

BOARD OF TRUSTEES MEETING

UNIFORM & NON-UNIFORM PENSION PLANS

The meeting will be held via WebEx and in the
CITY OF OVERLAND COUNCIL CHAMBERS

9119 LACKLAND ROAD, OVERLAND, MO 63114

TUESDAY, AUGUST 9, 2022, at 1:30 p.m.

TENTATIVE AGENDA

1:30 p.m. – Joint Boards of Trustees

1. Call to Order
2. Roll Call
3. Approval of Minutes
 - Joint Board of Trustees Meeting – May 10, 2022
 - Police Pension Work Session – May 10, 2022
 - Police Pension Work Session – June 2, 2022
 - Police Pension Work Session – July 26, 2022
4. Approval of Bills
5. Staff Report
6. Actuary Report for Non-Uniform Plan
7. Legal Counsel Report
8. Financial Advisor Report
9. Discussion
 - Next Joint Boards of Trustees Meeting Date
 - Police Pension Plan Amendment Status
10. Adjournment

**CITY OF OVERLAND
JOINT PENSION BOARD MEETING MINUTES
CITY COUNCIL CHAMBERS
May 10, 2022, at 1:30 p.m.**

Mayor Marty Little called the meeting to order.

ROLL CALL

Mayor Little
Mark Giroux
Julie Drew
Scott Pope

Ken Crowder
Chief Andy Mackey
Lt. Joe Carollo
Cpl. Justin Lydon

APPROVAL OF THE MINUTES:

Mr. Ken Crowder made a motion to approve the minutes of the February 8, 2022, Joint Pension Boards of Trustees meetings as presented. Mr. Scott Pope seconded. The vote was polled as follows: Mayor Little – “yes,” Mark Giroux – “yes,” Julie Drew – “yes,” Scott Pope – “yes,” Chief Mackey – “yes,” Lt. Carollo – “yes,” and Sgt. Lydon – “yes.” Motion carried.

NON-UNIFORM BILLS

Mr. Scott Pope made a motion to approve the Non-Uniform Pension Plan bills, with a total of \$9,931.18. Mr. Ken Crowder seconded. The vote was polled as follows: Mayor Little – “yes,” Mark Giroux – “yes,” Julie Drew – “yes,” and Scott Pope – “yes.” Motion carried.

POLICE PENSION BILLS

Mr. Mark Giroux made a motion to approve the Police Pension Plan bills, with a total of \$10,971.53. Lt. Carollo seconded. The vote was polled as follows: Mayor Little – “yes,” Mark Giroux – “yes,” Chief Mackey – “yes,” Lt. Carollo – “yes,” and Sgt. Lydon – “yes.” Motion carried.

STAFF REPORT

Retirement Applications – Non-Uniform Plan

- Mayor Michael T. Schneider – Late Retirement Date: May 1, 2022
Mr. Scott Pope made a motion to approve the retirement applications as presented. Mr. Mark Giroux seconded. The vote was polled as follows: Mayor Little – “yes,” Mark Giroux – “yes,” Julie Drew – “yes,” and Scott Pope – “yes.” Motion carried.

LEGAL COUNSEL – Heather Mehta, Greensfelder

Ms. Mehta provided a review of pending Missouri legislation.

FINANCIAL ADVISOR REPORT – Alex Nixon, Asset Consulting Group

Mr. Nixon provided an update on the investments and asset allocation for each plan. The Non-Uniform plan, the rate of return was -5.79 percent for the 1st quarter, but a 1.99 percent in a year. Over five years, the plan had a return of 8.47 percent. The Police Plan had a first quarter rate of return of -5.80 percent, 2.66 percent in one year, and 9.03 percent over five years.

DISCUSSION

- Next Joint Boards of Trustees meeting: August 9, 2022, at 1:30 p.m.

ADJOURNMENT

There being no further business to discuss, Mr. Scott Pope made a motion to adjourn. Mr. Mark Giroux seconded. The vote was polled as follows: Mayor Little – “yes,” Mark Giroux – “yes,” Julie Drew – “yes,” Scott Pope – “yes,” Chief Mackey – “yes,” Lt. Carollo – “yes,” and Sgt. Lydon – “yes.” Motion carried.

