

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5533-01
Bill No.: HB 1682
Subject: Retirement - State; Public Officers; General Assembly
Type: Original
Date: March 12, 2014

Bill Summary: This proposal establishes a hybrid plan and a defined contribution program for employees and elected officials becoming employed after January 1, 2015.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$1,808,861)	(\$4,329,427)	(\$5,746,816)
Total Estimated Net Effect on General Revenue Fund	(\$1,808,861)	(\$4,329,427)	(\$5,746,816)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Highway Funds	(\$301,134)	(\$836,328)	\$212,449
Other Funds	(\$580,366)	(\$1,406,968)	(\$1,662,903)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$881,500)	(\$2,243,296)	(\$1,450,454)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Federal	(\$633,478)	(\$1,520,327)	(\$1,970,825)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$633,478)	(\$1,520,327)	(\$1,970,825)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Public Employee Retirement (JPR)** assume this legislation will result in a "substantial proposed change" in future plan benefits as defined in Section 105.660(10), RSMo. It is impossible to accurately determine the fiscal impact of this proposed legislation without an actuarial cost statement prepared in accordance with Section 105.665, RSMo.

Officials from the **Missouri State Employees Retirement System (MOSERS)** state that the long term effect of the proposal hybrid plan is an increase in total employer contribution of 1.69% of MOSERS total payroll. During the first three years, the employer contribution dollars are expected to increase approximately \$19.5 million (2015: \$2,968,346, 2016: \$7,097,421, 2017: \$9,421,010). Over the ten year period, the contribution dollars are expected to increase approximately \$151.3 million.

	<u>Current Employer Contribution</u>	<u>Proposed Employer Contribution</u>	<u>Difference</u>
2015	\$338,503,631	\$341,468,977	\$2,965,346 Increase
2016	\$335,509,559	\$342,606,980	\$7,097,421 Increase
2017	\$335,205,485	\$344,626,495	\$9,421,010 Increase

Officials from the **MoDOT and Patrol Employees Retirement System (MPERS)** state that this proposal, if enacted, would created a hybrid retirement plan. The proposed plan is similar in nature to the current 2011 Tier (created by pension reform bill passed in 2010 - HB 1). The fiscal impact to the plan would be as follows:

<u>Non Uniform Employees</u>	<u>Current Employer Contribution</u>	<u>Proposed Employer Contribution</u>	<u>Difference</u>
2015	\$154,156,056	\$154,462,454	\$306,398 Increase
2016	\$158,981,303	\$159,843,487	\$862,184 Increase
2017	\$161,763,408	\$161,612,957	\$150,451 Decrease

ASSUMPTION (continued)

<u>Uniform Employees</u>	<u>Current Employer Contribution</u>	<u>Proposed Employer Contribution</u>	<u>Difference</u>
2015	\$46,329,484	\$46,381,579	\$52,095 Increase
2016	\$47,777,967	\$47,911,412	\$133,445 Increase
2017	\$48,614,370	\$48,511,905	\$102,465 Decrease

<u>Total Plan Costs</u>	<u>Current Employer Contribution</u>	<u>Proposed Employer Contribution</u>	<u>Difference</u>
2015	\$200,485,540	\$200,844,033	\$358,493 Increase
2016	\$206,759,270	\$207,754,899	\$995,629 Increase
2017	\$210,377,778	\$210,124,862	\$252,916 Decrease

Oversight notes that contributions to retirement plans are made from various state funds in proportion to the personal services paid from each fund. Those proportions vary from year to year; however, for fiscal note purposes Oversight will assume contributions to MOSERS will be 61% General Revenue, 21% Federal and 18% Other State Funds. Oversight assumes contributions to MPERS will be 84% Highway Fund, 3% Federal and 13% Other State Funds.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Costs -</u>			
Increase in employer contributions	<u>(\$1,808,861)</u>	<u>(\$4,329,427)</u>	<u>(\$5,746,816)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,808,861)</u>	<u>(\$4,329,427)</u>	<u>(\$5,746,816)</u>

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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
FEDERAL FUNDS			
<u>Savings -</u> Decrease in employer contributions (MPERS)	\$0	\$0	\$7,587
<u>Costs -</u> Increase in employer contributions (MOSERS)	(\$622,723)	(\$1,490,458)	(\$1,978,412)
<u>Costs -</u> Increase in employer contributions (MPERS)	<u>(\$10,755)</u>	<u>(\$29,869)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$633,478)</u>	<u>(\$1,520,327)</u>	<u>(\$1,970,825)</u>
 HIGHWAY FUNDS			
<u>Savings -</u> Decrease in employer contributions (MPERS)	\$0	\$0	\$212,449
<u>Costs -</u> Increase in employer contributions (MPERS)	<u>(\$301,134)</u>	<u>(\$836,328)</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO HIGHWAY FUNDS	<u>(\$301,134)</u>	<u>(\$836,328)</u>	<u>\$212,449</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
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OTHER STATE FUNDS

<u>Savings -</u> Decrease in employer contributions (MPERS)	\$0	\$0	\$32,879
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<u>Costs -</u> Increase in employer contributions (MOSERS)	(\$533,762)	(\$1,277,536)	(\$1,695,782)
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<u>Costs -</u> Increase in employer contributions (MPERS)	(\$46,604)	(\$129,432)	\$0
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ESTIMATED NET EFFECT ON OTHER STATE	<u>(\$580,366)</u>	<u>(\$1,406,968)</u>	<u>(\$1,662,903)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<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

This bill creates a hybrid retirement plan under the Missouri State Employees' Retirement System and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System for each person first becoming an employee, a member of the General Assembly or statewide elected official on or after January 1, 2015, including any member covered by Section 104.1091, RSMo, who terminated employment and is not entitled to receive a deferred annuity or has received a refund of member contributions, and becomes an employee on or after January 1, 2015.

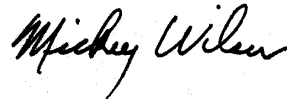
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FISCAL DESCRIPTION (continued)

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 Retirement
MoDOT and Patrol Employees Retirement System
Missouri State Employees Retirement System



Mickey Wilson, CPA
Director
March 12, 2014

Ross Strobe
Assistant Director
March 12, 2014