

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 418

BY COMMERCE AND HUMAN RESOURCES COMMITTEE

AN ACT

RELATING TO THE PUBLIC EMPLOYEE RETIREMENT SYSTEM; AMENDING SECTION
59-1302, IDAHO CODE, TO REVISE A DEFINITION.

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 par-
ticipation 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 en-
titlements 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 alter-
nate payee, and which the executive director of the retirement system has de-
termined 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 sec-
5 tion 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 date
11 of that base period. The retirement benefits shall be calculated on the
12 amounts, terms and conditions in effect at the date of the final contri-
13 bution by the member.

14 (d) If no base period exists for a member, the member's average monthly
15 salary shall be determined by the board, using standards not inconsis-
16 tent 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 des-
21 ignation of a member, duly executed and filed with the board, to receive the
22 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 un-
26 der certain retirement options to receive benefit payments upon the death of
27 the member. The person so designated must be born and living on the effective
28 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 estab-
32 lished 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 be-
36 coming payable upon an active member's ceasing to be an employee while eligi-
37 ble for disability retirement.

38 (12) "Disabled" means:

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

45 (b) That the member will likely remain so disabled permanently and con-
46 tinuously during the remainder of the member's life.

47 It is not necessary that a person be absolutely helpless or entirely unable
48 to do anything worthy of compensation to be considered disabled. If the per-
49 son is so disabled that substantially all the avenues of employment are rea-
50 sonably closed to the person, that condition is within the meaning of "dis-

1 abled." In evaluating whether a person is disabled, medical factors and non-
2 medical factors including, but not limited to, education, economic and so-
3 cial environment, training and usable skills may be considered.

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

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

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

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

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

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

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

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

40 (d) A person receiving differential wage payments as defined in 26
41 U.S.C. 3401(h) on or after July 1, 2009. A differential wage payment
42 generally refers to an employer payment to an employee called to active
43 duty in the uniformed services for more than thirty (30) days that rep-
44 represents all or a portion of the compensation he would have received from
45 the employer if he were performing services for the employer.

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

47 (a) A person rendering service to an employer in the capacity of an in-
48 dependent business, trade or profession; or

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

1 (c) A person provided sheltered employment or made-work by a public em-
2 ployer in an employment or industries program maintained for the bene-
3 fit of such person; or

4 (d) An inmate of a state institution, whether or not receiving compen-
5 sation for services performed for the institution; or

6 (e) A student enrolled in an undergraduate, graduate, or professional-
7 technical program at and employed by a state college, university, com-
8 munity college or professional-technical center when such employment
9 is predicated on student status; or

10 (f) A person making contributions to the United States civil service
11 commission under the United States Civil Service System Retirement Act
12 except that a person who receives separate remuneration for work cur-
13 rently performed for an employer and the United States government may
14 elect to be a member of the retirement system in accordance with rules of
15 the board; or

16 (g) A person not under contract with a school district or charter
17 school, who on a day to day basis works as a substitute teacher replac-
18 ing a contracted teacher and is paid a substitute wage as established
19 by district policy or who, on a day to day basis works as a substitute
20 assistant replacing a staff instruction assistant or a staff library
21 assistant and is paid a substitute wage as established by district pol-
22 icy; or

23 (h) A person occupying a position that does not exceed eight (8) con-
24 secutive months in a calendar year with a city, county or irrigation
25 district when the city, county or irrigation district has certified,
26 in writing to the system, the position is (i) seasonal or casual; and
27 (ii) affected by weather and the growing season, including parks, golf
28 course positions and irrigation positions; or

29 (i) A person in a position that (i) is eligible for participation in
30 an optional retirement program established under section 33-107A or
31 33-107B, Idaho Code, or (ii) would be eligible for participation in
32 an optional retirement program established under section 33-107A or
33 33-107B, Idaho Code, if the person was not working less than half-time
34 or less than twenty (20) hours per week.

35 (15) "Employer" means the state of Idaho, or any political subdivision
36 or governmental entity, provided such subdivision or entity has elected to
37 come into the system. Governmental entity means any organization composed
38 of units of government of Idaho or organizations funded only by government
39 or employee contributions or organizations who discharge governmental re-
40 sponsibilities or proprietary responsibilities that would otherwise be per-
41 formed by government. All governmental entities are deemed to be political
42 subdivisions for the purpose of this chapter.

43 (15A) "Final contribution" means the final contribution made by a mem-
44 ber pursuant to sections 59-1331 through 59-1334, Idaho Code.

45 (16) "Firefighter" means an employee, including paid firefighters
46 hired on or after October 1, 1980, whose primary occupation is that of pre-
47 venting and extinguishing fires as determined by the rules of the board.

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

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

3 (19) "Funding agent" means any bank or banks, trust company or trust
4 companies, legal reserve life insurance company or legal reserve life insur-
5 ance companies, or combinations thereof, any thrift institution or credit
6 union or any investment management firm or individual investment manager
7 selected by the board to hold and/or invest the employers' and members' con-
8 tributions and pay certain benefits granted under this chapter.

