

SENATE COMMITTEE SUBSTITUTE
FOR
SENATE BILLS NOS. 1557 & 1054
AN ACT

To repeal sections 104.1091 and 105.915, RSMo, and to enact in lieu thereof two new sections relating to retirement.

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

Section A. Sections 104.1091 and 105.915, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 104.1091 and 105.915, to read as follows:

104.1091. 1. Notwithstanding any provision of the year 2000 plan to the contrary, each person who first becomes an employee on or after January 1, 2011, shall be a member of the year 2000 plan subject to the provisions of this section.

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; or, in the case of a member who is serving as a uniformed member of the highway patrol and subject to the mandatory retirement provisions of section 104.081, such member's attainment of at least age sixty or the attainment of at least age fifty-five with ten years of credited service;

(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;

(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. A temporary annuity paid pursuant to 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; or in the case of a member who is serving as a uniformed member of the highway patrol and subject to the mandatory retirement provisions of section 104.081, the temporary annuity shall be payable if the member has attained at least age sixty, or at least age fifty-five with ten years of credited service.

5. A member, other than a member who is serving as a uniformed member of the highway patrol and subject to the mandatory retirement provisions of section 104.081, 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 who terminated employment prior to the attainment of early retirement eligibility shall not be eligible for early retirement.

6. The provisions of subsection 6 of section 104.1021 and section 104.344 as applied pursuant to subsection 7 of

section 104.1021 and section 104.1090 shall not apply to members covered by this section.

7. The minimum credited service requirements of five years contained in sections 104.1018, 104.1030, 104.1036, and 104.1051 shall be ten years for members covered by this section. The normal and early retirement eligibility requirements in this section shall apply for purposes of administering section 104.1087.

8. 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, pursuant to 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 section. 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 pursuant to 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 pursuant

to this section 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 of four percent. Effective June 30, 2014, and each June thirtieth thereafter, the interest crediting rate shall be equal to the investment rate that is published by the United States Department of the 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) 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, such 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 pursuant to section 104.1051. **[Such refund]**

(b) For a former member who is not vested, the system shall refund the former member's contributions and interest credited thereon if the total amount thereof is one thousand

dollars or less, or such other amount as may be permitted under applicable federal law.

a. The system and the treasurer are authorized to share information consistent with section 447.560 for the purpose of the system's refunding the former member's contributions and credited interest directly to the former member or the former member's survivor or beneficiary.

b. The availability of the shared information for public inspection shall be consistent with section 447.560.

c. The system's procedures in effect from time to time to locate such former member, survivor, or beneficiary shall be considered reasonable and necessary diligence consistent with good business practice and in compliance with federal law.

(c) Contribution refunds shall be paid by the system within an administratively reasonable period, but no sooner than ninety days from the date of termination of employment. The amount refunded shall include all employee contributions made to any retirement plan administered by the system and interest credited thereon.

(d) A vested former member may not request a refund after such member becomes eligible for normal retirement.

(e) A vested former member or a former member who is 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 disability benefits; provided that any member or vested former member receiving 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;

(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.

9. The employee contribution rate, the benefits provided under the year 2000 plan to members covered under this section, and any other provision of the year 2000 plan with regard to members covered under 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.

10. For purposes of members covered by 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 percent of the annuity otherwise payable. Such percent shall be eighty-eight and one half percent adjusted as follows: 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; and 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 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 percent 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 by subsection 5 of this section.

Option 2.

A retiree's life annuity shall be reduced to a certain percent of the annuity otherwise payable. Such percent shall be eighty-one percent adjusted as follows: 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; and 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 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 percent cannot exceed eighty-seven and three quarter 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 by 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.

11. The provisions of subsection 6 of section 104.1024 shall not apply to members covered by this section.

12. Effective January 1, 2018, a member who is not a statewide elected official or a member of the general assembly shall be eligible for retirement under this subsection subject to the following conditions:

(1) A member's normal retirement eligibility shall be based on the attainment of at least age sixty-seven and the completion of at least five 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; or in the case of a member who is serving as a uniformed member of the highway patrol and subject to the mandatory retirement provisions of section 104.081, such member's attainment of at least age sixty or the attainment of at least age fifty-five with five years of credited service;

(2) 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 five years of credited service; except that, a vested former member who terminates employment after the attainment of normal retirement eligibility as described in subdivision (1) of this subsection shall be covered under such subdivision;

(3) 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; or in the case of a member who is serving as a uniformed member of the highway patrol and subject to the mandatory retirement provisions of section 104.081, the temporary annuity shall be payable if the member has attained at least age sixty, or at least age fifty-five with five years of credited service;

(4) A member, other than a member who is serving as a uniformed member of the highway patrol and subject to the mandatory retirement provisions of section 104.081, shall be eligible for an early retirement annuity upon the attainment of at least age sixty-two and the completion of at least five years of credited service. A vested former member who

terminated employment prior to the attainment of early retirement eligibility shall not be eligible for early retirement;

(5) The normal and early retirement eligibility requirements in this subsection shall apply for purposes of administering section 104.1087;

(6) The survivor annuity payable under section 104.1030 for vested former members who terminated employment prior to the attainment of early retirement eligibility and who are covered by this section shall not be payable until the deceased member would have reached his or her normal retirement eligibility under this subsection;

(7) The annual cost-of-living adjustment payable under section 104.1045 shall not commence until the second anniversary of the annuity starting date for vested former members who terminated employment prior to the attainment of early retirement eligibility and who are covered by this subsection;

(8) The unused sick leave credit granted under subsection 2 of section 104.1021 shall not apply to members covered by this subsection unless the member terminates employment after reaching normal retirement eligibility or becoming eligible for an early retirement annuity under this subsection; and

(9) The minimum credited service requirements of five years contained in sections 104.1018, 104.1030, 104.1036, and 104.1051 shall be five years for members covered by this subsection.

