

## Contact Us

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# Reinstating and Purchasing Credit

Strength  
Stability  
Security



PUBLIC EDUCATION EMPLOYEE  
RETIREMENT SYSTEM OF MISSOURI

## Why Reinstate or Purchase Credit?

One of the many advantages of PEERS membership is the ability to increase your benefit amount or become eligible for retirement earlier by reinstating, purchasing or transferring additional credit to your PEERS membership.

All members are eligible to purchase some type of credit before retirement. The potential advantages of reinstating or purchasing credit are:

- Achieving a higher benefit amount,
- Reaching retirement eligibility sooner, and
- Vesting your membership sooner.

Reinstatement and the different types of credit purchases are summarized in this brochure. If you have questions about whether you are eligible for a reinstatement or credit purchase, how to file a purchase application, or how much a purchase may cost, please feel free to contact us.

## What is Credit?

As a PEERS member, once you have earned five years of credit with PEERS, you are vested and can receive lifetime retirement benefits when eligible.

Your total credit with PEERS at the time of retirement is one of the factors used to calculate your benefit amount. The more credit you have, the sooner you reach retirement eligibility, or the higher your benefit amount.

Your credit is the number of years you have:

- Worked in PEERS-covered employment (earned credit), and
- Reinstated or purchased with PEERS (purchased credit).

All credit with PEERS is used in the calculation of your retirement benefits.

## Credit for Prior Employment

Credit is allowed for eligible employment at participating employers before November 1, 1965. No retirement contributions were made for covered employment before that date, and none are required to receive credit. If you were regularly employed before November 1, 1965, for at least 20 hours a week by a PEERS-covered employer and have not filed an application for prior credit, contact PEERS.

## Earned Credit

You earn a year of credit for each school year (July 1 through June 30) of PEERS-covered employment if you work the complete term required of your position. If you work less than a full year, your credit is primarily determined based on the salary you earn compared to the minimum salary you were expected to earn for the complete term of your position.

## The Benefits of Reinstating or Purchasing Credit

In the example below, purchasing one year of credit results in a benefit increase of \$32 per month for life (\$547 - \$515 = \$32).

### Retirement Benefit Calculation

Formula Factor	x	Final Average Salary (FAS)	x	Years of Credit Without Purchase	=	Lifetime Single Life Monthly Benefit
1.61%	x	\$2,000	x	16	=	\$515
Formula Factor	x	Final Average Salary (FAS)	x	Years of Credit With Purchase of 1 Year	=	Lifetime Single Life Monthly Benefit
1.61%	x	\$2,000	x	17	=	\$547



## Reinstating Credit

If you have previous PEERS credit you forfeited by taking a refund of your account balance, you can buy back, or reinstate, all or any portion of the credit. In most cases, you will receive information regarding any credit you are eligible to reinstate at the time you establish your PEERS membership. This will include a cost estimate.

Typically, a reinstatement is less expensive than a credit purchase. Your cost is based on the amount refunded plus interest from the date of the refund.

If you believe you are eligible to reinstate forfeited credit and you do not receive information from us, please contact us. If eligible, we will provide a cost estimate and **Application to Reinstate Credit**. Filing an application to reinstate credit does not create a contractual obligation on your part to complete payment.

Rules for reinstating credit:

- You may reinstate as much forfeited credit as you have, in increments as small as one, one hundred thousandth (0.00001) of a year.
- Payment for credit to be used in the calculation of your benefit must be made before retirement.
- Interest accrues the first of each month on the unpaid balance starting from the date of the refund until paid in full. The current interest rate is 8%.
- If you do not complete payment before retirement, account refund or death, proportional credit is granted based on payments you made.
- Reinstated credit counts toward vesting your PEERS membership.

## Purchasing Credit

In addition to reinstating previously forfeited PEERS credit, there are other types of credit you may be eligible to purchase. If you were on military, sick or maternity leave, or had a break in your PEERS-covered employment when you worked elsewhere, you may be eligible to purchase credit for that time. You can also purchase credit for employment prior to becoming a PEERS member. In limited cases, members may be able to transfer or recognize credit earned with other Missouri public retirement systems.

