

Retirement Reporting Guide Overview

We designed this guide to provide you with the most accurate, up-to-date, comprehensive retirement reporting information, as well as to allow for timely updates.

Please refer to this guide to answer most of the questions you may have about retirement reporting. We have included examples to make the information clearer and more relevant to you in solving your questions regarding retirement reporting. As you use this guide, we welcome your comments on how we can make this guide easier, more useful, or more valuable to you as you work on retirement reporting.

When a law or regulation is different between PSRS and PEERS, it will be noted either in the answer to the question, or by separate examples. If no mention of a difference is noted, assume that the answer is the same for both systems.

We are providing this guide to you in hopes that it can answer your questions. This guide does not replace the need for a phone call to our office when you have a question that you cannot answer using this guide. For information on how to contact your representative, [click here](#).

General Information

History of the Retirement Systems

Because of efforts to create a retirement system for public school teachers starting in 1907, the Public School Retirement Act of Missouri was introduced early in the sixty-third Session of the General Assembly as House Bill 151. This bill passed the house without amendment, was amended in the Senate, and was finally approved by the Governor on May 24, 1945. The act became effective on August 1, 1945. The Public School Retirement System of Missouri (PSRS) was created to provide a pension benefit for the career Missouri public school teacher. Throughout the years, various employees of education-related institutions petitioned the Board of Trustees for membership in PSRS, allowing the system to grow to the largest public pension plan in Missouri. In 1956, a referendum vote of the membership was conducted to determine if coverage under the OASI (Social Security) program was desired. The results of the referendum indicated very strongly that the membership did not want Social Security coverage.

In 1965, the Non-Teacher School Employee Retirement System of Missouri (NTRS) was created to provide a pension plan for public school district employees, working at least 20 hours per week, not covered by PSRS. NTRS was created to provide a pension benefit to supplement the member's Social Security coverage. In 2005, the name of The Non Teacher School Employee Retirement System of Missouri was changed to The Public Education Employee Retirement System of Missouri (PEERS).

Both systems operate as qualified plans under Section 401(a) of the Internal Revenue Code (IRC). The systems are authorized by state statute and are governed by a seven (7) member Board of Trustees. Four (4) members of the Board of Trustees are elected, and the Governor appoints three (3) members. One of the appointed members must be a retiree of either PSRS or PEERS, and none of the appointed members can be Missouri state employees, Missouri state elected officials, or employees of a district covered by either of the retirement systems.

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Missouri State Statutes on the Internet

<http://www.moga.mo.gov/statutes/c169.htm>

Missouri State Regulations on the Internet

<http://www.sos.mo.gov/adrules/csr/current/16csr/16csr.asp>

Retirement System Eligibility

Who is Eligible for PSRS Coverage?

Any [certificated](#) employee of a PSRS-covered school district is required by state law to remit to PSRS if the employee meets minimum eligibility requirements.

If the employee is [full-time](#), PSRS membership is required by state statute, no exceptions!

A member's eligibility to elect PSRS or PEERS membership if employed on a part-time basis is determined by the date a member first becomes eligible to make such an election. A history on part-time PSRS membership...

Prior to August 28, 1991...

PSRS membership was not available to anyone who was not employed full-time and certificated.

Effective August 28, 1991 through August 27, 1997...

State 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 ninety (90) days of eligible employment, PEERS membership was required. The election was a one-time, irrevocable election.

Effective August 28, 1997 through August 27, 2003...

State 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 an PEERS member. If the election was not made within the first ninety (90) days of eligible employment, PSRS membership was required. The election was 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.

Effective August 28, 2003 through the present...

State law was changed effective August 28, 2003 to allow any certificated individual who was not employed full-time, but employed to serve at least 17 hours per week on a regular basis to elect to become an PEERS member. If the election was not made within the first ninety (90) days of eligible employment, PSRS membership was required. The election was 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.

Please remember, 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 that is employed to serve 15 hours per week at your district, and is also employed to serve 10 hours per week at a neighboring district, the member is considered to be employed to serve 25 hours per week, requiring membership in either PSRS or PEERS.

The guidelines above apply to all employees of a school district, ***with the exception of PSRS and PEERS retirees.***

Retirement System Eligibility and Section 218 Agreements

Effective July 1, 2010, Section 218 Agreement Modifications may require certain members of PSRS to contribute to Social Security. There are several points that should be made concerning this issue:

- Retirement system eligibility is NOT affected by a member's status with Social Security
- Social Security eligibility is a separate process from determining retirement system eligibility
- Service credit earned in PSRS is NOT affected by a member's status with Social Security
- No members will be required to leave PSRS or join PEERS based on their eligibility for Social Security coverage

Who is Eligible for PEERS Coverage?

Any non-certificated employee of a school district covered by PEERS is required by state statute to be a contributing member of PEERS if that employee is **employed to serve** at least twenty (20) hours per week on a regular basis in a position that would normally require at least 600 hours of service per school year. Even if the employee does not work 600 hours in a school year, the employee is still eligible for coverage.

In addition, less-than-full-time certificated individuals may be eligible to elect PEERS coverage. [Click here](#) for more information on the eligibility for this election.

