Aon Hewitt

July 27, 2012

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Ms. Ronda Stegmann
Executive Director
State Capitol, Room 219-A
Jefferson City, MO 65101
Sent by e-mail to rstegmann@senate.mo.gov

Dear Ms. Stegmann:

Subject: City of Clayton Retirement Plan for Non-Uniformed Employees

We have prepared the Cost Statement required under §105.665 of the Revised Missouri Statutes for the changes to the City of Clayton Retirement Plan for Non-Uniformed Employees. The changes are summarized on the attachment.

Please let me know if you have any questions about this cost statement. I can be reached at (314) 854-0859

Sincerely,

Aon Hewitt

Jill Shaw

Jill C. Shaw

JCS:kls
Enclosure
cc: Ms. Janet Watson, City Of Clayton
Mr. Andrew J. Witte, Aon Hewitt

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Cost Statement for Proposed Pension Plan Changes
City of Clayton Retirement Plan for Non-Uniformed Employees

The City of Clayton has proposed the following change to the City of Clayton Retirement Plan for Non-Uniformed Employees (the "Plan") effective January 1, 2013:

Active non-uniformed employees of the City of Clayton at least age 55 with vesting service of at least 10 years as of January 1, 2013 can elect to enter into a deferred retirement option plan (DROP) arrangement equivalent to a maximum of 0-3 years of back DROP benefits and 0-1 years of forward DROP benefits, not to exceed 3 years of DROP benefits in total. The DROP benefits include cost of living adjustments and are subject to the early retirement reduction as stated by the plan.

The following representations are made pursuant to Section §105.665 of the Revised Missouri Statutes:

1. The level normal cost, as a percentage of compensation, of the plan currently in effect is estimated to be 5.50% as of July 1, 2012.
2. The contribution for unfunded accrued liabilities for the current plan is 5.69% with an amortization period for unfunded actuarial accrued liabilities equal to 15 years.
3. The total contribution rate for the current plan is 11.19%. The City of Clayton is currently paying the recommended contribution amount which is the normal cost plus a 15 year amortization of the unfunded actuarial accrued liabilities.
4. The total contribution rate required to fund the proposed changes described above is 11.46%.
5. Additional contributions are mandated by the proposed changes.
6. The proposed changes are not projected to impair the ability of the plan to meet its obligations in effect at the time of the proposed changes.
7. The actuarial assumptions used in preparing these actuarial cost calculations include:

(a) Investment return	7.00% per year
(b) Annual pay increases	4.50% per year
(c) Mortality	2012 Static Mortality Table for Annuitants and Non-Annuitants
(d) Withdrawal	See Table Below
(e) Disablement	See Table Below

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Cost Statement for Proposed Pension Plan Changes
City of Clayton Retirement Plan for Non-Uniformed Employees
(Continued)

The withdrawal rates shown are ultimate rates for periods after the first two years of employment. The withdrawal rate is 20% in the first year, 15% in the second year, and the graduated rates shown in the table below for all years thereafter.

Age	Disablement	Withdrawal
25	0.064%	10.00%
30	0.075%	7.50%
35	0.092%	5.00%
40	0.124%	4.00%
45	0.188%	2.00%
50	0.300%	1.00%
55	0.489%	0.00%
60	0.000%	0.00%
65	0.000%	0.00%

(f) Retirement age — See Table Below

Age	Retirement
55-61	10.00%
62	25.00%
63	10.00%
64	15.00%
65	75.00%
66	25.00%
67	25.00%
68	80.00%
69 & Over	100.00%

(g) Change in active employee group size	None
(h) Interest crediting rate for DROP account	4.00% per year
(i) Cost of living adjustment	2.00% annual with a 25% cumulative maximum
(j) Employee contributions	3.00% of compensation

Cost Statement for Proposed Pension Plan Changes
City of Clayton Retirement Plan for Non-Uniformed Employees
(Continued)

(k) Percentage to elect DROP — 50% of eligible employees

8. I hereby certify that, in my opinion, the assumptions used for the valuation produce results which, in the aggregate, are reasonable.

Jill Shaw

Jill C. Shaw, EA, ASA

July 27, 2012

9. The actuarial cost method used for funding is the entry age actuarial cost method. The amortization period for unfunded actuarial accrued liabilities is equal to 15 years.

10. The increase in the total annual contribution amount is 0.27% of payroll ($4,564,122), or $12,352.