

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5208H.02I  
 Bill No.: HB 2095  
 Subject: Retirement - Schools; Retirement Systems and Benefits - General; Education,  
 Elementary and Secondary; Employees - Employers; Teachers  
 Type: Original  
 Date: March 4, 2026

Bill Summary: This proposal modifies the total cost of living adjustments 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 2027    | FY 2028    | FY 2029    |
|--|------------|------------|------------|
|  |            |            |            |
|  |            |            |            |
| <b>Total Estimated Net Effect on General Revenue</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

| FUND AFFECTED   | FY 2027    | FY 2028    | FY 2029    |
|---|------------|------------|------------|
|   |            |            |            |
|   |            |            |            |
| <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.

**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

| FUND AFFECTED   | FY 2027    | FY 2028    | FY 2029    |
|---|------------|------------|------------|
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

**ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)**

| FUND AFFECTED                            | FY 2027  | FY 2028  | FY 2029  |
|--|----------|----------|----------|
|  |          |          |          |
|  |          |          |          |
| <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.

**ESTIMATED NET EFFECT ON LOCAL FUNDS**

| FUND AFFECTED           | FY 2027    | FY 2028          | FY 2029          |
|-------------------------|------------|------------------|------------------|
|                         |            |                  |                  |
|                         |            |                  |                  |
| <b>Local Government</b> | <b>\$0</b> | <b>(Unknown)</b> | <b>(Unknown)</b> |

## FISCAL ANALYSIS

### ASSUMPTION

#### §169.070 – Cost of Living Adjustments

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state 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)** note the following:

#### Fiscal Impact

The estimated impact to the actuarial liabilities and actuarially determined contribution rates of the Public School Retirement System (PSRS) and the Public Education Employee Retirement System (PEERS) (collectively, the Systems) are as follows:

Public School Retirement System:

- \$31.6 million increase to actuarial liability
- 0.04% increase to actuarially determined contribution rate \*

Public Education Employee Retirement System:

- \$0.8 million increase to actuarial liability
- 0.00% increase to actuarially determined contribution rate

\* \* The total contribution rates approved by the PSRS and PEERS Board of Trustees are shared equally by actively working members (via withholding from their applicable earnings) and their employers.

#### Bill Summary

This proposal would amend certain existing provisions of, and add new provisions to, Sections 169.070 and 169.670 of the Revised Statutes of the State of Missouri (RSMo) relating to the cost-of-living adjustments (COLA) on the retirement allowances of PSRS (RSMo 169.070) and PEERS (RSMo 169.670) members. PSRS/PEERS believe the current text of both HB 2095 and SB 1779 are unclear in its intent and administration, and additional language is necessary to memorialize in legislation the bill sponsor's intent.

Given this, to perform a fiscal impact analysis, PSRS/PEERS sought and received explanation from both Representative Haley and from Maria Walden (Missouri Retired Teachers Association) on HB 2095, the first of the two Bills to be filed. The attached email exchange contains their feedback. PSRS/PEERS understanding of the Bills, based on their feedback, is as described below and was reflected in the analysis of the fiscal impact.

It is PSRS/PEERS understanding that the Bills would allow retired members of PSRS and PEERS who have already reached the 80% statutory limit on lifetime COLAs to their retirement allowance to receive an additional payment in the year following any fiscal year in which the investment returns of PSRS and PEERS exceed the assumed rate of return by at least 2%. In those qualifying years, eligible retired members would receive a one-time supplemental payment, like a 13th check, equal to 2% of their COLA capped retirement allowance.

