



# A GUIDE TO RETIRING

PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS

MARCH, 2007



# YOUR PENSION

## APPLICATION

### The Retirement Process

- ✓ You must notify your employer's Human Resources Department in writing of your intended retirement at least thirty (30) days before your retirement effective date. Even though your Retirement Effective Date with PSRSSTL will always be the first day of a month, your notice to your employer should indicate that you are retiring at the close of the day on the day before your Retirement Effective Date. For example, if you plan to retire effective July 1<sup>st</sup>, you should notify your employer's Human Resources Department that you will retire effective "Close of Day, June 30th".
- ✓ You must be sure PSRSSTL **receives** your completed Retirement Application at least fifteen (15) days before your Retirement Effective Date. If PSRSSTL does not receive your Retirement Application at least fifteen (15) days prior to your intended Retirement Effective Date, your Retirement Effective Date and your benefits will be delayed. Retirement Applications are available by contacting PSRSSTL.

## ELIGIBILITY

### Normal Pension

You will be eligible for unreduced benefits under a Normal Pension if

- ✓ you are at least age sixty-five (65), or
- ✓ your age added to your years of Credited Service result in a total of at least 85. This is commonly referred to as the "Rule of 85".

### Disability Pension

If you do not qualify for a Normal Pension, but you are unable to perform your job duties due to physical or mental incapacity, you will be eligible for benefits under a Disability Pension if

- ✓ you have at least five (5) years Credited Service, and
- ✓ you are recommended for Disability Pension by the PSRSSTL Medical Board, and
- ✓ your Disability Pension is approved by the Board of Trustees.

If you retire under a Disability Pension, your monthly pension benefit will be subject to routine verification of your continued disability and limitations on your earnings from gainful occupation until such time as you would have qualified for a Normal Pension if you had continued to work.

Even if you retire for reasons of disability, you will be approved for a Normal Pension if you are at least age sixty-five (65) or if you satisfy the Rule of 85 at the time of your retirement.

### Early Pension

If you are at least age sixty (60) and you have at least five (5) years Credited Service, but you do not satisfy the Rule of 85, you will be eligible for a reduced Early Pension.

## AVERAGE FINAL COMPENSATION

Your Average Final Compensation will be determined by the highest average annual compensation you received for any three (3) consecutive year period during your last ten (10) years of service. For purposes of determining compensation, PSRSSTL recognizes regular wages plus what your employer pays towards your health and welfare benefits. Regular wages include extra compensation paid to department heads and extended school year pay, but not overtime pay or special pay for services rendered in connection with extracurricular activities or summer school.

# YOUR PENSION

## CREDITED SERVICE

Your Credited Service will include membership service, approved service rendered prior to 1944, approved military service, credit for service you have purchased, and credit for your accumulated and unused days of sick leave at the time of your retirement.

*Note:* Applications to purchase Credited Service often require extensive research and complicated calculations that can take six months or longer. If you are planning to purchase Credited Service, you should contact PSRSSTL as soon as possible to begin the process. Your cost for purchasing Credited Service must be paid prior to retirement.

## BENEFIT AMOUNT

### Normal Pension

Your Normal Pension will be equal to your number of years of Credited Service multiplied by 2% of your Average Final Compensation, except that your Normal Pension will not exceed 60% of your Average Final Compensation. For an estimate of your monthly pension benefit, refer to your annual statement; however, remember that your annual statement is merely an estimate. It will not reflect credit for unused sick leave, and it may not reflect a period(s) of absence that could require adjusting the Credited Service estimated on your statement.

### Disability Pension

Your Disability Pension will be the greater of what your Normal Pension would be, computed as if you were age sixty-five (65), or one-fourth ( $\frac{1}{4}$ ) of your Average Final Compensation; however, your Disability Pension cannot exceed the amount you would have received at your Normal Retirement date if you had continued to work until then.

### Early Pension

If you retire under an Early Pension that is not a Disability Pension, the amount of your monthly pension benefit will be calculated as if it were a Normal Pension, but reduced by five-ninths of one percent (0.005556) for each month by which the date of your Early Pension precedes the earliest date on which you would be eligible for a Normal Pension.

