

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0322-01
Bill No.: SB 118
Subject: State Employees; Retirement - State
Type: Original
Date: January 17, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various State Funds - MOSERS		(\$184,421)	(\$184,421)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$184,421)	(\$184,421)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Departments of Agriculture, Elementary & Secondary Education, Revenue, Health, Social Services, Insurance, and Public Safety (Including the Missouri Highway Patrol)** assume the proposal would have minimal or no fiscal impact on their agencies.

Officials with the **Department of Corrections (DOC) and Department of Natural Resources (DNR)** noted in very similar legislation that the proposal would have no fiscal impact on their agencies. Therefore, **Oversight** assumes that this proposal would pose no fiscal impact to DOC and DNR.

The **Joint Committee on Public Employee Retirement** indicates that this legislation does not represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5), and, as such, an actuarial cost statement is not required.

The **Office of Administration (OA)** notes that the Missouri State Employees Retirement System will determine any possible cost through an actuarial report in the rate it certifies to OA.

Officials with the **State Highway Employees and Patrol Retirement System (HRS)** assume an

ASSUMPTION (continued)

additional 10 employees covered under their system would be eligible for retirement before age 50 as a result of the legislation (6 MoDOT and 4 non-uniformed patrol). HRS determines that any fiscal impact as a result of the proposal would be negligible.

The **Missouri State Employees Retirement System (MOSERS)** assumes the proposal will lower the minimum age for retirement under the “Rule of 80” from age 50 to age 48. MOSERS obtained an actuarial valuation for this proposal. According to the valuation, an annual increase in contributions of \$184,421 will be required to fund the benefit in the first year after the benefit change. The contribution rate (as a percentage of payroll) will increase by 0.01%.

Officials from the **Missouri Consolidated Health Care Plan** assume the proposal would have no fiscal impact on their plan.

Officials with the **Department of Conservation (MDC)**, assume the proposal appears to have a fiscal impact on MDC funds that would not exceed \$100,000 annually. However, on similar legislation during the 2001 Legislative Session, the MDC assumed the proposal had no fiscal impact on their agency. **Oversight** assumes that the MDC possesses sufficient funding from its budget to absorb these costs.

Officials with the **Department of Transportation (MoDOT)** assume the proposal would affect 5 MoDOT employees. By allowing these individuals to retire earlier than originally expected, the retirement system will have an increased cash payout. The amount is unknown, but may not be enough to trigger a contribution rate increase. MoDOT therefore assumes no fiscal impact.

Officials with the **Department of Mental Health (DMH)** assume the redistribution of job tasks would flow naturally to those next closest to the projects/tasks affected by the retirement related departures. Replacement of FTE would not necessarily occur in every instance. Some internal promotions and a natural handing down of duties would result. However, DMH officials note that the proposal would have no fiscal impact on their agency.

The **Department of Economic Development (DED)** issued a statement indicating that the proposal results in the same fiscal impact as that stated in response to a proposal from the 2001 session. DED stated it cannot determine the possible fiscal impact due to the proposal, as it is uncertain how many of its employees would qualify for retirement before age 50. **Oversight** assumes any fiscal impact on the Department would be minimal.

ASSUMPTION (continued)

The **Department of Labor and Industrial Relations (DOLIR)** notes that there will still be an 80 and out clause, regardless of the change from 50 to 48 in retirement age. Therefore, an individual would have to start at 16 and work for the state for 32 years to be eligible. At that point, it would only impact the state, if they retired then. Only three employees qualify; so if they used this avenue, the dollar amount would be very small. Earlier annual leave payouts would offset longer retirement amounts paid in later years.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
Costs - MOSERS			
Increased Contributions	<u>\$0</u>	<u>(\$184,421)</u>	<u>(\$184,421)</u>
	<u>\$0</u>	<u>(\$184,421)</u>	<u>(\$184,421)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<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.

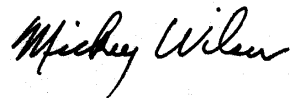
DESCRIPTION

This bill lowers the normal retirement eligibility age from 50 to 48 under the "rule of 80" for the Missouri Employees' Retirement System, both the existing plan and the Year 2000 Plan

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
Office of Administration
Missouri State Employees Retirement System
State Highway Employees and Patrol Retirement System
Missouri Consolidated Health Care Plan
Department of Agriculture
Department of Elementary & Secondary Education
Department of Revenue
Department of Health and Senior Services
Department of Social Services
Department of Conservation
Department of Insurance
Department of Mental Health
Department of Transportation
Department of Public Safety
Department of Economic Development
Department of Labor and Industrial Relations
Department of Corrections
Department of Natural Resources



Mickey Wilson, CPA
Director
January 17, 2003