

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0295S.09T  
Bill No.: Truly Agreed To and Finally Passed SS No. 2 for 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: June 23, 2025

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Bill Summary: This proposal modifies provisions relating to retirement.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
General Revenue*	\$0 or (Unknown)	\$0 or (Unknown, could be substantial)	\$0 or (Unknown, could be substantial)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown, could be substantial)</b>	<b>\$0 or (Unknown, could be substantial)</b>

\*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.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
Deputy Sheriff Salary Supplementation Fund**	Unknown	Unknown	Unknown
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)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Unknown**</b>	<b>\$0 or (Unknown, could be substantial)</b>	<b>\$0 or (Unknown, could be substantial)</b>

\*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 does not anticipate the revenue gain to exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

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

\*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.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>Less than \$1,000,000</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

§§57.280, 57.952, 57.955, 57.956, 57.961, 57.967, and 488.438 – Sheriffs’ Retirement System

Officials from the **Sheriffs’ Retirement System** state the following:

**Part 1:** Require an additional \$5 for 3rd class counties and \$10 for 1st, 2nd, and 4th class counties to the current \$10 civil processing fee that would be directed the \$5/\$10 to the Retirement fund and increase the cap on the civil fund from \$50,000 to \$75,000. The language will keep the \$50 maximum amount for the fee and allow the remaining amount to be transferred to the Sheriff’s civil fund up to \$75,000 and county General Revenue. This is not new it is simply directing money to an additional fund. This is exempt for St Louis County who does not participate in the retirement plan -- Estimate the \$5/10 would raise just over \$1 million based on FY23 receipts.

**Part 2:** Changes the current 5% contribution language to pre-tax position for the sheriffs.

**Part 3:** Allows \$1.75 of the jail per diem to be sent to the MO Sheriffs Retirement System except for St Louis County who does not participate in the retirement plan. It is hard to estimate the amount that St Louis County receives. They are estimating a reduction at \$500,000 using the FY 24 actual days paid. Once the funding ratio for the MO Sheriffs’ Retirement System reaches 90% the per diem rate will be reduced to \$1.00 jail per diem. The \$1.75 jail per diem based on the FY 24 target days is estimated at \$2.25 million.

#### Summary of Funding plan

Jail Per Diem	\$2,252,741
Civil Fee	\$1,092,137
Sheriff Contribution	\$ 500,000
Total Estimate funding	\$3,844,878

**Oversight** will show a \$1 million increase in collections to the Sheriffs’ Retirement Fund as estimated by the Sheriffs’ Retirement System for the fee increase.

**Oversights** notes, per the Department of Correction’s Department Request Program Book for FY 2026 (page 106), the number of days billed for cost were 1,572,994 in FY 2024. If counties were to transfer \$1.75 of the reimbursed cost to the Sheriffs’ Retirement Fund, the transfer is estimated at \$2,752,740 (1,572,994/ \* \$1.75). This would be a loss to counties and a gain to the Sheriffs’ Retirement Fund.

**Oversight** will show the loss to counties and the gain to the Sheriffs’ Retirement Fund as estimated by the Sheriffs’ Retirement System beginning in FY 2027.

Officials from the **Department of Public Safety – Director’s Office (DPS-DO)** note Section 57.280 creates unknown revenue to the Deputy Sheriffs Salary Supplementation Fund.

**Oversight** notes the Deputy Sheriff Salary Supplementation Fund accounts for moneys collected from charges for service received by county sheriffs under subsection 4 of section 57.280, RSMo. The money in the fund shall be used solely to supplement the salaries, and employee benefits resulting from such salary increases, of county deputy sheriffs.

**Oversight** notes the following receipts for the Deputy Sheriff Salary Supplementation Fund (0913):

FY 2024	\$2,493,184
FY 2023	\$1,771,837
FY 2022	\$1,823,268
Average	\$2,029,430

**Oversight** will show an unknown revenue gain to the Deputy Sheriffs Salary Supplementation Fund as noted by DPS-DO.

Officials from the **Department of Corrections (DOC)** state section 57.956 would require the department to deduct \$1.75 per day per offender from bill of cost claims for counties that participate in the sheriff’s retirement system. This would require DOC to work with ITSD to update our system to allow these changes. Due to the time frame of this fiscal note and the time frame of implementation proposed in this language, it is unknown what the total cost would be for procurement and the changes to the current system as well as how long implementation of these changes would take.

