



2020 South Dakota Legislature

Senate Bill 31

Introduced by: The Committee on Retirement Laws at the request of the South Dakota Retirement System

1 **An Act to revise and repeal certain provisions relating to the South Dakota**
 2 **Retirement System.**

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 **Section 1.** That § 3-12C-101 be AMENDED:

5 **3-12C-101. Definition of terms.**

6 Terms as used in this chapter mean:

- 7 (1) "Actuarial accrued liability," the present value of all benefits less the present value
 8 of future normal cost contributions;
- 9 (2) "Actuarial experience analysis," a periodic report that reviews basic experience data
 10 and furnishes actuarial analysis that substantiates the assumptions adopted for the
 11 purpose of making an actuarial valuation of the system;
- 12 (3) "Actuarial valuation," a projection of the present value of all benefits and the current
 13 funded status of the system, based upon stated assumptions as to rates of interest,
 14 mortality, disability, salary progressions, withdrawal, and retirement as established
 15 by a periodic actuarial experience analysis that takes into account census data of
 16 all active members, vested terminated members, and retired members and their
 17 beneficiaries under the system;
- 18 (4) "Actuarial value funded ratio," the actuarial value of assets divided by the actuarial
 19 accrued liability;
- 20 (5) "Actuarial value of assets," equal to the fair value of assets;
- 21 (6) "Actuarially determined contribution rate," the fixed, statutory contribution rate, no
 22 less than the normal cost rate with expenses assuming the minimum COLA, and no
 23 greater than the normal cost rate with expenses assuming the maximum COLA;
- 24 (7) "Air rescue firefighters," employees of the Department of the Military who are
 25 stationed at Joe Foss Field, Sioux Falls, and who are directly involved in firefighting
 26 activities on a daily basis;

- 1 (8) "Approved actuary," any actuary who is a member of the American Academy of
2 Actuaries or an Associate or a Fellow of the Society of Actuaries who meets the
3 qualification standards of the American Academy of Actuaries to issue actuarial
4 opinions regarding the system or any firm retaining such an actuary on its staff and
5 who is appointed by the board to perform actuarial services;
- 6 (9) "Assumed rate of return," the actuarial assumption adopted by the board pursuant
7 to § 3-12C-227 as the annual assumed percentage return on trust fund assets,
8 compounded;
- 9 (10) "Beneficiary," the person designated by a member of the system to receive any
10 payments after the death of such member;
- 11 (11) "Benefits," the amounts paid to a member, spouse, child, or beneficiary as a result
12 of the provisions of this chapter;
- 13 (12) "Board," the Board of Trustees of the South Dakota Retirement System;
- 14 (13) "Calendar quarter," a period of three calendar months ending March thirty-first,
15 June thirtieth, September thirtieth, or December thirty-first of any year;
- 16 (14) "Campus security officers," employees of the Board of Regents whose positions are
17 subject to the minimal educational training standards established by the law
18 enforcement standards commission pursuant to chapter 23-3, who satisfactorily
19 complete the training required by chapter 23-3 within one year of employment, and
20 whose primary duty as sworn law enforcement officers is to preserve the safety of
21 the students, faculty, staff, visitors, and the property of the university. The
22 employer shall file with the system evidence of the appointment as a sworn law
23 enforcement officer at the time of employment and shall file evidence of satisfactory
24 completion of the training program pursuant to chapter 23-3 within one year of
25 employment;
- 26 (15) "Certified school employee," any employee of a participating unit who is required
27 to have a certificate as defined in subdivision 13-42-1(3);
- 28 (16) "Class A credited service," service credited as a Class A member of the system;
- 29 (17) "Class A member," any member other than a Class B member or a Class C member
30 and is either a foundation member or a generational member;
- 31 (18) "Class B credited service," service credited as a Class B member of the system;
- 32 (19) "Class B member," a member who is a justice, judge, state law enforcement officer,
33 magistrate judge, police officer, firefighter, county sheriff, deputy county sheriff,
34 correctional security staff, parole agent, air rescue firefighter, campus security
35 officer, court services officer, juvenile corrections agent, conservation officer, or

