69TH
ANNUAL
REPORT

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive
Annual
Financial
Report

KCPERS
Kansas City Police Employees' Retirement Systems

May 1, 2014 to
April 30, 2015

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report
May 1, 2014 to April 30, 2015

69th Annual Report

Prepared by:
Kansas City Police Employees'
Retirement Systems
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Kansas City, MO 64137
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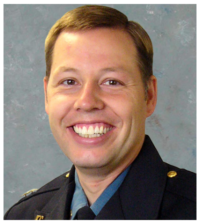
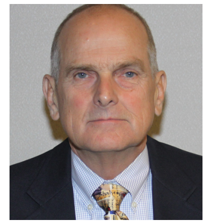


Richard C. Smith, Chairman
Major
Kansas City, Missouri
Police Department

Bailus M. Tate, Vice-Chair & Treasurer
Appointed Member



Gary Jenkins
(Ret.) Sergeant
Kansas City, Missouri
Police Department

Robert W. Jones
(Ret.) Sergeant
Kansas City, Missouri
Police Department

Leslie Lewis
Appointed Member

Barbara L. Stuart
(Ret.) Administrative Supervisor
Kansas City, Missouri
Police Department

Matthew J. Tomasic
Police Officer
Kansas City, Missouri
Police Department

Patrick J. Trysla
Appointed Member

KCPERS Staff

Sharon Blancett
Benefits Coordinator

Lori Freeze
Administrative Assistant

Anna Vollenweider
Accountant

James Pyle
Pension Systems Manager & Board Secretary

KCPERS
Kansas City Police Employees' Retirement Systems

9701 Marion Park Drive, B • Kansas City, MO 64137
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 763-1190

September 23, 2015

Retirement Systems Board
Police Retirement System of Kansas City, Missouri
9701 Marion Park Dr, B
Kansas City, Missouri 64137

Dear Board Members:

It is my pleasure to submit the fiscal year 2015 Comprehensive Annual Financial Report (CAFR) of the Police Retirement System of Kansas City, Missouri. This report is intended to provide our members and other stakeholders with detailed information about the financial, actuarial, and investment operations of the Police Retirement System.

The Police Retirement System was created in 1946 by the Missouri General Assembly to provide retirement and disability benefits for law enforcement members of the Kansas City, Missouri Police Department and survivor benefits for their spouses and children. A nine member Board of Trustees, made up of elected and appointed members, governs the Retirement System.

Contents of the Annual Report and Structure

This CAFR is designed to comply with the reporting requirements of sections 86.960 and 105.661 of the Revised Statutes of Missouri (RSMo), as amended. The ultimate responsibility for the CAFR and financial statements rests with the Board of Trustees. Retirement Systems staff provide support to the board members in completing their fiduciary responsibilities. Staff has prepared the basic financial statements of the Retirement System and, to the best of our knowledge, presented information that is accurate in all material respects and is reported in a manner designed to fairly represent the financial position of the fund. The accounting policies followed in preparing the basic financial statements comply with U.S. generally accepted accounting principles. Financial information presented throughout the CAFR is consistent with information displayed in the basic financial statements.

The Retirement Systems' external auditor, BKD, LLP conducted an independent audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. This audit is described in the Independent Auditors' Report on pages 18 and 19 of the Financial Section. Management has provided the external auditors with full and unrestricted access to staff to discuss their audit and related findings, to assure independent validation of the integrity of the Retirement Systems' financial reporting and the adequacy of internal controls. The Independent Auditors' Report also contains the initial Governmental Accounting Standards Board (GASB) Statement No. 67 Report.

BKD identified deficiencies in internal controls that are not considered a material weakness. There are deficiencies related to the Contributions and Cash Receipts Cycle and Purchasing and Cash Disbursements Cycle due to a lack of segregation of duties that are the result of the small number of staff. BKD noted that compensating controls are in place to provide reasonable assurance that financial statements are free of any material misstatements. The Retirement Board has periodically reviewed these deficiencies and determined that the cost of additional staff, to improve the internal control process, outweighs the benefits of greater segregation of duties.

The Financial Section also contains Management's Discussion and Analysis that serves as an introduction to and overview of the financial statements. The Police Retirement System is a component unit of the City of Kansas City, Missouri for financial reporting purposes and, as such, the financial statements in this report are also included in the City of Kansas City, Missouri's Comprehensive Annual Financial Reports.

Actuarial and Investment Information

Cavanaugh Macdonald, our consulting actuary, completed the actuarial valuation dated April 30, 2015. The funded ratio of the valuation assets to liabilities remained unchanged from the prior year at 77%. More information on the actuarial valuation is available in the Actuarial Section of this report. In addition Cavanaugh Macdonald prepared the initial GASB Statement No. 67 Report which is contained in the Financial Section of this report.

The investment portfolio produced a total return of 6.1% (net of fees) against the policy benchmark return of 5.9%, which means our investment managers and asset allocation had a 0.2% gain versus the market indexes. The investment performance was less than our assumed rate of return, for actuarial purposes, of 7.5%.

More information regarding the investment performance and the professionals who provide services to the Police Retirement System can be found in the Investment Section of this report.

Fiscal Year 2015 Projects

The Retirement Board Investment Committee worked with RVK to complete the implementation of the System's approved asset allocation targets and portfolio restructuring. During the fiscal year, the Retirement Board approved the following recommendations from the Investment Committee: 1) hire Brandywine as a global bond manager; 2) hire GMO as a tactical asset allocation manager; 3) hire Grosvenor as a hedge fund of one manager; 4) hire Fidelity as multi-strategy real return manager. The Investment Committee also updated the Investment Policy Statement, which was adopted by the Retirement Board, by further defining: the duties and responsibilities of the Retirement Board and staff, investment consultants, and investment managers; the Retirement Board's investment philosophy, asset allocation strategy, investment return objectives and benchmarks; and the portfolio monitoring, evaluation, and rebalancing processes.

Staff began working with BKD to create and document a business continuity plan. While many of the components of the plan are already in place, a formal business continuity plan will document those critical processes for the staff to function in the event of a natural disaster or emergency. The plan will also provide a mechanism for periodically testing different critical functions and reporting the results of those tests to the Retirement Board.

Staff also worked with the Retirement Board and plan members to update the Military Leave policy, create a Military Leave Review Committee, and draft legislation to change the plan provisions related to creditable service for a leave of absence due to military service. The legislative changes cap the liability for the Retirement System while continuing to provide benefits that exceed the requirements of federal law.

Legislative Changes

House Bill 1301 became law on August 28, 2014. The legislation made technical corrections to three statute section references which were omitted in the final version of Tier II plan legislation.

The Missouri General Assembly passed House Bill 515 during their 2015 legislative session. The legislation modifies provisions relating to Internal Revenue Code compliance and non-spouse rollovers and modifies creditable service for a leave of absence due to military service.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Police Retirement System of Kansas City, Missouri for its comprehensive annual financial report for the fiscal year ended April 30, 2014. This was the thirteenth consecutive year that the Retirement System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The fiscal year 2015 annual report is the result of work by both Retirement Systems staff and outside advisors and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with the legislative and industry reporting requirements, and most importantly help our members learn more about the financial status of their retirement system.

The KCPERS staff wants to thank each of our board members, our retirement system members, our outside advisors and the Kansas City Police Department for all your contributions towards the successful operation of the Police Retirement System.

Respectfully submitted,

James J. Pyle
Pension Systems Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Police Retirement System of Kansas City, Missouri

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

April 30, 2014

Executive Director/CEO

KCPERS

Kansas City Police Employees' Retirement Systems

9701 Marion Park Drive, B • Kansas City, MO 64137
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 763-1190

September 25, 2015

Dear Members,

On behalf of the Retirement Systems Board I am pleased to provide you with the Police Retirement System of Kansas City, Missouri Comprehensive Annual Financial Report for the fiscal year ending April 30, 2015. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

The Retirement Board worked with our investment consultant, to hire four new managers for the following asset classes: global bonds, absolute return, and real return. By hiring these managers we have implemented our new investment structure which, over time, should provide returns that outperform our target benchmark with lower risk and lower manager fees. The Retirement Board also adopted several changes in the Investment Policy Statement to reflect the new investment structure, and manager evaluation and monitoring processes.

The Retirement Board took legislation to the Missouri General Assembly to update statutes that are required to remain in compliance with Internal Revenue Service regulations, and to change the statutes related to creditable service for leaves of absence due to military service. The Board also adopted a new Military Leave policy and appointed a committee, which included members of the military, to review all applications for restoring creditable service due to a leave of absence for military service. Retirement staff started the process of building, documenting, and testing a business continuity plan. While there are many processes already in place to ensure that our operations continue uninterrupted, a business continuity plan will only strengthen our operations.

A very important part of the pension reform process was to ensure that the plan would receive 100% of the required employer contributions from the City. I am pleased to report to you that for the first time in 11 years the City contributed the full amount of required contributions to the Retirement System for the fiscal year ending April 30, 2015.

This year we said goodbye to James Chappell and Police Officer Steven Miller as members of the Retirement Board. Jim served as an appointed member on the board from 2010 to 2015. Steve served as an elected member from 2012 to 2015. Jim and Steve both provided tremendous help with the City Council and active membership during the pension reform process. We will miss their knowledge and dedication to the Retirement Systems. In June, Police Officer Matthew Tomasic was elected by the membership to the Retirement Board. Matt fills the board seat designated for an active member of the Police plan who has not attained the rank of Sergeant or higher.

In closing, I want to thank our members for your questions, comments, recommendations, and support as we work to ensure we have an affordable and sustainable retirement benefit. I also want to thank our Retirement Systems staff for their hard work in taking care of our members and implementing the plans and policies of the Retirement Board.

Sincerely,

Richard Smith
Retirement Board Chairman

Outside Professional Services

ACTUARY

Cavanaugh Macdonald Consulting, LLC
Patrice Beckham, Brent Banister
Bellevue, Nebraska

AUDITORS

BKD, LLP
Angela M. Miratsky, Jacob Holman
Kansas City, Missouri

INVESTMENT MANAGEMENT CONSULTANTS

RVK, Inc.
Kristen Steffens, Marcia Beard
Portland, Oregon

Emcor
Robert Woodard
Lawrence, Kansas

LEGAL COUNSEL

Slagle, Bernard & Gorman
Gerald W. Gorman
Kansas City, Missouri

MASTER TRUSTEE/CUSTODIAN

The Northern Trust Company
Patricia Somerville-Koulouris
Chicago, Illinois

INVESTMENT ADVISORS

FCI Advisors
Peter Greig, Gary Cloud
Kansas City, Missouri

LSV Asset Management
Keith Bruch
Chicago, Illinois

Prudential Real Estate Investors
Darin Bright, Kevin Smith
Madison, New Jersey

Abbott Capital Management, LLC
Charles van Horne
New York, New York

JPMorgan Investment Management, Inc.
Lawrence Unrein, Katherine Rosa
New York, New York

Northern Trust Global Investments
Chelsea Smith
Chicago, Illinois

Shenkman Capital Management, Inc.
Mark Flanagan, Nicole Lupo
New York, New York

Artisan Partners
Chip Ridley
Milwaukee, Wisconsin

Wellington Management Company
Ken Solano, Jr.
Boston, Massachusetts

Grosvenor Capital Management
Mark Roman
Chicago, Illinois

GMO
Peter Nolan
Boston, Massachusetts

Brandywine Global Investment Management
Jon Cordo
Philadelphia, Pennsylvania

Morgan Stanley
Scott Brown
New York, New York

Fidelity Investments
Ed Schollmeyer
Smithfield, Rhode Island

Financial Section

BKD LLP
CPAs & Advisors

1201 Walnut Street, Suite 1700 // Kansas City, MO 64106-2246
816.221.6300 // fax 816.221.6380 // bkd.com

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Police Retirement System of Kansas City, Missouri (the Plan), a component unit of the City of Kansas City, Missouri, which comprise the statement of fiduciary net position as of April 30, 2015, and the statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Police Retirement System of Kansas City, Missouri as of April 30, 2015, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015, the Plan adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. We previously expressed an unmodified opinion on the 2014, 2013, 2012, 2011 and 2010 financial statements.

BKD, LLP

Kansas City, Missouri
August 28, 2015

This discussion and analysis of the Police Retirement System of Kansas City, Missouri (Police Retirement System or the Plan) financial statements provides an overview of its financial activities during the year ended April 30, 2015. Please read it in conjunction with the more detailed financial statements, notes and required supplementary information which follow this section.

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

Overview of Financial Statements and Accompanying Information

- The financial statements presented in this report are the Statement of Fiduciary Net Position as of April 30, 2015, and the Statement of Changes in Fiduciary Net Position for the year ended April 30, 2015. These statements reflect resources available for the payment of benefits as of the year-end, and the sources and use of those funds during the year.

- The notes to the financial statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Information in the notes includes a description of the Plan, a summary of significant accounting policies, the method used to value investments, a summary of investments and actuarial methods and assumptions.

- Schedules related to the changes in net pension liability and related ratios, City of Kansas City, Missouri contributions, and investment returns are included in the section entitled Required Supplementary Information.

- Other supplementary schedules consist of detailed information supporting administrative and investment expenses and a historical summary of additions and deductions.

Fiduciary Net Position

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

	April 30, 2015	April 30, 2014	Amount Change
Cash	$52,982	$27,939	$25,043
Receivables	4,120,910	3,744,529	376,381
Investments	792,269,242	763,567,612	28,701,630
Securities lending collateral	55,530,596	103,502,939	(47,972,343)
Office equipment	2,016	4,163	(2,147)
Total assets	**851,975,746**	**870,847,182**	**(18,871,436)**
Accounts and refunds payable	514,742	606,743	(92,001)
Due to broker for purchases of investments	526,219	2,401,607	(1,875,388)
Pending foreign exchange sales	1,523,871	1,259,440	264,431
Securities lending collateral	55,530,596	103,502,939	(47,972,343)
Total liabilites	**58,095,428**	**107,770,729**	**(49,675,301)**
Net Position Restricted for Pensions	**$793,880,318**	**$763,076,453**	**$30,803,865**

Financial Analysis of Fiduciary Net Position

The Statement of Fiduciary Net Position presents information on the Plan's assets and liabilities with the difference between the two reported as Net Position Restricted for Pensions. This statement reflects, at fair value, the contributions and investments which are available to pay benefits.

The Police Retirement System's benefits are funded through member and City of Kansas City, Missouri contributions, and investment income. Net position of the Plan increased to $793,880,318 as of April 30, 2015 from $763,076,453 as of April 30, 2014. Plan income is generated through the investment of contributions in stocks, bonds and alternative assets.

Assets – Total assets of the Police Retirement System were $852.0 million as of April 30, 2015 and included cash, receivables, investments and securities lending collateral. Total assets decreased by $18.9 million or (2.2%) from FY 2014. Investable assets increased during the year by $28.7 million while securities lending collateral decreased by $48.0 million. The decline in securities lending collateral was due to the market for securities available for lending.

Liabilities – Total liabilities of the Police Retirement System were $58.1 million as of April 30, 2015 and included payables for money manager fees and refunds, amounts due to brokers for purchases of investments, and securities lending collateral. Total liabilities decreased by $49.7 million during the year mainly due to the $48.0 million decrease in the offsetting liability for securities lending activity.

Net Position – Police Retirement System assets exceeded liabilities at April 30, 2015 by $793.9 million. This was an increase of $30.8 million or 4.0% from the prior year.

Changes in Fiduciary Net Position

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

	April 30, 2015	April 30, 2014	Amount Change
Member contributions	$10,874,921	$10,198,831	$676,090
City contributions	28,933,261	22,241,769	6,691,492
Net investment income	46,951,094	66,842,964	(19,891,870)
Total additions	**86,759,276**	**99,283,564**	**(12,524,288)**
Benefits paid to members	55,006,617	52,627,501	2,379,116
Refunds of contributions	399,052	361,910	37,142
Administrative expenses	549,742	535,628	14,114
Total deductions	**55,955,411**	**53,525,039**	**2,430,372**
Net Increase in Net Position	**30,803,865**	**45,758,525**	**(14,954,660)**
Net Position Restricted for Pensions, Beginning of Year	**763,076,453**	**717,317,928**	**45,758,525**
Net Position Restricted for Pensions, End of Year	**$793,880,318**	**$763,076,453**	**$30,803,865**

Financial Analysis of Changes in Fiduciary Net Position

The Statement of Changes in Fiduciary Net Position presents information showing how the Plan's Net Position Restricted for Pensions changed during the year ended April 30, 2015. This statement reflects contributions made by members and the City of Kansas City. Investment activities during the fiscal year are also presented which include interest and dividends and the net appreciation or depreciation in fair value of the investments. Benefits paid to members, refunds of contributions and administrative expenses are also reported in the statement.

