

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0964-02
Bill No.: Truly Agreed To and Finally Passed SB 185
Subject: Retirement - State; Retirement Systems and Benefits - General
Type: Original
Date: June 4, 2019

Bill Summary: This proposal provides eligibility for certain state employers in the Missouri State Employee's Retirement System.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY2020	FY 2021	FY 2022
General Revenue	\$0	\$0	\$464,765
Total Estimated Net Effect on General Revenue	\$0	\$0	\$464,765

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Various State Funds	\$0	\$0	\$143,871
College & University Funds	\$0	\$0	\$157,889
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$301,760

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Various Federal Funds	\$0	\$0	\$173,271
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$173,271

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri State Employees' Retirement System (MOSERS)** assume the proposal, if enacted, would allow for continued employer eligibility in the Missouri State Employees' Retirement System (MOSERS) for the Missouri Housing Development Commission (MHDC) and the Environmental Improvement and Energy Resources Authority (EIERA). It is important to note that in addition to these proposed provisions, both MHDC and EIERA would also need to receive state appropriations as criteria to participate in MOSERS.

Background:

Legislation passed in 2000 and 2001 require an employer that is a "body corporate or politic" to have express statutory language that provides eligibility for MOSERS coverage. In the course of review of an unrelated issue, MOSERS recently discovered in Chapters 215 and 260 covering MHDC and EIERA, respectively, that each was created as a "body corporate or politic," but no express statutory language provides for MOSERS coverage for these employers and their employees. MOSERS research yielded no evidence that the General Assembly specifically intended to exclude MHDC and EIERA as MOSERS-covered employers. In fact, based on subsequent legislative activity, it appears the General Assembly assumed MHDC and EIERA were so covered.

The MOSERS Board of Trustees held a special board meeting in 2018 relative to this topic and concluded that it has no alternative but to terminate participation by these employers and employees no later than August 31, 2019 unless curative legislation is passed by the General Assembly during the 2019 legislative session.

Fiscal Impact:

Both MHDC and EIERA were included in MOSERS' most recent annual actuarial valuation for year ended June 30, 2018. As such, the passage of this proposal would not have a fiscal impact on MOSERS. Without the passage of curative legislation, any unfunded actuarial accrued liabilities associated with these employers will be dispersed through the other MOSERS-covered employers.

The projected FY 2020 MOSERS employer contributions for Environmental Improvement and Energy Resources Authority (EIERA) are \$71,063 and the Missouri Housing Development Commission (MHDC) is \$1,328,840 for a total of \$1,399,903. Approximately 33% of this annual contribution (\$457,846) would pay the normal cost of buying one year of service for the active members. The additional 67% (\$942,057 - annually) would fund the payment on the Unfunded Actuarial Accrued Liability (UAAL). In the future, if there are no eligible employees at these

ASSUMPTION (continued)

employers (EIERA & MHDC), the normal cost portion would be saved by these two employers and the UAAL portion would be spread to the other MOSERS-covered employers. Approximately 83% of the UAAL payment amount, if spread to other employers, would result in the State of Missouri, as the largest MOSERS-covered employer, being charged \$781,907. *These numbers are based upon projected payroll from FY 2018 figures and do not reflect changes in employee demographics, payroll, and plan experience that will occur over time.*

Officials from **Joint Committee on Public Employees' Retirement (JCPER)** assume the proposal has no direct fiscal impact to JCPER. JCPER assumes such provisions would not create a "substantial proposed change" in future plan benefits as defined in Section 105.660(10).

Officials from the **Department of Economic Development - Missouri Housing Development Commission (DED-MHDC)** and the **Department of Natural Resources - Environmental Improvement and Energy Resources Authority (DNR-EIERA)** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Economic Development** state, with the passage of this proposal, benefits currently provided by MOSERS and paid for by MHDC and its employees will continue as expected, pending customary and usual adjustments to contributions required by MOSERS.

Oversight assumes this proposal would allow MHDC and EIERA to continue participating and paying employer contributions into MOSERS. This would result in a savings to other state agencies that may otherwise be required to increase their employer contributions to cover the unfunded actuarial accrued liability (UAAL) portion no longer paid by MHDC and EIERA.

Oversight assumes this proposal would result in a savings to MHDC and EIERA; however; MHDC and EIERA are not considered state entities; therefore, Oversight will not reflect a fiscal impact to their organizations.

Based on the fund break out in TAFP CCS SCS HCS HB 2005 (2018), **Oversight** will split the \$781,907 in cost avoidance estimated by MOSERS as follows:

- 59.44% to General Revenue (\$781,907 x 59.44% = \$464,765)
- 22.16% to Federal Funds (\$781,907 x 22.16% = \$173,271)
- 18.40% Various State Funds (\$781,907 x 18.40% = \$143,871)

ASSUMPTION (continued)

In addition, **Oversight** notes MOSERS estimated 83% of the UAAL would be saved by the State of Missouri. Oversight assumes 16.76% would be saved by colleges and universities (16.76% x \$942,057 = \$157,889).

Oversight notes the MOSERS board must terminate participation by these employers and employees no later than August 31, 2019 (FY 2020). Based on information from the MOSERS Actuarial Report, Oversight notes the actuarial valuation for FY 2021 would occur as of June 30, 2019, potentially before the termination of the employees and employers. Therefore, Oversight assumes EIERA and MHDC employees and employers would be included in the MOSERS employer contribution rate estimates for FY 2020 and FY 2021 and this proposal would not impact the affected funds until FY 2022 and for future fiscal years until the UAAL portion is paid off.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Cost Avoidance</u> - UAAL portion of the employer contribution that would continue to be paid by EIERA & MHDC	<u>\$0</u>	<u>\$0</u>	<u>\$464,765</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$464,765</u>
VARIOUS STATE FUNDS			
<u>Cost Avoidance</u> - UAAL portion of the employer contribution that would continue to be paid by EIERA & MHDC	<u>\$0</u>	<u>\$0</u>	<u>\$143,871</u>
ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$143,871</u>

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
Continued	(10 Mo.)		

COLLEGE & UNIVERSITY FUNDS

<u>Cost Avoidance</u> - UAAL portion of the employer contribution that would continue to be paid by EIERA & MHDC	<u>\$0</u>	<u>\$0</u>	<u>\$157,889</u>
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ESTIMATED NET EFFECT ON COLLEGE & UNIVERSITY FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$157,889</u>
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FEDERAL FUNDS

<u>Cost Avoidance</u> - UAAL portion of the employer contribution that would continue to be paid by EIERA & MHDC	<u>\$0</u>	<u>\$0</u>	<u>\$173,271</u>
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ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$173,271</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021	FY 2022
	(10 Mo.)		
	<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 eligibility for all employees of the Missouri Housing Development Commission and of the Environmental Improvement Energy Resource Authority for membership

FISCAL DESCRIPTION (continued)

in the Missouri State Employees' Retirement System.

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 Employees' Retirement
Department of Economic Development - Missouri Housing Development Commission
Department of Natural Resources - Environmental Improvement and Energy Resources Authority



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June 4, 2019

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