



Reinstatements, Purchases and Credit Transfers



Public Education Employee

P E E R S

Retirement System of Missouri

Partners in Your Retirement Security

Reinstating Service Credit

If you were previously a PEERS member who ended your membership by taking a refund of your account balance and are again serving in PEERS-covered employment, you may elect to reinstate forfeited credit. You can reinstate a portion or all of your forfeited credit. Electing a reinstatement application does not create a contractual obligation on your part to complete payment.

To reinstate credit, you must repay the amount(s) refunded when your previous membership(s) terminated, plus interest (currently 8%) accruing monthly and compounding annually from the refund date(s) to the final payment date. Payment can be made at any time, but is required prior to your PEERS retirement date. If you do not complete payment prior to retirement, refund or death, proportional credit is granted based on payments made.

Reinstatement applies only to previously-forfeited PEERS credit and is calculated differently than purchases of other types of credit. Typically, a reinstatement of credit is more cost-effective than most other credit purchases.

Purchasing Service Credit

You may be eligible to purchase additional service credit if:

- You meet the statutory requirements;
- You have at least one year of PEERS membership service credit, and have PEERS-covered employment after the period of service you wish to purchase;
- You have not yet retired with PEERS; and
- You file the appropriate credit purchase application.

Filing a credit purchase application does not create a contractual obligation on your part to complete payment. The application remains open until paid in full or your membership terminates due to retirement, refund or death. Application and payment can be made at any time, but are required prior to your PEERS retirement date.

- Multiple applications to purchase credit can be filed, as long as no two applications are for the same period of time.
- Most types of credit can be purchased in increments of as little as one, one hundred thousandth (0.00001) of a year.
- Purchased credit counts toward the five-year requirement to reach vested status with PEERS, except for Supplemental credit (**page 28**) and Social Security-covered employment (**page 30**).
- In most cases, the total credit purchased cannot exceed all earned credit on record at termination of membership (retirement, refund or death).
- You cannot have credit with any other retirement system for service purchased with PEERS (excluding Social Security and military pensions).
- For most purchase applications filed on or after January 1, 2006, no interest is charged. Instead, the cost for any credit applied for, but not paid, as of September 30 each year is recalculated based on your highest salary rate on record and the current contribution rate as of July 1.
- Applications to purchase credit cannot be rescinded or changed unless otherwise authorized by law.

Reinstatements, Purchases and Credit Transfers

Most credit purchase types are calculated using the basic cost calculation (**page 28**). The exceptions to this calculation are: reinstatements, unpaid sick leave or workers' compensation leave, and military service under USERRA.

Payment Options to Reinstate or Purchase Credit

You can make reinstatement or purchase payments by:

- Personal check, cashier's check, money order; or
- Through the use of a tax-deferred rollover or an in-service trustee-to-trustee transfer (see "**Tax-Deferred Rollovers**" below).

Tax-Deferred Rollovers

In many cases, it may be advisable to use tax-deferred retirement options such as 403(b), 457, 401(k), or other qualified plans, to accumulate funds for the purchase so that you can pay for any credit as soon as possible after you make application with PEERS. Directly transferring funds from qualified plans can protect the tax-deferred status of the funds and avoid tax payments and/or tax penalties at the time of transfer. We suggest that you contact a tax professional of your choice for guidance concerning this issue.

PEERS can accept **tax-deferred rollovers** in payment of most credit purchases and for reinstatements of service credit provided that the acceptance of any funds from any authorized plan or account will not jeopardize the tax-qualified status of the Retirement System, and the money is an "**eligible rollover distribution**" from plans permitted under the Internal Revenue Code. Generally, this includes the following:

- A 401(a) tax qualified plan (including a Keogh plan which meets additional requirements pertaining to owner-employees)
- A 403(a) qualified annuity plan
- A 408(a) individual retirement account or a 408(b) individual retirement annuity, to the extent that the IRA contains funds that have not been previously taxed
- A 403(b) qualified plan
- All state and local government 457(b) deferred compensation plans
- Any other plans or accounts that may be authorized as a source of eligible funds under the Internal Revenue Code, provided the System shall not be obligated to accept any funds from any such authorized plan or account if the funds would jeopardize the tax-qualified status of the System
- The member, if the amount was distributed to the member from a qualified plan and is rolled over by the member to PEERS within 60 days of that distribution, and if the member's check is accompanied by proof of rollover eligibility.

Reinstatements, Purchases and Credit Transfers

In-Service Trustee-to-Trustee Transfers

PEERS can accept an **in-service trustee-to-trustee transfer** in payment of most credit purchases or reinstatements of service credit if the money is transferred from:

- An annuity contract/plan described in section 403(b) of the Internal Revenue Code
- An eligible plan under section 457(b) of the Internal Revenue Code

In order to use an in-service trustee-to-trustee transfer to purchase or reinstate service credit, two requirements must be met:

- Your 403(b) or 457(b) plan must allow in-service trustee-to-trustee transfers. You should contact your plan administrator to find out if your plan qualifies.
- The transfer must be limited to the cost to purchase or reinstate service for which you are eligible.

