

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3100H.01I
Bill No.: HB 1526
Subject: Retirement Systems and Benefits - General; Retirement - State; Retirement - Local
Government; Courts, Juvenile; Courts; Employees - Employers
Type: Original
Date: April 2, 2025

Bill Summary: This proposal modifies provisions for retirement credited service.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY Unknown)
General Revenue*	\$0	\$0	\$0	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	\$0 to (Unknown)

***Oversight** notes there could be an unknown cost to General Revenue for an increase in employer contributions. Currently, neither System meets the required funding ratio to implement the provisions. Therefore, Oversight will show a potential cost for increased employer contributions beginning in an unknown future year. Oversight assumes the cost could exceed \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY Unknown)
State Road Fund*	\$0	\$0	\$0	\$0 to (Unknown)
Various Other State Funds*	\$0	\$0	\$0	\$0 to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0 to (Unknown)

***Oversight** notes there could be an unknown cost to the State Road Fund and Various Other State Funds for an increase in employer contributions. Currently, neither System meets the required funding ratio to implement the provisions. Therefore, Oversight will show a potential cost for increased employer contributions beginning in an unknown future year. Oversight assumes the cost 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	Fully Implemented (FY Unknown)
Federal Funds*	\$0	\$0	\$0	\$0 to (Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0 to (Unknown)

***Oversight** notes there could be an unknown cost to Federal Funds for an increase in employer contributions. Currently, neither System meets the required funding ratio to implement the provisions. Therefore, Oversight will show a potential cost for increased employer contributions beginning in an unknown future year. Oversight assumes the cost could exceed \$250,000.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY Unknown)
Total Estimated Net Effect on FTE	0	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	Fully Implemented (FY Unknown)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state according to actuarial information provided by the retirement system, this proposal would constitute a **“substantial proposed change”** in future plan benefits as defined in section 105.660(10). 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 **Missouri State Employee's Retirement System (MOSERS)** state the proposed changes to section 104.1091 RSMo, if enacted, would modify the normal retirement requirements for members of the Missouri State Employees' Plan 2011 (MSEP 2011). This legislation also proposes a change to section 211.393 RSMo regarding juvenile court employees' ability to receive creditable prior service in a MOSERS-administered plan.

104.1091

Currently, MSEP 2011 members meet normal retirement eligibility at age 67 with at least 5 years of service, or when the sum of the member's age and credited service equals at least 90 years with the member being at least 55 years old.

For purposes of this fiscal note response, MOSERS assumes that the intention is for the proposal to mirror certain MSEP 2000 provisions and apply them to current MSEP 2011 members, which MOSERS believes would more clearly be accomplished by adding a new subsection 13 to section 104.1091. For purposes of this fiscal note response, MOSERS has further assumed that, in addition to the proposed revisions to normal retirement eligibility, corresponding revisions to eligibility for early retirement and the temporary benefit would be made to MSEP 2011.

Based on these assumptions, the bill would allow MSEP 2011 members who terminate employment after August 31, 2025, to meet normal retirement eligibility when the member reaches at least age 62 (rather than 67) and completes 5 years of credited service, or when the sum of the member's age and credited service equals at least 80 (rather than 90) and the member is at least age 48 (rather than 55). The assumptions also provide that such members would be eligible for early retirement at age 57 with 5 years of credited service and would be eligible for a temporary benefit at age 48 when the sum of the member's age and credited service equals at least 80.

MOSERS estimates that the proposed changes to 104.1091 will have a fiscal impact and is consulting with its actuarial professionals based on the assumptions stated in this fiscal note response. In accordance with section 105.684.1 RSMo, MOSERS would be prohibited from

enacting the proposed changes until the plan reaches 80 percent funded. MOSERS was 55 percent funded as of June 30, 2024.

211.393

The proposed amendment to this section is limited in applicability to “juvenile court employees including detention personnel hired in 1998 in those multicounty circuits who began actual construction on detention facilities in 1996, employed in a multicounty circuit on or after July 1, 1999.” See section 211.393.3(1) RSMo.

