

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 644

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO THE PUBLIC EMPLOYEE RETIREMENT SYSTEM; AMENDING SECTION  
59-1302, IDAHO CODE, TO FURTHER DEFINE A TERM.

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.

(2) "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 which 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, which directs  
the system to establish a segregated account or disburse benefits to an  
alternate payee, and which 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

1 (ii) Membership service of at least one-half (1/2) the number of  
2 months in the period, excluding months of service attributable to:

3 A. Military service;

4 B. Service qualifying as minimum benefit pursuant to  
5 section 59-1342(5), Idaho Code; and

6 C. Worker's compensation income benefits.

7 (b) Effective October 1, 1993, the consecutive calendar months shall be  
8 forty-eight (48). Effective October 1, 1994, the consecutive calendar  
9 months shall be forty-two (42).

10 (c) Entitlement to a base period shall not vest until the effective  
11 date of that base period. The retirement benefits shall be calculated  
12 on the amounts, terms and conditions in effect at the date of the final  
13 contribution by the member.

14 (d) If no base period exists for a member, the member's average  
15 monthly salary shall be determined by the board, using standards not  
16 inconsistent with those established in this subsection.

17 (e) To assure equitable treatment for all members, salary increments  
18 inconsistent with usual compensation patterns may be disallowed by the  
19 board in determining average monthly salary and base period.

20 (6) "Beneficiary" means the person who is nominated by the written  
21 designation of a member, duly executed and filed with the board, to receive  
22 the death benefit.

23 (7) "Calendar year" means twelve (12) calendar months commencing on the  
24 first day of January.

25 (7A) "Contingent annuitant" means the person designated by a member  
26 under certain retirement options to receive benefit payments upon the death  
27 of the member. The person so designated must be born and living on the  
28 effective date of retirement.

29 (8) "Credited service" means the aggregate of membership service,  
30 prior service and disabled service.

31 (9) "Date of establishment" means July 1, 1965, or a later date  
32 established by the board or statute.

33 (10) "Death benefit" means the amount, if any, payable upon the death of  
34 a member.

35 (11) "Disability retirement allowance" means the periodic payment  
36 becoming payable upon an active member's ceasing to be an employee while  
37 eligible for disability retirement.

38 (12) "Disabled" means:

39 (a) That the member is prevented from engaging in any occupation or  
40 employment for remuneration or profit as a result of bodily injury  
41 or disease, either occupational or nonoccupational in cause, but  
42 excluding disabilities resulting from service in the armed forces of  
43 any country, or from an intentionally self-inflicted injury; and

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

46 It is not necessary that a person be absolutely helpless or entirely unable  
47 to do anything worthy of compensation to be considered disabled. If the  
48 person is so disabled that substantially all the avenues of employment are  
49 reasonably closed to the person, that condition is within the meaning of  
50 "disabled." In evaluating whether a person is disabled, medical factors and

1 nonmedical factors including, but not limited to, education, economic and  
2 social environment, training and usable skills may be considered.

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

12 (12A) "Disabled service" means the total number of months elapsing from  
13 the first day of the month next succeeding the final contribution of a member  
14 prior to receiving a disability retirement allowance to the first day of  
15 the month following the date of termination of such disability retirement  
16 allowance. During such period, the member shall remain classified in the  
17 membership category held during the month of final contribution. The total  
18 number of months of disabled service credited for a person first becoming  
19 disabled after the effective date of this chapter shall not exceed the  
20 excess, if any, of three hundred sixty (360) over the total number of months  
21 of prior service and membership service.

22 (12B) "Domestic retirement order" means any judgment, decree, or order,  
23 including approval of a property settlement agreement which relates to  
24 the provision of marital property rights to a spouse or former spouse of  
25 a member, and is made pursuant to a domestic relations law, including the  
26 community property law of the state of Idaho or of another state.

27 (13) "Early retirement allowance" means the periodic payment becoming  
28 payable upon an active member's ceasing to be an employee while eligible for  
29 early retirement.

30 (14) (A) "Employee" means:

31 (a) Any person who normally works twenty (20) hours or more per week  
32 for an employer or a school teacher who works half-time or more for  
33 an employer and who receives salary for services rendered for such  
34 employer; or

35 (b) Elected officials or appointed officials of an employer who receive  
36 a salary; or

37 (c) A person who is separated from service with less than five (5)  
38 consecutive months of employment and who is reemployed or reinstated by  
39 the same employer within thirty (30) days.

