COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0993-01
Bill No.: HB 225
Subject: Administrative Law; Judges; Retirement - State
Type: Original
Date: January 26, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Workers' Compensation	$10,735	$12,879	$24,862
Total Estimated Net Effect on Other State Funds	**$10,735**	**$12,879**	**$24,862**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Federal Funds	$0	$0	$4,381
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$4,381**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Division of Labor and Industrial Relations (DOL)** assume under the proposal the director and chief legal advisor and administrative law judges and legal advisors employed by the Division of Workers' Compensation, the chair of the State Board of Mediation, commissioners and attorneys employed by the Labor and Industrial Relations Commission that are first employed on or after January 1, 2006 and are not previously covered by the ALJ retirement system would automatically be covered under the MOSERS' retirement system. This would result in a cost savings to the workers' compensation administrative fund.

The DOL used the following assumptions/methodology to determine fiscal impact.

The contribution rate for the ALJ retirement plan is 21.79% and 12.59% for the MOSERS retirement plan. The difference is 9.2%.

ASSUMPTION (continued)

There are three commissioner positions within the Labor and Industrial Relations Commission. The DOL assumes that one commission position (employee representative) will be filled in fiscal year 2008. While another commissioner's term expires in 2006, the Department assumes the current commissioner will be reappointed. Commissioner salary is $95,229. The funding for this position is split between the workers' compensation fund and federal funds.

FY 2008 - $8,761 ($95,229*9.2%)

There are four attorney positions within the Labor and Industrial Relations Commission. The average length of tenure for these positions is 5 years. Currently, only one employee in these positions has a tenure of over five years. Therefore, the DOL assumes that one legal counsel position will be filled during fiscal years 2006 - 2008. The legal counsel salary is $57,360 and is funded through the workers' compensation fund.

FY 2006 - $4,400 ($57,360*9.2%)/12 = $440*10 months = $4,400
FY 2007 & 2008 - $5,277 ($57,360*9.2%)

The DOL assumes the chair of the State Board of Mediation will be filled prior to January 1, 2006. Therefore no cost savings will apply during fiscal years 2006-2008. The average length of tenure for this position is five years.

Currently, there are no vacancies for the director, chief legal advisor, administrative law judges (ALJ) and legal advisors (LA) employed by the Division of Workers' Compensation. The DOL doesn't anticipate any turnover in the director or chief legal advisor positions in the next three years. Based on historical data, the average length of tenure of ALJs and Las is 13 years. While there is not a large amount of turnover in these positions, a few ALJs and LAs are eligible for retirement. While the DOL is unable to predict the exact amount of turnover in these positions for the next three years, it is reasonable to assume one vacancy every other year. Since the DOL experienced a vacancy in 2004, the next vacancy will occur in 2006 and again in 2008.

The average salary for an ALJ/LA for fiscal year 2006 is $82,632 ($4,131,600/50 positions). The ALJ/LA positions are funded through the workers' compensation fund.

FY 2006 - $6,335 ($82,632*9.2%)/12 = $633.50*10 months = $6,335
FY 2007 - $7,602 ($82,632*9.2%) = $7,602
FY 2008 - $15,204 ($82,632*9.2%*2 positions) = $15,204

Officials from the **Missouri State Employees Retirement Plan (MOSERS)** assume the rates

ASSUMPTION (continued)

for the FY 2006 have already been certified. To the extent that payroll is used to determine dollar contributions, if assets and liabilities from the ALJLAP are merged with MOSERS on January 1, 2006, then the contribution rate applied to the ALJLAP would decrease to 12.595% from 21.79% for 6 months until June 30, 2006. Then the MSEP rate would presumably include

the ALJLAP actives hired before January 1, 2006 under current provisions and a few new hires after January 1, 2006 under MSEP 2000 provisions for regular state employees.

This rate when converted to contribution dollars would be very similar to the combined result of the existing two plans. It would be slightly higher than the current 12.59% rate in the absence of other losses or changes. This would gradually trend toward the otherwise existing rate as the membership of the ALJLAP, under current provisions, leave employment and are replaced by new hires after January 1, 2006 under MSEP 2000 provisions. Therefore, the long-term implications are that the future projected dollar contributions will be less than under the current benefit structure.

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
WORKERS' COMPENSATION FUNDS			
Cost Savings - Workers's Compensation	$10,735	$12,879	$24,862
TOTAL ESTIMATED NET EFFECT ON ALL WORKERS' COMP FUNDS	**$10,375**	**$12,879**	**$24,862**
FEDERAL FUNDS			
Cost Savings - Federal Funds	$0	$0	$4,381
TOTAL ESTIMATED NET EFFECT ON ALL FEDERAL FUNDS	**$0**	**$0**	**$4,381**

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill changes the laws regarding the Administrative Law Judges and Legal Advisors' Retirement Plan (ALJLAP). Any administrative law judge or legal advisor employed after August 28, 2005, who is eligible for the first time for benefits under the ALJLAP plan, will accrue benefits under the Missouri State Employees' Retirement System (MOSERS) for the first three years of service. After accruing three years of service, they will be eligible for benefits under the ALJLAP plan; and those three years will be credited as service under the ALJLAP plan and no longer be credited under MOSERS.

Additionally, any person appointed after August 28, 2005, to the Labor and Industrial Relations Commission of Missouri, the State Board of Mediation, or the Administrative Hearing Commission, who fails to receive Senate confirmation, will not be eligible for benefits under the MOSERS or ALJLAP plans for any service pursuant to the appointment.

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
Missouri State Employees Retirement Plan
Division of Labor and Industrial Relations

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January 26, 2005