

## SB0056S01 compared with SB0056

~~text~~ shows text that was in SB0056 but was deleted in SB0056S01.

text shows text that was not in SB0056 but was inserted into SB0056S01.

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Senator Wayne A. Harper proposes the following substitute bill:

### **PUBLIC SAFETY AND FIREFIGHTER TIER II RETIREMENT ENHANCEMENTS**

2020 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Wayne A. Harper**

House Sponsor: \_\_\_\_\_

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#### **LONG TITLE**

##### **General Description:**

This bill modifies provisions relating to the New Public Safety and Firefighter Tier II Contributory Retirement System by amending certain retirement and death benefits.

##### **Highlighted Provisions:**

This bill:

~~text~~ provides definitions;

- ~~text~~ ▶ creates the New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account;
- ▶ provides that a portion of the revenues collected from the tax on the admitted insurers shall be deposited in the New Public Safety and Firefighter Tier II

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Retirement Benefits Restricted Account;

- ▶ provides that funds in the New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account shall be used to fund state agency costs associated with ~~{retirement benefits provided to}~~ the employer pick up for employees that are members of the New Public Safety and Firefighter Tier II Retirement System and the Public Safety and Firefighter Tier II Hybrid Retirement System;
- ▶ requires a participating employer to make an additional nonelective contribution to an employee that is a member of the Public Safety and Firefighter Tier II Defined Contribution Plan, if the participating employer elects to pay the required member contribution as an employer pick up for employees that are members of the Public Safety and Firefighter Tier II Hybrid Retirement System;
- ▶ amends the line-of-duty death benefits payable to the surviving spouse of an active member of the New Public Safety and Firefighter Tier II Contributory Retirement System; and
- ▶ makes technical changes.

### Money Appropriated in this Bill:

None

### Other Special Clauses:

This bill provides a special effective date.

### Utah Code Sections Affected:

AMENDS:

**49-23-301 (Effective 07/01/20)**, as last amended by Laws of Utah 2019, Chapter 484

**49-23-401 (Effective 07/01/20)**, as last amended by Laws of Utah 2019, Chapter 484

**49-23-503**, as last amended by Laws of Utah 2016, Chapter 84

ENACTS:

**49-11-904**, Utah Code Annotated 1953

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

Section 1. Section **49-11-904** is enacted to read:

**49-11-904. New Public Safety and Firefighter Tier II Retirement Benefits**

**Restricted Account -- Insurance premium tax revenues -- Distribution.**

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(1) As used in this section, "account" means the New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account created in this section.

(2) There is created in the General Fund a restricted account known as the "New Public Safety and Firefighter Tier II Retirement Benefits Restricted Account."

(3) The account shall be funded by:

(a) insurance premium tax revenues deposited into the account in accordance with this section; and

(b) interest and earnings on account money.

(4) (a) ~~in~~ Subject to Subsection (6), and in accordance with this section ~~and~~ for a fiscal year beginning on or after July 1, 2020, an amount equal to the growth in the amount of net revenue deposited in the General Fund in the current fiscal year from the annual tax levied, assessed, and collected under Title 59, Chapter 9, Taxation of Admitted Insurers, after all transfers required by state statute have been made, that exceeds the amount of net revenue deposited in the General Fund in the 2015-16 fiscal year from the annual tax levied, assessed, and collected under Title 59, Chapter 9, Taxation of Admitted Insurers, after all transfers required by state statute have been made, shall be deposited into the account.

(b) The amount described in Subsection (4)(a) shall be deposited annually.

(5) The Legislature may appropriate money in the account to fund ~~state agency costs associated with a retirement allowance or defined contribution amount provided to a member of the New Public Safety and Firefighter Tier II Retirement System~~:

(a) the contributions that state agencies make on behalf of members as an employer pick up under Subsection 49-23-301(2)(c); and

(b) nonelective contributions that state agencies make under Subsection 49-23-401(1)(b).

(6) The amount deposited into the account under Subsection (4) may not exceed the amount required to cover the contributions described in Subsection (5).

Section 2. Section **49-23-301 (Effective 07/01/20)** is amended to read:

**49-23-301 (Effective 07/01/20). Contributions.**

(1) Participating employers and members shall pay the certified contribution rates to the office to maintain the defined benefit portion of this system on a financially and actuarially sound basis in accordance with Subsection (2).

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(2) (a) A participating employer shall pay up to 14% of compensation toward the certified contribution rate to the office for the defined benefit portion of this system.

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

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

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

~~[(3) A participating employer may elect to pay all or part of the required member contributions under Subsection (2)(b), in addition to the required participating employer contributions.]~~

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

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

(c) A member contribution is vested and nonforfeitable.

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

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

~~[(6)]~~ (5) Except as provided under Subsection ~~[(7)]~~ (6), benefits provided under the defined benefit portion of the Tier II hybrid retirement system created under this part:

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

(b) may be decreased only in accordance with the provisions of Section 49-23-309.

