COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2432-01
Bill No.: SB 499
Subject: Highway Patrol; Retirement - State; Retirement Systems and Benefits - General; State Employees; Transportation, Department of
Type: Original
Date: April 9, 2019

Bill Summary: This proposal consolidates the Missouri Department of Transportation and Highway Patrol Employees' Retirement System into the Missouri State Employees' Retirement System.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	$0	$0	$0 or (Unknown)
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0 or (Unknown)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Various State Funds	$0	$0	$0 or (Unknown)
State Road Fund & Various Patrol Funds	$0	$0	$0 to Unknown
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0 or (Unknown)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 18 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Various Federal Funds	$0	$0	$0 or (Unknown)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0 or (Unknown)**

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 **Missouri State Employees' Retirement System (MOSERS)** assume the proposed legislation described in SB 499 (2432-01) would, if enacted, require the boards of trustees of the Missouri State Employees' Retirement System (MOSERS) and the MoDOT and Highway Patrol Employees' Retirement System (MPERS) to take all action necessary to effect the consolidation of MPERS into MOSERS, no later than September 1, 2022. Under the proposal, the MOSERS Board of Trustees would assume control over all assets and liabilities and be vested with the duties and powers specified in Chapter 104. MOSERS shall assume control of the MPERS and be vested with the powers and duties effective January 1, 2020. The proposal further provides for the superintendent of the state highway patrol and the director of the department of transportation, or their successors, to become members of the MOSERS board of trustees during the period from September 1, 2019, through September 1, 2022.

Background
In 2004, the Joint Committee on Public Employee Retirement (JCPER) published a Final Report on Issues Related to the Consolidation of Retirement Systems for State Employees (Consolidation Report) in December 2004. This report detailed the similarities and differences of MPERS and MOSERS boards, plan provisions, actuarial assumptions, and investment strategies.

In 2005, Governor Blunt established a State Retirement Consolidation Commission. The members of the commission included:
- Two members of MPERS Board of Trustees appointed by the Governor
- Two members of MOSERS Board of Trustees appointed by the Governor
- The Chair and Vice Chair of the Joint Committee on Public Employee Retirement
- The Commissioner of Administration
- The Director of MoDOT
- The Colonel of the Missouri Highway Patrol
- One member of the House of Representatives appointed by the Speaker of the House
- One member of the Senate appointed by the President Pro Tempore
- Three at-large members appointed by the Governor

After conducting three meetings, the Commission reported to the Governor that no consensus for consolidation was reached.

ASSUMPTION (continued)

System Data and Information

Actuarial Year		
06/30/18 for FY 20	**MOSERS**	**MPERS**
Membership	112,399	18,287
Normal Cost	7.12%	12.34%
UAAL Payment	14.65%	45.66%
Total Contribution Rate	21.77%	58.00%
Dollars in Millions	$445.9 est.	$216.8 est.
Funded Ratio	64.9%	57.1%
06/30/17 for FY 19		
Membership	116,075	18,611
Normal Cost	7.05%	13.20%
UAAL Payment	13.16%	44.80%
Total Contribution Rate	20.21%	58.00%
Dollars in Millions	$422.7 est.	$216.8 est.
Funded Ratio	67.5%	57.1%
06/30/16 for FY 18		
Membership	114,864	18,459
Normal Cost	7.19%	13.45%
UAAL Payment	12.26%	44.55%
Total Contribution Rate	19.45%	58.00%
Dollars in Millions	$379.6	$211.8
Funded Ratio	69.6%	55.5%
06/30/15 for FY 17		
Membership	113,377	18,234
Normal Cost	6.67%	13.68%
UAAL Payment	10.30%	44.32%
Total Contribution Rate	16.97%	58.00%
Dollars in Millions	$335.2	$213.2
Funded Ratio	75.0%	52.9%
06/30/14 for FY16		
Membership	111,750	18,003
Normal Cost	6.89%	13.86%
UAAL Payment	10.08%	44.14%
Total Contribution Rate	16.67%	58.00%
Dollars in Millions	$330.0	$205.8
Funded Ratio	75.1%	49.2%

Source: MOSERS

ASSUMPTION (continued)

Historical Investment Returns

Historical Annualized Returns (Net of Fees) For Period Ending December 31, 2018						
	Since Available	**Since MPERS CIO**	**10 Year**	**5 Year**	**3 Year**	**1 Year**
Start Date	**1/1/1991**	**1/1/2004**	**1/1/2009**	**1/1/2014**	**1/1/2016**	**1/1/2018**
MOSERS	7.92%	6.04%	7.13%	2.62%	4.80%	-6.84%
MPERS	*7.54%*	*7.16%*	*9.58%*	*7.21%*	*7.37%*	*2.49%*

Note, over the long-term the returns are similar. However, over the last 10 years, MPERS has a higher return due to a larger asset allocation to the US equity market. MOSERS portfolio is more liquid and risk balanced. MOSERS is a mature plan and is using its investments to supplement the state's contributions to pay retirement benefits. As such, the goal of MOSERS structure is to lower fees and increase liquidity to facilitate monthly benefit payments.

