

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2747-01
BILL NO.: SB 627
SUBJECT: Retirement: Teachers
TYPE: Original
DATE: January 3, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
School Districts *	\$0*	\$0*	\$0*

***DOES NOT REFLECT REDUCTION IN SURPLUS OF PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS) OF APPROXIMATELY \$48.7 MILLION. PSRS FUNDS ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Joint Committee on Public Employee Retirement** have reviewed this proposal and have determined that it represents a “substantial proposed change” in future plan benefits as defined in section 105.660(5), RSMo. Therefore, an actuarial cost statement must be provided prior to final action on this legislation by either legislative body or committee thereof.

Officials of the **Office of Administration** assume that any fiscal impact as a result of this proposal would be determined by the Public School Retirement System.

Officials of the **Public School Retirement System (PSRS)** assume that the proposal would allow all retirees who chose a “non-pop-up option” and whose beneficiaries have pre-deceased them to receive payment as a special consultant as though the option had not been elected. Officials note that the right to select a “non-pop-up” option was available until September, 1995, and there are still 3,102 members receiving benefits who selected that type of option. In selecting this option, members would receive a greater benefit during their own life, and their benefit would not “pop-up” in the event their beneficiary pre-deceased them. In addition, PSRS officials note that there are 4,507 individuals who also retired prior to September, 1995 who did select the “pop-up” option. These members agreed to a reduced benefit during their lifetime so that if their beneficiary pre-deceased them, their own benefit would “pop-up” to what was then known as regular retirement. Officials assume that they would also have to allow this latter group to change their retirement option selection as well. The system’s actuary has estimated that the total cost of the proposal would be \$48.7 million. In addition, PSRS officials note that allowing retirees to change their plan selection after retirement would render an accurate determination of a system’s true unfunded actuarial accrued liability at any one time nearly impossible.

As of June 30, 1999, the PSRS was overfunded by \$836,700,000. Therefore, the total cost would represent a decrease in the system’s surplus. There would be no additional contributions required of local school districts.

Oversight notes that **while there is significant fiscal impact to the retirement systems, there is no immediate cost to local school districts since their contribution rates would not increase.** Funds of the retirement system are not considered local funds for fiscal note purposes. There will be long-term fiscal impact as a result of this legislation, since reduction of the system’s surplus will contribute to any need for increased contributions in the future.

L.R. NO. 2747-01
BILL NO. SB 627
PAGE 3 OF 3
January 3, 2000

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0*	\$0*	\$0*

***DOES NOT REFLECT REDUCTION IN SURPLUS OF PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS) OF APPROXIMATELY \$48.7 MILLION. PSRS FUNDS ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

FISCAL IMPACT - Small Business

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

DESCRIPTION

The proposal would allow a member of the Public School Retirement System who retired prior to August 28, 1995, and who chose a reduced retirement allowance for a beneficiary who has since deceased, to receive a retirement annuity, beginning September 1, 2000, equivalent to the amount the member would have received had the member not chosen the reduced survivor option.

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
Office of Administration
Public School Retirement System



Jeanne Jarrett, CPA
Director
January 3, 2000