

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4571-01
Bill No.: HB 1420
Subject: Retirement - Schools; Retirement Systems and Benefits - General
Type: Original
Date: February 8, 2016

Bill Summary: This proposal changes the laws regarding school employee retirement to reinstate a certain retirement allowance rate.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| Local Government | \$3,827,591 | \$3,827,591 | \$3,827,591 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Public School and Education Employees Retirement System (PSRS)** assume the proposal modifies the “2.55% multiplier” provisions from a sunset date of July 1, 2014, to a permanent extension. This provision allows a member with 31 or more years of service to retire with an increased benefit multiplier of 2.55% (rather than 2.5%). As of January 2016, there are currently 780 members who are eligible to retire with 31 or more years of service.

According to the actuarial information provided by the **PSRS**, the provisions included in this proposal affecting PSRS would decrease the Unfunded Actuarial Liability (UAAL) by \$78,235,698. The decrease in contributions to the PSRS would total approximately \$7,655,182 which is an employer/teacher matching contribution. The annual savings of \$7,655,182 per year for the next 30 years is due to the reduction of the UAAL and the Normal Cost Rate of the Plan as a result of this 2.55% provision being made a permanent part of the benefit structure. This proposal will not only provide the above mentioned annual savings to the system, the reduction in the UAAL as well as the reduction in the Present Value of Future Benefits will result in an increase in the Plan's funded ratio of .17%.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state that the legislation would indicate that such provisions would constitute a substantial proposed change in future plan benefits as defined in §105.660(10). JCPER provided the following system status information as of June 30, 2014 for Public School and Education Employees Retirement System:

| | | | |
|------------------|------------------|---------------|-----|
| Market Value: | \$34,380,608,561 | Funded Ratio: | 89% |
| Actuarial Value: | \$31,846,599,387 | Funded Ratio: | 83% |
| Liabilities: | \$38,483,183,932 | | |

Current Annual Required Contribution Rate (14/15)

| | | |
|-----------|--------------|----------------------|
| Employer: | 14.5% | \$641,707,306 |
| Employee: | <u>14.5%</u> | <u>\$641,707,306</u> |
| Total: | 29% | \$1,283,414,612 |

| | | |
|------------------|-----------------|-------------------|
| Covered Payroll: | \$4,425,567,630 | |
| Membership: | Active - 75,168 | Inactive - 72,737 |

Oversight assumes the employer (public schools) savings from the reduced annual contribution of \$7,655,182 would be \$3,827,591 (50 percent).

| | | | |
|---|------------|------------|------------|
| <u>FISCAL IMPACT - State Government</u> | FY 2017 | FY 2018 | FY 2019 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| | | | |
|---|---------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2017 | FY 2018 | FY 2019 |
|---|---------|---------|---------|

LOCAL SCHOOL DISTRICTS

| | | | |
|---|--------------------|--------------------|--------------------|
| <u>Savings - Public Schools (PSRS) - Decrease in employer contributions (\$169.070)</u> | <u>\$3,827,591</u> | <u>\$3,827,591</u> | <u>\$3,827,591</u> |
|---|--------------------|--------------------|--------------------|

| | | | |
|---|---------------------------|---------------------------|---------------------------|
| ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS | <u>\$3,827,591</u> | <u>\$3,827,591</u> | <u>\$3,827,591</u> |
|---|---------------------------|---------------------------|---------------------------|

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

On July 1, 2014, a provision of law expired that permitted members of the Public School Retirement System of Missouri with thirty-one years or more of creditable service to use a multiplier of 2.55 when calculating the member's retirement allowance. This proposal repeals the July 1, 2014 expiration date so that members with thirty-one years or more of creditable service will have their retirement allowance calculated using a multiplier of 2.55.

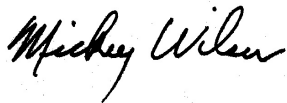
This proposal contains an emergency clause.

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

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SOURCES OF INFORMATION

Public School and Education Employees Retirement System
Joint Committee on Public Employee Retirement



Mickey Wilson, CPA
Director
February 8, 2016

Ross Strobe
Assistant Director
February 8, 2016