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September 28, 2017 E-mail

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

Re: The City of Winfield (#7056) – Police Department

Dear Elizabeth:

As you requested, we have determined the initial computed employer contribution rate for the City of Winfield Police department based upon the current benefit provisions elected by the subdivision (L-1, 5 year FAC, contributory, and regular retirement) and proposed provisions under consideration (**L-3**, 5 year FAC, contributory, and regular retirement). The cost to the employer is shown assuming that prior service would be covered under LAGERS for vesting and benefit purposes.

	Current Provisions	**Proposed Provisions**
As of August 31, 2017	**Police**	**Police**
Current Service Cost	4.3%	6.0%
Disability Cost	0.4	0.5
Prior Service Cost	0.6	0.8
Total Employer Contribution Rate	5.3%	7.3%
Increase in Unfunded Actuarial Accrued Liability	$15,543	$20,010

The results above are based upon a 30-year amortization of the increase in the unfunded actuarial accrued liability (UAAL). A summary of the active member data used for the initial valuation is shown below:

Active Members as of March 31, 2017

Division	Number	Payroll	Avg. Payroll	Avg. Age	Avg. Service
Police	4	$144,008	$36,002	36.6 years	1.2 years

Below are projections needed to comply with Missouri state disclosure requirements (Section 105.660 of the RSMo) regarding the adoption of LAGERS benefits by a political subdivision. The projections assume that only new members would join LAGERS.

Police Division:

L-1 Benefit Program, 5 Year FAS, Contributory, Regular Retirement

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2016	$ 144,008	5.3%	$7,632	$ 15,543
2017	148,688	5.3	7,880	15,756
2018	153,520	5.3	8,137	15,955
2019	158,509	5.3	8,401	16,137
2020	163,661	5.3	8,674	16,301
2021	168,980	5.3	8,956	16,444
2022	174,472	5.3	9,247	16,564
2023	180,142	5.3	9,548	16,658
2024	185,997	5.3	9,858	16,722
2025	192,042	5.3	10,178	16,754

L-3 Benefit Program, 5 Year FAS, Contributory, Regular Retirement

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2016	$ 144,008	7.3%	$10,513	$ 20,558
2017	148,688	7.3	10,854	20,840
2018	153,520	7.3	11,207	21,103
2019	158,509	7.3	11,571	21,344
2020	163,661	7.3	11,947	21,561
2021	168,980	7.3	12,336	21,750
2022	174,472	7.3	12,736	21,908
2023	180,142	7.3	13,150	22,032
2024	185,997	7.3	13,578	22,117
2025	192,042	7.3	14,019	22,159

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.

The methods and assumptions used in the initial valuation were the same as those used in the LAGERS annual actuarial valuations as of February 28, 2017. In particular, the assumed rate of investment return was 7.25% and the assumed rate of payroll growth was 3.25%.

If the City participates in LAGERS for the Police Department, the actuarial valuation will be prepared using the LAGERS assumptions, as adopted by the LAGERS Retirement Board. If future experience follows the LAGERS assumptions, the contribution rate calculated in this report will remain approximately level. If future experience is worse than the LAGERS assumptions, the contribution rate will gradually increase over time.

Mita D. 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.

Sincerely,

Mita Drazilov

Mita D. Drazilov, ASA, MAAA

MDD:mdd

cc: Judy Kermans
Michael Gano