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First Regular Session - 2019

IN THE SENATE

SENATE BILL NO. 1070

BY COMMERCE AND HUMAN RESOURCES COMMITTEE

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1	AN ACT
2	RELATING TO THE PUBLIC EMPLOYEE RETIREMENT SYSTEM; AMENDING SECTION
3	59-1302, IDAHO CODE, TO REVISE A DEFINITION AND TO MAKE TECHNICAL
4	CORRECTIONS; AMENDING SECTION 59-1353, IDAHO CODE, TO PROVIDE THAT
5	WAGES EARNED WHILE RECEIVING DISABILITY RETIREMENT BENEFITS SHALL BE
6	DEDUCTED FROM A MEMBER'S BENEFIT AND TO MAKE TECHNICAL CORRECTIONS;
7	AND AMENDING SECTION 59-1354A, IDAHO CODE, TO PROVIDE THAT A MEMBER
8	RECEIVING A DISABILITY RETIREMENT MAY RETURN TO WORK UNDER CERTAIN CON-
9	DITIONS.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 59-1302, Idaho Code, be, and the same is hereby amended to read as follows:

- 59-1302. DEFINITIONS. (1) As used in this chapter, each of the terms defined in this section shall have the meaning given in this section unless a different meaning is clearly required by the context.
- "Active member" means any employee who is not establishing the right to receive benefits through his or her employer's participation in any other retirement system established for Idaho public employees, if such participation is mandated by applicable Idaho statutes other than this chapter. In no case will an employee be entitled to any benefit under this chapter for public service if such employee is establishing retirement benefit entitlements by other Idaho statutes or federal statutes other than military service or social security for that same service.
- (3) "Accumulated contributions" means the sum of amounts contributed by a member of the system, together with regular interest credit thereon.
- (4) "Actuarial equivalent" means a benefit equal in value to another benefit, when computed upon the basis of the actuarial tables in use by the system.
- (5) "Actuarial tables" means such tables as shall have been adopted by the board in accordance with recommendations of the actuary.
- (5A) "Alternate payee" means a spouse or former spouse of a member who is recognized by an approved domestic retirement order as having a right to all or a portion of the accrued benefits in the retirement system with respect to such member.
- (5B) "Approved domestic retirement order" means a domestic retirement order that creates or recognizes the existence of an alternate payee's right or assigns to an alternate payee the right to all or a portion of the accrued benefits of a member under the retirement system, that directs the system to establish a segregated account or disburse benefits to an alternate payee, and that the executive director of the retirement system has determined meets the requirements of sections 59-1319 and 59-1320, Idaho Code.

- (5C) "Average monthly salary" means the member's average salary during the base period as calculated pursuant to rules adopted by the retirement board.
 - (5D) (a) "Base period" means the period of fifty-four (54) consecutive calendar months during which the member earned:
 - (i) The highest average salary; and
 - (ii) Membership service of at least one-half (1/2) the number of months in the period, excluding months of service attributable to:
 - A. Military service;

- B. Service qualifying as minimum benefit pursuant to section 59-1342(5), Idaho Code; and
- C. Worker's compensation income benefits.
- (b) Effective October 1, 1993, the consecutive calendar months shall be forty-eight (48). Effective October 1, 1994, the consecutive calendar months shall be forty-two (42).
- (c) Entitlement to a base period shall not vest until the effective date of that base period. The retirement benefits shall be calculated on the amounts, terms and conditions in effect at the date of the final contribution by the member.
- (d) If no base period exists for a member, the member's average monthly salary shall be determined by the board, using standards not inconsistent with those established in this subsection.
- (e) To assure equitable treatment for all members, salary increments inconsistent with usual compensation patterns may be disallowed by the board in determining average monthly salary and base period.
- (6) "Beneficiary" means the person who is nominated by the written designation of a member, duly executed and filed with the board, to receive the death benefit.
- (7) "Calendar year" means twelve (12) calendar months commencing on the first day of January.
- (7A) "Contingent annuitant" means the person designated by a member under certain retirement options to receive benefit payments upon the death of the member. The person so designated must be born and living on the effective date of retirement.
- (8) "Credited service" means the aggregate of membership service, prior service and disabled service.
- (9) "Date of establishment" means July 1, 1965, or a later date established by the board or statute.
- (10) "Death benefit" means the amount, if any, payable upon the death of a member.
- (11) "Disability retirement allowance" means the periodic payment becoming payable to a member who meets all applicable eligibility requirements for disability retirement.
 - (12) "Disabled" means:
 - (a) That the member is prevented from engaging in any occupation or employment for remuneration or profit as a result of bodily injury or disease, either occupational or nonoccupational in cause, but excluding disabilities resulting from service in the armed forces of any country other than the United States, or from an intentionally self-inflicted injury; and

(b) That the member will likely remain so disabled permanently and continuously during the remainder of the member's life.

