



WE ARE HERE FOR YOUR BENEFIT.



Member Contributions

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MSEP 2011 & Judicial Plan 2011

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This publication summarizes provisions related to member contributions to the retirement system.

For more information about your retirement benefits, please refer to your retirement handbook.

The rules governing withdrawal of your retirement contributions are contained in state retirement law and federal laws and rules. This publication is a summary, written in non-legal terms. It is not a complete description of the law. If there are any conflicts between what is written in this publication, and what is contained in the law, the applicable law will govern. For financial advice and/or other information, you should consult an accountant, other qualified financial adviser, or the IRS.

YOUR MOSERS DEFINED BENEFIT PLAN

As a member of the Missouri State Employees' Plan 2011 (MSEP 2011) and the Judicial Plan 2011, 4% of your pay is contributed, by payroll deduction, to the Missouri State Employees' Retirement System (MOSERS) trust fund. These plans, sponsored by your employer provide a fixed, pre-established benefit for you at the time of your retirement and are considered defined benefit plans.

A defined benefit (DB) simply means your future pension payments have already been "defined" using a formula which includes your length of service and your final average pay. Your eligibility for retirement is determined by your age and years of service. As administrator of your defined benefit plan, MOSERS manages and invests the contributions it receives on your behalf and assumes all of the investment risk.

Vesting Requirements

To be eligible to receive a future pension you must first be vested. This means you must work in a benefit-eligible position for a minimum amount of time.

- General State Employees vest after completing 5 years of service*
- Legislators vest after completing 3 full-biennial assemblies
- Elected State Officials vest after 4 years of service
- Judges vest automatically on day one

Leaving State Employment

- If you leave state employment **prior to becoming vested**, you will not be eligible for a future retirement benefit. However, you may leave your contributions with MOSERS if you think you may return to state employment in the future. Interest will not continue to accrue on your contributions if you terminate employment prior to becoming vested.
- If you leave state employment **after becoming vested**, you will still be eligible for a future retirement benefit from MOSERS once you meet both the age and service requirements. If you leave state employment prior to retirement, interest will accrue annually on your contributions until you withdraw the funds or reach normal retirement eligibility.

* *Effective January 1, 2018, the vesting requirement will reduce from 10 years to 5 years of service for MSEP 2011 members actively employed ON or after January 1, 2018.*

MANAGING YOUR PENSION ASSETS

Once you decide to leave state employment, carefully consider what to do with the contributions you have accumulated in the MOSERS trust fund. Even if you have contributed for just a few years, the pension credit accumulated with MOSERS is a valuable asset. Unlike other investment vehicles, a MOSERS pension is guaranteed for life once you are vested, does not lose value, and includes a cost-of-living adjustment (COLA) of 0-5%. The decision you make can affect your future financial security.

Refund Options

As a member leaving a MOSERS-covered position, you have a number of options available for managing your pension assets.

- **Option 1 – Leave your contributions with MOSERS.**

- You are not required to withdraw your contributions when you leave.* If vested, MOSERS will continue to pay interest until you either withdraw the funds or reach normal retirement eligibility. MOSERS will pay interest compounded annually on June 30 based on the balance in your account as of the previous July 1. Effective June 30, 2014 interest is calculated using the 52-week treasury bill rate.
- If you return to a position covered by MOSERS or the Missouri Department of Transportation & Patrol Employees' Retirement System (MPERS) and you left your contributions intact, your previous service credit will be combined with your new service credit to qualify for retirement. You will resume making member contributions.

Please Note - It is very important to keep your email and mailing address up to date with MOSERS if you leave contributions in your account.

- **Option 2 – Roll over the total amount of your contributions plus any interest into the MO Deferred Comp Plan, an IRA or other qualified retirement plan.**
 - You may request to roll over your member contributions plus any interest to a qualified account that accepts rollovers. If you do this, no tax withholding is required on the tax-deferred funds that are directly transferred, nor does the 10% IRS penalty apply.

* If you are age 70½ or older, federal tax regulations require MOSERS to pay “required minimum distributions” of cash to you, which are taxable income for the year in which they are paid, and MOSERS is required to withhold 20% for federal taxes (unless the amount is less than \$200).

- **Option 3** – Elect a combination rollover and cash payment (less applicable mandatory withholdings and IRS penalties).
 - You can request that MOSERS roll over a specific portion of your member contributions plus any interest to an eligible retirement plan that accepts rollovers and have the remainder paid directly to you as described in Option 4. Any refund not directly rolled over will be reported as taxable income in the year of payment and will be subject to tax withholdings and potential IRS penalties.
- **Option 4** – Request a full refund (less applicable mandatory withholdings and IRS penalties).
 - You are entitled to request a full refund of your member contributions plus any interest if you leave employment covered by MOSERS. If you withdraw your money, IRS rules require MOSERS withhold 20% for federal taxes unless the amount is less than \$200.
 - If you are younger than age 59½, the IRS may levy an additional 10% early withdrawal penalty on the amount of the withdrawal. A withdrawal taxable for the year in which you receive payment. MOSERS will mail you a *Form 1099-R* for your tax filing purposes. See the *Special Tax Notice* brochure for more information about the 10% penalty and federal tax obligations.

