# 2022 Annual Comprehensive Financial Report

## Fiscal Year Ended December 31, 2022

Celebrating the new
Riverfront Stadium

**Wichita Retirement Systems**

Police & Fire Retirement System of Wichita, Kansas

Wichita Employees' Retirement System

Wichita Employees' Retirement System Plan 3B

CITY OF WICHITA KANSAS

Pension Trust Funds

**Pension Trust Funds of**
**the City of Wichita, Kansas**

# Annual Comprehensive Financial Report

## For the Year Ended December 31, 2022

## WICHITA RETIREMENT SYSTEMS

Police and Fire Retirement System of Wichita, Kansas

Wichita Employees' Retirement System

Wichita Employees' Retirement System Plan 3b

Prepared by the Pension Management Office

Department of Finance

455 N. Main Street, 12th floor

Wichita, Kansas 67202

(316) 268-4544

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CITY OF
WICHITA

# WICHITA RETIREMENT SYSTEMS

## ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended December 31, 2022

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## WICHITA RETIREMENT SYSTEMS

### ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended December 31, 2022

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# WICHITA RETIREMENT SYSTEMS

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the year ended December 31, 2022

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CITY OF
WICHITA


WICHITA
Coors LIGHT

# Introductory Section

Department of Finance
Pension Management
City Hall – 12th Floor
455 North Main
Wichita, Kansas 67202

June 8, 2023

The Honorable Mayor and City Council
Police and Fire Retirement System of Wichita Board of Trustees
Wichita Employees' Retirement System Board of Trustees

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the Wichita Retirement Systems (WRS or Systems); a single employer retirement system comprised of the Police and Fire Retirement System of Wichita, Kansas (PFRS) and the Wichita Employees' Retirement System (WERS) for the year ended December 31, 2022. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Systems.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Kansas statutes require an annual audit of all funds of the City by independent certified public accountants. The certified public accounting firm of Eide Bailly LLP issued an unmodified opinion on the financial statements of the WRS for the year ended December 31, 2022. The independent auditor's letter begins on page A-1 in the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

## *Plan History*

The WERS was established in 1948 to provide pension benefits to all civilian employees, their surviving spouses and beneficiaries. The PFRS was established in 1965 to provide pension benefits to commissioned police and fire officers, their surviving spouses and beneficiaries. With the exception of the Teamster represented Transit employees, all full-time employees of the City of Wichita participate in one of these two Systems unless the employee is provided an option to elect to participate in the MissionSquare Retirement Governmental retirement programs.

In October 1999, the assets of the WRS were combined into a single fund for investment purposes. Then, in October 2000, assets of WERS Plan 3 were separated from the combined WERS and PFRS funds for investment, custodial and participant record keeping purposes. Finally, in January 2004, WERS Plan 3 assets were liquidated and the proceeds were reinvested with the other assets of the WRS, which resulted in a combined single fund for investment purposes.

### *Plan Governance*

A 16-member Board of Trustees oversees the PFRS. The members include the City Manager (or designee), the Police Chief, the Fire Chief, three fire officers and three police officers elected by PFRS members of their respective departments and seven members appointed by the City Council. A separate 16-member Board of Trustees oversees the WERS. The members include the City Manager (or designee), the City Manager's appointee, seven members elected by WERS members, and seven members appointed by the City Council. The Joint Investment Committee (JIC) is comprised of the President of each Board, two elected members from each Board, two City Council appointees from each Board and a City Manager's designee. The City Manager appoints a Pension Manager who manages staff to carry out the daily operations of the Systems.

### *System Funding and Financial Position*

Funding is the process of setting aside resources for current and future use for the WRS defined benefit plans. The objective of the WRS is to meet funding requirements through contributions, expressed as a percent of active member payroll, and to keep the contribution rate as level from year to year as possible in the absence of plan benefit improvements.

The annual actuarial valuations prepared by the WRS' actuary, Cheiron, Inc., provide an indicator of the funded status of the Systems. As of December 31, 2022, the funded ratio of the PFRS was 90.2 percent and the funded ratio of the WERS was 90.3 percent. The funded ratio is the ratio of actuarial assets to actuarial liabilities. The actuarial liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the actuarial value of assets at the same date is referred to as the unfunded actuarial liability (UAL), or surplus if the asset value exceeds the actuarial liability. The Systems' unfunded actuarial liability (or surplus) is amortized over a 20-year rolling period.

In 2022, the funded ratios for PFRS decreased from 94.4% to 90.2% and WERS decreased from 93.6% to 90.3%, primarily due to investment losses and salary increases that were more than expected. The results of the actuarial valuation determine the City's contribution rate for the second calendar year following the valuation date. In 2022, employer contributions for the PFRS decreased from 22.6 percent to 20.9 percent of annual covered payroll, and employer contributions for the WERS decreased from 13.9 percent to 12.9 percent of annual covered payroll. Additional information regarding the financial condition and funding status of the Systems can be found in the Financial and Actuarial Sections of this report.

### *Investments*

The WERS Board of Trustees' investment authority is found in the City of Wichita's Municipal Code, Section 2.28.090. Investment authority for the PFRS Board of Trustees is contained in Section 12 of Charter Ordinance 230.

As of December 31, 2022, the fiduciary net position was $1.35 billion, a decrease of 17.68% over the December 31, 2021, net position of $1.64 billion. The net investment return of the WRS' combined investment portfolio was (13.15%) for the year ended December 31, 2022, outperforming the WRS' investment target benchmark return of (13.60%) for the same period. The investment return over the past ten-year period was 7.04%, outperforming the benchmark return of 6.86%.

The WERS and PFRS Boards of Trustees have established an overall strategic asset allocation policy based upon the financial needs of the joint fund and the Boards' tolerance for volatility, or risk. The Boards utilize external investment managers providing both passive and active strategies. The portfolio is broadly diversified among equities, fixed income, real estate and timber, with additional diversification achieved in equities and fixed income through domestic and international allocations. With the assistance of the Systems' financial consultant, Callan LLC and Pension Management staff, the Trustees continue to monitor the investment program and review the policy in regards to the asset allocation, manager allocations and possible additional investment types. For more information on investment strategies and policies, safeguards on investments and a comparative analysis of investment results over time, please refer to the Investment Section of this report beginning on page B-1.

