

Pub. Imp. _____
Govt. Grnt. _____
Emergency _____
Public Hearing _____
Pgs. _____
Filed: 9/9/09

Sponsored by: Council

COUNCIL BILL NO. 2009-235

RESOLUTION NO. _____

A RESOLUTION

1 OUTLINING the November 2009 Police-Fire Pension Fund sales tax vote.
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5 WHEREAS, in 1946 the Citizens of Springfield voted to create a separate pension system
6 (the Police Officers' and Fire Fighters' Retirement Fund) in order to provide for the well-being
7 of disabled and retired Springfield Police Officers and Firefighters; and
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9 WHEREAS, the system was intended to be funded by various methods including gifts,
10 employee contributions, employer contributions, and a tax imposed on the property holders of
11 Springfield; and
12

13 WHEREAS, Springfield Police Officers and Fire Fighters have been unable to participate
14 in the Federal Social Security System and cannot avail themselves of that program; and
15

16 WHEREAS, in order to be able to recruit and retain qualified individuals as Police
17 Officers and Fire Fighters over the last 60 years, and to be able to continue to attract such
18 individuals, it is necessary to offer a defined-benefit retirement plan, which is the standard for
19 these public safety jobs; and
20

21 WHEREAS, over the years it has become apparent that changes must be made to the
22 pension system in order to achieve the goals of providing for the disabled and retired police
23 officers and fire fighters, as well as keeping the defined-benefit plan in place in order to continue
24 attracting and retaining qualified police officers and fire fighters; and
25

26 WHEREAS, in June 2006, changes were made to the pension system by City Council
27 that closed the "Tier I" pension plan to new hires after June 2006 and replaced it with a plan

28 (“Tier II”) that more closely resembles the State Local Government Employer’s Plan (LAGERS)
29 in which other City employees participate; and
30

31 WHEREAS, the “Tier II” pension plan increased the retirement age by five (5) years,
32 eliminated the automatic cost-of-living adjustments, eliminated the inclusion of leave pay-outs
33 from the final average salary calculation, and eliminated the return of contributions for those
34 employees hired after June 2006; and
35

36 WHEREAS, in an effort to meet the actuarially recommended contributions for the Fiscal
37 Year 2008-09, the City administration and City Council cut approximately \$7 million by
38 eliminating positions, instituting a hiring freeze, reducing expenditures in several departments,
39 and using \$2.1 million of one-time carryover funds to balance the 2008-09 budget; and
40

41 WHEREAS, in an effort to meet the actuarially recommended contribution for the Fiscal
42 Year 2009-2010, the City Council cut \$5.7 million by eliminating a variety of community
43 services, greatly reducing contributions to community service organizations, eliminating
44 additional positions, continuing the hiring freeze, freezing all pay increases (including merit
45 steps), freezing deferred compensation, and further reducing the budgets of several departments;
46 and
47

48 WHEREAS, Council has determined that such continued reduction or elimination of
49 services will have immediate and future adverse impacts on this community, that such budget
50 reductions are not sustainable over a long period of time, and that such cuts will not sufficiently
51 offset the deficit in the pension system; and
52

53 WHEREAS, in addition to the actions of budget cuts and increased employer
54 contributions to the pension system, in 2004 and 2006, funds designated for Police Officers’ and
55 Fire Fighters’ salary increases were redirected to the pension system; and
56

57 WHEREAS, although these changes have been made, as of June 30, 2009, the Police-Fire
58 Pension System’s funded ratio continues to decline and is approximately \$200 million short of
59 being fully funded on an actuarial basis; and
60

61 WHEREAS, the plan’s funded ratio has dropped for the past nine years from 79.9% to
62 47.6% (as of June 30, 2008, from the most recent actuarial report, but is estimated to be
63 approximately 33% currently), and the market value of the assets at June 30, 2008, was
64 \$128,297,956, and with this loss in market value over the past fiscal year, we estimate that the
65 funded ratio for 2009 will further decline; and
66

67 WHEREAS, the funding shortfall in the Police-Fire Pension System is almost three-times
68 the City’s annual General Fund revenue (the fund used to pay Police Officers, Firefighters, and
69 make the City’s contribution into the retirement systems for all employees); and
70

71 WHEREAS, the Police-Fire Pension System funding shortfall is a legal obligation of the
72 City; and
73

74 WHEREAS funds from the City's other citizen-approved taxes, such as the Capital
75 Improvements and Transportation taxes, can only be used for the voter-approved purposes set
76 out in the respective ballots and cannot be diverted from these uses to fund the Police-Fire
77 Pension System; and

