

**City of Kansas City,
Missouri Employees'
Retirement System**

**Actuarial Valuation
as of May 1, 2007**

Produced by [Cheiron](#)

August 2007

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August 15, 2007

Board of Pension Trustees
 City of Kansas City, Missouri Employees' Retirement System
 12th Floor, City Hall
 414 East 12th Street
 Kansas City, MO 64106

Dear Members of the Board:

At your request, we have conducted an actuarial valuation of the City of Kansas City, Missouri Employees' Retirement System (KC-ERS) as of May 1, 2007. The results of this valuation are based on the same actuarial assumptions used in the May 1, 2006 valuation, and are organized in this report as follows:

- In Section I, the **Board Summary** we describe the purpose of an actuarial valuation and summarize the key results found in this valuation;
- The **Main Body** of the report presents details on the System's:
 - Section II - Assets
 - Section III - Liabilities
 - Section IV- Contributions
 - Section V- Required Accounting Disclosures (GASB)
- In the **Appendices** we conclude our report with detailed information describing system membership (Appendix A), actuarial assumptions and methods employed (Appendix B), and a summary of pertinent plan provisions (Appendix C).

The results of this report rely on future plan experience conforming to the underlying assumptions. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

In preparing our report, we relied without audit, on information supplied by KC-ERS' staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. In addition, we certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice as set out by the Actuarial Standards Board.

Finally, as a Member of the American Academy of Actuaries, I, Gene Kalwarski, certify that I meet the Qualification Standards to render the opinions contained herein.

Sincerely,
 Cheiron



Gene Kalwarski, FSA
 Consulting Actuary



Katie Dobbs, ASA
 Assistant Actuary

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION I BOARD SUMMARY

The primary purpose of the actuarial valuation and this report is to measure, describe and identify as of the valuation date:

- The financial condition of the Plan,
- Past and expected trends in the financial progress of the Plan,
- The City's contributions for Fiscal Year 2008, and
- Information required by the Governmental Accounting Standards Board (GASB).

In the balance of this Board Summary we present (A) the basis upon which this year's valuation was completed, (B) the key findings of this valuation including a summary of all key financial results, (C) an examination of the historical trends, and (D) the projected financial outlook for the System.

A. Valuation Basis

This valuation represents Cheiron's first valuation performed for KC-ERS. Before completing this valuation, it was necessary to recalculate the prior year's valuation performed by the prior actuary and be able to replicate those results within tolerable limits. Our recalculation produced costs and liabilities within 3.3% of the prior valuation results. This is well within the range of permitted tolerance required by the IRS (5%) for matching a prior actuary's valuation work in the private sector.

Our next step in performing the May 1, 2006 valuation was to evaluate the methods and assumptions used and benefits valued in the prior valuation. In making this evaluation we considered the following:

- Our independent assessment of the reasonableness of the actuarial assumptions and methods,
- Whether the methods and assumptions used would produce annual required contributions (ARC) meeting the parameters set forth by GASB Statement No. 25, and
- Whether the methods and assumptions are reasonable when compared to other similar large public sector retirement systems.

Our analyses of these factors lead us to conclude and recommend to the Board that this May 1, 2007 actuarial valuation be performed on the same basis as the May 1, 2006 valuation.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION I BOARD SUMMARY

B. Key Findings of this Valuation

The key results of the May 1, 2007 actuarial valuation are as follows:

- The actuarially determined City contribution rate decreased from 12.06% as of May 1, 2006 to 9.84% as of May 1, 2007. However, the actual rate that the City is scheduled to contribute for Fiscal Year 2008 will be 12.09%. This is based on a 12.03% contribution rate for General Employees, and a 19.5% contribution rate for Judges and Elected Officials.
- The ERS's unfunded actuarial liability decreased from \$55 million on May 1, 2006 to \$24 million on May 1, 2007.
- The ERS's funding ratio, the ratio of assets over liabilities increased from 93.1% to 97.1% as of May 1, 2007.
- The primary factors in the improvement in the plan's funded status was an overall experience gain of \$29 million.
 - During the year ended April 30, 2007, the Plan's assets earned 12.36% on a market value basis. The return on the actuarial asset value (i.e. incorporating asset smoothing) was 12.58% (as compared to 7.75% assumed). This resulted in an actuarial gain on investments of \$36 million.
 - On the liability side, the System experienced an actuarial loss of \$7 million. This loss would be attributable to assumptions made on pay increases and rates of mortality, retirement, disability and withdrawal.

Following is Table I-1 which summarizes all the key results of the valuation with respect to system membership, assets and liabilities, and contributions. The results are presented and compared for both the current and prior plan year.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION I
BOARD SUMMARY**

**TABLE I-1
City of Kansas City, Missouri Employees' Retirement System
Summary of Principal Plan Results**

Valuation as of:	May 1, 2006	May 1, 2007	% Change
<u>Participant Counts</u>			
Active Participants	3,427	3,573	4.26%
Disabled Participants	17	16	(5.88%)
Retirees and Beneficiaries	1,902	1,906	0.21%
Terminated Vested Participants	53	70	32.08%
Inactive Participants	<u>247</u>	<u>126</u>	<u>(48.99%)</u>
Total	5,646	5,691	0.80%
Annual Salaries of Active Members	\$ 146,365,332	\$ 158,779,836	8.48%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 33,328,212	\$ 34,900,539	4.72%
<u>Assets and Liabilities</u>			
Actuarial Liability (AL)	\$ 800,839,808	\$ 847,393,167	5.81%
Actuarial Value of Assets	<u>745,720,993</u>	<u>823,014,181</u>	<u>10.36%</u>
Unfunded Actuarial Liability (UAL)	55,118,815	24,378,986	(55.77%)
Funded Ratio	93.1%	97.1%	
Present Value of Accrued Benefits (PVAB) ¹	N/A	\$ 728,093,852	N/A
Market Value of Assets	<u>828,578,881</u>	<u>914,460,201</u>	<u>10.36%</u>
Unfunded PVAB ¹	N/A	(186,366,349)	N/A
Accrued Benefit Funding Ratio ¹	N/A	125.6%	N/A
<u>Contributions as a Percentage of Payroll</u>			
	Fiscal Year 2007	Fiscal Year 2008	
Normal Cost Rate	8.90%	8.55%	
Unfunded Actuarial Liability Rate	<u>3.16%</u>	<u>1.29%</u>	
Total City Contribution Rate	12.06%	9.84%	

¹ PVAB is not available for the prior year.

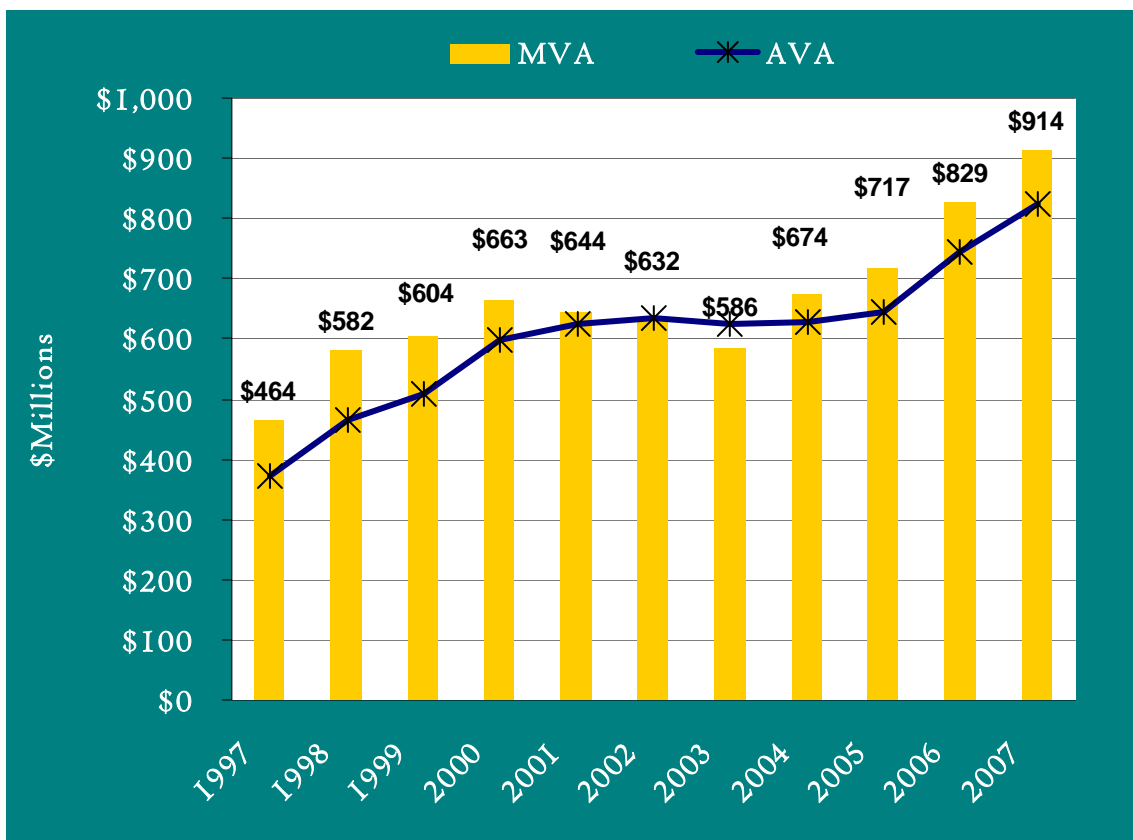
CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION I BOARD SUMMARY

C. Historical Trends

Despite the fact that for most retirement systems the greatest attention is given to the current valuation results and in particular the size of the current unfunded actuarial liability and the City's contribution, it is important to remember that each valuation is merely a snapshot in the long-term progress of a pension fund. It is more important to judge a current year's valuation result relative to historical trends, as well as trends expected into the future.

System Assets

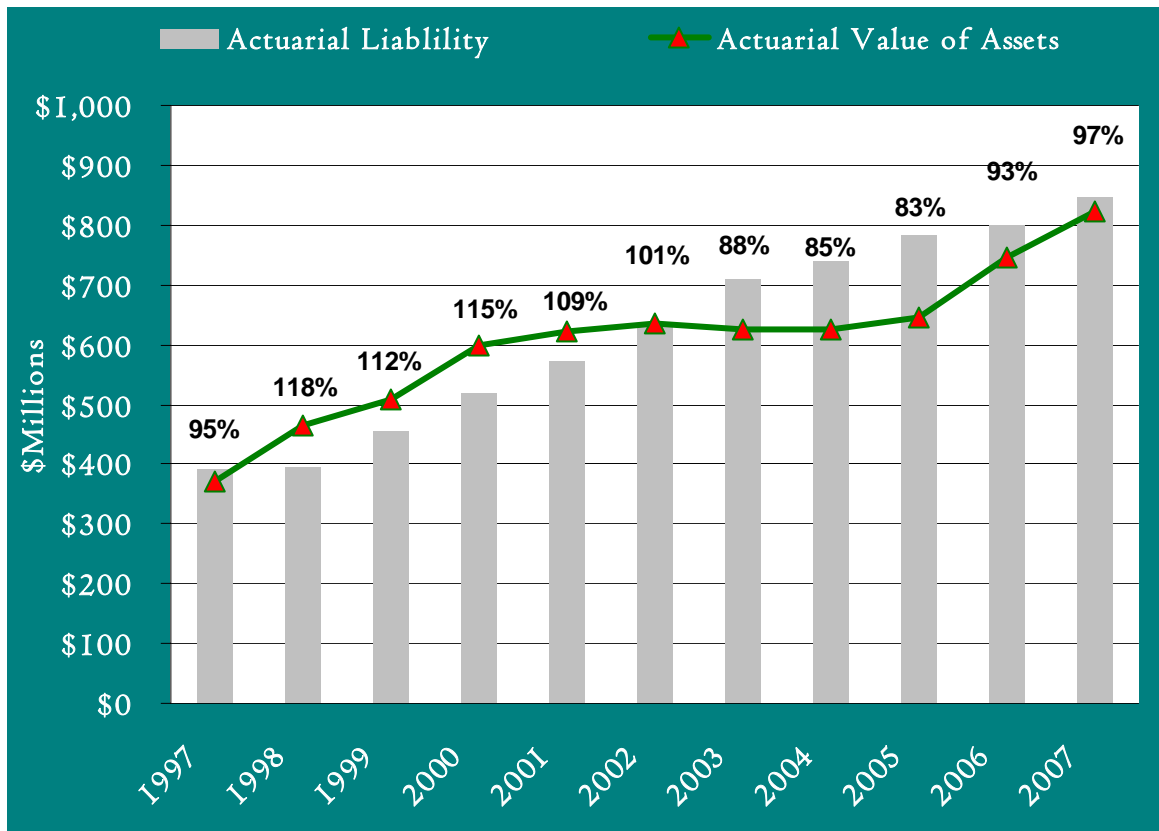


The market value of assets (MVA) continues to rebound since the market slide of 2000-2002. Due to the asset smoothing method in place, the actuarial value of assets has tracked a much smoother path through those volatile years. As can be seen in the graph, the actuarial value of assets (AVA) is greater than market value (MVA) during the down investment years and the reverse in strong investment periods.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION I BOARD SUMMARY

