

1 **UTAH RETIREMENT SYSTEMS ACCOUNTABILITY**

2 **AMENDMENTS**

3 2015 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: Eric K. Hutchings**

6 Senate Sponsor: _____

7
8 **LONG TITLE**

9 **General Description:**

10 This bill modifies the Utah State Retirement and Insurance Benefit Act by amending
11 reporting and accountability provisions.

12 **Highlighted Provisions:**

13 This bill:

- 14 ▶ amends provisions for accountability of the Utah State Retirement Systems;
- 15 ▶ amends duties of the Utah State Retirement Board and executive director to include
16 actions for reporting and accountability;
- 17 ▶ requires the Utah State Retirement Office to:
 - 18 • annually submit a budget and audited financial statements to the Legislature;
 - 19 • disclose administrative costs; and
 - 20 • prepare and submit a comprehensive annual report; and
- 21 ▶ makes technical changes.

22 **Money Appropriated in this Bill:**

23 None

24 **Other Special Clauses:**

25 None

26 **Utah Code Sections Affected:**

27 AMENDS:



- 28 **49-11-103**, as renumbered and amended by Laws of Utah 2002, Chapter 250
- 29 **49-11-201**, as last amended by Laws of Utah 2014, Chapter 15
- 30 **49-11-203**, as renumbered and amended by Laws of Utah 2002, Chapter 250
- 31 **49-11-204**, as last amended by Laws of Utah 2008, Chapter 252
- 32 **49-11-304**, as renumbered and amended by Laws of Utah 2002, Chapter 250

33 ENACTS:

- 34 **49-11-205**, Utah Code Annotated 1953
- 35 **49-11-1102**, Utah Code Annotated 1953



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

38 Section 1. Section **49-11-103** is amended to read:

39 **49-11-103. Purpose -- Liberal construction.**

40 (1) The purpose of this title is to establish:

41 (a) retirement systems and the Utah Governors' and Legislators' Retirement Plan for
42 members which provide:

- 43 (i) a uniform system of membership;
- 44 (ii) retirement requirements;
- 45 (iii) benefits for members;
- 46 (iv) funding on an actuarially sound basis;
- 47 (v) contributions; [~~and~~]
- 48 (vi) economy and efficiency in public service; and
- 49 (vii) appropriate internal controls and prudent investment processes; and
- 50 (b) a central administrative office and a board to administer the various systems, plans,
51 and programs established by the Legislature or the board.

52 (2) This title shall be liberally construed to provide maximum benefits and protections
53 consistent with sound fiduciary and actuarial principals.

54 Section 2. Section **49-11-201** is amended to read:

55 **49-11-201. Establishment of retirement office -- An independent state agency --**
56 **Office exemption.**

57 (1) (a) There is established the Utah State Retirement Office, which may also be
58 known and function as the Utah State Retirement Systems or the Utah Retirement Systems.

59 (b) The office shall administer the systems, plans, and programs and perform all other
60 functions assigned to it under this title.

61 (2) (a) The office is an independent state agency.

62 (b) [~~It~~] The office is subject to legislative and executive department budgetary review
63 and comment on the budget submitted as provided in Section [49-11-205](#).

64 (3) The office may establish branch offices upon approval of the board.

65 (4) The board and office are exempt from those acts which are applicable to state and
66 other governmental entities under this code.

