MRTA
Missouri Retired Teachers' Association

& Public School Personnel

MRTA LEGISLATIVE DAYS FEBRUARY 8th and 9th 2011

ISSUES of INTEREST in the 2011 Legislative Session

#1) MRTA strongly <u>opposes</u> the concept of a State Investment Board (SIB) as proposed by Senator Crowell (SB 1050-2010). No bill introduced at this time. An amendment to existing legislation is likely. Letters will be hand delivered to all elected officials.

#2) MRTA <u>opposes</u> any Legislation that converts Defined Benefit public pension plans (DB) to private 401-K type Defined Contribution plans (DC) (HB 2113 of 2010 Koenig & SB 896 of 2010 Shields). No bills introduced at this time.

#3) MRTA <u>supports</u> full funding of Public Education K-12 as Missouri's funding priority as mandated in the Missouri Constitution.

#4) MRTA <u>supports HB 229</u> - Rep. Curls. This bill deals with W.A.R. and other clean up law needed by the KC System. MRTA supports legislation that benefits the Saint Louis and Kansas City Retirement Systems.

#5) MRTA <u>strongly supports HCR 10</u> Rep. Nolte sponsor, Reps. Gatschenberger and Anders co-sponsors. HCR 10 ask Congress to repeal the WEP/GPO provisions of Social Security.

MRTA
ORG. 1960
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& Public School Personnel

February 3, 2011

The Honorable Jeremiah W. Nixon
Governor of Missouri
P.O. Box 720
Jefferson City, Missouri 65102

Dear Governor Nixon:

Missouri Retired Teachers Association and Public School Personnel (MRTA) represents over 18,000 education retirees and their families statewide. We urge you to oppose the concept of a State Investment Board (SIB) as had been proposed by Senator Crowell in 2010 (SB 1050). Many of our retired educators have major concerns about the potential implications a state investment board/company will have on the public school retirement system in the future. Also, these types of entities have poor records nationwide pertaining to corruption and risky investments. As taxpayers, voters, and public pension recipients, we believe the SIB is bad public policy that sets a dangerous precedent in the handling of Missouri public retirement funds.

In a time when government is challenged to do more with less funding, it is not good public policy to expand state government by creating a new far-reaching SIB. In fact, SB 1050 of 2010 described a "company," not a board, with very limited liability regarding investment of public pension funds. It appears that to achieve the cost savings that were discussed during last session as a reason to form this SIB, it would be more cost effective to merge the two plans (MOSERS and MPERS) *for investment purposes only*. This is what PSRS (Public School Retirement System) and PEERS (Public Education Employees Retirement System) did in 2009. A merger for investment purposes only would result in an instant cost savings, a reduction in the size of state government, and efficiencies in staffing. A study was conducted in 2010 by the Joint Committee on Public Employee Retirement (JCPER) as to the overall cost savings of merging these two plans for investment purposes only versus establishing another state entity or a SIB. The study clearly indicates that a SIB is unnecessary and will cost the taxpayer more than to just allow them to merge for investment purposes only. The Legislature should allow a merger of MOSERS and MPERS as PSRS/PEERS did in 2009. Because MOSERS already has the capability to add new plans to their System, we believe there is no need to expand state government when the cost savings spoken of by SIB proponents are just not true. The cost to create a new state entity, SIB, is over $2.5 million dollars in the first year. Several senators during special session of 2010 used the example of HB 265 (2009) that was signed into law that allows consolidation of public retirement funds for the purpose of investing only. The SIB concept proposed by Senator Crowell is just bad public policy.

- Continued -

Also, if investment consolidation were to be implemented for MOSERS and MPERS by the proposed SIB, it is a fact that the membership of those retirement systems would lose representation over their retirement funds. The membership of the new SIB would be selected by the executive directors of both MOSERS and MPERS, one of whom happens to be a sibling of the chief investment officer of MOSERS. Their core boards would lose all effective oversight over how those funds are managed and would not be allowed to ever withdraw their funds from the SIB should the risk allocations turn out to be intolerable as fiduciaries. Again, the SIB concept is just bad public policy.

