

July 3, 2012

VIA E-MAIL AND MAIL

Mr. C. F. Barnes
Executive Director
Missouri Sheriffs' Retirement System
P.O. Box 105257
Jefferson City, MO 65110-5257

Re: Future Cost Projections

Dear C. F.:

You requested that we perform cost projections to provide some additional information regarding the funded situation of the Missouri Sheriffs' Retirement System under the assumption that current funding levels remain constant into the future.

As you probably assume, System costs are likely to escalate over time and that will give rise to problems if the assumed contributions are at their current level of approximately \$1,800,000 annually.

Enclosed is Exhibit 1, which projects liabilities and assets for the next 25 years. Included in the liabilities and costs is a medical supplement of \$450 per month to retirees. Please note that the key items are items number 9 and 10. Item 9 shows the anticipated contribution as being \$1,800,000 annually. Item 10 indicates that a shortfall is assumed to develop and grow fairly steadily to an ultimate level of \$9.3m in 2037. In the context, we define a shortfall as the cumulative amount by which the actuarially computed costs exceed the contributions. A surplus would occur if the anticipated contributions exceed the System's actuarially computed costs. Item 2 is the System's value of assets, which are projected to be depleted by 2035 with negative values showing in 2037. Clearly, this is an indication that a contribution level of \$1,800,000 will not be sufficient to adequately fund the System's benefits.

Exhibit 2 focuses on a projection period of 10 years. Note that item 10, the shortfall/(surplus) is \$0 in the year of 2022. In order to achieve a projection of having exactly no shortfall or surplus in 10 years requires an annual contribution of \$3,014,545 (see item 9).

Exhibit 3 has a focus of 15 years, and you can see that the shortfall/(surplus) in 2027 is \$0. The annual contribution needed to achieve this result is \$3,132,481.

Exhibit 4 has a 20-year focus and the shortfall/(surplus) in 2032 is \$0. In this example, an annual contribution of \$3,240,271 is needed to achieve this result.

Finally, Exhibit 5 has a 25-year focus. The shortfall/(surplus) in 2037 is \$0. The annual contribution needed to achieve this result is \$3,336,697.

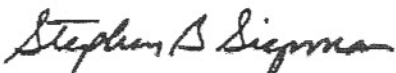
In summary, it can be determined that an annual level contribution of approximately \$3.0-\$3.3 million would be sufficient to keep the System's costs and contributions in balance over the various time periods examined. This represents a considerable increase from the level of the current contributions.

The projections are based upon the same actuarial assumptions and methods as outlined within the January 1, 2012 actuarial valuation report. Projections are based on actual experience being in accordance with those assumptions throughout the 25-year projection period. As noted above, it is assumed that the retirees are granted a \$450 medical supplement each year, and those obligations are part of the annual costs and benefit payments. No increase has been assumed in the \$450 dollar amount of the supplement. It is our understanding that the System has a legal opinion that continuing to provide the supplement does not violate Section 401(h) of the Internal Revenue Code.

If the actual System experience deviates from the actuarial assumptions, with respect to participant demographics or investment return, actual required contributions may differ. I am a member of the American Academy of Actuaries and I meet the Academy's Qualification Standards to issue this Statement of Actuarial Opinion.

Please let me know if you have any questions. We would like to discuss this information with you in advance of the upcoming Board meeting to be prepared for a presentation at that meeting.

Sincerely,



Stephen B. Siepman, F.S.A.
Principal, Retirement Consulting Actuary

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Enclosures

