

**CIVILIAN EMPLOYEES' RETIREMENT
SYSTEM OF THE POLICE DEPARTMENT OF
KANSAS CITY, MISSOURI**

A COMPONENT UNIT OF THE CITY OF
KANSAS CITY, MISSOURI

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED APRIL 30, 2021

AND

INDEPENDENT AUDITOR'S REPORT

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
A Component Unit of the City of Kansas City, Missouri

Year Ended April 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Retirement Board
Civilian Employees' Retirement System
Of the Police Department of Kansas City, Missouri
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (Plan), a component unit of the City of Kansas City, Missouri (City) which comprise the statement of fiduciary net position as of April 30, 2021, the related statement of changes in fiduciary net position for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri as of April 30, 2021, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Years Comparative Information

The financial statements as of and for the year ended 2016 and prior were audited by other auditors whose previous reports expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 13, 2021
Overland Park, Kansas

Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri Management's Discussion and Analysis

April 30, 2021

This discussion and analysis of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (Civilian Employees' Retirement System or the Plan) financial statements provides an overview of its financial activities during the year ended April 30, 2021. Please read it in conjunction with the more detailed financial statements, notes and required supplementary information which follow this section.

The Civilian Employees' Retirement System is the defined benefit retirement plan for civilian members of the Kansas City, Missouri Police Department. The Plan was established by the Missouri General Assembly in 1965 and is administered by the Retirement Board to provide retirement, disability and survivor benefits to its members.

Overview of the Financial Statements and Accompanying Information

- The financial statements presented in this report are the Statement of Fiduciary Net Position as of April 30, 2021, and the Statement of Changes in Fiduciary Net Position for the year ended April 30, 2021. These statements reflect resources available for the payment of benefits as of the year-end, and the sources and use of those funds during the year.
- The notes to the financial statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Information in the notes are intended to provide financial statement users with a description of the Plan, a summary of significant accounting policies, the method used to value investments and a summary of Plan investments, and the methods and assumptions used to develop the actuarial valuation.
- Required Supplementary Information consists of schedules and related notes concerning significant actuarial information and assumptions. Beginning on page 27, these schedules and notes emphasize the long-term nature of the Plan and show the progress of the Plan in accumulating sufficient assets to pay future benefits.
- The Schedule of Changes in Net Pension Liability and Related Ratios presents detailed information about the pension liabilities for which the Plan's assets are held and managed. The schedule is intended to assist financial statement users in understanding the magnitude of the pension liability and the degree to which net position restricted for pensions is sufficient to cover the liability for the Plan.
- The Schedule of Employer Contributions shows the amount of actuarially determined required contributions relative to the actual contributions made during the year. This schedule also presents covered payroll and contributions as a percentage of covered payroll to provide an economic context for the amount of contributions reported for the Plan.
- The Schedule of Investment Returns shows the money-weighted rate of return on investments, net of investment expense. The money-weighted rate of return is a method for calculating investment performance on Plan investments that adjusts for the changing amounts actually invested.

**Civilian Employees' Retirement System of the
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Management's Discussion and Analysis

April 30, 2021

- The Supplementary Information includes the Schedule of Expenses and the Schedule of Additions by Source and Deductions by Type. The Schedule of Expenses includes the detail of the administrative and investment costs to operate the Plan. The Schedule of Additions by Source and Deductions by Type is a historical summary which shows how contributions and investments impact the additions to the Plan and how benefit payments and administrative expenses impact the deductions from the Plan.

Fiduciary Net Position

The following is a summary comparative statement of Fiduciary Net Position:

	<u>April 30, 2021</u>	<u>April 30, 2020</u>	<u>Amount Change</u>
Cash	\$ 45,153	\$ 34,848	\$ 10,305
Receivables	432,201	389,240	42,961
Investments	174,116,031	145,471,637	28,644,394
Securities lending collateral	<u>18,528,775</u>	<u>13,845,501</u>	<u>4,683,274</u>
Total assets	<u>193,122,160</u>	<u>159,741,226</u>	<u>33,380,934</u>
Accounts and refunds payable	405,632	530,982	(125,350)
Securities lending collateral	<u>18,528,775</u>	<u>13,845,501</u>	<u>4,683,274</u>
Total liabilities	<u>18,934,407</u>	<u>14,376,483</u>	<u>4,557,924</u>
Net Position Restricted for Pensions	<u>\$ 174,187,753</u>	<u>\$ 145,364,743</u>	<u>\$ 28,823,010</u>

Financial Analysis of Fiduciary Net Position

The Statement of Fiduciary Net Position presents information on the Plan's assets and liabilities with the difference between the two reported as Net Position Restricted for Pensions. This statement reflects, at fair value, the contributions and investments which are available to pay benefits.

The Civilian Employees' Retirement System's benefits are funded through member and City of Kansas City, Missouri (City) contributions, and investment income. Net position of the Plan increased to \$174,187,753 as of April 30, 2021 from \$145,364,743 as of April 30, 2020. Plan income is generated through the investment of contributions in stocks, bonds and alternative assets.

Assets – Total assets of the Civilian Employees' Retirement System were \$193.1 million as of April 30, 2021 and included cash, receivables, investments and securities lending collateral. Total assets increased by \$33.4 million or 20.9% from FY 2020. Investable assets increased during the year by \$28.6 million while securities lending collateral increased by \$4.7 million. The increase in investable assets is due to strong positive investment performance in the stock, bond and alternative asset portfolios as a result of the economic recovery. The recovery was spurred by continued fiscal support from the Federal Government, progress of vaccination distribution, and interest rates kept near zero by the Federal Reserve. The Plan's global stock portfolio returned 51.2% for the fiscal year and was the key contributor to an overall strong investment performance. The increase in securities lending collateral was due to volatility in the short selling markets which increased the demand for securities lending.

