

Representative Don L. Ipson proposes the following substitute bill:

RETIREMENT MODIFICATIONS

2012 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Don L. Ipson

Senate Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Utah State Retirement and Insurance Benefit Act.

Highlighted Provisions:

This bill:

- ▶ amends definitions;
- ▶ provides that "initially entering" employment includes employees that move from a position not covered under a Utah Retirement System to a position that is covered;
- ▶ clarifies post retirement employment provisions for a retiree who returns to work within one year or who elects to earn additional service credit;
- ▶ provides that a domestic relations court order must be received within 12 months of the death of the member;
- ▶ repeals language related to presentment by a policyholder;
- ▶ amends the definition of regular full-time employee to provide that the minimum earnings required for an elective or appointive officer to be eligible for a retirement benefit under the Tier I Public Employees' Systems is based on a monthly rate, not just the first month in office;
- ▶ clarifies that an employer must be a participating employer whether or not the employer has applied for admission to the system;



- 26 ▶ allows the executive director of the Department of Corrections to be excluded from
- 27 the Public Safety Contributory Retirement System, the Public Safety
- 28 Noncontributory Retirement System, and the Tier I Public Safety Noncontributory
- 29 Retirement System;
- 30 ▶ clarifies that only Tier II governors and legislators and their spouses, not all Tier II
- 31 public employees, may be eligible for the governors' and legislative paid-up group
- 32 health coverage;
- 33 ▶ clarifies that Tier II firefighters, including volunteer firefighters, are covered under
- 34 the URS long-term disability program;
- 35 ▶ provides that long-term disability claims must be made within six months, rather
- 36 than one year, from the employee's date of disability;
- 37 ▶ requires an employee receiving monthly disability benefits to provide certain
- 38 information and documentation requested by the office;
- 39 ▶ provides that monthly disability benefits are reduced for payments made for sick
- 40 leave, annual leave, or similar payments;
- 41 ▶ clarifies participation requirements for employers in the Tier II systems;
- 42 ▶ allows certain at-will employees to be exempt from the vesting requirement for the
- 43 defined contribution plan in the Tier II Public Employees' Retirement System;
- 44 ▶ allows certain public safety service employees to be exempt from the vesting
- 45 requirement for the defined contribution plan in the New Public Safety and
- 46 Firefighter Tier II Contributory Retirement System;
- 47 ▶ clarifies who a participating employer must cover under the Tier II Public Safety
- 48 and Firefighters Systems; and
- 49 ▶ makes technical changes.

50 **Money Appropriated in this Bill:**

51 None

52 **Other Special Clauses:**

53 None

54 **Utah Code Sections Affected:**

55 AMENDS:

56 **49-11-102**, as last amended by Laws of Utah 2011, Chapter 439

- 57 **49-11-505**, as last amended by Laws of Utah 2011, Chapters 138 and 439
- 58 **49-11-612**, as last amended by Laws of Utah 2010, Chapter 266
- 59 **49-11-616**, as renumbered and amended by Laws of Utah 2002, Chapter 250
- 60 **49-12-102**, as last amended by Laws of Utah 2008, Chapter 318
- 61 **49-13-102**, as last amended by Laws of Utah 2008, Chapter 318
- 62 **49-13-202**, as last amended by Laws of Utah 2010, Chapter 280
- 63 **49-14-203**, as last amended by Laws of Utah 2010, Chapter 264
- 64 **49-15-203**, as last amended by Laws of Utah 2010, Chapter 264
- 65 **49-20-404**, as last amended by Laws of Utah 2011, Chapter 439
- 66 **49-21-201**, as last amended by Laws of Utah 2010, Chapter 266
- 67 **49-21-401**, as last amended by Laws of Utah 2011, Chapters 366 and 439
- 68 **49-21-402**, as last amended by Laws of Utah 2011, Chapter 439
- 69 **49-22-202**, as enacted by Laws of Utah 2010, Chapter 266
- 70 **49-22-401**, as last amended by Laws of Utah 2011, Chapter 439
- 71 **49-23-202**, as enacted by Laws of Utah 2010, Chapter 266
- 72 **49-23-401**, as last amended by Laws of Utah 2011, Chapter 439
- 73 **49-23-601**, as last amended by Laws of Utah 2011, Chapters 290 and 439

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

76 Section 1. Section **49-11-102** is amended to read:

77 **49-11-102. Definitions.**

78 As used in this title:

79 (1) (a) "Active member" means a member who is employed or who has been employed
 80 by a participating employer within the previous 120 days.

81 (b) "Active member" does not include retirees.

82 (2) "Actuarial equivalent" means a benefit of equal value when computed upon the
 83 basis of mortality tables as recommended by the actuary and adopted by the executive director,
 84 including regular interest.

85 (3) "Actuarial interest rate" means the interest rate as recommended by the actuary and
 86 adopted by the board upon which the funding of system costs and benefits are computed.

87 (4) (a) "Agency" means:

88 (i) a department, division, agency, office, authority, commission, board, institution, or
89 hospital of the state;

90 (ii) a county, municipality, school district, local district, or special service district;

91 (iii) a state college or university; or

92 (iv) any other participating employer.

93 (b) "Agency" does not include an entity listed under Subsection (4)(a)(i) that is a
94 subdivision of another entity listed under Subsection (4)(a).

95 (5) "Allowance" or "retirement allowance" means the pension plus the annuity,
96 including any cost of living or other authorized adjustments to the pension and annuity.

97 (6) "Alternate payee" means a member's former spouse or family member eligible to
98 receive payments under a Domestic Relations Order in compliance with Section 49-11-612.

99 (7) "Amortization rate" means the board certified percent of salary required to amortize
100 the unfunded actuarial accrued liability in accordance with policies established by the board
101 upon the advice of the actuary.

102 (8) "Annuity" means monthly payments derived from member contributions.

103 (9) "Appointive officer" means an employee appointed to a position for a definite and
104 fixed term of office by official and duly recorded action of a participating employer whose
105 appointed position is designated in the participating employer's charter, creation document, or
106 similar document, and:

107 (a) who earns [~~during the first full month of the term of office~~] \$500 or more per
108 month, indexed as of January 1, 1990, as provided in Section 49-12-407 for a Tier I appointive
109 officer; and

110 (b) whose appointive position is full-time as certified by the participating employer for
111 a Tier II appointive officer.

112 (10) (a) "At-will employee" means a person who is employed by a participating
113 employer and:

114 (i) who is not entitled to merit or civil service protection and is generally considered
115 exempt from a participating employer's merit or career service personnel systems;

116 (ii) whose on-going employment status is entirely at the discretion of the person's
117 employer; or

118 (iii) who may be terminated without cause by a designated supervisor, manager, or

119 director.

120 (b) "At-will employee" does not include a career employee who has obtained a
121 reasonable expectation of continued employment based on inclusion in a participating
122 employer's merit system, civil service protection system, or career service personnel systems,
123 policies, or plans.

124 (11) "Beneficiary" means any person entitled to receive a payment under this title
125 through a relationship with or designated by a member, participant, covered individual, or
126 alternate payee of a defined contribution plan.

127 (12) "Board" means the Utah State Retirement Board established under Section
128 49-11-202.

129 (13) "Board member" means a person serving on the Utah State Retirement Board as
130 established under Section 49-11-202.

131 (14) "Certified contribution rate" means the board certified percent of salary paid on
132 behalf of an active member to the office to maintain the system on a financially and actuarially
133 sound basis.

134 (15) "Contributions" means the total amount paid by the participating employer and the
135 member into a system or to the Utah Governors' and Legislators' Retirement Plan under
136 Chapter 19, Utah Governors' and Legislators' Retirement Act.

137 (16) "Council member" means a person serving on the Membership Council
138 established under Section 49-11-202.

139 (17) "Covered individual" means any individual covered under Chapter 20, Public
140 Employees' Benefit and Insurance Program Act.

141 (18) "Current service" means covered service as defined in Chapters 12, 13, 14, 15, 16,
142 17, 18, and 19.

