



March 31, 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 Independence Public Safety Department Split (#0167)**

Dear Jeff:

As you requested, we have performed actuarial valuations as of February 28, 2022 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 Independence. The results of the actuarial valuations follow (contribution rates shown below are uncapped employer contribution rates):

	Public Safety Subdepartment	Other General Subdepartments	Combined
<u>Member Statistics</u>			
Number Active	25	541	566
Payroll	\$1,534,328	\$39,500,861	\$41,035,189
Average Pay	61,373	73,015	72,500
Accumulated Contributions (Actives)	347,733	11,180,539	11,528,272
Number Deferred	0	199	199
<u>Actuarial Accrued Liabilities (AAL)</u>			
Active AAL	\$2,090,248	\$97,401,002	\$99,491,250
Deferred AAL	0	14,400,059	14,400,059
Increase AAL - Public Safety Provisions and Assumptions	385,582	0	0
Total AAL	\$2,475,830	\$111,801,061	\$113,891,309
<u>Actuarial Value of Assets</u>			
Members Deposit Fund (MDF)	\$347,733	\$13,291,057	\$13,638,790
Employer Accumulation Fund (EAF)*	564,432	35,497,879	36,062,311
Total Assets	\$912,165	\$48,788,936	\$49,701,101
Funded Ratio	36.8%	43.6%	43.6%
Unfunded Actuarial Accrued Liability (UAAL)	\$1,563,665	\$63,012,125	\$64,190,208
<u>Computed Employer Contribution Rate</u>			
Normal Cost Rate	8.50%	8.10%	8.00%
Casualty Rate	0.50	0.50	0.50
Prior Service Cost Rate	10.60	18.10	17.80
Total Employer Contribution Rate (Uncapped)	19.60%	26.70%	26.30%

\* 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 \$385,582 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, 2022 annual actuarial valuation report for the City of Independence. 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, 2022. This would require an accounting transfer based on market value, as of February 28, 2022, of \$625,970 of EAF assets to the Public Safety department with the remainder staying in the General department. Splitting the transfer to the Public Safety department between Jailors and Emergency Telecommunicators results in \$267,607 attributable to Jailors and \$358,363 attributable to Emergency Telecommunicators.

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.

Valuation Date	Estimated Projected Payroll	Present Plan			Alternate Plan			Change due to Proposed Provisions		
		Estimated Employer Contribution		Estimated Difference Between AAL and AVA	Estimated Employer Contribution		Estimated Difference Between AAL and AVA	Estimated Employer Contribution		Estimated Difference Between AAL and AVA
		As a % of Payroll	Annual Dollars		As a % of Payroll	Annual Dollars		As a % of Payroll	Annual Dollars	
2022	\$ 1,534,328	15.40%	\$ 236,287	\$ 1,178,083	19.60%	\$ 300,728	\$ 1,563,665	4.20%	\$ 64,441	\$ 385,582
2023	1,576,522	15.40%	242,784	1,121,981	19.60%	308,998	1,505,049	4.20%	66,214	383,068
2024	1,619,876	15.40%	249,461	1,058,141	19.60%	317,496	1,437,708	4.20%	68,035	379,567
2025	1,664,423	15.40%	256,321	985,918	19.60%	326,227	1,360,905	4.20%	69,906	374,987
2026	1,710,195	15.40%	263,370	904,616	19.60%	335,198	1,273,845	4.20%	71,828	369,229
2027	1,757,225	15.40%	270,613	813,488	19.60%	344,416	1,175,676	4.20%	73,803	362,188
2028	1,805,549	15.40%	278,055	711,734	19.60%	353,888	1,065,484	4.20%	75,833	353,750
2029	1,855,202	12.90%	239,321	598,493	17.10%	317,240	942,285	4.20%	77,919	343,792
2030	1,906,220	13.70%	261,152	521,286	17.90%	341,213	853,468	4.20%	80,061	332,182
2031	1,958,641	10.70%	209,575	420,161	14.90%	291,838	738,940	4.20%	82,263	318,779

The results shown for each employer only include members reported to LAGERS as of the valuation date, February 28, 2022. The methods and assumptions used in the actuarial valuations were the same as those used in the annual actuarial valuations as of February 28, 2022. 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, 2022. A summary follows:

Provisions	ER #0167
Benefit Program	L-6
Final Average Salary	3 Years
Member Contribution Rate	4%
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.

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 D. Drazilov, ASA, FCA, MAAA

MDD:dj

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

