

SENATE BILL NO. 1504

102ND GENERAL ASSEMBLY

INTRODUCED BY SENATOR MAY.

5979S.01I

KRISTINA MARTIN, Secretary

AN ACT

To repeal sections 169.410, 169.450, and 169.490, RSMo, and to enact in lieu thereof three new sections relating to contribution rates for the public school retirement system of the city of St. Louis.

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

Section A. Sections 169.410, 169.450, and 169.490, RSMo, are repealed and three new sections enacted in lieu thereof, to be known as sections 169.410, 169.450, and 169.490, to read as follows:

169.410. The following words and phrases as used in sections 169.410 to 169.540, unless a different meaning is plainly required by the context, shall have the following meanings:

(1) "Accumulated contributions", the sum of all amounts deducted from the compensation of a member and credited to the member's individual account together with interest allowed on such an account;

(2) "Actuarial equivalent", a benefit of equal value when computed upon the basis of interest and such mortality tables as shall be adopted by the board of trustees;

(3) "Average final compensation", the highest average annual compensation of the member received for any three consecutive years of credited service of the member's last ten years of credited service or if the member has had less

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

16 than three years of such credited service, during the
17 member's entire period of credited service;

18 (4) "Beneficiary", any person other than a retired
19 member receiving a pension benefit, optional pension benefit
20 or other benefit;

21 (5) "Board of education", the board of education or
22 corresponding board having charge of the public schools of
23 the school district other than those public schools which
24 are operated by the board of regents;

25 (6) "Board of regents", the board of regents or
26 corresponding board having charge of a public city teacher
27 training school within the school district which was
28 operated by its board of education prior to September 1,
29 1978;

30 (7) "Board of trustees", the board which administers
31 the retirement system;

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

35 (9) "Compensation", the regular compensation which a
36 member has earned as an employee during any period,
37 excluding, however, any compensation earned by a person who
38 became a member after December 31, 1995, which is in excess
39 of the limitation set forth in Section 401(a)(17) of the
40 Internal Revenue Code;

41 (10) "Consumer price index", the Consumer Price Index
42 for All Urban Consumers for the United States, or its
43 successor index, as approved by the board of trustees, as
44 such index is defined and officially reported by the United
45 States Department of Labor, or its successor agency;

46 (11) "Credited service", prior service plus membership
47 service plus service purchased pursuant to applicable
48 Missouri statute;

49 (12) "Employee", any person regularly employed by (a)
50 the board of education, or (b) the board of trustees, or (c)
51 the board of regents who was employed at a public teacher
52 training school within the school district prior to
53 September 1, 1978, and who did not become a member of the
54 Missouri state employees' retirement system pursuant to
55 section 104.342, or (d) a charter school. In case of doubt
56 as to whether any person is an employee, the decision of the
57 board of education, or the board of trustees, or the board
58 of regents shall be final and conclusive;

59 (13) "Employer", the board of education, the board of
60 trustees, the board of regents or a charter school;

61 (14) **"Funded ratio", the ratio of the actuarial value**
62 **of assets over the actuarial accrued liability, whereas the**
63 **actuarial accrued liability shall be based on the entry age**
64 **normal actuarial cost method with normal cost expressed as a**
65 **level percentage of covered compensation;**

66 (15) "Medical board", the board of physicians;

67 [(15)] (16) "Member", a member of the retirement
68 system defined as an:

69 (a) "Active member", a person who is an employee;

70 (b) "Inactive member", a former active member who has
71 accumulated contributions with the retirement system; or

72 (c) "Retired member", a former active member who has
73 retired and is receiving benefits;

74 [(16)] (17) "Membership service", service rendered as
75 an employee for which the employee received compensation.
76 For the purpose of computing creditable service at
77 retirement, membership service shall include a member's

78 accumulated and unused days of sick leave. The decision of
79 the employing board as to the number of accumulated and
80 unused days of sick leave held by a member shall be final
81 and conclusive;

82 [(17)] (18) "Pension benefit" or "pension", monthly
83 payments for life to a retired member or to such beneficiary
84 as is entitled to the payments;

85 [(18)] (19) "Prior service", service prior to the date
86 the system became operative which is credited;

87 [(19)] (20) "Public school", any school for
88 elementary, secondary or higher education, open and public,
89 which is supported and maintained from public funds and
90 which is operated by the board of education of the school
91 district, by the board of regents, or as a charter school as
92 defined pursuant to sections 160.400 to 160.420;