**CITY OF OVERLAND
POLICE PENSION BOARD WORK SESSION MINUTES
CITY COUNCIL CHAMBERS**

May 10, 2022,

Immediately following Quarterly Meeting of Joint Boards of Trustees

Mayor Marty Little called the meeting to order at approximately 2:15 p.m.

ROLL CALL

Mayor Little

Lt. Joe Carollo

Mark Giroux

Sgt. Justin Lydon

Chief Andy Mackey

Ken Crowder

Also in attendance: Melissa Burton, City Clerk

DISCUSSION

Lt. Joe Carollo recommends the City look at additional funding sources and requested the City provide an emergency allocation to the Police Pension Fund in an amount equaling or matching the City's contribution to the Non-Uniform Pension Fund.

Mr. Mark Giroux stated he agrees there needs to be an additional funding source, but the trustees need to look at the other side of the plan; the benefits.

Sgt. Lydon stated the trustees can't ask officers to contribute more than the amount they are already contributing.

Mayor Little stated the mindset is likely to exist that asking for more money via a tax increase will be a challenge. Recommended looking at a potential change to two benefits: retirement at twenty years credited service and surviving spouse benefit.

Chief Mackey recommended putting all new hires on a different plan, possibly the Non-Uniform plan.

Mr. Giroux stated a property tax proposal is not likely to pass. Further, past efforts were based on adjusting benefits for new hires, which will not amount to much. The trustees need to look at the entire benefit package.

Sgt. Lydon proposed the City provide an additional \$300,000 in contributions per year. Further, in his 14 years of service he has seen people come and go. Many people work for four or five years and go to other departments. Even if new hires on a new plan, some of those currently working are going to get off the plan, because there is a fifteen-year vesting. If the employee gets to fifteen years, they are going to stay because they are vested. Employees that are only at six or seven years, have no interest in the plan; they are going to leave, and those people will be taken off the plan.

Chief Mackey proposed the City fund the Police Plan enough to keep it off the watch list.

Lt. Carollo change the plan only for new hires, hopefully not change benefits for current employees and to stay off LAGERS.

City Clerk Melissa Burton stated since the discussion has been to only make changes for new hires, why not do it now without a study. The discussion in 2012 was the same; had been done then, the plan would be ten years closer to a solution. Since the benefits would be decreased for new hires, no study would be necessary to move forward with changes.

Chief Mackey asked if new hires could be moved to the Non-Uniform Plan.

Lt. Carollo stated he understands that changing the benefits for new hires might make a difference but wished he could see a study that showed it made a huge difference.

City Clerk Burton stated it will not make an immediate difference. The difference will be twenty to twenty-five years, and it can be seen in the studies from 2012.

Mayor Little stated from a city management position, every new hire that comes to us before a change is made, creates a harder problem to deal with the pension system. The sooner it is addressed, everyone is on the new set of rules, and it alleviates some of the issue.

Mr. Giroux stated taking this approach will demonstrate the trustees really are trying to correct the problem. We need to demonstrate we recognize a problem and we're trying to get it corrected. The reason we are here is because action was not taken in the past.

Mayor Little asked what would be required to make the change for new hires.

City Clerk Burton stated first the trustees would need to decide what to change for the new tier in the police plan for new hires. I can provide information on benefits to create a second tier that would be for new hires. The one restriction is that due to the funding of the plan, benefits cannot be increased.

Chief Mackey if we do this now, current officers will think the plan will be fixed. A whole package at one time might be better for the employees.

Next Police Board of Trustees Work Session is scheduled for Thursday, June 2, at 1:30 p.m.

ADJOURNMENT

There being no further business to discuss, Lt. Carollo made a motion to adjourn. Mr. Mark Giroux seconded. The vote was polled as follows: Mayor Little – “yes,” Mark Giroux – “yes,” Chief Mackey – “yes,” Lt. Carollo – “yes,” Sgt. Lydon – “yes,” and Mr. Crowder – “yes.” Motion carried.