When determining eligibility, all regular employment by all covered employers should be considered. For example, if an employee works 15 hours per week at District "A" and 15 hours per week at District "B", the individual is considered to be employed to serve 30 hours per week, and membership in the appropriate system is required.

What is the PSRS Definition of "Full-Time"?

Effective July 1, 2004, employment on a full-time basis is defined as employment in a position that normally requires at least six hundred (600) hours during the school term and either: a) normally requires the employee to work the full school day; or b) normally requires the employee to work at least the same number of hours per week as required for a position identified in a) of this section. A person who meets the requirements above, but who does not complete six hundred (600) hours of employment prior to termination of employment shall be considered to be employed on a full-time basis.

See [16 CSR 10-4.005\(4\)](#)

In essence, the 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 with the expectation of continued employment of at least 600 hours. Because of this, the definition of full-time can and does vary from employer to employer.

Should Each New Employee Complete a Membership Record Form?

Maybe.

If the new employee has an active membership in the correct system, no new Membership Record Form (MRF) is required. If this new employee has never held a membership in the appropriate system, or if the employee has forfeited creditable service by withdrawing his/her account balance, then a new MRF should be completed and submitted to the retirement office.

[Contact your Employer Service Representative](#) if you are unsure of the need for a new MRF.

What is "Certificated"?

Holding a valid Missouri teaching certificate issued by the Office of Teacher Certification at the Missouri Department of Elementary and Secondary Education. The certificate is considered valid as of the effective date of the certificate. This includes persons holding traditional certificates, provisional certificates, vocational-technical certificates, and Adult Basic Education certificates, but does not include those holding a substitute teaching certificate, or those holding only a Parents-As-Teachers certificate.

The status of an educator certificate is very important in the determination of an individual's eligibility for coverage by PSRS or PEERS. "Inactive" certificates are those certificates, other than Provisional, a Temporary Authorization or a 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 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 Teacher Certification office at (573) 751-0051..

Junior College Statute ([Section 169.140](#))

In the case of a junior college, "certificated" means being employed in a position that is certified by the executive officer of the college as a teaching, supervisory, or educational-administrative position.

Junior college employees are not required to possess a valid Missouri teaching certificate to be eligible for PSRS coverage, as long as they are employed in a certified position. If a non-certificated person is employed in a certified position by a junior college, membership in PSRS is required. If this same person would go to work for a K-12 district, PEERS membership would be required, since the employee is not certificated.

If a person holds a valid Missouri teaching certificate, but is not employed in a "certified" position at the junior college, the person is still required by law to remit to PSRS, 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.

Is Retirement Coverage Optional or Mandatory?

Membership in the retirement system is mandatory for all employees who meet the minimum eligibility requirements for [PSRS](#) and/or [PEERS](#). Membership is prohibited for those individuals who do not meet the minimum eligibility requirements.

Are "Substitutes" Eligible for Coverage by Either PSRS or PEERS?

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.

Substitutes are often 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 not eligible for retirement coverage.

Is PSRS or PEERS Coverage Required for Students?

For any employee meeting the minimum [PSRS](#) or [PEERS](#) eligibility requirements, including students, membership would be mandatory, and the earned compensation would be subject to retirement contributions. There is no exemption in the law for students.

Can an Employee be a Member of PSRS and PEERS at the Same Time?

Yes...

A person can be vested in both systems at the same time.

Example:

A person may have started his/her career as an PEERS member, and may be vested in PEERS. Later in his/her career, the member becomes certificated, and, as a full-time, certificated employee, is required to contribute to PSRS, but is not required in any way to forfeit his/her service in PEERS (if vested). In such an instance, the member may be a member of both systems at the same time.

and no.

A person cannot contribute to both systems for the same period of time.

Example:

*A person is employed in your district as a full time teacher, and contributes to PSRS on the teaching contract. In addition to the teaching duties, he or she also drives a bus more than 20 hours per week on a regular basis. This member must contribute to PSRS on **all** compensation earned (including the bus driving), not just the teaching duties. This is true even if the bus driving, in this example, is less than 20 hours per week, or even on a substitute basis.*

What Happens When a Member is No Longer Eligible for PSRS or PEERS Coverage?

If the employee no longer meets the minimum eligibility requirements, the employer should notify the retirement office, providing the last date of covered employment, and should cease withholding retirement contributions. In addition, the member may choose to withdraw retirement contributions.

- If the member is not vested when eligibility lapses, the member can withdraw contributions and interest, or the taxable portion may be “rolled over” into an IRA or other qualified account. If the member chooses to leave contributions with the retirement systems, interest will only be paid on the account for five (5) years under the current statute. The law requires the membership to be terminated if five (5) years pass with no service credit.
- If the member is vested when eligibility lapses, the contributions can be left with the retirement system, or contributions can be withdrawn. Please ask the member to contact the retirement office for further information.

Retirement Compensation, Contribution and Tax Information

Compensation Questions

What Compensation is Subject to Retirement Contributions?

In general, all regular compensation by a member as an employee of a covered employer are subject to retirement contributions. Retirement compensation includes extra duties, overtime payments, payments for overloads and additional courses, and employer-paid medical, dental and vision insurance premiums. Earnings by non-employees, or earnings by employees not eligible for retirement coverage, are not subject to retirement contributions. Exceptions are detailed in [16 CSR 10-3.010\(11\)\(b\)](#), and [16 CSR 10-6.020\(12\)\(b\)](#).

