

MAJOR POLICY SHIFTS

1996

Policy adopted by the St. Joseph Police Pension Board of Trustees

For the Missouri Police Pension Plan for the city of St. Joseph, the St. Joseph Police Pension Board of Trustees reduced monthly pension amounts paid to retirees by suspending its former policy of including lump sum payments for accrued unpaid overtime and vacation pay in the pre-retirement salary used to calculate monthly retirement pension amounts and instead prorating accrued but unpaid overtime and vacation pay over the period during which it was earned.

2000

S.B. 308 and 314

For employees hired and thus enrolled in the DOT, LGERS, PEERS, SERS, and PSRS systems after July 1, 2000, the Missouri Legislature created a new benefits tier changing the preexisting plan in the following ways: (1) increasing the benefit calculation multiplier from 1.6% to 1.7%; (2) lowering the retirement eligibility age for employees with five years of service from 65 to 62; and (3) providing for early retirement eligibility at age 57 with 5 years of service rather than age 55 with 10 years of service.

2010

S.B. 714

For employees hired and thus enrolled in the DOT and SERS systems after January 1, 2011, the Missouri Legislature created a new benefits tier, changing the preexisting plan in the following ways: (1) increasing the employee contribution rate from 0% to 4%; (2) lengthening the vesting period from 5 to 10 years; (3) delaying retirement eligibility from age 62 with 5 years of service to age 67 with 10 years of service; and (4) delaying early retirement eligibility from age 57 with 5 years of service to age 62 with 10 years of service.

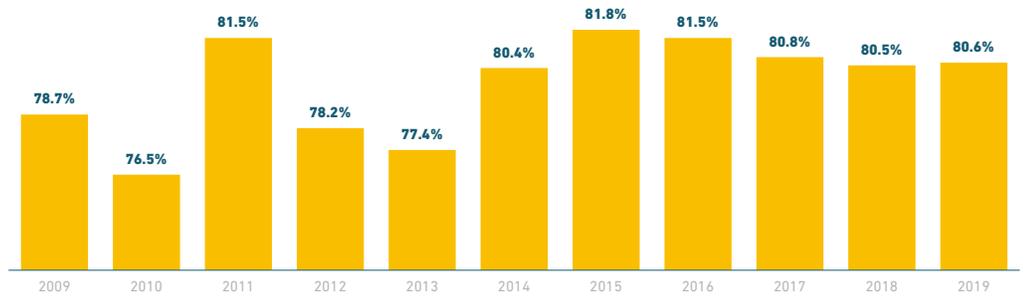
2013

Policy adopted by the PSRS/PEERS Board of Trustees

2011: For PSRS and PEERS active employees, the PSRS/PEERS Board of Trustees changed the cost-of-living adjustment (COLA) to 0% if the Consumer Price Index (CPI) is negative, 2% if the CPI is positive and below 5%, and 5% if the CPI is above 5%. 2017: For PSRS and PEERS active employees, the PSRS/PEERS Board of Trustees modified the COLA, by defining a "cumulative CPI" (the sum of the present and previous year's CPIs), and changing the COLA to 2% when that cumulative CPI is at least 2% and the current CPI is 0-2%.

FUNDED RATIO

The graphic below covers the following retirement systems: Missouri Department of Transportation and Highway Patrol Employees' Retirement System (DOT), Missouri Local Government Employees Retirement System (LGERS), Missouri Public Education Employee Retirement System (PEERS), Missouri State Employees' Retirement System (SERS), and Missouri Public School Retirement System (PSRS).



LEGAL ENVIRONMENT FOR FUTURE POLICY EFFORTS

Legislative efforts confined to new hires are excluded from analysis because they rarely face significant legal challenges.

What are some policy options?	Were there relevant policy shifts for active employees or retirees?	Have there been legal challenges?	What are the legal prospects for future changes?*
INCREASE EMPLOYEE CONTRIBUTIONS	NO	NO	<ul style="list-style-type: none"> • FAVORABLE as to active employees unless statutory language is interpreted as establishing contractual rights • N/A as to retirees
DECREASE OR ELIMINATE COST-OF-LIVING ADJUSTMENTS	YES <small>(pursuant to the 2011 Board policy, see to the left)</small>	YES <small>Did not survive legal challenge in Byrne v. State (2015)</small>	<ul style="list-style-type: none"> • FAVORABLE as to active employees unless statutory language is interpreted as establishing contractual rights • UNFAVORABLE as to retirees
CHANGE VESTING PERIOD	NO	NO	<ul style="list-style-type: none"> • FAVORABLE as to active, unvested employees unless statutory language is interpreted as establishing contractual rights • N/A as to active, vested employees and retirees
CHANGE BENEFIT CALCULATION	YES <small>(pursuant to the 1996 Board policy, see to the left)</small>	YES <small>Survived legal challenge in Fraternal Order of Police Lodge No. 2 v. City of St. Joseph (1999)</small>	<ul style="list-style-type: none"> • FAVORABLE as to active employees unless statutory language is interpreted as establishing contractual rights • UNFAVORABLE as to retirees

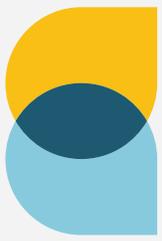
* **FAVORABLE** indicates that the issue survived litigation in the past and/or there is a permissive legal environment for the change.
 * **UNFAVORABLE** indicates that the issue did not survive litigation in the past and/or there is a non-permissive legal environment for the change.
 * **UNDEVELOPED** indicates that the issue has not been litigated and/or the current legal environment is unclear as to what the outcome would be.



