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

*Actuarial Valuation Report
as of April 30, 2014*





TABLE OF CONTENTS

Sections	Page
Actuarial Certification Letter	
Section 1 – Board Summary	1
Section 2 – Scope of the Report.....	8
Section 3 – Assets	9
Table 1 – Statement of Net Plan Assets at Market Value	10
Table 2 – Statement of Changes in Net Assets	11
Table 3 – Development of Actuarial Value of Assets	12
Section 4 – System Liabilities.....	14
Table 4 – Present Value of Future Benefits (PVFB)	15
Table 5 – Actuarial Accrued Liability	16
Table 6 – Derivation of System Experience Gain/(Loss)	17
Table 7 – Gain/(Loss) Analysis by Source	18
Table 8 – Projected Benefit Payments	19
Section 5 – Employer Contributions	20
Table 9 – Development of UAAL Contribution Rate.....	22
Table 10 – Employer Contribution Rates	23
Table 11 – Computed and Actual City Contributions Comparative Statement	24
Section 6 – Accounting Information	25
Table 12 – Notes to Financial Statements Actuarial Methods and Assumptions	26
Table 13 – Required Supplementary Information Schedule of Funding Progress	27
Table 14 – Required Supplementary Information Schedule of Employer Contributions	28
Table 15 – Development of Annual Pension Cost and Net Pension Obligation Under GASB Statement Number 27	29
Table 16 – Solvency Test.....	30
Appendices	
A. Summary of Membership Data	31
B. Summary of Benefit Provisions	42
C. Actuarial Cost Method and Assumptions	46
D. Glossary of Terms.....	50



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October 2, 2014

The Board of Trustees
Civilians 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:

At your request, we have performed the annual actuarial valuation of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri as of April 30, 2014 for determining the actuarial contribution rate for the fiscal year ending in 2016. The major findings of the valuation are contained in this report, which reflects the benefit provisions in effect as of April 30, 2014.

In preparing this report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, member data and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix C.

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Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations presented in this report under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in Appendix B of this report and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We would like to express our appreciation to the System's staff, who gave substantial assistance in supplying the data on which this report is based.

We herewith submit the following report and look forward to discussing it with you.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Patrice Beckham'.

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

A handwritten signature in blue ink that reads 'Brent A. Banister'.

Brent A. Banister, PhD, FSA, EA, FCA, MAAA
Chief Pension Actuary



SECTION 1 – BOARD SUMMARY

OVERVIEW

This report presents the results of the April 30, 2014 actuarial valuation of the Civilian Employees’ Retirement System of the Police Department of Kansas City, Missouri. The primary purposes of performing a valuation are to:

- Determine the employer contribution rates required to fund the System on an actuarial basis,
- Disclose asset and liability measures as of the valuation date,
- Determine the experience of the System since the last valuation date, and
- Analyze and report on trends in System contributions, assets, and liabilities over the past several years.

There were no changes to the benefit provisions or the actuarial assumptions and methods used in the valuation.

The valuation results provide a “snapshot” view of the System’s financial condition on April 30, 2014. The unfunded actuarial accrued liability (UAAL) increased slightly from the last valuation by approximately \$0.7 million, primarily as an expected result of the amortization method. The investment return on the market value of assets was 9.5%. After applying the asset smoothing method, the return on the actuarial value of assets was 6.1%, lower than the assumed rate of return of 7.5%, creating an experience loss on assets. Favorable net demographic experience resulted in an experience gain which more than offset the experience loss on assets. In total, there was an experience gain. A detailed analysis of the change in the UAAL from April 30, 2013 to April 30, 2014 is shown on page 3.

ASSETS

As of April 30, 2014, the System had total assets, when measured on a market value basis, of \$117.3 million. This was an increase of \$8.8 million from the April 30, 2013 figure of \$108.5 million. The market value of assets is not used directly in the calculation of the actuarial contribution rate. An asset valuation method which smoothes the effect of market fluctuations is used to determine the value of assets used in the valuation, called the “actuarial value of assets.” The smoothing method, first adopted by the Board for the April 30, 2011 valuation, recognizes the difference between the actual and expected return on the market value of assets evenly over a five year period. The current asset smoothing method was implemented by setting the actuarial value of assets equal to the market value of assets at April 30, 2011. As a result, this smoothing mechanism has only been applied for three years in developing the actuarial value of assets in this report.

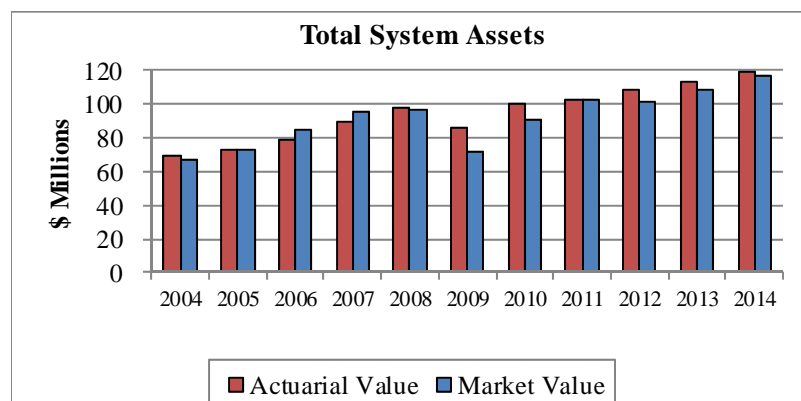
A summary of the asset experience follows:

	Market Value (\$M)	Actuarial Value (\$M)
Assets, April 30, 2013	\$108.5	\$113.2
· City and Member Contributions	5.4	5.4
· Benefit Payments and Refunds	(6.3)	(6.3)
· Administrative Expenses	(0.1)	(0.1)
· Investment Income (net of expenses)	9.8	6.9
Final Assets, April 30, 2014	\$117.3	\$119.1



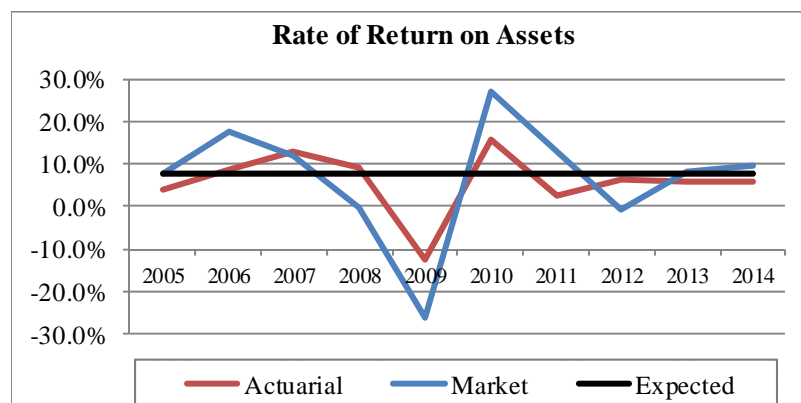
SECTION 1 – BOARD SUMMARY

The annualized dollar-weighted rate of return, measured on the actuarial value of assets, was 6.1% and, measured on the market value of assets, was 9.5%. The return on the actuarial value of assets of less than 7.5%, the assumed rate of return for FY 2014 resulted in an actuarial loss to the system of about \$1.6 million, which increased the unfunded actuarial accrued liability. Historical asset information is shown in the following two graphs:



The actuarial value of assets has been both above and below the market value during this period. This is to be expected when using an asset smoothing method.

Note: Results for years before 2011 were prepared by the prior actuary



Rates of return on the market value of assets have been very volatile. The return on the actuarial value of assets has lagged the 7.5% assumption in the last decade.

Note: Results for years before 2011 were prepared by the prior actuary

LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the asset value at the same date is referred to as the unfunded actuarial accrued liability (UAAL) or (surplus) if the asset value exceeds the actuarial accrued liability. The unfunded actuarial accrued liability will be reduced if the employer’s contributions exceed the employer’s normal cost for the year, after allowing for interest on the previous balance of the unfunded actuarial accrued liability. Benefit improvements, experience gains and losses, and changes in actuarial assumptions and methods will also impact the total actuarial accrued liability and the unfunded portion thereof.



SECTION 1 – BOARD SUMMARY

The Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability for the System as of April 30, 2014 are:

Actuarial Accrued Liability	\$155,264,022
Actuarial Value of Assets	(119,075,893)
Unfunded Actuarial Accrued Liability	\$ 36,188,129

Between April 30, 2013 and April 30, 2014, the change in the unfunded actuarial accrued liability (UAAL) for the System was as follows (in millions):

	\$ millions
UAAL, April 30, 2013	35.5
<ul style="list-style-type: none"> • effect of contributions less than actuarial rate • expected change due to amortization method • loss from investment return on actuarial assets • demographic experience¹ • all other experience 	<ul style="list-style-type: none"> 0.4 1.1 1.6 (2.8) 0.4
UAAL, April 30, 2014	36.2

¹ Liability gain is about 1.83% of total actuarial liability

The net experience gain for the plan year of \$1.2 million was the combined result of an actuarial loss of \$1.6 million on System assets (actuarial value) and a liability gain of \$2.8 million. The liability gain was primarily the result of salaries that were lower than expected, based on the actuarial assumption.

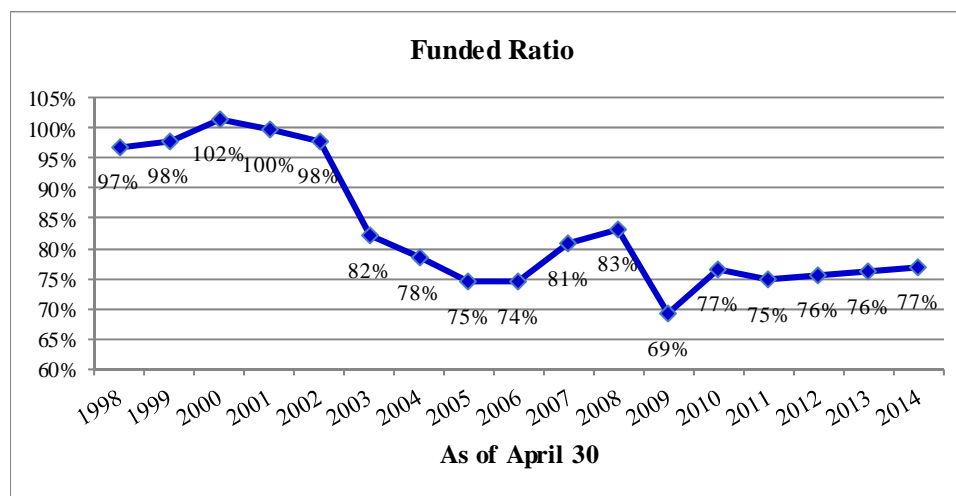
Analysis of the unfunded actuarial accrued liability strictly as a dollar amount can be misleading. Another way to evaluate the unfunded actuarial accrued liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial accrued liability. This information for recent years is shown below (in millions). Historical information is shown in the graph following the chart below.

