

SECOND REGULAR SESSION

# HOUSE BILL NO. HB 1710

## 98TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE LAIR

5167H.011

D. ADAM CRUMBLISS, Chief Clerk

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### AN ACT

To repeal sections 169.324 and 169.560, RSMo, and to enact in lieu thereof two new sections relating to school employee retirement systems.

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

Section A. Sections 169.324 and 169.560, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 169.324 and 169.560, to read as follows:

169.324. 1. The annual service retirement allowance payable pursuant to section 169.320 shall be the retirant's number of years of creditable service multiplied by a percentage of the retirant's average final compensation, determined as follows:

(1) A retirant whose last employment as a regular employee ended prior to June 30, 1999, 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 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;

(2) A retirant whose number of years of creditable service is greater than thirty-four and one-quarter on August 28, 1993, 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;

(3) A retirant who was an active member of the retirement system at any time on or after June 30, 1999, and who either retires before January 1, 2014, or is a member of the retirement system on December 31, 2013, and remains a member continuously to retirement shall receive

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 an annual service retirement allowance payable pursuant to section 169.320 in equal monthly  
19 installments for life equal to the retirant's number of years of creditable service multiplied by two  
20 percent of the person's average final compensation, subject to a maximum of sixty percent of the  
21 person's final compensation;

22 (4) A retirant who becomes a member of the retirement system on or after January 1,  
23 2014, including any retirant who was a member of the retirement system before January 1, 2014,  
24 but ceased to be a member for any reason other than retirement, shall receive an annual service  
25 retirement allowance payable pursuant to section 169.320 in equal monthly installments for life  
26 equal to the retirant's number of years of creditable service multiplied by one and three-fourths  
27 percent of the person's average final compensation, subject to a maximum of sixty percent of the  
28 person's average final compensation;

29 (5) Notwithstanding the provisions of subdivisions (1) to (4) of this subsection, effective  
30 January 1, 1996, any retirant who retired on, before or after January 1, 1996, with at least twenty  
31 years of creditable service shall receive at least three hundred dollars each month as a retirement  
32 allowance, or the actuarial equivalent thereof if the retirant elected any of the options available  
33 under section 169.326. Any retirant who retired with at least ten years of creditable service shall  
34 receive at least one hundred fifty dollars each month as a retirement allowance, plus fifteen  
35 dollars for each additional full year of creditable service greater than ten years but less than  
36 twenty years (or the actuarial equivalent thereof if the retirant elected any of the options available  
37 under section 169.326). Any beneficiary of a deceased retirant who retired with at least ten years  
38 of creditable service and elected one of the options available under section 169.326 shall also be  
39 entitled to the actuarial equivalent of the minimum benefit provided by this subsection,  
40 determined from the option chosen.

41 2. Except as otherwise provided in sections 169.331, 169.580 and 169.585, payment of  
42 a retirant's retirement allowance will be suspended for any month for which such person receives  
43 remuneration from the person's employer or from any other employer in the retirement system  
44 established by section 169.280 for the performance of services except any such person other than  
45 a person receiving a disability retirement allowance under section 169.322 may serve as a  
46 nonregular substitute, part-time or temporary employee for not more than six hundred hours in  
47 any school year without becoming a member and without having the person's retirement  
48 allowance discontinued, provided that through such substitute, part-time, or temporary  
49 employment, the person may earn no more than fifty percent of the annual salary or wages the  
50 person was last paid by the employer before the person retired and commenced receiving a  
51 retirement allowance, adjusted for inflation. If a person exceeds such hours limit or such  
52 compensation limit, payment of the person's retirement allowance shall be suspended for the  
53 month in which such limit was exceeded and each subsequent month in the school year for which

54 the person receives remuneration from any employer in the retirement system. **In addition to**  
55 **the conditions set forth above, this subsection shall apply to any person retired and**  
56 **currently receiving a retirement allowance under sections 169.270 to 169.400, other than**  
57 **for disability, who is employed by a third party or is performing work as an independent**  
58 **contractor if such person is performing work in a district included in the retirement system**  
59 **as a temporary or long-term substitute teacher or in any other position that would**  
60 **normally require that person to be duly certificated under the laws governing the**  
61 **certification of teachers in Missouri if such person was employed by the district. The**  
62 **retirement system may require the district, the third-party employer, the independent**  
63 **contractor, and the retiree subject to this subsection to provide documentation showing**  
64 **compliance with this subsection. If such documentation is not provided, the**  
65 **retirement system may deem the retiree to have exceeded the limitations provided in this**  
66 **subsection.** If a retirant is reemployed by any employer in any capacity, whether pursuant to this  
67 section, or section 169.331, 169.580, or 169.585, or as a regular employee, the amount of such  
68 person's retirement allowance attributable to service prior to the person's first retirement date  
69 shall not be changed by the reemployment. If the person again becomes an active member and  
70 earns additional creditable service, upon the person's second retirement the person's retirement  
71 allowance shall be the sum of:

72 (1) The retirement allowance the person was receiving at the time the person's retirement  
73 allowance was suspended, pursuant to the payment option elected as of the first retirement date,  
74 plus the amount of any increase in such retirement allowance the person would have received  
75 pursuant to subsection 3 of this section had payments not been suspended during the person's  
76 reemployment; and

77 (2) An additional retirement allowance computed using the benefit formula in effect on  
78 the person's second retirement date, the person's creditable service following reemployment, and  
79 the person's average final annual compensation as of the second retirement date. The sum  
80 calculated pursuant to this subsection shall not exceed the greater of sixty percent of the person's  
81 average final compensation as of the second retirement date or the amount determined pursuant  
82 to subdivision (1) of this subsection. Compensation earned prior to the person's first retirement  
83 date shall be considered in determining the person's average final compensation as of the second  
84 retirement date if such compensation would otherwise be included in determining the person's  
85 average final compensation.

