

# Benefit Check

December 2007

A newsletter for retired members of The Public School Retirement System

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

## 2008 PSRS Cost-of-Living Adjustment Set at 2.7%

The PSRS/PEERS Board of Trustees set the January 2008 Cost-of-Living Adjustment (COLA) for eligible benefit recipients at 2.7%. Retirees who retired January 1986 through December 2006 are eligible for this increase, and will see it reflected in their January 31, 2008 benefit payment. Those who retired January 1985 through December 1985 will receive a 2.48% COLA. PSRS retirees who retired in 1984 or earlier will not receive an increase because they have already received the maximum amount of COLA increases allowed by law.

### 2008 PSRS Cost of Living Adjustments - (COLA)

The Board of Trustees set the January 2008 COLA at 2.7% for all eligible benefit recipients.

Are you eligible for a COLA increase? To determine if you are eligible, please look for your PSRS retirement date below.		
Retirement Date	COLA	Explanation
1984 or earlier	0.0%	COLA increases have reached 80% lifetime cap.
January 1985 through December 1985	2.48%	80% lifetime COLA cap not yet reached. (2.48% on January 1, 2008, will take you to the 80% cap.)
January 1986 through December 2006	2.7%	This is your COLA increase.
January 2007 or after	0.0%	COLA eligibility for you is the 2nd January 1 following your PSRS retirement date. You have not yet reached your 2nd January 1.

**NOTE:** Benefit recipients eligible for the COLA will receive a Statement of Benefit in January detailing the increase in benefit and new net benefit payment.

## Facts About COLAs:

- You are eligible for cost-of-living adjustments (COLAs) starting the second January following your retirement.
- COLAs can be made annually, and are effective with the January benefit issued the last working day of January.
- COLAs are based on increases in the cost of living shown by the Consumer Price Index for Urban Consumers for the preceding fiscal year (July 1 – June 30).
- By law, COLAs cannot exceed 5% per year.
- By law, the total of the COLA increases in your lifetime cannot exceed 80% of your original monthly retirement benefit.
- The first COLA granted is based on your original benefit amount. Subsequent COLAs are calculated by multiplying your current monthly benefit amount (at the time of the COLA) by the percentage of COLA increase. Each subsequent COLA percent increase is figured on the new, larger benefit amount created by the previous COLA. The result over time is a compounding effect that causes the overall percent increase in the monthly benefit to be higher than the percentage you get by simply adding up the COLA percentages you have earned over time.

### 2007 Statements of Benefit to Mail in January

Benefit recipients eligible for a COLA in January 2008 will receive a Statement of Benefit in late January detailing the increase in benefit and new net benefit payment.



## Why is my PSRS COLA higher than the Social Security COLA?

The 2008 PSRS COLA increase for benefit recipients has been set at 2.7%. Social Security has announced a 2008 COLA increase of 2.3%.

Both Social Security and PSRS COLA increases are based on increases in the cost of living, determined by looking at the Consumer Price Index for Urban Consumers (CPI).

Social Security COLAs are based on figures for their fiscal year, which runs October 1 through September

30. PSRS COLAs are based on a fiscal year that runs July 1 through June 30. In addition, changes in the Consumer Price Index tend to be very volatile from month to month. The result is that the difference in the months included in each system's fiscal year can provide different COLA increases for PSRS and Social Security.

These differences cancel out over a longer period of time, resulting in the same cumulative COLA increase in the long-run for both PSRS and Social Security.

## *Facts to Know*

PSRS Members Who Retired in 2006-2007 had:

- An Average Annual Single Life Benefit of \$39,224,
- An Average Retirement Age of 56.5, and
- An Average of 25.4 Years of Service with PSRS.

# Forms 1099-R to Mail in January

During the month of January, watch your mail for your 2007 IRS Form 1099-R. You will need this form when filing your 2007 tax returns.

Your annual 1099-R form shows the total funds you received from the Retirement System in calendar year 2007, 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.

