



Susie Dahl
Executive Director

Message from the Executive Director

The Value of a Defined Benefit Plan

If you are concerned about the economic events of the past year, you are not alone. It is during economically challenging times such as these, that the true value of a defined benefit plan becomes apparent.

If you are an employee of MoDOT or the Missouri State Highway Patrol and work in a benefit eligible position, you are qualified for membership in the MoDOT and Patrol Employees' Retirement System (MPERS). MPERS is what is known as a non-contributory defined benefit (DB) plan, and is sponsored by your employer (MoDOT or the Missouri State Highway Patrol) as part of your total compensation package.

In a defined benefit plan, those who meet the age and service requirements are guaranteed a (lifetime) retirement benefit based on a formula that is "defined by law." The benefit formula for MPERS uses a specific percentage of your final average pay multiplied by your years and months of creditable service. The more service you have and the higher your final average salary, the higher your benefit amount.

Today, the money to pay for your retirement benefit comes from two sources: 1) contributions from your employer, and 2) investment income. Because employees are not required to contribute, the plan is considered non-contributory. Each month your employer contributes a pre-determined amount that is based on a percentage of your payroll. The amount contributed by your employer may change from year-to-year, depending on the investment return and the plan experience. The employers bear the investment risk and are required to make up funding shortfalls through higher contributions in the event of losses. The monthly contributions go into a pool of funds that are professionally managed and invested by MPERS and outside investment managers.

Funded Status of the System

Presently, MPERS has a funded ratio of 47.3%. This ratio is a very basic measure of the system's assets to its benefit liability. Today, we have about \$.47 of every dollar needed to pay benefits. The good news is that we have a long-term horizon

to accumulate the remainder of the money needed to pay the liabilities of the system. The MPERS Board of Trustees takes this under funded status very seriously and is working toward a goal of being 100% funded. Achieving this goal will take time, increased contributions, enhanced investment returns, and possibly benefit changes for future members of the system.

What Happened?

There is no single reason for the funding shortfall. The December 21, 2009 *Wall Street Journal* reported, "in nearly 200 years of recorded stock-market history, no calendar decade has seen such a dismal performance as the 2000s." Decisions made by multiple groups over the years regarding benefit increases, plan assumptions, contributions, and investment policy, coupled with market declines in the past decade have resulted in an unfunded liability of approximately \$1.6 billion.

The Plan of Action

The MPERS Board and your employers have shown dedication in recent years in addressing the funding shortfall. MPERS is amortizing the unfunded liability, or IOU, from the employers over a 30-year decreasing period and we are currently at 27 years. Essentially the plan is retiring the unfunded obligation

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The Value of Your Defined Benefit Plan

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just as an individual would pay down their home mortgage. In the fall of 2009, the Board adopted an accelerated funding plan for the portion of the unfunded liability associated with members who have already retired – opting to fund this portion of the plan's liability over a 15-year period. The end result of this action is that more money will come into the plan sooner. This is similar to making an extra mortgage payment on your house each year to reduce the loan period.

With the future cooperation of the investment markets and the accelerated funding plan, MPERS will hopefully see improvement in the funded status over the next 10 to 15 years. Correcting the plans under funded status is a long-term proposition and will require continued discipline on the part of future boards and policy makers.

As a member of MPERS, it is important for you to know the status of your retirement system. I want you to know that the Board and staff are committed to ensuring the promises made to you by your employer and the State of Missouri are fulfilled.

2010 is an election year for four members of the MPERS Board of Trustees. One active representative from MoDOT and one active representative from the Highway Patrol will be elected, as well as one retiree from each agency. By law, the members who serve on the MPERS Board have a fiduciary duty to act in the best interest of the plan participants. In this election year, I encourage you to take an active interest in electing your representative to the Board.

We look forward to serving you today and in the future.



- IMPORTANT NOTICE -

Year 2000 Plan BackDROP Benefit Estimates With 2008 and 2010 COLAs

If you have received a Year 2000 Plan benefit estimate with a BackDROP period in 2008 or 2010, this notice is for you. The COLA rates used in the calculation were incorrect. Please contact a MPERS benefit specialist if you wish to receive a new estimate.

