City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: Finance
To: City Council
From: City Manager & Staff
Council Meeting Date: July 18, 2022
Re: Extension of the Deferred Retirement Option Program

Executive Summary

Approval of this Ordinance will extend the Deferred Retirement Option Program (DROP) for both the Police and Fire Pension Funds for an additional 60 consecutive months beginning August 20, 2022. Provision will sunset August 20, 2027.

Discussion

Sec. 18-91 Chapter 18, Article 22 – Division 4 contains sunset provisions for the DROP program effective August 20, 2022. It is the desire of the Police Retirement Board and the Fire Retirement Board to continue the DROP program for an additional 60 months. This program allows eligible members to continue employment in their respective departments for up to five additional years past retirement eligibility date while accruing pension benefits.
After completion of the DROP period, the employee shall retire and receive the accrued benefits.

This program was established to retain institutional knowledge beyond the twenty years required for retirement eligibility. In addition, it provides the departments with a planning tool to prepare for retirements by identifying individuals that plan to retire as well as a proposed retirement date. This program is viewed as beneficial for both the employee and the police and fire departments, and is expense neutral to the City.

Currently we have 9 Police Officers and 12 Firefighters actively participating in the DROP. Year to date the City has paid $359,624.53 for Police and $497,943.73 for Fire DROP. These funds would have been paid if the participants retired, but the benefit is that the participants continue to contribute as well.

In addition, this benefits the overall retirement plan because the benefits are frozen at the time the employee agrees to enter the DROP. However, these benefits do increase by an annual cost of living adjustments and earn 2% interest during the DROP period worked. During the DROP period, the retirement plans continue to receive the City's contributions, although the benefit liability has not increased.

It should be noted that the employee is not required to retire or enter the DROP program after reaching eligibility. If the employee continues regular employment after reaching eligibility, the benefits will increase according to the defined benefit formula and the salary will continue to be paid to the employee.

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Fiscal Impact

Short-Term Impact: During Year 1 & 2, the cost to the City would be the benefits paid at the end of the drop program and the amount of interest (2% - 4% depending on hire date) earned during the drop period. This varies by employee because it is dependent on the retirement formula. This is substantially the same impact if the employee retired at the first eligibility date and the Department hired a new employee.
Long-Term Impact: Years 3-5 of DROP participation would be the cost to the City which is made up of the benefits paid at the end of the drop program and the amount of interest (2% - 4% depending on hire date) earned during the drop period. This varies by employee because it is dependent on the retirement formula. This is substantially the same impact if the employee retired at the first eligibility date and the Department hired a new employee.

Vision & Strategic Plan Impact

Vision Impacts:
Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Strategic Plan Impacts:
Primary Impact: Public Safety, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Comprehensive Plan Impacts:
Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

Legislative History

Date	Action
7-17-17	(Ord. No. 19636, § 1, 8-20-07; Ord. No. 21405, § 1, 8-20-12; Ord. No. 21455, § 1, 9-17-12; Ord. No. 23249 § 1, 7-17-17) Establish the DROP program

Suggested Council Action

Approve the attached Ordinance.