Assets and Liabilities



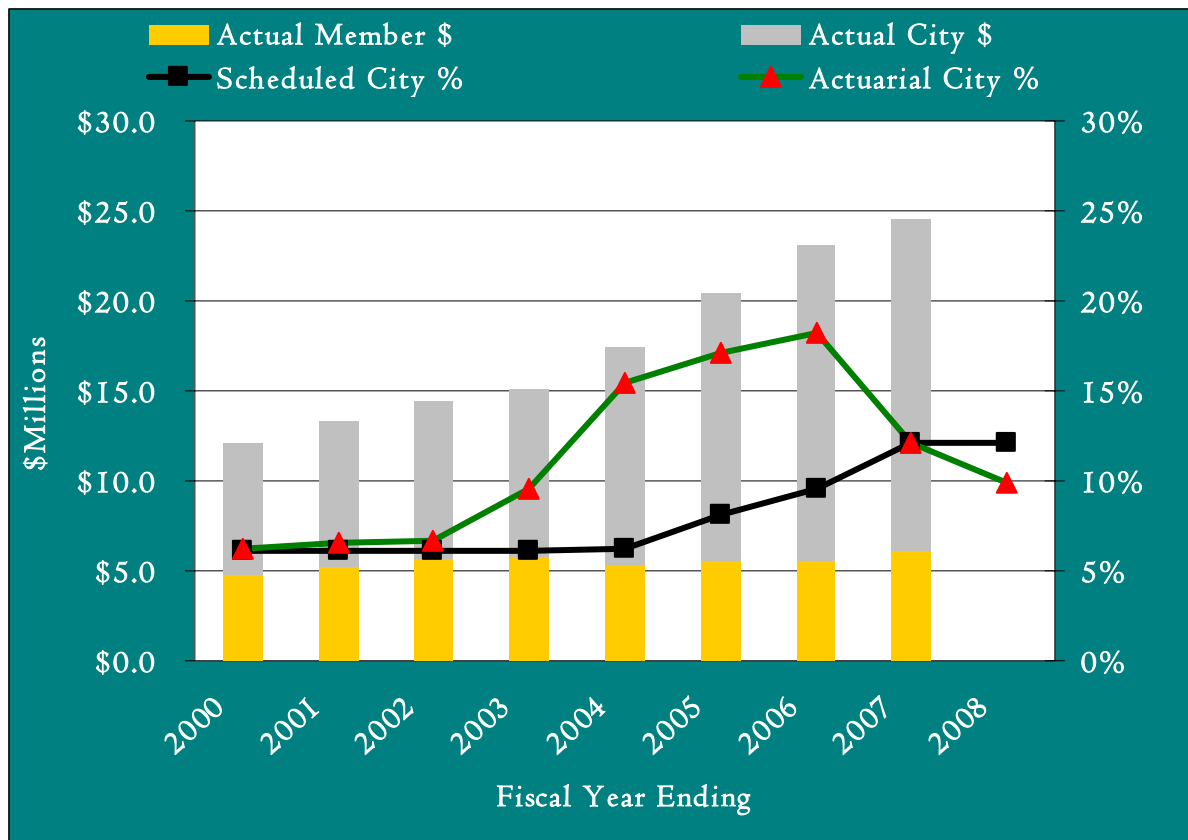
The above chart compares the actuarial value of assets to the actuarial liabilities as well as the funded ratio, sometimes referred to as the benefit security ratio. This chart shows that the Plan now has the highest funded ratio since 2002.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION I BOARD SUMMARY

Contribution Rates

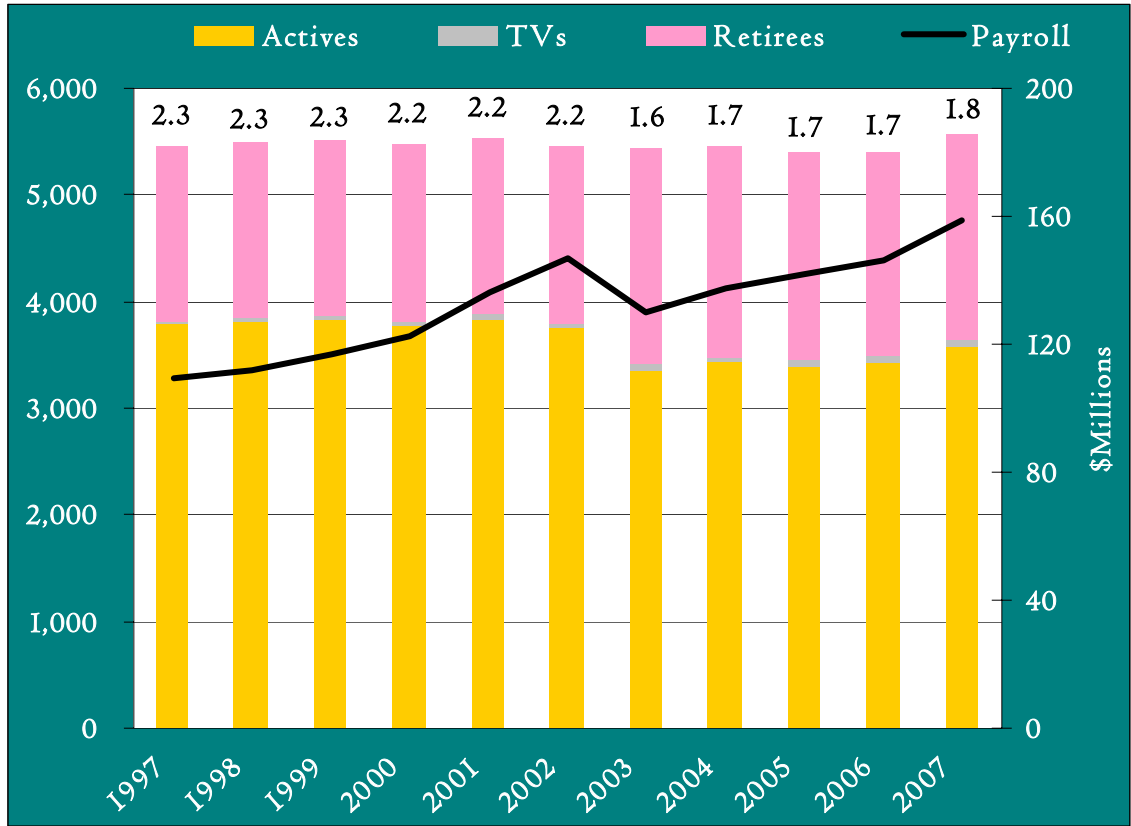
The stacked bars in this graph show the dollar amount of contributions made by the City and the members (depicted on the left hand scale) since Fiscal Year Ending 2000. The green line shows the City's actuarial contribution rate as a percent of payroll (depicted on the right hand scale). The black line shows the scheduled City contribution rate as a percent of payroll (depicted on the right hand scale). The member contribution rate is set by the City law at 4% of payroll. The City contribution rate is currently scheduled for General Employees to be 9.50% of payroll plus 2.53% of payroll for the retirement window offered in 2003, projected to be paid annually through April 30, 2013. The City contribution rate is currently scheduled for Judges and Elected Officials to be 19.50% of payroll.



CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION I
BOARD SUMMARY**

Participant Trends



The above chart provides a measure for the maturity in the plan, by comparing the ratio of active members to inactive members (retirees and terminated vesteds). As with many funds in this country, there has been a steady growth in the number of retired members as the Plan has matured. The active-to-inactive ratio has declined since 1997 from 2.3 actives supporting each inactive member to 1.8 actives supporting each inactive member today.

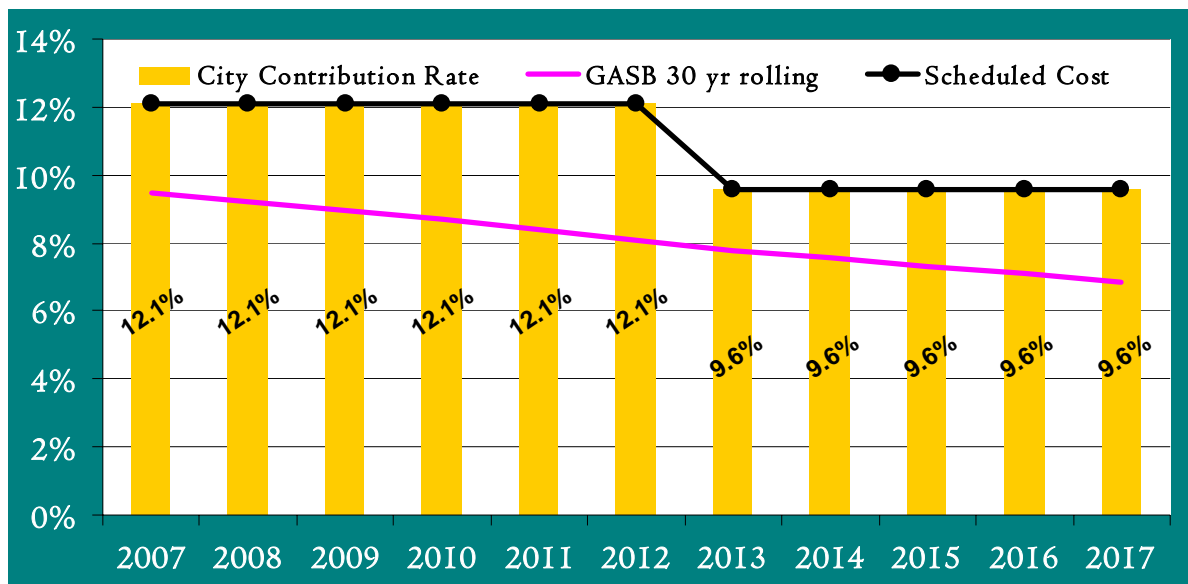
CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION I BOARD SUMMARY

D. Future Expected Financial Trends

The analysis of projected financial trends is perhaps the most important component of this valuation. In this Section, we present our assessment of the implications of the May 1, 2007 valuation results in terms of benefit security (assets over liabilities). As far as the City's scheduled cost progression, the employer's rate is projected, under each scenario, to be the same regardless of the investment return scenario.

