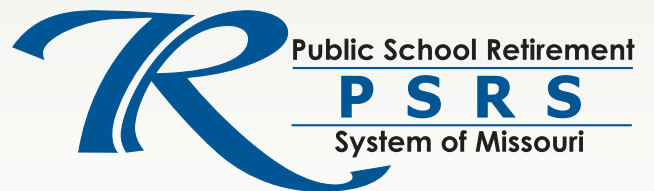




# Service Retirement



*Partners in Your Retirement Security*

## Service Retirement

Service retirement benefits are available to members who cease PSRS-covered employment and meet minimum service and age requirements. Monthly retirement benefits are made for life without interruption if there is not a return to full-time, PSRS-covered employment, or to temporary-substitute or part-time service in excess of the limits later described.

### Types of Benefits

Types of retirement benefits available to eligible members include:

- Normal retirement (full benefits)
- Early retirement calculated with a lesser benefit formula (25-and-Out)
- Early retirement calculated using an age-reduction factor
- Partial Lump Sum Option (PLSO)

If you are considering retirement due to health reasons, you may be eligible for PSRS disability retirement ([page 78](#)).

## Missouri Educational Recognition of Credit Between Systems

If you have **vested** service with two or more of these Missouri public school retirement systems – PSRS, PEERS, the city of St. Louis or Kansas City – you may be eligible to have your credit with these systems recognized in order to reach retirement eligibility. While recognizing the credit may make you eligible to retire earlier or at a higher formula, your PSRS benefit is calculated using only your years of credit and salaries on record with PSRS.

**Example:** A 55-year-old PSRS member with 20 years of credit with PSRS and 10 years of credit with the St. Louis retirement system may be able to recognize credit between systems and be eligible to apply the full benefit formula factor immediately when calculating his or her PSRS benefit based on 20 years of service with PSRS. Without recognizing credit between systems, the PSRS member would have his or her benefit actuarially age-reduced because he or she is not yet age 60, does not have 30 years of credit with PSRS, and does not meet the PSRS **Rule of 80** criteria.

If you are not eligible to combine credit using this provision, you may still be eligible to purchase with PSRS the credit established with these systems. See the purchase information in this publication concerning withdrawn PEERS service credit, and non-PSRS-covered school employment ([page 33](#)).

## Members Contributing at Two-Thirds the Full Contribution Rate

If you have acquired PSRS credit for service with one of the three state colleges after December 1987, or with one of the five state universities, the Missouri Department of Mental Health or the Missouri Department of Corrections, the

## Service Retirement

portion of your benefit applicable to such employment is two-thirds the value of the benefits based on public school service.

Members who hold positions affected by changes in required Social Security withholding effective July 1, 2010, also contribute to PSRS and receive credit at two-thirds the full amount for affected years of service.

All members paying in at two-thirds the contribution rate will have benefits for affected years of service calculated at two-thirds the normal benefit amount. Please contact PSRS for information regarding how to calculate your benefits, or visit our online Benefit Estimate Calculator at [www.psr-peers.org](http://www.psr-peers.org).

## Normal Retirement

### Eligibility

You are eligible for normal retirement under the full benefit formula:

- At age 60 with at least five years of credit,
- At any age with at least 30 years of credit, or
- When the sum of your age plus years of credit equals 80 or more (**Rule of 80**).

### Benefit Amount

**Normal** (full-formula) retirement benefits are calculated as follows:

$$\begin{array}{ccccccc} \text{Applicable} & & \text{Final} & & \text{Years of} & & \text{Single Life} \\ \text{Formula} & & \text{Average} & & \text{Credit} & & \text{(Option 1)} \\ \text{Factor} & \times & \text{Salary} & \times & & = & \text{Monthly Benefit} \end{array}$$

Use **Benefit Worksheet 1 (page 56)** to calculate estimated normal retirement benefits.

The **applicable formula factor** is determined by your years of credit at retirement.

Years of Credit	Applicable Formula Factor
31.0 or more	.0255 (available through 7/1/2013)
Fewer than 31.0	.025

**Final Average Salary** is determined by adding your three highest consecutive annual salaries (including board-paid health, dental and vision insurance), and dividing the total by 36.

School Year Salary Was Earned	Salary Cap for Calculating Final Average Salary
Between 1997-1998 and 2006-2007	20%
2007-2008	12%
2008-2009 and after	10%

## Service Retirement

This caps do not apply to increases in salary that are due to a bona fide change in position or employer, increases required by state statute, or district-wide salary schedule adjustments for previously unrecognized education-related service. If you have questions about what constitutes a change in position or employer, contact your employer's business office.

**Years of credit** include credit earned for PSRS-covered service after June 30, 1946, and any credit you have reinstated or purchased for other service, as permitted by law.

## Early Retirement: 25-and-Out (Modified)

### Eligibility

You are eligible for early retirement under 25-and-Out (modified) if you retire with PSRS on or before July 1, 2013 and:

- 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 your age plus your years of credit equals 80 or more).

### Benefit Amount

**25-and-Out** retirement benefits are calculated as follows:

$$\begin{array}{ccccccc} \text{Applicable} & & \text{Final} & & \text{Years of} & & \text{Single Life} \\ \text{Formula} & \times & \text{Average} & \times & \text{Credit} & = & \text{(Option 1)} \\ \text{Factor} & & \text{Salary} & & & & \text{Monthly Benefit} \end{array}$$

Use **Benefit Worksheet 2 (page 57)** to calculate estimated 25-and-Out retirement benefits.

**Final Average Salary** and the years of service credit are determined the same as under normal retirement (**page 49**).

If you qualify for retirement under 25-and-Out on or before July 1, 2013, the **applicable formula factor** is the number below that corresponds to your years of credit at retirement.

Factor	Years of Credit	
	At Least	But Less Than
.0220	25	26
.0225	26	27
.0230	27	28
.0235	28	29
.0240	29	30

## Early Retirement: Age-Reduced

### Eligibility

You are eligible for early retirement with an age-reduction factor applied to the full benefit formula:

- At age 55 with at least five years of credit, or
- At any age with at least 25 years of credit (after July 1, 2013, when the modified formula provision expires).

### Benefit Amount

All age-reduced benefits are calculated as follows:

$$.025 \times \text{Final Average Salary} \times \text{Years of Credit} \times \text{Age-Reduction Factor} = \text{Single Life (Option 1) Monthly Benefit}$$

Use **Benefit Worksheet 1 (page 56)** to calculate estimated age-reduced benefits.

**Final Average Salary** and the years of service credit are determined the same way as under normal retirement (**page 49**). The **age-reduction factor** is based on your exact age at your PSRS retirement date.

Approximate Age at Early Retirement	Approximate Age-Reduction Factor
45	.2676
46	.2908
47	.3163
48	.3441
49	.3745
50	.4079
51	.4445
52	.4848
53	.5290
54	.5777
55	.6315
56	.6909
57	.7566
58	.8293
59	.9101

Age-reduction factors are based on years and months, and subject to change when certain **actuarial assumptions** are changed. Accurate reductions can only come from PSRS calculations.

## Partial Lump Sum Option (PLSO) Benefits

### Eligibility

You are eligible to choose a one-time **Partial Lump Sum Option (PLSO)** payment at retirement with reduced lifetime monthly benefits if you meet one of the following criteria:

- You have a minimum of **33 years of credit**, or
- You are at least age **63 with a minimum of eight years of credit**, or
- **Your age plus your years of credit equals 86 or more (Rule of 86).**

If you choose PLSO, you still must choose a monthly payment plan (Single Life, Joint-and-Survivor, or Term-Certain) (**pages 59-61**).

