COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0295S.03C
Bill No.: SCS for HB 147
Subject: Boards, Commissions, Committees, and Councils; Cities, Towns, and Villages; Counties; County Government; Fire Protection; Law Enforcement Officers and Agencies; Political Subdivisions; Retirement - Local Government; Retirement Systems and Benefits - General; Saint Louis City; Taxation and Revenue - General; Taxation and Revenue - Income
Type: Original
Date: April 28, 2025

Bill Summary: This proposal modifies provisions relating to retirement.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*/**	$0	Could exceed ($139,463,338)	Could exceed ($136,431,526)
Total Estimated Net Effect on General Revenue	**$0**	**Could exceed ($139,463,338)**	**Could exceed ($136,431,526)**

*Oversight assumes the potential loss of investment returns and increased costs could result in an increase in employer contributions for state agencies that could exceed $250,000.
**Oversight assumes a top income tax rate of 4.7% in tax year 2025 (FY 2026) and future income tax rate reductions from SB 3 (2022) will trigger consecutively (4.6% in FY 2027 and 4.5% in FY 2028+).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
State Road Fund*	$0	$0 or (Unknown, could be substantial)	$0 or (Unknown, could be substantial)
Various Other State Funds*	$0	$0 or (Unknown, could be substantial)	$0 or (Unknown, could be substantial)
Total Estimated Net Effect on Other State Funds	**$0**	**$0 or (Unknown, could be substantial)**	**$0 or (Unknown, could be substantial)**

*Oversight assumes the potential loss of investment returns and increased costs could result in an increase in employer contributions for state agencies that could exceed $250,000.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Federal Funds*	$0	$0 or (Unknown, could be substantial)	$0 or (Unknown, could be substantial)
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0 or (Unknown, could be substantial)**	**$0 or (Unknown, could be substantial)**

*Oversight assumes the potential loss of investment returns and increased costs could result in an increase in employer contributions for state agencies that could exceed $250,000.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government*	**$0**	**$0 or Unknown to (Unknown, could be substantial)**	**$0 or Unknown to (Unknown, could be substantial)**

FISCAL ANALYSIS

ASSUMPTION

Sections 70.630, 70.655, 70.680, 70.690, 70.745, 70.746, 70.747, and 70.748 – LAGERS

In response to a similar proposal, HB 976 (2025), officials from the **Missouri Local Government Employees Retirement System (LAGERS)** assumed that modifications to provisions in RSMo 70.630-70.748 are technical clean-up to the system's existing statutes and will have no impact on the calculation of member benefits or COLAs. Because the changes are technical updates to the statues, LAGERS assumes this bill would have no negative fiscal impact on the system.

LAGERS assumes the language in RSMo 70.748 would clarify the pooling of assets for investment purposes of LAGERS' legacy plans, as authorized by RSMo 70.621, and also allow for the pooling of the system's staff plan. The pooling of assets is expected to create administrative efficiencies, which are estimated to reduce the staff plan contribution rate by approximately 5-10% points. Any reduction in the system's administrative costs will ultimately result in more efficient costs for LAGERS employers. At this time, that impact, while positive, is unknown.

Oversight assumes these provisions could result in a potential decrease in employer contribution rates for local political subdivisions beginning in FY 2026.

Section 87.140, 87.145, 87.155, 87.260 and 87.350 – The Firefighters' Retirement System of St. Louis City

In response to a similar proposal, HB 205 (2025), officials from the **City of St. Louis** stated the proposed legislation would allow the trustees of the Firemen's Retirement System (FRS, a plan that was frozen in 2013) to act as trustees of the newer Firefighters' Retirement Plan (FRP) which originated in 2013 as part of a pension plan reform effort to address rising costs partly due to failures under the old FRS board. The reform was successful and has reduced pension costs which had been rising to an increasingly greater proportion of operating costs of the Fire Department. The proposed legislation jeopardizes the progress made through this reform effort.

