

Utah Retirement Systems Amendments

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

LONG TITLE**Committee Note:**

The Retirement and Independent Entities Interim Committee recommended this bill.

Legislative Vote: 7 voting for 1 voting against 7 absent

General Description:

This bill modifies the contribution provisions of the New Public Employees' Tier II Contributory Retirement Act.

Highlighted Provisions:

This bill:

- ▶ authorizes a participating employer to elect to pay member contributions that exceed the contribution cap for employees that are members of the Public Employees' Tier II

Hybrid Retirement System; and

- ▶ requires a participating employer to make an additional nonelective contribution to an employee that is a member of the Public Employees' Tier II Defined Contribution Plan, if the participating employer elects to pay the required member contribution as an employer pick up for employees that are members of the Public Employees' Tier II Hybrid Retirement System.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

49-22-301, as last amended by Laws of Utah 2011, Chapter 439

49-22-401, as last amended by Laws of Utah 2022, Chapter 171

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

Section 1. Section **49-22-301** is amended to read:

49-22-301 . Contributions.

- 32 (1) Participating employers and members shall pay the certified contribution rates to the
33 office to maintain the defined benefit portion of this system on a financially and
34 actuarially sound basis.
- 35 (2)(a) A participating employer shall pay up to 10% of compensation toward the
36 certified contribution rate to the office for the defined benefit portion of this system.
- 37 (b) ~~[A]~~ Except as provided in Subsection (2)(c), a member shall [only-]pay to the office
38 the amount, if any, of the certified contribution rate for the defined benefit portion of
39 this system that exceeds the percent of compensation paid by the participating
40 employer under Subsection (2)(a).
- 41 (c) A participating employer may elect to pay all or part of the required member
42 contribution under Subsection (2)(b) on behalf of the member as an employer pick up
43 under 26 U.S.C. Sec. 414(h)(2), in addition to the required participating employer
44 contribution under Subsection (2)(a).
- 45 ~~[(e)]~~ (d) In addition to the percent specified under Subsection (2)(a), the participating
46 employer shall pay the corresponding Tier I system amortization rate of the
47 employee's compensation to the office to be applied to the employer's corresponding
48 Tier I system liability.
- 49 ~~[(3) A participating employer may not elect to pay all or part of the required member~~
50 ~~contributions under Subsection (2)(b), in addition to the required participating employer~~
51 ~~contributions.]~~
- 52 ~~[(4)]~~ (3)(a) A member contribution is credited by the office to the account of the
53 individual member.
- 54 (b) This amount, together with refund interest, is held in trust for the payment of benefits
55 to the member or the member's beneficiaries.
- 56 (c) A member contribution is vested and nonforfeitable.
- 57 ~~[(5)]~~ (4)(a) Each member is considered to consent to payroll deductions of member
58 contributions.
- 59 (b) The payment of compensation less these payroll deductions is considered full
60 payment for services rendered by the member.
- 61 ~~[(6)]~~ (5) Benefits provided under the defined benefit portion of the Tier II Hybrid
62 Retirement System created under this part:
- 63 (a) may not be increased unless the actuarial funded ratios of all systems under this title
64 reach 100%; and
- 65 (b) may be decreased only in accordance with the provisions of Section 49-22-310.

66 Section 2. Section **49-22-401** is amended to read:

67 **49-22-401 . Contributions -- Rates.**

68 (1)(a) Up to the amount allowed by federal law, the participating employer shall make a
69 nonelective contribution of 10% of the participant's compensation to a defined
70 contribution plan.

71 (b) In addition to the nonelective contribution described in Subsection (1)(a), if a
72 participating employer elects under Subsection 49-22-301(2)(c) to pay all or part of
73 the required member contribution on behalf of the participating employer's
74 employees that are members covered under Part 3, Tier II Hybrid Retirement System,
75 the participating employer shall make an additional nonelective contribution to an
76 employee that is a member covered under this part at the same percentage rate of the
77 participant's compensation as the participating employer's election to pay required
78 member contributions on behalf of the participating employer's employees that are
79 members covered under Part 3, Tier II Hybrid Retirement System.

