



**AGENDA
CITY OF CREVE COEUR
EMPLOYEE PENSION BOARD OF
TRUSTEES
ONLINE MEETING
MARCH 8, 2023
3:00 PM**

ZOOM MEETING INFORMATION

Due to extreme circumstances regarding the COVID-19 pandemic, this meeting will be held online only. Members of the public may access live audio and/or video at the following link:

<https://us02web.zoom.us/j/84315910827>

Meeting ID: 843 1591 0827 Phone +1 646 931 3860

CALL TO ORDER

APPROVAL OF AGENDA

NEW BUSINESS

Transition from Legacy Plan to LAGERS

ADJOURNMENT

Posted by: _____

Date/Time posted: _____

If you need special accommodations to attend a meeting, services may be arranged by contacting the Office of the City Administrator in advance.



MEMORANDUM

DATE: February 17, 2023

TO: Mark Perkins, City Administrator

FROM: Lori Obermoeller, Director of Finance

SUBJECT: Legacy & LAGERS Plan Considerations

In 2017, all Creve Coeur employees hired after June of 2006 were enrolled in the Missouri Local Government Employees Retirement System (LAGERS). Employees hired prior to June 2006 stayed in the City's Legacy Pension Plan.

At the time of joining LAGERS, there was also a strong interest in having LAGERS assuming responsibility for administration of the Legacy Plan, as the State Legislature had recently adopted legislation allowing LAGERS to handle administration of closed public defined benefit plans. However, transferring administration of the Creve Coeur Legacy Plan to LAGERS was not practical at that time.

Recent staff discussions with LAGERS suggest that there is now a potential path to achieving this goal, thereby reducing the city's administrative costs and financial risk by transferring the plan administration to a much larger and well-funded pension plan. More information about LAGERS is available on their [website](#).

City staff requested an actuarial report from LAGERS to determine the costs of taking over the administration of the Plan, as well as the cost to move the 24 Active employees from the Legacy Plan to LAGERS. Some of the benefits or savings by making this transition include:

- Reducing the City's administrative costs which amount to approximately \$92K annually, including fees paid to Investment Advisors, Administration of the Retiree Checks, Fiduciary Trustee Training, Annual Actuarial Reports, GASB 75 reports, etc.
- Significantly reducing staff and citizen time spent related to oversight and administration of the Legacy Plan. Elimination of the Pension Board, elimination of the Fiduciary Risk to Board Members & elimination of staff time needed to provide support, analysis and record-keeping for the Pension Board.

Attached you will find 2 letters from Jeff Kempker with LAGERS estimating the costs to move all LEGACY Plan employees to LAGERS, upgrading the current LT-8 (65) LAGERS Plan to either the LT-14 (65) or the L-6 Plan, closing the LEGACY Plan, having LAGERS administer the closed Plan and the transition plan for completing this process. More information about LAGERS benefit levels can be found [here](#).

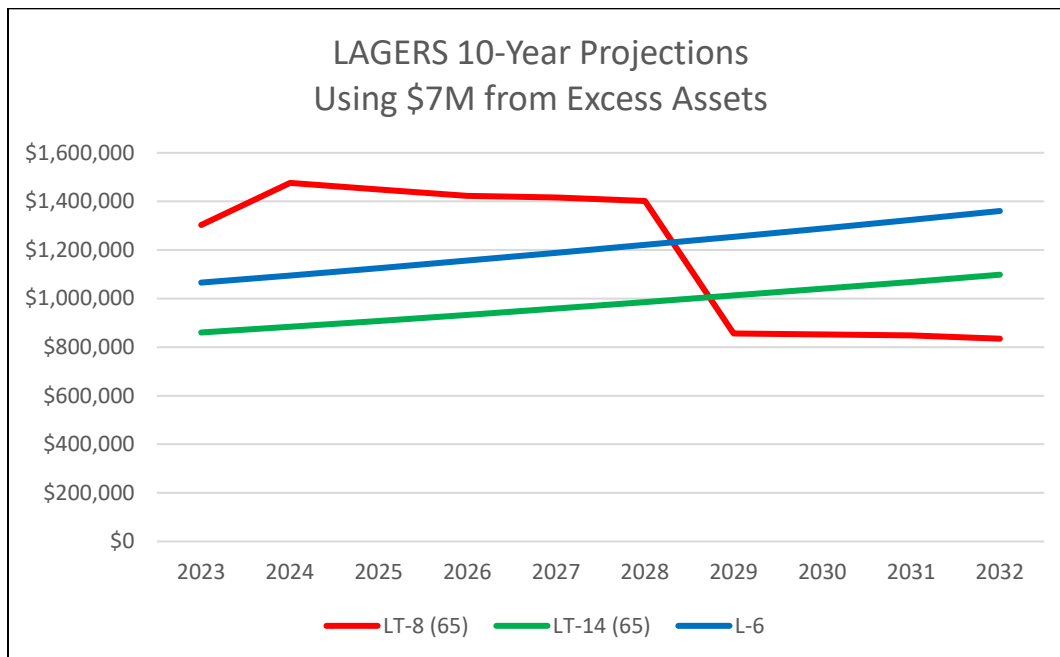
On the next page is a comparison summary and graph of the City's 10-year projected costs of the city's current plans along with the projected cost of moving all employees to LAGERS LT-14 (65) or the LAGERS L-6 Plan. The total 10-year cost will go from \$11,860,825 under the current plans to \$9,795,991 (LT-14) or \$12,123,661 (L-6). This is assuming we fully fund the closed LEGACY Plan and we use the remaining excess assets of approximately \$7M to pay down the unfunded liabilities of the upgraded LAGERS Plan.

