

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1648-08
Bill No.: Truly Agreed To and Finally Passed CCS #2 for HCS #2 for SB 406
Subject: Highway Patrol; State Employees; Retirement - State; Transportation Dept.
Type: Original
Date: June 6, 2007

Bill Summary: Modifies several provisions regarding administration of MOSERS, MoDOT and Patrol Employees Retirement System, Public School Retirement System, Missouri Consolidated Health Care Plan, Kansas City Firemen's Retirement System, Local Government Employees' Retirement System, County Employees' Retirement System, Kansas City Public School Retirement System.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Unknown greater than \$33,000)	(Unknown greater than \$146,000)	(Unknown greater than \$146,000)
Total Estimated Net Effect on General Revenue Fund*	(Unknown greater than \$33,000)	(Unknown greater than \$146,000)	(Unknown greater than \$146,000)

***This proposal will increase the Missouri State Employees Retirement System Unfunded Actuarial Accrued Liability (UAAL) and will result in an increase of annual employer contributions.**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 23 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Non-State Funds - CERF	(\$21,000)	(\$16,000)	(\$17,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$21,000)	(\$16,000)	(\$17,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	0	(0.5)	(0.5)
Total Estimated Net Effect on FTE	0	(0.5)	(0.5)

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government*	(\$1,021,554)	(\$1,225,865)	(\$1,225,865)

***Does not reflect an increase in Unfunded Actuarial Accrued Liability (UAAL) of \$34,000,000 to Public School Retirement System and \$1,300,000 to the Non-Teacher Retirement System.**

***This proposal will increase the Kansas City Police Employees' Retirement System Unfunded Actuarial Accrued Liability (UAAL) by \$1,091,366 and decrease the Kansas City Civilian Police Employees' Retirement System Unfunded Actuarial Accrued Liability (UAAL) by \$486,130.**

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 (MOSERS)** assume this proposal would involve minor modifications to and clarifications of the Missouri State Employees' plan (MSEP) and the MoDOT and Patrol Employees' Retirement System (MPERS). These provisions are commonly referred to by the retirement systems as "clean-up" legislation. They are general in nature and carry no fiscal impact to the system.

Officials from the **Missouri Highway Patrol** assume the Retirement System will be responding on their behalf.

Officials from the **MoDOT and Patrol Employees Retirement System and Department of Transportation** assume no fiscal impact to their agencies.

Officials from the **Office of Administration - Division of Budget and Planning** assume the following sections should have no impact to their agency and they defer to the Missouri Consolidated Health Care Plan (MCHCP) and Missouri State Employees Retirement System and the Department of Revenue for impact.

Officials from the **Secretary of State's Office** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Section 87.006

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 **Kansas City Firemen's Retirement System** and **City of Kansas City** assume no fiscal impact to their agencies.

Section 104.040

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 with the **Highway Employees and Patrol Retirement System** assume the proposal would subsidize the creditable service by certain employees of the Missouri Department of Transportation and Civilian Patrol. The unfunded liability of the retirement system will increase, and at some point, cause an increase in the MoDOT and Patrol Contribution rate.

Oversight assumes there would be minimal fiscal impact to HTEHPRS due to the service buy-back and earnings fund contribution of the uniformed Patrol member.

Officials from the **Department of Transportation (DHT)** did not respond to Oversight's fiscal note request however in response to SB 791, in FY 2006, the DHT assumed the amount of service available for purchase is unknown. In addition, the number of eligible persons that would actually buy the service is unknown. Therefore, we cannot estimate a fiscal impact for the legislation, however, based on the estimated provided by the MoDOT and Patrol Employees' Retirement System, the negative impact would exceed \$100,000.

Oversight assumes, as stated above, there would be minimal fiscal impact to HTEHPRS due to the service buyback and earnings fund contribution of the uniformed Patrol member.

ASSUMPTION (continued)

Section 104.320

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 **Department of Conservation (MDC)** assume this proposal does not appear to include the Conservation Employees' Benefits Plan Trust Fund; thus, it would not appear to have fiscal impact on MDC funds.

Officials from the **Missouri Consolidated Health Care Plan** and **MoDOT and Patrol Employees' Retirement System** assume this proposal will have no fiscal impact on their agency.

