



April 28, 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 Arnold (#4421) – Police Department

Dear Jeff:

As you requested, we have determined the initial computed employer contribution rate for the City of Arnold Police department based upon the current benefit provisions elected by the subdivision (L-6, 3 year FAC, non-contributory, and rule of 80 retirement). The cost to the employer is shown assuming that **only new members** would be covered under LAGERS.

As of March 31, 2017	New Employees Only
	Police
Current Service Cost	14.2%
Disability Cost	0.8
Prior Service Cost	<u>0.0</u>
Total Employer Contribution Rate	15.0%
Increase in Unfunded Actuarial Accrued Liability	\$0

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>Division</u>	<u>Number</u>	<u>Active Members as of March 31, 2017</u>			<u>Avg. Service</u>
		<u>Payroll</u>	<u>Avg. Payroll</u>	<u>Avg. Age</u>	
Police	54	\$3,331,146	\$61,688	43.5 years	11.3 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-6 Benefit Program, 3 Year FAS, Non-Contributory, Rule of 80 Retirement

Valuation Year	Estimated New Entrant Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2016	\$ -	15.0%	\$ -	\$ -
2017	285,736	15.0	42,860	-
2018	601,636	15.0	90,245	-
2019	866,123	15.0	129,918	-
2020	1,094,664	15.0	164,200	-
2021	1,314,502	15.0	197,175	-
2022	1,525,278	15.0	228,792	-
2023	1,748,784	15.0	262,318	-
2024	1,951,322	15.0	292,698	-
2025	2,166,451	15.0	324,968	-

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.

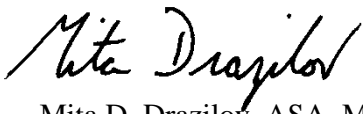
The methods and assumptions used in the initial valuation were the same as those used in the LAGERS annual actuarial valuations as of February 29, 2016. In particular, the assumed rate of investment return was 7.25% and the assumed rate of payroll growth was 3.25%.

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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,

A handwritten signature in black ink that reads "Mita Drazilov". The signature is written in a cursive style with a large initial "M".

Mita D. Drazilov, ASA, MAAA

MDD:mdd

cc: Judy Kermans
Michael Gano