

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5828-07  
Bill No.: HCS for HB 1922  
Subject: Highway Patrol; Insurance - Medical; Retirement - State; Boards, Commissions, Committees, Councils  
Type: Original  
Date: April 11, 2012

Bill Summary: This proposal creates and modifies provisions relating to health care benefits for members of the Missouri Department of Transportation and Highway Patrol 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
Road Fund	\$0 to (Unknown)	0 to (Unknown)	0 to (Unknown)
<b>Total Estimated Net Effect on Other State Funds*</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

\*Could be greater than \$100,000.

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 7 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

Officials from the **Joint Committee on Public Employee Retirement (JCP)** assume their review of the proposal would indicate that such legislation will not affect retirement plan benefits as defined in Section 105.660.

Officials from the **MoDOT & Patrol Employees' Retirement System(MPERS)** assume there will be no fiscal impact to their agency.

Officials from the **Missouri Highway Patrol** assume the Department of Transportation and the Retirement System will be responding on their behalf.

Officials from the **Division of Budget and Planning (BAP)** assume this proposal should not result in additional costs or savings to their division. They defer to MPERS and MoDOT for a fiscal impact.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume the estimated cost for MCHCP to conduct an actuarial analysis and produce a report examining the feasibility of including the Department of Transportation health plan with the MCHCP plan is estimated to not exceed \$100,000.

**Oversight** assumes this could be accomplished during the normal budgetary process. Therefore, Oversight assumes the impact of this portion of the proposal is \$0.

Officials from the **Department of Transportation (MoDOT)** assume this proposal makes various changes regarding health care and retirement benefits.

The Medical Plan would become a separate legal entity managed by a board of trustees who will provide benefits to MPERS members. The Board of Trustees will be comprised of three MoDOT employees and one MoDOT retiree appointed by the director and three MSHP employees and one MSHP retiree appointed by the superintendent, which revises the current Board membership by adding one MSHP member and elimination of one MoDOT Board member.

Currently, the MoDOT/MSHP Medical Plan has a Board of Trustees which carries out the functions of the Medical Plan. With the assistance of the Plan's actuary, the Board recommends premium amounts to the Commission. It is the Commission's responsibility to ultimately have

ASSUMPTION (continued)

the final vote on the state and the subscriber contribution amounts. The legislation proposes the superintendent of the Missouri State Highway Patrol would also be included in this vote by including the superintendent of the Missouri State Highway Patrol along with the Commission in determining premiums and benefits, based on recommendations by the board of trustees.

The proposal gives both the Commission and the Highway Patrol superintendent the authority to provide benefits and determine premiums and contributions.

The proposal states either the Commission or the Superintendent of the Highway Patrol could transfer the plan into MCHCP. It is not clear whether the Patrol superintendent could move the entire plan or just its medical plan beneficiaries into MCHCP and split off from the plan. If the Patrol members moved to MCHCP, it would impact the Medical Plan by losing approximately 3,600 subscribers and 4,080 dependents out of the 27,324 participants currently enrolled based on the February 2012 enrollment information.

The proposal revises the current plan for future retirees. Beginning January 1, 2014, the state contribution to retirees would be either \$12 per year of service up to 35 years with no survivor contribution or \$10 per year of service and includes a survivor contribution. The proposal proposes a retiree would receive 2% per year of service up to 30 years of service, which places the maximum to 60% state contribution. The state contribution level proposed results in higher contributions than set in 2012 to get current retirees to a 40% state contribution over the next four to seven years.

The language increases the MHTC and MSHP contribution levels which would continue to increase long term as medical costs increase. It also eliminates the surviving spouse limitation based on it considers a surviving spouse to be a special consultant under the retirement statute; therefore, the surviving spouse would receive the same amount the retiree received prior to death.

Based on estimates prepared by the Plan's actuary, AON Hewitt, determining the Plan's OPED liability for offering a 2% per year of service contribution, the estimated impact to MHTC and the Highway Patrol would be \$1.52 billion. In comparison to the \$825 million OPEB liability based on approved current and future contribution strategies; the estimated increase in OPEB liability with the proposed language is approximately \$700 million.

It is assumed the proposal includes all current retirees/survivors and future retirees/survivors in the new contribution structure. Based on the suggested contribution levels for retirees, MHTC and MSHP contribution levels could increase effective January 1, 2013. The impact is unknown based upon the years of service of every retiree and survivor enrolled.

ASSUMPTION (continued)

Based on the Actuarial Valuation Report from the Plans actuary, AON Hewitt, the annual required contribution (ARC) was estimated at \$56 million with the retirement strategies implemented in 2012 including moving toward the 40/60 contribution and the \$10 and \$12 option available to retirees after January 1, 2014, but if the Plan was required to implement the contribution rate to 2% per years of service the new ARC is estimated at \$100.6 million and would continue to increase as medical trend increases.

Section 104.110 proposes the Commission shall contribute the same amount for disability recipients' medical premiums as provided for all state employees. Currently only the Work-Related Disability rates are comparable to the active employees. The Plan also has Long-Term Disabled rates which are comparable to the retirees. Since LTD recipients are not retired, one would assume those members would pay rates comparable to the active employees. Based on this change, MHTC and the Highway Patrol contribution amounts would increase due to the change from active contribution amounts to the retiree contribution amounts. The Plan currently has 63 LTD members based on February 2012 enrollment. Based on enrollment numbers and 2012 rates, the impact is estimated at \$175,000 per calendar year for the LTD members.

The impact would continue long-term as it requires state contributions for retirees to continue at a certain percentage and increases the Plan's current contribution levels along with increasing the Plan's OPEB liability.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>ROAD FUND</b>			
<u>Loss - Department of Transportation</u> Health Insurance Plan Transfer	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ROAD FUND*</b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>

**\*Could be greater than \$100,000.**

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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.

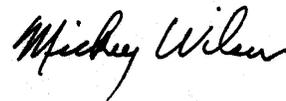
FISCAL DESCRIPTION

The proposed legislation creates and modifies provisions relating to health care benefits for members of the Missouri Department of Transportation and Highway Patrol 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  
MoDOT & Patrol Employees' Retirement System  
Missouri Highway Patrol  
Department of Transportation  
Division of Budget & Planning  
Missouri Consolidated Health Care Plan  
Department of Transportation



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Director  
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