

FIRST REGULAR SESSION

# SENATE BILL NO. 409

99TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR KOENIG.

Read 1st time February 9, 2017, and ordered printed.

ADRIANE D. CROUSE, Secretary.

1749S.01I

## AN ACT

To repeal sections 169.460 and 169.490, RSMo, and to enact in lieu thereof two new sections relating to 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Section A. Sections 169.460 and 169.490, RSMo, are repealed and two new  
2 sections enacted in lieu thereof, to be known as sections 169.460 and 169.490, to  
3 read as follows:

169.460. 1. Any member may retire and receive a normal pension upon  
2 his **or her** written application to the board of trustees setting forth at what time  
3 not less than fifteen days nor more than one hundred eighty days subsequent to  
4 the execution and filing of such application he **or she** desires to be retired;  
5 provided, that the member at the time so specified for **his or her** retirement  
6 either (a) shall have attained age sixty-five or (b) shall have attained an age  
7 which when added to the number of years of credited service of such member  
8 shall total a sum not less than [eighty-five] **eighty**. For purposes of computing  
9 any member's age under this section, the board shall, if necessary, add to his **or**  
10 **her** actual age any accumulated and unused days of sick leave included in his **or**  
11 **her** credited service.

12 2. Upon retirement [pursuant to] **under** subsection 1 of this section, a  
13 member shall receive an annual pension payable in monthly installments **in the**  
14 **following manner:**

15 (1) A member retiring prior to January 1, 2018, shall receive an  
16 annual pension payable in monthly installments equal to his **or her**  
17 number of years of credited service multiplied by two percent of his **or her**  
18 average final compensation subject to a maximum pension of sixty percent of his

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

19 or her average final compensation[.];

20           **(2) A member hired for the first time on or after January 1, 2018,**  
21 **shall receive an annual pension payable in monthly installments equal**  
22 **to his or her number of years of credited service multiplied by one and**  
23 **three-fourths percent of such member's average final compensation**  
24 **subject to a maximum pension of sixty percent of the member's average**  
25 **final compensation; or**

26           **(3) A member who earned credited service prior to January 1,**  
27 **2018, and who earned credited service on or after January 1, 2018, shall**  
28 **receive an annual pension payable in monthly installments. The annual**  
29 **pension payable in monthly installments shall be the sum of the**  
30 **following partial monthly installments, subject to a maximum pension**  
31 **of sixty percent of the member's average final compensation:**

32           **(a) For credited service earned prior to January 1, 2018, the**  
33 **member's partial monthly installment shall be equal to his or her**  
34 **number of years of credited service multiplied by two percent of the**  
35 **member's average final compensation; and**

36           **(b) For credited service earned on or after January 1, 2018, the**  
37 **partial monthly installment shall be equal to his or her number of years**  
38 **of credited service multiplied by one and three-fourths percent of such**  
39 **member's average final compensation.**

40           3. A member who is not eligible for normal pension pursuant to subsection  
41 1 of this section but who has attained age sixty and has five or more years of  
42 credited service may make application in the same manner as pursuant to  
43 subsection 1 of this section for an early pension. His **or her** early pension shall  
44 be computed pursuant to subsection 2 of this section, but shall be reduced by  
45 five-ninths of one percent for each month such member's early retirement date  
46 precedes the earliest date he **or she** could have received a normal pension  
47 pursuant to subsection 1 of this section had his **or her** service continued.

48           4. Upon the written application of the member or of the employing board,  
49 any active member who has five or more years of credited service with such board  
50 and does not qualify for a normal pension pursuant to subsection 1 of this section  
51 may be retired by the board of trustees, not less than fifteen days and not more  
52 than one hundred eighty days next following the date of filing such application,  
53 and receive a disability pension, provided, that the medical board after a medical  
54 examination of such member or such member's medical records shall certify that

55 such member is unable to further perform his **or her** duties due to mental or  
56 physical incapacity, and that such incapacity is likely to be permanent and that  
57 such member should be retired; or, provided the member furnishes evidence of the  
58 receipt of disability benefits under the federal Old Age, Survivors and Disability  
59 Insurance System of the Social Security Act. The determination of the board of  
60 trustees in the matter shall be final and conclusive. A member being retired  
61 pursuant to this subsection who has accumulated unused vacation and sick leave  
62 may elect to have the commencement of his **or her** disability pension deferred for  
63 more than one hundred eighty days during the period he **or she** is entitled to  
64 vacation and sick pay.

