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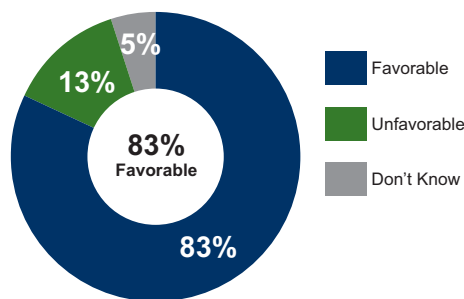
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## Americans Understand the Value of Pensions Such as PSRS/PEERS

A recent study<sup>1</sup> conducted by the National Institute on Retirement Security (NIRS) shows that Americans understand and value defined benefit (DB)\* pension plans and how they promote retirement security with a regular income stream that lasts through retirement. According to a survey conducted by NIRS, the overall favorability of pensions is quite high, at 83%. Nearly three quarters of Americans (73%) support pensions for public employees, because they understand that those employees contribute from every paycheck to their pension.

### Highly Favorable Views of Pensions

How would you describe your overall view of a defined benefit pension?



Source: National Institute on Retirement Security

CONTINUED ON PAGE TWO

Following the Great Depression and World War II, the combination of the federal Social Security program, defined benefit (DB) pension plans like PSRS/PEERS, and private savings enabled Americans to be self-sufficient in their retirement years after a lifetime of work.

In the last couple of decades, this framework for retirement security has deteriorated. Pensions for private sector workers continue to disappear due to the regulatory environment, Social Security benefits have been cut, and Americans just aren't saving enough in their individual accounts. Eighty-five percent of Americans experience anxiety about their ability to achieve financial security in retirement.

Unstable global investment markets and economic woes have caused many public defined benefit plans to experience financial problems of their own. This has created a strain on the assets of systems unable to achieve expected investment returns.

Those fortunate enough to participate in PSRS/PEERS can breathe a little easier than many. PSRS/PEERS remains financially strong and well-funded.

<sup>1</sup> Source: National Institute on Retirement Security, *Pensions and Retirement Security 2013, A Roadmap for Policy Makers*, Diane Oakley and Kelly Kenneally, February 2013.

\*The term "defined benefit" is derived from the fact that lifetime monthly retirement benefits provided by these plans are calculated using a pre-determined formula and based in part on the member's compensation and service at retirement. Benefits are not based on the amount a member contributes to the plan.

# PEERS for your BENEFIT

AMERICANS UNDERSTAND THE VALUE OF PENSIONS, CONTINUED FROM PAGE ONE

With more than \$30 billion in assets held by the Systems as of June 30, 2012, PSRS/PEERS is the 45<sup>th</sup> largest defined benefit plan in the United States, and the 107<sup>th</sup> largest institutional investor in the world. And while investment markets remain challenging, the Systems' investment strategy has proven successful in turbulent economic times.

More than 80% of PSRS/PEERS liabilities (promises of benefits) are already funded by the assets the Systems currently hold. Funding the remainder can be compared to paying off a home mortgage – the plan design calls for the rest to be paid off in about 25 years. “Our investment team, management and Board of Trustees are dedicated to ensuring the ongoing strength of the Retirement Systems,” said Steve Yoakum, Executive Director. “Our benefits will continue to be paid as promised.”

In fiscal year 2012, PSRS/PEERS paid more than \$2.1 billion in retirement benefits to nearly 73,000 retirees and beneficiaries. Nearly 90% of those benefits – more than \$1.85 billion – was paid to Missouri residents. These benefits serve not only as a reliable source of income for those retirees and beneficiaries, but also as fuel for the local economies in which the retirees reside.

## Legislative Update

The 2013 Missouri Legislative Session officially began on January 9. Each year, the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) closely monitor and track proposed legislation that, if passed, may impact active and retired PSRS/PEERS members.

Several bills have been introduced this year that could potentially impact PEERS members. This includes legislation impacting the extension of the expiration of the 25-and-Out retirement provision. The following is a status update on PSRS/PEERS bills. To stay up-to-date on current retirement legislation, please sign up for our legislative updates at [www.psr-peers.org/Legislation.html](http://www.psr-peers.org/Legislation.html).