**CITY OF OVERLAND
POLICE PENSION BOARD WORK SESSION MINUTES
CITY COUNCIL CHAMBERS
JUNE 2, 2022, at 1:30 p.m.**

Mayor Marty Little called the meeting to order at approximately 1:30 p.m.

ROLL CALL

Mayor Little
Mark Giroux
Chief Andy Mackey
Lt. Joe Carollo

Sgt. Justin Lydon
Ken Crowder
Stephen Boyce

Also in attendance: Melissa Burton, City Clerk; Michael Sudduth, Milliman; and Heather Mehta, Plan Counsel.

PRESENTATION: Actuarial Valuation Report

Plan Actuary, Michael Sudduth of Milliman, presented the Actuarial Valuation, as of April 1, 2022. The market value net rate of return is 2.6 percent, and the funded ratio is 66.35 percent, down from 71.02 percent as of April 1, 2021. The actuarially determined tax rate as of April 1, 2022, is \$0.512 per \$100 Assessed Valuation.

The main reason for the increase in the tax rate is that salary increases were much higher than expected, as well as the retiree cost of living adjustment (COLA) at the maximum of 3 percent. The plan contribution for each year has had a loss, contributions lower than the required amount. Every year that loss rolls forward and will eventually lead to a discussion about plan solvency.

Mr. Sudduth explained the GASB 67/68 report as of June 30, 2020, had an insolvency calculation. The plan rebounded and did not have an insolvency calculation as of June 30, 2021, but he is expecting an insolvency calculation again for June 30, 2022.

DISCUSSION

Lt. Carollo asked about the impact of changing the plan for future new hires to plan identical to the non-uniform plan. Discussion took place that improvements of benefits cannot take place until the plan is funded at 80 percent.

Chief Mackey asked if we have all legal funding sources, if there is another sales tax available. City Clerk Burton stated according to State law, the City already collects has all available sales taxes, with the exception of the Use Tax, which failed at the April 5, 2022, General Municipal Election.

Discussion took place regarding potential individual benefit changes. Mr. Sudduth stated no benefit change will have immediate impact unless benefits are changed for retirees and current employees.

Lt. Carollo asked to study the City contributing a match to employee contributions to the police pension plan. Mr. Sudduth stated a cash infusion would be beneficial.

Chief Mackey asked about having the City do an additional contribution for the next 20 years to keep the plan afloat until all current employees retired, then the new tier would “make everything better,” right?

Mr. Sudduth stated it depends on if the cost of the new tier is less than the tax rate.

Mayor Little stated the City just completed budget work sessions. In the General Fund, expenses exceed revenues by \$883,000, with approximately one year fund reserve. The pension fund is looking at approximately \$15,000,000 in the fund balance. The plan is sitting on ten times annual expenses. The General Fund is approximately 80 percent labor costs. We can’t just decide not to buy a truck, it is “who do we have to fire.” Keep that in mind when requesting money from the General Fund. Whether it’s \$200,000, - \$250,000, that’s the amount of services we would have to take away from the general city operation.

Chief Mackey stated he feels like the City could contribute to the police pension from the General Fund, since it has always contributed to the civilian pension.

Mayor Little stated a twenty-year annual payment is not possible.

Lt. Carollo asked what happens if the pension plan stays on the watch list.

City Clerk Burton stated if the plan becomes delinquent, the State will automatically take twenty-five percent of all taxes that comes from and through the State to fund the pension plan. That would include all Proposition P funds, Parks Sales Tax, and all taxes from the State.

Mayor Little stated the Police Department is approximately 56 percent of the General Fund operating expenses, so that money is already committed to the Police Department.

Lt. Carollo stated we are sitting here, ready to make changes to the plan, but we know that isn’t enough. We are proposing a lot on our end to make changes.

Mr. Giroux asked about going ahead and creating the new tier for new hires effective January 1, 2023. City Clerk Burton stated the recommendation would be to make the change effective as of April 1, 2022, which was the new plan here. The City has not hired a police officer since before that date, so it would not impact any active participants.

