

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5142-02
Bill No.: Perfected HCS for HB Nos. 1780 & 1420
Subject: Retirement - Schools
Type: Original
Date: February 23, 2016

Bill Summary: This proposal specifies that school teacher and employee retirement allowances must not exceed 2.55% of the member's final average salary for each year of service if the member's service is 31 years or more.

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 **Joint Committee on Public Employee Retirement (JCPER)** stated 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, 2015 for Public School and Education Employees Retirement System:

Market Value:	\$34,837,679,504	Funded Ratio:	86%
Actuarial Value:	\$34,073,415,230	Funded Ratio:	84%
Liabilities:	\$40,610,539,616		

Current Annual Required Contribution Rate (15/16)

Employer:	14.5%	\$653,695,029
Employee:	<u>14.5%</u>	<u>\$653,695,029</u>
Total:	29%	\$1,307,390,058

Covered Payroll:	\$4,508,241,581	
Membership:	Active - 78,314	Inactive - 72,3888

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

In response to an identical version of this proposal, Oversight received the following response:

Officials from the **Public School and Education Employees Retirement System (PSRS)** assumed 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%.

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

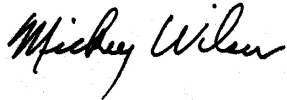
This proposal contains an emergency clause.

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 23, 2016

Ross Strobe
Assistant Director
February 23, 2016