



UNDERSTANDING THE BENEFIT PROGRAMS



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WHAT IS A DEFINED BENEFIT PLAN?

LAGERS is a Defined Benefit system

- All LAGERS benefits are calculated using a formula
- Benefits are guaranteed to eligible members for their lifetime

One component of the benefit formula is the Benefit Factor

- This is a specified percentage elected by a subdivision's governing body
- These elected percentages range from 1.00% to 2.00%
- An employer may elect any benefit program they wish
- The higher the elected benefit program, the higher the cost to the employer



BENEFIT OPTIONS

- Annual Hours Required for Coverage
 - 1500, 1250, 1000
- Prior Service Coverage
 - 100%, 75%, 50%, 25%
- Benefit Programs

● L-1	1.00%	● LT-4 (65)	2% to age 65, 1.00% for life after 65
● L-3	1.25%	● LT-5 (65)	2% to age 65, 1.25% for life after 65
● L-7	1.50%	● LT-8 (65)	2% to age 65, 1.50% for life after 65
● L-12	1.75%	● LT-14(65)	2% to age 65, 1.75% for life after 65
● L-6	2.00%		



BENEFIT CALCULATION

$$\begin{aligned} & \text{Benefit Program} \\ & \times \\ & \text{Final Average Salary} \\ & \times \\ & \text{Years of Service Credit} \\ & = \\ & \text{Monthly Benefit for Life} \end{aligned}$$



BENEFIT PROGRAM EXAMPLES

L-1 1.00% x \$2,000 x 25 = \$500.00 per month for life

L-3 1.25% x \$2,000 x 25 = \$625.00 per month for life

L-7 1.50% x \$2,000 x 25 = \$750.00 per month for life

L-9* 1.60% x \$2,000 x 25 = \$800.00 per month for life

*Closed to new elections 9/1/2005

L-12 1.75% x \$2,000 x 25 = \$875.00 per month for life

L-6 2.00% x \$2,000 x 25 = \$1000 per month for life



BENEFIT PROGRAM EXAMPLES

LT-4(65) $1.00\% \times \$2000 \times 25 = \500.00 per month for life
Plus $1.00\% \times \$2000 \times 25 = \500.00 per month to age 65

LT-5(65) $1.25\% \times \$2000 \times 25 = \625.00 per month for life
Plus $0.75\% \times \$2000 \times 25 = \375.00 per month to age 65



BENEFIT PROGRAM EXAMPLES

LT-8(65) $1.50\% \times \$2000 \times 25 = \750.00 per month for life

Plus $0.50\% \times \$2000 \times 25 = \250.00 per month to age 65

LT-14(65) $1.75\% \times \$2000 \times 25 = \875.00 per month for life

Plus $0.25\% \times \$2000 \times 25 = \125.00 per month to age 65



CHANGING THE BENEFIT PROGRAM

- Upgrading the Benefit Program
 - Results in higher retirement benefits for Active Members
 - Retroactive. ALL of the current employees' service will be calculated at the higher program
 - Results in higher cost for the Employer

- Downgrading the Benefit Program
 - Not Retroactive. Applies to future service only.



UPGRADING THE BENEFIT PROGRAM

25 Years at L-6

20 Years under L-7 (1.50%) Program

5 Years under
L-6 (2.00%)

Hire Date

Upgrade to L-6

Retirement

Jan. 1990

Jan. 2010

Jan. 2015

Benefit Comparison

L-7 1.50% x \$2500 x 25 = \$937.50 per Month

L-6 2.00% x \$2500 x 25 = \$1250 per Month



DOWNGRADING THE BENEFIT PROGRAM

20 Years under L-6 (2.00%) Program

**5 Years under
L-7 (1.50%)
Program**

Hire Date

Downgrade to L-7

Retirement

Jan. 1990

Jan. 2010

Jan. 2015

Downgrade Benefit Calculation

L-6 2.00% x \$2500 x 20 = \$1000.00 per Month

L-7 1.50% x \$2500 x 5 = \$ 187.50 per Month

Total Monthly Benefit = \$1187.50 per Month



BENEFIT CHANGE PROCEDURE

1. A subdivision must receive an actuarial valuation (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 will be included in the ordinance/resolution or, will be the first day of the month following LAGERS' receipt of the ordinance/resolution.



THANK YOU

- Please Contact us for Questions
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