

**NOTICE OF STUDY SESSION**  
**Proposed Changes to the Pension Plans**  
CITY HALL, Fifth Floor  
6801 Delmar Blvd., University City, Missouri 63130  
**Monday, November 28, 2022**  
**5:30 p.m.**

**AGENDA**

1. Meeting called to order
2. Changes to Regular Agenda
3. Proposed Changes to the Pension Plans
4. Adjournment

The public may also observe via:

Live Stream via YouTube:

[https://www.youtube.com/channel/UCyN1EJ\\_-Q22918E9EZimWoQ](https://www.youtube.com/channel/UCyN1EJ_-Q22918E9EZimWoQ)

Posted this 23<sup>rd</sup> day of November, 2022.

LaRette Reese  
City Clerk



## MEMORANDUM

TO: University City

FROM: Heather M. Mehta

DATE: November 15, 2022

RE: Potential Changes to Retirement Plans

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### EXECUTIVE SUMMARY

The boards of the University City Nonuniformed Retirement System (Nonuniformed Plan) and Police and Firefighters Retirement System (Police and Firefighters Plan) have discussed three sets of potential changes to the plans. The changes are outlined in the attached draft amendments and summarized below.

#### **I. Police and Firefighters Plan death benefits for long-term disabled employees**

A former police lieutenant who became disabled in 2013 passed away earlier this year. His family inquired about death benefits, which made us realize that there had been an inadvertent change between the death benefits available when he became disabled and those currently available under the plan.

The plan in effect in 2013 provided that disability retirement “shall be in addition to any benefit to which an employee is entitled upon retirement or after leaving service pursuant to Section 2.62.400 [normal retirement] or 2.62.410 [early service retirement].” Section 2.62.420. Funeral benefits of one month’s salary were available to “an employee retired under Section 2.62.400 or Section 2.62.410.” Section 2.62.430(A)(2). An employee “retired under subsection 2.62.400 or Section 2.62.410” was also entitled to an annuity for a surviving spouse or dependent child. Section 2.62.430(C). By these cross-references, an individual who had sufficient service to qualify for early retirement but became disabled could chose an early retirement benefit and be entitled to death benefits.

In 2015, the City reviewed its disability insurance policy and determined that any benefit paid under the Plan would reduce the amount of benefit paid under the disability insurance policy until normal retirement age. Therefore, the Plan was amended to remove a disabled individual’s ability to take early retirement. Then the insurance policy would pay the benefits rather than the Plan. Section 130.170 now states that disability benefits are in addition to benefits

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pursuant to Section 130.130, normal retirement, but omits reference to the early service retirement section. The death benefits provisions continue to be available for those who retire under Sections 130.130, normal retirement, and 130.160, early service retirement. Because of this, if someone worked long enough to qualify for early service retirement but became disabled, they would no longer have the option of receiving death benefits pursuant to early service retirement.

The first proposed draft amendment would allow someone who worked at least 20 years and became disabled (*i.e.*, someone who could otherwise qualify for early service retirement) to be eligible to receive death benefits, as the plan previously provided. The board has approved these changes.

## **II. Recognition of prior service with the City**

We have been exploring the possibility of changing certain plan provisions to incentivize former employees to become employed by the City again. The Plans currently require certain employees to take a distribution on termination and provide no credit for prior service. If employees could add on to benefits they already earned, they would be more likely to want to come back to the City. In addition, neither plan recognizes service with the City performed while eligible for the other plan. The result is that an employee could provide long-time service to the City without having a vested benefit in either plan.

The below proposed changes have been discussed with the boards. At the last Pension Board meeting, October 18, 2022, there was a motion made to present the proposed changes to the Mayor and Council but also to create a subcommittee to explore other potential changes along with these changes. The intent is to strengthen the Plans so they are more attractive to retain and attract employees.

### **A. Nonuniformed Plan**

The proposed changes allow an employee who has withdrawn his or her accumulated contributions to “purchase” the prior service by contributing the amount plus interest to the Plan. The employee would then be able to build on the benefit previously earned. Employees with vested benefits from prior service would also be able to build upon that benefit.

The amendment would also lower the vesting requirement to 5 years for certain employees.

Finally, the proposed changes would allow employees who served in a uniformed role to receive vesting credit for that prior service or to continue to receive vesting credit if they transfer to a uniformed position. (This would not provide credited service; the employee would not receive two pensions for the same service. It would simply allow someone who worked five years as a nonuniformed employee and five years as a police officer to have a vested benefit, calculated based on their five years of service as a nonuniformed employee.)

