

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5208H.03C
 Bill No.: HCS for HB 2095
 Subject: Retirement - Schools; Retirement Systems and Benefits - General; Education,
 Elementary and Secondary; Employees - Employers; Teachers
 Type: Original
 Date: April 10, 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
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government	\$0	(Unknown)	(Unknown)

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

Given this, to perform a fiscal impact analysis, PSRS/PEERS sought and received explanation from both Representatives (Missouri Retired Teachers Association) on HB 2095, the first of the

two Bills to be filed. 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

The HCS added an additional clause, consistent with testimony by MRTA during the legislation's hearing.

The pertinent language is found in Lines 326-335 on page 13 for PSRS (RSMo 169.070), and Lines 86-93 on page 22-23 for PEERS (RSMo 169.670). It is PSRS/PEERS understanding from the HCS text that in any year in which PSRS/PEERS retirees do not receive a cost-of-living adjustment, or the Systems do not earn an investment return at least two percent in excess of the Systems' assumed rate of return (currently 7.3%), the retirees who have already reached the 80% statutory limit would not receive a cost-of-living adjustment.

This is a change from Introduced HB 2095, as the original bill text would have allowed those who have reached the 80% statutory limit to receive a cost-of-living adjustment, if a minimum 7.3% plus two percent return was earned, even if retirees who have not reached the 80% statutory limit did not receive a cost-of living adjustment granted under law.

PSRS/PEERS also note the following:

HCS HB 2095 provides 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 our 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.

- 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.

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 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. ($\$5,848,997,807 \times .02\% = \$1,169,800$). Oversight also assumes the House Committee Substitute has put limitations on those that can receive the COLA, and therefore the estimated increase could be less.

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 beginning in FY 2028.

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

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

This proposal modifies the total cost of living adjustments for members of the public school retirement system and the public education employee retirement system.

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
 April 10, 2026



Jessica Harris
 Assistant Director
 April 10, 2026