



Service Retirement



Partners in Your Retirement Security

Service Retirement

Service retirement benefits are available to members who cease PEERS-covered employment and meet minimum service and age requirements. The monthly benefits are made for life without interruption if there is not a return to full-time, PEERS-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)
- Normal retirement (full benefits), **Rule of 80** or 30-and-Out with an additional .8% temporary benefit
- Early retirement under 25-and-Out (a lesser benefit formula)
- Early retirement calculated with an age-reduction factor
- Partial Lump Sum Option (PLSO)
- Accelerated Payment Plan (APP)

If you are considering retirement due to health reasons, you may be eligible for PEERS disability retirement (**page 70**).

Missouri Educational Recognition of Credit Between Systems

If you have **vested** service with two or more of these Missouri public school retirement systems – PEERS, PSRS, the city of St. Louis or Kansas City – you may be eligible to have 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 PEERS benefit is calculated using only your years of credit and salaries on record with PEERS.

Example: A 55-year-old PEERS member with 20 years of credit with PEERS 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 and .8% temporary benefit immediately when calculating his or her PEERS benefit based on 20 years of service with PEERS. Without recognizing credit between systems, the PEERS 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 PEERS, and does not meet the PEERS **Rule of 80** criteria.

If you are not eligible to combine credit using this provision, you may still be eligible to purchase with PEERS the credit established with these systems. See the purchase information in this publication concerning withdrawn PSRS service credit, and non-PEERS-covered school employment (**page 29**).

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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 (30-and-Out), or
- When the sum of your age plus years of credit equals 80 or more (**Rule of 80**).

Temporary Benefits

If you are under the age of 62 and have at least 30 years of credit or qualify for **Rule of 80**, you will have an additional .8% temporary benefit added to the normal benefit until you reach minimum Social Security age, currently 62. At age 62, the temporary benefit stops, but the “normal benefit” portion of your benefit is permanent and continues for your lifetime.

Benefit Amount

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

$$.0161 \times \text{Final Average Salary} \times \text{Years of Credit} = \text{Single Life (Option 1) Monthly Benefit}$$

Use **Benefit Worksheet 1 (page 47)** to calculate estimated normal retirement benefits.

If you are eligible for the additional .8% temporary benefit, it is calculated as follows, and is added to the permanent portion of your Single Life monthly benefit until you reach age 62.

$$.008 \times \text{Final Average Salary} \times \text{Years of Credit} = \text{Temporary Single Life (Option 1) Monthly Benefit}$$

Use **Benefit Worksheet 2 (page 48)** to calculate estimated temporary benefits with normal retirement benefits.

Final Average Salary is determined by adding your three highest consecutive annual salaries (including any board-paid health, dental and vision insurance), and dividing the total by 36. In determining monthly final average salary, PEERS disregards any increase in compensation in excess of 20% from one year to the next in the final average salary period. This cap does 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 PEERS-covered service 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 (a lesser benefit formula) if you retire with PEERS 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 3 (page 49)** to calculate estimated 25-and-Out retirement benefits.

Final Average Salary and the years of credit are determined the same as under normal retirement (**page 41**).

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

Factor	Years of Credit	
	At Least	But Less Than
.0151	25	26
.0153	26	27
.0155	27	28
.0157	28	29
.0159	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.
- At any age with at least 25 years of credit (after July 1, 2013 when the modified formula provision expires).
- Do not qualify for **Rule of 80**.

Benefit Amount

All age-reduced benefits are calculated as follows:

$$.0161 \times \text{Final Average Salary} \times \text{Years of Credit} \times \text{Age Reduction Factor} = \text{Single Life (Option 1) Monthly Benefit}$$

Use **Benefit Worksheet 1 (page 47)** to calculate estimated age-reduced benefits.

Final Average Salary and the years of credit are determined the same as under normal retirement. The **age-reduction factor** is based on your exact age at the time of your PEERS retirement date.

Approximate Age at Early Retirement	Approximate Age-Reduction Factor
45	.2552
46	.2779
47	.3028
48	.3301
49	.3601
50	.3932
51	.4296
52	.4698
53	.5142
54	.5634
55	.6180
56	.6786
57	.7461
58	.8214
59	.9056

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 PEERS 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 51-53**).

Benefit Amount

If you are eligible for PLSO, your PLSO lump-sum amount is determined by multiplying **the permanent portion** of your Single Life (Option 1) monthly benefit amount by 12, 24 or 36.

