

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6641H.02T
 Bill No.: Truly Agreed To and Finally Passed HCS for SB 1572
 Subject: Retirement Systems and Benefits - General; Retirement - Local Government;
 Retirement - State; Employees - Employers; State Employees; Law Enforcement
 Officers and Agencies; Boards, Commissions, Committees, and Councils; Cities,
 Towns, and Villages; City of St. Louis
 Type: Original
 Date: June 18, 2026

Bill Summary: This proposal modifies provisions relating to public employee retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$0	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0	\$0 or Unknown	\$0 or Unknown

*Based on a review of various scenarios and actuarial outcomes for the lump sum payment option, Oversight assumes the impact from this proposal could exceed \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Various Other State Funds*	\$0	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on Other State Funds	\$0	\$0 or Unknown	\$0 or Unknown

*Based on a review of various scenarios and actuarial outcomes for the lump sum payment option, Oversight assumes the impact from this proposal could exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Federal Funds*	\$0	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0 or Unknown	\$0 or Unknown

*Based on a review of various scenarios and actuarial outcomes for the lump sum payment option, Oversight assumes the impact from this proposal could exceed \$250,000.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§84.570 – Kansas City Law Enforcement Officer’s Separation from Service

Oversight assumes this section modifies provisions that law enforcement officers of Kansas City shall separate from service after the earlier, rather than the later, of either 65 years of age or 35 years of credible service. Oversight assumes no fiscal impact from this provision.

§86.213 – Police Retirement System for the City of St. Louis

Officials from the **City of St. Louis, St. Louis Metropolitan Police Department** and the **St. Louis Employees Retirement System** did not respond to **Oversight’s** request for fiscal impact for this proposal.

Officials from the **St. Louis Police Retirement System** assume this proposal would modify the terms of membership of the Board of Trustees of the Police Retirement System of St. Louis (“Board”), specifically, the terms served by the Trustees to be appointed by the Mayor of the City of St. Louis. Currently, the two (2) mayoral appointments to the Board are each for two (2)-year terms and those terms expire at the same time. HCS for SB 1572 would “stagger” the terms of the two mayoral appointees by initially providing for one appointee to serve a one (1)-year term and the other a two (2)-year term and thereafter having two (2)-year terms for all mayoral appointees. HCS for SB 1572 would also authorize mayoral appointees to remain serving as Trustees until their successors have been appointed.

This bill, if passed, would have no fiscal impact. The number of Trustees would remain the same and only the start and end dates of the terms of the mayoral appointees would be affected. Moreover, Trustees receive no compensation for their service on the Board of Trustees.

Oversight assumes this proposal modifies provisions relating to certain appointments to the Board of Trustees of the Police Retirement System of the City of St. Louis and will not have a direct fiscal impact.

§§104.200, 104.490, 104.1060, 104.1091, 104.1092 and 105.695 – Public Employee Retirement Benefits

§§104.490 and 104.1060 – Overpayments

Officials from the **MoDOT & Patrol Employees’ Retirement System (MPERS)** state the bill, if enacted, would modify provisions governing how retirement systems recover overpayments per sections 104.200 and 104.1060. These changes provide that, if an overpayment must be recovered from a member, it may be recovered either as a single sum, in installment payments, or as an actuarial equivalent. Minimal fiscal impact for this change.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume the proposed legislation would amend sections 104.490 and 104.1060 RSMo to allow additional options for the correction of payment errors. The proposed changes to these sections would allow MOSERS to accept a single sum or installment repayment to recover benefit overpayments. Currently, in the case of overpayment or underpayment, this section requires MOSERS to correct the error by actuarially adjusting future payments to the extent practicable. The proposed changes are consistent with federal tax law governing public pension plans and payment correction.

The change to sections 104.490 and 104.1060 would have no fiscal impact. There are so few overpayment or underpayment corrections at any given time and the amounts of such corrections are insignificant when taking into account the funding of the System, any related cost or savings from the use of one method over another would be immaterial.

