SECOND REGULAR SESSION

[PERFECTED]

HOUSE COMMITTEE SUBSTITUTE FOR

HOUSE BILL NO. 1305

93RD GENERAL ASSEMBLY

Reported from the Committee on Retirement February 16, 2006 with recommendation that House Committee Substitute for House Bill No. 1305 Do Pass. Referred to the Committee on Rules pursuant to Rule 25(26)(f).

Reported from the Committee on Rules February 23, 2006 with recommendation that House Committee Substitute for House Bill No. 1305 Do Pass.

Taken up for Perfection April 10, 2006. House Committee Substitute for House Bill No. 1305 ordered Perfected and printed, as amended.

STEPHEN S. DAVIS, Chief Clerk

3971L.03P

AN ACT

To repeal sections 32.040, 32.051, 70.615, 86.590, 104.040, 105.268, 105.660, 105.665, and 320.320, RSMo, and to enact in lieu thereof twelve new sections relating to retirement plans.

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

Section A. Sections 32.040, 32.051, 70.615, 86.590, 104.040, 105.268, 105.660,

- 2 105.665, and 320.320, RSMo, are repealed and twelve new sections enacted in lieu thereof, to
- 3 be known as sections 32.040, 70.615, 86.590, 104.040, 104.1095, 105.660, 105.665, 105.666,
- 4 105.667, 105.684, 320.320, and 321.696, to read as follows:
 - 32.040. The board of public buildings shall provide the director of revenue and the
- 2 department of revenue with suitable quarters in the City of Jefferson. The director of revenue
- 3 shall establish and maintain permanent branch offices in the [cities of St. Louis and] city of
- 4 Kansas City, and may select additional places in the state for special full-time or temporary
- 5 offices.
 - 70.615. After October 13, 1967, a political subdivision shall not commence coverage of
- 2 its employees [who are neither policemen nor firemen] under another plan similar in purpose to

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

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this system, other than under this system, except the federal Social Security Old Age, Survivors, 4 and Disability Insurance Program, as amended; except that, any political corporation or subdivision of this state, now having or which may hereafter have an assessed valuation of [one] **five** hundred million dollars or more, which does not now have a pension system for its officers 6 and employees adopted pursuant to state law, may provide by proper legislative action of its governing body for the pensioning of its officers and employees and the widows and minor children of deceased officers and employees under a plan separate and apart from that provided 10 in sections 70.600 to 70.670 and appropriate and utilize its revenues and other available funds for such purposes, and except that the board of hospital trustees of any hospital which is owned 11 12 by any political corporation or subdivision of this state, may provide for the pensioning of its employees and the widows and minor children of deceased employees under a plan separate and 13 14 apart from that provided in sections 70.600 to 70.670, and utilize its revenues and other funds for such purposes. 15

86.590. The board of trustees of police and firemen's pension systems, established under the provisions of section 86.583, may invest and reinvest the moneys of the system, and may hold, purchase, sell, assign, transfer or dispose of any of the securities and investments in which such moneys shall have been invested, as well as the proceeds of such investments and such moneys[; except that such investment and reinvestments shall be subject to all the terms, conditions, limitations, and restrictions imposed by law upon life insurance or casualty companies in the state of Missouri in making and disposing of their investments, except that the percentage limitations of subsection 2 of section 376.305, RSMo, shall not apply]. The board of trustees of police and firemen's pension systems, established under the provisions of section 86.583, shall comply with the prudent investor standard for investment fiduciaries as provided in section 105.688, RSMo, when investing the assets of the system.

104.040. 1. Any member shall be entitled to creditable prior service within the meaning of sections 104.010 to 104.270 for all service in the United States Army, Navy, or other armed services of the United States, or any women's auxiliary thereof in time of active armed warfare, if such member was a state employee immediately prior to his or her entry into the armed services and became an employee of the state within ninety days after termination of such service by an honorable discharge or release to inactive status; the requirement of section 104.010 of duties during not less than one thousand hours for status as an "employee" shall not apply to persons who apply for creditable prior service pursuant to the provisions of this section.