143 (19) "Defined benefit" or "defined benefit plan" or "defined benefit system" means a
144 system or plan offered under this title to provide a specified allowance to a retiree or a retiree's
145 spouse after retirement that is based on a set formula involving one or more of the following
146 factors:

147 (a) years of service;

148 (b) final average monthly salary; or

149 (c) a retirement multiplier.

150 (20) "Defined contribution" or "defined contribution plan" means any defined
151 contribution plan or deferred compensation plan authorized under the Internal Revenue Code
152 and administered by the board.

153 (21) "Educational institution" means a political subdivision or instrumentality of the
154 state or a combination thereof primarily engaged in educational activities or the administration
155 or servicing of educational activities, including:

156 (a) the State Board of Education and its instrumentalities;

157 (b) any institution of higher education and its branches;

158 (c) any school district and its instrumentalities;

159 (d) any vocational and technical school; and

160 (e) any entity arising out of a consolidation agreement between entities described under
161 this Subsection (21).

162 (22) "Elected official":

163 (a) means a person elected to a state office, county office, municipal office, school
164 board or school district office, local district office, or special service district office;

165 (b) includes a person who is appointed to serve an unexpired term of office described
166 under Subsection (22)(a); and

167 (c) does not include a judge or justice who is subject to a retention election under
168 Section 20A-12-201.

169 (23) (a) "Employer" means any department, educational institution, or political
170 subdivision of the state eligible to participate in a government-sponsored retirement system
171 under federal law.

172 (b) "Employer" may also include an agency financed in whole or in part by public
173 funds.

174 (24) "Exempt employee" means an employee working for a participating employer:

175 (a) who is not eligible for service credit under Section 49-12-203, 49-13-203,
176 49-14-203, 49-15-203, or 49-16-203; and

177 (b) for whom a participating employer is not required to pay contributions or
178 nonelective contributions.

179 (25) "Final average monthly salary" means the amount computed by dividing the
180 compensation received during the final average salary period under each system by the number

181 of months in the final average salary period.

182 (26) "Fund" means any fund created under this title for the purpose of paying benefits
183 or costs of administering a system, plan, or program.

184 (27) (a) "Inactive member" means a member who has not been employed by a
185 participating employer for a period of at least 120 days.

186 (b) "Inactive member" does not include retirees.

187 (28) (a) "Initially entering" means hired, appointed, or elected for the first time, in
188 current service as a member with any participating employer.

189 (b) "Initially entering" does not include a person who has any prior service credit on
190 file with the office.

191 (c) "Initially entering" includes an employee of a participating employer, except for an
192 employee that is not eligible under a system or plan under this title, who:

193 (i) does not have any prior service credit on file with the office;

194 (ii) is covered by a retirement plan other than a retirement plan created under this title;

195 and

196 (iii) moves to a position with a participating employer that is covered by this title.

197 (29) (a) "Member" means a person, except a retiree, with contributions on deposit with
198 a system, the Utah Governors' and Legislators' Retirement Plan under Chapter 19, Utah
199 Governors' and Legislators' Retirement Act, or with a terminated system.

200 (b) "Member" also includes leased employees within the meaning of Section 414(n)(2)
201 of the Internal Revenue Code, if the employees have contributions on deposit with the office.
202 If leased employees constitute less than 20% of the participating employer's work force that is
203 not highly compensated within the meaning of Section 414(n)(5)(c)(ii), Internal Revenue Code,
204 "member" does not include leased employees covered by a plan described in Section 414(n)(5)
205 of the federal Internal Revenue Code.

206 (30) "Member contributions" means the sum of the contributions paid to a system or
207 the Utah Governors' and Legislators' Retirement Plan, including refund interest if allowed by a
208 system, and which are made by:

209 (a) the member; and

210 (b) the participating employer on the member's behalf under Section 414(h) of the
211 Internal Revenue Code.

212 (31) "Nonelective contribution" means an amount contributed by a participating
213 employer into a participant's defined contribution account.

214 (32) "Normal cost rate":

215 (a) means the percent of salary that is necessary for a retirement system that is fully
216 funded to maintain its fully funded status; and

217 (b) is determined by the actuary based on the assumed rate of return established by the
218 board.

219 (33) "Office" means the Utah State Retirement Office.

220 (34) "Participant" means an individual with voluntary deferrals or nonelective
221 contributions on deposit with the defined contribution plans administered under this title.

222 (35) "Participating employer" means a participating employer, as defined by Chapter
223 12, Public Employees' Contributory Retirement Act, Chapter 13, Public Employees'
224 Noncontributory Retirement Act, Chapter 14, Public Safety Contributory Retirement Act,
225 Chapter 15, Public Safety Noncontributory Retirement Act, Chapter 16, Firefighters'
226 Retirement Act, Chapter 17, Judges' Contributory Retirement Act, and Chapter 18, Judges'
227 Noncontributory Retirement Act, or an agency financed in whole or in part by public funds
228 which is participating in a system or plan as of January 1, 2002.

229 (36) "Pension" means monthly payments derived from participating employer
230 contributions.

231 (37) "Plan" means the Utah Governors' and Legislators' Retirement Plan created by
232 Chapter 19, Utah Governors' and Legislators' Retirement Act, the New Public Employees' Tier
233 II Defined Contribution Plan created by Chapter 22, Part 4, Tier II Defined Contribution Plan,
234 the New Public Safety and Firefighter Tier II Defined Contribution Plan created by Chapter 23,
235 Part 4, Tier II Defined Contribution Plan, or the defined contribution plans created under
236 Section 49-11-801.

237 (38) (a) "Political subdivision" means any local government entity, including cities,
238 towns, counties, and school districts, but only if the subdivision is a juristic entity that is legally
239 separate and distinct from the state and only if its employees are not by virtue of their
240 relationship to the entity employees of the state.

241 (b) "Political subdivision" includes local districts, special service districts, or
242 authorities created by the Legislature or by local governments, including the office.

243 (c) "Political subdivision" does not include a project entity created under Title 11,
244 Chapter 13, Interlocal Cooperation Act, that was formed prior to July 1, 1987.

245 (39) "Program" means the Public Employees' Insurance Program created under Chapter
246 20, Public Employees' Benefit and Insurance Program Act, or the Public Employees'
247 Long-Term Disability program created under Chapter 21, Public Employees' Long-Term
248 Disability Act.

249 (40) "Public funds" means those funds derived, either directly or indirectly, from public
250 taxes or public revenue, dues or contributions paid or donated by the membership of the
251 organization, used to finance an activity whose objective is to improve, on a nonprofit basis,
252 the governmental, educational, and social programs and systems of the state or its political
253 subdivisions.

254 (41) "Qualified defined contribution plan" means a defined contribution plan that
255 meets the requirements of Section 401(k) or Section 403(b) of the Internal Revenue Code.

256 (42) (a) "Reemployed," "reemploy," or "reemployment" means work or service
257 performed after retirement, in exchange for compensation.

258 (b) Reemployment includes work or service performed on a contract if the retiree is:

259 (i) listed as the contractor; or

260 (ii) an owner, partner, or principle of the contractor.

261 (43) "Refund interest" means the amount accrued on member contributions at a rate
262 adopted by the board.

263 (44) "Retiree" means an individual who has qualified for an allowance under this title.

264 (45) "Retirement" means the status of an individual who has become eligible, applies
265 for, and is entitled to receive an allowance under this title.

266 (46) "Retirement date" means the date selected by the member on which the member's
267 retirement becomes effective with the office.

268 (47) "Retirement related contribution":

269 (a) means any employer payment to any type of retirement plan or program made on
270 behalf of an employee; and

271 (b) does not include Social Security payments or Social Security substitute payments
272 made on behalf of an employee.

273 (48) "Service credit" means:

274 (a) the period during which an employee is employed and compensated by a
275 participating employer and meets the eligibility requirements for membership in a system or the
276 Utah Governors' and Legislators' Retirement Plan, provided that any required contributions are
277 paid to the office; and

278 (b) periods of time otherwise purchasable under this title.

