



Member Contributions 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.

Acronyms used:

MOSERS: Missouri State Employees' Retirement System

MPERS: Missouri Department of Transportation & Patrol Employees' Retirement System

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 RETIREMENT PLAN

The Missouri State Employees' Plan 2011 (MSEP 2011) and the Judicial Plan 2011 are contributory defined benefit plans. As a member, 4% of your pay is contributed, by payroll deduction, to the MOSERS trust fund.

Defined Benefit Plan

The MSEP 2011 and the Judicial Plan 2011 are characterized by the Internal Revenue Service (IRS) as 401(a) defined benefit plans. A defined benefit (DB) plan is a retirement benefit sponsored by your employer that pays a defined amount upon retirement based on the length of your service and final average pay. It defines retirement eligibility by age and years of service. The retirement benefit is permanent and is guaranteed, rather than depending on investment returns. In other words, in a DB plan, the benefit is defined by law.

Vesting

To be vested means you are eligible for a state retirement benefit at some point in the future, once you meet both the age and service requirements for retirement.

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- **General State Employees** - 10 years of service in a MOSERS benefit-eligible position
- **Legislators** - 3 full biennial assemblies as a Missouri legislator
- **Elected State Officials** - 4 years of service as Missouri Governor, Lt. Governor, Attorney General, Auditor, Treasurer, or Secretary of State
- **Judges** - Automatically vested on the day you become a member of the Judicial Plan 2011

Interest

- **Terminating Employment After Vested** - If you leave state employment after becoming vested, you will be eligible for a retirement benefit from MOSERS at some point in the future, 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.
- **Terminating Employment Prior to Becoming Vested** - If you leave state employment prior to becoming vested, you are not 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. Please see "Your Refund Options" on page 4. Interest will not continue to accrue on your contributions if you terminate employment prior to becoming vested.

DESIGNATING A BENEFICIARY

When you were hired with the state of Missouri, you completed information online through the Statewide Employee Benefit Enrollment System (SEBES). Information was provided about what would happen to your contributions if you were to die prior to retirement.

You should familiarize yourself with the details below 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

- 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, you must complete a *Contribution Beneficiary(ies)* form. The designation will become effective when the signed, dated form is received at MOSERS during your lifetime.

If Not Married

- If you are not married and 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 your:
 - 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 by completing a *Contribution Beneficiary(ies)* form and submitting it to MOSERS. The designation will become effective when the signed, dated form is received at MOSERS during your lifetime.
- Naming a minor (a person under the age of 18, except an emancipated minor) or estate as your beneficiary for a refund of member contributions 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 interest credited thereon, less any benefits received.

REQUESTING A REFUND

No part of your contributions in the MOSERS trust fund is available for loans or partial withdrawals. You may request a refund of your contributions only if you are no longer working in a MOSERS benefit-eligible position. If you are receiving long-term disability (LTD) benefits, you are not eligible for a refund.

To request a refund, complete the *Request for Refund of Contributions* form, have it notarized, and submit it to MOSERS (available online). Refunds will be paid after ninety days from the date of termination of employment or the request, whichever is later.

Your Refund Options

When you leave state employment, you should carefully consider what to do with the contributions you have accumulated in the MOSERS trust fund. The decision you make can affect your future financial security.

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, does not lose value, and includes a cost-of-living adjustment (COLA) of 0-5% for vested members.

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

- **Option 1** - Leave your contributions with MOSERS.
- **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.
- **Option 3*** - Elect a combination rollover and cash payment (less applicable mandatory withholdings and IRS penalties).
- **Option 4*** - Request a full refund (less applicable mandatory withholdings and IRS penalties).

** Please Note - By receiving a refund you forfeit all your credited service and any future rights to receive benefits from the system. You will not be eligible to receive **any** LTD benefits; if receiving LTD benefits you are not eligible for a refund. The refund or rollover options may be exercised 90 days after you terminate from your MOSERS-covered position.*

Should you anticipate applying for LTD, complete the LTD application process before applying for a refund and contact a benefit counselor.

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.

- **Option 1 - Leave Your Contributions with MOSERS**

- You are not required to withdraw your contributions when you leave. 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 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 - Rollover the Total Amount 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.

- **Option 3 - Elect a Combination Rollover and Cash Payment**

- 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 (below). 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**

- 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 that 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 is treated like earnings 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 federal tax obligations.

REFUNDS - AN OVERVIEW

- **Request After Termination** - If you terminate employment from a MOSERS-covered position you may request a refund of your contributions including any credited interest.
- **If Married** - If you are 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 division of benefit order pursuant to section 104.1051, RSMo.
- **Waiting Period** - Refunds will be paid after 90 days from your date of termination from MOSERS-covered employment, or the request, whichever is later, and will include all contributions you paid to MOSERS plus any credited interest less applicable mandatory federal taxes.
- **No Refund if Eligible for Retirement** - You may not request a refund after you become eligible for normal retirement.
- **Forfeiture of Service** - **By receiving a refund you forfeit all your credited service and future rights to receive benefits from the system.**
- **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.
- **Buying Back Service** - If you later become employed in a MOSERS- or MPERS- covered position and work continuously for at least one year, the credited service previously forfeited will be restored if you return to the system the amount previously refunded plus interest at a rate established by the MOSERS or MPERS board.
- **Form** - A refund distribution will not be processed until the *Request for Refund of Contributions* form is completed and returned to MOSERS.
- **Taxable Income** - 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.
- **Refund of Contributions 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.
- **Time to Process** - Please allow 60 days for MOSERS to process your refund request after the 90 day-waiting period is complete.

IMPORTANT REMINDERS

- **Forfeiture of Service and Future Benefits** - When you withdraw your funds, you forfeit all your rights in the system and lose the service credit you have earned toward a retirement benefit. For vested members, this means forfeiting a lifetime monthly benefit at retirement age.
- **You Have Options** - Withdrawing your funds is voluntary. You are not required to withdraw your funds if you terminate employment. If you do not withdraw your money, it will continue to earn interest if you are vested.
- **Long-term Disability Benefits** - If you terminated employment because of illness or disability, you should check with a MOSERS benefit counselor before requesting a refund of your contributions.

- **Taxes**

- Withdrawal of your contributions may carry a substantial tax liability.
- 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.
- Read the *Special Tax Notice* brochure before requesting a refund.
- 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 590, 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.

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current version of this publication.*

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