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The *Cash Out Application* can be found at the back of this brochure. If you have questions regarding the cash out provision, please contact a MOSERS benefit counselor at (800) 827-1063. For the most current version of this publication, visit our website, www.mosers.org.

MOSERS' MISSION

MOSERS exists to advance the financial security of its members.

HOW TO CONTACT MOSERS



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MOSERS benefit counselors are a valuable source for information and assistance regarding your benefits. They can explain the different plan provisions, provide you with a benefit estimate, and counsel you regarding your benefit options.

Our business hours are 7:30 a.m. to 4:30 p.m. Monday - Friday.

Website

www.mosers.org

Telephone

(573) 632-6100
(800) 827-1063

Fax

(573) 632-6103

Social Media



Email

mosers@mosers.org

Mailing Address

PO Box 209
Jefferson City, MO 65102-0209

Office Location

907 Wildwood Drive
Jefferson City, MO

INTRODUCTION

Section 104.335.6, RSMo, allows vested members who leave state employment prior to retirement to take the present value of their future retirement benefit in a lump sum, rather than a monthly benefit at retirement age. The present value of future benefits is the total amount needed today to fully fund the monthly benefit that will be payable in the future. The calculation of present value is dependent on both the amount of investment income MOSERS expects to earn in the future and the probability that you will be alive to receive the benefits.

The cash out provision is intended for members who **do not** plan to return to work for the state.

ELIGIBILITY REQUIREMENTS

General State Employees, Legislators, and Elected State Officials

The cash out provision is available to vested members of the Missouri State Employees' Plan (MSEP) who left state employment on or after October 1, 1984, and prior to September 1, 2002.

To qualify, a member must meet the following requirements:

- Be vested (eligible for a future retirement benefit).
- Have less than 10 years of creditable service.
- Not be within five years of eligibility for receiving a normal annuity or benefit.

Members of the MSEP leaving state employment on or after August 28, 1997, and prior to September 1, 2002, **are not eligible** if their present value exceeds \$10,000 on the date of application.

Judges and Administrative Law Judges and Legal Advisors

The cash out provision is available to vested participants of the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) and the Judicial Plan who left state employment on or after August 28, 1997, and prior to September 1, 2002.

To qualify, a member must meet the following requirements:

- Have less than 10 years of creditable service.
- Not be within five years of eligibility for receiving a normal annuity or benefit.
- Wait six months after separation from state service to apply for the cash out.
- Have a present value not exceeding \$10,000 on the date of application.

Summary of Age and Vesting Requirements

To be eligible for the cash out provision, you must be vested and not be within five years of eligibility for receiving a normal retirement benefit. The following chart summarizes the age and vesting requirements for members.

Gain secure access to your personal information when you visit www.mosers.org. Simply click on **Member Login** and follow the prompts.

Employee Classification	Be Younger Than Age	Vested
General Employee	60	5 Years
Uniformed Water Patrol	50	5 Years
Legislator	50	3 Full-Biennial Assemblies
Elected State Official	60	4 Years (1 Term)
Administrative Law Judge or Legal Advisor	57	Immediately
Judge	55	Immediately

TAXES AND YOUR CASH OUT DISTRIBUTION

You will be taxed on a cash out distribution from MOSERS if you do not roll it over. You may roll over your distribution to either a traditional IRA (an individual retirement plan or individual retirement annuity) or an employer plan (a tax-qualified plan, section 403(b) plan, or governmental section 457(b) plan) that will accept the rollover.

The amount rolled over will become subject to the tax rules that apply to the IRA or employer plan. MOSERS operates as a tax qualified retirement plan under section 401(a) of the Internal Revenue Code (IRC). Please refer to IRS Publications 575 (*Pension and Annuity Income*) and 590A and 590B (*Individual Retirement Arrangements*) for more details regarding your tax liability.

Traditional IRAs include the following:

- 408(a) individual retirement plans.
- 408(b) individual retirement annuities.

