



# MRTA News Bulletin

Missouri Retired Teachers Association  
and Public School Personnel  
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## **SHOCKED! STUNNED! DISAPPOINTED!**

**By Jim Kreider, MRTA Executive Director**

We were shocked, stunned, and disappointed with the action of the PSRS/PEERS Board of Trustees on June 14th, 2016 at their June board meeting. The trustees voted to change their policy by reducing the Cost-of-Living Adjustment (COLA) to zero when the Consumer Price Index (CPI) is between 0% and 2%. This means NO COLA for 2017! The policy was 2% COLA if the CPI was 5% or under. This policy change could eliminate a COLA for retirees for many, many years.

This reduction in COLA is concerning for several reasons and I would like to address them to MRTA members. MRTA has an abiding concern about the welfare of PSRS/PEERS retired educators. Retired educators are our #1 priority. The COLA that is built into our System through Missouri Statute is one that allows our retirement benefits to be the best in the nation. A retiree could be assured their standard of living would remain constant throughout their life during retirement. The current COLA policy adopted by the trustees is not acceptable to MRTA because it does not provide retirement security.



The 2016 Legislative Session of the Missouri General Assembly provided several sleepless nights. MRTA worked tirelessly to protect the integrity of our retirement system from many pieces of legislation that would have done you and the retirement system harm (See my END OF SESSION REPORT on page 2). The Legislative Session ended on May 14th, and just as we were breathing a sigh of relief, we received bad news. Information was provided to MRTA reporting that based on the five year required actuarial study of PSRS/PEERS, the projected investment returns looked grim for the foreseeable future. Life expectancy of PSRS/PEERS retirees is longer than was previously estimated. The return on investment for 2015/2016 was going to be 0% and maybe a loss. The markets have not been good especially this week! Worse, the actuarial company hired by PSRS/PEERS also predicted the return on investment for the next five years would also be bleak. This information is based on estimation or opinion. No one really knows the future; I am more optimistic. Regardless, PSRS/PEERS Executive Director Yoakum visited my office twice to present options on changing the COLA policy to make the System more financially stable.

### **There were three COLA options:**

- #1 – COLA Policy remains the same. - 2% COLA awarded up to 5% CPI.
- #2 - Allow the ACTUAL CPI (currently .25%) be the COLA amount between 0% and 2%.
- #3 - Zero COLA if CPI was between 0% and 2%. (CPI<2%, the COLA would be 0%)

With these COLA options, it was stated the active/school district contribution rate was likely to raise by one-half of one percent (0.5%) for each employee and employer. Considering this information, MRTA conceded we would need to help the System's financial status, especially if the actives were going to be paying more. As things stand now, it is doubtful that the actives/school districts will have an increase at all. MRTA, representing over 25,000 members, voiced in a letter dated 6-10-2016 that we would accept and recommend Option #2 which would allow the actual CPI to be awarded as a COLA. (See page 3 for letter). **SHOCKED** was the feeling when the retiree representative on the PSRS/PEERS Board of Trustees, Wayne Wheeler, made the motion to approve Option #3 - zero COLA effective for 2017 and beyond if CPI is 0% to 2%. MNEA-R President, Carol Weatherford, remarked at the Board meeting during "public comment" that Option #3, the zero COLA, was the correct choice and thanked the PSRS/PEERS Board. She stated this decision saved the active educator a contribution increase. I was **STUNNED** by this comment and actions from officials who supposedly represent education retirees. The voice of Missouri education retirees has fallen on deaf ears. **DISAPPOINTING!**

### **WHAT NOW?**

Putting the vast majority of the financial burden in shoring up the funding status of the System on retirees is just not acceptable. MRTA members need to know that at this time, not only do we have to develop strategies to fight off the billionaires like Rex Sinquefeld, The Show-Me Institute, and their legislators who want to dismantle the defined benefit plans, especially PSRS/PEERS, we will also need to develop strategies to have our COLA reinstated in full. The one blessing of this action is that it is a change in policy and not a change in law. We will have opportunity to reinstate an acceptable COLA policy through PSRS/PEERS Board action. We also need to remind active *see SHOCKED! STUNNED! DISAPPOINTED! on page 2*

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educators that they will need a COLA when it is their turn to retire in order to maintain a decent life and to be secure in retirement. The COLA is extremely important to them also.

