

1 **RETIREMENT SYSTEMS AMENDMENTS**

2 2017 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Daniel Hemmert**

5 House Sponsor: Jefferson Moss

7 **LONG TITLE**

8 **General Description:**

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

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ modifies the responsibility for certain functions within the Utah Retirement
14 Systems;
- 15 ▶ modifies an exception to the postretirement reemployment restrictions;
- 16 ▶ modifies certain retiree notification and benefit conversion provisions relating to
17 retirement options affected by death or divorce;
- 18 ▶ specifies additional names for the Public Employees' Benefit and Insurance
19 Program; and
- 20 ▶ makes technical changes.

21 **Money Appropriated in this Bill:**

22 None

23 **Other Special Clauses:**

24 This bill provides a special effective date.

25 **Utah Code Sections Affected:**

26 AMENDS:

27 [49-11-602](#), as last amended by Laws of Utah 2013, Chapter 109

28 [49-11-603](#), as last amended by Laws of Utah 2015, Chapter 243

- 29 [49-11-1205](#), as enacted by Laws of Utah 2016, Chapter 310
 - 30 [49-11-1207](#), as enacted by Laws of Utah 2016, Chapter 310
 - 31 [49-12-402](#), as last amended by Laws of Utah 2014, Chapter 15
 - 32 [49-13-402](#), as last amended by Laws of Utah 2014, Chapter 15
 - 33 [49-20-103](#), as renumbered and amended by Laws of Utah 2002, Chapter 250
 - 34 [49-22-305](#), as last amended by Laws of Utah 2011, Chapter 439
 - 35 [49-23-304](#), as last amended by Laws of Utah 2011, Chapter 439
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37 *Be it enacted by the Legislature of the state of Utah:*

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

39 **49-11-602. Participating employer to maintain records -- Time limit -- Penalties**
40 **for failure to comply.**

41 (1) A participating employer shall:

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

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

45 (i) a benefit under state or federal law that, under Subsection [49-12-102\(1\)\(b\)\(vi\)](#) or
46 (vii), is excluded from the definition of benefits normally provided for purposes of Chapter 12,
47 Public Employees' Contributory Retirement Act, Chapter 13, Public Employees'
48 Noncontributory Retirement Act, or Chapter 22, New Public Employees' Tier II Contributory
49 Retirement Act; or

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

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

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

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

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

- 56 (3) A participating employer shall be liable to the office for:
- 57 (a) any liabilities and expenses, including administrative expenses and the cost of
- 58 increased benefits to members, resulting from the participating employer's failure to maintain
- 59 records under this section; and
- 60 (b) a penalty equal to 1% of the participating employer's last month's contributions.
- 61 (4) The executive director may waive all or any part of the interest, penalties, expenses,
- 62 and fees if the executive director finds there were extenuating circumstances surrounding the
- 63 participating employer's failure to comply with this section.
- 64 (5) The ~~executive director~~ office may estimate the length of service, compensation, or
- 65 age of any member, if that information is not contained in the records.
- 66 (6) (a) A participating employer shall enroll an employee, make reports, submit
- 67 contributions, and provide other requested information electronically in a manner approved by
- 68 the office.
- 69 (b) A participating employer shall treat any information provided electronically or
- 70 otherwise by the office as subject to the confidentiality provisions of this title.
- 71 Section 2. Section **49-11-603** is amended to read:
- 72 **49-11-603. Participating employer to report and certify -- Time limit -- Penalties**
- 73 **for failure to comply.**
- 74 (1) As soon as administratively possible, but in no event later than 30 days after the
- 75 end of each pay period, a participating employer shall report and certify to the office:
- 76 (a) the eligibility for service credit accrual of:
- 77 (i) each current employee;
- 78 (ii) each new employee as the new employee begins employment; and
- 79 (iii) any changes to eligibility for service credit accrual of each employee;
- 80 (b) the compensation of each current employee eligible for service credit; and
- 81 (c) other factors relating to the proper administration of this title as required by the
- 82 executive director.

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

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

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

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

90 (i) \$250; or

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

93 (c) attorney fees.

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

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

99 Section 3. Section **49-11-1205** is amended to read:

100 **49-11-1205. Postretirement reemployment restriction exceptions.**

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

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

105 (ii) upon reemployment after the break in service under Subsection (1)(a)(i), the retiree
106 does not receive any employer paid benefits, including:

107 (A) retirement service credit or retirement-related contributions;

108 (B) medical benefits;

109 (C) dental benefits;

110 (D) other insurance benefits except for workers' compensation as provided under Title
111 34A, Chapter 2, Workers' Compensation Act, Title 34A, Chapter 3, Utah Occupational Disease
112 Act, and withholdings required by federal or state law for social security, Medicare, and
113 unemployment insurance; or

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

115 (iii) (A) the retiree does not earn in any calendar year of reemployment an amount in
116 excess of the lesser of \$15,000 or one-half of the retiree's final average salary upon which the
117 retiree's retirement allowance is based[-]; or

118 (B) the retiree is reemployed as a judge as defined under Section [78A-11-102](#).

