CCS#2 HCS#2 SB 406 -- EMPLOYEE BENEFIT PLANS

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

(1) Changes the amount in a member's defined contribution account from $5,000 or less to $1,000 or less which members of the County Employees' Retirement System who terminate employment must have to receive an automatic lump sum distribution;

(2) Specifies that any member who retires from the Police Retirement System of Kansas City and the Civilian Employees' Retirement System of the Police Department of Kansas City due to completing at least 25 years of service, reaching mandatory retirement age, or sustaining a permanent disability prior to August 28, 2001, will receive a monthly equalizing supplemental compensation of $10. Currently, members are entitled to a supplemental retirement benefit of $50 per month in addition to the base benefit and cost-of-living increases. The supplemental compensation may be adjusted by cost-of-living increases annually, but the total of both cannot exceed 25% of the member's base pension. The term "member" includes the surviving spouse of a member who qualifies under this provision;

(3) Specifies that certain conditions of cancer will be presumed to be suffered in the line of duty for the purpose of computing retirement benefits for firefighters under certain conditions;

(4) Authorizes the City of Springfield to impose, upon voter approval, a sales tax of up to 1% for the purpose of public safety operations including pension and health care programs;

(5) Allows the Missouri State Employees' Retirement System (MOSERS) and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) retirement boards to establish rules to accommodate changes in the state's payroll system relating to the final average compensation for the retirement benefit calculation;

(6) Requires the Missouri Consolidated Health Care Plan (MCHCP) to offer all qualified state employees and retirees the option of receiving health care coverage through a high-deductible plan combined with a health savings account beginning with the open enrollment period in 2009;

(7) Allows a 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;

(8) Allows any member of MPERS to purchase up to four years of his or her prior creditable service as a nonfederal, full-time public employee if he or she is not receiving or eligible to receive credits or benefits from any other public plan for the service being purchased. Any MPERS member who is entitled to a deferred annuity will not be eligible to purchase any service;

(9) Adds one new member to the board of trustees of MPERS. Currently, the retired employees of the Department of Transportation together with the civilian or uniformed highway patrol select one member to the board. Each group will now be allowed to elect one board member;

(10) 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 MOSERS and MPERS. The division of benefits order will be applied to either the plan the member was participating in on the date of the dissolution or the Year 2000 Plan;

(11) 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 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;

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

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

(14) 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;

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

(16) 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;

(17) 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;

(18) 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;

(19) Specifies that if the board of MOSERS or MPERS provides education or advice to members regarding 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;

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

(21) Clarifies that any temporary annuity payable to a retiree under the Year 2000 Plan will terminate no later than when he or she reaches 62 years of age;

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

(23) 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;

(24) Transfers, beginning August 28, 2007, the administration of the Missouri State Public Employees Deferred Compensation Fund from the Missouri State Public Employees Deferred Compensation Commission to the board of trustees of MOSERS;

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

(26) 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;

(27) 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;

(28) Specifies that any trustee, employee, or plan participant convicted after August 28, 2007, of a plan-related felony directly connected with his or her duties will be ineligible for retirement benefits;

(29) 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;

(30) Requires a plan, after August 28, 2007, with a fund ratio of less than 60% that has not met 100% of the actuarially required contribution payment for five successive plan years, to be deemed delinquent in the contribution payment which will constitute a first lien on the funds of the political subdivision. This will not apply to the Public School Retirement System or the Public Education Employee Retirement System of Missouri. 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;

(31) 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;

(32) 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;

(33) 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;

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

(35) 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 by the board of directors from a list of three individuals elected by plan members.