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Utah Retirement Systems Amendments for Military Personnel 2025 GENERAL SESSION STATE OF UTAH Chief Sponsor: Heidi Balderree

LONG TITLE
General Description:
This bill modifies the vesting requirements for employer contributions made to a defined
contribution plan.
Highlighted Provisions:
This bill:
 provides that employer nonelective contributions made on behalf of an employee to a
defined contribution plan vest upon the member's termination of employment, if the member
or the member's spouse is a military service member who receives permanent change of station
or relocation orders outside the state;
 allows specified Utah National Guard personnel, including the adjutant general, to elect
to be exempt from the retirement systems, allowing employer contributions to vest
immediately; and
 makes technical and conforming changes.
Money Appropriated in this Bill:
None
Other Special Clauses:
This bill provides a special effective date.
Utah Code Sections Affected:
AMENDS:
49-12-203, as last amended by Laws of Utah 2023, Chapter 512
49-13-203, as last amended by Laws of Utah 2023, Chapter 512
49-22-205, as last amended by Laws of Utah 2022, Chapter 171
49-22-303, as last amended by Laws of Utah 2016, Chapter 227
49-22-401, as last amended by Laws of Utah 2022, Chapter 171
49-23-302, as last amended by Laws of Utah 2019, Chapter 484
49-23-401, as last amended by Laws of Utah 2022, Chapter 171
ENACTS:
49-22-504 , Utah Code Annotated 1953

49-23-505 , Utah Code Annotated 1953
Be it enacted by the Legislature of the state of Utah:
Section 1. Section 49-12-203 is amended to read:
49-12-203 . Exclusions from membership in system.
(1) The following employees are not eligible for service credit in this system:
(a) subject to the requirements of Subsection (2), an employee whose employment status
is temporary in nature due to the nature or the type of work to be performed;
(b) except as provided under Subsection (3)(a), an employee of an institution of higher
education who participates in a retirement system with a public or private retirement
system, organization, or company designated by the Utah Board of Higher Education,
or the technical college board of trustees for an employee of each technical college,
during any period in which required contributions based on compensation have been
paid on behalf of the employee by the employer;
(c) an employee serving as an exchange employee from outside the state for an employer
who has not elected to make all of the employer's exchange employees eligible for
service credit in this system;
(d) an executive department head of the state, a member of the State Tax Commission,
the Public Service Commission, and a member of a full-time or part-time board or
commission who files a formal request for exemption;
(e) an employee of the Department of Workforce Services who is covered under another
retirement system allowed under Title 35A, Chapter 4, Employment Security Act;
(f) an employee who is employed on or after July 1, 2009, with an employer that has
elected, prior to July 1, 2009, to be excluded from participation in this system under
Subsection 49-12-202(2)(c);
(g) an employee who is employed on or after July 1, 2014, with an employer that has
elected, prior to July 1, 2014, to be excluded from participation in this system under
Subsection 49-12-202(2)(d);
(h) an employee who is employed with a withdrawing entity that has elected under
Section 49-11-623, prior to January 1, 2017, to exclude:
(i) new employees from participation in this system under Subsection 49-11-623(3)(a);
or
(ii) all employees from participation in this system under Subsection 49-11-623(3)(b);
(i) an employee described in Subsection (1)(i)(i) or (ii) who is employed with a

66	withdrawing entity that has elected under Section 49-11-624, before January 1, 2018,
67	to exclude:
68	(i) new employees from participation in this system under Subsection 49-11-624(3)(a);
69	or
70	(ii) all employees from participation in this system under Subsection 49-11-624(3)(b);
71	(j) an employee who is employed with a withdrawing entity that has elected under
72	Section 49-11-625, before July 1, 2022, to exclude all employees from participation
73	in this system; or
74	(k) an employee who is employed with a withdrawing entity that elects under Section
75	49-11-626 to exclude:
76	(i) new employees from participation in this system under Subsection 49-11-626(3)(a);
77	or
78	(ii) all employees from participation in this system under Subsection 49-11-626(3)(b).
79	(2) If an employee whose status is temporary in nature due to the nature of type of work to
80	be performed:
81	(a) is employed for a term that exceeds six months and the employee otherwise qualifies
82	for service credit in this system, the participating employer shall report and certify to
83	the office that the employee is a regular full-time employee effective the beginning of
84	the seventh month of employment; or
85	(b) was previously terminated prior to being eligible for service credit in this system and
86	is reemployed within three months of termination by the same participating
87	employer, the participating employer shall report and certify that the member is a
88	regular full-time employee when the total of the periods of employment equals six
89	months and the employee otherwise qualifies for service credits in this system.
90	(3)(a) Upon cessation of the participating employer contributions, an employee under
91	Subsection (1)(b) is eligible for service credit in this system.
92	(b) Notwithstanding the provisions of Subsection (1)(f), any eligibility for service credit
93	earned by an employee under this chapter before July 1, 2009 is not affected under
94	Subsection (1)(f).
95	(c) Notwithstanding the provisions of Subsection (1)(g), any eligibility for service credit
96	earned by an employee under this chapter before July 1, 2014, is not affected under
97	Subsection (1)(g).
98	(4) Upon filing a written request for exemption with the office, the following employees
99	shall be exempt from coverage under this system:

