

RETIREMENT SYSTEMS AMENDMENTS

2017 GENERAL SESSION

STATE OF UTAH

LONG TITLE

General Description:

This bill modifies the Utah State Retirement and Insurance Benefit Act by amending retirement and insurance provisions.

Highlighted Provisions:

This bill:

- ▶ modifies the responsibility for certain functions within the Utah Retirement Systems;
- ▶ modifies certain retiree notification and benefit conversion provisions relating to retirement options affected by death or divorce;
- ▶ specifies additional names for the Public Employees' Benefit and Insurance Program; 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:

- 49-11-602**, as last amended by Laws of Utah 2013, Chapter 109
- 49-11-603**, as last amended by Laws of Utah 2015, Chapter 243
- 49-12-402**, as last amended by Laws of Utah 2014, Chapter 15
- 49-13-402**, as last amended by Laws of Utah 2014, Chapter 15
- 49-20-103**, as renumbered and amended by Laws of Utah 2002, Chapter 250
- 49-22-305**, as last amended by Laws of Utah 2011, Chapter 439
- 49-23-304**, as last amended by Laws of Utah 2011, Chapter 439

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

33 Section 1. Section **49-11-602** is amended to read:

34 **49-11-602. Participating employer to maintain records -- Time limit -- Penalties**
35 **for failure to comply.**

36 (1) A participating employer shall:

37 (a) maintain records necessary to calculate benefits under this title and other records
38 necessary for proper administration of this title as required by the office; and

39 (b) maintain records that indicate whether an employee is receiving:

40 (i) a benefit under state or federal law that, under Subsection 49-12-102(1)(b)(vi) or
41 (vii), is excluded from the definition of benefits normally provided for purposes of Chapter 12,
42 Public Employees' Contributory Retirement Act, Chapter 13, Public Employees'
43 Noncontributory Retirement Act, or Chapter 22, New Public Employees' Tier II Contributory
44 Retirement Act; or

45 (ii) a benefit under a benefit package generally offered to similarly situated employees.

46 (2) A participating employer shall maintain the records required under Subsection (1)
47 until the earliest of:

48 (a) three years after the date of retirement of the employee from a system or plan;

49 (b) three years after the date of death of the employee; or

50 (c) 65 years from the date of employment with the participating employer.

51 (3) A participating employer shall be liable to the office for:

52 (a) any liabilities and expenses, including administrative expenses and the cost of
53 increased benefits to members, resulting from the participating employer's failure to maintain
54 records under this section; and

55 (b) a penalty equal to 1% of the participating employer's last month's contributions.

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

59 (5) The [~~executive director~~] office may estimate the length of service, compensation, or
60 age of any member, if that information is not contained in the records.

61 (6) (a) A participating employer shall enroll an employee, make reports, submit
62 contributions, and provide other requested information electronically in a manner approved by
63 the office.

64 (b) A participating employer shall treat any information provided electronically or
65 otherwise by the office as subject to the confidentiality provisions of this title.

66 Section 2. Section **49-11-603** is amended to read:

67 **49-11-603. Participating employer to report and certify -- Time limit -- Penalties**
68 **for failure to comply.**

69 (1) As soon as administratively possible, but in no event later than 30 days after the
70 end of each pay period, a participating employer shall report and certify to the office:

71 (a) the eligibility for service credit accrual of:

72 (i) each current employee;

73 (ii) each new employee as the new employee begins employment; and

74 (iii) any changes to eligibility for service credit accrual of each employee;

75 (b) the compensation of each current employee eligible for service credit; and

76 (c) other factors relating to the proper administration of this title as required by the
77 executive director.

78 (2) Each participating employer shall submit the reports required under Subsection (1)
79 in a format approved by the office.

80 (3) A participating employer shall be liable to the office for:

81 (a) any liabilities and expenses, including administrative expenses and the cost of
82 increased benefits to employees, resulting from the participating employer's failure to correctly
83 report and certify records under this section;

84 (b) a penalty equal to the greater of:

85 (i) \$250; or

86 (ii) 50% of the total contributions for the employees for the period of the reporting
87 error; and

88 (c) attorney fees.

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

92 (5) The [~~executive director~~] office may estimate the length of service, compensation, or
93 age of any employee, if that information is not contained in the records.

94 Section 3. Section **49-12-402** is amended to read:

95 **49-12-402. Service retirement plans -- Calculation of retirement allowance --**
96 **Social Security limitations.**

97 (1) (a) Except as provided under Section 49-12-701, retirees of this system may choose
98 from the six retirement options described in this section.

