



51ST  
ANNUAL  
REPORT

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

A Component Unit of the City of Kansas City, Missouri



## Comprehensive Annual Financial Report

**KCPERS**  
Kansas City Police Employees' Retirement Systems

May 1, 2016 to  
April 30, 2017



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

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report  
May 1, 2016 to April 30, 2017

51st Annual Report

Prepared by:  
Kansas City Police Employees'  
Retirement Systems  
9701 Marion Park Drive, B  
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# Table of Contents

## Introductory Section

Board of Trustees and Staff	8
Letter of Transmittal	9
Certificate of Achievement	12
Letter from the Chairman	13
Outside Professional Services	15

## Financial Section

Independent Auditors' Report	18
Management's Discussion and Analysis	20
Financial Statements	
• Statement of Fiduciary Net Position	24
• Statement of Changes in Fiduciary Net Position	25
• Notes to the Financial Statements	26
Required Supplementary Information	
• Schedule of Changes in Net Pension Liability and Related Ratios	44
• Schedule of City Contributions	45
• Schedule of Investment Returns	45
• Notes to Required Supplementary Information	46
Additional Financial Information	
• Supplemental Schedule—Schedule of Expenses	49
• Schedule of Additions by Source & Deductions by Type	50
<b>Investment Section</b>	
Report on Investment Activity	52
Summary of Investment Policies and Objectives	54
Asset Allocation	55
Schedule of Investment Results	56
Schedule of Largest Assets Held	57
Schedule of Brokerage Commissions	58
Investment Summary	59
Fees and Commissions	60

## Actuarial Section

Actuary's Certification	62
Summary of Actuarial Assumptions and Methods	65
Schedule of Active Member Valuation Data	68
Schedule of Retirants and Beneficiaries Added to and Removed from Rolls	68
Short-Term Solvency Test	69
Analysis of Financial Experience	69
Schedule of Funding Progress	70
Schedule of Computed and Actual City Contributions	70
Active Membership Data	71
Summary Plan Description	72

## Statistical Section

Statistical Summary	78
Membership in Retirement Plan	78
Schedule of Changes in Plan Net Position	79
Schedule of Deductions from Plan Net Position for Benefits and Refunds by Type	80
Schedule of Retired Members by Type of Benefit	82
Schedule of Average Monthly Base Benefit Amounts	83
Retired Membership Data	84



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Board of Trustees and Staff	8
Letter of Transmittal	9
Certificate of Achievement	12
Letter from the Chairman	13
Outside Professional Services	15

# Retirement Board

## Police Retirement System of Kansas City, Missouri



**Richard C. Smith, Chairman**  
Chief of Police  
Kansas City, Missouri  
Police Department



**Bailus M. Tate,**  
**Vice-Chair & Treasurer**  
Appointed Member



**Walter (Web) Bixby III**  
Appointed Member



**Gary Jenkins**  
(Ret.) Sergeant  
Kansas City, Missouri  
Police Department



**Robert W. Jones**  
(Ret.) Sergeant  
Kansas City, Missouri  
Police Department



**Leslie Lewis**  
Appointed Member



**Donna L. Jasper**  
Civilian Administrator  
Kansas City, Missouri  
Police Department



**Matt Tomasic**  
(Ret.) Police Officer  
Kansas City, Missouri  
Police Department



**Patrick J. Trysla**  
Appointed Member

## KCPERS Staff



**Sharon Blancett**  
Assistant Pension  
Systems Manager



**Lori Freeze**  
Administrative  
Assistant



**Jason Hoy**  
Accountant



**James Pyle**  
Pension Systems Manager  
& Board Secretary

# KCPERS

Kansas City Police Employees' Retirement Systems

9701 Marion Park Drive, B • Kansas City, MO 64137  
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 763-1190

RETIREMENT BOARD MEMBERS  
CHIEF OF POLICE RICHARD SMITH • CHAIR  
BAILUS TATE • TREASURER  
WALTER BIXBY III  
(RET.) SERGEANT GARY JENKINS  
(RET.) SERGEANT ROBERT JONES  
LESLIE LEWIS  
DONNA L. JASPER  
(RET.) POLICE OFFICER MATT TOMASIC  
PATRICK TRYSLA

October 12, 2017

Retirement Systems Board  
Civilian Employees' Retirement System of the  
Police Department of Kansas City, Missouri  
9701 Marion Park Drive, B  
Kansas City, Missouri 64137

Dear Board Members:

It is my pleasure to submit the fiscal year 2017 Comprehensive Annual Financial Report (CAFR) of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri. This report is intended to provide our members and other stakeholders with detailed information about the financial, actuarial, and investment operations of the Civilian Employees' Retirement System.

The Civilian Employees' Retirement System was created in 1965 by the Missouri General Assembly to provide retirement and disability benefits for civilian members of the Kansas City, Missouri Police Department and survivor benefits for their spouses. A nine member Board of Trustees, made up of elected and appointed members, governs the Civilian Employees' Retirement System.

## **Contents of the Annual Report and Structure**

This CAFR is designed to comply with the reporting requirements of sections 86.1370 and 105.661 of the Revised Statutes of Missouri (RSMo), as amended. The ultimate responsibility for the CAFR and financial statements rests with the Board of Trustees. Retirement Systems staff provide support to the board members in completing their fiduciary responsibilities. Staff has prepared the basic financial statements of the Retirement System and, to the best of our knowledge, presented information that is accurate in all material respects and is reported in a manner designed to fairly represent the financial position of the fund. The accounting policies followed in preparing the basic financial statements comply with U.S. generally accepted accounting principles. Financial information presented throughout the CAFR is consistent with information displayed in the basic financial statements

The Retirement Systems' new external auditor, Allen, Gibbs & Houlik, L.C. (AGH) conducted an independent audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. This audit is described in the Independent Auditors' Report on pages 18 and 19 of the Financial Section. Management has provided the external auditors with full and unrestricted access to staff to discuss their audit and related findings, to assure independent validation of the integrity of the Retirement Systems' financial reporting and the adequacy of internal controls.

AGH identified significant deficiencies in internal controls that are not considered a material weakness. There are deficiencies related to the Contributions and Cash Receipts Cycle and Purchasing and Cash Disbursements Cycle due to a lack of segregation of duties that are the result of the small number of staff. AGH noted that compensating controls are in place to provide reasonable assurance that financial statements are free of any material misstatements. The Retirement Board has periodically reviewed these deficiencies. In response to the audit and as part of the Retirement System's effort to enhance overall operation, the Board has decided to add a staff member in late 2017. A new Benefits Specialist will assist with the increased workload at the Retirement Systems, allow for more appropriate segregation of duties, and allow for cross training of job functions.

The Financial Section also contains Management's Discussion and Analysis that serves as an introduction to and overview of the financial statements. The Civilian Employees' Retirement System is a component unit of the City of Kansas City, Missouri for financial reporting purposes and, as such, the financial statements in this report are also included in the City of Kansas City, Missouri's Comprehensive Annual Financial Reports.

### **Actuarial and Investment Information**

Cavanaugh Macdonald, our consulting actuary, completed the actuarial valuation dated April 30, 2017. The funded ratio of the valuation assets to liabilities increased by 1% from the prior year to 80%. More information on the actuarial valuation is available in the Actuarial Section of this report.

The investment portfolio produced a total return of 9.4% (net of fees) against the policy benchmark return of 7.98%, which means our investment managers and asset allocation had a 1.42% gain versus the market indexes. The investment performance was greater than our assumed rate of return, for actuarial purposes, of 7.5%.

More information regarding the investment performance and the professionals who provide services to the Civilian Employees' Retirement System can be found on page 56 of the Investment Section, in the Schedule of Investment Results, which shows the historical investment performance of each outside investment manager.

### **Fiscal Year 2017 Projects**

The Retirement Board's Investment Committee continued to meet regularly with investment consultants from RVK, Inc. and Mariner Institutional Consulting to review portfolio performance, discuss possible changes to the target asset allocation, and complete structure study reviews of the fixed income portfolio and equity portfolio. During the year, the Committee met with staff from LSV Asset Management to review equity investments in global value, emerging markets, and small cap emerging markets; Grosvenor Capital Management to review hedge fund investments; and GMO to review tactical asset allocation investments. Committee members and staff also visited the offices of GMO to discuss staff and investment process changes and Wellington to review US and International small cap equity investments. The Committee and Board adopted a Funding Policy which provides direction regarding the Board's overall funding goals, the benchmarks to be used to measure progress towards those goals, and the methods and assumptions that will be employed to develop the benchmarks.

The Retirement Board also reviewed bid proposals for audit, legal counsel, and election services during the year. AGH was hired to complete the annual audit of our financial statements. Slagle, Bernard & Gorman, P.C. was retained as legal counsel. Intelliscan, Inc. was hired to complete the annual Board election process.

Retirement System staff continued working on the documentation and implementation of the business continuity plan. Staff also worked with AGH during the audit to complete a cybersecurity study of the Retirement Systems' information technology and data systems.

### **Legislative Changes**

There were no legislative changes to the Revised Statutes of Missouri that govern the Police Retirement System during the year.

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri for its comprehensive annual financial report for the fiscal year ended April 30, 2016. This was the fifteenth consecutive year that the Retirement System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

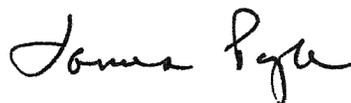
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The fiscal year 2017 annual report is the result of work by both Retirement Systems staff and outside advisors and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with the legislative and industry reporting requirements, and most importantly help our members learn more about the financial status of their retirement system.

The KCPERS staff wants to thank each of our board members, our retirement system members, our outside advisors and the Kansas City Police Department for all your contributions towards the successful operation of the Civilian Employees' Retirement System.

Respectfully submitted,



James J. Pyle  
Pension Systems Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**April 30, 2016**

Executive Director/CEO

# KCPERS

Kansas City Police Employees' Retirement Systems

9701 Marion Park Drive, B • Kansas City, MO 64137  
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 763-1190

RETIREMENT BOARD MEMBERS  
CHIEF OF POLICE RICHARD SMITH • CHAIR  
BAILUS TATE • TREASURER  
WALTER BIXBY III  
(RET.) SERGEANT GARY JENKINS  
(RET.) SERGEANT ROBERT JONES  
LESLIE LEWIS  
DONNA L. JASPER  
(RET.) POLICE OFFICER MATT TOMASIC  
PATRICK TRYSLA

October 9, 2017

Dear Members,

On behalf of the Retirement Systems Board I am pleased to provide you with the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri Comprehensive Annual Financial Report for the fiscal year ending April 30, 2017. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

The pace of work at the Retirement Systems has not slowed down. This year we processed 21 new service retirements bringing the total number of retirees and surviving spouses receiving benefits to 262. The number of active members in the plan declined to 492. The Police Department is actively recruiting civilian employees to fill vacancies and add contributing members to the Civilian Employees' plan.

The Retirement Board continued to work with our investment consultants to monitor the performance and investment processes of our 14 investment managers. Investment returns for the fiscal year were 9.4% net of fees, a full 2% over our target allocation benchmark of 7.5%. All of our managers had positive returns for the year and all but two managers outperformed their designated benchmark. The Investment Committee completed structure studies of our fixed income and equity portfolios. The fixed income study resulted in a recommendation to the Retirement Board to eliminate direct investments in global bonds and high yield bonds and instead add a bond manager who has the flexibility to move between core, global, and high yield bonds. That recommendation was implemented earlier this summer.

The Retirement Systems staff worked during the year to document processes and create a Business Continuity Plan (BCP). In the event of an emergency or natural disaster, the staff and board have a playbook to follow to continue our work, maintain records on our active employees, and pay benefits to our retired members. One of the items in the BCP was to have an outside expert test our computer systems and complete our first cybersecurity study. The Retirement Board hired a new audit firm with the ability to complete the cybersecurity study. The result of the study was shared with the Police Department's Information Technology staff. The study indicated that information stored on Retirement System computers was secure and monitored appropriately.

In an effort to enhance the overall operations of the Retirement Systems and to appropriately staff a retirement system of our size, we will be hiring a new Benefits Specialist this fall. An additional staff person will allow for more appropriate distribution of the work and segregation of duties within the office. Our auditors identified the need for better segregation duties in their annual review. An additional staff person will also allow us to work on cross training of job functions, provide better service for members during peak times of the year, and address other work processes identified in the BCP.

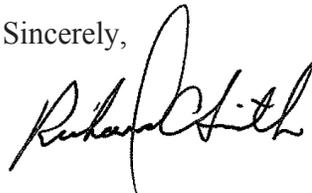
With the implementation of the Tier II benefit structure in 2013, the City began to contribute the full amount of the actuarially required contributions. This year the City continued to make the full required contributions.

This year we said goodbye to Barbara Stuart as the elected Civilian Employees' plan representative on the Retirement Board. Barb was first elected to the board in 2012 and was an original member and Chair of the Investment Committee. We wish Barb the best and thank her for helping to make significant changes to the decision making, due diligence, and monitoring processes related to our investments. This year we welcomed Donna Jasper to the Retirement Board. Donna was elected to fill the unexpired term for a member of the Civilian Employees' plan. Many of you know Donna as a long time employee in Accounting where she is responsible for the IT systems.

We also completed a thorough search for new legal counsel. After interviewing staff from several well-known Kansas City law firms, the Retirement Board retained Jonathan Dilly at Slagle, Bernard & Gorman. Jon had worked for several years with Gerald Gorman and was very familiar with both of our plans and the legal issues faced by the Retirement Systems.

In closing, I want to thank our members for your support as we work to ensure we have an affordable and sustainable retirement benefit. I also want to thank our Retirement Systems staff for their hard work in taking care of our members and implementing the plans and policies of the Retirement Board.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Smith". The signature is fluid and cursive, with a large initial "R" and "S".

