

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4784-02  
Bill No.: SB 1384  
Subject: Retirement - Schools; Retirement - State; Retirement Systems and Benefits - General  
Type: Original  
Date: March 30, 2004

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$2,023,681)	(\$2,023,681)	(\$2,023,981)
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>(\$2,023,681)</b>	<b>(\$2,023,681)</b>	<b>(\$2,023,681)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Highway Fund	(\$796,860)	(\$796,860)	(\$796,860)
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>(\$796,860)</b>	<b>(\$796,860)</b>	<b>(\$796,860)</b>

**\*The provisions affecting the MOSERS increases the Unfunded Actuarial Accrued Liability (UAAL) by \$18,044,653. The increase in employer contributions would be \$2,023,681 (0.11% annually). The provisions affecting the HEHPRS System increases the Unfunded Actuarial Accrued Liability (UAAL) by \$7,699,522. The increase in employer contributions would be \$796,860 (0.25%) annually.**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

The **Joint Committee on Public Employee Retirement** indicated the above-referenced legislation would indicate that such legislation is a substantial proposed change@ in future plan benefits as defined in Section 105.665(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has been filed with the Joint Committee on Public Employee Retirement and it is reflected in the attached pension impact statement.

ASSUMPTION (continued)

Officials with the **State Highway Employees and Patrol Retirement System (HEHPRS)** assume this proposal would provide that upon reaching the 65% cap a Closed Plan retiree will be granted a one-time increase equal to 6.25% of their current benefit. This increase is in addition to any other increases payable in accordance with the provisions described in the proposal. Existing Closed Plan retirees who have reached the cap as of September 1, 2004, will get the increase on that date. Retirees and future retirees under the Closed Plan who reach the 65% limit after September 1, 2004, will receive the increase the month following the month in which the cap was reached.

Officials with the **Department of Elementary and Secondary Education and Public School Retirement System** assume no fiscal impact to their agencies.

Officials with the **Missouri State Employees Retirement System (MOSERS)** assume this proposal would allow members of MOSERS to receive one month of service credit for any remaining hours of unused sick leave after months of unused sick leave are converted into months of service credit by the system. In addition, sick leave credit could be used to qualify for normal retirement eligibility. The computed increase in the employer contribution rate that would be necessary to fund for the proposed benefit would be approximately \$2 million in the first year after the benefit change.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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**GENERAL REVENUE**

<u>Cost - General Revenue</u>			
Increased Contributions to Retirement Plans	(\$2,023,681)	(\$2,023,681)	(\$2,023,681)
<b>TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS*</b>	<b><u>(\$2,023,681)</u></b>	<b><u>(\$2,023,681)</u></b>	<b><u>(\$2,023,681)</u></b>

**HIGHWAY FUND**

<u>Cost - MoDOT</u>			
Increased Retirement Contributions	(\$796,860)	(\$796,860)	(\$796,860)
<b>TOTAL ESTIMATED NET EFFECT ON HIGHWAY FUNDS*</b>	<b><u>(\$796,860)</u></b>	<b><u>(\$796,860)</u></b>	<b><u>(\$796,860)</u></b>

**\*The provisions affecting the MOSERS increases the Unfunded Actuarial Accrued Liability (UAAL) by \$18,044,653. The increase in employer contributions would be \$2,023,681 (0.11% annually). The provisions affecting the HEHPRS System increases the Unfunded Actuarial Accrued Liability (UAAL) by \$7,699,522. The increase in employer contributions would be \$796,860 (0.25%) annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<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 gives any member of the Public School Retirement System who after the division of total unused sick leave by 168 hours retains any balance of unused sick leave hours, an additional full month of creditable service for retirement purposes within Section 104.601, RSMo. The act

DESCRIPTION (continued)

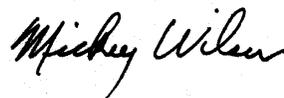
also removes the prohibition of using unused sick leave to reach the time of vesting within the retirement system.

The act allows that if a member terminates employment and is eligible to receive an annuity pursuant to the year 2000 plan, or becomes a vested former member at the time of termination, the member's or former member's unused sick leave who after the division of total unused sick leave by 168 hours retains any balance of unused sick leave hours, an additional full month of creditable service for retirement purposes within Section 104.601, RSMo. The act also removes the prohibition of using unused sick leave to reach the time of vesting within the retirement system.

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 Retirement System  
Department of Elementary and Secondary Education  
Public School Retirement System  
State Highway Employees and Patrol Retirement System



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Director  
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