93 [(20)] (21) "Retired member", a member receiving a
94 retirement benefit or other benefit;

95 [(21)] (22) "Retirement system", the public school
96 retirement system of a school district;

97 [(22)] (23) "School administrator", an employee whose
98 job classification is included on the school administrators'
99 position schedule of the employing board;

100 [(23)] (24) "School district", any metropolitan school
101 district as defined pursuant to section 160.011;

102 [(24)] (25) "Teacher", any teacher, substitute
103 teacher, supervisor, principal, supervising principal,
104 superintendent or assistant superintendent, who shall teach
105 or be employed on a full-time basis in the public schools of
106 a school district or charter school, except those teachers
107 electing to become members of the Missouri state employees'
108 retirement system pursuant to section 104.342. In case of
109 doubt as to whether any person is a teacher, the decision of

110 the board of education, or the board of regents with respect
111 to individuals within its charge, shall be final and
112 conclusive;

113 **(26) "Total actuarially required contribution", the**
114 **total dollar amount necessary to finance the costs of**
115 **benefits earned by employees and unfunded accrued liability**
116 **with such amount determined for a calendar year based on the**
117 **actuarial valuation as of the first day of the preceding**
118 **calendar year and the actuarial cost method and assumptions**
119 **adopted by the board of trustees and in accordance with**
120 **actuarial standards of practice applicable as of such**
121 **valuation date;**

122 **(27) "Total actuarially required contribution rate",**
123 **the total actuarially required contribution expressed as a**
124 **percentage of annualized compensation of retirement system**
125 **members, and which consists of both a member contribution**
126 **and employer contribution.**

169.450. 1. The general administration and
2 responsibility for the proper operation of the retirement
3 system and for making effective the provisions of sections
4 169.410 to 169.540 are hereby vested in a board of trustees
5 of eleven persons, as follows:

6 (1) Four trustees to be appointed for terms of four
7 years by the board of education; provided, however, that
8 their terms shall be fixed so the terms of one of the
9 trustees so appointed shall expire each year. The members
10 of such board of trustees appointed by the board of
11 education may be members of the board of education or other
12 individuals deemed qualified to hold such positions by the
13 board of education;

14 (2) Four trustees to be elected for terms of four
15 years by and from the active members of the retirement

16 system who shall hold office as trustees only while active
17 members; provided, however, that their terms shall be fixed
18 so that the terms of one of the trustees so elected shall
19 expire each year; and provided further, that not more than
20 two of such persons shall be teachers and two shall be
21 nonteachers. For the purposes of this subsection, a school
22 administrator shall not be eligible for the positions
23 established pursuant to this subdivision and shall be
24 eligible for the position established pursuant to
25 subdivision (4) of this subsection;

26 (3) Two trustees, who shall be retired members, to be
27 elected for terms of four years by and from the retired
28 members of the retirement system; provided, however, that
29 the terms of office of the first two trustees so elected
30 shall begin immediately upon their election and shall expire
31 two and four years from the date of their election,
32 respectively; and provided further, that not more than one
33 of such persons shall be a teacher and one shall be a
34 nonteacher;

35 (4) One member, who shall be a school administrator,
36 to be elected for a term of four years by and from the
37 active members of the retirement system who shall hold
38 office as a trustee only while an active member; except
39 that, the initial term of office of such trustee shall
40 expire on December 31, 1999.

41 2. If a vacancy occurs in the office of trustee, the
42 vacancy shall be filled for the unexpired term in the same
43 manner as the office was previously filled. No vacancy or
44 vacancies on the board of trustees shall impair the power of
45 the remaining trustees to administer the retirement system
46 pending the filling of such vacancies.

47 3. In the event of a lapse of a school district's
48 corporate organization as described in subsections 1 and 4
49 of section 162.081, or for any other reason, the general
50 administration and the responsibility for the proper
51 operation of the retirement system shall continue to be
52 fully vested in the trustees then currently serving and such
53 trustees shall continue to serve and be elected in the same
54 manner as set forth in this statute as if no lapse had
55 occurred, except that in the event of vacancies occurring in
56 the office of trustees appointed by the board of education
57 prior to the lapse, the board of trustees shall appoint a
58 qualified person or persons to fill such vacancy or
59 vacancies for terms of up to four years.

