

**CITY OF OVERLAND
POLICE PENSION BOARD WORK SESSION MINUTES
CITY COUNCIL CHAMBERS
April 27, 2022, at 1:00 p.m.**

Mayor Marty Little called the meeting to order.

ROLL CALL

Mayor Little
Mark Giroux
Chief Andy Mackey

Lt. Joe Carollo
Sgt. Justin Lydon
Ken Crowder – *excused*

Also in attendance: Heather Mehta, Pension Board Legal Counsel (via WebEx); Melissa Burton, City Clerk; Jason McConachie, City Administrator; Councilman Patrick Wroblewski; Peterson, FOP Lodge 15 Legal Counsel; and Overland Police Officers Zachary Chadwick, John O’Neill, Lt. Tim Walkonis, Sgt. Robby Ryan, Courtney Olson, Chase Wurth, Seyvon Kenney, Cpl. Chris Fanning, and Ian Ray.

DISCUSSION

City Clerk Melissa Burton answer questions provided by Trustees regarding funding levels, City Contribution to Non-Uniform Pension Plan, Non-Uniform Plan, obligation to current retirees, detailed review of benefits and differences from the Non-Uniform Plan. Benefits available to future Police retirees include:

- Normal retirement as early as 19 years, six months.
- Maximum calculated benefits: 65 percent.
- Survivor Spouse Benefit: 75 percent.
- Life only annuity, if waived in writing by eligible survivor spouse, increases benefit past maximum calculated benefit. Historically, this has increased a retiree’s benefit by an average of \$299/month. Current cost to the Plan is >\$55,000 per year.
- Retroactive Cost of Living Adjustment for all eligible retirees and participants employed prior to April 1, 2017. There are ten retirees and 25 current police officers eligible for a future retroactive COLA.

The Trustees were provided information from the Joint Committee on Public Employment Retirements on all Defined Benefit Plans for Police Departments in Missouri.

Discussion took place regarding increasing funding to the pension plan, and alternatives such as LAGERS.

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

Next Police Board of Trustees Work Session is scheduled for immediately following the quarterly Joint Boards of Trustees Meeting on Tuesday, May 10, at 1:30 p.m.

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

DETAILED REVIEW OF BENEFITS

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OBJECTIVE

- Answer Questions Provided by Trustees
- To provide an overview of the Police Pension Benefits
 - Number of Active Participants, Retirees, & Beneficiaries
 - Benefit Payments to Retirees & Beneficiaries
 - Retroactive Cost of Living Allowance
 - Survivor Benefit
 - Life Only Annuity
- Explain Differences between Police & Non-Uniform Plans
- Develop Goals for the Police Pension Plan
- Determine Items for Study by the Actuary

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TRUSTEE QUESTIONS

1. How many current retirees are collecting a monthly benefit?
2. What is the annual obligation to current retirees?
3. Is there an amount per year that would get the pension plan to 80%, 90%, 100% funded?
4. How much money does the City contribute to the Non-Uniform Pension?
5. What percentage is the Non-Uniform Pension funded?
6. How much money does Prop P generate annually?
 - Can Prop P money be used to supplement the pension without changing the ordinance?
7. Is there a sales tax that can be used to fund the pension?
8. How can the ordinance be changed?

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TRUSTEE QUESTION 1

How many current retirees are collecting a monthly benefit?

There are two types of monthly benefits:

1. Retiree Benefit
2. Survivor (Beneficiary) Benefit

**Combined Total Monthly Benefit:
\$128,789.54**

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TRUSTEE QUESTION 2

What is the annual obligation to current retirees?

For Plan Year 2022/2023, the estimated obligation based on current number of retirees and survivors

\$1,545,474.48

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TRUSTEE QUESTION 3

Is there an amount per year that would get the pension plan to 80%, 90%, 100% funded?

Actuarial Determine Contributions are the amounts needed to fully fund (100%) the Plan. (Actuary Report, page 4)

<u>April 1, 2020</u>	<u>April 1, 2021</u>
\$1,284,482	\$1,316,067
\$0.514/\$100AV	\$0.495/\$100AV

The next Actuarial Valuation will be for April 1, 2022. It is expected to be presented at the August Trustees Meeting.

