COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0858-04
Bill No.: SCS for SB's 248, 100, 118, 233, 247, 341 & 420
Subject: Administrative Law; Retirement - State; Retirement Systems and Benefits - General; State Employees; Retirement - Schools; Highway Patrol; Education Elementary and Secondary; Transportation Dept.
Type: Original
Date: April 7, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	$681,351 to $2,052,751	$1,345,218 to $4,265,641	$1,345,218 to $4,265,641
Total Estimated Net Effect on General Revenue Fund	**$681,351 to $2,052,751**	**$1,345,218 to $4,265,641**	**$1,345,218 to $4,265,641**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Conservation Commission	(Unknown less than $100,000)	(Unknown less than $100,000)	(Unknown less than $100,000)
Highway Fund*	($653,996 to 1,776,547)	($497,158 to $1,414,592)	($329,210 to $1,020,058)
Other Funds*	$395,356 to $1,317,852	$847,411 to $2,824,701	$847,411 to $2,824,701
Various State Funds - MOSERS	$0	($184,421)	($184,421)
Workers' Compensation Fund	$228,198	$456,395	$456,395
PSC Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds*	**($30,442 to $230,497)**	**$622,227 to $1,652,083**	**$790,175 to $2,076,617**

***Excludes unknown costs under $100,000 for the Conservation Commission Fund. DHT assumes 100% replacement of all retired employees.**
Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 18 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
UI Admin Fund	(Unknown in excess of $1,000,000)	(Unknown in excess of $1,000,000)	(Unknown in excess of $1,000,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	**(Unknown in excess of $1,000,000)**	**(Unknown in excess of $1,000,000)**	**(Unknown in excess of $1,000,000)$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government*	**$0**	**($455,659)**	**($455,659)**

***Does not reflect unfunded accrued actuarial liability of $8,612,000 to Public School Retirement System and $3,315,000 to the Non-Teacher Retirement System.**

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** indicated the above referenced legislation would indicate that such legislation is a "substantial proposed change" in future plan benefits as defined in Section 105.665(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has been filed with the Joint Committee on Public Employee Retirement.

ALJ and Legal Advisor's Retirement System (SB 248)

Officials from the **Division of Labor and Industrial Relations** assume that currently, the state

ASSUMPTION (continued)

pays a portion of the retired employee's medical insurance equal to years of service multiplied by 2.5%. Under this proposal, the state will pay the specific retired employee's medical insurance premium at the active employee rate. The proposed method would cost the Department's general revenue account $197,820 an increase of $82,839 over the current method. However, this proposal also limits the department to fill only 25% of vacancies created by retirement. This would result in cost savings of $148,365. The difference between the cost savings due to only filing 25% of vacancies and the increase under the new proposal is $65,525.

The ALJLAP benefit calculations are based on 20.02 percent of a member's annual salary. For MOSEP 2000 plan benefits, calculations are based on 8.81 percent of a member's annual salary. For FY 2004, calculations are for six (6) months based on the implementation date of proposed §287.845, RSMo. The difference between the two (2) calculations above determines the fiscal impact for the period covered by this fiscal note.

During federal fiscal year 2002, the Division of Employment Security PS/PB cost per employee was approximately $45,800. As previously stated the Division of Employment Security is entirely funded by the federal administrative grants as determined by the RJM. It is estimated that one hundred and fifteen division employees would qualify under this proposal, and eighty-six (86) of those positions could not be filled. This would result in approximately $3.9 million in reduced PS/PB dollars being used in Missouri's RJM calculation. While the Department cannot determine the actual amount of the resulting loss of funding, it would be a substantially large loss of funding, potentially in excess of one million dollars.

Officials from the **Missouri State Employees Retirement Plan (MOSERS)** assume the rates for the FY 2004 have already been certified. To the extent that payroll is used to determine dollar contributions, if assets and liabilities from the ALJLAP are merged with MOSERS on January 1, 2004, then the contribution rate applied to the ALJLAP would decrease to 9.35% from 20.12% for 6 months until June 30, 2004. Then the MSEP rate would presumably include the ALJLAP actives hired before January 2004 under current provisions and a few new hires after January 1, 2004 under MSEP 2000 provisions for regular state employees.