	4/30/2010	4/30/2011	4/30/2012	4/30/2013	4/30/2014
Actuarial Value of Assets (\$M)	\$100.5	\$102.5	\$108.0	\$113.2	\$119.1
Actuarial Accrued Liability (\$M)	\$131.2	\$137.0	\$142.9	\$148.7	\$155.3
Funded Ratio (Assets/Liability)	77%	75%	76%	76%	77%



SECTION 1 – BOARD SUMMARY

The following graph illustrates the funded ratio over the last 17 years. The funded ratio was near 100% at the beginning of the period, but has dropped and stabilized around 75% due to benefit changes, assumption changes and actual experience that was less favorable than expected based on the actuarial assumptions.



The decline in the funded ratio over the last decade is a reflection of actual contribution rates significantly below the actuarial contribution rate coupled with investment returns less than the actuarial assumed rate. The System's funded status will continue to be heavily dependent on investment returns as well as the City's contribution policy. Plan changes passed by the 2013 Missouri General Assembly, which included changes to the benefit structure for new hires and contributions from the city at the full actuarial contribution rate, are projected to improve the System's funded status over the long term. These changes have improved the outlook for the long term financial health of the System, but actual investment returns will continue to be a critical factor in the health of the System over time.

CONTRIBUTION RATES

Generally, contributions to the System consist of:

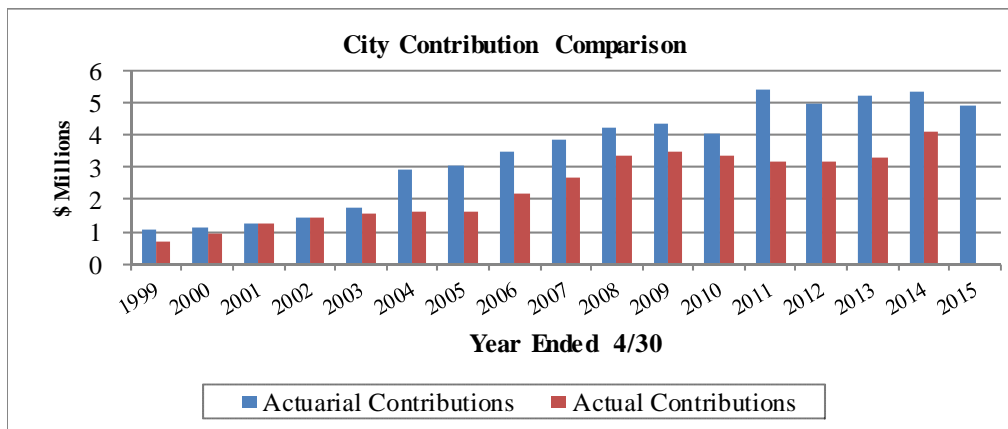
- a "normal cost" for the portion of projected liabilities allocated to service of members during the year following the valuation date, by the actuarial cost method,
- an "unfunded actuarial accrued liability or (surplus) contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets.

Contribution rates are computed with the objective of developing costs that are level as a percentage of covered payroll. The actuarial contribution rate for the fiscal year ending 2016 is computed based on the April 30, 2014 actuarial valuation. The actuarial contribution rate equals the normal cost, budgeted expenses, and an amortization of the unfunded actuarial accrued liability. The actuarial contribution rate for FY 2016 is 17.97% of payroll. Of this amount, the employer normal cost rate is 10.73% and the UAAL payment is 7.24%. The amortization payment of the UAAL in the current valuation is lower than last year due to an increased covered payroll.



SECTION 1 – BOARD SUMMARY

The following graph shows the actuarial required contribution for the City compared to the amount actually received in each year. Given recent legislative changes, the expectation is that the City will begin to contribute at the full actuarial contribution rate.



COMMENTS

As of April 30, 2014, the actuarial accrued liability was \$155 million and the actuarial value of assets was \$119 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$36 million and a funded ratio of 77%. The funded ratio increased slightly from last year's valuation and the UAAL increased slightly by \$0.7 million as a result of actual experience during FY2014.

Retirement plans use several mechanisms to create stability in the contribution rates. These include an asset smoothing method, which smoothes out the peaks and valleys of investment returns, and amortization of actuarial gains and losses, including investment experience, over a number of years. The System utilizes an asset smoothing method that recognizes the difference between the actual and expected return on the market value of assets evenly over a five-year period. Actuarial gains and losses are amortized over an open 30 year period. The return on the market value of assets was 9.5%, but due to the asset smoothing method only part of the FY 2014 investment experience is recognized in the current valuation. As a result, the return on the actuarial value of assets was 6.1%, which resulted in an increase in the UAAL since it was less than the assumed rate of return of 7.5%. There was an actuarial gain from demographic experience that was more favorable than expected, based on the actuarial assumptions, with the largest gain coming from salary increases that were lower than the assumption. The demographic gain (\$2.8 million) was about 1.83% of the actuarial liability at the beginning of the year.

The long term financial health of this retirement system is heavily dependent on two key items: (1) investment returns and (2) contributions to the System. Over the last ten years, investment experience has been lower than the assumed rate of return and the actual contributions to the System have been below the actuarial contribution rates. Beginning September 1, 2013, the City is expected to contribute the full dollar amount of ARC as shown in Table 11. This change is expected to significantly improve the System's funded status over the long term.



SECTION 1 – BOARD SUMMARY

Based on the Board’s policy, an ad hoc cost of living adjustment may be granted if the definition of “actuarial soundness,” which requires at least one of the three following conditions, is met:

- (1) The plan’s funded ratio (actuarial value of assets/actuarial accrued liability) measured in accordance with GASB 25, rounded to the nearest whole percentage, is 75% or greater.
- (2) For each of the three most recently completed plan years, the plan has received a combination of employer and employee contributions that in total are, rounded to the nearest whole percentage, 90% or greater of the plan’s required contributions (defined to be the sum of the Annual Required Contribution as defined by GASB Statement 25 and any required employee contributions).
- (3) For at least three out of the last five completed plan years, the plan has received employer contributions that equal or exceed the plan’s Annual Required Contribution as defined by GASB Statement 25.

Based upon the results of the April 30, 2014 valuation (which indicate the funded ratio exceeds 75%), and the Board’s policy, an ad hoc COLA can be granted. However, the Board should consider that asset returns in the short term (the next 5 to 10 years) are expected by many to be less than the assumed rate of return of 7.50%. If this occurs, the funded ratio will decline, perhaps significantly.

We have not reviewed any legal aspects related to granting the ad hoc COLA. We are not attorneys and cannot give legal advice on such issues. We suggest that you review this policy with your legal counsel.

We conclude this Board Summary with the following exhibit which compares the principal results of the current and prior actuarial valuation.



SECTION 1 – BOARD SUMMARY

SUMMARY OF PRINCIPAL RESULTS

	4/30/2014 Valuation	4/30/2013 Valuation	% Change
1. MEMBER DATA			
Number of:			
Active members	552	558	(1.1%)
Retired Members and Beneficiaries	224	211	6.2%
Inactive Vested Members	20	21	(4.8%)
Total Members	796	790	0.8%
Annual Projected Salaries of Active Members	\$ 27,076,814	\$ 26,461,403	2.3%
Annual Retirement Payments for Retired Members and Beneficiaries*	\$ 5,414,411	\$ 5,032,290	7.6%
*Does not include supplemental benefits			
2. ASSETS AND LIABILITIES			
Total Actuarial Accrued Liability	\$155,264,022	\$148,662,779	4.4%
Market Value of Assets	117,341,038	108,517,949	8.1%
Actuarial Value of Assets	119,075,893	113,170,844	5.2%
Unfunded Actuarial Accrued Liability	\$ 36,188,129	\$ 35,491,935	2.0%
Funded Ratio	77%	76%	0.7%
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	15.73%	15.61%	0.8%
Member Financed	(5.00%)	(5.00%)	0.0%
Employer Normal Cost	10.73%	10.61%	1.1%
Amortization of Unfunded Actuarial Accrued Liability	7.24%	7.35%	(1.6%)
Employer Contribution Rate	17.97%	17.96%	0.1%
4. EMPLOYER CONTRIBUTION FOR FOLLOWING FISCAL YEAR			
	\$ 5,048,167	\$ 4,930,686	2.4%



SECTION 2 – SCOPE OF THE REPORT

This report, prepared at the request of the System’s Board of trustees, presents the actuarial valuation of the Civilian Employees’ Retirement System of the Police Department of Kansas City, Missouri as of April 30, 2014. There were no changes in the benefit structure or the actuarial assumptions and methods from the prior valuation.

Please pay particular attention to our cover letter, where the guidelines employed in the preparation of this report are outlined. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings, which result from this valuation, is presented in the previous section. Section 3 describes the assets and investment experience of the System. Sections 4 and 5 describe how the obligations of the System are to be met under the actuarial cost method in use. Section 6 includes the information required for the financial reporting standards established by the Governmental Accounting Standards Board (GASB).

This report includes several appendices:

- Appendix A Schedules of valuation data classified by various categories of members.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on April 30, 2014.
- Appendix C A summary of the actuarial methods and assumptions used to estimate liabilities and determine contribution rates.
- Appendix D A glossary of actuarial terms.



