



# Understanding Actuarial Valuations and LAGERS Funding

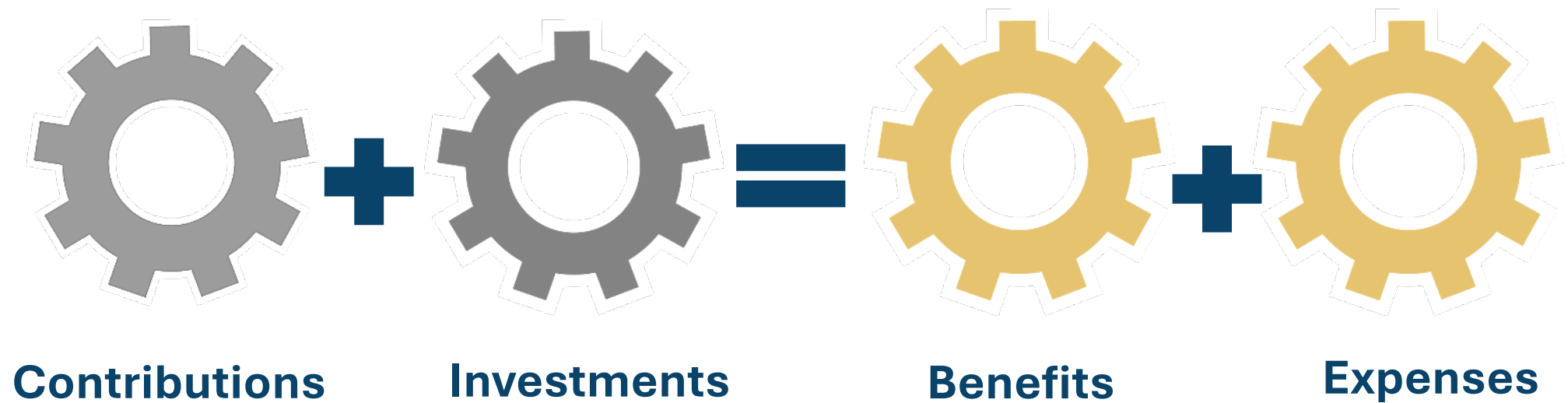


MISSOURI LAGERS

# LAGERS Funding Basics



# Pension Funding Formula



# LAGERS' Sources of Funding

Investment  
Returns

Employer  
Contributions

Member  
Contributions



*On average over the last 5 years*



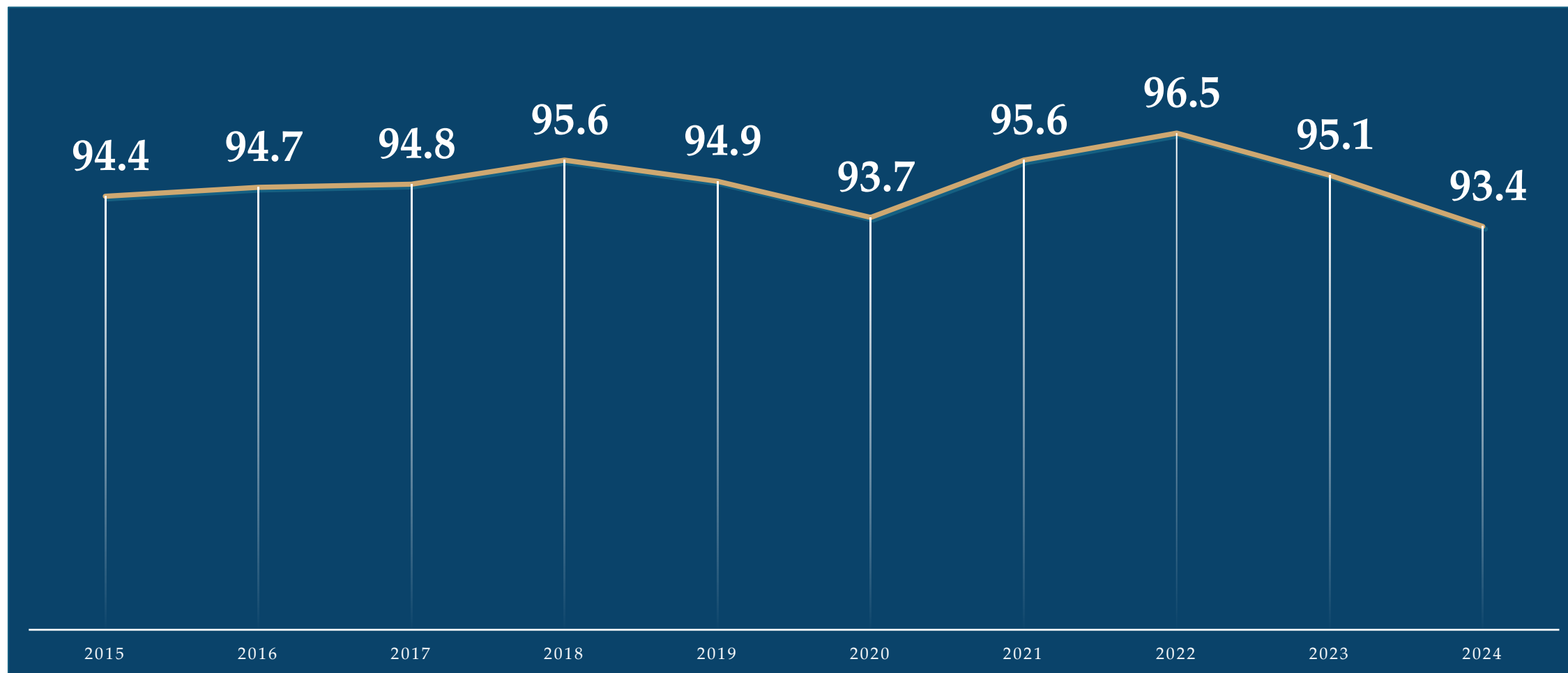
# Funding Policy

## Objectives:

LAGERS' funding policy helps establish a consistent process for ensuring that the system has enough assets to pay promised benefits to members over the long term.

- Maintain adequate assets
- Maintain stable employer contribution rates
- Maintain public policy goals of accountability and transparency
- Monitor material risks
- Promote intergenerational equity
- Review investment return assumption
- Continue progress of systematic reduction of unfunded actuarial accrued liabilities

# LAGERS Funding Progress



# Understanding Actuarial Valuations

A decorative graphic consisting of two horizontal lines. The top line is dark blue and the bottom line is orange. A dark blue downward-pointing triangle is centered between the two lines, positioned directly below the title.

# Your Annual Valuation:

---

Your employer's contribution rate is calculated annually and issued on July 1 each year.

Valuations are effective at the beginning of your next fiscal year.

## Valuations Include:

- **Your Employer's Contribution Rate -**  
Each valuation group's calculated contribution rate and uncapped contribution rate (if any).
- **Your Employer's Funding Progress -**  
The assets and liabilities of each valuation group trust as of the end of February.



# How a Contribution Rate is Calculated

## DEMOGRAPHIC

- Members that leave employment
- Disabilities for members