This rate when converted to contribution dollars would be very similar to the combined result of the existing two plans. It would be slightly higher than the current 9.35% rate in the absence of other losses or changes. This would gradually trend toward the otherwise existing rate as the membership of the ALJLAP, under current provisions, leave employment and are replaced by new hires after January 1, 2004 under MSEP 2000 provisions. Therefore, the long-term implications are that the future projected dollar contributions will be less than under the current benefit structure.

ASSUMPTION (continued)

Kansas City Police and Civilians Retirement Systems and Benefits (SB 341)

Officials with the **City of Kansas City** and **Police Retirement System of Kansas City** assume the proposal has no fiscal impact on their agency.

Medical Insurance Retirement Incentive for State Employees (SB 462)

Officials from **Linn State Technical College, Central Missouri State University, Truman State University, University of Missouri, Public School Retirement System, Sheriff's Retirement System, Southwest Missouri State University and Missouri Western State College** assume the proposal will have no fiscal impact on their organizations.

Officials from **Lincoln University (LU)** state there could be a net cost savings of approximately $1.35 to $1.39 million each year (FY 04 through FY 06) if all 44 employees eligible to retire under the proposal were given the opportunity to do so by LU.

Officials from **Missouri Southern State College (MSSC)** state the current cost of providing health insurance to retirees of MSSC would be $3,936 annually for the institution ($328 per retiring employee per month until the employee reaches age 65 or becomes eligible for Medicare X 12 months). Currently, MSSC does not contribute any amount towards a retiree's health insurance premium. Since MSSC would not be required to offer this option, officials assume there would be no fiscal impact as a result of the proposal.

Oversight notes the proposal is optional for state supported colleges and universities and therefore, assumes there will be no direct fiscal impact.

Officials from the **Missouri Department of Conservation** state this proposal, provided it was approved by the Commission, would have a fiscal impact on MDC funds. The amount would not exceed $100,000 annually.

Officials from the **Department of Insurance (INS)** state the INS has 22 FTE that would qualify for this incentive. Six of these would then be refilled. The remaining 16 positions would generate savings in salary and fringe benefits of $136,635 in the Insurance Examiners Fund and $622,974 in the Insurance Dedicated Fund. The INS does not pay for insurance on retirees from their designated funds. Costs to the retirement system on these positions are estimated at $94,264 annually based on current insurance rates.

Oversight assumes, based on the Office of Administration - Division of Budget and Planning's (BAP) response, that INS' costs and savings have been included in BAP's calculations.
ASSUMPTION (continued)

Officials from the **Missouri Sate Employees' Retirement System (MOS)** state MOS has no way of estimating the number of employees who might retire under this proposal. However, there are 4,576 general employees eligible for normal retirement and 161 eligible for early retirement.

This proposal has no fiscal impact on the MOS.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state that while it is impossible to determine the number of eligible state employees who would elect to retire under this proposed legislation, BAP has estimated a range of savings based on a set of assumptions. The assumptions are as follows:

- 4,787 state employees would be eligible to retire under the proposal (excluding higher education institutions).
- The number of eligible employees is different in SB 248 than in SB 462 because SB 248 does not include those eligible for early retirement. SB 248 also excludes legislators, judges and ALJ's from participating in the medical incentive. SB 248 extends the window by two months, picking up additional eligibles. February retirees who are eligible to participate are included. The number of retirees who have already reached age 65 are not included, but the 48 and out provisions add more eligibles.
- Estimated savings are based on the varying assumption of use and replacement employees. Replacement is constant at 25% because this is specifically outlined in the proposal.

Please note the following:
- The Division of Budget and Planning has not addressed changes made to Chapters 86 (KC Police), 169 (PSRS) or 287 (ALJs and Legal Advisors).
- The original SB 462 included those general employees eligible for normal and early retirement, as well as legislators, judges and ALJs.
- Both the Missouri State Employees' Retirement System and the Missouri Consolidated Health Care Plan would experience savings as well as incur costs that are associated with this proposal, resulting in the following estimated net savings to the sate.