- 1 park ranger and is either a foundation member or a generational member;
- 2 (20) "Class C credited service," service credited as a Class C member of the system;
- 3 (21) "Class C member," any member of the cement plant retirement plan including any
4 retiree or any vested member;
- 5 (22) "Classified employee," an employee of a public school district who is not required
6 by law to be a certified school employee, an employee of any college or university
7 under the control of the Board of Regents who is not a faculty member or an
8 administrator and comes within the provisions of chapter 3-6D, an employee of a
9 public corporation, an employee of a chartered governmental unit, and any other
10 participating employee not elsewhere provided for in this chapter;
- 11 (23) "Comparable level position," a member's position of employment that is generally
12 equivalent to the member's prior position of employment in terms of required
13 education, required experience, required training, required work history,
14 geographic location, and compensation and benefits;
- 15 (24) "Conservation officers," employees of the Department of Game, Fish and Parks and
16 the Division of Wildlife or Division of Custer State Park who are employed pursuant
17 to § 41-2-11 and whose positions are subject to the requirements as to education
18 and training provided in chapter 23-3;
- 19 (25) "Consumer price index," the consumer price index for urban wage earners and
20 clerical workers calculated by the United States Bureau of Labor Statistics;
- 21 (26) "Contributory service," service to a participating unit during which contributions
22 were made to a South Dakota retirement system, which may not include years of
23 credited service as granted in § 3-12C-509 or 3-12C-511;
- 24 (27) "Correctional security staff," the warden, deputy warden, and any other correctional
25 staff holding a security position as verified by the Department of Corrections and
26 approved by the Bureau of Human Resources and the Bureau of Finance and
27 Management, and determined by the board as Class B members;
- 28 (28) "Court services officers," persons appointed pursuant to § 26-7A-8;
- 29 (29) "Covered employment," a member's employment as a permanent full-time
30 employee by a participating unit;
- 31 (30) "Deputy county sheriff," an employee of a county that is a participating unit,
32 appointed by the board of county commissioners pursuant to §§ 7-12-9 and 7-12-
33 10, who is a permanent full-time employee and whose position is subject to the
34 minimum educational and training standards established by the law enforcement
35 standards commission pursuant to chapter 23-3. The term does not include jailers

- 1 or clerks appointed pursuant to §§ 7-12-9 and 7-12-10 unless the participating unit
2 has requested that the jailer be considered as a deputy county sheriff and the board
3 has approved the request;
- 4 (31) "Effective date of retirement," the first day of the month in which retirement
5 benefits are payable;
- 6 (32) "Eligible retirement plan," the term eligible retirement plan includes those plans
7 described in section 402(c)(8)(B) of the Internal Revenue Code;
- 8 (33) "Eligible rollover distribution," any distribution to a member of accumulated
9 contributions pursuant to § 3-12C-602. The term does not include any portion of a
10 distribution that represents contributions made to the system on an after tax basis
11 nor distributions paid as a result of the member reaching the required beginning
12 date;
- 13 (34) "Employer," the State of South Dakota and any department, bureau, board, or
14 commission of the State of South Dakota, or any of its governmental or political
15 subdivisions or any public corporation of the State of South Dakota that elects to
16 become a participating unit;
- 17 (35) "Employer contributions," amounts contributed by the employer of a contributing
18 member, excluding member contributions made by an employer after June 30,
19 1984, pursuant to § 3-12C-401;
- 20 (36) "Equivalent public service," any public service other than as a justice, a judge, or a
21 magistrate judge and comparable to Class B service as defined by this section, if
22 the service is in the employ of a public entity that is not a participating unit;
- 23 (37) "Fair value of assets," the total assets of the system at fair market value for
24 securities traded on exchanges; for securities not traded on exchanges, a value
25 based on similar securities; and for alternative investments, reported net asset
26 value;
- 27 (38) "Fair value funded ratio," the fair value of assets divided by the actuarial accrued
28 liability;
- 29 (39) "Fiduciary," any person who exercises any discretionary authority or control over
30 the management of the system or the management or disposition of its assets,
31 renders investment advice for a fee or other compensation, direct or indirect, or
32 has any authority or responsibility to do so, or has any discretionary authority or
33 responsibility in the administration of the system;
- 34 (40) "Foundation member," any member of the system whose contributory service
35 began before July 1, 2017;

