COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1305-01
Bill No.: HB 353
Subject: Higher Education Department; Retirement Systems and Benefits - General
Type: Original
Date: March 11, 2013

Bill Summary: This proposal changes the laws regarding the defined contribution plan for employees of certain higher education institutions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume the proposed legislation would, if enacted, reestablish the employer contribution rate for the College and University Retirement Plan (CURP), which is a defined contribution plan administered by MOSERS for professors and administrators holding faculty rank at state colleges and universities, referred to by law as "outside employees." As proposed, the employer contribution rate would be changed to 7% of payroll from the current rate of 1% of payroll less than the normal cost contribution rate of the defined benefit plan. In addition, the proposal would allow a university's governing body to prospectively require employees hired on or after July 1, 2014, to contribute an additional amount of up to 4% of payroll. A provision of federal law is also referenced to allow the institutions to "pick-up" or treat certain contributions as employer contributions under the Internal Revenue Code in order to allow employee contributions to be made on a pre-tax basis. Lastly, the legislation would prohibit any outside employee who first becomes an employee on or after July 1, 2014, from making a one-time election to participate in the defined benefit plan administered by MOSERS.

Presently, the CURP employer contribution rate is equal to 1% of payroll less than the normal cost contribution rate of the defined benefit plan. For FY 2014, MOSERS employer normal cost for pre-2011 hires will be 8.73% and the normal cost for post-2010 hires will be 3.08%. This results in a combined employer normal cost of 7.38% and a CURP contribution rate for FY 2014 of 6.38% of pay.

Because the plan changes that were enacted in 2010 significantly altered the design and employer normal cost of the defined benefit plan, an unintended consequence is that, over time, there will be a significant decline in the employer contribution to the CURP, thus diminishing the value of the plan for those participants. This legislative proposal would establish the employer contribution rate at 7% of payroll in an effort to address this issue before the CURP contribution rate declines significantly.

Officials from the **Joint Committee on Public Retirement** assume the proposal would indicate that such provisions may not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

Officials from the **Metropolitan Community College**, **Missouri Southern State University**, **Linn State Technical College**, **University of Central Missouri**, **University of Missouri** and **St. Louis Community College** each assume the current proposal would not fiscally impact their respective higher education institutions.

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ASSUMPTIONS (continued)

Officials from the **Missouri State University** assume that there will be a slight increase in the amount they, as an employer, will be contributing. However, the cost would not be considered significant.

Oversight assumes Missouri State University can absorb this nominal contribution change.

FISCAL IMPACT - State Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to 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 Retirement
Missouri State Employees Retirement System
Missouri Southern State University
Linn State Technical College
University of Central Missouri
University of Missouri
St. Louis Community College
Missouri State University
Metropolitan Community College

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Acting Director
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