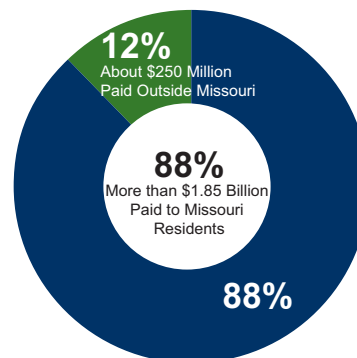
### 25-and-Out Provision

House Bill (HB) 313 was introduced January 24, 2013 by Representative Mike Thomson and co-sponsored by Representative Mike Lair. This bill would make 25-and-Out provision a permanent benefit provision in our statutes. Senate Bill (SB) 232, with identical language to HB 313, was introduced by Senator Wayne Wallingford at the end of January.

The 25-and-Out provision is currently set to expire July 1, 2013. In the past, it has been a temporary provision with an

### PSRS/PEERS Benefits Paid

Fiscal Year 2012



More than \$2.1 billion in benefits were paid in FY 2012.

“If you look at it in terms of providing a paycheck for Missourians, PSRS/PEERS would qualify as one of the state’s largest employers,” said Yoakum. “We have a positive impact on every county in the state, regardless of swings in the economy. Our goal is to continue to provide retirement security to our members, now and into the future.”

expiration date, requiring new legislation every few years to extend the expiration date. Making this provision permanent would eliminate the necessity to reenact this provision in the future. At the December Board meeting, the PSRS/PEERS Board of Trustees respectfully went on record in support of extending the provision permanently.

HB 313 was heard in the House Retirement Committee on March 14. PSRS/PEERS, along with several educational associations, testified in favor of the bill. The bill was passed by the committee unanimously the same day as the hearing. However, the bill has not yet been reported out for debate by the full chamber.

Language that would make this provision permanent has also been included in an amended version of House Committee Substitute (HCS) for Senate Committee Substitute (SCS) for Senate Bill (SB) 86. The original bill specifies that plans use the funded ratio as of the most recent periodic actuarial valuation before implementing a benefit increase and authorizes plans to make benefit increases despite having a funded ratio below the required level. HCS SCS SB 86 was passed and reported out of the House Retirement Committee on April 8.

LEGISLATIVE UPDATE, CONTINUED FROM PAGE TWO

If you are interested in ensuring that the 25-and-Out provision is made permanent, contact your representative and senator as soon as possible. Contact information can be found online at [www.house.mo.gov](http://www.house.mo.gov) and [www.senate.mo.gov](http://www.senate.mo.gov).

### Funding Stabilization Policy

Senate Bill (SB) 221 removes the flexibility of the Board of Trustees to set the contribution rates and cost-of-living adjustments (COLAs). SB 221 would enact the provisions of the Funding Stabilization Policy adopted by the Board of Trustees in 2011 into statute. The provisions contained in SB 221 were introduced in 2012 and again this year by Senator John Lamping. The proposed legislation would require that the employee and employer contribution rates for both Systems be set no lower than the 2011-2012 school year rates until the Systems are 100% pre-funded. It also states that retirees will receive a 2% COLA when the cost of living increases less than 5%, until the Systems experience funded ratios of 100%.

The Board, at the February 11, 2013 meeting, once again went on record respectfully opposing this legislation. By taking away the Board's ability to follow the recommendation of an independent actuary when setting contribution rates and COLAs, this proposal would undermine the Board's flexibility to adopt policies to ensure that the Systems remain adequately funded in the future.

### 100% Funding Mandate

Senate Bill (SB) 475 was also introduced by Senator Lamping. This act provides that PEERS must be 100% pre-funded in five years. Under this bill, if PEERS does not maintain a 100% pre-funded ratio, then the plan cannot adjust or increase benefits. The act also states that when a plan falls below 80% funded, members stop accruing service with the retirement system toward their future retirement benefits.

