

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6634-01
Bill No.: SB 1106
Subject: Employees - Employers; Retirement - State; Transportation Department; Public Officers; Retirement Systems and Benefits - General
Type: Original
Date: March 14, 2016

Bill Summary: This proposal allows members of Missouri State Employees Retirement System and MoDOT and Patrol Employees Retirement System who are rehired and reimburse the system for benefits received to recalculate credible service.

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 5 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

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

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).

Officials from the **MoDOT and Patrol Employees Retirement System (MPERS)** assume, if enacted, the proposal would allow retirees to nullify their retirement if they return to work in a benefit eligible position for the state. As proposed, the retiree could reimburse the retirement system for the total amount received as retirement benefits, so that the retiree will again be considered an active member of the system for that service. When the member retires again, the member's benefit would be calculated as if the member had never retired.

Section 105.684, RSMo, prohibits public pension funds from adopting or implementing any additional benefit increase, supplement, enhancement, lump sum benefit payments to participants, or cost-of living adjustment beyond current plan provisions that would increase a plan's actuarial accrued liability unless the plan has a funded ratio of at least 80%. At present, MPERS funded ratio is about 53% which does not meet the 80% threshold required by the statute to implement changes like this one.

MPERS assumes 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 members most likely to reimburse the system are the most likely to gain monetarily from the benefit.

Officials from the **Missouri State Employees Retirement System (MOSERS)** state that if a member retires and later returns to work for the state in a benefit eligible position, the retirement benefit will be stopped for any month during which the member is actively employed in a benefit eligible position. The member will accrue additional service credit for periods of reemployment

ASSUMPTION (continued)

after the member has worked continuously for one year.

When the member re-retires, the retirement benefit received is equal to the monthly benefit the member was receiving (prior to re-employment) as well as an additional monthly benefit calculated using the service and salary earned during the re-employment period. MOSERS records indicate there are approximately 112 current members who have returned to full-time state employment from previously retired status.

MOSERS' actuarial stated that the fiscal impact as a result of this proposal is anticipated to be minimal due to the expected application of the change being infrequent and not material to the aggregate liabilities of MOSERS. However, based on 105.684.1 RSMo, the proposed provision is beyond the current plan provisions. As of the most recent actuarial valuation (June 30, 2015), the MOSERS funded ratio was 75.0% which does not meet the 80% threshold required by statute to implement changes in the plan document which will increase plan liability.

<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.

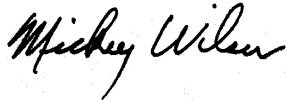
FISCAL DESCRIPTION

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

Joint Committee on Public Employee Retirement
MoDOT and Patrol Employees Retirement System
Missouri State Employees Retirement System

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 14, 2016

Ross Strobe
Assistant Director
March 14, 2016