



# Notes for New Members

2010-2011

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## *The Big Picture...*

- Vested in five years
- Lifetime monthly retirement benefits
- Your contributions and interest are always returned to you or your beneficiary
- Opportunities to provide financial protection for your beneficiaries - before or after retirement
- Disability benefits to qualified members
- Cost-of-living adjustments for retirees
- \$5,000 death benefit for retirees

## *As a Member, You Can...*

- Visit our Web site [www.psr-peers.org](http://www.psr-peers.org) for helpful information
- Create a password and view your account online
- Use the online calculators to prepare estimates of benefits or credit purchase costs at any time during your career
- Read PSRS publications online
- Receive quarterly newsletters and your annual Member Statement
- Call us toll-free at **(800) 392-6848**, 7:30 a.m. to 5:00 p.m. Monday through Friday for personal assistance



*Partners in Your Retirement Security.*

# Welcome to the Public School Retirement System of Missouri (PSRS)

It is never too early to start planning for a secure retirement. It is in your best interest to understand your retirement system and stay informed about changes as they occur. More information can be found on our Web site [www.psr-peers.org](http://www.psr-peers.org).

## *Did You Know?*

PSRS was established in 1946 by the Missouri Legislature to provide **retirement, disability and death benefits** to eligible members and their beneficiaries. Today the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) provide service retirement, disability, and survivor benefits for more than 158,000 active members and more than 63,000 retired Missouri public school teachers, school employees, and their families.

## *Defined Benefit (DB) Plan*

As a defined benefit or DB plan, **your PSRS retirement benefit is payable to you for life** and is calculated using a formula based on a percentage factor set by the Missouri Legislature, your salaries and credit earned while employed under PSRS.

## *PSRS Membership Covers*

- **All Missouri public school districts** except the cities of St. Louis and Kansas City,
- Missouri public two-year colleges, and
- Statewide non-profit organizations that have elected to join.

## *You are Eligible for Membership if:*

- You hold a valid Missouri educator certificate, and
- You work for a PSRS-covered employer, and
- You work at least 600 hours during the school year.

**Certificated** employees/teachers **employed less than full-time for at least 17 hours per week on a regular basis in a position that normally requires the employee to work at least 600 hours during the school term** are automatically in the Public School Retirement System unless they **elect** within 90 days of **first** employment as a part-time, certificated employee/teacher to be a member of the Public Education Employee Retirement System (PEERS).

## ***Vesting***

- Occurs once a member acquires five years of service credit with PSRS.
- Vesting means that you can terminate PSRS-covered employment, and as long as you do not take a refund of your contributions, you are entitled to receive monthly retirement benefits when you reach an eligible age.

## ***Contribution Rate for 2010-2011 is 14.0%***

- **You contribute a portion of your salary (14%) to PSRS** to help fund your retirement benefit.
- **Your employer matches your contributions (14%).** Employer funds are placed in a general reserve account used to help fund benefits for retirees and beneficiaries of deceased members.
- The contribution rate is set each school year by the PSRS/PEERS Board of Trustees and is based on the actuarial valuation of the Retirement System.
- Contributions are deducted from your pay and are tax-deferred (not taxed until an account refund, retirement or death occurs).
- Your funds are credited to your individual account every year with interest accruing annually.
- You or your beneficiary will receive all your contributions and interest back in the form of monthly benefits or a lump-sum payment.

## ***Member Statement***

Your Member Statement is mailed in the fall of each year. It is also available online once your membership is established. Your Member Statement is a record of your:

- Service credit history,
- Total membership service credit,
- Annual compensation,
- Current beneficiary designation, and
- Cumulative account balance as of the previous June 30.

## ***Beneficiary Designations***

It is critical that you keep your designation current so that benefits payable to your beneficiary(ies) may be paid according to your wishes.

You may need to make changes to your beneficiary listing if you experience a major change in your life (marriage, divorce, birth or adoption of a child). If your death occurs with an invalid designation, your beneficiaries will be determined as set forth in state statute.

You can check or update your beneficiaries by accessing your account on our secure Web site, or by calling PSRS.

## Replacement Income

Replacement income is the amount of retirement income you will need to maintain the same income level or standard of living you had before retirement. Financial experts agree the average individual needs to replace 70% to 90% of his or her pre-retirement income. By law, PSRS can replace up to 100% of your final average salary. A simple calculation can be performed to determine your replacement percentage.

	<b>Percentage Factor Used in Retirement Benefit Calculation</b>	<b>x</b>	<b>Years of Service at Retirement</b>	<b>=</b>	<b>Replacement Percentage</b>
<b>Example:</b>	2.5%	x	30	=	75%

Taken one step further, you can quickly estimate your PSRS benefit under normal retirement eligibility.

