

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0457-05
Bill No.: Perfected SS for SB 62
Subject: Education, Higher; Retirement - State; Retirement - Schools
Type: Original
Date: March 8, 2017

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume the proposed legislation with the Senate Substitute 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 6% 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 outside employees hired on or after July 1, 2018, 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.

Outside employees are allowed to contribute two percent of pay to a supplemental account established by the employer. Such employees may elect to change the contribution rate but such rate shall not be less than two percent of pay.

This proposal has an effective date of July 1, 2018.

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, 2016, CURP covered approximately 2,600 participants with an average account balance of \$26,461.

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.*

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%
FY 17/18^	7.19%	6.19%

^ MOSERS Board adopted actuarial assumptions resulted in an increase in the normal cost rate.

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

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

JCPER assumes the Senate Substitute increases the employer contribution to the CURP plan. The introduced version required 5.5% whereas the Senate Substitute requires 6%. In addition, employees will have the option to contribute an additional 2%.

In response to a previous version, officials from the **University of Missouri** assumed this legislation would have a financial impact of less than \$100,000.

Oversight notes the University of Missouri is not an institution that participates in CURP; therefore, Oversight will not reflect a financial impact to the University of Missouri.

ASSUMPTION (continued)

In response to a previous version, officials from the **Missouri Southern State University (MSSU)** did not anticipate a significant fiscal impact since the proposed employer funding percentage of 5.5% does not vary significantly from the current funding percentage. The proposed uncoupling of the CURP funding formula from the MOSERS "normal cost contribution" component and establishment of a fixed rate would eliminate the downward trend in the CURP funding percentage that has been noted in recent years.

In response to a previous version, officials from the **Missouri State University** assumed this proposal would result in a positive unknown fiscal impact.

In response to a previous version, officials from the **Truman State University** assumed this proposal would result in a minimal positive fiscal impact.

In response to a previous version, officials from the **University of Central Missouri** assumed a potential savings of \$1.9 million to the University as a result of this proposal.

In response to a previous version, officials from the **Northwest Missouri State University** and the **State Technical College of Missouri** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight assumes this legislation would modify the employer contribution rate to a fixed 6% 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 outside employees hired on or after July 1, 2018 to contribute 2% of payroll to the CURP. In addition this proposal would allow outside employees to contribute 2% of pay to a supplemental account established by the employer.

Oversight notes that the 4 year average CURP employer contribution rate is 5.9775% and the 5 year average CURP employer contribution rate is 6.058%. Since this legislation would modify the employer contribution rate to a fix 6%, Oversight assumes this proposal will not have a material fiscal impact to the contributions made by employer-institutions.

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019	FY 2020
	<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 act provides that the retirement plan for employees of certain higher education institutions shall contribute six percent of payroll to the plan, rather than the current one percent of payroll less than the normal cost contribution rate established for employees of institutions other than outside employees, and that employees hired on or after July 1, 2018, shall contribute two percent of pay.

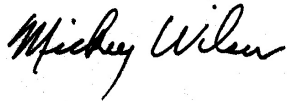
Additionally, all employees may participate in an optional supplemental retirement account and contribute no less than two percent to such account.

The effective date of this act is July 1, 2018.

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 Employee's Retirement System
Joint Committee on Public Retirement
Northwest Missouri State University
State Technical College of Missouri
Missouri Southern State University
Missouri State University
Truman State University
University of Central Missouri



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