800.521.0498 | P: 248.799.9000 | www.grsconsulting.com

July 26, 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: The City of O'Fallon Public Safety Department Split (#3611)

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 O'Fallon. 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	9	305	314
Payroll	$506,468	$17,853,093	$18,359,561
Average Pay	56,274	58,535	58,470
Accumulated Contributions (Actives)	-	-	-
Number Deferred	0	143	143
Actuarial Accrued Liabilities (AAL)			
Active AAL	$951,165	$40,700,405	$41,651,570
Deferred AAL	0	5,774,163	5,774,163
Increase AAL - Public Safety Provisions and Assumptions	168,486	0	0
Total AAL	$1,119,651	$46,474,568	$47,425,733
Actuarial Value of Assets			
Members Deposit Fund (MDF)	$0	$15,805	$15,805
Employer Accumulation Fund (EAF)*	881,426	43,051,265	43,932,691
Total Assets	$881,426	$43,067,070	$43,948,496
Funded Ratio	78.7%	92.7%	92.7%
Unfunded Actuarial Accrued Liability (UAAL)	$238,225	$3,407,498	$3,477,237
Computed Employer Contribution Rate			
Normal Cost Rate	9.90%	7.60%	7.60%
Casualty Rate	0.50	0.50	0.50
Prior Service Cost Rate	3.30	1.10	1.10
Total Employer Contribution Rate (Uncapped)	13.70%	9.20%	9.20%

** 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 $168,486 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, 2022 annual actuarial valuation report for the City of O'Fallon. 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 Public Safety 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, 2022. This would require an accounting transfer based on market value, as of February 28, 2022, of $940,890 of EAF assets to the Public Safety department with the remainder staying in the General 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.

		Present Plan			Alternate Plan			Change due to Proposed Provisions		
		Estimated Employer Contribution		Estimated Difference	Estimated Employer Contribution		Estimated Difference	Estimated Employer Contribution		Estimated Difference
Valuation Date	Estimated Projected Payroll	As a % of Payroll	Annual Dollars	Between AAL and AVA	As a % of Payroll	Annual Dollars	Between AAL and AVA	As a % of Payroll	Annual Dollars	Between AAL and AVA
2022	$ 506,468	8.80%	$ 44,569	$ 69,739	13.70%	$ 69,386	$ 238,225	4.90%	$ 24,817	$ 168,486
2023	520,396	8.90%	46,315	70,353	13.80%	71,815	237,740	4.90%	25,500	167,387
2024	534,707	9.00%	48,124	70,474	13.90%	74,324	236,331	4.90%	26,200	165,857
2025	549,411	9.00%	49,447	70,062	13.90%	76,368	233,918	4.90%	26,921	163,856
2026	564,520	9.10%	51,371	69,074	14.00%	79,033	230,414	4.90%	27,662	161,340
2027	580,044	9.20%	53,364	67,465	14.10%	81,786	225,728	4.90%	28,422	158,263
2028	595,995	9.20%	54,832	65,185	14.10%	84,035	219,761	4.90%	29,203	154,576
2029	612,385	9.30%	56,952	62,180	14.20%	86,959	212,405	4.90%	30,007	150,225
2030	629,226	9.30%	58,518	58,393	14.20%	89,350	203,545	4.90%	30,832	145,152
2031	646,530	9.40%	60,774	53,763	14.30%	92,454	193,058	4.90%	31,680	139,295

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 February 28, 2022. A summary follows:

Provisions	**ER #3611**
Benefit Program	L-6
Final Average Salary	5 Years
Member Contribution Rate	4%
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.

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 Drazilov

Mita D. Drazilov, ASA, FCA, MAAA

MDD:dj

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