§104.1091 – Refunds of Contribution for Tier 2011 Members

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume the proposed legislation would amend section 104.1091 RSMo to allow the system to automatically refund the employee retirement contributions and credited interest of \$1,000 or less to a former member who is not vested.

Members of the MSEP 2011 plan contribute 4% of their pay to the system. Currently, former members of this plan who are not vested, among others, may request a contribution refund. If the non-vested former member does not request a contribution refund, MOSERS must hold the former member's contribution indefinitely until the individual claims it or until the individual reaches the required minimum distribution (RMD) age under federal tax law, which requires MOSERS to try to locate the individual at that time and make payments. The current RMD age is 73 years old.

The proposed changes to section 104.1091 RSMo would allow MOSERS to automatically refund contributions and credited interest totaling \$1,000 or less to former non-vested MSEP 2011 members. For former members the system cannot locate after reasonable diligence, the statute would authorize the system and the treasurer's office to share information for the purpose of refunding such contributions. Doing so would provide another avenue for locating former members toward the goal of decreasing or eliminating the continual administrative burden required by federal law to attempt to locate the thousands of former non-vested members while holding their contributions indefinitely.

In MOSERS' June 30, 2025, valuation, 23,217 non-vested former members had contribution balances of \$1,000 or less, with the total number increasing more than 10% each year for the past three fiscal years. MOSERS estimates that nearly 90% of the current non-vested former members with a contribution balance of \$1,000 or less would not reach RMD age for approximately 20 years, at which time federal tax law would require MOSERS to try to locate them on an ongoing

basis. By statute, these individuals' contributions do not accrue interest payable to them once their benefits-eligible employment terminates.

The changes to section 104.1091 RSMo would have no fiscal impact as automatically refunding the contributions instead of holding them indefinitely and sharing refund information compared with repeatedly trying to locate the non-vested former member collectively would not have a material positive or negative fiscal impact to the system.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the **MoDOT & Patrol Employees' Retirement System (MPERS)** assume this proposal, if enacted, would modify provisions governing MPERS by requiring the system to refund contributions for 2011 Tier members whose balances are less than \$1000, who have terminated employment, and are not vested. The change would reduce the number of members who become difficult or impossible to locate when deceased or have relocated, and the system would pay out contributions to a beneficiary or in accordance with other requirements.

Currently, 2011 Tier members who terminate employment may request a refund of contributions, forfeiting their service. If the member wishes to return to employment under MPERS or MOSERS in the future, the member may repay any refunded contributions, plus interest, to reestablish service credit. Once a 2011 Tier member is eligible to retire, the member may not request a refund. This part of the statute will not change.

The change in statute would require the system to refund contributions for 2011 Tier members when the balance is *less than \$1000*. Refunding these small balances aligns with other federal requirements for qualified governmental pension plans. Members who return to employment under MPERS or MOSERS will still have the right to repay any refunded contributions, plus interest, to reestablish service credit. The fiscal impact to MPERS would be a minimal positive impact, if any.

Officials from the MPERS assume the proposal will have a minimal positive impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency

§104.1092 – Lump Sum Payment Option

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state section 104.1092.2 is modified to provide a payment option in lieu of retirement annuity benefits if the board of either system elects to exercise it. Previously, this option had been a one-time offering in 2018, but this modification provides for a “permanent” payment option beginning in January 2027. Subject to Board adoption, this payment option would be available to those members who are vested but no longer employed by a system sponsor and have not yet reached normal retirement eligibility.

Because the Board has discretion over the details of issuing these payments, it seems most likely that a cost savings for the System would occur. There is only a small risk of a cost to the System if the buyout option is administered at 100% of the value of the benefit, and a very high participation rate also occurs.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** assume this bill also amends section 104.1092 RSMo to authorize the MOSERS Board of Trustees to offer an annuity buyout. The proposed change would authorize the MOSERS Board of Trustees to offer members a one-time election to receive a lump sum payment equal to a certain percentage of the present value of the member's deferred annuity in lieu of receiving retirement annuity benefits. MSEP and MSEP 2000 members who have terminated employment, are entitled to an annuity from the system, and have not reached normal retirement age or eligibility would be eligible for any buyout authorized by the Board under this section.

