Board Votes on 2020 Cost-of-Living Adjustment and 2020-2021 School Year Contribution Rates
At the October 28, 2019 meeting of the PSRS/PEERS Board of Trustees, Board members voted on whether to grant a January 2020 cost-of-living adjustment for benefit recipients, as well as the active member and employer contribution rates for the 2020-2021 school year.

CPI-U Not High Enough for a January 2020 Cost-of-Living Adjustment (COLA)

The COLA decision is based in part on the Board's current COLA policy, which takes into consideration the increase in the Consumer Price Index for Urban Consumers (CPI-U) as determined by the U.S. Bureau of Labor Statistics for the previous fiscal year, as well as the recommendation of the Systems’ actuary, PricewaterhouseCoopers (PwC).

The Board voted in agreement with PwC’s recommendation. The increase in the CPI-U for PSRS/PEERS’ fiscal year 2019 was 1.65%. According to the COLA policy adopted by the Board in 2017, this is not high enough to grant a COLA effective January 1, 2020.

The calculation is as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Change in CPI-U</th>
<th>Final Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year 2018-2019</td>
<td>1.65%</td>
<td>No COLA Granted</td>
</tr>
<tr>
<td>Fiscal Year 2019-2020</td>
<td>X.XX%</td>
<td>To Be Determined</td>
</tr>
<tr>
<td>Cumulative CPI-U as of June 30, 2020</td>
<td>1.65%+X.XX%</td>
<td>Basis for January 1, 2021 COLA</td>
</tr>
</tbody>
</table>

Since a COLA will not be granted in January 2020, the 1.65% change in the CPI-U will carry over and be added to the next fiscal year’s cumulative calculation. Therefore, the change in the CPI-U during fiscal year 2020 would need to be 0.35% or more in order for eligible retirees to receive a 2% COLA in January 2021 under this policy.

Contribution Rates Unchanged for 2020-2021 School Year

Based on PwC’s recommendation, PEERS contribution rates will remain as follows:

<table>
<thead>
<tr>
<th>2020-2021 PEERS Contribution Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Rate</td>
</tr>
<tr>
<td>6.86%</td>
</tr>
</tbody>
</table>

Contribution rates have been at the current level since 2011. “Decisions regarding the COLA and contribution rates are extremely important ones that impact all of our members,” said Board Chairman Aaron Zalis. “The overall health and solvency of the plans for both current and future members must always be our focus, and our actions should serve that end.”
PSRS/PEERS Achieve Fiscal Year 2019 Investment Return of 7.0%

Fiscal year 2019 (July 1, 2018 through June 30, 2019) was marked by global trade issues and a Federal Reserve that increased interest rates in December, only to change the position to one of lowering rates shortly thereafter. This fluctuation in both trade and monetary policy led to tremendous volatility in both the bond and stock markets.

U.S. stocks were down 8.2% in the first six months of the fiscal year, only to rally 18.7% in the last half of the year. Bond yields remained relatively stable early in the fiscal year before declining significantly in the last half as the yield on the 10-year Treasury bond moved from 2.7% on December 31, 2018 to 2.0% on June 30, 2019. In total, the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) benefited from the overall investment environment, as the Systems’ U.S. stock portfolio returned 7.4% in fiscal year 2019, the private equity portfolio increased 15.4% and the Treasury bond portfolio returned 6.1% (due partially to the dramatic decline in interest rates).

The Systems’ assets increased through investment earnings by over $2.9 billion from the previous year with a total return of 7.0% in fiscal year 2019, while maintaining a risk level that is much lower than the national average.4

The total plan return of 9.9% over the last 10 years exceeded both the historical long-term investment objective (actuarial assumption)5 and the total plan policy benchmark return of 9.1%.2

Our internal investment staff is committed to managing the Systems’ assets in a prudent manner and has consistently, over the last five years, produced investment returns that rank in the top 50% of similar plans in the United States with assets in excess of $1 billion, while maintaining a risk level that is much lower than the national average.6

The asset allocation is balanced with a significant distribution to return-seeking assets such as stocks and private equity but also a healthy allocation to more defensive investments such as Treasury securities, cash and hedged assets. As the stock market continues to reach new highs, we believe it is prudent to maintain a structured portfolio that has an opportunity to participate if the markets continue to move higher, but also has substantial downside protection in the event of a market correction. In each year, every specific asset class within the PSRS/PEERS investment portfolio performs a valuable function. The following chart indicates the investment return for each major asset class in the PSRS/PEERS portfolio over the last 10 years, for the period ended June 30, 2019.

