

## A Look at what's inside

- 1 Retiree Cost-of-Living Adjustment Set at 2% for January 2012
- 2 Contribution Rates to Remain at Current Levels for 2012-2013 School Year
- 3 PSRS/PEERS Launches Updated Website
- 4 PSRS/PEERS Achieves Record High Investment Results; Ready for Market Challenges Ahead

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## Retiree Cost-of-Living Adjustment Set at 2% for January 2012

At the August 29, 2011 Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees' meeting, the Board voted to provide a 2% cost-of-living adjustment (COLA) for all eligible benefit recipients, effective January 2012.

As a result of extensive research, the Board of Trustees adopted a Funding Stabilization Policy in an effort to stabilize the contribution rates for members and school districts as well as positively impact the overall financial soundness of the Systems. A 2% annual COLA is part of the Funding Stabilization Policy adopted by the Board at the August meeting. Under the policy, in years when the change in the Consumer Price Index for Urban Consumers (CPI-U) for the preceding fiscal year (July 1 to June 30) is between 0% and 5%, a 2% COLA will be given.

The Board has some statutory discretion when setting the COLA, and takes into consideration many factors including recommendations from the actuary and the overall financial health of the Systems. In addition, Missouri law provides specific parameters for the PSRS/PEERS Board of Trustees when setting the annual COLA. If the change in the CPI-U is between 0% and 5%, legal guidelines for setting the COLA are:

- If the CPI is 2% or more, the COLA must be at least 2% but no more than 5%.
- If the CPI is between 0% and 2%, the Board may grant a COLA of 0% to 5%.

However:

- If the change in the CPI-U is less than 0%, no increase can be given.
- If it is 5% or higher, the Board must give a 5% increase providing extra protection in times of high inflation.

The CPI-U for July 1, 2010 to June 30, 2011 was 3.6%.

RETIREE COST-OF-LIVING ADJUSTMENT , CONTINUED FROM PAGE ONE

By adopting the Funding Stabilization Policy, the Board has improved the overall financial status of the Systems in order to continue to provide sound retirement benefits for current and future generations of Missouri's teachers and school employees.

"This method of granting COLAs is a component of the Funding Stabilization Policy that will help us keep the Systems financially healthy for the entire membership," said Dr. Aaron Zalis, PSRS/PEERS Board Chair. He added, "It also allows our retirees to plan ahead for a consistent 2% benefit increase most years."

In the past, the annual COLA has been tied more closely to the CPI-U,

often resulting in large year-to-year variations in the amount given, from 0% to 5%. The COLA for both 2010 and 2011 was set at 0%.

PSRS retirees are eligible for COLAs beginning the second January following their retirement date. The total dollar amount of the COLA increases received in a retiree's lifetime cannot exceed 80% of the original monthly retirement benefit.

For January 2012, eligible benefit recipients include those who retired in 1987 through 2010. Those who retired prior to 1987 have reached the 80% COLA cap. The 2012 COLA will be reflected in the January benefit, payable January 31, 2012.

## Contribution Rates to Remain at Current Levels for 2012-2013 School Year

At the October 24, 2011 Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees' meeting, the Board voted to maintain PSRS and PEERS contribution rates at current levels for the 2012-2013 school year.

The contribution rate for PSRS members and employers will remain at a combined total of 29%, with Missouri's educators paying 14.5% and employers matching at 14.5%. For PEERS members and employers, the rate will remain at a combined total of 13.72%, with PEERS members paying 6.86% and employers matching at 6.86%.

## Funding Stabilization Policy

The PSRS/PEERS Board of Trustees has been working diligently to stabilize contribution rates for members and employers, while continuing to maintain the financial health of the Systems. At the August 29, 2011 PSRS/PEERS Board of Trustees' meeting, a new Funding Stabilization Policy was adopted and the impact on the funding of the Systems as a result of the policy is very positive.

"The clear consensus among the education community was that members and school districts needed some relief from rising contribution rates, while continuing to maintain the financial stability of PSRS and PEERS," said Steve Yoakum, PSRS/PEERS Executive Director. "The PSRS/PEERS Board and staff, as well as the various educational associations, have been very committed to exploring all options available in order to achieve the goals set forth, and all parties believe the new Funding Stabilization Policy achieves those goals."

The Funding Stabilization Policy will have a significant impact on the funding status of the Systems. It relies on a shared commitment by both active and retired PSRS/PEERS members and allows the Systems to continue to provide retirement security to current and future educators and education employees.