## *Major Initiatives and Significant Actions*

Retirement Board Education: Members of the WERS and PFRS Boards of Trustees attended Callan College in 2022, which provided an extensive overview of the fiduciary duties for the Trustees of the WRS. Staff coordinated the training through WRS' financial consultant, Callan LLC. The training defined the role of a fiduciary, outlined fiduciary responsibilities and reviewed the investment policy statements and the various laws governing different types of plans. Other topics presented included key fundamentals of capital market theory and asset allocation, as well as manager evaluation and how to develop the appropriate asset mix across selected asset classes, while stressing the importance of allocation reviews for Plan Sponsors. Callan provide an overview on Environmental Social Governance (ESG) and key implementation considerations in today's environment. Finally, the Callan financial consultants provided the WERS and PFRS Boards of Trustees the current trends for defined benefits and defined contribution plans.

Real Asset and Timber Structure Review: WRS' financial consultant recommended reviewing the real estate and timber structure of the portfolio with the members of the JIC after conducting the asset-liability study in 2021. The real estate allocation consists of two open-end real estate managers; however, one manager is on the watch list status due to poor performance since 2020. The remaining manager outperformed the benchmark with favorable results over a long-term period. After reviewing real estate results, the JIC chose to maintain the allocation in the current two real estate managers.

Timber investments in the portfolio consists of three closed-end private timber funds with the same timber management group. The financial consultant stated that timber investment returns have been muted through 2022; however, timber can be a hedge against inflation which is attractive under the current high inflationary environment and provides diversification for the portfolio. A significant trending topic in timber is the carbon market which poses an opportunity to enhance returns for the asset class. After reviewing options, the JIC stated their continued commitment to exposure in timberland with the management group.

Environmental Social Governance (ESG) and Diversity Considerations Review: The JIC requested the financial consultant report on WRS' investment managers regarding their ESG and Diversity considerations for the portfolio. Of the 14 investment management firms, each manager had an ESG Investment Policy with the exception of one; however, that manager considered and integrated ESG into their research for all asset classes. Two of the managers did not incorporate ESG considerations into research for all their asset classes. The financial consultant believes ESG criteria may have a material impact on investments and assessing potential financial outcomes.

## *Awards*

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Wichita Retirement Systems (WRS) for its annual comprehensive financial report for the fiscal year ended December 31, 2021. This was the 23rd consecutive year that the Systems have achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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. The Systems believe that this current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate.

In addition, the Wichita Retirement Systems also received the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for the fiscal year ended December 31, 2022, in recognition of meeting professional standards for pension plan design and administration, as set forth in the Public Pension Standards. This was the 20th consecutive year the Systems obtained this important award. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS) and the National Council on Teacher Retirement (NCTR). The Systems believe that its plan design and administration continued to meet the PPCC award criteria during 2023 and plans to apply for the Public Pension Standards Award.

***Acknowledgments***

This report was made possible through the combined efforts of Pension Management Staff, the Controller's Office, and the City Treasurer. We wish to express our appreciation to all members of the department as well as other City staff who assisted and contributed to its preparation.

Respectfully submitted,

| | | |
|---|---|---|
| Mark L. Manning | Dale R. Raine | Pam Beim |
| Director of Finance | Interim City Treasurer | Pension Manager |

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Wichita Retirement Systems**
**Kansas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morrill

Executive Director/CEO

Public Pension Coordinating Council

# *Public Pension Standards Award For Funding and Administration 2022*

Presented to

## Wichita Retirement Systems

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

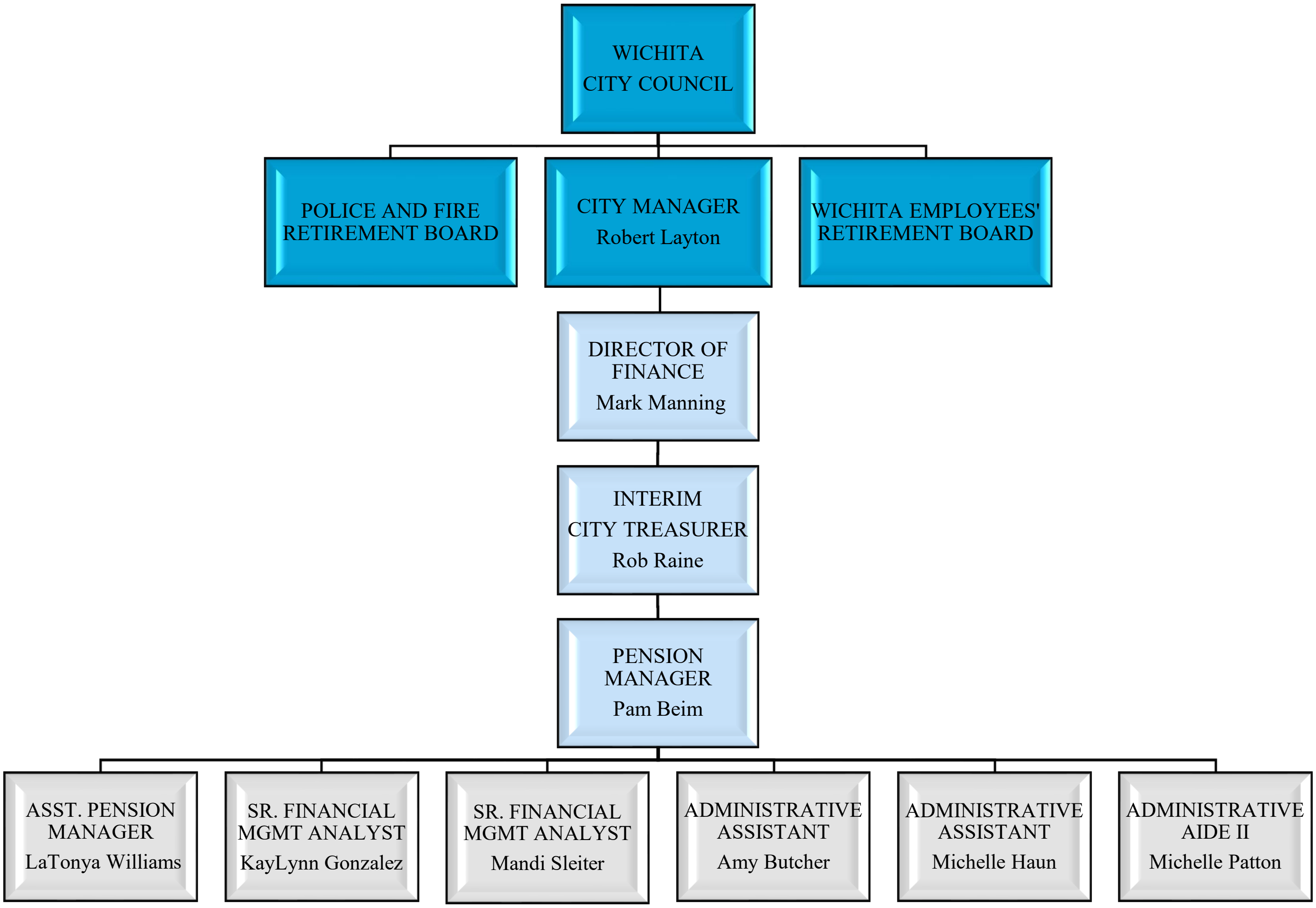
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