### Benefit Amount

If you qualify for PLSO, your PLSO lump-sum amount is determined by multiplying your Single Life (Option 1) monthly benefit amount by 12, 24 or 36.

$$\begin{array}{r} \text{Single Life} \\ \text{(Option 1)} \\ \text{Monthly Benefit} \end{array} \quad \times \quad \text{12, 24 or 36} \quad = \quad \begin{array}{r} \text{PLSO} \\ \text{Lump-Sum} \\ \text{Payment} \end{array}$$

In addition to your lump-sum payment, you also receive **reduced lifetime monthly benefits**. This reduction is an actuarial calculation that reflects the value of the lump-sum distribution you receive and your age. For more information on your approximate PLSO adjusted monthly benefit amount, call us or use our online benefit estimate calculator at [www.psrps-peers.org](http://www.psrps-peers.org).

$$\begin{array}{r} \text{Single Life} \\ \text{(Option 1)} \\ \text{Monthly Benefit} \end{array} \quad \times \quad \text{PLSO} \\ \text{Factor} \quad = \quad \begin{array}{r} \text{PLSO Reduced} \\ \text{Single Life (Option 1)} \\ \text{Monthly Benefit} \end{array}$$

Use **Benefit Worksheet 3 (page 58)** to calculate estimated PLSO benefits.

Please keep in mind that the taxable portion of a PLSO distribution is subject to a mandatory 20% federal withholding by PSRS if it is not rolled over into an IRA or other qualified retirement plan. **Caution: taxable funds rolled over into a Roth IRA are considered taxable income in the tax year in which the rollover takes place.**

In addition, if payment occurs before you reach age 59½ and a rollover of the taxable amount does not take place, a 10% federal tax penalty may apply in addition to the ordinary income tax owed. This penalty will not apply if you separated from service in or after the tax year in which you reached age 55. See the information later in this section (**page 66**) regarding taxes on PLSO payments.

## Calculating Benefits

### Online Benefit Estimate Calculator

Using your career statistics, you can estimate your benefits under all the retirement plans by using the benefit estimate calculator found on our website, [www.psr-peers.org](http://www.psr-peers.org).

**Please note that PSRS cannot be held responsible for the accuracy of any member-generated calculations.**

## Service Retirement

### Benefit Tables

**Table 1**

Normal retirement benefits under full formula (age 60 with at least five years of credit; **Rule of 80**; any age with at least 30 years of credit; or 2.55% with 31.0 or more years of service. 2.55% ends July 1, 2013.)

**NOTE:** Your retirement benefit will not precisely match an amount indicated on Tables 1 and 2 unless your Final Average Salary, membership service credit, and type of retirement benefit (full or modified benefit formula) are all identical to those stated.

**REMINDER:** This table depicts the Single Life (Option 1) payment plan (**page 59**).

\* Benefit minimums (**page 62**)

\*\*Members will receive 2.55% with 31.0 or more years of membership service credit (ends 7/1/2013).

Years of Credit									
	5	10	15	20	25	30	31**	35**	39.21569**
Formula Factor									
	.025	.025	.025	.025	.025	.025	.0255	.0255	.0255
Monthly Final Average Salary (FAS)	Single Life (Option 1) Monthly Benefit Amounts								100% of FAS
\$1500	188	375	600*	800*	1000*	1200*	1200*	1339	1500
1600	200	400	600	800	1000	1200	1265	1428	1600
1700	213	425	638	850	1063	1275	1344	1517	1700
1800	225	450	675	900	1125	1350	1423	1607	1800
1900	238	475	713	950	1188	1425	1502	1696	1900
2000	250	500	750	1000	1250	1500	1581	1785	2000
2100	263	525	788	1050	1313	1575	1660	1874	2100
2200	275	550	825	1100	1375	1650	1739	1964	2200
2300	288	575	863	1150	1438	1725	1818	2053	2300
2400	300	600	900	1200	1500	1800	1897	2142	2400
2500	313	625	938	1250	1563	1875	1976	2231	2500
2600	325	650	975	1300	1625	1950	2055	2321	2600
2700	338	675	1013	1350	1688	2025	2134	2410	2700
2800	350	700	1050	1400	1750	2100	2213	2499	2800
2900	363	725	1088	1450	1813	2175	2292	2588	2900
3000	375	750	1125	1500	1875	2250	2372	2678	3000
3100	388	775	1163	1550	1938	2325	2451	2767	3100
3200	400	800	1200	1600	2000	2400	2530	2856	3200
3300	413	825	1238	1650	2063	2475	2609	2945	3300
3400	425	850	1275	1700	2125	2550	2688	3035	3400
3500	438	875	1313	1750	2188	2625	2767	3124	3500
3600	450	900	1350	1800	2250	2700	2846	3213	3600
3700	463	925	1388	1850	2313	2775	2925	3302	3700
3800	475	950	1425	1900	2375	2850	3004	3392	3800
3900	488	975	1463	1950	2438	2925	3083	3481	3900
4000	500	1000	1500	2000	2500	3000	3162	3570	4000
4100	513	1025	1538	2050	2563	3075	3241	3659	4100
4200	525	1050	1575	2100	2625	3150	3320	3749	4200
4300	538	1075	1613	2150	2688	3225	3399	3838	4300
4400	550	1100	1650	2200	2750	3300	3478	3927	4400
4500	563	1125	1688	2250	2813	3375	3557	4016	4500
4600	575	1150	1725	2300	2875	3450	3636	4106	4600
4700	588	1175	1763	2350	2938	3525	3715	4195	4700
4800	600	1200	1800	2400	3000	3600	3794	4284	4800
4900	613	1225	1838	2450	3063	3675	3873	4373	4900
5000	625	1250	1875	2500	3125	3750	3953	4463	5000
5100	638	1275	1913	2550	3188	3825	4032	4552	5100
5200	650	1300	1950	2600	3250	3900	4111	4641	5200
5300	663	1325	1988	2650	3313	3975	4190	4730	5300
5400	675	1350	2025	2700	3375	4050	4269	4820	5400
5500	688	1375	2063	2750	3438	4125	4348	4909	5500

## Service Retirement

### Benefit Tables

**Table 2**

Retirement benefits under 25-and-Out, a modified (lesser) formula for those who do not qualify for the **Rule of 80** and are under age 55 with at least 25 but fewer than 29.9 years of credit (retiring on or before July 1, 2013).

**NOTE:** Your retirement benefit will not precisely match an amount indicated on Tables 1 and 2 unless your Final Average Salary, membership service credit, and type of retirement benefit (full or modified benefit formula) are all identical to those stated.

