

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3637-01
Bill No.: SB 939
Subject: Retirement – State; Retirement Systems and Benefits – General; State Employees
Type: #Corrected
Date: February 5, 2002
 # Corrected to reflect actuarial determined contribution costs

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	# \$0	(\$4,945,000)	(\$4,945,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement** indicates that this legislation does represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of the Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has not been filed with the Joint Committee on Public Employee Retirement. It would be impossible to accurately determine the fiscal impact of this proposed legislation without the actuarial cost statement prepared in accordance with Section 105.665.

Officials with the **Kansas City Police Retirement System (KCPRS)** assume via their actuary that an approach to providing this benefit in steps over a time is a feasible method to increase benefits to retirees. KCPRS’s actuary assumes that 9.00% investment return would be sufficient to provide an increase to beneficiaries while remaining within GASB 27 guidelines that limits unfunded liability periods to be no longer than 30 years. KCPRS actuary also notes that the increased benefit to beneficiaries would increase the accrued liabilities by \$80 million and increase the employer contribution rate to 27.6% of payroll (which is currently at 18.85% of payroll). Current yearly contribution expenses are unknown.

Per KCPRS’s actuary, after a new actuarial valuation was performed, it was determined the COLA would result in actual additional yearly contribution costs of \$4,945,000 paid over a 24 year amortization period. The new contribution rate is 27.44%.

Oversight notes that KCPRS’s actuary’s assumption that a “1% increase in the retiree’ benefit adds approximately \$3.3 million to liabilities” is not the true increase in unfunded liabilities the system would experience as a result of the passage of this proposal. **Oversight** also notes that the proposal could raise the current contribution expenses for the UAL (unfunded accrued liability) by as much as 68.3%.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Cost – Kansas City Police Retirement System			
# Increased contributions	<u>\$0</u>	<u>(\$4,945,000)</u>	<u>(\$4,945,000)</u>

FISCAL IMPACT - Small Business

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

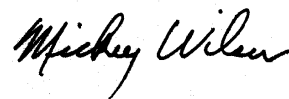
DESCRIPTION

This proposal revises provisions relating to the Kansas City police retirement systems. This act allows members with at least 26 years of service to receive an optional distribution under a partial lump-sum option plan. Requirements to make the election are provided. The method for calculating the amount of the lump sum distribution is provided. If a member chooses a lump sum distribution the base pension amount will be reduced according to the provisions in the act.

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
Kansas City Police Retirement System



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