



## MINUTES

POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF  
THE POLICE DEPARTMENT OF KANSAS CITY  
BOARD MEETING  
Thursday, September 12, 2024

Scott Hummel called the meeting to order.

**PRESENT:**

Scott Hummel, Member	Lisa Colclasure, Staff
Nathan Simecek, Member	Jason Hoy, Staff
Robert Jones, Member	Kasey Hiltgen, Staff
Pat Trysla, Member	Jonathan Dilly, Attorney
James Manley, Member	Jonathan Nibarger, AGH
Web Bixby, Member	Jason Moses, AGH
Wayne Stewart, Member	Patrice Beckham, CavMac
Leslie Lewis, Member	Aaron Chochon, CavMac

**INVESTMENT COMMITTEE UPDATE**

Mr. Stewart shared an update from the Investment Committee (IC). As per the July capital markets flash report, the Police Plan achieved a net gain of 1.49% (net of fees) and ended with a market value of \$1.02 billion. Similarly, the Civilian Employees' Plan achieved a net gain of 1.57% (net of fees) and ended with a market value of \$182.0 million. Both Plans' target benchmark gained 1.57%. For the one-year period ending in July, the Police Plan gained 8.15% (net of fees), and the Civilian Plan gained 8.09% (net of fees). Meanwhile, the target benchmark for the same period gained 8.05%.

Mr. Hoy reviewed the 12-Month Work Plan with the Board and discussed key educational items they will focus on and the impact on investment strategy as we receive the results of the upcoming Asset-Liability Study.

**APRIL 30, 2023 AUDITED FINANCIAL STATEMENTS**

Jonathan Nibarger from AGH presented the April 30, 2024, audited financial statements for the Police and Civilian Employees' plans. The audits include information to comply with the provisions of the Government Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

As of April 30, 2024, the net position restricted for pensions in the Police plan increased by \$34.1 million to \$988 million. This is a 3.6% increase from April 30, 2023. The increase was due to a \$34.0 million increase in assets produced by positive Stock and Alternative market performance. Additionally, there was a \$.2 million decrease in liabilities related to securities lending collateral. In the fiscal year, there

were \$120.0 million in additions, including member contributions of \$11.4 million, employer contributions of \$39.4 million, and net investment gains of \$69.1 million. Deductions totaled \$85.7 million, which included benefit payments of \$83.4 million, refunds of contributions of \$.1 million, and administrative expenses of \$1.3 million.

As of April 30, 2024, the net position restricted for pensions in the Civilian Employees' plan increased by \$8.7 million to \$174.5 million. This is a 5.2% increase from April 30, 2023. The increase was due to a \$12.3 million increase in assets produced by positive Stock and Alternative market performance. Additionally, there was a \$1.9 million decrease in liabilities related to securities lending collateral. In the fiscal year, there were \$20.0 million in additions, including member contributions of \$1.6 million, employer contributions of \$6.6 million, and net investment gains of \$11.8 million. Deductions totaled \$11.3 million, which included benefit payments of \$10.9 million, refunds of contributions of \$.3 million, and administrative expenses of \$.2 million.

Mr. Nibarger said AGH's letter to the Board of Trustees will include required communications, internal control deficiencies, and other comments. Mr. Nibarger said no new accounting policies were implemented this year, there were no audit adjustments to the April 30, 2024 financial statements prepared by staff, and there were no uncorrected misstatements. Mr. Nibarger said the small staff size leads to a significant internal control deficiency related to the segregation of duties. He said compensating controls have been in place for several years to mitigate the risks related to the segregation of duties. Mr. Nibarger said in AGH's opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Plans as of April 30, 2024, and the changes in fiduciary net position for the year that ended in accordance with accounting principles generally accepted in the United States.

#### **APRIL 30, 2024 ACTUARIAL VALUATIONS**

Pat Beckham and Aaron Chochon from Cavanaugh Macdonald presented the April 30, 2024, actuarial valuations for the Police and Civilian Employees plans. Mr. Chochon said an annual actuarial valuation aimed to measure the assets and liabilities, determine actuarial contribution rates, analyze experience (actual vs. expected) in the last year, provide disclosure information for financial reports, and report on trends. The valuations were prepared following the Board's direction to continue lowering the investment return assumption yearly until we reach 6.50%.

In the fiscal year, the market rate of return for the plans was 7.4%. The market value of assets in the Police Plan increased by \$34.0 million, currently at \$987.8 million. In comparison, the market value of assets in the Civilian Employees' Plan increased by \$8.7 million to \$174.5 million. It's worth noting that the market value was used in calculating the actuarial value of assets but wasn't explicitly used for the valuation process. On the other hand, the fiscal year actuarial rate of return for the plans was 4.7%. The actuarial value of the assets increased by \$12.7 million to \$1.04 billion in the Police Plan and increased by \$5.4 million to \$183.1 million in the Civilian Employees' Plan.

