

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1454H.01I  
Bill No.: HB 404  
Subject: Retirement - Schools; Retirement Systems and Benefits - General; Teachers  
Type: Original  
Date: April 1, 2025

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Bill Summary: This proposal modifies the employer contribution rate for the Public School Retirement System of the City of St. Louis.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- ☐ 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§169.490 – Retirement Benefits for Certain Teacher Retirement Systems**

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state the JCPER’s review of this HB 404 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 **St. Louis Public School Retirement System** state HB 404 amends and replaces material language within Sections 169.410, 169.450, and 169.490 of the Missouri Revised Statutes

The System was created by the Missouri legislature in 1944 and is organized under Sections 169.410 to 169.540 of the Missouri Revised Statutes. The System provides pension benefits to all personnel employed by the St. Louis Public Schools and Charter Schools operating in the City of St. Louis, which currently number at 17. As of January 1, 2024, the System has 14,061 members, which consists of 5,000 active members, 4,226 retired members/beneficiaries, and 4,835 inactive members.

They interpret HB 404 as a means to preserve the long-term financial viability of the System to provide benefits to its members. The System’s goal is to move the System toward an actuarial funding ratio of 100% with all due expediency. While a ratio of less than 100% is not necessarily a problem or crisis, the combination of a decreasing funded ratio and contributions falling short of the actuarial required contribution would, over time, threaten the plan’s viability. In addition, the System is required to be at or close to 100% funded before the System may consider granting a cost-of-living increase to its retirees, who have gone without a COLA since 2006.

HB 404 looks to stabilize the System’s funding by setting the employer contribution rate at 12.5% for 2025. Thereafter, the employer contribution rate would be a flat 14%. There is no language regarding an adjustment for required contributions based on an actuarially determined contribution rate.

In reviewing HB 404, the System believes there would be significant financial impact and the current issue of the System’s underfunding would be not remedied. This is because HB 404 provides for only a flat employer contribution rate that does not take into account an actuarial analysis and review of the System’s funded ratio.

Additionally, the System believes a 16% employer contribution rate should be used. This 2% increase would remedy the funding deficiencies faster and expedite the Systems getting of the Joint Committee on Public Employee Retirement's Watch List by several years.

**Oversight** notes under this proposal, the percentage rate of contribution decreases one-half of one percent annually until calendar year 2025 when the rate of contribution payable by each employer equals 12.5% of the total compensation of all members employed by that employer with an exception that on the effective date of the bill, the rate of contribution payable by each employer increases to 14% of the total compensation of all members employed by that employer. In addition, this proposal contains an emergency clause.

Therefore, **Oversight** assumes these provisions will result in an increase in employer contribution rates for St. Louis Public Schools and Charter Schools beginning in FY 2026.

Officials from the St. Louis Budget Division did not respond to **Oversight's** request for fiscal impact for this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2026	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026	FY 2027	FY 2028
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Costs</u> – St. Louis Public Schools and Charter Schools - increase in employer contributions \$169.490	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u>(Unknown)</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, for calendar years after 2018, the percentage rate of employer contribution payable by the St. Louis Public School District that has established a retirement system for providing retirement benefits to the employees, decreases one-half of one percent annually until calendar year 2032, when the rate of contribution payable by each employer equals 9% of the total compensation of all members employed by that employer. For calendar years after 2032, the rate of contribution payable by each employer equals 9%.


Under this bill, the percentage rate of contribution decreases one-half of one percent annually until calendar year 2025 when the rate of contribution payable by each employer equals 12.5% of the total compensation of all members employed by that employer with an exception that on the effective date of the bill, the rate of contribution payable by each employer increases from 9% to 14% of the total compensation of all members employed by that employer.

This bill contains an emergency clause.

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  
St. Louis Public School Retirement System



Julie Morff  
Director  
April 1, 2025



Jessica Harris  
Assistant Director  
April 1, 2025