

URS Fiscal Analysis of 2015 H.B. 288

Summary of Fiscal Impact

If enacted, 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) \$148,000 per year. Exhibit 1 shows the impact on the actuarially determined contribution rates and annual cost impact for FY 2016 for each fund.

Proposed Legislative Provisions

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 require employers to provide:
 - a. Continuing health coverage for the surviving spouse and children of public safety members and firefighters who die in the line-of-duty; and
 - b. 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 has determined the fiscal impact of the proposed legislation as currently drafted, which includes providing increased death benefits to all members in a Division B fund, regardless of the classification of their death.

Actuarial Analysis

Based on current assumptions, it is expected that, on average, there would be eight public safety members and two firefighters that will die each year with their surviving spouse receiving increased death benefits under H.B. 288. The actuary notes that seven of these ten qualifying surviving spouses are attributable to Division B members whose deaths would not be classified as a line-of-duty death.

If enacted, H.B. 288 would increase the expected distributions from the retirement system by \$130,000 per year. The actuarially determined contribution rates for each of the Public Safety and Firefighter funds would increase, on average, by 0.03% of pay with the increases ranging from 0.00% (Tier II – Hybrid Plan for Public Safety and Firefighters) to 0.07% (Firefighters – Division B). The increase in the cost for all funds, on a combined basis, would be \$148,000 per year. This proposed legislation would increase the actuarial accrued liability by \$627,000. Please refer to the attached Exhibit 1 for more detail.

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.