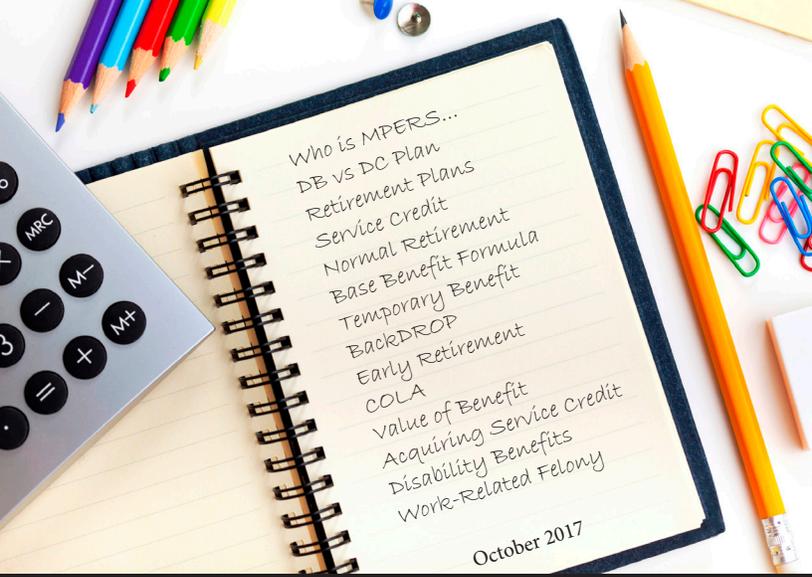


# Retirement Basics



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 October 2017

## Who is MPERS and What's in It for You?

- MPERS is an acronym for the **MoDOT and Patrol Employees' Retirement System**.
- Just as the name implies, we administer the retirement benefits for eligible MoDOT and Highway Patrol employees. We also administer your disability benefits.
- Once you are eligible to retire, MPERS will provide a benefit payable each month for your lifetime. Generally speaking, your retirement benefit is funded by contributions paid by your employer and investment earnings on those contributions. As a result of pension reform legislation, 2011 Tier members are required to pay contributions (currently 4%).
- MPERS is a "defined benefit" (DB) plan, which means your monthly retirement benefit will be based on the following formula that is "defined" by law. The more service you have and the higher your salary, the higher your monthly benefit.

$$\text{Years of Service} \times \text{Multiplier} \times \text{Final Average Pay} = \text{Base Benefit}$$



## Defined Benefit vs. Defined Contribution Plan

Defined Benefit	Defined Contribution
<i>Example: MPERS</i>	<i>Example: 401(k)</i>
Automatic - no action required by you	Must enroll
Employer makes contributions Closed & Year 2000 members, non-contributory 2011 Tier members must pay contributions	You (and maybe employer) make contributions
Benefit amount based on a formula set by law	Benefit amount based on your account balance
Benefit payable for life	Benefit payable until account is depleted
Investment decisions made by professionals	You make investment decisions
Receive annual COLA for life	No annual COLA



The purpose of this brochure is to give you a basic understanding of the benefit provisions of the Year 2000 Plan and 2011 Tier. Additional information about the Closed Plan can be found on our website, [www.mpers.org](http://www.mpers.org). We recommend that you contact an MPERS benefit specialist before making retirement benefit decisions. The information in this brochure does not amend or overrule any applicable statute or administrative rules. In the event of a conflict, the applicable statute or administrative rule will prevail.

## MPERS Administers Three Retirement Plans

To be “vested” means you have acquired the minimum amount of service required to receive an annuity payable at a future date (once you meet the age and service eligibility requirement). The current vesting requirement for all three plans is 5 years.

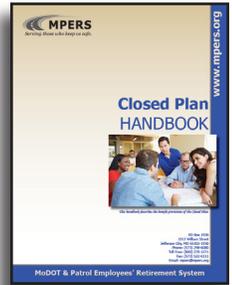


### Closed Plan (non-contributory)

Members of the Closed Plan were:

- Hired prior to July 1, 2000, and became vested prior to leaving state employment.

