



October 16, 2020 E-Mail

Mr. Jeff Kempker
 Assistant Executive Director, Member Services
 Missouri Local Government
 Employees Retirement System
 P.O. Box 1665
 Jefferson City, Missouri 65102

Re: City of Glendale (#2623) – Police and Fire Departments

Dear Jeff:

As you requested, we have determined the initial computed employer contribution rate for the City of Glendale Police and Fire departments based upon the benefit provisions being considered by the subdivision (L-6, 5 year FAC, 4% member contribution rate, and regular retirement). The cost to the employer is shown under two scenarios for members if the departments were 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, 2020	New Employees Only		All Members (Prior Service for Vesting Only)	
	Police	Fire	Police	Fire
Normal Cost Rate	9.3%	11.1%	9.3%	11.1%
Casualty Rate	0.8	1.0	0.8	1.0
Prior Service Cost Rate	<u>0.0</u>	<u>0.0</u>	<u>2.8</u>	<u>2.1</u>
Total Employer Contribution Rate	10.1%	12.1%	12.9%	14.2%
Increase in Unfunded Actuarial Accrued Liability	\$0	\$0	\$391,252	\$308,232

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, 2020					
Division	Number	Payroll	Avg. Payroll	Avg. Age	Avg. Service
Police	11	\$794,373	\$72,216	45.9 years	15.1 years
Fire	12	\$850,783	\$70,899	47.1 years	16.3 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 all members would join LAGERS and that prior service would be granted for **eligibility purposes only**.

Police Division:

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2020	\$ 794,373	12.9%	\$102,474	\$ 391,252
2021	820,190	12.9	105,805	396,612
2022	846,846	12.9	109,243	401,613
2023	874,368	12.9	112,793	406,205
2024	902,785	12.9	116,459	410,332
2025	932,126	12.9	120,244	413,936
2026	962,420	12.9	124,152	416,951
2027	993,699	12.9	128,187	419,307
2028	1,025,994	12.9	132,353	420,928
2029	1,059,339	12.9	136,655	421,732

Fire Division:

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2020	\$ 850,783	14.2%	\$120,811	\$ 308,232
2021	878,433	14.2	124,737	312,455
2022	906,982	14.2	128,791	316,395
2023	936,459	14.2	132,977	320,012
2024	966,894	14.2	137,299	323,264
2025	998,318	14.2	141,761	326,103
2026	1,030,763	14.2	146,368	328,478
2027	1,064,263	14.2	151,125	330,334
2028	1,098,852	14.2	156,037	331,611
2029	1,134,565	14.2	161,108	332,244



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.

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:rmn

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

