

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4260-02
Bill No.: SB 628
Subject: Soil Conservation; Retirement - Local Government; Retirement Systems and Benefits - General
Type: Original
Date: January 4, 2018

Bill Summary: This proposal allows employees of soil and water conservation districts to become members of the Missouri Local Government Employees' Retirement System.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Parks, Soils and Water Sales Tax Fund	\$0 to (\$402,789)	\$0 to (\$610,236)	\$0 to (\$625,492)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to (\$402,789)	\$0 to (\$610,236)	\$0 to (\$625,492)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** assume this proposal would affect the 114 soil and water conservation districts that may become eligible for Local Government Employees Retirement System (LAGERS). Soil and water conservation district staff are not state employees but are primarily funded through the Parks, Soils and Water sales tax. This also affects the Missouri Department of Natural Resources Soil and Water Conservation Program which currently provides funding through district grants to soil and water conservation districts for retirement.

DNR current budget includes funds for retirement through district grants. DNR assumes the proposal would likely increase funds for retirement as estimates (based upon a small actuary study) show that the LAGERS rate would be higher than the 7.0 percent of gross salary currently provided.

In FY 2019, up to 111 (3 districts have already had an actuary study completed) soil and water conservation districts may request an actuary study to determine costs to the district for their employees (typically there are 2-3 employees per district) which would be a one time cost of \$500 per district.

Based upon the results of the actuary study, if all 114 districts chose retirement through LAGERS, (Soil and water conservation districts can choose whether to participate in LAGERS) the cost to the Soil and Water Conservation Program through district grants could increase from the current employer contribution rate of 7 percent to up to 13.7 percent (this includes a 2% prior service cost). Currently, the actual annual cost of salaries for approximately 280 county soil and water district employees is \$8,885,843.00. If all 114 soil and water conservation districts participate in LAGERS and all employees have been with a districts for 20 years or more, the employer contribution rate would increase an additional \$595,352 ($\$8,885,843 \times (13.7\% - 7\%)$) per year.

For purposes of this fiscal note, DNR as made the assumption that if this legislation goes into effect August 28, 2018, it would take approximately 3 months for implementation making FY 19 estimated dollars based on 7 months.

Calculation for Increase in Employer Retirement Contribution:

- 13.7% (Estimated Maximum contribution rate) -7% (Current rate) = 6.7% (Percent of Increase)
- \$8,885,843 (Current Salaries) x 6.7% (Percent of Increase) = \$595,352 per year

ASSUMPTION (continued)

FY19

\$55,500 (Actuary study (One time cost))

\$347,289 (Increase in Employer Retirement Contribution (prorate for 7 months))

\$402,789 Total

FY20 and FY21

\$595,532 (Increase in Employer Retirement Contribution plus a 2.5% inflationary increase)

Oversight will range the cost to the Parks, Soils and Water Sales Tax Fund as \$0 (no Soil and Water Conservation Districts choose to participate in LAGERS) to \$402,789 (all Soil and Water Conservation Districts require an actuary study and participate in LAGERS, prorated for 7 months) in FY 2019 and will show a cost of \$0 to \$595,532 (plus inflation) in FY 2020 and 2021.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume this legislation would permit additional entities to join Missouri Local Government Employees Retirement System (LAGERS). Any entity eligible to join LAGERS under this legislation would likely need to follow other statutory and regulatory requirements. Our review of this legislation would indicate that its provisions do not create a "substantial proposed change" in future plan benefits as defined in section 105.660(10). Therefore, an actuarial cost statement is not required.

Officials from the **Missouri Local Government Employees Retirement System** and the **Missouri Department of Conservation** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
	(10 Mo.)		

PARKS, SOILS AND WATER SALES TAX FUND

Cost - DNR	<u>\$0 to (\$402,789)</u>	<u>\$0 to (\$610,236)</u>	<u>\$0 to (\$625,492)</u>
Soil and Water District LAGERS participation			

ESTIMATED NET EFFECT TO THE PARKS, SOILS AND WATER SALES TAX FUND	\$0 to <u>(\$402,789)</u>	\$0 to <u>(\$610,236)</u>	\$0 to <u>(\$625,492)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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

This proposal allows employees of soil and water conservation districts to become members of the Missouri Local Government Employees' Retirement System upon a majority vote of the district's governing board.

Prior to the disestablishment of a soil and water conservation district, the district must pay all monies owed to the retirement plan for unfunded accrued liabilities of past and current employees.

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

Missouri Local Government Employees Retirement System
Joint Committee on Public Retirement
Department of Natural Resources
Missouri Department of Conservation

Ross Strobe



Acting Director
January 4, 2018