

**MINUTES OF THE
QUASI-GOVERNMENTAL ENTITIES COMMITTEE**
Wednesday, October 2, 2002 – 3:00 p.m. – Room 405

Members Present:

Rep. Ron Bigelow, House Chair
Sen. Ron Allen
Sen. Paula F. Julander
Sen. John L. Valentine
Rep. Trisha Beck
Rep. Judy Ann Buffmire
Rep. Don E. Bush
Rep. A. Lamont Tyler
Rep. David Ure

Members Absent:

Sen. Beverly Ann Evans, Senate Chair
President Al Mansell
Rep. J. Stuart Adams
Rep. Eli H. Anderson
Rep. Mike Morley

Staff Present:

Mr. Benjamin N. Christensen, Research Analyst
Mr. Dee S. Larsen, Associate General Counsel
Ms. Joy L. Miller, Legislative Secretary

Note: A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or by contacting the committee secretary, Joy Miller, at 538-1032.

1. Committee Business

Chair Bigelow called the meeting to order at 3:05 p.m. Sen. Evans and President Mansell were excused from the meeting.

MOTION: Sen. Valentine moved to approve the minutes of the May 14, 2002 meeting. The motion passed unanimously with Rep. Ure absent for the vote.

2. Retirement Contribution Rates Status

Mr. Robert Newman, Utah State Retirement Systems, distributed a handout "Contribution Rate History." The contribution rate that has been certified by the Retirement Board in order to maintain the retirement system on actuarially sound basis has been 10.4 percent. He discussed the investment returns over the past few years and reviewed the proposed contribution rates for FY 2003-04. The proposal for an increase of 1.3 percent of salary for FY 2003-04 for the contributory and noncontributory systems to 11.7 percent, would mean \$30 million in additional funding. Projections indicate that even if the systems earn the 8 percent actuarially assumed rate going forward, the contribution rate for the foreseeable future will continue to increase at the level seen for this year or even a little higher. He also indicated that a 9.25 percent increase in health care premiums or 1 percent of salary in state funds is anticipated for FY 2003-04.

3. Workers' Compensation for Occupational Diseases of Firefighters

Rep. Joseph Murray discussed the dangers faced by firefighters that are not often considered. He indicated that every structure that burns is constructed of hundreds of materials. Every rescue situation encountered by firemen comes with exposure to blood and airborne pathogens. He stressed the importance of investigating and discussing the issue with all interested parties.

Mr. Reo Castleton, Professional Firefighters of Utah, distributed handouts "Firefighter Common Exposures," "The Firefighting Environment," and a map of states with some form of presumptive legislation. He briefly reviewed the

diseases to which firefighters are commonly exposed. Firefighters must renew their physical each year and stay reasonably fit. He said they are asking the Legislature to acknowledge that if a firefighter contracts one of the specified diseases, it is likely due to exposure in their line of work.

4. Deferred Retirement Option

Mr. Marty Peterson, Pension Membership Council, distributed a handout "The Deferred Retirement Option Plan." The DROP (Deferred Retirement Option Plan) plan gives employees nearing the end of their career the opportunity to have a savings account created for them. A DROP plan is not a separate qualified retirement plan, but rather another distribution option within a traditional defined benefit pension plan. Under a DROP plan, an employee files for an earned retirement benefit, and the State deposits the retirement benefit into a DROP account created for this purpose, yet the employee continues to work in the same position for the same employer. All monthly retirement benefit payments are deposited into the account which earns interest. He requested the Committee to further study the option.

5. Conversion Window Into the Public Employees' Noncontributory Retirement System

Rep. Brad King indicated that many people who opted not to change to the Public Employees' Noncontributory Retirement System now wish to do so. He stated they will have more information prior to the session on the number of individuals who will be changing. That will help to determine whether the legislation should allow opening a window for conversion or allow people to apply for the change. Obtaining that information will also help to develop a more accurate fiscal note.

6. Public Safety Retirement System COLA

Rep. Paul Ray stated that the Public Safety Retirement System annual COLA is currently capped at 2.5 percent. He is proposing to raise that amount to 4 percent. He reviewed the possible options to fund the increase which include a tax increase on life insurance, fee increase on license plates, or an increase on penalties for traffic citations. Rep. Ray said he preferred the latter option.

Sen. Valentine requested that staff provide the Committee with an identification of all the surcharges that are on a citation.

7. Two Percent Retirement Allowance

Rep. LaWanna Shurtliff indicated H.B. 268 "Additional State Retirement Benefits" was introduced during the 2002 General Session but did not pass. She is proposing that the legislation again be introduced. The bill would increase the retirement benefit allowance for years of service rendered prior to July 1, 1967 from 1.25 percent to 2 percent. Increasing the allowance would eliminate the inequities that exist with those who retired between 1988-89 and 1983-86 and did not receive the 2 percent allowance.

Mr. Kent Abel, President, Utah School Retiree Employees' Association, noted that the poverty level for last year was \$13,470. Those retirees in the contributory system that don't receive the 2 percent for all years of service have an average benefit of \$6,742. The average benefit of the noncontributory system retirees was \$15,120.

Ms. Ruby Hamill, Utah School Retiree Employees' Association, indicated that many actions have been taken that have caused them to have less money than they originally thought they would have when they retired.

8. Name Change - Quasi-governmental Entities Committee

Mr. Dee Larsen distributed proposed legislation "Retirement and Independent Entities Committee Amendments," "Joint Resolution - Rules Revisions Renaming an Appropriations Subcommittee," "Senate Rules Resolution - Standing Committee Revisions," and "House Rules Resolution - Standing Committee Revision." He said the proposed pieces of legislation are housekeeping measures.

Mr. Christensen stated the Committee has two names - the Legislative Quasi-governmental Entities Committee and the Legislative Independent Entities Committee. The legislation was drafted to change the name of the Committee to the Retirement and Independent Entities Committee and makes conforming amendments.

MOTION: Sen. Valentine moved to approve the four pieces of legislation as committee bills. The motion passed unanimously with Rep. Beck absent for the vote.

9. Utah Public Employees' Association Proposal

Mr. Fred VanderVeur, UPEA (Utah Public Employees' Association), distributed a handout "Retirement Initiatives UPEA Supports." He said Department of Human Resource Management studies show that almost 70 percent of the State's employees are compensated well below the market average in virtually all job classifications. It is UPEA's position that Utah citizens deserve a stable, competent, dedicated, and professional workforce. He reviewed UPEA's recommendations with the Committee.

Rep. Buffmire declared a conflict on this issue.

10. Retirement Board Membership

Commissioner Dan McConkie, Davis County, said although S.B. 155 "Retirement Board Membership" did not pass during the 2001 General Session, it still deserves to be discussed. The bill proposes to add two members to the seven-member Utah State Retirement Board, including an employee or officer of a county or municipality and a retired member. He stated cities and counties want the chance to be a stakeholder and participate in discussions about health insurance issues since they have to fund those benefits.

11. Other Items / Adjourn

Rep. Bigelow indicated staff will be drafting a letter and survey requesting Committee members to prioritize items they wish to discuss at a subsequent meeting.

MOTION: Sen. Allen moved to adjourn the meeting. The motion passed unanimously with Rep. Beck absent for the vote. Chair Bigelow adjourned the meeting at 4:40 p.m.