- Retirements of members
- Salary increases for members
- Mortality of active members and retirees

## ECONOMIC

- Rate of Return: 7.00% Annually
- Price Inflation: 2.25% Annually
- Wage Inflation: 2.75% Annually
- Payroll Growth: 2.75% Annually



# Understanding and Navigating Your Annual Valuation

## *Your Updated Contribution Rate*

Page 12:

### Employer Contributions to the Retirement System for the Fiscal Year Beginning January 1, 2025

Division	Employer Contributions Expressed as %'s of Active Member Payroll			
	Normal Cost Rate	Casualty Rate	Prior Service Cost Rate	Total Employer Contribution Rate
General	8.3%	0.5%	7.6%	16.4%
Police	10.0	0.8	8.4	19.2



# Understanding and Navigating Your Annual Valuation

## *Uncapped Contribution Rate*

Page 12:

Under Section 70.730 of the Revised Statutes of Missouri, the computed employer contribution rate shall not exceed the contribution rate for the immediately preceding fiscal year by more than one percent (not including the effects of any benefit changes). The contribution rates shown above reflect the one percent maximum increase, if applicable. **The uncapped employer contribution rate for the Police division was computed to be 21.7%.**

The capped employer contribution rate is expected to increase each year by no more than one percent of active member payroll until reaching the uncapped employer contribution rate. However, the uncapped employer contribution rate may also increase due to actuarial losses and lower than expected contributions (i.e., capped rate vs. uncapped rate). Additional contributions should be considered to accelerate funding and reduce the period of time the employer contribution rate is capped. Please contact LAGERS for more information.