Each type of credit purchase has its own eligibility requirements, which are covered briefly in this brochure. If you need more detailed information, please contact us.

### Purchase Applications

Applications for most types of credit 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 credit purchases and credit transfers are not available online. You can request a copy of any purchase application by contacting PEERS.

### Types of Credit Purchases

Credit purchases fall into three major categories:

- Purchases based on a leave from PEERS-covered employment (you and your employer pay contributions for the leave period),
- Purchases calculated using the Basic Purchase Cost Calculation (your cost is calculated using a set formula), and
- Transferring and recognizing credit with other Missouri public retirement systems (there is no cost to you for a transfer or recognition of credit).

#### **Purchases Based on Leave from PEERS-Covered Employment**

Two purchase provisions exist that may allow you to purchase credit based on a leave from employment. Call PEERS or your employer for the estimated cost of these types of purchases.

You and your employer are required to pay contributions toward the total purchase cost.

1. **Unpaid sick leave or workers' compensation leave** occurring in the current or previous two school years may be purchased by paying to your employer the



contributions you would have made to PEERS during the full period of leave. Your employer will send both employer and employee contributions to PEERS so you receive full credit for your leave period.

2. **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. The same employer must re-employ you after your active duty. In order to be eligible to purchase credit under USERRA, you must apply within five years of your re-employment date. You may purchase credit for up to five years of eligible service.

The cost of USERRA service is calculated by multiplying the PEERS salary rate that you 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.

The period of USERRA service counts toward vesting and retirement eligibility regardless of whether you choose to pay your contributions for the leave period. If you do pay those contributions, the credit is also included in the total credit used to calculate your retirement benefit.

### **Purchases Calculated Using the Basic Purchase Cost Calculation**

Most PEERS credit purchases use the Basic Purchase Cost Calculation to determine cost. You can estimate the cost for these credit purchases using the Credit Purchase Calculator found on our website.

The Basic Purchase Cost Calculation multiplies your highest annual salary on record by the current total contribution rate (employee plus employer) to determine the cost for each year of credit.

#### **Basic Purchase Cost Calculation**

Contribution Rate (Employee Plus Employer)	x	Highest Annual Salary on Record	=	Cost for One Year of Credit
13.72%	x	\$24,000	=	\$3,293

Keep in mind that your calculation is subject to change every October 1, given possible changes in the contribution rate and your highest annual salary on record.

- The contribution rate will remain the same for both the 2011-2012 and 2012-2013 school years (October 1, 2011 through September 30, 2013). Your actual cost will be calculated based on the contribution rate in effect at the time of your purchase.
- Your highest annual salary on record is typically, but not always, your salary from the last school year completed. Salary includes all earnings in a school year (July 1 – June 30) and the amount of the employer-paid health, dental and vision insurance premiums for you, the employee.

### **Rules for Purchasing Credit Using the Basic Purchase Cost Calculation**

These general rules apply to **most** purchases calculated with the Basic Purchase Cost Calculation. If you are interested in purchasing a certain type of credit, contact us for specific eligibility requirements and rules.

- You need at least one year of earned PEERS credit to be eligible to apply for most credit purchases.
- You are required to return to PEERS-covered employment after the employment, military service or leave being purchased.
- You can purchase most types of credit in increments as small as one, one hundred thousandth (0.00001) of a year.
- The total of most types of credit purchased cannot exceed all earned credit on record with PEERS at termination of membership. Membership is terminated by retirement, account refund or death. Payments made to purchase excess credit are refunded at termination.
- Purchased credit counts toward vesting except supplemental credit and credit for Social Security-covered employment.
- You cannot have credit with any other retirement system for employment, leave or service purchased with PEERS, except Social Security and military pensions.
- Any application to purchase credit must be filed with PEERS and paid in full before retirement.

- The cost of any credit for which you have applied, but not yet paid, as of September 30 of each year is recalculated each October based upon your highest annual salary on record and the current contribution rate as of July 1.
- If you do not complete payment prior to retirement, account refund or death, proportional credit is granted based on payments already made.
- Applications to purchase credit cannot be cancelled or changed.
- You cannot have more than one year of credit for any school year.