Revenues – Additions to Fiduciary Net Position – Member contributions, City contributions and investment income are the sources of revenue for the Police Retirement System. Members contributed 11.55% of covered salary to the Plan, while City contributions totaled $25.7 million, or 27.35% of projected covered payroll. The City also paid $200 per month for each member eligible to receive the supplemental benefit, which totaled $3.2 million. The amount of member and City contributions increased and net investment income decreased from FY 2014. Contributions increased due to growth in payroll and the City paying the required contributions as determined by the Plan's actuary. The net investment income of $47.0 million is the result of positive investment performance. The portfolio's investment rate of return, net of investment expenses was 6.08% with investment income of $51.3 million and investment expenses of $4.3 million. Investments in stocks, bonds, real estate, absolute return and private equity posted gains and investments in real return assets posted a loss for the year.

Expenses – Deductions from Fiduciary Net Position – Benefits paid to members, refunds of member contributions and administrative expenses are the sources of expenses for the Police Retirement System. Benefit payments and refunds represent 99% of the total deductions. Benefits paid to members increased over the prior year because of new retirements and a cost of living adjustment for retirees. The amount of refunds increased due to longer term members leaving the Police Department. Administrative expenses increased due to additional custodial, payroll and benefit expenses.

For the first time since FY 2002, City contributions equaled the amount recommended by the Plan's actuary for the full fiscal year. For the year beginning May 1, 2015, City contributions are budgeted to total the actuarial required contribution amount of $27.2 million. The contribution amount is calculated at 27.33% of projected covered payroll.

The Retirement Board has approved an asset allocation which over time is expected to realize a long-term investment rate of return of 7.5%. The Retirement Board continues to review investment allocations on a monthly basis and to rebalance the portfolio, as needed, with guidance from an independent financial consulting firm.

Requests for Information

This financial report is designed to provide members of the Police Retirement System, citizens, investors and creditors of the City of Kansas City, Missouri with a general overview of the Plan finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kansas City Police Employees' Retirement Systems, 9701 Marion Park Drive B, Kansas City, Missouri 64137.

There are no other currently known facts, conditions or decisions that are expected to have a significant effect on the financial position or results of operations of the Police Retirement System.

POLICE RETIREMENT SYSTEM OF KANSAS CITY, MISSOURI

STATEMENT OF FIDUCIARY NET POSITION

April 30, 2015

Assets

Investments	
U.S. government securities	$37,057,866
Corporate bonds and notes	93,438,429
Common and preferred stock	159,736,089
All country world index fund	112,391,932
Government mortgage-backed securities	11,292,879
Government agency fund	63,040,320
Partnerships - equity	24,235,522
Partnerships - fixed income	25,303,864
Real estate funds	88,661,249
Short-term investment funds	13,063,846
Hedge fund of funds	84,961,182
Emerging market equity funds	24,619,307
Foreign equities	54,466,757
Total investments	792,269,242
Securities Lending Collateral	55,530,596
Receivables	
City contributions	247,600
Member contributions	421,119
Accrued interest and dividends	1,693,116
Due from broker for sales of investments	241,850
Pending foreign exchange purchases	1,517,225
Total receivables	4,120,910
Office Equipment, net of accumulated depreciation of $12,364	2,016
Cash	52,982
Total assets	851,975,746

Liabilities

Accounts and refunds payable	514,742
Due to broker for purchases of investments	526,219
Pending foreign exchange sales	1,523,871
Securities lending collateral	55,530,596
Total liabilities	58,095,428
Net Position Restricted for Pensions	$793,880,318

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended April 30, 2015

Additions

Investment Income	
Net appreciation in fair value of investments	$38,084,337
Interest and dividends	13,088,759
Investment expense	(4,348,377)
Net investment income	46,824,719
Securities Lending Income	
Securities lending gross income	185,933
Securities lending expenses	
Borrower rebates	(5,431)
Management fees	(54,127)
Total securities lending expenses	(59,558)
Net securities lending income	126,375
Total net investment income	46,951,094
Contributions	
City	28,933,261
Members	10,874,921
Total contributions	39,808,182
Total additions	86,759,276

Deductions

Benefits Paid	
Retired members	39,215,578
Spouses	6,684,037
Children	118,426
Disabled	7,272,582
Partial lump sum option	1,690,994
Death benefits	25,000
Total benefits paid	55,006,617
Other Deductions	
Refunds of contributions	399,052
Adminstrative expenses	549,742
Total other deductions	948,794
Total deductions	55,955,411
Net Increase in Net Position	**30,803,865**
Net Position Restricted for Pensions, Beginning of Year	**763,076,453**
Net Position Restricted for Pensions, End of Year	**$793,880,318**

See Notes to Financial Statements.

Note 1: Summary of Significant Accounting Policies

Reporting Entity

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

Adoption of New Accounting Standard

In 2015, the Plan adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which has as its objective improving the usefulness of pension information included in the general purpose external financial reports of state and local government pension plans for making decisions and assessing accountability. Adoption of GASB 67 had no effect on net position restricted for pensions or net increase (decrease) in net position. It did, however, change the requirements for information disclosed in the footnotes to the financial statements and information required to be presented as required supplementary information.

Measurement Focus and Basis of Accounting

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

Note 1: Summary of Significant Accounting Policies (Continued)

Valuation of Investments and Income Recognition

Marketable securities, including mutual funds, are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

For certain investments consisting of corporate bonds and notes, U.S. treasury obligations, U.S. agency obligations and government mortgage-backed securities that do not have an established fair value, the Plan has established a fair value based on yields currently available on comparable securities of issuers with similar credit ratings and quotations are obtained from brokerage firms or national pricing services.

The private equity partnerships, hedge fund of funds and real estate funds consist primarily of non-marketable investments in various venture capital, corporate finance funds and private partnerships (collectively referred to as "Portfolio Funds"). These funds are primarily invested in the technology, communications, energy, real estate markets, as well as U.S. fixed income instruments and alternative or non-traditional investments. A portion of these funds is also invested in foreign operations under certain partnership agreements. These investments are recorded at fair value based on financial data, which is generally at an amount equal to the net asset value per share on the Fund's proportionate interest in the net assets or net equity of the Portfolio Funds as determined by each Portfolio Fund's general partner or investment manager.

The Plan is obligated to pay certain capital commitments to the partnerships. These outstanding commitments totaled approximately $4,000,000 at April 30, 2015.

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

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

Administrative Expenses

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

Use of Estimates

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

Note 1: Summary of Significant Accounting Policies (Continued)

Plan Tax Status

The Plan obtained its most recent determination letter on December 17, 2014, in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code and, therefore, not subject to tax.

Note 2: Plan Description

The following summary description of the Police Retirement System of Kansas City, Missouri provides only general information. Participants should refer to the Plan Statutes (Sections 86.900 to 86.1280 RSMo) for a more complete description of the Plan's provisions.

The Plan is a single-employer, contributory, defined benefit plan established by the State of Missouri's General Assembly and administered by the Retirement Board of the Police Retirement System of Kansas City, Missouri (the "Board"). The Board is composed of nine members, two are appointed by the Board of Police Commissioners, two are appointed by the City Council and five are elected by the membership of the Retirement Systems. The elected members must include one member of the Civilian Employees' Retirement System, one member retired from active service in the Police Retirement System and one active member of the Police Retirement System who has not attained the rank of Sergeant or higher. Elections are held annually and Board members are elected to serve for three-year terms.

Eligibility – All police officers who serve as law enforcement officers for compensation become members as a condition of employment.

Tier I member – A person who became a member prior to August 28, 2013 and remained a member on August 28, 2013.

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

At April 30, 2015, the Plan's membership consisted of the following:

	Tier I	Tier II	Total
Retirees and beneficiaries currently receiving benefits	1,252	—	1,252
Terminated members entitled to but not yet receiving benefits	20	—	20
Active members			
Vested	644	—	644
Non-vested	654	99	753
Total	**2,570**	**99**	**2,669**

Note 2: Plan Description (Continued)

Contributions – State Statutes set out the funding requirements for the Plan which can only be amended by the Missouri General Assembly. The Retirement Board establishes a rate based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the employer actuarially determined contribution rate. For the year ended April 30, 2015, active members contributed at a rate of 11.55% of base pay, and the City contributed at a rate of 27.35% of annual projected payroll. In addition, the City was obligated to make contributions of $200 per month of supplemental benefit for eligible members.

Benefits Provided – Benefit terms for the Plan are established in Missouri Revised Statutes 86.900 to 86.1280 and can only be amended by the Missouri General Assembly. The Plan provides retirement benefits, as well as pre-retirement death benefits, duty and non-duty related disability benefits and termination benefits to sworn law enforcement employees of the Kansas City, Missouri Police Department.

Service Retirement

Eligibility –

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

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

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

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

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

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

Final Compensation –

Tier I member – Average annual compensation during the two years of service with the highest salary, whether consecutive or otherwise, or during the entire period of service if less than two years.

Tier II member – Average annual compensation during the three years of service with the highest salary, whether consecutive or otherwise, or during the entire period of service if less than three years.

Note 2: Plan Description (Continued)

Deferred Retirement (Vested Termination)

Eligibility – 15 years of creditable service.

Tier I member – Benefit begins at age 55.

Tier II member – Benefit begins at age 60.

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

Disability

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

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

For a member retiring on or after August 28, 2013, benefit equal to 80% of Final Compensation payable for life or as long as the permanent disability continues.

Non-Duty Disability Eligibility – A member in active service, with a minimum of 10 years of service, who has become permanently unable to perform the full and unrestricted duties of a police officer as determined by the Board of Police Commissioners. Disability is not exclusively caused by the actual performance of official duties.

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

Disability benefits may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law. A disability retiree who is not age 60 may be required by the Retirement Board to undergo continuing eligibility reviews once every three years which may include a medical re-examination.

Death in Service – Duty or Non-Duty

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

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

Note 2: Plan Description (Continued)

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

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

Line of Duty Death

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

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

Death After Retirement

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

Amount of Pension –

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

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

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

Non-Vested Termination

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

Amount of Benefit – Refund of member's contributions without interest.

Minimum Pension Benefit

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

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

Note 2: Plan Description (Continued)

Post-Retirement Benefit Increases

Eligibility –

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

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

Amount of Benefit – May receive an annual cost-of-living adjustment (COLA) in an amount not to exceed 3% of their respective base pension. Base pension is the pension computed under the provisions of the law at the date of retirement, without regard to COLAs. The COLA is normally effective with the May 31st benefit payment.

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

Supplemental Retirement Benefit

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

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

Optional Form of Benefit Payment

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

Tier II member – Member retiring with at least 28 or more years of service may elect to take a portion of their lifetime benefit as a lump-sum distribution (PLOP).

Members electing PLOP will receive an actuarially reduced monthly benefit for their lifetime.

Social Security and Medicare

Tier I member – Members do not participate in Social Security although members hired after 1986 do contribute to Medicare.

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

Note 3: Deposits, Investments and Investment Income

Deposits

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

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

The Plan had no bank balances exposed to custodial credit risk at April 30, 2015.

Investments

For the year ended April 30, 2015, Northern Trust was the master custodian for substantially all of the securities of the Plan. The investments held by the Plan are managed by fourteen Board-appointed money managers. Each of the money managers has a different asset allocation based on Board-approved policy. The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, real estate, partnerships, corporate bonds, commodities and equity securities.

Effective January 13, 2015, the Board amended the investment policy. From May 1, 2014 through January 13, 2015, the Plan operated within the following target asset allocation ranges:

Asset Type and Class	Range	Target
Equities		
Large Cap	30% – 40%	35%
Small Cap	10% – 20%	15%
International	7% – 17%	12%
Fixed Income	26% – 40%	33%
Alternatives	3% – 7%	5%

Note 3: Deposits, Investments and Investment Income (Continued)

The asset type and classes, target asset allocation and ranges to be used in the Plan, effective January 13, 2015, are shown below. All percentages are based on market values. The Board has authorized Plan staff, with guidance from the Investment Consultant, to rebalance the portfolio in accordance with the strategy guidelines below:

Asset Type and Class	Range	Target
Equities		
Global Equity	30% – 40%	35%
Private Equity	0% – 10%	5%
Fixed Income	25% – 35%	30%
Alternatives		
Real Return	0% – 10%	5%
Real Estate	5% – 15%	10%
Absolute Return	10% – 20%	15%
Cash	0% – 5%	0%

Securities Lending Transactions

State statutes and the Plan's Board policies permit the Plan to use investments of the Plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The Plan has contracted with Northern Trust as its third-party lending agent to lend domestic equity and debt securities for cash collateral of not less than 102% of the market value and international debt and equity securities of not less than 105% of the market value. Contracts with the lending agent require it to indemnify the Plan if borrowers fail to return the securities, if the collateral is inadequate to replace the securities lent or if the borrowers fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan; therefore, non-cash collateral is not recorded as an asset or liability on the financial statements.

Market value of securities loaned	$53,906,873
Market value of cash collateral received from borrowers	$55,530,596
Market value of non-cash collateral received from borrowers	–
Total market value of collateral	$55,530,596

Note 3: Deposits, Investments and Investment Income (Continued)

All securities lent can be terminated on demand by either the Plan or the borrower. The cash collateral received on each security loan was invested, in accordance with the Plan investment guidelines, in short-term funds. The maturities of the resulting investments generally match the maturities of the securities lending arrangements themselves. The Plan is not permitted to pledge or sell collateral received unless the borrower defaults.

At April 30, 2015, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years				Loaned Under Securities Lending Agreements
		Less than 1	1 – 5	6 – 10	More than 10	
U.S. Treasury obligations	$26,941,293	$–	$13,296,033	$–	$13,645,260	$20,814,830
U.S. agencies obligations	10,116,573	–	–	5,286,044	4,830,529	–
Corporate bonds and notes	93,438,429	1,300,325	40,850,213	39,449,520	11,838,371	9,166,540
Government mortgage-backed securities	11,292,879	–	–	504,130	10,788,749	–
Government agency fund	63,040,320	–	63,040,320	–	–	–
Money market mutual funds	13,063,846	13,063,846	–	–	–	–
		$14,364,171	$117,186,566	$45,239,694	$41,102,909	
Common and preferred stocks	159,736,089					20,875,563
All country world index fund	112,391,932					–
Real estate funds	88,661,249					–
Hedge fund of funds	84,961,182					–
Partnerships - equity	24,235,522					–
Partnerships - fixed income	25,303,864					–
Foreign equities	54,466,757					3,049,940
Emerging market equity funds	24,619,307					–
Total	**$792,269,242**					**$53,906,873**

Note 3: Deposits, Investments and Investment Income (Continued)

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

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Plan's policy to invest in corporate bonds that are rated BBB or better by credit rating agencies. Core fixed income managers may hold bonds with a rating equal to or above BB. At April 30, 2015, the Plan's investments in corporate bonds were rated BBB or better by *Standard & Poor's*. U.S. Treasury obligations were explicitly guaranteed by the U.S. Government. At the same date, the Plan's investments in U.S. agencies obligations not directly guaranteed by the U.S. Government (including Federal National Mortgage Association, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation) and in government mortgage-backed securities were rated AA+ or better by *Standard & Poor's*. The Plan's investments in money market mutual funds and government agency funds were not rated by *Standard & Poor's*.

These bond rating requirements do not apply to the high yield portion of the fixed income portfolio. The following table summarizes the Plan's fixed income portfolio exposure level and credit qualities at April 30, 2015:

Fixed Income Security Type	Fair Value April 30, 2015	S&P Weighted Average Credit Quality
U.S. agencies obligations	$10,116,573	AA+
Corporate bonds and notes	93,438,429	A
Government mortgage-backed securities	11,292,879	AA+
Government agency fund	63,040,320	Not rated
Money market mutual funds	13,063,846	Not rated

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, $53,906,873 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

Note 3: Deposits, Investments and Investment Income (Continued)

Investment Concentrations – The following presents investments that represent 5% or more of the Plan's net position:

Investment	Fair Value
Northern Trust Collective All Country World Investable Market Index Fund – Non Lending	$112,391,932
Grosvenor FOB Fund, L.P.	84,961,182
Brandywine Global Opportunity Fixed Income	63,040,320
Prudential PRISA II	48,703,532
Morgan Stanley – Prime Property Fund, LLC	39,957,717

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

Investment Income

Investment income for the year ended April 30, 2015, consisted of:

Interest and dividend income	$13,088,759
Net increase in fair value of investments	38,084,337
	51,173,096
Less investment expense	4,348,377
	$46,824,719

Annual Money-Weighted Rate of Return – For the year ended April 30, 2015, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 6.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 4: Net Pension Liability

The components of the net pension liability of the City at April 30, 2015, were as follows:

Total pension liability	$1,125,373,861
Plan fiduciary net position	(793,880,318)
City's net pension liability	$331,493,543
Fiduciary net position as a % of total pension liability	70.54%

Note 5: Actuarial Methods and Assumptions

An actuary from Cavanaugh Macdonald Consulting, LLC determines the total pension liability. The total pension liability as of April 30, 2015 was determined based on an actuarial valuation prepared as of April 30, 2014, rolled forward one year to April 30, 2015, using the following actuarial assumptions:

Inflation	3.00%
Salary increases, including inflation	3.75% to 8.75%
Long-term investment rate of return, net of plan investment expense, including inflation	7.50%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the valuation are based on the results of the most recent actuarial experience study, which covered the 5-year period ending April 30, 2012. The actuarial experience study is dated October 3, 2013.

