

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0836-01  
Bill No.: HB 484  
Subject: General Assembly; Retirement - State; Retirement Systems and Benefits -  
 General; Public Officers  
Type: Original  
Date: March 13, 2015

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Bill Summary: This proposal establishes a defined contribution program for elected officials becoming members after January 1, 2016.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>  |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED  | FY 2016    | FY 2017    | FY 2018    |
|  |            |            |            |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2016    | FY 2017    | FY 2018    |
|   |            |            |            |
| <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 5 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</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 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume this proposed removal of benefits for new hires has no effect on the current benefit obligation or current employer contributions for the active members currently covered under the MSEP 2000 plan. The long term effect of the proposed change on defined benefit contributions is a decrease in employer normal cost of approximately 0.11% of MOSERS' total payroll. It is important to note that unfunded actuarial accrued liability contributions for MOSERS are assumed to be made on total payroll, including those members hired on or after January 1, 2016.

**Defined Benefit Employer Contributions:**

| <b>FY 2015-16 Contribution</b>                   | <b>Present Benefits</b> | <b>Proposed Benefits</b> | <b>Increase/(Decrease)</b> |
|--|-------------------------|--------------------------|----------------------------|
| Normal Cost                                      | 8.21%                   | 8.19%                    | (0.02)%                    |
| Member Contributions                             | (1.32)%                 | (1.32)%                  | 0.00%                      |
| UAAL% (30 year amortization)                     | 10.08                   | 10.10                    | 0.02                       |
| Total Contribution Rate                          | 16.97%                  | 16.97%                   | (0.0)%                     |
| Employer Normal Cost<br>(\$ millions)            | \$139.1                 | \$138.7                  | \$(0.4)                    |
| Estimated Employer<br>Contribution (\$ millions) | \$342.6                 | \$342.6                  | 0.0                        |

| <b>Valuation Results<br/>As of June 30, 2014 (millions)</b> | <b>Present Benefits</b> | <b>Proposed Benefits</b> | <b>Increase/(Decrease)</b> |
|---|-------------------------|--------------------------|----------------------------|
| Market Value of Assets (MVA)                                | \$9,136.8               | \$9,136.8                | 0                          |
| Actuarial Accrued Liability<br>(AAL)                        | 11,494.6                | 11,494.6                 | 0                          |
| Actuarial Value of Assets (AVA)                             | 8,637.8                 | 8,637.8                  | 0                          |
| Unfunded Actuarial Accrued<br>Liability (UAAL)              | \$2,856.8               | \$2,856.8                | 0                          |
| Percent Funded  | 75.1%                   | 75.1%                    | 0.0%                       |

ASSUMPTION (continued)

Officials from the **Missouri House of Representatives** and the **Missouri Senate** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Division of Personnel** and **Office of Administration - Division of Accounting** defer to Missouri State Employees Retirement System for fiscal impact.

Officials from the **Joint Committee on Public Employee Retirement** assume this proposal may constitute a “substantial proposed change” in future plan benefits as defined in Section 105.660(10), RSMo. It is impossible to accurately determine the fiscal impact of this proposal without an actuarial cost statement prepared in accordance with Section 105.665, RSMo.

| <u>FISCAL IMPACT - State Government</u> | FY 2016<br>(10 Mo.) | FY 2017    | FY 2018    |
|---|---------------------|------------|------------|
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2016<br>(10 Mo.) | FY 2017    | FY 2018    |
|---|---------------------|------------|------------|
|   | <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.

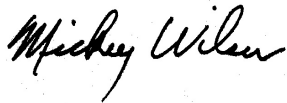
FISCAL DESCRIPTION

The proposed legislation 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

Missouri State Employees Retirement System  
Joint Committee on Public Employee Retirement  
Missouri Senate  
Missouri House of Representatives  
Office of Administration



Mickey Wilson, CPA  
Director  
March 13, 2015

Ross Strobe  
Assistant Director  
March 13, 2015