

JOINT COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT  
THIRD QUARTER MEETING  
September 12, 2012

The Joint Committee on Public Employee Retirement held its 3rd Quarter Meeting on Tuesday, September 11, 2012 at 3:30 pm in Senate Committee Room 2. With no quorum being established, Representative Franz called the subcommittee to order for informational purposes only. Joint Committee members in attendance were Senators Keaveny and Lamping, and Representatives Brown, Franz, Pierson and Wieland. Senators Chappelle-Nadal, Crowell, Green and Rupp and Representatives Anders and Atkins were not in attendance.

Representative Franz turned the meeting over to the Executive Director, Ronda Stegmann. The Director updated the Committee on the Kansas City MAST issue. Correspondence was sent to the Attorney General asking for a legal opinion regarding any Constitutional or statutory violations regarding this issue. A copy of the letter was provided to the Committee. A receipt letter has been received from the Attorney General's office. Staff will continue to communicate with the Attorney General's office regarding progress.

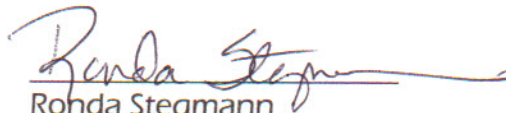
The Director provided an update on the St. Louis Firemen's Retirement System issues. The Retirement System was granted a temporary restraining order against the City through October 1, 2012. This order provides for the filing of additional information by the respective parties relative to this issue. Staff will keep the committee members updated on further legal action.

The Committee was provided with 2nd quarter plan reporting numbers for 2012. With 58 of 90 defined benefit plans reporting, it was noted that plan assets decreased by \$948 million between the 1st and 2nd quarters of 2012 with many plans experiencing quarterly returns below that of plan assumptions.

The Director indicated that actuarial cost statements filed with the JCPER relative to a "substantial proposed change" are now being posted on our website.

The Committee received a handout prepared by the National Conference of State Legislatures which summarizes retirement legislation enacted to-date in 2012 in other states. It was noted that 8 states have enacted major structural changes to pension plans in 2012 and 43 states have enacted changes between 2009 and 2011.

No further business being presented, the committee adjourned.

  
Ronda Stegmann  
Executive Director



# JOINT COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT

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3rd QUARTER MEETING  
September 11, 2012  
3:30 p.m.  
Senate Conference Room 2

## AGENDA

Roll Call

Plan Issue Updates  
KC MAST Issue  
St. Louis Fire

Plan Reporting  
Annual Reporting  
Quarterly Reporting

Actuarial Cost Statements

Other State Modifications

Other Business





ATTORNEY GENERAL OF MISSOURI

JEFFERSON CITY

65102

CHRIS KOSTER  
ATTORNEY GENERAL

P.O. Box 899  
(573) 751-3321

May 16, 2012

The Honorable Jason Crowell  
State Senator, District 27  
State Capitol, Room 423  
Jefferson City, MO 65101

The Honorable Ward Franz  
State Representative, District 151  
State Capitol, Room 313-2  
Jefferson City, MO 65101

Dear Senator Crowell and Representative Franz,


Your request for an Attorney General's opinion regarding a Kansas City ordinance relative to city employees' retirement prior service credit was received May 2, 2012.

The Solicitor General's division has been assigned to address your request. We generally work on the opinion requests in the order that they are received and make every effort to complete them in a timely fashion. We will contact you within 90 days of receipt of the opinion request.

If you have any questions regarding your pending opinion request, please do not hesitate to contact Joan Gummels at 751-1800 or [joan.gummels@ago.mo.gov](mailto:joan.gummels@ago.mo.gov).

