

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6249-01
Bill No.: HB 2335
Subject: Retirement - Schools; Education, Elementary and Secondary
Type: Original
Date: February 16, 2018

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Public School & Education Employee Retirement Systems of Missouri (PSRS/PEERS)** assume this legislation allows any teacher retired from the Public School Retirement System of Missouri (PSRS) to be employed in a position covered under the Public Education Employee Retirement System (PEERS) without stopping their retirement benefit. Such retired teacher may earn up to 50% of the minimum teacher's salary as set forth in Section 163.172, RSMo, (\$12,500) and such retired teacher will not contribute to the PEERS or earn creditable service.

The employer's contribution rate will be paid by the hiring employer. If such person is employed above these limitations, the person will not be eligible to receive their retirement allowance for any month the person is employed and such person shall contribute to the retirement system if he or she is in an eligible position.

The current statutory limitation is 550 hours and 50% of salary a retiree would have earned if they returned to work for a covered employer. As of June 30, 2018, the Systems have over 88,000 retirees, of those 8,575 retired PSRS members return to work for a covered employer (1,939 PEERS retirees return to work for a covered employer). Roughly 85 % of PSRS retirees who return to work earn under working after retirement provision earn less than \$15,000. The average earning per retiree who returns to work under the working after retirement provision is \$7,092.

The Systems have an actuary firm that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. They are in the midst of preparing an actuarial cost statement on this legislation and expect that this bill will have an insignificant cost savings to the Systems.

Officials from the **Joint Committee on Public Retirement (JCPER)** assume this legislation would indicate such 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, RSMo. 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.

ASSUMPTION (continued)

Current System Status

PSRS

As of June 30, 2017

Market Value: \$37,280,246,064 83.7% Funded
Actuarial Value: \$37,373,739,619 83.9% Funded
Liabilities: \$44,501,771,291

Current Annual Required Contribution Rate (17/18)

Employer	14.5%	\$674,994,906
<u>Employee</u>	<u>14.5%</u>	<u>\$674,994,906</u>
Total	29%	\$1,349,989,812

Covered Payroll: \$4,655,169,121

Current System Status

PEERS

As of June 30, 2017

Market Value: \$4,446,418,007 85.3% Funded
Actuarial Value: \$4,470,269,913 85.8% Funded
Liabilities: \$5,209,368,865

Current Annual Required Contribution Rate (17/18)

Employer	6.86%	\$106,891,383
<u>Employee</u>	<u>6.86%</u>	<u>\$106,891,383</u>
Total	13.72%	\$213,782,766

Covered Payroll: \$1,558,183,433

Officials from the **Summersville R-2 School District** and the **Kirksville R-III Schools** each assume the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Oversight assumes the fiscal impact to employer contribution rates is unknown. Once the actuarial cost estimate is provided, Oversight will review it to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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

The proposed legislation appears to have no direct fiscal impact.

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

Public School & Education Employee Retirement Systems of Missouri
Summersville R-2 School District
Kirksville R-III Schools

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized, cursive script.

Acting Director
February 16, 2018