279 (49) "System" means the individual retirement systems created by Chapter 12, Public
280 Employees' Contributory Retirement Act, Chapter 13, Public Employees' Noncontributory
281 Retirement Act, Chapter 14, Public Safety Contributory Retirement Act, Chapter 15, Public
282 Safety Noncontributory Retirement Act, Chapter 16, Firefighters' Retirement Act, Chapter 17,
283 Judges' Contributory Retirement Act, Chapter 18, Judges' Noncontributory Retirement Act, and
284 Chapter 19, Utah Governors' and Legislators' Retirement Act, the defined benefit portion of the
285 Tier II Hybrid Retirement System under Chapter 22, Part 3, Tier II Hybrid Retirement System,
286 and the defined benefit portion of the Tier II Hybrid Retirement System under Chapter 23, Part
287 3, Tier II Hybrid Retirement System.

288 (50) "Tier I" means a system or plan under this title for which an employee is eligible
289 to participate if the employee initially enters regular full-time employment before July 1, 2011.

290 (51) (a) "Tier II" means a system or plan under this title provided in lieu of a Tier I
291 system or plan for which an employee is eligible to participate, if the employee initially enters
292 regular full-time employment on or after July 1, 2011.

293 (b) "Tier II" includes:

294 (i) the Tier II hybrid system established under:

295 (A) Chapter 22, Part 3, Tier II Hybrid Retirement System; or

296 (B) Chapter 23, Part 3, Tier II Hybrid Retirement System; and

297 (ii) the Tier II Defined Contribution Plan (Tier II DC Plan) established under:

298 (A) Chapter 22, Part 4, Tier II Defined Contribution Plan; or

299 (B) Chapter 23, Part 4, Tier II Defined Contribution Plan.

300 (52) "Unfunded actuarial accrued liability" or "UAAL":

301 (a) is determined by the system's actuary; and

302 (b) means the excess, if any, of the accrued liability of a retirement system over the
303 actuarial value of its assets.

304 (53) "Voluntary deferrals" means an amount contributed by a participant into that

305 participant's defined contribution account.

306 Section 2. Section **49-11-505** is amended to read:

307 **49-11-505. Reemployment of a retiree -- Restrictions.**

308 (1) (a) For purposes of this section, "retiree":

309 (i) means a person who:

310 (A) retired from a participating employer; and

311 (B) begins reemployment on or after July 1, 2010, with a participating employer; [~~and~~]

312 (ii) does not include a person:

313 (A) who was reemployed by a participating employer before July 1, 2010; and

314 (B) whose participating employer that reemployed the person under Subsection

315 (1)(a)(ii)(A) was dissolved, consolidated, merged, or structurally changed in accordance with

316 Section 49-11-621 after July 1, 2010; and

317 [~~(ii)~~] (iii) does not include a [~~retiree~~] person who is reemployed as an active senior
318 judge appointed to hear cases by the Utah Supreme Court in accordance with Article VIII,
319 Section 4, Utah Constitution.

320 (b) (i) This section does not apply to employment as an elected official if the elected
321 official's position is not full-time as certified by the participating employer.

322 (ii) The provisions of this section apply to an elected official whose elected position is
323 full-time as certified by the participating employer.

324 (2) A retiree may not for the same period of reemployment:

325 (a) (i) earn additional service credit; or

326 (ii) receive any retirement related contribution from a participating employer; and

327 (b) receive a retirement allowance.

328 (3) (a) Except as provided under Subsection (3)(b), the office shall cancel the
329 retirement allowance of a retiree if the reemployment with a participating employer begins
330 within one year of the retiree's retirement date.

331 (b) The office may not cancel the retirement allowance of a retiree who is reemployed
332 with a participating employer within one year of the retiree's retirement date if:

333 (i) the retiree is not reemployed by a participating employer for a period of at least 60
334 days from the retiree's retirement date;

335 (ii) upon reemployment after the break in service under Subsection (3)(b)(i), the retiree

336 does not receive any employer provided benefits, including:

337 (A) medical benefits;

338 (B) dental benefits;

339 (C) other insurance benefits except for workers' compensation as provided under Title
340 34A, Chapter 2, Workers' Compensation Act and withholdings required by federal or state law
341 for Social Security, Medicare, and unemployment insurance; or

342 (D) paid time off, including sick, annual, or other type of leave; and

343 (iii) the retiree does not earn in any calendar year of reemployment an amount in excess
344 of the lesser of:

345 (A) \$15,000; or

346 (B) one-half of the retiree's final average salary upon which the retiree's retirement
347 allowance is based.

348 (c) Beginning January 1, 2013, the board shall adjust the amount under Subsection
349 (3)(b)(iii)(A) by the annual change in the Consumer Price Index during the previous calendar
350 year as measured by a United States Bureau of Labor Statistics Consumer Price Index average
351 as determined by the board.

352 (d) The office shall cancel the retirement allowance of a retiree for the remainder of the
353 calendar year if the reemployment with a participating employer exceeds the limitations under
354 Subsection (3)(b)(iii).

355 (e) If a retiree is reemployed under the provisions of (3)(b), the termination date of the
356 reemployment, as confirmed in writing by the participating employer, is considered the retiree's
357 retirement date for the purpose of calculating the separation requirement under Subsection
358 (3)(a).

359 (4) If a reemployed retiree is not subject to Subsection (3)(a), the retiree may elect to:

360 (a) earn additional service credit in accordance with this title and cancel the retiree's
361 retirement allowance; or

362 (b) continue to receive the retiree's retirement allowance and forfeit any retirement
363 related contribution from the participating employer who reemployed the retiree.

364 (5) If a retiree makes an election under Subsection (4)(b) to continue to receive a
365 retirement allowance while reemployed, the participating employer shall contribute to the
366 office the amortization rate, as defined in Section 49-11-102, to be applied to the system that

367 would have covered the retiree.

368 (6) (a) A participating employer shall immediately notify the office:

369 (i) if the participating employer reemploys a retiree;

370 (ii) whether the reemployment is subject to Subsection (3) or (4) of this section; and

371 (iii) of any election by the retiree under Subsection (4).

372 (b) A participating employer shall certify to the office whether the position of an
373 elected official is or is not full-time.

374 (c) A participating employer is liable to the office for a payment or failure to make a
375 payment in violation of this section.

376 (d) If a participating employer fails to notify the office in accordance with this section,
377 the participating employer is immediately subject to a compliance audit by the office.

378 (7) (a) The office shall immediately cancel the retirement allowance of a retiree in
379 accordance with Subsection (7)(b) if the office receives notice or learns of:

380 (i) the reemployment of a retiree in violation of Subsection (3); or

381 (ii) the election of a reemployed retiree under Subsection (4)(a).

382 (b) ~~[The]~~ If the retiree is eligible for retirement coverage in the reemployed position,
383 the office shall cancel the allowance of a retiree subject to Subsection (7)(a), and reinstate the
384 retiree to active member status on the first day of the month following the date of:

385 (i) reemployment if the retiree is subject to Subsection (3); or

386 (ii) an election by an employee under Subsection (4)(a).

387 (c) If the retiree is not otherwise eligible for retirement coverage in the reemployed
388 position:

389 (i) the office shall cancel the allowance of a retiree subject to Subsection (7)(a)(i); and

390 (ii) the participating employer shall pay the amortization rate to the office on behalf of
391 the retiree.

392 (8) (a) A retiree subject to Subsection (7)(b) who retires within two years from the date
393 of reemployment:

394 (i) is not entitled to a recalculated retirement benefit; and

395 (ii) will resume the allowance that was being paid at the time of cancellation.

396 (b) Subject to Subsection (2), a retiree who is re-instated to active membership under
397 Subsection (7) and who retires two or more years after the date of re-instatement to active

398 membership shall:

399 (i) resume receiving the allowance that was being paid at the time of cancellation; and

400 (ii) receive an additional allowance based on the formula in effect at the date of the
401 subsequent retirement for all service credit accrued between the first and subsequent retirement
402 dates.

403 (9) (a) A retiree subject to this section shall report to the office the status of the
404 reemployment under Subsection (3) or (4).