What Compensation is NOT Subject to Retirement Contributions?

In general, any nonrecurring or extraordinary payments are not subject to retirement contributions. Examples of earnings not subject to retirement contributions include:

- payments for services as an independent contractor;
- payments made by an entity that is not an employer covered by the retirement systems;
- payments made for unused sick or similar leave time;
- payments of awards, bonuses and retirement incentives; and
- fringe benefits, except as provided in [16 CSR 10-3.010.9](#) (employer-paid medical, dental, and vision insurance premiums on behalf of the member)

Note:

When a member is paid for unused annual leave, the member has the option of remitting contributions. [Click here](#) for more information.

Are Salary Reductions Subject to Retirement Contributions?

Yes.

These deferred and/or sheltered earnings (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.

Are Fringe Benefits Subject to Retirement Contributions?

Yes and no.

Fringe benefits are specifically excluded by law from retirement salary ([Section 169.010\(15\) \(PSRS\)](#), and [Section 169.600\(15\) \(PEERS\)](#)) except for the value of employer-paid medical, dental and vision insurance premiums on behalf of the member, which are specifically included. This issue is further defined and explained in [16 CSR 10-3.010\(9\) \(PSRS\)](#) and [16 CSR 10-6.020\(10\) \(PEERS\)](#).

Are Career Ladder Payments Subject to Retirement Contributions?

Yes. Career ladder payments are considered salary for retirement purposes and are subject to retirement contributions in the school year **earned**, regardless of in which school year they are paid. Please [contact your ESR](#) for more information on how to report this compensation in the EMERS system

What Compensation Should be Reported when a Member Dies?

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

Is Compensation Paid by the Employer in a "Pass-Through" Capacity Subject to Retirement Contributions?

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

Is Payment for Unused Sick Leave Subject to Retirement Contributions?

No.

Unused sick leave payments are expressly excluded from the definition of compensation. See [16 CSR 10-3.010\(11\)\(b\)\(6\)](#), and [16 CSR 10-6.020\(12\)\(b\)\(6\)](#) for more information.

Is Payment for Unused Annual Leave (Vacation) Subject to Retirement Contributions?

Payment for unused annual leave is not subject to retirement contributions. However, at termination, the member has the option of "using" unused annual leave to extend the termination date for retirement purposes. **If the member chooses to remit contributions on these earnings, the termination date must be extended by the number of days covered by the unused annual leave.** The annual leave then becomes "used" for retirement purposes, and subject to contributions.

Note:

This decision could effect a member's decision to retire, or a retirement eligibility date. Please have the member contact our office before making this decision.

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

Back payments of earnings are considered compensation in the year they should have originally been paid, and should be reported accordingly by the district. Interest will be added to contributions on back earnings reported to the retirement system. When this situation arises, a copy of the termination agreement between the member and the district should be forwarded to the retirement office so that we can verify that the payment meets our definition of compensation.

Contributions on these earnings can be tax-sheltered by the employer pick up rule, if the member did not have the option of receiving the contributions, due to the retirement system, in cash.

Please [contact your ESR](#) for further information.

Are Employer Annuity Payments for Members Subject to Retirement Contributions?

Maybe...

- 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.
- Elective employee deferrals from compensation to an annuity program are considered compensation for retirement purposes, and are subject to retirement contributions.
- 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, and are **not** subject to retirement contributions.

Are Prospective Compensation Payments Subject to Retirement Contributions?

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

All earnings by a member as an employee of a covered district are subject to retirement contributions. The fact that payments are being made to an employee who is not currently working at the district does not mean that the employee's earnings are not subject to retirement contributions. These earnings 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 compensation at the time of termination.

Is Compensation from Summer Employment Subject to Retirement Contributions?

If a member is eligible during the normal term of the position, then all earnings during the school year, including earnings during the summer, are subject to retirement contributions.

Example:

A teacher is covered by PSRS during the school year. All earnings, including extra duties, sponsorships, summer school, etc. are 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 earnings are required. It is highly unlikely that summer-only service would meet eligibility criteria for either PSRS or PEERS.

Example:

A teacher is employed for the summer school session. The session runs from June 15 through July 25, and the teacher works 20 hours per week and is hired with the expectation of working at least 600 hours. Contributions would be required on all earnings, regardless of whether the teacher was covered by PSRS during the regular term of the position.

If a teacher is covered by PSRS during a school year, works summer school, but is not going to be covered by PSRS during the following school year, contributions are due on all earnings through June 30. Contributions are due regardless of whether the summer employment is at least 17 hours per week or not. Contributions are only due on earnings after July 1 if the member is employed to serve at least 17 hours per week on a regular basis.

Example:

A teacher is covered by PSRS during the school year, and is employed during the following summer school term from June 15 to July 25. The teacher plans to retire after summer school. Summer school employment is for 10 hours per week. Contributions are required on all earnings through June 30, and contributions cannot be made on earnings July 1 or after.

