



Understanding Final Average Salary



Narrated by Robert Wilson, Manager of Member Services



How is a Benefit Calculated?

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



What is Final Average Salary?

- One component of Benefit Calculation
- Member's highest consecutive 5 or 3 years of Salary from last 10 years of Employment
- Employer's governing body Elects either the 5 or 3 year Final Average Salary period



Final Average Salary

2004	\$	30,000	3 Year Final Average Salary		
2003		27,800	<u>\$108,000</u>		
2002		24,100	36 Months	=	\$3,000
2001		23,400	5 Year Final Average Salary		
2000		22,800	<u>\$176,525</u>		
1999		22,100	60 Months	=	\$2,942
1998		21,400			
1997		20,800			
1996		20,200			
1995		19,600			



Final Average Salary FAQ

- Can the Final Average Salary period be Changed?
 - Yes. The employer's governing body may elect to change the Final Average Salary period once every two years.
- Will changing the FAS period change Employee Benefits?
 - Yes. The 3 year final average salary period will give an employee a higher FAS and, therefore, a higher monthly retirement benefit.



Final Average Salary FAQ

- Does changing the Final Average Salary period change Employee or Employer contributions?
 - Employees will always contribute either 4% or 0% of their gross monthly salary based on their employer's election.
 - The employer would be required to contribute more to LAGERS for the 3 year Final Average Salary election since this option provides a higher monthly benefit for employees.



Final Average Salary FAQ

- If I work for more than one LAGERS employer, which Final Average Salary period will be used?
 - The last 120 months of LAGERS employment will be used as the Final Average Salary period, regardless of the number of different LAGERS employers within that period.
 - The Final Average Salary (5 or 3 year) period that each employer had elected will be used to calculate the benefit from each employer based on the last 120 months of LAGERS wages.

Benefit Change Procedure

- Employer must receive a cost study from LAGERS actuary for the proposed change.
- The employer must then make the Cost Study public information for 45 calendar days.
- The employer may then pass an official resolution/ordinance to adopt the change.
- The change will take effect the first of any month the employer's governing body chooses.

Benefit changes apply to Current and Future employees only.



Thank You

- If you have Questions, please Contact Us
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