



PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

Employer Reporting Guide

Updated: January 1, 2018

Introduction

This overview is designed to help answer common questions about reporting payroll information to the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS), and provide general information regarding retirement reporting guidelines, laws, rules and regulations.

When there are differences in the law or regulations for PSRS and PEERS, it will be noted. If no difference is noted, the information is the same for both Retirement Systems.

Although we hope this overview will help answer your questions, please feel free to contact an Employer Services Analyst (ESA) at **(888) 391-6966** or employer_services@psrsmo.org.

What is PSRS/PEERS?

PSRS and PEERS are both defined benefit (DB) public pension plans created by Missouri law to provide service retirement and disability benefits for Missouri's public school teachers and education employees.

The term "defined benefit" is derived from the fact that a member's lifetime monthly retirement benefit is calculated using a formula based on a benefit factor set by law, salary (including employer-paid health, dental and vision insurance premiums) and service earned and purchased while working for PSRS/PEERS-covered employers.

Both Retirement Systems are actuarial reserve, joint-contributory programs and operate as tax qualified plans under section 401(a) of the Internal Revenue Code. Members contribute the required percentage of their salary and the members' employers contribute an equal percentage.

The Public School Retirement System of Missouri (PSRS) is for certificated employees with valid Missouri Educator Certificates from the Missouri Department of Elementary and Secondary Education (DESE) meeting the minimum eligibility requirements. PSRS participating employers include:

- All Missouri public school districts except the St. Louis (city) and Kansas City school districts
- All Missouri public two-year colleges
- Statewide non-profit educational associations that have elected to join

The Public Education Employee Retirement System of Missouri (PEERS) is for non-certificated employees meeting the minimum eligibility requirements. PEERS participating employers include:

- All Missouri public school districts except the St. Louis (city) and Kansas City school districts
- All Missouri public two-year colleges except St. Louis Community College
- Statewide non-profit educational associations that have elected to join

The main difference between the two plans is the historic treatment of each plan's members for Social Security purposes. PEERS members also participate in the federal Social Security program. They typically pay both Social Security taxes (FICA) and Medicare in addition to the required PEERS contributions.

Most members of PSRS do not pay Social Security taxes (FICA) on salary subject to retirement contributions. This is the result of a 1956 referendum vote of the membership against Social Security coverage. Some PSRS members are required to contribute to Social Security based on their employment. Questions should be directed to the state Social Security Administrator. Most members of PSRS do pay into Medicare. The only members at your school that should not be paying Medicare are those individuals who have had a continuing employment relationship with your district, and a continuing PSRS membership, starting prior to April 1, 1986. If an individual has become a member of PSRS since that date, or has changed PSRS-covered employers since that date, the member must contribute to Medicare. Any PSRS member who is subject to Social Security contributions (see below) is required to contribute to Medicare.

Since July 1, 2010, certain PSRS members are required to contribute to Social Security and are also required by Missouri law to contribute to PSRS at two-thirds the normal PSRS contribution rate. The employer is required to match that amount, and also contribute to PSRS at two-thirds of the normal PSRS contribution rate on behalf of that member. More information on the "two-thirds" requirement and its effect on PSRS/PEERS benefits can be obtained by having the member contact our Information Center at **(800) 392-6848**.

For more information on the requirement for some PSRS members to participate in Social Security, contact the Missouri State Social Security Administrator at 218agreements@oa.mo.gov.

Why Do Employers Report to PSRS/PEERS?

In order for PSRS/PEERS to determine the proper amount of PSRS/PEERS service earned by a member, his or her employer(s) must report their salary (payroll) and their expected annual base salary for the school year.

Total service with PSRS/PEERS at the time of retirement is one of the factors used to determine retirement eligibility and calculate a member's benefit amount. The more service a member has, the sooner that member will reach retirement eligibility or the higher the benefit amount.

Most members earn a year of service for each school year (July 1 - June 30) of PSRS/PEERS-covered, full-time employment if they are a nine-, 10-, 11- or 12-month employee and work the complete term required of the position. If a member works less than a full year, service is determined by dividing the salary earned during a school year by the Annual Base Salary he or she would have earned for the complete term of the position. In other words, service is calculated on a salary/salary basis. Service is calculated to five decimal places, and is subject to late start and early termination caps.

Employers are required to report and remit contributions for employees who meet the membership eligibility requirements for PSRS or PEERS. Employers must also report all payroll records, including records for those employees who are not subject to retirement contributions. The payroll records of those who are not subject to contributions are used to monitor working after retirement to ensure the limits are not exceeded, and eligibility for membership, especially for those who work for more than one PSRS/PEERS-covered employer at the same time.

Reporting Basics

Membership is Required

PSRS or PEERS membership is automatic, regardless of position, for employees of participating employers who meet eligibility requirements.

School Year Defined

Statute: [Section 169.010 \(16\) RSMo. \(PSRS\)](#)
[Section 169.600 \(16\) RSMo. \(PEERS\)](#)

A school year is defined for purposes of PSRS/PEERS, as a 12-month period starting July 1 of one year and ending June 30 of the next year.

Confidentiality of Member Information

Statute: [Section 169.020 \(17\) RSMo.](#)

All individually identifiable information pertaining to members, retirees, beneficiaries and survivors shall be confidential.

Dual PSRS/PEERS Membership

A person can be a member of both PSRS and PEERS at the same time. A person can also be **vested** (have at least five years of eligible service) in both PSRS and PEERS at the same time.

Example

Mark started his career as a PEERS member, and is vested in PEERS. Later in his career, he became certificated. Now, as a full-time, certificated employee of a PSRS/PEERS-covered employer, he is required to contribute to PSRS. He is not required in any way to forfeit his service in PEERS. In this case, Mark is a member of both Retirement Systems at the same time.

However, a person cannot be an **active** member contributing to both PSRS and PEERS at the same time.

Example

Jane is certificated and employed at a PSRS/PEERS-covered employer as a full-time teacher, and contributes to PSRS. In addition to the teaching duties, she also drives a school bus more than 20 hours per week on a regular basis. Jane must contribute to PSRS on all of her salary earned (including salary for the bus driving), not just the teaching duties. This is true even if the bus driving is for less than 20 hours per week, or even on a substitute basis.

Board Appeals

Regulation: [16 CSR 10-1.050](#)

As a PSRS/PEERS member, beneficiary, survivor, retiree or employer, you may request a review by the PSRS/PEERS Board of Trustees if you disagree with an administrative decision made by the executive director or a PSRS/PEERS staff member concerning membership, benefits, service, contributions or refund. This request, along with supporting documentation, should be put in writing and be addressed to the executive director of PSRS/PEERS.

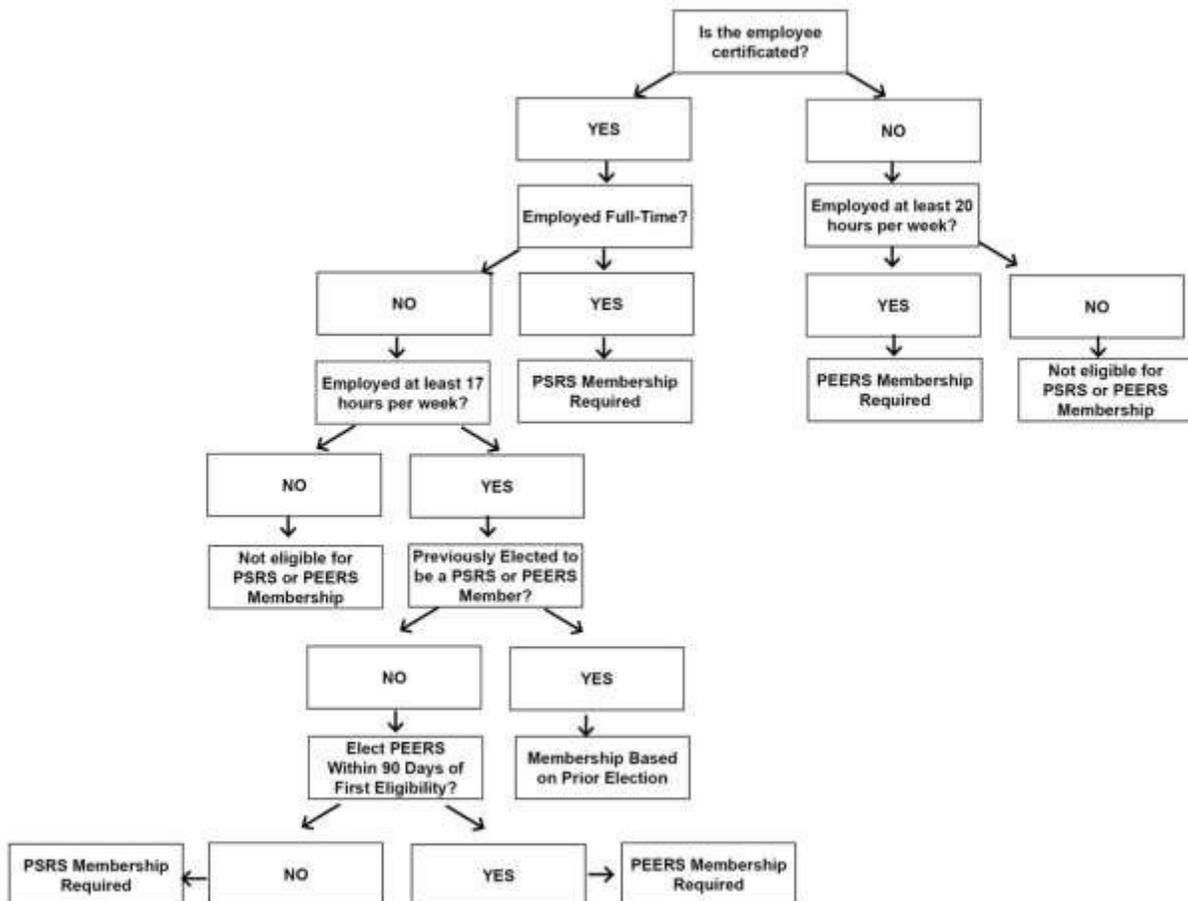
Determining Membership Eligibility

Eligibility is determined separately for each non-concurrent employment situation. When making an eligibility determination for an individual, you must consider all regular employment with all PSRS- and PEERS-covered employers. For example, if you have a custodian who is regularly employed for 15 hours per week who is also regularly employed for 10 hours per week at a neighboring PSRS- or PEERS- covered employer, the member is considered to be regularly employed for 25 hours per week, requiring membership in either PSRS or PEERS.