100	(a) a full-time student or the spouse of a full-time student and individuals employed in a
101	trainee relationship;
102	(b) an elected official;
103	(c) an executive department head of the state, a member of the State Tax Commission, a
104	member of the Public Service Commission, and a member of a full-time or part-time
105	board or commission;
106	(d) an employee of the Governor's Office of Planning and Budget;
107	(e) an employee of the Governor's Office of Economic Opportunity;
108	(f) an employee of the Commission on Criminal and Juvenile Justice;
109	(g) an employee of the Governor's Office;
110	(h) an employee of the Public Lands Policy Coordinating Office, created in Section
111	63L-11-201;
112	(i) an employee of the State Auditor's Office;
113	(j) an employee of the State Treasurer's Office;
114	(k) any other member who is permitted to make an election under Section 49-11-406;
115	(1) a person appointed as a city manager or chief city administrator or another person
116	employed by a municipality, county, or other political subdivision, who is an at-will
117	employee;
118	(m) an employee of an interlocal cooperative agency created under Title 11, Chapter 13,
119	Interlocal Cooperation Act, who is engaged in a specialized trade customarily
120	provided through membership in a labor organization that provides retirement
121	benefits to the organization's members; [and]
122	(n) an employee serving as an exchange employee from outside the state for an
123	employer who has elected to make all of the employer's exchange employees eligible
124	for service credit in this system[-] : and
125	(o) the adjutant general of the Utah National Guard appointed under Section 39A-1-201
126	and each individual listed in Subsection 39A-1-203(1).
127	(5)(a) Each participating employer shall prepare and maintain a list designating those
128	positions eligible for exemption under Subsection (4).
129	(b) An employee may not be exempted unless the employee is employed in an exempted
130	position designated by the participating employer.
131	(6)(a) In accordance with this section, Section 49-13-203, and Section 49-22-205, a
132	municipality, county, or political subdivision may not exempt a total of more than 50
133	positions or a number equal to 10% of the eligible employees of the municipality,

134		cou	inty, or political subdivision, whichever is less.
135		(b)	A municipality, county, or political subdivision may exempt at least one regular
136			full-time employee.
137	(7)	Eac	ch participating employer shall:
138		(a)	maintain a list of employee exemptions; and
139		(b)	update the employee exemptions in the event of any change.
140	(8)	The	e office may make rules to implement this section.
141	(9)	An	employee's exclusion, exemption, participation, or election described in this section:
142		(a)	shall be made in accordance with this section; and
143		(b)	is subject to requirements under federal law and rules made by the board.
144		S	Section 2. Section 49-13-203 is amended to read:
145		4	9-13-203 . Exclusions from membership in system.
146	(1)	The	e following employees are not eligible for service credit in this system:
147		(a)	subject to the requirements of Subsection (2), an employee whose employment status
148			is temporary in nature due to the nature or the type of work to be performed;
149		(b)	except as provided under Subsection (3)(a), an employee of an institution of higher
150			education who participates in a retirement system with a public or private retirement
151			system, organization, or company designated by the Utah Board of Higher Education,
152			or the technical college board of trustees for an employee of each technical college,
153			during any period in which required contributions based on compensation have been
154			paid on behalf of the employee by the employer;
155		(c)	an employee serving as an exchange employee from outside the state for an employer
156			who has not elected to make all of the employer's exchange employees eligible for
157			service credit in this system;
158		(d)	an executive department head of the state or a legislative director, senior executive
159			employed by the governor's office, a member of the State Tax Commission, a
160			member of the Public Service Commission, and a member of a full-time or part-time
161			board or commission who files a formal request for exemption;
162		(e)	an employee of the Department of Workforce Services who is covered under another
163			retirement system allowed under Title 35A, Chapter 4, Employment Security Act;
164		(f)	an employee who is employed with an employer that has elected to be excluded from
165			participation in this system under Subsection 49-13-202(5), effective on or after the
166			date of the employer's election under Subsection 49-13-202(5);
167		(g)	an employee who is employed with a withdrawing entity that has elected under