### **Types of Purchases Calculated Using the Basic Purchase Cost Calculation**

The Basic Purchase Cost Calculation is used to determine the cost of the following purchases:

1. **Supplemental credit** may be purchased if you are within five years of retirement eligibility. You may purchase up to five-tenths (0.5) of a year. This purchase does not require any prior employment, service or leave period, and does not count toward vesting your PEERS membership. IRS regulations may limit the amount of supplemental credit you can purchase if you also purchase credit for Social Security-covered employment (see below).
  2. **Social Security-covered employment** may be purchased if the employment was at least 20 hours per week on a regular basis while you were age 18 or older. You must be vested with PEERS to apply for this type of purchase. The IRS regulations categorize supplemental credit purchases and some purchases of credit for Social Security-covered employment as “non-qualified.” When purchasing non-qualified credit, you are limited to a lifetime total purchase of five years paid for with after tax dollars.
  3. **Credit forfeited from the Public School Retirement System of Missouri (PSRS)** may be purchased with a part of the cost offset by a transfer of the PSRS employer contributions to PEERS, not to exceed 50% of your purchase cost.
  4. **Maternity or paternity leave** from a PEERS-covered employer may be purchased if you return to work for a PEERS-covered employer after the leave period. You may purchase up to one year of credit 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 credit for the time by paying contributions through your employer under the Unpaid Sick Leave purchase provision. See page 5 for more information.
5. **Employment at non-PEERS-covered schools** that was for at least 20 hours per week on a regular basis may be purchased. Employment can be with a public, private, secondary or post-secondary school inside or outside of Missouri.
  6. **Non-federal public employment** in any location that was for at least 20 hours per week on a regular basis may be purchased.  
  
You may also qualify to purchase credit for non-federal public employment if you are vested with PEERS, your employment was in Missouri, for at least 20 hours per week on a regular basis, and the employment was not covered by a retirement plan.
  7. **Active duty U.S. military service** may be purchased if you were discharged under honorable conditions. Refer to page 6 for information on purchasing active military service covered by the Uniformed Services Employment and Reemployment Rights Act (USERRA).
  8. **Part-time certificated employment with a PEERS-covered employer** that was for at least 17, but fewer than 20, hours per week on a regular basis occurring between August 28, 1991 and August 28, 2003 may be purchased, if you held a valid Missouri educator certificate.
  9. **Vo-tech work experience** in the subject area of your vo-tech certification may be purchased if you are, or were, certified as a vo-tech teacher. You may purchase up to two years of this work experience.
  10. **Not-for-profit educational work experience** of at least 20 hours per week on a regular basis at a not-for-profit corporation or agency may be purchased. The primary purpose of the work must have been the support of education or educational research. The work must have been performed while on leave from a PEERS-covered employer.

## Reciprocity: Transfer and Purchase

Reciprocity is a transfer or purchase of credit from another Missouri public retirement system.

### **Transfer**

If you have credit with another Missouri public retirement system, you may be able to transfer credit from that system to PEERS.

**You must be vested in both** PEERS and the other Missouri public retirement system to be eligible to transfer funds from another system and receive actuarially equivalent credit with PEERS. A cooperative transfer agreement between both systems is required. The systems with signed transfer agreements with PEERS are:

- The Public School Retirement System of Missouri (PSRS),
- Missouri State Employees' Retirement System (MOSERS),
- Missouri Local Government Employees Retirement System (LAGERS),
- Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS),
- Kansas City Employees' Retirement System and Fire Fighters' Pension System, and
- The Public School Retirement System of the School District of Kansas City (KCPSRS).

There is no cost to transfer the credit. Since the credit you receive in PEERS is actuarially determined and not a year-for-year equivalent, not all of your credit with the other public retirement system may transfer to PEERS. You can purchase any remaining credit in excess of the amount of the transfer.

