



Understanding the Rule of 80

Missouri Local Government
Employees Retirement System

Narrated by: Robert Wilson, Manager of Member Services



How is a Benefit Calculated?

Benefit Program

X

Years of Service Credit

X

Final Average Salary

=

Monthly Benefit for Life



Regular Retirement Eligibility

- Must be Vested with 5 Years of Service Credit
- Age 60 for General Employees
- Age 55 for Police Officers & Fire Fighters



Early Retirement

- Must be Vested with 5 Years of Service Credit
- Age 55 - 59 for General Employees
- Age 50 - 54 for Police Officers & Fire Fighters
 - Benefit is reduced by $\frac{1}{2}$ of 1% for each month the member is younger than his or her Regular Retirement Age (6% per year).



Early Retirement Examples

- Member retires two Years Early
 - 24 months early x $\frac{1}{2}\%$ = 12% reduction
 - Employee Benefit: $\$500 \times 88\%$ = \$440 per month
- Member retires five Years Early
 - 60 months early x $\frac{1}{2}\%$ = 30% reduction
 - Employee Benefit: $\$500 \times 70\%$ = \$350 per month



What is the Rule of 80?

- Early Retirement Provision
- Allows member to retire early with NO Reduction
 - Eligible for retirement when $\text{Age} + \text{Service} = 80$
- Example
 - Joan Employee is age 50 with 30 years of Service
 - $\text{Age } 50 + 30 \text{ Years} = 80$
 - Joan may retire with an unreduced benefit at age 50



Who is Eligible for 80 & Out?

<u>Age Start Work</u>	<u>Years of Service</u>		<u>Age Eligible</u>		<u>Total</u>
18	31		49		80
20	30		50		80
25	27.5	+	52.5	=	80
30	25		55		80
35	22.5		57.5		80
40	20		60		80

• The “Cut-Off” age for general employees is age 40 / police & fire age 30.

• This represents the age when an employee would start work and would reach *regular* retirement age at the same time or before *Rule of 80* retirement age.



Frequently Asked Questions

- Q. In order to qualify for the Rule of 80, must an employee go directly from working for a LAGERS employer, into retirement?
- A. Yes. If your years of age plus years of service credit equal 79, by law, you could not terminate LAGERS employment and simply defer one year and draw a benefit under the Rule of 80. Regular retirement ages would apply under deferrals.
- Q. If I work for 1 employer who has the Rule of 80 and 1 employer who did not, how are my benefits calculated?
- A. Both employers' LAGERS service is used for determining Rule of 80 eligibility at employer "A". Rule of 80 benefits at employer "A" would be based on service credit at employer "A" only. Employee would have to take normal retirement (retirement age) at employer "B", since that employer did not elect the Rule of 80 provision.



Benefit Change Procedure

1. A subdivision must receive an actuarial cost study for any change in benefits.
2. The cost study must be made public information for 45 calendar days before the governing body may take action on the proposed change.
3. After the 45 day period, the subdivision must pass an ordinance / resolution to formally adopt the benefit change.
4. The effective date for the change would be included in the ordinance / resolution or would be the first day of the month following LAGERS' receipt of the ordinance.

Changes in benefits only apply to current and future employees.



Thank You

- Please Contact Us for Questions
 - info@molagers.org
 - 1-800-447-4334
 - 701 W. Main St.
Jefferson City, MO 65102

