

**MINUTES OF THE
RESTIREMENT AND INDEPENDENT ENTITIES INTERIM COMMITTEE**
Tuesday, November 10, 2015 – 1:00 P.M. – Room 30 House Building

Members Present:

Sen. Todd Weiler, Senate Chair
Rep. Kraig Powell, House Chair
Sen. Gene Davis
Sen. Karen Mayne
Sen. Daniel W. Thatcher
Rep. Rich Cunningham
Rep. Sophia M. DiCaro
Rep. Susan Duckworth
Rep. Steve Eliason
Rep. Bradley G. Last
Rep. John R. Westwood
Rep. Marie H. Poulson

Members Absent:

Sen. Curtis S. Bramble
Sen. Margaret Dayton
Rep. Justin J. Miller

Staff Present:

Mr. Benjamin N. Christensen, Policy Analyst
Mr. Alex Janak, Policy Analyst
Ms. Shannon C. Halverson, Associate General Counsel
Mr. Peter Asplund, Associate General Counsel
Ms. Katie LeFevre, Legislative Assistant

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 Powell called the meeting to order at 1:06 p.m. Sen. Bramble and Sen. Dayton were excused from the meeting.

MOTION: Sen. Davis moved to approve the minutes of the September 9, 2015, meeting. The motion passed unanimously, with Sen. Thatcher, Rep. Duckworth, and Rep. Eliason absent for the vote.

2. Utah Retirement Systems (URS) Funded Status – Update

Mr. Daniel D. Andersen, Executive Director, Utah Retirement Systems, distributed "Net Pension Liability Discussion" and discussed the Governmental Accounting Standards Board Rules.

Mr. Andersen explained that the Governmental Accounting Standards Board has changed the reporting requirements for public pension funds. He said that instead of using an actuarially smoothed liability calculation, the liability must be reported on a mark-to-market basis. He said that this change means the reporting numbers will be much more volatile than they were in the past.

Mr. Anderson said that rather than having a footnote in financial statements of participating public employers, which states the employers are funding their retirement system and paying their actuarially defined contribution, the unfunded amount will be listed. He explained that both these changes will be seen this coming spring.

3. Retirement Systems Audit Recommendations Amendments (draft legislation)

Mr. Christensen explained that the committee received an audit of the Utah Retirement Systems in June. He referred to "URS Implementation Update – 2015 Performance Audit of URS' Management and Investment Practices," to explain how Utah Retirement Systems is implementing the recommendations of

the audit. He explained that draft legislation "Retirement Systems Audit Recommendations Amendments" (2016FL-0321/004) addresses the audit recommendations that require statutory changes.

Mr. Andersen expressed his appreciation to the committee and staff for their efforts on the draft legislation and answered questions from the committee.

MOTION: Sen. Davis moved to adopt draft legislation "Retirement Systems Audit Recommendations Amendments" as a committee recommended bill. The motion passed unanimously with Rep. Duckworth and Rep. Poulson absent for the vote.

4. Department of Human Resource Management Rate Committee Amendments (draft legislation)

Ms. Debbie Cragun, Director, Department of Human Resource Management, said that draft legislation "Human Resource Management Rate Committee" (2016FL-0706/003) changes the make-up of the rate committee. She explained that the current make-up of the committee is three customer agencies, the director of the Division of Finance, the executive director of Department of Human Resource Management, and a designee from the attorney general's office. She said that the legislation proposes the committee to be made of six state agency customers, removing the director of the Division of Finance, the director of the Department of Human Resource Management, and the designee from the attorney general's office. She said that the legislation stipulates that the director of the Department of Human Resource Management may not serve on the rate committee.

Ms. Cragun explained the legislation would change the committee to be composed of customers who pay the rates.

MOTION: Sen. Weiler moved to adopt draft legislation "Human Resource Management Rate Committee" as a committee recommended bill. The motion passed unanimously with Rep. Duckworth absent for the vote.

5. Retirement Working Group Recommendations (draft legislation)

Mr. Christensen explained the context of the Retirement Working Group recommendations and referred to a handout in the mailing packet, "Retirement Working Group – Utah Legislature – 2015 Report." He explained, in a presentation, "Utah Postretirement Reemployment Restrictions," that postretirement restrictions are used to keep costs down. He said that any change to the current level of postretirement restrictions is a policy decision for the Legislature to decide. He explained that some of the options are to keep the current restrictions, make minor changes, reduce the restrictions and pay the cost increases, increase restrictions, or make other changes. He outlined the arguments for and against postretirement restrictions.

