



STAYING connected



MoDOT & Patrol Employees' Retirement System

December 2011

2012 COLA Rate to be Determined Late January

The 2012 cost-of-living allowance (COLA) will be calculated and announced late January, which is when the U.S. Department of Labor generally releases the December CPI-U numbers needed for the calculation.

Once the 2012 COLA rate is determined, MPERS will post it on www.mpers.org and send a notice with your January payment stub.

The laws authorizing MPERS to pay a COLA also dictate how the annual COLA rate is determined.



Based on data for the first 11 months of the year, it appears there will be a COLA in 2012. The COLA rate for the following benefit recipients will be based on 80% of the increase in the Consumer Price Index (CPI-U), with an annual maximum of 5%:

- Year 2000 Plan retirees/payees.
- Closed Plan retirees/payees who have already met their 65% COLA cap.
- Closed Plan retirees/payees who were hired on or after August 28, 1997.

Closed Plan Members Who Are Still Eligible for the 4% COLA

Eligible Closed Plan retirees/payees who have **NOT** reached their 65% COLA cap will receive a 4% COLA in October 2012. Generally speaking, the COLA cap under the Closed Plan is reached in approximately 12 years (includes the BackDROP period, if applicable).

Important Reminders

1. 2012 medical premiums start with your December benefit payment.
2. 2012 Federal tax tables changes will show up on your January payment.
3. 2012 COLA rate will be determined late January (after release of CPI-U data).
4. 1099-R tax forms will be mailed by January 31st.
5. You can change your tax withholding election any time.
6. Ask your tax preparer about potential 2011 Federal and MO tax exemptions.

See more information inside this newsletter!

myMPERS online

- View your monthly benefit payments online.
- Submit a *W-4P Substitute* tax withholding form online.
- Download forms and publications.

How to Register for myMPERS Online Secure Member Access

1. Go to www.mpers.org
2. Click on the **myMPERS Login** button in the left menu.
3. Click on **Register Now!**
4. Provide the requested information to create your personal **Username** and **Password**.
5. Click **Submit**.

1099-R Tax Forms Will be Mailed to You by January 31st

Keep your December benefit payment stub. It provides important year-to-date totals like your gross benefit, Federal/MO State taxes, and medical premiums.

Tax time is here again. By law, MPERS has until **January 31** to mail 1099-R tax forms to benefit recipients. Please be patient. It takes time to reconcile year-end totals to insure accurate reporting. You will need this form to file your 2011 tax return.

If you received more than one type of benefit payment from MPERS in 2011, you will receive a separate 1099-R for each type of benefit payment. For example, if you received a BackDROP payment in 2011 in addition to your monthly benefit payments, you will receive a 1099-R for your BackDROP and a separate 1099-R for your monthly benefit payments. All 1099-Rs will be mailed at the same time.

Sample of 1099-R

| | | | | |
|--|-------------------------------------|---|---|---|
| <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED | | OMB No. 1545-0119 | | Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. |
| PAYER'S name, street address, city, state, and ZIP code | | 1 Gross distribution | 2011 | |
| | | \$ | 2a Taxable amount | Form 1099-R |
| | | \$ | 2b Taxable amount not determined <input type="checkbox"/> | Total distribution <input type="checkbox"/> |
| PAYER'S federal identification number | RECIPIENT'S identification number | 3 Capital gain (included in box 2a) | 4 Federal income tax withheld | Copy 1 For State, City, or Local Tax Department |
| | | \$ | \$ | |
| RECIPIENT'S name | | 5 Employee contributions, Designated Roth contributions or insurance premiums | 6 Net unrealized appreciation in employer's securities | |
| Street address (including apt. no.) | | 7 Distribution code(s) | 8 Other | |
| City, state, and ZIP code | | IRA/SEP/SIMPLE <input type="checkbox"/> | % | |
| | | 9a Your percentage of total distribution % | 9b Total employee contributions % | |
| 10 Amount allocable to IR within 5 years | 11 1st year of desig. Roth contrib. | 12 State tax withheld | 13 State/Payer's state no. | 14 State distribution |
| \$ | | \$ | | \$ |
| Account number (see instructions) | | 15 Local tax withheld | 16 Name of locality | 17 Local distribution |
| | | \$ | | \$ |

Form 1099-R Department of the Treasury - Internal Revenue Service

Tax Withholding Notice



The Tax Equity and Fiscal Responsibility Act of 1982 requires that we remind you each year that the monthly benefit payments you receive from MPERS are subject to Federal tax withholding.

