# **RESOLUTION OF THE BOARD OF DIRECTORS**

# AMENDMENT TO END ADMISSION TO, AND FREEZE ACCRUALS UNDER, THE MID-COUNTY FIRE PROTECTION DISTRICT OF ST. LOUIS COUNTY, MISSOURI PENSION FUND TENATIVE APPROVAL PENDING POSTING OF NOTICES UNDER R.S.Mo. CHAPTER 105

This Resolution has been adopted by unanimous consent of the Board of Directors of the Mid-County Fire Protection District (the "District") to be effective **preliminarily and tentatively** as of March 15, 2022.

WHEREAS, the District, has previously established a defined contribution retirement plan, i.e., the Mid-County Fire Protection District Defined Contribution Retirement Plan (the "Defined Contribution Plan") and a defined benefit retirement plan, the Mid-County Fire Protection District of St. Louis County, Missouri Pension Fund (As Amended and Restated Effective January 1, 2012), (the "Current Pension Plan") for the benefit of its employees;

WHEREAS, the District, in conjunction with its employee's representative, Local 2665 International Association of Fire Fighters, and through its management, consultants, accountants and counsel, has evaluated the sufficiency, the structure, propriety and advisability of continuing the Defined Contribution Plan and Current Pension Plan;

WHEREAS, in that regard, the District has conducted extensive investigations and evaluations into the potential use of a new defined benefit plan for either supplementation, or replacement, of the Current Pension Plan and Defined Contribution Plan;

WHEREAS, after months of extensive investigations and evaluations, the Board has determined to implement a new defined benefit pension plan and end the operation of the existing Defined Contribution Plan and freeze the participation in, and benefits under, the Current Pension Plan;

WHEREAS, the District has met and conferred with the representative of most of its employees, IAFF Local 2665 IAFF, regarding this Resolution and Local 2665's representatives agree with its content;

NOW BE IT RESOLVED that the attached Amendment to the Mid-County Fire Protection District of St. Louis, Missouri Pension Fund (As Amended and Restated Effective January 1, 2012), whereby the Current Pension Plan's participation and accrued benefits are frozen is hereby *preliminarily and tentatively* adopted pending: (a) filing of the appropriate cost statements with the Missouri Joint Committee on Public Employee Retirement Systems, (b) posting of those statements for 45 days and (c) final action by this Board upon the attached Amendment;

BE IT RESOLVED FURTHER, that the District hereby directs its employees, consultants and attorneys to file a cost statement regarding the aforementioned freeze in benefits and participation, as required pursuant to R.S.Mo. §105.660, 105.665 and 105.775, with the Missouri Joint Committee on Public Employee Retirement Systems and that cost statement shall be posted for 45 days before the attached Amendment again is brought before this Board for final action;

BE IT RESOLVED FURTHER, that the Plan Administrator of the Mid-County Fire Protection District of St. Louis, Missouri Pension Fund and the District are authorized to take any actions that it determines necessary or appropriate to implement all of the foregoing, including but not limited to providing notices to the appropriate parties and Participants and implementing the changes noted above, when they have been finalized; and

BE IT RESOLVED FURTHER, that all actions heretofore taken by the Plan Administrator or District in connection with or relating to the subject matter of the foregoing resolutions and that are consistent with such resolutions are hereby authorized, approved, ratified and confirmed as the acts and deeds of the Plan Administrators and the District having the same force as if performed pursuant to the direct authorization of the Board of Directors of the District.

IN WITNESS, WHEREOF, this Resolution is hereby executed and to be tentatively and preliminarily effective as of March 15, 2022.

Date

# **RESOLUTION OF THE BOARD OF DIRECTORS**

### ADOPTION OF THE MID-COUNTY FIRE PROTECTION DISTRICT OF ST. LOUIS, MISSOURI 2022 DEFINED BENEFIT PENSION PLAN

This Resolution has been adopted by unanimous consent of the Board of Directors of the Mid-County Fire Protection District (the "District") to be effective as of April 1, 2022.

