October 23, 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: City of Sikeston Public Safety Department Split (#0965)

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 City of Sikeston. 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	7	41	48
Payroll	$252,346	$1,826,492	$2,078,838
Average Pay	36,049	44,549	43,309
Accumulated Contributions (Actives)	-	-	-
Number Deferred	0	23	23
Actuarial Accrued Liabilities (AAL)			
Active AAL	$428,317	$4,372,174	$4,800,491
Deferred AAL	0	744,326	744,326
Increase AAL - Police Provisions and Assumptions	54,548	0	0
Total AAL	$482,865	$5,116,500	$5,544,817
Actuarial Value of Assets			
Members Deposit Fund (MDF)	$ 0	$ 3,843	$ 3,843
Employer Accumulation Fund (EAF)*	487,831	5,823,584	6,311,415
Total Assets	$487,831	$5,827,427	$6,315,258
Funded Ratio	101.0%	113.9%	113.9%
Unfunded Actuarial Accrued Liability (UAAL)	($4,966)	($710,927)	($770,441)
Computed Employer Contribution Rate			
Current Service Cost	12.20%	9.20%	9.20%
Disability Cost	0.60	0.30	0.30
Prior Service Cost	(0.30)	(3.10)	(3.00)
Total Employer Contribution Rate (Uncapped)	12.50%	6.40%	6.50%

* 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 $54,548 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 City of Sikeston. 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 $488,270 of EAF assets to the Public Safety department. The remainder of the EAF assets would be allocated to the remaining General department.

Deferred members as of February 28, 2019 for each employer were valued with the General subdepartment.

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.

		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
2019	$ 252,346	7.70%	$ 19,431	($ 59,514)	12.50%	$ 31,543	($ 4,966)	4.80%	$ 12,112	$ 54,548
2020	260,547	7.90%	20,583	(58,912)	12.70%	33,089	(4,507)	4.80%	12,506	54,405
2021	269,015	8.00%	21,521	(58,549)	12.80%	34,434	(4,431)	4.80%	12,913	54,118
2022	277,758	8.20%	22,776	(58,441)	13.00%	36,109	(4,768)	4.80%	13,333	53,673
2023	286,785	8.30%	23,803	(58,609)	13.10%	37,569	(5,556)	4.80%	13,766	53,053
2024	296,106	8.50%	25,169	(59,073)	13.30%	39,382	(6,831)	4.80%	14,213	52,242
2025	305,729	8.60%	26,293	(59,856)	13.40%	40,968	(8,635)	4.80%	14,675	51,221
2026	315,665	8.70%	27,463	(60,982)	13.50%	42,615	(11,013)	4.80%	15,152	49,969
2027	325,924	8.80%	28,681	(62,478)	13.60%	44,326	(14,013)	4.80%	15,645	48,465
2028	336,517	8.90%	29,950	(64,372)	13.70%	46,103	(17,686)	4.80%	16,153	46,686

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 #0965**
Benefit Program:	LT-8(65)
Final Average Salary:	3 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.

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 Drazilov

Mita D. Drazilov, ASA, FCA, MAAA

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