

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1480-03  
Bill No.: HCS for SB 371  
Subject: Retirement–State; Retirement Systems & Benefits–General  
Type: Original  
Date: April 30, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Various State Funds	less than (\$100,000)*	less than (\$100,000)*	less than (\$100,000)*
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>less than (\$100,000)*</b>	<b>less than (\$100,000)*</b>	<b>less than (\$100,000)*</b>

**\*Does not include potential unknown savings to the state from creation of a defined-benefit retirement plan for new academic hires at regional universities & colleges.**

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
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 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

The **Joint Committee on Public Employee Retirement** indicates that the proposed legislation does not represent a “substantial proposed change” in future plan benefits, as defined in Section 105.660(5). As such, an actuarial cost statement is not required.

Officials with the **Office of Administration** note that the Missouri State Employees’ Retirement System should determine any possible costs of this legislation.

Officials with the **Missouri State Employees’ Retirement System (MOSERS)** note that most of the proposal involves minor modifications to and clarifications of the Missouri State Employees’ Plan (MSEP) the Missouri State Employees’ Retirement Plan 2000 (MSEP 2000), the Administrative Law Judges and Legal Advisors’ Plan (ALJLAP), and the Judicial Plan. The provisions are general in nature and are assumed to have a fiscal impact of under \$100,000 annually.

Officials with the **Highway & Transportation Employees’ and Highway Patrol Retirement System (HRS)** assume the proposal makes minor changes and clarifications that will have no fiscal impact.

The creation of a deferred retirement option for MOSERS and HRS members is expected by **MOSERS** to not result in an increase to the employer contribution rate. This is based on an analysis by their actuary which indicates lengthened careers will result from the proposal. **HRS** officials note that is very difficult to predict the impact of a “back DROP”, where the key factor is how rates of retirement will be affected. HRS makes the same assumptions regarding the back DROP, and also assumes the proposal will be cost-neutral.

In response to previous similar legislation regarding the creation of a defined-contribution plan for new academic hires at regional colleges, officials with **Central Missouri State University** and **Missouri Southern State College** assumed the fiscal impact to the school is unknown. Officials with **Harris-Stowe State College** and **Linn State Technical College** assumed there would be no fiscal impact to the school. **Southwest Missouri State University (SMS)** assumed the proposal would provide savings of 1% of pay for faculty and senior administration officials hired after June 30, 2002. SMS estimated 70 new hires per year at \$56,667 per year, providing savings of \$39,667 in FY 2003 (70 x \$56,667 x 1%). For FY 2004, new hires from FY 2003, plus FY 2004 hires were assumed to have an average salary of \$58,934 (4% adjustment), for a total savings for the year of \$83,508 (140 x \$58,934 x 1%). **MOSERS** assumes no fiscal impact as a result of these provisions. **Oversight** assumes there will be unknown savings to the state institutions.

ASSUMPTION (continued)

The **Department of Public Safety** and the **Department of Transportation** assume the proposal will have no fiscal impact on their agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Costs</u> —Various State Agencies	<u>less than</u>	<u>less than</u>	<u>less than</u>
Contributions to MOSERS	<u>(\$100,000)*</u>	<u>(\$100,000)*</u>	<u>(\$100,000)*</u>

**\*Does not include potential unknown savings to the state from creation of a defined-benefit retirement plan for new academic hires at regional universities & colleges.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<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.

DESCRIPTION

This act clarifies and makes minor modifications to the Missouri State Employees' Plan (MSEP), the Missouri State Employees' Retirement Plan 2000 (MSEP 2000), the Administrative Law Judges and Legal Advisors' Plan (ALJLAP), the Judicial Plan and the Highway and Transportation Employees' and Highway Patrol Retirement Plan (HTEPHRS).