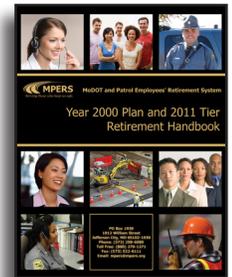
At retirement, members of the Closed Plan may elect to remain in the Closed Plan or switch to the Year 2000 Plan. We have a handbook specifically for members of the Closed Plan available on our website.



### Year 2000 Plan (non-contributory)

Members of the Year 2000 Plan were:

- Hired for the **first time** on or after July 1, 2000, but prior to January 1, 2011.
- Hired in the Closed Plan prior to July 1, 2000, left state employment before becoming vested, and then later returned to work in a benefit eligible position.



### 2011 Tier (contributory)

Members of the 2011 Tier were:

- Hired for the **first time** on or after January 1, 2011.

### Timeline of Different Benefit Plans



### Creditable Service

Creditable service refers to the length of time you have been working in a benefit eligible position (*a position normally requiring you to work at least 1,040 hours per year*). If you are employed in a benefit eligible position with MoDOT or MSHP, you will earn one day of creditable service for each day worked.

If you leave state employment prior to becoming vested, you forfeit, waive, and relinquish all accrued rights in the system, including creditable service held at the time of termination. If you return to state employment after a break in service, your forfeited creditable service will be restored after one continuous year of membership in the system. (*If you are a 2011 Tier member and take a refund of your employee contributions, you must buy back the service plus interest before it can be restored.*)

## Normal (Full) Retirement

Your eligibility for retirement depends on your age, the amount of creditable service you have accrued, and the type of position (uniformed or civilian) you have on the last day of your employment. The retirement laws in effect on the date you leave state employment determine both your eligibility for a benefit and the provisions used to calculate your benefit. **Vested members of the Year 2000 Plan and 2011 Tier who leave state employment prior to retirement, cannot qualify for Rule of 80 or Rule of 90 eligibility (i.e., age and service stop accruing for retirement eligibility on your last day of work).** If eligible for Rule of 80 or Rule of 90 at the time of termination of employment, you must apply for retirement within 65 days of leaving state employment or risk not receiving benefits until much later.

## Eligibility Requirements

You qualify for normal (full) retirement benefits when you meet one of the following minimum age and service requirements:

### Normal (Full) Retirement Eligibility

	Year 2000 Plan	2011 Tier
MoDOT & Civilian Patrol Employees	<ul style="list-style-type: none"> <li>Age 62 with 5 years of service</li> <li>"Rule of 80" - at least age 48 with sum of age and service equaling 80 or more</li> </ul>	<ul style="list-style-type: none"> <li>Age 67 with 5 years of service</li> <li>"Rule of 90" - at least age 55 with sum of age and service equaling 90 or more</li> </ul>
Uniformed Patrol Employees	<ul style="list-style-type: none"> <li>"Rule of 80" - at least age 48 with sum of age and service equaling 80 or more</li> <li>Mandatory at age 60 - no minimum service requirement (active only)</li> </ul>	<ul style="list-style-type: none"> <li>Age 55 with 5 years of service</li> <li>Mandatory at age 60 - no minimum service requirement (active only)</li> </ul>
Terminated-Vested Members	<ul style="list-style-type: none"> <li>Age 62 with 5 years of service</li> </ul>	<ul style="list-style-type: none"> <li>Age 67 with 5 years of service</li> </ul>

## Base Benefit Formula

Your base benefit when you retire is calculated using a formula that is set by law and takes into account the following factors:

- **Final Average Pay** - the average of your highest 36 consecutive months of pay, including overtime (excludes any nonrecurring single sum payments).
- **Multiplier** - a percentage factor set by the legislature for use in calculating your benefit (currently set at 1.7%).
- **Creditable Service** - years and months (twelfths of a year) of service credit you have accumulated including credit for unused sick leave (if applicable) or purchased service.