405 (b) If the retiree fails to inform the office of an election under Subsection (9)(a), the
406 office shall withhold one month's benefit for each month the retiree fails to inform the office
407 under Subsection (9)(a).

408 (10) The board may make rules to implement this section.

409 Section 3. Section **49-11-612** is amended to read:

410 **49-11-612. Domestic relations order benefits -- Nonassignability of benefits or**
411 **payments -- Exemption from legal process.**

412 (1) As used in this section, "domestic relations order benefits" means:

413 (a) an allowance;

414 (b) a defined contribution account established under:

415 (i) [~~Chapter 11,~~] Part 8, Defined Contribution Plans;

416 (ii) Chapter 22, New Public Employees' Tier II Contributory Retirement Act; or

417 (iii) Chapter 23, New Public Safety and Firefighter Tier II Contributory Retirement

418 Act;

419 (c) a continuing monthly death benefit established under:

420 (i) Chapter 14, Part 5, Death Benefit;

421 (ii) Chapter 15, Part 5, Death Benefit;

422 (iii) Chapter 16, Part 5, Death Benefit;

423 (iv) Chapter 17, Part 5, Death Benefit;

424 (v) Chapter 18, Part 5, Death Benefit; or

425 (vi) Chapter 19, Part 5, Death Benefit;

426 (d) a death benefit provided under a group insurance policy under:

427 (i) Chapter 12, Part 5, Death Benefit;

428 (ii) Chapter 13, Part 5, Death Benefit;

429 (iii) Chapter 22, Part 5, Death Benefit; or

430 (iv) Chapter 23, Part 5, Death Benefit; or

431 (e) a refund of member contributions upon termination.

432 (2) Except as provided in Subsections (3), (4), and (5), the right of any member, retiree,
433 participant, covered individual, or beneficiary to any retirement benefit, retirement payment, or
434 any other retirement right accrued or accruing under this title and the assets of the funds created
435 by this title are not subject to alienation or assignment by the member, retiree, participant, or
436 their beneficiaries and are not subject to attachment, execution, garnishment, or any other legal
437 or equitable process.

438 (3) The office may, upon the request of the retiree, deduct from the retiree's allowance
439 insurance premiums or other dues payable on behalf of the retiree, but only to those entities
440 that have received the deductions prior to February 1, 2002.

441 (4) (a) The office shall provide for the division of domestic relations order benefits
442 with former spouses and family members under an order of a court of competent jurisdiction
443 with respect to domestic relations matters on file with the office.

444 (b) The court order shall specify the manner in which the domestic relations order
445 benefits shall be partitioned, whether as a fixed amount or as a percentage of the benefit.

446 (c) Domestic relations order benefits split under a domestic relations order are subject
447 to the following:

448 (i) the amount to be paid or the period for which payments shall be made under the
449 original domestic relations order may not be altered if the alteration affects the actuarial
450 calculation of the allowance;

451 (ii) payments to an alternate payee shall begin at the time the member or beneficiary
452 begins receiving payments; and

453 (iii) the alternate payee shall receive payments in the same form as allowances received
454 by the member or beneficiary.

455 (d) ~~[A] To be valid, a court order under this section [may not be issued more than]~~
456 must be received by the office within 12 months [after] of the death of the member.

457 (5) In accordance with federal law, the board may deduct the required amount from any
458 benefit, payment, or other right accrued or accruing to any member or beneficiary of a system,
459 plan, or program under this title to offset any amount that member or beneficiary owes to a

460 system, plan, or program administered by the board.

461 (6) The board shall make rules to implement this section.

462 Section 4. Section **49-11-616** is amended to read:

463 **49-11-616. Benefits information.**

464 (1) The office shall provide written general information to each participating employer
465 concerning benefits available under this title.

466 (2) (a) A participating employer shall provide the information under Subsection (1) to
467 each eligible employee immediately upon:

468 (i) termination of service;

469 (ii) leave of absence;

470 (iii) commencement of long-term disability benefits; or

471 (iv) retirement.

472 (b) (i) Each participating employer shall maintain the records necessary to demonstrate
473 that each employee has received the information outlined in Subsection (1).

474 (ii) The records shall be made available to the office upon request.

475 (3) (a) The office shall provide each participating employer with a form to be signed by
476 each employee which verifies that the employee has been given the information required by
477 this section.

478 (b) A copy of the signed form shall be immediately forwarded to the office by the
479 participating employer or the employee.

480 ~~[(4) The dissemination of information to the employer by the office under this section~~
481 ~~constitutes presentment by the policyholder under Title 31A, Chapter 22, Contracts in Specific~~
482 ~~Lines, and other law.]~~

483 Section 5. Section **49-12-102** is amended to read:

484 **49-12-102. Definitions.**

485 As used in this chapter:

486 (1) (a) Except as provided in Subsection (1)(c), "compensation" means the total
487 amount of payments made by a participating employer to a member of this system for services
488 rendered to the participating employer, including:

489 (i) bonuses;

490 (ii) cost-of-living adjustments;

491 (iii) other payments currently includable in gross income and that are subject to Social
492 Security deductions, including any payments in excess of the maximum amount subject to
493 deduction under Social Security law;

494 (iv) amounts that the member authorizes to be deducted or reduced for salary deferral
495 or other benefits authorized by federal law; and

496 (v) member contributions.

497 (b) "Compensation" for purposes of this chapter may not exceed the amount allowed
498 under Internal Revenue Code, Section 401(a)(17).

499 (c) "Compensation" does not include:

500 (i) the monetary value of remuneration paid in kind, including a residence or use of
501 equipment;

502 (ii) the cost of any employment benefits paid for by the participating employer;

503 (iii) compensation paid to a temporary employee, an exempt employee, or an employee
504 otherwise ineligible for service credit;

505 (iv) any payments upon termination, including accumulated vacation, sick leave
506 payments, severance payments, compensatory time payments, or any other special payments; or

507 (v) any allowances or payments to a member for costs or expenses paid by the
508 participating employer, including automobile costs, uniform costs, travel costs, tuition costs,
509 housing costs, insurance costs, equipment costs, and dependent care costs.

510 (d) The executive director may determine if a payment not listed under this Subsection
511 (1) falls within the definition of compensation.

512 (2) "Final average salary" means the amount computed by averaging the highest five
513 years of annual compensation preceding retirement subject to Subsections (2)(a), (b), (c), and
514 (d).

515 (a) Except as provided in Subsection (2)(b), the percentage increase in annual
516 compensation in any one of the years used may not exceed the previous year's compensation by
517 more than 10% plus a cost-of-living adjustment equal to the decrease in the purchasing power
518 of the dollar during the previous year, as measured by a United States Bureau of Labor
519 Statistics Consumer Price Index average as determined by the board.

520 (b) In cases where the participating employer provides acceptable documentation to the
521 office, the limitation in Subsection (2)(a) may be exceeded if:

522 (i) the member has transferred from another agency; or

523 (ii) the member has been promoted to a new position.

524 (c) If the member retires more than six months from the date of termination of
525 employment, the member is considered to have been in service at the member's last rate of pay
526 from the date of the termination of employment to the effective date of retirement for purposes
527 of computing the member's final average salary only.

528 (d) If the member has less than five years of service credit in this system, final average
529 salary means the average annual compensation paid to the member during the full period of
530 service credit.

531 (3) "Participating employer" means an employer which meets the participation
532 requirements of Sections 49-12-201 and 49-12-202.

533 (4) (a) "Regular full-time employee" means an employee whose term of employment
534 for a participating employer contemplates continued employment during a fiscal or calendar
535 year and whose employment normally requires an average of 20 hours or more per week,
536 except as modified by the board, and who receives benefits normally provided by the
537 participating employer.

538 (b) "Regular full-time employee" includes:

539 (i) a teacher whose term of employment for a participating employer contemplates
540 continued employment during a school year and who teaches half-time or more;

541 (ii) a classified school employee whose employment normally requires an average of
542 20 hours per week or more for a participating employer, regardless of benefits provided;

543 (iii) an officer, elective or appointive, who earns [~~during the first full month of the term~~
544 ~~of office~~] \$500 or more per month, indexed as of January 1, 1990, as provided in Section
545 49-12-407;

546 (iv) a faculty member or employee of an institution of higher education who is
547 considered full-time by that institution of higher education; and

548 (v) an individual who otherwise meets the definition of this Subsection (4) who
549 performs services for a participating employer through a professional employer organization or
550 similar arrangement.

