

A look at what's inside

- 3 Investment Update
- 4 2009-2010 Contribution Rate Set
- 5 Preston and Zalis Elected to Board
- 6 Special Section: Financial Planning
- 10 Using Technology to Improve Your Retirement System

Social Security Withholding Change Will Affect Some Members' Contribution Rate; Benefit

The Missouri State Social Security Administrator (MSSA) has implemented a revised ruling by the Social Security Administration (SSA) that could have a detrimental impact on the retirement of thousands of PSRS members.

As recently as 2006, SSA has issued guidance to the MSSA that school district employees working in any capacity who are PSRS members are exempt from paying into Social Security. SSA's new ruling states that only those members of PSRS who are employed by public schools in the position of "teacher, teacher-secretary, substitute teacher, supervisor, principal, supervising principal, superintendent, assistant superintendent, nurse or librarian," are exempt from paying Social Security.

The SSA, with assistance from the MSSA, determines whether a specific position will be included within the terms "teacher, teacher-secretary, substitute teacher, supervisor, principal, supervising principal, superintendent, assistant superintendent, nurse or librarian." The new ruling is set to become effective July 1, 2009 and is expected to be applied prospectively only.

What This Means to PSRS Members

SSA's ruling will not affect membership eligibility for PSRS. Employees who are now in PSRS will retain all the benefits and service credit they have accumulated until July 1, 2009. However, if they are working in a "non-exempt" position (subject to Social Security withholding), beginning July 1, 2009 they will pay two-thirds of the required PSRS contribution (9%) and full

Social Security (6.2%) for a total estimated retirement contribution of 15.2% of salary for the 2009-2010 school year. The school district must match this amount.

PSRS management and staff are in the process of determining how this change will be implemented, and provide more information to our members and their employing school districts as soon as possible.

Why the Change?

In 1956, the members of PSRS voted in a referendum to be excluded from Social Security coverage and entered into Section 218 agreements with SSA. These agreements allowed those covered by PSRS to be exempt from paying Social Security. State statute defined members of PSRS to include individuals employed in the positions of teacher, teacher-secretary, substitute teacher, supervisor, principal, supervising principal, superintendent, assistant superintendent, nurse or librarian who were duly certificated under the laws governing the certification of teachers. For more than 40 years, nearly all members of PSRS have been excluded from Social Security.

In 1984, Missouri statutes were changed to reflect our current practice, and the definition of those eligible for PSRS became "any person who shall be employed by any public school on a full-time basis and who shall be duly certified under the law governing certification of teachers ..." From 1984 until 2006, SSA had a policy that any public school employee who is eligible for PSRS is exempt from paying Social Security.

As a result of an IRS audit of two Missouri school districts, the MSSA and SSA have changed their position on which Missouri public school employees are exempt from

CONTINUED FROM PAGE ONE

paying Social Security. The SSA has adjusted its previous guidance, and now ruled that while the 1984 statutory change does establish eligibility for PSRS, it has no impact on the earlier 218 agreements, and no impact upon whether a position is exempt from Social Security. SSA's new interpretation is that only positions (pre-1984 statute) that were included in statutory definition at the time the school district originally entered into the 218 agreement are exempt from Social Security withholding. Currently, the MSSA is still working to identify those positions and extra stipends that may now be subject to Social Security withholding, but official determination has only been made on the position of a school counselor.

PSRS has communicated with SSA, and the MSSA on several occasions and urged them not to modify their previous ruling. During our recent discussions, we advised them to use caution in implementing any change to the previous guidance provided by SSA. We are extremely concerned about the adverse impact this change could have on PSRS members.

What Positions Will Be Affected?

The exact positions that will be impacted by this change in policy have not yet been determined by the MSSA. Go to this Web site for current information: <http://oa.mo.gov/acct/faqs.htm>.