Richard Smith

Retirement Board Chairman

# Outside Professional Services

## ACTUARY

**Cavanaugh Macdonald Consulting, LLC**  
Patrice Beckham, Byran Hoge  
Bellevue, Nebraska

## AUDITORS

**Allen, Gibbs & Houlik, L.C.**  
Andi Willems  
Wichita, Kansas

## INVESTMENT MANAGEMENT CONSULTANTS

**RVK, Inc.**  
Ryan Sullivan, Marcia Beard  
Portland, Oregon

**Mariner Institutional Consulting**  
Robert Woodard  
Lawrence, Kansas

## LEGAL COUNSEL

**Slagle, Bernard & Gorman**  
Jonathan N. Dilly  
Kansas City, Missouri

## MASTER TRUSTEE/CUSTODIAN

**The Northern Trust Company**  
Claudiu Besoaga  
Chicago, Illinois

## INVESTMENT ADVISORS

**FCI Advisors**  
Peter Greig, Gary Cloud  
Kansas City, Missouri

**LSV Asset Management**  
Keith Bruch  
Chicago, Illinois

**PGIM**  
Darin Bright, Kevin Smith  
Madison, New Jersey

**Abbott Capital Management, LLC**  
Charles van Horne  
New York, New York

**JPMorgan Investment Management, Inc.**  
Lawrence Unrein, Katherine Rosa  
New York, New York

**Northern Trust Global Investments**  
William Nickey  
Chicago, Illinois

**Shenkman Capital Management, Inc.**  
Mark Flanagan, Nicole Lupo  
New York, New York

**Artisan Partners**  
Steven Butler  
Milwaukee, Wisconsin

**Wellington Management Company**  
Julie Rancourt  
Boston, Massachusetts

**Grosvenor Capital Management**  
Mark Roman  
Chicago, Illinois

**GMO – GTAA**  
Brian Huggon  
Boston, Massachusetts

**Brandywine Global Opportunistic Fund**  
Jon Cordo  
Philadelphia, Pennsylvania

**Morgan Stanley Prime Property Fund**  
Scott Brown  
New York, New York

**Fidelity Investments**  
Ed Schollmeyer  
Smithfield, Rhode Island



# Financial Section

Independent Auditors' Report	18
Management's Discussion and Analysis	20
Financial Statements	
• Statement of Fiduciary Net Position	24
• Statement of Changes in Fiduciary Net Position	25
• Notes to the Financial Statements	26
Required Supplementary Information	
• Schedule of Changes in Net Pension Liability and Related Ratios	44
• Schedule of City Contributions	45
• Schedule of Investment Returns	45
• Notes to Required Supplementary Information	46
Additional Financial Information	
• Supplemental Schedule— Schedule of Expenses	49
• Schedule of Additions by Source and Deductions by Type	50

## Independent Auditors' 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 basic 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 are comprised of the statement of fiduciary net position as of April 30, 2017, and the statement of changes in fiduciary net position for the year then ended, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### ***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 entity'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 entity'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, 2017, 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 statement 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 basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 2017 basic 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 basic 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 basic financial statements. The 2017 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

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

September 22, 2017  
Wichita, Kansas

# **CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This discussion and analysis of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (Civilian Employees' Retirement System or Plan) financial statements provides an overview of its financial activities during the year ended April 30, 2017. 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, 2017, and the Statement of Changes in Fiduciary Net Position for the year ended April 30, 2017. 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 44, these schedules and notes emphasize the long-term nature of pension plans 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 Plans' 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 City 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 POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- 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 for the System:

	<b>April 30, 2017</b>	<b>April 30, 2016</b>	<b>Amount Change</b>
Cash	\$12,046	\$15,580	\$(3,534)
Receivables	312,301	365,523	(53,222)
Investments	132,377,270	121,998,065	10,379,205
Securities lending collateral	8,574,457	9,809,627	(1,235,170)
<b>Total Assets</b>	<b>141,276,074</b>	<b>132,188,795</b>	<b>9,087,279</b>
Accounts and refunds payable	135,777	244,479	(108,702)
Securities lending collateral	8,574,457	9,809,627	(1,235,170)
<b>Total Liabilities</b>	<b>8,710,234</b>	<b>10,054,106</b>	<b>(1,343,872)</b>
<b>Net Position Restricted for Pensions</b>	<b>\$132,565,840</b>	<b>\$122,134,689</b>	<b>\$10,431,151</b>

### **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 contributions, and investment income. Net position of the Plan increased to \$132,565,840 as of April 30, 2017 from \$122,134,689 as of April 30, 2016. 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 \$141.3 million as of April 30, 2017 and included cash, receivables, investments and securities lending collateral. Total assets increased by \$9.1 million or 6.8% from FY 2016. Investable assets increased during the year by \$10.4 million while securities lending collateral decreased by \$1.2 million. The increase in investable assets is due to positive investment performance in the stock, bond, and alternative assets portfolios. The Plan's global stock portfolio returned 17.6% for the fiscal year and had the greatest impact on the increase in investable assets. The decline in securities lending collateral was due to the lack of volatility in the markets which decreased the demand for securities lending.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Liabilities** – Total liabilities of the Civilian Employees' Retirement System were \$8.7 million as of April 30, 2017 and included payables for money manager fees and refunds, and securities lending collateral. Total liabilities decreased by \$1.30 million during the year mainly due to the \$1.2 million decrease in the offsetting liability for securities lending activity.

**Net Position** – Civilian Employees' Retirement System assets exceeded liabilities at April 30, 2017 by \$132.5 million. This increase of \$10.4 million or 8.5% from the prior year is due to growth in total assets as a result of positive market performance, but also includes the reduction in total liabilities.

**Changes in Fiduciary Net Position**

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

	April 30, 2017	April 30, 2016	Amount Change
Member Contributions	\$1,253,047	\$1,287,388	\$(34,341)
City Contributions	5,063,240	5,048,167	15,073
Total Net Investment Income (Loss)	11,420,358	(794,103)	12,214,461
<b>Total Additions</b>	<b>17,736,645</b>	<b>5,541,452</b>	<b>12,195,193</b>
Benefits Paid to Members	6,888,499	6,887,482	1,017
Refunds of Contributions	296,738	333,464	(36,726)
Administrative Expenses	120,257	126,924	(6,667)
<b>Total Deductions</b>	<b>7,305,494</b>	<b>7,347,870</b>	<b>(42,376)</b>
<b>Net Increase/(Decrease) in net position</b>	<b>10,431,151</b>	<b>(1,806,418)</b>	<b>12,237,569</b>
<b>Net Position Restricted for Pensions, Beginning of Year</b>	<b>122,134,689</b>	<b>123,941,107</b>	<b>(1,806,418)</b>
<b>Net Position Restricted for Pensions, End of Year</b>	<b>\$132,565,840</b>	<b>\$122,134,689</b>	<b>\$10,431,151</b>

**Financial Analysis of Changes in Fiduciary Net Position**

The statement of Changes in Fiduciary Net Position presents information showing how the Plan's Net Position Restricted for Pensions changed during the year ended April 30, 2017. This statement reflects contributions made by members and the City of Kansas City. 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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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. Members contribute 5% of covered salary to the Plan while City contributions totaled \$5.0 million or 17.5% of projected covered salary. City Contributions increased to pay the required contributions as determined by the Plan's actuary. Total net investment income increased due to positive investment market performance. The portfolio's investment rate of return, net of investment expenses, was 9.47% with total net investment income of \$11.4 million. Investment expenses, including custodial bank fees, manager fees, and investment consultation totaled \$0.8 million. Investments in global stocks, bonds, real estate, absolute return, real 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% of the total deductions. Benefits paid to members increased over the prior year because of new retirements and a cost of living adjustment for retirees. The amount of refunds decreased due to shorter term members leaving the Police Department. Administrative expenses decreased due to reductions in actuarial and audit fees.

City contributions continued to equal the amount recommended by the Plan's actuary. For the fiscal year end beginning May 1, 2017, City contributions are budgeted to total the actuarial required contribution amount of \$5.0 million. The contribution amount is calculated at 17.72% of projected covered salary.

The Retirement Board has approved an asset allocation which over time is expected to realize a long-term investment rate of return of 7.5%. 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 plan 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**

**STATEMENT OF FIDUCIARY NET POSITION**

April 30, 2017

**Assets**

**Investments**

U.S. government securities	\$8,508,092
Corporate bonds and notes	13,945,667
Common and preferred stock	6,924,419
All country world index fund	20,064,867
Government-mortgage backed securities	1,054,717
Government agency fund	10,063,881
Real estate funds	16,065,727
Partnerships - equity	2,274,604
Partnerships - fixed income	4,199,998
Short-term investment funds	984,443
Hedge fund of funds	13,481,708
Equity funds	24,697,866
International small cap equity fund	1,785,872
Emerging markets equity funds	3,828,458
Foreign equities	4,496,951
<b>Total investments</b>	<b>132,377,270</b>

<b>Securities Lending Collateral</b>	<b>8,574,457</b>
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**Receivables**

Member insurance premiums	(896)
Accrued interest and dividends	265,281
Member contributions	47,916
<b>Total receivables</b>	<b>312,301</b>

<b>Cash</b>	<b>12,046</b>
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<b>Total assets</b>	<b>141,276,074</b>
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**Liabilities**

Accounts and refunds payable	135,777
Securities lending collateral	8,574,457
<b>Total liabilities</b>	<b>8,710,234</b>

<b>Net Position Restricted for Pensions</b>	<b>\$132,565,840</b>
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See Notes to the Financial Statements.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended April 30, 2017

## Additions

<b>Investment Income</b>	
Net appreciation in fair value of investments	\$9,880,055
Interest and dividends	2,264,567
Investment expense	(761,024)
<b>Net investment income</b>	<b>11,383,598</b>
<b>Securities Lending Income</b>	
Securities lending gross income	83,880
Securities lending expenses	
Borrower rebates	(31,429)
Management fees	(15,691)
<b>Total securities lending expenses</b>	<b>(47,120)</b>
<b>Net securities lending income</b>	<b>36,760</b>
<b>Total net investment income</b>	<b>11,420,358</b>
<b>Contributions</b>	
City	5,063,240
Members	1,253,047
<b>Total contributions</b>	<b>6,316,287</b>
<b>Total additions</b>	<b>17,736,645</b>

## Deductions

<b>Benefits Paid</b>	
Retired members	6,316,370
Spouses	314,498
Disabled members	200,113
Partial lump sum option	50,518
Death benefits	7,000
<b>Total benefits paid</b>	<b>6,888,499</b>
<b>Other Deductions</b>	
Refunds of contributions	296,738
Administrative expenses	120,257
<b>Total other deductions</b>	<b>416,995</b>
<b>Total deductions</b>	<b>7,305,494</b>
<b>Net Increase in Net Position</b>	<b>10,431,151</b>
<b>Net Position Restricted for Pensions, Beginning of Year</b>	<b>122,134,689</b>
<b>Net Position Restricted for Pensions, End of Year</b>	<b>\$132,565,840</b>

See Notes to the Financial Statements.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 1: Summary of Significant Accounting Policies**

**Reporting Entity**

The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (the Plan) is considered a component unit of the City of Kansas City, Missouri 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 basic 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.

**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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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 outstanding commitments totaled \$235,671 at April 30, 2017.

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. Some investment related expenses may be included in the net appreciation in fair value of investments.

**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.

**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 and, therefore, not subject to tax.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**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 (the "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 System. 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, 2017, the Plan's membership consisted of the following:

	<b>Tier I</b>	<b>Tier II</b>	<b>Total</b>
Retirees and beneficiaries currently receiving benefits	262	-	262
Terminated members entitled to but not yet receiving benefits	33	-	33
Active members			
Vested	367	-	367
Non-vested	35	90	125
<b>Total</b>	<b>697</b>	<b>90</b>	<b>787</b>

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2: Plan Description (Continued)**

**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, 2017, active members contributed at a rate of 5% of base pay, and the City contributed at a rate of 17.50% of annual projected 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 members** – 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.
- c) 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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2: Plan Description (Continued)**

**Tier II members** – 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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2: Plan Description (Continued)**

**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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 2: Plan Description (Continued)**

**Post-Retirement Benefit Increases**

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

**Amount of Benefit** – May receive an annual cost-of-living adjustment (COLA) in 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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**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, 2017.

**Investments**

For the year ended April 30, 2017, 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 14 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:

<b>Asset Type and Class</b>	<b>Range</b>	<b>Target</b>
<b>Equities</b>		
Global Equity	30% – 40%	35%
Private Equity	0% – 10%	5%
<b>Fixed Income</b>	<b>25% – 35%</b>	<b>30%</b>
<b>Alternatives</b>		
Real Return	0% – 10%	5%
Real Estate	5% – 15%	10%
Absolute Return	10% – 20%	15%
<b>Cash</b>	<b>0% – 5%</b>	<b>0%</b>

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 3: Deposits, Investments and Investment Income (Continued)**

**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>\$8,341,661</u>
Fair value of cash collateral received from borrowers	<u>\$8,574,457</u>
Fair value of non-cash collateral received from borrowers	<u>–</u>
Total fair value of collateral	<u>\$8,574,457</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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 3: Deposits, Investments and Investment Income (Continued)**

At April 30, 2017, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years				Loaned Under Securities Lending Agreements
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury obligations	\$6,545,055	\$ –	\$1,950,777	\$1,298,953	\$3,295,325	\$2,130,127
U.S. agencies obligations	1,963,037	–	639,874	1,323,163	–	–
Corporate bonds and notes	13,945,667	1,696,727	5,126,610	5,340,540	1,781,790	3,638,966
Government mortgage-backed securities	1,054,717	–	26,647	–	1,028,070	–
Government agency fund	10,063,881	–	10,063,881	–	–	–
Money market mutual funds	984,443	984,443	–	–	–	–
		<u>\$2,681,170</u>	<u>\$17,807,789</u>	<u>\$7,962,656</u>	<u>\$6,105,185</u>	
Common and preferred stock	6,924,419					2,515,415
All country world index fund	20,064,867					–
Real estate funds	16,065,727					–
Hedge fund of funds	13,481,708					–
Partnerships - equity	2,274,604					–
Partnerships - fixed income	4,199,998					–
Foreign equities	4,496,951					57,153
Equity funds	24,697,866					–
International small cap equity funds	1,785,872					–
Emerging market equity funds	3,828,458					–
<b>Total</b>	<b>\$132,377,270</b>					<b>\$8,341,661</b>

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The money market mutual 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 government agency fund is presented based on the weighted average maturity of the fund. The Plan's investment policy does not specifically address exposure to fair value losses arising from rising interest rates.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 3: Deposits, Investments and Investment Income (Continued)**

**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, 2017, 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 government agency funds and money market mutual funds were not rated by *Standard & Poor's*.

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, 2017:

<b>Fixed Income Security Type</b>	<b>Fair Value April 30, 2017</b>	<b>S&amp;P Weighted Average Credit Quality</b>
U.S. agencies obligations	\$1,963,037	AA+
Corporate bonds and notes	13,945,667	A
Government mortgage-backed securities	1,054,717	AA+
Government agency fund	10,063,881	Not rated
Money market mutual funds	984,443	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, \$8,341,661 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:

<b>Investment</b>	<b>Fair Value</b>
FCI Core Fixed Income	\$23,508,475
Northern Trust Collective All Country World Investable Market Index Fund - Non Lending	20,064,867
Grosvenor FOB Fund, L.P.	13,481,708
LSV Global Value	11,421,371
Artisan Global Opportunities Trust Fund	11,131,737
Brandywine Global Opportunity Fixed Income	10,063,881
Prudential PRISA II	8,379,697
Morgan Stanley - Prime Property Fund, LLC	7,686,030

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

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 3: Deposits, Investments and Investment Income (Continued)**

**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 (loss) for the year ended April 30, 2017 consisted of:

Interest and dividend income	\$2,264,567
Net appreciation in fair value of investments	<u>9,880,055</u>
	12,144,622
Less investment expense	<u>761,024</u>
	<u>\$11,383,598</u>

**Annual Money-Weighted Rate of Return** – For the year ended April 30, 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 9.47%. 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, 2017, were as follows:

Total pension liability	\$173,715,867
Plan fiduciary net position	<u>(132,565,840)</u>
City’s net pension liability	<u>\$41,150,027</u>
Fiduciary net position as a % of total pension liability	76.31%

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

**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, 2017 was determined based on an actuarial valuation prepared as of April 30, 2016, rolled forward one year to April 30, 2017, using the following actuarial assumptions:

Inflation	3.00%
Salary increases, including inflation	3.75% to 7.75%
Long-term investment rate of return, net of plan investment expense, including inflation	7.50%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females as appropriate, with adjustments for mortality improvements based on Scale AA.

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, 2012. The experience study report is dated October 3, 2013.

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.

**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, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	35%	5.40%
Fixed Income	30%	1.00%
Real Return	5%	2.75%
Real Estate	10%	3.75%
Absolute Return	15%	3.75%
Private Equity	5%	7.50%

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 5: Actuarial Methods and Assumptions (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50%. 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.

There was a change in the Municipal Bond Index Rate from the prior measurement date from 3.30% to the current rate of 3.78%.

