



EMPLOYEE CONTRIBUTIONS

Managing Your Pension Assets

MSEP 2011 & Judicial Plan 2011

MOSERS
MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM

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Managing Your Pension Assets

MSEP 2011 & Judicial Plan 2011

This publication summarizes provisions related to employee contributions to the retirement system. For more information about your pension benefits, please visit www.mosers.org.



We Are Here to Help

Benefit counselors are a valuable source of information regarding your benefits and are available to assist you.



Schedule an Appointment

Speak with a benefit counselor by phone or make an appointment to visit our office.



Call Center Hours

Monday–Friday
8:00 am–12:00 pm
1:00 pm–4:30 pm



Contact Us

Toll Free: (800) 827-1063
In Jefferson City: (573) 632-6100
Fax: (573) 632-6103



Visit Us

907 Wildwood Dr
Jefferson City, MO



Mailing Address

PO Box 209
Jefferson City, MO 65102-0209



Website

www.mosers.org

Log in to [myMOSERS](#) to access your personal information, submit forms, and more.

Connect with Us on Social Media

Be sure to follow us on social media. It's a great way to stay informed and learn about your MOSERS benefits. Invite your coworkers to join us, too!



Employee Contributions

When MOSERS was first established in 1957, by law, state employees contributed 4% of their pay to the System. In 1972, following a period of no or very modest pay raises for state employees, policy makers eliminated employee contributions in lieu of giving employees a pay raise.

In 2010, the Missouri General Assembly made changes to pension plans. That legislation reinstated employee contributions at 4% of gross pay on a before-tax basis for members first employed by the state on or after January 1, 2011. It also increased the retirement age. However, state employees retained the valuable defined benefit plan structure.

These changes have already produced cost savings. They will continue to reduce overall pension costs for the state going forward, helping to ensure MOSERS' sustainability over the long term.

Currently, more than 60% of active state employees contribute 4% of their pay to the System.

You can learn more about [MOSERS' funding](#) on our website.

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If you are viewing a PDF of this brochure, use the links provided in blue to quickly locate information about a topic. Click on any topic in the table of contents to go directly to that page.



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 tax information, you should consult an accountant, other qualified financial adviser, or the IRS.

Plan Membership & Funding Overview

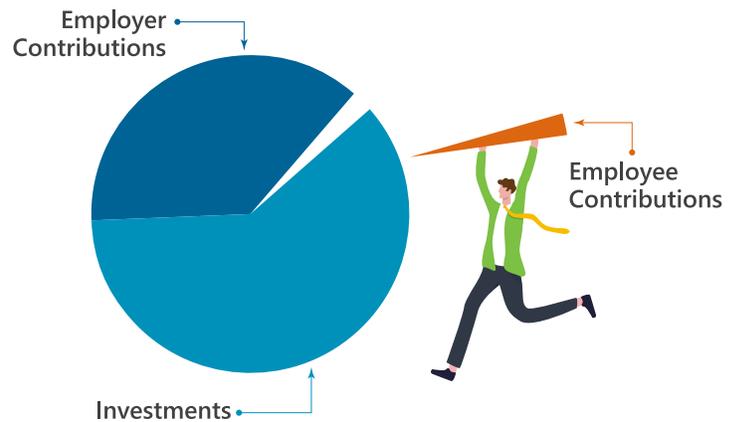
Your Defined Benefit Plan

MSEP 2011 and the 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.

Funding Your Retirement System

As a member of MSEP 2011 or the 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.



Money to pay pension benefits comes from three sources: contributions from employers, contributions from employees, and investment earnings.

Managing Your Pension Assets

Even if employed for just a few years, the service credit you earn as a member of MOSERS is a valuable asset. Once vested, your MOSERS pension is guaranteed for life, retains its 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 MOSERS' trust fund. Your decision can affect your future financial security.

