

Request for Legislative Action

Ord. #5819

Sponsor: DaRon McGee

Date: November 27, 2023

Completed by County Counselor's Office

| | | | |
|-------------------|-------------|---------------------------|------------|
| Action Requested: | Ordinance | Res.Ord No.: | 5819 |
| Sponsor(s): | DaRon McGee | Legislature Meeting Date: | 11/27/2023 |

Introduction

Action Items: ['Amend']

Project/Title:

This ordinance amends the existing county code Section 1512.1. Monthly Pension Income Formula of Chapter 15. Pension Plan for the purpose of updating the pension multiplier.

Request Summary

On October 11, 2023, Simone Hollins, attorney for the Jackson County Pension Plan and Fund submitted a letter to County Executive, Frank White, Jr. detailing benefit improvements recommended by Jackson County Pension Plan Board of Trustees. The recommended benefit improvement under the Jackson County Revised Pension Plan and Fund increases the current pension benefit multiplier from 1.5% to 1.6% for all active County associates. The actuarial cost study for the recommended benefit improvement was conducted by Cheiron, actuarial firm and consultants for the Jackson County Revised Pension Plan and Fund.

Contact Information

| | | | |
|--------------------|------------------------------|------------------------|---------------------------|
| Department: | County Executive Office | Submitted Date: | 11/9/2023 |
| Name: | Sylvia Stevenson | Email: | SStevenson@jacksongov.org |
| Title: | Chief Administrative Officer | Phone: | 816-881-3064 |

Budget Information

| | | | |
|---|-------------|--------------------|----------------------------|
| Amount authorized by this legislation this fiscal year: | | | \$ 0 |
| Amount previously authorized this fiscal year: | | | \$ 0 |
| Total amount authorized after this legislative action: | | | \$ |
| Is it transferring fund? | | | No |
| Single Source Funding: | | | |
| Fund: | Department: | Line Item Account: | Amount: |
| | | | !Unexpected End of Formula |

Request for Legislative Action

| | |
|--------------------------|------------------|
| Prior Legislation | |
| Prior Ordinances | |
| Ordinance: | Ordinance date: |
| 3432 | November 5, 2003 |
| 1849 | July 31, 1990 |
| Prior Resolution | |
| Resolution: | Resolution date: |
| | |

| | |
|--|----|
| Purchasing | |
| Does this RLA include the purchase or lease of supplies, materials, equipment or services? | No |
| Chapter 10 Justification: | |
| Core 4 Tax Clearance Completed: | |
| Certificate of Foreign Corporation Received: | |
| Have all required attachments been included in this RLA? | |

| | |
|---|------|
| Compliance | |
| Certificate of Compliance | |
| Not Applicable | |
| Minority, Women and Veteran Owned Business Program | |
| Goals Not Applicable for following reason: not spending money | |
| MBE: | .00% |
| WBE: | .00% |
| VBE: | .00% |
| Prevailing Wage | |
| Not Applicable | |

| | |
|---------------------------|--|
| Fiscal Information | |
| • | |

Request for Legislative Action

History

Submitted by County Executive Office requestor: Sylvya Stevenson on 11/9/2023. Comments:

Approved by Department Approver Troy Schulte on 11/11/2023 3:28:15 PM. Comments:

Not applicable by Purchasing Office Approver Barbara J. Casamento on 11/13/2023 9:09:03 AM. Comments:

Approved by Compliance Office Approver Ikeela Alford on 11/13/2023 9:40:19 AM. Comments:

Approved by Budget Office Approver David B. Moyer on 11/13/2023 10:13:27 AM. Comments:

Approved by Executive Office Approver Troy Schulte on 11/13/2023 10:46:59 AM. Comments:

Approved by Counselor's Office Approver Jamesia Manning on 11/21/2023 10:17:57 AM. Comments:

October 12, 2023

The Jackson County Legislature
415 E. 12th Street
Kansas City, MO 64106

**Re: Recommendation regarding a Benefit Improvement under the
Jackson County, Missouri Revised Pension Plan and Fund**

Dear Legislators,

The undersigned, as Fund Counsel for the Jackson County, Missouri Revised Pension Plan and Fund (JCRP), has been authorized and instructed to write to you regarding a recommendation to amend the JCRP Ordinance to provide for a benefit improvement in the current pension benefit multiplier from 1.5% to 1.6%.