MOSERS is unable to ascertain what operational or fiscal impact the amendment would have or what substantive change it intends. Upon receiving clarification regarding the proposed amendment’s intended effect and to whom it would apply, MOSERS would be able to provide an estimated fiscal impact. Without clarification, MOSERS cannot provide an estimated fiscal impact at this time.

Officials from the **MoDOT & Patrol Employees’ Retirement System (MPERS)** state the bill, if enacted, would modify provisions related to MPERS’ 2011 Tier retirement eligibility. Based on the changes made to Section 104.1091, the legislation is proposing to change the rule of 90 to the rule of 80 for 2011 Tier members. Such a change would provide an opportunity for active employees to retire when the member’s age and service equals 80, rather than 90, which is the currently statutory provision. Members of the Closed Plan and the Year 2000 Plan have the rule of 80.

As the bill is written, they would be unable to implement the changes on a technical basis because the changes made at the beginning of the statute are not fully incorporated into later subsections of the statute, presenting impossible outcomes.

If this bill were to pass, Section 105.684 would prevent MPERS from enacting the legislation. Section 105.684 provides that unless a system is 80% funded, “no plan shall adopt or implement any additional benefit increases, supplement, enhancement, etc.,” MPERS is currently 70% funded.

Section 211.393 does not apply to MPERS.

The fiscal impact of this legislation is indeterminable at this time, due to technical problems with the bill. There is expected to be a significant and material cost associated with this bill, adding many millions to the system’s unfunded liability and possibly reducing the funded status. MPERS could not request a supplemental actuarial valuation due to the aforementioned technical problems with the bill.

Oversight notes the following historical funding ratios:

	MOSERS	MPERS
2024	55.3%	70.6%
2023	57.6%	69.0%
2022	57.7%	66.3%
2021	59.0%	62.4%
2020	61.1%	60.6%
2019	62.9%	59.8%
2018	64.9%	57.1%
2017	67.5%	57.1%
2016	69.6%	55.5%
2015	75.0%	52.9%

Source: MOSERS & MPERS Annual Comprehensive Financial Reports

Oversight notes there could be an unknown cost to General Revenue, the State Road Fund, Various Other State Funds and Federal Funds if this proposal is implemented. Currently, neither System meets the required funding ratio to implement the provisions. Therefore, Oversight will show a potential cost for increased employer contributions beginning in an unknown future year. Oversight assumes the cost could exceed \$250,000.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY Unknown)
GENERAL REVENUE				
<u>Costs</u> – increase in employer contribution rates if implemented - §104.1091	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)
STATE ROAD FUND				
<u>Costs</u> – increase in employer contribution rates if implemented - §104.1091	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY Unknown)
VARIOUS OTHER STATE FUNDS				
<u>Costs</u> – increase in employer contribution rates if implemented - §104.1091	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)
ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>
FEDERAL FUNDS				
<u>Costs</u> – increase in employer contribution rates if implemented - §104.1091	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0 or (Unknown)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY Unknown)
	<u>\$0</u>	<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, for the Year 2000 plan, which is a benefit plan created under Sections 104.1003 to 104.1093, a member's normal retirement eligibility is a member's age of at least 67 and the completion of at least 10 years of credited service, or the member's age of at least 55 with the sum of the member's age and credited service equaling 90. This bill changes the retirement eligibility to a member's age of at least 62 and the completion of at least 10 years of credited service, or the member's age of at least 48 years with the sum of the member's age and credited service equaling 80.

Currently, a juvenile court employee in a multicounty circuit receives creditable service as a juvenile court employee in a position that was financed in whole or part by a public or private grant to the extent, they have not already received credit for such service in a county retirement plan, with certain exceptions. Under the bill, a juvenile court employee in a multicounty circuit receives creditable prior service as a juvenile court employee in a multicounty circuit in a position that was financed in whole or part by a public or private grant or was not eligible and offered participation in a county retirement plan within their circuit and therefore has not already received credit for such service in a county retirement plan, with certain exceptions.

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

SOURCES OF INFORMATION

Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Joint Committee on Public Employee Retirement



Julie Morff
Director
April 2, 2025



Jessica Harris
Assistant Director
April 2, 2025