Very truly yours,

**CHRIS KOSTER**  
Attorney General

  
**JAMES R. LAYTON**  
Solicitor General

CAK/JRL/kkb

OP-2012-0099





**STATE OF MISSOURI  
JOINT COMMITTEE ON  
PUBLIC EMPLOYEE RETIREMENT**

STATE CAPITOL, ROOM 219-A  
JEFFERSON CITY, MO 65101  
PHONE (573) 751-1280  
FAX (573) 526-6459

May 2, 2012

The Honorable Chris Koster  
Attorney General  
State of Missouri  
Supreme Court Bldg  
Jefferson City, MO 65101

Dear Attorney General Koster:

This correspondence is to request your assistance in investigating and providing an opinion regarding an issue in which the Joint Committee on Public Employee Retirement (JCPER) has been monitoring. On Thursday, April 26<sup>th</sup>, the City Council of the City of Kansas City passed Ordinance No. 120377. This ordinance takes final action on previous ordinances passed by the Council relative to city employees who formerly worked for the Metropolitan Ambulance Services Trust (MAST). The previous ordinances (Nos. 100607 and 110588, as amended) provide for the awarding of prior service credit within the Employees' Retirement System of Kansas City (ERSKC) for service while employed under the MAST. This service award is based on a percentage calculation of an employee's age and MAST service. The affected employee has the option of choosing participation in a defined contribution retirement plan or the ERSKC plan with the service credit award.

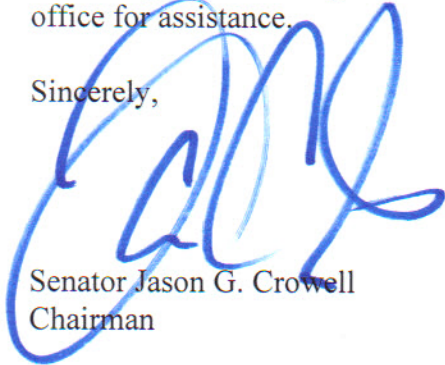
As the enclosed correspondence indicates, the JCPER has repeatedly expressed concern regarding the potential violation of Missouri Statutes with particular attention regarding Section 105.684, RSMo which prohibits a public pension plan from adopting "...any additional benefit increase, supplement, enhancement, lump sum benefit payments to participants, or cost of living adjustment beyond current plan provisions in effect prior to August 28, 2007 unless the plan's actuary determines that the funded ratio prior to implementation is at least eighty percent and will not be less than seventy-five percent after such adoption or implementation." As of the May 1, 2011 actuarial valuation, which is the most recent valuation on file, the ERSKC was funded at 79.80% on an actuarial basis. This level coupled with the employer contribution deficiency for the last two plan years yields a measure of significant consideration.

On February 16, 2012, the City of Kansas City filed an actuarial cost statement for the MAST benefit proposal with the JCPER which began a 45 day official comment period. The actuarial cost statement indicated, assuming 100% participation, an increase in the Unfunded Actuarial Accrued Liability of approximately \$18.9 million with an increase in the Annual Required Contribution of \$962,371.

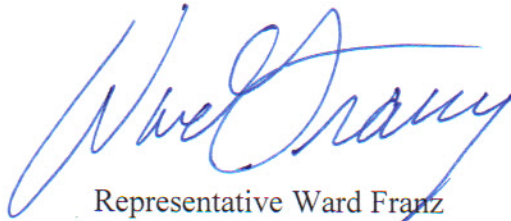
Enclosed is the JCPER official comment as well as the official comment on behalf of the ERSKC Board of Trustees on this issue. As outlined in the ERSKC correspondence, the Board of Trustees also expressed statutory and Constitutional concerns relative to the MAST benefit.

On behalf of the JCPER, we respectfully request your assistance in investigating this issue for any violations of the Missouri Constitution or state statute. We look forward to your formal opinion on this issue. If you should require additional information, please do not hesitate to contact the JCPER staff office for assistance.

Sincerely,

A large, stylized handwritten signature in blue ink, likely belonging to Senator Jason G. Crowell.

Senator Jason G. Crowell  
Chairman

A handwritten signature in blue ink, likely belonging to Representative Ward Franz.

Representative Ward Franz  
Vice-Chairman

cc: JCPER Members  
Rick Boersma, Employees' Retirement System of the City of Kansas City  
The Honorable Sly James, Mayor  
Troy Schulte, City Manager  
William Geary, City Attorney  
Vickie Thompson-Carr, Kansas City Clerk

**MISSOURI CIRCUIT COURT**  
**TWENTY-SECOND JUDICIAL CIRCUIT**  
(CITY OF ST. LOUIS)

The Firemen's Retirement System, et al.