551 (5) "System" means the Public Employees' Contributory Retirement System created
552 under this chapter.

- 553 (6) "Years of service credit" means:
- 554 (a) a period, consisting of 12 full months as determined by the board;
- 555 (b) a period determined by the board, whether consecutive or not, during which a
- 556 regular full-time employee performed services for a participating employer, including any time
- 557 the regular full-time employee was absent on a paid leave of absence granted by a participating
- 558 employer or was absent in the service of the United States government on military duty as
- 559 provided by this chapter; or
- 560 (c) the regular school year consisting of not less than eight months of full-time service
- 561 for a regular full-time employee of an educational institution.

562 Section 6. Section **49-13-102** is amended to read:

563 **49-13-102. Definitions.**

564 As used in this chapter:

- 565 (1) (a) Except as provided in Subsection (1)(c), "compensation" means the total
- 566 amount of payments made by a participating employer to a member of this system for services
- 567 rendered to the participating employer, including:
- 568 (i) bonuses;
- 569 (ii) cost-of-living adjustments;
- 570 (iii) other payments currently includable in gross income and that are subject to Social
- 571 Security deductions, including any payments in excess of the maximum amount subject to
- 572 deduction under Social Security law; and
- 573 (iv) amounts that the member authorizes to be deducted or reduced for salary deferral
- 574 or other benefits authorized by federal law.
- 575 (b) "Compensation" for purposes of this chapter may not exceed the amount allowed
- 576 under Internal Revenue Code, Section 401(a)(17).
- 577 (c) "Compensation" does not include:
- 578 (i) the monetary value of remuneration paid in kind, including a residence or use of
- 579 equipment;
- 580 (ii) the cost of any employment benefits paid for by the participating employer;
- 581 (iii) compensation paid to a temporary employee, an exempt employee, or an employee
- 582 otherwise ineligible for service credit;
- 583 (iv) any payments upon termination, including accumulated vacation, sick leave

584 payments, severance payments, compensatory time payments, or any other special payments; or

585 (v) any allowances or payments to a member for costs or expenses paid by the
586 participating employer, including automobile costs, uniform costs, travel costs, tuition costs,
587 housing costs, insurance costs, equipment costs, and dependent care costs.

588 (d) The executive director may determine if a payment not listed under this Subsection
589 (1) falls within the definition of compensation.

590 (2) "Final average salary" means the amount computed by averaging the highest three
591 years of annual compensation preceding retirement subject to the following:

592 (a) Except as provided in Subsection (2)(b), the percentage increase in annual
593 compensation in any one of the years used may not exceed the previous year's compensation by
594 more than 10% plus a cost-of-living adjustment equal to the decrease in the purchasing power
595 of the dollar during the previous year, as measured by a United States Bureau of Labor
596 Statistics Consumer Price Index average as determined by the board.

597 (b) In cases where the participating employer provides acceptable documentation to the
598 office, the limitation in Subsection (2)(a) may be exceeded if:

599 (i) the member has transferred from another agency; or

600 (ii) the member has been promoted to a new position.

601 (c) If the member retires more than six months from the date of termination of
602 employment and for purposes of computing the member's final average salary only, the
603 member is considered to have been in service at his last rate of pay from the date of the
604 termination of employment to the effective date of retirement.

605 (3) "Participating employer" means an employer which meets the participation
606 requirements of Sections 49-13-201 and 49-13-202.

607 (4) (a) "Regular full-time employee" means an employee whose term of employment
608 for a participating employer contemplates continued employment during a fiscal or calendar
609 year and whose employment normally requires an average of 20 hours or more per week,
610 except as modified by the board, and who receives benefits normally provided by the
611 participating employer.

612 (b) "Regular full-time employee" includes:

613 (i) a teacher whose term of employment for a participating employer contemplates
614 continued employment during a school year and who teaches half-time or more;

- 615 (ii) a classified school employee whose employment normally requires an average of
616 20 hours per week or more for a participating employer, regardless of benefits provided;
- 617 (iii) an officer, elective or appointive, who earns [~~during the first full month of the term~~
618 ~~of office~~] \$500 or more per month, indexed as of January 1, 1990, as provided in Section
619 49-13-407;
- 620 (iv) a faculty member or employee of an institution of higher education who is
621 considered full-time by that institution of higher education; and
- 622 (v) an individual who otherwise meets the definition of this Subsection (4) who
623 performs services for a participating employer through a professional employer organization or
624 similar arrangement.
- 625 (5) "System" means the Public Employees' Noncontributory Retirement System.
- 626 (6) "Years of service credit" means:
- 627 (a) a period, consisting of 12 full months as determined by the board;
- 628 (b) a period determined by the board, whether consecutive or not, during which a
629 regular full-time employee performed services for a participating employer, including any time
630 the regular full-time employee was absent on a paid leave of absence granted by a participating
631 employer or was absent in the service of the United States government on military duty as
632 provided by this chapter; or
- 633 (c) the regular school year consisting of not less than eight months of full-time service
634 for a regular full-time employee of an educational institution.

635 Section 7. Section **49-13-202** is amended to read:

636 **49-13-202. Participation of employers -- Limitations -- Exclusions -- Admission**
637 **requirements -- Nondiscrimination requirements -- Service credit purchases.**

- 638 (1) (a) Unless excluded under Subsection (2), an employer is a participating employer
639 and may not withdraw from participation in this system.
- 640 (b) In addition to their participation in this system, participating employers may
641 provide or participate in any additional public or private retirement, supplemental or defined
642 contribution plan, either directly or indirectly, for their employees.
- 643 (2) The following employers may be excluded from participation in this system:
- 644 (a) an employer not initially admitted or included as a participating employer in this
645 system before January 1, 1982, if:

646 (i) the employer elects not to provide or participate in any type of private or public
647 retirement, supplemental or defined contribution plan, either directly or indirectly, for its
648 employees, except for Social Security; or

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

651 (b) an employer that is a charter school sponsored by the State Board of Education or a
652 school district that makes an election of nonparticipation in accordance with Section
653 53A-1a-512 unless the charter school makes a one-time, irrevocable retraction of the election
654 of nonparticipation in accordance with Subsection 53A-1a-512(9);

655 (c) an employer that is a hospital created as a special service district under Title 17D,
656 Chapter 1, Special Service District Act, that makes an election of nonparticipation in
657 accordance with Subsection (5); or

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

661 (3) If an employer that may be excluded under Subsection (2)(a)(i) elects at any time to
662 provide or participate in any type of public or private retirement, supplemental or defined
663 contribution plan, either directly or indirectly, except for Social Security, the employer shall be
664 a participating employer in this system regardless of whether the employer has applied for
665 admission under Subsection (4).

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

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

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

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

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

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

677 (ii) shall be documented by a resolution adopted by the governing body of the
678 employer;

679 (iii) is irrevocable; and

680 (iv) applies to the employer described in Subsection (5)(a) and to all employees of that
681 employer.

682 (c) The employer making an election under Subsection (5)(a) may offer employee
683 benefit plans for its employees:

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

685 or

686 (ii) under any other program.

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

692 Section 8. Section **49-14-203** is amended to read:

693 **49-14-203. Exemption of certain employees from coverage.**

694 (1) A public safety service employee is excluded from coverage under this system if
695 the employee:

696 (a) is serving:

697 (i) as the Commissioner of Public Safety[~~-or~~];

698 (ii) as the executive director of the Department of Corrections; or

699 (iii) as the elected or appointed sheriff or chief of police of a public safety

700 organization[~~, is excluded from coverage under this system if that public safety service~~
701 employee]; and

702 (b) files a formal written request seeking the exemption.

703 (2) Except as provided in Subsection (3), the public safety service employee may not
704 continue employment with the same participating employer and receive an allowance from the
705 office based on public safety service at the same time.