The current LT-8 Plan includes not only the payroll costs, but additional costs of over \$91K in Legacy plan administrative costs including annual actuarial valuations, GASB 75 calculations, investment advisors, insurance, conference costs, interest, etc., which will go away if we close the Plan.

Annual Costs per Each LAGER Plan

Year	Current*	LT-14 (65)	L-6
2023	\$1,303,541	\$864,396	\$1,069,788
2024	\$1,476,153	\$888,166	\$1,099,208
2025	\$1,449,215	\$912,591	\$1,129,436
2026	\$1,422,744	\$937,687	\$1,160,495
2027	\$1,416,759	\$963,474	\$1,192,409
2028	\$1,401,280	\$989,969	\$1,225,200
2029	\$856,325	\$1,017,193	\$1,258,893
2030	\$851,915	\$1,045,166	\$1,293,513
2031	\$848,073	\$1,073,908	\$1,329,084
2032	\$834,820	\$1,103,441	\$1,365,634
Total	\$11,860,825	\$9,795,991	\$12,123,661

*Includes City's Legacy and Lagers LT-8 (65) Plans



Adding a cost-of-living adjustment (COLA) for the LEGACY recipients in the closed Plan will cost the City a one-time cost of approximately \$970 to \$958K, depending on whether the city selects one of two options: 1) a One-Time COLA (.5% for every year since the last COLA) or 2) a Compounding Future COLA (.5% annually). For simplicity, these additional COLA costs were not included in the conversion costs. However, they could be included if not funded separately.

Staff is recommending the Finance Committee and the Pension Board review these options. Then staff will report back to the City Council any concerns or comments.



February 17, 2023

Lori Obermoeller, MBA, CPFO
Director of Finance
City of Creve Coeur
300 N. New Ballas Road
Creve Coeur, MO 63141

Re: The City of Creve Coeur – Local Defined Benefit Plan Joining LAGERS

Dear Ms. Obermoeller:

Per your request, we have compiled the various actuarial reports into this one document to present an estimated total annual LAGERS contribution should the city convert its current, locally administered, defined benefit plan to LAGERS. It was assumed that all active participants in the city's defined benefit plan would join LAGERS and that their prior service would be granted for benefit and eligibility purposes.

The estimates shown here are based on the actuarial valuations dated October 7, 2022 and February 1, 2023 and the lump sum payment letter dated October 25, 2022. The figures included here are estimates of the cost to the city for all active employees being enrolled in LAGERS as well as LAGERS assuming the administrative duties of the city's closed pension plan. These estimates may differ from the actual costs should changes occur in the data used to perform these estimates (e.g., payroll, defined benefit plan assets). Also, the ten-year projections assume no annual change in the percent of payroll contribution rate.

For the City of Creve Coeur to transition its pension plan to LAGERS, four processes must be completed by the city.