For purposes of calculating the total pension liability, future ad hoc COLAs of 2.5% (simple COLA) were assumed to be granted in all future years.

Note 5: Actuarial Methods and Assumptions (Continued)

Long-Term Expected Rate of Return – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of April 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35%	5.30%
Fixed Income	30%	1.00%
Real Return	5%	3.15%
Real Estate	10%	4.25%
Absolute Return	15%	4.00%
Private Equity	5%	8.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the employer actuarially determined contribution rate. Based on the assumptions, the Plan's fiduciary net position is projected to be available to make projected future benefit payments to current plan members through 2072. Therefore, the long-term expected rate of return on Plan investments was applied to the period of projected benefit payments before 2072 and the Municipal Bond Index Rate of 3.51% was applied to periods on or after 2072, resulting in a single equivalent interest rate of 7.25%.

There was a change in the Municipal Bond Index Rate from the prior measurement date from 4.35% to the current rate of 3.51%.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.25% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	$483,868,145	$331,493,543	$206,184,407

Note 6: Risks and Uncertainties

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

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

Note 7: Litigation

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

Note 8: Retirement Plan

The Retirement System has a 408(k) SEP retirement plan covering its employees that meet certain eligibility requirements. The Retirement System's contributions to its employees' SEP are determined by the Retirement Board. Contributions to the SEP were $51,525 for fiscal year 2015.

Schedule of Changes in Net Pension Liability and Related Ratios

April 30, 2015

Total pension liability	
Service cost	$26,900,131
Interest on total pension liability	76,210,579
Effect of assumption changes or inputs	14,987,963
Benefit payments, including member refunds	(55,405,669)
Net change in total pension liability	62,693,004
Total pension liability – beginning	1,062,680,857
Total pension liability – ending	$1,125,373,861
Plan fiduciary net position	
Net investment income	$46,824,719
Net securities lending income	126,375
City contributions	28,933,261
Member contributions	10,874,921
Benefits paid	(55,006,617)
Refunds of contributions	(399,052)
Administrative expenses	(549,742)
Net change in fiduciary net position	30,803,865
Plan fiduciary net position – beginning	763,076,453
Plan fiduciary net position – ending	793,880,318
Net pension liability, ending	$331,493,543
Fiduciary net position as a percentage of total pension liability	70.54%
Covered-employee payroll	$106,183,485
Net pension liability as a percentage of covered-employee payroll	312.19%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Schedule of City Contributions

Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Actuarially determined employer contribution	$28,933,000	$35,062,000	$31,653,000	$28,277,000	$32,020,000
Actual city contributions	28,933,000	$22,242,000	16,934,000	16,477,000	16,532,000
Annual contribution deficiency (excess)	$–	$12,820,000	$14,719,000	$11,800,000	$15,488,000
Covered-employee payroll	$106,183,000	$104,777,000	$101,295,000	$96,596,000	$99,668,000
Actual contributions as a percentage of covered-employee payroll	27.25%	21.23%	16.72%	17.06%	16.59%

	2010	2009	2008	2007	2006
Actuarially determined employer contribution	$22,154,000	$24,619,000	$23,181,000	$21,429,000	$18,301,000
Actual city contributions	16,645,000	16,701,000	15,747,000	14,527,000	13,729,000
Annual contribution deficiency (excess)	$5,509,000	$7,918,000	$7,434,000	$6,902,000	$4,572,000
Covered-employee payroll	$96,888,000	$96,872,000	$93,378,000	$86,005,000	$80,834,000
Actual contributions as a percentage of covered-employee payroll	17.18%	17.24%	16.86%	16.89%	16.98%

Schedule of Investment Returns

Fiscal Year Ending April 30	2015
Annual money-weighted rate of return, net of investment expense	6.08%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Changes of benefit and funding terms – The following changes to the plan provisions were reflected in the valuation performed as of April 30 listed below:

2013 – The 2013 Missouri General Assembly passed Senate Bill 215/House Bill 418 which provided for the following changes to the System:

- Increased the number of years of creditable service from 30 to 32 (which results in the maximum benefit increasing from 75% to 80% of final average pay).
- Created a new benefit tier for new hires with the same benefit structure except final compensation is based on the average of the highest three years, eligibility for service retirement is the earlier of 27 years of service or age 60 with 15 years of service, and the form of payment is a joint and 50% survivor benefit, if married.
- Required the City to contribute the full employer actuarial contribution plus an additional $200 per month for every member entitled to receive a supplemental benefit.

The Retirement Board increased the employee contribution rate by 1.00% from 10.55% to 11.55%.

2011 – A new employer policy allowed police officers to continue working until they reach 32 years of service, although benefit accruals and member contributions ended at 30 years.

2008 – Plan provisions were changed, effective August 28, 2008, to require that a member must be in active service to be eligible for either a duty related or non-duty related disability retirement benefit.

2007 – Creditable service for military leave may be granted without payment of member contributions under certain conditions.

2006 – Board Policy #018 was amended March 14, 2006 to provide the following definition of actuarial soundness: A retirement plan shall be considered actuarially sound for purposes described in the statutes, provided that 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 Statement 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.

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

4/30/2013 Valuation:

- Reduction of the investment return assumption from 7.75% to 7.50%.
- Reduction of the assumed cost of living adjustment from 3.00% to 2.50%.
- Reduction of the general wage increase assumption from 4.00% to 3.75%.
- Modification of retirement rates to reflect the change in the benefit structure (years of creditable service increasing from 30 to 32), the change in the mandatory retirement policy of the Police Department (from 32 to 35 years of service), and to better reflect the actual, observed experience.
- Lowered termination rates.
- Adjusted the merit scale component of the salary scale to reflect the current pay scale.
- The amortization of the UAAL was changed to be a single base, recalculated each year and amortized as a level percentage of payroll over an open 30 year period.

4/30/2011 Valuation:

- The Board of Trustees adopted a change in the asset smoothing method and implemented it by resetting the actuarial value of assets equal to the market value of assets as of April 30, 2011. The new smoothing method recognizes the difference between the actual and expected return on the market value of assets evenly over a five-year period.

4/30/2008 Valuation:

- Changed the mortality table to the RP-2000 Table. Scale AA is used to project mortality improvements in future years.
- Adjusted the retirement rates to better fit observed experience.
- Increased the probability of disability for active members.
- Decreased the termination of employment rates.
- Changed from an age-based to a service-based salary increase assumption.
- Assume that all vested terminating members will elect a deferred benefit.

The Actuarially Determined Contribution rates, as a percentage of pensionable payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of City Contributions are calculated as of April 30, two years prior to the end of the year in which Actuarially Determined Contribution amounts are reported. In the 12 years prior to FY 2014, the City contributed a fixed contribution rate (19.70%) of covered payroll, regardless of the amount of the actuarial determined contribution rate.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Employer Contribution reported in the most recent fiscal year, which was based on the April 30, 2013 actuarial valuation:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothing of actual vs expected return on market value
Price Inflation	3%
Salary increases	3.75% to 8.75%, including inflation
Investment rate of return	7.50%, net of investment expenses and including inflation
Future cost-of-living adjustments	2.50% (simple)

POLICE RETIREMENT SYSTEM OF KANSAS CITY, MISSOURI
SCHEDULE OF EXPENSES
Year Ended April 30, 2015

Investment Expenses	
Bank custodial fees and expenses	$247,902
Financial management expenses	3,968,220
Financial consultation	132,255
Total	**$4,348,377**

Administrative Expenses	
Salaries and payroll taxes	$328,689
Legal	34,102
Audit	16,407
Medical fees	9,351
Actuarial fees	33,852
Fringe benefits	63,820
Printing and office expense	8,895
Postage	1,307
Board meetings	1,685
Board election	5,327
Travel and education expense	9,010
Insurance	2,531
Depreciation	2,147
Legislative consultation	24,351
Other	8,268
Total	**$549,742**

Investment Section

September 21, 2015

Board of Trustees
Police Retirement System of Kansas City, Missouri
9701 Marion Park Drive
Kansas City, MO 64137

Dear Board Members,

This letter serves to provide an overview of capital markets and the Systems' portfolio positioning for the fiscal year ended April 30, 2015.

Market performance during the 2015 fiscal year (May 1, 2014 to April 30, 2015) was generally favorable, marked by relatively benign equity market volatility, improved U.S. economic data, and a rebound in emerging markets. During the fiscal year, global equity markets generated positive returns, although a meaningful disparity in returns was observed. U.S. equity markets, as measured by the S&P 500 Index, returned approximately 13.0%, while developed non-U.S. equity markets, as measured by the MSCI EAFE Index, returned 1.7%. Emerging markets, as measured by the MSCI EM Index, posted gains of 7.8%, rebounding from its previous fiscal year return of -1.8%.

Although the U.S. Federal Reserve exited its quantitative easing (QE) program in late 2014, it maintained interest rates at 0% throughout the fiscal year, in a continued effort to support domestic growth. The U.S. unemployment rate dropped from 6.3% at the start of the fiscal year to end April at 5.4% amid mixed monthly jobs data. The U.S. further benefited from a strengthening dollar and rapidly falling oil prices, resulting in U.S. markets significantly outperforming international markets in calendar year 2014. However, in the early part of 2015, U.S. equity market gains tempered relative to both developed international and emerging market equities.

In regard to international markets, the European Central Bank (ECB) announced several policy changes intended to increase liquidity for stressed banks and businesses. Specifically, the ECB announced a long-term loan program targeted toward peripheral Europe's most stressed banks. While the potential exit of Greece from the European Union (EU) continued to weigh on broader European markets, developed international equity performance remained positive overall. While the U.S. Federal Reserve exited its QE program in late 2014, in January 2015, the ECB initiated a QE program that entailed a €1 trillion bond purchase program. Including Japan's QE program, an additional $2 trillion will be added to the global monetary base by the end of 2016.

Fixed income markets experienced mixed results as the Barclays U.S. Aggregate Bond Index returned 4.5%, while the Barclays Global Aggregate Bond Index declined 3.7%. The strengthening of the U.S. Dollar, coupled with policies implemented by the ECB that led to negative interest rates on excess

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deposits, resulted in global fixed income markets producing negative returns. Performance for inflation-sensitive assets varied as the Wilshire U.S. REIT Index returned 14.0% and the Bloomberg Commodity Index declined 24.7%. While commodity markets saw a reversal in returns during the last month of the fiscal year, significant losses were experienced throughout the fiscal year as oil prices steeply declined and relatively slow growth in China and other emerging markets further depressed commodity prices.

The market value of the Police Retirement System investments increased from $760.7 million to $789.0 million in the year ending April 30, 2015. The System's current actuarial assumed rate of return is 7.5%, which represents the System's long-term return goal. The System's overall investment return over the past year was 6.5% and the System's three-year annualized return was 8.4%. The five-year annualized return for the System was 7.7% and the System's ten-year annualized return was 6.3%.[1]

During the 2015 fiscal year, RVK, Inc. (RVK) continued to work with Staff and the Board to complete the implementation of the System's approved asset allocation targets and portfolio re-structuring. The fixed income composite was expanded to include an allocation to global multi-sector fixed income through the Brandywine Global Opportunistic strategy. This allocation serves to provide further diversification, an additional source of alpha, and a complementary investment approach to KCPERS' existing fixed income mandates. Additionally, the System's real return composite structure expanded from a commodity-only manager, to a packaged diversified inflation hedge strategy, through Fidelity Strategic Real Return, to provide the System with broader exposure to inflation-sensitive assets. Further, the absolute return composite was funded in July 2014 and included a customized hedge fund of funds portfolio and a global tactical asset allocation manager.

The System's investment policies, goals, and objectives, as well as the performance of its assets continue to be regularly monitored and evaluated by Staff, the Board, the Investment Committee, and RVK. These evaluations include analysis of the investment management firms and the custodial bank that serve the System. During the fiscal year, RVK provided Staff and the Investment Committee with a custody review and education presentation on securities lending. Additionally, Staff, the Committee, and RVK implemented a schedule for current managers to present during the Investment Committee meetings throughout the year.

The System's publicly traded assets managed through separate accounts are held in custody at Northern Trust Bank. Market values and returns referenced above are based upon statements prepared by Northern Trust Bank. Their statements are, to the best of our knowledge, reliable and accurate. Investment performance is calculated using a time-weighted rate of return methodology (gross of fees) based upon market values and cash flows.

We look forward to continuing to work with Staff, the Investment Committee, and the Board to monitor, review, and best position the System's portfolio to meet its long-term goals and objective.

Sincerely,

Rebecca Gratsinger, CFA
Chief Executive Officer

[1] Returns are gross of fees.

Summary of Investment Policies and Objectives

Investment performance objectives were established to give the Retirement System a method to evaluate the investment return of the system's portfolio and individual managers. The system's overall annualized total net of fees return, as measured over the course of a typical market cycle and/or a minimum period of five years, should exceed the return that would have been achieved if the system had been fully invested according to the approved asset allocation policy benchmark. The policy benchmark consists of 35% MSCI All Country World Investable Markets Index (Net), 30% Barclays US Aggregate Bond Index, 15% Absolute Return Custom Benchmark, 10% NCREIF ODCE Index (Net), 5% Real Return Custom Benchmark, and 5% Cambridge US Private Equity Index (one quarter lag).

The portfolio outperformed the policy benchmark by 0.19% with a 6.08% return (net of fees) for the fiscal year.

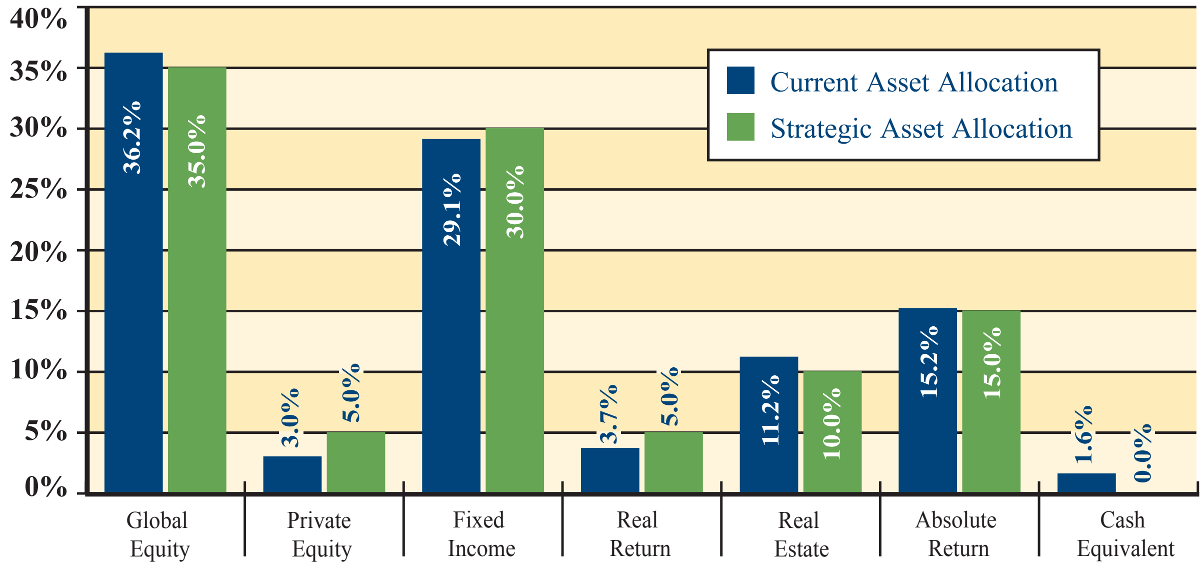
During the fiscal year, the Retirement Board monitored its strategic asset allocation policy using seven broad and distinct asset classes in the portfolio. Return, risk, and diversification assumptions have been established for each asset class. Based on its determination of the appropriate risk tolerance and its long-term return expectations, the Retirement Board has implemented the following strategic asset allocation: Global Equity 35%, Fixed Income 30%, Absolute Return 15%, Real Estate 10%, Real Return/Diversified Inflation Hedge 5%, Private Equity 5%, and Cash 0%. The expected long term return for the strategic asset allocation is 7.70% and expected standard deviation (risk) is 10.49%.

