

**POLICE RETIREMENT SYSTEM  
OF KANSAS CITY, MISSOURI**

A COMPONENT UNIT OF THE CITY OF  
KANSAS CITY, MISSOURI

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED APRIL 30, 2024

AND

INDEPENDENT AUDITOR'S REPORT

**Police Retirement System of Kansas City, Missouri**  
**A Component Unit of the City of Kansas City, Missouri**

**Financial Statements with Supplementary Information**

**Year Ended April 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

Retirement Board  
**Police Retirement System of Kansas City, Missouri**  
Kansas City, Missouri

***Opinion***

We have audited the financial statements of the Police Retirement System of Kansas City, Missouri (Plan), a component unit of the City of Kansas City, Missouri (City), as of and for the year ended April 30, 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of April 30, 2024, 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.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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 financial statements that collectively comprise the Plan's basic 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 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 supplementary 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

Overland Park, Kansas  
September 12, 2024

# **Police Retirement System of Kansas City, Missouri**

**A Component Unit of the City of Kansas City, Missouri**

## **Management's Discussion and Analysis**

**April 30, 2024**

This discussion and analysis of the Police Retirement System of Kansas City, Missouri (Police Retirement System or the Plan) financial statements provide an overview of its financial activities during the year ended April 30, 2024. Please read it in conjunction with the more detailed financial statements, notes, and required supplementary information, which follows this section.

The Police Retirement System is the defined benefit retirement plan for law enforcement members of the Kansas City, Missouri Police Department. Established by the Missouri General Assembly in 1946, the Plan is administered by the Retirement Board to provide its members' retirement, disability, and survivor benefits.

### ***Overview of Financial Statements and Accompanying Information***

- The financial statements presented in this report are the Statement of Fiduciary Net Position as of April 30, 2024, and the Statement of Changes in Fiduciary Net Position for the year ended April 30, 2024. 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 intends to provide financial statement users with a description of the Plan, a summary of significant accounting policies, the method used to value investments, a summary of Plan investments, and the methods and assumptions used to develop the actuarial valuation.
- Required Supplementary Information consists of schedules and related notes concerning significant actuarial information and assumptions. Beginning on page 27, these schedules and notes emphasize the long-term nature of the Plan and show the progress of the Plan in accumulating sufficient assets to pay future benefits.
- The Schedule of Changes in Net Pension Liability and Related Ratios presents detailed information about the pension liabilities for which the Plan's assets are held and managed. The schedule is intended to assist financial statement users in understanding the magnitude of the pension liability and the degree to which the net position restricted for pensions is sufficient to cover the liability for the Plan.
- The Schedule of Employer Contributions shows the amount of actuarially determined required contributions relative to the actual contributions made during the year. This schedule also presents covered payroll and contributions as a percentage of covered payroll to provide an economic context for the amount of contributions reported for the Plan.
- The Schedule of Investment Returns shows the money-weighted rate of return on investments and net 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.
- 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 that shows how contributions and investments impact the additions to the Plan and how benefit payments and administrative expenses impact the deductions from the Plan.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

## Management's Discussion and Analysis

April 30, 2024

### ***Fiduciary Net Position***

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

	<u>April 30, 2024</u>	<u>April 30, 2023</u>	<u>Amount Change</u>
Cash	\$ 516,465	\$ 444,599	\$ 71,866
Receivables	5,274,497	4,545,585	728,912
Investments	987,521,819	953,586,283	33,935,536
Securities lending collateral	72,193,027	72,859,573	(666,546)
Other assets	<u>7,609</u>	<u>7,492</u>	<u>117</u>
<b>Total assets</b>	<b><u>1,065,513,417</u></b>	<b><u>1,031,443,532</u></b>	<b><u>34,069,885</u></b>
Accounts and refunds payable	3,193,964	3,184,167	9,797
Due to broker for purchases of investments	1,586,186	1,510,174	76,012
Pending foreign exchange sales	753,079	350,742	402,337
Securities lending collateral	<u>72,193,027</u>	<u>72,859,573</u>	<u>(666,546)</u>
<b>Total liabilities</b>	<b><u>77,726,256</u></b>	<b><u>77,904,656</u></b>	<b><u>(178,400)</u></b>
<b>Net Position Restricted for Pensions</b>	<b><u>\$ 987,787,161</u></b>	<b><u>\$ 953,538,876</u></b>	<b><u>\$ 34,248,285</u></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 available to pay benefits.

The Police Retirement System's benefits are funded through member contributions, City of Kansas City, Missouri (City) contributions, and investment income. The plan's net position increased to \$987,787,161 as of April 30, 2024, from \$953,538,876 as of April 30, 2023. Plan income is generated by investing contributions in stocks, bonds, and alternative assets.

**Assets** – As of April 30, 2024, the Police Retirement System's total assets were valued at \$1.1 billion, encompassing cash, investments, securities lending collateral, and receivables. Compared to the previous year, the system experienced an increase of \$34.1 million or 3.3% in total assets. Securities lending collateral remained flat with a decrease of \$.7 million, while investable assets increased by \$33.9 million. The increase in investable assets is due to the strong positive performance in stocks, bonds, and alternative assets. The plan's global stock portfolio returned 18.6% for the fiscal year, with GQG being the key contribution to overall strong investment performance. The decline in securities lending collateral can be attributed to the rising uncertainty in future monetary policy changes.

