URS Fiscal Analysis of 2015 H.B. 12

Summary of Fiscal Impact
If enacted, H.B. 12, Utah Retirement Systems Revisions, does not have a fiscal impact on the Utah Retirement Systems (URS).

Proposed Legislative Provisions
H.B. 12 includes provisions that waive the four-year vesting period applicable to employer contributions to the defined contribution (DC) plan accounts for certain Tier II members, including:

- Members who are in a qualifying position and file a written request with URS for exclusion from membership;
- Elected officials who file a written request with URS for exclusion from membership; and
- Active members who die before the vesting period is reached.

Discussion and Actuarial Analysis
We must analyze the potential fiscal impact of this bill on DC plan employer contributions that may vest earlier for the benefit of eligible members and not be subject to forfeiture and deposited in the forfeiture account as described in Utah Code Title 49. First, potential applicability of the vesting period waiver is limited to a relatively small group of Tier II members: 1. those in a qualifying position who must also file a written request with URS for exclusion; and 2. deceased active members. Many of those who qualify to file for exclusion from URS membership could do so under current law and the changes in this bill clarify procedures rather than provide a new vesting period waiver. In addition, according to the 2014 Actuarial Experience Study for URS, pre-termination mortality is a low-significance assumption. Second, the potential impact is limited to those who terminate covered employment within the first four years or service; after four years of service, the DC plan employer contributions would already vest under current law and not be subject to forfeiture. Third, even if fewer non-vested DC plan employer contributions may be subject to forfeiture, such “forfeited” funds must first be held by URS for 10 years to see if the member becomes subsequently reemployed with a participating employer. If reemployment occurs within that period, the funds would be reinstated to the member’s DC plan account rather than deposited in the forfeiture account. Finally, the forfeiture account funds will be used as an offset against administrative costs. This means that if there is ultimately a smaller balance in the forfeiture account because of this bill, the members will see a smaller reduction in administrative expenses for DC plans, but this will not result in additional costs for URS, the state, or other participating employers.

Based on this analysis, we do not anticipate material fiscal impact for this bill.