MOSERS' *Special Tax Notice* brochure (available online) also contains valuable tax liability information.

Eligible employer plans include the following:

- 457(b) plans maintained by a governmental employer (governmental deferred compensation 457 plan).
- 401(a) plans, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan.
- 403(a) annuity plans.
- 403(b) tax-sheltered annuities.

DISTRIBUTION PAYMENT OPTIONS

- **Rollover Option** - If you elect the rollover option the distribution will be paid directly to your financial institution or another eligible employer plan.
 - Your distribution payment will not be taxed in the year of the rollover and no income tax will be withheld. The payment will be taxed when you take it out of the traditional IRA or other qualified retirement plan.
- **Combination Cash & Rollover Option** - If you elect the combination cash and rollover option, you may specify the amount of the distribution to be paid to the qualified retirement plan you designate. The remainder will be paid to you in a lump sum.
 - The lump sum distribution paid to you in cash is considered taxable income for the year in which you receive the payment. MOSERS is required to withhold 20% of the taxable portion of a cash distribution for federal income tax.
 - If you receive a cash payment before you reach age 59½ and do not roll it over, you may have to pay a penalty equal to 10% of the taxable portion of the payment in addition to the regular income tax.
 - You will be responsible for any state, local, or other taxes that may apply.
- **Cash Option** - If you elect the cash option, the distribution will be paid directly to you.
 - The lump sum distribution paid to you in cash is considered taxable income for the year in which you receive the payment. MOSERS is required to withhold 20% of the taxable portion of a cash distribution for federal income tax.
 - If you receive a cash payment before you reach age 59½ and do not roll it over, you may have to pay a penalty equal to 10% of the taxable portion of the payment in addition to the regular income tax.

FORFEITURE OF SERVICE AND FUTURE BENEFITS

By choosing to receive the present value of your vested retirement benefit, you will surrender all creditable service with the MSEF, ALJLAP, and the Judicial Plan. No future retirement or survivor benefits will be payable based on the surrendered service.

The purchase/transfer of any eligible service to be credited in MOSERS (active-duty military or full-time, nonfederal public-sector employment) must be completed prior to applying for the cash out payment. The purchase/transfer of service may change any previously quoted present value estimates and may result in ineligibility for the cash out.

According to the law governing the Missouri Consolidated Health Care Plan (MCHCP), terminated-vested members who elect to receive the cash out payment are not eligible to retain their medical coverage, because they are no longer entitled to receive a retirement benefit. However, under federal law (commonly referred to as COBRA), you may qualify to continue coverage through MCHCP for a limited amount of time. For questions regarding medical coverage, contact MCHCP at (800) 487-0771 or (573) 751-0771.

DIVORCE AND THE CASH OUT PROVISION

Your retirement benefit from MOSERS is marital property. If you were married at any time while an active member of MOSERS, your spouse may be legally entitled to receive a portion of your retirement benefit. By law, your ex-spouse may receive up to 50% of your benefit accrued during the marriage. The percentage specified on the Division of Benefits Order (DBO) will be applied to the pro rata portion of your cash out payment.

If you are already divorced, you can cash out. However, if a DBO has been filed with MOSERS, your ex-spouse is entitled to a portion of the present value based on the amount specified in the DBO. When MOSERS receives your *Cash Out Application*, we are required to notify your ex-spouse.

RETURN TO STATE EMPLOYMENT

The cash out provision is intended to give financial flexibility to former state employees who do not intend to return to service with the state. This provision is available only once to each qualified member. If you elect this provision, then return to work in a MOSERS-covered position, you have the right to elect to purchase this surrendered service within one year of returning to work.

The purchase price is based on the amount your benefit is expected to be when you reach retirement age, which includes consideration of your probable future service and your projected salary. Therefore, the cost for purchasing your surrendered service will be significantly more than the lump sum you received. For example, you could receive a cash out payment of \$4,000, but depending on your salary, age, and the amount of time between state employment, it could cost you \$50,000 to purchase the surrendered service.