The language also says that the rate will be reduced when the sheriff’s fund reaches 90 percent of the actuarially sound level, however, the counties are only providing that report once a year. This will make it difficult to determine whether the rate should be increased or decreased. In addition, the department verifies and calculates the days for the participating counties once a quarter and then remits the payments. These variances could cause discrepancies in deducting and remitting the correct amounts to the retirement system.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOC.

§§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 statutes, 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.

§§84.540 and 84.570 – Kansas City Police Provisions

Officials from the **Kansas City Police Employee's Retirement System** state they have reviewed the proposed legislation concerning mandatory separation from service at age sixty-five. After careful review, they do not anticipate any material impact on the Retirement System as a result of these changes. The proposal aligns with the retirement patterns they already account for and would not significantly affect the System's financial position.

Officials from the **Kansas City Police Department** assume the proposal will have no fiscal impact on their organization.

§86.200 – Earnable Compensation – Police Retirement System of the City of St. Louis

Officials from the **Police Retirement System of City of St. Louis** and the **City of St. Louis** did not respond to **Oversight's** request for fiscal impact for this proposal.

**Oversight** assumes this proposal would have an impact on the Police Retirement System of the City of St. Louis. However, Oversight assumes the impact would be minimal and would not translate into a change in employer contributions for the retirement system (paid by the City of St. Louis). Therefore, Oversight will reflect a zero impact on the fiscal note for the City of St. Louis.

§§87.140, 87.145, 87.155, 87.260 & 87.350 - 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.

#### §105.688 - Closing Records

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state section 105.688 of the proposed bill, if enacted, would allow an investment fiduciary to close records in connection with investments in or financial transactions with business entities to finalize investment opportunities. No fiscal impact.

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 would 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.

#### §§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.

Officials from **MoDOT & Patrol Employees' Retirement System** stated section 105.688 also excludes environmental, social, and governance (ESG) issues from consideration if consideration overrides the investment fiduciary's duty as otherwise defined in section 105.688. This section further states that the investment fiduciary shall not be subject to divestment legislation. No fiscal impact.

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 to further ESG is prohibited. The changes proposed in this bill would manage 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.

Officials from the **Kansas City Employees' Retirement** and the **Kansas City Police Retirement System** state the new provisions of section 105.688 RSMo. could prevent the Retirement Board from investing in funds that could add value to the plans. The Systems are 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 this proposal 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.

In response to a similar proposal, SCS for HCS for HB Nos. 44 & 426 (2025), officials from the **City of Kansas City** assumed Section 105.688 et seq. has a negative fiscal impact of an indeterminate amount.

**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.

#### §105.693 – Divestment of Certain Investments of Public Employee Retirement Systems

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. The proposal 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)** estimated 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.

#### §§169.450 & 169.490 – Board of Trustees & Employer Contributions - PSRSSTL

Officials from the **St. Louis Public School Retirement System (PSRSSTL)** state the proposal amends and replaces material language within Sections 169.450 and 169.490 of the Missouri Revised Statutes.

The System was created by the Missouri legislature in 1944 and is organized under Sections 169.410 to 169.540 of the Missouri Revised Statutes. The System provides pension benefits to all personnel employed by the St. Louis Public Schools and Charter Schools operating in the City of St. Louis, which currently number at 17. As of January 1, 2024, the System has 14,061 members, which consists of 5,000 active members, 4,226 retired members/beneficiaries, and 4,835 inactive members.

This proposal contains provisions that concern the Public School Retirement System of the City of St. Louis (“PSRSSTL” or “System”). This proposal changes portions of RSMo. 169.450 which increases the number of Board Trustees from 11 to 13. These two new Trustees would be appointed by the MO Public Charter School Association.

In reviewing the proposal, the System believes there is some financial impact. Trustees do not receive compensation, but administrative costs would increase slightly primarily due to the cost of additional postage for mailing materials to additional Trustees. Also, new Trustees are required to complete six hours of continuing education annually when first appointed and then two hours annually on an ongoing basis. This would mean an increase in travel expenses for these new Trustees to attend programs and be able to complete the required continuing education. Overall, travel costs would likely increase by about \$10,000 annually.

