COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0858-14
Bill No.: Truly Agreed to and Finally Passed CCS for HS for HCS for SS #2 for 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: May 22, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	$2,033,779 to $15,137,687	$6,613,979 to $22,046,596	$6,613,979 to $22,046,596
Total Estimated Net Effect on General Revenue Fund	**$2,033,779 to $15,137,687**	**$6,613,979 to $22,046,596**	**$6,613,979 to $22,046,596**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Other Funds	$2,059,622 to $15,223,860	$6,716,530 to $22,388,434	$6,716,530 to $22,388,434
Various State Funds - MOSERS	$0	($184,421)	($184,421)
Workers' Memorial	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds*	**$2,059,622 to $15,223,860**	**$6,532,109 to $22,204,013**	**$6,532,109 to $22,204,013**

*Does not include possible income to Workers' Memorial Fund

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 20 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	**$0**	**$0**	**$0**

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 **Office of Administration - Division of Budget and Planning (BAP)** assume 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:

- 3,821 state employees would be eligible to retire under the proposal (excluding higher education institutions).
- Estimated savings is based on the varying assumption of use and replacement employees. Replacement is constant at 25% because this is specifically outlined in the proposal.
- 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 state.

ASSUMPTION (continued)

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 $2,033,779 and All Other Funds would be $2,059,622 for FY 04; savings to GR and All Other Funds would be $6,613,979 and $6,716,530, respectively, for FY 05 and FY 06.

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 $7,649,737 and $7,701,441 respectively for FY 04. Savings to GR and All Other Funds would be $13,227,958 and $13,433,060 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 $15,137,687 and $15,223,860, respectively, for FY 04. Savings to GR and All Other Funds would be $22,046,596 and $22,388,434, respectively, for FY 05 and FY 06.

Note: This was done in order to present a range of savings that could be realized should this proposal be enacted. Due to the uncertainty of early retirement proposals, cost/savings estimates should be used only as a guide in determining policy and not an indication of actual experience. The Division of Budget and Planning concurs with MOSERS that it is highly unlikely that the assumptions used in estimating savings gained from this proposal will yield exactly the results suggested in this response.

25% restriction on replacement

- This version of the proposal includes a provision stipulating that not more than 25% of positions vacated by this proposal can be refilled, excepting seasonal employees and positions called "critical." There is some confusion over the exception as it is currently written. Language is "Exceptions to the twenty-five percent restriction may be made for critical or seasonal positions which are entirely federally funded." Does the "federally funded" language apply just to seasonal positions or to "critical" positions as well? Are "critical" general revenue funded positions also an exception to the twenty-five percent restriction?

- If the general revenue positions vacated are subject to this "critical" definition, then obviously, the more positions defined as "critical" the less the savings the state will see in the end. What percent of the vacated positions will be defined as "critical?" Budget and Planning is of the opinion that more than 25% of positions, vacated by retirements (specified in the language) and on which these estimates are based will be replaced thereby reducing even more the estimated savings.

ASSUMPTION (continued)

OA - Division of Personnel

- Changes proposed in this legislation affect the OA Division of Personnel. The following issues are briefly reiterated.

  - Personnel administers the positions classified under the UCP System. This proposal would require the Personnel Advisory Board to promulgate rules limiting the agencies to filling only 25% of the positions vacated under the proposal, with exceptions for critical or seasonal positions which are entirely federally funded. Personnel notes the difficulty promulgating rules under this language:
    - While class can define critical positions, depending upon how a position within a class is used, a position may or may not be critical to the operation of the agency. In many cases, Personnel would have to defer to the agencies to make the determination as to whether a position is critical or not. Also, many critical positions are not federally funded (e.g. Corrections Officers).
    - For the most part, seasonal positions are temporary positions which are not "benefit eligible" positions and from which employees do to retire.