706 (3) (a) The Commissioner of Public Safety or an elected sheriff who is eligible to retire
707 under Section 49-14-401 may until July 1, 2010:

- 708 (i) retire from this system and receive an allowance;
- 709 (ii) continue in the elected or appointed position; and
- 710 (iii) file for the exemption under Subsection (1).
- 711 (b) A person who makes an election under Subsection (3)(a) may continue under the
- 712 terms of the election.

713 Section 9. Section **49-15-203** is amended to read:

714 **49-15-203. Exemption of certain employees from coverage.**

715 (1) A public safety service employee is excluded from coverage under this system if
716 the employee:

717 (a) is serving:

718 (i) as the Commissioner of Public Safety[-or];

719 (ii) as the executive director of the Department of Corrections; or

720 (iii) as the elected or appointed sheriff or chief of police of a public safety

721 organization[-; is excluded from coverage under this system if that public safety service
722 employee]; and

723 (b) files a formal written request seeking the exemption.

724 (2) Except as provided in Subsection (3), the public safety service employee may not
725 continue employment with the same participating employer and receive an allowance from the
726 office based on public safety service at the same time.

727 (3) (a) The Commissioner of Public Safety, an elected sheriff, or an appointed chief of
728 police who is eligible to retire under Section 49-15-401 may until July 1, 2010:

729 (i) retire from this system and receive an allowance;

730 (ii) continue in the elected or appointed position; and

731 (iii) file for the exemption under Subsection (1).

732 (b) A person who makes an election under Subsection (3)(a) may continue under the
733 terms of the election.

734 Section 10. Section **49-20-404** is amended to read:

735 **49-20-404. Governors' and legislative benefit.**

736 (1) The state shall pay the percentage described in Subsection (3) of the cost of
737 providing paid-up group health coverage policy for members and their surviving spouses
738 covered under Chapter 19, Utah Governors' and Legislators' Retirement Act, or governors and

739 legislators, as defined in Section 49-19-102, and their surviving spouses covered under Chapter
740 22, New Public Employees' Tier II Contributory Retirement Act, who:

- 741 (a) retire after January 1, 1998;
742 (b) are at least 62 but less than 65 years of age;
743 (c) elect to receive and apply for this benefit to the program; and
744 (d) are active members at the time of retirement or have continued coverage with the
745 program until the date of eligibility for the benefit under this Subsection (1).

746 (2) The state shall pay the percentage described in Subsection (3) of the cost of
747 providing Medicare supplemental coverage for members and their surviving spouses covered
748 under Chapter 19, Utah Governors' and Legislators' Retirement Act who:

- 749 (a) retire after January 1, 1998;
750 (b) are at least 65 years of age; and
751 (c) elect to receive and apply for this benefit to the program.
752 (3) The following percentages apply to the benefit described in Subsections (1) and (2):
753 (a) 100% if the member has accrued 10 or more years of service credit;
754 (b) 80% if the member has accrued 8 or more years of service credit;
755 (c) 60% if the member has accrued 6 or more years of service credit; and
756 (d) 40% if the member has accrued 4 or more years of service credit.

757 Section 11. Section **49-21-201** is amended to read:

758 **49-21-201. Program membership -- Eligibility.**

- 759 (1) The state shall cover all of its eligible employees under this chapter.
760 (2) Public safety service employees, as defined in Sections 49-14-102, 49-15-102, and
761 49-23-102 shall be covered under this chapter or a substantially similar long-term disability
762 program in accordance with the provisions of Section 49-14-601, 49-15-601, or 49-23-601.
763 (3) Beginning on July 1, 2011, firefighter service employees, as defined in Section
764 49-23-102, initially entering employment on or after July 1, 2011, and volunteer firefighters, as
765 defined in Section 49-23-102, shall be covered under this chapter [~~or a substantially similar~~
766 ~~long-term disability program~~] in accordance with the provisions of Section 49-23-601.
767 (4) Except as provided under Subsection (5), all other employers may provide coverage
768 for their eligible employees under this chapter.
769 (5) If an employer elects to cover any of its eligible employees under this chapter, all of

770 its eligible employees shall be covered.

771 (6) Except as provided under Subsections (1) and (2), nothing in this chapter requires
772 any employer to cover its eligible employees under this chapter.

773 (7) The following employees are not eligible for coverage under this chapter:

774 (a) firefighter service employees, as defined under Section 49-16-102, that initially
775 entered employment prior to July 1, 2011; and

776 (b) legislators.

777 Section 12. Section **49-21-401** is amended to read:

778 **49-21-401. Disability benefits -- Application -- Eligibility.**

779 (1) An eligible employee shall apply for long-term disability benefits under this chapter
780 by:

781 (a) completing an application form prepared by the office;

782 (b) signing a consent form allowing the office access to the eligible employee's medical
783 records; and

784 (c) providing any documentation or information reasonably requested by the office.

785 (2) (a) If an eligible employee is unable to apply on the employee's own behalf, the
786 application may be made by a person who is:

787 (i) the attorney for an eligible employee; or

788 (ii) appointed as a conservator or guardian of the eligible employee.

789 (b) A person described in Subsection (2)(a), may not make an application for a
790 deceased employee.

791 (3) Upon request by the office, the participating employer of the eligible employee
792 shall provide to the office documentation and information concerning the eligible employee.

793 (4) The office shall review all relevant information and determine whether or not the
794 eligible employee has a total disability.

795 (5) If the office determines that the eligible employee has a total disability due to
796 accidental bodily injury or physical illness which is not the result of the performance of an
797 employment duty, the eligible employee shall receive a monthly disability benefit equal to
798 two-thirds of the eligible employee's regular monthly salary, for each month the total disability
799 continues beyond the elimination period, not to exceed the maximum benefit period.

800 (6) If the office determines that the eligible employee has a total disability due to

801 psychiatric illness, the eligible employee shall receive:

802 (a) a maximum of two years of monthly disability benefits equal to two-thirds of the
803 eligible employee's regular monthly salary for each month the total disability continues beyond
804 the elimination period;

805 (b) a maximum of \$10,000 for psychiatric expenses, including rehabilitation expenses
806 preauthorized by the office's consultants, paid during the period of monthly disability benefits;
807 and

808 (c) payment of monthly disability benefits according to contractual provisions for a
809 period not to exceed five years if the eligible employee is institutionalized due to psychiatric
810 illness.

811 (7) If the office determines that the eligible employee has a total disability due to a
812 physical injury resulting from external force or violence as a result of the performance of an
813 employment duty, the eligible employee shall receive a monthly disability benefit equal to
814 100% of the eligible employee's regular monthly salary, for each month the total disability
815 continues beyond the elimination period, not to exceed the maximum benefit period.

816 (8) (a) Successive periods of disability are considered as a continuous period of
817 disability if the period of disability:

818 (i) results from the same or related causes;

819 (ii) is separated by less than six months of continuous full-time work at the individual's
820 usual place of employment; and

821 (iii) commences while the individual is an eligible employee covered by this chapter.

822 (b) The inability to work for a period of less than 15 consecutive calendar days is not
823 considered as a period of disability.

824 (c) If Subsection (8)(a) or (b) does not apply, successive periods of disability are
825 considered as separate periods of disability.

826 (9) The office may, at any time, have any eligible employee claiming to have a
827 disability examined by a physician chosen by the office to determine if the eligible employee
828 has a total disability.

829 (10) A claim brought by an eligible employee for long-term disability benefits under
830 the Public Employee's Long-Term Disability Program is barred if it is not commenced within
831 [~~one year~~] six months from the eligible employee's date of disability, unless the office

832 determines that under the surrounding facts and circumstances, the eligible employee's failure
833 to comply with the time limitations was reasonable.

834 (11) Medical or psychiatric conditions which existed prior to eligibility may not be a
835 basis for disability benefits until the eligible employee has had one year of continuous
836 eligibility in the Public Employees Long-Term Disability Program.

837 (12) If there is a valid benefit protection contract, service credit shall accrue during the
838 period of total disability, unless the disabled eligible employee is exempted from a system, or is
839 otherwise ineligible for service credit.

