

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0129-02  
Bill No.: SB 33  
Subject: Retirement - State; Retirement Systems and Benefits - General; Administrative Law; Judges; Boards, Commissions, Committees, Councils  
Type: Original  
Date: January 24, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$5,050)	(\$6,060)	(\$6,060)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$5,050)</b>	<b>(\$6,060)</b>	<b>(\$6,060)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Workers' Compensation	(\$18,204)	(\$21,844)	(\$21,844)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$18,204)</b>	<b>(\$21,844)</b>	<b>(\$21,844)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Federal Funds	(\$3,650)	(\$4,381)	(\$4,381)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$3,650)</b>	<b>(\$4,381)</b>	<b>(\$4,381)</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Missouri State Employees Retirement System** assume the proposal would have some fiscal impact on both the general employee plan and the ALJLAP although the precise cost cannot be assessed at this time. To illustrate, the contribution rate applied to employees covered by the MSEP 2000 is 12.59% of payroll as compared to 21.79% of payroll on employees covered by the ALJLAP. Since this proposal allows for no transfer of funds between plans to cover the cost of transferred service, the general employee plan would experience a small actuarial gain (or a decrease in liabilities). In contrast, the unfunded liability for the ALJLAP would increase as a result of three years of service being credited at the higher contribution rate.

Officials from the **Department of Labor and Industrial Relations** assume under §287.815, RSMo, the director and chief Legal Advisor and administrative law judges and legal advisors employed by the Division of Workers' Compensation (Division), the chair of the State Board of Mediation (Board), commissioners and attorneys employed by the Labor and Industrial Relations Commission (LIRC), and pursuant to §621.015, RSMo, commissioners employed by the

ASSUMPTION (continued)

Administrative Hearing Commission (AHC) are eligible for membership in the Administrative Law Judge and Legal Advisor Retirement System (ALJ/LA Plan). Under current law, eligibility for membership begins on the first day of service in any one of these positions.

Beginning August 28, 2004, proposed changes to §287.815, RSMo, adds subsection 5 to existing statute delaying eligibility for inclusion in the ALJ/LA Plan for the Chair of the Board, LIRC commissioners, and AHC commissioners until these eligible members serve three (3) years in their qualifying position, contingent upon Senate confirmation. For eligible ALJ/LA Plan members of the Division who do not require Senate confirmation, member eligibility will begin only after three (3) years of service in their qualifying position.

Members in these qualifying positions who do not achieve the three (3) year service requirement will only be eligible for retirement plan benefits under the general state retirement plan offered to most state employees, except that members who require Senate confirmation, but fail to secure said confirmation, will not be eligible to accrue any benefits for all service in a qualifying position.

The cost savings were calculated as follows: Currently, the Department has four vacant, unconfirmed or soon to be vacant positions which would fall under this proposed legislation. These positions are the Director of the Division of Workers' Compensation, the Labor and Industrial Relations Commission Chairman and Commissioner and the Chairman of the State Board of Mediation. Assuming that these four positions are filled after the effective date of this legislation and the individuals who are appointed will be covered by MOSERS for three years before they become eligible for the ALJ Retirement System, the cost savings would be equal to their salary times the difference between the ALJ Retirement System rate (21.79%) and the MOSERS rate (12.59%). The Workers' Compensation Division Director is paid from the Workers' Compensation Administration Fund (0652) and the last person to hold that position was paid \$94,596. The savings would be this salary multiplied by the rate difference of 9.20%, equaling \$8,702.83. For ten months in FY 2006, this would equal \$7,252.36. The same process was used to calculate the savings related to the LIRC Chairman, also paid from Fund 0652. The chairman's salary is \$95,229 and the savings would be \$7,300.89 in FY 2006 and \$8,761.07 in both FY 2007 and FY 2008. The remaining unconfirmed commissioner is paid half from Fund 0948-Federal and half from fund 0652. The commissioner's salary is \$95,229 and the savings would be \$3,650.45 in FY 2006 to each fund and \$4,380.53 to each fund in FY's 2007 and 2008. The State Board of Mediation Chairman is paid from the General Revenue Fund and his current salary is \$65,868. Cost savings would be \$5,049.88 in FY 2006 and \$6,059.86 in FY's 2006 and 2007.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
<u>Cost - General Revenue</u>			
Increased Contributions to Retirement Plans	<u>(\$5,050)</u>	<u>(\$6,060)</u>	<u>(\$6,060)</u>
<b>TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS</b>	<b><u>(\$5,050)</u></b>	<b><u>(\$6,060)</u></b>	<b><u>(\$6,060)</u></b>
<b>WORKERS' COMPENSATION FUNDS</b>			
<u>Cost - Workers' Compensation</u>	<u>(\$18,204)</u>	<u>(\$21,844)</u>	<u>(\$21,844)</u>
<b>TOTAL ESTIMATED NET EFFECT ON ALL WORKERS' COMP FUNDS</b>	<b><u>(\$18,204)</u></b>	<b><u>(\$21,844)</u></b>	<b><u>(\$21,844)</u></b>
<b>FEDERAL FUNDS</b>			
<u>Cost - Federal Funds</u>	<u>(\$3,650)</u>	<u>(\$4,381)</u>	<u>(\$4,381)</u>
<b>TOTAL ESTIMATED NET EFFECT ON ALL FEDERAL FUNDS</b>	<b><u>(\$3,650)</u></b>	<b><u>(\$4,381)</u></b>	<b><u>(\$4,381)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2006 (10 Mo.)	 FY 2007	 FY 2008
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

## DESCRIPTION

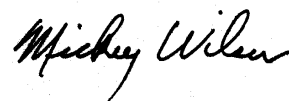
This act alters the administrative law judges (ALJ) retirement system in the following ways:

- After August 28, 2005, all persons who for the first time become eligible for benefits under the ALJ retirement system will accrue benefits under the Missouri State Employees' Retirement System (MOSERS) for their first three years of service;
- After such three years of service, such persons will become eligible for ALJ retirement system benefits, and the person's first three years of service shall be credited as service under the ALJ retirement system and no longer credited under MOSERS;
- After August 28, 2005, persons appointed to the Labor and Industrial Relations Commission, the State Board of Mediation, and the Administrative Hearing Commission who fail to receive Senate confirmation will neither be eligible for benefits under MOSERS nor the ALJ retirement system for any service pursuant to such appointment.

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  
Missouri State Employees Retirement System  
Department of Labor and Industrial Relations



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Director  
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