According to Cavanaugh Macdonald's calculations, the actuarial liability for the Police Plan is \$1.5 billion, assuming a 6.85% investment return. This represents an increase of \$64.2 million and leaves an unfunded actuarial accrued liability (UAAL) of \$460.3 million, resulting in a funded ratio of 69%. The UAAL increased by \$51.5 million, with the most significant increase attributable to the investment return assumption being lowered from 6.95% to 6.85%. The total actuarial contribution rate for FY2026 is 62.6% of the projected payroll, with the normal cost totaling 29.2% and the amortization of the unfunded liability totaling 33.4%. The valuation assumes that member contributions will remain at 11.55% and City contributions will increase to 51.05% of the projected payroll. The City's annual actuarial required

contribution amount for FY2026 will be \$49.2 million, plus an additional \$3.8 million for the supplemental benefit.

The actuarial liability for the Civilian Employees' plan is \$257.9 million, assuming a 6.85% investment return. This represents an increase of \$16.7 million and leaves an unfunded actuarial accrued liability (UAAL) of \$74.8 million, resulting in a funded ratio of 71%. The UAAL increased by \$11.4 million, with the most significant increase attributable to the investment return assumption being lowered from 6.95% to 6.85%. The total actuarial contribution rate for FY2026 is 30.21% of the projected payroll, with the normal cost totaling 15.12% and the amortization of the unfunded liability totaling 15.09%. The valuation assumes that member contributions will remain at 5.0% and City contributions will increase to 25.21% of the projected payroll. The City's annual actuarial required contribution amount for FY2026 will be \$8.9 million.

According to Cavanaugh Macdonald, there are currently more retired members (1553) than active members (1074) in the Police plan. Of the active members, 635 are Tier I, and 439 are Tier II. On the other hand, in the Civilian Employees' plan, the number of active members (498) exceeds that of retired members (328). The active members consist of 249 Tier I members and 249 Tier II members.

Ms. Beckham said the actuarial assumptions included a 2.5% simple cost of living adjustment each year. She reminded the Board of the COLA policy and matrix adopted at the November 12, 2020, Retirement Board meeting. The policy states that an ad hoc cost of living adjustment may be granted if the definition of "actuarially sound," which requires the following condition, is met based on the results of the annual actuarial funding valuation:

1. The plan's funded ratio (actuarial value of assets / actuarial accrued liability) is at least 75%, and such ratio will not fall below that level as the result of any specific COLA amount granted.

Ms. Beckham said that the plans would remain actuarially sound following the grant of a COLA in light of the lowered assumed rate of return, built-in 2.5% cola assumption, 20-year fixed amortization schedule, and statutory funding mechanisms.

Mr. Hoy said staff had completed their review of the draft audits and the valuations and had no changes. Mr. Bixby motioned to adopt the April 30, 2024, audited financial statements and actuarial valuations. Ms. Lewis seconded the motion, which passed unanimously.

### **Cost of Living Adjustment Discussion**

Following a thorough discussion of the current economic conditions, the actuarial soundness of the plans, and the COLA assumptions in the actuarial valuations, Ms. Lewis motioned to suspend the existing COLA policy and to revisit and review the policy within the upcoming year, with the assistance of our actuaries and investment consultants, to develop a new COLA policy that incorporates changes to actuarial assumptions adopted since the policy was initially implemented in November 2020. Mr. Simecek seconded the motion, which passed with a vote of 7 yeas and 1 nay.

Mr. Simecek then motioned to provide a 2.5% COLA of the base pension for all members whose retirement, or deceased spouse's pension eligibility, was effective on or before December 31, 2023, in accordance with sections 86.1220 and 86.1590 of the RSMo. The Executive Director was directed to implement this COLA, effective with the October 31, 2024, benefit payment for retirees in the Police Plan and the November 1, 2024, benefit payment for retirees in the Civilian Employees' Plan. Mr. Manley seconded the motion, which passed on votes of 7 yeas and 1 nay.

## **SECRETARY REPORT:**

### **Website Review**

Mr. Hoy reviewed the updated website redesign. The new website, launched on September 5, 2024, offers a streamlined and user-friendly interface, providing easy access to key resources like benefit calculators, forms, and retirement planning guides. It prominently highlights essential updates, such as Cost of Living Adjustments (COLA), and allows active and retired members to find necessary forms quickly. The website is visually clean, has straightforward navigation, and emphasizes transparency with access to financial reports and board meeting minutes.

### **Legislative Updates**

Mr. Hoy said that staff has continually met with the Fraternal Order of Police and the Board of Police Commissioners to work on the details of the proposed legislation. Mr. Hoy reported that the remaining minor details are being finalized, and the legislation is expected to be ready for submission to the General Assembly in the near future.

## **OMNIBUS MOTION**

Ms. Lewis made the following motion, seconded by Mr. Trysla. The motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:

The minutes of the previous meetings of July 2024;

The monthly financial statements for July 2024;

The payment of bills as listed in the Secretary's Reports for this meeting;

The return of contributions to those persons, who have resigned or terminated service, as listed in the Secretary's Reports for this meeting;

The purchases and sales of assets as listed in the Secretary's Reports for this meeting;

The payment or commencement of pensions or other benefits as listed in the Secretary's Reports for this meeting; and

Any purchases of creditable service as listed in the Secretary's Reports for this meeting.

## **BOARD MEMBER COMMENTS**

There were no additional board member comments.

## **PUBLIC COMMENTS**

Time was made for public comments.

## **ADJOURNMENT**

The next regularly scheduled board meeting is October 10, 2024, at the Public Safety Credit Union, 2800 E. 14<sup>th</sup> Street.

---

BOARD SECRETARY

---

CHAIRMAN