Attached is a 2023 Actuarial Cost Study prepared by Cheiron, Inc at the request of Board of Trustees (Board) for JCRP. This letter provides an estimated cost projection associated with an increase in the current benefit multiplier of 1.5% to 1.6% effective January 1, 2024. The Board for JCRP respectfully request that the Legislature consider and accept the recommendation as discussed below.

In summary, the attached cost projection demonstrates that an increase in the current benefit multiplier of 1.5% to 1.6% will result in a combined increase of \$9,452,863 to the Actuarial Liability (AL) and Unfunded Actuarial liability (UAL), or an increase of 2.51% in the AL and 44.63% in the UAL. The increase in the normal cost as a percentage of Jackson County's payroll is .44% and the increase in the total contribution rate as a percentage of payroll is 1.62%. This study also reflects what the Actuarial Determined Contribution (ADC) is for the proposed benefit improvement compared to what the ADC is without it. As of July 1, 2022, the ADC is \$7,914,444. If the benefit improvement were adopted as proposed, the ADC would increase to \$9,080,025, or by 14.73%.

The Pension Ordinance was last amended in 1990 to provide for an increase in the benefit multiplier, more than 30 years ago. The Board must act in accordance with the fiduciary duties imposed by the County Pension Ordinance, Missouri state law and the Internal Revenue Code, to benefit the participants and beneficiaries of JCRP. The Board has determined that it is prudent and in the best interests of the participants and beneficiaries to now recommend a benefit improvement.

The Board has worked with the JCRP Fund professionals over the course of several years to monitor the financial health of the Plan and have succeeded such that as of July 1,

2022, JCRP's funded status based on the Actuarial Value of Assets (AVA) is 94.4%, close to being 100% funded.

The Board recognizes that Jackson County is the primary employer and the Plan's sponsor under the JCRP Ordinance and has the exclusive authority to amend the provisions of JCRP Plan to determine the type of benefits provided to County employees.

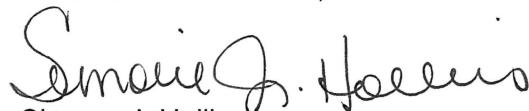
Missouri State law prohibits the Plan Sponsor from making any substantial change in Plan benefits unless a cost statement has been prepared and same is based on the most recent Actuarial Valuation Report. In addition, before a benefit improvement can be made, such proposed change cannot cause the funding percentage based on the AVA to drop below 80%. The 2023 Actuarial Cost Study contains the necessary information that the Plan Sponsor must consider before making the proposed benefit improvement.

The Board respectfully request that the Legislature consider and accept the recommendation as discussed above to amend the Pension Ordinance which would provide for a benefit improvement which is fairly distributed among all active County employees from 1.5% to 1.6% effective for the calendar year beginning January 1, 2024.

If the Legislature has any questions, please do not hesitate to forward same to the Secretary of the Board.

Very truly yours,

ARNOLD, NEWBOLD,
SOLLARS & HOLLINS, P.C.