WHEREAS, the District has previously established a defined contribution retirement plan, i.e., the Mid-County Fire Protection District Defined Contribution Pension Plan (the "Defined Contribution Plan"), as well as a defined benefit retirement plan, the Mid-County Fire Protection District of St. Louis County, Missouri Pension Fund (As Amended and Restated Effective January 1, 2012), (the "Current Pension Plan") to provide retirement benefits for its employees pursuant to R.S.Mo. §321.220;

WHEREAS, the District, in conjunction with its Employee representative, Local 2665 of the International Association of Fire Fighters ("Local 2665"), and through its management, consultants, accountants and counsel, has evaluated the sufficiency, the structure, propriety and advisability of continuing the Defined Contribution Plan and Current Pension Plan;

WHEREAS, in that regard, the District has also conducted extensive investigations and evaluations into the potential use of a new defined benefit plan for either supplementation, or replacement, of the Current Pension Plan and Defined Contribution Plan as well as the financial feasibility of doing so;

WHEREAS, following months of extensive investigations and evaluations, the Board has determined to implement a new defined benefit pension plan and end the operation of the existing Defined Contribution Plan and freeze admission to, and further accruals under, the Current Pension Plan;

WHEREAS, the District has met and conferred with representatives of Local 2665 regarding this Resolution and Local 2665's representatives agree with these contents;

WHEREAS, a separate Resolution of this Board shall provide that the Defined Contribution Plan will be frozen and/or terminated consistent with the terms of the attached Mid-County Fire Protection District of St. Louis, Missouri 2022 Defined Benefit Pension Plan and elections to be performed by District employees regarding disposition of their accounts in the Defined Contribution Plan;

WHEREAS, a separate Resolution of this Board shall <u>preliminarily and tentatively</u> approve an amendment to the Mid-County Fire Protection District of St. Louis, Missouri Pension Fund (As Amended and Restated Effective January 1, 2012) which amendment shall freeze participation in, and end further accumulation of accrued benefits under, the Current Pension Plan, with final action on that amendment to be taken by this Board only after the District has: (1) filed a cost statement with the Missouri Joint Committee on Public Employee Retirement Systems and (2) posted such cost statement for 45 days, all as required pursuant to R.S.Mo. §§105.660, 105.665 and 105.675;

NOW BE IT THEREFORE RESOLVED that the attached document, the Mid-County Fire Protection District of St. Louis, Missouri 2022 Defined Benefit Pension Plan is hereby adopted to be effective April 1, 2022;

BE IT RESOLVED FURTHER, that the Plan Administrator of the Mid-County Fire Protection District of St. Louis, Missouri 2022 Defined Benefit Pension Plan and the District are authorized to take any actions that they determine necessary or appropriate to implement all of the foregoing, including but not limited to providing notices to the appropriate parties and Participants and implementing the changes noted above; and

BE IT RESOLVED FURTHER, that all actions heretofore taken by the Plan Administrators or District in connection with or relating to the subject matter of the foregoing resolution and that are consistent with such resolution are hereby authorized, approved, ratified and confirmed as the acts and deeds of the Plan Administrators and the District having the same force as if performed pursuant to the direct authorization of the Board of Directors of the District.

IN WITNESS, WHEREOF, this Resolution is hereby executed and effective as of 15/ ,2022.

Director M. Rooks 3/15/2022 Director Date

## Stanley G. Schroeder Attorney at Law 508 Winding Trail Des Peres, Missouri 63131 314-296-7145 stanleyschroederlaw@gmail.com

### March 16, 2022

Mr. Dean Dohrman Executive Director Joint Committee on Public Employee Retirement Systems State Capitol, Room 219A Jefferson City, Missouri 65101

> Re: Mid-County Fire Protection District, Implementation of New Defined Benefit Pension Plan

Dear Mr. Dohrman:

This letter follows up on our conversation during January when we discussed several topics, including an unnamed Fire Protection District that will be implementing a new defined benefit plan.

That Fire Protection District is Mid-County Fire Protection District ("MCFPD").

As we discussed, MCFPD has determined to restructure its pension program.