# Understanding and Navigating Your Annual Valuation

## *Funding Progress*

Page 13:

**Employer Contributions – Comparative Schedule**

Valuation Date	Active Members					Vested Former Members	Employer Contribution Rate
		Annual Payroll	Averages *				
			Annual Pay	Age	Service		
2/28/2019	11	\$654,523	\$59,502	39.3 yrs.	4.0 yrs.	6	11.5%
2/29/2020	12	746,031	62,169	40.0	4.7	5	12.5
2/28/2021	13	784,529	60,348	40.1	5.3	4	16.4
2/28/2022	13	821,705	63,208	41.1	6.3	4	16.3
2/28/2023	15	978,969	65,265	40.9	6.5	3	16.3
2/29/2024	12	809,016	67,418	39.7	7.1	6	19.2

*\* These items are included for their general interest, but are not used in the valuation.*



# Understanding and Navigating Your Annual Valuation

## *Funding Progress*

**Accrued Liabilities and Assets - Comparative Schedule**

Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Funded Percent	Unfunded Accrued Liabilities	
				Dollar Amount	Percent of Annual Payroll
2/28/2019	\$927,116	\$518,572	55.9%	\$408,544	62.4%
2/29/2020	1,145,835	632,588	55.2	513,247	68.8
2/28/2021	1,350,910	650,347	48.1	700,563	89.3
2/28/2022	1,586,673	891,348	56.2	695,325	84.6
2/28/2023	1,799,553	1,006,115	55.9	793,438	81.0
2/29/2024	1,896,788	905,299	47.7	991,489	122.6

Page 13:



# Understanding and Navigating Your Annual Valuation

## *Funding Progress*

**Amortization of Unfunded Accrued Liabilities as of February 29, 2024**

Page 13:

Amortization Period #	Remaining Unamortized Liability	Amortization Payment	Amortization Period #	Remaining Unamortized Liability	Amortization Payment
16	\$343,755	\$29,594	9	(\$75,965)	(\$10,210)
13	110,358	11,069	8	(657)	(97)
16	164,561	14,167	7	7,394	1,230
19	21,485	1,643	6	(12,286)	(2,338)
15	190,639	17,191			
14	104,931	9,954			
13	1,884	189			
12	16,918	1,804			
11	91,605	10,461			
10	26,867	3,312			
			Total	\$991,489	\$87,969



# Stay Connected!

---

## Office Hours:

Monday-Friday  
7:30 a.m.-4 p.m.

- Website: [www.molagers.org](http://www.molagers.org)
- Your ECLIPSE account
- Online events
  
- Email: [info@molagers.org](mailto:info@molagers.org)
  
- Phone: 1-800-447-4334





# LAGERS and Financial Reporting: *What You Need to Know*



MISSOURI LAGERS



# LAGERS Investments and Financials

A decorative graphic consisting of two horizontal lines. The top line is dark blue and the bottom line is orange. They are separated by a small gap in the center, where a dark blue downward-pointing triangle is located.

# Investment Policy Objectives

- Accumulate the financial reserves necessary to provide retirement benefits for our members
- Manage the portfolio on a total return basis
- Produce the most favorable long-term portfolio return with reasonable levels of risk



