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**Noteworthy News**

**October 20-26, 2013**

**National Save for Retirement Week**

Your MOSERS defined benefit plan and social security are important sources of retirement income. However, you will probably need extra savings to reach your retirement income goals. National Save for Retirement Week is a perfect time to take control of your retirement savings by enrolling in the State of Missouri Deferred Compensation Plan. Simply visit [www.modeferredcomp.org](http://www.modeferredcomp.org) and click the **Enrollment** button to get started. If you are already participating in the deferred compensation plan, this annual event is also a great time to measure your progress by using the Plan’s interactive RetirementTrack calculator. Consider the following as you think about your retirement savings strategy:

- To live comfortably during retirement, you will need anywhere from 80-100% of your pre-retirement income, according to the Aon Consulting 2008 Replacement Ratio Study.
- The average contribution to the deferred compensation plan is $129 per month. Assuming a 6% annual rate of return and a 23-year career, those monthly contributions could add up to approximately $76,000 in retirement savings.
- If you increased your contribution to $169 per month, or $40 more than the current monthly average, you could have over $100,000 at retirement. That’s only $20 more per semimonthly paycheck, for almost $25,000 more in retirement savings. This example also assumes an annualized 6% rate of return over a 23-year working career.

To find out more, visit [www.nagdca.org/content.cfm/id/nagdcanote20130723](http://www.nagdca.org/content.cfm/id/nagdcanote20130723)

**Educational Opportunities**

**Have You Attended a Seminar Yet?**

If not, register now! If you need to attend, don’t miss your opportunity for this year! MOSERS’ PreRetirement Planning Seminars and Money Matters Workshops fill up quickly, especially in Jefferson City. After mid-November, the next program is set for February. Log in and register online to speed up the process and ensure you get your first choice of dates.

**PreRetirement Planning**

**PreRetirement Planning** (Pay $10 online with a credit or debit card at: [www.mosers.org/Members/Seminars/PreRetirement.aspx](http://www.mosers.org/Members/Seminars/PreRetirement.aspx)). Remaining seminar dates are:

- October 3 (evening)—Jefferson City (Truman Hotel)
- November 6—St. Louis
- November 13—Kansas City
- November 19—Jefferson City*

*Please note - This PreRetirement seminars will NOT be held at MOSERS, but will be held at the HyVee Community Room, 3721 West Truman Boulevard, Jefferson City.

**Money Matters**

**Money Matters** (FREE!) Two different workshops can be taken individually or in any order. Select the session with your preferred content when you register at: [www.mosers.org/Members/Seminars/MoneyMatters.aspx](http://www.mosers.org/Members/Seminars/MoneyMatters.aspx). Remaining dates are:

- November 7—St. Louis
- November 14—Kansas City

The schedule for 2014 will be posted online by January 1.
Benefit Strategies

You and Social Security

When will you be eligible to receive social security benefits? At inception, Americans were eligible to receive normal social security retirement benefits at age 65. However, as people lived increasingly longer lives, the rules were changed and eligibility ages were gradually increased so that people became eligible to draw normal retirement age benefits at later ages. Eligibility ages are now based on year of birth as follows:

<table>
<thead>
<tr>
<th>Year of Birth</th>
<th>Full Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>65</td>
</tr>
<tr>
<td>1938</td>
<td>65 &amp; 2 months</td>
</tr>
<tr>
<td>1939</td>
<td>65 &amp; 4 months</td>
</tr>
<tr>
<td>1940</td>
<td>65 &amp; 6 months</td>
</tr>
<tr>
<td>1941</td>
<td>65 &amp; 8 months</td>
</tr>
<tr>
<td>1942</td>
<td>65 &amp; 10 months</td>
</tr>
<tr>
<td>1943-1954</td>
<td>66</td>
</tr>
<tr>
<td>1955</td>
<td>66 &amp; 2 months</td>
</tr>
<tr>
<td>1956</td>
<td>66 &amp; 4 months</td>
</tr>
<tr>
<td>1957</td>
<td>66 &amp; 6 months</td>
</tr>
<tr>
<td>1958</td>
<td>66 &amp; 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 &amp; 10 months</td>
</tr>
<tr>
<td>1960 &amp; later</td>
<td>67</td>
</tr>
</tbody>
</table>