**Civilian Employees' Retirement System of the
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Liabilities – Total liabilities of the Civilian Employees' Retirement System were \$18.9 million as of April 30, 2021 and included payables for money manager fees and refunds, and securities lending collateral. Total liabilities increased by \$4.6 million during the year due to the \$4.7 million increase in the offsetting liability for securities lending activity.

Net Position – Civilian Employees' Retirement System assets exceeded liabilities at April 30, 2021 by \$174.2 million. The Net Position increased by \$28.8 million or 19.8% from the prior year as a result of the strong market performance generated by the economic recovery.

Changes in Fiduciary Net Position

The following is a summary comparative statement of Changes in Fiduciary Net Position:

	<u>April 30, 2021</u>	<u>April 30, 2020</u>	<u>Amount Change</u>
Member contributions	\$ 1,514,076	\$ 1,416,742	\$ 97,334
City contributions	5,358,552	4,849,708	508,844
Total net investment income	<u>31,508,882</u>	<u>1,442,539</u>	<u>30,066,343</u>
Total additions	<u>38,381,510</u>	<u>7,708,989</u>	<u>30,672,521</u>
Benefits paid to members	9,199,657	8,209,456	990,201
Refunds of contributions	226,726	173,880	52,846
Administrative expenses	<u>132,117</u>	<u>148,744</u>	<u>(16,627)</u>
Total deductions	<u>9,558,500</u>	<u>8,532,080</u>	<u>1,026,420</u>
Net Increase / (Decrease) in Net Position	28,823,010	(823,091)	29,646,101
Net Position Restricted for Pensions, Beginning of Year	<u>145,364,743</u>	<u>146,187,834</u>	<u>(823,091)</u>
Net Position Restricted for Pensions, End of Year	<u>\$ 174,187,753</u>	<u>\$ 145,364,743</u>	<u>\$ 28,823,010</u>

Financial Analysis of Changes in Fiduciary Net Position

The statement of Changes in Fiduciary Net Position shows how the Plan's Net Position Restricted for Pensions changed during the year ended April 30, 2021. This statement reflects contributions made by members and the City of Kansas City, Missouri. Investment activities during the fiscal year are also presented which include interest and dividends and the net appreciation or depreciation in fair value of the investments. Benefits paid to members, refunds of contributions and administrative expenses are also reported in the statement.

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Revenues – Additions to Fiduciary Net Position – Member contributions, City contributions and investment income are the sources of revenue for the Civilian Employees' Retirement System. Member contributions totaled \$1.5 million or 5% of covered payroll to the Plan while City contributions totaled \$5.4 million or 18.05% of projected covered payroll. City Contributions increased and reflect the required contributions as determined by the Plan's actuary. Net investment income increased compared to the prior year. The portfolio's investment rate of return, net of investment expenses, was 22.67% with net investment income of \$31.5 million. Investment expenses, including custodial bank fees, manager fees, and investment consultation totaled \$0.8 million. Investments in global stock, bonds, direct lending, real estate, absolute return and private equity all posted gains for the year.

Expenses – Deductions from Fiduciary Net Position – Benefits paid to members, refunds of member contributions and administrative expenses are the sources of expenses for the Civilian Employees' Retirement System. Benefit payments and refunds represent 98.6% of the total deductions. Benefits paid to members increased over the prior year because of new retirements. The amount of refunds to members leaving the Police Department increased over the prior year by 30%. Administrative expenses decreased due to a decrease in actuarial fees.

City contributions continued to equal the amount recommended by the Plan's actuary. For the fiscal year beginning May 1, 2021, City contributions are budgeted to total the actuarial required contribution amount of \$5.8 million. The contribution amount is calculated at 19.27% of projected covered payroll.

The Retirement Board has approved an asset allocation which over time is expected to realize a long-term investment rate of return of 7.35%. Fiscal year 2021 was the third year of a five year step down to lower the actuarial assumed rate of return to 7.25%. The Retirement Board continues to review investment allocations on a monthly basis and to rebalance the portfolio, as needed, with guidance from an independent financial consulting firm.

Requests for Information

This financial report is designed to provide members of the Civilian Employees' Retirement System, citizens, investors and creditors of the City of Kansas City, Missouri with a general overview of the Plan's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kansas City Police Employees' Retirement Systems, 9701 Marion Park Drive B, Kansas City, Missouri 64137.

There are no other currently known facts, conditions or decisions that are expected to have a significant effect on the financial position or results of operations of the Civilian Employees' Retirement System.

Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Statement of Fiduciary Net Position

April 30, 2021

Assets

Investments

U.S. government securities	\$ 11,096,209
Corporate bonds and notes	23,024,760
Common and preferred stock	10,169,791
All country world index fund	33,446,591
Government-mortgage backed securities	490,491
Real estate funds	20,597,472
Partnerships - equity	1,080,785
Partnerships - fixed income	29,670,272
Short-term investment funds	2,043,234
Hedge fund of funds	16,767,825
Equity funds	13,935,752
Emerging markets equity funds	6,754,114
Foreign equities	5,038,735
Total investments	<u>174,116,031</u>

Securities Lending Collateral

18,528,775

Receivables

Accrued interest and dividends	432,201
Total receivables	<u>432,201</u>

Cash

45,153

Total assets

193,122,160

Liabilities

Accounts and refunds payable	405,632
Securities lending collateral	18,528,775
Total liabilities	<u>18,934,407</u>

Net Position Restricted for Pensions

\$ 174,187,753

See Notes to Financial Statements.

Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri
Statement of Changes in Fiduciary Net Position

Year Ended April 30, 2021

Additions

Investment Income

Net appreciation in fair value of investments	\$ 29,166,393
Interest and dividends	3,153,021
Investment expense	<u>(843,781)</u>
Net investment income	<u>31,475,633</u>

Securities Lending Income

Securities lending gross income	<u>54,605</u>
Securities lending expenses	
Borrower rebates	(7,132)
Management fees	<u>(14,224)</u>
Total securities lending expenses	<u>(21,356)</u>

Net securities lending income 33,249

Total net investment income 31,508,882

Contributions

City	5,358,552
Members	<u>1,514,076</u>
Total contributions	<u>6,872,628</u>

Total additions 38,381,510

Deductions

Benefits Paid

Retired members	8,156,040
Spouses	383,537
Disabled members	113,066
Partial lump sum option	540,014
Death benefits	<u>7,000</u>
Total benefits paid	<u>9,199,657</u>

Other Deductions

Refunds of contributions	226,726
Administrative expenses	<u>132,117</u>
Total other deductions	<u>358,843</u>

Total deductions 9,558,500

Net Increase in Net Position **28,823,010**

Net Position Restricted for Pensions, Beginning of Year 145,364,743

Net Position Restricted for Pensions, End of Year \$ 174,187,753

See Notes to Financial Statements.

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
A Component Unit of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2021

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (Plan) is considered a component unit of the City of Kansas City, Missouri (City) financial reporting entity and included in the City's financial reports as a pension trust fund due to the nature of the Plan's reliance on funding from the City of Kansas City, Missouri. Accounting principles generally accepted in the United States of America require that the financial reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Measurement Focus and Basis of Accounting

The Plan uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Plan's fund is classified as a pension trust fund of fiduciary fund type. Pension trust funds account for assets held by the Plan in a trustee capacity or as an agent on behalf of others and are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the Plan are recognized when due and the City has made a formal commitment to provide the contributions. Interest and dividend income are recorded when earned. Expenses are recorded when the corresponding liabilities are incurred. Realized gains and losses on security transactions are based on the difference between sales proceeds and carrying value of the securities, and are recognized on the transaction date. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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Valuation of Investments and Income Recognition

Marketable securities, including mutual funds, are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

For certain investments consisting of corporate bonds and notes, U.S. Treasury obligations, U.S. agency obligations and government mortgage-backed securities that do not have an established fair value, the Plan has established a fair value based on yields currently available on comparable securities of issuers with similar credit ratings and quotations that are obtained from brokerage firms or national pricing services.

The private equity partnerships, equity funds, hedge fund of funds and real estate funds consist primarily of non-marketable investments in various venture capital, corporate finance funds and private partnerships (collectively referred to as "Portfolio Funds"). These funds are primarily invested in the technology, communications, energy, real estate markets, as well as U.S. fixed income instruments and alternative or non-traditional investments. A portion of these funds is also invested in foreign operations under certain partnership agreements. These investments are recorded at fair value based on financial data, which is generally at an amount equal to the net asset value per share on the Fund's proportionate interest in the net assets or net equity of the Portfolio Funds as determined by each Portfolio Fund's general partner or investment manager.

The Plan is obligated to pay certain capital commitments to the partnerships. These unfunded commitments totaled approximately \$72,519 at April 30, 2021.

Securities, which are not traded on a national security exchange, are valued by the respective investment manager or other third parties based on similar sales.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Administrative Expenses

Actuarial, investment management and bank trustee fees and expenses are included in the Plan's expenses when incurred. These expenses are financed through investment income. The Kansas City, Missouri Police Department provides office space without any direct cost to the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and, disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
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Notes to Financial Statements
April 30, 2021

Plan Tax Status

The Plan obtained its most recent determination letter on December 17, 2014, in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC) and, therefore, not subject to tax. The Plan's management believes that the Plan is designed and is being operated in compliance with the applicable requirements of the IRC exempting it from federal income taxes.

Note 2: Plan Description

The following summary description of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri provides only general information. Participants should refer to the Plan Statutes (Sections 86.1310 to 86.1640 RSMo) for a more complete description of the Plan's provisions.

The Plan is a single-employer, contributory, defined benefit plan established by the State of Missouri's General Assembly and administered by the Retirement Board of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (Board). The Board is composed of nine members, two are appointed by the Board of Police Commissioners, two are appointed by the City Council and five are elected by the membership of the Retirement Systems. The elected members must include one member of the Civilian Employees' Retirement System, one member retired from active service in the Police Retirement System and one active member of the Police Retirement System who has not attained the rank of Sergeant or higher. Elections are held annually and Board members are elected to serve for three-year terms.

Eligibility – All regularly appointed full-time civilian employees of the Kansas City, Missouri Police Department who are not eligible to receive a pension from any other City-funded retirement system, shall become members as a condition of their employment.

Tier I member – A person who became a member prior to August 28, 2013 and remained a member on August 28, 2013.

Tier II member – A person who became a member on or after August 28, 2013.

At April 30, 2021, the Plan's membership consisted of the following:

	Tier I Members	Tier II Members	Total
Retirees and beneficiaries currently receiving benefits	301	2	303
Terminated members entitled to but not yet receiving benefits	43	2	45
Active members			
Vested	303	44	347
Non-vested	-	175	175
Total	<u>647</u>	<u>223</u>	<u>870</u>

**Civilian Employees' Retirement System of the
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Contributions – State statutes set out the funding requirements for the Plan which can only be amended by the Missouri General Assembly. The Retirement Board establishes a rate based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the employer actuarially determined contribution rate. For the year ended April 30, 2021, active members contributed at a rate of 5% of base pay, and the City contributed at a rate of 18.05% of annual projected covered payroll.

Benefits Provided – Benefit terms for the Plan are established in Missouri Revised Statutes 86.1310 to 86.1640 and can only be amended by the Missouri General Assembly. The Plan provides retirement benefits, as well as pre-retirement death benefits, duty and non-duty related disability benefits and termination benefits to civilian employees of the Kansas City, Missouri Police Department.

Service Retirement

Eligibility –

Tier I member – Later of age 65 or member's 10th anniversary of employment.

Tier II member – Later of age 67 or member's 20th anniversary of employment.

Amount of Pension – Benefit equal to 2% of Final Compensation multiplied by years of creditable service.

Final Compensation –

Tier I member – Average annual compensation during the two years of service with the highest salary, whether consecutive or otherwise, or during the entire period of service if less than two years.

Tier II member – Average annual compensation during the three years of service with the highest salary, whether consecutive or otherwise, or during the entire period of service if less than three years.

