COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1213-04
Bill No.: Perfected SCS for SB 290
Subject: Cities, Towns, & Villages; Kansas City; Law Enforcement Officers & Agencies; Retirement–Local Government; Retirement Systems & Benefits–General
Type: Original
Date: March 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	$0	$0	$0
Total Estimated Net Effect on All State Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	**$0***	**$0***	**$0***

***DOES NOT REFLECT UNKNOWN AMOUNT OF INCREASE IN THE UNFUNDED ACTUARIAL ACCRUED LIABILITY OF THE KANSAS CITY POLICE AND CIVILIAN POLICE EMPLOYEES RETIREMENT SYSTEMS. THE SYSTEMS' FUNDS ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOT PURPOSES.**
Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** notes that certain changes to the Kansas City Police Retirement System which were intended to be made by last session's House Bill 1808 were inadvertently not included. The specific costs for increases in duty, non-duty disability, and termination benefits were included in the actuarial cost statement for House Bill 1808, therefore the liabilities have already been accounted for and included in both the original cost statement and the current actuarial valuation for plan year 2000. Additionally, JCPER indicates that the plan's actuary has determined that the changes eliminating the termination of benefits for surviving spouses upon remarriage, and the inclusion of cost-of-living adjustments in the calculation of survivor benefits are not significant enough to be accounted for actuarially as a separate item. JCPER concludes that although there is an increase in benefit payments, that cost would be less than .25% of payroll, and under the provisions of Section 105.665, this would not require an actuarial cost statement.

Officials with the **Office of Administration** have determined that there may be a fiscal impact from this legislation, noting that the system should be determined by the Kansas City Police Retirement System.

Officials with the **Kansas City Police Retirement System (PRS–KC)** indicated that the proposal would have no fiscal impact, as current contribution rates would not have to be increased to fund the system under the provisions included in the legislation.

In response to previous similar legislation, officials with the PRS–KC obtained an actuarial analysis for the changes proposed that were not included in the analysis for the changes intended for House Bill 1808, indicating that the actuarially required contribution (ARC) under the officers' plan will be increased to 19.53%, which is less than the current actual contribution rate of 19.7%. The ARC under the civilian employees' plan will be increased to 7.14%, which is equal to the current actual contribution rate. Changes which were intended to be included in House Bill 1808 are already reflected in the actuarially required contribution rate.

Oversight notes that the analysis provided by the PRS–KC did not indicate the amount by which the Unfunded Actuarial Accrued Liability (UAAL) for the retirement systems would be affected as a result of the proposal. Oversight assumes the UAAL will be increased. **While there may be no immediate cost to the local government, since the required contribution rate would not exceed the current contribution rate, there is fiscal impact to the retirement systems.** There is a long-term fiscal impact as a result of the proposal, because an increase in the UAAL for both plans will contribute to any need for increased contributions in the future.

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
	$0*	**$0***	**$0***

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

FISCAL IMPACT - Small Business

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

DESCRIPTION

This act revises the Kansas City Police and Civilian Retirement systems. The Kansas City Police Retirement System is revised to increase the benefits to members disabled in the line of duty from 60 percent to 75 percent. Normal retirement benefits are increased from 2% per year of service to 2.5% per year of service.

The Kansas City Civilian Retirement System is revised to state that any lump sum or periodic payments, except those for medical treatment, which are paid for death or disability will be offset against any workers' compensation benefits payable but the total amount will not be less than what the worker would have received pursuant to the terms of the retirement system. The requirement that surviving spouses remain unmarried is deleted. A surviving spouse is entitled to receive a base pension along with a cost-of-living adjustment and payments will continue for the lifetime of the surviving spouse. However, after August 28, 2001, the surviving spouse must be married to a member who dies in service at the time of the member's death. The surviving spouse of a member who dies after retirement, who has not selected the optional annuity will receive half of the member's normal retirement with cost-of-living adjustments. However, the surviving spouse must have been married to the member at the time of the member's retirement. If a surviving spouse of a member who dies in service or who retired prior to August 28, 2001, has not remarried prior to August 28, 2001, but subsequently remarries, they will be entitled to receive benefits as a special consultant in an amount equal to the amount they would have received in absence of the remarriage.

DESCRIPTION(continued)

In both retirement systems, members who are entitled to benefits by becoming the surviving spouse of more than one member are restricted to the largest benefit calculated, unless the retiree had selected the optional reduced annuity. The timing for the credit of income from investments is changed from one year to frequent intervals determined by the retirement board. The retirement board may also appoint investment managers to manage the investments of the retirement system.

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 Retirement System

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Director
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