The current strategic asset allocation is 35% equities, 30% bonds and cash, and 35% alternatives. The equity allocation is made up entirely of global stocks. The bond and fixed income allocation is divided into core fixed income, high yield bonds, global bonds and cash. The alternative allocation is divided into real return/diversified inflation hedge strategies, core and value added real estate, private equity, and absolute return strategies. The small differences between the year end allocation and the target allocation are due to market performance of the asset classes. During the year the Retirement Board completed the process of restructuring the portfolio to match the new allocation. That restructuring included completing the due diligence to hire two new equity managers, two new absolute return managers, one new fixed income manager, one new real estate manager, and one new real return manager.

The Retirement Board met with staff from RVK, Inc. on a monthly basis to review the performance of each of the investment managers hired by the Retirement Systems. Performance is reviewed both on an absolute basis (did the manager make or lose money) and on a relative basis (how did the manager perform compared to their designated benchmark). RVK also provides comparative statistical information about the source of the manager's performance against the benchmark and how their performance stacked up against other managers in their asset class.

Asset Allocation

Year Ending April 30, 2015

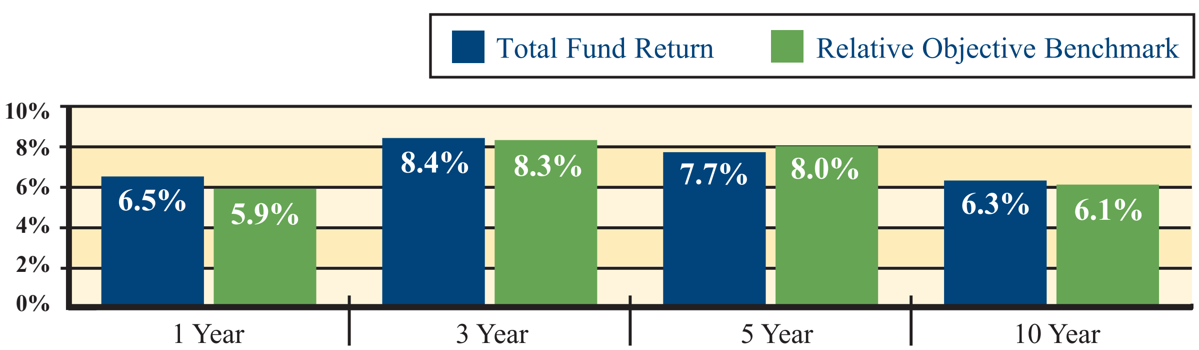


Schedule of Investment Results

Comparative investment results are for the fiscal year ending April 30, 2015. Results for Real Estate and Private Equity managers are available for the quarter ending March 31, 2015 rather than for the fiscal year ending April 30, 2015.

Annualized Manager Returns as of April 30, 2015

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	4.7%	2.7%	4.3%	5.1%
Barclays US Govt/Cr		*4.4%*	*2.7%*	*4.4%*	*4.8%*
Shenkman Capital Mgmt	High Yield Bonds	4.3%	6.8%	7.6%	
ML US Hi Yld Master II		*2.6%*	*7.5%*	*8.2%*	
Artisan Global Opp	Global Equities	13.9%			
LSV Global LC Value	Global Equities	6.8%			
MSCI World		*7.4%*			
Wellington US SC 2000	Global Equities	13.9%			
Russell 2000		*9.7%*			
Wellington Int'l SC Rsrch	Global Equities	9.3%			
MSCI World Ex US SC		*0.3%*			
Northern Trust Index	Global Equities	7.9%			
MSCI ACW IMI		*7.3%*			
LSV Emerging Mkts	Global Equities	9.7%	5.6%	6.2%	
MSCI Emerging Mkts		*7.8%*	*3.2%*	*3.0%*	
LSV EM Small Cap	Global Equities	11.3%			
MSCI EM Small Cap		*9.8%*			
Prudential PRISA II	Real Estate	14.5%	14.2%	18.4%	6.1%
NCREIF ODCE		*12.4%*	*11.6%*	*13.4%*	*6.0%*
Abbott Capital	Private Equity	13.0%	12.2%	11.6%	
JP Morgan	Private Equity	27.7%	17.5%	17.1%	
Private Equity Custom		*18.1%*	*16.3%*	*15.4%*	
Total Fund		**6.5%**	**8.4%**	**7.7%**	**6.3%**
Relative Objective		***5.9%***	***8.3%***	***8.0%***	***6.1%***



Returns provided by RVK, Inc. to the Kansas City Police Employees' Retirement System.

Note: Performance returns were calculated using a time weighted rate of return based on market values.

Schedule of Largest Assets Held

Ten Largest Equity Holdings April 30, 2015	Fair Value
1) IHS Inc. Class A	$3,027,842
2) Hexagon AB Ser. B	2,877,903
3) Regeneron Pharmaceuticals Inc.	2,401,208
4) Visa Inc. Class A	2,098,607
5) Tencent Holdings Ltd.	2,044,684
6) Direct Line Insurance Group	1,937,224
7) Workday Inc. Class A	1,889,233
8) Apple Inc.	1,877,751
9) Facebook Inc. Class A	1,822,895
10) Google Inc. Class A	1,773,625

Ten Largest Bond Holdings April 30, 2015	Fair Value
1) US Treasury Bonds 4.25% Due 2039	$10,229,376
2) FNMA Bond 6.0% Due 2036	4,830,529
3) US Treasury Notes 1.50% Due 2019	4,803,438
4) FNMA Bond 2.4% Due 2024	3,910,320
5) General Electric Cap Corp. 6.75% Due 2032	3,438,238
6) US Treasury Bonds 3.625% Due 2044	3,415,884
7) FHLMC Gold 3.0% Due 2042	3,401,590
8) AT&T Inc. 5.8% Due 2019	3,391,356
9) Starbucks Corp. 6.25% Due 2017	3,347,043
10) JPMorgan Chase 3.25% Due 2022	3,297,808

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2015

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Merrill Lynch International Ltd.	415,598	$3,973,585	$3,051	$0.007
Morgan Stanley & Co. LLC	220,244	4,218,241	2,341	0.011
Goldman, Sachs & Co.	38,545	21,607,242	2,261	0.059
Citigroup Global Markets Inc.	178,659	1,504,738	1,993	0.011
Merrill Lynch Piece Fenner & Smith	159,868	1,463,145	1,628	0.010
ITG Inc.	118,291	9,337,818	1,604	0.014
Credit Suisse Securities (USA) LLC	259,016	1,612,155	1,597	0.006
Merrill Lynch & Co. Inc.	115,814	5,817,946	1,330	0.011
JPMorgan Clearing Corp.	75,492	2,302,940	1,210	0.016
Jefferies LLC	59,027	1,913,241	1,195	0.020
Credit Agricole Securities USA Inc.	66,449	3,696,339	1,125	0.017
Barclays Capital	298,100	1,171,276	1,108	0.004
Deutsche Bank Securities Inc.	126,010	1,783,972	1,071	0.008
Deutsche Bank AG Custody Dept.	33,776	2,311,740	1,049	0.031
JPMorgan Securities PLC	35,587	975,427	1,017	0.029
CLSA Singapore Pte Ltd.	93,489	2,247,702	898	0.010
Citigroup Global Markets Ltd.	65,227	983,394	839	0.013
Goldman Sachs International	56,082	881,631	827	0.015
Others (Including 72 Brokerage Firms)	1,588,700	32,196,675	15,627	0.010
Totals	**4,003,974**	**$99,999,207**	**$41,771**	**$0.010**

Zero commission trades excluded from above	281,188,834	$1,095,989,981

Investment Summary

Year Ending April 30, 2015

Investment Manager	Date Hired	Investment Class	Portfolio Fair Value As of 4/30/15	% of Total Fair Value
FCI Advisors	Oct 1974	Fixed Income	$141,789,174	17.9%
Cash			13,063,846	1.6%
Prudential	Sep 2004	Real Estate	48,703,532	6.1%
Abbott Capital	Aug 2005	Private Equity	16,291,146	2.1%
JPMorgan	Jan 2006	Private Equity	7,944,376	1.0%
LSV	Aug 2007	Equity Emerging Markets	16,746,368	2.1%
Shenkman Capital	May 2009	Fixed Income	25,303,864	3.2%
LSV	Jan 2014	Equity Emerging Markets Small Cap	7,872,939	1.0%
Northern Trust	Feb 2014	Global Equity Index	112,391,932	14.2%
Artisan	Apr 2014	Global Equity	54,230,604	6.8%
LSV	Apr 2014	Global Equity	69,500,414	8.8%
Wellington	May 2014	Equity International Small Cap	10,359,634	1.3%
Wellington	May 2014	Equity US Small Cap	15,252,090	1.9%
Grosvenor	Jul 2014	Absolute Return – Hedge Fund	84,961,182	10.7%
GMO	Aug 2014	Absolute Return – GTAA	35,452,730	4.5%
Brandywine	Sep 2014	Fixed Income	63,040,320	8.0%
Morgan Stanley	Sep 2014	Real Estate	39,957,717	5.0%
Fidelity	Oct 2014	Real Return	29,116,359	3.7%
		Total	**$791,978,227**	

Fees and Commissions

Year Ending April 30, 2015

Investment Manager	Management Fee	Commission Expense	Commission per Share
FCI Advisors	$258,489	$ —	$ —
GE Asset Management	38	—	—
Prudential	431,575	—	—
Abbott Capital	212,853	—	—
JPMorgan	80,310	—	—
Northern Trust	107,573	—	—
LSV	723,511	6,494	0.004
Gresham Investment Management	139,055	—	—
Tactical ETFs	1,296	—	—
Shenkman Capital	159,082	—	—
Artisan	411,981	35,277	0.016
Wellington	193,730	—	—
Grosvenor	581,616	—	—
GMO	210,293	—	—
Brandywine	157,365	—	—
Morgan Stanley	187,094	—	—
Fidelity	112,359	—	—
Total	**$3,968,220**	**$41,771**	**$0.000**

Actuarial Section

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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Bellevue, NE 68123

Phone 402 905 4461
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www.CavMacConsulting.com

Offices in
Englewood, CO
Kennesaw, GA
Bellevue, NE

October 2, 2015

The Retirement Board
Police Retirement System of
Kansas City, Missouri
9701 Marion Park Drive, B
Kansas City, MO 64137

Dear Members of the Board:

The basic financial objective of the Police Retirement System of Kansas City, Missouri is to establish and receive contributions which:

- when expressed in terms of percentages of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Police Retirement System of Kansas City, Missouri to present and future retirees and beneficiaries.

The financial objective is addressed within the annual actuarial funding valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund the unfunded actuarial accrued liability as a level percent of active member payroll over a 30 year period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of April 30, 2015.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial membership data annually.

For funding valuation purposes, an asset smoothing method is used to develop the actuarial value of assets. The Board of Trustees, upon the recommendation of the actuary, adopted a different asset smoothing method and implemented it in the April 30, 2011 valuation by setting the actuarial value of assets equal to the market value of assets. As a result, the smoothing method has only been applied to the last four years of investment experience.

Actuarial valuations for funding the System are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. In our opinion, the assumptions and the methods comply with the requirements of Actuarial Standards of Practice. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the actuarial contribution rates as needed. The April 30, 2015 actuarial valuation reflects the actuarial assumptions and methods included in the experience study covering the five year period from May 1, 2007 to April 30, 2012, as adopted by the Board based on advice of the actuary.

The unfunded actuarial accrued liability (UAAL) increased from the last valuation by $1 million due to the actual experience. There was an actuarial loss of $11 million on assets and an actuarial gain of $16 million on demographic experience. The gain was largely due to salary increases that were lower than expected based on the actuarial assumption.

The 2013 session of the Missouri General Assembly passed legislation that modified the benefit provisions for members hired on or after August 28, 2013 (called Tier II). As a result, the normal cost for this group of members is lower than the normal cost rate for members hired before that date. As of April 30, 2015, there were 99 members in Tier II out of a total of 1,397 active members (about 7% of total actives) so the Tier II members had little impact on the results of the April 30, 2015 valuation. Over time, the normal cost rate is expected to decline as the pre-August 28, 2013 members retire or leave covered employment and are replaced by members covered by Tier II. However, it will likely take ten to fifteen years before a noticeable difference is observed in the valuation results.

The System is 77% funded as of April 30, 2015 based on the actuarial value of assets. However, reflecting the impact of the Tier II benefit structure for future hires and the City's commitment to contribute the full actuarial contribution rate, the funded ratio of the System is projected to increase over the next thirty years assuming all actuarial assumptions are met.

Cavanaugh Macdonald also prepared actuarial computations as of April 30, 2015 for purposes of fulfilling financial accounting requirements for the System under Governmental Accounting Standards Board (GASB) Statement No. 67, the results are presented in a separate report dated August 6, 2015. The assumptions used in the funding valuation report were also used in the GASB 67 report, except for the use of a 7.25% discount rate for the GASB 67 calculation of the Total Pension Liability. In addition, the entry age normal actuarial cost method, which is required to be used under GASB 67, is also used in the funding valuation report. The actuarial assumptions and methods used in both the funding and the GASB 67 valuation meet the parameters set by the Actuarial Standards of Practice (ASOPs), as issued by the Actuarial Standards Board, and generally accepted accounting principles (GAAP) applicable in the United States of America as promulgated by the Governmental Accounting Standards Board.

The actuary prepared, or assisted in preparing, the following supporting information for the Comprehensive Annual Financial Report:

Financial Section

- Total Pension Liability
- Net Pension Liability
- Sensitivity Analysis
- Schedule of Changes in the Net Pension Liability
- Schedule of City Contributions

Actuarial Section

- Summary of Assumptions
  - Funding Method, Asset Valuation Method, Interest Rate
  - Payroll Growth
  - Probabilities of Age & Service Retirement
  - Probabilities of Separation from Active Employment Before Age & Service Retirement
- Short-Term Solvency Test
- Membership Data
- Analysis of Financial Experience
- Schedule of Funding Progress
- Computed and Actual City Contributions

Respectfully submitted,

CAVANAUGH MACDONALD CONSULTING, LLC

Patrice Beckham

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

Summary of Actuarial Assumptions and Methods

Actuarial assumptions are suggested by the retirement system actuary and approved by the Retirement Board.

The investment rate of return is 7.50% per year (adopted 7/9/13) based on an underlying rate of inflation of 3.0% per year (adopted 2/12/08).

The System uses a 5-year smoothing of actual vs. expected return on market value approach to value plan assets for actuarial purposes. (Adopted 9/20/11)

For healthy and disabled retirees and surviving beneficiaries, and all active employees, the System uses the RP-2000 Tables for both males and females (adopted 2/12/08).

The rates to measure the probabilities of age and service retirements are included in the Rates of Retirement table on the following pages.

Tables for Rates of Separation from Active Membership and Rates of Disability are shown on the following pages.

The projected average salary increase attributable to inflation is 3.75% (adopted 7/9/13); merit and longevity increases range from 0.0% to 5.0% (adopted 7/9/13) depending upon the sample years of service. These increases include an underlying assumption of 3.0% for inflation (adopted 2/12/08). The table for Pay Increase Assumptions is shown on the following pages.

Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using the entry age normal actuarial cost method. Unfunded actuarial accrued liabilities were amortized by level percent of payroll contributions (principal and interest combined) over an open 30 year period. (Adopted 7/9/13)

The System assumes the Retirement Board will grant a 2.5% cost of living adjustment, as allowed by state statute, in each year that statutory provisions are met. (Adopted 7/9/13)

The System periodically prepares a study using actual experience in order to develop assumptions to be used in its actuarial valuations. The latest study was completed in July 2013 for the period May 1, 2007 through April 30, 2012. The Retirement Board adopted the recommendations and assumptions from the July 2013 experience study for the valuation dated April 30, 2013 at the July 9, 2013 board meeting.

The most recent valuation was completed by Cavanaugh Macdonald Consulting, LLC and was based on members of the System as of April 30, 2015. All census data was supplied by the System and was subject to reasonable consistency checks. Cavanaugh Macdonald Consulting, LLC completed the 2011 through 2015 valuations. Milliman, Inc. completed the 2007 through 2010 valuations. Gabriel, Roeder, Smith & Company completed the valuations from 2002 through 2006. William M. Mercer, Inc. completed all previous valuations.

