

Utah Retirement Systems Amendments

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

LONG TITLE**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.

(1) Participating employers and members shall pay the certified contribution rates to the office to maintain the defined benefit portion of this system on a financially and actuarially sound basis.

(2)(a) A participating employer shall pay up to 10% of compensation toward the

certified contribution rate to the office for the defined benefit portion of this system.

(b) ~~[A]~~ Except as provided in Subsection (2)(c), a member shall ~~[only]~~ pay to the office the amount, if any, of the certified contribution rate for the defined benefit portion of this system that exceeds the percent of compensation paid by the participating employer under Subsection (2)(a).

(c) A participating employer may elect to pay all or part of the required member contribution under Subsection (2)(b) on behalf of the member as an employer pick up under 26 U.S.C. Sec. 414(h)(2), in addition to the required participating employer contribution under Subsection (2)(a).

~~[(e)]~~ (d) In addition to the percent specified under Subsection (2)(a), the participating employer shall pay the corresponding Tier I system amortization rate of the employee's compensation to the office to be applied to the employer's corresponding Tier I system liability.

~~[(3) A participating employer may not elect to pay all or part of the required member contributions under Subsection (2)(b), in addition to the required participating employer contributions.]~~

~~[(4)]~~ (3)(a) A member contribution is credited by the office to the account of the individual member.

(b) This amount, together with refund interest, is held in trust for the payment of benefits to the member or the member's beneficiaries.

(c) A member contribution is vested and nonforfeitable.

~~[(5)]~~ (4)(a) Each member is considered to consent to payroll deductions of member contributions.

(b) The payment of compensation less these payroll deductions is considered full payment for services rendered by the member.

~~[(6)]~~ (5) Benefits provided under the defined benefit portion of the Tier II Hybrid Retirement System created under this part:

(a) may not be increased unless the actuarial funded ratios of all systems under this title reach 100%; and

(b) may be decreased only in accordance with the provisions of Section 49-22-310.

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

49-22-401 . Contributions -- Rates.

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

contribution plan.

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

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

(i) is sponsored by the board; and

(ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of 1986.

(b) The member may make voluntary deferrals to:

(i) the qualified 401(k) plan that receives the employer contribution described in this Subsection (2); or

(ii) at the member's option, another defined contribution plan established by the participating employer.

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

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

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

(c)(i) Upon filing a written request for exemption with the office, an eligible employee is exempt from the vesting requirements of Subsection (3)(a) in accordance with Section 49-22-205.

(ii) An employee who is exempt under this Subsection (3)(c) is not eligible for

- 100 additional service credit in the plan for the period of exempt employment.
- 101 (d)(i) Years of employment under Subsection (3)(a) includes any fraction of a year
102 to which the member may be entitled.
- 103 (ii) At the time of vesting, if a member's years of service credit is within one-tenth of
104 one year of the total years required for vesting, the member shall be considered to
105 have the total years of employment required for vesting.
- 106 (4)(a) Contributions made by a participating employer under Subsection (2)(a) shall be
107 invested in a default option selected by the board until the member is vested in
108 accordance with Subsection (3)(a).
- 109 (b) A member may direct the investment of contributions including associated
110 investment gains and losses made by a participating employer under Subsection
111 (2)(a) only after the contributions have vested in accordance with Subsection (3)(a).
- 112 (c) A member may direct the investment of contributions made by the member under
113 Subsection (3)(b).
- 114 (5) No loans shall be available from contributions made by a participating employer under
115 Subsection (2)(a).
- 116 (6) No hardship distributions shall be available from contributions made by a participating
117 employer under Subsection (2)(a).
- 118 (7)(a) Except as provided in Subsection (7)(b), if a member terminates employment
119 with a participating employer prior to the vesting period described in Subsection
120 (3)(a), all contributions made by a participating employer on behalf of the member
121 including associated investment gains and losses under Subsection (2)(a) are subject
122 to forfeiture.
- 123 (b) If a member who terminates employment with a participating employer prior to the
124 vesting period described in Subsection (3)(a) subsequently enters employment with
125 the same or another participating employer within 10 years of the termination date of
126 the previous employment:
- 127 (i) all contributions made by the previous participating employer on behalf of the
128 member including associated investment gains and losses shall be reinstated upon
129 the member's employment as a regular full-time employee; and
- 130 (ii) the length of time that the member worked with the previous employer shall be
131 included in determining whether the member has completed the vesting period
132 under Subsection (3)(a).
- 133 (c) The office shall establish a forfeiture account and shall specify the uses of the

- 134 forfeiture account, which may include an offset against administrative costs or
135 employer contributions made under this section.
- 136 (8) The office may request from any other plan under Subsection (2)(b)(ii) any relevant
137 information pertaining to the maintenance of the plan's tax qualification under the
138 Internal Revenue Code.
- 139 (9) The office may take any action that in the office's judgment is necessary to maintain the
140 tax-qualified status of the office's 401(k) defined contribution plan under federal law.
- 141 Section 3. **Effective date.**
- 142 This bill takes effect on July 1, 2025.