

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5025H.011
 Bill No.: HB 1655
 Subject: Retirement - State; Retirement Systems and Benefits - General; Employees - Employers
 Type: Original
 Date: January 15, 2026

Bill Summary: This proposal modifies provisions relating to public employee retirement benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0	\$0 or Unknown	\$0 or Unknown

*Based on a review of various scenarios and actuarial outcomes for the lump sum payment option, Oversight assumes the impact from this proposal could exceed \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Various Other State Funds*	\$0	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on Other State Funds	\$0	\$0 or Unknown	\$0 or Unknown

*Based on a review of various scenarios and actuarial outcomes for the lump sum payment option, Oversight assumes the impact from this proposal could exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Federal Funds*	\$0	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0 or Unknown	\$0 or Unknown

*Based on a review of various scenarios and actuarial outcomes for the lump sum payment option, Oversight assumes the impact from this proposal could exceed \$250,000.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§104.200, 104.490, 104.1060, 104.1092, & 105.695 - Public Employee Retirement Benefits

§§104.490 and 104.1060 – Overpayments

Officials from the **MoDOT & Patrol Employees' Retirement System (MPERS)** state the bill, if enacted, would modify provisions governing how retirement systems recover overpayments per sections 104.200 and 104.1060. These changes provide that, if an overpayment must be recovered from a member, it may be recovered either as a single sum, in installment payments, or as an actuarial equivalent. No fiscal impact for this change.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume the proposed legislation would amend sections 104.490 and 104.1060 RSMo to allow additional options for the correction of payment errors. The proposed changes to these sections would allow MOSERS to accept a single sum or installment repayment to recover benefit overpayments. Currently, in the case of overpayment or underpayment, this section requires MOSERS to correct the error by actuarially adjusting future payments to the extent practicable. The proposed changes are consistent with federal tax law governing public pension plans and payment correction.

The change to sections 104.490 and 104.1060 would have no fiscal impact. There are so few overpayment or underpayment corrections at any given time and the amounts of such corrections are insignificant when taking into account the funding of the System, any related cost or savings from the use of one method over another would be immaterial.

Officials from the **County Employees' Retirement Fund (CERF)** assume the proposal will have no fiscal impact on their organization.

§104.1092 – Lump Sum Payment Option

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state section 104.1092.2 is modified to provide a payment option in lieu of retirement annuity benefits if the board of either system elects to exercise it. Previously, this option had been a one-time offering in 2018, but this modification provides for a “permanent” payment option beginning in January 2026. This payment option would be available to those members who are vested but no longer employed by a system sponsor and have not yet reached normal retirement eligibility.

A best-case scenario is paying out a small percentage of the eligible recipients at 50% of the present value, which provides for a cost savings to the plan. If they pay out 100% of the benefit's present value for 100% of the individuals eligible to receive it, the plan would see a small increase to contributions, approximately less than a percent for the first few years, then slightly

more than one percent in the following years. Based on past experience with buyouts, it is extremely unlikely that 100% of those eligible to elect the buyout would actually do so.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume this bill also amends section 104.1092 RSMo to authorize the MOSERS Board of Trustees to offer an annuity buyout. The proposed change would authorize the MOSERS Board of Trustees to offer members a one-time election to receive a lump sum payment equal to a certain percentage of the present value of the member's deferred annuity in lieu of receiving retirement annuity benefits. MSEP and MSEP 2000 members who have terminated employment, are entitled to an annuity from the system, and have not reached normal retirement age or eligibility would be eligible for any buyout authorized by the Board under this section.

MOSERS assumes the proposed change to section 104.1092 could have no fiscal impact or a net positive fiscal impact to the System. The Board would be authorized to implement an annuity buyout if desired but is not required to do so. If the Board chose not to implement an annuity buyout, then there would be no fiscal impact.

If the Board decided to offer an annuity buyout, it would concurrently set the percentage of present value of future benefits to calculate the lump sum payment. MOSERS's actuaries currently value a terminated vested member's full present value of future benefits (PVFB). If the Board were to determine the buyout percentage to be 100% of the member's PVFB, there would be no fiscal impact to the System. If the Board determined a percentage less than 100% of PVFB, there would be a reduction in the unfunded actuarial accrued liability for each member who elected the one-time lump sum payment, resulting in a net positive fiscal impact to the System.

The MOSERS Board previously implemented an annuity buyout program with a buyout percentage of 60% of PVFB. The initial buyout was offered from October 1 through November 30, 2017, and it offered a second chance buyout in May 2018. The buyouts together eliminated \$41 million in total net liability.

Oversight assumes this proposal authorizes the Board of either system to establish a lump sum payment option. Oversight assumes the ultimate impact is unknown depending on how the Board structures the payment option and the number of participants. Oversight assumes 100% participation paid at 100% of the present value of future benefits is an unlikely outcome. For purposes of this fiscal note, Oversight assumes there could be a positive net gain to employer contributions if either system established a lump sum payment option. Based on a review of various scenarios and actuarial outcomes, Oversight assumes the impact from this proposal could exceed \$250,000.

Officials from the **County Employees' Retirement Fund (CERF)** assume the proposal will have no fiscal impact on their organization.

Section 105.695 – Prohibition on Expenditures

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state Section 105.695 is a new section that will prevent the contribution or expenditure of system funds to advocate, support, or oppose the passage or defeat of a ballot measure. This will not impact MPERS, as it is not authorized in the governing statutes to make such contributions or expenditures. No fiscal impact.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** state this new section 105.695 would prohibit the contribution or expenditure of system funds for ballot measures or candidates and prohibit the use of said funds from paying any debts or obligations or any committee supporting or opposing ballot measures or candidates. MOSERS's governance manual prohibits such contributions or expenditures. The prohibition of using system funds to advocate, support, or oppose ballot measures or candidates in section 105.695 would have no fiscal impact.

