AN ACT

To repeal section 104.1003, RSMo, and to enact in lieu thereof two new sections relating to state employee retirement systems.

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

Section A. Section 104.1003, RSMo, is repealed and two new sections enacted in lieu thereof, to be known as sections 104.1003 and 104.1094, to read as follows:

104.1003. 1. Unless a different meaning is plainly required by the context, the following words and phrases as used in sections 104.1003 to 104.1093 shall mean:

(1) "Act", the year 2000 plan created by sections 104.1003 to 104.1093;

(2) "Actuary", an actuary who is experienced in retirement plan financing and who is either a member of the American Academy of Actuaries or an enrolled actuary under the Employee Retirement Income Security Act of 1974;

(3) "Annuity", annual benefit amounts, paid in equal monthly installments, from funds provided for in, or authorized by, sections 104.1003 to 104.1093;

(4) "Annuity starting date" means the first day of the first month with respect to which an amount is paid as an annuity pursuant to sections 104.1003 to 104.1093;

(5) "Beneficiary", any persons or entities entitled to receive an annuity or other benefit pursuant to sections 104.1003 to 104.1093 based upon the employment record of another person;

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.
(7) "Closed plan", a benefit plan created pursuant to this chapter and administered by a system prior to July 1, 2000. No person first employed on or after July 1, 2000, shall become a member of the closed plan, but the closed plan shall continue to function for the benefit of persons covered by and remaining in the closed plan and their beneficiaries;

(8) "Consumer price index", the Consumer Price Index for All Urban Consumers for the United States, or its successor index, as approved by the board, as such index is defined and officially reported by the United States Department of Labor, or its successor agency;

(9) "Credited service", the total credited service to a member's credit as provided in sections 104.1003 to [104.1093] 104.1094; except that in no case shall more than one day of credited service be credited to any member or vested former member for any one calendar day of eligible credit as provided by law;

(10) "Department", any department or agency of the executive, legislative, or judicial branch of the state of Missouri receiving state appropriations, including allocated funds from the federal government but not including any body corporate or politic unless its employees are eligible for retirement coverage from a system pursuant to this chapter as otherwise provided by law;

(11) "Early retirement eligibility", a member's attainment of fifty-seven years of age and the completion of at least five years of credited service;

(12) "Effective date", July 1, 2000;

(13) "Employee" shall be any person who is employed by a department and is paid a salary or wage by a department in a position normally requiring the performance of duties of not less than one thousand forty hours per year, provided:

(a) The term "employee" shall not include any patient or inmate of any state, charitable, penal or correctional institution, or any person who is employed by a department in a position that is covered by a state-sponsored defined benefit retirement plan not created by this chapter;

(b) The term "employee" shall be modified as provided by other provisions of sections 104.1003 to [104.1093] 104.1094;

(c) The system shall consider a person who is employed in multiple positions simultaneously within a single agency to be working in a single position for purposes of determining whether the person is an employee as defined in this subdivision;
(d) Beginning September 1, 2001, the term "year" as used in this subdivision shall mean the twelve-month period beginning on the first day of employment;

(e) The term "employee" shall include any person as defined under paragraph (b) of subdivision (21) of subsection 1 of section 104.010 who is first employed on or after July 1, 2000, but prior to August 28, 2007;

(14) "Employer", a department;

(15) "Executive director", the executive director employed by a board established pursuant to the provisions of sections 104.1003 to 104.1094;

(16) "Final average pay", the average pay of a member for the thirty-six full consecutive months of service before termination of employment when the member's pay was greatest; or if the member was on workers' compensation leave of absence or a medical leave of absence due to an employee illness, the amount of pay the member would have received but for such leave of absence as reported and verified by the employing department; or if the member was employed for less than thirty-six months, the average monthly pay of a member during the period for which the member was employed. The board of each system may promulgate rules for purposes of calculating final average pay and other retirement provisions to accommodate for any state payroll system in which pay is received on a monthly, semimonthly, biweekly, or other basis;

(17) "Fund", a fund of the year 2000 plan established pursuant to sections 104.1003 to 104.1094;

(18) "Investment return", or "interest", rates as shall be determined and prescribed from time to time by a board;

(19) "Member", a person who is included in the membership of the system, as set forth in section 104.1009;

(20) "Normal retirement eligibility", a member's attainment of at least sixty-two years of age and the completion of at least five or more years of credited service or, the attainment of at least forty-eight years of age with a total of years of age and years of credited service which is at least eighty or, in the case of a member of the highway patrol who shall be subject to the mandatory retirement provisions of section 104.080, the mandatory retirement age and completion of five years of credited service or, the attainment of at least forty-eight years of age with a total of years of age and years of credited service which is at least eighty;