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

ST. LOUIS CITY POLICE RETIREMENT SYSTEM

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 **Local Government Employees Retirement System, St. Louis Police Retirement System and Kansas City Police Retirement System** assume no fiscal impact to their agency.

KANSAS CITY POLICE AND CIVILIANS RETIREMENT SYSTEMS

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

ASSUMPTION (continued)

RETIREMENT SYSTEMS FOR HIGHWAYS AND TRANSPORTATION EMPLOYEES, THE HIGHWAY PATROL, AND STATE EMPLOYEES

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.

§104.040 - The proposal allows uniformed members of the Highway Patrol to purchase up to 4 years of prior service credit for non-federal public-sector employment. Uniformed members of the patrol can currently purchase the same service under §105.691, but the cost to the member is significantly higher. Under the proposal, the retirement system would subsidize the creditable service purchased by uniformed patrol members. The unfunded liability of the retirement system will increase and, at some point cause an increase in the MoDOT and Patrol contribution rate.

The proposal also contains provisions that would require both MOSERS and HTEHPRS to make a report in writing to the Governor, Commissioner of Administration and the General Assembly by April 1, 2004, and also provide monthly tracking as to the effect of state employee retirements. The written report covers the period February 2003 through January 31, 2004, and includes the number of retirements, the amount of the affected payroll, and the financial effect as expressed by the systems' actuaries.

The legislation further limits the number of employees departments may hire to replace those employees who retired during the window to no more than 25% of the positions vacated. Exceptions to the 25% restriction may be made for critical or seasonal positions or any positions impacting federal fund matches. Lastly, Truman University, Lincoln University and the education institutions described in section 174.020 have been excluded from the 25% restriction.

§104.110 - The proposal makes minor modifications to the disability provisions in the closed plan. After 9/1/03, normal disability benefits will no longer be available. This change is being made to provide uniform disability benefits in the Closed Plan and the Year 2000 Plan. Other changes give the HTEHPRS the flexibility to contract for disability benefits in the Closed Plan with an outside vendor.

§104.517 and §104.1072 – The proposal allows the maximum amount of optional life insurance purchased on or after January 1, 2004 to be an amount stipulated in a contract. Additional

ASSUMPTION (continued)

language describing the appeals process has been added that is identical to the one in place for the long-term disability plan. Lastly, the minimum age for Rule of 80 has been changed to age 48 instead of age 50 to allow rule of 80 retirees who retiree before age 50 to keep their full amount of optional life insurance until age 62.

§104.806 - This proposal allows employees of the Division of Public Safety, who are transferred to MoDOT by virtue of executive order 03-05, the option of electing to remain in MOSERS or transferring their service to HTEHPRS. For any employee who elects to transfer their service to HTEHPRS, MOSERS would be required to pay HTEHPRS an amount actuarially determined to equal the liability at the time of transfer (to the extent that liability is funded as of the most recent actuarial valuation, not to exceed 100%). HTEHPRS anticipates this provision to be cost neutral.

Officials from the **Missouri State Employees' Retirement System (MOSERS)** state an additional provision has been included in the proposal that addresses overlapping service credit for members of the general assembly. Under present law, a member who has overlapping service credit as a member of the general assembly and as an employee in another position covered by a retirement plan administered by MOSERS will only receive service credit for that overlapping service in the general assembly plan. This proposal would give members the ability to elect to receive service credit in the retirement plan covering each position in lieu of receiving all of their service credit in the general assembly plan.

Employees of the Division of Public Safety, who are transferred to MoDOT by virtue of executive order 03-05, would have the option of electing to remain in MOSERS or transferring their service to the HTEHPRS, who presently cover MoDOT employees. For any employee who elects to transfer their service to HTEHPRS, MOSERS would be required to pay to HTEHPRS an amount actuarially determined to equal the liability at the time of transfer (to the extent that liability is funded as of the most recent actuarial valuation, not to exceed 100%). MOSERS anticipates this provision to be cost neutral.