In the transition to our new pension administration system, we uncovered a programming error in our old system related to the 2008 and 2010 COLA rates used in the BackDROP benefit estimates for the Year 2000 Plan. We have contacted the January and February retirees that were affected, but we have no way of knowing who might have requested an estimate for a future retirement.

In all cases, the estimates are higher than they should have been. This means that those affected by the error will ultimately end up with a benefit (BackDROP lump sum, monthly, and temporary benefit) that is less than was calculated by the estimate program. As you might assume, the longer the BackDROP period, the larger the error.

The following is a brief explanation of the errors.

2010 COLA Rate Error

- The program erroneously used the 2009 COLA rate of 3.072% for 2010 instead of the actual rate of 0%.

2008 COLA Rate Error

- The program erroneously used the 2007 COLA rate of 2.581% instead of the 2008 actual rate of 2.278%.

Benefit estimates are just that - estimates. All information (e.g. service, salary, calculations, etc.) must be verified before a benefit can be paid. We sincerely apologize for any inconvenience this may have caused.



2010 Pre-Retirement Seminar Schedule

We have started planning the 2010 **Pre-Retirement Seminars**. The first one is scheduled for April 7 in St. Joseph.

Approximately 1 month prior to each seminar, MPERS will mail an invitation to members in that area who are currently eligible to retire

or within 5 years of retirement. The invitation will contain a password and instructions for the member to register online for the seminar.

Presentations by:

MPERS

- Retirement

Employee Benefits

- Medical
- Life insurance

ING

- Deferred Compensation

MPERS Topics Covered at the Seminar:

- Planning for retirement
- Applying for retirement
- Payment calculations
- Cost-of-Living Adjustment (COLA)
- BackDROP
- Benefit payment options
- Death before/after retirement
- How divorce affects your benefit

Seminar Schedule

(listed alphabetically by city)

Hannibal - District 3/Troop B
May 5 (a.m./p.m.) - Quality Inn & Suites

Jefferson City - District 5
May 19 (a.m./p.m.) - Capital Mall

Jefferson City - MoDOT
June 9 (a.m./p.m.) - Capital Mall
June 10 (a.m./p.m.) - Capital Mall

Jefferson City - GHQ/Troop F
September 22 (a.m./p.m.) - Capital Mall

Joplin - District 7/Troop D
September 15 (a.m./p.m.) - Holiday Inn

Lee's Summit - District 4/Troop A
April 8 (a.m./p.m.) - District 4 Office

Macon - District 2/Troop B
May 6 (a.m./p.m.) - Comfort Inn

Salem - District 9/Troops G & I
July 22 (a.m./p.m.) - Holiday Inn Express

Sikeston - District 10/Troop E
July 21 (a.m./p.m.) - Clinton Building

Springfield - District 8/Troop D
September 16 (a.m./p.m.) - Clarion Hotel

St. Joseph - District 1/Troop H
April 7 (a.m./p.m.) - Stoney Creek Inn

St Louis - District 6/Troop C
August 10 (p.m. only) - Holiday Inn
August 11 (a.m./p.m.) - Holiday Inn

Session Times

<u>A.M. Session</u>		<u>P.M. Session</u>	
7:00	Check-in opens	11:45	Check-in opens
7:30	Seminar begins	12:15	Seminar begins
11:45	Seminar ends	4:30	Seminar ends

Meet Your MPERS Benefit Specialists

The decisions you make at retirement will affect the rest of your life.

MPERS' Benefit Specialists are available to answer your retirement benefit questions.

Monday - Friday
7:30 a.m. - 4:30 p.m.

Phone: (573) 298-6080
Toll Free: (800) 270-1271



Mariel Hale
Senior Benefit Specialist



Mary Jordan
Senior Benefit Specialist



Bev Wilson
Intermediate Benefit Specialist

New 2-Step Retirement Process

Introducing ...

2-Step Retirement Process

Starting with April 1, 2010 retirements, MPERS will be transitioning to a **2-Step Retirement Process**. This new process gives you more time to make retirement elections and allows MPERS to provide you with easier-to-understand information to make informed decisions.

