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PEERS

PUBLIC EDUCATION EMPLOYEE
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Legal Disclaimer

This brochure explains your rights, benefits and responsibilities as a member of the Public Education Employee Retirement System of Missouri (PEERS). It is intended to serve as a ready source of information about the System and not as a legal document or a substitute for the law. If differences appear between the law and the brochure, the law must prevail.

The System is governed by the laws found in Chapter 169, ***Revised Statutes of Missouri***, and the ***Missouri Code of State Regulations (CSR)*** Title 16, Division 10.

Similarly, the law takes precedence over any oral statements made by a representative of PEERS regarding your rights, benefits and responsibilities as a PEERS member.

For further information, please refer to the PEERS ***Member Handbook***, contact us at our office or visit us online.

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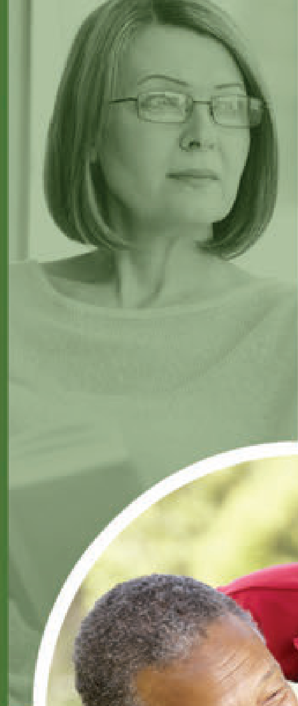

Understanding the Partial Lump Sum Option (PLSO)

Strength
Stability
Security

PEERS

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The Partial Lump Sum Option (PLSO)

The Partial Lump Sum Option (PLSO) pays eligible members a lump-sum at retirement in addition to reduced lifetime monthly benefits.

If you qualify, you can take advantage of the financial flexibility offered by the PLSO.

With the PLSO you get:

- A one-time, lump-sum payment at retirement
- Reduced monthly benefits paid for life, no matter how long you live

If you choose the PLSO, your lifetime monthly benefits are reduced to offset the payment of the lump-sum at retirement. In effect, the reduced monthly benefits are how you "pay" for the right to receive part of your lifetime benefits up-front.

You still have the choice of any of the six benefit plans for payment of your monthly benefits to provide the best level of financial protection for your family after you are gone. Visit **www.psrs-peers.org** for more information.

PLSO Eligibility

You must work three years past normal, or full, retirement eligibility to be eligible for the PLSO.

You are eligible when you meet any one of the following requirements:

- Age 63 with eight or more years of service
- 33 or more years of service
- Qualify for Rule of 86 (your age plus your years of service equals 86 or more)

Eligibility Notes:

- If you choose the Accelerated Payment Plan (APP) for payment of your monthly benefits, you cannot choose the PLSO. For more information on APP, visit our website or the ***Member Handbook*** online.
- If you return to work for a PEERS-covered employer after retirement and your employment meets membership eligibility requirements, you must start a second membership. You cannot receive a PLSO payment on your second membership.

Calculating PLSO Benefits

One-Time, Lump-Sum Payment

The PLSO payment can equal 12, 24 or 36 times your Single Life monthly benefit.

The Single Life benefit plan provides the largest monthly retiree benefit.

In the example below, the member has a Single Life benefit of $755 per month, and selected a 12-month lump-sum payment.

Example

Lifetime Single Life Benefit				PLSO Payment
	x	12, 24 or 36	=	
$755	**x**	**12**	**=**	**$9,060**

Reduced Lifetime Monthly Benefits

Your monthly benefits under the PLSO are reduced to reflect your age and the number of months calculated in your lump-sum payment. This reduction is calculated by multiplying your Single Life monthly benefit by a PLSO reduction factor (see the chart on page 4). The reduction applies regardless of the benefit plan you choose for the payment of your monthly benefits.

If you qualify for the .8% temporary benefit, it is not considered in the calculation of the lump-sum payment, but it is included in your monthly benefit until you reach age 62.

In the example below, the member is 63 years old and selected a 12-month PLSO. Therefore, her PLSO reduction factor is .9139.

