COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5154-02
Bill No.: HB 2291
Subject: Retirement Systems and Benefits - General; Retirement - Schools; Teachers
Type: Original
Date: March 9, 2020

Bill Summary: This proposal modifies provisions relating to the duration of time for which retired teachers and school employees may teach without losing their retirement benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on Other 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 2021	FY 2022	FY 2023
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	**$0**	**(Unknown)**	**(Unknown)**

FISCAL ANALYSIS

ASSUMPTION

At the time this fiscal note was completed **Oversight** had not received an actuarial cost statement from the retirement system. Oversight has presented this fiscal note on the best current information available. Upon the receipt of an actuarial cost statement, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from **Joint Committee on Public Employee Retirement** assume this proposal increases the length of time, from two years to four years, that a retired member of PSRS or PEERS may work after retirement without having his or her retirement benefit suspended when a school district has declared a teacher/employee critical shortage.

This proposal has no fiscal impact to the Joint Committee on Public Employee Retirement. The JCPER's review of this 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, 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.

Current Status of the Public School Retirement System (PSRS):
As of December 19, 2019

		Funded Ratio
Market Value of Assets:	$40,593,758,865	84.6%
Actuarial Value of Assets:	$40,498,478,562	84.4%
Liabilities:	$47,973,829,236	

Covered Payroll, June 30, 2019: $4,844,248,703

Recommended Contribution for FY 2020: 29% - Employers and employees contribute in equal amounts of 14.5%.

	Percent	Dollars (Estimated)
Employer	14.5%	$702,416,062 estimated
Employee	14.5%	$702,416,062 estimated
Total	29.0%	$1,404,832,124 estimated

ASSUMPTION (continued)

Current Status of the Public Education Employee Retirement System (PEERS):
As of June 30, 2019

		Funded Ratio
Market Value of Assets:	$5,018,523,615	86.4%
Actuarial Value of Assets:	$5,019,868,477	86.4%
Liabilities:	$5,809,484,699	

Covered Payroll: $1,749,884,052

Recommended Contribution for FY 2021: 13.72%. Employers and employees contribute in equal amounts of 6.86%.

	Percent	Dollars (Estimated)
Employer	6.86%	$120,042,046 estimated
Employee	6.86%	$120,042,046 estimated
Total	13.72%	$240,084,092 estimated

Officials from **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** assume this legislation makes changes to the critical shortage statute, 169.596. As of last school year, PSRS/PEERS had around 150 retired teachers who have returned to work under the critical shortage statute. Their average earning was approximately $47,400 for PSRS and around $17,800 for PEERS.

The Critical Shortage Employment Exception found in Section 169.596, RSMo is a statutory provision which allows covered employers who meet certain requirements (as set forth in statute) to employ PSRS/PEERS retirees up to full-time without affecting the payment of their retirement benefits. In order to employ retirees up to full-time under this provision, the employer must:

- Not have offered early retirement incentives (not early retirement notification) for either of the previous two school years
- Post the vacancy or vacancies for at least one month
- Solicit applications through the local newspaper, other media, or teacher education programs
- Make a good faith effort to fill positions with non-retired employees
- Determine that there is an insufficient number of eligible applicants for the advertised position(s)
- Declare a shortage of certificated or non-certificated employees

ASSUMPTION (continued)

During the two years of Critical Shortage employment, employer contributions must be made on all salary earned, including employer-paid medical insurance premiums and pay for additional duties. The retired members employed under this provision continue to receive benefits, but do not contribute to PSRS/PEERS or earn service. By statute, districts cannot use the Critical Shortage Employment Exception to fill the position of superintendent.

If a covered district declares a critical shortage of either certificated or non-certificated employees, they can hire up to 10% of the certificated (or non-certificated) staff, not to exceed five individual PSRS retirees to teach, or five individual PEERS retirees to work, for up to two years under this provision (24 months). The two years of employment do not have to be consecutive - there can be breaks in the employment. However, the total time worked by each retiree cannot exceed two years at all covered districts.

HB 2291 allows retirees to return to work under the Critical Shortage Exemption statute up to four years (versus the current two-year restriction). The Systems have an actuary firm, PricewaterhouseCoopers (PWC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. PWC is still working on the completion of a cost statement on HB 2291. As soon as the cost statement is completed, we will be updating our fiscal note response to include their analysis and cost statement.

Oversight assumes this proposal would allow employees in critical shortage areas to continue to work full-time after two years for up to four years without losing their retirement benefits. Per PSRS/PEERS, there were 41 members who placed their benefits on hold for last school year. PSRS is uncertain if that is solely for those returning from critical shortage or if that is under the 550 / 50% limitation.

Oversight assumes this proposal could have a negative impact on the retirement system, and subsequently, could require higher contributions by member employers, local school districts and community colleges. Oversight will show an unknown cost to local school districts and community colleges.

FISCAL IMPACT - State Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
SCHOOL DISTRICTS & COMMUNITY COLLEGES			
Cost - potential increased contributions to the PSRS/PEERS system	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS & COMMUNITY COLLEGES	**$0**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, a retired teacher or a retired noncertificated employee who is receiving a retirement benefit from the Public School Retirement System of Missouri or the Public School Retirement System of Missouri is allowed to work full time for up to two years for a school district covered by such retirement system if the system has a shortage of certified teachers or noncertificated employees. This bill allows these employees to work full time up to four years for such districts.

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
Public Schools and Education Employee Retirement Systems

Julie Morff
Director
March 9, 2020

Ross Strope
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March 9, 2020

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