**Liabilities** – As of April 30, 2024, the Police Retirement System had total liabilities of \$77.7 million. This amount includes payables for money manager fees, refunds, and amounts due to brokers for investment purchases and securities lending collateral. Over the course of the year, the total liabilities decreased by \$.2 million, primarily due to the decline in the offsetting liability for securities lending activity.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

## Management's Discussion and Analysis

April 30, 2024

Net Position – As of April 30, 2024, the Police Retirement System had assets worth \$987.8 million more than its liabilities. However, it experienced an increase of \$34.2 million or 3.6% in its Net Position from the previous year due to the positive performance in the stock and alternative markets.

### Changes in Fiduciary Net Position

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

	<u>April 30, 2024</u>	<u>April 30, 2023</u>	<u>Amount Change</u>
Member contributions	\$ 11,369,215	\$ 11,386,439	\$ (17,224)
City contributions	39,434,883	38,821,206	613,677
Total net investment income / (loss)	69,150,712	(3,395,728)	72,546,440
Other Income	159	135	24
<b>Total additions</b>	<b><u>119,954,969</u></b>	<b><u>46,812,052</u></b>	<b><u>73,142,917</u></b>
Benefits paid to members	83,406,905	81,468,373	1,938,532
Refunds of contributions	963,349	1,245,242	(281,893)
Administrative expenses	1,336,430	1,081,303	255,127
<b>Total deductions</b>	<b><u>85,706,684</u></b>	<b><u>83,794,918</u></b>	<b><u>1,911,766</u></b>
<b>Net Increase / (Decrease) in Net Position</b>	<b>34,248,285</b>	<b>(36,982,866)</b>	<b>71,231,151</b>
<b>Net Position Restricted for Pensions, Beginning of Year</b>	<b><u>953,538,876</u></b>	<b><u>990,521,742</u></b>	<b><u>(36,982,866)</u></b>
<b>Net Position Restricted for Pensions, End of Year</b>	<b><u>\$ 987,787,161</u></b>	<b><u>\$ 953,538,876</u></b>	<b><u>\$ 34,248,285</u></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, 2024. This statement reflects contributions made by members and the City. Investment activities during the fiscal year are also presented, including interest and dividends and the net appreciation or depreciation in the fair value of the investments. Benefits paid to members, refunds of contributions, and administrative expenses are also reported in the statement.

Revenues – The Police Retirement System receives revenue from member contributions, City contributions, and investment income. Member contributions amounted to \$11.4 million, equivalent to 11.55% of the covered payroll, while City contributions totaled \$39.4 million, or 38.81% of the projected covered payroll. City contributions increased to meet the required contributions as determined by the Plan's actuary. Additionally, the net investment income for the current year increased compared to the previous year. The portfolio's investment rate of return, net of investment expenses, was 7.14%, with a net investment income of \$69.2 million. Investment expenses, which include custodial bank fees, manager



# **Police Retirement System of Kansas City, Missouri**

**A Component Unit of the City of Kansas City, Missouri**

## **Management's Discussion and Analysis**

**April 30, 2024**

fees, and investment consultation, totaled \$6.1 million. The fiscal year saw gains in stocks, bonds, hedge funds, and direct lending investments, while real estate experienced losses. The two private equity managers are in their final stages of distributing capital and the performance of these managers is not relevant.

Expenses – Deductions from Fiduciary Net Position – The Police Retirement System's expenses come from benefits paid to members, refunds of member contributions, and administrative expenses. Benefit payments and refunds make up 98.4% of the total deductions. Benefits paid to members continue to increase due to new retirements, while refunds paid decreased compared to the prior year as fewer members left the Police Department.

City contributions continued to equal the amount recommended by the Plan's actuary. For the year beginning May 1, 2024, the Plan has budgeted City contributions to total the actuarial required contribution amount of \$44.4 million. The calculated contribution rate is 46.84% of the projected covered payroll.

The Retirement Board approved an asset allocation plan that is expected to yield a 6.95% long-term investment rate of return. Fiscal year 2024 was the first of a five-year stepdown to lower the actuarial assumed rate of return to 6.50%. To ensure optimal investment performance, the Board regularly reviews investment allocations monthly and adjusts the portfolio as needed with the help of an independent financial consulting firm.

### ***Requests for Information***

The design of this financial report is to provide members of the Police Retirement System, citizens, investors, and creditors of the City of Kansas City, Missouri, a general overview of the Plan's finances. It also demonstrates 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 expected to significantly affect the financial position or results of operations of the Police Retirement System.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

## Statement of Fiduciary Net Position

April 30, 2024

### Assets

#### Investments

U.S. government securities	\$ 57,614,935
Corporate bonds and notes	120,078,253
Common and preferred stock	113,262,956
All country world index fund	171,131,809
Government mortgage-backed securities	1,417,555
Partnerships - equity	3,950,902
Partnerships - fixed income	162,002,086
Real estate funds	121,519,843
Short-term investment funds	36,340,026
Hedge fund of funds	92,200,030
Emerging market equity funds	43,762,056
Foreign equities	64,241,368

**Total investments** 987,521,819

**Securities Lending Collateral** 72,193,027

#### Receivables

City contributions	307,600
Member contributions	475,892
Accrued interest and dividends	3,521,869
Due from broker for sales of investments	216,774
Pending foreign exchange purchases	752,362

**Total receivables** 5,274,497

**Other assets** 7,609

**Cash** 516,465

**Total assets** 1,065,513,417

### Liabilities

Accounts and refunds payable	3,193,964
Due to broker for purchases of investments	1,586,186
Pending foreign exchange sales	753,079
Securities lending collateral	72,193,027

**Total liabilities** 77,726,256

**Net Position Restricted for Pensions** \$ 987,787,161

See Notes to Financial Statements.