Simone J. Hollins
sjhollins@a-nlaw.com

SJH:es
Enclosure

cc: Mr. Michael Martin
Ms. Whitney Miller
Mr. Scott Brinkman
Mr. Patrick Dujakovich
Mr. Stephen Gillis

Ms. Carolyn Watley
Ms. Mary Katherine Barnes
Ms. Michelle Chrisman
Ms. Dianne Kimzey
Ms. Sylva Stevenson

Via Electronic Mail

September 5, 2023

Board of Trustees of the Jackson County, Missouri Revised Pension Plan
c/o Ms. Michelle Chrisman
Director of Human Resources
Jackson County, Missouri
415 E 12th Street
Kansas City, Missouri 64106

***Re: Jackson County, Missouri Revised Pension Plan
2023 Actuarial Cost Study – 1.60% Multiplier***

Dear Trustees,

The County Executive and Board of Trustees have requested that we provide an estimate of the impact of potential plan changes for the Jackson County, Missouri Revised Pension Plan (JCRPP). The purpose of this letter is to present the analysis of the proposed changes and the fiscal impact for the JCRPP. This letter is for the use of the Jackson County, Missouri Revised Pension Plan Board.

Summary of the Actuarial Cost Study

It is our understanding that the only proposed change in the Plan is an increase in the pension multiplier from 1.50% to 1.60% for current and future active members.

Fiscal Impact

For purposes of this analysis, all results are based on the assumption that the changes to the Plan would have occurred as of July 1, 2022. The detailed results of the analysis are shown in the attached Exhibit.

The change in multiplier from 1.50% to 1.60% for active members would result in an increase in the normal cost and Actuarial Liability of JCRPP because the larger pension multiplier results in larger pension benefits.

The increase in Actuarial Liability (AL) and Unfunded Actuarial Liability (UAL) as of July 1, 2022 is \$9,452,863, or an increase of 2.51% in the AL and 44.63% in the UAL. The increase in the normal cost as a percentage of payroll is 0.44%, and the increase in the total contribution rate as a percentage of payroll is 1.62%.

Data, Methods, and Assumptions

In performing this analysis, we referred to the data, assumptions, actuarial methods and plan provisions used in the July 1, 2022 actuarial valuation of JCRPP. Please refer to the full July 1, 2022 actuarial valuation report for summaries of the data, assumptions, actuarial methods and plan provisions used in the valuation and this analysis.

In preparing this letter, we relied on information (some oral and some written) supplied by JCRPP staff. This information includes, but is not limited to, the plan provisions, employee data, and unaudited financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future results may differ significantly from the current projections presented in this letter due to such factors as the following: plan experience differing from that anticipated by the assumptions, changes in assumptions, and changes in plan provisions or applicable law.

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this report.

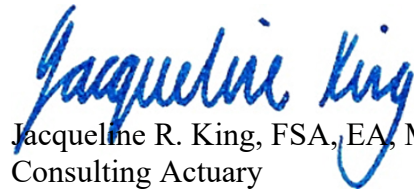
Certification

This letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

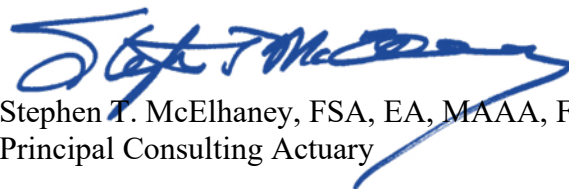
This letter was prepared exclusively for the Jackson County, Missouri Revised Pension Plan for the purpose described herein. This letter is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

We are available to answer any questions on the material in this letter or to provide explanations or further details as appropriate. Please let us know if you have any questions or need any further information. We can be reached at 877.243.4766, extension 1118 or 1030, or via electronic mail at jking@cheiron.us or smcelhaney@cheiron.us respectively.

