

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1531H.01I
Bill No.: HB 897
Subject: Retirement Systems and Benefits - General; Retirement - State; General
Assembly; State Employees
Type: Original
Date: March 23, 2021

Bill Summary: This proposal modifies provisions relating to retirement systems for members of the General Assembly and statewide elected officials.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$0	\$0	Unknown
Total Estimated Net Effect on General Revenue	\$0	\$0	Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Various State Funds	\$0	\$0	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Federal Funds	\$0	\$0	Unknown
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	Unknown

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** have reviewed this proposal. Currently, legislators and statewide elected officials are members of MOSERS and participate in different benefit programs from general employees. This proposal would require that legislators and statewide elected officials who first become members of the legislature or a statewide elected official on or after 1/1/22 receive retirement benefits using the following formula: an amount for life equal to 1.7% of monthly pay for the member on the annuity starting date multiplied by the years of credited service (as a legislator or statewide elected official).

The JCPER's review of this proposal indicates that its provisions may constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Current Status of MOSERS:

As of June 30, 2020

Total Active Members:	45,999	
Total Inactive Members:	89,790	
Elected Officials:	6	
Legislators:	193	
		Funded Ratio
Market Value of Assets:	\$7,910,830,533	55.5%
Actuarial Value of Assets:	\$8,711,224,151	61.1%
Liabilities:	\$14,258,408,888	

Covered Payroll as of June 30, 2020: \$1,980,910,473

Recommended Contribution for FY22: 23.51% of payroll. Estimated dollar amount of contribution is \$495.9 million. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to the retirement system.

Officials from **Missouri State Employee's Retirement System (MOSERS)** state the proposed legislation would, if enacted, modify the benefit multiplier for future members of the General

Assembly and Statewide Elected Officials who become members on or after January 1, 2022. All other provisions related to the benefit formula and retirement eligibility will remain unchanged.

Currently, General Assembly member and Statewide Elected Official retirement benefits are calculated by using a multiplier of one twenty-fourth (approximately 4.17%) of the monthly pay. Under this proposal, the benefit multiplier will be 1.7%, in line with the multiplier used for general state employees under the MSEP 2000 and MSEP 2011 plans.

As illustrated below, members of the General Assembly and Statewide Elected Official retirement provisions differ from the retirement provisions for general state employees.

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 the sum of your age and years of service equaling 90 or more (Rule of 90).
Benefit Formula	$(\text{Active Pay} \div 24) \times \text{Service} = \text{Monthly Base Benefit}$
Vesting	3 full biennial assemblies (6 years).
Member Contributions	4% of salary

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 the sum of your age and years of service equaling 90 or more (Rule of 90).
Benefit Formula	$(\text{Active pay} \div 24) \times \text{Service} = \text{Monthly Base Benefit}$
Vesting	1 term (4 years).
Member Contributions	4% of salary

Current Benefits for General Employees MSEP 2011

Normal Retirement Eligibility	Age 67 with at least 5 years of credited service; or Age 55 with the sum of age and years of service equaling 90 or more (Rule of 90).
Benefit Formula	$\text{Final Average Pay} \times \text{Multiplier (0.017)} \times \text{Credited Service} = \text{Monthly Base Benefit}$
Vesting	5 years
Member Contributions	4% of salary with interest credited to member contributions.

Fiscal Impact

The proposed change to benefits for future General Assembly members and Statewide Elected Officials has no effect on MOSERS' current benefit obligation or current employer contributions for the active members presently covered. The fiscal impact of this proposal is minimal as the group affected (Legislators and Statewide Elected Officials) is a very small percentage of the total active membership, approximately 0.4%.

Officials from the **Missouri House of Representatives** defer to MOSERS for the potential fiscal impact of this proposal.

Officials from the **Missouri Senate** assume the proposal will have no fiscal impact on their organization.

Oversight notes the proposal appears to reduce retirement benefits for Statewide Elected Officials and Legislators. This could subsequently reduce employer contributions beginning in FY 2024.

Oversight notes, based on the current fund break out in HB 5, Oversight will split the cost avoidance as follows:

- 60.7% to General Revenue
- 20.3% to Federal Funds
- 18.9% Various State Funds

Based on the cost statement provided by MOSERS, **Oversight** does not anticipate the reduction in costs to exceed \$250,000 in any of the three years below. However, over the long run, the cost avoidance could exceed \$250,000.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Cost Avoidance</u> - reduction in employer contributions	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>
ESTIMATED NET EFFECT IN GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>
FEDERAL FUNDS			
<u>Cost Avoidance</u> - reduction in employer contributions	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>
<u>FISCAL IMPACT – State Government Continued</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
VARIOUS OTHER STATE FUNDS			
<u>Cost Avoidance</u> - reduction in employer contributions	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<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

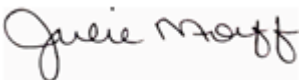
Currently, members of the General Assembly and statewide elected officials normal retirement benefit is calculated using the base benefit formula of $\text{Active Monthly Pay} / 24 \times \text{Service} = \text{Monthly Base Benefit}$.

Beginning January 1, 2022, this bill modifies how their normal retirement benefits are calculated using the base benefit formula of $\text{Final Average Pay} \times \text{Multiplier (0.017)} \times \text{Credited Service} = \text{Monthly Base Benefit}$ which is the same calculation used for general state employees.


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 Employee's Retirement System
Missouri House of Representatives
Missouri Senate



Julie Morff
Director
March 23, 2021



Ross Strobe
Assistant Director
March 23, 2021