

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1263-01  
Bill No.: SB 340  
Subject: Kansas City; Retirement Systems and Benefits - General; Law Enforcement  
Officers and Agencies  
Type: Original  
Date: February 4, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>0</b>	<b>(\$0 or \$3,168,743)</b>	<b>(\$0 or \$3,168,743)</b>

**\* The total cost of this proposal increases the system's liability by \$52,673,593. The liability is amortized over 24 years increasing the city's contribution rate by 5.35% of payroll or \$3,168,743 annually. Based on current plan assets, the Police Retirement System of Kansas City could not implement the provisions of this proposal. When plan assets increase the annual cost will be \$3,168,743.**

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Insurance** state this proposal would not fiscally impact their agency.

The **Joint Committee on Public Employee Retirement** indicates that this legislation does represent a "substantial proposed change" in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of the Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

ASSUMPTION (continued)

An actuarial cost statement for this legislation has been filed with the Joint Committee on Public Employee Retirement.

The actuarial cost statement provided to the Joint Committee on Public Employee Retirement by the Kansas City Police Retirement System (KCPRS) actuary indicates an annual increase of \$3,168,743.

Officials from the **Kansas City Police Retirement System (KCPRS)** stated based on current plan assets, the Police Retirement System of Kansas City could not implement the provisions of this proposal and as a result there is no additional cost in FY 2004, FY 2005 or FY 2006. When plan assets increase and meet the criteria established in the proposal to implement up to a five percent equalizing cost of living adjustment in any one year, the annual cost will be \$3,168,746, which is the cost of amortizing the \$52.67 million increase in the unfunded accrued liability over a twenty four year period. These additional costs can either be paid by increased investment returns on plan assets, which would not require an increase in employer contributions or by a 5.35% increase in the employer contribution rate. This benefit increase applies to a finite group of retirees and as time passes before implementation, the amount of increase in the contribution rate and unfunded accrued liability decreases.

The Kansas City Police Retirement stated this proposal also has no impact on the Civilian Employees' Retirement System of the Police Department of Kansas City.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2004  
(10 Mo.)

FY 2005

FY 2006

Costs - City of Kansas City

Increased Contributions to Police  
Retirement System

\$0

(\$0 or  
\$3,168,743)

(\$0 or  
\$3,168,743)

**\* The total cost of this proposal increases the system's liability by \$52,673,593. The liability is amortized over 24 years increasing the city's contribution rate by 5.35% of payroll or \$3,168,743 annually. Based on current plan assets, the Police Retirement System of Kansas City could not implement the provisions of this proposal. When plan assets increase the annual cost will be \$3,168,743.**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act provides an equalizing cost-of-living adjustment (COLA) for certain retirees of the Kansas City Police retirement system. The equalizing COLA shall not exceed 25% of the member's base pension. The retirement board must base its determination for granting the equalizing COLA on the advice of the plan's actuary that the increase will not cause the present value of the plan to exceed the sum of fund asset plus the present value of anticipated future contributions.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement  
Police Retirement System of Kansas City  
City of Kansas City

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA  
Director  
February 4, 2003