

Senator Leonard M. Blackham proposes the following substitute bill:

PUBLIC SAFETY RETIREES'
COST-OF-LIVING INCREASE

2004 GENERAL SESSION

STATE OF UTAH

Sponsor: D. Chris Butters

LONG TITLE

General Description:

This bill modifies the Utah State Retirement and Insurance Benefit Act by redirecting certain monies to fund an increase to the cost-of-living allowance of the Public Safety Retirement Systems.

Highlighted Provisions:

This bill:

- ▶ increases the cost-of-living allowance of the Public Safety Contributory Retirement System;
- ▶ increases the cost-of-living allowance of the Public Safety Noncontributory Retirement System;
- ▶ provides a formula that may require the Utah State Retirement Office to deposit certain premium tax revenues in the Public Safety Contributory Retirement Trust Fund and the Public Safety Noncontributory Retirement Trust Fund;
- ▶ provides certain administrative powers to the Utah State Retirement Office;
- ▶ transfers monies between certain accounts; and
- ▶ redirects the amount dedicated to fund the Fire Academy and the State Fire Marshall Division through the use of taxes on certain property insurance and life insurance premiums to fund the cost-of-living allowances.



26 **Monies Appropriated in this Bill:**

27 This bill appropriates:

- 28 ▶ \$600,000 from the Fire Academy Support Account for fiscal year 2004-05 only to
- 29 the Utah State Retirement Board for deposit in the Public Safety Contributory
- 30 Retirement Trust Fund and the Public Safety Noncontributory Trust Fund.

31 **Other Special Clauses:**

32 This bill takes effect on July 1, 2004.

33 **Utah Code Sections Affected:**

34 AMENDS:

35 **49-14-403**, as renumbered and amended by Chapter 250, Laws of Utah 2002

36 **49-15-403**, as renumbered and amended by Chapter 250, Laws of Utah 2002

37 **49-16-301**, as last amended by Chapter 252, Laws of Utah 2003

38 **53-7-204.2**, as last amended by Chapter 252, Laws of Utah 2003

39 ENACTS:

40 **49-11-901**, Utah Code Annotated 1953



42 *Be it enacted by the Legislature of the state of Utah:*

43 Section 1. Section **49-11-901** is enacted to read:

44 **49-11-901. Premium tax revenues -- Formula -- Deposits.**

45 (1) (a) If the premium tax revenue received by the office under Subsection
 46 49-16-301(6), when calculated as a percentage of the certified contribution rate for members in
 47 Division A and B, as defined under Section 49-16-301, exceeds 40% of the certified
 48 contribution rate paid to the Firefighters' Retirement Trust Fund in accordance with Subsection
 49 49-16-301(6), the office shall deposit the difference in the Public Safety Contributory
 50 Retirement Trust Fund and the Public Safety Noncontributory Retirement Trust Fund.

51 (b) If the premium tax revenue does not exceed the percentage described under
 52 Subsection (1)(a), the office may not make a deposit under Subsection (1)(a).

53 (2) The office shall make an equitable apportionment of monies between the Public
 54 Safety Contributory Retirement Trust Fund and the Public Safety Noncontributory Retirement
 55 Trust Fund required to implement this section.

56 Section 2. Section **49-14-403** is amended to read:

57 **49-14-403. Annual cost-of-living adjustment.**

58 (1) The office shall make an annual cost-of-living adjustment to:

59 (a) an original allowance paid under Section 49-14-402 and Part 5, Death Benefit, of
60 this chapter if the allowance has been paid for at least one year; and

61 (b) an original payment made to an alternate payee under a domestic relations order, if
62 the payment is to be paid as a percentage of the allowance rather than a specific dollar amount.

63 (2) (a) The original allowance shall be increased by the annual increase in the
64 Consumer Price Index up to a maximum of 2.5% plus the increase authorized under Subsection
65 (5).

66 (b) Annual increases in the Consumer Price Index in excess of 2.5% plus the increase
67 authorized under Subsection (2)(a) shall be accumulated and used in subsequent adjustments
68 when the annual increase in the Consumer Price Index is less than 2.5% plus the increase
69 authorized under Subsection (2)(a).