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TRUSTEE QUESTION 3

Actuary's response:

The current funded ratio of the plan is well below ideal. It's important to keep the 100% funding level target in mind (on the most basic level, if we look at the entire life of the plan, anything less than 100% means that some promised benefits aren't paid). I think of it as being a two-part test;

- 1. where are we now – in your case near the 60% level, which is obviously concerning, and*
- 2. which direction are we heading based on the funding policy – in your case that direction is downhill, which is also concerning.*

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TRUSTEE QUESTION 4

How much does the City contribute to the Non-Uniform Pension?

In order to understand the amount contributed to the Non-Uniform Plan, an explanation of the cost of benefits between the two plans is required.

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POLICE

Total Retirees: 38

- Minimum: \$2,094.12/month
- Maximum: \$5,351.95/month
- Average: \$3,092.10/month

Total Survivors: 6

- Minimum: \$520.13/month
- Maximum: \$2,921.52/month
- Average: \$1,881.63/month

Total Monthly Benefits:
\$128,789.54

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<i>POLICE</i>	<i>NON-UNIFORM</i>
Total Retirees: 38	• Total Retirees: 54
• Minimum: \$2,094.12/month	• Minimum: \$196.79/month
• Maximum: \$5,351.95/month	• Maximum: \$3,576.76/month
• Average: \$3,092.10/month	• Average: \$1,369.88/month
Total Survivors: 6	Total Survivors: 9
• Minimum: \$520.13/month	• Minimum: \$38.29/month
• Maximum: \$2,921.52/month	• Maximum: \$1,599.13/month
• Average: \$1,881.63/month	Average: \$501.51/month
Total Monthly Benefits	Total Monthly Benefits
\$128,789.54	\$78,531.97

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TRUSTEE QUESTION 4

How much does the City contribute to the Non-Uniform Pension?

	Plan Year 2020/2021	Plan Year 2021/2022
Non-Uniform	\$515,661	\$531,681

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TRUSTEE QUESTION 4

How much does the City contribute to the Non-Uniform Pension?

	Plan Year 2020/2021	Plan Year 2021/2022
Non-Uniform	\$515,661	\$531,681
Police*	\$683,592	\$753,951

*Designated Property Tax

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TRUSTEE QUESTION 5

What percentage is the Non-Uniform Pension funded?

Plan Year 2015/2016	78.66%
Plan Year 2016/2017	83.47%
Plan Year 2017/2018	89.26%
Plan Year 2018/2019	89.49%
Plan Year 2019/2020	78.30%
Plan Year 2020/2021	98.70%

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TRUSTEE QUESTION 6

How much money does Prop P generate annually?

approximately
\$775,000/year

Can Prop P money be used to supplement the pension without changing the ordinance?

The ordinance would need to be changed.

Additionally, if reallocated, the City would need to find an additional source of revenue to replace the Prop P funds.

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TRUSTEE QUESTION 7

Is there a sales tax that can be used to fund the pension?

No. Sales Taxes are authorized by the State.
The City collects all sales taxes available to
Third Class municipalities.

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TRUSTEE QUESTION 8

How can the ordinance be changed?

Ordinance changes for the Police Plan are proposed by the Police Pension Board of Trustees and forwarded to the City Council, via the City Administrator and/or City Clerk

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POLICE PENSION PLAN BENEFITS

<i>Active Participants of the Police Plan</i>	43
<i>Deferred Vested</i>	1
<i>Retirees</i>	38
<i>Survivor (Beneficiaries)</i>	6

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DEFERRED VESTED PARTICIPANTS

Deferred Vested Participants are those that leave employment after 15 years of service, prior to 60 years of age, who are not eligible to retire at the time of separation.

Currently, there is one (1) Deferred Vested Participant.

Normal Retirement Date (NRD):	10/1/2037
Benefit Amount:	\$1,957.86/month
Life Only Annuity (if elected):	\$2,235.88/month
Contributions to be Refunded at NRD:	\$41,370.95

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MONTHLY BENEFIT PAYMENTS

Total Retirees:	38
• Minimum:	\$2,094.12/month
• Maximum:	\$5,351.95/month
• Average:	\$3,092.10/month
Total Survivors:	6
• Minimum:	\$520.13/month
• Maximum:	\$2,921.52/month
• Average:	\$1,881.63/month
Total Monthly Benefits	
\$128,789.54	

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RETROACTIVE COST OF LIVING

Definition from Section 200.490

...an initial retroactive adjustment of benefits, the payment of which commences as of the April first (1st) immediately following an employee's sixtieth (60th) birthday, under this Section 200.490 shall be the cumulative total of the adjustments under this Section 200.490 which would have been made if such adjustments were made starting with payments made on or after the April first (1st) immediately following the date which payment of such benefits commences...

