Fiscal Note

H.B. 377 - Retirement Benefit Amendments

2007 General Session

State of Utah

State Impact

Enactment of this bill will likely require additional appropriations to cover retirement contribution rate increases. The rate increase is associated with decreasing the population in the Utah Retirement Systems (URS) defined benefit retirement plans and the cost of benefits to those employees who otherwise would have left before the four year vesting period. However, in addition to the information received from URS, an official actuarial study is required before a reliable estimate of this cost is available. As an example, if all new state hires, but no current employees, choose to participate in a defined contribution retirement plan rather than a defined benefit plan, the ongoing cost will be approximately $18.4 million distributed from all funding sources among all state agencies, higher education, and public education. Costs could be higher or lower depending on factors such as employee selection patterns and the rate of population decrease in the defined benefit pool. These cost adjustments will be reflected in new rates from the Utah Retirement Systems to be implemented in the 2008 General Legislative Session.

Individual, Business and/or Local Impact

Enactment of this bill will likely require local entities participating in the Utah Retirement Systems to experience increases in retirement contribution rates associated with decreasing the population in the defined benefit retirement plans. However, in addition to the information received from URS, an official actuarial study is required before a reliable estimate of the cost is available.

Current employees and new hires of entities participating in the Utah Retirement Systems will be able to make a one-time election to participate in a defined contribution retirement plan rather than a defined benefit retirement plan.

Investment risks and rewards will rest with employees who elect a defined contribution plan as they will be responsible for investment and growth of their retirement accounts.