An Easy Way to Determine Your Own Eligibility:

<table>
<thead>
<tr>
<th>Year of Birth</th>
<th>Full Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937 or before</td>
<td>age 65</td>
</tr>
<tr>
<td>1938-1942</td>
<td>add 2 months per year</td>
</tr>
<tr>
<td>1943-1954</td>
<td>age 66</td>
</tr>
<tr>
<td>1955-1959</td>
<td>add 2 months per year</td>
</tr>
<tr>
<td>1960 or later</td>
<td>age 67</td>
</tr>
</tbody>
</table>

At normal eligibility for social security, your benefit amount generally would be based on how long you had worked and how much you had earned while working.

You may believe you can access social security benefits earlier than age 65 and you would be right! “Early” social security is available at age 62. However, as an early retiree, a permanent reduction factor is applied to the benefit you would have received if you had waited until “normal” eligibility. The lower benefit may be a good choice for some because it allows a person to draw a smaller benefit for a longer period of time.

On the other hand, if you choose to delay receiving social security benefits from the time you are eligible until age 70, you will receive more per year. And, according to PLANSPONSOR magazine, the industry’s leading resource for retirement-related benefit news, your benefit amount at age 70 is about 75% more than at age 62. Waiting to begin taking benefits until later means you receive a larger benefit amount for life.

When you are eligible to receive social security benefits and when you should begin to receive those benefits may be different. Consider this in the bigger picture of your retirement, factoring in your MOSERS retirement benefit and other income you may have in retirement, such as deferred compensation and other savings sources. Your best strategy for your retirement depends on your individual needs and plans.

Interactive Web Tools

New Online Newsletter Reader

MOSERS has a new way for you to read our quarterly newsletters on the go. There is now a reader on our website that allows you to browse through the digital version of our newsletters from your computer, tablet, laptop or mobile device. The online reader is interactive and allows you to use your smartphone or other device to read PensionsPlus, which is more convenient since many phones will not allow you to view a PDF file.
Board Corner

The Role of the MOSERS Board of Trustees

Upcoming Election
A year from now, you will be electing two members to the MOSERS Board of Trustees. Members of MOSERS staff are already working to ensure a smooth and fair election process. At the June 2013 board meeting, a proposal on the board election procedures and timeline was considered and approved by the board.

What are the Board's Responsibilities?
The MOSERS board has the fiduciary responsibility for setting broad policy guidelines for the operations of the system and investment of nearly $8 billion in trust fund assets. The board has adopted governance policies to fulfill their obligations, which outline the overall governance processes and the goals that the board expects MOSERS staff to achieve. The day-to-day administration and investment functions are performed by MOSERS staff under the leadership of the system's executive director.

What is a “Fiduciary”? What are Fiduciary Obligations?
A fiduciary is one who has a duty, created by an undertaking, to act solely for another's benefit in matters connected with such an undertaking. It is the highest standard of duty implied by the law and requires good faith and candor. A trustee acts in the capacity of a fiduciary and is accountable for whatever actions may be construed by the courts as breaching that trust. MOSERS trustees are fiduciaries, as are certain MOSERS staff members.

To perform effectively in this role, board members must be able to focus on "big-picture" issues and work well as part of a group. Board members have a fiduciary responsibility to act in the exclusive interest of the members and beneficiaries of the system. These fiduciary obligations are outlined in state law¹ and are critical to the ongoing operations of MOSERS.

The MOSERS Board of Trustees operates under the tenets of the Exclusive Purpose Rule and Prudent Expert Standard. An overview of these tenets follows:

- **Exclusive Purpose Rule**
  - Fiduciaries have a duty to ensure that the plan is administered for the "exclusive" benefit of members and their beneficiaries. Specifically, fiduciaries must act for the "exclusive purpose" of providing benefits to plan participants and beneficiaries which includes the costs of administering the plan.
  - At the heart of the fiduciary relationship is the duty of complete and undivided loyalty to the beneficiaries of the trust.

- continued on page 6
• **Prudent Expert Standard**
  - A fiduciary must discharge his or her duties in a prudent fashion. Fiduciaries must act “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.”

**Investment Principles**
There are three fundamental principles which comprise MOSERS’ investment philosophy and guide asset allocation and investment decisions.

