

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4825-03  
Bill No.: HCS for SB 639  
Subject: Political Subdivisions; Retirement - Local Government; Retirement Systems and Benefits - General  
Type: Original  
Date: April 13, 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)</b>	<b>(Unknown)</b>	<b>(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)** stated 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

Officials from the **Prosecuting and Circuit Attorney's Retirement System (PACARS)** state they have reviewed the bill, and based on that review, are of the view that the bill was intended by the drafters to be revenue neutral, provided the bill is enacted in its totality.

There are provisions in the bill which clearly increase the anticipated benefits payable to retired members upon their retirement. However, the drafters anticipated that the contributions required by the bill to be made by the members of the System would offset the increases in benefits ultimately payable to them.

ASSUMPTION (continued)

The bill also addresses certain issues presented by the current language of Sections 56.800 et seq. For example, the current language now allows members who qualified for a retirement benefit as a part-time prosecutor, and returned to serve as a full time prosecutor, to obtain a retirement benefit of 50% of the final average compensation as a full time prosecutor. These provisions in the bill would make the benefits and the payments into the System correspond. In this way the bill addresses a "loophole" which now allows certain members to qualify for a retirement benefit which costs the System more than the payments into the system would have "paid for".

The bill also addresses transfers of creditable service between the System, and other retirement systems of the State, and whether retirement benefits are payable to fully vested members who return to work as a prosecutor.

**Oversight** assumes, based on the response from PACARS, that the proposal will have no fiscal impact on PACARS but will require increased contributions from county governments.

§70.621 - Missouri Local Government Employees Retirement System:

Officials from the **Missouri Local Government Employees Retirement System (LAGERS)** assumed the current proposal would not fiscally impact their agency. It is anticipated to have no 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 **City of Kansas City** each assume the current proposal would not fiscally impact their respective local governments

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

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**POLITICAL SUBDIVISIONS**

<u>Cost - Counties: Increased contributions to PACARS</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

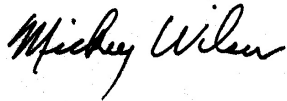
The proposed legislation appears to have no direct fiscal impact.

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

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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  
Prosecuting and Circuit Attorney's Retirement System



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Director  
April 13, 2016

Ross Strobe  
Assistant Director  
April 13, 2016