Retired Members | MAY 2022

PSRS Benefit Check

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

Investing in an Inflationary Environment

Steliga Retains Seat on PSRS/PEERS Board of Trustees; Gassmann Joins as Newest Trustee

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Features

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SYSTEM OF MISSOURI

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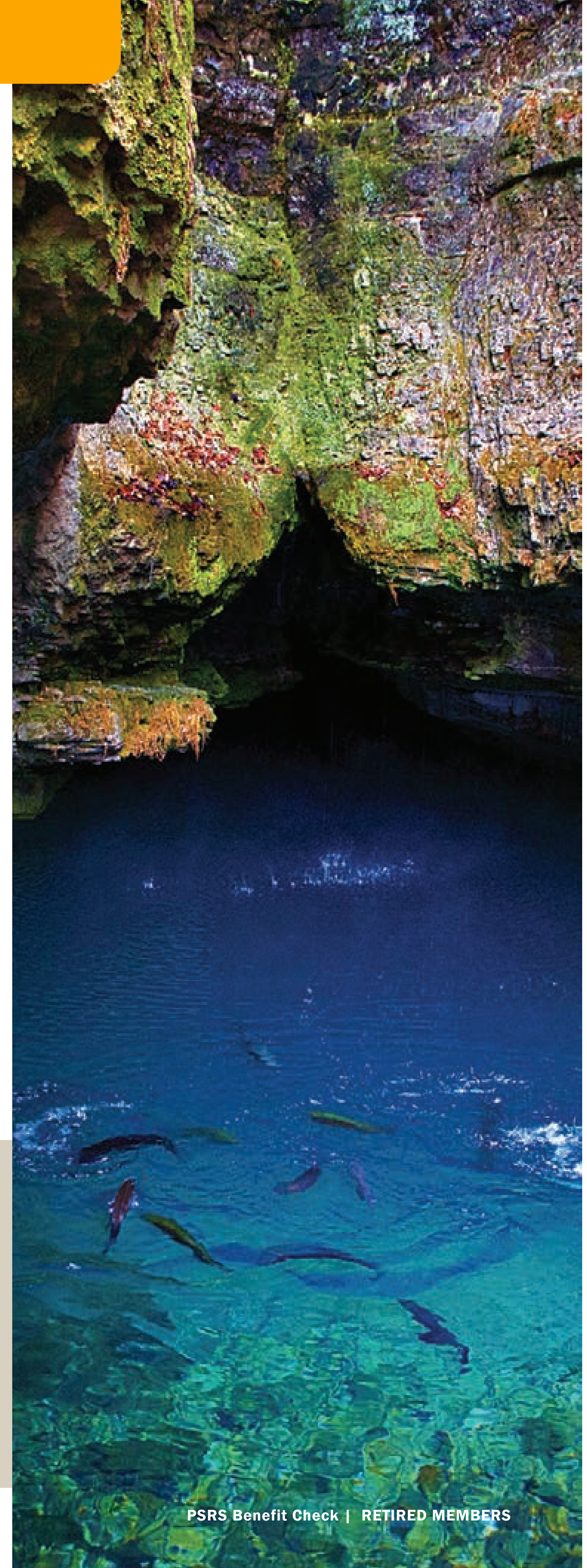
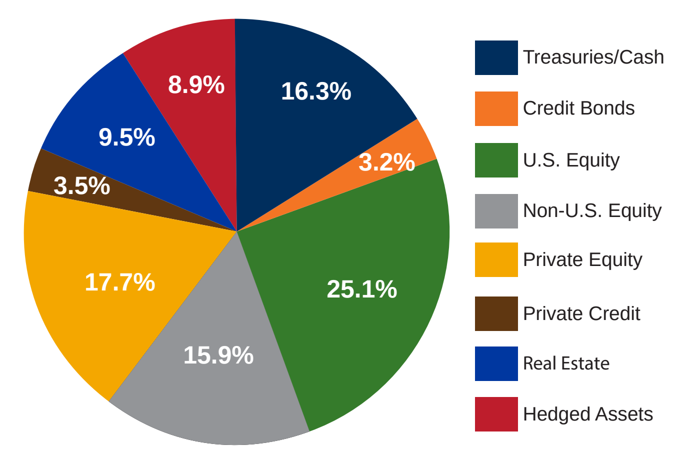


Investing in an Inflationary Environment

The fiscal year reporting period for PSRS/PEERS ends each June 30th. Through March 31, 2022, the Systems had completed three-fourths of fiscal year 2022 with solid investment returns despite a challenging market environment. The volatility in the markets has been caused by a myriad of issues including rising inflation, increasing interest rates, the Russian invasion of Ukraine and a COVID infection spike in China. The estimated PSRS/PEERS investment return for fiscal year 2022 (July 1, 2021 thru March 31, 2022) was approximately 4.1%.