#### Changes to §169.490 in 2017 Materially Harmed the Financial Viability of the System

In 2017, the Missouri legislature passed Senate Bill 62, which amended § 169.490 to cap the rate of employer contributions paid to the System at 16% for 2018, and thereafter the employer contribution rate is set to decrease by 0.5% per year until 2032, when the contribution rate will be capped at only 9.0% of member compensation. Currently for calendar year 2025, the employer contribution rate is set by § 169.490 at 12.5%.

Thus, effective for calendar year 2018, the employer contribution rate is no longer set by the actuary as a part of the annual actuarial valuation. Instead, the employer contribution rate is set at an arbitrary number and that is decreasing at 0.5% per year until it bottoms out and is capped at 9.0% in 2032 and every year thereafter.

Additionally, SB 62 in 2017 also increased contributions coming out of the System, as it lowered the Normal Retirement Age from the Rule of 85 to the Rule of 80. Thus, at the same time that contributions were decreasing to the System, the required pay out of benefits were increasing out of the System. This combination of decreasing money in and increasing money out has materially affected the actuarial soundness of the System and its ability to provide the promised benefits to its members and beneficiaries.

While SB 62 in 2017 increased employee contributions from 5% to 9% for new members beginning in 2018 and the contribution for existing active members is increasing by 0.5% each year from 5% to 9% in 2025, this has not led to a financial benefit to the System. Instead, member contributions are treated as liabilities in Missouri as members can withdraw their contributions with interest upon termination of employment from a member school.

One of the most important factors for a well-funded pension plan is the System receiving the full actuarially required contribution necessary to fund the benefits promised to members. Not paying the actuarially required contribution in one year simply “kicks the bucket” to following years, thereby exacerbating any pension plan underfunding. As a result of the changes to § 169.490 in 2017, the actuarially required contribution has consistently not been paid to the

System and it has lost out on a total of \$32,291,192 in employer contributions alone between 2018 and 2022.

The System did not support SB 62 in 2017, and, in fact, actively opposed its passage at the time. Indeed, the concerns that the System raised at the time, namely that it would lose out on millions of dollars in funding and its funding ratio would suffer, have come true.

Thus, as a result of the changes to § 169.490 in 2017, the Market Value funding ratio of the System has decreased to 64.3% and the System has been placed on the Joint Committee on Public Employee Retirement's Watch List in 2023 and 2024. If the funding ratio of the System is already at 64.3%, and the employer contribution rate is set to decrease further in § 169.490 all the way down to 9% in 2032, then there is no telling the continued financial harm that the System will suffer, threatening its ability to provide the promised pension benefits to its members.

#### Goal to Preserve the Long-Term Financial Viability of the System While Stabilizing Employer Contribution Costs and Impact of HB 147

The System interprets the proposal as a means to preserving the long-term financial viability of the System to provide benefits to its members. The System's goal is to move the System toward an actuarial funding ratio of 100% with all due expediency. While a ratio of less than 100% is not necessarily a problem or crisis, the combination of a decreasing funded ratio and contributions falling short of the actuarial required contribution would, over time, threaten the plan's viability. In addition, the System is required to be at or close to 100% funded before the System may consider granting a cost-of-living increase to its retirees, who have gone without a COLA since 2006.

Indeed, if the status quo is maintained the System's retirees may go decades more without a COLA. Therefore, it is imperative that legislative action is taken, not only to preserve the financial standing of the System to provide existing benefits to its members, but so that it may be in a position to potentially provide COLAs to its members in the future.

This proposal looks to stabilize the System's funding by setting the employer contribution rate at a flat 14%. There is no language regarding an adjustment for required contributions based on an actuarially determined contribution rate.

#### Potential Impact of the Proposal

In reviewing the proposal, the System believes there would be significant positive financial impact and an important step taken toward improving the System's funding. With a 14% employer contribution, the funding ratio is projected to increase to over 70% by 2031 and over 80% by 2036. Assuming the System meets its annual 7% investment return, then the plan could be 100% funded by 2043. Under the current provisions, the System is not likely to be 100% funded at any point in the future.

