

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5024-01
Bill No.: HB 2160
Subject: Cities, Towns and Villages - Law Enforcement Officers and Agencies Retirement
- Local Government
Type: Updated#
Date: April 25, 2002
#Updated to show results of actuarial study.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Insurance Dedicated	(\$71,987)	(\$79,746)	(\$81,776)
Total Estimated Net Effect on <u>All</u> State Funds	(\$71,987)	(\$79,746)	(\$81,776)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

#DOES NOT INCLUDE UNFUNDED ACTUARIAL ACCRUED LIABILITY OF \$91,772,721 TO THE POLICE CHIEFS' AND OFFICERS' RETIREMENT FUND, AND TOTAL CONTRIBUTIONS OF \$13,585,792 FY2003, \$13,585,792 FY2004 AND \$13,585,792 FY2005, WHICH WOULD NOT BE STATE OR LOCAL GOVERNMENT FUNDS.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement** indicates that this legislation does represent a “substantial proposed change” in future plan benefits as defined in Section 105-660(5). Therefore, an actuarial cost statement as defined in Section 105-665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105-670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

#Officials from the **Police Chiefs’ and Officers’ Retirement System** assume the annual cost can have several components. The Entry Age Normal cost is the portion of the Present Value of Projected Benefits that is attributable to the current year. The entry Age Normal Cost as of January 1 is \$6,388,902. The portion attributable to prior years is accumulated and then amortized over 30 years. Gains and losses for each subsequent year will be separately amortized. An expense component is also included. The initial unfunded actuarial accrued liability is \$91,772,721. The study was performed on 4,291 participants according to data provided and increased to allow for 5,300 total active members.

The **Office of Administration** indicates that there may be a fiscal impact from this legislation. However, the Missouri State Employees Retirement System (MOSERS) will be determining any possible cost through an actuarial report in the rate is certifies to the Office of Administration.

Officials from the **Department of Insurance** do not collect information on individual auto policies written in the state. The department collects zip code data which is then matched with the Department of Revenue database to determine the uninsured auto rate. There are approximately 678 insurers who write auto policies in the state. Number of total policies written is not known, but there were 3,635,259 liability policies written during 2000. There may be a number of policies written which cover uninsured auto, collision, etc. and do not include liability insurance that is not accounted for in this number.

Using liability policies as a base: $3,635,259 \text{ policies} \times .50 \text{ surcharge} \times 12 \text{ months} = \$21,811,554$ per year collected for the Police Chiefs’ and Officers’ Retirement Fund. If surcharge is collected monthly from 678 insurers, the department would require an Account Clerk II for processing of surcharge receipts and an Accountant I for tracking the number of policies, payments due, reporting, and reconciling of collections and disbursements. Access to Department of Revenue’s

ASSUMPTION cont’d

database would be required to verify the number of policies per company and calculate payment due. This would be minimum cost required and could be considerably higher if MDI has to collect data from insurance companies and develop a database rather than use what Revenue has established for tracking mandatory liability coverage for auto licensing.

Officials from the **County Employees Retirement Fund, Missouri State Employees Retirement System, Columbia Police Retirement Plan, Ladue Police and Fire Pension Plan, St. Joseph Policemen's Pension Fund, Missouri Local Government Employees Retirement System** and **Springfield Police and Fire Retirement Fund** assume the proposal would have minimal or no fiscal impact on their agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
INSURANCE DEDICATED FUND			
<u>Income</u> - Department of Insurance	\$22,000,000 to Unknown	\$22,000,000 to Unknown	\$22,000,000 to Unknown
<u>Cost</u> - Insurance Dedicated			
Personal Service (2 FTE)	(\$43,119)	(\$53,405)	(\$54,741)
Fringe Benefits	(\$15,635)	(\$19,231)	(\$19,712)
Expense & Equipment	<u>(\$12,933)</u>	<u>(\$7,110)</u>	<u>(\$7,323)</u>
Total Cost to Department of Insurance	(\$71,987)	(\$79,746)	(\$81,776)
<u>Cost</u> -Police Chiefs' and Officer Retirement Fund	(\$22,000,000 to Unknown)	(\$22,000,000 to Unknown)	(\$22,000,000 to Unknown)
Estimated Net Effect on INSURANCE DEDICATED FUND	<u>(\$71,987)</u>	<u>(\$79,746)</u>	<u>(\$81,776)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005

\$0 \$0 \$0

#DOES NOT INCLUDE UNFUNDED ACTUARIAL ACCRUED LIABILITY OF \$91,772,721 TO THE POLICE CHIEFS' AND OFFICERS' RETIREMENT FUND, AND TOTAL CONTRIBUTIONS OF \$13,585,792 FY2003, \$13,585,792 FY2004 AND \$13,585,792 FY2005, WHICH WOULD NOT BE STATE OR LOCAL GOVERNMENT FUNDS.

FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill establishes a police chief and officer retirement fund for police outside Kansas City and St. Louis. The fund shall be under the management of a board of directors. The board of directors shall be responsible for the administration and the investment of the funds of such retirement fund. Neither the general assembly nor the governing body of a county shall appropriate funds for deposit in the retirement fund. If insufficient funds are generated to provide the benefits pursuant to the provisions of sections 86.949 to 86.994, the board shall proportion the benefits according to the funds available.

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
Missouri Local Government Employees Retirement System
Office of Administration
County Employees Retirement Fund
Columbia Police Retirement Plan
Ladue Police and Fire Pension Plan
St. Joseph Policemen's Pension Fund
Springfield Police & Fire Retirement Fund
Missouri State Employees Retirement System
Department of Insurance
Police Chiefs' and Officers' Retirement System
Ritter Pension Services, LLC



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Acting Director
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