

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5887-01
Bill No.: HB 1857
Subject: Fire Protection; Retirement - Local Government; Saint Louis
Type: Original
Date: March 19, 2012

Bill Summary: This proposal modifies provisions of the Firemen’s Retirement System of St. Louis.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$5,524,000	\$6,586,000	\$5,651,000

This may result in a decrease in the unfunded actuarial accrued liability (UAAL) associated with the Firemen’s Retirement of the City of St. Louis.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** 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 (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has not been filed with the JCPER. 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, RSMo.

Officials from the **Office of Administration - Division of Budget & Planning (BAP)** assume this proposal should not result in additional costs or savings to BAP. They defer to St. Louis Firemen’s Retirement System for the fiscal impact of this proposal.

This proposal states a local ordinance pension plan will supersede the current Firemen’s Retirement System upon such passage. The proposal does not appear to fiscally impact the state.

Officials from the **St. Louis Firemen’s Retirement System** assume the proposal will save the employer \$5.524 million.

According to the actuarial the cost impact to the Firemen’s Retirement System of St. Louis of provides a new level of benefits to Firefighters hired after August 29,2012. The new Firefighters benefits are as follows:

- Member contributions are equal to 8 percent of pay. Upon retirement, disability, or death, new Firefighters receive a refund of 25 percent of accumulated member contributions without interest.
- New Firefighters are eligible for the DROP benefits provided they satisfy the retirement requirements. Members may not return to active service after entering the DROP.

ASSUMPTION (continued)

- Vesting requirements are reduced from 20 years of service to 10 years of service. member can receive regular service retirements benefits at 55 years of age or at any age after 30 years of service.
- The benefit accrual formula equals 2.0 percent of final average compensation for the first 25 years of service and 4.0 percent of final average compensation for the next five years of service.
- A member with at least 20 but less than 30 years of service may retire prior to age 55 provided the retirement benefit is reduced using the System's actuarial equivalence factors.
- If a terminated member dies before attaining age 55, with at least 10 years but less than 20 years of service, the surviving spouse or children are entitled to a benefit commencing when the member would have reached age 55 in an amount equal to 2 percent times the member's service times final average compensation.
- Final Average Compensation is based on 5 years instead of 2 years.
- The maximum retirement benefit is capped at 70 percent of Final Average Compensation after 30 years.
- The member is not eligible for sick leave conversion benefits.

According to the plans annual actuarial valuation as of October 31, 2011 the key difference between this year's valuation results and the prior year's valuation results is the decrease in the City contribution from \$23.07 million for plan year ending September 20, 2011, to \$21.18 million for plan year ending September 30, 2012, due primarily to the update in assumptions.

The expected contribution for plan year ending September 30, 2012, before recognizing investment losses, demographic gains or changes in assumptions was estimated to be \$20.87 million. During the year, the market value of assets earned 0.7 percent and actuarial value of assets earned 5.9 percent, which caused contributions to increase by \$3.35 million. Favorable demographic experience, including salary increases lower than expected, decreased expected contributions by \$0.63 million. Finally, changes in actuarial assumptions, decreased contributions by \$2.41million.

Officials from the **City of St. Louis** did not respond to Oversight's request for a fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
Local Government			
<u>Savings</u> - City of St. Louis			
St. Louis Firemen's Retirement	<u>\$5,524,000</u>	<u>\$6,586,000</u>	<u>\$5,651,000</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>\$5,524,000</u>	<u>\$6,586,000</u>	<u>\$5,651,010</u>

This may result in a decrease in the unfunded actuarial accrued liability (UAAL) associated with the Firemen's Retirement of the City of St. Louis.

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 modifies provisions of the Firemen's Retirement System of St. Louis.

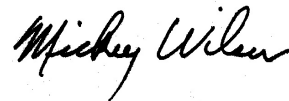
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
Division of Budget & Planning
Joint Committee on Public Employee Retirement
St. Louis Firemen's Retirement System

Not Responding

City of St. Louis



Mickey Wilson, CPA
Director
March 19, 2012