

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4147-01  
BILL NO.: SB 928  
SUBJECT: Retirement  
TYPE: Original  
DATE: February 14, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
All State Funds	(\$1,509,235)	(\$2,705,560)	(\$2,705,560)
Highway Fund	(\$168,912)	(\$341,916)	(\$346,104)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$1,678,147)</b>	<b>(\$3,047,476)</b>	<b>(\$3,051,664)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

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**FISCAL ANALYSIS**

ASSUMPTION

Officials of the **Joint Committee on Public Employee Retirement** have reviewed this proposal and have determined that it represents a “substantial proposed change” in future plan benefits as defined in section 105.660(5), RSMo. Therefore, an actuarial cost statement must be provided prior to final action on this legislation by either legislative body or committee thereof.

Officials of the **Office of Administration** assume any fiscal impact will be determined by the Missouri State Employees’ Retirement System.

Officials of the **Highway and Transportation Employees’ and Highway Patrol Retirement System** assume based on a review by their actuary that the proposal would not have a material impact on the liabilities and contribution requirements of the system.

**Missouri State Employees’ Retirement System (MOSERS)** assume that most provisions in the proposal involve minor modifications of the new retirement plan (MSEP 2000) enacted in the prior legislative session and administrative changes to the existing plan (MSEP) and would not have fiscal impact to the plans. The more substantive changes in the proposal would modify the basic life insurance provisions for state employees and would allow disability members to also receive a temporary annuity under the MSEP 2000. MOSERS officials estimate the cost to implement the proposed basic life insurance benefit change for 48,606 active employees would be approximately \$2.4 million per year. Increasing the present life insurance benefit from \$15,000 to one times annual salary, with a \$15,000 minimum, would increase the annual premium by \$2,392,650. The State’s current annual premium equals \$2,554,731 (48,606 employees x \$15,000 / \$1,000 x .292 x 12 months). The new annual premium would be \$4,947,381. Using the covered state payroll of \$1,388,154,000, divided by \$1,000 equals \$1,388,154 in coverage in thousands, multiplied by a premium of .297 per \$1,000 of coverage, multiplied by 12 months is \$4,947,381. Assuming an effective date for this provision of January 1, 2001, costs for FY 2001 would be \$1,196,325. The cost of providing for a temporary annuity to disabled members without regard to any prior receipt of federal Social Security Disability Benefits would result in an increase in the state’s contribution rate to MOSERS from 11.59% to 11.61%. Based on a valuation payroll of \$1,564,551,532, the annual increase in contributions would approximate \$312,910. Total annual costs for these two provisions would approximate \$2,705,560.

In response to a proposal containing the life insurance provisions included in this legislation, officials from the **Department of Transportation (MoDOT)** assume there would be a fiscal impact to MoDOT from the life insurance provisions of the proposal. Currently, MoDOT pays ASSUMPTION (continued)

monthly costs of \$0.17 cents per \$1,000 of coverage for the \$15,000 state paid life insurance. Increasing the coverage to each employee's annual salary would result in total coverage for MoDOT employees of \$216,872,767. Total premiums for this coverage would be \$36,868 per month (\$216,872,767 times \$0.17/\$1,000). MoDOT's currently monthly premiums are \$16,863 (\$15,000 in coverage times \$0.17/\$1,000 times 6,613 employees). Therefore, the annual increase in premium costs would be \$240,060 (\$36,868 less \$16,863 equals \$20,005 times 12 months). Assuming an effective date of January 1, 2001, the total fiscal impact to the Highway Fund would be \$120,030 for FY 2001 and \$240,060 for FY 2002 and FY 2003. Although the proposal allows the Highway Commission to elect whether or not to provide the insurance, MoDOT assumes the Commission would elect to do so.

In response to a proposal containing the life insurance provisions in this legislation, officials from the **Missouri Highway Patrol (MHP)** assume the proposal will increase premium costs. Total insurance coverage after increasing individual coverage to annual salary amounts would be \$76,298,704. Currently MHP pays a premium of \$0.17 per month per \$1,000 in coverage, and they assume the rate would not change. MHP's currently monthly premiums are \$5,480 (\$15,000 in coverage times \$0.17/\$1,000 times 2,149 employees). Assuming a 2.5% annual inflation rate in the salary base, monthly premiums would increase by \$8,147 in FY 2001 (to \$13,627 per month), \$8,488 in FY 2002 (to \$13,968 per month), and \$8,837 in FY 2003 (to \$14,317 per month). Assuming an effective date of January 1, 2001, the total fiscal impact to the Patrol would be \$48,882 for FY 2001, \$101,856 for FY 2002, and \$106,044 for FY 2003. For fiscal note purposes, the net impact to the Highway Patrol is reflected in the State Highway Fund since the majority of personal services costs for the Patrol are charged to that fund.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
<b>ALL STATE FUNDS</b>			
<u>Cost - State Departments</u>			
Increased basic life insurance coverage	(\$1,196,325)	(\$2,392,650)	(\$2,392,650)
Increased contributions to MOSERS	<u>(\$312,910)</u>	<u>(\$312,910)</u>	<u>(\$312,910)</u>
Total costs	<u><b>(\$1,509,235)</b></u>	<u><b>(\$2,705,560)</b></u>	<u><b>(\$2,705,560)</b></u>

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
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**STATE HIGHWAY FUND**

Cost - Department of Transportation

Increased basic life insurance coverage (\$120,030) (\$240,060) (\$240,060)

Costs - Highway Patrol

Increased basic life insurance coverage (\$48,882) (\$101,856) (\$106,044)

**ESTIMATED NET EFFECT ON**

**STATE HIGHWAY FUND** (\$168,912) (\$341,916) (\$346,104)

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>			
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

The proposal makes numerous changes to the Missouri State Employees' Retirement System and the Highways and Transportation Employees' and Highway Patrol Retirement System. Provisions include increasing life insurance coverage for state employees from \$15,000 to one times annual salary (with a \$15,000 minimum) and providing for a temporary annuity for disabled members without regard to prior receipt of Social Security Disability Benefits.

The proposal has an effective date of July 1, 2000, except the provision regarding life insurance which has an effective date of January 1, 2001.

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

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Joint Committee on Public Employee Retirement  
Office of Administration  
Missouri State Employees' Retirement System  
Highways and Transportation Employees' and Highway Patrol Retirement System  
Department of Transportation  
Department of Public Safety - Missouri Highway Patrol

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA  
Director  
February 14, 2000