

HCS for SS for SB 898 -- PENSIONS

SPONSOR: Black (Hovis)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Committee on Pensions by a vote of 6 to 0 with 3 Present.

Currently, the governing bodies of the employers of the system elect three trustees to the Board of the Missouri Local Government Employees' Retirement System (LAGERS). Beginning on January 1, 2025, this bill specifies that the employer trustee with a term ending December 31, 2024, will thereafter be replaced by a person elected by the retirants of the system.

This bill specifies that not more than one trustee elected by the members shall be public safety personnel.

Currently, the employer trustees shall be elected or appointed officials of the employers and shall not be members of the System and no more than one shall be from any one employer. This bill specifies that for terms beginning on or after January 1, 2025, employer trustees shall be either elected or appointed officials of the governing bodies of the employers or executive level employees certified by the governing bodies of the employers, but no more than one trustee shall be from any one employer, and no more than one trustee shall be a policeman, and no more than one trustee shall be a fireman, and no more than one trustee shall be public safety personnel.

Additionally, this bill repeals the requirements on the annual meetings and elections of delegates. Furthermore, this bill states that the elections of the trustees be arranged and managed and conducted by the board.

Finally, this bill specifies that only four trustees constitute a quorum of the board, instead of four trustees consisting of at least two member trustees and two employer trustees (Section 70.605, RSMo).

The bill repeals the provision prohibiting membership for any person who will not become vested prior to retirement eligibility.

This statute is superseded by Federal law (Section 70.630).

The bill modifies the currently used Consumer Price Index measure to authorize the board to chose which measure will be used (Section 70.655).

The bill changes the window for transfer of member contributions for non-vested members to the income expense fund from three years to 10 years to make it consistent with current administrative practice (Section 70.690).

The bill allows certain deliberations on investments or other financial records to be conducted in a closed meeting if such decisions would jeopardize the ability to implement a decision or achieve investment objectives (Section 70.745).

The bill repeals a requirement for investment counselor's to be registered as an investment advisor with the United States Securities and Exchange Commission (Section 70.746).

The bill removes a restriction on investments on real-estate investments to be not more than one tenth of the total investment (Section 70.747).

The bill provides clarification language to allow the pooling of assets only for investment purposes for legacy plans and current LAGERS staff plans (Section 70.748).

This bill specifies that the Board of Trustees of the Firemen's Retirement System of St. Louis shall not be prevented from simultaneously acting as the trustees of any other pension plan that provides retirement, disability, and death benefits for firefighters employed by St. Louis City.

Additionally, the administration of the other plan includes the ability of the Board to establish rules and regulations for the administration of the plan's funds and for the transaction of the plan's business. The Board maintains separate records of all proceedings of the pension plan.

Furthermore, this bill specifies that the Board of Trustees shall have the authority and discretion to invest funds of the other pension plan in property of any kind. The Board may choose to invest the funds of the Firemen's Retirement System of St. Louis and the funds of the plan in the same investments if the amounts invested and the gains, profits, or losses are accounted for separately. No benefits due from the pension plan are paid from the funds of the System and the board of alderman of the City of St. Louis may adopt ordinances to govern the pensions of firefighters and covered dependents in other pension plans simultaneously administered by the board of trustees.

Additionally, this bill specifies that no expenses incurred by the Board in the administration of the other pension plan or in the investment of the other pension plan's funds be paid by the funds

of the System (Sections 87.140, 87.145, 87.155, 87.260, and 87.350).

The bill modifies the current definition of "earnable compensation" for the St. Louis Police Retirement System. The bill requires that such compensation not include funds received by a member through a judgment or settlement of a legal action if such funds are intended to retroactively compensate for a salary differential between the member's actual rank and the rank such member claims he or she should have received (Section 86.200).

Currently, an investment fiduciary has to discharge his or her duties relating to the investment, reinvestment, and management of the assets of the system for the participants, based upon certain specified standards.

This bill includes additional standards and provides that the investment fiduciary not consider environmental, social, or governance characteristics in a manner that overrides his or her fiduciary duties.

Further, the investment fiduciary must not be subject to legislative, regulatory, or other mandates to invest with environmentally, socially, or other noneconomically motivated influence unless they are consistent with the fiduciary's responsibilities, or divest from any direct holdings as specified in the bill.

The bill provides for voting of all shares of common stock solely to further the economic interest of the plan participants and prohibits voting to further noneconomic environmental, social, political, ideological, or other goals. The bill also specifies the methods for voting by proxy and that an investment fiduciary must not be prohibited from closing records related to information in connection with investments in or financial transactions with business entities (Sections 105.688 and 105.692).

This bill increases an individual's income tax adjustments related to private pensions in the following manner:

- (1) Single, Head of Household -- increases from \$25,000 to \$50,000;
- (2) Married Filing Combined -- increases from \$32,000 to \$64,000; and
- (3) Married Filing Separate -- increases from \$16,000 to \$32,600

This bill increases the maximum amount to be subtracted from a taxpayer's adjusted gross income for tax years beginning on or after January 1, 2025, to the first \$12,000 of any retirement allowance received from any privately funded sources. The previous maximum was \$6,000 (Section 143.124).

Currently, a retired member, except for those retired due to disability, of the Public School Retirement System (PSRS) may work after retirement in a certified position with a covered employer without discontinuance of his or her retirement benefits if the member does not exceed 550 hours of work each school year and 50% of the annual compensation to the person who last held the position. This bill specifies that the member, including those retired due to disability, may earn up to 50% of the annual compensation to the person who last held the position or 50% of the limit set by the employer's school board for the position if submitted and approved by the Board of Trustees.

Currently, if a member of PSRS or the Public Education Employee Retirement System (PEERS) is in excess of the limitations, the member is not eligible to receive the retirement allowance for any month so employed. This bill provides that either member shall not be eligible to receive the retirement allowance for any month so employed or the retirement system shall recover the amount earned in excess of the limitations, whichever is less (Sections 169.070, 169.560, and 169.660.)

The bill includes language from HB 2657, SS#2 SCS SB 727, HB 2288 (2024), HB 1980, and HB 1937.

PROPOSERS: Supporters say that this bill includes positive changes for the public retirement systems in the state that have been approved by each specific system's board of trustees. The ability of boards to be flexible and modernize is greatly appreciated and allows for a better return on investments. This is language that multiple groups have vetted and come to an agreement on and specifically in regards to the provisions related to teacher retirement this bill will increase the retention of a desperately needed workforce and provide a common sense approach to teacher shortages.

Testifying in person for the bill were Senator Black; Missouri Lagers; St Louis Police Retirement System; PSRS/PEERS; Missouri State Teachers Association; Arnie C. Dienoff; Missouri NEA; and the Missouri Retired Teachers Association.

OPPOSERS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.