**Police Retirement System of Kansas City, Missouri**  
**A Component Unit of the City of Kansas City, Missouri**  
**Statement of Changes in Fiduciary Net Position**  
**April 30, 2024**

**Additions**

**Investment Income**

Net appreciation in fair value of investments	\$	50,933,494
Interest and dividends		24,141,674
Investment expense		<u>(6,102,665)</u>
<b>Net investment income</b>		<b><u>68,972,503</u></b>

**Securities Lending Income**

Securities lending gross income		<u>4,306,962</u>
Securities lending expenses		
Borrower rebates		(4,052,418)
Management fees		<u>(76,335)</u>
<b>Total securities lending expenses</b>		<b><u>(4,128,753)</u></b>

		<u><b>178,209</b></u>
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		<u><b>69,150,712</b></u>
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**Contributions**

City		39,434,883
Members		<u>11,369,215</u>
<b>Total contributions</b>		<b><u>50,804,098</u></b>

**Other**

Other		<u>159</u>
<b>Total Other Income</b>		<b><u>159</u></b>

		<u><b>119,954,969</b></u>
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**Deductions**

**Benefits Paid**

Retired members		60,481,596
Spouses		9,879,704
Children		60,780
Disabled		10,696,617
Partial lump sum option		2,256,208
Death benefits		<u>32,000</u>
<b>Total benefits paid</b>		<b><u>83,406,905</u></b>

**Other Deductions**

Refunds of contributions		963,349
Administrative expenses		<u>1,336,430</u>
<b>Total other deductions</b>		<b><u>2,299,779</u></b>

		<u><b>85,706,684</b></u>
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<b>Net Increase in Net Position</b>		<b>34,248,285</b>
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<b>Net Position Restricted for Pensions, Beginning of Year</b>		<u><b>953,538,876</b></u>
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<b>Net Position Restricted for Pensions, End of Year</b>		<u><b>\$ 987,787,161</b></u>
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See Notes to Financial Statements.

# **Police Retirement System of Kansas City, Missouri**

## **A Component Unit of the City of Kansas City, Missouri**

### **Notes to Financial Statements**

**April 30, 2024**

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

##### ***Reporting Entity***

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

##### ***Measurement Focus and Basis of Accounting***

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

##### ***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 are obtained from brokerage firms or national pricing services.

# **Police Retirement System of Kansas City, Missouri**

**A Component Unit of the City of Kansas City, Missouri**

**Notes to Financial Statements**

**April 30, 2024**

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 position 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. There were no unfunded commitments at April 30, 2024.

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

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

## ***Administrative Expenses***

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

## ***Use of Estimates***

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

## ***Plan Tax Status***

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

## ***Subsequent Events***

These financial statements considered subsequent events through September 12, 2024, the date the financial statements were available to be issued.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Financial Statements

April 30, 2024

## Note 2: Plan Description

The following summary description of the Police Retirement System of Kansas City, Missouri provides only general information. Participants should refer to the Plan Statutes (Sections 86.900 to 86.1280 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 Police Retirement System 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 Systems. The elected members must include one member of the Civilian Employees' Retirement System, one member retired from active service in the Police Retirement System and one active member of the Police Retirement System who has not attained the rank of Sergeant or higher. Elections are held annually, and Board members are elected to serve for three-year terms.

**Eligibility** – All police officers who serve as law enforcement officers for compensation become members as a condition of 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, 2024, the Plan's membership consisted of the following:

	<b>Tier I</b>	<b>Tier II</b>	<b>Total</b>
	<b>Members</b>	<b>Members</b>	
Retirees and beneficiaries currently receiving benefits	1,549	4	1,553
Terminated members entitled to but not yet receiving benefits	39	--	39
Active members			
Vested	521	--	521
Non-vested	121	439	560
<b>Total</b>	<b>2,230</b>	<b>443</b>	<b>2,673</b>

**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, 2024, active members contributed at a rate of 11.55% of base pay, and the City contributed at a rate of 38.81% of annual projected covered payroll. In addition, the City was obligated to make contributions of \$200 per month of supplemental benefit for eligible members.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Financial Statements

April 30, 2024

**Benefits Provided** – Benefit terms for the Plan are established in Missouri Revised Statutes 86.900 to 86.1280 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 sworn law enforcement employees of the Kansas City, Missouri Police Department.

## **Service Retirement**

*Eligibility* –

**Tier I member** – 25 years of service, without regard to age, or at age 60 with at least 10 years of service.

**Tier II member** – 27 years of service, without regard to age, or at age 60 with at least 15 years of service.

All members must retire at the completion of 35 years of service, or at age 65, whichever occurs first.

*Amount of Pension* – For a member retiring prior to August 28, 2000, benefit equal to 2% of Final Compensation multiplied by years of creditable service, subject to a maximum benefit of 60% of Final Compensation.

For a member retiring on or after August 28, 2000, and before August 28, 2013, benefit equal to 2.5% of Final Compensation multiplied by years of creditable service, subject to a maximum benefit of 75% of Final Compensation.

For a member retiring on or after August 28, 2013, benefit equal to 2.5% of Final Compensation multiplied by years of creditable service, subject to a maximum benefit of 80% of Final Compensation.

*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.

## **Deferred Retirement (Vested Termination)**

*Eligibility* – 15 years of creditable service.

**Tier I member** – Benefit begins at age 55.

**Tier II member** – Benefit begins at age 60.

*Amount of Pension* – Computed as service retirement but based on service, Final Compensation and benefit formula in effect at termination of employment. Benefits are unreduced.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Financial Statements

April 30, 2024

## **Disability**

***Duty Disability Eligibility*** – A member in active service who has become permanently unable to perform the full and unrestricted duties of a police officer, as determined by the Board of Police Commissioners, as the exclusive result of an accident or disease occurring in the line of duty.

