

1 **ADDITIONAL STATE RETIREMENT BENEFIT**

2 2006 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: LaWanna Lou Shurtliff**

5 Senate Sponsor: Brent H. Goodfellow

7 **LONG TITLE**

8 **General Description:**

9 This bill modifies the Utah State Retirement and Insurance Benefit Act by authorizing
10 an additional retirement benefit for certain retirees.

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ increases the retirement allowance of members of the Public Employees'
14 Contributory Retirement System with service prior to July 1, 1975; and
- 15 ▶ increases the retirement allowance of members of the Public Employees'
16 Noncontributory Retirement System with service prior to July 1, 1975.

17 **Monies Appropriated in this Bill:**

18 None

19 **Other Special Clauses:**

20 This bill takes effect on July 1, 2006.

21 **Utah Code Sections Affected:**

22 ENACTS:

23 **49-11-702**, Utah Code Annotated 1953

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

26 Section 1. Section **49-11-702** is enacted to read:

27 **49-11-702. Additional retirement benefit -- Implementation rules.**



28 (1) (a) The board shall provide an additional benefit to retirees under Title 49, Chapter
29 12, Public Employees' Contributory Retirement Act, and Chapter 13, Public Employees'
30 Noncontributory Retirement Act, whose retirement allowance, when calculated, amounts to
31 less than the allowance provided by using at least 2% per year of service factor for all years of
32 service rendered.

33 (b) The benefit provided in Subsection (1)(a) shall be calculated by the board using a
34 formula based upon actuarial assumptions and principles that results in a benefit that is as close
35 as reasonably possible to 2% per year of service for each retiree for all years of service
36 rendered.

37 (2) After consultation with representatives of those retirees under Title 49, Chapters 12
38 and 13, the board shall adopt rules governing the distribution of any additional retirement
39 benefit under this section.

40 (3) The additional benefit provided in Subsection (1) shall be funded by an increase in
41 the certified contribution rates under Sections 49-12-301 and 49-13-301.

42 Section 2. **Effective date.**

43 This bill takes effect on July 1, 2006.

Legislative Review Note
as of 9-26-05 3:03 PM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel

State Impact

This bill increases the service factor for all retirees for all years of service to "at least 2 percent." Such an increase will cause retirement rates (as a percentage of salary) to rise for all current employees covered by the contributory and noncontributory retirement plans. Assuming the 2 percent level, the cost is estimated at \$5.6 million, distributed among all state agencies and public education. The bill would also affect local governments, whose retirement rates (as a percentage of salary) would increase by 0.11 percent, funded from local revenues.

	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2007</u> <u>Revenue</u>	<u>FY 2008</u> <u>Revenue</u>
General Fund	\$921,200	\$921,200	\$0	\$0
Uniform School Fund	\$3,704,700	\$3,704,700	\$0	\$0
Transportation Fund	\$122,600	\$122,600	\$0	\$0
Federal Funds	\$383,800	\$383,800	\$0	\$0
Federal Mineral Lease	\$3,700	\$3,700	\$0	\$0
Dedicated Credits	\$218,500	\$218,500	\$0	\$0
Restricted Funds	\$106,300	\$106,300	\$0	\$0
Transfers	\$81,400	\$81,400	\$0	\$0
Other	\$40,400	\$40,400	\$0	\$0
TOTAL	\$5,582,600	\$5,582,600	\$0	\$0

Individual and Business Impact

This bill could increase the retirement benefit for some public sector retirees.