Being 100% pre-funded means that a retirement plan has enough assets to pay for all *future* benefits promised to members. As of June 30, 2012, PEERS was 82.5% pre-funded. A pre-funded percentage of over 80% is considered, by actuarial accounting standards, a healthy pre-funded status for a defined benefit plan such as PEERS.

The overall cost of the bill is approximately \$732 million for PEERS over the next five years. This bill would increase the contribution rate for PEERS to **over** 24% percent of payroll.

The Board of Trustees has reviewed this bill and the actuarial cost estimates associated with it. At the April Board meeting, the Board of Trustees went on record respectfully opposing SB 475. The cost this provision would unduly place on our

school districts and members would be detrimental to their success. The Systems' current funding policy allows PEERS to be 100% pre-funded in 26.3 years. SB 475 was heard in the Senate Seniors, Families and Pensions Committee on April 9. PEERS went on record and testified against this bill.

### Creation of a PSRS Defined Contribution (DC) Plan

**At this time, this provision only impacts PSRS.** Senate Bill (SB) 476 was introduced by Senator John Lamping and requires the Board of Trustees to create a defined contribution, or DC, retirement plan for new members of the Public School Retirement System of Missouri (PSRS) by July 1, 2014. All PSRS-covered employees hired on or after July 1, 2014, would be required to participate in the DC plan and would not accrue any service in PSRS' defined benefit (DB) plan.

A DC retirement plan provides individual accounts for each employee, similar to a traditional 401(k) or 457 retirement account. The amount of benefits provided to each employee would be based solely on the amount allocated to the employee's account. The cost of the proposed plan design could be between \$4 to \$8 billion **greater** than the cost of the current DB plan over the next 30 years. As a percentage of payroll, the cost would increase to as much as 37%. The current DB plan provides benefits that are more valuable to members at a lower cost than the proposed plan design.

The cost of this provision would be substantially higher for the school districts and members, while providing them with an inferior retirement plan. DB plans offer a number of additional benefits not provided by DC plans. These benefits include the value of professional asset management, survivor benefits and disability protection, as well as a monthly benefit for life.

In 2011, a bill similar to SB 476 was introduced. Since it would have had a detrimental impact on the Systems; the Board went on record opposing HB 409 (2011). At the April Board meeting, the Board went on record respectfully opposing SB 476 for the same reason.

### Keep Track of Pending Retirement Legislation with PEERS

While the Missouri legislature is in session (session ends May 17, 2013), we will monitor action on any legislation regarding retirement and education.

You can sign up for email updates at [www.psrps-peers.org](http://www.psrps-peers.org). Click the "Legislation" Quick Link near the bottom of the screen.

## Board Holds Interest Rate Paid on Member Accounts at 1%; Rate Charged on Service Purchases at 8%

At the April meeting of the PSRS/PEERS Board of Trustees, the Board voted to set the interest rate credited to active member accounts at 1% for June 30, 2013. This rate is unchanged from the previous fiscal year.

Each April, the Board sets the interest rate paid on active members' account balances. Interest is credited June 30 each year on the total balance in a member's account, as of the previous June 30. This occurs until the membership is closed. Memberships are closed due to retirement, an account refund, death of the member, or when the member is not vested and is out of PEERS-covered employment for five consecutive school years.

The interest rate has no impact on the amount of retirement benefits. Interest is paid out through lump-sum payments made to members who request account refunds, and to the beneficiaries of deceased members.

"Interest rates, overall, have not changed significantly in the past year," said Steve Yoakum, PSRS/PEERS Executive Director. "Our Board feels that 1% remains a conservative, yet fair, rate on member account balances."

The Board also voted to keep the interest rate charged on reinstatements of previously forfeited PEERS service and applicable service purchases at 8%. This is the Systems' assumed, or target rate of return on investments, and is the rate charged on such service purchases since 1980.

