

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1173-01
Bill No.: HB 313
Subject: Retirement - Schools; Teachers
Type: Original
Date: March 12, 2013

Bill Summary: This proposal removes certain dates from the retirement allowances of public school and education employees' retirement systems.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government*	\$4,843,654	\$5,812,385	\$5,812,385

***Does not reflect the increase in the unfunded actuarial accrued liability of \$22,603,998 to the Public School Retirement System and \$1,515,845 to the Public Education Employees' Retirement System.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Public Retirement** state that according to the actuarial information provided by the Public School Retirement System (PSRS) and Public Education Employees Retirement System (PEERS), the legislation would indicate that such provisions would constitute a substantial proposed change in future plan benefits as defined in Section 105.660(10), RSMo.

The provisions included in this proposal affecting PSRS would increase the unfunded actuarial accrued liability (UAAL) by \$22,603,998. The decrease in contributions to the PSRS would total approximately \$11,798,793 annually which is an employer/teacher matching contribution. The provisions in this proposal affecting PEERS would increase the UAAL by \$1,515,845. The increase in contributions to the PEERS would total approximately \$174,022 annually with is an employer/employee matching contribution.

Officials from the **Public School and Education Employees Retirement System** state that currently, there are two temporary benefit provisions available to PSRS members that are set to expire on July 1, 2013; 25 and Out Provision and the 2.55% Formula Factor with 31 or more years of service.

The 25 and Out Provision allows a PSRS member to take an early reduced retirement benefit. Eligible service retirees, who are under age 55 with 25 to 29.99999 years of credit and do not qualify for Rule of 80, are able to retire under this provision with a reduced benefit formula factor. This benefit formula factor provision expires July 1, 2013.

This legislation removes the expiration date of July 1, 2013 for the 25 and Out Provision. This provision would decrease the normal cost (with a 2% service purchase load) of the PSRS plan by \$3,873,861 which allows for a -0.21% decrease in the contribution rate, a savings to the annual required contribution of \$8,389,210.

The 2.55% Formula Factor Benefit Provision allows for eligible members with 31 or more years of service to retire with an additional 0.05% Formula Factor. Eligible service retirees who have 31 or more years of credit with PSRS are eligible for normal retirement under the full benefit formula using the 2.55% factor. This benefit formula factor provision expires July 1, 2013.

This legislation removes the expiration date of July 1, 2013 for the 2.55% Formula Factor Provision with 31 years or credit or more. This provision would decrease the normal cost (with a

ASSUMPTIONS (continued)

2% service purchase load) of the plan by \$9,020,684 which allows for a 0.09% decrease in the contribution rate, a savings to the annual required contribution of \$3,409,583.

Currently, there is one temporary benefit provision (25 and Out Provision) available to PEERS members that is set to expire on July 1, 2013.

The 25 and Out Provision allows a PEERS member to take an early reduced retirement benefit. Eligible service retirees, who are under age 55 with 25 to 29.99999 years of credit and do not qualify for Rule of 80, are able to retire under this provision with a reduced benefit formula factor. This benefit formula factor provision expires July 1, 2013.

This legislation removes the expiration date of July 1, 2013 for the 25 and Out Provision. This provision would increase the normal cost (with a 1.5% service purchase load) of the PEERS plan by \$86,430 which allows for a 0.01% increase in the contribution rate, a cost to the annual required contribution of \$174,022.

The total savings to the contribution rate of this legislation for PSRS and PEERS of Missouri is \$11,624,771.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2014 (10 Mo.)	 FY 2015	 FY 2016
LOCAL GOVERNMENT FUNDS			
<u>Savings - Public Schools (PSRS)</u>			
Decrease in Employer Contributions	\$3,495,504	\$4,194,605	\$4,194,605
 <u>Costs - Public Schools (PEERS)</u>			
Increase in Employer Contributions	(\$72,509)	(\$87,011)	(\$87,011)
 <u>Savings - Public Schools (PSRS)</u>			
Decrease in Employer Contributions	<u>\$1,420,659</u>	<u>\$1,704,791</u>	<u>\$1,704,791</u>
 ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	 <u>\$4,843,654</u>	 <u>\$5,812,385</u>	 <u>\$5,812,385</u>

***Does not reflect the increase in the unfunded actuarial accrued liability of \$22,603,998 to the Public School Retirement System and \$1,515,845 to the Public Education Employees' Retirement System.**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, certain alternative retirement allowance provisions, commonly referred to as "25 and out" and the "31st year factor" of the Public School and Public Education Employee Retirement Systems of Missouri, terminate on July 1, 2013. This proposal repeals the termination date.

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

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SOURCES OF INFORMATION

Joint Committee on Public Retirement
Public School and Education Employees Retirement System



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March 12, 2013