Unless you specifically ask us not to do so, we are required to withhold federal income tax from each benefit payment in excess of a specific amount set by the Internal Revenue Service (IRS) each year. If

the taxable portion of your benefit is less than that amount, we do not withhold any amount unless you authorize us to do so.

You can authorize PSRS to start, stop or change federal or Missouri state tax withholding from your benefit by completing the appropriate withholding authorization form. These forms are available by calling our office at **(800) 392-6848**, or on our Web site, **www.psrs-peers.org**.

If you need tax advice, you should contact a tax professional, the IRS at **(800) 829-1040** or **www.irs.gov**, or the Missouri Department of Revenue at **(573) 751-3505** or **www.dor.mo.gov**.

## Sample IRS Form 1099-R

PAYER'S name, street address, city, state and ZIP code		CORRECTED (if checked) <input type="checkbox"/>		OMB No. 1545-0119 <b>2007</b> Form 1099-R		<b>Distributions From Pensions, Annuities Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
PAYER'S Federal identification number		RECIPIENT'S identification number		<b>1</b> Gross distribution \$		
Account number (optional)		<b>2a</b> Taxable amount \$		<b>2b</b> Taxable amount not determined <input type="checkbox"/> Total Distribution <input type="checkbox"/>		<b>Copy B</b> Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return.
<b>3</b> Capital gain (included in box 2a) \$		<b>4</b> Federal income tax withheld \$		<b>5</b> Employee after-tax contributions \$		
<b>6</b> Net unrealized appreciation in employer's securities \$		<b>7</b> Distribution code(s)		<b>8</b> Other \$		This information is being furnished to the Internal Revenue Service.
<b>9a</b> Your percentage of total distribution %		IRA/SEP/SIMPLE <input type="checkbox"/>		<b>9b</b> Total employee contributions \$		
<b>10</b> State tax withheld \$		<b>11</b> State/Payer's state no.		<b>12</b> State distribution \$		
<b>13</b> Local tax withheld \$		<b>14</b> Name of locality		<b>15</b> Local distribution \$		

Form 1099-R Department of the Treasury - Internal Revenue Service

Box 1 – The total amount paid to you by PSRS for the calendar year. (This includes the payment issued on 12/31/07.)

Box 2a – The portion of your total benefit received during the calendar year that should be considered taxable income.

Box 4 – The total amount of federal income tax withheld, if any, from your monthly payments during the year.

Box 5 – The portion of pre-July 1989 contributions and after-tax purchase payments excluded from taxation during calendar year 2007.

Box 7 – IRS code used to identify the type of distribution you received. Used to determine the proper tax treatment of your payments.

Box 10 – The total amount of Missouri state income tax withheld, if any, from your monthly payments.

# Wheeler Appointed to Board of Trustees

The Public School Retirement System of Missouri is proud to announce the appointment of Michael Wayne Wheeler to the Board of Trustees. The seven member PSRS/PEERS Board of Trustees is made up of one elected Public Education Employee Retirement System (PEERS) member, three elected Public School Retirement System (PSRS) members, and three trustees appointed by the governor.

Michael Wayne Wheeler, appointed by Governor Matt Blunt, is a dedicated leader and advocate for education. Wheeler previously served two four-year terms as a PSRS/PEERS elected trustee, serving from 1996 to 2004, and was Board chair from 2002 to 2004.

“We are pleased to welcome Wayne back to the Board,” said Steve Yoakum, Executive Director. “His experience and expertise will provide invaluable support to our mission of providing exceptional service to our members, retirees, and school districts.”

Wheeler retired in 2004 after serving 35 years as an elementary school teacher, principal, curriculum director, and assistant superintendent in four different Missouri school districts. He and his wife, Joy, (who also retired

in 2004), reside in Kimberling City. They have two sons, Andrew and Grant.

Wheeler is a past member of Missouri State Teachers’ Association, Missouri Association of Elementary School Principals, Phi Delta Kappa, Association for Supervision and Curriculum Development, and the Show-Me Curriculum Directors Association. He and his wife are both presently members of the Missouri Retired Teachers’ Association, serve as volunteers in their community and church, and manage to catch a fish now and then in one of the area lakes and streams.