Example:

A teacher is covered by PSRS during the school year, and is employed during the following summer school term from June 15 to July 25. The

teacher plans to retire after summer school. Summer school employment is for 20 hours per week. Contributions are required on all earnings through June 30, and contributions are also required on earnings from July 1 to July 25, since the summer employment as a whole is at least 17 hours per week on a regular basis for at least one (1) month. The fact that the month crosses school years is irrelevant. If this teacher were retiring as of July 1, contributions would be due on all earnings up to and including June 30. Any hours worked July 1 or after would count towards the retiree's post-retirement employment limit, as long as the employment after July 1 is either part time, or as a temporary-substitute.

What is the Maximum Compensation on which Retirement Contributions are Remitted?

For new hires after June 30, 1996, there is a limit on compensation that can be reported to, and contributed on, a 401(a) defined benefit plan. The current compensation limit is \$245,000.00, for the 2009-10 and 2010-11 school years. For more information, please see [Section 169.030.3](#), RSMo, and [IRC Section 401\(a\)\(17\)](#).

Contribution Questions

Retirement Contributions and Section 218 Agreements

Any PSRS member who is required to contribute to Social Security comes under the requirements of the "2/3's statute". (Section 169.070 (9))

Any PSRS member required to contribute to Social Security will be required by state statute, and the employer will be required to match, to contribute "2/3's" of the normal PSRS contribution rate. More information on the "2/3's" requirement and its effect on a member's benefit 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 remit contributions to Social Security, contact the Missouri State Social Security Administrator at 218agreements@oa.mo.gov.

What is the Contribution Rate for PSRS and PEERS Members?

Here is a chart of PSRS and PEERS member contribution rates, along with the effective date of each rate:

Effective Date	PSRS Contribution Rate	PEERS Contribution Rate
7/1/2010	14.00%	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%	

With the passage of HB346 in the 2003 legislative session, starting in the 2004-05 school year, contribution rates can be increased no more than 0.50% per year for PSRS members, and no more than 0.25% 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. Once the contribution rate is set, districts and members are informed through various publications of the retirement systems.

How is the Contribution Rate for a School Year Determined?

Each year, an independent actuarial valuation of both retirement systems is done. The valuation includes any costs for recent changes in benefit levels, etc. The Board of Trustees then sets the contribution rate for the following year.

What is the Employer Required to Contribute to PSRS and PEERS?

The employer contributes an amount equal to the amount that should be withheld from eligible retirement compensation of each employee.

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

Contributions to PSRS or PEERS must be included in any salaries reported to the retirement systems, and to the Social Security Administration. Any questions should be directed to your district financial officer, your auditor, or to the appropriate taxing authority.

Are Contributions Due on All Earnings in All Positions by a Member?

Yes, if the employee is eligible for retirement coverage ([PSRS](#) or [PEERS](#)). All earnings by member as an employee of a covered district are subject to retirement contributions, with the exceptions listed [here](#).

Are Contributions Due During a Leave of Absence?

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](#), the employee may have the option of remitting contributions. If the leave of absence is [unpaid](#), contributions are not allowed from the member or district, unless the leave is covered under the [Sick Leave/Workers' Compensation](#) law.

Can a Member Contribute More Than the Required Contribution Amount?

No.

The retirement systems are defined benefit plans, not defined contribution plans. The accumulated contributions and interest do not directly influence 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 compensation reported, and the contribution amount in effect.

When are Retirement Contributions Due in the Retirement Offices?

Retirement contributions are due by the 10th of the month following any month in which salaries are paid.

All contributions for a school year are due in the retirement office by June 30 of that school year.

Tax Questions

How are Retirement Contributions Treated for Income Tax Purposes?

Contributions to both retirement systems are considered “picked up” for federal and state tax purposes under IRC 414(h)(2), commonly known as the “Employer Pick Up Rule.” This means that these contributions are excluded from federal and state taxable income and withholding. Contributions are not excluded from compensation reported to the Social Security Administration.

Should Retirement Contributions Show on the Employee's W-2?

YES!

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

Service Credit/Annual Base Questions

Determining an Annual Base for...

PSRS Full-Time Members

To determine the Annual Base for PSRS full-time employees, the employer must determine “annual compensation expected to be paid for that full-time position for a complete school year”. The Annual Base 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:

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 football team, and a \$2,000 contract to coach the golf team. The Annual Base that should be reported by the employer for this member is \$38,000 (\$32,000+\$4,000+\$2,000)

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 reported for this member would still be \$31,200, since that is the full-time salary.

PSRS Part-Time Members

To determine the Annual Base for a part-time PSRS member, the same steps should be followed that were followed to determine a full-time Annual Base. Therefore, the Annual base reported for a PSRS member would be the same, regardless of whether or not the employee is employed full-time.

Example 1:

A teacher signs a 4/7 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 football team, and a \$2,000 contract to coach the golf team. The Annual Base that should be reported by the employer for this member is \$38,000 (\$32,000+\$4,000+\$2,000).

Note: the Annual Base reported for this member is the same that would be reported if the member were [employed full-time](#).

Multiple Employer PSRS Member

If a PSRS member is employed by two or more covered employers, then each employer should report as the annual base the amount the member would earn if employed full-time in that employer's district. Credit will be determined for each district's service, and will be combined by the retirement offices.