Oversight notes this proposal allows the Board of the Firemen's Retirement Plan of St. Louis to act on behalf of all other city firefighter retirement plans in St. Louis City including the Firefighter's Retirement Plan of St. Louis.

Oversight assumes any decision by the Board to alter retirement benefits for the Firefighter's Retirement Plan of St. Louis would be an indirect impact. Therefore, Oversight will reflect a zero impact in the fiscal note.

Oversight did not receive a response from the Firemen's Retirement Plan of St. Louis or the Firefighter's Retirement Plan of St. Louis related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 105.688 – Closing Records

In response to a similar proposal, HCS for HB 976 (2025), officials from the **University of Central Missouri** assumed there will be an indeterminate fiscal impact.

In response to a similar proposal, HCS for HB 976 (2025), officials from the **Missouri State Employee's Retirement System**, **University of Missouri**, **County Employees' Retirement Fund**, **Kansas City Civilian Police Employees' Retirement**, **Kansas City Police Retirement System**, **Kansas City Public School Retirement System**, **Public Schools and Education Employee Retirement Systems**, **Sheriffs' Retirement System**, **St. Louis Employees Retirement System**, **City of Kansas City**, and **Northwest Missouri State University** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Section 105.688 and 105.692 – Fiduciary Investment Duties

In response to a similar proposal, HB 657 (2025), officials from the **Missouri State Employee's Retirement System**, **Kansas City Public School Retirement System**, **City of Kansas City**, **City of O'Fallon**, **County Employees' Retirement Fund**, and the **University of Central Missouri** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal, HB 657 (2025), officials from **MoDOT & Patrol Employees' Retirement System** stated this proposal, if enacted, would modify provisions related to proxy voting and fiduciary investment duties for public retirement plans. Specifically, the proposed provision addressing the approach to environmental, social, and governance (ESG) issues would exclude those issues from consideration if consideration would override the investment fiduciary's duty as otherwise defined in section 105.688.

The second proposed amendment to section 105.688 states that the investment fiduciary shall not be subject to divestment legislation.

Proposed section 105.692 defines how proxy voting should be handled, in general and specifically where (ESG) issues are a factor. In this case, voting shares for the purpose to further ESG is prohibited.

The changes proposed in this bill would have the effect of managing matters that are currently politically and socially important without the negative impact of more restrictive legislation on public retirement system investments. No fiscal impact.

In response to a similar proposal, HB 657 (2025), officials from the **Sheriffs' Retirement System** stated this proposal may have a negative impact if this legislation passes. The Retirement system hires investment managers to invest its assets based on the investment policy. Setting constraints on investment guidelines has a potential of limiting investment earnings used to finance the retirement system.

In response to a similar proposal, HB 657 (2025), officials from the **Local Government Employees Retirement System (LAGERS)** assumed as drafted, this legislation has no substantial fiscal impact to Missouri LAGERS.

In response to a similar proposal, HB 657 (2025), officials from the **University of Missouri System** have reviewed this proposed legislation and do not anticipate a significant financial impact.

Officials from the **Kansas City Civilian Police Employees' Retirement** and the **Kansas City Police Retirement System** state could prevent the Retirement Board from investing in funds that could add value to the plans. The Civilian Employees' Retirement System of the Police Department of Kansas City is too small not to employ an investment fiduciary to manage pension system assets. It is not economically feasible for the plans to invest those funds internally. The managers selected by the Retirement Board may very well be index managers who will replicate the equity holdings of an appropriate index fund at a very low cost. Neither the investment manager nor the Retirement Board can dictate which investments are included in the index fund. The new provisions contained in HB 147 could interfere with the Retirement Board's fiduciary duty, which may lead to suboptimal investment strategies and compromise the financial health of pension funds. The only goal is to make prudent long-term investments.

