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MEMORANDUM

TO: Senator Lyle Hillyard, Senate Chair
Representative Dean Sanpei, House Chair
Senator Jerry Stephenson, Senate Vice Chair
Representative Brad Dee, House Vice Chair
Executive Appropriations Committee

FROM: Sen. Todd Weiler, Co-Chair
Rep. Kraig Powell, Co-Chair
Rep. Rich Cunningham, House Vice-Chair
Retirement and Independent Entities Appropriations Subcommittee

DATE: December 13, 2016

Subject: Retirement and Independent Entities Subcommittee Interim Meeting Report

The Retirement and Independent Entities (RIE) Appropriations Subcommittee met, in conjunction with the RIE Interim Committee, three times over the interim to discuss issues relating to independent entities, the Utah Retirement System (URS), the Public Employee Health Program (PEHP), and state employee compensation.

1. Independent Entities

State Auditor John Dougall gave a presentation to the committee on the factors that make an organization vulnerable to fraud and discussed the findings of audits recently completed by his office of a number of independent state agencies, including the Utah Communications Authority, the Utah Dairy Commission, the Utah State Fair Corporation, the Heber Valley Railroad Authority, the School and Institutional Trust Fund Office, the School and Institutional Trust Lands Administration, the Utah Housing Corporation, and the Utah State Railroad Museum Authority. Representatives from most of the audited independent entities were on hand to present their responses to the audits and answer questions from the committee.

2. Utah Retirement Systems

The Utah Retirement System presented at all three meetings and provided updates on the Tier I and Tier II systems, phased retirement, and post-retirement reemployment. URS also discussed their comprehensive annual financial report (CAFR) as well as the URS board's decision to reduce the assumed rate of return from 7.5% to 7.25%.

3. Public Employees Health Program

PEHP presented on health care costs which are expected to increase by 8% for FY 2018. This is due in part to higher than expected prescription costs as well as a sharp increase in high cost claims. PEHP also discussed the issue of plan equity, noting that on a risk-adjusted basis, the high deductible HSA plans provide more value to the employee than the traditional plan.

4. State Employee Compensation

The Department of Human Resource Management (DHRM) gave a presentation on state employee compensation and the different ways that funding for employee compensation increases can be utilized. DHRM also discussed job classification and the potential need for additional compensation funding for employees in certain job classifications where lower-than-market wages may be impacting state agencies ability to recruit and retain a high-quality workforce.