Summary of Draft Legislation Relating to URS

September 14, 2016

The following is a summary of draft legislation relating to the Utah Retirement Systems (URS) on today's agenda of the Retirement and Independent Entities Interim Committee. After presenting the draft bills at this meeting, the intention is to have a period for review and comment, and then request a vote for each as a recommended committee bill at the next committee meeting, which is currently noticed for November 10, 2016.

1. Retirement Systems Amendments

- This bill represents the administrative and technical amendments to Utah Code Title 49 recommended to the Legislature by URS.
- The three changes in this bill are:
    - **Responsibility for certain functions.** URS may estimate certain information if it is not contained in records. This responsibility is assigned in one statute to the Utah State Retirement Office (Office) and in two others to the Executive Director. Changes in Subsections 49-11-602(5) and 49-11-603(5) will make them consistent with Subsection 49-11-401(4) assigning this responsibility to the Office.
    - **Timing of benefit conversions due to death or divorce.** At the time of retirement, a married retiring member may select options that provide the surviving spouse with a partial or full monthly allowance following the death of the retiree. If a spousal benefit was selected and the spouse predeceases the retiree or there is a divorce without a domestic relations order dividing the benefit, the retiree's allowance is converted to a higher amount upon notification to the Office. These changes clarify when then conversion takes effect after notice to the Office of the spouse's death or the divorce. A similar change is made to several retirement systems in Sections 49-12-402, 49-13-402, 49-22-305, and 49-23-304.
    - **PEHP business names.** Section 49-20-103 is amended to specify that the Public Employees' Benefit and Insurance Program may also be known and function as the Public Employees' Health Program, PEHP, and PEHP Health and Benefits.
- These changes are not substantive benefit modifications nor is it anticipated that the bill will have any fiscal impact.

2. Public Employees Long-Term Disability Act Amendments

- This bill makes a few changes to the Long-term Disability Program (LTD program) administered by PEHP Health and Benefits.
- As background, existing law addresses the coordination of LTD benefits with other benefits received and subsequent employment:

    - Monthly LTD disability benefits may be offset from amounts received from other sources for the same period of time, such as Social Security disability benefits, workers' compensation benefits, insurance payments, and other judgment or settlement payments.
    - The LTD program encourages members on disability to find new work whenever possible. For example, if an employee is injured and qualifies for LTD benefits as a result, it still may be possible for them to return to work at a less strenuous job. However, when a member on disability gets a less strenuous new job, the new salary and LTD benefits cannot exceed the member's old salary, ensuring that a member cannot make more money on disability than they could in their original job.
- The changes in this bill include:
    - Clarifying that compensation from employment in excess of the limits will require the disability benefit to be reduced or reimbursed. This incorporates provisions in Section 49-21-402 by reference from Section 49-21-406 to provide notice and clarification about the existing offset.
    - Amending Section 49-21-402 to affirmatively require an eligible employee that is under a total disability to inform the LTD program of: (1) an award or receipt of an amount from a source that could result in the monthly disability benefit being reduced or reimbursed; and (2) any employment. Timely notification to the LTD program of this information helps prevent overpayments, which must be recovered.
    - Enacting Section 49-21-409 that provides procedures and penalties if an eligible employee knowingly misrepresents or fails to disclose required information to the LTD program, including suspension or termination of monthly benefits.

3. Firefighters' Disability Retirement Benefit Amendments

- Tier I firefighters' disability benefits are unique since they are covered within the statutory firefighters' retirement defined benefit system rather than administered as a separate LTD insurance program as happens with the other retirement systems.
- The language for the firefighters' disability provisions is slightly different from the LTD insurance programs and one purpose of this bill is to make the standards for determining disability consistent.
- The changes in this bill include modifying the:
    - Standard for determining a disability for members of the Firefighter's Retirement System, including using the "objective medical impairment" standard that is used for the other LTD programs; and
    - Disability payment period for nonline-of-duty disabilities.

4. Retirement Systems Payments to Survivors Amendments

- The most recent beneficiary designations signed by a member and filed with URS, including online electronic designations, are binding in the payment of benefits due to the member's death.
- The changes in this bill to Section 49-11-609 include:
  - Adopting the emerging rule that the divorce or annulment of a member's marriage shall revoke the member's former spouse as a beneficiary from any of the member's beneficiary designations; and
  - Allowing a former spouse to be named as a beneficiary in a beneficiary designation after the date of the divorce or annulment.
- Although these changes could result in a different beneficiary or beneficiaries receiving payments in certain situations affected by divorce, these changes are not substantive benefit modifications nor is it anticipated that the bill will have any fiscal impact.

5. Phased Retirement Amendments

- An employer optional "Phased Retirement" program was established within URS by 2016 S.B. 19, which will take effect on January 1, 2017.
- "Phased Retirement" allows continuing employment on a half-time basis of a retiree with the same participating employer after the retiree's retirement date while the retiree receives 50% of the retiree's monthly retirement allowance.
- In preparing to implement and administer the new program, a few technical issues have arisen that need to be addressed.
- Accordingly, the changes in this bill are clarifications that:
  - A member must apply for phased retirement prior to the member's retirement date;
  - Phased retirement shall begin after the retiree's retirement date, but no later than 120 days after the retiree's retirement date;
  - The retirees and alternate payees will receive the same cost-of-living adjustments to their benefits; and
  - Payment of a retiree's full retirement allowance will begin following notice to the Office that the retiree's phased retirement has been irrevocably terminated.
- These changes are not substantive benefit modifications nor is it anticipated that the bill will have any fiscal impact.