

Your Guide To **Joining LAGERS**

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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 middle class workers transition into middle class retirees. Dependable monthly income is essential for people to exit the workforce with dignity, and it 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.

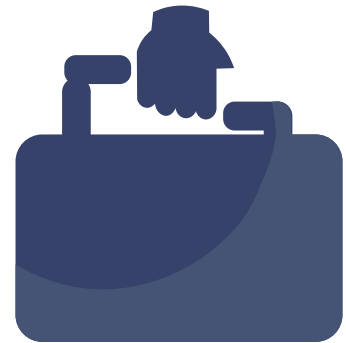
LAGERS employers are required by Missouri state law to make their full contributions each and every month to ensure their workers' benefits are properly funded.



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. There are over 780 local government employers throughout Missouri participating in LAGERS. An employee can maintain their benefit between any of them.

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.

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.



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

VISION

A Secure Retirement for All

MISSION

To provide and preserve retirement security for those dedicated to serving Missouri's local communities.

VALUES

Dedication

Respect

Teamwork

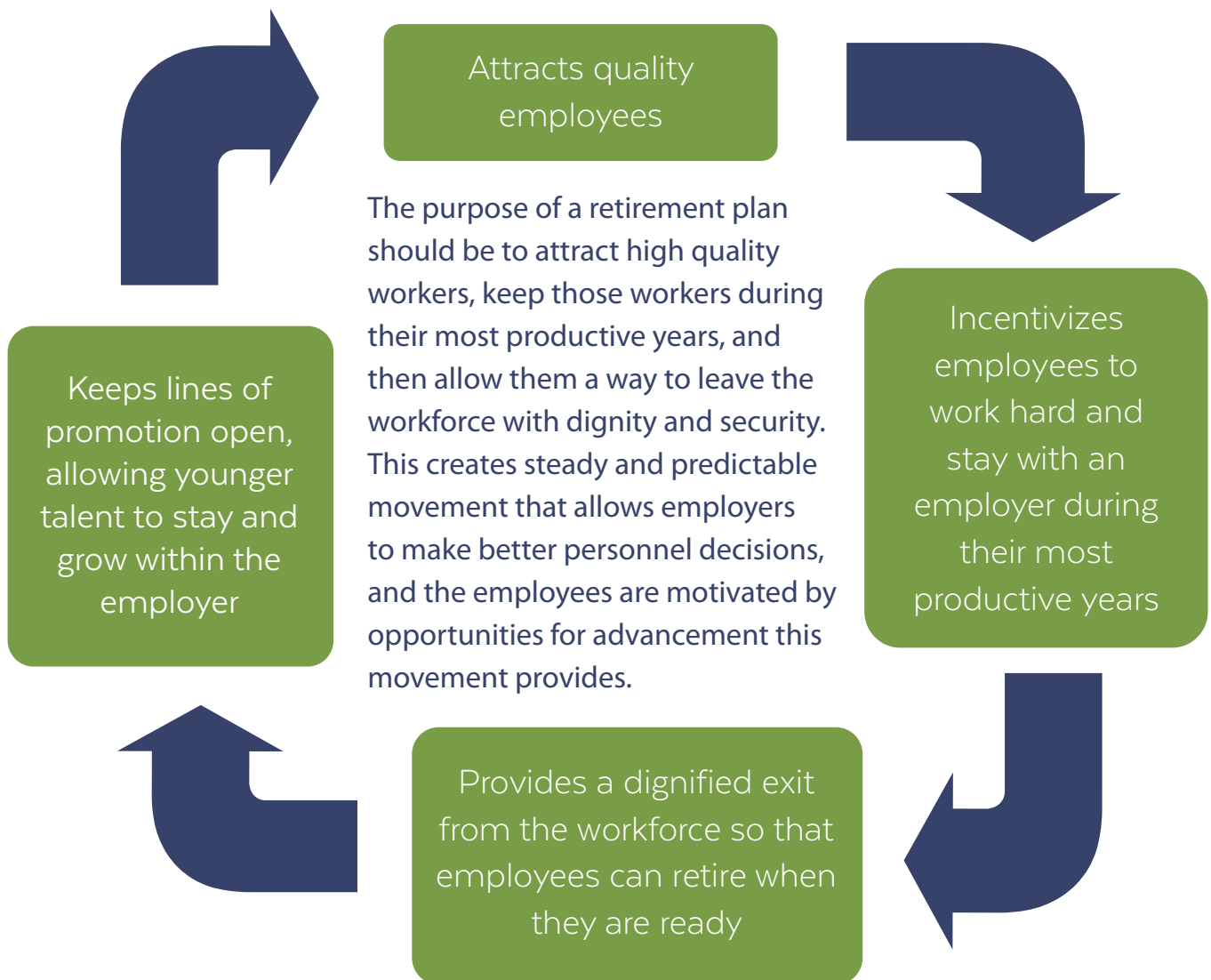
Integrity

Excellence

Communication

Accountability

● THE PURPOSE OF A RETIREMENT PLAN ●



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 guaranteed to receive a benefit (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
Public Safety Personnel	Age 55*