840 (13) Regardless of any medical evidence provided by the employee to support the
841 application for disability, an employee is not eligible for long-term disability benefits during
842 any period in which the employee:

843 (a) makes a claim that the employee is able to work; or

844 (b) has a pending action in a court or before any federal, state, or local administrative
845 body in which the employee has made a claim that the employee is able to work.

846 (14) Notwithstanding the provisions of Section 49-11-618, upon written request by an
847 employer, information obtained under this part may, upon an order of a court or an
848 administrative law judge, be released to an employer who is a party in an action under
849 Subsection (13).

850 Section 13. Section **49-21-402** is amended to read:

851 **49-21-402. Reduction or reimbursement of benefit -- Circumstances --**

852 **Application for other benefits required.**

853 (1) A monthly disability benefit may [~~not be paid for any period of total disability~~] be
854 terminated unless:

855 (a) the eligible employee is under the ongoing care and treatment of a physician other
856 than the eligible employee[-]; and

857 (b) the eligible employee provides the information and documentation requested by the
858 office.

859 (2) The monthly disability benefit shall be reduced or reimbursed by any amount
860 received by, or payable to, the eligible employee from the following sources for the same
861 period of time during which the eligible employee is entitled to receive a monthly disability
862 benefit:

863 (a) Social Security disability benefits, including all benefits received by the eligible
864 employee, the eligible employee's spouse, and the eligible employee's children as determined
865 by the Social Security Administration;

866 (b) workers' compensation indemnity benefits;

867 (c) any money received by judgment, legal action, or settlement from a third party
868 liable to the employee for the disability;

869 (d) unemployment compensation benefits;

870 (e) automobile no-fault, medical payments, or similar insurance payments; [~~and~~]

871 (f) any money received by a judgment, settlement, or other payment as a result of a
872 claim against an employer[-]; and

873 (g) any payments made for sick leave, annual leave, or similar payments.

874 (3) The monthly disability benefit shall be reduced by any amount in excess of
875 one-third of the eligible employee's regular monthly salary received by, or payable to, the
876 eligible employee from the following sources for the same period of time during which the
877 eligible employee is entitled to receive a monthly disability benefit:

878 (a) any employer-sponsored retirement programs; and

879 (b) any disability benefit resulting from the disability for which benefits are being
880 received under this chapter.

881 (4) After the date of disability, cost-of-living increases to any of the benefits listed in
882 Subsection (2) or (3) may not be considered in calculating a reduction to the monthly disability
883 benefit.

884 (5) Any amounts payable to the eligible employee from one or more of the sources
885 under Subsection (2) are considered as amounts received whether or not the amounts were
886 actually received by the eligible employee.

887 (6) (a) An eligible employee shall first apply for all disability benefits from
888 governmental entities under Subsection (2) to which the eligible employee is or may be
889 entitled, and provide to the office evidence of the applications.

890 (b) If the eligible employee fails to make application under this Subsection (6), the
891 monthly disability benefit shall be suspended.

892 Section 14. Section **49-22-202** is amended to read:

893 **49-22-202. Participation of employers -- Limitations -- Exclusions -- Admission**

894 requirements.

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

897 ~~[(2) An employer that is a charter school sponsored by the State Board of Education or~~
898 ~~a school district may be excluded from participation in this system if the charter school makes~~
899 ~~an election of nonparticipation in accordance with Section 53A-1a-512 unless the charter~~
900 ~~school makes a one-time, irrevocable retraction of the election of nonparticipation in~~
901 ~~accordance with Subsection 53A-1a-512(9).]~~

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

903 (a) an employer not initially admitted or included as a participating employer in this
904 system before January 1, 1982, if:

905 (i) the employer elects not to provide or participate in any type of private or public
906 retirement, supplemental or defined contribution plan, either directly or indirectly, for its
907 employees, except for Social Security; or

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

910 (b) an employer that is a charter school sponsored by the State Board of Education or a
911 school district that makes an election of nonparticipation in accordance with Section
912 53A-1a-512 unless the charter school makes a one-time, irrevocable retraction of the election
913 of nonparticipation in accordance with Subsection 53A-1a-512(9); or

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

917 (3) If an employer that may be excluded under Subsection (2)(a)(i) elects at any time to
918 provide or participate in any type of public or private retirement, supplemental or defined
919 contribution plan, either directly or indirectly, except for Social Security, the employer shall be
920 a participating employer in this system regardless of whether the employer has applied for
921 admission under Subsection (4).

922 ~~[(3)]~~ (4) (a) An employer may, by resolution of its governing body, apply for admission
923 to this system.

924 (b) Upon approval of the resolution by the board, the employer is a participating

925 employer in this system and is subject to this title.

926 [~~(4)~~] (5) If a participating employer purchases service credit on behalf of a regular
927 full-time [~~employees~~] employee for service rendered prior to the participating employer's
928 admission to this system, [~~the service credit shall be purchased~~] the participating employer:

929 (a) shall purchase credit in a nondiscriminatory manner on behalf of all current and
930 former regular full-time employees who were eligible for service credit at the time service was
931 rendered[-]; and

932 (b) shall comply with the provisions of Section 49-11-403.

933 Section 15. Section **49-22-401** is amended to read:

934 **49-22-401. Contributions -- Rates.**

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

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

941 (i) is sponsored by the board; and

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

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

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

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

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

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

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

- 956 (c) Upon filing a written request for exemption with the office, the following
957 employees are exempt from the vesting requirements of Subsection (3)(a):
- 958 (i) an executive department head of the state;
 - 959 (ii) a member of the State Tax Commission;
 - 960 (iii) a member of the Public Service Commission;
 - 961 (iv) an employee of the Governor's Office of Planning and Budget;
 - 962 (v) an employee of the Governor's Office of Economic Development;
 - 963 (vi) an employee of the Commission on Criminal and Juvenile Justice;
 - 964 (vii) an employee of the Governor's Office;
 - 965 (viii) an employee of the State Auditor's Office;
 - 966 (ix) an employee of the State Treasurer's Office;
 - 967 (x) a person appointed as a city manager or appointed as a city administrator or another
968 at-will employee of a municipality, county, or other political subdivision;
 - 969 (xi) an employee of an interlocal cooperative agency created under Title 11, Chapter
970 13, Interlocal Cooperation Act, who is engaged in a specialized trade customarily provided
971 through membership in a labor organization that provides retirement benefits to its members;
972 and
 - 973 (xii) an employee of the Utah Science Technology and Research Initiative created
974 under Title 63M, Chapter 2, Utah Science Technology and Research Governing Authority Act.
- 975 (d) (i) A participating employer shall prepare a list designating those positions eligible
976 for exemption under Subsection (3)(c).
- 977 (ii) An employee may not be exempted unless the employee is employed in a position
978 designated by the participating employer under Subsection (3)(c).
- 979 (e) (i) In accordance with this section, a municipality, county, or political subdivision
980 may not exempt more than 50 positions or a number equal to 10% of the employees of the
981 municipality, county, or political subdivision, whichever is less.
- 982 (ii) A municipality, county, or political subdivision may exempt at least one regular
983 full-time employee.
- 984 (f) Each participating employer shall:
- 985 (i) file each employee exemption annually with the office; and
 - 986 (ii) update an employee exemption in the event of any change.

987 (g) (i) The office shall make rules to implement this Subsection (3).

988 (ii) The rules made under Subsection (3)(g)(i) shall include provisions to allow the
989 exemption provided under Subsection (3)(c) to apply to all contributions made beginning on or
990 after July 1, 2011 on behalf an exempted employee who began the employment before May 8,
991 2012.

992 (4) (a) Contributions made by a participating employer under Subsection (2)(a) shall be
993 invested in a default option selected by the board until the member is vested in accordance with
994 Subsection (3)(a).

995 (b) A member may direct the investment of contributions including associated
996 investment gains and losses made by a participating employer under Subsection (2)(a) only
997 after the contributions have vested in accordance with Subsection (3)(a).

