

# PSRS

# Benefit Check

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

Eligible Benefit Recipients to  
Receive 5% Cost-of-Living  
Adjustment Effective  
January 1, 2023

Contribution  
Rates  
Unchanged  
for 2023-2024  
School Year

## 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](mailto:psrspeers@psrspeers.org)

Web  
[www.psr-speers.org](http://www.psr-speers.org)



PUBLIC SCHOOL RETIREMENT  
SYSTEM OF MISSOURI

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PSRS Benefit Check is published by the Public School and Education Employee Retirement Systems of Missouri.



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## Contribution Rates Unchanged for 2023-2024 School Year

At the October 24, 2022 PSRS/PEERS Board of Trustees meeting, the Board voted to maintain active member and employer contribution rates at their current levels for the upcoming school year. The 2023-2024 school year runs from July 1, 2023 to June 30, 2024.

Based on the recommendation of the Systems' actuary, PricewaterhouseCoopers (PwC), PSRS contribution rates will remain as follows:

### 2023-2024 PSRS Contribution Rates

Member Rate	Employer Rate	Combined Rate
14.5%	14.5%	29%

While contribution rates have held steady since 2012, PwC cautioned the PSRS/PEERS Board and staff that due to economic conditions and the prolonged period of high inflation, an increase in contribution rates may be required in the coming years to maintain the sound fiscal condition of the plan.

"The Board is delighted to be able to maintain contribution rates at a time when our working members' take-home pay is being squeezed by inflation. As Trustees, we are tasked with safeguarding the financial stability of the Systems over the long-term and are committed to fulfilling this obligation."

Jason Steliga, PSRS/PEERS Board Chair

## About Contribution Rates

PSRS contributions are credited to your individual membership. You do not pay taxes on your contributions until you receive them back as benefits. Your contributions are always returned to you in the form of monthly benefits, or a lump-sum payment to you or your beneficiaries.

## Eligible Benefit Recipients to Receive 5% Cost-of-Living Adjustment Effective January 1, 2023

At the October 24, 2022 Board of Trustees meeting, the Board voted to provide a 5% cost-of-living adjustment (COLA) for eligible benefit recipients effective January 1, 2023. The total increase in the CPI-U for the 12 months in fiscal year 2022 (July 1, 2021 to June 30, 2022) was 9.06%. Missouri law states that a 5% COLA must be granted when the CPI-U equals or exceeds 5%. Missouri law also states that 5% is the maximum COLA allowed, therefore 5% is the highest COLA the Board can provide in any given year.

This is the second year in a row that eligible benefit recipients will receive this maximum increase. A 5% COLA has only been given three times in the history of the Systems, with a 5% COLA also provided in 2009.

"The ability to provide some relief during this extended period of high inflation pleases the Board. We understand the challenges that many systems across the nation are facing, and we know how fortunate we are to be able to provide these COLA increases to our retirees."

Jason Steliga, PSRS/PEERS Board Chair

How COLAs are granted varies from system to system across the nation. Some are determined on an ad-hoc basis and rarely receive a COLA; some are set at a fixed rate and others vary based on the CPI or other factors. COLAs are a significant expense to all defined benefit pension plans and because of this, COLAs have been an area of great discussion and change in recent years. Retirement systems are evaluating the financial impact of COLAs on their plans, while still supporting the financial stability of their retirees. No matter the state or the retirement system, granting a 5% COLA is rare, as most plans have lower maximum COLA amounts.

PSRS/PEERS benefit recipients who are eligible for a COLA will receive specific information regarding the impact on their benefits as part of their annual **Benefit Statement**, available in January 2023.



