



February 24, 2024

**SUMMARY OF BILL AS AMENDED (014049):** Establishes a hazardous duty supplemental benefit a political subdivision may choose to provide eligible public safety officers in addition to their retirement allowance if they meet certain requirements.

Authorizes the governing body of political subdivisions to pass a resolution permitting an actuarial study, funded by the political subdivision, determining the liability associated with such benefit. Authorizes, upon receipt of the actuarial study, the governing body of the political subdivision to pass a resolution authorizing the supplemental benefit if the subdivision's funded status in the retirement system will be at least 70 percent after implementation of the benefit. Requires the political subdivision to accept the liability of the additional benefit.

Requires the benefit to be paid either via a lump sum, an increase in the employer's contribution rate over the course of the state fiscal year following adoption of the resolution, or amortizing the unfunded accrued liability over a period not to exceed 10 years from the adoption date of the resolution. Establishes the calculation of the hazardous duty supplemental benefit. Requires any adjustment to the benefit be computed separately from the member's service retirement allowance. Effective January 1, 2025 and applies to all current and future retired members who meet the eligibility criteria; however, retroactive payment is prohibited.

**FISCAL IMPACT OF BILL AS AMENDED:**

**Increase Local Expenditure – Up To \$344,500/FY24-25/Permissive  
Up To \$16,348,000/FY25-26 and Subsequent Years/Permissive**

Assumptions:

- The proposed legislation defines public safety officer to include a full-time, salaried employee of a political subdivision who is a sheriff, sheriff's deputy, police officer, chief of police, or any other law enforcement officer with the political subdivision whose primary responsibility is the prevention and detection of crime and apprehension of offenders and includes a correctional officer or firefighter.
- The calculation of the hazardous duty supplemental benefit is outlined as follows:
  - Member retiring on a service retirement allowance – 0.375 percent of the member's average final compensation multiplied by the member's years of creditable service;
  - Member participating in the legacy plan on the early service retirement allowance – 0.375 percent of the member's average final compensation

multiplied by the member's years of creditable service reduced by 0.4 percent for each month by which the member's date of early service retirement precedes the member's service retirement date; and

- Member participating in the alternate defined benefit plan, hybrid plan, or hybrid plan for state employees and teachers – the member's average final compensation multiplied by the member's years of creditable service but is reduced by an actuarially determined factor as set by the Tennessee Consolidated Retirement System (TCRS) Board.
- The benefit is scheduled to begin on the member's effective date of retirement or on the first day of the month following the month the member reaches 60 years of age, whichever is later, and expires the first day of the month following the month the member dies or reaches full retirement age in which they would receive the old age and survivors benefits under 42 U.S.C. §§ 401-425.
- The benefit can be paid via a lump sum, an increase in the employer's contribution rate over the course of the state fiscal year following adoption of the resolution, or amortizing the unfunded accrued liability over a period less than 10 years from the adoption date of the resolution.
- The proposed legislation authorizes the governing body of political subdivisions to pass a resolution authorizing an actuarial study determining the liability associated with such benefit if they pay for the study. The one-time cost of the actuarial study is \$1,300.
- Upon receipt of the actuarial study, the political subdivision may pass a resolution authorizing the implementation of the hazardous duty supplement.
- On average, the actuarial study takes a minimum of 30 days to complete and 30 days to pass each resolution, totaling a minimum of 90 days to implement the benefit. Due to the January 1, 2025 effective date, it is assumed the one-time actuarial study cost will be realized in FY24-25 with the benefit payments beginning in FY25-26.
- Based on information provided by TCRS, 3,722 public safety officers are eligible to receive the benefit and 265 local entities are eligible to implement the benefit.
- The estimated permissive increase in local expenditures is up to \$344,500 (\$1,300 actuarial study x 265) in FY24-25.
- For the purposes of this analysis, amortization over 10 years is assumed.
- According to TCRS, the total increase in local expenditures if all 265 entities adopted such benefits is estimated to be up to \$16,348,000 in FY25-26 and subsequent years.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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