40 (B) "Employee" does not include employment as:

41 (a) A person rendering service to an employer in the capacity of an  
42 independent business, trade or profession; or

43 (b) A person whose employment with any employer does not total five (5)  
44 consecutive months; or

45 (c) A person provided sheltered employment or made-work by a public  
46 employer in an employment or industries program maintained for the  
47 benefit of such person; or

48 (d) An inmate of a state institution, whether or not receiving  
49 compensation for services performed for the institution; or

1 (e) A student enrolled in an undergraduate, graduate, or  
 2 professional-technical program at and employed by a state college,  
 3 university, community college or professional-technical center when  
 4 such employment is predicated on student status; or

5 (f) A person making contributions to the United States civil service  
 6 commission under the United States Civil Service System Retirement  
 7 Act except that a person who receives separate remuneration for work  
 8 currently performed for an employer and the United States government  
 9 may elect to be a member of the retirement system in accordance with  
 10 rules of the board; or

11 (g) A person not under contract with a school district or charter  
 12 school, who on a day to day basis works as a substitute teacher replacing  
 13 a contracted teacher and is paid a substitute wage as established by  
 14 district policy or who, on a day to day basis works as a substitute  
 15 assistant replacing a staff instruction assistant or a staff library  
 16 assistant and is paid a substitute wage as established by district  
 17 policy; or

18 (h) A person occupying a position that does not exceed eight (8)  
 19 consecutive months in a calendar year with a city or county when the city  
 20 or county has certified, in writing to the system, the position is (i)  
 21 seasonal or casual; and (ii) affected by weather and the growing season,  
 22 including parks and golf course positions; or

23 (hi) A person in a position that (i) is eligible for participation in  
 24 an optional retirement program established under section 33-107A or  
 25 33-107B, Idaho Code, or (ii) would be eligible for participation in  
 26 an optional retirement program established under section 33-107A or  
 27 33-107B, Idaho Code, if the person was not working less than half-time  
 28 or less than twenty (20) hours per week.

29 (15) "Employer" means the state of Idaho, or any political subdivision  
 30 or governmental entity, provided such subdivision or entity has elected to  
 31 come into the system. Governmental entity means any organization composed  
 32 of units of government of Idaho or organizations funded only by government  
 33 or employee contributions or organizations who discharge governmental  
 34 responsibilities or proprietary responsibilities that would otherwise  
 35 be performed by government. All governmental entities are deemed to be  
 36 political subdivisions for the purpose of this chapter.

37 (15A) "Final contribution" means the final contribution made by a  
 38 member pursuant to sections 59-1331 through 59-1334, Idaho Code.

39 (16) "Firefighter" means an employee, including paid firefighters  
 40 hired on or after October 1, 1980, whose primary occupation is that of  
 41 preventing and extinguishing fires as determined by the rules of the board.

42 (17) "Fiscal year" means the period beginning on July 1 in any year and  
 43 ending on June 30 of the next succeeding year.

44 (18) "Fund" means the public employee retirement fund established by  
 45 this chapter.

46 (19) "Funding agent" means any bank or banks, trust company or trust  
 47 companies, legal reserve life insurance company or legal reserve life  
 48 insurance companies, or combinations thereof, any thrift institution or  
 49 credit union or any investment management firm or individual investment

1 manager selected by the board to hold and/or invest the employers' and  
2 members' contributions and pay certain benefits granted under this chapter.

3 (20) "Inactive member" means a former active member who is not an  
4 employee and is not receiving any form of retirement allowance, but for whom  
5 a separation benefit has not become payable.

6 (20A) "Lifetime annuity" means periodic monthly payments of income by  
7 the retirement system to an alternate payee.

8 (20B) "Lump sum distribution" means a payment by the retirement system  
9 of the entire balance in the alternate payee's segregated account, together  
10 with regular interest credited thereon.

11 (21) "Member" means an active member, inactive member or a retired  
12 member.

13 (22) "Membership service" means military service which occurs after  
14 the commencement of contributions payable under sections 59-1331 through  
15 59-1334, Idaho Code, and service with respect to which contributions are  
16 payable under sections 59-1331 through 59-1334, Idaho Code, which, except  
17 for benefit calculations described in sections 59-1342 and 59-1353, Idaho  
18 Code, includes service transferred to a segregated account under an approved  
19 domestic retirement order.

20 (23) "Military service" means any period of active duty service in the  
21 armed forces of the United States including the national guard and reserves,  
22 under the provisions of title 10, title 32, and title 37, United States code,  
23 which commences less than ninety (90) days after the person ceases to be an  
24 employee and ends less than ninety (90) days before the person again becomes  
25 an employee. Provided, if a member fails to again become an employee due  
26 to being killed while in active duty service, the member shall be entitled  
27 to military service through the date of death. In no event shall military  
28 service include:

29 (a) Any period ended by dishonorable discharge or during which  
30 termination of such service is available but not accepted; or

31 (b) Any active duty service in excess of five (5) years if at the  
32 convenience of the United States government, or in excess of four  
33 (4) years if not at the convenience of the United States government,  
34 provided additional membership service may be purchased as provided in  
35 section 59-1362, Idaho Code.

