

What is LAGERS?

The Missouri Local Government Employees Retirement System is a non-profit public pension plan that pays protected monthly benefits to its members and beneficiaries based on earned wages and length of employment within the system.

Who are LAGERS Employers?

Any entity in Missouri that may be defined as a “political subdivision” may join LAGERS.

Political subdivisions include:

| | |
|----------------|---------------------------|
| Cities | Public Health Agencies |
| Counties | Fire Protection Districts |
| Libraries | Ambulance Districts |
| 911 Districts | Public Water Districts |
| Road Districts | |

Other employers may also meet the definition of “political subdivision.” Please contact LAGERS to determine if your entity is eligible to join the system.

When Can a Member Retire?

A member must first become vested to receive a benefit from LAGERS.
Vesting in the LAGERS system occurs upon completion of **60 months** (5 Years) of service.

Normal Retirement:
Below are the ages when a member may retire with an unreduced retirement benefit.

| | |
|----------------------------------|--------|
| General Employees: | Age 60 |
| Police Officers & Fire Fighters: | Age 55 |

Early Retirement:
A LAGERS member may choose to retire up to 5 years early and receive a reduced retirement benefit.

| | |
|--------------------------------|--------|
| General Employees: | Age 55 |
| Police Officers & Firefighters | Age 50 |

By retiring before “normal retirement age,” the member is permanently reducing the monthly retirement benefit by 1/2 of one percent for each month he or she is younger than their normal retirement age (6% per year).

Rule of 80 / 80 and Out
This is an optional early retirement provision that is available for member employers to elect. It allows a member with age + service = 80 to retire without reduction to his or her benefit.

Age at Hire Years of Service + Current Age = 80

| | | | | |
|----|------|---|------|------|
| 20 | 30 | + | 50 | = 80 |
| 25 | 27.5 | + | 52.5 | = 80 |
| 30 | 25 | + | 55 | = 80 |

Employees who are in the General department who started employment after age 40 and employees who are police officers or firefighters who started employment after age 30 will refer to the normal retirement ages for eligibility. A member must work up to his or her Rule of 80 age to qualify for this benefit.

Retirement eligibility is an employer elected provision.

How is a LAGERS Retirement Benefit Calculated?

All LAGERS benefits are calculated using a formula:

Benefit Factor
Employer elected percentage ranging from 1% - 2.5%

X

Member’s Final Average Salary
Employer elected average of highest consecutive 60 or 36 months of wages out of the last 120 months of LAGERS service credit.

X

Member’s Years of Service Credit
The months and years an employee works in a covered position, and may include a portion of employment prior to the subdivision joining LAGERS.

=

Member’s Lifetime Monthly Benefit

Benefit Options

Benefit Factor Options

The Benefit Factor or Benefit Program is the employer elected percentage that is the first component of the Benefit Formula. As the benefit factor is increased, so are the benefits to the employees, as well as the cost to the employer. These programs can be changed once every two years through an election by the subdivision’s governing body.

Life Programs

| | | | |
|------|--|------|-------|
| L-1 | 1.00% | L-9* | 1.60% |
| L-3 | 1.25% | L-12 | 1.75% |
| L-7 | 1.50% | L-6 | 2.00% |
| L-11 | 2.50% (Non-Social Security employees only) | | |

Life and Temporary Programs

These benefit programs provide a life benefit plus an additional benefit that extends until the retiree reaches age 65 (or 62).

| | | | |
|------------|----------------|---|--------------------|
| LT-4(65) | 1.00% for Life | + | 1.00% until age 65 |
| LT-5(65) | 1.25% for Life | + | 0.75% until age 65 |
| LT-8(65) | 1.50% for Life | + | 0.50% until age 65 |
| LT-10(65)* | 1.60% for Life | + | 0.40% until age 65 |
| LT-14(65) | 1.75% for Life | + | 0.25% until age 65 |

*No longer available for new elections

Final Average Salary Options

The Final Average Salary is the employer elected average of the highest 60 or 36 months of wages out the last 120 months of employment.

5 Year: Retiree’s benefit is based on the highest consecutive 60 months (5 Years) of salary from their last 120 months of LAGERS service credit.

3 Year: Retiree’s benefit is based on the highest consecutive 36 months (3 Years) of salary from their last 120 months of LAGERS service credit.