**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 7.50% 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 (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$64,067,366	\$41,150,027	\$22,011,640

**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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**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

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8: Fair Value Measurements (Continued)**

**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, 2017:

<b>Investments by fair value level</b>	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. government securities	\$8,508,092	\$ –	\$8,508,092	\$ –
Corporate bonds and notes	13,945,667	–	13,945,667	–
Common and preferred stock	6,924,419	6,924,419	–	–
Government mortgage-backed securities	1,054,717	–	1,054,717	–
Short-term investment funds	984,443	984,443	–	–
All country world index fund	20,064,867	–	20,064,867	–
Foreign equities	4,496,951	4,495,947	–	1,004
Total investments by fair value level	<u>55,979,156</u>	<u>\$12,404,809</u>	<u>\$43,573,343</u>	<u>\$1,004</u>

**Investments measured at the net asset value  
(NAV) (A)**

Government agency fund	10,063,881
Real estate funds	16,065,727
Partnerships – equity	2,274,604
Partnerships – fixed income	4,199,998
Hedge fund of funds	13,481,708
Emerging markets equity funds	3,828,458
International small cap equity fund	1,785,872
Equity funds	24,697,866
Total investments measured at the NAV	<u>76,398,114</u>
Total investments measured at fair value	<u>\$132,377,270</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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

**Note 8: Fair Value Measurements (Continued)**

The fair value estimates presented herein are based on pertinent information available to management as of April 30, 2017. 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.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Government agency fund (A)	\$10,063,881	\$ –	Daily	1 Day
Real estate funds (B)	16,065,727	–	Quarterly	90 Days
Partnerships - equity (C)	2,274,604	235,671		
Partnerships - fixed income (D)	4,199,998	–	Monthly	10 Days
Hedge fund of funds (E)	13,481,708	–	Quarterly	70 Days
Emerging markets equity funds (F)	3,828,458	–	Monthly	10 Days
International small cap equity fund (G)	1,785,872	–	Monthly	8 Days
Equity funds (H)	24,697,866	–	Daily	1 Day
<b>Total investments measured at the NAV</b>	<b>\$76,398,114</b>			

- (A) This category includes government agency funds which trade daily on public markets.
- (B) 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.
- (C) 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.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS**

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**Note 8: Fair Value Measurements (Continued)**

- (D) This category includes a commingled high yield bond fund which trades monthly. The underlying high yield bonds trade daily on public markets.
- (E) This category includes a hedge fund of funds which invests in 29 hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in approximately 27% equities, 25% credit, 15% relative value, 13% event driven, 12% Macro and Commodities and 7% Multi- Strategy. Investments representing approximately 71% of the value of the investments in this type can be redeemed quarterly and 17% annually or less. The remaining 12% can be redeemed between 18 and 36 months.
- (F) This category includes a commingled emerging markets equity fund which trades monthly. The underlying emerging market stocks trade daily on public markets.
- (G) This category includes a commingled international small cap equity fund which trades monthly on public markets.
- (H) This category includes commingled equity funds which trade daily on public markets.

**Note 9: Retirement Plan**

The Retirement System has a 408(k) SEP retirement plan covering its employees that meet certain eligibility requirements. The Retirement System's contributions to its employees' SEP are determined by the Retirement Board. Contributions to the SEP were \$10,505 for fiscal year 2017.

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

**Schedule of Changes in Net Pension Liability and Related Ratios**

April 30, 2017

	2017	2016	2015
<b>Total pension liability</b>			
Service cost	\$4,598,304	\$4,630,006	\$4,403,101
Interest on total pension liability	12,509,148	12,015,197	11,366,771
Difference between expected and actual experience	(7,303,863)	(2,293,671)	–
Effect of assumption changes or inputs	(9,116,555)	3,350,712	2,318,394
Benefit payments, including member refunds	(7,185,237)	(7,220,946)	(6,320,353)
<b>Net change in total pension liability</b>	<b>(6,498,203)</b>	<b>10,481,298</b>	<b>11,767,913</b>
<b>Total pension liability - beginning</b>	<b>180,214,070</b>	<b>169,732,772</b>	<b>157,964,859</b>
<b>Total pension liability - ending</b>	<b>173,715,867</b>	<b>180,214,070</b>	<b>169,732,772</b>
<b>Plan Fiduciary Net Position</b>			
Net investment income	11,383,598	(815,408)	6,756,442
Net securities lending income	36,760	21,305	23,157
City contributions	5,063,240	5,048,167	4,930,686
Member contributions	1,253,047	1,287,388	1,323,061
Benefits paid	(6,888,499)	(6,887,482)	(6,185,573)
Refunds of contributions	(296,738)	(333,464)	(134,780)
Administrative expenses	(120,257)	(126,924)	(112,924)
<b>Net change in fiduciary net position</b>	<b>10,431,151</b>	<b>(1,806,418)</b>	<b>6,600,069</b>
<b>Plan fiduciary net position - beginning</b>	<b>122,134,689</b>	<b>123,941,107</b>	<b>117,341,038</b>
<b>Plan fiduciary net position - ending</b>	<b>132,565,840</b>	<b>122,134,689</b>	<b>123,941,107</b>
<b>Net pension liability, ending</b>	<b>\$41,150,027</b>	<b>\$ 58,079,381</b>	<b>\$45,791,665</b>
<b>Fiduciary net position as a percentage of total pension liability</b>	<b>76.31%</b>	<b>67.77%</b>	<b>73.02%</b>
<b>Covered payroll</b>	<b>\$25,061,000</b>	<b>\$25,748,000</b>	<b>\$26,461,000</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>164.20%</b>	<b>225.57%</b>	<b>173.05%</b>

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

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

**Schedule of City Contributions**

Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Actuarially determined employer contribution	\$5,063,000	\$5,048,000	\$4,931,000	\$5,658,000	\$4,956,000
Actual city contributions	5,063,000	5,048,000	4,931,000	4,122,000	3,283,000
Annual contribution deficiency (excess)	\$ –	\$–	\$–	\$1,536,000	\$1,673,000
Covered payroll	\$25,061,000	\$25,748,000	\$26,461,000	\$25,617,000	\$25,006,000
Actual contributions as a percentage of covered payroll	20.20%	19.61%	18.63%	16.09%	13.13%

	2012	2011	2010	2009	2008
Actuarially determined employer contribution	\$4,361,000	\$4,748,000	\$3,616,000	\$4,289,000	\$4,137,000
Actual city contributions	3,146,000	3,185,000	3,330,000	3,471,000	3,372,000
Annual contribution deficiency (excess)	\$1,215,000	\$1,563,000	\$286,000	\$818,000	\$765,000
Covered payroll	\$23,976,000	\$25,162,000	\$25,340,000	\$26,413,000	\$25,665,000
Actual contributions as a percentage of covered payroll	13.12%	12.66%	13.14%	13.14%	13.14%

**Schedule of Investment Returns**

Fiscal Year Ending April 30	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	9.47%	-0.64%	5.74%

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

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**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.

**2008** – Plan provisions were changed, effective August 28, 2008, to require that a member must be in active service to be eligible for either a duty related or non-duty related disability retirement benefit.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

**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.

**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.

**4/30/2008 Valuation:**

- Changed the mortality table to the RP-2000 Table, with a one year age set forward. Scale AA is used to project mortality improvements in future years.
- Adjusted the retirement rates to better fit observed experience.
- Adjusted the termination of employment rates based on experience from the current and prior years.
- Changed from an age-based to a service-based salary increase assumption.
- Lowered the assumption at ages 42 to 54 that vested terminating members will take a refund and forfeit their vested benefit.

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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The Actuarially Determined Contribution rates, as a percentage of pensionable payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of City 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 City Contribution reported in the most recent fiscal year, which was based on the April 30, 2015 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothing of actual vs. expected return on fair value
Price inflation	3%
Salary increases	3.75% to 7.75%, including inflation
Investment rate of return	7.50%, net of investment expenses and including inflation
Future cost-of-living adjustments	2.50% (simple)

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

**SCHEDULE OF EXPENSES**

Year Ended April 30, 2017

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<b>Investment Expenses</b>	
Bank custodial fees and expenses	\$37,368
Financial management expenses	701,907
Financial consultation	21,749
<b>Total</b>	<b>\$761,024</b>

<b>Administrative Expenses</b>	
Salaries and payroll taxes	\$67,019
Legal	1,486
Audit	4,540
Medical fees	2,266
Actuarial fees	33,184
Printing and office expense	3,352
Postage	842
Travel and education expense	993
Legislative consultation	4,567
Board meeting	—
Other	2,008
<b>Total</b>	<b>\$120,257</b>

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM  
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI  
SCHEDULE OF ADDITIONS BY SOURCE AND DEDUCTIONS BY TYPE**  
Year Ended April 30, 2011 through 2017

**ADDITIONS BY SOURCE**

<b>Fiscal Year Ended</b>	<b>Employee Contributions</b>	<b>City Contributions</b>	<b>Investment Income (Loss)</b>	<b>Total</b>
2011	\$1,383,479	\$3,185,041	\$11,852,884	\$16,421,404
2012	1,224,736	3,146,124	(613,908)	3,756,952
2013	1,296,963	3,283,458	8,385,124	12,965,545
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

**DEDUCTIONS BY TYPE**

<b>Fiscal Year Ended</b>	<b>Benefits</b>	<b>Administrative Expenses</b>		<b>Total</b>
		<b>General</b>	<b>Refunds</b>	
2011	\$4,875,154	\$116,767	\$131,072	\$5,122,993
2012	4,786,286	117,078	183,861	5,087,225
2013	5,249,218	141,472	249,244	5,639,934
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

# Investment Section

Report on Investment Activity	52
Summary of Investment Policies and Objectives	54
Asset Allocation	55
Schedule of Investment Results	56
Schedule of Largest Assets Held	57
Schedule of Brokerage Commissions	58
Investment Summary	59
Fees and Commissions	60

October 11, 2017

Board of Trustees  
Civilian Employees' Retirement System of the Police Department  
of Kansas City, Missouri  
9701 Marion Park Drive  
Kansas City, MO 64137



Dear Board Members,

This letter serves to provide an overview of capital markets and the Systems' portfolio positioning for the fiscal year ending April 30, 2017.

The 2017 fiscal year (May 1, 2016 to April 30, 2017) was significantly influenced by unexpected political outcomes, including the surprise vote by the citizens of the United Kingdom to exit the European Union in June 2016, and the U.S. election results in November 2016. While risk-oriented markets initially fell following each outcome, global equity markets experienced gains during the fiscal year amid supporting comments from global central banks, investors' expectations that the new administration would enact fiscal stimulus, deregulation, and tax reform, and overall improving global market fundamentals. The U.S. equity markets, as measured by the S&P 500 Index, returned 17.9% as U.S. economic conditions continued to improve. Developed non-U.S. equity markets, as measured by the MSCI EAFE Index, rebounded from the prior fiscal year, returning 11.3%, while emerging markets, as measured by the MSCI EM Index, gained 19.1%. The weakening of the dollar during the second half of the fiscal year and election results in France and the Netherlands reduced political uncertainty and further supported favorable international equity performance.

The continued improvement in U.S. economic fundamentals prompted the Federal Reserve Open Market Committee ("FOMC") to raise policy rates by 25 basis points, from 0.25%-0.50% to 0.50%-0.75%, at its December 2016 meeting, one year following its prior rate increase. The FOMC cited strengthened labor market conditions and progress toward its inflation objectives as factors driving their decision, and further guided the markets toward possibly one or two additional rate hikes in 2017. The potential for a more hawkish Federal Reserve did lead to interest rate volatility.

Similarly in Europe, the European Central Bank ("ECB") turned more positive on Euro-zone economic fundamentals, citing a long list of recent positive data points including strong euro-zone business surveys, unemployment rates at a 7-year low, and inflation measures consistent with the ECB's 2% target. Though monetary policy remained unchanged, the ECB President, Mario Draghi, acknowledged the ECB would not likely authorize new supplements to the Quantitative Easing ("QE") program. The Bank of Japan similarly held monetary policy steady, but did not provide indication of a tightening on the horizon as the country's core CPI was marginally positive.

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Fixed income markets produced mixed results during the fiscal year. U.S. bond markets generated positive returns, overcoming negative returns experienced during the fourth quarter of 2016 due to the December 2016 and subsequent anticipated interest rate hikes. However, international fixed income declined largely as a result of the strengthening of the U.S. dollar during the last quarter of 2016. The Barclays U.S. Aggregate Bond Index returned 0.8%, while the Barclays Global Aggregate Bond Index lost 2.1%. Performance for inflation-sensitive assets varied as the Wilshire U.S. REIT Index returned 4.8% and the Bloomberg Commodity Index declined 1.3%. While commodity markets rebounded in 2016, losses were experienced in 2017 as oil prices declined.

The market value of the Civilian Employees' Retirement System investments increased from \$126.5 million to \$132.6 million in the year ending April 30, 2017. The System's current actuarial assumed rate of return is 7.5%, which represents the System's long-term return goal. The System's overall investment return over the past year was 10.0% and the System's three-year annualized return was 5.3%. The seven-year annualized return for the System was 6.8% and the System's ten-year annualized return was 4.2%.<sup>1</sup>

During the fiscal year, Staff, the Investment Committee, and RVK, Inc. ("RVK") reviewed the System's asset allocation targets given a reduction to allocation to private equity and declines in asset class return expectations since the System's prior asset allocation review. In the coming year, the Investment Committee and RVK will propose modest changes to the System's asset allocation and will review each asset class' structure, recommending any enhancements that can improve potential return and/or diversification.

The System's investment policies, goals, and objectives, as well as the performance of its assets continue to be regularly monitored and evaluated by Staff, the Board, the Investment Committee, and RVK. These evaluations include analysis of the investment management firms and the custodial bank that serve the System. The System's current managers continued to meet with the Investment Committee throughout the year as part of Staff and the Investment Committee's due diligence and monitoring process.

The System's publicly traded assets managed through separate accounts are held in custody at Northern Trust Bank. Market values and returns referenced above are based upon statements prepared by Northern Trust Bank. Their statements are, to the best of our knowledge, reliable and accurate. Investment performance is calculated using a time-weighted rate of return methodology (gross of fees) based upon market values and cash flows.

We look forward to continuing to work with Staff, the Investment Committee, and the Board to monitor, review, and best position the System's portfolio to meet its long-term goals and objective.

Sincerely,



Rebecca Gratsinger, CFA  
Chief Executive Officer

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<sup>1</sup> Returns are gross of fees.

## Summary of Investment Policies and Objectives

Investment performance objectives were established to give the Retirement System a method to evaluate the investment return of the system's portfolio and individual managers. The system's overall annualized total net of fees return, as measured over the course of a typical market cycle and/or a minimum period of five years, should exceed the return that would have been achieved if the system had been fully invested according to the approved asset allocation policy benchmark. The policy benchmark consists of 35% MSCI All Country World Investable Markets Index (Net), 30% Bloomberg US Aggregate Bond Index, 15% Absolute Return Custom Benchmark, 10% NCREIF ODCE Index (Net), 5% Real Return Custom Benchmark, and 5% Cambridge US Private Equity Index (one quarter lag).

The portfolio outperformed the policy benchmark by 1.42% with a 9.4% return (net of fees) for the fiscal year.

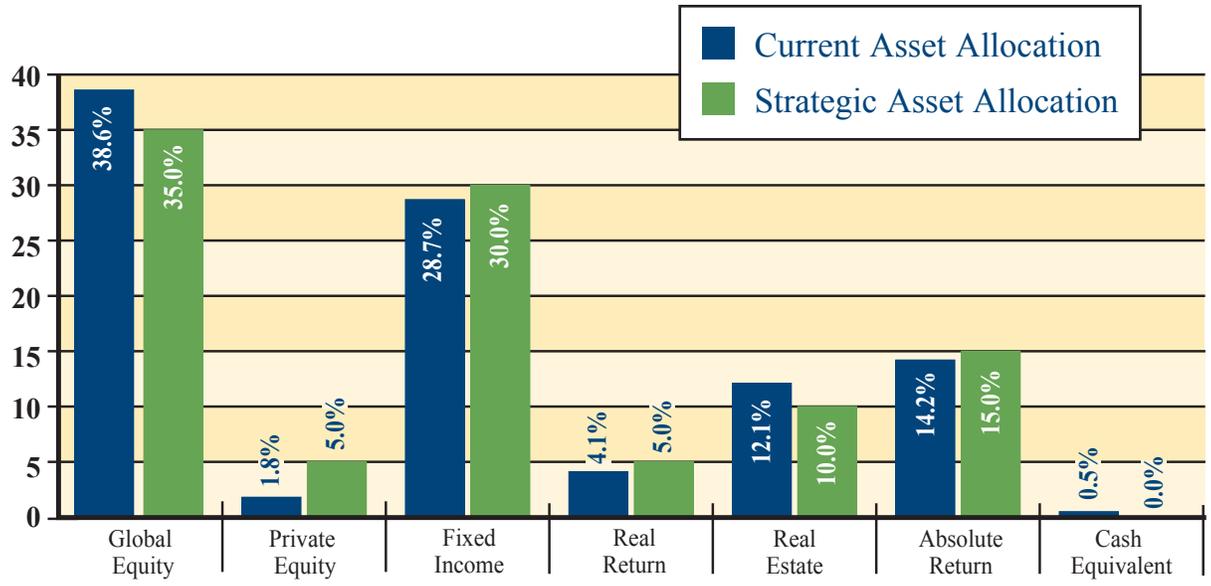
During the fiscal year, the Retirement Board monitored its strategic asset allocation policy using seven broad and distinct asset classes in the portfolio. Return, risk, and diversification assumptions have been established for each asset class. Based on its determination of the appropriate risk tolerance and its long-term return expectations, the Retirement Board has implemented the following strategic asset allocation: Global Equity 35%, Fixed Income 30%, Absolute Return 15%, Real Estate 10%, Real Return/Diversified Inflation Hedge 5%, Private Equity 5%, and Cash 0%. Based on the current RVK, Inc. capital market assumptions, the expected long term return for the strategic asset allocation is 6.1% and expected standard deviation (risk) is 9.8%.

