



May 24, 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 Glendale (#2623) – Police and Fire Departments

Dear Jeff:

As you requested, we have determined the initial computed employer contribution rate for the City of Glendale Police and Fire departments based upon the benefit provisions being considered by the subdivision (L-6, 5 year FAC, contributory, and regular retirement). The cost to the employer is shown under two scenarios for members if the departments were to join LAGERS. The first scenario assumes that **only new members** would be covered under LAGERS. The second scenario assumes that all members would join LAGERS and that prior service would be granted for **eligibility purposes only**.

As of April 30, 2017	New Employees Only		All Members (Prior Service for Vesting Only)	
	Police	Fire	Police	Fire
Current Service Cost	9.4%	10.8%	9.4%	10.9%
Disability Cost	0.8	1.0	0.8	1.0
Prior Service Cost	<u>0.0</u>	<u>0.0</u>	<u>2.7</u>	<u>2.3</u>
Total Employer Contribution Rate	10.2%	11.8%	12.9%	14.2%
Increase in Unfunded Actuarial Accrued Liability	\$0	\$0	\$353,126	\$315,154

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 April 30, 2017</u>					
<u>Division</u>	<u>Number</u>	<u>Payroll</u>	<u>Avg. Payroll</u>	<u>Avg. Age</u>	<u>Avg. Service</u>
Police	11	\$736,514	\$66,980	43.5 years	12.3 years
Fire	11	\$772,535	\$70,230	45.6 years	16.0 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 **eligibility purposes only**.

Police Division:

L-6 Benefit Program, Contributory, 5 year FAS, Normal Retirement

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2017	\$ 736,514	12.9%	\$95,010	\$ 353,126
2018	762,292	12.9	98,336	358,548
2019	788,972	12.9	101,777	363,657
2020	816,586	12.9	105,340	368,405
2021	845,167	12.9	109,027	372,741
2022	874,748	12.9	112,842	376,608
2023	905,364	12.9	116,792	379,945
2024	937,052	12.9	120,880	382,685
2025	969,849	12.9	125,111	384,755
2026	1,003,794	12.9	129,489	386,077

Fire Division:

L-6 Benefit Program, Contributory, 5 year FAS, Normal Retirement

Valuation Year	Estimated Projected Payroll	Estimated Employer Contribution		Unfunded Actuarial Accrued Liability
		As a % of Payroll	Annual Dollars	
2017	\$ 772,535	14.2%	\$109,700	\$ 315,154
2018	799,574	14.2	113,540	319,993
2019	827,559	14.2	117,513	324,552
2020	856,524	14.2	121,626	328,789
2021	886,502	14.2	125,883	332,658
2022	917,530	14.2	130,289	336,109
2023	949,644	14.2	134,849	339,087
2024	982,882	14.2	139,569	341,532
2025	1,017,283	14.2	144,454	343,380
2026	1,052,888	14.2	149,510	344,560

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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.

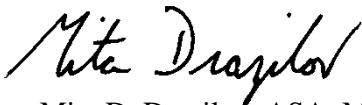
The long term costs are financed by a series of employer and member contributions. The series of contributions is flexible. If more is contributed in early years, less has to be contributed in later years, and vice-versa. Over time the series of contributions has to have the same value as benefits and 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%.

If the City participates in LAGERS for the Police and Fire Departments, the actuarial valuations 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