

Phased Retirement

URS recommends program to continue and not sunset

This program benefits employers and employees. For employers, this program allows them to take advantage of the institutional knowledge that an experienced worker has gained over the years to mentor and transfer knowledge to less experienced employees. It also provides resources to finish or assist with work on special projects. For employees, this helps with a more gradual transition to retirement by allowing older workers to continue working at a reduced level while drawing a partial salary and partial retirement benefit.



Utah's Pilot Program

The Phased Retirement program was enacted by the Legislature with 2016 S.B. 19. Utah Retirement Systems (URS) administers the program in accordance with Utah Code Title 49, Chapter 11, Part 13, Phased Retirement (Sections 49-11-1301 through 1308). The Phased Retirement program is currently subject to a sunset date of January 1, 2025.

The Phased Retirement program was designed to be narrow in scope to ensure that costs to the retirement systems would not increase.

The program allows for a retiree to remain with the same employer after the retiree's retirement date to work half time and receive 50% of their

monthly retirement allowance (Public Safety or Firefighter Service Employees may work $\frac{3}{4}$ time and receive 25% of their retirement allowance). The combination of salary and retirement allowance for phased retirees ensures that their total compensation from both sources is less than their pre-retirement income.

This removes the financial incentive resulting from many other working retiree provisions in which individuals have a financial incentive to retire earlier than anticipated to increase their personal income in the latter part of their career (often called "double dipping").

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Since Phased Retirement is a fairly new program, established in 2016, it was originally designed to be narrow in scope.

It is more expensive to fund retirement benefits when plan provisions permit or encourage members to commence their retirement benefit at an earlier age and continue to participate in the workforce. Accordingly, phased retirement results in a reduction in the working retiree's income and does not provide an incentive to retire much earlier than anticipated, which prevent additional costs to the retirement systems.

Eligibility Requirements

- » An employer must have a policy in place to allow for Phased Retirement.
- » An employer and employee must reach an agreement in writing prior to the employee's retirement date specifying how long the employee will participate in the Phased Retirement Program, the hours to be worked, job duties and other arrangements related to the employment.
- » The employer must submit an application to URS acknowledging that an agreement has been made so URS can provide the employee with an adjusted (due to Phased Retirement) retirement allowance.
- » The employee must begin to work within 120 days after the retiree's retirement date with URS.

Other Considerations

- » The employee must have worked for the same employer full time for at least 4 years immediately before their retirement date with URS.
- » The employee does not receive cost-of-living adjustments to their retirement allowance while on Phased Retirement.
- » Once the Phased Retirement period has concluded for the employee, URS will begin paying 100% of the retiree's retirement



allowance on the first day of the month following the month in which the office receives written notification and any required supporting documentation that the retiree's phased retirement has been irrevocably terminated.

- » Phased Retirement must be for a minimum of 60 days.

Recommendation

URS recommends that the sunset should be removed for Title 49, Chapter 11, Part 13, Phased Retirement, and that the statutory program should continue. The Phased Retirement program has operated as expected and has not resulted in unexpected costs. While its use has been limited, largely due to the original narrow conditions of the program, there may be options in the future to expand the Phased Retirement program to include more flexibility.

Phased Retirement is currently narrow in scope, but there may be options in the future to expand it to include more flexibility.