First, MCFPD has three retirement plans. Two are individual account plans: a defined contribution plan (the Mid-County Fire Protection District Defined Contribution Pension Plan (the "DC Plan")) and a standard Section 457(b) deferred compensation plan. The third plan, is a defined benefit pension plan, the Mid-County Fire Protection District Pension Plan (the "Old Pension Plan). The Old Pension Plan provides a very modest flat dollar, unit credit accrued benefit of \$55.00/mo./year of credited service (max 20 years and max accrued benefit at normal retirement of \$1,100).

Second, while MCFPD is continuing its section 457(b) plan, it has determined to end its DC Plan and supplement its Old Pension Plan with a new defined benefit plan, i.e., the Mid-County Fire Protection District 2022 Defined Benefit Pension Plan (the "New Pension Plan").

The New Pension Plan will still be a flat dollar, unit credit defined benefit plan (permitting tighter control of costs as opposed to a final average pay related pension plan). However, the New Pension Plan will provide a more robust benefit equal to \$240/mo./year of credited service (25 year max and max monthly benefit at normal retirement of \$6,000). And, this benefit will be integrated with the existing Old Pension Plan such that its benefit will offset, not add to, the New Pension Plan accrued benefit; therefore, maximum monthly accrued benefit under the combination of plans would be, for instance, \$6,000 per month.

Third, the New Pension Plan will be designed to provide benefits on all service, past and future. In exchange for the New Pension Plan providing a more robust accrued benefit on past-service and to avoid providing a "double benefit" in so doing (since past service has already been "compensated" for under the DC Plan and Old Pension Plan): (1) the DC Plan will be terminated/frozen and participant benefits ended under the DC Plan with account balances transferred to the New Pension Plan and (2) accrued benefits under the Old Pension Plan will be offset against accruals under the New Pension Plan.

So, the process will occur (and actually has occurred) as follows:

<u>First</u>, MCFPD determined to solicit ALL employees about their potential participation in the New Pension Plan. They were to have been asked if they wish to have past-service credit under the New Pension Plan. Because some employees might wish to retain the flexibility afforded by the balances and single sum distribution potential under the DC Plan, employees were asked to elect to either:

- (A) Receive credit for all past and future service under the New Pension Plan and have their DC Plan accrued benefits ended and account balances transferred to the New Pension and have Old Pension Plan benefits offset against the New Pension Plan benefit (this would result in a substantial upgrade to employees' pension benefits for past service, i.e. employment with the District prior to April 1, 2022) or
- (B) Receive credit for only future service (post-April 1, 2022 employment) under the New Pension Plan and retain their DC Plan balances and Old Pension Plan benefits.

The result of the employee solicitation is that <u>all</u> employees have elected to pursue option (A).

<u>Second</u>, after this solicitation, MCFPD adopted, yesterday, the New Pension Plan reflecting the election results. The New Pension Plan will be effective April 1, 2022. We have attached the document that was approved and executed yesterday by the District's Board for your files. If you wish, we will forward a final, executed version.

As we discussed, this transaction will NOT require a cost statement, or posting and filing with the JCPERS 45 days in advance of defined benefit plan implementation, as described in RSMo. §§105.665 and 105.675. As we noted, these statutes speak in terms of changes to defined benefit plans (which is the thrust of Chapter 105) already in existence. Accordingly, as we agreed, the implementation of a new defined benefit plan, like the New Pension Plan is not within the scope of these cost statement and posting rules.

<u>Third</u>, based upon results of the solicitation, the DC Plan was amended, yesterday. Because all employees elected to transfer their account balances to the New Pension Plan to obtain past service credit, the existing DC Plan has been amended to be terminated. The DC Plan will end and all account balances and assets will be transferred to the New Pension Plan after it becomes effective on April 1, 2022. The DC Plan balances will be protected under the New Pension Plan in two ways (i) the New Pension Plan will have a minimum benefit equal to the actuarial equivalent monthly value of transferees' DC Plan account balances and (ii) a minimum death benefit equal to

the DC Plan balances plus interest less all monthly payments to participants and beneficiaries will be provided;

Fourth, the Old Pension Plan has been <u>tentatively and preliminarily as of May 1, 2022</u> to exclude future participants and will be preliminarily amended to freeze further accruals. Now, the complete termination or freeze of a defined benefit plan is a "Substantial proposed change" pursuant to RSMo. \$105.660(10) and requires preparation of a cost statement, as described in RSMo. \$105.665 and 105.675, and filing with the JCPERS and posting at least 45 days in advance of this change.