The current strategic asset allocation is 35% equities, 30% bonds and cash, and 35% alternatives. The equity allocation is made up entirely of global stocks. The bond and fixed income allocation is divided into core fixed income, high yield bonds, global bonds and cash. The alternative allocation is divided into real return/diversified inflation hedge strategies, core and value added real estate, private equity, and absolute return strategies. The small differences between the year-end allocation and the target allocation are due to market performance of the asset classes.

The Retirement Board met with staff from RVK, Inc. periodically to review the performance of each of the investment managers hired by the Retirement Systems. Performance is reviewed both on an absolute basis (did the manager make or lose money) and on a relative basis (how did the manager perform compared to their designated benchmark). RVK also provides comparative statistical information about the source of the manager's performance against the benchmark and how their performance stacked up against other managers in their asset class.

## Asset Allocation

Year Ending April 30, 2017



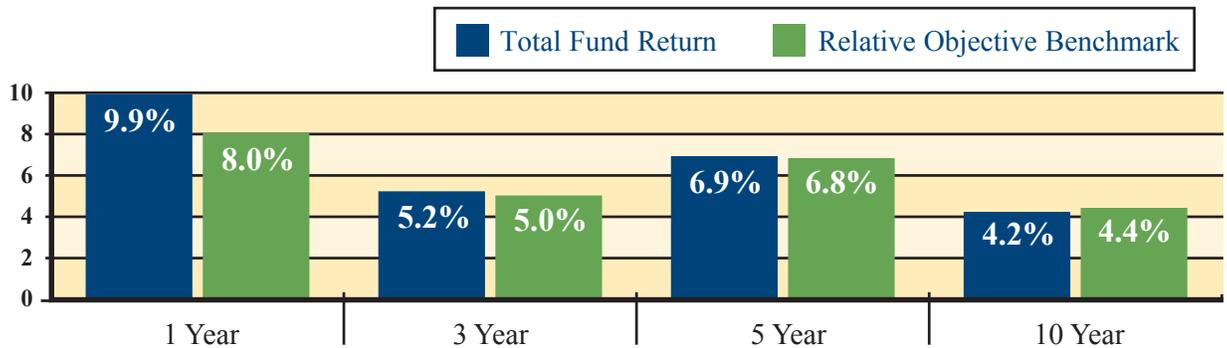
## Schedule of Investment Results

Comparative investment results are for the fiscal year ending April 30, 2017. Results for Real Estate and Private Equity managers are available for the quarter ending March 31, 2017 rather than for the fiscal year ending April 30, 2017.

### Annualized Manager Returns as of April 30, 2017

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
FCI Advisors	Bonds & Fixed Income	0.5%	2.9%	2.4%	4.6%
<i>Bloomberg US Govt/Credit</i>		<i>0.9%</i>	<i>2.7%</i>	<i>2.4%</i>	<i>4.4%</i>
Shenkman Capital Mgmt	High Yield Bonds	10.6%	4.2%	5.8%	
<i>BOA ML US Hi Yld Master II</i>		<i>13.7%</i>	<i>4.8%</i>	<i>6.9%</i>	
Brandywine Global Group	Bonds & Fixed Income	1.5%			
<i>Citi Wrld Gov't Bond Index</i>		<i>-3.6%</i>			
Fidelity	Real Return	4.5%			
<i>Fidelity Strat RR Comp Index</i>		<i>3.1%</i>			
Artisan Partners	Global Equities	20.6%	11.7%		
LSV Global LC Value	Global Equities	15.6%	5.4%		
<i>MSCI World</i>		<i>14.7%</i>	<i>5.7%</i>		
Wellington US SC 2000	Global Equities	29.3%			
<i>Russell 2000</i>		<i>25.6%</i>			
Wellington Int'l SC Rsrch	Global Equities	14.2%			
<i>MSCI World Ex US SC</i>		<i>12.0%</i>			
Northern Trust Index	Global Equities	15.9%	6.0%		
<i>MSCI ACW IMI</i>		<i>15.4%</i>	<i>5.4%</i>		
LSV Emerging Mkts	Global Equities	27.0%	3.2%	3.4%	
<i>MSCI Emerging Mkts</i>		<i>19.1%</i>	<i>1.8%</i>	<i>1.5%</i>	
LSV EM Small Cap	Global Equities	24.6%	5.5%		
<i>MSCI EM Small Cap</i>		<i>14.1%</i>	<i>1.9%</i>		
Morgan Stanley	Real Estate	9.3%			
Prudential PRISA II	Real Estate	8.2%	12.3%		
<i>NCREIF ODCE</i>		<i>7.4%</i>	<i>10.8%</i>		
GMO	Absolute Return	8.1%			
<i>MSCI ACW 60% / B Gbl Agg 40%</i>		<i>8.0%</i>			
Grosvenor	Absolute Return	8.6%			
<i>HFN FOF Multi-Strat Index</i>		<i>5.5%</i>			
Abbott Capital	Private Equity	6.3%	8.0%	10.2%	5.5%
JP Morgan	Private Equity	6.1%	11.7%	12.7%	8.3%
<i>Cambridge US Prvt Equ Index</i>		<i>8.7%</i>	<i>10.8%</i>	<i>13.1%</i>	<i>10.7%</i>
<b>Total Fund</b>		<b>9.9%</b>	<b>5.2%</b>	<b>6.9%</b>	<b>4.2%</b>
<i>Relative Objective</i>		<i>8.0%</i>	<i>5.0%</i>	<i>6.8%</i>	<i>4.4%</i>

## Schedule of Investment Results (Continued)



Returns provided by R V Kuhns & Associates, Inc. to the Kansas City Police Employees' Retirement System.

Note: Performance returns were calculated using a time weighted rate of return based on market values.

## Schedule of Largest Assets Held

Ten Largest Equity Holdings April 30, 2017	Fair Value
1) Cisco Systems Inc	\$180,571
2) Johnson & Johnson	160,511
3) Pfizer Inc	159,424
4) Intel Corp	137,370
5) AT&T, Inc.	122,853
6) Nippon Telegraph & Telephone Corp Npv	119,792
7) Abbvie, Inc.	118,692
8) Anthem, Inc.	106,734
9) JP Morgan Chase & Co.	104,400
10) Sanofi S.A.	103,745

Ten Largest Bond Holdings April 30, 2017	Fair Value
1) US Treasury Bonds 4.25% Due 2039	\$1,947,955
2) US Treasury Bonds 1.00% Due 2018	1,245,605
3) US Treasury Bonds 1.625% Due 2026	900,125
4) US Treasury Bonds 6.625% Due 2044	620,791
5) General Electric Cap Corp. 6.75% Due 2032	547,597
6) Bank America Corp. Bonds 4.0% Due 2024	520,951
7) Bank of Montreal Bonds 1.75% Due 2018	500,128
8) Citigroup, Inc. Bond 1.75% Due 2018	499,725
9) FNMA Bond 1.5% Due 2021	491,275
10) Amern Intl Group Inc 5.85% Due 2018	489,022

A complete list of portfolio holdings is available upon request.

# Schedule of Brokerage Commissions

Year Ending April 30, 2017

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission	
			Dollar Amount	Value Per Share
Bank Of America Corporation	5,100	\$216,071	\$26	\$0.0050
Barclays Capital	13,766	42,868	13	\$0.0009
Bnp Paribas Securities Services	6,000	4,757	5	\$0.0008
Bnp Paribas Securities Services Sa	200	14,210	11	\$0.0568
Citigroup Global Markets Inc.	34,492	234,512	63	\$0.0018
Citigroup Global Markets Limited	500	14,081	6	\$0.0113
Credit Suisse Ag, New York Branch	13,220	563,146	93	\$0.0070
Credit Suisse Securities (Usa) Llc	72,600	310,053	155	\$0.0021
Credit Suisse Securities(Europe)Ltd	8,715	158,882	74	\$0.0085
Daiwa Capital Markets America Inc.	4,400	34,638	17	\$0.0039
Daiwa Capital Markets Hk Ltd	300	9,108	7	\$0.0243
Deutsche Bank Securitates	1,400	24,939	10	\$0.0071
Hsbc (Gbl Mrkts Equities Operation	2,000	1,578	0	\$0.0002
Hsbc Bank Plc	13,500	80,259	24	\$0.0018
Instinet Europe Limited	20,000	319,030	96	\$0.0048
Instinet, Llc	400	7,517	3	\$0.0075
Investment Technology Group Inc.	1,400	58,405	11	\$0.0075
Investment Technology Group Ltd.	4,000	50,225	20	\$0.0050
Itg Australia Limited	2,200	30,878	25	\$0.0112
Itg Hong Kong Limited	8,500	6,764	3	\$0.0003
Liquidnet Inc	100	7,084	1	\$0.0100
Merrill Lynch International Limited	13,980	149,689	64	\$0.0046
Morgan Stanley And Co., Llc	20,900	244,677	82	\$0.0039
Pavilion Global Markets Ltd	100	3,419	1	\$0.0102
Sanford C. Bernstein And Co., Llc	900	67,034	7	\$0.0075
Scotia Capital Inc.	2,200	43,989	7	\$0.0031
Societe Generale London Branch	6,100	161,666	83	\$0.0136
Sungard Institutional Brokerage Inc	2,960	142,829	21	\$0.0070
Toronto Dominion Securities Inc	2,600	50,648	14	\$0.0053
Ubs Ag Stamford Branch	12,468	759,075	87	\$0.0070
Ubs Limited	4,080	94,451	47	\$0.0116
Ubs Securities Asia Limited	34,200	139,859	70	\$0.0020
<b>Totals</b>	<b>313,281</b>	<b>\$4,046,342</b>	<b>\$1,144</b>	<b>\$0.004</b>

Zero Commission Trades Excluded From Above	13,553,184	\$15,047,990		
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# Investment Summary

Year Ending April 30, 2017

Investment Manager	Date Hired	Investment Class	Portfolio Fair Value As of 4/30/17	% of Total Fair Value
FCI Advisors	Oct 1974	Fixed Income	\$23,508,475	17.8%
Cash			984,443	0.7%
Prudential	Sep 2004	Real Estate	8,379,697	6.3%
Abbott Capital	Aug 2005	Private Equity	1,627,101	1.2%
JPMorgan	Jan 2006	Private Equity	647,503	0.5%
LSV	Aug 2007	Equity Emerging Markets	2,552,174	1.9%
Shenkman Capital	May 2009	Fixed Income	4,199,998	3.2%
LSV	Jan 2014	Equity Emerging Markets Small Cap	1,276,284	1.0%
Northern Trust	Feb 2014	Global Equity Index	20,064,867	15.2%
Artisan Partners	Apr 2014	Global Equity	11,131,737	8.4%
LSV	Apr 2014	Global Equity	11,421,371	8.6%
Wellington	May 2014	Equity International Small Cap	1,785,872	1.4%
Wellington	May 2014	Equity US Small Cap	2,824,646	2.1%
Grosvenor	Jul 2014	Absolute Return - Hedge Fund	13,481,708	10.2%
GMO	Aug 2014	Absolute Return - GTAA	5,338,835	4.0%
Brandywine	Sep 2014	Fixed Income	10,063,881	7.6%
Morgan Stanley	Sep 2014	Real Estate	7,686,030	5.8%
Fidelity	Oct 2014	Real Return	5,402,648	4.1%
<b>Total</b>			<b>\$132,377,270</b>	<b>100%</b>

## Fees and Commissions

Year Ending April 30, 2017

Investment Manager	Management Fee	Commission Expense	Commission per Share
Abbott	\$23,106	\$-	\$-
Artisan Partners	81,412	-	-
Brandywine	44,400	-	-
FCI Advisors	37,160	-	-
Fidelity	39,945	-	-
GMO	41,277	-	-
Grosvenor	120,734	-	-
JP Morgan PE	8,544	-	-
LSV	96,910	1,144	0.004
Morgan Stanley	78,870	-	-
Northern Trust	15,141	-	-
PGIM	65,200		
Shenkman	20,111		
Wellington	28,157	-	-
<b>Total</b>	<b>\$700,968</b>	<b>\$1,144</b>	<b>\$0.000</b>

# Actuarial Section

Actuary's Certification	62
Summary of Actuarial Assumptions and Methods	65
Schedule of Active Member Valuation Data	68
Schedule of Retirants and Beneficiaries Added to and Removed from Rolls	68
Short-Term Solvency Test	69
Analysis of Financial Experience	69
Schedule of Funding Progress	70
Schedule of Computed and Actual City Contributions	70
Active Membership Data	71
Summary Plan Description	72



October 2, 2017

The Retirement Board  
Civilian Employees' Retirement System of the  
Police Department of Kansas City, Missouri  
9701 Marion Park Drive, B  
Kansas City, MO 64137

Dear Members of the Board:

The basic financial objective of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri is to establish and receive contributions which:

- when expressed in terms of percentages of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri to present and future retirees and beneficiaries.

The financial objective is addressed within the annual actuarial funding valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund the unfunded actuarial accrued liability as a level percent of active member payroll over a closed 30-year period, beginning with the April 30, 2017 valuation. The most recent valuations were completed based upon population data, asset data, and plan provisions as of April 30, 2017.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial membership data annually.

For funding valuation purposes, an asset smoothing method is used to develop the actuarial value of assets. The smoothing method recognizes the difference between the actual and expected return on the market value of assets over a five-year period.

Actuarial valuations for funding the System are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. In our opinion, the assumptions and the methods comply with the requirements of Actuarial Standards of Practice. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the actuarial contribution rates as needed. The April 30, 2017 actuarial valuation reflects the actuarial assumptions and methods included in the experience study covering the five year period from May 1, 2007 to April 30, 2012, as adopted





by the Board based on advice of the actuary, with one exception. The Board adopted a new Funding Policy at their November 8, 2016 meeting. As a result, the amortization policy for the unfunded actuarial accrued liability was changed from an open 30-year period (reset to 30 each valuation) to a closed 30-year period (declining by one each valuation), beginning with the April 30, 2017 valuation. Any new unfunded actuarial accrued liability generated as a result of actuarial experience in subsequent years will be layered and amortized over a closed 20-year period.

The unfunded actuarial accrued liability (UAAL) decreased from the last valuation by \$0.5 million due to the actual experience. There was an actuarial loss of \$2.1 million on assets and an actuarial gain of \$2.9 million on demographic experience. The liability gain was largely due to salary increases that were lower than expected based on the actuarial assumption.

The 2013 session of the Missouri General Assembly passed legislation that modified the benefit provisions for members hired on or after August 28, 2013 (called Tier II). As a result, the normal cost for this group of members is lower than the normal cost rate for members hired before that date. As of April 30, 2017, there were 90 members in Tier II out of a total of 492 active members (about 18% of total actives) so the Tier II members had a small impact on the results of the April 30, 2017 valuation. Over time, the normal cost rate is expected to decline as the pre-August 28, 2013 members retire or leave covered employment and are replaced by members covered by Tier II. However, it will likely take 10 to 15 years before a noticeable difference is observed in the valuation results.