PEERS Members

To determine the Annual Base for PEERS employees, the employer must determine the "minimum annual compensation expected to be paid for that position for a complete school year". The Annual Base 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 \$15.00 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 were expected to work 30 hours per week, the Annual Base 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 Member

If a PEERS member is employed by two or more covered employers, then each employer should report as the annual base the amount the member is expected to earn in that employer's district, and the amounts will be combined by the retirement office.

Anyone Starting After the Beginning of the School Year

When a person begins employment after the normal starting date for the position, the annual base is still determined the same way. The annual base determined by your district should be for the complete term of the position, not just the portion for which the employee has been hired. The annual base would be the same for a member if the member was hired for that position in January, instead of September, or the normal starting date for the position.

Summer Employment Only Employees

EMERS requires that an Annual Base be submitted for each member reported. If this employee works for your district during the summer, and that is the only eligible employment for that employee during the school year, you should supply an Annual Base 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 service would meet eligibility criteria for either PSRS or PEERS.

If the employee is eligible for PSRS or PEERS coverage at another employer, and works for your district only during the summer, you can enter \$1 in the Annual Base field. This tells the retirement office that this member is eligible elsewhere, and that the retirement office should receive Annual Base information for this member from another employer.

What is an "extra duty"?

Duties compensated for 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, etc. These earnings are included in retirement compensation and subject to retirement contributions.

Do I Include Extra Duties in the Annual Base?

Yes.

The annual base should include all compensation (except anticipated Career Ladder earnings and employer-paid medical, dental and vision insurance premiums) expected to be earned by the employee **when the employee is first reported as employed by the district** for the school year. Do not revise the annual base to include any additional duties, etc. picked up by the member during the school year.

What Is Not Included in the Annual Base?

The annual base should not include incidental, miscellaneous earnings, anticipated or actual career ladder payments, or anticipated or actual employer-paid medical, dental or vision insurance premiums.

When is a New Annual Base Reported for a Member?

Each school year, the expected annual base should be reported for each member of a district. If an employee starts during the school year, the full-year annual base should be reported at that time.

The only time that an annual base change should be reported is when the member has a decrease in compensation rate due to a change in the terms of the member's employment. Annual base amounts should not be changed to account for time docked, additional duties added during the school year, etc.

Examples:

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

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

Can Service Credit Be Earned for Summer Service Only?

Yes, if the member's employment is eligible

The district will be required to [determine the annual base](#) for the position, if employed only for summer school. If the credit equation determines that service credit is earned, credit will be issued to the member.

Will "Retirees" Reported by My District Earn Service Credit?

No.

[Retirees](#) employed by a covered district will not accrue service credit for service up to the [post-retirement employment limits](#) imposed by state statutes. If a retiree meets one of the conditions for ceasing the benefit allowance, or if the member becomes employed to serve on a full-time, **regular** basis, the retiree's benefit would cease. The retiree would then earn service credit under a new membership, but would no longer be considered a "retiree".

Retirees employed full-time under the "critical shortage" statute, [Section 169.596](#), effective August 28, 2003, will not earn service credit for their employment, even though employer contributions are made. These individuals will continue to receive retirement benefits during this period of employment.

Sick Leave/Workers' Comp Law

On What Kind of Leave Can a Member Elect to Remit?

The member can only elect to remit on leave covered by the district's sick leave policy, or by Workers' Compensation. If the employee would normally be allowed to use accumulated sick leave for the absence, then the leave qualifies for this remittance. If the employee would not normally be allowed to use accrued sick leave, then the leave would not qualify for this remittance. Pay docked for time that would normally be covered by accrued annual or similar leave, is not eligible for this remittance.

How Do I Report These Contributions?

These contributions should be remitted monthly during the absence, if possible, and the contributions must be received at PSRS/PEERS by two (2) years from June 30 of the school year in which the absence occurs.

In EMERS reporting, the information can either be submitted in a separate work file, or can be added as a line to another work file. In either case, the "Section 169.595" indicator on the payroll record must be checked. This tells the retirement office what these contributions are, and [how we should treat them for tax purposes](#).

How are these Contributions Treated for Tax Purposes?

These contributions cannot be tax sheltered under the Employer Pick-Up Rule, since this is an optional remittance on the part of the member, and should be treated as such by the employer. 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.

What is the Employer's Responsibility for Remitting Matching Contributions?

The employer is required by [state statute](#) to remit matching contributions once the member has elected to remit contributions. The district has no choice but to remit matching contributions.

When Should These Contributions be Reported?

State law requires that the information and contributions for such an absence must be in the retirement office by two (2) years from the June 30 of the school year in which the absence occurs. If the information and contributions are received after that time, the contributions will be returned to the district, and the credit will not be allowed.

Career Ladder Reporting

What is the Career Ladder Program?

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

Are Career Ladder Payments Considered Compensation for Retirement Purposes?

Yes. Career Ladder payments are, and always have been, considered salary for retirement purposes, and are subject to retirement contributions.

In addition, Career Ladder payments must be reported as compensation for the school year in which they are earned, not necessarily the school year in which they are paid. Career Ladder payments should also be processed in a separate payroll, since it is necessary for our office to be able to segregate Career Ladder payments from other payroll information.

How Are Career Ladder Earnings Reported to PSRS?