Contribution Rate Projections:

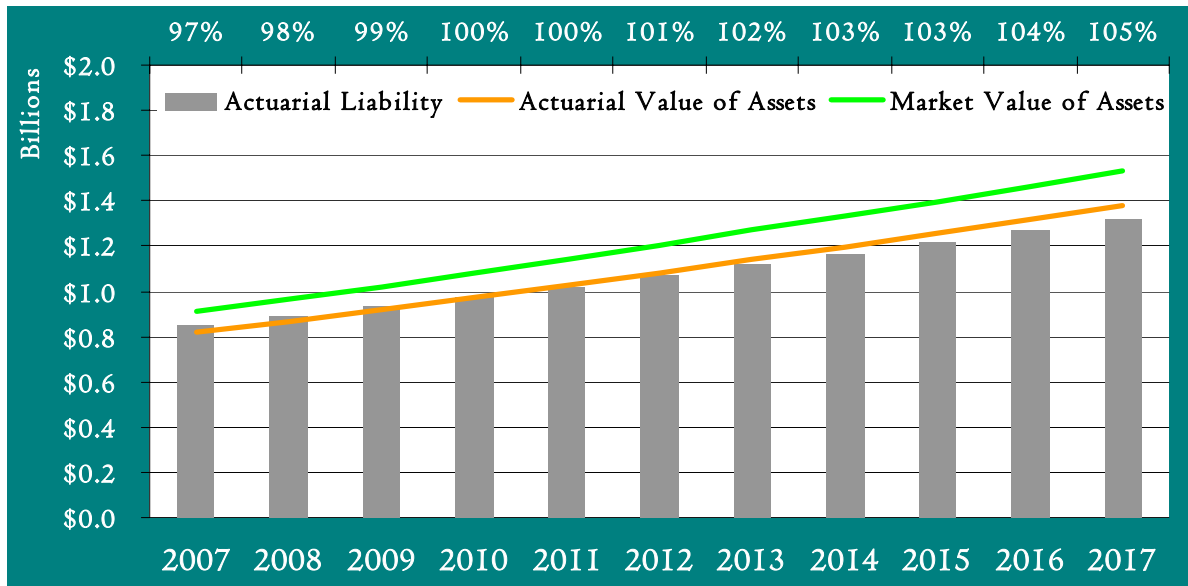


Our projections of assets to liabilities which follow are shown on three different bases, expected investment returns of 7.75%, the current assumed rate, returns of 9.25%, and returns of 6.25%.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

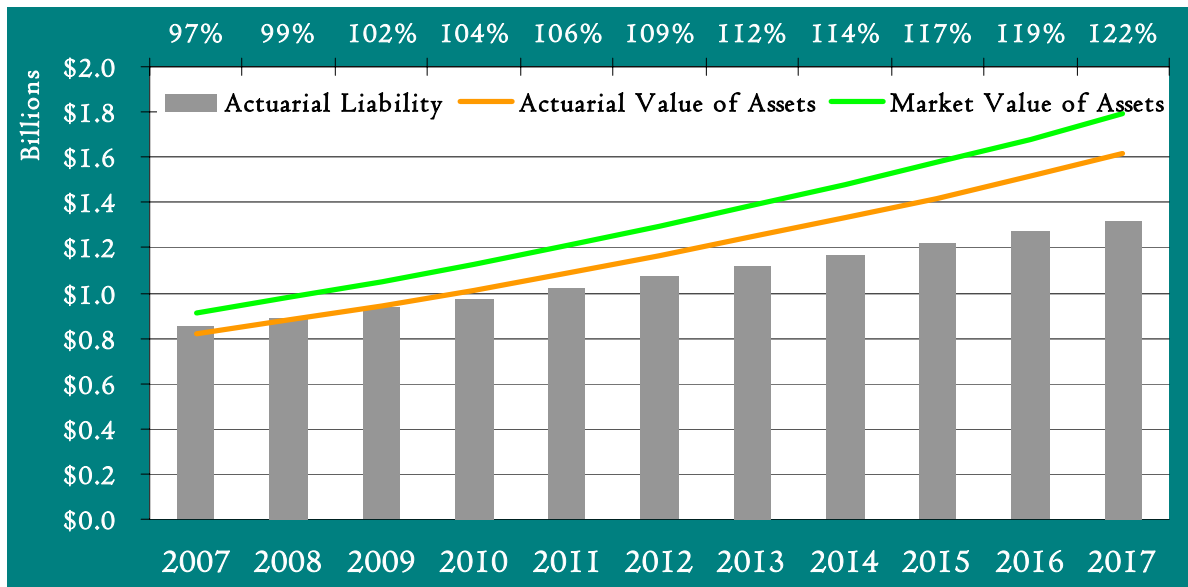
SECTION I BOARD SUMMARY

Asset and Liability Projections: Baseline 7.75% return



The graph above shows the projected funding status increasing well over 100% over the next 10 years.

Projections With Asset Returns of 9.25%

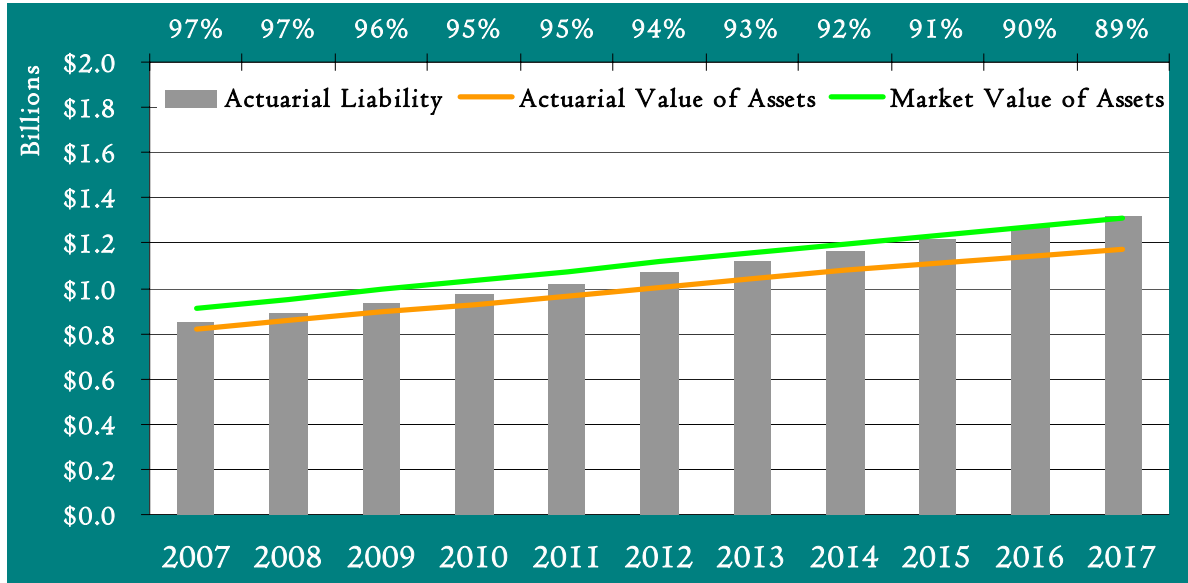


With superior returns of 9.25% each year, the Plan would reach 122% funding by 2017.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION I BOARD SUMMARY

Projections With Asset Returns of 6.25%



Despite earnings of only 6.25%, this projection shows a decrease in the Plan's funded status from the current 97% down to 89% by the end of the period. The key driver of these results is that the scheduled contributions being projected remain unchanged regardless of the investment scenario.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION II ASSETS

Pension Plan assets play a key role in the financial operation of the Plan and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact upon benefit levels, City contributions, and the ultimate security of participants' benefits.

In this section, we present detailed information on Plan assets including:

- **Disclosure** of Plan assets as of May 1, 2006 and May 1, 2007;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**;
- An assessment of **investment performance**; and
- A projection of the Plan's expected **cashflows** for the next ten years.

Disclosure

There are two types of asset values disclosed in this valuation, the market value of assets and the actuarial value of assets. The market value represents a "snap-shot" or "cash-out" value which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. As a result, market values are usually not as suitable for long-range planning as are the actuarial value of assets which reflect smoothing of annual investment returns.

Table II-1 below discloses and compares each asset value as of May 1, 2006 and 2007.

Assets	2006	2007
Cash	\$ 36,449,360	\$ 47,650,873
Stock and Collective Trusts	838,582,960	922,227,290
Accounts Receivable	16,981,437	22,292,594
Interest and Dividends	1,148,743	1,153,704
Contributions Received	733,059	847,650
Expenses	(1,080,803)	(748,502)
Purchase of Investments	<u>(64,235,875)</u>	<u>(78,963,408)</u>
Market Value of Assets	\$ 828,578,881	\$ 914,460,201

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION II
ASSETS**

Changes in Market Value

Table II-2 below shows the components of change between the market value of assets on May 1, 2006 and May 1, 2007.

TABLE II-2	
Changes in Market Values	
Value of Assets – May 1, 2006	\$ 828,578,881
<u>Additions</u>	
Member Contributions	6,080,638
Employer Contributions	18,496,476
Interest and Dividends	13,638,271
Investment Return	<u>92,049,182</u>
Total Additions	130,264,567
<u>Deductions</u>	
Benefit Payments	(40,137,638)
Expenses	<u>(4,245,609)</u>
Total Deductions	(44,383,247)
Value of Assets – May 1, 2007	\$ 914,460,201

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION II
ASSETS**

Actuarial Value of Assets

The next table, Table II-3 shows how the actuarial value of assets are developed.

Asset values are gradually adjusted toward market value by adding 20% of the difference between the market value and the preliminary asset value to the "preliminary asset value". The preliminary asset value is the actuarial asset value at the beginning of the year plus net new money. Net new money is the sum of contributions, dividends and interest, less the sum of refunds, expenses and benefit payments. If the actuarial value of assets is less than 90% or more than 110% of the market value, an adjustment is made to the actuarial value to bring the value within this 10% corridor.

TABLE II-3 Development of Actuarial Value of Assets	
1. Actuarial Value of Assets at April 30, 2006	\$ 745,720,993
2. Contributions	24,577,114
3. Benefit Payments and Expenses	(44,383,247)
4. Interest and dividends	13,638,271
5. Preliminary Actuarial Value of Assets at April 30, 2007 = (1) + (2) + (3) + (4)	739,553,131
6. Actual Market Value of Assets at April 30, 2007	914,460,201
7. Excess of (6) over (5)	174,907,070
8. Adjustment toward market value: 20% of (7)	34,981,414
9. Adjustment to be within 10% corridor	48,479,636
10. Actuarial Value of Assets at April 30, 2007 = (5) + (8) + (9)	\$ 823,014,181

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION II ASSETS

Investment Performance

The market value of assets (MVA) returned 12.36% during 2007, which is greater than the assumed 7.75% return. A return of 12.58% was experienced on the actuarial value of assets (AVA).