# Asset

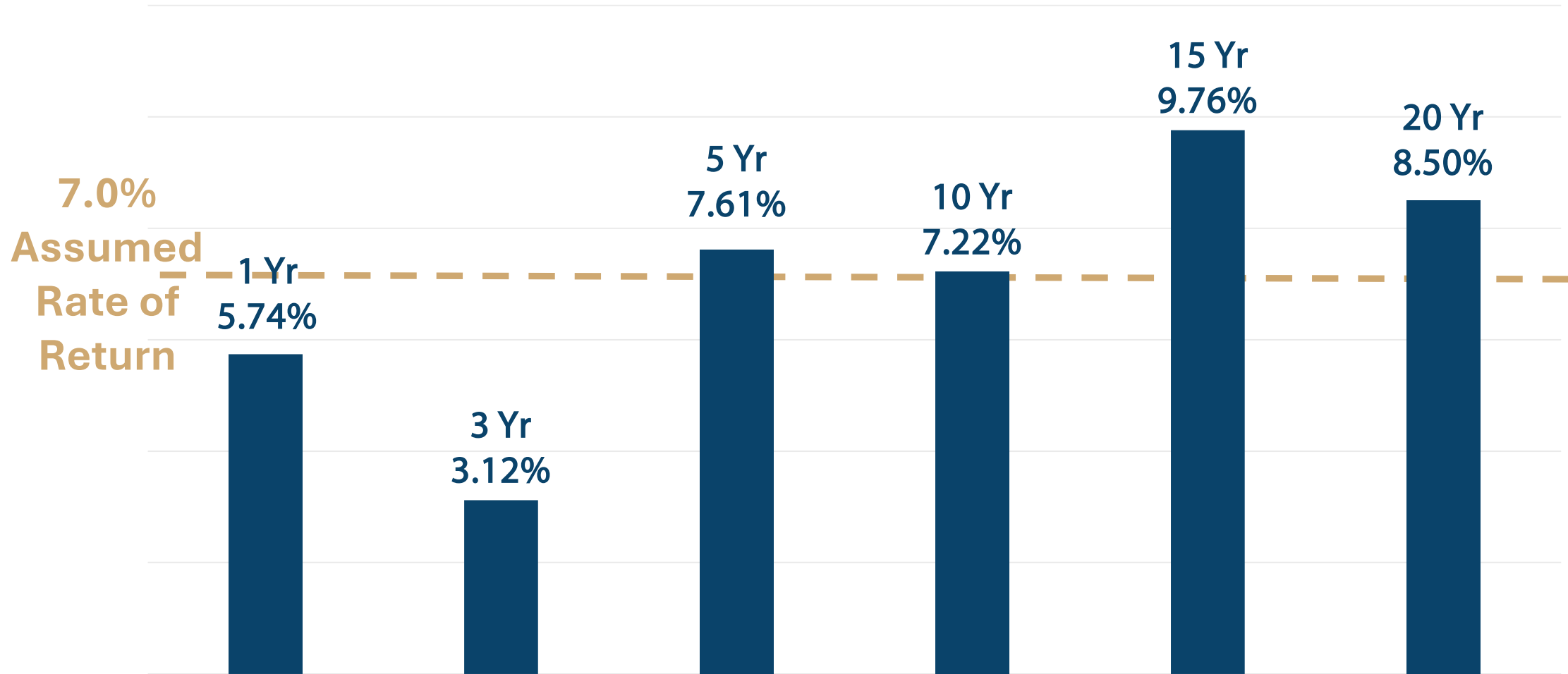
## Allocation:

LAGERS' asset allocation describes how the portfolio is distributed among different asset categories to achieve our investment objectives.

- Approved by the Board of Trustees
- Is a key driver of portfolio risk and return
- Monitored for compliance
- Reviewed regularly and updated as needed