70 (3) The Consumer Price Index used in calculating adjustments shall be a United States
71 Bureau of Labor Statistics Consumer Price Index average as determined by the board.

72 (4) The cost-of-living adjustment made under this section may not decrease the
73 allowance.

74 (5) (a) Prior to January 1, 2005, the board shall adopt, based upon actuarial
75 recommendations, a cost-of-living increase under this Subsection (5), up to a maximum of an
76 additional 1.5%, that is the maximum annual cost-of-living increase that may be funded with
77 the premium tax revenues deposited in the Public Safety Contributory Retirement Trust Fund
78 in accordance with Section 49-11-901.

79 (b) The board shall report the percentage increase adopted under Subsection (5)(a) to
80 the Retirement and Independent Entities Committee.

81 (c) The addition annual cost-of-living increase provided under this Subsection (5) takes
82 effect on January 1, 2005.

83 Section 3. Section **49-15-403** is amended to read:

84 **49-15-403. Annual cost-of-living adjustment.**

85 (1) The office shall make an annual cost-of-living adjustment to:

86 (a) an original allowance paid under Section 49-15-402 and Part 5, Death Benefit, of
87 this chapter if the allowance has been paid for at least one year; and

88 (b) an original payment made to an alternate payee under a domestic relations order if
89 the payment is to be paid as a percentage of the allowance rather than a specific dollar amount.

90 (2) (a) The original allowance shall be increased by the annual increase in the
91 Consumer Price Index up to a maximum of 2.5% plus the increase authorized under Subsection
92 (5).

93 (b) Annual increases in the Consumer Price Index in excess of 2.5% plus the increase
94 authorized under Subsection (2)(a) shall be accumulated and used in subsequent adjustments
95 when the annual increase in the Consumer Price Index is less than 2.5% plus the increase
96 authorized under Subsection (2)(a).

97 (3) The Consumer Price Index used in calculating adjustments shall be a United States
98 Bureau of Labor Statistics Consumer Price Index average as determined by the board.

99 (4) The cost-of-living adjustment made under this section may not decrease the
100 allowance.

101 (5) (a) The board shall adopt, based upon actuarial recommendations, a cost-of-living
102 increase under this Subsection (5), up to a maximum of an additional 1.5%, that is the
103 maximum annual cost-of-living increase that may be funded with the premium tax revenues
104 deposited in the Public Safety Noncontributory Retirement Trust Fund in accordance with
105 Section 49-11-901.

106 (b) The board shall report the percentage increase adopted under Subsection (5)(a) to
107 the Retirement and Independent Entities Committee.

108 (c) The additional annual cost-of-living increase provided under this Subsection (5),
109 takes effect on January 1, 2005.

110 Section 4. Section **49-16-301** is amended to read:

111 **49-16-301. Contributions -- Two divisions -- Election by employer to pay**
112 **employee contributions -- Accounting for and vesting of worker contributions --**
113 **Deductions.**

114 (1) In addition to the monies paid to this system under Subsection (6), participating
115 employers and firefighter service employees shall jointly pay the certified contribution rates to
116 the office to maintain this system on a financially and actuarially sound basis.

117 (2) For purposes of determining contribution rates, this system is divided into two
118 divisions according to Social Security coverage as follows:

119 (a) members of this system with on-the-job Social Security coverage are in Division A;
120 and

121 (b) members of this system without on-the-job Social Security coverage are in Division
122 B.

123 (3) (a) A participating employer may elect to pay all or part of the required member
124 contributions, in addition to the required participating employer contributions.

125 (b) Any amount contributed by a participating employer under this section shall vest to
126 the member's benefit as though the member had made the contribution.

127 (c) The required member contributions shall be reduced by the amount that is paid by
128 the participating employer.

129 (4) (a) All member contributions are credited by the office to the account of the
130 individual member.

131 (b) This amount is held in trust for the payment of benefits to the member or the
132 member's beneficiaries.

133 (c) All member contributions are vested and nonforfeitable.