It is not necessary that a person be absolutely helpless or entirely unable to do anything worthy of compensation to be considered disabled. If the person is so disabled that substantially all the avenues of employment are reasonably closed to the person, that condition is within the meaning of "disabled." A person is within the definition of "disabled" if he works or volunteers ten (10) hours or less per week or earns twenty-five percent (25%) or less of the minimum benefit threshold per week as determined in section 59-1342, Idaho Code. In evaluating whether a person is disabled, medical factors and nonmedical factors including, but not limited to, education, economic and social environment, training and usable skills may be considered.

Refusal to submit to a medical examination ordered by the board before the commencement of a disability retirement allowance or at any reasonable time thereafter shall constitute proof that the member is not disabled. The board shall be empowered to select for such medical examination one (1) or more physicians or surgeons who are licensed to practice medicine and perform surgery. The fees and expenses of such examination shall be paid from the administration account of the fund. No member shall be required to undergo such examination more often than once each year after he has received a disability retirement allowance continuously for two (2) years.

- (12A) "Disabled service" means the total number of months elapsing from the first day of the month next succeeding the final contribution of a member prior to receiving a disability retirement allowance to the first day of the month following the date of termination of such disability retirement allowance. During such period, the member shall remain classified in the membership category held during the month of final contribution. The total number of months of disabled service credited for a person first becoming disabled after the effective date of this chapter shall not exceed the excess, if any, of three hundred sixty (360) over the total number of months of prior service and membership service.
- (12B) "Domestic retirement order" means any judgment, decree, or order, including approval of a property settlement agreement that relates to the provision of marital property rights to a spouse or former spouse of a member, and is made pursuant to a domestic relations law, including the community property law of the state of Idaho or of another state.
- (13) "Early retirement allowance" means the periodic payment becoming payable to a member who meets all applicable eligibility requirements for early retirement.
 - (14) (A) "Employee" means:

- (a) Any person who normally works twenty (20) hours or more per week for an employer, or a schoolteacher who works half-time or more for an employer and who receives salary for services rendered for such employer;
- (b) Elected officials or appointed officials of an employer who receive a salary;
- (c) A person who is separated from service with fewer than five (5) consecutive months of employment and who is reemployed or reinstated by the same employer within thirty (30) days; or

- (d) A person receiving differential wage payments as defined in 26 U.S.C. 3401(h) on or after July 1, 2009. A differential wage payment generally refers to an employer payment to an employee called to active duty in the uniformed services for more than thirty (30) days that represents all or a portion of the compensation he would have received from the employer if he were performing services for the employer.
- (B) "Employee" does not include employment as:

- (a) A person rendering service to an employer in the capacity of an independent business, trade or profession; or
- (b) A person whose employment with any employer does not total five (5) consecutive months; or
- (c) A person provided sheltered employment or made-work by a public employer in an employment or industries program maintained for the benefit of such person; or
- (d) An inmate of a state institution, whether or not receiving compensation for services performed for the institution; or
- (e) A student enrolled in an undergraduate, graduate, or professionalcareer technical program at and employed by a state college, university, community college or professional-career technical center when such employment is predicated on student status; or
- (f) A person making contributions to the director of the office of personnel management under the United States civil service system retirement act except that a person who receives separate remuneration for work currently performed for an employer and the United States government may elect to be a member of the retirement system in accordance with rules of the board; or
- (g) A person not under contract with a school district or charter school, who on a day-to-day basis works as a substitute teacher replacing a contracted teacher and is paid a substitute wage as established by district policy or who on a day-to-day basis works as a substitute assistant replacing a staff instruction assistant or a staff library assistant and is paid a substitute wage as established by district policy; or
- (h) A person occupying a position that does not exceed eight (8) consecutive months in a calendar year with a city, county, irrigation district, cemetery district or mosquito abatement district when the city, county, irrigation district, cemetery district or mosquito abatement district has certified, in writing to the system, the position is: (i) seasonal or casual; and (ii) affected by weather, including parks, golf course positions and irrigation positions; or
- (i) A person in a position that: (i) is eligible for participation in an optional retirement program established under section 33-107A or 33-107B, Idaho Code, or (ii) would be eligible for participation in an optional retirement program established under section 33-107A or 33-107B, Idaho Code, if the person was not working less than half-time or fewer than twenty (20) hours per week.
- (15) "Employer" means the state of Idaho, or any political subdivision or governmental entity, provided such subdivision or entity has elected to come into the system. Governmental entity means any organization composed of units of government of Idaho or organizations funded only by government