998 (c) A member may direct the investment of contributions made by the member under
999 Subsection (3)(b).

1000 (5) No loans shall be available from contributions made by a participating employer
1001 under Subsection (2)(a).

1002 (6) No hardship distributions shall be available from contributions made by a
1003 participating employer under Subsection (2)(a).

1004 (7) (a) Except as provided in Subsection (7)(b), if a member terminates employment
1005 with a participating employer prior to the vesting period described in Subsection (3)(a), all
1006 contributions made by a participating employer on behalf of the member including associated
1007 investment gains and losses under Subsection (2)(a) are subject to forfeiture.

1008 (b) If a member who terminates employment with a participating employer prior to the
1009 vesting period described in Subsection (3)(a) subsequently enters employment with the same or
1010 another participating employer within 10 years of the termination date of the previous
1011 employment:

1012 (i) all contributions made by the previous participating employer on behalf of the
1013 member including associated investment gains and losses shall be reinstated upon the member's
1014 employment as a regular full-time employee; and

1015 (ii) the length of time that the member worked with the previous employer shall be
1016 included in determining whether the member has completed the vesting period under
1017 Subsection (3)(a).

1018 (c) The office shall establish a forfeiture account and shall specify the uses of the
1019 forfeiture account, which may include an offset against administrative costs or employer
1020 contributions made under this section.

1021 (8) The office may request from any other qualified 401(k) plan under Subsection (2)
1022 any relevant information pertaining to the maintenance of its tax qualification under the
1023 Internal Revenue Code.

1024 (9) The office may take any action which in its judgment is necessary to maintain the
1025 tax-qualified status of its 401(k) defined contribution plan under federal law.

1026 Section 16. Section **49-23-202** is amended to read:

1027 **49-23-202. Participation of employers -- Admission requirements.**

1028 (1) (a) An employer is a participating employer and may not withdraw from
1029 participation in this system.

1030 (b) A participating employer shall cover its:

1031 (i) public safety service employees in accordance with Section 49-15-202; and

1032 (ii) firefighter service employees in accordance with Section 49-16-202.

1033 (2) (a) An employer may, by resolution of its governing body, apply for admission to
1034 this system.

1035 (b) Upon approval of the resolution by the board, the employer is a participating
1036 employer in this system and is subject to this title.

1037 (3) If a participating employer purchases service credit on behalf of public safety
1038 service employees or firefighter service employees for service rendered prior to the
1039 participating employer's admission to this system, the service credit shall be purchased in a
1040 nondiscriminatory manner on behalf of all current and former public safety service employees
1041 or firefighter service employees who were eligible for service credit at the time service was
1042 rendered.

1043 Section 17. Section **49-23-401** is amended to read:

1044 **49-23-401. Contributions -- Rates.**

1045 (1) Up to the amount allowed by federal law, the participating employer shall make a
1046 nonelective contribution of 12% of the participant's compensation to a defined contribution
1047 plan.

1048 (2) (a) The participating employer shall contribute the 12% nonelective contribution

1049 described in Subsection (1) to a defined contribution plan qualified under Section 401(k) of the
1050 Internal Revenue Code which:

1051 (i) is sponsored by the board; and

1052 (ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of 1986.

1053 (b) The member may make voluntary deferrals to:

1054 (i) the qualified 401(k) plan which receives the employer contribution described in this
1055 Subsection (2); or

1056 (ii) at the member's option, another defined contribution plan established by the
1057 participating employer.

1058 (c) In addition to the percent specified under Subsection (2)(a), the participating
1059 employer shall pay the corresponding Tier I system amortization rate of the employee's
1060 compensation to the office to be applied to the employer's corresponding Tier I system liability.

1061 (3) (a) ~~[The]~~ Except as provided under Subsection (3)(c), the total amount contributed
1062 by the participating employer under Subsection (2)(a) vests to the member upon accruing four
1063 years of [employment as a regular full-time employee under this chapter] service credit under
1064 this title.

1065 (b) The total amount contributed by the member under Subsection (2)(b) vests to the
1066 member's benefit immediately and is nonforfeitable.

1067 (c) Upon filing a written request for exemption with the office, the following
1068 employees are exempt from the vesting requirements of Subsection (3)(a) if employee is a
1069 public safety service employee and is:

1070 (i) an executive department head of the state;

1071 (ii) an elected or appointed sheriff of a county; or

1072 (iii) an elected or appointed chief of police of a municipality.

1073 (d) (i) A participating employer shall prepare a list designating those positions eligible
1074 for exemption under Subsection (3)(c).

1075 (ii) An employee may not be exempted unless the employee is employed in a position
1076 designated by the participating employer under Subsection (3)(c).

1077 (e) Each participating employer shall:

1078 (i) file each employee exemption annually with the office; and

1079 (ii) update an employee exemption in the event of any change.

1080 (f) (i) The office shall make rules to implement this Subsection (3).

1081 (ii) The rules made under Subsection (3)(f)(i) shall include provisions to allow the
1082 exemption provided under Subsection (3)(c) to apply to all contributions made beginning on or
1083 after July 1, 2011 on behalf an exempted employee who began the employment before May 8,
1084 2012.

1085 (4) (a) Contributions made by a participating employer under Subsection (2)(a) shall be
1086 invested in a default option selected by the board until the member is vested in accordance with
1087 Subsection (3)(a).

1088 (b) A member may direct the investment of contributions, including associated
1089 investment gains and losses, made by a participating employer under Subsection (2)(a) only
1090 after the contributions have vested in accordance with Subsection (3)(a).

1091 (c) A member may direct the investment of contributions made by the member under
1092 Subsection (3)(b).

1093 (5) No loans shall be available from contributions made by a participating employer
1094 under Subsection (2)(a).

1095 (6) No hardship distributions shall be available from contributions made by a
1096 participating employer under Subsection (2)(a).

1097 (7) (a) Except as provided in Subsection (7)(b), if a member terminates employment
1098 with a participating employer prior to the vesting period described in Subsection (3)(a), all
1099 contributions made by a participating employer on behalf of the member under Subsection
1100 (2)(a), including associated investment gains and losses [~~under Subsection (2)(a)~~] are subject to
1101 forfeiture.

1102 (b) If a member who terminates employment with a participating employer prior to the
1103 vesting period described in Subsection (3)(a) subsequently enters employment with the same or
1104 another participating employer within 10 years of the termination date of the previous
1105 employment:

1106 (i) all contributions made by the previous participating employer on behalf of the
1107 member, including associated investment gains and losses, shall be reinstated upon the
1108 member's employment as a regular full-time employee; and

1109 (ii) the length of time that the member worked with the previous employer shall be
1110 included in determining whether the member has completed the vesting period under

1111 Subsection (3)(a).

1112 (c) The office shall establish a forfeiture account and shall specify the uses of the
1113 forfeiture account, which may include an offset against administrative costs of employer
1114 contributions made under this section.

1115 (8) The office may request from any other qualified 401(k) plan under Subsection (2)
1116 any relevant information pertaining to the maintenance of its tax qualification under the
1117 Internal Revenue Code.

1118 (9) The office may take any action which in its judgment is necessary to maintain the
1119 tax-qualified status of its 401(k) defined contribution plan under federal law.

1120 Section 18. Section **49-23-601** is amended to read:

1121 **49-23-601. Long-term disability coverage.**

1122 (1) A participating employer shall cover a public safety employee who initially enters
1123 employment on or after July 1, 2011, under [~~Title 49,~~] Chapter 21, Public Employees'
1124 Long-Term Disability Act, or a substantially similar long-term disability program.

1125 (2) (a) A participating employer shall cover a firefighter employee who initially enters
1126 employment on or after July 1, 2011, under [~~Title 49,~~] Chapter 21, Public Employees'
1127 Long-Term Disability Act.

1128 (b) In accordance with this section, a participating employer shall provide long-term
1129 disability benefit coverage for a volunteer firefighter as provided under Section 49-16-701.

1130 (c) The office shall ensure that the cost of the long-term disability benefit coverage
1131 provided under Subsections (2)(a) and (b) is funded with revenue received under Section
1132 49-11-901.5.