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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%.

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. 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.”

– Steve Yoakum, PSRS/PEERS Executive Director

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.

CONTRIBUTION RATES, CONTINUED FROM PAGE ONE

The policy provides the following:

- Stabilizes contribution rates for members and employers at or near the 2011-2012 school year rates;
- Maintains the current benefit structure for retirees, active members and new hires;
- Provides an annual 2% cost-of-living adjustment (COLA) to retirees when inflation is between 0% and 5%;
- 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 a 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 Systems 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 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 displays 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 retirement planning information, investment information, calculating your benefit amount 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, salaries on record, credit history, beneficiary designations and more.

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.

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."

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.

2.55% Formula Factor and 25-and-Out Provisions Not Due to Expire Until 2013

Based on the number of inquiries we have received from members, there appears to be some confusion as to when the 2.55% formula factor for 31 or more years of credit and the 25-and-Out early retirement provisions under PSRS are due to expire. Under current law, both of these provisions will be available to members **retiring on or before July 1, 2013**. The expiration date of these provisions will have no effect on benefits payable under the Rule of 80 or the availability of the Partial Lump Sum Option (PLSO).

The 2.55% formula factor and the 25-and-Out early retirement benefit provisions were enacted into law by the Missouri General Assembly a number of years ago, and each has been extended several times. By placing a sunset date on the provisions, the General Assembly allows the PSRS/PEERS Board of Trustees and the PSRS actuary the opportunity to review the overall financial stability of the System and make a determination as to whether

an extension of these provisions is financially feasible.

Again, these provisions do not expire until July of 2013. Over the next year, the Board of Trustees will work with actuaries, consultants, and the education community to determine the feasibility of such extensions using investment returns and actuarial projections to ensure the continued financial soundness of the retirement systems.

Overview of the Provisions

The **2.55% formula factor** is a slightly higher formula factor (normal formula factor is 2.5%) used to calculate benefits for members of any age who retire with 31 or more years of credit.

The **25-and-Out** early retirement provision allows members to retire with reduced benefits if they are under age 55 with at least 25, but fewer than 30, years of credit, and do not qualify for the Rule of 80 (when age plus years of credit equals 80 or more).

Rule of 80 and Partial Lump Sum Option (PLSO) Provisions Do Not Expire

The following retirement provisions **have no expiration date**:

- Normal retirement eligibility under the **Rule of 80** (sometimes referred to as "80-and-Out"); and
- The **Partial Lump Sum Option (PLSO)**, a benefit payment option that allows qualified members to choose to receive actuarially reduced lifetime monthly benefits in exchange for a lump-sum payment at retirement.

If you have any questions regarding either the 2.55% formula factor or the 25-and-Out provision, feel free to call our Information Center toll free at **(800) 392-6848**, or email psrspeers@psrspeers.org.

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 44th 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."

Proper Termination of Employment

If you are considering retirement, it is important for you to note the following guidelines. The Internal Revenue Service (IRS) rules state that retirement systems, such as PSRS, must require a clear separation of service between the termination of employment and post-retirement work. PSRS requires a **one-month** separation of service.

In order to be considered to have properly terminated employment, you must:

1. End all employment with PSRS-covered employers, and
2. Not return to work for any PSRS-covered employer (this may include volunteer work) and not sign a contract for employment in any capacity (this may include a retirement incentive) until **one month** has passed since your effective PSRS retirement date.

For example, if you retire with PSRS on July 1, you cannot teach summer school, or work in any other capacity, including work under the “Critical Shortage” Full-Time Employment Exception, for the entire month of July in the calendar year that you retire. You may not sign a contract for employment in any capacity until August 1. As of August 1, you may begin working in a part-time or temporary-substitute position in accordance with the limits established by law, and as outlined in the *Working After Retirement* brochure found on our website.

If you violate the rules for proper termination of employment, you must repay any benefit payments, including a Partial Lump Sum Option (PLSO) distribution, received while ineligible.