This guideline applies to all employees of a covered employer, **except PSRS and PEERS retirees.**

Eligibility Flowchart

Use the following flowchart to assist you with determining PSRS or PEERS eligibility. Please note in addition to being employed at least 17 hours per week (PSRS), or 20 hours per week (PEERS), the individual must be employed in a position that normally requires at least 600 hours in a school year, if employed with the expectation of working at least 20 hours per week on a regular basis.



PSRS Membership Eligibility

Statute: [Section 169.010 \(17\) RSMo.](#) Definition of “teacher”
[Section 169.050 \(1\) RSMo.](#) Exclusion of “independent contractors”
 Regulation: [16 CSR 10-4.005 \(4\)](#)

Any [certificated](#) employee of a PSRS-covered employer is required by Missouri law to contribute to PSRS, if the employee meets minimum eligibility requirements.

Full-Time Employees

If the employee is full-time, PSRS membership is required by Missouri law, no exceptions. PSRS membership is automatic, regardless of position, for certificated employees of covered employers 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.

In essence, the PSRS definition of full-time is anyone who works the same number of hours in a week as a full-time classroom teacher in that district, and is hired in a position that would normally require at least 600 hours of employment per school year. Because of this, the definition of full-time can, and does, vary by employer.

Part-Time Employees

Statute: [Section 169.712 RSMo.](#)
 (1) 20 hours per week
 (2) 17 hours per week

Part-time certificated employees may have the option to choose PSRS or PEERS membership. A member's ability to choose PSRS or PEERS membership if employed on a part-time basis is determined by the date the member first becomes eligible to make such a choice.

| A History of Part-Time Membership Options | |
|---|---|
| Prior to August 28, 1991 | PSRS membership was not available to anyone who was not employed full-time and certificated. |
| August 28, 1991 - August 27, 1997 | Missouri law was changed effective August 28, 1991 to allow any certificated individual who was not employed full-time, but met the PEERS eligibility requirements (at least 20 hours per week on a regular basis) to elect to become a part-time PSRS member. If the election was not made within the first 90 days of eligible employment, PEERS membership was required. The election is a one-time, irrevocable election. |
| August 28, 1997 - August 27, 2003 | Missouri law was changed effective August 28, 1997 to allow any certificated individual who was not employed full-time, but met the PEERS eligibility requirements (at least 20 hours per week on a regular basis) to elect to become a PEERS member. If the election was not made within the first 90 days of eligible employment, PSRS membership was required. The election is a one-time, irrevocable election, and only applies to those individuals whose first date of eligibility to make the election was on or after August 28, 1997. |
| August 28, 2003 to present | Missouri law was changed effective August 28, 2003 to allow any certificated individual who was not employed full-time, but employed for at least 17 hours per week on a regular basis to elect to become a PEERS member. If the election was not made within the first 90 days of eligible employment, PSRS membership was required. The election is a one-time, irrevocable election, and only applies to those individuals whose first date of eligibility to make the election was on or after August 28, 2003. |

The Importance of Certification

The status of an educator certificate is very important in the determination of an individual's eligibility for coverage by PSRS or PEERS. Educator certificates are issued by the Missouri Department of Elementary and Secondary Education (DESE).

- A certificate is considered valid as of the effective date of the certificate.
- For purposes of determining PSRS/PEERS membership, certificated members include persons holding traditional instructor certificates, Provisional certificates, Vocational-Technical certificates, and Adult Basic Education certificates, but not those holding only a Substitute teaching certificate, or those holding only a Parents-As-Teachers certificate.
- "Inactive" certificates are those certificates, other than Provisional, Temporary Authorization or VOC 1 certificates, that expired on or after August 28, 2003. Any individual who possesses an inactive certificate is still considered certificated for purposes of determining retirement eligibility.
- An "expired" certificate is either any certificate that expired prior to August 28, 2003, or any expired Provisional, Temporary Authorization, or VOC 1 certificate, regardless of the expiration date. A person holding a certificate that is truly "expired" is not considered certificated for purposes of determining retirement eligibility.

You should verify the "inactive" or "expired" status of an educator certificate with the DESE Educator Certification office at **(573) 751-0051**.

If the individual **does not possess a valid Missouri educator certificate, or possesses a truly "expired" certificate**, PEERS membership is required if the individual meets [PEERS Eligibility Requirements](#).

Certificate Surrender

A member can complete a form with DESE to surrender his or her educator certificate. Once this happens, the individual is no longer considered certificated, and would have to repeat all the steps that anyone without an educator certificate would have to go through to become certificated.

Public Two-Year College Definition of "Certificated"

Missouri public two-year colleges (community colleges) use an additional definition of "certificated." At Missouri public two-year colleges, being "certificated" also means being employed in a position that is certified by the executive officer of the college as a teaching, supervisory or educational-administrative position.

Public two-year college employees are not required to possess a valid Missouri educator certificate to be eligible for PSRS membership, as long as they are employed in a certified position. If a non-certificated person is employed in a certified position by a public two-year college, membership in PSRS is required unless an exception applies (see next section). If this same person would go to work for a K-12 employer, PEERS membership would be required, since the employee is not certificated by DESE.

Member May Be Eligible to Elect to Remain in PEERS

If an individual is a member of PEERS when his or her public two-year college employment requires the member to become a member of PSRS, that member can choose to remain in PEERS. This is true even if employed full-time in a certificated position, or holding a teaching certificate, at the public two-year college.

To be eligible, the individual must be a member of PEERS at the time PSRS membership is required. If the person is a member of PEERS, working at the college at such time that the person's employment mandates PSRS coverage, the member can choose to remain covered by PEERS. This election is only good for public two-year colleges. This election, or lack of election, is binding until/unless the member changes public two-year, colleges or leaves covered employment and returns at a later date. If this person were to leave the college and go to work for a K-12 employer, this election is no longer valid.

If a person holds a valid Missouri educator certificate, but is not employed in a certified position at the public two-year college, the person is still required by law to be a PSRS member, if employed full-time. If employed less than full time, but more than 17 hours per week on a regular basis, PSRS membership would still be required, but this member may have the option to elect PEERS membership.

PSRS Eligibility and Section 218 Agreements

Effective July 1, 2010, Section 218 Agreement Modifications may require certain members of PSRS to contribute to Social Security. However, this does not affect PSRS/PEERS eligibility.

- PSRS/PEERS eligibility is **not** affected by a member's status with Social Security.
- Determining Social Security eligibility is a separate process from determining PSRS/PEERS eligibility.
- Service earned with PSRS is **not** affected by a member's status with Social Security.
- No member will be required to leave PSRS or join PEERS based on their eligibility for Social Security coverage.

AmeriCorps Employees

According to the PSRS/PEERS general counsel, if the employer has properly determined that it should issue the member's W-2 under his or her Employer Tax ID Number, then the member should be considered that employer's employee, and the member is eligible for PSRS or PEERS membership if the member meets the minimum eligibility requirements.

If another entity issues the W-2 under its own Employer Tax ID Number, or if the employer issues the W-2, but under the Employer Tax ID Number of another entity, then the member is not considered an employee of the employer, and PSRS or PEERS membership is not available, regardless of the manner in which the member is employed.

PEERS Membership Eligibility

PEERS membership is automatic, regardless of position, for non-certificated employees who work at least 20 hours per week on a regular basis in a position that normally requires the employee to work at least 600 hours during the school term. Even if the employee does not work 600 hours in a school year, the employee is still eligible for membership.

Determining Membership Eligibility

If an employee is employed to serve at least 20 hours per week on a regular basis in a position that normally requires at least 600 hours of service in a school year, Retirement System membership is mandatory, even if the employee is employed on a temporary basis. However, most employees employed on a temporary or substitute basis are not regularly employed. If the employer determines that the employment is not "regular," then the individual is not eligible for membership in either Retirement System.

This guideline applies to all employees of a covered employer, **except PSRS and PEERS retirees.**

FAQs About Membership Eligibility

Q. Are substitute teachers eligible for PSRS or PEERS membership?

- A. Anyone who meets the [PSRS eligibility requirements](#) or the [PEERS eligibility requirements](#) is required by law to be a member of one of the Retirement Systems.

Often, substitute teachers are not employed on a regular basis. If they are employed on an on-call or as-needed basis, the employee is not considered "regularly employed" and is not eligible for PSRS/PEERS membership.

Q. Is PSRS or PEERS membership required for students?

- A. For any employee meeting the minimum [PSRS](#) or [PEERS](#) eligibility requirements, including students, membership is required, and their salary is subject to retirement contributions. There is no exception for students.

Q. What happens when a member is no longer eligible for PSRS or PEERS membership?

- A. If an employee no longer meets the minimum eligibility requirements, the employer should report to PSRS/PEERS in OASIS the member's last date of covered employment, and should stop withholding PSRS/PEERS contributions for that individual.

If the member is not vested when eligibility ends, he or she can take a refund of his or her PSRS/PEERS contributions and interest. The taxable portion may be "rolled over" into an IRA or other qualified account to defer immediate tax liability. If the member chooses to leave contributions with PSRS/PEERS, interest is paid on the membership for five years. If five years pass with no additional service added to the membership, the membership is terminated and a refund can be requested.

If the member is vested when eligibility ends, he or she can leave the funds with the Retirement System and request a service retirement benefit when eligible. He or she can also take a refund of his or her PSRS/PEERS contributions and interest.

Retirement Salary

Statute: [Section 169.010 \(15\) RSMo.](#) (PSRS)
[Section 169.600 \(15\) RSMo.](#) (PEERS)

Regulation: [16 CSR 10-3.010](#) (PSRS)

(9) Inclusion of employer-paid medical insurance premiums in retirement salary

(11) (A) Items included in retirement salary

(11)(B) Items excluded from retirement salary

(11)(E) 10% FAS cap

[16 CSR 10-6.020](#) (PEERS)

(10) Inclusion of employer-paid medical insurance premiums in retirement salary

(12)(A) Items included in retirement salary

(12)(B) Items excluded from retirement salary

(12)(E) 20% FAS cap

What is Included in Retirement Salary?