60 4. Trustees shall serve without compensation, and any
61 trustee shall be reimbursed from the expense fund for all
62 necessary expenses which the trustee may incur through
63 service on the board of trustees.

64 5. Each trustee shall, within ten days after such
65 trustee's appointment or election, take an oath of office
66 before the clerk of the circuit court of the judicial
67 circuit in which the school district is located that, so far
68 as it devolves upon the trustee, the trustee will diligently
69 and honestly administer the affairs of the board of trustees
70 and that the trustee will not knowingly violate or willingly
71 permit to be violated any of the provisions of the law
72 applicable to the retirement system. Such oath shall be
73 subscribed to by the trustee making it and filed in the
74 office of the clerk of the circuit court.

75 6. The circuit court of the judicial circuit in which
76 the school district is located shall have jurisdiction over
77 the members of the board of trustees to require them to
78 account for their official conduct in the management and

79 disposition of the funds and property committed to their
80 charge; to order, decree and compel payment by them to the
81 public school retirement system of their school district of
82 all sums of money, and of the value of all property which
83 may have been improperly retained by them, or transferred to
84 others, or which may have been lost or wasted by any
85 violation of their duties or abuse of their powers as such
86 members of such board; to remove any such member upon proof
87 that the trustee has abused the trustee's trust or has
88 violated the duties of the trustee's office; to restrain and
89 prevent any alienation or disposition of property of such
90 public school retirement system by the members, in cases
91 where it may be threatened, or there is good reason to
92 apprehend that it is intended to be made in fraud of the
93 rights and interests of such public school retirement
94 system. The jurisdiction conferred by sections 169.410 to
95 169.540 shall be exercised as in ordinary cases upon
96 petition, filed by the board of education of such school
97 district, or by any two members of the board of trustees.
98 Such petition shall be heard in a summary manner after ten
99 days' notice in writing to the member complained of, and an
100 appeal shall lie from the judgment of the circuit court as
101 in other causes and be speedily determined, but such appeal
102 shall not operate under any condition as a supersedeas of a
103 judgment of removal from office.

104 7. Each trustee shall be entitled to one vote in the
105 board of trustees. Six votes shall be necessary for a
106 decision by the trustees at any meeting of the board of
107 trustees.

108 8. Subject to the limitations of sections 169.410 to
109 169.540, the board of trustees shall, from time to time,
110 establish rules and regulations for the administration of

111 the retirement system, for eligibility for and determination
112 of benefits under the retirement system, for the investment
113 of retirement system assets, and for the transaction of the
114 retirement system's business.

115 9. The board of trustees shall elect from its
116 membership a chairman and shall, by majority vote of its
117 members, appoint a secretary, who may be, but need not be,
118 one of its members. It shall engage such actuarial and
119 other services as shall be required to transact the business
120 of the retirement system. It shall also engage an
121 investment counselor who shall be experienced in the
122 investment of moneys to advise the trustees on investments
123 of the retirement system. The compensation of all persons
124 engaged by the board of trustees and all other expenses of
125 the board necessary for the operation of the retirement
126 system shall be paid at such rates and in such amounts as
127 the board of trustees shall approve.

128 10. The board of trustees shall keep in convenient
129 form such data as shall be necessary for actuarial
130 valuations of the assets of the retirement system and for
131 checking the experience of the system.

132 11. The board of trustees shall keep a record of all
133 its proceedings which shall be open to public inspection.
134 It shall prepare annually and send to the board of education
135 and to each member of the retirement system a report showing
136 the fiscal transactions of the retirement system for the
137 preceding fiscal year, a detailed listing of all salaries
138 and expenditures incurred by the trustees for its operation,
139 the amount of the accumulated cash and securities of the
140 system, and the last balance sheet showing the financial
141 condition of the system by means of an actuarial valuation
142 of the assets and liabilities of the retirement system. The

143 board of trustees shall also prepare or cause to be prepared
144 an annual report concerning the operation of the retirement
145 system herein provided for, which report shall be sent by
146 the chairman of the board of trustees to the board of
147 education.

148 12. The board of trustees shall arrange for necessary
149 legal advice for the operation of the retirement system.

150 13. The board of trustees shall designate a medical
151 board to be composed of three physicians, none of whom shall
152 be eligible for benefits pursuant to sections 169.410 to
153 169.540, who shall arrange for and pass upon all medical
154 examinations required pursuant to the provisions of sections
155 169.410 to 169.540, shall investigate all essential
156 statements and certificates made by or on behalf of a member
157 in connection with an application for disability retirement
158 and shall report in writing to the board of trustees its
159 conclusions and recommendations upon all matters referred to
160 it.

