

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6209-03
Bill No.: HCS for HB 2416
Subject: Retirement - Local Government; Saint Louis City; Law Enforcement Officers and Agencies
Type: Original
Date: April 13, 2016

Bill Summary: This proposal changes the laws regarding public employee retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration** assume the current proposal would not fiscally impact their agency.

In response to a previous version of this proposal, officials from the **Police Retirement System of St. Louis** assumed the proposal would not fiscally impact their agency.

§§56.363 - 56.840 - Prosecuting Attorneys' and Circuit Attorneys' Retirement System (PACARS):

In response to a similar provision from SB 639, officials from the **Joint Committee on Public Employee Retirement System (JCPER)** stated the proposal may constitute a substantial proposed change in future plan benefits as defined in Section 105.660(10), RSMo. It is impossible to accurately determine the fiscal impact of this proposed legislation without an actuarial cost statement prepared in accordance with 105.665 RSMo.

PACARS (as of April 11, 2016)

Market Value:	\$36,717,347	Funded Ratio: 94%
Actuarial Value:	\$36,717,347	Funded Ratio: 94%

Anticipated contribution for 2014/2015:

Expected Monthly County Contribution	\$ 579,540
Expected \$4 Surcharge Contribution	\$1,292,800
Interest Credit	<u>\$ 66,685</u>
Total Anticipated 2014 Contribution	\$1,939,025

Current Monthly County Contribution:

1st Class Counties	\$646
2nd Class Counties	\$271
3rd Class Counties	\$187
4th Class Counties	\$187

In response to a similar provision from SB 639, officials from the **Prosecuting Attorneys' and Circuit Attorney's Retirement System (PACARS)** stated they have reviewed the bill, and based on that review, are of the view that the bill was intended by the drafters to be revenue neutral, provided the bill is enacted in its totality.

ASSUMPTION (continued)

There are provisions in the bill which clearly increase the anticipated benefits payable to retired members upon their retirement. However, the drafters anticipated that the contributions required by the bill to be made by the members of the System would offset the increases in benefits ultimately payable to them.

The bill also addresses certain issues presented by the current language of Sections 56.800 et seq. For example, the current language now allows members who qualified for a retirement benefit as a part-time prosecutor, and returned to serve as a full time prosecutor, to obtain a retirement benefit of 50% of the final average compensation as a full time prosecutor. These provisions in the bill would make the benefits and the payments into the System correspond. In this way the bill addresses a "loophole" which now allows certain members to qualify for a retirement benefit which costs the System more than the payments into the system would have "paid for".

The bill also addresses transfers of creditable service between the System, and other retirement systems of the State, and whether retirement benefits are payable to fully vested members who return to work as a prosecutor.

Oversight assumes, based on the response from PACARS, that the proposal will have no fiscal impact on PACARS but may require increased contributions from county governments.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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POLITICAL SUBDIVISIONS

<u>Cost - Counties: Increased contributions to PACARS</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act changes laws regarding the retirement system for prosecuting and circuit attorneys.

When a county votes to make the office of prosecuting attorney a full time position then the position shall qualify for the same retirement benefits as a full time prosecutor of a first class county and such county shall make the same contributions to the Prosecuting Attorneys and Circuit Attorneys' Retirement Fund (PACARS) as paid by a first class county.

The term "compensation" as used in the PACARS retirement statutes shall include any salary reduction amounts under a cafeteria plan or a deferred compensation plan, but not include reimbursement for any expenses, consideration for agreeing to terminate employment, or any unusual payment not part of regular work pay.

Beginning in January, all members who are eligible to receive an annuity equal to fifty percent of the final average compensation upon retirement will contribute two percent of their salary to the fund. At the time of retirement and at the discretion of the board of trustees, a member can receive a lump sum of his or her total contribution in addition to any retirement benefits.

For members who have not attained twelve years of creditable service by the effective date of the act, the age for retirement is changed from sixty-two to sixty-five in order to qualify for a normal annuity. Additionally, such member is entitled to a deferred normal annuity, payable at age sixty with twelve or more years of creditable service.

A former member who has forfeited creditable service may have the service restored again, in addition to requirements under current law, by contributing an amount to the retirement fund equal to any lump sum payment of contributions received upon termination of service.

Retired members shall receive each year a cost of living increase of at least two percent and not to exceed four percent, rather than not exceed two percent in any year.

All members serving in a first class county, St. Louis City, or in an county who has elected to make the position of prosecuting attorney a full time position shall receive one year of creditable service for each year served as a full time prosecuting attorney. A member serving in a county who has elected to make the position of prosecuting attorney a full time position shall receive six-tenths of a year of creditable service for each year served as a part time prosecuting attorney.

FISCAL DESCRIPTION (continued)

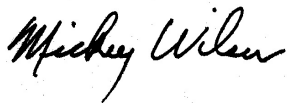
An member who vested as a part time prosecuting attorney and ceased being a member for more than six months before returning as a full time prosecuting attorney shall be entitle only to part time benefits, and any creditable service earned as a full time prosecutor shall begin a new vesting period. A member cannot receive benefits while employed as a prosecuting attorney.

This bill also modifies provisions relating to the prosecuting attorneys and circuit attorneys' retirement fund.

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
Police Retirement System of St. Louis
Prosecuting Attorneys' and Circuit Attorneys' Retirement System



Mickey Wilson, CPA
Director
April 13, 2016

Ross Strobe
Assistant Director
April 13, 2016