Retirement salary is defined as all regular **salary earned** by a member as an **employee** of a **covered employer**.

Retirement salary is subject to [retirement contributions](#) and includes:

- Payments for extra duties*
- Overtime payments (This does not include a payout of unused comp time.)
- Payments for overloads and additional courses
- Employer-paid medical, dental and vision insurance premiums paid on behalf of the member, or an employer-paid annuity in lieu of medical, dental or vision insurance premiums on behalf of the member
- Employer sponsored "career ladder" payments

*Extra duties are defined as duties for which compensation is paid that are over and above the base position for which the employee was hired. Examples include coaching, club sponsorships, detention, homebound teaching, tutoring, bus trips, cooking for banquets, clock attendants, gate attendants, etc.

Retirement salary does not include any amount paid by the member for insurance coverage, or employer- paid insurance for **family** coverage, or other items, such as disability insurance or life insurance.

- When reviewing family insurance premiums, if the premiums are paid to the member as salary, and are electively deferred to a cafeteria plan, then the amount should be included in salary. If the premium is paid directly by the employer, the amount should not be included in salary.

What is Not Included in Retirement Salary?

In general, any nonrecurring or extraordinary payments are not included in retirement salary. Salary, for retirement purposes, does not include the following types of payments:

- Any payment earned as a true [independent contractor as defined by the IRS](#). These payments are not earned by an "employee" of the employer, and therefore do not meet the initial criteria outlined above.
- Any payment made by an entity that is not a covered employer of PSRS or PEERS. If an employer not participating in PSRS/PEERS pays compensation to one of your employees, it is not a payment made by a covered employer, and therefore is not included in retirement salary.

- Any payment of *awards, bonuses, and retirement incentives*. These types of payments are specifically excluded from retirement salary by Missouri law.
- Any payment for unused leave time. If your district pays for or "buys back" unused sick leave, unused annual leave or unused comp time, either annually or at termination, these payments are not included in retirement salary.
- Any payment of fringe benefits, with the exception of employer-paid medical, dental and vision insurance premiums on behalf of the member, are specifically excluded from retirement salary by Missouri law, and therefore are not included. Examples include travel expense reimbursement, car allowances, per diem payments, etc.
- Payments resulting from employment disputes including severance pay, back pay awards, payments in settlement of employment contract disputes, payments in consideration for agreeing to terminate employment, and payments in settlement of other employment disputes

As a general rule, if you pay an employee who is eligible for membership in either PSRS or PEERS and the payment does not meet one of the exceptions listed above, the payment should be included in salary, contributions should be withheld and paid to PSRS or PEERS, and the payroll record should be included in the OASIS reporting for the employer.

Maximum Salary Subject to Retirement Contributions

For employees hired after June 30, 1996, there is a limit on salary that can be contributed on, in 401(a) defined benefit plans such as PSRS and PEERS. For more information, please see [Section 169.030.3](#), RSMo, and [IRC Section 401\(a\)\(17\)](#).

Tax Sheltered Annuities

All regular salary earned by a member as an employee of a covered employer are subject to retirement contributions, including **elective** deferrals to annuities and similar plans. Annuities offered to employees in lieu of health, dental and vision insurance coverage are subject to retirement contributions up to the maximum amount of the insurance premium paid for employees. Any annuity that is directly employer-paid, including a matching employer contribution to a tax-sheltered plan, that is not "in lieu of employer-paid medical, dental, or vision insurance on behalf of the member" is considered a fringe benefit, and cannot be included in salary.

- When reviewing payments to a tax-sheltered annuity, if the payment is made to the member as salary, and is then electively deferred to a tax-sheltered annuity, then the amount should be included in salary. If the payment is made directly by the employer, the amount should not be included in salary.

Referee/Game Official Salary

Game officials (not including clock attendants, gate attendants, etc.) are usually considered to be independent contractors and not employees of the school district.

Most such officials are registered with the Missouri State High School Activities Association (MSHSAA). According to MSHSAA, the official is required to have a valid MSHSAA license to officiate grades seven through 12 between member schools in the sports of baseball, basketball, football, soccer, softball, swimming, track, volleyball, water polo and wrestling.

Officials typically enter into independent contractor agreements with school districts to officiate. The contract form provided by MSHSAA for use by school districts and such officials also states that the official is an independent contractor.

As independent contractors, these individuals are not employees of your district. Therefore, the salary earned is not subject to retirement contributions.

Remember, in general:

- If a PSRS retiree works after retirement as an independent contractor for a PSRS/PEERS-covered employer in a position that does not normally require a certificate issued by the Missouri Department of Elementary and Secondary Education (DESE), the work does not count toward the PSRS working after retirement limits.
- If a PEERS retiree works after retirement as an independent contractor for a PSRS/PEERS-covered employer, the work does not count toward the working after retirement limit on hours.

For more information, please reference this information provided to us by MSHSAA.

By Revenue Ruling 67-119 (January 1967) the IRS determined that high school sports officials were independent contractors and not employees of an association through which their services were offered to school members of a state wide high school athletic league for purposes of FICA, Federal Unemployment Tax and income tax withholding. Sports officials are exempt from the Missouri Workers Compensation Law, 287.090.1(5) RSMo. and have been determined to be independent contractors by the Missouri Division of Employment Security since 1993. These classifications are consistent with the overwhelming weight of court decisions in other states construing the common law distinctions between employees and independent contractors. However, the independent contractor designation is not ours to make. If you have further questions, contact your CPA, Financial Manager or Auditor for additional clarification. You can also go to the website <http://www.irs.gov/pub/irs-pdf/fss8.pdf> for more information.

Payments for Agreeing to Retire or Resign

Any payment that requires the member to retire or resign, or agree to retire or resign in order to receive the payment, is considered a retirement incentive and is excluded from retirement salary.

Payments for Agreeing NOT to Retire or Resign

Missouri law and regulations only prohibit retirement incentive payments from being included in retirement salary. Any compensation paid to keep the member from retiring (longevity pay, etc.) is included in salary reported to the Retirement Systems.

Severance Payments or Contract Buyouts

Under the regulation effective July 30, 2014, any severance, settlement or back pay is not to be considered "salary." The only exceptions are if the employee is placed on paid administrative leave or has their employment status reinstated by court order under the teacher tenure act. We will review any agreements between the member and the employer if requested.

AmeriCorps Salary

According to the PSRS/PEERS general counsel, AmeriCorps employees are exempt from PSRS and PEERS eligibility requirements, and any compensation earned through an AmeriCorps plan, even by a member of PSRS or PEERS, is not included in salary for retirement purposes. Based on the language provided below from the AmeriCorps State and National Policy FAQ, the employer should be treating these individuals as independent contractors and issuing 1099s.

Hours worked by retirees in an AmeriCorps project would count against the 550 hour working after retirement limit only if the employer is issuing the W-2 to the person performing the work (i.e., the employer believes the person is an employee). If the employer is not issuing a W-2, then the retiree is not an employee, and the hours don't count against the limit. Since the employer should not be issuing W-2's (see above), the hours and salary should not count.

District "Career Ladder"

District "Career Ladder" payments should be treated like any other salary item. If the district Career Ladder payment triggers the Final Average Salary (FAS) cap, the payment is not considered an exception to the application of the cap.

Employer-Paid Medical, Dental and Vision Insurance Premiums

Health Savings Accounts (HSAs)

According to the PSRS/PEERS general counsel, an employer-paid contribution to an HSA on behalf of an employee is considered to meet the definition of an "employer-paid insurance premium on behalf of the member" and, therefore, is included in retirement salary. This usually happens when an employer offers an HDHP/HSA (High Deductible Healthcare Plan) plan in addition to a regular insurance plan. The HDHP premium is lower, and many times the employer makes a contribution to the HSA that is the difference between the HDHP premium and the regular insurance premium amount.

Flexible Spending Accounts (FSAs)

It has been determined that employer-paid Flexible Spending Account (FSA) contributions on behalf of a member should not be included in retirement salary.

Contributions to an FSA through an elective deferral from salary by a member should be included in retirement salary, but those made directly to the employee's FSA by the employer should not.

Employer FSA contributions are considered to belong to the employer and not the employee and are not part of his or her "payroll" amount, but rather are a fringe benefit. (Employers can, and usually do, keep any unused FSA contributions that are not spent by the deadline.) According to Missouri law, the only fringe benefits that should be included in retirement salary are employer-paid insurance premiums on behalf of the member.

Why are employer HSA contributions treated differently?

According to the PSRS/PEERS general counsel, an employer-paid contribution to a Health Savings Account (HSA) on behalf of an employee is considered to meet the definition of an "employer-paid insurance premium on behalf of the member" and, therefore, is included in retirement salary. This usually happens when an employer offers an HDHP/HSA (High Deductible Healthcare Plan) plan in addition to a regular insurance plan. The HDHP premium is lower, and many times the employer makes a contribution to the HSA that is the difference between the HDHP premium and the regular insurance premium amount. The employer contributions to an HSA stay with the employee to use on qualified expenses at any time, even after employment ends.

Health Reimbursement Accounts (HRAs)

HRAs, when an employer makes payments into a fund from which employees can request reimbursement for medical expenses, are not considered a part of retirement salary, since the member does not keep any excess funds.

"Health Care for Americans" Refunds

Refunds to employers of employer-paid medical, dental or vision insurance premiums triggered by the Affordable Care Act will not be reported to PSRS/PEERS and will not affect salary reported to the Retirement Systems.

Employer Voluntary Employee Benefits Association (VEBA) Contributions

Employer contributions to a VEBA plan are not included in retirement salary, and are not subject to retirement contributions.

Final Average Salary (FAS) Cap Information

Statute: [Section 169.010 \(8\) RSMo.](#) (PSRS Only)
No statutory reference for PEERS Members

Regulation: [16 CSR 10-3.010 \(11\) \(E\)](#) (PSRS)
[16 CSR 10-6.020 \(12\) \(E\)](#) (PEERS)

The FAS cap defines the maximum salary increase allowed during a member's Final Average Salary (FAS) period in the calculation of retirement benefits.