## WICHITA EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES



## POLICE AND FIRE RETIREMENT SYSTEM BOARD OF TRUSTEES


WICHITA CITY COUNCIL
POLICE AND FIRE RETIREMENT BOARD
CITY MANAGER Robert Layton
WICHITA EMPLOYEES' RETIREMENT BOARD
DIRECTOR OF FINANCE Mark Manning
INTERIM CITY TREASURER Rob Raine
PENSION MANAGER Pam Beim
ASST. PENSION MANAGER LaTonya Williams
SR. FINANCIAL MGMT ANALYST KayLynn Gonzalez
SR. FINANCIAL MGMT ANALYST Mandi Sleiter
ADMINISTRATIVE ASSISTANT Amy Butcher
ADMINISTRATIVE ASSISTANT Michelle Haun
ADMINISTRATIVE AIDE II Michelle Patton

**ACTUARY**
Cheiron
200 W. Monroe
Chicago, IL 60606

**CUSTODY INSTITUTION**
The Bank of New York Mellon
500 Grant Street, 151-4040
Pittsburg, PA 15258

**DEFINED CONTRIBUTION PARTICIPANT ACCOUNTING**
Northeast Retirement Services
12 Gill Street, Suite 2600
Woburn, Massachusetts 01801

**FINANCIAL CONSULTANT**
Callan, LLC
1900 16th Street, Suite 1175
Denver, Colorado 80202

**INDEPENDENT AUDITORS**
Eide Bailly LLP
877 W. Main St.
Boise, ID 83702-5858

**LEGAL SERVICES**
City of Wichita, Law Department
455 N. Main, 13th Floor
Wichita, Kansas 67202

**LEGAL SERVICES**
Ice Miller, L.L.P.
One American Square, Suite 3100
Indianapolis, Indiana 46282

**PARTICIPANT EDUCATION**
NestEgg Consulting, Inc.
125 N. Market Street, Suite 1050
Wichita, Kansas 67202

A list of professional investment managers and their fees are presented on page B-10. A schedule of brokerage commissions is presented on page B-11.

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CITY OF WICHITA

# Financial Section

EideBailly
CPAs & BUSINESS ADVISORS

**Independent Auditor's Report**

To the Board of Trustees
Wichita Retirement Systems
Wichita, Kansas

**Report on Financial Statements**

We have audited the financial statements of the Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas, as of and for the year ended December 31, 2022, and the related financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas, as of December 31, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Wichita, Kansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Wichita Retirement Systems, and do not purport to, and do not, present fairly the financial position of the City of Wichita, Kansas as of December 31, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Wichita, Kansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the employer's net pension liability (asset) and related ratios – Wichita Employees' Retirement System and Police and Fire Retirement System of Wichita, Kansas, schedule of employer contributions – Wichita Employees' Retirement System and Police and Fire Retirement System of Wichita, Kansas, and schedule of investment returns be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas. The schedule of administrative expenses, schedule of investment expenses, and schedule of payments made to consultants other than investment advisors are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of administrative expenses, schedule of investment expenses, and schedule of payments made to consultants other than investment advisors are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***
Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Report on Summarized Comparative Information***
We have previously audited the 2021 financial statements of Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023, on our consideration of the Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas' internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
June 6, 2023

This Management's Discussion and Analysis (MD&A) provides an overview and analysis of the Wichita Retirement Systems' (WRS) financial activities and performance for the fiscal year ended December 31, 2022. The management discussion and analysis is presented in conjunction with the transmittal letter at the front of this report and the WRS's financial statements, which follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The two basic financial statements of the WRS are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position which may be found on pages A-8 and A-9. The statements are prepared in conformity with accounting principles generally accepted in the United States.

The Statement of Fiduciary Net Position is presented for the pension trust funds as of December 31, 2022, with combined total comparative information as of December 31, 2021. The Statement of Fiduciary Net Position presents information on all of the Systems' assets and liabilities, with the difference between the two reported as net position restricted for pensions. The statement is a snapshot of the financial position of the Systems at the close of the fiscal year. The Statement of Changes in Fiduciary Net Position is presented for the pension trust funds for the year ended December 31, 2022, with combined total comparative information for the year ended December 31, 2021. This statement presents information showing how the Systems' net position changed during the fiscal year. Notes to the Financial Statements begin on page A-11 which provides additional information, and is not included in the statements themselves, but is essential for a full understanding of the financial statements.

Required Supplementary Information consists of schedules and related notes concerning significant actuarial information and assumptions. Beginning on page A-30, these schedules and notes emphasize the long-term nature of pension plans and show the progress of each system in accumulating sufficient assets to pay future benefits.

- The Schedules of Changes in the Employer's Net Pension Liability (Asset) and Related Ratios presents detailed information about the pension liabilities for which the pension plans' assets are held and managed. The schedules are intended to assist financial statement users in understanding the magnitude of the pension liability (asset) and the degree to which net position restricted for pensions is sufficient to cover the liability (asset) for each plan.
- The Schedules of Employer Contributions show the amount of actuarially determined required contributions relative to the actual contributions made during the year. These schedules also present covered payroll and contributions reported for each plan.
- The Schedule of Investment Returns shows the money-weighted rate of return on investments, net of investment expense. The money-weighted rate of return is a method for calculating investment performance on pension investments that adjusts for the changing amounts actually invested.

The Supplementary Information includes a Schedule of Administrative Expenses, a Schedule of Investment Expenses and a Schedule of Payments to Consultants Other Than Investment Advisors to show detail of the administrative and investment costs to operate the Systems.

