

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0903-02  
Bill No.: SB 247  
Subject: Retirement - Schools; Education, Elementary and Secondary  
Type: Original  
Date: January 27, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
General Revenue	(less than \$100,000)	(less than \$100,000)	(less than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(less than \$100,000)</b>	<b>(less than \$100,000)</b>	<b>(less than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Local Government</b>	<b>\$0</b>	<b>(\$3,171,203)</b>	<b>(\$3,171,203)</b>

**\*Does not reflect unfunded accrued actuarial liability of \$93,405,000 to Public School Retirement System and \$14,502,000 to the Non-Teacher Retirement System.**

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Elementary and Secondary Education** state there may be a minimal administrative impact; however, the impact is not expected to be significant. It assumed the impact would be less than \$100,000 per year

Officials from the **Public School Retirement System (PSRS)** state this proposal will cause the Unfunded Actuarial Accrued Liability (UAAL) to increase in PSRS by \$8.6 million and cause the contribution rate to increase 0.02% to 22.24% from the 22.22% required to amortize the UAAL over 30 years. In the Non-Teacher Retirement System, the UAAL will increase \$3.315 million and the contribution rate will need to be increased to 10.83% from the 10.80% currently needed to amortize the UAAL over 30 years.

The **Joint Committee on Public Employee Retirement** indicates that this legislation does represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of the Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has been filed with the Joint Committee on Public Employee Retirement.

The actuarial cost statement provided to the Joint Committee on Public Employee Retirement by the Public School Retirement System/Non-Teacher Retirement System indicates an annual increase in employer contributions of \$2,410,096 and \$761,107 respectively.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Department of Elementary and Secondary Education	<u>(less than</u> <u>\$100,000)</u>	<u>(less than</u> <u>\$100,000)</u>	<u>(less than</u> <u>\$100,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(less than</u> <u>\$100,000)</u></b>	<b><u>(less than</u> <u>\$100,000)</u></b>	<b><u>(less than</u> <u>\$100,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<u>Costs</u> - School Districts			
Teacher and Employee Contributions	<u>\$0</u>	<u>(\$3,171,203)</u>	<u>(\$3,171,203)</u>

**\*Does not reflect unfunded accrued actuarial liability of \$93,405,000 to Public School Retirement System and \$14,502,000 to the Non-Teacher Retirement System.**

FISCAL IMPACT - Small Business

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

## DESCRIPTION

This act revises provisions of the public school retirement system. The act simplifies credit purchases under PSRS and NTRS systems. Payment for credit purchases must be completed prior to termination of membership with the retirement system. The act clarifies that the member must have covered employment with the retirement system following the purchase credit. The act also defines the calculation of payment for such credit purchases.

The act extends the 25 and out provisions for PSRS and NTRS for five additional years from July 1, 2003 to July 1, 2008.

The act creates a partial lump sum option for PSRS and NTRS members whose age plus creditable service equal at least 86 or whose creditable service is at least 33 years. The election to receive a partial lump-sum distribution must be made at least 30 days prior to retirement. The member may make such election in a 12, 24 or 36 month increment of their entire retirement benefit.

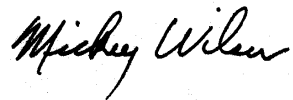
This act would allow school districts with a shortage of certified teachers or non-certificated employees to hire retirees for up to two years without them losing their retirement benefits. The total number hired will not exceed 10% or five certificated teachers or employees. Retired certificated teachers hired would be included in the State Directory of New Hires. Persons would not be employed until the affected retirement systems have implemented rules assuring the provisions are cost-neutral and that the system remains actuarially sound. All necessary costs would be paid by the hiring school district and would not exceed the district's statutory cost limitations. In order to hire teachers and non-certificated employees to fill such shortage the school district is required to make certain findings which are specified.

The act also changes the ability of a member to elect to continue to be a part of the school insurance program. Members must make this election within one year of the date last employed by the district.

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  
Department of Elementary and Secondary Education  
Public School Retirement System

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 27, 2003