

We work better, when we work together...

September 2017

For HR/Benefits use only – Please do not distribute to all users

Buyout Provision for Term-Vested Members

As we mentioned last month, our office is in full swing preparing to process any buyout requests we may receive from eligible vested former members.

The first round of letters were sent late last week to around 102 members. The remainder of the letters are scheduled to be sent out later this week. Elections must be received at MPERS by November 30th. Payments are scheduled to begin in January 2018.

Each eligible member will receive a packet from us that will include:

1. Their estimated future monthly retirement benefit amounts.
2. The amount of their lump sum benefit, should they choose the buyout.
3. A Buyout Election Form.
4. A Buyout Distribution Form (allows the member to tell us if they want their distribution as cash or a rollover, and the account information the money should be sent to).
5. A list of frequently asked questions and answers.

A sample of the letter sent to eligible members is attached for your reference.

We have also added a new page to our website entitled [Buyout](#), under the Members section. This page includes sample forms, a copy of Senate Bill 62, MPERS Board Rule regarding the buyout provision, as well as a document for Frequently Asked Questions regarding the buyout provision.

FY2017 Investment Returns

MPERS is pleased to report the fiscal year 2017 investment performance return was 11.2%, which is favorable relative to the plan's total policy benchmark of 10.9%. Yearly returns, in excess of our assumed rate of return, which is currently 7.75%, minimizes the funding pressures for our covered employers. Congratulations to our investment team on a job well done.

Upcoming Pre-Retirement Seminars for September

September 7, 2017 – West Plains
September 15, 2017 – Jefferson City

These will be the last pre-retirement seminars of the season.

2017 Board Meeting Schedule

September 28, 2017
November 16, 2017



MoDOT & Patrol Employees' Retirement System

September 1, 2017

«Member_Name»
«Address_Line_1»
«Address_Line_2»
«City», «State» «Zip5»

Dear «Salutation_Name»,

Legislation was passed this year that would allow the Board of Trustees for the MoDOT and Patrol Employees' Retirement System to offer vested former members a voluntary one-time lump sum distribution payable now instead of a monthly installment payable at some future date. The specific details of the buyout may be found in Board Rules 3-7 and 4-7 at www.mpers.org/trustees/governance-policies-and-board-rules/board-rules/.

You have received this letter because you are a vested former member that *may* qualify for the one-time buyout distribution. **The amount of your one-time distribution is \$xxx.xx and will be payable in early 2018.**

If you do not choose the buyout, your estimated future lifetime monthly benefit (straight life annuity with no survivor option shown for illustrative purposes) would be paid from one of the following two plans:

Closed Plan:	\$xxx.xx	Payable on: mm/dd/yyyy
Year 2000 Plan:	\$xxx.xx	Payable on: mm/dd/yyyy

In summary, you can elect the buyout, payable in early 2018, or apply for and choose a payment option from the Closed or Year 2000 Plan, payable on or after the effective date noted above, and receive a monthly payment for the rest of your life. If you are interested in taking the buyout, you must submit to MPERS the enclosed election form, distribution form, and required proof documents by **November 30, 2017**. Our address, email address, and fax number are noted on the forms. If you are not interested in taking the buyout, no action is required.

Here are some important details if electing the buyout:

1. The buyout calculation is based on salary and service on record at the time of the calculation.
2. The buyout election is voluntary and only available for a short period of time. Buyout elections must be made by **November 30, 2017**.
3. The buyout distribution is 50% of the present value, as of October 1, 2017, of your future monthly annuity. The actuarial assumptions used to calculate this value are noted at the end of this letter.
4. The buyout distribution can be taken as cash or a rollover. If you elect the buyout and take the distribution as a rollover to another qualified retirement plan, you will avoid any tax consequences at this time unless rolled into a Roth IRA, which would require a 20% federal tax withholding. Taking the buyout as cash will subject the payment to a 20% federal tax withholding and it may also be subject to an additional 10% penalty for early distribution (see reverse side of the Buyout Distribution Form for more information). No state taxes will be withheld, but state taxes may be owed if the buyout is taken in cash.

5. Electing the buyout will forfeit all service under MPERS. If you were to reemploy in a position covered by MPERS or MOSERS at some future date, none of this service could be restored.
6. Reemployment covered by MPERS or MOSERS at some future date will be covered by the 2011 Tier. Retirement eligibility will be subject to all of the requirements of this tier (which differ significantly from the Closed and Year 2000 Plans), including mandatory employee contributions.
7. MPERS will start making buyout distributions in January 2018, in the order the elections were received. It is expected to take several weeks to process all the distributions.
8. You should seek professional financial advice about whether this option is right for you. Our benefit specialists can answer technical questions about the buyout election and explain your payment options, but they cannot advise individuals about what decision to make.
9. Please read all enclosures carefully before making your decision. **Once the distribution is paid, you may not reverse your election.**

This letter highlights many of the key points you may need to make this decision. The enclosed election and distribution forms, as well as other inserts, cover additional details that you should read before making your decision. **In order to receive your elected distribution, all forms must be completed in their entirety. If they are not, your application may be rejected.** Should you have any questions about the process or your estimates, please email us at mpers@mpers.org or call our office at (800) 270-1271 to speak to a benefit specialist.

Sincerely,



Scott Simon
Executive Director

~~~~~ **Calculating the Buyout Amount** ~~~~~

Step 1 – Actuarial assumptions used to calculate the present value of future benefits:

- 7.75% interest rate
- 50% unisex blend of RP-2000 Combined Health Mortality Tables projected 16 years and set back one year for males and females
- Rounding final present value of future benefit to the nearest dollar
- Assuming one-year delay in cost of living adjustment (COLA)
- Exact fractional age as of September 30, 2017 rounded to four decimal places
- For the Closed Plan, assuming 13 COLAs at 4% and 2.4% thereafter
- Calculations are based on board rules provided to actuary
 - ✓ Only straight life annuity is considered (including Closed Plan calculations)
 - ✓ Present value is the greater of the Closed Plan or the Year 2000 Plan, based on benefits and commencement ages provided by MPERS
 - ✓ Assumptions detailed above are unisex versions of the regular valuation assumptions that were used in the June 30, 2016 actuarial valuation (the last completed valuation)
- Please go to <http://www.mpers.org/wp-content/uploads/Actuarial-Valuation-Report-2016.pdf> to read the actuarial assumptions used for the FY 2016 valuation.

Step 2 – Final calculation of buyout amount:

- MPERS Board of Trustees approved a final buyout payment of 50% of the present value of future benefit as calculated in Step 1 above.