

URS Fiscal Analysis of 3rd Substitute 2015 H.B. 288

Summary of Fiscal Impact

If enacted, 3rd Substitute H.B. 288, Line-of-duty Death Benefits for Peace Officers and Firefighters, would collectively increase the cost for the employers participating in the public safety and firefighter retirement systems of the Utah Retirement Systems (URS) \$57,000 per year. Exhibit 2 shows the impact on the actuarially determined contribution rates and annual cost impact for FY 2016 for each fund.

Proposed Legislative Provisions

3rd Substitute H.B. 288 would:

- 1) Amend Title 49 provisions to increase the lump-sum death benefit payable to the surviving spouses of members who die in the line-of-duty from \$1,500 (\$1,000 for members in public safety Division A funds) to six months of the member's final average salary.
- 2) Enact Title 53, Chapter 17, to:
 - a. Require local government employers to provide continuing health coverage for the surviving spouse and children of public safety members and firefighters who die in the line-of-duty;
 - b. Allow government employers to enter cost-sharing agreements using a "Local Public Safety and Firefighter Surviving Spouse Trust Fund" to fund the continuing health coverage; and
 - c. Require the governor's office to provide assistance with applying for surviving spouse death benefits of a public safety member or firefighter.

Discussion

Public safety and firefighter retirement systems are divided into Division A, with Social Security coverage, and Division B, without Social Security coverage. The current provisions in Utah Code Title 49 provide public safety and firefighter members in a Division B fund line-of-duty death benefits regardless of the actual classification of the member's death, if the member has at least two years of service as public safety officer or five years as a firefighter. Accordingly, the actuary determined the fiscal impact of the original version of H.B. 288, which includes providing increased death benefits to all members in a Division B fund, regardless of the classification of their death.

In an amendment to the original bill, which language is included in 3rd Substitute H.B. 288, the increased death benefits are limited to only those members whose death is classified as a line-of-duty death. The fiscal impact of that version of the proposed legislation is provided below.

Actuarial Analysis

Historical experience has shown that, on average, there are two public safety members that die in the line-of-duty every year, and one firefighter that dies in the line-of-duty every other year. If enacted, 3rd Substitute H.B. 288 would increase the expected distributions from the retirement system by \$55,000 per year. The actuarially determined contribution rates for each of the Public Safety funds would increase by 0.01% of pay. The contribution rates for Firefighter funds Division A and B would increase by 0.03% and 0.02% respectively. The increase in cost for all funds on a combined basis would be \$57,000 per year. This proposed legislation would increase the actuarial accrued liability by \$170,000. Please refer to Exhibit 2 for the cost impact by fund.

The actuary's analysis is based on the member and financial data that were used to prepare the January 1, 2014 actuarial valuation. There were no changes to the actuarial assumptions or methods for performing this analysis.

Other Comments

This analysis only describes the financial and actuarial effect of the proposed plan changes on URS. The changes relating to providing continuing health coverage and death benefit assistance for the surviving spouse will impact employers. However, this analysis does not include such possible impacts.

Exhibit 2

Fiscal Impact on H.B. 288 if Updated to Remove Enhanced Benefits for Division B Members Impact on Annual Cost and the Unfunded Actuarial Accrued Liability

(\$ in thousands)

	Actuarially Determined Contribution Rates			Annual Cost for FY 2016 Based on Actuarially Determined Rates			Increase in Unfunded Actuarial Accrued Liability		
	Current (1)	Proposed Legislation (2)	Increase (3)	Current (4)	Proposed Legislation (5)	Increase (6)	Current (7)	Proposed Legislation (8)	Increase (9)
Public Safety Contributory									
A. State	25.91%	25.92%	0.01%	\$ 35	\$ 35	\$ 0	\$ 288	\$ 288	\$ 0
B. Other Division A (2.5% COLA)	18.67%	18.68%	0.01%	859	859	0	5,793	5,790	0
C. Other Division A (4% COLA)	21.16%	21.17%	0.01%	63	63	0	440	439	0
D. Logan	29.48%	29.49%	0.01%	142	142	0	1,218	1,217	0
E. Other Division B (2.5% COLA)	19.24%	19.25%	0.01%	47	47	0	265	265	0
F. Other Division B (4% COLA)	23.00%	23.01%	0.01%	84	84	0	562	562	0
Public Safety Noncontributory									
A. State	37.52%	37.53%	0.01%	44,553	44,564	11	254,378	254,379	1
B. Other Division A (2.5% COLA)	30.07%	30.08%	0.01%	33,251	33,261	10	142,654	142,666	9
C. Other Division A (4% COLA)	32.56%	32.57%	0.01%	11,151	11,154	3	52,406	52,408	1
D. Salt Lake City	43.85%	43.85%	0.00%	12,785	12,785	0	90,206	90,224	18
E. Ogden	46.25%	46.26%	0.01%	2,744	2,745	1	20,561	20,564	3
F. Provo	37.76%	37.77%	0.01%	2,151	2,151	0	13,192	13,196	4
G. Logan	39.66%	39.67%	0.01%	846	846	0	5,486	5,487	0
H. Bountiful	45.94%	45.95%	0.01%	855	855	0	6,169	6,169	0
I. Other Division B (2.5% COLA)	28.97%	28.98%	0.01%	16,287	16,292	5	59,416	59,451	35
J. Other Division B (4% COLA)	33.13%	33.14%	0.01%	1,651	1,652	1	7,763	7,767	4
Firefighters									
A. Division A	10.93%	10.96%	0.03%	3,018	3,027	9	6,130	6,152	22
B. Division B	12.08%	12.10%	0.02%	10,566	10,583	17	53,817	53,890	73
Tier II - Hybrid Plans									
A. Public Safety and Firefighter	10.09%	10.09%	0.00%	6,238	6,238	0	(550)	(550)	0
Grand Total				\$ 147,326	\$ 147,383	\$ 57	\$ 720,194	\$ 720,364	\$ 170

Notes:

- The actuarially determined contribution rates may be less than the Board certified contribution rates because they do not reflect the Board's policy of maintaining the prior year's rate, if greater, as permitted by U.C. Section 49-11-301(5), which causes the unfunded liability to be paid down sooner.
- These contribution rates are before reflecting offsets for insurance premiums and court fees.
- These rates for the Tier II Hybrid Fund excludes the Tier I amortization payment and the 3% Substantial Substitute.