



# STAYING connected



MoDOT & Patrol Employees' Retirement System

December 2014

## Gross-to-Net Benefit Modeling

The **Gross-to-Net Benefit Modeling** tool allows you to:

- 1 See your current benefit amount, tax withholdings, and deductions.
- 2 Apply different tax withholding options and deductions to calculate an estimated benefit.
- 3 Update your tax withholdings based on the estimated benefit calculation (*if you wish to update*). By clicking on "Update Withholding," your withholding election will be submitted to MPERS (*no form required*).

**Gross-to-Net Benefit Modeling**

John E Retiree      Selected Benefit Type: Service Retirement (Active)

Current Benefit Amount		Estimated Benefit	
Total Monthly Benefit:	\$1,362.38	Total Monthly Benefit:	\$1,362.38
Total Taxable Amount:	\$1,352.41	Total Taxable Amount:	\$1,352.41
Federal Withholding:	\$186.86	Federal Withholding:	
Option: Tax Table + Extra Amount		Option: Tax Table + Ex	
Marital Status:	Single	Marital Status:	Single
# of Allowances:	0	# of Allowances:	0
Extra Withholding:	\$50.00	Extra Withholding:	50.00
MO State Withholding:	\$50.00	MO State Withholding:	
Option: Flat Amount		Option: Flat Amount	50
Flat Amount:	\$50.00	Flat Amount:	50
Deductions:	\$197.00	Deductions:	197.00
Net Amount:	\$928.52	Net Amount:	\$928.52

Calculate

To apply the withholding elections entered on this screen to your benefit, click the 'Update Withholding' button below. These changes will be made effective as of 10/1/2014.

Update Withholding

### Same-Sex Spousal Benefits

On October 3, 2014, a ruling by the Jackson County Circuit Court (Barrier et al. vs. Vasterling, et al.) requires same-sex spouses, who were legally married in a state or country allowing same-sex marriage, to be recognized as married by the State of Missouri. The judge indicated that Article I, Section 33 of the Missouri Constitution and Sections 451.022 and 104.012, RSMo., are unconstitutional under the U.S. Constitution. On October 6th, Missouri's Attorney General announced that he would not appeal the judgment.

At their November board meeting, MPERS' Board of Trustees voted to accept the rulings by adopting a policy to allow legally married same-sex couples to elect a joint and survivor benefit payment option for his/her spouse.

- Members in legal same-sex marriages who **retire after December 5, 2014** may elect a Joint & Survivor benefit payment option at retirement under the same rules and procedures that apply to married heterosexual couples.
- Members in a legal same-sex marriage who **retired prior to December 5, 2014** will have until **December 5, 2015** to elect a Joint & Survivor payment option. After the 1-year special election period, the payment option cannot be changed.

If you are retired and in a legal same-sex marriage performed in a statutorily authorized ceremony, please contact a MPERS benefit specialist to discuss the exchange of information necessary to consider making this decision during this special election period.

### Pension Advancement Situations

During the 2014 Legislative Session, HB 1217 passed and was signed into law to protect your monthly benefit from pension advancement schemes. Your MPERS benefit payment cannot be transferred or assigned. For your protection, pension advancement situations (cash advance schemes) are strictly prohibited. The pension assignee is not allowed to use any device, scheme, transfer, or other artifice to access an account in which MPERS benefits have been deposited. Any contract or agreement made in violation of this provision is considered void and all sums paid or collected by an assignee must be returned.



# Understanding Your 1099-R

- 1099-R tax forms will be mailed to you by January 31st**  
 You will receive a separate 1099-R for **each type of benefit payment** you received from MPERS in 2014 (e.g. *monthly benefit payment, BackDROP distribution, survivor benefits, etc.*). Once your 1099-R has been mailed to you, the information will be available through Secure Member Access on our website ([www.mpers.org](http://www.mpers.org)).

## Notable Sections of Your 1099-R

Distributions from pensions, annuities, retirement, or profit-sharing plans, IRAs, insurance contracts, etc.		<b>2014</b>	OMB No 1545-0119 FORM 1099-R
Account no. (see instructions) 133336		CORRECTED (if checked) <input type="checkbox"/>	
PAYER'S name, street address, city, state, and ZIP code			
MoDOT and Patrol Employees' Retirement System 1913 William Street PO Box 1930 Jefferson City, MO 65102-1930			
PAYER's federal identification number 44-6006203		RECIPIENT'S identification number 123-45-6789	
RECIPIENT'S name, street address, city, state, and ZIP code			
John E Retiree 123 N Main St Jefferson City, MO 65109			
1 Gross distribution	\$45,600.00	2a Taxable amount	\$42,460.00
2b Taxable amount not determined	<input type="checkbox"/>	4 Federal income tax withheld	\$3,532.20
Total distribution		7 Distribution code(s)	7
5 Employee contributions	\$3,140.00	9b Total employee contributions	\$
9a Percentage total distributions	\$	13 State/Payer's state no.	MO-00402432686
12 State tax withheld	\$1,200.00		

John E Retiree  
123 N Main St  
Jefferson City, MO 65109

Sample 1099-R  
(for illustrative purposes only)



