

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5194-03
Bill No.: SB 842
Subject: Retirement - Schools; Teachers, Education, Elementary and Secondary; Boards, Commissions, Committees, Councils
Type: Original
Date: March 7, 2012

Bill Summary: This proposal modifies the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Public Employee Retirement (JCP)** assume this proposal would indicate that such legislation may be “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 proposed legislation without an actuarial cost statement or affected plan analysis.

Should an actuarial cost statement as defined in Section 105.665 indicate a substantial proposed change, such statement must be filed prior to final action on this legislation by either legislative body. Such filing consists of filing with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of the Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

Officials from the **Public School Retirement System & Public Education Employee Retirement System (PSRS/PEERS)** assume this proposal requires the contribution rate to be fixed at the current contribution level for 2011 - 2012 until the PSRS/PEERS funded ration is 100%. The actuarial valuation cannot be used to set the contribution rate until PSRS/PEERS funded ration reaches 100%. Until that occurs, the contribution rate is set at the 2011 - 2012 rates. This removes the Board’s flexibility in setting the contribution rates for the Systems for its members.

The 30-year amortization language is successful only as long at the 2011 - 2012 contribution rate allows PSRS/PEERS to amortize its UAAL over 30 years from the 2011 - 2012 school year contribution rate. This is not able to work if the ARC exceeds the 2011 - 2012 contribution rate making it impossible to amortize the UAAL over that 30 year period.

If the CPI is 5% or greater the cost of living adjustment (COLA) is set at 5%. But, if the CPI is less than 5%, that is 0% to less than 5% then the COLA is 2% until PSRS/PEERS is 100% funded. If the CPI decreases, the COLA is 0%. The 100% funded requirement applies only when the CPI is 0% to less than 5%. This proposal removes the Board’s flexibility in setting the COLA for its members.

This proposal could negatively affect the system and their members.

ASSUMPTION (continued)

Oversight assumes the administrative impact of this proposal is subjective and therefore the initial impact is \$0. Also, as was stated above the proposal “could” negatively affect the system and their members, however, this does not mean it “would” affect the system or their members.

This proposal contains an emergency clause.

<u>FISCAL IMPACT - State Government</u>	FY 2013	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013	FY 2014	FY 2015
	<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 modifies the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri.

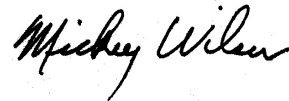
This proposal contains an emergency clause.

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

L.R. No. 5194-03
Bill No. SB 842
Page 5 of 5
March 7, 2012

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Public School Retirement System &
Public Education Employee Retirement System



Mickey Wilson, CPA
Director
March 7, 2012