

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3825-04
Bill No.: Perfected HCS for HB 1306
Subject: Retirement - State; Retirement Systems and Benefits - General; State Employees
Type: Original
Date: March 13, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
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 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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).

Officials from the **Transportation and Highway Patrol Employees Retirement System, Department of Labor and Industrial Relations, Department of Conservation and Missouri State University** assume no fiscal impact to their agency.

Officials from the **Missouri Highway Patrol** assume the Retirement System will be responding on their behalf.

Officials from the **Missouri State Employees Retirement System** assume the proposal would, if enacted, involve minor modifications to and clarifications to the Missouri State Employees' Plan (MSEP), the Judicial Plan, and the MoDOT and Patrol Employees' Retirement System (MPERS). These provisions are commonly referred to by the retirement systems as "clean-up" legislation. They are general in nature and carry no fiscal impact to the system.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill changes the laws regarding the Missouri State Employees' Retirement System (MOSERS). The bill:

- (1) Adds language allowing retirement boards to promulgate rules to accommodate changes in the state's payroll system as it relates to the final average compensation for retirement benefit calculation (Sections 104.010.7 and 104.1003(16), RSMo);
- (2) Changes the required hours for an employee to be eligible for benefits from 1,000 hours to 1,040 hours (Sections 104.010.1(20) and 104.1003(13));
- (3) Changes the definition of "employee" so that after August 28, 2006, part-time employees of the General Assembly working less than 1,040 hours per year will not be considered employees as it relates to retirement benefits (Sections 104.010.1(20)(b) and 104.1003(13));
- (4) Revises the definition of "member" as an employee, retiree, or vested former employee (Section 104.010.1(27));
- (5) Removes cash-out provisions for active employees (Section 104.335);

DESCRIPTION (continued)

- (6) Removes language that allows members to purchase contract service (Section 104.344);
- (7) Revises the provision allowing a survivor of a deceased member to receive or transfer creditable prior service for determining survivor benefits (Sections 104.378 and 104.1021(13));
- (8) Clarifies that members on long-term disability are to be treated like active employees as it relates to retirement benefits (Sections 104.410 and 104.1042);
- (9) Requires members on disability to pay their life insurance premium unless approved for a waiver (Sections 104.410 and 104.1042);
- (10) Requires that no error in benefit calculation be corrected unless it is discovered within 10 years of the date benefits began (Section 104.490);
- (11) Adds language that all retirees of the plans administered by MOSERS, including administrative law judges and legal advisors and judges, who become reemployed into a benefit-eligible position will terminate their retirement benefits while so employed. Upon re-retirement, after completing at least one year of service, an additional annuity will be calculated based on the position held while reemployed. The retirement system that paid the original annuity will be responsible for paying the additional annuity (Section 104.603);
- (12) Requires that members purchasing creditable service must apply and complete the purchase prior to applying for retirement benefits (Section 104.606);
- (13) Creates an excess benefit plan allowing MOSERS to pay benefits presently subject to Internal Revenue Code 415 limitations (Section 104.607);
- (14) Extends the final beneficiary payment provisions to judges and members of the Administrative Law Judges and Legal Advisors' Retirement Plan (ALJLAP) (Section 104.620);
- (15) Adds safe harbor provisions for the MOSERS board as it relates to education and advice given to members for retirement planning (Sections 104.1012 and 104.1205.2);
- (16) Changes the vesting requirement for service purchase transfers for legislators from two to three full biennial assemblies (Section 104.1021(11));
- (17) Clarifies that MOSERS can make beneficiary payments to the natural parent or the legal

DESCRIPTION (continued)

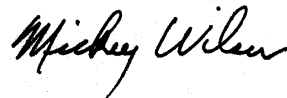
guardian of a minor child until age 18; thereafter, the benefit may be paid to the child until age 21 (Section 104.1030);

(18) Allows judges and administrative law judges to vote and be a candidate for an elected position on the MOSERS board (Section 104.450); and (19) Clarifies that retirees, under the new plan, can retain optional life insurance coverage until age 62 (Section 104.1072).

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
Transportation and Highway Patrol Employees Retirement System
Missouri Highway Patrol
Missouri State Employees Retirement System
Department of Labor and Industrial Relations
Department of Conservation
Missouri State University



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Director
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