Accordingly, we have enclosed for your Committee a <u>tentative and proposed</u> approved amendment to the Old Pension Plan freezing its benefit structure as well as the cost statement required pursuant to RSMo. §§105.665 and 105.675. Assuming no changes are determined to be appropriate, after the attached cost statement has been posted for 45 days, the attached amendment will be finalized and implemented.

If you have any further questions, please do not hesitate to contact me at the above number and address.

Respectfully Stanley Schroeder

Cc: Chief Walsh (Via Email) Bargaining Committee (Via Email) A.J. Stoll, EKON (Via Email)



# ACTUARIAL COST STATEMENT FOR PROPOSED CHANGES FOR THE MID-COUNTY FIRE PROTECTION DISTRICT PENSION PLAN

Prepared February 4, 2022

This actuarial statement is to disclose the financial impact of the Substantial Proposed Changes to the Mid-County Fire Protection District Pension Plan which would become effective on April 1, 2022. This statement is prepared using the actuarial assumptions and methods employed in the last annual actuarial valuation in accordance with R.S.Mo. § 105.665.

# Proposed Changes

The current pension benefit equals \$55.00 times Credited Service (maximum 20 years).

Under the proposal, future accruals will be frozen.

# **Actuarial Analysis**

- 1. Attached is a 10-year projection of the current plan and the proposed plan.
- 2. The below table summarizes the January 1, 2022 impact of the Proposed Benefit. The District is paying the contribution rate determined by the Annual Cost listed below.

1007	Current	Proposed
ACCRUED LIABILITY	\$2,279,000	\$2,279,000
ESTIMATED ASSETS	\$1,825,000	\$1,825,000
UNFUNDED ACCRUED LIABILITY	\$454,000	\$454,000
ACCRUED LIABILITY FUNDED RATIO	80.1%	80.1%
NORMAL COST	\$56,242	\$0
NORMAL COST AS A % OF PAYROLL	3.9%	0%
EXPENSES	\$8,000	\$8,000
20 YEAR AMORT OF UNFUNDED LIABILITY	\$37,000	\$37,000
AMORT AS A % OF PAYROLL	2.5%	2.5%
ANNUAL COST (beginning of year)	\$93,242	\$37,000



ANNUAL COST (end of year) ANNUAL COST AS A % OF PAYROLL	\$99,000	\$39,000
OF PATROLL	6.8%	6.8%
EXPECTED CONTRIBUTION	\$94,000	\$37,000
ASSUMED PAYROLL	\$1,453,000	\$1,453,000
EXPECTED BENEFIT PAYMENTS	\$131,000	\$131,000

- 3. The post-change contribution rate initially is \$37,000, which is 2.50% of payroll. This amount decreases over time because the contribution is set to decrease the Unfunded Accrued Liability over an open 20-year period.
- 4. As shown in the projections, we do not believe that the proposed change would impair the ability of the plan to meet the obligations thereof in effect at the time the proposal is made.
- 5. The assumptions used for this analysis are listed in the cost projection exhibits and the 1/1/2021 actuarial report that has been attached.
- 6. We believe the assumptions used for the actuarial valuation produce results which, in the aggregate, are reasonable.
- Individual Entry Age Normal method is used for the actuarial valuation. Unfunded Actuarial Liabilities are amortized over an open 20-year period. The Unfunded Accrued Liability equals the Accrued Liability less the Actuarial Value of Assets.