The System is 80% funded as of April 30, 2017 based on the actuarial value of assets. However, reflecting the impact of the Tier II benefit structure for future hires and the City's commitment to contribute the full actuarial contribution rate, the funded ratio of the System is expected to increase over the next thirty years if all actuarial assumptions are met.

Cavanaugh Macdonald also prepared actuarial computations as of April 30, 2017 for purposes of fulfilling financial accounting requirements for the System under Governmental Accounting Standards Board (GASB) Statement No. 67. The results are presented in a separate report dated August 31, 2017. The assumptions used in the funding valuation report were also used in the GASB 67 report. In addition, the entry age normal actuarial cost method, which is required to be used under GASB 67, is also used in the funding valuation report. The actuarial assumptions and methods used in both the funding and the GASB 67 valuation meet the parameters set by the

Actuarial Standards of Practice (ASOPs), as issued by the Actuarial Standards Board, and generally accepted accounting principles (GAAP) applicable in the United States of America as promulgated by the Governmental Accounting Standards Board.



This work product was prepared solely for the Civilian Employees' Retirement System of the Police Department of Kansas City for the purposes described herein and may not be appropriate to use for other purposes. CMC does not intend to benefit and assumes no duty or liability to other parties who receive this work.

The actuary prepared, or assisted in preparing, the following supporting information for the Comprehensive Annual Financial Report:

### **Financial Section**

- Total Pension Liability
- Net Pension Liability
- Sensitivity Analysis
- Schedule of Changes in the Net Pension Liability
- Schedule of City Contributions

### **Actuarial Section**

- Summary of Assumptions
  - Funding Method, Asset Valuation Method, Interest Rate
  - Payroll Growth
  - Probabilities of Age & Service Retirement
  - Probabilities of Separation from Active Employment Before Age & Service Retirement
- Short-Term Solvency Test
- Membership Data
- Analysis of Financial Experience
- Schedule of Funding Progress
- Computed and Actual City Contributions

Respectfully submitted,  
CAVANAUGH MACDONALD CONSULTING, LLC

*Patrice Beckham*

Patrice A. Beckham, FSA, FCA, EA, MAAA  
Principal and Consulting Actuary



This work product was prepared solely for the Civilian Employees' Retirement System of the Police Department of Kansas City for the purposes described herein and may not be appropriate to use for other purposes. CMC does not intend to benefit and assumes no duty or liability to other parties who receive this work.

## Summary of Actuarial Assumptions and Methods

Actuarial assumptions are suggested by the retirement system actuary and approved by the Retirement Board.

The investment rate of return is 7.50% per year (adopted 7/9/13) based on an underlying rate of inflation of 3.0% per year. (Adopted 2/12/08)

The System uses a 5-year smoothing of actual vs. expected return on market value approach to value plan assets for actuarial purposes. (Adopted 9/20/11)

For healthy and disabled retirees and surviving beneficiaries, and all active employees, the System uses the RP-2000 Tables for both males and females. (Adopted 2/12/08)

The rates to measure the probabilities of age and service retirements are included in the Rates of Retirement table on the following pages.

Tables for Rates of Separation from Active Membership and Rates of Disability are shown on the following pages.

The projected average salary increase attributable to inflation is 3.75% (adopted 7/9/13); merit and longevity increases range from 0.0% to 4.0% (adopted 7/9/13) depending upon the sample ages. These increases include an underlying assumption of 3.0% for inflation (adopted 2/12/08). The table for Pay Increase Assumptions is shown on the following pages.

Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using the entry age normal actuarial cost method. Unfunded actuarial accrued liabilities were amortized by level percent of payroll contributions (principal and interest combined) over an closed 30 year period. (Adopted 11/8/16)

The System assumes the Retirement Board will grant a 2.5% cost of living adjustment, as allowed by state statute, in each year that statutory provisions are met. (Adopted 7/9/13)

The System periodically prepares a study using actual experience in order to develop assumptions to be used in its actuarial valuations. The latest study was completed in July 2013 for the period May 1, 2007 through April 30, 2012. The Retirement Board adopted the recommendations and assumptions from the July 2013 experience study for the valuation dated April 30, 2013 at the July 9, 2013 board meeting.

The most recent valuation was completed by Cavanaugh Macdonald Consulting, LLC and was based on members of the System as of April 30, 2017. All census data was supplied by the System and was subject to reasonable consistency checks. Cavanaugh Macdonald Consulting, LLC completed the 2011 through 2017 valuations. Milliman, Inc. completed the 2007 through 2010 valuations. Gabriel, Roeder, Smith & Company completed the valuations from 2002 through 2006. William M. Mercer, Inc. completed all previous valuations.

# Summary of Actuarial Assumptions and Methods (Continued)

**Mortality Tables.** For active members, the RP-2000 Employee Table with a 1 year age set forward using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

For healthy retirees, the RP-2000 Healthy Annuitant Table with a 1 year age set forward using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

For disabled retirees, the RP-2000 Healthy Annuitant Table set forward 5 years using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

Years of Service	% of Active Members Separating within Next Year
0	18.0%
1	16.0%
2	14.0%
3	12.0%
4	10.0%
5	9.0%
10	4.0%
15	0.5%
16+	0.0%

**Rates of separation from active membership.** The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment. (Adopted 7/9/13)

Sample Ages	% of Active Members Becoming Disabled within Next Year
25	0.023%
30	0.030%
35	0.038%
40	0.053%
45	0.075%
50	0.135%
55	0.270%
60	0.675%
65	3.200%

**Rates of Disability.** These assumptions represent the probabilities of active members becoming disabled. (Adopted 1984)

It was assumed that one-third of disabilities would be duty related.

## Summary of Actuarial Assumptions and Methods (Continued)

**Rates of Retirement.** These rates are used to measure the probabilities of an eligible member retiring during the next year. (Adopted 7/9/13) Inactive vested members are assumed to retire at the first unreduced retirement age.

Active Members Retiring Within Next Year		
Ages	Reduced	Unreduced
50		15%
55	2%	15%
60	15%	15%
61	15%	15%
62	15%	30%
63	15%	20%
64	15%	35%
65		35%
66		35%
67		35%
68		35%
69		35%
70		100%

**Pay increase assumptions** for individual active members are shown below. (Adopted 7/9/13)

Years of Service	Annual Rate of Pay Increase for Sample Years of Service		
	General Wage Growth	Merit and Longevity	Total
0	3.75%	4.00%	7.75%
1	3.75%	4.00%	7.75%
2	3.75%	4.00%	7.75%
3	3.75%	4.00%	7.75%
4	3.75%	4.00%	7.75%
5	3.75%	4.00%	7.75%
10	3.75%	4.00%	7.75%
15	3.75%	2.00%	5.75%
20	3.75%	0.00%	3.75%

## Schedule of Active Member Valuation Data

Ten Years Ended April 30, 2017

Valuation Date April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2008	630	\$25,610,892	\$40,652	3.3%
2009	619	26,143,479	42,235	3.9%
2010	575	24,751,839	43,047	1.9%
2011	557	24,837,595	44,592	3.6%
2012	549	23,934,913	43,597	(2.2%)
2013	558	24,926,803	44,672	2.5%
2014	552	25,512,281	46,218	3.5%
2015	551	26,284,560	47,703	3.2%
2016	526	25,622,781	48,713	2.1%
2017	492	24,196,734	49,180	1.0%

## Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Ten Years Ended April 30, 2017

Year Ended Apr 30	Added to Rolls		Removed from Rolls		Rolls End of Year		% Increase in Annual Benefits	Average Annual Benefits
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
2008	13	\$255,590	7	\$101,391	158	\$3,238,248	10.1	20,495
2009	17	347,177	12	174,736	163	3,487,344	7.7	21,395
2010	24	632,570	1	9,072	186	4,110,840	17.9	22,101
2011	14	313,147	7	167,166	193	4,358,184	6.0	22,581
2012	11	161,674	5	72,224	199	4,581,012	5.1	23,020
2013	17	418,158	5	78,827	211	5,032,296	9.9	23,850
2014	17	350,265	4	70,420	224	5,414,412	7.6	24,171
2015	16	380,423	5	116,695	235	5,786,256	6.9	24,622
2016	20	436,079	7	133,170	248	6,180,912	6.8	24,923
2017	23	623,410	9	95,963	262	6,831,852	10.5	26,076

Benefit amounts do not include \$160 supplemental benefit.

## Short-Term Solvency Test

ENTRY AGE ACTUARIAL ACCRUED LIABILITIES					Portion of Actuarial Accrued Liabilities Covered by Reported Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
April 30							
2008	\$10,652,040	\$40,458,961	\$66,515,994	\$97,989,985	100%	100%	70%
2009	11,220,613	43,984,225	69,785,630	86,332,962	100	100	45
2010	11,328,650	51,740,006	68,153,908	100,515,970	100	100	55
2011	12,057,814	55,401,727	69,580,920	102,522,611	100	100	50
2012	12,623,138	56,978,299	73,306,093	108,018,073	100	100	52
2013	12,957,382	61,173,449	74,531,948	113,170,844	100	100	52
2014	13,366,753	65,924,948	75,972,321	119,075,893	100	100	52
2015	13,831,974	69,298,850	77,339,858	126,029,676	100	100	55
2016	14,009,918	73,396,064	77,675,950	130,604,532	100	100	56
2017	13,748,200	81,260,182	76,179,809	137,233,636	100	100	55

Note: For years prior to 2011, information is shown from a prior actuary's report.

## Analysis of Financial Experience

Year Ended April 30, 2017

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below.

	Millions
Unfunded Actuarial Accrued Liability, April 30, 2016	\$34.5
- effect of contributions less than actuarial rate	0.0
- expected change due to amortization method	0.7
- loss from investment return on actuarial assets	2.1
- demographic experience <sup>1</sup>	(2.9)
- all other experience	0.4
Unfunded Actuarial Accrued Liability, April 30, 2017	\$34.0

<sup>1</sup> Liability gain is about 1.72% of total actuarial liability

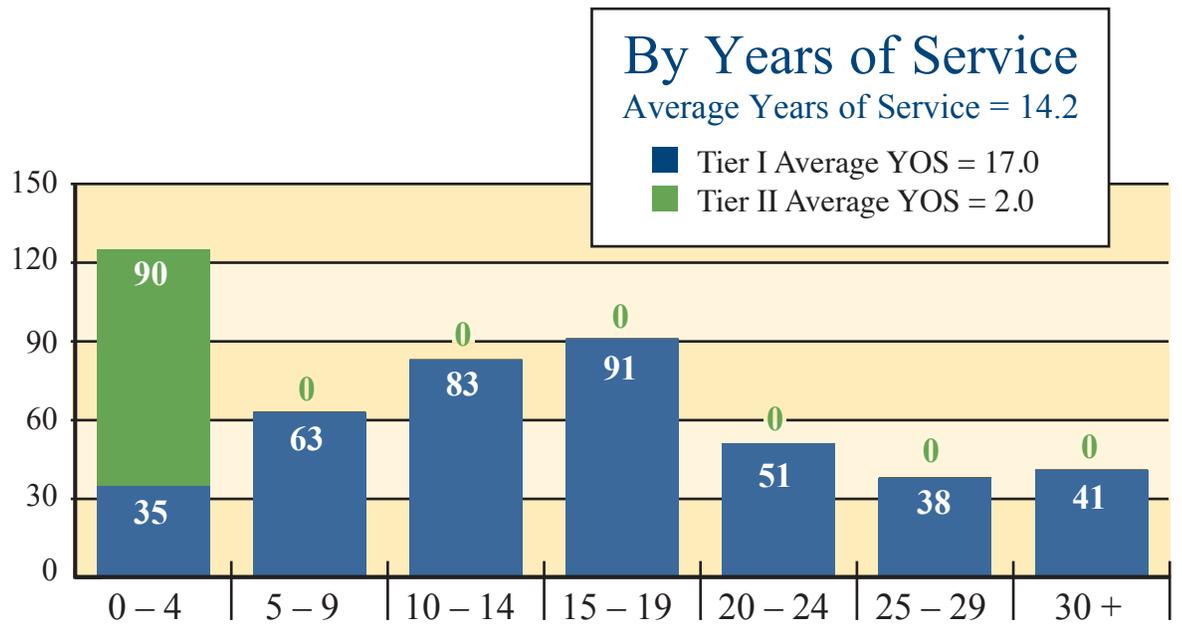
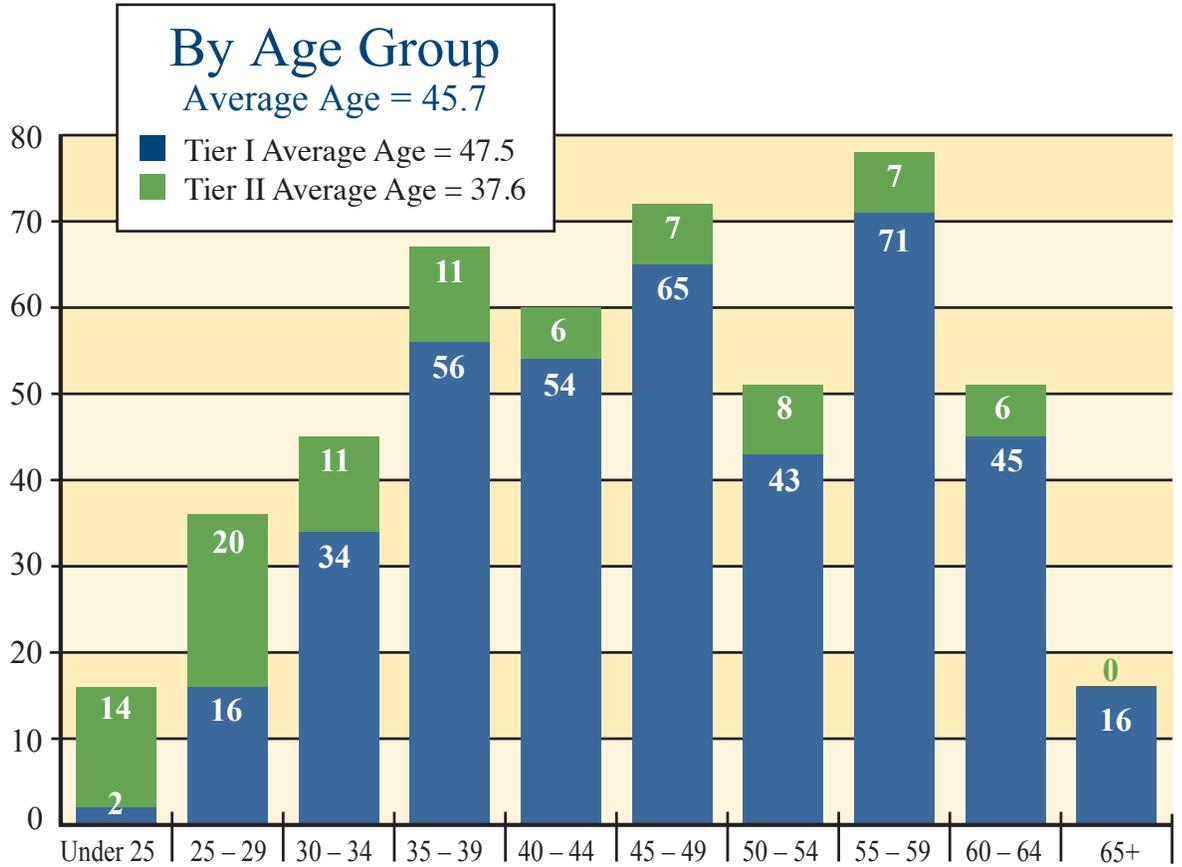
## Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Active Member Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
4/30/08	97,989,985	117,626,995	19,637,010	83%	27,045,762	73%
4/30/09	86,332,962	124,990,468	38,657,506	69%	27,580,796	140%
4/30/10	100,515,970	131,222,564	30,706,594	77%	26,136,353	117%
4/30/11	102,522,611	137,040,461	34,517,850	75%	25,238,690	137%
4/30/12	108,018,073	142,907,530	34,889,457	76%	25,255,423	138%
4/30/13	113,170,844	148,662,779	35,491,935	76%	26,461,403	134%
4/30/14	119,075,893	155,264,022	36,188,129	77%	27,076,814	134%
4/30/15	126,029,676	160,470,682	34,441,006	79%	27,887,038	124%
4/30/16	130,604,532	165,081,932	34,477,400	79%	27,165,226	127%
4/30/17	137,233,636	171,188,191	33,954,555	80%	25,618,042	133%

## Schedule of Computed and Actual City Contributions

Year Ended April 30	Actuarial Determined Contributions	Actual Contributions
2008	4,202,987	3,372,411
2009	4,322,860	3,470,682
2010	4,013,807	3,329,727
2011	5,412,676	3,185,041
2012	4,944,371	3,146,124
2013	5,202,401	3,283,458
2014	5,358,191	4,122,375
2015	4,930,686	4,930,686
2016	5,048,167	5,048,167
2017	5,063,240	5,063,240

# Active Membership



# Summary Plan Description

## at April 30, 2017

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 of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri as a condition of their employment.