67 Section 3. Section **49-11-203** is amended to read:

68 **49-11-203. Powers and duties of board.**

69 (1) The board shall:

70 (a) appoint an executive director to administer the office;

71 (b) receive and act upon reports covering the operations of the systems, plans,
72 programs, and funds administered by the office;

73 (c) ensure that the systems, plans, programs, and funds are administered according to
74 law;

75 (d) review any final order of a hearing officer and approve or modify the order at the
76 board's discretion in accordance with Section [49-11-613](#);

77 (e) examine and approve an annual operating budget for the office;

78 (f) serve as investment trustees of the Utah State Retirement Investment Fund as
79 provided under this title;

80 (g) maintain, in conjunction with participating employers and members, the systems,
81 plans, and programs on an actuarially sound basis;

82 (h) report annually to the governor, the Legislature, and each participating employer
83 the contribution rates, premium rates, and any adjustments necessary to maintain the systems,
84 plans, and programs on a financially and actuarially sound basis;

85 (i) receive and act upon recommendations of the executive director;

86 (j) recommend to the governor and Legislature, through the executive director, any
87 necessary or desirable changes to this title;

88 (k) develop broad policy for the long-term operation of the various systems, plans, and
89 programs under broad discretion and power to perform the board's policymaking functions,

90 including the specific authority to interpret and define any provision or term under this title
91 when the board or office provides written documentation which demonstrates that the
92 interpretation or definition promotes uniformity in the administration of the systems or
93 maintains the actuarial soundness of the systems, plans, or programs;

94 (l) adopt interest rates, premium rates, and annual contribution rates after reviewing
95 actuarial recommendations;

96 (m) establish the compensation of the executive director and adopt compensation plans
97 and policies based on market surveys for positions in the office;

98 (n) take action consistent with this title for the administration of the systems, plans, and
99 programs in order to carry out the purposes of this title;

100 (o) provide for audits of the systems, plans, programs, and funds;

101 (p) take actions not in conflict with the board's trust and fiduciary responsibilities or
102 other law, with respect to the governance of the office which are substantially similar to those
103 governing other public agencies, including reporting and accountability; and

104 (q) otherwise exercise the powers and perform the duties conferred on the board by this
105 title.

106 (2) The board may:

107 (a) subpoena witnesses and compel their attendance to testify before it, for which
108 purpose each board member may administer oaths and affirmations to witnesses and others
109 transacting business of the office;

110 (b) establish councils to recommend to the board and the executive director policies
111 affecting members of any systems, plans, and programs administered by the board;

112 (c) pay the travel expenses of council members who attend council meetings; and

113 (d) sue and be sued in its own name.

114 Section 4. Section **49-11-204** is amended to read:

115 **49-11-204. Powers and duties of executive director.**

116 The executive director shall:

117 (1) act as the executive officer of the board and the office;

118 (2) administer the various systems, plans, programs, and functions assigned to the
119 board or office;

120 (3) subject to board review, develop and implement internal policies and procedures

- 121 which administer and govern the day-to-day operations of the systems, plans, and programs;
- 122 (4) transmit orders of a hearing officer made under Section 49-11-613 to the board;
- 123 (5) except as provided under Section 49-11-618, provide information concerning the
124 operation of the office to the board, the governor, the Legislature, participating employers, and
125 employer and employee associations~~[, unless otherwise restricted under Section 49-11-618]~~;
- 126 (6) inform the Legislature of any recommendations from the board regarding any
127 necessary or desirable changes to this title;
- 128 (7) consult with the Legislature on all legislation under this title;
- 129 (8) (a) recommend to the board an annual administrative budget covering the
130 operations of the office and, upon approval, submit the budget along with the actuarial status of
131 the funds to the governor and the Legislature for review and comment; and
- 132 (b) direct and control the subsequent expenditures of the budget;
- 133 (9) employ, within the limitations of the budget, personnel to administer the systems,
134 plans, programs, and funds assigned to the office, including consultants, actuaries, attorneys,
135 medical examiners, investment counselors, and accountants to accomplish the purposes of this
136 title;
- 137 (10) establish independent financial records for each of the systems, plans, and
138 programs or combine all financial records using acceptable principles of accounting to identify
139 the assets and vested interests of each system, plan, or program;
- 140 (11) maintain individual records necessary to provide benefits under this title;
- 141 (12) keep in convenient form all records, accounts, and data necessary for the
142 administration and actuarial valuation of the systems, plans, and programs;
- 143 (13) adopt fees, charges, and upon the recommendation of the actuary, interest rates
144 and tables for the administration of the systems, plans, and programs;
- 145 (14) consolidate into one payment all monthly allowances and any defined contribution
146 distributions if the integrity of the various funds is maintained through appropriate accounting
147 records;
- 148 (15) at least every three years:
- 149 (a) make an actuarial investigation into the mortality, service, and other experience of
150 the members, participants, beneficiaries, and covered individuals of the systems, plans, and
151 programs;