Mr. Anderson answered questions from the committee. He discussed the contribution rates and the cost of changing postretirement restrictions. He explained that none of the proposed changes will change the contribution rates beyond what is currently being paid this year. He said that in coming years when the certified contribution rate begins to fall, it won't fall as much as projected because the cost of the proposed changes would be added to the contribution rates. He said that the proposed changes do increase the costs moving forward. Mr. Dee S Larsen, Legal Counsel, Utah Retirement Systems, answered questions from the committee.

Mr. Christensen introduced "Postretirement Reemployment Amendments" (2016FL-0605/006) and explained that it changes the earnings limitation for the impacted population of reemployed retirees from

\$15,000 to \$20,000. He explained that this provision is for retirees that want to return to work within a year of retiring but cannot earn more than the earnings limitation of \$15,000 a year.

As an example, Mr. Larsen explained that draft legislation "Postretirement Reemployment Amendments" would specifically allow a retired teacher to be a substitute teacher after taking a 60-day separation.

MOTION: Rep. Eliason moved to adopt draft legislation "Postretirement Reemployment Amendments" as a committee recommended bill. The motion passed unanimously.

Mr. Christensen presented draft legislation "Postretirement Employment Rural and Title I School Exceptions" (2016FL-0572/008) to the committee. He explained that this legislation would allow a 60-day separation only for reemployment in a rural county or a Title I School.

Rep. Eliason and Rep. Poulson shared their experience with Title I schools. Sen. Davis explained that the draft legislation "Postretirement Employment Rural and Title I School Exceptions" gives employers more hiring options. Rep. Cunningham suggested the legislation sunset in five years in order to review the efficacy of the legislation.

Mr. Tom Ross, Chief, Bountiful Police, and President, Utah Police Chiefs Association, explained the challenges facing rural communities. He said that police officers will often retire and look for less demanding positions in rural areas.

Mr. Greg Funk, Sheriff, Emery County, said that he has not been able to fill a position that has been vacant since May 2014. He said that by February he will have three vacancies that a retired police officer could fill. He said that it is probably more likely that a retired officer from another rural county would apply to work in a different rural county and less likely that a retired officer from the Wasatch front would apply to work in a rural county.

Ms. Lisa Nentl-Bloom, Executive Director, Utah Education Association, said that the school districts are having a hard time recruiting and training educators.

Sen. Weiler said that he would like the exception for Title I schools to be addressed in separate legislation and explained that he will vote in opposition.

MOTION: Sen. Davis moved to adopt draft legislation "Postretirement Employment Rural and Title I School Exceptions" as a committee recommended bill. The motion passed with Sen. Weiler and Rep. Last voting in opposition.

Mr. Christensen explained that draft legislation "Postretirement Employment Exceptions" (2016FL-0573/004) would allow a 60-day separation for public safety, firefighters, and educators returning to work for a different agency.

Mr. Larsen explained that "educator" means a licensed educator, not a general school employee.

Mr. Kelly Atkinson, Executive Director, Fraternal Order of Police, explained the importance of public safety and expressed his support of the proposed legislation. He said that public safety retirees have a particularly hard time finding reemployment after retiring, because their line of work is so specific to the public sector.

Mr. Ross discussed the challenges police are facing. He recognized that draft legislation "Postretirement Employment Exceptions" will not address all the challenges but will have a positive impact. He acknowledged that the hiring situation is not unique to Utah.

Mr. Mike Ashment, Chief, Ogden City Police Department, shared an experience about a young police recruit who sought employment elsewhere due to the lack of retirement benefits.

Mr. Ted Black, State Fire Marshall's Office, said that Box Elder County needs a fire warden but the office cannot wait the 60-day separation for an eligible retiree to fill the position. He said that opportunities often come up, but people cannot retire, wait 60 days, and hope a position comes up.

Mr. Chad Soffe, Chief, Garland City Police Department, explained that their department does not have a lot of applicants for open positions. He supported this proposed legislation and believes it will help the rural areas.

MOTION: Rep. Westwood moved to adopt draft legislation "Postretirement Employment Exceptions" as a committee recommended bill. The motion passed with Sen. Weiler, Rep. DiCaro, Rep. Last, and Rep. Powell voting in opposition. Sen. Davis and Rep. Eliason were absent for the vote.

Mr. Todd Losser, Executive Director, Utah Public Employees Association, expressed his appreciation to the working group for their efforts in studying postretirement employment issues. He explained that their top priority is compensation.