2. Any member of the system who served as an employee prior to the original effective date of sections 104.010 to 104.270, but was not an employee on that date, shall be entitled to creditable prior service that such member would have been entitled to had such member become

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a member of the retirement system on the date of its inception if such member has, or hereafter attains, one year of continuous membership service.

- 3. Any employee who completes one continuous year of creditable service in the system shall receive credit for service with a state department, if such service has not otherwise been credited.
- 4. Any member who had served in the armed forces of the United States prior to becoming a member, or who is otherwise ineligible pursuant to subsection 1 of this section or other provisions of this chapter, and who became a member after his or her discharge under honorable conditions may elect, prior to retirement, to purchase all of his or her creditable prior service equivalent to such service in the armed forces, but not to exceed four years, if the member is not receiving and is not eligible to receive retirement credits or benefits from any other public or private retirement plan for the service to be purchased, and an affidavit so stating shall be filed by the member with the retirement system. However, if the member is eligible to receive retirement credits in a United States military service retirement system, the member shall be permitted to purchase creditable prior service equivalent to his or her service in the armed services, but not to exceed four years, any other provision of law to the contrary notwithstanding. The purchase shall be effected by the member's paying to the retirement system an amount equal to what would have been contributed by the state in his or her behalf had the member been a member for the period for which the member is electing to purchase credit and had his or her compensation during such period of membership been the same as the annual salary rate at which the member was initially employed as a member, with the calculations based on the contribution rate in effect on the date of his or her employment with simple interest calculated from date of employment from which the member could first receive creditable service to the date of election pursuant to this subsection. The payment shall be made over a period of not longer than two years, measured from the date of election, and with simple interest on the unpaid balance. Payments made for such creditable prior service pursuant to this subsection shall be treated by the retirement system as would contributions made by the state and shall not be subject to any prohibition on member contributions or refund provisions in effect at the time of enactment of this subsection.
- 5. Any uniformed member of the highway patrol who served as a certified police officer prior to becoming a member may elect, prior to retirement, to purchase all of his or her creditable prior service equivalent to such service in the police force, but not to exceed four years, if he or she is not receiving and is not eligible to receive credits or benefits from any other public or private retirement plan for the service to be purchased, and an affidavit so stating shall be filed by the member with the retirement system. The purchase shall be effected by the member's paying to the retirement system an amount equal to what would have been contributed by the

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state in his or her behalf had he or she been a member of the system for the period for which the member is electing to purchase credit and had his compensation during such period been the same as the annual salary rate at which the member was initially employed as a member, with the calculations based on the contribution rate in effect on the date of his or her employment with simple interest calculated from the date of employment from which the member could first receive creditable service to the date of election pursuant to the provisions of this section. The payment shall be made over a period of not longer than two years, measured from the date of election, and with simple interest on the unpaid balance. Payments made for such creditable prior service pursuant to the provisions of this section shall be treated by the retirement system as would contributions made by the state and shall not be subject to any prohibition on member contributions or refund provisions in effect at the time of enactment of this section.