1. **Preserve the long-term corpus of the fund.** MOSERS’ approach to investing is unique when compared to an individual investor. As an institutional investor with an infinite time horizon, MOSERS establishes an allocation policy that is expected to meet the real return objective with an appropriate risk tolerance that, together with contributions, will allow for payment of benefits to retirees today and well into the future.

2. **Maximize total return within prudent risk parameters.** The fund seeks to gain the highest level of return for a given level of risk.

3. **Act in the exclusive interest of the members of the system.** The board, staff, and the external investment consultants all work together to ensure that every action taken serves the long-term interests of the members and the system.

**What You Can Expect**
As a member of MOSERS, next year’s election gives you an opportunity to help guide the system in meeting the above objectives. You can expect to see more about the process in upcoming newsletters.

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1 Sections 104.320 and 105.688 RSMo.
Increase Your Coverage

2014 Annual Optional Term Life Insurance Review Period

It’s that time of year again—the month of October is your window of opportunity to evaluate your optional life insurance coverage and decide if you would like to increase it. The Annual Term Life Insurance Review period gives eligible members the opportunity to increase their coverage amount (within the established guidelines) without proving insurability. Please note the review period does not apply to spouse and child(ren) coverage (see FAQs). If you wish to maintain your current level of coverage, no action is required.

Check Your Email

In late September, MOSERS sends instructions to eligible members explaining how to increase coverage. You may view your email notification in your Document Express. Please read it carefully. If there is no valid email address on file for you, MOSERS sends a letter in the mail.

(Note: All MOSERS members have access to Document Express. To access it you must have a MOSERS password in order to log in to your secure Member Homepage. If you cannot enroll online, please contact a benefit counselor at (800) 827-1063.)

Eligibility

To be eligible for the Annual Term Life Insurance Review, you must:

- Be actively employed in a benefit-eligible position.
- Be currently insured with less than the maximum amount of optional life insurance coverage (the lesser of six times your annual salary or $800,000).

To aid in your decision, the information indicates your current 2013 coverage amount and monthly premiums, as well as what your new 2014 premiums will be if you opt for the increase.

"The Annual Term Life Insurance Review period gives eligible members the opportunity to increase their coverage amount (within the established guidelines) without proving insurability."

Online Election Method

If you wish to increase your optional life insurance coverage amount, go to the MOSERS secure website between October 1 and October 31, 2013 (midnight). Simply click on the Update Now button on the MOSERS homepage or click on the Personal Information link above the menu for 2014 Annual Term Life Insurance Review and follow the steps to increase your coverage.

- continued on page 8
Life Planning

Confirmation of Your Election

If you increase your coverage, your confirmation letter will be posted to Document Express on your secure Member Homepage on MOSERS’ website (www.mosers.org). You will receive an email notification alerting you when it is posted and ready to be viewed; you may then save it to your computer, or print it. If you opted out of electronic delivery, you will receive a confirmation letter in the mail reflecting any changes to your coverage.

Important Details

- Any new elections in October will go into effect January 1, 2014 as long as you meet the “Actively-at-Work” requirement. More information is available in the life insurance handbook.
- Term life insurance proceeds are paid to your beneficiary(ies) when you die. It has no cash or loan value.
- You can use the Optional Life Insurance Calculator in the Member section of MOSERS’ website to determine the premiums for yourself and your spouse.

MOSERS’ life insurance is not available to employees of the Department of Conservation or state regional colleges/universities (except Linn State Technical College & Lincoln University).

Optional Term Life Insurance FAQs

Q: Can I decrease or terminate my optional life insurance coverage?
A: Yes. Complete an Enrollment/Change - Optional Life Insurance form and submit it to MOSERS. The form can be downloaded online from the Forms page on MOSERS’ website or completed and submitted electronically by logging on to your secure Member Homepage. This can be done any time throughout the year.

Remember, to be eligible for future annual review periods you must maintain at least $10,000 of optional life insurance coverage.

Q: Can I continue my optional life insurance into retirement?
A: Yes. If you retire within 60 days of leaving state employment, the state will continue to provide $5,000 in basic life insurance coverage at no cost to you. You may retain up to $60,000 in optional life insurance, provided you had at least that amount while actively employed. You may retain all your coverage until age 62 if you retire under the “Rule of 80” in the MSEP 2000 or under the “Rule of 90” in the MSEP 2011. At age 62, the coverage amount will automatically reduce to $60,000. You may reduce your optional life coverage amount after you retire, but you may not increase it.

