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## MINUTES

January 14, 2009

8:30 a.m. – 10:30 a.m.

Missouri Department of Higher Education

The meeting was called to order at 8:30 a.m. by Janelle Jaegers and Bridget White.

### **Deferred Compensation – Cindy Rehmeier, MOSERS**

Cindy Rehmeier gave a presentation on the changes that are being made to the deferred compensation plans.

- Present Plan Statistics
  - Size \$1,201,186,727
  - Participants
    - Total: 58,300
    - Terminated/Retired: 17,200
    - Active: 41,100
  - Participation Rate: 64% Eligible
  - Average Balance: \$20,000
  - Average Balance at Retirement: \$32,000
- Present Plan Facts
  - 12% of participants contribute \$35 a month
  - 52% of participants contribute \$50 or less a month
  - 75% of participants contribute \$100 or less a month
  - To achieve a balance of \$77,329 at retirement, a participant would need to save \$168 per month for 20 years (6% annual return)
- Present Plan Facts
  - 31 Fund Options
    - 21 Equity Funds
      - 11 Large Cap
      - 2 Mid Cap
      - 5 Small Cap
      - 3 International
    - 5 Fixed Income Funds
    - 5 Asset Allocation Funds

In conclusion to the present plan facts – there are too many fund options, which confuses participants. Also, the State of Missouri’s current operating costs is .90% versus their peers at .49%.

MOSERS believes there is a significant need for supplemental savings. State employees are experts in their own fields, but lack the time and skills necessary to become sophisticated investors. Many participants are overly risk-averse investing the majority of their assets in the most conservative fund choices at too young of an age. Also, clear, concise and simple communications is vital for informing and educating participants of the benefits of any plan design changes.

The future plan design for deferred compensation includes:

- Target Date Investment Strategy – professionally managed broadly diversified funds that adjust allocations in various assets automatically (more aggressive in earlier years to more conservative in later years) as participants time horizons shorten (name corresponds to retirement year – i.e. 2010, 2015, 2020.....2050)
- Target Date Strategies Asset Mix
  - Global Equities
  - Core Bonds
  - TIPs
  - High Yield Bonds
  - Diversifiers – Global REITs, Commodities
- Only one decision required – choose a fund based on your expected date of retirement
- Future Plan Design – Investment Line-Up
  - 12 Passively Managed Target Date Funds
  - ING Stable Income Fund
  - Brokerage Window

Solution Summary:

	<b>Present</b>	<b>Future</b>
<b>Funds</b>	31	13
<b>Investment Option Expense Ratio</b>	High (avg 0.90%)	Low (avg 0.25%)
<b>Complexity</b>	High	Low
<b>Portfolio Diversification</b>	Low/Difficult to attain by all employees	High
<b>Maintenance Required</b>	Regular review	None
<b>Asset Classes</b>	Limited to traditional stocks & bonds	Multiple including real estate and high yield
<b>Ailibility to reach retirement income goal</b>	May vary depending on choice	High
<b>Brokerage Window</b>	\$50 annual fee	No annual fee

- **New Plan Timeline**
  - January 22, 2009 – New DC update format sent to all payroll representatives detailing plan changes
  - Beginning January 31, 2009 – Rollout campaign – e-mails, plan website communications, on-site meetings, letters, posters and reminder postcards
  - April 10, 2009 – transition core funds to target date strategies

For a complete look at Cindy's presentation, please refer to the minutes and handouts section on the SHRMC website.

### **OA Personnel – Guy Krause**

Guy mentioned that the Certified Public Manager Program (SHRMC heard a presentation on) is delaying the start of their first cohort until September.

OA Personnel is looking at a Quick Coach Pilot for online training. This pilot would help with hits on training; supervisors could e-mail links, and also includes tools for managers to address training needs for their staff.

FMLA Training will be with Sue Williams, an employment lawyer out of Kansas City. The training will take place on January 22 in the morning in regards to changes in the FMLA regulations.

Guy also mentioned that the I-9 Form will be changing as of February 2, 2009.

### **OA Accounting – Libbie Farrell**

Libbie stated that W-2's will be printed this weekend and will be available the end of next week for all agencies.

She mentioned to keep in mind with the new administration that there could potentially be changes on deposit inserts.

Libbie talked about deduction loads, and how some employees have multiple deductions in regards to their dental and vision insurance. Employees need to make a decision as soon as possible. If they are not sure whether they are enrolled more than one, they can look at their paystubs.

**The next meeting will be determined once new co-chairs are in place.**

The meeting was adjourned.