- **MPERS mailed a letter and a *Notification of Intent to Retire* form to all members who are currently eligible to retire or will become eligible for normal (unreduced) retirement in 2010. The form is also available on our website (www.mpers.org), by contacting MPERS, or through your employer's office.**
- If you are planning to retire in 2010 and have already submitted an *Application for Retirement*, you do **not** have to resubmit a different form under this process. We will process your retirement as submitted.
- We encourage members to meet with your support services/HR representative or a MPERS benefit specialist prior to making your retirement elections.

Date Forms are Due at MPERS

Based on your intended date of retirement, the notification and application forms must be **received at MPERS** by the dates listed on the chart below. Since this is a new process, we will provide a reasonable grace period on the due dates until July 1. **Starting with July 1 retirements, the due dates will be strictly enforced.** Submitting either form after the deadline will delay your retirement date, which means your benefit payment will be delayed.

2-Step Retirement Process Deadlines

Date of Retirement	Step 1: <i>Notification of Intent to Retire</i> Due at MPERS	Step 2: <i>Application for Retirement</i> Due at MPERS
January 1	October 31	November 30
February 1	November 30	December 31
March 1	December 31	January 31
April 1	January 31	February 28
May 1	February 28	March 31
June 1	March 31	April 30
July 1	April 30	May 31
August 1	May 31	June 30
September 1	June 30	July 31
October 1	July 31	August 31
November 1	August 31	September 30
December 1	September 30	October 31

New 2-Step Retirement Process

Step 1: Notification of Intent to Retire

To start the retirement process, you must submit a completed *Notification of Intent to Retire* form to MPERS. This form provides MPERS with your intended date of retirement and your spouse's date of birth (if married). MPERS will use this information to generate the appropriate benefit estimate(s) and individualized *Application for Retirement*.

The *Notification of Intent to Retire* form is available:

- Online at www.mpers.org
- By contacting MPERS
- From your employer

Sample : Notification of Intent to Retire

MPERS Missouri & Patrol Employees' Retirement System
 PO Box 1930 - Jefferson City, MO 65102-1930
 Phone: (573) 298-6990 - (800) 270-1271
 Fax: (573) 522-6111 - Email: mpers@modot.mo.gov
 Website: www.mpers.org

Step 1: Notification of Intent to Retire

1. Complete this form.
2. Attach acceptable proof-of-age document.
3. If married, attach acceptable proof-of-age documents for your spouse and copy of marriage license.
4. Send form and attachments to MPERS by deadline.

Member Information

Intended Date of Retirement: _____ Date of Retirement can only be the first day of the month.

Current Member Status (check one):
 Active member
 Terminated-vested member
 Long-term disability
 Nonqual disability
 Work-related disability

Name: (Last) _____ (First) _____ (MI) _____
 Mailing Address: _____ (City) _____ (State) _____ (Zip Code) _____
 Home Phone: _____ () _____ () _____
 Work Phone: _____ () _____ () _____
 Cell Phone: _____ () _____ () _____
 Email Address: _____

Do you have any of the following prior service credit that could increase your MPERS' service? If so, we recommend you contact a MPERS' benefits specialist as soon as possible at (800) 270-1271. The more service you have, the higher your benefit amount. Prior service must be purchased/transfered before completing your Application for Retirement (Step 2).
 • Service under MOSEUS, MoDOT, or Highway Patrol for which you have not received credit.
 • US Armed Forces service (active, reserve, or national guard).
 • Full-time, non-federal public agency service in Missouri (county/city government, public school, university).
 • Service as a commissioned police officer for any of county police agency (unofficial members only).

Marital Status and Spouse Information

Married members may select a joint and survivor option, which provides a continuing monthly benefit to your eligible spouse after your death. If you are married, please submit an acceptable proof-of-age document and copy of your marriage license. This information will allow us to provide you with a more accurate benefit estimate.