Early Retirement

Tier I member – Eligible for early retirement as follows:

- a) Beginning at age 55, if member has at least 10 years of creditable service. Pension computed as service retirement and then reduced by 0.50% for each month the benefit commences prior to the month following that in which the member turns age 60.
- b) Beginning at age 60, if member has at least five years of creditable service. Pension computed as service retirement and then reduced by 0.50% for each month the benefit commences prior to the month following that in which the member turns age 65.

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- c) Beginning at age 60, if member has at least 10 years of creditable service. Pension computed as service retirement without reduction.
- d) At any time after the member's age plus years of creditable service equals or exceeds 80 (Rule of 80). Pension computed as service retirement without reduction.

Tier II member – Eligible for early retirement as follows:

- a) Beginning at age 62, if member has at least five years of creditable service. Pension computed as service retirement and then reduced by 0.50% for each month the benefit commences prior to the month following that in which the member turns age 67.
- b) Beginning at age 62, if member has at least 20 years of creditable service. Pension computed as service retirement without reduction.
- c) At any time after the member's age plus years of creditable service equals or exceeds 85 (Rule of 85). Pension computed as service retirement without reduction.

Deferred Retirement (Vested Termination)

Eligibility – Five or more years of creditable service.

Amount of Pension – Computed as service retirement but based upon service, Final Compensation and benefit formula in effect at termination of employment. Benefits may begin at early retirement age, adjusted by applicable reductions.

Disability

Duty Disability Eligibility – A member in active service who has a total and permanent disability that prevents the member from engaging in any occupation or performing any work for remuneration or profit for the remainder of their life. The disability must be the direct result of performance of duties with the Police Department. No age or service requirement.

Amount of Pension – 50% of Final Compensation payable for the remainder of the member's life or as long as the permanent disability continues.

Non-Duty Disability Eligibility – A member in active service, with a minimum of 10 years of service, who has a total and permanent disability that prevents the member from engaging in any occupation or performing any work for remuneration or profit for the remainder of their life. Disability is not the direct result of performance of duties with the Police Department.

Amount of Pension – 30% of Final Compensation but in no event less than the amount the member would have been entitled to as a pension if the member had retired on the same date with equivalent age and creditable service.

Disability benefits may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law. A disability retiree who is not age 60 may be required by the Retirement Board to undergo continuing eligibility reviews once every three years which may include a medical re-examination.

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Death in Service (less than 20 years of service)

Eligibility – Death of an active member with at least five but less than 20 years of service.

Amount of Pension – 50% of the member's accrued pension payable to the surviving spouse for spouse's lifetime. The effective date shall be the later of the first day of the month after the member's death or what would have been the member's earliest retirement date.

Funeral Benefit – \$1,000 payable upon the death of an active member.

Death in Service (20 or more years of service)

Eligibility – Death of an active member with 20 or more years of service.

Amount of Pension – Surviving spouse may elect the greater of 50% of the member's accrued pension commencing as described above, or a monthly benefit determined on a joint and survivor's basis from the actuarial value of the member's accrued pension at date of death.

Funeral Benefit – \$1,000 payable upon the death of an active member.

Death After Retirement

Eligibility – Death of a retired member who was receiving a benefit.

Amount of Pension – Eligible surviving spouse receives a pension equal to 50% of the member's benefit at the time of actual retirement plus cost of living adjustments. Benefit is payable for the life of the surviving spouse.

In lieu of the 50% surviving spouse death benefit, a member may elect, at the time of retirement, a reduced actuarially equivalent 100% surviving spouse annuity. In such case, the surviving spouse shall receive the same amount as the benefit being paid to the member and such benefit is payable for the life of the surviving spouse.

If the total amount paid to a member and surviving spouse is less than the member's accumulated contributions, with interest, an amount equal to the difference shall be paid to the member's named beneficiary.

Funeral Benefit – \$1,000 payable upon the death of a retired member.

Non-Vested Termination

Eligibility – Termination of employment and no pension is or will become payable.

Amount of Benefit – Refund of member's contributions with interest.

Post-Retirement Benefit Increases

Eligibility – Members and surviving spouses eligible if member's pension commenced by December 31 of prior calendar year.

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Amount of Benefit – May receive an annual cost-of-living adjustment (COLA) an amount not to exceed 3% of their respective base pension. Base pension is the pension computed under the provisions of the law at the date of retirement, without regard to COLAs. The COLA is normally effective with the June 1st benefit payment.

Statutes require that the Retirement Board must act upon the advice of a qualified actuary when granting cost of living adjustments.

Supplemental Retirement Benefit

Retirement on or before August 28, 2007 – current retired and disabled members and their surviving spouses are eligible to receive the supplemental benefit of \$160 per month in addition to pension benefits.

Retirements after August 28, 2007 – current and future retired and disabled members and their surviving spouses are eligible to receive the supplemental benefit of \$160 per month if the member had 15 years of creditable service.

Optional Form of Benefit Payment

Members retiring with at least one or more years of service beyond their eligible retirement date may elect to take a portion of their benefit as a lump-sum distribution (PLOP). Members electing PLOP will receive an actuarially reduced monthly benefit for their lifetime.

Social Security and Medicare

Tier I member – Members participate in Social Security and Medicare.

Tier II member – Members participate in Social Security and Medicare.

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Plan's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city, county, school district or special road district of the State of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Plan had no bank balances exposed to custodial credit risk at April 30, 2021.

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Investments

For the year ended April 30, 2021, The Northern Trust Company (Northern Trust) was the master custodian for substantially all of the securities of the Plan. The investments held by the Plan are managed by 13 Board-appointed money managers. Each of the money managers has a different asset allocation based on Board- approved policy. The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, real estate, partnerships, corporate bonds, commodities and equity securities.