For now, MRTA and our members encourage Governor Nixon, as well as the next Governor, to appoint a new retiree representative to the PSRS/PEERS Board as soon as possible. Wayne Wheeler's term expired 8 years ago!!! We will work on obtaining more "retiree friendly" Board of Trustee members at the next election of board members. We encourage PSRS/PEERS to reassess their investment staff to make sure they are up to the job in today's investing climate. We encourage PSRS/PEERS to look at saving administrative dollars and becoming more efficient. We encourage PSRS/PEERS to reduce or delay any unnecessary or optional internal spending and to apply those monies to reinstating the COLA, no matter how minimal. We encourage the PSRS/PEERS Board of Trustees to hire a new actuarial company - one that considers our actual experience. We have a retirement system that is the 45th largest in the nation and one that has a 70-year spotless record. The current actuary company does not give much credence to our experience and has a very negative outlook of the future. This lists a few of the strategies MRTA will pursue on the behalf of education retirees.

In summary, reinstatement of the COLA and strengthening retirement security is so very important for the wellbeing of education retirees who gave their lives through their careers in public education. MRTA wants to partner with PSRS/PEERS to achieve this goal. MRTA will endeavor to persevere in our efforts to protect your retirement benefits and to protect the retirement system, not only for ourselves, but for future retirees.

### 2016 MRTA End of Session Report YOUR PENSIONS HAVE BEEN PROTECTED!

The Legislature of 2016 has required herculean effort for positive change in regard to educator retirement and public schools. In the end we had outstanding success in protecting the pension systems of Missouri and educator benefits by stopping legislation that would be damaging to retirees and public education. We had great disappointments in losing legislation in the Senate that would have improved the PSRS/PEERS system's financial stability and legislation that would have benefited certain beneficiaries of that system.

This is an election year and I want to say to the over 25,000 MRTA members and their colleagues, friends, and families, "It really does matter who your elected officials are!" Please ask candidates questions! Please pay attention to their positions on education retirement and public education funding. Please be sure and vote!

#### MRTA's SUCCESSES IN 2016

##### MRTA STOPPED AND KILLED

**1) HB 1591 (Koenig R - 99) and SB 680 (Emery R - 31).** Both bills would have shut down Defined Benefit retirement plans and required Defined Contribution plans for public employees. MRTA Legislative Day attendance killed both of these bills.

**2) HB 1783 (Barnes R - 60).** This bill would have changed the way PSRS/PEERS deals with marital property. This was very disadvantageous to PSRS/PEERS retirees. MRTA's hard work was successful in removing PSRS/PEERS from the bill.

**3) HB 1059 (Leara R - 96) and SB 2314**

**(Schaaf R - 34).** This bill dealt with Saint Louis City PSRS. These bills would have reduced benefits of active teachers and also would withhold more out of their pockets. This was our major achievement as these bills would have set a very, very bad precedent for all educators in Missouri, as well as, other public pensioners. These bills had major lobbying efforts in favor of passage. **GOOD JOB, MRTA! YOU ARE "OBVIOUSLY A POWERFUL GROUP"!**

**4) HCS/HBs 1589 and 2307 (Koenig R - 99) - Vouchers.** The portion from HB 1589 would have created a tax credit voucher for donations to a fund established for the provision of private school scholarships limited to foster care children. The portion from HB 2307 would have established education scholarship accounts. The accounts would have been funded by tax credits for donations to third-party organizations. These organizations would have administered the education savings accounts used to fund home school or private school tuition for students with a disability.

##### MRTA DISAPPOINTMENTS 2016

**1) HB 1709 (Lair R - 7).** This bill allowed for a benefit "pop up" and removal of an ex-spouse's name from pension benefit in the case of a divorce. It died when the Senate quit working two hours early on the last day of session.

**2) HB 1710 (Lair R -7).** Closed the work after retirement loophole called the "Kelly Services Bill." This legislation required that any retiree who is employed by a third party or is performing work as an independent contractor as a temporary or long-term substitute



teacher be required to comply with the statutory working after retirement requirements of 50% salary and 550 hours. This bill died in the Senate when they quit working two hours early on the last day of session.

