

By: Representative Chism

To: Appropriations

HOUSE BILL NO. 21

1 AN ACT TO CREATE A COMMISSION TO STUDY ISSUES AFFECTING THE
2 CURRENT AND FUTURE SOLVENCY OF THE PUBLIC EMPLOYEES' RETIREMENT
3 SYSTEM; TO AMEND SECTION 25-11-123, MISSISSIPPI CODE OF 1972, TO
4 SET THE EMPLOYER'S CONTRIBUTION RATE TO THE PUBLIC EMPLOYEES'
5 RETIREMENT SYSTEM AT 9-3/4% OF THE TOTAL EARNED COMPENSATION
6 THROUGH JUNE 30, 2006; AND FOR RELATED PURPOSES.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

8 **SECTION 1.** (1) There is created a commission to study
9 issues affecting the current and future solvency of the Public
10 Employees' Retirement System.

11 (2) The commission may contract with a consulting firm that
12 has expertise in public sector retirement systems to assist the
13 commission with the study. In the event that the commission
14 contracts with a consulting firm, the Public Employees' Retirement
15 System shall pay the compensation due any such firm. The
16 commission shall make a report of its findings and
17 recommendations, including any recommended legislation, and file a
18 copy of the report with the Secretary of the Senate and the Clerk
19 of the House of Representatives by not later than December 1,
20 2005. Upon the filing of the report with the Secretary of the
21 Senate and the Clerk of the House of Representatives, the
22 commission shall be dissolved.

23 (3) The membership of the commission shall be as follows:

24 (a) Three (3) members to be appointed by the Speaker of
25 the House of Representatives, at least one (1) of whom shall not
26 be a member of the Legislature;

27 (b) Three (3) members to be appointed by the Lieutenant
28 Governor, at least one (1) of whom shall not be a member of the
29 Legislature;

30 (c) Three (3) members appointed by the Governor;
31 (d) The State Treasurer, or his designee; and
32 (e) The Chairman of the Board of Trustees of the Public
33 Employees' Retirement System.

34 (4) Appointments shall be made within thirty (30) days after
35 the effective date of this act. The commission shall hold its
36 first meeting before August 1, 2005, and shall elect a chairman
37 and vice chairman and such other officers as it considers
38 necessary.

39 (5) A majority of the members of the commission shall
40 constitute a quorum. In the adoption of rules, resolutions and
41 reports, an affirmative vote of a majority of the commission shall
42 be required. All members shall be notified in writing of all
43 meetings, such notices to be mailed at least five (5) days prior
44 to the date on which a meeting is to be held.

45 (6) Nonlegislative members of the commission shall serve
46 without compensation, but shall be reimbursed for their official
47 duties as members at the same per diem as established by Section
48 25-3-69, and actual travel and lodging expenses as established by
49 Section 25-3-41. Legislative members of the board of directors
50 shall receive the same per diem and expense reimbursement as for
51 attending committee meetings when the Legislature is not in
52 regular session.

53 (7) The commission is authorized to accept money from any
54 source, public or private, to be expended in implementing its
55 duties under this section.

56 (8) To effectuate the purposes of this section, any
57 department, division, board, bureau, commission or agency of the
58 state or of any political subdivision thereof shall, at the
59 request of the chairman of the commission, provide to the
60 commission such facilities, assistance and data as will enable the
61 commission to properly carry out its duties.

62 **SECTION 2.** Section 25-11-123, Mississippi Code of 1972, is
63 amended as follows:

64 25-11-123. All of the assets of the system shall be credited
65 according to the purpose for which they are held to one (1) of
66 four (4) reserves; namely, the annuity savings account, the
67 annuity reserve, the employer's accumulation account, and the
68 expense account.

69 (a) **Annuity savings account.** In the annuity savings account
70 shall be accumulated the contributions made by members to provide
71 for their annuities, including interest thereon which shall be
72 posted monthly. Credits to and charges against the annuity
73 savings account shall be made as follows:

74 (1) Beginning July 1, 1991, the employer shall cause to
75 be deducted from the salary of each member on each and every
76 payroll of the employer for each and every payroll period seven
77 and one-fourth percent (7-1/4%) of earned compensation as defined
78 in Section 25-11-103. Future contributions shall be fixed
79 biennially by the board on the basis of the liabilities of the
80 retirement system for the various allowances and benefits as shown
81 by actuarial valuation; however, any member earning at a rate less
82 than Sixteen Dollars and Sixty-seven Cents (\$16.67) per month, or
83 Two Hundred Dollars (\$200.00) per year, shall contribute not less
84 than One Dollar (\$1.00) per month, or Twelve Dollars (\$12.00) per
85 year.

