

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1256-01
Bill No.: HB 395
Subject: Education–Proprietary; Retirement–Schools; Retirement Systems and
 Benefits–General
Type: Original
Date: February 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
School Districts	\$0*	\$0*	\$0*

***DOES NOT REFLECT REDUCTION IN SURPLUS OF KANSAS CITY PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS–KC) OF APPROXIMATELY \$13.9 MILLION. PSRS–KC FUNDS ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

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

The **Office of Administration** notes that the Public School Retirement System would determine any fiscal impact as a result of the legislation.

Officials with the **Public School Retirement System**, the **Kansas City Public School Retirement System (PSRS–KC)**, and the **Saint Louis Public School Retirement System** assume the proposal will have no fiscal impact on their systems.

Oversight notes that an actuarial study filed with the Joint Committee on Public Employee Retirement by the Board of Trustees of the PSRS–KC stated that the revision of eligibility for cost-of-living increases would reduce the plan’s surplus funding from \$20,215,567 to \$6,343,925. **While there is significant fiscal impact to the retirement system, there is no immediate cost to the local school district, since their contribution rate would not increase.** There is a long-term fiscal impact as a result of the proposal, because a reduction in the system’s surplus will contribute to any need for increased contributions in the future.

Officials from the **Department of Elementary & Secondary Education** assume the proposal will have no fiscal impact on their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>

***DOES NOT REFLECT REDUCTION IN SURPLUS OF KANSAS CITY PUBLIC SCHOOL RETIREMENT SYSTEM (PSRS–KC) OF APPROXIMATELY \$13.9 MILLION. PSRS–KC FUNDS ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill primarily makes changes to the Kansas City School Retirement System to clarify the relationship of charter school employees to the retirement system. The bill adds to the charter school employee statute (Section 160.420, RSMo) a statement that charter school employees will be considered public school employees for purposes of retirement. If a school system lapses, charter school personnel will continue to participate in the retirement system as they did before the lapse. The bill adds definitions of "charter school" and "employee" to the Kansas City School Retirement System and adds charter schools to the definition of "employer" and the governing board of a charter school to the definition of "employer's board." The bill adds the lapse of the corporate structure of the district to the list of contingencies faced by the school retirement system and clarifies that the retirement system will continue to be governed by existing statute and rule. The bill revises requirements about the board to anticipate the consequences of loss of members appointed by the school board from the retirement system's governing board. The bill prohibits the transfer of assets or merger of the retirement system upon lapse of the district without the approval of the retirement system board.

The bill also raises the current limit of 530 hours on re-employment after retirement without loss of benefits to 600 hours. The bill adds provisions concerning the re-employment of retired members that clarify that the amount of the pension attributable to the person's first period of employment will not be changed by re-employment, but if the person becomes an active member and earns more creditable service and retires a second time, the person's pension will be the pension the person was receiving when he or she was re-employed plus the amount of any increase the person would have gotten if pension payments had not been suspended and an additional pension using the formula in effect on the date of the person's second retirement, using the creditable service and the final average compensations from the second period of employment. If an inactive member becomes an active member after June 30, 2001, the person's pension will be calculated separately for each separate period ending with a break in service, unless the person earns at least 4 years of creditable service without a break.

The bill changes cost-of-living allowance eligibility for members of the Kansas City Public School Retirement System from the fourth to the second January following the date the retiree commenced receiving benefits.

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
Office of Administration
Public School Retirement System
Saint Louis Public School Retirement System
Kansas City Public School Retirement System
Department of Elementary & Secondary Education



Jeanne Jarrett, CPA
Director
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