***Amount of Pension*** – For a member retiring on or after August 28, 2001, and before August 28, 2013, benefit equal to 75% of Final Compensation payable for life or as long as the permanent disability continues.

For a member retiring on or after August 28, 2013, benefit equal to 80% of Final Compensation payable for 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 become permanently unable to perform the full and unrestricted duties of a police officer as determined by the Board of Police Commissioners. Disability is not exclusively caused by the actual performance of official duties.

***Amount of Pension*** – 2.5% of Final Compensation multiplied by years of creditable service payable for life or as long as the permanent disability continues.

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.

## **Death in Service – Duty or Non-Duty**

***Eligibility*** – Benefit payable to a surviving spouse, if any, upon the death of an active member. Benefit payable for the life of the surviving spouse. If there is no surviving spouse, benefit payable to an eligible child or children in equal shares until age 18. No service requirement.

***Amount of Pension*** – 40% of Final Compensation payable to surviving spouse for life.

***Child Benefit*** – \$600 annually for each child under the age of 18, if any, until the child reaches age 18 or age 21, if a full time student. A child who is mentally or physically incapacitated from wage earning at the time of a member's death shall qualify, without regard to age, for life or so long as the incapacity existing at time of member's death continues.

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

## **Line of Duty Death**

***Eligibility*** – Benefit payable to a surviving spouse. If no surviving spouse, benefit payable to children under age 21 or children over age 21 if mentally or physically incapacitated from wage earning, in equal shares. Death resulting from performance of official duties; no service requirement.

***Amount of Benefit*** – In addition to benefits payable under Death in Service shown above, a lump sum of \$50,000.



# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Financial Statements

April 30, 2024

## **Death After Retirement**

**Eligibility** – Benefit payable to an eligible surviving spouse, if any, upon the death of a retired member. Benefit payable for the life of the surviving spouse. If there is no surviving spouse, benefit payable to an eligible child or children in equal shares until age 18.

### ***Amount of Pension*** –

**Tier I member** – Benefit equal to 80% of the straight life pension the deceased member was receiving at time of death.

**Tier II member** – Benefit equal to 50% of the straight life pension the deceased member was receiving at time of death. In lieu of the 50% surviving spouse benefit, a Tier II member may elect, at the time of retirement, a reduced actuarially equivalent annuity of either a 75% or 100% surviving spouse benefit.

**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 without interest.

## **Minimum Pension Benefit**

**Eligibility** – Any retired member who is entitled to a pension benefit and who either has at least 25 years of creditable service or is retired as a result of an injury or illness. A surviving spouse qualifies for the minimum monthly benefit if the member had at least 25 years of creditable service, died in service or was retired as a result of an injury or illness.

**Amount of Benefit** – Minimum monthly benefit of not less than \$600 in combined pension benefit and cost-of-living adjustments. The minimum monthly pension benefit is in addition to the Supplemental Retirement Benefit.

## **Post-Retirement Benefit Increases**

**Eligibility** –

**Tier I members and surviving spouses** – Member's pension must have commenced by December 31 of prior calendar year.

**Tier II members and surviving spouses** – Service retirements generally eligible in the year following the year in which member would have attained thirty-two years of service. Duty Disability retirements eligible in year following retirement. Non-duty Disability retirements eligible earlier of year following fifth year after retirement or year following the year in which they would have attained thirty-two years of service. Surviving spouses of retired members eligible at same time member would have been if living.

# **Police Retirement System of Kansas City, Missouri**

## **A Component Unit of the City of Kansas City, Missouri**

### **Notes to Financial Statements**

**April 30, 2024**

**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.

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

#### **Supplemental Retirement Benefit**

**Tier I member** – Current and future retired and disabled members and their surviving spouses are eligible to receive \$420 per month in addition to pension benefits.

**Tier II member** – Current and future retired and disabled members and their surviving spouses are eligible to receive \$200 per month in addition to pension benefits.

#### **Optional Form of Benefit Payment**

**Tier I member** – Member retiring with at least 26 or more years of service may elect to take a portion of their lifetime benefit as a lump-sum distribution (PLOP).

**Tier II member** – Member retiring with at least 28 or more years of service may elect to take a portion of their lifetime 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 do not participate in Social Security although members hired after 1986 do contribute to Medicare.

**Tier II member** – Members do not participate in Social Security but do contribute to Medicare.

### **Note 3: Deposits, Investments and Investment Income**

#### ***Deposits***

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

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

The Plan had no bank balances exposed to custodial credit risk at April 30, 2024.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Financial Statements

April 30, 2024

## *Investments*

For the year ended April 30, 2024, The Northern Trust Company (Northern Trust) was the master custodian for substantially all the securities of the Plan. The investments held by the Plan are managed by 13 Board-appointed money managers. Each of the money managers has a different asset allocation based on Board-approved policy. The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, real estate, partnerships, corporate bonds, commodities and equity securities.

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

<u>Asset Type and Class</u>	<u>Range</u>	<u>Target</u>
Equities		
Global Equity	33% - 43%	38%
Private Equity	0% - 0%	0%
Fixed Income	26% - 36%	31%
Alternatives		
Real Estate	9% - 17%	13%
Absolute Return	6% - 10%	8%
Direct Lending	7% - 13%	10%
Cash	0% - 5%	0%

## *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.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Financial Statements

April 30, 2024

Fair value of securities loaned	\$ 70,151,836
Fair value of cash collateral received from borrowers	72,193,027
Total fair value of collateral	\$ 72,193,027

All securities lent 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.