PSRS/PEERS' Investment Philosophy

The Systems maintain an investment belief that the best long-term risk-adjusted returns can be achieved by investing in the broadest opportunity set possible. As the pie chart below indicates, the PSRS/PEERS portfolio is diversified across multiple asset classes in both public and private investments throughout the world. Over time, each asset class within the Systems' investment portfolio performs a valuable function. An inflationary environment poses unique issues in managing an investment portfolio as many traditional assets can be negatively affected by the rising costs of goods and services.



Inflation and Rising Interest Rates

U.S. inflation recently surged to a four-decade high of 8.5%, driven by growing food prices, strong consumer demand and energy costs that are rising sharply. The cost of gasoline has increased 48% from the level seen a year ago while hotel costs and airline fares are both up over 23% from the previous year.

With job growth robust and inflation well above the Federal Reserve's target of 2%, expectations are that the Federal Reserve will significantly increase interest rates over the next year in an attempt to curb inflation. On March 16, 2022, the Federal Reserve made the first such move in more than three years, raising the federal funds rate (increasing interest rates) by 0.25%. Investment markets are pricing in an additional seven to nine Federal Reserve interest rate hikes for the balance of 2022.

Financial markets are forward looking, and the bond market has already priced in much higher interest rates, mostly reflected in shorter maturities. In the first quarter of 2022, the yield on the 2- and 10-year U.S. Treasury Notes rose by 1.60% and 0.83%, respectively. The Federal Reserve, through the federal funds rate, has its greatest impact on short-term interest rates. Long-term rates, on the other hand, generally reflect longer-term inflation and growth expectations. While the Federal Reserve has pushed short rates significantly higher, long-term rates have moved much less. Thus the U.S. Treasury yield curve, a plot of yields of various Treasury securities with different maturity dates, has flattened. A flat yield curve indicates that investors expect longer term inflation and growth to moderate.

PSRS/PEERS Investment Returns by Asset Class

The PSRS/PEERS asset allocation is balanced with a significant distribution to return-seeking assets such as stocks and private equity but also a meaningful allocation to inflation sensitive assets such as real

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estate. The following chart indicates the investment returns for the major asset classes in the PSRS/PEERS portfolio for the current fiscal year (July 1, 2021 thru March 31, 2022). Additionally, the chart provides annual investment returns for the 10-year period ended March 31, 2022.

PSRS/PEERS Investment Returns by Asset Class

Asset Class	Fiscal Year-To-Date	10-Year Annualized
Treasuries and Cash	-4.5%	1.5%
U.S. Stocks	1.7%	13.6%
Hedged Assets	2.9%	6.2%
Private Equity	18.6%	20.1%
Real Estate	19.4%	11.3%
International Stocks	-3.4%	8.3%
Corporate Bonds	-5.1%	3.1%
Private Credit	7.4%	9.0%

The Systems have developed a risk model/framework to manage numerous exposures. However, in most timeframes, certain segments of the portfolio will underperform while other segments outperform. The two most notable asset classes in fiscal year 2022 may be bonds (U.S. Treasuries and corporate debt) and real estate. Interest rates and bond prices are inversely correlated (as rates rise, bond prices fall). Thus, bonds in the PSRS/PEERS investment portfolio have realized negative returns this year as depicted in the previous chart.

Investments in real estate typically provide an inflationary hedge and that is evident in the current fiscal year as the Systems' real estate portfolio returned 19.8%. Commercial real estate construction has been impacted by supply chain disruption and significant price increases in lumber, copper, and steel. This has effectively pushed existing real estate prices higher due to limited supply in a market experiencing elevated demand. Most importantly, several sectors of the real estate market, including industrial, apartment and life sciences are seeing substantial rent growth. The PSRS/PEERS real estate portfolio has exposure in all three sectors which has supported investment returns this year.