**REMINDER:** This table depicts the Single Life (Option 1) payment plan (page 59).

\*Benefit minimums (page 62)

		Years of Credit				
		25	26	27	28	29
		Formula Factor				
		.022	.0225	.023	.0235	.024
Monthly Final Average Salary (FAS)	Single Life (Option 1) Monthly Benefit Amounts					
\$1500	1000*	1000*	1000*	1000*	1044	
1600	1000*	1000*	1000*	1053	1114	
1700	1000*	1000*	1056	1119	1183	
1800	1000*	1053	1118	1184	1253	
1900	1045	1112	1180	1250	1322	
2000	1100	1170	1242	1316	1392	
2100	1155	1229	1304	1382	1462	
2200	1210	1287	1366	1448	1531	
2300	1265	1346	1428	1513	1601	
2400	1320	1404	1490	1579	1670	
2500	1375	1463	1553	1645	1740	
2600	1430	1521	1615	1711	1810	
2700	1485	1580	1677	1777	1879	
2800	1540	1638	1739	1842	1949	
2900	1595	1697	1801	1908	2018	
3000	1650	1755	1863	1974	2088	
3100	1705	1814	1925	2040	2158	
3200	1760	1872	1987	2106	2227	
3300	1815	1931	2049	2171	2297	
3400	1870	1989	2111	2237	2366	
3500	1925	2048	2174	2303	2436	
3600	1980	2106	2236	2369	2506	
3700	2035	2165	2298	2435	2575	
3800	2090	2223	2360	2500	2645	
3900	2145	2282	2422	2566	2714	
4000	2200	2340	2484	2632	2784	
4100	2255	2399	2546	2698	2854	
4200	2310	2457	2608	2764	2923	
4300	2365	2516	2670	2829	2993	
4400	2420	2574	2732	2895	3062	
4500	2475	2633	2795	2961	3132	
4600	2530	2691	2857	3027	3202	
4700	2585	2750	2919	3093	3271	
4800	2640	2808	2981	3158	3341	
4900	2695	2867	3043	3224	3410	
5000	2750	2925	3105	3290	3480	
5100	2805	2984	3167	3356	3550	
5200	2860	3042	3229	3422	3619	
5300	2915	3101	3291	3487	3689	

## Service Retirement

### Worksheets

#### Benefit Worksheet 1

#### Instructions:

Use this worksheet to calculate normal benefits or age-reduced retirement benefits.

**REMINDER:** This worksheet presumes the election of the Single Life (Option 1) retirement plan (page 59).

#### Eligibility Criteria:

##### Normal Retirement:

- Age 60 with at least five years of credit,
- Any age with at least 30 years of credit (30-and-Out), or
- When the sum of your age plus your years of credit equals 80 or more (**Rule of 80**)

##### Early Retirement (Age-Reduced):

- Age 55 with at least five years of credit
- Less than age 55 with at least 25 years of credit with retirement after July 1, 2013

### Estimating Your Single Life (Option 1) Benefit Amount

**Step 1:** List on lines 1 through 3 your three highest salaries, including board-paid health, dental, and vision insurance premiums, for consecutive school years of credit (estimate salaries for future years and include in three highest consecutive).

1.
2.
3.
4.
5.
6.
7.
8.

**Step 2:** Enter the total of lines 1 through 3 on line 4.

**Step 3:** Divide line 4 by 36 to determine monthly Final Average Salary (page 49). Enter on line 5.

**Step 4:** Multiply line 5 by .025 (or by .0255 if 31 or more years of expected credit). Enter the result on line 6.

**Step 5:** Enter total years of expected credit at retirement on line 7.

**Step 6:** Multiply line 6 by line 7. The result cannot exceed the amount entered on line 5 unless the minimum benefit\* applies. Enter the result on line 8.

*The result on line 8 is your estimated Single Life (Option 1) normal retirement benefit under the full benefit formula, BEFORE taxes.*

### Estimating Your Age-Reduced Single Life (Option 1) Benefit Amount

If you plan early retirement (between the ages of 55 and 60 with at least five years of credit or at any age with at least 25 years of credit with retirement after July 1, 2013) proceed for age-reduced calculation.

**Step 1:** Enter on line 9 the age-reduction factor below which applies to your age at retirement.

9.
----

Age	Age-Reduction Factor	Age	Age-Reduction Factor	Age	Age-Reduction Factor
45	.2676	50	.4079	55	.6315
46	.2908	51	.4445	56	.6909
47	.3163	52	.4848	57	.7566
48	.3441	53	.5290	58	.8293
49	.3745	54	.5777	59	.9101

**Step 2:** Multiply line 8 by line 9. Enter the result on line 10.

10.
-----

*The result on line 10 is your estimated early retirement Single Life (Option 1) benefit under the full benefit formula with age reduction, BEFORE taxes.*

\*Minimum Single Life (Option 1) benefits for 25 or more years of credit are not age-reduced because of early retirement. If an age-reduction factor shown in the formula for calculating age-reduced benefits (page 51) or on this worksheet causes the calculated benefit to fall below the minimum, the minimum is payable (page 62).

## Service Retirement

### Worksheets

#### Benefit Worksheet 2

#### Instructions:

Use this worksheet to calculate retirement benefits under the modified formula for 25-and-Out, with retirement on or before July 1, 2013.

**REMINDER:** This worksheet presumes the election of the Single Life (Option 1) retirement plan ([page 59](#)).

#### Eligibility Criteria:

- Under age 55 with at least 25 years of credit but fewer than 30 years of credit, and
- Not eligible for **Rule of 80** ([page 49](#)).

### Estimating Your Modified Single Life (Option 1) Benefit Amount Under 25-and-Out

<b>Step 1:</b> List on lines 1 through 3 your three highest salaries, including board-paid health, dental, and vision insurance premiums, for consecutive school years of credit (estimate salaries for future years and include in three highest consecutive).	1.
	2.
	3.
<b>Step 2:</b> Enter the total of lines 1 through 3 on line 4.	4.
<b>Step 3:</b> Divide line 4 by 36 to determine monthly Final Average Salary ( <a href="#">page 49</a> ). Enter on line 5.	5.
<b>Step 4:</b> Enter on line 6 the factor below which applies to your expected total years of credit at retirement.	6.

	Years of Credit	
	At Least	But Less Than
.0220	25	26
.0225	26	27
.0230	27	28
.0235	28	29
.0240	29	30

<b>Step 5:</b> Multiply line 5 by line 6. Enter the result on line 7.	7.
<b>Step 6:</b> Enter the total years of expected retirement credit at retirement on line 8.	8.
<b>Step 7:</b> Multiply line 7 by line 8. The result cannot exceed line 5, except if minimum benefit applies ( <a href="#">page 62</a> ). Enter this result on line 9.	9.

*The result on line 9 is your estimated Single Life (Option 1) monthly benefit under the 25-and-Out Modified benefit formula, BEFORE taxes.*

## Service Retirement

### Worksheets

#### Benefit Worksheet 3 PLSO

#### Instructions:

Use this worksheet to calculate retirement benefits under the Partial Lump Sum Option (PLSO), including the PLSO lump-sum payment amount and subsequent actuarially reduced lifetime monthly benefits. **REMINDER:** This worksheet presumes the election of the Single Life (Option 1) retirement plan (**page 58**).

#### Eligibility Criteria:

- Minimum of 33 years of credit, or
- At least age 63 with a minimum of eight years of credit, or
- Age plus years of credit equal 86 or more (**Rule of 86**).

### Estimating Your PLSO Lump-Sum Payment Amount

**Step 1:** Enter on line 1 your Single Life (Option 1) monthly benefit amount. (If you don't know this amount, use **Benefit Worksheet 1 (page 56)** or call **(800) 392-6848**.)

1.
2.

