

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1077S.01I  
Bill No.: SB 77  
Subject: Retirement - State; Retirement Systems and Benefits - General; State Employees  
Type: Original  
Date: March 27, 2023

---

Bill Summary: This proposal modifies the actuarial amortization and cost methods for the Missouri State Employees' Retirement System.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</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 2024</b>	<b>FY 2025</b>	<b>FY 2026</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 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state this proposal has no direct fiscal impact to the Joint Committee on Public Employee Retirement.

The JCPER’s review of this proposal 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.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** state the proposed legislation will remove the requirement that annual contributions for payment of the unfunded actuarial accrued liabilities (UAAL) be determined using the level percent-of-payroll amortization method for the Missouri State Employees’ Retirement System (MOSERS), and the Missouri Department of Transportation and Patrol Employees’ Retirement System (MPERS). The removal of this requirement does not obligate the MOSERS or MPERS Board of Trustees to calculate the annual contribution payment on the UAAL in an alternate manner than as past practice. This would simply allow the Board to consider other actuarial funding methods relative to paying down the UAAL.

The statutory provisions outlining level percent of payroll amortization were initially passed in 1981 (Section 104.436) and 1999 (Section 104.1066). A level percent of payroll amortization incorporates a payroll growth assumption—essentially the payments are computed with the expectation that payments will increase as payroll grows in the future. In June 30, 2009, MOSERS covered payroll was approximately \$2 billion. Since that time, covered payroll has remained below the 2009 level with little to no growth.

### **Current Status of MOSERS:**

As of June 30, 2022

Funded Ratio 57.7%

Market Value of Assets:	\$8,248,414,597
Actuarial Value of Assets:	\$8,894,328,756
Liabilities:	\$15,408,995,032
Unfunded Actuarial Accrued Liability (UAAL)	\$6,514,666,276

Covered Payroll as of June 30, 2022: \$2,004,688,456

Recommended Contribution Rate for FY 2022: 23.51% 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 \$471.3 million.

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state, if enacted, this proposal would modify the language related to the cost methods applicable to the actuarial amortization for the unfunded liabilities for MPERS and MOSERS. The change would allow either plan the flexibility to choose the appropriate cost method. MPERS assumes the proposal will have no fiscal impact on their organization.

**Current Status of MPERS:**

As of June 30, 2022

Funded Ratio 66.33%

Market Value of Assets:	\$3,067,193,086
Actuarial Value of Assets:	\$2,925,561,398
Liabilities:	\$4,410,685,047
Unfunded Actuarial Accrued Liabilities (UAAL)	\$1,485,123,649

Active Employee Payroll as of June 30, 2022: \$367,493,332

Recommended Contribution Rate for FY 2022: 58% of payroll. Estimated employer contribution is approximately \$212.7 million. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to MPERS.

**Oversight** assumes this proposal removes the prescribed method for determining contributions for payment of unfunded accrued liabilities and would allow for an alternative method which could result in higher or lower employer contributions than the level percent of payroll amortization method. **If** the retirement systems use an alternative method to pay down the UAAL to greater effect, Oversight assumes this could be a cost to the state from increased employer contributions. However, Oversight notes this proposal is permissive and a change in the method used would not occur without action from the Board of Trustees; therefore, Oversight will reflect a zero impact on the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<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.

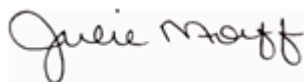
FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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 Employee's Retirement System  
MoDOT & Patrol Employees' Retirement System  
Joint Committee on Public Employee Retirement



Julie Morff  
Director  
March 27, 2023



Ross Strobe  
Assistant Director  
March 27, 2023