or employee contributions or organizations that discharge governmental responsibilities or proprietary responsibilities that would otherwise be performed by government. All governmental entities are deemed to be political subdivisions for the purpose of this chapter. Provided however, that on and after the effective date of this act, all new employers added to the public employee retirement system must be in compliance with internal revenue regulations governing governmental retirement plans.

- (15A) "Final contribution" means the final contribution made by a member pursuant to sections 59-1331 through 59-1334, Idaho Code.
- (16) "Firefighter" means an employee, including paid firefighters hired on or after October 1, 1980, whose primary occupation is that of preventing and extinguishing fires as determined by the rules of the board.
- (17) "Fiscal year" means the period beginning on July 1 in any year and ending on June 30 of the next succeeding year.
- (18) "Fund" means the public employee retirement fund established by this chapter.
- (19) "Funding agent" means any bank or banks, trust company or trust companies, legal reserve life insurance company or legal reserve life insurance companies, or combinations thereof, any thrift institution or credit union or any investment management firm or individual investment manager selected by the board to hold and/or invest the employers' and members' contributions and \underline{to} pay certain benefits granted under this chapter.
- (20) "Inactive member" means a former active member who is not an employee and is not receiving any form of retirement allowance, who has not requested a separation benefit, or for whom a separation benefit has not become payable.
 - (20A) "Ineligible" means:

- (a) Not eligible to participate and not required to contribute as an employee when:
 - (i) The employer is not a current member of the public employee retirement system of Idaho (PERSI);
 - (ii) The employee is not an employee as defined in subsection (14) of this section; or
 - (iii) The employee is participating in the judges retirement fund, the firefighters retirement fund or the optional retirement plan;
- (b) Not eligible for retirement where there has been no termination of employment from an employer participating in PERSI, the judges retirement fund, the firefighters retirement fund or the optional retirement plan or a withdrawn employer; or
- (c) Not eligible to receive a separation benefit where there has been no termination of employment from an employer participating in PERSI, the judges retirement fund, the firefighters retirement fund or the optional retirement plan or a withdrawn employer.
- All state agencies, political subdivisions or governmental entities that qualify as an employer as defined in subsection (15) of this section or prior to April 4, 2017, were considered an employer and are currently participating in PERSI are, for purposes of PERSI, deemed one (1) employer beginning on the effective date of this act.
- (20B) "Lifetime annuity" means periodic monthly payments of income by the retirement system to an alternate payee.

(20C) "Lump sum distribution" means a payment by the retirement system of the entire balance in the alternate payee's segregated account, together with regular interest credited thereon.

- (21) "Member" means an active member, inactive member or a retired member.
- (22) "Membership service" means military service that occurs after the commencement of contributions payable under sections 59-1331 through 59-1334, Idaho Code, and service with respect to which contributions are payable under sections 59-1331 through 59-1334, Idaho Code, which, except for benefit calculations described in sections 59-1342 and 59-1353, Idaho Code, includes service transferred to a segregated account under an approved domestic retirement order.
- (23) "Military service" means any period of active duty service in the armed forces of the United States including the national guard and reserves, under the provisions of title 10, title 32, and title 37, United States code, that commences fewer than ninety (90) days after the person ceases to be an employee and ends fewer than ninety (90) days before the person again becomes an employee. Provided, if a member fails to again become an employee as a result of his death while in active duty service, the member shall be entitled to military service through the date of death. Provided further, if a member fails to again become an employee due to a disability retirement resulting from service in the armed forces of the United States, the member shall be entitled to military service through the date the disability allowance becomes payable. In no event shall military service include:
 - (a) Any period ended by dishonorable discharge or during which termination of such service is available but not accepted; or
 - (b) Any active duty service in excess of five (5) years if at the convenience of the United States government, or in excess of four (4) years if not at the convenience of the United States government, provided additional membership service may be purchased as provided in section 59-1362, Idaho Code.
 - (24) (a) "Police officer" for retirement purposes shall be as defined in section 59-1303, Idaho Code.
 - (b) "POST" means the Idaho peace officer standards and training council established in chapter 51, title 19, Idaho Code.
- (25) "Prior service" means any period prior to July 1, 1965, of military service or of employment for the state of Idaho or any political subdivision or other employer of each employee who is an active member or in military service or on leave of absence on the date of establishment, provided, however, an employee who was not an active member or in military service or on leave of absence on the date of establishment shall receive credit for the member's service prior to July 1, 1965, on the basis of recognizing two (2) months of such service for each month of membership service. For the purpose of computing such service, no deduction shall be made for any continuous period of absence from service or military service of six (6) months or less.
- (26) "Regular interest" means interest at the rate set from time to time by the board.
- (27) "Retired member" means a former active member receiving a retirement allowance.