Chief Mackey stated he did not understand the urgency to make the change retroactively because they are “giving up a lot for future officers.”

Lt. Carollo stated it is not fair to ask officers to contribute more than they already are contributing.

Mayor Little stated changes will have to be made; the longer we wait, the worse it will be. We know all the changes that took place in the 1990s messed this up. We can be the ones that can turn this around. If we know it is going to change for future hires, then we can and should change now.

Chief Mackey asked if we could wait until we know if the employee contributions can be lowered if the plan changed to mirror the civilian plan.

Plan Counsel Heather Mehta stated she would not recommend lowering the contributions because the plan is underfunded, but she will study the Statute.

Lt. Carollo stated he understood the City has a large amount of ARPA (American Rescue Plan Act) funds available. I understand that money is available for payroll; would it also be available for the pension?

City Clerk Burton stated ARPA funds cannot be used to fund pension plans. It is expressly prohibited in the ARPA guidelines.

Mayor Little stated ARPA funds are to be used for production and contribution to a pension is paying people who are not working.

Mayor Little stated, if we know we are going to make changes; surviving spouse benefit, years of service, contribution from employees, and maximum benefit amounts are all changes we discussed. If we wait to make changes, this could make things harder for all of us. I'm not asking we make changes for all of these but take them one by one. Why run the numbers if we know we are going to have to do it?

Chief Mackey stated he wants the future hires to be a tier that mirrors the civilian.

Mr. Giroux made a motion to reduce the survivor spouse benefit from seventy-five percent to fifty percent for police officers hired on or after April 1, 2022. Mr. Boyce seconded. The vote was polled as follows: Giroux – “yes,” Crowder – “yes,” Little – “yes,” Boyce – “yes,” Lydon – “no,” Carollo – “no,” and Mackey – “no.” Motion carried.

Discussion took place about what to study.

Mr. Sudduth stated he would model a new tier for the plan, modeled on the non-uniform pension plan.

Mayor Little stated we would study the following:

- Tier 3 for new hires, modeled after the civilian plan with 5 years vesting, if permitted,
 - Tier 3 for new hires, modeled after the civilian plan with 15 years vesting, if 5-year vesting is not permitted
- Additional contribution to get the plan off watch list within 3 years

Lt. Carollo proposed an amendment to Section 200.390, by adding subsection:

7. Contributions (emergency allocations) from the city's general revenue fund, on an as-needed basis and agreed upon by the pension board and city council, to supplement the fund to maintain an acceptable funding ratio.

Next Police Board of Trustees Work Session is tentatively scheduled for Tuesday, July 12, 2022, pending the preparation of the actuary study.

ADJOURNMENT

There being no further business to discuss, Mr. Crowder made a motion to adjourn. Lt. Carollo seconded. The vote was polled as follows: Mayor Little – “yes,” Mark Giroux – “yes,” Chief Mackey – “yes,” Lt. Carollo – “yes,” Sgt. Lydon – “yes,” Mr. Crowder – “yes,” and Mr. Boyce – “yes.” Motion carried.

**CITY OF OVERLAND
POLICE PENSION BOARD WORK SESSION MINUTES
CITY COUNCIL CHAMBERS
JULY 26, 2022, at 1:30 p.m.**

Mayor Marty Little called the meeting to order at approximately 1:30 p.m.

ROLL CALL

Mayor Little
Mark Giroux
Chief Andy Mackey
Lt. Joe Carollo

Sgt. Justin Lydon
Ken Crowder
Stephen Boyce

Also in attendance: Councilman Patrick Wroblewski, Jason McConachie, City Administrator, Melissa Burton, City Clerk; and via WebEx Michael Sudduth, Milliman; and Heather Mehta, Plan Counsel.

DISCUSSION

Mayor Little gave the floor to Plan Actuary Michael Sudduth.

