

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1261S.01I
 Bill No.: SB 598
 Subject: Retirement - Local Government; Retirement - Schools; Retirement - State;
 Retirement Systems and Benefits - General; State Employees
 Type: Original
 Date: April 6, 2021

Bill Summary: This proposal modifies eligibility of retirement benefits resulting from membership in multiple defined benefit plans established by a state or local retirement system.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2026)
General Revenue	\$0	\$0	\$0	(Unknown) to Unknown
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	(Unknown) to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2026)
Various Other State Funds	\$0	\$0	\$0	(Unknown) to Unknown
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	(Unknown) to Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2026)
Federal Funds	\$0	\$0	\$0	(Unknown) to Unknown
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	(Unknown) to Unknown

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2026)
Total Estimated Net Effect on FTE	0	0	0	\$0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2026)
Local Government	\$0	\$0	\$0	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from **Joint Committee on Public Employee Retirement (JCPER)** assume this proposal has no fiscal impact to the JCPER.

The JCPER assumes that this proposal would prohibit an individual from receiving a retirement benefit from more than one defined benefit plan. As of plan year 2019, the most recent plan year for which the JCPER has information, there were 89 Missouri state and local public employee retirement plans that are a defined benefit plan or a hybrid plan (a defined benefit component in addition to a defined contribution component) that would likely be impacted by this proposal.

The JCPER is unable to determine the impact this proposal would have on retirement plan benefits as defined in section 105.660(9).

Officials from **Missouri State Employee's Retirement System (MOSERS)** state the provisions of this proposal, if enacted, would prohibit a participant eligible for retirement benefits from one or more defined benefit plans from receiving retirement benefits from more than one defined benefit plan if such participant is employed for the first time on or after January 1, 2021.

MOSERS administers the retirement benefits for a majority of the state employees, general assembly members, state-wide elected officials, and judges. As of June 30, 2020, MOSERS membership consisted of 46,417 active employees and 51,447 benefit recipients. In FY20, MOSERS paid more than \$840 million in ongoing retirement and survivor benefits.

MOSERS is unable to determine whether the proposal will have a fiscal impact, therefore the cost/savings is unknown.

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state, this proposal, if enacted, would limit a participant of a defined benefit plan eligible for retirement benefits resulting from participating in more than one defined benefit plan to receive retirement benefits from only one defined benefit plan. Without further clarification, the implementation of this legislation appears ambiguous at this time.

It is unknown or a possible cost savings if the benefit was not paid in lieu of another benefit being paid instead, but MPERS would still have to fund every possible benefit, so there would be no savings on the front end and on the back end, those savings would likely prove minimal at best.

Officials from **County Employees' Retirement Fund (CERF)** state this legislation will have a fiscal impact on CERF, but we are currently unable to quantify it without more information about how the legislation would handle a variety of topics related to vested service, transfers of

service, and accrued liability for benefits earned but not yet fully funded. Currently, CERF's net pension liability for LAGERS counties is \$139,098,208, representing 63% of our total pension liability as of 1/1/2020.

Annual contributions by LAGERS counties during 2020 were \$10,230,450, representing 58% of total employee contributions. 59 of our 111 participating counties are currently in LAGERS.

Officials from the **Florissant Valley Fire Protection District** state the fiscal impact would be the inability to attract highly qualified, senior-level employees to fill critical roles.

Officials from the **Kansas City Public School Retirement System (KCPSRS)** state the provisions of the proposed language, if enacted, would prohibit a participant eligible for retirement benefits from one or more defined benefit plans from receiving retirement benefits from more than one defined benefit plan if such participant is employed for the first time on or after January 1, 2021.

KCPSRS administers the retirement benefits for employees of the KC Public School District, KC Public Charter Schools and the KC Public Library. KCPSRS membership consists of approximately 4,000 active employees and 4,000 benefit recipients. There is not enough information available for KCPSRS to determine whether the proposal will have a fiscal impact, therefore the cost/savings is unknown.

Officials from the **Metropolitan St. Louis Sewer District Employees Pension Plan** state MSD employees hired on or after January 1, 2021 are not eligible to participate in MSD's defined benefit plan so there would be no impact to our current Plan from this legislation.

Officials from the **Sheriff's Retirement System (MSRS)** state, although there is likely some minimal positive impact to the Sheriffs' Retirement System funds, it will have a substantial impact on some of our members. MSRS does not have the capability (or even the legal authority, to my knowledge) to transfer or receive time from another system. This would deprive our members from obtaining their earned benefit through CERF or LAGERS.

Officials from the **Employees Retirement System of the City of St. Louis** state at a minimum there would be \$250,000 - \$300,000 in litigation costs associated with a declaratory judgment action to determine the meaning of the proposal.

Officials from the **Kansas City Employees' Retirement System, Kansas City Firefighter's Pension System, Kansas City Supplemental Retirement Plan** and the **St. Louis County Library District Employee Retirement Plan** each assume the proposal will have no fiscal impact on their respective organizations.

Assuming all else is held constant, **Oversight** assumes this proposal could result in a savings to retirement plans if they are no longer required to pay out retirement benefits to certain employees which subsequently could reduce employer contributions.

Oversight notes the following employer contributions for the MSEP, MPERS and the PSRS retirement plans as of June 30, 2020:

Plan	Employer Contributions 2020
MSEP-MOSERS	\$436,895,653
MPERS	\$222,039,894
PSRS	\$713,296,485

Oversight notes if the proposal resulted in a 0.10 % reduction in employer contributions for the MSEP plan, the impact would be \$436,896.

Oversight is ultimately uncertain how this proposal would impact employer contributions as this would depend on how the proposal is implemented. For purposes of this fiscal note, Oversight will show an unknown cost or savings depending on the implementation of this proposal. Oversight will show an impact beginning in FY 2026 based on a five year vesting period under the MSEP 2011 plan for someone that begins employment on January 1 2021 and is age 57. However, Oversight notes the timing of the impact would vary with the requirements of each retirement plan.

Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses or actuarial cost statements, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2026)
GENERAL REVENUE				
<u>Cost or Savings - employer contributions</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>
VARIOUS OTHER STATE FUNDS				
<u>Cost or Savings - employer contributions</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>
ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>
FEDERAL FUNDS				
<u>Cost or Savings - employer contributions</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>

<u>FISCAL</u> <u>IMPACT – Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2026)
LOCAL POLITICAL SUBDIVISION				
<u>Cost or Savings -</u> employer contributions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This act provides that any participant eligible for retirement benefits resulting from membership in one or more defined benefit plans established by the state of Missouri or any political subdivision or instrumentality of the state shall receive retirement benefits from only one such defined benefit plan. Before any participant receives retirement benefits, the participant shall notify the plan that he or she is not receiving retirement benefits from another plan. The provisions of this act shall apply to any public official or employee who is employed for the first time on or after January 1, 2021. The provisions of this act shall not apply to rights to transfer creditable service from one system to another.

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 Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
County Employees' Retirement Fund
Florissant Valley Fire Department Retirement Plan
Kansas City Employees' Retirement System

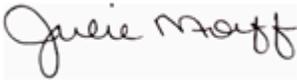
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Kansas City Firefighter's Pension System
Kansas City Public School Retirement System
Kansas City Supplemental Retirement Plan
Metropolitan St. Louis Sewer District Employees Pension Plan
Sheriff's Retirement System
St. Louis County Library District Employee Pension Plan



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