MINUTES OF THE SPECIAL WORKSHOP MEETING OF THE BOARD OF ALDERMEN OF THE CITY OF OSAGE BEACH, MISSOURI
January 11, 2024

The Board of Aldermen of the City of Osage Beach, Missouri, conducted a Regular Meeting on Thursday, January 11, 2024, at 5:30 PM. The following were present in person: Mayor Michael Harmison, Alderman Phyllis Marose, Alderman Justin Hoffman, Alderman Richard Ross, Alderman Kevin Rucker and Alderman Bob O'Steen. Absent Alderman Kellie Schuman. City Clerk Tara Berreth was present and performed the duties for the City Clerk's office.

Appointed and Management staff present City Administrator Jeana Woods, Police Chief Todd Davis, Human Resources Generalist Michael Raye, Parks and Rec Manager Eric Gregory.

Public Hearing - Time set aside for the public and current employees to comment.

Pete Levya – Police Officer – would like to have a defined retirement.
Thomas Ellinger – Public Workers – wants to have defined retirement.
Travis Morely – Police Officer – would like to have defined retirement.

Alderman Ross made a motion to close the public hearing, This motion was seconded by Alderman Rucker. Motion passes unanimously with a voice vote. Alderman Schuman was absent.

Employee Retirement Discussion

- LAGERS Recap of details presented at prior meeting.
- LAGERS FAQs – see attached.
- Mission Square Plan Summary
- Next Steps –
    - Get all employees any questions to Mike Ray.
    - Clarify long and short disability plans.
    - FAQ? sheets different plans

Alderman Ross made a motion to adjourn at 7:15pm. This motion was seconded by Alderman O'Steen. Motion passed unanimously with voice vote. Absent Alderman Schuman.

ADJOURN

The meeting adjourned at 7:15pm. I, Tara Berreth City Clerk of the City of Osage Beach, Missouri, do hereby certify that the above foregoing is a true and complete journal of proceedings of the regular meeting of the Board of Aldermen of the City of Osage Beach, Missouri, on January 11, 2024, and approved February 15, 2024

Tara Berreth

Tara Berreth, City Clerk

Michael Harmison, Mayor

** All meetings may be viewed on Facebook and YouTube for further details and clarification.

FAQs

- **What is the upfront set up costs?**
  No "Up-Front" Lump sum or Start up fees for Lagers. Cost is based on employee group and elected benefits.
- **Cost for initial LAGERS valuation?**
  Cost for this quote was $1,750.00 (Actuarial review report cost)
- **Retirement Age with LAGERS:** (Current plan, age 55 all employees)
  - General Employees 60
  - Police Employees 55
  - Public Safety Employees 55* *Optional, to include Ambulance and Dispatch*
- **Can General Employees retire at age 55 with LAGERS?**
  For General employees to retire early with LAGERS (60 to 55), it would be considered "Early" Retirement with Reduced Benefits
- **Regarding Rule of 80, do you have to buy back prior service at 100%?**
  NO

  Prior Service Note:
  If the 0% option, the employees would still receive credit in LAGERS for all their time with the City of Osage Beach toward vesting in LAGERS, but their employment before the city joins LAGERS would not count toward their benefit calculation. Employees that become vested in LAGERS would have the option to individually purchase their previous service not covered by the employer. They may use funds from another retirement account to purchase their previous service.
- **Options regarding failure to make payments?**
  There are no options on failure to make monthly payments. The rate given from the annual actuarial review determines the monthly contributions required by the City.
  - Can we lower the plan to a cheaper plan?

  Once every 2 years with LAGERS | ICMA we can reduce contribution.
  - What about PBGC (Pension Benefit Guaranteed Corporation) insurance?

  PBGC covers private employer entities.
- **Are benefits provided to employees with less than 1000 annually?**
  Both LAGERS and Mission Square have eligibility requirements that must be met.
- **Are elected officials covered on this program?**
  ICMA provides benefit; Elected officials would not meet the LAGERS eligibility requirements.
- **What does it mean to be an active member in LAGERS?**
  To be eligible for active membership with LAGERS, you must work in a LAGERS covered department and work above a certain number of hours set by your employer. You become eligible

to receive a benefit once you become vested and reach retirement age. Members are vested at 5 years.

- **Eligibility can be changed every 2 years, but this is just the rule of 80?**
  ICMA Annually | LAGERS - Multiple plan decisions can be changed every 2 years.
- **Employee Funding – are all employees the same %?**
  Both Retirement programs are funded based on a % of employee salary. Percentage varies based on Employee Groups.
- **Disability? Any job or just yours? Do we have to have this coverage since we have Workers Compensation/Social Security?**
  Currently the City offers a Short-Term and Long-Term disability plan through Principal. LAGERS-The disability cost rate is paid by all employers into a pool for employees to receive benefits for disabilities and duty-related deaths. There are non-duty and duty disability allowances.
- **Prior service paid credit of 0%?**
  If the City chooses not to 'buy' credit (electing 0% Prior Service Coverage) towards a LAGERS benefit for time the employees worked prior to the City joining LAGERS, employees may be able to use their current Mission Square account to buy service time from LAGERS. Options may be limited to avoid a duplication in benefits as prohibited by Missouri State Statutes.
- **ICMA has been the defined contribution benefit plan provider since inception, so isn't that the prior benefit coverage?**
  No. The City can choose Prior Service Coverage, this allows the City to give credit towards a LAGER benefit for the time the employees worked prior to the City joining LAGERS. Instead of the City paying the service credit, employees may be able to use their current Mission Square account to buy service time from LAGERS. Options may be limited to avoid a duplication in benefits as prohibited by Missouri State Statutes.
- **Past service paid over 30 years at what interest rate?**
  This is an actuary calculation based on the unfunded actuarial accrued liability for said past service.
- **Can we keep the current ICMA and no need for prior service coverage?**
  The City can choose to keep the 457(b) and IRA plan, which are funded entirely by the employee. The City cannot contribute to both a defined contribution plan and the LAGERS defined benefit plan. The City must decide on the one-time election regarding Prior Service Coverage (0%, 25%, 50%, 75%, or 100%). The LAGERS initial valuation includes actuarial cost estimates for 0% and 100%.
- **Are all actuarial tables based on 100% prior service so would all need to be changed?**
  The LAGERS initial valuation includes actuarial cost estimates for 0% and 100%.
- **How are the 5-year FAS tables as seen in the Osage Beach Initial Valuation document calculated?**

