

FIRST REGULAR SESSION

# HOUSE BILL NO. 180

## 92ND GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE JOHNSON (47).

Read 1<sup>st</sup> time January 14, 2003, and copies ordered printed.

STEPHEN S. DAVIS, Chief Clerk

0557L.011

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### AN ACT

To repeal sections 86.393, 86.407, and 86.720, RSMo, and to enact in lieu thereof five new sections relating to police relief and pension systems.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Sections 86.393, 86.407, and 86.720, RSMo, are repealed and five new  
2 sections enacted in lieu thereof, to be known as sections 86.393, 86.407, 86.434, 86.665, and  
3 86.720, to read as follows:

86.393. 1. The general administration and the responsibility for the proper operation of  
2 the retirement system and for making effective the provisions of sections 86.370 to 86.497 are  
3 hereby vested in a retirement board of nine persons.

4 2. The board shall be constituted as follows:

5 (1) Two members, one of whom shall be of the political party casting the highest number  
6 of votes statewide for governor in the election next preceding such member's selection and the  
7 other of whom shall be of the political party casting the next highest number of votes statewide  
8 for governor at the election next preceding such member's selection, to be selected by the board  
9 of police commissioners of such cities to serve one- and two-year terms respectively. All such  
10 subsequent members shall serve for terms of two years each or to fill an unexpired term.

11 (2) Two members, one of whom shall be of the political party casting the highest number  
12 of votes statewide for governor in the election next preceding such member's selection and the  
13 other of whom shall be of the political party casting the next highest number of votes statewide  
14 for governor at the election next preceding such member's selection to be selected by the city  
15 council of said city, one of whom may be the director of finance of such city to act as ex officio

**EXPLANATION — Matter enclosed in bold faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law. Matter in boldface type in the above law is new proposed language.**

16 member, and the other to serve for a term of two years.

17 (3) Five members shall be elected for three-year terms respectively or to fill an unexpired  
18 term, in annual elections in which each member of the police retirement system and, if such city  
19 has established a civilian employees' retirement system of the police department of such city  
20 pursuant to the provisions of sections 86.600 to 86.790, each member of such civilian employees'  
21 retirement system shall be entitled to one vote.

22 **3. Commencing with the first annual election for members of the retirement board [after**  
23 **August 28, 1991] in 2004, the five elected members of the board shall [include] be designated**  
24 **and elected as follows:**

25 **(1) If a city has established a civilian employees' retirement system of the police**  
26 **department of such city pursuant to the provisions of sections 86.600 to 86.790, the elected**  
27 **members of the retirement board of such city shall consist of three restricted members and**  
28 **two open members:**

29 (a) [At least] One **restricted member shall be** a member of the police retirement system  
30 who has retired from active service with the police department as of the date of such member's  
31 election to the board;

32 (b) [At least] One **restricted member shall be** a member of the police retirement system  
33 who, as of the date of [his] **such member's** election to the board, is in active service as a  
34 [policeman] **police officer** and has not attained the rank of sergeant or higher;

35 (c) [At least] One **restricted member shall be** member of the civilian employees'  
36 retirement system of the police department of such city[, if such city has established such a  
37 system pursuant to the provisions of sections 86.600 to 86.790].

38  
39 **There shall be no required qualifications for open members. At the annual election in 2004**  
40 **and each third year thereafter, one open member shall be elected to a three-year term. At**  
41 **the annual election in 2005 and each third year thereafter, one open member shall be**  
42 **elected to a three-year term. At the annual election in 2006 and each third year thereafter,**  
43 **the three restricted members shall be elected to a three-year term. Such elections shall be**  
44 **conducted simultaneously but as elections for three separate offices, in which only persons**  
45 **qualified for a respective office may be a candidate for such office;**

46 **(2) If a city has not established a civilian employees' retirement system of the police**  
47 **department of such city pursuant to the provisions of sections 86.600 to 86.790, the elected**  
48 **members of the retirement board of such city shall consist of two restricted members and**  
49 **three open members. All provisions of subdivision (1) of this subsection shall apply, except**  
50 **that the restricted membership provided for a member of a civilian employees' retirement**  
51 **system shall be an open membership;**

52           **(3) In every election in which more than one position is to be filled, either for a**  
53 **three-year term or for the unexpired portion of the term of a position which has become**  
54 **vacant, every candidate in such election must declare the position to which such candidate**  
55 **desires to be elected; and no person may be a candidate for more than one such position**  
56 **in any given election;**

57           (4) [Whenever] Any person [is] elected to **a restricted position on the** retirement board  
58 who at the time of such election meets the qualifications [of paragraph (a), (b), or (c) of  
59 subdivision (3) of subsection 2 of this section, that person] **for such position** shall be deemed  
60 to continue to meet such qualifications[, and the requirements of this section with respect to  
61 paragraph (a), (b), or (c) of subdivision (3) of subsection 2 of this section, the qualifications of  
62 which are so met by such person shall continue to be satisfied,] throughout the term to which  
63 such person was elected, regardless of any change in the rank, classification or other employment  
64 status of such person[, unless such person dies, resigns as a member of such board or for any  
65 other reason ceases to serve as a member of such board.