To be exempt from paying Social Security under the new ruling, the position must be one of those identified in the original Section 218 agreement; or if the position was created after the agreement, the employee is only exempt if the employee was required by State law to have a Missouri teaching certificate when the position was created. The MSSA has also indicated that most, if not all, extra-duty stipends will be subject to Social Security withholdings. Thousands of Missouri educators who are current members of PSRS and exempt from paying Social Security will be impacted, including certain central office administrators, instructional aides, vocational teachers, certificated parent educators, and many others.

Members of the Public Education Employee (PEERS) Retirement System are not affected by this issue.

How Benefits May Be Affected

PSRS is in the process of determining the impact of the statutory two-thirds provision on the PSRS benefits of affected members. This provision requires that PSRS members who also contribute to Social Security pay into PSRS at two-thirds the normal contribution rate for those years when Social Security is paid, and receive two-thirds of the normal benefit amount attributable to

those years. We will provide additional information to our members and their employing school districts as soon as possible.

PSRS Advocacy

Upon notification from the MSSA about the SSA's new guidance, PSRS contacted all the educational associations, providing background and guidance regarding the potential impact of this policy change on Missouri educators. On November 3, PSRS and 13 educational associations sent a joint letter to all Missouri elected officials. Missouri's Congressional delegation requested a meeting with the IRS and SSA to discuss this policy change, which took place the second week of December. PSRS and the educational associations continue to work with elected officials to elicit a delay in implementation of this new policy and request that school districts be allowed to modify their 218 agreements.

In November, PSRS, educational associations, the Missouri Department of Elementary and Secondary Education (DESE) and the MSSA met to discuss implementation concerns regarding the new policy. We, along with educational associations, urged MSSA to request an extension of the July 2009 implementation date. MSSA has since sent a letter to SSA and the IRS requesting an extension date of July 2010. Preliminary indicators are that implementation will not take place July 1, 2009, but we are awaiting official confirmation of that information.

PSRS will continue to work with the educational associations and Missouri elected officials to resolve this issue with SSA. PSRS is deeply committed to its members and will do all we can to help them reach their retirement goals.

In Conclusion

SSA and the MSSA have sole determination regarding whether a position or individual is required to contribute to Social Security. Although this new ruling will affect PSRS contributions and benefits of some members, it will not affect eligibility for PSRS membership, or any PSRS credit earned prior to July 1, 2009.

Questions regarding whether specific positions are subject to Social Security must be directed to the State Social Security Administrator at 218agreements@oa.mo.gov, or you may call Vandee DeVore at (573) 751-3289.

Questions regarding the impact of this change on contribution and retirement benefit amounts should be directed to PSRS toll free at (800) 392-6848 or emailed to member_services@psrsmo.org.

Investment Update

Global stock markets collapsed in 2008 with no economy emerging unscathed. The U.S. stock market (as measured by the S&P 500 Index) declined 38.5% in 2008. This was the third-worst year in more than a century for the stock market, lagging behind only 1931 and 1937 for the biggest losses in a year. Non-U.S. stock markets declined even more, with the Dow Jones World Index (excluding the U.S.) falling 46% in dollar terms.

The difficult investment environment has not been contained within the stock market. As Warren Buffett said recently, “We have had an economic Pearl Harbor hit.” Virtually every asset class (including such historically safe investments as high quality corporate bonds) posted negative returns for the calendar year. The only major asset class that had positive returns for the year was United States Treasury securities.

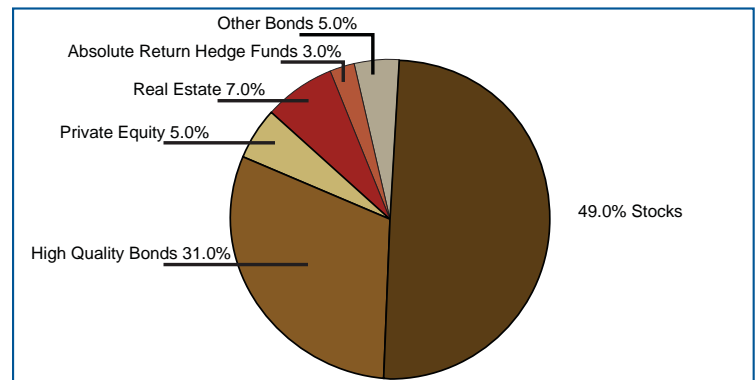
Every individual, whether in a defined benefit plan such as PSRS/PEERS or in an individually directed 401(k), is concerned about their retirement in the current distressed economic environment. We want to address some of the most common concerns (as they relate to PSRS/PEERS) in this newsletter.