Summary of Actuarial Assumptions and Methods (Continued)

Mortality Tables. For active members, the RP-2000 Employee Table using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

For healthy retirees, the RP-2000 Healthy Annuitant Table using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

For disabled retirees, the RP-2000 Healthy Annuitant Table set forward 5 years using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

Rates of separation from active membership. The rates do not apply to members eligible to retire and do not include separation on account of death or disability. All vested members are assumed to leave their contributions with the Retirement System and receive a deferred benefit. This assumption measures the probabilities of members remaining in employment. (Adopted 7/9/13)

Sample Ages	% of Active Members Separating within Next Year
	All Members
25	5.51%
30	3.61%
35	2.21%
40	1.25%
45	0.25%
50	0.00%

Rates of Disability. These assumptions represent the probabilities of active members becoming disabled. It was assumed that 55% of disabilities would be duty related. (Adopted 2/12/08)

Sample Ages	% of Active Members Becoming Disabled within Next Year	
	Male	Female
30	0.062%	0.134%
35	0.312%	0.672%
40	0.416%	0.896%
45	0.437%	0.941%
50	0.759%	1.635%
55	1.456%	3.136%
60	2.579%	5.555%

Summary of Actuarial Assumptions and Methods (Continued)

Rates of Retirement. These rates are used to measure the probabilities of an eligible member retiring during the next year. Deferred members are assumed to retire at age 55 for Tier I and age 60 for Tier II. (Adopted 7/9/13)

Active Members Retiring Within Next Year	
Years of Service	**Percent Retiring**
25	25%
26	25%
27	20%
28	20%
29	20%
30	15%
31	15%
32	35%
33	30%
34	30%
35	100%

Pay increase assumptions for individual active members are shown below. (Adopted 7/9/13)

	Annual Rate of Pay Increase for Sample Years of Service		
Years of Service	**General Wage Growth**	**Merit and Longevity**	**Total**
0	3.75%	5.00%	8.75%
1	3.75%	5.00%	8.75%
2	3.75%	5.00%	8.75%
3	3.75%	5.00%	8.75%
4	3.75%	5.00%	8.75%
5	3.75%	5.00%	8.75%
10	3.75%	2.00%	5.75%
15	3.75%	0.00%	3.75%
20	3.75%	0.00%	3.75%

Schedule of Active Member Valuation Data

Ten Years Ended April 30, 2015

Valuation April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2006	1,355	$71,835,495	$53,015	0.8%
2007	1,391	75,377,572	54,189	2.2%
2008	1,433	81,825,577	57,101	5.4%
2009	1,410	84,741,206	60,100	5.3%
2010	1,418	85,500,737	60,297	0.3%
2011	1,391	86,762,488	62,374	3.4%
2012	1,366	83,143,924	60,867	(2.4%)
2013	1,359	85,903,657	63,211	3.9%
2014	1,408	91,050,890	64,667	2.3%
2015	1,397	91,864,876	65,759	1.7%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Ten Years Ended April 30, 2015

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Year Ended April 30	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	% Increase in Annual Benefits	Average Annual Benefits
2006	37	$1,317,604	25	$407,332	1186	$34,524,112	5.1	$29,110
2007	42	1,352,192	39	783,851	1189	35,867,172	3.9	30,166
2008	45	1,259,038	46	803,604	1188	37,132,056	3.5	31,256
2009	26	926,993	28	523,897	1186	38,357,598	3.3	32,342
2010	38	1,426,523	23	533,519	1201	39,272,337	2.4	32,700
2011	33	1,175,093	32	699,395	1202	40,616,220	3.4	33,791
2012	43	1,782,017	36	974,256	1209	42,319,944	4.2	35,004
2013	57	2,427,998	26	638,909	1240	45,035,688	6.4	36,319
2014	45	1,921,853	42	1,120,677	1243	46,645,440	3.6	37,527
2015	48	1,976,226	39	914,248	1252	48,530,088	4.0	38,762

Benefit amounts do not include $420 supplemental benefit.

Short-Term Solvency Test

Valuation Date April 30	ENTRY AGE ACTUARIAL ACCRUED LIABILITIES (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Financed Portion)	Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
2006	$59,717,930	$476,677,326	$238,876,729	$635,621,582	100%	100%	42%
2007	64,314,276	487,633,976	255,953,924	698,078,688	100	100	57
2008	70,012,081	511,571,757	269,179,907	742,060,223	100	100	60
2009	76,321,890	521,607,916	295,629,284	641,176,940	100	100	15
2010	81,310,956	526,521,860	307,630,221	722,464,003	100	100	37
2011	86,306,128	537,670,377	316,632,587	715,764,084	100	100	29
2012	91,427,576	551,677,775	329,022,523	734,375,923	100	100	28
2013	93,709,417	554,078,691	316,514,107	749,617,334	100	100	32
2014	100,221,012	568,199,815	337,822,316	773,338,034	100	100	31
2015	106,540,143	585,754,594	344,962,180	803,672,621	100	100	32

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

Analysis of Financial Experience

Year Ended April 30, 2015

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below.

	Millions
Unfunded Actuarial Accrued Liability, April 30, 2014	$232.9
- effect of contributions less than actuarial rate	0.0
- expected change due to amortization method	4.4
- loss from investment return on actuarial assets	10.9
- demographic experience[1]	(15.5)
- all other experience	0.9
Unfunded Actuarial Accrued Liability, April 30, 2015	$233.6

[1] Liability gain is about 1.49% of total actuarial liability

Schedule of Funding Progress

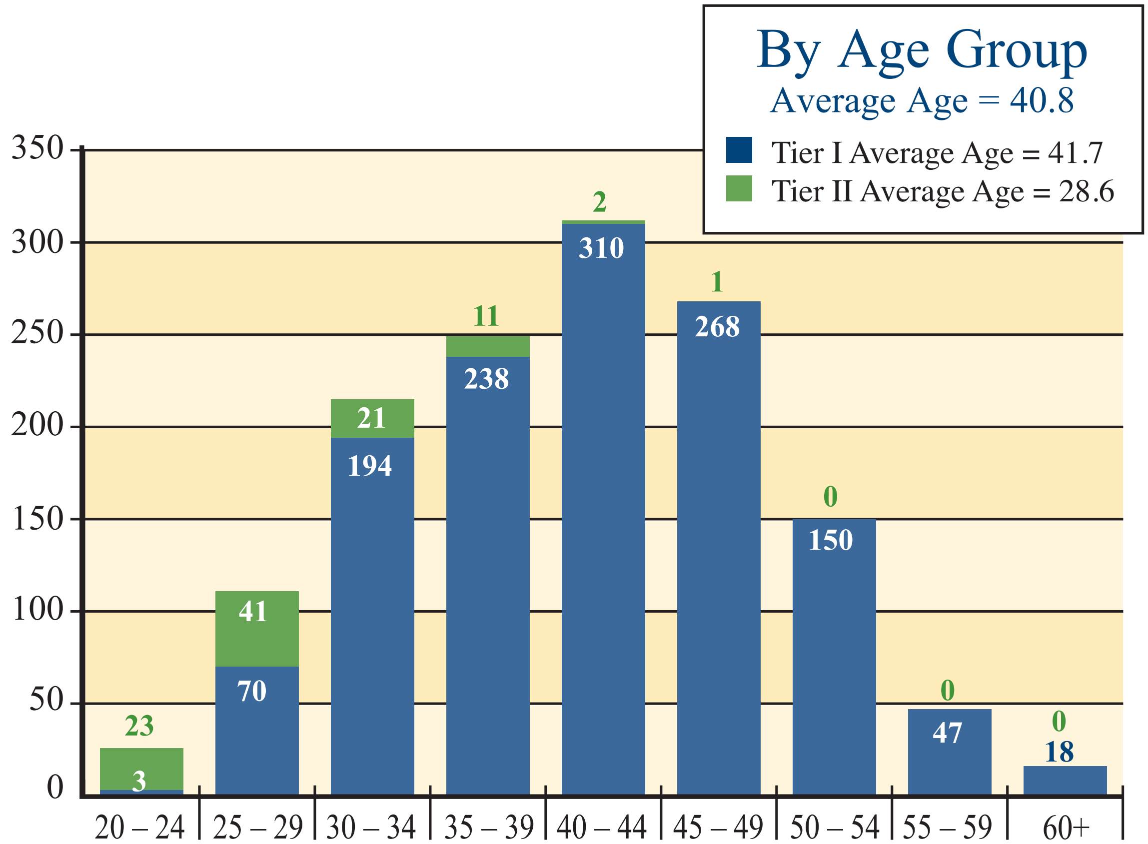
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b–a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Active Member Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
4/30/06	$635,621,582	$775,271,985	$139,650,403	82%	$71,835,495	194%
4/30/07	698,078,688	807,902,176	109,823,488	86%	80,111,515	137%
4/30/08	742,060,223	850,763,745	108,703,522	87%	86,700,836	125%
4/30/09	641,176,940	893,559,090	252,382,150	72%	89,884,411	281%
4/30/10	722,464,003	915,463,037	192,999,034	79%	90,475,241	213%
4/30/11	715,764,084	940,609,092	224,845,008	76%	88,444,971	254%
4/30/12	734,375,923	972,127,874	237,751,951	76%	87,880,774	271%
4/30/13	749,617,334	964,302,215	214,684,881	78%	90,708,350	237%
4/30/14	773,338,034	1,006,243,143	232,905,109	77%	96,150,178	242%
4/30/15	803,672,621	1,037,256,917	233,584,296	77%	97,103,400	241%

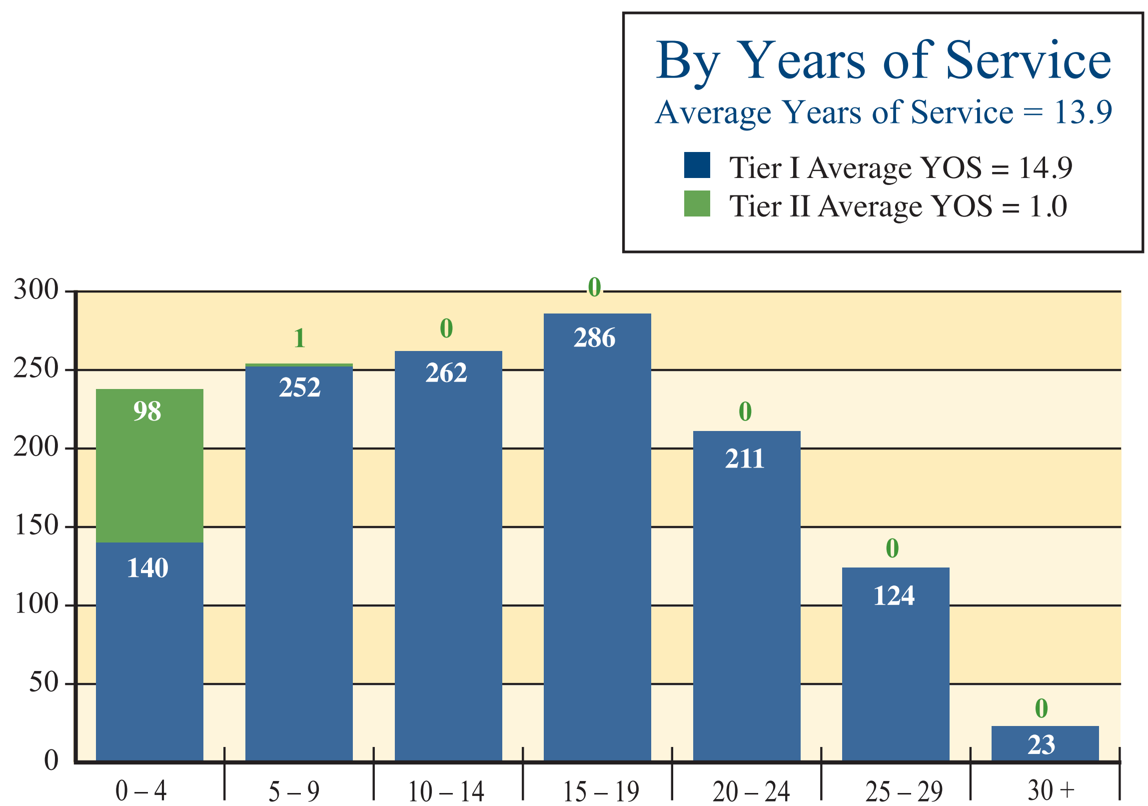
Schedule of Computed and Actual City Contributions*

Year Ended April 30	Actuarial Determined Contributions	Actual Contributions
2006	$18,992,671	$13,729,225
2007	21,444,703	14,526,734
2008	22,749,385	15,747,111
2009	24,311,281	16,700,688
2010	23,642,278	16,645,229
2011	34,363,170	16,532,015
2012	31,756,810	16,476,608
2013	33,840,461	16,933,694
2014	35,507,348	20,528,569
2015	25,739,061	25,739,061

* Does not include $200 per eligible member supplemental contributions.

Active Membership





Summary Plan Description at April 30, 2015

Membership

All police officers who serve as law enforcement officers for compensation shall become members of the Police Retirement System of Kansas City, Missouri as a condition of their employment. Members do not include police commissioners, reserve officers, or civilian employees.

Tier I members include employees hired before August 28, 2013.

Tier II members include employees hired on or after August 28, 2013.

Any Tier I member who terminates their membership and later returns to membership on or after August 28, 2013 will become a Tier II member.

Creditable Service

Membership service includes all service rendered as a police officer for compensation. Creditable service includes current membership service and may also include purchases of prior service, military service, and other qualifying public service.

Service Interruptions
With certain exceptions, any time a member is on leave without compensation, the member will not receive creditable service in the Retirement System for such period of time. However, upon returning from unpaid leave to active service, the member may purchase creditable service for such time by paying the actuarial cost calculated at the time of the purchase. Under certain conditions, members who have been on a period of unpaid leave for military purposes may receive creditable service without being required to pay the actuarial cost. Creditable service does not include any time a member is suspended from service without pay.

Prior Service
A member who terminates membership with five years or more of creditable service and later returns to membership may purchase credit toward retirement for that prior service. The cost shall be determined using the member's portion of actuarial rates.

Prior Military Service
Members may elect to purchase creditable service in the Retirement System based upon any active duty time they served in the U.S. military prior to employment with the Kansas City, Missouri Police Department. A member may purchase up to two years of qualifying military service. The cost shall be determined at the time of purchase using current actuarial rates, and must be paid in full prior to retirement.

Other Public Employment
Under Section 105.691 RSMo., a member who has been employed in nonfederal public employment in the State of Missouri prior to becoming a member of the Police Retirement System may purchase service up to the actual number of years of public service in an eligible position. A member becomes eligible under this section after they have been a member of the Police Retirement System for five years. The cost shall be determined using actuarial rates.

Contributions

All members contribute a percentage of their base pay until they retire or have completed 32 years of creditable service. The member contribution rate is 11.55% of base pay. Member contributions are made through payroll deduction on a pre-tax basis and paid into the Retirement System by the Board of Police Commissioners each pay period.

As of May 1, 2014, the City of Kansas City, Missouri will contribute the actuarial required amount of $25.7 million based on a projected payroll of $94.1 million using a contribution rate of 27.35% of members' base pay. Future contribution rates will be based on actuarial requirements. The City of Kansas City, Missouri also contributes $200 per month for each person receiving the Supplemental Retirement Benefit.

Retirement Benefits

A Tier I member is eligible to retire after completing 25 or more years of creditable service.

A Tier II member is eligible to retire after completing 27 or more years of creditable service.

Members can continue to accrue creditable service until they reach 32 years. Members with 32 years of creditable service in the Retirement System may remain in active service with the Police Department until they reach a total of 35 years of service. Members must retire at age 65.

Pension benefits begin in the month following the member's effective retirement date.

Age and Service Retirement

Upon retirement, a Tier I member with at least 25 years of creditable service or who is age 60 with at least 10 years of creditable service, or a Tier II member with at least 27 years of creditable service or who is age 60 with at least 15 years of creditable service shall receive an annual pension calculated as follows:

For a member retiring on or after August 28, 2013, the annual benefit is calculated by multiplying 2.5% of the member's Final Compensation by the number of years of total creditable service. The pension benefit may not exceed 80% of the member's Final Compensation.

For a member retiring on or after August 28, 2000 and before August 28, 2013, the annual benefit is calculated by multiplying 2.5% of the member's Final Compensation by the number of years of total creditable service. The pension benefit may not exceed 75% of the member's Final Compensation.

For a member retiring before August 28, 2000, the annual benefit was calculated by multiplying 2.0% of the member's Final Compensation by the number of years of total creditable service. The pension benefit may not exceed 60% of the member's Final Compensation.

