

# UTAH POSTRETIREMENT REEMPLOYMENT RESTRICTIONS

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# WHY POSTRETIREMENT REEMPLOYMENT RESTRICTIONS?

**Restrictions are used to help keep retirement costs down**

- Reduce incentives to retire immediately upon reaching eligibility.
- Extend the pay-in period for contributions and investment earnings.
- Decrease the pay-out period for retirement allowances.

# UTAH POSTRETIREMENT REEMPLOYMENT RESTRICTIONS

## Three Broad Policy Options with Different Costs



Relative costs are for illustration only and may not be proportionate.

# ACTUARIAL CALCULATIONS

**The systems must be maintained on an actuarial sound basis**

- Actuarial assumptions include actual and projected retirement patterns.
- Contribution rates are adjusted to reflect actual and projected costs.
- The Retirement Working Group proposals to reduce restrictions will cost anywhere from \$25.7 million for 60-day-only separation period to \$1.2 million for increasing the earnings limitation from \$15,000 to \$20,000 for returning to work within one year of retirement.

# WHAT ARE UTAH'S POSTRETIREMENT REEMPLOYMENT RESTRICTIONS?

- General restriction: (No double-dipping) – while collecting a retirement allowance, a retiree may not:
  - Earn additional retirement service credit; or
  - Receive any retirement-related employer contribution.
- One-year separation after retirement – from any URS participating employer for compensation.
  - The retirement allowance is suspended, if a retiree violates the one-year separation requirement (certain exceptions apply).

## WHAT ARE UTAH'S POSTRETIREMENT REEMPLOYMENT RESTRICTIONS? – CONTINUED

- After the one-year separation, a reemployed retiree (hired full-time) may receive a salary and either:
  - Keep receiving the retirement allowance and forfeit any new retirement contributions; or
  - Cancel the retirement allowance and earn additional service credit, the same as other employees.

# WHAT ARE SOME EXCEPTIONS TO POSTRETIREMENT REEMPLOYMENT RESTRICTIONS?

- After a 60-day separation, a retiree may be reemployed if the retiree does not:
  - Receive any employer-paid benefits; and
  - Earn more than \$15,000 in any calendar year.
- The one-year separation requirement restarts when this reemployment terminates.

# UTAH POSTRETIREMENT REEMPLOYMENT RESTRICTIONS

## One-year Separation Requirement

Retirement Date

One-year Later

60-day hard separation



### General Restriction

A retiree may not for the same period of reemployment receive a retirement allowance and:

- earn additional service credit; or
- receive any retirement-related contribution from a participating employer.

If a retiree is reemployed within one year, the retiree's retirement allowance is canceled.

### Unrestricted Employment

- Privative sector employer
- Federal government
- Nonprofit employer
- Other non-URS covered employer

### Exempt Reemployment

- Non-URS retiree
- A URS retiree who was reemployed before July 1, 2010 (other restrictions apply)
- After 60 days, a retiree who earns no more than \$15,000 per year
- A part-time elected official
- A part-time appointed board member
- An active senior judge or active senior justice court judge
- A disabled public safety officer
- Certain affiliated emergency service workers

Source: Utah Code Section 49-11-505

# WHAT ADJUSTMENTS HAVE BEEN MADE TO POSTRETIREMENT REEMPLOYMENT RESTRICTIONS SINCE 2010?

- 2011 – allowed reemployment after 60 days if the retiree does not earn more than \$15,000 and does not receive any employer paid benefits.
- 2013 – allowed employees who are also part-time elected officials or part-time board members to retire without having to leave office.

## WHAT ADJUSTMENTS HAVE BEEN MADE TO POSTRETIREMENT REEMPLOYMENT RESTRICTIONS SINCE 2010? – CONTINUED

- 2014 – allowed a reemployed public safety retiree to be considered as having completed the one-year separation if the retiree suffered a career-ending injury while on duty.
- 2014 – exempted an active senior justice court judge and a part-time board member from postretirement employment restrictions.
- 2015 – exempted an affiliated emergency service worker who does not receive more than \$500 per month in remuneration from postretirement reemployment restrictions.

# EXAMPLE ARGUMENTS AGAINST POSTRETIREMENT REEMPLOYMENT RESTRICTIONS

- **Retiree expertise** – this expertise and experience is needed within the state.
- **Job competition** – for reemployment after retirement, a retiree has to compete with all other job applicants.
- **Adequate funding** – the retirement systems should be funded sufficiently that once a retiree is eligible to retire, the state should not be concerned about what the retiree does next.
- **Short career jobs** – a public safety officer and a firefighter are young persons' professions and their retirement systems allow for a shorter career (20 to 25 years), so the state should accommodate a second career for these groups.
- **Out-of-state advantage** – out-of-state retirees have no reemployment restrictions in the state, giving them an advantage over in-state retirees.
- **Rural recruitment** – difficulty recruiting qualified applicants to rural areas.

# EXAMPLES OF ARGUMENTS AGAINST REDUCED POSTRETIREMENT REEMPLOYMENT RESTRICTIONS

- **Costs** – additional retirement costs to participating employers and tax payers.
- **Subsidies for a few** – all participating employers must share the cost for a small segment of retirees who are reemployed.
- **State mandated costs** – when retirement benefits are enhanced, the cost must be paid by local government, school districts, and other participating employers.
- **Total compensation priorities** – limited funding available for employee compensation requires careful prioritization, funding for reduced postretirement restrictions must compete with salary increases and other needs.
- **Disproportionate benefit to Tier I employees** – for the next 20 or 30 years, Tier I employees will be the primary beneficiaries of any reduced postretirement restrictions.
- **Succession** – normal leadership succession in agencies may be altered by older reemployed workers who stay longer.

# CONCLUSIONS

- Postretirement reemployment restrictions are in place to help keep retirement costs down.
- Any change to the current level of postretirement reemployment restrictions is a policy choice for the Legislature to decide. Some policy options include:
  - Keep current restrictions;
  - Make minor targeted changes as they arise (as in 2011, 2013, 2014, and 2015);
  - Reduce current restrictions and pay any cost increases;
  - Increase current restrictions; or
  - Make other changes.