

Week of July 5, 2010



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Pension Reform and Tax Credits Considered During Special Session

The special session the governor called at the end of June has raised many questions by concerned Missourians. At the time of this writing, there is still much to be decided, but due to the response I've been getting from constituents, I would like to explain the key issues being worked out during this special meeting of the General Assembly.

It's important to note that the Missouri Constitution states that any time the governor calls a special session, the Legislature must strictly adhere to the topics that are called for. The following are the two issues lawmakers have been asked to consider during the course of the special session, which began June 24, and will continue until we reach a consensus on the measures:

State employee pension reform: [House Bill 1](#) is close to completing the legislative process; now, the differences between the House and Senate's versions need to be worked out. Under the Senate's version of the bill, employees hired by the state after January 1, 2011, must contribute 4 percent of their pay to the retirement system and work for the state for at least 10 years to be vested. This proposed change does not apply to teacher retirement or current state employees.

In addition to the employee contribution and vesting requirements—which mirrors many efforts in the private sector—the legislation would also require employees to reach age 67 and have at least 10 years of service or reach age 55 with the sum of the member's age and service equaling at least 90 for normal retirement—an increase from the current total of 80. It would also create the Missouri State Retirement Investment Board to manage the assets of certain state retirement systems if their respective boards agree to it (this would not even be an option for the Public School Retirement System or the Public Education Employee Retirement System).

These changes are estimated to save the state millions, which would definitely be

welcome during these difficult economic times, and as we have seen, our current system is simply unsustainable. It's important that we take steps to set up a retirement plan for state employees that taxpayers can afford.

Missouri Manufacturing Jobs Act: The state employee pension reform has been tied to [HB 2](#) (the Senate also has its version, [SB 2](#)), which is an economic development bill that would establish the Manufacturing Jobs Act. Essentially, the legislation would provide tax incentives for qualified suppliers or manufacturing facilities that create or retain Missouri jobs and bring new product lines to the state. The legislation is aimed at coaxing the Ford Motor Company to manufacture a new product line at its existing automotive assembly plant in Claycomo, but could also apply to similar companies.

The total amount of tax credits (which would allow the recipient to retain a portion of employee withholding taxes for a certain amount of time) available under the bill would be capped at \$15 million annually for 10 years, and any one company would be limited to \$10 million in tax credits each year. As of this writing, HB 2 still needs to be passed by the Senate Governmental Accountability and Fiscal Oversight Committee.

Both of these issues were considered during the regular session, but a consensus could not be reached before the session ended on May 14. Now that the special session has tied these topics together—more for political reasons than out of fiscal necessity—both must pass or neither will. I will continue to support each bill individually, and I consider them both to be independent legislative efforts.

No matter what becomes of either one of these issues, the bottom line is that our state will continue to face difficult decisions like these well into the future. Our budget situation is only expected to get worse in the next few years, and if we are to maintain our commitment to fiscal responsibility, we must continue to be diligent about spending within our means while also exploring options to boost Missouri's economy.

As always, please do not hesitate to contact my office with your questions or concerns at any time. We look forward to hearing your comments and suggestions and trying to answer any questions you may have. You can reach us by phone at 866-277-0882 (toll-free) or 573-751-2272, or by fax at 573-526-7381.

Senator David Pearce serves Bates, Cass, Johnson and Vernon counties in the 31st State Senatorial District.

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