



REQUEST FOR COMMISSION ACTION
CITY OF INDEPENDENCE
August 12, 2021

Department Administration

Director Approval Kelly Passauer

AGENDA ITEM Consider modifying the City’s supplemental retirement program.

SUMMARY RECOMMENDATION City staff recommends approving Option 2.

BACKGROUND The Admin Team has been brainstorming ways to encourage tenure and financial planning for our employees. Something that has been mentioned to the Commission previously is expanding our supplemental retirement plan for employees. The purpose of this plan is to encourage employees to save for retirement. KPERS does not provide the same benefit levels to new employees as it did several years ago. Therefore, KPERS is not as attractive as it once was when recruiting and retaining public employees. City staff and the City Commission recognized this, and in 2014 began a supplemental retirement program. The program provided matching levels based on tenure in a supplemental retirement account. The intention was for the City to periodically review the program for needed adjustments to keep the plan current and effective. However, the program has not been modified since it was adopted over seven years ago. Currently 50.5% of City employees are participating which represents 55.6% (\$25,500) of the maximum City match (\$45,900) if all employees participated. The variation between 50.5% and 55.6% is due to different tenure levels.

The current program works as follows:

- City Matching Amounts Per Month
 - 0 – 10 years of service -- \$25
 - 11 – 20 years of service -- \$50
 - 21+ years of service -- \$75
- Vesting Schedule*
 - 0 – 5 years of service – 0%
 - 6 years of service – 20%
 - 7 years of service – 40%
 - 8 years of service – 60%
 - 9 years of service – 80%
 - 10 years of service – 100%

*The City’s match is placed in a separate account. If the employee leaves City employment prior to their 6th anniversary, then the City retains the matching amount. If the employee leaves City employment on or after their 6th anniversary, then they receive a percentage of the City’s match based on their years of service. Once they reach their 10th anniversary, they receive 100% of the City’s match.

The Admin Team reviewed two options that modify the City matching amounts per month. Option 1 simply doubles the City’s match at the same tenure levels as the current plan, while Option 2 provides additional steps at accelerated tenure levels. The vesting schedule for both options remains the same as the current plan.

- Option 1
 - 0 – 10 years of service -- \$50
 - 11 – 20 years of service -- \$75
 - 21+ years of service -- \$150
- Option 2
 - 0 – 2 years of service -- \$25
 - 3 – 4 years of service -- \$50
 - 5 – 9 years of service -- \$75
 - 10 – 14 years of service -- \$100
 - 15 – 24 years of service -- \$125
 - 25+ years of service -- \$150

The anticipated increased cost to the City for either Option 1 or 2 is estimated at approximately \$35,000 more annually than currently being expended which assumes a 10% increase in participation.

Annual Est. Costs	Current Plan	Option 1		Option 2	
	Current Costs	Estimated Cost	Increase	Estimated Cost	Increase
55.6% of Maximum	\$ 25,500.00	\$ 51,000.00	\$ 25,500.00	\$ 50,666.67	\$ 25,166.67
With Additional 10%		\$ 60,180.00	\$ 34,680.00	\$ 59,786.67	\$ 34,286.67
100% Participation	\$ 45,900.00	\$ 91,800.00	\$ 45,900.00	\$ 91,200.00	\$ 45,300.00

The Admin Team suggests Option 2 as they believe it will help improve tenure by providing opportunities to achieve a higher level match in a shorter timeframe. The increased cost at the current level of participation would be \$25,166.67 annually, and with a 10% increase in participation it is estimated at \$34,286.67 annually.

SUGGESTED MOTION I move to authorize modifying the City’s supplemental retirement program as recommended by City staff effective January 1, 2022.

SUPPORTING DOCUMENTS Comparison of Annual Costs by Fund

Annual Costs	City's Match -- Current Plan		
	Actual	Maximum at 100%	Difference
General Fund	\$ 19,500.00	\$ 31,200.00	\$ 11,700.00
Airport	\$ 300.00	\$ 600.00	\$ 300.00
Water/Sewer	\$ 5,400.00	\$ 8,400.00	\$ 3,000.00
Sanitation	\$ 300.00	\$ 2,700.00	\$ 2,400.00
	\$ 25,500.00	\$ 45,900.00	\$ 17,400.00
Annual Costs	City's Match -- Option 1*		
	Actual	Maximum at 100%	Difference
General Fund	\$ 19,500.00	\$ 62,400.00	\$ 42,900.00
Airport	\$ 300.00	\$ 1,200.00	\$ 900.00
Water/Sewer	\$ 5,400.00	\$ 16,800.00	\$ 11,400.00
Sanitation	\$ 300.00	\$ 5,400.00	\$ 5,100.00
	\$ 25,500.00	\$ 91,800.00	\$ 60,300.00
*Option 1 doubles the City's match at the same tenure levels as the current plan.			
	Percentage of Maximum Utilized	55.6%	
	Additional estimated participation	10%	
	Anticipated	\$ 60,180.00	
Annual Costs	City's Match -- Option 2**		
	Actual	Maximum at 100%	Difference
General Fund	\$ 19,500.00	\$ 59,700.00	\$ 40,200.00
Airport	\$ 300.00	\$ 1,200.00	\$ 900.00
Water/Sewer	\$ 5,400.00	\$ 18,300.00	\$ 12,900.00
Sanitation	\$ 300.00	\$ 5,400.00	\$ 5,100.00
	\$ 25,500.00	\$ 91,200.00	\$ 59,100.00
**Option 2 provides additional steps at accelerated tenure levels.			
	Percentage of Maximum Utilized	55.6%	
	Additional estimated participation	10%	
	Anticipated	\$ 59,786.67	