86 (2) The deductions provided herein shall be made
87 notwithstanding that the minimum compensation provided by law for
88 any member is reduced thereby. Every member shall be deemed to
89 consent and agree to the deductions made and provided for herein
90 and shall receipt for his full salary or compensation, and payment
91 of salary or compensation less the deduction shall be a full and
92 complete discharge and acquittance of all claims and demands
93 whatsoever for the services rendered by the person during the
94 period covered by the payment, except as to the benefits provided

95 under Articles 1 and 3. The board shall provide by rules for the
96 methods of collection of contributions from members and the
97 employer. The board shall have full authority to require the
98 production of evidence necessary to verify the correctness of
99 amounts contributed.

100 (b) **Annuity reserve.** The annuity reserve shall be the
101 account representing the actuarial value of all annuities in
102 force, and to it shall be charged all annuities and all benefits
103 in lieu of annuities, payable as provided in this article. If a
104 beneficiary retired on account of disability is restored to active
105 service with a compensation not less than his average final
106 compensation at the time of his last retirement, the remainder of
107 his contributions shall be transferred from the annuity reserve to
108 the annuity savings account and credited to his individual account
109 therein, and the balance of his annuity reserve shall be
110 transferred to the employer's accumulation account.

111 (c) **Employer's accumulation account.** The employer's
112 accumulation account shall represent the accumulation of all
113 reserves for the payment of all retirement allowances and other
114 benefits payable from contributions made by the employer, and
115 against this account shall be charged all retirement allowances
116 and other benefits on account of members. Credits to and charges
117 against the employer's accumulation account shall be made as
118 follows:

119 (1) On account of each member there shall be paid
120 monthly into the employer's accumulation account by the employers
121 for the preceding fiscal year an amount equal to a certain
122 percentage of the total earned compensation, as defined in Section
123 25-11-103, of each member. The percentage rate of those
124 contributions shall be fixed biennially by the board on the basis
125 of the liabilities of the retirement system for the various
126 allowances and benefits as shown by actuarial valuation. From and
127 after January 1, 1990, through June 30, 2006, the rate shall be

128 fixed at nine and three-fourths percent (9-3/4%). The board shall
129 reduce the employer's contribution rate by one percent (1%) from
130 and after July 1 of the year following the year in which the board
131 determines and the board's actuary certifies that the employer's
132 contribution rate can be reduced by that amount without causing
133 the unfunded accrued actuarial liability amortization period for
134 the retirement system to exceed twenty (20) years. Political
135 subdivisions joining Article 3 of the Public Employees' Retirement
136 System after July 1, 1968, may adjust the employer's contributions
137 by agreement with the Board of Trustees of the Public Employees'
138 Retirement System to provide service credits for any period before
139 execution of the agreement based upon an actuarial determination
140 of employer's contribution rates.

141 (2) On the basis of regular interest and of such
142 mortality and other tables as are adopted by the board of
143 trustees, the actuary engaged by the board to make each valuation
144 required by this article during the period over which the accrued
145 liability contribution is payable, immediately after making that
146 valuation, shall determine the uniform and constant percentage of
147 the earnable compensation of each member which, if contributed by
148 the employer on the basis of compensation of the member throughout
149 his entire period of membership service, would be sufficient to
150 provide for the payment of any retirement allowance payable on his
151 account for that service. The percentage rate so determined shall
152 be known as the "normal contribution rate." After the accrued
153 liability contribution has ceased to be payable, the normal
154 contribution rate shall be the percentage rate of the salary of
155 all members obtained by deducting from the total liabilities on
156 account of membership service the amount in the employer's
157 accumulation account, and dividing the remainder by one percent
158 (1%) of the present value of the prospective future salaries of
159 all members as computed on the basis of the mortality and service
160 tables adopted by the board of trustees and regular interest. The

161 normal rate of contributions shall be determined by the actuary
162 after each valuation.

163 (3) The total amount payable in each year to the
164 employer's accumulation account shall not be less than the sum of
165 the percentage rate known as the "normal contribution rate" and
166 the "accrued liability contribution rate" of the total
167 compensation earnable by all members during the preceding year,
168 provided that the payment by the employer shall be sufficient,
169 when combined with the amounts in the account, to provide the
170 allowances and other benefits chargeable to this account during
171 the year then current.

172 (4) The accrued liability contribution shall be
173 discontinued as soon as the accumulated balance in the employer's
174 accumulation account shall equal the present value, computed on
175 the basis of the normal contribution rate then in force, or the
176 prospective normal contributions to be received on account of all
177 persons who are at that time members.

178 (5) All allowances and benefits in lieu thereof, with
179 the exception of those payable on account of members who receive
180 no prior service credit, payable from contributions of the
181 employer, shall be paid from the employer's accumulation account.

182 (6) Upon the retirement of a member, an amount equal to
183 his retirement allowance shall be transferred from the employer's
184 accumulation account to the annuity reserve.