65 5. Upon retirement for disability, a member shall receive a disability  
66 pension until such time as he **or she** meets the requirements for a normal  
67 pension pursuant to subsection 1 of this section, at which time his **or her**  
68 disability pension will be deemed to be a normal pension. The member's  
69 disability pension shall be the larger of:

70 (1) A normal pension based on his **or her** credited service to the date of  
71 his **or her** retirement for disability and calculated as if he **or she** were age  
72 sixty-five; or

73 (2) One-fourth of his **or her** average final compensation; except that such  
74 benefit shall not exceed the normal pension which he **or she** would have received  
75 upon retirement if his **or her** service had continued and he **or she** had satisfied  
76 the eligibility requirements of subsection 1 of this section and had his **or her**  
77 final average compensation been unchanged.

78 6. Once each year during the first five years following retirement for  
79 disability and once in every three-year period thereafter while receiving a  
80 disability pension, the board of trustees may, and shall, require any member  
81 receiving a disability pension who has not yet become eligible for a normal  
82 pension pursuant to subsection 1 of this section to undergo a medical examination  
83 at a place designated by the medical board or by a physician or physicians  
84 designated by such board. If any such member receiving a disability pension  
85 refuses to submit to such medical examination, his **or her** benefit may be  
86 discontinued until his **or her** withdrawal of such refusal, and if his **or her**  
87 refusal continues for one year, all rights in and to his **or her** pension may be  
88 revoked by the board of trustees.

89 7. If the board of trustees finds that any member receiving a disability  
90 pension is engaged in or is able to engage in a gainful occupation paying more

91 than the difference between his **or her** disability pension plus benefits, if any,  
92 to which he **or she** and his **or her** family are eligible under the federal Old Age,  
93 Survivors and Disability Insurance System of the Social Security Act and the  
94 current rate of monthly compensation for the position he **or she** held at  
95 retirement, then the amount of his **or her** disability pension shall be reduced to  
96 an amount which together with the amount earnable by him **or her** shall equal  
97 such current rate of monthly compensation. The decisions of the board of trustees  
98 in regard to such modification of disability benefits shall be final and conclusive.

99         8. If any member receiving a disability pension is restored to service as  
100 an employee, he **or she** shall again become an active member of the retirement  
101 system and contribute thereunder. His **or her** credited service at the time of his  
102 **or her** retirement for disability shall be restored and the excess of his **or her**  
103 accumulated contributions at his **or her** retirement for disability over the total  
104 disability pension payments which he **or she** received shall be credited to his **or**  
105 **her** account.

106         9. If a member with fewer than five years credited service ceases to be an  
107 employee, except by death, he **or she** shall be paid the amount of his **or her**  
108 accumulated contributions in accordance with applicable provisions of the  
109 Internal Revenue Code.

110         10. If a member with five years or more credited service ceases to be an  
111 employee, except by death or retirement, he **or she** shall be paid on demand the  
112 amount of his **or her** accumulated contributions, or he **or she** may leave his **or**  
113 **her** accumulated contributions with the retirement system and be an inactive  
114 member and claim a retirement benefit at any time after he **or she** reaches the  
115 minimum age for retirement, except that if such a member's accumulated  
116 contributions do not exceed the involuntary distribution limits under provisions  
117 of the Internal Revenue Code, the member must elect to become an inactive  
118 member within thirty days of employment separation to avoid application of the  
119 involuntary distribution provisions of the Internal Revenue Code. When an  
120 inactive member presents his **or her** valid claim to the board of trustees, he **or**  
121 **she** shall be granted a benefit at such time and for such amount as is available  
122 pursuant to subsection 2 or 3 of this section in accordance with the provisions of  
123 law in effect at the time his **or her** active membership ceased. The accumulated  
124 contributions of an inactive member may be withdrawn at any time upon ninety  
125 days' notice or such shorter notice as is approved by the board of trustees. If an  
126 inactive member dies before retirement, his **or her** accumulated contributions

127 shall be paid to his **or her** designated beneficiary, if living, otherwise to the  
128 estate of the member. A member's accumulated contributions shall not be paid  
129 to him **or her** so long as he **or she** remains in service as an employee.

