

FIRST REGULAR SESSION

# HOUSE BILL NO. 664

## 96TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVES LEARA (Sponsor) AND COLONA (Co-sponsor).

1583L.011

D. ADAM CRUMBLISS, Chief Clerk

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### AN ACT

To repeal sections 87.120, 87.325, 87.330, 87.335, 87.340, and 87.345, RSMo, and to enact in lieu thereof seven new sections relating to the firemen's retirement system of St. Louis.

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

Section A. Sections 87.120, 87.325, 87.330, 87.335, 87.340, and 87.345, RSMo, are  
2 repealed and seven new sections enacted in lieu thereof, to be known as sections 87.120, 87.127,  
3 87.325, 87.330, 87.335, 87.340, and 87.345, to read as follows:

87.120. The following words and phrases as used in sections 87.120 to 87.370, unless  
2 a different meaning is plainly required by the context, have the following meanings:

3 (1) "Accumulated contributions", the sum of all amounts deducted from the  
4 compensation of a member and credited to his or her individual account in the members' savings  
5 fund together with interest thereon;

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

8 (3) "Average final compensation", the average earnable compensation of the member  
9 during his or her last two years of service as a firefighter, or if the firefighter has less than two  
10 years of service, then the average earnable compensation of his or her entire period of service;

11 (4) "Beneficiary", any person in receipt of a retirement allowance or other benefit as  
12 provided by sections 87.120 to 87.370;

13 (5) "Benefit reserve", the present value of all payments to be made on account of any  
14 retirement allowance or benefit in lieu of a retirement allowance upon the basis of such mortality  
15 tables and interest rate as shall be adopted by the board of trustees;

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.

16 (6) "Board of trustees", the board provided for in section 87.140 to administer the  
17 retirement system;

18 (7) "City", any city not within a county and adopting the retirement system provided by  
19 sections 87.120 to 87.370;

20 (8) "Creditable service", prior service plus membership service as provided in section  
21 87.135;

22 (9) "DROP", the deferred retirement option plan provided in section 87.182;

23 (10) "Earnable compensation", the regular compensation which a member would earn  
24 during one year on the basis of the stated compensation for his or her rank or position;

25 (11) **"Entry age normal funding method", a method under which the actuarial**  
26 **present value of each active member's projected pension and death benefit is allocated as**  
27 **a level percentage of the earning of the individual between entry age and assumed exit age.**  
28 **The portion of the funding requirement allocated to a valuation year is called the normal**  
29 **cost. The actuarial accrued liability is the portion of the actuarial present value not**  
30 **provided for at a valuation date by the present value of future normal costs;**

31 (12) "Firefighter", any officer or employee of the fire department of the city employed  
32 by the city for the duty of fighting fires, but does not include anyone employed in a clerical or  
33 other capacity not involving fire-fighting duties. In case of doubt as to whether any person is a  
34 firefighter within the meaning of sections 87.120 to 87.370, the decision of the board of trustees  
35 shall be final;

36 [(12)] (13) "Medical board", the board of physicians provided for in section 87.160;

37 [(13)] (14) "Member", a member of the retirement system as defined by section 87.130;

38 [(14)] (15) "Membership service", service as a firefighter rendered since last becoming  
39 a member;

40 [(15)] (16) "Prior service", all service as a firefighter rendered prior to the date the  
41 system becomes operative which is creditable in accordance with the provisions of section  
42 87.135;

43 [(16)] (17) "Retirement allowance", annual payments for life which shall be payable in  
44 equal monthly installments or any benefits in lieu thereof granted to a member upon retirement  
45 or to a beneficiary;

46 [(17)] (18) "Retirement system", the firefighter's retirement system of any city as defined  
47 in section 87.125.

**87.127. A retirement plan under sections 87.120 to 87.370 is intended to be a**  
2 **qualified governmental plan under the provisions of applicable federal law. The benefits**  
3 **and conditions of the plan shall be interpreted and the system shall be operated to ensure**  
4 **that the system meets the federal qualification requirements.**

87.325. [Contributions to and payments from the general reserve fund shall be as follows: On account of each member there shall be paid annually into the fund by the city an amount equal to a certain percentage of the earnable compensation of the member to be known as "the normal contribution" and an additional amount equal to a percentage of his earnable compensation to be known as "the accrued liability contribution". The rates percent of the contributions shall be fixed on the basis of the liabilities of the retirement system as shown by actuarial valuations.] **Effective October 1, 2011, based on data from the plan year that ended September 30, 2011, the plan's actuary shall calculate the amount that the city shall contribute in the following manner: Each year, as of the first day of the system's fiscal year, the actuary shall perform an actuarial valuation under the entry age normal funding method and utilize such mortality tables and other tables as shall be adopted by the board of trustees. On the basis of each valuation, there shall be paid annually into the fund by the city an amount equal to the sum of the normal contribution and an additional amount to be known as the accrued liability contribution.**

