

# PEERS

## Benefit Check

PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

January 1, 2018 COLA  
Set at 1.63%; 2018-2019  
School Year Contribution  
Rates Unchanged

PSRS/PEERS Investments  
Return 12.5% for Fiscal Year  
2017; Off to a Solid Start for  
Fiscal Year 2018

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PUBLIC EDUCATION EMPLOYEE  
RETIREMENT SYSTEM OF MISSOURI

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At the November 2-3, 2017 meeting of the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees, the Board made several important decisions to ensure the ongoing financial health of the Systems.

The meeting included detailed analysis and discussion by the Board, the Systems' actuary, PricewaterhouseCoopers, management and educational associations, which culminated in decisions designed to provide an ongoing funding policy that provides continued financial stability for the Retirement Systems.



**"The Board has a fiduciary responsibility to operate the Systems in a prudent manner that best serves all members equally, no matter what their life or career stage. We had good discussions and considered a lot of meaningful data and research. As a result, I feel we made sound decisions and set policies that will help keep the Systems financially healthy for the long-term."**

Aaron Zalis, Board Chairman



## January 1, 2018 COLA Set at 1.63%; 2018-2019 School Year Contribution Rates Unchanged

To meet the Systems' ongoing goals, the Board took action on the Systems' COLA policy, 2018-2019 contribution rates, and assumed rate of investment return.

### January 2018 COLA Set at 1.63%, New COLA Policy Going Forward

#### January 1, 2018 COLA Set

The Board voted to grant eligible PSRS and PEERS benefit recipients a 1.63% cost-of-living adjustment (COLA) effective January 1, 2018.

The COLA decision is based in part on the Consumer Price Index for Urban Consumers (CPI-U) as determined by the U.S. Bureau of Labor Statistics for the previous fiscal year. The increase in the CPI-U for PSRS/PEERS' fiscal year 2017 is 1.63%.

Other factors in the decision included the analysis and recommendation of the Systems' actuary, and requirements set in Missouri law regarding the setting of the COLA by the Board of Trustees.

#### New COLA Policy Adopted Effective with January 1, 2019 COLA

In addition to setting the COLA for the upcoming year, the Board reviewed seven different scenarios with data provided by the Systems' actuary, PricewaterhouseCoopers (PwC) to determine a longer-term COLA policy that best fits with the Systems' funding goals.

After the analysis and discussion, the Board set a new COLA policy that will become effective with the January 2019 COLA. The policy contains a cumulative CPI calculation when the CPI-U falls between 0% and 2%.

The policy provides that:

- If the CPI-U is less than 0% (negative), no COLA will be given.
- If the CPI-U is 0% to 2%, and cumulatively below 2%, no COLA will be given.
- If the CPI-U is 0% to 2% and cumulatively 2% or more, a 2% COLA will be given.
- If the CPI-U is between 2% and 5%, a 2% COLA will be given.
- If the CPI-U is more than 5%, a 5% COLA will be given.

| 2017 PSRS/PEERS COLA Policy |                                      |
|-----------------------------|--------------------------------------|
| CPI-U                       | COLA                                 |
| Less than 0%                | 0%                                   |
| 0% to 2%                    | 0% if cumulative CPI-U is below 2%   |
| 0% to 2%                    | 2% if cumulative CPI-U is 2% or more |
| 2% - 5%                     | 2%                                   |
| More than 5%                | 5%                                   |

*Continued on page 4*

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The cumulative COLA calculation **only applies when the CPI-U is between 0% and 2%**. The cumulative COLA calculation period resets to zero after a 2% COLA is provided and begins again.

### Example 1

Year 1 CPI-U = 1.5% → Cumulative CPI-U also 1.5%

Year 2 CPI-U = 1.0% → Cumulative CPI-U is 1.5% + 1.0% = 2.5%

- No COLA would be granted in Year 1 because the actual CPI-U is between 0% and 2% and the cumulative CPI-U is below 2%.
- A COLA of 2% would be granted in Year 2, because the actual CPI-U is between 0% and 2% and the cumulative COLA calculation is 2% or more.

### Example 2

It may take more than two years for the cumulative COLA calculation to reach a level that will result in the granting of a COLA.