Sincerely,
Cheiron



Jacqueline R. King, FSA, EA, MAAA
Consulting Actuary



Stephen T. McElhaney, FSA, EA, MAAA, FCA
Principal Consulting Actuary

Attachment

**ATTACHMENT
DETAILED ANALYSIS RESULTS**

| Jackson County, Missouri Revised Pension Plan Results of Actuarial Cost Study | | | |
|--|-----------------------|---------------------|----------|
| | 7/1/2022 Valuation | 1.60% Multiplier | % Change |
| Active Participants | 1,180 | 1,180 | |
| Terminated Vested Participants | 1,099 | 1,099 | |
| Participants in Pay Status | 1,555 | 1,555 | |
| Total | 3,834 | 3,834 | |
| Active Member Payroll | \$ 71,949,487 | \$ 71,949,487 | |
| Market Value of Assets (MVA) | \$ 327,765,905 | \$ 327,765,905 | |
| Actuarial Value of Assets (AVA) | \$ 354,724,703 | \$ 354,724,703 | |
| Actuarial Liability (AL) | \$ 375,907,555 | \$ 385,360,418 | 2.51% |
| Unfunded Actuarial Liability (UAL) | \$ 21,182,852 | \$ 30,635,715 | 44.63% |
| Funded Ratio (MVA) | 87.2% | 85.1% | -2.14% |
| Funded Ratio (AVA) | 94.4% | 92.1% | -2.31% |
| <u>Components of Contribution Rate</u> | | | |
| Normal Cost Contribution | 6.76% | 7.20% | 0.44% |
| Administrative Expense Rate | 0.45% | 0.45% | 0.00% |
| Unfunded Actuarial Liability Contribution | <u>3.79%</u> | <u>4.97%</u> | 1.18% |
| Total Contribution | 11.00% | 12.62% | 1.62% |
| Actuarially Determined Contribution | \$ 7,914,444 | \$ 9,080,025 | 14.73% |

October 11, 2023

Jackson County Executive
Mr. Frank White, Jr.
Jackson County Courthouse
415 E. 12th St.
Kansas City, MO 64106

RE: Recommendation on Benefit Improvements to the
Jackson County, Missouri Revised Pension Plan and Fund

Dear Mr. White,

This letter is in follow up to your November 16, 2022, letter to the Board of Trustees and my January 6, 2023 letter to you wherein the Trustees acknowledge your inquiry from November 16, 2022 and promise to make recommendations on future benefit improvements to the Jackson County, Missouri Revised Pension Plan and Fund (JCRP).

Over the course of 2023 the Board has sought advice and information from JCRP's actuary to determine the impact to the Fund to provide future benefit improvements for all active County employees.

The Board recognizes that the Pension Ordinance was last amended in 1990 to provide for a increase in the benefit multiplier. The Board must act in accordance with fiduciary duties imposed by the County Pension Ordinance, Missouri state law and the Internal Revenue Code to benefit the participants and beneficiaries of JCRP. Therefore, the Board has determined that it is prudent and in the best interest of participants and beneficiaries to recommend a benefit improvement such that the current benefit multiplier of 1.5% be increased to 1.6% effective January 1, 2024 for all active County employees.

Missouri state law prohibits the Plan sponsor from making any substantial change in Plan benefits unless a cost statement has been prepared and same is based on the most recent actuarial valuation report. As a courtesy, the 2023 actuarial cost study is attached for your reference. In addition, before a benefit improvement can be made, such proposed change can not cause the JCRP funding percentage based on the Actuarial Value of Assets (AVA) to drop below 80%. The 2023 actuarial cost study contains the necessary information that the Plan sponsor will be required to consider before making a proposed benefit improvement. The Board's recommendation will not cause the JCRP funding percentage to drop below 80%.

Frank White
October 11, 2023
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The Board believes that this benefit improvement will be sustainable for both the County and JCRP. It is the hope of the Board that you support this recommendation to increase the current benefit multiplier 1.5% to 1.6% for all active County employees.

If you have any questions, please do not hesitate to contact me or the Secretary of the Board.

Very truly yours,

ARNOLD, NEWBOLD,
SOLLARS & HOLLINS, P.C.

A handwritten signature in black ink, reading "Simone J. Hollins". The signature is fluid and cursive, with the first name "Simone" being the most prominent.

Simone J. Hollins
sjhollins@a-nlaw.com

SJH:es
Enclosure

cc: Mr. Michael Martin
Ms. Whitney Miller
Mr. Scott Brinkman
Mr. Patrick Dujakovich
Mr. Stephen Gillis

Ms. Carolyn Watley
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