

# *Your Guide To* **Joining LAGERS**

[www.molagers.org](http://www.molagers.org)

[info@molagers.org](mailto:info@molagers.org)

800-447-4334



*A Secure Retirement for All!*

# WHO WE ARE & WHAT WE DO

## *We believe in a secure retirement for all.*

For over 50 years, Missouri LAGERS has helped lower and middle class workers transition into lower and middle class retirees. Dependable monthly income is essential for people to exit the workforce with dignity and helps them maintain their standard of living throughout retirement.

We take our responsibility seriously and strive to ensure the people who keep our communities going can depend on us. The security, flexibility, and portability of our benefits make LAGERS the preferred retirement plan for Missouri's local governments.



### **SECURITY**

Our members' assets are managed by professionals who have the fiduciary responsibility to make decisions based upon the best interest of members and their beneficiaries.

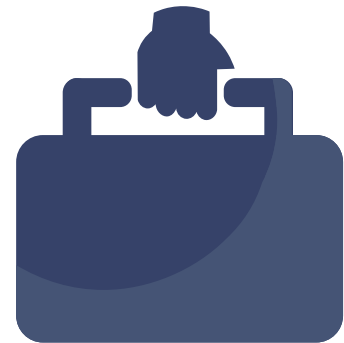
LAGERS Employers are required by Missouri State Law to make their full contributions each and every month to ensure their workers' benefits are properly funded.



### **FLEXIBILITY**

LAGERS benefits are chosen at the local level so that our participating employers can match their benefit choices to their goals.

LAGERS employers may change benefits periodically, either up or down, to fit the needs of their workforce and budgets.



### **PORTABILITY**

While one of the reasons to provide LAGERS is to retain good employees, if an employee does decide to leave, LAGERS benefits are portable between 700 (and growing) participating local government employers.

LAGERS vesting period is moderate, at only 5 years of service. We believe this to be an extremely valuable recruitment tool for employers and employees.

A lump sum payout is available to vested employees who leave employment and meet certain conditions. This lump sum can be rolled over into any other eligible retirement account.



We exist to provide retirement security for our 60,000 members, like Rosa Aviles, a gardener for the City of Springfield.

*LAGERS offers modest benefits that are designed to be combined with other sources of retirement income. This is the best way to achieve retirement security for all.*

**OUR VISION DRIVES ALL THAT WE DO.**

*Our vision is what we hope to achieve; our mission is why we exist; and our values are beliefs we hold dear. Our vision is lofty, but it is something toward which we strive everyday.*

**VISION**

A Secure Retirement for All

**MISSION**

To provide secure retirement, survivors' and disability benefits in the most efficient and economical manner possible, while providing superior service and fulfilling our fiduciary obligations

**VALUES**

- Dedication
- Respect
- Teamwork
- Integrity
- Excellence
- Communication
- Accountability

# ● THE PURPOSE OF A ● **RETIREMENT PLAN**



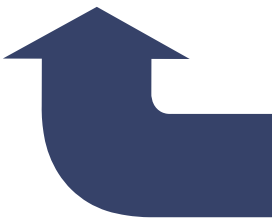
Attracts quality employees



Keeps lines of promotion open, allowing younger talent to stay and grow within the employer

The purpose of a retirement plan should be to attract high quality workers, keep those workers during their most productive years, and then allow them a way to leave the workforce with dignity and security. This creates steady and predictable movement that allows employers to make better personnel decisions, and the employees are motivated by opportunities for advancement this movement provides.

Incentivizes employees to work hard and stay with an employer during their most productive years



Provides a dignified exit from the workforce so that employees can retire when they are ready



# HOW LAGERS Works

LAGERS is a defined benefit retirement plan. Defined benefit plans provide protected monthly payments based on a formula that reflects an employee's working career.

$$\begin{array}{c} \text{BENEFIT PROGRAM} \\ \times \\ \text{CREDITED SERVICE} \\ \times \\ \text{FINAL AVERAGE SALARY} \\ = \\ \text{MONTHLY LIFETIME} \\ \text{BENEFIT} \end{array}$$

All LAGERS benefits are calculated using this formula. Members can earn their monthly benefit by accumulating credited service. The longer they work and the more they earn in salary, the more they will receive in a steady monthly income at retirement.