Mr. Scott Carver, Undersheriff, Salt Lake County Sheriff's Office, informed the committee that the Department of Corrections had not been discussed. He explained that there are a lot of vacancies in corrections. He emphasized that the numbers represent real people.

Mr. Christensen explained that draft legislation "Postretirement Employment Restrictions" (2016FL-0402/005) would supersede the other three bills recommended by the working group.

MOTION: Rep. Cunningham moved to replace the other three bills previously voted on and to adopt draft legislation "Postretirement Employment Restrictions" as a committee recommended bill. The motion failed with Sen. Mayne, Sen. Thatcher, Rep. Cunningham, Rep. Duckworth, and Rep. Poulson voting in favor. Sen. Davis and Rep. Eliason were absent for the vote.

6. Utah Retirement Systems Amendments (draft legislation)

Mr. Larsen explained that draft legislation "Retirement Systems Amendments" (2016FL-0441/008) is Utah Retirement Systems' annual cleanup bill that makes administrative and technical changes as needed. He said that the bill is not expected to have a fiscal impact or make substantive benefit changes.

MOTION: Sen. Weiler moved to adopt draft legislation "Retirement Systems Amendments" as a committee recommended bill. The motion passed unanimously with Sen. Davis, Rep. Cunningham, Rep. Eliason, and Rep. Last absent for the vote.

7. Retirement and Insurance Benefit Claims Limits (draft legislation)

Mr. Larsen explained that draft legislation "Retirement and Insurance Benefit Claims Limits" (2016FL-0442/005) establishes a four-year statute of limitations under Title 49. He explained that the bill clarifies

when the cause of action accrues and when the limitation period begins to run. He discussed the specific rule for service credit claims.

MOTION: Rep. Westwood moved to adopt draft legislation "Retirement and Insurance Benefit Claims Limits" as a committee recommended bill. The motion passed unanimously with Sen. Davis, Rep. Cunningham, Rep. Eliason, and Rep. Last absent for the vote.

8. Phased Retirement (draft legislation)

Sen. Weiler explained that draft legislation "Phased Retirement" (2016FL-0319/003) establishes an optional phased retirement program. He said that people are living longer and phased retirement allows employees to work longer and gives employers another tool. He explained that the program would be a pilot program with a sunset date, requiring legislative action after five years.

MOTION: Rep. Westwood moved to adopt draft legislation "Phased Retirement" as a committee recommended bill. The motion passed unanimously with Sen. Davis, Rep. Cunningham, Rep. Eliason, and Rep. Last absent for the vote.

9. Recodification of Postretirement Reemployment Provisions (draft legislation)

Ms. Halverson explained that "Recodification of Postretirement Reemployment Provisions" (2016FL-0661/004) does not change the Postretirement Reemployment Provisions, but reorganizes them. She informed the committee that the section was cumbersome and has now been divided into different sections to allow for growth and clarity.

MOTION: Rep. Westwood moved to adopt "Recodification of Postretirement Reemployment Provisions" as a committee recommended bill. The motion passed unanimously with Sen. Davis, Rep. Cunningham, Rep. Eliason, and Rep. Last absent for the vote.

10. Firefighter Tier II Proposal

Mr. Jack Tidrow, President, Professional Firefighters of Utah, and Mr. Marty Peterson, Pension Membership Council Representative, Professional Firefighters of Utah, presented a proposal. Mr. Tidrow explained that there are about 100 firefighters in the Tier II systems and their recruitment is unsustainable. He emphasized the financial responsibility of the firefighters' system.

Mr. Peterson explained that the firefighting system is different, with different funding and different rules. He said that firefighters' needs are different. He identified the Tier II system as the tipping point for firefighters not wanting to work in Utah. He explained that retirement for the firefighters' system was a 1% tax on the fire insurance premium. He proposed that all the firefighters be placed in the Tier I retirement system.

Mr. Andersen explained that this proposal is a policy choice. He suggested they consider the logistics and who assumes the risks.

11. Other Items/Adjourn

Chair Powell recognized Mr. Alex Janak as the new policy analyst for the committee. He expressed his gratitude to Mr. Christensen for his efforts and congratulated him on his retirement.

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MOTION: Rep. Duckworth moved to adjourn the meeting. The motion passed unanimously with Sen. Davis, Sen. Mayne, Rep. Cunningham, Rep. Eliason, and Rep. Last absent for the vote.

Chair Powell adjourned the meeting at 4:55 p.m.