#### Analysis of impact on PSRS and PEERS

HB 2095 and SB 1779 provide a new benefit to retired members of PSRS and PEERS. The Systems engage an actuarial firm, PwC US (PwC), that prepares annual actuarial valuations of the liabilities of the Systems and actuarial cost statements related to proposed legislation. The Systems also engage an investment consulting firm, Russell, that prepares analysis related to the investments of the Systems. Similar proposed legislation (2025 HB 329) was submitted to them last year. Based on the Systems' current investment policy and allocation, and related return expectations and volatility, it was estimated that the investment return would exceed the current assumed rate of return of 7.30% by at least 2% approximately two out of every five years, or 40% of the time. The fiscal impact was therefore estimated as an additional payment to each retired member who is currently COLA capped, or will be COLA capped in the future based on current actuarial assumptions, equal to 2% of a member's COLA capped benefit, and paid in 40% of future years for the remaining lifetime (after reaching the COLA cap) of each such member. Actuarial valuation results from PwC as of June 30, 2025, reflecting member census information at that date, were leveraged in computing the estimated fiscal impact.

PSRS/PEERS also note the following:

- Defining the proposed payments to occur when the Systems have experienced investment returns exceeding the assumed rate by at least 2% is not a mechanism for funding the proposed new benefit. HB 2095 and SB 1779 would not impact the investment policy and returns of the Systems. It is simply a mechanism for defining when those payments are to occur. The cost of the new benefit would be born by the active members and participating employers through their contributions to the Systems.

Defining the proposed payments to occur when the Systems have experienced investment returns exceeding the assumed rate by at least 2% does not align the timing of payments with increases in the cost of living. Investment returns can be high in years when inflation is low or negative, and vice versa.

The Systems provide retirement benefits to approximately 133,000 active members and 113,000 retired Missouri public school teachers, school employees, and their families. The total invested assets of both PSRS and PEERS were \$62.8 billion as of June 30, 2025.

**Oversight** assumes these provisions will increase employer contribution rates for school districts and community colleges beginning in FY 2028.

According to the 2025 Annual Comprehensive Financial Report, PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2025, 2024, and 2023. Employer contributions to PSRS totaled \$848,104,682 for 2025. Covered pay roll totaled \$5,848,997,807 for the 2025 fiscal year.

Oversight assumes an increase of .02% (half of 0.04% increase to actuarially determined contribution rate for PSRS) will result in a cost of \$1,169,800 to school districts. (\$5,848,997,807\*.02% = \$1,169,800)

Oversight notes PSRS/PEERS anticipated a minimal increase in employer contributions rates for PEERS.

For fiscal note purposes, Oversight will reflect an Unknown cost to local school districts and community colleges beginning in FY 2028.

**Oversight** has requested additional information from PSRS/PEERS regarding this proposal. Upon the receipt of this information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note if needed.

| <u>FISCAL IMPACT – State Government</u> | FY 2027<br>(10 Mo.) | FY 2028    | FY 2029    |
|---|---------------------|------------|------------|
|   |                     |            |            |
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |
|   |                     |            |            |

| <u>FISCAL IMPACT – Local Government</u>  | FY 2027<br>(10 Mo.) | FY 2028   | FY 2029   |
|--|---------------------|-----------|-----------|
| <b>LOCAL POLITICAL SUBDIVISIONS</b>  |                     |           |           |
| Cost – School Districts/Community Colleges (§169.070) Increase in employer contributions p.3-4 | \$0                 | (Unknown) | (Unknown) |
| <b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>                                    | \$0                 | (Unknown) | (Unknown) |

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Currently, retired members of the Public School Retirement System ("PSRS") and the Public Education Employee Retirement System ("PEERS") may receive yearly cost of living adjustments on monthly retirement allowances, but the total of the cost of living adjustments must not exceed 80% of a member's original monthly retirement allowance.

Under the provisions of this bill, annual increases may be approved by the Board of Trustees beginning December 31, 2026, and every December 31st thereafter, except the increases to the limitation must not exceed 2% per year.

Additionally, if the investments of the system earn 2% or greater returns than the investment return rate adopted by the Board in a given year, the 80% cap limitation on the total cost of living adjustments may be increased by 2% for that year. However, the cost of living adjustments above 80% are not cumulative.

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 4, 2026



Jessica Harris  
Assistant Director  
March 4, 2026