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TO: Senator Crowell

FROM: Emily Kalmer, Staff Attorney

DATE: June 22, 2010

Re: Retirement

As requested, attached is a draft Senate bill relating to retirement.

This draft makes the following changes to the perfected SS/SB 714:

-removes the language regarding the auditor auditing retirement systems every three years (sections 29.212, 56.809, 70.605, 104.190, 104.480, 169.020);

-specifies that the Retirement Investment Board is prohibited from managing investments until the boards of MOSERS and MPERS vote to have the board oversee and manage the assets managed by their systems and modifies language to provide for this opt-in (sections 104.1500.2, 104.1502.1, 104.1506);

-removes the October 1st deadline for the executive directors of MOSERS and MPERS to recommend board members to the governor and the November 1st deadline for the governor to appoint those four members of the board (section 104.1500.3);

-adds members of the MOSERS and MPERS boards to the list of individuals who are prohibited for two years from working for the investment board or having a business relationship with any service provider of the investment board (section 104.1500.6);

-prevents the Public School Retirement System of St. Louis, the Public School Retirement System of Kansas City, any retirement plan established by the Bi-State Development Agency, and any retirement plan established by the Regional Investment District from having the Missouri State Retirement Investment Board manage their investments (section 104.1502.1);

-allows the investment board to administer the deferred compensation fund for state employees and the existing defined contribution plan for the college and university retirement plan that MOSERS currently oversees (section 104.1502.2);

-removes the changes to the Public School Retirement System of Kansas City (section 169.270, 169.280, 169.301, 169.324, 169.328); and

-makes technical changes to certain sections.

Summary:

This act modifies provisions relating to retirement.

This act creates a new retirement plan for any person who becomes a state employee on or after January 1, 2011. To be eligible for normal retirement under this plan, employees will be required to reach age sixty-seven and have at least ten years of service or reach age fifty-five with the sum of the member's age and service equaling at least ninety, uniformed members of the highway patrol with a mandatory retirement age of sixty will be required to reach age sixty or reach age fifty-five with ten years credited service, members of the general assembly will be required to reach age sixty-two and complete at least three full biennial assemblies or reach age fifty-five with the sum of the member's age and service equaling at least ninety, and statewide elected officials will be required to reach age sixty-two and complete at least four years of service or reach age fifty-five with the sum of the official's age and service equaling at least ninety. Employees, except for uniformed members of the highway patrol, are eligible for early retirement at age sixty-two with ten years of service. Employees must work for the state for ten years to vest in the retirement system. Members of this retirement plan will be required to contribute four percent of their pay to the retirement system. Members will not be able to purchase credit in the retirement plan for their past non-federal full-time public employment, their military service, or transfer credit from other public retirement plans. The employee contribution rate, the benefits under the year 2000 plan, and any other provision of the year 2000 plan may be altered, amended, increased, decreased, or repealed, but such change will only apply to service or interest credits after the effective date of the change. Employees under this plan shall not be eligible for the Backdrop option, which provides a lump sum payment at retirement for those working at least two years beyond normal retirement eligibility. (Section 104.1091)

This act also creates the Missouri State Retirement Investment Board. This board may manage the investment of the assets of the Missouri State Employees Retirement System (MOSERS) and the Missouri Department of Transportation and Highway Patrol Employees Retirement System (MPERS). The board may also administer the deferred compensation plan for state employees and the existing college and university defined contribution plan. Other Missouri public pension systems may upon approval of the system or plan and approval of the board enter an agreement with the board to provide investment oversight and management. The board is prohibited from managing the investments of the Public School Retirement System (PSRS), the Public Education Employee Retirement System(PEERS), the Missouri Local Government Employees Retirement System (LAGERS), the Public School Retirement System of St. Louis, the Public School Retirement System of Kansas City and the retirement plans established by the Bi-State Development Agency and the Regional Investment District.

Before the investment board is authorized to manage the investment of assets, the boards of MOSERS and MPERS must each vote to irrevocably transfer oversight and management of the investment of assets managed by these retirement systems to the investment board. If either the MOSERS or MPERS board do not transfer its assets, then the powers and duties of the investment board lapse and the board is prohibited from overseeing or managing any funds.

The Missouri State Retirement Investment Board is organized as a body corporate and instrumentality of the state with its records subject to the sunshine law and its meetings open to the public. The company's initial capital is provided on an equitable basis by MOSERS and MPERS. MOSERS and MPERS may transfer any of their executives or employees to the company, except for their executive directors.

The board has seven members, the executive director of MOSERS, the executive director of MPERS, the commissioner of administration, and four members appointed by the governor, initially from a list of names submitted by the executive directors of MOSERS and MPERS, and subsequently from a list of names submitted by board members. The governor has the right to reject any or all of the people on the list submitted by the executive directors or the list submitted by the board members. If the governor rejects any of the people recommended on the lists, the executive directors or the board members, as the case may be, are required to submit a list of two people for each vacant position. This process shall continue until no position on the board remains vacant.

No member of the board or member of the MOSERS or MPERS board may be employed by the board or have a business relationship with any service provider of the board for two years after the end of their membership on the board. No current or former member of the general assembly or statewide elected official may become an employee of the board or work for or have a business relationship with any service provider of the board for five years after their service in the general assembly or as a statewide elected official has ended.

The assets of these retirement systems may be held by the board in a collective trust fund for investment as a single pool. The board is not liable for any payment they make as directed by the executive director, chief executive officer, or other person designated by the retirement system. The administrative and investment expenses of the board shall be apportioned among the retirement systems.

The assets of MOSERS and MPERS will be transferred to the board over a transition period after the MOSERS and MPERS boards elect to transfer the management of investments to the investment board. MOSERS and MPERS are responsible for managing their assets until they are transferred to the board. (Sections 104.1500 to 104.1506).

The act also creates a new retirement plan for any person who first becomes a judge on or after January 1, 2011. Judges will be required to reach age sixty-seven and have at least twelve years of service or reach age sixty-two and have twenty years of service before they are eligible for normal retirement. If a judge retires at age sixty-seven with less than twelve years of service, or at sixty-two with less than twenty years service, their retirement compensation will be reduced proportionately. Judges in this retirement plan will be required to contribute four percent of their compensation to the retirement system. Judges will not be able to purchase credit in the retirement plan for their past non-federal full-time public employment or their military service. Judges under this plan who continue to work after their normal retirement date will not have cost-of-living increases added to their retirement compensation for the period of time between their eligibility for retirement and their actual retirement date. When a retired judge under this plan dies, their beneficiary will not receive an amount equal to fifty percent of the judge's retirement compensation. Instead, judges will make a choice at retirement among the benefit payment options, that includes options for the amount received by the beneficiary. The employee contribution rate, the benefits under the judicial retirement plan, and any other provision of the judicial retirement plan may be altered, amended, increased, decreased, or repealed, but such change will only apply to service or interest credits after the effective date of the change. (Sections 476.521 and 476.529)

This act prohibits a retired judge who becomes employed after January 1, 2011, as an employee eligible to participate in the MOSERS retirement plan, from receiving their judicial retirement benefits while they are employed. Any judge who serves as a judge while he or she is receiving their judicial retirement is prohibited from receiving their judicial retirement while serving as a judge. A judge who serves as a senior judge or senior commissioner while receiving judicial retirement will continue to receive judicial retirement and additional credit and salary for their service. (Section 476.527)

This act is similar to the perfected version of SB 714 (2010).

Please contact me if I may be of further assistance.