

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1684-01
Bill No.: SB 542
Subject: Administrative Law; Judges; Retirement Systems and Benefits - General;
Retirement - State
Type: Original
Date: March 3, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$279,000)	(\$279,000)	(\$279,000)
Total Estimated Net Effect on General Revenue Fund	(\$279,000)	(\$279,000)	(\$279,000)

***The provisions affecting the Administrative Law Judges & Legal Advisor's (ALJLAP) decreases the Unfunded Actuarial Accrued Liability (UAAL) by \$1,178,000 and increases the Unfunded Actuarial Accrued Liability (UAAL) of the Judicial Retirement Plan by \$3,177,000. On an annual basis, the contribution to the ALJ decreases by \$776,000 and the annual contribution to the judicial plan increases by \$1,055,000.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Workers' Compensation	(\$1,737,593)	(\$2,823,001)	(\$2,823,001)
Total Estimated Net Effect on Other State Funds	(\$1,737,593)	(\$2,823,001)	(\$2,823,001)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Local Government Employees Retirement System and County Employees Retirement System** assume no fiscal impact to their agency.

The **Joint Committee on Public Employee Retirement** indicates 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

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final passage of the bill.

ASSUMPTION (continued)

An actuarial cost statement for this legislation has been filed with the Joint Committee on Public Employee Retirement.

Officials from the **Department of Labor and Industrial Relations** assume the proposed §287.615.1, RSMo, increases the annual salary of the Division of Workers' Compensation's (Division) legal advisors from 80 percent to 100 percent of an associate circuit judge, increases the Division's chief legal advisor's salary from \$2,000 above a legal advisor's salary to a salary equivalent to the salary of other legal advisors, increases administrative law judge's salaries from 90 percent of an associate circuit judge's salary to 100 percent of a circuit judge's salary and sets chief administrative law judge's salaries from \$5,000 above administrative law judge salaries to a salary equivalent to the rest of the administrative law judges.

Proposed §287.615.2, RSMo, Also increases the Director of the Division of Workers' Compensation salary from a minimum of \$2,000 above the salary of a chief administrative law judge to a salary that is at minimum the equivalent to the salary of a administrative law judges.

Proposed §287-845.1, RSMo, makes a technical change by eliminating the work "advisory's" and reinserting the correct word "advisor's".

Proposed §287.845.3, RSMo, transfers and combines the liabilities and assets of the administrative law judge and legal advisor retirement system to the judicial. Retirement system and changes the contribution rate from the rate of the previous retirement plan to the rate of the judicial retirement plan.

Proposed §467.320, RSMo, adds the Division's administrative law judges to membership in the Judicial Conference of the State of Missouri.

Proposed §467.675, RSMo, allows the existing members of the administrative law judge and legal advisor retirement plan to transfer their membership from this plan to the judicial retirement plan by making a written application to the trustees of the Missouri State Employee's Retirement System (MOSERS) but retains existing retirement age and service requirements to those found in §287.815.5, RSMo.

Officials from the **Missouri State Employees' Retirement System (MOSERS)** assume the proposal would, if enacted, require any administrative law judge appointed pursuant to section 287.610 or legal advisor who is employed on or after January 1, 2004, and who has not been covered by the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) under Chapter 287, RSMo, to participate in the Judicial Retirement Plan established by Chapter 476, RSMo.

ASSUMPTION (continued)

The legislation also would allow current administrative law judges and legal advisors covered by the ALJLAP to make an election to transfer creditable service earned to the Judicial Retirement Plan if an application is filed with the Missouri State Employees' Retirement System and the State Courts Administrator to transfer such service prior to the member receiving retirement benefits. The proposal also would allow for a transfer of the liabilities and assets of the ALJLAP to the Judicial Retirement Plan for those members transferring creditable service.

This proposal would also increase the pay of the director of workers' compensation, chief administrative law judge, and administrative law judges to the salary of a circuit judge

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Cost - General Revenue</u>			
Increased Contributions to Retirement Plans	<u>(\$279,000)</u>	<u>(\$279,000)</u>	<u>(\$279,000)</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS	<u>(\$279,000)</u>	<u>(\$279,000)</u>	<u>(\$279,000)</u>
WORKERS COMPENSATION FUNDS			
<u>Cost - Workers' Compensation</u>	<u>\$1,737,593</u>	<u>\$2,823,001</u>	<u>\$2,823,001</u>
TOTAL ESTIMATED NET EFFECT ON ALL WORKERS' COMP FUNDS	<u>\$1,737,593</u>	<u>\$2,823,001</u>	<u>\$2,823,001</u>

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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This act revises the compensation rates and retirement benefits for Administrative Law Judges and Legal Advisors. The act removes the 80% of the Associate Division Circuit Judge Compensation rate for Legal Advisors. The rate for the Chief Legal Advisor is also removed.

This act provides that any Administrative Law Judge or Legal Advisor who is originally employed as such on or after January 1, 2004, are no longer eligible to participate in the Administrative Law Judge and Legal Advisor's Retirement System but rather are covered under the state employees' retirement system. However, no Administrative Law Judge or Legal Advisor who is employed before January 1, 2004, or who has retired before that date will be affected by this act.

The liabilities and assets of the Administrative Law Judge's and Legal Advisor's retirement system are transferred and combined with the state employees' retirement system. The contribution rate certified by the Board shall include amounts necessary to cover the costs of Administrative Law Judge's and Legal Advisor's retirement system.

This act adds Administrative Law Judges from the Division of Workers' Compensation to the "The Judicial Conference of the State of Missouri".

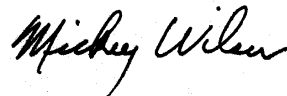
The act also allows administrative law judges from the Division of Workers' Compensation to

make an election to transfer their membership service in the ALJ and Legal Advisor's Retirement Plan to the Judicial Plan. Such an election must be made in writing to MOSERS and the State Courts Administrator. The retirement, age and service requirements under the ALJ retirement system shall continue to apply.

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 Employee Retirement System
County Employee Retirement System
Missouri State Employees Retirement System
Department of Labor and Industrial Relations



Mickey Wilson, CPA
Director
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