

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2425-01
Bill No.: HB 1134
Subject: State Employees; Health Care
Type: Original
Date: March 16, 2015

Bill Summary: This proposal modifies provisions relating to state employee health care.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue	Unknown	Unknown	Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Other State Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume the proposed legislation would, if enacted, create a healthcare retirement incentive for general state employees who retire after August 28, 2015, and before November 1, 2015.

Under the proposal, a retiree may elect to continue coverage for him or herself and any eligible dependents, at the same cost as that of an active employee for a maximum period of five years or upon becoming eligible for Medicare, whichever occurs first. The monthly dollar amount contributed by the employer for such benefit would not increase beyond the level paid during the first full calendar year after implementation. After five years or upon becoming eligible for Medicare, the cost for medical coverage for such retiree and any dependents would revert to the applicable rate in place at that time.

Additional provisions would allow the governing boards of Truman State University, Lincoln University, and the educational institutions described in section 174.020, the Highway Commission that governs the healthcare plans of Department of Transportation and the state highway patrol, and the Conservation Commission to elect to provide the proposed incentive to their respective employees.

The proposal restricts the state from filling more than 25% of the positions vacated; exceptions to the 25% restriction may be made for critical or seasonal positions or positions which are entirely federally funded. Such determinations would be made by rules and regulations promulgated by the Office of Administration (OA). The hiring restriction would not apply to Truman University, Lincoln University or the educational institutions.

Lastly, the proposal requires the MOSERS and the MoDot and Patrol Employees' Retirement System (MPERS), if applicable, to issue a report in writing to the Governor and the Commissioner of Administration by December 1, 2015, and provide annual reporting to the effect of the healthcare retirement incentive. The report would include the number of retirements, the amount of payroll affected as a result of such retirements, and the financial effect

ASSUMPTION (continued)

of such retirements as expressed in a report by each system's actuary.

OA and the Missouri Consolidated Health Care Plan (MCHCP) are required to submit similar reports which would also include the number of positions core cut as a result of such retirements and any costs associated with payment of medical premiums by the state.

Retirement incentives are designed to achieve a voluntary reduction in the workforce during a specific window with the desired effect being a permanent reduction in payroll. Any costs incurred should be offset by a combination of 1) a reduction in the number of active employees; 2) lower pay levels for replacement employees; and/or 3) a reduction in other fringe benefits for replacement employees. The success of any retirement incentive plan in reducing payroll costs is largely dependent upon a long-term reduction in the workforce. Without that discipline, there will be no long-term reduction in payroll costs.

MOSERS has no way of estimating the number of employees who might retire during the window provided by this proposal; however, in a jointly issued report from OA, MOSERS, and MCHCP, which reported the results of similar healthcare retirement incentive that was enacted in 2003, approximately 42% of those eligible retired under the incentive.

MOSERS retires between 200 to 300 active employees per month. If this proposal were enacted, it is likely that the volume of retirements that would have normally occurred prior to the window period would decline significantly - that is, eligible active employees who might otherwise retire could postpone retirement to a later date in order to take advantage of the healthcare retirement incentive.

Oversight assumes this proposal will result in an unknown savings to the state because of the replacement restrictions outlined in this proposal.

Officials from the **MoDOT and Patrol Employees Retirement System** assume the current proposal would not fiscally impact their agency.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to Department of Transportation for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Savings</u> - MOSERS			
Net reduction in personal service costs, fringe benefits, expense and equipment, and health benefit premiums.	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
OTHER STATE FUNDS			
<u>Costs</u> - MOSERS			
Increased Contributions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Savings</u> - MOSERS			
Net reduction in personal service costs, fringe benefits, expense and equipment, and health benefit premiums.	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (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.

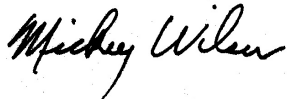
FISCAL DESCRIPTION

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
MoDOT and Patrol Employees Retirement System
Department of Public Safety - Missouri Highway Patrol



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March 16, 2015

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March 16, 2015