N. Christensen, Policy Analyst
Ms. Shannon C. Halverson, Associate General Counsel
Ms. Catherine J. Dupont, Associate General Counsel
Ms. Debra Hale, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Ipson called the meeting to order at 7:35 a.m.

MOTION: Rep. Newbold moved to approve the minutes of the August 15, 2012, meeting. The motion passed unanimously. Rep. Wheatley was absent for the vote.

2. Risk Management Coverage for Independent Entities

Ms. Tani Pack Downing, Director, Division of Risk Management, Department of Administrative Services, informed the committee of the unique challenges associated with risk management assistance for independent entities. She stated that the division assists a few, but not all, independent entities with insurance coverage, including liability insurance, property insurance, and vehicle coverage. She stressed the need to keep liability to the risk fund at a minimum.

MOTION: Rep. Newbold moved to open and prioritize a committee bill file to clarify the approvals required for the Division of Risk Management to provide risk management assistance for independent entities. The motion passed unanimously. Rep. Wheatley was absent for the vote.

3. Retirement Contribution Rates

Mr. Robert V. Newman, Executive Director, Utah Retirement Systems (URS), distributed “Preliminary Tier 1 Retirement Contribution Rates as a Percentage of Salary and Wages” and presented to the committee a handout on contribution rates proposed for FY 2014. He stated that contribution rates are the percentage of salary that participating employers must pay to the URS Investment Fund for each eligible employee to keep retirement systems funded on an actuarially sound basis. He informed committee members that the proposed rates will increase from 18.8% to 20.5% for Tier I state and school employees and from 16.0% to 18.3% for Tier II state and school employees.

Mr. Newman explained that funding is running slightly better than projected in the 2009 actuary study. He pointed out that, for 2013-14, Tier I contributions rates have gone up 1.75% (lower than the projected 2.00%), and Tier II contributions have gone up 1.69%.

4. URS Amendments (draft legislation)

Mr. Daniel D. Andersen, Legal Counsel, URS, stated that draft legislation "Utah Retirement System Amendments" (2013FL-0274/003):

- 1) amends definitions;
- 2) prohibits a participating employer from making retirement-related contributions for reemployed retirees;
- 3) amends provisions related to benefit information forms that must be signed by each employee;
- 4) allows URS to communicate with members and others through electronic means;
- 5) excludes an employee of an institution of higher education from membership in URS if the employee participates in other retirement systems;
- 6) amends certain long-term disability benefits; and
- 7) establishes investment requirements for employer contributions made on behalf of certain employees who are exempt from the four-year vesting requirements in the Tier II systems.

MOTION: Sen. Weiler moved to approve draft legislation "Utah Retirement Systems Amendments" as a committee bill. The motion passed unanimously. Rep. Wheatley was absent for the vote.

5. Tier II Benefit Protection Program for Long-term Disability Employees

Mr. Andersen cited information on benefit protection programs, which allow a member with a disability to continue to earn retirement service credits during the disability. He noted that, under the program, the employer enters into a contract with URS to pay the employer contributions while the employee is disabled. Mr. Andersen reported that funding for a benefit protection program is normally built into the defined benefit contribution rates; however, under Tier II, an employee may choose a defined contribution plan for which this funding arrangement may not be feasible.

Following committee discussion, the chairs directed that consideration of this item be continued in the November meeting.

6. Retirement Analysis Requirements for Newly Created Public Entities

Mr. Andersen addressed the need to review retirement arrangements for newly created public entities. He stated that, with very limited exceptions, a department, educational institution, political subdivision of the state, or public-funded agency is required to be a participating employer of URS. He added that charter schools and special-service district hospitals may make a one-time election of nonparticipation (see Utah Code Section 49-13-302). He said this review could help avoid future retirement-related issues for employees of these new public entities.

MOTION: Rep. Last moved to open and prioritize a committee bill file to require a retirement analysis for all newly created public entities. The motion passed unanimously.

7. Governmental Accounting Standards Board (GASB) New Standards -- Update

Mr. Robert K. Kellersberger, Director of Finance, URS, through a visual presentation “GASB 67 and 68 Disclosures,” reported on the June 2012 GASB-approved standards that will change how governments calculate and report the costs and obligations associated with pensions. He stated that the new standards are designed to improve the usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Mr. Kellersberger warned that public entities will have to show liabilities on their books that they have not had to show before. He clarified that employers will need to report their proportional share of the net pension liability (at market value).

8. Non-governmental Entities in URS -- Update

Mr. Andersen briefed the committee on current federal agency efforts to restrict non-governmental entities from participating in state retirement systems. He added that state law requires a department, educational institution, political subdivision of the state, or public-funded agency to be a participating employer of URS, with very limited exceptions; however, an organization's structure and ownership may change over time, making it less clear whether the organization should be part of URS. He concluded that federal agencies are in the process of making rules on this issue and that the net result may be that some employers may no longer be eligible for the state retirement system.

9. Other Items / Adjourn

MOTION: Rep. Daw moved to adjourn the meeting. The motion passed unanimously.

Chair Ipson adjourned the meeting at 8:26 a.m.