

**Senator Daniel R. Liljenquist** proposes the following substitute bill:

**RETIREMENT PARTICIPATION AMENDMENTS**

2010 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Daniel R. Liljenquist**

House Sponsor: Don L. Ipson

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**LONG TITLE**

**General Description:**

This bill modifies the Utah State Retirement and Insurance Benefit Act to allow certain employers and employees to be excluded from participation in the Public Employees' Non-Contributory Retirement System.

**Highlighted Provisions:**

This bill:

- ▶ allows USTAR employees to elect to opt out of a defined benefit retirement system and into a defined contribution retirement system;
- ▶ specifies that certain interlocal risk management organizations may elect to not participate in the Public Employees' Non-Contributory Retirement System;
- ▶ provides procedures for the exclusion;
- ▶ requires the retirement office to reduce an employer's delinquent contributions to the system on behalf of an employee who has relinquished service credit; and
- ▶ makes technical amendments.

**Monies Appropriated in this Bill:**

None

**Other Special Clauses:**

None



26 **Utah Code Sections Affected:**

27 AMENDS:

28 **49-11-406**, as enacted by Laws of Utah 2008, Chapter 335

29 **49-11-601**, as last amended by Laws of Utah 2003, Chapter 240

30 **49-13-202**, as last amended by Laws of Utah 2009, Chapters 51 and 165

31 **49-13-203**, as last amended by Laws of Utah 2009, Chapter 51



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

34 Section 1. Section **49-11-406** is amended to read:

35 **49-11-406. Governor's appointed executives and senior staff -- Appointed**  
36 **legislative employees -- Transfer of value of accrued defined benefit -- Procedures.**

37 (1) As used in this section:

38 (a) "Defined benefit balance" means the total amount of the contributions made on  
39 behalf of a member to a defined benefit system plus refund interest.

40 (b) "Senior staff" means an at-will employee who reports directly to an elected official,  
41 executive director, or director and includes a deputy director and other similar, at-will  
42 employee positions designated by the governor, the speaker of the House, or the president of  
43 the Senate and filed with the Department of Human Resource Management and the Utah State  
44 Retirement Office.

45 (2) In accordance with this section and subject to federal law, a member who has  
46 service credit from a system may elect to be exempt from coverage under a defined benefit  
47 system and to have the member's defined benefit balance transferred from the defined benefit  
48 system or plan to a defined contribution plan in the member's own name if the member is:

49 (a) the state auditor;

50 (b) the state treasurer;

51 (c) an appointed executive under Subsection 67-22-2(1)(a);

52 (d) an employee in the Governor's Office;

53 (e) senior staff in the Governor's Office of Planning and Budget;

54 (f) senior staff in the Governor's Office of Economic Development;

55 (g) senior staff in the Commission on Criminal and Juvenile Justice;

56 (h) a legislative employee appointed under Subsection 36-12-7(3)(a); [or]

57 (i) a legislative employee appointed by the speaker of the House of Representatives, the  
58 House of Representatives minority leader, the president of the Senate, or the Senate minority  
59 leader[-]; or

60 (j) an employee with the Utah Science Technology and Research Initiative created  
61 under Title 63M, Chapter 2, Utah Science Technology and Research Governing Authority Act.

62 (3) An election made under Subsection (2):

63 (a) is final, and no right exists to make any further election;

64 (b) is considered a request to be exempt from coverage under a defined benefits  
65 system; and

66 (c) shall be made on forms provided by the office.

67 (4) The board shall adopt rules to implement and administer this section.

68 Section 2. Section **49-11-601** is amended to read:

69 **49-11-601. Payment of employer contributions -- Penalties for failure to comply --**  
70 **Adjustments to be made.**

71 (1) The employer contributions, fees, premium taxes, contribution adjustments, and  
72 other required payments shall be paid to the office by the participating employer as determined  
73 by the executive director.

74 (2) A participating employer that fails to withhold the amount of any member  
75 contributions, as soon as administratively possible, shall also pay the member contributions to  
76 the office out of its own funds.

77 (3) [~~H~~] Except as limited by Subsections (6) and (7), if a participating employer does  
78 not make the contributions required by this title within 60 days of the end of the pay period, the  
79 participating employer is liable to the office as provided in Section 49-11-604 for:

80 (a) delinquent contributions;

81 (b) interest on the delinquent contributions as calculated under Section 49-11-503; and

82 (c) a 12% per annum penalty on delinquent contributions.

83 (4) The executive director may waive all or any part of the interest, penalties, expenses,  
84 and fees if the executive director finds there were extenuating circumstances surrounding the  
85 participating employer's failure to comply with this section.

86 (5) Contributions made in error will be refunded to the participating employer or  
87 member that made the contributions.