168	Section 49-11-623, prior to January 1, 2017, to exclude:
169	(i) new employees from participation in this system under Subsection 49-11-623(3)(a);
170	or
171	(ii) all employees from participation in this system under Subsection 49-11-623(3)(b);
172	(h) an employee described in Subsection (1)(h)(i) or (ii) who is employed with a
173	withdrawing entity that has elected under Section 49-11-624, before January 1, 2018,
174	to exclude:
175	(i) new employees from participation in this system under Subsection 49-11-624(3)(a);
176	or
177	(ii) all employees from participation in this system under Subsection 49-11-624(3)(b);
178	(i) an employee who is employed with a withdrawing entity that has elected under
179	Section 49-11-625, before July 1, 2022, to exclude all employees from participation
180	in this system; or
181	(j) an employee who is employed with a withdrawing entity that elects under Section
182	49-11-626 to exclude:
183	(i) new employees from participation in this system under Subsection 49-11-626(3)(a);
184	or
185	(ii) all employees from participation in this system under Subsection 49-11-626(3)(b).
186	(2) If an employee whose status is temporary in nature due to the nature of type of work to
187	be performed:
188	(a) is employed for a term that exceeds six months and the employee otherwise qualifies
189	for service credit in this system, the participating employer shall report and certify to
190	the office that the employee is a regular full-time employee effective the beginning of
191	the seventh month of employment; or
192	(b) was previously terminated prior to being eligible for service credit in this system and
193	is reemployed within three months of termination by the same participating
194	employer, the participating employer shall report and certify that the member is a
195	regular full-time employee when the total of the periods of employment equals six
196	months and the employee otherwise qualifies for service credits in this system.
197	(3)(a) Upon cessation of the participating employer contributions, an employee under
198	Subsection (1)(b) is eligible for service credit in this system.
199	(b) Notwithstanding the provisions of Subsection (1)(f), any eligibility for service credit
200	earned by an employee under this chapter before the date of the election under
201	Subsection 49-13-202(5) is not affected under Subsection (1)(f).

202	(4) Upon filing a written request for exemption with the office, the following employees
203	shall be exempt from coverage under this system:
204	(a) a full-time student or the spouse of a full-time student and individuals employed in a
205	trainee relationship;
206	(b) an elected official;
207	(c) an executive department head of the state, a member of the State Tax Commission, a
208	member of the Public Service Commission, and a member of a full-time or part-time
209	board or commission;
210	(d) an employee of the Governor's Office of Planning and Budget;
211	(e) an employee of the Governor's Office of Economic Opportunity;
212	(f) an employee of the Commission on Criminal and Juvenile Justice;
213	(g) an employee of the Governor's Office;
214	(h) an employee of the State Auditor's Office;
215	(i) an employee of the State Treasurer's Office;
216	(j) any other member who is permitted to make an election under Section 49-11-406;
217	(k) a person appointed as a city manager or chief city administrator or another person
218	employed by a municipality, county, or other political subdivision, who is an at-will
219	employee;
220	(l) an employee of an interlocal cooperative agency created under Title 11, Chapter 13,
221	Interlocal Cooperation Act, who is engaged in a specialized trade customarily
222	provided through membership in a labor organization that provides retirement
223	benefits to its members; [and]
224	(m) an employee serving as an exchange employee from outside the state for an
225	employer who has elected to make all of the employer's exchange employees eligible
226	for service credit in this system[-] ; and
227	(n) the adjutant general of the Utah National Guard appointed under Section 39A-1-201
228	and each individual listed in Subsection 39A-1-203(1).
229	(5)(a) Each participating employer shall prepare and maintain a list designating those
230	positions eligible for exemption under Subsection (4).
231	(b) An employee may not be exempted unless the employee is employed in a position
232	designated by the participating employer.
233	(6)(a) In accordance with this section, Section 49-12-203, and Section 49-22-205, a
234	municipality, county, or political subdivision may not exempt a total of more than 50
235	positions or a number equal to 10% of the eligible employees of the municipality,