## PAYMENT OPTIONS

If you do not elect a Payment Option at the time of your retirement, you will receive equal monthly pension benefits over your lifetime and no monthly benefits will be paid to another individual after your death.

As an alternative, you may elect a Payment Option that will coordinate your pension benefit with your estimated Social Security Benefit and/or that will pay you a reduced amount so that monthly payments can continue to an Option Beneficiary after your death. Benefits that become payable to an Option Beneficiary after your death will continue to your Option Beneficiary for the remainder of his/her lifetime.

Usually, members name their spouses as Option Beneficiaries. However, you may name another individual as an Option Beneficiary, such as a child or parent, except that you may not choose an Option Beneficiary who is so much younger than you are that selecting that individual would cause your monthly pension benefit to be reduced by more than 50%.

A Payment Option Reduction Table for payments to Option Beneficiaries is included in Appendix A. To obtain quotes for Payment Options that will coordinate your monthly pension benefit with your monthly Social Security benefit, you should provide the Retirement Office with an estimate from Social Security of your monthly Social Security benefit at age sixty-two (62).

# YOUR PENSION

## OPTION BENEFICIARIES

### Considerations in Naming an Option Beneficiary

- ✓ Only one person can be named as your Option Beneficiary.
- ✓ The reduction in your monthly pension benefit will be determined by the age difference between you and your Option Beneficiary. The younger your Option Beneficiary, the greater the reduction in your monthly Pension Benefit.
- ✓ After retirement, you may not change your Option Beneficiary, even due to death or divorce.

## BENEFIT PAYMENTS

After your Retirement Application has been approved by the Board of Trustees, you will begin receiving your monthly pension benefit (by check or direct deposit) the first week of each month for the rest of your life. Each payment will represent your benefit for the previous month.

If you elected a Payment Option when you retired and you predecease your Option Beneficiary, effective the first of the month following your death, your Option Beneficiary will begin to receive monthly payments for his/her lifetime. The amount of the monthly payment to your Option Beneficiary will depend on the Payment Option you elected at the time of your retirement.

See BENEFICIARY, SPOUSE OR DEPENDENT DEATH Section on Page 6.

## CHECK AMOUNT

Your net monthly payment will be in the amount of your monthly pension benefit less any deductions you authorize, such as insurance premiums and/or withholding for federal or Missouri income taxes. Your first check may reflect deductions for more than one month of insurance premiums.

Most Retirement Applications can be processed in a timely manner; however, if a delay in finalizing your retirement were to result in delaying your initial pension payment, your initial payment would include retroactive benefits based on your Retirement Effective Date.

At, or about the time you receive your first payment, you will receive a detailed explanation of your benefit and how it was calculated.

## DIRECT DEPOSIT

If you wish, your monthly pension benefit can be deposited directly into your checking or savings account on the first working day of each month. Direct deposit expedites the payment process and eliminates the possibility of checks being stolen, delayed, or lost in the mail.

To arrange for direct deposit, complete an Electronic Deposit of Benefits Authorization form and submit it to PSRSSTL for processing. Direct deposit will begin two months after PSRSSTL receives your authorization.

If you change banks or want to change the account into which your monthly benefit is being deposited, contact PSRSSTL to arrange for a change in your direct deposit or download an Electronic Deposit of Benefits Authorization form from the PSRSSTL web site at <http://www.psrstl.org>, complete the form and mail it to PSRSSTL.

## MISSING CHECKS

If you do not receive your check by the 5th working day of a month, or if you lose a check, notify PSRSSTL to arrange for a stop payment and replacement check. If your check is stolen, notify PSRSSTL immediately.

# INSURANCE COVERAGE

## MEDICAL INSURANCE

After you retire, you and your eligible dependents will usually be eligible to remain covered by the same medical plan under which you were covered as an active employee of St. Louis Public Schools. However, your cost for coverage will be different, and, **if you or any of the dependents you wish to cover are eligible for Medicare, you should discuss your options for coverage with PSRSSTL at least two months prior to your retirement effective date.** Federal regulations regarding Medicare eligibility, as well as any provisions your health insurance might have for coordinating benefits with Medicare, could have a significant affect on assuring that you, or your Medicare-eligible dependent(s), have continuity of medical coverage as you transition from an active to a retired status.

