

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4027-01  
Bill No.: SB 747  
Subject: Retirement - State; General Assembly; Insurance - Life; Insurance - Medical;  
 Public Officer; Governor and Lieutenant Governor; Secretary of State; State  
 Attorney General; State Auditor; State Treasurer  
Type: Original  
Date: January 30, 2018

Bill Summary: This proposal modifies retirement benefits for newly elected members of the General Assembly and statewide elected officials.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (Unknown)
General Revenue	\$122,252	Could exceed \$244,504	Could exceed \$372,312	Could exceed \$1,196,678
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$122,252</b>	<b>Could exceed \$244,504</b>	<b>Could exceed \$372,312</b>	<b>Could exceed \$1,196,678</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (Unknown)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>Fully Implemented (Unknown)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>Fully Implemented (Unknown)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>Fully Implemented (Unknown)</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume the provisions of SB 747 (4027-01) would, if enacted, require any member of the general assembly and any statewide elected official, who first serves as a member of the general assembly or as a statewide elected official on or after January 1, 2019, who has not been previously employed in a position under either system, to participate in a 401(a) defined contribution plan to be administered as part of the deferred compensation program pursuant to Chapter 105. As proposed, both the employer and the participant’s contribution, in addition to any contributions made under Section 105.927, would be equivalent to 4% (8% total) of the participant’s pay. Participants in the defined contribution plan would be vested immediately and contributions made to the plan would not be subject to forfeiture. In addition, members of the general assembly and statewide elected officials would remain eligible to receive healthcare benefits pursuant to Chapter 103, RSMo, and life insurance benefits under the MSEP 2000; however, they would not be eligible for disability income benefits (LTD) available under the MSEP 2000.

MOSERS officials state that the proposed removal of benefits for new hires has no effect on MOSERS' current benefit obligation for the active members currently covered under the MOSERS.

The annual determined employer contribution (ADEC) as recommended by the MOSERS’ actuary is outlined below. In particular:

- The investment return on all future years is assumed to be 7.50%
- All demographic assumptions regarding mortality, disability, retirement, salary increases, and termination of employment that are used in the valuation are assumed to be met in the future. Term limits may result in turnover in the short term that is different than the assumption, which is a long-term assumption.

			Group Averages		
Valuation Group	#	Payroll	Salary	Age	Service
Elected Officials (EO)	6	\$659,985	\$109,998	44	1.3
Legislators (L)	193	\$6,941,688	\$35,967	51.7	4.8

ASSUMPTION (continued)

<b>Fiscal Impact</b>			
	FY 2019*	FY 2020	FY 2021
Estimated decrease in annual employer contributions to MOSERS	(\$90,586)	(\$394,072)	(\$851,376)

\*The impact of this proposal is only applicable for six months of FY 2019.

**Oversight** assumes the actuarial study date of the valuation was January 22, 2018 and takes into account a long-term assumption for a turnover rate for all General Assembly members and statewide elected officials.

**Oversight** assumes all current members will retain their seats for the 2017-2018 session. Oversight also assumes the vacancies that will occur in the Missouri Senate and state-wide elected officials may be filled with current elected officials (who are already under the year 2000 plan).

**Oversight** notes that salaries for elected officials and contribution rates could change from year-to-year. For fiscal note purposes, it is assumed that salaries and contribution rates will be stable.

**Oversight** assumes this proposal will have a positive fiscal impact to the State by reducing employer contributions made to Missouri State Employees Retirement System for the future General Assembly members and statewide elected officials. For fiscal note purposes, Oversight assumes the fiscal impact will be up to \$1,196,678. This number was calculated by taking into account the salary (\$35,967) for each of the 197 General Assembly members, as well as the average salary for each of the 6 elected officials (\$109,998) multiplied by the employer contribution rate of 15.45% (difference between 19.45% to MOSERS and 4% required in this bill). It could potentially be many years until all current elected officials (who remain under the year 2000 plan) are no longer in some elected office, resulting in an unknown fully implemented fiscal year.