Wheeler replaces J. Richard Franklin, whose term expired June 30, 2007. His appointment is subject to Senate confirmation for a term ending June 30, 2012.



Wayne Wheeler

Wheeler will join Phil Wright, Tina Zubeck, Cheryl Boggess, Joncee Nodler, Jim O’Donnell and Peggy Preston to complete the seven-member board. The Board is charged by law with the administration of the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System of Missouri (PEERS)

# Board Election Scheduled for 2008

Two seats on the PSRS/PEERS Board of Trustees are up for re-election in 2008. The terms of PSRS representatives Phil Wright and Peggy Preston will expire June 30, 2008.



Phil Wright

Candidates for these two trustee seats must be active members of PSRS. Those running must submit nominating petitions to PSRS/PEERS post-marked by February 21, 2008.

Individuals interested in running for these seats can obtain petition forms from the PSRS/PEERS office, PO Box 268, Jefferson City, MO 65102,

beginning January 7, 2008.

Each petition must be supported by 200 or more member signatures from each of any four Missouri congressional districts, plus sufficient additional signatures to

total at least 1,000 names. All active and retired members of PSRS and PEERS are eligible to sign petitions and vote for candidates.

After the filing deadline, an auditing committee will examine the petitions received and certify to the Board of Trustees the names of valid candidates. If only two candidates are certified for the vacancies, those persons will be declared elected. If more than two candidates qualify to run for these positions, election ballots will be mailed April 17, 2008 to eligible voters.



Peggy Preston

Members and retirees will have until May 2, 2008 to cast their vote. The winning candidates will be seated on July 1, 2008 to serve four-year terms ending in 2012.

# 2008 Direct Deposit Schedule

Payment For:	Will Be Deposited:
<b>2007</b>	
December	December 31
<b>2008</b>	
January	January 31
February	February 29
March	March 31
April	April 30
May	May 30
June	June 30
July	July 31
August	August 29
September	September 30
October	October 31
November	November 28
December	December 31

The dates at left are scheduled for the electronic funds transfer (EFT) or direct deposit of monthly benefit payments for December 2007 and calendar year 2008.

## To make changes to your direct deposit:

- If you need to change to a **different account** at the same financial institution, call us toll free at **(800) 392-6848** to make the change. You may also fax us the information at **(573) 634-7934**, or write us. Please include your signature on your written request for a change.
- If you need to change to a **different financial institution** you will need to complete a new *Direct Deposit Authorization* form. You can obtain one by calling our office at **(800) 392-6848**, or you can download one from our Web site, [www.psr-peers.org](http://www.psr-peers.org).

## Have you Designated a Beneficiary for Your \$5,000 Death Benefit?

Approximately 1,500 PSRS retirees have not designated a beneficiary for the \$5,000 PSRS death benefit. This must be done separately from the designation of your other PSRS beneficiary(s).

This benefit is taxable, and will be paid in a one-time lump sum upon your death. If you do not designate a beneficiary specifically for this benefit, the payment will be made to your: 1. surviving spouse, 2. surviving

children in equal shares, 3. surviving parents in equal shares, or 4. your estate, in that order of precedence.

If you are unsure of your current beneficiary designation, you can view it any time online by logging in to the secure portion of our Web site, [www.psr-peers.org](http://www.psr-peers.org), and viewing your personal account information.