[Career Ladder](#) earnings must be reported:

- separate from any other payroll information; and
- in the school year in which they are earned, not necessarily the school year in which it is paid.

For [EMERS](#) reporting, a separate workfile must be created, and that workfile must have the "Career Ladder" indicator marked. All Career Ladder information should be reported as soon as possible, and must be reported for the school year in which it was earned, not necessarily paid.

It is crucial to PSRS that your Career Ladder information is received timely, even if payment cannot be made until a later date. The information is crucial to processing our year-end audits, and calculating correct benefits for new retirees.

Please [contact your ESR](#) if you have any questions, or need additional information or clarification.

Correction of Errors

What is the Administrative Error Correction Process?

When an error in retirement system reporting for a prior school year has been discovered, a written statement should be forwarded from the employer to the retirement office, to the attention of the District Service Representative for that employer. The written request for correction should recap the reason for the error, and include verification/documentation that the correction is valid.

When the request has been received and reviewed by the retirement system, a decision will be made regarding the validity of the request. If the request for correction is approved, the district will be informed of the [amount necessary to correct the error](#), along with instructions of how the remittance should be reported. If the request for correction is denied, the district will be informed of the reason, and invited to submit additional information to document the claim.

When the remittance is received, the member record will be adjusted, and the correction will be reflected on the next member Statement of Account issued.

How is the Cost Determined?

Once it is determined that an error did occur, the retirement compensation for the year(s) being corrected is determined by the District Service Representative. Member and employer matching contributions necessary to correct the error are based on the contribution rate(s) in effect for that school year(s). In addition to the required contributions, the retirement system will determine the amount of interest, both member and employer matching, which would have been credited to the member on the contributions, and that will also become part of the cost to establish this service credit.

Will Interest be Charged?

Yes.

The cost to correct an error in retirement reporting will include both the contributions that should have been withheld (and matched by the employer), and the interest which would have accrued on those contributions (and those matched by the employer).

Leaves of Absence

Are Contributions Due on Fully Paid Leaves of Absence?

Yes.

[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 system as though regularly employed.

Are Contributions Due on Partially Paid Leaves of Absence?

Maybe for PSRS Members, and No for PEERS members.

[Section 169.055\(1\)](#) RSMo., **allows** a PSRS member to elect to remit contributions during a leave of absence, if the compensation 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 compensation earned is less than this 50% requirement, then no contributions can be remitted.

If the PSRS member elects to remit contributions on these earnings, contributions must be remitted as though the member were paid the amount that would have been earned had he/she not been on a leave of absence. Contributions cannot be remitted only on the compensation earned/paid for partial credit.

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. State statute does not allow for partial contributions to be made for partial credit.

Are Contributions Due on Unpaid Leaves of Absence?

No.

Contributions cannot be remitted for any unpaid leave of absence, with the exception of [absences covered under Section 169.595 RSMo.](#)

Retiree Issues/Questions

What is a "Retiree"?

When used by any PSRS or PEERS employee, a "retiree" is someone who is receiving a retirement benefit payment from PSRS or PEERS based on their own service. A person is not considered a "retiree" based on receiving other pension payments, Social Security payments, or age.

Working After Retirement (WAR) Employment Limits

What are the Employment Limits for PSRS and PEERS Non-Full-Time Retirees?

A non-full-time [retiree](#) of either PSRS or PEERS may work for a covered employer, in any capacity, for up to 550 hours in a school year, as long as this employment is either on a part-time basis, or as a temporary-substitute.

In addition, a PSRS retiree is restricted to earning no more than 50% of the annual compensation payable under the employing district's salary schedule for the position in which the retiree is employed, based on the retiree's experience and education. If the retiree is not employed in a position covered by the salary schedule, then the retiree is limited to earning up to 50% of what would be paid for the position, for a full-time employee.

For example, if a district hires a retired teacher to drive a school bus, the retiree can only earn 50% of what the retiree could earn employed full time as a bus driver, not as a teacher.

There is no earnings limit on a PEERS non-full-time retiree.

Should Contributions be Withheld from Compensation Earned by "Retirees"?

No.

[Retirees](#) employed under the [550 hour/50% rule](#) do not contribute to either retirement system 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 benefit payments 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.

Retirees employed full-time under [Section 169.596](#) are not subject to contributions on these earnings. Only employer contributions are due.

**Full-Time Critical
Shortage Retiree
Employment**

How Can A Retiree Work Full Time and Still Receive a Benefit?

Effective August 28, 2003, [Section 169.596, RSMo.](#) the "critical shortage" statute, states that any PSRS or PEERS retiree can work for a PSRS/PEERS covered employer on a full-time basis for up to 2 years without a loss of benefits. When hiring PSRS retirees for full-time employment under this statute, no district may employ more than 10% of the teaching staff of the district, or 5 people, whichever is less. When hiring PEERS retirees for full-time employment under this statute, no district may employ more than 10% of the non-certificated staff of the district, or 5 people, whichever is less.

Effective July 1, 2006, the position of Superintendent cannot be filled with a critical shortage retiree.

[Current employer contributions](#) are required on all compensation earned by a full-time retiree. Employee/retiree contributions are not due on such earnings.

