

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1396-05  
Bill No.: CCS for HCS for SCS for SB 270  
Subject: Education, Elementary and Secondary; Boards, Commissions, Committees, Councils; Kansas City; St. Louis; Retirement - Schools  
Type: Original  
Date: May 6, 2015

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Bill Summary: This proposal modifies provisions relating to retirement.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 104.037

Officials from **the Missouri State Employees Retirement System (MOSERS)** state the proposed legislation would, if enacted, allow a retired member of MOSERS or MoDOT and Patrol Employees Retirement System (MPERS), who becomes reemployed by a department, to reimburse the retirement system for any amount received as retirement benefits, increased by an additional amount to account for interest which would have accrued had the retirement benefits not been paid, and upon re-retirement, have the member's creditable service and benefit calculated as if the member had never retired.

This provision would have a fiscal impact on the retirement plan; however, it is difficult to quantify since the values associated with salary and service would be different for each individual taking advantage of the provision. There is a high risk of anti-selection in that the members most likely to reimburse the system are those most likely to gain monetarily from the benefit. In the past five years, MOSERS' records indicate approximately 300 members in ACPR status (active and previously retired).

Officials from the **MoDOT and Patrol Employees Retirement System (MPERS)** state that this proposal would have a fiscal impact on the retirement plan; however, it is difficult to quantify since the values associated with salary and service would be different for each individual taking advantage of the provision. There is a high risk of anti-selection in that the members most likely to reimburse the system are those most likely to gain financially from the benefit. In the past five years, there was one individual who retired and subsequently became re-employed in a benefit eligible position.

**Oversight** assumes this proposal will result in a negative unknown fiscal impact to the two retirement systems included in the legislation.

ASSUMPTION (continued)

Section 105.669

Officials from the **MPERS** assume a member who is convicted of certain felony offenses committed in relation to his/her state employment, forfeits all rights to a retirement benefit for service accrued on or after August 28, 2014. The proposed legislation will have no fiscal impact on their agency.

Officials from the **MOSERS** assume this proposal as it affects their agency, would modify provisions regarding eligibility of a public employee who commits a work-related felony to receive retirement benefits. The proposal legislation will not have a fiscal impact on their agency.

Sections 169.141 & 169.715

Officials from the **Public School and Education Employees Retirement System of Missouri** estimate that this proposal will result in an insignificant fiscal savings to their agency.

Specifically this proposal applies to members who elect to receive, or are currently receiving their retirement allowance payable as a joint-and-survivor annuity with their spouse as the beneficiary. In addition, this proposal provides that the member's retirement allowance will increase to the amount that would be payable had they elected a single life annuity payment for if:

- Their marriage is dissolved on or after September 1, 2015,
- The dissolution decree provides for sole retention by the retired member of all rights in the retirement allowance, and
- The member applies for the increase in retirement allowance back to single life benefit and provides a certified copy of the decree of dissolution.

Allowing a reduced joint and survivor benefit to revert back to the original life annuity is equivalent to the member paying insurance premiums for their spouse to receive continuing payments after their death, but then cancelling the policy prior to the member's death such that no death benefit will ever be paid. In this case the benefit actually paid by the system is a life annuity to the member, but the member received less than the original life annuity payment amount for the period between their retirement date and the date of divorce. This results in a savings to the system for the difference between the original life annuity amount and the reduced joint and survivor benefit amount during the period between commencement and divorce.

ASSUMPTION (continued)

However, we expect the magnitude of the cost savings to be very small, to the point of having little or no impact on the actuarially determined contribution rate for each system, for the following reasons:

- PSRS anticipates this proposal impacting a very limited group of retired members.
- Members must be married and elect one of the joint and survivor payment options at retirement.
- As of June 30, 2014, 21,988 of 49,707 PSRS service retirees, or 44%, are receiving a joint and survivor.
- As of June 30, 2014, 5,840 of 22,756 PEERS service retirees, or 26%, are receiving a joint and survivor.
- Only a portion of those members will then dissolve their marriage after retirement.
- Only a portion of those members will retain sole rights to their retirement allowance.
- Only a portion of those members would then apply for an increase in their benefit.

Section 169.291 & 169.450

In response to a previous version of this proposal, officials from the **Public School Retirement System of the City of St. Louis (PSRS-STL)** assumed the proposal mandates that the number of members on the Board of Trustees be increased from eleven members to twelve members by adding a trustee employed as a teacher or administrator at a charter school to be elected for a term of four years by the members of the retirement system.

PSRS-STL state that the current cost to run an election for the five administrator/teacher/non-teacher positions is nearly \$14,000 per election. If a solicitation of nominations does not result in more than one nominee, the PSRS-STL rules require another mailing to go out to attempt to solicit another nominee. The second mailing costs approximately \$3,000. This cost of \$14,000 - \$17,000 per election approximates a yearly benefit for many PSRS-STL beneficiaries.

PSRS-STL believes that the proposal constitutes added costs for the additional election.

**Oversight** assumes that because PSRS-STL is not a political subdivision there will be no fiscal impact from this proposal.

ASSUMPTION (continued)

Section 169.324 & 169.560

Officials from the **Public School and Education Employees Retirement System of Missouri** state this proposal will have no measurable fiscal impact to the system. This proposal creates a suspension of a member’s retirement allowance when they return to work, which results in a temporary savings for the system. The accrual of a second retirement allowance during the suspension period can result in a small cost or savings to the system. Historically, a very small percentage of retirees return to work in a capacity that exceeds the limitations noted above. As of June 30, 2014, 106 of 49,707 PSRS service retirees, or .2%, have returned to work and had their retirement allowance suspended. As of June 30, 2014, 87 of 22,756 Public Education Employee Retirement System service retirees, or .4%, have returned to work and had their retirement allowance suspended.

Bill as a Whole

Officials from the **Joint Committee on Public Employee Retirement** stated 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 Central Missouri**, the **Office of the State Treasurer**, the **Kansas City Public School Retirement System**, the **Missouri Consolidated Health Care Plan**, the **Office of Administration**, and the **Missouri State University** assume the current proposal would not fiscally impact their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE</b>			
<u>Costs - MOSERS/MPERS</u>			
Increase in retirement benefit payments	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<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.

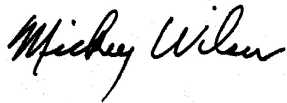
FISCAL DESCRIPTION

This proposal provides that if a retired member of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System or the Missouri State Employees' Retirement System who following retirement is rehired or appointed as a state employee reimburses the retirement system for any amounts received as retirement benefits then such member shall be treated as an active member of the system, and such member's creditable service will be calculated as if the member had not retired.

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 Employees Retirement System  
Joint Committee on Public Retirement  
MoDOT and Patrol Employees Retirement System  
Public School and Education Employees Retirement System  
Public School Retirement System of the City of St. Louis  
University of Central Missouri  
Office of the State Treasurer  
Kansas City Public School Retirement System  
Missouri Consolidated Health Care Plan  
Office of Administration  
Missouri State University



Mickey Wilson, CPA  
Director  
May 6, 2015

Ross Strobe  
Assistant Director  
May 6, 2015