The asset type and classes, target asset allocation and ranges to be used in the Plan are shown below. All percentages are based on fair values. The Board has authorized Plan staff, with guidance from the Investment Consultant, to rebalance the portfolio in accordance with the strategy guidelines below:

<u>Asset Type and Class</u>	<u>Range</u>	<u>Target</u>
Equities		
Global Equity	33% - 43%	38%
Private Equity	0% - 0%	0%
Fixed Income	26% - 36%	31%
Alternatives		
Real Estate	9% - 17%	13%
Absolute Return	7% - 15%	11%
Direct Lending	4% - 10%	7%
Cash	0% - 5%	0%

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Securities Lending Transactions

State statutes and the Plan's Board policies permit the Plan to use investments of the Plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The Plan has contracted with Northern Trust as its third-party lending agent to lend domestic equity and debt securities for cash collateral of not less than 102% of the fair value and international debt and equity securities of not less than 105% of the fair value. Contracts with the lending agent require it to indemnify the Plan if borrowers fail to return the securities, if the collateral is inadequate to replace the securities lent or if the borrowers fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan; therefore, non-cash collateral is not recorded as an asset or liability on the financial statements.

Fair value of securities loaned	<u>\$ 18,027,376</u>
Fair value of cash collateral received from borrowers	<u>18,528,775</u>
Total fair value of collateral	<u><u>\$ 18,528,775</u></u>

All securities loans can be terminated on demand by either the Plan or the borrower. The cash collateral received on each security loan was invested, in accordance with the Plan investment guidelines, in short-term funds. The maturities of the resulting investments generally match the maturities of the securities lending arrangements themselves. The Plan is not permitted to pledge or sell collateral received unless the borrower defaults.

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At April 30, 2021, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years				Loans Under Securities Lending Agreements
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury obligations	\$ 11,096,209	\$ -	\$ 4,398,597	\$ 2,529,867	\$ 4,167,745	\$ 9,279,481
Corporate bonds and notes	23,024,760	-	9,555,184	10,438,143	3,031,433	7,879,898
Government mortgage-backed securities	490,491	-	-	-	490,491	-
Short term investment funds	2,043,234	2,043,234	-	-	-	-
		<u>\$ 2,043,234</u>	<u>\$ 13,953,781</u>	<u>\$ 12,968,010</u>	<u>\$ 7,689,669</u>	
Common and preferred stocks	10,169,791					825,518
All country world index fund	33,446,591					-
Real estate funds	20,597,472					-
Hedge fund of funds	16,767,825					-
Partnerships - equity	1,080,785					-
Partnerships - fixed income	29,670,272					-
Foreign equities	5,038,735					42,479
Equity funds	13,935,752					-
Emerging markets equity funds	6,754,114					-
Total	<u>\$ 174,116,031</u>					<u>\$ 18,027,376</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The short term investment funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. The debt securities are presented in their respective category based on final maturity date. The Plan's investment policy does not specifically address exposure to fair value losses arising from rising interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Plan's policy to invest in corporate bonds that are rated BBB or better by credit rating agencies. Core fixed income managers may hold bonds with a rating equal to or above BB. At April 30, 2021, the Plan's investments in corporate bonds were rated BBB or better by *Standard & Poor's*. At the same date, the Plan's investments in U.S. agencies obligations not directly guaranteed by the U.S. government (including Federal National Mortgage Association, Federal Home Loan Banks & Federal Home Loan Mortgage Corporation) and in government mortgage-backed securities were rated AA+ or better by *Standard & Poor's*. U.S. Treasury obligations were explicitly guaranteed by the U.S. government. The Plan's investments in short term investment funds were not rated by *Standard & Poor's*.

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These bond rating requirements do not apply to the high yield portion of the fixed income portfolio. The following table summarizes the Plan's fixed income portfolio exposure level and credit qualities at April 30, 2021:

<u>Fixed Income Security Type</u>	<u>Fair Value</u> <u>April 30, 2021</u>	<u>S&P</u> <u>Weighted</u> <u>Average</u> <u>Credit</u> <u>Quality</u>
Corporate bonds and notes	\$ 859,734	AAA
Corporate bonds and notes	1,591,361	AA
Corporate bonds and notes	7,884,617	A
Corporate bonds and notes	12,244,149	BBB
Corporate bonds and notes	444,899	Not rated
Government mortgage-backed securities	490,491	AA+
Short term investment funds	2,043,234	Not rated

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, \$18,027,376 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

Investment Concentrations – The following presents investments that represent 5% or more of the Plan's net position as of April 30, 2021:

<u>Investment</u>	<u>Fair Value</u>
FCI Core Fixed Income	\$ 34,611,460
PIMCO - Fixed Income Fund	21,712,338
Northern Trust Collective All Country World Investable Market Index Fund - Non Lending	19,874,402
Grosvenor FOB Fund, L.P.	16,767,825
LSV Global Value	15,208,526
Artisan Global Opportunities Trust Fund	13,935,752
Wellington Global Perspectives	13,572,189
Prudential PRISA II	11,131,378
Morgan Stanley - Prime Property Fund, LLC	9,466,094

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Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Plan's investment policy permits investments in international equities, American Depository Receipts (ADRs), warrants, rights, 144A securities, convertible bonds and U.S. registered securities whose principal markets are outside of the United States. All foreign equities and emerging market equities held are denominated in U.S. dollars.

Investment Income

Investment income for the year ended April 30, 2021 consisted of:

Interest and dividend income	\$ 3,153,021
Net appreciation in fair value of investments	29,166,393
	<u>32,319,414</u>
Less investment expense	843,781
	<u>\$ 31,475,633</u>

Annual Money-Weighted Rate of Return – For the year ended April 30, 2021, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 22.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 4: Net Pension Liability

The components of the net pension liability of the City at April 30, 2021, were as follows:

Total pension liability	\$ 207,284,241
Plan fiduciary net position	(174,187,753)
City's net pension liability	<u>\$ 33,096,488</u>

Fiduciary net position as a % of total pension liability	84.03%
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Subsequent to the completion of the actuary valuation report for the year ended April 30, 2021, the Board of Trustees voted to decrease the long-term investment rate of return from 7.35% to 7.10% as of the year ended April 30, 2021. This change resulted in an increase to the Total Pension Liability of approximately \$6.5 million. Revised actuary reports were not completed prior to the issuance of the Plan's financial statements and therefore amounts were not adjusted in the footnotes or Required Supplementary Information schedules.