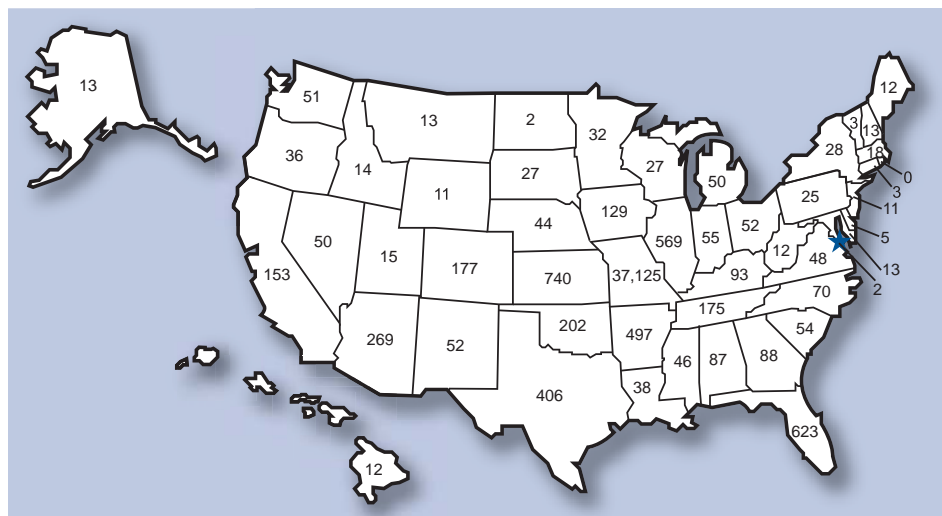
You can obtain a copy of the form you need to designate this beneficiary online at [www.psr-peers.org](http://www.psr-peers.org) or by calling **(800) 392-6848**.

## Where PSRS Retirees Live

PSRS Retirees Living Outside the U.S.: 50

Total PSRS Retirees Living in the U.S.: 42,294\*

\*Includes 3 in U.S. Virgin Islands and 1 in Puerto Rico



# Contribution Rate Set for 2008-2009 School Year

One of the most difficult duties of the Public School Retirement System (PSRS) Board of Trustees is to annually set the contribution rates to be paid by members and school districts during the next fiscal year. As fiduciaries of the PSRS trust fund, the Board has the legal requirement to establish a contribution rate that will adequately fund the benefit promises made to PSRS members.

As required by law, the Board retains an actuarial firm to review the fund at the close of each fiscal year, determine the value of the benefit promises made and calculate a contribution rate to fund those. Each October, the PSRS consulting actuary presents the Board of Trustees with the results of this review in its annual actuarial valuation. This report, what might be called the System's annual fiscal check-up, assesses the solvency of the Retirement System and determines the level of employer and employee contributions required to maintain or improve the solvency of the plan. Based on information contained in the most recent valuation, the actuary recommended the Board increase each side of the required employer and employee contribution rate from 12.5% to 13.0% for the 2008-2009 school year.

"This year is probably the most difficult decision we've had in a number of years," stated Dr. Phil Wright, PSRS Board of Trustees Chair. "We were given every indication from preliminary actuary reports that we could hold rates this year, which we feel is needed to assist districts and individual active members. This new report presented by the actuaries is extremely disappointing. Now we have our hands tied by statute and as the chief fiduciaries of the System, our responsibility is to the financial well being of the System as a whole. A major disappointment."

After much discussion and review, the Board voted to accept that recommendation and the PSRS contribution rate will rise effective July 1, 2008 to 13.0%.

The largest factor behind rising contribution rates is the System's unfunded actuarial accrued liability (UAAL). UAAL essentially means the System has more in liabilities than assets to cover those long-term liabilities. The UAAL is primarily a result of

the challenging investment markets of the early 2000's, legislative benefit increases in the mid- to late-1990's affecting both active and retired members, and current contribution rates that are below those needed to adequately fund the System (discussed further below).

The June 30, 2007 PSRS actuarial valuation showed a UAAL of \$5.3 billion and a required contribution rate of 14.1% (matched by the employer) to fund the PSRS benefits currently in place for PSRS members. While the actuarially required contribution rate is 14.1%, a 2003 law prohibits increasing the rate any higher than 1% total each year (as discussed above, this, in effect, increases the UAAL each year). In order to address the UAAL, the Board must legally continue to reconsider the contribution rate on an annual basis to be certain the System remains adequately funded. While the Board strives to keep the contribution rates as low as possible, governmental accounting standards require that the unfunded actuarial accrued liability be funded over a period not to exceed 30 years.

As previously stated, actuarial valuations are performed annually to determine PSRS' liabilities and the contribution rates necessary to adequately fund them. The contribution rates could change each year depending on investment returns, the actual demographic makeup of the current and retired members as well as other information. Based on preliminary information supplied by the actuary in August, it was hoped that the current rates could be held constant for 2008-2009 but the final report indicated that such was not possible.