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

**Optional employer election for EMS personnel, Emergency Telecommunicators, and Jailors. If no election is made, EMS personnel, Emergency Telecommunicators, and Jailors are considered general employees in LAGERS.*

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 nominal 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.

No separate election must be made for these benefits.

EMPLOYER *Options*

There are many required elections that must be made when joining LAGERS. Below is information regarding the one-time elections as well as information on the benefit, eligibility, and funding elections.

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 service, turnover rates, etc). An employer must obtain an initial valuation which details the employer's unique cost of partnering with LAGERS.

One-Time ELECTIONS:

These elections must be made when joining LAGERS and cannot be changed in the future.

Election to Provide Coverage

Providing a defined benefit retirement plan is about making a commitment between employees and their employer. As such, LAGERS statutes require an employer to honor the benefits they undertake and make the full required contributions each month.

Prior Service Coverage

Allows employers to give credit toward a LAGERS benefit for time the employees worked prior to the commencement of LAGERS. (100%, 75%, 50%, or 25% coverage) An employee must remain employed in a LAGERS-covered position for at least one year after the employer's effective date of membership in order to receive service credit for their time worked before the employer joined LAGERS, unless a death or disability occurs.

Employers with existing retirement plans in place may have limited prior service options to avoid a duplication in benefits as prohibited by MO state statute.

Annual Hours for Coverage

Defines an eligible employee for LAGERS participation as an employee who works at or above 1500, 1250 or 1000 hours annually.

Departments Covered

Employers can cover general, police, fire and public safety departments. At minimum, a subdivision must cover a general department, but may add departments at a later date. Coverage of departments cannot be terminated.

Benefit ELECTIONS:

These elections can be changed once every two years and have a direct impact on the amount of income employees will receive from LAGERS.

Benefit Program:

Benefit multipliers range from 1.00 - 2.50%. The higher the multiplier, the greater the monthly income replacement in retirement.

Final Average Salary:

Benefits can be based on either the highest consecutive 60 month (5 year) or a 36 month (3 year) average salary from the last 120 months (10 years). A 36 month average generally yields a slightly higher average, producing a slightly larger benefit.

How Does the Benefit Multiplier Impact the Benefit Calculation?

LIFE PROGRAM	MULTIPLIER	INCOME REPLACEMENT		
		10 YRS SERVICE	20 YRS SERVICE	30 YRS SERVICE
L-1	1.00%	10%	20%	30%
L-3	1.25%	12.5%	25%	37.5%
L-7	1.50%	15%	30%	45%
L-12	1.75%	17.5%	35%	52.5%
L-6	2.00%	20%	40%	60%
L-11*	2.50%	25%	50%	75%

**Only available to groups that do not contribute to Social Security.*

Eligibility ELECTION:

You may change this election once every two years. This election determines when an employee can draw a benefit.

Normal Retirement Age:

- General - Age 60
- Police, Fire
- *Public Safety - Age 55

**This is an optional employer election which allows employers in 3rd class counties to classify EMS personnel, Emergency Telecommunicators, and Jailors as Public Safety Personnel for purposes of determining an age 55 normal retirement.*

Rule of 80:

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

Funding ELECTION:

You may change this election once every two years, and it has an impact on the percentage of payroll your subdivision will pay to fully fund the employees' benefits.

Employee Contributions:

Employers may elect to have LAGERS-eligible employees share in the cost of funding their LAGERS benefit. Each employer may choose either a 0%, 2%, 4%, or 6% employee contribution amount.

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, 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 LAGERS coverage. The State Social Security Administrator can explain the legal requirements necessary for proper coverage before starting 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

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 valid for two years from date of issue.

Starting on page 4, contribution rates are shown as a percent of payroll for all of LAGERS benefit levels. The difference between each page can be found in the top heading.

