

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0468H.03C
 Bill No.: HCS for HB 934
 Subject: Retirement Systems and Benefits - General; Retirement - Local Government; Law Enforcement Officers and Agencies; Counties; County Officials; Prisons and Jails
 Type: Original
 Date: March 27, 2023

Bill Summary: This proposal modifies provisions relating to funding of the Missouri Sheriffs' Retirement System.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	\$0	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (Unknown)	\$0 or (Unknown)

*Oversight assumes this proposal changes statutes to allow the General Assembly to appropriate funds to the Sheriffs' Retirement Fund. Oversight cannot estimate the amount the General Assembly would appropriate (if decided to do so) but assumes the amount could potentially exceed the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from **Joint Committee on Public Employee Retirement (JCPER)** state this proposal has no fiscal impact to the JCPER. The JCPER's review of this proposal indicates that its provisions shall constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665.

Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Officials from the **Sheriffs' Retirement System** state the general assembly and the governing body of a county may appropriate funds for deposit to the retirement fund. It also allows the board to accept gift, donations, grants and bequests from public or private sources. These are not mandates; therefore, the net increase for the Missouri Sheriffs' Retirement System is estimating this as \$0 to unknown.

The 5% member contribution from all active Sheriffs will generate revenue annually. The current year estimate is approximately \$425,000. The increase in annuity to \$1,000 monthly as the minimum would cost the system approximately \$17,000 per month or approximately \$204,000 annually in 2023. Therefore, the net increase for Missouri Sheriffs' Retirement Fund would be \$221,000 to unknown.

Oversight notes the costs and gains assumed by the retirement system may or may not impact the employer contribution rate of local sheriffs. Oversight will show a range of impact to local sheriffs of \$0 (no change in contribution rates) to an unknown savings (reduction in contribution rates) to an unknown cost (increase in contribution rates).

Officials from the **County Employees Retirement Fund (CERF)** state they are unsure as to how the language in section 57.991 subsection 2 would be interpreted and administered, in part due to a lack of definitions for some of the terms.

In order to provide a response to Fiscal Oversight, CERF will assume that subsection 2 might be interpreted to require another retirement system that an individual has been a member of to pay for a share of the member's disability retirement, death benefits and refund of contributions. However, CERF notes that subsection 2 does not specify the timing of the individual's membership in another retirement system as it relates to the individual's membership in the Sheriffs' Retirement System. CERF assumes that the use of the phrase "member of another state or local retirement or pension system" would apply to individuals who are active employee

members of another retirement system concurrently with their membership in the Sheriffs’ Retirement Fund as well as individuals who are no longer active employee members of another retirement system but have earned a vested pension benefit in the past.

Under current law, section 50.1000(8), county sheriffs covered by the Sheriffs’ Retirement Fund do not participate in CERF. However, some county sheriffs have earned a vested pension benefit with CERF from having previously worked for a county as a deputy sheriff. CERF assumes that the language on page 4 lines 13 -18, in which eligibility for and calculation of disability retirement, death benefits, and refund of contributions is governed by the provisions of the retirement system to which the member last made contributions, might be interpreted to require CERF to pay a share of a member’s disability retirement, death benefit, or refund of contributions because some sheriffs previously served as deputy sheriffs and made contributions to CERF.

Accordingly, if this language were interpreted and administered in this manner, CERF assumes that it would have an unknown but negative impact. It is difficult to quantify such impact in terms of dollars.

Officials from the **Local Government Employees Retirement System** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Oversight is uncertain if section 57.991 subsection 2 of this proposal would impact other local retirement systems. For purposes of this fiscal note, Oversight assumes any impact to other retirement systems would be immaterial. If this assumption is incorrect, this could potentially change the fiscal impact as presented in this fiscal note.

In response to a previous version, officials from the **Office of Administration - Budget and Planning** assumed the proposal would have no fiscal impact on their organization.

Oversight assumes the General Assembly and the governing body of a county may appropriate funds to the Sheriffs’ Retirement Fund.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Costs</u> – any potential appropriation to the Sheriffs’ Retirement Fund – §57.952	\$0	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 or (Unknown)	\$0 or (Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – an appropriation from the governing body of a county - §57.952	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs/Savings</u> - from increased or reduced employer contributions - §57.952, §57.961 & §57.967	\$0	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)

FISCAL IMPACT – Small Business

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

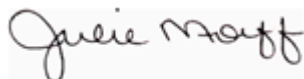
FISCAL DESCRIPTION

This proposal modifies provisions related to the Sheriffs’ Retirement System.

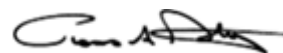
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Sheriffs’ Retirement System
 Local Government Employees Retirement System
 County Employee Retirement Fund
 Joint Committee on Public Employee Retirement



Julie Morff
 Director
 March 27, 2023



Ross Strobe
 Assistant Director
 March 27, 2023