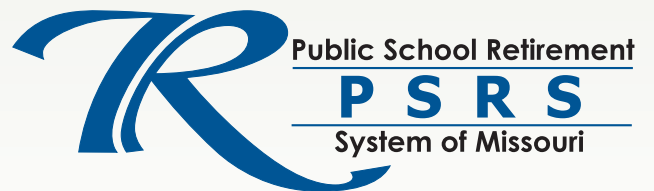




PSRS Membership



Partners in Your Retirement Security

Membership Eligibility

PSRS membership is automatic, regardless of position, for certificated employees employed by the covered employers listed below in a position that normally requires the employee to (1) work the full school day, or (2) work at least the same number of hours per week as required for such a position, and (3) 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
- Statewide non-profit educational associations that have elected to join PSRS
- PSRS/PEERS Board of Trustees

The term **certificated** refers to full-time and part-time employees holding valid Missouri educator certificates 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.

The terms **teacher** and **employee** are synonymous in the retirement law. Any person covered by the System is a teacher insofar as the law is concerned.

Membership is ended by a refund of your account balance (**page 26**), absence from covered employment (**page 26**), death or retirement.

Certificated employees/teachers **employed less than full-time but 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 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).

Confidentiality Statement

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

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

PSRS Member Record

When you became a PSRS 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 PSRS, or obtain the forms online at www.psr-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 PSRS with a new *Nomination of Beneficiary* form. You may request a *Nomination of Beneficiary* form from PSRS, or obtain one online. If you do not file a new form with PSRS, your beneficiaries are designated in accordance with a statutory succession of beneficiaries, detailed in the *Beneficiary Designations* section (**page 43**). More information on the effect of divorce on your PSRS benefits can be found in the *Service Retirement* section (**page 73**).

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 PSRS-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 PSRS 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, payments for overloads (e.g. extra hours taught) and additional courses, 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 PSRS-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 funds can be garnished to pay child support or maintenance if you receive a monthly retirement benefit or an account refund.)

PSRS Membership

Funding of your retirement benefit under PSRS 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 PSRS 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 PSRS 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 PSRS 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 28).

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 service after July 1, 1946, for which retirement contributions are remitted or credit is purchased.

PSRS Membership

Special Note: If you have acquired PSRS credit for services with one of the three state colleges after December 1987, or with one of the five state universities, the Missouri Department of Mental Health or the Missouri Department of Corrections, the portion of your benefit applicable to such employment will be two-thirds the value of the benefits based on public school service.

If you hold a position affected by changes in required Social Security withholding and contribute two-thirds the full contribution rate to PSRS, your benefit will be calculated at two-thirds the full amount for affected years of service.

Membership Service Credit

You earn a year of membership service credit for each school year (July 1 through June 30) of PSRS-covered, full-time employment if you are a 9, 10, 11 or 12-month employee and serve the complete term required of your position. If you serve less than a full year, service credit is determined by dividing the salary earned during a school year by the full-time annual base salary you would have earned 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 teacher is hired at an annual salary rate of \$30,000. She earns \$30,000. Therefore, she earns 1.00000 year of membership credit ($\$30,000 \div \$30,000$).

Example: A teacher is hired at an annual salary rate of \$30,000. He earns \$25,000. Therefore, he earns 0.83333 of a year of membership credit ($\$25,000 \div \$30,000$).

If you are a certificated, part-time employee as explained on page 22, you will earn pro rata (proportional) credit with PSRS for any such service.

Membership Status

Your membership is considered **active** as long as you are in PSRS-covered employment and contributions are **remitted** for you.

Your membership is considered **inactive** if you cease PSRS-covered employment but leave your contributions with PSRS. If you are not vested and your absence from PSRS-covered employment continues, your membership ends as described under the section entitled, *Membership Termination* (page 26).

Vesting

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

You are vested in PSRS as soon as you acquire five years of creditable service with PSRS. This can include credit for leave under PSRS, and credit purchased, reinstated or transferred from qualified sources. However, the purchased credit cannot exceed the membership service credit earned for PSRS-covered employment at the time of retirement.

PSRS Membership

Once vested, you may cease covered employment at any age, hold your 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 PSRS-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 PSRS-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 PSRS-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 PSRS 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 PSRS-covered employment.

Refund of Account Balance

If you cease PSRS-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 PSRS credit **ONLY if you have ended PSRS-covered employment and are not under contract for future service with any PSRS-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

PSRS Membership

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 PSRS account because you are physically or mentally disabled and cannot work, you should first consider whether you are eligible for PSRS lifetime monthly **disability retirement benefits**. See the section entitled, *Disability Retirement (page 78)*, 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 PSRS-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 PSRS. The amount of time needed to process your application depends on whether you were employed in the current school year. PSRS 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 PSRS-covered employment, you will establish a new membership. You will then have an opportunity to reinstate your previous credit (**page 30**).

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 PSRS 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 PSRS), and
- Any taxed dollars used to purchase or reinstate credit with PSRS.

PSRS 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 PSRS 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.**

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 generally does not apply if you

PSRS Membership

separate from service in or after the tax year in which you reach age 55. PSRS 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.

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 PSRS by April 1 of the year after you reach age 70½ if you are no longer in PSRS-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-peers.org. The information available online is updated daily. 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 beneficiary designation and home address as last reported to PSRS.

When you receive your annual *Member Statement*, check it carefully. If your beneficiary designation or mailing address is incorrect, notify PSRS 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 PSRS Benefits

More information on the effect of divorce on your PSRS benefits can be found in the *Service Retirement* section (page 73).