

## FACT SHEET

# UTAH RETIREMENT SYSTEMS REFORM

## THE CURRENT SITUATION...

### **KEY FACTS ABOUT THE PROPOSED LEGISLATION**

*Current employees **WILL KEEP 100% OF THEIR PENSION BENEFITS***

*Currently rehired retirees **WILL BE ABLE TO CONTINUE TO COLLECT PENSION BENEFITS***

*Retired employees **WILL NOT** be affected by any of the retirement reforms*

*Retired rehires after July 1, 2010 will return to **ACTIVE EMPLOYMENT STATUS***

*New employees hired after July 1, 2011, will be part of a **NEW RETIREMENT SYSTEM***

The financial crisis of 2008 has opened up a \$6.5 Billion unfunded liability in the Utah Retirement System.

Bob Newman, Executive Director of the Utah Retirement Systems, has stated that “contribution rates for all retirement systems will continue to increase over the next 3 to 5 years and will remain at historically high levels for the next 20 to 25 years.”

The pension system would have to generate double-digit returns each year for 20 years in order to grow out of the problem. Market returns in 2009 did little to recover the 2008 losses.

URS actuaries project that the market crash of 2008 will cost the State & Local governments \$400 Million (plus 4% annual growth) for 25 years.

Another market collapse, similar to the 2008 financial crisis, could financially devastate the pension system, making it difficult for the state & local governments to both operate and meet their defined benefit commitments.

The pension reform proposals are designed to contain the current bankruptcy risk and reduce that risk over the coming years.

### **FREQUENTLY ASKED QUESTIONS**

#### ***What are the goals of pension reform?***

- ◆ Ensure that the pension system can meet 100% of its pension obligations to current and retired employees
- ◆ Reduce long-term bankruptcy risk to state & local governments

#### ***What are the key elements of pension reform?***

- ◆ Post-retirement reemployment
- ◆ New system for future employees

#### ***What bills are part of the pension reform package?***

- ◆ SB 63—“New Public Employees’ Tier II Contributory Retirement Systems Act”
- ◆ SB 43 – “Post-Retirement Employment Amendments”

### **Why Pension Reform Now?**

URS needs 12 to 18 months to design and implement a new retirement system. Each new employee hired before a new system goes live creates long-term liabilities for the current, underfunded pension system. Legislation will be required this year to allow for changes to go live by July 1, 2011. A delayed effective date allows the Legislature to proceed with an additional actuarial audit scheduled for May 2010.