Summary

Investing on a global basis provides PSRS/PEERS with opportunities but also exposes the Systems to risks. These risks are generally higher in an inflationary environment. Although stocks have experienced low (or negative) returns in the fiscal year, they have held up fairly well given the Federal Reserve's stated intent to significantly raise interest rates. Similarly, while bond performance has suffered this year, high quality bonds will continue to offer much-needed diversification and liquidity in the context of the PSRS/PEERS investment portfolio longer term. A steady investment philosophy and a diversified portfolio will allow the Systems to produce consistent investment returns (regardless of the market environment) over long-periods of time to support the benefits of the PSRS/PEERS membership. The Systems' long-term investment objective (actuarial assumption)[1] is 7.3% per year. We will not achieve that return goal every year but expect to meet or exceed that return over long periods of time. For example, the total plan return of 9.7% over the last 10 years exceeds both the historical long-term investment objective (actuarial assumption) and the total plan policy benchmark return[2] of 8.2%.

The market value of invested assets for PSRS and PEERS combined was approximately $57.7 billion on March 31, 2022, making the joint entity larger than all other public retirement plans in Missouri combined, and the 46th 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**.

[1] The Board of Trustees long-term investment return objective was reduced to 7.3% effective July 1, 2021.

[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.

Legislative Session Includes Bills of Interest

Since the General Assembly began the 2022 Legislative Session on January 5, 2022, over 2,200 bills have been introduced. PSRS/PEERS is closely monitoring over 450 bills. The 2022 Legislative Session ends on May 13, 2022.

In order for a bill to become law, it must be passed by the Missouri House and Senate, after which it goes to the governor for his signature. The governor has until July 14 to sign or veto legislation.

Legislation currently being tracked that has a direct impact on the Systems includes:

- **House Bill 2304** and **House Bill 1750** would waive working after retirement limits on post-retirement part-time or temporary-substitute work as a substitute teacher through June 30, 2025. This language is also included on **House Bill 1753** and **House Bill 1998**. In addition, **House Bill 2304** contains provisions that would increase the limit on Critical Shortage Employment from two to four years and would change the post-retirement salary limit for PSRS members working in non-certificated positions to the Social Security earnings limit.
- **House Bill 2161**, **House Bill 2430** and **House Bill 2799** would provide a 2.55% benefit factor for PSRS retirees who retire with 32 or more years of service. Currently, the benefit factor is 2.5%. The higher benefit factor would result in higher benefit amounts for retirees who qualify. None of these bills currently contain an emergency clause, so if passed and signed into law they would become effective August 28, 2022.
- **House Bill 1881**, **House Bill 2114**, **House Bill 2089** and **Senate Bill 999** would increase the limit on Critical Shortage Employment from two to four years. **House Bill 2114** also changes the post-retirement salary limit for PSRS members working in non-certificated positions to the Social Security earnings limit. **Senate Bill 999** and **House Bill 2089** also allow Critical Shortage Employment in the position of superintendent in certain situations.
- **House Bill 2799** would waive working after retirement limits on post-retirement part-time or temporary substitute work through June 30, 2025. This bill also includes the 2.55% benefit factor for PSRS retirees who retire with 32 or more years of service and would increase the limit on Critical Shortage Employment from two to four years.
- **Senate Bill 712** would allow a retiree who nominated a same-sex domestic partner as beneficiary prior to September 2015 to have their monthly retirement benefit "pop-up" to the amount he or she would have received if he or she had not elected to receive reduced monthly benefits in certain circumstances.

As of the publication date of this newsletter, none of these bills have passed out of both chambers as required in order to become law.

To view a summary and the current status of all the bills we are tracking this session, view our online Legislative Tracker at **https://www.psrs-peers.org/About-Us/Legislative-Affairs/bill-tracker.**

The status of these bills can change daily. If significant or impactful changes occur, we will post information as news on our website or send an email. If you are not signed up to receive news from us by email, please log in to Web Member Services at **www.psrs-peers**.

PSRS/PEERS Welcomes Michael Moorefield as Director of Legislation and Policy

Michael Moorefield, of Columbia, MO, joined PSRS/PEERS on April 18, 2022 as the Systems' Director of Legislation and Policy. He replaces Maria Walden, who left PSRS/PEERS in January to take the position of Missouri Retired Teachers Association (MRTA) Executive Director.

