



May 26, 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 Herculaneum (#9057) – Fire Department

Dear Jeff:

As you requested, we have determined the initial computed employer contribution rate for the City of Herculaneum Fire department based upon the current benefit provisions elected by the subdivision (L-1, 5 year FAC, 4% member contribution rate, and regular retirement). The cost to the employer is shown assuming that prior service would be covered under LAGERS for vesting and benefit purposes.

As of February 28, 2021	Current Provisions
	Fire
Normal Cost Rate	5.8%
Casualty Rate	0.6
Prior Service Cost Rate	<u>0.0</u>
Total Employer Contribution Rate	6.4%
Increase in Unfunded Actuarial Accrued Liability	\$0

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 February 28, 2021					
Division	Number	Payroll	Avg. Payroll	Avg. Age	Avg. Service
Fire	3	\$152,005	\$50,668	41.4 years	0.2 years

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. The following projections assume that all members would join LAGERS and that prior service would be granted for **vesting and benefit purposes**.

Fire Division:

L-1 Benefit Program, 4% member Contribution Rate, 5 year FAS, Regular Retirement

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2020	\$ 152,005	6.4%	\$9,728	\$ -
2021	156,945	6.4	10,044	-
2022	162,046	6.4	10,371	-
2023	167,312	6.4	10,708	-
2024	172,750	6.4	11,056	-
2025	178,364	6.4	11,415	-
2026	184,161	6.4	11,786	-
2027	190,146	6.4	12,169	-
2028	196,326	6.4	12,565	-
2029	202,707	6.4	12,973	-



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 29, 2020. In particular, the assumed rate of investment return was 7.25% and the assumed rate of payroll growth was 3.25%.

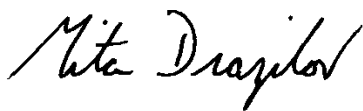
If the subdivision participates in LAGERS for the General Department, the actuarial valuations will be prepared using the LAGERS assumptions, as adopted by the LAGERS Retirement Board. If future experience follows the LAGERS assumptions, the contribution rates calculated in this report will remain approximately 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 herein.

Please call if you have any questions.

Sincerely,



Mita D. Drazilov, ASA, FCA, MAAA

MDD:rmg