Another concern MRTA has regarding the SIB is the supposition that the funds managed by these plans are state monies. They are not! The funds and assets of these plans are the deferred wages of the members of the plans although paid by public tax dollars. The funds are held in trust by these plans and should not be gambled away without the oversight of their representative boards' watchful eyes and fiduciary responsibilities.

Lastly, MRTA is concerned about an aspiration to include PSRS/PEERS into this SIB arrangement at some time in the future. Our risk tolerances and allocations are very different from the state's smaller plans. PSRS/PEERS combined assets ($28 billion) are larger than all of the other public pension plans in Missouri combined. The size of PSRS/PEERS alone increases the likelihood that some legislators will argue that for efficiencies of scale and profits by investors/vendors, the likelihood of PSRS/PEERS being legislated into the SIB is certain whether it is this year, next year, or the next. The consolidation of Missouri's largest retirement system into a SIB will not meet the savings goals as stated by the proponents. A SIB will result in additional investment expenses and loss of control over investments for Missouri PSRS/PEERS members, all while offering no guarantee of improvements in investment returns.

The 18,000 plus members and families of MRTA ask you to strongly oppose the concept of a state investment board (SB 1050) for the above reasons. All indications are that Senator Crowell will file a similar piece of legislation in 2011 or amend the language of SB 1050 of 2010 to existing legislation in 2011. While he might not include PSRS/PEERS in his bill in the first year the bill is introduced, he has expressed in past correspondence with officers of PSRS/PEERS that he believes including PSRS/PEERS investments under the direction of a SIB would be desirable. Our heartfelt worry is that if a SIB board is set up for MOSERS and MPERS this year, we are confident in future years the legislature will choose to place PSRS/PEERS funds under the direction of the SIB.

Please do not hesitate to contact us should you have any questions or if we can be of assistance to you. We look forward to your response.

Sincerely,

Jan Powers

Janice Powers
MRTA President

Jim Kreider

Jim Kreider
MRTA Executive Director

FIRST REGULAR SESSION

House Concurrent Resolution No. 10

96TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES NOLTE (Sponsor),
GATSCHENBERGER AND ANDERS (Co-sponsors).

0212L.01I

WHEREAS, the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) of the federal Social Security Act penalize people who have dedicated their lives to public service by taking away benefits they have earned; and

WHEREAS, nine out of ten public employees affected by the GPO lose their entire spousal benefit, even though their spouse paid Social Security taxes for many years; and

WHEREAS, the WEP causes hard-working people to lose up to sixty percent of the benefits they earned themselves; and

WHEREAS, many workers rely on Social Security Administration statements that fail to take into account the GPO and WEP when projecting benefits; and

WHEREAS, the impact of the GPO and WEP is not just felt in those states in which public employees, including educators, are not covered by Social Security, because people move from state to state and affected individuals are everywhere; and

WHEREAS, the GPO and WEP apply to all vested members of the Public School Retirement System of Missouri; and

WHEREAS, the number of people affected across the country is growing every day as more and more people reach retirement age; and

WHEREAS, these people have less money to spend in their local economy and sometimes have to turn to expensive government programs like food stamps to make ends meet; and

WHEREAS, during a national teacher shortage, the GPO and WEP discourage people from entering and staying in the teaching profession, since doing so will mean a loss of earned Social Security benefits; and

WHEREAS, the GPO and WEP are also causing current educators to leave the profession and students to choose courses of study other than education; and

WHEREAS, non-Social Security states are finding it increasingly difficult to attract quality educators as more people learn about the GPO and WEP; and

WHEREAS, the nation should respect, not penalize, public service; and

WHEREAS, the GPO and WEP are established in federal law and repeal of the GPO and WEP can only be enacted by the United States Congress:

NOW, THEREFORE, BE IT RESOLVED that the members of the House of Representatives of the Ninety-sixth General Assembly, First Regular Session, the Senate concurring therein, hereby urge the Congress of the United States to immediately repeal the Government Pension Offset and Windfall Elimination Provision of the Social Security Act; and

BE IT FURTHER RESOLVED that the Chief Clerk of the Missouri House of Representatives be instructed to prepare properly inscribed copies of this resolution for the President of the United States Senate, the Speaker of the United States House of Representatives and each member of the Missouri Congressional delegation.

