



AGENDA ITEM ANALYSIS

Project/Issue Name: 24-R-36 A Resolution of the City Council Making Available the Statement of Costs for a Possible Change in Retirement Benefits for City Employees Under the Missouri Local Government Employees Retirement System.

Submitted By: Bob Ford, Finance Director & Lisa Addington, Chief of Staff

Date: August 27, 2024

Issue Statement

Authorizing the City Administrator to take the necessary actions, including making the supplemental actuarial valuation made available for public inspection for at least forty-five (45) calendar days before City Council may elect to adopt any change in benefits, in accordance with Section 105.675 RSMo., to be taken in preparation for a possible upgrade in the City's LAGERS Defined Benefit Pension Plan from L-3 to L-6.

Discussion and/or Analysis

As discussed in the Project Methuselah update at the recent Council Workshop, the City of Republic currently has two components within its Retirement Program:

1. LAGERS L3 Defined Benefit Pension Plan. The City makes 100% of the required contributions to this defined benefit plan. The employee's benefit amount can be calculated by:
 - a. Years of service multiplied by
 - b. Highest three years of base salary multiplied by
 - c. 1.25% multiplier.
2. 457 Deferred Compensation Plan.
 - a. City contributes 9% of the eligible employee's compensation to the 457 Deferred Compensation Plan.
 - b. The employee may also contribute up to IRS limits but is not required to do so to receive the City contribution.

The City is proposing to enhance its Retirement Program by adjusting as follows:

1. Upgrade LAGERS Defined Benefit Pension Plan from L-3 to L-6, which changes the multiplier to 2.0% (all other variables remain the same as the L-3 Plan).
2. Modify the 457 Deferred Compensation Plan City as follows:
 - a. City will match dollar for dollar up to 4% of compensation deferred by the employee.
 - b. Requires "skin in the game" from the employee to receive the match.

Why Change?

1. Helps with recruitment and retention - makes the City more competitive in attracting and retaining talent.
2. Rounds out the City of Republic's Compensation & Benefit package.
 - a. Republic is the only City in the greater Springfield metro area that still has an L-3 Plan.
 - b. All others have transitioned to better plans; and in most cases, to L-6 Plans.
 - c. Rewards those employees who plan to stay and build their career with the City. Turnover is costly.
3. Puts the City's larger contribution component into the less risky defined benefit plan.

Next Steps?



1. Make cost information available for inspection by the public for no less than forty-five (45) days.
2. City Council can then take action regarding any possible change in benefits to the Defined Benefit Plan at the October 15th Council Meeting.
3. Include cost implications of the change in the 2025 BUDGET. Budget workshop is currently scheduled for October 29th and the Ordinance is currently scheduled for approval on November 5, 2024.

Retirement Plan Changes
Cost Impacts (based on projected 2025 staffing levels)

	Current Retirement	Proposed Retirement	Increase (Decrease)
<u>LAGERS</u>	<u>L-3</u>	<u>L-6</u>	
General	\$774,488	\$1,316,000	\$541,512
Police	\$266,056	\$459,897	\$193,841
Fire	\$201,599	\$371,449	\$169,851
	\$1,242,143	\$2,147,347	\$905,204
<u>457 Savings Plan</u>	<u>9%</u>	<u>4%</u>	
General	\$566,699	\$251,866	(\$314,833)
Police	\$171,036	\$76,016	(\$95,020)
Fire	\$142,865	\$63,496	(\$79,369)
	\$880,600	\$391,378	(\$489,222)
Total Retirement Costs	\$2,122,743	\$2,538,725	\$415,982

Recommended Action

Staff recommends approval of making available the cost information for inspection by the public for at least forty-five days as the next step towards adopting the change to L-6 from L-3.