

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4391H.02P
Bill No.: Perfected HCS for HB 2431
Subject: Retirement - Local Government; Retirement Systems and Benefits - General;
Political Subdivisions; Employees - Employers; Labor and Management
Type: Original
Date: March 6, 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

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

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).

Section 70.605, 70.630, 70.655, 70.680, 70.690, 70.745, 70.746, 70.747 and 70.748 - LAGERS

In response to the unperfected version of the bill, officials from the **Local Government Employees Retirement System (LAGERS)** assumed 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 estimated 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 assumed 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 assumed 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.

Section 86.200 – Earnable Compensation – Police Retirement System of the City of St. Louis

Officials from the **Police Retirement System of City of St. Louis** and the **City of St. Louis** did not respond to **Oversight’s** request for fiscal impact for this proposal.

Oversight assumes this provision would have an impact on the Police Retirement System of the City of St. Louis. However, Oversight assumes the impact would be minimal and would not translate into a change in employer contributions into the retirement system by the City of St. Louis. Therefore, Oversight will reflect a zero impact on the fiscal note for the City of St. Louis.

Section 105.688 – Closing Records

Officials from the **Missouri State Employee's 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** and the **Metro St. Louis Sewer District Employees Pension Plan** 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.

In response to a previous version, HCS for HB 2431 (2024), officials from the **MoDOT & Patrol Employees’ Retirement System** and the **Sheriff’s Retirement System** each assumed the proposal would 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 these agencies.

| <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.

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).

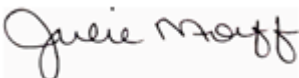
The bill provides clarification language to allow the pooling of assets only for investment purposes for legacy plans and current LAGERS staff plans (Section 70.748).

This bill modifies the current definition of "earnable compensation" for the St. Louis Police Retirement System. The bill requires that such compensation shall not include funds received by a member through a judgment or settlement of a legal action if such funds are intended to retroactively compensate for a salary differential between the member's actual rank and the rank such member claims he or she should have received (Section 86.200).


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



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