BackDROP Distribution
What to Consider When Choosing this Option at Retirement

Special Insert
Summary Annual Financial Report

Retirement Readiness
Replacement Income an Important Factor
Noteworthy News

3 Public Pension Exemption
Important tax information that may affect your retirement benefit.

3 Education Opportunities
Pencil in a Money Matters Workshop or Preretirement seminar in 2011.

Retirement & You

7 Retirement Readiness
Achieve a reasonable level of replacement income to support your financial needs at retirement.

8 Rumor Central
Go online for clear answers about your retirement, life insurance, and long-term disability benefits.

Board Corner

6 Board News
MOSERS Board of Trustees Updates.

Life Planning

4 BackDROP Distribution
Issues to consider when choosing a BackDROP option at retirement.

Insert
MOSERS Summary
Annual Financial Report
Your retirement system remains well funded and your promised benefits are secure.
Public Pension Exemption

What You Need to Know When You Retire

If you are getting ready to retire, you should know that for tax year 2010, married couples with Missouri adjusted gross income less than $100,000 and single individuals with Missouri adjusted gross income less than $85,000, may deduct the greater of $6,000 or 65% of their public retirement benefit, to the extent the amounts are included in their federal adjusted gross income. The total public pension exemption is limited to the maximum social security benefit of each spouse.

The deductible percentage of your public retirement benefits will increase until 2012. A breakdown of the yearly percentage can be found in the chart below.

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012+</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Deducted</td>
<td>50%</td>
<td>65%</td>
<td>80%</td>
<td>100%</td>
</tr>
</tbody>
</table>

In order to be eligible for the full deduction, your Missouri adjusted gross income must fall within certain income limitations. If your income exceeds the limitation, you may qualify for a partial exemption. The amount of your exemption must be reduced by the amount that your income exceeds the limitation. The limitation is based on your filing status and income (less taxable social security benefits) as listed below:

- Up to $85,000 – Single, Head of Household, or Qualifying Widow(er)
- Up to $100,000 – Married, filing jointly
- Up to $85,000 – Married, filing separately

MOSERS recommends you contact the Department of Revenue or a qualified tax advisor for additional information or answers to your specific questions about the public pension exemption.

Life events such as marriage, divorce, or change in dependents may impact the amount you wish to have withheld. You may change your withholding election at any time during the year by submitting a Substitute W-4P form to MOSERS. The amount of withholdings you elect does not change your tax liability.

The information included in this article is MOSERS summary assessment of various income tax laws. In the event of a conflict, the pertinent law prevails.

Pencil It In . . .

2011 PreRetirement & Money Matters Seminars

Once again, Money Matters will be divided into two different sections, so read through all of the information on the content of each section to be sure you register for the one that best fits your needs.

Because Money Doesn’t Grow On Trees emphasizes steps you can take today to strengthen your financial future.

Workshop Agenda Includes:
- Managing Credit & Debt
- Creating a Financial Plan
- Saving & Investing Alternatives

Because The Early Bird Gets The Worm focuses on long-term planning and protecting your assets.

Workshop Agenda Includes:
- Refining Your Financial Plan
- Securing Retirement Resources
- Life Insurance & Estate Planning
- Saving & Investing Alternatives

Evening PreRetirement seminars are being offered in four locations. Look for more information online for details on dates and locations.

You will need your MOSERS password to login and register online. If you know your password, go to Workshops and Seminars. If you don’t, simply click on either Register (if you have never requested a password) or Forgot Your Password (if you had one but forgot it) underneath the Secure Member Login box which can be found on every MOSERS webpage.
BackDROP Distribution at Retirement

1. Be aware of taxes/penalties involved with each option: (This is just an overview. Consult our Special Tax Notice brochure for all of the details and exceptions.)