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Note 5: Actuarial Methods and Assumptions

An actuary from Cavanaugh Macdonald Consulting, LLC determines the total pension liability. The total pension liability as of April 30, 2021 was determined based on an actuarial valuation prepared as of April 30, 2020, rolled forward one year to April 30, 2021, using the following actuarial assumptions:

Inflation	2.50%
Salary increases, including inflation	3.60% to 6.50%
Long-term investment rate of return, net of Plan investment expense, including inflation	7.35%

For purposes of calculating the total pension liability, future ad hoc COLAs of 2.5% (simple COLA) were assumed to be granted in all future years.

Pre-retirement mortality rates were based on the RP-2000 Employee Table with a 1-year age set forward, projected to 2017 using Scale AA, also set forward 1 year. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017 and reflects the 1-year set forward.

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Table, with a 1-year age set forward, projected to 2017 using Scale AA, also set forward 1 year. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017 and reflects the 1-year set forward.

Disability mortality rates were based on the RP-2000 Healthy Annuitant Table, with a 5-year age set forward, projected to 2017 using Scale AA, also set forward 5 years. Future mortality improvement is projected generationally using the ultimate projection scale of MP-2017 and reflects the 5-year set forward.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the five-year period ending April 30, 2017. The experience study report is dated December 11, 2018.

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Long-term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of April 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38%	5.05%
Fixed Income	31%	0.00%
Absolute Return	11%	2.25%
Real Estate	13%	3.75%
Direct Lending	7%	3.75%
Private Equity	0%	6.75%

Discount Rate – The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the employer actuarially determined contribution rate.

A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 2.29% on the measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.35% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.35%) or one percentage point higher (8.35%) than the current rate:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Net pension liability	\$ 60,805,523	\$ 33,096,488	\$ 10,056,867

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Note 6: Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 7: Litigation

The Plan is subject to claims and lawsuits that arise primarily in the ordinary course of operating a retirement system. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the net position of the Plan.

Note 8: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
U.S. government securities	\$ 11,096,209	\$ -	\$ 11,096,209	\$ -
Corporate bonds and notes	23,024,760	-	23,024,760	-
Common and preferred stock	10,169,791	10,169,791	-	-
Government mortgage-backed securities	490,491	-	490,491	-
Short-term investment funds	2,043,234	2,043,234	-	-
All country world index fund	33,446,591	-	33,446,591	-
Foreign equities	5,038,735	5,038,735	-	-
Total Investments by fair value level	<u>85,309,811</u>	<u>\$ 17,251,760</u>	<u>\$ 68,058,051</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) (A)				
Real estate funds	20,597,472			
Partnerships - equity	1,080,785			
Partnerships - fixed income	29,670,272			
Hedge fund of funds	16,767,825			
Emerging markets equity funds	6,754,114			
Equity funds	13,935,752			
Total investments measured at the NAV	<u>88,806,220</u>			
Total investments	<u>\$ 174,116,031</u>			

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of fiduciary net position.

Equity and short-term investment funds classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate and Governmental debt securities classified as Level 2 of the fair value hierarchy are valued using third-party pricing services based on market observable information such as market quotes for similar assets, as well as normal market pricing considerations such as duration, interest rates and prepayment assumptions.

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The fair value estimates presented herein are based on pertinent information available to management as of April 30, 2021. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented below.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate funds (A)	\$ 20,597,472	\$ -	Quarterly	90 Days
Partnerships - equity (B)	1,080,785	72,519	N/A	N/A
Partnerships - fixed income (C)	29,670,272	-	Monthly	10 Days
Hedge fund of funds (D)	16,767,825	-	Quarterly	70 Days
Emerging markets equity funds (E)	6,754,114	-	Monthly	10 Days
Equity funds (F)	<u>13,935,752</u>	-	Daily	1 Day
Total investments measured at the NAV	<u>\$ 88,806,220</u>			

(A) This category includes two open-ended real estate funds that invest in U.S. commercial real estate. Periodic distributions from each fund are made as the underlying investments of the funds are liquidated. Redemptions can be made quarterly.

(B) This category includes two private equity fund of funds that invest primarily in U.S. and International Corporate Finance and Venture Capital. Distributions from each fund are made as the underlying investments of the funds are liquidated. It is estimated the underlying assets of the funds will be liquidated over the next three to five years.

(C) This category includes a commingled core fixed income fund and comingled private debt fund. The fixed income fund is a mutual fund that invests in core fixed income. The underlying bonds, and mutual fund, trade daily on public markets. The private debt fund focuses on lending to U.S. based middle market and small cap companies. The underlying loans have an average duration of 2-4 years. Periodic distributions from the fund are made as underlying loans are repaid. Redemptions can be made monthly.

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- (D) This category includes a hedge fund of funds which invests in 27 hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in approximately 30% Equities, 28% Credit, 13% Relative Value, 5% Quantitative, 13% Macro and Commodities and 11% Multi- Strategy. Redemptions can be made quarterly.
- (E) This category includes a commingled emerging markets equity fund which trades monthly. The underlying emerging market stocks trade daily on public markets.
- (F) This category includes commingled equity funds which trade daily on public markets.

Note 9: Retirement Plan

The Plan has a 408(k) SEP retirement plan covering its employees that meet certain eligibility requirements. The Plan's contributions to its employees' SEP are determined by the Retirement Board. Contributions to the SEP were \$14,007 for fiscal year 2021.