236		county, or political subdivision, whichever is less.
237		(b) A municipality, county, or political subdivision may exempt at least one regular
238		full-time employee.
239	(7)	Each participating employer shall:
240		(a) maintain a list of employee exemptions; and
241		(b) update the employee exemptions in the event of any change.
242	(8)	The office may make rules to implement this section.
243	(9)	An employee's exclusion, exemption, participation, or election described in this section:
244		(a) shall be made in accordance with this section; and
245		(b) is subject to requirements under federal law and rules made by the board.
246		Section 3. Section 49-22-205 is amended to read:
247		49-22-205 . Exemptions from participation in system.
248	(1)	Upon filing a written request for exemption with the office, the following employees are
249		exempt from participation in the system as provided in this section:
250		(a) an executive department head of the state;
251		(b) a member of the State Tax Commission;
252		(c) a member of the Public Service Commission;
253		(d) a member of a full-time or part-time board or commission;
254		(e) an employee of the Governor's Office of Planning and Budget;
255		(f) an employee of the Governor's Office of Economic Opportunity;
256		(g) an employee of the Commission on Criminal and Juvenile Justice;
257		(h) an employee of the Governor's Office;
258		(i) an employee of the State Auditor's Office;
259		(j) an employee of the State Treasurer's Office;
260		(k) any other member who is permitted to make an election under Section 49-11-406;
261		(l) a person appointed as a city manager or appointed as a city administrator or another
262		at-will employee of a municipality, county, or other political subdivision;
263		(m) an employee of an interlocal cooperative agency created under Title 11, Chapter 13,
264		Interlocal Cooperation Act, who is engaged in a specialized trade customarily
265		provided through membership in a labor organization that provides retirement
266		benefits to its members; [and]
267		(n) an employee serving as an exchange employee from outside the state for an
268		employer who has elected to make all of the employer's exchange employees eligible
269		for service credit in this system[-] ; and

270	(o) the adjutant general of the Utah National Guard appointed under Section 39A-1-201
271	and each individual listed in Subsection 39A-1-203(1).
272	(2)(a) A participating employer shall prepare and maintain a list designating those
273	positions eligible for exemption under Subsection (1).
274	(b) An employee may not be exempted unless the employee is employed in a position
275	designated by the participating employer under Subsection (1).
276	(3)(a) In accordance with this section, Section 49-12-203, and Section 49-13-203, a
277	municipality, county, or political subdivision may not exempt a total of more than 50
278	positions or a number equal to 10% of the eligible employees of the municipality,
279	county, or political subdivision, whichever is less.
280	(b) A municipality, county, or political subdivision may exempt at least one regular
281	full-time employee.
282	(4) Each participating employer shall:
283	(a) maintain a list of employee exemptions; and
284	(b) update an employee exemption in the event of any change.
285	(5) Beginning on the effective date of the exemption for an employee who elects to be
286	exempt in accordance with Subsection (1):
287	(a) for a member of the Tier II defined contribution plan:
288	(i) the participating employer shall contribute the nonelective contribution and the
289	amortization rate described in Section 49-22-401, except that the nonelective
290	contribution is exempt from the vesting requirements of Subsection
291	49-22-401(3)(a);
292	(ii) the member may make voluntary deferrals as provided in Section 49-22-401; and
293	(iii) the member is not eligible for additional service credit in the plan for the period
294	of exempt employment; and
295	(b) for a member of the Tier II hybrid retirement system:
296	(i) the participating employer shall contribute the nonelective contribution and the
297	amortization rate described in Section 49-22-401, except that the contribution is
298	exempt from the vesting requirements of Subsection 49-22-401(3)(a);
299	(ii) the member may make voluntary deferrals as provided in Section 49-22-401; and
300	(iii) the member is not eligible for additional service credit in the system for the
301	period of exempt employment.
302	(6) If an employee who is a member of the Tier II hybrid retirement system subsequently
303	revokes the election of exemption made under Subsection (1), the provisions described

304	in Subsection (5)(b) shall no longer be applicable and the coverage for the employee
305	shall be effective prospectively as provided in Part 3, Tier II Hybrid Retirement System.
306	(7)(a) All employer contributions made on behalf of an employee shall be invested in
307	accordance with Subsection 49-22-303(3)(a) or 49-22-401(4)(a) until the one-year
308	election period under Subsection 49-22-201(2)(c) is expired if the employee:
309	(i) elects to be exempt in accordance with Subsection (1); and
310	(ii) continues employment with the participating employer through the one-year
311	election period under Subsection 49-22-201(2)(c).
312	(b) An employee is entitled to receive a distribution of the employer contributions made
313	on behalf of the employee and all associated investment gains and losses if the
314	employee:
315	(i) elects to be exempt in accordance with Subsection (1); and
316	(ii) terminates employment prior to the one-year election period under Subsection
317	49-22-201(2)(c).
318	(8)(a) The office shall make rules to implement this section.
319	(b) The rules made under this Subsection (8) shall include provisions to allow the
320	exemption provided under Subsection (1) to apply to all contributions made
321	beginning on or after July 1, 2011, on behalf of an exempted employee who began
322	the employment before May 8, 2012.
323	(9) An employee's exemption, participation, or election described in this section:
324	(a) shall be made in accordance with this section; and
325	(b) is subject to requirements under federal law and rules made by the board.
326	Section 4. Section 49-22-303 is amended to read:
327	49-22-303 . Defined contribution benefit established Contribution by employer
328	and employee Vesting of contributions Plans to be separate Tax-qualified
329	status of plans.
330	(1)(a) A participating employer shall make a nonelective contribution on behalf of each
331	regular full-time employee who is a member of this system in an amount equal to
332	10% minus the contribution rate paid by the employer under Subsection
333	49-22-301(2)(a) of the member's compensation to a defined contribution plan
334	qualified under Section 401(k) of the Internal Revenue Code which:
335	(i) is sponsored by the board; and
336	(ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of
337	1986.