SECTION 3 - ASSETS

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is April 30, 2014. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System (the present value of future expected benefit payments), which are generally in excess of assets. The actuarial process then leads to a method of determining the contributions needed by members and the employer in the future to balance the System assets and liabilities.

Market Value of Assets

The current market value represents the “snapshot” or “cash-out” value of System assets as of the valuation date. In addition, the market value of assets provides a basis for measuring investment performance from time to time. Table 1 is a comparison, at market values, of System assets as of April 30, 2014, and April 30, 2013, in total and by investment category. Table 2 summarizes the change in the market value of assets from April 30, 2013 to April 30, 2014.

Actuarial Value of Assets

Neither the market value of assets, representing a “cash-out” value of System assets, nor the book values of assets, representing the cost of investments, may be the best measure of the System’s ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. The Board adopted a new asset smoothing method effective with the April 30, 2011 valuation. Under this asset smoothing methodology, the difference between the actual and assumed investment returns on the market value of assets is recognized evenly over a five year period. The new method was implemented by resetting the actuarial value of assets at April 30, 2011 to the market value of assets.



SECTION 3 - ASSETS

TABLE 1
CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
STATEMENT OF NET PLAN ASSETS AT MARKET VALUE

	Market Value	
	April 30, 2014	April 30, 2013
Cash & Equivalents	\$11,219,419	\$3,913,312
Receivables	397,785	352,355
Stocks:		
Common & Preferred Corporate	6,423,194	30,723,187
World Equities	38,587,707	0
Foreign	7,898,498	12,969,732
Bonds:		
U.S. Government	12,338,290	13,580,088
Corporate	18,315,721	13,689,447
Exchange traded fixed income funds	0	664,513
Asset Backed Securities	1,781,384	2,287,338
Real Estate	5,802,314	4,248,403
Commodities	5,947,150	4,871,795
Partnerships and Hedge Funds	9,186,102	21,779,078
Total Assets	\$117,897,564	\$109,079,248
Accounts Payable	(556,526)	(561,299)
Net Assets Available for Benefits	\$117,341,038	\$108,517,949



TABLE 2
CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
STATEMENT OF CHANGES IN NET ASSETS
DURING YEAR ENDED APRIL 30, 2014

(Market Value)

1. Market Value of Assets as of April 30, 2013	\$	108,517,949
2. Contributions:		
a. Members	\$	1,313,816
b. City		4,122,375
c. Miscellaneous		0
d. Total	\$	<u>5,436,191</u>
[2a] + [2b] + [2c]		
3. Investment Income		
a. Interest and Dividends	\$	1,928,790
b. Net Securities Lending Income		60,573
c. Investment Expenses		(640,234)
d. Net Appreciation in Fair Value		8,415,315
e. Net Investment Income	\$	<u>9,764,444</u>
[3a] + [3b] + [3c] + [3d]		
4. Deductions		
a. Refunds of Member Contributions	\$	322,680
b. Benefits Paid:		
(1) Retirement Benefits		5,574,629
(2) Death Benefits		4,000
(3) Partial Lump Sums		351,212
c. Administrative Expenses		125,025
d. Total	\$	<u>6,377,546</u>
[4a] + [4b] + [4c]		
5. Net Change	\$	8,823,089
[2d] + [3e] - [4d]		
6. Market Value of Assets as of April 30, 2014	\$	117,341,038
[1] + [5]		



SECTION 3 - ASSETS

TABLE 3
CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

The Board adopted a new asset smoothing method effective with the April 30, 2011 valuation. Under the new methodology, the difference between the actual and assumed investment return on the market value of assets is recognized evenly over a five year period. The new method was implemented by resetting the actuarial value of assets at April 30, 2011 equal to the market value of assets.

	Plan Year End			
	4/30/2011	4/30/2012	4/30/2013	4/30/2014
1. Market Value of Assets, Beginning of Year	N/A	\$ 102,522,611	\$ 101,192,338	\$ 108,517,949
2. Contributions During Year	N/A	4,370,860	4,580,421	5,436,191
3. Benefits and Expenses During Year	N/A	5,087,225	5,639,934	6,377,546
4. Expected Net Investment Income	N/A	7,918,261	7,802,116	8,104,184
5. Expected Value of Assets, End of Year	N/A	109,724,507	107,934,941	115,680,778
6. Market Value of Assets, End of Year	N/A	101,192,338	108,517,949	117,341,038
7. Excess/(Shortfall) of Net Investment Income*	N/A	\$ (8,532,169)	\$ 583,008	\$ 1,660,260

* AVA was set to equal MVA due to a change in smoothing method for 2011 valuation. As a result, investment excess/shortfalls prior to the 2012 valuation are not shown



TABLE 3
(continued)

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

1. Excess/(Shortfall) of Investment Income	
a. Year ending 4/30/2014	\$ 1,660,260
b. Year ending 4/30/2013	583,008
c. Year ending 4/30/2012	(8,532,169)
d. Year ending 4/30/2011	0
e. Total	\$ (6,288,901)
2. Deferral of Excess/(Shortfall) of Investment Income	
a. Year ending 4/30/2014 (80%)	\$ 1,328,208
b. Year ending 4/30/2013 (60%)	349,805
c. Year ending 4/30/2012 (40%)	(3,412,868)
d. Year ending 4/30/2011 (20%)	0
e. Total	\$ (1,734,855)
3. Market Value End of Year	\$ 117,341,038
4. Actuarial Value End of year (3) - (2e)	\$ 119,075,893
5. Ratio of Actuarial Value to Market Value	101.5%
6. Difference Between Actuarial & Market Value	\$ 1,734,855
7. Rate of Return on Actuarial Value of Assets	6.1%
8. Rate of Return on Market Value of Assets	9.5%



SECTION 4 – SYSTEM LIABILITIES

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the System as of the valuation date, April 30, 2014. In this section, the discussion will focus on the commitments (future benefit payments) of the System, which are referred to as its liabilities.

Table 4 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries.

The liabilities summarized in Table 4 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes the measurement of both benefits already earned and future benefits to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and for the lives of the surviving beneficiaries.

All liabilities reflect the benefit provisions in place as of April 30, 2014, with one exception. When certain funding ratio and contribution criteria are met, the Board has discretion to grant a COLA (it is not part of the statutory benefit structure). Even though the COLA is not guaranteed to be paid, the liabilities reflect a 2.5% annual cost of living adjustment for all future years as it better reflects the long term liabilities.

Actuarial Accrued Liability

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to “breakdown” the present value of future benefits into two components:

- (1) That which is attributable to the past and
- (2) That which is attributable to the future.

Actuarial terminology calls the part attributable to the past the “past service liability” or the “actuarial accrued liability.” The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the “normal cost.” Table 5 contains the calculation of the actuarial accrued liability for the System. The Entry Age Normal actuarial cost method is used to develop the actuarial accrued liability.



SECTION 4 – SYSTEM LIABILITIES

TABLE 4
CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF APRIL 30, 2014

1. Active employees	
a. Retirement Benefit	\$ 116,230,144
b. Pre-Retirement Death Benefit	913,990
c. Withdrawal Benefit	1,535,553
d. Disability Benefit	3,747,205
e. Supplemental Benefit	4,066,393
f. Total	\$ <u>126,493,285</u>
2. Inactive Vested Members	
a. Retirement Benefit	\$ 913,846
b. Supplemental Benefit	150,391
c. Total	\$ <u>1,064,237</u>
3. Inactive Nonvested Members	\$ 0
4. In Pay Members	
a. Retirees	\$ 57,908,316
b. Disabled Members	2,294,162
c. Beneficiaries	2,052,660
d. Supplemental Benefit	3,669,810
e. Total	\$ <u>65,924,948</u>
5. Total Present Value of Future Benefits	
[1f] + [2c] + [3] + [4e]	\$ 193,482,470



SECTION 4 – SYSTEM LIABILITIES

TABLE 5

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

**ACTUARIAL ACCRUED LIABILITY
AS OF APRIL 30, 2014**

1. Active employees		
a. Present Value of Future Benefits	\$	126,493,285
b. Present Value of Future Normal Costs		38,218,448
c. Actuarial Accrued Liability [1a] - [1b]	\$	<u>88,274,837</u>
2. Inactive Vested Members	\$	1,064,237
3. Inactive Nonvested Members	\$	0
4. In Pay Members		
a. Retirees	\$	57,908,316
b. Disabled Members		2,294,162
c. Beneficiaries		2,052,660
d. Supplemental Benefit		3,669,810
e. Total	\$	<u>65,924,948</u>
5. Total Actuarial Accrued Liability [1c] + [2] + [3] + [4e]	\$	155,264,022



SECTION 4 – SYSTEM LIABILITIES

TABLE 6

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

DERIVATION OF SYSTEM EXPERIENCE GAIN/(LOSS)

Liabilities

1. Actuarial liability as of May 1, 2013	\$	148,662,779
2. Normal cost and expenses for year		3,962,011
3. Assumed investment return on (1) & (2)		11,295,598
4. Benefit payments during FYE 2014		6,377,546
5. Interest on benefit payments		234,834
6. Change in accrued liability due to data refinement		791,026
7. Expected actuarial liability as of April 30, 2014 (1) + (2) + (3) - (4) - (5) + (6)	\$	158,099,033
8. Actuarial liability as of April 30, 2014	\$	155,264,022

Assets

9. Actuarial value of assets as of May 1, 2013	\$	113,170,844
10. Actual contributions (member + city)		5,436,191
11. Benefit payments during FYE 2014		6,377,546
12. Interest on items (9), (10) and (11)		8,453,151
13. Expected actuarial value of assets as of April 30, 2014 (9) + (10) - (11) + (12)	\$	120,682,640
14. Actual actuarial value of assets as of April 30, 2014	\$	119,075,893

Gain / (Loss)

15. Expected unfunded actuarial liability / (surplus) (7) – (13)	\$	37,416,394
16. Actual unfunded actuarial liability / (surplus) (8) – (14)	\$	36,188,129
17. Actuarial Gain / (Loss) (15) – (16)	\$	1,228,265
18. Actuarial Gain / (Loss) on actuarial assets (14) – (13)	\$	(1,606,747)
19. Actuarial Gain / (Loss) on actuarial liability (7) – (8)	\$	2,835,011



TABLE 7
CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
ACTUARIAL GAIN/(LOSS) BY SOURCE

Source of Gain/(Loss)	Gain/(Loss) (\$M)*
Retiree Mortality	(0.4)
Withdrawal	0.7
Retirement	0.8
Death	0.0
Disability	0.0
Salary	2.0
New actives	(0.2)
Other	(0.1)
	<hr/>
Total Liability Gain/(Loss)	2.8
Asset Gain/(Loss)	(1.6)
Total Gain/(Loss)	1.2

* Numbers may not add up due to rounding



TABLE 8

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

PROJECTED BENEFIT PAYMENTS

The chart below shows estimated benefits expected to be paid over the next twenty years, based on the assumptions used in this valuation. The “Actives” column shows benefits expected to be paid to members currently active on April 30, 2014. The “Retirees” column shows benefits expected to be paid to all other members. This includes those who, as of April 30, 2014, are receiving benefit payments and inactive vested members who are entitled to a future benefit. No future members are reflected.

