

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1732H.02C
Bill No.: HCS for HB 811
Subject: Retirement Systems and Benefits - General; Retirement - Schools; Education,
Elementary and Secondary; Teachers
Type: Original
Date: February 26, 2021

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

At the time this fiscal note was completed **Oversight** the Public Schools and Education Employee Retirement Systems had not received an actuarial cost statement. 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 the **Joint Committee on Public Employee Retirement (JCPER)** state this proposal has no fiscal impact to the Joint Committee on Public Employee Retirement. This proposal modifies the amount of compensation that a retired PSRS member may earn without a discontinuance of the member's retirement benefit while working after retirement in a position that does not require teacher certification. Instead of compensation being limited to sixty percent of the minimum teacher's salary, allowable compensation will be limited to the annual earnings limit applicable to a Social Security recipient working while receiving Social Security benefits.

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. 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. An actuarial cost statement has not been filed with the JCPER as of 2/24/21.

Current Status of the Public School Retirement System (PSRS) as of June 30, 2020:

Active members: 78,848
Inactive members: 83,014 (includes retired, surviving beneficiary, disabled and terminated vested)
Funded Ratio

Market Value of Assets:	\$40,710,304,168	84.6%
Actuarial Value of Assets:	\$41,705,058,666	84.4%
Liabilities:	\$49,641,020,407	

Covered Payroll: \$4,919,286,106

Recommended Contribution for FY 2022: 29% - Employers and employees contribute in equal amounts of 14.5%.

Percent	Dollars (Estimated)	
Employer	14.5%	\$713,296,485 estimated
Employee	14.5%	\$713,296,485 estimated
Total	29.0%	\$1,426,592,970 estimated

Current Status of the Public Education Employee Retirement System (PEERS) as of June 30, 2020

Funded Ratio		
Market Value of Assets:	\$5,118,843,873	84%
Actuarial Value of Assets:	\$5,257,846,689	86%
Liabilities:	\$6,089,401,204	

Covered Payroll: \$1,732,243,294

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

Percent	Dollars (Estimated)	
Employer	6.86%	\$118,831,890 estimated
Employee	6.86%	\$118,831,890 estimated
Total	13.72%	\$237,663,780 estimated

Officials from the **Public Schools and Education Employee Retirement Systems** state, currently in Section 169.560, RSMo, any teacher retired from the Public School Retirement System of Missouri (PSRS) can be employed in a non-certificated position covered under the Public Education Employee Retirement System (PEERS) without impacting their retirement benefit up to certain limitations. Any certificated retiree may earn up to 60% of the minimum teacher's salary (\$15,000) as established by Section 163.172, RSMo, and will not contribute to the retirement system or earn creditable service for that work. The employers would be required to contribute into the PEERS for such employment.

This legislation will allow a retired, certificated teacher to earn up to the annual earnings limit applicable to a Social Security limitation as set forth in 20 CFR 404.430, which is currently \$18,960. In school year 2019-2020, there were roughly 1,281 PSRS retirees that worked in some capacity under this provision. Their average earnings were \$4,100. In school year 2018-2019, there were roughly 2,835 PSRS retirees that worked in some capacity under this provision. Their average earnings were a little over \$5,600.

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 811. The HCS version is not materially different than the original. As soon as the cost statement is completed, we will be updating our fiscal note response to include their analysis and cost statement.

PSRS/PEERS provide retirement benefits to more than 129,000 active members and nearly 98,000 retired Missouri public school teachers, school employees, and their families. The total invested assets of both PSRS and PEERS were \$51 billion as of December 31, 2020, making the combined entity larger than all other public retirement plans in the state combined, and the 45th largest defined benefit plan in the United States.

Oversight notes the minimum teacher salary is \$25,000 per section 163.172. Currently, a teacher can earn up to \$15,000 and not contribute to the retirement system or earn creditable service. This proposal would allow teachers to earn up to the annual earnings limit applicable to a Social Security recipient, currently \$18,960, without discontinuing the person's retirement allowance from the retirement system.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICTS & COMMUNITY COLLEGES			
<u>Cost/Savings - changes to annual earnings limit</u>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS & COMMUNITY COLLEGES	<u>\$0</u>	<u>(Unknown)</u>	<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

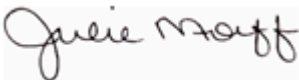
Currently, any teacher retired from the Public School Retirement System of Missouri can be employed in a position covered under the Public Education Employee Retirement System (PEERS) without stopping their retirement benefit. Such teacher may earn up to 60% of the minimum teacher's salary as set forth in Section 163.172, RSMo, and will not contribute to the retirement system or earn creditable service.

This bill will allow such teacher to earn up to the annual earnings amount applicable to a Social Security recipient before the calendar year of attainment of full retirement age under 20 CFR 404.430.

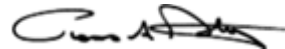
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Public Schools and Education Employee Retirement Systems



Julie Morff
Director
February 26, 2021



Ross Strobe
Assistant Director
February 26, 2021