Pages 4 – 7 in the Osage Beach Initial Valuation document show the City's cost by percent of salaries for various elections to be made by the City. Cost estimates are on pages 8 – 11 based on actual City salary details on a given date, at the time of the evaluation. The rates are based on standard actuarial models, so all employees do not cost the same amount; Employees salaries are different as well as age, and current length of service.

- **What is the Summary of Financial Assumptions based on?**
  The assumptions outlined in the Osage Beach Initial Valuation document, specific to pages 14 – 16, are based on National Generally accepted Accounting Principles (GAAP), assumptions adopted by the LAGERS Board of Trustees, and actuarial models.
- **What age is Social Security (SS) based on?**
  SS is based currently on 65.5 and moving to 67 years of age. If you are born after 1960, full retirement age at 67 years.
- **Are Loans allowed under LAGERS?**
  Loans or early withdrawals with LAGERS is NOT an option.
- **What happens to current employee loans if we move from Mission Square to LAGERS?**
  Current loans with ICMA would be considered a taxable distribution for the year the account closes.
- **How happens with forfeiture account funds?**
  Actual investment return rate is credited to the LAGERS benefit reserve fund.
- **The City currently offers a benefit of transferring accrued leave into dollars, and deposited into said employee's retirement account (based on years of service and minimum accrued personal time), what happens to that benefit?**
  Under LAGERS, this would no longer be a benefit; this city benefit would require modification. Personal time (leave time) cannot be converted to dollars for additional LAGERS deposit, as we currently do under our defined contribution plan.
- **Is vesting prorated per year?**
  No. An employee is vested in LAGERS and becomes guaranteed to receive a benefit when they earn 60 months (5 years) of credited service with one or more LAGERS employer(s). Employees under our current Mission Square plan are vested a portion each year; 1 year=20% through 5 Years=100%.
- **How is LAGERS vesting effected by separation and rehire under 5 years of service?**
  If an employee leaves the City (under LAGERS) within 5 years, AND if lump sum distribution is taken at time of separation by said employee (their contribution %), employee would have to buy their service time back from LAGERS if they were re-hired.
- **How will LAGERS vesting affect current employees?**
  If the City elects 0% Prior Service Coverage, employees will be vested in LAGERS upon 5 years of employment under the plan.
- **How do market swings affect the cost of LAGERS?**

The annual actuarial review determines the monthly contributions to LAGERS required by the City. Changing the level of benefits (allowed every two years) and requiring employees to contribute are modifications that can be made to affect the City's annual cost of the LAGERS plan, once a member.

- **Is the LAGERS benefit for the life of the employee?**
  Yes. Employees can choose to take a reduced benefit at retirement for spouse to continue receiving a reduced amount of income, upon death. Under our current defined contribution plan with Mission Square, retirement funds are part of the employee's financial assets and net worth, and are transferred to beneficiaries, upon death; if no beneficiaries, financial assets become a part of the decedent's estate.
- **How do we leave our current defined contribution plan with Mission Square?**
  If the City should choose to leave ICMA/Mission Square, a letter of instruction would need to be drafted, signed by the Administrator, and sent to Mission Square with 30 days' notice. Within 1 year, employees would be forced to roll their 401(a) accounts out of Mission Square to a different custodian. If we keep the 457 and IRA with Mission Square (the employee contribution plans), employees can keep those accounts moving forward.
- **What LAGERS provided plan best matches our current defined contribution plan?**
  LAGERS Benefit elections are based on the pre-set Life Programs, i.e. L-1, L-3, etc., and based on percentages of salaries by employee groups. The City currently has committed to contributing 9% to our defined contribution plan, should the employee contribute 3%. Referring to the Osage Beach Initial Valuation document, page 4, percentages quoted in the valuation L-7 Benefit Program best match the City's current contribution percentage. For Public Safety employee group (the highest contribution %), with 0% prior service cost, with 2% employee contribution, the City would contribute 9.2%; for General employee group, same factors, the City would contribute 8.4%. Total cost to City for the LAGERS L-7, based on the valuation of salaries at that time, \$797,904, no prior service (with prior service credit at 100%, add \$226,580). Current Mission Square retirement 401 expenditures for same period, assuming the 9%, would be approximately \$475,000.
- **How would a change affect current employees?**
  Current employees would be affected differently and based on expected years of service with the City from the beginning of the LAGERS plan (or other LAGERS employer).
  - For example, if a change to LAGERS is made, the City's committed 9% retirement benefit will cease to fund a defined contribution plan, and assuming NO prior service is covered/credited by the City in LAGERS, the earlier you are in your career the larger the benefit you will likely receive from LAGERS (the longer you work, the higher your salary, the higher the amount of pension) (upon vested). The closer you are to retirement and/or latter end of your career, the least benefit you will receive from LAGERS, once you are 5-year vested (not vested = no LAGERS benefit).
  - Current Employee Year of Service: < 5 years = 52%; 5 – 9 years = 20%; 10 – 14 years = 6%; 15+ years = 22%