

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5602S.01I
Bill No.: SB 1054
Subject: Retirement - State; Retirement Systems and Benefits - General; State Employees
Type: Original
Date: February 27, 2026

Bill Summary: This proposal modifies provisions relating to retirement, including 2011 tier and deferred compensation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

- 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§104.1091 & 105.915 – Retirement Provisions

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state the JCPER’s review of SB 1054 indicates it would not create a “substantial proposed change” in future plan benefits as defined in Section 105.660(10).

§104.1091 - Refunds

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume the proposed legislation would amend section 104.1091 RSMo to allow the system to automatically refund the employee retirement contributions and credited interest of \$1,000 or less to a former member who is not vested.

Members of the MSEP 2011 plan contribute 4% of their pay to the system. Currently, former members of this plan who are not vested, among others, may request a contribution refund. If the non-vested former member does not request a contribution refund, MOSERS must hold the former member’s contribution indefinitely until the individual claims it or until the individual reaches the required minimum distribution (RMD) age under federal tax law, which requires MOSERS to try to locate the individual at that time and make payments. The current RMD age is 73 years old.

The proposed changes to section 104.1091 RSMo would allow MOSERS to automatically refund contributions and credited interest totaling \$1,000 or less to former non-vested MSEP 2011 members. For former members the system cannot locate after reasonable diligence, the statute would authorize the system to send the returned refund to the treasurer’s unclaimed property division. Doing so would eliminate the continual administrative burden required by federal law to attempt to locate the thousands of former non-vested members while holding their contributions indefinitely.

In MOSERS’ June 30, 2025, valuation, 23,217 non-vested former members had contribution balances of \$1,000 or less, with the total number increasing more than 10% each year for the past three fiscal years. MOSERS estimates that nearly 90% of the current non-vested former members with a contribution balance of \$1,000 or less would not reach RMD age for approximately 20 years, at which time federal tax law would require MOSERS to try to locate them on an ongoing basis. By statute, these individuals’ contributions do not accrue interest payable to them once their benefits-eligible employment terminates.

The changes to section 104.1091 RSMo would have no fiscal impact as automatically refunding the contributions instead of holding them indefinitely and repeatedly trying to locate the non-

vested former member collectively would not have a material positive or negative fiscal impact to the system.

Officials from the MOSERS assume the proposal will have a non-material fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **MoDOT & Patrol Employees' Retirement System (MPERS)** assume SB 1054, if enacted, would modify provisions governing MPERS by requiring the system to refund contributions for 2011 Tier members whose balances are less than \$1000, who have terminated employment, and are not vested. The change would reduce the number of members who become difficult or impossible to locate when deceased or have relocated, and the system would pay out contributions to a beneficiary or in accordance with other requirements.

Currently, 2011 Tier members who terminate employment may request a refund of contributions, forfeiting their service. If the member wishes to return to employment under MPERS or MOSERS in the future, the member may repay any refunded contributions, plus interest, to reestablish service credit. Once a 2011 Tier member is eligible to retire, the member may not request a refund. This part of the statute will not change.

The amendment to the statute would require the system to refund contributions for 2011 Tier members when the balance is *less than \$1000*. Refunding these small balances aligns with other federal requirements for qualified governmental pension plans. Members who return to employment under MPERS or MOSERS will still have the right to repay any refunded contributions, plus interest, to reestablish service credit. The fiscal impact to MPERS would be minimal, if any.

Officials from the MPERS assume the proposal will have a non-material fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency

105.915 – Deferred Compensation

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume this bill also would amend section 105.915 RSMo to allow deferred compensation elections to become effective at the beginning of the next payroll period, instead of the next month; and, effective July 1, 2027, it would provide automatic increases in 0.5% increments annually up to 10% for participants unless they have opted out, including previously auto-enrolled participants still deferring at the baseline percentage.

The proposed change to this section would allow a deferred compensation participant's elections to become effective at the beginning of the next payroll period, instead of always requiring the participant to wait until the beginning of the next month. This would allow participants to begin saving sooner.

Beginning July 1, 2027, the proposed change would authorize automatic annual deferred compensation increases in increments of 0.05% up to 10%, or up to the maximum amount allowed under federal law, whichever is less. The increases would apply to all individuals who were auto-enrolled and still deferring at the baseline percentage (i.e., 1%) as well as individuals first hired or re-hired on or after July 1, 2027.

The intent of the proposed amendments to this section would be to increase participants' retirement savings balances and provide higher income replacement for them in retirement. Participants would continue to be able to opt out or adjust their deferral percentage at any time.

The proposed changes to section 105.915 RSMo would have no fiscal impact to the system.

Officials from the MOSERS assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact on 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

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



Julie Morff
Director
February 27, 2026



Jessica Harris
Assistant Director
February 27, 2026