

# MEMBER NEWSLETTER

Missouri Local Government Employees Retirement System

Winter 2011

## How an Upgrade / Downgrade Affects an Employee's Retirement Benefit

Inside this issue:

A LAGERS member employer may change their retirement benefits once every two years. This change in benefits can be an upgrade or a downgrade to the employees LAGERS benefit. There are several benefit options that an employer can change. This article will discuss what both upgrades and downgrades would do to the employees LAGERS benefits.

All LAGERS benefits are based on a simple formula:

$$\begin{array}{r} \text{Benefit Factor} \\ \times \\ \text{Final Average Salary} \\ \times \\ \text{Years of Credited Service} \\ = \\ \text{Monthly Benefit for Life} \end{array}$$

### Change in Benefit Factor:

The benefit factor is the first component of the formula and ranges from 1 to 2%.

**Upgrade:** An upgrade in the benefit factor will increase the monthly benefit for current members by increasing the benefit factor. For example, an upgrade from the L-1 to the L-3 would change the formula to:

$$\begin{array}{l} \text{L-1: } 1.00\% \times \$3,000 \times 25 \text{ Years} = \$750 \text{ per month} \\ \text{L-3: } 1.25\% \times \$3,000 \times 25 \text{ Years} = \$937.50 \text{ per month} \end{array}$$

If an employer upgrades the benefit factor it applies to all of the employees years of service prior to the upgrade and going forward.

**Downgrade:** A downgrade in the benefit factor will decrease the monthly benefit for current members. Although the upgrade in benefit factor applies to all of the employee's years of service, a downgrade to the benefit factor would only apply to the years and months earned after the downgrade. For example, If an employee works for 20 years under the L-3 and their employer downgrades to the L-1 for the employee's final 5 years:

$$\begin{array}{l} \text{L-3: } 1.25\% \times \$3,000 \times 20 \text{ Years} = \$750 \text{ per month} \\ \text{L-1: } 1.00\% \times \$3,000 \times 5 \text{ Years} = \$150 \text{ per month} \end{array}$$

$$\text{Total Monthly Benefit} = \$900 \text{ per month}$$

### Change in Retirement Eligibility:

LAGERS employers have two options in regards to retirement eligibility that the employers may choose. The first is regular retirement age: 60 for general

employees and 55 for police officers and fire fighters. Regular retirement also allows for a reduced benefit for retiring up to 5 years early. The employees monthly benefit is reduced by one half of one percent per month that the employee retires before his or her regular retirement age (6% Per Year).

The other retirement eligibility option available through LAGERS is the Rule of 80. The Rule of 80 is a provision that allows for an early unreduced retirement if the employees age + service credit = 80. For example: an employee starts working at age 20 and works 30 years for that employer. The person may retire at age 50 because his age 50 plus his service credit (30) equals 80.

**Upgrade:** An upgrade to Rule of 80 would apply to all of the current and future employees of that member employer.

**Downgrade:** A downgrade from the Rule of 80 to Regular Retirement Age would only apply to new employees hired after the change. So, once an employee has Rule of 80 with one employer, that employee will always have Rule of 80 for service with that employer.

If an employee terminates employment and becomes a deferred retiree, the employee is not eligible for the Rule of 80 with that employer and must wait to draw their retirement until normal or early retirement age.

### Change in Contributory Status :

LAGERS offers its employers the option of requiring their employees to contribute 4% of gross pay or having the employer make all necessary contributions.

**Upgrade:** An upgrade to non contributory would not require the employee to contribute 4% of gross pay. Instead, the employer would also pay the employee's portion. Once an employer has been at the non-contributory status for two years, it may elect to refund the employees contributions without a change to the member's retirement benefit.

**Downgrade:** A downgrade from non-contributory back to the employee's contributing 4% of gross pay is an immediate downgrade that applies to all employees for future service.

Any change (upgrade or downgrade) that an employer chooses will only affect current employees, not retired or terminated employees.

*Change in benefits and how it affects an employees retirement benefit.*

*Annual Meeting*

*Trustee Election*

*Long Time Director, Bill Schwartz, Retires*

*2011 LAGERS Meeting Schedule*

*Personal Savings*



# Member Newsletter

## 2010 LAGERS Annual Meeting



LAGERS held its 43rd Annual Meeting in Springfield, Missouri on October 21st & 22nd. During the meeting, two new trustees were elected to serve on the LAGERS board. Other activities included workshop

sessions about LAGERS benefits, investments, and ECLIPSE (LAGERS new administrative system). The 2011 Annual Meeting will again be in Springfield, Missouri on October 27th and 28th. LAGERS evaluates the meeting for efficiency each year. For the past several years the University Plaza in Springfield, MO has been the by far “the best bang for the buck.”