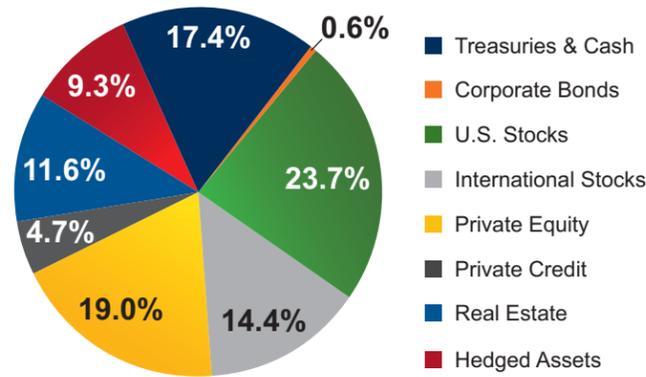
## Historically Difficult Year for Investment Returns in 2022

Elevated inflation levels throughout the world, rising interest rates and a slowing economy led to historically negative returns for both stocks and bonds in the first three quarters of calendar year 2022. U.S. stocks (as measured by the S&P 500 Index) declined -23.9% for the year through September 30, 2022, while non-U.S. developed stocks (as measured by the MSCI EAFE Index) moved -27.1% lower. Interest rates have increased dramatically this year (due primarily to Federal Reserve intervention), as the yield on the 10-year Treasury note moved from 1.5% at the beginning of the year to 3.8% on September 30, 2022. This increase in yield contributed to a negative return of -14.6% in 2022 (year-to-date) for investors in bonds (when yields rise, bond prices fall). The investment returns for traditional asset classes in 2022 are near historic lows. Stocks and bonds have not fallen this much in unison in one calendar year in over 50 years.

As we move into the last two months of 2022, the investment markets remain fragile due to the combination of continued high inflation and an aggressive Federal Reserve tasked with bringing down prices. The Federal Reserve is in a difficult position, as they need to raise short-term interest rates enough to curb inflation but not enough to trigger a recession. We would expect market returns to be volatile and potentially lower going forward as investors are faced with the headwinds of inflation, higher interest rates, lower growth, continued supply chain issues, an energy crisis in Europe, the war in Ukraine and geo-political concerns.

Our long-term goal is to provide consistent and meaningful investment returns to support the retirement benefits of our members. 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.

**PSRS/PEERS Asset Allocation as of September 30, 2022**



The PSRS/PEERS asset allocation is balanced with a significant distribution to return-seeking assets, such as stocks and private equity, a healthy allocation to more defensive investments such as hedged assets and an allocation to private real estate which typically offers protection in a highly inflationary environment. The allocation to non-traditional assets (private equity, private credit, private real estate and hedged assets) provided significant support to the PSRS/PEERS portfolio in 2022. In a time period when traditional stocks and bonds produced historically negative returns, the Systems' investment performance has been supported through diversification into complimentary assets classes. For example, the PSRS/PEERS real estate portfolio returned 16.0% in calendar year 2022 (through September 30) with the private credit portfolio increasing 6.5%. We continue to believe it is prudent to maintain a structured and well diversified portfolio that has an opportunity to participate if the markets move higher, but also has substantial downside protection in the event of a continued market correction.

The table on the next page indicates the investment returns for the major asset classes in the PSRS/PEERS portfolio over the last 10 years, for the period ended September 30, 2022. The 10-year returns offer a normative view of what we would expect over a long time period. Specifically, strong returns from public and private equity, modest returns (and diversification benefits) from bonds and hedged assets.

*Continued on page 5*

**10-Year PSRS/PEERS Investment Returns (by Asset Class)**

Treasuries and Cash	0.3%
U.S. Stocks	10.9%
Hedged Assets	5.3%
Private Equity	18.7%
Real Estate	11.7%
Private Credit	8.6%
International Stocks	6.1%
Corporate Bonds	1.9%

The Systems' long-term investment objective (actuarial assumption) 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 PSRS/PEERS year-to-date investment return for calendar year 2022 (January 1, 2022 through September 30, 2022) is approximately -11.8%. Most importantly, the total plan return of 8.3% over the last 10 years exceeds both the historical long-term investment objective (actuarial assumption) and the total plan policy benchmark return of 6.2%.