## FINANCIAL STATEMENT ANALYSIS

**Fiduciary Net Position**. Total fiduciary net position decreased by $289.7 million during the 2022 fiscal year. This change primarily consisted of a $286.7 million decrease in cash and investments, excluding securities lending investments, due to the net depreciation in the fair value of investment holdings. The net investment return was (13.15%) for the year ended December 31, 2022. Investment returns by asset class were: domestic equity (19.39%), international equity (15.63%), fixed income (13.79%), real estate 6.69% and timber 30.50%.

As of December 31, 2022, total securities lending collateral increased by $1.6 million as compared to December 31, 2021. Several factors influence the amount of securities lent at any point in time, including the demand for the securities, the negotiated rebate rate and the overall market volatility.

Comparative summary financial statements for the years ended December 31, 2022 and 2021 are presented in the accompanying tables:

| Summary of Fiduciary Net Position<br>As of December 31, | | | |
|---|---|---|---|
| | 2022 | 2021 | Increase (Decrease) |
| **ASSETS** | | | |
| Total cash and investments | $ 1,355,746,070 | $ 1,642,439,333 | $ (286,693,263) |
| Total receivables | 14,078,434 | 6,731,117 | 7,347,317 |
| Investment in securities lending collateral | 13,141,922 | 11,518,710 | 1,623,212 |
| Total assets | 1,382,966,426 | 1,660,689,160 | (277,722,734) |
| **LIABILITIES** | | | |
| Accounts payable and accrued expenses | 2,969,476 | 2,868,763 | 100,713 |
| Investment purchases pending | 17,453,167 | 7,151,550 | 10,301,617 |
| Securities lending obligations | 13,141,922 | 11,518,710 | 1,623,212 |
| Total liabilities | 33,564,565 | 21,539,023 | 12,025,542 |
| **FIDUCIARY NET POSITION** | $ 1,349,401,861 | $ 1,639,150,137 | $ (289,748,276) |

| Summary of Changes in Fiduciary Net Position<br>For the year ended December 31, | | | |
|---|---|---|---|
| | 2022 | 2021 | Increase (Decrease) |
| **ADDITIONS** | | | |
| Contributions | $ 38,346,475 | $ 39,319,151 | $ (972,676) |
| Net Investment income (loss) | (222,325,439) | 213,104,339 | (435,429,778) |
| Reclassifications due to participant conversion | 295,038 | 417,138 | (122,100) |
| Total additions | (183,683,926) | 252,840,628 | (436,524,554) |
| **DEDUCTIONS** | | | |
| Pension benefits | 101,756,648 | 92,827,073 | 8,929,575 |
| Pension administration | 1,391,518 | 1,169,958 | 221,560 |
| Employee contributions refunded | 2,621,146 | 2,795,115 | (173,969) |
| Reclassifications due to participant conversion | 295,038 | 417,138 | (122,100) |
| Total deductions | 106,064,350 | 97,209,284 | 8,855,066 |
| Net Increase (decrease) in net position | (289,748,276) | 155,631,344 | (445,379,620) |
| Fiduciary net position - beginning | 1,639,150,137 | 1,483,518,793 | 155,631,344 |
| **Fiduciary net position - ending** | $ 1,349,401,861 | $ 1,639,150,137 | $ (289,748,276) |

**Changes in Fiduciary Net Position.** Additions to fiduciary net position that are necessary to finance Plan benefit obligations come primarily from employer and employee contributions and net earnings on investments. For the year ended December 31, 2022, total additions resulted in a reduction of ($183.7) million, which is approximately a $436.5 million decrease from the 2021 total additions of $252.8 million. This was largely due to a total net investment loss of ($222.3) million.

Deductions from fiduciary net position are consistent with characteristics of a mature pension system. Pension benefits increased from $92.8 million in 2021 to $101.8 million in 2022, or approximately $9.0 million or 9.6%. This amount includes DROP and BackDROP payments, which were $13.7 million or 44.8% higher than 2021 levels.

## CONTACTING THE WICHITA RETIREMENT SYSTEM

This financial report is designed to provide a general overview of the WRS finances for individuals with such an interest. Additional information is provided within the Notes to the Financial Statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Pension Management Office, City of Wichita, 455 N. Main St., 12th Floor, Wichita KS 67202.

## WICHITA RETIREMENT SYSTEMS
## STATEMENT OF FIDUCIARY NET POSITION

December 31, 2022
(with comparative totals as of December 31, 2021)

| | Police and Fire Retirement System | Employees' Retirement System | Employees' Retirement Plan 3b | Totals 2022 | Totals 2021 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash | $ 44,142 | $ 19,889 | $ - | $ 64,031 | $ 212,219 |
| Receivables: | | | | | |
| Investment sales pending | 5,353,928 | 4,262,930 | 21,781 | 9,638,639 | 2,724,889 |
| Interest and dividends | 1,983,568 | 1,572,785 | 6,924 | 3,563,277 | 3,289,226 |
| Other receivables | 574,083 | 294,113 | 8,322 | 876,518 | 717,002 |
| Total receivables | 7,911,579 | 6,129,828 | 37,027 | 14,078,434 | 6,731,117 |
| Investments, at fair value: | | | | | |
| Government short-term investment fund | 24,580,400 | 17,767,502 | 84,097 | 42,431,999 | 39,084,798 |
| Equity: | | | | | |
| Domestic equity | 276,212,956 | 219,916,565 | 2,783,298 | 498,912,819 | 687,946,938 |
| International equity | 202,450,991 | 161,196,335 | 410,872 | 364,058,198 | 436,045,037 |
| Fixed income | 134,978,962 | 107,474,387 | 396,355 | 242,849,704 | 284,852,534 |
| Real estate | 60,145,922 | 47,891,422 | - | 108,037,344 | 104,863,921 |
| Target date and money market funds | - | - | 5,974,974 | 5,974,974 | 7,250,166 |
| Timber | 51,216,412 | 40,778,677 | - | 91,995,089 | 81,936,372 |
| Derivative investments | 790,317 | 629,274 | 2,321 | 1,421,912 | 247,348 |
| Securities lending short-term collateral investment pool | 7,303,190 | 5,814,994 | 23,738 | 13,141,922 | 11,518,710 |
| Total investments | 757,679,150 | 601,469,156 | 9,675,655 | 1,368,823,961 | 1,653,745,824 |
| Capital assets: | | | | | |
| Pension software | 448,990 | 833,838 | - | 1,282,828 | 1,282,828 |
| Accumulated depreciation | (448,990) | (833,838) | - | (1,282,828) | (1,282,828) |
| Capital assets, net of depreciation | - | - | - | - | - |
| Total assets | 765,634,871 | 607,618,873 | 9,712,682 | 1,382,966,426 | 1,660,689,160 |
| **LIABILITIES** | | | | | |
| Accounts payable and accrued payroll | 1,843,258 | 1,123,908 | 2,310 | 2,969,476 | 2,868,763 |
| Investment purchases pending | 9,696,725 | 7,720,795 | 35,647 | 17,453,167 | 7,151,550 |
| Securities lending obligations | 7,303,190 | 5,814,994 | 23,738 | 13,141,922 | 11,518,710 |
| Total liabilities | 18,843,173 | 14,659,697 | 61,695 | 33,564,565 | 21,539,023 |
| **NET POSITION** | | | | | |
| Restricted for pensions | $ 746,791,698 | $ 592,959,176 | $ 9,650,987 | $ 1,349,401,861 | $ 1,639,150,137 |