Fiscal Analysis

The provisions of SB 499 do not specify the manner of the consolidation of MPERS into MOSERS, i.e., separate or combined employer contribution rates for each system, separate or combined systems into only one retirement system for state employees (excluding judges), or primarily, the administration of the MPERS by the MOSERS board of trustees with separate accounting for each system. Without this type of detail, it is difficult to quantify specific costs or savings related to a merger of the two systems.

In general, a merger between the two systems may initially result in the following costs:

- Transaction costs related to merging MPERS' portfolio positions into the MOSERS portfolio. These costs could be very high depending on the deadlines associated with the merger. As a rule of thumb, the shorter the timeline, the more costly the transition.
- Legal expenses related to consulting advice and any litigation related to a merger.
- Administrative costs associated with consolidating member data into one pension system and modifying MOSERS' systems to accommodate for any difference in MPERS and MOSERS plan provisions.

ASSUMPTION (continued)

Over the longer term, a merger between the two systems may result in savings in the following areas:

- Investment fee savings related to economies of scale, in that, combining the MOSERS' assets and the MPERS' assets would likely result in increased management fee negotiating power and thus lower cost structures, especially as it relates to the more traditional areas of investments (such as stocks and bonds). In the investment management industry, fees are based on assets under management and as assets grow, incremental dollars are managed at lower rates.
- Consolidation of staffing and oversight services (investment consultants, actuary, legal counsel, etc.)
- Consolidation of asset safekeeping with one custody bank.
- Certain other oversight expenses related to portfolio management tools, research services, travel expenditures, and other miscellaneous oversight expenses could be consolidated and thus reduced, however, these expenses are minimal when compared to external management fees.

In summary, it is estimated that initially some costs may be incurred to merge the two systems. Over the longer term, it is believed that a greater return on investments may be achieved due to certain economies of scale related to combining the assets of the two plans. Additionally, it is believed that some savings may be realized from non-duplication of administrative and oversight services. Please note that any such administrative savings will not equal a dollar for dollar reduction in the employer contribution rate.

Officials from **Missouri Department of Transportation & Highway Patrol Employees' Retirement System (MPERS)** state the proposed legislation would, if enacted, consolidate the Missouri Department of Transportation (MoDOT) and Highway Patrol Employees' Retirement System (MPERS) into the Missouri State Employees' Retirement System (MOSERS) effective January 1, 2020 and require the consolidation to be complete by September 1, 2022.

The MOSERS board is to assume control over all assets and liabilities of MPERS and the MPERS board would cease to exist after January 1, 2020. The superintendent of the Missouri Highway Patrol and the director of MoDOT would become members of the MOSERS board effective September 1, 2019 until September 1, 2022. The intent of the bill is unknown, but the presumption is that efficiencies and cost savings are desired.

Fiscal Impact

There is no statutory direction contained in the proposed legislation regarding how the assets of MPERS would be merged into MOSERS. Those decisions are left to the MOSERS board and

ASSUMPTION (continued)

there is no reasonable method MPERS can use to calculate the cost savings or costs of a merger at this time. As a result, it is only possible to state that there is an unknown cost. A formal actuarially calculated fiscal note providing a more specific cost has not been performed given the many options the MOSERS board could use for consolidating the systems. Any fiscal note at this time would be materially inaccurate.

Background
In 2004, the Joint Committee on Public Employee Retirement (JCPER) published a Final Report on Issues Related to the Consolidation of Retirement Systems for State Employees (December 2004). This report detailed the similarities and differences of MPERS and MOSERS boards, plan provisions, actuarial assumptions, and investment strategies.

