MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE MEHLVILLE FIRE PROTECTION DISTRICT OF
ST. LOUIS COUNTY, MISSOURI, ON THE
19TH DAY OF JUNE, 2019

The Board of Directors of the Mehlville Fire Protection District of St. Louis County, Missouri, met at the Mehlville Conference Room, 11020 Mueller Road, St. Louis County, Missouri, on the 19th day of June, 2019.

Present at the meeting were:

Aaron Hilmer, Chairman and Director of the Board;

Bonnie C. Stegman, Treasurer and Director of the Board;

Edmond Ryan, Secretary and Director of the Board; and

Brian Hendricks, Fire Chief of the Mehlville Fire Protection District.

Mr. Hilmer called the meeting to order at 5:00 p.m. and announced the Board to be in session for the transaction of business.

Mr. Ryan made a motion to approve the Board meeting minutes of April 10 and 24, 2019. Dr. Stegman seconded the motion and it was unanimously approved.

Dr. Stegman made a motion to pay the bills of June 12 and 19, 2019. Mr. Ryan seconded the motion and it was unanimously approved.

Chief Financial Officer Brian Bond presented the May, 2019 Financial Statements. $106,000 of 2018 tax revenue was received from St. Louis County, bringing the total tax revenues receipts to $14.77 million, approximately 88.1% of calculated tax revenue. Capital Expenditures included $7,000 for the Training Center entrance and $80,000 for a remounted ambulance. Due to a significant number of extended length service-connected and nonservice-connected injuries/illnesses, unscheduled overtime is significantly ahead of last year's expense. Continuing at the current pace, MFPD may exceed the unscheduled overtime budget by $122,000. The General Fund appears to be slightly in excess of the 2019 budget. The Pension Fund appears to be on course with the 2019 budget. Dr. Stegman made a motion to approve the May, 2019 Financial Statement and Treasurer's Report as presented. Mr. Ryan seconded the motion and it was unanimously approved.

Robert Offerman, CPA from Hochschild Bloom, presented the 2018 Comprehensive Annual Financial Report. The District received an unqualified opinion that the financial statements were prepared within generally accepted accounting principles. Current assets were $49.6 million, up 29 basis points. Liabilities were $8.8 million, down 3.42%. The majority of liabilities are the Pension Fund. Net position was $41.2 million, 43% in capital assets and 57% in unrestricted net assets. Revenues were just under $21 million, down under 1%. 83% of revenue is from property taxes. Charges for services includes permits and EMS fees. Expenses were up $1 million, or 5.59%. Capital assets totaled $18 million, up from $17 million. The District purchased $1.3 million in capital assets, including a pumper, ambulance and house renovations. Hochschild Bloom recommends that journal entries be reviewed by an additional person. Dr. Stegman made a motion to approve the Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018, with corrections. Mr. Ryan seconded the motion and it was unanimously approved.

Dr. Stegman made a motion to approve the addition of the Gifted Sick Leave policy to the Employee Manual of Policies & Procedures (EMoPP). Mr. Ryan seconded the motion and it was unanimously approved.

Chief Hendricks said he wanted to develop a proposal for the Board's future consideration to increase the number of ambulances on the street to 7 in an effort to respond to increasing call volume. The proposal would require hiring 12 new employees who will work staggered 12-hour shifts and purchasing an additional two new ambulances. Proposed implementation would be January 1, 2020. An expected decrease in unscheduled overtime would provide some funding for the new program. In addition, the District would run 4 ambulances overnight rather than the current 5. The program will be more cost effective than adding a 24-hour ambulance.

