

# Reinstating and Purchasing Service



PUBLIC SCHOOL RETIREMENT  
SYSTEM OF MISSOURI

## What is Service?

Service is time you spend in a position eligible for PSRS membership. You earn service toward retirement while working in PSRS-covered employment.

- You earn one year of service for each full school year (July 1 through June 30) you work in PSRS-covered full-time employment.
- You must work the complete term required of your position to earn one year.
- If you work less than a full year, your service is based on the salary you actually earn compared to the full-time salary for the complete term of your position.
- Service can also be reinstated from a previously refunded membership, purchased or transferred from qualified sources.

Your total service at retirement is one of the factors used to determine retirement eligibility and calculate your benefit. Your total service is the number of years you:

- Work in PSRS-covered employment
- Reinstated, purchased or transfer

When you have five years of eligible service, you are vested and can receive lifetime retirement benefits when eligible.



## Why Reinstate or Purchase Service?

You can increase your benefit or become eligible for retirement sooner by reinstating, purchasing or transferring additional service to your PSRS membership.

All members are eligible to purchase some type of service before retirement.

Advantages are:

- Achieving a higher benefit
- Reaching retirement eligibility sooner

## How a Purchase Can Increase Your Benefit

Example						
Purchasing Service						
The Difference 1 Year Makes in a Benefit						
Benefit Factor	x	Final Average Salary (FAS)	x	Years of Service	=	Lifetime Single Life Benefit
2.5%	x	\$4,250	x	25	=	\$2,656
2.5%	x	\$4,250	x	26	=	\$2,763

↑  
Purchase 1 year of service

In this example, the purchase of one year of service increases the benefit by \$107 per month.

$$(\$2,763 - \$2,656 = \$107)$$

# Reinstating Previous Service

You can buy back, or reinstate, service you forfeited by taking a refund of past PSRS contributions and interest.

In most cases, we will tell you the cost of any service you can reinstate when you return to membership.

If you believe you are eligible to reinstate forfeited service and you did not receive information, please contact us.

Reinstated service counts toward vesting. You can reinstate as much forfeited service as you have, in increments as small as one, one hundred thousandth (0.00001) of a year.

## Cost

- Reinstatements are typically less expensive than service purchases.
- Your cost is the refunded amount plus interest.
- Interest accrues on the unpaid portion the first of each month from the date of the refund until paid in full.
- Interest accrues at the System's assumed rate of return.
- The interest rate is set by the PSRS/PEERS Board of Trustees annually and is subject to change.

*Note: if you took a refund from a past membership in the Public Education Employee Retirement System of Missouri (PEERS), you can purchase that service, too. See page 9 for more information.*

# Purchasing Service

## Three Types of Service Purchases

1. Purchases based on a leave from PSRS-covered employment
2. Purchases calculated using the Basic Purchase Cost Calculation
3. Transferring and recognizing service with other Missouri public retirement systems

**Applications for most service purchases are available online at [www.psr-peers.org](http://www.psr-peers.org). Because of complex eligibility requirements, applications for a few types of service purchases and transfers are available only by request. You can request a copy of any purchase application by contacting us at (800) 392-6848.**

# Purchases Based on Leave

Costs for these purchases are based on contributions you would have made had you been working during the period of leave. Call your employer for your estimated cost.

## Unpaid Sick Leave or Workers' Compensation Leave

If you are on unpaid sick leave or workers' compensation, you can purchase service for the leave time by paying your employer the contributions you would have made to PSRS during the full period of leave. Your employer will send both employer and employee contributions to PSRS so you receive full service for your leave period. You must complete the purchase by June 30 of the second school year following the year the leave occurred.

## USERRA-Covered Military Service

Active military service under the Uniformed Services Employment and Reemployment Rights Act (USERRA) includes service in the U.S. Armed Forces, National Guard and other service categories designated by the president in times of war or emergency. You must return to work for the same employer after your active duty.

USERRA-covered leave can be granted and purchased.

