

**Representative Brad L. Dee** proposes the following substitute bill:

**PUBLIC SAFETY RETIREMENT REVISIONS**

2006 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: David Clark**

Senate Sponsor: \_\_\_\_\_

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**LONG TITLE**

**General Description:**

This bill modifies the Utah State Retirement Act by increasing the cost-of-living and certain death benefit allowances for members of the Public Safety Retirement Systems and providing certain funding sources.

**Highlighted Provisions:**

This bill:

- ▶ repeals the Public Safety Retirees' Cost-of-Living Increase Restricted Account and deposits its balance and revenue into the Public Safety Contributory Retirement Trust Fund and the Public Safety Noncontributory Retirement Trust Fund;
- ▶ provides that a percentage of the insurance premium tax on certain vehicle insurance is used to fund the public safety retirement systems and apportioned between the contributory and noncontributory public safety systems;
- ▶ increases the cost-of-living allowance for members of the Public Safety Contributory Retirement System;
- ▶ increases the cost-of-living allowance for members of the Public Safety Noncontributory Retirement System;
- ▶ increases the allowance payable to the surviving spouse of a retiree of the Public Safety Contributory Retirement System; and



26           ▶ increases the allowance payable to the surviving spouse of a retiree of the Public  
27 Safety Noncontributory Retirement System.

28 **Monies Appropriated in this Bill:**

29           This bill appropriates the June 30, 2006 balance from the Public Safety Retirees'  
30 Cost-of-Living Increase Restricted Account in the General Fund to the Public Safety  
31 Contributory Retirement Trust Fund and the Public Safety Noncontributory Retirement  
32 Trust Fund for fiscal year 2006-07.

33 **Other Special Clauses:**

34           This bill takes effect on July 1, 2006.

35 **Utah Code Sections Affected:**

36 AMENDS:

37           **49-11-902**, as enacted by Chapter 262, Laws of Utah 2004

38           **49-14-403**, as renumbered and amended by Chapter 250, Laws of Utah 2002

39           **49-14-504**, as renumbered and amended by Chapter 250, Laws of Utah 2002

40           **49-15-403**, as renumbered and amended by Chapter 250, Laws of Utah 2002

41           **49-15-504**, as last amended by Chapter 240, Laws of Utah 2003

42 ENACTS:

43           **49-11-903**, Utah Code Annotated 1953

44 REPEALS:

45           **49-11-901**, as enacted by Chapter 262, Laws of Utah 2004



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

48           Section 1. Section **49-11-902** is amended to read:

49           **49-11-902. Premium tax revenues -- Formula -- Deposits.**

50           (1) (a) If the premium tax revenue received by the office under Subsection  
51 49-16-301(6), when calculated as a percentage of the certified contribution rate for members in  
52 Division A and B, as defined under Section 49-16-301, exceeds the percentage of the certified  
53 contribution rate paid to the Firefighters' Retirement Trust Fund in accordance with Subsection  
54 49-16-301(6) on July 1, 2004, the office shall deposit the difference in the Public Safety  
55 ~~[Retirees' Cost-of-Living Increase Restricted Account created under Section 49-11-901]~~  
56 Contributory Retirement Trust Fund created under Section 49-14-104 and the Public Safety

57 Noncontributory Retirement Trust Fund created under Section 49-15-104.

58 (b) If the premium tax revenue does not exceed the percentage of the certified  
59 contribution rate paid to the Firefighters' Retirement Trust Fund in accordance with Subsection  
60 49-16-301(6) on July 1, 2004 as calculated under Subsection (1)(a), the board may not make a  
61 deposit under Subsection (1)(a).

62 (2) The office shall make the calculations, equitable apportionment of monies between  
63 Division A and B[;] and between the Contributory and Noncontributory Systems, and deposits  
64 required to implement this section.

65 Section 2. Section **49-11-903** is enacted to read:

66 **49-11-903. Public safety contributions from insurance premium tax -- Formula --**  
67 **Distribution.**

68 (1) In addition to contribution rates described under Sections 49-14-301 and  
69 49-15-301, there shall be paid to the Public Safety Contributory Retirement Trust Fund created  
70 under Section 49-14-104 and the Public Safety Noncontributory Retirement Trust Fund created  
71 under Section 49-15-104, 30% of the annual tax levied, assessed, and collected under Title 59,  
72 Chapter 9, Taxation of Admitted Insurers, upon vehicle liability insurance and vehicle physical  
73 damage insurance premiums for property insurance, as defined under Section 31A-1-301, and  
74 as applied to vehicle and allied lines insurance collected by insurance companies within the  
75 state.

76 (2) Payments to the funds shall be:

77 (a) made annually until the service liability is liquidated, after which the tax revenue  
78 provided in Subsection (1) for the public safety retirement ceases; and

79 (b) apportioned between the two public safety retirement funds as provided under  
80 Subsection 49-11-902(2).

