



# EMPLOYEE CONTRIBUTIONS

*Managing Your Pension Assets*

**MOSERS**  
MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM

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*This publication summarizes provisions related to employee contributions to the retirement system. For more information about your pension benefits, please visit [www.mosers.org](http://www.mosers.org).*

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*The rules governing withdrawal of your employee 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.*

## Funding Your Retirement System

As a member of the MSEP 2011 or Judicial Plan 2011, you are required to contribute 4% of your pay, by payroll deduction, to the Missouri State Employees' Retirement System (MOSERS) trust fund. Your contributions, along with contributions from your employer and MOSERS' investment earnings, are three sources used to pay pension benefits. If you are interested, you can learn more about [MOSERS' funding](#) on our website.

## Your Membership in a Defined Benefit Plan

The MSEP 2011 and Judicial Plan 2011 are both defined benefit plans. What does that mean? A defined benefit plan is a retirement plan, sponsored by your employer that uses a formula to calculate the amount of your future pension benefit. Defined by law, the formula includes your length of service and your final average pay. Once vested, your age and years of service will determine when you are eligible for retirement.

Additionally, a defined benefit pension plan is different from other retirement funds, like retirement savings accounts, where the amount you receive at retirement depends on your personal investment returns. MOSERS invests the contributions it receives, manages the portfolio, and bears the risk. Regardless of how the investments perform, you are guaranteed a monthly pension benefit, for your lifetime. Annually, you will also receive a cost-of-living adjustment (COLA) of 0-5% in retirement.

## The Value of Your Future Pension Benefit

Even if employed for just a few years, the service credit you earn as a member of MOSERS is a valuable asset. Your 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%. So, if you decide to [leave state employment](#), carefully consider what to do with the contributions you have made to the MOSERS trust fund. The decision you make can affect your future financial security.

- 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.

## Requesting a Refund of Your Employee Contributions

Your contributions to MOSERS are not available for loans or partial withdrawals. However, if you no longer work in a MOSERS benefit-eligible position, you may be eligible to request a refund of your contributions. You are not eligible to receive a refund if the following applies:

- Your retirement benefit is subject to a division of benefit order (DBO) pursuant to section 104.1051, RSMo.
- You are currently receiving long-term disability (LTD) benefits.
- You are eligible for retirement.

By taking a refund, you will lose all your credited service and future rights to receive pension and LTD benefits from MOSERS. If you think you may apply for LTD, complete the 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 [\*Member Request for Refund of Employee Contributions\*](#) form, have it notarized, and submit it to MOSERS. 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, allow 60 days for MOSERS to process your request.

## Options for Managing Your Pension Assets

- **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. Interest is 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 employee contributions.
- \* It is important to keep your email and mailing addresses up to date with MOSERS.*
- **Roll over your employee contributions, plus any interest, to a qualified retirement account.**
    - To roll your distribution over to [MO Deferred Comp](#), your account must be active (you have not closed it since leaving state employment).
    - Taxes will be deferred on the employee contributions you roll over.
    - Federal tax rules may prohibit you from rolling over the entire lump-sum balance. If the IRS requires you to take a minimum distribution, MOSERS will automatically calculate and issue the cash portion directly to you.
  - **Roll over a portion of your employee contributions, plus any interest, to a qualified retirement account and have the remainder paid directly to you in a lump sum.**
    - To roll your distribution over to [MO Deferred Comp](#), your account must be active (you have not closed it since leaving state employment).
    - Taxes will be deferred on any contributions you roll over to a qualified retirement account. For the remainder paid directly to you in a lump sum, IRS rules require MOSERS to withhold 20% for federal income tax (unless the amount is less than \$200). You will be responsible for any state, local, or other taxes that may apply.
    - If you are younger than 59½, a 10% early distribution tax penalty may apply.
    - Federal tax rules may prohibit you from rolling over the ENTIRE lump-sum balance. If the cash portion of your distribution is less than the IRS minimum, MOSERS will automatically calculate and issue the IRS “required minimum distribution” of cash directly to you.

- **Elect to receive the entire amount of the refund in a cash payment.**
  - If you withdraw your money, IRS rules require MOSERS to withhold 20% for federal taxes unless the amount is less than \$200.
  - If you are younger than 59½, a 10% early distribution tax penalty may apply.

If you take any of your refund in cash, it will be taxed in the year you receive payment. You will receive a Form 1099-R from MOSERS for tax filing purposes. See the [Taxes and Your Refund](#) section of this brochure for additional information.

### **Requesting a Refund for a Deceased Member**

If you are entitled to receive a refund of employee contributions from MOSERS because of a member's death, you must complete, sign, and notarize the [Beneficiary Request for Refund of Employee Contributions](#) form.

