



December 22, 2017 E-mail

Mr. Jeff Kempker
Manager of Member Services
Missouri Local Government
Employees Retirement System
P.O. Box 1665
Jefferson City, Missouri 65102

Re: The City of St. Joseph (#1171) – Police Department

Dear Jeff:

As you requested, we have determined the initial computed employer contribution rate for the City of St. Joseph Police department based upon the benefit provisions being considered by the subdivision (L-11, 3 year FAC, contributory, and regular retirement). The cost to the employer is shown assuming that all members would join LAGERS and that prior service would be granted for benefits and eligibility purposes.

<u>As of August 31, 2017</u>	Police
Current Service Cost	11.9%
Disability Cost	1.0
Prior Service Cost	<u>19.3</u>
Total Employer Contribution Rate	32.2%
Increase in Unfunded Actuarial Accrued Liability	\$22,461,727

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:

<u>Active Members as of August 31, 2017</u>					
				<u>Avg. Age</u>	<u>Avg. Service</u>
<u>Division</u>	<u>Number</u>	<u>Payroll</u>	<u>Avg. Payroll</u>		
Police	132	\$6,609,917	\$50,075	38.5 years	11.6 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 all members would join LAGERS and that prior service would be granted for benefit and eligibility purposes only.

Police Division:

Valuation Year	Estimated Projected Payroll	Contribution		Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2017	\$ 6,609,917	32.2%	\$2,128,393	\$ 22,461,727
2018	6,824,739	32.2	2,197,566	22,769,449
2019	7,046,543	32.2	2,268,987	23,056,557
2020	7,275,556	32.2	2,342,729	23,320,161
2021	7,512,012	32.2	2,418,868	23,557,115
2022	7,756,152	32.2	2,497,481	23,764,002
2023	8,008,227	32.2	2,578,649	23,937,107
2024	8,268,494	32.2	2,662,455	24,072,392
2025	8,537,220	32.2	2,748,985	24,165,481
2026	8,814,680	32.2	2,838,327	24,211,624

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.

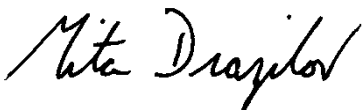
The long term costs are financed by a series of employer and member contributions. The series of contributions is flexible. If more is contributed in early years, less has to be contributed in later years, and vice-versa. Over time the series of contributions has to have the same value as benefits and 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 rates calculated in this report will remain approximately level. If future experience is worse than the LAGERS assumptions, the contribution rates 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 D. Drazilov, ASA, MAAA

MDD:mdd

cc: Judy Kermans
Michael Gano



December 22, 2017 E-Mail

Mr. Jeff Kempker
Assistant Executive Director, Member Services
Missouri Local Government
Employees Retirement System
P.O. Box 1665
Jefferson City, Missouri 65102

Re: City of St. Joseph - Lump Sum Payment

Dear Jeff:

It is our understanding that the City of St. Joseph Police division is considering making a lump sum payment to cover a portion of its unfunded actuarial accrued liability. By paying off a portion of its unfunded actuarial accrued liability, the prior service cost component of the computed employer contribution rate becomes smaller. A lump sum contribution of \$1,000,000 for the Police division would reduce the computed employer contribution rate (as of August 31, 2017) by 0.90% of payroll.

Active member data included in the August 31, 2017 initial actuarial valuation is shown below:

Active Members as of August 31, 2017

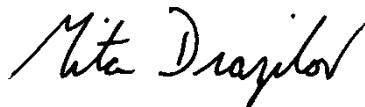
<u>Division</u>	<u>Number</u>	<u>Payroll</u>	<u>Avg. Payroll</u>	<u>Avg. Age</u>	<u>Avg. Benefit Service</u>	<u>Avg. Vesting Service</u>
Police	132	\$6,609,917	\$50,075	38.5 years	11.6 years	11.6 years

The methods and assumptions used were the same as those used in the 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%. The amortization period used was a closed 30-year period.

Mita D. Drazilov is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the Academy of Actuaries to render the actuarial opinions herein.

Please call if you have any questions.

Sincerely,



Mita D. Drazilov, ASA, FCA, MAAA

MDD:bd