

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4592-01
BILL NO.: HB 2069
SUBJECT: Highway and Transportation Employees' and Highway Patrol Retirement System
TYPE: Original
DATE: March 7, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Highway Fund	(\$991,062 to \$2,948,731)	(\$991,062 to \$2,948,731)	(\$991,062 to \$2,948,731)
Total Estimated Net Effect on <u>All</u> State Funds	(\$991,062 to \$2,948,731)	(\$991,062 to \$2,948,731)	(\$991,062 to \$2,948,731)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

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 **Highway and Transportation Employees’ and Highway Patrol Retirement System (HTEHPRS)** obtained an actuarial analysis to determine the fiscal impact to their system from this proposal. They note that the actuary considers there to be essentially no difference between an employee in a deferred retirement option program (DROP) versus one who has actually retired (because monthly benefits are still paid out, and the employee accrues no further benefit). The actuary also stated that the impact on HTEHPRS will be measured by increased retirement rates. The rate of election will influence the fiscal impact to the system. The actuary provided cost impact statements assuming two separate employee election rates. For the first election rate assumption, the actuary assumed the following election rates into the DROP:

- Department of Transportation (MoDOT) and non-uniformed patrol (civilian) retirement rates at age 60 were increased from 15% for males and 8% for females to 40% for both males and females. The uniformed patrol retirement rate at age 55 was increased from 40% to 60%.

Under these assumptions, the annual cost would be as follows:

MoDOT		\$662,023	
Highway Patrol:			
Non-uniformed	\$108,441		
Uniformed	<u>\$220,598</u>	<u>\$329,039</u>	
_____ Total			\$991,062

For the second election rate assumption, the actuary assumed the following election rates into the DROP:

- MoDOT and non-uniformed patrol (civilian) retirement rates were each set at 90% at ages 60 and 55, respectively.

ASSUMPTION (continued)

Under these assumptions, the annual cost would be as follows:

MoDOT			\$2,006,756
Highway Patrol			
	Non-uniformed	\$328,712	
	Uniformed	\$613,263	\$ 941,975
<u>Total</u>			\$2,948,731

The actuary concluded that, depending on election rates, costs could increase between approximately \$1 million and \$3 million as reflected above.

Oversight assumes that the actual elections that will be made by HTEHPRS members are unknown. However, the two scenarios presented by the actuary provide insight into what the costs could be based upon different member elections, assuming lower versus higher election rates. For fiscal note purposes, Oversight has reflected a range of possible costs totaling \$991,062 to \$2,948,731 to the state highway fund (the fund to which most fringe benefits of MoDOT and Highway Patrol employees are charged).

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>			
HIGHWAY FUND			
<u>Costs-MoDot</u>			
Increased contributions to HTEHPRS	(\$662,023 to \$2,006,756)	(\$662,023 to \$2,006,756)	(\$662,023 to \$2,006,756)
<u>Costs-Missouri Highway Patrol</u>			
Increased contributions to HTEHPRS	(\$329,039 to \$941,975)	(\$329,039 to \$941,975)	(\$329,039 to \$941,975)
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$991,062 to \$2,948,731)</u>	<u>(\$991,062 to \$2,948,731)</u>	<u>(\$991,062 to \$2,948,731)</u>
<u>FISCAL IMPACT - Local Government</u>			
	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

L.R. NO. 4592-01
BILL NO. HB 2069
PAGE 4 OF 4
March 7, 2000

FISCAL IMPACT - Small Business

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

DESCRIPTION

Effective July 1, 2001, the Highway and Transportation Employees' and Highway Patrol Retirement System may develop a deferred retirement option program (DROP). The program would permit members who have reached normal retirement eligibility under either the closed plan or the Year 2000 Plan to retire and receive annuity payments from individual accounts while employed. Members would not receive direct retirement benefits or accrue creditable service while participating; the monthly benefit that the member would have received is directed to the member's DROP account. Retirement annuities would be deferred from one to 5 years from the date of election to participate in the DROP. The bill provides for designation of beneficiaries, stipulates the level of interest on the account, credits unused sick leave and cost-of-living adjustments, and contains provisions concerning death or disability during program participation. The moneys in the program account may be withdrawn as a lump sum, as a deferred payment, or as a direct rollover. At the end of the participation period, a member may become reemployed, in which case the retirement annuity will cease.

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
Highway and Transportation Employees' and Highway Patrol Retirement System



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Director
March 7, 2000