6. Any [uniformed] member of the [highway patrol] system under section 104.030 or section 104.170 who is an active employee and who served as a nonfederal full-time public employee in this state prior to becoming a member may elect, prior to retirement, to purchase all of his or her creditable prior service equivalent to such service, but not to exceed four years, if he or she is not receiving and is not eligible to receive credits or benefits from any other public plan for the service to be purchased[, and an affidavit so stating shall be filed by the member with the retirement system]. The purchase shall be effected by the member's paying to the retirement system an amount equal to what would have been contributed by the state in his or her behalf had he or she been a member of the system for the period for which the member is electing to purchase credit and had his compensation during such period been the same as the annual salary rate at which the member was initially employed as a member, with the calculations based on the contribution rate in effect on the date of his or her employment with simple interest calculated from the date of employment from which the member could first receive creditable service to the date of election pursuant to the provisions of this section. The payment shall be made over a period of not longer than two years, measured from the date of election, and with simple interest on the unpaid balance. Payments made for such creditable prior service pursuant to the provisions of this section shall be treated by the retirement system as would contributions made by the state and shall not be subject to any prohibition on member contributions or refund provisions in effect at the time of enactment of this section. All purchase payments under this subsection shall be completed prior to retirement or prior to termination of employment. If a member who purchased creditable service under this subsection dies prior to retirement, the surviving spouse may, upon written request, receive a refund of the amount contributed for such purchase of such creditable service, provided the surviving spouse is not entitled to survivorship benefits payable under section 104.110

or who are entitled to a deferred annuity under section 104.035 are not eligible to purchase service under this subsection.

104.1095. 1. Notwithstanding any law in chapter 104 or 105 to the contrary, if the actuary for a system created under section 104.020 or 104.320 determines either (1) that such system has a funded ratio below fifty percent for three consecutive plan years or (2) that such system has a funded ratio below sixty percent and is not meeting one hundred percent of the actuarially required contribution payment, then such system's actuary shall prepare an accelerated contribution schedule based upon a descending amortization period for inclusion in the actuarial valuation for such system.

- 2. Notwithstanding any law in chapter 104 or 105 to the contrary, no system created under section 104.020 or 104.320 shall adopt or implement any additional benefit increase, supplement, enhancement, lump sum benefit payments to participants, or cost-of-living adjustment beyond the current plan provisions in effect prior to August 28, 2006 unless such system's actuary determines that the funded ratio of the system prior to such adoption or implementation is at least eighty percent and will not be less than seventy-five percent after such adoption or implementation. The unfunded actuarial accrued liabilities associated with benefit changes described in this subsection shall be amortized over a period not to exceed fifteen years for purposes of determining the contributions associated with the adoption or implementation of any such benefit increase, supplement or enhancement.
- 3. If any changes in actuarial assumptions are made that result in a change in the funded ratio of a system created under section 104.020 or 104.320, written justifications for the changes in actuarial assumptions shall be on file at the office of the system and shall be given to the joint committee on public employee retirement. The written justifications shall be attested to by a representative of such system's retained actuarial firm.

105.660. The following words and phrases as used in sections 105.660 to 105.685, unless a different meaning is plainly required by the context, shall mean:

- 3 (1) "Actuarial valuation", a mathematical process which determines plan financial 4 condition and plan benefit cost;
 - (2) "Actuary", an actuary (i) who is a member of the American Academy of Actuaries or who is an enrolled actuary under the Employee Retirement Income Security Act of 1974 and (ii) who is experienced in retirement plan financing;
- 8 (3) "Board", the governing board or decision-making body of a plan that is 9 authorized by law to administer the plan;
 - (4) "Defined benefit plan", a plan providing a definite benefit formula for calculating retirement benefit amounts;