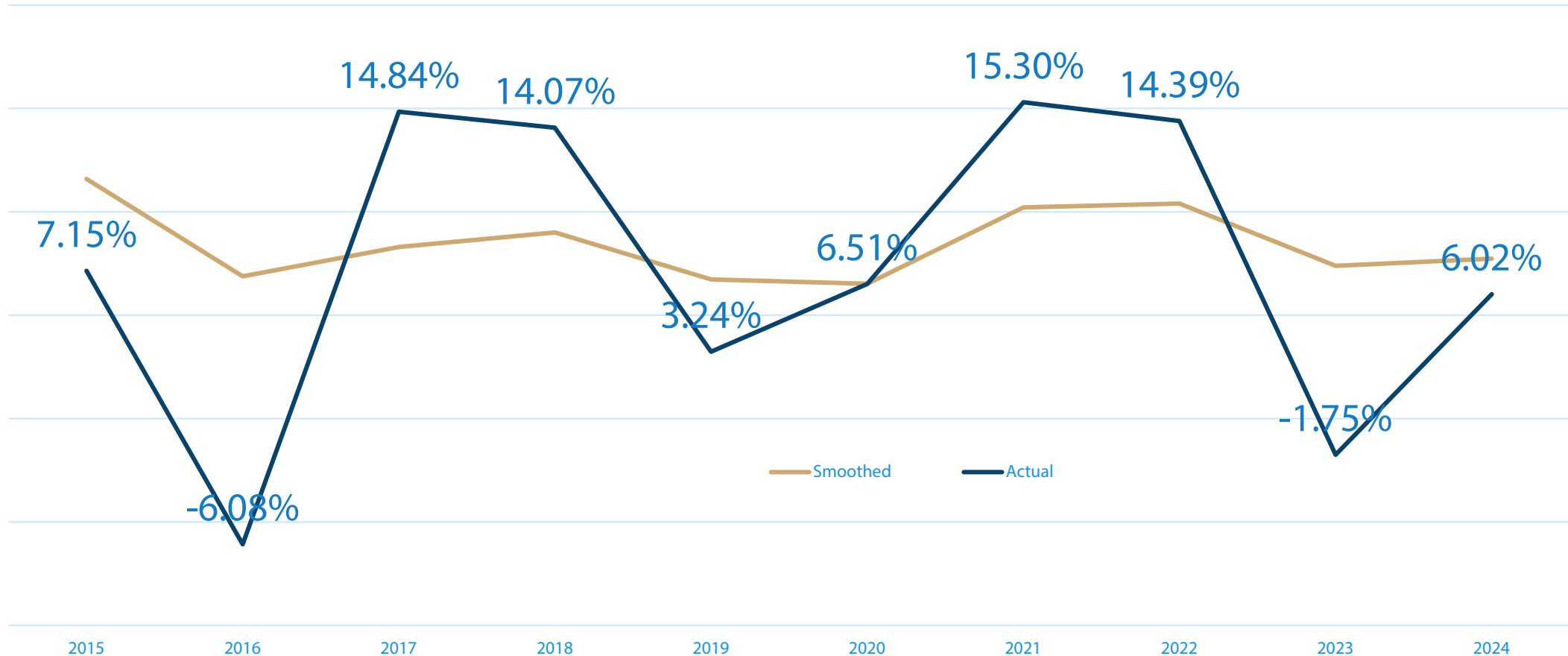
# Investment Returns

*As of June 30, 2024*



# Smoothed vs. Actual Investment Returns

*As of Feb. 29, 2024*



# Financial Statements

*As of June 30, 2024* (expressed in thousands)

## Summary of changes in fiduciary net position,

*expressed in thousands, as of June 30*

Additions	2024	2023	% change
Member contributions	\$ 28,914	\$ 28,729	1 %
Employer contributions	349,875	294,401	19
Net investment income	549,491	365,090	51
Net securities lending (loss)	(4,167)	(1,832)	(127)
<b>Total additions</b>	<b>\$ 924,113</b>	<b>\$ 686,388</b>	<b>35 %</b>
<b>Deductions</b>			
Benefit payments	\$ 489,491	\$ 455,448	7 %
Refunds	2,600	3,216	(19)
Expenses	8,302	9,492	(13)
<b>Total deductions</b>	<b>\$ 500,393</b>	<b>\$ 468,156</b>	<b>7 %</b>
Change in net position restricted for pension benefits (decrease)	\$ 423,720	\$ 218,232	94 %
Beginning net position restricted for pension benefits	\$ 10,393,697	\$ 10,175,465	2 %
Ending net position restricted for pension benefits	\$ 10,817,417	\$ 10,393,697	4 %

## Summary of fiduciary net position,

*expressed in thousands, as of June 30*

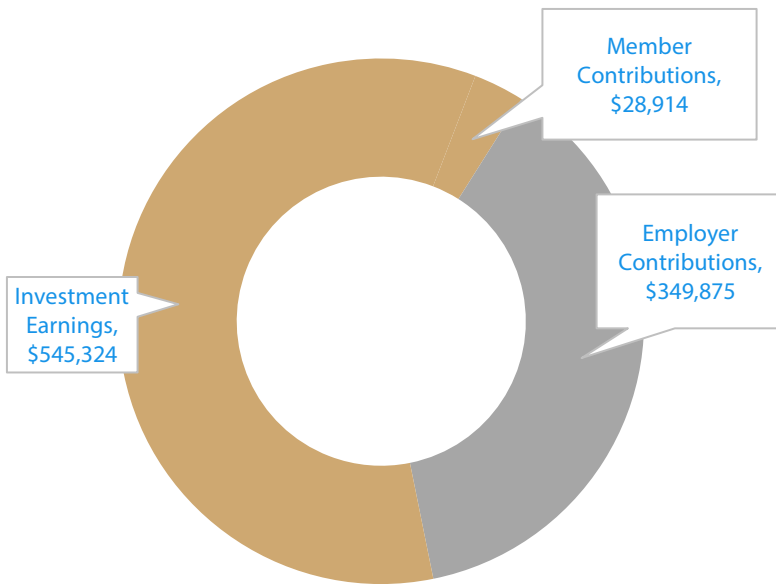
Assets	2024	2023	% change
Cash	\$ 8,799	\$ 7,351	20 %
Receivables and accrued income	54,202	50,178	8
Prepaid expenses	89	94	(5)
Investments	10,751,100	10,676,547	1
Invested securities lending collateral	511,232	450,609	13
Capital assets	6,478	7,081	(9)
<b>Total assets</b>	<b>\$ 11,331,900</b>	<b>\$ 11,191,860</b>	<b>1 %</b>
<b>Deferred outflow of resources</b>			
Outflows related to pensions	\$ 4,283	\$ 5,813	(26) %
Outflows related to OPEB	607	788	(23)
<b>Total deferred outflow of resources</b>	<b>\$ 4,890</b>	<b>\$ 6,601</b>	<b>(26) %</b>
<b>Liabilities</b>			
Payables and accrued expenses	\$ 5,455	\$ 5,086	7 %
Collateral for securities on loan	511,232	450,609	13
Line of credit		344,500	(100)
Net pension liability	101	2,316	(96)
Net OPEB liability	71	1,033	(93)
<b>Total liabilities</b>	<b>\$ 516,859</b>	<b>\$ 803,544</b>	<b>(36) %</b>
<b>Deferred inflow of resources</b>			
Inflows related to pensions	\$ 1,578	\$ 1,012	56 %
Inflows related to OPEB	936	208	350
<b>Total deferred inflow of resources</b>	<b>\$ 2,514</b>	<b>\$ 1,220</b>	<b>106 %</b>
<b>Net position restricted for pension benefits</b>	<b>\$ 10,817,417</b>	<b>\$ 10,393,697</b>	<b>4 %</b>



