

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1834-03
Bill No.: SB 383
Subject: Retirement - Schools
Type: Original
Date: March 11, 2009

Bill Summary: Modifies contribution rates for the Public School Retirement System of Missouri

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
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 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials from the **Public School Employee Retirement System** assume current law requires that employees and employers of PSRS contribute to their retirement benefit in equal amounts at the current contribution rate. This act establishes a cap for covered employees to the contribution rate which is in effect as of August 28, 2009 and requires that the employer pay the additional portion of the contribution rate.

The Board of Trustees may increase the actuarial contribution rate for employers by up to one percent from the prior fiscal year. The contribution rate for employers will not increase once it satisfies the actuarially required contribution rate.

The overall impact regarding this change in statute depends upon the percentage of the contribution rate.

Currently, the employee contribution rate assumed for the annual actuarial valuation is set equal to the current employer contribution rate and is a flat rate that does not increase or decrease in future years.

For example, the employee contribution rate assumed for the 6/30/2008 valuation is 13% for all future years. The assumed employee rate in the valuation affects the projected refunds of member contributions, which in turn affects the liabilities.

Therefore, increases in the employee contribution rate create actuarial losses and increases costs. These losses would not occur under SB 383 for increases in the total contribution rate above 27%, since the employee contribution rate would remain steady at 13.5%.

Also, to the extent that the total contribution rate rises above 27%, the cost of the system would no longer be split evenly between employees and employers. Employers would be responsible for a higher portion of the cost.

There would be no financial impact between the current law and proposed legislation if the employee contribution rate is 13.5% or less (i.e. the total contribution rate is 27% or less).

ASSUMPTION (continued)

In any instance where the employee/employer contribution rate rises above 13.5% (i.e. the total contribution rate is higher than 27%), there is a cost savings which is dependent upon the level of the contribution rate.

Section 105.684 RSMo requires a retirement system to be at least 80% funded prior to implementation of any new benefit enhancement. Such benefit enhancement shall not reduce the system's funded ratio below 75% upon adoption.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<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

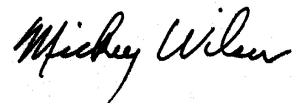
The proposed legislation appears to have no fiscal impact.

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

Joint Committee on Public Employee Retirement
Public School Employee Retirement System

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Director
March 11, 2009