

SECOND REGULAR SESSION

[P E R F E C T E D]

SENATE BILL NO. 975

90TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR DePASCO.

Read 1st time February 7, 2000, and 1,000 copies ordered printed.

Read 2nd time February 14, 2000, and referred to the Committee on Pensions and General Laws.

Reported from the Committee February 22, 2000, with recommendation that the bill do pass and be placed on the Consent Calendar.

Taken up March 6, 2000. Read 3rd time and placed upon its final passage; bill passed.

TERRY L. SPIELER, Secretary.

4190S.01P

AN ACT

To repeal section 169.280, RSMo 1994, and sections 160.420, 169.270, 169.291, 169.315 and 169.324, RSMo Supp. 1999, relating to teacher and school retirement systems, and to enact in lieu thereof six new sections relating to the same subject.

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

Section A. Section 169.280, RSMo 1994, and sections 160.420, 169.270, 169.291, 169.315 and 169.324, RSMo Supp. 1999, are repealed and six new sections enacted in lieu thereof, to be known as sections 160.420, 169.270, 169.280, 169.291, 169.315 and 169.324, to read as follows:

160.420. 1. If a charter school offers to retain the services of an employee of a school district, and the employee accepts a position at the charter school, the contract between the charter school and the school district may provide that an employee at the employee's option may remain an employee of the district and the charter school shall pay to the district the district's full costs of salary and benefits provided to the employee. A teacher who accepts a position at a charter school and opts to remain an employee of the district retains such teacher's permanent teacher status and seniority rights in the district. The school district shall not be liable for any such employee's acts while an employee of the charter school.

2. A charter school may employ noncertificated instructional personnel; provided that no more than twenty percent of the full-time equivalent instructional staff positions at the school are filled by noncertificated personnel. All noncertified instructional personnel shall be supervised by certified instructional personnel. The charter school shall ensure that all instructional employees of the charter school have experience, training and skills appropriate to the instructional duties of the employee, and the charter school shall ensure that a criminal

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

background check and child abuse registry check are conducted for each employee of the charter school prior to the hiring of the employee. Appropriate experience, training and skills of noncertificated instructional personnel shall be determined considering:

- (1) Teaching certificates issued by another state or states;
- (2) Certification by the National Standards Board;
- (3) College degrees in the appropriate field;
- (4) Evidence of technical training and competence when such is appropriate; and
- (5) Level of supervision and coordination with certificated instructional staff.

3. Personnel employed by the charter school shall participate in the retirement system of the school district in which the charter school is located, subject to the same terms, conditions, requirements and other provisions applicable to personnel employed by the school district. **For purposes of participating in the retirement system, the charter school shall be considered to be a public school within the school district and personnel employed by the charter school shall be public school employees. In the event of a lapse of the school district's corporate organization as described in subsections 1 and 4 of section 162.081, RSMo, personnel employed by the charter school shall continue to participate in the retirement system and shall do so on the same terms, conditions, requirements and other provisions as they participated prior to the lapse period.**

169.270. Unless a different meaning is clearly required by the context, the following words and phrases as used in sections 169.270 to 169.400 shall have the following meanings:

(1) "Accumulated contributions", the sum of all amounts deducted from the compensation of a member or paid on behalf of the member by the employer and credited to the member's individual account together with interest thereon in the employees' contribution fund. The board of trustees shall determine the rate of interest allowed thereon as provided for in section 169.295;

(2) "Actuarial equivalent", a benefit of equal value when computed upon the basis of formulas and/or tables which have been approved by the board of trustees;

(3) "Average final compensation", the highest average annual compensation received for any four consecutive years of service. In determining whether years of service are "consecutive", only periods for which creditable service is earned shall be considered, and all other periods shall be disregarded;

(4) "Beneficiary", any person designated by a member for a retirement allowance or other benefit as provided by sections 169.270 to 169.400;

(5) "Board of education", the board of directors or corresponding board, by whatever name, having charge of the public schools of the school district in which the retirement system is established;