This bill creates a deferred retirement option plan (a back DROP option) for MOSERS and HTEPHRS members. The deferred retirement option provides an annuity that may be distributed in a single lump sum or in 3 annual payments for members of the Missouri State Employees' Retirement System and the Highway and Transportation Employees' and Highway Patrol Retirement System in both the closed plan and the Year 2000 plan. Elected officials and members of the General Assembly are not eligible. Employees who have reached normal retirement age and continue to work for at least 2 more years may select a retroactive starting date, which would be the later of the date when a normal retirement benefit would have been payable if the member had retired or 5 years before the annuity starting date. The annuity would be the amount that would have been payable had the member actually retired on the retroactive starting date. The lump sum amount would be 90% of the annuity.

DESCRIPTION (continued)

The bill establishes a defined contribution plan for regional state colleges and universities for teaching personnel, instructors, assistant professors, associate professors, professors, and academic administrators holding faculty rank. MOSERS is authorized to establish the plan, select a third party administrator, select investment products, and establish contribution rates.

Changes to the specific plans are broken down by plan as listed below:

*MSEP and MSEP 2000*

The amount paid to an ex-spouse will be based on a percentage of the monthly annuity rather than a specific dollar amount. The percentage would apply to any lump sum distribution or cost-of-living adjustments. Legislators and statewide elected official will have the same death-in-service benefits and allows them to elect from the same menu of retirement options available to general employee members of the plan. The annuity starting date is clarified. Clarifies definition of employee and an employment year. Clarifies that the University of Missouri is not a department, since their employees are eligible for separate coverage.

*MSEP*

The division of benefits order will be based on the value of the MSEP benefit but any increases after retirement will be based on the plan elected at retirement. The value of the member's annuity will be based upon the member's vested annuity on the date of dissolution or an earlier date as specified in the order. Language regarding military service credit is clarified and reflects current federal law requirements for military service credit. Legislators and statewide elected officials will have the same death-in-service benefits and allows them to elect from the same menu of retirement options available to general employee members of the plan. The annuity starting date is clarified.

Members of the Board of Trustees are allowed to continue serving until they resign or are replaced by new appointees. Definitions of disability and other rules established by the Board of Trustees may be included in contracts between the board and other entities. The responsibilities, obligation and liabilities of insurers or service organizations and clarifies appeal procedures. Unused sick leave is changed from 21 days to 168 hours for purposes of crediting service.

This act would allow for complete transferability of service between MOSERS and HTEHPRS. Refunds for purchased service will be issued in the event a member or beneficiary receives less than the amount paid to the system in connection with a purchase.

DESCRIPTION (continued)

The act requires an active member eligible for creditable prior service as a circuit clerk, deputy circuit clerk, or division clerk to submit proof of service that the member met the work requirement that was in effect at the time the service was rendered (1,000–1,500 hours).

Retirement applications must make a benefit election within 90 days of the annuity starting date, or the application is nullified and no payments will be made until a new application is received.

*MSEP 2000*

Pay is redefined to include any nonrecurring single sum payment. Members retiring under the Rule of 80 are eligible to retain any optional life insurance held immediately prior to retirement. Eligibility will cease at the earliest age for social security eligibility.

Clarifies the definition of employee and employment year. Allows creditable service to be purchased only following the five-year vesting requirement.

The designation of agent language is expanded to include the ALJLAP and Judicial plan. The designation is effective only upon the disability or incapacity of the benefit recipient as determined by the person's physician.

Retirement applications must make a benefit election within 90 days of the annuity starting date, or the application is nullified and no payments will be made until a new application is received.

*Judicial plan*

Any judge who has creditable service under Chapter 104 and Chapter 476 may make a one-time election upon application to receive all retirement benefits for that service under either Chapter 104 or Chapter 476. The contribution rate used for calculating purchase of military service for a judge shall be the computed rate on the date of employment.

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  
Office of Administration  
Missouri State Employees' Retirement System  
Highway & Transportation Employees' and Highway Patrol Retirement System  
Department of Transportation  
Department of Public Safety  
Central Missouri State University  
Missouri Southern State College  
Harris-Stowe State College  
Linn State Technical College  
Southwest Missouri State University



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