

URS Fiscal Analysis of 2022 H.B. 70, “Public Safety Disability Benefits Amendments”

This document has been prepared by the Utah Retirement Systems (URS).

Summary of Fiscal Impact

If enacted, H.B. 70, Public Safety Disability Benefits Amendments, likely will not result in a material fiscal impact on URS but may fiscally impact some participating employers:

Increase in unfunded actuarial accrued liability:	Increase in actuarially determined contribution rates:	Increase in employer costs:
None	None	Employer specific; See discussion below

Proposed Legislative Provisions

This bill requires a participating employer to provide a benefit protection contract in addition to long-term disability coverage if the participating employer covers:

- Public safety service employees under the Public Safety Contributory Retirement Act or the Public Safety Noncontributory Retirement Act; or
- Public safety or firefighter service employees under the New Public Safety and Firefighter Tier II Contributory Retirement Act.

Discussion and Actuarial Analysis

Except for the Tier 1 Firefighters Retirement System, URS does not offer a disability retirement plan. However, members have an opportunity to accrue retirement service credit if their employer covers them with a benefit protection contract between URS and a participating employer. Employers currently have the option of covering Tier 2 members under their current benefit protection contract or waiving such coverage. This employer option would be eliminated by H.B. 70.

An approved benefit protection contract allows service credit to accrue during the period eligible members receive long-term disability (LTD) benefits. Approval is conditioned on the employer’s disability plan meeting substantial equivalency guidelines in accordance with statutory and Utah State Retirement Board requirements. Employers are not required to sign a benefit protection contract if they have LTD coverage through PEHP.

With benefit protection, members accrue retirement service credit during the time they receive LTD monthly benefits until they are either terminated from LTD by their insurance company, or they can apply for a monthly URS retirement benefit without an early age reduction, if they qualify.

This bill does not alter benefit design or make substantive benefit modifications. Instead, this legislation requires, instead of allows, for the employers of Tier 1 public safety service employees and Tier 2 public safety or firefighter service employees credit to cover them with a benefit protection contract.

For employers, the cost of service credit accrual is usually incorporated into the Tier 1 contribution rate of active members, so URS does not require additional contributions. If the employer covers Tier 2

members under a benefit protection contract, the employer will be required to pay the total contribution rate for any Tier 2 member approved for LTD.

Implementation of the bill is not expected to affect URS 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.