

FIRST REGULAR SESSION

# SENATE BILL NO. 273

96TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR LEMBKE.

Read 1st time February 14, 2011, and ordered printed.

TERRY L. SPIELER, Secretary.

0566S.021

## 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.

*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Section A. Sections 87.120, 87.325, 87.330, 87.335, 87.340, and 87.345, RSMo, are repealed and seven new sections enacted in lieu thereof, to be known as sections 87.120, 87.127, 87.325, 87.330, 87.335, 87.340, and 87.345, to read as follows: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 a different meaning is plainly required by the context, have the following meanings:

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

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

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

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

(5) "Benefit reserve", the present value of all payments to be made on

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

17 account of any retirement allowance or benefit in lieu of a retirement allowance  
18 upon the basis of such mortality tables and interest rate as shall be adopted by  
19 the board of trustees;

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

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

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

26 (9) "DROP", the deferred retirement option plan provided in section  
27 87.182;

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

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

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

44 [(12)] (13) "Medical board", the board of physicians provided for in  
45 section 87.160;

46 [(13)] (14) "Member", a member of the retirement system as defined by  
47 section 87.130;

48 [(14)] (15) "Membership service", service as a firefighter rendered since  
49 last becoming a member;

50 [(15)] (16) "Prior service", all service as a firefighter rendered prior to  
51 the date the system becomes operative which is creditable in accordance with the  
52 provisions of section 87.135;

53            [(16)] (17) "Retirement allowance", annual payments for life which shall  
54 be payable in equal monthly installments or any benefits in lieu thereof granted  
55 to a member upon retirement or to a beneficiary;

56            [(17)] (18) "Retirement system", the firefighter's retirement system of  
57 any city as defined in section 87.125.

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

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

87.330. On the basis of [the interest rate and of such mortality and other  
2 tables as shall be adopted by the board of trustees, the actuary shall determine  
3 the uniform and constant percentage of the earnable compensation of the average  
4 new entrant, which, if contributed throughout his entire period of active service,  
5 would be sufficient to provide for the payment of any death benefit or pension  
6 payable on his account. The rate percent so determined shall be known as "the  
7 normal contribution rate". After the accrued liability contribution has ceased to  
8 be payable the normal contribution rate shall be the rate percent of the earnable  
9 compensation of all members obtained by deducting from the total liabilities of

10 the fund the amount of the funds in hand to the credit of the fund and dividing  
11 the remainder by one percent of the present value of the prospective future  
12 compensation of all members as computed on the basis of the interest rate and  
13 the mortality and service tables adopted by the board of trustees. The normal  
14 rate of contribution shall be determined by the actuary after each  
15 valuation.] **each annual actuarial valuation, as provided in section**  
16 **87.325, the normal contribution shall be determined as the normal cost**  
17 **under the entry age normal funding method.**

87.335. [At the first valuation after the effective date of these  
2 amendments (in 1959) the actuary engaged by the board of trustees shall compute  
3 the rate percent of the total earnable compensation of all members which is  
4 equivalent to three and one-half percent of the amount of the total unfunded  
5 benefit liability on account of all members and beneficiaries which is not  
6 dischargeable by the aforesaid normal contribution made on account of such  
7 members during the remainder of their active service. The rate percent originally  
8 so determined shall be known as "the accrued liability contribution  
9 rate".] **Effective on October 1, 2011, based on data from the plan year**  
10 **ended September 30, 2011, the actuary engaged by the board of trustees**  
11 **shall compute an accrued liability contribution, the level rate**  
12 **percentage of the total earnable compensation of current and future**  
13 **earnings of current active members that will be required to amortize**  
14 **the unfunded actuarial accrued liability as determined under the entry**  
15 **age normal funding method over a thirty-year period commencing**  
16 **October 1, 2011, based on data from the plan year ended September 30,**  
17 **2011. Any future increase or decrease in the unfunded actuarial**  
18 **accrued liability resulting from statutory changes shall be amortized**  
19 **by an increment in the accrued liability contribution determined, as a**  
20 **level percentage of earnable compensation over the thirty-year period**  
21 **commencing with the beginning of the fiscal year coincident with or**  
22 **next following the effective date of the statutory changes. All other**  
23 **changes in the unfunded actuarial accrued liability subsequent to**  
24 **October 1, 2011, including from experience gains and losses and from**  
25 **changes in actuarial assumptions and methods shall be aggregated at**  
26 **each actuarial valuation subsequent to October 1, 2011, and shall be**  
27 **amortized as a level percentage of earnable compensation over the**  
28 **thirty-year period commencing at the valuation date. The thirty-year**

29 **amortization period for the aggregated, unfunded liability changes**  
30 **from experience gains and losses and from assumptions and method**  
31 **changes shall be reestablished at each valuation date. The accrued**  
32 **liability contribution at each valuation at and after October 1, 2012,**  
33 **shall be increased by the level percentage determined as provided in**  
34 **this section for the amortization of the aggregated unfunded liability**  
35 **changes from experience gains and losses and from assumption and**  
36 **method changes.**

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

87.345. The accrued liability contribution [should be discontinued as soon  
2 as the accumulated reserve in the general reserve fund shall equal the present  
3 value as actuarially computed and approved by the board of trustees, of the total  
4 liability of the fund, less the present value computed on the basis of the normal  
5 contribution rate then in force of the prospective normal contributions to be  
6 received on account of persons who are at that time members. The accrued  
7 liability contribution rate may be decreased by the board of trustees provided the  
8 reduced level rate does not require an amortization period extending beyond the  
9 year 2010 for any accrued liability as of August 31, 1980. Subsequent to that  
10 date, any changes in the accrued liability by reason of changes in the benefits  
11 payable under the retirement system, changes in the actuarial assumptions, or  
12 changes in the actuarial funding method are to be amortized over a period not  
13 exceeding thirty years from the date in which the additional accrued liabilities  
14 are recognized in the annual actuarial valuation of the system.] **will not need**

15 to be paid for years in which the accumulated reserve in the general  
16 reserve fund equals or exceeds the actuarial accrued liability as  
17 determined by an actuarial valuation provided under section  
18 87.325. For each year in which the accumulated reserve is equal to or  
19 greater than the actuarial accrued liability, as determined under the  
20 entry age normal funding method, the city shall contribute the normal  
21 contribution as calculated by the plan actuary, and the city shall not  
22 reduce its payment with respect to the normal contribution.

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