(21) "Pay" shall include:
(a) All salary and wages payable to an employee for personal services performed for a department; but excluding:

a. Any amounts paid after an employee's employment is terminated, unless the payment is made as a final installment of salary or wages at the same rate as in effect immediately prior to termination of employment in accordance with a state payroll system adopted on or after January 1, 2000;

b. Any amounts paid upon termination of employment for unused annual leave or unused sick leave;

c. Pay in excess of the limitations set forth in Section 401(a)(17) of the Internal Revenue Code of 1986 as amended and other applicable federal laws or regulations;

d. Any nonrecurring single sum payments; and

e. Any amounts for which contributions have not been made in accordance with section 104.1066;

(b) All salary and wages which would have been payable to an employee on workers' compensation leave of absence during the period the employee is receiving a weekly workers' compensation benefit, as reported and verified by the employing department;

(c) All salary and wages which would have been payable to an employee on a medical leave due to employee illness, as reported and verified by the employing department;

(d) For purposes of members of the general assembly, pay shall be the annual salary provided to each senator and representative pursuant to section 21.140, plus any salary adjustment pursuant to section 21.140;

(22) "Retiree", a person receiving an annuity from the year 2000 plan based upon the person's employment record;

(23) "State", the state of Missouri;

(24) "System" or "retirement system", the Missouri state employees' retirement system or the Missouri department of transportation and highway patrol employees' retirement system, as the case may be;

(25) "Vested former member", a person entitled to receive a deferred annuity pursuant to section 104.1036;

(26) "Year 2000 plan", the benefit plan created by sections 104.1003 to [104.1093] 104.1094.

2. Benefits paid under the provisions of this chapter shall not exceed the limitations of Internal Revenue Code Section 415, the provisions of which are
128 hereby incorporated by reference. Notwithstanding any other law to the contrary, the board of trustees may establish a benefit plan under Section 415(m) of the Internal Revenue Code of 1986, as amended. Such plan shall be created solely for the purposes described in Section 415(m)(3)(A) of the Internal Revenue Code of 1986, as amended. The board of trustees may promulgate regulations necessary to implement the provisions of this subsection and to create and administer such benefit plan.

104.1094. 1. Notwithstanding any provision of the year 2000 plan to the contrary, each person who first becomes an employee on or after January 1, 2018, shall be a member of the year 2000 plan subject to the provisions of subsections 1 to 15 of this section. The provisions of section 104.1091 shall not apply to such member. Notwithstanding any provision of the law to the contrary, each person who becomes an employee on or after January 1, 2018, who was previously employed and covered by section 104.1091 but terminated employment shall be a member of the year 2000 plan subject to the provisions of subsections 1 to 15 of this section if the former employee either is not entitled to receive a deferred annuity or has received a refund of the former employee's contributions. The provisions of section 104.1091 shall no longer apply to such member.

2. A member's normal retirement eligibility shall be as follows:

   (1) The member's attainment of at least age sixty-seven and the completion of at least ten years of credited service; or the member's attainment of at least age fifty-five with the sum of the member's age and credited service equaling at least ninety;

   (2) For members of the general assembly, the member's attainment of at least age sixty-two and the completion of at least three full biennial assemblies; or the member's attainment of at least age fifty-five with the sum of the member's age and credited service equaling at least ninety; or

   (3) For statewide elected officials, the official's attainment of at least age sixty-two and the completion of at least four years of credited service; or the official's attainment of at least age fifty-five with the sum of the official's age and credited service equaling at least ninety.

3. A vested former member's normal retirement eligibility shall be based on the attainment of at least age sixty-seven and the completion of at least ten years of credited service.
4. For purposes of calculating the life annuity provided under subsection 2 of section 104.1024 for members covered by this section, such life annuity shall be an amount for life equal to one percent of the final average pay of the member multiplied by the member's years of credited service.

5. For purposes of calculating the normal retirement annuity provided under subsection 2 of section 104.1084 for members of the general assembly covered by this section, such normal retirement annuity shall be an amount for life equal to one forty-eighth of the monthly pay for a senator or representative on the annuity starting date multiplied by the years of credited service as a member of the general assembly. In no event shall any such member or eligible beneficiary receive annuity amounts in excess of fifty percent of pay.

6. For purposes of calculating the normal retirement annuity provided under subsection 5 of section 104.1084 for statewide elected officials covered by this section, such normal retirement annuity shall be an amount for life equal to one forty-eighth of the monthly pay in the highest office held by such member on the annuity starting date multiplied by the years of credited service as a statewide elected official. In no event shall any such member or eligible beneficiary receive annuity amounts in excess of twenty-five percent of pay.

