

# USEA Legislative Updates

February 15, 2010

On Friday, February 12, 2010, **First Substitute SB 43, SB 63 and SB 94** past out of the Senate Retirement and Independent Entities Committee on a vote of 3-2.

Geoff Leonard, USEA General Counsel spoke on behalf of USEA on Wednesday during public comment. He urged legislators to be careful and go slowly. There is no need to rush into decisions that are not thoroughly investigated. He cautioned legislators that "Implementing a decision that is wrong could be disastrous".

Please carefully review the proposed bills below:

## **1<sup>st</sup> Substitute, SB 43 Post Retirement Employment Amendments:**

<http://le.utah.gov/~2010/htmdoc/sbillhtm/sb0043s01.htm>

This bill makes changes to the post-retirement benefits for those employees who retire on, or after July 1, 2010 and returns to work for a participating employer. This legislation will make it very difficult for a retiree to return to work for a URS participating employer.

In most cases, when a retiree returns to work, they do so at a reduced rate of pay from their previous pay. As a result, a retiree who returns to work usually also needs their pension paycheck to make ends meet. If a retiree returns to work for a URS participating employer, this bill will require an employee to suspend their pension payments. They will earn additional service credit when they return to work; however, the reduced pay will probably prohibit a retiree from ever returning to public service.

## **SB 94 Supplemental Benefit Amendments for Noncontributory Public Employees:**

<http://le.utah.gov/~2010/htmdoc/sbillhtm/sb0094.htm>

This bill removes for employees that began full-time employment with the state or its educational institutions on or after July 1, 1986, the requirement that 1.5% of salary be paid into a 401(k) account for employees in the Noncontributory Retirement System. Essentially this will be a 1.5% cut in pay for these employees.

## **SB 63 New Public Employees' Tier II Contributory Retirement Act:**

<http://le.utah.gov/~2010/htmdoc/sbillhtm/sb0063.htm>

This bill would eliminate the current retirement system for all new employees and replace it with a choice between a defined contribution plan and a greatly reduced hybrid defined benefit/defined contribution plan.

**USEA's position on these proposed changes to the retirement system are outlined below:**

- The Utah Retirement Systems (URS) is financially sound and is one of the best funded systems in the country. The system is current funded at 86%.
- While the system sustained significant losses in 2008, investment returns for 2009 are approximately 13%. This is 5.25% above the URS actuarial assumptions for 2009.
- URS has experienced substantial investment losses in the past and has recovered, requiring no further increases in contribution rates.
- The benefits provided by the URS are an important part of what attracts and retains quality employees for Utah's public education system.
- The URS has served Utah well and any changes should only be made after careful investigation and consideration of the long-term impact.
- USEA encourages the Utah Legislature to slow down, and **supports the idea of a legislative task force** to study the long-term needs of the Utah Retirement Systems (URS).

All three of these bills will now move to the full Senate for a vote. You can help USEA to protect your retirement benefits and the benefits of those employees who follow in your footsteps.

Please contact your State Representatives and Senators by phone, email or letter. The important thing is that legislators hear from you, their constituent. ***Be respectful but let them know how important your retirement benefits are to you and your family. Ask them to carefully study this important issue before making any changes to a system that has served Utah so well.***

You can reach your Representative and Senator at the following links:

**Utah House of Representatives**

<http://www.le.state.ut.us/house/members2005/membertable1add.asp>

**Utah State Senate**

<http://www.utahsenate.org/roster.html>

