

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4672-01
Bill No.: HB 1999
Subject: Retirement Systems and Benefits - General; Retirement - State; Employees - Employers
Type: Original
Date: January 27, 2020

Bill Summary: This proposal modifies provisions relating to retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from **Joint Committee on Public Employee Retirement** (JCPER) assume this proposal has no direct fiscal impact to the Joint Committee on Public Employee Retirement. Upon review of this proposal, the JCPER assumes that the majority of the changes in the bill consist of clarifying existing practice in statutes, and reorganizing statutory provisions, and repealing of obsolete provisions. The JCPER's review of this legislation would indicate such provisions would not create a "substantial proposed change" in future plan benefits as defined in Section 105.660(10).

Current Status of MOSERS:

As of June 30, 2019 Funded Ratio

Market Value of Assets:	\$7,916,465,279	56.7%
Actuarial Value of Assets:	\$8,782,383,977	62.9%
Liabilities:	\$13,957,626,309	

Covered Payroll as of June 30, 2019: \$1,930,764,635

Recommended Contribution Rate for FY 2021: 22.88% of payroll. Estimated dollar amount is approximately \$471 million. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to MOSERS.

Current Status of MPERS:

As of June 30, 2019 Funded Ratio

Market Value of Assets:	\$2,423,261,830	60.0%
Actuarial Value of Assets:	\$2,415,343,431	59.8%
Liabilities:	\$4,037,369,708	

Active Employee Payroll as of June 30, 2019: \$359,296,056

Recommended Contribution Rate for FY 2021: 58% of payroll. Projected dollar amount is \$221,082,767. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to MPERS.

ASSUMPTION (continued)

Current Status of the Judicial Retirement System as June 30, 2019:

		Funded Ratio
Market Value of Assets:	\$158,332,990	25.6%
Actuarial Value of Assets:	\$172,224,529	27.9%
Liabilities:	\$617,482,705	

Active Employee Payroll as of June 30, 2019: \$60,380,734

Recommended Contribution Rate for FY 2021: 63.38% of payroll. Estimated dollar amount is approximately \$40.3 million. Each person who first becomes a judge on or after January 1, 2011 contributes 4% of compensation to the Judicial Retirement System.

Officials from **Missouri State Employees' Retirement System (MOSERS)** assume the proposal will have no fiscal impact on their organization. The proposed legislation will provide clarification relative to several statutory provisions related to the retirement systems, Missouri State Employees' Retirement System (MOSERS) and the Missouri Department of Transportation and Patrol Employees' Retirement System (MPERS). Most of these changes are minor modifications and clarifications of the retirement plans that are administrative in nature and intended to clarify and/or eliminate inconsistencies in the law.

There are a couple of proposed provisions that relate solely to MOSERS. First, the amount of service credit a member of the General Assembly or Statewide Elected Official can accrue while on long-term disability will be limited. This modification is to reflect the application of term limits and could result in a de minimis savings to the long-term disability plan. Second, the interest associated with employee contributions within the Judicial 2011 plan is reduced from a fixed 4% to the 52-week Treasury bill rate (currently, about 1.5%). This modification mirrors changes made to the General Employee plan under MOSERS in 2012 (SB 625).

Officials from the **Missouri Department of Transportation & Highway Patrol Employees' Retirement System (MPERS)** assume the proposal will have no fiscal impact on their organization. The proposed bill, if enacted, is intended to cleanup a number of statutes related to the retirement systems, MoDOT and Patrol Employees' Retirement System (MPERS) and Missouri State Employees' Retirement System (MOSERS). In large part, the statutes either correct errors (e.g., missing subsections, incorrect cross-references, delete obsolete sections, etc.) or clarify vague or unclear procedures, thereby improving the efficiency of the administration of benefits.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning**, the **Missouri Department of Transportation**, the **Office of the State Courts Administrator**, the **Office of the State Auditor**, the **Office of the Attorney General**, the **Missouri Senate**, the **Missouri House of Representatives**, the **Office of the Lieutenant Governor**, the **Office of the Secretary of State** and the **Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from **Department of Public Safety** defer to MPERS for impact.

Oversight notes that the responding agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<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

The proposed legislation appears to have no direct fiscal impact.

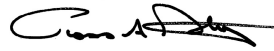
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Missouri State Employees' Retirement System
Missouri Department of Transportation & Highway Patrol Employees' Retirement System
Office of Administration - Budget and Planning
Missouri Department of Transportation
Office of the State Courts Administrator
Office of the State Auditor
Office of the Attorney General
Missouri Senate
Missouri House of Representatives
Office of the Lieutenant Governor
Office of the Secretary of State
Office of the State Treasurer



Julie Morff
Director
January 27, 2020



Ross Strobe
Assistant Director
January 27, 2020