HCS HB 1305 -- PUBLIC EMPLOYEE RETIREMENT SYSTEMS (Smith, 118)

COMMITTEE OF ORIGIN: Retirement

This substitute changes the laws regarding several public employee retirement systems.

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (LAGERS)

Currently, a political subdivision cannot create a pension plan similar to LAGERS for its employees who are not police officers or firefighters unless it has an assessed valuation of $100 million or more. The substitute specifies that a political subdivision cannot create a pension plan similar to LAGERS for any employees unless it has an assessed valuation of $500 million or more.

After January 1, 2007, volunteer fire protection associations and fire protection districts must establish new pension plans under the provisions of Chapter 70, RSMo, unless the new plan is the result of consolidating the plans of two or more fire protection districts existing prior to January 1, 2006.

MISSOURI DEPARTMENT OF TRANSPORTATION AND HIGHWAY PATROL EMPLOYEES' RETIREMENT SYSTEM (MPERS)

If the actuary for MPERS determines that the funded ratio of the system is below 50% for three consecutive years, the plan will close to new members effective January 1 of the following year.

A member of MPERS may purchase up to four years of his or her prior creditable service as a nonfederal, full-time public employee as long as he or she is not receiving or eligible to receive credits or benefits from any other public plan for the service being purchased. The purchase of this service must be completed prior to retirement or termination of employment. If a member who purchased service dies prior to retirement, the surviving spouse can receive a refund of the amount contributed for the purchase if he or she is not eligible for survivor benefits.

GENERAL PROVISIONS

The substitute:

(1) Defines "defined benefit plan," "defined contribution plan," "funded ratio," and "lump sum benefit plan";

(2) Changes the contribution period, from 40 to 30 years, for which plans may not exceed unfunded accrued liabilities;

(3) Requires retirement systems to establish mandatory board member education programs regarding responsibilities, ethics, governance, plan design, administration of benefits, investments, legal liability, and actuarial principles. Board members will be required to attend at least two continuing education programs each year;

(4) Prohibits appointing authorities, board members, or employees from receiving a gain or profit from funds or transactions of the plan except benefits which are common to all members of the plan. If political contributions or other compensations are accepted to influence the investment of system funds, the person will forfeit his or her office and be subject to penalties prescribed for bribery;

(5) Specifies that any trustee, employee, or plan participant convicted of a plan-related felony directly connected with his or her duties will be ineligible for retirement benefits;

(6) Prohibits, after August 28, 2006, plans with a fund ratio of less than 80% from providing additional benefits. Plans with a fund ratio greater than 80% can adopt benefit enhancements if the ratio does not decrease more than 10% or below 75%. The unfunded actuarial accrued liabilities associated with these benefit changes will be amortized over a period not to exceed 20 years;

(7) Requires plans with a ratio of less than 60% and the plan has not met 100% of the actuarially required contribution payment for three successive plan years, to be deemed delinquent in the contribution payment which will constitute a first lien on the funds of the political subdivision. Until the delinquency in the contribution payment is satisfied, the State Treasurer and Director of the Department of Revenue will withhold all moneys due the political subdivision from the state; and

(8) Removes the requirement that the Board of Public Buildings provide the Department of Revenue and the department director with suitable quarters in St. Louis City. Currently, the board is required to provide quarters in Jefferson City, Kansas City, and St. Louis City.

FISCAL NOTE: No impact on state funds in FY 2007, FY 2008, and FY 2009.