



Joint Committee on Public Employee Retirement



BENEFIT UPDATE

There were many pension related changes which passed on both the state and federal levels recently. In an effort to keep the local public employee retirement systems (PERS) informed, the Joint Committee on Public Employee Retirement (JCPER) is providing this *Benefit Update*.

END OF SESSION REVIEW

At the conclusion of the 2002 Legislative Session of the Missouri General Assembly, 9 pension related bills were Truly Agreed To and Finally Passed. Upon signature of Governor Holden, these bills will be enacted into law. In total 10 pension systems will be affected by the passage of these bills. The bills passed were:

◇ HCS for SB 961 ◇

Kansas City Police Retirement System

- ✓ Provides consistency with provisions of Section 401(a) of the Internal Revenue Code (IRC)
- ✓ Allows board to adopt policies relative to changes in IRC
- ✓ Vetoed on July 12, 2002 by Governor Holden

◇ SCS for SB 967 ◇

St. Louis Police Retirement System

- ✓ Provides health insurance coverage for survivors and dependents at retiree rates

◇ SB 1001 ◇

Sheriff's Retirement System

- ✓ Clarifies participation requirements under the Sheriff's Retirement System

The Joint Committee on Public Employee Retirement monitored 60 pension related bills, 12 requiring actuarial cost statements, which were properly filed.

◇ HS for HCS for SS for SCS for SB 1107 ◇

St. Louis Firemens' Retirement System

- ✓ Provides terminated vested benefit after 5 years of service
- ✓ Provides a minimum benefit for special consultants and special advisors
- ✓ Benefit change for duty-related death
- ✓ Clarification of COLA language
- ✓ A Constitutional Objection was raised however, Governor Holden signed the bill on July 11, 2002

◇ CCS for HCS for SCS for SB 1202 ◇

Missouri State Employees' Retirement System

Highway Employees and Highway Patrol Retirement System

- ✓ Transfers employees from Division of Motor Carrier and Railroad Safety under Department of Economic Development to MODOT

◇ SB 1247 ◇

Kansas City Firemens' Retirement System

- ✓ Allows for the recognition of qualified domestic relations orders

◇ SS for SCS for HS for HB 1455 ◇

County Employees' Retirement Fund

- ✓ Counties shall be subject to contribution of 4% of compensation for employees hired or rehired on or after February 25, 2002. The contribution shall be made out of county funds, or upon the election of the individual county, the employee may be subject, in whole or in part, to the contribution. Non-LAGERS members may be subject to an additional payroll deduction above the current 2% at the discretion of the individual county.

St. Louis Firemens' Retirement System

- ✓ Provides terminated vested benefit after 5 years of service
- ✓ Provides a minimum benefit for special consultants and special advisors
- ✓ Benefit change for duty-related death
- ✓ Clarification of COLA language

Police Retirement System of St. Louis

- ✓ Provisions for compliance with Internal Revenue Code Changes

Missouri State Employees' Retirement System

Highway Employees and Highway Patrol Retirement System

- ✓ Employee may elect to choose a retroactive BackDROP starting date in twelve-month increments
- ✓ Clean up provisions and federal IRC compliance language
- ✓ Clarifies sick leave usage and accrual for members of Board of Probation and Parole
- ✓ Normal retirement eligibility for General Assembly from 2 to 3 full biennial assemblies

Judges Retirement System

- ✓ Increases transfer of service provisions from 5 to 8 years

Joint Committee on Public Employee Retirement

- ✓ Requires plan reporting according to the Governmental Accounting Standards Board requirements (GASB)

◇ HB 1674 ◇

Joint Committee on Public Employee Retirement

- ✓ Requires all public retirement plans to file proposed rules with the Joint Committee on Public Employee Retirement

◇ SCS for HB 2080 ◇

Prosecuting Attorney & Circuit Attorney Retirement System

- ✓ Counties may elect to provide full-time prosecutor benefits for former part-time prosecutors

◇ House Concurrent Resolution 15 ◇

- ✓ Through this resolution, Congress received the Missouri General Assembly's unanimous support of the Pension Protection and Diversification Act of 2001.

"Great corporations exist only because they are created and safeguarded by our institutions; and it is therefore our right and duty to see that they work in harmony with those institutions."

-Teddy Roosevelt

JCPER NEWS

As listed in the End of Session Review, there were two provisions that passed affecting all of Missouri's public plans.

- ★ The first provision contained within SS for SCS for HS for HB 1455 requires all public plans to have actuarial valuations performed (at least biennially) in compliance with the recommended standards of the Governmental Accounting Standards Board (GASB).
- ★ The second provision contained within HB 1674 requires all public retirement plans to file proposed rules with the JCPER. Plans not required to file rules with the Secretary of State's office shall submit any proposed rule with the JCPER within 10 days of adoption.

The Joint Committee on Public Employee Retirement (JCPER) staff is currently processing the annual surveys returned by the public employee retirement systems (PERS). We appreciate the cooperation and prompt response.

For more information regarding pension legislation, information regarding our annual report or useful links to other pension related sites, please drop by our website at www.jcper.org.

FEDERAL LEGISLATIVE HIGHLIGHTS

The collapse of Enron in 2001 and more recently WorldCom has catapulted the issue of pension protection and corporate accountability to a level of increased priority during the 107th Congressional session. Concern for pension security has prompted at least 12 employee savings proposals offered by President Bush and various lawmakers. Originally, the **Pension Security Act of 2002 (H.R. 3762)** sponsored by Rep. John Boehner (R-OH) appeared to be the proposal on the fast-track through Congress. Listed below are a few of the many provisions contained in this act:

- Annual distribution of pension benefit statements to participants outlining total accrued benefit
- Quarterly distribution of investment education notices to participants directing investments of their accounts
- Advance notice of at least 30 days of a blackout period (Blackout period is defined as 3 consecutive days during which an employee's rights are restricted.)
- Plans would be required to offer at least 3 investment options and to allow employees to change options at least quarterly
- Improved access of retirement planning services to the participant

More recently, on July 30, 2002, the President signed into law the **Accounting Industry Reform Act of 2002 (H.R. 3763)**. This Act was sponsored by Rep. Michael Oxley (R-OH) with amended language from the Senate version (**S. 2673**) sponsored by Senator Paul Sarbanes (D-MD). This compromise legislation is considered to be the most comprehensive revision of business practices since the Depression. The following summary provisions are under the direction of the Securities and Exchange Commission (SEC):

- Tougher criminal provisions with full access and investigative powers
- Establishes restitution fund for victims of corporate fraud
- Rules ensuring separation of stock analysts from investment banking arms of their respective brokerage firms
- Extends timeframe for filing lawsuits along with protection for whistleblowers

In addition to the SEC changes, a new independent audit oversight board is created and given broad powers to investigate and punish the accounting firms of publicly traded companies. The board will have the authority to set ethical standards for the accounting industry. Although under the control of the SEC, funding for the Board will be provided by publicly traded companies.

Two key provisions were added to the **Accounting Industry Reform Act** protecting pension funds:

- Company insiders barred from selling stock during black-out periods
- Employees provided 30 day notification prior to start of blackout period

On June 21st the U.S. House of Representatives approved by 308-70 the **Retirement Savings Security Bill of 2002 (HR 4931)** which would remove the sunset provisions contained in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). The measure is in the Senate awaiting committee assignment.