VS

City of St. Louis

CASE NO. 1222-CC02916

DIVISION 18

8/24/12

Consent

**ORDER/JUDGMENT/MEMORANDUM**

With consent of the parties, and by mutual agreement, this Court enters a consent TRO enjoining<sup>NE</sup> the effective date of Ordinances 69245 and 69149 and keeps the preliminary injunction record open until October 1, 2012 to permit the following:

1. Defendant may file a 10-page supplemental brief on the issue of the closure of the Firemen's Retirement System on or before September 7, 2012, with supplemental evidence regarding that issue only, if necessary;
2. Plaintiffs <sup>and intervenors</sup> may file a 10-page response brief ~~and~~ limited to the topic referenced above, with supplemental evidence regarding that issue only, if necessary, on or before September 24, 2012;

This TRO shall be dissolved on October 1, 2012, subject to further orders of this Court.

So ordered:

# Joint Committee on Public Employee Retirement

## Quarterly Reports

### 2012 Second Quarter

<u>Plan Name</u>	<u>Beg. Market Value</u>	<u>End. Market Value</u>	<u>ROR 12 mos.</u>	<u>ROR 36 mos.</u>	<u>ROR 60 mos.</u>
Affton FPD Retirement Plan	\$4,940,520	\$4,731,515	-0.04% (Net)	7.37% (Net)	7.37% (Net)
Arnold Police Pension Plan	\$7,256,223	\$7,341,211	2.7% (Net)	9.8% (Net)	n/a% (Net)
Bi-state Dev Agency Division 788, A.T.U.	\$91,652,460	\$88,278,582	N/A% (Net)	N/A% (Net)	N/a% (Net)
Bi-state Development Agency Local 2 I.B.E.W.	\$2,142,702	\$2,133,718	N/A% (Net)	N/A% (Net)	N/A% (Net)
Bi-state Division 788 Clerical Unit ATU	\$5,315,418	\$4,911,597	N/A% (Net)	N/A% (Net)	N/A% (Net)
Bi-state Salaried Employees	\$45,203,551	\$43,934,730	N/A% (Net)	N/A% (Net)	N/A% (Net)
Black Jack FPD Retirement Plan	\$7,777,613	\$8,290,267	1% (Net)	1% (Net)	1% (Net)
Bothwell Regional Health Center Retirement Plan	\$40,043,589	\$39,304,920	3.4% (Net)	11.8% (Net)	3.0% (Net)
Bridgeton Employees Retirement Plan	\$21,654,307	\$20,784,830	2.23% (Gross)	11.49% (Gross)	-0.42% (Gross)
Carthage Policemen's & Firemen's Pension Plan	\$5,709,827	\$5,575,936	-0.85% (Net)	7.79% (Net)	1.93% (Net)
Cedar Hill Fire Protection District Length of Service Awards Program	\$146,038	\$66,215	NA% (Gross)	NA% (Gross)	NA% (Gross)
Clayton Non-uniformed Employee Pension Plan	\$10,691,590	\$10,275,542	1.66% (Gross)	12.08% (Gross)	2.21% (Gross)
Clayton Uniformed Employees Pension Plan	\$30,679,659	\$30,064,518	3.62% (Gross)	11.78% (Gross)	3.01% (Gross)
Columbia Firemens' Retirement Plan	\$93,531,007	\$92,049,468	1.93% (Net)	8.57% (Net)	7.09% (Net)
County Employees Retirement Fund	\$335,243,000	\$325,900,000	.6% (Gross)	12.0% (Gross)	3.0% (Gross)
Creve Coeur FPD Retirement Plan	\$8,895,457	\$8,527,126	N/A% (Gross)	N/A% (Gross)	N/A% (Gross)
Eureka FPD Retirement Plan	\$7,867,354	\$7,689,669	2.04% (Net)	12.48% (Net)	0.96% (Net)
Fenton FPD Retirement Plan	\$22,044,684	\$20,659,259	5.25% (Net)	10.42% (Net)	1.97% (Net)
Florissant Employees Pension Plan	\$10,009,122	\$10,106,163	2.92% (Net)	2.92% (Net)	2.92% (Net)
Florissant Valley FPD Retirement Plan	\$18,275,068	\$17,980,076	n/a% (Net)	n/a% (Net)	n/a% (Net)
Glendale Pension Plan	\$4,717,947	\$4,579,712	1.50% (Gross)	12.10% (Gross)	n/a% (Gross)
Hannibal Police & Fire Retirement Plan	\$10,531,544	\$11,298,875	4.3% (Gross)	35.8% (Gross)	11.1% (Gross)
Hazelwood Retirement Plan	\$27,752,796	\$26,726,140	-1.04% (Net)	15.44% (Net)	-.84% (Net)