The proxy voting provisions of section 105.692RSMo. would require either additional internal staff for the Retirement Systems or hiring a firm specifically for proxy voting. Both options would incur additional costs, the exact amount of which cannot be determined at this time.

In response to similar legislation, HB 1937 (2024), officials from the **Employees Retirement System of the City of St. Louis** stated, the money managers hired by the Board also vote proxies on the System's behalf. The System's only requirement for voting the proxies is that the vote be in the best interests of the System and its participants. By requiring or prohibiting certain considerations which could be viewed by the money managers as in the best interests of the System and its participants or creating economic value, you restrict the money manager's ability to vote the proxies in a manner that may enhance shareholder value. It is speculative to put a dollar amount on such considerations, but it will cost more to administer such considerations as money managers may be unwilling to accept the risk associated with voting the proxies. This would require the System to hire a proxy voting company and pay additional fees.

The representatives of Marquette Associates expressed their belief that requiring consideration of such matters may prevent some investment managers from managing assets of Missouri public pension plans and severely limit opportunities offered by commingled investment vehicles (which are much more cost effective for smaller public pension plans like the System). Proposed pieces of legislation which impose financial penalties on investment fiduciaries who take these matters into consideration may have a chilling effect on the number of money managers willing to provide services to Missouri public pension plans. The money managers may decide not to take on risk when public pension plans in other states don't have financial penalties.

In response to similar legislation, HB 1937 (2024), officials from the **City of Osceola**, **Northwest Missouri State University**, and the **Metro St. Louis Sewer District Employees Pension Plan** each assumed the proposal will have no fiscal impact on their organizations. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal, SB 1113 (2024), officials from the **Kansas City Employees' Retirement System**, **Kansas City Firefighter's Pension System**, **Kansas City Supplemental Retirement Plan** and the **Rock Community Fire Protection District Retirement Plan** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight assumes this proposal may limit investment decisions to already established fiduciary duties. Based on the majority of responses, Oversight assumes this proposal would not have a material direct fiscal impact.

<u>Section 105.693 – Divestment Of Certain Investments Of Public Employee Retirement Systems</u>

Officials from **Missouri State Employee's Retirement System (MOSERS)** state under this proposed legislation adding new Section 105.693, a state or local public retirement system would be:

(a) prohibited from knowingly investing in a restricted entity or restricted investment product, as defined in the bill, starting August 28, 2025;
(b) required annually, starting by December 1, 2025, to identify its investments in any restricted entities or restricted investment products;
(c) required to divest any such identified investment by August 28, 2026, but must be divested no later than August 28, 2028 if the board finds that divestment would result in the system incurring aggregate transaction costs in excess of $500,000, the selling of the global public equity would result in a loss on secondary markets, or the divestment would otherwise fail to comply with federal or state law or other legal obligations;
(d) required annually, starting by December 31, 2025, to report to the General Assembly regarding restricted entities that shall include: a copy of the restricted entity list; all publicly traded securities sold, redeemed, divested, or withdrawn in compliance with the proposed legislation; all commingled funds exempt from divestment as provided under

subsections 5, 6, or 10 of new Section 105.693; and any progress made regarding whether to cease or defer divestment as a result of the change in status of any restricted entity or restricted investment product to non-restricted; and

(e) required to prudently exchange investment in any excepted investment in an indirect holding in an actively managed investment fund to a similar actively managed investment fund, absent the restricted entities, created by the manager or investment fiduciary.

MOSERS make the following assumptions and clarifications in providing this fiscal impact estimate:

(1) The proposed legislation is consistent with federal investment restrictions and related practices, and it will not require any divestment of MOSERS's current investments.
(2) Private market funds are not defined in the proposal. For purposes of this fiscal note MOSERS assumes the term to encompass investments such as hedge funds, private equity, private real estate/private real assets, and private credit.

To the extent any of its assumptions prove incorrect, MOSERS reserves the right to revise this fiscal impact estimate accordingly.