Mr. Hilmer said that the Board was responding to Local 2665's request to consider transitioning from a defined contribution pension plan to a pooled defined benefit plan with Missouri Local Government Employees Retirement System (LAGERS). Chief Financial Officer Brian Bond presented a review of LAGERS. The plan provides a guaranteed monthly payment based on a calculation that includes the employer elected benefit program (ranging from 1% to 2%) multiplied by the credited years of service multiplied by the final average salary (FAS) for either the final three or five years. The plan also encompasses disability benefits. If the employer elects, the employees may be required to contribute 4% of gross wages to help fund a portion of the benefit. There are several challenges associated with the LAGERS plan. The first issue is with the vesting schedule. To become vested, an employee must earn 60 months (5 years) of service with the LAGERS system. Once vested, the employee is guaranteed a benefit regardless of whether they continue to work in the LAGERS system or leave LAGERS covered employment prior to retirement age. If an employee's employment is terminated (voluntarily or involuntarily) during their first five years of employment, they may take a refund of their accumulated contributions, but they will forfeit any benefit related to the employer contributions. This lack of benefit is a detriment to the employee and may complicate the District's ability to attract and retain employees. A review of the 4/16/19 paycheck date showed that forty-nine District employees contributed less than 4% to the 457 deferred compensation plan, and they would have to increase amounts withheld from their paychecks. Further, all employees who currently contribute 4% (or greater) would have less disposable income, because the 4% contributed to LAGERS would be on an after-tax basis and they would forfeit the deferred tax benefit they currently receive in their paychecks.

Mr. Bond also pointed out that with LAGERS, employees are eligible to add time toward their benefit calculation by purchasing previous years of service to increase their retirement benefit. Unfortunately, 77 employees do not have enough combined resources of employer and employee contributions at One America to purchase their respective years of service, and their ending benefit will not be as large as it would have been if they had resources to purchase all of their years of service.

Mr. Bond said that with the LAGERS plan, the District will be asked for increased contributions when their investment portfolio does not perform to the appropriate level. The District has no influence over the direction or performance of investments. While LAGERS is likely the lowest cost defined benefit plan available to the District, it still carries open-ended potential costs to an employer.

The LAGERS plan owns the assets (employer and employee contributions). Employees and beneficiaries may receive only a fraction of the calculated benefit that the employer and employee funded. In addition, loans allowed through the current 457 deferred compensation plan are not allowed, because the employee does not own the assets, and LAGERS does not allow members to withdraw their contributions in the event of a financial hardship.

Mr. Bond said that one of the biggest challenges with the LAGERS program is a prohibitive cost to the District for the benefit programs with a 1.75% or 2% multiplier. There are also several miscellaneous administrative hurdles, including the inability to change a beneficiary designation when the member elects a spousal retirement payout option and the ineligibility for non-work related injury disability for non-vested employees. Mr. Bond also provided clarification regarding the District's long-term disability benefits after a disabled employee has received the initial two years of benefits. It is recommended that the Board maintain the current defined contribution pension plan.

Local 2665 representative Ty Cardona said that the vesting issue would benefit the District, because employees who leave before five years would not take their contributions with them. He does not view the employee's 4% contribution as a decrease in disposable income, but rather the purchase of a benefit for himself and his family. Regarding the shortfall, newer employees who started with the current plan would be able to buy back their years. Older employees such as himself would not be able to afford all of their years but would have something to put towards a defined benefit that would last the rest of their lives. Exposure to the District would be a maximum of 1%, according to his conversation with a LAGERS representative. Regarding ownership of assets, employees are able to withdraw any money they put into LAGERS. LAGERS will sometimes take over current pension liabilities. Captain Cardona would like to review Mr. Bond's information and return with a response.

Mr. Hilmer made a motion that a closed meeting be held for the purpose of discussing legal and personnel matters immediately following the adjournment of the regular meeting. Mr. Hilmer, as part of said motion, moved that said closed meeting not be open to members of the general public under the provisions of Chapter 610 of the Missouri Revised Statutes, commonly referred to as the Sunshine Act. The motion was seconded by Dr. Stegman. A roll call vote on said motion was taken.

Director Hilmer yea.

Director Stegman yea.

Director Ryan yea.

There being no further business, Mr. Hilmer adjourned the meeting at 6:30 p.m.

Aaron Hilmer, Chairman

ATTEST:

Edmond Ryan, Secretary

The undersigned, being all members of the Board of Directors of the Mehlville Fire Protection District, have affixed their names thereto in evidence of their consent to the meeting at the time and place indicated, and in evidence of their approval of the actions taken at the said meeting.

Aaron Hilmer

Not present
Bonnie C. Stegman

Edmond Ryan
Edmond Ryan