



# THE EMPLOYER CONTRIBUTION RATE

The employer contribution rate is calculated by MOSERS' external actuary and is certified by the MOSERS Board of Trustees. The employer contribution rate is the amount needed from the state. It is combined with investment returns and employee contributions in order for MOSERS to pay all current and future benefits.

## What has the board done to control costs?

The MOSERS Board voted to **lower the assumed rate of return** on investments (ARR) from 7.50% to 7.25% and intends to further reduce the ARR to 6.95% for the June 30, 2020 actuarial valuation.

The above actions cause the employer contribution rate to increase in the short term but work to ensure MOSERS' sustainability over the long term.

In FY18, MOSERS reduced its investment management fees by \$9 million.

In 2017, the MOSERS Board implemented a pension buyout program for vested former state employees, which resulted in a net reduction in system liabilities of \$41 million.



## What are some of the assumptions the actuaries use to calculate the contribution rate?



### Economic Assumptions

- Investment Return
- Inflation
- Salary Increases & Payroll Growth
- Cost of Living Adjustments (COLAs)
- Other

### Demographic Assumptions

- Life Expectancy
- Retirement (Normal vs. Early)
- Termination from Active Employment
- Other (such as Form of Payment, Marital Status, Member Contributions, Plan Election, Forfeitures, etc.)

## Does the state contribute the full amount the external actuaries recommend to fully fund the system over the long term?

Yes. The state has consistently contributed the **full** amount that the actuaries have recommended.

For Fiscal Year	Dollar Amount	Percent of Payroll	Percentage Contribution
FY14	\$326.4 million	16.98%	100%
FY15	329.8	16.97	100
FY16	330.0	16.97*	100
FY17	335.2	16.97*	100
FY18	379.6	19.45	100
FY19	422.7 <sup>e</sup>	20.21	Not yet available
FY20	445.9 <sup>e</sup>	21.77	Not yet available

*\*The board adopted a minimum funding policy maintaining the certified contribution rate as 16.97% until the plan is at least 80% funded.*

The actuary projects that employer contributions will increase to approximately 25% of payroll in FY26 and then slowly decrease.

## Where does MOSERS funding come from?



61%  
Investments

38%  
Employer

1%  
Employee

## What percentage of the state budget goes to MOSERS?



1.5%

MOSERS' appropriation has remained less than 1.5% of the total state budget for decades.