

PERFORMANCE NOTE: AGENCY FORM

H.B. 194

SHORT TITLE: State Employee Benefits Amendments

Joint Rule 4-2-404 requires a Performance Review Note anytime the legislature significantly increases funding for: New agency New services or benefits Serving a new or larger population

DUE TO THE FISCAL ANALYST:

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HOW WILL THE PUBLIC BENEFIT?

1 What is the purpose and the duties of the new program, agency, services, or population served? JR4-2-404(4)(c)(i)

The new program is a replacement benefit for the existing Program II post-retirement medical benefit program provided to state employees. The Program II benefit is a pay-as-you-go benefit, with costs that continue to rise, that is given only to employees who actually retire from State employment. This bill freezes Program II benefits and replaces the post-retirement medical portion with a new 401(k) match retirement benefit. The new benefit will be a fixed cost each year and will be provided to all benefitted employees, rather than just those that retire. Long term savings from freezing Program II benefits will be realized.

2 What services are provided by the funding increase? JR4-2-404(4)(c)(ii)

A new 401(k) match program, in which all benefitted employees will be offered an opportunity to have the same dollar amount contributed to their 401(k) account each pay period, as long as the employee contributes an amount equal to or greater than the employer portion. Employees who make a contribution less than the full amount will receive an amount equal to their contribution. Employees who do not wish to make a personal contribution will receive no contribution from the employer.

3 What are the expected outcomes of the new or expanded program and how will the public benefit? JR4-2-404(4)(c)(iii)

The current Program II benefit is a pay-as-you go program, with costs that continue to rise each year. This benefit is not sustainable and has the potential effect long-term of being so expensive that core benefits and salaries for state employees could be impacted. The new program will have fixed costs. Initially the state has to fund both the new and the current program, but long-term there will be significant savings from the freezing of Program II post-retirement medical benefits. The public benefits by replacing the current program with a new program that is a more fiscally prudent use of tax payer dollars, while still allowing the state to attract and

4 How will the bill be implemented and what resources are available to achieve the expected outcomes? JR4-2-404(4)(c)(iv)

GOMB, DHRM, the Division of Finance, and URS will be responsible for the implementation of this bill. We believe this can be accomplished with existing resources. It will require new rules, new processes for the 401(k) match, programming changes within existing systems (potentially), and enhanced marketing and education for employees.

5 How will the proposed agency activities cause the expected outcomes and public benefit in 3?

It is not necessarily the agency activities that generate the public benefit, but the effect of freezing Program II post-retirement medical benefits itself that is the impetus. As no additional leave benefits can be added to Program II, the costs of this program begin to go down.

2. PERFORMANCE MEASURES:

What measures will managers and policymakers use to know if the new or expanded program is providing the expected outcomes and public benefits? Provide one, two, and three year goals or targets, actual results and measures if available to serve as a baseline, and outcomes.

Goal (public benefit): Tracking of Program II sick leave balances

Measure Title:

Description:

DHRM will track information such as the # of employees eligible for the match program, the # of employees that opt for a full match, the # of employees who opt for a partial match, and the # of employees who do not participate. These measures will be used to make future recommendations on the match amount, but because they are not the main goal of the program, there are no specific target measures. True fiscal savings come from the freezing of Program II benefits. Currently 52% of employees contribute

Fiscal Year:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target or Benchmark:					
Baseline:	52.00%				

How will program managers collect this performance information and ensure its reliability?

Deferral amounts are made by the employee online at www.urs.org. Information on how much to deduct from each employee is then provided to State Finance and actual transferring of the funding occurs each pay period. URS then deposits contributions into the employee's account. This is an existing process for 401(k) contributions and we are confident it will continue to be reliable.

Goal (public benefit): Tracking of the decrease in liability for Program II

Measure Title:

Description:

From State Finance we can see trends of actual Program II sick leave balances over time. This will show potential liability and how much it may be decreasing each year. The actuary on contract with State Finance may also be utilized to assist with data

Fiscal Year:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target or Benchmark:					
Baseline:	259				

How will program managers collect this performance information and ensure its reliability?

This information can be pulled from the State Finance payroll data warehouse. Reliability of the information is very high, as employees can check leave balances each pay period and sign off on leave

Goal (public benefit):

Measure Title:

Description:

Fiscal Year:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target or Benchmark:					
Baseline:					

How will program managers collect this performance information and ensure its reliability?