**Step 2:** Multiply the amount on line 1 by 12, 24, or 36, depending on the type of PLSO payment you wish to receive. Enter the result on line 2. This is your PLSO lump-sum distribution amount, **BEFORE** taxes.

### Estimating Your Actuarially Reduced Monthly Benefit Amount

**Step 3:** Enter on line 3 the PLSO factor from the table below that corresponds to your expected age at retirement and the PLSO distribution you want (12, 24, or 36 months).

3.
4.

**Step 4:** Multiply line 1 by line 3. This is your actuarially reduced Single Life (Option 1) monthly benefit amount after receiving a PLSO distribution, **BEFORE** taxes.

Your Age at Retirement	12-Month PLSO Factors	24-Month PLSO Factors	36-Month PLSO Factors
50	.9356	.8712	.8069
51	.9350	.8700	.8051
52	.9344	.8688	.8031
53	.9337	.8674	.8010
54	.9329	.8659	.7988
55	.9321	.8642	.7964
56	.9313	.8625	.7938
57	.9303	.8606	.7910
58	.9293	.8586	.7879
59	.9282	.8564	.7847
60	.9270	.8541	.7811
61	.9258	.8516	.7774
62	.9244	.8489	.7733
63	.9230	.8460	.7690
64	.9214	.8429	.7643
65	.9198	.8395	.7593
66	.9180	.8360	.7540
67	.9161	.8322	.7483
68	.9141	.8281	.7422
69	.9119	.8238	.7357
70	.9096	.8192	.7288
71	.9071	.8142	.7213
72	.9044	.8089	.7133
73	.9016	.8031	.7047
74	.8984	.7968	.6952
75	.8950	.7900	.6850

### Payment Plans

PSRS offers six retirement plans for monthly benefits, as well as the option to take a partial lump-sum payment, if eligible. In making your selection, you should consider your:

- Age
- Financial obligations
- Health
- Income from other sources
- Spouse's or dependents' needs

To help you decide which retirement plan is best for you, please review the following information. **The plan you select cannot be changed after the effective date of your retirement.**

#### The Single Life Plan (Option 1)

***Plan Description:***

Provides the largest lifetime monthly benefit to you and makes no provision for continuing monthly payments to a beneficiary after your death. Any unused balance of your contributions and interest in your account at your death is paid in a lump sum to your designated beneficiary. (That balance is usually depleted in approximately five years after your effective retirement date.) The Single Life (Option 1) beneficiary designation can be changed at any time.

***Advantages:***

Since this option provides the largest retiree benefit, it is often the appropriate choice for a member with no dependents, or for a member whose beneficiary would have adequate income from other sources after the retiree's death.

***Disadvantages:***

Monthly benefits stop at your death. No monthly benefit to a beneficiary is provided. If your beneficiary receives health insurance through your last employer, his or her eligibility for that insurance coverage may end at your death.

#### The Joint-and-Survivor Plans (Options 2, 3 and 4)

***Plan Description:***

Provide a reduced lifetime monthly benefit with some or all of your benefit continuing to your named beneficiary after your death. The actuarial reduction in your monthly benefit depends on your age and the age of your named beneficiary when you retire.

***Joint-and-Survivor 100% (Option 2):***

Following your death, 100% of your monthly benefit continues to your named beneficiary for the remainder of his or her life.

***Joint-and-Survivor 75% (Option 3):***

Following your death, 75% of your monthly benefit continues to your named beneficiary for the remainder of his or her life.

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### ***Joint-and-Survivor 50% (Option 4):***

Following your death, 50% of your monthly benefit continues to your named beneficiary for the remainder of his or her life.

### ***“Pop-up” Provision***

All Joint-and-Survivor plans have a “pop-up” provision. If your named beneficiary dies before you, your monthly benefit “pops-up” to the amount you would have received had you chosen the Single Life (Option 1) retirement plan, adjusted for any increases granted since your retirement date.

### ***Naming Beneficiaries Under the Joint-and-Survivor Plans***

On your *Application for Service Retirement* you can name only one person (spouse, child, parent or other individual with an insurable interest in your life) as the Option 2, 3 or 4 Joint-and-Survivor beneficiary. You must provide PSRS a copy of your beneficiary’s birth certificate. If you name your spouse as your Joint-and-Survivor beneficiary you must also provide a copy of your marriage license/certificate.

Your Joint-and-Survivor plan beneficiary cannot be changed **unless**:

- Your spouse is named as the beneficiary, and
- The marriage ends because of the death of your spouse or a divorce,\* and
- You remarry and name your new spouse as the Joint-and-Survivor beneficiary within 90 days of the remarriage.

\*In the event of a divorce, the divorce decree must provide that you retain sole rights to your retirement benefit.

If remarriage occurs and you elect to name your new spouse as the Joint-and-Survivor beneficiary within the required 90 days, you are providing survivor benefit protection under the same plan you originally elected. Naming your new spouse does not allow you to change the plan selection. For example, if you originally chose the Joint-and-Survivor 100% plan (Option 2), the new spouse is also covered under that plan. There would, however, be an actuarial recalculation of the benefit amount, using the new spouse’s age and your age in the recalculation, under the actuarial factors in effect at that time. See the section entitled, *The Effect of Divorce on Your PSRS Benefits*, (page 73) for more information.

In the event that both you and your Joint-and-Survivor beneficiary die before your account balance (your total contributions and interest at retirement) has been paid in the form of monthly benefits, a **residual beneficiary** can be named to receive any remaining account balance. You can change your residual beneficiary at any time if you have an account balance remaining. If you do not name a residual beneficiary, any remaining account balance is payable in accordance with the statutory succession of beneficiaries of the last benefit recipient (page 43).

### ***Advantages:***

After your death, these options provide lifetime monthly benefits to your beneficiary, regardless of the beneficiary’s age or subsequent marital status. If you outlive your beneficiary, your benefit automatically “pops up” to the Single Life (Option 1) amount.

## Service Retirement

### *Disadvantages:*

The reduced benefit you receive may not provide adequate income while you are living. PSRS cost-of-living increases are calculated on the reduced benefit amount.

## The Term-Certain Plans (Options 5 and 6)

### *Plan Description:*

The Term-Certain plans allow you to take a small reduction in your lifetime monthly benefit in order to provide limited coverage to your beneficiary for a specific period of time after your retirement becomes effective. The beneficiary receives monthly benefits only if your death occurs within the term chosen.

If you die before you receive the minimum number of monthly payments guaranteed under the plan you choose – Term-Certain 120 months (Option 5) is for 120 payments and Term-Certain 60 months (Option 6) is for 60 payments – the remaining number of payments in the term are made to your beneficiary. If you live beyond the term of the plan you choose, your monthly payments continue for your lifetime, but no payments are made to your beneficiary when you die.

For example, if you choose the Term-Certain 120-month plan (Option 5), which provides beneficiary protection for 120 months after your retirement date, and you die after you receive 100 monthly payments, your beneficiary receives the remaining 20 monthly payments in the term. If, however, you live beyond the term (in this case 120 months) your beneficiary does not receive any monthly payments after your death.

Any individual or legal entity can be named as your beneficiary under the Term-Certain plans, and you can change your designation at any time during the term. There is no “pop-up” provision at the end of the term selected.

If the total of 120 payments under the Term-Certain 120-month plan (Option 5), or 60 payments under the Term-Certain 60-month plan (Option 6), paid to you and your beneficiary is less than the total of your accumulated contributions and interest, the difference will be paid to a beneficiary in a lump sum.