Has the PSRS/PEERS Investment Portfolio Changed?

Yes. We held the view early in the year that credit problems facing the financial sector could unfold over an extended period of time. As a result, about 25% of the entire portfolio was transitioned to U.S. Treasury bonds in January 2008. Treasury bonds are the safest and most liquid assets in the world today. As of December 31, 2008, the Systems had over \$7 billion invested in high quality bonds including U.S. Treasury securities. A direct result of the movement of assets from corporate bonds to Treasury bonds is that the Systems’ level of assets is almost \$1 billion greater than without the transition.

How is PSRS/PEERS Different from an Individual Investor?

The biggest differences between the Systems and an individual investor are the size of the fund (investing for over 210,000 school employees) and the time frame. As a large institutional investor, PSRS/PEERS has the ability to invest over a 30-year time horizon



PSRS/PEERS Asset Allocation

because the Systems have significant assets to cover current liabilities. As the chart above indicates, the allocation of assets is highly diversified among bonds (U.S. Treasuries), U.S. stocks, non-U.S. stocks, real estate and private equity.

Has the Recent Stock Market Downturn Affected the Value of the PSRS/PEERS Investment Portfolio?

Yes. All investors that own stocks have been affected significantly by the downturn in the market. However, only a portion of the PSRS/PEERS assets are invested in the stock market. This diversification provides the Systems with a moderate degree of downside protection in periods when the stock market declines. A very important factor in the recent negative market environment is that the Systems continue to maintain a very sizeable pool (30%) of highly liquid bonds.

Investment Markets are Poor but Opportunities are Available.

Until there is more clarity in the credit markets, there will be difficult times ahead for all investors. However, we believe that, ultimately, the investment environment will offer opportunities for patient, long-term investors such as PSRS and PEERS. For example, even if the stock market continues to decline, we believe that the current environment offers an attractive opportunity to buy stocks at fundamentally sound prices. Over the long-term, we believe this ability to prudently buy inexpensive assets across various markets will provide consistent and meaningful investment returns for the Systems.

PSRS Contribution Rate Set for 2009-2010 School Year

Each year, the Public School Retirement System (PSRS) Board of Trustees is required by law to set the contribution rate to be paid by members and school districts during the next fiscal year. As fiduciaries of the PSRS trust fund, the Board is legally required 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 year, the PSRS consulting actuary presents the Board of Trustees with the results of this review in its annual actuarial valuation. This report, which 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.

This year, as the System transitioned to a new actuarial firm, the members of the Board had the opportunity to review both the results of the regular annual valuation study performed by the previous actuarial firm, Gabriel Roeder Smith & Company (GRS), and also that of the System's newly retained actuarial firm, PricewaterhouseCoopers (PwC).

Employee and employer contributions have increased for the last several years, as the System continues to work toward reaching a 100% pre-funded status. Based on information and recommendations provided in both studies, the Board voted to increase each side of the required employer and employee contribution rate from 13.0% to 13.5% for the 2009-2010 school year. This change will become effective July 1, 2009.

The largest factor behind rising contribution rates is the System's unfunded actuarial accrued liability (UAAL). UAAL essentially means the System has more in long-term liabilities than current assets to cover those liabilities. The UAAL is primarily a result of the current market decline, 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. But it is important to note that as of June 30, 2008, the system was 83.4% pre-funded, which is a stronger funded status than the average public pension plan in the United States.

The Board and staff have worked diligently in structuring an investment program that will provide a competitive rate of return at the lowest possible cost and risk.

"Negative investment returns such as those experienced by PSRS in fiscal year 2008 do have a direct impact on future contribution rate increases," said PSRS Chief Investment Officer, Craig Husting. "It is important to note that the primary driver for additional contribution rate changes in future years beyond 2009-2010 will be dependent on how much, if any, investment returns can be generated above the System's actuarially assumed return of 8%."