(6) "Board of trustees", the board provided for in section 169.291 to administer the retirement system;

(7) "Break in service", an occurrence when a regular employee ceases to be a regular employee for any reason (including termination of employment, resignation, retirement or furlough but not including vacation, sick leave, excused absence or leave of absence granted by an employer) and such person does not again become a regular employee until after fifteen consecutive school or work days have elapsed. A "school or work day" is a day on which the employee's employer requires (or if the position no longer exists, would require, based on past practice) employees having the former employee's last job description to report to their place of employment for any reason;

(8) "Charter school", any charter school established pursuant to sections 160.400 to 160.420, RSMo, and located, at the time it is established, within the school district;

(9) "Compensation", the regular compensation as shown on the salary and wage schedules of the employer plus any amounts paid by the employer on a member's behalf pursuant to subdivision (5) of subsection 1 of section 169.350, but such term is not to include extra pay, overtime pay, consideration for entering into early retirement, or any other payments not included on salary and wage schedules. For any year beginning after December 31, 1988, the annual compensation of each member taken into account under the retirement system shall not exceed the limitation set forth in Section 401(a)(17) of the Internal Revenue Code of 1986, as amended;

[(9)] **(10)** "Creditable service", the amount of time that a regular employee is a member of the retirement system and makes contributions thereto in accordance with the provisions of sections 169.270 to 169.400;

(11) "Employee", any person who is classified by the school district, a charter school, the library district, or the retirement system established by section 169.280 as an employee of such employer and is reported contemporaneously for federal and state tax purposes as an employee of such employer. A person is not considered to be an employee for purposes of said retirement system with respect to any service for which the person was not reported contemporaneously for federal and state tax purposes as an employee of such employer, whether or not the person is or may later be determined to be or to have been a common law employee of such employer, including but not limited to persons classified by the employer as independent contractors and persons employed by other entities which contract to provide staff and services to the employer. In no event shall a person reported for federal tax purposes as an employee of a private, for-profit entity be deemed to be an employee eligible to participate in the retirement system established by section 169.280 with respect to such employment;

[(10)] **(12)** "Employer", the school district, **a charter school**, the library district, or the retirement system established by section 169.280, or any combination thereof, as required by the context to identify the [common law] employer of any member, or, for purposes only of subsection 2 of section 169.324, of any retiree;

[(11)] **(13)** "Employer's board", the board of education, **the governing board of any charter school**, the board of trustees of the library district, the board of trustees, or any combination thereof, as required by the context to identify the governing body of an employer;

[(12)] **(14)** "Library district", any urban public library district created from or within a school district under the provisions of section 182.703, RSMo;

[(13)] **(15)** "Medical board", the board of physicians provided for in section 169.291;

[(14)] **(16)** "Member", any person who is a regular employee after the retirement system has been established hereunder ("active member"), and any person who (i) was an active member, (ii) has vested retirement benefits hereunder, and (iii) is not receiving a retirement allowance hereunder ("inactive member");

[(15)] **(17)** "Minimum normal retirement age", the earlier of the member attaining the age of sixty or has a total of at least seventy-five credits, with each year of creditable service, and prorated for fractional years, equal to one credit and each year of age, and prorated for fractional years, equal to one credit;

[(16)] **(18)** "Prior service", service prior to the date the system becomes operative which is creditable in accordance with the provisions of section 169.311. Prior service in excess of thirty-eight years shall be considered thirty-eight years;

[(17)] **(19)** "Regular employee", any [person employed by the school district, the library district, or the retirement system] **employee** who is assigned to an established position which requires [a] service of not less than five hours per day, five days per week, and not less than nine calendar months a year. Any regular employee who is subsequently assigned without break in service to a position demanding less service than is required of a regular employee shall continue the employee's status as a regular employee. However, a temporary, part-time or furloughed employee is not a regular employee;

[(18)] **(20)** "Retirant", a former member receiving a retirement allowance hereunder;

[(19)] **(21)** "Retirement allowance", annuity payments to a retirant or to such beneficiary as is entitled to same;

[(20)] **(22)** "School district", any school district in which a retirement system shall be established under section 169.280.