105.915. 1. The board of trustees of the Missouri state employees' retirement system shall administer the deferred compensation fund for the employees of the state of Missouri that was previously administered by the deferred compensation commission, as established in section 105.910,

prior to August 28, 2007. The board shall be vested with the same powers that it has under chapter 104 to enable it and its officers, employees, and agents to administer the fund under sections 105.900 to 105.927.

2. Except as provided in this subsection, participation in such plan shall be by a specific written agreement between state employees and the state, which shall provide for the deferral of such amounts of compensation as requested by the employee subject to any limitations imposed under federal law. Participating employees must authorize that such deferrals be made from their wages for the purpose of participation in such program. An election to defer compensation shall be made before the beginning of the [month in] payroll period for which the compensation is paid. Contributions shall be made for payroll periods [occurring on or after the first day of the month] beginning after the election is made.

3. Each employee eligible to participate in the plan hired or rehired on or after July 1, 2012, shall be enrolled in the plan automatically and his or her employer shall, in accordance with the plan document, withhold and contribute to the plan an amount equal to one percent of eligible compensation received on and after the date of hire, unless the employee elects not to participate in the plan within the first thirty days of employment, and in that event, any amounts contributed and earnings thereon will be refunded by the plan to the employee pursuant to the procedure contained in the plan documents. Employees who are employed by a state college or university shall not be automatically enrolled but may elect to participate in the plan and make contributions in accordance with the terms of the plan.

4. Effective July 1, 2027:

(1) The plan document shall provide for automatic increases in the deferral amount contributed by a participating employee commencing with the first payroll period following the employee's one-year anniversary date of employment or reemployment, whichever is later. The deferral amount shall increase annually by one-half of one percent until the amount reaches ten percent of the employee's eligible compensation or the limitation imposed under federal law, whichever is less.

(2) Each employee eligible to participate in the plan who was last hired or rehired on or after July 1, 2012, and before July 1, 2027, who was automatically enrolled in the plan pursuant to subsection 3 of this section, and whose contribution is equal to one percent of eligible compensation on the effective date, shall be enrolled in such automatic increases.

(3) Each employee eligible to participate in the plan who was last hired or rehired on or after July 1, 2027, shall be enrolled in such automatic increases.

5. Employees who are enrolled automatically or whose deferral amounts are automatically increased may elect to change the contribution rate in accordance with the terms of the plan. Employees who elect not to participate in the plan may at a later date elect to participate in the plan and make contributions in accordance with the terms of the plan. All assets and income of such fund shall be held in trust by the board for the exclusive benefit of participants and their beneficiaries. Assets of such trust, and the trust established pursuant to section 105.927, may be pooled solely for investment management purposes with assets of the trust established under section 104.320.

[3.] 6. Notwithstanding any other provision of sections 105.900 to 105.927, funds held for the state by the

board in accordance with written deferred compensation agreements between the state and participating employees may be invested in such investments as are deemed appropriate by the board. All administrative costs of the program described in this section, including staffing and overhead expenses, may be paid out of assets of the fund, which may reduce the amount due participants in the fund. Such investments shall not be construed to be a prohibited use of the general assets of the state.

[4.] 7. Investments offered under the deferred compensation fund for the employees of the state of Missouri shall be made available at the discretion of the board.

[5.] 8. The board and employees of the Missouri state employees' retirement system shall be immune from suit and shall not be subject to any claim or liability associated with any administrative actions or decisions made by the commission with regard to the deferred compensation program prior to the transfer made to the board under section 105.910.

[6.] 9. The board and employees of the system shall not be liable for the investment decisions made or not made by participating employees as long as the board acts with the same skill, prudence, and diligence in the selection and monitoring of providers of investment products, education, advice, or any default investment option, under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

[7.] 10. The system shall be immune from suit and shall not be subject to any claim or liability associated with the administration of the deferred compensation fund by the board and employees of the system.

[8.] 11. Beginning on or after September 1, 2011, if a participant under the deferred compensation plan or the plan established under section 105.927 is married on the date of his or her death, the participant's surviving spouse shall be automatically designated as the primary beneficiary under both plans, unless the surviving spouse consented in writing, witnessed by a notary public, to allow the participant to designate a nonspouse beneficiary. As used in this subsection, "surviving spouse" means the spouse as defined pursuant to section 104.012 to whom the participant is lawfully married on the date of death of the participant, provided that a former spouse shall be treated as the surviving spouse of the participant to the extent provided under a judgment, decree, or order that relates to child support, alimony payments, or marital property rights made under Missouri domestic relations law that creates or recognizes the existence of such former spouse's right to receive all or a portion expressed as a stated dollar amount or specific percentage stated in integers of the benefits payable from such plan upon the death of the participant. This subsection shall not apply to beneficiary designations made prior to September 1, 2011.

[9.] 12. The board may adopt and amend plan documents to change the terms and conditions of the deferred compensation plan and the plan established under section 105.927 that are consistent with federal law.