In 2005, Governor Blunt established a State Retirement Consolidation Commission. The members of the commission included:
- Two members of MPERS Board of Trustees appointed by the Governor
- Two members of MOSERS Board of Trustees appointed by the Governor
- The Chair and Vice Chair of the Joint Committee on Public Employee Retirement
- The Commissioner of Administration
- The Director of MoDOT
- The Colonel of the Missouri Highway Patrol
- One member of the House of Representatives appointed by the Speaker of the House
- One member of the Senate appointed by the President Pro Tempore
- Three at-large members appointed by the Governor

After conducting three meetings, the Commission reported to the Governor that no consensus for consolidation was reached.

Given the complexities of an actual consolidation in the event the proposed legislation is passed, it might be useful to consider modification of SB 499 to establish an interim committee to study the issue of consolidation of MPERS and MOSERS. The legislative interim period would afford the opportunity for the systems to provide a thorough analysis of the potential cost/savings associated with consolidation. Such a committee would have the ability to allow for testimony from all stakeholders. Upon completion of the analysis performed by the committee, the General Assembly would receive a final report with well-researched recommendations for the 2020 legislative session.

ASSUMPTION (continued)

Question 1 - Funding Considerations
It is important to note that if the State Road Fund will continue to fund MPERS' retirement benefits, those specific funds could only go towards funding MPERS-covered members due to the restriction in the Missouri Constitution that requires the State Road Fund to only fund highway-related activities. Based on relevant case law, the oversight board would likely have to continue to operate two separate funds. Missouri courts have held that the intent of Article 4 Section 30(b) of the Missouri Constitution is that all state revenue derived from highway users shall be credited to a special fund and stand appropriated without legislative action for specified road purposes and that no money is to be diverted from the State Road Fund and no other use be permitted of the fund except for enumerated state highway purposes. State Highway Commission v. Spainhower, 504 S.W.2d 121 (1973). With those limitations the plans could be administered by a single entity, but in all likelihood, the plans would continue to operate as two distinct plans with minimal potential for cost efficiencies except perhaps for modestly reduced staffing needs and a minimal reduction in overhead expenses.

In the event the State Road Fund would no longer fund MPERS-covered members, budgetary considerations must be made for the $200 million annual contribution, including identifying a source for those funds. If the State Road Fund is no longer the source of this required funding, there are a number of alternatives for implementing the proposed consolidation and a number of questions must be considered. The following represents several of the primary questions to be addressed. There would also be an extensive list of more detailed questions that would need to be addressed subject to the answers to these more general questions.

Question 2 - One Board
If the legislature's intent for the consolidation is to simply have the two pension plans managed by one board, then the proposed legislation would accomplish that objective with the termination of the MPERS board on December 31, 2019. If that is the sole intention of the proposal, there would be minimal savings, if any.

Question 3 - Return on Assets
The consolidation of MOSERS and MPERS has been discussed a number of times over the years, both in and out of the state legislature. Historically, the case for consolidation has primarily focused on the investment performance of the two systems. Prior to MPERS hiring its own dedicated investment staff and restructuring the investment portfolio, MOSERS' investment performance was consistently better than MPERS'. Since MPERS started committing resources to the investment program, that is no longer the case. The return for MPERS for the 10-year period ending December 31, 2018 is 9.58%. The MOSERS return for that same period is 7.1%.

ASSUMPTION (continued)

Question 4 - Handling of Assets

The assets of MOSERS and MPERS have always been managed according to different investment policies. As a result, there may be some similarities in asset classes held by each system, but the overall makeup of each portfolio is considerably different. Combining the assets is an achievable outcome but the complexities for doing so are considerable and potentially costly.

One option to consolidate assets is for one system to liquidate all investments and transfer to the receiving system what is left over after all of the fees have been paid. Both systems hold illiquid assets that are not immediately marketable. These assets could be sold on a secondary market in a relatively short period of time but doing so would result in costly discounts relative to fair market value. For example, MPERS' private equity portfolio is currently valued at about $400 million. A decision to exit those funds on the secondary market would likely result in discounts ranging from 10-40% depending on the marketability of the assets. A 40% discount on those assets would cost over $160 million. That same cost estimate would apply to all other asset classes holding illiquid assets if sold on the secondary market. Even the sale of liquid assets will result in fees and commissions that will exceed hundreds of thousands of dollars. Once the assets are liquidated the receiving system would be presented with significant deployment challenges, particularly for funds that will be invested in assets of a more illiquid nature. During this deployment phase (for clarity, deployment of cash into new investments), which could conceivably last years, deviation from the system's existing investment policy would occur as a considerable amount of assets would be held as cash or other liquid assets that would pose material implications to the return profile of the plan. In other words, it is likely that returns would be diminished until such time as the assets could be fully invested.