## Employee **ELIGIBILITY**

All employees who work the required number of annual hours (employer may elect 1,000, 1,250, or 1,500 annual hours) are eligible for LAGERS benefits. To receive a benefit, an employee must become vested and reach LAGERS' retirement age.

### VESTING

A member becomes vested when they earn 60 months (5 years) of credited service with one or more LAGERS employer(s).

### RETIREMENT AGE

General Employees:	Age 60
Police and Fire Employees:	Age 55

All members may individually choose to retire up to five years earlier than normal retirement age and receive a reduced benefit.

### RULE OF 80

Employers may offer an additional early retirement option called the Rule of 80, which allows employees to retire with unreduced benefits when their age and credited service total the number 80.

## *Disability & Survivor* **BENEFITS**

Because LAGERS has hundreds of members across the state of Missouri, LAGERS is able to provide every member with Disability and Survivor benefits at a normal cost to each employer.

All vested members are eligible for these lifetime benefits and non-vested members are eligible if the cause of disability or death is duty-related.

These benefits are automatic for all members; no separate election must be made.

# EMPLOYER *Options*

Every LAGERS employer has complete control over the level of benefits they wish to provide to their employees, and subsequently the cost of providing those benefits. An employer must obtain an Initial Valuation which details the employer's unique cost of partnering with LAGERS. The cost varies depending on the level of benefits elected (higher benefits = higher cost) and the employer's unique employee group (age, salaries, amounts of services, turnover rates, etc).

## *One-Time*

### **ELECTIONS:**

There are three one-time elections that are made when an employer partners with LAGERS:

#### *Election to Provide Coverage*

Providing a defined benefit is about making a commitment between employees and their employer. As such, an employer must honor the benefits they promise and make the full required contributions each month.

#### *Annual Hours for Coverage*

Defines who is eligible for LAGERS participation. (1500, 1250, or 1000 hours annually)

#### *Prior Service Coverage*

Allows employers to give credit toward a LAGERS benefit for time the employee worked prior to the commencement of LAGERS. (100%, 75%, 50%, or 25% coverage)

## *Benefit*

### **ELECTIONS:**

You may change these elections once every two years if you so choose.

#### *Benefit Program:*

Benefit multipliers range from 1-2%. The higher the multiplier, the greater the monthly income replacement for employees in retirement.

#### *Final Average Salary:*

Benefits can be based on either a 60 month (5 year) or a 36 month (3 year) average salary. A 36 month average is generally yields a slightly higher average, producing a slightly larger benefit.

## *Funding*

### **ELECTION:**

You may change these elections once every two years if you so choose.

#### *Employee Contributions:*

Employers may elect to pay for the full cost of the benefit, or to require full time employees to contribute 4% of their gross pay (after tax) to help offset the cost.

## *Eligibility*

### **ELECTION:**

You may change these elections once every two years if you so choose.

#### *Retirement Age:*

Employers may offer an additional early retirement option called the Rule of 80, which allows employees to retire with unreduced benefits when their age and credited service total the number 80.

**How Does the Benefit Multiplier Impact the Benefit Calculation?**

LIFE PROGRAM	MULTIPLIER	INCOME REPLACEMENT WITH 25 YEARS SERVICE
L-1	1.00%	25%
L-3	1.25%	31%
L-7	1.50%	38%
L-12	1.75%	44%
L-6	2.00%	50%

# Joining **PROCESS**


1. LAGERS reviews any current retirement plans/investment programs.
2. Political Subdivision requests an initial actuarial valuation
3. LAGERS actuaries prepare your valuation (cost study), generally within 3-4 weeks.
4. Your initial valuation must be made available for public inspection for at least 45 calendar days.
5. Contact State Social Security (see next column)
6. The political subdivision then adopts an ordinance or resolution electing your benefits and effective date.
7. Be sure LAGERS receives a copy of the signed resolution within 10 days of adoption and before the effective date.