Final Compensation of a Tier I member is generally the member's average annual compensation over the 24 months of service for which the member received the highest base salary.

Final Compensation of a Tier II member is generally the member's average annual compensation over the 36 months of service for which the member received the highest base salary.

A Tier II member who is married at the time of retirement may, with their spouse's consent, select an optional annuity in lieu of a normal pension. The optional annuity provides a monthly pension to the member for life and, upon the death of the member, provides an amount to the surviving spouse that is either equal to the amount the member was receiving or 75% of the amount the member was receiving at the time of death. The value of the optional annuity will be the actuarial equivalent of the member's normal pension amount at the date of retirement, including the value of survivorship rights for the surviving spouse. The optional annuity will be paid to the member's surviving spouse for life without regard to remarriage.

Minimum Pension Benefit
Any member who retired entitled to a pension benefit and who either has at least 25 years of creditable service or is retired as a result of an injury or illness, shall receive a minimum monthly benefit of not less than $600 in combined pension benefit and cost-of-living adjustments. A surviving spouse qualifies for the minimum monthly benefit if the officer had at least 25 years of creditable service, died in service, or was retired as a result of an injury or illness. The minimum monthly pension benefit is in addition to the Supplemental Retirement Benefit.

Disability Benefits
A member eligible for disability benefits must be in active service and have a permanent disability that prevents the member from performing the full and unrestricted duties of a police officer. A duty disability is the exclusive result of an accident occurring within the actual performance of duty or through an occupational disease arising out of and in the course of employment. A non-duty disability is the result of an injury or illness not exclusively caused by the actual performance of official duties or the member's own negligence.

A member eligible for a duty disability pension, as certified by the Medical Board of the Retirement System to the Board of Police Commissioners shall have no age or service requirement. Duty disability pensions are calculated as follows and shall be paid for as long as the permanent disability shall continue:

A member retiring on or after August 28, 2013 will receive a pension equal to 80% of the member's Final Compensation.

A member retiring on or after August 28, 2001 and before August 28, 2013 will receive a pension equal to 75% of the member's Final Compensation.

A member retiring before August 28, 2001 will receive a pension equal to 60% of the member's Final Compensation.

The pension may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law.

A member eligible for a non-duty disability pension, as certified by the Medical Board of the Retirement System to the Board of Police Commissioners, must have 10 or more years of creditable service and will receive a pension equal to 2.5% of the member's Final Compensation multiplied by the number of years of the member's creditable service for so long as the permanent disability shall continue.

Any disability retiree who is not age 60 may be required by the Retirement Board to undergo periodic medical examinations.

Partial Lump-sum Option Payment (PLOP)
A Partial Lump-sum Option Payment (PLOP) is available to members who have one or more years of creditable service beyond their eligible retirement date. A member with one or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to 12 times the initial monthly base pension they would have received without making the PLOP election.

A member with two or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to 24 times the initial monthly base pension they would have received without making the PLOP election.

A member with three or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to 36 times the initial monthly base pension they would have received without making the PLOP election.

When a member makes an election to receive a PLOP, the member's base pension calculated at the time of retirement will be actuarially reduced to reflect the PLOP payment. The reduction in a member's retirement benefit with a PLOP is dependent upon the member's age, marital status and the amount of the PLOP.

Survivor Benefits

Upon the death of a member in service or of a member after retirement, there shall be paid the following:

If a member dies while in service, the surviving spouse shall be paid a base annual pension equal to 40% of the Final Compensation of the member.

If a Tier I member dies after commencement of pension benefits, and after August 28, 1999, the member's surviving spouse shall be paid a pension and/or special consultant supplement in an amount equal to 80% of the pension being received by the member, including cost of living adjustments, at the time of the member's death.

If a Tier II member retired and did not elect an optional spousal annuity in lieu of a normal pension, the surviving spouse shall receive a pension payable for life equaling 50% of the member's benefit as of the member's retirement date, plus cost of living adjustments.

If a Tier II member retired and elected an optional spousal annuity, the surviving spouse shall receive (depending on the member's election) either the same amount as the member was receiving at the time of death or 75% of the amount the member was receiving at the time of death and will be paid such amount for the lifetime of such surviving spouse.

The benefit amounts calculated above are in addition to the Supplemental Retirement Benefit.

A member's child or children under the age of 18, at the time of the member's death, shall be paid $50.00 per month each. Each child who is a full-time student may continue to receive payments until they reach the age of 21. Any child who is physically or mentally incapacitated from earning wages shall be entitled to the same benefits as a child under the age of 18.

A funeral benefit of $1,000.00.

If there is no qualified surviving spouse, or if the surviving spouse dies, the pension to which the surviving spouse would be entitled shall be payable to the qualified child or children of the deceased member in equal shares.

If there is no surviving spouse or children qualified to receive a pension, the remainder of the accumulated contributions of the deceased member, and any prorated benefit for the month of the member's death shall be paid to a named beneficiary.

For entitlement to benefits, the surviving spouse of a member who retired on or after August 28, 1997 must have been married to the member at the time of the member's retirement. The surviving spouse of a member who retired prior to August 28, 1997 must have been married to the member for at least two years prior to the member's retirement.

A surviving spouse applying for a pension must furnish a copy of their marriage certificate and the death certificate of the deceased member. Children applying for a pension must furnish a copy of the death certificate and a copy of their birth certificate.

Any prorated benefit for the month of a surviving spouse's death shall be paid to a named beneficiary.

When the surviving spouse or children receive Workers' Compensation benefits on account of the death of a member in service, the amounts of any payments under this section may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law.

Cost of Living Adjustments
Members, including surviving spouses, may receive an annual cost of living adjustment in an amount not to exceed 3% of their respective base pension. Statutes require that the Retirement System remain actuarially sound and that the Retirement Board must act upon the advice of a qualified actuary when granting cost of living adjustments. A Tier I member is eligible for the cost of living increase if they were retired by December 31 of the prior year. With certain exceptions, a Tier II member becomes eligible for the cost of living increase in the year following the year in which they would have attained 32 years of creditable service. The annual cost of living increase is normally granted on the May 31 retirement check.

Supplemental Retirement Benefit
All retired Tier I members and eligible surviving spouses receive a supplemental retirement benefit, currently in the amount of $420.00 monthly, in addition to pension benefits. All retired Tier II members and eligible surviving spouses are eligible to receive a supplemental retirement benefit, currently in the amount of $200.00 monthly, in addition to pension benefits.

No supplemental benefit will be paid in any month when only a partial monthly pension payment is made due to the death of a member or survivor.

Resignation or Termination
Upon resignation or termination of a member, with less than 15 years of creditable service, the member will be paid the amount of the member's contributions and this return of contributions shall be in lieu of any and all benefits to which the member might be entitled. The member will receive their accumulated contributions in one lump sum payment without interest.

With 15 or more years of creditable service, a member may elect to leave their contributions in the Retirement System and will become entitled to future lifetime benefits upon meeting the eligibility requirements. A Tier I member becomes entitled to a pension beginning at age 55. A Tier II member becomes entitled to a pension beginning at age 60.

Any member who receives a refund of their member contributions, thereby terminating their membership in the Retirement System, and who later returns to membership on or after August 28, 2013 due to re-employment will become a Tier II member.

Service Connected Death Benefit

Upon receipt of the proper proofs that the death of a member in service was the natural result of an event occurring within the performance of duty or of an occupational disease arising out of and in the course of the member's employment, there shall be paid to the member's eligible surviving spouse, or eligible child or children, the sum of $50,000. Eligible children are children under the age of 21 or over the age of 21 if mentally or physically incapacitated from wage earning.

Amounts payable under this section shall not be subject to offset or reduction by amounts paid or payable under Workers' Compensation.

Retirement Board

The Retirement Board is composed of nine members, two are appointed by the Board of Police Commissioners, two are appointed by the City Council and five are elected by the membership of the Retirement Systems. The elected members must include one member of the Civilian Employees' Retirement System, one member retired from active service in the Police Retirement System, and one active member of the Police Retirement System who has not attained the rank of Sergeant or higher. Elections are held annually and board members are elected to serve for three-year terms.

The above summary is not intended to serve as a legal document or substitute for the law. In all circumstances the language of the actual text of the law and the policies adopted by the Retirement System Board will take precedence. Copies of sections 86.900 to 86.1280 of the Revised Statutes of Missouri, which govern the Police Retirement System of Kansas City, Missouri, are available on our web site at www.kcpers.org or upon request at the KCPERS Office.

Statistical Section

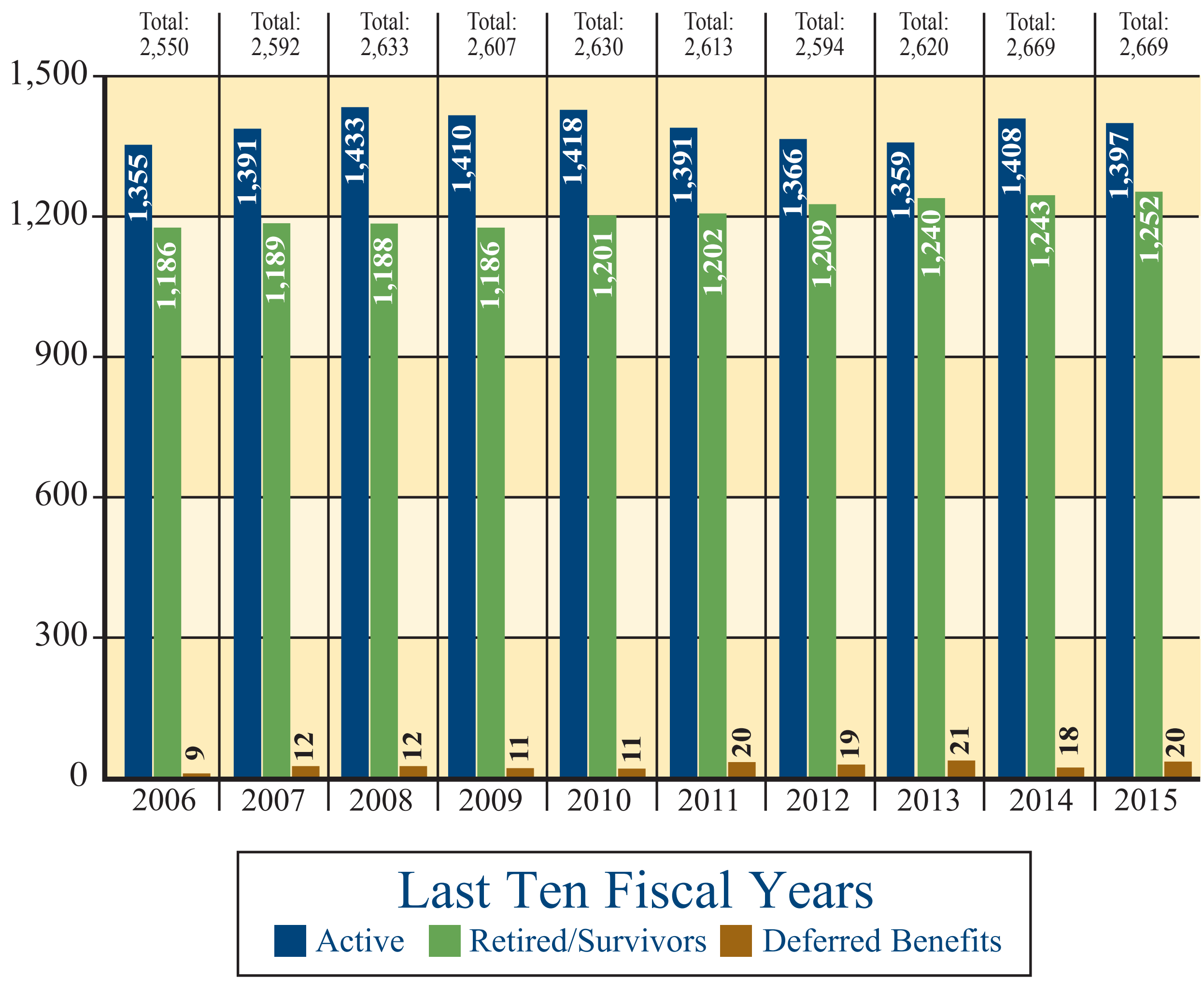
Statistical Summary

The Police Retirement System of Kansas City, Missouri has implemented the provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section. GASB Statement No. 44 established reporting requirements related to the supplementary information presented in this section.

Each of the schedules in the statistical section contain ten years of historical data to provide more comprehensive comparisons and track the progress of changes to member demographics and plan benefits.

All of the member demographic and benefit data used in the statistical section was obtained from internal sources. Participant data is separated into active, retired/survivor, and deferred categories where appropriate. Retirement benefit data is separated into service retirement, duty disability retirement, and non-duty disability retirement categories where appropriate.

Membership in Retirement Plan



Schedule of Changes in Plan Net Position

Last Ten Fiscal Years

Fiscal Year	2006	2007	2008	2009	2010
Additions:					
Member Contributions	$7,472,503	$7,814,142	$8,459,762	$8,982,366	$8,934,700
City Contributions	13,729,225	14,526,734	15,747,111	16,700,688	16,645,229
Net Investment Income	107,627,267	83,730,123	(911,856)	(180,354,444)	142,765,846
Total Additions to Plan Net Position	128,828,995	106,070,999	23,295,017	(154,671,390)	168,345,775
Deductions:					
Benefits	39,443,788	42,293,180	42,802,584	44,097,817	46,290,964
Refunds	457,355	694,903	621,174	746,454	231,947
Administrative	495,613	515,720	598,548	550,069	565,362
Total Deductions from Plan Net Position	40,396,756	43,503,803	44,022,306	45,394,340	47,088,273
Change in Net Position	$88,432,239	$62,567,196	($20,727,289)	($200,065,730)	$121,257,502

Fiscal Year	2011	2012	2013	2014	2015
Additions:					
Member Contributions	$9,223,994	$8,894,208	$9,343,416	$10,198,831	$10,874,921
City Contributions	16,532,015	16,476,608	16,933,694	22,241,769	28,933,261
Net Investment Income	82,002,086	(3,584,270)	55,542,099	66,842,964	46,951,094
Total Additions to Plan Net Position	107,758,095	21,786,546	81,819,209	99,283,564	86,759,276
Deductions:					
Benefits	46,377,135	48,578,196	50,979,009	52,627,501	55,006,617
Refunds	557,214	549,026	816,459	361,910	399,052
Administrative	631,281	552,751	576,470	535,628	549,742
Total Deductions from Plan Net Position	47,565,630	49,679,973	52,371,938	53,525,039	55,955,411
Change in Net Position	$60,192,465	($27,893,427)	$29,447,271	$45,758,525	$30,803,865

