

Key Facts Regarding Funding of the Missouri State Employees' Retirement System

Getting Retirement Security Right. MOSERS has the basic elements necessary to provide a sound income replacement to retirees and to help stimulate Missouri's economy. Through a history of reasonable benefit levels, mandatory participation, consistent employer contributions, and professionally managed investments, MOSERS continues to be very viable in all respects.

Financed through Employer/Employee Contributions and Investment Earnings. MOSERS is an advance-funded retirement system. Unlike "pay-as-you-go" plans, employer/employee contributions and investment earnings are accumulated and professionally managed during employees' careers and paid out over their retirement years. The major source of revenue is investment earnings. Over the long term, investment earnings account for 61% of MOSERS' revenues. The state's contribution to MOSERS amounts to less than 1.5% of the total state budget.

Recent Passage of Pension Reform. The MSEP 2011, a new tier within the MSEP 2000, was created for state employees hired for the first time in a benefit-eligible position on or after January 1, 2011. This new tier requires members to contribute 4% of their gross pay to the retirement system on a before-tax basis. The new tier also increased the normal retirement age. The changes to the plan for new employees were made in order to maintain the defined benefit plan structure and culture for state employees.

Establishing a Level Contribution Rate Sufficient to Meet Financial Obligations. The basic financial objective of MOSERS is to establish and receive contributions which, when expressed as a percentage of active member payroll, will remain approximately level from generation to generation of Missouri citizens, and which, when combined with present assets and future investment returns and contributions, will be sufficient to meet the present and future obligations of the plan. State law (Section 104.436, RSMo) requires the MOSERS Board of Trustees to establish and certify the contribution rate to the Commissioner of Administration for the ensuing fiscal year no later than 90 days before the beginning of the legislative session. The certified contribution rate for FY19 is 20.21%.

Reasonable Benefit Payout. Generally speaking, combined pension and social security benefits should replace approximately 75% of a 30-year employee's final average pay as a reasonable benefit level. Additional personal savings through programs such as MO Deferred Comp can make up the difference. MOSERS retirees receive retirement benefits based on a formula which uses the member's final average pay, years of service and a multiplier of 1.7%. The average monthly benefit payable to state retirees and beneficiaries is approximately \$15,000 per year.

Pension Benefits Serve as a Stimulus for the State Economy. The annual pension benefits paid to state retirees provide a steady, continuous and significant stimulus to Missouri's state and local economies. Nearly 90% of state retirees remain in Missouri after retirement. Annually, more than \$700 million* flows into households of more than 41,000** retirees and beneficiaries who buy goods and services in this state.

**MSEP pension payments, excluding BackDROP payments, p. 25 FY17 CAFR*

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