

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2811H.02I
Bill No.: HCB 1
Subject: Retirement - State; Retirement Systems and Benefits - General; Employees -
Employers
Type: Original
Date: April 19, 2021

Bill Summary: This proposal modifies provisions relating to public employee retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(\$22,762)	(\$5,158)	(\$5,603)
Total Estimated Net Effect on General Revenue	(\$22,762)	(\$5,158)	(\$5,603)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 37.850 Employee Salaries

In response to a similar proposal, HB 29 (2021), officials from the **Office of Administration - Information Technology (ITSD)** assumed there would be updates to the Missouri Accountability Portal to display additional data.

The consultant rate of \$95 per hour is an estimated rate based on current contract(s) pricing. It is assumed that any new IT project/system will be bid out, as all ITSD resources are at full capacity. Project Management hours is an estimated rate of 8% based on current/projected averages. A 20% maintenance rate for on-going support of systems/system changes is based on industry standards and the standard rate usually charged by IT service providers. Plus, a 2.5% inflation factor is applied to future years.

ITSD assumes this will result in additional costs of \$22,762 in FY 2022, \$5,158 in FY 2023 and \$5,603 in FY 2024.

Officials from **Joint Committee on Public Employee Retirement (JCPER)** assume the proposal has no fiscal impact to the Joint Committee on Public Employee Retirement. The JCPER's review of this proposal indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

Officials from the **Missouri State Employee's Retirement System (MOSERS)** state this section requires all statutory public pension plans to report the name, salary, and incentive pay for its employees to the Missouri accountability portal. MOSERS has maintained a webpage on the MOSERS public website, "On the Money" that provides system employee names and their salaries since 2009.

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** assume the proposed bill, if enacted as presented, proposes to make the salaries of employees of Missouri's public employee retirement plans accessible to the public on the state of Missouri's accountability portal. This information is public information under Chapter 610. MPERS provides this information upon request. There would be no fiscal impact to MPERS.

Officials from the **County Employees' Retirement Fund, Kansas City Police Retirement System, Kansas City Public School Retirement System, Kansas City Employees' Retirement System, Kansas City Firefighter's Pension System, Kansas City Supplemental Retirement Plan, Local Government Employees Retirement System, Metropolitan St. Louis Sewer District Employees Pension Plan, Public Education Employees' Retirement System, Spanish Lake Fire Protection District Retirement Plan, St. Joseph Policemen's Pension Fund** and the **Sheriff's Retirement System** each assume the proposal will have no fiscal impact

on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight will show the costs to modify the Missouri Accountability Portal as estimated by OA-ITSD.

Section 70.631

The **JCPER**'s review of section 70.631 indicates it would not create a "substantial proposed change" in future plan benefits as defined in Section 105.660(10).

Officials from the **Local Government Employees Retirement System (LAGERS)** assume the proposal will have no fiscal impact on their organization.

In response to a similar proposal, HB 1157 (2021), **LAGERS** stated any impact to an employer's contribution under the option provided for in RSMo 70.631 would be borne by the electing political subdivision. The fiscal impact of electing this provision cannot be known until the date in time in which an employer makes the election. Any time an employer makes a change in benefit election in LAGERS, an actuarial cost analysis is completed at that time and posted for a 45-day public notice prior to adoption pursuant to RSMo 105.675.

Oversight notes the minimum retirement age for general employees is 60 years of age. Oversight assumes the minimum retirement age is 55 years of age for certain employees defined as public safety personnel. Oversight assumes there could be an increase in employer contributions for local political subdivisions (for certain counties) for employees they elect to cover under the retirement system as public safety personnel who retire at the age of 55 instead of 60.

Oversight notes each individual employer electing to add certain employees as public safety personnel would have an actuarial cost statement done to determine if the change would require an increase in their employers' contribution rate.

Oversight notes the limitation on increases in employer contribution rates does not apply to any contribution increase resulting from this proposal.

Oversight will show a range of \$0 (no local political subdivisions elect to cover additional employees as public safety personnel) to an unknown cost to local political subdivisions if an increase in employer contributions were needed. Oversight assumes this proposal is discretionary and would have no local fiscal impact without action by the governing body.

Oversight received a limited number of responses from eligible retirement systems related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to

determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 104.160 MPERS Board of Trustees

Officials from **JCPER** state section 104.160 modifies the terms of the elected members of the MoDOT and Highway Patrol Employees' Retirement System board of trustees. The JCPER's review of section 104.160 indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** assume the proposal will have no fiscal impact on their organization. MPERS state this section would stagger the terms for MPERS' elected trustees. MPERS has four trustees elected by representative bodies (two active employees, one each from MoDOT and the Highway Patrol and two retirees, one each from MoDOT and the Highway Patrol) for four-year terms. At present, all four of these positions become eligible for reelection at the same time.