Schedule of Deductions from Plan Net Position for Benefits and Refunds by Type*

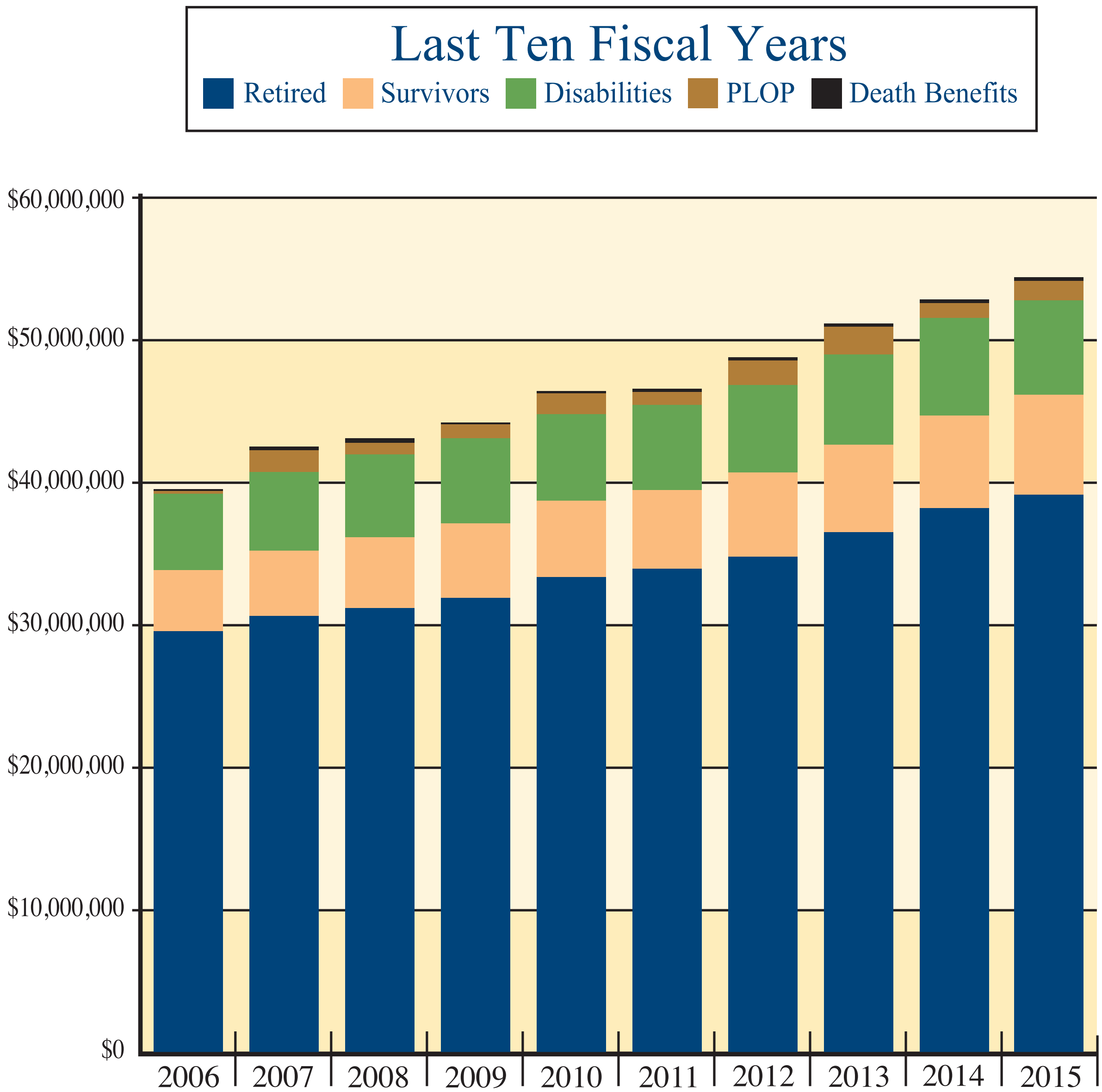
Last Ten Fiscal Years

Fiscal Year	2006	2007	2008	2009	2010
Type of Benefit:					
Retired	$29,564,876	$30,657,765	$31,212,247	$31,911,809	$33,368,992
Survivors	4,317,777	4,546,298	4,943,672	5,233,830	5,384,022
Disabilities	5,326,293	5,544,299	5,827,078	5,978,251	6,065,418
PLOP	219,842	1,522,818	790,587	957,927	1,455,532
Death Benefits	15,000	22,000	29,000	16,000	17,000
Total Benefits	$39,443,788	$42,293,180	$42,802,584	$44,097,817	$46,290,964
Type of Refund:					
Separation	$457,355	$694,903	$621,174	$746,454	$231,947
Death	–	–	–	–	–
Total Refunds	$457,355	$694,903	$621,174	$746,454	$231,947

Fiscal Year	2011	2012	2013	2014	2015
Type of Benefit:					
Retired	$33,964,741	$34,794,455	$36,539,274	$38,206,133	$39,215,578
Survivors	5,513,933	5,936,074	6,106,116	6,513,492	6,802,463
Disabilities	5,983,509	6,124,737	6,345,482	6,829,946	7,272,582
PLOP	889,952	1,697,930	1,967,137	1,052,930	1,690,994
Death Benefits	25,000	25,000	21,000	25,000	25,000
Total Benefits	$46,377,135	$48,578,196	$50,979,009	$52,627,501	$55,006,617
Type of Refund:					
Separation	$557,214	$441,701	$682,890	$361,910	$399,052
Death	–	107,325	133,569	–	–
Total Refunds	$557,214	$549,026	$816,459	$361,910	$399,052

*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

Schedule of Deductions from Plan Net Position for Benefits and Refunds by Type* (Continued)



*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

Schedule of Retired Members by Type of Benefit

April 30, 2015

Amount of Monthly Benefit*	Total Monthly Benefits*	Total Number of Recipients	Type of Benefit				
			Retired	Surviving Spouses	Surviving Children	Duty Disability	Non-Duty Disability
$1 to 500	$400	8			8		
501 to 1,000	6,652	8	2	3	3		
1,001 to 1,500	41,941	35	6	25	1	1	2
1,501 to 2,000	111,264	63	14	37		9	3
2,001 to 2,500	222,851	98	21	61	1	7	8
2,501 to 3,000	382,968	139	60	48	1	18	12
3,001 to 3,500	710,586	215	158	37		9	11
3,501 to 4,000	742,339	198	157	10		23	8
4,001 to 4,500	869,861	206	183	4		14	5
4,501 to 5,000	717,743	152	124	4		24	
5,001 to 5,500	293,019	56	36	2		16	2
5,501 to 6,000	205,390	36	31	1		4	
Over 6,000	259,113	38	38				
Totals	**$4,564,126**	**1,252**	**830**	**232**	**14**	**125**	**51**

*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

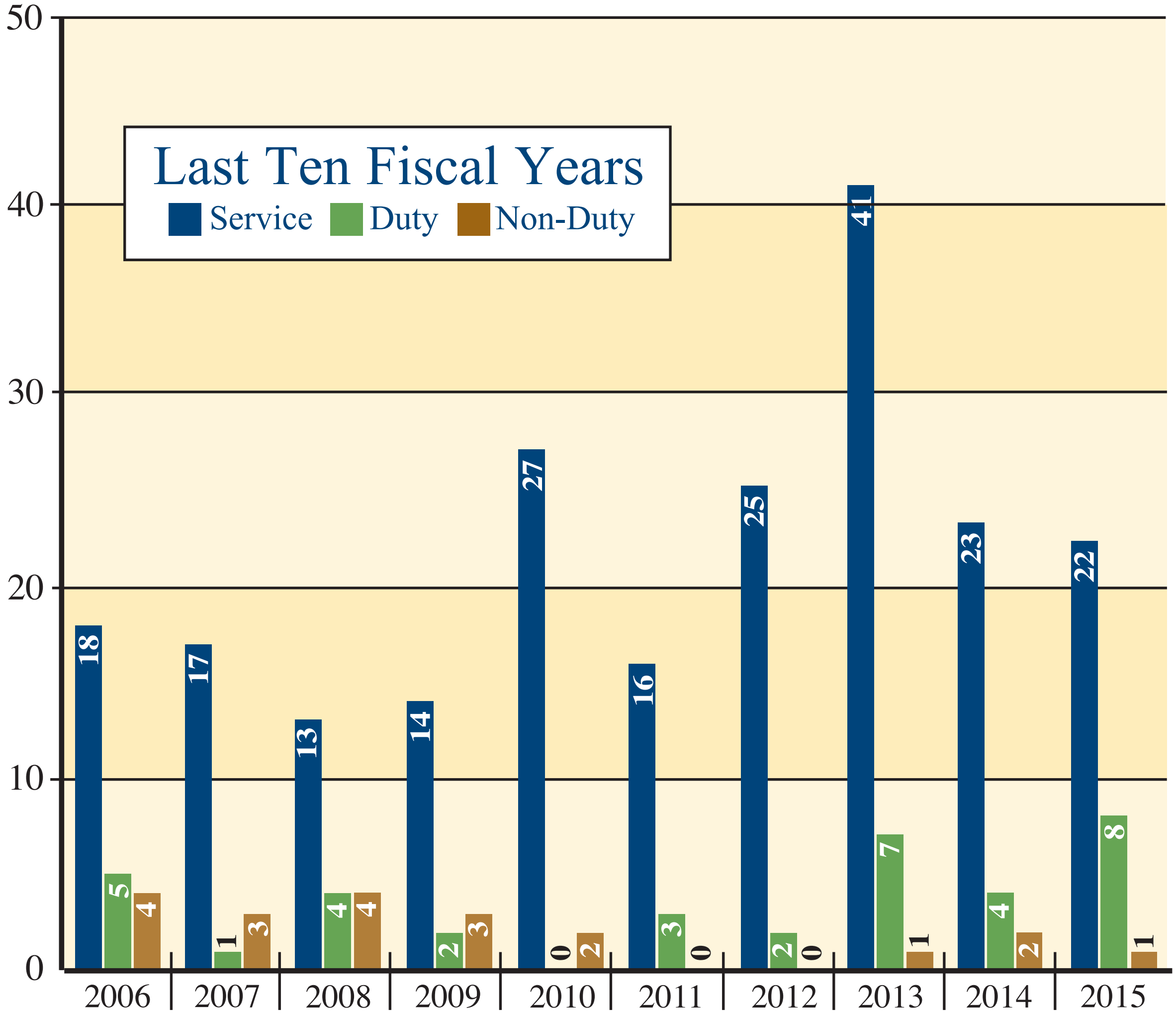
Schedule of Average Monthly Base Benefit Amounts*

Ten Years Ended April 30, 2015

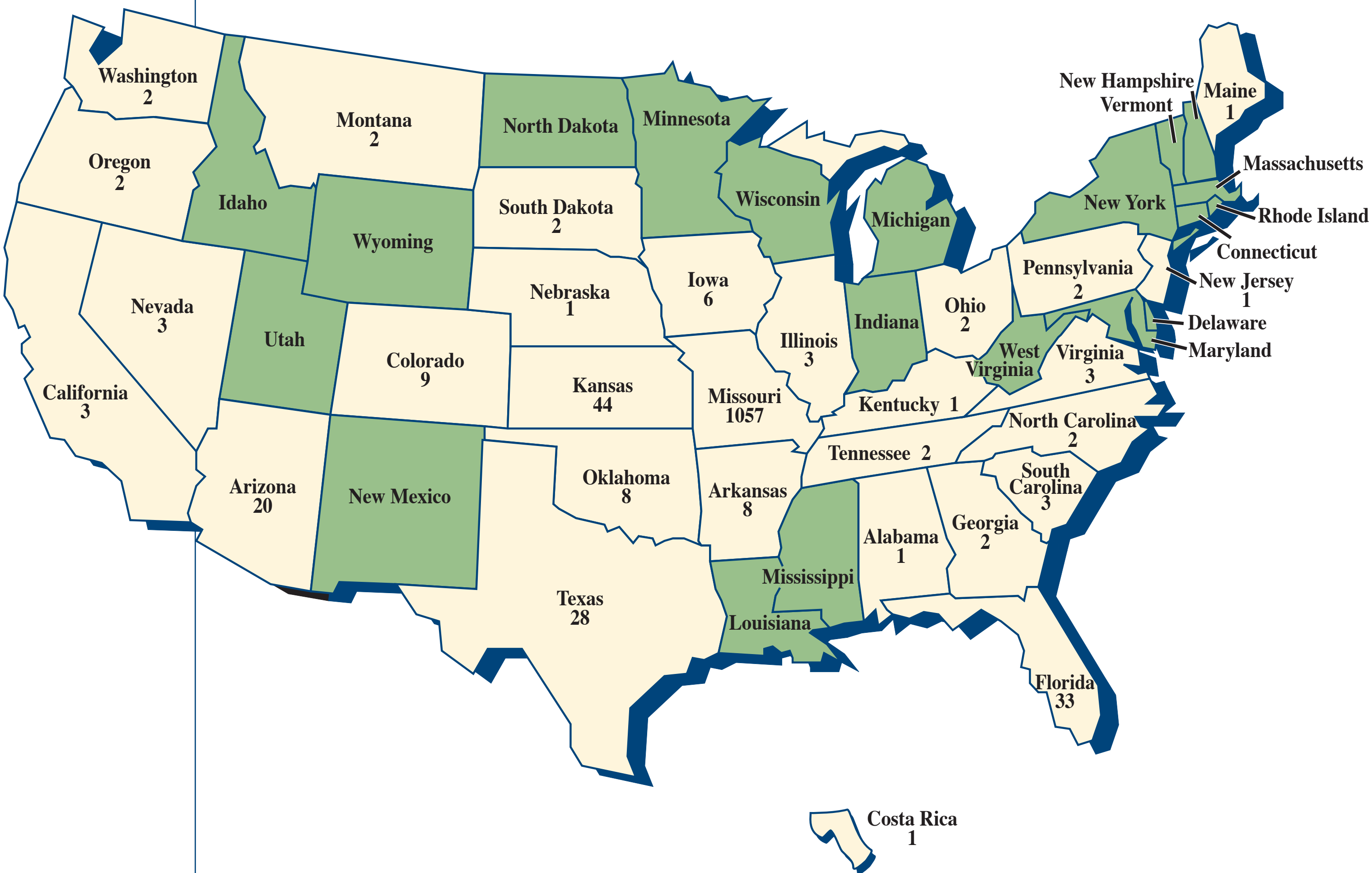
	Years Credited Service							
Members Retiring During	**<25**	**25–26**	**26–27**	**27–28**	**28–29**	**29–30**	**30+**	**All Members**
Fiscal Year Ending 04/30/06								
Average monthly benefit	$2,975	3,767	3,602	3,187	3,272	2,829		3,356
Average final compensation	$4,947	5,932	5,566	4,685	4,633	4,669		5,331
Number of retirees	10	7	7	1	1	1		27
Fiscal Year Ending 04/30/07								
Average monthly benefit	$2,168	2,954	2,848		3,311	4,226		3,505
Average final compensation	$4,969	4,691	4,705		4,730	6,405		5,739
Number of retirees	5	2	1		1	12		21
Fiscal Year Ending 04/30/08								
Average monthly benefit	$2,553	3,405		3,876	2,778	3,814		3,206
Average final compensation	$4,584	5,360		6,084	4,922	5,778		5,243
Number of retirees	7	5		3	2	4		21
Fiscal Year Ending 04/30/09								
Average monthly benefit	$2,646	3,537		5,550	2,965	3,827		3,345
Average final compensation	$5,163	5,644		8,048	5,152	5,932		5,648
Number of retirees	8	2		1	1	7		19
Fiscal Year Ending 04/30/10								
Average monthly benefit	$2,474	3,580	3,705	4,230	3,006	4,297		3,616
Average final compensation	$5,394	5,691	5,885	6,546	5,276	6,605		6,022
Number of retirees	7	6	2	3	1	10		29
Fiscal Year Ending 04/30/11								
Average monthly benefit	$3,553	3,469	4,271	3,996	4,340	4,190		3,912
Average final compensation	$4,978	5,428	6,829	5,950	6,847	6,502		5,985
Number of retirees	4	4	3	2	2	4		19
Fiscal Year Ending 04/30/12								
Average monthly benefit	$4,087	3,711	3,668	3,341	4,114	4,796		4,021
Average final compensation	$5,449	5,893	5,697	5,601	6,735	7,437		6,308
Number of retirees	2	8	4	2	5	6		27
Fiscal Year Ending 04/30/13								
Average monthly benefit	$3,076	3,659	4,004	3,977	3,536	4,463		3,693
Average final compensation	$5,242	5,809	6,038	6,266	5,801	7,101		5,929
Number of retirees	12	14	6	5	5	7		49
Fiscal Year Ending 04/30/14								
Average monthly benefit	$3,746	4,084	3,845		4,032	3,449	4,609	4,079
Average final compensation	$5,747	6,469	5,931		5,692	5,656	7,037	6,298
Number of retirees	8	7	4		1	1	8	29
Fiscal Year Ending 04/30/15								
Average monthly benefit	$4,477	3,709	4,079	3,938	3,412	4,378	4,647	4,096
Average final compensation	$5,760	5,892	6,316	6,626	6,063	5,901	7,222	6,120
Number of retirees	9	6	5	4	3	2	2	31

*Benefit amounts do not include supplemental benefits or cost of living adjustments.
*Benefit amounts are after reductions for optional benefits.

