



SB167 Planned Retirement Program

A position paper by the Utah Fire Chiefs and Utah Police Chiefs



Purpose of SB167:

To incentivize firefighter and public safety personnel in Utah to retire and hold over in their position for eight months to allow the agency to select and train their replacements.

This program is not designed to incentivize employees to retire early. This program is available on an annual basis and there is no evidence that a person would leave employment early. In fact, some people will stay a few months longer and others may leave a few months earlier in order to meet the policy requirements of the organization.

Background:

Firefighter and Public Safety personnel in the URS system can retire at any time in the year. Once a position is vacant, agencies typically use their hiring registers to conduct final interviews, background investigations, medical physicals, and administer an academy before allowing them to begin work. This is often an eight month process that requires the agency to “run short” during that eight months.

Often, agencies hire in groups since it would be financially and logistically difficult to run an academy for each vacancy that occurs throughout the year, therefore, the public safety agency can go a year without the ability to replace the employee under the current system.

Example: The Unified Fire Authority (UFA) runs a fire academy from Feb to May each year to provide a full roster at the start of the busy summer months. In 2017, the roster was full in February, however, in March and April, 17 firefighter vacancies were created, mostly through retirement. Staff hired from the existing list and expedited the training process, but the Academy was not completed until mid-September. During the summer, Firefighters were working excessive overtime to cover shifts and the UFA struggled to meet the minimum staffing requirements several times throughout the summer. The UFA was unable to deploy resources to Utah County for their fires solely due to this staffing issue.

Finding Solutions:

We reviewed the phased retirement program and found it would not motivate our people to schedule their retirement or meet our staffing needs. We developed the concept of a “planned retirement” program and began meeting with URS. We researched programs in use in other states and asked the URS how we could build this so it was a minimal impact on the URS system.

We explored 12 programs in other states that were designed more as a DROP program than a planned retirement. Many of these were unhealthy for the system. Some offered periods of reemployment as much as five years, some provided a guaranteed rate of return for their deferred compensation, and most were primarily a benefit for the employee and placed an undue burden on the community.

After several months of meetings with URS staff we crafted a bill together with the URS and the bill sponsor Senator Karen Mayne. The URS then began their analysis to determine the fiscal impact.

SB 167 benefits the agency, employee, URS, and the community

- **Benefits to the agency:**
 - Employees hold over in their position while the organization hires and trains their replacement. Improves ability to maintain staffing needs during this transition.
 - The agency continues to pay the amortization for the employee, however the agency no longer contributes the URS contribution rate during the eight month hold over period.
- **Benefits to the employee:**
 - The employee has their retirement benefit placed into a URS held deferred compensation plan during the eight months of holding over while they continue to provide service to the community during the time their replacement is hired and trained.
- **Benefits to the URS:**
 - Employees in the URS system can be replaced significantly faster
 - URS continues to receive amortization funding
 - URS retains the interest earnings in the deferred compensation accounts
- **Benefits to the communities:**
 - Firefighter and Public Safety staffing levels in their communities will have a better chance of staying at the levels they have approved for funding.

URS Fiscal Analysis

URS has summarized the fiscal impact as an increase in unfunded actuarial accrued liability at \$2.34 million with an increase in annual cost for employers for Fiscal Year 2019-2020 at \$276,000. The fiscal note by Thomas Young states the ongoing annual costs will be \$82,800 for state government and \$193,200 for local government.

URS prepared the analysis based on information and analysis received from its consulting actuary, Gabriel Roeder Smith & Company. In the URS analysis, they reference a September 23, 2015 letter from the consulting actuary as the basis for determining the cost of SB167.

This letter was written to determine the fiscal impact of potential changes to the working after retirement provisions if there was proposed legislation similar to HB77 that was introduced in the 2015 session. This analysis was focused on long term reemployment beginning either within 60 days, between 60 days and one-year, and after one-year. This argument is not germane to SB167.

“The Utah Fire Chiefs Association and the Utah Police Chiefs Association do not agree with the assumption that SB167 promotes early retirement.”

We ask that you audit the fiscal analysis provided by URS. SB 167 will encourage employees to plan for retirement based on the organizations policies; some will stay a few months longer and others will leave a few months earlier. This program is beneficial for all parties and should not create a fiscal impact on the URS system. If anything, we believe this program enhances the financial stability of the URS system. We agree that the URS will have some administrative costs but they have indicated in their analysis that these will be handled within existing budgets and will not result in direct, measurable costs for URS.

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