At April 30, 2024, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years				Loans Under Securities Lending Agreements
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury obligations	\$ 57,614,935	\$ 14,018,423	\$ 2,823,867	\$ 27,254,215	\$ 13,518,430	\$ 33,163,770
Corporate bonds and notes	120,078,253	26,358,032	54,499,102	37,196,549	2,024,570	29,738,854
Government mortgage-backed securities	1,417,555	--	--	1,417,555	--	-
Short term investment funds	36,340,026	36,340,026	--	--	--	-
		\$ 76,716,481	\$ 57,322,969	\$ 65,868,319	\$ 15,543,000	
Common and preferred stocks	113,262,956					6,270,441
All country world index fund	171,131,809					--
Real estate funds	121,519,843					--
Hedge fund of funds	92,200,030					--
Partnerships - equity	3,950,902					--
Partnerships - fixed income	162,002,086					--
Foreign equities	64,241,368					978,771
Emerging markets equity funds	43,762,056					--
<b>Total</b>	\$ 987,521,819					\$ 70,151,836

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

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Financial Statements

April 30, 2024

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, 2024, the Plan’s investments in corporate bonds were rated BBB or better by *Standard & Poor’s*. U.S. Treasury obligations were explicitly guaranteed by the U.S. Government. 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 and Federal Home Loan Mortgage Corporation) and in government mortgage- backed securities were rated AA+ or better by *Standard & Poor’s*. The Plan’s investments in short term investment 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, 2024:

<u>Fixed Income Security Type</u>	<u>Fair Value April 30, 2024</u>	<u>S&amp;P Weighted Average Credit Quality</u>
Corporate bonds and notes	\$ 1,899,243	AAA
Corporate bonds and notes	11,565,023	AA
Corporate bonds and notes	45,676,190	A
Corporate bonds and notes	60,937,797	BBB
Government bonds and notes	57,614,935	US Gov't Guaranteed
Government mortgage-backed securities	1,417,555	US Gov't Guaranteed
Short term investment funds	36,340,026	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, \$70,151,836 was held by the counterparty that was acting as the Plan’s agent in securities lending transactions.

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Notes to Financial Statements

April 30, 2024

Investment Concentrations – The following presents investments that represent 5% or more of the Plan’s net position as of April 30, 2024:

<u>Investment</u>	<u>Fair Value</u>
FCI Core Fixed Income	\$ 179,110,742
Northern Trust Collective All Country World Investable Market Index Fund - Non Lending	107,082,815
PIMCO - Fixed Income Fund	92,914,102
Grosvenor FOB Fund, L.P.	92,200,030
Artisan Global Opportunities Trust Fund	89,255,969
LSV Global Value	88,248,355
White Oak Fixed Income Fund C, L.P.	69,087,984
Morgan Stanley - Prime Property Fund, LLC	65,024,616
Wellington Global Perspectives	64,048,994
Prudential PRISA II	56,495,228

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

## *Investment Income*

Investment income for the year ended April 30, 2024, consisted of:

Interest and dividend income	\$ 24,141,674
Net increase in fair value of investments	<u>50,933,494</u>
	75,075,168
Less investment expense	<u>6,102,665</u>
	<u>\$ 68,972,503</u>

Annual Money-Weighted Rate of Return – For the year ended April 30, 2024, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 7.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Police Retirement System of Kansas City, Missouri**  
**A Component Unit of the City of Kansas City, Missouri**

**Notes to Financial Statements**

**April 30, 2024**

**Note 4: Net Pension Liability**

The components of the net pension liability of the City at April 30, 2024, were as follows:

Total pension liability	\$	1,541,888,791
Plan fiduciary net position		<u>(987,787,161)</u>
City's net pension liability	\$	<u>554,101,630</u>
Fiduciary net position as a % of total pension liability		64.06%

**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, 2024, was determined based on an actuarial valuation prepared as of April 30, 2023, rolled forward one year to April 30, 2024, using the following actuarial assumptions:

Inflation		2.50%
Wage inflation		3.00%
Salary increases, including inflation		3.00% -13.00%
Long-term investment rate of return, net of plan investment expense, including inflation		6.85%

Post-retirement benefit increases Simple COLA of 2.5% per year

Pre-retirement mortality rates were based on the Pub-2010 Safety (Below Median) Employee Mortality Table with future mortality improvements projected generationally using Scale MP-2021.

Post-retirement mortality rates for retirees were based on the Pub-2010 Safety (Below Median) Healthy Retiree Mortality Table with future mortality improvements projected generationally using Scale MP-2021.

Mortality rates for beneficiaries were based on the Pub-2010 (Below Median) Contingent Survivor Mortality Table with future mortality improvements projected generationally using Scale MP-2021.

Disability mortality rates were based on the PUB- 2010 Safety Disabled Retiree Mortality Table with future mortality improvements projected generationally using Scale MP-2021.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the 5-year period ending April 30, 2022. The experience study results were presented to the Board on June 8, 2023.

**Police Retirement System of Kansas City, Missouri**  
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**Notes to Financial Statements**

**April 30, 2024**

**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, 2024, are summarized in the following table:

	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	38%	5.35%
Fixed Income	31%	1.50%
Direct Lending	7%	4.50%
Real Estate	13%	3.25%
Hedge Funds	11%	2.50%

**Discount Rate** – The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the employer actuarially determined contribution rate.