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Surrendered service is very expensive to buy back. If you plan to ever return to work for the state, the cash out provision may not be a good choice for you.

ANSWERS TO COMMON CASH OUT QUESTIONS

The following questions and answers are intended to help you understand the cash out provision.

Q. What is an acceptable proof-of-age and lawful presence document?

A. To establish your eligibility for a cash out distribution, you must submit ONE of the following proof-of-age and lawful presence documents. Do not send originals unless sending a birth certificate.

- **Original U.S. Birth Certificate** (certified with embossed or raised seal issued by state or local government)

OR, a photocopy of ONE of the following:

- **Valid Missouri Driver's License or Missouri Nondriver ID**
- **U.S. Passport** (valid or expired)
- **U.S. Certificate of Citizenship**
- **U.S. Certificate of Naturalization**
- **U.S. Certificate of Birth Abroad**

Q. What is the advantage of electing the “rollover option” instead of the “cash option?”

A. By rolling over your cash out payment to a traditional IRA or eligible employer plan, you may defer taxation of the cash out payment until actual distribution is made to you from the IRA or eligible plan. If you elect the “cash option,” there will be immediate, significant tax consequences.

Q. Can I use a portion of my MOSERS service for the cash out provision?

A. No. All of your creditable service must be considered in determining your eligibility and present value amount.

Q. If I want to cash out at a later date, will the present value increase?

A. Yes. By definition, the present value of a member's vested retirement benefit increases as time passes. However, please keep in mind the age and present value limitations. Members terminating employment on or after August 28, 1997 are not eligible for the cash out provision if their present value exceeds \$10,000 on the date of application or if they are within 5 years of retirement eligibility.

Q. If I select the “cash option” and later decide on the “rollover option,” how long do I have to roll the cash out payment over to a traditional IRA or another eligible employer plan?

A. To defer income taxes and avoid the 10% tax penalty, you must roll over your payment within 60 days from the date you receive the payment. Please note, if you change payment options after the check is mailed, MOSERS cannot reissue the check. You will be responsible for the tax consequences.

Q. How do I set up a traditional IRA to avoid the withholding and tax penalty?

A. You should contact a financial institution that handles IRA accounts.

Q. Will I receive information showing the amount paid to me and the amount of taxes withheld?

A. Yes. You will receive a Form 1099-R which contains information needed for tax purposes. Your payment will be reported as income in the year the cash out payment was issued. However, if you elect the rollover previously described, it will not be reported as taxable income.

Q. Where can I get a copy of IRS publications 575 (*Pension and Annuity Income*) and 590 (*Individual Retirement Arrangements*)?

A. These publications are available from your local IRS office, by calling (800) TAX-FORM, or the IRS website (www.irs.gov).

Q. Will I owe Missouri state taxes on the cash out payment?

A. If you live in Missouri, your distribution will be subject to Missouri state taxes unless you roll over your payment. However, depending upon your total Missouri adjusted gross income, the first \$6,000 of your benefit may not be taxable. We recommend you contact your tax advisor or the Missouri Department of Revenue, regarding your individual tax liability.

Q. What about my state tax liability if I don't live in Missouri?

A. Please contact the appropriate tax agency in the state where you reside regarding your state tax liability.

Q. If I return to work in a MOSERS-covered position, am I required to buy back the surrendered service?

A. No. You are not required to purchase the surrendered service. However, if you do not buy the service back, your surrendered service will not be used to calculate your future retirement benefit. You may elect to purchase the surrendered service within one year of returning to work in a MOSERS-covered position. After the one year period, you will no longer be eligible to purchase the surrendered service.

Q. Can all of my surrendered service be purchased under the cash out provision or just certain types?

A. Only creditable service is used to calculate the present value of the cash out provision. Prior service credit will be surrendered and cannot be purchased if you return to work (see the following definitions).