169.280. 1. In each school district of this state (i) that now has or may hereafter have a population of not more than seven hundred thousand and (ii) not less than seventy percent of whose population resides in a city other than a city not within a county which now has or may hereafter have a population of four hundred thousand or more, according to the latest United States decennial census, there is hereby created and established a retirement system for the purpose of providing retirement allowances and related benefits for employees of the employer. Each such system shall be under the management of a board of trustees herein described, and shall be known as "The Public School Retirement System of (name of school

district)", and by such name all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other property held. When a school district first satisfies the foregoing population conditions, the board of education shall adopt a resolution certifying the same and take all actions necessary to cause the retirement system to begin operation on the thirtieth day of September following such certification.

2. In the event that (i) the population of a school district having a retirement system created hereunder should increase to a number greater than seven hundred thousand, or (ii) the population of the city in which not less than seventy percent of the population of the school district resides should decrease to a number less than four hundred thousand, or (iii) less than seventy percent of the population of the school district should reside in a city having a population of at least four hundred thousand, **or (iv) the corporate organization of the school district shall lapse in accordance with subsections 1 and 4 of section 162.081**, the retirement system of such school district shall continue to be governed by and subject to sections 169.270 to 169.400 and all other statutes, rules, and regulations applicable to retirement systems in school districts having a population of not more than seven hundred thousand and not less than seventy percent of whose population resides in a city, other than a city not within a county, of four hundred thousand or more, as if the population of such school district and city continued to be within such numerical limits.

169.291. 1. The general administration and the responsibility for the proper operation of the retirement system are hereby vested in a board of trustees of, **except as provided in subsection 3 of this section**, twelve persons who shall be resident taxpayers of the school district, as follows:

(1) Four trustees to be appointed for terms of four years by the board of education; provided, however, that the terms of office of the first four trustees so appointed shall begin immediately upon their appointment and shall expire one, two, three and four years from the date the retirement system becomes operative, respectively;

(2) Four trustees to be elected for terms of four years by and from the members of the retirement system; provided, however, that the terms of office of the first four trustees so elected shall begin immediately upon their election and shall expire one, two, three and four years from the date the retirement system becomes operative, respectively;

(3) The ninth trustee shall be the superintendent of schools of the school district;

(4) The tenth trustee shall be one retirant of the retirement system elected for a term of four years beginning the first day of January immediately following August 13, 1986, by the retirants of the retirement system;

(5) The eleventh trustee shall be appointed for a term of four years beginning the first day of January immediately following August 13, 1990, by the board of trustees described in subdivision (3) of section 182.701, RSMo;

(6) The twelfth trustee shall be a retirant of the retirement system elected for a term of four years beginning the first day of January immediately following August 28, 1992, by the retirants of the retirement system.

2. If a vacancy occurs in the office of a trustee, the vacancy shall be filled for the unexpired term in the same manner as the office was previously filled, except that the board of trustees may appoint a qualified person to fill the vacancy in the office of an elected member until the next regular election at which time a member shall be elected for the unexpired term. **No vacancy or vacancies on the board of trustees shall impair the power of the remaining trustees to administer the retirement system pending the filling of such vacancy or vacancies.**

3. In the event of a lapse of the school district's corporate organization as described in subsections 1 and 4 of section 162.081, RSMo, the general administration and the responsibility for the proper operation of the retirement system shall continue to be vested in a twelve person board of trustees who shall be resident taxpayers of the city of Kansas City, Missouri and, in the event of vacancies occurring in the offices of the four trustees appointed, prior to the lapse, by the board of education and the office of trustee held, prior to the lapse, by the superintendent of schools of the school district, all as provided in subdivisions (1) and (3) of subsection 1 of this section, the board of trustees shall appoint a qualified person to fill each vacancy and subsequent vacancies in the office of trustees for terms of up to four years, as determined by the board of trustees.