## DENTAL/VISION INSURANCE

Dental and vision insurance are available to retirees and their eligible dependents; however, the plans offered by PSRSSTL are different from the plans offered by St. Louis Public Schools.

## ENROLLMENT

During your retirement process, PSRSSTL will assist you in completing the necessary forms to assure that you and your eligible dependents are properly enrolled in plans you wish to select.

Even if you wish to keep the same medical coverage you had while you were working, you will need to complete an enrollment form so your membership can be transferred to the PSRSSTL group.

If you wish to enroll for dental or vision insurance, you will need to complete an enrollment form for each plan.

If you do not enroll for PSRSSTL medical, dental or vision coverage at the time of your retirement, you will have only one other opportunity to enroll – within thirty days of becoming eligible for Medicare. However, if you (or your eligible dependents) do not enroll for PSRSSTL medical, dental or vision coverage at the time of your retirement because you have other qualified group coverage, you may enroll for PSRSSTL coverage within thirty days of the involuntary loss of the other coverage.

All PSRSSTL-sponsored health care benefits are subject to the provisions of the PSRSSTL Group Insurance Enrollment Policy and Dependent Eligibility for Medical, Dental and Vision Coverage Policy.

## COST

PSRSSTL will pay a portion of the cost of your medical, dental and/or vision insurance. You will pay the remaining portion for your insurance and all of the cost for any dependent coverage you elect. Contact PSRSSTL or log on to the PSRSSTL web site at <http://www.psrstl.org> for a schedule of current member costs for PSRSSTL plans. If you enroll for insurance, your cost for the plans you select will be deducted from your monthly pension benefit, or, if the cost of your insurance is greater than your monthly pension benefit, you will need to make direct payments to PSRSSTL for your insurance.

## SURVIVOR COVERAGE

Subject to other plan eligibility provisions, surviving dependents who were covered under your PSRSSTL insurance at the time of your death are eligible to continue such coverage after your death.

In addition, such dependents may change plans, for example, from one medical plan to another, during the annual Open Enrollment Period. However, a surviving dependent who was not covered under your medical, dental, and/or vision insurance at the time of your death may not enroll for coverage after your death.

If your surviving spouse remarries, his/her new spouse and/or dependent children are not eligible for PSRSSTL group insurance.

# INCOME TAXES

## TAXABILITY

- ✓ **Federal Income Tax:** Most, or all, of your gross pension benefit will be taxed as ordinary income under Federal Law. However, if you made after-tax contributions to PSRSSTL, generally contributions prior to April of 1990 or contributions to purchase Credited Service, a small percentage of your annual pension benefit may not be taxable because it will be attributable to your after-tax contributions. See TAX ADVICE Section below for additional information.
- ✓ **Missouri Income Tax:** PSRSSTL is considered a political subdivision of the State of Missouri. Therefore, subject to certain earnings limitations, gross pension benefits up to \$6,000 annually may be excludable from Missouri State Income Tax. See TAX ADVICE Section below for additional information.
- ✓ **Because tax codes vary from state to state,** if you will be living outside of Missouri, you should obtain professional tax advice about the income taxability of pension benefits in other states.

## WITHHOLDING

### Federal Income Tax

Under the Tax Equity and Fiscal Responsibility Act of 1982, your pension payments are subject to federal income tax withholding unless you elect in writing not to have federal income taxes withheld.

For the purpose of applying income tax withholding requirements, your gross pension payments will be treated as wages. In this regard, if you do not complete Form W4P, federal income taxes will be withheld from your pension payments as if you were a married individual claiming three withholding allowances.

You may change your income tax withholding at any time by filing a new Form W4P with PSRSSTL.

If you elect not to have federal income taxes withheld, or if the amount you have withheld is insufficient, you may be subject to penalties under estimated tax payment rules.

### Missouri Income Tax

The State of Missouri does not require PSRSSTL to withhold state income taxes; however, PSRSSTL will withhold Missouri State Income Taxes upon your written request to do so.

## TAX ADVICE

PSRSSTL will send you a Form 1099-R each year, no later than January 31st, or as required by federal law.

