



# PEERS Membership



*Partners in Your Retirement Security*

### Membership Eligibility

PEERS membership is automatic, regardless of position, for non-certificated employees employed by the covered employers listed below to work at least 20 hours per week on a regular basis in a position that normally requires the employee to work at least 600 hours during the school term.

Covered employers include:

- Public school districts in Missouri except the St. Louis city and the Kansas City school districts
- Public two-year colleges in Missouri that have elected to join PEERS
- Statewide non-profit educational associations that have elected to join PEERS
- PSRS/PEERS Board of Trustees

**Certificated employees/teachers employed less than full time for at least 17 hours per week on a regular basis in a position that normally requires the employee to work at least 600 hours during the school term** are automatically in the Public School Retirement System (PSRS) unless they **elect** within 90 days of **first** employment as a part-time, certificated employee/teacher to be a member of the Public Education Employee Retirement System (PEERS).

If you are a certificated employee, it is possible that you should be a member of the Public School Retirement System (PSRS). Please contact your employer to make sure your membership has been properly established with PEERS.

The term **certificated** refers to full-time and part-time employees holding valid Missouri educator certificates that are issued by the Missouri Department of Elementary and Secondary Education, and does not include persons with substitute teaching or Parents as Teachers (PAT) certificates only.

Membership is ended by a refund of contributions (**page 22**), absence from covered employment (**page 22**), death or retirement.

### Confidentiality Statement

As a PEERS member, you should be aware that the following information is confidential:

- All information PEERS receives from a member, retiree, beneficiary or survivor
- All information PEERS receives from any other source that relates to a member, retiree, beneficiary or survivor
- All information generated by PEERS that relates to a member, retiree, beneficiary or survivor

Examples of such information include but are not limited to:

- Addresses
- Salaries
- Benefit estimates
- Social Security numbers
- Account balances
- Marital status
- Employer
- Credit purchase/service credit information
- Beneficiaries
- Medical information

### PEERS Member Record

When you became a PEERS member, you completed a *Member Record* with your name, address, beneficiary designation and other personal data. That information is a vital part of your retirement records and must be kept current during your membership.

If your name or address changes, request the *Name Change* or *Address Change* form from your employer's business office, from PEERS, or obtain the forms online at [www.psrs-peers.org](http://www.psrs-peers.org). Return completed forms to the retirement office promptly.

A change in your life status, such as a marriage, divorce, or the birth or adoption of a child, voids your beneficiaries, and you must provide PEERS with a new *Nomination of Beneficiary* form. You may request a *Nomination of Beneficiary* form from PEERS, or obtain one online. If you do not file a new form with PEERS, your beneficiaries are designated in accordance with a statutory succession of beneficiaries, detailed in the *Beneficiary Designations* section (**page 37**). More information on the effect of divorce on your PEERS benefits can be found in the *Service Retirement* section (**page 66**).

### Contributions

As retirement plan participants, you and your employer contribute equally to the System. The contribution rate is set each year by the Board of Trustees.

#### Contribution Rate

Retirement contributions are withheld from your salary while you are working in PEERS-covered employment. Those contributions are matched by your employer and are **remitted** monthly to the System.

Section 401(a)(17) of the Internal Revenue Code limits the amount of annual compensation that can be used in the final average salary calculation for members who joined PEERS on or after July 1, 1996. The limit for the 2010-2011 school year is \$245,000. This figure is adjusted annually by the IRS based upon increases in the cost-of-living index. Any contributions remitted on salary in excess of this limit will be refunded to the employer for distribution to the member.

**Compensation** or salary includes, but is not limited to, payments for extra duties, overtime payments, and employer-paid medical, dental and vision insurance premiums for the member.

Your contributions are credited to your individual account, and can be refunded only if you cease covered employment with all PEERS-covered employers, are not under contract for future covered employment, and forfeit the credit accrued. You cannot borrow against your account funds, nor can they be garnished, attached, assigned or subjected to any other claim. (**Exception:** Your account funds can be garnished to pay child support or maintenance if you receive a monthly retirement benefit or an account refund.)

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Funding of your retirement benefit under PEERS is designed so that covered employers match the contributions that are withheld from members' salary payments. Your employer's matching contributions are not remitted specifically for you, but instead are placed in a general reserve account, and are therefore not refundable. The employer's matching contributions and the investment earnings on those funds are used to help pay monthly benefits to retirees and to beneficiaries of deceased members.