**10-Year Investment Results Period Ending September 30, 2022**

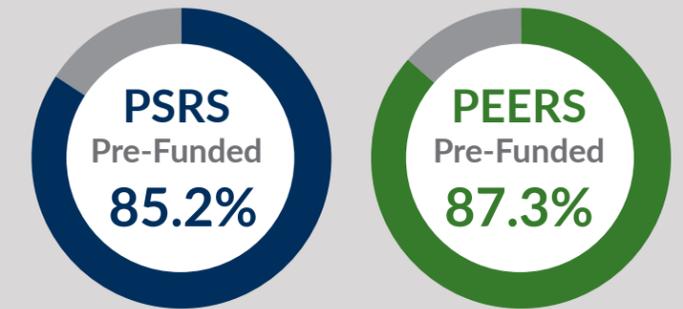
PSRS/PEERS Investment Return	8.3%
PSRS/PEERS Actuarial Assumption	7.3%
Benchmark Return <sup>1</sup>	6.2%

"Despite the historically negative investment markets we have been experiencing, our investment program continues to achieve returns that outperform our policy benchmarks," said PSRS/PEERS Executive Director Dearld Snider. "I am proud of the extraordinary results they have achieved. They have worked to create a smart, well-diversified portfolio that can withstand even extreme market volatility and keep our plans well-funded."

The market value of invested assets for PSRS and PEERS combined was approximately \$51.2 billion on September 30, 2022, making the joint entity larger than all other public retirement plans in Missouri combined, and the 46<sup>th</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).

## Your Retirement System Remains Well-Funded, Despite Difficult Economic Conditions

As of June 30, 2022, PSRS was **85.2%** pre-funded and PEERS was **87.3%** pre-funded. This means, that as of the end of our last fiscal year, PSRS/PEERS had enough assets on hand to pay more than 80% of all present *and* projected future benefits with today's dollars.



PSRS/PEERS' funding comes from three sources, member contributions, employer contributions and investment earnings. Investment earnings are the primary source of funding for every dollar of PSRS/PEERS benefits paid.

### Funding Sources

25-Year-Average



*Note: The 19¢ includes member contributions and service purchases.*

<sup>1</sup> 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.

## Review Your Annual **Benefit Statement**

In January, you will receive your annual PSRS **Benefit Statement**. The **Benefit Statement** is comprehensive summary of your PSRS membership and your monthly benefit as of January 31, 2023.

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

We recommend that you review your statement to see if you need to make updates to your contact information or beneficiary designation.

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 available on our website or from our office.

Unless you elected a Joint-and-Survivor benefit plan at retirement, you can also update your beneficiary designation using Web Member Services.

Joint-and-Survivor plan benefit recipients can only change beneficiary designation in certain situations and should contact our office with any questions about beneficiary designation updates.



### Do You Prefer Email to Snail Mail?

To skip the paper statement next year and receive an email notification when your statement is ready to view online, just visit Web Member Services at [www.psr-peers.org](http://www.psr-peers.org) and update your communications preferences by selecting “My Profile” at the top of the page, and then “Change Communications Preferences.”

## Income Taxes and Your PSRS Benefits

### IRS Form 1099-R

Your 2022 IRS Form 1099-R will mail in January. This tax document shows the total funds you received from PSRS in calendar year 2022, the taxes withheld, and the dollar amounts considered taxable income. You will need this form when filing your 2022 income tax returns. If you have a professional tax advisor, we suggest that you make this information available for their review.

### Missouri Public Pension Exemption

For tax year 2022, 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](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.