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

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.psr-peers.org.

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

Use **Benefit Worksheet 4 (page 50)** to calculate estimated PLSO benefits.

If you qualify for the .8% temporary benefit, the lump-sum payment amount is calculated **before** the .8% temporary benefit is applied. The full amount of the temporary benefit is, however, included in your actuarially reduced monthly benefit payments until you reach the minimum Social Security age, currently 62.

Please keep in mind that the taxable portion of a PLSO distribution is subject to the mandatory 20% federal withholding by PEERS 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

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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 59**) regarding taxes on PLSO payments.

Accelerated Payment Plan (APP)

Eligibility

If you are younger than age 62, you can choose to actuarially accelerate, or increase, your PEERS benefit until age 62. At age 62, an actuarial reduction is then applied to your monthly benefit amount.

Members who choose APP usually intend to apply for their Social Security benefits at age 62, thereby replacing the reduced PEERS income with Social Security income. Choosing APP does not mean you will receive any “extra” income from PEERS over your expected lifetime. It simply means you have chosen to receive more of your benefit prior to age 62.

Contact PEERS for an estimate of benefits. We will need a recent copy of your Social Security statement.

Calculating Benefits

Online Benefit Estimate Calculator

Using your career statistics, you can estimate your benefits under all the retirement plans, except the Accelerated Payment Plan (APP), by using the benefit estimate calculator found on our website, www.psr-peers.org.

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

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Table of Estimated Benefits

		Years of Credit																												
		5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
Monthly Final Average Salary		Single Life (Option 1) Monthly Benefit Amount																												
		Single Life (Option 1) Monthly Benefit Amounts																												
\$800	64	77	90	103	116	129	142	155	167	180	193	206	219	232	245	258	270	283	296	309	322	335	348	361	374	386				
900	72	87	101	116	130	145	159	174	188	203	217	232	246	261	275	290	304	319	333	348	362	377	391	406	420	435				
1000	81	97	113	129	145	161	177	193	209	225	242	258	274	290	306	322	338	354	370	386	403	419	435	451	467	483				
1100	89	106	124	142	159	177	195	213	230	248	266	283	301	319	336	354	372	390	407	425	443	460	478	496	514	531				
1200	97	116	135	155	174	193	213	232	251	270	290	309	328	348	367	386	406	425	444	464	483	502	522	541	560	580				
1300	105	126	147	167	188	209	230	251	272	293	314	335	356	377	398	419	440	460	481	502	523	544	565	586	607	628				
1400	113	135	158	180	203	225	248	270	293	316	338	361	383	406	428	451	473	496	518	541	564	586	609	631	654	676				
1500	121	145	169	193	217	242	266	290	314	338	362	386	411	435	459	483	507	531	555	580	604	628	652	676	700	725				
1600	129	155	180	206	232	258	283	309	335	361	386	412	438	464	489	515	541	567	592	618	644	670	696	721	747	773				
1700	137	164	192	219	246	274	301	328	356	383	411	438	465	493	520	547	575	602	630	657	684	712	739	766	794	821				
1800	145	174	203	232	261	290	319	348	377	406	435	464	493	522	551	580	609	638	667	696	725	753	782	811	840	869				
1900	153	184	214	245	275	306	336	367	398	428	459	489	520	551	581	612	642	673	704	734	765	795	826	857	887	918				
2000	161	193	225	258	290	322	354	386	419	451	483	515	547	580	612	644	676	708	741	773	805	837	869	902	934	966				
2100	169	203	237	270	304	338	372	406	440	473	507	541	575	609	642	676	710	744	778	811	845	879	913	947	980	1014				
2200	177	213	248	283	319	354	390	425	460	496	531	567	602	638	673	708	744	779	815	850	886	921	956	992	1027	1063				
2300	185	222	259	296	333	370	407	444	481	518	555	592	630	667	704	741	778	815	852	889	926	963	1000	1037	1074	1111				
2400	193	232	270	309	348	386	425	464	502	541	580	618	657	696	734	773	811	850	889	927	966	1005	1043	1082	1121	1159				
2500	201	242	282	322	362	403	443	483	523	564	604	644	684	725	765	805	845	886	926	966	1006	1047	1087	1127	1167	1208				
2600	209	251	293	335	377	419	460	502	544	586	628	670	712	753	795	837	879	921	963	1005	1047	1088	1130	1172	1214	1256				
2700	217	261	304	348	391	435	478	522	565	609	652	696	739	782	826	869	913	956	1000	1043	1087	1130	1174	1217	1261	1304				
2800	225	270	316	361	406	451	496	541	586	631	676	721	766	811	857	902	947	992	1037	1082	1127	1172	1217	1262	1307	1352				
2900	233	280	327	374	420	467	514	560	607	654	700	747	794	840	887	934	980	1027	1074	1121	1167	1214	1261	1307	1354	1401				
3000	242	290	338	386	435	483	531	580	628	676	725	773	821	869	918	966	1014	1063	1111	1159	1208	1256	1304	1352	1401	1449				