In determining FAS, the Retirement System will disregard any increase in salary in excess of allowable amounts (20% for PEERS members, 10% for PSRS members) from one year to the next in the Final Average Salary period. These limits will not apply to increases due to a bona fide change in position or employer, increases required by Missouri law, or district-wide increases implemented to recognize previously unrecognized service.

Retirement Contributions

- Statute: [Section 169.030 RSMo.](#) (various) (PSRS)
[Section 169.620 RSMo.](#) (various) (PEERS)
(1) Contributions are divided equally between members and employers
(4) Contribution rate increase limits (1% per year PSRS); Contribution rate must be set six months prior to the end of the fiscal year
(5) Contributions are required
- Statute: [Section 169.033 RSMo.](#) (PSRS)
[Section 169.625 RSMo.](#) (PEERS)
Contributions are “picked up” by the employer
- Regulation: [16 CSR 10-3.010](#) (various) (PSRS)
[16 CSR 10-6.020](#) (various) (PEERS)

Employers are required to withhold contributions from eligible salary at the rates set by the PSRS/PEERS Board of Trustees, and to report and remit those contributions to PSRS/PEERS by the 10th of the month following the month in which the payroll is processed. All contributions for a school year are due in the PSRS/PEERS office by June 30 of that school year.

Critical Shortage Exception – Employer Only

Employers are required to contribute an amount equal to the amount that should be withheld from eligible retirement salary of each employee (matching contributions).

Contributions are due on all salary earned in all positions if the employee is eligible for PSRS/PEERS membership. Salary earned by non-employees or by employees not eligible for PSRS/PEERS membership is not subject to retirement contributions. See “[Retirement Salary](#)” or [16 CSR 10-3.010\(11\)\(b\)](#), and [16 CSR 10-6.020\(12\)\(b\)](#) for more information.

Contribution Rates

Contribution rates are set annually by the PSRS/PEERS Board of Trustees, after the annual actuarial review of the Retirement Systems is complete.

Each year, an independent actuarial valuation of both Retirement Systems is done. The valuation looks at the assets and liabilities of the Retirement Systems, and includes any costs for recent changes in benefit levels, etc. The Board of Trustees then sets the contribution rates for the following year.

Since the 2011-2012 school year:

- The PSRS contribution rate is **14.5%** of salary.
- The PSRS/Social Security-covered contribution rate is **9.67%** of salary (see below).
- The PEERS contribution rate is **6.86%** of salary.

Remember, effective July 1, 2010, any PSRS member required to contribute to Social Security will contribute only two-thirds of the normal PSRS contribution rate.

A History of PSRS/PEERS Contribution Rate Changes

| PSRS/PEERS Contribution Rate Change History | | | |
|---|------------------------|-----------------|-------------------------|
| Effective Date | PSRS Contribution Rate | PSRS 2/3's Rate | PEERS Contribution Rate |
| 7/1/2011 | 14.50% | 9.67% | 6.86% |
| 7/1/2010 | 14.00% | 9.33% | 6.63% |
| 7/1/2009 | 13.50% | | 6.50% |
| 7/1/2008 | 13.00% | | 6.25% |
| 7/1/2007 | 12.50% | | 6.00% |
| 7/1/2006 | 12.00% | | 5.75% |
| 7/1/2005 | 11.50% | | 5.50% |
| 7/1/2004 | 11.00% | | 5.25% |
| 7/1/2001 | | | 5.00% |
| 7/1/1999 | | | 4.50% |
| 7/1/1996 | | | 4.30% |
| 7/1/1995 | 10.50% | | |
| 7/1/1987 | 10.00% | | |
| 7/1/1983 | | | 4.00% |
| 7/1/1976 | 9.50% | | |
| 7/1/1969 | | | 3.00% |
| 7/1/1968 | 8.00% | | 3.20% |
| 7/1/1967 | | | 3.60% |
| 7/1/1966 | | | 1.80% |
| 11/1/1965 (NTRS Created) | | | 2.38% |
| 7/1/1957 | 6.00% | | |
| 7/1/1948 | 4.00% | | |
| 7/1/1947 | 3.00% | | |

House Bill 346, passed during the 2003 Missouri Legislative session, states that starting in the 2004-2005 school year, member contribution rates can be increased no more than 0.50% per year for PSRS members, and no more than 0.25% per year for PEERS members.

The Board of Trustees must set the contribution rate for the upcoming school year by June 1, but normally the rate is set well before that time. Employers and members are informed of contribution rates through the **Employer Reporting Resource** newsletter, various PSRS/PEERS member publications, on the PSRS/PEERS website, via Facebook and Twitter, and through email notifications.

Contribution Rate for Members Affected by Section 218 Agreements

PSRS members who are required to contribute to Social Security fall under the requirements of the "Two-Thirds" statute ([Section 169.070 \(9\)](#)).

Missouri law requires any PSRS member required to contribute to Social Security to also contribute to PSRS at two-thirds the normal PSRS contribution rate. The employer is required to match two-thirds of the normal PSRS contribution rate. More information on the "Two-Thirds" requirement and its effect on a member's benefit can be obtained by having the member contact our Information Center at **(800) 392-6848** or email psrspeers@psrspeers.org. For more information on the requirement for some PSRS members to contribute to Social Security, contact the Missouri State Social Security Administrator at 218agreements@oa.mo.gov.

Taxes on Retirement Contributions (EPU Rule)

Under the Internal Revenue Code (IRC) Employer Pick Up Rule, IRC 414(h)(2), member contributions paid on current year salary to PSRS/PEERS have been tax-deferred “employer pick-up” or EPU (pre-tax) contributions since July 1, 1989.

These retirement contributions are sheltered from income taxes and should not be included in taxable income for either federal or state purposes. However, they should be included in the wages reported to the Social Security Administration, and to PSRS/PEERS.

According to the most recent information provided by the Internal Revenue Service (IRS), contributions sheltered under Section 414(h)(2) of the IRC should be entered in **Box 14** of the employee’s W-2, and the **“Retirement Plan”** box in **Box 13** of the W-2 must be checked.

Contribution Correction Examples

When the employer previously paid the employee and withheld the appropriate contributions at that time, but failed to report the data to PSRS/PEERS, the salary should be reported as an adjustment to the year the salary was earned. The contributions should be treated as pre-tax because they were properly withheld from the employee’s pay as pre-tax dollars regardless of which school year it was.

When the employer never paid the employee for earned salary and is now correcting their mistake by paying them and reporting the salary to PSRS/PEERS, the salary should be reported as an adjustment back to the year the salary was truly earned. In this case, since the salary is being paid to the employee for the first time, contributions should be withheld and treated as pre-tax since it’s considered current year salary even though in OASIS it will be corrected to the year in which it was actually earned.

When the employer previously paid the employee but never withheld contributions and they have since realized the payments should have been reported as retirement salary and contributions should have been withheld, the employer needs to report the information to us and both employer and employee contributions will be due. **If the member writes the school a check for the employee portion, or if the employer withholds the employee portion from the employee’s pay after taxes have been withheld**, those funds should be treated as post-tax because they would have already been taxed. **The employer is not allowed to withhold excess contributions (amounts above the current year contribution rate) from current year salary pre-tax. If the employer decides to pay both member and employer matching contributions, the employee contributions can be considered pre-tax, provided that the employer corrects any necessary tax reporting to the IRS.**

FAQs about Retirement Contributions

Q. Are Salary Reductions Subject to Retirement Contributions?

A. Yes. This deferred and/or sheltered salary (401(k), 403(b), 457, 414(h)(2), 125 and similar plans) are subject to retirement contributions, and should be reported as salary for retirement purposes.

Q. What Salary Should be Reported When a Member Dies?

A. When a member dies, the salary reported for that member should include all salary earned up to the member’s date of death. Contributions cannot be accepted for salary earned after the date of death, such as a payment of unused leave, complete payment of an uncompleted contract, an employer death benefit, etc.

Q. Is Salary Paid by the Employer in a "Pass-Through" Capacity (such as a grant) Subject to Retirement Contributions?

A. Yes. If the salary and federal and state taxes withheld are reported on a W-2 under the employer's tax identification number, then the individual is considered an employee of the employer for retirement purposes, and the salary is subject to retirement contributions.

Q. Is Payment for Unused Sick Leave Subject to Retirement Contributions?

A. No. Unused sick leave payments are expressly excluded from the definition of retirement salary. See [16 CSR 10-3.010\(11\)\(b\)\(6\)](#), and [16 CSR 10-6.020\(12\)\(b\)\(6\)](#) for more information.

Q. Is Payment for Unused Annual Leave (Vacation) or Unused Comp Time Subject to Retirement Contributions?

A. Payment for unused annual leave or comp time is not subject to retirement contributions. See [16 CSR 10-3.010\(11\)\(b\)\(6\)](#), and [16 CSR 10-6.020\(12\)\(b\)\(6\)](#) for more information.

Q. How are Back Payments from Employment Disputes Handled by the Retirement Systems?

A. Payments resulting from employment disputes including severance pay, back pay awards, payments in settlement of employment contract disputes, payments in consideration for agreeing to terminate employment, and payments in settlement of other employment disputes are specifically excluded from salary. Interest will be added to contributions on back salary that should be reported to PSRS/PEERS. When this situation arises, a copy of the termination agreement between the member and the employer should be forwarded to PSRS/PEERS so that we can verify that the payment meets our definition of retirement salary.

Contributions on back salary can be tax-sheltered by the [employer pick up rule](#), if the member did not have the option of receiving the contributions due to PSRS/PEERS in cash.

Q. Are Employer Annuity Payments for Members Subject to Retirement Contributions?

A. No, in most cases.

1. Employer payments to an annuity in lieu of employer-paid medical, dental and/or vision insurance premiums **are** considered salary for retirement purposes, and are subject to retirement contributions.
2. Elective employee deferrals from compensation to an annuity program **are** considered salary for retirement purposes, and are subject to retirement contributions.

However, employer payments to an annuity that are not in lieu of employer-paid medical, dental and/or vision insurance premiums are considered a fringe benefit, and fringe benefits are specifically excluded from retirement salary (with the exception of employer-paid medical, dental and vision insurance premiums for the member) and are not subject to retirement contributions.

Q. Are Prospective Salary Payments Subject to Retirement Contributions?

- A.** Yes, contributions are due. The timing of the due date for contributions is based on the status of the member with the employer.