The June 30, 2008 PSRS actuarial valuation done by GRS showed a UAAL of \$5.7 billion and a required contribution rate of 14.2% (matched by the employer) to fund the PSRS benefits currently in place for PSRS members. The study done by PwC confirmed those findings. While the actuarially required contribution rate is 14.2%, a 2003 law prohibits increasing the rate any higher than .5% for members and .5% for employers (or 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.

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.

Peggy Preston and Aaron Zalis Elected to Serve on PSRS/PEERS Board of Trustees



Peggy Preston



Aaron Zalis

Peggy Preston and **Aaron Zalis** have been declared elected to the PSRS/PEERS Board of Trustees effective September 19, 2008.

Zalis fills the position vacated by the resignation of former Board Chairman Phil Wright in April, and will serve out the remainder of Dr. Wright's term, which ends June 30, 2012. Preston fills the position vacated by the retirement of Board member Cheryl Boggess in July. She will serve out the remainder of Boggess' term, which ends June 30, 2010.

An October election had been planned to fill the two open positions on the Board, but that was not required, since Preston and Zalis were the only candidates who filed nominating petitions. They were declared elected after the certification of the validity of their petitions and accompanying signatures was completed by an auditing committee.

Preston will serve her third term on the Board, having been first elected to the Board July 1, 2000. She has 30 years of teaching experience, and is currently a computer instructor for grades K-4 at Century Elementary in Nixa.

This will be Zalis' first term on the Board. Zalis has been a part of Rolla Public Schools' administration since 1994, and presently serves as Deputy Superintendent for Human Resources and Support Services at the district.

Don't Delay Retirement Because You Get Paychecks During Summer

If you work through May and get paid during the summer break for work you performed during the previous school year, you don't have to wait until your checks end in August to retire with PSRS.

Example: Jane has 30 years of service with her district, and she wants to retire after the end of the 2008-2009 school year. She gets paid over 12 months, even though her contract is to work from September 2008 through May 2009.

Jane doesn't have to wait until her paychecks run out in August to retire – Jane can retire effective July 1. That's because she is getting paid in July and August for work she performed before June 30, 2009, the date PSRS considers the technical "end" of the school year. As long as her service terminated on or before June 30 and she files her **Application for Service Retirement** on time (postmarked before July 1), she can retire effective July 1.

2009 PSRS Cost-of-Living Adjustment Set

The PSRS/PEERS Board of Trustees has voted to set the January 2009 Cost-of-Living Adjustment (COLA) for eligible benefit recipients at 5.0%. Retirees who retired January 1987 through December 2007 are eligible for this increase, and will see it reflected in their January 30, 2009 benefit payment. Those who

retired January 1986 through December 1986 will receive a 3.64% COLA. PSRS retirees who retired in 1985 or earlier will not receive any increase because they have received the maximum amount of COLA increases allowed by law.

Traditional vs. Roth IRAs

An individual retirement arrangement (IRA) is a personal retirement savings plan that offers specific tax benefits. The two most common types of IRAs are Traditional IRAs and Roth IRAs. There are important differences that you must understand before choosing the type of IRA that is best for you.

The Traditional IRA offers the advantage of a possible tax deduction in the current year; however, all withdrawals are generally taxable.

The Roth does not offer a current year tax deduction, but qualified withdrawals are tax free. The Roth IRA

has no mandatory withdrawal requirements based on age; which can allow you to accumulate money for heirs. It also allows those over age 70½ with earned income to continue making contributions. Since you have already paid taxes on your contributions to a Roth IRA, you can withdraw them at any time without penalty or interest.

You have until April 15, 2009 to make a contribution to an IRA for the 2008 tax year.

The following chart compares a Traditional IRA with a Roth IRA.

