



Dear MO Deferred Comp Participant,

As a valued or eligible saver in the MO Deferred Comp Plan, we would like to **remind*** you of the recent contribution improvements that have been put into effect regarding how future deferrals can be made to your retirement savings account. As of December 18, 2016, **future contribution changes** can only be made to an employee's account in a percent format. If you elect to change your deferral amount, it will need to be made as a percent of your paycheck. Contributions can be made at a minimum of 1% and adjustments can be made in as little as 0.1% increments. Current dollar-based contributions will remain in a dollar form until a deferral change is made by the saver.

For example, if you earn \$1,250 each semi-monthly paycheck and would like to increase your contributions from \$25 to \$50 per pay period, you would need to save 4% per pay period in the MO Deferred Comp Plan. As shown below, '4' would be the correct way to complete the **Change My Contribution** form in Account Access. **WARNING:** If you put '50' in the form box you will be contributing 50% of your paycheck to your retirement savings account.

| TYPE | CURRENT | MINIMUM | MAXIMUM | PERCENT | CALCULATOR |
|---------|---------|---------|---------|---|------------|
| PRE TAX | 3.1% | 0.0% | 100.0% | <input type="text" value="4"/> Percent of Pay | |
| ROTH | 3.1% | 0.0% | 100.0% | <input type="text"/> Percent of Pay | |

To convert your dollar contribution to a percent-of-pay deferral, use the plan's new [Dollar-to-Percent calculator](#). Located on the deferred comp website or within Account Access, this simple, yet powerful tool can be extremely helpful to savers. To use the calculator, you'll need to know your annual salary and the amount you'd like to contribute each pay period. Check your paystub via the [ESS portal](#) to obtain your salary information.

I would like to contribute \$ each pay period. My annual salary is \$.

[Calculate My Percent Contribution](#)

Answer: %

Another tool available to state of Missouri employees is the [Grow Your Retirement Savings](#) calculator. This impressive tool visually illustrates the effects of compounding interest on your savings over the course of your career using a percent-of-pay contribution. Additionally, the tool allows you to factor in auto-increase changes and evaluate different contribution amounts.

If you're wondering why MO Deferred Comp changed how contributions could be made to the plan, the answer is simple: **Percent-of-pay contributions will adequately enable the majority of state of Missouri employees to save more for their retirement.** Saving with percentage-based deferrals is preferred over traditional dollar deferrals for several reasons:

- **Plain and simple, they are more effective.** Plan statistics prove that employees will remain at a static level of savings due to inertia and will not change that level, thereby saving less over time especially if at a stagnant dollar deferral. This has been the case with state of Missouri plan participants. Plansponsors of employer retirement savings plans, like MO Deferred Comp, want to utilize best practices to help the majority of employees save more effectively for retirement.
- **Historical data shows us that the average and median state of Missouri employee contribution amount has been unchanged for over 20 years.** While salaries have increased an average of 1.5% each year, retirement contributions have not. Let's also not forget about inflation. With the price of goods and services on the rise, savers must make changes to their deferrals in order to save enough for their future retirement and cover the ever growing costs of day to day living. Percent-of-pay contributions help employees combat stagnant deferrals and inflation by slightly adjusting their contributions when a salary change takes place. For example, if your pay goes up \$100 per month and you are contributing 4%, that is \$4 more dollars each month that you are saving for your retirement. It may not sound like a lot, but it sure adds up over time.
- **Account balances within the MO Deferred Comp Plan rank poorly compared to other government employer retirement savings plans.** The *median* balance for an active Missouri employee is only \$4,500, while the average combination of other government plans is \$14,000. The Missouri active employee *average* balance is \$19,000, while the average combination of other government plans is \$41,000. Of Missouri's 40,000 actively contributing employees, over 11,000 have a balance **under \$1,000.**

Need a comparison? Consider this, if an employee who began employment earning \$33,000 a year invested a flat-dollar amount of \$110 a month (or \$55 every semi-monthly pay period) for 25 years, they would have saved \$76,413 at the end of their career. However, if the employee invested 4% (the same starting \$55 semi-monthly amount in percent form) instead of the flat-dollar amount, they'd have a balance of \$83,763 – that's **\$7,350 more in retirement savings!** (*Assumes at 6% rate of return and an average 1% annual salary increase throughout employment.*)

If you have any questions regarding the recent change or would like help calculating or changing your future percent-of-pay contribution, please feel free to contact the MO Deferred Comp Plan. Deferred comp is dedicated to helping employees save more and that includes taking the necessary steps to ensure contributions increase as an employee's career evolves.

Sincerely,



*On November 23, 2016 an [email](#) referencing the contribution improvements was sent to active participants who have a balance in the deferred comp plan. Messaging can also be found in your fourth quarter statements and on the [MO Deferred Comp website](#).