134 (5) (a) Each member is considered to consent to payroll deductions of member
135 contributions.

136 (b) The payment of compensation less these payroll deductions is considered to be full
137 payment for services rendered by the member.

138 (6) (a) ~~In~~ Except as provided in Section 49-11-901, in addition to contribution rates
139 described under this section, there shall be paid to the Firefighters' Retirement Trust Fund
140 created under Section 49-16-104:

141 (i) ~~50%~~ 54% of the annual tax levied, assessed, and collected under Title 59, Chapter
142 9, Taxation of Admitted Insurers, upon premiums for property insurance, as defined under
143 Section 31A-1-301, and as applied to fire and allied lines insurance collected by insurance
144 companies within the state; and

145 (ii) ~~10%~~ 11% of all money assessed and collected under Title 59, Chapter 9, Taxation
146 of Admitted Insurers, upon premiums for life insurance, as defined in Section 31A-1-301,
147 within the state.

148 (b) Payments to the fund shall be made annually until the service liability is liquidated,
149 after which the tax revenue provided in this Subsection (6) for the Firefighters' Retirement

150 Trust Fund ceases.

151 Section 5. Section 53-7-204.2 is amended to read:

152 **53-7-204.2. Fire Academy -- Establishment -- Fire Academy Support Account --**
153 **Funding.**

154 (1) In this section:

155 (a) "Account" means the Fire Academy Support Account created in Subsection (4).

156 (b) "Property insurance premium" means premium paid as consideration for property
157 insurance as defined in Section 31A-1-301.

158 (2) The board shall:

159 (a) establish a fire academy that:

160 (i) provides instruction and training for paid, volunteer, institutional, and industrial
161 firefighters;

162 (ii) develops new methods of firefighting and fire prevention;

163 (iii) provides training for fire and arson detection and investigation;

164 (iv) provides public education programs to promote fire safety;

165 (v) provides for certification of firefighters, pump operators, instructors, and officers;

166 and

167 (vi) provides facilities for teaching fire-fighting skills;

168 (b) establish a cost recovery fee in accordance with Section 63-38-3.2 for training
169 commercially employed firefighters; and

170 (c) request funding for the academy.

171 (3) The board may:

172 (a) accept gifts, donations, and grants of property and services on behalf of the fire
173 academy; and

174 (b) enter into contractual agreements necessary to facilitate establishment of the school.

175 (4) (a) To provide a funding source for the academy and for the general operation of
176 the State Fire Marshal Division, there is created in the General Fund a restricted account
177 known as the Fire Academy Support Account.

178 (b) The following revenue shall be deposited in the account to implement this section:

179 (i) the percentage specified in Subsection (5) of the annual tax for each year that is
180 levied, assessed, and collected under Title 59, Chapter 9, Taxation of Admitted Insurers, upon

181 property insurance premiums and as applied to fire and allied lines insurance collected by
182 insurance companies within the state;

183 (ii) the percentage specified in Subsection (6) of all money assessed and collected upon
184 life insurance premiums within the state;

185 (iii) the cost recovery fees established by the board;

186 (iv) gifts, donations, and grants of property on behalf of the fire academy; and

187 (v) appropriations made by the Legislature.

188 (5) The percentage of the tax specified in Subsection (4)(b)(i) to be deposited in the
189 account each fiscal year is [~~25%~~] 21%.

190 (6) The percentage of the money specified in Subsection (4)(b)(ii) to be deposited in
191 the account each fiscal year is [~~5%~~] 4%.

192 **Section 6. Appropriation.**

193 (1) There is appropriated \$600,000 from the Fire Academy Support Account for fiscal
194 year 2004-05 only to the Utah State Retirement Board to be deposited in the Public Safety
195 Contributory Retirement Trust Fund and the Public Safety Noncontributory Retirement Trust
196 Fund.

197 (2) The office shall make an equitable apportionment of monies between the Public
198 Safety Contributory Retirement Trust Fund and the Public Safety Noncontributory Retirement
199 Trust Fund.

200 **Section 7. Effective date.**

201 This bill takes effect on July 1, 2004.