80 (2)(a) The participating employer shall contribute the 10% nonelective contribution
81 described in Subsection (1) to a defined contribution plan qualified under Section
82 401(k) of the Internal Revenue Code that:

83 (i) is sponsored by the board; and
84 (ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of
85 1986.

86 (b) The member may make voluntary deferrals to:

87 (i) the qualified 401(k) plan that receives the employer contribution described in this
88 Subsection (2); or
89 (ii) at the member's option, another defined contribution plan established by the
90 participating employer.

91 (c) In addition to the percent specified under Subsection (2)(a), the participating
92 employer shall pay the corresponding Tier I system amortization rate of the
93 employee's compensation to the office to be applied to the employer's corresponding
94 Tier I system liability.

95 (3)(a) Except as provided under Subsection (3)(c), the total amount contributed by the
96 participating employer under Subsection (2)(a) vests to the member upon accruing
97 four years of employment as a regular full-time employee under this title.

98 (b) The total amount contributed by the member under Subsection (2)(b) vests to the
99 member's benefit immediately and is nonforfeitable.

- 100 (c)(i) Upon filing a written request for exemption with the office, an eligible
101 employee is exempt from the vesting requirements of Subsection (3)(a) in
102 accordance with Section 49-22-205.
- 103 (ii) An employee who is exempt under this Subsection (3)(c) is not eligible for
104 additional service credit in the plan for the period of exempt employment.
- 105 (d)(i) Years of employment under Subsection (3)(a) includes any fraction of a year
106 to which the member may be entitled.
- 107 (ii) At the time of vesting, if a member's years of service credit is within one-tenth of
108 one year of the total years required for vesting, the member shall be considered to
109 have the total years of employment required for vesting.
- 110 (4)(a) Contributions made by a participating employer under Subsection (2)(a) shall be
111 invested in a default option selected by the board until the member is vested in
112 accordance with Subsection (3)(a).
- 113 (b) A member may direct the investment of contributions including associated
114 investment gains and losses made by a participating employer under Subsection
115 (2)(a) only after the contributions have vested in accordance with Subsection (3)(a).
- 116 (c) A member may direct the investment of contributions made by the member under
117 Subsection (3)(b).
- 118 (5) No loans shall be available from contributions made by a participating employer under
119 Subsection (2)(a).
- 120 (6) No hardship distributions shall be available from contributions made by a participating
121 employer under Subsection (2)(a).
- 122 (7)(a) Except as provided in Subsection (7)(b), if a member terminates employment
123 with a participating employer prior to the vesting period described in Subsection
124 (3)(a), all contributions made by a participating employer on behalf of the member
125 including associated investment gains and losses under Subsection (2)(a) are subject
126 to forfeiture.
- 127 (b) If a member who terminates employment with a participating employer prior to the
128 vesting period described in Subsection (3)(a) subsequently enters employment with
129 the same or another participating employer within 10 years of the termination date of
130 the previous employment:
- 131 (i) all contributions made by the previous participating employer on behalf of the
132 member including associated investment gains and losses shall be reinstated upon
133 the member's employment as a regular full-time employee; and

134 (ii) the length of time that the member worked with the previous employer shall be
135 included in determining whether the member has completed the vesting period
136 under Subsection (3)(a).

137 (c) The office shall establish a forfeiture account and shall specify the uses of the
138 forfeiture account, which may include an offset against administrative costs or
139 employer contributions made under this section.

140 (8) The office may request from any other plan under Subsection (2)(b)(ii) any relevant
141 information pertaining to the maintenance of the plan's tax qualification under the
142 Internal Revenue Code.

143 (9) The office may take any action that in the office's judgment is necessary to maintain the
144 tax-qualified status of the office's 401(k) defined contribution plan under federal law.

145 Section 3. **Effective date.**

146 This bill takes effect on July 1, 2025.