

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0457-01
Bill No.: SB 62
Subject: Education, Higher; Retirement - State; Retirement - Schools
Type: Original
Date: January 17, 2017

Bill Summary: This proposal changes the employer contribution for the College or University Retirement Plan and requires employees to contribute to the plan.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Colleges and Universities Fund	\$0	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume the proposed legislation would, if enacted, modify the employer contribution rate for the College and University Retirement Plan (CURP), which is a defined contribution plan administered by MOSERS for professors and administrators holding faculty rank at state colleges and universities (referred to by law as "outside employees"). As proposed, the employer contribution rate would be modified to a fixed 5.5% of payroll from the current rate of 1% of payroll less than the normal cost contribution rate of the defined benefit plan. In addition, the proposal would require employees to contribute 2% of payroll to the CURP. A provision of federal law is also referenced to allow the institutions to "pick-up" or treat certain contributions as employer contributions under the Internal Revenue Code in order to allow employee contributions to be made on a pre-tax basis. This proposal has an effective date of July 1, 2018.

Established in 2001 under Senate Bill 371, the CURP became effective July 1, 2002 for new employees holding a faculty rank within the state colleges & universities (excluding the University of Missouri). As of June 30, 2016, CURP covered approximately 2,600 participants with an average account balance of \$26,461.

The chart below outlines the employer contribution rate to the CURP since its inception as well as the associated MOSERS annual normal cost. As depicted, the MOSERS annual normal cost has steadily decreased since the implementation of the MSEP 2011 new tier* and thereby resulting in a reduced CURP contribution rate.

ASSUMPTION (continued)

It is important to note that employees do not currently contribute to CURP.

Fiscal Year	MOSERS Normal Cost Rate	Resulting CURP Contribution Rate
FY 02/03	8.22%	7.22%
FY 03/04	8.47%	7.47%
FY 04/05	8.57%	7.57%
FY 05/06	8.81%	7.81%
FY 06/07	8.84%	7.84%
FY 07/08	8.87%	7.87%
FY 08/09	8.88%	7.88%
FY 09/10	8.71%	7.71%
FY 10/11	8.77%	7.77%
FY 11/12*	7.92%	6.92%
FY 12/13*	7.80%	6.80%
FY 13/14*	7.38%	6.38%
FY 14/15*	7.16%	6.16%
FY 15/16*	6.89%	5.89%
FY 16/17*	6.67%	5.67%
FY 17/18^	7.19%	6.19%

^ MOSERS Board adopted actuarial assumptions resulted in an increase in the normal cost rate.

The provisions of this proposal would not have a fiscal impact on MOSERS.

Officials from the **Joint Committee on Public Employee Retirement** state that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

Officials from the **University of Missouri** assumes this legislation would have a financial impact of less than \$100,000.

Oversight assumes there are no employees under the CURP currently employed at the University of Missouri; therefore, Oversight will not reflect a financial impact to the University of Missouri.

ASSUMPTION (continued)

Officials from the **Missouri Southern State University (MSSU)** do not anticipate a significant fiscal impact since the proposed employer funding percentage of 5.5% does not vary significantly from the current funding percentage. The proposed uncoupling of the CURP funding formula from the MOSERS "normal cost contribution" component and establishment of a fixed rate would eliminate the downward trend in the CURP funding percentage that has been noted in recent years.

Officials from the **Missouri State University** assume this proposal would result in a positive unknown fiscal impact.

Officials from the **Truman State University** assume this proposal would result in a minimal positive fiscal impact.

Officials from the **University of Central Missouri** assume a potential savings of \$1.9 million to the University as a result of this proposal.

Officials from the **Northwest Missouri State University** and the **State Technical College of Missouri** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight will reflect a positive unknown savings to Colleges and Universities as this legislation would modify the employer contribution rate to a fixed 5.5% of payroll from the current rate of 1% of payroll less than the normal cost contribution rate of the defined benefit plan. In addition, the proposal would require employees to contribute 2% of payroll to the CURP. Savings would be based on the number of faculty employed under the College and Universities Retirement Plan starting in FY 2019.

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019	FY 2020
COLLEGES AND UNIVERSITIES FUND			
<u>Savings - Contribution Rate Change</u>	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON THE COLLEGES AND UNIVERSITIES FUND	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019	FY 2020
	<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

This proposal provides that the retirement plan for employees of certain higher education institutions shall contribute five and a half percent of payroll to the plan, rather than the current one percent of payroll less than the normal cost contribution rate established for employees of institutions other than outside employees, and that employees shall contribute two percent of pay.

The effective date of this act is July 1, 2018.

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
Joint Committee on Public Retirement
Northwest Missouri State University
State Technical College of Missouri
Missouri Southern State University
Missouri State University
Truman State University
University of Central Missouri



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January 17, 2017

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January 17, 2017