COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0431-01
Bill No.: Truly Agreed To and Finally Passed HB 77
Subject: Retirement - Schools; Retirement Systems and Benefits - General; Employees - Employers
Type: Original
Date: May 22, 2019

Bill Summary: This proposal modifies provisions relating to teacher and school employee retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on Other 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 2020	FY 2021	FY 2022
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	**Unknown**	**Unknown**	**Unknown**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** state in 2018 legislation was enacted in Section 169.560, which allows any retired teacher from the Public School Retirement System of Missouri (PSRS) to be employed in a position covered under the Public Education Employee Retirement System (PEERS) without stopping their retirement benefit. Such retired teacher may earn up to 60% of the minimum teacher's salary as set forth in Section 163.172, RSMo, ($15,000) and such retired teacher will not contribute to the PEERS or earn creditable service. The employer's contribution rate will be paid by the hiring employer. If such person is employed above these limitations, the person will not be eligible to receive their retirement allowance for any month the person is employed and such person shall contribute to the retirement system if he or she is in an eligible position.

HB 77 (2019) would change the working-after-retirement provisions for retired PSRS members who are rehired by public community colleges (members of the System) in positions that do not require certification by DESE. Retired PSRS members who return to work for public community colleges would be subject to the same provisions as those PSRS members who are rehired into positions that do require certification by DESE:

- The retirement allowance is suspended for any such member who:
  - Works more than 550 hours per school year, and /or
  - Earns more than 50% of the annual compensation a full-time member would earn in the same position.
    - To the extent a retired PSRS member's employment at a public community college in a position that does not require certification by DESE exceeds the thresholds noted above (and the member satisfies other statutory eligibility requirements) resulting in suspension of the member's retirement allowance, both the member and their employer are required to contribute to PSRS and the member earns a retirement allowance from PSRS for such service.
- No contributions are required to either PSRS/PEERS.

As of June 30, 2018, 821 PSRS retirees returned to work for public community colleges in positions that do not require certification by DESE, and 96 of them (12%) had earnings that exceeded 60% of the minimum teacher's salary, which would have required their PSRS benefit to be suspended if the provisions of SB 892 (2018) had been in effect. The 96 retired PSRS members potentially affected by HB 77 represent only 0.17% of the 55,930 PSRS retiree population and only 0.20% of the 48,549 PEERS active member population on behalf contributions would have been made to PEERS had this law already been in effect.

ASSUMPTION (continued)

The Systems have an actuary firm, PricewaterhouseCoopers (PWC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems. According to PWC, the changes to PSRS would result in fewer PSRS retirement allowance suspensions. Therefore, **PWC estimates no fiscal impact to PSRS under HB 77**. In addition, under the current law, PEERS experiences an insignificant fiscal gain when retired PSRS members return to work in positions that do not require certification by DESE, since employers contribute to PEERS in those circumstances, but no PEERS benefits are earned. PWC expects no employer contributions to PEERS without corresponding benefit accruals for those PSRS retirees who return to work for community colleges. The number of members likely to be affected is very small, so **PWC estimates the impact of HB 77 to be an insignificant fiscal loss to PEERS**.

HB 77 contains an emergency clause. This emergency clause will ensure that those retirees working for community colleges will automatically revert to the previous working after retirement provision.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume HB 77 has no direct fiscal impact to the JCPER. Our review of this legislation indicates that its provisions may constitute a "**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 legislation without an actuarial cost statement prepared in accordance with section 105.665, RSMo. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Current Status of the Public School Retirement System:

As of June 30, 2018

		Funded Ratio
Market Value of Assets:	$39,259,545,410	70%
Actuarial Value of Assets:	$39,211,452,488	69%
Liabilities:	$46,702,001,872	

Covered Payroll: $4,759,665,456

Recommended Contribution for FY 2020: 29%

ASSUMPTION (continued)

	Percent	Dollars (Estimated)
Employer	14.5%	$690,151,491 estimated
Employee	14.5%	$690,151,491 estimated
Total	29.0%	$1,380,302,982 estimated

Current Status of the Public Education Employee Retirement System:

As of June 30, 2018

		Funded Ratio
Market Value of Assets:	$4,769,765,289	86.0%
Actuarial Value of Assets:	$4,774,781,187	86.1%
Liabilities:	$5,542,477,610	

Covered Payroll: $1,636,007,948

Recommended Contribution for FY 2020: 13.72%

	Percent	Dollars (Estimated)
Employer	6.86%	$112,230,145 estimated
Employee	6.86%	$112,230,145 estimated
Total	13.72%	$224,460,290 estimated

Officials from the **Missouri Department of Transportation** assume the proposal will have no fiscal impact on their organization.

Oversight assumes this proposal exempts employees of community colleges from subsection 2 of section 169.560. This would result in fewer suspensions of PSRS retirement benefits and community colleges would not be required to contribute to the PEERS system for any PSRS retiree employed by the college.

Based on the actuarial review of the proposed changes, **Oversight** assumes this proposal will result in no fiscal impact to the PSRS system and an insignificant loss to the PEERS system. Oversight notes that PSRS/PEERS is not a political subdivision therefore will not reflect an impact to their organization in the fiscal note. Oversight assumes there would be an unknown savings to the community colleges as they would no longer be required to contribute to the system for certain employees.

FISCAL IMPACT - State Government	FY 2020	FY 2021	FY 2022
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2020	FY 2021	FY 2022
COMMUNITY COLLEGE FUNDS			
Savings - §169.560 - reduced contributions to the PEERS system	Unknown	Unknown	Unknown
ESTIMATED NET IMPACT ON COMMUNITY COLLEGE FUNDS	**Unknown**	**Unknown**	**Unknown**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Currently, any teacher retired from the Public School Retirement System of Missouri to be employed in a position covered under the Public Education Employee Retirement System (PEERS) without stopping their retirement benefit. Such teacher may earn up to 60% of the minimum teacher's salary as set forth in Section 163.172, RSMo, and will not contribute to the retirement system or earn creditable service.

The employer's contribution rate will be paid by the hiring employer. If such person is employed in excess of these limitations, the person will not be eligible to receive their retirement allowance for any month the person is employed and such person shall contribute to the retirement system if he or she is in an eligible position.

This bill excludes from this provision any person retired and currently receiving a retirement allowance in accordance with Sections 169.010 to 169.141 employed by a public community college.

The proposal contains an emergency clause.

FISCAL DESCRIPTION (continued)

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 Schools and Education Employee Retirement Systems
Joint Committee on Public Employees' Retirement
Missouri Department of Transportation

Kyle Rieman
Director
May 22, 2019

Ross Strope
Assistant Director
May 22, 2019

JLH:LR:OD