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ACTUARIAL COST STATEMENT FOR PROPOSED CHANGES FOR THE MID-COUNTY FIRE PROTECTION DISTRICT PENSION PLAN

Prepared September 4, 2020

This actuarial statement is to disclose the financial impact of the Substantial Proposed Changes to the Mid-County Fire Protection District Pension Plan which would become effective on December 1, 2020. This statement is prepared using the actuarial assumptions and methods employed in the last annual actuarial valuation in accordance with R.S.Mo. § 105.665.

Proposed Changes

Pension Benefit Formula

The current pension benefit equals $55.00 times Credited Service (maximum 20 years).

Under the proposal, participants that are age 55 and whose combination of full years of age and full years of service equal or exceed 75 determined as of January 1, 2021 would become eligible for a Voluntary Early Retirement Program (VERP) that provides an additional monthly benefit of $50.00 times Credited Service (with a minimum additional monthly benefit of $1,000) from voluntary retirement date December 1, 2020 through attaining age 66.

Under the proposal, the future mandatory retirement age is set to age 62 except for all employees who are age 62 as of September 1, 2020. Mandatory retirement age of 62 becomes effective for these grandfathered participants on September 1, 2023.

Actuarial Analysis

1. Part of the basis of the proposed change is to institute a mandatory retirement age in a manner that limits the impact on individuals close to or over age 62.

2. The actuarial valuation assumes a retirement age of 55. The proposed mandatory retirement age of 62 has no impact on the actuarial valuation.

3. Attached is a 10-year projection of the current plan and the proposed plan.

4. The Voluntary Early Retirement Program generates potential additional pension liability for five eligible participants currently over age 55 and whose combination of full years of service and years of age exceed 75 as of January 1, 2021.

5. The District is paying the contribution rate determined by the Annual Cost in item 6 below.

6. The below table summarizes the January 1, 2021 impact of the Proposed Benefit:

	Current	**Proposed**
ACCRUED LIABILITY	$2,642,000	$3,099,000
ESTIMATED ASSETS	$2,413,000	$2,406,000
UNFUNDED ACCRUED LIABILITY	$229,000	$693,000
ACCRUED LIABILITY FUNDED RATIO	91.3%	77.6%
NORMAL COST	$62,000	$62,000
NORMAL COST AS A % OF PAYROLL	3.0%	3.0%
EXPENSES	$8,000	$8,000
20 YEAR AMORT OF UNFUNDED LIABILITY	$19,000	$57,000
AMORT AS A % OF PAYROLL	0.9%	2.7%
ANNUAL COST (beginning of year)	$89,000	$127,000
ANNUAL COST (end of year)	$94,000	$135,000
ANNUAL COST AS A % OF PAYROLL	4.5%	6.5%
EXPECTED CONTRIBUTION	$94,000	$135,000
ASSUMED PAYROLL	$2,076,000	$2,076,000
EXPECTED BENEFIT PAYMENTS	$143,000	$221,000

7. The post-change contribution rate initially is $135,000, which is 6.50% of payroll. This amount decreases over time because the contribution is set to decrease the Unfunded Accrued Liability over an open 20-year period.

8. As shown in the projections, we do not believe that the proposed change would impair the ability of the plan to meet the obligations thereof in effect at the time the proposal is made.

9. The assumptions used for this analysis are listed in the cost projection exhibits and the 1/1/2020 actuarial report that has been attached.

10. We believe the assumptions used for the actuarial valuation produce results which, in the aggregate, are reasonable.

11. Individual Entry Age Normal method is used for the actuarial valuation. Unfunded Actuarial Liabilities are amortized over an open 20-year period. The Unfunded Accrued Liability equals the Accrued Liability less the Actuarial Value of Assets.

Ekon Benefits

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MID-COUNTY FIRE PROTECTION DISTRICT PENSION PLAN
10 YEAR COST PROJECTION UNDER CURRENT PLAN

