

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4050-02  
Bill No.: HB 1495  
Subject: Highway Patrol; Retirement - State; Retirement Systems and Benefits - General  
Type: Original  
Date: February 21, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Missouri Highway Patrol** assume the Department of Transportation will respond on their behalf.

Officials with the **Highway Employees and Patrol Retirement System** assume the proposal would subsidize the creditable service by certain employees of the Missouri Department of Transportation and Civilian Patrol. The unfunded liability of the retirement system will increase, and at some point, cause an increase in the MoDOT and Patrol Contribution rate.

Section 106.691 as it currently exists, allows members to purchase non-federal public employment service. Undersection 105.691, the cost to purchase service is the full actuarial cost. However, the language contained in the proposal allows for the purchase of service at a flat subsidized rate. The subsidy that is build into this calculation results in the system receiving generally less than \$.30 for every actual dollar of cost. A similar provision exists for employees covered by MOSERS in Section 104.344.) This provision also exists for Uniformed Patrol

ASSUMPTION (continued)

employees. The cost of purchasing this service is calculated using the base salary and contribution rate in effect on the date the member was first employed.

The interest expense is calculated at the rate of "simple interest" from the date of employment to the date of election to purchase.

It is anticipated the retirement system would subsidize the purchase cost by approximately \$20,00 for each employee who would take advantage of this purchase.

At this point, the question becomes:

1. How many MoDOT and Civilian Patrol employees have this type of service, and how much service is eligible for purchase?

The retirement system has no way to determine how much service is available for purchase. In addition, even if they knew how much service was eligible for purchase, they would have no way to determine just how many people would purchase the additional service.

Therefore, at this time, there is no way for them to determine what impact passage of this proposal will have on the overall contribution rates. While they can say this proposal does absolutely have a cost to the system associated with the purchase of each piece of service, they do not have a way to estimate the total cost to the system. The only things that can be determined for certain are:

1. There is a cost to the system for each year of service purchased.
2. The more service purchased, the higher the cost to the system.
3. Over time, because this purchase increases the amount of the benefits paid, it will eventually increase the unfunded liability of the system.

Annual Fiscal Impact: Since the law currently allows for the purchase of this service under section 105.691, to determine the fiscal impact to the system you must calculate the difference between purchasing the service under the existing law and the proposed law.

- Assume an employee has an initial starting salary of \$635.00 per month. The contribution rate at the time of employment was 5.10%
- The calculation is for 24 months of service.

ASSUMPTION (continued)

Cost to purchase service at the actuarially determined rate (105.691)	\$22,681.40
Cost to purchase at rate proposed	\$ 2,631.44
Difference to be subsidized by Retirement System	\$20,049.96

Currently, there are approximately 8,100 MoDOT and Civilian Patrol members. If they assume that 1% (81) of these members have this type of service and ½ of those eligible actually purchase the service (40), their actuary has estimated the cost will increase contributions between \$70,000 and \$100,000 annually.

Obviously, the actual cost to the system could be higher or lower if their estimate of the number of people who have and purchased service is incorrect.

**Oversight** assumes there would be minimal fiscal impact to HTEHPRS due to the service buyback and earnings fund contribution of the uniformed Patrol member.

Officials from the **Department of Transportation** assume the amount of service available for purchase is unknown. In addition, the number of eligible persons that would actually buy the service is unknown. Therefore, we cannot estimate a fiscal impact for the legislation, however, based on the estimated provided by the MoDOT and Patrol Employees' Retirement System, the negative impact would exceed \$100,000.

**Oversight** assumes, as stated above, there would be minimal fiscal impact to HTEHPRS due to the service buyback and earnings fund contribution of the uniformed Patrol member.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<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

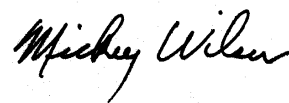
Currently, a uniformed member of the State Highway Patrol may purchase up to four years of his or her prior creditable service as a nonfederal, full-time public employee as long as he or she is not receiving or eligible to receive credits or benefits from any other public plan for the service being purchased. This bill allows any member of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System to purchase the service.

The purchase of this service must be completed prior to retirement or termination of employment. If a member who purchased service dies prior to retirement, the surviving spouse can receive a refund of the amount contributed for the purchase if he or she is not eligible for survivor benefits.

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  
Missouri Highway Patrol  
Highway Employees and Patrol Retirement System  
Department of Transportation



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