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 State Highway Patrol** assume the patrol would only be able to replace one out of every four people that retired, they would anticipate a savings to the state, but are unable to estimate the dollar amount. However, in an effort to provide some idea of the impact, the MoDOT and Highway Patrol retirement system has indicated that 4 employees would

ASSUMPTION (continued)

be eligible to retire on September 1, 2003. Assuming that all four do retire and that the Patrol was only able to replace one of the four, the annual savings to the state would be approximately $100,000 (most likely from Highway Funds). This estimate only addresses what would happen for the month of September, and they do not know if that represents a typical month or not. It is only included here to provide some idea of the potential impact of this proposal.

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.

Officials with the **Department of Transportation (MoDOT)** assume the proposal to lower the minimum age for retirement from 50 years to 48 years, would have a negligible impact. MoDOT's analysis indicates an additional 10 individuals would be eligible for retirement. This figure consists of 6 MoDOT and 4 Civilian employees.

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 will have an impact on funds of the department, but the impact is unknown.

TEACHING PERSONNEL AND RETIREMENT BENEFITS

Officials from the **Public School Retirement System of Missouri** and the **Non-Teacher Retirement System of Missouri** assume this proposal will have no fiscal impact on the retirement system.

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 **Department of Elementary and Secondary Educational** indicated there

ASSUMPTION (continued)

would be no fiscal impact to their agency; however, local school districts could likely see increased administrative costs. DESE could not estimate to what extent administrative costs wold increase. The increase would be contingent upon the level of participation in job-sharing by classroom teachers statewide.

Oversight assumes administrative costs associated with the job-sharing program would not be material, and could be absorbed within existing resources.

Officials from the **Kansas City Public School Retirement System** assume no fiscal impact to their agency.

ADMINISTRATIVE LAW JUDGES AND LEGAL ADVISORS RETIREMENT SYSTEM

Officials from the **Division of Labor and Industrial Relations** assume no fiscal impact to their agency.

Officials from the **Missouri State Employees Retirement Plan (MOSERS)** assume as it affects the ALJLAP, new language was added that has no material effect on the administration of the plan. The SCS for SB 248 would have required that any new administrative law judge, legal advisor, administrative hearing commissioner, labor commissioner or the chairman of the board of mediation, who is employed on or after January 1, 2004 (who has not been previously covered by the retirement system provided for under Chapter 287, RSMo), participate in the Missouri State Employees' Plan (MSEP) which is provided for under Chapter 104, RSMo. This proposal would not impact anyone serving in (or who had served in) a position covered by the ALJLAP prior to January 1, 2004.

STATE EMPLOYEES' MEDICAL AND RETIREMENT INCENTIVE PLAN

Officials from **Linn State Technical College, Central Missouri State University, Truman State University, University of Missouri, Public School 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 million 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 $3,036 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 universities and therefor, 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.

Oversight notes the proposal is optional for the Missouri Department of Conservation and therefore, assumes there will be no direct fiscal impact until it is approved by the commission.

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.

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 8,079 eligible for retirement. Under this proposal, a retiree who retires during the window may elect to continue healthcare coverage for him/herself and any eligible dependents at the same cost as if such retiree were an active employee for a maximum period of five years or until becoming eligible for Medicare, whichever occurs first, at which time the rate would revert to applicable rate of retiree coverage.

Officials from the **Highway Transportation Employees Highway Patrol Retirement System (HTEHPRS)** assume the proposal creates a healthcare retirement incentive plan for state employees who are eligible to retire on or after February 1, 2003 through January 31, 2004. However, the language stipulates that the employee must actually retire no later than September 1, 2003. Under this proposal an eligible retiree who retires during the window may elect to

<u>ASSUMPTION</u> (continued)

continue healthcare coverage for him/herself and any eligible dependents at the same cost as if such retiree were an active employee for a maximum period of five years or until becoming eligible for Medicare, whichever occurs first, at which time the rate would revert to the applicable rate for retiree coverage.