Projection of Plan's Future Cash Flows

Year Beginning May 1,	Benefit Payments	Total Contributions*	Net Cash Flow
2007	\$ (44,088,355)	\$ 25,554,982	\$ (18,533,373)
2008	(45,345,041)	26,577,181	(18,767,860)
2009	(47,916,674)	27,640,268	(20,276,406)
2010	(50,532,028)	28,745,879	(21,786,149)
2011	(53,184,133)	29,895,714	(23,288,419)
2012	(56,236,028)	31,091,543	(25,144,485)
2013	(59,611,580)	27,447,752	(32,163,828)
2014	(63,376,313)	28,545,662	(34,830,651)
2015	(66,831,893)	29,687,488	(37,144,405)
2016	(70,943,825)	30,874,988	(40,068,837)

* Expected contributions include City Contributions and Member Contributions. For illustration purposes, we have assumed the City Contribution rate will remain based on the scheduled contribution rates and that payroll will increase at the actuarially assumed rate of 4.00% per year.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION III LIABILITIES

In this section, we present detailed information on Plan liabilities including:

- **Disclosure** of Plan liabilities as of May 1, 2006 and May 1, 2007, and
- Statement of **changes** in these liabilities during the year.

Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Present Value of All Future Benefits:** Used for measuring all future System obligations, represents the amount of money needed today to fully pay off all benefits of the System both earned as of the valuation date and those to be earned in the future by current plan participants, under the current Plan provisions.
- **Actuarial Liability:** Used for funding calculations and GASB disclosures, this liability is calculated taking the Present Value of Benefits and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal** funding method.
- **Present Value of Accrued Benefits:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the Plan, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the Plan can meet its current benefit commitments.

Table III-1, which follows, discloses each of these liabilities for the current and prior valuations. With respect to each disclosure, a subtraction of the appropriate value of Plan assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION III
LIABILITIES**

TABLE III-1		
Liabilities/Net (Surplus)/Unfunded		
	May 1, 2006	May 1, 2007
<u>Present Value of Future Benefits</u>		
Active Participant Benefits	\$ 493,014,665	\$ 532,982,942
Retiree and Inactive Benefits	426,237,224	446,908,440
Present Value of Future Benefits (PVB)	\$ 919,251,889	\$ 979,891,382
<u>Actuarial Liability</u>		
Present Value of Future Benefits (PVB)	\$ 919,251,889	\$ 979,891,382
Present Value of Future Normal Costs (PVFNC)	118,412,081	132,498,215
Actuarial Liability (AL = PVB – PVFNC)	800,839,808	847,393,167
Actuarial Value of Assets (AVA)	745,720,993	823,014,181
Net (Surplus)/Unfunded (AL – AVA)	\$ 55,118,815	\$ 24,378,986
<u>Present Value of Accrued Benefits</u>¹		
Present Value of Future Benefits (PVB)	N/A	\$ 979,891,382
Present Value of Future Benefit Accruals (PVFBA)	N/A	251,797,530
Present Value of Accrued Benefits (PVAB=PVB–PVFBA)	N/A	728,093,852
Market Value of Assets (MVA)	828,578,881	914,460,201
Net Unfunded/(Surplus)	N/A	\$ (186,636,349)

¹ PVAB not available for the prior year.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION III LIABILITIES

Changes in Liabilities

Each of the Liabilities disclosed in the prior table are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- New hires since the last valuation
- Benefits accrued since the last valuation
- Plan amendments increasing benefits
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, or dying at rates different than expected
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all of the above, and also due to changes in Plan assets resulting from:

- Employer contributions different than expected
- Investment earnings different than expected
- A change in the method used to measure plan assets

In each valuation, we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the Plan. Below we present key changes in liabilities since the last valuation.

In the table that follows, we show the components of change in the actuarial liability between May 1, 2006 and May 1, 2007.

	Actuarial Liability
Liabilities May 1, 2006	\$ 800,839,808
Liabilities May 1, 2007	847,393,167
Liability Increase (Decrease)	46,553,359
Change Due to:	
Plan Amendments	0
Actuarial (Gain)/Loss	6,602,002
Benefits Accumulated and Other Sources	39,951,357

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION IV CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that are both stable and predictable.

For this Plan, the funding method employed is the **Entry Age Actuarial Cost Method**. Under this method, there are two primary components to the total contribution: the **normal cost rate** (employee and employer) and the **unfunded actuarial liability rate** (UAL rate). The normal cost rate is determined in the following steps. First, for a typical new entrant an individual normal cost rate is determined by taking the value, as of entry age into the plan, of that member's projected future benefits. This value is then divided by the value, also at entry age, of the member's expected future salary. Finally, the total normal cost rate is reduced by the member contribution rate to produce the employer normal cost rate.

The unfunded actuarial liability is amortized over an open 30-year period as a level dollar amount, recognizing monthly payments.

Table IV-1 below presents and compares the employer contribution rates for the Plan for this valuation and the prior one.

TABLE IV-1		
Employer Contribution Rate		
	May 1, 2006	May 1, 2007
Entry Age Normal Cost Rate	8.90%	8.55%
Amortization Payment	<u>3.16%</u>	<u>1.29%</u>
Actuarially Determined Contribution	12.06%	9.84%

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION IV
CONTRIBUTIONS**

Table IV-2 below presents the May 1, 2007 employer contribution rates and dollar amounts for the Plan split between the General Employees and the Judges and Elected Officials. The employer contribution rate is based on a 30-year amortization of the unfunded actuarial liability as specified in the law governing the System. The employer contribution rates are then compared to what the City is expected to contribute for the current plan year. The scheduled City contribution is 9.5%, plus an additional 2.53% for the retirement window offered in 2003, of anticipated payroll for General Employees and 19.5% of anticipated payroll for Judges and Elected Officials.

**TABLE IV-2
Development of Plan Contribution Rate
as of May 1, 2007**

	General Employees	Judges and Elected Officials	Total
1. Normal Cost (monthly):			
a. Total Normal Cost	12.47%	23.64%	12.55%
b. Expected Members Contribution	<u>4.00%</u>	<u>4.00%</u>	<u>4.00%</u>
c. Employer Paid Normal Cost (a) – (b)	8.47%	19.64%	8.55%
2. Amortization of Unfunded Liability			
a. Actuarial Liability	\$ 838,278,639	\$ 9,114,528	\$ 847,393,167
b. Actuarial Value of Assets	<u>814,161,872</u>	<u>8,852,309</u>	<u>823,014,181</u>
c. Unfunded Liability (a) – (b)	\$ 24,116,767	\$ 262,219	\$ 24,378,986
d. Amortization of Unfunded Liability	1.28%	1.60%	1.29%
3. Actuarially Computed Employer Contribution Rate (1) + (2d)	9.75%	21.24%	9.84%
4. Scheduled City Contributions ¹	12.03%	19.50%	12.09%

¹ General Employees are scheduled to contribute 9.50% of payroll, plus an additional 2.53% of payroll through April 30, 2013 for the early retirement window. Judges and Elected Officials contribute 19.50% of payroll.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

SECTION V ACCOUNTING STATEMENT INFORMATION

Statement No. 35 of the Financial Accounting Standards Board requires the Plan to disclose certain information regarding its funded status. Statement No. 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial Statements and supplementary information.

The FASB-35 disclosures provide a quasi “snap shot” view of how the Plan’s assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the Plan were to terminate.

The GASB-25 actuarial liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB-35) and the actuarial liability (GASB-25) are determined assuming that the Plan is on-going and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 7.75% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of May 1, 2007 are exhibited in Table V-1. Finally, Table V-2 reconciles the FASB-35 liabilities determined as of the prior valuation, May 1, 2006, to the liabilities as of May 1, 2007.

Tables V-3 through V-5 are exhibits to be used with the City CAFR report. Table V-3 is the Note to Required Supplementary Information, Table V-4 is a history of gains and losses in Actuarial Liability, and Table V-5 is the Solvency Test which shows the portion of Actuarial Liability covered by Assets.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-1		
Accounting Statement Information		
	May 1, 2006	May 1, 2007
A. FASB No. 35 Basis		
1. Present Value of Benefits Accrued and Vested to Date ¹		
a. Members Currently Receiving Payments	N/A	\$ 438,527,834
b. Former Vested Members	N/A	8,380,606
c. Active Members	<u>N/A</u>	<u>281,185,412</u>
2. Total Present Value of Accrued Benefits (1 (a) + 1(b) + 1(c))	N/A	\$ 728,093,852
3. Assets at Market Value	<u>828,578,881</u>	<u>914,460,201</u>
4. Unfunded Present Value of Accrued Benefits (2 – 3)	N/A	\$ (186,366,349)
5. Ratio of Assets to Present Value of Benefits (3 / 2)	N/A	125.6%
B. GASB No. 25 Basis		
1. Actuarial Liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 426,237,224	\$ 446,908,440
2. Actuarial Liabilities for current employees	<u>374,602,584</u>	<u>400,484,727</u>
3. Total Actuarial Liability (1 + 2)	\$ 800,839,808	\$ 847,393,167
4. Net Actuarial Assets available for benefits	<u>745,720,993</u>	<u>823,014,181</u>
5. Unfunded Actuarial Liability (3 – 4)	\$ 55,118,815	\$ 24,378,986

¹ PVAB is not available for prior year.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-2 Statement of Changes in Total Actuarial Present Value of All Accrued Benefits		Accumulated Benefit Obligation (FASB 35)
Actuarial Present Value of Accrued Benefits at April 30, 2006 ¹		N/A
Increase (Decrease) During Years Attributable to:		
Passage of Time		N/A
Benefit Paid – FY 2007		(39,807,632)
Benefits Accrued, Other Gains/Losses		<u>24,851,481</u>
Net Increase (Decrease)		N/A
Actuarial Present Value of Accrued Benefits at April 30, 2007	\$	728,093,852

¹ 2006 PVAB information is not available

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

**Table V-3
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	May 1, 2007
Actuarial cost method	Entry age
Amortization method	Open 30-year amortization, level dollar
Remaining amortization period	30 years
Asset valuation method	5-Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Cost-of-living adjustments	3.0% simple

The actuarial assumptions used have been recommended by the actuary and adopted by the Plan's Board of Trustees.

