

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4491-02  
BILL NO.: Perfected SCS for SB 1015  
SUBJECT: Retirement: Kansas City Police and Civilian Employees  
TYPE: Original  
DATE: March 16, 2000

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0*</b>	<b>\$0*</b>	<b>\$0*</b>

**\*DOES NOT REFLECT INCREASE IN UNFUNDED ACTUARIAL ACCRUED LIABILITIES OF THE KANSAS CITY POLICE AND CIVILIAN EMPLOYEES' RETIREMENT SYSTEMS WHICH ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 4 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials of the **Joint Committee on Public Employee Retirement** have reviewed this proposal and have determined that it represents a “substantial proposed change” in future plan benefits as defined in section 105.660(5), RSMo. Therefore, an actuarial cost statement must be provided prior to final action on this legislation by either legislative body or committee thereof.

Officials of the **Office of Administration** assume that any fiscal impact would be determined by the Kansas City Police Retirement System.

Officials of the **Kansas City Police and Civilian Employees’ Retirement Systems** obtained an actuarial analysis of the proposal which indicated that the provisions that would result in costs to the systems are as follows:

- Increasing pension benefit multiplier to 2.5% of final compensation per year of service for a maximum of 30 years of 75% of final compensation (from present 2% for maximum of 60%). This would apply automatically to all members employed after August 28, 2000. Members in service on August 28, 2000, would have the option at time of retirement of either accepting pension based on 2% per year of service prior to August 28, 2000, and 2.5% per year of service thereafter, or paying into the system 1% of actual compensation in each year prior to August 28, 2000 in return for a pension based on the 2.5% multiplier for each year of service (Police only).
- Allowing cost-of-living adjustments (COLAs) up to 3% annually without regard to the Consumer Price Index (applies to Police and Civilian Employees).
- Permitting surviving spouses (including all current pension-entitled surviving spouses and all pension-entitled surviving spouses of current retirees) to remarry without loss of pension (Police only).
- Increasing the minimum base pension to \$600 without reduction by supplemental payments (Police only).

The systems’ actuary notes that the analysis is based on assumptions used in the May 1, 1999 actuarial valuation, except that it reflects a change to the averaging period for calculating the actuarial value of assets from five years to three years (when spreading investment gains and losses). The actuary concluded that the proposed contribution rate schedule, which includes an increase in member contributions only, is actuarially sufficient to provide the current legislated

ASSUMPTION (continued)

retirement benefits plus those included in this proposal, assuming the retirement board approves the change in the method for asset valuation. On that basis, no additional increase in City or member contributions would be necessary to fund this proposal.

**Oversight** notes that **while there is fiscal impact to the Police and Civilian Employees' Retirement Systems, there is no immediate cost to the City of Kansas City as a result of this proposal.** Funds of the retirement systems are not considered local funds for fiscal note purposes. There will be long-term fiscal impact as a result of this legislation, since an increase in the system's liabilities will contribute to any need for increased future contributions from the City of Kansas City.

	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>			
	\$0	\$0	\$0
	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>			
	\$0*	\$0*	\$0*

**\*DOES NOT REFLECT INCREASE IN UNFUNDED ACTUARIAL ACCRUED LIABILITIES OF KANSAS CITY POLICE AND CIVILIAN EMPLOYEES' RETIREMENT SYSTEMS, WHICH ARE NOT CONSIDERED LOCAL FUND FOR FISCAL NOTE PURPOSES.**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal makes several changes and clarifications in statutes pertaining to the Kansas City Police and Civilian Employees' Retirement System. Among the changes are:

- (1) The Board may grant cost of living adjustments of up to three percent per year for both police and civilian retirees.

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DESCRIPTION (continued)

(2) Surviving spouses of police officers will be permitted to remarry without loss of pension benefits.

(3) The minimum base pension for police retirees will be \$600 per month.

(4) Increased pension benefit multiplier to 2.5% of final compensation per year of service for maximum of 30 years or 75% of final compensation.

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  
Office of Administration  
Kansas City Police and Civilian Employees' Retirement Systems



Jeanne Jarrett, CPA  
Director  
March 16, 2000