## LAGERS New Citizen Trustee

The Governor has appointed John R. (Dick) Franklin, of Independence, to the LAGERS Board as the Citizen Trustee. From 1989-2002, Franklin served as a Missouri State Representative for the 53rd District. He received the Meritorious Service to Education Award from the Missouri Association of School Administrators and received the A+ Legislator Award from the Missouri National Education Association. The Governor has appointed him for a term ending Dec. 31, 2012. Mr. Franklin is replacing Jack Pierce, Jefferson City, who passed away in June 2010.

Missouri LAGERS  
701 W. Main Street  
PO Box 1665  
Jefferson City, MO 65102

1-800-447-4334

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

# Winter 2011

## LAGERS New Trustees

During LAGERS annual meeting in October, two new trustees were elected to LAGERS Board.



**New Employer Trustee:**  
**Paul Thomson Ph.D,**  
Mid-Continent Library

Paul is a very qualified trustee who has had service with the US Army, founded a local community college, and is a president of a community foundation. He

currently sits on several boards, including Blue Ridge Bank and Trust, Boy Scouts of America, and Mid-Continent Public Library. Paul replaces Dr. Victor Gragg who retired after 12 years on the board.

**New Member Trustee: Barry Hovis,**  
City of Cape Girardeau

Barry also joins the board with impressive credentials. Since 1986 Barry has been a police officer for the City of Cape Girardeau and has attained the rank of Lieutenant. He served on the Missouri Crime Prevention Association state board for four



years. He is very dedicated and values the hard work of local government employees. Barry replaces Bob West who retired after six years of service on the LAGERS board.

## Long Time Director, Bill Schwartz, Retires



LAGERS Executive Secretary (Director), Bill Schwartz, retired effective January 1, 2011.

Bill started with LAGERS in 1974 as the Assistant Executive Secretary, a position he held until 1978 when he became LAGERS fifth director. Thirty two and one half years under his belt as executive secretary made Bill the second longest tenured public pension director in the nation.

Mr. Schwartz has built LAGERS into one of the most sound and efficient pension systems in the US. LAGERS had only been in business for six years when Bill was hired in 1974. The young pension system only had 9,500 members at 186 employers. LAGERS now covers over 33,000 active members and 14,900 retirees from 608 employers. In 1974 LAGERS held \$29.2 million in assets; today, LAGERS assets total \$4.1 billion.

Bill will enjoy his retirement with his wife Sandy, his four children and two grandchildren.

Keith Hughes, LAGERS Assistant Executive Secretary, will succeed Bill as LAGERS director. Keith has helped navigate the LAGERS system since 1987 and will take the reins with a wealth of experience and dedication.

## 2011 LAGERS Meeting Schedule

### Pre-Retirement Seminar Schedule:

March 10, 2011 - Hannibal: Quality Inn & Suites  
April 6, 2011 - Jefferson City: Truman Hotel  
May 5, 2011 - Chesterfield: Hilton Garden Inn  
June 9, 2011 - Springfield: Holiday Inn - North  
June 23, 2011 - Independence: Hilton Garden Inn  
July 28, 2011 - Cape Girardeau: Drury Lodge  
August 11, 2011 - St. Joseph: Holiday Inn  
August 25, 2011 - Chesterfield: Hilton Garden Inn  
September 29, 2011 - Independence: Hilton Garden Inn

### Administrative Workshop Schedule:

March 9, 2011 - Macon City Hall  
April 5, 2011 - LAGERS Office  
May 4, 2011 - St. Peters City Hall  
June 8, 2011 - Springfield-Green County Library  
June 22, 2011 - Independence Sermon Ctr.  
July 27, 2011 - Osage Comm. Center, Cape Girardeau  
August 10, 2011 - Cameron City Hall

Please visit our website [www.molagers.org](http://www.molagers.org) for more information and to register for a meeting

### Board Meeting Schedule:

February 17, 2011 - Jefferson City: LAGERS Office  
April 15, 2011 - Jefferson City: LAGERS Office  
June 17, 2011 - Jefferson City: LAGERS Office  
September 9, 2011 - Lake Ozark  
October 26, 2011 - Springfield: University Plaza

### 2011 Annual Meeting:

October 27 & 28, 2011



On-site informational meetings are available upon the request of a LAGERS member employer. If an employer wishes to set up an informational meeting call: 1-800-447-4334 or visit our website [www.molagers.org](http://www.molagers.org) for more details

## Personal Savings

According to the National Institute on Retirement Security, the "retirement income deficit" - the gap in the amount of money that Americans age 32-64 have saved for retirement today and what they *should* have today in order to maintain their standard of living in retirement was recently calculated to be an astounding \$6.6 trillion nationwide, or about \$90,000 for every American household.

Want an estimate of how much you need to save for retirement? Try the ball park estimate worksheet at [www.choosetosave.org](http://www.choosetosave.org)