88 (6) (a) An employer described in Subsections 49-13-202(2)(c) or (d) that paid  
89 retirement benefits to an employee or retiree that were not required by this title, may offer the  
90 retirement benefits paid to the employee as a substantial substitute to service credit and  
91 retirement benefits that may have been earned by the employee under this title.

92 (b) An employee who received retirement benefits under Subsection (6)(a) may sign an  
93 affidavit that:

94 (i) acknowledges the substantial substitute received by the employee under Subsection  
95 (6)(a); and

96 (ii) irrevocably relinquishes service credit and retirement benefits that may have  
97 accrued to the employee under this title effective from the employee's date of employment with  
98 the employer described in Subsection (6)(a) to the date of the employer's election under Section  
99 49-13-202.

100 (7) If the employer files with the office an irrevocable written relinquishment of service  
101 credit signed by the member or retiree:

102 (a) the office shall proportionally reduce any delinquent contributions, penalties, fees,  
103 or interest assessed against a participating employer in connection with a member or retiree  
104 described in Subsection (6)(a); and

105 (b) the system has no liability to the employee for benefits relinquished under  
106 Subsection (6)(b).

107 Section 3. Section **49-13-202** is amended to read:

108 **49-13-202. Participation of employers -- Limitations -- Exclusions -- Admission**  
109 **requirements -- Nondiscrimination requirements -- Service credit purchases.**

110 (1) (a) Unless excluded under Subsection (2), an employer is a participating employer  
111 and may not withdraw from participation in this system.

112 (b) In addition to their participation in this system, participating employers may  
113 provide or participate in any additional public or private retirement, supplemental or defined  
114 contribution plan, either directly or indirectly, for their employees.

115 (2) The following employers may be excluded from participation in this system:

116 (a) an employer not initially admitted or included as a participating employer in this  
117 system [~~prior to~~] before January 1, 1982 if:

118 (i) the employer elects not to provide or participate in any type of private or public

119 retirement, supplemental or defined contribution plan, either directly or indirectly, for its  
120 employees, except for Social Security; or

121 (ii) the employer offers another collectively bargained retirement benefit and has  
122 continued to do so on an uninterrupted basis since that date;

123 (b) an employer that is a charter school sponsored by the State Board of Education or a  
124 school district that makes an election of nonparticipation in accordance with Section  
125 53A-1a-512 unless the charter school makes a one-time, irrevocable retraction of the election  
126 of nonparticipation in accordance with Subsection 53A-1a-512(9); ~~or~~

127 (c) an employer that is a hospital created as a special service district under Title 17D,  
128 Chapter 1, Special Service District Act, that makes an election of nonparticipation in  
129 accordance with Subsection (5)~~[-]; or~~

130 (d) an employer that is a risk management association initially created by interlocal  
131 agreement before 1986 for the purpose of implementing a self-insurance joint protection  
132 program for the benefit of member municipalities of the association.

133 (3) If an employer that may be excluded under Subsection (2)(a)(i) elects at any time to  
134 provide or participate in any type of public or private retirement, supplemental or defined  
135 contribution plan, either directly or indirectly, except for Social Security, the employer shall be  
136 a participating employer in this system.

137 (4) (a) An employer may, by resolution of its governing body, apply for admission to  
138 this system.

139 (b) Upon approval of the resolution by the board, the employer is a participating  
140 employer in this system and is subject to this title.

141 (5) (a) (i) Until June 30, 2009, a employer that is a hospital created as a special service  
142 district under Title 17D, Chapter 1, Special Service District Act, may make an election of  
143 nonparticipation as an employer for retirement programs under this chapter.

144 (ii) On or before July 1, 2010, an employer described in Subsections (2)(d) may make  
145 an election of nonparticipation as an employer for retirement programs under this chapter.

146 (b) An election provided under Subsection (5)(a):

147 (i) is a one-time election made no later than the time specified under Subsection (5)(a);

148 (ii) shall be documented by a resolution adopted by the governing body of the ~~[special~~  
149 ~~service district]~~ employer;

150 (iii) is irrevocable; and  
151 (iv) applies to the [~~special service district as the~~] employer described in Subsection  
152 (5)(a) and to all employees of [~~the special service district~~] that employer.

153 (c) [~~The governing body of the special service district~~] The employer making an  
154 election under Subsection (5)(a) may offer employee benefit plans for its employees:

155 (i) under Title 49, Chapter 20, Public Employees' Benefit and Insurance Program Act;

156 or

157 (ii) under any other program.

158 (6) If a participating employer purchases service credit on behalf of regular full-time  
159 employees for service rendered prior to the participating employer's admission to this system,  
160 the service credit shall be purchased in a nondiscriminatory manner on behalf of all current and  
161 former regular full-time employees who were eligible for service credit at the time service was  
162 rendered.

