

HCS HB 346 & 174 -- PUBLIC SCHOOL RETIREMENT SYSTEMS

SPONSOR: Smith, 118 (Dempsey)

COMMITTEE ACTION: Voted "do pass" by the Committee on Retirement by a vote of 12 to 0.

This substitute revises various provisions of the Missouri Public School Retirement System.

RETIRED TEACHERS AND ADMINISTRATORS

Currently, retired teachers in the St. Louis City school district may return to teaching for up to four years without loss of retirement benefits. The substitute permits retired teachers and administrators in the Kansas City school district to be employed by the district for up to four years without loss of benefits.

PUBLIC SCHOOL RETIREMENT SYSTEM

In school districts with 300,000 residents or less, the substitute:

- (1) Requires the Board of Trustees to determine and certify to the employers the level rate of contribution and specifies the time period the rate should be established;
- (2) Requires the level rate of contribution for a fiscal year not to exceed the rate of contribution for the prior fiscal year by more than 0.5%;
- (3) Requires the board to determine and certify the level rate of contribution for a fiscal year based on an actuarial valuation. The valuation will be based on an entry age normal actuarial cost method and an asset valuation method, with the unfunded actuarial liability amortized over a period not to exceed 30 years;
- (4) Requires the board to have an actuary conduct an actuarial valuation of the system and additional valuations at least once every 10 years;
- (5) Prohibits legislation from being enacted after July 1, 2003, which provides benefit increases to members and retirees unless there is a matching contribution rate which equals 10.5% as determined by an actuarial valuation. Legislation can be enacted after July 1, 2003, that provides an extension of time for a member to make an election for a retirement allowance;
- (6) Allows members who have accrued at least one year of

membership service credit and who have covered employment with the system following the credit being purchased to purchase membership service credit or equivalent service credit under certain terms and conditions. Payment for the membership service credit is required prior to termination of membership with the retirement system;

(7) Allows a member who has served in the armed forces and who is no longer in service to purchase membership service credit equivalent to the period of active duty service;

(8) Extends the period of a certain retirement allowance computation provision (Option 1) from July 1, 2003, to July 1, 2008; and

(9) Allows a member eligible for retirement who has not previously received a retirement allowance to elect to receive a partial lump-sum distribution based on an option plan. This election is based on years of creditable service and age and is subject to certain terms and conditions.

#### GENERAL RETIREMENT PROVISIONS

The substitute:

(1) Allows members of specified public school retirement systems who have previous credit in another public school retirement system to purchase equivalent service credit in their present retirement system;

(2) Allows members of specified retirement systems who are within five years of retirement to purchase additional creditable service;

(3) Revises the health insurance benefits provision by allowing employees one year from the date of last employment to qualify for the coverage; and

(4) Contains a provision which allows any school district with a shortage of certificated teachers to employ retired certificated teachers for up to two years. The teachers would not lose retirement benefits.

#### NON-TEACHER SCHOOL RETIREMENT SYSTEM

The substitute:

(1) Requires the Board of Trustees to determine and certify to the employers the level rate of contribution and specifies the time period the rate should be established;

(2) Requires the level rate of contribution for a fiscal year not to exceed the rate of contribution for the prior fiscal year by more than 0.25%;

(3) Requires the board to determine and certify the level rate of contribution for a fiscal year based on an actuarial valuation. The valuation will be based on an entry age normal actuarial cost method and an asset valuation method, with the unfunded actuarial liability amortized over a period not to exceed 30 years;

(4) Requires the board to have an actuary conduct an actuarial valuation of the system and additional valuations at least once every 10 years;

(5) Prohibits legislation from being enacted after July 1, 2003, which provides benefit increases to members and retirees unless there is a matching contribution rate which equals 5% as determined by an actuarial valuation. Legislation can be enacted after July 1, 2003, that provides an extension of time for a member to make an election for a retirement allowance;

(6) Requires a member who is reinstated with the retirement system to effect reinstatement by repaying to the system accumulated contributions which are withdrawn or refunded prior to termination with the retirement system;

(7) Allows members who have accrued at least one year of membership service credit and who have covered employment with the system following the credit being purchased to purchase membership service credit or equivalent service credit under certain terms and conditions;

(8) Allows a member who has served in the armed forces and who is no longer in service to purchase membership service credit equivalent to the period of active duty service;

(9) Revises a retirement allowance computation provision; and

(10) Allows a member eligible for retirement who has not previously received a retirement allowance to elect to receive a partial lump-sum distribution based on an option plan. This election is based on years of creditable service and age and is subject to certain terms and conditions.

The substitute contains an emergency clause for certain sections.

FISCAL NOTE: No impact on state funds.

PROPOSERS: Supporters say that the bill will keep the

retirement systems fiscally sound and accountable by requiring actuarial valuations. The teacher shortage in Missouri can be addressed by allowing retired teachers and administrators to return to service for a specified period without losing their retirement benefits. The purchasing of credited service needs to be administered on a uniform basis. Revision to the medical insurance coverage provision for members and retirees will lower the costs to the retirement systems.

Testifying for the bill were Representative Dempsey; Missouri State Teachers Association; Missouri School Administrators' Coalition; and Missouri National Education Association.

OPPONENTS: There was no opposition voiced to the committee.

Joseph Deering, Legislative Analyst