Prior to joining LAGERS, an employer should contact the Missouri Office of Administration to let them know they are considering commencing LAGERS coverage. The State Social Security Administrator can explain the legal requirements necessary for proper coverage before commencing with a retirement plan. Some employers may need to establish a Section 218 Agreement, which is a voluntary agreement allowing an employer to participate in both Social Security and LAGERS. While many employers already have 218 Agreements in place, if your employer needs to establish an agreement to continue participating in Social Security, the State Administrator's office can provide assistance.

To verify the status of your employer's Section 218 agreement, contact the State Social Security Administrator by phone or email:

573.751.1987

[218agreement@oa.mo.gov](mailto:218agreement@oa.mo.gov)

A group photograph of seven members of the LAGERS Executive Team. They are standing outdoors in front of a large, classical building with a prominent dome, likely the Missouri State Capitol. The team consists of four men and three women, all dressed in professional business attire. They are smiling and looking towards the camera.

LAGERS Executive Team: Over 100 years of pension experience combined.

From Left: Brian Collett, Jason Paulsmeyer, Pam Hopkins, Tami Jaegers, Bob Wilson, Jeff Kempker, Melissa Rackers

# Understanding YOUR INITIAL ACTUARIAL VALUATION

Your Actuarial Valuation is a cost study that shows the employer's unique cost for providing a specific set of LAGERS benefits to your employee groups. This study is good for two years from date of issue.

## EMPLOYER CONTRIBUTION RATES (NON-CONTRIBUTORY PLAN - 3 YEAR FAS)

(No member contributions)

### Rule of 80 Retirement Eligibility

BENEFIT PROGRAM	EMPLOYEE GROUPS	Percents of Active Member Payroll			
		PRIOR SERVICE COST	CURRENT COST	DISABILITY COST	Total Employer Contribution Rate
L-1	General	1.20%	7.10%	0.20%	8.50%
	Police	1.40	7.30	0.40	9.10
	Fire	1.10	8.60	0.60	10.30
L-3	General	1.40	8.70	0.30	10.40
	Police	1.80	8.90	0.50	11.20
	Fire	1.40	10.50	0.70	12.60
LT-4(65)	General	1.30	8.40	0.20	9.90
	Police	1.80	9.00	0.40	11.20
	Fire	1.50	11.10	0.60	13.20
LT-5(65)	General	1.60	9.60	0.30	11.50
	Police	2.10	10.20	0.50	12.80
	Fire	1.60	12.40	0.70	14.70
L-7	General	1.70	10.30	0.30	12.30
	Police	2.10	10.50	0.60	13.20
	Fire	1.60	12.50	0.80	14.90
LT-8(65)	General	1.80	10.90	0.30	13.00
	Police	2.30	11.40	0.60	14.30
	Fire	1.80	13.70	0.80	16.30

This sample shows **employer contribution rates** based on a **non-contributory** (no employee contributions), **3 year final average salary**, and **rule of 80 retirement eligibility plan**.

**BENEFIT PROGRAM** is the name of the program which determines your multiplier that will be used to calculate benefits.

There are three possible **EMPLOYEE GROUPS**: general, police, and fire.

**PRIOR SERVICE COST** is the portion of your total employer contribution rate that is paying for your employees' service prior to your entity joining LAGERS. This amount is amortized over a 30 year closed period and is included as a portion of your total contribution rate. You may cover 100%, 75%, 50%, OR 25% of prior service. Electing less than 100% would reduce your total contribution rate. There is no immediate payment due for prior service.