99 (b) Options Two, Three, Four, Five, and Six are modifications of the Option One
100 calculation.

101 (2) The Option One benefit is an annual allowance calculated as follows:

102 (a) If the retiree is at least 65 years of age or has accrued at least 30 years of service
103 credit, the allowance is:

104 (i) an amount equal to 1.25% of the retiree's final average monthly salary multiplied by
105 the number of years of service credit accrued prior to July 1, 1975; plus

106 (ii) an amount equal to 2% of the retiree's final average monthly salary multiplied by
107 the number of years of service credit accrued on and after July 1, 1975.

108 (b) If the retiree is less than 65 years of age, the allowance shall be reduced 3% for
109 each year of retirement from age 60 to age 65, unless the member has 30 or more years of
110 accrued credit in which event no reduction is made to the allowance.

111 (c) (i) Years of service includes any fractions of years of service to which the retiree
112 may be entitled.

113 (ii) At the time of retirement, if a retiree's combined years of actual, not purchased,
114 service credit is within 1/10 of one year of the total years of service credit required for
115 retirement, the retiree shall be considered to have the total years of service credit required for
116 retirement.

117 (d) An Option One allowance is only payable to the member during the member's
118 lifetime.

119 (3) The allowance payable under Options Two, Three, Four, Five, and Six is calculated
120 by reducing an Option One benefit based on actuarial computations to provide the following:

121 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
122 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
123 member contributions, the remaining balance of the retiree's member contributions shall be
124 paid in accordance with Sections 49-11-609 and 49-11-610.

125 (b) Option Three is a reduced allowance paid to and throughout the lifetime of the

126 retiree, and, upon the death of the retiree, the same reduced allowance paid to and throughout
127 the lifetime of the retiree's lawful spouse at the time of retirement.

128 (c) Option Four is a reduced allowance paid to and throughout the lifetime of the
129 retiree, and upon the death of the retiree, an amount equal to 1/2 of the retiree's allowance paid
130 to and throughout the lifetime of the retiree's lawful spouse at the time of retirement.

131 (d) Option Five is a modification of Option Three so that if the lawful spouse at the
132 time of retirement predeceases the retiree, an allowance equivalent to the amount payable at the
133 time of initial retirement under Option One shall be paid to the retiree for the remainder of the
134 retiree's life, beginning on the first day of the month following the month in which the:

135 (i) spouse died, if [~~the application~~] notification and supporting documentation for the
136 death is received by the office within 90 days of the spouse's death; or

137 (ii) [~~application~~] notification and supporting documentation for the death is received by
138 the office, if the [~~application~~] notification and supporting documentation is received by the
139 office more than 90 days after the spouse's death.

140 (e) Option Six is a modification of Option Four so that if the lawful spouse at the time
141 of retirement predeceases the retiree, an allowance equivalent to the amount payable at the time
142 of initial retirement under Option One shall be paid to the retiree for the remainder of the
143 retiree's life, beginning on the first day of the month following the month in which the:

144 (i) spouse died, if [~~the application~~] notification and supporting documentation for the
145 death is received by the office within 90 days of the spouse's death; or

146 (ii) [~~application~~] notification and supporting documentation for the death is received by
147 the office, if the [~~application~~] notification and supporting documentation is received by the
148 office more than 90 days after the spouse's death.

149 (4) (a) (i) The final average salary is limited in the computation of that part of an
150 allowance based on service rendered prior to July 1, 1967, during a period when the retiree
151 received employer contributions on a portion of compensation from an educational institution
152 toward the payment of the premium required on a retirement annuity contract with a public or
153 private system, organization, or company designated by the State Board of Regents to \$4,800.

154 (ii) This limitation is not applicable to retirees who elected to continue in this system
155 by July 1, 1967.

156 (b) Periods of employment which are exempt from this system under Subsection

157 49-12-203(1)(b), may be purchased by the member for the purpose of retirement only if all
158 benefits from a public or private system, organization, or company designated by the State
159 Board of Regents based on this period of employment are forfeited.

160 (5) (a) If a retiree under Option One dies within 90 days after the retiree's retirement
161 date, the retirement is canceled and the death shall be considered as that of a member before
162 retirement.

163 (b) Any payments made to the retiree shall be deducted from the amounts due to the
164 beneficiary.

165 (6) (a) If a retiree retires under either Option Five or Six and subsequently divorces, the
166 retiree may elect to convert the benefit to a Option One benefit at the time of divorce, if there is
167 no court order filed in the matter.

168 (b) A conversion to an Option One benefit under Subsection (6) begins on the first day
169 of the month following the month in which the notification and supporting documentation for
170 the divorce is received by the office.