9 (20) "Inactive member" means a former active member who is not an em-
10 ployee and is not receiving any form of retirement allowance, but for whom a
11 separation benefit has not become payable.

12 (20A) "Lifetime annuity" means periodic monthly payments of income by
13 the retirement system to an alternate payee.

14 (20B) "Lump sum distribution" means a payment by the retirement system
15 of the entire balance in the alternate payee's segregated account, together
16 with regular interest credited thereon.

17 (21) "Member" means an active member, inactive member or a retired mem-
18 ber.

19 (22) "Membership service" means military service which occurs after
20 the commencement of contributions payable under sections 59-1331 through
21 59-1334, Idaho Code, and service with respect to which contributions are
22 payable under sections 59-1331 through 59-1334, Idaho Code, which, except
23 for benefit calculations described in sections 59-1342 and 59-1353, Idaho
24 Code, includes service transferred to a segregated account under an approved
25 domestic retirement order.

26 (23) "Military service" means any period of active duty service in the
27 armed forces of the United States including the national guard and reserves,
28 under the provisions of title 10, title 32, and title 37, United States code,
29 which commences less than ninety (90) days after the person ceases to be an
30 employee and ends less than ninety (90) days before the person again becomes
31 an employee. Provided, if a member fails to again become an employee as a re-
32 sult of his death while in active duty service, the member shall be entitled
33 to military service through the date of death. Provided further, if a member
34 fails to again become an employee due to a disability retirement resulting
35 from service in the armed forces of the United States, the member shall be en-
36 titled to military service through the date the disability allowance becomes
37 payable. In no event shall military service include:

38 (a) Any period ended by dishonorable discharge or during which termina-
39 tion of such service is available but not accepted; or

40 (b) Any active duty service in excess of five (5) years if at the conve-
41 nience of the United States government, or in excess of four (4) years
42 if not at the convenience of the United States government, provided
43 additional membership service may be purchased as provided in section
44 59-1362, Idaho Code.

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

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

49 (25) "Prior service" means any period prior to July 1, 1965, of military
50 service or of employment for the state of Idaho or any political subdivision

1 or other employer of each employee who is an active member or in military ser-
 2 vice or on leave of absence on the date of establishment, provided, however,
 3 an employee who was not an active member or in military service or on leave
 4 of absence on the date of establishment shall receive credit for the member's
 5 service prior to July 1, 1965, on the basis of recognizing two (2) months of
 6 such service for each month of membership service. For the purpose of com-
 7 puting such service, no deduction shall be made for any continuous period of
 8 absence from service or military service of six (6) months or less.

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

11 (27) "Retired member" means a former active member receiving a retire-
 12 ment allowance.

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

15 (29) "Retirement board" or "board" means the board provided for in sec-
 16 tions 59-1304 and 59-1305, Idaho Code, to administer the retirement system.

17 (30) "Retirement system" or "system" means the public employee retire-
 18 ment system of Idaho.

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

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

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

27 (B) Salary in excess of the compensation limitations set forth in sec-
 28 tion 401(a)(17) of the Internal Revenue Code shall be disregarded for any
 29 person who becomes a member of the system on or after July 1, 1996. The sys-
 30 tem had no limitations on compensation in effect on July 1, 1993. The compen-
 31 sation limitations set forth in section 401(a)(17) of the Internal Revenue
 32 Code shall not apply for an "eligible employee." For purposes of this subsec-
 33 tion, "eligible employee" is an individual who was a member of the system be-
 34 fore July 1, 1996.

35 (C) "Salary" does not include:

36 (a) Contributions by employers to employee held medical savings ac-
 37 counts, as those accounts are defined in section 63-3022K, Idaho Code.

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

42 (c) Differential wage payments as defined in 26 U.S.C. 3401(h). A dif-
 43 ferential wage payment generally refers to an employer payment to an
 44 employee called to active duty in the uniformed services for more than
 45 thirty (30) days that represents all or a portion of the compensation he
 46 would have received from the employer if he were performing services for
 47 the employer.

48 (d) Employer payments to employees for or related to travel, mileage,
 49 meals, lodging or subsistence expenses, without regard to the taxabil-
 50 ity of such payments for federal income tax purposes and without regard

1 to the form of payment, including payment made as reimbursement of an
2 itemized expense voucher and payment made of an unvouchered expense al-
3 lowance.

4 (31A) "Segregated account" means the account established by the retire-
5 ment system for the alternate payee of a member who is not a retired member.
6 It shall include the months of credited service and accumulated contribu-
7 tions transferred from the member's account.

8 (32) "Separation benefit" means the amount, if any, payable upon or sub-
9 sequent to separation from service.

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

17 (34) "Service retirement allowance" means the periodic payment becom-
18 ing payable upon an active member's ceasing to be an employee while eligible
19 for service retirement.

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

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

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

27 (b) Was the head or director of a department, division, agency, statu-
28 tory section or bureau of the state; or

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

32 (d) Was not covered by a merit system for employees of the state of
33 Idaho,

34 is vested without regard to the length of credited service.

35 (37) The masculine pronoun, wherever used, shall include the feminine
36 pronoun.