Tier I members include employees hired before August 28, 2013.

Tier II members include employees hired on or after August 28, 2013.

Any Tier I member who terminates their membership and later returns to membership on or after August 28, 2013 will become a Tier II member.

### Creditable Service

Membership service includes all service rendered as a civilian employee for compensation. Creditable service includes current membership service and may also include purchases of prior service, military service and other qualifying public service.

### Service Interruptions

With certain exceptions, any time a member is on leave without compensation, the member will not receive creditable service in the Retirement System for such period of time. However, upon returning from unpaid leave to active service, the member may purchase creditable service for such time by paying the actuarial cost calculated at the time of the purchase. Under certain conditions, members who have been on a period of unpaid leave for military purposes may receive creditable service without being required to pay the actuarial cost. Creditable service does not include any time a member is suspended from service without pay.

### Prior Service

A member who terminates membership with three years or more of creditable service and later returns to membership may purchase credit toward retirement for that prior service. The cost shall be determined using the member's portion of actuarial rates.

### Prior Military Service

Members may elect to purchase creditable service in the Retirement System based upon any active duty time they served in the U.S. military prior to employment with the Kansas City, Missouri Police Department. A member may purchase up to two years of qualifying military service. The cost shall be determined at the time of purchase using current actuarial rates, and must be paid in full prior to retirement.

### Other Public Employment

Under Section 105.691 RSMo. a member who has been employed in nonfederal public employment in the State of Missouri prior to becoming a member of the Civilian Employees' Retirement System may purchase service up to the actual number of years of public service in an eligible position. A member becomes eligible under this section after they have been a member of the Civilian Employees' Retirement System for five years. The cost shall be determined using actuarial rates.

### Contributions

All members contribute a percentage of their base pay until they retire. The member's contribution rate is 5% of base pay. Member contributions are made through payroll deduction on a pre-tax basis and paid into the Retirement System by the Board of Police Commissioners each pay period.

As of May 1, 2016, the City of Kansas City, Missouri will contribute the actuarial required amount of \$5.0 million based on a projected payroll of \$28.9 million using a contribution rate of 17.50% of members' base pay. Future contribution rates will be based on actuarial requirements.

## Retirement Benefits

A Tier I member's normal retirement date shall be the first day of the month following the later of the date the member attains the age of 65 years or of the member's tenth anniversary of employment.

A Tier II member's normal retirement date shall be the first day of the month following the later of the date the member attains the age of 67 years or of the member's twentieth anniversary of employment.

Pension benefits begin in the month following the member's effective retirement date.

### Age and Service Retirement

A member, who retires on or after the member's normal retirement date, shall receive a pension in a sum equal to 2% of the member's Final Compensation multiplied by the number of years of creditable service.

Final Compensation of a Tier I member is generally the member's average annual compensation over the 24 months of service for which the member received the highest base salary.

Final Compensation of a Tier II member is generally the member's average annual compensation over the 36 months of service for which the member received the highest base salary.

There is no reduction for social security benefits.

A member who is married at the time of retirement may, with their spouse's consent, select an optional annuity in lieu of a normal pension. An optional annuity provides a monthly pension to the member for life

and an equal amount to the surviving spouse upon the death of the member. The value of the optional annuity will be the actuarial equivalent of the member's normal pension amount at the date of retirement, including the value of survivorship rights for the surviving spouse. The optional annuity will be paid to the member's surviving spouse for life without regard to remarriage.

### Early Retirement

Beginning at age 55, a Tier I member who has completed at least 10 years of creditable service may elect early retirement and receive a pension benefit which shall be reduced by one-half of one percent for each month the effective date is prior to the first day of the month after the member turns 60. For members electing early retirement at age 55 the reduction is 30%.

Beginning at age 60, a Tier I member who has completed at least 5 years but not more than 10 years of creditable service may elect early retirement and receive a pension benefit which shall be reduced by one-half of one percent for each month the effective date is prior to the first day of the month after the member turns 65.

Beginning at age 60, a Tier I member who has completed at least 10 years of creditable service, or at any time after a member's total of age and years of creditable service equals or exceeds 80, the member may elect early retirement without any reduction in benefits.

Beginning at age 62, a Tier II member who has completed at least 5 years of creditable service may elect early retirement and receive a pension benefit which shall be reduced by one-half of one percent for each month the effective date is prior to the first day of the month after the member turns 67. For members electing early retirement at age 62 the reduction is 30%.

Beginning at age 62, a Tier II member who has completed at least 20 years of creditable service, or at any time after a member's total of age and years of creditable service equals or exceeds 85, the member may elect early retirement without any reduction in benefits.

## **Disability Benefits**

A member eligible for disability benefits must be in active service and have 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 the member's life. The disability must not be caused by the member's own negligence or willful self infliction. A duty disability is directly due to and caused by actual performance of employment with the Police Department. A non-duty disability arises from any other cause than a duty disability.

There is no age or service requirement for a duty disability pension. A member eligible for a duty disability pension, as determined by the Medical Board of the Retirement System and the Retirement Board, will receive a pension equal to 50% of the member's Final Compensation.

To be eligible for a non-duty disability pension, a member must have 10 or more years of creditable service. A member eligible for a non-duty disability pension, as determined by the Medical Board of the Retirement System and the Retirement Board, will receive a pension equal to 30% of the member's Final Compensation but in no event shall the disability pension be less than the amount the member would be entitled to as a pension if they retired on the same date with equivalent age and creditable service.

A disability pension shall be paid to eligible members for so long as the total and permanent disability shall continue. The pension may be subject to offset or reduction by amounts paid or payable under Workers' Compensation law. A disability retiree may be required by the Retirement Board to undergo periodic medical examinations.

## **Partial Lump-sum Option Payment (PLOP)**

A Partial Lump-sum Option Payment (PLOP) is available to members who have one or more years of creditable service beyond their eligible retirement date. A member with one or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to

12 times the initial monthly base pension they would have received without making the PLOP election.

A member with two or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to 24 times the initial monthly base pension they would have received without making the PLOP election.

A member with three or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to 36 times the initial monthly base pension they would have received without making the PLOP election.

When a member makes an election to receive a PLOP, the member's base pension calculated at the time of retirement will be actuarially reduced to reflect the PLOP payment. The reduction in a member's retirement benefit with a PLOP is dependent upon the member's age, marital status and the amount of the PLOP.

## **Survivor Benefits**

Upon the death of a member in service or of a member after retirement, there shall be paid the following:

If the member dies in service and has less than 5 years of creditable service, the member's surviving spouse shall be paid, in a lump sum, the amount of the member's contributions plus interest.

If the member dies in service and has at least 5 but less than 20 years of creditable service, the member's surviving spouse may elect, in lieu of the lump sum return of contributions plus interest, a pension equal to 50% of the member's accrued pension as computed for normal retirement. The effective date of the election shall be the latter of the first day of the month after the member's death or the first day of the month following what would have been the member's early retirement date.

If the member dies in service and has at least 20 years of creditable service, the member's surviving spouse may elect, in lieu of the lump sum return of contributions plus interest, the larger of the 50% pension as computed above or a pension determined on a joint and survivor's basis from the actuarial value of the member's accrued pension at the date of death.

If the member retired and did not elect an optional annuity in lieu of a normal pension, the surviving spouse shall receive a pension payable for life equaling 50% of the member's normal retirement benefit as of the member's actual retirement date plus cost of living adjustments.

If the member retired and elected an optional spousal annuity, the surviving spouse shall receive the same amount as the annuity being paid to the member and will be paid such amount for the lifetime of such surviving spouse.

A funeral benefit of \$1,000.00.

When a surviving spouse receives Workers' Compensation benefits on account of the death of a member in service, the amounts of any payments under this section may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law.

Upon the death of a member, if there is no surviving spouse or if the total amount paid to the member and/or the member's surviving spouse is less than the member's accumulated contributions, an amount equal to the difference shall be paid to the member's designated beneficiary or, if none, to the member's estate. A payment to a designated beneficiary shall constitute full and final payment of any and all claims for benefits from the Retirement System.

A surviving spouse shall not be entitled to benefits unless the spouse was married to the member at the time of retirement.

### **Cost of Living Adjustments**

Members, including surviving spouses, may receive an annual cost-of-living adjustment in an amount not to exceed 3% of their respective base pension. Statutes require that the Retirement System remain actuarially sound and that the Retirement Board must act upon the advice of a qualified actuary when granting cost of living adjustments. To be eligible for the cost of living increase, which is normally granted on the June 1 benefit check, the member's pension must have commenced by December 31 of the prior year.

### **Supplemental Retirement Benefits**

Retired members with 15 years of creditable service and eligible surviving spouses receive a supplemental retirement benefit, currently in the amount of \$160.00 monthly, in addition to pension benefits.

### **Resignation or Termination**

Upon resignation or termination of a member with less than 5 years of creditable service, the member will be paid the amount of the member's accumulated contributions plus interest, if any, and the return of contributions shall be in lieu of any and all benefits to which the member might be entitled.

With 5 or more years of creditable service, a member may choose to leave their accumulated contributions in the Retirement System fund and receive a pension upon the member's normal retirement date or upon the member's early retirement date subject to any applicable adjustments.

Any member who receives a refund of their member contributions, thereby terminating their membership in the Retirement System, and who later returns to membership on or after August 28, 2013 due to re-employment will become a Tier II member.

## Retirement Board

The Retirement 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.

The above summary is not intended to serve as a legal document or substitute for the law. In all circumstances the language of the actual text of the law and the policies adopted by the Retirement System Board will take precedence. Copies of sections 86.1310 to 86.1640 of the Revised Statutes of Missouri, which govern the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri are available on our web site at [www.kcpers.org](http://www.kcpers.org) or upon request at the KCPERS office.

# Statistical Section

Statistical Summary	78
Membership in Retirement Plan	78
Schedule of Changes in Plan Net Position	79
Schedule of Deductions from Plan Net Assets for Benefits and Refunds by Type	80
Schedule of Retired Members by Type of Benefit	82
Schedule of Average Monthly Base Benefit Amounts	83
Retired Membership Data	84

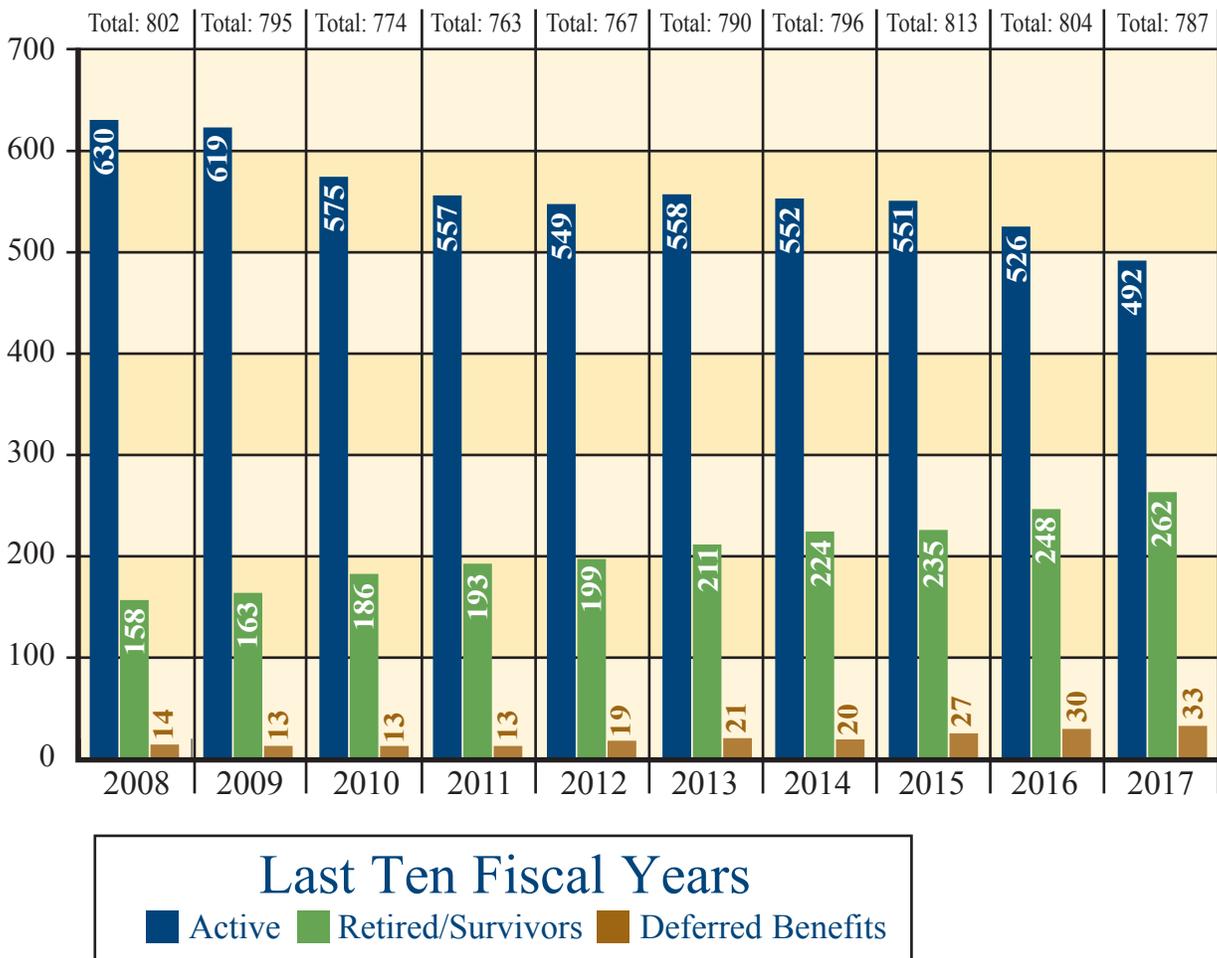
# Statistical Summary

The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri has implemented the provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section. GASB Statement No. 44 established reporting requirements related to the supplementary information presented in this section.

Each of the schedules in the statistical section contain ten years of historical data to provide more comprehensive comparisons and track the progress of changes to member demographics and plan benefits.

All of the member demographic and benefit data used in the statistical section was obtained from internal sources. Participant data is separated into active, retired/survivor, and deferred categories where appropriate. Retirement benefit data is separated into service retirement, duty disability retirement, and non-duty disability retirement categories where appropriate.