171 Section 4. Section **49-13-402** is amended to read:

172 **49-13-402. Service retirement plans -- Calculation of retirement allowance --**
173 **Social Security limitations.**

174 (1) (a) Except as provided under Section 49-13-701, retirees of this system may choose
175 from the six retirement options described in this section.

176 (b) Options Two, Three, Four, Five, and Six are modifications of the Option One
177 calculation.

178 (2) The Option One benefit is an allowance calculated as follows:

179 (a) If the retiree is at least 65 years of age or has accrued at least 30 years of service
180 credit, the allowance is an amount equal to 2% of the retiree's final average monthly salary
181 multiplied by the number of years of service credit accrued.

182 (b) If the retiree is less than 65 years of age, the allowance shall be reduced 3% for
183 each year of retirement from age 60 to age 65, plus a full actuarial reduction for each year of
184 retirement prior to age 60, unless the member has 30 or more years of accrued credit, in which
185 event no reduction is made to the allowance.

186 (c) (i) Years of service include any fractions of years of service to which the retiree
187 may be entitled.

188 (ii) At the time of retirement, if a retiree's combined years of actual, not purchased,
189 service credit is within 1/10 of one year of the total years of service credit required for
190 retirement, the retiree shall be considered to have the total years of service credit required for
191 retirement.

192 (d) An Option One allowance is only payable to the member during the member's
193 lifetime.

194 (3) The allowance payable under Options Two, Three, Four, Five, and Six is calculated
195 by reducing an Option One benefit based on actuarial computations to provide the following:

196 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
197 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
198 member contributions, the remaining balance of the retiree's member contributions shall be
199 paid in accordance with Sections 49-11-609 and 49-11-610.

200 (b) Option Three is a reduced allowance paid to and throughout the lifetime of the
201 retiree, and, upon the death of the retiree, the same reduced allowance paid to and throughout
202 the lifetime of the retiree's lawful spouse at the time of retirement.

203 (c) Option Four is a reduced allowance paid to and throughout the lifetime of the
204 retiree, and upon the death of the retiree, an amount equal to one-half of the retiree's allowance
205 paid to and throughout the lifetime of the retiree's lawful spouse at the time of retirement.

206 (d) Option Five is a modification of Option Three so that if the lawful spouse at the
207 time of retirement predeceases the retiree, an allowance equivalent to the amount payable at the
208 time of initial retirement under Option One shall be paid to the retiree for the remainder of the
209 retiree's life, beginning on the first day of the month following the month in which the:

210 (i) spouse died, if [~~the application~~] notification and supporting documentation for the
211 death is received by the office within 90 days of the spouse's death; or

212 (ii) [~~application~~] notification and supporting documentation for the death is received by
213 the office, if the [~~application~~] notification and supporting documentation is received by the
214 office more than 90 days after the spouse's death.

215 (e) Option Six is a modification of Option Four so that if the lawful spouse at the time
216 of retirement predeceases the retiree, an allowance equivalent to the amount payable at the time
217 of initial retirement under Option One shall be paid to the retiree for the remainder of the
218 retiree's life, beginning on the first day of the month following the month in which the:

219 (i) spouse died, if ~~[the application]~~ notification and supporting documentation for the
220 death is received by the office within 90 days of the spouse's death; or

221 (ii) ~~[application]~~ notification and supporting documentation for the death is received by
222 the office, if the ~~[application]~~ notification and supporting documentation is received by the
223 office more than 90 days after the spouse's death.

224 (4) (a) (i) The final average salary is limited in the computation of that part of an
225 allowance based on service rendered prior to July 1, 1967, during a period when the retiree
226 received employer contributions on a portion of compensation from an educational institution
227 toward the payment of the premium required on a retirement annuity contract with a public or
228 private system, organization, or company designated by the State Board of Regents to \$4,800.

229 (ii) This limitation is not applicable to retirees who elected to continue in the Public
230 Employees' Contributory Retirement System by July 1, 1967.

231 (b) Periods of employment which are exempt from this system as permitted under
232 Subsection 49-13-203(1)(b) may be purchased by the member for the purpose of retirement
233 only if all benefits from a public or private system, organization, or company designated by the
234 State Board of Regents based on this period of employment are forfeited.

235 (5) (a) If a retiree under Option One dies within 90 days after the retiree's retirement
236 date, the retirement is canceled and the death shall be considered as that of a member before
237 retirement.

238 (b) Any payments made to the retiree shall be deducted from the amounts due to the
239 beneficiary.

