

# Utah Planned Retirement Program

## 2019 Interim Session

### ***Purpose:***

To incentivize firefighter and public safety personnel in Utah to retire and hold over in their position for eight months to allow the agency to select and train their replacements.

This program is not designed to incentivize employees to retire early. This program is available on an annual basis and there is no evidence that a person would leave employment early. In fact, some people will stay a few months longer and others may leave a few months earlier in order to meet the policy requirements of the organization.

### ***Background:***

Firefighter and Public Safety personnel in the URS system can retire at any time in the year. Once a position is vacant, agencies typically use their hiring registers to conduct final interviews, background investigations, medical physicals, and administer an academy before allowing them to begin work. This is often an eight-month process that requires the agency to “run short” during that eight months.

A smaller agency may have one or two retirements that can significantly affect their ability to cover the requirements in the community while they find the replacement.

A larger agency sees retirements trickle in through the year, however, may only hire once per year. This requires the organization to cover those shifts with overtime to maintain staffing or causes the community to operate with less service until the replacements can be selected and trained.

Often, agencies hire in groups since it would be financially and logistically difficult to run an academy for each vacancy that occurs throughout the year, therefore, the public safety agency can go a year without the ability to replace the employee under the current system.

We began looking for a program that would allow large and small organizations to cover staffing needs for the period required to find and train their replacements.

### ***Finding Solutions:***

A review of the phased retirement program found it has not motivated employees to schedule their retirement or was able to meet the staffing needs.

DROP programs in 12 other states were reviewed. Many of these were unhealthy for the system. Some offered periods of reemployment as much as five years, some provided a guaranteed rate of return for their deferred compensation, and most were primarily a benefit for the employee and placed an undue burden on the community.

A “Planned Retirement” bill was crafted with URS staff and the bill sponsor Senator Karen Mayne for the 2019 Legislative session that minimized the impact to the system and provided incentive to the employee and employer to participate. This bill did not move out of committee and has been placed on the priority list for review by the Retirement and Independent Entities Interim Committee

## ***Planned Retirement Highlights***

- **Voluntary for a public employer to participate – Public Safety and Fire only**
  - Employer is required to establish written procedures as outlined by statute
- **Voluntary for the employee to participate**
  - Employee enters into an agreement with the Employer
  - Both Employee and Employer required to notify URS independently
- **Employee retires and remains in their position for eight months – no separation period**
  - Employee works full time and receives pays full pay and benefits from the employer for eight months after officially retired
  - URS contributes retiree’s retirement allowance to a deferred benefit account during the period. No interest is earned during the 8 months
  - Employer stops paying the URS contribution rate. (Continues to pay amortization)
- **Separation or death during planned retirement period**
  - If retiree is terminated before end of eight month, they receive the total funds in the deferred benefit account
  - If retiree voluntarily terminates before end of eight month, they forfeit all funds in deferred benefit account
  - If retiree dies during this period, chance to calculate as if they had not retired to determine the best option for the survivors
- **One Year Separation prior to re-employment**
  - One-year employment separation begins after 8 month planned retirement period
- **Legislative oversight (From SB167)**
  - URS will evaluate and report to the Retirement and Independent Entities Interim Committee the actuarial costs and the program’s effectiveness by Nov 30, 2025.
  - Planned Retirement is repealed Jan 1, 2027 (Unless extended by legislature)

## ***Benefits to the employee:***

- The retiree receives full pay and benefits during the eight months while their retirement benefit placed into a URS held deferred compensation plan
- The retiree continues to provide service to the community during the time their replacement is hired and trained
- The following table illustrates the value to the average employee, thus providing the motivation for them to participate in the program

<b><i>VALUE TO THE EMPLOYEE</i></b>	Average annual retirement benefit (2018)	8 mos. Pension placed in account
Public Safety	\$35,358	\$23,336
Firefighter	\$43,976	\$29,024

## Public Employer Cost

URS has summarized the fiscal impact for Fiscal Year 2019-2020 at \$276,000. This would equate to an increase of between .02% and .07% in the contribution rate.

<b>PUBLIC EMPLOYER COST</b>	2018 Active Members*	Average annual salary*	Total Payroll	Annual Cost per Employee**	Total cost**
Public Safety	5,305	\$62,721	\$332,734,905	\$25	\$133,094
Firefighter	1,540	\$71,914	\$110,747,560	\$50	\$77,523
Tier 2	3,301	\$44,030	\$145,343,030	\$22	\$72,672
<b>Total</b>	<b>10,146</b>		<b>\$588,825,495</b>		<b>\$283,289</b>

\* Data from 2018 URS Annual Report

\*\* Basis points of .04% for public safety, .07% for Firefighter, and .05% for Tier 2

## Public Employer Benefits and Savings

- Employees continue filling their position while the organization hires and trains their replacement. Improves ability to maintain staffing needs during this transition
- The agency continues to pay the amortization for the employee; however, the agency ***no longer contributes the URS contribution rate during the eight-month hold over period***
- The following table illustrates the savings by each retiree and total retiree's for the 2018 year assuming 50% of the retirees take advantage of this program

<b>PUBLIC EMPLOYER SAVINGS</b>	2018 Retires*	Average annual salary*	Total	Savings per retiree**	Total Savings**
Public Safety	372	\$65,895	\$24,512,940	\$9,568	\$1,779,639
Firefighter	61	\$77,913	\$4,752,693	\$11,827	\$360,729
Tier 2	0				
<b>Total</b>	<b>433</b>		<b>\$29,265,633</b>		<b>\$2,140,369</b>

\* Data from 2018 URS Annual Report

\*\* Public Employer Savings: Discontinuing payment of the URS contribution during 8 month re-employment. (Using 22% for public safety and 23% for fire). Estimating 50% of retirees take advantage of the planned retirement program each year.

## Summary

This plan is designed to provide the incentive for personnel to participate and give time for large and small public employers to continue providing service to the community during times of transition.

This plan will slightly increase the cost to all public employers of public safety or firefighters, regardless if they decide to participate in the system. However, a single police officer retirement would provide enough savings to cover the increase cost for 382 officers. A single firefighter retirement would provide enough savings to cover the increased cost for 236 firefighters.

This plan has a financial impact of \$276,000 to the URS system. If only 50% of the employees participate in the program, it saves public employers \$2,140,369. Only 7% of retirees each year would need to participate to fully offset the minimal increase to the contribution rate.