

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1218-01
Bill No.: SB 333
Subject: Education–Elementary & Secondary; Teachers; Retirement–Schools; Kansas City
Type: Original
Date: February 13, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
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 2002	FY 2003	FY 2004
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 2002	FY 2003	FY 2004
Local Government	\$0*	\$0*	\$0*

***DOES NOT REFLECT REDUCTION IN SURPLUS OF KANSAS CITY PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS–KC) OF APPROXIMATELY \$13.9 MILLION. PSRS–KC FUNDS ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement** indicates that this legislation is a “substantial proposed change” in future plan benefits as defined in Section 105.660(5), and as such, an actuarial cost statement must be provided prior to final action on this legislation by either legislative body or committee thereof.

The **Office of Administration** notes that the Public School Retirement System would determine any fiscal impact as a result of the legislation.

Officials with the **Public School Retirement System**, the **Kansas City Public School Retirement System (PSRS–KC)**, and the **Saint Louis Public School Retirement System** assume the proposal will have no fiscal impact on their systems.

Oversight notes that an actuarial study filed with the Joint Committee on Public Employee Retirement by the Board of Trustees of the PSRS–KC stated that the revision of eligibility for cost-of-living increases would reduce the plan’s actuarial surplus from \$20,215,567 to \$6,343,925. **While there is significant fiscal impact to the retirement system, there is no immediate cost to the local school district, since their contribution rate would not increase.** There is a long-term fiscal impact as a result of the proposal, because a reduction in the system’s surplus will contribute to any need for increased contributions in the future.

Officials from the **Department of Elementary & Secondary Education** assume the proposal will have no fiscal impact on their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>

***DOES NOT REFLECT REDUCTION IN SURPLUS OF KANSAS CITY PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS–KC) OF APPROXIMATELY \$13.9 MILLION. PSRS–KC 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

This act pertains to the Kansas City Public School Retirement System (KCPSRS). The act expands the law to include charter schools in KCPSRS and makes provisions for KCPSRS to continue if the district lapses. This portion of the act is similar to SB 975 (2000).

CHARTER SCHOOLS - Charter schools are considered public schools and charter school employees are public school employees. Independent contractors are not considered employees. Charter school employees shall continue to be public school employees and participate in a public school retirement system if the district lapses due to unaccreditation.

Purchase of credit for prior service is allowed for charter school employees.

Retired employees may not work for either a charter school or the district, except for part-time work provided in this section.

PROVISIONS FOR LAPSE OF DISTRICT - KCPSRS shall continue to be subject to existing KCPSRS law, even if the district lapses.

KCPSRS shall continue to be governed by a Board of Trustees established under this section, even if the district lapses. If the district lapses, a majority of trustees then in office shall constitute a quorum, and any action of the Board shall require the vote of a majority of trustees then in office. If the district lapses, KCPSRS shall not be transferred to or merged with another system without prior approval of such action by the KCPSRS Board of Trustees.

INACTIVE EMPLOYEES - The act provides that an inactive employee who returns to work shall receive a separate retirement allowance based upon each period of service ending in a break in service, unless the employee work at least four years after returning, in which case retirement allowance shall be based upon all creditable service and the final salary and benefit formula in effect at the end of the reemployment.

This legislation provides that cost-of-living increases will commence in the second January following retirement, rather than the current fourth January.

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 of Missouri
Saint Louis Public School Retirement System
Kansas City Public School Retirement System
Department of Elementary & Secondary Education



Jeanne Jarrett, CPA
Director

February 13, 2001