240 (6) (a) If a retiree retires under either Option Five or Six and subsequently divorces, the
241 retiree may elect to convert the benefit to an Option One benefit at the time of divorce, if there
242 is no court order filed in the matter.

243 (b) A conversion to an Option One benefit under Subsection (6) begins on the first day
244 of the month following the month in which the notification and supporting documentation for
245 the divorce is received by the office.

246 Section 5. Section **49-20-103** is amended to read:

247 **49-20-103. Creation of insurance program.**

248 (1) There is created for the employees of the state, its educational institutions, and
249 political subdivisions the "Public Employees' Benefit and Insurance Program" within the office.

250 (2) The program may also be known and function as the Public Employees' Health
251 Program, PEHP, or PEHP Health and Benefits.

252 Section 6. Section **49-22-305** is amended to read:

253 **49-22-305. Defined benefit service retirement plans -- Calculation of retirement**
254 **allowance -- Social Security limitations.**

255 (1) (a) The retirees of this system may choose from the six retirement options described
256 in this section.

257 (b) Options Two, Three, Four, Five, and Six are modifications of the Option One
258 calculation.

259 (2) The Option One benefit is an annual allowance calculated as follows:

260 (a) If the retiree is at least 65 years of age or has accrued at least 35 years of service
261 credit, the allowance is an amount equal to 1.5% of the retiree's final average salary multiplied
262 by the number of years of service credit accrued on and after July 1, 2011.

263 (b) If the retiree is less than 65 years of age, the allowance shall be reduced by the full
264 actuarial amount for each year of retirement from age 60 to age 65, unless the member has 35
265 or more years of accrued credit in which event no reduction is made to the allowance.

266 (c) (i) Years of service includes any fractions of years of service to which the retiree
267 may be entitled.

268 (ii) At the time of retirement, if a retiree's combined years of actual, not purchased,
269 service credit is within one-tenth of one year of the total years of service credit required for
270 retirement, the retiree shall be considered to have the total years of service credit required for
271 retirement.

272 (d) An Option One allowance is only payable to the member during the member's
273 lifetime.

274 (3) The allowance payable under Options Two, Three, Four, Five, and Six is calculated
275 by reducing an Option One benefit based on actuarial computations to provide the following:

276 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
277 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
278 member contributions, the remaining balance of the retiree's member contributions shall be
279 paid in accordance with Sections 49-11-609 and 49-11-610.

280 (b) Option Three is a reduced allowance paid to and throughout the lifetime of the

281 retiree, and, upon the death of the retiree, the same reduced allowance is paid to and throughout
282 the lifetime of the retiree's lawful spouse at the time of retirement.

283 (c) Option Four is a reduced allowance paid to and throughout the lifetime of the
284 retiree, and upon the death of the retiree, an amount equal to one-half of the retiree's allowance
285 is paid to and throughout the lifetime of the retiree's lawful spouse at the time of retirement.

286 (d) Option Five is a modification of Option Three so that if the lawful spouse at the
287 time of retirement predeceases the retiree, an allowance equivalent to the amount payable at the
288 time of initial retirement under Option One shall be paid to the retiree for the remainder of the
289 retiree's life, beginning on the first day of the month following the month in which the:

290 (i) [~~following the month in which the~~] spouse died, if [~~the application~~] notification and
291 supporting documentation for the death is received by the office within 90 days of the spouse's
292 death; or

293 (ii) [~~following the month in which the application~~] notification and supporting
294 documentation for the death is received by the office, if the [~~application~~] notification and
295 supporting documentation is received by the office more than 90 days after the spouse's death.

296 (e) Option Six is a modification of Option Four so that if the lawful spouse at the time
297 of retirement predeceases the retiree, an allowance equivalent to the amount payable at the time
298 of initial retirement under Option One shall be paid to the retiree for the remainder of the
299 retiree's life, beginning on the first day of the month following the month in which the:

300 (i) [~~following the month in which the~~] spouse died, if [~~the application~~] notification and
301 supporting documentation for the death is received by the office within 90 days of the spouse's
302 death; or

303 (ii) [~~following the month in which the application~~] notification and supporting
304 documentation for the death is received by the office, if the [~~application~~] notification and
305 supporting documentation is received by the office more than 90 days after the spouse's death.

306 (4) (a) If a retiree under Option One dies within 120 days after the retiree's retirement
307 date, the retirement is canceled and the death shall be considered as that of a member before
308 retirement.

309 (b) Any payments made to the retiree shall be deducted from the amounts due to the
310 beneficiary.