   - If you elect the cash option, MOSERS is required to withhold 20% of the payment and send it to the IRS as federal income tax withholding. You will also be responsible for any applicable state taxes. The BackDROP distribution is considered taxable income for the year in which you receive the payment unless you roll it over to a traditional IRA or another eligible employer plan. You may be able to use special tax rules that could reduce the tax you owe.

   **NOTE:** If you receive a cash payment before you reach age 59 1/2 and you do not roll it over, you may have to pay a penalty equal to 10% of the taxable portion of the payment in addition to the regular income tax. Please see the Special Tax Notice for other exceptions to this rule.

   - If you elect the rollover option, your payment will not be taxed in the year of the rollover and no income tax will be withheld unless it is a rollover to a Roth IRA. If you roll over the payment to a Roth IRA, a special rule applies under which the amount of the payment rolled over (reduced by any after-tax amounts) will be taxed. Otherwise, the payment will be taxed when you make withdrawals from the traditional IRA or the new eligible employer plan. You may choose either a direct rollover or a 60-day rollover. If you do not do a direct rollover, MOSERS is required to withhold 20% of the payment for federal income taxes.

   - If you elect the combination cash/rollover option, you may specify the amount of the distribution to be paid directly to you (less the required 20% federal income tax withholding). The remaining balance will be paid to a traditional IRA or another eligible employer plan.

   - You may wish to consult a professional tax advisor, and your state and/or local taxing authority about your state and local tax liability before taking a lump-sum distribution.

2. Know the fees associated with the product you wish to roll dollars into and get it in writing ahead of time. Financial planners and brokers don’t work for free, but knowing where their commissions and fees come from can help guide you in your decision-making process. Some question to ask are:

   - What is the asset–based fee or expense ratio? An asset-based fee or expense ratio is an indirect charge, including both administrative and investment management fees that are deducted from the assets, reducing the value of the shares that you own.

   - Is there a separate direct portfolio management or an upfront fee?

(Continued after insert)

Useful Resources

- Special Tax Notice • BackDROP Brochure (www.mosers.org)
- Checklist of interview questions (www.cfp.net/learn/knowledgebase.asp?id)
- Considering a Rollover? Questions You Should Ask (www.modeferredcomp.org)

BackDROP is not available to anyone first hired in a benefit-eligible position on or after January 1, 2011.
INSPIRATION

During these difficult economic times, it is not surprising that we find ourselves thinking about the simpler times of the past as we struggle to make a better future. The concept of planning for retirement is timeless and essential for long-term success. MOSERS plans every day for the future of our members so they may enjoy life’s simple pleasures in retirement.

Enjoy life’s simple pleasures

OUR MISSION AND CORE VALUES

Our Mission & Core Values

To exceed customer expectations by providing outstanding benefit services through professional plan administration and sound investment practices.

Quality

Strive to exceed the expectations of internal and external customers through innovation, competence, and teamwork. Seek to “do it right” the first time.

Respect

Be sensitive to the needs of others, both within and outside the organization.

Be courteous, considerate, responsive, and professional.

Integrity

In all endeavors, act in an ethical, honest, and professional manner.

Openness

Be willing to listen to, and share information with, others.

Be receptive to new ideas. Be trusting of others.

Accountability

Take ownership of and responsibility for actions and their results. Learn from mistakes.

Control system risks and act to protect the security of member information and system assets.

This Summary Annual Financial Report is derived from the information contained in MOSERS’ Comprehensive Annual Financial Report (CAFR) but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS’ CAFR is produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at www.mosers.org.

To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.
October 21, 2010

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS Summary Annual Financial Report for the fiscal year ended June 30, 2010. This report provides summary information on the financial status of your retirement system while also highlighting changes that occurred during the year. The accounting portion of this report is derived from the MOSERS Comprehensive Annual Financial Report which is prepared following all appropriate accounting principles and is appropriately attested to by the system's certified public accountants.