Designating a Beneficiary

When you were hired with the state of Missouri, you had the opportunity to designate a beneficiary to receive your contributions should you die prior to retirement when you enrolled with MOSERS through the Statewide Employee Benefit Enrollment System (SEBES).

As always, it is important you keep the information you have on file with MOSERS updated and make necessary changes (as allowed by law) regarding the beneficiary(ies) of your retirement contributions if you get married, divorced, or your spouse dies.

- **If married**, your spouse will automatically become, upon your death, the beneficiary of any contributions, plus any interest, made by you to MOSERS, unless your spouse is eligible for a survivor benefit. If you wish to designate someone other than your spouse as the beneficiary, complete a *Contribution Beneficiary(ies)* form (available online). Your designation will become effective when the completed form is received by MOSERS during your lifetime.
- **If you are not married** and you do not have a *Contribution Beneficiary(ies)* form on file at MOSERS, the assets in your account will be distributed, upon your death, in the following order of priority to you:

- Surviving children, divided equally (includes legally adopted children)
 - Surviving parents, divided equally
 - Surviving brothers and sisters, divided equally
 - Estate
- You may designate a person, trust, organization or estate as beneficiary. To designate a beneficiary, complete a *Contribution Beneficiary(ies)* form (available online). Your designation will become effective when the completed form is received by MOSERS during your lifetime.
 - Naming a minor (a person under the age of 18, except an emancipated minor) or estate as your beneficiary may require that a conservator or other legal representative be appointed by a court before any payment can be issued. This could cause legal expenses for the beneficiary and delay the payment. Please take this into consideration when naming your beneficiary. As an alternative, you may wish to set up a trust to receive your assets upon your death. A trust is a legal arrangement through which a trustee manages the assets for your beneficiaries. If you would like to set up a trust, please contact an attorney.

Please Note - If you make contributions to the system, you or a survivor or beneficiary, will receive, at minimum, a benefit or refund in an amount equal to what you contributed, and any interest credited thereon, less any benefits received.

Requesting a Refund of Your Contributions

Your contributions in the MOSERS trust fund are not available for loans or partial withdrawals. However, if you are no longer working in a MOSERS benefit-eligible position, you may request a refund of your contributions unless you are receiving LTD benefits or your retirement benefit is subject to a division of benefit order (DBO) pursuant to section 104.1051, RSMo., in which case you are not eligible to receive a refund.

By receiving a refund, you will forfeit all your credit service and future rights to receive benefits from MOSERS including eligibility for any retirement and long-term disability (LTD) benefits. If you anticipate applying for LTD, complete the LTD application process prior to applying for a refund. If approved, your LTD benefits are more valuable than receiving a refund of your contributions. It is essential that you understand your options in order to make an informed decision. You may wish to consult with your own financial advisor or discuss your options with a MOSERS benefit counselor before you make your decision.

To request a refund, complete the *Request for Refund of Contributions* form, have it notarized, and submit it to MOSERS (available online). The law prohibits MOSERS from paying refunds until 90 days after the date of termination of employment or the request, whichever is later. After the 90-waiting period, allow 60 days for MOSERS to process your request.

DEATH OF A MEMBER

Survivor Request for Refund

If you receive a distribution after the member's death that you do not roll over, the distribution will generally be taxed in the same manner as described previously in this brochure. However, the 10% additional income tax on early distributions does not apply.

- **Surviving spouse** – If you are entitled to a refund of contributions from MOSERS as the surviving spouse of a deceased member, your rollover options are the same as the member as described previously in this brochure. In addition, if you choose to rollover the refund to an IRA, you may assume the IRA as your own or as an inherited IRA.

An IRA you assume as your own is treated like any other IRA, meaning that payments made to you before you are age 59½ will be subject to the 10% additional income tax on early distributions (unless an exception applies) and required minimum distributions do not have to start until after you are age 70½.

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To receive a refund of member contributions, a completed, signed, and notarized *Member/Spouse Request for Contributions* form must be submitted to MOSERS.

- **Surviving beneficiary other than a spouse.** If you receive a refund of contributions from MOSERS because of a member's death and you are a designated beneficiary other than a surviving spouse, the only rollover option you have is a direct rollover to an IRA. Payments from the inherited IRA will not be subject to the 10% additional income tax on early distributions. If the member would have been age 70½ or older, it is required you receive minimum distributions from the inherited IRA.