Additionally, the System believes to ensure the retirement system is properly funded, that an actuary should conduct an annual actuarial valuation to analyze the employer contribution rate. While the increase in employer contribution rate from the proposal would have a positive impact on the System's funding, they believe the best approach is for legislation to include the actuarial valuation process as the recommended method to determine the appropriate PSRSSTL employer contribution rate at some point in the future. This could include caps on the employer contribution rate as well as limits to the amount that the contribution rate could increase or decrease annually.

The Public School Retirement System of the City of St. Louis is committed to engaging with stakeholders and the Missouri Legislature to seek ways to continue to improve the System's funding to ensure that it is successful in providing retirement benefits for years to come.

**Oversight** assumes these provisions will result in an increase in employer contribution rates for St. Louis Public Schools and Charter Schools beginning in FY 2026.

Officials from the **St. Louis Budget Division** did not respond to **Oversight's** request for fiscal impact for this proposal.

Responses regarding the proposed legislation as a whole

Officials from the **Joint Committee on Public Employee Retirement** state their 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 **University of Missouri System** have reviewed this proposed legislation and do not anticipate a significant financial impact.

Officials from the **City of Kansas City** state the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Public Schools and Education Employee Retirement Systems** state as currently drafted, this bill does not appear to have a fiscal and operational impact on PSRS and PEERS of Missouri, as it appears to be in line with the Systems' current practices.

Officials from the **Office of Administration, Office of the State Treasurer, McDonald County**, and the **Phelps County Sheriff** 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 **Office of the State Courts Administrator** state there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

**Oversight** notes OSCA assumes this proposal may have some impact on their organization although it can't be quantified at this time. As OSCA is unable to provide additional information regarding the potential impact, Oversight assumes the proposed legislation will have a \$0 to (Unknown) cost to the General Revenue Fund. For fiscal note purposes, Oversight also assumes the impact will be under \$250,000 annually. If this assumption is incorrect, this would alter the fiscal impact as presented in this fiscal note. If additional information is received, Oversight will review it to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE</b>			
<u>Costs</u> – OSCA – costs to implement p. 15	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> – DOC §57.956 – ITSD updates	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Costs</u> – §105.693 - Increase in employer contribution rates <b>if</b> additional divestment required	<u>\$0</u>	\$0 or (Unknown, could be substantial)	\$0 or (Unknown, could be substantial)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown, could be substantial)</u></b>	<b><u>\$0 or (Unknown, could be substantial)</u></b>
<b>DEPUTY SHERIFF SALARY SUPPLEMENTATION FUND</b>			
<u>Revenue Gain</u> - §57.280 – from increase in fees	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>ESTIMATED NET EFFECT ON DEPUTY SHERIFF SALARY SUPPLEMENTATION FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
<b>STATE ROAD FUND</b>			
<u>Costs</u> – increase in employer contribution rates <b>if</b> additional divestment required - §105.693	<u>\$0</u>	\$0 or (Unknown, could be substantial)	\$0 or (Unknown, could be substantial)
<b>ESTIMATED NET EFFECT ON STATE ROAD FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown, could be substantial)</u></b>	<b><u>\$0 or (Unknown, could be substantial)</u></b>
<b>VARIOUS OTHER STATE FUNDS</b>			
<u>Costs</u> – increase in employer contribution rates <b>if</b> additional divestment required - §105.693	<u>\$0</u>	\$0 or (Unknown, could be substantial)	\$0 or (Unknown, could be substantial)
<b>ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown, could be substantial)</u></b>	<b><u>\$0 or (Unknown, could be substantial)</u></b>
<b>FEDERAL FUNDS</b>			
<u>Costs</u> – increase in employer contribution rates <b>if</b> additional divestment required - §105.693	<u>\$0</u>	\$0 or (Unknown, could be substantial)	\$0 or (Unknown, could be substantial)
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Unknown, could be substantial)</u></b>	<b><u>\$0 or (Unknown, could be substantial)</u></b>