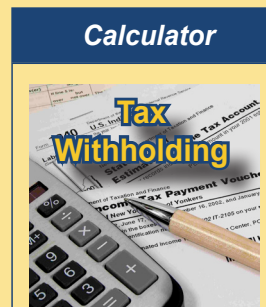
If you claim residence in Missouri, your retirement benefits are also subject to state tax. MPERS will withhold Missouri income tax at your request.

MPERS does **not** withhold state taxes for any state other than Missouri. If you have questions regarding state taxes where you live, we recommend that you contact the appropriate state and local tax authorities in your state.

Keep in mind that you may change your tax withholding election at any time, using one of the following methods:

- Submitting a *W-4P Substitute* electronically, using MPERS' Secure Member Access - www.mpers.org (Register for your personal Username and Password on MPERS' website.)
- Completing a new *W-4P Substitute* form, which is available on our website or by contacting MPERS' office.

www.mpers.org



For your convenience, there is a Federal and Missouri State tax withholding calculator on MPERS' website (must have Microsoft Excel on your computer).

Link to calculator located in lower left corner of home page.

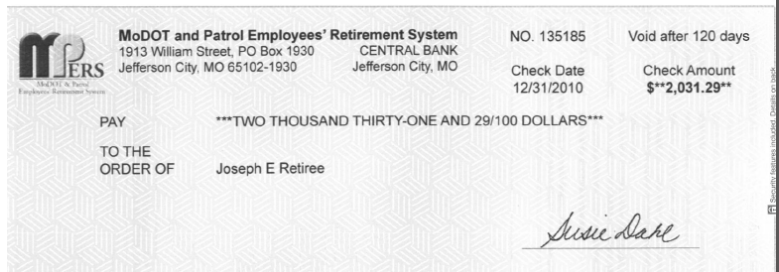
Is the Net Amount of Your Benefit Payment Different?

This might explain why... Each December and January, we receive calls from benefit recipients asking – “Why is the amount of my benefit payment different?” Below are the most common reasons why your **net** benefit (after taxes/deductions) might be different in December or January.

Comparing the deduction amounts on your current monthly payment stub, with the deductions from your previous month’s payment stub, will help you identify the amount(s) that changed.

MoDOT and Patrol Employees’ Retirement System 1913 William st, PO Box 1930 Jefferson City, MO 65102-1930

| | | Income | Current | Year to Date | Deductions | Current | Year to Date |
|--------------------|--|------------|------------|--------------|------------------|------------|--------------|
| Check Number | 136185 | Retirement | \$2,478.99 | \$24,769.90 | Federal Tax | \$311.70 | \$3,117.00 |
| Check Date | 12/31/2010 | | | | MO-State Tax | \$32.00 | \$320.00 |
| Withholding Status | | | | | Medical | \$102.00 | \$1,020.00 |
| Federal State | Single/0 + \$34.00 Flat Amount \$32.00 | | | | | | |
| Messages | | | | | Total Income | \$2,478.99 | \$24,769.90 |
| | | | | | Total Deductions | \$445.70 | \$4,457.00 |
| | | | | | Net Benefit | \$2,031.29 | \$20,312.90 |



If Your December Benefit Payment is Different...

- Medical Premiums.** If you have medical coverage through the MoDOT/MSHP Medical and Life Insurance Plan, you could see a difference in the net amount of your December benefit payment. The new medical insurance premiums go into effect each January. However, the premiums for your coverage come out of your benefit payment the month before the actual coverage. For example, the premiums for your January coverage are deducted from your December benefit payment. The Medical Plan sent a reminder announcement with your November payment stub.