Officials from the **Missouri State Employees Retirement System** assume they will be able to absorb the additional investment and accounting duties described in this proposal through existing staff presently employed by their agency. As a result, no additional expenses are anticipated.

Section 104.805

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 **Department of Transportation** and **MoDOT and Patrol Employees' Retirement System** assume no fiscal impact to their agencies.

Sections 105.660, 105.665, 105.666, 105.667, 105.683, 105.684 and 321.800

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 **Local Government Employees' Retirement System, Kansas City Public School Retirement System** and **Public School Retirement System** assume no fiscal impact to their agency.

ASSUMPTION (continued)

Officials from the **County Employees Retirement System (CERF)** assume this proposal will generate additional costs for CERF to implement and execute the comprehensive board member education program. These costs will be in the nature of travel and per diem for board members, cost to develop training programs, and for professional and educational fees and materials. The figures provided are a broad estimate. Actual cost could differ substantially as the real-life requirements of proposed section 105.666 unfold.

Officials from the **MoDOT and Patrol Employees' Retirement System** assume no fiscal impact to their agency.

Officials from the **Missouri State Employees' Retirement System** assume the cost to implement the two mandatory continuing education requirements would be minimal (less than \$20,000 annually). As it relates to education, MOSERS' trustees are presently provided with an educational manual regarding the roles and responsibilities of trustees immediately following appointment to the board. In addition, MOSERS' staff provides educational training regarding the topics addressed in the legislation during annual board retreats. Trustees are also encouraged to obtain additional training at outside conferences and seminars held throughout the year.

Since 1991, MOSERS' funded status has fallen below 80% only once – immediately following passage of HB 356 in 1997 which granted an unreduced joint and 50% survivor option to all state employees retiring after 1984 (resulting from equal protection litigation) along with a permanent correction to the structure associated with post-retirement cost-of-living adjustments, at which time the funded status fell to 79.9%. As of June 30, 2006, MOSERS funded status was 85.3%. MOSERS is presently amortizing its UAAL over a 30-year period.

Regarding ethics, the MOSERS board has adopted a governance policy that addresses a fiduciary code of conduct for members including provisions that prohibit self-dealing and acceptance of any gratuity, political contribution or compensation for the purpose of influencing action with respect to the retirement plan. Such actions are also subject to the penalties prescribed for bribery.

Lastly, the legislation would exclude the Judicial Plan from being subject to the funding restrictions associated with benefit enhancements. (Prior to 1998, the Judicial Plan was funded on a pay-as-go basis. In 1998, legislation was enacted that required the plan to be funded on an actuarial basis.) As of June 30, 2006, the Judicial Plan was 16.7% funded.

ASSUMPTION (continued)

Section 105.910 and 105.915

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 **Department of Labor and Industrial Relations, Department of Transportation, MoDOT and Patrol Employees Retirement System, Missouri House of Representatives and Missouri Senate** assume no fiscal impact to their agencies.

Officials from the **Office of Administration - Division of Accounting** assume this proposal eliminates the Deferred Compensation Commission and transfers from the Office of Administration to MOSERS the responsibility to establish and administer a deferred compensation plan for the employees of the State of Missouri, effective August 28, 2007. The Office of Administration retains the responsibility for administration and reconciliation of payroll deductions from participants and the employer incentive match. 105.915 RSMo does not change the responsibility of OA to deem appropriate the investments included in the plan "including, but not limited to life insurance or annuity contracts or mutual funds". The competitive bidding responsibility for these investment options and any third party administrator contracts would be the MOSERS board.

The current contract with the third party administrator requires them to pay the state \$100,000 per year to reimburse the state for the administrative costs of the plan. The state costs include central payroll processing, reconciliation and controls, management staff oversight, involvement in day to day staff support of the plan and oversight of the third party administrator (currently CitiStreet). We anticipate that MOSERS will want the \$100,000 from the TPA and OA will retain most of the administrative cost they now have, including appropriate investment approvals and payroll administration of the state employer match.