MOSERS assumes the proposed change to section 104.1092 could have no fiscal impact or a net positive fiscal impact to the System. The Board would be authorized to implement an annuity buyout if desired but is not required to do so. If the Board chose not to implement an annuity buyout, then there would be no fiscal impact.

If the Board decided to offer an annuity buyout, it would concurrently set the percentage of present value of future benefits to calculate the lump sum payment. MOSERS's actuaries currently value a terminated vested member's full present value of future benefits (PVFB). If the Board were to determine the buyout percentage to be 100% of the member's PVFB, there would be no fiscal impact to the system. If the Board determined a percentage less than 100% of PVFB, there would be a reduction in the unfunded actuarial accrued liability for each member who elected the one-time lump sum payment, resulting in a net positive fiscal impact to the system.

The MOSERS Board previously implemented an annuity buyout program with a buyout percentage of 60% of PVFB. The initial buyout was offered from October 1 through November 30, 2017, and it offered a second chance buyout in May 2018. The buyouts together eliminated \$41 million in total net liability.

Oversight assumes this proposal authorizes the Board of either system to establish a lump sum payment option. Oversight assumes the ultimate impact is unknown depending on how the Board structures the payment option and the number of participants. Oversight assumes 100% participation paid at 100% of the present value of future benefits is an unlikely outcome. For purposes of this fiscal note, Oversight assumes there could be a positive net gain to employer contributions if either system established a lump sum payment option. Based on a review of various scenarios and actuarial outcomes, Oversight assumes the impact from this proposal could exceed \$250,000.

§105.695 – Prohibition on Expenditures

Officials from **MoDOT & Patrol Employees' Retirement System (MPERS)** state §105.695 is a new section that will prevent the use of system funds to advocate, support, or oppose the passage or defeat of a ballot measure. This will not impact MPERS, as it is not authorized in the governing statutes to make such contributions or expenditures. No fiscal impact.

Officials from the **Missouri State Employee's Retirement System (MOSERS)** state this new section 105.695 would prohibit systems' funds from being used to advocate, support, or oppose ballot measures or candidates. The new section would prohibit the contribution or expenditure of system funds for ballot measures or candidates and prohibit the use of said funds from paying any debts or obligations or any committee supporting or opposing ballot measures or candidates. MOSERS's governance manual prohibits such contributions or expenditures. The prohibition of using system funds to advocate, support, or oppose ballot measures or candidates in section 105.695 would have no fiscal impact.

§169.450 - Public School Retirement Systems Boards of Trustees

In response to similar legislation, HCS for HB Nos. 2884 & 1655 (2026), officials from the **St. Louis Public School Retirement System (PSRSSTL)** assumed this proposal contains provisions that concern the Public School Retirement System of the City of St. Louis ("PSRSSTL"). This proposal changes portions of RSMo. 169.450 to increase the Board meeting quorum from 6 Trustees to 7 Trustees. In reviewing this proposal, PSRSSTL believes there is no financial impact.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Responses regarding the proposed legislation as a whole

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** did their review of SB 1572 and it 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.

Officials from the **University of Central Missouri** assume the proposal will have an indeterminate fiscal impact.

Officials from the **Office of the State Treasurer, University of Missouri System, County Employees Retirement Fund, Kansas City Civilian Police Employees' Retirement, Kansas City Police Retirement System, Metropolitan St. Louis District Employees Pension Plan, Public Education Employees' Retirement System (PSRS/PEERS) and Northwest Missouri State University** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **Public Schools and Education Employee Retirement Systems, Sheriff's Retirement System** and the **City of Kansas City** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Savings</u> – (\$104.1092) From a decrease in employer contributions from a lump sum payout p.6	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
OTHER STATE FUNDS			
<u>Savings</u> – (\$104.1092) From a decrease in employer contributions from a lump sum payout p.6	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
FEDERAL FUNDS			
<u>Savings</u> – (\$104.1092) From a decrease in employer contributions from a lump sum payout p.6	<u>\$0</u>	\$0 or <u>Unknown</u>	\$0 or <u>Unknown</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This act modifies provisions relating to public employee retirement systems.