Marital status on the Date of Retirement (check one):
 Single Married (your spouse's name right)

Spouse's Name: (Last) _____ (First) _____ (MI) _____
 Spouse's Social Security Number: _____ Date of Birth: mm/dd/yy _____ Date of Marriage: mm/dd/yy _____

To the MoDOT and Patrol Employees' Retirement System (MPERS) Board of Trustees:
 As an employee or former employee of the state of Missouri, I hereby submit my notification of intent to begin receiving retirement benefits from MPERS. If I should die before my date of retirement, I understand this notification will be null and void. I hereby certify that all information contained in this notification is true and correct.

Member Signature: _____ Date: _____

IMPORTANT NOTICE:

MPERS will be sending a report to employers each month listing those who have submitted either of these forms.

Step 2: Application for Retirement

MPERS will send you an individualized *Application for Retirement* and benefit estimate(s) in the mail. The application will show all retirement options for which you are eligible (e.g. benefit payment option, retirement plan, and BackDROP). The benefit estimate(s) will provide the information needed to make informed decisions.

ELECTION(S) CANNOT BE CHANGED:

- **Election(s) made at retirement cannot be changed after your first payment is sent.**
- **We encourage members to meet with your support services/HR representative or a MPERS benefit specialist prior to making your retirement elections.**

Sample: Application for Retirement

MPERS Missouri & Patrol Employees' Retirement System
 PO Box 1930 - Jefferson City, MO 65102-1930
 Phone: (573) 298-6990 - (800) 270-1271
 Fax: (573) 522-6111 - Email: mpers@modot.mo.gov
 Website: www.mpers.org

Step 2: Application for Retirement

Member Information

Social Security Number: _____ Date of Retirement: _____ Date of Birth: _____ Marital Status: _____ Spouse's DOB: _____
 (give-populated form(s))
 Name: (Last) _____ (First) _____ (MI) _____
 Mailing Address: _____ (City) _____ (State) _____ (Zip Code) _____
 Home Phone: _____ Work Phone: _____ Cell Phone: _____ Email Address: _____
 Check box to receive MPERS correspondence by email

Uniformed Patrol Retirees Only: Do you plan to be gainfully employed after retirement? Yes No <<continued>>

Retirement Benefit Elections

Select a Retirement Plan: Closed Plan (If you elect the Closed Plan, all elections must be made in this column.) Year 2000 Plan (If you elect the Year 2000 Plan, all elections must be made in this column.)

Select a Benefit Payment Option*
 Only retirees who are married on the date of retirement may elect Options 1 & 2:
 #1: Unreduced Joint & 50% Survivor
 #2: Joint & 100% Survivor
 Anyone may elect Options 3, 4, & 5:
 #3: Life Income Annuity (Name beneficiary to receive your final benefit payment from MPERS.)
 #4: 66 Guaranteed Payments (Name beneficiary(ies) to receive final and remaining guaranteed payments (if any).)
 #5: 120 Guaranteed Payments (Name beneficiary(ies) to receive final and remaining guaranteed payments (if any).)

Make your... BackDROP Election:
 I do not wish to elect the BackDROP period:
 1-year 2-year 3-year 4-year 4 years 3 months
 I wish to elect the following BackDROP period:
 1-year 2-year 3-year 4-year 4 years 3 months

(If Electing Options 3, 4, or 5) Beneficiary Designation for Final Payment and/or Remaining Guaranteed Payments

Primary Beneficiary Name: _____ Social Security Number: _____ Date of Birth: _____
 Mailing Address: _____ (City) _____ (State) _____ (Zip Code) _____
 Contingent Beneficiary Name: _____ Social Security Number: _____ Date of Birth: _____
 Mailing Address: _____ (City) _____ (State) _____ (Zip Code) _____

To the MoDOT and Patrol Employees' Retirement System (MPERS) Board of Trustees:
 I hereby make application for retirement benefits to which I am entitled under the provisions of MPERS. If applicable, I agree to act as a special consultant and to abide by the provisions of the statutes by being available to give opinions in writing or orally, in response to requests by the Board. I hereby confirm that I have no additional prior service credit that I wish to purchase or transfer to MPERS. I understand these elections cannot be changed after my first benefit payment has been made. If I should die before my date of retirement, I understand this application will be null and void.

