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News Release

*For Immediate Release*

**Council to Consider Bills to Close Pension Plan**

Before the Nov. 3 vote on a dedicated sales tax for the City of Springfield’s Police-Fire Pension Fund, the City Council committed to closing the self-funded plan by enrolling all new police and fire employees into the statewide LAGERS pension plan if the sales tax passed. The Council also wanted to offer Tier II employees the option to voluntarily move into LAGERS.

Voters approved the sales tax on Nov. 3, and the City is moving forward on the commitments made before the election. Two bills that will go before City Council at its Jan. 11, 2010 meeting would, if adopted, permit the City to follow through on the pledges made prior to the election.

Council Bill 2009-013 would close the Police and Fire Pension Plan by amending Chapter 2, Article VI, Division 4 of the Springfield City Code, Section 2-460. It would end participation in the retirement plan for all new hires after Jan. 31, 2010. The bill also amends Special Ordinance 15049 by adopting the Missouri Local Government Employees Retirement System (LAGERS) L-11 benefit program as of Feb. 1, 2010, for all future hires in the sworn/uniform services of the Police and Fire departments. Employees hired after Feb. 1, 2010 would be enrolled in the LAGERS plan, rather than the City’s self-funded plan.

In addition, both an internal task force appointed by the City Manager and the external Police-Fire Pension Fund Citizens’ Task Force have recommended that Tier II police and fire employees (those hired since June 1, 2006) also be given the opportunity to move to the LAGERS L-11 program. While the City cannot mandate employees move to this plan, many of the approximately 72 employees in the Tier II plan have indicated they will elect to move into LAGERS. The City’s internal task force compared the benefits of the two plans in 2008 and determined the benefits to be closely aligned. The Task Force found, in fact, LAGERS provided more positive benefits to both the Tier II employee and the City.

To make the transition to LAGERS possible, employees must be allowed to voluntarily terminate employment with the City of Springfield and be reinstated. In order to do that, it is necessary to modify the City’s merit rules to allow the employee to remain “whole” in terms of benefits and status following reinstatement. Council Bill 2010-007 would make the necessary changes by allowing employees to coordinate voluntary termination and reinstatement with the Human Resources Department while maintaining their current salary and accrued leave balances.

The City has selected a payroll end date of July 17, 2010, and a reinstatement date of July 18, 2010, for this transition. All Tier II employees moving to LAGERS will be expected to use these dates as a transition. The only exceptions will be for an employee whose probationary period is extended beyond that date or an employee who is unavailable due to military leave.
Finally, Council Bill 2010-007 adds Merit Rule 19.6 to provide for the City Manager’s recommendation that the City make the employees whole by fully funding the difference between the amount LAGERS computes as the cost for the prior service credit and the amount employees receive as their return of contribution under the City’s plan. The cost to fund the difference is estimated to be $1.5 million. The recommended funding method is to set aside $300,000 annually for the next five years (FY2011 — FY2015) from the savings that will occur between the City’s contribution of 35 percent to its own plan and the lower LAGERS rate. This recommendation is a major consideration in the transition plan — without it, making the switch to LAGERS would be less attractive to the Tier II group because the employees would lose some of the service credit earned under the City’s plan since July 2006. (Tier II employees are eligible to receive their return of contribution only if they would leave City service before being vested at 5 years; after being vested, they are not eligible for the ROC.)

The City’s Human Resources Department will play an active role in providing as much information to the employees as possible in the form of mailed packets, planned educational meetings, and meetings with LAGERS representatives.

The sales tax passed in November will take effect April 1, 2010 and the City will receive the first payment from the sales-tax collection in June. Beginning with the City’s new fiscal year on July 1, 2010, the City’s contribution rate into the self-funded pension system will be reduced to 35 percent from the current 52 percent. New academies for both Police and Fire services are scheduled to begin June 21, 2010.

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