If 15% of eligible employees utilized this opportunity to retire and 25% of the positions vacated were refilled, the net savings to General Revenue (GR) would be $615,825 and All Other Funds would be $395,356 for FY 04; savings to GR and All Other Funds would be $1,279,692 and $847,411, respectively, for FY 05 and FY 06.

ASSUMPTION (continued)

If 30% of eligible employees utilized this opportunity to retire and 25% of the positions were refilled, the net savings to GR and All Other Funds would be $1,231,650 and $790,712 respectively for FY 04. Savings to GR and All Other Funds would be $2,559,385 and $1,694,820 respectively for FY 05 and FY 06.

If 50% of eligible employees utilized this opportunity to retire and 25% of the positions were refilled, the net savings to GR and All Other Funds would be $2,052,751 and $1,317,852, respectively, for FY 04. Savings to GR and All Other Funds would be $4,265,641 and $2,824,701, respectively, for FY 05 and FY 06.

Oversight will present the estimated net savings outlined by BAP as a range.

Officials from the **Department of Transportation (MoDOT)** state information provided by the Highway and Transportation Employees' and Highway Patrol Retirement System states that they assume this legislation will not create a significant enough change in the retirement pattern to force a contribution rate change.

DOT assumes that the Missouri Highway Transportation Commission (MHTC) would elect to provide the same benefits; however, MoDOT assumes that they would rehire 100% of vacated positions. Therefore, MoDOT assumes that there will be a negligible change in salary costs.

Based on numbers reported by the Highway Retirement System, there are 583 MoDOT employees eligible to retire after January 1,2003 and before January 1, 2004. These are the employees who would be eligible for the additional benefit if they retire within the selected 12 month period. MoDOT is going to assume all 583 employees would retire during this 12 month period. to take advantage of this benefit. Currently MHTC/MoDOT is paying an active employee's state contribution toward the employee's medical coverage for these 583 employees. The amounts they receive differ between rate categories (i.e. Subscriber Only, Subscriber/Family, etc.). The employees that retire in the selected 12 month period will continue to receive an equal state contribution amount towards their medical coverage that an active employee receives as of the date of their retirement.

This contribution will continue until the retiree is Medicare eligible, turns age 65, or until the contributions for a retiree in the same rate category and who did not retire in the selected 12 month period exceeds the contribution of the retiree who did retire in the selected 12 month period. For purposes of this legislation, MoDOT is going to assume that all employees would be in the same rate category at one time and give a range of cost from the lowest contribution amount for a Subscriber Only rate category to the highest contribution amount for a Subscriber/Family rate category. In addition, MoDOT is assuming each rate category would have a 13% annual increase in total premiums based upon utilization/trend, compounded

ASSUMPTION (continued)

annually. DOT is also assuming that the percent MHTC/MoDOT currently contributes towards an active and retired employee will stay consistent over the next 15 years.

The difference between what an active employee receives and what a retired employee receives as the state contribution is the additional cost to MHTC/MoDOT. Currently MHTC/MoDOT contributes $250 per month towards an active employees Subscriber Only rate category, and $612 per month towards an active employees Subscriber/Family rate category. The other rate categories fall somewhere in between. Also, MHTC/DOT currently contributes $145 per month towards a retiree Subscriber Only rate category and $331 per month towards a retirees Subscriber/Family rate category. The other rate categories fall somewhere in between. If all 583 eligible employees would retire after January 1, 2003 and before January 1, 2004, MHTC/ MoDOT would have an additional cost of $61,215 per month in calendar year 2004 (583 x ($250-$145)), if all 583 employees were in the Subscriber Only rate category and an additional cost of $163,823 per month in calendar year 2004 (583 x ($612-$331)), and if all 583 employees were in the Subscriber/Family rate category.

Low End of Range Computations

The benefits section has provided the following calendar year (CY) monthly expenses for the Subscriber Only plan: $61,215 for CY03; $48,332 for CY04; $34,994 for CY05; and, $20,200 for CY06. These estimates include a 13% inflation rate for medical expense and is netted against the retiree no longer qualifies for this additional benefit.