87.330. On the basis of [the interest rate and of such mortality and other tables as shall be adopted by the board of trustees, the actuary shall determine the uniform and constant percentage of the earnable compensation of the average new entrant, which, if contributed throughout his entire period of active service, would be sufficient to provide for the payment of any death benefit or pension payable on his account. The rate percent so determined shall be known as "the normal contribution rate". After the accrued liability contribution has ceased to be payable the normal contribution rate shall be the rate percent of the earnable compensation of all members obtained by deducting from the total liabilities of the fund the amount of the funds in hand to the credit of the fund and dividing the remainder by one percent of the present value of the prospective future compensation of all members as computed on the basis of the interest rate and the mortality and service tables adopted by the board of trustees. The normal rate of contribution shall be determined by the actuary after each valuation.] **each annual actuarial valuation, as provided in section 87.325, the normal contribution shall be determined as the normal cost under the entry age normal funding method.**

87.335. [At the first valuation after the effective date of these amendments (in 1959) the actuary engaged by the board of trustees shall compute the rate percent of the total earnable compensation of all members which is equivalent to three and one-half percent of the amount of the total unfunded benefit liability on account of all members and beneficiaries which is not dischargeable by the aforesaid normal contribution made on account of such members during the remainder of their active service. The rate percent originally so determined shall be known as "the accrued liability contribution rate".] **Effective on October 1, 2011, based on data from the plan year ended September 30, 2011, the actuary engaged by the board of trustees shall**

9 compute an accrued liability contribution, the level rate percentage of the total earnable  
10 compensation of current and future earnings of current active members that will be  
11 required to amortize the unfunded actuarial accrued liability as determined under the  
12 entry age normal funding method over a thirty-year period commencing October 1, 2011,  
13 based on data from the plan year ended September 30, 2011. Any future increase or  
14 decrease in the unfunded actuarial accrued liability resulting from statutory changes shall  
15 be amortized by an increment in the accrued liability contribution determined, as a level  
16 percentage of earnable compensation over the thirty-year period commencing with the  
17 beginning of the fiscal year coincident with or next following the effective date of the  
18 statutory changes. All other changes in the unfunded actuarial accrued liability  
19 subsequent to October 1, 2011, including from experience gains and losses and from  
20 changes in actuarial assumptions and methods shall be aggregated at each actuarial  
21 valuation subsequent to October 1, 2011, and shall be amortized as a level percentage of  
22 earnable compensation over the thirty-year period commencing at the valuation date. The  
23 thirty-year amortization period for the aggregated, unfunded liability changes from  
24 experience gains and losses and from assumptions and method changes shall be  
25 reestablished at each valuation date. The accrued liability contribution at each valuation  
26 at and after October 1, 2012, shall be increased by the level percentage determined as  
27 provided in this section for the amortization of the aggregated unfunded liability changes  
28 from experience gains and losses and from assumption and method changes.

87.340. The total amount payable in each year to the general reserve fund shall be not  
2 less than the sum of the [rates percent known as the] normal contribution [rate] and the accrued  
3 liability contribution [rate of the total compensation earnable by all members during the year],  
4 and the aggregate payment by the city shall be sufficient when combined with the amount in the  
5 fund to provide the retirement allowances and other benefits payable out of the fund during the  
6 then current year. The city may contribute at any time from bond issue or other available funds  
7 an amount equal to the unfunded accrued liability as certified by the actuary in which event no  
8 further accrued liability contribution [will] **shall** be required [or] , **except as determined at**  
9 **subsequent actuarial valuations under section 87.335. The city may also** contribute any  
10 lesser amount **from a bond issue or other available funds** which [will] **shall** be used to  
11 proportionately reduce future accrued liability contributions.

87.345. The accrued liability contribution [should be discontinued as soon as the  
2 accumulated reserve in the general reserve fund shall equal the present value as actuarially  
3 computed and approved by the board of trustees, of the total liability of the fund, less the present  
4 value computed on the basis of the normal contribution rate then in force of the prospective  
5 normal contributions to be received on account of persons who are at that time members. The

6 accrued liability contribution rate may be decreased by the board of trustees provided the reduced  
7 level rate does not require an amortization period extending beyond the year 2010 for any  
8 accrued liability as of August 31, 1980. Subsequent to that date, any changes in the accrued  
9 liability by reason of changes in the benefits payable under the retirement system, changes in the  
10 actuarial assumptions, or changes in the actuarial funding method are to be amortized over a  
11 period not exceeding thirty years from the date in which the additional accrued liabilities are  
12 recognized in the annual actuarial valuation of the system.] **will not need to be paid for years**  
13 **in which the accumulated reserve in the general reserve fund equals or exceeds the**  
14 **actuarial accrued liability as determined by an actuarial valuation provided under section**  
15 **87.325. For each year in which the accumulated reserve is equal to or greater than the**  
16 **actuarial accrued liability, as determined under the entry age normal funding method, the**  
17 **city shall contribute the normal contribution as calculated by the plan actuary, and the city**  
18 **shall not reduce its payment with respect to the normal contribution.**