86 3. The board of trustees shall determine annually whether the investment return on funds  
87 of the system can provide for an increase in benefits for retirants eligible for such increase. A  
88 retirant shall and will be eligible for an increase awarded pursuant to this section as of the second  
89 January following the date the retirant commenced receiving retirement benefits. Any such

90 increase shall also apply to any monthly joint and survivor retirement allowance payable to such  
91 retirant's beneficiaries, regardless of age. The board shall make such determination as follows:

92 (1) After determination by the actuary of the investment return for the preceding year as  
93 of December thirty-first (the "valuation year"), the actuary shall recommend to the board of  
94 trustees what portion of the investment return is available to provide such benefits increase, if  
95 any, and shall recommend the amount of such benefits increase, if any, to be implemented as of  
96 the first day of the thirteenth month following the end of the valuation year, and first payable on  
97 or about the first day of the fourteenth month following the end of the valuation year. The  
98 actuary shall make such recommendations so as not to affect the financial soundness of the  
99 retirement system, recognizing the following safeguards:

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

103 (b) The actuarially required contribution rate, after adjusting for the effect of the  
104 proposed increase, may not exceed the then applicable employer and member contribution rate  
105 as determined under subsection 4 of section 169.350;

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

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

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

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

114 5. If an inactive member becomes an active member after June 30, 2001, and after a  
115 break in service, unless the person earns at least four additional years of creditable service  
116 without another break in service, upon retirement the person's retirement allowance shall be  
117 calculated separately for each separate period of service ending in a break in service. The  
118 retirement allowance shall be the sum of the separate retirement allowances computed for each  
119 such period of service using the benefit formula in effect, the person's average final  
120 compensation as of the last day of such period of service and the creditable service the person  
121 earned during such period of service; provided, however, if the person earns at least four  
122 additional years of creditable service without another break in service, all of the person's  
123 creditable service prior to and including such service shall be aggregated and, upon retirement,  
124 the retirement allowance shall be computed using the benefit formula in effect and the person's

125 average final compensation as of the last day of such period of four or more years and all of the  
126 creditable service the person earned prior to and during such period.

127           6. Notwithstanding anything contained in this section to the contrary, the amount of the  
128 annual service retirement allowance payable to any retirant pursuant to the provisions of sections  
129 169.270 to 169.400, including any adjustments made pursuant to subsection 3 of this section,  
130 shall at all times comply with the provisions and limitations of Section 415 of the Internal  
131 Revenue Code of 1986, as amended, and the regulations thereunder, the terms of which are  
132 specifically incorporated herein by reference.

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

          169.560. Any person retired and currently receiving a retirement allowance pursuant to  
2 sections 169.010 to 169.141, other than for disability, may be employed in any capacity in a  
3 district included in the retirement system created by those sections on either a part-time or  
4 temporary-substitute basis not to exceed a total of five hundred fifty hours in any one school  
5 year, and through such employment may earn up to fifty percent of the annual compensation  
6 payable under the [employing] district's salary schedule for the position or positions filled by the  
7 retiree, given such person's level of experience and education, without a discontinuance of the  
8 person's retirement allowance. If the [employing] school district does not utilize a salary  
9 schedule, or if the position in question is not subject to the [employing] district's salary schedule,  
10 a retiree employed in accordance with the provisions of this section may earn up to fifty percent  
11 of the annual compensation paid to the person or persons who last held such position or  
12 positions. If the position or positions did not previously exist, the compensation limit shall be  
13 determined in accordance with rules duly adopted by the board of trustees of the retirement  
14 system; provided that, it shall not exceed fifty percent of the annual compensation payable for  
15 the position in the [employing] school district that is most comparable to the position filled by  
16 the retiree. In any case where a retiree fills more than one position during the school year, the  
17 fifty-percent limit on permitted earning shall be based solely on the annual compensation of the  
18 highest paid position occupied by the retiree for at least one-fifth of the total hours worked  
19 during the year. Such a person shall not contribute to the retirement system or to the public  
20 education employee retirement system established by sections 169.600 to 169.715 because of  
21 earnings during such period of employment. If such a person is employed in any capacity by such  
22 a district [on a regular, full-time basis,] **in excess of the limitations set forth in this section**, the  
23 person shall not be eligible to receive the person's retirement allowance for any month during  
24 which the person is so employed. **In addition, such person** [and] shall contribute to the

25 retirement system **if the person satisfies the retirement system's membership eligibility**  
26 **requirements. In addition to the conditions set forth above, this section shall apply to any**  
27 **person retired and currently receiving a retirement allowance under sections 169.010 to**  
28 **169.141, other than for disability, who is employed by a third party or is performing work**  
29 **as an independent contractor if such person is performing work in a district included in**  
30 **the retirement system as a temporary or long-term substitute teacher or in any other**  
31 **position that would normally require that person to be duly certificated under the laws**  
32 **governing the certification of teachers in Missouri if such person was employed by the**  
33 **district. The retirement system may require the district, the third-party employer, the**  
34 **independent contractor, and the retiree subject to this section to provide documentation**  
35 **showing compliance with this section. If such documentation is not provided, the**  
36 **retirement system may deem the retiree to have exceeded the limitations provided in this**  
37 **section.**

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