	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
ACCRUED LIABILITY	$2,537,667	$2,642,000	$2,719,000	$2,795,000	$2,879,000	$2,972,000	$3,024,000	$3,083,000	$3,149,000	$3,223,000	$3,271,000
ESTIMATED ASSETS	$2,298,990	$2,413,000	$2,499,000	$2,584,000	$2,677,000	$2,779,000	$2,840,000	$2,907,000	$2,980,000	$3,062,000	$3,118,000
UNFUNDED ACCRUED LIABILITY	$238,677	$229,000	$220,000	$211,000	$202,000	$193,000	$184,000	$176,000	$169,000	$161,000	$153,000
ACCRUED LIABILITY FUNDED RATIO	90.6%	91.3%	91.9%	92.5%	93.0%	93.5%	93.9%	94.3%	94.6%	95.0%	95.3%
NORMAL COST	$55,380	$62,000	$69,000	$73,000	$76,000	$72,000	$75,000	$78,000	$82,000	$79,000	$76,000
EXPENSES	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
20 YEAR AMORT OF UNFUNDED LIABILITY	$19,631	$19,000	$18,000	$17,000	$17,000	$16,000	$15,000	$14,000	$14,000	$13,000	$13,000
ANNUAL COST (beginning of year)	$83,011	$89,000	$95,000	$98,000	$101,000	$96,000	$98,000	$100,000	$104,000	$100,000	$97,000
ANNUAL COST (end of year)	$87,992	$94,000	$101,000	$104,000	$107,000	$102,000	$104,000	$106,000	$110,000	$106,000	$103,000
COST AS A % OF PAYROLL	4.4%	4.5%	4.7%	4.6%	4.6%	4.4%	4.3%	4.2%	4.2%	4.1%	3.9%
EXPECTED CONTRIBUTION - EMPLOYER	$87,992	$94,000	$101,000	$104,000	$107,000	$102,000	$104,000	$106,000	$110,000	$106,000	$103,000
ASSUMED PAYROLL	$2,010,000	$2,076,000	$2,147,000	$2,244,000	$2,345,000	$2,299,000	$2,403,000	$2,511,000	$2,624,000	$2,599,000	$2,655,000
EXPECTED BENEFIT PAYMENTS	103,133	143,000	156,000	156,000	156,000	197,000	196,000	196,000	196,000	222,000	223,000

Assumptions

Discount Rate	6.00%
Rate of Return	6.00%
Aggregate Payroll Growth	4.50%
Inflation	2.75%

Assumes Level Population (New Hires Replace Retirements)

MID-COUNTY FIRE PROTECTION DISTRICT PENSION PLAN
10 YEAR COST PROJECTION UNDER PROPOSED BENEFIT

	1/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030
ACCRUED LIABILITY	$2,537,667	$3,099,000	$3,123,000	$3,143,000	$3,168,000	$3,202,000	$3,200,000	$3,202,000	$3,228,000	$3,274,000	$3,293,000
ESTIMATED ASSETS	$2,298,990	$2,406,000	$2,454,000	$2,496,000	$2,543,000	$2,598,000	$2,617,000	$2,639,000	$2,684,000	$2,749,000	$2,786,000
UNFUNDED ACCRUED LIABILITY	$238,677	$693,000	$669,000	$647,000	$625,000	$604,000	$583,000	$563,000	$544,000	$525,000	$507,000
ACCRUED LIABILITY FUNDED RATIO	90.6%	77.6%	78.6%	79.4%	80.3%	81.1%	81.8%	82.4%	83.1%	84.0%	84.6%
NORMAL COST	$55,380	$62,000	$69,000	$73,000	$76,000	$72,000	$75,000	$78,000	$82,000	$79,000	$76,000
EXPENSES	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
20 YEAR AMORT OF UNFUNDED LIABILITY	$19,631	$57,000	$55,000	$53,000	$51,000	$50,000	$48,000	$46,000	$45,000	$43,000	$42,000
ANNUAL COST (beginning of year)	$83,011	$127,000	$132,000	$134,000	$135,000	$130,000	$131,000	$132,000	$135,000	$130,000	$126,000
ANNUAL COST (end of year)	$87,992	$135,000	$140,000	$142,000	$143,000	$138,000	$139,000	$140,000	$143,000	$138,000	$134,000
COST AS A % OF PAYROLL	4.4%	6.5%	6.5%	6.3%	6.1%	6.0%	5.8%	5.6%	5.4%	5.3%	5.0%
EXPECTED CONTRIBUTION - EMPLOYER	$87,992	$135,000	$140,000	$142,000	$143,000	$138,000	$139,000	$140,000	$143,000	$138,000	$134,000
ASSUMED PAYROLL	$2,010,000	$2,076,000	$2,147,000	$2,244,000	$2,345,000	$2,299,000	$2,403,000	$2,511,000	$2,624,000	$2,599,000	$2,655,000
EXPECTED BENEFIT PAYMENTS	109,633	221,000	234,000	234,000	230,000	263,000	262,000	242,000	228,000	254,000	254,000

Assumptions

Discount Rate	6.00%
Rate of Return	6.00%
Aggregate Payroll Growth	4.50%
Inflation	2.75%

Assumes Level Population (New Hires Replace Retirements)