The rate of employer contributions to the Plan is composed of the normal cost, amortization of the unfunded actuarial liability and an allowance for administrative expenses. The normal cost is a level percent of payroll cost which, along with member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability. The allowance for administrative expenses is based upon the Plan's actual administrative expenses.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

**Table V-4
ANALYSIS OF FINANCIAL EXPERIENCE**

**Gain and Loss in Actuarial Liability During Years Ended April 30
Resulting from Differences Between Assumed Experience and Actual Experience**
*Gain (or Loss) for Year ending April 30,
(expressed in thousands)*

Type of Activity	2005	2006	2007
Investment Income on Actuarial Assets	\$ (11,759)	\$ 66,735	\$ 35,814
Combined Liability Experience	<u>(3,803)</u>	<u>20,987</u>	<u>(6,602)</u>
Composite Gain (or Loss) During Year	\$ <u>(15,562)</u>	\$ <u>87,722</u>	\$ <u>29,212</u>

**Table V-5
SOLVENCY TEST
Aggregate Actuarial Liabilities for
(expressed in thousands)**

Valuation Date April 30	Active Member Contributions	Retirants & Beneficiaries	Active Member Employer Financed Contributions	Actuarial Value of Reported Assets	Portion of Actuarial Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
2007	73,078	446,908	327,407	823,014	100%	100%	93%

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX A
MEMBERSHIP INFORMATION**

Kansas City Employees' Retirement System			
Active Member Data			
	April 30, 2007	April 30, 2006	% Change
<u>Total</u>			
Count	3,573	3,427	4.3%
Average Current Age	45.0	44.8	0.5%
Average Service	9.7	9.7	-0.1%
Average Valuation Pay	\$ 44,439	\$ 42,710	4.0%
Annual Compensation	\$ 158,779,836	\$ 146,365,332	8.5%
<u>General</u>			
Count	3,556	3,409	4.3%
Average Current Age	45.0	44.7	0.6%
Average Service	9.7	9.7	-0.1%
Average Valuation Pay	\$ 44,265	\$ 42,493	4.2%
Annual Compensation	\$ 157,406,688	\$ 144,857,256	8.7%
<u>Judges</u>			
Count	5	7	-28.6%
Average Current Age	54.9	56.9	-3.6%
Average Service	9.6	12.3	-22.0%
Average Valuation Pay	\$ 136,524	\$ 128,688	6.1%
Annual Compensation	\$ 682,620	\$ 900,816	-24.2%
<u>Elected Officials</u>			
Count	12	11	9.1%
Average Current Age	57.4	53.8	6.7%
Average Service	6.0	5.3	13.6%
Average Valuation Pay	\$ 57,544	\$ 55,205	4.2%
Annual Compensation	\$ 690,528	\$ 607,260	13.7%

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX A
MEMBERSHIP INFORMATION**

**Kansas City Employees' Retirement System Distribution of
Active Members by Age and Service as of May 1, 2007**

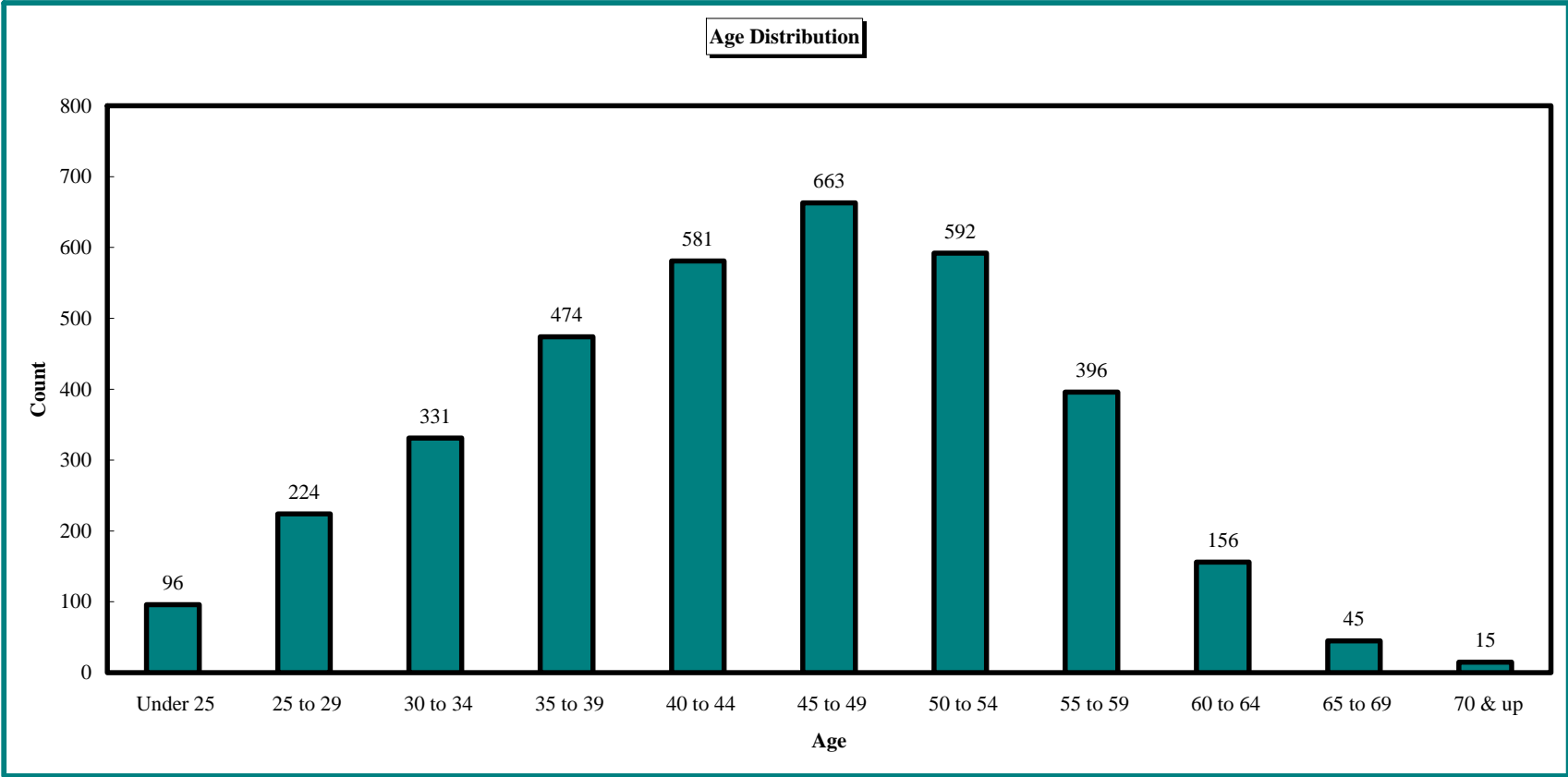
COUNTS BY AGE/SERVICE

Age	Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	51	44	1	0	0	0	0	0	0	0	0	96
25 to 29	63	113	46	2	0	0	0	0	0	0	0	224
30 to 34	58	137	112	24	0	0	0	0	0	0	0	331
35 to 39	50	130	176	91	26	1	0	0	0	0	0	474
40 to 44	50	118	172	139	71	25	6	0	0	0	0	581
45 to 49	56	121	141	124	94	66	60	1	0	0	0	663
50 to 54	30	112	110	93	69	70	91	14	3	0	0	592
55 to 59	15	72	91	70	61	38	27	20	2	0	0	396
60 to 64	1	23	40	33	27	17	8	3	4	0	0	156
65 to 69	1	7	13	9	7	2	1	2	1	2	2	45
70 & up	0	3	7	5	0	0	0	0	0	0	0	15
Total	375	880	909	590	355	219	193	40	10	2	2	3,573

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX A
MEMBERSHIP INFORMATION

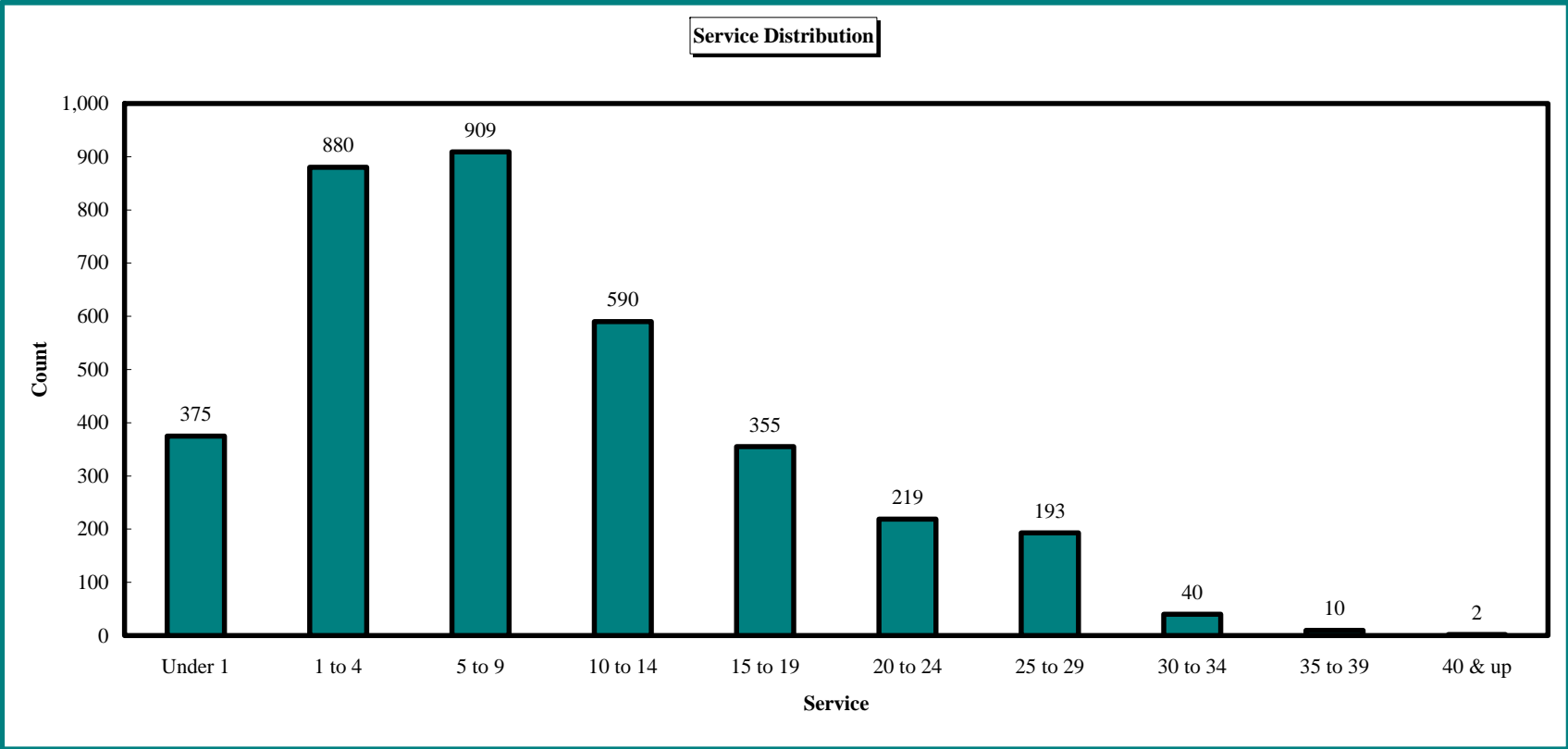
Kansas City Employees' Retirement System Distribution of
Active Members by Age as of May 1, 2007



CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX A
MEMBERSHIP INFORMATION

Kansas City Employees' Retirement System Distribution of
Active Members by Service as of May 1, 2007



CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX A
MEMBERSHIP INFORMATION**

