

What is a bona fide separation of service?

A bona fide separation of service is an IRS requirement that has two parts:

1. A legitimate break in service **and**
2. No prearranged future employment with employers covered under the MoDOT & Patrol Employees' Retirement System (MPERS) or the Missouri State Employees' Retirement System (MOSERS).

What is considered a legitimate break in service?

A legitimate break in service for MPERS and MOSERS covered agencies is 30 days.

What defines prearranged future employment?

Prearranged future employment means that there was a definite plan for reemployment after your official retirement date. This usually comes in the form of a discussion with a supervisor or manager prior to retirement to begin a new position at some point after retirement. Even if there is a longer break in service than the required 30 days, this still fails to meet the IRS requirement of a bona fide separation because a return to work after retirement has been discussed and decided prior to retirement.

Why is this required?

This is an IRS requirement to validate retirements from tax-qualified retirement plans such as MPERS, MOSERS, etc.

Does future employment include non-benefit-eligible positions, seasonal and temporary work?

Yes, future employment is any position with any state of Missouri agency regardless of it being benefit eligible or non-benefit eligible. This includes part-time, full-time, seasonal, and temporary positions. This includes any position with a MOSERS-covered agency.

[View a list of MOSERS-covered agencies here.](#)

What is MPERS' responsibility if a retiree fails to meet both requirements of a bona fide separation?

If MPERS is aware of a prearranged future employment at the time of retirement, the retirement may be delayed until the IRS requirements are met. If you retire and are later audited by the IRS, the IRS agent may question whether there was a bona fide separation. If it is determined that there was not a bona fide separation, you may have to pay back to MPERS the retirement benefits you received and the retirement will be reversed. In this scenario, the status at retirement would be changed from active to terminated vested and could possibly impact medical insurance and death benefits. In addition, failure to meet the requirements could affect the former employer and MPERS. If the IRS determines that employees, employers and/or MPERS are not in compliance with the IRS rules, then the preferential tax treatment that MPERS, the employers, and employees receive based on MPERS' status as a qualified plan could be lost.

After retirement, does it matter if I return to work under a different state agency that is covered by MOSERS?

The IRS requirement applies to both MPERS- and MOSERS-covered agencies.

Is this a new IRS requirement?

It may seem like this is a new requirement; however, it is not. It is ideal for pension plans to have a formal rule in place to prevent the risk of losing preferential tax treatment for the system, the employers and the employees. However, with or without a formal board rule in place, these requirements are mandated by the IRS, and therefore must be followed. In the unlikely event the IRS audits a retiree, reemployment after retirement would be subject to review and final determination by the IRS.

If you have additional questions regarding bona fide separation and reemployment after retirement, please contact an MPERS' benefit specialist at 800-270-1271 or mpers@mpers.org.