

TIER II TRANSITION UPDATE

PUBLIC SAFETY SALES TAX

Finance | September 2, 2025

BACKGROUND

"Prop B Pension Sales Tax"

- In November of 2019, Joplin voters approved a new ½-cent general sales tax to be used to fund and close the policemen's and firemen's pension plan
- Tax went into effect on April 1, 2020
- Tax will sunset at the earlier of either twelve (12) years or when the pension plan reaches 120% funded status as determined by an independent actuary

BACKGROUND

"Prop B Pension Sales Tax"

- Proceeds from the tax are to be used on the following items only:
  - $2 million to reduce the Police and Fire LAGERS rates (complete)
  - Fund the "gap cost" to reinstate forfeited service credit for those Tier II employees that migrated to LAGERS from policemen's & firemen's pension plan (complete)
  - Fund the closed pension plan (underway)

BACKGROUND

"Prop B Pension Sales Tax"

- In 2020, there were 131 Tier II employees on the pension plan
- Tier II employees had the voluntary option to remain on the police & fire pension plan or migrate to LAGERS
- In order to migrate to LAGERS, those employees had to terminate service with the City at 11:59 p.m. and re-hire at 12:00 a.m.
- Termination meant those employees forfeited their years of service under the pension plan and received a return of their contributions

BACKGROUND

"Prop B Pension Sales Tax"

- Of the 131 Tier II employees, 128 elected to transition to LAGERS, while 3 employees remained on the police & fire pension plan
- Once an employee vests with LAGERS, that employee then makes an election about whether to purchase their forfeited years of service under the pension plan or not
- There is a cost to purchase the forfeited years of service based on age, years of service and wages

BACKGROUND

"Prop B Pension Sales Tax"

- Any employee electing to purchase their forfeited years of service is required to send the amount of their return of contribution to LAGERS
- Cost to purchase forfeited years under pension plan is more than the employee's return of contributions from the plan
- This additional cost is known as the "gap cost" to reinstate employee's forfeited service years from the tax proceeds

BACKGROUND

"Prop B Pension Sales Tax"

- Purchase of time must be completed within 6 months of the date the employee vests with LAGERS
- If an employee forfeits their time, they keep their return of contributions from the police & fire pension plan

TRANSITION UPDATE

"Prop B Pension Sales Tax"

- 49 employees terminated employment with City of Joplin prior to their LAGERS vesting date
- 32 employees elected to forfeit their years of service from the police & fire pension plan and retain their contributions from the plan
- 50 employees purchased their forfeited service time from the pension plan
- Total "gap cost" paid from the tax proceeds is $4,669,730, for an average "gap cost" of $93,395 per person

TRANSITION UPDATE

"10/31/2024 Actuary Valuation: 120% Funded Status Projection"

Illustration

Financing 120% of the Present Value of Future Benefits with Estimated Tax Revenue

FYE October 31	(1) City Contribution	(2) Interest	(3) = $(3)_{prior}$ - (1) + (2) Unfunded Amount*
2024			$22,047,193
2025	$10,000,000	$980,214	13,027,407
2026	10,700,000	441,451	2,768,858
2027	2,846,238	77,380	0
2028	0	0	0

* *120% of PVFB – AVA – PV Future Member Contributions*

TRANSITION UPDATE

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- Projection was based on the estimated "gap cost" and estimated sales and use tax collections
- "Gap cost" was underestimated by about $1 million
- Sales and use tax collections are likely overestimated by approximately $300,000
- This will most likely result in the plan reaching the 120% funded status a few months later than anticipated
- Takes approximately 3 months for Actuary to determine funded status

TRANSITION UPDATE

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- 27 Active Employees currently remain on Pension Plan:
  - Tier 1:
    - 7 eligible to retire in 2026
    - 8 eligible to retire in 2027
    - 7 eligible to retire in 2028
    - 2 eligible to retire in 2029
  - Tier 2:
    - 1 eligible to retire at anytime
    - 2 eligible to retire at 20 years (early) in 2030 or full retirement at 25 years in 2035

TRANSITION UPDATE

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- Pension plan was closed to new hires with the change in 2020
- Plan can be turned over to LAGERS to administer when there are no active employees on the plan
- ***This has been a truly successful initiative to protect retirement benefits of those retirees on police & fire pension plan***

Questions?