Loss of Admin Reimbursement	(\$100,000)
Reduced Management Oversight (Loss of a part time position)	20,000
Net Loss to GR	(\$80,000)

ASSUMPTION (continued)

Officials from the **Missouri State Employees Retirement System** assume this administrative change would appear seamless to the member of the deferred compensation program. The MOSERS board and staff would assume the monitoring function. It is our understanding that the plan currently requires the attention of approximately one FTE and we would not anticipate any initial staffing requirements beyond that level. Any need for additional future staffing would be assessed based on experience with the plan over time. The third party administration of individual accounts and the investment products available would continue to be handled by outside service providers paid from charges to the participants as is the current practice.

While not directly related to costs to the state, it is also possible that the total cost to plan participants might be reduced as the result of MOSERS being able to capitalize on the negotiating power that comes with managing a larger asset base. However, the magnitude of such possible cost savings is unknowable at this time.

Section 169.070 and 169.670

The **Joint Committee on Public 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 State and 3) the Joint Committee on Public Employee Retirement as public information for at least (5) legislative days before final passage of the bill.

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

Officials from the **Public School Retirement System** assume this proposal makes three changes as follows:

1. Extends the PSRS provision for retirement under 25-and-out with modified formula factors depending on the number of years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$8.6 million dollars which requires a .02% increase in the contribution rate.

ASSUMPTION (continued)

2. Extends the PSRS provision for retirement with a 2.55% formula factor for members with 31.0 or more years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$25.4 million dollars which requires a .04% increase in the contribution rate.

3. For PSRS, this legislation would provide a temporary increase in monthly benefits of \$5 per month per year of credit for any member who has retired and is age seventy-five or older and who has reached the 80% COLA cap prior to January 1, 2008. The benefit would be payable through January 1, 2013. The proposed increase in retirement benefits for PSRS will increase the actuarial accrued liability of the system by \$17.6 million. This increase in liabilities will require a .03% total increase in the contribution rate for active members and school districts.

4. This legislation would also place a cap on the final average salary used in calculating PSRS benefits. See comment memo and letter from actuary regarding this amendment.

5. Extends the PEERS provision for retirement under 25-and-out with modified formula factors depending on the number of years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$1.3 million dollars which requires a .02% increase in the contribution rate.

5. For PEERS, this legislation would provide a temporary increase in monthly benefits of \$3 per month per year of credit for any member who has retired and is age seventy-five or older and who has reached the 80% COLA cap prior to January 1, 2008. The benefit would be payable through January 1, 2013. The proposed increase in retirement benefits for PEERS will increase the actuarial accrued liability of the system by \$1.9 million. This increase in liabilities will not require an increase in the contribution rate for active members and school districts.

Officials from the **Kansas City Public School Retirement System** assume no fiscal impact to their agency.

Section 211.393

Officials from the **Office of State Courts Administrator, County Employees Retirement System** and **Local Government Employees Retirement System** assume no fiscal impact to their agencies.

ASSUMPTION (continued)

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). It should be noted, however, that provisions contained in this proposal will increase the MOSERS Unfunded Actuarial Accrued Liabilities (UAAL) and will result in an increase of annual employer contributions.

Officials with the **Missouri State Employees Retirement System (MOSERS)** assume the proposal if enacted, treat:

Grant service as follows:

All prior and future grant service would be included in the definition of juvenile court employee.

- All prior and future grant service would be allowable for service credit under the definition of juvenile court employee.
- Juvenile officers covered by MOSERS in single county circuits would become eligible to receive prior service credit for all multi-county grant service after July 1999.
- Juvenile court employees covered by MOSERS in multi-county circuits would become eligible to receive prior service credit for all multi-county grant service after July 1999.
- Any MOSERS member who has multi-county grant service as a juvenile court employee after July 1999 would become eligible to receive prior service credit.

Single county service as follows:

- Juvenile officers covered by MOSERS in single county circuits would become eligible to receive prior service credit for single county service prior to July 1999.
- Juvenile court employees covered by MOSERS in multi-county circuits would become eligible to receive prior service credit for single county service prior to July 1999.
- Any MOSERS member who has single county service as a juvenile court employee would become eligible to receive prior service credit for single county service prior to July 1999.

