

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0538H.01I  
Bill No.: HB 257  
Subject: Retirement Systems and Benefits - General; Retirement - Schools; Education,  
Elementary and Secondary; Teachers  
Type: Original  
Date: March 6, 2023

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Bill Summary: This proposal modifies provisions relating to teacher and school employee retirement systems.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from **Joint Committee on Public Employee Retirement (JCPER)** have reviewed this proposal and determined there is no direct fiscal impact to the Joint Committee on Public Employee Retirement.

The 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.

### **Current Status of the Public School Retirement System (PSRS) as of June 30, 2022:**

Active members: 78,973  
Inactive members: 87,096 (includes retired, surviving beneficiary, disabled and terminated vested)

#### **Funded Ratio**

Market Value of Assets:	\$47,671,054,492	
Actuarial Value of Assets:	\$47,185,300,000	85.2%
Liabilities:	\$55,405,259,756	

Covered Payroll: \$5,271,368,324

Recommended Contribution for FY 2022: 29% - Employers and employees contribute in equal amounts of 14.5%.

Percent	Dollars (Estimated)	
Employer	14.5%	\$764,348,407 (estimated)
Employee	14.5%	\$764,348,407 (estimated)
Total	29.0%	\$1,528,696,814 (estimated)

**Current Status of the Public Education Employee Retirement System (PEERS) as of June 30, 2022:**

Active Members: 50,179

Inactive Members: 81,318 (includes retired, surviving beneficiary, disabled and terminated vested)

		Funded Ratio
Market Value of Assets:	\$6,153,590,531	
Actuarial Value of Assets:	\$6,113,154,000	87.3%
Liabilities:	\$6,998,708,341	

Covered Payroll: \$1,864,704,185

Recommended contribution rate for FY2022: 13.72%. Employers and employees contribute in equal amounts of 6.86%.

	Percent	Dollars
Employer	6.86%	\$127,918,707 (estimated)
Employee	6.86%	\$127,918,707 (estimated)
Total		\$255,831,414 (estimated)

Officials from **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** state this legislation makes changes to the critical shortage statute, 169.596 for the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System (PEERS).

The critical shortage employment exception found in Section 169.596, RSMo is a statutory provision which allows covered employers who meet certain requirements (as set forth in statute) to employ a limited number of PSRS/PEERS retirees up to full-time without affecting the payment of their retirement benefits. Each retired member is limited to two years working under the critical shortage employment exception.

During the two years of critical shortage employment, employer contributions must be made on all salary earned, including employer-paid medical insurance premiums and pay for additional duties. The retired members employed under this provision continue to receive benefits, but do not contribute to PSRS/PEERS or earn service. By statute, districts cannot use the critical shortage employment exception to fill the position of superintendent.

This legislation allows retirees to return to work under the critical shortage exemption statute up to four years versus the current two-year restriction.

The Systems have an actuary firm, PricewaterhouseCoopers (PwC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems.

Due to the limiting conditions of the critical shortage statute, PWC expects the proposed changes to have little or no impact on active member retirement patterns or enable a significant change in hiring practices by employers to favor retirees over new employees. Contributions to PSRS due to the critical shortage modifications would result in an actuarial gain, as no additional benefits would be accrued and since employer contributions would be made on all earnings for each retiree rehired under a critical shortage declaration. Therefore, PWC estimates the impact of the proposed critical shortage modifications to be an **insignificant fiscal gain to PSRS and PEERS**.

**Oversight** assumes any fiscal impact resulting from this proposal would be insignificant and therefore will reflect a zero fiscal impact in this fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

#### FISCAL IMPACT – Small Business

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

#### FISCAL DESCRIPTION

Currently, a retired teacher or a retired non-certificated employee who is receiving a retirement benefit from the Public School Retirement System of Missouri is allowed to work full time for up to two years for a school district covered by such retirement system if the system has a shortage of certified teachers or non-certificated employees. This bill allows these employees to work full time up to four years for such districts.

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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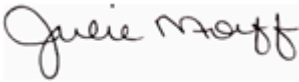
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SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement  
Public Schools and Education Employee Retirement Systems



Julie Morff  
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March 6, 2023



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March 6, 2023