As proposed, the healthcare incentive would be available to general employees covered under Chapter 103, RSMo; however, the legislation also contains a provision that would allow the governing boards of Truman State University, Lincoln University and the colleges and universities and the commissions that govern MoDOT, the Highway Patrol and the Department of Conservation to elect to offer the same healthcare retirement incentive to their eligible employees. Basically, this provision would allow, but not require the Highway Commission to offer the medical incentive to MoDOT and Patrol Employees.

At this time, HTEHPRS has no way of estimating the number of employees who might retire under this proposal. However, using preliminary data, it appears that as of 9/1/03 there will be a total of 725 members eligible to retire. The proposed legislation would basically increase the number of members eligible to retire by September 1, 2003 by approximately 68. Based on an informal conversation with out actuary, it is his opinion that the effect to the system would be quite small, very possibly less than .01% of pay. The rational behind the analysis is as follows. The enactment of this legislation creates a small liability as there would some months of extra benefit payments for members retiring by September 1, 2003. However, by retiring several months early, their benefits would be slightly diminished due to less service. For valuation purposes, these pieces will be mostly offsetting for such a small number of members. Therefore, the fiscal impact of this provision on the contribution rate is very possibly de minimus.

Officials from the **Department of Transportation (MoDOT)** state they assume this proposal permits persons who retire after 2/1/2003 and prior to 2/1/2004 to elect to continue medical coverage for himself/herself and any eligible dependents at the same cost as if they were an active employee. The retiree may continue to pay the applicable rate as if the retiree were an active employee for a maximum period of five years or upon becoming eligible for Medicare, which occurs first. The state contribution amounts will then revert to what a retiree and any dependents under the normal benefit receives at that time. The legislation also contained a provision that the state may replace the employees who retire during the selected time period but not more than 25% of the vacated positions may be filled. Additionally, this legislation changes the maximum amount of optional life insurance.

MoDOT assumes that MHTC/MoDOT would elect to provide the same benefits except MHTC/MoDOT would replace 100% of those positions vacated due to employees retiring during this period.

ASSUMPTION (continued)

Based on numbers reported by the Highway Retirement System, there are 594 MoDOT and 183 MSHP employees eligible to retire after February 1, 2003 and before February 1, 2004. These are the employees who would be eligible for the additional benefit if they retire within the selected time period. MoDOT is going to assume all 594 MoDOT and 183 MSHP employees would retire during this selected period to take advantage of this benefit. Currently MHTC/MoDOT is paying an active employees state contribution toward the employees medical coverage for these 594 MoDOT and 183 MSHP employees. The amounts they receive differ between rate categories (i.e., Subscriber Only, Subscriber/Family, etc.) The employees that retire in the selected period will continue to receive an equal state contribution dollar amount towards their medical coverage that an active employee receives.

This contribution will continue for 5 years or until the retiree becomes Medicare eligible, whichever comes first. For purposes of this proposal MoDOT is assuming 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 and compounded annually. We are also assuming that the percent MHTC/MoDOT currently contributes towards and active and retired employee will stay consistent over the next 5 years.

Currently MHTC/MoDOT and MSHP contribute $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/MoDOT and MSHP currently contribute $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. The difference between what an active employee receives and a retired employee receives is what the additional cost to MHTC/MoDOT would be.

Because MoDOT and MSHP 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. However, for purposes of this fiscal note, MoDOT is using the family plan information.

The retirement system has no way to determine how much service is available for purchase. In addition, even if MoDOT knew how much service was eligible for purchase, MoDOT would have no way to determine just how many people would purchase the additional service. However, at this time, there is no way for MoDOT to determine what impact passage of this legislation will have on the overall contribution rate. While MoDOT can say this legislation does absolutely have a cost to the system associated with the purchase of each piece of service, MoDOT does not have a way to estimate the total cost to the system or when the costs will cause

an increase in the contribution rate. Therefore, MoDOT is not including the potential expense into the fiscal impact for FY04, FY05, or FY06.