High End of Range Computations

The benefits section has provided the following calendar year (CY) monthly expenses for the Subscriber/Family plan: $163,823 for CY03; $133,756 for CY04; 103,194 for CY05; and, $67,670 for CY06. These estimates include a 13% inflation rate for medical expense and is netted against the retiree no longer qualifies for this additional benefit.

Because MoDOT would probably never have all of the employees in the same rate category, it is more realistic that the costs would actually be somewhere in between. Without knowing which rate category these employees would be enrolled in, DOT is calculating the impact in a range.

Changing the minimum retirement age to 48 would affect 4 MoDOT employees. By allowing these individuals to retiree earlier than originally expected, the retirement system will have an increase cash payout. The amount is unknown, but may not be enough to trigger a contribution rate increase.

This fiscal note only represents the costs to DOT. It does not include any potential costs to the Highway Patrol.

ASSUMPTION (continued)

Oversight will present only costs associated with the Highway Fund as the effect on other funds is immaterial.

Public School and Non-Teacher Retirement

Officials from the **Public School Retirement System (PSRS)** state this proposal will cause the Unfunded Actuarial Accrued Liability (UAAL) to increase in PSRS by $8.61 million and cause the contribution rate to increase 0.02% to 22.24% from the 22.22% required to amortize the UAAL over 30 years. In the Non-Teacher Retirement System, the UAAL will increase $3.315 million and the contribution rate will need to be increased to 10.83% from the 10.80% currently needed to amortize the UAAL over 30 years.

The **Joint Committee on Public Employee Retirement (JCPER)** indicates that this legislation does represent a "substantial proposed change" in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has been filed with the Joint Committee on Public Employee Retirement.

The actuarial cost statement provided to the Joint Committee on Public Employee Retirement by the Public School Retirement System/Non-Teacher Retirement System indicates an annual increase in employer contributions of $321,346 and $134,313 respectively.

Officials from the **Department of Elementary and Secondary Education** assume no fiscal impact.

MSEP, MESP 2000 AND HTEHPRS

Officials with the **Missouri State Highway Patrol** state the Department of Transportation will respond on their behalf.

The **Office of Administration (OA)** notes that the Missouri State Employees Retirement System will determine any possible cost through an actuarial report in the rate it certifies to OA.

ASSUMPTION (continued)

Officials with the **State Highway Employees and Patrol Retirement System (HRS)** assume an additional 10 employees covered under their system would be eligible for retirement before age 50 as a result of the legislation (6 MoDOT and 4 non-uniformed patrol). HRS determines that any fiscal impact as a result of the proposal would be negligible.

The **Missouri State Employees Retirement System (MOSERS)** assumes the proposal will lower the minimum age for retirement under the "Rule of 80" from age 50 to age 48. MOSERS obtained an actuarial valuation for this proposal. According to the valuation, an annual increase in contributions of $184,421 will be required to fund the benefit in the first year after the benefit change. The contribution rate (as a percentage of payroll) will increase by 0.01%.

Officials from the **Missouri Consolidated Health Care Plan** assume the proposal revises various retirement plans. It lowers the minimum retirement age to 48. As of July 1, 2002, MCHCP initiated the tenure-based subsidy for retirees. The retirees receive 2 ½% of the low cost plan in their region for every year of service. This proposal could result in more retirees in the plan which would be a savings since the state contributes less for them than active employees. However, if those employees who retire are subsequently replaced the the state contribution for the retiree coverage would be an additional cost.

Since it is not know exactly who will take advantage of this opportunity, the fiscal impact is very difficult to estimate. Therefore, our projected are based on the assumptions noted below:

161 eligible; not Medicare eligible; avg. state contribution (FY04) $367
Assuming 25% take it and all are replaced, 40 X $367 X 12 = $176,160.

Oversight will present the net savings as determined by OA-BAP for fiscal note purposes since BAP has included HCP's costs in its net savings.

Officials with the **Department of Conservation (MDC)**, assume the proposal appears to have a fiscal impact on MDC funds that would not exceed $100,000 annually. However, on similar legislation during the 2001 Legislative Session, the MDC assumed the proposal had no fiscal impact on their agency. Oversight assumes that the MDC possesses sufficient funding from its budget to absorb these costs.

