



October 8, 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: The City of Sedalia (#3034) – Fire Department**

Dear Mr. Pabst:

As you requested, we have determined the initial computed employer contribution rate for the City of Sedalia Fire department as of July 31, 2021 based upon the benefit provisions being considered by the subdivision (L-6 and L-11, 3 year FAC, 0% member contribution rate, 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**.

As of July 31, 2021	New Fire Employees Only		All Fire Members (Prior Service for Vesting Only)	
	L-6	L-11	L-6	L-11
Current Service Cost	15.1%	18.6%	15.1%	18.6%
Disability Cost	1.0	1.2	1.0	1.2
Prior Service Cost	<u>0.0</u>	<u>0.0</u>	<u>2.6</u>	<u>3.3</u>
Total Employer Contribution Rate	16.1%	19.8%	18.7%	23.1%
Increase in Unfunded Actuarial Accrued Liability	\$0	\$0	\$902,944	\$1,141,292

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, 2021**

<u>Division</u>	<u>Number</u>	<u>Payroll</u>	<u>Avg. Payroll</u>	<u>Avg. Age</u>	<u>Avg. Service</u>
Fire	41	\$2,027,329	\$49,447	38.1 years	11.6 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, 0% Member Contribution Rate, 3 year FAS, Normal Retirement**

Valuation Year	Estimated Projected Payroll	L-6 Benefit Program		
		Estimated Employer Contribution		Unfunded Actuarial
		As a % of Payroll	Annual Dollars	Accrued Liability
2021	\$ 2,027,329	18.7%	\$379,111	\$ 902,944
2022	2,083,081	18.7	389,536	911,606
2023	2,140,366	18.7	400,248	919,374
2024	2,199,226	18.7	411,255	926,144
2025	2,259,705	18.7	422,565	931,805
2026	2,321,847	18.7	434,185	936,235
2027	2,385,698	18.7	446,126	939,303
2028	2,451,305	18.7	458,394	940,868
2029	2,518,716	18.7	471,000	940,777
2030	2,587,981	18.7	483,952	938,866

Fire Division:

**L-11 Benefit Program, 0% Member Contribution Rate, 3 year FAS, Normal Retirement**

Valuation Year	Estimated Projected Payroll	L-11 Benefit Program		
		Estimated Employer Contribution		Unfunded Actuarial
		As a % of Payroll	Annual Dollars	Accrued Liability
2021	\$ 2,027,329	23.1%	\$468,313	\$ 1,141,292
2022	2,083,081	23.1	481,192	1,152,240
2023	2,140,366	23.1	494,425	1,162,058
2024	2,199,226	23.1	508,021	1,170,616
2025	2,259,705	23.1	521,992	1,177,771
2026	2,321,847	23.1	536,347	1,183,370
2027	2,385,698	23.1	551,096	1,187,248
2028	2,451,305	23.1	566,251	1,189,226
2029	2,518,716	23.1	581,823	1,189,112
2030	2,587,981	23.1	597,824	1,186,697



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, 2021. In particular, the assumed rate of investment return was 7.00% and the assumed rate of payroll growth was 2.75%.

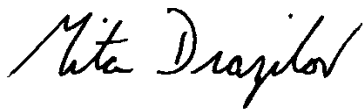
If the City participates in LAGERS for the Fire Department, the actuarial valuations will be prepared using the LAGERS assumptions, as adopted by the LAGERS Retirement Board. If future experience follows the LAGERS assumptions, the contribution rates calculated in this report will remain approximately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

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. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

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 contained herein.

Please call if you have any questions.

Sincerely,  
Gabriel, Roeder, Smith & Company



Mita D. Drazilov, ASA, FCA, MAAA

MDD:sc