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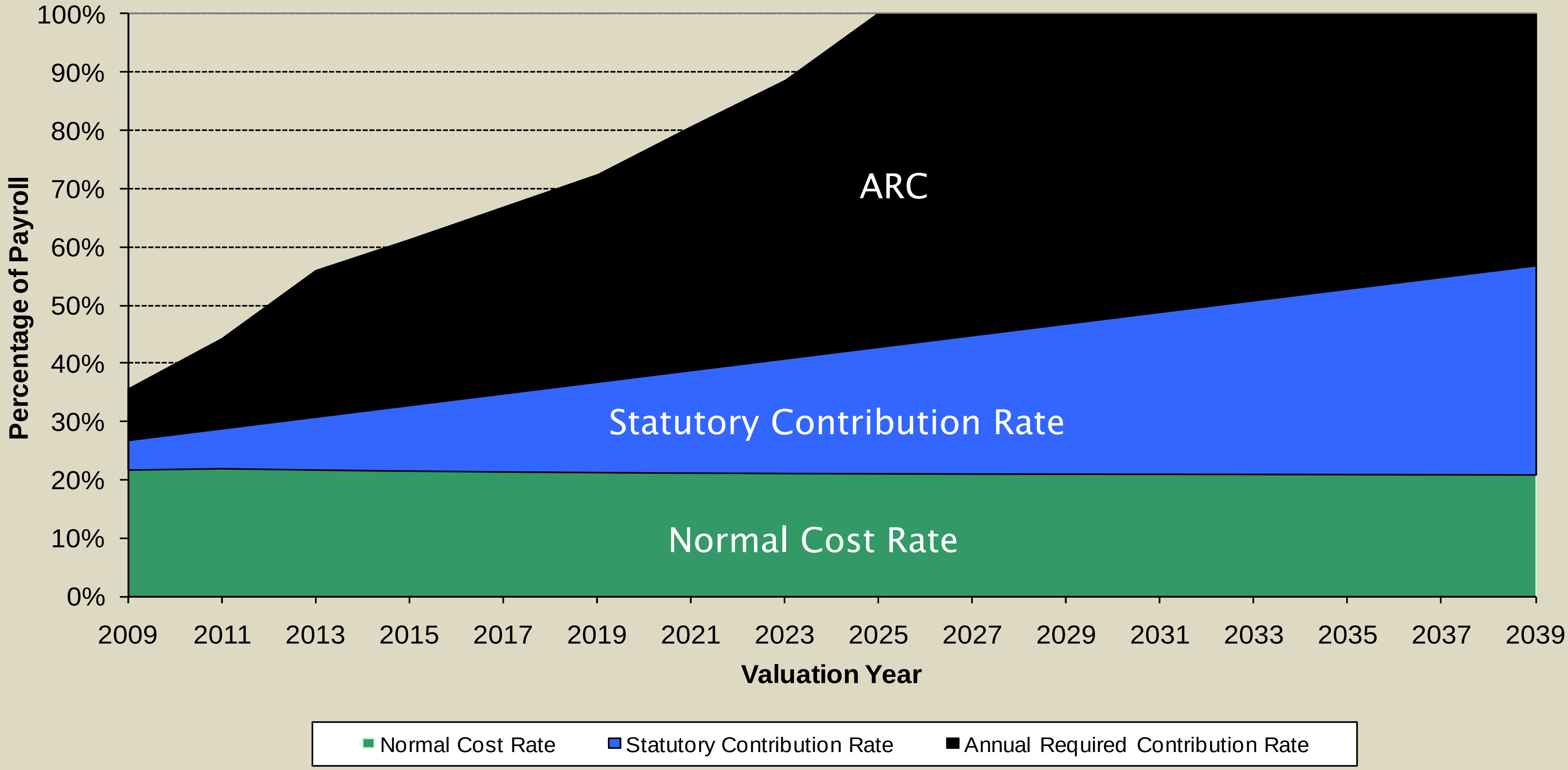
Moving to a Defined Contribution Plan

PSRS – Projection of DB Contribution Rates

Closed Current Plan (Rolling 30-Year Level Percent UAAL Amortization, 1% Cap on Contribution Increases)