65 Years of Service (1946-2011)

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 44th largest defined benefit retirement plan in the United States.

Keeping Your Confidential Information Safe When Using Email

At PSRS/PEERS, maintaining the security of your confidential information is of the highest priority. Our Member Services representatives are happy to respond to your questions sent to us by email. However, we will not:

- Include any of your personal or specific account information in a reply email (If needed, we will call you.),
- Ask you for your Social Security number or other sensitive information in an email, or
- Send you an emailed link to log in to your personal account information online (You should only log in directly from the PSRS/PEERS website.).

Some good rules of thumb to follow when using email:

- If an email looks in any way suspicious, don't click on any links.
- If you didn't expect the email, don't click on any links.
- If an email requests that you visit a website, always type the address into your browser by hand, but only after determining that it is indeed a company with which you do business.

Ask Us When You Need Information about your PSRS Retirement

Many PSRS members choose to enlist the help of a financial planner when preparing for retirement. A qualified, trusted financial planner can provide valuable advice through an evaluation of your overall financial situation. We recommend that even if you are working with a financial planner, it is still important to remain engaged in your retirement planning, and ensure that you understand all the options, so that you and your financial planner can work together to make decisions that are right for you.

When you need PSRS-specific information or assistance, it is best to come directly to us. Our retirement counselors are experts on PSRS/PEERS retirement and are here to help. Whether you need help with your retirement planning or

with completing the necessary applications and other forms, we have a highly trained staff here to assist you free of charge.

“Helping with retirement paperwork is an important part of our service to members,” said Margie Bunch, PSRS/PEERS Benefits Supervisor. “We will make sure you have all the information you need, when you need it. There is never a cost for this service.” She added, “Of course, we are happy to provide whatever information you need about your PSRS benefits so you can share it with a trusted financial planner.”

Annual Member Statements Mailed

Your 2010-2011 PSRS *Member Statement* was mailed in October. Statements include your membership information as of June 30, 2011.

Your *Member Statement* is a valuable source of information about your membership, including your:

- Account balance (contributions, payments made to purchase or reinstate credit, and interest earned);
- Annual compensation (including employer-paid health, dental and vision insurance premiums);
- Total membership credit (earned, purchased and reinstated); and
- Beneficiary designation with PSRS.

Your statement also includes:

- Details of your PSRS-covered employment, including the name(s) of your employer(s), and credit and compensation earned each year; and
- Information on your credit purchases and reinstatements, showing not only credit you have paid for, but also any credit you have on record for which you have not yet paid.

Based on your membership status with PSRS, your statement contains even more information on vesting, qualifications for service and disability retirement, and benefits payable to your beneficiaries if you die before retirement.

Please note that interest shown on this statement should not be reported for tax purposes, unless your contributions and interest are refunded to you, and you receive an IRS Form 1099-R.

You can also view your account information online at www.psr-peers.org. The information available online is updated daily. Contact our office if you would like a duplicate paper statement sent to you.

Attend a Pre-Retirement Planning Seminar

Do you have questions about retirement? PSRS Pre-Retirement Planning Seminars are an excellent resource for answers. Registration is required and is easy to complete. Be sure to register early because seating for each seminar is limited, and we cannot accept late registrations. Below you will find a schedule of upcoming seminars. To view the complete seminar schedule and to register, please visit us online at www.psr-peers.org, or contact our office at **(800) 392-6848**. In order to register, you will need an idea of your retirement date, along with your beneficiary's name and birth date. If you're unsure of your retirement date or eligibility, call us and we can assist you. We look forward to seeing you at a seminar!