- 1 (41) "Foundation retiree," any foundation member who has retired with a benefit payable
2 from the system;
- 3 (42) "Firefighter," any full-time firefighter who works at least twenty hours a week and
4 at least six months a year. The term does not include any volunteer firefighter;
- 5 (43) "Fund," public employees' retirement fund or funds established for the purposes of
6 administration of this chapter;
- 7 (44) "General employee," any full-time municipal employee who is not a firefighter or a
8 police officer;
- 9 (45) "Generational member," any member of the system whose contributory service
10 began after June 30, 2017;
- 11 (46) "Generational retiree," any generational member who has retired with a benefit
12 payable from the system;
- 13 (47) "Health care provider," a physician or other health care practitioner licensed,
14 registered, certified, or otherwise authorized by law to provide specified health
15 services;
- 16 (48) "Internal Revenue Code," or "code," the Internal Revenue Code as in effect as of
17 January 1, ~~2019~~ 2020;
- 18 (49) "Juvenile corrections agent," a designee of the secretary of corrections charged with
19 the care, custody, and control of juveniles committed to the Department of
20 Corrections until the age of twenty-one or a person who is charged with the care,
21 custody, and control of juveniles at a juvenile corrections facility under the control
22 of a participating unit;
- 23 (50) "Law enforcement officer," any agent of the state division of criminal investigation,
24 officer of the South Dakota Highway Patrol, police officer, county sheriff, deputy
25 county sheriff, or firefighter;
- 26 (51) "Member," any person who is contributing or has made contributions to the system
27 and is either a foundation member or generational member. A person's membership
28 ceases when the person withdraws his or her accumulated contributions after
29 termination of employment;
- 30 (52) "Member contributions," amounts contributed by members, including member
31 contributions made by an employer after June 30, 1984, pursuant to § 3-12C-401;
- 32 (53) "Military service," a period of active duty with the United States Army, the United
33 States Navy, the United States Air Force, the United States Marine Corps, or the
34 United States Coast Guard, from which duty the member received an honorable
35 discharge or an honorable release;

- 1 (54) "Municipality," any incorporated municipal government under chapter 9-3 or any
2 chartered governmental unit under the provisions of Article IX of the Constitution
3 of the State of South Dakota;
- 4 (55) "Noncontributory service," for foundation members, service delineated in
5 subdivisions 3-12C-502(2), (5), (7), and (8), and for generational members, service
6 pursuant to § 3-12C-514;
- 7 (56) "Normal cost," the expected long-term cost of the system benefits and expenses
8 expressed as a percentage of payroll;
- 9 (57) "Normal retirement," the termination of employment and application for benefits by
10 a member with three or more years of contributory service or noncontributory
11 service on or after the member's normal retirement age;
- 12 (58) "Other public benefits," eighty percent of the primary insurance amount or primary
13 social security benefits that would be provided under federal social security;
- 14 (59) "Other public service," service for the government of the United States, including
15 military service; service for the government of any state or political subdivision
16 thereof; service for any agency or instrumentality of any of the foregoing; or service
17 as an employee of an association of government entities described in this
18 subdivision;
- 19 (60) "Park rangers," employees of the Department of Game, Fish and Parks within the
20 Division of Parks and Recreation and whose positions are subject to the
21 requirements as to education and training provided in chapter 23-3 and whose
22 primary duty is law enforcement in the state park system;
- 23 (61) "Parole agent," an employee of the Department of Corrections employed pursuant
24 to § 24-15-14 who is actually involved in direct supervision of parolees on a daily
25 basis;
- 26 (62) "Participating unit," the State of South Dakota and any department, bureau, board,
27 or commission of the State of South Dakota, and any of its political subdivisions or
28 any public corporation of the State of South Dakota that has employees who are
29 members of the retirement system created in this chapter;
- 30 (63) "Permanent full-time employee," any employee who has been placed in a
31 permanent classification who is customarily employed by a participating unit for
32 twenty hours or more a week and at least six months a year. The participating unit
33 shall decide if an employee is a permanent full-time employee and that decision is
34 conclusive;
- 35 (64) "Plan year," a period extending from July first of one calendar year through June