In the event that MOSERS needs to hire an independent research firm, as provided for in subsection 3 in new Section 105.693, to create a restricted entity list and to identify restricted entities and restricted investment products in which the system holds an investment, they estimate this to be an annual cost between $100,000 to $200,000.

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state, the bill, if enacted, would modify provisions related to public pension funds' investment activity in China. Specifically, this proposal would require the divestment of Chinese companies in public market funds and the restriction of future investments in public funds. Any necessary divestment would take place on a timeline over several years.

Most of the mandates to be implemented in this bill are in existing law, regulation, or order from the federal government. MPERS complies with all federal prohibitions on investments in or business dealings with prohibited entities, including China. The primary mechanism for compliance is through their banking relationships in the United States. Banks, through the Department of Treasury, Office of Foreign Asset Control (OFAC), comply with all prohibitions in federal law, by regulation, or by order.

The fiscal impact of this legislation is indeterminable. As a general rule, any time the opportunity set of investments is reduced, return expectations are correspondingly reduced. MPERS' current exposure to Chinese public equities is approximately $54 million.

In addition, the board may require the use of an independent research firm to assist in identifying restricted entities and restricted investment products in which the system holds an investment. To this end, MPERS anticipates the independent research cost to be at least $100,000, recurring annually.

Officials from the **County Employees' Retirement Fund (CERF)** assume there would be an unknown fiscal impact to the CERF. Section 105.693 would likely increase certain investment expenses as described below.

Section 105.693 would require the CERF Board to annually perform a review of its investments to identify whether there are any investments in restricted entities or restricted investment products, as described in the section. The Board may need to hire an independent research firm to assist with this review, which would likely increase investment expenses by an unknown amount.

If any such restricted entities or restricted investment products were identified and CERF was required to terminate an investment manager or managers, there would likely be a negative fiscal impact to CERF. First, terminating the investment managers would require CERF to incur transaction costs and would increase administrative work to CERF, its investment consultant, its investment custodian, and the investment managers. Second, CERF would need to perform a manager search for investments that would not invest in any restricted entity or restricted investment product as defined by section 105.693. Third, the divestment and transition process may cause CERF to lose out on investment return as assets would be sold and transferred to different investment managers.

In response to a similar proposal, HCS for HB 977 (2025), officials from the **Kansas City Civilian Police Employees' Retirement** and the **Kansas City Police Retirement System** noted they rely on professional investment managers and passively managed index funds to maintain diversification and efficiency and their current exposure to the markets described in the bill is non-existent. Their investment strategy prioritizes fiduciary responsibility and adherence to best practices in asset management, ensuring that the interests of their members and beneficiaries are protected. They remain committed to prudent and sustainable investment practices that align with their overarching mission to deliver long-term retirement security.

In response to a similar proposal, HCS for HB 977 (2025), officials from the **Sheriffs' Retirement System** stated they may have a negative impact if this legislation passes. The Retirement system hires investment managers to invest its assets based on the investment policy. Setting constraints on investing or banking guidelines has a potential of limiting investment earnings used to finance the retirement system.

In response to a similar proposal, HCS for HB 977 (2025), officials from the **University of Missouri System** stated the legislation could have a significant fiscal impact, but it is not possible to determine the amount.

In response to a similar proposal, HCS for HB 977 (2025), officials from the **University of Central Missouri** stated this would have an indeterminate fiscal impact.

In response to a similar proposal, HCS for HB 977 (2025), officials from the **City of Kansas City** assumed the proposed legislation has a negative fiscal impact of an indeterminate amount.

In response to a similar proposal, HCS for HB 977 (2025), officials from **Local Government Employees Retirement System (LAGERS) e**stimated that the bill, as currently drafted, would have a de minimus fiscal impact on the system.

