



Pension Plan Comparison

City Council Work Session

May 27, 2008

General Assumptions

- **All of us (Mayor, City Council, and employees) are working towards the same objective - the protection and betterment of the Sedalia community**
- **City employees are the greatest resource to delivering the services desired by our residents**

General Assumptions

- **The Mayor and City Council are the final decision makers regarding employee benefits, including pension plans**
- **There is a finite amount of resources to address the needs of the community**

General Assumptions

- **Decisions made must comply with statutory and Constitutional requirements**
- **In order for Mayor and City Council to make sound decisions, everyone must have the same information and a complete understanding of the issues**

General Assumptions

- While there may be disagreement on priorities and the interpretation of statistics, there should be general agreement on the statistics
- Benefit calculations are complex and dependent upon multiple factors. Therefore, not every benefit calculation for employees may be the same

General Assumptions

- **There are no magical, quick fix solutions. Problems created over several years will have to be addressed over several years**
- **No decisions will be made tonight. The purpose of this presentation is to provide background information**

Overview of the Pension Plans

Firefighter's Retirement Fund

Effective Date : July 1, 1946

Plan Year : April 1 - March 31

Plan Eligibility : Active service in Sedalia Fire Department

Administered by : Firefighters Retirement Fund Board of Trustees

Mayor, City Clerk, City Attorney, Fire Chief, retired member of the fire department (Bob Stevenson), three employees of the fire department elected by the members of the department (Donnie Sattler, Danny Bailey, Steve Rucker)

Annual actuarial study performed by : JP Morgan

Plan investment manager : M&I Trust

Overview of the Pension Plans

Policemen Retirement Fund

Effective Date : April 1, 1970

Plan Year : August 1 - July 31

Plan Eligibility : Active service in Sedalia Police Department (sworn personnel)

Administered by : Policemen Retirement Fund Board of Trustees

Mayor, City Clerk, City Attorney, Police Chief, retired member of the police department (Ed Vaughan), two members of the department elected by members of the department (Chet Mackewicz, Mike DeHaven), three residents – one attorney (Myron McNeal) one CPA (Dan Pilliard) and one citizen at large (vacant)

Annual actuarial study performed by : JP Morgan

Plan investment manager : Retirement Plan Advisors

Overview of the Pension Plans

L.A.G.E.R.S.

Effective Date : August 1, 1972

Plan Year : April 1 - March 31

Plan Eligibility : Full time employees of the City

Administered by : LAGERS Board of Trustees

Three trustees are participating members elected by member delegates to annual meeting, three represent member political subdivisions elected by employer delegates to annual meeting and one trustee is appointed by the Governor to serve in citizen capacity

Annual actuarial study performed by : Gabriel Roeder Smith & Company

Overview of the Pension Plans

Plan Comparisons

Employees Covered by Pension

	Firefighter's Retirement	Policemen Retirement	LAGERS
Current	40	43	124
Former <small>(Vested)</small>	1	3	19
Retired	30	31	54
Total	71	77	197

Information taken from Actuarial Studies dated 10/2007 (Fire), 1/2008 (Police), 2/2007 (LAGERS)

Overview of the Pension Plans

Plan Comparisons

Financial Figures by Pension

	Firefighter's Retirement	Policemen Retirement	LAGERS
Payroll of Active Participants	\$ 1,621,467	\$ 1,356,675	\$ 3,414,897
Accrued Liabilities	\$ 7,076,313	\$ 6,742,592	\$ 9,705,878
Actuarial Value of Assets	\$ 5,851,469	\$ 4,521,203	\$ 9,169,009
Unfunded Actuarial Accrued Liability	\$ 1,134,002	\$ 2,221,389	\$ 536,869
Funded Percentage	82.7 %	67.1 %	94.5 %

Benefits of the Pension Plans

Plan Comparisons

Age of Retirement Eligibility

	Firefighter's Retirement	Policemen Retirement	LAGERS
Date of Delineation	7/1/1989	8/1/1989	No Date
Hired Prior to Date	No Minimum	52 Years Old or 22 Years of Service*	60 Years Old
Hired After Date	55 Years Old	52 Years Old or 15 Years of Service*	60 Years Old
Years of Service for Full Benefit	22	22 or 15	

* *Whichever is later*

Benefits of the Pension Plans

Plan Comparisons

Pension Plan Vesting

	Firefighter's Retirement	Policemen Retirement	LAGERS
Vesting Schedule	0 - 1 YOS = 0 % 1 - 4 YOS = 25 % 4 - 7 YOS = 50 % 7 - 10 YOS = 75 % 10 + YOS = 100 %	0 - 4 YOS = 0 % 5 YOS = 30 % 6 - 14 YOS = +5 % per Year 15 + YOS = 100 %	0 - 4 YOS = 0 % 5 + YOS = 100 %

