

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5155S.01I  
Bill No.: SB 1062  
Subject: Highway Patrol; Retirement - State; Retirement Systems and Benefits - General; State Employees; Department of Transportation  
Type: Original  
Date: April 5, 2022

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Bill Summary: This proposal allows terminated vested members of certain state retirement systems to elect a lump sum payment of retirement benefits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue	\$0	Unknown	Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>Unknown</b>	<b>Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Various Other State Funds	\$0	Unknown	Unknown
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>Unknown</b>	<b>Unknown</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
Federal Funds	\$0	Unknown	Unknown
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>Unknown</b>	<b>Unknown</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</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 \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from **Joint Committee on Public Employee Retirement (JCPER)** state this proposal has no fiscal impact to the Joint Committee on Public Employee Retirement. The JCPER's review of SB 1062 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. 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, 2021

		Funded Ratio
Market Value of Assets:	\$9,519,930,080	63.0%
Actuarial Value of Assets:	\$8,909,251,051	58.9%
Liabilities:	\$15,110,646,537	

Covered Payroll as of June 30, 2021: \$1,961,975,052

Recommended Contribution for FY23: 26.33% of payroll. Estimated dollar amount of contribution is \$552.7 million. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to the retirement system.

Officials from **Missouri State Employee's Retirement System (MOSERS)** state this proposal, if enacted, would allow the MOSERS Board to establish a buy-out payment option for former vested members. The option of a one-time lump sum payment would be available to members who have terminated employment, are entitled to a deferred annuity, and have not yet reached normal retirement age or normal retirement eligibility. The lump sum value is to be equal to at least sixty percent of the member's deferred annuity or a greater percent not to exceed one hundred percent, as determined by the Board. The Board shall establish this program no later than January 1, 2023.

Additionally, any member who takes advantage of the lump sum payment option shall forfeit all creditable or credited service and future rights to receive retirement annuity benefits and any long-term disability benefits from the system. If such member returns to state employment, such member shall be considered a new employee with no prior credited service and shall be considered a member of the MSEP 2011 tier within MOSERS.

MOSERS' membership includes approximately 16,959 terminated vested members. The average MOSERS' terminated vested member is:

Currently Age 48,  
Left State Employment at Age 38,  
Worked approximately 9 years for the State, and  
Will receive an average monthly benefit at retirement of \$508.

### Fiscal Impact

The fiscal impact to MOSERS for this proposal is unknown. The MOSERS Board of Trustees will establish the buyout program including the percentage of the present value of future benefits that will be offered as a lump sum payment (but not less than 60% as outlined in the proposal). There is no way to know how many members will elect to participate in the program.

As of the June 30, 2021 actuarial valuation, approximately \$887,000,000 in actuarial accrued liability associated with terminated vested members.

### Historical Data

In 2017, the Missouri General Assembly passed SB 62 which contained, among other provisions, language that allowed the MOSERS (& MPERS) Board of Trustees to implement a terminated vested buyout program with authorization expiring May 31, 2018. The MOSERS Board of Trustees implemented a terminated vested buyout program allowing eligible members to elect a voluntary one-time lump-sum payment option of 60% of the present value of their future retirement benefit. Results of the program were:

Terminated Vested Members Eligible	17,005
Total Applications Paid	4,371 (25.7% of eligibles)
Total Liability Eliminated	\$101,453,664
Amount Paid	<u>(60,712,367)</u>
Net Liability Eliminated	\$ <u>40,741,297</u>

Upon further inquiry, **MOSERS** indicated this would result in a reduction in an employer contributions of an unknown amount.

**Oversight** notes the following sources of funding for retirement benefits:

General Revenue	\$295,689,000 or 61%
Federal Funds	\$100,201,703 or 20%
Other State Funds	\$90,818,000 or 19%

Based on MOSERS response, **Oversight** will show an unknown cost savings to the following funds General Revenue, Federal Funds and other State Funds.

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<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>GENERAL REVENUE</b>			
<u>Cost Savings</u> - from a decrease in employer contributions from a lump sum payout	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
<b>FEDERAL FUNDS</b>			
<u>Cost Savings</u> - from a decrease in employer contributions from a lump sum payout	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
<b>OTHER STATE FUNDS</b>			
<u>Cost Savings</u> - from a decrease in employer contributions from a lump sum payout	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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### FISCAL IMPACT – Small Business

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

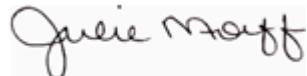
### FISCAL DESCRIPTION

This act allows terminated vested members of the Missouri State Employees' Retirement System or the Missouri Department of Transportation and Highway Patrol Employees' Retirement System to elect to receive a lump sum payment equal to 60%, or a higher percentage chosen by the Board of Trustees of the relevant system, of the present value of a deferred annuity. Any member making an election shall forfeit all creditable service, future rights in the annuity, and disability benefits. If the member subsequently becomes an employee entitled to a benefit from the system, such a member shall be considered a new employee under the Missouri State Employees' 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 Employee Retirement  
Missouri State Employee's Retirement System



Julie Morff  
Director  
April 5, 2022



Ross Strope  
Assistant Director  
April 5, 2022