## If You Noticed a Small Change in Your Monthly Benefit Amount, Here's Why

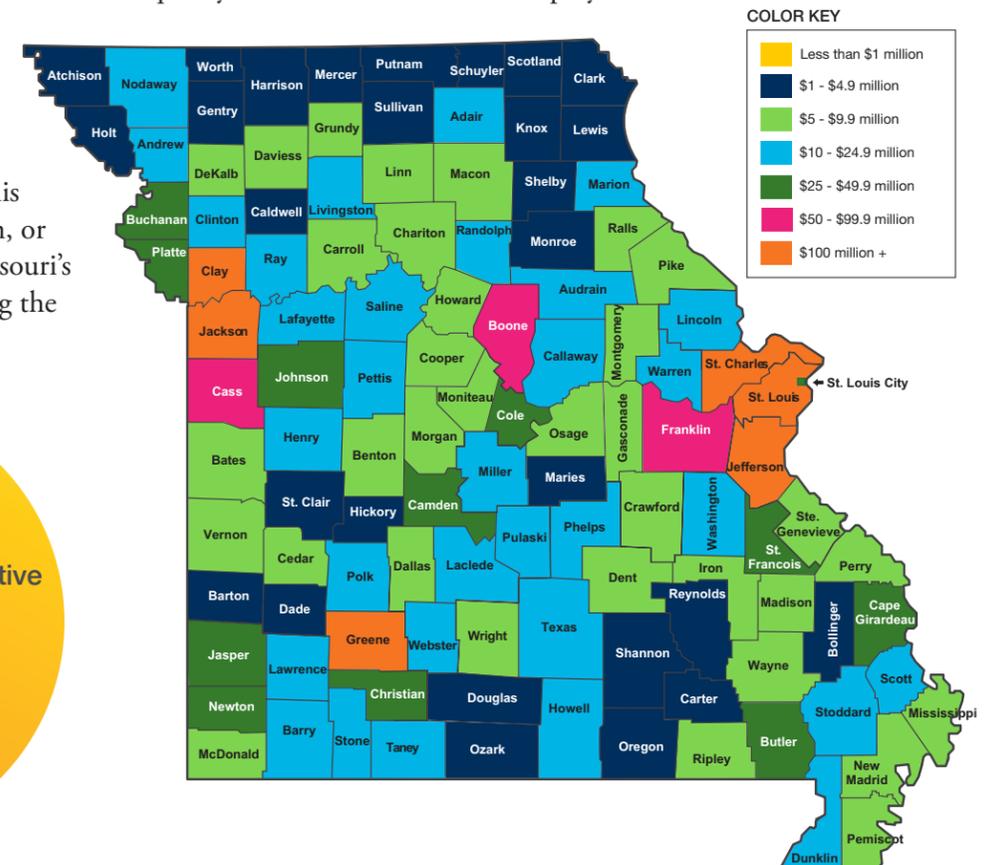
If your monthly benefit amount changed slightly from August to September, the change is due to recent federal income tax withholding changes implemented by the IRS. These changes required an adjustment in the way we handle federal income tax withholding and resulted in some retirees having a small change in their benefit amount after taxes.

This new amount is your new net monthly benefit going forward, apart from any future changes that may occur as a result of your eligibility for cost-of-living adjustments, or other changes you make to your income tax withholding.

## PSRS/PEERS Benefits: Positive Economic Impact for Missouri

The benefits distributed by PSRS/PEERS make a sizable contribution to Missouri's economy and help Missouri public schools attract and retain quality teachers and education employees.

As of June 30, 2022, over 103,000 individuals received benefits from PSRS/PEERS. Total annual benefits paid were approximately \$3.4 billion. Of this amount, approximately \$3 billion, or 88%, was distributed among Missouri's 114 counties, positively impacting the state's economy.



To see the positive impact made by PSRS/PEERS benefits in your county, visit the interactive Benefits by County map found on our website, [www.psr-peers.org](http://www.psr-peers.org). Find the map in the “About Us” menu under “Statistics.”