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Keith Kowalczyk President Associate of the Society of Actuaries Enrolled Actuary, No. 20-2812



# MID-COUNTY FIRE PROTECTION DISTRICT PENSION PLAN 10 YEAR COST PROJECTION

1a. Current Design: \$55 x Service (Cap 20 years)

1/1/2031	\$1,922,000 \$800,000 \$2,722,000	\$2,347,000	\$375,000	86.2%	\$57,087 <u>\$31,000</u> \$88,087	\$93,000 5.3%	\$89,000	\$89,000	\$1,750,000	183,000 8,000	
1/1/2030	\$1,855,000 <u>\$827,000</u> \$2,682,000	\$2,299,000	\$383,000	85.7%	\$61,110 <u>\$32,000</u> \$93,110	\$99,000 5.9%	\$94,000 *0	\$94,000	\$1,674,000	173,000 8,000	
1/1/2029	\$1,778,000 \$853,000 \$2,631,000	\$2,240,000	\$391,000	85.1%	\$65,016 <u>\$32,000</u> \$97,016	\$103,000 6.2%	\$98,000	\$98,000	\$1,656,000	163,000 8,000	
1/1/2028	\$1,682,000 <u>\$878,000</u> \$2,560,000	\$2,161,000	\$399,000	84.4%	\$62,561 <u>\$33,000</u> \$95,561	\$101,000 5.9%	\$96,000 \$0	\$96,000	\$1,711,000	137,000 8,000	
1/1/2027	\$1,594,000 <u>\$920,000</u> \$2,514,000	\$2,107,000	\$407,000	83.8%	\$60,212 <u>\$33,000</u> \$93,212	\$99,000 6.0%	<b>\$94,000</b> \$0	\$94,000	\$1,638,000	156,000 8,000	
1/1/2026	\$1,513,000 <u>\$974,000</u> \$2,487,000	\$2,072,000	\$415,000	83.3%	\$57,963 <u>\$34,000</u> \$91,963	\$97,000 6.2%	\$92,000 \$0	\$92,000	\$1,567,000	171,000 8,000	
1/1/2025	\$1,432,000 <u>\$1,025,000</u> \$2,457,000	\$2,032,000	\$425,000	82.7%	\$63,052 <u>\$35,000</u> \$98,052	\$104,000 6.9%	<b>\$99,000</b> \$0	\$99,000	\$1,500,000	171,000 8,000	
1/1/2024	\$1,319,000 \$1,072,000 \$2,391,000	\$1,957,000	\$434,000	81.8%	\$60,682 <u>\$36,000</u> \$96,682	\$102,000 6.4%	000'26\$	\$97,000	\$1,587,000	130,000 8,000	
1/1/2023	\$1,216,000 <u>\$1,116,000</u> \$2,332,000	\$1,888,000	\$444,000	81.0%	\$58,413 <u>\$37,000</u> \$95,413	\$101,000 6.6%	<b>\$96,000</b> \$0	\$96,000	\$1,519,000	131,000 8,000	
1/1/2022	\$1,121,000 <u>\$1,158,000</u> \$2,279,000	\$1,825,000	\$454,000	80.1%	\$56,242 <u>\$37,000</u> \$93,242	\$99,000 6.8%	<b>\$94,000</b> \$0	\$94,000	\$1,397,000 \$1,453,000	131,000 8,000	
1/1/2021	\$1,020,161 <u>\$1,198,000</u> \$2,218,161	\$1,705,419	\$512,742	76.9%	\$51,759 <u>\$42,173</u> \$93,932	\$99,568 7.1%	\$140,000 \$0	\$140,000	\$1,397,000	118,000 5,082	6.00% 6.00% 4.50% 2.75% Retirements)
	ACCRUED LIABILITY - ACTIVE ACCRUED LIABILITY - INACTIVE ACCRUED LIABILITY - TOTAL	ESTIMATED ASSETS	UNFUNDED ACCRUED LIABILITY	ACCRUED LIABILITY FUNDED RATIO	NORMAL COST 20 YEAR AMORT OF UNFUNDED LIABILITY ANNUAL COST (beginning of year)	ANNUAL COST (end of year) COST AS A % OF PAYROLL	EXPECTED CONTRIBUTION - MIDFPD EXPECTED CONTRIBUTION - EMPLOYEE	I UTAL EXPECTED CONTRIBUTION	ASSUMED PAYROLL	EXPECTED BENEFIT PAYMENTS Admin Expenses	<u>Assumptions</u> Discount Rate Return Agregate Payroll Growth Agregate Payroll Growth Assumes Level Population (New Hires Replace Retirements)