EMPLOYER CONTRIBUTION RATES (0% EMPLOYEE CONTRIBUTIONS - 3 YEAR FAS)

Rule of 80 Retirement Eligibility

BENEFIT PROGRAM	EMPLOYEE GROUPS	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

This sample shows **employer contribution rates** based on **0% employee contributions, 3 year final average salary, and rule of 80 retirement eligibility plan (all shown in the top heading).**

BENEFIT PROGRAM determines your multiplier that will be used to calculate benefits.

EMPLOYEE GROUPS: *General, Police, Fire, and Public Safety.*

PRIOR SERVICE COST is the portion of your total employer contribution rate that pays for your employees' service prior to your entity joining LAGERS. This amount is amortized over a 30 year closed period. You may cover 100%, 75%, 50%, OR 25% of prior service. Electing less than 100% would reduce your total contribution rate. There may be limited prior service options if your employer has been providing a retirement plan. 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

Starting on page 12 you will find estimated dollar amounts for the annual cost of each combination of benefits. The dollar amounts are calculated by applying your total contribution rate to the payroll supplied to us on the Personnel Data Form.

4% Employee Contribution Amount

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. Are there any changes anticipated to be made before the end of the period for which you are preparing the budget?

0% Employee Contribution Amount

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 on pages 15 and 16. 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 prior service portion of the total 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.

Regular Retirement Eligibility

Benefit Group	Employee Group	4% Employee Contribution		0% Employee Contribution	
		UAAL (5 Year FAS)	UAAL (3 Year FAS)	UAAL (5 Year FAS)	UAAL (3 Year FAS)
L-1	General	\$ 294,667	\$ 305,466	\$ 313,218	\$ 323,929
	Police	154,785	160,984	170,590	176,751
L-3	General	372,924	386,389	391,470	404,898
	Police	197,403	205,018	213,235	220,979
LT-4(65)	General	338,840	351,201	357,120	369,398
	Police	198,017	205,766	213,628	221,347
LT-5(65)	General	406,068	420,677	424,413	438,969
	Police	229,806	238,620	245,500	254,400
L-7	General	451,019	467,101	469,782	485,869
	Police	239,610	248,645	255,896	265,143
LT-8(65)	General	473,090	489,965	491,710	508,581
	Police	261,233	271,029	277,382	287,426
L-12	General	528,928	547,638	548,079	566,847
	Police	281,675	292,161	298,561	309,340
LT-14(65)	General	539,996	559,105	559,061	578,183
	Police	292,463	303,331	309,320	320,478
L-6	General	606,737	628,073	626,361	647,792
	Police	323,581	335,533	341,197	353,536

UAAL = Unfunded Actuarial Accrued Liability

Becoming a LAGERS EMPLOYER

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. However, a smaller employer can experience greater volatility than normal and could experience short term fluctuations in the contribution rate from year to year. A small employer should speak with a LAGERS representative about this potential fluctuation before joining LAGERS.

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). 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). Call us at (573)632-6260 or email info@molagers.org.

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. You will receive a sample ordinance with your actuarial valuation. 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: _____ 1, 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 this CANNOT be changed.

- _____ 1,500 hours per year
- _____ 1,250 hours per year
- _____ 1,000 hours per year

EMPLOYEE GROUP TO BE COVERED

Choose all applicable groups: (Police and/or Firefighters can be covered later.)

- _____ General employees (mandatory)
- _____ Police Officers
- _____ Fire Fighters
- _____ Public Safety

AMOUNT OF PRIOR SERVICE TO BE COVERED:

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

- _____ 100%
 - _____ 75%
 - _____ 50%
 - _____ 25%
 - _____ 0%
- Employers with existing retirement plans in place may have limited prior service options to avoid a duplication in benefits as prohibited by MO state statute.

EMPLOYEE CONTRIBUTION AMOUNT

Can be changed once every 2 years.

- _____ 0% employee contribution of gross salary
- _____ 2% employee contribution of gross salary
- _____ 4% employee contribution of gross salary
- _____ 6% employee contribution of gross salary

BENEFIT PROGRAM:

Can be changed once every 2 years.

LIFE PROGRAMS: Same percent for life

- _____ L-1 (1.00%)
- _____ L-3 (1.25%)
- _____ L-7 (1.50%)
- _____ L-12 (1.75%)
- _____ L-6 (2.00%)
- _____ 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.

RETIREMENT AGE

Can be changed once every 2 years.

- _____ Normal Retirement (General - Age 60; Police - Age 55; Fire - Age 55; *Public Safety - Age 55)
- _____ Rule of 80 - allows for an unreduced age and service retirement for members whose age and service total eighty or more.

**Employer has the option to cover public safety personnel as general employees or as public safety.*



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.