The policy provides the following:

- Stabilizes contribution rates for members and employers at or near the current 2011-2012 school year rates;
- Provides an annual 2% cost-of-living adjustment (COLA) to retirees when inflation is between 0% and 5%;

CONTINUED ON PAGE THREE

## FUNDING STABILIZATION POLICY, CONTINUED FROM PAGE TWO

- Improves the pre-funded ratio of the Systems to over 80%, which is considered to be a healthy financial status by the pension industry; and
- Utilizes a 30-year amortization period with the goal of paying off the unfunded actuarial accrued liability (UAAL) and becoming 100% pre-funded within that time period.

The stabilization of the funding of PSRS/PEERS is possible due to three components – strong investment returns over the last two fiscal years, updated actuarial assumptions as the result of the recent Five-Year Experience Study and the Funding Stabilization Policy adopted at the August PSRS/PEERS Board meeting regarding stable COLAs for retirees.

- **Investment Returns:** The System achieved investment returns significantly above the 8% actuarial assumed rate of return in fiscal years 2010 and 2011 with returns of 13.0% and 21.8%, respectively.
- **Actuarial Experience Study:** The actuary recommended several changes utilizing updated assumptions regarding such things as mortality, payroll growth, individual salary growth and inflation.
- **Funding Stabilization Policy:** The policy maintains contribution rates at or near current levels and provides an annual 2% COLA for current and future retired members.

“We are very encouraged by the actuarial projections regarding the Funding Stabilization Policy,” stated Yoakum. “After extensive research and discussion, we have a policy that stabilizes contribution rates while maintaining the same level of benefits for our current and future active and retired members. It must be acknowledged, however, that there are three important components of the Funding Stabilization Policy. Those components are continued investment returns at the 8% assumed rate, consistent member and employer contributions at or near current rates, and the annual 2% COLA for current and future retirees.”

As is the case with all public defined benefit plans, the overall financial stability of the Systems is dependent on both consistent investment returns and on the accuracy of actuarial projections. Any positive or negative change in either area will affect the overall financial status of the Systems. The PSRS/PEERS Board and staff will remain diligent in our ongoing evaluations of the Systems through annual actuarial valuations, actuarial experience studies and asset-liability studies.

PSRS/PEERS proudly partners with Missouri’s public school districts and our members to provide retirement security to over 220,000 active and retired public education employees and their families. The Systems strive to apply leadership, innovation and outstanding customer service in order to continue to deliver sound retirement benefits to current and future generations of Missouri’s teachers and school employees.

## PSRS/PEERS Launches Updated Website

PSRS/PEERS has redesigned our website with you in mind. The site is designed and written to provide you with more of the information you need, quicker and easier.

- Improved navigation and page design put information within your reach in a logical way, with fewer clicks of your mouse. Information is grouped together based on the system you belong to (PSRS or PEERS) and then by topic, such as working after retirement, income taxes on benefits, cost-of-living adjustments, investment information or forms.
- A more visible login to your secure, personal account information is located at the top of each page. You can log in any time to view current information on your account, tax withholding, beneficiary designations and more.

## PSRS/PEERS Achieves Record High Investment Results; Ready for Market Challenges Ahead

### Investment Returns are 21.8% for Fiscal Year 2011

The Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System of Missouri (PEERS) achieved record high investment returns in fiscal year 2011. The Retirement Systems earned returns of 21.8% and 21.4%, respectively, for the fiscal year July 1, 2010 through June 30, 2011 – the highest fiscal-year returns for both Systems in over 20 years.

These earnings resulted in an increase in PSRS/PEERS' assets of more than \$5 billion over the previous year, due largely to strong gains in publicly traded stocks. "We are pleased that the returns exceeded both the plans' investment return benchmark of 20.4%, and the 8.0% actuarial assumed rate of return," said Craig Husting, PSRS/PEERS Chief Investment Officer. He added, "It is also important to note that these strong returns were achieved while once again taking less investment risk than a large majority of other public pension funds in the nation."

Within the PSRS/PEERS investment portfolio, U.S. stocks delivered a return of 35.0%, global stocks returned 29.8%, private equity

(investments in private companies) and private real estate each increased over 20.3%, and hedged assets produced a return of 18.8%.

PSRS/PEERS total assets were approximately \$27.9 billion on September 30, 2011, making the combined entity larger than all other public retirement plans in Missouri combined, and the 44<sup>th</sup> largest defined benefit plan in the United States.

### A Proven Investment Strategy

As the economy and the investment markets become more difficult, the focus will continue to be on the implementation and management of a portfolio that can benefit from market strength but also offer protection during market weakness.

Since the end of the fiscal year (June 30, 2011), the public stock markets have been under significant pressure as risk, volatility and uncertainty have increased across the global investment landscape. Specifically, European sovereign debt concerns have heightened, there are mounting fiscal issues in the United States and the global economy is slowing.

