

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1961-01  
Bill No.: SB 441  
Subject: Retirement - Schools; Teachers  
Type: Original  
Date: February 24, 2017

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Bill Summary: This proposal modifies school employee retirement systems provisions relating to retired teachers working part-time.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<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 2018	FY 2019	FY 2020
<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 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

The JCPER assumes this proposal modifies working after retirement provisions to include retirees employed by a third party or independent contractor.

#### **PSRS** Current System Status:

As of June 30, 2016

Market Value:	\$34,303,969,835	82.2% Funded
Actuarial Value:	\$35,419,277,279	84.8% Funded
Liabilities:	\$41,744,618,662	

#### Current Annual Required Contribution Rate (15/16)

Employer: 14.5%	\$660,639,906 est.
Employee: <u>14.5%</u>	<u>\$660,639,906 est.</u>
Total : 29%	\$1,321,279,812 est.

Covered payroll: \$4,556,137,282

#### **KCPSRS**

As of January 1, 2016

Market Value:	\$636,109,506	71.0% Funded
Actuarial Value:	\$694,641,248	77.6% Funded
Liabilities:	\$895,230,295	

#### Current Annual Required Contribution Rate (15/16)

Employer: 11.18%	\$20,013,711 est.
Employee: <u>9.00%</u>	<u>\$16,111,216 est.</u>
Total : 20.18%	\$36,124,927 est.

Covered payroll: \$179,013,516

ASSUMPTION (continued)

Officials from the **Public School & Education Employee Retirement System of Missouri (PSRS/PEERS)** assume this proposal requires that any retiree who is employed by a third party or is performing work as an independent contractor as a temporary or long-term substitute teacher be required to comply with existing statutory working after retirement requirements in 169.560 of 50% salary and 550 hours.

The provisions from Section 169.560, RSMo, have no measurable fiscal impact to PSRS/PEERS for the following reasons:

- The suspension of a member's retirement allowance when they return to work 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.
- For school year 2015-2016, there were 10,533 retirees for PSRS/PEERS that worked after retirement in some capacity for our covered employers.
- Historically, a very small percentage of retirees return to work in a capacity that exceeds the limitations noted above.
  - As of June 30, 2016, 57 of 53,069 PSRS service retirees, or 0.11%, had returned to work at some point prior, resulting in suspension of their retirement benefit.

This legislation would close a current gap in the working after retirement provisions for the System. Section 169.324 only applies to the Kansas City Public School Retirement System.

Officials from the **City of Kansas City Public School Retirement System** assume the fiscal impact is unknown because their system does not differentiate between teachers/certified individuals and non-teachers/non-certified individuals and therefore doesn't have a current count of our retirees or active members by their position type.

**Oversight** assumes this proposal will not have a significant fiscal impact on the Kansas City Public School Retirement System (KCPSRS).

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<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.

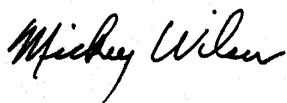
FISCAL DESCRIPTION

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

Joint Committee on Public Employee Retirement  
Public School and Education Employees Retirement System  
City of Kansas City Public School Retirement System



Mickey Wilson, CPA  
Director  
February 24, 2017

Ross Strobe  
Assistant Director  
February 24, 2017