[3.] **4.** Each trustee shall, before assuming the duties of a trustee, take the oath of office before the court of the judicial circuit or one of the courts of the judicial circuit in which the school district is located that so far as it devolves upon the trustee, such trustee shall diligently and honestly administer the affairs of the board of trustees and that the trustee will not knowingly violate or willingly permit to be violated any of the provisions of the law applicable to the retirement system. Such oath shall be subscribed to by the trustee making it and filed in the office of the clerk of the circuit court.

[4.] **5.** Each trustee shall be entitled to one vote in the board of trustees. Seven trustees shall constitute a quorum at any meeting of the board of trustees. At any meeting of the board of trustees where a quorum is present, the vote of at least seven of the trustees in support of a motion, resolution or other matter is necessary to be the decision of the board.

[5.] **6.** The board of trustees shall have exclusive original jurisdiction in all matters relating to or affecting the funds herein provided for, including, in addition to all other matters, all claims for benefits or refunds, and its action, decision or determination in any matter shall be reviewable in accordance with chapter 536, RSMo, or chapter 621, RSMo. Subject to the limitations of sections 169.270 to 169.400, the board of trustees shall, from time to time, establish rules and regulations for the administration of funds of the retirement system, for the transaction

of its business, and for the limitation of the time within which claims may be filed.

[6.] 7. The trustees shall serve without compensation. The board of trustees shall elect from its membership a chairman and a vice chairman. The board of trustees shall appoint an executive director who shall serve as the administrative officer of the retirement system and as secretary to the board of trustees. It shall employ one or more persons, firms or corporations experienced in the investment of moneys to serve as investment counsel to the board of trustees. The compensation of all persons engaged by the board of trustees and all other expenses of the board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the board of trustees shall approve, and shall be paid from the investment income.

[7.] 8. The board of trustees shall keep in convenient form such data as shall be necessary for actuarial valuations of the various funds of the retirement system and for checking the experience of the system.

[8.] 9. The board of trustees shall keep a record of all its proceedings which shall be open to public inspection. It shall prepare annually and furnish to the board of education and to each member of the retirement system who so requests a report showing the fiscal transactions of the retirement system for the preceding fiscal year, the amount of accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities of the retirement system.

[9.] 10. The board of trustees shall have, in its own name, power to sue and to be sued, to enter into contracts, to own property, real and personal, and to convey the same; but the members of such board of trustees shall not be personally liable for obligations or liabilities of the board of trustees or of the retirement system.

[10.] 11. The board of trustees shall arrange for necessary legal advice for the operation of the retirement system.

[11.] 12. The board of trustees shall designate a medical board to be composed of three physicians who shall not be eligible for membership in the system and who shall pass upon all medical examinations required under the provisions of sections 169.270 to 169.400, shall investigate all essential statements and certificates made by or on behalf of a member in connection with an application for disability retirement and shall report in writing to the board of trustees its conclusions and recommendations upon all matters referred to it.

[12.] 13. The board of trustees shall designate an actuary who shall be the technical advisor of the board of trustees on matters regarding the operation of the retirement system and shall perform such other duties as are required in connection therewith. Such person shall be qualified as an actuary by membership as a Fellow of the Society of Actuaries or by similar objective standards.

[13.] 14. At least once in each five-year period the actuary shall make an investigation

into the actuarial experience of the members, retirants and beneficiaries of the retirement system and, taking into account the results of such investigation, the board of trustees shall adopt for the retirement system such actuarial assumptions as the board of trustees deems necessary for the financial soundness of the retirement system.

[14.] **15.** On the basis of such actuarial assumptions as the board of trustees adopts, the actuary shall make annual valuations of the assets and liabilities of the funds of the retirement system.

