

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4391H.02C
 Bill No.: HCS for HB 2431
 Subject: Retirement - Local Government; Retirement Systems and Benefits - General;
 Political Subdivisions; Employees - Employers; Labor and Management
 Type: Original
 Date: February 25, 2024

Bill Summary: This proposal modifies provisions relating to the board of trustees for the Missouri Local Government Employees' Retirement System (LAGERS).

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from **Joint Committee on Public Employee Retirement (JCPER)** state the proposal has no direct fiscal impact to the Joint Committee on Public Employee Retirement. The JCPER's review of this legislation indicates it would not create a "substantial proposed change" in future plan benefits as defined in Section 105.660(10).

Officials from the **Local Government Employees Retirement System (LAGERS)** assume the proposal would make multiple amendments to the system's board structure and governance practices as prescribed in RSMO 70.605, including:

- Changing the quorum requirement of the Board of Trustees to a simple majority,
- Expanding the eligibility requirements for Employer Trustees by allowing executive-level employer representatives, such as City Administrators, to serve as an Employer Trustee,
- Replacing one Employer Trustee with one Retiree Trustee,
- And removing specific statutory requirements of how trustee elections should be conducted thereby allowing the LAGERS Board of Trustees to establish rules governing board elections.

LAGERS estimates that these changes will have a de minimis fiscal impact, if any, on the system but will result in intangible benefits by updating and modernizing governance practices.

LAGERS further assumes that with the exception of RSMo 70.748, the additional modifications to provisions in RSMo 70.630-70.748 are technical clean-up to the system's existing statutes and are assumed to have no fiscal impact on the system.

LAGERS assumes the additional language in RSMo 70.748 will allow for the pooling of assets for investment purposes of LAGERS' legacy plan, as authorized by RSMo 70.621, and the system's staff plan. The pooling of assets is expected to create administrative efficiencies, which are estimated to reduce the staff plan contribution rate by approximately 5-10% points. Any reduction in the system's administrative costs will ultimately result in more efficient costs for LAGERS employers. At this time, that impact, while positive, is unknown.

Oversight will show a range of impact of \$0 (no savings to member employers) to an unknown savings to employer members of LAGERS.

Officials from the **Missouri State Employee's Retirement System, MoDOT & Patrol Employees' Retirement System', University of Missouri System, Public Schools and Education Employee Retirement Systems, County Employees Retirement Fund, Kansas City Civilian Police Employees' Retirement, Kansas City Police Retirement System, Kansas City Public School Retirement System, Metro St. Louis Sewer District Employees Pension Plan** and the **Sheriff's Retirement System** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for the employer members of these retirement systems.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> – from reduced employer contributions to LAGERS - §70.748	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Currently, the governing bodies of the employers of the system elect three trustees to the Board of the Missouri Local Government Employees' Retirement System (LAGERS). Beginning on January 1, 2025, this bill specifies that the employer trustee with a term ending December 31, 2024, shall thereafter be replaced by a person elected by the retirants of the system.

This bill specifies that not more than one trustee elected by the members shall be public safety personnel.

Currently, the employer trustees shall be elected or appointed officials of the employers and shall not be members of the System and no more than one shall be from any one employer. This bill specifies that for terms beginning on or after January 1, 2025, employer trustees shall be either elected or appointed officials of the governing bodies of the employers or executive level employees certified by the governing bodies of the employers, but no more than one trustee shall be from any one employer, and no more than one trustee shall be a policeman, and no more than one trustee shall be a fireman, and no more than one trustee shall be public safety personnel.

Additionally, this bill repeals the requirements on the annual meetings and elections of delegates. Furthermore, this bill states that the elections of the trustees shall be arranged for and managed and conducted by the board. Finally, this bill specifies that only four trustees shall constitute a quorum of the board, instead of four trustees consisting of at least two member trustees and two employer trustees (Section 70.605, RSMo).

The bill repeals the provision prohibiting membership for any person who will not become vested prior to retirement eligibility.

This statute is superseded by Federal law (Section 70.630).

The bill modifies the currently used Consumer Price Index measure to authorize the board to chose which measure will be used (Section 70.655).

The bill changes the window for transfer of member contributions for non-vested members to the income expense fund from three years to 10 years to make it consistent with current administrative practice (Section 70.690).

The bill allows certain deliberations on investments or other financial records to be conducted in a closed meeting if such decisions would jeopardize the ability to implement a decision or achieve investment objectives (Section 70.745 and 105.688).

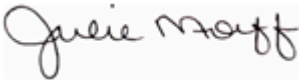
The bill repeals a requirement for investment counselor's to be registered as an investment advisor with the United States Securities and Exchange Commission (Section 70.746). The bill removes a restriction on investments on real-estate investments to be not more than 1/10th of the total investment (Section 70.747).

The bill provides clarification language to allow the pooling of assets only for investment purposes for legacy plans and current LAGERS staff plans (Section 70.748).

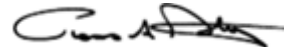
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Local Government Employees Retirement System
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System'
University of Missouri System
Public Schools and Education Employee Retirement Systems
County Employees Retirement Fund
Kansas City Civilian Police Employees' Retirement
Kansas City Police Retirement System
Kansas City Public School Retirement System
Metro St. Louis Sewer District Employees Pension Plan
Sheriff's Retirement System



Julie Morff
Director
February 25, 2024



Ross Strobe
Assistant Director
February 25, 2024