Granted USERRA-covered leave has no cost to you. It counts toward vesting your membership and eligibility for benefits, but is not used in the calculation of your benefits.

To receive granted USERRA leave, submit a copy of your DD214 to PSRS.

Purchased USERRA-covered leave is also used in the calculation of your benefits.

In order to be eligible to purchase service under USERRA, you must apply within five years of your re-employment date. You can purchase up to five years of USERRA-covered service.

The cost to purchase USERRA service is calculated by multiplying the PSRS salary rate that would have been paid during the period of USERRA-covered service by the contribution rate in effect at the time of the service. You must pay the employee portion and your employer must pay the employer portion.

## Leave of Absence

If you take a leave of absence other than sick leave from a PSRS-covered employer, you can purchase service for the time during the same school year. You must be granted leave with your employer paying you at least 50% of your regular salary. Contact your employer to arrange payment of the employee contributions you would have made to PSRS on your full salary. Your employer will send both employer and employee contributions to PSRS so you receive full service for your leave of absence. This purchase must be completed during the school year the leave occurs.

# Purchases Using the Basic Purchase Cost Calculation

Most purchase costs are calculated using the Basic Purchase Cost Calculation. Estimate the cost using the Service Purchase Calculator found by logging in to Web Member Services at [www.psr-peers.org](http://www.psr-peers.org).

The Basic Purchase Cost Calculation multiplies your highest annual salary on record (includes all earnings and any health, dental and vision insurance premiums your employer paid for you) by the current total contribution rate (employee plus employer) to determine the cost for each year of service. In the following example, this member's highest annual salary with PSRS is \$51,000 and the current contribution rate for the employee and employer combined is 29%.

Example				
Basic Purchase Cost Calculation				
Highest Annual Salary	x	Combined Contribution Rate	=	Cost for One Year
\$51,000	x	29%	=	\$14,790

↑ **Usually the last school year**      ↑ **Employee plus employer**

Once you apply for a purchase calculated this way, your balance due as of September 30 of each year is recalculated October 1 using your highest annual salary and the contribution rate as of the previous July 1.

Your highest annual salary on record is typically, but not always, your salary from the last school year.

## Facts About Purchases Using the Basic Purchase Cost Calculation

This information applies to most purchases calculated with the Basic Purchase Cost Calculation. If you are interested in purchasing a certain type of service, contact us for specific eligibility requirements and rules.

You can purchase most types of service in increments as small as one, one hundred thousandth (0.00001) of a year.

### General Requirements

- You need at least one year of PSRS service to be eligible to apply.
- You must return to PSRS-covered employment after the employment, military service or leave being purchased.

### Limits

- Purchased service counts toward vesting *except* supplemental service and service for Social Security-covered employment.
- You can't purchase more service than you have earned at the end of your membership (retirement, refund, death or absence from covered employment when not vested). Any payments made for service in excess of that amount are refunded.
- You can't have service with any other retirement system for employment, leave or service purchased with PSRS, except Social Security and military pensions.
- A purchase can't result in you having more than one year of service for any school year.
- Payments will not be refunded unless the purchase will result in having more purchased service than earned service at the end of your membership.

## Eligibility Requirements for Purchases Using the Basic Purchase Cost Calculation

### Employment at Non-PSRS-Covered Schools

1. For a public or private elementary, secondary or post-secondary school
2. At least 20 hours per week on a regular basis

### Maternity or Paternity Leave

Maximum purchase of one year of service for each natural birth, legal adoption or terminated pregnancy

*If you have unpaid maternity or paternity leave during the current or previous two school years, it may be less expensive to get service for the time by paying contributions through your employer under the unpaid sick leave purchase provision. See page 5 for more information.*

### Active Duty U.S. Military Service

You must be discharged under honorable conditions.