119 (b) Beginning January 1, 2013, the board shall adjust the amounts under Subsection
120 (1)(a)(iii) by the annual change in the Consumer Price Index during the previous calendar year
121 as measured by a United States Bureau of Labor Statistics Consumer Price Index average as
122 determined by the board.

123 (2) A retiree shall be considered as having completed the one-year separation from
124 employment with a participating employer required under Section [49-11-1204](#), if the retiree:

125 (a) before retiring:

126 (i) was employed with a participating employer as a public safety service employee as
127 defined in Section [49-14-102](#), [49-15-102](#), or [49-23-102](#);

128 (ii) and during the employment under Subsection (2)(a)(i), suffered a physical injury
129 resulting from external force or violence while performing the duties of the employment, and
130 for which injury the retiree would have been approved for total disability in accordance with
131 the provisions under Chapter 21, Public Employees' Long-Term Disability Act, if years of
132 service are not considered;

133 (iii) had less than 30 years of service credit but had sufficient service credit to retire,
134 with an unreduced allowance making the public safety service employee ineligible for
135 long-term disability payments under Chapter 21, Public Employees' Long-Term Disability Act,
136 or a substantially similar long-term disability program; and

137 (iv) does not receive any long-term disability benefits from any participating employer;
138 and

139 (b) is reemployed by a different participating employer.

140 (3) (a) The office may not cancel the retirement allowance of a retiree who is employed
141 as an affiliated emergency services worker within one year of the retiree's retirement date if the
142 affiliated emergency services worker does not receive any compensation, except for:

143 (i) a nominal fee, stipend, discount, tax credit, voucher, or other fixed sum of money or
144 cash equivalent payment not tied to productivity and paid periodically for services;

145 (ii) a length-of-service award;

146 (iii) insurance policy premiums paid by the participating employer in the event of death
147 of an affiliated emergency services worker or a line-of-duty accidental death or disability; or

148 (iv) reimbursement of expenses incurred in the performance of duties.

149 (b) For purposes of Subsections (3)(a)(i) and (ii), the total amount of any discounts, tax
150 credits, vouchers, and payments to an affiliated emergency services worker may not exceed
151 \$500 per month.

152 (c) Beginning January 1, 2016, the board shall adjust the amount under Subsection
153 (3)(b) by the annual change in the Consumer Price Index during the previous calendar year as
154 measured by a United States Bureau of Labor Statistics Consumer Price Index average as
155 determined by the board.

156 (4) (a) If a retiree is reemployed under the provisions of Subsection (1) or (3), the
157 termination date of the reemployment, as confirmed in writing by the participating employer, is
158 considered the retiree's retirement date for the purpose of calculating the separation
159 requirement under Section [49-11-1204](#).

160 (b) The office shall cancel the retirement allowance of a retiree for the remainder of the
161 calendar year if the reemployment with a participating employer exceeds the limitation under
162 Subsection (1)(a)(iii) or (3)(b).

163 Section 4. Section **49-11-1207** is amended to read:

164 **49-11-1207. Postretirement reemployment -- Violations -- Penalties.**

165 (1) (a) If the office receives notice or learns of the reemployment of a retiree in
166 violation of Section 49-11-1204 or 49-11-1205, the office shall:

167 (i) immediately cancel the retiree's retirement allowance;

168 (ii) keep the retiree's retirement allowance cancelled for the remainder of the calendar
169 year if the reemployment with a participating employer exceeded the limitation under
170 Subsection 49-11-1205(1)(a)(iii)(A) or (3)(b); and

171 (iii) recover any overpayment resulting from the violation in accordance with the
172 provisions of Section 49-11-607 before the allowance may be reinstated.

173 (b) Reinstatement of an allowance following cancellation for a violation under this
174 section is subject to the procedures and provisions under Section 49-11-1204.

175 (2) If a retiree or participating employer failed to report reemployment in violation of
176 Section 49-11-1206, the retiree, participating employer, or both, who are found to be
177 responsible for the failure to report, are liable to the office for the amount of any overpayment
178 resulting from the violation.

179 (3) A participating employer is liable to the office for a payment or failure to make a
180 payment in violation of this part.

181 (4) If a participating employer fails to notify the office in accordance with Section
182 49-11-1206, the participating employer is immediately subject to a compliance audit by the
183 office.

