

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1238-01  
Bill No.: SB 219  
Subject: Education, Elementary and Secondary; Teachers; Retirement - Schools  
Type: Original  
Date: February 6, 2015

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Bill Summary: This proposal repeals a July 1, 2014 termination date so that retiring teachers with thirty-one or more years of creditable service will receive a retirement allowance with a 2.55 multiplier.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<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>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<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.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government*</b>	<b>\$3,848,957</b>	<b>\$3,848,957</b>	<b>\$3,848,957</b>

**\*Does not reflect the decrease in the Unfunded Actuarial Accrued Liability (UAAL) of \$69,952,971 to the Public School Retirement System.**

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Public School and Education Employees Retirement System (PSRS)** assume this 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 2015, there are currently 987 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 \$69,952,971. The decrease in contributions to the PSRS would total approximately \$7,697,914 which is an employer/teacher matching contribution. The annual savings of \$7,697,914 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 .16%.

Officials from the **Joint Committee on Public Employee Retirement (JCP)** state that according to the actuarial information provided by the Public School Retirement System (PSRS) and Public Education Employees Retirement System (PEERS), the legislation would indicate that such provisions would constitute a substantial proposed change in future plan benefits as defined in §105.660(10).

<u>FISCAL IMPACT - State Government</u>	FY 2016 (12 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (12 Mo.)	FY 2017	FY 2018
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**LOCAL SCHOOL DISTRICTS**

<u>Savings - Public Schools (PSRS) - Decrease in employer contributions (\$169.070)</u>	<u>\$3,848,957</u>	<u>\$3,848,957</u>	<u>\$3,848,957</u>
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<b>ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS</b>	<b><u>\$3,848,957</u></b>	<b><u>\$3,848,957</u></b>	<b><u>\$3,848,957</u></b>
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**\*Does not reflect the decrease in the Unfunded Actuarial Accrued Liability (UAAL) of \$69,952,971 to the Public School Retirement System.**

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.

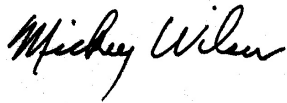
This proposal contains an emergency clause.

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

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



Mickey Wilson, CPA  
Director  
February 6, 2015

Ross Strobe  
Assistant Director  
February 6, 2015