66           (5) At the first annual election for members of the retirement board after August 28,  
67 1991, there shall be elected three members to such board for three-year terms, in addition to any  
68 other election necessary to fill the unexpired portion of a term in which a vacancy has occurred.  
69 At each of the next two such annual elections, there shall be elected one member to such board  
70 for a three-year term, in addition to any other election necessary to fill the unexpired portion of  
71 a term in which a vacancy has occurred. At such annual election in each subsequent year, there  
72 shall be elected one member to such board for a three-year term for each three-year term expiring  
73 in such year, in addition to any other election necessary to fill the unexpired portion of a term in  
74 which a vacancy has occurred].

75           [3.] **4.** If a vacancy occurs in the office of a member of the retirement board the vacancy  
76 shall be filled for the unexpired term in the same manner as the vacated office was previously  
77 filled.

86.407. 1. Subject to the limitations of sections 86.370 to 86.497 the retirement board  
2 shall, from time to time, establish rules and regulations for the administration of its assets, for  
3 the transaction of its business and for the conduct of nominations and elections of the elected  
4 members of the retirement board. [Whenever the board deems it necessary in order to maintain  
5 compliance with the qualification requirements of subdivision (3) of subsection 2 of section  
6 86.393, the board may restrict nominations for one or more positions on the board to persons  
7 possessing the qualifications required under paragraph (a), (b), or (c) of subdivision (3) of  
8 subsection 2 of section 86.393.] **The retirement board shall be deemed to be a state agency**  
9 **within the meaning of chapter 536, RSMo.**

10           2. The retirement board shall elect from its membership, a chairman, a vice chairman and

11 a treasurer and shall, by majority vote of its members, appoint a secretary, who may be, but need  
12 not be, one of its members. It may employ such actuarial, legal and other services as may be  
13 necessary to transact the business of the retirement system. The compensation of all persons  
14 employed by the retirement board and all other expenses of the board necessary for the operation  
15 of the retirement system shall be paid in such manner as the retirement board shall determine;  
16 provided, that the compensation of such persons as may be employed by the retirement board  
17 shall not be greater than the compensation paid for comparable abilities by the governments of  
18 the cities in which said retirement board is located.

**86.434. 1. Any member entitled to commence a pension under section 86.433 with  
2 twenty-six years or more of creditable service may elect an optional distribution under the  
3 partial lump-sum option plan provided in this section if the member:**

4 **(1) Notifies the retirement system in writing of the member's retirement date at  
5 least ninety days in advance of the member's retirement date and requests an explanation  
6 of the member's rights under this section; and**

7 **(2) Notifies the retirement system of the member's election hereunder at least thirty  
8 days in advance of the member's retirement date.**

9  
10 **Following receipt of an initial notice of a member's retirement date and request for an  
11 explanation hereunder, the retirement system shall, at least sixty days in advance of such  
12 retirement date, provide the member a written explanation of the member's rights under  
13 this section and an estimate of the amount by which the member's regular monthly base  
14 pension would be reduced in the event of the member's election of any of the options  
15 available to the member under this section.**

16 **2. (1) A member entitled to make an election under this section may elect to receive  
17 a lump-sum distribution with the member's initial monthly pension payment under section  
18 86.433, subject to all the terms of this section. The member may elect the amount of the  
19 member's lump-sum distribution from one, but not more than one, of the following options  
20 for which the member qualifies:**

21 **(a) A member having twenty-six or more years of creditable service may elect a  
22 lump-sum amount equal to twelve times the initial monthly base pension the member  
23 would receive if no election were made under this section;**

24 **(b) A member having twenty-seven or more years of creditable service may elect  
25 a lump-sum amount equal to twenty-four times the initial monthly base pension the  
26 member would receive if no election were made under this section; or**

27 **(c) A member having twenty-eight or more years of creditable service may elect a  
28 lump-sum amount equal to thirty-six times the initial monthly base pension the member**

29 would receive if no election were made under this section.

30 (2) When a member makes an election to receive a lump-sum distribution under  
31 this section, the base pension which the member would have received in the absence of the  
32 election shall be reduced on an actuarially equivalent basis to reflect the payment of the  
33 lump-sum distribution, and the reduced base pension shall be the member's base pension  
34 thereafter for all purposes relating to base pension amounts under sections 86.370 to  
35 86.497.