## Membership in Retirement Plan



# Schedule of Changes in Plan Net Position

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011	2012
<b>Additions:</b>					
Member Contributions	\$1,285,869	\$1,338,180	\$1,311,963	\$1,383,479	\$1,224,736
City Contributions	3,372,411	3,470,682	3,329,727	3,185,041	3,146,124
Net Investment Income	(63,658)	(25,282,608)	19,545,133	11,852,884	(613,908)
<b>Total Additions to Plan Net Position</b>	<b>4,594,622</b>	<b>(20,473,746)</b>	<b>24,186,823</b>	<b>16,421,404</b>	<b>3,756,952</b>
<b>Deductions:</b>					
Benefits	3,431,959	3,716,269	4,519,593	4,875,154	4,786,286
Refunds	218,281	381,590	269,586	131,072	183,861
Administrative	111,993	123,561	117,579	116,767	117,078
<b>Total Deductions from Plan Net Position</b>	<b>3,762,233</b>	<b>4,221,420</b>	<b>4,906,758</b>	<b>5,122,993</b>	<b>5,087,225</b>
<b>Change in Net Position</b>	<b>\$832,389</b>	<b>(\$24,695,166)</b>	<b>\$19,280,065</b>	<b>\$11,298,411</b>	<b>(\$1,330,273)</b>

Fiscal Year	2013	2014	2015	2016	2017
<b>Additions:</b>					
Member Contributions	\$1,296,963	\$1,313,816	\$1,323,061	\$1,287,388	\$1,253,047
City Contributions	3,283,458	4,122,375	4,930,686	5,048,167	5,063,240
Net Investment Income	8,385,124	9,764,444	6,779,599	(794,103)	11,420,358
<b>Total Additions to Plan Net Position</b>	<b>12,965,545</b>	<b>15,200,635</b>	<b>13,033,346</b>	<b>5,541,452</b>	<b>17,736,645</b>
<b>Deductions:</b>					
Benefits	5,249,218	5,929,841	6,185,573	6,887,482	6,888,499
Refunds	249,244	322,680	134,780	333,464	296,738
Administrative	141,472	125,025	112,924	126,924	120,257
<b>Total Deductions from Plan Net Position</b>	<b>5,639,934</b>	<b>6,377,546</b>	<b>6,433,277</b>	<b>7,347,870</b>	<b>7,305,494</b>
<b>Change in Net Position</b>	<b>\$7,325,611</b>	<b>\$8,823,089</b>	<b>\$6,600,069</b>	<b>(\$1,806,418)</b>	<b>\$10,431,151</b>

# Schedule of Deductions from Plan Net Position for Benefits and Refunds by Type\*

Last Ten Fiscal Years

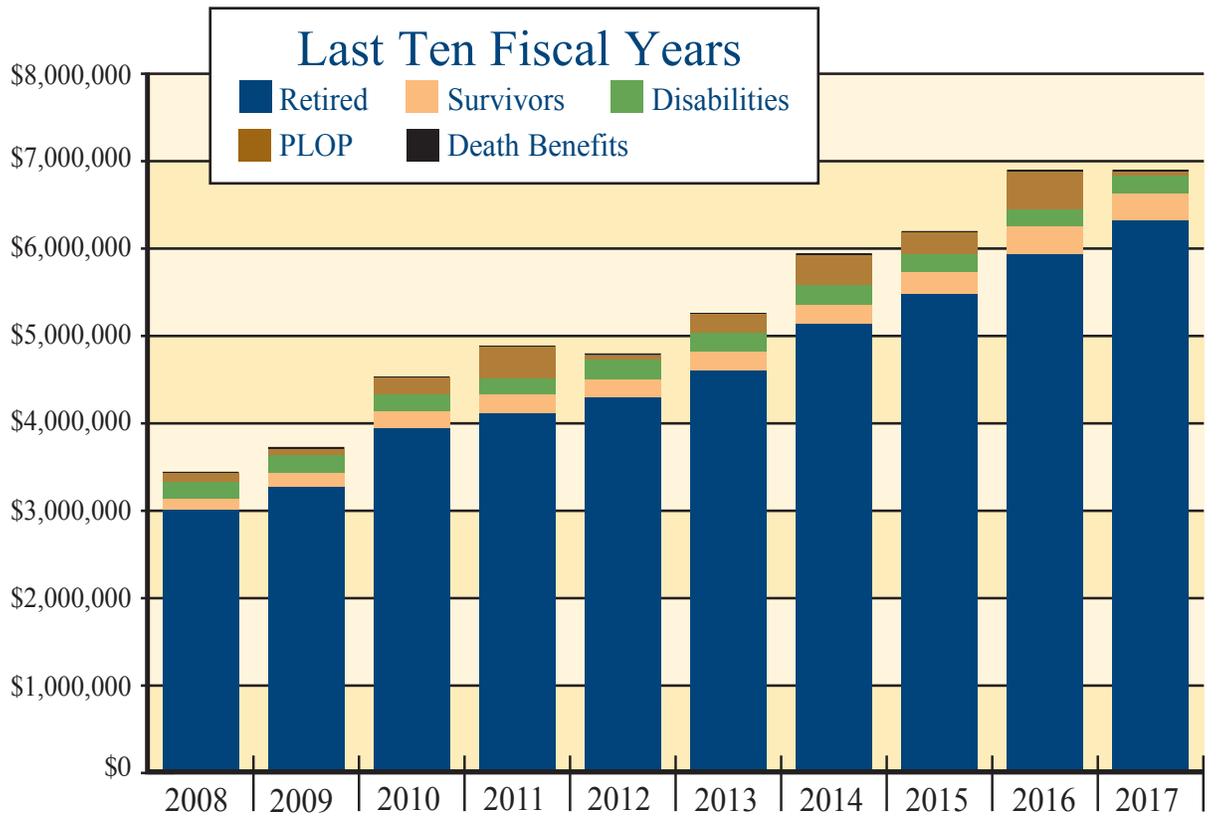
Fiscal Year	2008	2009	2010	2011	2012
<b>Type of Benefit:</b>					
Retired	\$3,010,989	\$3,267,300	\$3,941,128	\$4,116,608	\$4,296,304
Survivors	124,607	169,021	201,307	207,306	208,118
Disabilities	196,776	199,860	191,868	190,725	220,350
PLOP	93,587	66,088	183,290	354,515	56,514
Death Benefits	6,000	14,000	2,000	6,000	5,000
<b>Total Benefits</b>	<b>\$3,431,959</b>	<b>\$3,716,269</b>	<b>\$4,519,593</b>	<b>\$4,875,154</b>	<b>\$4,786,286</b>
<b>Type of Refund:</b>					
Separation	\$218,281	\$300,856	\$183,517	\$122,076	\$183,861
Death	—	80,734	86,069	8,996	—
<b>Total Refunds</b>	<b>\$218,281</b>	<b>\$381,590</b>	<b>\$269,586</b>	<b>\$131,072</b>	<b>\$183,861</b>

Fiscal Year	2013	2014	2015	2016	2017
<b>Type of Benefit:</b>					
Retired	\$4,602,158	\$5,134,903	\$5,482,025	\$5,935,608	\$6,316,121
Survivors	212,112	221,915	249,449	313,054	314,748
Disabilities	225,046	217,811	195,869	199,546	200,112
PLOP	205,902	351,212	253,230	431,847	50,518
Death Benefits	4,000	4,000	5,000	7,427	7,000
<b>Total Benefits</b>	<b>\$5,249,218</b>	<b>\$5,929,841</b>	<b>\$6,185,573</b>	<b>\$6,887,482</b>	<b>\$6,888,499</b>
<b>Type of Refund:</b>					
Separation	\$214,453	\$305,683	\$134,780	333,464	\$296,738
Death	34,791	16,997	—	—	—
<b>Total Refunds</b>	<b>\$249,244</b>	<b>\$322,680</b>	<b>\$134,780</b>	<b>\$333,464</b>	<b>\$296,738</b>

\*Benefit amounts include \$160 supplemental benefit.

\*Benefit amounts include cost of living adjustments.

## Schedule of Deductions from Plan Net Position for Benefits and Refunds by Type\* (Continued)



\* Benefit amounts include \$160 supplemental benefit.

\* Benefit amounts include cost of living adjustments.

# Schedule of Retired Members by Type of Benefit

April 30, 2017

Amount of Monthly Benefit*	Total Monthly Benefits*	Total Number of Recipients	Type of Benefit			
			Retired	Surviving Spouses	Duty Disability	Non-Duty Disability
Under \$500	\$6,852	18	15	3		
501 to 750	11,786	19	13	6		
751 to 1,000	15,611	18	15	1		2
1,001 to 1,500	36,654	29	24	4		1
1,501 to 2,000	60,282	34	32		1	1
2,001 to 2,500	67,708	30	29	1		
2,501 to 3,000	97,149	36	32	1		3
3,001 to 3,500	77,416	24	22	2		
3,501 to 4,000	82,063	22	21	1		
4,001 to 4,500	76,851	18	18			
4,501 to 5,000	32,999	7	7			
Over 5,000	40,273	7	7			
<b>Totals</b>	<b>\$605,644</b>	<b>262</b>	<b>235</b>	<b>19</b>	<b>1</b>	<b>7</b>

\*Benefit amounts include \$160 supplemental benefit.

\*Benefit amounts include cost of living adjustments.

# Schedule of Average Monthly Base Benefit Amounts\*

Ten Years Ended April 30, 2017

## Years Credited Service

Members Retiring During	5-10	10-15	15-20	20-25	25-30	30+	All Members
<b>Fiscal Year Ending 04/30/08</b>							
Average monthly benefit	\$830	896	1,137		1,841	3,191	1,603
Average final compensation	\$4,700	3,694	3,379		4,096	5,361	4,169
Number of retirees	1	5	2		2	3	13
<b>Fiscal Year Ending 04/30/09</b>							
Average monthly benefit	\$330	722	1,060	1,778	2,660	2,131	1,892
Average final compensation	\$2,347	2,682	3,321	3,851	4,947	3,494	4,005
Number of retirees	1	2	1	1	6	1	12
<b>Fiscal Year Ending 04/30/10</b>							
Average monthly benefit	\$511	686	1,072	1,600	2,555	3,010	2,196
Average final compensation	\$3,360	2,872	3,646	3,898	4,495	4,435	4,122
Number of retirees	2	2	2	2	7	9	24
<b>Fiscal Year Ending 04/30/11</b>							
Average monthly benefit		\$959	1,562	1,665	2,395	2,964	2,047
Average final compensation		\$3,198	4,739	3,698	4,415	5,264	4,507
Number of retirees		1	4	2	3	3	13
<b>Fiscal Year Ending 04/30/12</b>							
Average monthly benefit	\$570	511	1,095	3,208		2,762	1,307
Average final compensation	\$4,214	2,542	3,135	7,024		4,794	4,002
Number of retirees	3	3	1	1		2	10
<b>Fiscal Year Ending 04/30/13</b>							
Average monthly benefit	\$293	2,014	1,513	1,571	3,320	3,216	2,054
Average final compensation	\$2,562	9,225	5,132	4,258	6,326	4,942	5,005
Number of retirees	2	1	4	3	2	4	16
<b>Fiscal Year Ending 04/30/14</b>							
Average monthly benefit		\$762	1,006	1,770	2,422	2,283	1,593
Average final compensation		\$3,553	2,881	4,794	4,860	4,162	4,220
Number of retirees		5	1	5	3	2	16
<b>Fiscal Year Ending 04/30/15</b>							
Average monthly benefit	\$450	1,534		1,569	2,385	3,119	1,964
Average final compensation	\$2,593	5,441		3,817	4,249	5,043	4,286
Number of retirees	2	2		4	2	4	14
<b>Fiscal Year Ending 04/30/16</b>							
Average monthly benefit	\$336	575	1,062	2,129	2,212	3,979	1,847
Average final compensation	\$2,594	2,509	3,385	4,963	4,570	6,199	4,195
Number of retirees	2	2	4	3	4	3	18
<b>Fiscal Year Ending 04/30/17</b>							
Average monthly benefit	413	928	1,405	3,814	3,659	2,958	2,393
Average final compensation	2,763	4,352	4,190	8,569	7,048	4,576	5,411
Number of retirees	2	3	4	4	3	5	21

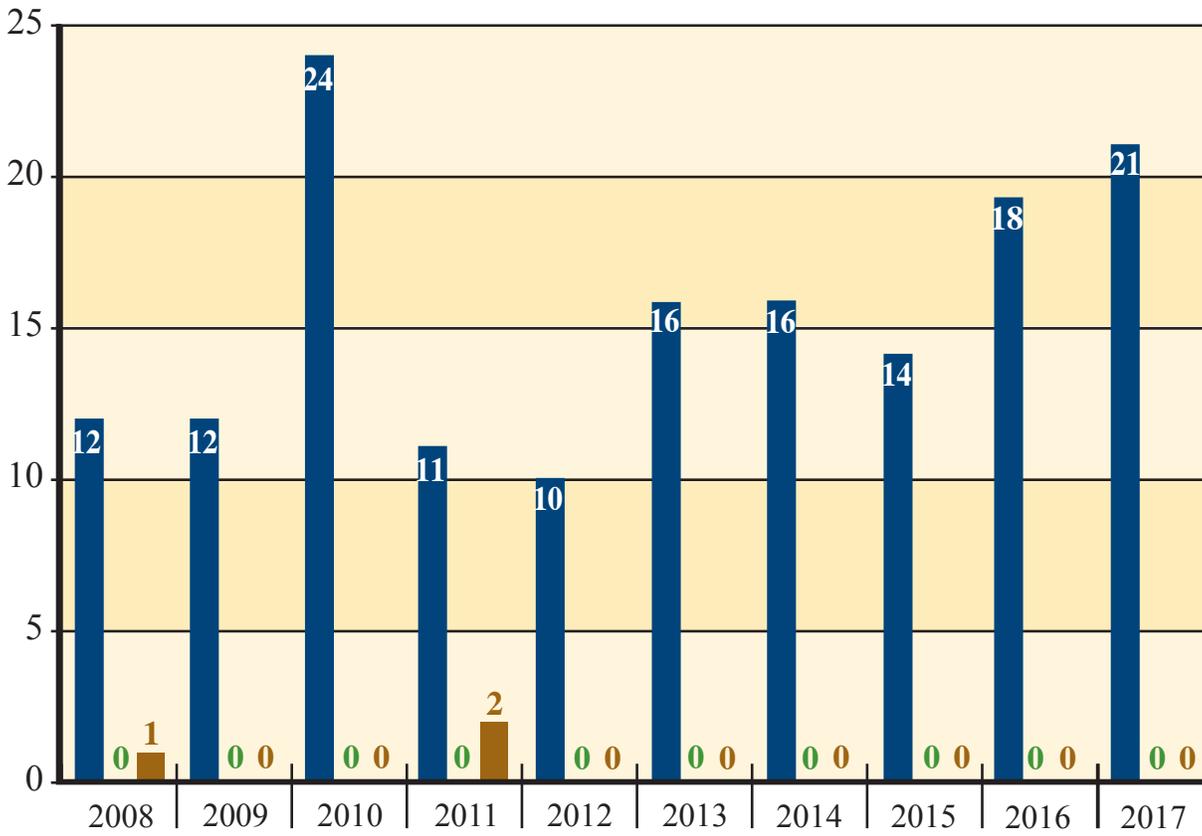
\*Benefit amounts do not include supplemental benefits or cost of living adjustments.

\*Benefit amounts are after reductions for optional benefits.

