HCS HB 583 -- STATE EMPLOYEES’ RETIREMENT INCENTIVES

SPONSOR: Smith (118)

COMMITTEE ACTION: Voted "do pass" by the Committee on Retirement by a vote of 11 to 0.

This substitute contains provisions pertaining to medical insurance and retirement incentives for state employees who are members of the Highways and Transportation Employees’ and Highway Patrol Retirement System (HTEHPRS), the Missouri State Employees’ Retirement System (MOSERS), or the Missouri State Employees’ Retirement System, Year 2000 Plan (MSEP 2000). Members of each system must retire prior to February 1, 2004, and be eligible for medical coverage under the Missouri Consolidated Health Care Plan.

In its main provisions, the substitute:

(1) Allows any retiree to elect to continue medical coverage at the same costs as if the retiree were an active employee for a maximum period of five years or until the retiree is eligible for Medicare or reaches 65 years of age, whichever occurs first;

(2) Requires the costs for medical coverage for eligible retirees to revert to the applicable rate after the five-year period expires or when the retiree becomes eligible for Medicare or reaches 65 years of age;

(3) Requires any additional years of service credited to a retiree’s annuity to be applicable to the costs of medical coverage after the retiree becomes eligible for Medicare or reaches 65 years of age;

(4) Requires the governing body of any participating member agency to elect to provide the medical coverage and retirement incentive contained in the substitute in order for employees or retirees to be eligible to apply the incentive to their current coverage;

(5) Allows the governing boards of Truman State University, Lincoln University, state colleges listed in Section 174.020, RSMo, the Department of Transportation, the State Highway Patrol, and the Department of Conservation to elect to provide their employees or retirees the same retirement incentive and medical coverage as contained in the substitute;

(6) Allows current employees who elect to retire and who are eligible to receive a normal annuity under HTEHPRS or MOSERS, or a life and any temporary annuity under MSEP 2000, to purchase

three years of additional credited service. This election requires an active employment status of one year, and the employment must be immediately prior to the effective date of the substitute. The additional years of credited service can be added to an employee's total years of service, an employee's age, or a combination of both, and may be used in meeting the normal retirement eligibility requirements. In addition, certain limitations will apply for employees who elect to retire;

(7) Allows the payment for the additional years of credited service to be made by an eligible rollover distribution from an eligible retirement plan or by the use of annual leave accruals in excess of $2,000;

(8) Requires the re-calculation of a retiree's annuity and the provision of a lump-sum payment to a retiree;

(9) Establishes a department re-hiring cap of 25% for positions that are vacated due to the election to retire. Critical or seasonal positions that are federally funded may be exempt from this provision;

(10) Prohibits an employee or retiree who elects to retire from obtaining employment with any department covered by MOSERS, HTEHPRS, or MSEP 2000 for a period of three years from the date of election to retire;

(11) Requires MOSERS and HTEHPRS to submit a written report to the Governor, the Commissioner of the Office of Administration, and the General Assembly by March 1, 2004. The report must examine required subject areas and the effects of the incentive provisions contained in the substitute. The period the report must cover is March 1, 2003, to April 1, 2004; and

(12) Requires the Office of Administration to submit a budgetary report concerning the effects of the incentive provisions contained in the substitute by April 1, 2004. The subject areas the report must address are also contained in the substitute.

The substitute contains an emergency clause.

FISCAL NOTE: Estimated Net Savings to General Revenue Fund of $15,952,714 to $30,658,908 in FY 2004, $24,031,681 to $46,848,411 in FY 2005, and $24,022,569 to $46,839,299 in FY 2006. Estimated Net Savings to All Other Funds of $7,799,459 to $15,598,918 in FY 2004, $12,308,165 to $24,928,326 in FY 2005, $12,308,165 to $24,928,326 in FY 2006. Estimated Net Savings to Workers' Compensation of $0 to $10,245 in FY 2004, $0 to $20,490 in FY 2005, and $0 to $20,490 in FY 2006.

PROPONENTS: Supporters say that the bill will provide eligible employees an additional retirement option, in lieu of various reduction-in-staff proposals. The bill contains a medical insurance incentive that will help offset the high cost associated with continuing medical insurance coverage. The bill should result in cost savings if a sufficient number of state employees and departments elect to participate in the retirement incentive program.

Testifying for the bill were Representative Smith (118); Linda Luebbering, Deputy Commissioner, Division of Budget and Planning, Office of Administration; and Department of Transportation.

OPPONENTS: There was no opposition voiced to the committee.

Others testifying on the bill were Gary Findlay, Executive Director, Missouri State Employees' Retirement System.

Joseph Deering, Legislative Analyst