~~[(7)]~~ (6) (a) The Legislature authorizes ~~[an increase]~~ increases to the death benefit

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provided to a Tier II public safety service employee or firefighter member's surviving spouse effective on May 12, 2015, and July 1, 2020, as provided in Section 49-23-503.

(b) (i) The Legislature authorizes an increase to the multiplier for the calculation of the retirement allowance provided to a member of the New Public Safety and Firefighter Tier II hybrid retirement system effective July 1, 2020, as provided in Section 49-23-304.

(ii) The requirements of Section 49-22-310 do not apply to the benefit adjustment described in this Subsection [~~(7)~~] (6)(b).

Section 3. Section **49-23-401 (Effective 07/01/20)** is amended to read:

### **49-23-401 (Effective 07/01/20). Contributions -- Rates.**

(1) (a) Up to the amount allowed by federal law, the participating employer shall make a nonelective contribution of 14% of the participant's compensation to a defined contribution plan.

(b) In addition to the nonelective contribution described in Subsection (1)(a), if a participating employer elects under Subsection 49-23-301(2)(c) to pay all or part of the required member contribution on behalf of the participating employer's employees that are members covered under Part 3, Tier II Hybrid Retirement System, the participating employer shall make an additional nonelective contribution to an employee that is a member covered under this part at the same percentage rate of the participant's compensation as the participating employer's election to pay required member contributions on behalf of the participating employer's employees that are members covered under Part 3, Tier II Hybrid Retirement System.

(2) (a) The participating employer shall contribute the [~~14% nonelective contribution~~] contributions described in Subsection (1) to a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code which:

- (i) is sponsored by the board; and
- (ii) has been grandfathered under Section 1116 of the Federal Tax Reform Act of 1986.

(b) The member may make voluntary deferrals to:

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

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

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

(3) (a) Except as provided under Subsection (3)(c), the total amount contributed by the participating employer under Subsection (2)(a) vests to the member upon accruing four years of service credit under this title.

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

(c) Upon filing a written request for exemption with the office, an eligible employee is exempt from the vesting requirements of Subsection (3)(a) in accordance with Section 49-23-203.

(d) (i) Years of service credit under Subsection (3)(a) includes any fraction of a year to which the member may be entitled.

(ii) At the time of vesting, if a member's years of service credit is within one-tenth of one year of the total years required for vesting, the member shall be considered to have the total years of service credit required for vesting.

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

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

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

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

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

(7) (a) Except as provided in Subsection (7)(b), if a member terminates employment with a participating employer prior to the vesting period described in Subsection (3)(a), all

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contributions made by a participating employer on behalf of the member under Subsection (2)(a), including associated investment gains and losses are subject to forfeiture.

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

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

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

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

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

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

Section 4. Section **49-23-503** is amended to read:

### **49-23-503. Death of active member in line of duty -- Payment of benefits.**

If an active member of this system dies, benefits are payable as follows:

(1) If the death is classified by the office as a line-of-duty death, benefits are payable as follows:

(a) If the member has accrued less than 20 years of public safety service or firefighter service credit, the surviving spouse shall receive:

(i) a lump sum equal to six months of the active member's final average salary; and

(ii) the greater of:

(A) an allowance equal to 30% of the member's final average monthly salary[-]; or

(B) an allowance equal to 2% of the member's final average monthly salary multiplied

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by the years of service credit accrued by the member.

(b) If the member has accrued 20 or more years of public safety service or firefighter service credit, the member shall be considered to have retired with an Option One allowance calculated without an actuarial reduction under Section 49-23-304 and the surviving spouse shall receive the allowance that would have been payable to the member.

(2) (a) A volunteer firefighter is eligible for a line-of-duty death benefit under this section if the death results from external force, violence, or disease directly resulting from firefighter service.

(b) The lowest monthly compensation of firefighters of a city of the first class in this state at the time of death shall be considered to be the final average monthly salary of a volunteer firefighter for purposes of computing these benefits.

(c) Each volunteer fire department shall maintain a current roll of all volunteer firefighters which meet the requirements of Subsection 49-23-102(13) to determine the eligibility for this benefit.

(3) (a) If the death is classified as a line-of-duty death by the office, death benefits are payable under this section and the surviving spouse is not eligible for benefits under Section 49-23-502.

(b) If the death is not classified as a line-of-duty death by the office, benefits are payable in accordance with Section 49-23-502.

(4) (a) A surviving spouse who qualifies for a monthly benefit under this section shall apply in writing to the office.

(b) The allowance shall begin on the first day of the month following the month in which the:

(i) member or participant died, if the application is received by the office within 90 days of the date of death of the member or participant; or

(ii) application is received by the office, if the application is received by the office more than 90 days after the date of death of the member or participant.

**Section 5. Effective date.**

This bill takes effect on July 1, 2020.