

FIRST REGULAR SESSION

# HOUSE BILL NO. 878

97TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVES KOENIG (Sponsor), BAHR AND WILSON (Co-sponsors).

2018H.02I

D. ADAM CRUMBLISS, Chief Clerk

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## AN ACT

To amend chapter 104, RSMo, by adding thereto one new section relating to state employee retirement systems.

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

Section A. Chapter 104, RSMo, is amended by adding thereto one new section, to be  
2 known as section 104.1094, to read as follows:

**104.1094. 1. Notwithstanding any provision of the year 2000 plan to the contrary,  
2 each person who first becomes an employee on or after January 1, 2014, shall be a member  
3 of the year 2000 plan subject to the provisions of subsections 1 through 14 of this section.  
4 Section 104.1091 shall not apply to such member. Notwithstanding any provision of the  
5 law to the contrary, a member covered by section 104.1091 who terminates employment  
6 is not entitled to receive a deferred annuity or has received a refund of the member's  
7 contributions, and becomes an employee on or after January 1, 2014, shall be a member  
8 of the year 2000 plan subject to the provisions of subsections 1 through 14 of this section  
9 and section 104.1091 shall not apply to such member.**

10 **2. A member's normal retirement eligibility shall be as follows:**

11 **(1) The member's attainment of at least age sixty-seven and the completion of at  
12 least five years of credited service; or the member's attainment of at least age fifty-five with  
13 the sum of the member's age and credited service equaling at least ninety; or, in the case  
14 of a member who is serving as a uniformed member of the highway patrol and subject to  
15 the mandatory retirement provisions of section 104.081, such member's attainment of at  
16 least age sixty or the attainment of at least age fifty-five with five years of credited service;**

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.

17           **(2) For members of the general assembly, the member's attainment of at least age**  
18 **sixty-two and the completion of at least three full biennial assemblies; or the member's**  
19 **attainment of at least age fifty-five with the sum of the member's age and credited service**  
20 **equaling at least ninety;**

21           **(3) For statewide elected officials, the official's attainment of at least age sixty-two**  
22 **and the completion of at least four years of credited service; or the official's attainment of**  
23 **at least age fifty-five with the sum of the official's age and credited service equaling at least**  
24 **ninety.**

25           **3. A vested former member's normal retirement eligibility shall be based on the**  
26 **attainment of at least age sixty-seven and the completion of at least five years of credited**  
27 **service.**

28           **4. For purposes of calculating the life annuity provided under subsection 2 of**  
29 **section 104.1024 for members covered by this section, such life annuity shall be an amount**  
30 **for life equal to one percent of the final average pay of the member multiplied by the**  
31 **member's years of credited service.**

32           **5. For purposes of calculating the normal retirement annuity provided under**  
33 **subsection 2 of section 104.1084 for members of the general assembly covered by this**  
34 **section, such normal retirement annuity shall be an amount for life equal to one forty-**  
35 **eighth of the monthly pay for a senator or representative on the annuity starting date**  
36 **multiplied by the years of credited service as a member of the general assembly. In no**  
37 **event shall any such member or eligible beneficiary receive annuity amounts in excess of**  
38 **fifty percent of pay.**

39           **6. For purposes of calculating the normal retirement annuity provided under**  
40 **subsection 5 of section 104.1084 for statewide elected officials covered by this section, such**  
41 **normal retirement annuity shall be an amount for life equal to one forty-eighth of the**  
42 **monthly pay in the highest office held by such member on the annuity starting date**  
43 **multiplied by the years of credited service as a statewide elected official. In no event shall**  
44 **any such member or eligible beneficiary receive annuity amounts in excess of twenty-five**  
45 **percent of pay.**

46           **7. For purposes of calculating the COLA provided under section 104.1045 for**  
47 **members covered by this section, such COLA shall not be more than two percent rather**  
48 **than the five percent limitation otherwise stipulated by 104.1045.**

49           **8. A temporary annuity paid under subsection 4 of section 104.1024 shall be**  
50 **payable if the member has attained at least age fifty-five with the sum of the member's age**  
51 **and credited service equaling at least ninety; or in the case of a member who is serving as**  
52 **a uniformed member of the highway patrol and subject to the mandatory retirement**  
53 **provisions of section 104.081, the temporary annuity shall be payable if the member has**

54 attained at least age sixty, or at least age fifty-five with at least five years of credited  
55 service.

