

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1396-04
Bill No.: HCS for SCS for SB 270
Subject: Education, Elementary and Secondary; Boards, Commissions, Committees, Councils; Kansas City; St. Louis; Retirement - Schools
Type: Original
Date: April 21, 2015

Bill Summary: This proposal modifies provisions related to public retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** is preparing this fiscal note based upon agency responses to similar bills from this year.

§§ 86.200 - 86.320 - St. Louis Police Retirement System:

In response to a similar proposal from this year (HB 515), Oversight received the following responses:

Officials from the **Joint Committee on Public Employee Retirement** stated that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

Officials from the **Kansas City Police Retirement System** and the **St. Louis Police Retirement System** each assumed the current proposal would not fiscally impact their respective agencies.

§§ 169.141 & 169.715 - Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS):

In response to a similar proposal (HB 1086), Oversight received the following responses:

Officials from the **Joint Committee on Public Employee Retirement** stated that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

Officials from the **Public School and Education Employees Retirement System of Missouri** estimated that this proposal will result in an insignificant fiscal savings to their agency.

Specifically this proposal applies to members who elect to receive, or are currently receiving their retirement allowance payable as a joint-and-survivor annuity with their spouse as the beneficiary. In addition, this proposal provides that the member's retirement allowance will increase to the amount that would be payable had they elected a single life annuity payment for if:

- Their marriage is dissolved on or after September 1, 2015,
- The dissolution decree provides for sole retention by the retired member of all rights in the retirement allowance, and
- The member applies for the increase in retirement allowance back to single life benefit and provides a certified copy of the decree of dissolution.

ASSUMPTION (continued)

Allowing a reduced joint and survivor benefit to revert back to the original life annuity is equivalent to the member paying insurance premiums for their spouse to receive continuing payments after their death, but then cancelling the policy prior to the member's death such that no death benefit will ever be paid. In this case the benefit actually paid by the system is a life annuity to the member, but the member received less than the original life annuity payment amount for the period between their retirement date and the date of divorce. This results in a savings to the system for the difference between the original life annuity amount and the reduced joint and survivor benefit amount during the period between commencement and divorce. However, we expect the magnitude of the cost savings to be very small, to the point of having little or no impact on the actuarially determined contribution rate for each system, for the following reasons:

- PSRS anticipates this proposal impacting a very limited group of retired members.
- Members must be married and elect one of the joint and survivor payment options at retirement.
- As of June 30, 2014, 21,988 of 49,707 PSRS service retirees, or 44%, are receiving a joint and survivor.
- As of June 30, 2014, 5,840 of 22,756 PEERS service retirees, or 26%, are receiving a joint and survivor.
- Only a portion of those members will then dissolve their marriage after retirement.
- Only a portion of those members will retain sole rights to their retirement allowance.
- Only a portion of those members would then apply for an increase in their benefit.

§§ 169.291 & 169.450 - Kansas City Public School Retirement System and St. Louis Public School Retirement Systems:

In response to a previous version of this proposal, officials from the **Joint Committee on Public Retirement** stated that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

In response to a previous version of this proposal, officials from the **Public School Retirement System of the City of St. Louis (PSRS-STL)** assumed the proposal mandates that the number of members on the Board of Trustees be increased from eleven members to twelve members by adding a trustee employed as a teacher or administrator at a charter school to be elected for a term of four years by the members of the retirement system.

ASSUMPTION (continued)

PSRS-STL state that the current cost to run an election for the five administrator/teacher/non-teacher positions is nearly \$14,000 per election. If a solicitation of nominations does not result in more than one nominee, the PSRS-STL rules require another mailing to go out to attempt to solicit another nominee. The second mailing costs approximately \$3,000. This cost of \$14,000 - \$17,000 per election approximates a yearly benefit for many PSRS-STL beneficiaries.

PSRS-STL believes that the proposal constitutes added costs for the additional election.

Oversight assumes that because PSRS-STL is not a political subdivision there will be no fiscal impact from this proposal.

In response to a previous version of this proposal, officials from the **Public School Retirement System of the City of Kansas City** assume the current proposal would not fiscally impact their agency.

§§ 169.324 & 169.560 - Kansas City Public School Retirement System and PSRS:

In response to a similar proposal from this year (HCS for HB 1085), Oversight received the following responses:

In response to a previous version of HB 1085, officials from the **Joint Committee on Public Employee Retirement** stated that this legislation would not create a substantial proposed change in future plan benefits as defined in Section 105.660(10).

In response to a previous version of HB 1085, officials from the **Public School and Education Employees Retirement System of Missouri** stated this proposal will have no measurable fiscal impact to the system. This proposal creates a suspension of a member's retirement allowance when they return to work, which results in a temporary savings for the system. The accrual of a second retirement allowance during the suspension period can result in a small cost or savings to the system. Historically, a very small percentage of retirees return to work in a capacity that exceeds the limitations noted above. As of June 30, 2014, 106 of 49,707 PSRS service retirees, or .2%, have returned to work and had their retirement allowance suspended. As of June 30, 2014, 87 of 22,756 Public Education Employee Retirement System service retirees, or .4%, have returned to work and had their retirement allowance suspended.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<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

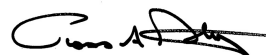
The proposed legislation appears to have no direct fiscal impact.

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

SOURCES OF INFORMATION

Public School Retirement System of the City of St. Louis
Joint Committee on Public Retirement
Public School Retirement System of the City of Kansas City
Kansas City Police Retirement System
St. Louis Police Retirement System
Public School and Education Employees Retirement Systems of Missouri

Mickey Wilson, CPA



L.R. No. 1396-02
Bill No. Perfected SCS for SB 270
Page 7 of 7
March 16, 2015

Director
April 21, 2015

Ross Strobe
Assistant Director
April 21, 2015