

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1733H.011
Bill No.: HB 812
Subject: Retirement Systems and Benefits - General; Retirement - Schools; Education,
Elementary and Secondary; Teachers
Type: Original
Date: February 16, 2021

Bill Summary: This proposal modifies provisions relating to teacher and school employee retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

At the time this fiscal note was completed **Oversight** had not received a response from the Public Schools and Education Employee Retirement Systems or an actuarial cost statement from the retirement system. Oversight has presented this fiscal note on the best current information available. Upon the receipt of an actuarial cost statement, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state this proposal has no fiscal impact to the Joint Committee on Public Employee Retirement. The JCPER's review of this proposal indicates that its provisions may constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Current Status of the Public School Retirement System (PSRS) as of June 30, 2020:

Active members: 78,848
Inactive members: 83,014 (includes retired, surviving beneficiary, disabled and terminated vested)

Funded Ratio

Market Value of Assets:	\$40,710,304,168	84.6%
Actuarial Value of Assets:	\$41,705,058,666	84.4%
Liabilities:	\$49,641,020,407	

Covered Payroll: \$4,919,286,106

Recommended Contribution for FY 2022: 29% - Employers and employees contribute in equal amounts of 14.5%.

Percent	Dollars (Estimated)	
Employer	14.5%	\$713,296,485 estimated
Employee	14.5%	\$713,296,485 estimated
Total	29.0%	\$1,426,592,970 estimated

Current Status of the Public Education Employee Retirement System (PEERS) as of June 30, 2020

Funded Ratio

Market Value of Assets:	\$5,118,843,873	84%
Actuarial Value of Assets:	\$5,257,846,689	86%
Liabilities:	\$6,089,401,204	

Covered Payroll: \$1,732,243,294

Recommended Contribution for FY 2021: 13.72%. Employers and employees contribute in equal amounts of 6.86%.

Percent	Dollars (Estimated)	
Employer	6.86%	\$118,831,890 estimated
Employee	6.86%	\$118,831,890 estimated
Total	13.72%	\$237,663,780 estimated

Officials from the **Public Schools and Education Employee Retirement Systems (PSRS/PEERS)** assume this legislation makes changes to the critical shortage statute, 169.596 for the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System (PEERS).

HB 812 allows retirees to return to work under the Critical Shortage Exemption statute up to four years versus the current two-year restriction. As of 2018-2019, PSRS/PEERS had around 125 retired teachers who have returned to work under the critical shortage statute. Their average earning was approximately \$47,400 for PSRS and around \$17,800 for PEERS.

The Systems have an actuary firm, PricewaterhouseCoopers (PWC), that prepares actuarial cost statements on any proposed legislation as well as the annual actuarial valuation reports for the Systems.

Due to the limiting conditions noted above, PWC expects the proposed changes to have little or no impact on active member retirement patterns or enable a change in hiring practices by employers to favor retirees over new employees. As a result, contributions to PSRS as a result of the critical shortage modifications would result in an actuarial gain as no additional benefits would be accrued and since employer contributions would be made on all earnings for each retiree rehired under a critical shortage declaration. Therefore, we estimate the impact of the proposed critical shortage modifications to be an insignificant fiscal gain to PSRS.

PWC expects the proposed changes to have little or no impact on active member retirement patterns or enable a change in hiring practices by employers to favor retirees over new employees. As a result, contributions to PEERS as a result of the critical shortage modifications would result in an actuarial gain as no additional benefits would be accrued and since employer contributions would be made on all earnings for each retiree rehired under a critical shortage

declaration. Therefore, PWC estimates the impact of the proposed critical shortage modifications to be an insignificant fiscal gain to PEERS.

Oversight assumes any fiscal impact resulting from this proposal would be insignificant and therefore will reflect a zero fiscal impact in this fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<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.

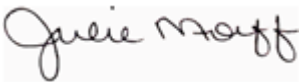
FISCAL DESCRIPTION

Currently, a retired teacher or a retired non-certificated employee who is receiving a retirement benefit from the Public School Retirement System of Missouri or the Public School Retirement System of Missouri is allowed to work full time for up to two years for a school district covered by such retirement system if the system has a shortage of certified teachers or non-certificated employees. This bill allows these employees to work full time up to four years for such districts.

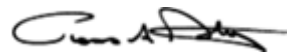
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Public Schools and Education Employee Retirement Systems



Julie Morff
Director
February 16, 2021



Ross Strobe
Assistant Director
February 16, 2021