MISSOURI

LEGAL ENVIRONMENT FOR PENSION POLICIES

As of December 2020



MISSOURI STATE LAW CONTEXT

State Provisions

ARTICLE I, SECTION 13 OF THE MISSOURI CONSTITUTION: “No ex post facto law, nor law impairing the obligation of contracts, or retrospective in its operation, or making any irrevocable grant of special privileges or immunities, can be enacted.”

Key Opinions

STATE EX REL. PHILLIP V. PUBLIC SCH. RET. SYS., 262 S.W.2D 569 (MO. 1953)

Building mechanics employed by the St. Louis Board of Education challenged the constitutionality, under the state constitution’s contract clause, of a statutory amendment removing employees in building trade mechanic job classifications from membership in the retirement system. After carefully scrutinizing the statute authorizing the pension system, the Missouri Supreme Court held “that the [authorizing act] and its subsequent modifications were intended to and did provide for the creation of specific contractual rights in the members of the Retirement System to obtain specific benefits upon compliance with the terms. These rights cannot be divested in the manner and form sought to be divested [by the amendment].” *State ex rel. Phillip v. Public Sch. Ret. Sys.*, 262 S.W.2d at 578. The court established a case-by-case approach to adjudicating contractual pension rights. “It is clear . . . that the rights of any beneficiary, or member of any retirement system can only be determined by very careful scrutiny of the detailed provisions of the particular statute controlling the creation and operation of the particular retirement system and under the particular facts of the case.” *Id.* In this case, the court found that plaintiffs had vested rights to continue their membership in the retirement system because (1) the pension law “provided for a comprehensive retirement system for all of the employees of the Board of Education of the City of St. Louis”; (2) language added to the pension law expressly prohibited “alteration[s], amendment[s], or repeal” of the law as to accrued and potential benefits of members of the retirement system; and (3) participation in the retirement system was voluntary at the time the claimants were hired, and “[v]ested contractual rights arise by reason of the payment of a voluntary consideration and compulsory contributions to such funds.” *Id.* at 576-579.

STATE EX REL. BRESHEARS V. MISSOURI STATE EMPLOYEES’ RET. SYSTEM, 362 S.W.2D 571 (MO. 1962)

SERS retirees sued seeking application to them of a statutory amendment adopted after they retired, which altered the formula for calculating benefits and increased retirement annuity payments for employees retiring after the change was adopted. Finding that applying the new benefit formula to prior retirees would require the state to deplete the retirement fund “to a substantial extent,” the court ruled that doing so would result in an unconstitutional impairment of active employees’ contractual rights. *State ex rel. Breshears v. Missouri State Employees’ Ret. Sys.*, 362 S.W.2d at 577. The court reasoned that retirees have a “vested right in the continuance of their respective annuities under the law as it existed at the time of their respective retirements” while “active members have certain vested interests” as well “extending at least to all payments which have been made into the retirement fund to the present time.” *Id.*

FRATERNAL ORDER OF POLICE LODGE NO. 2 V. CITY OF ST. JOSEPH, 8 S.W.3D 257 (MO. CT. APP. 1999)

The police officer’s union and active city police officers challenged a change in pension benefits adopted by the St. Joseph Police Pension Board of Trustees in response to concerns about the pension system’s unfunded liabilities. The change reduced monthly pension amounts paid to retirees by suspending the former policy of including lump sum payments for accrued unpaid overtime and vacation pay in the pre-retirement salary used to calculate monthly retirement pension amounts and instead prorating accrued but unpaid overtime and vacation pay over the period during which it was earned. The Missouri Court of Appeals rejected plaintiff’s challenge to the change based on promissory estoppel, ruling that plaintiffs “failed to meet their burden of proving affirmative misconduct by the Pension Board, and therefore, the Pension Board cannot be equitably estopped from changing the method of calculating pension amounts.” *Fraternal Order of Police Lodge No. 2 v. City of St. Joseph*, 8 S.W.3d at 263. The court rejected plaintiff’s impairment of contract claim under the state constitution because no language in the pension statutes signaled the legislature’s intent to continue a “certain method of calculating pension amounts” The court concluded, therefore, “that the officers’ future benefits are a mere expectancy and not a contractual entitlement and that the officers did not acquire any contractual right to have the former pension method continued.” *Id.* at 265.

FOR MORE INFORMATION

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