How Are Contributions Due on Full-Time Retirees Determined?

Employer contributions are due on all full-time retiree compensation. When reported in EMERS with a plan code of either "C" (for PSRS full-time retirees) or "W" (for PEERS full-time retirees, EMERS will automatically calculate the employer contributions due the appropriate system, and the contributions due will be included in the totals on the Transmittal of Contributions for the payroll in which the compensation is reported.

What Are The Requirements That an Employer Must Meet to Hire a Retiree On A Full-Time Basis?

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 following six (6) conditions must be met:

- (1) Show a good faith effort to fill positions with nonretired, certificated teachers or nonretired, noncertificated employees;
- (2) Post the vacancy for at least one month;
- (3) Have not offered early retirement incentives for either of the previous two years;
- (4) Solicit applications through the local newspaper, other media, or teacher education programs;
- (5) Determine there is an insufficient number of eligible applicants for the advertised position; and
- (6) Declare a critical shortage of certificated teachers or noncertificated employees that is active for one year.

When the employer reports compensation using either the "C" or "W" plan codes (for full-time working retirees), the employer is certifying that all necessary requirements have been met to employ a retiree on a full-time basis.

Independent Contractor Issues

What is the Difference Between an "Independent Contractor" and an "Employee"?

Information to assist you in determining the “employee” status of an individual, including the twenty (20) factors used by the Internal Revenue Service to determine whether or not a person is an employee or an independent contractor can be found at the links below. This information is provided for your review and use in making this determination. It follows the same standards as used in state statute. Please be aware that this decision not only effects retirement eligibility, but also has federal and state tax implications. Please consult your Director of Accounting, Finance Manager, CPA or auditor for assistance in making this determination.

Independent Contractor Information Internet Links:

<http://www.irs.gov/govt/fslg/article/0,,id=110344,00.html>

Is an "Independent Contractor" Eligible for PSRS or PEERS Coverage?

No. If the person meets the IRS definition of an Independent contractor, then the person is not an "employee".

An “independent contractor” by definition is not considered an “employee” of the district and therefore is not eligible for coverage by either retirement system.

Guidance from the IRS can be found at www.irs.gov, entering "Independent Contractor" in the "Keyword Search" box at the top of the page.

Questions and Answers

Contractors or Employees: How Can You Tell?

Districts, active employees and retirees frequently have questions about working for a school district as a “consultant” or “contractor,” and how that affects retirement system coverage. The following is an attempt to provide general information that may help answer some of these questions. As the following information illustrates, there is far more than retirement system coverage involved, and the districts and individuals concerned should consult their legal or tax advisors on specific situations.

Q. If a person works for a district as a “consultant” does the retirement system cover that person?

A. Whether the position is referred to as “consulting” does not determine whether the retirement system covers that person. The critical distinction is between being an employee or being an independent contractor. Employees are covered by the retirement system, while independent contractors are not.

Q. What is the difference between being an employee and being an independent contractor?

A. 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 district exercises that control, the relationship is one of employer-employee. This test is the same one applied by the Internal Revenue Service 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, and fair labor standards may also depend on whether an individual is an employee or independent contractor.

Q. Is there an easy and clear way to apply the control test?

A. Unfortunately, determining whether an employment relationship is established can be difficult. No single factor governs, and calling an individual a “consultant” or “contractor” does not automatically determine status as an independent contractor. Substance prevails over form. The IRS has developed a list of twenty factors that can be used in reviewing work relationships to determine whether an individual is an employee. No one single factor is more important than others, and the total relationship must be reviewed. The same type analysis would apply in determining whether an individual is an employee for the purpose of PSRS/PEERS coverage and post-retirement restrictions.

Q. Is the determination process different if an individual has retired and is receiving a benefit from PSRS and/or PEERS?

A. No. 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 school district after retirement. The law states that while receiving a retirement allowance from PSRS or PEERS, a retiree may be employed by a public school district 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 allowance is not paid.

Q. What if an individual incorporates and the corporation contracts with a district?

A. While important, this factor does not, by itself, ensure that an individual will be considered an independent contractor with respect to a district. Depending on all 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 probably will be considered an alter-ego of the person. Again using tax law as a comparison, there are instances where a corporation's income would be deemed to be the individual's income instead. The central question is who has the right to control the activities of the individual -- the corporation or the district.

IRS Revenue Ruling 87-41 Factors List

As general background, the twenty factors stated by the IRS in Revenue Ruling 87-41 are repeated here.

1. Instructions

A worker who is required to comply with other persons' instructions about when, where, and how he or she is to work is ordinarily an employee. This control factor is present if the person or persons for whom the services are performed have the RIGHT to require compliance with instructions.

2. Training

Training a worker by requiring an experienced employee to work with the worker, by corresponding with the worker, by requiring the worker to attend meetings, or by using other methods, indicates that the person or persons for whom the services are performed want the services performed in a particular method or manner.

3. Integration

Integration of the worker's services into the business operations generally shows that the worker is subject to direction and control. When the success or continuation of a business depends to an appreciable degree upon the performance of certain services, the workers who perform those services must necessarily be subject to a certain amount of control by the owner of the business.

4. Services Rendered Personally

If the services must be rendered personally, presumably the person or persons for whom the services are performed are interested in the methods used to accomplish the work as well as in the results.

