

**CITY OF OVERLAND
POLICE PENSION BOARD WORK SESSION MINUTES
CITY COUNCIL CHAMBERS
MARCH 23, 2022, at 10:00 a.m.**

Mr. Ken Crowder called the meeting to order.

ROLL CALL

Mayor Schneider

Sgt. Justin Lydon

Mark Giroux

Ken Crowder

Chief Andy Mackey

Wayne Lowe – *absent*

Lt. Joe Carollo

Also in attendance: Heather Mehta, Pension Board Legal Counsel; Melissa Burton, City Clerk; Jason McConachie, City Administrator; Councilman Marty Little; Councilman Patrick Wroblewski; Greg Kloeppe, FOP Lodge 15 Legal Counsel; Susan Peterson, FOP Lodge 15 Legal Counsel; Officer Ian Ray, OPD; and Sal Lanham, resident.

DISCUSSION

City Clerk Melissa Burton provided a history of the Police Retirement plan from creation by election in 1956 and an overview of subsequent amendments to the Plan. Also reviewed were current employee benefits, funding levels, the Joint Committee on Public Employee Retirement (JCPER) quarterly and annual reporting for the JCPER, the JCPER Watch List, and the funding of the plan.

The video recording of this work session, as well as all supporting documents will be posted on the City's website for distributions.

Next Police Board of Trustees Work Session is scheduled for 1:00 p.m. Wednesday, April 27, 2022. Any questions are due to City Clerk Burton by Wednesday, April 13, 2022.

ADJOURNMENT

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

OVERLAND POLICE RETIREMENT PLAN

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OBJECTIVE

- To provide an overview of the Police Retirement Plan including
 - How it was established
 - Amendments throughout the years
 - Funding methods
 - Pension benefits
 - Current issues facing the plan

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CREATION & ESTABLISHMENT

- Proposed by the Overland Board of Alderman (BOA) via Ordinance 513, December 12, 1955, calling for an election to create and establish the Police Retirement Plan.
- Approved by the vote of the residents of Overland, April 3, 1956.

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FUNDING MECHANISMS

- Tax levied by the BOA, not exceed \$0.1/\$100 assessed value. [\$0.06/\$100 AV]
- All property given or donated to the Board of Trustees for the purposes of the Retirement plan
- Contributions paid by “covered employees.” [Two percent (2%) of gross salary.]
- Twenty percent (20%) of all rewards received by “covered employees.”
- Net earnings on all investments and interest earned.
- Earnings from Annual Fourth of July Fireworks Displays.

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BENEFITS (AS ESTABLISHED)

- Retirement Eligibility
 - Age 60 years and 20 years of creditable service
 - Age 65 years and 5 years of creditable service
 - 25 years of creditable service, who leave service involuntarily because of force reduction
- Benefits
 - 1 1/3 % per year of credited service based on the salary of the highest five (5) consecutive years of service in the last ten (10) years
 - Spouse survivor benefit: sum equal to the excess, if any, of accumulated contributions, plus interest up to the date of death.

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BOARD OF TRUSTEES (AS ESTABLISHED)

- Mayor
- City Treasurer
- Chief of Police
- Two (2) residents, registered voters

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CHANGES IN 1962

- BOA passed Ordinance 752 on October 23, 1961, calling for an election to amend the Police Retirement Plan on April 3, 1962.
- Election Results: **Yes: 3,657** / No: 1,235
- **Changes:**
 - Employee contribution increased to 2 1/4% of gross salary.
 - Retirement Eligibility:
 - Added 62 years of age and 18 years of service

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CHANGES IN 1962 (CONT.)

- **Benefits:**
 - 2 1/4 % per year of credited service based on the salary of the highest five (5) consecutive years of service in the last ten (10) years
 - Maximum benefit 50% of the calculated average monthly salary.
 - Spouse survivor benefit 75% of retirement benefit for life or until remarriage.
 - "Covered employee" must have been married five years prior to retirement for spouse to be eligible for survivor benefit.