- 1 thirtieth of the following calendar year;
- 2 (65) "Police officer," any employee in the police department of any participating
3 municipality holding the rank of patrol officer, including probationary patrol officer,
4 or higher rank and whose position is subject to the minimum educational and
5 training standards established by the law enforcement officers standards
6 commission pursuant to chapter 23-3. The term does not include civilian employees
7 of a police department nor any person employed by a municipality whose services
8 as a police officer require less than twenty hours a week and six months a year. If
9 a municipality which is a participating unit operates a city jail, the participating unit
10 may request that any jailer appointed pursuant to § 9-29-25 be considered a police
11 officer, subject to the approval of the board;
- 12 (66) "Political subdivision" includes any municipality, school district, county, chartered
13 governmental unit, public corporation or entity, and special district created for any
14 governmental function;
- 15 (67) "Present value of all benefits," the present value of all benefits expected to be paid
16 to all retired, terminated, and active members and beneficiaries, based on past and
17 future credited service and future compensation increases;
- 18 (68) "Present value of benefits earned to date," the present value of the benefits
19 currently being paid to retired members and their beneficiaries and the present
20 value of benefits payable at retirement to active members, based on their earnings
21 and credited service to date of the actuarial valuation;
- 22 (69) "Projected compensation," a deceased or disabled member's final average
23 compensation multiplied by the COLA commencing each July first for each complete
24 twelve-month period elapsed between the date of the member's death or disability,
25 whichever occurred earlier, and the date the member would attain normal
26 retirement age or the benefit commences, whichever occurred earlier;
- 27 (70) "Projected service," the credited service plus the service that the member would
28 have been credited with at normal retirement age had the member continued in the
29 system and received credit at the same rate the member was credited during the
30 year covered by the compensation that was used in the calculation of the disability
31 or family benefit;
- 32 (71) "Qualified military service," service in the uniformed services as defined in
33 § 414(u)(5) of the Internal Revenue Code;
- 34 (72) "Required beginning date," the later of April first of the calendar year following the
35 calendar year in which the member attains age seventy and one-half or April first

- 1 of the calendar year following the calendar year in which the member retires;
- 2 (73) "Retiree," any foundation or generational member who retires with a lifetime benefit
3 payable from the system;
- 4 (74) "Retirement," the severance of a member from the employ of a participating unit
5 with a retirement benefit payable from the system;
- 6 (75) "Retirement benefit," the monthly amount payable upon the retirement of a
7 member;
- 8 (76) "Single premium," the lump-sum amount paid by a supplemental pension
9 participant pursuant to a supplemental pension contract in consideration for a
10 supplemental pension benefit;
- 11 (77) "Social investment," investment, divestment, or prohibition of investment of the
12 assets of the system for purposes other than maximum risk-adjusted investment
13 return, which other purposes include ideological purposes, environmental purposes,
14 political purposes, religious purposes, or purposes of local or regional economic
15 development;
- 16 (78) "State employees," employees of the departments, bureaus, commissions, and
17 boards of the State of South Dakota;
- 18 (79) "Supplemental pension benefit," any single-premium immediate pension benefit
19 payable pursuant to §§ 3-12C-1504 and 3-12C-1505;
- 20 (80) "Supplemental pension contract," any agreement between a participant and the
21 system upon which a supplemental pension is based, including the amount of the
22 single premium, the type of pension benefit, and the monthly supplemental pension
23 payment amount;
- 24 (81) "Supplemental pension contract record," the record for each supplemental pension
25 participant reflecting relevant participant data; a designation of any beneficiary, if
26 any; the amount of the participant's funds rolled into the fund; the provisions of
27 the participant's supplemental pension contract; and supplemental pension
28 payments made pursuant to the contract;
- 29 (82) "Supplemental pension participant," any member who is a retiree receiving a benefit
30 from the system, or, if the member is deceased, the member's surviving spouse
31 who is receiving a benefit from the system, and who chooses to purchase a
32 supplemental pension benefit pursuant to the provisions of this chapter;
- 33 (83) "Supplemental pension spouse," any person who was married to a supplemental
34 pension participant at the time the participant entered into the supplemental
35 pension contract;

- 1 (84) "System," the South Dakota Retirement System created in this chapter;
- 2 (85) ~~"Tax-qualifying purchase unit," any participating unit that elects to allow the unit's~~
 3 ~~employees to purchase credited service on a tax-deferred basis by means of~~
 4 ~~employer contribution agreements as outlined in §§ 3-12C-507 and 3-12C-508;~~
- 5 ~~(86)~~ "Trustee," a member of the board of trustees;
- 6 ~~(87)~~(86) "Unfunded actuarial accrued liability," the actuarial accrued liability less the
 7 actuarial value of assets.