7. For purposes of calculating the cost of living adjustment (COLA) provided under section 104.1045 for members covered by this section, such COLA shall not be more than two percent rather than the five percent limitation otherwise stipulated under section 104.1045.

8. A temporary annuity paid under subsection 4 of section 104.1024 shall be payable if the member has attained at least age fifty-five with the sum of the member's age and credited service equaling at least ninety.

9. A member shall be eligible for an early retirement annuity upon the attainment of at least age sixty-two and the completion of at least ten years of credited service. A vested former member shall not be eligible for early retirement.

10. The provisions of subsection 6 of section 104.1021, section 104.344 as applied under subsection 7 of section 104.1021, and sections 104.1090 and 105.691 shall not apply to members covered by subsections 1 to 13 of this section.
11. A member shall be required to contribute four percent of the member's pay to the retirement system, which shall stand to the member's credit in his or her individual account with the system, together with investment credits thereon, for purposes of funding retirement benefits payable under the year 2000 plan, subject to the following provisions:

(1) The state of Missouri employer, under the provisions of 26 U.S.C. Section 414(h)(2), shall pick up and pay the contributions that would otherwise be payable by the member under this subsection. The contributions so picked up shall be treated as employer contributions for purposes of determining the member's pay that is includable in the member's gross income for federal income tax purposes;

(2) Member contributions picked up by the employer shall be paid from the same source of funds used for the payment of pay to a member. A deduction shall be made from each member's pay equal to the amount of the member's contributions picked up by the employer. This deduction, however, shall not reduce the member's pay for purposes of computing benefits under the retirement system under this chapter;

(3) Member contributions so picked up shall be credited to a separate account within the member's individual account so that the amounts contributed under this subsection may be distinguished from the amounts contributed on an after-tax basis;

(4) The contributions, although designated as employee contributions, shall be paid by the employer in lieu of the contributions by the member. The member shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the retirement system;

(5) Interest shall be credited annually on June thirtieth based on the value in the account as of July first of the immediately preceding year at a rate equal to the investment rate that is published by the United States Department of Treasury, or its successor agency, for fifty-two week treasury bills for the relevant auction that is nearest to the preceding July first or a successor treasury bill investment rate as approved by the board if the fifty-two week treasury bill is no longer issued. Interest credits shall cease upon termination of employment if the member is not a vested former member. Otherwise, interest credits
shall cease upon retirement or death;

(6) A vested former member or a former member who is not vested may request a refund of his or her contributions and interest credited thereon. If such member is married at the time of such request, the request shall not be processed without consent from the spouse. Such member is not eligible to request a refund if such member's retirement benefit is subject to a division of benefit order under section 104.1051. Such refund shall be paid by the system after ninety days from the date of termination of employment or the request, whichever is later, and shall include all contributions made to any retirement plan administered by the system and interest credited thereon. A vested former member shall not request a refund after such member becomes eligible for normal retirement. A former member, vested or not vested, who receives a refund shall forfeit all the member's credited service and future rights to receive benefits from the system and shall not be eligible to receive any long-term disability benefits, provided that any member or vested former member receiving long-term disability benefits shall not be eligible for a refund. If such member subsequently becomes an employee and works continuously for at least one year, the credited service previously forfeited shall be restored if the member returns to the system the amount previously refunded plus interest at a rate established by the board; and

(7) The beneficiary of any member who made contributions shall receive a refund upon the member's death equal to the amount, if any, of such contributions and interest credited thereon less any retirement benefits received by the member unless an annuity is payable to a survivor or beneficiary as a result of the member's death. In that event, the beneficiary of the survivor or beneficiary who received the annuity shall receive a refund upon the survivor's or beneficiary's death equal to the amount, if any, of the member's contributions less any annuity amounts received by the member and the survivor or beneficiary.

12. The employee contribution rate, the benefits provided under the year 2000 plan to members covered under subsections 1 to 13 of this section, and any other provision of the year 2000 plan with regard to members covered by this section may be altered, amended, increased, decreased, or repealed, but only with respect to services rendered by
the member after the effective date of such alteration, amendment, increase, decrease, or repeal, or, with respect to interest credits, for periods of time after the effective date of such alteration, amendment, increase, decrease, or repeal.