### Example: Computing Creditable Service

The following example illustrates how to compute an employee's total years of creditable service. We will assume the member has:

- accrued 24 years and 10 months of creditable service while working for the state and
- a balance of 560 hours of remaining unused sick leave at retirement.

Years and Months of Creditable Service	24 Years 10 Months
Credit for Unused Sick Leave (560 hours ÷ 168)	+ 3 Months
<b>Total Creditable Service for Calculating Annuity</b>	<b>25 Years 1 Month</b> (or 25.0833** Years)

### Example: Base Benefit Computation (Applying the Formula)

For an employee having 25 years and 1 month of total creditable service (as shown in the preceding example), and assuming his/her final average pay is \$2,500, the formula to calculate the monthly base benefit is shown in the example below.

#### \*\*Fractions to Decimals Guide

1/12 = 0.0833	7/12 = 0.5833
2/12 = 0.1667	8/12 = 0.6667
3/12 = 0.2500	9/12 = 0.7500
4/12 = 0.3333	10/12 = 0.8333
5/12 = 0.4167	11/12 = 0.9167
6/12 = 0.5000	12/12 = 1.0000

<b>Final Average Pay</b>		<b>Multiplier (1.7%)</b>		<b>Years &amp; Months of Creditable Service</b>		<b>Monthly Base Benefit</b>
\$2,500.00	x	0.017	x	25.0833	=	\$1,066.04

## Temporary Benefit

The temporary benefit is designed to provide supplemental income to Year 2000 Plan and 2011 Tier retirees until age 62. At age 62, the temporary benefit and any COLAs earned on that amount go away.

### Eligibility Requirements for Temporary Benefit

Year 2000 Plan	2011 Tier
<ul style="list-style-type: none"><li>Retire under "Rule of 80"</li></ul>	<ul style="list-style-type: none"><li>Retire under "Rule of 90"</li></ul>
<i>Uniformed Patrol:</i> <ul style="list-style-type: none"><li>Mandatory at age 60 - no minimum service requirement (active only)</li></ul>	<i>Uniformed Patrol:</i> <ul style="list-style-type: none"><li>Mandatory at age 60 - no minimum service requirement (active only)</li><li>Age 55 with at least 5 years of service</li></ul>

The temporary benefit is in addition to your life annuity and will be equal to .8% (0.008) of your final average pay multiplied by your years of creditable service. The temporary benefit does **not** apply to survivor benefits, early (reduced) retirement benefits, or ex-spouse payments.

If you die while receiving the temporary benefit, any survivor benefits will be determined by your base benefit amount and the benefit payment option you elected when you retired. The temporary benefit and any COLAs earned on the temporary benefit amount will terminate at the end of the calendar month in which the earlier of the following events occur:

- Your death or
- Your attainment of age 62.

The following example illustrates the calculation of the temporary benefit. The same assumptions have been used as shown in the previous examples.

#### Example: Temporary Benefit Calculation

<u>Final Average Pay</u>		<u>Multiplier (0.8%)</u>		<u>Years &amp; Months of Creditable Service</u>		<u>Monthly Temporary Benefit</u>
\$2,500.00	x	0.008	x	25.0833	=	\$501.67
<u>Base Benefit</u>		<u>Temporary Benefit</u>		<u>Total Monthly Benefit</u>		
\$1,066.04	+	\$501.67	=	\$1,567.71		

### BackDROP Payment Option - Year 2000 Plan Only

BackDROP is a payment option you may be eligible to elect upon retirement. This option provides for a benefit to be calculated as if you elected to retire at a previous date. If you elect BackDROP, the monthly benefit payable on your actual retirement date is based on the benefit you would have been receiving had you left employment and retired on the BackDROP date. **In addition, you will receive a lump sum payment equal to 90% of the Life Income Annuity amount you would have received during the BackDROP period (including any applicable temporary benefits and COLAs).**

#### Eligibility

To be eligible for the BackDROP, you must continue to be employed in a benefit eligible position **at least two years** beyond your normal (full) retirement eligibility date.