### *Advantages:*

These options normally provide larger retiree benefits than the Joint-and-Survivor plans, yet still offer some degree of beneficiary protection.

### *Disadvantages:*

The reduced benefit you receive may not provide adequate income while you are living. PSRS cost-of-living increases are calculated on the reduced benefit amount. After the guaranteed payment period ends, the beneficiary protection stops. If your beneficiary receives health insurance through your last employer, his or her eligibility for that insurance coverage may end when the benefit payment term ends.

**It is important to remember that the terms for beneficiary coverage under the Term-Certain plans are measured starting from the date of your retirement, not the date of your death.**

## Service Retirement

### The Partial Lump Sum Option (PLSO)

In exchange for a lifetime actuarial reduction of a monthly benefit, **eligible** members can elect a one-time, lump-sum payment equal to 12, 24 or 36 times their Single Life (Option 1) monthly benefit amount. Eligibility criteria for PLSO are as follows:

- 33 or more years of credit, or
- At least age 63 with eight or more years of credit, or
- **Rule of 86** (age plus years of credit equals 86 or more)

The taxable portion of the lump-sum distribution is subject to the mandatory 20% federal withholding by PSRS if it is not rolled over into an IRA or other qualified retirement plan. **Caution: funds rolled over into a Roth IRA are considered taxable income in the tax year in which the rollover takes place.**

In addition, if your payment occurs before you reach age 59½ and a rollover of the taxable amount does not take place, a 10% federal tax penalty may apply in addition to the ordinary income tax owed. This penalty does not apply if you separate from service in or after the tax year in which you reach age 55. See the information later in this section (**page 66**) regarding taxes on PLSO payments. You may also call and request a copy of the PSRS brochure, *Your PLSO Rollover Options*, or view it on our website.

PSRS cannot offer you tax advice. However, we strongly suggest that you consult a tax professional and/or a financial planner before making a final decision regarding the Partial Lump Sum Option.

### Minimum and Maximum Monthly Benefits

The law establishes the following minimum monthly benefit amounts based on years of credit at retirement.

Minimum Single Life (Option 1) Monthly Benefit	Years of Credit at Retirement	
	At Least	But Less Than
\$600	15	19.9
\$800	20	24.9
\$1,000	25	29.9
\$1,200	30 or more	

Minimum Single Life (Option 1) monthly benefit amounts for 15 to 24.9 years of credit are reduced if you select Option 2, 3, 4, 5 or 6, and/or if an age-reduction factor is applicable due to early retirement.

Minimum Single Life (Option 1) monthly benefit amounts for 25 or more years of credit are reduced only if you select Option 2, 3, 4, 5 or 6. If an age-reduction factor applies due to early retirement and causes your monthly benefit amount to fall below the minimum, the minimum is the Single Life (Option 1) amount.

The law also establishes the maximum monthly benefit amount you can receive. Your monthly benefit amount cannot exceed 100% of your monthly **Final Average Salary** (**page 49**).

## Service Retirement

### Sample Monthly Benefits

The table below shows samples of benefits payable under the various retirement plans, assuming the following:

**Retiree age: 56 years**  
**Beneficiary age: 55 years**  
**Benefit under full formula, Single Life (Option 1): \$3,000**

All amounts shown are before taxes.

#### Sample lifetime monthly benefit if PLSO is *not* selected:

Retiree	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
	\$3,000	\$2,746	\$2,805	\$2,867	\$2,969	\$2,992

Beneficiary	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
	\$0	\$2,746	\$2,104	\$1,434	\$2,969*	\$2,992*

\*For remainder of guaranteed term only.

#### Sample lifetime monthly benefit if PLSO is selected\*\*:

PLSO	PLSO Lump Sum	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
12 months	\$36,000	\$2,794	\$2,557	\$2,612	\$2,670	\$2,765	\$2,786
24 months	\$72,000	\$2,588	\$2,368	\$2,419	\$2,473	\$2,561	\$2,581
36 months	\$108,000	\$2,381	\$2,180	\$2,227	\$2,276	\$2,357	\$2,375

\*\*PLSO factors for age 56 years: 12 mos. (.9313), 24 mos. (.8625), 36 mos. (.7938).

### Applying for Benefits

As soon as you decide to retire, contact PSRS for the *Application for Service Retirement* and other forms you may need. Early notification of your intention to retire will allow sufficient time for PSRS to review your records for completeness and prepare requested benefit calculations and for you to receive your benefits on time.

PSRS can determine the benefits payable under the Single Life Plan (Option 1) and the Term-Certain plans (Options 5 and 6) by using your date of birth as recorded in the PSRS office. If you also want benefit estimates under the Joint-and-Survivor plans (Options 2, 3 and 4), please include with your application request the name, relationship and birth date of the person you plan to designate as your Joint-and-Survivor beneficiary. Remember, this individual can be anyone with an insurable interest in your life. PSRS will then be able to inform you of the amounts payable under all the retirement plans.

## Service Retirement

**You are urged to mail the *Application for Service Retirement* at least three to six months ahead of your effective retirement date, but no earlier than one year prior. In all cases, the *Application for Service Retirement* must be postmarked prior to the effective retirement date.**

**The earliest your PSRS retirement can become effective is the first day of the month following termination of your services, the first day of the month following attainment of eligibility for retirement, or the first day of the month following the filing of your completed *Application for Service Retirement*, whichever is later.** However, if you earn a full year of credit for the school year, the earliest your retirement can become effective is July 1 of the new school year. You cannot receive a full year of credit and a retirement benefit in the same school year.

If your salary payments for your last school year are spread over a 12-month period, salary payments received in July and August **for services in the previous school year** will not prevent you from electing retirement effective July 1, as long as your service terminated on or before June 30 and your *Application for Service Retirement* is postmarked before July 1.

## Payment of Benefits

Your first retirement benefit is issued by **Electronic Funds Transfer (EFT)** (also called direct deposit) on the last working day of the month in which your retirement becomes effective. For example, if your effective retirement date is July 1, and if all your records are complete and your final salary information has been certified by your employer, your first retirement benefit is issued on the last working day of July. Subsequent retirement benefits are issued on the last working day of each month.

PSRS requires direct deposit of all monthly benefits.

If you need to change your direct deposit to a different account, call **(800) 392-6848**, fax us the information at **(573) 634-7934**, or write us. Please include your signature on your written or faxed request for a change. You may also fill out a new ***Direct Deposit Authorization*** form, available by calling our office or on our website.

## Social Security and Railroad Benefits

PSRS benefits, in almost all cases, are not affected by Social Security or railroad pension eligibility. However, Social Security and railroad pensions are often reduced because of eligibility for PSRS benefits. If you qualify for Social Security or a Railroad Retirement pension, you may want to contact their offices to determine if that pension will be affected by your eligibility for a PSRS benefit (**pages 16-19**).

### Durable Power of Attorney

When planning for your retirement future, you should consider making plans for the possibility that you could become unable to manage your financial affairs.

You should consult with your personal attorney about the best way to plan for this possibility, but one popular approach is to prepare a document called a ***Durable Power of Attorney***. With a ***Durable Power of Attorney***, you can delegate to a family member or friend the authority to make direct deposit arrangements or sign necessary documents pertaining to your benefits.