Mr. Sudduth explained the study and the impact of the changes. He explained the study is built on assumptions. This means increased cost-of-living-adjustments (COLA) and increasing wages are bringing the liabilities up, and the investment returns are decreasing assets.

Mayor Little opened the floor to discussion about benefits.

Chief Mackey asked about decreasing employee contributions for those on the new tier.

Heather Mehta stated contributions cannot be decreased while the underfunding.

Mr. Giroux stated while there is nothing punitive for being on the Watch List, it simply means the plan is underfunded. The task is pretty clear, we have to look at more serious ideas than we wanted to look at prior.

Chief asked “are you making the current pension worst for current employees?”

Mr. Giroux stated the Trustees need to look at benefits and contributions.

Discussion took place regarding the about the contributions the City pays into the Non-Uniform Pension.

Mr. Giroux stated we need to have a real serious conversation about the benefits side of the pension plan. I do not believe an ongoing and increasing contribution to the Police Pension Plan is fair.

Lt. Carollo stated he agrees to make changes to scenario three; new tier for new hires only and the City contribute an additional \$100,000 per year.

Mayor Little stated reallocating funds from the General Fund to the Police Pension Fund would mean possibly having to decrease services. The City has the same issue, that the Funds are based on tax revenues. We cannot increase items

Mayor Little recommends the following changes for future employees:

- retirement to 25 years of credited service
- survivor benefits reduced from 75 percent to 50 percent
- maximum benefit limited to 60 percent
- eliminate the life only annuity

Discussion took place about when to start the new plan.

Mayor Little made a motion to change normal retirement to twenty-five (25) years credited service and reduce survivor benefit to fifty (50) percent for police officers hired after December 1, 2022. Chief Mackey seconded. The vote was polled as follows: Giroux – “yes,” Crowder – “yes,” Mayor Little – “yes,” Boyce – “yes,” Sgt. Lydon – “yes,” Lt. Carollo – “yes,” and Chief Mackey – “yes.” Motion carried.

Discussion to place regarding the calculation of the years of service. Lt. Carollo proposes 2.35 percent per year of credit service.

Lt. Carollo made a motion to change the calculation to 2.35 percent per year of credited service. Mr. Crowder seconded. The vote was polled as follows: Giroux – “yes,” Crowder – “yes,” Mayor Little – “yes,” Boyce – “yes,” Sgt. Lydon – “yes,” Lt. Carollo – “yes,” and Chief Mackey – “yes.” Motion carried.

Chief Mackey made a motion to limit the maximum benefit to sixty (60) percent of Average Monthly Compensation at retirement. Lt. Carollo seconded. The vote was polled as follows: Giroux – “yes,” Crowder – “yes,” Mayor Little – “yes,” Boyce – “yes,” Sgt. Lydon – “yes,” Lt. Carollo – “yes,” and Chief Mackey – “yes.” Motion carried.

Mr. Giroux made a motion to eliminate the Optional Form of Pension (Life Only Annuity). Chief Mackey seconded. The vote was polled as follows: Giroux – “yes,” Crowder – “yes,” Mayor Little – “yes,” Boyce – “yes,” Sgt. Lydon – “yes,” Lt. Carollo – “yes,” and Chief Mackey – “yes.” Motion carried.

Lt. Carollo made a motion to change Benefit Adjustments (COLA) to begin at April 1, after 62 years of age. Mr. Giroux seconded. The vote was polled as follows: Giroux – “yes,” Crowder – “yes,” Mayor Little – “yes,” Boyce – “yes,” Sgt. Lydon – “yes,” Lt. Carollo – “yes,” and Chief Mackey – “yes.” Motion carried.

Next Police Board of Trustees Meeting is scheduled for Tuesday, August 9, 2022.

ADJOURNMENT

There being no further business to discuss, Mr. Boyce made a motion to adjourn. Chief Mackey seconded. The vote was polled as follows: Giroux – “yes,” Crowder – “yes,” Mayor Little – “yes,” Boyce – “yes,” Sgt. Lydon – “yes,” Lt. Carollo – “yes,” and Chief Mackey – “yes.” Motion carried.