## BackDROP Date

The monthly benefit payable on your actual retirement date is based on the benefit you would have received had you left employment and retired on an earlier date – this is the BackDROP date. If you elect the BackDROP option at retirement, MPERS will use your creditable service and final average pay (high 36) as of your BackDROP date when calculating your benefit (**service and salary earned during the BackDROP period will not be used in the calculation**). Selecting the BackDROP date gives you an opportunity to maximize your monthly benefit payment and lump sum amount.

Whatever BackDROP date you choose, it must meet the following requirements:

- Be on or after the date you were first eligible for normal (full) retirement benefits.
- Be within the five-year period immediately prior to your actual retirement date.

## Early (Reduced) Retirement

### Eligibility Requirements

You will be eligible for early (reduced) retirement when you meet the minimum applicable age and service requirement for your retirement plan:

### Early (Reduced) Retirement Eligibility

	Year 2000 Plan	2011 Tier
MoDOT & Civilian Patrol Employees	<ul style="list-style-type: none"><li>• Age 57 with 5 years of credited service</li></ul>	<ul style="list-style-type: none"><li>• Age 62 with 5 years of credited service</li></ul>
Terminated-Vested Members and Uniformed Patrol Employees	<ul style="list-style-type: none"><li>• Age 57 with 5 years of credited service</li></ul>	<ul style="list-style-type: none"><li>• Not eligible for early retirement</li></ul>

### Early (Reduced) Retirement Reduction Factor

If you elect early (reduced) retirement, your benefit will be reduced .5% (.005) for each month you retire earlier than the date you are eligible for normal (full) retirement. Remember, the temporary benefit is not paid on early retirements.

The formula for calculating the early (reduced) retirement reduction factor is:

$$1.00 - (\text{Months Retiring Early} \times .005) = \text{Early (Reduced) Retirement Factor}$$

### **Example: Early Retirement Calculation**

For this example, we will assume the employee is 59 years of age, has 18 years creditable service, and a final average pay of \$2,500.00 under the Year 2000 Plan. With 18 years of service, this person would be eligible for normal (full) retirement at age 62. By electing early (reduced) retirement, this person will be retiring 36 months early.

#### Reduction Factor Calculation

$$\begin{aligned} 36 \text{ Months} \times .005 &= 0.18 \\ 1.00 - 0.18 &= 0.8200 \text{ (reduction factor)} \end{aligned}$$

#### Benefit Calculation

$$\begin{aligned} \$2,500 \times 0.017 \times 18.0 &= \$765.00 \\ \$765.00 \times 0.8200 &= \$627.30 \text{ (reduced monthly benefit)} \end{aligned}$$



## Cost-of-Living Adjustment (COLA)

MPERS provides an annual COLA to eligible benefit recipients - retired members, surviving spouses, beneficiaries, surviving children under the age of 21, and work-related disability recipients, as allowed by law. Former spouses receiving a benefit under a division of benefits order (DBO) after September 1, 2001, will be eligible for an annual COLA. The calculation of the annual COLA is described below.

- The annual COLA rate will be equal to 80% of the percentage increase in the Consumer Price Index for All Urban Consumers for the United States (CPI-U), with an annual maximum of 5%.