- 12 (5) "Defined contribution plan", a plan in which the contributions are made to an individual retirement account for each employee;
 - (6) "Funded ratio", the ratio of the actuarial value of assets over its actuarial accrued liability;
 - (7) "Lump sum benefit plan", payment within one taxable year of the entire balance to the participant from a plan;
 - [(3)] (8) "Plan", any retirement system established by the state of Missouri or any political subdivision or instrumentality of the state for the purpose of providing plan benefits for elected or appointed public officials or employees of the state of Missouri or any political subdivision or instrumentality of the state;
 - [(4)] (9) "Plan benefit", the benefit amount payable from a plan together with any supplemental payments from public funds;
 - [(5)] (10) "Substantial proposed change", a proposed change in future plan benefits which would increase or decrease the total contribution percent by at least one-quarter of one percent of active employee payroll, or would increase or decrease a plan benefit by five percent or more, or would materially affect the actuarial soundness of the plan. In testing for such one-quarter of one percent of payroll contribution increase, the proposed change in plan benefits shall be added to all actual changes in plan benefits since the last date that an actuarial valuation was prepared.
 - 105.665. 1. The legislative body or committee thereof which determines the amount and type of plan benefits to be paid shall, before taking final action on any substantial proposed change in plan benefits, cause to be prepared a statement regarding the cost of such change.
 - 2. The cost statement shall be prepared by an actuary using the methods used in preparing the most recent periodic actuarial valuation for the plan and shall, without limitation by enumeration, include the following:
 - (1) The level normal cost of plan benefits currently in effect, which cost is expressed as a percent of active employee payroll;
 - (2) The contribution for unfunded accrued liabilities currently payable by the plan, which cost is expressed as a percent of active employee payroll and shall be over a period not to exceed [forty] thirty years;
- 12 (3) The total contribution rate expressed as a percent of active employees payroll, which 13 contribution rate shall be the total of the normal cost percent plus the contribution percent for 14 unfunded accrued liabilities;
- 15 (4) A statement as to whether the legislative body is currently paying the total contribution rate as defined in subdivision (3) of this subsection;

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- 17 (5) The total contribution rate expressed as a percent of active employee payroll which would be sufficient to adequately fund the proposed change in benefits;
- 19 (6) A statement as to whether such additional contributions are mandated by the 20 proposed change;
 - (7) A statement as to whether or not the proposed change would in any way impair the ability of the plan to meet the obligations thereof in effect at the time the proposal is made;
 - (8) All assumptions relied upon to evaluate the present financial condition of the plan and all assumptions relied upon to evaluate the impact of the proposed change upon the financial condition of the plan, which shall be those assumptions used in preparing the most recent periodic actuarial valuation for the plan, unless the nature of the proposed change is such that alternative assumptions are clearly warranted, and shall be made and stated with respect to at least the following:
- 29 (a) Investment return;
- 30 (b) Pay increase;
- 31 (c) Mortality of employees and officials, and other persons who may receive benefits 32 under the plan;
 - (d) Withdrawal (turnover);
- 34 (e) Disability;
- 35 (f) Retirement ages;
- 36 (g) Change in active employee group size;
- 37 (9) The actuary shall certify that in the actuary's opinion the assumptions used for the valuation produce results which, in the aggregate, are reasonable;
 - (10) A description of the actuarial funding method used in preparing the valuation including a description of the method used and period applied in amortizing unfunded actuarial accrued liabilities;
- 42 (11) The increase in the total contribution amount required to adequately fund the 43 proposed change in benefits, expressed in annual dollars as determined by multiplying the 44 increase in total contribution rate by the active employee annual payroll used for this valuation.
- 105.666. Each plan shall, in conjunction with its staff and advisors, establish a board member education program, which shall be in effect on or after January 1, 2007. The curriculum shall include, at a minimum, education in the areas of duties and responsibilities of board members as trustees, ethics, governance process and procedures, pension plan design and administration of benefits, investments including but not limited to the fiduciary duties as defined under section 105.688, legal liability and risks associated with the administration of a plan, sunshine law requirements under chapter 610, RSMo, actuarial principles and methods related to plan administration, and the role of staff and

or after January 1, 2007, shall complete a board member education program designated to orient new board members in the areas described in this section within ninety days of becoming a new board member. Board members who have served one or more years shall attend at least two continuing education programs each year in the areas described in this section.