**B. Police and Firefighters Plan**

Similar changes were recommended for the Police and Firefighters Plan. The changes would allow terminated employees who withdrew their accumulated contributions to buy back their prior service by contributing the accumulated contributions plus earnings. The proposed changes would allow employees who served in a nonuniformed role to receive vesting credit for that prior service or to continue to receive vesting credit if they transfer to a nonuniformed position.

Because of the current funding level of the Police and Firefighters Plan, no benefit enhancements can currently be made. This change could be explored in the future.

**Clarifying Disabled Retiree's Entitlement to Death Benefits**  
**POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM**  
**(proposed change)**

**Section 130.190      Death Benefits**

A.      Funeral Benefits.

1.      There shall be paid upon the death of any active employee a funeral benefit in the sum equal to one (1) month's base salary then in effect;
2.      There shall be paid upon the death of an employee retired under Section **130.130** or Section **130.160** or **who retired under Section 130.170 and who has at least twenty (20) years of service** a funeral benefit in the sum equal to one (1) month's base salary in effect at the time of retirement (under Section **130.130** or Section **130.160**) or disability (under Section **130.170**).

B.      Lump Sum Death Benefit.

1.      The beneficiary of an active member of the fund who dies prior to becoming eligible for retirement under Section **130.130** or Section **130.160** shall be paid a death benefit of one hundred thousand dollars (\$100,000.00); provided that such death benefit shall not exceed the incidental death benefit limitations of the Internal Revenue Code and the regulations thereunder.
2.      The death benefit under this Section shall be paid in a single lump sum, or in such other form as the Board of Trustees shall approve, as soon as practicable after the active member's death.
3.      An active member shall designate his/her beneficiary in accordance with rules and procedures established, and upon forms provided, by the Board of Trustees.
4.      The Board of Trustees may, but is not required to, purchase a life insurance policy to provide the death benefit under Subsection **(B)(1)** of this Section. In the event the Board of Trustees purchases such a policy, the terms and conditions of the policy shall supersede the provisions of this Section (except Subsections **(8)(1)**, **(B)(s)** and **(B)(6)** of this Section or as otherwise required under the Internal Revenue Code) to the extent inconsistent herewith.
5.      After an active member becomes eligible for retirement or terminates service entitled only to a deferred retirement benefit under Section **130.230(A)**, Subsection **(B)** of this Section **130.190** shall be inapplicable, and death benefits, if any, shall be determined solely under the applicable provisions of Section **130.140**.

- C. There shall be paid upon the death of any employee **who has not yet retired but who is eligible for retirement under Section 130.130 or Section 130.160 or who has at least twenty (20) years of service and is receiving benefits under Section 130.170**, ~~but who has not yet retired~~, the following:
1. To the employee's surviving spouse, provided such employee shall have been married to such surviving spouse for three (3) years or more prior to the employee's death, a monthly benefit of fifty percent (50%) of the monthly benefit the employee would have received if retired until the death or remarriage of such surviving spouse;
  2. To the lawful guardian of such employee's surviving minor unmarried child or children under the age of eighteen (18) years, provided such child or children shall have been born within ten (10) months after the employee's retirement or the employee's death in service, a monthly benefit of ten percent (10%) of the monthly base salary as previously described for such child or children until such child or children attain the age of eighteen (18) years or marry; provided the combined monthly payments to such surviving spouse and children shall in no case exceed sixty percent (60%) of the monthly base salary, and in which event the thirty-five percent (35%) maximum benefit for the eligible children shall be prorated between them; provided further, that if there is no surviving spouse entitled to benefits in any month, the surviving spouse's benefit will be divided equally among the then eligible children, but no child shall be entitled to more than fifty percent (50%) of the surviving spouse's benefit.
- D. There shall be paid upon the death of any employee retired under Section **130.130** or Section **130.160** the following:
1. To the employee's surviving spouse, provided such employee shall have been married to such surviving spouse for three (3) years or more prior to the employee's retirement, a monthly benefit of fifty percent (50%) of the monthly benefit the employee was receiving at the employee's death until the death or remarriage of such surviving spouse;
  2. To the lawful guardian of such employee's surviving minor unmarried child or children under the age of eighteen (18) years, provided such child or children shall have been born within ten (10) months after the employee's retirement or the employee's death in service, a monthly benefit of ten percent (10%) of the monthly base salary as previously described for such child or children until such child or children attain the age of eighteen (18) years or marry; provided the combined monthly payments to such surviving spouse and children shall in no case exceed sixty percent (60%) of the monthly base salary, and in which event the thirty-five percent (35%) maximum benefit for the eligible children shall be prorated between them;

provided further, that if there is no surviving spouse entitled to benefits in any month, the surviving spouse's benefit will be divided equally among the then eligible children, but no child shall be entitled to more than fifty percent (50%) of the surviving spouse's benefit.