78 WHEREAS, City Council recognizes that the underfunding of police and fire pension
79 systems is an issue many cities are facing and this is not a challenge unique to Springfield; and
80

81 WHEREAS, it is estimated that approximately 50 percent of Springfield's sales tax is
82 paid by individuals who live outside of Springfield; and
83

84 WHEREAS, State law prohibits any City from adding pension benefits when the plan's
85 funded ration is less than 80%; and
86

87 WHEREAS, after voters narrowly rejected the 1-cent sales tax proposal in February,
88 2009, the City Council formed a Police-Fire Pension Fund Citizens' Task Force via ordinance on
89 April 6, 2009, with diverse membership, charged them with studying this issue and making
90 recommendations to City Council, and urged them to use a transparent, open process during their
91 deliberations; and
92

93 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force began meeting on April
94 27, 2009, met more than 20 times, took their responsibilities seriously, spent a considerable
95 amount of time researching and studying this complex issue on behalf of their fellow citizens,
96 hosted two Town Hall meetings to collect public input, debated the various issues, and developed
97 a set of recommendations that have been publicly presented to City Council and debated during a
98 public hearing; and
99

100 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force met with, and received
101 presentations from, the Police and Fire Pension Board of Trustees, Citizens Keeping Our
102 Commitment Committee, Fire Department, Police Department, Springfield Police Officers
103 Association, International Association of Fire Fighters, Milliman, Inc. (the Pension Board's
104 actuary), Segal Investment Advisors (the Pension Board's investment portfolio consultant),
105 Show-Me Institute, City of Springfield, Chamber of Commerce, City Utilities, and LAGERS;
106 and
107

108 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force researched, considered,
109 and voted as follows: to not recommend the City file for bankruptcy, to not recommend using
110 annuities or pension obligation bonds, to not recommend reducing the ¼-cent Capital
111 Improvement Program tax, to not recommend changing from a defined-benefit plan to a defined-
112 contribution plan, to not recommend implementing an available 1.5 mil property tax, to not
113 recommend selling City Utilities, to not recommend outsourcing the disability component of the
114 pension plan, and to not recommend changing the Pension Board's fiduciary duties; and
115

116 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force and the City used an
117 open, transparent process to complete its work by hosting meetings open to the public,
118 broadcasting the meetings and Town Hall events on television and the City's web site, and
119 posting all materials to the City's web site; and

120
121 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force, in their report, agreed
122 that this issue is "by far, the biggest challenge facing the City of Springfield at this time;" and
123

124 WHEREAS, per the Police-Fire Pension Fund Citizens' Task Force's recommendation, a
125 Tier I-to-LAGERS Feasibility Subcommittee will be created consisting of members of the Task
126 Force and representatives from City administration, the Springfield Police Officers Association,
127 the International Association of Fire Fighters, and Police and Fire department leadership, and
128 charged with the task of investigating the feasibility of migrating Tier I employees into the
129 LAGERS L-11 plan and providing a report to City Council once this task is completed; and
130

131 WHEREAS, the Safety & Justice Roundtable, created jointly by the Greene County
132 Commissioners and the Springfield City Council, consisting of 18 city and county residents,
133 studied community safety and justice issues for 18 months and issued its report on July 22, 2009,
134 ranked the solving of the Police-Fire Pension Fund Shortfall as their top recommendation and
135 stated, "the Safety & Justice Roundtable feels strongly that solving the Springfield Police and
136 Fire Pension issue should be our community's first and highest priority;" and
137

138 WHEREAS, it is anticipated that the City's Actuary Recommended Contribution will
139 increase next year based on the upcoming "experience study" that is completed once every five
140 years and is due to be completed within a few months, and recognizing that an increased City
141 contribution to the pension fund will result in even deeper cuts to community services (including
142 further reductions to Police and Fire services, since these departments comprise more than half
143 of the General Fund budget), and further degrade this community's quality of life; and
144

145 WHEREAS, in order to assure that the burden of resolving the funding shortfall is not
146 borne disproportionately by any one segment of the Springfield community, a sales tax will be
147 presented to the voters which would substantially reduce the funding shortfall and ensure that
148 everyone who receives the benefits provided by the Springfield Police and Fire Departments
149 (including visitors to Springfield) will share in the cost of providing these services; and
150

151 WHEREAS, the Police-Fire Pension Fund Citizens' Task Force stated, "The Task Force
152 unanimously agrees that a sales tax is necessary to address the underfunded Pension Fund.
153 Funding of the plan cannot be accomplished via the City's General Fund budget without
154 devastating results to Springfield's quality of life in the near future" and encouraged placing a
155 sales tax on the November, 2009 ballot; and
156

