PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

November 29, 2017

«Title» «Official»
«Building»
«Street_Address»
«cityState» «Zip»

Dear «Title» «Official»:

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) provide retirement security and stability to over 260,000 Missouri educators and education employees. PSRS was established in 1946 by the Missouri legislature to provide certificated public school employees and their families with a significant and stable source of retirement income, disability benefits and survivor benefits. PEERS was established in 1965 by the Missouri legislature to provide similar benefits to non-certified public school personnel.

The PSRS/PEERS Board of Trustees and staff are committed to assisting teachers and education employees in achieving their retirement goals by providing for a secure retirement for the greatest possible value. PSRS/PEERS pays more than $2.7 billion in benefits each year to 88,800 retirees and beneficiaries. PSRS/PEERS' investment earnings pay for approximately two-thirds of pension benefit payments that are paid to retirees and their beneficiaries. This is consistent among most state and local government pension benefits across the nation.

We are writing to express our concerns regarding a specific provision in the recently proposed federal tax reform legislation that could jeopardize the investment earnings of public pensions like PSRS/PEERS. The provision of concern for our Systems can be found in Section 5001 of the Tax Cuts and Jobs Act (H.R. 1), which could subject certain investments of state and local governmental pension plans to the unrelated business income tax (UBIT). State agencies are Constitutionally exempt from taxation and application of Section 5001 to public pension plans erodes the immunity states and the federal government each enjoy from taxation by the other. Subjecting public pension plans, like PSRS/PEERS, to UBIT diminishes important investment returns, sets a dangerous precedent for taxation of state entities, and will ultimately increase costs to taxpayers of Missouri. In addition to the pension plans' revenue loss from the tax itself, the provision imposes significant, complex compliance costs that could impact portfolio construction and diversification of public funds.

We understand that a number of changes to the underlying legislation are under consideration as the tax reform process moves forward. We ask that you diligently work to insure that this provision is excluded from any final legislation, as well as any other changes that could negatively impact the tax treatment of state and local government retirement systems.

Missouri's teachers and educators greatly appreciate your time and consideration. If there is any additional information we can provide that would assist you, please do not hesitate to contact us.

Sincerely,

M. Steve Yoakum
Executive Director

Maria Walden
Director of Legislation and Policy