PENSIONS AND TAX DEDUCTIONS

For retirees with questions about payroll tax deductions, it is important to note that all retirement benefits are subject to Federal income taxes imposed by the IRS. However, the State of Missouri treats pension income more favorably than the IRS and, in most cases, it is exempt from state income taxes.

Retirees should seek advice from a qualified tax professional regarding income taxes as the Retirement System is unqualified to give out tax advice of any kind.

Retirees living outside Missouri should seek tax advice from qualified tax experts in their area to determine any state or local income tax liabilities. Retirees who do not file a Missouri tax return should not have state income taxes deducted from their pension benefits because the Retirement System only withholds taxes for residents of the State of Missouri. This information is for guidance purposes only and should not be considered tax advice.

CONVENIENCE OF DIRECT DEPOSIT

If your pension check is mailed to you, please consider switching to direct deposit. This delivery method is much quicker and more secure than the U.S. Postal Service.

It is riskier than ever to mail checks because there is no way to control the number of hands that come into contact with them while en route to their rightful owners. Once a pension check is mailed from the retirement office, the postal service handles the delivery of it; with direct deposit, the banks control the routing of the funds from beginning to end. In other words, direct deposit eliminates the need for a middle man.

If a paper check is lost or stolen, the retiree must wait ten calendar days before PSRSSTL will issue another payment. Contrarily, and in the rare event a problem occurs with a direct deposit, PSRSSTL will issue a new payment to the recipient the day after the bank returns the funds.

Direct Deposit forms are available on the website or by contacting the retirement office.

MEMORIALS

The Retirement System regretfully reports the following members as deceased:


RETIREMENT APPLICATION DEADLINES

Applications must be filed at least 15 days prior to retirement. The next (6) deadlines are:

- **March 19, 2018** Retirement Deadline
- **April 16, 2018** Retirement Deadline
- **May 17, 2018** Retirement Deadline
- **June 18, 2018** Retirement Deadline
- **July 17, 2018** Retirement Deadline
- **August 1, 2018** Retirement Deadline
- **August 17, 2018** Retirement Deadline
- **September 1, 2018** Retirement Deadline
2017 FOURTH QUARTER INVESTMENT BRIEF

The Retirement System’s investment portfolio experienced a positive return of 3.7% during the 2017 Fourth Quarter, ranking in the top 26% of similar public funds. During the one-year period ending on December 31, 2017, the Retirement System experienced a positive return on investments of 16.2%, a net increase of 4.8% in market value, and ranked in the top 31% of similar public funds. The summaries of the PSRSSTL market value, rankings, investment returns and asset allocation of funds held in trust on behalf of the membership for the reporting period follow.

<table>
<thead>
<tr>
<th>Market Value</th>
<th>Period Ending 12/31/2017</th>
<th>One Quarter</th>
<th>One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Market Value</td>
<td>$864,028</td>
<td>$840,406</td>
<td></td>
</tr>
<tr>
<td>Net Additions/Deductions¹</td>
<td>8,989</td>
<td>(65,724)</td>
<td></td>
</tr>
<tr>
<td>Return on Investment</td>
<td>32,545</td>
<td>130,880</td>
<td></td>
</tr>
<tr>
<td>Ending Market Value</td>
<td>$905,562</td>
<td>$905,562</td>
<td></td>
</tr>
</tbody>
</table>

¹Deductions fund pension payments (Dollars in $000’s)

<table>
<thead>
<tr>
<th>Asset Allocation Summary</th>
<th>Period Ending 12/31/2017</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class</td>
<td>Market Value</td>
<td></td>
</tr>
<tr>
<td>Domestic Stocks</td>
<td>236,512,119</td>
<td>26.0%</td>
</tr>
<tr>
<td>Domestic Bonds</td>
<td>112,196,905</td>
<td>12.4%</td>
</tr>
<tr>
<td>International Stocks</td>
<td>149,187,662</td>
<td>16.5%</td>
</tr>
<tr>
<td>Global Stocks</td>
<td>52,366,326</td>
<td>5.8%</td>
</tr>
<tr>
<td>International Bonds</td>
<td>35,910,000</td>
<td>4.0%</td>
</tr>
<tr>
<td>Emerging Markets Debt</td>
<td>27,867,602</td>
<td>3.1%</td>
</tr>
<tr>
<td>Tactical Asset Allocation (GTAA)</td>
<td>107,541,634</td>
<td>11.9%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>66,996,935</td>
<td>7.4%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>55,324,668</td>
<td>6.1%</td>
</tr>
<tr>
<td>Alternatives</td>
<td>27,816,736</td>
<td>3.1%</td>
</tr>
<tr>
<td>Cash</td>
<td>33,841,229</td>
<td>3.7%</td>
</tr>
<tr>
<td>Total</td>
<td>$905,561,816</td>
<td>100%</td>
</tr>
</tbody>
</table>

1099R’s MAILED ON JANUARY 22nd

If you received retirement benefits, a refund or rollover distribution from PSRSSTL in 2017, a 1099R has been mailed to you. PSRSSTL must provide this form to members and beneficiaries who received funds during the year. If you received funds from PSRSSTL in 2017 but have yet to receive a 1099R, please contact the Retirement System. A summary of information provided on the form follows below.

Account Number Explanations

REGULAR = 2017 regular pension benefit payments
SUP PEN = 2017 sick leave conversion benefit payments
DIST = 2017 distribution (refund) of member contributions

Explanations

Box 1: 2017 Gross Distributions paid
Box 2a: Taxable Amount from Box 1
Box 4: 2017 Federal Income Tax withholdings
Box 5: Difference between Box 1 and 2a = non-taxed $’s
Box 12: 2017 State Tax withholdings
If a box is blank, then the amount equals zero.


FYI: Health insurance cost statements were mailed separately.

Retired members are required to submit a W4-P form to have taxes withheld and to make changes. The form is available on the website or by request.

PSRSSTL INFORMATION NEWS FLASH

- If you are a retiree or survivor beneficiary, please remind your loved ones to contact PSRSSTL immediately upon your death to avoid the collection of overpayments.
- If you would like your monthly benefit direct deposited each month but don’t have a bank account, you may want to research reloadable debit cards because PSRSSTL is able to make automatic deposits to these accounts.
- Members who had medical insurance through PSRSSTL in 2017 should expect to receive an IRS Form 1095-B or C for tax purposes. Depending on the type of coverage, the form will be mailed by either the insurance carrier or Medicare.
- If you are a retiree with dependent(s) covered under your health insurance and/or benefit payment option, and your dependent(s) predecease you, please notify the Retirement System at once to ensure changes are made timely to your insurance coverage and retirement benefits.
- The waiting period to replace a lost pension check is ten (10) calendar days and, in most cases, reissues will only be made starting the 11th day of the month.
- Please remember to keep your mailing address current with your employer or PSRSSTL if retired. Retiree change forms are available on the website or by request.

Mailing Schedule for 2018

- Newsletters: May, August, November
- Annual Report Summaries: July
- Annual Benefit Statements: August
- Health Insurance Open Enrollment Packets: October
- Election Information: as needed