This table illustrates the unreduced Single Life (Option 1) monthly benefits payable under normal retirement using various Final Average Salary and credit combinations. If your Final Average Salary and equivalent years of credit at retirement precisely match a combination shown, the amount indicated where the two figures meet would be your normal retirement benefit.

- Any reduction required because of early retirement or because of the election of Option 2, 3, 4, 5 or 6 is applied to the normal retirement benefit.
- This table calculates only the normal (permanent) benefit amount using the 1.61% full benefit formula. It does not include the .8% temporary benefit which a 30-and-Out or **Rule of 80** member is eligible to receive until age 62.
- If you are eligible for the .8% temporary benefit, your benefit is approximately 50% higher than the amount shown until minimum Social Security age, currently age 62, when the amount decreases to the normal (permanent) benefit amount for the remainder of your lifetime.

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Worksheets

Benefit Worksheet 1

Instructions:

Use this worksheet to calculate normal benefits (**without .8% temporary benefits**) or age-reduced retirement benefits under the full formula. **REMINDER:** This worksheet presumes the election of the Single Life (Option 1) retirement plan (**page 51**).

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 41**). Enter on line 5.

Step 4: Multiply line 5 by .0161. 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. 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	.2552	50	.3932	55	.6180
46	.2779	51	.4296	56	.6786
47	.3028	52	.4698	57	.7461
48	.3301	53	.5142	58	.8214
49	.3601	54	.5634	59	.9056

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.*

NOTE: This worksheet is not applicable to members under age 55 who retire during the temporary 25-and-Out period. If you qualify for **.8% temporary benefits**, see **Benefit Worksheet 2**.

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Worksheets

Benefit Worksheet 2

Instructions:

Use this worksheet to calculate temporary retirement benefits under normal retirement if you are under the age of 62 and have at least 30 years of credit, or you qualify for **Rule of 80** (age + service = 80 or more).

REMINDER: This worksheet presumes the election of the Single Life (Option 1) retirement plan (**page 51**).

Estimating Your Single Life (Option 1) Benefit Amount

Step 1: List on lines 1-3 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.

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

4.

Step 3: Divide line 4 by 36 to determine monthly Final Average Salary (**page 41**). Enter on line 5.

5.

Step 4: Multiply line 5 by .0161. Enter the result on line 6.

6.

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

7.

Step 6: Multiply line 6 by line 7. Enter the result on line 8.

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 Temporary Benefit Amount

Step 1: Multiply the amount on line 5 by .008. Enter the result on line 9.

9.

Step 2: Multiply line 9 by line 7 and enter the result on line 10. This is the temporary portion of your Single Life (Option 1) benefit. It stops at age 62.

10.

Step 3: Add lines 8 and 10. Enter the total on line 11.

11.

The result on line 11 is your total estimated Single Life (Option 1) monthly benefit, BEFORE taxes, payable until you reach age 62. At age 62, the temporary portion of the benefit (amount on line 10) stops, and the normal (permanent) portion (amount on line 8) continues for the remainder of your life.

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Worksheets

Benefit Worksheet 3

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 51).

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 41).