### **Purchase**

**You must be vested with PEERS** to purchase credit you forfeited with another Missouri public retirement system.

The cost of a reciprocity purchase is initially determined by the Basic Purchase Cost Calculation detailed on pages 6 and 7. Reciprocity purchases accrue interest on the first of each month on the balance due beginning the first July 1 after the date the application is filed. Reciprocity purchase applications must be paid in full within two years of the application filing date. If payment is not completed within that time, payments are refunded. You may re-apply, with a recalculation of your cost. Unlike some other purchases, proportional credit is not granted for partial payment.

## Missouri Educational Recognition of Credit

If you are vested with two or more Missouri educational retirement systems, you may be able to recognize the credit at no cost to you. Recognizing your credit may allow you to retire sooner or at a higher formula factor. However, your PEERS benefit amount is calculated using only your years of credit and salaries on record with PEERS.

When you recognize credit from another Missouri educational retirement system with your PEERS credit, you do not forfeit your credit with the other retirement system.

Participating Missouri educational retirement systems are:

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

### *Example*

A 55-year-old PEERS member with 20 years of credit with PEERS and 10 years of credit with the Public School Retirement System of the City of St. Louis may be able to recognize the credit she has with these two systems and be eligible to apply the full benefit formula factor (normal retirement), and become eligible for the .8% temporary benefit until age 62, immediately when calculating her PEERS benefit. The benefit is calculated using the 20 years of credit and her salaries earned with PEERS. Without recognizing the credit, her benefit is actuarially age-reduced (under early retirement) because she is not yet age 60, does not have 30 years of credit with PEERS, and does not meet the PEERS Rule of 80 criteria.

## Is a Credit Purchase the Best Decision?

A credit purchase may or may not be right for you. This depends largely on your individual career statistics and personal circumstances. In almost all cases, a credit purchase will increase your monthly benefit. In some cases it may allow you to retire earlier.

A credit purchase can be quite expensive, and should be viewed as an investment in your retirement. When considering a credit purchase, you should also consider other investment choices. The potential worth of a credit purchase can vary greatly from member to member, depending, in part, on your personal circumstances, plans and goals. You should weigh the purchase cost against all potential benefits the additional credit can provide. It may be wise to seek advice from a trusted financial advisor.

### Consider the Timing

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

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

There may be a variety of reasons for you to consider purchasing credit. The most fundamental of all reasons is how long it will take you to recover your purchase cost after you retire. In the example shown on the following page, it will take approximately eight and one-half 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.

### Purchase Cost Recovery Time Example

1	Monthly benefit with credit purchase	\$547
2	Monthly benefit without credit purchase	\$515
3	<b>Subtract Line 2 from Line 1.</b> This is the difference in your monthly benefit due to the purchase.	\$32
4	Cost to purchase credit	\$3,293
5	<b>Divide Line 4 by Line 3.</b> This is the number of months it will take you to recover your purchase cost in the form of monthly benefits.	103
6	<b>Divide Line 5 by 12.</b> This is the number of years it will take you to recover your purchase cost in the form of monthly benefits.	8.6

## How and When Do I Pay for It?

You can make purchase payments by personal check, cashier's check, money order, or through the use of a tax-deferred rollover or in-service trustee-to-trustee transfer of funds. Filing a purchase application does not create a contractual obligation on your part to complete payment. There is no set monthly or other periodic payment due: you pay what you want, when you want. However, paying off your purchase earlier will result in a lower total cost, due to annual recalculations of your balance due or the accrual of interest. The purchase must be paid in full before retirement in order for the credit to be included in the calculation of your retirement benefit. If you do not complete payment in full, in most cases, you may receive proportional credit based on the payments you make.

### Tax Considerations

In most cases, it is advisable to use tax-deferred retirement options, such as a 403(b), 457(b), 401(k), or other qualified plans, to accumulate funds to pay for a credit purchase. Directly transferring funds from qualified plans can protect the tax-deferred status of the funds, and avoid tax payments and tax penalties at the time of transfer. We suggest that you contact a tax professional of your choice for guidance concerning this issue.

A tax-deferred transfer or rollover of funds can sometimes take several months to complete. Start the process early to give yourself and your financial institution adequate time to complete the transaction.

