McCloud & Associates, Inc.

June 6, 2018

Board of Trustees
City of St. Joseph, Policemen's Pension Fund (the "Plan")

c/o Mr. Tom Mahoney
Director of Financial Services
City of St. Joseph
1100 Frederick Avenue, Room 107
St. Joseph, MO 64501

Cost statement of Proposed Changes to the Plan

Dear Board Members:

According to Missouri Revised Statute 105.665: 1. The legislative body or committee thereof which determines the amount and type of plan benefits to be paid shall, before taking final action on any substantial proposed change in plan benefits, cause to be prepared a statement regarding the cost of such change.

The Board is considering making the following changes to the Plan:

- Amending the definition of Highest Average Salary to be a 36 month average. Currently, a 12 month average is used.
- Amending the sections of the Plan regarding Plan vesting to clarify that 20 years of service continues to be required for vesting purposes.
- Amending the sections of the Plan regarding Normal Retirement Age to require 20 years of service and the attainment of age 55. Currently, there is no age requirement.

The following cost statement employs the methods used in preparing the most recent periodic actuarial valuation for the plan and addresses the requirements in the order they are requested in the Statute:

(1) The total level normal cost of plan benefits currently in effect, is $1,135,545. Expressed as a percent of active employee payroll is 17.7%.

(2) The contribution for unfunded accrued liabilities currently payable by the plan is $1,128,049. Expressed as a percent of active employee payroll over a period of 20 years is 17.6%;

(3) The total contribution rate, which is the total of the normal cost percent plus the contribution percent for unfunded accrued liabilities adjusted with interest is $2,424,309. Expressed as a percent of active employee payroll over a period of 20 years is 37.8%;

(4) The legislative body is currently paying the total contribution rate as defined in subdivision (3) of this subsection;

(5) The plan's actuarial value of assets, market value of assets, actuarial accrued liability, and funded ratio as defined in section 105.660 as of the most recent actuarial valuation is:

Actuarial Value of Assets	$40,226,391
Market Value of Assets	$41,615,167
Actuarial Accrued Liability	$55,046,537
Funded Ratio	73.1%

(6) The total post-change contribution rate is $2,010,000. Expressed as a percent of active employee payroll over a period of 20 years is 29.9%;

(7) The intent of the Employer is to move the existing population of active participants to the LAGERS state pension Plan. Thus projections based solely on the plan changes will not be accurate. The benefit changes outlined here are directly related to and were required by LAGERS in conjunction with the proposed shift of Employer provided benefits. For this reason, projections are not included with this report.

(8) No additional contributions are mandated by the proposed change;

(9) The proposed change would not, in any way, impair the ability of the plan to meet the remaining obligations thereof in effect at the time the proposal is made;

(10) All assumptions relied upon to evaluate the present financial condition of the plan and all assumptions relied upon to evaluate the impact of the proposed change upon the financial condition of the plan, which are those assumptions used in preparing the most recent periodic actuarial valuation for the plan, are:

(a) Investment return of 7.10%;

(b) Pay increases of 3.0%;

(c) Mortality of employees and officials, and other persons who may receive benefits under the plan is the RP-2014 tables for Blue Collar employees and healthy annuitants projected with generational improvements from 2006 at the most recently available scale (MP-2017);

(d) Withdrawal (turnover) is based on past experience of the Plan. Sample rates are as follows:

Age	Annual Rates of Termination
25	5.00%
30	4.50
35	3.55
40	1.45
45	0.75
50	0.75

(e) Disability is based on past experience of the Plan. Sample rates are as follows:

Annual Rates of Disability

Age	Rate
25	0.17%
30	0.21
40	0.35
50	0.76
55	1.15
60	1.93

(f) Retirement is based on past experience of the Plan. Sample rates are as follows:

Annual Rates of Retirement

Age	Rate
40	15.0%
45	15.0
50	8.0
55	15.0
60	5.0
65+	100.0

(g) There has been no change in active employee group size;

(11) As the Plan actuary I certify that the assumptions used for the valuation produce results which, in the aggregate, are reasonable;

(12) Actuarial Method Used for the Valuation – Entry Age Normal

Normal Cost. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

The annual normal costs for each individual active Member, payable from date of hire to date of retirement, are sufficient to accumulate the value of the Member's benefit at the time of retirement;

Each annual normal cost is a constant percentage of the Member's year-by-year projected covered pay.

The excess of accrued assets over actuarial accrued assets was amortized as a level percent-of-payroll over 20 years.

Respectfully submitted,

Traci M. Christian, EA, MAAA, MSPA, FCA