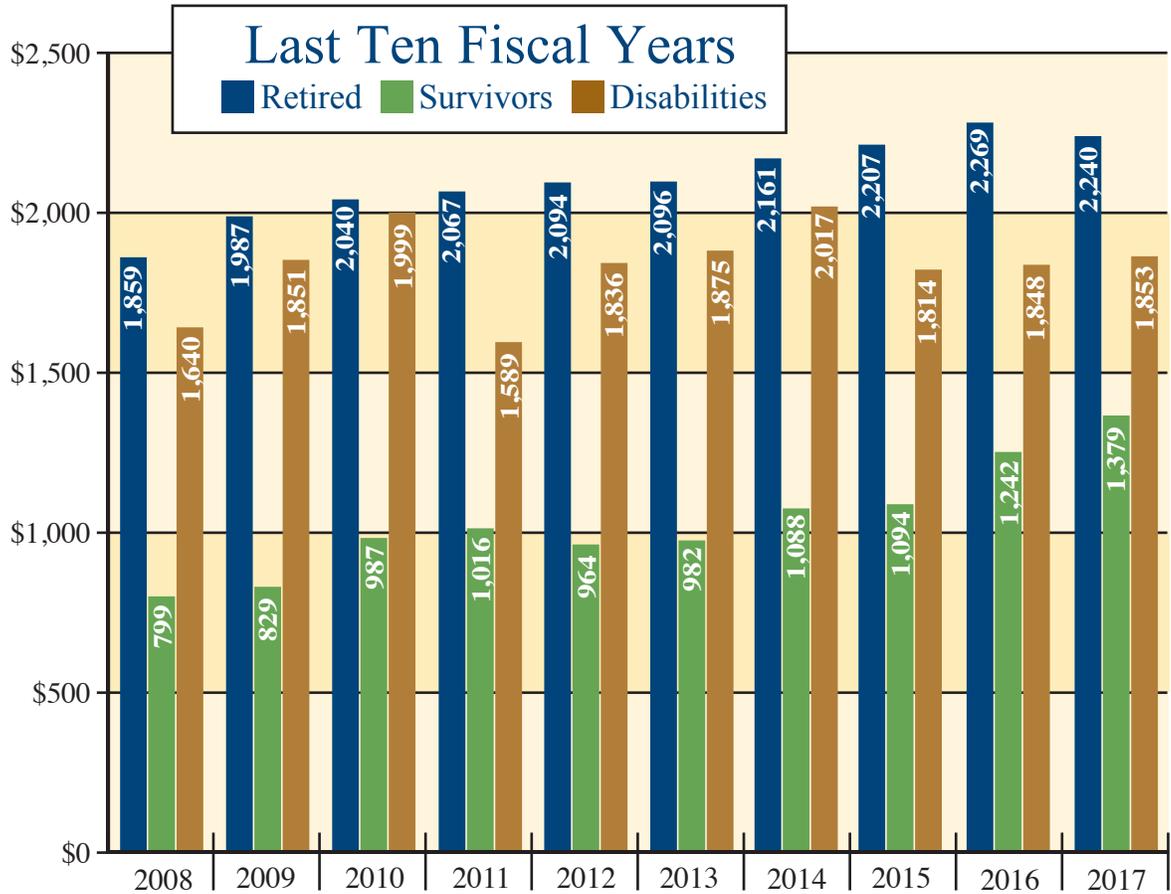
# New Pensions Started

## Last Ten Fiscal Years

■ Service ■ Duty ■ Non-Duty



# Average Monthly Benefit\*



\* Benefit amounts include \$160 supplemental benefit

\* Benefit amounts include cost of living adjustments

## Cost of Living Increases

Ten Year History

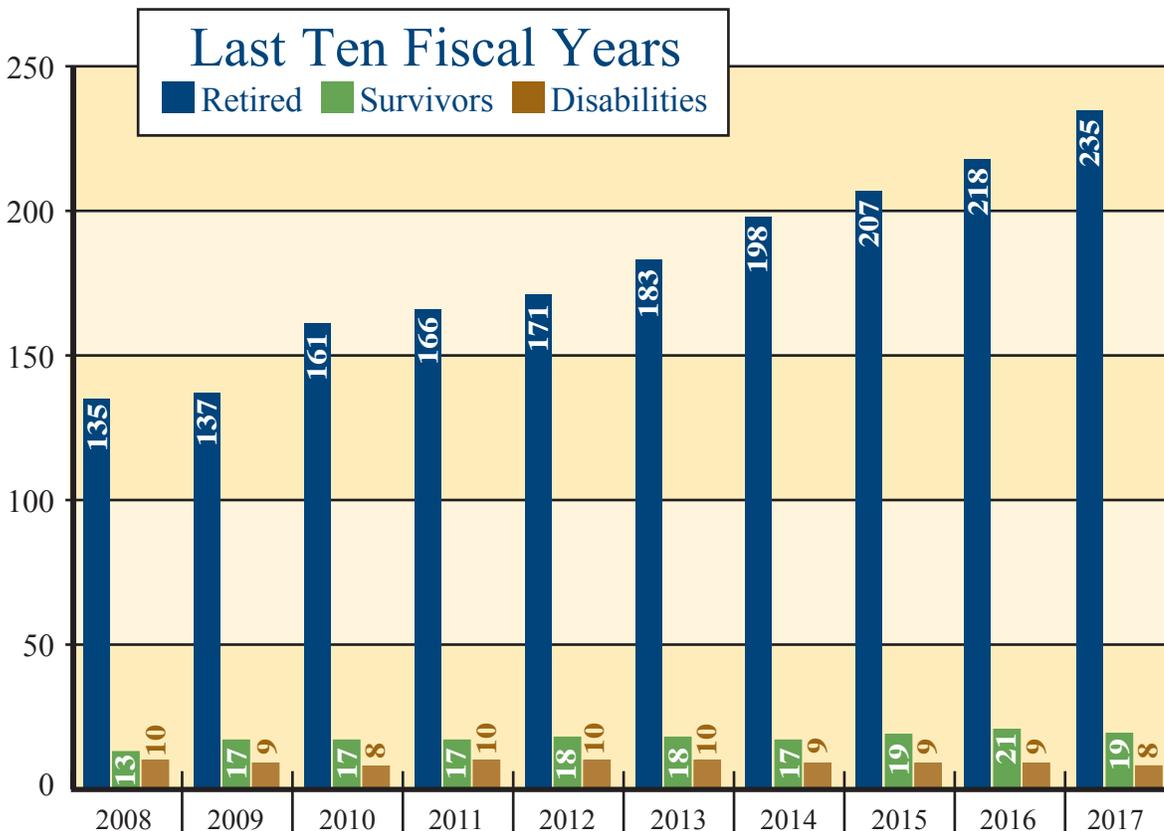
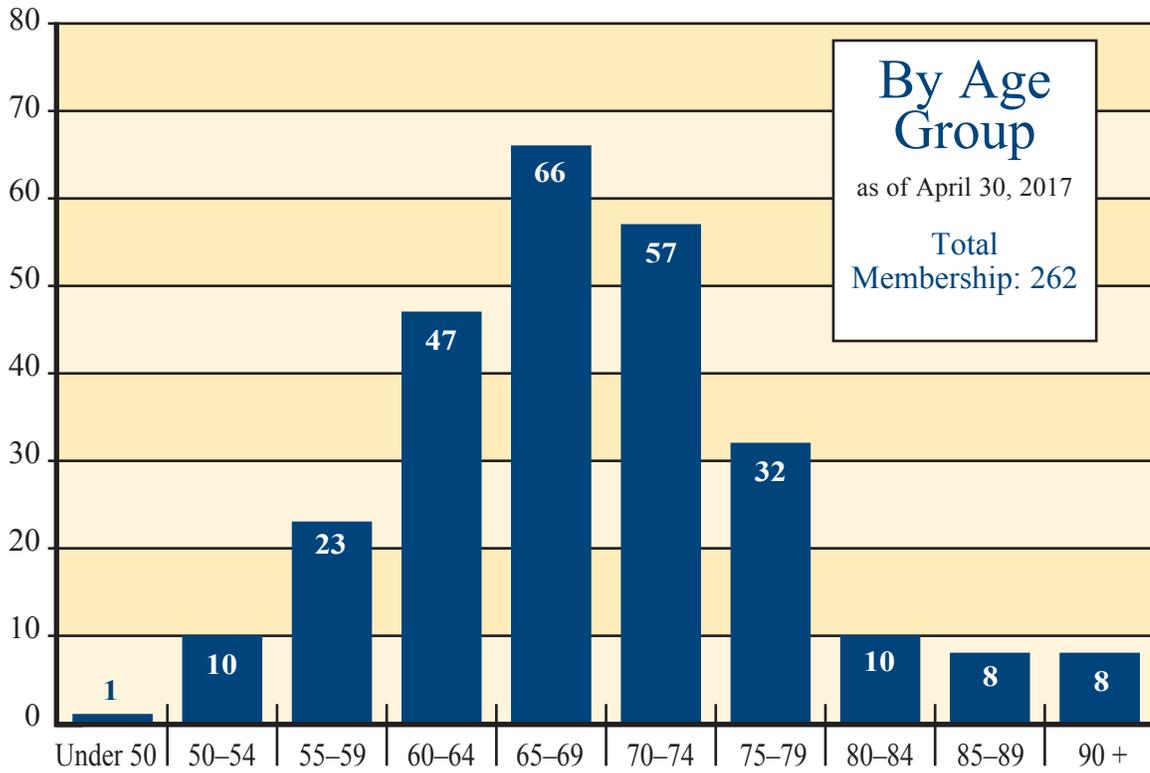
Fiscal Year	% Increase to Monthly Base Pension
2008	3.00%
2009	3.00%
2010	3.00%
2011	0.00%
2012	3.00%
2013	3.00%
2014	3.00%
2015	2.50%
2016	2.50%
2017	2.00%

## Supplemental Retirement Benefit

History of Increases

Fiscal Year	Monthly Benefit Amount	Annual Benefit Amount
1993	\$50.00	\$600.00
2000	120.00	1,440.00
2001	160.00	1,920.00

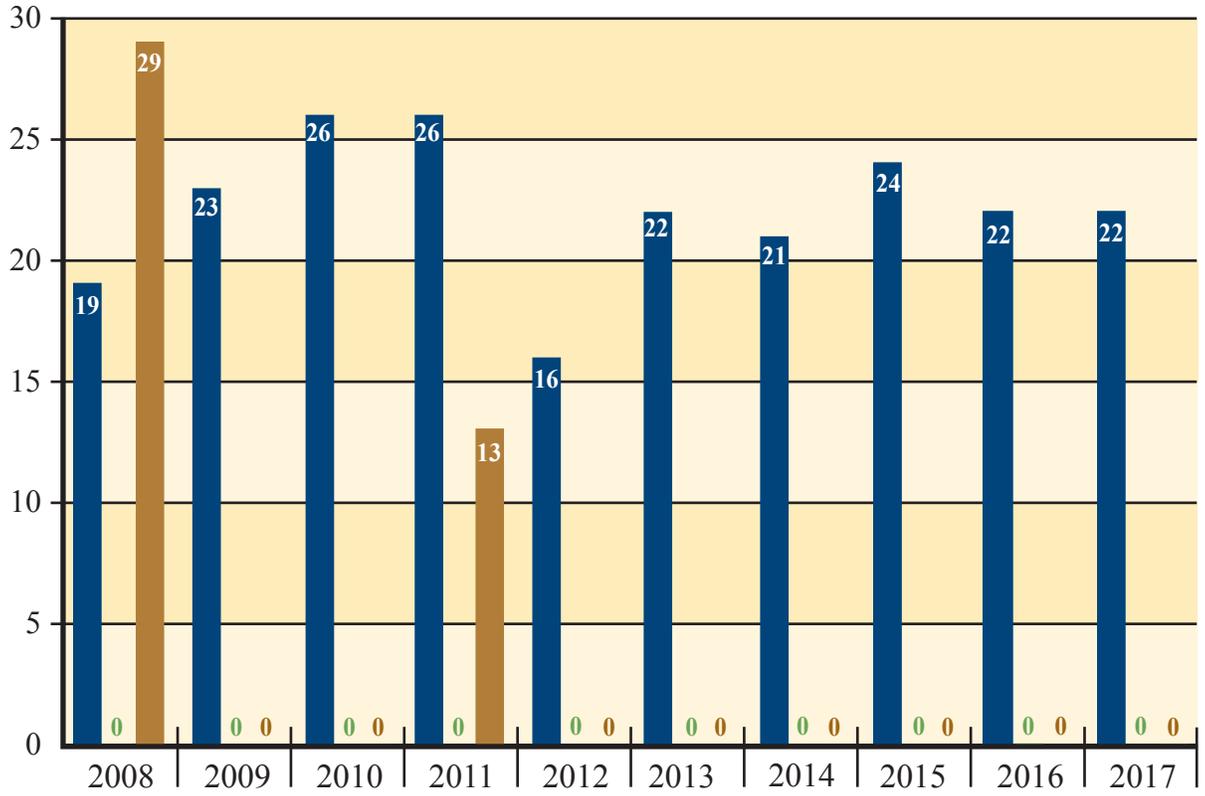
# Membership Receiving Benefits



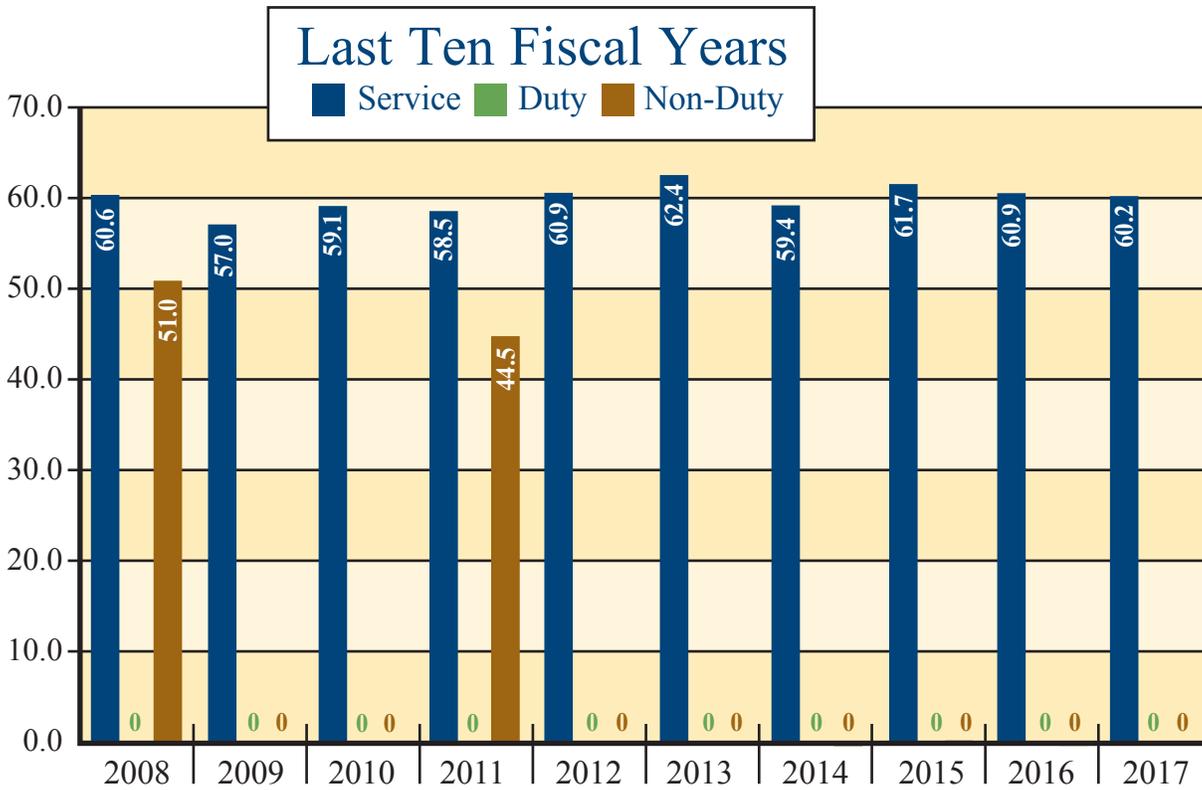
# Average Years of Service at Retirement

## Last Ten Fiscal Years

■ Service ■ Duty ■ Non-Duty



# Average Age at Retirement



## Average Age of Retirees as of April 30, 2017

**Service** **68.8**  
 (235 retired members ranging in age from 50 to 99)

**Duty Disability** **57.0**  
 (1 retired member age 57)

**Non-Duty Disability** **58.3**  
 (7 retired members ranging in age from 42 to 74)





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# KCPERS

Kansas City Police Employees' Retirement Systems

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