## Investment Update

As of March 31, the Public Education Employee Retirement System of Missouri (PEERS) had completed three-fourths of fiscal year 2013 (July 1, 2012 through June 30, 2013) with solid investment returns. The estimated PEERS investment return for fiscal year 2013 was approximately 11.5%. The strong PEERS return was sustained by investments in both U.S. and non-U.S. stock markets. For example, the S&P 500 Index (a broad measure of the U.S. stock market) was up over 17% for the nine-month period ending March 31, 2013, and closed the month at a new high, eclipsing its previous high mark set prior to the financial crisis in October 2007.

Despite the strong returns for PEERS in the current fiscal year, there continues to be a great deal of uncertainty regarding the global economy and expected investment returns going forward. The economic recovery in the U.S. continues to limp along, the fiscal problems of the U.S. and much of the world persist, and the economic future of Europe is still difficult to predict. That is a formidable headwind to earning higher returns, particularly when we know with some certainty that the expected return for bonds

going forward is very low. Short-term Treasury Bills are currently yielding close to zero and 10-year Treasury bonds have a yield of less than 2%. As an institutional investor, we must look to other asset classes to achieve the necessary returns we expect over long periods of time.

As stewards of your retirement assets, we will continue to focus on the long-term investment horizon, but also adjust the PEERS portfolio as market dynamics change. We believe that this investment strategy will provide the System with an opportunity to consistently meet and exceed the long-term investment objective of an 8% return on an annual basis.

The total combined assets of PEERS and the Public School Retirement System of Missouri (PSRS) were approximately \$33.3 billion on March 31, 2013, making the combined entity larger than all other public retirement plans in Missouri combined, and the 45th largest defined benefit pension 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).

## Reminders to Those Planning a July Retirement

If a July retirement is in your plans, be sure you have filed your retirement application with PEERS. Some reminders about the retirement process:

- Submit your PEERS *Service Retirement Application* prior to July 1. The law requires you file an application before your retirement date. We recommend filing at least three months in advance of your intended retirement date.
- Your retirement application is confidential. We will contact your employer for salary information only after your PEERS retirement date has passed.
- You may retire July 1 as long as you properly terminate employment by June 30, even if you are still receiving paychecks through August.
- We will acknowledge receipt of your retirement application. Please call our office if you do not receive acknowledgement within two weeks or prior to your retirement date.

**If you violate these rules, you are not considered terminated and are not eligible to retire and receive benefits. Therefore, you are not eligible to work at a covered employer as a retiree. In addition, you are required to repay any benefits received while ineligible, including a Partial Lump Sum Option (PLSO) payment, and may be required to pay contributions on compensation until you properly terminate your employment.**

### *Example*

If Jane retires July 1, she can begin working August 1 for a PEERS-covered employer in a part-time or temporary-substitute position. She can work up to 550 hours while continuing to receive monthly retirement benefits. She cannot sign a contract for employment (including retirement incentives) or work in any capacity (including working summer school, working under the “Critical Shortage” Full-Time Employment Exception, and possibly volunteering) until August 1.

## Proper Termination of Employment

IRS rules state that retirement systems must require a clear separation of service between the end of pre-retirement employment and the start of your post-retirement work for covered employers. PEERS requires a separation period of **one month** from your effective retirement date.

In order to be considered to have properly terminated employment:

- You must end all employment with PEERS-covered employers.
- You cannot return to work for a PEERS-covered employer in any capacity for a period of one month after your PEERS retirement date. This may include volunteer work if you later become a paid employee with the same employer in the same, or a similar position.
- You cannot be under contract for employment at a PEERS-covered employer in any capacity until after receiving your first retirement benefit payment. A contract includes any type of early retirement incentive or separation agreement that requires you to return to work or volunteer in any capacity after retirement in return for any type of compensation including health insurance benefits.



## Attend a Pre-Retirement Planning Seminar

Does preparing for the end of the school year have you thinking about retirement? Get answers to all your PEERS retirement questions at a summer Pre-Retirement Planning Seminar. Registration is required and is easy to complete. Register early! Seating for each seminar is limited, and we cannot accept late registrations. Summer seminars are shown below. To view the complete seminar schedule at any time, and to register, please visit us online at [www.psr-peers.org](http://www.psr-peers.org), or contact our office at (800) 392-6848. You will need an idea of your retirement date, along with your beneficiary's name and birth date. If you're unsure of this information, call us and we can assist you. We look forward to seeing you at a seminar!