For the past seven years, Moorefield has served as the chief of staff and counsel for the Office of the Missouri State Auditor. Prior to joining the State Auditor's office, he served as deputy chief of staff at the Office of the Missouri State Treasurer and began his career at the Polsinelli law firm.

"We are fortunate to have Mike on the PSRS/PEERS executive management team," said Executive Director Dearld Snider. "We are excited to have someone with his experience and professional background working to help ensure the needs of our membership are heard and understood by our lawmakers."

Moorefield has a bachelor's degree in journalism in addition to a Juris Doctorate and Master of Business Administration from the University of Missouri-Columbia.

Board Sets Interest Rates on Contributions; Reinstatements and Service Purchases

Interest on Contributions

At the April meeting of the PSRS/PEERS Board of Trustees, the Board voted to increase the interest rate active members earn on their contributions from 1% to 2% for the 2022-2023 school year.

Interest is credited June 30 each year on the total contributions and interest in a membership, as of the previous June 30. This occurs until the membership is closed. Memberships are closed due to retirement, a refund of a member's contributions and interest, the death of the member, or when the member is not vested and is out of PSRS-covered employment for five consecutive school years.

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

Interest on Reinstatements and Service Purchases

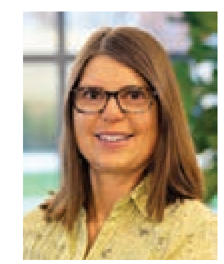
In accordance with PSRS/PEERS regulations, the Board voted to maintain the interest rate charged on the reinstatement of previously forfeited service and applicable service purchases at 7.3%. This is the Systems' assumed, or target rate of return on investments.

Steliga Retains Seat on PSRS/PEERS Board of Trustees; Gassmann Joins as Newest Trustee

Incumbent Board member Jason Steliga, whose current term on the Board ends June 30, 2022, and Allie Gassmann of Columbia, MO, will begin four-year terms as trustees starting July 1, 2022 and serve through June 30, 2026. Both completed the required filing qualifications to be candidates for Board seats. With two open seats and two qualified candidates, no election was required.

Individuals interested in running for these seats were asked to obtain petition forms from PSRS/PEERS and return them by February 24, along with 200 or more member signatures from each of any four Missouri congressional districts, plus sufficient additional signatures to total at least 1,000 signatures. All active and retired members of PSRS and PEERS are eligible to sign petitions and vote for candidates.

Jason Steliga



Allie Gassmann

An auditing committee comprised of representatives of various Missouri educational associations examined the petitions March 10 and certified to the Board that the candidates were qualified.

Steliga, an elected PSRS member, joined the Board October 21, 2015. He has 18 years of teaching experience, and is presently teaching at Park Hill South High School, located in Riverside, MO.

Gassmann is a parent educator for the Columbia Public Schools' Parents as Teachers (PAT) program. She served as chair of the Columbia Missouri National Education Association (MNEA) PAT bargaining team and is currently a Columbia MNEA building representative. She will serve as an elected PEERS member of the Board.

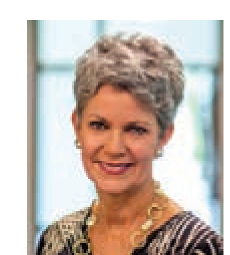
> "We are happy to welcome our newest trustee, Allie, and also pleased to continue our work with Jason, an experienced member of our Board. Both bring unique and valuable experience and insight to the group. We value their willingness to serve as trustees and know they will be dedicated to working on behalf of our members."
>
> PSRS/PEERS Executive Director Dearld Snider

Steliga and Knes Retain Board Leadership Roles for 2022-2023 School Year

At the April PSRS/PEERS Board of Trustees meeting, the Board re-elected Jason Steliga to serve as chair and Beth Knes to serve as vice chair for the 2022-2023 school year (July 1, 2022 to June 30, 2023).

Steliga, an elected PSRS member, joined the Board October 21, 2015. He has 18 years of teaching experience, and is presently teaching at Park Hill South High School, located in Riverside, MO.

Beth Knes is a governor-appointed trustee who joined the Board on August 22, 2017. She retired from public education in 2014. Most recently, she served as executive director of student services for the Rockwood School District.



Beth Knes

"Jason and Beth are valuable members of our Board," said PSRS/PEERS Executive Director Dearld Snider. "As our chair and vice chair, they have always had the best interests of our members in mind. We are pleased to continue to work with them in their leadership roles."