Example

Lifetime Single Life Benefit	x	PLSO Reduction Factor	=	PLSO-Reduced Lifetime Single Life Benefit
$755	**x**	**.9139**	**=**	**$690**

PLSO Reduction Factors

Retirement Age	12-Month Factors	24-Month Factors	36-Month Factors
55	.9237	.8475	.7712
56	.9228	.8456	.7684
57	.9218	.8436	.7654
58	.9207	.8414	.7621
59	.9195	.8391	.7586
60	.9183	.8366	.7549
61	.9169	.8338	.7508
62	.9154	.8309	.7463
63	.9139	.8277	.7416
64	.9121	.8243	.7364
65	.9103	.8206	.7309
66	.9083	.8167	.7250
67	.9062	.8124	.7187
68	.9039	.8079	.7118
69	.9015	.8030	.7044
70	.8988	.7976	.6963

Note: *The factors in this table are approximates. The exact reduction factor applied depends on your age in years and months. Factors are subject to change when certain actuarial assumptions change.*

Taxes on PLSO Payments

Most, if not all, of your PLSO payment is considered taxable income the year payment is made.

If you choose the PLSO and do not roll over the taxable portion of the lump-sum payment to an eligible retirement account, you will owe taxes on the lump sum.

The entire lump-sum payment is taxable unless you have non-taxable funds from contributions credited to your membership prior to January 1, 1987. If you do, those funds are included in your PLSO payment and that portion of your payment is considered non-taxable income.

- The IRS requires PSRS to withhold 20% from any portion of the payment considered taxable income by the IRS.
- If your payment occurs before you reach age 59 ½, you may also be subject to a 10% federal tax penalty. This penalty does not apply if you separate from service in or after the tax year when you reach age 55.

Because PEERS does not offer tax advice, we strongly suggest that you consult a tax professional before making a final decision regarding the PLSO.

You will receive an IRS Form 1099-R showing the taxable and non-taxable portions of the lump-sum payment and any taxes that are withheld.

Defer Taxes with a Rollover

You can request a direct rollover of your lump-sum payment to a qualified retirement account, such as an IRA, to defer taxes and avoid the 10% penalty.

Please keep in mind that taxed funds rolled over into a Roth IRA are considered taxable income in the year in which the rollover takes place.

If you have 100% of your PLSO payment (including both taxable and non-taxable funds) rolled over into a qualified retirement plan, you should check with your financial advisor to determine if the taxable and non-taxable portions will be tracked separately. This is required by the IRS and will ensure that you are not taxed again on any previously-taxed dollars. PEERS can only issue one check for rollover funds. For more information, please refer to the brochure, ***Your Rollover Options***, that is included with your PLSO ***Benefit Estimate***, or can be found at **www.psrs-peers.org**.

Applying for PLSO Benefits

You must file a ***Service Retirement Application***, a ***PLSO Distribution Election*** form and other required documents prior to your PSRS retirement date. For more information on filing for retirement and the forms you will need, contact us or visit **www.psrs-peers.org**.

Making the PLSO Decision

Members are sometimes pressured by financial advisors, private insurance companies and retirement planners to choose the PLSO. They are advised to invest the funds elsewhere with the promise that doing so will provide better financial results, or to use the lump-sum to purchase insurance policies that will provide protection in the form of an annuity for the member's spouse or loved one. Any promises of riches or unusually high investment returns should be carefully considered. When in doubt, get a second opinion.

The decision to choose the PLSO is an individual one, and members often have personal reasons for the choice (paying off medical bills, leaving an inheritance, building a nest egg, etc.). The list can be endless and only you can decide what is best for you and your family.

When deciding whether the PLSO is right for you, here are a few factors to consider:

Pros of the PLSO:

1. It can provide funds to help you pay off a long-term financial obligation (such as a mortgage).
2. If you will have other dependable sources of retirement income in addition to your monthly PEERS benefit, you can choose the PLSO and still have adequate retirement income.
3. It can allow you more control of, and responsibility for, investing for your retirement.

Cons of the PLSO:

1. Your monthly PEERS benefits are reduced for life.
2. Any future cost-of-living increases are based on your PLSO-reduced monthly benefit.
3. Investing a PLSO payment with the objective of "out-earning" your PEERS guaranteed lifetime monthly benefit may involve riskier investments with no guaranteed outcome.
4. If you name a beneficiary to receive monthly benefits after you die, taking the PLSO will reduce the monthly benefit your beneficiary may receive.
5. If you choose the PLSO and do not roll over the taxable portion of the lump sum to an eligible plan, you will owe taxes on the lump sum. If you are under age 59 ½, you may be required to pay an additional 10% tax penalty, unless you separate from service during or after the year you reach age 55.

Choosing the PLSO can have a significant impact on your future retirement benefits and requires careful consideration. There are many reasons why you may choose the PLSO, and it may be a good choice for you. However, before you decide, enlist the help of a good financial planner and tax advisor who can help guide you in making the choice for all the *right* reasons.