Required Supplementary Information

**Civilian Employees' Retirement System of the
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Schedule of Changes in Net Pension Liability and Related Ratios
Year Ended April 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability							
Service cost	\$ 4,173,342	\$ 4,071,855	\$ 4,091,838	\$ 3,914,244	\$ 4,598,304	\$ 4,630,006	\$ 4,403,101
Interest on total pension liability	14,365,113	13,812,626	13,152,701	12,742,742	12,509,148	12,015,197	11,366,771
Difference between expected and actual experience	(1,850,773)	(1,484,462)	(2,871,806)	(3,213,708)	(7,303,863)	(2,293,671)	-
Effect of assumption/SEIR changes	1,270,712	1,214,799	3,950,960	-	(9,116,555)	3,350,712	2,318,394
Benefit payments, including member refunds	(9,426,383)	(8,383,336)	(8,196,411)	(7,765,679)	(7,185,237)	(7,220,946)	(6,320,353)
Net change in total pension liability	<u>8,532,011</u>	<u>9,231,482</u>	<u>10,127,282</u>	<u>5,677,599</u>	<u>(6,498,203)</u>	<u>10,481,298</u>	<u>11,767,913</u>
Total pension liability - beginning	<u>198,752,230</u>	<u>189,520,748</u>	<u>179,393,466</u>	<u>173,715,867</u>	<u>180,214,070</u>	<u>169,732,772</u>	<u>157,964,859</u>
Total pension liability - ending	<u>207,284,241</u>	<u>198,752,230</u>	<u>189,520,748</u>	<u>179,393,466</u>	<u>173,715,867</u>	<u>180,214,070</u>	<u>169,732,772</u>
Plan fiduciary net position							
Net investment income	31,475,633	1,415,281	5,693,834	11,661,350	11,383,598	(815,408)	6,756,442
Net securities lending income	33,249	27,258	27,404	25,377	36,760	21,305	23,157
City contributions	5,358,552	4,849,708	4,778,854	4,994,191	5,063,240	5,048,167	4,930,686
Member contributions	1,514,076	1,416,742	1,415,677	1,271,683	1,253,047	1,287,388	1,323,061
Benefits paid	(9,199,657)	(8,209,456)	(7,974,964)	(7,424,849)	(6,888,499)	(6,887,482)	(6,185,573)
Refunds of contributions	(226,726)	(173,880)	(221,447)	(340,830)	(296,738)	(333,464)	(134,780)
Administrative expenses	(132,117)	(148,744)	(136,633)	(147,653)	(120,257)	(126,924)	(112,924)
Net change in fiduciary net position	<u>28,823,010</u>	<u>(823,091)</u>	<u>3,582,725</u>	<u>10,039,269</u>	<u>10,431,151</u>	<u>(1,806,418)</u>	<u>6,600,069</u>
Plan fiduciary net position - beginning	<u>145,364,743</u>	<u>146,187,834</u>	<u>142,605,109</u>	<u>132,565,840</u>	<u>122,134,689</u>	<u>123,941,107</u>	<u>117,341,038</u>
Plan fiduciary net position - ending	<u>174,187,753</u>	<u>145,364,743</u>	<u>146,187,834</u>	<u>142,605,109</u>	<u>132,565,840</u>	<u>122,134,689</u>	<u>123,941,107</u>
Net pension liability, ending	<u>\$ 33,096,488</u>	<u>\$ 53,387,487</u>	<u>\$ 43,332,914</u>	<u>\$ 36,788,357</u>	<u>\$ 41,150,027</u>	<u>\$ 58,079,381</u>	<u>\$ 45,791,665</u>
Fiduciary net position as a percentage of total pension liability	84.03%	73.14%	77.14%	79.49%	76.31%	67.77%	73.02%
Covered payroll	\$ 28,859,000	\$ 28,266,000	\$ 27,108,000	\$ 25,434,000	\$ 25,061,000	\$ 25,748,000	\$ 26,461,000
Net pension liability as a percentage of covered payroll	114.68%	188.88%	159.85%	144.64%	164.20%	225.57%	173.05%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri Schedule of Employer Contributions Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined employer contribution	\$ 5,359,000	\$ 4,850,000	\$ 4,779,000	\$ 4,994,000	\$ 5,063,000	\$ 5,048,000	\$ 4,931,000	\$ 5,658,000	\$ 4,956,000	\$ 4,361,000
Actual employer contributions	<u>5,359,000</u>	<u>4,850,000</u>	<u>4,779,000</u>	<u>4,994,000</u>	<u>5,063,000</u>	<u>5,048,000</u>	<u>4,931,000</u>	<u>4,122,000</u>	<u>3,283,000</u>	<u>3,146,000</u>
Annual contribution deficiency	<u>\$ -</u>	<u>\$ 1,536,000</u>	<u>\$ 1,673,000</u>	<u>\$ 1,215,000</u>						
Covered payroll	\$ 28,859,000	\$ 28,266,000	\$ 27,108,000	\$ 25,434,000	\$ 25,061,000	\$ 25,748,000	\$ 26,461,000	\$ 25,617,000	\$ 25,006,000	\$ 23,976,000
Actual contributions as a percentage of covered payroll	18.57%	17.16%	17.63%	19.64%	20.20%	19.61%	18.63%	16.09%	13.13%	13.12%

Note: Effective with FY 2015, the actuarially determined employer contribution is developed as a dollar amount rather than a percent of covered payroll.

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
A Component Unit of the City of Kansas City, Missouri
Schedule of Investment Returns

Fiscal Year Ending April 30	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	22.67%	1.05%	4.15%	8.93%	9.47%	-0.64%	5.74%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
A Component Unit of the City of Kansas City, Missouri
Notes to Required Supplementary Information
April 30, 2021

Changes of benefit and funding terms – The following changes to the plan provisions were reflected in the valuation performed as of April 30 listed below:

2013 - The 2013 Missouri General Assembly passed Senate Bill 215/House Bill 418 which created a new benefit tier for members hired on or after August 28, 2013. The Plan provisions changed were:

- Normal retirement changed from age 65 to age 67,
- Early retirement, without a reduction in benefit amount changed from Rule of 80 (age plus service equal or exceeds 80) or age 60 with 10 years of creditable service to Rule of 85 or age 62 with 20 years of creditable service,
- Final compensation changed from an average of the highest two years to the highest three years.

