

The Association report

from the Capitol

March 8, 2017

A major change in the method of providing state employee retirement benefits was debated this week in the Missouri Senate. No vote was taken on [SB228](#) which would require workers hired after January 1, 2018 to participate in a “defined contribution” retirement system.

The new system is called a “hybrid” plan because part of each retiree’s benefit would come from two sources, including a “defined benefit” plan which is in use now. This part of the retiree’s benefit would be calculated by a formula of “final average pay times years of service times a multiplier of 1.” This formula represents a reduction in the multiplier which in existing law is 1.7%.

To counter the loss in benefits due to a reduced “multiplier,” a “defined contribution” element is created. This, essentially, is the state contributing 2.75% of pay along with the employee contributing 1% to a newly created “defined contribution plan.”

Proponents of [SB228](#) emphasized that the proposal follows a “defined contribution” trend that many private businesses are adopting. Advocates also promote the feature of individual workers having input in where their money is invested. Critics, however, warn that the new system would expose state workers’ retirement security to the uncertainties of the financial markets.

It appears some senators have unanswered questions about the bill and its future is uncertain. I’ll keep you updated on any further movement of [SB228](#).

**From Harry Hill, Lobbyist
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