- 105.667. 1. Any appointing authority, board member, or employee shall be prohibited from receiving any gain or profit from any funds or transaction of the plan, except benefits from interest in investments common to all members of the plan, if entitled thereto.
- 2. Any appointing authority, board member, or employee accepting any political contribution, gratuity, or compensation for the purpose of influencing his or her action with respect to the investment of the funds of the system shall thereby forfeit his or her office and in addition thereto be subject to the penalties prescribed for bribery.
- 3. Any trustee, employee, or participant of a plan convicted of a plan-related felony after August 28, 2006, that is determined by a court of law to have been directly committed in connection with the member's duties as either a trustee, employee, or participant of a plan shall not be eligible to receive any retirement benefits from the respective plan.
- 105.684. 1. Notwithstanding any law to the contrary, no plan shall adopt or implement any additional benefit increase, supplement, enhancement, lump sum benefit payments to participants, or cost-of-living adjustment beyond current plan provisions in effect prior to August 28, 2006, unless the plan's actuary determines that the funded ratio prior to such adoption or implementation is at least eighty percent and will not be less than seventy-five percent after such adoption or implementation.
- 2. The unfunded actuarial accrued liabilities associated with benefit changes described in this section shall be amortized over a period not to exceed twenty years for purposes of determining the contributions associated with the adoption or implementation of any such benefit increase, supplement, or enhancement.
- 3. Any plan with a funded ratio below sixty percent shall have the actuary prepare an accelerated contribution schedule based on a descending amortization period for inclusion in the actuarial valuation.
- 4. Any plan, whose actuary determines that the plan has a funded ratio below sixty percent and the political subdivision has failed to make one hundred percent of the actuarially required contribution payment for three successive plan years, shall be deemed delinquent in the contribution payment and such delinquency in the contribution payment shall constitute a first lien on the funds of the political subdivision, and the board as

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- 19 defined under section 105.660, RSMo is authorized to compel payment by application for
- 20 a writ of mandamus; and in addition, such delinquency in the contribution payment shall
- be certified by the board to the state treasurer and director of the department of revenue.
- 22 Until such delinquency in the contribution payment, together with regular interest, is
- 23 satisfied, the state treasurer and director of the department of revenue shall withhold all
- 24 moneys due the political subdivision from the state.
- 5. Nothing in this section shall apply to any plan established under section 104.020 or 104.320 or under chapter 70 or 476, RSMo.
 - 320.320. 1. A volunteer firefighter serving a rural, volunteer or subscription fire department or organization is serving the state of Missouri in an official capacity as a fire protection volunteer and is hereby declared to be a public safety officer of the state of Missouri serving without wages, salary or certain other employee-type fringe benefits described in subsection 3 of this section.
 - 2. The designation of a volunteer firefighter as a public safety officer of the state of Missouri in subsection 1 of this section does not entitle a volunteer firefighter to any rights, privileges or benefits provided to an employee or official of the state of Missouri, including retirement benefits and participation in the state legal defense fund, except as provided in subsection 3 of this section.
- 11 3. Notwithstanding the provisions of subsection 2 of this section, any rural, volunteer 12 or subscription fire department or organization, or volunteer fire protection association as defined 13 in section 320.300, may provide life insurance, accident, sickness, health, disability, annuity, [length of service, retirement, pension] **defined contribution benefit** and other employee-type fringe benefits, subject to the provisions of section 70.615, RSMo, for volunteer firefighters who 15 are members of any such department, organization or association and such other benefits for their 16 17 spouses and eligible unemancipated children as the governing board deems appropriate, either 18 through a contributory or noncontributory plan, or both. For purposes of this section, "eligible 19 unemancipated child" means a natural or adopted child of an insured, or a stepchild of an insured 20 who is domiciled with the insured, who is less than twenty-three years of age, who is not 21 married, not employed on a full-time basis, not maintaining a separate residence except for 22 full-time students in an accredited school or institution of higher learning, and who is dependent on parents or guardians for at least fifty percent of his or her support. The type and extent of 24 such benefits shall be determined by the governing board of the department, organization or association, whichever is applicable. The provision and receipt of such benefits shall not make the recipient an employee of the district, association or organization. Directors or board 26 27 members who are also volunteer firefighters may receive such benefits while serving as a director or board member of the district, association or organization.