The Retirement System cannot provide legal advice or prepare personal legal documents for you. You should consult with your attorney to ensure that any document, including a ***Durable Power of Attorney***, specifies your wishes. You may also visit the website of the Missouri Bar Association at [www.mobar.org](http://www.mobar.org) for more information.

### Income Taxes

#### Federal Tax

Under the Internal Revenue Code, retirement benefits are taxable beginning with the first retirement benefit payment. A small portion of each benefit may be excluded from tax and considered a return of any previously taxed contributions. Contributions **remitted** before July 1, 1989 and any credit purchases or reinstatements paid with previously taxed funds are excluded from tax.

Contributions after June 30, 1989, purchases or reinstatements paid with tax-deferred rollovers, and all interest credited to your account is taxable when paid as a retirement benefit, an account refund, or a survivor benefit.

When you retire, PSRS will inform you of the portion of your benefit, if any, which can be excluded from tax using the IRS “Simplified General Rule.” The excludable amount will remain the same until you recover your previously taxed contributions, credit purchases or reinstatements, with recovery of that amount spread over your expected lifetime as projected by the IRS. After full recovery of your previously taxed funds, your benefits are 100% taxable. Should you die before completely recovering your previously taxed contributions, any unrecovered taxed contributions at your (or the last annuitant’s) death are allowed as a miscellaneous itemized deduction on the final return of the decedent. This deduction is not subject to the 2%-of-adjusted-gross-income limit.

PSRS must withhold federal tax as if you are married claiming three allowances if the benefit is above a certain amount, unless you submit a ***Tax Withholding Authorization*** form requesting otherwise.

**A tax withholding form is provided with your retirement application.** You may change your withholding status at any time by sending a new authorization to PSRS. The withholding authorization form can be found online at [www.psr-peers.org](http://www.psr-peers.org).

## Service Retirement

### Missouri Tax

**According to the Missouri Department of Revenue, the portion of your pension subject to federal tax is also subject to Missouri tax, with certain exemptions, if you are a Missouri resident.**

Individuals receiving Social Security benefits, Social Security disability benefits and/or benefits from a non-private retirement system (such as PSRS) are allowed to deduct some or all of those benefits from their adjusted gross income for Missouri tax purposes. Individuals must have an adjusted gross income of \$85,000 or less if single or \$100,000 or less if married and filing jointly to qualify for the maximum deduction.

After a six year phase-in period which ends in 2012, Social Security recipients can deduct their entire benefit, per adjusted gross income level restrictions. Individuals receiving a retirement benefit from a public plan, including PSRS, are allowed to deduct up to the maximum Social Security benefit available for that tax year. The maximum Social Security benefit available is adjusted for inflation every year at the federal level. Those individuals who receive both Social Security benefits and PSRS benefits will deduct their entire Social Security benefit first, then as much of their PSRS benefit until they reach the maximum deduction.

For more information about the portion of your PSRS benefits that may be exempt from Missouri income tax, visit [www.dor.mo.gov/tax/personal/ptc/pension.htm](http://www.dor.mo.gov/tax/personal/ptc/pension.htm) or contact the Missouri Department of Revenue, PO Box 3022, Jefferson City, MO 65102-3022, telephone (573) 751-3505.

PSRS will deduct Missouri state income tax from your retirement payments only if you live in Missouri after retirement and you authorize withholding by filing a withholding request form. A withholding form can be obtained from the retirement office, from our website, [www.psr-peers.org](http://www.psr-peers.org), or a **Form MO W-4P** can be ordered from the Missouri Department of Revenue, PO Box 3022, Jefferson City, MO 65102-3022, or telephone (800) 877-6881.

PSRS cannot withhold taxes for other states. If you notify us that your permanent address has changed to an out-of-state address, we will automatically stop Missouri income tax withholding from your benefit payments.

### Taxes on the Partial Lump Sum Option

A retiree who chooses a PLSO payment can treat as non-taxable, a portion of the payment equal to all previously taxed funds that were credited to his or her account prior to January 1, 1987. If you have no taxed contributions in your account that meet the criteria above, then 100% of your distribution is considered taxable income in the year the PLSO payment is made.

Any portion of a partial lump-sum distribution that is considered taxable income by the IRS is subject to the mandatory 20% federal tax withholding by PSRS. In addition, if your payment occurs before you reach age 59½ and a rollover of the taxable amount does not take place, a 10% federal tax penalty may apply in

## Service Retirement

addition to the ordinary income tax owed. This penalty does not apply if you separate from service in or after the tax year in which you reach age 55. You can choose, however, to “roll over” the funds into an IRA or other qualified retirement plan, in which case the funds would not be subject to either the 20% withholding or the 10% federal excise tax. **Caution: taxable funds rolled over into a Roth IRA are considered taxable income in the tax year in which the rollover takes place.**

PLSO payments may also be subject to state taxes, although not withheld by PSRS.

If you elect to have 100% of your PLSO distribution (including both taxable and non-taxable funds) rolled over into a qualified retirement plan, you should check with your financial advisor to determine if the taxable and non-taxable portions will be tracked separately. This is required by the IRS and will help you ensure that you are not taxed again on any previously taxed dollars. Only one check can be issued by PSRS for rollover funds.

### Form 1099-R

After you retire, PSRS will mail an IRS *Form 1099-R* to you after the end of each calendar year, indicating your total retirement payments for the year, the taxable portion of those payments, the tax-free amount recovered in the year, if any (shown as employee contributions), and the amount of tax withheld during the year.

**The retirement staff does not offer individual tax advice or information. Questions concerning taxes should be directed to a tax professional or to the appropriate taxing agency.**

## Cost-of-Living Adjustments (COLAs)

**Cost-of-living adjustment (COLA)** eligibility starts the second January after retirement. Subsequent annual COLAs can be provided for eligible service and disability retirees, regardless of the option elected, as well as for beneficiaries receiving retirement-based monthly payments under Option 2, 3, 4, 5 or 6.

After you become COLA-eligible, if there is at least a 2% increase in the cost of living as shown by the **Consumer Price Index (CPI) for Urban Consumers** for the preceding fiscal year, a similar increase will be reflected in your monthly benefit, **not to exceed 5% annually**. This means that if the CPI shows a cost-of-living increase of 5% or more, the 5% maximum adjustment could be applied the following January to your then-current benefit. If the CPI shows a lesser increase, a lesser PSRS adjustment will apply.

If the CPI decreases from the previous fiscal year, there can be no COLA. If the cost of living as determined by the CPI should ever fall below the level at which your first COLA is granted, the adjustment may be lowered, but your benefit cannot be reduced below the amount of your original benefit. **Total lifetime COLAs are limited to 80% of your original retirement benefit.**

### Employer Health Insurance Coverage

Missouri law gives you the option to elect coverage in your employer's health insurance plan after retirement as long as the election is made within one year of the date you were last employed by that employer. You should consult with your last covered employer for specific information about the health insurance coverage available to retirees and their family members. PSRS has no role in administering or enforcing this state law.

### Working After Retirement

If you want to work after you retire and avoid any interruptions in your monthly benefit payments, it is important that you abide by Missouri law and PSRS/PEERS Board of Trustees' regulations. The effect of post-retirement employment on your benefit payments depends on whether your employer is a PSRS-covered employer (an employer participating in PSRS), the number of hours you work, and the salary you earn.