Changes in actuarial assumptions and methods – The following changes to the Plan provisions were reflected in the valuations as listed below:

4/30/2021 Valuation:

- Reduction of the investment return assumption from 7.40% to 7.35%.

4/30/2020 Valuation:

- Reduction of the investment return assumption from 7.45% to 7.40%.

4/30/2019 Valuation:

- Reduction of the investment return assumption from 7.50% to 7.45%.
- Reduction of the price inflation assumption from 3.00% to 2.50%.
- Reduction of the general wage increase assumption from 3.75% to 3.00%.
- Reduction of the payroll growth assumption from 3.75% to 3.00%.
- Increased the administrative expense assumption from 0.40% to 0.50%.
- Modification of both early and normal retirement assumptions to better reflect the actual, observed experience.
- Changed the mortality improvement scale prospectively from Scale AA to the ultimate projection scale of MP-2017.
- Modification of termination rates to better reflect the actual, observed experience.
- The merit salary assumption was modified to reflect the current pay scales.

4/30/2017 Valuation:

- The amortization of the unfunded actuarial accrued liability at April 30, 2017 is amortized over a closed 30-year period. Subsequent changes in the unfunded actuarial liability due to experience are amortized in a separate base with payments over a closed 20-year period.

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
A Component Unit of the City of Kansas City, Missouri
Notes to Required Supplementary Information
April 30, 2021

4/30/2013 Valuation:

- Reduction of the investment return assumption from 7.75% to 7.50%.
- Reduction of the assumed cost of living adjustment from 3.00% to 2.50%.
- Reduction of the general wage increase assumption from 4.00% to 3.75%.
- Modification of both early and normal retirement assumptions to better reflect the actual, observed experience.
- Termination of employment assumption was changed to a pure service-based assumption with one set of rates applicable to both males and females.
- The assumption regarding vested members who terminated employment was modified to value the greater of the value of the deferred monthly benefit or the value payable as a refund.
- The merit salary assumption was modified to reflect the current pay scales.
- The amortization of the UAAL was changed to be a single base, recalculated each year and amortized as a level percentage of payroll over an open 30-year period.

4/30/2011 Valuation:

- The Board of Trustees adopted a change in the asset smoothing method and implemented it by resetting the actuarial value of assets equal to the fair value of assets as of April 30, 2011. The new smoothing method recognizes the difference between the actual and expected return on the fair value of assets evenly over a five-year period.

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
A Component Unit of the City of Kansas City, Missouri
Notes to Required Supplementary Information
April 30, 2021

The Actuarially Determined Contribution rates, as a percentage of pensionable payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of April 30, two years prior to the end of the year in which Actuarially Determined Contribution amounts are reported. In the six years prior to FY 2014, the City contributed a fixed contribution rate (13.14%) of covered payroll, regardless of the amount of the actuarial determined contribution rate. Beginning September 1, 2013, the City began to contribute the full dollar amount of the Actuarially Determined Contribution.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Employer Contribution reported in the most recent fiscal year (April 30, 2021), which was based on the April 30, 2019 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years closed for Legacy UAAL (28 remaining as of April 30, 2019) 20 years closed for experience bases
Asset valuation method	5-year smoothing of actual vs. expected return on fair (market) value
Price inflation	2.50%
Wage inflation	3.00%
Salary increases	3.60% to 6.50% per year, including wage inflation
Investment rate of return	7.45%, net of investment expenses and including price inflation
Future cost-of-living adjustments	2.50% (simple)

Supplementary Information

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
A Component Unit of the City of Kansas City, Missouri
Supplementary Information

**Schedule of Expenses
Year Ended April 30, 2021**

Investment Expenses

Bank custodial fees and expenses	\$ 39,910
Financial management expenses	779,388
Financial consultation	24,483
	843,781
Total	\$ 843,781

Administrative Expenses

Salaries and payroll taxes	\$ 89,227
Legal	1,166
Audit	4,530
Actuarial fees	27,000
Printing and office expense	3,769
Postage	1,002
Travel and education expense	-
Legislative consultation	4,125
Other	1,298
	132,117
Total	\$ 132,117

**Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri**
A Component Unit of the City of Kansas City, Missouri
Supplementary Information

**Schedule of Additions by Source and Deductions by Type
Years Ended April 30, 2014 through 2021**

<u>Fiscal Year Ended</u>	<u>Additions by Source</u>			<u>Total</u>
	<u>Employee Contributions</u>	<u>City Contributions</u>	<u>Investment Income (Loss)</u>	
2014	\$ 1,313,816	\$ 4,122,375	\$ 9,764,444	\$ 15,200,635
2015	1,323,061	4,930,686	6,779,599	13,033,346
2016	1,287,388	5,048,167	(794,103)	5,541,452
2017	1,253,047	5,063,240	11,420,358	17,736,645
2018	1,271,683	4,994,191	11,686,727	17,952,601
2019	1,415,677	4,778,854	5,721,238	11,915,769
2020	1,416,742	4,849,708	1,442,539	7,708,989
2021	1,514,076	5,358,552	31,508,882	38,381,510

<u>Fiscal Year Ended</u>	<u>Deductions by Type</u>			<u>Total</u>
	<u>Benefits</u>	<u>Administrative Expenses</u>		
		<u>General</u>	<u>Refunds</u>	
2014	\$ 5,929,841	\$ 125,025	\$ 322,680	\$ 6,377,546
2015	6,185,573	112,924	134,780	6,433,277
2016	6,887,482	126,924	333,464	7,347,870
2017	6,888,499	120,257	296,738	7,305,494
2018	7,424,849	147,653	340,830	7,913,332
2019	7,974,964	136,633	221,447	8,333,044
2020	8,209,456	148,744	173,880	8,532,080
2021	9,199,657	132,117	226,726	9,558,500