Funding Options

The LAGERS system is funded by three sources: employer contributions, employee contributions (if applicable) and investment return of the LAGERS system. Each political subdivision may participate in LAGERS under either the contributory or non-contributory plan.

Contributory:
Each full time employee must contribute 4% of his or her gross monthly salary to LAGERS to assist the employer with funding the LAGERS benefit. All of the employees’ contributions are made on an after-tax basis, are deposited into an account, and credited with interest each year. Every LAGERS member who contributes to the system is guaranteed to receive at least his or her accumulated contributions plus interest upon termination or retirement from LAGERS employment.

Employee contributions do not increase the amount of the retirement benefit. All benefits will be calculated using the benefit formula. The employees’ contributions assist the employer with funding the cost of their LAGERS benefit.

Non-Contributory:
The employer makes all of the necessary contributions to the LAGERS system and the employees contribute nothing. This does not affect benefit amounts, but does increase the cost for the employer.

Employer Contributions:
LAGERS member employers are required to contribute the remaining amounts above that contributed by the employees (if applicable) to finance the benefits that have been promised.

Employer contributions are determined each year by LAGERS actuary and are based on level percent of payroll funding principles.

Investment Return:
LAGERS collects the employee and employer contributions and invests these contributions in a diversified portfolio. The return that is generated from investments accounts for about 60% of LAGERS funding. Return above the expected rate is credited back to employers to help rates remain level or even decrease over time.

Disability & Survivor Benefits

Disability Benefits

If a LAGERS member becomes permanently and totally disabled so that he can no longer perform his current job, the member may be eligible for a LAGERS disability benefit. Whether or not a benefit is payable and how any applicable benefit is calculated depends on if the disability is classified as a duty or non-duty disability. LAGERS disability benefits are payable for the lifetime of the member.

Pre-Retirement Survivor Benefits

A surviving spouse or dependent children of a LAGERS member who dies before retirement may be entitled to receive a monthly LAGERS survivor benefit. Whether or not a benefit is payable and how any applicable benefit is calculated depends on if the death is classified as a duty or non-duty death.

Surviving Spouse: A spouse of at least two years* would receive a monthly benefit equal to the Option A retirement payment option for his or her lifetime.

Dependent Children: If no surviving spouse is payable, each dependent child would receive an equal share of 60% of the member's monthly benefit until no longer dependent.

** Unless the death is accidental or duty related. If a member has no surviving spouse or dependent children, no monthly survivor benefit is payable and LAGERS will refund any employee contributions, plus interest, to the beneficiary of record.*

Classification of LAGERS

Disability and Survivor Benefits

Non-Duty Disability/Death: The member becomes totally and permanently disabled or passes away as a result of a non-occupational injury or illness.

The member must be vested in the LAGERS system to receive a non-duty benefit. The benefit will be calculated using the member's current salary and service credit at the time of disability.

Duty Disability/Death: The member becomes totally and permanently disabled or passes away as a result of occupational duties.

The member is immediately vested. The benefit will be calculated using member's current salary with service credit extended to the member's 60th birthday.

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A Brief Summary of the LAGERS system

GETTING IT RIGHT!



Visit www.molagers.org to learn about how LAGERS is Getting it Right for Taxpayers, Employers, Employees, and Retirees.

Missouri Local Government Employees Retirement System

Comparison: LAGERS vs. Defined Contribution Plans

| | Defined Contribution Plans | Missouri LAGERS |
|---|--|---|
| Who is responsible for investment decisions? | Employee, if plan has participant directed accounts | LAGERS Board of Trustees |
| Who bears the investment risk? | Employee | Employer |
| What is promised to the employee? | Possibly an annual employer contribution; employer maintenance of plan | A definite determinable monthly benefit from retirement until death |
| How are benefits determined? | An accumulated account balance | A formula based on the member's salary and length of service |
| Are actuarial calculations necessary? | No | Yes - in order to determine the employer contribution rate |
| Are loans allowed? | Yes (except for SIMPLE plans) | No |
| Are hardship withdraws allowed? | Yes | No |
| What is the normal distribution from the plan? | Lump Sum | Monthly retirement benefit |
| Are disability and survivor benefits available? | No | Yes |

This brochure 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.