## WICHITA RETIREMENT SYSTEMS
## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

| | Police and Fire Retirement System | Employees' Retirement System | Employees' Retirement Plan 3b | Totals 2022 | Totals 2021 |
|---|---|---|---|---|---|
| **ADDITIONS** | | | | | |
| Contributions: | | | | | |
| Employer | $ 17,183,919 | $ 10,407,635 | $ 212,909 | $ 27,804,463 | $ 28,808,329 |
| Employee | 6,505,692 | 3,823,411 | 212,909 | 10,542,012 | 10,510,822 |
| Total contributions | 23,689,611 | 14,231,046 | 425,818 | 38,346,475 | 39,319,151 |
| Investment income (loss): | | | | | |
| From investing activities: | | | | | |
| Net appreciation (depreciation) in the fair value of investments | (128,215,163) | (103,687,253) | (2,017,707) | (233,920,123) | 203,250,329 |
| Interest | 4,704,710 | 3,757,127 | 15,259 | 8,477,096 | 8,187,566 |
| Dividends | 5,390,261 | 4,336,753 | 40,525 | 9,767,539 | 8,469,722 |
| Commission recapture | 16,747 | 13,472 | 136 | 30,355 | 23,964 |
| Total investing activity income (loss) | (118,103,445) | (95,579,901) | (1,961,787) | (215,645,133) | 219,931,581 |
| Less investment expenses: | | | | | |
| Consulting services | 150,500 | 175,502 | - | 326,002 | 242,852 |
| Custodial bank | 167,170 | 167,170 | - | 334,340 | 289,494 |
| Investment management fees | 3,400,922 | 2,726,085 | 17,218 | 6,144,225 | 6,443,614 |
| Total investment expenses | 3,718,592 | 3,068,757 | 17,218 | 6,804,567 | 6,975,960 |
| Net income (loss) from investing activities | (121,822,037) | (98,648,658) | (1,979,005) | (222,449,700) | 212,955,621 |
| From securities lending activities: | | | | | |
| Securities lending income | 156,893 | 125,846 | 680 | 283,419 | 179,072 |
| Less securities lending (income) expense: | | | | | |
| Borrower rebates | 61,876 | 49,392 | 213 | 111,481 | (25,238) |
| Management fees | 26,345 | 21,199 | 133 | 47,677 | 55,592 |
| Total securities lending expense | 88,221 | 70,591 | 346 | 159,158 | 30,354 |
| Net income from securities lending activities | 68,672 | 55,255 | 334 | 124,261 | 148,718 |
| Total net investment income (loss) | (121,753,365) | (98,593,403) | (1,978,671) | (222,325,439) | 213,104,339 |
| Reclassifications due to participant conversion | - | - | 295,038 | 295,038 | 417,138 |
| Total additions | (98,063,754) | (84,362,357) | (1,257,815) | (183,683,926) | 252,840,628 |
| **DEDUCTIONS** | | | | | |
| Pension benefits | 52,379,531 | 49,377,117 | - | 101,756,648 | 92,827,073 |
| Pension administration | 620,157 | 695,705 | - | 1,315,862 | 1,105,844 |
| City administrative charges | 37,828 | 37,828 | - | 75,656 | 64,114 |
| Employee contributions refunded | 803,311 | 990,688 | 827,147 | 2,621,146 | 2,795,115 |
| Reclassifications due to participant conversion | - | 295,038 | - | 295,038 | 417,138 |
| Total deductions | 53,840,827 | 51,396,376 | 827,147 | 106,064,350 | 97,209,284 |
| Change in net position | (151,904,581) | (135,758,733) | (2,084,962) | (289,748,276) | 155,631,344 |
| Net position, beginning | 898,696,279 | 728,717,909 | 11,735,949 | 1,639,150,137 | 1,483,518,793 |
| Net position, ending | $ 746,791,698 | $ 592,959,176 | $ 9,650,987 | $ 1,349,401,861 | $ 1,639,150,137 |

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CITY OF
WICHITA

**1. Summary of Significant Accounting Policies**

A. Reporting Entity

The Wichita Employees' Retirement System, the Wichita Employees' Retirement System Plan 3b and the Police and Fire Retirement System of Wichita, Kansas (Systems) are reported as pension trust funds of the City of Wichita, Kansas and its component units (the reporting entity or “the City”). The plans consist of two single-employer defined benefit pension plans and a single-employer defined contribution plan, covering all full-time employees.

The defined benefit plans include the Wichita Employees' Retirement System (WERS) and the Police and Fire Retirement System (PFRS). A separate Board of Trustees administers each System. The single-employer defined contribution plan consists of the Wichita Employees' Retirement System Plan 3b, which is also administered by the Wichita Employees' Retirement System Board of Trustees.

The WERS Board of Trustees is comprised of 16 members, including the City Manager or the City Manager’s designee, one employee appointed by the City Manager, seven members appointed by the City Council and seven employees elected by the WERS employee members. The PFRS Board of Trustees is comprised of 16 members, including the City Manager or the City Manager’s designee, the Chief of the Police Department, the Chief of the Fire Department, seven members appointed by the City Council, three fire officers elected by PFRS employee members in the Fire Department or the Airport and three police officers elected by PFRS employee members in the Police Department.

