

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6535-03
Bill No.: SB 1090
Subject: Higher Education; Retirement - State; Retirement - Schools
Type: Original
Date: March 15, 2016

Bill Summary: This proposal changes the employer contribution for the College and University Retirement Plan and requires employees to contribute to the plan.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume the proposed legislation would, if enacted, modify the employer contribution rate for the College and University Retirement Plan (CURP), which is a defined contribution plan administered by MOSERS for professors and administrators holding faculty rank at state colleges and universities (referred to by law as "outside employees"). As proposed, the employer contribution rate would be modified to a fixed 5.5% of payroll from the current rate of 1% of payroll less than the normal cost contribution rate of the defined benefit plan. In addition, the proposal would require employees to contribute 2% of payroll to the CURP. A provision of federal law is also referenced to allow the institutions to "pick-up" or treat certain contributions as employer contributions under the Internal Revenue Code in order to allow employee contributions to be made on a pre-tax basis. This proposal has an effective date of July 1, 2017.

Established in 2001 under Senate Bill 371, the CURP became effective July 1, 2002 for new employees holding a faculty rank within the state colleges & universities (excluding the University of Missouri). As of June 30, 2015, CURP covered approximately 2,400 participants with an average account balance of \$26,200.

Currently, the CURP employer contribution rate is equal to 1% of payroll less than the normal cost contribution rate of the defined benefit plan. Because the defined benefit plan changes enacted in 2010 are gradually lowering the employer normal cost of the defined benefit plan, an unintended consequence is that, over time, there will be a significant decline in the employer contribution to the CURP, thus diminishing the value of the plan for those participants. The proposed change addresses that issue by stabilizing the contribution rate in total (employer and employee) at 7.5% of payroll.

The chart below outlines the employer contribution rate to the CURP since its inception as well as the associated MOSERS annual normal cost. As depicted, the MOSERS annual normal cost has steadily decreased since the implementation of the MSEP 2011 new tier* and thereby resulting in a reduced CURP contribution rate.

ASSUMPTION (continued)

It is important to note that employees do not currently contribute to CURP.

Fiscal Year	MOSERS Normal Cost Rate	Resulting CURP Contribution Rate
FY 02/03	8.22%	7.22%
FY 03/04	8.47%	7.47%
FY 04/05	8.57%	7.57%
FY 05/06	8.81%	7.81%
FY 06/07	8.84%	7.84%
FY 07/08	8.87%	7.87%
FY 08/09	8.88%	7.88%
FY 09/10	8.71%	7.71%
FY 10/11	8.77%	7.77%
FY 11/12*	7.92%	6.92%
FY 12/13*	7.80%	6.80%
FY 13/14*	7.38%	6.38%
FY 14/15*	7.16%	6.16%
FY 15/16*	6.89%	5.89%
FY 16/17*	6.67%	5.67%

The provisions of this proposal would not have a fiscal impact on MOSERS.

Officials from the **Missouri State University** and the **University of Missouri** each assume this proposal will not fiscally impact their respective institutions.

Officials from the **Joint Committee on Public Employee Retirement** state that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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

Missouri State Employees Retirement System
Joint Committee on Public Employee Retirement
University of Missouri
Missouri State University

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