Calculating the Cost to Purchase Service Credit

Online Credit Purchase Calculator

You can estimate the cost for most types of credit by using the credit purchase calculator found on our website, www.psr-s-peers.org, or by using the basic cost calculation shown below. You are also welcome to contact our office for a PEERS-generated cost calculation.

Basic Purchase Cost Calculation

Most PEERS credit purchases use the basic cost calculation to determine cost. This calculation multiplies your highest annual salary rate on record with PEERS (which includes board-paid health, vision and dental insurance) by the current total contribution rate at the time of initial application (employee and employer) to determine the cost for each year.

$$\begin{array}{rcccl} \text{Highest Annual} & & \text{Current} & & \text{Cost for} \\ \text{Salary Rate on} & & \text{Contribution Rate} & & \text{One Year of} \\ \text{Record} & \times & \text{(Employee and Employer)} & = & \text{Credit} \end{array}$$

Basic Types of Credit Purchases

The **basic cost calculation** is used to determine the cost for the following purchases:

Supplemental Credit

If you are within five years of retirement eligibility (age 50 or 20 years of credit), you may buy up to five-tenths (0.5) of a year of supplemental credit. This credit does not count toward vesting.

Reinstatements, Purchases and Credit Transfers

Military Service

If you had active U.S. military service, you may be eligible to buy credit for the time if you were discharged under honorable conditions.

The Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) may apply if the military service was after December 11, 1994. See details under the USERRA leave section (**page 31**).

Employment at Non-PEERS-Covered Schools

If you were employed by a public or private elementary or secondary school, college or university for at least 20 hours per week on a regular basis, you may be eligible to purchase equivalent credit with PEERS.

PSRS Service

PSRS credit forfeited by an account refund can be purchased, with a portion of the cost offset by a transfer from PSRS to PEERS of the matching PSRS employer funds, not to exceed 50% of the purchase cost.

Non-Federal Public Employment

If you had non-federal public employment in any location that was at least 20 hours per week on a regular basis, you may be eligible to buy credit for this service. The service may have been covered by another retirement plan.

Not-for-Profit Educational Work

If you were employed for at least 20 hours per week on a regular basis by a not-for-profit corporation or agency with the primary purpose being the support of education or educational research, while on leave from a PEERS-covered employer, you may be eligible to purchase credit for this service if you return to PEERS-covered service after the leave.

Vo-Tech Work Experience

If you are or were certified as a vocational-technical teacher, and had at least two years of work experience in the subject area of your vo-tech certification, you may be eligible to buy up to two years of credit.

Part-Time Certificated Service

You may be eligible to buy credit for part-time certificated service that was after August 28, 1991, but before August 28, 2003, if the service was for at least 17 but fewer than 20 hours per week and was with a PEERS-covered employer.

Maternity/Paternity Leave

If you were on unpaid maternity/paternity leave from a PEERS-covered employer and returned to PEERS-covered employment after the leave, you may be eligible to purchase up to one year of credit for each birth, legal adoption or terminated pregnancy for which the unpaid leave occurred. If you are on unpaid leave during the current school year, or were in either of the previous two school years, you should consult your employer about remitting contributions under the unpaid sick leave purchase provision, as it may be less expensive than purchasing the credit under this provision (**page 31**).

Social Security-Covered Employment

If you are vested with PEERS and worked in Social Security-covered employment for 20 or more hours per week while age 18 or older, you may be eligible to purchase credit for the service. The service being purchased may not be used to receive a benefit from another public retirement system (other than Social Security or military pensions).

Federal law places some limitations on the amount of this type of credit that can be purchased with PEERS. Whether or not the amount of credit you can purchase is limited by federal law depends on what money (taxed or tax-deferred) you use to pay for the purchase and what type of service (governmental, educational, military) you are buying.

The Internal Revenue Service (IRS) regulations categorize credit purchases as either “qualified” or “non-qualified.” Generally, service with another governmental entity is considered “qualified.” Supplemental credit and credit for some Social Security-covered employment are considered “non-qualified.”

When buying service credit for “non-qualified” Social Security-covered employment:

- You are limited to a lifetime total purchase of five years of non-qualified service paid for with after-tax dollars. You can purchase additional years (more than five) if those additional years are paid for with rollover or transfer funds.
- If you pay for the service by rolling over tax-deferred funds from a qualified plan or account, the number of years of credit you may buy is limited only to the number of years of credit you have earned with PEERS at the time of your retirement.

Other Types of Credit Purchases

The purchase of credit for these types of leave is **not** covered under the basic purchase cost calculation. The cost is based on your salary and the contribution rate at the time of the leave. Specific application and payment deadlines apply.