MoDOT would not be able to comply with the 25 percent rehire provision of this proposal and still provide the vital transportation services for the citizens of Missouri. Methodically, MoDOT has reduced spending over the past several years to reduce our costs. MoDOT's response to this proposal was based on the assumption that MoDOT would rehire 100 percent of those who might retire under the provisions of this proposal. If the current provisions remain intact, MoDOT would likely have to opt-out of the early retirement incentive program. The Missouri Highway and Transportation Commission would ultimately make the decision on this issue.

Officials from the **Missouri Consolidated Health Care Plan** assume this would have a potential impact on MCHCP by increasing costs $11.1 million over FY 04 - FY 06. However, this cost is capped at a five year maximum.

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.

WORKERS' MEMORIAL FUND

Officials from the **Office of the State Treasurer** assume this proposal would not fiscally impact their agency.

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a check off on the face of the income tax returns allowing individuals and corporations to designate a portion of their refund to be given to the Workers' Memorial Fund. Taxpayers can also, by separate check, make donations to this fund with their tax return.

DOR will have to add another line to the individual income tax return and the corporate income tax form to allow for the trust fund amount. The additional line on the returns will create additional key entry and DOR will need 4 Tax Season Temporaries to handle the additional fields. The COINS, MINITS and the PC applications for both corporate and individual returns will need to be modified for the new trust fund. DOR anticipates that 1,730 hours of programming will be needed at a cost of $57,712. DOR did not provide an estimate of the revenue impact of this legislation.

Office of Administration, Budget and Planning (BAP) officials assume this proposal would allow individuals and corporations who are entitled to an income tax refund to designate a

ASSUMPTION (continued)

portion of the refund to the Workers' Memorial Fund. BAP has no empirical basis for estimating the number of individuals and corporations who would participate in such a program. This bill would have not impact on BAP.

According to the Missouri Department of Revenue's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2001, there were 3,377,662 individual income tax returns filed with 1,682,676 returns claiming a refund for the 2001 tax year. Also, there were 152,042 corporation returns filed with 8,353 returns claiming a refund for tax year 2001. Each of these taxpayer, as well as any taxpayer that wants to add a contribution to the tax amount they owe, would be eligible under this proposal to contribute $1 or more to the Workers' Memorial Fund. Therefore, **Oversight** assumes the revenue impact for this legislation would be unknown, could exceed $100,000, annually.

FISCAL IMPACT - State Government	FY 2004	FY 2005	FY 2006
GENERAL REVENUE FUND			
Savings - Office of Administration			

Net reduction in personal service costs, fringe benefits, expense and equipment, and health benefit premiums	$2,033,779 to 15,137,687	$6,613,979 to $22,046,596	$6,613,979 to $22,046,596
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$2,033,779 to 15,137,687**	**$6,613,979 to $22,046,596**	**$6,613,979 to $22,046,596**
ALL OTHER FUNDS			
Savings - Office of Administration			
Net reduction in personal service costs, fringe benefits, expense and equipment, and health benefit premiums	$2.059.622 to $15,223,860	$6.716.530 to $22,388,434	$6.716.530 to $22,388,434
ESTIMATED NET EFFECT ALL OTHER FUNDS	**$2.059.622 to $15,223,860**	**$6.716.530 to $22,388,434**	**$6.716.530 to $22,388,434**

FISCAL IMPACT - State Government	FY 2004	FY 2005	FY 2006
VARIOUS STATE FUNDS			
Cost - MOSERS Increased Contributions	$0	($184,421)	($184,421)
ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	**$0**	**($184,421)**	**($184,421)**
WORKERS' MEMORIAL FUND			
Income - Contributions	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON WORKERS' MEMORIAL FUND	**Unknown**	**Unknown**	**Unknown**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill revises provisions pertaining to various retirement systems, establishes a medical and retirement incentive plan for state employees, and creates a workers' memorial fund.