- E. If any employee dies and there is no surviving spouse or children eligible to receive benefits, a refund as described in Section **130.210(A)** shall be made to a designated beneficiary or, if none, then to his/her estate. This Section shall not apply with respect to employees who are in service on or after September 1, 2000 and have an investment account established under Section **130.340(A)**.

## Providing Service to Rehired Employees

### NONUNIFORMED EMPLOYEES RETIREMENT SYSTEM (proposed change)

#### Section 130.480

- A. The years of creditable service of a member shall be the number of years and completed months of service during which the member received compensation prior to July 1, 1966 plus the number of years and completed months of service during which the member received compensation after July 1, 1966 from the beginning of his/her employment with the City until his/her employment is terminated, subject to the provisions set forth in Subsections (B-G) of this Section. No creditable service for prior employment shall be granted an employee who becomes a member after July 1, 1966, unless the member was employed on July 1, 1966.
- B. If a member resumes employment ~~within one (1) year~~ after the member's employment is terminated and ~~provided~~ the member has not withdrawn his/her accumulated contributions, the member's creditable service as of the date of termination shall be restored.
- C. Creditable service to date of absence shall not be forfeited by reason of any absence without pay due to leave granted by the City because of illness, qualified military service or, for a period not in excess of one (1) year, for any other reason, provided the employee returns to active service prior to the expiration of his/her leave. Notwithstanding any other provision of the plan to the contrary, effective as of December 12, 1994, contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u). If a participant who is absent from employment as an employee because of military service dies after December 31, 2006, while performing qualified military service (as defined in Code Section 414(u)), the participant shall be treated as having returned to employment as an employee on the day immediately preceding his/her death for purposes of determining the participant's vested interest in his/her accrued benefit and his/her beneficiary's eligibility for a survivor benefit under the plan. Notwithstanding the foregoing, such a participant shall not be entitled to additional accruals with respect to his/her period of military leave.
- D. The Board of Trustees shall fix and determine by proper rules and regulations how much service in any year is equivalent to one (1) year of creditable service, but in no case shall more than one (1) year of service be creditable for all service in one (1) calendar year, nor shall the Board of Trustees allow credit as service for any period of more than one (1) month's duration during which the member was absent without pay except as provided in Subsection (E) of this Section.
- E. Absence from employment because of qualified military service shall be considered a leave of absence granted by the City; provided the employee returns to active

employment within the period of time during which the employee has re-employment rights under any applicable Federal law or within ninety (90) days from and after discharge from such military service if no Federal law is applicable and such service shall be included in creditable service and provided the employee has not withdrawn his/her accumulated contributions.

- F. If the employment of a member is terminated, **the member has withdrawn his/her accumulated contributions, for reasons other than disability** and the member is employed thereafter **by the City, the member's creditable service as of the date of termination shall be restored if the member repays the withdrawn accumulated contributions plus interest at a rate of five percent (5%) per annum. If the member does not repay the withdrawn accumulated contributions plus interest, then** the member shall be considered a new employee for all purposes of the retirement system. ~~except as provided by Subsection (B) of this Section~~

### Section 130.520

- A. Should the membership of an employee be terminated by reason other than death or retirement, such member shall be paid within one (1) year the amount of the employee's **accumulated** contributions plus interest earnings of five percent (5%) per annum on the employee's **accumulated** contributions. In the event of the death of such former member after termination of employment and prior to receiving the employee's accumulated contributions, the employee's accumulated contributions shall be paid to the employee's designated beneficiary.
- B. A member who retires early may elect to withdraw his/her accumulated contributions at any time prior to the date the member's pension is to commence; provided that if he/she so elects, neither the member nor the member's beneficiary shall receive any other benefits from the retirement system **except as provided for in Subsection (F) of Section 130.480**. In the event of the member's death prior to the date the member's pension is to commence, the member's accumulated contributions will be payable in a lump sum to the member's designated beneficiary.
- C. Distributions under this Section shall be made in accordance with the Internal Revenue Code, Section 401(a)(9) and the regulations thereunder.
- D. Effective for distributions after December 31, 1992, a distributee may elect to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by a qualified distributee in a direct rollover as provided in Section **130.680**.