The PSRS/PEERS Board of Trustees and staff continue to embrace an investment philosophy centered on a disciplined and diversified investment approach. This philosophy has been implemented over the past few years by the internal investment staff, as the portfolio has expanded into multiple asset classes outside of stocks and bonds. This diversification can provide more stable investment returns, even during a stock market downturn.

The Systems also continue to have a large investment allocation (over \$5 billion) in the safest and most liquid asset in the world, U.S. Treasury securities. These securities provide solid returns in a period of crisis (acting as a diversifier to public stocks) and also ensure the liquidity needed to pay retirement benefits.

"PSRS/PEERS is a long-term investor," said Husting. "We manage assets with closely monitored levels of risk, in a diversified portfolio structured to withstand short-term shocks to the markets, yet positioned to provide consistent asset growth over time." He added, "Our long-term strategy will help deliver more stable returns during difficult market conditions."

## Benefit Statements and 1099-R Forms to Mail in January

### Your Annual *Benefit Statement*

In January, you will receive your annual PSRS *Benefit Statement*. The *Benefit Statement* is a comprehensive summary of your PSRS account and your monthly benefit as of January 31, 2012. 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), and
- Beneficiary designation with PSRS.

Don't forget, you can view your personal account information online at [www.psr-peers.org](http://www.psr-peers.org). The information available online is updated daily.

### IRS Form 1099-R

Your 2011 IRS Form 1099-R will also mail this January. You will need this form when filing your 2011 tax returns. Your annual Form 1099-R shows the total funds you received from PSRS in calendar year 2011, the taxes withheld, and, in most cases, 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.

You can authorize PSRS to start, stop or change federal or Missouri (if you are a Missouri resident) tax withholding from your benefit by completing the *Tax Withholding Authorization* form. This form is available by calling our office at **(800) 392-6848**, or on the forms page of our website.

### For Tax Advice...

- If you need federal tax advice, you should contact a tax professional, or the IRS at **(800) 829-1040** or [www.irs.gov](http://www.irs.gov).
- For Missouri income tax information, you can reach the Missouri Department of Revenue at **(573) 751-3505** or visit them online at [www.dor.mo.gov](http://www.dor.mo.gov).

If you need a duplicate copy of your Form 1099-R, you can find it online beginning January 31 by logging in to your personal account at [www.psr-peers.org](http://www.psr-peers.org), or you can contact us to request one after January 31, 2012.

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## PSRS Looks Back on 65 Years of Service to Missouri's Public School Educators

The Public School Retirement System of Missouri (PSRS) is proud to celebrate its 65th anniversary this year.

PSRS was created in 1945 with the passage of the Public School Retirement Act of Missouri by the state legislature, and began operation in July of 1946. Since then, PSRS has helped more than 70,000 Missouri public school educators and their families achieve financial security during retirement, through the guarantee of lifetime retirement benefits, disability benefits, and survivor benefits for family and loved ones.

PSRS began in an office at the State Capitol with 11 staffers and first year total assets of \$1.5 million. Today, PSRS and its companion plan for non-certificated public school employees, the Public Education Employee Retirement System of Missouri (PEERS), provide retirement, disability and survivor benefits to more than 220,000 active and retired members and their families. As of September 30, 2011, total assets of PSRS/PEERS were approximately \$27.9 billion, larger than all other public retirement plans in Missouri combined, and the 44<sup>th</sup> largest defined benefit retirement plan in the United States.

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## Stay in Touch on Facebook/Twitter

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. Get important news, quick and interesting facts, links to helpful videos and more.

## Don't Jeopardize Your Retirement Benefit

### Know the Guidelines for Working After Retirement and Keep Accurate Records

If you are a PSRS retiree that has gone back to work for a PSRS-covered employer, there are specific guidelines to follow in order to ensure continuation of your retirement benefits. Under these guidelines, you are limited in the hours you can work and the wages you can earn. In addition, you and your employer are required to keep a record of your hours worked and wages earned. It is in your best interest to work with your employer to make sure you follow the guidelines, and to ensure your records agree.

### Working After Retirement Guidelines

PSRS Board regulations require a **one month** separation from your pre-retirement and post-retirement work for PSRS-covered employers. You may not be under contract in any capacity or return to work for at least **one month** from your PSRS effective retirement date. You may then work on a part-time or temporary-substitute basis up to 550 hours per school year (July 1 through June 30) and earn up to 50% of the annual full-time salary payable for the position.

- **550-Hour Limitation:** Employment in any capacity with all PSRS-covered employers counts against these limits, which may include hours that you volunteer.
- **50% Earnings Limitation:** The 50% earnings limit is determined by your employer based on the annual full-time salary payable for the position. If you fill more than one position, the 50% earnings limit is based on the annual compensation of the highest paid position in which you work for at least 20% of your total hours during the school year. All compensation you receive, including insurance benefits, counts against your earnings limit.