The board is pleased to report that MOSERS’ investments generated a return of 14.3% (net of fees) this fiscal year. This excellent return exceeded the policy established benchmark of 13.4% by 0.9% and the actuarial investment return assumption of 8.5% by 5.8%. This higher return added value to your retirement fund.

However, long-term performance is the best indicator of success. For the tenth straight year, MOSERS’ investments have generated returns in excess of the established policy benchmark and have done so with less volatility than the benchmark. The incremental reward from these results over ten years has been $1.6 billion in investment earnings for your retirement fund. In addition, for the 15-year period ended June 30, 2010, MOSERS’ total fund return outperformed 95% of the public pension funds in the Rogerscasey universe of public pension plans with assets in excess of $1 billion.

Your retirement system continues to achieve high marks in the delivery of customer service to our members. One of the ways operational performance is measured is through CEM Benchmarking Inc.’s Pension Administration Benchmarking Analysis. This year CEM evaluated 73 leading pension systems, including systems in the U.S., Canada, Australia, the Netherlands and Denmark, and identified 13 U.S. public pension plans as the most relevant peer group based upon membership size and system assets. The CEM survey rated MOSERS’ service delivery as the highest in our peer group with lower than median cost – the fifth time the system has received such a rating during an eleven-year period. In addition, for the third consecutive year, MOSERS received the highest overall service delivery rating in the entire CEM universe. The system is continually working on improvements in service delivery.

In closing, I wish to thank all of the other ten MOSERS board members for their hard work and contributions to the system this year. All trustees serve many hours with great personal sacrifice for no remuneration. My personal belief is that the wide diversity and exceptional knowledge that this board brings to each board meeting is the reason for our system’s continued success.

Additionally, the board of trustees thanks the MOSERS staff who strives continually to provide the expertise and professionalism required for excellence in our retirement system. This staff continues to maintain a high level of commitment to serving our membership. Both the board and staff look forward to meeting your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102 or call 1-800-827-1063. You may also visit our website at www.mosers.org.

Sincerely,

Donald Martin, Chair
Board of Trustees
Motivation
Retirement is not just an event; it is an achievement, a milestone and a new beginning. Though ideas about retirement continue to change, the big picture stays the same. MOSERS remains well funded and focused on keeping promised benefits secure.

- Focus on the timeless value of retirement.

FINANCIAL STATEMENTS

Summary Comparative Statements of Plan Net Assets - Pension Trust Funds

The Statements of Plan Net Assets are summaries of what MOSERS owns and what it owes as of the end of the fiscal year.

<table>
<thead>
<tr>
<th>As of</th>
<th>As of</th>
<th>Amount of Change</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2010</td>
<td>June 30, 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>$630,869,896</td>
<td>$624,390,801</td>
<td>$6,479,095</td>
</tr>
<tr>
<td>Receivables</td>
<td>45,578,213</td>
<td>50,537,236</td>
<td>(4,959,023)</td>
</tr>
<tr>
<td>Investments</td>
<td>6,199,292,141</td>
<td>5,644,811,509</td>
<td>554,480,632</td>
</tr>
<tr>
<td>Invested securities lending collateral</td>
<td>192,640,173</td>
<td>385,276,913</td>
<td>(192,636,740)</td>
</tr>
<tr>
<td>Capital assets</td>
<td>3,190,347</td>
<td>3,313,056</td>
<td>(122,709)</td>
</tr>
<tr>
<td>Other assets</td>
<td>50,312</td>
<td>85,515</td>
<td>(35,203)</td>
</tr>
<tr>
<td>Total assets</td>
<td>7,071,621,082</td>
<td>6,708,415,030</td>
<td>363,206,052</td>
</tr>
<tr>
<td>Administrative expense payables</td>
<td>2,204,046</td>
<td>1,606,040</td>
<td>598,006</td>
</tr>
<tr>
<td>Investment purchase payables</td>
<td>23,438,954</td>
<td>23,837,745</td>
<td>(398,791)</td>
</tr>
<tr>
<td>Investment income payables</td>
<td>25,586,275</td>
<td>0</td>
<td>25,586,275</td>
</tr>
<tr>
<td>Securities lending collateral</td>
<td>202,323,418</td>
<td>441,487,337</td>
<td>(239,163,919)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>11,891,157</td>
<td>12,477,661</td>
<td>(586,504)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>265,443,850</td>
<td>479,408,783</td>
<td>(213,964,933)</td>
</tr>
<tr>
<td>Net assets</td>
<td>$6,806,177,232</td>
<td>$6,229,006,247</td>
<td>$577,170,985</td>
</tr>
</tbody>
</table>