338	(b) The member may make voluntary deferrals to:
339	(i) the qualified 401(k) plan which receives the employer contribution described in
340	this Subsection (1); or
341	(ii) at the member's option, another defined contribution plan established by the
342	participating employer.
343	(2)(a) [The] Except as provided in Sections 49-22-503 and 49-23-504, the total amount
344	contributed by the participating employer under Subsection (1)(a), including
345	associated investment gains and losses, vests to the member upon accruing four years
346	of service credit under this title.
347	(b) The total amount contributed by the member under Subsection (1)(b) vests to the
348	member's benefit immediately and is nonforfeitable.
349	(c)(i) Years of service credit under Subsection (2)(a) includes any fraction of a year
350	to which the member may be entitled.
351	(ii) At the time of vesting, if a member's years of service credit is within one-tenth of
352	one year of the total years required for vesting, the member shall be considered to
353	have the total years of service credit required for vesting.
354	(3)(a) Contributions made by a participating employer under Subsection (1)(a) shall be
355	invested in a default option selected by the board until the member is vested in
356	accordance with Subsection (2)(a).
357	(b) A member may direct the investment of contributions made by a participating
358	employer under Subsection (1)(a) only after the contributions have vested in
359	accordance with Subsection (2)(a).
360	(c) A member may direct the investment of contributions made by the member under
361	Subsection (1)(b).
362	(4) No loans shall be available from contributions made by a participating employer under
363	Subsection (1)(a).
364	(5) No hardship distributions shall be available from contributions made by a participating
365	employer under Subsection (1)(a).
366	(6)(a) Except as provided in Subsection (6)(b) and Section 49-22-205, if a member
367	terminates employment with a participating employer prior to the vesting period
368	described in Subsection (2)(a), all contributions, including associated investment
369	gains and losses, made by a participating employer on behalf of the member under
370	Subsection (1)(a) are subject to forfeiture.
371	(b) If a member who terminates employment with a participating employer prior to the

372	vesting period described in Subsection (2)(a) subsequently enters employment with
373	the same or another participating employer within 10 years of the termination date of
374	the previous employment:
375	(i) all contributions made by the previous participating employer on behalf of the
376	member, including associated investment gains and losses, shall be reinstated
377	upon employment as a regular full-time employee; and
378	(ii) the length of time that the member worked with the previous employer shall be
379	included in determining whether the member has completed the vesting period
380	under Subsection (2)(a).
381	(c) The office shall establish a forfeiture account and shall specify the uses of the
382	forfeiture account, which may include an offset against administrative costs or
383	employer contributions made under this section.
384	(7) The office may request from any other qualified $401(k)$ plan under Subsection (1) or (2)
385	any relevant information pertaining to the maintenance of its tax qualification under the
386	Internal Revenue Code.
387	(8) The office may take any action which in its judgment is necessary to maintain the
388	tax-qualified status of its 401(k) defined contribution plan under federal law.
389	Section 5. Section 49-22-401 is amended to read:
390	49-22-401 . Contributions Rates.
391	(1) Up to the amount allowed by federal law, the participating employer shall make a
392	nonelective contribution of 10% of the participant's compensation to a defined
393	contribution plan.
394	(2)(a) The participating employer shall contribute the 10% nonelective contribution
395	described in Subsection (1) to a defined contribution plan qualified under Section
396	401(k) of the Internal Revenue Code that:
397	(i) is sponsored by the board; and
398	(ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of
399	1986.
400	(b) The member may make voluntary deferrals to:
401	(i) the qualified 401(k) plan that receives the employer contribution described in this
402	Subsection (2); or
403	(ii) at the member's option, another defined contribution plan established by the
404	participating employer.
405	(c) In addition to the percent specified under Subsection (2)(a), the participating