*Please be aware information provided in this report may contain unaudited data.*

9/7/2012



<u>Plan Name</u>	<u>Beg. Market Value</u>	<u>End. Market Value</u>	<u>ROR 12 mos.</u>	<u>ROR 36 mos.</u>	<u>ROR 60 mos.</u>
Jackson County Employees Pension Plan	\$188,113,451	\$182,090,155	.6% (Gross)	10.5% (Gross)	1.8% (Gross)
Joplin Police & Fire Pension Plan	\$28,762,898	\$27,302,148	-2.49% (Net)	9.54% (Net)	2.08% (Net)
Kansas City Civilian Police Employees' Retirement System	\$101,122,000	\$99,228,000	0.6% (Gross)	10.9% (Gross)	1.0% (Gross)
Kansas City Firefighter's Pension System	\$868,011,536	\$837,026,452	-.1% (Net)	11.1% (Net)	.6% (Net)
Kansas City Police Retirement System	\$690,709,000	\$671,547,000	0.6% (Gross)	11.0% (Gross)	1.3% (Gross)
Kansas City Public School Retirement System	\$707,439,138	\$669,440,368	.88% (Gross)	11.20% (Gross)	1.43% (Gross)
Kansas City Supplemental Retirement Plan	\$1,500,044	\$1,428,369	NA% (Net)	NA% (Net)	NA% (Net)
KC Trans. Auth. Union Employees Pension Plan	\$37,856,275	\$35,094,458	0.45% (Net)	12.32% (Net)	1.10% Estimated (
Ladue Non-uniformed Employees Retirement Plan	\$3,671,462	\$3,606,505	-.03% (Net)	11.29% (Net)	1.68% (Net)
Ladue Police & Fire Pension Plan	\$23,805,561	\$22,822,421	-0.10% (Net)	11.52% (Net)	1.68% (Net)
LAGERS Staff Retirement Plan	\$5,852,981	\$5,740,423	0.30% (Gross)	9.98% (Gross)	1.17% (Gross)
Little River Drainage Dist Retirement Plan	\$1,007,312	\$1,027,284	-1.29% (Net)	2.36% (Net)	2.42% (Net)
Local Government Employees Retirement System	\$4,714,197,688	\$4,641,556,576	3.58% (Net)	13.85% (Net)	3.14% (Net)
Maplewood Police & Fire Retirement Fund	\$13,256,918	\$12,670,116	6.04% (Gross)	12.69% (Gross)	3.56% (Gross)
Mehlville FPD Retirement Plan	\$6,358,623	\$6,072,793	1% (Gross)	1% (Gross)	1% (Gross)
Metro St. Louis Sewer Dist Employees Pension Plan	\$211,812,545	\$210,343,227	2.7% (Net)	11.0% (Net)	4.0% (Net)
Metro West FPD Retirement Plan	\$35,267,032	\$35,398,940	-0.58% (Net)	7.94% (Net)	1.17% (Net)
Missouri Higher Education Loan Authority Pension Plan	\$28,667,539	\$25,843,552	1.70% (Gross)	n/a% (Gross)	n/a% (Gross)
Missouri State Employees Retirement System	\$7,872,572,550	\$7,664,863,730	2.2% (Net)	12.3% (Net)	3.1% (Net)
MoDOT & Highway Patrol Employees' Retirement System	\$1,535,797,811	\$1,528,065,232	2.74% (Net)	12.20% (Net)	0.75% (Net)
North Kansas City Hospital Retirement Plan	\$203,109,173	\$197,357,698	1.75% (Net)	12.3% (Net)	2.67% (Net)
North Kansas City Policemen's & Firemen's Retirement Fund	\$39,078,582	\$37,656,862	1.93 % (Gross)	12.71 % (Gross)	2.74 % (Gross)
Prosecuting Attorneys' Retirement System	\$29,563,020	\$29,122,831	0.5% (Net)	9.0% (Net)	2.2% (Net)
Public Education Employees' Retirement System	\$2,974,434,335	\$2,947,080,243	1.6% (Net)	11.59% (Net)	1.45% (Net)
Public School Retirement System	\$28,031,317,194	\$27,636,148,487	1.91% (Net)	11.93% (Net)	1.55% (Net)
Raytown Policemen's Retirement Fund	\$9,350,194	\$8,972,798	3.85% (Gross)	10.08% (Gross)	0.00% (Gross)



