



[HF 2661](#) – Law Enforcement Omnibus (LSB5454HZ.1)

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Fiscal Note Version – Final Action

[House File 2661](#) relates to public safety personnel and does the following:

- Makes changes to the retirement benefits of sheriffs and deputy sheriffs.
- Restricts bail for murder in the first degree or felonious assaults committed upon public safety personnel.
- Provides for a tax credit for moving expenses that is available against the individual income tax for new public safety personnel moving to the State.

## **Division I — Iowa Public Employees’ Retirement System — Sheriffs and Deputy Sheriffs**

### **Description**

**Division I** of the Bill increases the applicable percentage for retirement benefit payments of sheriff and deputy sheriff members of the Iowa Public Employees’ Retirement System (IPERS) retiring on or after July 1, 2024, for each calendar quarter of service beyond 22 years of service from 0.375% to 0.625%, up to a maximum accumulation of 80.0%.

The Division also establishes an annual adjustment to the monthly allowance for active and inactive sheriff and deputy sheriff members of the IPERS, and to any beneficiaries or contingent annuitants, for retirements occurring on or after July 1, 2024. Beginning on that date, and each July 1 thereafter, the monthly retirement allowance will be increased by 1.5% of the monthly retirement allowance payable on that date. Sheriff and deputy sheriff members of the IPERS who retire after July 1, 2024, will not be eligible to receive a retirement dividend under Iowa Code section [97B.49F](#).

### **Background**

Based on the July 1, 2023, actuarial valuation, the IPERS Sheriffs and Deputies membership group covers approximately 1,732 active members and 1,250 retired members. The current funded ratio is 102.60%. The current actuarial accrued liability is \$910.2 million, the actuarial value of assets is \$933.8 million, and the unfunded actuarial liability (UAL) is \$-23.6 million.

For FY 2025, the IPERS Sheriffs and Deputies membership group’s estimated contributions at the current rate of 17.02% of payroll total \$26.3 million, split evenly between the members and the State. **Figure 1** displays the contribution rates for FY 2021 through FY 2025.

**Figure 1 — Contribution Rates for the IPERS Sheriffs and Deputies, FY 2021 – FY 2025**

	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Employer Contribution Rate</b>	9.26%	9.01%	8.76%	8.51%	8.51%
<b>Employee Contribution Rate</b>	9.26%	9.01%	8.76%	8.51%	8.51%
<b>Total</b>	<u>18.52%</u>	<u>18.02%</u>	<u>17.52%</u>	<u>17.02%</u>	<u>17.02%</u>

Currently, a vested member of the IPERS Sheriffs and Deputies membership group is eligible to receive one of two retirement dividends under Iowa Code section 97B.49F, depending on when the member retired. A member who retired before July 1, 1990, is eligible to receive annual dividend payments in November of each year. A member who retired on or after July 1, 1990, is eligible to receive a favorable experience dividend (FED) when a favorable experience on the actuarial liabilities and assets occurs and the IPERS Fund is fully funded. Due to the funding status of the IPERS Fund, the IPERS has not made any FED payments since 2014.

Under current law, the applicable percentage used to calculate a retiree’s monthly retirement benefit is increased by 0.375% for each calendar quarter of service beyond 22 years of service. The current maximum retirement benefit payment increase is 12.0%, while the Bill increases the maximum retirement benefit payment increase to 20.0%. **Figure 2** displays the applicable percentage for the current law and proposed law under HF 2661.

**Figure 2 — Applicable Percentage, Current and Proposed Law**

<b>Years of Service</b>	<b>Current Law</b>	<b>Proposed Law</b>	<b>Difference</b>
22	60.00%	60.00%	0.00%
23	61.50%	62.50%	1.00%
24	63.00%	65.00%	2.00%
25	64.50%	67.50%	3.00%
26	66.00%	70.00%	4.00%
27	67.50%	72.50%	5.00%
28	69.00%	75.00%	6.00%
29	70.50%	77.50%	7.00%
30+	72.00%	80.00%	8.00%

**Assumptions**

- According to the cost study performed by Cavanaugh Macdonald Consulting in December 2022 using the FY 2022 valuation report, increasing the applicable percentage and establishing a 1.5% annual adjustment to the monthly allowance for FY 2022 would have increased the IPERS Sheriffs and Deputies membership group’s UAL from \$-40.0 million to \$56.9 million, a \$96.8 million increase. The funded ratio for the IPERS Sheriffs and Deputies membership group would have decreased from 104.70% to 93.99%, a 10.71% decrease. The contribution rate would have increased from 17.02% (8.51% employer, 8.51% employee) to 23.90% (11.95% employer, 11.95% employee).
- While the results of the cost study cannot be directly applied to the FY 2023 valuation report to arrive at an updated fiscal impact, the cost study can be broadly applied to anticipate a similar impact.
- The IPERS will incur administrative costs, including costs to update software. The costs are unknown but are estimated to be nominal.

**Fiscal Impact**

The Cavanaugh Macdonald Consulting cost study performed in December 2022 using the FY 2022 valuation report estimated a \$96.8 million increase in the UAL, a decrease in the funded ratio of 10.71%, and an increase in the contribution rate of 6.88% (split evenly between employer and employee) of the IPERS Sheriffs and Deputies membership group.

According to the FY 2023 valuation report, the UAL was \$-23.6 million, the funded ratio was 102.60%, and the contribution rate was 17.02% (split evenly between employer and employee) for the IPERS Sheriffs and Deputies membership group.

