

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1654-02  
Bill No.: Perfected SCS for SB 300  
Subject: Kansas City; Retirement - Local Government; Law Enforcement Officers and Agencies  
Type: Original  
Date: March 31, 2015

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Bill Summary: This proposal modifies provisions relating to the Police Retirement System of Kansas City and the Civilian Employees' Retirement System of the Police Department of Kansas City.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED  | FY 2016    | FY 2017    | FY 2018    |
|  |            |            |            |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2016    | FY 2017    | FY 2018    |
|   |            |            |            |
| <b>Total Estimated Net Effect on <u>Other</u> 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 2016</b> | <b>FY 2017</b> | <b>FY 2018</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 FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Joint Committee on Public Retirement** stated that the legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10). However, this proposal could result in a savings to both plans through the new requirement in member contributions and limitations on granted serve.

Officials from the **Police Retirement System of Kansas City and the Civilian Employees' Retirement System of the Police Department of Kansas City** state that every five years the Internal Revenue Service requires a review and reapplication for qualified plan status for the Police Retirement System of Kansas City and the Civilian Employees' Retirement System of the Police Department of Kansas City. The most recent application was submitted in January 2014. The IRS has granted continued qualified plan status with the understanding that the plans would submit legislation to include certain language in the plan documents (state statutes).

Currently the IRS allows the non-spouse beneficiary, who receives a distribution from the retirement system (a refund of member contributions in the absence of an eligible spouse or child under age 18) to elect to directly roll over the distribution to an IRA or Roth IRA. The retirement systems comply with IRS roll over rules for distributions to a non-spouse beneficiary but our statutes do not specifically reference the roll over provisions. Proposed legislation would amend section 86.1270.9 RSMo, in the Police plan and section 86.1630.9 RSMo, in the Civilian Employees' plan.

Military leave provisions under the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) requires the Police Retirement System of Kansas City and the Civilian Employees' Retirement System of the Police Department of Kansas City to restore creditable service in the retirement systems, for time missed due to a military leave of absence, by paying their member contributions for such time to the retirement system. Members are not required to restore such service, instead they may choose to extend their career and work the amount of time they were on leave for military service.

As a result of involuntary military assignments following the events of September 11, 2001, legislation was submitted to the General Assembly allowing the Retirement Systems to grant a benefit to members of the military that went beyond the requirements of USERRA. That legislation, which became law in 2005, waived the required member contributions and granted creditable service to members returning from a military leave of absence. The original language included provisions that we anticipated would prevent granting creditable service for voluntary military assignments.

ASSUMPTION (continued)

Nine years later, voluntary military assignments are the norm rather than the exception. The two plans have waived a total of \$1.5 million in member and employer contributions for military leaves of absence for the 75 members serving in the military. Five of those members have been on military leave for more than five years. The Retirement Board recognizes the importance of military service by our members but in light of recent pension reforms, approved by the General Assembly and increases in member contribution rates, it is time to make changes to our military leave provisions.

The proposed legislation puts a process in place that more closely follows the requirements of USERRA but still provides a benefit to military members that is above and beyond the USERRA. Members returning from active duty military leave would be eligible to restore their leave time by paying the member contribution rate. For members with orders under Title 10 or Title 32 U.S. Code and discharged from active duty with documentation in the form of a DD214 or NGB23, the member contributions could be waived for up to three years of military leave (current statutes allow for waiving contributions for up to five years). Should a member be on military leave for more than three years, but no more than five years, the member would be eligible, under USERRA, to restore creditable service by paying the amount of member contributions for the leave period.

There would be no fiscal impact to the Police Retirement System of Kansas City or the Civilian Employees' Retirement System of the Police Department of Kansas City.

| <u>FISCAL IMPACT - State Government</u> | FY 2016<br>(10 Mo.) | FY 2017    | FY 2018    |
|---|---------------------|------------|------------|
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2016<br>(10 Mo.) | FY 2017    | FY 2018    |
|---|---------------------|------------|------------|
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

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 direct fiscal impact.

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 Retirement  
Kansas City Police Retirement System



Mickey Wilson, CPA  
Director  
March 31, 2015

Ross Strobe  
Assistant Director  
March 31, 2015