ST. LOUIS POLICE RETIREMENT SYSTEM

The bill makes technical corrections to the Deferred Retirement Option Plan (DROP) for the St. Louis City Police Retirement System.

The bill requires members of the St. Louis Police Department to receive six weeks of paid vacation each year if members have at least 30 years of service and are eligible to participate in the DROP.

KANSAS CITY POLICE AND CIVILIANS RETIREMENT SYSTEMS

Active members of the retirement board who are currently serving as a police officer or a civilian employee can receive up to 10 days of paid leave to attend meetings and seminars as approved by the board. An early retirement incentive program is established for police officers and civilian employees if the city covers full actuarial costs to the system. The bill provides a funeral benefit of $1,000 for eligible civilian employees.

DESCRIPTION (contribution)

RETIREMENT SYSTEMS FOR HIGHWAYS AND TRANSPORTATION EMPLOYEES, THE HIGHWAY PATROL, AND STATE EMPLOYEES

The bill makes the following changes to the Highways and Transportation Employees' and Highway Patrol Retirement System (HTEHPRS), Missouri State Employees' Retirement System

(MOSERS) and the Missouri State Employees' Retirement System, Year 2000 Plan (MSEP 2000):

(1) the "80 and out" eligibility age is reduced from 50 years of age to 48 years of age for members of HTEHPRS, MOSERS, and MSEP 2000,

(2) Uniformed members of the State Highway Patrol who have served as non-federal, full-time public employee in Missouri prior to becoming a member of HTEHPRS are allowed to purchase prior credited service not to exceed four years. This purchase is subject to certain conditions;

(3) Effective September 1, 2003, HTEHPRS members are prohibited from requesting or applying for disability benefits allowed under Subsection 1 of Section104.110, RSMo. The Board of Trustees is authorized to contract for the provision of disability benefits. HTEHPRS members can waiver their right to receive any disability benefit;

(4) The purchase of prior credited service by members of MOSERS and the MSEP 2000 who have served in the military is revised to no longer require the filing of an affidavit;

(5) Former and current members of the General Assembly are allowed to elect simultaneous credited service in lieu of receiving creditable service as a member of the General Assembly if a former or current member becomes a state employee or state officer. This provision is effective August 28, 2003;

(6) Members of the Board of Trustees of MOSERS are required to file a financial disclosure form with the Missouri Ethics Commission;

(7) Members of certain retirement systems, including MOSERS and MSEP 2000, can purchase additional life insurance benefits, subject to certain conditions;

(8) Certain employees who are earning creditable service under the closed plan of MOSERS or the MSEP 2000 Plan administered under MOSERS and who were transferred to the Department of Transportation can elect to participate in the closed plan of HTEHPRS or the MSEP 2000 administered by HTEHPRS. The election must be made within 90 days of July 1, 2003; and

DESCRIPTION (contribution)

(9) Provisions pertaining to a division of martial benefits order for an annuity paid under MSEP 2000 and the designation of an agent for a beneficiary under MSEP 2000 who becomes disabled are corrected.

TEACHING PERSONNEL AND RETIREMENT BENEFITS

The bill requires the State Board of Education to develop rules to facilitate job-sharing positions for classroom teachers. The bill contains a definition for "job-sharing position" and entitles teachers in these positions to certain employment and retirement benefits.

ADMINISTRATIVE LAW JUDGES AND LEGAL ADVISORS RETIREMENT SYSTEM

The bill prohibits any revisions to this retirement system previously established by law.

STATE EMPLOYEES' MEDICAL AND RETIREMENT INCENTIVE PLAN

The bill contains provisions pertaining to medical insurance and retirement incentives for state employees who are members of HTEHPRS, MOSERS, or MSEP 2000 and are eligible for medical coverage under the Missouri Consolidated Health Care Plan (MCHCP).