56 **9. A member, other than a member who is serving as a uniformed member of the**  
57 **highway patrol and subject to the mandatory retirement provisions of section 104.081,**  
58 **shall be eligible for an early retirement annuity upon the attainment of at least age sixty-**  
59 **two and the completion of at least five years of credited service. A vested former member**  
60 **shall not be eligible for early retirement.**

61 **10. The provisions of subsection 6 of section 104.1021, section 104.344 as applied**  
62 **under subsection 7 of section 104.1021, section 104.1090, and section 105.691 shall not**  
63 **apply to members covered by subsections 1 through 13 of this section.**

64 **11. A member shall be required to contribute three percent of the member's pay**  
65 **to the retirement system, which shall stand to the member's credit in his or her individual**  
66 **account with the system, together with investment credits thereon, for purposes of funding**  
67 **retirement benefits payable under the year 2000 plan, subject to the following provisions:**

68 **(1) The state of Missouri employer, under the provisions of 26 U.S.C. Section**  
69 **414(h)(2), shall pick up and pay the contributions that would otherwise be payable by the**  
70 **member under this subsection. The contributions so picked up shall be treated as**  
71 **employer contributions for purposes of determining the member's pay that is includable**  
72 **in the member's gross income for federal income tax purposes;**

73 **(2) Member contributions picked up by the employer shall be paid from the same**  
74 **source of funds used for the payment of pay to a member. A deduction shall be made from**  
75 **each member's pay equal to the amount of the member's contributions picked up by the**  
76 **employer. This deduction, however, shall not reduce the member's pay for purposes of**  
77 **computing benefits under the retirement system under this chapter;**

78 **(3) Member contributions so picked up shall be credited to a separate account**  
79 **within the member's individual account so that the amounts contributed under this**  
80 **subsection may be distinguished from the amounts contributed on an after-tax basis;**

81 **(4) The contributions, although designated as employee contributions, shall be paid**  
82 **by the employer in lieu of the contributions by the member. The member shall not have the**  
83 **option of choosing to receive the contributed amounts directly instead of having them paid**  
84 **by the employer to the retirement system;**

85 **(5) Interest shall be credited annually on June thirtieth based on the value in the**  
86 **account as of July first of the immediately preceding year at a rate equal to the investment**  
87 **rate that is published by the United States Department of Treasury, or its successor agency,**  
88 **for fifty-two week treasury bills for the relevant auction that is nearest to the preceding**  
89 **July first, or a successor treasury bill investment rate as approved by the board if the fifty-**  
90 **two week treasury bill is no longer issued. Interest credits shall cease upon termination of**

91 **employment if the member is not a vested former member. Otherwise, interest credits shall**  
92 **cease upon retirement or death;**

93 **(6) A vested former member or a former member who is not vested may request a**  
94 **refund of his or her contributions and interest credited thereon. If such member is**  
95 **married at the time of such request, the request shall not be processed without consent**  
96 **from the spouse. Such member is not eligible to request a refund if such member's**  
97 **retirement benefit is subject to a division of benefit order under section 104.1051. Such**  
98 **refund shall be paid by the system after ninety days from the date of termination of**  
99 **employment or the request, whichever is later, and shall include all contributions made to**  
100 **any retirement plan administered by the system and interest credited thereon. A vested**  
101 **former member may not request a refund after such member becomes eligible for normal**  
102 **retirement. A vested former member or a former member who is not vested who receives**  
103 **a refund shall forfeit all the member's credited service and future rights to receive benefits**  
104 **from the system and shall not be eligible to receive any long-term disability benefits,**  
105 **provided that any member or vested former member receiving long-term disability benefits**  
106 **shall not be eligible for a refund. If such member subsequently becomes an employee and**  
107 **works continuously for at least one year, the credited service previously forfeited shall be**  
108 **restored if the member returns to the system the amount previously refunded plus interest**  
109 **at a rate established by the board;**

110 **(7) The beneficiary of any member who made contributions shall receive a refund**  
111 **upon the member's death equal to the amount, if any, of such contributions and interest**  
112 **credited thereon less any retirement benefits received by the member unless an annuity is**  
113 **payable to a survivor or beneficiary as a result of the member's death. In that event, the**  
114 **beneficiary of the survivor or beneficiary who received the annuity shall receive a refund**  
115 **upon the survivor's or beneficiary's death equal to the amount, if any, of the member's**  
116 **contributions less any annuity amounts received by the member and the survivor or**  
117 **beneficiary.**

118 **12. The employee contribution rate, the benefits provided under the year 2000 plan**  
119 **to members covered by subsections 1 through 13 of this section, and any other provision**  
120 **of the year 2000 plan with regard to members covered by this section may be altered,**  
121 **amended, increased, decreased, or repealed, but only with respect to services rendered by**  
122 **the member after the effective date of such alteration, amendment, increase, decrease, or**  
123 **repeal, or, with respect to interest credits, for periods of time after the effective date of such**  
124 **alteration, amendment, increase, decrease, or repeal.**

125 **13. For purposes of members covered by subsections 1 through 13 of this section,**  
126 **the options under section 104.1027 shall be as follows:**

127           **Option 1.** A retiree's life annuity shall be reduced to a certain percent of the  
128 annuity otherwise payable. Such percent shall be eighty-eight and one-half percent  
129 adjusted as follows: if the retiree's age on the annuity starting date is younger than sixty-  
130 seven years, an increase of three-tenths of one percent for each year the retiree's age is  
131 younger than age sixty-seven years; if the beneficiary's age is younger than the retiree's age  
132 on the annuity starting date, a decrease of three-tenths of one percent for each year of age  
133 difference; and if the retiree's age is younger than the beneficiary's age on the annuity  
134 starting date, an increase of three-tenths of one percent for each year of age difference;  
135 provided, after all adjustments, the option 1 percent cannot exceed ninety-four and one-  
136 quarter percent. Upon the retiree's death, fifty percent of the retiree's reduced annuity  
137 shall be paid to such beneficiary who was the retiree's spouse on the annuity starting date  
138 or as otherwise provided by subsection 5 of this section.