**CURRENT COST** is the cost of covering a year's worth of credited service for all employees for the upcoming year.

**DISABILITY COST** is the rate all employers pay for disability benefits. All employers pay into the same pool, and all employees are able to receive disability benefits from this pool for disabilities and duty-related deaths.

**TOTAL EMPLOYER CONTRIBUTION RATE** is the total percentage of payroll due for this level of benefits. This is the sum of prior service cost, current cost, and disability cost.



# Understanding YOUR INITIAL ACTUARIAL VALUATION

You will find estimated dollar amounts for the annual cost of benefits, depending on your elections, within your actuarial valuation. The dollar amounts are calculated by applying your total contribution rate to the payroll supplied to us on the Personnel Data Form.

## Contributory Plan

5 Year FAS			
Benefit Program	General	Police	Fire
L-1	\$ 25,446	\$ 32,106	\$ 20,779
L-3	33,821	42,590	28,028
LT-4(65)	34,143	44,883	31,169
LT-5(65)	40,263	52,090	35,760
L-7	42,517	53,073	35,277
LT-8(65)	46,383	59,298	40,351
L-12	51,214	63,557	42,525
LT-14(65)	53,469	66,833	45,183
L-6	59,589	74,041	49,774

3 Year FAS			
Benefit Program	General	Police	Fire
L-1	\$ 26,412	\$ 33,744	\$ 21,988
L-3	35,431	44,228	29,478
LT-4(65)	35,431	47,176	32,619
LT-5(65)	42,195	54,711	37,451
L-7	44,450	55,039	36,968
LT-8(65)	48,637	62,246	42,042
L-12	53,469	66,505	44,458
LT-14(65)	55,724	69,782	47,116
L-6	62,488	77,317	51,949

This information is based on the personnel data submitted for the actuarial valuation. In budgeting the amount for LAGERS contributions, you should consider any changes which have been made since data was submitted for the valuation and any changes anticipated to be made before the end of the period for which you are preparing the budget.

## Non-Contributory Plan

5 Year FAS			
Benefit Program	General	Police	Fire
L-1	\$ 37,364	\$ 44,555	\$ 30,203
L-3	45,738	55,039	37,451
LT-4(65)	45,738	57,332	40,592
LT-5(65)	52,181	64,540	45,183
L-7	54,435	65,850	44,700
LT-8(65)	58,623	72,075	49,774
L-12	63,454	76,334	51,949
LT-14(65)	65,709	79,610	54,606
L-6	72,151	86,817	59,197

3 Year FAS			
Benefit Program	General	Police	Fire
L-1	\$ 38,330	\$ 45,866	\$ 31,411
L-3	47,349	57,005	38,901
LT-4(65)	47,349	59,626	42,042
LT-5(65)	54,113	67,161	46,874
L-7	56,690	67,816	46,391
LT-8(65)	60,555	75,023	51,465
L-12	65,709	79,282	53,881
LT-14(65)	67,964	82,558	56,539
L-6	75,050	90,094	61,372

Note the varying plan elections for each chart.

This sample table shows an employer's unfunded liability, which is the amount owed for employees' prior service. You can find your unfunded liability table within your actuarial valuation. This liability is NOT immediately due from the employer. It is amortized over a closed 30 year period and paid off through the prior service portion of your total contribution rate.

Rates and liabilities are re-evaluated each year by LAGERS' actuaries, and any actuarial gains or losses are realized through adjustments to the employer's contribution rate. Actuarial gains occur when an actuarial assumption and plan experience result in the need for a downward adjustment in employer contributions. The opposite is true for an actuarial loss.

