

**PUBLIC EMPLOYEES 25 YEAR RETIREMENT**

2007 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Neil A. Hansen**

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

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**LONG TITLE****General Description:**

This bill modifies the Utah State Retirement and Insurance Benefit Act by decreasing the years of service required to qualify for an unreduced retirement allowance for members of the Public Employees' Noncontributory Retirement System.

**Highlighted Provisions:**

This bill:

- decreases the years of service required to qualify for an unreduced retirement allowance from 30 to 25 for members of the Public Employees' Noncontributory Retirement System; and
- makes technical corrections.

**Monies Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill takes effect on July 1, 2007.

**Utah Code Sections Affected:**

AMENDS:

**49-13-401**, as renumbered and amended by Chapter 250, Laws of Utah 2002**49-13-402**, as last amended by Chapter 116, Laws of Utah 2005

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

Section 1. Section **49-13-401** is amended to read:

**49-13-401. Eligibility for an allowance -- Date of retirement -- Qualifications.**

(1) A member is qualified to receive an allowance from this system when:

(a) the member ceases actual work for a participating employer in this system before the member's retirement date and provides evidence of the termination;

(b) the member has submitted to the office a notarized retirement application form that states the member's proposed retirement date; and

(c) one of the following conditions is met as of the member's retirement date:

(i) the member has accrued at least four years of service credit and has attained an age of 65 years;

(ii) the member has accrued at least ten years of service credit and has attained an age of 62 years;

(iii) the member has accrued at least 20 years of service credit and has attained an age of 60 years; or

(iv) the member has accrued at least [30] 25 years of service credit[~~;~~ or].

~~[(v) the member has accrued at least 25 years of service credit, in which case the member shall be subject to the reduction under Subsection 49-13-402(2)(b).]~~

(2) (a) The member's retirement date shall be the 1st or the 16th day of the month, as selected by the member, but the retirement date must be on or after the date of termination.

(b) The retirement date may not be more than 90 days before or after the date the application is received by the office.

Section 2. Section **49-13-402** is amended to read:

**49-13-402. Service retirement plans -- Calculation of retirement allowance -- Social Security limitations.**

(1) (a) Except as provided under Section 49-13-701, retirees of this system may choose from the six retirement options described in this section.

(b) Options Two, Three, Four, Five, and Six are modifications of the Option One calculation.

(2) The Option One benefit is an allowance calculated as follows:

(a) If the retiree is at least 65 years of age or has accrued at least [30] 25 years of service credit, the allowance is an amount equal to 2% of the retiree's final average monthly

59 salary multiplied by the number of years of service credit accrued.

60 (b) If the retiree is less than 65 years of age, the allowance shall be reduced 3% for  
61 each year of retirement from age 60 to age 65, plus a full actuarial reduction for each year of  
62 retirement prior to age 60, unless the member has ~~[30]~~ 25 or more years of accrued credit, in  
63 which event no reduction is made to the allowance.

64 (c) (i) Years of service include any fractions of years of service to which the retiree  
65 may be entitled.

66 (ii) At the time of retirement, if a retiree's combined years of actual, not purchased,  
67 service credit is within 1/10 of one year of the total years of service credit required for  
68 retirement, the retiree shall be considered to have the total years of service credit required for  
69 retirement.

70 (3) The allowance payable under Options Two, Three, Four, Five, and Six is calculated  
71 by reducing an Option One benefit based on actuarial computations to provide the following:

72 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the  
73 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's  
74 member contributions, the remaining balance of the retiree's member contributions shall be  
75 paid in accordance with Sections 49-11-609 and 49-11-610.

76 (b) Option Three is a reduced allowance paid to and throughout the lifetime of the  
77 retiree, and, upon the death of the retiree, the same reduced allowance paid to and throughout  
78 the lifetime of the retiree's lawful spouse at the time of retirement.

79 (c) Option Four is a reduced allowance paid to and throughout the lifetime of the  
80 retiree, and upon the death of the retiree, an amount equal to 1/2 of the retiree's allowance paid  
81 to and throughout the lifetime of the retiree's lawful spouse at the time of retirement.

82 (d) Option Five is a modification of Option Three so that if the lawful spouse at the  
83 time of retirement predeceases the retiree, an allowance equivalent to the amount payable at the  
84 time of initial retirement under Option One shall be paid to the retiree for the remainder of the  
85 retiree's life, beginning on the last day of the month following the month in which the lawful  
86 spouse dies.

87 (e) Option Six is a modification of Option Four so that if the lawful spouse at the time  
88 of retirement predeceases the retiree, an allowance equivalent to the amount payable at the time  
89 of initial retirement under Option One shall be paid to the retiree for the remainder of the

retiree's life, beginning on the last day of the month following the month in which the lawful spouse dies.

(4) (a) (i) The final average salary is limited in the computation of that part of an allowance based on service rendered prior to July 1, 1967, during a period when the retiree received employer contributions on a portion of compensation from an educational institution toward the payment of the premium required on a retirement annuity contract with the Teachers' Insurance and Annuity Association of America or with any other public or private system, organization, or company to \$4,800.

(ii) This limitation is not applicable to retirees who elected to continue in the Public Employees' Contributory Retirement System by July 1, 1967.

(b) Periods of employment which are exempt from this system as permitted under Subsection 49-13-203(1)(b) may be purchased by the member for the purpose of retirement only if all benefits from the Teachers' Insurance and Annuity Association of America or any other public or private system or organization based on this period of employment are forfeited.

(5) (a) If a retiree under Option One dies within 90 days after the retiree's retirement date, the retirement is canceled and the death shall be considered as that of a member before retirement.

(b) Any payments made to the retiree shall be deducted from the amounts due to the beneficiary.

(6) If a retiree retires under either Option Five or Six and subsequently divorces, the retiree may elect to convert the benefit to an Option One benefit at the time of divorce, if there is no court order filed in the matter.

**Section 3. Effective date.**

This bill takes effect on July 1, 2007.

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**Legislative Review Note**  
**as of 1-19-07 3:22 PM**

**Office of Legislative Research and General Counsel**

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## H.B. 325 - Public Employees 25 Year Retirement

### Fiscal Note

2007 General Session

State of Utah

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#### State Impact

Enactment of this bill will cause retirement contribution rates to increase for all state and school employees covered by the noncontributory retirement plan. This will require an appropriation of approximately \$43.6 million distributed among all state agencies, public education, and higher education.

	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
	<b><u>Approp.</u></b>	<b><u>Approp.</u></b>	<b><u>Approp.</u></b>	<b><u>Revenue</u></b>	<b><u>Revenue</u></b>	<b><u>Revenue</u></b>
General Fund	\$0	\$6,818,000	\$6,818,000	\$0	\$0	\$0
Uniform School Fund	\$0	\$29,593,400	\$29,593,400	\$0	\$0	\$0
Transportation Fund	\$0	\$962,300	\$962,300	\$0	\$0	\$0
Federal Funds	\$0	\$2,853,400	\$2,853,400	\$0	\$0	\$0
Dedicated Credits	\$0	\$1,626,600	\$1,626,600	\$0	\$0	\$0
Restricted Funds	\$0	\$772,900	\$772,900	\$0	\$0	\$0
Other	\$0	\$939,600	\$939,600	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$43,566,200</b>	<b>\$43,566,200</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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#### Individual, Business and/or Local Impact

Enactment of this bill will affect local governments, whose retirement rates for employees covered by the noncontributory retirement plan would increase. Such increases total approximately \$14.4 million.

Employees covered by the Public Employee's Noncontributory Retirement System who retire after 25 years of service may receive a higher retirement allowance if this bill is enacted.