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RETROACTIVE COST OF LIVING

There are ten retirees who are eligible for retroactive COLA.

<u>COLA</u>	<u>Retro Years</u>
2024	12
2025	6
2026	11
2030	10
2031	13
2032	10
2032	15
2035	16
2037	18
2038	17

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RETROACTIVE COST OF LIVING

Retroactive COLA is available for all active participants who were employed prior to April 1, 2017.

- As of this month, currently 25 of 43 active participants are eligible for retroactive COLA.

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RETROACTIVE COST OF LIVING

Officer Smith retired at age 42 on 2/1/2005, collecting a monthly benefit of \$2934.09*.

He will be eligible for his first COLA on 4/1/2022.

A standard COLA for 2022, would be 3%, an increase of \$88.02/month (\$1,056/year). Total monthly benefit: \$3,022.11/month.

Retroactive COLA for 18 years, would be 23.04% an increase of \$676.15/month (\$8,113.82/year). Total monthly benefit: \$3,610.24/month

**Average benefit of all ten retirees eligible for future retro COLA.*

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RETROACTIVE COST OF LIVING

Officer Jones retired at age 54 on 2/1/2016, collecting a monthly benefit of \$2934.09*.

He will be eligible for his first COLA on 4/1/2022.

A standard COLA for 2022, would be 3%, an increase of \$88.02/month (\$1,056/year). Total monthly benefit: \$3,022.11/month.

Retroactive COLA for 6 years prior to 2022, would be 6.8%, an increase of \$199.53/month (\$2,394.38/year). Total monthly benefit: \$3,133.62/month.

**Average benefit of all ten retirees eligible for future retro COLA.*

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SURVIVOR BENEFIT

Upon death of a retiree, the survivor spouse receives 75% of the monthly benefit for life, or until remarriage.

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LIFE ONLY ANNUITY

A covered employee who is retiring may elect in writing to have his/her benefits paid for "life only" calculated using Table A in Section 200.530. If the covered employee has a spouse who would be entitled to a survivor benefit, under Section 200.480, the spouse is required to waive in writing his/her entitlement to survivor benefits.

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LIFE ONLY ANNUITY

There are currently 16 retirees with Life Only Annuity.

Minimum Increase:	\$73.41/month	\$880.92/year
Maximum Increase:	\$689.01/month	\$8,268.12/year
Average Increase:	\$290.34/month	\$3484.08/year

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LIFE ONLY ANNUITY

Monthly Impact: \$4,645.37

Annual Impact: \$55,744.42

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BENEFITS: TODAY

- Normal Retirement:
 - 20 years credited service with no age requirement, or
 - Age 62 with 18 years credited service, or
 - Social Security Full Retirement age with 5 years of credited service.
 - Credited service: Six (6) months of service is credited as full year for retirement eligibility.
 - Maximum calculated benefit based on credited service: 65 percent.

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BENEFITS: TODAY

- 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.
- Survivor Spouse Beneficiaries receive 75 percent of the retiree benefit, including retroactive COLA.
- Life Only Annuity can increase the monthly benefit past the 65 percent maximum calculated benefit.

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BENEFITS: TODAY

- Refund of contributions made prior to April 1, 2017, *only*.
- Retroactive COLA for employees hired prior to April 1, 2017.
 - Currently 10 retirees and 25 employees are eligible for a future COLA.

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BENEFITS: NON-UNIFORM

- Normal Retirement:
 - 25 years credited service with no age requirement, or
 - Age 58 with 5 years credited service, or
 - Credited service: Six (6) months of service is credited as full year for retirement eligibility.
- Early Retirement:
 - Age 53 with 15 years credited service.
 - Benefit reduced by a factor of 5/12 percent for each month before the normal retirement date
 - Maximum reduction 25 percent

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BENEFITS: NON-UNIFORM

- Benefits calculated on credit service.
- Maximum benefit 60 percent of average last five years salary
- Survivor Spouse Beneficiaries receive 50 percent of the retiree benefit, including COLA.
 - Retiree has option to reduce monthly benefit in order to leave surviving spouse a larger benefit:
 - 66 2/3% survivor benefit
 - 100% survivor benefit

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BENEFITS: NON-UNIFORM

- Refund of contributions made prior to April 1, 2017, *only*.
- Standard annual COLA for all eligible retirees beginning June 1, following age 62.

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POLICE PENSION PLAN**GOALS?**

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POLICE PENSION PLAN**What items should
the actuary study?**

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