Unpaid Sick Leave or Workers’ Compensation Leave

If you have been on unpaid sick leave or your salary has been docked for time covered by workers’ compensation during the current or either of the previous two school years, you may be eligible to purchase credit for all of the leave through your employer. Contact your employer to arrange payment of the employee contributions

Reinstatements, Purchases and Credit Transfers

that would have been remitted during the leave. The employer will then remit both the employee and employer contributions to PEERS. You must purchase the total amount of credit for time you were on unpaid sick or workers' compensation leave. Tax-deferred (rollover) funds can be used to pay for this type of credit purchase.

Uniformed Service Under the Federal USERRA Law

USERRA-covered service includes service in the U.S. Armed Forces, the National Guard or other service categories designated by the President in time of war or emergency. If the leave was USERRA-covered service and the same employer reemployed you in accordance with the USERRA regulations, you may be eligible to buy credit for the service, provided you apply within five years of reemployment. The period of USERRA-covered service counts toward vesting regardless of whether you choose to remit your contributions for the leave period. If you do remit those contributions, the credit is also included in the total credit used to calculate your retirement benefit.

Reciprocity with Other Missouri Public Retirement Systems

Reciprocity Transfer/Purchase

If you are vested with both PEERS and another Missouri public employee retirement system, including the Public School Retirement System (PSRS), you can elect to transfer funds from the other system to PEERS and receive actuarially equivalent credit with PEERS, if a cooperative agreement has been signed by both systems. Any remaining credit, which is not granted via the transfer of funds, can be purchased by paying to PEERS the PEERS calculated actuarial value of the remaining credit. This cost is currently calculated using the "basic cost calculation" described earlier.

If you are vested with PEERS but not the other system, you can forfeit the credit in the other system and buy it with PEERS. The cost to do so is the PEERS calculated actuarial value of the credit and is currently the "basic cost calculation" described earlier. The period allowed to make payments after an application is filed is limited, by law, to two years, or prior to the termination of membership, whichever comes first.

Systems that have signed cooperative agreements with PEERS are:

- The Public School Retirement System of Missouri (PSRS)
- Missouri State Employees' Retirement System
- Missouri Local Government Employees Retirement System
- Missouri Department of Transportation and Highway Patrol Employees' Retirement System
- Kansas City Employees' Retirement System and Fire Fighters' Pension System
- Kansas City Public School Retirement System
- The Public School Retirement System of the City of St. Louis

For information regarding the recognition of vested credit earned at other Missouri public school retirement systems for retirement eligibility (**page 40**).

Is a Reinstatement or a Credit Purchase a Good Buy?

This depends largely on your individual career statistics and personal circumstances.

Reinstating previously forfeited credit is almost always a good financial decision. But since the cost to purchase credit is not calculated in the same manner as a reinstatement, a purchase needs to be evaluated a little more carefully to see if the cost can be “recovered” over what you believe is a reasonable length of time. In almost all cases, a credit purchase will increase your monthly benefit. Purchasing credit can make some members eligible for a higher formula factor. For others, it might mean moving from a reduced benefit to an unreduced benefit. In some cases, it may allow you to retire earlier.

The degree of impact the purchase will have varies depending on each member’s situation.

If the cost to purchase credit is calculated using the “basic cost calculation,” it may be beneficial to purchase credit earlier in your career since the longer you work in PEERS-covered employment, the more likely your salary may increase, and that the contribution rate may increase. The higher your highest annual salary rate on record with PEERS, and/or the higher the contribution rate, the more the credit will cost.

A credit purchase can be quite expensive and its potential worth can vary greatly from member to member, based in part on your personal circumstances, plans and goals. You should weigh the purchase cost against all potential benefits the additional credit provides.

Determining how long it will take to “recover” the cost of the purchase (or reinstatement) can be an important part of your decision. This determination is based on how much your benefit may increase and how much sooner you can receive that benefit.

Use the worksheet on the following page to help you determine if purchasing credit is to your financial advantage. As pointed out above, there may be a variety of reasons for you to consider purchasing credit. This worksheet helps you analyze the most fundamental of all reasons – how long it takes you to recover your purchase cost after you retire.

Reinstatements, Purchases and Credit Transfers

Purchase Cost Recovery Worksheet			
			Example
Monthly benefit with purchasing credit	1		\$625
Monthly benefit without purchasing credit	2		\$575
Subtract Line 2 from Line 1	3		\$50
<i>Line 3 is the difference in your monthly benefit</i>			
Cost to purchase credit	4		\$3,000
Divide Line 4 by Line 3	5		60
<i>Line 5 is the number of months it takes to recover your cost</i>			

Please keep in mind that not all statutory or regulatory provisions applying to the reinstatement or purchase of credit are included in this handbook. If you have questions about eligibility for any particular credit purchase, or would like an estimate of the cost to buy credit, call us at (800) 392-6848, email us at psrspeers@psrspeers.org, or use the online purchase cost calculator at www.psr-s-peers.org.