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

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.																					
Step 2: Enter the total of lines 1 through 3 on line 4.	4.																					
Step 3: Divide line 4 by 36 to determine monthly Final Average Salary (page 41). Enter on line 5.	5.																					
Step 4: Enter on line 6 the factor below which applies to your expected total years of credit at retirement.	6.																					
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="padding: 5px;">Factor</th> <th colspan="2" style="padding: 5px;">Years of Credit</th> </tr> <tr> <th style="padding: 5px;">At Least</th> <th style="padding: 5px;">But Less Than</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; padding: 2px 5px;">.0151</td> <td style="text-align: center; padding: 2px 5px;">25</td> <td style="text-align: center; padding: 2px 5px;">26</td> </tr> <tr> <td style="text-align: center; padding: 2px 5px;">.0153</td> <td style="text-align: center; padding: 2px 5px;">26</td> <td style="text-align: center; padding: 2px 5px;">27</td> </tr> <tr> <td style="text-align: center; padding: 2px 5px;">.0155</td> <td style="text-align: center; padding: 2px 5px;">27</td> <td style="text-align: center; padding: 2px 5px;">28</td> </tr> <tr> <td style="text-align: center; padding: 2px 5px;">.0157</td> <td style="text-align: center; padding: 2px 5px;">28</td> <td style="text-align: center; padding: 2px 5px;">29</td> </tr> <tr> <td style="text-align: center; padding: 2px 5px;">.0159</td> <td style="text-align: center; padding: 2px 5px;">29</td> <td style="text-align: center; padding: 2px 5px;">30</td> </tr> </tbody> </table>			Factor	Years of Credit		At Least	But Less Than	.0151	25	26	.0153	26	27	.0155	27	28	.0157	28	29	.0159	29	30
Factor	Years of Credit																					
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.0153	26	27																				
.0155	27	28																				
.0157	28	29																				
.0159	29	30																				
Step 5: Multiply line 5 by line 6. Enter the result on line 7.	7.																					
Step 6: Enter the total years of expected retirement credit at retirement on line 8.	8.																					
Step 7: Multiply line 7 by line 8. Enter the 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.

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Worksheets

Benefit Worksheet 4 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 51).

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** or **Benefit Worksheet 2** on the previous pages or call **(800) 392-6848**.) Do not include the .8% temporary benefit.

1.

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.

2.

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.

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.

4.

Your Age at Retirement	12-Month PLSO Factors	24-Month PLSO Factors	36-Month PLSO Factors
50	.9307	.8615	.7922
51	.9299	.8599	.7898
52	.9291	.8582	.7873
53	.9282	.8563	.7845
54	.9272	.8543	.7815
55	.9261	.8522	.7783
56	.9250	.8499	.7749
57	.9237	.8475	.7712
58	.9224	.8448	.7672
59	.9210	.8419	.7629
60	.9194	.8389	.7583
61	.9178	.8356	.7534
62	.9161	.8321	.7482
63	.9142	.8284	.7426
64	.9122	.8244	.7366
65	.9101	.8201	.7302
66	.9078	.8156	.7234
67	.9054	.8108	.7162
68	.9028	.8056	.7084
69	.9000	.8001	.7001
70	.8970	.7941	.6911
71	.8938	.7876	.6815
72	.8903	.7807	.6710
73	.8865	.7731	.6596
74	.8824	.7648	.6473
75	.8779	.7559	.6338

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Payment Plans

PEERS offers six retirement plans for monthly benefits, as well as the option to take the Accelerated Payment Plan (APP) or the Partial Lump Sum Option (PLSO), 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 when the benefit payment term ends.

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.

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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.

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 PEERS 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 plan 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 66) 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 37).

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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.

Disadvantages:

The reduced benefit you receive may not provide adequate income while you are living. PEERS 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.

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Disadvantages:

The reduced benefit you receive may not provide adequate income while you are living. PEERS 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.**

The Accelerated Payment Plan (APP)

Plan Description

The Accelerated Payment Plan (APP) allows you to accelerate the payment of your PEERS benefit until you reach the minimum Social Security eligibility age of 62. When you reach age 62, your PEERS benefit will be reduced even if you do not apply for your Social Security benefits at that time. Choosing APP does not mean you will receive any “extra” income from PEERS over your expected lifetime. It simply means that you have chosen to receive more of your benefit prior to age 62.

Calculating an APP benefit is not as simple as adding your PEERS benefit and your estimated Social Security benefit to arrive at the APP amount. While your Social Security amount is used in the calculation of the APP benefit amount, the calculation is an actuarial calculation that takes into consideration several other factors, including your age at retirement, your PEERS benefit amount and your estimated Social Security benefit amount.

The APP must be selected in conjunction with one of the retirement plans, Single Life, Joint-and-Survivor, or Term-Certain.

An Example of the APP

If you are 60 years old with 15 years of credit and have a Final Average Monthly Salary of \$1,917, this is how the APP is structured.