<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Gain</u> - \$57.280 for the Sheriffs' Retirement Fund - \$5 increase in the cost for service fee	Could exceed \$1,000,000	Could exceed \$1,000,000	Could exceed \$1,000,000
<u>Savings</u> – \$70.748 - potential decrease in employer contributions	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> – increase in employer contribution rates <b>if</b> additional divestment required - \$105.693	\$0	\$0 or (Unknown, could be substantial)	\$0 or (Unknown, could be substantial)
<u>Transfer In</u> – to the Sheriffs' Retirement Fund - \$57.956 per prisoner reimbursement transfer from the counties \$57.956	\$0	Could exceed \$2,250,000	Could exceed \$2,250,000
<u>Transfer Out</u> – from the Counties - \$1.75 per prisoner reimbursement transfer to the Sheriffs' Retirement Fund \$57.956	\$0	Could exceed (\$2,250,000)	Could exceed (\$2,250,000)
<u>Costs</u> – St. Louis Public Schools and Charter Schools - increase in employer contributions \$169.490	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Less than \$1,000,000</u></b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>

FISCAL IMPACT – Small Business

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

## FISCAL DESCRIPTION

SHERIFFS' RETIREMENT SYSTEM (Sections 57.280 to 57.967, 488.435 & the repeal of sections 57.955, 57.962, 483.088 & 488.024)

This bill provides that fees collected for service of process, which are not to exceed \$75,000, rather than \$50,000, in any year, will be held in a county fund to be expended at the sheriff's discretion for the furtherance of his or her duties. Any such funds in excess of \$75,000, rather than \$50,000, in any calendar year will be placed to the credit of the county's General Revenue Fund.

Currently, sheriffs receive a \$10 fee for service of any summons, writ, subpoena, or other court order and such moneys are deposited in the Deputy Sheriff Salary Supplementation Fund for the purpose to supplement the salaries and resulting employee benefits of county deputy sheriffs. This bill provides that the sheriff of any county of the first, second, or fourth classification or with a charter form of government will receive a \$20 fee for the service and sheriffs in third class counties will receive a \$15 fee for the service. The Missouri State Treasurer will deposit \$10 of the money received for any county of the first, second, or fourth classification in the Deputy Sheriff Salary Supplementation Fund, and \$10 of the moneys received in the Sheriffs' Retirement Fund. For moneys received for any county of the third classification, \$10 will be deposited in the Deputy Sheriff Salary Supplementation Fund and \$5 in the Sheriffs' Retirement Fund. Moneys collected from counties where the sheriff is not a member of the Sheriffs' Retirement System ("System") will be deposited in total in the Deputy Sheriff Salary Supplementation Fund.

Current law provides that the Board of the sheriffs' retirement System is required to proportion the benefits according to funds available if insufficient funds are generated to provide for the benefits that are payable. This bill repeals this provision.

This bill also clarifies provisions relating to the employer pickup under the Internal Revenue Code, which provides that a governmental entity can designate the contributions as employee contributions, but the employer pays the employee contribution to the system from the employee's salary. This bill authorizes the Department of Corrections to subtract and pay to the State Treasurer, from any per diem cost of incarceration that is received by a county with a sheriff that participates in the System, or from any per diem cost for jail reimbursement that is received by the county, an amount of \$1.75 per day per prisoner. The State Treasurer will deposit the moneys in the Sheriffs' Retirement Fund. If the System is funded at a 90% actuarially sound level and at a level above the actuarial needs of the System, then only \$1 per day, per prisoner, of the reimbursement will be deducted and deposited in the Sheriffs' Retirement Fund. The System will annually provide a copy of its actuarial report to the Department. This provision will go into effect on January 1, 2026. Finally, this bill repeals the provisions related to the assessment of a \$3 fee in criminal and civil cases that is payable to the System.

MISSOURI RETIREMENT SYSTEMS (Sections 70.630, 70.655, 70.680, 70.690, 70.745, 70.746, 70.747, 70.748 and 105.688)

This bill repeals the provision prohibiting membership in LAGERS for employees where continuous employment to the time of retirement eligibility will leave the employee with less than the minimum required number of years of credited service.

The bill provides that the cost of living adjustment for LAGERS must be a measure of the Consumer Price Index as determined by the U.S. Department of Labor and adopted by the Board of LAGERS, instead of the Consumer Price Index for Urban Wage Earners and Clerical Workers. In addition, the bill repeals references to obsolete statutory provisions.

If a member's membership terminates, any accumulated contributions unclaimed by the member within 10 years, instead of the current period of three years, must be transferred to the investment income-expense fund.