In response to a similar proposal, HCS for HB 977 (2025), officials from the **Office of the State Treasurer**, the **City of Osceola** and **Northwest Missouri State University** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Based on the responses received, **Oversight** assumes there is some uncertainty regarding the interpretation of this proposal. Due to the uncertainty, Oversight assumes there could be costs and investment losses to retirement systems which could result in an increase in the actuarial accrued liability and a subsequent increase in the actuarially determined employer contribution rates. Oversight will reflect a range of impact of $0 (no additional divestment required) to an unknown cost that could be substantial to the state, universities and local political subdivisions.

Section 143.124 – Private Pension Income Tax Deduction

Officials from the **Department of Revenue (DOR)** note currently, some taxpayers who receive a private pension are allowed to subtract a portion of the pension from their Missouri adjusted gross income when determining taxable income. Those eligible for the subtraction must have income under $25,000 for a single, head of household or qualified widow(er), under $32,000 for married filing combined filers and under $16,000 for those married but filing separately. The subtraction allows for the first $6,000 of the pension for individual filers and $12,000 for married filing combined filers.

This proposal will raise the $6,000 to $12,000 for all filers. Additionally, this proposal raises the income limits for individual filers from $25,000 to $50,000, for married filing combined filers from $32,000 to $64,000 and for those married filing separate filers from $16,000 to $32,600. These changes are expected to lower these filers MAGI.

In order to determine the fiscal impact, the Department used its internal Income Tax Model that contains confidential taxpayer data from tax year 2022 (the most complete year available). DOR notes that currently taxpayers report $1,073,196,317 in taxable private pension income. Accounting for the changes outlined in the proposal, this could result in a another $3,031,811,687 in private pension income being eligible for the subtraction.

Note that subtractions do not reduce revenues on a dollar-for-dollar basis, but rather in proportion to the top tax rate applied. SB 3(2022) is allowing the individual income tax rate to decrease over a period of several years. Therefore, DOR will show the impact of this proposal with each expected rate drop.

Estimated Revenue Loss by Fiscal Year

Tax Rate	Tax Year (Fiscal Year)			
	2026 (FY27)	2027 (FY28)	2028 (FY29)	2029 (FY30)
4.7%	($142,495,149)	($142,495,149)	($142,495,149)	($142,495,149)
4.6%	($139,463,338)	($139,463,338)	($139,463,338)	($139,463,338)
4.5%		($136,431,526)	($136,431,526)	($136,431,526)

This proposal states that these changes will begin January 1, 2026, and therefore will not impact state revenue until the first tax returns are filed in January 2027 (FY 2027).

This proposal will require DOR to modify the department's MO-A and MO-1040 forms ($4,400), its website and individual income tax computer programming system ($7,327). These items are estimated to cost $11,727.

Oversight notes the DOR requests one-time cost for website income-tax changes and updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

In response to a similar proposal, HCS for HB Nos. 44 & 426 (2025), officials from the **Office of Administration - Budget and Planning (B&P)** noted currently taxpayers may subtract $6,000 of their individual retirement income, if their Missouri Adjusted Gross Income (MAGI) is less than $25,000 for taxpayers filing single or head of household and $32,000 for married filing combined taxpayers. B&P notes that these private pensions include IRAs, 401(k) plans, private pensions, annuities, and self-employed (Keogh) plans.

This proposal would allow taxpayers to subtract $12,000 of their retirement income, if their MAGI is less than $50,000 for individuals and $64,000 for married filing combined taxpayers, beginning tax year 2026.

Based on tax year 2022 data, the most recent complete year available, Missouri taxpayers reported $8,642,741,963 in taxable private pension income. However, as noted above taxpayers with MAGI below the current thresholds are already allowed a deduction. Under current law, $1,703,196,317 of the taxable private pension income is already exempt from Missouri income tax. B&P estimates that this proposal could exempt an additional $3,031,811,687 in private pension income.