A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 3.83% on the measurement date.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the City, calculated using the discount rate of 6.85% 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 (5.85%) or one percentage point higher (7.85%) than the current rate:

	<b>1% Decrease (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
Net pension liability	\$ 759,933,261	\$ 554,101,630	\$ 385,412,017



# Police Retirement System of Kansas City, Missouri

## A Component Unit of the City of Kansas City, Missouri

### Notes to Financial Statements

April 30, 2024

#### **Note 6: Risks and Uncertainties**

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

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

#### **Note 7: Litigation**

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

#### **Note 8: Fair Value Measurements**

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

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

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

## Notes to Financial Statements

April 30, 2024

### *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, 2024:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments by fair value level</b>				
U.S. government securities	\$ 57,614,935	\$ --	\$ 57,614,935	\$ --
Corporate bonds and notes	120,078,253	--	120,078,253	--
Common and preferred stock	113,262,956	113,262,956	--	--
Government mortgage-backed securities	1,417,555	--	1,417,555	--
Short-term investment funds	36,340,026	36,340,026	--	--
All country world index fund	171,131,809	--	171,131,809	--
Foreign equities	<u>64,241,368</u>	<u>64,241,368</u>	<u>--</u>	<u>--</u>
<b>Total Investments by fair value level</b>	<b><u>564,086,902</u></b>	<b><u>\$ 213,844,350</u></b>	<b><u>\$ 350,242,552</u></b>	<b><u>\$ --</u></b>
<b>Investments measured at the net asset value (NAV) (A)</b>				
Real estate funds	121,519,843			
Partnerships - equity	3,950,902			
Partnerships - fixed income	162,002,086			
Hedge fund of funds	92,200,030			
Emerging markets equity funds	<u>43,762,056</u>			
<b>Total investments measured at the NAV</b>	<b><u>423,434,917</u></b>			
<b>Total investments</b>	<b><u>\$ 987,521,819</u></b>			

- (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.

The fair value estimates presented herein are based on pertinent information available to management as of April 30, 2024. 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.

# Police Retirement System of Kansas City, Missouri

## A Component Unit of the City of Kansas City, Missouri

### Notes to Financial Statements

April 30, 2024

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

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate funds (A)	\$ 121,519,843	\$ --	Quarterly	90 Days
Partnerships - equity (B)	3,950,902	--	N/A	N/A
Partnerships - fixed income (C)	162,002,086	--	Monthly	10 Days
Hedge fund of funds (D)	92,200,030	--	Quarterly	70 Days
Emerging markets equity funds (E)	<u>43,762,056</u>	--	Monthly	10 Days
<b>Total investments measured at the NAV</b>	<b><u>\$ 423,434,917</u></b>			

- (A) This category includes two open-ended real estate funds that invest in U.S. commercial real estate. Periodic distributions from each fund are made as the underlying investments of the funds are liquidated. Redemptions can be made quarterly.
- (B) This category includes two private equity fund of funds that invest primarily in U.S. and International Corporate Finance and Venture Capital. Distributions from each fund are made as the underlying investments of the funds are liquidated. It is estimated the underlying assets of the funds will be liquidated over the next three to five years.
- (C) This category includes a commingled core fixed income fund and comingled private debt fund. The fixed income fund is a mutual fund that invests in core fixed income. The underlying bonds, and mutual fund, trade daily on public markets. The private debt fund focuses on lending to U.S. based middle market and small cap companies. The underlying loans have an average duration of 2-4 years. Periodic distributions from the fund are made as underlying loans are repaid. Redemptions can be made monthly.
- (D) This category includes a hedge fund of funds which invests in 27 hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in approximately 36% Equities, 16% Credit, 28% Relative Value, 3% Quantitative, 2% Macro and Commodities and 12% Multi-Strategy and 3% Redemptions can be made quarterly.
- (E) This category includes a commingled emerging markets equity fund which trades monthly. The underlying emerging market stocks trade daily on public markets.

# **Police Retirement System of Kansas City, Missouri**

**A Component Unit of the City of Kansas City, Missouri**

**Notes to Financial Statements**

**April 30, 2024**

**Note 9: Retirement Plan**

The Plan has a 408(k) SEP retirement plan covering its employees that meet certain eligibility requirements. The Plan's contributions to its employees' SEP are determined by the Retirement Board. Contributions to the SEP were \$83,244 for fiscal year 2024.