ASSUMPTION (continued)

All of the above provisions would apply retroactively to terminated-vested members and retirees and allows for refunds if service was purchased in MOSERS. MOSERS was unable to determine the cost associated with this provision since they had no way determining those members who may have multi-county circuit grant service after June 1999 or creditable prior service in single and multi-county circuits prior to July 1999. However, they do believe that it is likely that there will be no future groups of juvenile officers seeking to obtain creditable prior service through the legislative process for these time periods.

Section 103.080

Officials from the **Missouri Consolidated Health Care Plan (HCP)** assume last February MCHCP, with the assistance of PwC who conducted the actuarial work, studied the impact associated with a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA) using the following plan design:

10% co-insurance after \$1500 individual deductible
Plan pays first \$1000 of deductible
\$2500 out of pocket maximum

This option was thoroughly reviewed by the MCHCP staff and Board of Trustees. While there was much support for the HDHP plan design it did not seem to fit into the current environment since employees already had relatively low cost options with reasonable cost sharing arrangements.

HIGH DEDUCTIBLE HEALTH PLANS

Employee Premiums

CY07

<u>Rate Category</u>	<u>Average Statewide Employee Premium</u>
Employee Only	\$33
Employee/Spouse	\$214
Employee/Child	\$48
Employee/Family	\$271

ASSUMPTION (continued)

Member Cost Comparison

Benefit	Current Plan Design	Typical HDHP
Preventive	\$0	\$0
Office	\$25	10%
Inpatient Admission	\$300	> \$1,500 individual deductible > \$3,000 family deductible
Lab/X-Ray	\$0	> state pays first \$1,000 of deductible
Rx	\$8/\$35/\$55	> \$2,500 OOP Max > \$5,000 OOP Max for family > 30% coinsurance out-of-network

Issues:

- 42,686 members with allowed claims of less than \$1,000 per year. The average was \$356. Even if the HDHP premium saved the entire \$33 employee contribution (an unlikely scenario) the state would be paying an additional \$611 per year for each member of this group enrolled in the HDHP, or roughly \$1 million for every 1,637 enrollees. (Note: Under an HSA this portion must be funded by the employer and the employee may take any balance upon leaving employment.)
- An individual member cannot save enough in their premium (\$33) to offset their portion of the deductible (\$500), plus the 10% coinsurance charges. Thus, enrollment could be very limited. Utah implemented a similar plan and five employees selected the option. Kansas had an enrollment of 120.
- State employees have little discretionary income to fund their portion of the HSA. Over 80% make less than \$40,000 annually.
- Implementation by January 2008 is **extremely** impractical. Contracts must be awarded by July in order to properly prepare for open enrollment. Therefore, there would only be two months after the session ends to create an RFP, have bidders prepare and submit bids, complete bid evaluations, award a contract, implement emergency regulations and educate members regarding high deductible health plans.
- The language does not apply to employees of the Highway Patrol, Transportation or Conservation since they are covered by health plans separate from the MCHCP.

ASSUMPTION (continued)

Oversight obtained additional information from the HCP relating to the set up and cost of a high deductible health plan with health savings account. Based on that information, it is assumed the proposal would cost more than \$100,000 to set up and implement, regardless of the number of people that signed up for the plan. According to HCP, the state of Utah adopted an identical plan and had less than 10 people sign up. In addition to the set up and implementation costs, it would cost an additional \$611 per member per year electing the HDHP.

The HCP only estimated costs for "state employees". Public entity costs are unknown as it depends on each public entity employer health benefit plan. How much the employer pays into its plan each month would determine the cost of a high deductible health plan.

Therefore, **Oversight** assumes the cost of this proposal to be unknown exceeding \$100,000, split between General Revenue, Other State Funds, and Federal funds. **Oversight** notes the new health plan option would be effective January 1, 2008.

In response to a similar proposal, SB 379, 1498-02 (2007) the following assumptions were assumed.

Officials from the **Office of Administration (COA) - Administrative Hearing Commission and Department of Insurance, Financial and Professional Regulation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **COA - Division of Accounting (DA)** assume the proposal will have no impact to the COA since the health savings account would be another health care coverage option provided by the Missouri Consolidated Health Care Plan (HCP). The COA - DA defers to the HCP for response regarding the fiscal impact of this proposal.