However, subtractions do not reduce revenues on a dollar-for-dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 3 (2022). Consequently, B&P estimates that exempting individual retirement arrangement payments could reduce TSR and GR by $142,495,149 (top tax rate 4.7%) in FY27. Once SB 3 (2022) has fully implemented, this provision could reduce TSR and GR by $136,431,526 annually.

Table 1: Estimated Revenue Loss by Fiscal Year

Tax Rate	Tax Year (Fiscal Year)			
	2026 (FY27)	2027 (FY28)	2028 (FY29)	2029 (FY30)
4.7%	($142,495,149)	($142,495,149)	($142,495,149)	($142,495,149)
4.6%	($139,463,338)	($139,463,338)	($139,463,338)	($139,463,338)
4.5%		($136,431,526)	($136,431,526)	($136,431,526)

Oversight notes both DOR and B&P's estimates include data from DOR and B&P's internal Income Tax Model.

Oversight notes that it does not currently have the resources and/or access to state tax data to produce a thorough independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR. Therefore, for the purpose of this fiscal note, Oversight will utilize B&P's estimated impact for this proposal.

Oversight notes for the purpose of the fiscal note, Oversight assumes a top income tax rate of 4.7% in tax year 2025 (FY 2026) and future income tax rate reductions from SB 3 (2022) will trigger consecutively (4.6% in FY 2027 and 4.5% in FY 2028+).

<u>Responses regarding the proposed legislation as a whole</u>

Officials from the **Office of the State Treasurer** and the **University of Missouri System** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state the proposal has no direct fiscal impact to the Joint Committee on Public Employee Retirement. The JCPER's review of the 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.

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** state, as currently drafted, this bill does not appear to have a fiscal and operational impact on PSRS and PEERS of Missouri.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
Costs – increase in employer contribution rates **if** additional divestment required - §105.693	$0	$0 or (Unknown, could be substantial)	$0 or (Unknown, could be substantial)
Revenue Reduction - Private Pension Income Tax Subtraction - §143.124	$0	($139,463,338)	($136,431,526)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**Could exceed ($139,463,338)**	**Could exceed ($136,431,526)**
STATE ROAD FUND			
Costs – increase in employer contribution rates **if** additional divestment required - §105.693	$0	$0 or (Unknown, could be substantial)	$0 or (Unknown, could be substantial)
ESTIMATED NET EFFECT ON STATE ROAD FUND	**$0**	**$0 or (Unknown, could be substantial)**	**$0 or (Unknown, could be substantial)**
VARIOUS OTHER STATE FUNDS			
Costs – increase in employer contribution rates **if** additional divestment required - §105.693	$0	$0 or (Unknown, could be substantial)	$0 or (Unknown, could be substantial)
ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS	**$0**	**$0 or (Unknown, could be substantial)**	**$0 or (Unknown, could be substantial)**

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
FEDERAL FUNDS			
Costs – increase in employer contribution rates **if** additional divestment required - §105.693	$0	$0 or (Unknown, could be substantial)	$0 or (Unknown, could be substantial)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0 or (Unknown, could be substantial)**	**$0 or (Unknown, could be substantial)**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
Savings – potential decrease in employer contributions §70.748	$0 or Unknown	$0 or Unknown	$0 or Unknown
Costs – increase in employer contribution rates **if** additional divestment required - §105.693	$0	$0 or (Unknown, could be substantial)	$0 or (Unknown, could be substantial)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	$0	$0 or Unknown to (Unknown, could be substantial)	$0 or Unknown to (Unknown, could be substantial)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This proposal modifies provisions relating to 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 Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
University of Missouri System
Public Schools and Education Employee Retirement Systems
County Employees' Retirement Fund
Kansas City Public School Retirement System
Kansas City Civilian Police Employees' Retirement System
Kansas City Police Retirement System
Office of the State Treasurer
City of Kansas City
Sheriffs' Retirement System
University of Central Missouri
Northwest Missouri State University
St. Louis Public School Retirement System

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