



December 9, 2022 E-Mail

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

Re: City of Cape Girardeau Public Safety Department Split (#3239)

Dear Jeff:

As you requested, we have performed actuarial valuations as of February 28, 2022 for the active members reported as Public Safety members and the remaining active members of the General department of the City of Cape Girardeau. The results of the actuarial valuations follow (contribution rates shown below are uncapped employer contribution rates):

	Public Safety Subdepartment	Other General Subdepartments	Combined
<u>Member Statistics</u>			
Number Active	13	189	202
Payroll	\$529,915	\$8,447,529	\$8,977,444
Average Pay	40,763	44,696	44,443
Accumulated Contributions (Actives)	-	3,667	3,667
Number Deferred	0	133	133
<u>Actuarial Accrued Liabilities (AAL)</u>			
Active AAL	\$928,080	\$21,692,588	\$22,620,668
Deferred AAL	0	4,674,157	4,674,157
Increase AAL - Public Safety Provisions and Assumptions	149,187	0	0
Total AAL	\$1,077,267	\$26,366,745	\$27,294,825
<u>Actuarial Value of Assets</u>			
Members Deposit Fund (MDF)	\$0	\$19,916	\$19,916
Employer Accumulation Fund (EAF)*	960,378	27,264,417	28,224,795
Reported Lump sum Payment	74,533	2,117,467	2,192,000
Total Assets	\$1,034,911	\$29,401,800	\$30,436,711
Funded Ratio	96.1%	111.5%	111.5%
Unfunded Actuarial Accrued Liability (UAAL)	\$42,356	\$(3,035,055)	\$(3,141,886)
<u>Computed Employer Contribution Rate</u>			
Normal Cost Rate	12.10%	11.90%	11.70%
Casualty Rate	0.50	0.50	0.50
Prior Service Cost Rate	0.20	(3.30)	(3.10)
Total Employer Contribution Rate (Uncapped)	12.80%	9.10%	9.10%

* Assets allocated to each division are estimated.

The Public Safety subdepartment is valued using public safety benefit provisions (normal retirement and deferred age equal to 55) and public safety assumptions. For members proposed to be covered in the Public Safety subdepartment, the actuarial accrued liability increased by \$149,187 and is amortized over 20 years based on the funding policy for benefit changes.

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 Public Safety members and combined as General members.

It has been reported to us that the City of Cape Girardeau made a lump sum payment of \$2,192,000 in October, 2022 which was estimated to reduce the computed employer contribution rate (as of February 28, 2022) by 1.80% of payroll (impact on subdepartments may be different). It has also been reported to us that the City of Cape Girardeau upgraded to the L-6 benefit provision effective October, 2022. Results in this letter reflect the lump sum payment and new benefit provisions.

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 as of October, 2022 and assumptions as of February 28, 2022. This would require an accounting transfer based on market value, as of February 28, 2022, of \$31,365,438 of EAF assets staying in the General department (including lump sum contribution) with the remainder being transferred to the Public Safety department. Deferred members as of February 28, 2022 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 Public Safety plan provisions and assumptions. The projections below only include members eligible for the Public Safety subdepartment.

Valuation Date	Estimated Projected Payroll	Present Plan			Alternate Plan			Change due to Proposed Provisions		
		Estimated Employer Contribution		Estimated Difference Between AAL and AVA	Estimated Employer Contribution		Estimated Difference Between AAL and AVA	Estimated Employer Contribution		Estimated Difference Between AAL and AVA
		As a % of Payroll	Annual Dollars		As a % of Payroll	Annual Dollars		As a % of Payroll	Annual Dollars	
2022	\$ 529,915	8.30%	\$ 43,983	(\$ 106,831)	12.80%	\$ 67,829	\$ 42,356	4.50%	\$ 23,846	\$ 149,187
2023	544,488	8.40%	45,737	(104,031)	12.90%	70,239	44,183	4.50%	24,502	148,214
2024	559,461	8.50%	47,554	(101,346)	13.00%	72,730	45,513	4.50%	25,176	146,859
2025	574,846	8.60%	49,437	(98,780)	13.10%	75,305	46,307	4.50%	25,868	145,087
2026	590,654	8.70%	51,387	(96,336)	13.20%	77,966	46,523	4.50%	26,579	142,859
2027	606,897	8.80%	53,407	(94,016)	13.30%	80,717	46,119	4.50%	27,310	140,135
2028	623,587	8.90%	55,499	(91,826)	13.40%	83,561	45,044	4.50%	28,062	136,870
2029	640,736	9.00%	57,666	(89,770)	13.50%	86,499	43,247	4.50%	28,833	133,017
2030	658,356	9.00%	59,252	(87,852)	13.50%	88,878	40,673	4.50%	29,626	128,525
2031	676,461	9.10%	61,558	(86,077)	13.60%	91,999	37,262	4.50%	30,441	123,339

The results shown for each employer only include active members reported to LAGERS as of the valuation date, February 28, 2022. The methods and assumptions used in the actuarial valuations were the same as those used in the annual actuarial valuations as of February 28, 2022. In particular, the assumed rate of investment return was 7.00% and the assumed rate of payroll growth was 2.75%.



The actuarial valuation results presented on the previous pages are based upon the employer's benefit provisions as of October, 2022. A summary follows:

Provisions	ER #3239
Benefit Program *	L-6
Final Average Salary	3 Years
Member Contribution Rate	0%
Retirement Eligibility	Regular

**Upgraded to the L-6 benefit provision effective October, 2022.*

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.

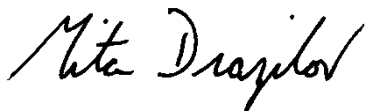
The long-term costs are financed by a series of employer and member contributions. The series of contributions is flexible. If more is contributed in early years, less has to be contributed in later years, and vice-versa. Over time the series of contributions has to have the same value as benefits and 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.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

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,
Gabriel, Roeder, Smith & Company



Mita D. Drazilov, ASA, FCA, MAAA

MDD:dj

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

