

I have received several telephone calls concerning the contents of HB 2202, which has been introduced in the Missouri General Assembly by the Board of Trustees. There is just concern over the language which was drafted in the bill concerning when members are vested and eligible to receive their benefit.

The language in the on-line version of HB 2202 is in error, due to drafting mistakes made by Legislative Research in the Missouri House, which is responsible for writing legislation and posting copies on the website they alone maintain. Because drafting mistakes are fairly common, historically 25% I'm told, there is a committee process to resolve those errors and make sure the proposed legislation is accurate.

HB 2202 was first heard before the Retirement Committee of the Missouri House on Monday, February 5<sup>th</sup> at which time the draft was discussed and the Committee informed of the proposed changes. The amendments to HB 2202 were presented to the Committee last evening, February 12, 2018, at which time the Committee adopted the amendments and approved a House Committee Substitute for HB 2202. The parameters of this legislation, which has been widely discussed, are as follows:

### **Proposed Legislation for 2018**

#### **New Hires**

- **DECREASE vesting to 10 years of service and age 55.**
- **Members who leave service prior to age 55 defer the receipt of their benefit until they reach age 55.**
- **Members leaving service before vesting receive the refund of their contributions without interest.**
- **"Early Retirement" for DROP participation at 20 years of creditable service without reduction of benefit.**
- **Increase average final compensation to three (3) years**
- **Increase member contributions to 9% pre-tax**
- **No return of member contributions at retirement**
- **No re-entry after DROP participation**
- **Cap service retirement at 70%**
- **Cap COLA at 25%**
- **Change DROP interest rate to the 10-year Treasury Bill rate as of September 30 plus 1% not to exceed 6%**
- **No special advisor benefit "\$10 bill" for member or surviving spouse**

## All Members

- **Change the actuarial method from the Aggregate Method to Entry Age Normal (EAN) and include the poison pill Hancock language.**
- **Increase member's contribution rate to 8 %, PRE-TAX.**
- **Remove the mandatory retirement age**
- **An offset against disability benefits in excess of 125 % of the member's annual salary at the time of disability retirement**
- **Change quorum requirement from six members to a majority of the seated board members**

Please note that IF PASSED, the ONLY impact the current legislation will have on current members is a change in the contribution rate from 7% After-tax to 8% PRE-TAX. The impact of this change will allow each current member to save more in his/her lump sum for retirement, AND each member should see an increase in take-home pay. Of course, if passed, that will mean that going forward from October 1, 2018 a portion of your lump sum will be taxable at retirement.

Importantly, there are NO changes to vesting at 20 years despite the language in the original draft. I have attached a copy of the House Committee Substitute for HB 2202 and direct your attention to the following sections:

**Page 9 Line 23: Section 86.250 which states that a member who commenced employment PRIOR to October 1, 2018 can retire on a service retirement AT ANY AGE upon the completion of 20 years of creditable service.**

**Page 10 Line 7 thru 18 : Section 86.250 states that a member who commences employment ON OR AFTER October 1, 2018 vests in a retirement benefit upon the completion of 10 years of creditable service AND reaching age 55, but notes that a member who is hired on or after October 1, 2018 can enter DROP upon the completion of 20 years of creditable service.**

**Page 41 Lines 20-22 Section 86.354 reaffirms that a current member hired before October 1, 2018 can retire at any age upon the completion of twenty years of creditable service.**

**Page 41 Lines 23-27 Section 86.354 reaffirms that a member who is hired AFTER October 1, 2018 vests with 10 years of creditable service and delays receipt of a retirement benefit until age 55.**