161 14. The actuary shall be the technical adviser of the
162 board of trustees on matters regarding the operation of the
163 system created by sections 169.410 to 169.540 and shall
164 perform such other duties as are required in connection
165 therewith. Such person shall be qualified as an actuary by
166 membership as a fellow in the Society of Actuaries or by
167 objective standards which are no less stringent than those
168 established by the Society of Actuaries.

169 15. At least once in each five-year period the actuary
170 shall make an investigation into the actuarial experience of
171 the retirement system, and taking into account the results
172 of such investigation of the experience, the board of
173 trustees shall adopt for the retirement system such
174 actuarial assumptions as shall be deemed necessary.

175 16. On the basis of such actuarial assumptions as the
176 board of trustees shall adopt, the actuary shall make an
177 annual valuation of the assets and liabilities of the funds
178 of the retirement system.

179 17. On the basis of the valuation **and in accordance**
180 **with the provisions of section 169.490**, the board of
181 trustees shall certify the rates of contribution payable by
182 the board of education.

 169.490. 1. All the assets of the retirement system
2 shall be held as one fund.

3 2. (1) For any member hired before January 1, 2018,
4 the employing board shall cause to be deducted from the
5 compensation of each member at every payroll period five
6 percent of his or her compensation.

7 (2) Beginning January 1, 2018, the percentage in
8 subdivision (1) of this subsection shall increase one-half
9 of one percent annually until such time as the percentage
10 equals nine percent **unless a lower member contribution rate**
11 **applies for any period in accordance with the provisions of**
12 **subdivision (4) of subsection 5 of this section.**

13 (3) For any member hired for the first time on or
14 after January 1, 2018, the employing board shall cause to be
15 deducted from the compensation of each member at every
16 payroll period nine percent of such member's compensation
17 **unless a lower member contribution rate applies for any**
18 **period in accordance with the provisions of subdivision (4)**
19 **of subsection 5 of this section.**

20 (4) The amounts so deducted shall be transferred to
21 the board of trustees and credited to the individual account
22 of each member from whose compensation the deduction was
23 made. In determining the amount earnable by a member in any
24 payroll period, the board of trustees may consider the rate

25 of earnable compensation payable to such member on the first
26 day of the payroll period as continuing throughout such
27 payroll period; it may omit deduction from compensation for
28 any period less than a full payroll period if the employee
29 was not a member on the first day of the payroll period; and
30 to facilitate the making of the deductions, it may modify
31 the deduction required of any member by such amount as shall
32 not exceed one-tenth of one percent of the compensation upon
33 the basis of which such deduction was made.

34 (5) The deductions provided for herein are declared to
35 be a part of the salary of the member and the making of such
36 deductions shall constitute payments by the member out of
37 his or her salary or earnings and such deductions shall be
38 made notwithstanding that the minimum compensation provided
39 by law for any member shall be reduced thereby. Every
40 member shall be deemed to consent to the deductions made and
41 provided for herein, and shall receipt for his or her full
42 salary or compensation, and the making of said deductions
43 and the payment of salary or compensation less said
44 deduction shall be a full and complete discharge and
45 acquittance of all claims and demands whatsoever for
46 services rendered during the period covered by the payment
47 except as to benefits provided by sections 169.410 to
48 169.540.

49 (6) The employing board may elect to pay member
50 contributions required by this section as an employer pick
51 up of employee contributions under Section 414(h)(2) of the
52 Internal Revenue Code of 1986, as amended, and such
53 contributions picked up by the employing board shall be
54 treated as contributions made by members for all purposes of
55 sections 169.410 to 169.540.

56 3. If a retired member receiving a pension pursuant to
57 sections 169.410 to 169.540 is restored to active service
58 and again becomes an active member of the retirement system,
59 there shall be credited to his or her individual account an
60 amount equal to the excess, if any, of his or her
61 accumulated contributions at retirement over the total
62 pension benefits paid to him or her.

