

## PSRS/PEERS - THE SELF-INFLICTED WOUND

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By

Tyler W. Laney

I've entitled my comments today The Self-Inflicted Wound due to the fact that whatever rationale you have for being here and listening to this presentation really wouldn't have been necessary if PSRS/PEERS would have tried to do a few minor things differently.....and most, if not all, of those minor things pertain to communication with their stakeholders.

I want to make it very clear, I want a strong and stable retirement system for all retired Missouri public school educators and support service employees and for those who are still doing the hard and necessary work of teaching those wonderful Missouri public school children....and will be for years to come. From where I sat in an administrator's chair for years and where I sit now (in my recliner) I'm not willing to compromise on that statement at all.

Furthermore, I really don't want the Missouri General Assembly to get involved with PSRS/PEERS. I know Mr. Kreider is a former Speaker of the House and served honorable as representative to the general assembly but, Missouri's public schools have had about all the help we can stand from the Missouri General Assembly. Any governmental body that knowingly, knowingly allows for the difference of \$10,000's of thousands dollars per student in revenues and expenditures for the children we were and today's educators currently are so fortunate to serve doesn't need their hands anywhere close to a public retirement system.

With that said, let me talk about a few things pertaining to a meeting others and I had with Mr. Steve Yoakum on September 16<sup>th</sup> last fall.

- I. PSRS
  - A. My comments won't necessarily pertain to PSRS's decision to prevent a COLA distribution for the current fiscal year. As a former Superintendent, I've made more than my share of difficult/thought-provoking/unpopular financial decisions over the years. As such, I have an appreciation of how troubling those types of recommendations or decisions are on the stakeholders in the process.
  - B. However, I do admit that the COLA decision, or lack thereof, caused others and myself to start looking a little closer at PSRS/PEERS' operational procedures. In looking at the numbers, which by the way always "tell an operational story/an auditable trace" of a decision, we noticed a few things and asked for some clarification.
- II. For instance, every retired teacher, cook, custodian, administrator, etc will not receive a cost of living increase during the current fiscal year. However, it became rather apparent rather quickly that each PSRS/PEERS employee would still receive a 4.5% salary increase during the same fiscal year.
  - A. My experience in tough times as a former administrator is that when the teachers and support service employees don't receive a raise, one better man or woman-up as an administrator and decline a raise whether he/she already has one in writing in a contract or not.

- B. When asked about this situation, Mr. Yoakum responded in a meeting last fall that he was “afraid we will lose some good people.”
  - C. Our collective reply was that we all had lost good people when the district we worked in couldn’t compete with respect to salaries. Additionally, PSRS/PEERS was established to serve the wonderful active and retired certificated and non-certificated employees that had paid into it for years, not the employees who work at PSRS/PEERS.
- III. All PSRS/PEERS Employee Salaries and Benefits were requested from the Retirement System
- A. In writing and verbally, we were told salaries and benefit information couldn’t be released, albeit we did receive piece of information, which wasn’t to be disseminated, providing averages of salaries for various positions with more than one employee.
  - B. Our response was that every active educator in Missouri has their salary listed publicly and we didn’t understand why there was a difference.
- IV. Over \$400,000,000 was expended in Investment Fees
- A. We were assured that the Investment Fees were being negotiated and the Retirement System was trying their best to get the best deals possible.
  - B. We questioned Mr. Yoakum about public bids and if the Retirement System was complying with those mandates.
  - C. We also thought that having \$40 billion to invest ought to provide some leverage with respect to Investment Fees.
  - D. From our perspective, all expenditures have to be considered stringently if a NO COLA or Reduced COLA decision is made.
- V. Policies and Procedures
- A. Mr. Yoakum said they have various policies and procedures in place, and I would concur with most of that.
  - B. But, how easy they are to find on the Retirement System’s website is another story. I’m not saying they aren’t there, I’m just not always sure where to look, which may be more my fault.
- VI. Pursue Additional Revenue Enhancements
- A. We were shown a listing of potential revenue enhancements but were told that none of them “move the needle” with respect to achieving 100% funding
  - B. I would concur such a statement is correct if only one is considered on a yearly basis instead of several revenue enhancements enacted at the same time over a period of years.
  - C. What became apparent to me is that there are ways to assist/help achieve 100% funding by creating additional revenue but the Retirement System isn’t moving in that direction.
- VII. During the September 16<sup>th</sup> meeting and since that time, we have made some suggestions and they are as follows. But let me state once again, this Self-Inflicted Wound, which began with how the Retirement System handled a NO COLA increase and has responded to request for information would not have been necessary if a number of issues had been communicated differently and/or better.
- VIII. Suggestion to PSRS/PEERS

1. PSRS/PEERS should fully adhere to and comply with the Missouri Sunshine Law, RSMo 610.011
2. PSRS/PEERS' website should provide daily updated investment returns with respect to percentage and dollars earned.
3. PSRS/PEERS' website should provide monthly financial and fiscal year-to-date expenditures and revenues reports per the Missouri Financial Accounting Manual requirements.
4. PSRS/PEERS' website should provide a annual report of all forms of compensation (salaries, benefits, bonuses) as well as travel expenses for all PSRS/PEERS employees.
5. PSRS/PEERS should establish standing committees of active and retired PSRS and PEERS members in each of the nine (9) areas of the State of Missouri, as identified by DESE State Supervisory areas, for the express purpose of receiving and disseminating timely information, providing regional information to the PSRS Board of Directors, and providing input into potential statewide and/or operational decisions the PSRS Board of Directors may be considering.
6. PSRS/PEERS should comply with all State of Missouri public bid requirements.
7. PSRS/PEERS, in achieving their stated goal of 100% funding, shall refrain from planning or beginning construction of facilities until that goal is reached.
8. PSRS/PEERS should pursue additional revenue enhancements to help achieve the stated goal of 100% funding.