406	employer shall pay the corresponding Tier I system amortization rate of the
407	employee's compensation to the office to be applied to the employer's corresponding
408	Tier I system liability.
409	(3)(a) Except as provided under Sections 49-22-503 and 49-23-504 and Subsection
410	(3)(c), the total amount contributed by the participating employer under Subsection
411	(2)(a) vests to the member upon accruing four years of employment as a regular
412	full-time employee under this title.
413	(b) The total amount contributed by the member under Subsection (2)(b) vests to the
414	member's benefit immediately and is nonforfeitable.
415	(c)(i) Upon filing a written request for exemption with the office, an eligible
416	employee is exempt from the vesting requirements of Subsection (3)(a) in
417	accordance with Section 49-22-205.
418	(ii) An employee who is exempt under this Subsection (3)(c) is not eligible for
419	additional service credit in the plan for the period of exempt employment.
420	(d)(i) Years of employment under Subsection (3)(a) includes any fraction of a year
421	to which the member may be entitled.
422	(ii) At the time of vesting, if a member's years of service credit is within one-tenth of
423	one year of the total years required for vesting, the member shall be considered to
424	have the total years of employment required for vesting.
425	(4)(a) Contributions made by a participating employer under Subsection (2)(a) shall be
426	invested in a default option selected by the board until the member is vested in
427	accordance with Subsection (3)(a).
428	(b) A member may direct the investment of contributions including associated
429	investment gains and losses made by a participating employer under Subsection (2)(a)
430	only after the contributions have vested in accordance with Subsection (3)(a).
431	(c) A member may direct the investment of contributions made by the member under
432	Subsection (3)(b).
433	(5) No loans shall be available from contributions made by a participating employer under
434	Subsection (2)(a).
435	(6) No hardship distributions shall be available from contributions made by a participating
436	employer under Subsection (2)(a).
437	(7)(a) Except as provided in Subsection (7)(b), if a member terminates employment
438	with a participating employer prior to the vesting period described in Subsection
439	(3)(a), all contributions made by a participating employer on behalf of the member

440	including associated investment gains and losses under Subsection (2)(a) are subject
441	to forfeiture.
442	(b) If a member who terminates employment with a participating employer prior to the
443	vesting period described in Subsection (3)(a) subsequently enters employment with
444	the same or another participating employer within 10 years of the termination date of
445	the previous employment:
446	(i) all contributions made by the previous participating employer on behalf of the
447	member including associated investment gains and losses shall be reinstated upon
448	the member's employment as a regular full-time employee; and
449	(ii) the length of time that the member worked with the previous employer shall be
450	included in determining whether the member has completed the vesting period
451	under Subsection (3)(a).
452	(c) The office shall establish a forfeiture account and shall specify the uses of the
453	forfeiture account, which may include an offset against administrative costs or
454	employer contributions made under this section.
455	(8) The office may request from any other plan under Subsection (2)(b)(ii) any relevant
456	information pertaining to the maintenance of the plan's tax qualification under the
457	Internal Revenue Code.
458	(9) The office may take any action that in the office's judgment is necessary to maintain the
459	tax-qualified status of the office's 401(k) defined contribution plan under federal law.
460	Section 6. Section 49-22-504 is enacted to read:
461	<u>49-22-504</u> . Exemption from vesting requirements for military service members
462	and spouses with orders outside the state.
463	(1) As used in this section, "service member" means the same as that term is defined in
464	Section 71A-1-101.
465	(2) Employer nonelective contributions made on a member's behalf to a defined
466	contribution plan under Section 49-22-303 or 49-22-401 are exempt from the vesting
467	requirements of Subsections 49-22-303(2)(a) and 49-22-401(3)(a) if:
468	(a) the member or the member's lawful spouse is a service member;
469	(b) before the employer nonelective contributions vest in accordance with Subsection
470	49-22-303(2)(a) or 49-22-401(3)(a), the member or the member's spouse receives
471	permanent change of station or relocation orders outside the state;
472	(c) the member has a bona fide termination of employment with all participating
473	employers; and

