

Retirement & Independent Entities

2014 General Session Budget Issues

Utah Retirement Systems

The investment losses from 2008 have now been fully realized. As a result, retirement rates increased 1.73% from last year (from 20.46% to 22.19%), but should begin to decline within the next few years.

This retirement rate adjustment will require an 8.5% increase in funding.

Public Employee Health Care

Healthcare rates have increased 9.5% over what was appropriated for FY 2014. However, PEHP still has excess reserves that will result in effective healthcare rates for FY 2015 increasing by only 2.2%.

The 7.3% difference will be available as one-time funding for FY 2015.

Utah Education Network

1. Elementary connectivity and growth: As student enrollments increase and new schools open, UEN aims to provide additional internet connectivity and instructional applications to meet those needs. Enrollment growth, increased demand for connectivity with the number of devices in use, and increased software licensure costs based on student enrollment are critical areas for UEN.

2. Equipment: UEN manages over \$18.2 million in equipment, with over \$14.2 million identified as critical to the State's educational technology infrastructure. Much of this equipment is over ten years old, making it incompatible with current systems. The average life cycle of equipment is seven years.

3. Network security and employee retention: Security of the State's education network is an ongoing concern. UEN

continues to see a rise in security issues and incidents. The frequency and sophistication of these attacks continues at a pace that is outgrowing their ability to manage with current resources.

Department of Human Resource Management

Excess Funding: DHRM has had closing balances of more than \$700,000 for each of the past 5 years, with a closing balance of over \$1 million in FY 2013. This may be an opportunity to reallocate funding the department no longer needs.

Retirement Contribution Rates

Background: Received a report from the Utah Retirement Office on the proposed Utah Retirement System employee contribution rates for FY 2015. Contribution rates are the percentage of salary that participating employers must pay to the Utah State Retirement Investment Fund for each eligible employee to keep retirement systems funded on an actuarially sound basis. The rates are set based on actuarial projections and must be approved annually by the Utah Retirement Systems Board.

At 22.19% of salary for state and school employees in the Tier I Public Employees Noncontributory Retirement System, the FY 2015 proposed rate is the highest to date. URS reports that as projected and barring new economic downturns, the proposed rates are at their peak, should level out for a few years, and then start to reduce in subsequent years.