### Example of calculating COLA rate using the CPI-U

$$2.50\% \text{ (CPI-U)} \times 0.80 \text{ (80\%)} = 2.00\% \text{ COLA Rate}$$



## Value

What is the value of your retirement benefit? The example below is **for illustrative purposes only** and provides an estimate of a retirement benefit paid over a 25-year period. The following assumptions were used for this example:

Age at retirement .....51 years 6 months  
 Credited service .....28 years 6 months  
 Final average pay ..... \$3,000  
 Annual COLA rate ..... 2% (80% of increase in the CPI)  
 Benefit payment option ..... Life Income Annuity  
 Retirement plan..... Year 2000 Plan

$\$3,000 \times .017 \times 28.5 = \$1,453.50$  (Lifetime Base Benefit)  
 $\$3,000 \times .008 \times 28.5 = 684.00$  (Temporary Benefit - ends at age 62)  
 Monthly Benefit       \$2,137.50

Year	Base Benefit	Temporary Benefit	Total Monthly	Annual Benefit
1	\$1,453.50	+ \$684.00	= \$2,137.50 x12	= \$25,650.00
2	1,482.57	697.68	2,180.25	26,163.00
3	1,512.22	711.63	2,223.85	26,686.20
4	1,542.46	725.86	2,268.32	27,219.84
5	1,573.31	740.38	2,313.69	27,764.28
6	1,604.78	755.19	2,359.97	28,319.64
7	1,636.88	770.29	2,407.17	28,886.04
8	1,669.62	785.70	2,455.32	29,463.84
9	1,703.01	801.41	2,504.42	30,053.04
10	1,737.07	817.44	2,554.51	30,654.12
11	1,771.81	833.79	2,605.60	31,267.20
12	1,807.25	850.47*	2,657.72	31,892.64
13	1,843.40		1,843.40	22,120.80
14	1,880.27		1,880.27	22,563.24
15	1,917.87		1,917.87	23,014.44
16	1,956.23		1,956.23	23,474.76
17	1,995.35		1,995.35	23,944.20
18	2,035.26		2,035.26	24,423.12
19	2,075.96		2,075.96	24,911.52
20	2,117.48		2,117.48	25,409.76
21	2,159.83		2,159.83	25,917.96
22	2,203.03		2,203.03	26,436.36
23	2,247.09		2,247.09	26,965.08
24	2,292.03		2,292.03	27,504.36
25	2,337.87		2,337.87	28,054.44

**Estimated Total Retirement Benefit** (illustrative example only) **\$668,759.88**

\* The temporary benefit and any COLAs earned on that amount end at age 62.

## Acquiring Service Credit

Your retirement benefit is based on a formula that takes into consideration the amount of service credit you have accumulated towards retirement. Members of MPERS earn one day of service credit for each day of work in a benefit eligible position. That is the most common way of accumulating service credit. However, depending on your retirement plan, you **may** be eligible to acquire the following types of prior service:



- Active duty military service (Year 2000 Plan only).
- Public entity in the state of Missouri such as a local school district, city, county, or the University of Missouri.
- Creditable service under the Missouri State Employees' Retirement System (MOSERS) that is eligible for transfer.
- Unused Sick Leave.

The service purchase/transfer provisions section of our handbook explains the different types of service and how you can find out if you can receive credit in MPERS for your previous service. You cannot receive credit for the same period of service under different retirement systems or receive credit for any period of service for which you already have credit in MPERS. It is your responsibility to pursue any previous employment that may be eligible for purchase. Service will not be credited if it cannot be verified.



## When to Apply

You must complete the purchase or transfer of service prior to submitting your Notice of Retirement (step 1 of the 2-step retirement process). It is your responsibility to complete and submit the appropriate form or contact a benefit specialist if you wish to receive credit for prior service.

- Because completing a service purchase often takes several months to finalize, this transfer of service should be initiated long before you apply for retirement. Generally speaking, you have up to two years to pay for purchased service.
- Waiting to purchase the service **will** increase the cost of the service. Some purchases have an interest component in the calculation. Some purchases are based on the present value of your retirement benefit, which increases as you get closer to retirement.

