The Association report from the Capitol

February 18, 2010

A major structural change in the state's retirement systems, including MPERS, was discussed this week in a senate committee. SB896 would change MPERS and MOSERS from “defined benefit” to “defined contribution” plans.

Sen. Charlie Shields, who is sponsoring SB896, said his intention is to take Missouri from a state that offers extremely good benefits with a lot of holidays and low pay to a state with competitive pay and good benefits.

“What we’ve done (over the years) in lieu of salaries is to offer benefits,” Sen. Shields said. “At some time we have to turn this around. This would seem to be a good place to start.”

He pointed out that 58% of the state’s payroll is in fringe benefits (including retirement.) Another committee member added that Missouri’s annual payroll amounts to $2.2 billion.

Provisions of SB896 specified that a “defined contribution” plan would establish an individual retirement account for each employee with a minimum of 1% of that employee’s pay being put in his or her account.

Advantages of the proposed retirement plan, the sponsor said, is that an employee’s retirement account could move with the employee if he or she left state employment. It was emphasized at the hearing that the new retirement plan would affect only those employees hired after Jan. 1, 2011.

Several state workers appeared at the hearing to oppose the bill, saying they left better paying jobs to work for the state because of the benefits offered. Other observers said the high cost of the proposal is likely to jeopardize its chances of passing under current economic conditions. Sen. Shields said his proposal, if enacted, would be more expensive than the current system for the first 10 years but after that it would cost less.

From Harry Hill, Lobbyist
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