All salary earned by a member **as an employee** of a covered employer is subject to retirement contributions. The fact that payments are being made to an employee who is not currently working at the employer does not mean that the employee's salary is not subject to retirement contributions. This salary should be reported, and contributions remitted, as though normal salary payments are being made to the member.

If the member is considered "terminated" by the employer, then contributions are due on all salary at the time of termination.

Q. Is Salary from Summer Employment Subject to Retirement Contributions?

- A.** If a member is eligible during the normal term of the position, all salary during the school year, including salary earned during the summer, are subject to retirement contributions.

Example 1

A teacher is covered by PSRS during the school year (July 1 to June 30). All salary earned, including payment for extra duties, sponsorships, summer school, etc., is subject to retirement contributions, regardless of whether the summer school employment is at least 17 hours per week.

If the summer employment is by itself eligible (not common) for retirement coverage, then contributions on summer salary are required. It is highly unlikely that summer-only employment meets eligibility criteria for either PSRS or PEERS.

Example 2

A teacher is employed for the summer school session. The session runs from June 15 through July 25. The teacher works 20 hours per week and is hired with the expectation of working at least 600 hours during the regular school term. Contributions are required on all salary, regardless of whether the teacher was covered by PSRS during the regular term of the position. Summer school salary from June 15 through June 30 must be reported in one school year and summer school salary from July 1 through July 25 must be reported in the next school year.

If a teacher is covered by PSRS during a school year, earns a full year of service and works summer school, but is not going to be covered by PSRS during the following school year, contributions are due on all salary earned through June 30.

Example 3

A teacher is covered by PSRS during the school year, July 1 to June 30, and is employed during the following summer school term from June 15 to July 25. The teacher plans to retire after summer school, effective August 1, since the member is required to "terminate" all employment with all eligible employers for one month from the effective date of retirement. Summer school employment is for 10 hours per week. Contributions are required on all salary earned through June 30 and the member cannot retire until August 1 since employed during the month of July.

Since the member is only working 10 hours per week during July, contributions would not be required, and should be reported as "gross only" salary as a Non-Member. Any hours worked after the required one-month separation period would count towards the retiree's post-retirement employment limit, as long as the employment after retirement is either part time, or as a temporary-substitute.

Q. Are Retirement Contributions Included in the Wages Reported to Social Security?

- A.** Yes, contributions to PSRS or PEERS must be included in the salary reported to the Retirement Systems and the wages reported to the Social Security Administration. Any questions should be directed to your financial officer, your auditor or to the appropriate taxing authority.

Q. Are Contributions Due During a Leave of Absence?

- A.** See *Leaves of Absence* section for information on how to report paid leaves of absence to the Retirement System.

If the leave is [fully paid](#), contributions are required by law. If the leave is [partially paid](#), a PSRS member may have the option of making contributions. If the leave of absence is [unpaid](#), contributions are not allowed from the member or employer, unless the leave is covered under the [sick leave/workers' compensation](#) law.

If a member is on a leave of absence, and the employer is paying any medical, dental and/or vision insurance premiums for the member, contributions are due on these payments since they are included in salary.

Q. Can a Member Contribute More Than the Required Contribution Amount?

- A.** No. PSRS and PEERS are defined benefit (DB) plans, not defined contribution plans. The accumulated contributions and interest in a member's PSRS/PEERS membership do not directly influence the amount of the benefit paid by a defined benefit plan like they do in a defined contribution plan. By law, PSRS and PEERS can only accept the amount of contributions required by the salary reported and the contribution rate in effect.

Membership Service

Regulation: [16 CSR 10-4.010](#) (various) (PSRS)
[16 CSR 10-6.040](#) (various) (PEERS)

Total service with PSRS/PEERS at the time of retirement is one of the factors used to determine retirement eligibility and calculate a member's benefit. The more service a member has, the sooner that member will reach retirement eligibility or the higher the benefit.

Most members earn a year of service for each school year (July 1 - June 30) of PSRS/PEERS-covered, full-time employment if they are a nine-, 10-, 11- or 12-month employee and work the complete term required of the position. If a member works less than a full year, or does not complete the term required of the position, pro rata service is determined by dividing the total retirement salary (less employer-paid medical, dental and vision insurance premiums) earned by a member during a school year by the [Annual Base Salary](#) reported for the member for the complete term of the position. In other words, service is calculated on a salary/salary basis. Service is calculated to five decimal places. In order for PSRS/PEERS to determine the proper amount of service earned by a member, their employer(s) must report their salary earned (payroll) and their expected annual base salary for the school year.

Service for PSRS members is not affected by any required contributions to Social Security.

Working Retirees

Retirees employed by a covered employer do not earn service for employment up to the [post-retirement employment limits](#) imposed by Missouri law. If a retiree exceeds the post-retirement employment limits or becomes employed to serve on a full-time, **regular** basis, his or her benefits stop. The retiree then earns service under a new membership and is no longer considered a "retiree." The Annual Base Salary that you report for a PSRS retiree can be calculated differently than the Annual Base Salary for a non-retired member. For guidance in determining the retiree Annual Base Salary used to calculate the salary limit for PSRS retirees, [click here](#).

Annual Base Salaries

Annual Base Salaries for members of either PSRS or PEERS must be reported each school year for each member for whom contributions have been remitted and salary reported. Annual Base Salaries are required for all members by September 30. If an individual begins employment after this point in the year, an Annual Base Salary should be reported for that individual with the next payroll sent to PSRS/PEERS.

Calculating Annual Base Salaries

The Annual Base Salary for both PSRS and PEERS members is determined for the **complete term of the position**, not just the portion for which the employee has been hired. Whether a person begins employment at the beginning of a new school year, or after the normal starting date for the position, the annual base is determined the same way.

Example 1

A teacher, who is normally a nine-month employee, is hired to work the second semester only, and starts in January. The Annual Base Salary for that teacher should be reported as what that teacher would have earned for the entire nine-month school year, not just the second semester.

Example 2

An administrator, who is normally a 12-month employee, is hired to work starting August 15. The Annual Base Salary for that administrator should be reported as what would be earned for the entire 12-month school year, not just the period of time worked in the school year.

Reporting Annual Base Salary Changes

The Annual Base Salary should not be changed unless originally reported erroneously or the member has a salary rate decrease caused by a change in the terms of the member's employment. Annual Base Salaries should not be changed to account for time docked, additional duties added during the school year, etc.

Example 1

If a teacher becomes a principal during a school year, and receives a corresponding salary increase, that increase **should not** be reported as a change during that school year. It should, however, be reported as the Annual Base Salary for the following year.

Example 2

If a principal becomes a teacher during a school year, and receives a corresponding salary decrease, that decrease **should** be reported as a change during that school year.

Example 3

A member's Annual Base Salary was originally reported based on eight hours of employment per day. The terms of employment later changed, requiring the member to work only six hours per day. The Annual Base Salary should be changed (lowered) to reflect the lower employment requirement.

Determining Annual Base Salaries for PSRS Members

For PSRS members, the Annual Base Salary is defined as the amount expected to be earned by the member (less employer-paid medical, dental and vision insurance premiums) as employed by that employer, in that position, based on the member's education and experience, **full-time**, for the full school year.

Effective starting with the 2018-2019 school year (July 1, 2018), pay to active PSRS/PEERS members for extra duties should no longer be included in Annual Base Salary. For PSRS members, the Annual Base Salary should **always reflect the full-time salary**, even if the member is only employed on a part-time basis. This allows our office to determine pro-rata service for part-time PSRS members.

Full-Time PSRS Members

To determine the Annual Base for PSRS full-time employees, the employer must determine the annual salary expected to be paid for that full-time position for a complete school year. The Annual Base Salary should include all amounts expected to be earned at the beginning of the school year, or when first reported to PSRS, if employment begins after the start of the school year.

Example 1

A teacher signs a contract that will pay her \$32,000 as a full-time English teacher during the upcoming school year. In addition to her teaching duties, she also signs a \$4,000 contract to coach the golf team, and a \$2,000 contract to sponsor the drill team. For the current school year, the Annual Base Salary that should be reported by the employer for this member is \$38,000 (\$32,000 + \$4,000 + \$2,000).

Starting with the 2018-2019 school year, her Annual Base Salary is \$32,000. The pay for the extra duties will no longer be included.

Example 2

A computer programmer is hired to work 40 hours per week, 52 weeks per year, at a salary rate of \$15 per hour. This programmer is certificated, and is a member of PSRS. The Annual Base that should be reported by the employer for this member is \$31,200 (\$15/hour X 40 hours/week X 52 weeks/year). If this employee were only hired for 30 hours per week, the Annual Base Salary reported for this member would still be \$31,200, since that is the full-time salary.

Part-Time PSRS Members

To determine the Annual Base Salary for a part-time PSRS member, the same steps should be followed as when determining a full-time Annual Base. The Annual Base Salary reported for a PSRS member is the same, regardless of whether or not the employee is employed full-time or part-time.

Example

A teacher signs a part-time contract that will pay her \$18,285.72 as a part-time English teacher during the upcoming school year. The full-time salary for this position is \$32,000. In addition to her teaching duties, she also signs a \$4,000 contract to coach the golf team, and a \$2,000 contract to sponsor the drill team. For the current school year, the Annual Base Salary that should be reported by the employer for this member is \$38,000 (\$32,000 + \$4,000 + \$2,000).

Starting with the 2018-2019 school year, her Annual Base Salary is \$32,000. The pay for the extra duties will no longer be included

The Annual Base Salary reported for this member is the same that would be reported if the member was employed full-time.

Multiple-Employer PSRS Members

If a PSRS member is employed by two or more covered employers, then each employer should report the Annual Base Salary as the amount the member would earn if employed full-time at that employer. Service will be determined for employment with each employer and will be combined by PSRS.

Multiple-Position PSRS Members

If a PSRS member is employed regularly in two or more positions, the employer should calculate the percentage of total employment for each position, and then multiply the percentage of employment by the full-time annual base for that position. Repeat for each position, and add the results together for the annual base. This same logic does not apply to employees working extra duties.