184 Section 5. Section 49-12-402 is amended to read:

185 **49-12-402. Service retirement plans -- Calculation of retirement allowance --**
186 **Social security limitations.**

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

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

- 191 (2) The Option One benefit is an annual allowance calculated as follows:
- 192 (a) If the retiree is at least 65 years of age or has accrued at least 30 years of service
193 credit, the allowance is:
- 194 (i) an amount equal to 1.25% of the retiree's final average monthly salary multiplied by
195 the number of years of service credit accrued prior to July 1, 1975; plus
- 196 (ii) an amount equal to 2% of the retiree's final average monthly salary multiplied by
197 the number of years of service credit accrued on and after July 1, 1975.
- 198 (b) If the retiree is less than 65 years of age, the allowance shall be reduced 3% for
199 each year of retirement from age 60 to age 65, unless the member has 30 or more years of
200 accrued credit in which event no reduction is made to the allowance.
- 201 (c) (i) Years of service includes any fractions of years of service to which the retiree
202 may be entitled.
- 203 (ii) At the time of retirement, if a retiree's combined years of actual, not purchased,
204 service credit is within 1/10 of one year of the total years of service credit required for
205 retirement, the retiree shall be considered to have the total years of service credit required for
206 retirement.
- 207 (d) An Option One allowance is only payable to the member during the member's
208 lifetime.
- 209 (3) The allowance payable under Options Two, Three, Four, Five, and Six is calculated
210 by reducing an Option One benefit based on actuarial computations to provide the following:
- 211 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
212 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
213 member contributions, the remaining balance of the retiree's member contributions shall be
214 paid in accordance with Sections [49-11-609](#) and [49-11-610](#).
- 215 (b) Option Three is a reduced allowance paid to and throughout the lifetime of the
216 retiree, and, upon the death of the retiree, the same reduced allowance paid to and throughout
217 the lifetime of the retiree's lawful spouse at the time of retirement.

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

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

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

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

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

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

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

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

244 (ii) This limitation is not applicable to retirees who elected to continue in this system

245 by July 1, 1967.

246 (b) Periods of employment which are exempt from this system under Subsection
247 49-12-203(1)(b), may be purchased by the member for the purpose of retirement only if all
248 benefits from a public or private system, organization, or company designated by the State
249 Board of Regents based on this period of employment are forfeited.

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

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

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

258 (b) A conversion to an Option One benefit under this Subsection (6) begins on the first
259 day of the month following the month in which the notification and supporting documentation
260 for the divorce are received by the office.

261 Section 6. Section 49-13-402 is amended to read:

262 **49-13-402. Service retirement plans -- Calculation of retirement allowance --**
263 **Social security limitations.**

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

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

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

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

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

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

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

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

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

286 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
287 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
288 member contributions, the remaining balance of the retiree's member contributions shall be
289 paid in accordance with Sections [49-11-609](#) and [49-11-610](#).

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

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

296 (d) Option Five is a modification of Option Three so that if the lawful spouse at the
297 time of retirement predeceases the retiree, an allowance equivalent to the amount payable at the
298 time 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) spouse died, if [~~the application is~~] notification and supporting documentation for the
301 death are received by the office within 90 days of the spouse's death; or

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

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

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

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

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

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

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

325 (5) (a) If a retiree under Option One dies within 90 days after the retiree's retirement

326 date, the retirement is canceled and the death shall be considered as that of a member before
327 retirement.

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

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

333 (b) A conversion to an Option One benefit under this Subsection (6) begins on the first
334 day of the month following the month in which the notification and supporting documentation
335 for the divorce are received by the office.

336 Section 7. Section **49-20-103** is amended to read:

337 **49-20-103. Creation of insurance program.**

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

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

342 Section 8. Section **49-22-305** is amended to read:

343 **49-22-305. Defined benefit service retirement plans -- Calculation of retirement**
344 **allowance -- Social security limitations.**

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

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

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

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

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

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

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

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

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

366 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
367 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
368 member contributions, the remaining balance of the retiree's member contributions shall be
369 paid in accordance with Sections [49-11-609](#) and [49-11-610](#).

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

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

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

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

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

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

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

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

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

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

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

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

407 Section 9. Section **49-23-304** is amended to read:

408 **49-23-304. Defined benefit service retirement plans -- Calculation of retirement**
409 **allowance -- Social security limitations.**

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

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

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

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

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

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

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

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

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

431 (a) Option Two is a reduced allowance paid to and throughout the lifetime of the
432 retiree, and, if the retiree receives less in annuity payments than the amount of the retiree's
433 member contributions, the remaining balance of the retiree's member contributions shall be

434 paid in accordance with Sections 49-11-609 and 49-11-610.

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

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

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

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

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

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

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

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

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

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

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

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

472 Section 10. **Effective date.**

473 This bill takes effect on July 1, 2017.