### Employer Pick-up Contributions

Contributions withheld from your salary are remitted to PEERS as **“employer pick-up” (EPU) contributions** under the Internal Revenue Code. That fact allows the contributions to be tax-deferred until they are paid to you or to your beneficiary as a lump-sum refund or a monthly benefit. Employee contributions to PEERS have been EPU contributions since July 1, 1989.

Although federal tax is computed on your salary after EPU contributions are deducted, you are given credit with PEERS for your salary before EPU contributions are deducted.

EPU contributions are credited to your account in the same manner as pre-July 1, 1989 contributions, and are subject to the same refund restrictions. However, your before-tax and after-tax contributions are tracked separately in your account and identified on the annual *Member Statement*. You will be notified at time of refund or retirement of the amount then taxable.

### Interest on Contributions

Interest is credited to your account each June 30 on the balance as of the previous June 30. The interest rate is set annually by the Board of Trustees, and usually compares favorably with rates credited on most passbook savings accounts and short-term **certificates of deposit** (CDs). The interest as of each June 30 appears on your annual *Member Statement* (page 24).

The interest accruing to your account is not taxable until it is actually paid to you or to your beneficiary. It should not be reported on your annual tax returns before retirement as long as your funds remain with the System.

**The amount of money in your account is important only in the event of a lump-sum payment. It is not a factor in the calculation of a retirement benefit. However, all credited interest is paid if your contributions are refunded, or if a lump-sum death payment is made to your beneficiary.**

## Creditable Service

Creditable service is the total credit accrued to your membership for covered service and purchased credit. It determines in large measure your rights and benefits under the retirement law. Creditable service is allowed for eligible service both before and after the System started operations on November 1, 1965.

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### Prior Service Credit

Prior service credit is allowed for eligible employment before November 1, 1965 at participating employers. No retirement contributions were **remitted** for services before that date, and none are required to receive credit.

If you were regularly employed before November 1, 1965, for at least 20 hours a week by a PEERS-covered employer and have not filed for prior service credit, contact PEERS for a claim form.

### Membership Service Credit

Membership service credit is any credit earned or purchased, other than prior service credit, and is typically for periods of service after November 1, 1965. You will earn a year of membership service credit for each school year (July 1 through June 30) of PEERS-covered employment if you are a 9, 10, 11 or 12-month employee.

If you work less than a full year, service credit is determined by dividing the salary earned during a school year by the minimum salary you were **expected to earn for the complete term of the position**. In other words, service credit is calculated on a salary over salary basis. Service credit is calculated to five decimal places, beginning July 1, 2010.

**Example:** A custodian is hired at an annual salary rate of \$18,000. She earns \$18,000. Therefore, she earns 1.00000 year of membership credit ( $\$18,000 \div \$18,000$ ).

**Example:** A custodian is hired at an annual salary rate of \$18,000. He earns \$14,400. Therefore, he earns 0.80000 of a year of membership credit ( $\$14,400 \div \$18,000$ ).

### Membership Status

Your membership is considered **active** as long as you are employed to serve in a position qualified for membership and contributions are **remitted** for you.

Your membership is considered **inactive** if you are employed in a position that does not qualify for membership, or if you cease PEERS-covered employment but leave your contributions with PEERS. If you are not vested and your absence from PEERS-covered employment continues, your membership ends as described under the section entitled, *Membership Termination* (page 22).

### Vesting

**Vesting** establishes a right to a retirement benefit without additional PEERS-covered service.

You are vested in PEERS as soon as you acquire five years of creditable service with PEERS. This can include credit purchased, reinstated or transferred from qualified sources. However, the purchased credit cannot exceed the membership service credit earned for PEERS-covered employment at the time of retirement. Once vested, you may cease covered employment at any age, hold your

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membership by leaving your contributions with the System, and claim a lifetime monthly retirement benefit when you meet minimum eligibility requirements. Your benefit is figured under the formula in effect when your retirement payments begin.

You may request a refund of your account balance after termination of employment and before retirement payments start, and forfeit your right to a lifetime monthly benefit.

### Absence from Covered Employment

If you leave PEERS-covered employment before you are vested (with fewer than five years of eligible credit) and your contributions remain with the System, you will retain your membership. Your funds will continue to accrue interest provided you return to PEERS-covered service at any time in the next five consecutive school years and earn at least one-tenth of a year of credit, or purchase credit to attain vested status.

### Membership Termination

Your membership automatically terminates when you are not vested and out of PEERS-covered employment for five consecutive school years. When your membership terminates, interest is no longer credited to your account and the balance in your account is refunded to you upon application.

Should your membership terminate, it will be shown on your annual *Member Statement*, and you will receive a refund application with that statement. It is important to keep your address on record with PEERS current during your membership.