## Dr. Melinda Moss Retires, Steps Down from the PSRS/PEERS Board of Trustees

At the August 29, 2022 Board of Trustees meeting, the Board and staff honored Dr. Melinda Moss for her Board service. Dr. Moss retired with PSRS on October 1 and as a result, stepped down from her seat as a trustee representing active PSRS members.



Dr. Melinda Moss

She was elected to the Board in May 2020 and was serving a four-year term from July 1, 2020 to June 30, 2024. During her time as a trustee, her educational background, public school experience and insight brought great value to the Board and to the Retirement Systems.

“Serving as a trustee for our Retirement System has been a highlight of my years with Missouri public schools,” said Moss. “I am humbled that our members saw fit to elect me to the Board as an active member.” She added, “The motto of PSRS/PEERS is, ‘Exceptional Service, Every Time.’ I’ve seen firsthand how seriously the staff is committed to this goal. We have a wonderful benefit in PSRS/PEERS with strong leadership that understands the sacred trust and fiduciary responsibility of keeping the plans solid for the years to come. I have every faith that the same level of commitment will continue far beyond my time on the Board.”

Dr. Moss has 30 years of educational experience, the last five serving as superintendent at the Joplin School District. She graduated from the University of Arkansas with a degree in finance and banking. She received her special education coursework and master’s degree in guidance and counseling from Missouri State University. Her doctorate is in educational leadership from Saint Louis University.

“Dr. Moss’s educational experience brought a wealth of knowledge to the Board and broadened our views

as we tackled a multitude of decisions over our time together,” said Board Chair Jason Steliga. “Her experience laid the foundation for many Board conversations and her voice pushed us to think deeper as we examined how our decisions would impact the members of the Systems. Her leadership on the Board will be missed, and we wish her the best in retirement as she spends more time with her family, climbing mountains in Colorado and mentoring school leaders across the state of Missouri.”

The management team expressed their appreciation, as well. “While we are happy for Dr. Moss as she embarks upon her retirement, we are also sad to see her go,” said PSRS/PEERS Executive Director Dearld Snider. “Dr. Moss has been a valuable member of our Board and we are grateful for her insight and the time and effort she dedicated to working on behalf of the Systems and our members.”

Because her Board service ended prior to the end of her official term as trustee, a special election will be held to fill the vacant seat created by her departure.



Dr. Melinda Moss presented award by Executive Director, Dearld Snider at the August 2022 Board Meeting.

## Senior Portfolio Manager Ben Frede Recognized by *Institutional Investor* Magazine

PSRS/PEERS Senior Portfolio Manager Ben Frede has been named by *Institutional Investor* magazine as one of its 2022 Ten Rising Stars.



Ben Frede, CFA

*Institutional Investor’s* editorial team chose the Rising Stars from a pool of talented allocators nominated by their peers, bosses and industry experts. Each Rising Star was honored during *Institutional Investor’s* fifth annual Allocators’ Choice Awards on September 13, 2022 at the Mandarin Oriental hotel in New York City.

These 10 allocators, who work across the United States in both public and private institutions, are expected

to one day become talented leaders for pensions, endowments, foundations, health care funds, corporate plans and family offices.

Ben, a senior portfolio manager working in both private equity and private credit, was selected based on his work developing, constructing and implementing PSRS/PEERS’ \$11 billion alternatives portfolio. With roots in retail banking, he pivoted during the Global Financial Crisis to become an allocator.

“This is a well-earned and deserved recognition for Ben,” said PSRS/PEERS Chief Investment Officer Craig Husting. “He is talented, motivated and always up to whatever challenges come his way. We are fortunate to have Ben on our investment team.”



## Annual Fall Employer Conference Provides Education and Inspiration

The PSRS/PEERS 2022 Fall Employer Conference, “Working Together, Succeeding Together,” was held September 19 and 20 at Margaritaville Lake Resort, Lake of the Ozarks.

The conference featured speakers and break-out sessions designed to be of benefit to the staff at our participating employers who report member information, such as payroll, salary and contributions, to PSRS/PEERS.