13. For purposes of members covered under subsections 1 to 13 of this section, the options under section 104.1027 shall be as follows:

   Option 1. A retiree's life annuity shall be reduced to a certain percentage of the annuity otherwise payable. Such percent shall be eighty-eight and one-half percent adjusted as follows:

   (1) If the retiree's age on the annuity starting date is younger than sixty-seven years, an increase of three-tenths of one percent for each year the retiree's age is younger than age sixty-seven years;

   (2) If the beneficiary's age is younger than the retiree's age on the annuity starting date, a decrease of three-tenths of one percent for each year of age difference; and

   (3) If the retiree's age is younger than the beneficiary's age on the annuity starting date, an increase of three-tenths of one percent for each year of age difference; provided, after all adjustments, the option 1 percentage cannot exceed ninety-four and one-quarter percent. Upon the retiree's death, fifty percent of the retiree's reduced annuity shall be paid to such beneficiary who was the retiree's spouse on the annuity starting date or as otherwise provided under subsection 5 of this section.

   Option 2. A retiree's life annuity shall be reduced to a certain percentage of the annuity otherwise payable. Such percentage shall be eighty-one percent adjusted as follows:

   (1) If the retiree's age on the annuity starting date is younger than sixty-seven years, an increase of four-tenths of one percent for each year the retiree's age is younger than sixty-seven years;

   (2) If the beneficiary's age is younger than the retiree's age on the annuity starting date, a decrease of five-tenths of one percent for each year of age difference; and

   (3) If the retiree's age is younger than the beneficiary's age on the annuity starting date, an increase of five-tenths of one percent for each year of age difference; provided, after all adjustments, the option 2 percentage cannot exceed eighty-seven and three-quarters percent. Upon the retiree's death, one
hundred percent of the retiree's reduced annuity shall be paid to such
beneficiary who was the retiree's spouse on the annuity starting date
or as otherwise provided under subsection 5 of this section.

Option 3. A retiree's life annuity shall be reduced to ninety-three
percent of the annuity otherwise payable. If the retiree dies before
having received one hundred twenty monthly payments, the reduced
annuity shall be continued for the remainder of the one-hundred-
twenty-month period to the retiree's designated beneficiary provided
that if there is no beneficiary surviving the retiree, the present value
of the remaining annuity payments shall be paid as provided under
subsection 3 of section 104.620. If the beneficiary survives the retiree
but dies before receiving the remainder of such one hundred twenty
monthly payments, the present value of the remaining annuity
payments shall be paid as provided under subsection 3 of section
104.620.

Option 4. A retiree's life annuity shall be reduced to eighty-six
percent of the annuity otherwise payable. If the retiree dies before
having received one hundred eighty monthly payments, the reduced
annuity shall be continued for the remainder of the one-hundred-
eighty-month period to the retiree's designated beneficiary, provided
that if there is no beneficiary surviving the retiree, the present value
of the remaining annuity payments shall be paid as provided under
subsection 3 of section 104.620. If the beneficiary survives the retiree
but dies before receiving the remainder of such one hundred eighty
monthly payments, the present value of the remaining annuity
payments shall be paid as provided under subsection 3 of section
104.620.

14. In any plan year that the plan's actuary determines that the
funded ratio of the most recent periodic actuarial valuation is at least
ninety percent, beginning January first of the following plan year and
all plan years thereafter, the credited service requirement for
retirement eligibility in subdivision (1) of subsection 2 and subsections
3 and 9 of this section shall decrease from ten years to five years for
current members employed on that date or new members employed on
or after that date.

15. The provisions under subsection 6 of section 104.1024 shall
not apply to members covered by subsections 1 to 15 of this
section. The normal and early retirement eligibility requirements under this section shall apply for purposes of administering section 104.1087.

16. Notwithstanding any provision of law to the contrary and in addition to the benefits provided under the year 2000 plan as modified by this section, members covered under subsections 1 to 15 of this section shall participate in the deferred compensation program established under section 105.927, subject to the additional provisions of this subsection. In addition to any contribution on behalf of such participants under section 105.927, the contribution rate for such plan shall be as follows:

(1) The employer contribution rate shall be equal to three percent of payroll;

(2) The participant contribution rate shall be equal to one percent of the participant's pay;

(3) Employers, under the provisions of 26 U.S.C. Section 414(h)(2), shall pick up and pay the contributions that would otherwise be payable by a participant under this subsection. The contributions so picked up shall be treated as employer contributions for purposes of determining the participant's pay that is includable in the participant's gross income for federal income tax purposes;

(4) Participant contributions picked up by the employer shall be paid from the same source of funds used for the payment of pay to a participant. A deduction shall be made from each participant's pay equal to the amount of the participant's contributions picked up by the employer;

(5) Participant contributions so picked up shall be credited to a separate account within the participant's individual account; and

(6) The contributions so picked up, although designated as participant contributions, shall be paid by the employer in lieu of the contributions by the participant. The participant shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the deferred compensation program.

17. The provisions of this section shall not apply to uniformed members of the highway patrol.