**Kansas City Employees' Retirement System Distribution of
Active Members by Age and Service as of May 1, 2007**

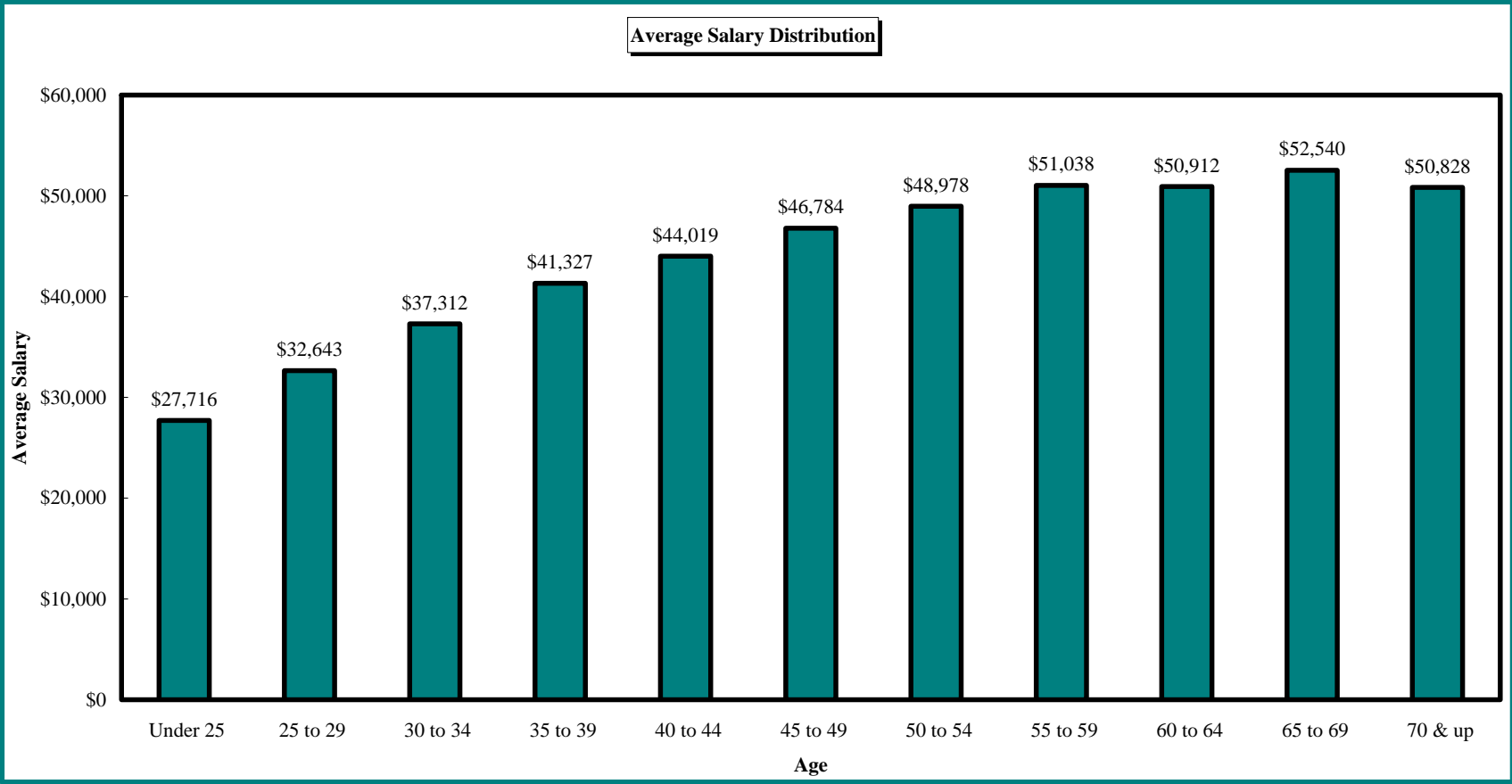
AVERAGE SALARY BY AGE/SERVICE

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	\$27,235	\$28,280	\$27,468	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,716
25 to 29	\$33,162	\$31,590	\$34,171	\$40,698	\$0	\$0	\$0	\$0	\$0	\$0	\$32,643
30 to 34	\$33,179	\$37,443	\$37,527	\$45,549	\$0	\$0	\$0	\$0	\$0	\$0	\$37,312
35 to 39	\$35,157	\$36,649	\$40,966	\$48,862	\$51,962	\$59,316	\$0	\$0	\$0	\$0	\$41,327
40 to 44	\$32,576	\$35,923	\$42,945	\$49,203	\$51,868	\$58,474	\$56,180	\$0	\$0	\$0	\$44,019
45 to 49	\$38,586	\$41,657	\$40,053	\$47,664	\$53,927	\$58,157	\$54,814	\$62,556	\$0	\$0	\$46,784
50 to 54	\$36,000	\$42,659	\$45,331	\$49,716	\$52,652	\$57,255	\$55,233	\$52,538	\$41,508	\$0	\$48,978
55 to 59	\$44,301	\$45,240	\$48,031	\$49,499	\$53,488	\$56,148	\$58,682	\$68,275	\$53,658	\$0	\$51,038
60 to 64	\$39,300	\$41,097	\$40,764	\$48,819	\$59,225	\$65,515	\$74,148	\$61,648	\$56,289	\$0	\$50,912
65 to 69	\$75,000	\$45,300	\$44,878	\$54,148	\$52,689	\$70,608	\$39,588	\$45,858	\$42,516	\$108,786	\$52,540
70 & up	\$0	\$54,912	\$46,059	\$55,054	\$0	\$0	\$0	\$0	\$0	\$0	\$50,828
Total	\$34,157	\$38,011	\$41,738	\$48,869	\$53,427	\$58,246	\$56,318	\$61,006	\$49,951	\$108,786	\$44,439

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX A
MEMBERSHIP INFORMATION

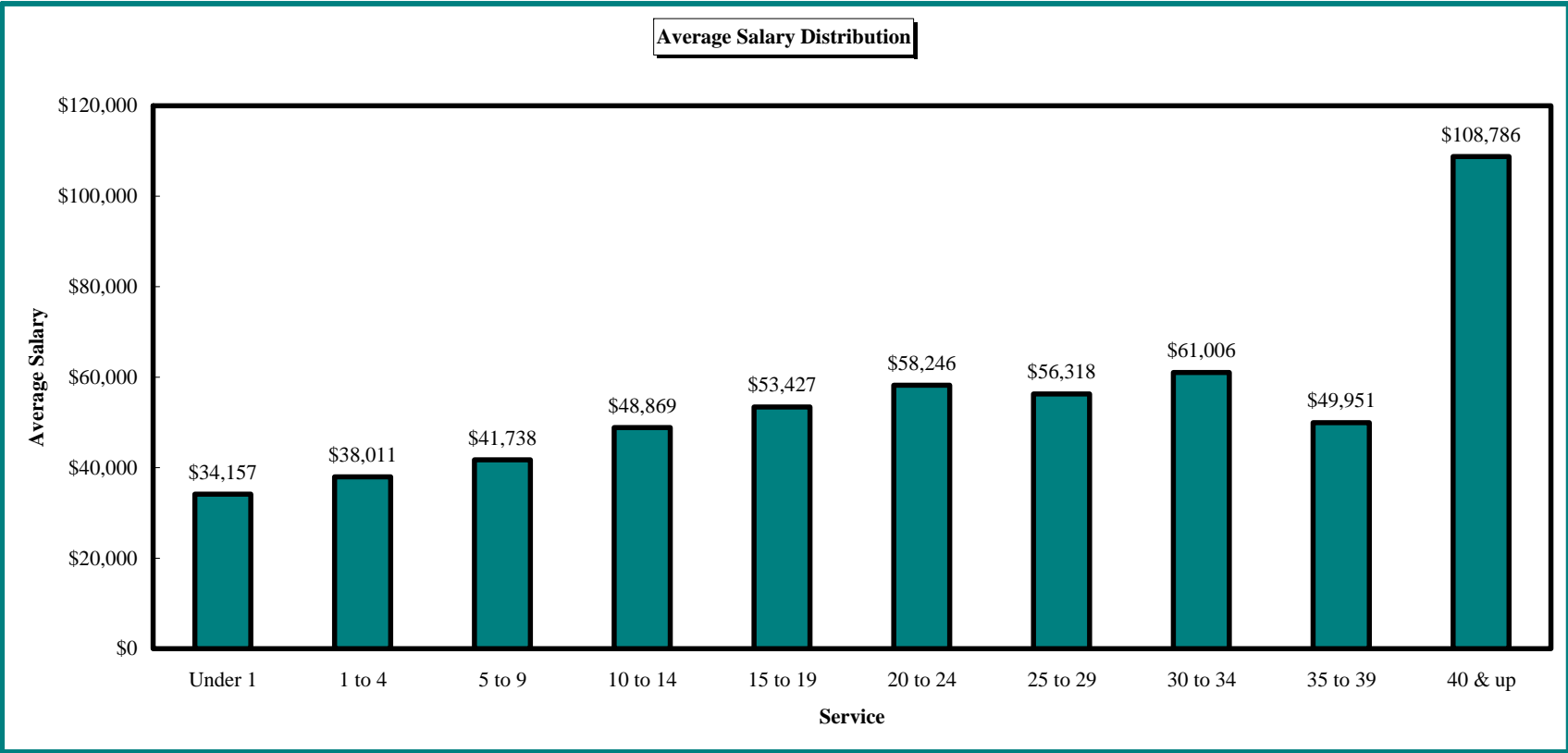
Kansas City Employees' Retirement System Distribution of
Active Members by Age as of May 1, 2007



CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX A
MEMBERSHIP INFORMATION

**Kansas City Employees' Retirement System Distribution of
Active Members by Service as of May 1, 2007**



CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX A
MEMBERSHIP INFORMATION**

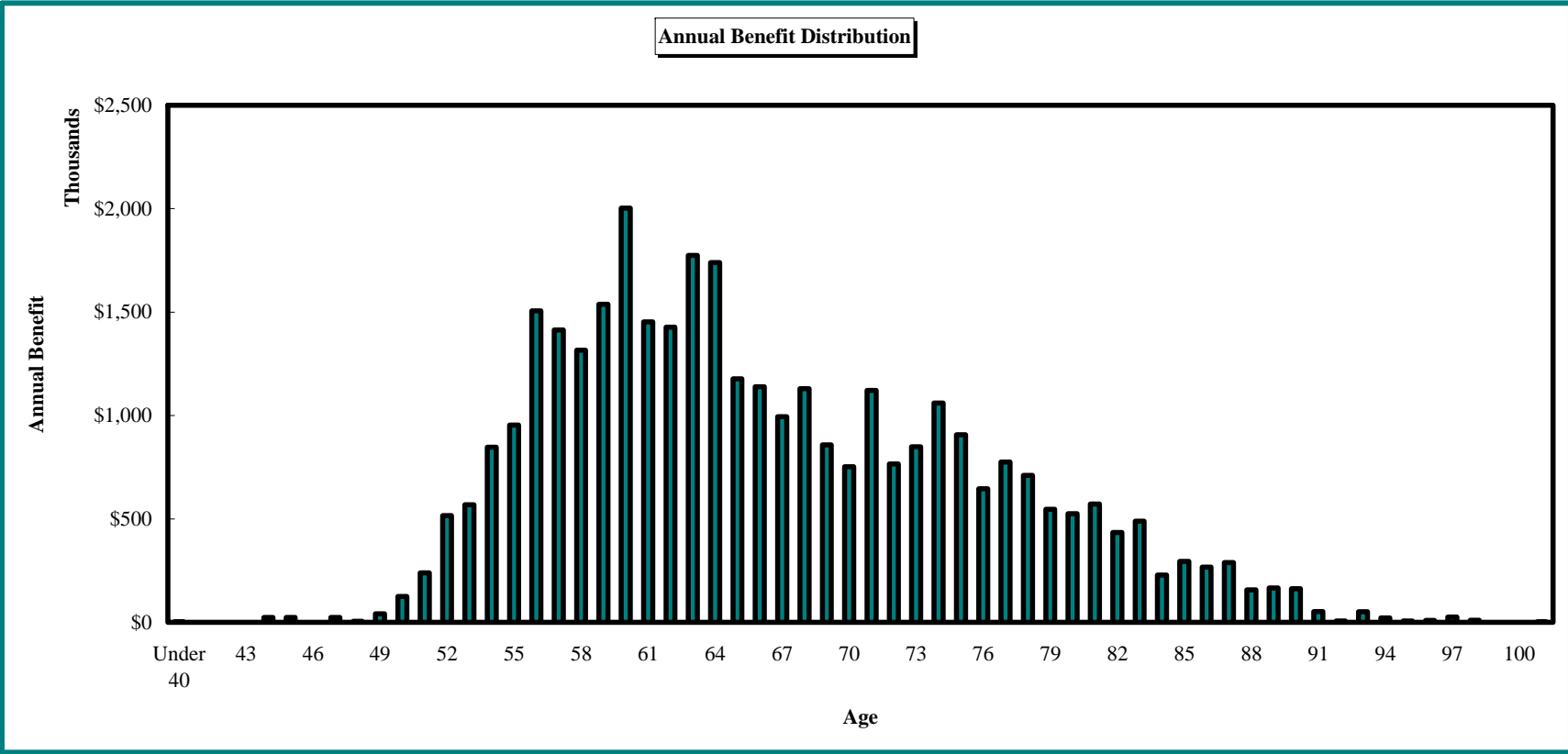
**Kansas City Employees' Retirement System Distribution of Retired
Members and Survivors as of May 1, 2007**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	\$0	73	62	\$848,300
25	0	\$0	74	65	\$1,060,538
26	0	\$0	75	59	\$907,209
27	0	\$0	76	56	\$646,119
28	0	\$0	77	62	\$774,895
29	0	\$0	78	52	\$710,629
30	0	\$0	79	45	\$546,565
31	0	\$0	80	49	\$524,729
32	0	\$0	81	51	\$571,898
33	0	\$0	82	48	\$434,492
34	0	\$0	83	46	\$489,040
35	0	\$0	84	25	\$228,616
36	0	\$0	85	43	\$294,995
37	0	\$0	86	31	\$267,303
38	0	\$0	87	31	\$289,067
39	1	\$2,905	88	27	\$156,874
40	0	\$0	89	21	\$166,257
41	0	\$0	90	19	\$162,675
42	0	\$0	91	9	\$52,437
43	0	\$0	92	3	\$5,750
44	2	\$23,445	93	8	\$51,518
45	1	\$23,044	94	5	\$21,642
46	0	\$0	95	1	\$5,643
47	2	\$23,708	96	2	\$9,475
48	1	\$4,889	97	5	\$25,575
49	3	\$40,566	98	3	\$10,470
50	4	\$124,489	99	0	\$0
51	9	\$239,909	100	0	\$0
52	15	\$516,276	101	1	\$2,502
53	19	\$568,283	102	0	\$0
54	28	\$846,392	103	0	\$0
55	34	\$954,132	104	0	\$0
56	47	\$1,505,682	105	0	\$0
57	52	\$1,413,484	106	0	\$0
58	44	\$1,315,727	107	0	\$0
59	51	\$1,537,449	108	0	\$0
60	72	\$2,002,575	109	0	\$0
61	51	\$1,452,606	110	0	\$0
62	62	\$1,426,626	111	0	\$0
63	74	\$1,773,831	112	0	\$0
64	74	\$1,739,714	113	0	\$0
65	58	\$1,177,342	114	0	\$0
66	55	\$1,139,928	115	0	\$0
67	54	\$994,273	116	0	\$0
68	63	\$1,130,692	117	0	\$0
69	51	\$857,955	118	0	\$0
70	45	\$752,411	119	0	\$0
71	56	\$1,121,388	120	0	\$0
72	49	\$765,368			
			Totals	1,906	\$34,740,302

