

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE MEHLVILLE FIRE PROTECTION DISTRICT OF
ST. LOUIS COUNTY, MISSOURI, ON THE
14TH DAY OF AUGUST, 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 14th day of August, 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.

Dr. Stegman made a motion to pay the bills of August 7 and 14, 2019. Mr. Ryan seconded the motion and it was unanimously approved.

Captain Ty Cardona, representing Local 2665, responded to Chief Financial Officer Brian Bond's evaluation of the defined benefit pension plan with Missouri Local Government Employees Retirement System (LAGERS). He said that LAGERS 5-year vesting schedule would benefit the District because employees would be encouraged to stay for a true life-time pension based on longevity at our District. The current defined contribution pension plan is a benefit to employees who decide to leave, because they can take all their money with them. Another criticism of the plan was that LAGERS' 4% contribution rate would cause employee loss of income. Approximately 49 employees do not contribute more than 4% of their income to the defined contribution plan. Those 49

employees may invest their money in other ways unrelated to the District plan. Those who pay the 4% are not throwing their money away but are purchasing a lifetime pension with a COLA, widow's benefit and lifetime disability benefit. Another issue that Mr. Bond raised concerned the purchase of previous years of service. Captain Cardona said that when they looked into the LAGERS program, they did not intend that all employees would purchase all their prior years of service. Some may not have enough money, some may choose to leave some money in their 457. An employee can purchase prior years of service any time prior to their retirement. The District can still retain a voluntary 457 plan. Another concern was that LAGERS has a policy that allows them to increase the cost of the plan 1% per year if their prescribed rate of return is not met. Per the LAGERS representative, this does not often occur. If their rate of return is exceeded under their guidelines, the cost to an employer's plan is lowered. In a worst case scenario, a 1% increase would only be \$11,000, or \$79 per employee. The majority of employees in the shop have agreed that they would eat the cost if necessary. CFO Bond also raised concerns about ownership of assets. LAGERS does own the employer and employee contributions, however, if LAGERS does not pay out in the form of monthly benefit to the employee/widow an amount equal to what the employee contributes for the purchase of their prior years of service, LAGERS will reimburse the employee's contribution to their estate. However, if you outlive the amount of money you put into LAGERS, you and your spouse will continue to get paid no matter how long you live. If an employee dies, their surviving spouse can receive a lifetime monthly benefit based on the payout option A.

Captain Cardona said that the employees had not intended that the District would pay the full cost of the defined benefit plan. The LAGERS plan would cost the District \$47,147 more than the current plan, or \$335 per employee. There was talk of increasing the current defined contribution rate to make it more competitive with neighboring districts. A 1% increase in our current contribution rate would make the new defined contribution plan cost approximately \$70,000 more than the proposed LAGERS L7 plan.

Captain Cardona addressed other miscellaneous issues brought up in CFO Bond's evaluation of the LAGERS plan. Issues with employees that get divorced during employment or retirement were brought up, but current divorced employees have said that those issues also come up with the current defined contribution pension plan. Another issue relates to non-vested employees not being covered by long-term disability for non-work-related injury or illness before that policy is in effect (first 60 months). The employees are suggesting that a policy be purchased to cover those employees during the first 60 months.

Captain Cardona listed the most notable advantages of the LAGERS plan. First, the stability and security of a plan that provides a guaranteed, defined benefit and is not subject to stock market fluctuations is very appealing. Those investment fluctuations do affect the defined contribution plan and necessitate calculations and guess work on employee longevity to determine how much of the defined contribution lump sum can be used annually without running out in old age. The defined benefit plans are common in public service professions such as the military, public school educators, and many police and fire departments. Second, the LAGERS plan has a COLA up to 4% based on the CPI and with a catch-up clause for years when the CPI exceeds 4%. Third, LAGERS has the

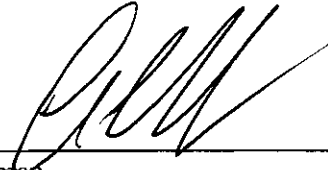
lifetime disability pension payment with COLA that transfers to a surviving spouse. Fourth, LAGERS will take over the District's old employer Defined Benefit pension plans if they meet their criteria. They can do a pre-actuarial study of the District's defined benefit plan to make this determination. They offer up to a 20 year payment plan to cover shortfalls if they determine the old plan has insufficient funds. This takeover option could relieve a large administrative and financial burden.

Captain Cardona said that the employees would need to vote on LAGERS with the majority of employees voting in favor. If the District chooses not to go with LAGERS, the employees would like the District to consider improving the defined contribution rate.

Mr. Hilmer and Dr. Stegman asked for some clarification regarding the 5-year vesting. Dr. Stegman asked if the intention was for the District to stop paying into the defined contribution plan, start paying into LAGERS but maintain both plans as options for the employees. Captain Cardona agreed that was the intention. Mr. Hilmer said that CFO Brian Bond was assembling comparables from other Districts with similar defined contribution plans. The Board will review those at the August 28 meeting and discuss the pension plan again at the September 11 meeting.

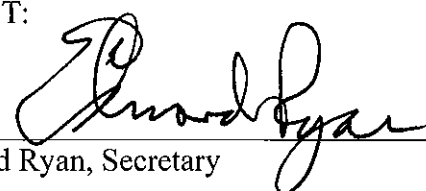
Mr. Ryan discussed a planned advertisement in The Call regarding bicycle safety. He discussed the problem of bicyclists not warning pedestrians about their approach and the lack of public awareness.

There being no further business, Mr. Hilmer adjourned the meeting at 5:30 p.m.



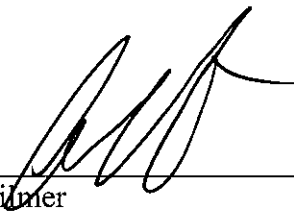
Aaron Hilmer, Chairman

ATTEST:



Edmond Ryan, Secretary

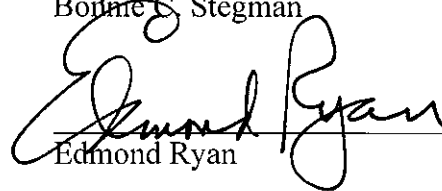
The undersigned, being all members of the Board of Directors of the Mehlville Fire Protection District, have affixed their names thereto in evidence of their consent to the meeting at the time and place indicated, and in evidence of their approval of the actions taken at the said meeting.



Aaron Hilmer



Bonnie S. Stegman



Edmond Ryan