	Traditional IRA	Roth IRA
Who can contribute?	Anyone with earned income who is under age 70½	Anyone with earned income and an adjusted gross income (AGI) that does not exceed certain limits. For 2008, the contribution phase out begins at \$101,000 if single/head of household, and at \$159,000 if married filing jointly.
How much can you contribute?	The 2008 limit is \$5,000. Persons age 50 or over, can contribute an additional \$1,000.	Same as a Traditional IRA
What are the tax advantages?	Contributions are fully deductible if neither you, nor your spouse, were covered by a retirement plan (like PSRS) during the year. Contributions may not be deductible if you or your spouse were covered by a retirement plan and your AGI exceeds certain amounts. For 2008, the deduction phase out begins at \$53,000 if single/head of household, and at \$85,000 if married filing jointly. For individuals with a spouse in an employer retirement plan, the deduction phase out begins at \$159,000.	Contributions are made after tax and are not tax-deductible. Qualified withdrawals are tax-free.
When can you make withdrawals?	Withdrawals can be made at any time, but penalties may apply if you have not reached age 59½ or certain exceptions are not met. Distributions are generally subject to federal income tax.	Withdrawals can be made at anytime, but penalties and taxes may apply to distributions of earnings unless exceptions are met. Your contributions can be withdrawn at any time tax and penalty free.
Who benefits the most?	Those who can take advantage of tax-deductible contributions; those who will be in a lower tax bracket during retirement.	Those who will be in a higher tax bracket during retirement; those wanting to leave assets to heirs; those wanting to make contributions after age 70½.

CONTINUED ON PAGE SEVEN

CONTINUED FROM PAGE EIGHT

Assuming you qualify to use both, which type of IRA is best for you? You must consider your own personal goals and circumstances in making your decision.

The Roth IRA is probably a more effective investment if you do not qualify for tax-deductible contributions to a Traditional IRA because neither offers a current-year tax advantage, but your earnings will grow tax free in a Roth IRA. It is also beneficial if you want to minimize taxes during retirement and preserve assets for your heirs.

If you can deduct your traditional IRA contributions, the choice is more difficult. A traditional deductible IRA may be a better choice if you want to pay less tax while you are working and are likely in a higher tax bracket now than in retirement. You can contribute to both types of IRAs; however, the contribution limits apply to your combined contributions.

This article only gives a brief overview of the many issues surrounding IRAs. For further information, please refer to IRS Publication 590 or discuss with your tax preparer.

Saving for College? Consider a 529 Savings Plan

A 529 savings plan provides an easy and affordable way to save and also offers tax breaks.

According to the College Board®, the college inflation rate is expected to average around 7% to 8% for the next 10 years – about twice the rate of inflation. The average annual tuition in 2007-2008 at a public four-year college was around \$6,000. Given the expected rate of increase, the cost will have doubled at the end of the 10 years.

If saving for college is a consideration in your financial future, a 529 savings plan might be worth checking into. A 529 savings plan is a tax-advantaged tuition savings vehicle allowed through Section 529 of the Internal Revenue Code. It helps families set aside funds to grow tax-free for qualified educational expenses for a designated beneficiary.

Features include:

- Withdrawals are free from federal tax when used toward qualified educational expenses, such as tuition, fees, books, and supplies.
- Some states, including Missouri, allow tax

exemptions on qualified withdrawals and a possible tax deduction for contributions paid into the plan.

- Most plans have a very low minimum monthly contribution limit.
- The account holder maintains control of the assets.
- The beneficiary can be changed to other family members.
- Anyone, regardless of income, can contribute, whether the plan is for you, a friend or family member.
- Participants can choose any state's plan.

Missouri's 529 Savings Plan is the MOST Plan available through the State Treasurer's office. For further information, visit

<https://missourimost.s.upromise.com> or call **888-414-6678**.

To compare other states' plans, visit **www.collegesavings.org**.

Did you know that, according to a 2007 College Board Study, *Education Pays*, people with a bachelor's degree earn over 60% more than those with a high school diploma? Over a lifetime, the gap in earning potential between a high school diploma and a B.A. is more than \$800,000. In other words, whatever sacrifices you and your child make for his or her college education in the short term are more than repaid in the long-term.