In its main provisions, the bill:

(1) Allows a retiree to elect to continue coverage for himself or herself and eligible dependents at the same cost as if the retiree was an active employee for a maximum period of five years or until the retiree is eligible for Medicare or reaches 65 years of age, whichever occurs first;

(2) Requires the costs for medical coverage for eligible retirees to revert to the applicable rate after the five-year period expires or when the retiree becomes eligible for Medicaid reaches 65 years of age;

(3) Requires the governing body of any participating member agency to elect to provide the medical coverage and retirement incentive contained in the bill in order for employees or retirees to be eligible to apply the medical coverage to their current benefits;

(4) Allows the Governing boards of Truman State University, Lincoln University, educational institutions listed in Section 174.020; the Highways and Transportation Commission; and the Conservation Commission to elect to provide their employees or retirees the same retirement incentive and medical coverage as are contained in the bill. Certain conditions of this provision will apply to the Highways and Transportation Commission if the commission elects to

participate in the plan.

DESCRIPTION (contribution)

(5) Allows current employees who are receiving creditable service and are eligible to receive a normal annuity under HTEHPRS or MOSERS, or a lift and any temporary annuity under MSEP 2000, and who annuity begins no later than September 1, 2003, to be eligible to receive the medical coverage contained in the bill;

(6) Allows current employees who are eligible to receive a normal annuity under HTEHPRS or MOSERS, or a life and any temporary annuity under MSEP 2000, who apply for retirement and whose annuity begins no later than September 1, 2003, to be eligible to receive the medical coverage contained in the bill;

(7) Allows employees who are eligible to receive lump-sum payments under Section 104.625 or Section 104.1024, by January 1, 2004, to elect to receive these payments. However, these employees are prohibited from receiving a lump sum payment under these sections after the effective date of the annuity established by this incentive plan, or September 1, 2003;

(8) Allows a retiree whose retirement annuity commenced on or before February 1, 2003, but no later than September 1, 2003, to be eligible to receive the medical coverage contained in the bill;

(9) Establishes a department rehiring cap of 25% for positions that are vacated due to the election to retire. Critical positions, seasonal positions, or positions that are federally funded may be exempt from this provision. In addition, this provision will not apply to Truman University, Lincoln University, and educational institutions listed in Section 174.020;

(10) Requires HTEHPRS and MOSERS to provide monthly tracking of the effects of the medical coverage provided to eligible retirees and the number retirements resulting from the plan. In addition, the bill requires HTEHPRS and MOSERS to submit a written report to the Governor, the Commissioner of the Office of Administration, and General Assembly by April 1, 2004. The report must examine required subject areas and the effects of incentive provisions contained in the bill. The period the report must cover is February 1, 2003 to January 31, 2004;

(11) Requires the Office of Administration to provide monthly tracking of the budgetary effects of the retirement plan in addition to submitting a budgetary report concerning the effects of the incentive provisions contained in the bill by April 1, 2004. The subject areas the report must address are also contained in the bill; and

(12) Requires the MCHCP to provide monthly tracking of the effects of state employee retirements and to submit a report to the Governor and the General Assembly by April 1, 2004.

The report must examine required subject areas and certain effects of the incentive provisions contained in the bill.

DESCRIPTION (contribution)

The bill contains an emergency clause which applies to the retirement incentive plan.

WORKERS' MEMORIAL FUND

The bill allows individuals or corporations entitled to a state tax refund to designate that a portion of their refund be contributed to the Workers' Memorial Fund. If not entitled to a tax refund, individuals or corporations may make a contribution along with their payment or send the contribution in separately.

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 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
Office of Administration -
    Division of Budget and Planning
Kansas City Police and Civilians Retirement system
Department of Public Safety -
    Missouri State Highway Patrol
Department of Insurance
Missouri Consolidated Health Care Plan
St. Louis Police Retirement System
Department of Revenue
Office of State Treasurer

Mickey Wilson

Mickey Wilson, CPA
Director
May 22, 2003