

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0950-01
Bill No.: SB 375
Subject: Retirement - State; Veterans
Type: Original
Date: March 8, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$0	(\$2,818,846)	(\$2,818,846)
Total Estimated Net Effect on General Revenue Fund*	\$0	(\$2,818,846)	(\$2,818,846)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Highway Fund	\$0	(\$816,000 to \$1,668,000)	(\$816,000 to \$1,668,000)
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	(\$816,000 to \$1,668,000)	(\$816,000 to \$1,668,000)

***This proposal will increase the Missouri State Employees Retirement System Unfunded Actuarial Accrued Liability (UAAL) and the Highway Employees and Patrol Employees Retirement System (UAAL).**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Labor and Industrial Relations** assume no fiscal impact to their agency.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

The proposal does not create a “substantial proposed change” as defined in 105.660 RSMo. The provisions affecting the Missouri State Employees Retirement System included in this proposal would increase the employer contributions to MOSERS by \$2,818,846 annually. There is no prior experience to associate with this proposal. Assumptions are used due to the lack of data regarding member’s prior military service..

Officials from the **Missouri State Employees Retirement System** assume this proposal would allow any member who has been employed in a position covered by the system for at least ten or more years and has received credited service for such employment in the MSEP 2000 to receive

ASSUMPTION (continued)

additional credited service for all years of the member's military service provided that the member was discharged under honorable conditions.

Based upon the annual payroll for the June 30, 2004 valuation projected forwarded two years, the increase in total contribution would be approximately \$2.8 million in the first year after the benefit change. Due to the methodology used to determine these results, the level cost could be as low as .1% or as high as .2% of payroll.

Officials with the **Department of Transportation (MoDOT)** assume this proposal pertains to credited service for other employment being transferred to a member's credited service under the Year 2000 Plan. The proposal does not require members to purchase this service, i.e., this service is transferred cost-free to the members. Members aren't limited to a set number of years but may transfer all years of military service.

To the extent the free transfer of a significant amount of military service would require the contribution rate to increase, MoDOT would be fiscally impacted by this proposal. It is difficult to determine MoDOT's fiscal impact but it is expected to be greater than \$100,000.

Oversight will use the assumptions provided by the Highway Employees and Patrol Retirement System.

Officials with the **Highway Employees and Patrol Retirement System** assume the average cost of all purchases during 2000 - 20004 was \$394,674. During this period, 54 purchases occurred. The anticipated new purchases could range from 104 - 216. The impact on MoDOT and the Patrol could range from .24% to .48%. This translates into a cost range of:

MoDOT

Payroll of \$260 million
@.24% = \$ 624,000
@ .48% = \$1,248,000

Civilian Patrol

Payroll of \$34 million
@ .24% = \$ 81,600
@ .48% = \$163,200

ASSUMPTION (continued)

Uniformed Patrol
 Payroll of \$46 million
 @ .24% = \$110,400
 @ .48% = \$220,800

Therefore, annual costs could range :

MoDOT: \$624,000 to \$1,248,000
 Patrol: \$192,000 to \$384,000

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Contribution</u> to MOSERS	<u>\$0</u>	<u>(\$2,818,846)</u>	<u>(\$2,818,846)</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE*	<u>\$0</u>	<u>(\$2,818,846)</u>	<u>(\$2,818,846)</u>
HIGHWAY FUND			
<u>Contribution</u> to HEPRS	<u>\$0</u>	<u>(\$816,000 to \$1,668,000)</u>	<u>(\$816,000 to \$1,668,000)</u>
TOTAL ESTIMATED NET EFFECT ON HIGHWAY FUND*	<u>\$0</u>	<u>(\$816,000 to \$1,668,000)</u>	<u>(\$816,000 to \$1,668,000)</u>

***This proposal will increase the Missouri State Employees Retirement System Unfunded Actuarial Accrued Liability (UAAL) and the Highway Employees and Patrol Employees Retirement System (UAAL).**

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

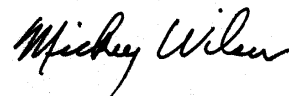
DESCRIPTION

Under the provisions of this act, when determining a person's MOSERS retirement benefit, a state worker with ten years of service under MOSERS will also be credited for all of the years that person served in the military.

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
Department of Labor
Department of Transportation
Highway Employees and Patrol Retirement System



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Director
March 8, 2005

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