[15.] **16.** The rate of contribution payable by the employer shall equal one and ninety-nine one-hundredths percent, effective July 1, 1993; three and ninety-nine one-hundredths percent, effective July 1, 1995; five and ninety-nine one-hundredths percent, effective July 1, 1996; seven and one-half percent effective January 1, 1999, and for all subsequent years.

17. In the event of a lapse of a school district's corporate organization as described in subsections 1 and 4 of section 162.081, RSMo, no retirement system, nor any of the assets thereof, shall be transferred to or merged with another retirement system without prior approval of such transfer or merger by the board of trustees of the retirement system.

169.315. 1. The board of trustees shall adopt rules and regulations which shall permit members to purchase creditable service under the circumstances provided for in this section. Such rules and regulations shall specify, for each such designated circumstance:

(1) The manner in which the employee contributions required to purchase such service shall be calculated;

(2) The manner in which any employer contributions required for such service shall be calculated;

(3) The maximum amount of service that may be purchased, if any;

(4) The time by which the election to purchase service shall be made and the period over which such contributions shall be paid; and

(5) Any other requirements the member must satisfy in order to be eligible to purchase service in such circumstance. All such rules and regulations shall be applied on a uniform and nondiscriminatory basis so that all members are treated similarly under similar circumstances.

2. Any active member who ceased to be a regular employee and received a refund of contributions and interest attributable to a prior period of service with [the district in which the retirement system is established] **any employer** may, after reemployment as a regular employee and prior to retirement, elect to reinstate any creditable service the member forfeited by purchasing such service in accordance with the rules and regulations adopted by the board of trustees.

3. Any active member who has rendered service in a public school district or public library within the state of Missouri but outside of the district in which the retirement system is

established, or in a college, junior college or university within the state of Missouri may elect to purchase and receive credit for such service in accordance with the rules and regulations adopted by the board of trustees.

4. Any active member who has rendered service in a public school district, public library, college, junior college or university outside the state of Missouri may elect to purchase and receive credit for such service in accordance with the rules and regulations adopted by the board of trustees; provided that, such member shall pay to the retirement system, in addition to all required employee contributions, the required amount of employer contributions, plus interest, for each year of creditable service being purchased.

5. Any active member who was, prior to becoming a member, employed by a private school, college or university on a full-time basis and duly certified under the law governing the certification of teachers during all of such employment may elect to purchase and receive credit for such private school service in accordance with the rules and regulations adopted by the board of trustees; provided that, such member shall pay to the retirement system, in addition to all required employee contributions, the required amount of employer contributions, plus interest, for each year of creditable service being purchased. As used in this section, the term "private school" means a school which is not a part of the public school system of the state of Missouri and which charges tuition for the rendering of elementary, secondary educational or post-secondary educational services.

6. Any active member who, voluntarily or involuntarily, enters service in the armed forces of the United States or other national defense service may, after reemployment and prior to retirement, elect to purchase and receive credit for such military service in accordance with the rules and regulations adopted by the board of trustees and with the laws governing the reemployment rights of veterans.

7. Any active member who is granted a period of approved, unpaid leave of absence by the employer's board for academic study at a college, junior college, university or otherwise, illness or such other circumstances as may be authorized by the board of trustees, may elect to purchase and receive creditable service for such period of leave in accordance with the rules and regulations adopted by the board of trustees.

169.324. 1. The annual service retirement allowance payable pursuant to section 169.320 in equal monthly installments for life shall be the retirant's number of years of creditable service multiplied by one and three-fourths percent of the person's average final compensation, subject to a maximum of sixty percent of the person's average final compensation. For any member retiring on or after June 30, 1999, the annual service retirement allowance payable pursuant to section 169.320 in equal monthly installments for life shall be the retirant's number of years of creditable service multiplied by two percent of the person's average final compensation, subject to a maximum of sixty percent of the person's average final compensation. Any member whose