- (28) "Retirement" means the acceptance of a retirement allowance under this chapter upon termination of employment and, unless otherwise provided by law, requires a termination of employment from an employer participating in PERSI, the judges retirement fund, the firefighters retirement fund or the optional retirement plan.
- (29) "Retirement board" or "board" means the board provided for in sections 59-1304 and 59-1305, Idaho Code, to administer the retirement system.
- (30) "Retirement system" or "system" means the public employee retirement system of Idaho.
 - (31) (A) "Salary" means:

- (a) The total salary or wages paid to a person who meets the definition of employee by an employer for personal services performed and reported by the employer for income tax purposes, including the cash value of all remuneration in any medium other than cash.
- (b) The total amount of any voluntary reduction in salary agreed to by the member and employer where the reduction is used as an alternative form of remuneration to the member.
- (B) Salary in excess of the compensation limitations set forth in section 401(a)(17) of the Internal Revenue Code shall be disregarded for any person who becomes a member of the system on or after July 1, 1996. The system had no limitations on compensation in effect on July 1, 1993. The compensation limitations set forth in section 401(a)(17) of the Internal Revenue Code shall not apply for an "eligible employee." For purposes of this subsection, "eligible employee" is an individual who was a member of the system before July 1, 1996.
 - (C) "Salary" does not include:
 - (a) Contributions by employers to employee-held medical savings accounts, as those accounts are defined in section 63-3022K, Idaho Code.
 - (b) Lump sum payments inconsistent with usual compensation patterns made by the employer to the employee only upon termination from service including, but not limited to, vacation payoffs, sick leave payoffs, early retirement incentive payments and bonuses.
 - (c) Differential wage payments as defined in 26 U.S.C. 3401(h). A differential wage payment generally refers to an employer payment to an employee called to active duty in the uniformed services for more than thirty (30) days that represents all or a portion of the compensation he would have received from the employer if he were performing services for the employer.
 - (d) Employer payments to employees for or related to travel, mileage, meals, lodging or subsistence expenses, without regard to the taxability of such payments for federal income tax purposes and without regard to the form of payment, including payment made as reimbursement of an itemized expense voucher and payment made of an unvouchered expense allowance.
- (31A) "Segregated account" means the account established by the retirement system for the alternate payee of a member who is not a retired member. It shall include the months of credited service and accumulated contributions transferred from the member's account.
- (32) "Separation benefit" means the amount, if any, pursuant to section 59-1359, Idaho Code.

- (33) "Service" means being shown on an employer's payroll as an employee receiving a salary. For each calendar month, service is credited only when a member is an employee as defined in subsection (14) (A) of this section and is employed for fifteen (15) days or more during the calendar month. Employment of fourteen (14) days or less during any calendar month shall not be credited. No more than one (1) month of service shall be credited for all service in any month.
- (34) "Service retirement allowance" means the periodic payment becoming payable upon an active member's ceasing to be an employee while eligible for service retirement.
 - (35) "State" means the state of Idaho.

- (35A) "Termination from employment" means the employee has separated from employment, the employee has ended service with the employer and the employer has notified PERSI of the termination.
- (36) "Vested member" means an active or inactive member who has at least five (5) years of credited service, except that a member τ who at the time of his separation from service:
 - (a) Held an office to which he had been elected by popular vote or having a term fixed by the constitution, statute or charter or was appointed to such office by an elected official; or
 - (b) Was the head or director of a department, division, agency, statutory section or bureau of the state; or
 - (c) Was employed on or after July 1, 1965, by an elected official of the state of Idaho and occupied a position exempt from the provisions of chapter 53, title 67, Idaho Code; and
 - (d) Was not covered by a merit system for employees of the state of Idaho;
- is vested without regard to the length of credited service.
- (37) The masculine pronoun, wherever used, shall include the feminine pronoun.
- SECTION 2. That Section 59-1353, Idaho Code, be, and the same is hereby amended to read as follows:
- 59-1353. COMPUTATION OF DISABILITY RETIREMENT ALLOWANCES. (1) The base disability retirement allowance of any member shall be equal to an initial service retirement allowance, as defined in section 59-1342, Idaho Code, based upon the years of service which would have been credited to the member had the member continued in eligible employment until service retirement eligibility age, as defined in section 59-1341, Idaho Code. Provided, however, that the total years of credited service shall not exceed the greater of:
 - (a) Thirty (30) years; or
 - (b) The member's accrued membership and prior service.
- (2) The annual amount of disability retirement allowance shall equal the excess, if any, of (a) over (b), where:
 - (a) Is the base disability retirement allowance provided in subsection
 - (1) of this section; and
 - (b) Is the sum of:
 - (i) Any payment or portion of a payment under the provisions of any workers' worker's compensation law for income benefits be-

