

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 427

BY HANKS

AN ACT

1 RELATING TO THE PUBLIC EMPLOYEE RETIREMENT SYSTEM; AMENDING SECTION
2 59-1302, IDAHO CODE, TO REVISE A DEFINITION; AND DECLARING AN EMER-
3 GENCY.
4

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

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

8 59-1302. DEFINITIONS. (1) As used in this chapter, each of the terms
9 defined in this section shall have the meaning given in this section unless a
10 different meaning is clearly required by the context.

11 (2) "Active member" means any employee who is not establishing the
12 right to receive benefits through his or her employer's participation in any
13 other retirement system established for Idaho public employees, if such par-
14 ticipation is mandated by applicable Idaho statutes other than this chapter.
15 In no case will an employee be entitled to any benefit under this chapter
16 for public service if such employee is establishing retirement benefit en-
17 titlements by other Idaho statutes or federal statutes other than military
18 service or social security for that same service.

19 (3) "Accumulated contributions" means the sum of amounts contributed
20 by a member of the system, together with regular interest credit thereon.

21 (4) "Actuarial equivalent" means a benefit equal in value to another
22 benefit, when computed upon the basis of the actuarial tables in use by the
23 system.

24 (5) "Actuarial tables" means such tables as shall have been adopted by
25 the board in accordance with recommendations of the actuary.

26 (5A) "Alternate payee" means a spouse or former spouse of a member who is
27 recognized by an approved domestic retirement order as having a right to all
28 or a portion of the accrued benefits in the retirement system with respect to
29 such member.

30 (5B) "Approved domestic retirement order" means a domestic retirement
31 order which creates or recognizes the existence of an alternate payee's
32 right or assigns to an alternate payee the right to all or a portion of the
33 accrued benefits of a member under the retirement system, which directs the
34 system to establish a segregated account or disburse benefits to an alter-
35 nate payee, and which the executive director of the retirement system has de-
36 termined meets the requirements of sections 59-1319 and 59-1320, Idaho Code.

37 (5C) "Average monthly salary" means the member's average salary during
38 the base period as calculated pursuant to rules adopted by the retirement
39 board.

40 (5D) (a) "Base period" means the period of fifty-four (54) consecutive
41 calendar months during which the member earned:

42 (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 director of the office of
11 personnel management under the United States civil service system re-
12 tirement act except that a person who receives separate remuneration
13 for work currently performed for an employer and the United States gov-
14 ernment may elect to be a member of the retirement system in accordance
15 with rules of 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, irrigation dis-
25 trict, cemetery district or mosquito abatement district when the city,
26 county, irrigation district, cemetery district or mosquito abatement
27 district has certified, in writing to the system, the position is (i)
28 seasonal or casual; and (ii) affected by weather, including parks, golf
29 course positions and irrigation positions; or

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

36 (15) "Employer" means the state of Idaho, or any political subdivision
37 or governmental entity, provided such subdivision or entity has elected to
38 come into the system. Governmental entity means any organization composed
39 of units of government of Idaho or organizations funded only by government
40 or employee contributions or organizations who discharge governmental re-
41 sponsibilities or proprietary responsibilities that would otherwise be per-
42 formed by government. All governmental entities are deemed to be political
43 subdivisions for the purpose of this chapter. Provided however, that on and
44 after the effective date of this act, all new employers added to the public
45 employee retirement system must be in compliance with internal revenue reg-
46 ulations governing governmental retirement plans, and no new employees of
47 governmental entities shall be added to the public employee retirement sys-
48 tem.

49 (15A) "Final contribution" means the final contribution made by a mem-
50 ber pursuant to sections 59-1331 through 59-1334, Idaho Code.

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

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

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

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

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

17 (20A) "Lifetime annuity" means periodic monthly payments of income by
18 the retirement system to an alternate payee.

19 (20B) "Lump sum distribution" means a payment by the retirement system
20 of the entire balance in the alternate payee's segregated account, together
21 with regular interest credited thereon.

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

24 (22) "Membership service" means military service which occurs after
25 the commencement of contributions payable under sections 59-1331 through
26 59-1334, Idaho Code, and service with respect to which contributions are
27 payable under sections 59-1331 through 59-1334, Idaho Code, which, except
28 for benefit calculations described in sections 59-1342 and 59-1353, Idaho
29 Code, includes service transferred to a segregated account under an approved
30 domestic retirement order.

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

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

45 (b) Any active duty service in excess of five (5) years if at the conve-
46 nience of the United States government, or in excess of four (4) years
47 if not at the convenience of the United States government, provided
48 additional membership service may be purchased as provided in section
49 59-1362, Idaho Code.

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

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

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

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

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

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

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

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

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

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

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

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

41 (C) "Salary" does not include:

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

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

48 (c) Differential wage payments as defined in 26 U.S.C. 3401(h). A dif-
49 ferential wage payment generally refers to an employer payment to an
50 employee called to active duty in the uniformed services for more than

1 thirty (30) days that represents all or a portion of the compensation he
2 would have received from the employer if he were performing services for
3 the employer.

4 (d) Employer payments to employees for or related to travel, mileage,
5 meals, lodging or subsistence expenses, without regard to the taxabil-
6 ity of such payments for federal income tax purposes and without regard
7 to the form of payment, including payment made as reimbursement of an
8 itemized expense voucher and payment made of an unvouchered expense al-
9 lowance.

10 (31A) "Segregated account" means the account established by the retire-
11 ment system for the alternate payee of a member who is not a retired member.
12 It shall include the months of credited service and accumulated contribu-
13 tions transferred from the member's account.

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

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

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

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

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

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

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

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

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

41 (37) The masculine pronoun, wherever used, shall include the feminine
42 pronoun.

43 SECTION 2. An emergency existing therefor, which emergency is hereby
44 declared to exist, this act shall be in full force and effect on and after its
45 passage and approval.