8 **Section 2.** That § 3-12C-203 be AMENDED:

9 **3-12C-203. Board of Trustees created--Composition.**

10 There is created a governing authority of the system ~~to consist of a board~~ known
 11 as the Board of Trustees. Voting representation on the board shall be the following:

- 12 (1) Two state employee members;
- 13 (2) Two ~~teacher certified school employee~~ members;
- 14 (3) A participating municipality member;
- 15 (4) A participating county member;
- 16 (5) A participating classified employee member;
- 17 (6) A current contributing Class B member other than a justice, judge, or magistrate
 18 judge;
- 19 (7) A justice, judge, or magistrate judge;
- 20 (8) One head of a principal department established pursuant to § 1-32-2, or one head
 21 of a bureau under the Department of Executive Management established pursuant
 22 to § 1-33-3 appointed by the Governor;
- 23 (9) An individual appointed by the Governor;
- 24 (10) A county commissioner of a participating county;
- 25 (11) A school district board member;
- 26 (12) An elected municipal official of a participating municipality;
- 27 (13) A retiree; and
- 28 (14) A faculty or administrative member employed by the Board of Regents and not
 29 subject to the provisions of chapter 3-6D.

30 A representative of the State Investment Council shall serve as an ex officio nonvoting
 31 member.

32 **Section 3.** That § 3-12C-215 be AMENDED:

1 **3-12C-215. Confidentiality of records--Exceptions.**

2 Any information contained in any record pertaining to a member of the system is
3 confidential and shall be used for the sole purpose of carrying into effect the provisions of
4 this chapter, chapter 3-13, and chapter 3-13A. Any record containing the information is
5 not open to inspection by any person or entity except the member, the board, the
6 employees of the system, or the member's employer. The information and records may
7 be released to the member or with the member's consent. The information and records
8 may also be released pursuant to a court order or subpoena.

9 **Section 4.** That § 3-12C-223 be AMENDED:

10 **3-12C-223. Investment of assets by investment council--Pooling of funds--**
11 **Standards for investment--Compliance with federal divestiture enactments.**

12 The State Investment Council as provided in § 4-5-12 is responsible for the
13 investment of the assets of the system. The Investment Council may pool the several
14 retirement funds for investment purposes and the investment of ~~such the~~ funds is not
15 restricted by the provisions of § 4-5-26, but is governed by the provisions of § 4-5-27.
16 ~~However, the~~ The assets of the system may not be ~~used as venture capital, nor may the~~
17 ~~assets of the system be~~ managed in any manner for the purposes of social investment.
18 The State Investment Council shall invest member trust funds in a manner that is solely
19 designed to provide for the exclusive benefit of the members and benefit recipients of the
20 system. ~~However, the~~ The foregoing provisions notwithstanding, the State Investment
21 Council shall establish a shareholder activism policy to engage and promote compliance
22 with federal divestiture enactments by the United States Congress and to recognize the
23 risks associated with companies doing business in the countries identified. Once the United
24 States Congress has acted, the State Investment Council may initiate the shareholder
25 activism policy on its own accord, or shall do so at the direction of the Legislature by
26 resolution. The State Investment Council shall report semi-annually ~~and fifteen months~~
27 ~~after July 1, 2010~~ on council actions related to the shareholder activism policy. The report
28 shall include an analysis of the success of the policy in accomplishing the goal of promoting
29 compliance with the federal enactments and its impact on all sales of affected companies.