Officials with the **Department of Health and Senior Services (DHSS)** assume the proposal would not be expected to significantly impact the operations of DHSS. If the proposal were to substantially impact any DHSS programs, then the Department would request funding through the legislative process.

ASSUMPTION (continued)

Officials with the **Department of Transportation (MoDOT)** assume the proposal would affect 6 MoDOT employees. By allowing these individuals to retire earlier than originally expected, the retirement system will have an increased cash payout. The amount is unknown, but may not be enough to trigger a contribution rate increase. MoDOT therefore assumes no fiscal impact on this portion of the proposal.

The **Department of Economic Development (DED)** issued a statement indicating that it is unknown how many employees of the Department would take advantage of the benefits and what impact the proposals would have on health insurance and retirement rates. It is also unknown how many employees would be hired to replace those retiring under the medical insurance incentive. DED assumes this bill have an impact on funds of the department, but the impact is unknown.

Officials from the **Public Service Commission (PSC)** assume:

A) Under the provisions of section 86.690, subsection 6, the payment of a funeral benefit of $1,000 for the death of a member in service or of a pensioned retiree who dies after August 23, 2003, is assumed to increase the overall cost of the retirement plan.

B) In accordance with the provisions of section 103.120, the state's portion of health insurance coverage for retirees would be more generous than it is currently, which is assumed to cost the state coverage for retirees would be more generous than it is currently, which is assumed to cost the state more than what would have been for those employees retiring during the period between January 1, 2003 and January 1, 2004.

C) Under section 103.120, section 3, limiting the number of positions vacated as a result of employees electing to retire during the time period between January 1, 2003 and January 1, 2004 to twenty-five percent (25%) could potentially reduce payroll costs, although the distribution of retirees' duties to other active staff could create high turnover, increased mistakes, increased training costs, increased health insurance, workers' compensation, and unemployment claims, or other factors that could decrease any potential savings.

D) The number of employees eligible to retire would increase under the proposed legislation, decreasing the age retirement in the eighty-and-out formula from fifty (50) to forty-eight (48) years. In addition, the ability to purchase additional creditable service as described in section 169.056 may increase the number of employees becoming eligible for retirement. See response above addressing section 103.120.

E) Section 103.120, subsection 4 states that the "coverage to a retiree pursuant to this section shall cease immediately upon the employment of such retiree re-employed either full-time or part-time in a state covered position." This provision may not be cost effective for the state.

ASSUMPTION (continued)

Where agencies have hired retirees to work on a part-time basis, potential cost savings may occur because of a reduction in training costs, a reduction in benefit liability (such as annual leave, sick leave, etc.), and in reliability. Studies by Employment Opportunity Commission, offer that the benefits of hiring part-time older workers can be cost effective when considering a wide range of factors. More time and data would be needed to research the provision to determine the actual impact on state revenue.

F) It is important to note that any projected payroll savings to general revenue should be reduced by the number of employees who would retire but are not working for agencies paid from those funds.

FISCAL IMPACT - State Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
Savings - Department of Labor and Industrial Relations			
Net reduction in personal service costs, fringe benefits, expense and equipment, and health benefit premiums	$65,526	$65,526	$65,526
Savings - Office of Administration			
Net reduction in personal service costs, fringe benefits, expense and equipment, and health benefit premiums	$615,526 to $2,052,751	$1,279,692 to $4,265,641	$1,279,692 to $4,265,641

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$681,351 to $2,052,751**	**$1,345,218 to $4,265,641**	**$1,345,218 to $4,265,641**

FISCAL IMPACT - State Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
CONSERVATION COMMISSION FUND			
Costs - Missouri Department of Conservation			
Increase in insurance premium costs	(Unknown less than $100,000)	(Unknown less than $100,000)	(Unknown less than $100,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**(Unknown less than $100,000)**	**(Unknown less than $100,000)**	**(Unknown less than $100,000)**
HIGHWAY FUND			
Costs - Department of Transportation Increase in insurance premiums	($653,996 to $1,776,5478)	($497,158 to $1,414,592)	($329,210 to $1,020,058)
ESTIMATED NET EFFECT ON HIGHWAY FUND	**($653,996 to $1,776,5478)**	**($497,158 to $1,414,592)**	**($329,210 to $1,020,058)**
ALL OTHER FUNDS			
Savings - Office of Administration			