<u>Plan Name</u>	<u>Beg. Market Value</u>	<u>End. Market Value</u>	<u>ROR 12 mos.</u>	<u>ROR 36 mos.</u>	<u>ROR 60 mos.</u>
Richmond Heights Police & Fire Retirement Plan	\$36,482,297	\$35,255,200	1.27% (Net)	12.30% (Net)	3.59% (Net)
Saline Valley Fire Protection District Retirement Plan	\$1,308,334	\$1,282,813	-1.72% (Net)	10.54% (Net)	12.35% (Net)
Sheriff's Retirement System	\$31,173,093	\$30,105,713	6.588% (Gross)	12.117% (Gross)	7.179% (Gross)
St. Joseph Policemen's Pension Fund	\$28,905,982	\$28,392,120	1.4% (Gross)	34.6% (Gross)	14.0% (Gross)
St. Louis County Employees Retirement Plan	\$483,626,171	\$467,190,254	-0.89% (Gross)	13.24% (Gross)	1.40% (Gross)
St. Louis Employees Retirement System	\$654,927,633	\$636,061,813	1.48% (Gross)	11.62% (Gross)	1.98% (Gross)
St. Louis Firemen's Retirement System	\$429,168,828	\$409,559,315	0.01% (Gross)	12.08% (Gross)	0.66% (Gross)
St. Louis Public School Retirement System	\$895,888,472	\$851,489,266	-0.5% (Net)	11.7% (Net)	2.4% (Net)
Valley Park FPD Retirement Plan	\$3,644,339	\$3,573,109	3.12% (Gross)	N/A% (Gross)	N/A% (Gross)
	<u>\$51,739,841,487</u>	<u>\$50,791,626,340</u>			

# *Missouri Revised Statutes*

## **Chapter 105** **Public Officers and Employees--Miscellaneous Provisions** **Section 105.660**

August 28, 2011

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### **Definitions, retirement benefit changes.**

105.660. The following words and phrases as used in sections 105.660 to 105.685, unless a different meaning is plainly required by the context, shall mean:

- (1) "Actuarial valuation", a mathematical process which determines plan financial condition and plan benefit cost;
- (2) "Actuary", an actuary (i) who is a member of the American Academy of Actuaries or who is an enrolled actuary under the Employee Retirement Income Security Act of 1974 and (ii) who is experienced in retirement plan financing;
- (3) "Board", the governing board or decision-making body of a plan that is authorized by law to administer the plan;
- (4) "Defined benefit plan", a plan providing a definite benefit formula for calculating retirement benefit amounts;
- (5) "Defined contribution plan", a plan in which the contributions are made to an individual retirement account for each employee;
- (6) "Funded ratio", the ratio of the actuarial value of assets over its actuarial accrued liability;
- (7) "Lump sum benefit plan", payment within one taxable year of the entire balance to the participant from a plan;
- (8) "Plan", any retirement system established by the state of Missouri or any political subdivision or instrumentality of the state for the purpose of providing plan benefits for elected or appointed public officials or employees of the state of Missouri or any political subdivision or instrumentality of the state;
- (9) "Plan benefit", the benefit amount payable from a plan together with any supplemental payments from public funds;
- (10) "Substantial proposed change", a proposed change in future plan benefits which would increase or decrease the total contribution percent by at least one-quarter of one percent of active employee payroll, or would increase or decrease a plan benefit by five percent or more, or would materially affect the actuarial soundness of the plan. In testing for such one-quarter of one percent of payroll contribution increase, the proposed change in plan benefits shall be added to all actual changes in plan benefits since the last date that an actuarial valuation was prepared.