30 **Section 5.** That § 3-12C-301 be AMENDED:

31 **3-12C-301. Members of system.**

32 All of the following permanent full-time employees are included as members in the
33 system:

- 1 (1) All state employees;
- 2 (2) ~~All teachers~~ certified school employees;
- 3 (3) All justices, judges, and magistrate judges;
- 4 (4) All police officers and firefighters of participating municipalities;
- 5 (5) All general employees of participating municipalities;
- 6 (6) All employees of participating counties;
- 7 (7) All classified employees of school districts that are participating with ~~their~~ the school
- 8 districts' classified employees and all other classified employees;
- 9 (8) All employees of the Board of Regents; and
- 10 (9) All state law enforcement officers.

11 **Section 6.** That § 3-12C-304 be AMENDED:

12 **3-12C-304. Continuation of previously established retirement plan--Vote of**
 13 **employees required to participate in consolidated system.**

14 ~~Any retirement plan of a political subdivision or public corporation may operate a~~
 15 retirement plan created prior to July 1, 1974, ~~may continue to operate that plan unless~~
 16 the retirement plan of the political subdivision or public corporation is accepted in the
 17 system created by this chapter. Notwithstanding the provisions of this section and § 3-
 18 12C-306, ~~in no event, shall employees of such~~ no political subdivision or public corporation
 19 with a retirement plan may be accepted as a participating unit unless two-thirds of the
 20 ~~members of such the retirement plan vote by a two-thirds majority~~ to become members
 21 of the system created by this chapter.

22 **Section 7.** That § 3-12C-401 be AMENDED:

23 **3-12C-401. Rate of contributions--Deduction from pay--Employer to make**
 24 **members' contributions.**

25 ~~The member~~ Any employee included in § 3-12C-301 shall make a contribution to
 26 the system, except as specified in § 3-12C-1405, and the employer shall make an equal
 27 contribution to the system, except as otherwise specified, at the following rates:

- 28 (1) Class A members: five percent of compensation through June 30, 2002, and six
 29 percent of compensation after June 30, 2002;
- 30 (2) Justices, judges, and magistrate judges: nine percent of compensation;
- 31 (3) All other Class B members: eight percent of compensation.

1 The employer shall cause to be deducted on each payroll of ~~a member~~ the employee
 2 for each payroll period the contribution payable by the ~~member~~ employee as provided in
 3 this section.

4 Except for those contributions specified in § 3-12C-1405, contributions required of
 5 ~~members~~ employees by this section shall be made by the participating unit pursuant to
 6 the provisions of § 414(h)(2) of the Internal Revenue Code. ~~Such~~ The contributions shall
 7 be classified as ~~member~~ employee contributions for all purposes under this chapter. ~~A~~
 8 ~~member~~ An employee may not receive the amount of ~~such~~ the contributions directly rather
 9 than as contributions under this section.

10 **Section 8.** That § 3-12C-901 be AMENDED:

11 **3-12C-901. Family and surviving spouse benefits--Death of contributing**
 12 **member before retirement or death of member receiving disability based on**
 13 **application before July 1, 2015.**

14 On the death of a contributing member before July 1, 2015, and before the earlier
 15 of the member attaining normal retirement age or the member's retirement, who has one
 16 or more years of contributory service; or if there has been a break in the member's
 17 employment of more than one year, one-half year of contributory service having been
 18 performed after the end of the last ~~such~~ break; or if the member was receiving a disability
 19 benefit which commenced after July 1, 1974, and was based on an application received
 20 by the system before July 1, 2015, the following benefits shall be paid:

- 21 (1) A surviving spouse having the care of children shall receive an annual amount,
 22 payable in monthly installments, equal to forty percent of the member's ~~final~~
 23 average projected compensation, plus ten percent of ~~such final average~~ the
 24 projected compensation for each child to a maximum of six ~~such~~ children;
 25 (2) The conservator or custodian of each child, on whose account there is no benefit
 26 payable under subdivision (1), shall receive on behalf of each child, to a maximum
 27 of five ~~such~~ children, an annual amount, payable in monthly installments, equal to
 28 twenty percent of the member's ~~final average~~ projected compensation;
 29 (3) If the sum of benefits payable under subdivisions (1) and (2) exceeds one hundred
 30 percent of the member's ~~final average~~ projected compensation, the benefits payable
 31 under both subdivisions (1) and (2) shall be proportionally reduced so that the total
 32 of the benefits is equal to one hundred percent of the member's ~~final average~~
 33 projected compensation; and
 34 (4) If there are no benefits being paid under subdivision (1) and the member's

