

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1901-01
Bill No.: HB 737
Subject: Retirement - Schools; Education, Elementary and Secondary
Type: Original
Date: April 3, 2013

Bill Summary: This proposal modifies provisions relating to the public school retirement system of the City of St. Louis.

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 5 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	\$0	\$0	\$0

* Lack of an actuarial study prevents Oversight from determining the change in the Unfunded Accrued Actuarial Liability (UAAL).

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Public School Retirement System of the City of St. Louis (PSRSSTL)** assume that under this proposal a substantially larger pool of current employees would be eligible to retire under a Rule of 80. It would also have to be assumed that a number of those employees would take advantage of the opportunity to retire earlier. An increase in retirements would result in decreased employee contributions and increased retirement benefit payments. These increased liabilities would require increased employer contributions, as it is not realistic that the increased employee contributions provided for in the proposal would cover the increased cost of total contributions required to cover the increase in payable retirement benefits. It is believed that this could result in a permanent cost increase to the PSRSSTL in excess of .25%, meaning that the proposal is a substantial proposed change.

Oversight assumes that because this proposal will not affect employer contributions to the PSRSSTL, there will be no direct fiscal impact to the St. Louis School District.

Officials from the **Public School and Education Employees Retirement System** assume the current proposal would not fiscally impact their agency.

Officials from the **Joint Committee on Public Retirement** assume this proposal indicates a substantial proposed change in future plan benefits. It is impossible to accurately determine the fiscal impact of this proposal without an actuarial cost statement prepared in accordance with Section 105.665, RSMo.

Oversight notes that the PSRSSTL has not provided an actuarial cost statement. Therefore, Oversight cannot provide a statement of how PSRSSTL's accrued actuarial liability (AAL) would be affected.

<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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

* Lack of an actuarial study prevents Oversight from determining the change in the Unfunded Accrued Actuarial Liability (UAAL).

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation modifies PSRSSTL by changing the eligible age "Rule of 85" would become "Rule of 80", changing powers of the Board of Education or the special administrative board to approve increases in retirement benefits, and increases employee contributions.

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 Retirement
Public School Retirement System of the City of St. Louis
Public School and Education Employees Retirement System



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Acting Director

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