**3) HB 1420 (Walker R - 3), 1780 (Fitzwater R - 144), and SB 954 (Pearce R - 21).** This legislation would have reinstated the 2.55 factor for educators after 31 years of service. This legislation is a net monetary GAIN of \$7 million per year for the PSRS/PEERS systems and would have helped retain good educators in the classroom. This legislation died in the Senate mostly due to Senator Schaaf's unfounded objections.

**4) HB 2550 (Burns D - 93) and SB 1146 (Nasheed D - 5).** This legislation allowed for a COLA increase for Saint Louis City retirees. Senate Pensions Committee, Chaired by Senator Schaff, heard SB 1146 but would not vote the bill out of committee.

**5) The Senate and House overrode the Governor's veto of SCS/SBs 586 & 651 (Wasson R - 20).** It is now law. The bill would revise the definitions used in calculating state aid for schools. The bill reinstates the 5% cap on annual growth the per pupil base amount known as the State Adequacy Target.

*see End of Session on page 3*

**End of Session ...con't. from pg 2**

the public school foundation formula by around \$500 million. Now, they say only \$65 million is owed because of this legislation. Since 2005 the Legislature has twice reduced the formula where they could claim it was close to "fully funded." It would be proper to remember this the next time you are asked for a local levy increase of your property, OR the next time teachers and staff are laid off/positions unfilled, OR the next time you hear

of class sizes being increased, OR the next time you hear someone say we just cannot afford the retirement benefits for educators and staff. Be sure and vote accordingly.

All in all, the hard work of MRTA was a success.

**MANY HEARTFELT THANKS TO:**

- All the MRTA members for paying their membership dues allowing financial sup-

port for our work.

- The over 1,000 MRTA members who attended MRTA Legislative Day in February.
- All those MRTA members who answered our "CALLS TO ACTION" allowing for much of our success.
- Representative Lair for handling our legislation, and to Representative Nate Walker chair of House Retirement Committee for his unwavering support.

June 10, 2016

PSRS/PEERS Board of Trustees  
Aaron Zalis Chairman  
PO BOX 268  
Jefferson City, Missouri 65102

Dear Chairman Zalis and PSRS/PEERS Board of Trustees:

As you are probably aware the Missouri Retired Teachers Association and Public School Personnel (MRTA) is an association consisting of over 25,000 retired educators as members. The number one priority of MRTA is to promote and protect pensions, programs, and benefits of all public school personnel in retirement. MRTA wishes to express our opinion regarding the proposed policy changes to be discussed at your meeting on June 14, 2016.

MRTA understands the negative effect on our system of a 0% return on investment for fiscal year 2015/2016 coupled with that a 4% return on investment in fiscal year 2014/2015. The stock market has not been kind to us the past two years. MRTA believes whole-heartedly in the long term strategy of a defined benefit plan. We are proud to state to voters, taxpayers, and MRTA members that over the past 30 years, with all the economic downturns and a Great Recession, our system still has averaged a 9.1% return on investment. To panic or to be pessimistic now is contrary to the PSRS/PEERS 70 year long term record.

MRTA does not believe the system needs to make adjustments on longevity and assumed rate of returns until our history indicates such. This being said MRTA is aware of the pressures of the actuaries' assumptions and their requirement to make adjustments. MRTA does believe that making these adjustments is better dealt with through policy vs. through potential legislation from those who do not believe in public education nor defined benefit plans.

MRTA has been made aware of three possibilities on adjusting the COLA to reduce liability through policy to be enacted by the Board of Trustees. MRTA recommends and would support #2 "Actual COLA when CPI is between 0-2%." MRTA believes this option will keep our world class pension benefits, just that, world class. Also, this option in our view would be the best politically as Social Security is the bellwether when it comes to COLAs. If Social Security gets a COLA awarded, PSRS /PEERS retirees should too.

In conclusion, MRTA asks that, if adjustments to our system are required, the PSRS/PEERS Board of Trustees vote in favor of: #2 "Actual COLA when CPI is between 0-2%."

Thank you to Director Yoakum for his patience in educating and meeting with us on these issues of the June 14th meeting. Thank you to the PSRS/PEERS Board for your public service

and commitment to public education and its employees. Please do not hesitate to contact me if I can answer any questions of ever be of assistance to you.

Sincerely



Jim Kreider  
MRTA Executive Director

cc: Director Steve Yoakum