

Requesting a Refund



PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

Considering a Refund?

If you end PSRS/PEERS-covered employment, you can request a refund of your retirement contributions and earned interest.

Everyone's situation is unique, and there are various reasons to request a refund.

Consider, however, that long-term, it may be to your financial advantage to leave your funds with PSRS/PEERS instead of taking a refund.

- You will not lose your contributions. Regardless of what the future holds for you, your contributions and interest are always returned to you or your beneficiary.
- You may owe taxes on the refund amount. For more information on income taxes on a refund, see page 6.

Before making the decision to take a refund, carefully consider the advantages of retaining your membership. We encourage you to contact our office to discuss any questions or concerns you may have.



Fewer than Five Years of Service: You Can Take a Refund or Leave Your Contributions

If you leave PSRS/PEERS-covered employment before you are vested (with fewer than five years of eligible service) and your contributions remain with PSRS/PEERS, you retain your membership. Your funds continue to accrue interest for five years after you end covered employment. Interest accrues every June 30, based on your total contributions and interest as of the previous June 30. If you do not return to covered employment or purchase service to attain vested status within five school years, your membership terminates. See page 5 for more information.

If you are not vested and not currently working in PSRS/PEERS-covered employment, but think you may return, it may be to your advantage to leave your funds with PSRS/PEERS and earn interest on them. You can take a refund at any time if you don't return to PSRS/PEERS-covered employment.



If you leave your funds with PSRS/PEERS and you do return to covered employment within five years, your membership and service will simply pick up where you left off. If you leave your funds with PSRS/PEERS and return after your membership terminates (after five years), you will start a new membership, but you can combine the two and will not lose your previous contributions or service.

In the event that you return to covered employment after taking a refund, you can buy back, or reinstate, all or any part of the service you forfeited.

Five Years of Service or More: You are Eligible for Lifetime Retirement Benefits

Once you have earned five years of eligible service, you are vested and can receive lifetime retirement benefits when you reach retirement eligibility.

If you take a refund, you are no longer eligible for those lifetime retirement benefits.

In most cases, the retirement benefits paid to members exceed the funds they contribute while working. In fact, most retirees recover all their contributions within the first five years of retirement.

When you take a refund, your membership is canceled and you forfeit any future benefits to which you may have been entitled.

Reasons to Leave Your Funds with PSRS/PEERS

The advantages of your membership go beyond retirement benefits.

- **You could receive disability benefits** if you have five years of earned service and become permanently and totally disabled.
- **Your family could receive survivor benefits** at your death, before or after retirement, with as little as two years of service.
- **You get cost-of-living adjustments (COLAs)** on your retirement or disability benefits when a COLA is granted.
- **Your contributions and interest are always returned** to you or your beneficiary.
- **If you are a PSRS retiree, a \$5,000 death benefit is payable** to a designated beneficiary at your death.

Do You Qualify for Disability Benefits?

If you plan to request a refund because you are physically or mentally disabled and cannot work, first consider whether you are eligible for PSRS/PEERS disability benefits. Visit us online at www.psrs-peers.org or contact us for more information.

Your Membership Status Matters

Your options with regard to taking a refund depend on your membership status.

Active Membership

Your membership is **active** as long as:

- You are employed in a position qualified for membership, and
- You are making contributions to PSRS/PEERS, or
- You are under an agreement for future covered employment.

If you are an active member, you cannot take a refund.

Inactive Membership

Your membership is **inactive** if you are employed in a position that does not qualify for membership, or if you end covered employment but leave your contributions with PSRS/PEERS.

If you are an inactive member, you can request a refund and cancel your membership.

Terminated Inactive Membership

If your membership is inactive and you are not vested (have fewer than five years of eligible service with PSRS/PEERS), you can leave your funds with PSRS/PEERS for up to five school years and continue to receive interest. **If you do not return to covered employment within five years, or purchase or reinstate service to obtain vesting, your membership is considered terminated. You no longer earn interest and you are not entitled to any future benefits.** At that time, you will be contacted with the information you need to request a refund.

Your membership terminates if you are not vested and you leave your funds with PSRS/PEERS for more than five school years without additional service.