New and Mid-Career Members: Attend a PSRS Mid-Career Workshop



Make a positive impact on your financial security by putting your savings, your future, and yourself *first*.

Learn how it all works together to result in a secure retirement:

- Retirement Basics
- Budgeting Essentials
- Saving for College
- Managing Credit
- Insurance and Tax Planning
- Saving and Investing
- Estate Planning

Mid-Career Workshop Calendar

All workshops are held at 4:30 p.m. Registration not required.

Date	City	Workshop	Location	Address
February 3	Blue Springs	Moreland Ridge Middle School	Multi Media Center	900 SW Bishop
February 12	Linn	Linn High School	Library	Highway CC
February 17	Kirkwood	Kirkwood High School	Lecture Hall	801 Essex Ave.
February 25	Joplin	Joplin R-VIII High School	Eagle Talon Room	2104 Indiana
March 5	Columbia	Columbia Smithton Middle School	Cafeteria	3600 W. Worley
March 12	Kirksville	Kirksville Middle School	Lecture Room	1515 S. Cottage Grove
March 19	Cabool	Cabool Middle School	Library	1025 Rogers St.
March 26	Jefferson City	PSRS/PEERS Office	Board Room	3210 W. Truman Blvd.
March 31	Branson	Branson High School	Auditorium	935 Buchanan Rd.
April 7	Platte City	Platte County R-III Middle School	Forum Room	900 Pirate Dr.
April 16	St. Peters	Ft. Zumwalt East High School	Auditorium	600 1st Executive Dr.
April 21	Hayti	Pemiscot Co. Spec. SD	Career and Tech. Center	1317 W. State Hwy. 84
April 22	Cape Girardeau	Cape Girardeau	Career and Tech. Center	1080 S. Silver Springs Rd.

Listen to

Talk About “Retirement”

PSRS Web Videos and Podcasts

Questions about your retirement? Visit www.psr-peers.org and listen to informational podcasts by PSRS/PEERS Member Services experts on topics such as:

- Purchasing and reinstating credit
- Service retirement payment plans
- Disability retirement
- Beneficiary designations
- And more ...

New podcasts are posted regularly, so visit and listen often!

Near Retirement? Attend a Pre-Retirement Planning Seminar

Get a head start on your retirement planning and make sure you are ready when your big day arrives by attending a PSRS Pre-Retirement Planning Seminar. Seminars are geared to members who plan to retire within the next five years. All PSRS members, as well as their guests, are welcome to attend.

At the seminar, you will receive an estimate of monthly benefits given your projected retirement date. The estimate is reviewed in detail to provide you with a good understanding of your options. Other topics addressed include: the Partial Lump Sum Option, buying credit, financial protection for your family in the event of death, cost-of-living adjustments, and health insurance for retirees.

Registration is required and is easy to complete online at the PSRS Web site, www.psr-peers.org, or you can register by calling PSRS at **(800) 392-6848**.

You will need an idea of your retirement date along with your beneficiary's name and birth date. If you're unsure of this information, call us and we can assist you. We look forward to seeing you at a seminar!

The entire 2008-2009 schedule is available on our Web site after entering your user name and password.