*If your service is covered by the Uniformed Services Employment and Reemployment Rights Act (USERRA), it may be less expensive to purchase it under the USERRA leave provision. See page 5 for more information.*

### Non-Federal Public Employment

1. At least 20 hours per week on a regular basis, or
2. At least 17 hours per week on a regular basis **and**:
  - You are vested with PSRS
  - Employment was in Missouri
  - Employment was not covered by a retirement plan

### Not-for-Profit Educational Work

1. Primary purpose of the work is to support education or educational research for a not-for-profit corporation or agency
2. At least 20 hours per week on a regular basis
3. While on leave from a PSRS-covered employer

### Part-Time Certificated Employment with a PSRS-Covered Employer

1. You held a valid Missouri educator certificate
2. At least 17, but fewer than 20, hours per week on a regular basis
3. Occurred between August 28, 1991 and August 27, 2003

### Service Forfeited from the Public Education Employee Retirement System of Missouri (PEERS)

1. You took a refund of your contributions and interest from PEERS
2. You are now a PSRS member

*Part of the cost is offset by a transfer of the PEERS employer contributions to PSRS, not to exceed 50% of your purchase cost.*

### Social Security-Covered Employment

1. At least 20 hours per week on a regular basis
2. While you were age 18 or older
3. You are vested with PSRS

*The IRS categorizes some purchases of Social Security-covered employment as "non-qualified." When purchasing non-qualified service, you are limited to a lifetime total purchase of five years paid for with after-tax dollars.*

### Supplemental Service

1. You are within five years of PSRS retirement eligibility
2. Maximum purchase of five-tenths (0.5) of a year
3. No prior employment, service or leave required
4. Does not count toward vesting

*IRS regulations may limit the amount of supplemental service you can purchase if you also purchase service for Social Security-covered employment.*

### Vo-Tech Work Experience

1. You are, or were, certified as a vo-tech teacher in the subject area of your vo-tech certification
2. Maximum purchase of two years

# Reciprocity: Transfer and Purchase

Reciprocity is a transfer or purchase of service from another Missouri public retirement system to PSRS.

## Reciprocity Transfer

**You must be vested in both** PSRS and another Missouri public retirement system to transfer funds to PSRS and receive actuarially equivalent service.

Systems with signed transfer agreements with PSRS are:

- Kansas City Employees' Retirement System
- Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS)
- Missouri Local Government Employees Retirement System (LAGERS)
- Missouri State Employees' Retirement System (MOSERS), including the Administrative Law Judges Pension Plan and Judicial Plan
- The Public Education Employee Retirement System of Missouri (PEERS)
- The Public School Retirement System of the School District of Kansas City (KCPSRS)

If you transfer the service from one of these systems to PSRS, you forfeit the service with the other system. **You don't receive service or benefits for the same period of employment from the other retirement system.**

**There is no cost to transfer the service.** Since the service you receive in PSRS is actuarially determined and is not a year-for-year equivalent, some of your service may not transfer. You can purchase any such service using the reciprocity purchase, discussed below.

## Reciprocity Purchase

**You must be vested with PSRS** to purchase service you forfeited with another Missouri public retirement system. You don't have to be vested with the other system.

The cost of a reciprocity purchase is initially determined by the Basic Purchase Cost Calculation detailed on page 6. Interest accrues on the balance on the first of each month beginning the first July 1 after the date the application is filed. **You must pay reciprocity purchases in full within two years of the application filing date.** If you do not complete payment within two years, your payments are refunded – you do not receive proportional service for partial payment. You may re-apply, at a recalculated cost.

# Missouri Educational Recognition of Service

If you are vested with two or more Missouri educational retirement systems, you may be able to recognize the service with PSRS, at no cost.

Participating Missouri educational retirement systems are:

- The Public School Retirement System of Missouri (PSRS)
- The Public Education Employee Retirement System of Missouri (PEERS)
- The Public School Retirement System of the School District of Kansas City (KCPSRS)
- The Public School Retirement System of the City of St. Louis (PSRSSTL)

**Recognizing service may allow you to retire sooner or with a higher benefit factor used in your benefit calculation.**

Your PSRS benefit is calculated using only your years of service and salaries on record with PSRS.

Recognition of service is not a service transfer. When you recognize service from another Missouri educational retirement system you do **not** forfeit your service with the other retirement system.

