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July 12, 2023 E-Mail

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

Re: The City of Springfield Public Safety Department Split (#0981)

Dear Jeff:

As you requested, we have performed actuarial valuations as of February 28, 2023 for the active and deferred members reported as Public Safety members and the remaining active and deferred members of the General department of the City of Springfield. The results of the actuarial valuations follow (contribution rates shown below are uncapped employer contribution rates):

	Public Safety Subdepartment	Other General Subdepartments	Combined
Member Statistics			
Number Active	48	1,173	1,221
Payroll	$2,600,204	$70,730,043	$73,330,247
Average Pay	54,171	60,298	60,058
Accumulated Contributions (Actives)	10,434	933,003	943,437
Number Deferred	0	417	417
Actuarial Accrued Liabilities (AAL)			
Active AAL	$4,260,267	$168,858,210	$173,118,477
Deferred AAL	0	22,907,058	22,907,058
Increase AAL - Public Safety Provisions and Assumptions	846,803	0	0
Total AAL	$5,107,070	$191,765,268	$196,025,535
Actuarial Value of Assets			
Members Deposit Fund (MDF)	$10,434	$1,311,674	$1,322,108
Employer Accumulation Fund (EAF)*	3,703,160	165,846,494	169,549,654
Total Assets	$3,713,594	$167,158,168	$170,871,762
Funded Ratio	72.7%	87.2%	87.2%
Unfunded Actuarial Accrued Liability (UAAL)	$1,393,476	$24,607,100	$25,153,773
Computed Employer Contribution Rate			
Normal Cost Rate	12.80%	12.30%	12.30%
Casualty Rate	0.50	0.50	0.50
Prior Service Cost Rate	5.10	4.40	4.40
Total Employer Contribution Rate (Uncapped)	18.40%	17.20%	17.20%

** Assets allocated to each division are estimated.*

The Public Safety subdepartment is valued using public safety benefit provisions (normal retirement and deferred age equal to 55) and public safety assumptions. For members proposed to be covered in the Public Safety subdepartment, the actuarial accrued liability increased by $846,803 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, 2023 annual actuarial valuation report for the City of Springfield. 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 Public Safety 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, 2023. This would require an accounting transfer based on market value, as of February 28, 2023, of $3,683,582 of EAF assets to the Public Safety department with the remainder staying in the General department.

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 Public Safety plan provisions and assumptions. The projections below only include members eligible for the Public Safety subdepartment.

		Present Plan			Alternate Plan			Change due to Proposed Provisions		
		Estimated Employer Contribution		Estimated Difference	Estimated Employer Contribution		Estimated Difference	Estimated Employer Contribution		Estimated Difference
Valuation Date	Estimated Projected Payroll	As a % of Payroll	Annual Dollars	Between AAL and AVA	As a % of Payroll	Annual Dollars	Between AAL and AVA	As a % of Payroll	Annual Dollars	Between AAL and AVA
2023	$ 2,600,204	13.30%	$ 345,827	$ 546,673	18.40%	$ 478,438	$ 1,393,476	5.10%	$ 132,611	$ 846,803
2024	2,671,710	13.30%	355,337	512,713	18.40%	491,595	1,353,995	5.10%	136,258	841,282
2025	2,745,182	13.30%	365,109	474,390	18.40%	505,113	1,307,982	5.10%	140,004	833,592
2026	2,820,675	13.30%	375,150	431,343	18.40%	519,004	1,254,876	5.10%	143,854	823,533
2027	2,898,244	13.30%	385,466	383,187	18.40%	533,277	1,194,076	5.10%	147,811	810,889
2028	2,977,946	13.30%	396,067	329,505	18.40%	547,942	1,124,931	5.10%	151,875	795,426
2029	3,059,840	13.30%	406,959	269,851	18.40%	563,011	1,046,746	5.10%	156,052	776,895
2030	3,143,986	13.30%	418,150	203,747	18.40%	578,493	958,773	5.10%	160,343	755,026
2031	3,230,446	11.40%	368,271	130,678	16.50%	533,024	860,207	5.10%	164,753	729,529
2032	3,319,283	11.40%	378,398	113,358	16.50%	547,682	813,451	5.10%	169,284	700,093

The results shown for each employer only include members reported to LAGERS as of the valuation date, February 28, 2023. The methods and assumptions used in the actuarial valuations were the same as those used in the annual actuarial valuations as of February 28, 2023. In particular, the assumed rate of investment return was 7.00% and the assumed rate of payroll growth was 2.75%.

The actuarial valuation results presented on the previous pages are based upon the employer's benefit provisions as of February 28, 2023. A summary follows:

Provisions	ER #0981
Benefit Program	L-6
Final Average Salary	3 Years
Member Contribution Rate	0%
Retirement Eligibility*	Regular

** Members hired prior to May 1, 2005 are covered under the Rule of 80 provision.*

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.

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 and has no material limitations or known weaknesses. 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.

Please call if you have any questions.

Sincerely,
Gabriel, Roeder, Smith & Company

Mita Drazilov

Mita D. Drazilov, ASA, FCA, MAAA

MDD:dj

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