1. Adopt changes to current LAGERS plan to ensure there are no benefit impairments imposed on the current city plan participants
2. Amend Creve Coeur pension plan document to adopt necessary changes for LAGERS administration
3. Close the Creve Coeur pension plan and convert active participants to LAGERS
4. Transition administration of closed Creve Coeur pension plan and move assets to LAGERS

It is projected that the city will have more than sufficient assets to fully fund the liabilities associated with the benefit recipients and terminated vested participants in the city's defined benefit plan after the active participants are converted to LAGERS. If this is the case and the city transfers the full amount of assets to fund

the liabilities of the benefit recipients and terminated vested participants to LAGERS, no further contributions will be due for the city's closed defined benefit plan. All future contributions, then, would be for the LAGERS participants.

Assuming the above four steps take place, the estimated total annual ten-year LAGERS contributions for the city's general and police departments is shown here. These estimates do not include any up-front contributions.

Total Annual LAGERS Contribution: LT-14 (65)			Total Annual LAGERS Contribution: L-6		
2023	\$1,512,323		2023	\$1,717,716	
2024	\$1,553,912		2024	\$1,764,953	
2025	\$1,596,644		2025	\$1,813,489	
2026	\$1,640,552		2026	\$1,863,360	
2027	\$1,685,667		2027	\$1,914,602	
2028	\$1,732,023		2028	\$1,967,254	
2029	\$1,779,654		2029	\$2,021,353	
2030	\$1,828,594		2030	\$2,076,941	
2031	\$1,878,880		2031	\$2,134,056	
2032	\$1,930,550		2032	\$2,192,743	

The excess assets from the city's closed defined benefit plan are estimated to be \$7 million. These assets may be used to pay down the unfunded liabilities of the LAGERS participants. Below are the estimated ten-year LAGERS contributions for the city's general and police departments assuming a \$3.5 million contribution is made up-front to each department.

Total Annual LAGERS Contribution: LT-14 (65)			Total Annual LAGERS Contribution: L-6		
2023	\$864,396		2023	\$1,069,788	
2024	\$888,166		2024	\$1,099,208	
2025	\$912,591		2025	\$1,129,436	
2026	\$937,687		2026	\$1,160,495	
2027	\$963,474		2027	\$1,192,409	
2028	\$989,969		2028	\$1,225,200	
2029	\$1,017,193		2029	\$1,258,893	
2030	\$1,045,166		2030	\$1,293,513	
2031	\$1,073,908		2031	\$1,329,084	
2032	\$1,103,441		2032	\$1,365,634	

I am happy to discuss the information in this letter. Please let me know if you have any questions or concerns. I am also happy to meet with city officials in-person.

Sincerely,

Jeff Kempker, CEBS, CRC
 Assistant Executive Director, External Affairs



City of Creve Coeur Plan for Transitioning Pension Plan to LAGERS

For the City of Creve Coeur to transition its pension plan to LAGERS, four processes must be completed by the city.

1. Adopt changes to current LAGERS plan
 2. Amend Creve Coeur pension plan document
 3. Close the Creve Coeur pension plan and convert active participants to LAGERS
 4. Transition administration of closed Creve Coeur pension plan to LAGERS
-

1. Adopt changes to LAGERS plan

- Based on actuarial valuation dated October 7, 2022
- Make this actuarial valuation available for public inspection for 45 calendar days
- City council may adopt changes after the 45-day public inspection period has expired

2. Amend Creve Coeur pension plan document

- LAGERS will provide guidance on plan document changes that must be made to facilitate a smooth transition.

3. Close the Creve Coeur pension plan and convert active participants to LAGERS

- Based on actuarial valuation dated October 7, 2022
- Only benefit recipients and terminated vested participants will continue in the city's pension plan

4. Transition administration of frozen legacy pension plan to LAGERS

- This will become effective at least three months after step #3.
- Based on initial actuarial valuation dated February 1, 2023. Make initial actuarial valuation available for public inspection for 45 calendar days.
- An updated valuation must be completed closer to the transition date to reflect any participant status changes.
- Creve Coeur pension board must adopt a joinder agreement to appoint LAGERS as administrator and trustee of the pension plan after the 45-day public inspection period has expired.
- City council must adopt a joinder agreement to appoint LAGERS as administrator and trustee of Creve Coeur pension plan after the 45-day public inspection period has expired and the pension board has adopted the same joinder agreement.