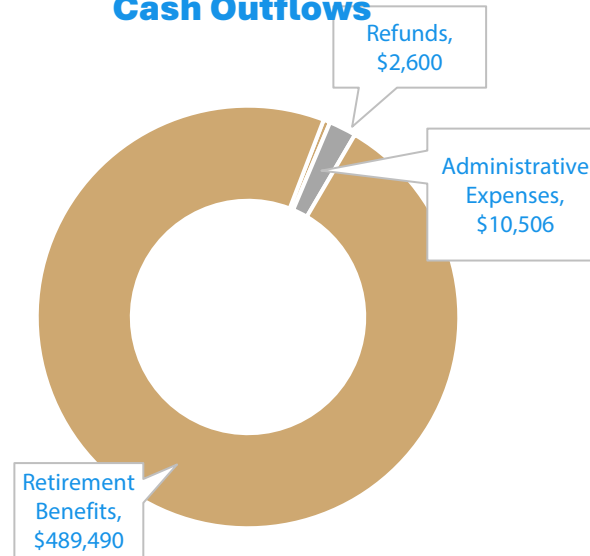
# Financial Highlights

*As of June 30, 2024* (expressed in thousands)

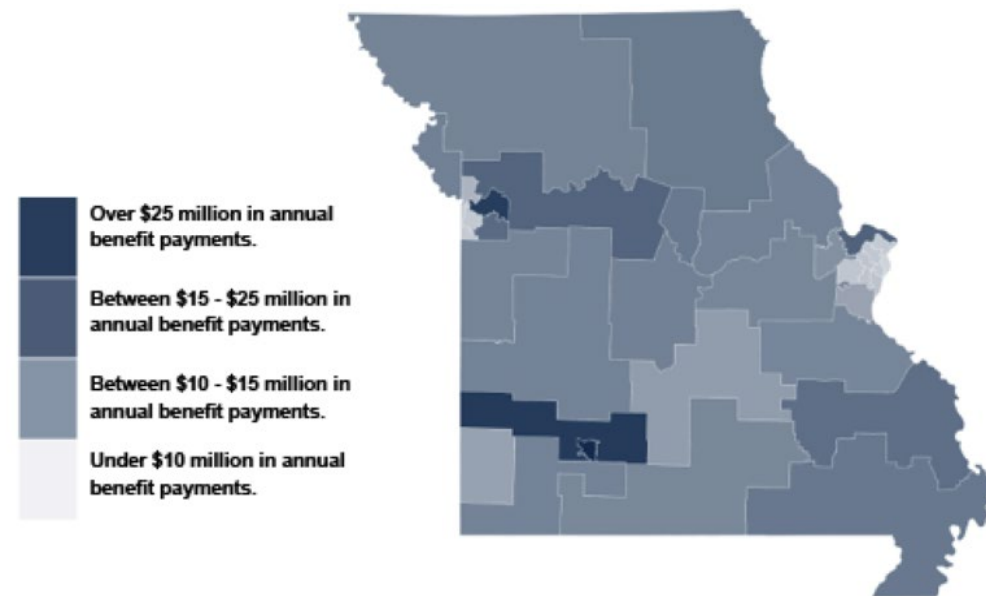
## Cash Inflows



## Cash Outflows



**LAGERS paid out \$492 million to 30,687 benefit recipients, with 92% staying in Missouri.**



# Reserve Accounts

## Employer Accumulation Fund

\$4.5 Billion  
86% Funded

## Member Deposit Fund

\$218 Million  
100% Funded

## Benefit Reserve Fund

\$6 Billion  
117% Funded

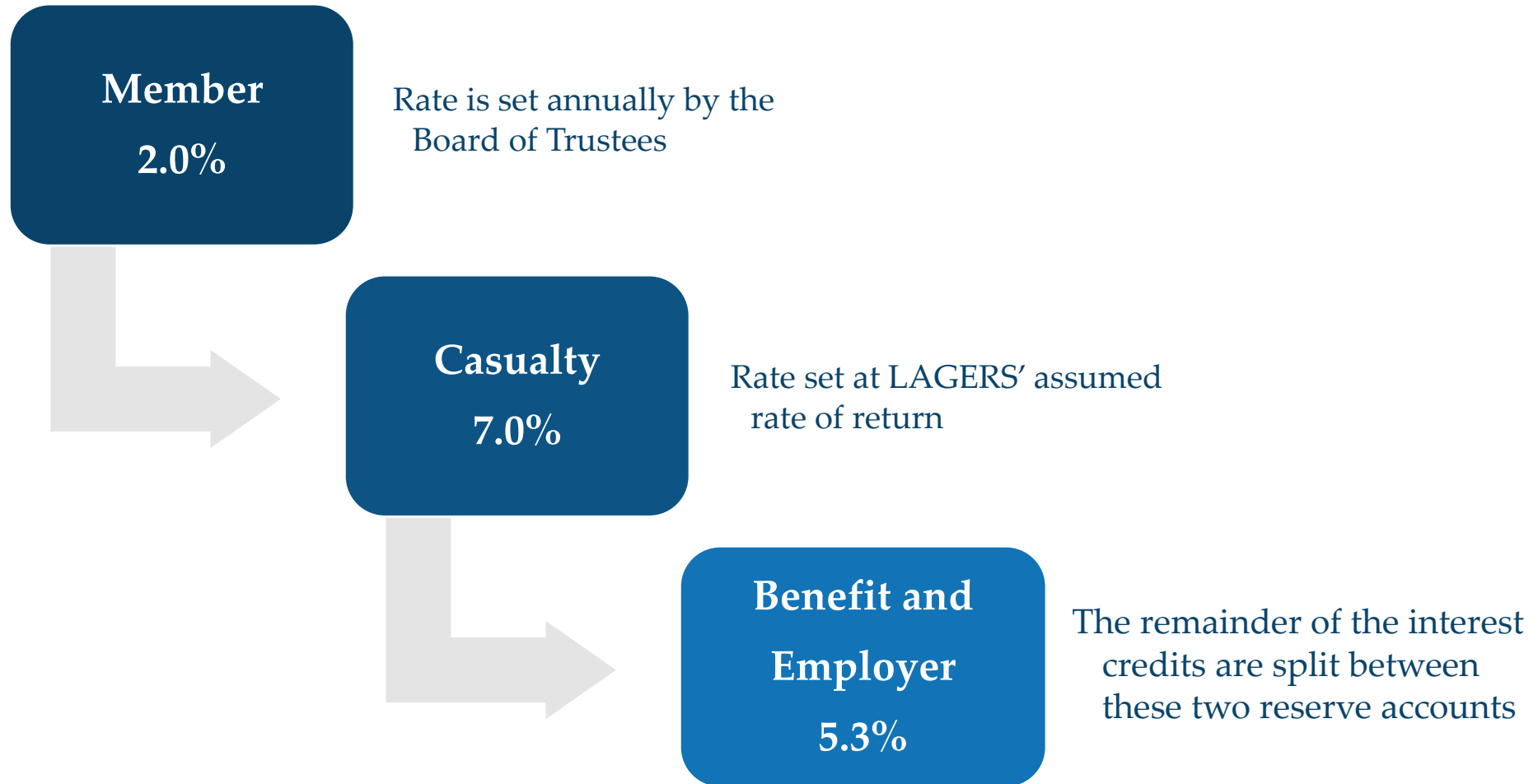
## Casualty Reserve Fund

\$30.6 Million  
100% Funded





# Interest Credits to Reserve Accounts



# Administrative Expenses to Reserve Accounts

Allocated based on headcount:

Employers

60%

- Active
- Deferred

Benefit

40%

- Retirees
- Beneficiaries



# **GASB and Audit Information**

A decorative graphic consisting of two horizontal lines. The top line is dark blue and the bottom line is orange. A dark blue downward-pointing triangle is centered between the two lines.

