Have You Moved Recently?

Even though you may have changed your address with the post office, you may still need to update it with LAGERS. Before LAGERS sends you this newsletter, we run an invalid address report and will forward your newsletter to the updated postal address.

You can update your address by sending a signed letter with your updated address or log on to myLAGERS.
Your LAGERS system completed another strong financial fiscal year. The system produced a 13.7% return on investments as of June 30, 2018. “LAGERS members’ investment performance was in the top 1% among portfolios across the country. This was mainly driven by increased diversification into private real assets and fixed income,” said LAGERS Chief Investment Officer Brian Collett.

While the investment return of the system does not have an effect on your benefits, it does have an effect on the financial stability of the system. This strong investment performance coupled with consistent employer contributions helped the LAGERS plan increase its pre-funding ratio to 95.6%! “The good news about this is that it puts downward pressure on employer contribution rates and makes sure we fully fund the benefits for all LAGERS members and their families,” said Bob Wilson, LAGERS’ Executive Director.

What is Pre-Funding?
Pre-Funding is a measurement pension plans use to gauge the financial stability of a defined benefit pension system. When a pension system has a pre-funded ratio of 80% or higher, it is considered to be in a strong financial position. As well, LAGERS continues to be one the stronger pre-funded plans in the country.

How Does Pre-Funding Affect My Benefit?
By design, a portion of the dollars your employer pays LAGERS every month is being set aside to pre-pay for your benefit. When you reach eligibility and begin drawing your benefit, the funds necessary to pay you for life are already there. This is a strong plan design that ensures the system is able to provide benefits to Missouri’s local government servants for generations to come.

Note: The Investment Return and Pre-Funding Percentages are unaudited, and may be adjusted after audit.
There are two paths to retirement: the traditional path and the non-traditional path. The traditional path is the one where you work your entire career and decide to retire to a life of leisure with no plans for a future job of any sort. The non-traditional path is more of a gentle downward slope rather than a cliff into retirement. It is characterized by continuing some type of paid employment and gradually easing into the life of leisure when you sever ties with all employment for good. Which path will you take? If you’re like most Americans, you will take the non-traditional path.

A recent study by the RAND Corporation found that less than 40 percent of Americans follow the traditional path to retirement while the rest either reduce their hours and work part-time with the same employer, leave the workforce and then re-enter, and some even remain in full time work past the age of 70. So, will you be traditional or non-traditional? It depends on many factors.

**Health**

This finding should be fairly obvious. Your health may play a role in when you decide to leave the workforce. We all desire to be able to choose our own retirement date rather than it being determined by other factors, but that will not be the case for everyone. Injuries and illness can force people to retire earlier than they would like while good health may encourage working longer.

**Cognitive Abilities**

Your brain power may also determine the path you take to retirement. Those with strong cognitive abilities are more likely to continue to work past age 65 and even to age 70 and beyond than those with lower cognitive abilities. This study specifically looked at working memory in order to measure cognitive ability.

**Individual Economic Situation**

In order to be able to retire when you want, you have to be able to afford it. Financial preparedness in retirement means that you are able to pay all of your bills while living the lifestyle you want. The study found that Americans with pension plans (that’s you, LAGERS members) are more likely to follow the traditional path to retirement because pension plans provide stable monthly income and have pre-determined retirement ages. But income from a pension is most likely not going to be enough to provide you with the retirement you want, so additional savings and planning is required.

**Personality**

Are you outgoing and personable (extrovert) or shy and unsocial (introvert)? Which category you fall into could also be a factor in determining when you will retire. If you are the outgoing, personable, life of the party-type, you are more likely to work past age 65 according to the study. This makes sense as our jobs are a social network for us. Extroverts are more likely to want to maintain and expand social networks so being engaged with other adults on a regular basis is more attractive for them.
What You Should Do With This Information

This report provides some interesting insight into retirement planning as it goes beyond finances and examines health, brain function, and personality. In planning your retirement these should all be factors to consider. If you have a strong desire to take the traditional path to retirement, ask yourself these questions:

- Can I afford to pay all of my bills and live the lifestyle I want?
- What is my personal health and how long do I think I’ll live?
- Will I need to seek out social networks outside of work or am I OK with having more time alone?

If the non-traditional path sounds better to you, prepare by asking these questions:

- How is my brain power? Will my working memory allow me to be productive past age 65?
- Do I want to work part time, full time, or start my own business?
- Are my motivations for working longer financial, social, health-related, or something else?

It’s all about creating the retirement you want. In order to create it, you must start planning now, if you haven’t already, and continue planning throughout your working career. Visualize what you want your retirement to look like and set a plan in motion to make it happen.

Reference: Rand Corporation Article:
https://www.rand.org/pubs/research_briefs/RB10022.html
Come Join us in St. Louis at the 2018 Annual Meeting!

When: October 25th - 26th
Where: Sheraton Westport Chalet
191 W. Port Plaza Dr.
St. Louis, MO 63146

Fee: **FREE!**

Register: [www.molagers.org/annual-meeting.html](http://www.molagers.org/annual-meeting.html)

What is the LAGERS Annual Meeting?

The LAGERS Annual Meeting is a great opportunity to learn more about the inner workings of your retirement system. You will hear educational sessions about how LAGERS' benefits operate and system updates from some of LAGERS leadership team. As well, you will have the chance to network with LAGERS Board of Trustees, LAGERS Staff and your local government colleagues from across the state.

As well, the LAGERS Annual Meeting is where you have the opportunity to set the future direction of the system by participating in the board elections. Each employer can send one employer delegate and member delegate to participate in the board election process.

Board Vacancies

Typically at the LAGERS Annual meeting, when an election occurs, two trustee positions are open for election. However, this year, one of LAGERS current Member Trustees is retiring from her LAGERS employer and will no longer be eligible for the LAGERS Board. So, this means there will be two Member Trustee elections and one Employer Trustee election. The terms for each trustee position are below:

Employer Trustee: Term: January 1, 2019 - December 31, 2022
Member Trustee: Term: November 1, 2018 - December 31, 2020
Member Trustee: Term: January 1, 2019 - December 31, 2022
"Can I borrow money from my LAGERS account?" We get this question frequently. The short answer is no; you cannot borrow money from your LAGERS account. LAGERS is a defined benefit plan in which plan documents do not allow a member to borrow money from their account. There are some defined contribution plans that do allow borrowing, but again, we are a defined benefit plan, not a defined contribution plan like a 401K.

Your benefits, which are pre-funded, are not figured until your retirement. When you retire, we use a formula to figure out how much you will receive every month for the rest of your life. This formula is:

\[
\text{Your Benefit Program (benefit multiplier)} \times \frac{\text{How Long You Work}}{\text{How Much You Earn}}
\]

Even if your employer is contributory, meaning you, as an employee, pay in 4% of your after-tax salary for your retirement plan, it is still not allowed. Your money received by LAGERS is put into a trust to pay for your future benefit. This trust will not allow for any in-service access to the money. It will be the first money paid to you in the form of a monthly benefit that you will receive for life. However, if you leave employment with a LAGERS employer before your retirement age, you do have an option of receiving a refund of your contributions.

If you have further questions about this topic or any other regarding your LAGERS benefit, please contact us at info@molagers.org.

Find more blogs like this one at blog.molagers.org.
Member Resource

Is your address up to date? Make sure your address is updated by logging in to your myLAGERS account or sending written notice to our office.

Within 5 Years of Retirement? Attend a LAGERS Pre-Retirement Seminar. 2019 Dates will be available soon!