139           **Option 2.** A retiree's life annuity shall be reduced to a certain percent of the  
140 annuity otherwise payable. Such percent shall be eighty-one percent adjusted as follows:  
141 if the retiree's age on the annuity starting date is younger than sixty-seven years, an  
142 increase of four-tenths of one percent for each year the retiree's age is younger than sixty-  
143 seven years; if the beneficiary's age is younger than the retiree's age on the annuity starting  
144 date, a decrease of five-tenths of one percent for each year of age difference; and if the  
145 retiree's age is younger than the beneficiary's age on the annuity starting date, an increase  
146 of five-tenths of one percent for each year of age difference; provided, after all  
147 adjustments, the option 2 percent cannot exceed eighty-seven and three-quarters percent.  
148 Upon the retiree's death one hundred percent of the retiree's reduced annuity shall be paid  
149 to such beneficiary who was the retiree's spouse on the annuity starting date or as  
150 otherwise provided by subsection 5 of this section.

151           **Option 3.** A retiree's life annuity shall be reduced to ninety-three percent of the  
152 annuity otherwise payable. If the retiree dies before having received one hundred twenty  
153 monthly payments, the reduced annuity shall be continued for the remainder of the one-  
154 hundred-twenty-month period to the retiree's designated beneficiary provided that if there  
155 is no beneficiary surviving the retiree, the present value of the remaining annuity payments  
156 shall be paid as provided under subsection 3 of section 104.620. If the beneficiary survives  
157 the retiree but dies before receiving the remainder of such one hundred twenty monthly  
158 payments, the present value of the remaining annuity payments shall be paid as provided  
159 under subsection 3 of section 104.620.

160           **Option 4.** A retiree's life annuity shall be reduced to eighty-six percent of the  
161 annuity otherwise payable. If the retiree dies before having received one hundred eighty  
162 monthly payments, the reduced annuity shall be continued for the remainder of the one-  
163 hundred-eighty-month period to the retiree's designated beneficiary provided that if there

164 is no beneficiary surviving the retiree, the present value of the remaining annuity payments  
165 shall be paid as provided under subsection 3 of section 104.620. If the beneficiary survives  
166 the retiree but dies before receiving the remainder of such one hundred eighty monthly  
167 payments, the present value of the remaining annuity payments shall be paid as provided  
168 under subsection 3 of section 104.620.

169 **14. The provisions of subsection 6 of section 104.1024 shall not apply to members**  
170 **covered by subsections 1 through 14 of this section. The normal and early retirement**  
171 **eligibility requirements in this section shall apply for purposes of administering section**  
172 **104.1087.**

173 **15. Notwithstanding any provision of law to the contrary, and in addition to the**  
174 **benefits provided under the year 2000 plan as modified by this section, members covered**  
175 **by subsections 1 through 14 of this section shall participate in the defined contribution plan**  
176 **established under section 105.927, subject to the additional provisions of this subsection.**  
177 **In addition to any contribution on behalf of such participants in accordance with section**  
178 **105.927, the contribution rate for such plan shall be as follows:**

179 **(a) The employer contribution rate shall be equal to three percent of payroll;**

180 **(b) The participant contribution rate shall be equal to one percent of payroll;**

181 **(c) Employers, under the provisions of 26 U.S.C. Section 414(h)(2), shall pick up**  
182 **and pay the contributions that would otherwise be payable by a participant under this**  
183 **subsection. The contributions so picked up shall be treated as employer contributions for**  
184 **purposes of determining the participant's pay that is includable in the participant's gross**  
185 **income for federal income tax purposes;**

186 **(d) Participant contributions picked up by the employer shall be paid from the**  
187 **same source of funds used for the payment of pay to a participant. A deduction shall be**  
188 **made from each participant's pay equal to the amount of the participant's contributions**  
189 **picked up by the employer;**

190 **(e) Participant contributions so picked up shall be credited to a separate account**  
191 **within the participant's individual account; and**

192 **(f) The contributions so picked up, although designated as participant**  
193 **contributions, shall be paid by the employer in lieu of the contributions by the participant.**  
194 **The participant shall not have the option of choosing to receive the contributed amounts**  
195 **directly instead of having them paid by the employer to the defined contribution plan.**

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