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# MID-COUNTY FIRE PROTECTION DISTRICT PENSION PLAN 10 YEAR COST PROJECTION

# 1b. Current Design: \$55 x Service (Cap 20 years) FROZEN as of 4/1/2022

	÷	\$1,986,000	\$1,623,000	\$363,000	81 7%	000 08%	\$30,000		1.8%	\$30,000		\$30,000	\$1 750 000	183.000	8,000			
0000/ 6/ 5	\$1,222,000 \$827,000	\$2,049,000	\$1,677,000	\$372,000	81.8%	\$0 \$31.000	\$31,000		2.0%	\$31,000		\$31,000	\$1.674.000	173,000	8,000			
0606/1/1	\$1,246,000 \$853.000	\$2,099,000	\$1,718,000	\$381,000	81.8%	\$0 \$31,000	\$31,000	\$33,000	2.0%	\$31,000	\$0	\$31,000	\$1,656,000		8,000			
1/1/2028	\$1,243,000 \$878,000	\$2,121,000	\$1,731,000	\$390,000	81.6%	\$0 \$32,000	\$32,000	\$34,000	2.0%	\$32,000	\$0	\$32,000	\$1,711,000		8,000			
1/1/2027	\$1,240,000 <u>\$920,000</u>	\$2,160,000	\$1,760,000	\$400,000	81.5%	\$0 \$33,000	\$33,000	\$35,000	v. I %	\$33,000	\$0	\$33,000	\$1,638,000 \$	156,000	8,000			
1/1/2026	\$1,237,000 \$974,000			81.5%	\$0 \$34,000 \$34,000	\$34,000 \$34,000 \$36,000		2.3% \$34.000		\$0	\$34,000		\$1,567,000 \$ 171,000 8,000					
1/1/2025	\$1,235,000 \$1,025,000			\$421,000	81.4%	\$0 \$35,000 \$35,000		\$37,000 2.5%		\$35,000 \$0	835 000	000	\$1,500,000 \$	171,000 8,000	2225			
1/1/2024	\$1,194,000 \$1.072,000 \$2 266,000	\$1 894 000	¢1,004,000	000'20th	80.9%	\$0 \$36,000 \$36,000	000 000	436,000 2.4%	000 964	000'ace	\$36,000		\$1,587,000	130,000 8,000				
1/1/2023	\$1,157,000 <u>\$1,116,000</u> \$2,273.000	\$1.829 000	\$444 000		% 6.00	\$0 \$37,000 \$37,000	\$39,000	2.6%	\$37,000	0\$ 0\$	\$37,000		3 000'AIC'I¢	131,000 8,000				
1/1/2022	\$1,121,000 <u>\$1,158,000</u> \$2,279,000		\$454.000	80.1%	2	\$0 \$37,000 \$37,000	\$39,000	2.7%	\$37.000	\$0	\$37,000	\$1 453 000		131,000 8,000				
1/1/2021	\$1,020,161 <u>\$1,198,000</u> \$2,218,161	\$1,705,419	\$512,742	76.9%		\$51,759 <u>\$42,173</u> \$93,932	\$99,568	7.1%	\$140,000	\$0	\$140,000	\$1.397,000		5,082		6.00% 6.00%	4.50% 2.75%	etirements)
	ACCRUED LIABILITY - INACTIVE ACCRUED LIABILITY - INACTIVE ACCRUED LIABILITY - TOTAL	ESTIMATED ASSETS	UNFUNDED ACCRUED LIABILITY	ACCRUED LIABILITY FUNDED RATIO	NORMAL COST	<u>20 YEAR AMORT OF UNFUNDED LIABILITY</u> ANNUAL COST (beginning of year)	ANNUAL COST (end of year)		EXPECTED CONTRIBUTION - MIDFPD	TOTAL EXPECTED CONTRIBUTION - EMPLOYEE	NOTOPILLENDO	ASSUMED PAYROLL	EXPECTED BENEFIT PAYMENTS	Admin Expenses	<u>Assumptions</u> Discount Rate	Rate of Returns Addreade Pavvoll Community	Inflation	Assumes Level Population (New Hires Replace Retirements)