Retirement, Survivor, Withdrawal and Supplemental Benefits

Year Ending April 30	Actives	Retirees	Total
2015	\$ 549,000	\$ 5,766,000	\$ 6,315,000
2016	1,201,000	5,783,000	6,984,000
2017	1,845,000	5,794,000	7,639,000
2018	2,529,000	5,803,000	8,332,000
2019	3,237,000	5,799,000	9,036,000
2020	3,905,000	5,788,000	9,693,000
2021	4,602,000	5,798,000	10,400,000
2022	5,348,000	5,771,000	11,119,000
2023	6,107,000	5,741,000	11,848,000
2024	6,880,000	5,696,000	12,576,000
2025	7,665,000	5,640,000	13,305,000
2026	8,451,000	5,596,000	14,047,000
2027	9,258,000	5,522,000	14,780,000
2028	10,122,000	5,445,000	15,567,000
2029	11,031,000	5,339,000	16,370,000
2030	11,967,000	5,223,000	17,190,000
2031	12,914,000	5,121,000	18,035,000
2032	13,862,000	4,985,000	18,847,000
2033	14,803,000	4,828,000	19,631,000
2034	15,744,000	4,657,000	20,401,000



SECTION 5 – EMPLOYER CONTRIBUTIONS

The previous two sections were devoted to a discussion of the assets and liabilities of the System. A comparison of Tables 3 and 4 indicates that current assets fall short of meeting the present value of future benefits (total liability). This is expected in all but a completely closed fund, where no further contributions are anticipated. In an active system, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost rate and (2) the unfunded actuarial accrued liability contribution rate.

The term “fully funded” is often applied to a system in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, systems are not fully funded, either because of past benefit improvements that have not been completely funded or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated. Under these circumstances, an unfunded actuarial accrued liability (UAAL) exists. Likewise, when the actuarial value of assets is greater than the actuarial accrued liability, a surplus exists.

Description of Contribution Rate Components

The Entry Age Normal (EAN) actuarial cost method is used for the valuation. Under that method, the normal cost for each year from entry age to assumed exit age is a constant percentage of the member’s year by year projected compensation. The portion of the present value of future benefits not provided by the present value of future normal costs is the actuarial accrued liability. The unfunded actuarial accrued liability/(surplus) represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains/losses.

In general, contributions are computed in accordance with a level percent-of-payroll funding objective. The contribution rate based on the April 30, 2014 actuarial valuation will be used to determine the actuarial required employer contribution rate to the Civilian Employees’ Retirement System of the Police Department of Kansas City, Missouri for fiscal year end 2016. In this context, the term “contribution rate” means the percentage, which is applied to a particular active member payroll to determine the actual employer contribution amount (i.e., in dollars) for the group.

As of April 30, 2014, the actuarial accrued liability was greater than the valuation assets so an unfunded actuarial accrued liability (UAAL) exists. The Board elected to amortize the UAAL, as a level percent of payroll, over an open 30 year period beginning on the valuation date. Effective with the 2013 valuation, active member payroll is assumed to increase 3.75% per year (previously 4.00%).



SECTION 5 – EMPLOYER CONTRIBUTIONS

Contribution Rate Summary

In Table 9, the amortization payment related to the unfunded actuarial accrued liability/(surplus), as of April 30, 2014, is developed. Table 10 develops the actuarial contribution rate for the System. A historical summary of the actual and actuarial contribution rates for the City is shown in Table 11.

The contribution rates shown in this report are based on the actuarial assumptions and cost methods described in Appendix C.



SECTION 5 – EMPLOYER CONTRIBUTIONS

TABLE 9
CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
APRIL 30, 2014 VALUATION
DEVELOPMENT OF UAAL CONTRIBUTION RATE

1. Actuarial Accrued Liability as of April 30, 2014	\$	155,264,022
2. Actuarial Value of Assets	\$	119,075,893
3. Unfunded Actuarial Accrued Liability as of April 30, 2014	\$	36,188,129
4. FYE 2015 Contribution Rate*		22.96%
5. Normal Cost Rate		15.73%
6. Contribution Rate Applied to Fund the UAAL for FYE 2015 (4) - (5)		7.23%
7. Expected Payroll for FYE 2015	\$	27,076,814
8. Projected UAAL on April 30, 2015 [(3) * 1.075] - [(6) * (7) * 1.075 ⁻⁵]	\$	36,872,500
9. Amortization Factor (30 Year Open/Level % of Pay)		18.7865
10. UAAL Contribution Adjusted to Mid-year of FYE 2016 [(8) / (9)] * 1.075 ⁻⁵	\$	2,034,984
11. Expected Payroll for FYE 2016	\$	28,092,195
12. UAAL Contribution Rate for FYE 2016 (10) / (11)		7.24%

* Reflects member contributions of 5.00% and City contributions of 17.96%



SECTION 5 – EMPLOYER CONTRIBUTIONS

TABLE 10

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

EMPLOYER CONTRIBUTION RATES

	Valuation Date*	
	4/30/2014	4/30/2013
Normal Cost		
Service pensions	12.76%	12.81%
Pre-retirement death pensions	0.14%	0.14%
Disability pensions	0.63%	0.62%
Termination benefits	1.51%	1.34%
Supplemental retirement benefit	0.29%	0.30%
Administrative expenses	0.40%	0.40%
Total Normal Cost	15.73%	15.61%
Total UAAL Amortization payment	7.24%	7.35%
Total Actuarial Contribution Rate	22.97%	22.96%
Member Portion	5.00%	5.00%
City Portion	17.97%	17.96%

* The valuation results are used to determine the employer contribution rate for the fiscal year ending two years later.



SECTION 5 – EMPLOYER CONTRIBUTIONS

TABLE 11
CIVILIAN EMPLOYEES’ RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
COMPUTED AND ACTUAL CITY CONTRIBUTIONS
COMPARATIVE STATEMENT

Fiscal Year Beginning <u>May 1</u>	Valuation Date <u>April 30</u>	Projected Annual Payroll	Fiscal Year Contributions					
			As a % of Projected Pay			\$ Contributions		
			Annual Required Contribution	Reported FY City Contribution	Annual Required Contribution	Projected FY City Contribution	Actual Dollar Contribution	
1998	1998	\$15,295,680	6.80 %	4.38 %	\$1,040,673	\$ 669,951	\$ 674,228	
1999	1999	15,430,846	7.47	5.76	1,152,018	888,817	944,475	
2000	2000	17,786,369	7.08	7.14	1,259,454	1,269,947	1,286,166	
2001	2001	18,831,325	7.49	7.14	1,410,466	1,344,557	1,420,668	
2002	2002	21,688,988	8.12	7.14	1,761,146	1,548,594	1,567,833	
2003 *	2003	22,931,521	12.84	7.14	2,944,407	1,637,311	1,601,243	
2004	2003	23,963,439	12.84	7.14	3,076,906	1,710,990	1,612,080	
2005 #	2004	24,088,026	14.45	9.14	3,480,720	2,201,646	2,175,167	
2006	2005	24,285,644	15.87	11.14	3,854,132	2,705,421	2,681,732	
2007	2006	26,073,120	16.12	13.14	4,202,987	3,426,008	3,372,411	
2008	2007	26,618,596	16.24	13.14	4,322,860	3,497,684	3,470,682	
2009	2008	28,127,592	14.27	13.14	4,013,807	3,695,966	3,329,727	
2010	2009	28,684,028	18.87	13.14	5,412,676	3,769,081	3,185,041	
2011	2010	27,181,807	18.19	13.14	4,944,371	3,571,689	3,146,124	
2012 *	2011	26,248,238	19.82	13.14	5,202,401	3,449,018	3,283,458	
2013	2012	26,265,640	20.40 **	16.33 **	5,358,191	4,289,179	4,122,375	
2014 **	2013	27,453,706	17.96	17.96	4,930,686	4,930,686		
2015	2014	28,092,195	17.97		5,048,167			

* After changes in actuarial assumptions or methods.

After changes in benefits.

** Effective September 1, 2013, the actuarial contribution rate was revised to 22.93% and the City began contributing the full employer actuarial contribution rate of 17.93%.

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



SECTION 6 – ACCOUNTING INFORMATION

The actuarial accrued liability is a measure intended to help the reader assess (i) a retirement system's funded status on a going-concern basis and (ii) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the Entry Age Normal actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the System's level percent of payroll annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

The Entry Age Normal actuarial accrued liability was determined as part of an actuarial valuation of the plan as of April 30, 2014. The actuarial assumptions used in determining the actuarial accrued liability can be found in Appendix C.