The chart on page 7 outlines a variety of working after retirement situations, along with the associated impact on retirement benefits and your membership. You can also obtain information regarding working after retirement guidelines on our website, [www.psr-peers.org](http://www.psr-peers.org), or by contacting our office.

### Accurate Record-Keeping is Essential

Maintaining accurate working after retirement records is an essential step in ensuring your monthly benefits are not at risk. The *Working After Retirement Record* form is where you track the hours you work and the wages you earn each month at each covered employer. Employers are also required to keep a record of your hours and wages.

In order to increase the accuracy of your working after retirement records, we recommend the following:

- Discuss how your hours and earnings will be tracked with each covered employer at the beginning of your employment, and
- Cross-reference your records with your employer's records on a regular basis to ensure accuracy.

PSRS may request to review these records at any time and should there be discrepancies, we consider the employer's records official. Working after retirement is defined by Missouri Statutes and PSRS/PEERS Board Regulations. If you exceed either limitation, your benefits stop during that month and will continue to be held until your employment ends or a new school year begins. Benefits to which you are not entitled must be repaid to PSRS and, based on your employment status, you and your employer may also need to remit contributions on earnings.

Don't put your retirement benefit in jeopardy, be aware of your record-keeping responsibility and stay within the working after retirement guidelines.

**Important Note:** If you retire in any month other than July, the 550-hour/50% of earnings limits are applied on a pro-rated basis during your first year of retirement.

## Working After Retirement Quick Reference Guide

If Your Employer Is:	And Your Work Is:	Impact on Your Benefit:	Impact on Your Membership:
PSRS-Covered	<ul style="list-style-type: none"> <li>Part-time or temporary-substitute, and</li> <li>You <b>REMAIN UNDER</b> both the 550-hour and the 50% of compensation limits for the school year</li> </ul>	None	None
PSRS-Covered	<ul style="list-style-type: none"> <li>Part-time or temporary-substitute, and</li> <li>You <b>EXCEED</b> either the 550-hour or 50% of compensation limits for the school year</li> </ul>	Your benefit is put on hold in the month you exceed either limitation until the employment ends or a new school year* begins.	A new membership is started for employment that meets the criteria for PSRS membership. Once employment ends, you can request a refund of your contributions, or after accruing 1.0 year of credit, you can choose to receive a second benefit under special vesting.
PSRS-Covered	<ul style="list-style-type: none"> <li>Volunteering at an employer for which you are <b>not</b> a paid employee for <b>any</b> duties</li> </ul>	None	None
PSRS-Covered	<ul style="list-style-type: none"> <li>Volunteering and working at an employer performing essentially the same duties for <b>both unpaid and paid work</b></li> </ul>	Both the time spent on volunteer work and paid work count toward the <b>550-hour limit</b> . Paid work also counts toward the <b>50% of earnings limit</b> . If you exceed either of the limits, <b>your benefit is put on hold</b> in the month you exceed either limitation until the employment ends or a new school year* begins.	A new membership is started for employment that meets the criteria for PSRS membership. Once employment ends, you can request a refund of your contributions, or after accruing 1.0 year of credit, you can choose to receive a second benefit under special vesting.
PSRS-Covered and Qualifies Under "Critical Shortage" Full-Time Employment Exception	<ul style="list-style-type: none"> <li>Full-time for up to two years for all employers that declare a critical shortage of certificated teachers as defined by state law</li> </ul>	None	None. You do not earn additional credit or make contributions to PSRS.
PSRS-Covered	<ul style="list-style-type: none"> <li>Full-time</li> </ul>	Your benefit is put on hold in the month you begin full-time employment.	A new membership is started. Once employment ends, you can request a refund of your contributions, or after accruing 1.0 year of credit, you can choose to receive a second benefit under special vesting.
PSRS-Covered	<ul style="list-style-type: none"> <li>Performed as an <b>independent contractor or consultant</b> per IRS guidelines and not considered that of an "employee"</li> </ul>	None	None
Not PSRS-Covered	<ul style="list-style-type: none"> <li>Part-time or full-time</li> </ul>	None	None

\*July 1 - June 30



PUBLIC SCHOOL RETIREMENT  
SYSTEM OF MISSOURI

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# PSRS BENEFIT Check

## A Look at what's inside

- 1** Retiree Cost-of-Living Adjustment Set at 2% for January 2012
- 2** Contribution Rates to Remain at Current Levels for 2012-2013 School Year  
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- 3** PSRS/PEERS Launches Updated Website
- 4** PSRS/PEERS Achieves Record High Investment Results; Ready for Market Challenges Ahead



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