311 (5) (a) If a retiree retires under either Option Five or Six and subsequently divorces, the

312 retiree may elect to convert the benefit to an Option One benefit at the time of divorce, if there
313 is no court order filed in the matter.

314 (b) A conversion to an Option One benefit under this Subsection (5) begins on the first
315 day of the month following the month in which the notification and supporting documentation
316 for the divorce is received by the office.

317 Section 7. Section **49-23-304** is amended to read:

318 **49-23-304. Defined benefit service retirement plans -- Calculation of retirement**
319 **allowance -- Social Security limitations.**

320 (1) (a) The retirees of this system may choose from the six retirement options described
321 in this section.

322 (b) Options Two, Three, Four, Five, and Six are modifications of the Option One
323 calculation.

324 (2) The Option One benefit is an annual allowance calculated as follows:

325 (a) If the retiree is at least 65 years of age or has accrued at least 25 years of service
326 credit, the allowance is an amount equal to 1.5% of the retiree's final average salary multiplied
327 by the number of years of service credit accrued on and after July 1, 2011.

328 (b) If the retiree is less than 65 years of age, the allowance shall be reduced by the full
329 actuarial amount for each year of retirement from age 60 to age 65, unless the member has 25
330 or more years of accrued credit in which event no reduction is made to the allowance.

331 (c) (i) Years of service includes any fractions of years of service to which the retiree
332 may be entitled.

333 (ii) At the time of retirement, if a retiree's combined years of actual, not purchased,
334 service credit is within 1/10 of one year of the total years of service credit required for
335 retirement, the retiree shall be considered to have the total years of service credit required for
336 retirement.

337 (d) An Option One allowance is only payable to the member during the member's
338 lifetime.

339 (3) The allowance payable under Options Two, Three, Four, Five, and Six is calculated
340 by reducing an Option One benefit based on actuarial computations to provide the following:

341 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
342 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's

343 member contributions, the remaining balance of the retiree's member contributions shall be
344 paid in accordance with Sections 49-11-609 and 49-11-610.

345 (b) Option Three is a reduced allowance paid to and throughout the lifetime of the
346 retiree, and, upon the death of the retiree, the same reduced allowance is paid to and throughout
347 the lifetime of the retiree's lawful spouse at the time of retirement.

348 (c) Option Four is a reduced allowance paid to and throughout the lifetime of the
349 retiree, and upon the death of the retiree, an amount equal to 1/2 of the retiree's allowance is
350 paid to and throughout the lifetime of the retiree's lawful spouse at the time of retirement.

351 (d) Option Five is a modification of Option Three so that if the lawful spouse at the
352 time of retirement predeceases the retiree, an allowance equivalent to the amount payable at the
353 time of initial retirement under Option One shall be paid to the retiree for the remainder of the
354 retiree's life, beginning on the first day of the month following the month in which the:

355 (i) [~~following the month in which the~~] spouse died, if [~~the application~~] notification and
356 supporting documentation for the death is received by the office within 90 days of the spouse's
357 death; or

358 (ii) [~~following the month in which the application~~] notification and supporting
359 documentation for the death is received by the office, if the [~~application~~] notification and
360 supporting documentation is received by the office more than 90 days after the spouse's death.

361 (e) Option Six is a modification of Option Four so that if the lawful spouse at the time
362 of retirement predeceases the retiree, an allowance equivalent to the amount payable at the time
363 of initial retirement under Option One shall be paid to the retiree for the remainder of the
364 retiree's life, beginning on the first day of the month following the month in which the:

365 (i) [~~following the month in which the~~] spouse died, if [~~the application~~] notification and
366 supporting documentation for the death is received by the office within 90 days of the spouse's
367 death; or

368 (ii) [~~following the month in which the application~~] notification and supporting
369 documentation for the death is received by the office, if the [~~application~~] notification and
370 supporting documentation is received by the office more than 90 days after the spouse's death.

371 (4) (a) If a retiree under Option One dies within 120 days after the retiree's retirement
372 date, the retirement is canceled and the death shall be considered as that of a member before
373 retirement.

374 (b) Any payments made to the retiree shall be deducted from the amounts due to the
375 beneficiary.

376 (5) (a) If a retiree retires under either Option Five or Six and subsequently divorces, the
377 retiree may elect to convert the benefit to an Option One benefit at the time of divorce, if there
378 is no court order filed in the matter.

379 (b) A conversion to an Option One benefit under this Subsection (5) begins on the first
380 day of the month following the month in which the notification and supporting documentation
381 for the divorce is received by the office.

382 Section 8. **Effective date.**

383 This bill takes effect on July 1, 2017.