A second option would be to merge the assets from one system into the other without liquidation. Under this scenario, the assets would be merged into one portfolio assuming the contracts could be amended to facilitate such a transfer of ownership. Transfer would require the consent of the fund managers with the contractual transfers handled by legal counsel. There would be a cost to this process which is unknown, but significant nonetheless. Transferring ownership could lead to a necessary fire sale of certain funds but estimating the extent of the loss is speculative absent an actual attempt to transfer ownership. Similar to the first option, this combination of assets would result in a significant deviation from approved asset allocation, which would take considerable time to transition with material implications to future returns of the system. In other words, it is likely that returns would be diminished until such time as the assets could be fully invested.

A third option would be to sell the most liquid assets for transfer to the receiving fund for deployment while maintaining the less liquid assets until such time as the assets run their

ASSUMPTION (continued)

anticipated course, which could be as long as 15 years.

Question 5 - Constitutional Legal Issues
The state constitution provides equal protection to members/individuals who are similarly situated. A concern with any merger could be a claim by a member that equal protection rights have been violated if either system has benefits that are not available in the other system. Additionally, if any benefits offered to members of one plan currently are not offered to them in the alternate plan, these members could seek judicial remedies arguing that their right to equal protection under the law has been violated. These differences could include how benefit payment options are actuarially reduced (e.g., section 104.090 and 104.395), when cost of living adjustments are given in the Closed Plan, how service credit is granted, and so on. For example, a member under MOSERS may argue that the unique service credit granted under 104.040.3 of MPERS' statutes should be applicable to them. A merger of the two plans may create these equal protection issues, not currently relevant, that would likely be tested judicially. If an equal protection challenge were upheld in court, meaningful, but unknown costs could materialize in addition to legal expenses.

If retirement benefits are considered contractual in nature, then a claim could also be made based upon Article I, Section 13 of the Missouri Constitution that prohibits the impairment of the obligations of contracts. MPERS' members would expect to retain their benefits (like those described above) and if lost due to future statutory amendments, the obligations of contracts argument could prevail. Further support for the theory that a contractual right exists for retirement recipients is in the statutes themselves. MPERS' section 104.250 and MOSERS' section 104.540 have been interpreted to create contractual rights. One significant example is that members retiring under MPERS' Closed Plan may draw retirement while being active employees of a state agency covered by MOSERS. Should the statutes creating that opportunity change after consolidation, the members affected could have a cause of action claiming that their contractual rights have been violated.

Question 6 - Operational Concerns
Administration of the benefits both systems oversee are managed in large part via a pension database system. A consolidation of the two systems would require each system to continue in operation for each membership. Alternatively, administration could be transferred to one system's software application or the other. MPERS acquired a modern pension administration system, PensionGold, approximately ten years ago. If one database is to be utilized, there would be considerable transition efforts and costs related to such a move. Those costs are difficult to ascertain but it is reasonable to expect $200,000 or more.

ASSUMPTION (continued)

Question 7 - Medical Benefits
Employees and retirees of MoDOT and the Patrol are members of the MoDOT and Patrol Medical and Life Insurance Plan. This is due to the statutory requirement that medical plan membership is predicated on membership with MPERS. If MPERS no longer exists, it is unclear if MPERS members would become members of the Missouri Consolidated Healthcare Plan. Due to differences in rate structures between the plans, there would be additional costs for employers and MPERS-covered members. Statutory changes would be necessary to facilitate changes to medical coverage.

Officials from **Joint Committee on Public Employee Retirement (JCPER)** assume this proposal has no direct fiscal impact to JCPER. The JCPER's review of this legislation indicates that its provisions may constitute a "substantial proposed change" in future plan benefits as defined in Section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665, RSMo. Furthermore, an actuarial cost statement or actuarial study would be required to determine the assets, liabilities, and actuarially determined contribution of a consolidated retirement system. The retirement systems use different actuarial assumptions and different time periods for smoothing investment gains and losses, which may impact the calculation and value of a consolidated system's actuarial value of assets and liabilities. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the 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.

Current Status of MOSERS:

As of June 30, 2018

Market Value of Assets:	$8,034,508,424
Actuarial Value of Assets:	$8,830,410,210
Liabilities:	$13,612,763,961

Covered Payroll as of June 30, 2018: $1,915,143,022

Recommended Contribution Rate for FY 2020: 21.77% of payroll. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to MOSERS. Estimated employer contribution is approximately $445.9 million.

