

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6545-02  
Bill No.: SB 1021  
Subject: Judges, Retirement - State  
Type: Original  
Date: March 6, 2018

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Bill Summary: This proposal excludes certain members from participation in the Judicial Retirement System Plan 2011.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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 6 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>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 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume provisions of SB 1021 (6545-02) would, if enacted, require any member of the Judicial 2011 Plan who filed as a candidate in 2010 to become a judge, was ultimately elected and became a judge in 2011, was eligible in 2010 to receive a future annuity as a general assembly member or statewide elected official, and is a judge on the effective date of this section, will become a member of the closed Judicial plan.

<b>Summary of Benefits - Judicial Retirement Plan</b>	
<b>Judicial Plan (First serving prior to 01/01/11)</b>	<b>Judicial Plan 2011 (First serving on or after 01/01/11)</b>
<b>Member Contributions</b>	
-None	-4% of pay
<b>Normal Retirement Eligibility - <i>Age and Service required to receive an unreduced retirement benefit</i></b>	
<ul style="list-style-type: none"> <li>- Age 62 with 12 years of service</li> <li>- Age 60 with 15 years of service</li> <li>- Age 55 with 20 years of service</li> </ul>	<ul style="list-style-type: none"> <li>- Age 67 if less than 12 years of service</li> <li>- Age 62 if less than 10 years of service</li> </ul>
<b>Early Retirement Eligibility - <i>Age and Service required to receive a REDUCED retirement benefit</i></b>	
<ul style="list-style-type: none"> <li>- Age 62 if less than 12 years of service</li> <li>- Age 60 if less than 15 years of service</li> </ul>	<ul style="list-style-type: none"> <li>- Age 67 if less than 12 years of service</li> <li>- Age 62 if less than 10 years of service</li> </ul>
<b>Benefit Payment Options - <i>Determines whether or not a benefit will be paid to anyone after member's death</i></b>	
<ul style="list-style-type: none"> <li>- Life Income Annuity (if unmarried)</li> <li>- Automatic <u>Unreduced</u> Joint &amp; 50% Survivor Option</li> </ul>	<ul style="list-style-type: none"> <li>- Life Income Annuity</li> <li>- Joint &amp; 50 % Survivor Option (with reduced benefit)</li> <li>- Joint &amp; 100 % Survivor Option (with reduced benefit)</li> <li>-Life Income with 120 Guaranteed Payments</li> <li>-Life income with 180 Guaranteed Payments</li> </ul>
<b>Base Benefit Formula - <i>Payable for member's lifetime</i></b>	
- Monthly Pay x 50% = Monthly Base Benefit	- Monthly Pay x 50% = Monthly Base Benefit

ASSUMPTION (continued)

Fiscal Impact of SB 1021

The provisions of this proposal will have an unknown cost to the Judicial Retirement Plan. While not specifically outlined in the provisions of the proposal, it is reasonable to assume that any judge affected by this proposal will receive a refund of the 4% employee contributions made into the Judicial Plan 2011. The refund of employee contributions' cost is estimated to range from \$25,000 to \$35,000 for each affected judge. Additionally, the plan will experience an increase in the actuarial accrued liability for any judge that is moved from the Judicial Plan 2011 to the closed Judicial Plan (pre-2011).

<b>Judicial Retirement Plan (Status as of June 30, 2017)</b>		
<b>Actuarial Value of Assets</b>	\$151,828,631	26.9%
<b>Market Value of Assets</b>	\$137,634,941	24.3%
<b>Actuarial Accrued Liability</b>	\$564,417,925	
<b>Actuarially Determined Employer Contribution For FY 19</b>	63.71% of payroll or 39.4 million (estimated)	
<b>Plan Membership</b>		
Active Members	410	
Retirees, Inactive & Other Benefit Recipients	585	

Officials from the **Joint Committee on Public Retirement (JCPER)** state that the JCPER review of this provision indicates that such provision 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.

ASSUMPTION (continued)

Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the Missouri House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage of the bill. An actuarial cost statement has not been filed with the JCPER.

**Oversight** assumes this amendment will increase the actuarial accrued liability to the Judicial Retirement Plan; however, it may or may not increase the call from the state funds to MOSERS. Therefore, Oversight will reflect an impact of \$0 or a negative unknown cost to the state if the state increases the contributions to MOSERS to account for these individuals. For simplicity, Oversight will only reflect this potential cost to the General Revenue Fund, starting in FY 2020.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
Cost - Office of Administration - potential increase in contributions to MOSERS	\$0	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b>\$0</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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 a person who filed as a candidate in 2010 to become a judge, was eligible to receive an annuity under the MOSERS Year 2000 Plan as a member of the General Assembly or as a statewide elected official, and whose term as a judge began in 2011 is exempt from the provisions of the Judicial Retirement Plan 2011.

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

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