130 11. Any member upon retirement shall receive his **or her** pension payable  
131 throughout life subject to the provision that if his **or her** death occurs before he  
132 **or she** has received total benefits at least as large as his **or her** accumulated  
133 contributions at retirement, the difference shall be paid in one sum to his **or her**  
134 designated beneficiary, if living, otherwise to the estate of the retired member.

135 12. Prior to the date of retirement pursuant to subsection 2, 3, or 4 of this  
136 section, a member may elect to receive the actuarial equivalent of his **or her**  
137 pension in a lesser amount, payable throughout life under one of the following  
138 options with the provision that:

139 Option 1. Upon his **or her** death, his **or her** pension shall be continued  
140 throughout the life of and paid to his **or her** beneficiary, or

141 Option 2. Upon his **or her** death, one-half of his **or her** pension shall be  
142 continued throughout the life of and paid to his **or her** beneficiary, or

143 Option 3. Upon his **or her** death, his **or her** pension shall be continued  
144 throughout the life of and paid to his **or her** beneficiary, provided that in the  
145 event his **or her** designated beneficiary predeceases him **or her**, then his **or her**  
146 pension shall be adjusted effective the first day of the month following the month  
147 in which his **or her** designated beneficiary died to the amount determined  
148 pursuant to subsection 2 or 3 of this section at the time of his **or her** retirement,  
149 or

150 Option 4. Upon his **or her** death, one-half of his **or her** pension shall be  
151 continued throughout the life of and paid to his **or her** beneficiary, provided that  
152 in the event his **or her** designated beneficiary predeceases him **or her**, then his  
153 **or her** pension shall be adjusted effective the first day of the month following the  
154 month in which his **or her** designated beneficiary died to the amount determined  
155 pursuant to subsection 2 or 3 of this section at the time of his **or her** retirement.

156 Option 5. Prior to age sixty-two the member will receive an increased  
157 pension, where the total pension prior to age sixty-two is approximately equal to  
158 the pension after age sixty-two plus the member's estimated federal Social  
159 Security benefit, provided that the reduced pension after age sixty-two is not less  
160 than one-half the pension the member could have received had no option been  
161 elected. A member may elect a combination of Option 1 and Option 5, or Option  
162 2 and Option 5. The survivor benefits payable to a beneficiary, other than the

163 spouse of the retired member, under any of the foregoing options shall in no event  
164 exceed fifty percent of the actuarial equivalent of the pension determined  
165 pursuant to subsection 2 or 3 of this section at the time of retirement.

166         13. If an option has been elected pursuant to subsection 12 of this section,  
167 and both the retired member and beneficiary die before receiving total benefits  
168 as large as the member's accumulated contributions at retirement, the difference  
169 shall be paid to the designated beneficiary of the person last entitled to benefits,  
170 if living, otherwise to the estate of the person last entitled to benefits.

171         14. If an active member dies while an employee and with five or more  
172 years of credited service and a dependent of the member is designated as  
173 beneficiary to receive his **or her** accumulated contributions, such beneficiary  
174 may, in lieu thereof, request that benefits be paid under option 1, subsection 12  
175 of this section, as if the member had attained age sixty, if the member was less  
176 than sixty years of age at the time of his **or her** death, and had retired under  
177 such option as of the date of death, provided that under the same circumstances  
178 a member may provide by written designation that benefits must be paid  
179 pursuant to option 1 to such beneficiary. In addition to benefits received under  
180 option 1, subsection 12 of this section, a surviving spouse receiving benefits under  
181 this subsection shall receive sixty dollars per month for each unmarried  
182 dependent child of the deceased member who is under twenty-two years of age  
183 and is in the care of the surviving spouse; provided, that if there are more than  
184 three such unmarried dependent children one hundred eighty dollars shall be  
185 divided equally among them. A "dependent beneficiary" for the purpose of this  
186 subsection only shall mean either the surviving spouse or a person who at the  
187 time of the death of the member was receiving at least one-half of his **or her**  
188 support from the member, and the determination of the board of trustees as to  
189 whether a person is a dependent shall be final.