TABLE 12
CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	April 30, 2014
Actuarial cost method	Individual entry age
Amortization method for unfunded actuarial accrued liabilities	Level percent open
Amortization period	30 years
Asset valuation method	5 year smoothing of actual vs expected return on market value
Actuarial assumptions:	
Investment rate of return	7.5%, net of investment expenses
Projected salary increases including wage inflation at 3.75%	3.75% to 7.75%
Cost-of-living adjustments	2.5% simple

Membership of the plan consisted of the following at April 30, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	224
Terminated plan members entitled to but not yet receiving benefits	20
Active plan members	<u>552</u>
Total	796



SECTION 6 – ACCOUNTING INFORMATION

TABLE 13

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Active Member Covered Payroll** (c)	UAAL as a Percentage of Active Member Covered Payroll [(b) - (a)] / (c)
4/30/1998	\$41,835,057	\$43,200,513	\$1,365,456	97%	\$15,295,680	9%
4/30/1999	47,593,329	48,627,168	1,033,839	98%	15,430,846	7%
4/30/2000	56,905,524	56,038,915	(866,609)	102%	17,786,369	(5%)
4/30/2001	61,895,208	62,097,908	202,700	100%	18,831,325	1%
4/30/2002	66,401,308	67,814,254	1,412,946	98%	20,755,012	7%
4/30/2003 *	68,182,691	83,044,509	14,861,818	82%	21,944,040	68%
4/30/2004 #	69,868,024	89,141,414	19,273,390	78%	22,058,127	87%
4/30/2005	72,382,548	97,103,806	24,721,258	75%	22,239,092	111%
4/30/2006	78,846,717	105,928,172	27,081,455	74%	23,875,937	113%
4/30/2007	89,110,860	110,394,115	21,283,255	81%	25,472,341	84%
4/30/2008	97,989,985	117,626,995	19,637,010	83%	27,045,762	73%
4/30/2009	86,332,962	124,990,468	38,657,506	69%	27,580,796	140%
4/30/2010	100,515,970	131,222,564	30,706,594	77%	26,136,353	117%
4/30/2011 *	102,522,611	137,040,461	34,517,850	75%	25,238,690	137%
4/30/2012	108,018,073	142,907,530	34,889,457	76%	25,255,423	138%
4/30/2013 **	113,170,844	148,662,779	35,491,935	76%	26,461,403	134%
4/30/2014	119,075,893	155,264,022	36,188,129	77%	27,076,814	134%

* After changes in actuarial assumptions or methods.

After change in benefit provisions.

** For valuation years 2001 and prior, and 2007 and later, valuation payroll includes projected increases for year following valuation.

For valuation years 2002 through 2006, valuation payroll is payroll reported in data after annualization of pays for new hires.

Note: Results for years prior to 2011 were taken from the prior actuary's report.

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the System's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan's funding. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan's funding.



TABLE 14
CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending April 30	Annual Required Contribution	Percent Contribution
1997	\$ 465,004	90%
1998	1,035,180	44%
1999	1,040,673	65%
2000	1,152,018	82%
2001	1,259,454	102%
2002	1,410,461	101%
2003	1,761,146	89%
2004	2,944,407	54%
2005	3,076,906	52%
2006	3,480,720	62%
2007	3,854,132	70%
2008	4,202,987	80%
2009	4,322,860	80%
2010	4,013,807	83%
2011	5,412,676	59%
2012	4,944,371	64%
2013	5,202,401	63%
2014	5,358,191	77%

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



TABLE 15

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

DEVELOPMENT OF ANNUAL PENSION COST AND NET PENSION OBLIGATION

UNDER GASB STATEMENT NUMBER 27

Fiscal Year End	Annual Required Contribution (ARC) (a)	Interest on NPO (b)	ARC Adjustment (c)	Annual Pension Cost (APC) (d) = (a) + (b) - (c)	Annual Actual Contribution (e)	Change in NPO (f) = (d) - (e)	Net Pension Obligation (NPO) at End of Year (g) = sum of (f)
2000	\$1,152,018	\$56,279	\$ 42,080	\$ 1,166,217	\$ 944,475	\$ 221,742	\$ 947,922
2001	1,259,454	73,464	54,930	1,277,988	1,286,166	(8,178)	939,744
2002	1,410,461	72,830	54,456	1,428,835	1,420,668	8,167	947,911
2003	1,761,146	73,463	57,005	1,777,604	1,567,833	209,771	1,157,682
2004	2,944,407	89,720	69,620	2,964,507	1,601,243	1,363,264	2,520,946
2005	3,076,906	195,373	151,602	3,120,677	1,612,080	1,508,597	4,029,543
2006	3,480,720	312,290	242,325	3,550,685	2,175,167	1,375,518	5,405,061
2007	3,854,132	418,892	325,044	3,947,980	2,681,732	1,266,248	6,671,309
2008	4,202,987	517,026	401,286	4,318,727	3,372,411	946,316	7,617,625
2009	4,322,860	590,366	458,208	4,455,018	3,470,682	984,336	8,601,961
2010	4,013,807	666,652	542,665	4,137,794	3,329,727	808,067	9,410,028
2011	5,412,676	729,277	593,643	5,548,310	3,185,041	2,363,269	11,773,297
2012	4,944,371	912,431	742,733	5,114,069	3,146,124	1,967,945	13,741,242
2013	5,202,401	1,064,946	866,883	5,400,464	3,283,458	2,117,006	15,858,248
2014	5,358,191	1,189,369	1,000,099	5,547,461	4,122,375	1,425,086	17,283,334
2015	4,930,686	1,296,250	953,865	5,273,071			

Note: Results for years prior to FY 2012 were prepared by the prior actuary



SECTION 6 – ACCOUNTING INFORMATION

TABLE 16
CIVILIAN EMPLOYEES’ RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
SOLVENCY TEST

Valuation Date	Entry Age Actuarial Accrued Liabilities			Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)				
<u>April 30</u>							
2004 #	\$ 8,218,260	\$ 26,402,483	\$ 54,520,671	\$ 69,868,024	100 %	100 %	65 %
2005	8,641,718	32,330,097	56,131,991	72,382,548	100	100	56
2006	9,373,054	34,786,783	61,768,335	78,846,717	100	100	56
2007	9,972,284	36,754,725	63,667,106	89,110,860	100	100	67
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

* After changes in actuarial assumptions or methods.

After changes in benefits

Note: Results for years before 2011 were prepared by the prior actuary.



APPENDIX A – SUMMARY OF MEMBERSHIP DATA

MEMBER DATA RECONCILIATION

April 30, 2013 to April 30, 2014

The number of members included in the valuation, as summarized in the table below, is in accordance with the data submitted by the System for members as of the valuation date.

	Active Participants	Retirees	Disableds	Beneficiaries	Inactive Vested	Total
Members as of 04/30/2013	558	183	10	18	21	790
New Members	46	0	0	0	0	46
Rehires	1	0	0	0	(1)	0
Terminations						
Refunded	(33)	0	0	0	(2)	(35)
Inactive Vested	(3)	0	0	0	3	0
Retirements						
Service	(15)	16	0	0	(1)	0
Disability	0	0	0	0	0	0
Deaths						
Cashed Out/Payments Ended	(2)	0	0	0	0	(2)
With Beneficiary	0	(1)	(1)	1	0	0
Without Beneficiary	0	0	0	(2)	0	(3)
Data Adjustments	0	0	0	0	0	0
Members as of 04/30/2014	552	198	9	17	20	796



APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
SUMMARY OF ACTIVE MEMBERS
as of April 30, 2014**

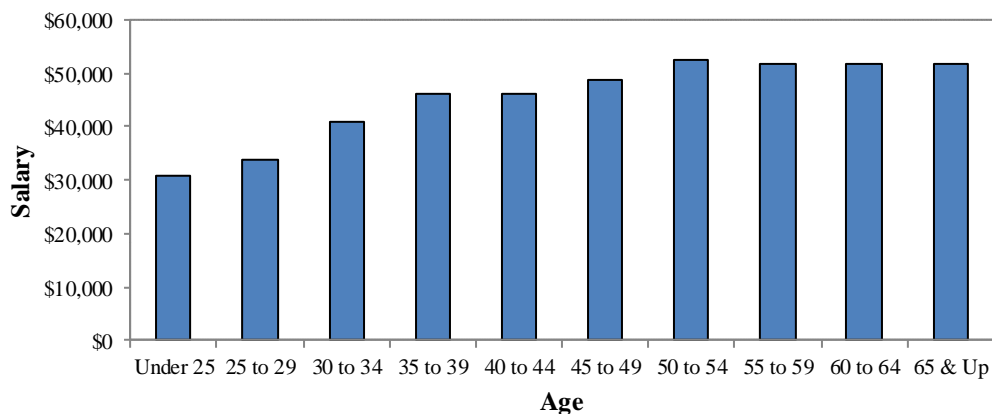
Total

Age	Number			Annual Reported Compensation*		
	Male	Female	Total	Male	Female	Total**
Under 25	11	14	25	\$ 326,406	\$ 445,507	\$ 771,913
25 to 29	19	31	50	609,953	1,084,308	1,694,261
30 to 34	20	49	69	806,289	2,014,143	2,820,432
35 to 39	20	40	60	1,031,256	1,733,727	2,764,983
40 to 44	19	56	75	934,721	2,514,349	3,449,071
45 to 49	23	37	60	1,094,734	1,840,205	2,934,939
50 to 54	31	52	83	1,846,320	2,511,255	4,357,575
55 to 59	18	52	70	1,067,506	2,554,196	3,621,702
60 to 64	13	29	42	816,810	1,350,329	2,167,140
65 & Up	8	10	18	488,008	442,257	930,265
Total**	182	370	552	\$ 9,022,005	\$ 16,490,276	\$ 25,512,281

* Compensation reported in the valuation data for the prior plan year with annualization of pay for new hires.

