HB 1305 -- Public Employee Retirement Systems

Sponsor: Smith (118)

This bill changes the laws regarding several public employee retirement systems.

LOCAL GOVERNMENT EMPLOYEES’ RETIREMENT SYSTEM (LAGERS)

Currently, a political subdivision cannot create a pension plan similar to LAGERS for its employees who are not police officers or firefighters unless it has an assessed valuation of $100 million or more. The bill specifies that a political subdivision cannot create a pension plan similar to LAGERS for any employees unless it has an assessed valuation of $500 million or more.

After January 1, 2007, volunteer fire protection associations and fire protection districts cannot establish pension plans except under the provisions of Chapter 70, RSMo.

MISSOURI DEPARTMENT OF TRANSPORTATION AND HIGHWAY PATROL EMPLOYEES’ RETIREMENT SYSTEM (MPERS)

If the actuary for MPERS determines that the funded ratio of the system is below 50% for three consecutive years, the plan will close to new members effective January 1 of the following year.

GENERAL PROVISIONS

The bill:

(1) Defines “defined benefit plan,” “defined contribution plan,” “funded ratio,” and “lump sum benefit plan”;

(2) Changes the contribution period, from 40 to 30 years, for which plans may not exceed unfunded accrued liabilities;

(3) Requires retirement systems to establish mandatory board member education programs regarding responsibilities, ethics, governance, plan design, administration of benefits, investments, legal liability, and actuarial principles. Board members will be required to attend at least two continuing education programs each year;

(4) Prohibits appointing authorities, board members, or employees from receiving a gain or profit from funds or transactions of the plan except benefits which are common to all members of the plan. If political contributions or compensation are accepted to influence the investment of system funds, the person will forfeit his or her office and be subject to penalties

prescribed for bribery;

(5) Specifies that any trustee, employee, or plan participant convicted of a felony connected with his or her duties will be ineligible for retirement benefits;

(6) Prohibits, after August 28, 2006, plans with a fund ratio of less than 80% from providing additional benefits. Plans with a fund ratio greater than 80% can adopt benefit enhancements if the ratio does not decrease more than 10% or below 75%. The unfunded actuarial accrued liabilities associated with these benefit changes will be amortized over a period not to exceed 15 years; and

(7) Requires plans with a ratio of less than 60% to have an actuary prepare an accelerated contribution schedule based on a descending amortization period. If a plan's actuary determines that the ratio is below 50% for three consecutive years or the ratio is below 60% and the plan is not meeting 100% of the actuarially required contribution payment, the plan will be closed to new members effective January 1 of the following year.