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CHANGES IN 1977

- Board of Alderman passed Ordinance 1507 on February 14, 1977, calling for an election to amend the Police Retirement Plan on April 5, 1977.
- Election Results: **Yes: 2,234** / No: 910
- **Changes:**
 - Added “Vested Accrued Benefits”

At least 15 Years of Service	50%
At least 16 Years of Service	60%
At least 17 Years of Service	70%
At least 18 Years of Service	80%
At least 19 Years of Service	90%
At least 20 Years of Service	100%

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CHANGES IN 1984

- BOA passed Ordinance 2100 on August 13, 1984, calling for an election to amend the Police Retirement Plan on November 6, 1984.
- Election Results: **Yes: 5,440** / No: 2,581
- **Changes:**
 - Add two (2) “covered employee” members to the Board of Trustees

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CHANGES IN 1987

- BOA passed Ordinance 2317 on December 8, 1986, calling for an election to amend the Police Retirement Plan on April 7, 1987 (four separate propositions).
- **Changes:**
 - Increased tax rate to \$0.12/\$100 AV
 - Employee Contributions increased to 2 ¾% of gross salary
 - Added Retirement Eligibility:
 - Age 55 years and 30 years of credited service
- One proposition failed (increase of interest paid to “covered employee” upon separation of employment, voluntary or involuntary).

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CHANGES IN 1989

- BOA passed Ordinance 2540 on December 11, 1989, making the following changes to the Police Retirement Plan
- These and future amendments to the Police Retirement Plan were ***not*** subject to a public vote.
- **Changes:**
 - Employee Contributions increased to 5% of gross salary
 - Added Retirement Eligibility:
 - Twenty (20) years of service (**no age requirement**)
 - Benefit calculations:
 - Using the average monthly calculation, 2.5% for the first 20 years of credited service, plus 1% for each year of credited service over 20, to a maximum of 10 years. (Maximum benefit 60% of final average monthly salary)

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CHANGES IN 1989 (CONT.)

- Added “Life Only Option” – waiving survivor spouse benefit to increase the retiree’s monthly benefit for life.
 - Spouse must consent in writing within 90 days prior to “life only option” beginning.

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CHANGES IN 1992

- BOA passed Ordinance 92-9 on January 27, 1992, calling for an election to increase tax rate from \$0.12 to \$0.42/\$100 AV on April 7, 1992, “**in order to provide, on an actuarially sound basis, for improvements to said fund, including provision for cost of living increases, disability benefits, cash out of participant contributions and any other enhancements as provided by law.**” (From the ballot language, emphasis added.)
- Election Results: Yes: 1,316 / **No: 2789**

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CHANGES IN 1993

- BOA passed Ordinance 93-07 on February 22, 1993, making the following amendments to the Police Retirement Plan:
- **Changes:**
 - Creditable service includes fractions of a year for calculations
 - Added deferred retirement benefit:
 - A person with at least 15 years of service can leave employment and defer vested retirement benefit until 60 years of age, using vested accrual schedule established in 1977.
 - Reduced required amount of time of marriage to two years for spouse to be eligible for survivor benefits.

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CHANGES IN 1993 (CONT.)

- Added “**Cost of Living Increases**” for employees who retire on or after April 1, 1993.
 - COLA begins on April 1, after 60 years of age.
 - Also established the cumulative (retroactive) adjustment back to the date of retirement.

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CHANGES IN 1994

- BOA passed Ordinance 94-70 on November 15, 1994, making the following amendments to the Police Retirement Plan:
- **Changes:**
 - Refund of contributions made after November 1994.

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CHANGES IN 1995 AND 1996

- Board of Alderman passed Ordinance 95-18 on April 10, 1995, providing for a plan restatement. No substantial changes.
- Board of Alderman passed Ordinance 96-21 on February 12, 1996, providing for the following change:
 - **Changes:**
 - Benefit calculations:
 - Using the average monthly calculation, 2.5% for the first 20 years of credited service, plus 1.5% for each year of credited service over 20, to a maximum of 10 years (**Maximum benefit 65% of final average monthly salary**).

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EMPLOYEE CONTRIBUTIONS

Pre-tax as of April 1, 2017

Not eligible for refund at retirement

Sergeants & below:	9.4% of gross salary
Lieutenants & Captains:	8.5% of gross salary
Chief:	7.5% of gross salary
Employee Contributions Total*:	\$251,802.58

**For plan year ending 3/31/2022*

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PROPERTY TAX CONTRIBUTIONS

Residential Property	\$0.205/\$100 AV
Commercial Property	\$0.336/\$100 AV
Personal Property	\$0.360/\$100 AV
Property Tax Contributions Total*:	\$774,328.60

**For plan year ending 3/31/2022*

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BENEFITS: TODAY

- Retirement at 20 years credited service.
- Credited service:
 - Six (6) months of service is credited as full year for retirement eligibility.
- Benefits calculated on fraction of the year served.
 - Employee can retire with 20 years credited service at 19 years 6 months.
 - Benefit is calculated as 19.5 years x 2.5 percent x Average Monthly Compensation.
- Refund of contributions made prior to April 1, 2017, *only*.
- Eliminate initial retroactive COLA for employees hired on or after April 1, 2017.

