



[HF 2592](#) – 411 Retirement System (LSB5444HV)

Staff Contact: Jennifer Acton (515.281.7846) jennifer.acton@legis.iowa.gov

Fiscal Note Version – New

Description

[House File 2592](#) amends certain benefits under the Municipal Fire and Police Retirement System of Iowa (MFPRSI), established under Iowa Code chapter [411](#).

Background

Effective July 1, 1992, 87 local fire and police retirement systems in 49 cities were consolidated into a single statewide system, commonly referred to as the 411 System. The MFPRSI is governed by a nine-member Board of Trustees and four legislative members as required by Iowa Code section [411.36](#). The voting members of the Board include two fire and two police representatives, four city representatives, and a private citizen. Based on the July 1, 2019, actuarial valuation, the MFPRSI covers approximately 4,086 active members, 4,148 retired members and beneficiaries, and 374 vested, terminated members. The current funded ratio is 81.04%. The current actuarial accrued liability is \$3.269 billion, the actuarial value of assets is \$2.649 billion, and the unfunded actuarial liability is \$619.9 million.

For FY 2021, members’ estimated contributions at the current rate of 9.40% total \$29.7 million, and the cities’ estimated contributions at 25.31% total \$80.0 million. Total covered payroll is \$315.9 million. The average annual compensation for an active member is \$77,322.

The table below shows the contribution rates for FY 2017 to FY 2021.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Employer Contribution Rate	25.92%	25.68%	26.02%	24.41%	25.31%
Employee Contribution Rate	9.40%	9.40%	9.40%	9.40%	9.40%
Total	35.32%	35.08%	35.42%	33.81%	34.71%

The MFPRSI provides for both an ordinary and accidental disability for a member in good standing with the System. From 2002 through 2019, the MFPRSI reported one member in good standing case that would have been affected by HF 2592, if it were in effect at that time. The medical board determines if a member is medically able to perform their respective duties as a fire fighter or a police officer. If the member is determined to be unable to perform their duties, the MFPRSI decides if the member is eligible for an ordinary or accidental disability. The compensation for an ordinary disability is 50.0% of the average final compensation, whereas the compensation for accidental disability is 60.0% of the average final compensation.

Cities are responsible for the payment of all medical costs related to MFPRSI claims under Iowa Code section [411.15](#). Cities cannot use workers’ compensation to cover short-term indemnity of medical cost exposure. Iowa Code section [85.1\(4\)](#) states that workers’ compensation does not apply to “persons entitled to benefits pursuant to Iowa Code chapters [410](#) and [411](#)”.

Assumptions

1. Limiting the eligibility for an accidental disability after retirement to retirees receiving an ordinary disability and within five years of retirement would reduce the funded ratio of the Fire and Police Retirement Fund by 0.10%, from 81.04% to 80.94%.
2. The member contribution rate will be increased for any statutory changes if the increase cannot be absorbed within the current contribution rates to a maximum of 11.35%. Costs would then be applied 60/40 between the employer and employee. The costs from HF 2592 will not be absorbed within the current contribution rates, but rather will increase the members' contribution rate from 9.40% to 9.55%.
3. The total contribution rate impact of Sections 2-5 of the Bill would be an increase of 0.15% to the members' contribution rate.
 - Allowing current ordinary disability retirees within five years of retirement to apply for an accidental disability will affect the total contribution rate by 0.08%.
 - Permitting future ordinary disabilities to be treated as accidental disabilities due to the elimination of the definite time and place requirement and greater than day-to-day stress standard for mental injuries will affect the total contribution rate by 0.07%.
4. Permitting future ordinary disabilities to be treated as accidental disabilities due to the elimination of the definite time and place requirement and greater than day-to-day stress standard for mental injuries may result in additional medical costs and short-term wages being covered by city employers.
5. There are approximately seven ordinary disability retirements per year. The estimate assumes there will be no overall increase in disability incidents; however, all future disabilities would qualify for accidental disabilities.
6. Assumes that all other actuarial assumptions going forward will be met.
7. The MFPRSI may see an increase in administrative costs related to medical exams.
8. Cities may see increased medical and administrative costs for all injuries and diseases related to employment, regardless of the type of benefit received from the System.

Fiscal Impact

House File 2592 is estimated to increase the MFPRSI administrative costs for increased medical exams by \$50,000 to \$100,000 annually. Any increased administrative costs for the MFPRSI will be paid from the Fire and Police Retirement Fund.

The unfunded actuarial accrued liability of the Fire and Police Retirement Fund is estimated to increase by approximately \$4.3 million and the funded ratio would decrease from 81.04% to 80.94%. To pay for the increase in the unfunded liability and projected future costs, the members' contribution rate would increase by 0.15% to 9.55% beginning in FY 2021. The FY 2021 cost from increasing the members' contribution rate from 9.40% to 9.55% is approximately \$474,000 or \$116 per employee. In subsequent fiscal years, this cost may increase based on covered payroll.

The fiscal impact on the cities for additional medical costs cannot be determined at this time but may be significant.

Sources

Municipal Fire and Police Retirement System of Iowa Actuarial Valuation Report
Municipal Fire and Police Retirement System of Iowa
League of Cities

/s/ Holly M. Lyons

March 9, 2020

Doc ID 1132377

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.

www.legis.iowa.gov