36 3. An election under this section to receive a lump-sum distribution and reduce  
37 monthly base pension shall be void if the member dies before retirement, and amounts due  
38 a surviving spouse or other beneficiary of the member shall be determined without regard  
39 to such election.

86.665. 1. Any member entitled to commence a pension under either section 86.650  
2 or 86.660 may elect an optional distribution under the partial lump-sum option plan  
3 provided in this section if such member:

4 (1) Notifies the retirement system in writing of such member's retirement date at  
5 least ninety days in advance thereof and requests an explanation of such member's rights  
6 under this section; and

7 (2) Notifies the retirement system of the member's election hereunder at least thirty  
8 days in advance of the retirement date.

9  
10 Following receipt of an initial notice of a member's retirement date and request for an  
11 explanation hereunder, the retirement system shall, at least sixty days in advance of such  
12 retirement date, provide such member a written explanation of such member's rights  
13 under this section and an estimate of the amount by which such member's regular monthly  
14 base pension would be reduced in the event of the member's election of any of the options  
15 available to such member under this section.

16 2. (1) A member entitled to make an election under this section may elect to receive  
17 a lump-sum distribution with such member's initial monthly pension payment under  
18 section 86.650 or 86.660, subject to all the terms of this section. The member may elect the  
19 amount of the member's lump-sum distribution from one, but not more than one, of the  
20 following options for which such member qualifies:

21 (a) A member having one or more years of creditable service after such member's  
22 eligible retirement date may elect a lump-sum amount equal to twelve times the initial  
23 monthly base pension the member would receive if no election were made under this  
24 section;

25 (b) A member having two or more years of creditable service after such member's

26 eligible retirement date may elect a lump-sum amount equal to twenty-four times the initial  
27 monthly base pension the member would receive if no election were made under this  
28 section; or

29 (c) A member having three or more years of creditable service after such member's  
30 eligible retirement date may elect a lump-sum amount equal to thirty-six times the initial  
31 monthly base pension the member would receive if no election were made under this  
32 section.

33

34 For purposes of this section, "eligible retirement date" for a member shall mean the  
35 earliest date on which the member could elect to retire and be entitled to receive a pension  
36 under either section 86.650 or 86.660.

37 (2) When a member makes an election to receive a lump-sum distribution under  
38 this section, the base pension that the member would have received in the absence of an  
39 election shall be reduced on an actuarially equivalent basis to reflect the payment of the  
40 lump-sum distribution, and the reduced base pension shall be the member's base pension  
41 thereafter for all purposes relating to base pension amounts under sections 86.600 to  
42 86.790.

43 (3) If a member electing a lump-sum distribution under this section has elected the  
44 optional annuity described in section 86.650, the calculation of such member's pension  
45 shall be made in the following order:

46 (a) The amount of the member's normal pension under section 86.650 shall be  
47 reduced if applicable by any reductions required under section 86.660;

48 (b) The amount of the normal pension as determined under paragraph (a) of this  
49 subdivision shall be reduced to the actuarially equivalent amount to produce the optional  
50 form of annuity described in subsection 2 of section 86.650;

51 (c) The amount of reduced pension as determined under paragraph (b) of this  
52 subdivision shall be further reduced as required to produce an actuarially equivalent  
53 benefit in the form of the lump-sum distribution option elected under this section and a  
54 remaining monthly annuity which shall be paid on the basis that the annuity for the  
55 member's spouse if such spouse survives the member shall be the same amount as the  
56 annuity paid the member and shall be paid to such surviving spouse for the lifetime of such  
57 spouse without regard to remarriage.

58 3. An election under this section to receive a lump-sum distribution and reduced  
59 monthly base pension shall be void if the member dies before retirement, and amounts due  
60 a surviving spouse or other beneficiary of the member shall be determined without regard  
61 to such election.

86.720. The general administration and the responsibility for the proper operation of the retirement system and for making effective the provisions of sections 86.600 to 86.790 are hereby vested in the retirement board. The retirement board shall, from time to time, establish rules and regulations for the administration of its assets and for the transaction of its business. **The retirement board shall be deemed to be a state agency within the meaning of chapter 536, RSMo.** The retirement board shall elect from its membership a chairman, a vice chairman, and a treasurer, and shall, by majority vote of its members, appoint a secretary, who may be but need not be one of its members. The retirement board may employ any actuarial, legal and other services as may be necessary to transact the business of the retirement system. The compensation of all persons employed by the retirement board and all other expenses of the board necessary for the operation of the retirement system shall be paid in the manner as the retirement board shall determine; except that the compensation of the persons as may be employed by the retirement board shall not be greater than the compensation paid for comparable abilities by the government of the city in which the retirement board is located.