

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5809-03  
Bill No.: HCS for HB 1741 & 1543  
Subject: Higher Education Dept.; Retirement Systems and Benefits - General  
Type: Original  
Date: April 13, 2012

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Bill Summary: This proposal modifies provisions regarding certain higher education employees' retirement and modifies the death benefit amount for members of the County Employees' Retirement System.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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 2013</b>	<b>FY 2014</b>	<b>FY 2015</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Missouri State Employees' Retirement System (MOSERS)** assume the proposed legislation described in Fiscal Note No.5809-01N (HB 1741) would, if enacted, reestablish the employer contribution rate for College and University Retirement Plan (CURP), which is a small defined contribution plan administered by MOSERS for professors and administrators holding faculty rank at state colleges and universities. As proposed, the employer contribution rate would be changed to 7% of payroll from 1% of payroll less than the normal cost contribution rate of the defined benefit plan. In addition, the proposal would allow, by resolution of a university's governing body, to prospectively require employees hired on or after July 1, 2103, to contribute an additional amount up to 4% of payroll. Lastly, the legislation would prohibit any outside employee who first becomes an employee on or after July 1, 2013, 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. MOSERS current normal cost for pre-2011 hires is 8.84%; the normal cost for post-2010 hires is 3.37%; and the combined normal cost is 7.80% (the current CURP contribution rate for FY 2012 is 6.80%). Because the plan changes that were enacted last year significantly altered the design and 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 ties the employer contribution rate to 7% of payroll in an effort to address this issue before the normal cost drops significantly.

Officials from **Linn State Technical College, Missouri Western State University, University of Missouri, University of Central Missouri, Missouri State University** and **Metropolitan Community College** assume there will be no fiscal impact to their agencies.

ASSUMPTION (continued)

Sections 50.1130 & 50.1140

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **County Employees' Retirement System (CERF)** assume there will be no fiscal impact to their system.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

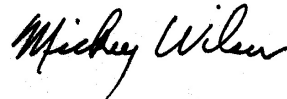
FISCAL DESCRIPTION

The proposed legislation modifies provisions regarding certain higher education employees' retirement and modifies the death benefit amount for members of the County Employees' 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 Employees' Retirement System  
Linn State Technical College  
Missouri Western State University  
University of Missouri  
University of Central Missouri  
Metropolitan Community College  
Missouri State University  
County Employees' Retirement System



Mickey Wilson, CPA  
Director  
April 13, 2012