Officials from the **Kansas City Civilian Police Employees' Retirement** and the **Kansas City Police Retirement System** state the proposed language of Section 105.695 could materially impact public pension systems in Missouri, including KCPERS, in several key ways listed below:

1. Restrictions on Advocacy for Policy Changes

Public pension systems often play a critical role in advocating for legislative or policy changes that directly affect their operations, funding, and the benefits provided to members. This provision may prevent systems from using funds to advocate for necessary reforms or measures that ensure the system's sustainability, such as funding increases or structural adjustments. If a ballot measure proposed reductions to employer contributions, the inability to advocate against such a measure could leave the system vulnerable to underfunding and jeopardize its actuarial soundness.

2. Inhibition of Stakeholder Education

Educating stakeholders, including members, retirees, and the public, about ballot measures or legislative proposals that impact the retirement system could be interpreted as advocacy. This restriction could limit the system's ability to ensure informed decision-making by those directly affected. A ballot initiative aiming to reduce or eliminate defined benefit plans might move forward without the system being able to clarify the long-term fiscal and economic consequences of such a change.

3. Operational Risks

The prohibition against using system funds for debts or obligations of committees could create ambiguity about permissible activities, including hiring consultants, actuaries, or legal advisors to analyze or challenge legislation or ballot measures with significant implications for the

system. If a measure impacting the system's funding model passes, the system may face challenges in engaging external resources to address resulting compliance or legal issues.

4. Potential for Legal Disputes

The broad language of "advocate, support, or oppose" introduces interpretive challenges, potentially leading to legal disputes over whether specific actions, communications, or expenditures violate the statute. Issuing a report to clarify the financial impact of a proposed ballot measure could be construed as advocacy, prompting litigation or penalties that drain system resources.

5. Erosion of Member and Retiree Interests

Retirement systems are fiduciaries responsible for acting in the best interests of their members and retirees. Restrictions on advocating for or against measures that materially affect the system undermine this fiduciary duty. They may result in adverse outcomes for members, such as reduced benefits or increased contributions. The system may be unable to oppose a ballot initiative that shifts additional costs to employees or retirees, leading to financial hardship for members.

Section 105.695 significantly limits the ability of public pension systems to proactively protect their interests, respond to issues, and ensure their long-term sustainability. By restricting advocacy and educational efforts, this provision creates a material risk to the financial health and operational integrity of systems like KCPERS, as well as the security of the benefits promised to members and retirees. Clarifying the permissible scope of activities or providing exceptions for advocacy directly related to system sustainability and member benefits is essential to mitigate these risks.

Officials from the **County Employees' Retirement Fund (CERF)** assume the proposal will have no fiscal impact on their organization. The County Employees' Retirement Fund Board of Directors has made no contributions or expenditures, as described in proposed statute 105.695, from system funds. The Board has adopted a governance policy that prohibits the activities described in subsection 1 of proposed statute 105.695.

Based on the majority of responses, **Oversight** assumes this provision would not have a material direct fiscal impact. Oversight assumes the potential negative impact as estimated by the Kansas City Civilian Police Employees' Retirement and the Kansas City Police Retirement System is speculative and, for purposes of this fiscal note, will not reflect the impact in the fiscal note.

Responses regarding the proposed legislation as a whole:

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

Officials from the **University of Missouri System** have reviewed this proposed legislation and notes it does not anticipate a significant financial impact.

Officials from the **Missouri State University, Northwest Missouri State University, University of Central Missouri, Metro St. Louis Sewer District Employees Pension Plan, Public Education Employees’ Retirement System (PSRS/PEERS), City of Kansas City, and the Sheriff’s Retirement 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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Savings</u> – (\$104.1092) From a decrease in employer contributions from a lump sum payout p.3-4	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
OTHER STATE FUNDS			
<u>Savings</u> – (\$104.1092) From a decrease in employer contributions from a lump sum payout p.3-4	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
FEDERAL FUNDS			
<u>Savings</u> – (\$104.1092) From a decrease in employer contributions from a lump sum payout p.3-4	\$0	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill authorizes a methodology for the board of trustees of the Missouri State Employees' Retirement System to recover any over payments made to a beneficiary in error, either in a single sum or in installment repayments. Under current law, the board's recovery of the over payments made to a beneficiary is permissive.

The bill reinstates the time period for a member to make an election to receive a lump sum payment of the member's deferred annuity in lieu of retirement annuity benefits, under the closed plan or year 2000 plan, to on or after January 1, 2027. Under current law, the election can be made by the member beginning on a date established by the board under such plan, but not after May 31, 2018.

The bill prohibits the contribution or expenditure of system funds by any public pension system to advocate, support, or oppose the passage or defeat of any ballot measure or the nomination or election of any candidate for public office. In addition, the system funds cannot be used to pay any debts or obligations of any committee supporting or opposing ballot measures or candidates. The bill includes a definition for the term "system".

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

MoDOT & Patrol Employees' Retirement System
Missouri State Employee's Retirement System
County Employees Retirement Fund
Kansas City Civilian Police Employees' Retirement
Kansas City Police Retirement System
Metro St. Louis Sewer District Employees Pension Plan
Public Schools and Education Employee Retirement Systems
Sheriff's Retirement System
University of Missouri
Missouri State University
Northwest Missouri State University
University of Central Missouri
Joint Committee on Public Employee Retirement



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