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ACTUARIAL VALUATIONS

- Between 1987 and 1992, Actuarial Valuations were
 - Between 145% and 154%.
 - The number of active participants during that time was 44-51
 - with **only 11 retirees**.
- Minutes do not reflect Actuarial Valuations until **July 2008**, when Milliman completed their first Actuarial Valuation.
- In the minutes, it is noted the Police Plan had an Actuarial Valuation of **approximately 91 percent**.

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ACTUARIAL VALUATIONS

- At the July 2008 meeting, Michael Zwiener stated the Trustees would need to “watch and see.”
- Discussion took place about increasing employee contributions, but no action was initiated.
- In subsequent year the Actuarial Valuation and Number of Retirees changed as follows:

Date	Actuarial Valuation	# of Retirees
4/1/2011	82.37%	36
4/1/2012	75.06%	36
4/1/2013	73.03%	37

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2012 PLAN STUDY

- After steady decline of funded ratio, the Police Pension Board formed a subcommittee to review funding options. Subcommittee was made up of employee members of the Police Board of Trustees, other Police employees, one retiree, and two council members.
- Subcommittee studied changing retirement benefits for new hires only, as well as for all covered employees.
- Final recommendation from the subcommittee was to request a tax rate increase by the vote of the residents of Overland, with no change in benefits.
- No action was taken by the City Council.

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2012 PLAN STUDY - 2016 REVISITED

- A retiree addressed the Board on January 26, 2016, expressing concern about the funding of the Police Plan, encouraging the Police Board of Trustees to work together before the plan would need an “emergency allocation.”
- Police Board of Trustees Work Sessions, with City Administrator Jason McConachie, commenced March 2016, the following benefits were studied:
 - Increase Employee Contribution to 7.5 percent
 - Apply benefit changes to employees with less than ten years credited service.
 - Retirement changed from 20 years to 25 years.

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2012 PLAN STUDY - 2016 REVISITED

- Maximum retirement of 60 percent (20 years at 2.5 percent per year plus 10 years at 1 percent per year).
- Eliminate retroactive COLA – study for all current employees, and for employees with less than ten years of credited service.
- Refund of contributions – refund contributions received prior to a specified date, or variations of partial refund based on current years of service.
- **Benefit changes ultimately enacted, effective April 1, 2017 (Ordinance 2017-04):**
 - Contributions made by covered employees after April 1, 2017, will be pre-tax contributions and will not be refunded at retirement
 - Member contributions increase to 7.5 percent.

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PROP. O: TAX LEVY - POLICE PENSION

- **April 4, 2017, General Municipal Election:**
 - Proposition O – Tax Levy for Police Retirement Plan
 - Increase the property tax rate of the City from \$0.12 to \$0.24 for residential real estate, from \$0.12 to \$0.36 for commercial real estate, and from \$0.12 to \$0.36 for personal property per \$100.00 of assessed valuation solely for the purpose of funding the Retirement Plan for the Police Department of the City of Overland
 - Election Results: Yes: 792 **No: 1030**

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PROP. O: TAX LEVY - POLICE PENSION

- **August 8, 2017, General Municipal Election:**
 - Proposition O – Tax Levy for Police Retirement Plan
 - Increase the property tax rate of the City from \$0.12 to \$0.24 for residential real estate, from \$0.12 to \$0.36 for commercial real estate, and from \$0.12 to \$0.36 for personal property per \$100.00 of assessed valuation solely for the purpose of funding the Retirement Plan for the Police Department of the City of Overland
 - Election Results: **Yes: 792** No: 541

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PROPERTY TAX RATE

- Voter approved tax rates are the **maximum authorized levy**, however, if the assessed valuation increases, the tax rate ceiling decreases.
- If the assessed valuation decreases, the tax rate ceiling increases, but can never be more than the maximum.
- If assessed valuations continue to rise, the only way to increase revenue is by a vote of the residents.

