

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 3624-01  
BILL NO.: SB 817  
SUBJECT: Retirement: Nonteacher Employees  
TYPE: Original  
DATE: January 24, 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>(\$3,253,750)</b>	<b>(\$3,253,750)</b>	<b>(\$3,253,750)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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**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 would be determined by the Public School Retirement System.

Officials of the **Public School Retirement System (PSRS)** assume the proposal would provide the following benefit improvements for the Nonteacher School Employee Retirement System (NTRS):

- A three-year final average salary period
- Increase the formula factor from 1.45% to 1.51%
- Provide for full retirement if age plus service equals 80
- Extend the 25-and-out provisions for three years
- Increase the formula under the 25-and-out provisions
- Increase the maximum employee contribution rate to 5%
- Across the board increase of 3.4% for retirees and beneficiaries of deceased retirees
- Provide a .4% increase for those retiring on or after July 1, 2000, who are less than minimum age for social security retirement eligibility and who have at least 30 years of credit or retire under the rule of 80. This additional payment would be made until the retiree reaches the minimum age for social security retirement eligibility.

PSRS officials note that while they have not had an actuarial study done on the proposal as written, they have had a study done on the provisions listed above, which they believe to be the intent of the proposal. The actuarial analysis indicates that the total cost of the provisions would be \$101,467,000. As of June 30, 1999, the NTRS was overfunded by \$166,796,000. However, because the normal cost component would exceed the current contribution rate, the contribution rate would be increased from the current 9.0% (4.5% each from local school districts and employee members) to a total of 9.95% (4.975% each from local school districts and employee members).

ASSUMPTION (continued)

Based on a covered payroll as of June 30, 1999 of \$685 million and the increase in the contribution required from local school districts of 0.475%, **Oversight** calculates that annual contributions by school districts would increase by \$3,253,750. Because the proposal has an emergency clause, a full year of costs is reflected in FY 2001 as well.

	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>			
<b>School Districts</b>	<b><u>(\$3,253,750)</u></b>	<b><u>(\$3,253,750)</u></b>	<b><u>(\$3,253,750)</u></b>

FISCAL IMPACT - Small Business

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

DESCRIPTION

The proposal revises the Nonteacher School Employee Retirement System as follows:

- (1) Revises the definition of final average salary from 5 years to 3 years;
- (2) Increases the maximum allowable contribution rate from 4.5% to 5%;
- (3) Implements the rule of 80 (retirement eligibility when age plus years of service equal 80);
- (4) Increases the multiplier from 1.45% to 1.51% of final average salary;
- (5) Extends the window for the 25-and-out option from July 1, 2000, to July 1, 2003, and increases the multiplier for each year of service between 25 and 29 years by .06%, ranging from 1.41% at 25 years up to 1.49% at 29 years of service in contrast to the current 1.35% for 25 years and 1.43% for 29 years;
- (6) Provides a one-time benefit to members who retired before July 1, 2000, of 3.4%; and

DESCRIPTION (continued)

L.R. NO. 3624-01  
BILL NO. SB 817  
PAGE 4 OF 4  
January 25, 2000

(7) Creates a temporary multiplier of .4% for members who retire when they are less than 62 years of age and have 30 years of service or who are eligible under the rule of 80, until the member reaches age 62.

The bill has 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 25, 2000