Oversight notes that the 19.45% contribution rate is for the current fiscal year. The rate varies from year to year and has been increasing in recent years. Therefore, Oversight will use “could exceed” the computed numbers after FY 2019.

ASSUMPTION (continued)

For FY 2019, **Oversight** assumed the 44 members of the House of Representatives that are term limited out in 2018 would be replaced by candidates who are not already under the year 2000 plan. The anticipated savings for FY 2019 is \$122,252 (44 members x \$35,967 x (19.45% - 4%) for six months).

For FY 2021, **Oversight** assumed the 46 members of the House of Representatives that are term limited out in 2020 would be replaced by candidates who are not already under the year 2000. The anticipated savings for FY 2021 is \$372,312 (\$244,504 savings from FY 2020 + \$127,808 (46 members x \$35,967 x (19.45% - 4%) for 6 months).

Eventually, all 197 General Assembly members and 6 state-wide elected officials will be replaced by persons that are not eligible under the year 2000 plan, but depending upon future elections, that could be many years into the future.

**Oversight** assumes the eventual savings could be up to \$1,196,858.

House of Representatives:	163 x \$35,967 x (19.45% - 4%) =	\$905,775
Senate:	34 x \$35,967 x (19.45% - 4%) =	\$188,935
Statewide Elected Officials:	6 x \$109,998 x (19.45% - 4%) =	<u>\$101,968</u>
<b>TOTAL</b>		<b>\$1,196,678</b>

Officials from the **Joint Committee on Public Employee Retirement** state this proposal indicates that such legislation may constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10), RSMo. It is impossible to accurately determine the fiscal impact of this proposed legislation without an actuarial cost statement prepared in accordance with section 105.665, RSMo.

Pursuant to section 105.670, RSMo, an actuarial cost statement must be filed with: (1) the Chief Clerk of the House of Representatives, (2) the Secretary of the Senate and, (3) the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage of the bill.

Officials from the **Office of Administration - Budget and Planning** assume this proposal will not impact Total State Revenue or 18(e). Office of Administration - Budget and Planning defers to MOSERS for fiscal impact to the plan.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (Unknown)
<b>GENERAL REVENUE FUND</b>				
<u>Savings - Retirement Contributions</u>	<u>\$122,252</u>	<u>Could exceed \$244,504</u>	<u>Could exceed \$372,312</u>	<u>Could exceed \$1,196,678</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$122,252</u></b>	<b><u>Could exceed \$244,504</u></b>	<b><u>Could exceed \$372,312</u></b>	<b><u>Could exceed \$1,196,678</u></b>
 <u>FISCAL IMPACT -</u> <u>Local Government</u>	 FY 2019 (10 Mo.)	 FY 2020	 FY 2021	 Fully Implemented (Unknown)
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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 statewide elected officials and members of the General Assembly serving for the first time on or after January 1, 2019, who have not been employed in a position covered by the Missouri Department of Transportation and Highway Patrol Employees' Retirement System or the Missouri State Employees' Retirement System, shall not be eligible to participate in the Year 2000 Retirement Plan. Such elected officials shall participate in a 401(a) defined contribution plan established by the act.

Each plan participant and employer shall contribute four percent of the participant's pay to the participant's account. Employers must also pickup and pay the participant's contributions in accordance with federal law.

Newly elected officials shall remain eligible for life insurance, health benefits, and disability income benefits otherwise available for participants in the Year 2000 Retirement Plan.

FISCAL DESCRIPTION (continued)


Elected officials who subsequently become employed in a position covered by either the Missouri Department of Transportation and Highway Patrol Employees' Retirement System or the Missouri State Employees' Retirement System shall participate in the designated plan, but shall not receive service credit for time served as an elected official.

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 Retirement  
Missouri State Employee's Retirement System  
Office of Administration - Budget and Planning

Ross Strope



Acting Director  
January 30, 2018