To receive a refund of member contributions, a completed, signed, and notarized *Nonspouse Request for Contributions* form must be submitted to MOSERS.

- **Nonresident alien.** If you are a nonresident alien and you do not do a direct rollover to a U.S. IRA or U.S. employer plan, instead of withholding 20%, MOSERS will withhold 30% of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you do a 60-day rollover), you may request an income tax refund by filing Form 1040NR and attaching your Form 1042-S. See Form W-8BEN for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

SUMMARY

- **Leaving State Employment** – If you terminate employment from a MOSERS-covered position you may request a refund of your contributions including any credited interest.

Withdrawing your funds is voluntary. You are not required to withdraw your funds if you terminate employment. If you do not withdraw your month, it will continue to earn interest if you are vested.

- **Long-Term Disability** – You will not be eligible to receive any long-term disability benefits; if receiving long-term disability benefits you are not eligible for a refund.

If you terminated employment because of illness or disability, you should check with a MOSERS benefit counselor before requesting a refund of your contributions

- **Eligible for Retirement** – You may not request a refund after you become eligible for normal retirement.
- **Request Form** – A refund distribution will not be processed until the *Request for Refund of Contributions* form is received by MOSERS.
- **Spousal Consent** – If married at the time you request a refund, the request will not be processed without consent from your spouse. You are not eligible to request a refund if your retirement benefit is subject to a DBO pursuant to section 104.1051, RSMo.
- **Forfeiture of Service** – **By receiving a refund you forfeit all your credited service and future rights to receive benefits from MOSERS. For vested members, this means forfeiting a lifetime monthly benefit once you meet retirement age.**
- **Interest on Refunds** – Refunds will include all contributions you paid to MOSERS plus any credited interest less applicable mandatory federal taxes.
- **Waiting Period** – The law prohibits MOSERS from paying refunds until 90 days after the date of termination of employment or the request, whichever is later. After the 90-day waiting period, please allow 60 days for MOSERS to process your request.
- **Buying Back Service** – If you later become an employee and work continuously for at least one year and return the previously refunded amount plus interest at a rate established by MOSERS board, the credit service previously forfeited will be restored.

- **If You Die** – If you die after submitting a *Request for Refund of Contributions* form, but before receiving the distribution, no distribution will be made if you have a surviving spouse and that spouse is eligible for a survivor benefit based on your death. Otherwise, payment will be made to the beneficiary designated on your *Contribution Beneficiary(ies)* form. If no beneficiary is living, payment will be made as otherwise permitted by law.
- **Refund is Irrevocable** – The refund of contributions becomes irrevocable on the day that MOSERS mails or electronically transfers payment.
- **Taxes**
 - Read the *Special Tax Notice* brochure before requesting a refund.
 - Withdrawal of your contributions may carry a substantial tax liability.
 - Any refund not directly rolled over will be reported as taxable income in the year of payment. MOSERS is not liable for any taxes incurred by you as a result of this distribution.
 - Generally, the taxable portion of a single-sum distribution from an eligible plan is subject to mandatory 20% federal income tax withholding and may be subject to a 10% IRS penalty if you are younger than age 59½, unless you authorize a direct rollover to another eligible retirement plan or IRA.
 - Any MOSERS-paid interest on your contributions is tax-deferred. If you choose to transfer or rollover contributions to an IRA or eligible retirement plan, that entity must agree to accept it.
 - You may wish to consult with a professional tax adviser before withdrawing your contributions.
 - MOSERS staff is not authorized to give tax advice. Please consult your tax adviser or IRS pamphlets listed below before deciding how to take payment of your tax-deferred funds.

You can find more detailed information on the federal tax treatment of payments from employer plans in: IRS Publication 575, Pension and Annuity Income; IRS Publication 590A and 590B, Individual Retirement Arrangements (IRAs); and IRS Publication 571, Tax-Sheltered Annuity Plans (403(b) Plans). These publications are available from a local IRS office, online at www.irs.gov, or by calling 1-800-TAX-FORM or (800) 829-1040.
 - Beginning in the year you reach age 70½, the IRS requires that you begin receiving a certain portion of your benefit. This portion of your benefit cannot be rolled over, and is not subject to the mandatory withholding.

August 2017

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

Missouri State Employees' Retirement System

Mailing Address: PO Box 209, Jefferson City, MO 65102-0209

Office Location: 907 Wildwood Drive, Jefferson City, MO

Phone: (573) 632-6100 • (800) 827-1063 | **Fax:** (573) 632-6103

Relay MO: 711 (Voice) • (800) 735-2966 (TTY)

Website: www.mosers.org | **Email:** mosers.mosers.org

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