



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 Columbia (#1775) – Police and Fire Departments

Dear Jeff:

As you requested, we have determined the initial computed employer contribution rate for the City of Columbia Police and Fire departments based upon the benefit provisions being considered by the subdivision (L-6 for Police and L-11 for Fire, 3 year FAC, 0% member contribution rate, and regular retirement). The cost to the employer is shown assuming that **only new members** would be covered under LAGERS.

<u>As of February 28, 2021</u>	New Employees Only	
	Police (L-6)	Fire (L-11)
Normal Cost Rate	12.9%	19.1%
Casualty Rate	0.8	1.2
Prior Service Cost Rate	<u>0.0</u>	<u>0.0</u>
Total Employer Contribution Rate	13.7%	20.3%
Increase in Unfunded Actuarial Accrued Liability	\$0	\$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:

<u>Active Members as of February 28, 2021</u>					
Division	Number	Payroll	Avg. Payroll	Avg. Age	Avg. Service
Police	157	\$9,698,369	\$61,773	37.0 years	9.2 years
Fire	142	\$9,929,432	\$69,926	40.0 years	11.3 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 **only new members** would be covered under LAGERS.

Police Division:

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2021	\$ 9,698,369	13.7%	\$1,328,677	\$ -
2022	10,013,566	13.7	1,371,859	-
2023	10,339,007	13.7	1,416,444	-
2024	10,675,025	13.7	1,462,478	-
2025	11,021,963	13.7	1,510,009	-
2026	11,380,177	13.7	1,559,084	-
2027	11,750,033	13.7	1,609,755	-
2028	12,131,909	13.7	1,662,072	-
2029	12,526,196	13.7	1,716,089	-
2030	12,933,297	13.7	1,771,862	-

Fire Division:

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2021	\$ 9,929,432	20.3%	\$2,015,675	\$ -
2022	10,252,139	20.3	2,081,184	-
2023	10,585,334	20.3	2,148,823	-
2024	10,929,357	20.3	2,218,659	-
2025	11,284,561	20.3	2,290,766	-
2026	11,651,309	20.3	2,365,216	-
2027	12,029,977	20.3	2,442,085	-
2028	12,420,951	20.3	2,521,453	-
2029	12,824,632	20.3	2,603,400	-
2030	13,241,433	20.3	2,688,011	-



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 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 City participates in LAGERS for the Police and Fire Departments, 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.

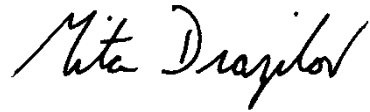
Mita Drazilov is a Member of the American Academy of Actuaries, and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. It was disclosed to both LAGERS and the City of Columbia that Mita is the actuary for both LAGERS and the City of Columbia Police and Firemen's Retirement Fund. Both parties indicated that they did not see a conflict of interest in this assignment. It is my opinion that my ability to act fairly in this assignment has not been impaired.



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Please call if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Mita Drazilov". The signature is written in a cursive, flowing style.

Mita D. Drazilov, ASA, FCA, MAAA

MDD:rmn

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