Year 1 CPI-U = 1.3% → Cumulative CPI-U is also 1.3%

Year 2 CPI-U = 0.3% → Cumulative CPI-U is 1.3% + 0.3% = 1.6%

Year 3 CPI-U = 1.0% → Cumulative CPI-U is 1.3% + 0.3% + 1.0% = 2.6%

- No COLA would be granted in Year 1, because the actual CPI-U is between 0% and 2% and the cumulative CPI-U is below 2%.
- No COLA would be granted in Year 2, because the actual CPI-U is between 0% and 2% and the cumulative CPI-U is still below 2%.
- A COLA of 2% would be granted in Year 3 because the actual CPI-U is between 0% and 2% and the cumulative CPI-U is 2% or more.

For more information, visit the news section of our website, [www.psr-peers.org](http://www.psr-peers.org), for an article and frequently asked questions about the new COLA policy.

### Contribution Rates Unchanged for 2018-2019 School Year

On the recommendation of the Systems' actuary, the Board voted to maintain active member and employer contribution rates for PEERS at 13.72% and PSRS at 29%. These contribution rates, along with the assumed investment return rate, continue to provide the Systems with the level of funding necessary to maintain the Systems' healthy financial status.

### Assumed Rate of Investment Return Decreased

The Board voted to reduce the assumed rate of return on investments from 7.75% to 7.6% due to the continued low interest rate and capital market environments.



## PSRS/PEERS Investments Return 12.5% for Fiscal Year 2017; Off to a Solid Start for Fiscal Year 2018

**P**SRs and PEERS earned an investment return of 12.5% for the fiscal year ended June 30, 2017. The total plan return exceeded both the policy benchmark of 11% and the long-term objective (actuarial assumption) of 7.75%.

Over long periods of time, the Systems continue to produce investment returns that meet or exceed the System's objective. The annualized investment return for PSRS and PEERS over the last five years is 9.5%, and 8.4% over the last 30 years.

PSRS and PEERS maintain a diversified asset allocation of stocks, bonds, real estate, hedged assets and private equity. In the last year, the best performing asset classes for the Systems were non-U.S. equity with a return of 20.4% and private equity, which produced a return of 20.1%.

As we move through the first four months of fiscal year 2018, stock markets throughout the world continue to reach new highs.

The Systems have benefited from the strong markets and the estimated investment return for PSRS and PEERS for the first four months of fiscal year 2018 (July 1, 2017 through October 31, 2017) is approximately 4.5%.

However, we remain mindful of the fact that most asset classes (specifically global stock markets) are fully valued, and that volatility in all investment markets is beginning to increase. As a result, we will continue to manage the PSRS and PEERS assets with a focus on return, but also with a keen awareness of the embedded risks.

The market value of invested assets for PSRS and PEERS combined were approximately \$42.8 billion on October 31, 2017, making the joint entity larger than all other public retirement plans in Missouri combined, and the 43<sup>rd</sup> largest defined benefit plan in the United States. For the most recent PSRS/PEERS investment news, visit us on the web at [www.psr-peers.org](http://www.psr-peers.org).



## Legislative Changes May Impact Some PEERS Retirees

Legislative changes affecting some retired PEERS members went into effect August 28, 2017. Changes include the addition of a possible Joint-and-Survivor or Term-Certain benefit pop-up upon divorce and a longer window to change a Joint-and-Survivor beneficiary after a remarriage.

For more information, visit our website [www.psr-peers.org](http://www.psr-peers.org).

## Watch Your Mail for Important End of Year Documents: Your Annual Benefit Statement and IRS Form 1099-R Tax Form

### Annual PEERS Benefit Statement

In January, you will receive your annual PEERS **Benefit Statement**. The **Benefit Statement** is a comprehensive summary of your PEERS membership and your monthly benefit as of January 31, 2018.