cause of the same disability, which payment is not being offset by federal social security disability benefits; and

- (ii) The service retirement allowance payable under the provisions of section 59-1342, Idaho Code, where the member is the older of either age sixty-two (62) or the respective service retirement eligibility age provided in section 59-1341, Idaho Code.
- (3) If a single payment is made under the provisions of any workers' worker's compensation law and such single payment is in lieu of periodic income payments, for the purposes of this section, such single payment shall be converted, pursuant to regulations adopted by the board, to equal periodic payments of the same number of months for which the worker's compensation payment is awarded.
- (4) Each adjustment in the payment of a disability retirement allowance due to a change in the amount payable under the provisions of any workers' worker's compensation law shall take effect on the first of the month following the month in which such change is effective.
- gross income exceeds annual gross benefits received shall be deemed not disabled. Any member receiving disability retirement benefits shall annually, on or before May 31, submit to PERSI his annual tax return and W-2 forms if the individual is required to file a tax return and has received a W-2 form. If an individual is granted an extension to file tax returns by the internal revenue service, then W-2 forms and proof of the extension must be submitted by May 31. Tax returns filed by extension must be submitted within sixty (60) days of the extended date for submission. Failure to timely submit a tax return with W-2 forms as provided in this subsection or a proof of extension with W-2 forms by the required date constitutes proof that the member is not disabled and shall result in the suspension of disability benefits unless an extension is granted by PERSI.
- (6) Any wages, as defined in section 72-1328, Idaho Code, earned while receiving disability benefits shall be deducted from a member's monthly disability benefit in twelve (12) equal installments starting July 1 of the year subsequent to the receipt of the W-2 forms, as required in subsection (5) of this section. Any hours worked while on disability shall not be included in a member's retirement as service hours.

SECTION 3. That Section 59-1354A, Idaho Code, be, and the same is hereby amended to read as follows:

- 59-1354A. MEMBERS RECEIVING A DISABILITY RETIREMENT RETURNING TO WORK. (1) A retired member receiving a disability retirement allowance may return to work and work for more than ten (10) hours per week or earn more than twenty-five percent (25%) of the minimum benefit threshold per week as determined in section 59-1342, Idaho Code, under the following conditions:
 - (a) The retired member must notify the executive director in writing in advance of the return to work; and
 - (b) The disability retirement allowance shall terminate upon such notification.
- (2) The disability retirement allowance of a retired member who returns to work under subsection (1) of this section shall resume if:

- (a) The retired member terminates his return to work within one hundred fifty (150) days from the date of the notification required in subsection (1)(a) of this section;
- (b) The retired member makes a written request to the board; and

- (c) The board determines that the member is disabled, as defined in section 59-1302(12), Idaho Code, and that the member could not successfully return to work because of the same disability on which his disability retirement was based.
- (3) In making its decision, the board may require the member to submit medical records in support of his request and may require the member to submit to a medical examination. The refusal to submit such records or to submit to such examination shall constitute proof that the member is not disabled. If the board requires a medical examination, any costs associated with such examination must be paid by the member. A disability retirement allowance that is resumed under this section shall be payable the first of the month after the board makes the determination described herein.
- (4) If a retired member receiving a disability retirement allowance who returns to work again meets the definition of employee as defined in section $59-1302\,(14)\,(A)$, Idaho Code, eligibility for disability retirement shall be determined in accordance with sections $59-1302\,(12)$, 59-1352 and 59-1354, Idaho Code.
- (5) For the purposes of this section, "return to work" means being engaged in any activity for which compensation is normally paid but shall not include service on any state board or commission that is statutorily required to meet once per month or less where the retired member is not an employee as defined in this chapter by virtue of such service.