**Required Supplementary Information**

**Police Retirement System of Kansas City, Missouri**  
**A Component Unit of the City of Kansas City, Missouri**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Year Ended April 30**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>										
Service cost	\$ 26,212,034	\$ 23,631,980	\$ 24,391,779	\$ 25,174,409	\$ 24,380,475	\$ 25,427,633	\$ 24,997,759	\$ 28,978,200	\$ 27,423,797	\$ 26,900,131
Interest on total pension liability	99,284,213	97,306,858	95,710,901	92,988,908	90,956,233	87,869,790	84,867,808	81,761,243	79,502,922	76,210,579
Differences between expected and actual experience	12,351,459	(3,139,858)	(14,842,802)	(2,798,182)	(14,630,427)	(1,263,810)	(4,446,480)	(13,081,322)	(11,656,885)	--
Effect of assumption/SEIR changes	18,384,938	52,144,260	16,329,454	7,941,764	7,647,937	5,435,086	--	(76,763,170)	40,565,354	14,987,963
Benefit payments, including member refunds	<u>(84,370,254)</u>	<u>(82,713,615)</u>	<u>(80,535,549)</u>	<u>(75,003,066)</u>	<u>(70,344,663)</u>	<u>(66,078,009)</u>	<u>(64,731,647)</u>	<u>(60,163,764)</u>	<u>(58,588,761)</u>	<u>(55,405,669)</u>
<b>Net change in total pension liability</b>	<u>71,862,390</u>	<u>87,229,625</u>	<u>41,053,783</u>	<u>48,303,833</u>	<u>38,009,555</u>	<u>51,390,690</u>	<u>40,687,440</u>	<u>(39,268,813)</u>	<u>77,246,427</u>	<u>62,693,004</u>
<b>Total pension liability - beginning</b>	<u>1,470,026,401</u>	<u>1,382,796,776</u>	<u>1,341,742,993</u>	<u>1,293,439,160</u>	<u>1,255,429,605</u>	<u>1,204,038,915</u>	<u>1,163,351,475</u>	<u>1,202,620,288</u>	<u>1,125,373,861</u>	<u>1,062,680,857</u>
<b>Total pension liability - ending</b>	<u>1,541,888,791</u>	<u>1,470,026,401</u>	<u>1,382,796,776</u>	<u>1,341,742,993</u>	<u>1,293,439,160</u>	<u>1,255,429,605</u>	<u>1,204,038,915</u>	<u>1,163,351,475</u>	<u>1,202,620,288</u>	<u>1,125,373,861</u>
<b>Plan fiduciary net position</b>										
Net investment income	68,972,503	(3,537,758)	(11,455,533)	186,474,563	9,384,258	34,772,357	73,985,926	72,448,615	(3,094,475)	46,824,719
Net securities lending income	178,209	142,030	128,471	155,804	151,056	143,663	116,726	182,798	135,246	126,375
City contributions	39,434,883	38,821,206	38,233,480	36,166,888	33,432,570	32,280,943	32,103,207	30,979,978	30,272,063	28,933,261
Member contributions	11,369,215	11,386,439	11,631,884	12,489,543	11,386,606	11,412,617	11,390,571	11,751,066	10,748,236	10,874,921
Benefits paid	(83,406,905)	(81,468,373)	(79,267,994)	(73,963,464)	(69,341,685)	(65,504,670)	(63,777,210)	(59,554,625)	(57,970,768)	(55,006,617)
Refunds of contributions	(963,349)	(1,245,242)	(1,267,555)	(1,039,602)	(1,002,978)	(573,339)	(954,437)	(609,139)	(617,993)	(399,052)
Administrative expenses	(1,336,430)	(1,081,303)	(1,124,727)	(979,280)	(897,253)	(802,705)	(714,956)	(642,688)	(561,591)	(549,742)
Other	<u>159</u>	<u>135</u>	<u>848</u>	<u>108</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net change in fiduciary net position</b>	<u>34,248,285</u>	<u>(36,982,866)</u>	<u>(43,121,126)</u>	<u>159,304,560</u>	<u>(16,887,426)</u>	<u>11,728,866</u>	<u>52,149,827</u>	<u>54,556,005</u>	<u>(21,089,282)</u>	<u>30,803,865</u>
<b>Plan fiduciary net position - beginning</b>	<u>953,538,876</u>	<u>990,521,742</u>	<u>1,033,642,868</u>	<u>874,338,308</u>	<u>891,225,734</u>	<u>879,496,868</u>	<u>827,347,041</u>	<u>772,791,036</u>	<u>793,880,318</u>	<u>763,076,453</u>
<b>Plan fiduciary net position - ending</b>	<u>987,787,161</u>	<u>953,538,876</u>	<u>990,521,742</u>	<u>1,033,642,868</u>	<u>874,338,308</u>	<u>891,225,734</u>	<u>879,496,868</u>	<u>827,347,041</u>	<u>772,791,036</u>	<u>793,880,318</u>
<b>Net pension liability, ending</b>	<u>\$ 554,101,630</u>	<u>\$ 516,487,525</u>	<u>\$ 392,275,034</u>	<u>\$ 308,100,125</u>	<u>\$ 419,100,852</u>	<u>\$ 364,203,871</u>	<u>\$ 324,542,047</u>	<u>\$ 336,004,434</u>	<u>\$ 429,829,252</u>	<u>\$ 331,493,543</u>
<b>Fiduciary net position as a percentage of total pension liability</b>	64.06%	64.87%	71.63%	77.04%	67.60%	70.99%	73.05%	71.12%	64.26%	70.54%
<b>Covered payroll</b>	\$ 91,719,000	\$ 89,970,000	\$ 92,231,000	\$ 94,267,000	\$ 95,096,000	\$ 94,574,000	\$ 91,598,000	\$ 90,571,000	\$ 91,952,000	\$ 91,750,000
<b>Net pension liability as a percentage of covered payroll</b>	604.13%	574.07%	425.32%	326.84%	440.71%	385.10%	354.31%	370.98%	467.45%	361.30%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined employer contribution	\$ 39,435,000	\$ 38,821,000	\$ 38,233,000	\$ 36,167,000	\$ 33,433,000	\$ 32,281,000	\$ 32,103,000	\$ 30,980,000	\$ 30,272,000	\$ 28,933,000
Actual employer contributions	<u>39,435,000</u>	<u>38,821,000</u>	<u>38,233,000</u>	<u>36,167,000</u>	<u>33,433,000</u>	<u>32,281,000</u>	<u>32,103,000</u>	<u>30,980,000</u>	<u>30,272,000</u>	<u>28,933,000</u>
Annual contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll	\$ 91,719,000	\$ 89,970,000	\$ 92,231,000	\$ 94,267,000	\$ 95,096,000	\$ 94,574,000	\$ 91,598,000	\$ 90,571,000	\$ 91,952,000	\$ 91,750,000
Actual contributions as a percentage of covered payroll	43.00%	43.15%	41.45%	38.37%	35.16%	34.13%	35.05%	34.21%	32.92%	31.53%

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

<b>Fiscal Year Ending April 30</b>	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Annual money-weighted rate of return, net of investment expense	7.17%	0.17%	-1.61%	22.41%	1.08%	4.13%	9.06%	9.62%	-0.41%	6.08%



**Police Retirement System of Kansas City, Missouri**  
**A Component Unit of the City of Kansas City, Missouri**  
**Notes to Required Supplementary Information**  
**April 30, 2024**

**Changes of benefit and funding terms** – There were no changes to the plan provisions reflected in the valuation years presented in this report.