UAAL = Unfunded Actuarial Accrued Liability

## Regular Retirement Eligibility

Benefit Group	Employee Group	Contributory		Non-Contributory	
		UAAL (5 Year FAS)	UAAL (3 Year FAS)	UAAL (5 Year FAS)	UAAL (3 Year FAS)
L-1	General	\$ 217,936	\$ 226,729	\$ 238,768	\$ 247,489
	Police	364,454	378,836	378,694	392,892
	Fire	158,151	164,410	163,008	169,228
L-3	General	277,669	288,651	298,428	309,385
	Police	459,949	477,865	473,396	491,114
	Fire	199,071	206,854	203,809	211,518
LT-4(65)	General	252,243	262,304	272,790	282,801
	Police	482,372	501,271	496,028	514,757
	Fire	215,212	223,671	219,809	228,181
LT-5(65)	General	303,380	315,334	323,964	335,868
	Police	548,360	569,684	561,394	582,470
	Fire	241,852	251,262	246,380	255,739
L-7	General	337,323	350,440	358,119	371,211
	Police	555,219	576,673	568,033	589,378
	Fire	239,863	249,126	244,536	253,855
LT-8(65)	General	354,467	368,220	375,150	388,874
	Police	614,177	637,899	626,679	650,288
	Fire	268,372	278,800	272,910	283,352
L-12	General	396,791	412,003	417,788	433,051
	Police	650,324	675,283	662,743	687,595
	Fire	280,592	291,401	285,321	296,148
LT-14(65)	General	405,380	420,884	426,263	441,893
	Police	679,824	705,879	692,054	718,033
	Fire	294,870	306,209	299,538	310,839
L-6	General	456,025	473,355	477,461	494,939
	Police	745,347	773,836	757,398	785,796
	Fire	321,300	333,639	326,046	338,468

# *Becoming a* **LAGERS EMPLOYER**

Adding or changing your employer's retirement benefits is a big deal. At one point or another, every LAGERS employer had to decide to provide LAGERS coverage to their employees. While the actual process of joining LAGERS is fairly simple, figuring out how to fit LAGERS into an employee benefit package can raise some questions. Here are some of the common issues that arise when employers consider adding LAGERS and how some of our most recent members addressed them.

## *Issue 1: We are worried we are too small to join LAGERS.*

One common reason employers are hesitant to inquire about LAGERS is because they think they are too small to qualify. Any local political subdivision in the state of Missouri is eligible to join, regardless of size! LAGERS believes retirement security should be for everyone, and LAGERS remains the most effective way to provide secure lifetime income to employees of Missouri's local governments, both big and small!

## *Issue 2: We have budget concerns and need to control cost.*

Budgets are tight, and all municipalities are focused on being responsible with their budget. There are many ways an employer may choose to control the cost of their LAGERS plan. For starters, each governing body has complete control over the level of benefits they elect. LAGERS has over 100 different combinations of benefits an employer can tailor to help meet both their employees' retirement needs and employer's budget needs. On top of that, those plans can be changed once every two years. While more often, employers move to a better benefit package over time, an employer certainly could reduce future benefits if cost becomes an issue.

Another cost-controlling strategy that joining employers sometimes use is opting to cover less than 100% of their employee's prior service (the time employees worked before their employer joined LAGERS). However, there is a cost for funding those past years of benefit, and if an employer has a group of employees with many years of service, the cost can quickly grow. If this portion of the cost makes LAGERS cost-prohibitive, or if an employer feels as if they have provided adequate retirement benefits in the past, some employers choose at the time they join to cover less of that Prior Time, hence reducing the cost. Employees who receive less than 100% of their prior service from their employer may have the option to individually purchase that time if they choose. Whether it's through modest benefit elections, reduced prior service, required employee contributions, or even foregone pay increases, there are many ways that employers can control the cost.

## *Issue 3: We already have a retirement plan.*

Many employers who join the LAGERS system already have some type of retirement or investment plan in place. LAGERS reviews each of these plans individually to determine if they can or cannot coexist with LAGERS and also how it may impact LAGERS Prior Service Options. Regardless of what type of plan you have currently, you still can be eligible for LAGERS membership. While some employers terminate their old plans entirely, others choose to keep all or a portion of their prior plans and simply provide LAGERS in addition. For example, an employer would have the option to keep a voluntary 457 deferred compensation plan so that employees have an individual way to supplement their retirement savings.