321.696. Notwithstanding any other provision of law, effective January 1, 2007, defined benefit pension plans shall not be established by any district for volunteer members or district board of directors except under the provisions of chapter 70, RSMo, unless the new plan is a result of consolidating the plans of two or more fire protection districts that existed prior to January 1, 2006.

[32.051. The director of the department of revenue shall make an estimate of the amount of tax revenues generated under the provisions of this section and section 143.072, RSMo, and section 144.800, RSMo. The director of the department of revenue shall also make a separate accounting of the amount of income tax refunds and reduced individual income tax revenues necessitated by decisions of the Supreme Courts of the United States and the state of Missouri, relating to taxation of pension benefits. If the director of the department of revenue determines the amount of revenues finally generated under the provisions of this section and section 143.072, RSMo, and section 144.800, RSMo, exceeds the amount of individual income taxes collected on United States government retirement benefits and any interest accruing thereon, which the state is obligated to refund and the amount of reduced individual income tax revenues pursuant to the decisions of the Supreme Courts of the United States and the state of Missouri, he shall deposit the excess amount into the budget stabilization fund created pursuant to section 33.285, RSMo. The director of the department of revenue shall quarterly submit in writing a report to the senate and the house of representatives, and the commissioner of administration, describing the methodology used in arriving at the estimate of the amount of tax revenues generated under the provisions of this section and section 143.072, RSMo, and section 144.800, RSMo, and the amount of income tax refunds and reduced individual income tax revenues issued to taxpayers pursuant to the Supreme Courts' decisions.]

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[105.268. 1. During school years 1999-2000 through 2001-02 any employee of the state of Missouri who works in a metropolitan school district or an urban school district containing the greater part of the population of a city which has more than three hundred thousand inhabitants and who is a volunteer tutor in a formal tutoring or mentoring pilot program in language arts at a public elementary school in such district may be granted leave from the employee's duties, without loss of time, pay, regular leave, impairment of efficiency rating or any other rights or benefits to which such person would otherwise be entitled for periods during which such person is engaged in such volunteer tutoring activities at a public elementary school. Leave for such volunteer tutoring activities shall not be granted in excess of one-half of the hours spent tutoring, for activities conducted at times outside of the employee's normal work day, for more than forty hours in any one calendar year, or more than two hours in any one day. The principal of the school shall give such an employee a signed

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H.C.S. H.B. 1305 11 15 statement by such principal verifying the time such employee was engaged in 16 such tutoring activities. 17 2. To be eligible to participate in a volunteer tutoring program as 18 provided in subsection 1 of this section, the employee shall: 19 (1) Be a full-time state employee with a performance appraisal of highly 20 successful or outstanding; 21 (2) Have the approval of the employee's supervisor or supervisors; 22 (3) Not be absent during heavy workload periods or create scheduling conflicts with other state employees or result in any overtime hours for the 23 24 employee or other state employees; 25 (4) Establish a set schedule, including traveling time to the school, which 26 27 28 employee was engaged in volunteer tutoring activities. 29 30

- shall not be for more than two hours per day or more than one day per week; and (5) Submit the statement issued by the principal verifying the time the
- 3. Every state agency that has state employees participating in a formal tutoring or mentoring program as provided in subsection 1 of this section shall submit a summary of the statements received pursuant to subdivision (5) of subsection 2 of this section to the Missouri community service commission, created in section 26.605, RSMo. Such summary shall include the number of employees participating, the number of hours that all participants engaged in volunteer tutoring and a list of the schools where the employees volunteered.

4. The Missouri community service commission shall submit an annual report to the general assembly with the names of the state agencies submitting the summaries required by subsection 3 of this section and a compilation of all the information contained on such summaries.

- 5. The school board of a participating district shall evaluate the programs and make recommendations to the general assembly by December 15, 2001, on the continuance, expansion or termination of the programs and any recommended changes to the programs.
 - 6. The provisions of this section shall expire on June 30, 2002.]