Box #	Description of Amount
<b>1</b>	<b>Gross Distribution:</b> Total amount paid to you by MPERS in 2014.
<b>2a</b>	<b>Taxable Amount:</b> Portion of your total benefit received that is considered "taxable income." ( <i>Amount may be different from Box 1 if you purchased service credit before retirement - see Box 5.</i> )
<b>4</b>	<b>Federal Income Tax Withheld:</b> Total amount of Federal income tax withheld from your MPERS benefit payment in 2014.
<b>5</b>	<b>Employee Contributions:</b> Difference between Box 1 and 2a. Portion of amount paid to purchase service that is excluded from your taxable amount ( <i>if you purchased service before retirement using after-tax dollars.</i> )
<b>7</b>	<b>Distribution Code(s):</b> The code identifies the type of benefit paid (e.g. <i>retirement, BackDROP, survivor, etc.</i> ). Codes are listed on the back of the 1099-R form.
<b>12</b>	<b>State Tax Withheld:</b> Total amount of Missouri State income tax withheld during 2014 ( <i>if applicable.</i> )

## Tax Withholding Notice

- 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.
- You may change your Federal and Missouri State tax withholding election electronically, at any time, in the secure portion of MPERS' website (*no paper form required*). If you prefer a paper form, the *W-4P Substitute* tax withholding form is available on MPERS' website ([www.mpers.org](http://www.mpers.org)).

## Important Reminder of Annual Deduction Changes



Each December and January, MPERS receives calls from benefit recipients asking **"Why is the amount of my benefit payment different?"**

Below are the most common reasons why the net amount (*after taxes/deductions*) of your benefit might be different in December and/or January.



**MPERS will send you a letter any time the amount of your benefit payment changes.**



### Deductions That Change Each **December**

#### **MoDOT/MSHP Medical Premiums**

**If you have medical coverage through Employee Benefits and have questions regarding the premium, please call Employee Benefits at (877) 863-9406, Option 3.**

- The new 2015 medical insurance premiums begin with your **December** benefit payment.
- **Reason it changes in December:** The premium you pay one month is for the following month's insurance coverage. For example, the premium deducted in December is for your January coverage.



#### **Dental/Vision Premiums** (through Missouri Consolidated Health Care Plan)

**If you have dental/vision coverage through the Missouri Consolidated Health Care Plan (MCHCP) and have questions regarding the premiums, please call MCHCP at (800) 487-0771.**

- The new 2015 dental and vision insurance premiums begin with your **December** benefit payment.
- **Reason it changes in December:** The premium you pay one month is for the following month's coverage. For example, the premium deducted in December is for your January coverage.



### Deductions That Change Each **January**

#### **Federal Tax Withholding**

**If you have questions regarding your Federal or Missouri State tax withholding, please contact a tax professional.**

- The IRS generally changes the federal tax withholding tables every **January**.
- The new tables will be used to calculate your deduction if your withholding election is based on marital status and number of allowances (e.g. single with 1 allowance, married with 2 allowances, etc.).

### **2015 COLA Rate to be Determined Late January**

The 2015 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 Consumer Price Index for All Urban Consumers (CPI-U) numbers needed for the calculation.

**Once the 2015 COLA rate is determined, MPERS will post it online at [www.mpers.org](http://www.mpers.org)**

# Reminder of Potential Federal and Missouri State Tax Reductions



Tax time is fast approaching. For your convenience, this page provides a list of **potential** ways you **might** be eligible to reduce your Federal or Missouri State tax liability when you file your annual income tax return. **If you have questions regarding these potential reductions or your taxes in general, please contact a tax professional or the Missouri Department of Revenue. MPERS staff cannot answer your tax questions.**

## Potential Federal Tax Reduction

### 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 health insurance premiums made from your eligible retirement plan. A **public safety officer** is defined as law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew. **(The total health insurance premiums paid will be available on your 1099-R tax form.)**



## Potential Missouri State Tax Reductions

### Public Pension Reduction

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 100% of their public retirement benefits, up to the Social Security limit. Those with a Missouri adjusted gross income greater than the amounts listed above may qualify for a partial reduction.

### Social Security and Social Security Disability Reduction

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 100% of taxable Social Security and Social Security Disability Benefits. Those with a Missouri adjusted gross income greater than the amounts listed above may qualify for a partial reduction. **Individuals must be at least age 62 to qualify for a Social Security reduction.**

The Public Pension Exemption amount must be decreased by the amount equal to what is granted under the Social Security and Social Security Disability Deduction.

### Qualified Health Insurance Premiums Subtraction

Qualified health insurance premiums you paid (*including those withheld after taxes from your pension benefit*) may be used to reduce your Missouri adjusted gross income. Do **not** include any pre-tax premiums paid, any premiums excluded from Federal taxable income, or any long-term care insurance premiums. A worksheet is provided with the MO-1040 and MO-A instructions that should be used to determine the allowable subtraction. **(The total medical premiums paid are available on your 1099-R tax form.)**

### Public Safety Officer Surviving Spouse (SSC) Tax Credit

Any surviving spouse of an eligible public safety officer (*includes highway patrol, commercial motor enforcement officer, and water patrol officer*), 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.

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.

### Missouri Dept. of Revenue Tax Assistance Centers

Tax Assistance Centers throughout Missouri have been closed due to budget cuts.

Contact information for the Department of Revenue:

**Phone: (573) 751-3505**

**Email: dormail@dor.mo.gov**

**<http://dor.mo.gov/personal/ptc/>**

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

*The information in this newsletter does not amend or overrule any applicable statute, Internal Revenue Code, or administrative rule. In the event of conflict, the applicable statute, Internal Revenue Code, or administrative rule will prevail.*