63 4. Annually, the actuary for the retirement system
64 shall calculate each employer's contribution as an amount
65 equal to a certain percentage of the total compensation of
66 all members employed by that employer. The percentage shall
67 be fixed on the basis of the liabilities of the retirement
68 system as shown by the annual actuarial valuation. The
69 annual actuarial valuation shall be made on the basis of
70 such actuarial assumptions and the actuarial cost method
71 adopted by the board of trustees, provided that the
72 actuarial cost method adopted shall be in accordance with
73 generally accepted actuarial standards and that the unfunded
74 actuarial accrued liability, if any, shall be amortized by
75 level annual payments over a period not to exceed thirty
76 years. The provisions of this subsection shall expire on
77 December 31, 2017; thereafter subsection 5 of this section
78 shall apply.

79 5. For calendar year 2018, the rate of contribution
80 payable by each employer shall equal sixteen percent of the
81 total compensation of all members employed by that
82 employer. For each calendar year thereafter, the percentage
83 rate of contribution payable by each employer of the total
84 compensation of all members employed by that employer shall
85 decrease one-half of one percent annually until calendar
86 year [2032] **2025** when the rate of contribution payable by
87 each employer shall equal [nine] **fourteen** percent of the

88 total compensation of all members employed by that
89 employer. For [subsequent] calendar [years after 2032] year
90 2026 and each calendar year thereafter, the rate of
91 contribution payable by each employer shall [equal nine
92 percent of the total compensation of all members employed by
93 that employer] be determined as follows:

94 (1) Annually, the board of trustees shall instruct the
95 retirement system actuary to determine the total actuarially
96 required contribution as well as the total actuarially
97 required contribution rate for the applicable calendar year
98 based on a valuation as of the first day of the preceding
99 calendar year;

100 (2) If the retirement system's funded ratio as of the
101 first day of the preceding calendar year is below one
102 hundred percent, the employer contribution rate shall be the
103 greater of fourteen percent or the difference between the
104 total actuarially required contribution rate and the member
105 contribution rate or rates in effect under subsection 2 of
106 this section, subject to the limits on annual adjustments
107 stated in subdivision (6) of this subsection;

108 (3) If the retirement system's funded ratio as of the
109 first day of the preceding calendar year equals or exceeds
110 one hundred percent and the total actuarially required
111 contribution rate exceeds eighteen percent, the employer
112 contribution rate shall be the difference between the total
113 actuarially required contribution rate and the member
114 contribution rate or rates in effect under subsection 2 of
115 this section, subject to the limits on annual adjustments
116 stated in subdivision (6) of this subsection;

117 (4) If the retirement system's funded ratio as of the
118 first day of the preceding calendar year equals or exceeds
119 one hundred percent and the total actuarially required

120 contribution rate does not exceed eighteen percent, the
121 total actuarially required contribution rate shall be
122 allocated equally between the employer contribution rate and
123 the member contribution rate. If the total actuarially
124 required contribution rate falls below eighteen percent
125 after being above eighteen percent for the preceding twelve-
126 month period, the member contribution rate and the employer
127 contribution rate shall be adjusted to one-half of the total
128 actuarially required contribution rate for such period,
129 regardless of the magnitude of the decrease from the rate in
130 effect for the prior period, in order to equalize the
131 employer and member contribution rates. Otherwise,
132 adjustments in the contribution rates shall be limited by
133 the annual adjustment limits stated in subdivision (6) of
134 this subsection;

135 (5) If the retirement system's funded ratio as of the
136 first day of the preceding calendar year again falls below
137 one hundred percent, or if the total actuarially required
138 contribution rate rises above eighteen percent, the
139 provisions of subdivision (2) or (3) of this subsection
140 shall apply, as applicable, subject to the limits on annual
141 adjustments stated in subdivision (6) of this subsection; and

142 (6) Except as stated in subdivision (4) of this
143 subsection, in transitioning to the contribution rates
144 prescribed in this subsection for periods beginning on or
145 after January 1, 2026, the employer contribution rate and
146 the member contribution rate, respectively, shall not
147 increase by more than one percent or decrease by more than
148 one-half percent for any period from the corresponding rate
149 in effect immediately before such increase or decrease.

150 6. The expense and contingency reserve shall be a
151 reserve for investment contingencies and estimated expenses

152 of administration of the retirement system as determined
153 annually by the board of trustees.

154 7. Gifts, devises, bequests and legacies may be
155 accepted by the board of trustees to be held and invested as
156 a part of the assets of the retirement system and shall not
157 be separately accounted for except where specific direction
158 for the use of a gift is made by a donor.

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