- **Creditable service** is defined as the sum of membership service and creditable prior service to the extent such service is standing to your credit as provided in Chapter 104, RSMo.
- **Creditable prior service** is service that was rendered prior to the establishment of MOSERS or prior to the date you last became a member of MOSERS, which is recognized in determining your eligibility and the amount of your benefit.
- **Prior service credit** is service you rendered prior to the date you became a member of MOSERS. This service is recognized in determining your eligibility for benefits from MOSERS, but not in determining the amount of your benefit.

Q. What will be the cost of purchasing my previously surrendered service if I return to work in a MOSERS-covered position?

A. Surrendered service is very expensive to buy back. The cost will be actuarially determined by MOSERS at the time you apply to purchase your service. Please keep in mind, the cost of purchasing your service will be significantly more than the amount you received when you elected to cash out.

Q. If I decide to purchase my previously surrendered service, how much time do I have to pay for it?

A. You may make either a lump-sum payment or up to 24 monthly payments with interest. Under certain circumstances, the lump-sum payment can include a rollover distribution from your traditional IRA or another eligible employer plan (such as MO Deferred Comp).

Q. If I return to work for the state, can I cash out again when I become vested?

A. No. It is a one-time election.

APPLYING FOR CASH OUT

1. Read and understand the terms of the cash out provision as outlined below.
2. Complete the MOSERS *Cash Out Application*. Incomplete or substitute applications from your financial institution or employer will be returned, which will delay the processing of your cash out distribution.
 - Designate a beneficiary to receive your distribution should you die.
 - Submit ONE proof-of age and lawful presence document (see page 7).
 - Choose a payment option. If you elect to roll over your cash out distribution to a qualified retirement plan, you must have an official from your financial institution or employer plan complete and sign the Rollover Agreement. You may roll over your distribution to MO Deferred Comp as long as your account is still active (you have not closed it out since you left state employment).
3. Sign, date, and return the completed application to MOSERS.

Terms of the Cash Out Application

- Read the *Special Tax Notice* brochure (provided or available on our website).
- You must apply to have the present value of your vested deferred retirement benefit distributed in a lump sum from the Missouri State Employees' Retirement System (MOSERS). By electing a cash out distribution, you will forfeit your credited service and any future rights to receive benefits from MOSERS including eligibility for any retirement and long-term disability benefits, and rights to coverage through Missouri Consolidated Health Care Plan (MCHCP), other than as a dependent or under provisions of COBRA.
- The cash out election will be deemed accepted by MOSERS on the date of application. However, the application will not be accepted at MOSERS if you do not submit a completed application or if your present value exceeds the \$10,000 limit provided in state law.
- **If married:** Attest that there is not a division of benefits order in process or in place and that your spouse has consented to your election as your future retirement benefits will be forfeited including potential survivor benefits based on that service.

If you should die:

- after your application has been accepted but before the payment date, and your eligible spouse is the designated beneficiary, he/she will have the opportunity to elect the cash out option or a monthly survivor benefit (if otherwise provided by law).
- after your application has been accepted but before the payment date, and the designated beneficiary is someone other than your eligible spouse, the check will be issued to the designated beneficiary.
- after the payment date but before the check is cashed, the check must be returned to MOSERS and reissued to the designated beneficiary.
- If you return to work in a MOSERS covered position, you may elect to purchase your surrendered service within the first year of returning and that surrendered service is very expensive to buy back.
- The cash out election becomes irrevocable on the date MOSERS mails or electronically transfer payment. Please allow 60 days for MOSERS to process your request. Payments are mailed the last working day of each month.
- Any refund not directly rolled over to a qualified retirement plan will be reported as taxable income in the year of payment.



Cash Out Application Lump Sum Distribution

Please print. • See reverse/next page for instructions.