*For those retiring July 1, 2010 and after, the rules for post-retirement work in the year you retire are different than for all subsequent years (page 71).*

### Rules for Terminating Employment

The IRS rules state that retirement systems must require a clear separation of service between the termination of employment and post-retirement work.

Those retiring July 1, 2010 and after must terminate all employment with PSRS-covered employers prior to their effective retirement date.

In order for your employment to be considered terminated, you must:

1. End all employment with PSRS-covered employers,
2. Not return to work for a PSRS-covered employer (this may include "volunteer" work) or be under contract for employment at a PSRS-covered employer in any capacity until at least **one month** has lapsed since your effective retirement date.

If you violate these rules, you must repay any benefit payments, including Partial Lump Sum Option (PLSO) distributions, received while ineligible.

For example, if Jane retires July 1 she can begin working August 1 in a part-time or temporary-substitute position up to the 550-hour/50% of earnings limits, and can continue receiving monthly retirement benefits. **She cannot teach summer school, or work in any other capacity, including work under the critical shortage provision, during the month of July in the calendar year she retires. She may not sign a contract for employment in any capacity until after she receives her July PSRS benefit.**

### Record-Keeping Requirements

All retirees working for PSRS-covered employers are required to maintain a written record of dates and hours worked, wages earned and information on employing school district(s). Employers are also required to maintain such records. Record-keeping forms will be sent to you and your employer each school year when you return to work after retirement. These forms are also available on the PSRS website, [www.psr-peers.org](http://www.psr-peers.org). PSRS may request access to these record forms for review at any time.

### Employment Definitions

**Full-time employment is defined as:** Employment in a position that normally requires the employee to work the full school day, or normally requires the employee to be employed to work at least the same number of hours per week as required for such a position. For example, if an employee works four, 10-hour days instead of five, eight-hour days, that is still considered full-time. A full-time position also normally requires the employee to work at least 600 hours during the school term. A person who meets these requirements but who does not actually complete 600 hours of employment prior to termination, is considered to be employed on a full-time basis.

**Part-time employment is defined as:** Employment that is less than the PSRS definition of full-time employment for the employer.

**Temporary-substitute employment is defined as:** Employment either in a position that is held by a regularly employed person who is temporarily absent or in a position that is temporarily vacant.

### Working for Employers Not Covered by PSRS

If you choose to work full-time or part-time for an employer other than a PSRS-covered employer:

- You do not need to inform PSRS.
- You continue to receive your PSRS benefit.
- The number of hours you work has no impact on your PSRS benefit.
- The amount of money you make has no impact on your PSRS benefit.

### Working Full-Time for PSRS-Covered Employers

If you choose to work full-time for a PSRS-covered employer in any capacity:

- You must notify PSRS immediately.
- Your benefit is put on hold.
- You are required to start a new PSRS membership.
- Contributions are withheld from your salary and sent to PSRS.
- You earn additional service credit.

See the exception to these rules ([page 71](#)).

## Service Retirement

When you terminate your full-time employment for a PSRS-covered employer:

- If you earn a minimum of one year of service credit under your new membership, you are “special vested” and are eligible for a second retirement benefit.
- You cannot elect a PLSO payment on your second membership, and your second benefit cannot be combined with your initial benefit.
- You can choose to take a refund of your contributions and any interest earned under the new membership after termination of your employment, and forfeit your right to a second retirement benefit.
- Your previous retirement benefit resumes after you inform PSRS your full-time employment ends.

You are not eligible to receive a retirement benefit for any month in which you earn service credit. If you earn a full year of credit, it is necessary for PSRS to recover any benefits paid during that school year. For example, if you begin working full-time in September and receive a full year of credit for the school year (July 1 through June 30), PSRS must recover your July and August benefit payments that were paid prior to the start date of your full-time employment because they were paid in the same school year a full year of credit was earned.

It is important for you to notify PSRS of the dates your PSRS-covered employment begins and ends. PSRS will verify the dates with your employer, determine the months you are entitled to benefits, and whether you need to reimburse any benefits paid to you.

Your post-retirement earnings at PSRS-covered employers may be subject to Social Security taxes. Contact your employer for more information.

## Working for PSRS-Covered Employers Part-Time or as a Temporary-Substitute

If you choose to work part-time or as a temporary-substitute for a PSRS-covered employer in any capacity and continue to receive monthly benefits:

- You can work up to 550 hours or earn up to 50% of the annual compensation payable for the position (given your level of experience and education and based on the employer’s salary schedule) each full school year (July 1 - June 30).
- If you retire in any month other than July, your first school year of post-retirement work eligibility will consist of fewer than 12 months. The 550-hours/50% of earnings limits on your work during that first school year are pro-rated accordingly (**page 71**).

If you exceed either the hourly or earnings limit:

- You must notify PSRS immediately.
- Your retirement benefit is put on hold effective the month in which either the hourly or earnings limit is exceeded, whichever is first.
- Your benefits resume the month after your employment again ends or a new school year begins.
- You are required to start a new membership and make contributions to PSRS if you meet membership eligibility requirements.

## Service Retirement

As long as you do not exceed the hourly or earnings limit, and do not become a full-time, regular employee, you will continue to receive your PSRS benefit.

Your post-retirement earnings at PSRS-covered employers may be subject to Social Security taxes. Contact your employer for more information.

### Rules for Post-Retirement Work in the Year You Retire

For those retiring July 1, 2010 and after, hourly and earnings limits on part-time or temporary-substitute work under the 550-hour and 50% earnings limits are different during the school year you retire.

If you retire in any month other than July, the 550-hour/50% of earnings limits are applied on a pro-rated basis for the rest of that school year.

For example, if Jane retires January 1, she can begin working February 1, but is limited to 275 hours or 25% of earnings through June 30, the end of the school year. Refer to the chart below.

The pro-rated limits apply only during the school year in which you retire. When the new school year begins July 1, the limits are increased to the full, 550-hours/50% of earnings limits and remain at those levels for future school years.

#### Pro-Rated Hours and Earnings Limits During First School Year after Retirement

Effective Date of Retirement:	Hours Allowed after Retirement for School Year:	Percent of Base Salary Allowed after Retirement for School Year:
July 1	550	50%
August 1	504	46%
September 1	458	42%
October 1	413	38%
November 1	367	33%
December 1	321	29%
January 1	275	25%
February 1	229	21%
March 1	183	17%
April 1	138	13%
May 1	92	8%
June 1	0	0%

### The “Critical Shortage” Full-Time Employment Exception

If you work for a PSRS-covered employer who has declared a critical shortage of certificated employees, you may “teach” for up to two years full-time without losing your PSRS benefits.

## Service Retirement

An employer can hire up to 10% of the certificated staff, not to exceed five individual PSRS retirees, to teach full-time up to two years without a loss of retirement benefits. The “Critical Shortage” Full-Time Employment Exception may not be used by districts to fill the position of superintendent.

The employer must certify that the following requirements have been met in order to employ retirees full-time under this provision.

The employer must:

- Certify that they currently have a shortage of certificated employees,
- Make a good faith effort to fill positions with non-retired, certificated employees,
- Post the vacancy or vacancies for at least one month,
- Not have offered early retirement incentives for either of the previous two years,
- Solicit applications through the local newspaper, other media, or teacher education programs, and
- Determine that there is an insufficient number of eligible applicants for the advertised position(s).

