

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2316-01
Bill No.: HB 1105
Subject: Retirement Systems and Benefits - General; Retirement - State
Type: Original
Date: April 26, 2019

Bill Summary: This proposal modifies provisions relating to retirement of state officers and employees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri State Employees' Retirement System (MOSERS)** assume the proposal will have no fiscal impact on their organization. This proposal, if enacted, will provide clarification relative to several statutory provisions related to the retirement systems, Missouri State Employees' Retirement System (MOSERS) and the MoDOT and Patrol Employees' Retirement System (MPERS). Most of these changes are error corrections (e.g., missing subsections, incorrect cross-references, delete obsolete sections, etc.), procedure clarifications, or add language to previously untested statutes including the 2011 Tier and vesting changes from the 2018 legislative session. One proposed provision relates solely to MOSERS and limits the amount of service credit a member of the general assembly or statewide elected official can accrue while on long-term disability. The modification of this provision is to reflect the application of term-limits and could result in a de minimis savings to the long-term disability plan.

Officials from **Missouri Department of Transportation & Highway Patrol Employees' Retirement System (MPERS)** assume the proposal will have no fiscal impact on their organization. The proposed bill, if enacted, is intended to cleanup a number of statutes related to the retirement systems, MPERS and MOSERS. In large part, the statutes either correct errors (e.g., missing subsections, incorrect cross-references, delete obsolete sections, etc.) or clarify vague or unclear procedures, thereby improving the efficiency of the administration of benefits.

Officials from **Joint Committee on Public Employee Retirement (JCPER)** assume the proposal has no direct fiscal impact to the Joint Committee on Public Employee Retirement. Upon review of HB 1105, the JCPER assumes that most of the changes in the bill are administrative in nature, repealing of obsolete or redundant provisions or are codifying existing practice into statutes (with the notable exception of sections 104.410 and 140.1084, which modify the length of time a General Assembly member or statewide elected official may accrue service credit while on long-term disability).

Our review of this legislation would indicate such provisions would not create a "substantial proposed change" in future plan benefits as defined in Section 105.660(10).

ASSUMPTION (continued)

Current Status of MOSERS:

As of June 30, 2018

Market Value of Assets:	\$8,034,508,424
Actuarial Value of Assets:	\$8,830,410,210
Liabilities:	\$13,612,763,961

Covered Payroll as of June 30, 2018: \$1,915,143,022

Recommended Contribution Rate for FY 2020: 21.77% of payroll. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to MOSERS. Estimated employer contribution is approximately \$445.9 million.

Current Status of MPERS:

As of June 30, 2018

Market Value of Assets:	\$2,314,530,148
Actuarial Value of Assets:	\$2,274,248,122
Liabilities:	\$3,981,838,941

Active Employee Payroll as of June 30, 2018: \$351,496,555

Recommended Contribution Rate for FY 2020: 58% of payroll. Projected dollar contribution is \$216,283,563. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to MPERS.

Officials from **Missouri Department of Transportation** defer to MPERS.

Oversight assumes there could be savings to the long-term disability plans from the provisions in sections 104.410 and 140.1084 which limit the service credit accrued by members of the general assembly and statewide elected officials. However, Oversight assumes the savings would be minimal and would not impact the employer contribution rates. Therefore, Oversight will not show a fiscal impact for this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<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 modifies provisions relating to the Missouri State Employees' Retirement System (MOSERS) and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) by clarifying current statute as follows:

- (1) Modifies a provision on errors in the members' records regarding benefit calculation. Errors will be corrected if such error is discovered within 10 years of the member's annuity starting date or 10 years from the date of error, whichever occurs later. In cases of fraud the error will be corrected regardless of the amount of time that has passed;
- (2) Clarifies that lump sum payments are not subject to division of benefits orders;
- (3) Clarifies that members of the General Assembly or statewide elected officials accruing service due to disability will accrue service until the earliest of attainment of normal retirement age eligibility, termination of disability benefits, or the end of such member's or official's constitutionally mandated limit on service accrual;
- (4) Changes the time from 60 days to 65 days that a member after reaching normal or early retirement age can retire after termination of employment and still retain \$5,000 of life insurance coverage provided by the state;
- (5) Clarifies which retirement system a person would accrue service in if a member terminated employment and then came back to work for the state in the future; and

FISCAL DESCRIPTION (continued)

(6) Changes the lump sum benefit payment option from payable in its entirety or in three equal annual installments to just payable in its entirety.

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

Missouri State Employees' Retirement System
Missouri Department of Transportation & Highway Patrol Employees' Retirement System
Joint Committee on Public Employee Retirement
Missouri Department of Transportation



Kyle Rieman
Director
April 26, 2019

Ross Strobe
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April 26, 2019