1 accumulated contributions have not been withdrawn pursuant to § 3-12C-906, the
2 spouse who has reached age sixty-five shall receive a monthly payment equal to
3 sixty percent of the amount which would have been payable to the deceased
4 member at normal retirement age based on the member's credited and projected
5 service, projected compensation, and projected primary social security. The benefit
6 payable under this subdivision shall be increased by application of the COLA
7 commencing each July first for each complete twelve-month period between the
8 date the member would have reached normal retirement age and the date benefits
9 commence to the spouse.

10 Family benefits begin to accrue on the first day of the month following the death of
11 the member.

12 **Section 9.** That § 3-12C-507 be REPEALED.

13 **3-12C-507. Purchase of prior service credit on tax-deferred basis.**

14 **Section 10.** That § 3-12C-508 be REPEALED.

15 **3-12C-508. Purchase of prior service credit by member of tax-qualifying**
16 **purchase unit.**

17 **Section 11.** That § 3-12C-105 be AMENDED:

18 **3-12C-105. Compensation defined.**

19 For the purposes of this chapter, the term, compensation, means gross wages paid
20 to a member by the employer for credited service rendered during the period for which
21 the payment was earned. Compensation includes any amount reported as wages, tips,
22 and other compensation on the member's federal form W-2 wage and tax statement,
23 except as otherwise excluded in this section; any amount of member contributions made
24 by an employer after June 30, 1984, pursuant to § 3-12C-401; and any amount
25 contributed by a member to a plan that meets the requirements of section 125, 401, 403,
26 408, or 457 of the Internal Revenue Code; and any amount contributed to the system
27 pursuant to § 3-12C-508 in accord with § 414(h)(2) of the Internal Revenue Code.

28 Compensation does not include any allowance, payment, or reimbursement for travel,
29 meals, lodging, moving, uniforms, or any other expense that is incidental to employment
30 and paid or reimbursed by the employer; any lump sum payment for sick leave; any lump
31 sum payment for annual leave; any payment for, or in lieu of, insurance coverage of any

1 kind or any other employee benefit paid by an employer directly to a member or directly
2 to a third party on behalf of a member or a member and any dependent; any allowance
3 or payment for housing or vehicles; any temporary payment paid as a lump sum or over
4 a period of time that is not due to additional duties; any amount paid in a one-time lump
5 sum payment or over a period of time and based on or attributable to retirement or an
6 agreement to retire in the future or results in an incentive to retire; any payment made
7 upon dismissal or severance; any worker's compensation payment; and any payment
8 contingent on a member terminating employment at a specified time in the future paid or
9 payable in a lump sum or over a period of time.

10 **Section 12.** That § 3-12C-517 be AMENDED:

11 **3-12C-517. Valuation of purchased prior service credit--Installment**
12 **payments--Death of member--Adjustment when installments not paid.**

13 Payment of a deposit with the system for credited service pursuant to §§ 3-12C-
14 504 to 3-12C-514, inclusive, shall be determined and due at the time the notice of
15 intention to make the payment is received by the system. The amount due may be paid
16 by periodic, level installments over a period of up to ten years, the value of which, when
17 discounted for interest at the assumed rate of return, is equal to the amount due at the
18 date of the notice. If a member dies before completion of the installment payments, the
19 surviving spouse may complete the payments due the system, but, unless the payments
20 are being made by a participating unit, the amount shall be paid in full within ninety days
21 of the member's death or retirement. If the periodic payments are not completed or paid
22 when due, the executive director may make an appropriate adjustment to the credited
23 service, benefits payable under this chapter, or schedule of payments to allow for the
24 default. Any member participating in installment payments pursuant to this section before
25 July 1, 1989, shall have the balance due on July 1, 1989, recalculated pursuant to §§ 3-
26 12C-504 and 3-12C-509 and shall have the installment payments due after June 30, 1989,
27 recalculated accordingly. ~~The provisions of this section apply only to installment payment~~
28 ~~purchases of credited service that are not tax-deferred, and do not apply to tax-deferred~~
29 ~~purchases pursuant to § 3-12C-508.~~