As we begin fiscal year 2020, we are mindful of the fact that it will become increasingly more difficult to achieve the actuarial assumed investment objective of 7.5% in the near term due in part to historically low interest rates, increasing geopolitical conflicts, a potential trade war and because we are in the very late stages of an economic cycle (the longest expansion in history). However, as a large institutional investor, we believe that we are particularly well suited to navigate upcoming markets given our ability to invest over a 30-year time horizon. The following chart indicates the PSRS/PEERS asset allocation which is highly diversified among several different investment classes.

The market value of invested assets for PSRS and PEERS combined were approximately $45.2 billion on September 30, 2019, making the joint entity larger than all other public retirement plans in Missouri combined, and the 44th largest defined benefit plan in the United States. For the most recent PSRS/PEERS investment news, visit us on the web at www.psrs-peers.org.

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1 The Board of Trustees revised the long-term investment return objective (actuarial assumption) from 8.0% to 7.75% effective July 1, 2016. The objective was further reduced from 7.75% to 7.6% effective July 1, 2017 and from 7.6% to 7.5% effective July 1, 2018.

2 The plan policy benchmark is a standard to measure investment performance and indicates the return of the PSRS/PEERS asset allocation if passive market rates of return were achieved.
Your Benefits

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

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, 2020. 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.psrs-peers.org](http://www.psrs-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 2019 IRS Form 1099-R will also mail in January. You will need this form when filing your 2019 income tax returns. Your annual Form 1099-R shows the total funds you received from PEERS in calendar year 2019, 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.

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

For tax year 2019, 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.

- 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](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 or consult a tax professional for more information.

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**Is Your Beneficiary Designation Up-to-Date?**

It is important to keep your beneficiary designations with PEERS up-to-date to ensure any benefits payable to your loved ones upon your death are distributed according to your wishes. You can see your current beneficiary designations by logging in to Web Member Services at [www.psrs-peers.org](http://www.psrs-peers.org) or by referring to your annual Benefit Statement.

**10 Things to Know About Working After Retirement**

Working as a retiree for a PEERS-covered employer can be rewarding and beneficial for you and your employer. But some work is limited by law if you want to continue to receive your retirement benefits. Here are a few important things you should know, if you are working as a retiree, or plan to in the future.

1. **If you work for a PEERS-covered employer as a retiree and you retired in July, you are limited to working a maximum of 550 hours each school year in order to continue receiving your benefits.**

2. **If you retired in a month other than July, your limit will be lower (pro-rated) during the first year after retirement, since you will not be eligible to work as a retiree for the entire school year.**

3. **Work for non-PEERS-covered employers is not subject to limits.**

4. **When your employer reports you as working after retirement, we will send you information including your limit and a form to track your work.**

5. **It is important to track your work against your limit so you don't exceed it.**

6. **You should talk with your employer and be sure you understand how they are tracking and reporting your work.**

7. **If you exceed the work limit, your benefits will be put on hold effective the month you exceed the limit and until the month after your work ends or when a new school year begins on July 1, whichever comes first.**

8. **If you return to regular, full-time employment your benefits will be put on hold. If you work qualifies you for PEERS eligibility, you will start a new membership.**

9. **If you exceed the work limit, the minimum amount you will forfeit is one full monthly benefit.**

10. **You can see the work your employer has reported to us by logging in to Web Member Services at [www.psrs-peers.org](http://www.psrs-peers.org).**
Have a quick question about PEERS? Let’s chat about that! LiveChat is now available on our website, www.psrs-peers.org, Monday through Friday from 7:30 a.m. to 5 p.m. It’s an easy way to get general information about your Retirement System. If you have questions that require discussion of your personal information, for security reasons we ask that you please call us instead at (800) 392-6848.