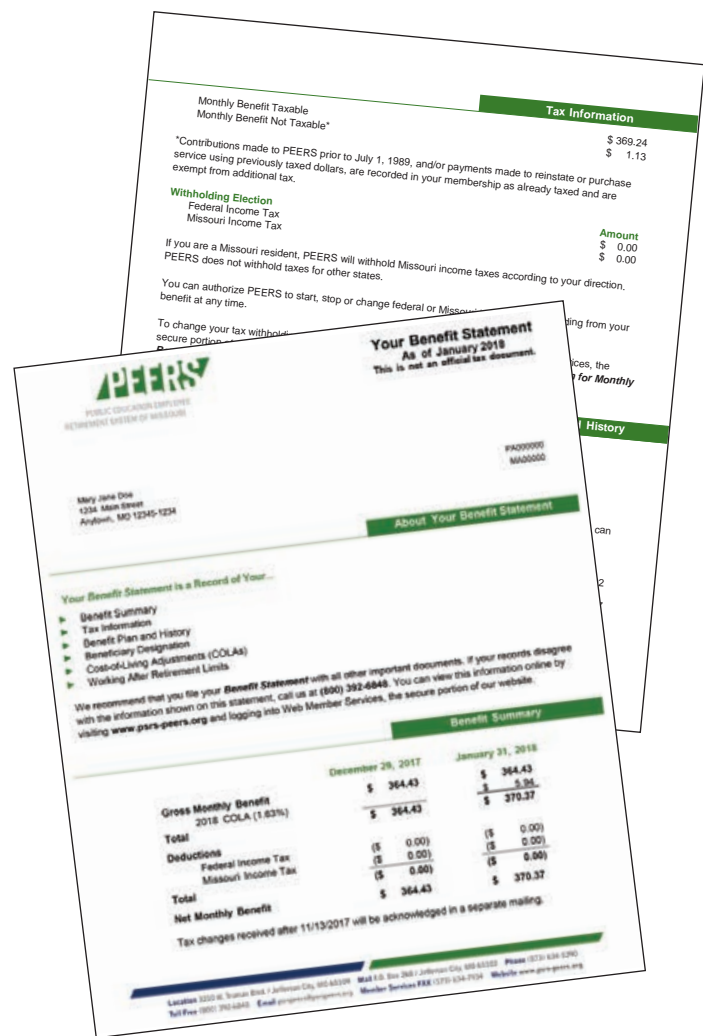
This important document is a record of your:

- Benefit amount
- Tax information and withholding amounts
- Benefit plan and benefit history
- Cost-of-living adjustments (COLAs)
- Beneficiary designation

Please review your statement to see if you need to make updates to your contact information or beneficiary designation with PEERS.

You can update your mailing address, phone or email address by logging in to Web Member Services at [www.psr-peers.org](http://www.psr-peers.org), or using a **Member Information Change** form also available on our website or from our office.

Please contact us with any questions about changes to your post-retirement beneficiary designation.