## *Issue 4: This information is so confusing!*

The amount of information throughout the joining process can be overwhelming, but LAGERS is always available as an informational resource to employers whether by phone or in person with your Administration or Board (at no cost).

There are many challenges facing our local employers across Missouri, but retirement security doesn't have to be one of them. There is no cookie cutter answer when it comes to LAGERS, but prospective employers should know that LAGERS can be a flexible option that can work for them too!

# Subdivision WORKSHEET

As a part of the membership process, an employer must complete a resolution or ordinance. Below is a worksheet to assist your governing body in determining what level of benefits they are considering before taking final action.

## EFFECTIVE DATE OF MEMBERSHIP: \_\_\_\_\_, 20\_\_

The effective date of membership must be a 1st of a month, and LAGERS must receive a copy of the resolution within 10 days of it passing and prior to the effective date.

## ANNUAL HOURS OF EMPLOYMENT FOR LAGERS ELIGIBILITY

Subdivision may only choose one and CANNOT be changed.

- \_\_\_\_\_ 1,500 hours per year
- \_\_\_\_\_ 1,250 hours per year
- \_\_\_\_\_ 1,000 hours per year

## EMPLOYEE GROUP TO BE COVERED

Choose applicable. Police and/or Firefighters can be covered later.

- \_\_\_\_\_ General employees (mandatory)
- \_\_\_\_\_ General employees AND Police Officers
- \_\_\_\_\_ General employees AND Fire Fighters
- \_\_\_\_\_ General employees, Police Officers, and Fire Fighters

## AMOUNT OF PRIOR SERVICE TO BE COVERED:

Subdivision can choose only one and this option CANNOT be changed.

- \_\_\_\_\_ 100%
- \_\_\_\_\_ 75%
- \_\_\_\_\_ 50%
- \_\_\_\_\_ 25%

## MEMBER CONTRIBUTIONS

Can be changed once every 2 years.

- \_\_\_\_\_ Member Contributory: Requires 4% employee contribution of gross salary
- \_\_\_\_\_ Member Non-Contributory: Entire monthly cost paid by the employer

## BENEFIT PROGRAM:

Can be changed once every 2 years.

LIFE PROGRAMS: Same percent for life

- \_\_\_\_\_ L-1 (1.00%)
- \_\_\_\_\_ L-12 (1.75%)
- \_\_\_\_\_ L-3 (1.25%)
- \_\_\_\_\_ L-6 (2.00%)
- \_\_\_\_\_ L-7 (1.50%)
- \_\_\_\_\_ L-11\* (2.50%)

\*Only for employees who do not participate in Social Security.

LIFE & TEMPORARY PROGRAMS: Benefit for life with temporary benefit to age 65

- \_\_\_\_\_ LT-4 (65) (1.00% life + 1.00% to 65)
- \_\_\_\_\_ LT-5 (65) (1.25% life + 0.75% to 65)
- \_\_\_\_\_ LT-8 (65) (1.50% life + .050% to 65)
- \_\_\_\_\_ LT-14 (65) (1.75% life + .025% to 65)

## FINAL AVERAGE SALARY PERIOD

Can be changed once every 2 years.

\_\_\_\_\_ 3 Year FAS: Highest consecutive 36 months within the last 120 months of credited service.

\_\_\_\_\_ 5 Year FAS: Highest consecutive 60 months within the last 120 months of credited service.

## OPTIONAL RULE OF 80 RETIREMENT PROVISION

Can be changed once every 2 years.

\_\_\_\_\_ This Option allows for an unreduced age and service retirement for members whose age and service total eighty or more.

You will receive a sample ordinance with your actuarial valuation.



This booklet provides an abbreviated explanation of the statutes governing the LAGERS system and does not amend or overrule RSMo 70.600 – 70.755 or Administrative Rules, Title 16, Division 20.