LEGACY to LAGERS Defined Benefit Plan Considerations

Wednesday, March 8, 2023



Background of the LEGACY Plan & LAGERS

- In 2017 Employees hired after June 2006 were enrolled in LAGERS; Employees prior to June 2006 remained in LEGACY Plan
- Strong interest in LAGERS assuming responsibility for administration of LEGACY Plan – However, LAGERS didn't and still doesn't handle active plans
- Now there's a way to achieve this goal of having LAGERS administer the LEGACY Plan
- 93 LEGACY retirees/beneficiaries receiving a benefit
 - \$1,957 average monthly benefit
- 18 Vested terminated LEGACY participants waiting to receive a benefit
 - \$962 average monthly benefit
- 24 Active LEGACY employees
- 81 Active LAGERS employees



Benefits of LAGERS Administering Closed LEGACY Plan

- Save approximately \$92K annually in administrative costs
 - Investment Advisor, Administration of Retiree Checks, Fiduciary Training, Annual Actuarial Reports, GASB 75 Reports, etc.
- Elimination of the Pension Board
- Elimination of Fiduciary Risk to the Board Members
- Elimination of Staff Time needed to provide support, analysis & record-keeping



Benefits of Moving all Employees to LAGERS and Upgrading LAGERS Plan

- More Competitive with Surrounding Cities
 - 100% of cities that require a 4% employee contribution are in a higher plan
 - LT-8 (65) falls in the middle range of plans offered, but is on the lower end of the plans offered by comparator cities
- LAGERS offers a COLA – LEGACY does not
- LEGACY Plan caps at 30 years – LAGERS does not have a cap on years of service
- 75.7% of employees surveyed listed retirement benefits as the most requested enhancement



LEGACY vs LAGERS

	LEGACY	LAGERS LT-8 (65)
Current Active Members	24	81
Funded Ratio	86.2%	96.5%
Years to Vesting	8	5
Normal Retirement Age	General - 65 Police - 55	General - 60 Police - 55
Disability Benefit	No	Yes
Rule of 85/80*	Rule of 85	No
Transferrable	No	Yes
COLA	No	Yes, up to 4% per Year
Employee Contribution	4%	4%
Wage Base	Salary & Longevity	Salary, OT, Recurring Lump Sum Payments
Benefit Factor	1.7%**	2% until 65, then 1.50%
Final Average Salary	60 months	60 months
*Years of Service plus age = Rule of 80 or 85		
**4 employees elected 2%		



Calculating Benefits LEGACY vs LAGERS

Example of a 20 Year Employee with Final Average Salary of \$70,000

Life Option	LEGACY	LAGERS LT-8 until 65	LAGERS LT-8 after 65	LAGERS LT-14 after 65
Benefit Factor	1.70%	2.00%	1.50%	1.75%
Final Average Salary	\$5,833	\$5,833	\$5,833	\$5,833
Credited Service	20	20	20	20
Monthly Benefit for Life	\$1,983.3	\$2,333.3	\$1,750.0	\$2,041.7