SECTION A - PERSONAL INFORMATION

You must submit this *Cash Out Application* to apply for the cash out provision. We cannot accept your financial institution's or employer's application as a substitute. Incomplete or substitute applications will be returned, which will delay processing of your cash out benefit. You must also submit an acceptable proof-of-age and lawful presence document with this application (see below).

Social Security Number or Member ID _____ **Date of Birth** _____

Name (last/first/middle) _____

Mailing Address (PO or street/city/state/zip) _____

Primary Phone _____ <input type="checkbox"/> Cell <input type="checkbox"/> Home <input type="checkbox"/> Work	Alternate Phone _____ <input type="checkbox"/> Cell <input type="checkbox"/> Home <input type="checkbox"/> Work	Alternate Phone _____ <input type="checkbox"/> Cell <input type="checkbox"/> Home <input type="checkbox"/> Work
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Email Address _____

Marital Status Single Married

SECTION B - DESIGNATION OF BENEFICIARY

In the event of my death, I hereby designate the following beneficiary to receive my cash out distribution as outlined in the terms of this application.

Social Security Number _____

Name (last/first/middle) _____

Mailing Address (PO or street/city/state/zip) _____

Primary Phone _____ <input type="checkbox"/> Cell <input type="checkbox"/> Home <input type="checkbox"/> Work	Alternate Phone _____ <input type="checkbox"/> Cell <input type="checkbox"/> Home <input type="checkbox"/> Work
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SECTION C - PROOF-OF-AGE AND LAWFUL PRESENCE

To establish your eligibility for cash out, you must submit one proof-of-age and lawful presence document.

An Original U.S. Birth Certificate (with embossed/raised seal issued by state or local government)

OR PHOTOCOPY OF ONE OF THE FOLLOWING

- Valid Missouri Driver's License or Nondriver ID** **U.S. Passport** (valid or expired) **U.S. Certificate of Citizenship**
 U.S. Certificate of Naturalization **U.S. Certificate of Birth Abroad**

SECTION D - DISTRIBUTION ELECTION

Choose **ONE** option below to indicate how you would like to receive your cash out distribution. A cash out distribution is taxable income. For a detailed explanation of the payment options and tax consequences, please review our *Special Tax Notice* brochure. We recommend you contact a tax consultant or financial advisor before electing a payment method.

- | | |
|--|--|
| <input type="checkbox"/> Rollover Option | I elect to directly roll over the entire taxable amount of the distribution to the qualified retirement plan designated in Section E.
<ul style="list-style-type: none"> A rollover to any qualified retirement plan, other than with the MO Deferred Comp Plan, requires that an official from that financial institution or employer plan complete and sign the Rollover Agreement in Section E. |
| <input type="checkbox"/> Combination Cash & Rollover Option | I elect to directly roll over \$ _____ of the distribution to the qualified retirement plan designated in Section E, with the remainder paid directly to me in a lump sum.
<ul style="list-style-type: none"> MOSERS is required to withhold 20% of the taxable portion of my cash distribution for federal income tax (unless the amount is less than \$200). If I am younger than 59½, a 10% early distribution tax penalty may apply. A rollover to any qualified retirement plan, other than with the MO Deferred Comp Plan, requires that an official from that financial institution or employer plan complete and sign the Rollover Agreement in Section E. |
| <input type="checkbox"/> Cash Option | I elect to receive the entire taxable amount of the distribution as a cash payment.
<ul style="list-style-type: none"> MOSERS will withhold 20% for federal income tax. There may be an additional 10% IRS penalty if I am younger than age 59½. MOSERS will mail a paper check to the address indicated above. |

SECTION E - FINANCIAL INSTITUTION/EMPLOYER PLAN SIGNATURE - ROLLOVER AGREEMENT

If you elect to rollover your cash out distribution to a qualified retirement plan, you must have an official from your financial institution or employer plan complete and sign the Rollover Agreement below. You may roll your distribution over to MO Deferred Comp as long as your account is still active (you have not close it since leaving state employment).