190         15. In lieu of accepting the payment of the accumulated contributions of  
191 a member who dies after having at least eighteen months of credited service and  
192 while an employee, an eligible beneficiary or, if no surviving eligible beneficiary,  
193 the unmarried dependent children of the member under twenty-two years of age  
194 may elect to receive the benefits pursuant to subdivision (1), (2), (3), or (4) of this  
195 subsection. An "eligible beneficiary" is the surviving spouse, unmarried  
196 dependent children under twenty-two years of age or dependent parents of the  
197 member, if designated as beneficiary. A "dependent" is one receiving at least  
198 one-half of his **or her** support from the member at his **or her** death.

199 (1) A surviving spouse who is sixty-two years of age at the death of the  
200 member or upon becoming such age thereafter, and who was married to the  
201 member at least one year, may receive sixty dollars per month for life. A spouse  
202 may receive this benefit after receiving benefits pursuant to subdivision (2) of this  
203 subsection;

204 (2) A surviving spouse who has in his or her care an unmarried dependent  
205 child of the deceased member under twenty-two years of age may receive sixty  
206 dollars per month plus sixty dollars per month for each child under twenty-two  
207 years of age but not more than a total of two hundred forty dollars per month;

208 (3) If no benefits are payable pursuant to subdivision (2) of this  
209 subsection, unmarried dependent children under the age of twenty-two may  
210 receive sixty dollars each per month; provided that if there are more than three  
211 such children one hundred eighty dollars per month shall be divided equally  
212 among them;

213 (4) A dependent parent upon attaining sixty-two years of age may receive  
214 sixty dollars per month as long as not remarried provided no benefits are payable  
215 at any time pursuant to subdivision (1), (2), or (3) of this subsection. If there are  
216 two dependent parents entitled to benefits, sixty dollars per month shall be  
217 divided equally between them;

218 (5) If the benefits pursuant to this subsection are elected and the total  
219 amount paid is less than an amount equal to the accumulated contributions of a  
220 member at his **or her** death, the difference shall be payable to the beneficiary or  
221 the estate of the beneficiary last entitled to benefits.

222 16. If a member receiving a normal pension again becomes an active  
223 member, his **or her** pension benefit payments shall cease during such  
224 membership and shall be resumed upon subsequent retirement together with  
225 such pension benefit as shall accrue by reason of his **or her** latest period of  
226 membership. Except as otherwise provided in section 105.269, a retired member  
227 may not receive a pension benefit for any month for which he **or she** receives  
228 compensation from an employing board, except he **or she** may serve as a  
229 part-time or temporary employee for not to exceed sixty days in any calendar year  
230 without becoming a member and without having his **or her** pension benefit  
231 discontinued. A retired member may also serve as a member of the board of  
232 trustees and receive any reimbursement for expenses allowed him **or her** because  
233 of such service without becoming an active member and without having his **or**  
234 **her** pension benefit discontinued or reduced.

235           17. Upon approval of the board of trustees, any member may make  
236 contributions in addition to those required. Any additional contributions shall  
237 be accumulated at interest and paid in addition to the benefits provided  
238 hereunder. The board of trustees shall make such rules and regulations as it  
239 deems appropriate in connection with additional contributions including  
240 limitations on amounts of contributions and methods of payment of benefits.

241           18. Notwithstanding any other provisions of this section, any member  
242 retiring on or after age sixty-five who has five or more years of credited service  
243 shall be entitled to an annual pension of the lesser of (a) an amount equal to his  
244 **or her** number of years of credited service multiplied by one hundred twenty  
245 dollars, or (b) one thousand eight hundred dollars. Upon the death of such  
246 member, any benefits payable to the beneficiary of such member shall be  
247 computed as otherwise provided.

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

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

6           **(2) Beginning January 1, 2018, the percentage in subdivision (1)**  
7 **of this subsection shall increase one-half of one percent annually until**  
8 **such time as the percentage equals nine percent.**

9           **(3) For any member hired for the first time on or after January**  
10 **1, 2018, the employing board shall cause to be deducted from the**  
11 **compensation of each member at every payroll period nine percent of**  
12 **such member's compensation.**

13           **(4)** The amounts so deducted shall be transferred to the board of trustees  
14 and credited to the individual account of each member from whose compensation  
15 the deduction was made. In determining the amount earnable by a member in  
16 any payroll period, the board of trustees may consider the rate of earnable  
17 compensation payable to such member on the first day of the payroll period as  
18 continuing throughout such payroll period; it may omit deduction from  
19 compensation for any period less than a full payroll period if the employee was  
20 not a member on the first day of the payroll period; and to facilitate the making  
21 of the deductions, it may modify the deduction required of any member by such  
22 amount as shall not exceed one-tenth of one percent of the compensation upon the  
23 basis of which such deduction was made.

