URS Fiscal Analysis of 2015 S.B. 91

Summary of Fiscal Impact
If enacted, S.B. 91, Postretirement Employment Amendments, does not have a fiscal impact on the Utah Retirement Systems (URS).

Proposed Legislative Provisions
S.B. 91 adds two exceptions to the post-retirement reemployment restrictions:
1) Currently retirees who are reemployed as a contractor by a participating employer are subject to the reemployment restrictions (i.e. the ability to continue to receive their retirement allowance while employed as an employee or contractor). This proposed legislation would exempt services performed as a contractor as long as the contractor service period does not extend beyond 60 days in a calendar year.
2) Currently, with limited exceptions, dually employed active members (i.e. simultaneously employed with more than one participating employer in URS) must cease employment with all participating employers of URS to be eligible to commence their retirement allowance. These retirees must also comply with the reemployment restrictions to continue to receive their retirement allowance. The proposed legislation will allow members who have been continuously dually employed for at least three years to commence their retirement allowance upon retirement from the full-time position without ceasing employment in the part-time position. While these retirees may continue their part-time employment without interruption, they will still be subject to the $15k earnings limit and the one-year separation requirement (which does not begin until all employment ceases) to be eligible for full-time employment after retirement.

Discussion and Actuarial Analysis
In the actuary's opinion, the two limited exceptions to the post-retirement reemployment restrictions will not have a fiscal impact on the retirement system. However, these proposed provisions may be difficult to administer as URS does not track part-time and contractor employment. URS may have to rely on the participating employers to appropriately self-comply with these rules. Also, the provisions could potentially raise issues for URS, a qualified pension plan, under which it may provide a retirement distribution to an employee who is not separated from employment at the time of the distribution; this is a matter in which additional IRS guidance is pending.

The actuary considers proposed legislation to have a fiscal impact when the provisions alter benefits or entice changes in retirement behavior. S.B. 91 does not alter benefits, and the reemployment exceptions are so restrictive, the actuary does not believe they will alter current retirement behavior.

In the actuary's opinion, the 60 day per calendar year limit for employment as a contractor limits a retiree's ability to make long-term plans to retire at an earlier age if S.B. 91 is enacted. Similarly, the requirement that the member be dually employed for at least three continuous years prior to retirement and the application of the $15k year earnings limit after retirement, eliminates most incentives for members to plan to retire at an earlier retirement age. The actuary expects there will occasionally be members who are able to utilize these exceptions, but that will be relatively infrequent and influenced by reasons that are more than just to increase their financial resources during retirement.