It is important to note that the primary driver for additional contribution rate changes in future years beyond 2008-2009 will be dependent on how much, if any, investment returns can be generated above the System's actuarially assumed return of 8%. The Board and staff have worked diligently in structuring an investment program that will provide us a competitive rate of return at the lowest possible cost and risk. Results to date have been positive, making the Board hopeful and cautiously optimistic that the current favorable investment climate will continue

and above average investment returns can preclude or diminish the need for future increases.

It is important to note that PSRS is, and continues to be, in a very strong financial condition. PSRS is 83.5% pre-funded on an actuarial basis, which is very positive on both an absolute basis and when compared to other retirement plans. Consideration of a contribution rate increase is not something the PSRS Board of Trustees takes lightly but the Board and administration are deeply committed to maintaining the financial solvency and strength of our Retirement System. Increasing the contribution rates slightly today will ensure that future generations of school employees will inherit a System as strong and reliable as the one we have today.

## Benefit Check

**Benefit Check** is published and mailed twice annually, with special editions as needed, to retired members of the Public School Retirement System of Missouri.

### Board of Trustees

Phil Wright, Chair; Tina Zubeck, Vice Chair;  
Cheryl L. Boggess; Joncee L. Nodler;  
James V. O'Donnell; Peggy Preston; Wayne Wheeler

### Executive Director

M. Steve Yoakum

**Mailing Address:** P.O. Box 268  
Jefferson City, MO 65102-0268

**Office Location:** 3210 W. Truman Blvd.  
Jefferson City, MO 65109

**Telephone:** (573) 634-5290 • (800) 392-6848

**Email:** [member\\_services@psrsmo.org](mailto:member_services@psrsmo.org)

**Web site:** [www.psrsmo.org](http://www.psrsmo.org)

**Business Hours:** Monday through Friday  
7:30 a.m. - 5:00 p.m.

## Government Study Finds State and Local Government Pension Plans Well Funded and Well Managed

### *Report Confirms Public Pensions Are Getting Retirement Right*

The General Accountability Office (GAO) has released a new study reporting that the largest state and local public pension plans are well funded and on track to manage future pension obligations. In a report to Congress, the GAO also says that state and local governments have mechanisms in place to protect pension benefits and comply with fiduciary responsibilities.

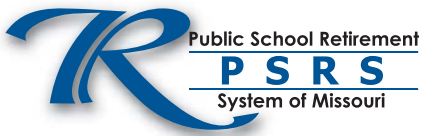
“GAO’s conclusions are on par with our own research – collectively, the public pension system is financially sound and getting retirement right for Americans,” said Keith Brainard, research director for the National Association of State Retirement Administrators.

Brainard added, “This report demonstrates that pre-funding a modest, yet stable, retirement income for the nation’s working and retired populations is a worthy and attainable goal. We hope this report will inject a dose of common sense into the retirement security discussion. This is a system that is advance funded and provides a safe, secure, and cost-effective retirement income for some 20 million workers and retirees. We should be exploring ways to bring this type of security to other sectors of the workforce,” Brainard said.

The U.S. Senate Finance Committee requested that the GAO prepare an overview of state and local retirement benefits because the Federal government has an interest in ensuring all Americans have a secure retirement.

## PSRS Receives Clean Financial Audit Opinion

Williams Keepers, LLC presented the annual audit report to the PSRS/PEERS Board of Trustees on October 29, 2007. They issued a clean audit opinion which stated that the financial statements for the Systems fairly present the plan net assets as of June 30, 2007, and the changes in plan net assets for the year then ended.



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# Benefit Check

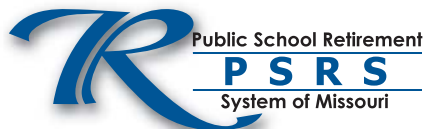
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for news about your retirement system:

- Cost-of-Living Adjustment (COLA) information
- Working After Retirement rules
- PSRS publications
- And much more.

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