

KCPERS Policy

Policy #018 – Definition of Actuarially Sound

Adopted: November 8, 2005

Amended: March 14, 2006, July 14, 2015, April 10, 2025

For purposes of implementing the provisions of the sections 86.900 to 86.1280 RSMo for the Police Retirement System and sections 86.1310 to 86.1640 RSMo for the Civilian Employees' Retirement System, the following definition of “actuarially sound” is hereby approved by the Retirement Board. Calculations to determine if the retirement plans are actuarially sound will be based on the most recently completed actuarial valuation prepared for the purpose of funding the System, and will remain valid until the next valuation is completed.

Actuarial soundness refers to the condition where a public retirement system is adequately funded to meet its long-term obligations in a manner that ensures the system remains financially stable and sustainable. Specifically, for a system with a discretionary Cost of Living Adjustment (COLA), actuarial soundness means that the system is projected to have sufficient assets to meet future benefit payments, including any adjustments for inflation, under a reasonable set of assumptions.

For the purposes described in statute, a retirement system shall be considered actuarially sound based on the following key metrics:

1. For six of the last seven completed plan years, the plan has received employer contributions that equal or exceed the plan’s actuarially determined contribution amount.
2. The actual compound investment return over the last ten years is equal to or exceeds the current investment return assumption.
3. The projected funded ratio is expected to increase and reach 100% within 25 years if all actuarial assumptions are met and the full actuarially determined contribution, as required under the funding policy, can reasonably be expected to be paid.