

HOW ARE PENSIONS FUNDED?

Defined benefit pensions, like LAGERS, typically have three sources of funding: contributions from the employer, contributions from the employees, and the investment returns of the pension fund's portfolio. The investment returns of the portfolio are normally the largest source of funding for the plan.



WHAT IS A PENSION?

The term "pension" most often refers to an employer-provided defined benefit retirement plan. The benefits from these plans are "defined" because they pay a pre-determined amount for a person's remaining life after work. Individuals participating in the plan do not direct their own investments; rather, the funds in the plan are pooled together and invested in one portfolio that is managed by professionals. Returns from the investments are used to help pay for the benefits.



EMPLOYER CONTRIBUTIONS

The employer's contribution is determined by an actuary and will vary from year-to-year based upon economic and employee demographic factors.



EMPLOYEE CONTRIBUTIONS

Employers may choose for a percentage of employees' salary may be contributed to LAGERS. These contributions are used to help fund the future retirement benefit but do not impact the amount the employee will draw in the future.



INVESTMENT RETURNS

The contributions received from the employers and employees are invested in the markets in order to help fund the retirement benefits. Investment returns, though they vary from year to year, often are LAGERS' largest funding source.



MISSOURI LAGERS
A Secure Retirement for All