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ON THE JCPER WATCH LIST

Joint Committee on Public Employee Retirement

- Collects quarterly and annual reports on public employee retirement plans in Missouri
- Quarterly reports contain information provided by ACG at quarterly meetings
- Collect annual data based on the Actuarial Valuation and GASB 67 & 68 reports prepared by Milliman.
- Based on information provided, JCPER prepares an Annual Watch list for plans with a funded ratio of less than 75 percent. **Overland Police Retirement Plan has been on the JCPER Watch List since 2014 (plan year beginning 4/1/2013).**

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JCPER QUARTERLY REPORT

Today's Date:	<input type="text" value="2/11/2022"/>	<input type="button" value="📅"/>
Reporting Calendar Year:	<input type="text" value="2021"/>	(4-digit year)
Quarter:	<input type="text" value="Fourth"/>	▼
Beginning Quarterly Market Value:	<input type="text" value="15,018,000"/>	(numbers only; round up to whole dollar amount)
Ending Quarterly Market Value:	<input type="text" value="15,196,000"/>	(numbers only; round up to whole dollar amount)
Time-weighted Rate of Return (rolling 12 months):	<input type="text" value="13.14%"/>	<input type="radio"/> Gross of Fees <input checked="" type="radio"/> Net of Fees
Time-weighted Rate of Return (rolling 36 months):	<input type="text" value="15.75%"/>	<input type="radio"/> Gross of Fees <input checked="" type="radio"/> Net of Fees
Time-weighted Rate of Return (rolling 60 months):	<input type="text" value="11.30%"/>	<input type="radio"/> Gross of Fees <input checked="" type="radio"/> Net of Fees
Assumed Rate of Return for Investments:	<input type="text" value="6.75%"/>	
Price Inflation Assumption:	<input type="text" value="2.2%"/>	
Salary/Wage Inflation Assumption:	<input type="text" value="3.5%"/>	
Assumptions updated with the FY2020/2021 GASB 67/68 Report		
Comments within this Quarter:	<input type="text"/>	

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JCPER ANNUAL REPORT

- Actuarial Valuation Report, as of April 1, each year:
 - Number of active participants
 - Number of terminated vested participants
 - Retirees/beneficiaries
 - Funded Ratio (Market Value Basis)
- GASB 67 & 68 Report, prepared June 30, each year:
 - Net Pension Liability (page 15)

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DELINQUENCY – RSMO 105.683

- 105.683. Plan deemed delinquent, when, effect of. — Any plan, other than a plan created under sections 169.010 to 169.141 or sections 169.600 to 169.715, whose actuary determines that the plan has a **funded ratio below sixty percent and the political subdivision has failed to make one hundred percent of the actuarially required contribution payment for five successive plan years with a descending funded ratio for five successive plan years**, shall be deemed delinquent in the contribution payment...

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DELINQUENCY – TRACKING

Year Ending	Funded Ratio	Recommended Contribution	Recommended Tax Rate	Actual Contribution	Actual Tax Rate
3/31/2014	72.66%	\$863,157.00	\$0.3960	\$240,878.00	\$0.120/\$0.120/\$0.120
3/31/2015	72.00%	\$1,072,917.00	\$0.5050	\$251,812.00	\$0.120/\$0.120/\$0.120
3/31/2016	63.99%	\$1,085,072.00	\$0.5210	\$242,311.00	\$0.120/\$0.120/\$0.120
3/31/2017	64.16%	\$1,136,068.00	\$0.5450	\$233,363.00	\$0.120/\$0.120/\$0.120
3/31/2018	65.84%	\$1,091,236.00	\$0.4890	\$553,559.00	\$0.24/\$0.36/\$0.367
3/31/2019	64.11%	\$1,117,425.00	\$0.5080	\$680,159.00	\$0.24/\$0.36/\$0.367
3/31/2020	56.16%	\$1,203,306.00	\$0.4780	\$712,577.00	\$0.206/\$0.334/\$0.367
3/31/2021	71.02%	\$1,284,482.00	\$0.5140	\$683,592.00	\$0.205/\$0.336/\$0.367

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WHERE DO WE GO FROM HERE?

- Schedule next work session to discuss
 - Potential changes to plan
 - Select items for study by actuary and review by legal counsel

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COMMENTS?

QUESTIONS?



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