Q: Can I purchase (or increase) coverage for my spouse or dependent child during the annual review?
A: You may increase coverage on a spouse at any time, but will need to prove insurability. To do so, submit the following forms to MOSERS:
- Standard’s Medical History Statement
- Enrollment/Change - Optional Life

The forms can be downloaded online from the Forms page on MOSERS’ website or completed and submitted electronically by logging on to your secure Member Homepage at any time during the year.

Dependent Child(ren) Coverage:

Eligible children may be enrolled at any time without proof of insurability. Dependent changes can be requested at any time, not just during October. The coverage amount will remain $10,000 per child with a premium of $2 per month, regardless of the number of insured children.

For coverage purposes only, a child is defined as your child from live birth to age 26. This includes dependent stepchildren and grandchildren, adopted children, and children for whom you are the court-appointed legal guardian provided they are living with you. Full-time members of the armed forces of any country, regardless of age, are not included in the definition of eligible child.

Disabled children older than age 26, who are continuously incapable of self-sustaining employment because of developmental, intellectual or physical handicap and are...
dependent on you for support, are also eligible for dependent coverage. However, you must provide proof that your child is handicapped and be approved by Standard Insurance Company for continued coverage (you may request a Continued Dependent Life Insurance for a Disabled Child form from a MOSERS benefit counselor.)

Q: Can I enroll in the Optional Life Insurance Plan if I’m currently not enrolled?

A: If you have a family status change (includes marriage, divorce or legal separation; birth of a child; adoption of a child; or death of a spouse or child), you may be eligible to apply for up to $30,000 of optional life insurance coverage, in $10,000 increments, for yourself without proving insurability. Those previously denied coverage or already carrying the maximum coverage are not eligible. You must complete an Enrollment/Change – Optional Life Insurance form within 31 days of the event and submit proof of family status change. Other than these two instances, you will need to submit the Medical History Statement along with the Enrollment/Change – Optional Life form and be approved by Standard Insurance Company.

**Life Insurance Beneficiaries**

Included on your Annual Benefit Statement is your primary life insurance beneficiary designation. If you or your beneficiaries have had a life change that may affect this information, such as a divorce or death, you are encouraged to update your beneficiary designations as soon as possible. For your convenience, you may quickly and easily update your beneficiary designations online by following these steps:

- Log in to your secure Member Homepage.
- Click on Forms then Life Insurance Beneficiaries in the top menu.
- Follow the instructions for completing and submitting the online form.

If you prefer, you may download a Designation of Life Insurance Beneficiaries form to complete and mail to MOSERS. The new designation form will become effective upon receipt at MOSERS.

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**Counselor Corner**

**What You Need to Know About MSEP 2011**

Did you become a state employee for the first time on or after January 1, 2011? If so, you are a member of the Missouri State Employees’ Plan 2011 (MSEP 2011). The MSEP 2011 is a contributory defined benefit plan. Members contribute 4% of gross pay towards the funding of future retirement benefits. In order to become vested and eligible for a future benefit, you must have at least 10 years of service. What happens to the money you contributed if you leave state employment before becoming vested? That is an important question and you will want to weigh your options carefully if faced with that situation.

Option 1: You can leave your contributions in the system. This option leaves your service credit intact and may be a good choice if there is a strong likelihood that you will return to state employment in the future. If you leave your contributions in the system and are vested, you will continue to accrue interest on your contributions.

Option 2: You can elect to receive a refund of your contributions. This option allows you to receive all of your contributions plus any interest you have accrued on those contributions. The refund can be taken in cash or as a direct rollover to a qualified retirement plan (or a combination of the two). Refunds taken in cash are taxable in the year of payment and MOSERS is required to withhold 20% for federal tax. Additionally, there may be a 10% IRS penalty on refunds taken in cash if you are less than age 59½. By receiving a refund, you forfeit all of your service. If you later return to state employment and work continuously for one year, the service that was previously forfeited can be restored only if you pay back to the system the amount that was previously refunded plus interest at a rate established by the MOSERS board.