SEPARATION FROM SERVICE FOR LAW ENFORCEMENT OFFICERS OF KANSAS CITY POLICE DEPARTMENT (SECTION 84.570)

This act provides that provides that law enforcement officers of the Kansas City Police Department shall separate from service after the earlier, rather than the later, of either 65 years of age or 35 years of credible service.

POLICE RETIREMENT SYSTEM OF ST. LOUIS: BOARD OF TRUSTEES (SECTION 86.213)

This act modifies the membership of the Board of Trustees ("Board") of the Police Retirement System of St. Louis ("PRS"). Beginning October 1, 2026, one member appointed by the mayor shall serve a term of one year and the other member shall serve a term of two years. Additionally, this act replaces the three members of the Board elected by the members of PRS with three members who are actively commissioned officers of the municipal police force of St. Louis City and who are elected by the members of PRS who are actively commissioned officers of such municipal police force. These three members shall be granted travel time by the police department to attend the functions authorized by the Board.

MOSERS/MPERS: OVERPAYMENTS (SECTIONS 104.200, 104.490 & 104.1060)

Currently, Missouri State Employees' Retirement System ("MOSERS") and Missouri Department of Transportation and Highway Patrol Employees' Retirement System ("MPERS") may recover any overpayments made to a member or beneficiary. This act provides that overpayments may be recovered by means of a single sum or installment repayment.

MOSERS/MPERS: REFUNDS OF CONTRIBUTION FOR TIER 2011 MEMBERS (SECTION 104.1091)

Currently, a vested former member or a former member who is not vested may request a refund of his or her contributions and interest from MOSERS or MPERS. This act provides that for a former member who is not vested, the system shall refund such member's contributions and interest credited thereon if the total amount is \$1,000 or less, or such other amount as may be permitted under federal law, provided that:

- (1) The system and the State Treasurer are authorized to share information regarding the refund, which shall be open to public inspection as allowed under current law; and
- (2) The system's procedures to locate such member from time to time shall be considered reasonable and necessary diligence consistent with good business practices and in compliance with federal law.

MOSERS/MPERS: LUMP SUM PAYMENTS FOR CLOSED AND YEAR 2000 MEMBERS (SECTION 104.1092)

Currently, any member of MOSERS or MPERS could make an election to receive a lump sum payment in lieu of retirement annuity benefits under the closed plan or the year 2000 plan beginning on a date established by the board, but not after May 31, 2018. This act reinstates this election option beginning or after January 1, 2026.

ALL SYSTEMS: USE OF PUBLIC RETIREMENT SYSTEM FUNDS FOR ELECTION PURPOSES (SECTION 105.695)

The act prohibits the contribution or expenditure of system funds by any public pension system to advocate, support, or oppose the passage or defeat of any ballot measure or the nomination or election of any candidate for public office. System funds shall not pay any debts or obligations of any committee supporting or opposing ballot measures or candidates.

PSRSSTL: BOARD OF TRUSTEES (SECTION 169.450)

Currently, six votes for the thirteen-member Board of Trustees ("Board") of the Public School Retirement System of the City of St. Louis ("PSRSSTL") is necessary for a decision by the Board. This act instead provides that seven members of the Board shall constitute a quorum and no action or decision of the Board shall be effective unless approved by an affirmative vote of at least seven members.

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

St. Louis Police Retirement System
MoDOT & Patrol Employees' Retirement System
Missouri State Employee's Retirement System
County Employees Retirement Fund
Kansas City Civilian Police Employees' Retirement
Kansas City Police Retirement System
Metro St. Louis Sewer District Employees Pension Plan
Public Education Employees' Retirement System (PSRS/PEERS)
Public Schools and Education Employee Retirement Systems
Sheriff's Retirement System
University of Missouri
Northwest Missouri State University
University of Central Missouri
Joint Committee on Public Employee Retirement
St. Louis Public School Retirement System
Office of the State Treasurer
City of Kansas City



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