If HCB 1 is enacted, MPERS would begin the scheduled election process in March of 2022. The active trustees elected at that time will serve a two-year term rather than four years. MPERS would hold a new election for the active trustees in March of 2024 and those newly elected active trustees would then serve a four-year term going forward, thereby staggering the terms.

Officials from the **Missouri Department of Transportation** assume the proposal will have no fiscal impact on their organization.

Oversight notes the responding entities assume this provision will have no fiscal impact. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this provision.

Section 104.010 to 104.1091 and 476.521

Officials from **JCPER** state this proposal modifies multiple provisions for MOSERS, MPERS and the Judicial Retirement System. The JCPER has reviewed the remainder of the sections in chapter 104 and section 476.521. The JCPER assumes that the majority, but not all, of these changes consist of clarifying existing practice in statute, reorganizing statutory provisions, and repealing of obsolete provisions. The JCPER's review of these sections indicates they will not affect retirement plan benefits as defined in Section 105.660(9).

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume the proposal will have no fiscal impact on their organization.

This proposal provides clarification relative to several statutory provisions related to the retirement systems, MOSERS and the Missouri Department of Transportation and Patrol Employees' Retirement System (MPERS). Most of these changes are minor modifications and

clarifications of the retirement plans that are administrative in nature and intended to clarify and/or eliminate inconsistencies in the law.

There are a couple of proposed provisions that relate solely to MOSERS. First, the amount of service credit a member of the General Assembly or Statewide Elected Official can accrue while on long-term disability will be limited. This modification is to reflect the application of term limits and could result in a de minimis savings to the long-term disability plan. Second, the interest associated with employee contributions within the Judicial 2011 plan is reduced from a fixed 4% to the 52-week Treasury bill rate (currently, about 1.5%). This modification mirrors changes made to the General Employee plan under MOSERS in 2012 (SB 625).

Officials from the **MoDOT & Patrol Employees' Retirement System** and **Missouri Department of Transportation** each assume these provisions will have no fiscal impact on their respective organizations.

In response to a similar proposal, HB 701 (2021), officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** assumed these provisions would have no fiscal impact on their organization. The proposed language, if enacted, is intended to cleanup a number of statutes related to the retirement systems, MoDOT and Patrol Employees' Retirement System (MPERS) and Missouri State Employees' Retirement System (MOSERS). In large part, the statutes either correct errors (e.g., missing subsections, incorrect cross-references, delete obsolete sections, etc.) or clarify vague or unclear procedures, thereby improving the efficiency of the administration of benefits.

Oversight assumes any fiscal impact resulting from these provisions would not be material and therefore will reflect a zero fiscal impact in this fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Costs</u> - OA-ITSD - modifications to the Missouri Accountability Portal - §37.850	<u>(\$22,762)</u>	<u>(\$5,158)</u>	<u>(\$5,603)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$22,762)</u>	<u>(\$5,158)</u>	<u>(\$5,603)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> - increase in employer contribution rates for employers who elect to cover certain positions as public safety personnel - §70.631	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Section 37.850 - This provision requires all public employee retirement systems and quasi-governmental entities to report such system's or entity's employees' salaries and any incentive pay to the Missouri government accountability portal in the same manner as all state departments and agencies report.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

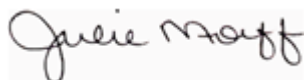
Section 70.631 - Currently, political subdivisions located in third class counties and Cape Girardeau County may, by majority vote of the governing body, elect to cover certain employee classes as public safety personnel members in the Local Government Employees' Retirement System (LAGERS). This bill allows political subdivisions located in other counties to also cover such employee classes.

Section 104.160 - This provision modifies the terms of the elected members of the MoDOT and Highway Patrol Employees' Retirement System board of trustees.

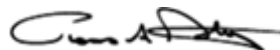
Sections 104.010 to 104.1094 & 476.521 - These sections modify provisions relating to the MoDOT & Patrol Employees' Retirement System and Missouri State Employee's Retirement System.

SOURCES OF INFORMATION

Office of Administration – Information Technology (ITSD)
Joint Committee on Public Employee Retirement
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Missouri Department of Transportation
County Employees' Retirement Fund
Kansas City Employees' Retirement System
Kansas City Firefighter's Pension System
Kansas City Police Retirement System
Kansas City Public School Retirement System
Kansas City Supplemental Retirement Plan
Local Government Employees Retirement System
Metropolitan St. Louis Sewer District Employees Pension Plan
Public Education Employees' Retirement System
Sheriff's Retirement System
Spanish Lake Fire Protection District Retirement Plan
St. Joseph Policemen's Pension Fund



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