Example 1

Full-Time Teaching Annual Base X 33.3% (2 of 6 hours employed are as a teacher)
Full-Time Secretary Annual Base X 66.7% (4 of 6 hours employed are as a secretary)

Example 2

Full-Time Teaching Annual Base X 15.4% (1 of 6.5 hours employed are as a teacher)
Full-Time Secretary Annual Base X 84.6% (5 of 6.5 hours employed are as a secretary)

Determining Annual Base Salaries for PEERS Members

Regulation: [16 CSR 10-6.040](#)

For PEERS members, the Annual Base Salary should always reflect **the manner in which an individual is employed**.

Effective for the 2018-2019 school year (July 1, 2018), pay to active PSRS/PEERS members for extra duties should no longer be included in Annual Base Salary.

Example

A cook's position is for 4 hours per day, 9 months per year. The cook's Annual Base Salary should be determined based on those employment conditions. If the cook was employed 6 hours per day, 9 months per year, then the Annual Base Salary reported would reflect the additional hours.

To determine the Annual Base Salary for PEERS employees, the employer must determine the minimum annual salary expected to be paid for that position for a complete school year. The Annual Base Salary should include all amounts expected to be earned at the beginning of the school year, or when first reported to the Retirement System, if employment begins after the start of the school year.

Example 1

The employer hires a computer programmer. This programmer is expected to work 25 hours per week, 12 months (52 weeks) per year. The salary rate is \$15 per hour. The Annual Base that should be reported by the employer for this member is \$19,500 ($\$15/\text{hour} \times 25 \text{ hours/week} \times 52 \text{ weeks/year}$).

Example 2

If the computer programmer in Example 1 above is expected to work 30 hours per week, the Annual Base Salary that should be reported by the employer for this member is \$23,400 ($\$15/\text{hour} \times 30 \text{ hours/week} \times 52 \text{ weeks/year}$).

Multiple-Employer PEERS Members

If a PEERS member is employed by two or more covered employers, then each employer should report the Annual Base Salary as the amount the member is expected to earn at that employer, and the amounts will be combined by PEERS.

Determining Annual Base Salaries for Summer-Only Employees

You must report an Annual Base Salary for each member reported to PSRS/PEERS. If an employee works for your school during the summer, and that is the only eligible employment for that employee during the school year at your district, but yet they are eligible at another district and you are reporting salary, then you should supply an Annual Base Salary determined by what you would have submitted for this member, in this position, for the regular term of that position. It is highly unlikely that summer-only employment would meet eligibility criteria for either PSRS or PEERS.

How Much Service for a June 1 Retiree?

If a member receives less than 0.95000 of a year of service for a school year, completes the school term (term of position), and the school year ends (employment terminates) prior to June 1, the member may retire as of June 1.

Even though the member completed the term of the position, the member may have missed enough time during the school year to cause a reduction in service, so the member may retire as of June 1. This does not apply if the member received 1.00000 year of service, or works on or after June 1. For example, if the school year does not end until June 4, the member would be required to wait to retire until July 1, regardless of the service received during the school year.

Change of Position at the Beginning of a School Year

What happens when a member is under contract (i.e. nine months) for a school year, and, at the start time for the member's contract (August), the member is moved to a position in the same employer which is longer in duration (12 months), and normally would have started earlier? Under normal processing, this person would receive less than 1.00000 year of service, because the employer would probably report the Annual Base Salary for the 12-month position, and the member would not earn 12 months of salary, due to the late start.

This member's Annual Base Salary should be corrected to reflect the salary for the previous position. The member started when contracted by the employer, and the position switch occurred after the position's normal starting date. The member should not be penalized.

Example

A teacher completes the school year with Employer "A," and signs a nine-month teaching contract with Employer "A" for the next school year. When the teacher reports to work in the new school year, she is offered and accepts a 12-month position within the employer, starting on the first day that she would have started as a teacher. Employer "A" will more than likely report an annual base for the new school year using the 12-month position as a base, which would, or could cause the member to receive less than 1.00000 year of service. When this situation is verified with the employer, the member's service should be corrected to show 1.00000 year of service, assuming no other issues affecting service exist for the school year.

If the position switch listed above comes as a result of a change in employers, then no adjustment should be made.

Service Cap

Regulation: [16 CSR 10-4.010](#)

The service cap limits service that can be earned by a member, either due to starting after the beginning of the school term, or due to terminating prior to the end of the school year.

The following guidelines will be followed when determining the maximum amount of service allowable for a member whose membership terminates prior to the end of the normal term of the position. Service will still be determined on a "salary/salary" basis. The cap simply determines a "not to exceed" service amount.

Employment Termination – Definition

Employment is considered terminated on the last day that a member is employed in a position requiring PSRS or PEERS coverage.

Membership Termination – Definition

Membership is terminated when a member applies to take a refund of contributions, receive a retirement benefit from the Retirement Systems, goes a full five consecutive years with no service and is not vested, or when the member dies.

Termination for use in determining the service cap is based on the employment termination date reported by the employer.

Membership Start Date – Definition

Since service is given for the full school year, the service cap will be determined starting July 1. This will allow a 12-month employee to receive all of the service earned during the time of employment, and will allow nine-, 10-, and 11-month employees who may work summer school in addition to their normal positions to receive the maximum possible service to which they are entitled.

Membership End Date – Definition

The ending date to be used in determining the service cap is the last day of the month prior to the month in which the member is eligible to be paid either a refund check or a retirement benefit. If the member applies for a refund during the month of October, for example, the membership termination date would be October 31, since the member would be eligible for payment in November.

Maximum Allowable Service

| If a Member Terminates in... | The Maximum Service Allowable is... | If a Member | The Maximum Service Allowable is... |
|-------------------------------------|--|--------------------|--|
| July | 0.08333 | July | 1.00000 |
| August | 0.16667 | August | 1.00000 |
| September | 0.25000 | September | 1.00000 |
| October | 0.33333 | October | 0.90000 |
| November | 0.41667 | November | 0.80000 |
| December | 0.50000 | December | 0.70000 |
| January | 0.58333 | January | 0.60000 |
| February | 0.66667 | February | 0.50000 |
| March | 0.75000 | March | 0.40000 |
| April | 0.83333 | April | 0.30000 |
| May | 0.91667 | May | 0.20000 |
| June | 1.00000 | June | 0.10000 |

If a member completes the regular term of the position, then the member does not have the option of retiring early with less than 1.00000 year of service. For example, if a member finishes a contract on May 28, and would qualify for a full 1.00000 year of service, the member does not have the option to retire June 1 and receive 0.91667 of a year of service for the school year.

Service for Sick Leave and Workers' Compensation Leave

Statute: [Section 169.595 RSMo.](#)
Regulation: [16 CSR 10-4.014\(5\)](#) PSRS
[16 CSR 10-6.040\(4\)](#) PEERS

Missouri law ([Section 169.595, RSMo](#)) allows PSRS and PEERS members to pay contributions on docked time, as long as the unpaid leave was either covered by the employer's sick leave policy (if the employee would normally be allowed to use accumulated sick leave for the absence), or by workers' compensation.

Pay docked for time that would normally be covered by accrued vacation, annual or similar leave, is not eligible.

By paying contributions for this leave time, the member will receive service for the time. The employer is required by Missouri law to pay the required matching contributions.

Example

A nine-month (36-week) teacher, who earns \$1,000 per week, or \$36,000 per year, is docked for six weeks (\$6,000) for unpaid medical leave. If the member does nothing, service for the year would be 0.80000 ($\$30,000 \div \$36,000$). The member can pay contributions (salary docked multiplied by the contribution rate for that school year, or $\$6,000 \times 14.5\% = \870) on the \$6,000 was docked, since the absence was covered by the employer's sick leave policy.

This, in essence, allows the member to remit on the salary docked, and receive a full year of service ($\$36,000 \div \$36,000$). The employer is required by law to match the member's contributions, and remit the full amount due to PSRS/PEERS by the due date.

Please have members contact our Information Center at (800) 392-6848 if they have questions about making contributions for sick leave or workers' compensation leave.

Reporting Contributions for Sick Leave and Workers' Compensation Leave

If an employee decides to pay contributions for time spent on sick leave or workers' compensation leave, as an employer, you must report the information in OASIS and pay the corresponding employer contributions, to PSRS/PEERS within two years of the end of the school year (June 30) in which the covered absence occurred. If the information and contributions are received after that time, the contributions will be returned to the employer, and the service will not be allowed.

How Are These Contributions Treated for Tax Purposes?

Since these contributions are optional, and not required, they cannot be tax sheltered under the employer pickup (EPU) rule. Even if the employer withholds the funds necessary to cover this remittance, the withholding should not be a before-tax reduction, but rather an after-tax deduction.

Service for Leaves of Absence

Fully Paid Leaves of Absence

Contributions are due on fully paid leaves of absence for both PSRS and PEERS members.

[PSRS 16 CSR 10-3.010\(11\)\(a\)\(9\)](#) and [PEERS 16 CSR 10-6.010\(12\)\(a\)\(9\)](#) regulations require contributions to be remitted on any payment for leave of absence if the member is paid at least 100% of the previous contract rate. The member should be reported to the appropriate Retirement System as though regularly employed.

Partially Paid Leaves of Absence

PEERS members cannot make contributions for a leave of absence that is only partially paid.

Under Missouri law, [Section 169.055\(1\)](#) RSMo., **PSRS members** can, but only if the salary earned during the leave is not less than 50% of the amount which would have been paid had the member not been on a leave of absence.

If the PSRS member chooses to pay contributions on this salary, contributions must be made as though the member were paid the amount that would have been earned had he or she not been on a leave of absence, including insurance if applicable. Contributions cannot be made only on the salary earned/paid for partial service.

Example

A PSRS member would make \$40,000 for the current school year, but has been granted a partially paid leave of absence by his/her employer, and will be paid \$25,000 for the leave of absence. This member would have the option to contribute during this leave, but contributions would be required as though the member were earning \$40,000, not \$25,000. Missouri law does not allow for partial contributions to be made for partial service.

Unpaid Leaves of Absence

Contributions cannot be made for any unpaid leave of absence, with the exception of absences covered by [unpaid sick leave or workers' compensation leave](#) under Section 169.595 RSMo.

