

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2171-03  
Bill No.: SCS for HB 875  
Subject: Counties; Retirement - Local Government; Retirement Systems and Benefits - General  
Type: Original  
Date: April 20, 2007

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Bill Summary: Modifies various provisions relating to public employee retirement plans.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0	(\$80,000)	(\$80,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$80,000)</b>	<b>(\$80,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<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 11 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<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 FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	0	(0.5)	(0.5)
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>(0.5)</b>	<b>(0.5)</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government*</b>	<b>(\$1,043,110)</b>	<b>(\$1,251,734)</b>	<b>(\$1,251,734)</b>

**\*Does not reflect an increase in Unfunded Actuarial Accrued Liability (UAAL) of \$34,000,000 to Public School Retirement System and \$1,300,000 to the Public Education Employees Retirement System.**

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## 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 **County Employees Retirement System** assume no fiscal impact to their agency.

#### Section 87.006

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 **Kansas City Firemen's Retirement System** and **City of Kansas City** assume no fiscal impact to their agencies.

#### Section 104.010, 104.352, 104.354, 104.1003, 104.1021 & 104.1087

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 State Employees' Retirement System (MOSERS)** assume this proposal would involve minor modifications to and clarifications of the Missouri State Employees' plan (MSEP) and the MoDOT and Patrol Employees' Retirement System (MPERS). These provisions are commonly referred to by the retirement systems as "clean-up" legislation. They are general in nature and carry no fiscal impact to the system.

Officials from the **Missouri Highway Patrol** assume the Retirement System will be responding on their behalf.

Officials from the **MoDOT and Patrol Employees Retirement System** and **Department of Transportation** assume no fiscal impact to their agencies.

ASSUMPTION (continued)

Section 104.040

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 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.

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

Officials from the **Department of Transportation (DHT)** did not respond to Oversight's fiscal note request however in response to SB 791, in FY 2006, the DHT assumed 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.

Section 104.312 & 104.1051

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 State Employees Retirement System** assume the provisions are general in nature and carry no fiscal impact to the system.

Officials from the **MoDOT & Patrol Employees Retirement System, Department of Transportation** and **Department of Labor** assume no fiscal impact to their agencies.

ASSUMPTION (continued)

Section 104.320

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 **Department of Conservation (MDC)** assume this proposal does not appear to include the Conservation Employees' Benefits Plan Trust Fund; thus, it would not appear to have fiscal impact on MDC funds.

Officials from the **Missouri Consolidated Health Care Plan** and **MoDOT and Patrol Employees' Retirement System** assume this proposal will have no fiscal impact on their agency.

Officials from the **Missouri State Employees Retirement System** assume they will be able to absorb the additional investment and accounting duties described in this proposal through existing staff presently employed by their agency. As a result, no additional expenses are anticipated.

Section 104.344, 104.606 & 104.1090

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 State Employees' Retirement System (MOSERS)** assume this proposal would involve minor modifications to and clarifications of the Missouri State Employees' plan (MSEP) and the MoDOT and Patrol Employees' Retirement System (MPERS). These provisions are commonly referred to by the retirement systems as "clean-up" legislation. They are general in nature and carry no fiscal impact to the system.

Officials from the **Missouri Highway Patrol** assume the Retirement System will be responding on their behalf.

Officials from the **MoDOT and Patrol Employees Retirement System, Department of Transportation** and **Department of Labor and Industrial Relations** assume no fiscal impact to their agencies.

ASSUMPTION (continued)

Section 104.380 & 104.1039

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 State Employees' Retirement System (MOSERS)** assume this proposal would involve minor modifications to and clarifications of the Missouri State Employees' plan (MSEP) and the MoDOT and Patrol Employees' Retirement System (MPERS). These provisions are commonly referred to by the retirement systems as "clean-up" legislation. They are general in nature and carry no fiscal impact to the system.

Officials from the **Missouri Highway Patrol** assume the Retirement System will be responding on their behalf.

Officials from the **MoDOT and Patrol Employees Retirement System, Department of Transportation** and **Department of Labor and Industrial Relations** assume no fiscal impact to their agencies.

Sections 104.395, 104.1012, 104.1015, 104.1024, 104.1027 & 104.1072

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 State Employees' Retirement System (MOSERS)** assume this proposal would involve minor modifications to and clarifications of the Missouri State Employees' plan (MSEP) and the MoDOT and Patrol Employees' Retirement System (MPERS). These provisions are commonly referred to by the retirement systems as "clean-up" legislation. They are general in nature and carry no fiscal impact to the system.

Officials from the **Missouri Highway Patrol** assume the Retirement System will be responding on their behalf.

Officials from the **MoDOT and Patrol Employees Retirement System, Department of Transportation** and **Department of Labor and Industrial Relations** assume no fiscal impact to their agencies.

ASSUMPTION (continued)

Section 105.910 and 105.915

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 **Department of Labor and Industrial Relations, Department of Transportation, MoDOT and Patrol Employees Retirement System, Missouri House of Representatives and Missouri Senate** assume no fiscal impact to their agencies.

