

TIER II PUBLIC SAFETY POLICY BRIEF: SB 129, PUBLIC EMPLOYEE BENEFITS, AND NEXT STEPS

Background:

In the 2010 General Session, S.B. 63 passed, creating the New Public Safety and Firefighter Tier II Retirement system that applies to new public safety hires after July 1, 2011. The new system moved from a defined benefit for the retiree to a defined contribution by the employer. This was an effort to create long-term sustainability for the State retirement system and provide more planning certainty for the State and local government. With the passage of S.B. 63, employees hired after July 2011 receive a less substantial retirement. Under the Tier I retirement program, a public safety employee can retire after 20 years of service with 50% payout of the employee's three-year average. An employee under the Tier II Hybrid system would have received 37.5% of the five-year average of the employee's salary after 25 years¹. While the new system is moving the retirement system to long-term sustainability, it has created a division between Tier I and Tier II public safety employees. The perception is employees hired after July, 2011 are required to do the same amount of work at the same level of risk but the retirement is not equitable. Representatives within the public safety sector attribute this difference in benefit as part of an overall recruitment and retention issue².

S.B. 129 3rd Substitute:

In the 2019 session, Senator Harper introduced S.B. 129 (Public Safety and Firefighter Tier II Retirement Enhancements) to correct the perceived retirement disparity between Tier I and Tier II employees. The legislation passed after the bill was amended with compromise language agreed upon with ULCT, UAC, UCOPA, and other representatives from the public safety sector. The bill achieves four main things:

- Increases the multiplier rate moving retirement benefits from 37.5% to 50% of the five-year average of the employee's salary (after 25 years).
- Increases the employer rate from 12% to 14% (this is a contributory system. Anything over 14% is covered by employees. URS projects the rate at 15.9% with the benefit increase).
- Requires the Retirement and Independent Entities Interim Committee to review
 - The modifications under SB 129
 - Potential funding allocations
 - The appropriate share of cost under SB 129
 - Other relevant issues
- Delays the benefit increase until July 1, 2020.

Next Steps:

ULCT staff are preparing to work with URS and the Retirement Interim Committee on recommendations for additional changes or adjustments. ULCT staff would like your input on potential recommendations to present to the Retirement Interim Committee. The following are potential ideas:

- What additional revenue options local municipalities could collect? (i.e. incident report fee)
- Reduce the overall funding requirements to the Tier II fund?
- Survey municipalities on exit interviews to better understand retention issues?
- Demonstrate the overall fiscal impact on a municipal budget.

It is anticipated that Senator Harper and Rep. Perry will run legislation in the 2020 session addressing other retirement concerns for public safety employees.

¹https://www.urs.org/documents/byfilename/@Public%20Web%20Documents@URS@DB@PensionBasics@Tier2PSF_Hybrid_2018_SW@@application@pdf/

² <https://kutv.com/news/local/better-pensions-for-firefighters-police-officers-raise-cost-concerns>