5. Hiring, Supervising and Paying Assistants

If the person or persons for whom the services are performed hire, supervise, and pay assistants, that factor generally shows control over the workers on the job. However, if one worker hires, supervises, and pays the other assistants pursuant to a contract under which the worker agrees to provide materials and labor and under which the worker is responsible only for the attainment of a result, this factor indicates an independent contractor status.

6. Continuing Relationship

A continuing relationship between the worker and the person or persons for whom the services are performed indicates that an employer-employee relationship exists. A continuing relationship may exist where work is performed at frequently recurring although irregular intervals.

7. Set Hours of Work

The establishment of set hours of work by the person or persons for whom the services are performed is a factor indicating control.

8. Full Time Required

If the worker must devote substantially full time to the business of the person or persons for whom the services are performed, such person or persons have control over the amount of time the worker spends working and impliedly restrict the worker from doing other gainful work. An independent contractor, on the other hand, is free to work when and for whom he or she chooses.

9. Doing Work On Employer's Premises

If the work is performed on the premises of the person or persons for whom the services are performed, that factor suggests control over the worker, especially if the work could be done elsewhere. Work done off the premises of the person or persons receiving the services, such as at the office of the worker, indicates some freedom from control.

However, this fact by itself does not mean that the worker is not an employee. The importance of this factor depends on the nature of the service involved and the extent to which an employer generally would require that employees perform such services on the employer's premises. Control over the place of work is indicated when the person or persons for whom the services are performed have the right to compel the worker to travel a designated route, to canvass a territory within a certain time, or to work at specific places as required.

10. Order or Sequence Set

If a worker must perform services in the order or sequence set by the person or persons for whom the services are performed, that factor shows that the worker is not free to follow the worker's own pattern of work but must follow the established routines and schedules of the person or persons for whom the services are performed. Often, because of the nature of an occupation, the person or persons for whom the services are performed do not set the order of the services or set the order infrequently. It is sufficient to show control, however, if such a person or persons retain the right to do so.

11. Oral or Written Reports

A requirement that the worker submit regular or written reports to the person or persons for whom the services are performed indicates a degree of control.

12. Payment By Hour, Week, Month

Payment by the hour, week, or month generally points to an employer-employee relationship, provided that this method of payment is not just a convenient way of paying a lump sum agreed upon as the cost of a job. Payment made by the job or on a straight commission generally indicates that the worker is an independent contractor.

13. Payment of Business and/or Traveling Expenses

If the person or persons for whom the services are performed ordinarily pay the worker's business and/or traveling expenses, the worker is ordinarily an employee. An employer, to be able to control expenses, generally retains the right to regulate and direct the worker's business activities.

14. Furnishing of Tools and Materials

The fact that the person or persons for whom the services are performed furnish significant tools, materials, and other equipment tends to show the existence of an employer-employee relationship.

15. Significant Investment

If the worker invests in facilities that are used by the worker in performing services and are not typically maintained by employees (such as the maintenance of an office rented at fair value from an unrelated party), that factor tends to indicate that the worker is an independent contractor. On the other hand, lack of investment in facilities indicates dependence on the person or persons for whom the services are performed for such facilities and, accordingly, the existence of an employer-employee relationship. Special scrutiny is required with respect to certain types of facilities, such as home offices.

16. Realization of Profit or Loss

A worker who can realize a profit or suffer a loss as a result of the worker's services (in addition to the profit or loss ordinarily realized by employees) is generally an independent contractor, but the worker who cannot is an employee. For example, if the worker is subject to a real risk of economic loss due to significant investments or a bona fide liability for expenses, such as salary payments to unrelated employees, that factor indicates that the worker is an independent contractor. The risk that a worker will not receive payment for his or her services, however, is common to both independent contractors and employees and thus does not constitute a sufficient economic risk to support treatment as an independent contractor.

17. Working for More than One Firm at a Time

If a worker performs more than de minimus services for a multiple of unrelated persons or firms at the same time, that factor generally indicates that the worker is an independent contractor. However, a worker who performs services for more than one person may be an employee of each of the persons, especially where such persons are part of the same service arrangement.

18. Making Service Available to General Public

The fact that a worker makes his or her services available to the general public on a regular and consistent basis indicates an independent contractor relationship.

19. Right to Discharge

The right to discharge a worker is a factor indicating that the worker is an employee and the person possessing the right is an employer. An employer exercises control through the threat of dismissal, which causes the worker to obey the employer's instructions. An independent contractor, on the other hand, cannot be fired so long as the independent contractor produces a result that meets the contract specifications.

20. Right to Terminate

If the worker has the right to end his or her relationship with the person for whom the services are performed at any time he or she wishes without incurring liability, that factor indicates an employer-employee relationship.

The IRS provides a process for determining whether a person is an employee for purposes of federal employment taxes and income tax withholding. A Form SS-8 is completed and returned to the IRS by the employer.

What Should I Do Before Hiring a Retiree Considered an Independent Contractor?

PSRS highly recommends that, prior to hiring a retired member of either PSRS or PEERS as an Independent Contractor, the employer 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, entering "SS-8" in the "Keyword Search" box at the top of the page.