Pre-Retirement Planning Seminar Schedule

Date	City	Time	Location	Address	Register By
February 17	Hannibal	4:30 p.m.	Hannibal High School	4500 McMasters Ave.	February 2
February 18	St. Joseph	4:30 p.m.	Stoney Creek Inn	1201 N. Woodbine Rd.	February 2
February 25	Sikeston	4:30 p.m.	Clinton Bldg. (Parks and Rec. Dept.)	501 Campanella	February 3
February 26	Cape Girardeau	4:30 p.m.	Career and Technology Center	1080 S. Silver Springs Rd.	February 3
March 3	Park Hills	4:30 p.m.	Mineral Area College	5270 Flat River Rd.	February 16
March 5	Lebanon	4:30 p.m.	Lebanon High School	777 Brice St.	February 16
March 7	Independence	10:00 a.m.	Bingham 7th Grade Center	1716 Speck Rd.	February 16
March 10	St. Charles	4:30 p.m.	St. Charles Convention Center	One Convention Cntr. Plaza	February 16
March 17	Springfield	4:30 p.m. & 7:00 p.m.	Ozarks Technical Community College	National at Chestnut Expwy.	February 26
March 19	Jefferson City	4:30 p.m. & 7:00 p.m.	PSRS/PEERS Office	3210 W. Truman Blvd.	March 2
April 1	Chesterfield	4:30 p.m.	Parkway Central Middle School	471 N. Woods Mill Rd.	March 16
April 2	Jefferson City	4:30 p.m.	PSRS/PEERS Office	3210 W. Truman Blvd.	March 16
April 14	Springfield	4:30 p.m.	Ozarks Technical Community College	National at Chestnut Expwy.	March 30
April 16	Lee's Summit	4:30 p.m.	Lee's Summit W. High School	2600 S.W. Ward Rd.	March 30
April 28	Jefferson City	4:30 p.m. & 7:00 p.m.	PSRS/PEERS Office	3210 W. Truman Blvd.	April 13

Using Technology to Improve Your Retirement System

PSRS has made major advances in the technology used to administer and protect your retirement. These technology improvements will make it easier and safer for our staff to provide information that is tailored to your specific retirement needs. Besides gaining system efficiencies we are also working diligently to keep your personal information secure.

This technology initiative has been named "Ticket to the Future," in recognition of the major role technology will play in the future administration and security of your retirement system. Major initiatives currently in progress or recently completed include:

New Pension Administration System

This is the largest technology project ever undertaken by PSRS, and includes not only replacing our existing pension administration system, but also converting all paper records into an electronic format that can be routinely backed up and consequently restored if necessary. The new system, called Pension Gold PE, was developed by Levi, Ray, and Shoup (LRS) and is built on a web-browser type of architecture. LRS has 27 years of public pension system experience.

In addition to significant technical and efficiency benefits for the day-to-day operations of PSRS, members will also experience improvements that include:

- better security,
- improved day-to-day services,
- shortening of our already industry-leading turnaround times for benefit estimates, purchase estimates and other member inquiries (despite an increasing workload caused by the anticipated retirement of baby boomers), and
- the ability to offer these services without significant increases in staffing levels.

Other service improvements are expected in our Information Center, where our representatives will have improved access to data, enabling them to answer member questions at first contact.

Member access to account information via PSRS/PEERS Web Member Services (WMS) will improve significantly. While members currently have online access to their account information and employment history using a secure login, the new system will also allow members to update personal information, submit information requests, and electronically complete and submit forms.

Improved Telephone System

Members will always be able to pick up the phone and call us. Since January, 2008, our Information Center has been using a state of the art Voice Over IP (VOIP) phone system. The new system has several features that allow us to

respond more effectively. Calls coming into our Information Center are currently recorded and saved, however, the new system allows us to index, or file, each call as a part of the member's permanent record. When fully implemented, the new phone system recording functionality will integrate seamlessly with the new pension administration system and place all member related information, including phone calls, at the fingertips of our Information Center representatives.

Disaster Preparedness

PSRS staff have worked to complete a disaster recovery analysis and develop a comprehensive series of business continuity plans, including step-by-step procedures and processes to be used in a post-disaster environment. Disaster exercises are conducted periodically (often unannounced to staff). Constant updating and planning ensures that staff will be able to prevent or minimize any disruption of office services, and ensure that benefit payments will continue uninterrupted in almost any disaster.

PSRS stores vital paper records with an off-site secure underground storage facility, and contracts with a business continuity firm to provide on-site mobile offices and computing units within 48 hours of a disaster that would cause our office building to be uninhabitable. A diesel-powered generator has been installed to prevent power outages that might cause interruption of services or data problems, and all paper waste is shredded on-site using a certified disposal firm.

Information Security

PSRS has hired two more professionals to assist in data security efforts. The Information Technology section hired a Security Analyst in April 2008 and a second Internal Auditor joined our staff in November 2008.

