HCS#2 SB 406 -- EMPLOYEE BENEFIT PLANS

SPONSOR: Crowell (Wallace)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Retirement by a vote of 7 to 0.

This substitute changes the laws regarding employee benefit plans. In its main provisions, the substitute:

(1) Clarifies the benefit amount payable to an ex-spouse when a division of benefits order has been issued and the ex-spouse is also the named beneficiary of a joint and survivor option under the Missouri State Employees' Retirement System (MOSERS) and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS). The division of benefits order will be applied to either the plan the member was participating in on the date of dissolution or the Year 2000 Plan;

(2) Removes the provision which allows members of MOSERS to purchase service that was performed under contract for the State of Missouri;

(3) Clarifies that members cannot receive credit for the same period of service in more than one retirement system;

(4) Requires members of MOSERS or MPERS to complete the purchase of creditable service prior to applying for retirement benefits. Transferring vested service from another public employee retirement system to the Year 2000 Plan requires that the plans enter into an agreement;

(5) Specifies that if a retiree of MOSERS who has elected a joint and survivor option dies prior to notifying the system of the spouse's death, his or her benefit will not revert to a normal annuity and no retroactive payments will be made;

(6) Specifies that if the board of MOSERS or MPERS provides education or advice to members pertaining to retirement planning, it will not be liable for retirement or investment decisions made by members if the board acted with due diligence in providing the advice;

(7) Clarifies that any temporary annuity payable to a retiree, under the Year 2000 Plan, will terminate no later than age 62;

(8) Clarifies that retirees, under the Year 2000 Plan, can retain optional life insurance coverage in excess of $60,000 until age 62;

(9) Requires that retirees under the MOSERS Closed Plan and the Year 2000 Plan who are re-employed with the state in a position normally requiring them to work at least 1,040 hours per year must work continuously for at least one year in order to accrue creditable service for retirement purposes;

(10) Allows the retirement boards to establish rules to accommodate changes in the state's payroll system as it relates to the final average compensation for the retirement benefit calculation;

(11) Changes the required hours for an employee to be eligible for benefits from 1,000 hours to 1,040 hours;

(12) Specifies that after August 28, 2007, part-time employees of the General Assembly working less than 1,040 hours per year will not be considered employees as it relates to retirement benefits;

(13) Clarifies that a member may receive only one day of credited service for any one day of calendar service;

(14) Changes the vesting requirement for service purchase transfers for legislators from two to three full biennial assemblies;

(15) Authorizes MOSERS to provide services in connection with medical benefit funds established for state employees, retirees, and their dependents participating in the state medical plan administered by the Missouri Consolidated Health Care Plan (MCHCP) or any other medical benefit plan for state employees, retirees, and their dependents. MOSERS will invest the funds received from the state medical plans in the same manner as it invests the funds of the retirement system. All assets of the fund will be exclusively used for satisfying obligations of the state medical plans and to pay for medical benefits of state employees, retirees, and their covered dependents;

(16) Transfers, beginning August 28, 2007, the administration of the Missouri State Public Employees Deferred Compensation Fund to the Board of Trustees of MOSERS. Currently, the fund is administered by the Missouri State Public Employees Deferred Compensation Commission;

(17) Extends the election date of a certain retirement option under the Public School Retirement System of Missouri from July 1, 2008, to July 1, 2013;

(18) Allows the board of trustees of the Public School Retirement System of the City of St. Louis, at its discretion, to

increase benefits for retired members if the additional benefit will not require an increase in the contribution rate;

(19) Allows a retired member of MCHCP to add an eligible dependent to his or her coverage if the dependent terminates employment or the dependent's health care benefits were terminated by his or her employer. The dependent must have had continuous coverage for 12 months prior to the termination of his or her health care coverage;

(20) Allows juvenile officers in single county circuits to receive creditable prior service in MOSERS for service as a juvenile court employee prior to July 1, 1999, if the service is not credited in a county retirement plan;

(21) Allows employees who were transferred from the Division of Motor Carrier Services, Highway Reciprocity, and the Department of Natural Resources to the Motor Carrier Services Division in the Department of Transportation to transfer their creditable service from MOSERS to MPERS. The decision to transfer must be made in writing within 60 days of August 28, 2007;

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

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

(24) 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;

(25) 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 the penalties for bribery;

(26) 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;

(27) Prohibits, after August 28, 2007, 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 below 75%. The unfunded actuarial accrued liabilities associated with these benefit changes will be amortized over a period not to exceed 20 years;

(28) Requires plans, after August 28, 2007, 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 25% of all moneys due the political subdivision from the state;

(29) Requires a separate board of trustees to administer a fire protection district's retirement plan rather than the district's board of directors. The board of trustees will include the three-member board of directors and two pension plan participants chosen from a list of three individuals submitted by the board of directors;

(30) Specifies that any condition of cancer which affects certain bodily systems, as well as any condition of cancer which may result from exposure to heat or radiation or to a known or suspected carcinogen as determined by the International Agency for Research on Cancer, is presumed to be suffered in the line of duty for the purpose of computing retirement benefits for firefighters, unless contrary competent evidence is shown and proven that the condition did not result nor was contributed to by the voluntary use of tobacco; and

(31) Requires the Public School Retirement System when calculating a member's final average salary to disregard any increase in compensation in excess of 10% from one year to the next in the final average salary period. This limit will not apply to increases because of a change in position or those required by state statute or district-wide, salary schedule adjustments.

FISCAL NOTE: Estimated Cost on General Revenue Fund of $0 in FY 2008, $80,000 in FY 2009, and $80,000 in FY 2010. Estimated Cost on Other State Funds of $41,000 in FY 2008, $36,000 in FY 2009, and $190,000 in FY 2010.

PROPONENTS: Supporters say that the bill is a clean-up bill for the Missouri State Employees' Retirement System. This has been an issue for several years. The laws need to be changed where there is ambiguity.

Testifying for the bill was Senator Crowell.

OPPONENTS: There was no opposition voiced to the committee.