B. Measurement Focus and Basis of Accounting

The Wichita Employees' Retirement System, the Wichita Employees' Retirement System Plan 3b and the Police and Fire Retirement System are reported as pension trust funds of the City of Wichita, Kansas in the City's financial statements using the economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

C. Investments

Investments are reported at fair value. The Systems invest in real estate through real estate investment trusts, timber through limited partnerships, Treasury strips and various asset-backed securities, such as collateralized mortgage obligations and credit card trusts. Short-term investments are reported at cost plus accrued interest, which approximates fair value. Investments traded on national or international exchanges are valued at the last trade price of the day. If no close price exists, then a bid price is used. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar investments. The fair value of real estate and timber investments are estimated using the net asset value of the shares owned in each fund. Investments that do not have an established market are reported at their estimated fair value.

D. Capital Assets

Capital assets include hardware and software. Capital assets are defined as assets with an initial individual minimum cost of $5,000. Capital assets are valued at historical cost or estimated historical cost (if actual historical cost is not available). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over useful lives of one to 33 years for office equipment and seven to 20 years for data processing software.

E. Management of Plan Assets

The Boards of Trustees of the Systems have contractual arrangements with independent money managers for investment of the assets of the Systems. The firms have been granted discretionary authority concerning purchases and sales of investments within guidelines established by City Ordinances and the Strategic Plan and Investment Policies adopted by the Boards of Trustees. The Boards of Trustees of the Systems also have contractual arrangements with independent firms which monitor the investment decisions of the Systems' investment managers.

F. Estimates

Preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires making estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies and (3) the reported amounts of revenues and expenses included in the financial statements. Actual results could differ from those estimates. Some of the more significant estimates include the valuation of certain investments described in the Notes to the Financial Statements and the actuarial assumptions used in calculating the total pension liability and net pension liability.

G. Prior Year Comparative Information

The basic financial statements include certain prior year comparative information that is summarized in total, but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Systems' financial statements for the year ended December 31, 2021, from which the summarized information has been derived.

**2. Cash, Investments and Securities Lending**

City Ordinance (49-036; Section 2.28.090) authorizes the Wichita Employees' Retirement System and City Charter Ordinance (230; Section 12) authorizes the Police and Fire Retirement System to invest trust fund assets in accordance with the prudent person rule, subject to the following limitations: (1) the proportion of funds invested in corporate preferred and common stock shall not exceed 70% and (2) the proportion of funds invested in foreign securities shall not exceed 35%. Additionally, the Systems are not permitted to invest directly or indirectly in any:

1. Real estate; except in pooled arrangements such as a mutual fund or commingled fund operated by a qualified investment counselor or an insurance company. The amount of such investment shall not exceed 10% of the Fund;
2. Private equity; except in a commingled fund-of-funds vehicle operated by a registered investment advisor or a bank. The amount of such investment shall not to exceed 10% of the Fund;
3. Timber; except in a commingled fund vehicle operated by a registered investment advisor or a bank. The amount of such investment shall not exceed 10% of the Fund;
4. Mortgages secured by real estate, except insured mortgages under Titles 203, 207, 220 and 221 of the Federal Housing Act;
5. Oil and gas leases or royalties;
6. Commodities (including, but not limited to, wheat, gold, gasoline, options or financial futures); provided however, that the restriction on investments contained in this paragraph shall not apply to funds which are invested in a mutual fund, separate account or commingled fund operated by a registered investment advisor or insurance company; or
7. Letter stocks.

With the exception of the $64,031 held in the City's pooled funds, as of December 31, 2022, all of the deposits and investments of the Wichita Employees' and Police and Fire Retirement Systems are held in a joint investment fund that is invested by outside money managers and are held under a custodial agreement. The Boards of Trustees have adopted the Strategic Plan and Investment Policies which set forth in detail the asset allocation for the fund and restrictions applicable to specific investment types to mitigate risk. The policies permit investment in five asset types: domestic equities, international equities, fixed income, real estate and timber.

With the assistance of the financial consultant, the Joint Investment Committee (JIC) establishes the investment policies which are reviewed annually. In 2018, the JIC approved a seven-year time frame to achieve an annualized real rate of return of four and a half percent (4.50%) above the price inflation assumption. Each manager's performance will also be compared to a relevant market index as outlined in the investment policy.

The investments of the Wichita Retirement Systems (WRS), excluding the securities lending short-term collateral investment pool, on December 31, 2022, are listed in the accompanying table.

| Type of Investment | | Fair Value |
|---|---|---|
| Government short-term investment fund | $ | 42,431,999 |
| Domestic equity | | 498,912,819 |
| International equity | | 364,058,198 |
| Fixed income | | 242,849,704 |
| Real estate | | 108,037,344 |
| Target date and money market funds | | 5,974,974 |
| Timber | | 91,995,089 |
| Derivative investments | | 1,421,912 |
| Total investments | $ | 1,355,682,039 |

The pension funds invest in various asset-backed securities such as collateralized mortgage obligations (CMOs) and credit card trusts to maximize yields and reduce the impact of interest rate changes. These securities are based on cash flows from principal and interest payments on the underlying assets. For example, CMOs break up the cash flows from mortgages into categories with defined risk and return characteristics called tranches. The tranches are differentiated by when the principal payments are received from the mortgage pool. Changes in interest and mortgage prepayment rates may affect the amount and timing of cash flows, which would also affect the reported estimated fair values. The pension funds utilize a combination of asset-backed securities, which vary in their degree of volatility. Although considerable variability is inherent in such estimates, management believes the estimated fair values are reasonable estimates.

The pension funds also invest in real estate through real estate investment trusts (REITs).The fair values of these investments are estimated using the net asset value of the Systems' shares owned in each trust. Market conditions have had an impact on the estimated fair value of real estate investments. Restrictions on the availability of real estate financing, as well as economic uncertainties, have affected the volume of purchase and sale transactions. As a result, the estimates and assumptions used in determining the fair values of the real estate investments are inherently subject to uncertainty.

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Fair Value Measurement:

The Retirement Systems hold significant amounts of investments that are measured at fair value on a recurring basis. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets in active markets that can be assessed at the measurement date (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 – Unobservable inputs which are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Specific investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. Such investments are identified in the accompanying tables as Net Asset Value (NAV).