Net reduction in personal service costs, fringe benefits, expense and equipment, and health benefit premiums	$395,356 to $1,317,852	$847,411 to $2,824,701	$847,411 to $2,824,701
ESTIMATED NET EFFECT ALL OTHER FUNDS	**$395,356 to $1,317,852**	**$847,411 to $2,824,701**	**$847,411 to $2,824,701**
MOSERS			
Cost - MOSERS Increased Contributions	$0	($184,421)	($184,421)
ESTIMATED NET EFFECT ON MOSERS	**$0**	**($184,421)**	**($184,421)**

FISCAL IMPACT - State Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
WORKERS' COMPENSATION FUND			
Savings - Workers' Compensation	$228,198	$456,395	$456,395
ESTIMATED NET EFFECT ON WORKERS' COMPENSATION FUND	**$228,198**	**$456,395**	**$456,395**
PSC FUND			
Savings - PSC Fund	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON PSC FUND	**Unknown**	**Unknown**	**Unknown**

Fiscal Impact - Federal Funds	FY 2004 (10 Mo.)	FY 2005	FY 2006
FEDERAL FUNDS			

Cost - UI Admin Fund	(Unknown in excess of $1,000,000)	(Unknown in excess of $1,000,000)	(Unknown in excess of $1,000,000)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**(Unknown in excess of $1,000,000)**	**(Unknown in excess of $1,000,000)**	**(Unknown in excess of $1,000,000)**

FISCAL IMPACT - Local Government	FY 2004 (10 Mo.)	FY 2005	FY 2006
SCHOOL DISTRICTS			
Cost - School Districts			
Teacher and Employee Contributions	$0	($455,659)	($455,659)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	**$0***	**($455,659)***	**($455,659)***

***Does not reflect unfunded accrued actuarial liability of $8,612,000 to Public School Retirement System and $3,315,000 to the Non-Teacher Retirement System.**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This act revises various provisions regarding retirement systems and benefits.

KANSAS CITY POLICE AND CIVILIANS RETIREMENT SYSTEMS - This act provides active members of the system who are on the retirement board with up to 10 days paid leave to be able to attend meetings and educational seminars approved by the retirement board.

The act authorizes the retirement board and the city to administer early retirement incentives offered to employees in addition to other benefits such members may be entitled to. However, the city shall agree to increase its contribution to provide for the full actuarial costs of the early retirement incentives.

The act also adds a funeral benefit of $1,000 for members as of August 28, 2003, who die in service or who die after retiring.

These provisions are similar to SB 342 (2003).

MSEP, MSEP 2000 AND HTEHPRS - This act changes the eligibility age for retirement from 50 to 48 for the Missouri State Employees Retirement System and the Highway and Transportation Employees' and Highway Patrol Retirement System.

These provisions are similar to SBs 100 & 118 (2003).

MEDICAL INSURANCE RETIREMENT INCENTIVE FOR STATE EMPLOYEES - This act provides a medical insurance incentive for state employees to retire. Employees who retire after January 1, 2003, and prior to January 1, 2004, and who are eligible for medical coverage, will be eligible to have portion of the cost of the insurance covered by the state. The retiree may elect to continue coverage for themselves and eligible dependents. The State of Missouri would continue to contribute the same dollar amount in effect for active employees as of the retiree's date of retirement. If the retiree's rate category changes after the date of retirement, the state's contribution shall be the same dollar amount in effect for the new rate category for active employees that was in effect on the retiree's date of retirement. The total amount of the state contribution will revert to the amount being paid by the state for retirees which is in place at that time if the retiree becomes eligible for Medicare, turns 65, or if the amounts that would otherwise be paid by the state under the provisions of the bill are less than the amount currently paid by the state towards the cost of retiree and dependent coverage.

DESCRIPTION (continued)

The act also allows Central Missouri State University, Southeast Missouri State University, Southwest Missouri State University, Northwest Missouri State University, Missouri Western State College, Missouri Southern State College, Harris-Stowe State College, Linn State Technical College, Lincoln University, the Highway and Transportation Commission of the Department of Transportation and the Conservation Commission of the Department of Conservation to offer similar benefits to their employees.