Summary Comparative Statements of Changes in Plan Net Assets - Pension Trust Funds

The Statements of Changes in Plan Net Assets summarize the flow of money in and out of the fund during the fiscal year.

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Year Ended</th>
<th>Amount of Change</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2010</td>
<td>June 30, 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$281,842,348</td>
<td>$283,094,964</td>
<td>$(1,252,616)</td>
</tr>
<tr>
<td>Investment income (loss) - investing activities</td>
<td>868,603,852</td>
<td>(1,530,053,487)</td>
<td>2,398,657,339</td>
</tr>
<tr>
<td>Investment income - securities lending activities</td>
<td>1,204,378</td>
<td>5,829,390</td>
<td>(4,625,012)</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>647,275</td>
<td>625,564</td>
<td>21,711</td>
</tr>
<tr>
<td>Total additions (reductions)</td>
<td>1,152,297,853</td>
<td>(1,240,503,569)</td>
<td>2,392,801,422</td>
</tr>
<tr>
<td>Benefits</td>
<td>567,514,834</td>
<td>534,698,643</td>
<td>32,816,191</td>
</tr>
<tr>
<td>Service transfers and refunds</td>
<td>466,076</td>
<td>0</td>
<td>466,076</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>7,145,958</td>
<td>7,162,956</td>
<td>(16,998)</td>
</tr>
<tr>
<td>Total deductions</td>
<td>575,126,868</td>
<td>541,861,599</td>
<td>33,265,269</td>
</tr>
<tr>
<td>Net increase (decrease)</td>
<td>577,170,985</td>
<td>(1,782,365,168)</td>
<td>2,359,536,153</td>
</tr>
<tr>
<td>Net assets beginning of year</td>
<td>6,229,006,247</td>
<td>8,011,371,415</td>
<td>(1,782,365,168)</td>
</tr>
<tr>
<td>Net assets end of year</td>
<td>$6,806,177,232</td>
<td>$6,229,006,247</td>
<td>$577,170,985</td>
</tr>
</tbody>
</table>
**Investment Performance**

**Collaboration**
Finding balance and keeping momentum is important to a new generation embarking upon retirement. Enduring the hilly landscape of today’s economy is difficult but a challenge worthwhile. MOSERS is geared toward achieving long-term stability for members as they begin their journey towards a satisfying retirement.

- Every milestone presents a new opportunity

**Investment Return**
Comparing the actual investment return relative to specific benchmarks is one means of evaluating the fund’s investment performance. The bar chart to the right illustrates MOSERS’ actual fund return relative to our policy benchmark.

The total fund generated a return of 14.3%, net of expenses, in FY10. On a relative basis, the fund outperformed the policy benchmark by .9%.

For the tenth straight year, MOSERS’ investments generated returns in excess of the benchmark which has resulted in an additional $1.6 billion for the fund.

**Diversification of Plan Net Assets**
The foundation of the system’s strength and stability rests upon the diversification of plan assets. MOSERS never knows what the future will hold from the investment markets. As a result, the portfolio is structured to control risk under a variety of economic outcomes. Through the diversification of system assets, MOSERS is better able to minimize the overall risk of the portfolio while striving to reach its return objectives. As you will note from the bar chart to the right, MOSERS’ investment program is widely diversified among a variety of asset classes with numerous holdings in each category.