Member Signature: _____ Date: _____

*If you are married at retirement, and elect payment options #3, #4, or #5, your spouse must sign this form below. I hereby confirm that I am the spouse of the member named in this application. I acknowledge that the payment option elected by my spouse provides me with no survivor benefits from MPERS. I give my consent to this election.

Spouse's Signature: _____ Date: _____

New Communication Initiatives

Sources of Information

In an effort to better serve our members, MPERS is stepping up communications regarding your benefits.

- **Board Meeting Summaries** - Designed to keep you informed of Board actions affecting the retirement system (*distributed via email by your Board member representatives and posted on the MPERS website*).
- **Active Member Newsletter** - Distributed at least twice per year by email and posted on website.
- **Ask MPERS** (online Q & A) - Posted on our website. Submit your benefit or MPERS-related questions to AskMPERS@modot.mo.gov.
- **Handbooks and Brochures** - Explains the provisions of your benefits in detail.
- **Annual Benefit Statement** - Summarizes your state-sponsored benefits and includes a retirement benefit estimate (*generally mailed the end of March*).
- **Pre-Retirement Seminars** - Explains to those within 5 years of retirement how to apply for retirement from MPERS and the options available at retirement.
- **Benefit Basics Seminars** - Designed to give you a good basic overview of your MPERS benefits.



Ask MPERS

Submit questions to:
askmpers@modot.mo.gov

Fact or Fiction? Ask MPERS

On the home page of our website is an icon that reads “Ask MPERS.” Email your question to MPERS at askmpers@modot.mo.gov. We will answer the question, send you a response, and post the question and answer on our website. No names will be used in the posting on our website.

Several questions have already been posted regarding BackDROP, benefits, legislative changes, etc. Check it out!

Board Meeting Summaries

At the request of Board members Sue Cox (MoDOT) and Captain Juan Villanueva (Highway Patrol), who represent active employees, a summary of each board meeting is prepared and posted on the MPERS website. Sue and Juan will continue to forward a copy of each summary to you via email.

We hope you find the summaries beneficial. The summaries are not intended to replace the more formal Meeting Minutes, which are also posted on our website.

www.mpers.org

Board Meeting Summaries

Follow the links below:

1. About Us
2. Board of Trustees
3. Meeting Summaries

More information on Web Member Services will be released as the “go live” date approaches.

Later in 2010!

Redesigned website featuring *Secure Member Access*

- Run your own benefit estimates - anytime - anywhere
- Apply for retirement - submit your *Notification of Intent to Retire* form electronically
- Update personal information
- Register for a Pre-Retirement Seminar
- Download forms and publications



About Your Board of Trustees

MPERS is governed by an 11-member Board of Trustees consisting of:

- 3 members of the Highways and Transportation Commission
- The director of the Department of Transportation
- The superintendent of the Highway Patrol
- 1 member of the Senate appointed by the President Pro Tem of the Senate
- 1 member of the House of Representatives appointed by the Speaker of the House
- 1 active member elected by eligible MoDOT employees (4-year term) *no term limits*
- 1 active member elected by eligible Highway Patrol employees (4-year term) *no term limits*
- 1 retired member elected by eligible MoDOT retirees (4-year term) *no term limits*
- 1 retired member elected by eligible Highway Patrol retirees (4-year term) *no term limits*

The Board is responsible for all aspects of the retirement system's operations. The day-to-day management of MPERS is delegated to the Executive Director who is hired by the Board. The Executive Director acts as an advisor to the Board on all matters pertaining to the system and, with the approval of the Board, contracts for professional services and employs the remaining staff needed to operate the system.

2010 Board Meeting Schedule

The MPERS Board of Trustees is required to meet at least quarterly. The 2010 meetings have been set as follows:

<u>Date</u>	<u>Start Time</u>
March 25	1:00 p.m.
June 30	11:00 a.m.
September 30	11:00 a.m.
November 18	11:00 a.m.

These dates are subject to change. An agenda for each meeting is posted on our website and in our office lobby at least 48 hours prior to the meeting.