### Upcoming Pre-Retirement Planning Seminars

Date	City	Time	Location	Address	Deadline to Register
June 19	Des Peres	4:00 p.m.	The Lodge Des Peres	1050 Des Peres Road	May 28
June 25	Cape Girardeau	1:00 p.m.	Cape Girardeau Career & Tech. Center	1080 South Silver Springs Road	June 4
June 27	Springfield	1:00 p.m.	Ozarks Technical Community College	815 North Sherman Avenue	June 4
July 16	Blue Springs	1:00 p.m.	Blue Springs High School	2000 NW Ashton Drive	June 25
July 17	St. Charles	2:00 p.m.	St. Charles Convention Center	One Convention Center Plaza	June 25
July 23	St. Joseph	1:00 p.m.	Stoney Creek Inn – St. Joseph	1201 North Woodbine Road	June 25
July 30	Liberty	4:00 p.m.	Liberty Administrative Center	650 Conistor Lane	July 9

## Keeping Your Confidential Information Safe When Using Email

At PEERS, maintaining the security of your confidential information is of the highest priority. Our Member Services representatives are happy to respond to your questions sent to us by email. However, we will not:

- Include any of your personal or specific account information in a reply email. If needed, we will call or mail the information to you.
- Ask you for your Social Security number or other sensitive information in an email.
- Send you an emailed link to log in to your personal account information online. You should only log in directly from the PEERS website.

As a general rule, experts on data security and identity theft recommend that you not include sensitive information, such as your Social Security number, bank account numbers or bank routing numbers in email messages. Standard email is not a secure form of communication and may be intercepted or modified by third parties who do not have your best interest in mind.

If you need to communicate this type of information to PEERS, we recommend that you call or send it by regular mail.

## Board Re-Elects Zalis Chair; Elects Hoffman Vice-Chair



Dr. Aaron Zalis



Jason Hoffman

At the April meeting, the PSRS/PEERS Board of Trustees re-elected Dr. Aaron Zalis, Superintendent of Rolla Public Schools and an elected PSRS member, to serve as Chair. The Board also elected Jason Hoffman, Chief Financial Officer for the Jefferson City School District and an elected PEERS member, to serve as Vice Chair. Both will serve in leadership positions for the school year beginning July 1, 2013 and ending June 30, 2014.

## Web Counseling: Meet Personally with a Counselor from the Comfort of Home

If you want to meet personally with a PEERS Counselor and you are comfortable using computers and the Internet, web counseling may be a good option for you.

Web counseling is open to all PEERS members who want to meet face-to-face with a counselor in a private, individual session, without the drive to Jefferson City. You can see and speak with a counselor and share documents during the session.

If you wish to discuss retirement, your web counseling session will include the review and discussion of your retirement eligibility and options. A personalized retirement packet will be mailed to you prior to the session. You and your counselor can then view and discuss your benefit estimates and other retirement information specific to your membership.



Web counseling is also a great way to get more information about purchasing or reinstating service with PEERS. You can find out if you are eligible to purchase or reinstate service and why it may benefit you, discuss the requirements to make a purchase and review an estimate of your cost with your counselor, all on your computer.

We recommend using a computer with a high-speed Internet connection, a web camera and microphone for best results.

Register for a web counseling session today at [www.psr-peers.org](http://www.psr-peers.org) by logging in to your personal account, or call us at (800) 392-6848.



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## How to Stay Connected

- Sign up today to receive your PEERS newsletters via email. It's an easy way to help us save natural resources and money while staying informed about your retirement system. Simply visit **www.psrs-peers.org** and log in to your personal account information to subscribe.
- Remember to keep your address up to date. You can download the appropriate form from our website, **www.psrs-peers.org**, or call **(800) 392-6848**.
- Busy and on the go? Stay up to date on your retirement system the easy way – find us on Facebook or follow us on Twitter.