### Example

A 55-year-old PSRS member with 20 years of PSRS service and 10 years of service with the Public School Retirement System of the City of St. Louis may be able to recognize the service she has with these two systems and be eligible for normal, or full, PSRS retirement.

Although her retirement eligibility is determined using a benefit factor based on a total of 30 years of recognized service, her benefit is calculated using her 20 years of PSRS service and her salaries earned with PSRS.

Without recognizing the service, she only qualifies for early retirement because she is not yet age 60, does not have 30 years of service with PSRS, and does not meet the PSRS Rule of 80 criteria.

# Is a Service Purchase Right for You?

A purchase can be quite expensive, and should be viewed as an investment in your retirement. When considering a service purchase, you should also consider other investment choices.

## Consider the Timing

If the cost to purchase service is calculated using the Basic Purchase Cost Calculation, the cost is based, in part, on your highest annual salary. For that reason, it may make sense to apply to purchase service earlier in your career. The longer you work in PSRS-covered employment, the more likely your salary will increase. The higher your highest annual salary with PSRS, the more the service will cost.

## How Long Will it Take to Recover the Cost?

One way to evaluate whether a purchase is right for you is to determine how long it will take you to recover the cost of the purchase once you start receiving benefits.



In the example below, it will take approximately 11 ½ years of monthly benefits to recover the cost of the purchase.

You can also use the Purchase and Reinstatement Cost Recovery Calculator found on our website to estimate your cost recovery time.

### Example

#### Determine Purchase Cost Recovery Time

##### Step 1: Determine Increase in Monthly Benefit Due to Purchase

1	Monthly benefit with service purchase	\$ 2,763
2	Monthly benefit without service purchase	\$ 2,656
<b>Subtract Line 2 from Line 1.</b>		
3	This is the increase in your monthly benefit due to the purchase.	\$ 107

##### Step 2: Determine Time to Recover Purchase Cost

4	Cost to Purchase Service	\$14,790
<b>Divide Line 4 by Line 3</b>		
5	This is the number of <b>months</b> it will take you to recover your purchase cost in the form of monthly benefits.	138 months
<b>Divide Line 5 by 12 months</b>		
6	This is the number of <b>years</b> it will take you to recover your purchase cost in the form of monthly benefits.	11.5 years

# Paying for Reinstatements and Purchases

- You can pay by check, cashier's check, money order or rollover from a qualified retirement account (see page 15).
- When purchasing non-qualified service, you are limited to a lifetime total purchase of five years paid for with after-tax dollars
- There are no set payments or monthly amounts due.
- You must pay before retirement if you want the service used to determine your retirement eligibility and benefit amount.
- Early application and payoff of a purchase that is recalculated each October 1 usually means you pay less, since often, the longer you work in covered employment, the higher your salary and purchase cost.
- Early payoff of a reinstatement or purchase balance that accrues interest means you pay less interest, with a resulting lower total cost.
- Reinstatements and most purchases allow proportional service for payments you make, even if you don't pay in full before your membership ends. (Your membership ends at retirement, refund, death or absence from covered employment if not vested.)  
*Note: Reciprocity purchases and some purchases of service for non-federal public employment do not allow proportional service for partial payment.*
- Payments for reinstatements and most purchases will not be refunded unless the purchase will result in having more purchased service than earned service at the end of your membership.
- You can't cancel or change a purchase application once it is filed. However, you are not obligated to make payments on an open purchase application.



## Rollovers

It can make sense to use savings in tax-deferred retirement plans like 401(k)s or IRAs to pay for your reinstatement or service purchase.

You can transfer or rollover the funds directly to PSRS. That way the money stays tax deferred until you retire and get it back in the form of a benefit.

We recommend contacting a tax professional for guidance on tax-deferred rollovers.

**Completing a purchase can take several months especially if you need to verify the service with a previous employer or the Social Security Administration.**

Paying with a rollover can also take time. Start early to ensure you have enough time to complete the purchase before retirement.



## Legal Disclaimer

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

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

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

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



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