

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5027-02
Bill No.: SCS for HB 1331
Subject: Retirement - State; Transportation Dept.; Highway Patrol
Type: Original
Date: April 20, 2012

Bill Summary: Modifies provisions relating to reciprocal transfers of creditable service for MOSERS and MPERS.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$74,100	\$177,247	\$232,425
Total Estimated Net Effect on General Revenue Fund	\$74,100	\$177,247	\$232,425

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Other State Funds	\$74,100	\$177,246	\$232,424
Total Estimated Net Effect on <u>Other</u> State Funds	\$74,100	\$177,246	\$232,424

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☒ 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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

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 **Department of Transportation, MoDOT & Patrol Employees' Retirement System** and **Missouri Highway Patrol** assume there will be no fiscal impact to their agencies.

Officials from the **Office of Administration - Division of Budget & Planning (BAP)** assume this proposal should not result in additional costs or savings to the BAP. They defer to MOSERS and MPERS on the fiscal impact of transferring service in this proposal.

Officials from the **Missouri State Employees Retirement System** assume this proposal is estimated to have no effect on their current benefit obligation or current employer contributions for members presently covered under the system.

Section 104.1084 & 104.1091

The **Joint Committee on Public Retirement** indicates that 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 the Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has not been filed with the Joint Committee on Public Employee Retirement. It would be impossible to accurately determine the fiscal impact of this proposed legislation without the actuarial cost statement prepared in accordance with Section 105.665, RSMo.

Officials from the **Office of Administration** defer their response to the Missouri State Employees' Retirement Plan.

ASSUMPTION (continued)

Officials from the **MoDOT & Patrol Employees' Retirement System** assume this proposal provides an insignificant savings to their system.

Officials at the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's Office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal not to Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's Office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a give year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **State Treasurer's Office** and **State Auditor's Office** assume no fiscal impact to their agency.

Officials from the **Governor's Office** assume there should be no added cost to their office as a result of this measure.

Officials from the **Office of Administration - Division of Budget & Planning** assume this proposal should not result in additional costs or savings. They defer to MOSERS for an estimated fiscal impact on the retirement system.

Officials from the **Missouri State Employees' Retirement System (MOSERS)** assume the proposed legislation described in Fiscal Note. No. 4489-01 (SB 492) would, if enacted, require any member of the General Assembly and any statewide elected official who first holds office on or after January 1, 2013, to participate in the Missouri State Employee Plan 2011 (MSEP 2011) for general employees in lieu of participating in the MSEP 2011 retirement plan for members of the General Assembly or statewide elected officials.

As illustrated below, members of the General Assembly and statewide elected officials participate in the legislative retirement plan or the statewide elected official plan, respectively, which provides a different level of benefits as compared to general employees.

ASSUMPTION (continued)

**Current Benefits for
Members of the General Assembly
MSEP 2011**

Normal Retirement Eligibility	Age 62 with completion of at least 3 full biennial assemblies; or Age 55 with completion of at least 3 full biennial assemblies with age plus credited service as equal to 90 or more.
Benefit Formula	Life benefit equivalent to $1/24$ of pay times the first 24 years of credited service as a member of the General Assembly.
Early Retirement Eligibility	Not applicable.
Vesting	3 full biennial assemblies (6 years).
Member Contributions	4% of salary with 4% interest credited to member contributions.

ASSUMPTION (continued)

**Current Benefits for
Statewide Elected Officials
MSEP 2011**

Normal Retirement Eligibility	Age 62 with at least 4 years of credited service; or age 55 with age plus credited service equal to 90 or more.
Benefit Formula	Life benefit equivalent to 1/24 of pay times the first 12 years of credited service as a statewide elected official.
Early Retirement Eligibility	Not applicable.
Vesting	1 term (4 years).
Member Contributions	4% of salary with 4% interest credited to member contributions.

**Current Benefits for
General Employees
MSEP 2011**

Normal Retirement Eligibility	Age 67 with at least 10 years of credited service; or age 55 with age plus credited service equal to 90 or more.
Benefit Formula	Life benefit equivalent to 1.7% of final pay times years of credited service.
Early Retirement Eligibility	Age 62 with at least 10 years of credited service.
Early Retirement Benefit Amount	Normal retirement amount reduced by ½% for each month that retirement precedes eligibility for normal retirement.
Vesting	10 years.
Member Contributions	4% of salary with 4% interest credited to member contributions.