Medical Insurance Questions?
Call (877) 863-9406, Option 3
Dental/Vision Insurance Questions?
Call (800)487-0771

- Dental/Vision Premiums.** If you have dental or vision coverage through the Missouri Consolidated Health Care Plan (MCHCP), the new premiums go into effect each January. The premiums for your January coverage will be deducted from your December benefit payment.

If Your January Benefit Payment is Different...

- Federal and/or Missouri State Tax Withholding.** Generally speaking, the new federal tax withholding tables go into effect each January. When the new tax tables go into effect, your net benefit (after tax) amount can be more or less, depending on your tax withholding election.

For your convenience, a simple tax withholding calculator is available on the home page of MPERS’ website at www.mpers.org. The calculator will allow you to estimate the net amount of your benefit payment, based on the tax withholding and applicable deductions you enter (*must have Microsoft Excel on your computer to operate the calculator*).

This calculator is available for estimate purposes only and does **not** change your tax withholding elections. You may change your Federal or Missouri State tax withholding election at any time by completing a new *W-4P Substitute* withholding form and submitting it to MPERS. The form is available on our website at www.mpers.org or by calling (800) 270-1271.

2011 Federal and Missouri Income Tax Exemption Reminders

As a retiree, you might be eligible for certain Federal or Missouri State tax exemptions when you file your annual income tax return. **If you have questions regarding these exemptions or your taxes in general, please contact a tax professional or the Missouri Department of Revenue. MPERS staff cannot answer your tax questions.**

Federal Tax Exemption

Pension Protection Act of 2006

(for retired public safety officers)

The Pension Protection Act of 2006 allows **retired public safety officers** to exclude up to a maximum of \$3,000 in medical, dental, and vision insurance premiums made from your eligible retirement plan. A **public safety officer** is defined as a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew. **(Keep your December payment stub for the total premiums paid.)**



Qualified Health Insurance Premiums Subtraction

Qualified health insurance premiums you paid (including those withheld from your pension benefit) may be used to reduce your Missouri adjusted gross income. Do not include any pre-tax premiums paid, any premiums already excluded from Federal taxable income, or any long-term care insurance premiums. A worksheet is provided with the MO-1040/MO-A instructions that should be used to determine the allowable subtraction. **(Keep your December payment stub for the total medical premiums paid.)**

Missouri State Tax Exemptions

Public Pension Exemption

Married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000, may deduct the greater of \$6,000 or 80% of their public retirement benefits, to the extent the amounts are included in their Federal adjusted gross income. The deductible percentage of their public retirement benefits will increase each year until 2012. The limit for 2011 will be 80% and 2012 going forward will be 100%. The total public pension exemption is limited to \$34,141 for each spouse.

Social Security and

Social Security Disability Deduction

Married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000, may deduct up to 65% of taxable Social Security and Social Security Disability Benefits. The deductible percentage of their Social Security and Social Security Disability Benefits will increase until 2012. The limit for 2011 will be 80% and 2012 going forward will be 100%. Individuals must be age 62 to qualify for a Social Security deduction.

Military Retirement Income Deduction

Beginning January 1, 2010, HB 82 authorizes an income tax deduction from a taxpayer's Missouri adjusted gross income for 15% of any military retirement income, regardless of age or income. The tax deduction rate will increase by 15% annually until January 1, 2016, when it is fully phased in and all of the military retirement income will be deductible.

Public Safety Officer Surviving Spouse (SSC) Tax Credit

Any surviving spouse of an eligible public safety officer (includes highway patrol and commercial motor enforcement officers), who was killed in the line of duty, may be eligible for a credit against the tax due under Chapter 143, RSMo., excluding withholding tax, equal to the amount of property taxes paid on their homestead.

For tax years beginning on or after January 1, 2008, the credit may be claimed for the tax year beginning the year of the death of the public safety officer until the surviving spouse remarries. To claim the credit, attach forms MO-SSC or MO-TC to your individual income tax return.

<http://dor.mo.gov/taxcredit/>