** May not add due to rounding

Average Salary by Age



Average age: 44.3
 Average service: 13.0
 Average salary: \$46,218



APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
SUMMARY OF ACTIVE MEMBERS
as of April 30, 2014**

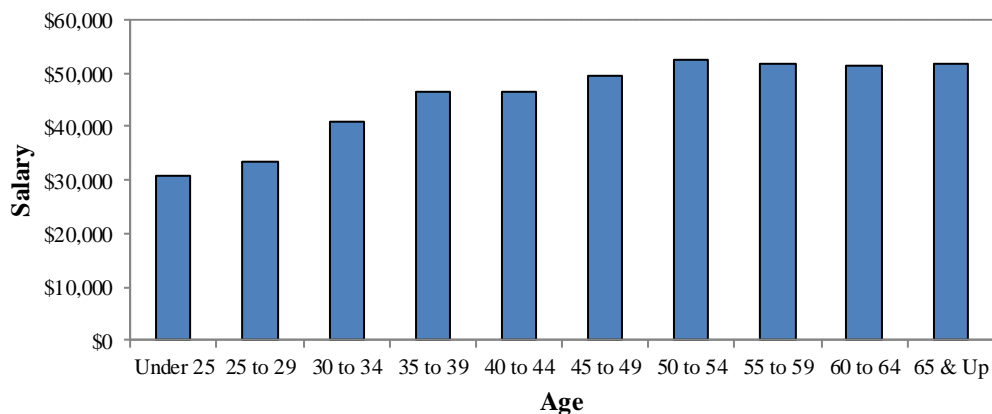
Tier 1

Age	Number			Annual Reported Compensation*		
	Male	Female	Total	Male	Female	Total**
Under 25	10	9	19	\$ 296,514	\$ 286,747	\$ 583,262
25 to 29	17	24	41	550,169	825,409	1,375,578
30 to 34	20	47	67	806,289	1,938,423	2,744,712
35 to 39	19	35	54	1,000,164	1,520,967	2,521,131
40 to 44	18	54	72	904,829	2,445,758	3,350,587
45 to 49	21	37	58	1,038,118	1,840,205	2,878,323
50 to 54	31	51	82	1,846,320	2,473,395	4,319,715
55 to 59	18	51	69	1,067,506	2,513,228	3,580,734
60 to 64	12	28	40	739,962	1,312,470	2,052,432
65 & Up	8	10	18	488,008	442,257	930,265
Total**	174	346	520	\$ 8,737,882	\$ 15,598,857	\$ 24,336,739

* Compensation reported in the valuation data for the prior plan year with annualization of pay for new hires.

** May not add due to rounding

Average Salary by Age



Average age: 44.9
 Average service: 13.8
 Average salary: \$46,801



APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES’ RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
SUMMARY OF ACTIVE MEMBERS
as of April 30, 2014**

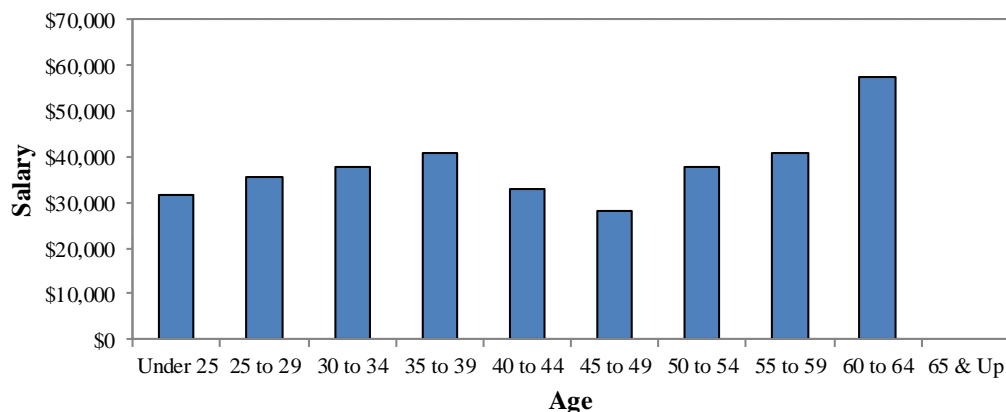
Tier 2

Age	Number			Annual Reported Compensation*		
	Male	Female	Total	Male	Female	Total**
Under 25	1	5	6	\$ 29,892	\$ 158,760	\$ 188,652
25 to 29	2	7	9	59,784	258,899	318,683
30 to 34	0	2	2	0	75,720	75,720
35 to 39	1	5	6	31,092	212,760	243,852
40 to 44	1	2	3	29,892	68,592	98,484
45 to 49	2	0	2	56,616	0	56,616
50 to 54	0	1	1	0	37,860	37,860
55 to 59	0	1	1	0	40,968	40,968
60 to 64	1	1	2	76,848	37,860	114,708
65 & Up	0	0	0	0	0	0
Total**	8	24	32	\$ 284,124	\$ 891,418	\$ 1,175,542

* Compensation reported in the valuation data for the prior plan year with annualization of pay for new hires.

** May not add due to rounding

Average Salary by Age



Average age: 34.2
 Average service: 0.4
 Average salary: \$36,736



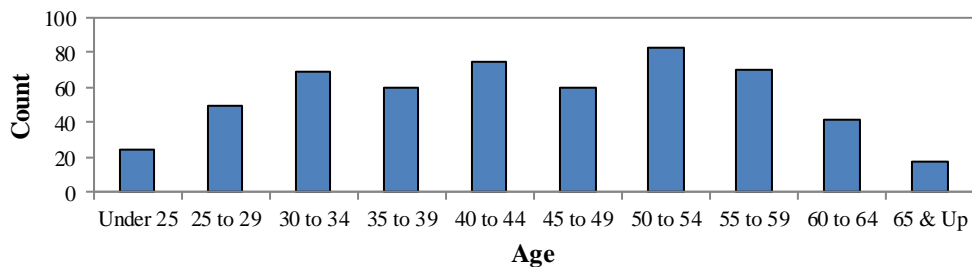
APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
DISTRIBUTION OF ACTIVE MEMBERS
As of April 30, 2014**

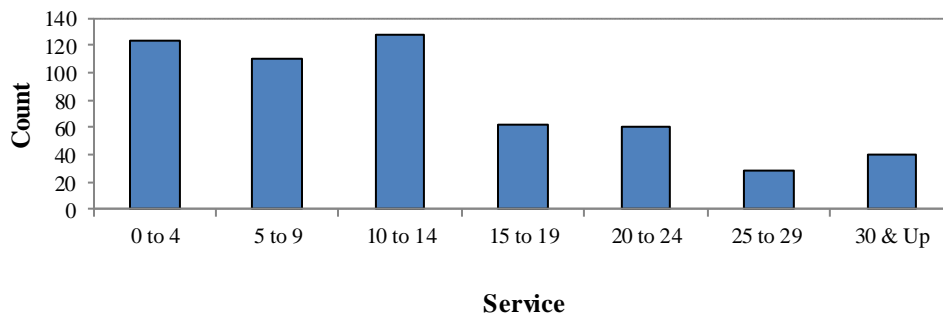
Total

Age	Years of Service							Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	24	1	0	0	0	0	0	25
25 to 29	33	17	0	0	0	0	0	50
30 to 34	22	32	15	0	0	0	0	69
35 to 39	10	9	29	12	0	0	0	60
40 to 44	12	5	32	17	9	0	0	75
45 to 49	10	10	9	8	15	8	0	60
50 to 54	6	14	15	13	8	8	19	83
55 to 59	4	9	15	7	12	10	13	70
60 to 64	2	7	9	4	13	1	6	42
65 & Up	1	6	4	1	3	1	2	18
Total	124	110	128	62	60	28	40	552

Age Distribution



Service Distribution





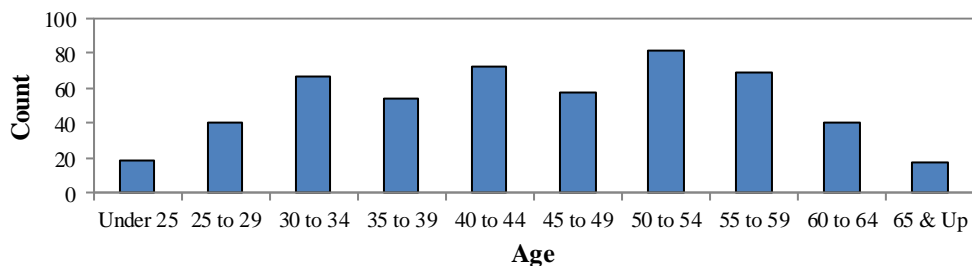
APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
DISTRIBUTION OF ACTIVE MEMBERS
As of April 30, 2014**

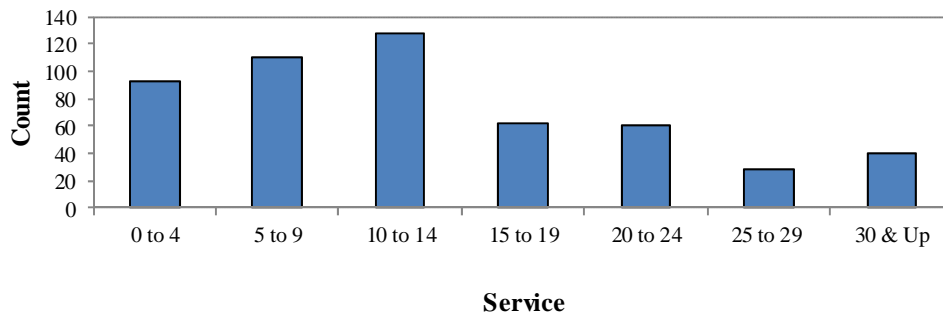
Tier 1

Age	Years of Service							Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	18	1	0	0	0	0	0	19
25 to 29	24	17	0	0	0	0	0	41
30 to 34	20	32	15	0	0	0	0	67
35 to 39	4	9	29	12	0	0	0	54
40 to 44	9	5	32	17	9	0	0	72
45 to 49	8	10	9	8	15	8	0	58
50 to 54	5	14	15	13	8	8	19	82
55 to 59	3	9	15	7	12	10	13	69
60 to 64	0	7	9	4	13	1	6	40
65 & Up	1	6	4	1	3	1	2	18
Total	92	110	128	62	60	28	40	520