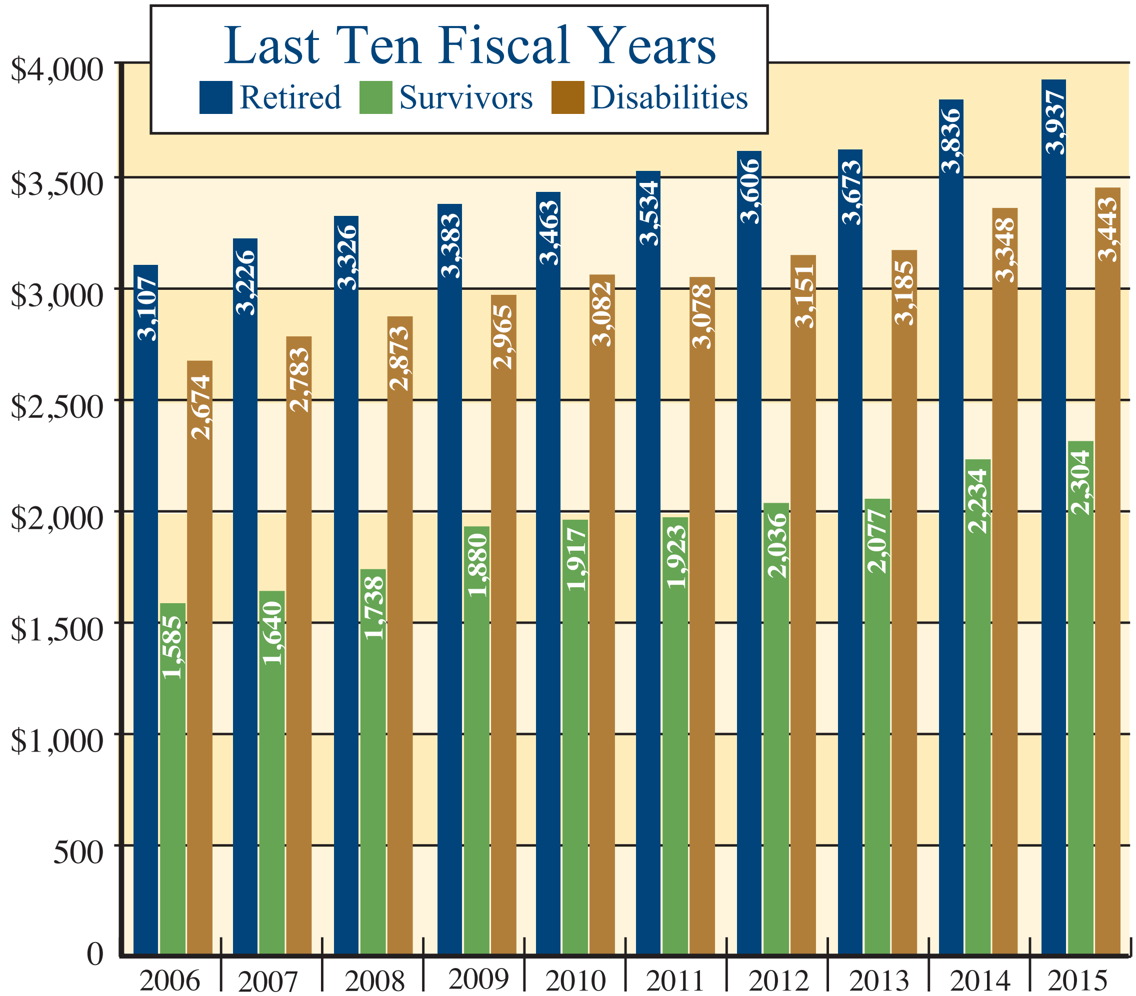
New Pensions Started



Retiree Distribution by State



Average Monthly Benefit*



* Benefit amounts include $420 supplemental benefit for eligible members

* Benefit amounts include cost of living adjustments

Cost of Living Increases

Ten Year History

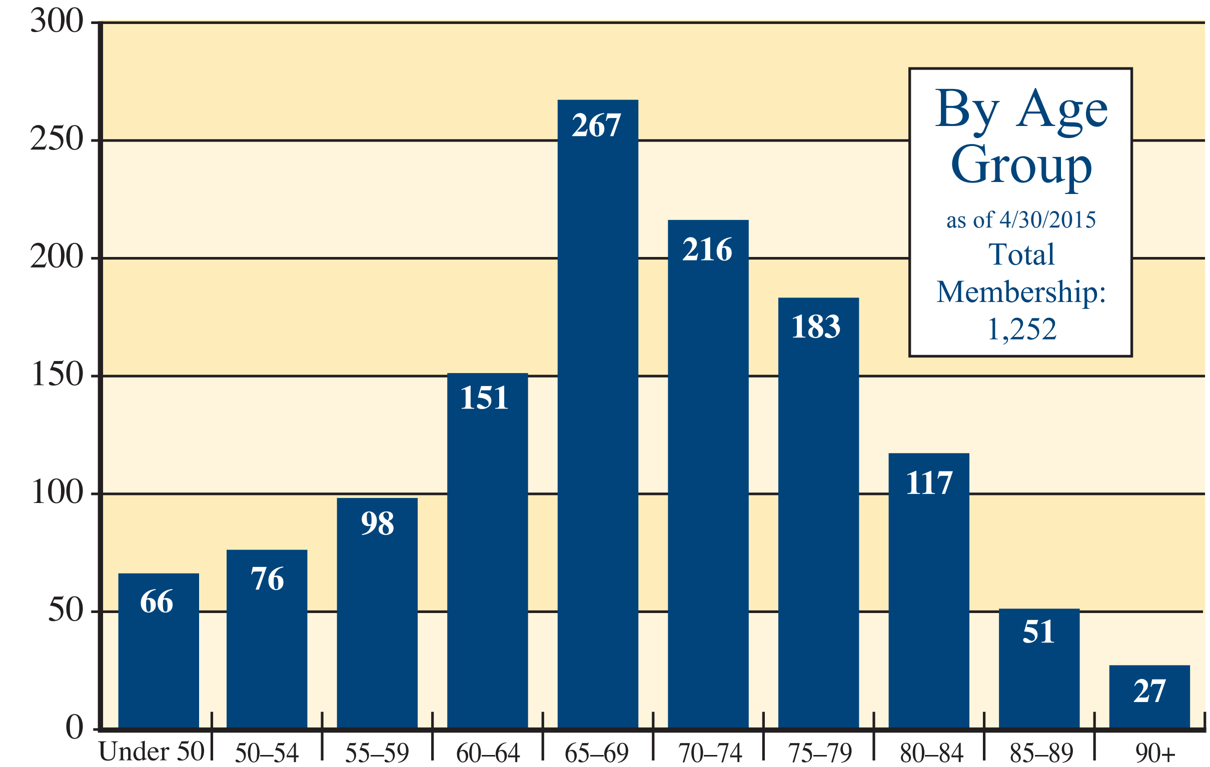
Fiscal Year	% Increase to Monthly Base Pension
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%
2010	3.00%
2011	0.00%
2012	3.00%
2013	3.00%
2014	3.00%
2015	2.50%

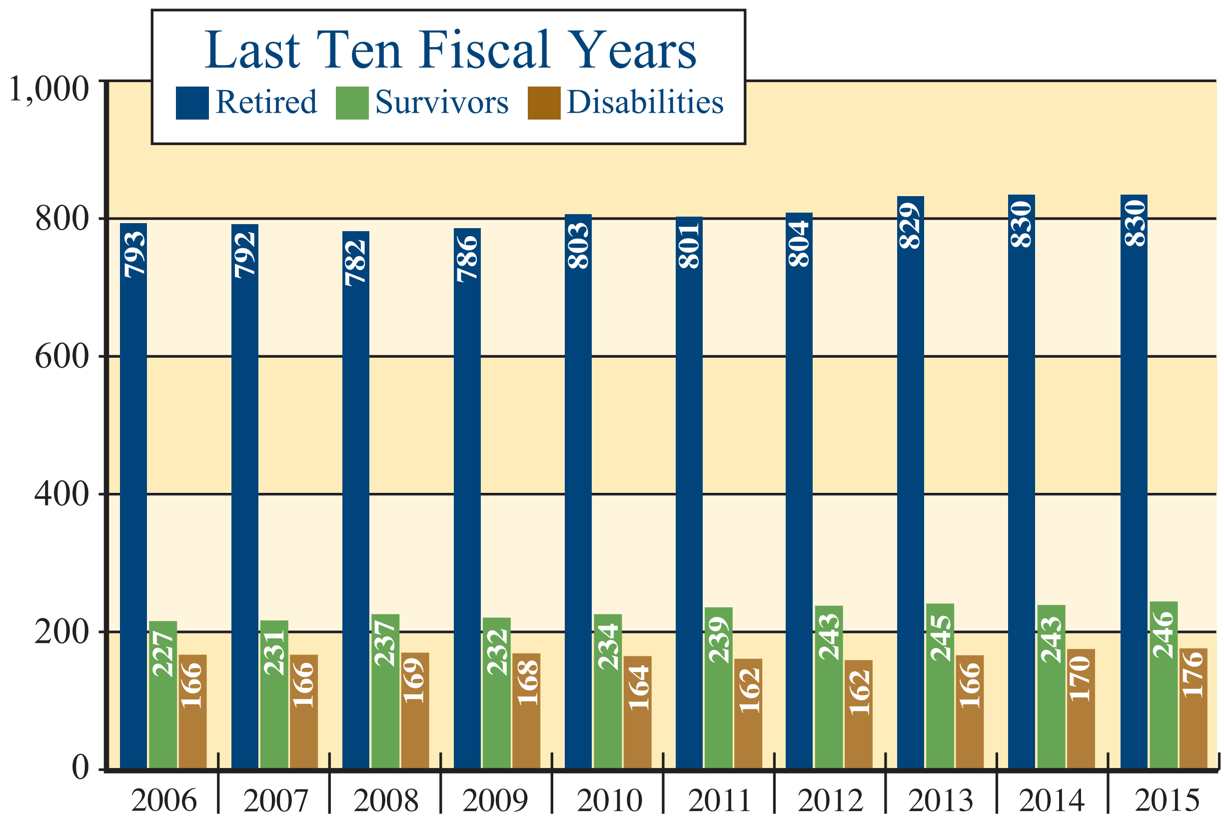
Supplemental Retirement Benefit

History of Increases

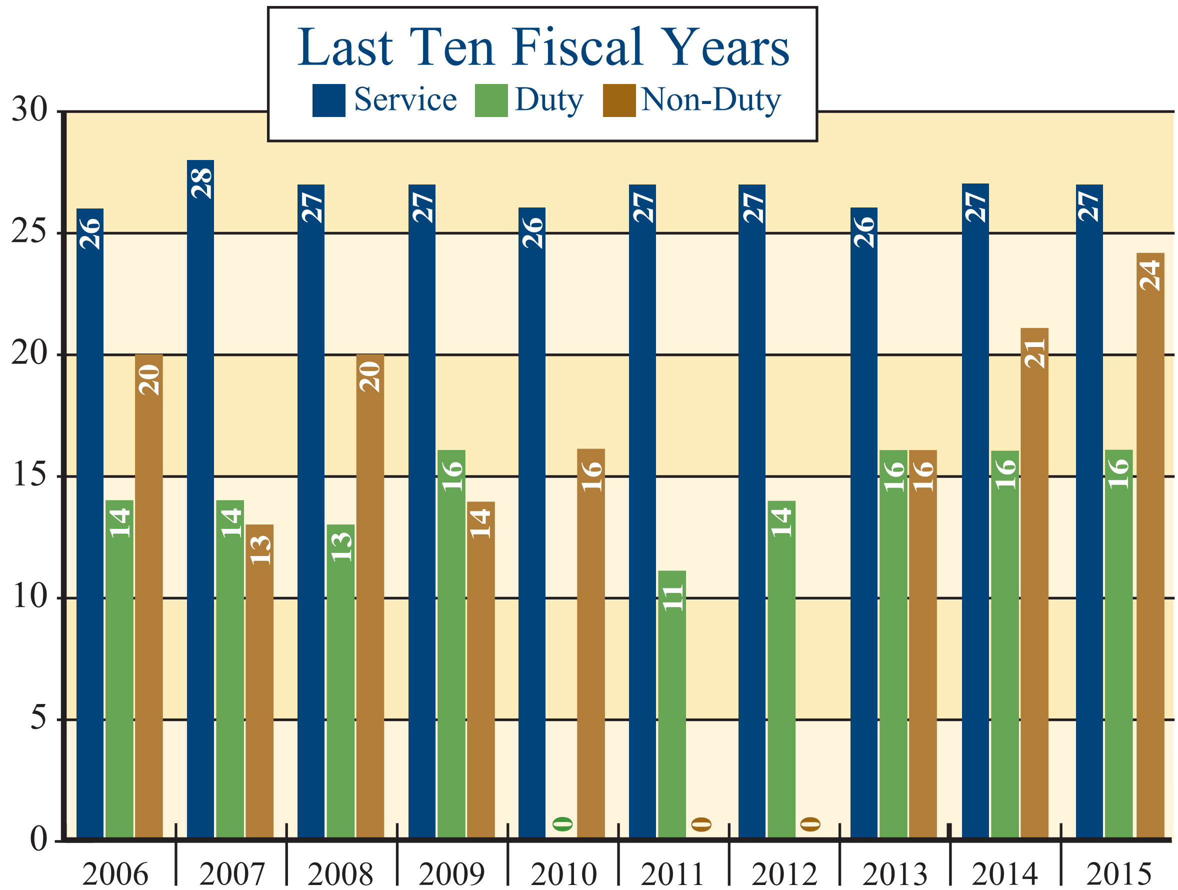
Fiscal Year	Monthly Benefit Amount	Annual Benefit Amount
1992	$50.00	$600.00
1993	70.00	840.00
1994	80.00	960.00
1995	90.00	1,080.00
1996	140.00	1,680.00
1997	180.00	2,160.00
1998	230.00	2,760.00
1999	270.00	3,240.00
2000	380.00	4,560.00
2001	420.00	5,040.00

Membership Receiving Benefits

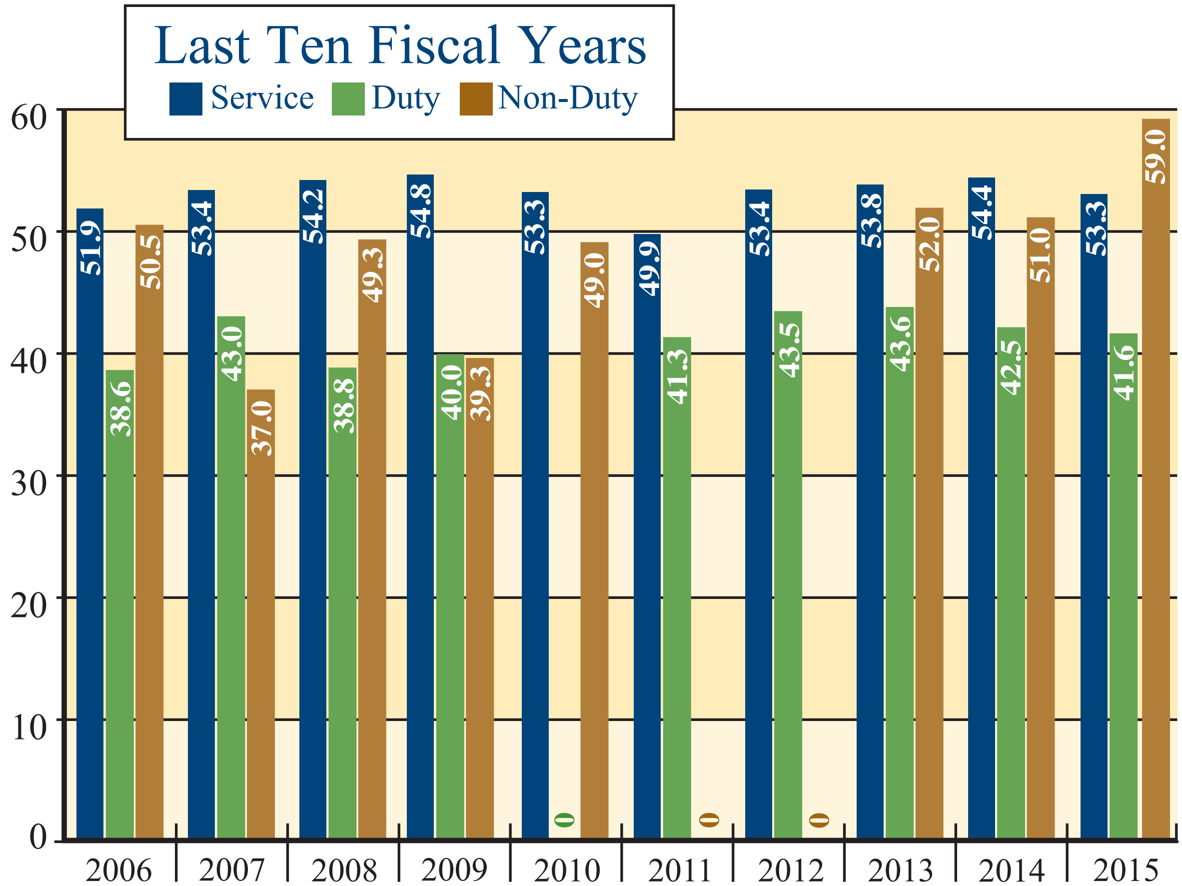




Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2015

Service	**68.9**
(830 retired members ranging in age from 48 to 96)	
Duty Disability	**60.0**
(125 retired members ranging in age from 34 to 92)	
Non-Duty Disability	**61.7**
(51 retired members ranging in age from 43 to 85)	

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Kansas City Police Employees' Retirement Systems

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