GRS Retirement Consulting

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December 3, 2018 E-mail

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

Re: Johnson County Fire Protection District (#7455) – Fire Department

Dear Elizabeth:

As you requested, we have determined the initial computed employer contribution rate for the Johnson County Fire Protection District Fire department based upon the benefit provisions currently in effect for the General department of the political subdivision (L-7, 5 year FAC, non-contributory, and rule of 80 retirement). The cost to the employer is shown assuming that all members would join LAGERS and that prior service would be granted for eligibility purposes only.

As of October 31, 2018	**Police**
Current Service Cost	14.9%
Disability Cost	0.8
Prior Service Cost	0.4
Total Employer Contribution Rate	16.1%
Increase in Unfunded Actuarial Accrued Liability	$8,913

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 October 31, 2018

Division	Number	Payroll	Avg. Payroll	Avg. Age	Avg. Benefit Service	Avg. Vesting Service
Fire	2	$126,592	$63,296	57.2 years	0.0 years	11.2 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 projections assume that all members would join LAGERS and that prior service would be granted for benefit and eligibility purposes only.

Fire Division:

Valuation Year	Estimated Projected Payroll	Contribution		Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2018	$ 126,592	16.1%	$20,381	$ 8,913
2019	130,706	16.1	21,044	9,035
2020	134,954	16.1	21,728	9,149
2021	139,340	16.1	22,434	9,254
2022	143,869	16.1	23,163	9,348
2023	148,545	16.1	23,916	9,430
2024	153,373	16.1	24,693	9,499
2025	158,358	16.1	25,496	9,553
2026	163,505	16.1	26,324	9,590
2027	168,819	16.1	27,180	9,608

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 in the initial valuation were the same as those used in the LAGERS annual actuarial valuations as of February 28, 2018. In particular, the assumed rate of investment return was 7.25% and the assumed rate of payroll growth was 3.25%.

If the Johnson County Fire Protection District participates in LAGERS for the Fire Department, the actuarial valuation 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 and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely,

Mita Drazilov

Mita D. Drazilov, ASA, FCA, MAAA

MDD:mdd

cc: Judy Kermans
Michael Gano