The bill provides that the Board of LAGERS can deliberate or make decisions on investments or other financial matters in a closed meeting if the disclosure of such deliberations or decisions would jeopardize the ability to implement a decision or to achieve investment objectives.

In addition, this bill repeals the provision providing that the investment counselor of the Board be registered as an investment advisor with the U.S. Securities and Exchange Commission.

Further, this bill repeals the limitation that no more than onetenth of the funds and moneys of the system be invested in real estate funds and real estate investment trusts.

The Board can establish and maintain a local government employee retirement systems of Missouri investment fund account in which investments of LAGERS can be placed and be available for investment purposes. For purposes of investing funds from the retirement system, the funds can be combined with funds of any retirement plan administered by LAGERS and any retirement plan established for providing benefits to employees of LAGERS, but the funds must be accounted for separately.

#### KANSAS CITY POLICE AGE LIMIT (Sections 84.540 and 84.570)

Currently, the Kansas City Board of Police Commissioners can authorize and provide for the organization of a police reserve force that consists of qualifying residents of the city, upon the recommendation of the Chief of Police. This bill provides that in the interest of efficiency and public safety, a person cannot serve as a member of the police reserve force following the last day of the month in which the person turns 65 years of age.

Further, in the interest of efficiency and public safety, law enforcement officers defined under federal law, will be separated from service on the last day of the month in which the employee becomes 65 years of age or reaches 35 years of creditable service under the Kansas City Police Retirement System, whichever occurs later.

#### POLICE PENSION RETIREMENT SYSTEM OF ST. LOUIS (Section 86.200)

This bill modifies the current definition of "earnable compensation" for the St. Louis Police Retirement System. The compensation must not include any funds received by a member through a judgment or settlement of a legal action if the funds are intended to retroactively compensate for a salary differential between the member's actual rank and the rank the member claims he or she should have received.

**THE FIREFIGHTERS' RETIREMENT SYSTEM OF ST. LOUIS CITY (Sections 87.140, 87.145, 87.155, 87.260, and 87.350)**

This bill specifies that the Board of Trustees of the Firefighter's Retirement System of St. Louis will not be prevented from simultaneously acting as the trustees of any other pension plan that provides retirement, disability, and death benefits for firefighters employed by St. Louis City and the firefighters' covered dependents.

The Board of Trustees can establish rules and regulations for the administration of the funds and for the transaction of such other pension plan's business. The Board of Aldermen can adopt ordinances to govern the pension of firefighters and their covered dependents in any other pension plan that is simultaneously administered by the Board of Trustees of the Retirement System.

The Board of Trustees must maintain separate records of all proceedings of such other pension plan.

Furthermore, this bill specifies that the Board of Trustees will have the authority and discretion to invest and reinvest funds of the other pension plan in property of any kind, real or personal. The Board of Trustees can choose to invest the funds of the Firefighter's Retirement System of St. Louis and the funds of the other pension plan in the same investments if the amounts invested and the gains, profits, or losses are accounted for separately.

No benefits due from the other pension plan will be paid from the funds of the Firefighter's Retirement System.

Additionally, this bill provides that no expenses incurred by the Board of Trustees in the administration of any other pension plan or in the investment of any other pension plan's funds will be paid by the funds of the Firefighter's Retirement System.

**PROXY VOTING AND FIDUCIARY INVESTMENT DUTIES FOR CERTAIN PUBLIC EMPLOYEE RETIREMENT AND PENSION SYSTEMS (Sections 105.688 and 105.692)**

Currently, an investment fiduciary has to discharge his or her duties relating to the investment, reinvestment, and management of the assets of the system for the participants, based upon certain specified standards. This bill includes additional standards and provides that the investment fiduciary:

- (1) Cannot be prohibited from closing records, as specified in the bill.
- (2) Cannot consider environmental, social, or governance characteristics in a manner that overrides his or her fiduciary duties.

(3) Cannot be subject to legislative, regulatory, or other mandates to invest with environmentally, socially, or other noneconomically motivated influence, unless they are consistent with the fiduciary's responsibilities under the system's governing statutes with respect to investments.

(4) Cannot subject to any legislative, regulatory, or other mandates for divestment from any indirect holdings in actively or passively managed investment funds or in private assets.

The bill provides that all shares of common stock must be voted solely to further the economic interest of the plan participants and prohibits voting to further noneconomic environmental, social, political, ideological, or other goals. The bill also specifies the methods for voting by proxy.