Officials from the **Office of Administration - Division of Accounting** assume this proposal eliminates the Deferred Compensation Commission and transfers from the Office of Administration to MOSERS the responsibility to establish and administer a deferred compensation plan for the employees of the State of Missouri, effective August 28, 2007. The Office of Administration retains the responsibility for administration and reconciliation of payroll deductions from participants and the employer incentive match. 105.915 RSMo does not change the responsibility of OA to deem appropriate the investments included in the plan "including, but not limited to life insurance or annuity contracts or mutual funds". The competitive bidding responsibility for these investment options and any third party administrator contracts would be the MOSERS board.

The current contract with the third party administrator requires them to pay the state \$100,000 per year to reimburse the state for the administrative costs of the plan. The state costs include central payroll processing, reconciliation and controls, management staff oversight, involvement in day to day staff support of the plan and oversight of the third party administrator (currently CitiStreet). We anticipate that MOSERS will want the \$100,000 from the TPA and OA will retain most of the administrative cost they now have, including appropriate investment approvals and payroll administration of the state employer match.

Loss of Admin Reimbursement	(\$100,000)
Reduced Management Oversight (Loss of a part time position)	20,000
Net Loss to GR	(\$80,000)

Officials from the **Missouri State Employees Retirement System** assume this administrative change would appear seamless to the member of the deferred compensation program. The MOSERS board and staff would assume the monitoring function. It is our understanding that the plan currently requires the attention of approximately one FTE and we would not anticipate any

ASSUMPTION (continued)

initial staffing requirements beyond that level. Any need for additional future staffing would be assessed based on experience with the plan over time. The third party administration of individual accounts and the investment products available would continue to be handled by outside service providers paid from charges to the participants as is the current practice.

While not directly related to costs to the state, it is also possible that the total cost to plan participants might be reduced as the result of MOSERS being able to capitalize on the negotiating power that comes with managing a larger asset base. However, the magnitude of such possible cost savings is unknowable at this time.

Section 169.070 and 169.670

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 **Public School Retirement System** assume this proposal makes three changes as follows:

1. Extends the PSRS provision for retirement under 25-and-out with modified formula factors depending on the number of years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$8.6 million dollars which requires a .02% increase in the contribution rate.
2. Extends the PSRS provision for retirement with a 2.55% formula factor for members with 31.0 or more years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$25.4 million dollars which requires a .04% increase in the contribution rate.
3. Extends the PEERS provision for retirement under 25-and-out with modified formula factors depending on the number of years of credit. Currently, that provision is set to expire July 1, 2008. This would extend the window to July 1, 2013. This provision would increase the unfunded actuarial accrued liability by \$1.3 million dollars which requires a .02% increase in the contribution rate.

Officials from the **Kansas City Public School Retirement System** assume no fiscal impact to their agency.



<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE</b>			
<u>Loss</u> - Section 105.910 & 105.915 - Admin Reimbursement Reduced Management Oversight - Loss of a part time position	\$0	(\$100,000)	(\$100,000)
Salary (0.5 FTE)	\$0	\$13,883	\$13,883
Fringe Benefits	<u>\$0</u>	<u>\$6,117</u>	<u>\$6,117</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>(\$80,000)</u></b>	<b><u>(\$80,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<u>Costs</u> - School Districts Teacher and Employee Contributions*	<u>(\$1,043,110)</u>	<u>(\$1,251,734)</u>	<u>(\$1,251,734)</u>

**\*Does not reflect an increase in Unfunded Actuarial Accrued Liability (UAAL) of \$34,000,000 to Public School Retirement System and \$1,300,000 to the Public Education Employees Retirement System.**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

Section 87.006

The proposed legislation appears to have no fiscal impact.

FISCAL DESCRIPTION (continued)

Section 104.040

The proposed legislation appears to have no fiscal impact.

Section 104.320

The proposed legislation appears to have no fiscal impact.

Section 105.910 and 105.915

The proposed legislation transfers administration of the deferred compensation fund to the board of trustees for the Missouri State Employees Retirement System.

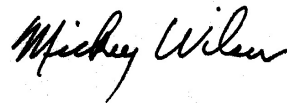
Section 169.070 and 169.670

The proposed legislation extends the termination date for certain alternative retirement provisions in the teacher and school employee retirement systems and does appear to have a fiscal impact to local government.

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  
County Employees Retirement System  
Missouri State Employees Retirement System  
Missouri Highway Patrol  
Department of Transportation  
MoDOT and Patrol Employees Retirement system  
Kansas City Firemen's Retirement System  
Department of Labor and Industrial Relations  
Department of Conservation  
Missouri Consolidated Health Care Plan  
Office of Administration - Division of Accounting  
Public School Retirement System  
Kansas City Public School Retirement System



Mickey Wilson, CPA  
Director  
April 20, 2007