

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: #4917-02
Bill No.: SB 1223
Subject: Education; Elementary and Secondary; Retirement – Schools; Teachers
Type: Corrected
Date: March 13, 2002
Corrected L.R. number

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Public School Retirement System** assume the proposal would change the current minimum requirement of 20 hours/week for membership in PSRS to one half of full time and receiving 50% of full time salary. The proposal also retroactively allows those now covered to purchase "reinstatement credit" for time not previously calculated in the system. The actuarial cost study for PSRS makes these assumptions regarding the proposed legislation:

- 1) 50% of full time would be 17.5 hours throughout the state.
- 2) Approximately 5,000 current teachers would be affected in the state
- 3) Each such teacher would earn an average of one additional year of service over their career as a result, and
- 4) This provision would be applied prospectively.

Based on these assumptions, the Public School Retirement System assumes this change would increase the Actuarial Accrued Liability (AAL) of the system by \$50 - \$80 million.

Other concerns regarding this proposed legislation include the economic impact on districts that are required to retroactively contribute to the system for those members who were at 17.5 hours or more since July 1, 1997.

Oversight notes that Public School Retirement System did not indicate that the contribution rates of employers and employees would be changed as a result of this proposal.

Funds of retirement systems are not considered local funds for fiscal note purposes. There would be long-term fiscal impact as a result of this legislation, since increases in the system's Actuarial Accrued Liability will contribute to any need for increased contributions in the future.

The **Joint Committee on Public Employee Retirement** indicates that this legislation does not represent a "substantial proposed change" in future plan benefits as defined in Section 105.660(5), and as such, an actuarial cost statement is not required.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Local Government

FY 2003

FY 2004

FY 2005

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

The act allows eligible individuals to work part time and remain covered by the teacher and school retirement system. Such part-time employees shall receive pro rata creditable service for their part-time employment. Further, the act allows said eligible individuals to elect to make reinstatement payments.

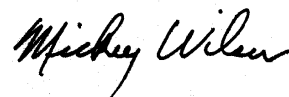
An eligible individual is defined as any person who is: employed as of June 30, 1997, by a public school district; covered by the retirement system; employed in a position on a regular basis requiring services no less than the equivalent of one-half of a full time certificated teacher; and receiving a minimum of fifty percent of the salary which would have been paid for full time services.

This act 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

Public School Retirement System
Joint Committee on Public Employee Retirement



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