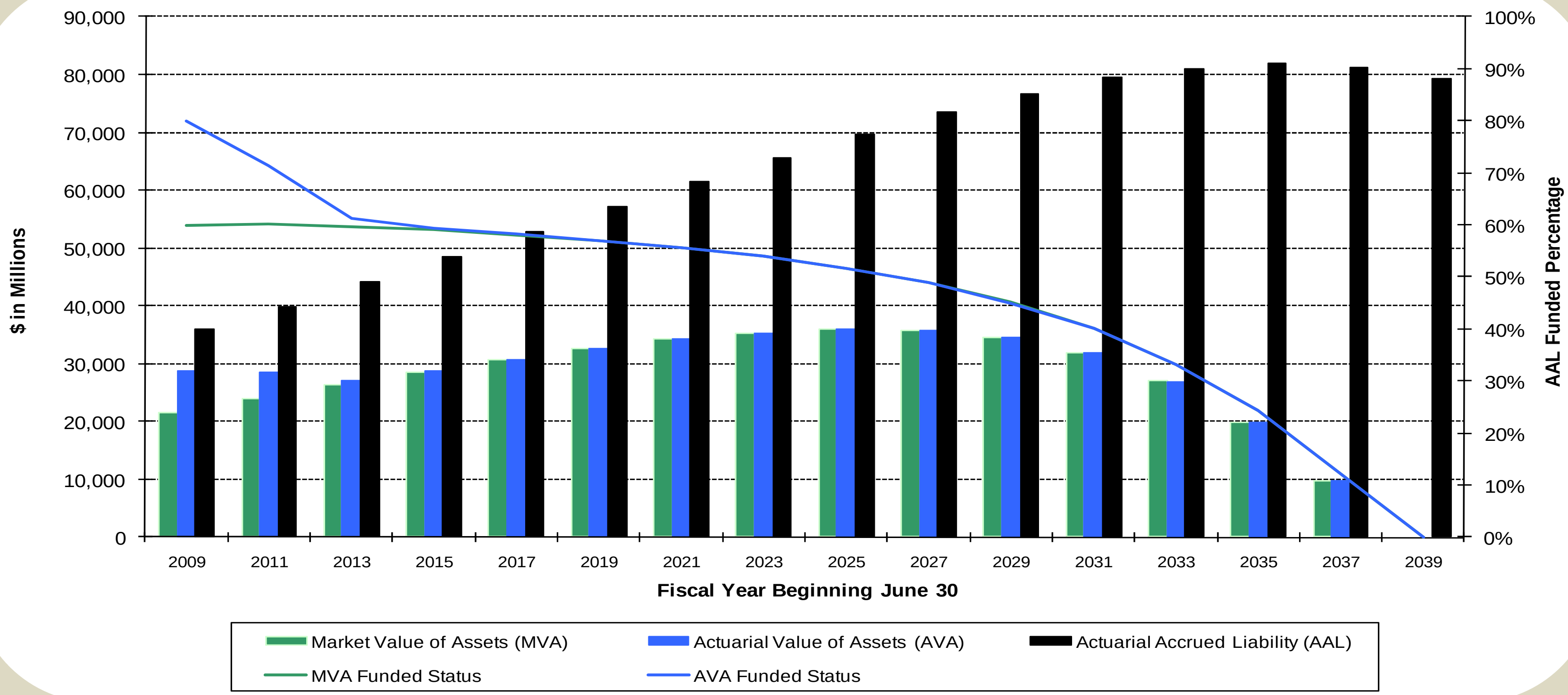


Based on prior DC Plan analysis using standard projection tool with 2009 valuation results, 8% annual return on assets and 5% payroll growth.

Estimated June 30, 2010 Actuarial Valuation

Impact of a Defined Contribution Plan to the System

PSRS – Projection of DB Plan Assets, Accrued Liability, and Funded Status
Closed Current Plan (Rolling 30-Year Level Percent UAAL Amortization, 1% Cap on Contribution Increases)



Based on prior DC Plan analysis using standard projection tool with 2009 valuation results, 8% annual return on assets and 5% payroll growth.