- **Surviving spouse** – As the surviving spouse of a deceased member, your rollover options are the same as the member.
 

If you choose to roll over 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 will be subject to the 10% additional income tax on early distributions on payments made to you before you are age 59½ (unless an exception applies). Required minimum distributions start after you are age 72.
- **Surviving beneficiary other than a spouse** – As the surviving beneficiary other than a spouse, you may choose a direct rollover to an IRA. Payments from the IRA are not subject to the 10% additional income tax on early distributions. Minimum distributions from the inherited IRA are required if the deceased member would have been age 72 or older.
- **Nonresident alien** – As a nonresident alien, if you do not elect a direct rollover to a U.S. IRA or U.S. employer plan, MOSERS is required to withhold 30% for payment of federal 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 you are entitled to a reduced rate of withholding under an income tax treaty. See IRS Publication 519, U.S. Tax Guide for Aliens, and IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities for more information.

If you take any of your refund in cash, it will be taxed in the year you receive payment. You will receive a Form 1099-R from MOSERS for tax filing purposes. See [Taxes and Your Refund](#) for additional information.

## Designating a Beneficiary and Keeping Them Current

Key **life events**, which may occur during your career and in retirement, could have an impact on your benefits. You can easily update your personal information and your beneficiary information at any time.

If you have not done so already, be sure to designate a beneficiary to receive your contributions if you die prior to retirement. Be sure 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.

To add or change your beneficiary, you must complete and submit a **Contribution Beneficiary(ies)** form. Your designation will become effective when the completed form is received by MOSERS during your lifetime. Keep the following in mind when designating a beneficiary.

- Your surviving spouse will automatically become the beneficiary of any contributions, plus any interest, made by you to MOSERS, unless your spouse is eligible to receive a **monthly survivor benefit**. You may designate someone other than your spouse as the beneficiary.
- If you do not have a surviving spouse, and you do not have a **Contribution Beneficiary(ies)** form on file at MOSERS, the assets in your account will be distributed in the following order of priority upon your death.
  - 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.
- 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.

## Taxes and Your Refund

- Before requesting a refund, read the *Special Tax Notice*. It is included with your refund form and is available on our website.
- Withdrawal of 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. Since you may also owe state taxes on this distribution, you may request that MOSERS withhold for state taxes as well.
- Any MOSERS-paid interest on your contributions is tax-deferred. If you choose to transfer or roll over contributions to an IRA or eligible retirement plan, that entity must agree to accept it.
- Beginning in the year you reach age 72, the IRS requires that you begin receiving a certain portion of your benefit. This portion of your benefit cannot be rolled over.
- MOSERS staff is not authorized to give tax advice. You may wish to consult with a professional tax advisor before withdrawing your contributions and 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, at [www.irs.gov](http://www.irs.gov), or by calling (800) TAX-FORM or (800) 829-1040.



## Summary

- The service credit you accumulate with MOSERS is a valuable asset. Once vested, your MOSERS pension is guaranteed for life, does not lose value, and includes a cost-of-living adjustment (COLA) of 0-5% in retirement.
- You may choose to take a refund or leave your contributions with MOSERS.
  - Your 4% contributions help pay the cost of your future pension benefit and could potentially pay you back far more than you contributed.
  - A refund includes your contributions and any interest. Taxes may apply.
- You are not eligible for a refund if:
  - You are receiving long-term disability (LTD) benefits.
  - Your pension benefit is subject to a division of benefit order (DBO) due to a divorce.
  - You are eligible for normal retirement.
- You forfeit all your credited service and future rights to receive pension benefits from MOSERS when you take a refund.
- You are no longer eligible to receive any long-term disability benefits if you take a refund.
- If you left employment because of illness or disability, check with a MOSERS benefit counselor before requesting a refund of contributions.
- To request a refund, you and your spouse, if applicable, must complete, sign, and notarize the *Member Request for Refund of Employee Contributions* form.
- There is a 90-day waiting period from your date of termination or the request (whichever is later). After the 90-day waiting period, allow 60 days for MOSERS to process your request.
- The refund of contributions becomes irrevocable the day MOSERS mails or electronically transfers payment.
- Keep your beneficiaries current.
- If you die after submitting a *Member 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, MOSERS will issue payment as permitted by law.
- To restore the service credit you forfeited by taking a refund, you must return to work as a state employee, work continuously for at least one year, and repay the previously refunded amount, plus interest, at a rate established by the MOSERS Board of Trustees.



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Visit us at 907 Wildwood Drive or online at [www.mosers.org](http://www.mosers.org).

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