number of years of creditable service is greater than thirty-four and one-quarter on August 28, 1993, that provides for the foregoing formula for determining the annual service retirement allowance shall receive an annual service retirement allowance payable pursuant to section 169.320 in equal monthly installments for life equal to the retirant's number of years of creditable service as of August 28, 1993, multiplied by one and three-fourths percent of the person's average final compensation but shall not receive a greater annual service retirement allowance based on additional years of creditable service after August 28, 1993, that provides for the foregoing formula for determining the annual service retirement allowance. Provided, however, that, effective January 1, 1996, any retiree who retired on, before or after January 1, 1996, with at least twenty years of creditable service shall receive at least three hundred dollars each month as a retirement allowance, or the actuarial equivalent thereof if the retiree elected any of the options available under section 169.326. Provided, further, any retiree who retired with at least ten years of creditable service shall receive at least one hundred fifty dollars each month as a retirement allowance, plus fifteen dollars for each additional full year of creditable service greater than ten years but less than twenty years (or the actuarial equivalent thereof if the retiree elected any of the options available under section 169.326). Any beneficiary of a deceased retiree who retired with at least ten years of creditable service and elected one of the options available under section 169.326 shall also be entitled to the actuarial equivalent of the minimum benefit provided by this subsection, determined from the option chosen.

2. Except as otherwise provided in sections 169.580 and 169.585, a retirant may not receive a retirement allowance payment in any month for which such person receives remuneration from the person's employer **or from any other employer in the retirement system established by section 169.280** for the performance of services except such person may serve as a nonregular substitute, part-time or temporary employee for not to exceed ~~[five]~~ **six** hundred ~~[thirty]~~ hours in any school year without becoming a member and without having the person's retirement allowance discontinued.

3. The board of trustees shall determine annually whether the investment return on funds of the system can provide for an increase in benefits for retirants eligible for such increase. A retirant shall and will be eligible for an increase awarded pursuant to this section as of the fourth January following the date the retirant commenced receiving retirement benefits. Any such increase shall also apply to any monthly joint and survivor retirement allowance payable to such retirant's beneficiaries, regardless of age. The board shall make such determination as follows:

(1) After determination by the actuary of the investment return for the preceding year as of December thirty-first (the "valuation year"), the actuary shall recommend to the board of trustees what portion of the investment return is available to provide such benefits increase, if any, and shall recommend the amount of such benefits increase, if any, to be implemented as of the first day of the thirteenth month following the end of the valuation year, and the first payable

on or about the first day of the fourteenth month following the end of the valuation year. The actuary shall make such recommendations so as not to affect the financial soundness of the retirement system, recognizing the following safeguards:

(a) The retirement system's funded ratio as of January first of the year preceding the year of a proposed increase shall be at least one hundred percent after adjusting for the effect of the proposed increase. The funded ratio is the ratio of assets to the pension benefit obligation;

(b) The actuarially required contribution rate, after adjusting for the effect of the proposed increase, may not exceed the statutory contribution rate;

(c) The actuary shall certify to the board of trustees that the proposed increase will not impair the actuarial soundness of the retirement system;

(d) A benefit increase, under this section, once awarded, cannot be reduced in succeeding years;

(2) The board of trustees shall review the actuary's recommendation and report and shall, in their discretion, determine if any increase is prudent and, if so, shall determine the amount of increase to be awarded.

4. This section does not guarantee an annual increase to any retiree.

5. Notwithstanding anything contained in this section to the contrary, the amount of the annual service retirement allowance payable to any retiree pursuant to the provisions of sections 169.270 to 169.400, including any adjustments made pursuant to subsection 3 of this section, shall at all times comply with the provisions and limitations of Section 415 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder, the terms of which are specifically incorporated herein by reference.

6. All retirement systems established by the laws of the state of Missouri shall develop a procurement action plan for utilization of minority and women money managers, brokers and investment counselors. Such retirement systems shall report their progress annually to the joint committee on public employee retirement and the governor's minority advocacy commission.

✓