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX A
MEMBERSHIP INFORMATION

Kansas City Employees' Retirement System Distribution of Retired
Members and Survivors as of May 1, 2007



CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX A
MEMBERSHIP INFORMATION**

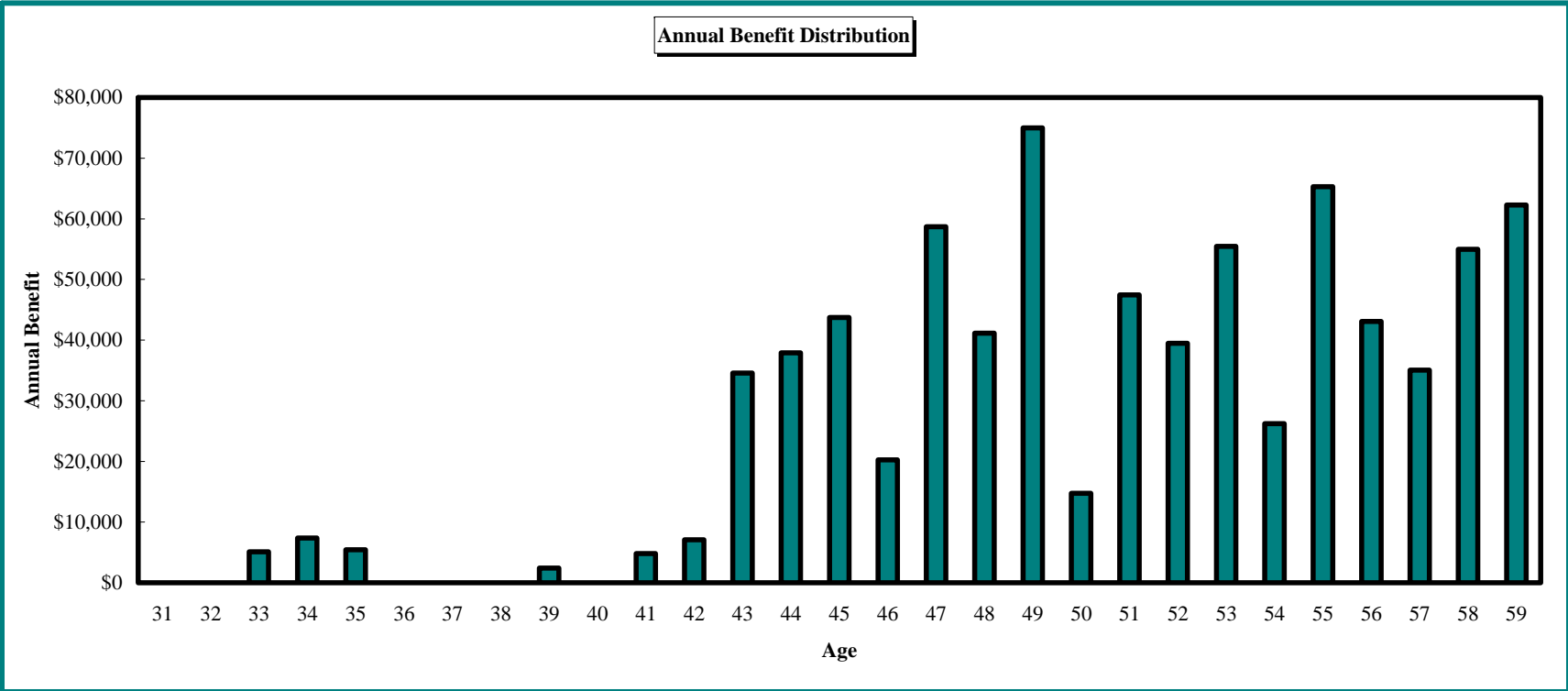
**Kansas City Employees' Retirement System Distribution of
Vested Members and Survivors as of May 1, 2007**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	\$0	73	0	\$0
25	0	\$0	74	0	\$0
26	0	\$0	75	0	\$0
27	0	\$0	76	0	\$0
28	0	\$0	77	0	\$0
29	0	\$0	78	0	\$0
30	0	\$0	79	0	\$0
31	0	\$0	80	0	\$0
32	0	\$0	81	0	\$0
33	1	\$5,096	82	0	\$0
34	1	\$7,371	83	0	\$0
35	1	\$5,449	84	0	\$0
36	0	\$0	85	0	\$0
37	0	\$0	86	0	\$0
38	0	\$0	87	0	\$0
39	1	\$2,414	88	0	\$0
40	0	\$0	89	0	\$0
41	1	\$4,810	90	0	\$0
42	1	\$7,065	91	0	\$0
43	3	\$34,555	92	0	\$0
44	4	\$37,924	93	0	\$0
45	4	\$43,748	94	0	\$0
46	3	\$20,254	95	0	\$0
47	5	\$58,688	96	0	\$0
48	4	\$41,156	97	0	\$0
49	6	\$74,978	98	0	\$0
50	2	\$14,763	99	0	\$0
51	3	\$47,477	100	0	\$0
52	3	\$39,464	101	0	\$0
53	4	\$55,456	102	0	\$0
54	3	\$26,241	103	0	\$0
55	4	\$65,287	104	0	\$0
56	5	\$43,054	105	0	\$0
57	2	\$35,041	106	0	\$0
58	5	\$54,978	107	0	\$0
59	4	\$62,286	108	0	\$0
60	0	\$0	109	0	\$0
61	0	\$0	110	0	\$0
62	0	\$0	111	0	\$0
63	0	\$0	112	0	\$0
64	0	\$0	113	0	\$0
65	0	\$0	114	0	\$0
66	0	\$0	115	0	\$0
67	0	\$0	116	0	\$0
68	0	\$0	117	0	\$0
69	0	\$0	118	0	\$0
70	0	\$0	119	0	\$0
71	0	\$0	120	0	\$0
72	0	\$0			
			Totals	70	\$787,553

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX A
MEMBERSHIP INFORMATION

Kansas City Employees' Retirement System Distribution of
Vested Members as of May 1, 2007



CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX A
MEMBERSHIP INFORMATION**

