

URS Fiscal Analysis of 2020 H.B. 173, “Firefighter Retirement Amendments”

This document has been prepared by the Utah Retirement Systems (URS) based on information and analysis received from its consulting actuary, Gabriel Roeder Smith & Company.

Summary of Fiscal Impact

If enacted, H.B. 173, Firefighter Retirement Amendments, likely will not result in a material fiscal impact on URS:

Increase in unfunded actuarial accrued liability:	Increase in annual cost for all participating employers:	Increase in actuarially determined contribution rates:
None	None	None

Proposed Legislative Provisions

This bill provides that a person employed as a firefighter service employee on or after July 1, 2021, by the state as a participating employer is eligible to earn service credit in the New Public Safety and Firefighter Tier II Contributory Retirement System. It also requires, during the 2020 Interim, the Retirement and Independent Entities Interim Committee to study and make recommendations on system eligibility for existing firefighter service employees who are employed by the state as a participating employer. This proposed legislation, other than the study, becomes effective on July 1, 2021.

Discussion and Actuarial Analysis

The actuary concludes that under this legislation since firefighter system participation would be prospective only, there would be no impact to the URS contribution rates.

The actuary points out that the reclassifying of positions in the future would result in fewer amortization dollars going to the Tier I Public Employees System, since if these employees were still covered under the Tier II Public Employees System, the state as an employer would make an amortization contribution to Tier I. However, the actuary doesn't believe there are a sufficient number of impacted positions that the reduction in contribution dollars to Tier I would result in a change in the calculated contribution rates.

The change would also result in more new employees in the Tier II PS/FF system which will provide additional contributions towards that system's unfunded liabilities.

For the state as an employer, there would currently be some cost savings since the employer total contributions (with the amortization rate in addition to the normal cost portion) for firefighter systems are currently less than the contribution rates for the public employee systems. In the future if there is no amortization rate portion for the Public Employees' System, the state as an employer would contribute more on behalf of these firefighter employees to the Tier II PS/FF System than they would to the Tier II Public Employees System because of the higher normal cost contribution rate.

Administrative Cost Analysis

This bill does not alter benefit design or make substantive benefit modifications. Also, URS will work with the Retirement and Independent Entities Committee of the Legislature during the 2020 Interim about the study. Implementation of the bill is not expected to affect administrative costs, but if any such costs are incurred, they will be handled within existing budgets and will not result in direct, measurable costs for URS. Accordingly, this bill likely will not have a material fiscal impact on URS nor will it increase actuarially determined contribution rates.