Accelerated monthly benefit at age 60:	\$888
<i>Payable until you reach age 62</i>	
When you reach age 62,	
Reduced PEERS monthly benefit:	\$387
Estimated monthly Social Security benefit:	\$500
Estimated Total Combined Income:	\$887*

*If this member had not selected APP, his or her PEERS monthly benefit amount starting at age 60 would have been \$463 per month. Meaning that, at age 62, the combined PEERS and Social Security income would have been approximately \$963 per month (\$463 + \$500).

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PEERS will prepare an APP estimate if you provide us with a Social Security-prepared, age 62 Social Security benefit estimate that is no older than 180 days (six months). Keep in mind that PEERS has no role in the payment of your Social Security benefits. The Social Security estimate must be based on your Social Security earnings history, even though you may receive a spousal benefit. Anyone choosing APP will have their benefit reduced at age 62 whether or not they apply for Social Security at age 62.

Advantage:

This option provides an increased PEERS benefit until age 62.

Disadvantage:

The accelerated payment from PEERS drops at age 62 and your benefit is reduced for the remainder of your lifetime, regardless of when you apply for Social Security benefits.

The Partial Lump Sum Option (PLSO)

Qualified members can elect to have lifetime monthly benefits actuarially reduced in exchange for the right to receive 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:

- 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 partial lump-sum distribution is subject to the mandatory 20% federal withholding by PEERS 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 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 59**) regarding taxes on PLSO payments. You may also call and request a copy of the PEERS brochure, *Your Rollover Options*, or view it on our website.

PEERS 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.

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Sample Monthly Benefits

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

Retiree age: 63 years
Beneficiary age: 60
Years of Service: 15
Benefit under full formula, Single Life (Option 1): \$600

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
	\$600	\$500	\$522	\$546	\$576	\$593

Beneficiary	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
	\$0	\$500	\$391	\$273	\$576*	\$593*

*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	\$7,200	\$549	\$457	\$477	\$499	\$527	\$542
24 months	\$14,400	\$497	\$414	\$432	\$452	\$477	\$491
36 months	\$21,600	\$446	\$371	\$388	\$405	\$428	\$440

**PLSO factors for age 63 years: 12 mos. (.9142), 24 mos. (.8284), 36 mos. (.7426).

A sample calculation under the Accelerated Payment Plan (APP) can be found earlier in this section ([page 54](#)).

Applying for Benefits

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

PEERS 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 PEERS 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

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as your Joint-and-Survivor beneficiary. Remember, this individual can be anyone with an insurable interest in your life. PEERS will then be able to inform you of the amounts payable under all the retirement plans.

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 filed with PEERS before your effective retirement date.

The earliest your PEERS 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.

PEERS 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.

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***

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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 for more information.

Income Taxes

Federal Tax

Under the Internal Revenue Code, retirement benefits are taxable beginning with the first retirement benefit. A small portion of your 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 taxed dollars are excluded from tax.

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

When you retire, PEERS informs you of the portion of your benefit, if any, which can be excluded from tax using the IRS "Simplified General Rule." The excludable amount remains 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.

PEERS must withhold federal tax as if you are married claiming three allowances, if your 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 PEERS. The withholding authorization form can be found on our website, www.psr-peers.org.

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.

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Individuals receiving Social Security benefits, Social Security disability benefits and/or benefits from a non-private retirement system (such as PEERS) 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 PEERS, 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 PEERS benefits will deduct their entire Social Security benefit first, then as much of their PEERS benefit until they reach the maximum deduction.

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

PEERS 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 completed withholding request. A withholding form can be obtained from the retirement office, from our website, 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, telephone (800) 877-6881.

PEERS 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 (PLSO)

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 PEERS. 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. You can choose, however, to “roll over” the funds into an IRA or other qualified retirement plan, in which case the funds are not 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 PEERS.

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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 will help you ensure that you are not taxed again on any previously taxed dollars. Only one check can be issued by PEERS for rollover funds.

Form 1099-R

After you retire, PEERS 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 fourth 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 PEERS 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. PEERS 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 PEERS 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 PEERS-covered employer (an employer participating in PEERS) and the number of hours you work.

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 63).

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 PEERS-covered employers prior to their effective retirement date.

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

1. End all employment with PEERS-covered employers,
2. Not return to work for a PEERS-covered employer (this may include "volunteer" work) or be under contract for employment with any PEERS-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 limit, and can continue receiving monthly retirement benefits. **She cannot work in any 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 PEERS benefit.**

Record-Keeping Requirements

All retirees working for PEERS-covered employers are required to maintain a written record of dates and hours worked, 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. Record-keeping forms are also available on the PEERS website, www.psr-peers.org. PEERS may request access to these record forms for review at any time.