A purchase or reinstatement of service, or a qualified leave of absence for sick or military leave, may prevent your membership from terminating. For additional information, please contact us.

Vested Inactive Membership

If you are **vested** (have five or more years of eligible service with PSRS/PEERS), you can leave your funds with PSRS/PEERS and continue to earn interest on them until you are eligible to retire. Interest accrues every June 30 on your total funds as of the previous June 30.

When you reach retirement eligibility, you can apply for, and receive, lifetime monthly benefits. Depending on the benefit plan you choose, you can also provide financial protection for your beneficiaries in the event of your death.

If you are vested with an inactive membership, you can take a refund. However, if you do so, your membership is canceled and you forfeit any future benefits to which you may have been entitled.

If vested, it may be to your financial advantage to leave your funds with PSRS/PEERS and apply for lifetime retirement benefits when eligible. Most members receive considerably more by taking monthly benefits than by taking a refund.

Refund Eligibility

You can request a refund of your contributions and interest 30 days after your last day of covered employment, **unless** you are:

- Under an agreement for future employment with any PSRS/PEERS-covered employer
- On a leave of absence
- Finishing a school year with one covered employer and starting the next school year with another

Applying for a Refund

Return the completed **Refund Application** to PSRS/PEERS after **30 days** have passed since your last day of employment.

You must also complete the **Refund Rollover Certification** form if you wish to directly rollover your funds to a qualified retirement plan.

Refund Amount

Your refund includes all your contributions, payments you made to purchase or reinstate service, and the interest you earned as of the previous June 30. You can find out how much this is by logging in to PSRS/PEERS Web Member Services at www.psrs-peers.org, or by referring to your last annual **Member Statement**.

Employer contributions are not credited to your membership and are not refunded to you. These funds are placed in a general reserve and are used solely to pay monthly benefits to members and beneficiaries.

Partial refunds or loans against your contributions and interest are not available.

Income Taxes

If you choose to receive a refund, you should carefully consider the potential tax consequences.

When you request a **Refund Application**, you will receive information regarding the portion of your refund that is taxable. You can also view this information by logging in to Web Member Services or referring to your last annual **Member Statement**.

If the taxable portion of your refund is \$200 or more, the IRS requires PSRS/PEERS to withhold 20% for federal taxes. You may also incur an additional 10% tax penalty if you are under age 59 ½ at the time of the refund. This penalty generally does not apply if you end your employment in, or after, the tax year in which you reach age 55.

You may also incur a state tax liability on your refund.

Defer Taxes with a Rollover

You can request a direct rollover of your refund to a qualified retirement account, such as an IRA, to defer taxes and eliminate the 10% penalty. To do so, please complete and return both the **Refund Rollover Certification** and **Refund Application**.

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

We strongly advise that you read the brochure, **Your Rollover Options**, also provided with your **Refund Application**. For further assistance you may wish to contact a tax professional.

The SECURE 2.0 Act of 2022 (SECURE 2.0) was passed by Congress on December 23, 2022 and signed into law by the president on December 29, 2022. The legislation allows for possible favorable tax treatment for individuals determined to have a terminal illness or condition. The legislation considers an illness or condition to be terminal if it is reasonably expected to result in death in 84 months or less. This determination must be made prior to the receipt of the disbursement. We recommend that you consult your individual tax advisor if this provision could apply to you.

If you reach age 72 after December 31, 2022, you are required to take the IRS Required Minimum Distribution (RMD) payment the year you reach age 73 or in the year you retire, whichever is later. If you turn age 72 before or during the tax year of your refund payment, PSRS/PEERS will calculate the RMD payment and make this payment directly to you.

Payment of Your Refund

Payment can take up to 60 days after receipt of your properly completed **Refund Application**. The amount of time needed to make payment depends on whether you are employed in the current school year. If so, we must verify your employment and contributions with your employer.

Taxes may be withheld from your refund as directed by the IRS unless you authorize a direct rollover to a qualified retirement plan. Refer to the section on income taxes for more information.

If you earn a full year of service during your last year, the earliest possible refund date is the end of July.

Legal Disclaimer

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

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

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

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



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