MOSERS’ investment portfolio is widely diversified to control risk under a variety of economic outcomes, which may play out over time.
COMMUNICATION

Excellent customer service begins with reliable communication that evolves over time. MOSERS is dedicated, determined and committed to incorporating technology and practical innovation to improve communication to our members.

- Taking a moment to listen is a golden opportunity

ACTUARIAL SUMMARY

Retirement Funding (All Plans Combined)

Your retirement benefits are funded by contributions from the state of Missouri. In order to ensure your benefits are available to you, MOSERS is constantly evaluating the assets (green bar) relative to the value of the liabilities (brown bar). The percentages shown in the bar chart to the right indicate the extent to which the system was funded as of a given year.

---

**Member Snapshot**

**June 30, 2010, Actuarial Valuations**

<table>
<thead>
<tr>
<th></th>
<th><strong>MSEP</strong></th>
<th><strong>Judicial Plan</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active Members</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average age</td>
<td>45.7</td>
<td>56.0</td>
</tr>
<tr>
<td>Average years of service</td>
<td>11.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Average annual salary</td>
<td>$36,372</td>
<td>$114,708</td>
</tr>
<tr>
<td><strong>Retired Members</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average age</td>
<td>69.2</td>
<td>75.2</td>
</tr>
<tr>
<td>Average annual benefit</td>
<td>$14,846</td>
<td>$52,772</td>
</tr>
<tr>
<td><strong>Total Membership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active</td>
<td>53,478</td>
<td>402</td>
</tr>
<tr>
<td>Terminated-vested</td>
<td>17,399</td>
<td>42</td>
</tr>
<tr>
<td>Retired</td>
<td>33,251</td>
<td>465</td>
</tr>
</tbody>
</table>

*Includes members in both the MSEP and MSEP 2000.

---

**Members Retiring During the Fiscal Year Ended June 30, 2010***

<table>
<thead>
<tr>
<th>Years Credited Service by Category</th>
<th>All Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5</td>
<td>442</td>
</tr>
<tr>
<td>5-10</td>
<td>287</td>
</tr>
<tr>
<td>10-15</td>
<td>488</td>
</tr>
<tr>
<td>15-20</td>
<td>777</td>
</tr>
<tr>
<td>20-25</td>
<td>1,186</td>
</tr>
<tr>
<td>25-30</td>
<td>1,606</td>
</tr>
<tr>
<td>30+</td>
<td>2,138</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>940</td>
</tr>
</tbody>
</table>

*Includes members in both the MSEP and MSEP 2000.
EXPLORATION

Each day brings new questions, possibilities and innovations that will shape the course of history. The road to future financial security is taking a new direction but the essence of retirement remains the same. MOSERS is focused on embracing new ideas and innovative opportunities that will lead our members down the road to a prosperous tomorrow.

- Discover the direction of endless possibilities

Distribution of Benefit Recipients by Location

The map above shows the number of retirees, or their beneficiaries, residing in each state. Approximately 88% of MOSERS retirees live in Missouri. The annual retirement benefits paid to these individuals (about $470 million) provide a steady, continuous and significant stimulus to Missouri’s state and local economies.
Life Planning

(Continued from page 4)

- How much is the Mortality & Expense (M&E) charge if you are considering an annuity? An M&E charge pays for the insurance guarantee, commissions, sales, and administrative expenses of an annuity contract.
- If a provider tells you there is not a fee, ask questions. If an offer sounds too good to be true, it probably is.
- Investment Options
  - You may roll over the payment to either an IRA (an individual retirement account or individual retirement annuity) or an employer plan (a tax-qualified plan, section 401(k)/401(a), section 403(b) plan, or a governmental section 457(b) plan, like the State of Missouri Deferred Compensation Plan) that will accept the rollover.
  - Be wary of “too good to be true” fixed interest rates. Ask the provider how they are able to pay a stated rate.
  - If choosing an annuity as an investment, investigate the stability of the insurance company guaranteeing the annuity payments.
  - Consider whether you want a hands-on approach with your investments or a more automatic strategy you don’t have to monitor as frequently.