If you work under this provision, during the two years allowed:

- Your employment must be full-time,
- Your benefits continue,
- Employer contributions are made to PSRS,
- Member contributions are not required, and
- You do not earn additional service credit.

## Working as an Independent Contractor

Employees are covered by PSRS and independent contractors are not.

In Missouri, as is the case around the country, the courts have applied a “control test” to determine whether an individual is an employee. Basically, this common law standard is a review of who has the right to control the manner and means of accomplishing the work to be performed. In general, if your employer has the right to control the manner and means of accomplishing the work you are responsible for performing, then you are an employee, not an independent contractor.

This same test is used by the Internal Revenue Service (IRS) to determine whether employment taxes must be paid and income tax must be withheld. Application of other workplace laws, such as workers’ compensation and the **Family and Medical Leave Act (FMLA)** may also depend on this standard.

### *Consulting*

Whether a position is referred to as “consulting” does not determine whether PSRS covers that person. The critical distinction is between being an employee and being an independent contractor. Employees are covered by PSRS and independent contractors are not.

## Service Retirement

### *Corporations Working as Independent Contractors*

While important, whether or not an individual is incorporated does not, by itself, ensure that an individual will be considered an independent contractor with respect to post-retirement employment. Depending on the circumstances, a corporation could be considered as only a shell or alter ego of the individual. If the individual merely performs a role ordinarily considered that of an employee, the corporation/individual is an employee. No one of these factors is always more important than others, and the total relationship must be reviewed.

The factors set forth by the IRS and used by the courts fall into three main categories:

- Behavioral control
- Financial control
- Relationship of the parties

If you have questions about how to tell if your post-retirement work status is one of an employee or an independent contractor, you can get more information from the IRS website, [www.irs.gov/faqs](http://www.irs.gov/faqs), by calling your local IRS office, or calling **(800) 829-1040**. You may also refer to IRS Publication 15-A, *Employer's Supplemental Tax Guide*.

### Special Note About Working After Retirement

If you return to regular PSRS-covered employment after retirement, you are not entitled to a retirement benefit for any month in which you earn service credit. Your service establishes a new PSRS membership, and retirement contributions are withheld from your salary and credited under your new membership. If you earn **one or more** years of credit before again retiring, you qualify for an additional benefit based on that service. Instead of an additional benefit, you may apply for a refund of the contributions accumulated under your new membership upon termination of employment.

The limitations on working after retirement are established in Missouri statutes and PSRS/PEERS Board of Trustees' regulations. These legal provisions may change from time to time. You should check with PSRS to confirm the limitations described in this handbook have not changed.

## The Effect of Divorce on Your PSRS Benefits

The staff at PSRS is frequently asked what effect divorce will have on a member's PSRS benefits. Missouri law controls how PSRS benefits may be treated in the divorce action.

PSRS is a public pension fund and, unlike private pension funds, **PSRS is not subject to the federal pension law provisions authorizing a court to issue "Qualified Domestic Relations Orders"** to divide or award a member's pension funds or benefits to the member's ex-spouse.

## Service Retirement

Section 169.572 of the Revised Statutes of Missouri and Missouri case law state that PSRS funds hold the same status as funds of the federal Social Security Administration in a divorce action. Since current federal law does not allow for the division of Social Security benefits in a divorce, **PSRS funds also cannot be divided in a divorce**. However, while PSRS benefits are “separate” or “non-marital” property of the member, a court may consider the amount of each person’s non-marital property when dividing the marital property.

If you divorce before you retire and PSRS receives actual notice of the divorce, your current beneficiary designation form is void in its entirety as of the date of the divorce decree pursuant to section 169.676 of the Revised Statutes of Missouri. However, your divorce decree may require you to re-designate your ex-spouse as a beneficiary. You may also voluntarily re-designate your ex-spouse as a beneficiary. If you fail to provide PEERS with a new beneficiary designation form, upon your death prior to retirement your beneficiaries will be determined by statute per section 169.676. For more information see “Beneficiary Designations” in the section of this handbook entitled, Death Before Retirement (**page 43**).

If you divorce after PSRS retirement and you named your spouse as beneficiary, your ability to remove your ex-spouse as your beneficiary depends on the payment plan you selected. If you elect Single Life (Option 1), or one of the Term-Certain plans (Options 5 or 6), your ex-spouse may automatically be removed as beneficiary and your contingent beneficiary may begin receiving payments under the Term-Certain Plans (Options 5 or 6) or possibly be entitled to a lump-sum payment upon your death under Single Life (Option 1). You can also designate new beneficiaries. However, if you selected one of the Joint-and-Survivor plans (Options 2, 3 or 4), and you divorce after you retire, your ex-spouse can only be removed as your beneficiary if the divorce decree provides that you have sole retention of all rights to the retirement benefit and you remarry and designate your new spouse as the beneficiary within 90 days of remarriage. PSRS can provide specific information regarding your membership, and you should contact our office when a change in your family situation occurs.

At the request of a member, or upon receipt of a properly issued subpoena, PSRS will prepare an affidavit providing the current value and status of the member’s retirement benefits for use in divorce proceedings. In all cases, PSRS will honor only rulings, orders and directives concerning PSRS retirement benefits that are made in accordance with Missouri law.

## Death After Service Retirement

The full amount of your service retirement benefit for the month in which your death occurs is payable, regardless of the option you elect at retirement. If do not have a valid *Nomination of Beneficiary* form on file with PSRS, a statutory order of succession is used to distribute benefits to those eligible (**page 43**). Any additional amounts payable are in accordance with the following:

- If you elect the Single Life Plan (Option 1), the only payment is a lump-sum refund of any unused account balance in excess of your total retirement payments. If no account balance exists, no further payment is made.

## Service Retirement

- If you elect a Joint-and-Survivor Plan (Option 2, 3 or 4) and the person named under the option is living at your death, the beneficiary receives a monthly benefit for life effective the month after your death. If the beneficiary does not survive you, all monthly payments cease. A lump-sum refund of any unused account balance is made to a **residual beneficiary** if you name one for this purpose. The same is true if your beneficiary begins receiving monthly payments at your death, but dies before the total payments to you and your beneficiary equal your account balance at retirement. If no residual beneficiary is named, the balance is payable in accordance with the statutory succession of beneficiaries of the last benefit recipient.
- If you elect a Term-Certain Plan (Option 5 or 6) and your death occurs before you receive the number of payments guaranteed under the option, the remainder is paid monthly to your first named surviving beneficiary. If the first named beneficiary does not survive, the remainder is paid to your second named beneficiary. If there is no surviving beneficiary, the remainder of the payments in the term are paid in accordance with the statutory order of succession of beneficiaries of the last benefit recipient. If your death occurs after your receipt of the guaranteed payments, no further payment is made.

## \$5,000 Death Benefit

The retirement law provides retirees a \$5,000 one-time, lump-sum taxable death benefit payable to the beneficiary designated by the retiree specifically for this benefit. If you do not name a beneficiary for this benefit, it is paid to your: (1) surviving spouse, (2) surviving children in equal shares, (3) surviving parents in equal shares, or (4) your estate, in that order of precedence. The form you need to complete to designate your \$5,000 death benefit beneficiary is provided with your *Application for Service Retirement*. You can change this designation at any time.

The \$5,000 Death Benefit is a taxable distribution and should not be confused with a life insurance policy. The beneficiary you designate for this benefit can roll it over to a qualified retirement plan to avoid incurring an immediate tax liability.