## How to Pay for Purchases

Along with the cost estimate, you will receive an election form. If you decide to purchase your prior service credit, complete the election form and return it to MPERS. Prior service credit may be purchased using one or more of the following payment methods:



- **Lump Sum Payment** - You may make a single cash/check payment to MPERS to cover the cost of acquiring the prior service credit.
- **Monthly Payments/Payroll Deductions** - You may elect to make monthly payments directly to MPERS or have the payments deducted from your payroll check. If you elect this payment method, interest will be added to the purchase cost.
- **Rollover From Eligible Employer Plan or Traditional IRA** - You may use the funds from an eligible employer plan (including your Missouri Deferred Compensation Plan) or traditional IRA to purchase prior service credit.
- **Combination of Lump Sum and Monthly Payments** - Please note, if you make a partial lump sum payment up front, we will recalculate the amount of your monthly payment based on the remaining balance. Interest will be added to the monthly payments.

## Military Service Credit Purchase

In the Year 2000 Plan, you must be vested (have five or more years creditable service) before you can purchase military service (*not available in 2011 Tier*).



Members who served and were honorably discharged from the military may purchase up to four years of creditable prior service for active duty time. Only active duty military service performed before becoming a member of MPERS is eligible for purchase.

You must purchase all the months and days up to four years of eligible service and the purchase must be made prior to applying for retirement.

## Prior Public Employment in Missouri

Once vested, you may be eligible to acquire service credit for any full-time, non-federal public sector employment within the state of Missouri. "Public employment" refers to employment with a city, county, municipality, public school, or other political subdivision. Federal employment and out-of-state employment are **not** eligible.

## Creditable Prior Service With MOSERS

In addition to the creditable service you earn under MPERS in your present position, there are provisions that allow you to transfer any creditable service you may have with the Missouri State Employees' Retirement System (MOSERS) to MPERS at no cost to you.

This transfer also works in reverse. In other words, if you should become a member of MOSERS at a later date, you could transfer your MPERS service to that system.

## How to Apply

When you are completing your employment paperwork, you will be asked to provide the name(s) of the state agency(ies) for which you previously worked. Upon receipt of the information, we will contact MOSERS to verify your service. You will receive a confirmation letter from MPERS when the service has been transferred.

## Unused Sick Leave Credit

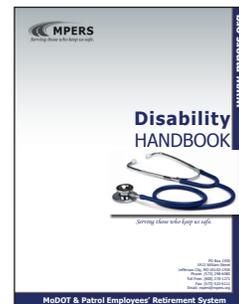
You will receive one month of credited service for every 168 hours (21 days) of unused sick leave reported to MPERS by your employer. Unused sick leave will be used in calculating the amount of your retirement benefit, but not your eligibility for retirement.

## Disability Benefits

MPERS oversees two types of disability plans - long-term and work-related. You are eligible for disability coverage the day you become a member of the retirement system.

Applications for disability benefits may be obtained from your district/division/troop or you may download a **disability packet** from the MPERS website ([www.mpers.org](http://www.mpers.org)).

Effective July 1, 2004, the disability program became fully insured through The Standard Insurance Company. A handbook explaining the disability provisions is available on the MPERS website.



## Work-Related Felony

Members who are convicted of a work-related felony on or after August 28, 2014, will not be eligible to receive a retirement benefit. Finding of guilt for any of the following offenses or a substantially similar offense provided under federal law will result in the ineligibility for retirement benefits:

- Stealing under Section 570.030,
- Receiving stolen property under Section 570.080,
- Forgery under Section 570.090,
- Counterfeiting under Section 570.103,
- Bribery of a public servant under Section 576.010, or
- Acceding to corruption under Section 576.020.

However, if the member was vested prior to August 28, 2014, he/she will be eligible for a monthly benefit based on the service accrued prior to August 28, 2014.

## Contact Information

### Office Location:

1913 William Street  
Jefferson City, MO 65109

### Mailing Address:

PO Box 1930  
Jefferson City, MO 65102-1930



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