

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4825-02  
Bill No.: HCS for SB 639  
Subject: Political Subdivisions; Retirement - Local Government; Retirement Systems and Benefits - General  
Type: Original  
Date: April 12, 2016

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Bill Summary: This proposal changes provisions related to public employee retirement systems.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED  | FY 2017    | FY 2018    | FY 2019    |
|  |            |            |            |
| <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 2017    | FY 2018    | FY 2019    |
|   |            |            |            |
| <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 6 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2017</b> | <b>FY 2018</b> | <b>FY 2019</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 2017</b> | <b>FY 2018</b> | <b>FY 2019</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 2017</b>              | <b>FY 2018</b>              | <b>FY 2019</b>              |
| <b>Local Government</b>                    | <b>Unknown to (Unknown)</b> | <b>Unknown to (Unknown)</b> | <b>Unknown to (Unknown)</b> |

## FISCAL ANALYSIS

### ASSUMPTION

#### §§56.363 - 56.840 - Prosecuting Attorneys' and Circuit Attorneys' Retirement System (PACARS):

Officials from the **Joint Committee on Public Employee Retirement System (JCPER)** state the proposal constitutes a substantial proposed change in future plan benefits as defined in Section 105.660(10), RSMo. It is impossible to accurately determine the fiscal impact of this proposed legislation without an actuarial cost statement prepared in accordance with 105.665 RSMo.

#### PACARS (as of April 11, 2016)

Market Value:           \$36,717,347   Funded Ratio: 94%  
Actuarial Value:       \$36,717,347   Funded Ratio: 94%

#### Anticipated contribution for 2014/2015:

|                                      |                  |
|--------------------------------------|------------------|
| Expected Monthly County Contribution | \$ 579,540       |
| Expected \$4 Surcharge Contribution  | \$1,292,800      |
| Interest Credit                      | <u>\$ 66,685</u> |
| Total Anticipated 2014 Contribution  | \$1,939,025      |

#### Current Monthly County Contribution:

|                    |       |
|--------------------|-------|
| 1st Class Counties | \$646 |
| 2nd Class Counties | \$271 |
| 3rd Class Counties | \$187 |
| 4th Class Counties | \$187 |

Due to time constraints, officials from the Prosecuting Attorneys' and Circuit Attorneys' Retirement System did not respond to **Oversight's** request for fiscal impact. Oversight notes that determining the increase or decrease in contributions from county governments resulting from the changes in the proposal can not be estimated without an appropriate statement mentioned above. Therefore, Oversight will reflect an unknown impact to county governments.

#### §70.621 - Missouri Local Government Employees Retirement System:

Officials from the **Missouri Local Government Employees Retirement System (LAGERS)** assume the current proposal would not fiscally impact their agency. It is anticipated to have no

ASSUMPTION (continued)

cost, with a potential cost savings to the local governments by effectively transitioning legacy plan administration into the LAGERS system thereby taking advantage of the efficiencies of scale of LAGERS. The decision to elect LAGERS administration is voluntary to local governments.

All plans would be reviewed on an individual basis to assess administrative needs in transitioning them into the LAGERS administrative framework. Initial costs, if any, for programming, etc. as well as any additional administration work will be borne by the legacy plan and not the LAGERS system. These costs would be mutually agreed upon by LAGERS and the local employer prior to LAGERS administration election. It is anticipated that any legacy plan costs will be more than offset from realized cost savings by LAGERS overall administration.

Officials from the **City of Columbia** and the **County of St. Louis** each assume the current proposal would not fiscally impact their respective local governments

|   |                     |            |            |
|---|---------------------|------------|------------|
| <u>FISCAL IMPACT - State Government</u> | FY 2017<br>(10 Mo.) | FY 2018    | FY 2019    |
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2017<br>(10 Mo.) | FY 2018 | FY 2019 |
|---|---------------------|---------|---------|

**COUNTY GOVERNMENTS**

|   |                                |                                |                                |
|---|--------------------------------|--------------------------------|--------------------------------|
| Potential changes in contribution rates to PACARS (§§56.363 - 56.840) | Unknown to<br><u>(Unknown)</u> | Unknown to<br><u>(Unknown)</u> | Unknown to<br><u>(Unknown)</u> |
|---|--------------------------------|--------------------------------|--------------------------------|

|   |  |  |  |
|---|--|--|--|
| <b>ESTIMATED NET EFFECT TO COUNTY GOVERNMENTS</b> | <b>Unknown to<br/><u>(Unknown)</u></b> | <b>Unknown to<br/><u>(Unknown)</u></b> | <b>Unknown to<br/><u>(Unknown)</u></b> |
|---|--|--|--|

FISCAL IMPACT - Small Business

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

## FISCAL DESCRIPTION

This bill modifies provisions relating to the prosecuting attorneys and circuit attorneys' retirement fund.

Allows any county that votes to make the county prosecutor a full-time position that will be eligible for such retirement benefits.

Modifies the definition of compensation to include salary reduction amounts under a cafeteria plan or eligible deferred compensation plan.

Requires members of the retirement fund, beginning January 1, 2017, to contribute 2% of their gross salary to the fund. Non-vested members who separate from the system will receive a lump sum payment equal to their total contribution only.

Allows the retirement system, in addition to any retirement benefits paid to a member at retirement, to return the contributions made by the member in a lump sum.

Any member not having at least 12 years of service on August 28, 2016 will not be eligible to retire until attaining age 65 with at least 12 years of service.

Modifies the COLA provision to provide a COLA between 2% and 4% which will be equal to the increase in the consumer price index when it is at least 2% and not more than 4%.

Any member with less than 12 years of creditable service on August 28, 2016, who terminates employment after such date with 12 years of creditable service, shall be entitled to a deferred normal annuity payable at age 60.

Allows former members with forfeited creditable service to restore such service if they become employed within two years of terminating employment, completing four years of continuous membership and contributing an amount equal to the any lump sum benefit received.

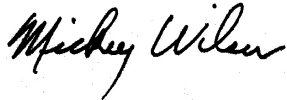
Members serving as prosecuting attorney in counties that elected to make the position full-time shall receive one year of creditable service for each year served as a full-time and .6 for each year as a part-time prosecutor.

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

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SOURCES OF INFORMATION

City of Columbia  
County of St. Louis  
Missouri Local Government Employees Retirement System  
Joint Committee on Public Employee Retirement Systems



Mickey Wilson, CPA  
Director  
April 12, 2016

Ross Strobe  
Assistant Director  
April 12, 2016