

RESOLUTION #2020-03 TIER 2 PUBLIC SAFETY AND FIREFIGHTER MEMBER CONTRIBUTIONS DURING THE FIRST YEAR OF EMPLOYMENT

August 13, 2020

WHEREAS, “A public safety service employee or firefighter service employee initially entering employment with a participating employer on or after July 1, 2011, shall: (i) make an election to participate . . .” in the Tier 2 Hybrid Retirement System or the Tier 2 Defined Contribution Plan. Utah Code Annotated § 49-23-201(2)(b).

WHEREAS, a public safety service employee or firefighter service employee shall make an election to participate in either the Tier 2 Hybrid Retirement System or the Tier 2 Defined Contribution Plan, which becomes irrevocable beginning one year from the date of eligibility for accrual of benefits. If the public safety service employee or the firefighter service employee does not make an affirmative election within the one-year period, the employee becomes a member of the Tier 2 Hybrid Retirement System. See Utah Code Annotated § 49-23-201(2)(c) and (d).

WHEREAS, “participating employers and members shall pay the certified contribution rates to the office to maintain the defined benefit portion of . . . [the Public Safety and Firefighter Tier 2 Hybrid Retirement System] on a financially and actuarially sound basis in accordance with . . . [Utah Code Annotated § 49-23-301(2)].” Utah Code Annotated § 49-23-301(1).

WHEREAS, 2019 S.B. 129 and 2020 S.B. 56, effective July 1, 2020: 1) increase the retirement allowance multiplier from 1.5% to 2.0% prospectively for service earned for the defined benefit of members of the Tier 2 Hybrid Retirement System; 2) increase the cap on participating employers’ contributions for the Tier 2 Hybrid Retirement System or the Tier 2 Defined Contribution Plan from 12% to up to 14% of covered payroll.

WHEREAS, a Tier 2 Hybrid Retirement System member shall pay to the office the amount, if any, of the certified contribution rate for the defined benefit portion of the system that exceeds the percent of compensation paid by the participating employer. See Utah Code Annotated § 49-23-301(2)(b).

WHEREAS, the consulting actuary has projected the normal cost of the defined benefit component of the Tier 2 Hybrid Retirement System with the enhanced multiplier under 2019 S.B. 129 and 2020 S.B. 56 to exceed 14% of covered payroll, which will result in ongoing required employee contributions for members of this system.

WHEREAS, the Utah State Retirement Board (the “Board”) shall “develop broad policy for the long-term operation of the various systems, plans, and programs under broad discretion and power to perform the board’s policymaking functions . . .”. Utah Code Annotated § 49-11-203(1)(k).

WHEREAS, the Board finds it is necessary to provide rules for a public safety service employee or firefighter service employee regarding required member contributions received by the Office during the one-year election period.

NOW, THEREFORE, BE IT RESOLVED, that the following rules apply to members and participants of the New Public Safety and Firefighter Tier 2 Contributory Retirement System:

1. A public safety service employee or firefighter service employee shall make required member contributions to the Office during the one-year election period, beginning from the date of hire.
2. The member contributions shall be credited by the Office to a vested and nonforfeitable account of the individual member. This same treatment applies to any portion of required employee contributions paid by the employer in lieu of the required employee contributions under a formal “pick-up” election pursuant to Section 414(h)(2) of the Internal Revenue Code.
3. At the end of a member’s one-year election period, the Office shall do the following based upon the irrevocable participation election made by the member (including those who do not make an affirmative election and whose participation results from the default election):
 - a. For members who participate in the Tier 2 Hybrid Retirement System, the required member contributions shall remain vested in the individual’s account and be held in trust for the payment of future benefits or an eligible refund.
 - b. For members who participate in the Tier 2 Defined Contribution Plan, the required member contributions, with associated accrued interest, shall be transferred into and be vested in the member’s 401(k) account with the Defined Contribution Savings Plan Department.

This Resolution takes effect on August 13, 2020.