474	(d) the member applies in writing to the office requesting an exemption under this
475	section.
476	(3) After the office receives a written application under this section and determines the
477	member satisfies the conditions described in Subsection (2), the total amount of
478	employer nonelective contributions made on a member's behalf vest to the member.
479	Section 7. Section 49-23-302 is amended to read:
480	49-23-302 . Defined contribution benefit established Contribution by employer
481	and employee Vesting of contributions Plans to be separate Tax-qualified
482	status of plans.
483	(1)(a) A participating employer shall make a nonelective contribution on behalf of each
484	public safety service employee or firefighter service employee who is a member of
485	this system in an amount equal to 14% minus the contribution rate paid by the
486	employer under Subsection 49-23-301(2)(a) of the member's compensation to a
487	defined contribution plan qualified under Section 401(k) of the Internal Revenue
488	Code which:
489	(i) is sponsored by the board; and
490	(ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of
491	1986.
492	(b) The member may make voluntary deferrals to:
493	(i) the qualified 401(k) plan which receives the employer contribution described in
494	this Subsection (1); or
495	(ii) at the member's option, another defined contribution plan established by the
496	participating employer.
497	(2)(a) [The] Except as provided in Sections 49-22-504 and 49-23-505, the total amount
498	contributed by the participating employer under Subsection (1)(a), including
499	associated investment gains and losses, vests to the member upon accruing four years
500	of service credit under this title.
501	(b) The total amount contributed by the member under Subsection (1)(b) vests to the
502	member's benefit immediately and is nonforfeitable.
503	(c)(i) Years of service credit under Subsection (2)(a) includes any fraction of a year
504	to which the member may be entitled.
505	(ii) At the time of vesting, if a member's years of service credit is within one-tenth of
506	one year of the total years required for vesting, the member shall be considered to
507	have the total years of service credit required for vesting.

508	(3)(a) Contributions made by a participating employer under Subsection (1)(a) shall be
509	invested in a default option selected by the board until the member is vested in
510	accordance with Subsection (2)(a).
511	(b) A member may direct the investment of contributions made by a participating
512	employer under Subsection (1)(a) only after the contributions have vested in
513	accordance with Subsection (2)(a).
514	(c) A member may direct the investment of contributions made by the member under
515	Subsection (1)(b).
516	(4) No loans shall be available from contributions made by a participating employer under
517	Subsection (1)(a).
518	(5) No hardship distributions shall be available from contributions made by a participating
519	employer under Subsection (1)(a).
520	(6)(a) Except as provided in Subsection (6)(b), if a member terminates employment
521	with a participating employer prior to the vesting period described in Subsection
522	(2)(a), all contributions, including associated investment gains and losses, made by a
523	participating employer on behalf of the member under Subsection (1)(a) are subject
524	to forfeiture.
525	(b) If a member who terminates employment with a participating employer prior to the
526	vesting period described in Subsection (2)(a) subsequently enters employment with
527	the same or another participating employer within 10 years of the termination date of
528	the previous employment:
529	(i) all contributions made by the previous participating employer on behalf of the
530	member, including associated investment gains and losses, shall be reinstated
531	upon the member's employment as a regular full-time employee; and
532	(ii) the length of time that the member worked with the previous employer shall be
533	included in determining whether the member has completed the vesting period
534	under Subsection (2)(a).
535	(c) The office shall establish a forfeiture account and shall specify the uses of the
536	forfeiture account, which may include an offset against administrative costs or
537	employer contributions made under this section.
538	(7) The office may request from any other qualified 401(k) plan under Subsection (1) or (2)
539	any relevant information pertaining to the maintenance of its tax qualification under the
540	Internal Revenue Code.
541	(8) The office may take any action which in its judgment is necessary to maintain the

542	tax-qualified status of its 401(k) defined contribution plan under federal law.
543	Section 8. Section 49-23-401 is amended to read:
544	49-23-401 . Contributions Rates.
545	(1)(a) Up to the amount allowed by federal law, the participating employer shall make a
546	nonelective contribution of 14% of the participant's compensation to a defined
547	contribution plan.
548	(b) In addition to the nonelective contribution described in Subsection (1)(a), if a
549	participating employer elects under Subsection 49-23-301(2)(c) to pay all or part of
550	the required member contribution on behalf of the participating employer's
551	employees that are members covered under Part 3, Tier II Hybrid Retirement System,
552	the participating employer shall make an additional nonelective contribution to an
553	employee that is a member covered under this part at the same percentage rate of the
554	participant's compensation as the participating employer's election to pay required
555	member contributions on behalf of the participating employer's employees that are
556	members covered under Part 3, Tier II Hybrid Retirement System.
557	(2)(a) The participating employer shall contribute the contributions described in
558	Subsection (1) to a defined contribution plan qualified under Section 401(k) of the
559	Internal Revenue Code that:
560	(i) is sponsored by the board; and
561	(ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of
562	1986.
563	(b) The member may make voluntary deferrals to:
564	(i) the qualified 401(k) plan that receives the employer contribution described in this
565	Subsection (2); or
566	(ii) at the member's option, another defined contribution plan established by the
567	participating employer.
568	(c) In addition to the contributions specified under Subsection (2)(a), the participating
569	employer shall pay the corresponding Tier I system amortization rate of the
570	employee's compensation to the office to be applied to the employer's corresponding
571	Tier I system liability.
572	(3)(a) Except as provided under Sections 49-22-504 and 49-23-505 and Subsection
573	(3)(c), the total amount contributed by the participating employer under Subsection
574	(2)(a) vests to the member upon accruing four years of service credit under this title.
575	(b) The total amount contributed by the member under Subsection (2)(b) vests to the