185 (d) **Expense account.** The expense account shall be the
186 account to which the expenses of the administration of the system
187 shall be charged, exclusive of amounts payable as retirement
188 allowances and as other benefits provided herein. The Legislature
189 shall make annual appropriations in amounts sufficient to
190 administer the system, which shall be credited to this account.
191 There shall be transferred to the State Treasury from this
192 account, not less than once per month, an amount sufficient for
193 payment of the estimated expenses of the system for the succeeding

194 thirty (30) days. Any interest earned on the expense account
195 shall accrue to the benefit of the system. However,
196 notwithstanding the provisions of Sections 25-11-15(10) and
197 25-11-105(f)(5)E, all expenses of the administration of the system
198 shall be paid from the interest earnings, provided the interest
199 earnings are in excess of the actuarial interest assumption as
200 determined by the board, and provided the present cost of the
201 administrative expense fee of two percent (2%) of the
202 contributions reported by the political subdivisions and
203 instrumentalities shall be reduced to one percent (1%) from and
204 after July 1, 1983, through June 30, 1984, and shall be eliminated
205 thereafter.

206 (e) **Collection of contributions.** The employer shall cause
207 to be deducted on each and every payroll of a member for each and
208 every payroll period, beginning subsequent to January 31, 1953,
209 the contributions payable by the member as provided in Articles 1
210 and 3.

211 The employer shall make deductions from salaries of employees
212 as provided in Articles 1 and 3 and shall transmit monthly, or at
213 such time as the board of trustees designates, the amount
214 specified to be deducted to the Executive Director of the Public
215 Employees' Retirement System. The executive director, after
216 making a record of all those receipts, shall deposit such amounts
217 as provided by law.

218 (f) (1) Upon the basis of each actuarial valuation provided
219 herein, the board of trustees shall biennially determine the
220 normal contribution rate and the accrued liability contribution
221 rate as provided in this section. The sum of these two (2) rates
222 shall be known as the "employer's contribution rate." Beginning
223 on earned compensation effective January 1, 1990, through June 30,
224 2006, the rate computed as provided in this section shall be nine
225 and three-fourths percent (9-3/4%). The board shall reduce the
226 employer's contribution rate by one percent (1%) from and after

227 July 1 of the year following the year in which the board
228 determines and the board's actuary certifies that the employer's
229 contribution rate can be reduced by that amount without causing
230 the unfunded accrued actuarial liability amortization period for
231 the retirement system to exceed twenty (20) years. The percentage
232 rate of those contributions shall be fixed biennially by the board
233 on the basis of the liabilities of the retirement system for the
234 various allowances and benefits as shown by actuarial
235 valuation.

236 (2) The amount payable by the employer on account of
237 normal and accrued liability contributions shall be determined by
238 applying the employer's contribution rate to the amount of
239 compensation earned by employees who are members of the system.
240 Monthly, or at such time as the board of trustees designates, each
241 department or agency shall compute the amount of the employer's
242 contribution payable, with respect to the salaries of its
243 employees who are members of the system, and shall cause that
244 amount to be paid to the board of trustees from the personal
245 service allotment of the amount appropriated for the operation of
246 the department or agency, or from funds otherwise available to the
247 agency, for the payment of salaries to its employees.

248 (3) Constables shall pay employer and employee
249 contributions on their net fee income as well as the employee
250 contributions on all direct treasury or county payroll income.
251 The county shall be responsible for the employer contribution on
252 all direct treasury or county payroll income of constables.

253 (4) Chancery and circuit clerks shall be responsible
254 for both the employer and employee share of contributions on the
255 proportionate share of net income attributable to fees, as well as
256 the employee share of net income attributable to direct treasury
257 or county payroll income, and the employing county shall be
258 responsible for the employer contributions on the net income
259 attributable to direct treasury or county payroll income.

260 (5) Once each year, under procedures established by the
261 system, each employer shall submit to the Public Employees'
262 Retirement System a copy of their report to Social Security of all
263 employees' earnings.

264 (6) The board shall provide by rules for the methods of
265 collection of contributions of employers and members. The amounts
266 determined due by an agency to the various funds as specified in
267 Articles 1 and 3 are made obligations of the agency to the board
268 and shall be paid as provided herein. Failure to deduct those
269 contributions shall not relieve the employee and employer from
270 liability thereof. Delinquent employee contributions and any
271 accrued interest shall be the obligation of the employee and
272 delinquent employer contributions and any accrued interest shall
273 be the obligation of the employer. The employer may, in its
274 discretion, elect to pay any or all of the interest on delinquent
275 employee contributions. From and after July 1, 1996, under rules
276 and regulations established by the board, all employers are
277 authorized and shall transfer all funds due to the Public
278 Employees' Retirement System electronically and shall transmit any
279 wage or other reports by computerized reporting systems.

280 **SECTION 3.** This act shall take effect and be in force from
281 and after its passage.