A 6.88% increase to the contribution rate split evenly between employer and employee is estimated to cost approximately \$5.3 million for each group and \$3,000 per employee.

Administrative costs to the IPERS are unknown at this time but are estimated to be nominal. Any increased administrative costs for the IPERS will be paid from the IPERS Fund.

### **Sources**

Iowa Public Employees' Retirement System

Iowa Public Employees' Retirement System FY 2023 Actuarial Analysis

Iowa Public Employees' Retirement System FY 2022 Actuarial Analysis

Cavanaugh Macdonald Consulting Cost Study for Non-Retired Sheriffs and Deputies  
(December 2022)

Legislative Services Agency

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## **Division II — Assault on Public Safety Personnel — Bail**

### **Description**

**Division II** of the Bill provides that a defendant who has been charged with the following may not be admitted to bail:

- A defendant who has been charged with murder in the first degree of a peace officer or correctional officer pursuant to Iowa Code section [707.2](#) with the knowledge that the person against whom the murder was committed was a peace officer or correctional officer acting in the peace officer's or correctional officer's official capacity.
- A defendant awaiting judgment of conviction and sentencing following a plea or a verdict of a felonious assault upon an officer with the knowledge that the person against whom the murder was committed was a peace officer or correctional officer acting in the peace officer's or correctional officer's official capacity.
- A defendant appealing a conviction of a felonious assault upon an officer with the knowledge that the person against whom the murder was committed was a peace officer or correctional officer acting in the peace officer's or correctional officer's official capacity.

### **Background**

For the purposes of **Division II** of the Bill, "assault" means the same as defined in Iowa Code section [708.1](#); "charged" means the same as "charge" as defined in Iowa Code section [801.4\(3\)](#); and "peace officer" means the same as "peace officers" defined in Iowa Code section [801.4\(11\)](#).

Under Iowa Code section [811.1](#), all defendants are eligible for bail both before and after conviction, by sufficient surety, or subject to release upon condition or on their own recognizance. Additionally, under current law, a person waiting judgment of a conviction following either a plea or verdict of having committed a Class A felony or appealing a conviction of a Class A felony is not eligible for bail. Murder in the first degree is a Class A felony.

As of July 1, 2017, the uniform bond schedule is as follows:

- Any Class B felony: \$25,000.
- Any Class C felony: \$10,000.
- Any Class D felony: \$5,000.
- Aggravated misdemeanor: \$2,000.
- Serious misdemeanor: \$1,000.
- Simple misdemeanor: \$300.

### **Assumptions**

- The inability to post bail may create a fiscal impact to city and county jails, but that impact is not able to be estimated.
- In FY 2023, the marginal cost per day for jail was \$50.

### **Fiscal Impact**

The fiscal impact of **Division II** cannot be estimated, but is not expected to be significant.

### **Sources**

Department of Corrections  
Iowa Judicial Branch  
Legislative Services Agency

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## **Division III — Public Safety Officer Moving Expenses — Tax Credit**

### **Description**

**Division III** of the Bill creates a refundable tax credit, available against the individual income tax, not to exceed \$2,000 per move for unreimbursed moving expenses incurred by a new Iowa resident, after January 1, 2024, who takes full-time employment as a public safety officer. In lieu of a refund, the tax credit may be credited for the following tax year. **Division III** specifies that a resident is not eligible for the credit if moving expenses were deducted for federal tax purposes.

The Iowa Department of Revenue (IDR) is required to adopt administrative rules to administer the tax credit.

**Division III** of the Bill is retroactive to tax years beginning on or after January 1, 2024 (tax year (TY) 2024).

### **Background**

Iowa Code section [422.12](#) details deductions from the individual income tax that Iowans may claim on their State tax returns. The [Tax Cuts and Jobs Act of 2017 \(TCJA\)](#) eliminated the deduction for moving expenses beginning in TY 2018, which is set to expire after TY 2025 if the deduction is not reenacted. Currently, only members of the military can claim a [deduction](#) for moving expenses incurred because of work at a new location.

### **Assumptions**

- The IDR will incur costs for the implementation and ongoing administration of the Bill, including development and modification of tax administration procedures, software, and information systems; however, these costs cannot be estimated due to a lack of information.
- The 2024 [Iowa Law Enforcement Annual Report](#) detailed an average of 249 officers certified by the Iowa Law Enforcement Academy (ILEA) from 2017 to 2023 (leaving out the pandemic year of 2020), with a 5.0% rate of growth annually.

- For purposes of this **Fiscal Note**, 10.0% of ILEA graduates are classified as out-of-state residents who qualify to claim the proposed tax credit, beginning on January 1, 2024 (TY 2024), with a rate of growth of 5.0% annually.
- The first fiscal impacts will occur in FY 2025 from TY 2024.
- The entire \$2,000 tax credit will be claimed by each qualified claimant.
- The number of claimants by fiscal year is estimated as follows:
  - FY 2025 = 26
  - FY 2026 = 27
  - FY 2027 = 29
  - FY 2028 = 30
  - FY 2029 = 32

### **Fiscal Impact**

The tax credit in **Division III** of House File 2661 will decrease General Fund revenue by the following estimated amounts:

- FY 2025 = \$52,000
- FY 2026 = \$55,000
- FY 2027 = \$58,000
- FY 2028 = \$61,000
- FY 2029 = \$64,000

### **Sources**

Iowa Department of Management  
Iowa Department of Revenue  
Legislative Services Agency analysis

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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