81 Section 3. Section **49-14-403** is amended to read:

82 **49-14-403. Annual cost-of-living adjustment.**

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

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

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

88 (2) (a) The original allowance shall be increased by the annual increase in the  
89 Consumer Price Index up to a maximum of [~~2.5%~~] 4%.

90 (b) Annual increases in the Consumer Price Index in excess of [~~2.5%~~] 4% shall be  
91 accumulated and used in subsequent adjustments when the annual increase in the Consumer  
92 Price Index is less than [~~2.5%~~] 4%.

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

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

97 Section 4. Section **49-14-504** is amended to read:

98 **49-14-504. Benefits payable upon death of retired member.**

99 (1) If a retiree who retired under either Division A or Division B dies, the retiree's  
100 spouse at the time of death shall receive an allowance equal to [~~65%~~] 75% of the allowance  
101 that was being paid to the retiree at the time of death.

102 (2) If the retiree retired solely under Division B and dies leaving unmarried children  
103 under the age of 18 or dependent unmarried mentally or physically disabled children, the  
104 children shall qualify for a benefit as prescribed for children under Subsection 49-14-502(1)(c)  
105 which is payable on the first day of the month following the month in which the retiree died.

106 Section 5. Section **49-15-403** is amended to read:

107 **49-15-403. Annual cost-of-living adjustment.**

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

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

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

113 (2) (a) The original allowance shall be increased by the annual increase in the  
114 Consumer Price Index up to a maximum of [~~2.5%~~] 4%.

115 (b) Annual increases in the Consumer Price Index in excess of [~~2.5%~~] 4% shall be  
116 accumulated and used in subsequent adjustments when the annual increase in the Consumer  
117 Price Index is less than [~~2.5%~~] 4%.

118 (3) The Consumer Price Index used in calculating adjustments shall be a United States

119 Bureau of Labor Statistics Consumer Price Index average as determined by the board.

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

122 Section 6. Section **49-15-504** is amended to read:

123 **49-15-504. Benefits payable upon death of retired member.**

124 (1) If a retiree who retired under either Division A or Division B dies, the retiree's  
125 spouse at the time of death shall receive an allowance equal to [~~65%~~] 75% of the allowance  
126 that was being paid to the retiree at the time of death.

127 (2) If the retiree retired solely under Division B and dies leaving unmarried children  
128 under the age of 18 or dependent unmarried mentally or physically disabled children, the  
129 children shall qualify for a benefit as prescribed under Subsection 49-15-502(1)(d) which is  
130 payable on the first day of the month following the month in which the retiree died.

131 Section 7. **Appropriation.**

132 (1) There is appropriated from the Public Safety Retirees' Cost-of-Living Increase  
133 Restricted Account created under Section 49-11-901 in the General Fund to the Public Safety  
134 Contributory Retirement Trust Fund created under Section 49-14-104 and the Public Safety  
135 Noncontributory Retirement Trust Fund created under Section 49-15-104 the balance of the  
136 account on June 30, 2006, for fiscal year 2006-07.

137 (2) It is the intent of the Legislature that the monies appropriated under Subsection (1)  
138 be apportioned between the two funds as provided under Subsection 49-11-902(2).

139 Section 8. **Effective date.**

140 This bill takes effect on July 1, 2006.

141 Section 9. **Repealer.**

142 This bill repeals:

143 Section **49-11-901, Public Safety Retirees' Cost-of-Living Increase Restricted**  
144 **Account.**

**State Impact**

Passage of this bill will require a payment of 30 percent of the annual tax collected on vehicle liability insurance and vehicle physical damage insurance premiums for property insurance to the Public Safety Contributory and Noncontributory Retirement Trust Funds, resulting in a decrease in General Fund Revenue of approximately \$7.9 million.

The bill will also require an increase in State and local government public safety retirement contribution rates. The increase will be dependent on the amount deposited into the trust funds described above. Assuming a \$7.9 million payment to the trust funds, State contribution rates would increase by 0.88 percentage points, requiring an appropriation of approximately \$875,000 from various funding sources. The rate increase for local governments would vary between entities, ranging from 0.67 to 1.14 percentage points, funded from local sources.

	<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	\$776,800	\$776,800	(\$7,872,900)	(\$7,872,900)
Transportation Fund	\$400	\$400	\$0	\$0
Federal Funds	\$5,000	\$5,000	\$0	\$0
Dedicated Credits	\$34,600	\$34,600	\$0	\$0
Restricted Funds	\$58,500	\$58,500	\$0	\$0
Trust Funds	\$0	\$0	\$7,872,900	\$7,872,900
<b>TOTAL</b>	<u><u>\$875,300</u></u>	<u><u>\$875,300</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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**Individual and Business Impact**

This bill could affect retirees of the Public Safety Retirement Systems by increasing the annual maximum cost-of-living allowance, depending on the Consumer Price Index. The bill could also affect some spouses of deceased retirees of the systems by increasing their allowance.

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