

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 3335-01  
BILL NO.: SB 755  
SUBJECT: Teacher Retirement  
TYPE: Original  
DATE: January 13, 2000

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>School Districts *</b>	<b>\$0*</b>	<b>\$0*</b>	<b>\$0*</b>

**\*DOES NOT REFLECT REDUCTION IN SURPLUS OF PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS) OF APPROXIMATELY \$488,861,000. 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 any fiscal impact as a result of the proposal would be determined by the Public School Retirement System.

**Public School Retirement System (PSRS)** officials assume the proposal would provide the following benefit improvements for PSRS:

- Extend the 25-and-out retirement option for an additional three years.
- Change the first cost-of-living adjustment (COLA) effective date to the third January first following retirement for members retiring on or after July 1, 2000.
- Increase the COLA cap from 75% to 80%.
- Provide a 3.5% increase for retirees and beneficiaries of deceased retirees whose retirement date was prior to July 1, 2000.

An actuarial study obtained by PSRS indicates that the total cost of these provisions would be \$488,861,000. As of June 30, 1999, PSRS was overfunded by \$836,726,000. 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 system, 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.

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>			
	\$0	\$0	\$0
	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>			

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>	\$0*	\$0*	\$0*

**\*DOES NOT REFLECT REDUCTION IN SURPLUS OF PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS) OF APPROXIMATELY \$488,861,000. 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 make various benefit improvements to the Public School Retirement System, including extending the 25-and-out retirement option for an additional three years, changing the first cost-of-living adjustment (COLA) effective date to the third January first following retirement for members retiring on or after July 1, 2000, increasing the COLA cap from 75% to 80%, and providing a 3.5% increase for retirees and beneficiaries of deceased retirees whose retirement date was prior to July 1, 2000.

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.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement  
Office of Administration  
Public School Retirement System



Jeanne Jarrett, CPA  
Director  
January 13, 2000