The Retirement Systems categorize its fair value measurements within the fair value hierarchy established by GAAP. The Fair value of measurements for the investments of the WRS on December 31, 2022, are listed in the accompanying table:

| | 12/31/2022 | Level 1 Inputs | Level 2 Inputs |
|---|---|---|---|
| **Investments by fair value level[1]:** | | | |
| Short-Term Investments | $ 9,583,155 | $ 4,876,035 | $ 4,707,120 |
| Equity: | | | |
| Domestic equity | 345,911,584 | 345,911,584 | - |
| International equity | 141,280,621 | 141,280,621 | - |
| Fixed income | 233,480,167 | 30,632,000 | 202,848,167 |
| Money market funds | 267,009 | 267,009 | - |
| Derivative investments | 1,421,912 | 69,120 | 1,352,792 |
| Total investments by fair value level | 731,944,448 | $ 523,036,369 | $ 208,908,079 |
| **Investments measured at net asset value (NAV):** | | | |
| Government short-term investment fund | 32,848,844 | | |
| Equity: | | | |
| Domestic equity | 153,001,235 | | |
| International equity | 222,777,577 | | |
| Fixed income | 9,369,537 | | |
| Real estate | 108,037,344 | | |
| Target date funds | 5,707,965 | | |
| Timber | 91,995,089 | | |
| Total investments measured at NAV | 623,737,591 | | |
| Total investments | $ 1,355,682,039 | | |

[1]There were no investments valued using Level 3 inputs at December 31, 2022.

Short-term investments, equity, fixed income and money market funds in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Equity securities, if any, classified as Level 2 of the fair value hierarchy are traded on inactive markets or valued by reference to similar instruments using (1) marked-based factors, such as credit, liquidity and interest rate conditions, and (2) issuer-specific factors, such as creditworthiness of the issuer and likelihood of full repayment at maturity. Fixed income securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Derivative instruments classified as Level 1 of the fair value hierarchy include forwards and options which are traded on active exchanges. Derivative instruments classified as Level 2 of the fair value hierarchy are valued using a market approach. Options contracts derive their value from underlying asset prices, indices, reference rates and other inputs or a combination of these factors. These contracts are normally valued on the basis of pricing service providers or broker dealer quotations. Depending on the product and the terms of the transaction, the value of the financial derivative instruments can be estimated by a pricing service provider using a series of techniques, including simulation pricing models. The pricing models are inputs that are observed from actively quoted markets such as issuer details, indices, spreads, interest rates, yield curves and exchange rates. For centrally cleared credit default swaps, the clearing facility requires its members to provide actionable price levels across complete term structures. These levels along with external third party prices are used to produce daily settlement prices. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate to produce the daily settlement price.

Additional information relating to the investments measured at the NAV for WRS on December 31, 2022, are listed in the accompanying table:

| Investments Measured at Net Asset Value (NAV) | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period (Days) |
|---|---|---|---|---|
| Government short-term investment fund | $ 32,848,844 | - | Daily | 5 |
| Domestic equity | 153,001,235 | - | Daily | 1 |
| International equity | 222,777,577 | - | Bi-monthly, monthly | 15-30 |
| Fixed income | 9,369,537 | - | Daily | 1 |
| Real estate | 108,037,344 | - | Quarterly | 45-60 |
| Target date funds | 5,707,965 | - | Daily | 1 |
| Timber | 91,995,089 | - | N/A | N/A |
| Total investments measured at NAV | $ 623,737,591 | $ - | | |

Net Asset Value: WRS reports the following types of investments valued at Net Asset Value (NAV).

*Government short-term investment fund* – The government short-term investment fund that is measured at the NAV is a collective trust that invests any cash balances from the actively managed fund managers of the Systems, as well as the Systems' cash fund. The investment objective of the Fund is to maintain liquidity to ensure cash availability for withdrawals while preserving the principal.

*Domestic equity* – The Systems have one domestic equity fund manager that is an S&P 500 securities lending index fund measured at the NAV. This Fund seeks an investment return that approximates the performance of the S&P 500 over the long term. NAV is calculated on a daily basis based upon the fair value of the underlying investments.

*International equity* – The Systems have three fund managers with commingled investments in international equities that are measured using NAV. These fund managers are structured as limited partnerships and a MSCI securities lending index fund. The limited partnerships calculate NAV through a capital account maintained for each partner. The MSCI securities lending index fund calculates NAV on a per unit basis of the Fund and is determined as of the last business day of each month and at least one other business day during the month.

*Fixed income* – The Systems have one fund manager that invests in commingled fixed income funds. These investments are structured within three funds: Opportunistic US$ High Yield Securities, Floating Rate High Income and Opportunistic Non-Dollar Hedged. The NAV for these funds is calculated daily on a per share value from the fair value of the underlying investments at the end of each day that the New York Stock Exchange is open as of the close of regular trading.

*Real estate* – The Systems have two fund managers that invest in real estate measured at the NAV. These investments are in Real Estate Investment Trusts (REITs) and commingled real estate through a limited partnership. Both fund managers calculate NAV per unit from fair value estimates based on values from independent appraisals on a quarterly basis.

*Target date funds* – The Systems have various target date funds that are measured at the NAV. The NAV is determined each business day based on the value of the underlying investments.

*Timber* – The Systems have one fund manager that invests in timber measured at the NAV. This fund manager is structured as a limited partnership and calculates NAV from independent appraisals in capital accounts maintained for each limited partner.

Custodial Credit Risk: The custodial credit risk for deposits is the risk that in the event of a bank failure, the WRS' deposits may not be recovered. On December 31, 2022, the WRS' cash deposits in the amount of $64,031 were included in the City's pooled cash. The WRS' debt securities investments were registered in the name of WRS and were held in the possession of the WRS' custodial bank, The Bank of New York Mellon. Additional information about the City's pooled cash and investments is available in the City's separately issued Annual Comprehensive Financial Report, available online at www.wichita.gov or upon request from the Pension Management Office.

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Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the price of a bond. One way to evaluate interest rate risk is through the modified duration methodology. Duration is a measure of how much bond prices may change if interest rates move. The modified duration methodology estimates the sensitivity of a bond's price to interest rate changes and is measured in years. WRS manages interest rate risk by complying with the following policies:

1. Fixed income managers have full discretion over the issuers selected and must manage portfolios to their guidelines.

2. According to the Investment Policy Statement, the Active Core and Core Plus fixed income managers must not be less than 80% or more than 120% of the duration of the Bloomberg Barclays Capital Aggregate Index (Index), unless the Joint Investment Committee prospectively grants a written exception. As of December 31, 2022, the duration of the Index was 6.17 years, which equated to a minimum and maximum range for each fixed income portfolio of 4.94 years and 7.40 years, respectively. The Active Core portfolio duration was 6.15 years and the Active Core Plus portfolio was 6.93 years; both were within the duration range.

