



June 24, 2019 E-Mail

Ms. Elizabeth Althoff
 Legislative & Communications Coordinator
 Missouri Local Government
 Employees Retirement System
 P.O. Box 1665
 Jefferson City, Missouri 65102

Re: Stoddard County Health Department Split (#1155)

Dear Elizabeth:

As you requested, we have performed actuarial valuations as of February 28, 2019 for the active members reported as Health members and the remaining active members of the General department of Stoddard County. The results of the actuarial valuations follow (contribution rates shown below are uncapped employer contribution rates):

	Health Subdepartment	Other General Subdepartments	Combined
<u>Member Statistics</u>			
Number Active	12	47	59
Payroll	\$434,964	\$1,546,420	\$1,981,384
Average Pay	36,247	28,452	34,049
Accumulated Contributions (Actives)	5,597	32,903	33,583
Number Deferred	0	23	23
<u>Actuarial Accrued Liabilities (AAL)</u>			
Active AAL	\$708,476	\$2,222,985	\$2,931,461
Deferred AAL	0	795,735	795,735
Total AAL	\$708,476	\$3,018,720	\$3,727,196
<u>Actuarial Value of Assets</u>			
Members Deposit Fund (MDF)	\$ 5,597	\$ 40,769	\$ 46,366
Employer Accumulation Fund (EAF)*	787,990	3,340,595	4,128,585
Total Assets	\$793,587	\$3,381,364	\$4,174,951
Unfunded Actuarial Accrued Liability (UAAL)	\$(85,111)	\$(362,644)	\$(447,755)
<u>Computed Employer Contribution Rate</u>			
Current Service Cost	9.20%	9.00%	9.10%
Disability Cost	0.30	0.30	0.30
Prior Service Cost	(1.70)	(2.10)	(2.00)
Total Employer Contribution Rate (Uncapped)	7.80%	7.20%	7.40%

* Assets allocated to each division are estimated.

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 Stoddard County.

The results shown on the previous page 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%.

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 benefit provisions as of February 28, 2019. This would require an accounting transfer based on market value, as of February 28, 2019, of \$439,910 of EAF assets to the Health subdepartment. The remainder of the EAF assets would be allocated to the remaining General department.

Per LAGERS staff, deferred members as of February 28, 2019 were valued with the General subdepartment.

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

Benefit Program:	L-7
Final Average Salary:	5 Years
Member Contributions:	Non-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.



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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,

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

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