157 WHEREAS, while the current City Council recognizes that it cannot bind future Councils
158 on budget and appropriation matters, the current City Council believes that in order to best
159 address the pension system shortfall, it is necessary to take a comprehensive approach to the
160 issue and to ensure that no aspect of the City's budget or appropriations process is overlooked in
161 formulating a solution to this crisis.
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166 NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF SPRINGFIELD AS
167 FOLLOWS:
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- 169 1. The City Council, by Ordinance No 25644, passed on August 24, 2009, seeks voter
170 approval of a three-quarter (3/4) cent sales tax with said revenues to be used exclusively
171 for the funding of the Police Officers' and Fire Fighters' Retirement Fund, **as**
172 **recommended by the Police-Fire Pension Fund Citizens' Task Force.** Said tax will
173 continue for a period of five (5) years, and will likely require at least one five-year
174 renewal in order to sufficiently fund the pension system for the long term.
175
- 176 2. If the tax passes, the City will contribute 35.00 percent (6.12% higher than the traditional
177 28.88% contribution) of the police and fire Tier I employee payroll into the pension
178 system during the life of the tax, including any and all renewal periods **as intended by**
179 **the Police-Fire Pension Fund Citizens' Task Force.**
180
- 181 3. If the tax passes, Police and Fire "Tier I" employees will increase their contributions to
182 the pension fund from the current 11.35 percent of their gross pay by an additional 2
183 percent to a total of 13.35 percent effective July 1, 2010, **as recommended by the**
184 **Police-Fire Pension Fund Citizens' Task Force.** The Additional Funding Contribution
185 (AFC) portion of their contribution, as determined by the actuary's experience study, will
186 continue in perpetuity; the additional voluntary contribution will sunset when the tax
187 sunsets. [Note: The additional 2% contribution has been endorsed by the Police
188 Department leadership, the Fire Department leadership, and the International Association
189 of Firefighters Local 152. The SPOA does not endorse the additional 2% contribution.]
190
- 191 4. If the tax passes, all new police officer and fire fighter hires will be enrolled in the State's
192 LAGERS retirement system, the City's existing self-funded pension plan will be closed
193 to future hires, and police officers and fire fighters hired after July 1, 2006 will be offered
194 the option of voluntarily migrating from the City's self-funded pension plan into
195 LAGERS, **as recommended by the Police-Fire Pension Fund Citizens' Task Force.**
196
- 197 5. To the extent the City of Springfield recovers any funds from its ongoing lawsuit with
198 telecommunications providers for back taxes alleged to be owed by such companies, the
199 City will, after payment of attorney's fees and expenses, contribute all net lump-sum
200 settlement proceeds into the pension system providing the pension fund's funded ratio is
201 less than 80% at the time the lawsuit settlement occurs. If the pension fund's funded
202 ratio is 80% or greater at the time the lawsuit settlement occurs, the City Council may use
203 these funds as it deems to be in the City's best interest at that time, including depositing
204 some or all into the pension fund.
205
- 206 6. The City Council will restructure the Pension Board to address potential conflict-of-
207 interest issues, and will seriously consider the two alternatives **recommended by the**
208 **Police-Fire Pension Fund Citizens' Task Force.**
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- 210 7. The City Manager will work with staff to market and sell any unused property (already
211 identified during a recent analysis), when possible and practical, and invest the net

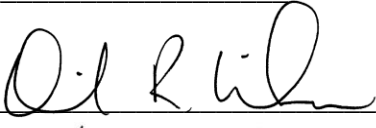
212 General Fund proceeds from the sale of property into the Pension Fund, as
213 recommended by the Police-Fire Pension Fund Citizens' Task Force.
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215 Passed at meeting: _____
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217 _____
218 Mayor
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220
221 Attest: _____, City Clerk
222
223

224 Filed as Ordinance: _____
225

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227 Approved as to form:  _____, City Attorney
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230 Approved for Council action:  _____, City Manager
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Agcy. Noticed _____
Emer. Required _____
P. Hrngs. _____
Fiscal Note Required _____
Bd. Action Required _____


EXPLANATION TO COUNCIL BILL NO. 2009-235

ORIGINATING DEPARTMENT: Council

PURPOSE: Outlining the November 2009 Police-Fire Pension Fund sales tax vote.

REMARKS: This Council bill outlines City Council’s commitment to the citizens of Springfield should the sales tax on the November 3 ballot pass.

Submitted by:



City Manager

