GRS Retirement Consulting
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August 27, 2019 E-Mail

Ms. Elizabeth Althoff
Legislative & Communications Coordinator
Missouri Local Government
Employees Retirement System
P.O. Box 1665
Jefferson City, Missouri 65102

Re: The City of Sedalia (#3034) – Fire Department

Dear Elizabeth:

As you requested, we have determined the initial computed employer contribution rate for the City of Sedalia Fire department as of July 31, 2019 based upon the benefit provisions being considered by the subdivision (L-6 and L-11, 3 year FAC, non-contributory, and regular retirement). The cost to the employer is shown under two scenarios for members if the department was to join LAGERS. The first scenario assumes that **only new members** would be covered under LAGERS. The second scenario assumes that all members would join LAGERS and that prior service would be granted for **eligibility purposes only**.

	New Fire Employees Only		All Fire Members (Prior Service for Vesting Only)	
As of July 31, 2019	**L-6**	**L-11**	**L-6**	**L-11**
Current Service Cost	14.9%	18.3%	14.9%	18.3%
Disability Cost	1.0	1.2	1.0	1.2
Prior Service Cost	0.0	0.0	2.3	3.0
Total Employer Contribution Rate	15.9%	19.5%	18.2%	22.5%
Increase in Unfunded Actuarial Accrued Liability	$0	$0	$793,674	$1,003,046

The results above are based upon a 30-year amortization of the increase in the unfunded actuarial accrued liability (UAAL). A summary of the active member data used for the initial valuation is shown below:

Active Members as of July 31, 2019

Division	Number	Payroll	Avg. Payroll	Avg. Age	Avg. Service
Fire	41	$1,924,127	$46,930	37.5 years	10.9 years

Below are projections needed to comply with Missouri state disclosure requirements (Section 105.660 of the RSMo) regarding the adoption of LAGERS benefits by a political subdivision. The following projections correspond with the second scenario and assume that all members would join LAGERS and that prior service would be granted for **eligibility purposes only**.

Fire Division:

L-6 Benefit Program, Non-contributory, 3 year FAS, Normal Retirement

		L-6 Benefit Program		
		Estimated Employer Contribution		Unfunded
Valuation Year	Estimated Projected Payroll	As a % of Payroll	Annual Dollars	Actuarial Accrued Liability
2019	$ 1,924,127	18.2%	$350,191	$ 793,674
2020	1,986,661	18.2	361,572	804,547
2021	2,051,227	18.2	373,323	814,692
2022	2,117,892	18.2	385,456	824,006
2023	2,186,723	18.2	397,984	832,379
2024	2,257,791	18.2	410,918	839,689
2025	2,331,169	18.2	424,273	845,806
2026	2,406,932	18.2	438,062	850,586
2027	2,485,157	18.2	452,299	853,875
2028	2,565,925	18.2	466,998	855,505

Fire Division:

L-11 Benefit Program, Non-contributory, 3 year FAS, Normal Retirement

		L-11 Benefit Program		
		Estimated Employer Contribution		Unfunded
Valuation Year	Estimated Projected Payroll	As a % of Payroll	Annual Dollars	Actuarial Accrued Liability
2019	$ 1,924,127	22.5%	$432,929	$ 1,003,046
2020	1,986,661	22.5	446,999	1,016,788
2021	2,051,227	22.5	461,526	1,029,609
2022	2,117,892	22.5	476,526	1,041,380
2023	2,186,723	22.5	492,013	1,051,961
2024	2,257,791	22.5	508,003	1,061,200
2025	2,331,169	22.5	524,513	1,068,930
2026	2,406,932	22.5	541,560	1,074,971
2027	2,485,157	22.5	559,160	1,079,128
2028	2,565,925	22.5	577,333	1,081,189

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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.

The methods and assumptions used 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%.

If the City participates in LAGERS for the Fire Department, the actuarial valuations will be prepared using the LAGERS assumptions, as adopted by the LAGERS Retirement Board. If future experience follows the LAGERS assumptions, the contribution rates calculated in this report will remain approximately level. If future experience is worse than the LAGERS assumptions, the contribution rates will gradually increase over time.

Mita D. Drazilov is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the Academy of Actuaries to render the actuarial opinions herein.

Please call if you have any questions.

Sincerely,

Mita Drazilov

Mita D. Drazilov, ASA, FCA, MAAA

MDD:rmg

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