ASSUMPTION (continued)

Current Status of MPERS:

As of June 30, 2018

Market Value of Assets:	$2,314,530,148
Actuarial Value of Assets:	$2,274,248,122
Liabilities:	$3,981,838,941

Active Employee Payroll as of June 30, 2018: $351,496,555

Recommended Contribution Rate for FY 2020: 58% of payroll. Projected dollar contribution is $216,283,563. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to MPERS.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** assume the proposal will have no fiscal impact on their organization. MHP will defer to MPERS for a fiscal impact statement.

Officials from **Missouri Department of Transportation (MoDOT)** defer to MPERS for a fiscal impact statement.

Oversight assumes the following potential impacts:

Administrative
Per the Comprehensive Annual Financial Report for FY 2018, MPERS had $4,693,492 in administrative expenses and MOSERS had $10,209,941 in administrative expenses. Oversight assumes there could be savings through consolidation if duplicated services could be eliminated. Below is a schedule of administrative expenses for MPERS.

ASSUMPTION (continued)

Schedule Of Administrative Expenses
For the Year Ended June 30, 2018

Personnel Services:	
Salary Expense	$1,997,282
Employee Benefit Expense	1,522,818
Total Personnel Services	**3,520,100**
Professional Services:	
Actuarial Services	82,052
Audit Services	46,700
Legislative Consultant	30,000
Investment Special Consulting	15,000
Insurance Consultant	6,000
Other Consultant Fees	29,424
Fiduciary Insurance	19,507
IT Hosting and Support	279,900
Other	17,671
Total Professional Services	**526,254**
Miscellaneous:	
Depreciation	345,772
Meetings/Travel/Education	89,265
Equipment/Supplies	74,228
Printing/Postage	32,881
Bank Service Charge	9,093
Building Expenses	33,884
Other	62,015
Total Miscellaneous	**647,138**
Total Administrative Expenses	**$4,693,492**

Oversight assumes any administrative savings would be less than $4,693,492 which is the total administrative expenses experienced by MPERS. Oversight will not show a potential administrative impact to MPERS since they are not a state agency. Oversight assumes this bill may impact the contribution rates paid by the state into the MPERS and MOSERS plans.

Employer Contributions
Oversight notes there could be a potential shift in cost between employers in the two systems depending on how the consolidation is implemented. If MPERS benefits are administered as a separate plan by MOSERS and current contribution rates are note combined, no cost shifting would occur.

ASSUMPTION (continued)

Alternatively, if the plans are consolidated into one plan and contribution rates are combined, **Oversight** assumes this would decrease the contribution rate for MoDOT and MHP and increase the employer contribution rate for all other state agencies. This would shift costs from the State Road Fund and Various Patrol Funds to the General Revenue Fund, Federal Funds and Other Various State Funds. Oversight notes, in 2004, the Joint Committee on Public Employee Retirement in the Final Report on Issues Related to the Consolidation of Retirement Systems for State Employees (Consolidation Report) estimated there would be a $54.7 million decrease in costs associated with MoDOT and Highway Patrol employees while the benefit contributions for all other state employees would increase by $54.7 million. Oversight assumes this would also potentially increase the employer contributions for colleges and universities participating College and University Retirement Plan.

Oversight notes contribution rates are unknown and would be determined by an actuarial valuation. Oversight notes the following comparison of actuarial assumptions:

	MOSERS	MPERS
Actuarial Cost Method	Entry Age	Entry Age
Amortization Period	Closed 30 Year (Rolling)	Closed - 14 years remaining
Asset Smoothing Period	5 Year (Closed)*	3 Years (Closed)
Rate of Return (Actuarial)	7.25%**	7.00%
Wage Growth	2.75%	3.00%
Payroll/Salary Growth	2.50%	3.00% to 12.45%
Cost-of-Living Adjustments	2.00% to 4.00% Compound	1.80% Compound
Inflation	2.50%	2.25%
Funded Ratio	64.9%	57.1%
Employer Contribution Rates	21.77%	58.00%

* The total unrecognized investment experience as of June 30, 2017, will be recognized evenly over a seven-year period beginning June 30, 2018.

**This assumption will change to 7.10% for the June 30, 2019 valuation and 6.95% for the June 30, 2020 valuation and thereafter, absent board action

ASSUMPTION (continued)

Investment Expenses
As noted by MOSERS, **Oversight** assumes there could be economies of scale from the combining of assets. Depending on the investment strategies, Oversight assumes the average cost of asset management fees could decrease with a larger asset base. In FY 2018, MPERS had $30,486,906 in investment expenses and MOSERS had $103,966,065 in investment expenses.