An absence covered by **The Family and Medical Leave Act of 1993 (FMLA)** or an absence for military service covered by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) is not counted in determining the maximum allowed absence from PEERS-covered employment.

### Refund of Account Balance

If you cease PEERS-covered employment, you may terminate your membership, forfeit your creditable service and any benefit right based on that service, and receive a lump-sum refund of your entire account balance, including all interest credited **through the preceding June 30**. You must wait until 30 days have lapsed since your last day of employment to apply for a refund of your account balance.

According to *Revised Statutes of Missouri*, you are eligible to request a refund of your account funds and forfeit all of your PEERS credit **only if you have ended PEERS-covered employment and are not under contract for future service with any PEERS-covered Missouri school district or employer**. You are **not** eligible for a refund if you are on leave of absence. You are **not** eligible for a refund if you are finishing a school year with one employer and starting the next school year with another employer who is also covered by this Retirement System. Matching contributions made by your employer are not refundable. **The law does not permit partial refunds or loans.**

If you are planning to request a refund of your PEERS account because you are

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physically or mentally disabled and cannot work, you should first consider whether you are eligible for PEERS lifetime monthly **disability retirement benefits**. See the section entitled, *Disability Retirement* (page 70), or call (800) 392-6848 for more information.

**You may request a refund application at any time, but it cannot be filed until 30 days have elapsed following your last day of PEERS-covered service. If you are on leave of absence or under contract, the 30-day waiting period must be measured from the date your leave or contract agreement ends.**

After the required 30-day waiting period, payment of your funds should occur within 60 days following the receipt of your properly completed application by PEERS. The amount of time needed to process your application depends on whether you were employed in the current school year. PEERS must verify your service and contributions with your employer. **If your employment continues to the end of the school year, the earliest possible refund date is the end of July.**

If your membership ends by refund and you return to PEERS-covered employment, you will establish a new membership. You will then have an opportunity to reinstate your previous credit (page 26).

### Income Taxes on Refunds

Should you choose to request a refund of your account, careful consideration should be given to potential tax consequences.

Taxes **are payable** on:

- Contributions remitted after June 30, 1989;
- Interest added to your account during your membership; and
- Any tax-deferred funds you remitted to PEERS to pay for a purchase or reinstatement of credit.

Taxes **are not payable** on:

- Contributions remitted before July 1, 1989 (before this date taxes were withheld from your contributions by your employer before being remitted to PEERS); and
- Any taxed dollars used to purchase or reinstate credit with PEERS.

PEERS is required by the IRS to withhold 20% federal income tax on the taxable portion of a lump-sum refund (if \$200 or greater) unless you authorize PEERS to directly roll the taxable amount to an Individual Retirement Account (IRA) or other eligible 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.**

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 generally does not apply if you separate from service in or after the tax year in which you reach age 55. PEERS will mail an IRS *Form 1099-R* to you after the end of the calendar year indicating the taxable portion of your lump-sum refund and any federal taxes withheld.

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If you request a refund application, detailed tax information and payment options will accompany the form.

The retirement office staff does not answer individual tax questions or give tax advice. Inquiries should be referred to a tax professional or to the appropriate state or federal taxing agency.

### Minimum Distribution Requirement

Federal law requires that you must begin receiving a distribution from PEERS by April 1 of the year after you reach age 70½ if you are no longer in PEERS-covered employment. If you fail to meet the minimum distribution requirement, you may be subject to a substantial federal excise tax.

### Member Statement

Each fall, after a complete review and update of member accounts, an individual *Member Statement* as of the previous June 30 is mailed to each member's home address. You can also access your account information online through our website, [www.psr-s-peers.org](http://www.psr-s-peers.org). Access to your account requires that you establish a username and password to log in to the secure portion of our website.

Your *Member Statement* details your compensation, the service credit you earned, and contributions reported by your employer for the school year, as well as your accumulated account balance and total membership service credit as of the previous June 30. It also lists your current beneficiary designation and home address as last reported to PEERS.

**When you receive your annual *Member Statement*, check it carefully. If your beneficiary designation or mailing address is incorrect, notify PEERS promptly. If you find an error in compensation, contributions or credit, call your employer first. Your employer should contact the retirement office if the statement information does not agree with your employer's records. The earlier discrepancies are reported, the greater the chance for proper adjustment. An uncorrected error could affect your future retirement benefit.**

## The Effect of Divorce on Your PEERS Benefits

More information on the effect of divorce on your PEERS benefits can be found in the *Service Retirement* section (page 66).