

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5734S.01I
Bill No.: SB 1155
Subject: Highway Patrol; Retirement - State; Retirement Systems and Benefits - General;
Department of Transportation
Type: Original
Date: April 5, 2022

Bill Summary: This proposal allows 2011 tier uniformed members of the Missouri State Highway Patrol to be eligible for backdrop.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
State Road Fund (0320)	\$0	\$0 or (Could exceed \$308,000 to \$257,000)	\$0 or (Could exceed \$342,000 to \$286,000)
Total Estimated Net Effect on Other State Funds	\$0	\$0 or (Could exceed \$308,000 to \$257,000)	\$0 or (Could exceed \$342,000 to \$286,000)

*For simplicity, Oversight will show the impact occurring to the State Road Fund; however, Oversight assumes this proposal could impact other funds including General Revenue, federal funds and other various state funds.

Numbers within parentheses: () indicate costs or losses.

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ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on FTE	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 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

The JCPER's review of the proposal indicates that its provisions may constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Current Status of MPERS:

As of June 30, 2021:

	<u>Funded Ratio</u>
Market Value of Assets:	\$3,003,925,228
Actuarial Value of Assets:	\$2,711,272,503
Liabilities:	\$4,344,072,912

Active Employee Payroll as of June 30, 2021: \$353,194,571

Recommended Contribution Rate for FY 2021: 58% - Projected dollar contribution is \$208,212,848. Employees hired for the first time on or after January 1, 2011, contribute 4% of compensation to MPERS.

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state the proposed legislation would, if enacted, modify who is eligible to elect a BackDROP payment in the 2011 Tier of the Year 2000 Plan under section 104.1091, RSMo. The BackDROP payment option provides for a benefit to be calculated as if the member elected to retire on a previous date, but at least two years and no more than five years beyond normal retirement eligibility. The member who elects BackDROP receives a lump sum payment equal to 90% of the life income annuity the member would have received during the BackDROP period. Currently, no member of the 2011 Tier is eligible to elect the BackDROP payment. This is an option only available to members of the Closed and Year 2000 plans.

The proposed legislation would provide the election only for uniformed members of the Highway Patrol as defined in section 104.010, RSMo. For the purposes of clarity, no other 2011 Tier members of the Highway Patrol (non-uniformed) or any 2011 Tier members of MoDOT or MPERS would be eligible under the current proposal.

MPERS notes that the proposed legislation could pose an equal protection question because it is only available to a select group of members, rather than to all members of the 2011 Tier. Under the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution, there is a prohibition of a state against denying “to any person within its jurisdiction the equal protection of the laws.” U.S. Const. amend XIV, § 1. The purpose of the equal protection clause is to secure every person within the state’s jurisdiction against intentional and arbitrary discrimination. *Sunday Lake Iron Co. v. Township of Wakefield*, 247 U.S. 350, 352.

Other members of the 2011 Tier who are ineligible for the BackDROP election could argue that they are being discriminated against because they do not have the same options for retirement payments as the uniformed patrol members.

Furthermore, the provisions of section 105.684, RSMo, prevent the adoption of lump sum benefit payments to participants when the plan’s funded ratio is not at least 80% and the change to the plan provisions would increase the actuarial accrued liability. As of the most recent actuarial valuation MPERS funded status is 62%, falling below the statutorily required minimum funded status. This is similar to legislation proposed in 2019 and at the time the system had a funded status of 57.1%. At the time, MPERS included a supplemental actuarial valuation related to the proposed legislative change, which illustrated an increase in the actuarial accrued liability. Consequently, these changes could not be adopted or implemented if passed by the legislature.

Officials from the **Department of Public Safety - Missouri Highway Patrol** state they will defer to MPERS for a fiscal impact statement.

Officials from the **Missouri Department of Transportation** assume the proposal will have no fiscal impact on their organization.

Based on an actuarial valuation provided by MPERS, **Oversight** notes the estimated impact to employer contribution rates:

Year	Estimated Impact - No Change in Assumed Behavior	Estimated Impact - Change in Assumed Behavior
2023	-	-
2024	\$308,000	\$257,000
2025	\$342,000	\$286,000
2026	\$380,000	\$319,000
2027	\$424,000	\$356,000
2028	\$469,000	\$394,000
2029	\$514,000	\$433,000
2030	\$560,000	\$473,000
2031	\$605,000	\$512,000
2032	\$648,000	\$551,000

As indicated by MPERS, **Oversight** notes the plan does not appear to have a sufficient funded ratio in order to implement the proposed changes. Oversight will show a range of impact from \$0 (plan does not achieve an adequate funded ratio) to an amount that could exceed the estimates provided above beginning in FY 2024.

For simplicity, **Oversight** will show the impact occurring to the State Road Fund; however, Oversight assumes this proposal could impact other funds including the General Revenue, federal funds and other various state funds.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
STATE ROAD FUND (0320)			
<u>Costs</u> - increase in employer contribution rates - §104.1091	<u>\$0</u>	\$0 or (Could exceed \$308,000 to \$257,000)	\$0 or (Could exceed \$342,000 to \$286,000)
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>\$0</u>	\$0 or (Could exceed \$308,000 to \$257,000)	\$0 or (Could exceed \$342,000 to \$286,000)

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<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
		<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.

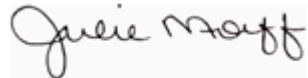
FISCAL DESCRIPTION

Currently, all members of Missouri Department of Transportation and Patrol Employees' Retirement System who are hired on or after January 1, 2011 (2011 Tier) are not eligible for the deferred retirement lump sum payment for working in a covered position at least two years after normal retirement eligibility (BackDROP). This act allows uniformed members of the Missouri State Highway Patrol covered by the 2011 Tier to be eligible for BackDROP.

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

MoDOT & Patrol Employees' Retirement System
Joint Committee on Public Employee Retirement
Missouri Department of Transportation
Department of Public Safety - Missouri Highway Patrol



Julie Morff
Director
April 5, 2022



Ross Strope
Assistant Director
April 5, 2022