Oversight notes if, 10% of MPERS investment expenses could be saved due to economies of scale, the savings is estimated at $3,048,691. However, Oversight assumes any savings from economies would be dependent on the investment strategy implemented and falls outside the scope of this fiscal note. Therefore, Oversight will not show a impact due to economies of scale.

Transition Costs
Oversight notes there could be transition costs associated with a merger of the two systems as noted by MOSERS and MPERS. The transition costs would include a liquidation of the MPERS asset portfolio. The Consolidation Report indicated the transaction costs for consolidation of the investment portfolios at approximately $5 million.

Additionally, MPERS estimated there could be costs to transfer the administration of benefits to one system's software application. MPERS estimates the cost could exceed $200,000.

Per the Consolidation Report, Oversight notes the consolidation may result in the need to liquidate illiquid positions in the MPERS system. MPERS indicated a 40% discount on its private equity portfolio would cost over $160 million. Oversight assumes any cost resulting from liquidation would be dependent on the investment strategy and therefore outside the scope of this fiscal note. Oversight will not show an impact from discounting illiquid assets.

Oversight assumes the consolidation will be complete on September 1, 2022. Oversight assumes the transition costs would diminish once consolidation is complete. Again, Oversight does not consider MOSERS and MPERS to be state agencies and will not reflect potential direct costs to them; however Oversight will assume these changes may impact the contribution rates paid by the state to the new consolidated retirement system.

In Summary

Oversight assumes cost shifting from MoDOT and MHP to all other state agencies will occur if contribution rates increase under MOSERS. Oversight will show a range of impact of $0 (no cost shifting) to an unknown cost to General Revenue, Federal Funds and Various State Funds if

ASSUMPTION (continued)

contribution rates increase for all other state agencies. Additionally, Oversight will show a range of impact of $0 (no savings) to an unknown savings to the State Road Fund and Various Highway Patrol Funds if contribution rates decrease for MoDot and MHP under MOSERS.

Oversight assumes the consolidation will be complete on September 1, 2022. Oversight assumes the consolidation may impact state contribution rates starting in FY 2022.

FISCAL IMPACT - State Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
Cost - MOSERS - potential increase in contribution rates after consolidation	$0	$0	$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**$0**	**$0 or (Unknown)**
VARIOUS STATE FUNDS			
Cost - MOSERS - potential increase in contribution rates after consolidation	$0	$0	$0 or (Unknown)
ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	**$0**	**$0**	**$0 or (Unknown)**
FEDERAL FUNDS			
Cost - MOSERS - potential increase in contribution rates after consolidation	$0	$0	$0 or (Unknown)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	$0 or (Unknown)

FISCAL IMPACT - State Government continued	FY 2020 (10 Mo.)	FY 2021	FY 2022
STATE ROAD FUND AND VARIOUS PATROL FUNDS			
Cost Savings - MoDOT & MHP - reduced contribution rates	$0	$0	$0 or Unknown
ESTIMATED NET EFFECT ON STATE ROAD FUND AND VARIOUS PATROL FUNDS	**$0**	**$0**	**$0 to Unknown**

FISCAL IMPACT - Local Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Under the provisions of this act, the board of trustees of the Missouri State Employees' Retirement System (MOSERS) and the board of trustees of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) shall take all necessary action to effectuate the consolidation of MPERS into MOSERS. Such consolidation shall be completed by no later than September 1, 2022.

MOSERS shall assume control over all assets and liabilities and be vested with the powers and duties as may be necessary or proper to enable it, its officers, employees, and agents to carry out fully and effectively the provisions concerning MPERS. MOSERS shall assume control of MPERS and be vested with such powers and duties on January 1, 2020. Additionally, the board of MPERS shall no longer be vested with those powers and duties on such date.

FISCAL DESCRIPTION (continued)

From September 1, 2019 to September 1, 2022, the superintendent of the highway patrol and the director of the Department of Transportation, or their successors, shall be members of the board of trustees of MOSERS and shall have the same duties and responsibilities as other members of the board.

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
Missouri State Employees' Retirement System
Missouri Department of Transportation & Highway Patrol Employees' Retirement System
Missouri Department of Transportation
Department of Public Safety - Missouri State Highway Patrol

Kyle Rieman
Director
April 9, 2019

Ross Strope
Assistant Director
April 9, 2019

JLH:LR:OD