“We depend on the accurate and timely information our employers provide because it is what forms the foundation of the retirement service and retirement salary on record for all of our members,” said Director of Employer Services Stacie Verslues. “Our payroll contacts and the work they do are vitally important. They give us

what we need to accurately determine when a member is eligible to retire and what their benefit amount will be.” She added, “We are grateful for the time and effort each of our payroll contacts put in, and this conference is an opportunity for us to give back. It was wonderful to see and speak with everyone.”

This year’s conference kicked off with keynote speaker Chad Carden, who spoke on the importance of remembering your value and never forgetting your impact. A full day of educational sessions followed, covering a variety of retirement-reporting related topics.

## Giving Back: PSRS/PEERS Staff Participate in United Way Days of Caring Event

The United Way Days of Caring is a two day community-wide effort in central Missouri sponsored by Scholastic that brings together volunteers and local businesses to provide short-term, project focused volunteer service with United Way and its 28 agency partners.

This year, more than 250 volunteer opportunities were posted and nine PSRS/PEERS employees volunteered their time at four different locations on September 8 and 9.

At the Catholic Charities of Central and Northern Missouri food pantry, PSRS/PEERS volunteers spent time stocking shelves, sorting produce, bagging groceries, loading carts and returning unwanted items to shelves.

“I am grateful I had the opportunity to volunteer at the Catholic Charities food pantry,” said Application Development Manager Ciara Bauer. “Seeing individuals

from the community receiving the food assistance they need was a very rewarding experience.”

Project Manager II Jenny Patterson had a similarly gratifying experience. “I very much enjoyed working at Catholic Charities. We were able to help sort canned goods and even traveled with the team to distribute food boxes to those in need.” She added, “I would absolutely love to do this again!”

“We are proud that our staff are out there, getting involved and helping out in our local communities,” said PSRS/PEERS Executive Director Dearld Snider. “We are proud, but not surprised. Our staff is a great group who are always looking for ways to make a difference.”

Left back row to right: Courtney Meldrem, Kayla Veit, Jenny Patterson, Ciara Bauer, April Allen and Lindsay Ahart.

Seated left to right: Jill Herigon, Lisa Scheulen and Nichole Williams.



## Retiree Work Limits Waived on Substitute Teaching through June 30, 2025

On July 1, 2022, Governor Mike Parson signed legislation waiving the working after retirement limits on part-time or temporary-substitute work performed by PSRS/PEERS retirees as substitute teachers for covered employers or third-party providers between July 1, 2022 and June 30, 2025.

For working after retirement purposes, substitute teaching is defined as follows:

### K-12 Schools and Third-Party Providers

Instructing or guiding the studies of students in a teaching position which requires a DESE-issued certificate, in place of a regularly employed teacher who is temporarily unavailable.

### Community Colleges

Instructing or guiding the studies of students in a teaching position which is certified by the executive

officer of the institution according to Missouri law, in place of a regularly employed teacher who is temporarily unavailable.

Keep in mind that work performed in other positions not covered by this waiver, including but not limited to work as a bus driver, coach, administrator, nurse or office worker, continues to count toward any applicable work limits and should be tracked to avoid the loss of benefits.

A regularly employed teacher is considered temporarily unavailable when the teacher's position is unfilled due to the absence of the regular or former teacher for one year (12 months) or less.



PUBLIC SCHOOL RETIREMENT  
SYSTEM OF MISSOURI

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## We're Growing with You

Over the last five years, our total membership has increased by more than 32,000 to a total of 297,566 as of June 30, 2022. That's over a quarter of a million members! And more than 100,000 of those members currently receive PSRS/PEERS benefits.

For 76 years, we have worked in partnership with Missouri public schools to provide retirement security and peace of mind for our members. We are proud to continue to provide the highest quality service for all our members, from first-year teachers to seasoned retirees.

### Growth of PSRS/PEERS Total Membership 2017-2022

