

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5981H.011
Bill No.: HB 2906
Subject: Retirement - Schools; Teachers
Type: Original
Date: March 22, 2024

Bill Summary: This proposal modifies provisions relating to time and salary limitations on working after retirement for members of the Public School Retirement System and the Public Education Employee Retirement System.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** state, currently, a retired member, except for those retired due to disability, of the Public School Retirement System ("PSRS") may work after retirement in a certified position with a covered employer without discontinuance of his or her retirement benefits if the member does not exceed 550 hours of work each school year and 50% of the annual compensation to the person who last held the position. This legislation expands the same provisions to include those retired due to disability. Disabled retirees must continue to meet all other requirements. This legislation also broadens the 50% annual compensation limit to include 50% of the annual compensation to the person who last held the position or 50% of the limit set by the employer's school board for the position.

Additionally, current law provides that if a member of PSRS or the Public Education Employee Retirement System ("PEERS") is in excess of the limitations, the member shall not be eligible to receive the retirement allowance for any month so employed. This legislation provides that either the member shall not be eligible to receive the retirement allowance for any month so employed or the retirement system shall recover the amount earned in excess of the limitations, whichever is less. This legislation also allows PEERS members retired due to disability to be employed under these provisions. Disabled retirees must continue to meet all other requirements.

The provisions in this legislation provide administrative and operational efficiencies for the Systems, without additional fiscal impacts. The Systems' participating employers and members also benefit from these enhancements. The impacts to the Systems are all positive in nature.

The Systems have an actuary firm, PwC US (PWC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. This legislation has been submitted to them for an actuarial statement. As soon as the actuarial statement is available, PSRS/PEERS will be amending their fiscal response to include their analysis.

Current Status of the Public School Retirement System (PSRS) as of June 30, 2022:

Active members: 78,973
Inactive members: 87,096 (includes retired, surviving beneficiary, disabled and terminated vested)

		Funded Ratio
Market Value of Assets:	\$47,671,054,492	
Actuarial Value of Assets:	\$47,185,300,000	85.2%
Liabilities:	\$55,405,259,756	

Covered Payroll: \$5,271,368,324

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

Percent	Dollars (Estimated)	
Employer	14.5%	\$764,348,407 (estimated)
Employee	14.5%	\$764,348,407 (estimated)
Total	29.0%	\$1,528,696,814 (estimated)

Current Status of the Public Education Employee Retirement System (PEERS) as of June 30, 2022:

Active Members: 50,179
Inactive Members: 81,318 (includes retired, surviving beneficiary, disabled and terminated vested)

		Funded Ratio
Market Value of Assets:	\$6,153,590,531	
Actuarial Value of Assets:	\$6,113,154,000	87.3%
Liabilities:	\$6,998,708,341	

Covered Payroll: \$1,864,704,185

Recommended contribution rate for FY2022: 13.72%. Employers and employees contribute in equal amounts of 6.86%.

	Percent	Dollars
Employer	6.86%	\$127,918,707 (estimated)
Employee	6.86%	\$127,918,707 (estimated)
Total		\$255,831,414 (estimated)

Oversight assumes this proposal would have a positive impact on the PSRS/PEERS systems. Oversight is uncertain if this would translate into a reduction in employer contributions.

Therefore, Oversight will show a range of impact of \$0 (no reduction in employer contributions) to an unknown savings to school districts and community colleges if a reduction in employer contributions is realized.

Oversight has presented this fiscal note on the best current information available or on information regarding a similar bill(s). Upon the receipt of an actuarial 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings – from a reduction in employer contributions - \$169.560 & 169.660</u>	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or 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, a retired member, except for those retired due to disability, of the Public School Retirement System (PSRS) may work after retirement in a certified position with a covered employer without discontinuance of the member's retirement benefits if the member does not exceed 550 hours of work each school year and 50% of the annual compensation to the person who last held the position.

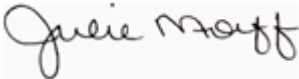
This bill provides that the member, including those retired due to disability, may earn up to 50% of the annual compensation to the person who last held the position or 50% of the limit set by the employer's school board for the position.

Additionally, current law provides that if a member of PSRS or the Public Education Employee Retirement System (PEERS) is in excess of the limitations, the member will not be eligible to receive the retirement allowance for any month so employed. This bill provides that either the member will not be eligible to receive the retirement allowance for any month so employed or the retirement system can recover the amount earned in excess of the limitations, whichever is less.

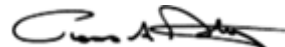
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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



Julie Morff
Director
March 22, 2024



Ross Strobe
Assistant Director
March 22, 2024