3. Do you know who is handling your money?
   - Find a financial planner you are comfortable with. Ask about their experience, qualifications, and services offered. The Certified Financial Planner Board has a list of questions to ask when selecting a financial planner on their website, www.cfp.net.
   - Ask if their payment is fee only, fee-based or commission-based. Are there conflicts of interest (i.e. how will they benefit from their recommendations) or are they working in your best interests?

4. Can you take your money out if you need to? Is there a portion available for withdrawal? Are there penalties?

5. Know the “risk” associated with the transactions. Ask the provider about worst case scenario events.
   Communicate your overall risk tolerance when you initially meet with the planner.

Remember, you are not required to take any action on the BackDROP until you retire. All you have to do is keep working in a benefit-eligible position for two years past your eligibility for normal retirement. At retirement, complete and submit the BackDROP Distribution form in addition to the Retirement Election form.

It's your financial future, so take your time. Talk to your tax professional, financial advisor, and research all of your options first.
Board Certifies Contribution Rate for Fiscal Year 2012

Prudent Board Action Addresses Present and Future Obligations

On September 16, 2010, the MOSERS board certified 13.97% as the percentage of state payroll to be contributed for fiscal year 2012, beginning July 1, 2011, to the retirement trust fund.

Pensions Support Missouri and Local Economies

The money the state contributes to the retirement system supports the state and local economies. Nearly 90% of MOSERS retirees and their dependents remain in Missouri, spending retirement dollars on housing and goods and services here. Each $1 paid in benefits has $1.46 in economic impact according to a report by the National Institute on Retirement Security.

Retirement Plan Remains a Defined Benefit Plan for State Employees

As a result of changes made by the legislature during the 2010 Special Session, normal retirement eligibility will be age 67 for general state employees hired for the first time on or after January 1, 2011, in a benefit-eligible position, and they will contribute 4% of pay toward the cost of their retirement benefits. These changes will help to preserve the defined benefit culture for state employees.

Like current state employees, new hires will participate in a defined benefit (DB) plan. A DB plan is a retirement benefit plan sponsored by your employer that pays a benefit defined by the plan based on length of service and final average salary. Retirement eligibility is based on an employee's age and years of service. The retirement benefit is permanent and is guaranteed, rather than being directly dependent on investment returns, as is the case with individual account defined contribution plans where the contribution is defined by the plan.

Pension Policies Have A Long-Term Impact

MOSERS has a solid track record of excellent investment returns, outstanding customer service and efficient administration. The measured action taken by its board ensures that MOSERS will remain well funded.

New Board Members

Beginning January 2011, newly elected board members Marty Drewel and Laura Davis Jackson, will assume their positions on MOSERS Board of Trustees. On November 15, 2010, Governor Nixon appointed Lori Neidel to MOSERS board. Neidel replaces David Steelman as one of the governor’s appointees.

Marty Drewel has been a state employee for 29 years and currently serves as the Assistant Director for Budget in the Office of Administration, Division of Budget and Planning. Throughout his career with the state, his job responsibilities have been related to government finance and budgeting. He has a Master's Degree in Public Administration from the University of Missouri, a Bachelor's Degree in Accounting from Lincoln University, and is a Certified Government Financial Manager.

Laura Davis Jackson has been a state employee for 23 years and currently serves as an Eligibility Specialist for the Department of Social Services. Her career with the Department of Social Services has been filled with active participation on committees, work groups, and special projects. She is currently Vice President of Communications Workers of America (CWA) Local 6355, the union representing employees in the Department of Social Services and the Department of Health and Senior Services.

