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February 20, 2020 E-Mail

Mr. Jeff Pabst
Education and Outreach Coordinator
Missouri Local Government
Employees Retirement System
P.O. Box 1665
Jefferson City, Missouri 65102

Re: Adair County Ambulance District Public Safety Department Split (#8052)

Dear Jeff:

As you requested, we have performed actuarial valuations as of February 28, 2019 for the active members reported as Public Safety members and the remaining active members of the General department of the Adair County Ambulance District. The results of the actuarial valuations follow (contribution rates shown below are uncapped employer contribution rates):

	Public Safety Subdepartment	Other General Subdepartments	Combined
Member Statistics			
Number Active	25	4	29
Payroll	$1,454,655	$114,936	$1,569,591
Average Pay	58,186	28,734	54,124
Accumulated Contributions (Actives)	354,590	12,907	367,497
Number Deferred	0	4	4
Actuarial Accrued Liabilities (AAL)			
Active AAL	$2,835,871	$60,980	$2,896,851
Deferred AAL	0	109,478	109,478
Increase AAL - Police Provisions and Assumptions	407,651	0	0
Total AAL	$3,243,522	$170,458	$3,006,329
Actuarial Value of Assets			
Members Deposit Fund (MDF)	$ 354,590	$ 60,039	$ 414,629
Employer Accumulation Fund (EAF)*	1,417,435	46,474	1,463,909
Total Assets	$1,772,025	$106,513	$1,878,538
Funded Ratio	54.6%	62.5%	62.5%
Unfunded Actuarial Accrued Liability (UAAL)	$1,471,497	$63,945	$1,127,791
Computed Employer Contribution Rate			
Current Service Cost	9.30%	8.30%	7.60%
Disability Cost	0.80	0.50	0.50
Prior Service Cost	7.60	4.20	5.50
Total Employer Contribution Rate (Uncapped)#	17.70%	13.00%	13.60%

The capped employer contribution rate for the ‘Combined’ department as of February, 28, 2019 was 13.10%.
* Assets allocated to each division are estimated.

The Public Safety subdepartment is valued using police benefit provisions (normal retirement and deferred age equal to 55). In addition, the actuarial assumptions for police members were used in accordance with direction from LAGERS staff. For members proposed to be covered in the Public Safety subdepartment, the actuarial accrued liability increased by $407,651 and is amortized over 20 years based on the funding policy for benefit changes.

Please note that the results for the 'Combined' department are the same as those reported for the General department in the February 28, 2019 annual actuarial valuation report for the Adair County Ambulance District. However, adding the results for the subdepartments shown on the previous page will not match the combined results due to valuing the Public Safety members alone as Police members and combined as General members.

Per LAGERS staff, EAF assets were split between the two subdepartments so that each subdepartment's funded percent would be the same as the combined General department based upon the General benefit provisions and assumptions as of February 28, 2019. This would require an accounting transfer based on market value, as of February 28, 2019, of $1,419,031 of EAF assets to the Public Safety department. The remainder of the EAF assets would be allocated to the remaining General department.

Deferred members as of February 28, 2019 for each employer were valued with the General subdepartment.

Below are projections needed to comply with Missouri state disclosure requirements (Section 105.665 of the RSMo) regarding the adoption of LAGERS benefits by a political subdivision. Under the Present Plan, members eligible to be considered Public Safety members are valued using General plan provisions and assumptions. Under the Alternate Plan, these members are valued using Police plan provisions and assumptions. The projections below only include members eligible for the Public Safety subdepartment.

		Present Plan			Alternate Plan			Change due to Proposed Provisions		
		Estimated Employer Contribution		Estimated	Estimated Employer Contribution		Estimated	Estimated Employer Contribution		Estimated
Valuation Date	Estimated Projected Payroll	As a % of Payroll	Annual Dollars	Difference Between AAL and AVA	As a % of Payroll	Annual Dollars	Difference Between AAL and AVA	As a % of Payroll	Annual Dollars	Difference Between AAL and AVA
2019	$ 1,454,655	13.10%	$ 190,560	$ 1,063,846	17.70%	$ 257,474	$ 1,471,497	4.60%	$ 66,914	$ 407,651
2020	1,501,931	13.80%	207,266	1,065,639	17.70%	265,842	1,463,490	3.90%	58,576	397,851
2021	1,550,744	13.80%	214,003	1,055,298	17.70%	274,482	1,451,175	3.90%	60,479	395,877
2022	1,601,143	13.80%	220,958	1,041,362	17.70%	283,402	1,434,120	3.90%	62,444	392,758
2023	1,653,180	13.80%	228,139	1,023,476	17.70%	292,613	1,411,855	3.90%	64,474	388,379
2024	1,706,908	13.80%	235,553	1,001,260	17.70%	302,123	1,383,875	3.90%	66,570	382,615
2025	1,762,383	13.80%	243,209	974,299	17.70%	311,942	1,349,630	3.90%	68,733	375,331
2026	1,819,660	13.80%	251,113	942,147	17.70%	322,080	1,308,527	3.90%	70,967	366,380
2027	1,878,799	13.80%	259,274	904,325	17.70%	332,547	1,259,930	3.90%	73,273	355,605
2028	1,939,860	13.80%	267,701	860,311	17.70%	343,355	1,203,146	3.90%	75,654	342,835

The results shown for each employer only include active members reported to LAGERS as of the valuation date, February 28, 2019. The methods and assumptions used in the actuarial valuations were the same as those used in the annual actuarial valuations as of February 28, 2019. In particular, the assumed rate of investment return was 7.25% and the assumed rate of payroll growth was 3.25%.

The benefit provisions used in the actuarial valuations were the same as each employer's benefit provisions as of February 28, 2019. A summary follows:

Provisions	ER #8052
Benefit Program:	L-6
Final Average Salary:	5 Years
Member Contributions:	Contributory
Retirement Eligibility:	Regular

The long term cost (C) of providing retirement benefits depends only on the benefits (B) that are paid to participants, the expenses (E) of administering the plan, and the investment return (I) generated on invested assets: C = B + E – I. For a given level of benefits, the cost of providing those benefits is lowered if administrative expenses are lowered or investment income is increased.

The long term costs are financed by a series of employer and member contributions. The series of contributions is flexible. If more is contributed in early years, less has to be contributed in later years, and vice-versa. Over time the series of contributions has to have the same value as benefits and expenses. The actuary determines each year's contribution based on a funding method and a set of actuarial assumptions. The chosen funding method and assumptions do not affect the long term cost of providing retirement benefits, but have a strong impact on the series of contributions made to fund the benefits.

Mita Drazilov is a Member of the American Academy of Actuaries, and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Please call if you have any questions.

Sincerely,

Mita Drazilov

Mita D. Drazilov, ASA, FCA, MAAA

cc: Judith Kermans (GRS)
Michael Gano (GRS)

GRS