Beneficiary Designations for Your Employee Contributions

Certain **life events** may impact your pension benefits. If you have not done so already, designate a beneficiary to receive your employee contributions if you die prior to retirement. Be sure to keep MOSERS updated and make necessary changes (as allowed by law) to your beneficiary(ies) if you marry, divorce, or your spouse dies.

To add or change your beneficiary(ies), log in to **myMOSERS** and select **Update Beneficiaries** from the Member Dashboard. Your designation will become effective when MOSERS receives your online submission. Keep the following in mind when designating a beneficiary:

- You may designate a person, trust, organization or estate as beneficiary.
- 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.
- Your surviving spouse will automatically become the beneficiary of any contributions, plus any interest, made by you to MOSERS, if you do not have a designated beneficiary on file at MOSERS.
- If you do not have a surviving spouse, 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.

- 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.
- If you fail to complete and designate a beneficiary for your contributions, it could delay payment.

Leaving Your Employee Contributions with MOSERS

You are not required to withdraw your employee contributions if you leave state employment. You may leave your contributions with MOSERS if you think you may return to state employment in the future.

Vested Members

If you are vested and choose to leave your contributions with MOSERS, you will be eligible for a future pension benefit once you meet both the age and service requirements. MOSERS will continue to pay interest on your contributions 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. Interest is calculated using the 52-week treasury bill rate.

If you return to state employment and you left your contributions intact, your prior service will be restored.

Non-Vested Members

If you leave state employment prior to becoming vested, you will not be eligible for a future pension benefit and interest will not continue to accrue on your contributions.

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. If you are not vested, we will combine your prior service with your new service once you have completed 12 continuous months of employment.

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 normal 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, please **contact a MOSERS benefit counselor** prior to requesting a refund.

To request a refund, complete the **Member Request for Refund of Employee Contributions** form, have it notarized, and submit it to MOSERS. Missouri law requires MOSERS to pay your refund within an administratively reasonable period but **no sooner than 90 days** from the date your state employment ended.

Options for Receiving Your Refund

- **Roll over your employee contributions, plus any interest, to a qualified retirement account.**
 - To roll over your distribution 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 refund. If an IRS required minimum distribution is required, 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 over your distribution 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 limit the amount you can roll over. If an IRS required minimum distribution is required, MOSERS will automatically calculate and issue the cash portion 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.

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 a 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 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.
- MOSERS staff is not authorized to give tax advice. You may wish to consult with a professional tax advisor before withdrawing your contributions and 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, or by calling (800) TAX-FORM or (800) 829-1040.

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 73.
- **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 73 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 (this 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 if you are 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.

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.
- Your 4% contributions help pay the cost of your future pension benefit, and that pension could potentially pay a much greater amount than you contributed.
- You may choose to take a refund or leave your contributions with MOSERS if you leave state employment.
 - 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 benefits 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 if you take a refund.
- If you left employment because of illness or disability, check with a MOSERS benefit counselor about possible long-term disability benefits 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.
- Missouri law requires MOSERS to pay your refund within an administratively reasonable period, but no sooner than 90 days from the date your state employment ended.
- If you leave state employment, once MOSERS is notified by your employer, we will send you a letter outlining your options for your employee contributions, along with a Request for Refund of Employee Contributions form. Please do not request a refund before you receive the letter from MOSERS. We cannot accept it until we have processed your termination of employment.

- The refund of contributions becomes irrevocable the day MOSERS mails or electronically transfers payment.
- Designate a beneficiary(ies) for your employer contributions in [myMOSERS](#) and keep your beneficiaries current.
- To restore the service credit you forfeited by taking a refund, you must return to work as a state employee in a benefit-eligible position, 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.



Do you have a new email? Have you, or your beneficiaries, changed names or moved? Recently married or divorced? It's important to periodically review and update your information on file with MOSERS.

To review or make changes to your beneficiary designations, log in to [myMOSERS](#) or contact a benefit counselor to request paper forms be mailed to your address.