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

4/30/2024 Valuation:

- Reduction of the investment return assumption from 6.95% to 6.85%.

4/30/2023 Valuation:

- Reduction of the investment return assumption from 7.25% to 6.95%.
- Increased the administration expense assumption from 0.60% to 1.00%.
- Salary merit increases were adjusted to better reflect the actual, observed experience.
- Modification of retirement rates to better reflect the actual, observed experience.
- Modification of termination rates to better reflect the actual, observed experience.
- Changed the mortality assumption to the Pub-2010 Safety (Below Median) Mortality Tables projected generationally using Scale MP-2021.

4/30/2022 Valuation:

- Reduction of the investment return assumption from 7.35% to 7.25%.

4/30/2021 Valuation:

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

4/30/2020 Valuation:

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

4/30/2019 Valuation:

- Reduction of the investment return assumption from 7.50% to 7.45%.
- Reduction of the price inflation assumption from 3.00% to 2.50%.
- Reduction of the general wage increase assumption from 3.75% to 3.00%.
- Reduction of the payroll growth assumption from 3.75% to 3.00%.
- Increased the administrative expense assumption from 0.40% to 0.60%.
- Modification of retirement rates to better reflect the actual, observed experience.
- Changed the mortality improvement scale prospectively from Scale AA to the ultimate projection scale of MP-2017.
- Modification of the disability assumption and increase of the percentage of disabilities that are assumed to be duty-related.
- Modification of termination rates to better reflect the actual, observed experience

# **Police Retirement System of Kansas City, Missouri**

**A Component Unit of the City of Kansas City, Missouri**

**Notes to Required Supplementary Information**

**April 30, 2024**

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.

# Police Retirement System of Kansas City, Missouri

## A Component Unit of the City of Kansas City, Missouri

### Notes to Required Supplementary Information

April 30, 2024

The Actuarially Determined Contribution rates, as a percentage of pensionable payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the April 30, two years prior to the end of the year in which Actuarially Determined Contribution amounts are reported. The City contributes the full dollar amount of the Actuarial Determined Contribution.

The following actuarial methods and assumptions were used to determine the Actuarially Determined City Contribution reported in the most recent fiscal year (April 30, 2024), which was based on the results of the April 30, 2022, actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years closed for Legacy UAAL (25 remaining as of April 30, 2022) 20 years closed for experience bases
Asset valuation method	5-year smoothing of actual vs. expected return on fair (market) value
Price inflation	2.50%
Wage inflation	3.00%
Salary increases.	3.00% to 19.00% per year, including wage inflation
Investment rate of return	7.20%, net of investment expenses and including price inflation
Future cost of living adjustments	2.50% (simple)

## **Supplementary Information**

# Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

## Schedule of Expenses

Year Ended April 30, 2024

### Investment Expenses

Bank custodial fees and expenses	\$ 121,285
Financial management expenses	5,812,766
Financial consultation	168,614

**Total** \$ 6,102,665

### Administrative Expenses

Salaries and payroll taxes	\$ 708,545
Legal	259,225
Audit	28,560
Medical fees	41,124
Actuarial fees	55,275
Fringe benefits	121,956
Printing and office expense	46,043
Postage	9,897
Board meetings & elections	15,116
Travel and education expense	8,415
Insurance	3,342
Legislative consultation	25,882
Other	13,050

**Total** \$ 1,336,430

# Police Retirement System of Kansas City, Missouri

## A Component Unit of the City of Kansas City, Missouri Schedule of Additions by Source and Deductions by Type

Years Ended April 30, 2015 through 2024

### Additions by Source

<u>Fiscal Year Ended</u>	<u>Employee Contributions</u>	<u>City Contributions</u>	<u>Investment Income (Loss)</u>	<u>Other</u>	<u>Total</u>
2015	10,874,921	28,933,261	46,951,094	--	86,759,276
2016	10,748,236	30,272,063	(2,959,229)	--	38,061,070
2017	11,751,066	30,979,978	72,631,413	--	115,362,457
2018	11,390,571	32,103,207	74,102,652	--	117,596,430
2019	11,412,617	32,280,943	34,916,020	--	78,609,580
2020	11,386,606	33,432,570	9,535,314	--	54,354,490
2021	12,489,543	36,166,888	186,630,367	108	235,286,906
2022	11,631,884	38,233,480	(11,327,062)	848	38,539,150
2023	11,386,439	38,821,206	(3,395,728)	135	46,812,052
2024	11,369,215	39,434,883	69,150,712	159	119,954,969

### Deductions by Type

<u>Fiscal Year Ended</u>	<u>Benefits</u>	<u>Administrative Expenses</u>		<u>Total</u>
		<u>General</u>	<u>Refunds</u>	
2015	55,006,617	549,742	399,052	55,955,411
2016	57,970,768	561,591	617,993	59,150,352
2017	59,554,625	642,688	609,139	60,806,452
2018	63,777,210	714,956	954,437	65,446,603
2019	65,504,670	802,705	573,339	66,880,714
2020	69,341,685	897,253	1,002,978	71,241,916
2021	73,963,464	979,280	1,039,602	75,982,346
2022	79,267,994	1,124,727	1,267,555	81,660,276
2023	81,468,373	1,081,303	1,245,242	83,794,918
2024	83,406,905	1,336,430	963,349	85,706,684