Officials from the **COA - Division of Budget and Planning (BAP)** assume the proposed legislation will have an impact on the HCP. The BAP defers to the HCP for response regarding the fiscal impact of this proposal.

Officials from the **Department of Public Safety (DPS) - Director's Office** defer to the HCP for response regarding the fiscal impact of this proposal on their organization.

Officials from the **DPS - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of this proposal on their organization.

ASSUMPTION (continued)

Officials from the **Missouri Department of Transportation (DOT)** assume the proposal will have no fiscal impact on the medical plan or on the DOT/Missouri Highway and Transportation Commission.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposed legislation would not have a fiscal impact on MDC funds.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Section 94.579

Officials from the **Secretary of State's Office** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **City of Springfield** and **Springfield Police Department** did not respond to our request for a fiscal impact on this section of the proposal.

Oversight assumes this is an election issue and the impact to the City of Springfield could result in unknown costs depending on the results of the election. Therefore, the initial cost of this proposal is \$0.

ASSUMPTION (continued)

Section 104.320

Officials from the **Missouri State Employees' Retirement System** assume no fiscal impact to their agency.

Section 50.1250

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 **County Employees Retirement System** assume no fiscal impact to their agency.

Section 86.1230 and 86.1600

The **Joint Committee on Public 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 State and 3) the Joint Committee on Public Employee Retirement as public information for at least (5) legislative days before final passage of the bill.

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

Officials from the **Kansas City Police and Civilian Retirement System** assume any retired member or eligible surviving spouse of the Police Retirement System not eligible for the 2.5% multiplier would be eligible for an equalizing supplemental benefit of \$10 per month. The amount of the equalizing supplemental benefit may be adjusted by cost of living adjustments but in no event shall the aggregate of the equalizing supplemental benefit and cost of living adjustments exceed 25% of the member's base pension.

The proposed benefit would increase the computed employer contribution rate for FY2008 by 0.09%, employer contributions would increase by \$70,602 and the unfunded actuarial accrued liability would increase by \$1,091,366 to \$140,741,769.

ASSUMPTION (continued)

Future retired members of the Civilian Employees' Retirement System of the Police Department of Kansas City must have 15 years of service at the time of retirement to receive the supplemental benefit which currently is at \$160.00 per month. (The living adjustments). Any member eligible for a disability retirement will also be eligible for the supplemental benefit upon retirement. Current retired and disabled members and their surviving spouses are eligible to receive the supplemental benefit in addition to pension benefits.

The proposed change would decrease the computed employer contribution rate for FY2008 by - 0.37%, employer contributions would decrease by \$96,471 and the unfunded actuarial accrued liability would decrease by \$486,000 to \$26,595,325.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Loss</u> - Admin Reimbursement	\$0	(\$100,000)	(\$100,000)
Reduced Management Oversight - Loss of a part time position			
Salary (0.5 FTE)	\$0	\$13,883	\$13,883
Fringe Benefits	\$0	\$6,117	\$6,117
Subtotal	<u>\$0</u>	<u>(\$80,000)</u>	<u>(\$80,000)</u>
<u>Costs</u> - HCP			
Increase in health insurance premiums	<u>(Unknown greater than \$33,000)</u>	<u>(Unknown greater than \$66,000)</u>	<u>(Unknown greater than \$66,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown greater than \$33,000)</u>	<u>(Unknown greater than \$146,000)</u>	<u>(Unknown greater than \$146,000)</u>
 <u>FISCAL IMPACT - State Government</u>			
	FY 2008 (10 Mo.)	FY 2009	FY 2010
Estimated Net FTE Change for General Revenue	0	(0.5)	(0.5)
NON-STATE FUNDS			
<u>Cost</u> - County Employees Retirement System - Various Expenses	<u>(\$21,000)</u>	<u>(\$16,000)</u>	<u>(\$17,000)</u>
ESTIMATED NET EFFECT ON NON-STATE FUNDS	<u>(\$21,000)</u>	<u>(\$16,000)</u>	<u>(\$17,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
SCHOOL DISTRICTS			
<u>Costs - School Districts</u>			
Teacher and Employee Contributions*	<u>(\$1,043,112)</u>	<u>(\$1,251,734)</u>	<u>(\$1,251,734)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS*	<u>(\$1,043,112)</u>	<u>(\$1,251,734)</u>	<u>(\$1,251,734)</u>
KANSAS CITRUS POLICE AND CIVILIAN RETIREMENT SYSTEM			
<u>Savings - Increase in Annual Employer Contributions Police Employees' Retirement System</u>			
	\$80,393	\$96,471	\$96,471
<u>Cost - Decrease in Annual Employer Contributions Civilian Police Employees' Retirement System</u>			
	<u>(\$58,835)</u>	<u>(\$70,620)</u>	<u>(\$70,602)</u>
TOTAL ESTIMATED NET EFFECT ON KANSAS CITY POLICE AND CIVILIAN RETIREMENT SYSTEM**	<u>\$21,558</u>	<u>\$25,869</u>	<u>\$25,869</u>