163 Section 4. Section **49-13-203** is amended to read:

164 **49-13-203. Exclusions from membership in system.**

165 (1) The following employees are not eligible for service credit in this system:

166 (a) An employee whose employment status is temporary in nature due to the nature or  
167 the type of work to be performed, provided that:

168 (i) if the term of employment exceeds six months and the employee otherwise qualifies  
169 for service credit in this system, the participating employer shall report and certify to the office  
170 that the employee is a regular full-time employee effective the beginning of the seventh month  
171 of employment; and

172 (ii) if an employee, previously terminated prior to becoming eligible for service credit  
173 in this system, is reemployed within three months of termination by the same participating  
174 employer, the participating employer shall report and certify to the office that the member is a  
175 regular full-time employee when the total of the periods of employment equals six months and  
176 the employee otherwise qualifies for service credit in this system.

177 (b) (i) A current or future employee of a two-year or four-year college or university  
178 who holds, or is entitled to hold, under Section 49-13-204, a retirement annuity contract with  
179 the Teachers' Insurance and Annuity Association of America or with any other public or private  
180 system, organization, or company during any period in which required contributions based on

181 compensation have been paid on behalf of the employee by the employer.

182 (ii) The employee, upon cessation of the participating employer contributions, shall  
183 immediately become eligible for service credit in this system.

184 (c) An employee serving as an exchange employee from outside the state.

185 (d) An executive department head of the state or a legislative director, senior executive  
186 employed by the governor's office, a member of the State Tax Commission, a member of the  
187 Public Service Commission, and a member of a full-time or part-time board or commission  
188 who files a formal request for exemption.

189 (e) An employee of the Department of Workforce Services who is covered under  
190 another retirement system allowed under Title 35A, Chapter 4, Employment Security Act.

191 (f) (i) An employee who is employed [~~on or after July 1, 2009~~] with an employer that  
192 has elected[~~, prior to July 1, 2009,~~] to be excluded from participation in this system under  
193 Subsection 49-13-202[(2)(c)](5), effective on or after the date of the employer's election under  
194 Subsection 49-13-202(5).

195 (ii) Notwithstanding the provisions of this Subsection (1)(f), any eligibility for service  
196 credit earned by an employee under this chapter before [~~July 1, 2009~~] the date of the election  
197 under Subsection 49-13-202(5) is not affected under this Subsection (1)(f).

198 (2) Upon filing a written request for exemption with the office, the following  
199 employees shall be exempt from coverage under this system:

200 (a) a full-time student or the spouse of a full-time student and individuals employed in  
201 a trainee relationship;

202 (b) an elected official;

203 (c) an executive department head of the state, a member of the State Tax Commission,  
204 a member of the Public Service Commission, and a member of a full-time or part-time board or  
205 commission;

206 (d) an employee of the Governor's Office of Planning and Budget;

207 (e) an employee of the Governor's Office of Economic Development;

208 (f) an employee of the Commission on Criminal and Juvenile Justice;

209 (g) an employee of the Governor's Office;

210 (h) an employee of the State Auditor's Office;

211 (i) an employee of the State Treasurer's Office;

212 (j) any other member who is permitted to make an election under Section 49-11-406;  
213 (k) a person appointed as a city manager or chief city administrator or another person  
214 employed by a municipality, county, or other political subdivision, who is an at-will employee;  
215 [~~and~~]

216 (l) an employee of an interlocal cooperative agency created under Title 11, Chapter 13,  
217 Interlocal Cooperation Act, who is engaged in a specialized trade customarily provided through  
218 membership in a labor organization that provides retirement benefits to its members[~~;~~]; and

219 (m) an employee of the Utah Science Technology and Research Initiative created under  
220 Title 63M, Chapter 2 Utah Technology Research and Governing Authority Act.

221 (3) (a) Each participating employer shall prepare a list designating those positions  
222 eligible for exemption under Subsection (2).

223 (b) An employee may not be exempted unless the employee is employed in a position  
224 designated by the participating employer.

225 (4) (a) In accordance with this section, a municipality, county, or political subdivision  
226 may not exempt more than 50 positions or a number equal to 10% of the employees of the  
227 municipality, county, or political subdivision, whichever is lesser.

228 (b) A municipality, county, or political subdivision may exempt at least one regular  
229 full-time employee.

230 (5) Each participating employer shall:

231 (a) file employee exemptions annually with the office; and

232 (b) update the employee exemptions in the event of any change.

233 (6) The office may make rules to implement this section.



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**S.B. 240 1st Sub. (Green) - Retirement Participation Amendments**

**Fiscal Note**

2010 General Session

State of Utah

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**State Impact**

Enactment of this bill will not require additional appropriations.

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

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.

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