# Terminology

## Actuarial Valuation

- Actuarial Accrued Liability (AAL)
- Actuarial Value of Assets (AVA)
- Unfunded Accrued Liability (UAL)
- Normal Cost
- Employer Contributions

## GASB 68 Accounting Schedule

- Total Pension Liability (TPL)
- Fiduciary Net Position (FNP)
- Net Pension Liability (NPL)
- Service Cost
- Pension Expense

---

### *Primary Differences*

- Measurement date: Feb. 28 vs. June 30
- Asset Methodology: Smoothed vs. Market Value
- Retiree Experience: Not included vs. Included



# GASB 68 Documentation

Document	Function	Prepared By	"As Of" Date	Timing	Delivery Method
Accounting Schedule	Accounting/Financial Reporting	Plan Actuary	Measurement Date <sup>1</sup>	Late October/Early November	Employer Web Portal
Schedule of Contributions	Financial Reporting	LAGERS	Employer Fiscal Year End	Two Months After the Employer FYE	Employer Web Portal
Contributions After the Measurement Date <sup>2</sup>	Accounting/Financial Reporting	LAGERS	Employer Fiscal Year End	Two Months After the Employer FYE	Employer Web Portal
SOC 1 Type 2 Report	Audit	Plan Auditor	Measurement Date	Late October/Early November	Employer Web Portal
Schedule of Change in Fiduciary Net Position	Audit	LAGERS w/ Opinion from Plan Auditor	Measurement Date	Late October/Early November	Employer Web Portal
Census Data	Audit	Plan Actuary	Valuation Date	July	Employer Web Portal

<sup>1</sup> June 30

<sup>2</sup> Only for employers with fiscal year ends other than June 30



# GASB 68 Accounting Schedule

Prepared as of the measurement date – June 30

- Net pension liability or asset
- Pension expense
- Deferred inflows and outflows
- Data for financial statement notes
- Required supplementary information



# GASB 68 Audit Reports

## Schedule of Changes in Fiduciary Net Position

- Reconciles LAGERS' Changes in Fiduciary Net Position by participating employer
  - Data by employer will match the GASB 68 accounting schedules
  - Explains the mythology for how LAGERS handles your proportionate share of the plan's pooled funds
- 

## SOC 1 Type 2 Report

- Reviews LAGERS controls over census data, related financial data, and changes in employer and member accounts
- Assumes employers have complementary user entity controls



# Schedule of Contributions and Contributions After

- Measurement period is your fiscal year
- Covered Payroll is based on the “reporting month” not *when* the wages were reported
  - Reporting Month – the month in which the wages were paid
  - Corrected Wages – a wage adjustment made through the Statement of Account process
  - Adjusted Wages – a wage adjustment that occurs by contacting the LAGERS office and having the account analyst adjust a wage
- Actuarially Determined Contributions – uses the “uncapped” employer contribution rate
- Contribution in Relation – uses the employer contribution rate provided by LAGERS for use in making your monthly contribution





# Census Data – Active

## *Common Census Data Questions*

**End Pay:** If 12 months of wages are not reported, the wages are annualized.

- (Total wages reported/number of months reported) \* by 12
- If a partial month's wages are reported, we will not include this month

**Free Six Months:** Not included on the Active report if the member is in their “free six months period” of LAGERS service.

- A member only receives one free six month period with LAGERS

**Service credit does not match employer records.** This typically happens because of other LAGERS service.

- This can be identified by the columns labeled “Link” on the report



# Census Data – Deferred

## *Common Census Data Questions*

- A member will only be on the deferred census report if they are vested in LAGERS or actively working at another LAGERS employer.
- If a vested member terminates and requests a refund or lump sum payment, they will no longer appear on the deferred census report.
- A member can be on both the active and deferred census reports of the same employer if they have multiple LAGERS ID.



# Census Data – Retired

## *Common Census Data Questions*

Benefit Payments: The monthly benefit total on the retiree and beneficiary census does not reconcile to the benefit payments in the GASB 68 Accounting Schedule.

- Timing: March 1 – Feb. 28 for census vs. July 1 – June 30 for accounting schedule
- Partial Lump Sum (PLUS) payments (a retirement payment option)
- Refunds and Lump Sum payments (both payments forfeit future lifetime benefits)



# GASB 68 Requests

Email:

[accounting@molagers.org](mailto:accounting@molagers.org)

# Stay Connected!

---

## Office Hours:

Monday-Friday  
7:30 a.m.-4 p.m.

- Website: [www.molagers.org](http://www.molagers.org)
- Your myLAGERS account
- Online events
- Email: [info@molagers.org](mailto:info@molagers.org)
- Phone: 1-800-447-4334