- MO Deferred Comp Plan - 401(a) Other Eligible Employer Plan - 401(a), 401(k), 403(a), 403(b), 457(b)
No signature required. Skip to Section F.
- Traditional IRA - 408(a), 408(b) Roth IRA - 408(a)

Account Number

Name of Financial Institution/Employer Plan

Mailing Address (PO or street/city/state/zip)

Phone Number

In accordance with the above authorization of the depositor, we agree to deposit into the account listed above the forthcoming rollover amount from MOSERS, a qualified plan under Section 401(a) of the Internal Revenue Code (IRC). The account identified above is a qualified retirement plan for purposes of accepting direct rollovers pursuant to the IRC.

Official's Signature & Title

Date

SECTION F - APPLICANT SIGNATURE - FORFEITURE OF SERVICE AND FUTURE BENEFITS

- I acknowledge and certify that I received and read the **Special Tax Notice** brochure (provided) and agree to the terms of this application.
- I hereby apply to have the present value of my vested deferred retirement benefit distributed in a lump sum from the Missouri State Employees' Retirement System (MOSERS). By electing a cash out distribution, I understand I am forfeiting credited service and any future rights to receive benefits from MOSERS including eligibility for any retirement and long-term disability benefits, and rights to coverage through Missouri Consolidated Health Care Plan (MCHCP), other than as a dependent or under provisions of COBRA.**
- I understand the cash out election will be deemed accepted by MOSERS on the date of application. However, the application will not be accepted at MOSERS if I do not submit a completed application or if my present value exceeds the \$10,000 limit provided in state law.
- I certify that the transferee plan named above, if any, is a qualified retirement plan that accepts direct rollovers.
- If married:** I attest that there is not a division of benefits order in process or in place and that my spouse has consented to my election. I am forfeiting future retirement benefits including potential survivor benefits based on that service.
- If you should die:**
 - after your application has been accepted but before the payment date, and your eligible spouse is the designated beneficiary, he/she will have the opportunity to elect the cash out option or a monthly survivor benefit (if otherwise provided by law).
 - after your application has been accepted but before the payment date, and the designated beneficiary is someone other than your eligible spouse, the check will be issued to the designated beneficiary.
 - after the payment date but before the check is cashed, the check must be returned to MOSERS and reissued to the designated beneficiary.
- I understand that if I return to work in a MOSERS covered position, I may elect to purchase my surrendered service within the first year of returning and that surrendered service is very expensive to buy back.
- I understand the cash out election becomes irrevocable on the date MOSERS mails or electronically transfer payment. Please allow 60 days for MOSERS to process your request. Payments are mailed the last working day of each month.
- I understand that any distribution not directly rolled over to a qualified retirement plan will be reported as taxable income in the year of payment.

Signature

Date

Instructions for Completing

Cash Out Application

The cash out provision is intended to give financial flexibility to qualified former state employees who do not intend to return to service with the state. By completing the *Cash Out Application* qualified members can apply to receive the present value of their vested deferred retirement benefit distributed in a single lump-sum payment. The application must be signed, dated, and returned to MOSERS. Steps for completing the application are outlined below.

- Complete Section A.
 - Incomplete or substitute applications will be returned resulting in a delay of processing your cash out benefit.
- Designate a beneficiary to receive your cash out distribution, should you die, in Section B.
- Submit an acceptable proof-of-age and lawful presence document as outlined in Section C.
 - Do not send originals unless sending a birth certificate with a raised/embossed seal.**
- Choose ONE payment option in Section D.
 - If you elect a rollover option**, an official from your financial institution or eligible employer plan must complete and sign Section E.
- Sign and date Section F and return completed form to MOSERS.

Visit MOSERS' website for the most current version of this publication.

Missouri State Employees' Retirement System

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Please contact MOSERS to obtain alternative formats of this publication.