Working After Retirement Reminders

Legislation is currently pending in the Missouri legislature that, if passed, will change and/or waive some working after retirement limits that impact our members. Should any of that legislation become law, we will keep you informed by email, our website and this newsletter.

The temporary waiver on portions of state statutes that limit the number of hours worked and salary earned by PSRS/PEERS retirees while working for covered employers in temporary, part-time and substitute positions expired December 31, 2021.

Full-school-year limits once again apply effective January 1, 2022. Please note that work performed from July 1, 2021 to December 31, 2021 is covered by the waiver and does not count against work limits.

Work performed by PSRS retirees for covered employers (and some work for third-party providers) is limited by law. If a working retiree exceeds a limit that applies, his or her benefits stop, beginning the month the limit is exceeded and until the month after the employment ends, or when a new school year begins on July 1, whichever comes first. The minimum amount forfeited is one full monthly benefit.

Because this loss of benefits can be substantial, it is important to understand working after retirement limits and how they work.

10 Things to Know About Working After Retirement

1. Work in DESE-certificated positions at K-12 school districts is subject to limits on hours worked and salary earned each school year.

2. Work at K-12 school districts in positions that don't require a certificate is subject only to a limit on the amount of salary you can earn each school year.

3. If you retired in a month other than July, your limit(s) 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.

4. Work for PSRS-covered community colleges is subject to limits on hours worked and salary earned each school year.

5. Work for third-party providers, such as staffing agencies, is limited if you work in a DESE-certificated position at a PSRS-covered school district.

6. Work for other non-PSRS-covered employers is not subject to limits.

7. When your employer reports you as working after retirement, we will send you information including your limits and form to track your work.

8. In addition to regular pay, the following types of payments count toward salary limits:
   - Bonuses or stipend pay for attending a conference or other special project
   - Gift cards
   - Payouts for unused leave
   - Employer-paid insurance premiums paid for you (the retiree)

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

10. You can see the work your employer has reported to us by logging in to Web Member Services at **www.psrs-peers.org**.

Keep Your Beneficiary Designations Up-to-Date

Take Advantage of the Financial Protection PSRS Provides for Your Loved Ones

It is important to keep your beneficiary designations with PSRS up-to-date to ensure benefits payable to your survivors are distributed according to your wishes. You can see your current beneficiary designation on your annual ***Benefit Statement*** or by logging in to view your membership information on PSRS Web Member Services.

You can update most post-retirement beneficiaries using the beneficiary designation forms found at **www.psrs-peers.org** or available by contacting our office.

NOTE: Not all designations can be changed post-retirement. Please call us if you have questions about your personal situation.

Sign Up for E-Newsletters

You can receive important information about your Retirement System by email, rather than on paper. It's an easy way to help us save natural resources and money while you stay informed. If you still get your newsletters by mail, log in to Web Member Services at **www.psrs-peers.org**. In the My Profile menu in the top right corner, select "Change Communications Preferences" to switch to email.

Need to Change Your Income Tax Withholding?

You can change your federal or Missouri income tax withholding any time by logging in to Web Member Services at **www.psrs-peers.org**.

You can also make changes by submitting the appropriate tax withholding form, found on the Forms page of our website.

Americans Agree – Pensions are Good for Teachers and School Personnel

New research published by the National Institute on Retirement Security (NIRS) shows Americans understand the importance of providing pension benefits for public school teachers and other personnel.

The study, *Americans' Views of Public School Teachers and Personnel In the Wake of COVID-19*, by Dan Doonan and Kelly Kenneally, was released in February 2022. NIRS polled Americans to learn their views about public K-12 school personnel and their compensation. Their findings included:

Americans value K-12 employees. Nearly all Americans - 95% - say public school teachers and personnel are important to their community, while 89% say they deserve more respect and 88% say their pay should be increased.

Americans are deeply concerned about teachers and public school employees. Of those polled, 83% are worried about staff shortages, 81% are concerned about staff burnout and 81% are concerned that fewer people are going into education.

Healthcare and retirement benefits are viewed as magnets for attracting and retaining K-12 school personnel, and these benefits should be funded and protected.

Ninety-two percent of Americans indicated healthcare benefits are a good tool to attract and retain teachers and school personnel, while 91% agree pensions also help. Ninety-four percent of respondents said elected officials must ensure teacher and school personnel pension and healthcare benefits are sufficiently funded.

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