***Does not reflect an increase in Unfunded Actuarial Accrued Liability (UAAL) of \$34,000,000 to Public School Retirement System and \$1,300,000 to the Non-Teacher Retirement System.**

****This proposal will increase the Kansas City Police Employees' Retirement System Unfunded Actuarial Accrued Liability (UAAL) by \$1,091,366 and decrease the Kansas City Civilian Police Employees' Retirement System Unfunded Actuarial Accrued Liability (UAAL) by \$486,130.**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

Section 87.006

The proposed legislation appears to have no fiscal impact.

Section 104.040

The proposed legislation appears to have no fiscal impact.

Section 104.320

The proposed legislation appears to have no fiscal impact.

Section 104.805

The proposed legislation appears to have no fiscal impact.

Sections 105.660, 105.665, 105.666, 105.667, 105.683, 105.684 and 321.800

The proposed legislation appears to have no fiscal impact.

Section 105.910 and 105.915

The proposed legislation transfers administration of the deferred compensation fund to the board of trustees for the Missouri State Employees Retirement System.

Section 169.070 and 169.670

The proposed legislation extends the termination date for certain alternative retirement provisions in the teacher and school employee retirement systems and does appear to have a fiscal impact to local government.

Section 211.393

The proposed legislation appears to have no fiscal impact. However, the proposal will increase the Missouri State Employees Retirement System Unfunded Actuarial Liability (UAAL) and will result in an increase of annual employer contributions.

FISCAL DESCRIPTION (continued)

Section 103.080

This proposal requires the Missouri Consolidated Health Care Board to offer to all qualified employees the option of receiving health care coverage through a high deductible health plan and the establishment of a health savings accounts. This offer must be made beginning with the open enrollment period for the 2008 plan year. The proposal further requires all health carriers participating in the Missouri Consolidated Health Care Plan to offer a high deductible plan to qualified individuals in connection with a health savings account.

Section 86.1230 and 86.1600

The proposed legislation modifies provisions regarding supplemental retirement benefits for Kansas City Police Officers and Civilian Employees and will have a fiscal impact on local government.

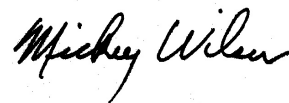
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Missouri State Employees Retirement System
MoDOT and Patrol Employees Retirement System
Department of Transportation
Missouri Highway Patrol
Kansas City Firemen's Retirement System
Department of Conservation
Missouri Consolidated Health Care Plan
Department of Labor and Industrial Relations
Missouri House of Representatives
Missouri Senate
Office of Administration
 Division of Accounting
 Division of Budget & Planning
Local Government Employees' Retirement System
Kansas City Public School Retirement System
Public School Retirement system
County Employees' Retirement System
Office of State Courts' Administrator
Department of Insurance, Financial and Professional Registration
Kansas City Police and Civilian Retirement System

Not Responding

City of Springfield
Springfield Police Department



Mickey Wilson, CPA
Director

L.R. No. 1648-08
Bill No. Truly Agreed To and Finally Passed CCS #2 for HCS #2 for SB 406
Page 23 of 23
June 6, 2007

June 6, 2007

VL:LR:OD (12/02)