	<b>Replacement Percentage</b>	<b>x</b>	<b>Estimated Final Average Annual Salary at Retirement (Include Board-paid Benefits)</b>	<b>=</b>	<b>Estimated Annual PSRS Benefit</b>
<b>Example:</b>	75%	x	\$48,000	=	\$36,000

## How is Your Monthly Benefit Calculated?

Your benefit is calculated using a set formula based on 3 components:

<b>Applicable Formula Factor (set by MO Legislature)</b>	<b>x</b>	<b>Final Average Monthly Salary</b>	<b>x</b>	<b>Years of Credit</b>	<b>=</b>	<b>Single Life (Option 1) Monthly Benefit</b>
2.5%	x	\$4,000	x	30	=	\$3,000

## Normal Retirement Eligibility

Eligibility Requirements:

- Age 60 - with five or more years of credit
- Any age - with at least 30 years of credit
- Rule of 80 - age and years of credit total 80 or more

## Other Retirement Options

- Currently, early retirement benefits are also payable under a modified (until 7/1/13) and an age-reduced formula.
- Members with 31 or more years of service may retire with an increased factor (2.55%) until July 1, 2013.
- A Partial Lump Sum Option (PLSO) is available to members who work at least three years beyond normal retirement eligibility. PLSO allows a member to receive reduced lifetime monthly benefits in exchange for a lump-sum payment at retirement.

## ***PSRS and Social Security***

**Most** PSRS members pay into PSRS and no Social Security taxes are withheld on PSRS-covered earnings. Wage earners who make contributions to a public pension and do not pay Social Security taxes on earnings are subject to two federal laws that cause a reduction in Social Security retirement benefits. They are the Windfall Elimination Provision (**WEP**) and the Government Pension Offset (**GPO**).

The WEP affects how the amount of your Social Security benefit is calculated if you receive a pension (like PSRS) from work where Social Security taxes were not taken out of your pay. A modified formula is used to calculate your Social Security benefit, generally resulting in a lower Social Security benefit.

The GPO may reduce your spouse's, widow's or widower's benefits from Social Security.

Members employed in certain positions (determined by your employer and the Social Security Administration), pay into PSRS at a **two-thirds rate** and also pay into Social Security at the **full rate**. Consequently, those members receive PSRS benefits for those years calculated at a two-thirds rate and also receive Social Security credits based on their earnings. To determine if your position is affected, contact your employer.

For further information, contact Social Security at (800) 772-1213, or visit them online at [www.socialsecurity.gov](http://www.socialsecurity.gov).

## ***Medicare***

You pay into Medicare (1.45% of earnings) and are entitled to those benefits, as long as you have at least 40 units. For most individuals, Medicare benefits begin at age 65.

## ***Disability Benefits***

As your career progresses, so do financial obligations: a home, a family, and children's education. If your career is cut short because of permanent disability, PSRS can help through payment of monthly disability benefits if you qualify.

Disability benefits may be available for vested members under age 60 who become totally and permanently disabled and are incapable of earning a livelihood in any occupation.

## ***Survivor Benefits***

In addition to the emotional stress caused by the death of a loved one, a severe blow is often dealt to the family's financial security, particularly when death occurs during the career years. To help ease this burden, PSRS offers valuable financial protection for your family if your death occurs before retirement.

Your beneficiary may have the choice of **three types of death benefits** provided for beneficiaries:

1. A one-time, lump sum refund of your account balance,
2. Monthly dependent-based survivor benefits, or
3. Lifetime (Option 2) monthly benefits.

Qualification must be met. Please contact PSRS for more details.

### ***Account Refunds***

- If your employment under PSRS terminates and you are not under contract with any other PSRS-covered employer, you may request a refund of your contributions and interest in a lump-sum payment.
- **The law does not permit partial refunds or loans.**
- A refund of your account balance cancels your membership. You forfeit your credit and all benefits to which you are entitled.
- Employer-matching funds are paid into the general reserve and are not refunded to you.

### **You May be Eligible to Increase Your Years of Credit**

**Why?** To allow you to vest earlier, to protect family members if your death occurs prior to retirement, to retire earlier, and/or receive a greater retirement benefit.

**How?** You must be eligible to:

- Reinstate previous PSRS credit that was forfeited through a refund, or
- Meet requirements through one of the purchase provisions allowed by Missouri law and PSRS/PEERS Board regulations.

Visit [www.psr-peers.org](http://www.psr-peers.org) for more details.

**Typically, the sooner you reinstate or purchase credit, the better ... it will cost you less.**

### ***Remember to Contact PSRS if You Need to Change:***

- Your name
- Your address
- Your beneficiary

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**The Public School Retirement System of Missouri (PSRS)**  
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