152 (b) actuarially value the assets and liabilities of the administered funds and accounts;
153 and

154 (c) determine the rate of interest being earned by the funds;

155 (16) report to the board findings under Subsection (15), with recommendations,
156 including proposed changes in the rates of contribution or benefits that are necessary to
157 maintain the actuarial soundness of the systems, plans, or programs;

158 (17) regulate participating employers by:

159 (a) educating them on their duties imposed by this title;

160 (b) specifying the time, place, and manner in which contributions shall be withheld and
161 paid; and

162 (c) requiring any reports necessary for the administration of this title; [~~and~~]

163 (18) ensure reports required under this chapter are prepared and submitted in a timely
164 manner; and

165 [~~(18)~~] (19) otherwise exercise the powers and perform the duties conferred on the
166 executive director by this title.

167 Section 5. Section 49-11-205 is enacted to read:

168 **49-11-205. Budget submission -- Audited financial statements.**

169 (1) The office shall annually submit a budget to the Legislature, which includes budget
170 data and analysis, including the amount and source of funding, expenses, allocation of costs,
171 and administrative costs for review and recommendation.

172 (2) The office shall annually submit audited financial statements to the Legislature as
173 they become available.

174 Section 6. Section 49-11-304 is amended to read:

175 **49-11-304. Administrative costs -- Payable from fund.**

176 (1) General administrative costs of operating the office shall be assessed to the
177 systems, plans, programs, and funds on a pro rata basis and shall be paid from earnings of the
178 Utah State Retirement Investment Fund.

179 (2) The office shall disclose administrative costs in its annual report submitted under
180 Section 49-11-1102.

181 Section 7. Section 49-11-1102 is enacted to read:

182 **49-11-1102. Annual report -- Content -- Format.**

183 (1) The office shall prepare an annual written report for the preceding calendar year of
184 the:

185 (a) Utah Retirement Systems, including actuarial assumptions, contribution rates, fund
186 balances, plan fiduciary net position, net pension liability, investments, investment earnings
187 and losses, funding levels, administrative expenses, independent auditor's reports, and other
188 financial information useful to monitor and assess fund status and the adequacy of management
189 controls; and

190 (b) systems, plans, and programs administered by the office, including a description of
191 each system, plan, or program provisions and aggregate membership data, including trends and
192 historical data.

193 (2) For each fund, activity, system, plan, and program administered by the office, the
194 annual report shall include:

195 (a) a description;

196 (b) data analysis, including:

197 (i) a detailed review of any net pension liability, beginning and ending year balances,
198 and benefits paid;

199 (ii) a schedule of investment holdings by major asset class;

200 (iii) the assumed rate of return and the actual rate of return;

201 (iv) actuarial assumptions and methods; and

202 (v) funding progress;

203 (c) historical data from previous years for comparison with data reported under

204 Subsection (2)(b)(i);

205 (d) management's discussion and analysis;

206 (e) relevant statutory references and summaries of requirements;

207 (f) a management organization chart; and

208 (g) other information determined by the office that may be needed, useful, or of
209 historical significance.

210 (3) The office shall:

211 (a) submit the annual report to the members of the Executive Appropriations
212 Committee and the Retirement and Independent Entities Interim Committee; and

213 (b) make the annual report accessible to the public by placing a link to the report on the

214 office's website.

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Office of Legislative Research and General Counsel