What you decide to do with your contributions can have a significant impact on your future plans for retirement. If you ever have any questions, please do not hesitate to contact a benefit counselor or come by our office to visit with us in person.
**Converging Forces**

**The Longevity Revolution ... Changes Everything**

For over 35 years, Dr. Ken Dychtwald has been recognized as the foremost visionary and original thinker regarding the lifestyle, financial, healthcare, and marketing implications of the longevity revolution. Dychtwald says, “The longevity revolution is non-trivial. It changes everything.”

Dychtwald’s research suggests five themes, or converging forces:

1. **The Longevity Revolution:** The arrival of the 20th century and the growth of public health departments changed the future of retirement. The emergence of antibiotics, extraordinary breakthroughs of food distribution and refrigeration and pharmacological advances have altered estimates about life expectancy. “Two-thirds of all the people who have ever lived past 65, in the entire history of the world, are alive today.”

2. **A Longevity Bonus:** Think about the difference between a linear lifespan vs. cyclic lifespan. “Informed by longevity, rather than having more old people being old the same way longer, the whole life course is redistributing, rethinking itself.”

3. **Financial Wake-Up Call (financial mind shift):** There have been shifts in pension plans from defined benefit plans to defined contribution plans and [many workers] have no discipline in terms of saving. Dychtwald says there is an urgent need for Americans to do a better job of managing their money and health (because health, or lack of it, can have such an impact on their financial well-being).

4. **New Retirement Lifescape:** Webster’s definition of retirement is to disappear, go away, withdraw. Dychtwald sees a new definition of retirement emerging, illustrated by these five stages of retirement:
   - Imagination
   - Anticipation
   - Liberation
   - Reorientation
   - Reconciliation

5. **Retirement Finds a New Purpose:** What is the purpose of longevity? Is retirement the beginning of the end? Is it a time for rest and relaxation? Or is it an opportunity for a new chapter in life?


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**Online Tools**

**RetiremenTrack**

Are you on track for a financially secure retirement? Visit [modeferredcomp.org](http://modeferredcomp.org) and click on RetiremenTrack, a free online calculator. This calculator creates a custom retirement forecast based on your pension and social security benefits, as well as your deferred compensation contributions.
MOSERS

NOT YOUR AVERAGE PENSION FUND

Some state pension plans are struggling. MOSERS is not. Let’s look at the big picture.

MISSOURI STATE BUDGET
$25.5 Billion

MOSERS APPROPRIATION
1.13% OF STATE BUDGET
($323.3 Million)

For a relatively small investment, Missouri taxpayers get a better bang for their buck because MOSERS is not your average pension fund.

FY2014 TAFP
As Truly Agreed and Finally Passed

MOSERS FUNDING vs. AVERAGE PENSION PLAN FUNDING

66% INVESTMENT RETURNS

34% EMPLOYER & EMPLOYEE CONTRIBUTIONS

The majority of MOSERS’ funding is not from state taxpayers. Rather, it is from its better than average long-term investment returns.

MOSERS funding for FY93 - FY13.

59% INVESTMENT RETURNS

41% EMPLOYER & EMPLOYEE CONTRIBUTIONS

If MOSERS’ investment return were simply average, the share of state funding vs. investment returns would look like this.

NIFS, Pensionomics 2012
Aggregate State and Local Pension Contributions by Source, 1993-2008 (the latest data for which data are available)
We Are Here for Your Benefit

Investments

The primary function of the investment department is to provide internal investment management and consulting services to the board and the executive director. Other functions include:

- Hiring and terminating external investment managers
- Making strategic allocation decisions
- Analyzing the overall asset allocation
- Rebalancing the portfolio
- Informing and advising the board and executive director on financial and economic developments which may affect the system.

### MOSERS Investment Portfolio Performance

<table>
<thead>
<tr>
<th></th>
<th>20 Year</th>
<th>10 Year</th>
<th>3 Year</th>
<th>1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Return</td>
<td>8.4%</td>
<td>8.4%</td>
<td>10.9%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Relative to Benchmark</td>
<td>+0.9%</td>
<td>+1.2%</td>
<td>+0.9%</td>
<td>+2.2%</td>
</tr>
</tbody>
</table>