YOS = Years of Service

Benefits of the Pension Plans

Plan Comparisons

Retirement Benefit

	Firefighter's Retirement	Policemen Retirement	LAGERS
Basis for Compensation	50 % of Indexed Earnings Base	2 % of Monthly Compensation	2 % of Final Average Salary
Multiplier	N / A	Years of Service	Years of Service
Post Retirement Benefit	3 % Annual Increase - <i>provided the fund is actuarially sound</i>	N / A	Based on Consumer Price Index - 4 % maximum

Benefits of the Pension Plans

Plan Comparisons

Early Retirement Formulas

	Firefighter's Retirement	Policemen Retirement	LAGERS
Date of Delineation	7/1/1989	8/1/1989	No Date
Formula Prior to Date	$IEB \times (YOS / 22)$	$0.02 \times \text{Monthly Comp} \times YOS$	Benefit is reduced by ½ % per month
Formula After Date	$IEB \times (YOS / (55 - \text{Age})) \times VP$	$0.02 \times \text{Monthly Comp} \times YOS \times VP$	Benefit is reduced by ½ % per month
Comments		Paid upon reaching 52 Years Old	Must have 5 years of service and be 55 Years Old

IEB = Indexed Earnings Base VP = Vesting Percentage YOS = Years of Service

Benefits of the Pension Plans

Plan Comparisons

Survivor Benefit

	Firefighter's Retirement	Policemen Retirement	LAGERS
Survivor Option A	50 % to Spouse 25 % to minor Child <i>No reduction to employee</i>	50 % to Spouse 25 % to minor Child <i>No reduction to employee</i>	75 % to Spouse 0 % to minor Child <i>Retired Employee is Paid 85 % of Benefit</i>
Survivor Option B	N / A	N / A	50 % to Spouse 0 % to minor Child <i>Retired Employee is Paid 90 % of Benefit</i>

Benefits of the Pension Plans

Plan Comparisons

Pre-Retirement Disability Benefit

	Firefighter's Retirement	Policemen Retirement	LAGERS
Duty-related Disability	Accrued Benefit as a monthly payment at Normal Retirement Date - or - Employee Contribution	Employee Contribution - or - Calculation Outlined in Ordinance	Final Average Salary x Years of Service at Age 60
Non-Duty-related Disability	Same as Duty-related	Same as Duty-related	Final Average Salary x Years of Service

Benefits of the Pension Plans

Plan Comparisons

Pre-Retirement Death Benefit

	Firefighter's Retirement	Policemen Retirement	LAGERS
Benefit	Benefit equals the greater of 75 % of retirement - or - 100 % contributions	Benefit equals 3 times salary for the plan year in which the death occurred	Duty-related : Spouse entitled to benefit, calculated to include YOS at age 60 Non-Duty-related : Formula-based allowance
Comments	\$ 100,000 life insurance, \$ 100,000 acc. death		

Funding of the Pension Plans

Plan Comparisons *Contributions*

	Firefighter's Retirement	Policemen Retirement	LAGERS
Employee	7.50 % of Indexed Earnings Base <i>Contributions Cease after 22 YOS</i>	\$ 15 per Month	<i>City Pays on behalf of the Employee</i>
Employer	14.54 % of Payroll <i>7.50 % of Indexed Earnings Base and Ad Valorem Tax</i>	11.70 % of Payroll <i>Ad Valorem Tax</i>	11.2 % of Salary <i>Adjusted annually by formula</i>

Funding of the Pension Plans

Plan Comparisons

Social Security and Medicare

	Firefighter's Retirement	Policemen Retirement	LAGERS
Social Security	Do Not Participate	Participate <i>City and Employee each contribute 6.2 % of Salary</i>	Participate <i>City and Employee each contribute 6.2 % of Salary</i>
Medicare	Employees since 4/1/1986 Participate <i>City and Employee each contribute 1.45 % of Salary</i>	Participate <i>City and Employee each contribute 1.45 % of Salary</i>	Participate <i>City and Employee each contribute 1.45 % of Salary</i>

Questions to be Answered

- What changes, if any, are needed to achieve the objectives of the pension plans ?
- What changes, if any, are needed to achieve equity between the pension plans ?
- How would changes, if any are made, be paid for ?