Meet Your Current Board of Trustees Representative



Sue Cox
MoDOT Employees Representative



Capt. Juan Villanueva
Highway Patrol Employees Representative

Two of the trustees are elected to the board by the active employees of MoDOT and Highway Patrol. As mentioned in the Executive Director's message, the 2010 board member election is underway. The terms of your current representatives expire June 30; however, there is no limit to the number of terms an elected representative can serve.

Sue Cox - MoDOT

Sue Cox currently serves as Vice Chair of the MPERS Board of Trustees. She has been the active MoDOT employee representative since July 2004. Ms. Cox is the Special Assignments Coordinator of the Community Relations Division of MoDOT.

"It's important we protect our retirement so both our system and our benefits are secure. I'm honored to serve as the advocate representing MoDOT employees. I appreciate the interest and support I receive throughout the state," says Ms. Cox. For the second straight year, Ms. Cox has been appointed Chair of the Board's Governance Committee. She also serves on the Budget Committee.

Captain Juan Villanueva - Highway Patrol

Captain Juan Villanueva has served as the active Highway Patrol employee representative since July 2004. Captain Villanueva became the commanding officer of Troop D (Springfield) in December 2008.

When asked what he likes most about serving on the board, he replied, "Serving on the retirement board has given me the opportunity of meeting and talking to some of the employees that make our organizations great." Captain Villanueva currently serves on the Board's Audit Committee. He previously served on the Budget Committee.

Retirement Benefits in a Changing Environment

The benefits administered by MPERS are governed by the Revised Statutes of Missouri. From time to time, there are discussions of changing pension plan benefits. These discussions may be prompted by fiscal issues, concerns about retirement security, or the adequacy of compensation and benefits. Changing pension plan benefits requires amending the statutes. To amend the statutes, a bill must be passed by the Missouri General Assembly and signed into law by the Governor. Proposed changes can sometimes be politically difficult to accomplish.

Even if the political hurdles are successfully overcome, it can be challenging and difficult to draft valid laws to change pension plan benefits. Existing accrued benefits are protected by law and by the constitution. In addition, changes could present other constitutional issues such as unequal treatment under the law.

Remember, all benefit changes require legislation and must be evaluated through a very challenging legislative and legal process before they can be implemented. MPERS monitors such developments closely and we will make every effort to keep you informed.



2010 Legislative Update

To date, the following MPERS-related bills have been introduced. Before a bill can become law, it must be passed by the General Assembly and signed into law by the Governor.

House Bill 1264 - Makes an ex-spouse ineligible for any portion of the member's retirement benefit.

House Bill 1583 - Offers a health care incentive for those retiring between January 1, 2010 and September 1, 2010 (*MoDOT has the option of adopting*).

House Bill 1704 - Allows MPERS and MOSERS to transfer funds when a member elects to move service between plans.

House Bill 1715 - New state employees hired on or after January 1, 2012 will not be eligible for state-sponsored health insurance benefits at retirement.

House Bill 2113 - Establishes a single (MPERS and MOSERS combined) defined contribution plan for any state employee hired on or after January 1, 2011.

Senate Bill 714 - Allows the State Auditor to audit any records of state retirement systems.

Senate Bill 896 - Requires MPERS and MOSERS to each create a defined contribution plan for new employees hired on or after January 1, 2011.

Senate Bill 1048 - Creates a separate set of benefits (another tier) in the Year 2000 Plan for new state employees hired on or after January 1, 2011. Under this new tier, the employee will pay 4% contributions each month.

Senate Bill 1049 - Creates a separate set of benefits (another tier) in the Year 2000 Plan for new state employees hired on or after January 1, 2011. Under this new tier, the employee will pay 5% contributions each month.

Senate Bill 1050 - Creates the Missouri Pension Trust Company to manage the investment of trust assets of MPERS and MOSERS. Other Missouri public pension systems may elect to participate.

Missouri General Assembly Website

www.moga.mo.gov

House and Senate Joint Bill Tracking

www.house.mo.gov/billcentral.aspx

Joint Committee on Public Employee Retirement (JCPER)

<http://www.jcper.org/>

JCPER Retirement Legislation Update

<http://www.jcper.org/legsheets.pdf>