

2010 Two Key Retirement Bills that Passed¹ by the Utah State Legislature

Prepared by the Office of Legislative Research and General Counsel -- March 2010

S.B. 43

Post-retirement Employment Amendments (Sen. D. Liljenquist)

This bill:

- ▶ repeals a requirement that a participating employer, who hires a retiree, contribute into a qualified defined contribution plan, the same percentage of a retiree's salary that the participating employer would have been required to contribute if the retiree were an active member of the retirement system;
- ▶ caps at the normal cost rate, the amount that a participating employer who hires a retiree before July 1, 2010 may contribute into a defined contribution plan;
- ▶ provides that a retiree from the Utah State Retirement System who returns to work with any participating employer on or after July 1, 2010, is returned to active member status and may, with a two year minimum, earn additional service credit if the retiree is reemployed within one year from retirement;
- ▶ provides that a retiree who returns to work with a participating employer after one year from the date of retirement may elect to either:
 - receive a retirement allowance and forfeit any retirement contribution related to the reemployment; or
 - cancel the retiree's retirement allowance and earn additional service credit for the period of reemployment (two year minimum required to earn additional service credit);
- ▶ requires a participating employer to pay the amortization rate to the retirement system that would have covered the retiree who is:
 - reemployed after July 1, 2010; and
 - receiving a retirement allowance;
- ▶ repeals the maximum allowance that a member may receive for a member who initially retires on or after July 1, 2010, in the following systems:
 - the Public Safety Contributory Retirement System;

Pre S.B. 43 (before July 1, 2010)

- **Separation requirement:** a retiree may not return to work with the same agency within six months of retirement.
- Six-month separation does not apply to reemployment:
 - that is part-time (under 20 hours per week); or
 - with a different agency.
- After separation, a retiree who returns to work on a full-time basis may keep drawing a retirement allowance and employer pays the same contribution rate into the reemployed retiree's 401(k).

Post S.B. 43 (beginning July 1, 2010)

(If reemployment begins on or after July 1, 2010)

- **Separation requirement:** a retiree may not return to work with any URS covered entity within one year of retirement.
- Separation requirement also prohibits part-time and contract work during the separation period.
- After one year a retiree who returns to work on a full-time basis may elect to:
 - keep receiving the allowance and forfeit any new retirement contribution, but employer pays an amortization rate to URS; or
 - cancel the allowance and earn additional service credit (two year minimum required to earn additional service credit).

¹ Both bills passed the Legislature on March 1, 2010 and will take effect on July 1, 2010 unless vetoed by the governor by March 31st.

- the Public Safety Noncontributory Retirement System;
 - the Firefighters' Retirement System;
 - the Judges' Contributory Retirement System; and
 - the Judges' Noncontributory Retirement System; and
- ▶ prevents the Commissioner of Public Safety, an elected or appointed sheriff, or a chief of police from retiring in place on or after July 1, 2010.

Post S.B. 43 (beginning July 1, 2010)
(If reemployment begins before July 1, 2010)

- **Separation requirement:** no change.
- Requirement for employer to contribute the same percentage contribution as other employees into a retiree's 401(k) is repealed.
- If a 401(k) contribution is made to a reemployed retiree, it is capped at the normal cost rate.

S.B. 63

New Public Employees' Tier II Contributory Retirement Act *(Sen. D. Liljenquist)*

This bill caps employer contribution amounts and reduces retirement benefits for new public employees and new public safety and firefighter employees.

This bill:

- ▶ defines terms;
- ▶ provides that the Retirement Office report when the funded status of the trust fund reaches 100% funded which triggers a requirement that the Retirement and Independent Entities Committee study and determine the need for adjustments in employee compensation and benefits;
- ▶ provides that existing retirement systems and plans are under "Tier I" for which an employee is eligible to participate if the employee initially enters regular full-time employment before July 1, 2011;
- ▶ creates "Tier II" retirement systems and plans for which an employee is eligible to participate, if the employee initially enters regular full-time employment on or after July 1, 2011, and which includes a:

- Tier I employees are employees who began employment before July 1, 2011 and are not effected by the bill.
- Tier II employees are new employees who begin employment on or after July 1, 2011

Four new Tier II systems or plans are created with the following employer contributions:

| | Hybrid | Defined Contribution |
|---------------------------------|--------|----------------------|
| Public Employees' | 10% | 10% |
| Public Safety and Firefighters' | 12% | 12% |

- New Public Employees' Tier II Hybrid Retirement System;
 - New Public Employees' Tier II Defined Contribution Plan;
 - New Public Safety and Firefighter Tier II Hybrid Retirement System; and
 - New Public Safety and Firefighter Tier II Defined Contribution Plan;
- ▶ provides that except for judges, all new public employees including public safety, firefighters, governors, and legislators may only participate in a Tier II retirement system or plan;
- ▶ provides that new employees may choose between the Tier II hybrid system or the Tier II Defined Contribution (DC) plan except governors and legislators are only eligible for the Tier II DC plan;

- ▶ provides that the retirement benefits for public employees that elect the Tier II hybrid system include:
 - full retirement benefits at age 65 or after 35 years of service credit;
 - 2.5% cost-of-living adjustments on the retirement allowance;
 - a 1.5% multiplier for each year of service;
 - a 401(k) employer contribution if the cost of the defined benefit is less than 10%;
 - provision allowing the purchase of the up to five years service credit immediately before retirement;
 - a death benefit; and
 - a disability benefit;
- ▶ provides that the retirement benefits for public employees that elect the Tier II DC plan is a 10% defined contribution;
- ▶ provides that the participating employer shall contribute 10% of employee salary for Tier II public employees in the hybrid system or DC plan plus the amortization rate of the corresponding Tier I system;
- ▶ provides that the retirement benefits for public safety and firefighter employees that elect the Tier II hybrid system include:
 - full retirement benefits at age 65 or after 25 years of service credit;
 - 2.5% cost-of-living adjustments on the retirement allowance;
 - a 1.5% multiplier for each year of service;
 - a 401(k) employer contribution if the cost of the defined benefit is less than 12%;
 - a death benefit;
 - a line of duty death benefit; and
 - a disability benefit;
- ▶ provides that the retirement benefits for public safety and firefighter employees that elect the Tier II DC plan is a 12% defined contribution;
- ▶ provides that the participating employer shall contribute 12% of employee salary for Tier II public safety and firefighter employees in the hybrid system or DC plan plus the amortization rate of the corresponding Tier I system;
- ▶ provides for a vesting period of four years:
 - for the Tier II hybrid systems; and
 - for the Tier II defined contribution plans but allows an employee who leaves employment before vesting to return within 10 years to complete the vesting period;
- ▶ closes for employees who initially enter employment beginning on or after July 1, 2011, the:
 - Public Employees' Contributory Retirement System;
 - Public Employees' Noncontributory Retirement System;
 - Public Safety Contributory Retirement System;
 - Public Safety Noncontributory Retirement System;
 - Firefighters' Retirement System; and
 - Utah Governors' and Legislators' Retirement System.

Tier II Hybrid system includes:

- Age 65 or 35 years of service for full retirement benefits (25 years for PS & Fire)
- 1.5% multiplier for each year of service
- 2.5% cost-of-living adjustments
- 401(k) employer contribution if the cost of the defined benefit is less than 10% (12% for PS & Fire)
- allowing the purchase of up to five years service credit before retirement
- death benefit
- disability benefit
- line-of-duty death benefit only for PS & Fire