

URS Fiscal Analysis of 2017 H.B. 299

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

Proposed Legislative Provisions

Under H.B. 299, Substance Abuse and Mental Health Act Amendments, the special function officers employed by the state hospital to perform security functions would no longer be prohibited from receiving service credit in the public safety retirement systems. This change is found in the deleted statutory language on lines 159-160 of the bill.

Discussion and Analysis of Fiscal Impact

If enacted, the removal of the prohibition on public safety retirement system for these special function officers does not automatically transfer their retirement participation of these employees. Member eligibility requirements for the public safety retirement system in Utah Code Title 49, Utah State Retirement and Insurance Benefit Act, would need to be individually met for the employees. Also, the employer would need to complete established URS enrollment processes and make contributions to the public safety retirement systems in order to receive service credit in those systems.

The cost of providing retirement benefits to state hospital special function officers under a public safety system is greater than under a system for general employees, such as the Public Employees Noncontributory Retirement System—commonly called the big system—in which they currently would participate. URS does not maintain job position titles, nor does URS have information about the number of state hospital special function officers and their wages. Some of this information would be needed to complete an actuarial analysis of H.B. 299.

If state hospital special function officers begin participating under a public safety system, the immediate budget impact of H.B. 299 for the state will be equal to the payroll of these officers times the difference in the contribution rates. For the state, the difference in contribution rates between the public safety system and the big system is 19.16% of payroll for Tier I members and 10.52% of payroll for Tier II members.

Any changes from this legislation for URS members would take effect on a prospective basis after the effective date of the change in retirement participation for each member. For purposes of determining the member's eligibility for a normal retirement benefit, the member's entire service in URS will be combined. However, it should be noted that certain provisions would apply to years of service credit earned in the big system, such as an early age reduction for benefits if the member's combination of age and service credit would not qualify the member for an unreduced retirement allowance in the big system.

At a high level, depending on information about state hospital special function officers that URS does not currently have, the actuary could see some small impacts from the collective changes, such as a relatively small change in the actuarial liability for the big system (Fund 16) and in the State Public Safety System (Fund 42). Since the number of state hospital special function officers is expected to be relatively small, it is not anticipated that the actuarially determined contribution rates would be

increased. However, URS and its consulting actuary would need a list of these employees and the payroll for these employers to run an analysis to be certain of any actuarial impacts.

Finally, 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 any additional direct, measurable costs for URS.