576	member's benefit immediately and is nonforfeitable.
577	(c)(i) Upon filing a written request for exemption with the office, an eligible
578	employee is exempt from the vesting requirements of Subsection (3)(a) in
579	accordance with Section 49-23-203.
580	(ii) An employee who is exempt under this Subsection (3)(c) is not eligible for
581	additional service credit in the plan for the period of exempt employment.
582	(d)(i) Years of service credit under Subsection (3)(a) includes any fraction of a year
583	to which the member may be entitled.
584	(ii) At the time of vesting, if a member's years of service credit is within one-tenth of
585	one year of the total years required for vesting, the member shall be considered to
586	have the total years of service credit required for vesting.
587	(4)(a) Contributions made by a participating employer under Subsection (2)(a) shall be
588	invested in a default option selected by the board until the member is vested in
589	accordance with Subsection (3)(a).
590	(b) A member may direct the investment of contributions, including associated
591	investment gains and losses, made by a participating employer under Subsection
592	(2)(a) only after the contributions have vested in accordance with Subsection (3)(a).
593	(c) A member may direct the investment of contributions made by the member under
594	Subsection (3)(b).
595	(5) No loans shall be available from contributions made by a participating employer under
596	Subsection (2)(a).
597	(6) No hardship distributions shall be available from contributions made by a participating
598	employer under Subsection (2)(a).
599	(7)(a) Except as provided in Subsection (7)(b), if a member terminates employment
600	with a participating employer prior to the vesting period described in Subsection
601	(3)(a), all contributions made by a participating employer on behalf of the member
602	under Subsection (2)(a), including associated investment gains and losses are subject
603	to forfeiture.
604	(b) If a member who terminates employment with a participating employer prior to the
605	vesting period described in Subsection (3)(a) subsequently enters employment with
606	the same or another participating employer within 10 years of the termination date of
607	the previous employment:
608	(i) all contributions made by the previous participating employer on behalf of the
609	member, including associated investment gains and losses, shall be reinstated

610	upon the member's employment as a regular full-time employee; and
611	(ii) the length of time that the member worked with the previous employer shall be
612	included in determining whether the member has completed the vesting period
613	under Subsection (3)(a).
614	(c) The office shall establish a forfeiture account and shall specify the uses of the
615	forfeiture account, which may include an offset against administrative costs of
616	employer contributions made under this section.
617	(8) The office may request from any other plan under Subsection (2)(b)(ii) any relevant
618	information pertaining to the maintenance of the plan's tax qualification under the
619	Internal Revenue Code.
620	(9) The office may take any action that in the office's judgment is necessary to maintain the
621	tax-qualified status of the office's 401(k) defined contribution plan under federal law.
622	Section 9. Section 49-23-505 is enacted to read:
623	49-23-505 . Exemption from vesting requirements for military service members
624	and spouses with orders outside the state.
625	(1) As used in this section, "service member" means the same as that term is defined in
626	Section 71A-1-101.
627	(2) Employer nonelective contributions made on a member's behalf to a defined
628	contribution plan under Section 49-22-303 or 49-22-401 are exempt from the vesting
629	requirements of Subsections 49-22-303(2)(a) and 49-22-401(3)(a) if:
630	(a) the member or the member's lawful spouse is a service member;
631	(b) before the employer nonelective contributions vest in accordance with Subsection
632	49-22-303(2)(a) or 49-22-401(3)(a), the member or the member's spouse receives
633	permanent change of station or relocation orders outside the state;
634	(c) the member has a bona fide termination of employment with all participating
635	employers; and
636	(d) the member applies in writing to the office requesting an exemption under this
637	section.
638	(3) After the office receives a written application under this section and determines the
639	member satisfies the conditions described in Subsection (2), the total amount of
640	employer nonelective contributions made on a member's behalf vest to the member.
641	Section 10. Effective date.
642	This bill takes effect on July 1, 2025.