Lori Neidel is the founder of a law practice that provides compliance and regulatory affairs counsel for the financial industry. She advises broker-dealers and investment advisers in matters of compliance, and represents financial professionals in regulatory investigations and proceedings. A graduate of the St. Louis University School of Law, Neidel has earned the Certified Regulatory and Compliance Professional Designation.
The Three-Legged Stool: Ready for Retirement?

Researchers predict that about 1 in 3 households nearing retirement may not be adequately prepared. This means they are considered at risk for falling at least 10% short of the standard of living they had before retirement.*

The Three-Legged Stool

The goal of the three-legged stool is to achieve a reasonable level of replacement income to support your financial needs during retirement. Replacement income refers to the portion of the income you had while working that can be replaced at retirement. When planning for a secure and comfortable retirement, you will need to factor in your income from a combination of three sources:

- **MOSERS Retirement Benefit** - You can rest easy knowing that your MOSERS retirement benefit will be there for you when you retire. After retirement, you will know how much your retirement benefit will be each month. Unlike an individual account, where funds can be exhausted, MOSERS benefits are paid monthly throughout your retirement years, for as long as you live. Pension funds come from state contributions and investment earnings. Over half of the funding for the pension plan over the long-term comes from investment earnings. MOSERS’ investments are professionally managed for the long-term.

  The good news is that for employees with a defined benefit plan (like MOSERS), the “at risk” percentage who may fall short drops significantly, and it drops even more with both a defined benefit and defined contribution (like the State of Missouri Deferred Compensation Plan).* A July 2009 National Institute on Retirement Security (NIRS) report found that defined benefit pensions contributed to a savings of $7.3 billion in public assistance for the elderly and 4.7 million fewer households in poverty or “near-poverty.”**

- **Social Security** - Your social security retirement is only one leg of the stool that’s not meant to stand on its own, but it is an important leg to help retirees, survivors, and workers who become disabled. From www.socialsecurity.gov/pubs/10024:

  “Social Security was never meant to be the only source of income for people when they retire. Social Security replaces about 40 percent of an average wage earner’s income after retiring, and most financial advisors say retirees will need 80 percent or more of pre-retirement earnings to live comfortably.”

- **Personal savings (IRAs, deferred compensation account)** - If you are already enrolled in the State of Missouri Deferred Compensation Plan, good for you! If not, consider enrolling and begin making contributions as soon as possible. This long-term, tax-sheltered savings plan is a good way to supplement your MOSERS retirement and social security income. There are different options to choose from once you start your monthly contributions through payroll deduction. Read more information about the Plan options at www.modederredcomp.org. Whether it is deferred comp, IRAs, or other savings vehicles, this leg is necessary so you will have a cushion in retirement for unexpected hardship expenses, or to supplement the other legs.

An ‘adequate’ retirement replacement ratio is typically defined as one that allows a retired household to enjoy roughly the same standard of living as it did before retirement. This standard of adequacy might be deemed to fall anywhere from 65% to 85% of pre-retirement income.”*

What can I do?

Familiarize yourself with your future estimated MOSERS and social security benefits to determine how much you will need in personal savings and investments to achieve your desired standard of living during retirement.

- Estimate your social security retirement benefits online at www.ssa.gov. Click on Estimate Your Retirement Benefits and use their Retirement Estimator. A Life Expectancy Calculator will also help you estimate the length of your retirement. Get an estimate of your MOSERS retirement online or from a benefit counselor. To estimate your MOSERS benefit online, log in to the Secure Member area of the website and click on Select a Date Estimate.

- The State of Missouri Deferred Compensation Plan is a tax-deferred savings vehicle you can use to accumulate personal savings, so the sooner you enroll, the better. Visit www.modeferredcomp.org for more information about the plan. Click on My Retirement Outlook under “Tools” to see what a difference increasing your monthly contributions by just a little will make over time.

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| Retirement & You |

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