NOTE: LAGERS provides a COLA each year, where LEGACY Plan does not

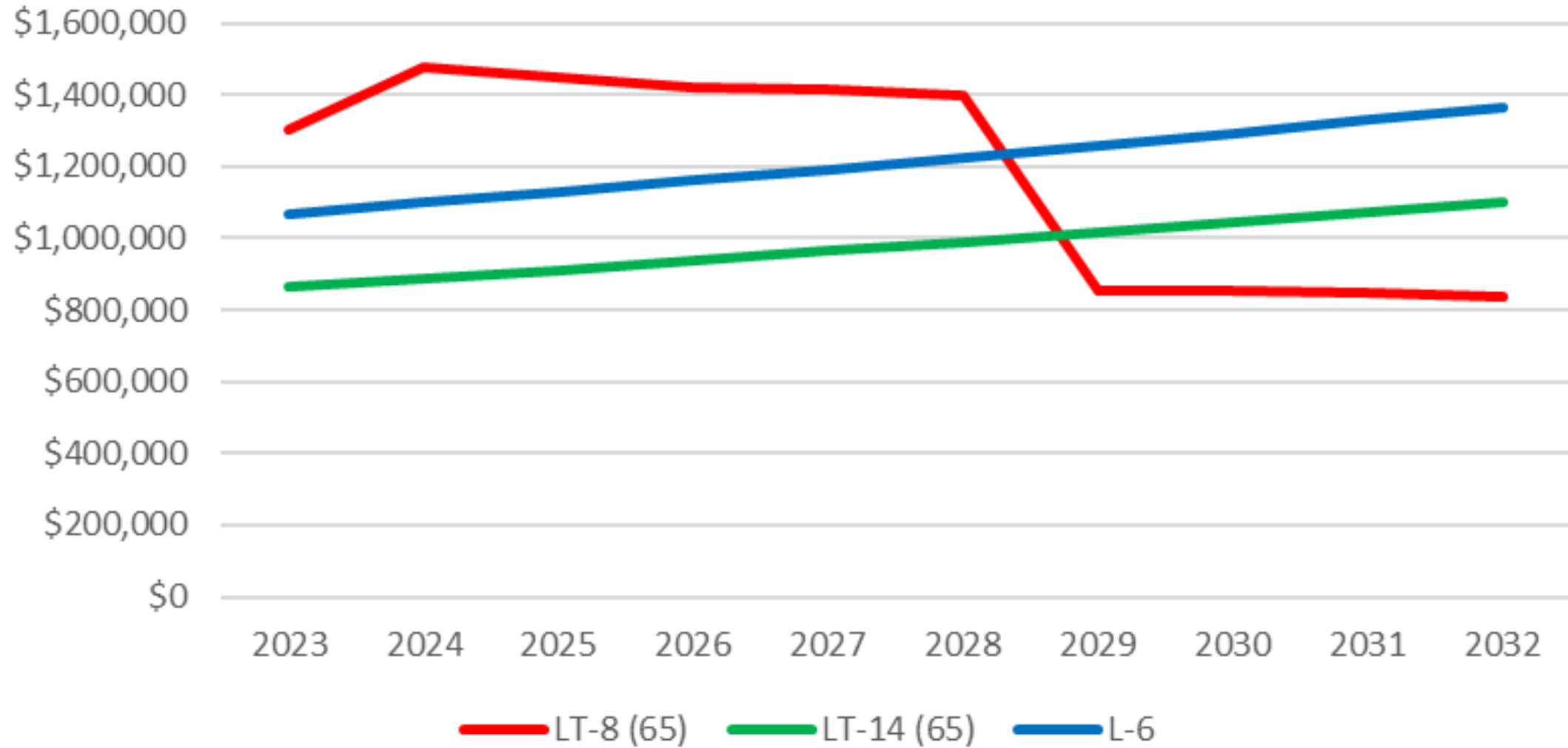
The Monthly Benefit for Life for the L6 Plan would be the same as LT-8 until 65 (meaning there is not a reduction after the age of 65)



Annual Conversion Costs per Each LAGERS Plan

Year	Current*	LT-14 (65)**	L-6**	
2023	\$1,303,541	\$864,396	\$1,069,788	
2024	\$1,476,153	\$888,166	\$1,099,208	
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2032	\$834,820	\$1,103,441	\$1,365,634	
Total	\$11,860,825	\$9,795,991	\$12,123,661	
*Includes City's LEGACY & LAGERS LT-8 (65) Plans				
**Assumes Legacy Plan Excess Assets of \$7M to pay down unfunded liabilities				

LAGERS 10-Year Projections Using \$7M from Excess Assets





Cost-of-Living Adjustment (COLA) Options for LEGACY Plan Retirees

- NO COLAs in the LEGACY Plan
- One-Time COLA was provided in 2001
- Cost to Provide a One-Time COLA to current benefit recipients
 - \$970K for a .5% COLA for each full year of retirement since 7/1/2001
- Cost to add a Compounding COLA to the LEGACY Plan prior to LAGERS assuming administrative duties
 - \$958K for a .5% Compounding FUTURE COLA



Transition LEGACY Plan to LAGERS

- Pension Board & Finance Committee Review
- Amend LEGACY Plan document
- Close the LEGACY Plan and convert active employees to LAGERS
 - Only 93 benefit recipients and 18 terminated vested participants will continue in the closed LEGACY Plan
- Transition administration of closed LEGACY Plan to LAGERS
 - Effective 3 months after closing the LEGACY Plan
 - Pension Board and City Council must adopt an agreement to appoint LAGERS as administrator
- Adopt changes to current LAGERS plan
 - 45-day public notice



Questions and Answers