Fiscal Impact

The proposed change to benefits for new hires **has no effect on MOSERS' current benefit obligation or current employer contributions** for the active members presently covered under

ASSUMPTION (continued)

the MSEP 2000; however, the long-term effect of the proposed change is a decrease in the employer normal cost of approximately 0.04% of total MOSERS' payroll.

Impact on MOSERS Employer Contributions

Description	Present Benefits	Proposed Benefits	Increase/(Decrease)
Total Normal Cost	8.34 %	8.34%	0.00%
Member Contribution Rate	(0.54)	(0.54)	0.00
UAAL (30 yr. amortization)	6.65	6.65	0.00
Change in UAAL (20 yr. amortization)	-	0.00	0.00
Total Employer Contribution Rate	14.45%	14.45%	0.00
UAAL \$ Millions (6/30/2011)	\$2,101.1	\$2,101.1	\$ -
Percent Funded	79.2%	79.2%	0.00

ASSUMPTION (continued)

Projected Change in Annual Employer Contributions

Fiscal Year	Val Payroll Projected	Pre 2013 Payroll*	Post 2013 Payroll (new hires)	Projected Employer Contributions				
				Before Proposed Changes		Estimated Reduction Due to Proposed Changes	After Proposed Change	
				Rate	Dollars		Dollars	Rate
2011	\$1,875,569,816	\$ 1,875,569,816	\$ 0					
2012	1,875,569,816	1,675,728,186	199,841,630					
2013	1,950,592,608	1,569,037,017	381,555,592	14.45%	\$ 281,860,632	\$ 148,200	\$ 281,712,432	14.44%
2014	2,028,616,313	1,474,436,234	554,180,079	15.07%	305,712,478	354,493	305,357,985	15.05%
2015	2,109,760,965	1,386,851,416	722,909,549	15.40%	324,903,189	464,849	324,438,340	15.38%
2016	2,194,151,404	1,305,391,098	888,760,306	14.38%	315,518,972	563,461	314,955,511	14.35%
2017	2,281,917,460	1,227,636,479	1,054,280,981	13.52%	308,515,241	648,413	307,866,827	13.49%
2018	2,373,194,158	1,153,087,321	1,220,106,838	13.10%	310,888,435	726,278	310,162,157	13.07%
2019	2,468,121,925	1,080,743,912	1,387,378,012	12.69%	313,204,672	795,834	312,408,839	12.66%
2020	2,566,846,802	1,011,010,844	1,555,835,958	12.30%	315,722,157	861,366	314,860,790	12.27%
2021	2,669,520,674	942,322,131	1,727,198,543	11.95%	319,007,720	922,107	318,085,614	11.92%
2022	2,776,301,501	875,852,963	1,900,448,538	11.60%	322,050,974	980,861	321,070,113	11.56%

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Savings</u> - Net decrease in annual contributions	<u>\$74,100</u>	<u>\$177,247</u>	<u>\$232,425</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$74,100</u>	<u>\$177,247</u>	<u>\$232,425</u>
OTHER STATE FUNDS			
<u>Savings</u> - Net decrease in annual contributions	<u>\$74,100</u>	<u>\$177,246</u>	<u>\$232,424</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$74,100</u>	<u>\$177,246</u>	<u>\$232,424</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2013 (10 Mo.)	 FY 2014	 FY 2015
	<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.

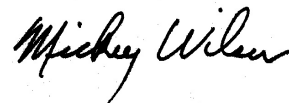
FISCAL DESCRIPTION

The proposed legislation modifies the amount of retirement benefits transferred when employees transfer between certain retirement systems.

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 State Employees' Retirement System
Governor's Office
State Auditor's Office
State Treasurer's Office
Secretary of State's Office
Office of Administration -
 Division of Budget and Planning
MoDOT & Patrol Employees' Retirement System



Mickey Wilson, CPA
Director
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