(L. 1979 H.B. 130 § 1, A.L. 2007 S.B. 406)

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[Missouri General Assembly](#)



## NATIONAL CONFERENCE *of* STATE LEGISLATURES

*The Forum for America's Ideas*

### PENSIONS AND RETIREMENT PLAN ENACTMENTS IN 2012 STATE LEGISLATURES

August 31, 2012

#### INTRODUCTION

**ABOUT THIS REPORT.** This report summarizes selected state pensions and retirement legislation enacted in 2012. Its goal is to help researchers and policy makers know how other states have addressed issues that could arise in any state. In keeping with that goal, the report excludes most clean-up legislation, cost-of-living adjustments, administrative procedures and technical amendments. This report is organized according to the topics that legislatures addressed in 2012, listed at the end of this introduction.

Material in brackets is explanatory information in addition to the summary of an act. Not all legislation had received chapter or act numbers when this report was compiled.

**FINDINGS.** So far in 2012 eight states have made major structural changes in state retirement plans. **Kansas, Louisiana** and **Virginia** replaced defined benefit plans with cash balance or hybrid plans for new employees. **Michigan** has added an optional defined contribution plan for public school employees.

- **Alabama** will close its existing retirement plan for most state and local government employees on December 31, 2012, and replace it with a new defined benefit tier that includes higher age and service requirements for retirement, a longer period for calculating final average compensation, a lower multiplier for calculating benefits, and, uniquely in 2012, a reduced mandatory employee contribution.
- **Kansas** concluded a two-year reconsideration of its defined benefit retirement plans for state, school and local public employees with new statutory provisions that include generally higher contributions from current employees (or a reduction in benefits) and a cash balance plan for most new state, school and local public employees hired on or after January 1, 2015.
- **Louisiana** will close its defined benefit plan for most state government employees and employees of higher education on July 1, 2013, and replace it with a cash balance plan.
- **Michigan** will offer new members of the Public School Employees' Retirement System a defined contribution plan option in addition to the hybrid plan that has been mandatory for new members since July 2010. Members of previously-closed defined benefit plans will be required to choose between higher contribution rates or lower future benefit accrual rates, along with an option to move to a defined contribution plan. The state also terminated retiree health insurance coverage for



members of the plan, replacing it with employer matches to employee contributions to deferred compensation plans plus a lump-sum termination payment.

- **New York** closed its latest retirement tier for state and local employees, including most New York City employees, on March 31, 2012, and replaced it with a Tier 6 plan that increases the age of retirement, and provides a longer period for calculating final average compensation and a lower multipliers for calculating benefits. The legislation will increase employee contribution requirements with an unusual plan of scaling contributions to the amount of employees' salary.
- **South Carolina** enacted legislation to increase employee contributions for current and new employees, increase age and service requirements for retirement with full benefits, provide a longer period for calculating final average compensation, cap future cost-of-living increases and terminate a deferred retirement option for general employees and teachers.
- **Virginia** enacted legislation to require local government plan members to begin contributing 5 percent of salary to retirement plans, contributions that for many years have been picked up by employers. Local government employers will provide an offsetting salary increase. Separate legislation will close defined benefit plans for most state and local government employees at the end of 2013 and replace them with a hybrid plan with defined benefit and defined contribution components. Legislation also limited future cost-of-living increases.
- **Wyoming** created a new defined benefit plan tier applicable to state and local government employees as of August 31, 2012. The new tier includes higher age and service requirements for retirement, a longer period for calculating final average compensation and a lower multiplier for calculating benefits. Contribution requirements are unchanged. Separate legislation provides that cost-of-living adjustments will be granted in the future only when the retirement system is fully funded.

**SOURCES AND ACKNOWLEDGMENTS.** The sources of this report are StateNet searches of current and enacted legislation, retirement systems' websites, state legislatures' reports of enacted legislation, and information provided by legislative and retirement system staff. NCSL is indebted to the many legislative staff who write and share summaries of their legislatures' acts, the many retirement system staff who have posted legislative summaries on their web sites, and the staff of legislatures and retirement systems who have taken time to identify and explain legislation and its context.

**CONTACT.**

JoAnne Bourquard: [jo.anne.bourquard@ncsl.org](mailto:jo.anne.bourquard@ncsl.org)  
303-856-1355

**LIST OF TOPICS**

1. Contribution Rates and Funding Issues
2. Cost of Living Adjustments
3. Deferred Retirement Option Plans
4. Defined Benefit Plan Changes