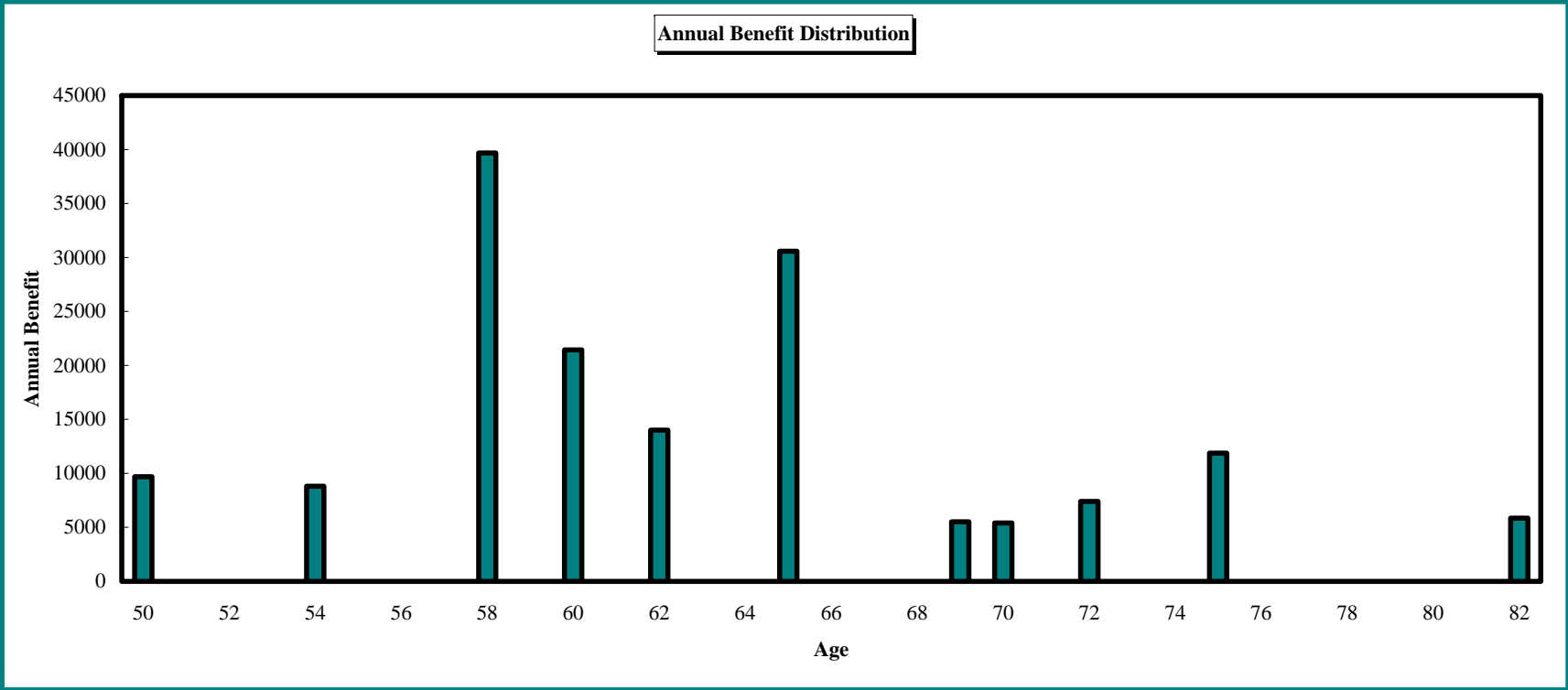
**Kansas City Employees' Retirement System Distribution of
Disabled Members and Survivors as of May 1, 2007**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	\$0	73	0	\$0
25	0	\$0	74	0	\$0
26	0	\$0	75	1	\$11,873
27	0	\$0	76	0	\$0
28	0	\$0	77	0	\$0
29	0	\$0	78	0	\$0
30	0	\$0	79	0	\$0
31	0	\$0	80	0	\$0
32	0	\$0	81	0	\$0
33	0	\$0	82	1	\$5,850
34	0	\$0	83	0	\$0
35	0	\$0	84	0	\$0
36	0	\$0	85	0	\$0
37	0	\$0	86	0	\$0
38	0	\$0	87	0	\$0
39	0	\$0	88	0	\$0
40	0	\$0	89	0	\$0
41	0	\$0	90	0	\$0
42	0	\$0	91	0	\$0
43	0	\$0	92	0	\$0
44	0	\$0	93	0	\$0
45	0	\$0	94	0	\$0
46	0	\$0	95	0	\$0
47	0	\$0	96	0	\$0
48	0	\$0	97	0	\$0
49	0	\$0	98	0	\$0
50	1	\$9,693	99	0	\$0
51	0	\$0	100	0	\$0
52	0	\$0	101	0	\$0
53	0	\$0	102	0	\$0
54	1	\$8,799	103	0	\$0
55	0	\$0	104	0	\$0
56	0	\$0	105	0	\$0
57	0	\$0	106	0	\$0
58	3	\$39,675	107	0	\$0
59	0	\$0	108	0	\$0
60	2	\$21,444	109	0	\$0
61	0	\$0	110	0	\$0
62	1	\$14,000	111	0	\$0
63	0	\$0	112	0	\$0
64	0	\$0	113	0	\$0
65	3	\$30,583	114	0	\$0
66	0	\$0	115	0	\$0
67	0	\$0	116	0	\$0
68	0	\$0	117	0	\$0
69	1	\$5,515	118	0	\$0
70	1	\$5,405	119	0	\$0
71	0	\$0	120	0	\$0
72	1	\$7,398			
			Totals	16	\$160,238

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX A
MEMBERSHIP INFORMATION

**Kansas City Employees' Retirement System Distribution of
Disabled Members as of May 1, 2007**



CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

A. Actuarial Assumptions and Actuarial Cost Method

1. Demographic Assumptions

a. Mortality Rates

Healthy: 1994 Group Annuity Mortality Table (sample rates shown below)

Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table

b. Termination Rates before Retirement

Age	Rate (%)			
	Mortality		Withdrawal*	
	Male	Female	General Employees**	Judges and Elected Officials
20	0.05%	0.03%	10.74%	5.71%
25	0.07%	0.03%	10.46%	5.14%
30	0.08%	0.04%	10.09%	3.89%
35	0.09%	0.05%	9.50%	2.47%
40	0.11%	0.07%	8.46%	1.18%
45	0.16%	0.10%	6.79%	0.28%
50	0.26%	0.14%	4.35%	--
55	0.44%	0.23%	1.55%	--
60	0.80%	0.44%	0.15%	--

*Withdrawal rates end upon first assumed retirement age.

**Select rates for first four years of service for General Employees:

Select Period	
Years of Service	Rate
0 – 1	20%
1 – 2	15%
2 – 3	12%
3 – 4	10%

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

c. Retirement Rates

Age	General Employees Age Plus Service Greater than or Equal to 80*	Other General Employees
Under 55	15%	0%
55	30%	0%
56	15%	0%
57	15%	0%
58	15%	0%
59	15%	0%
60	15%	0%
61	15%	0%
62	60%	100%
63	60%	100%
64	60%	100%
65	100%	100%

*50% of General Employees are assumed to retire at first age when age plus service equals 80.

Elected Officials	
Age	Percent
60	100%
Judges	
65	100%

d. Retirement Age for Inactive Vested Members

60

e. Unknown Data for Members

Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

f. Percent Married

80% for males and 70% for females in active status

g. Age of Spouse

Females 4 years younger than males.

h. Net Investment Return

7.75% per annum, net of investment fees and administrative expenses.

i. Salary Increases

General Employees	
Age	Rate (%)
Less than 25	6.00%
25 – 29	6.00
30 – 34	6.00
35 – 39	5.50
40 – 44	5.00
45 – 49	5.00
50 – 54	4.50
55 – 59	4.00
60 – 64	4.00
65 and up	4.00

Judges and Elected Officials: 6.00% per year for all ages.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Actuarial Value of Assets

Asset values are gradually adjusted toward market value by adding 20% of the difference between the market value and the preliminary asset value to the "preliminary asset value". The preliminary asset value is the actuarial asset value at the beginning of the year plus net new money. Net new money is the sum of contributions, dividends and interest, less the sum of refunds, expenses and benefit payments. If the actuarial value of assets is less than 90% or more than 110% of the market value, an adjustment is made to the actuarial value to bring the value within this 10% corridor.

2. Actuarial Cost Method

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined as if the current benefit accrual rate had always been in effect.

3. Amortization of Unfunded Actuarial Liability/Surplus

Open 30-year amortization period; level dollar amount.

4. Changes Since Last Valuation

None.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX C SUMMARY OF PLAN PROVISIONS

1. Plan Year

May 1 through April 30.

2. Membership

All full-time permanent employees in the classified and unclassified services shall become members as a condition of employment. Employees of any administrative board or board of control as organized and existing under general laws of Missouri and as defined in Revised Statutes of Missouri, Section 95.540, whose governing body has elected membership, shall become members. Membership shall begin on the first day of employment.

3. Credited Service

Total creditable service is defined as the sum of the number of years of membership service and prior service.

Membership Service: Years and full calendar months of employment while a contributing member of this System.

Prior Service: Years and full calendar months of employment preceding December 21, 1962, if continuous with membership service.

4. Normal Retirement

Age Requirement: General Employees: 65
Judges and Elected Officials: Later of age 60 or expiration of term of office.

Service Requirement: General Employees: 5 years of creditable service.
Judges and Elected Officials: One elective term.

Amount: General Employees:
If unmarried at time of retirement, 2.22% of final average compensation multiplied by years and months of creditable service.

If married at date of retirement, 2.00% of final average compensation multiplied by years and months of creditable service.

Minimum benefit: \$400 per month if retirement with at least 10 years of creditable service.

Maximum benefit: 70% of final average compensation.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX C SUMMARY OF PLAN PROVISIONS

Judges and Elected Officials:

2.22% of average monthly compensation received by then serving Judges and Elected Officials of the same office during the 24 months preceding the beginning of the annuity multiplied by years and months of creditable service.

Maximum benefit: 70% of the existing salary for then serving Judges and Elected Officials of the same office.

A member retiring with a normal, optional, service or early retirement benefit may elect to withdraw all, or a portion of, member accumulated contributions and interest, and receive a reduced annuity.

Final average compensation is defined as the monthly average of the two highest years of compensation in the last ten years (for Judges and Elected Officials, last ten years for then serving elected official of same office). Compensation does not include bonus, overtime, expense allowance or other extraordinary compensation.

5. Optional Retirement

Age/Service Requirement: 60 and 10 years of creditable service, or the sum of age and service equals 80, if earlier.

Amount: Same as normal retirement.

6. Early Retirement

Age/Service Requirement: General Employees: 60 and 5 years of creditable service, or 55 and 10 years of creditable service.

Judges and Elected Officials: 55 and 10 years of creditable service.

Amount: Accrued benefit reduced by ½ of 1% per month of age less than 60 or, if service is less than ten ½ of 1% per month of age less than 65.

7. Disability Benefit

Disability benefits are provided through a separate long-term disability program, effective June 1, 1996.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

8. Vesting

Age Requirement: None.

Service Requirement: Five years of service.

Amount: Accrued benefit payable at age 60, or payable at age 65 if service less than 10.

9. Withdrawal (Refund) Benefit

Age Requirement: None.

Service Requirement: Less than five years of service.

Amount: An employee terminating before becoming eligible for a deferred pension or choosing not to elect a deferred benefit, will receive a return of contributions with interest.

10. Pre-Retirement Death Benefit

Service less than five years

Age Requirement: None.

Service Requirement: Less than five years.

Amount: Lump sum equal to the member's accumulated contributions and interest shall be paid to the surviving spouse or, if no surviving spouse, to the designated beneficiary, or, if non, to the member's estate.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

**APPENDIX C
SUMMARY OF PLAN PROVISIONS**

Service of five or more years but less than 20 years:

Age Requirement: None.

Service Requirement: Five or more years of service but less than 20 years.

Amount: The surviving spouse may elect, in lieu of the lump sum settlement above, an annuity equal to 50% of the member's accrued annuity at the time of death. The effective date of this annuity shall be later of the first day of the month following the member's death or attainment of what would have been the member's early retirement date. The annuity is reduced for early retirement if paid at the member's early retirement date.

Service of 20 or more years of service:

Age Requirement: None.

Service Requirement: 20 or more years of service.

Amount: The surviving spouse may elect, in lieu of the settlements above, an annuity equal to 100% of the member's accrued annuity at the time of death, actuarially reduced for 100% joint and survivor coverage. The effective date of this annuity shall be the first day of the month following the member's death.

11. Post-Retirement Death Benefit

Age Requirement: None.

Service Requirement: None.

Amount: The surviving spouse shall receive an annuity equal to 50% of the member's accrued annuity, or, if the member elected the actuarially equivalent 100% joint and survivor annuity, this annuity shall continue to be paid to the surviving spouse. Either annuity is payable until death or remarriage of the spouse.

CITY OF KANSAS CITY, MISSOURI EMPLOYEES' RETIREMENT SYSTEM

APPENDIX C SUMMARY OF PLAN PROVISIONS

12. Minimum Surviving Spouses' Pension

A minimum benefit of \$200 per month is paid to surviving spouses of members with 10 or more years of creditable service.

13. Health Insurance Subsidy

A monthly health insurance subsidy of \$200 is paid to all current and future pensioners. Benefits are payable for the lifetime of the member and are not subject to an annual cost-of-living adjustment.

14. Cost-of-Living Adjustment (COLA)

An increase of 3.00% of the original pension will be made annually. Members must retire on or before January 1st in order to receive a COLA in the following year.

15. Contributions

- a. Employee
 - 4.00% of salary
 - The City "picks up" these employee contributions.
- b. City
 - 9.50% of payroll for General Employees
 - 2.53% of payroll for General Employees for the retirement window offered in 2003, projected to be paid annually through April 30, 2013.
 - 19.50% of payroll for Judges and Elected Officials.

16. Interest on Employee Contributions

5.25% per year, compounded.

17. Changes Since Last Valuation

There have been no changes in plan provisions since the preceding actuarial valuation.