

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1260-01
Bill No.: SB 413
Subject: Teachers; Retirement–Schools; Education–Elementary & Secondary; Saint Louis
Type: Original
Date: February 20, 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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Joint Committee on Public Employee Retirement (JCPER)** indicate that this legislation is a "substantial proposed change" in future plan benefits as defined in Section 105.660(5). An actuarial cost statement was provided to the committee at the time the proposed benefit changes were made by the system's Board of Trustees.

The **Office of Administration** notes that the Saint Louis Public School Retirement System should determine any possible costs.

Officials from the **Saint Louis Public School Retirement System (PSRS-STL)** assume that the proposal would have no fiscal impact on the system. The changes being made in statute by this act have already been made by rule by the system's Board of Trustees. The actuarially required contribution (ARC) and the plan's funding status already reflect the benefits proposed. An actuarial cost statement provided to the JCPER in July, 1998, noted that the changes being made at that time by the system's Board of Trustees would require an employer actuarially required contribution of 8.03%. The system's actuarial valuation as of January 1, 2000 (most recent available) indicated that the employer ARC, including the benefits in this proposal, is now calculated at 7.17%. The school district is currently making contributions at 8.03% of payroll.

<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>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This act revises laws pertaining to the St. Louis Public School Retirement System.

The terms "creditable service", "retirant" and "retirement allowance" are replaced by new terms. The term "member" is defined to include three member categories: Active Members, Inactive

DESCRIPTION (continued)

Members and Retired Members. The definition of "school district" is revised to continue to refer uniquely to St. Louis Public School District.

Charter schools are defined and relevant definitions have been amended to include the participation of charter school employees under the Retirement System.

The act consolidates provisions for the purchase of credit for service.

The act gives the Board of Trustees authority to continue to function in the event of a lapse of the Board of Education for St. Louis Public Schools.

The Board's actuary shall be qualified by membership as a fellow in the Society of Actuaries or by objective standards no less stringent than those established by the Society of Actuaries.

The period during which a member can apply for pension is increased from 90 to 180 days. The period during which a member can apply for disability pension is increased from 90 to 180 days and a Social Security Disability Award shall be accepted as an alternative standard for disability pension approval.

The pension benefit formula is increased from one and 1.25% to 2%.

Involuntary distribution shall be provided to an inactive member who has accumulated contributions of five thousand dollars or less unless the member elects to become inactive within thirty days of terminating employment.

The act adds a payment option that permits members to receive an actuarially equivalent benefit that is higher prior to age 62 and lower after age 62 to adjust for becoming eligible for Social Security benefits and provide leveled, total pension payments.

The act deletes a provision that a member's account would not be credited with annual interest after the date benefits were first due and payable.

Compensation to retired members, as allowed under section 105.269, RSMo, shall not preclude continued receipt of a pension benefit.

The act provides that various supplements which authorized benefit increases for retirees from 1975 through 1993 will be treated as cost of living adjustments.

The member contribution rate is raised to five percent.

DESCRIPTION (continued)

The act eliminates language requiring that the annual valuation be based on the unfunded liability that existed in 1980, changes the amortization schedule for the unfunded liability from 50 years to a period not to exceed 30 years, and allows the Board of Trustees to adopt an actuarial method that is appropriate for the retirement system's funded status.

The retirement system will recognize child support orders from the Division of Child Support Enforcement involving retired members.

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
Saint Louis Public School Retirement System



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Director

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