While the State may hire employees to replace those retiring under the medical insurance incentive, in no event shall the state fill more than 25% of the positions vacated.

The benefits provided to retirees in this act will cease immediately upon the retiree being re-employed either full-time or part-time in a state covered position. The benefit is available to those retiring under the normal age and service requirements and does not apply to elected officials, member of the general assembly and administrative law judges.

These provisions are similar to SB 462 (2003).

PUBLIC SCHOOL AND NON TEACHER RETIREMENT SYSTEMS (SB 233) - This act revises provisions of the public school and non-teacher retirement systems. The act specifies that the contribution rate shall be fixed by the board and certified to the employer. The level rate of contribution for any fiscal year may not exceed the prior year's rate of contribution by more than one half percent. However, no new benefits may be offered until the rate of contribution is reduced back to 10 and one-half percent. These provisions are similar to SB 233 (2003).

The act simplifies credit purchases under PSRS and NTRS systems. Payment for credit purchases must be completed prior to termination of membership with the retirement system. The act clarifies that the member must have covered employment with the retirement system following the purchase credit. The act also defines the calculation of payment for such credit purchases. These provisions are similar to SBs 233 & 247 (2003).

The act creates a partial lump sum option for PSRS and NTRS members whose age plus creditable service equal at least 86 or whose creditable service is at least 33 years. The election to receive a partial lump-sum distribution must be made at least 30 days prior to retirement. The member may make such election in a 12, 24 or 36 month increment of their entire retirement benefit. These provisions are similar to SBs 233 & 247 (2003).

The act extends the 25 and out provisions for PSRS and NTRS for five additional years from July 1, 2003 to July 1, 2008. These sections have an emergency clause. This provision is similar to SBs 233 & 247 (2003).

This act would allow school districts with a shortage of certified teachers or non-certificated employees to hire retirees for up to two years without them losing their retirement benefits. The

DESCRIPTION (continued)

total number hired will not exceed 10% or five certificated teachers or employees. Retired certificated teachers hired would be included in the State Directory of New Hires. The employer contributions would be made by the hiring school district eliminating fiscal impact. All necessary costs would be paid by the hiring school district and would not exceed the district's statutory cost limitations. In order to hire teachers and non-certificated employees to fill such shortage the school district is required to make certain findings which are specified. These provisions are similar to SB 247 (2003).

The act also changes the ability of a member to elect to continue to be a part of the school insurance program. Members must make this election within one year of the date last employed by the district. These provisions are similar to SB 247 (2003).

ALJ AND LEGAL ADVISOR'S RETIREMENT SYSTEM - This act provides that any Administrative Law Judge or Legal Advisor who is originally employed as such on or after January 1, 2004, are no longer eligible to participate in the Administrative Law Judge and Legal Advisor's Retirement System but rather are covered under the state employees' retirement system. However, no Administrative Law Judge or Legal Advisor who is employed before

January 1, 2004, or who has retired before that date will be affected by this act.

The liabilities and assets of the Administrative Law Judge's and Legal Advisor's retirement system are transferred and combined with the state employees' retirement system. The contribution rate certified by the board shall include amounts necessary to cover the costs of the Administrative Law Judge's and Legal Advisor's retirement system.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Missouri State Employees Retirement Plan
Division of Labor and Industrial Relations
Department of Elementary and Secondary Education
Highway Employees and Patrol Retirement System
Department of Transportation
Department of Conservation
Department of Health
Department of Economic Development
City of Kansas City
Kansas City Police and Civilians Retirement system
Office of Administration -
    Division of Budget and Planning
Central Missouri State University
Department of Public Safety -
    Missouri State Highway Patrol

SOURCES OF INFORMATION (continued)

Department of Insurance
Missouri Consolidated Health Care Plan
Missouri Western State College
Missouri Southern State College
Southwest Missouri State University
Truman State University
University of Missouri
Sheriff's Retirement System

Mickey Wilson

Mickey Wilson, CPA
Director
April 7, 2003