Our Information Technology staff is constantly monitoring developing products and methods to improve the security of member data and our computer networks. They also conduct periodic tests of computer systems with regard to data security, data recovery, and network vulnerability.

We have formalized our security policies in a new Security Policy Manual that all PSRS employees are required to read and sign each year. All new employees are subjected to an expanded background check and all PSRS employees annually undergo security training. In addition, a new, more secure building access system has been installed.

PSRS fully understands the obligation it has regarding the security of your personal information, and in a world that increasingly places vast amounts of information at people's fingertips, we must be relentless in our efforts to pursue technology that gives our membership needed access to their information, while keeping others away.

Final Average Salary Cap Changed Effective August 28, 2007

Legislation that became effective August 28, 2007 changed the allowable percentage increase in Final Average Salary from one school year to the next (also called the Final Average Salary Cap) used when calculating your service retirement benefit.

Service retirement benefits are based on a formula that includes:

- A percentage factor,
- Your final average salary, and
- Your years of credit with PSRS.

Your final average monthly salary is determined by adding your three highest consecutive annual salaries (including board-paid health, dental and vision insurance), and dividing the total by 36. In determining final average salary, Missouri law limits increases in compensation from one year to the next during the final average salary period as follows:

School Year	Percentage Cap
2006-2007 and before	20%
2007-2008	12%*
2008-2009 and after	10%

*A blended cap is used since the law became effective in the middle of the school year.

Example: Joy is planning to retire July 1, 2009. Her highest salaries are earned during her last three years of employment. PSRS will use her 2005-2006 salary of \$45,000 (includes board-paid insurance) as her base. Accordingly, the following shows the maximum salaries that may be used in the calculation of her retirement benefit.

School Year	Maximum Salary	
2006-2007	\$54,000	May not exceed 20% of 2005-2006 salary
2007-2008	\$60,480	May not exceed 12% of 2006-2007 salary
2008-2009	\$66,528	May not exceed 10% of 2007-2008 salary

If her actual salary during 2007-2008 or 2008-2009 is greater than the maximums shown above (the percent increase in her salary is more than the statutory limit for that school year), the maximum salaries shown will be used in the calculation of her benefit, rather than her actual salary amount.

It is important to note that the caps **do not apply** to salary increases that are due to a bona fide change in position or employer, increases required by state statute, or district-wide salary schedule adjustments for previously unrecognized education-related service.

The salary caps **do apply** to salary increases attributable to assuming extra duties, such as summer school and overloads.

Contributions remitted on salary during the Final Average Salary period that is in excess of the limits, as well as any accrued interest, are refundable.

For Your Benefit

For Your Benefit is published and mailed quarterly, with special editions as needed, to members of the Public School Retirement System of Missouri.

Board of Trustees

Tina Zubeck, Chair
 Joncee L. Nodler, Vice Chair
 Yvonne Heath
 James V. O'Donnell
 Peggy Preston
 Wayne Wheeler
 Aaron Zalis

Executive Director

M. Steve Yoakum

Mailing Address

P.O. Box 268 • Jefferson City, MO 65102

Office Location

3210 W. Truman Blvd. • Jefferson City, MO 65109

Telephone

(573) 634-5290 • (800) 392-6848

Email

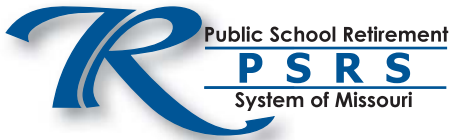
member_services@psrms.org

Web site

www.psr-peers.org

Business Hours

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



P O BOX 268
JEFFERSON CITY MO 65102-0268

PRSRT STD
U.S. Postage
PAID
Jefferson City, MO
PERMIT NO. 317

For Your *Benefit*

Now showing on a
screen near you ...



Visit www.psr-peers.org today and login to
subscribe to email delivery of your PSRS newsletters.



A look at what's inside

- 3 Investment Update
- 4 2009-2010
Contribution Rate Set
- 5 Preston and Zalis
Elected to Board
- 6 Special Section:
Financial Planning
- 10 Using Technology to
Improve Your
Retirement System