

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5949H.011
Bill No.: HB 2396
Subject: Retirement - Schools; Retirement Systems and Benefits - General; Teachers
Type: Original
Date: February 24, 2026

Bill Summary: This proposal modifies provisions relating to teacher retirement.

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	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

§169.596 – Teacher Retirement

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume HB 2396 indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

The JCPER’s review HB 2396 legislation 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)** assume HB 2396 would amend Section 169.596 of the Revised Statutes of the State of Missouri (RSMo) relating to the critical shortage requirements and limitations for working after retirement. The Bill would insert a new Paragraph 5 (and thus renumber the prior Paragraph 5 to Paragraph 6) that would:

- Allow retired certificated teachers receiving a PSRS retirement allowance to be rehired and teach on a full-time basis for a school district (PSRS participating employer) without a suspension of their retirement allowance and without limits on the length of time they may be re-employed or their earnings during their period of re-employment.
- Eliminate the critical shortage declaration requirements of RSMo 169.596 Paragraph 4 for employers who wish to hire retired certificated teachers.
- Provide that such rehired certificated teachers would not contribute to PSRS and would not earn additional membership service in PSRS during their period of re-employment.
- Require school districts pay the employer contribution rate of PSRS for such rehired certificated teachers.
- Require school districts compensate such rehired certificated teachers at a salary commensurate with the salary of an individual with similar years of experience and level of education, and in accordance with the district’s salary schedule, if applicable, but may reduce the level of compensation by a percentage equal to the employee contribution rate of PSRS.
- Exclude retired certificated teachers that are rehired into administrative positions from the

provisions of the new Paragraph 5 of RSMo 169.596. Such members would continue to be subject to other applicable provisions and limitations for working after retirement that currently exist in RSMo 169.560 and 169.596.

- Provide that the provisions of the new Paragraph 5 of RSMo 169.596 take effect on the later of July 1, 2027, or the date that PSRS complies with RSMo 105.684.

Analysis of impact on 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. Similar proposed legislation (2025 HB 644) was submitted to them last year. Their analysis noted that the proposed legislation would allow retired teachers to return to work on a full-time basis indefinitely, without suspension of their PSRS retirement allowance, and without limiting stipulations or thresholds that currently exist in RSMo 169.560 and 169.596, effectively allowing members to earn a full-time salary and receive their PSRS retirement allowance simultaneously.

They further noted that this may attract some current retired members to return to work, but it would also benefit current active members if they retire earlier (e.g., when they are first eligible for a PSRS retirement allowance, or first eligible for an unreduced PSRS retirement allowance), commence their PSRS retirement allowance, and then return to work on a full-time basis.

If the effect of the Bill were limited to only attracting retired certificated teachers to return work without impacting the retirement behavior of active members, the impact would be an insignificant fiscal gain. This is due to the employer portion of the total contribution that would be paid to PSRS being higher than the net contribution toward the unfunded liability that is currently received for traditional active members who are accruing benefits. (i.e., The current employer contribution rate of 14.50% is greater than the total contribution rate of 29.00% minus the normal cost rate, or rate associated with the value of benefits being accrued, of 16.78%.)

However, the anticipated change in retirement behavior among active members to retire earlier retirement and then return to work to receive both sources of income simultaneously would increase the liabilities and actuarially determined contribution rate for PSRS, resulting in a net fiscal cost for PSRS.

The precise impact to retirement behavior is unknown. The estimated fiscal impact range noted above was computed from PwC's analysis of HB 644 last year (adjusting for changes in the PSRS actuarial liabilities and assets since that time) and reflects the following changes in retirement behavior:

- Low end of fiscal impact range: Member rates of retirement would increase by 30% when first eligible for unreduced benefits (e.g., at age 60, 30 years of service, or 80 age + service points) and by 15% at other retirement eligible age and service combinations.

- High end of fiscal impact range: Member rates of retirement would increase by 50% when first eligible for unreduced benefits (e.g., at age 60, 30 years of service, or 80 age + service points) and by 25% at other retirement eligible age and service combinations.

PSRS/PEERS also note the following:

- The estimated fiscal impact above does not reflect the potential impact of failing to comply with state or federal statutes governing the Systems, such as statutes governing the tax qualification status of the Systems, which generally prohibit distribution of retirement benefits to members who are actively employed. The fiscal impact of losing the Systems' tax qualification status would be significant. Per counsel, the proposed changes may violate one or more of the rules and regulations of qualified plans. PSRS/PEERS suggest that any such legislation be contingent upon a favorable determination of the System's qualified plan status from the IRS.
- School districts may be able to avoid some of the PSRS contribution requirement under HB 2396 by hiring retired members on a part-time or temporary basis first (since employers are not required to contribute to PSRS on the earnings of part-time or temporary employment), and then later converting their employment to full-time as the members approach the limitations for working after retirement on a part-time or temporary basis.
- Based on the latest actuarial valuation of the PSRS liabilities and assets, and the estimated fiscal impact of the proposed legislation, PSRS would remain in compliance with RSMo 105.684 such that the provisions of HB 2396 would take effect July 1, 2027, the earliest date contemplated in the Bill.

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.

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:

\$178.6 – \$297.7 million increase to actuarial liability
1.44% – 2.45% increase to actuarially determined contribution rate *

Public Education Employee Retirement System:

- Not applicable.

* 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.

Oversight assumes these provisions could increase actuarial liabilities as projected by PSRS/PEERS, which would result in higher employer contribution rates which in turn would increase cost to school districts and potentially affecting employee contribution rates. Therefore, Oversight will show an unknown cost to School Districts.

<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			
<u>Cost – School Districts (\$169.596)</u> Increase in employer contributions p.5-6	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Currently, a district that demonstrates a shortage may hire a retired teacher to fill a full-time position for four years without that individual losing his or her retirement benefit, with specified limitations.

This bill permits the hiring of retired teachers without a critical shortage and removes limitations on the number of positions that can be filled this way.

The bill does require that the district contribute to the retirement system for the retired teacher, but the individual will not contribute or earn additional benefits from the system.

The bill further provides that the salary for the retired teacher may be reduced by an amount equal to the percentage of the employee retirement contribution rate.

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



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February 24, 2026



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February 24, 2026