Your Form 1099-R will provide the total amount of pension benefits you were paid, the amount of taxable pension benefits you were paid and the amount of any federal and/or Missouri income taxes withheld during the previous year. A copy of your Form 1099-R should be included with your tax return.

## QUESTIONS

Tax information provided herein is general in nature. Specific questions about your liability for the payment of income taxes on your pension benefits should be directed to the Internal Revenue Service or a qualified tax consultant.

# GENERAL INFORMATION

## **YOUR CONTRIBUTIONS**

If you do not elect a Payment Option, and you die before the benefits paid to you equal or exceed the amount of your Accumulated Contributions (your contributions to PSRSSTL plus interest thereon), the difference between the benefits paid to you and your Accumulated Contributions will be paid to your designated beneficiary(ies).

If you elect a Payment Option to provide monthly benefits to an Option Beneficiary, and both you and your Option Beneficiary die before the benefits paid to you and your Option Beneficiary equal or exceed the amount of your Accumulated Contributions, the difference between the benefits paid and your Accumulated Contributions will be paid to the beneficiary(ies) of the person last entitled to payments.

## **ADDRESS CHANGE**

If you change your address, notify PSRSSTL as soon as possible in writing. Your written notice should provide your Social Security Number and must include your signature.

## **NAME/MARITAL STATUS CHANGE**

If your name changes legally due to marriage or other circumstances, notify PSRSSTL in writing with a certified copy of the document showing the change.

If your marital status changes, you may wish to review your beneficiary designation, your insurance coverage, and your income tax withholding instructions. You can request forms to make appropriate changes to your beneficiary, your insurance or your income tax withholding from PSRSSTL.

## **BENEFICIARY, SPOUSE OR DEPENDENT DEATH**

In the event of the death of your beneficiary(ies), your spouse, or any dependent covered under your medical, dental, and/or vision insurance, you should notify PSRSSTL in writing so appropriate changes can be made regarding your designated beneficiary(ies) and/or your insurance coverage and premiums.

If you elected Payment Option 3 or 4, contact PSRSSTL in the event of your Option Beneficiary's death so your reduced benefit can be restored to the full amount effective the month following your Option Beneficiary's death. You will also need to provide PSRSSTL with a certified copy of your Option Beneficiary's death certificate. See Appendix A for additional information about Payment Options for Option Beneficiaries.

## **RETIREE DEATH**

A family member should contact PSRSSTL as soon as possible after the death of a retiree and provide PSRSSTL with a certified copy of the member's death certificate.

In cases where a beneficiary is entitled to monthly benefit payments or to a refund of contributions, timely notification of a member's death allows beneficiary payments to be processed properly and without delay. In cases where no further benefits are due, timely notice of a member's death avoids benefit overpayments, which, by law, PSRSSTL must recover.

## **RETURNING TO WORK**

If you retire under a Normal or Early Pension, you may return to work for St. Louis Public Schools, PSRSSTL or one of the St. Louis Charter Schools after you retire for a maximum of sixty (60) days each calendar year, but only on a part-time or temporary basis, without resuming the status of an active member and thereby causing the suspension of your monthly pension payments. For this purpose, any amount of time worked on a given day counts as one day of work. Unless special circumstances apply, exceeding the sixty-day maximum will cause your pension benefits to be suspended.

# GENERAL INFORMATION

## **SOCIAL SECURITY**

Because PSRSSTL members are covered by Social Security, Normal and Early pension benefits are paid in addition to monthly Social Security benefits.

## **RETIREMENT OFFICE**

You may contact PSRSSTL at the address and telephone numbers set forth below. Regular business hours are Monday through Friday, 8:30 a.m. until 4:30 p.m.

Public School Retirement System  
of the City of St. Louis  
3641 Olive Street, Suite 300  
St. Louis, Missouri 63108-3601

Telephone: (314) 534-7444

Fax: (314) 533-0531

Web Site: <http://www.psrstl.org>

## **ABOUT THIS GUIDE**

This Guide is intended to summarize certain provisions of Missouri laws and the applicable Rules and Regulations that govern PSRSSTL. It is not meant to interpret, change, or extend Missouri law or the PSRSSTL Rules and Regulations in any way.

If there appears to be any discrepancy between this Guide and the actual law or the Rules and Regulations adopted by PSRSSTL pursuant to such law, the law and such Rules and Regulations will govern.

