



October 12, 2021 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, 2021 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	213	226
Payroll	\$493,970	\$8,843,047	\$9,337,017
Average Pay	37,998	41,517	41,314
Accumulated Contributions (Actives)	-	3,648	3,648
Number Deferred	0	112	112
<u>Actuarial Accrued Liabilities (AAL)</u>			
Active AAL	\$648,248	\$21,421,974	\$22,070,222
Deferred AAL	0	4,371,233	4,371,233
Increase AAL - Police Provisions and Assumptions	127,667	0	0
Total AAL	\$775,915	\$25,793,207	\$26,441,455
<u>Actuarial Value of Assets</u>			
Members Deposit Fund (MDF)	\$0	\$19,817	\$19,817
Employer Accumulation Fund (EAF)*	708,711	28,179,163	28,887,874
Total Assets	\$708,711	\$28,198,980	\$28,907,691
Funded Ratio	91.3%	109.3%	109.3%
Unfunded Actuarial Accrued Liability (UAAL)	\$67,204	\$(2,405,773)	\$(2,466,236)
<u>Computed Employer Contribution Rate</u>			
Normal Cost Rate	11.90%	10.40%	10.40%
Casualty Rate	0.40	0.40	0.40
Prior Service Cost Rate	0.80	(2.50)	(2.40)
Total Employer Contribution Rate (Uncapped)	13.10%	8.30%	8.40%

\* 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 \$127,667 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, 2021 annual actuarial valuation report for the City of Cape Girardeau. 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, 2021. This would require an accounting transfer based on market value, as of February 28, 2021, of \$652,528 of EAF assets to the Public Safety department with the remainder staying in the General department.

Deferred members as of February 28, 2021 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.

Valuation Date	Estimated Projected Payroll	Present Plan			Alternate Plan			Change due to Proposed Provisions		
		Estimated Employer Contribution		Estimated Difference	Estimated Employer Contribution		Estimated Difference	Estimated Employer Contribution		Estimated Difference
		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
2021	\$ 493,970	8.80%	\$ 43,469	(\$ 60,463)	13.10%	\$ 64,710	\$ 67,204	4.30%	\$ 21,241	\$ 127,667
2022	507,554	8.90%	45,172	(59,054)	13.20%	66,997	68,275	4.30%	21,825	127,329
2023	521,512	8.90%	46,415	(57,678)	13.20%	68,840	68,480	4.30%	22,425	126,158
2024	535,854	9.00%	48,227	(56,334)	13.30%	71,269	68,296	4.30%	23,042	124,630
2025	550,590	9.00%	49,553	(55,022)	13.30%	73,228	67,691	4.30%	23,675	122,713
2026	565,731	9.00%	50,916	(53,740)	13.30%	75,242	66,631	4.30%	24,326	120,371
2027	581,289	9.10%	52,897	(52,488)	13.40%	77,893	65,079	4.30%	24,996	117,567
2028	597,274	9.10%	54,352	(51,265)	13.40%	80,035	62,995	4.30%	25,683	114,260
2029	613,699	9.20%	56,460	(50,071)	13.50%	82,849	60,335	4.30%	26,389	110,406
2030	630,576	9.20%	58,013	(48,904)	13.50%	85,128	57,054	4.30%	27,115	105,958

The results shown for each employer only include active members reported to LAGERS as of the valuation date, February 28, 2021. The methods and assumptions used in the actuarial valuations were the same as those used in the annual actuarial valuations as of February 28, 2021. 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, 2021. A summary follows:

Provisions	ER #3239
Benefit Program	LT-14(65)
Final Average Salary	3 Years
Member Contribution Rate	0%
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,



Mita D. Drazilov, ASA, FCA, MAAA

MDD:dj

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

