COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3971-01
Bill No.: HB 1305
Subject: Retirement - State; Retirement Systems and Benefits - General
Type: Original
Date: February 7, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on Other 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 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
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 **Missouri State Employees Retirement System (MOSERS)** assume the cost to implement the two mandatory continuing education requirements would be minimal (less than $20,000 annually). As it relates to education, MOSERS' trustees are presently provided with an educational manual regarding the roles and responsibilities of trustees immediately following appointment to the board. In addition, MOSERS' staff provides education training regarding the topics addressed in the legislation during annual board retreats. Trustees are also encouraged to obtain additional training at outside conferences and seminars held throughout the year.

Regarding ethics, the MOSERS board has adopted a governance policy that addresses a fiduciary code of conduct for members including provisions that prohibit self-dealing and acceptance of any gratuity, political contribution or compensation for the purpose of influencing action with respect to the retirement plan. Such actions are also subject to the penalties prescribed for bribery.

ASSUMPTION (continued)

Oversight assume any cost to implement the education requirements would minimal and could be absorbed by the agency.

Officials from the **Department of Labor, Department of Conservation, Kansas City Firefighters Retirement System, Local Government Employees Retirement System** and **Public School Retirement System** would assume no fiscal impact to their agency.

Officials from the **County Employees Retirement System (CERF)** assume the proposal will generate additional costs for CERF to implement and execute the comprehensive board member education program. These costs will be in the nature of travel and per diem for board members, costs to develop the training programs, and for professional and education fees and materials.

Oversight assume any costs to implement the education requirements would be minimal and could be absorbed by the agency.

Officials from the **Transportation and Highway Patrol Employees Retirement System (MPERS)** assume Section 105.684 has the potential for a fiscal impact for MPERS. The funded status of MPERS was below 60% on June 30, 2005. Therefore, if an accelerated contribution schedule were to be prepared and implemented, there would be a fiscal impact depending upon the number of years to be used in the accelerated schedule.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$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 several public employee retirement systems.

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (LAGERS)

Currently, a political subdivision cannot create a pension plan similar to LAGERS for its employees who are not police officers or firefighters unless it has an assessed valuation of $100 million or more. The bill specifies that a political subdivision cannot create a pension plan similar to LAGERS for any employees unless it has an assessed valuation of $500 million or more.

After January 1, 2007, volunteer fire protection associations and fire protection districts cannot establish pension plans except under the provisions of Chapter 70, RSMo.

MISSOURI DEPARTMENT OF TRANSPORTATION AND HIGHWAY PATROL EMPLOYEES' RETIREMENT SYSTEM (MPERS)

If the actuary for MPERS determines that the funded ratio of the system is below 50% for three consecutive years, the plan will close to new members effective January 1 of the following year.

GENERAL PROVISIONS

The bill:

(1) Defines "defined benefit plan," "defined contribution plan," "funded ratio," and "lump sum benefit plan";

(2) Changes the contribution period, from 40 to 30 years, for which plans may not exceed unfunded accrued liabilities;

(3) Requires retirement systems to establish mandatory board member education programs regarding responsibilities, ethics, governance, plan design, administration of benefits, investments, legal liability, and actuarial principles. Board members will be required to attend at least two continuing education programs each year;

(4) Prohibits appointing authorities, board members, or employees from receiving a gain or profit from funds or transactions of the plan except benefits which are common to all members of the plan. If political contributions or compensation are accepted to influence the investment of system funds, the person will forfeit his or her office and be subject to penalties prescribed for bribery;

DESCRIPTION (continued)

(5) Specifies that any trustee, employee, or plan participant convicted of a felony connected with his or her duties will be ineligible for retirement benefits;

(6) Prohibits, after August 28, 2006, plans with a fund ratio of less than 80% from providing additional benefits. Plans with a fund ratio greater than 80% can adopt benefit enhancements if the ratio does not decrease more than 10% or below 75%. The unfunded actuarial accrued liabilities associated with these benefit changes will be amortized over a period not to exceed 15 years; and

(7) Requires plans with a ratio of less than 60% to have an actuary prepare an accelerated contribution schedule based on a descending amortization period. If a plan's actuary determines that the ratio is below 50% for three consecutive years or the ratio is below 60% and the plan is not meeting 100% of the actuarially required contribution payment, the plan will be closed to new members effective January 1 of the following year.

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 System
Department of Labor
Department of Conservation
Local Government Employees Retirement System
Public Schools Retirement System
County Employees Retirement Fund
Kansas City Firefighters Retirement System
Transportation and Highway Patrol Employees Retirement System

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