PSRSSTL reserves the right to change or discontinue its healthcare insurance programs at any time upon a thirty-day written notice to its members.

If you have questions about this Guide, applicable law, or the PSRSSTL Rules and Regulations, contact PSRSSTL as set forth above.

The PSRSSTL staff is pleased to assist you and your family with benefit related questions.

## PAYMENT OPTION REDUCTION TABLE

**TO USE THIS TABLE**

1. Calculate or estimate the amount of your monthly Pension Benefit.
2. Determine the difference in age between you and a potential Option Beneficiary. Disregard partial years in determining the difference in your ages.
3. From the table below, select the appropriate Age Difference to identify the Option Factor you would use for each Payment Option.
4. Multiply your estimated monthly Pension Benefit by the appropriate Option Factor to determine what your monthly benefit would be under each of the Payment Options.

**EXAMPLE**

1. You have estimated that your pension benefit will be \$1,200 per month.
2. You want to name your spouse as your Option Beneficiary. Your spouse is 4 years, 8 months, and 11 days younger than you are, which would be equal to four full years.
3. After your death, you want your spouse to receive monthly payments in an amount equal to half of what you were receiving (Payment Option 2).
4. From the table below, use the Option Factor under Payment Option 2 where the Age Difference is 4 years. Your monthly benefit under Payment Option 2 would be \$1,200 multiplied by 87.9% ( $\$1,200 \times .879$ ) = \$1,054.80 per month.

**Payment Option 1:** The amount of your reduced Pension Benefit will be paid to your Option Beneficiary for life.

**Payment Option 2:** One half the amount of your reduced Pension Benefit will be paid to your Option Beneficiary for life.

**Payment Option 3:** Like Option 1, except, if your Option Beneficiary predeceases you, your monthly Pension Benefit will increase to what it would have been if you had not elected a Payment Option.

**Payment Option 4:** Like Option 2, except, if your Option Beneficiary predeceases you, your monthly Pension Benefit will increase to what it would have been if you had not elected a Payment Option.

Age Difference		Option Factors			
		Payment Option 1	Payment Option 2	Payment Option 3	Payment Option 4
<b>Option Beneficiary is younger by:</b>	10 years	73.6%	84.9%	72.8%	84.6%
	9 years	74.4%	85.4%	73.5%	85.0%
	8 years	75.2%	85.9%	74.2%	85.4%
	7 years	76.0%	86.4%	74.9%	85.8%
	6 years	76.8%	86.9%	75.6%	86.2%
	5 years	77.6%	87.4%	76.3%	86.6%
	4 years	78.4%	87.9%	77.0%	87.0%
	3 years	79.2%	88.4%	77.7%	87.4%
	2 years	80.0%	88.9%	78.4%	87.8%
	1 year	80.8%	89.4%	79.1%	88.3%
<b>Option Beneficiary is same age:</b>		81.7%	89.9%	79.8%	88.7%
<b>Option Beneficiary is older by:</b>	1 year	82.5%	90.4%	80.5%	89.1%
	2 years	83.3%	90.9%	81.2%	89.6%
	3 years	84.2%	91.4%	81.9%	90.0%
	4 years	85.0%	91.9%	82.6%	90.4%
	5 years	85.9%	92.4%	83.3%	90.8%
	6 years	86.7%	92.9%	84.0%	91.2%
	7 years	87.5%	93.4%	84.7%	91.6%
	8 years	88.3%	93.9%	85.4%	92.0%
	9 years	89.1%	94.4%	86.1%	92.4%
	10 years	89.9%	94.9%	86.8%	92.8%
<b>Factor to add or subtract for each year over 10 years</b>		0.8%	0.5%	0.7%	0.4%

**ADDITIONAL INSTRUCTIONS**

1. In no event will the Option Factor be greater than 99.0%.
2. If the Option Beneficiary is ten (10) or more years younger than the member, the Option 3 Factor will be equal to the Option 1 Factor less 0.8% and the Option 4 Factor will be equal to the Option 2 Factor less 0.4%.
3. Except in naming a spouse, a member may not name an Option Beneficiary who would cause a benefit reduction of more than 50%.