#### DIVESTMENT OF CERTAIN INVESTMENTS OF PUBLIC EMPLOYEE RETIREMENT SYSTEMS (Section 105.693)

After August 28, 2025, the public retirement and benefit systems must not knowingly invest in a restricted entity or a restricted investment product, as these terms are defined in the bill, to include certain Chinese persons and investments and those listed on the Specially Designated Nationals and Blocked Persons List published by the Office of Foreign Assets Control of the U.S. Department of the Treasury, and must divest any investment that the system has on behalf of a fund, defined in the bill.

Before December 1, 2025, and annually on or before December first of each subsequent year, the Board is required to make a good faith effort to identify all restricted entities and restricted investment products in which the system holds an investment. The bill sets forth the time period and the standards relating to the divestments in a restricted entity or a restricted investment product that the Board determines needs to be removed from the fund.

On or before December 31, 2025, and annually on or before December 31st of each subsequent year, the Board is required to submit a report to the General Assembly including the information that is specified in the bill.

The bill grants immunity from civil liability to the State and any political subdivision of the State; its officers, agents, and employees; and the board and employees of a system, for any act or omission related to the removal of an asset from a fund and indemnifies the system for all losses, costs, and expenses, as detailed in the bill. The divestment requirements included in the bill do not apply to private market funds or indirect holdings in actively managed investment funds, as indicated in the bill.

#### PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS – BOARD OF TRUSTEES (Section 169.450)

Currently, there are 11 members on the Board of Trustees of the Public School Retirement System of the City of St. Louis. This bill increases the Board membership by two members who are appointed for terms of four years by the Missouri Public Charter School Association and who have experience or qualifications relevant to public charter schools and Public School Retirement System of the City of St. Louis. At least one member must be a teacher.

RETIREMENT BENEFITS FOR CERTAIN TEACHER RETIREMENT SYSTEMS (Section 169.490) This bill removes the provision for the actuary for the retirement system to annually calculate each employer's contribution as an amount equal to a certain percentage of the total compensation of all members employed by that employer. This provision expired on December 31, 2017.

Currently, for calendar years after 2018, the percentage rate of employer contribution payable by the St. Louis Public School District that has established a retirement system for providing retirement benefits to the employees, decreases to one-half of one percent annually until calendar year 2032, when the rate of contribution payable equals nine percent of the total compensation of all members employed by that employer. For calendar years after 2032, the rate of contribution payable by each employer equals nine percent.

Under this bill, the percentage rate of contribution decreases onehalf of one percent annually until calendar year 2025 when the rate of contribution payable by each employer equals 12.5% of the total compensation of all members employed by that employer. For calendar year 2026 and each subsequent calendar year, the rate of contribution payable by each employer increases from 9% to 14% of the total compensation of all members employed by that employer.

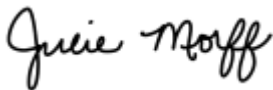
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Revenue  
Office of Administration - Budget and Planning  
Department of Public Safety – Director's Office  
Office of the State Treasurer  
Missouri State Employee's Retirement System (MOSERS)  
MoDOT & Patrol Employees' Retirement System  
Joint Committee on Public Employee Retirement (JCPER)  
County Employees' Retirement Fund (CERF)  
City of Kansas City  
City of O'Fallon  
City of Osceola  
City of St. Louis  
Employees Retirement System of the City of St. Louis  
Kansas City Civilian Police Employees' Retirement  
Kansas City Employees' Retirement  
Kansas City Firefighter's Pension System  
Kansas City Police Retirement System  
Kansas City Public School Retirement System  
Kansas City Supplemental Retirement Plan

June 23, 2025

Metro St. Louis Sewer District Employees Pension Plan  
Missouri Local Government Employees Retirement System (LAGERS)  
Northwest Missouri State University  
Public Schools and Education Employee Retirement Systems  
Rock Community Fire Protection District Retirement Plan  
Sheriffs' Retirement System  
St. Louis Employees Retirement System  
St. Louis Public School Retirement System  
University of Central Missouri  
University of Missouri System



Julie Morff  
Director  
June 23, 2025



Jessica Harris  
Assistant Director  
June 23, 2025