

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5847-01
Bill No.: HB 1821
Subject: Retirement Systems and Benefits - General; Attorneys
Type: Original
Date: February 26, 2014

Bill Summary: This proposal modifies provisions relating to the Prosecuting and Circuit Attorneys' Retirement System.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
PACARS Fund	\$434,025	\$520,830	\$520,830
Total Estimated Net Effect on <u>Other</u> State Funds	\$434,025	\$520,830	\$520,830

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	(\$147,770)	(\$177,324)	(\$177,324)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Prosecuting and Circuit Attorneys' Retirement System (PACARS)** state that originally a surcharge for many traffic violations, which were not resolved at the Fine Collection Center (FCC), was enacted to help fund PACARS. All counties are now required by the Supreme Court rule to use the FCC, which eliminates the surcharge revenue. This proposal restores the original intent and effect of the surcharge by restoring the lost funding.

Furthermore, the proposal addresses the fact that many counties are electing to make their Prosecuting Attorney a full time position in accordance with Section 56.363, RSMo. This election, once made, has the effect of increasing the pay of the prosecuting attorney position, and substantially increasing the retirement benefit as well as the required county contribution to PACARS. Several of the former prosecutors, vested in the old "part-time" benefit, have been reelected as prosecuting attorney after a hiatus of several years during which the county has elected to make the position full-time. Then, after a few years, without the requirement to vest again, the retirement benefit increases from as low as \$7,560 per year to about \$60,000 per year under the existing language of Chapter 56, RSMo. The original monies paid in do not support the new retirement benefit. The provisions of this proposal address the situation by requiring a new vesting period.

Officials from the **Joint Committee on Public Retirement** assume the legislation primarily addresses the issues of: modifying the funding mechanism associated with the PACARS, requiring prosecutors in full-time positions to be considered full-time for retirement benefit purposes, addressing part-time and full-time service credit, prohibiting certain service transfers until vested status, and excluding PACARS from the 80% funding requirement to enact new benefit enhancements.

Due to the multiple provisions addressed in this legislation, such legislation 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 costs statement prepared in accordance with Section 105.660, RSMo, or affected plan analysis.

ASSUMPTIONS (continued)

Sections 56.807 and 488.026

Officials from the **Office of the State Courts Administrator** state that the above sections of the proposal would allow a \$4 surcharge for the PACARS Fund to be assessed and against persons who pled and paid a fine through the fine collection center.

Based on data for the past five years, FY 09 through FY 13, we assume that the average is approximately 130,207 fine collection center cases on which this \$4 surcharge could be applied. We anticipate the revenue from the surcharge would be approximately \$520,830 in any given year.

FY 09	120,507
FY 10	120,443
FY 11	127,663
FY 12	144,130
<u>FY 13</u>	<u>138,325</u>
Total	651,038
Average	130,207

Oversight assumes this proposal will modify the county contribution to PACARS. The legislation proposes a variable county contribution tied to the PACARS funded ratio:

Funded Ratio	County Contribution
120% and higher	No monthly sum transmitted
Greater than 110% to less than 120%	Monthly sum reduced by 50%
90% to 110%	Standard monthly sum transmitted
80% to less than 90%	Monthly sum increased by 50%
Less than 80%	Monthly sum increased by 100%

The PACARS actuarial value, as of July 1, 2012, which is most recent, was 86%. According to the proposal, the counties will each have an increased contribution of 50%.

ASSUMPTIONS (continued)

According to Section 56.807, RSMo, the current monthly county contributions are as follows:

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

Oversight assumes based on current actuarial value this would change their contributions to:

1st Class: \$969	Increase of: \$323
2nd Class: \$407	Increase of: \$136
3rd Class: \$281	Increase of: \$94
4th Class: \$281	Increase of: \$94

Oversight assumes that the increased cost to counties would create a negative fiscal impact on local governments. There are 17 first class counties, 4 second class counties, 89 third class counties, and 4 fourth class counties in Missouri. The increased cost to local governments would be (\$14,777) per month or (\$177,324) annually, if the funded ratio remains between 80% and 90%.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
PACARS FUND			
<u>Revenue</u> - \$4 Fine Collection Center Surcharge	<u>\$434,025</u>	<u>\$520,830</u>	<u>\$520,830</u>
ESTIMATED NET EFFECT ON PACARS FUND	<u>\$434,025</u>	<u>\$520,830</u>	<u>\$520,830</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> - Counties			
Increased PACARS contribution	<u>(\$147,770)</u>	<u>(\$177,324)</u>	<u>(\$177,324)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$147,770)</u>	<u>(\$177,324)</u>	<u>(\$177,324)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, each county treasurer must transfer a specified sum of money each month to the Prosecuting Attorneys and Circuit Attorneys' Retirement System Fund for use by the fund. Beginning August 28, 2015, the proposal requires that the county contribution be adjusted in accordance with the following schedule based on the retirement system's annual actuarial valuation report:

- (1) If the system's funding ratio is 120% or more, no monthly sum must be transmitted;
- (2) If the system's funding ratio is more than 110% but less than 120%, the monthly sum transmitted must be reduced 50%;
- (3) If the system's funding ratio is at least 90% and up to 110%, the monthly sum transmitted must remain the same;

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FISCAL DESCRIPTION (continued)

(4) If the system's funding ratio is at least 80% and less than 90%, the monthly sum transmitted must be increased 50%; and

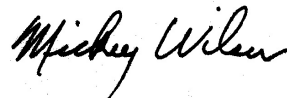
(5) If the system's funding ratio is less than 80%, the monthly sum transmitted must be increased 100%.

Currently, a surcharge of \$4 is assessed and collected in all criminal cases filed in court, including any violation of a county ordinance or any violation of the state's criminal or traffic laws, including infractions. The proposal adds any person who has pled guilty and paid a fine through a fine collection center to the list of those who are to be assessed the surcharge. In addition, the proposal allows prosecuting attorneys, in all counties that elect to make the position of prosecuting attorney a full-time position, to participate in the retirement system for prosecuting and circuit attorneys. The prosecutor is eligible for the same benefits as a full-time prosecutor in a county of the first classification.

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 Retirement
Office of the State Courts Administrator
Prosecuting and Circuit Attorneys' Retirement System



Mickey Wilson, CPA
Director
February 26, 2014

Ross Strobe
Assistant Director

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