



December 20, 2019 E-Mail

Mr. Jeff Pabst
 Education and Outreach Coordinator
 Missouri Local Government
 Employees Retirement System
 P.O. Box 1665
 Jefferson City, Missouri 65102

Re: Daviess County Ambulance District Public Safety Department Split (#6521)

Dear Jeff:

As you requested, we have performed actuarial valuations as of February 28, 2019 for the active members reported as Public Safety members and the remaining active members of the General department of the Daviess County Ambulance District. 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 | 3 | 0 | 3 |
| Payroll | \$223,486 | \$0 | \$223,486 |
| Average Pay | 74,495 | 0 | 74,495 |
| Accumulated Contributions (Actives) | 76,675 | 0 | 76,675 |
| Number Deferred | 0 | 0 | 0 |
| <u>Actuarial Accrued Liabilities (AAL)</u> | | | |
| Active AAL | \$472,238 | \$0 | \$472,238 |
| Deferred AAL | 0 | 0 | 0 |
| Increase AAL - Police Provisions and Assumptions | 120,420 | 0 | 0 |
| Total AAL | \$592,658 | \$0 | \$472,238 |
| <u>Actuarial Value of Assets</u> | | | |
| Members Deposit Fund (MDF) | \$ 76,675 | \$0 | \$ 76,675 |
| Employer Accumulation Fund (EAF)* | 142,411 | 0 | 142,411 |
| Total Assets | \$219,086 | \$0 | \$219,086 |
| Funded Ratio | 37.0% | NA | 46.4% |
| Unfunded Actuarial Accrued Liability (UAAL) | \$373,572 | \$0 | \$253,152 |
| <u>Computed Employer Contribution Rate</u> | | | |
| Current Service Cost | 7.40% | 5.30% | 5.30% |
| Disability Cost | 0.70 | 0.40 | 0.40 |
| Prior Service Cost | 15.30 | 0.00 | 11.40 |
| Total Employer Contribution Rate (Uncapped) | 23.40% | 5.70% | 17.10% |

* Assets allocated to each division are estimated.

The Public Safety subdepartment is valued using police benefit provisions (normal retirement and deferred age equal to 55). In addition, the actuarial assumptions for police members were used in accordance with direction from LAGERS staff. For members proposed to be covered in the Public Safety subdepartment, the actuarial accrued liability increased by \$120,420 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, 2019 annual actuarial valuation report for the Daviess County Ambulance District. 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 Police 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, 2019. This would require an accounting transfer based on market value, as of February 28, 2019, of \$142,608 of EAF assets to the Public Safety department. The remainder of the EAF assets would be allocated to the remaining General department.

There were no deferred members as of February 28, 2019.

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 Between AAL and AVA | Estimated Employer Contribution | | Estimated Difference Between AAL and AVA | Estimated Employer Contribution | | Estimated Difference Between AAL and AVA |
| | | As a % of Payroll | Annual Dollars | | As a % of Payroll | Annual Dollars | | As a % of Payroll | Annual Dollars | |
| 2019 | \$ 223,486 | 17.10% | \$ 38,216 | \$ 253,152 | 23.40% | \$ 52,296 | \$ 373,572 | 6.30% | \$ 14,080 | \$ 120,420 |
| 2020 | 230,749 | 17.10% | 39,458 | 245,126 | 23.40% | 53,995 | 365,229 | 6.30% | 14,537 | 120,103 |
| 2021 | 238,248 | 17.10% | 40,740 | 235,660 | 23.40% | 55,750 | 355,129 | 6.30% | 15,010 | 119,469 |
| 2022 | 245,991 | 17.10% | 42,064 | 224,623 | 23.40% | 57,562 | 343,109 | 6.30% | 15,498 | 118,486 |
| 2023 | 253,986 | 17.10% | 43,432 | 211,871 | 23.40% | 59,433 | 328,989 | 6.30% | 16,001 | 117,118 |
| 2024 | 262,241 | 17.10% | 44,843 | 197,251 | 23.40% | 61,364 | 312,578 | 6.30% | 16,521 | 115,327 |
| 2025 | 270,764 | 17.10% | 46,301 | 180,596 | 23.40% | 63,359 | 293,669 | 6.30% | 17,058 | 113,073 |
| 2026 | 279,564 | 17.10% | 47,805 | 161,729 | 23.40% | 65,418 | 272,039 | 6.30% | 17,613 | 110,310 |
| 2027 | 288,650 | 17.10% | 49,359 | 140,455 | 23.40% | 67,544 | 247,446 | 6.30% | 18,185 | 106,991 |
| 2028 | 298,031 | 17.10% | 50,963 | 116,564 | 23.40% | 69,739 | 219,627 | 6.30% | 18,776 | 103,063 |

The results shown for each employer only include active members reported to LAGERS as of the valuation date, February 28, 2019. The methods and assumptions used in the actuarial valuations were the same as those used in the annual actuarial valuations as of February 28, 2019. In particular, the assumed rate of investment return was 7.25% and the assumed rate of payroll growth was 3.25%.



The benefit provisions used in the actuarial valuations were the same as each employer's benefit provisions as of February 28, 2019. A summary follows:

| Provisions | ER #6521 |
|-------------------------|-----------------|
| Benefit Program: | LT-10(65) |
| Final Average Salary: | 3 Years |
| Member Contributions: | Contributory |
| 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.

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

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