| Date | City | Time | Location | Address | Deadline to Register |
|-------------|------------------|------------------|--|--------------------------------|----------------------|
| January 4 | Joplin | 5:30 p.m. | Holiday Inn | 3615 South Range Line Road | December 12 |
| January 11 | Jefferson City | 4:30 p.m. | PSRS/PEERS Office | 3210 West Truman Boulevard | December 21 |
| January 17 | Park Hills | 4:30 p.m. | Mineral Area Community College | 5270 Flat River Road | December 27 |
| January 18 | Chillicothe | 5:30 p.m. | Chillicothe High School | 2801 Hornet Road | December 27 |
| January 24 | Rolla | 4:30 p.m. | Rolla School District Board Office | 500A Forum Drive | January 4 |
| January 28 | Chesterfield | 10:00 a.m. | Double Tree Hotel and Conference Center | 16625 Swingley Ridge Road | December 28 |
| January 31 | St. Louis | 4:30 p.m. | Hixson Middle School | 630 South Elm Avenue | January 11 |
| February 1 | Sedalia | 4:30 p.m. | State Fair Community College | 3201 West 16th | January 11 |
| February 2 | Jefferson City | 4:30 p.m. | PSRS/PEERS Office | 3210 West Truman Boulevard | January 18 |
| February 4 | Independence | 10:00 a.m. | Bingham Middle School | 1716 South Speck Road | January 17 |
| February 9 | Kirksville | 5:30 p.m. | Kirksville Middle School | 1515 South Cottage Grove Ave | January 17 |
| February 9 | St. Peters | 5:30 p.m. | Ft. Zumwalt South High School | 8050 Mexico Road | January 18 |
| February 15 | Sikeston | 4:30 p.m. | Clinton Building (Parks & Rec. Department) | 501 Campanella | January 23 |
| February 16 | Cape Girardeau | 4:30 p.m. | Career and Technology Center | 1080 South Silver Springs Road | January 23 |
| February 21 | Nevada | 4:30 p.m. | Nevada High School | 800 West Hickory | January 30 |
| February 23 | Springfield | 4:30 & 7:00 p.m. | Ozarks Technical Community College | 815 North Sherman Avenue | February 1 |
| February 28 | Des Peres | 4:30 & 7:00 p.m. | Lodge of Des Peres | 1050 Des Peres Road | February 8 |
| March 1 | Jefferson City | 4:30 & 7:00 p.m. | PSRS/PEERS Office | 3210 West Truman Boulevard | February 15 |
| March 3 | Columbia | 10:00 a.m. | Stoney Creek Inn | 2601 South Providence | February 15 |
| March 8 | St. Joseph | 4:30 p.m. | Stoney Creek Inn | 1201 North Woodbine Road | February 13 |
| March 13 | Maryville | 4:30 p.m. | Maryville High School | 1503 South Munn Avenue | February 21 |
| March 21 | Joplin | 5:30 p.m. | Holiday Inn | 3615 South Range Line Road | February 27 |
| March 22 | Springfield | 4:30 p.m. | Ozarks Technical Community College | 815 North Sherman Avenue | February 27 |
| March 22 | Kansas City | 4:30 p.m. | Winnetonka High School | 5815 Northeast 48th Street | March 1 |
| March 27 | Trenton | 4:30 p.m. | Trenton High School | 1415 Oklahoma Avenue | March 5 |
| April 3 | Jefferson City | 4:30 p.m. | PSRS/PEERS Office | 3210 West Truman Boulevard | March 12 |
| April 4 | Clinton | 4:30 p.m. | Clinton High School | 1106 South 2nd Street | March 14 |
| April 5 | Maryland Heights | 5:30 p.m. | Pattonville Senior High School | 2497 Creve Coeur Mill Road | March 14 |
| April 12 | Fenton | 5:30 p.m. | Rockwood Summit Senior High School | 1780 Hawkins Road | March 21 |
| April 18 | Independence | 5:30 p.m. | Fort Osage School District | 2101 North Twyman Road | March 28 |

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.



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PSRS for your BENEFIT

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E-Newsletters

Sign up today to receive your PSRS newsletters via email. It's an easy way to help us save natural resources and money while staying informed about your retirement system. Simply visit www.psr-peers.org and log in to your personal account information to subscribe.