Correcting Reporting Errors

When an error in Retirement System reporting for a prior school year has been discovered, or changes need to be made to current year salary on a membership already marked terminated with final pay reported, the employer will enter an adjustment in OASIS. Once the adjustment has been submitted it will be reviewed by an ESA. The employer's note on the adjustment details/summary should recap the reason for the correction in order to help the ESA ensure the adjustment is valid. If the reason for the adjustment isn't clear, or further clarification is needed, the ESA will contact the employer to request additional information, including any necessary documentation supporting the adjustment, prior to posting it. If the adjustment includes any members who've since retired Member Services will need to approve the adjustment prior to posting, as doing so will result in a benefit change.

Once approved, the ESA will post the adjustment, either a credit memo or invoice will generate, and the employer will be informed of the necessary amount due, amount to be transferred between Retirement Systems, or amount to be refunded. Additionally, the membership will be updated with the appropriate amount of salary and service. If the adjustment is for a previous school year, the member will be notified in writing.

How is the Cost to Correct an Error Determined?

Member and employer contributions necessary to correct the error are based on the amount of retirement salary being corrected and the contribution rate(s) in effect for the school year(s). In addition to the required contributions, PSRS/PEERS will determine the amount of interest due, both member and employer, which would have been credited to the member on the contributions had they been received when due.

Retirees Working after PSRS/PEERS Retirement

As defined by PSRS/PEERS, a "retiree" is someone who is receiving a retirement benefit from PSRS or PEERS based on their own employment with PSRS/PEERS-covered employers. A person is not considered a "retiree" based on receiving other pension payments, Social Security payments, termination from an employer or age.

Termination Regulation

Regulation: [16 CSR 10-5.010\(2\)](#)

IRS rules state that retirement systems must require a clear separation of service between the end of pre-retirement employment and the start of post-retirement work for covered employers. PSRS/PEERS requires a separation period of **one month** from the member's PSRS/PEERS retirement date.

Members must properly terminate employment with PSRS/PEERS-covered employers before they can receive PSRS/PEERS retirement benefits. In order for employment to be considered properly terminated, the member must:

- End all employment with all PSRS/PEERS-covered employers prior to his or her retirement date,
- Not return to work for a PSRS/PEERS-covered employer in any capacity for a period of one month after the PSRS/PEERS retirement date, including volunteer work if he or she later becomes a paid employee with the same employer in the same, or a similar position, and
- Not enter into any agreement, written or unwritten, for future employment at a PSRS/PEERS-covered employer in any capacity until after receiving his or her first retirement benefit payment. This includes any type of early retirement incentive or separation agreement that requires the member to return to work or volunteer in any capacity after retirement in return for salary, including health insurance benefits.

If the member does not meet these requirements, he or she is not considered terminated and is not eligible to retire and receive benefits. Therefore, that member is not eligible to work at a covered employer as a retiree.

Working After Retirement (WAR) Limits

Part-Time or Temporary-Substitute Retirees

Statute: [Section 169.560 RSMo.](#)
Regulation: [16 CSR 10-5.010](#) (various)

There are limits on the employment of both PSRS and PEERS retirees with a PSRS- or PEERS-covered employer. (There are **no** limits on a retiree's employment with an employer not covered by either PSRS or PEERS). If the retiree exceeds these limits, the retiree is no longer eligible to receive a PSRS/PEERS retirement benefit until employment has stopped for the school year. The PSRS retiree only has to exceed one of these limits, not both, to become ineligible for benefits.

If the individual hired either part-time or as a temporary-substitute is a retiree of PEERS, the individual's employment with all PSRS/PEERS-covered employers is limited to no more than 550 hours, during any school year without a loss of benefits.

If the individual hired either part-time or as a temporary-substitute is a retiree of PSRS, there are two limits on the individual's employment with all PSRS/PEERS-covered employers:

- (1) Employment with a PSRS- or PEERS-covered employer is limited to no more than 550 hours, during any school year without a loss of benefits, exactly the same as the limit for PEERS retirees; and
- (2) The PSRS retiree, through such employment, cannot earn more than 50% of what the individual could have earned, based on education and experience, employed full time in that position with that employer.

For a working retiree, coaching is a part-time position and not an "extra duty" as it is for an active PSRS member who is contributing to the Retirement System. Therefore, a PSRS retiree working as a coach must stay within the 550-hour and 50% of salary limits to avoid losing benefits.

Example 1

If a PSRS/PEERS-covered employer hires a retired teacher to drive a school bus, the retiree can only earn 50% of what the retiree could earn if employed full time as a bus driver, not a teacher. This would be calculated by taking the hourly rate for a bus driver and multiplying that by the number of hours full-time classroom teachers work each week.

If a bus driver makes \$12 per hour and full-time classroom teachers work 37.5 hours per week for 36 weeks, the Annual Base Salary would be \$16,200 ($\$12 \times 37.5 \times 36$).

Example 2

A PSRS retiree returns to a school as a part time teacher. The retiree would earn \$40,000 per year based on the school's salary schedule. Additionally, the school pays \$5,000 in employer paid insurance premiums for full-time employees and is offering to pay \$1,000 towards this retiree's health insurance. The full amount of insurance is included in the Annual Base Salary if the employer pays any portion of the employee's coverage.

In this example, the Annual Base Salary should be \$45,000 ($\$40,000 + \$5,000$). All salary, including the \$1,000 in insurance, count towards the 50% salary limit.

Example 3

A PSRS retiree returns to work as a track coach. The retiree will be paid \$4,000 as the track coach, and is expected to work 400 hours during the school year, which is 36 weeks long. The district considers 35 hours per week full-time, since that is the number of hours worked weekly by full-time classroom teachers there.

In this example, the Annual Base Salary should be \$12,600.

$\$4,000 \div 400 \text{ hours} = \10 per hour

$35 \text{ hours per week} \times \$10 \text{ per hour} = \$350 \text{ per week}$

$\$350 \times 36 \text{ weeks (9 months of school)} = \$12,600 \text{ (full-time annual compensation for the job)}$

Based on information received from the Missouri State Social Security Administrator, it is our understanding that the salary of all PSRS retirees, regardless of position or manner in which the retiree is employed, is subject to Social Security taxes.

Monitoring Post-Retirement Employment

[16 CSR 10-5.010 \(6\)](#) states: "...The employer covered by the Public School Retirement System of Missouri and the retiree shall maintain a log of all dates worked, hours worked, wage earned and the employer. The employer and retiree shall provide a copy of the work log upon request of Retirement System."

Personalized record-keeping forms are sent to each retiree at the start of the post-retirement employment at covered employers. Generic versions are available on our website.

Holiday Pay

If an employee is paid for such holiday time as Christmas Day, Independence Day, etc., then the employee is considered to be employed during that day, and post-retirement employment is limited by Missouri law by "employment in any capacity." Only the number of hours the retiree actually worked on the holiday should be counted towards the 550-hour limit. However, the amount paid to the retiree for the holiday should be counted towards the 50% salary limit.

Referee/Game Official Salary

Game officials, such as referees for school sporting events, are usually considered to be independent contractors and not employees of the school district.

Most such officials are registered with the Missouri State High School Activities Association (MSHSAA). According to MSHSAA, the official is required to have a valid MSHSAA license to officiate grades seven through 12 between member schools in the sports of baseball, basketball, football, soccer, softball, swimming, track, volleyball, water polo and wrestling.

Officials typically enter into independent contractor agreements with school districts to officiate. The contract form provided by MSHSAA for use by school districts and such officials also states that the official is an independent contractor.

As independent contractors, these individuals are not employees of your district. Therefore, the salary earned is not subject to retirement contributions.

Remember, in general:

- If a PSRS retiree works after retirement as an independent contractor for a PSRS/PEERS-covered employer in a position that does not normally require a certificate issued by the Missouri Department of Elementary and Secondary Education (DESE), the work does not count toward the PSRS working after retirement limits.
- If a PEERS retiree works after retirement as an independent contractor for a PSRS/PEERS-covered employer, the work does not count toward the working after retirement limit on hours.

For more information, please reference this information provided to us by MSHSAA.

By Revenue Ruling 67-119 (January 1967) the IRS determined that high school sports officials were independent contractors and not employees of an association through which their services were offered to school members of a state wide high school athletic league for purposes of FICA, Federal Unemployment Tax and income tax withholding. Sports officials are exempt from the Missouri Workers Compensation Law, 287.090.1(5) RSMo. and have been determined to be independent contractors by the Missouri Division of Employment Security since 1993. These classifications are consistent with the overwhelming weight of court decisions in other states construing the common law distinctions between employees and independent contractors. However, the independent contractor designation is not ours to make. If you have further questions, contact your CPA, Financial Manager or Auditor for additional clarification. You can also go to the website <http://www.irs.gov/pub/irs-pdf/fss8.pdf> for more information.

Retirement Incentives

A retirement incentive is defined as any payment for which the member, to receive the payment, must either agree to resign or retire, or actually resign or retire. Please send us a copy of any incentive agreements your employer offers to employees so those can be reviewed by our legal staff.

- Retirement incentives are not included in retirement salary.
- Retirement incentives offered in either of the previous two school years make an employer ineligible for hiring a retiree under the Critical Shortage statute.
- A payment offered by an employer to a member for providing notice of their intent to retire or resign (early notice payments) is considered a retirement incentive, however, if the amount of the incentive payment is less than \$5,000, this payment will not disqualify the employer from hiring a retiree under the “Critical Shortage” statute.
- The funds and insurance benefits received as part of a retirement incentive also count toward the working after retirement limits if the employee is required to work or volunteer after retirement as part of the terms of the retirement incentive.

Full-Time Retirees

If a PSRS or PEERS retiree chooses to return to work full time for a PSRS/PEERS-covered employer in any capacity, his or her benefits are put on hold. He or she is required to establish a new membership, pay contributions on his or her salary, and will earn service.

When the full-time employment at a covered employer ends, benefits resume the month after the full-time employment ends or when a new school year begins on July 1.

Disability Retirees

In order to receive PSRS/PEERS disability benefits, a PSRS/PEERS disability retiree may not work in any capacity for a covered employer prior to age 60. Upon reaching age 60, the same limits on work apply as noted above for service retirees who work part-time and/or as a temporary substitute.