36 (24) (a) "Police officer" for retirement purposes shall be as defined in  
37 section 59-1303, Idaho Code.

38 (b) "POST" means the Idaho peace officer standards and training council  
39 established in chapter 51, title 19, Idaho Code.

40 (25) "Prior service" means any period prior to July 1, 1965, of military  
41 service or of employment for the state of Idaho or any political subdivision  
42 or other employer of each employee who is an active member or in military  
43 service or on leave of absence on the date of establishment, provided,  
44 however, an employee who was not an active member or in military service or  
45 on leave of absence on the date of establishment shall receive credit for the  
46 member's service prior to July 1, 1965, on the basis of recognizing two (2)  
47 months of such service for each month of membership service. For the purpose  
48 of computing such service, no deduction shall be made for any continuous  
49 period of absence from service or military service of six (6) months or less.

1 (26) "Regular interest" means interest at the rate set from time to time  
2 by the board.

3 (27) "Retired member" means a former active member receiving a  
4 retirement allowance.

5 (28) "Retirement" means the acceptance of a retirement allowance under  
6 this chapter upon termination of employment.

7 (29) "Retirement board" or "board" means the board provided for in  
8 sections 59-1304 and 59-1305, Idaho Code, to administer the retirement  
9 system.

10 (30) "Retirement system" or "system" means the public employee  
11 retirement system of Idaho.

12 (31) (A) "Salary" means:

13 (a) The total salary or wages paid to a person who meets the definition  
14 of employee by an employer for personal services performed and reported  
15 by the employer for income tax purposes, including the cash value of all  
16 remuneration in any medium other than cash.

17 (b) The total amount of any voluntary reduction in salary agreed to by  
18 the member and employer where the reduction is used as an alternative  
19 form of remuneration to the member.

20 (B) Salary in excess of the compensation limitations set forth in  
21 section 401(a)(17) of the Internal Revenue Code shall be disregarded for  
22 any person who becomes a member of the system on or after July 1, 1996. The  
23 system had no limitations on compensation in effect on July 1, 1993. The  
24 compensation limitations set forth in section 401(a)(17) of the Internal  
25 Revenue Code shall not apply for an "eligible employee." For purposes of this  
26 subsection, "eligible employee" is an individual who was a member of the  
27 system before July 1, 1996.

28 (C) "Salary" does not include:

29 (a) Contributions by employers to employee held medical savings  
30 accounts, as those accounts are defined in section 63-3022K, Idaho  
31 Code.

32 (b) Lump sum payments inconsistent with usual compensation patterns  
33 made by the employer to the employee only upon termination from service  
34 including, but not limited to, vacation payoffs, sick leave payoffs,  
35 early retirement incentive payments and bonuses.

36 (31A) "Segregated account" means the account established by the  
37 retirement system for the alternate payee of a member who is not a retired  
38 member. It shall include the months of credited service and accumulated  
39 contributions transferred from the member's account.

40 (32) "Separation benefit" means the amount, if any, payable upon or  
41 subsequent to separation from service.

42 (33) "Service" means being shown on an employer's payroll as an employee  
43 receiving a salary. For each calendar month, service is credited only when  
44 a member is an employee as defined in subsection (14) (A) of this section  
45 and is employed for fifteen (15) days or more during the calendar month.  
46 Employment of fourteen (14) days or less during any calendar month shall not  
47 be credited. No more than one (1) month of service shall be credited for all  
48 service in any month.

1           (34) "Service retirement allowance" means the periodic payment  
2 becoming payable upon an active member's ceasing to be an employee while  
3 eligible for service retirement.

4           (35) "State" means the state of Idaho.

5           (36) "Vested member" means an active or inactive member who has at least  
6 five (5) years of credited service, except that a member, who at the time of  
7 his separation from service:

8           (a) Held an office to which he had been elected by popular vote or having  
9 a term fixed by the constitution, statute or charter or was appointed to  
10 such office by an elected official; or

11           (b) Was the head or director of a department, division, agency,  
12 statutory section or bureau of the state; or

13           (c) Was employed on or after July 1, 1965, by an elected official of  
14 the state of Idaho and occupied a position exempt from the provisions  
15 of chapter 53, title 67, Idaho Code; and

16           (d) Was not covered by a merit system for employees of the state of  
17 Idaho,  
18 is vested without regard to the length of credited service.

19           (37) The masculine pronoun, wherever used, shall include the feminine  
20 pronoun.