### Section 130.590

Any employee **(1) who is subject to the Civil Service Rules and** who has completed ten (10) years of service with the City **or who is not subject to the Civil Service Rules and who has completed five (5) years of service with the City** and **(2)** who thereupon

separates from employment for reason other than death is entitled to pension benefits from the fund payable at the employee's normal service retirement date in lieu of receiving the employee's accumulated contribution to the fund. The retirement benefits shall be calculated as for normal service retirement but based on the employee's years of creditable service and final average compensation as of the date of employee's separation. Such employee must notify the Board of his/her desire to retain a vested interest in the fund within thirty (30) days of employee's separation from employment with the City. The form and manner of employee's later application for retirement benefits will be identical to that prescribed in this Article for employees making a normal service retirement.

**Section 130.600.**

- A. A member shall have a one hundred percent (100%) vested interest in his/her accrued benefit upon reaching normal or early retirement age prior to termination of employment, death or disability.
- B. Any employee **(1) who is subject to the Civil Service Rules and** who has completed ten (10) years of service with the City **or who is not subject to the Civil Service Rules and who has completed five (5) years of service with the City** and **(2)** who thereupon separates from employment for reason other than death may elect to receive benefits under Section **130.590** in lieu of receiving the employee's accumulated contribution to the fund.
- C. Notwithstanding anything in this Article to the contrary, effective September 1, 1974, a participant shall be one hundred percent (100%) vested in his/her accrued benefit upon attaining normal retirement age, if the employee has satisfied any reasonable and uniformly applicable service or participation requirements or in the event that the plan is terminated or contributions to the plan have been completely discontinued.
- D. **Any employee who transfers to or is hired by the City in a position eligible to participate in the Police and Firefighters' Retirement System shall continue to accrue years of service while employed by the City for the purpose of vesting under this plan, provided the employee has not withdrawn his/her contributions under Section 130.520 or, if such employee has withdrawn his/her contributions, such employee has repaid the contributions under Subsection (F) of Section 130.480.**

## Providing Service to Rehired Employees

### POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

(proposed change)

#### Section 130.110.

- A. Any former employee who is reinstated in the Police or Fire Department **or in a non-uniformed position with the City** ~~within two (2) years after termination of his/her employment and who has withdrawn his/her contributions shall be required as a condition of the re-employment to~~ **may** deposit the amount of any withdrawal made under Section **130.210 plus interest thereon at the rate of two percent (2%) per annum** and shall be credited with his/her years of prior service. **If the former employee chooses not to deposit the amount of any withdrawal** ~~reinstatement occurs after two (2) years~~ made under Section **130.210**, the former employee shall come in as a new employee withliout credit for prior service; and such prior service shall not be considered for any purposes under this uniformed pension plan.
- B. Effective for plan years beginning after December 31, 1997, repayment under this provision may be made by a trustee-to-trustee transfer from a Code Section 403(b) annuity or a Code Section 457 deferred compensation plan maintained by a State or local government employer within Missouri for repayment of a cashout from this plan under Section 415(k)(3).

#### Section 130.230.

- A. Any employee having ten (10) years or more of service in either the Fire Department or the Police Department, or a combination of service in both departments, who subsequently leaves the service, shall be eligible for the deferred retirement benefits as provided in this Article.
- B. An employee's investment account shall be one hundred percent (100%) vested and non-forfeitable at all times.
- C. Notwithstanding anything in this Article to the contrary, effective September 1, 1974, a participant shall be one hundred percent (100%) vested in his/her accrued benefit upon attaining normal retirement age, if the employee has satisfied any reasonable and uniformly applicable service or participation requirements or in the event that the plan is terminated or contributions to the plan have been completely discontinued.
- D. **Any employee who transfers to or is hired by the City in a position eligible to participate in the Non-Uniformed Employees Retirement System shall continue to accrue years of service while employed by the City for the purpose of vesting under this plan, provided the employee has not withdrawn his/her contributions under Section 130.210 or, if such employee has withdrawn his/her contributions, such employee has repaid the contributions under Section 130.110.**