The Critical Shortage Full-Time Employment Exception

Statute: [Section 169.596 RSMo.](#)

In addition, effective August 28, 2003, PSRS- and PEERS-covered employers may employ PSRS retirees, up to 10% of the certificated staff (no more than five individuals) to teach full time; and PEERS retirees, up to 10% of the non-certificated staff (no more than five individuals) to work full time, without a loss of benefits, for up to two years, if the legal requirements are met.

The two years of employment do not have to be consecutive – there can be breaks in the employment. However, the retiree cannot work/teach more than two years total throughout his or her retirement.

Effective July 1, 2006, a retiree cannot fill the position of superintendent under the Critical Shortage statute.

Before a PSRS- or PEERS-covered employer may employ a PSRS or PEERS retiree on a full-time basis without a loss of benefits, the employer must:

1. Not have offered early retirement incentives for either of the previous two school years;
2. Post the vacancy or vacancies for at least one month;
3. Solicit applications through the local newspaper, other media, or teacher education programs;
4. Make a good faith effort to fill positions with non-retired, certificated (or non-certificated) applicants;
5. Determine that there are an insufficient number of eligible applicants for the advertised position(s);
6. Declare that they currently have a shortage of certificated (or non-certificated) employees.

Retirees employed full-time under the Critical Shortage Full-Time Employment Exception statute, [Section 169.596](#), do not earn service for their employment, even though employer contributions are made on their behalf. These individuals continue to receive retirement benefits during this period of employment.

Retiree Health Insurance Coverage

Statute: [Section 169.590 RSMo.](#)

PSRS/PEERS retirees have the option to participate in their last PSRS/PEERS-covered employer's health insurance plan after retirement at the same cost the employer pays for an active employee. Missouri law gives the retiree one year from the date last employed to choose this option. PSRS/PEERS has no role in administering or enforcing this Missouri law. Questions concerning this requirement should be directed to DESE – School Laws.

Withholding Contributions on Post-Retirement Employment by PSRS/PEERS Retirees

Part-Time and Temporary-Substitute Retirees

Retirees employed under the [550-hour and 50% salary limits](#) do not contribute to either PSRS or PEERS until their employment either exceeds one of the employment limits, or the retiree becomes employed on a regular, full-time basis by a covered employer. If/when a retiree either exceeds one of the post-retirement employment limits, or starts to work on a full-time, regular basis, then the retiree's benefits stop, and the person is no longer considered a retiree. If the employee is no longer a retiree, then contributions are required if the minimum eligibility requirements for either [PSRS](#) or [PEERS](#) are met.

FAQs About Working after Retirement

Q. Can a retiree be employed as a Critical Shortage and a 550/50% retiree at the same time?

A. Yes, in some cases.

The hours and salary from full-time employment worked under the Critical Shortage statute (169.596) should not be applied to the 550/50% limits of 169.560. Therefore, a retiree may work full-time under the Critical Shortage statute and also work for another covered employer or other covered employers up to 550/50% limit in 169.560. However, all hours and salary from employment for multiple employers not covered by the Critical Shortage statute should be combined to determine if the retiree has exceeded the 550-hour or 50% of salary limits of section 169.560.

Q. Can a retiree be employed as a Critical Shortage retiree for a part of the year, and a 550/50% retiree for the other part?

A. Yes. There is nothing in either section of the law that would prevent such employment.

None of these requirements and limitations applies if the retiree is not an "employee" of the employer. If the retiree meets the [IRS definition of an independent contractor](#), then the retiree is not an employee.

If a retiree is hired full time under the provisions of the [Critical Shortage Full-Time Employment Exception \(Section 169.596, RSMo\)](#), the employer must make the normally required **employer contributions** on salary paid to these full-time retirees.

Volunteering

Volunteering after retirement is defined for retirement purposes as work performed for which the employee receives no compensation, including salary, health insurance or other benefits, and with duties that are substantially different from any paid work performed for the same employer. If a member is truly a volunteer, any volunteer service is not considered eligible employment, and does not count toward the retiree's statutory post-retirement employment limits.

But if the retiree performs paid work and also "volunteers" after retirement at the same PSRS/PEERS-covered employer, and the "volunteering" and working are essentially performing the same function, the time spent on so-called volunteer work counts toward the 550-hour limit.

A retiree can be considered an employee at one covered employer, and a volunteer at another, and as long as the volunteer service is unpaid, it does not count towards the statutory post-retirement employment limits, even if the volunteer services are not substantially different from what the retiree does for pay.

Example

Mary volunteers 100 hours per semester reading books to kindergartners at Big City Public School District (a PSRS/PEERS-covered employer). She is also paid to periodically help the kindergarten teacher as an aide. She is essentially performing the same function when volunteering as when paid as an aide. Therefore, all her hours worked (paid) and volunteered count toward the 550-hour working after retirement limit.

If the volunteer work and duties for which the retiree is paid are **substantially different**, only the hours for which the retiree is paid count toward the 550-hour limit.

Example

Mary volunteers 100 hours per semester reading books to kindergartners at Big City School District (a PSRS/PEERS-covered employer). She also works in a paid position in the school office. Her volunteer hours do not count toward the 550-hour limit because her volunteer duties are substantially different functions than her paid work.

Working as a Consultant

Whether a position is referred to as "consulting" does not determine whether PSRS/PEERS covers that person. The critical distinction between being an employee and being an independent contractor is based on IRS definitions. Employees can be covered by PSRS/PEERS and independent contractors cannot.

Independent Contractors

The Difference Between an Independent Contractor and an Employee

In general, the common law standard dictates that 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.

Employees can be covered by PSRS/PEERS and independent contractors cannot. Therefore, work done as an independent contractor does not count toward the PSRS/PEERS working after retirement limits.

Corporations Working as Independent Contractors

Employers, active employees and retirees frequently have questions about working for an employer as a "consultant" or "contractor," and how that affects PSRS/PEERS eligibility. When it comes to determining whether an individual is an employee or an independent contractor, there is far more than Retirement

System eligibility involved, and the employers and individuals concerned should consult their legal or tax advisors on specific situations.

Whether or not an individual is incorporated does not, by itself, ensure that an individual is 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 will likely be considered an alter ego of the person, and the PSRS/PEERS working after retirement limits will apply.

The central question remains: Who has the right to control the activities of the individual – the corporation or the employer?

In Missouri, as is the case around the country, our 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. If the employer exercises that control, the relationship is one of employer-employee. This test is the same one applied by the IRS in determining whether employment taxes, such as Federal Unemployment Tax Act (FUTA), must be paid and income tax must be withheld. Application of other workplace laws, such as workers’ compensation, the Family and Medical Leave Act (FMLA), and fair labor standards may also depend on whether an individual is an employee or independent contractor.

If the relationship is one that would have been considered an employer-employee relationship before retirement, it is also an employer-employee relationship after retirement. Retirement status will not change how that determination is made.

Those determined to be employees are subject to the law that limits employment by a covered employer after retirement. The law states that while receiving a retirement allowance from PSRS or PEERS, a retiree may be employed by a covered employer(s) only in a part-time or temporary-substitute capacity, up to 550 hours in any one school year. While a retiree is employed in excess of those limits, the retirement benefit is not paid.

Information Resources

The IRS has several publications available to help you determine the type of employment relationship you have with the employee. Here are links to some of these publications:

[Publication 1779](#)
[Government Workers: Employees or Independent Contractors?](#)

IRS Form SS-8

We highly recommend that, prior to hiring a retired member of either PSRS or PEERS as an independent contractor you complete and submit the IRS Form SS-8. This form will enable the IRS to make a determination as to the status (employee or independent contractor) of the individual hired.

Guidance from the IRS can be found at www.irs.gov, and entering "SS-8" in the "Keyword Search" box at the top of the page.

Historical Information

When Did “Position” No Longer Matter for PSRS Eligibility?

In 1984, the regulation defining full-time for PSRS was changed and no longer required PSRS members to be “teachers.” A member could be employed in any position, as long as they were scheduled to work the same number of hours as a classroom teacher at that employer.

What Constituted a Month in Determining PEERS Eligibility?

When determining eligibility for the Non-Teacher School Employee Retirement System of Missouri or NTRS (now PEERS) in a school year prior to July 1, 2004, both the statute and regulation stated that the employee must have been employed for at least one month. For purposes of this requirement, a month was considered a calendar month. If the last day of the month was on a weekend, the last working day of the month was used.

Example 1

A person who started on July 1, and terminated employment on July 31 was employed for one month and was required to contribute. If that same person terminated employment on July 30, employment was not for a full month, and, therefore was not required to contribute.

Example 2

A person who started on August 14, and terminated employment on September 13 was employed for one month and was required to contribute. If that same person terminated employment on September 12, employment was not for a full month, and, therefore the employee was not required to contribute.

Example 3

A person started on July 1, and worked through July 29, which was a Friday. Since the member worked through the last working day of the month, the member would have been required to contribute.

If a person was employed in a NTRS-covered position, and then moved directly into a PSRS-covered position, or became certificated and PSRS coverage was required, the NTRS membership would have been voided if the total NTRS-covered service was less than one month. Any contributions received should have been refunded.

DESE Career Ladder Payments

The state of Missouri Career Ladder program was a program administered by the Missouri Department of Elementary and Secondary Education (DESE) to financially reward teachers for the completion of specific tasks and programs. When referred to by PSRS/PEERS, the term "Career Ladder" refers only to this DESE-sponsored program. It does not include any career-ladder-type programs offered by a specific employer.

If your school participated in the state of Missouri Department of Elementary and Secondary Education (DESE) Career Ladder Program, the following applied:

- Career Ladder salary was included in PSRS/PEERS retirement salary, and were subject to contributions.
- Career Ladder salary was not included in the [Annual Base Salary](#) reported to PSRS/PEERS each year.
- Career Ladder salary must have been reported for the school or fiscal year in which they were earned, not necessarily when the salary was paid.

Since the 2010-2011 school year, DESE has not funded a Career Ladder program. Only DESE-funded Career Ladder Programs should be reported as "Career Ladder." Since there is no DESE Career Ladder Program, no Career Ladder information should be sent to PSRS/PEERS.

If an employer is sponsoring its own Career Ladder program, that salary should be reported as any other salary for the member. If known at the beginning of the school year, the amount should be included in the Annual Base Salary reported for the member. Also, it is not necessary to report this salary in a separate payroll.