
Issue Brief – USHE Post-Retirement Benefits

NUMBER USHE-15

SUMMARY

The Legislative Auditor General recently completed A Review of Higher Education's Post-Retirement Benefits (Number 2005-12). The benefits include stipend payments and insurance premium payments up to age 65. The report identified a potential liability for higher education due to its post-retirement benefits in the amount of \$979 million. The liability for current employees is reported at \$633 million and “. . . is, for the most part, unfunded.” The Commissioner of Higher Education, in response to the review, states that higher education has an early retirement program that is not an entitlement and is funded from current operating budgets.

OBJECTIVE

The objective is to have discussion to resolve the differences between the Legislative Auditor General's report and the Utah System of Higher Education.

DISCUSSION AND ANALYSIS

Last year, in response to Government Accounting Standards Board (GASB) and double digit increases in health insurance premium costs, the Legislature passed H.B. 213, “Unused Sick Leave at Retirement Amendments” for state employees. The Legislative Auditor General estimates that that action allowed the State to avoid about \$74 million in future benefit costs. The focus turned to higher education to see if post-retirement benefits would result in potential liability there. The LAG identified post-retirement benefits including stipends – retirement incentives paid as a bridge to full social security – and health insurance – paid for a set number of years or until the retiree reaches age 65. The report estimates the cost of the stipends at \$282.6 million and the cost of insurance at \$350.8 million for the nine USHE institutions and four UCAT campuses.

The LAG makes the following recommendations:

- Complete an actuarial study regarding all post-retirement benefits and report the study during the 2007 General Session.
- Standardize actuarial assumptions .
- Require institutions to evaluate their post-retirement liabilities and, if necessary, modify or eliminate those benefits to a more affordable, sustainable level.
- Require institutions to develop plans to fund post-retirement benefits without requesting additional funding.

The Analyst recommends that time be reserved for a Subcommittee discussion, continuing that begun on 10 January 2006, to discuss the LAG's report and the Commissioner's response.