

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1323-02
Bill No.: Truly Agreed To and Finally Passed HCS for HB 418
Subject: Retirement - Local Government; Law Enforcement Officers and Agencies
Type: Original
Date: June 5, 2013

Bill Summary: This proposal modifies the Kansas City police retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government *	\$11,400,000	\$13,500,000	\$14,600,000

*Does not reflect a reduction in the Unfunded Actuarial Accrued Liability (UAAL) of \$56.5 million, \$52.0 million, and \$44.7 million for FY 2014, FY 2015, and FY 2016, respectively, to the Police Retirement System of the City of Kansas City.

*Does not reflect an increase in the UAAL of \$5.1 million, \$6.1 million and \$7.3 million for FY 2014, FY 2015, and FY 2016, respectively, to the Civilian Employees' Retirement System of the Police Department of the City of Kansas City.

FISCAL ANALYSIS

ASSUMPTION

In response to a similar version of this proposal, officials from the **Kansas City Police Retirement System (KCPRS)** assumed the proposal will create a significant savings to local funds. The decrease in employer contribution will have a long term fiscal impact, beyond the scope of this fiscal note. In a cost study of the impact of this proposal, it is assumed that the changes will impact the benefits of current retirees, current actives and future actives. In addition, in recent years the City of Kansas City has contributed a fixed contribution rate. As part of the changes in this proposal, the City will make the full actuarial contribution rate in future years.

Officials of the **Joint Committee on Public Employee Retirement (JCP)** have reviewed this proposal and have determined that certain provisions represent “substantial proposed changes” to some plan benefits as defined in section 105.660(5), RSMo. Therefore, actuarial cost statements were required of these systems and were furnished and properly filed pursuant to 105.670, RSMo.

JCP states, according to KCPRS, the provisions of this proposal will decrease the annual required employer contributions by approximately \$11,400,000, \$13,500,000 and \$14,600,000 in FY 2014, FY 2015, and FY 2016 respectively. The employee contribution has been negotiated with stakeholders to increase from 10.55% to 11.55% of pay for Police employees.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL FUNDS			
<u>Savings - City of Kansas City</u>			
Employer Contributions *	<u>\$11,400,000</u>	<u>\$13,500,000</u>	<u>\$14,600,000</u>
ESTIMATED NET EFFECT ON LOCAL FUNDS *	<u>\$11,400,000</u>	<u>\$13,500,000</u>	<u>\$14,600,000</u>

*Does not reflect a reduction in the Unfunded Actuarial Accrued Liability (UAAL) of \$56.5 million, \$52.0 million, and \$44.7 million for FY 2014, FY 2015, and FY 2016, respectively, to the Police Retirement System of the City of Kansas City.

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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal makes modifications to the current plans of the Kansas City Police 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

Joint Committee on Public Retirement
Kansas City Police Retirement System



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June 5, 2013

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