Age Distribution



Service Distribution





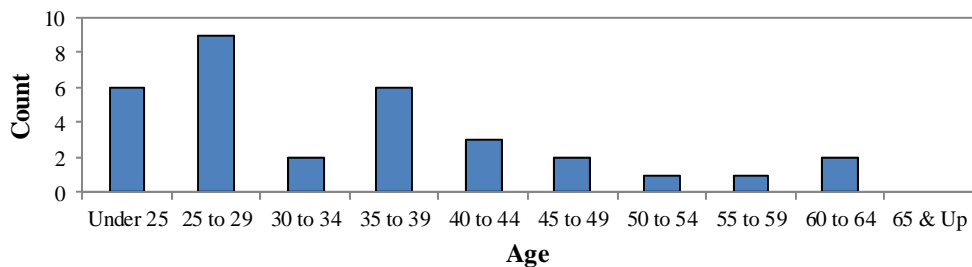
APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
DISTRIBUTION OF ACTIVE MEMBERS
As of April 30, 2014**

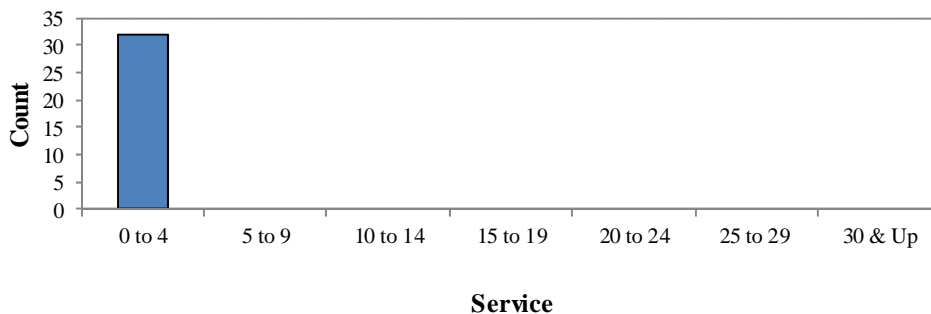
Tier 2

Age	Years of Service							Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	6	0	0	0	0	0	0	6
25 to 29	9	0	0	0	0	0	0	9
30 to 34	2	0	0	0	0	0	0	2
35 to 39	6	0	0	0	0	0	0	6
40 to 44	3	0	0	0	0	0	0	3
45 to 49	2	0	0	0	0	0	0	2
50 to 54	1	0	0	0	0	0	0	1
55 to 59	1	0	0	0	0	0	0	1
60 to 64	2	0	0	0	0	0	0	2
65 & Up	0	0	0	0	0	0	0	0
Total	32	0	0	0	0	0	0	32

Age Distribution



Service Distribution





APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

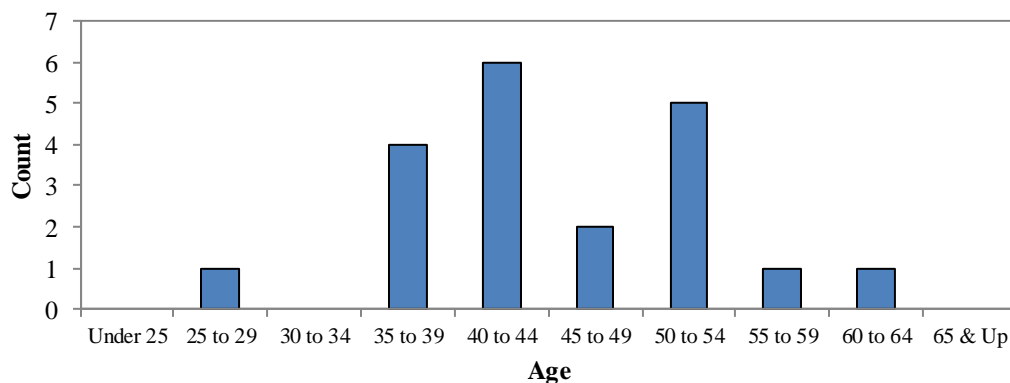
**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
SUMMARY OF INACTIVE VESTED MEMBERS
as of April 30, 2014**

Age	Number			Current Monthly Benefit at Retirement*		
	Male	Female	Total	Male	Female	Total**
Under 25	0	0	0	\$ 0	\$ 0	\$ 0
25 to 29	1	0	1	388	0	388
30 to 34	0	0	0	0	0	0
35 to 39	1	3	4	1,313	2,073	3,386
40 to 44	3	3	6	3,843	2,477	6,320
45 to 49	0	2	2	0	2,232	2,232
50 to 54	3	2	5	2,598	774	3,372
55 to 59	1	0	1	323	0	323
60 to 64	0	1	1	0	391	391
65 & Up	0	0	0	0	0	0
Total**	9	11	20	\$ 8,466	\$ 7,946	\$ 16,413

* Does not include supplemental benefits

** May not add due to rounding

Age Distribution





APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES’ RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
SUMMARY OF RETIRED MEMBERS
as of April 30, 2014**

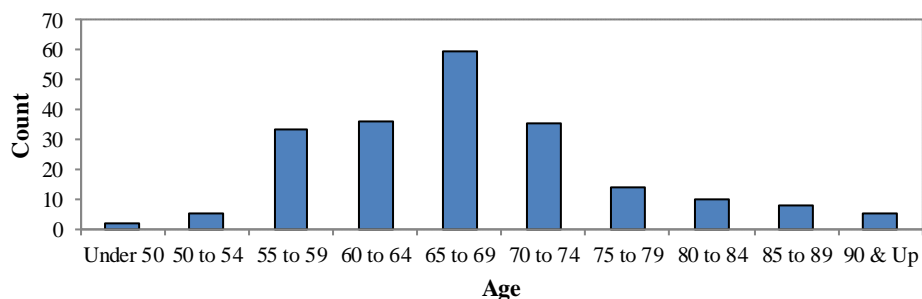
Healthy & Disabled Retirees

Age	Number			Monthly Benefit*		
	Male	Female	Total	Male	Female	Total**
Under 50	1	1	2	\$ 1,041	\$ 572	\$ 1,612
50 to 54	2	3	5	5,490	7,520	13,010
55 to 59	10	23	33	24,445	64,564	89,009
60 to 64	15	21	36	41,372	46,604	87,976
65 to 69	25	34	59	66,777	60,354	127,131
70 to 74	18	17	35	38,427	24,824	63,251
75 to 79	2	12	14	2,931	18,570	21,501
80 to 84	6	4	10	9,160	3,455	12,615
85 to 89	6	2	8	9,989	2,729	12,718
90 & Up	1	4	5	1,078	3,448	4,526
Total**	86	121	207	\$ 200,709	\$ 232,639	\$ 433,348

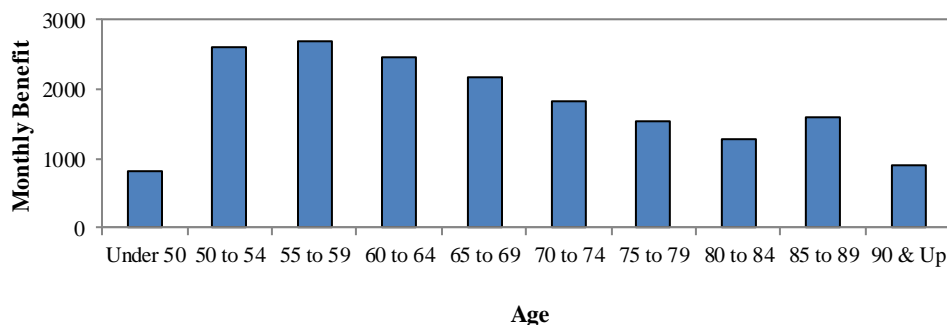
* Does not include supplemental benefits

** May not add due to rounding

Age Distribution



Average Benefit





APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
SUMMARY OF RETIRED MEMBERS
as of April 30, 2014**

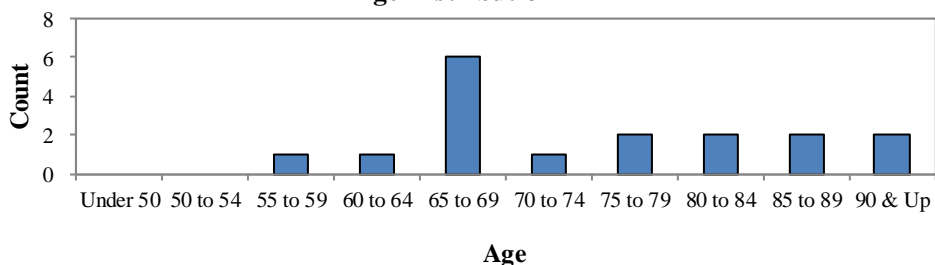
Beneficiaries

Age	Number			Monthly Benefit*		
	Male	Female	Total	Male	Female	Total**
Under 50	0	0	0	\$ 0	\$ 0	\$ 0
50 to 54	0	0	0	0	0	0
55 to 59	0	1	1	0	2,288	2,288
60 to 64	0	1	1	0	747	747
65 to 69	1	5	6	1,136	5,602	6,738
70 to 74	0	1	1	0	3,113	3,113
75 to 79	0	2	2	0	1,245	1,245
80 to 84	1	1	2	1,494	872	2,366
85 to 89	0	2	2	0	455	455
90 & Up	1	1	2	491	409	900
Total**	3	14	17	\$ 3,121	\$ 14,731	\$ 17,853

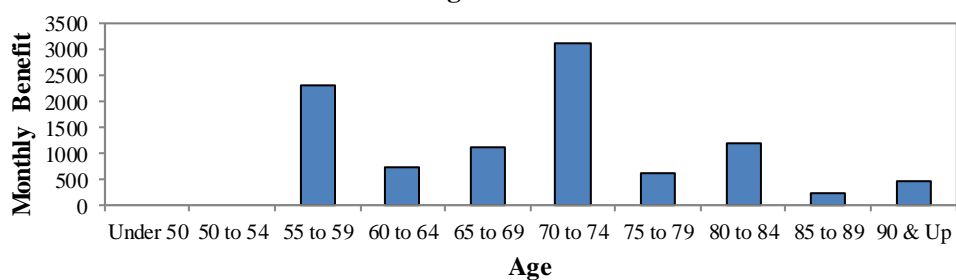
* Does not include supplemental benefits

** May not add due to rounding

Age Distribution



Average Benefit





APPENDIX A – SUMMARY OF MEMBERSHIP DATA (CONTINUED)

**CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI
SUMMARY OF RETIRED MEMBERS
as of April 30, 2014**

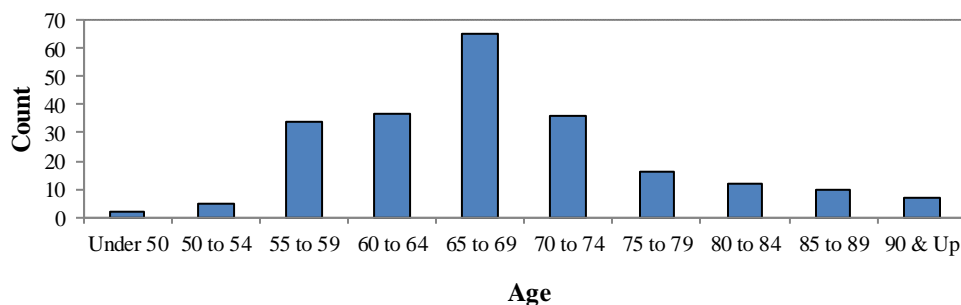
Combined Retirees & Beneficiaries

Age	Number			Monthly Benefit*		
	Male	Female	Total	Male	Female	Total**
Under 50	1	1	2	\$ 1,041	\$ 572	\$ 1,612
50 to 54	2	3	5	5,490	7,520	13,010
55 to 59	10	24	34	24,445	66,852	91,297
60 to 64	15	22	37	41,372	47,351	88,723
65 to 69	26	39	65	67,913	65,956	133,869
70 to 74	18	18	36	38,427	27,937	66,365
75 to 79	2	14	16	2,931	19,815	22,746
80 to 84	7	5	12	10,654	4,327	14,981
85 to 89	6	4	10	9,989	3,184	13,173
90 & Up	2	5	7	1,569	3,858	5,426
Total**	89	135	224	\$ 203,830	\$ 247,371	\$ 451,201

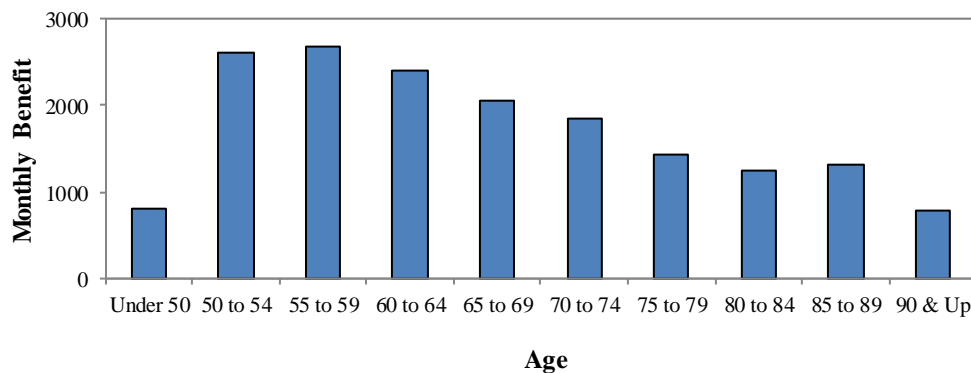
* Does not include supplemental benefits

** May not add due to rounding

Age Distribution



Average Benefit





APPENDIX B – SUMMARY OF BENEFIT PROVISIONS

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

SUMMARY OF BENEFIT PROVISIONS

Membership

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 remains a member on August 28, 2013.

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

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 5 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.

Tier II members – Eligible for early retirement as follows:

- a) Beginning at age 62, if member has at least 5 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.



APPENDIX B – SUMMARY OF BENEFIT PROVISIONS (CONTINUED)

- b) Beginning at age 62, if a 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 – 5 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. Benefit may begin at early retirement age, adjusted by applicable reductions.

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.

Duty 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.

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.

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 (less than 20 years of service)

Eligibility – Death of an active member with at least 5 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.



APPENDIX B – SUMMARY OF BENEFIT PROVISIONS (CONTINUED)

Death in Service (20 or more years of service)

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

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

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

Death After Retirement

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

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

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

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

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

Non-Vested Termination

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

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

Post-Retirement Benefit Increases

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

Amount of Benefit – May receive an annual cost-of-living adjustment 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 cost-of-living adjustments. The COLA adjustment 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. The liabilities in this report assume a 2.5% ad hoc COLA will be granted in each future year.

Member Contributions

5% of base pay.



APPENDIX B – SUMMARY OF BENEFIT PROVISIONS (CONTINUED)

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.



APPENDIX C – ACTUARIAL COST METHOD AND ASSUMPTIONS

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

ACTUARIAL COST METHOD AND ASSUMPTIONS

Actuarial Cost Method

The actuarial cost method is a procedure for allocating the actuarial present value of pension benefits and expenses to time periods. The method used for the valuation is known as the Entry Age Normal actuarial cost method and has the following characteristics.

- (i) The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement.
- (ii) Each annual normal cost is a constant percentage of the member's year-by-year projected covered compensation.

The Entry Age Normal actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's assumed pensionable compensation rates between the entry age of the member and the assumed exit ages.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called actuarial accrued liability. Deducting actuarial assets from the actuarial accrued liability determines the unfunded actuarial accrued liability or (surplus). The UAAL is amortized over an open 30 year period, effective April 30, 2013.

Asset Valuation Method

The Board adopted a new asset smoothing method effective with the April 30, 2011 valuation. Under the new methodology, the difference between the actual and assumed investment return on the market value of assets is recognized evenly over a five year period. No corridor is used with the new method. The change to a new asset smoothing method was implemented by setting the actuarial value of assets at April 30, 2011 equal to the market value of assets.

Actuarial Assumptions

The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. The assumptions and methods resulting from the experience study covering the 5-year period from May 1, 2007 to April 30, 2012 are first reflected in the April 30, 2013 actuarial valuation.



APPENDIX C – ACTUARIAL COST METHOD AND ASSUMPTIONS (CONTINUED)

Economic Assumptions

Investment return rate: 7.50% per year, net of investment expenses, compounded annually.

Pay increase assumption: Rates for sample years of service are shown below.

<u>Years of Service</u>	<u>Annual Rate of Pay Increase</u>		
	<u>General Wage Growth</u>	<u>Merit and Longevity</u>	<u>Total</u>
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%

Price inflation: 3.0% per year, compounded annually.

Payroll Growth Assumption: 3.75% per year, compounded annually.

Mortality Tables:

- Healthy Retirees: RP-2000 Healthy Annuitant Table with a 1 year age set forward using Scale AA to model future mortality improvement.
- Disabled Retirees: RP-2000 Healthy Annuitant Table set forward 5 years using Scale AA to model future mortality improvement.
- Actives: RP-2000 Employee Table with a 1 year age set forward using Scale AA to model future mortality improvement.

Rates of separation from active membership:

<u>Years of Service</u>	<u>% of Active Members Separating Within Next Year</u>
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%



APPENDIX C – ACTUARIAL COST METHOD AND ASSUMPTIONS (CONTINUED)

The rates do not apply to members eligible to retire and do not include separation on account of death or disability.

Rates of Disability:

<u>Sample Ages</u>	<u>% of Active Members Becoming Disabled Within Next Year</u>
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%

It is assumed that 1/3 of disabilities will be duty related.

Rates of Electing Refund upon Termination: Vested members are assumed to elect a deferred benefit unless the refund of employee contributions exceeds the present value of the deferred benefit.

Rates of Retirement:

<u>Age</u>	<u>Reduced</u>	<u>Unreduced</u>
50		15%
55	2%	15%
60	15%	15%
61	15%	15%
62	15%	30%
63	15%	20%
64	15%	35%
65		35%

Inactive vested members are assumed to retire at the first unreduced retirement age.



APPENDIX C – ACTUARIAL COST METHOD AND ASSUMPTIONS (CONTINUED)

Miscellaneous and Technical Assumptions

<i>Marriage Assumption:</i>	85% of males and 55% of females are assumed to be married for purposes of death-in-service benefits and death-after-retirement benefits. Males are assumed to be 3 years older than their spouses. Actual reported data is utilized for retirees and beneficiaries.
<i>Pay Increase Timing:</i>	Assumed to occur at the start of the fiscal year.
<i>Pay Annualization:</i>	Reported pays for members with less than 1 year of service were annualized for valuation purposes.
<i>Decrement Timing:</i>	Decrements of all types are assumed to occur mid-year.
<i>Eligibility Testing:</i>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year at the start of the year in which the decrement is assumed to occur.
<i>Benefit Service:</i>	Service calculated to the nearest month, as of the decrement date, is used to determine the amount of benefit payable.
<i>Other:</i>	Turnover decrement does not operate during retirement eligibility.
<i>Interest on Member Contributions:</i>	None assumed.
<i>Form of Payment:</i>	The assumed normal form of payment is a 50% joint and survivor annuity, if married. Otherwise, a single life annuity.
<i>Administrative Expense:</i>	0.40% of payroll each year. Administrative expenses beyond this allocation and all investment expenses are assumed to be funded by investment return in excess of the actuarial assumed rate of return.
<i>Cost of Living Adjustment:</i>	It was assumed the Retirement Board will grant, on average, a 2.5% cost of living adjustment each year.



APPENDIX D – GLOSSARY OF TERMS

Actuarial Accrued Liability	The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as "accrued liability" or "actuarial liability."
Actuarial Assumptions	Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long term average rate of inflation.
Accrued Service	Service credited under the system which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement system benefit between future normal cost and actuarial accrued liability. Sometimes referred to as the "actuarial funding method."
Experience Gain (Loss)	The difference between actual experience and actuarial assumptions anticipated experience during the period between two actuarial valuation dates.
Actuarial Present Value	The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
Amortization	Paying off an interest-discounted amount with periodic payments of interest and principal, as opposed to paying off with lump sum payment.
Normal Cost	The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method.
Unfunded Actuarial Accrued Liability	<p>The difference between actuarial accrued liability and the valuation assets.</p> <p>Most retirement systems have an unfunded actuarial accrued liability. They arise each time new benefits are added and each time an actuarial loss is realized.</p> <p>The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability and the trend in its amount.</p>