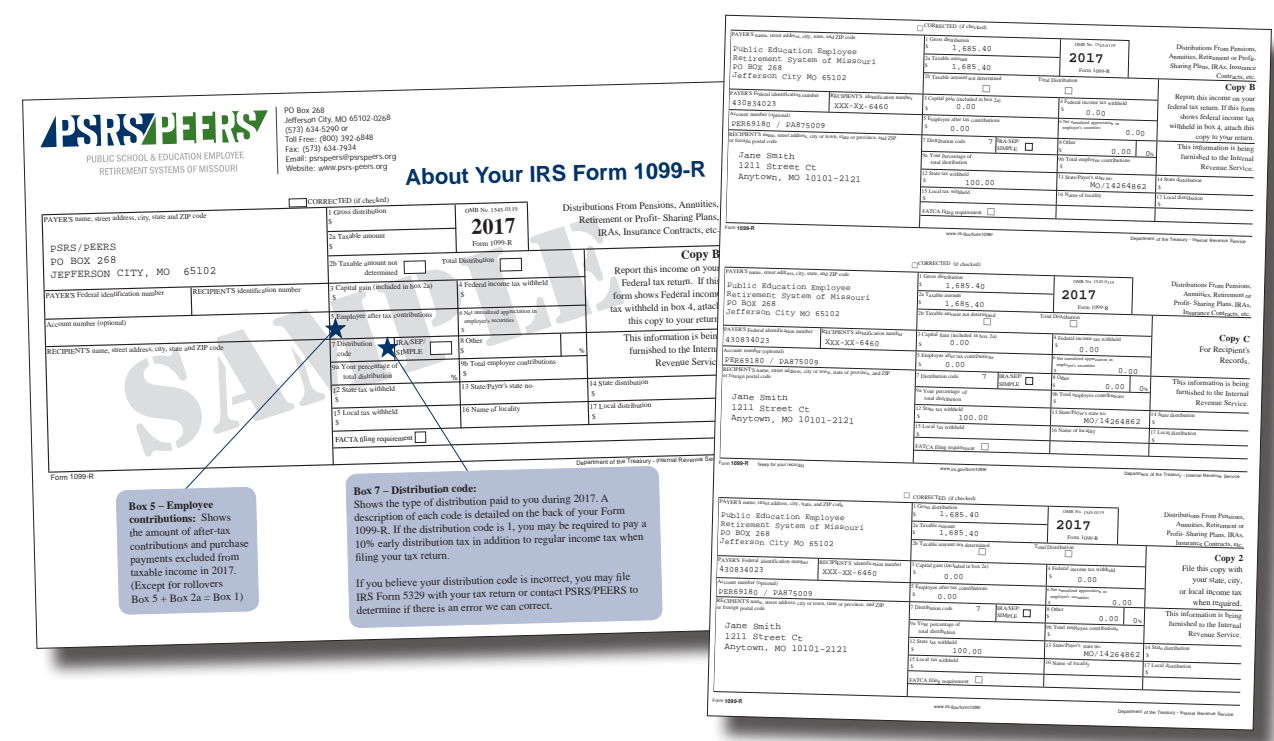
### IRS 1099-R Tax Form

Your 2017 IRS Form 1099-R will also mail in January. You will need this form when filing your 2017 income tax returns.

Your annual Form 1099-R shows the total funds you received from PEERS in calendar year 2017, the taxes withheld and the dollar amounts considered taxable

income. If you have a professional tax advisor, we suggest that you make this information available for his or her review.

Your 2018 **Benefit Statement** and your tax year 2017 IRS 1099-R tax form will also be available in late January to view and print by logging in to Web Member Services at [www.psr-peers.org](http://www.psr-peers.org).



Your Benefits

## Tax Time is Coming. Are You Eligible for the Missouri Public Pension Exemption?



For tax year 2017, married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000, may deduct up to 100% of their public retirement benefits (such as PEERS service retirement benefits), to the extent the amounts are included in their federal adjusted gross income.

individuals with Missouri adjusted gross income greater than \$85,000, may qualify for a partial exemption.

- There is no age requirement for eligibility.

Visit [www.dor.mo.gov](http://www.dor.mo.gov) for more information regarding eligibility or contact the Missouri Department of Revenue at (573) 751-3505, email [income@dor.mo.gov](mailto:income@dor.mo.gov) or consult a tax professional for more information.

- Married couples with Missouri adjusted gross income greater than \$100,000 and single



PUBLIC EDUCATION EMPLOYEE  
RETIREMENT SYSTEM OF MISSOURI

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## Use Web Member Services to Stay Informed About Your Membership and Benefits

Now it is easier than ever to get quick information about your PEERS membership, benefit payments, direct deposit and income tax withholding using PEERS Web Member Services at [www.psrp-peers.org](http://www.psrp-peers.org). Register for access using the Member Log-in link at the top right corner of the screen.

Access to your membership information online requires that you establish a user name and password. When setting up your online access, you will be required to enter a temporary PIN we will provide you by mail. This process is designed to help ensure your membership information is not accessed fraudulently by someone other than you.

You can use Web Member Services to:

- Update your contact information on record with PEERS
- Change the income tax withholding from your benefit

- Access the forms you need to change your beneficiary designations
- Estimate the impact of future COLAs on your benefit

You can view:

- A benefit summary
- Your current beneficiary designation
- Direct deposit information
- Income tax withholding
- Cost-of-living adjustment information
- An archive of your past ***Benefit Statements***
- An archive of your past IRS Forms 1099-R (tax documents)

It's quick and easy to stay up-to-date with PEERS Web Member Services. Visit today!