24            [(2)] (5) The deductions provided for herein are declared to be a part of  
25 the salary of the member and the making of such deductions shall constitute  
26 payments by the member out of his **or her** salary or earnings and such  
27 deductions shall be made notwithstanding that the minimum compensation  
28 provided by law for any member shall be reduced thereby. Every member shall  
29 be deemed to consent to the deductions made and provided for herein, and shall  
30 receipt for his **or her** full salary or compensation, and the making of said  
31 deductions and the payment of salary or compensation less said deduction shall  
32 be a full and complete discharge and acquittance of all claims and demands  
33 whatsoever for services rendered during the period covered by the payment except  
34 as to benefits provided by sections 169.410 to 169.540.

35            [(3)] (6) The employing board may elect to pay member contributions  
36 required by this section as an employer pick up of employee contributions under  
37 Section 414(h)(2) of the Internal Revenue Code of 1986, as amended, and such  
38 contributions picked up by the employing board shall be treated as contributions  
39 made by members for all purposes of sections 169.410 to 169.540.

40            [2.] 3. If a retired member receiving a pension pursuant to sections  
41 169.410 to 169.540 is restored to active service and again becomes an active  
42 member of the retirement system, there shall be credited to his **or her** individual  
43 account an amount equal to the excess, if any, of his **or her** accumulated  
44 contributions at retirement over the total pension benefits paid to him **or her**.

45            [3.] 4. Annually, the actuary for the retirement system shall calculate  
46 each employer's contribution as an amount equal to a certain percentage of the  
47 total compensation of all members employed by that employer. The percentage  
48 shall be fixed on the basis of the liabilities of the retirement system as shown by  
49 the annual actuarial valuation. The annual actuarial valuation shall be made on  
50 the basis of such actuarial assumptions and the actuarial cost method adopted by  
51 the board of trustees, provided that the actuarial cost method adopted shall be  
52 in accordance with generally accepted actuarial standards and that the unfunded  
53 actuarial accrued liability, if any, shall be amortized by level annual payments  
54 over a period not to exceed thirty years. **The provisions of this subsection**  
55 **shall expire on December 31, 2017.**

56            5. **For calendar year 2018, the rate of contribution payable by**  
57 **each employer shall equal sixteen percent of the total compensation of**  
58 **all members employed by that employer. For calendar year 2019, the**  
59 **rate of contribution payable by each employer shall equal fifteen**

60 percent of the total compensation of all members employed by that  
61 employer. For calendar year 2020, the rate of contribution payable by  
62 each employer shall equal fourteen percent of the total compensation  
63 of all members employed by that employer. For calendar year 2021, the  
64 rate of contribution payable by each employer shall equal thirteen  
65 percent of the total compensation of all members employed by that  
66 employer. For calendar year 2022, the rate of contribution payable by  
67 each employer shall equal twelve percent of the total compensation of  
68 all members employed by that employer. For calendar year 2023, the  
69 rate of contribution payable by each employer shall equal eleven  
70 percent of the total compensation of all members employed by that  
71 employer. For calendar year 2024, the rate of contribution payable by  
72 each employer shall equal ten percent of the total compensation of all  
73 members employed by that employer. For calendar year 2025 and  
74 subsequent calendar years, the rate of contribution payable by each  
75 employer shall equal nine percent of the total compensation of all  
76 members employed by that employer.

77 [4.] 6. The expense and contingency reserve shall be a reserve for  
78 investment contingencies and estimated expenses of administration of the  
79 retirement system as determined annually by the board of trustees.

80 [5.] 7. Gifts, devises, bequests and legacies may be accepted by the  
81 board of trustees to be held and invested as a part of the assets of the retirement  
82 system and shall not be separately accounted for except where specific direction  
83 for the use of a gift is made by a donor.

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