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Employment Definitions

Full-time employment is defined as: Employment on a regular basis that meets the employer's full-time criteria for the position. For example, if the employer considers a school bus driver to be a full-time bus driver at 30 hours per week, then hours for that position of less than 30 hours per week would be part-time and hours of 30 or more per week would be considered full-time.

Part-time employment is defined as: Employment that is less than an employer's definition of full-time employment.

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 PEERS

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

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

Working Full-Time for PEERS-Covered Employers

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

- You must notify PEERS immediately.
- Your benefit is put on hold.
- You are required to start a new PEERS membership.
- You will have PEERS contributions withheld from your salary.
- You earn service credit.

See the exception to these rules (**page 64**).

When you terminate your full-time employment for a PEERS-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 PEERS 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 PEERS 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

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through June 30), PEERS 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 PEERS of the dates your PEERS-covered employment begins and ends. PEERS 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.

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

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

- You can work up to 550 hours 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-hour limit on your work during that first school year is pro-rated accordingly. See below for more information.

If you exceed the 550-hour limit:

- You must notify PEERS immediately.
- Your retirement benefit is put on hold effective the month in which the 550-hour limit is exceeded.
- 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 PEERS if you meet membership eligibility requirements.

As long as you do not exceed the 550-hour limit or become a full-time, regular employee, you will continue to receive your PEERS benefit.

Rules for Post-Retirement Work in the Year You Retire

For those retiring July 1, 2010 and after, the limit on the number of hours you can work part-time or as a temporary-substitute is different during the school year you retire.

If you retire in any month *other than* July, the 550-hour limit is 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 through June 30, the end of the school year. Refer to the chart on the following page.

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The pro-rated limits apply only during the school year in which you retire. When the new school year begins July 1, the limit is increased to the full 550-hours, and remains at that level for future school years.

Pro-Rated Limit on Hours Worked During First School Year after Retirement

Effective Date of Retirement:	Hours Allowed After Retirement for School Year:
July 1	550
August 1	504
September 1	458
October 1	413
November 1	367
December 1	321
January 1	275
February 1	229
March 1	183
April 1	138
May 1	92
June 1	0

The “Critical Shortage” Full-Time Employment Exception

If you work for a PEERS-covered employer who has declared a critical shortage of non-certificated employees, you may be employed for up to two years full-time without losing your PEERS benefits.

An employer can hire up to 10% of the non-certificated staff, not to exceed five individual PEERS retirees, to work full-time up to two years without a loss of retirement benefits.

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 non-certificated employees,
- Make a good faith effort to fill positions with non-retired 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 or other media, and
- Determine that there is an insufficient number of eligible applicants for the advertised position(s).

Service Retirement

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 PEERS,
- Member contributions are not required, and
- You do not earn additional service credit.

Working as an Independent Contractor

Employees are covered by PEERS 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 the Retirement System covers that person. The critical distinction is between being an employee and being an independent contractor. Employees are covered by PEERS and independent contractors are not.

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 is merely performing a role that ordinarily would be considered 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, 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*.

Service Retirement

Special Note About Working After Retirement

If you return to regular PEERS-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 PEERS 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 PEERS to confirm the limitations described in this handbook have not changed.

The Effect of Divorce on Your PEERS Benefits

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

PEERS is a public pension fund and, unlike private pension funds, **PEERS 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.

Section 169.572 of the Revised Statutes of Missouri and Missouri case law state that PEERS 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, **PEERS funds also cannot be divided in a divorce**. However, while PEERS 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 PEERS 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 37**).

If you divorce after PEERS 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

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beneficiary and your contingent beneficiary may begin receiving payments under one of the Term-Certain Plans (Options 5 or 6) or may 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 survivor beneficiary within 90 days of remarriage. PEERS 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, PEERS will prepare an affidavit providing the current value and status of the member's retirement benefits for use in divorce proceedings. In all cases, PEERS will honor only rulings, orders and directives concerning PEERS 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 you do not have a valid *Nomination of Beneficiary* form on file with PEERS, a statutory order of succession is used to distribute benefits to those eligible (**page 37**). Any additional amounts payable are in accordance with the following:

- If you elect the Single Life Plan (Option 1), the only payment to a beneficiary 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.
- 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 remaining monthly benefits are paid 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.