

PSRS

Retiree Members | DECEMBER 2017

Benefit Check

PUBLIC SCHOOL 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

Contact Us

PO Box 268
3210 W. Truman Blvd.
Jefferson City, MO
65102-0268
Call Toll Free (800) 392-6848
or (573) 634-5290

Email

psrspeers@psrspeers.org

Web

www.psr-peers.org



PUBLIC SCHOOL 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%

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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, 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 PSRS at 29% and PEERS at 13.72%. 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

PSRs 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 43rd 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.



Legislative Changes May Impact Some PSRS Retirees

Legislative changes affecting some retired PSRS 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, a longer window to change a Joint-and-Survivor beneficiary after a remarriage, and an expansion of the types of work after retirement that are subject to hourly and salary limits.

For more information, visit our website www.psr-peers.org.

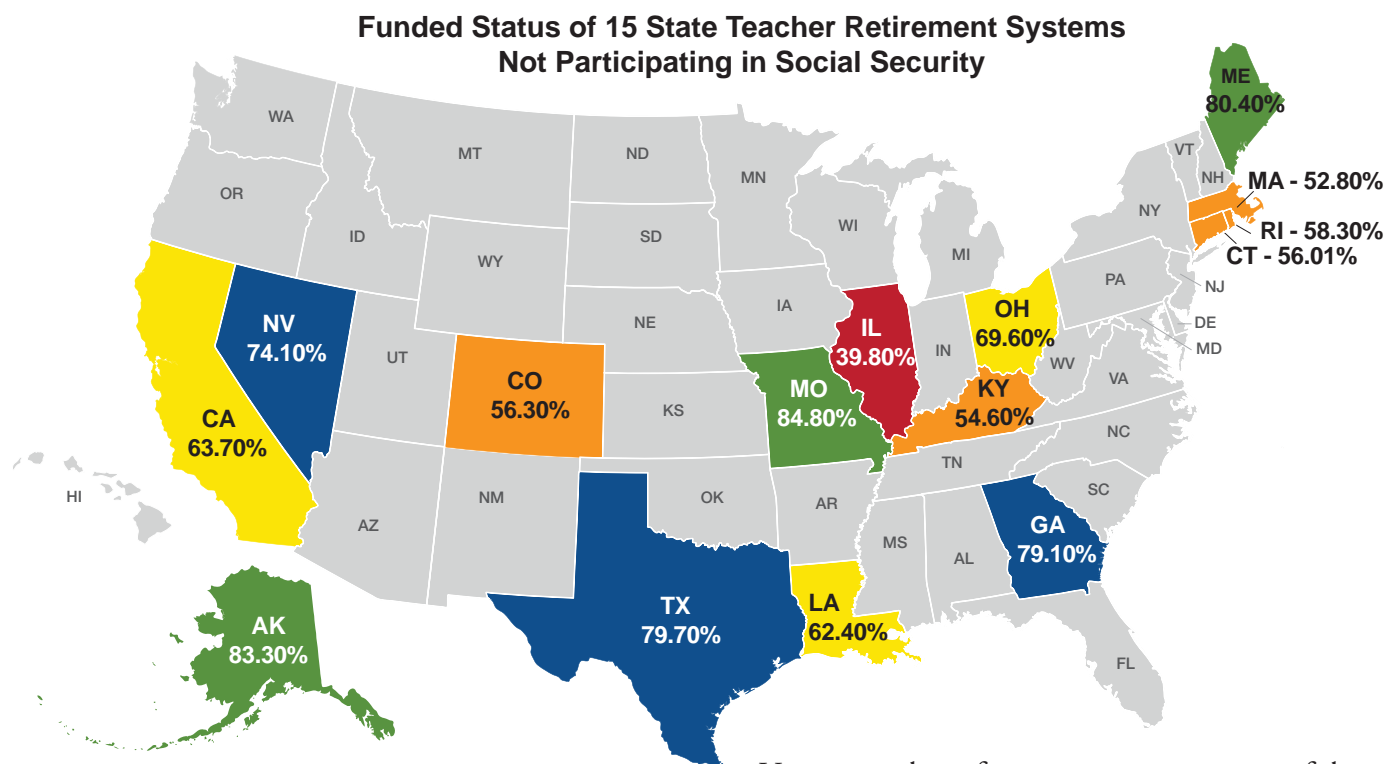
PSRS: The Missouri Model

The "Missouri Model" is a term used in the retirement industry to describe the PSRS trust fund's operational model as the one other retirement systems aspire to emulate.

PSRS, as measured against all other large public retirement systems, is clearly one of, if not the top retirement system in the nation.

PSRS has been, and continues to be, financially stable while providing lifetime retirement security to current and future members. PSRS has provided this financial stability to Missouri educators since 1946, based on sound governance decisions, and will continue to do so for future educators.

The map below provides a comparison of the funded status of all 15 state teacher retirement systems whose members do not contribute to Social Security. A retirement system's funded status is an indication of the financial health of a system, as it shows the percentage of promised benefits it could fund at the current time. A funded status of 80% or higher is regarded by the industry as healthy.



Visit our website for an interactive version of this map.

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

Annual PSRS *Benefit Statement*

In January, you will receive your annual PSRS *Benefit Statement*. The *Benefit Statement* is a comprehensive summary of your PSRS 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 PSRS.

You can update your mailing address, phone or email address by logging in to Web Member Services at 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 PSRS 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.

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 PSRS service retirement benefits), to the extent the amounts are included in their federal adjusted gross income.

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

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 for more information regarding eligibility or contact the Missouri Department of Revenue at (573) 751-3505, email income@dor.mo.gov or consult a tax professional for more information.



PUBLIC SCHOOL RETIREMENT
SYSTEM OF MISSOURI

PO BOX 268 JEFFERSON CITY MO 65102-0268

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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 PSRS membership, benefit payments, direct deposit and income tax withholding using PSRS Web Member Services at www.psr-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 PSRS
- 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 PSRS Web Member Services. Visit today!