   For global fixed income managers, portfolio duration must not be less than 60% or more than 140% of the duration of the Barclays Global Aggregate Bond Index, which was 6.69 years ending December 31, 2022. The global fixed income portfolio duration was 5.62 years, which was between the stated parameters of 4.01 years to 9.37 years.

   The table below represents the interest rate risk based on the weighted average modified duration of the fixed income portfolio:

| Investment Type | Fair Value | Percent of all Fixed Income Assets | Weighted Average Modified Duration (% value change)[1] |
|---|---|---|---|
| Corporate debt instruments, long-term | $ 81,479,426 | 28.4 % | 6.0 % |
| Government securities long-term | 31,138,188 | 10.9 | 12.2 |
| Mortgage and asset-backed securities | 72,538,690 | 25.3 | 5.9 |
| Global fixed income | 49,745,775 | 17.3 | 7.9 |
| Actively managed investments | 234,902,079 | 81.9 | 7.2 |
| Government short-term investment fund | 42,431,999 | 14.8 | - |
| Pooled high-yield fixed income securities | 9,369,537 | 3.3 | 1.9 |
| Total investment in debt securities | $ 286,703,615 | 100.0 % | |

[1] The modified duration equals the percentage change in price of the bond for a 100 basis point (1% ) movement in interest rates. The calculation provides an additional measurement to evaluate interest rate risk with the relationship between changes in interest rates and changes in the price of the bond.

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Credit Risk of Debt Securities: Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The WRS manages exposure to investment credit risk by adhering to the following policies: (1) for active core domestic fixed income investments, at the time of purchase, bonds and preferred stocks must be rated at least “A2/A/A” or higher using the middle rating of Moody’s, Standard and Poor’s and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower (“more conservative”) rating is used. When a rating from only one agency is available, that rating is used to determine credit quality; and (2) for core-plus domestic fixed income investments, the weighted average credit quality of the portfolio will not fall below “A2/A/A” or equivalent; when determining credit quality, the middle rating of Moody’s, Standard and Poor’s and Fitch is used after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower (“more conservative”) rating is used. When a rating from only one agency is available, that rating is used to determine credit quality. Throughout 2022, no securities were purchased that were below the established credit quality minimum in the active core portfolio and the weighted average credit quality of the active core plus portfolio did not fall below the established credit quality rating. The accompanying table shows the debt investments held by the WRS on December 31, 2022, and their respective ratings by Standard and Poor’s or an equivalent nationally recognized statistical rating organization.

| Quality Rating | | Total Debt Securities |
|---|---|---|
| AAA | $ | 18,154,290 |
| AA+ | | 93,953,087 |
| AA | | 2,258,709 |
| AA- | | 3,023,552 |
| A+ | | 4,836,857 |
| A | | 14,494,806 |
| A- | | 19,357,439 |
| BBB+ | | 27,159,264 |
| BBB | | 15,485,656 |
| BBB- | | 12,280,577 |
| BB+ | | 3,630,927 |
| BB | | 1,237,699 |
| BB- | | 1,893,066 |
| B+ | | 567,805 |
| B | | 734,689 |
| B- | | 15,743 |
| CCC+ | | 146,211 |
| CCC | | 215,086 |
| CCC- | | 61,782 |
| CC | | 152,075 |
| NR | | 24,550,254 |
| WR | | 62,042 |
| Total credit risk debt securities | | 244,271,616 |
| Government short-term investment fund* | | 42,431,999 |
| Total investment in debt securities | $ | 286,703,615 |

*The collective trust government short-term investment fund itself is not rated. Each holding within the fund is rated, but an average rating is not available.

Credit risk for investment derivative instruments results from counterparty risk assumed by the WRS. This is essentially the risk that the counterparty to a WRS’ transaction will be unable to meet its obligation. Information regarding the WRS’ credit risk related to derivatives is found in the derivatives disclosures that follow.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an entity’s investment with a single issuer. The WRS’ investment in debt securities had no single issuer of investments that represented 5% or more of the plan assets, with exception of investments issued or implicitly guaranteed by the U.S. government and investments in mutual funds, as delineated in the WRS’ investment policy.

Rate of Return: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (13.73%) for the year ended December 31, 2022. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Derivatives: Investment derivative instruments are financial contracts for which the value of the contract is dependent on the values of one or more underlying asset, reference rate or financial index. They include futures contracts, swap contracts, options contracts, rights and forward foreign currency exchanges. While the WRS has no formal policy specific to investment derivatives, the WRS, through its external investment managers, held a variety of these instruments as of December 31, 2022. The WRS enters into these investment derivative instruments primarily to enhance the performance, reduce the volatility of its investment portfolio and to manage interest rate risk. The investment derivative instruments held by the WRS on and during the year ended December 31, 2022, are shown on the following pages. The notional values associated with these derivative instruments are generally not recorded in the financial statements; however, the exposure amounts on these instruments are included in the fair value of investments in the Statement of Fiduciary Net Position and the total changes in fair value for the year are included as investment income (loss) in the Statement of Changes in Fiduciary Net Position.

The fair value of derivative investments is based on the exchanges when available. When an exchange is not available, estimated fair values are determined in good faith by using information from J.P. Morgan traders and other market participants, including methods and assumptions considering market conditions and risks existing at the date of the Statement of Fiduciary Net Position. Such methods and assumptions incorporate standard valuation conventions and techniques, such as discounted cash flow analysis and option pricing models. All methods utilized to estimate fair values result only in general approximations of value.

The WRS' investments in derivative instruments on December 31, 2022, are presented in the accompanying tables:

| Derivative Investments Summary | | | |
|---|---|---|---|
| Classification and Type | Change in Fair Value | Notional Value | Exposure/ Fair Value |
| Foreign currency forward (FFX) contracts | $ (138,254) | $ 40,434,185 | $ (374,490) |
| Futures contracts | 181,880 | 3,410,943 | 421,491 |
| Options | (10,493) | - | (38,070) |
| Swaps | 1,324,226 | 80,040,900 | 1,412,981 |
| Total derivative investments | $ 1,357,359 | $ 123,886,028 | $ 1,421,912 |

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| Derivative Investments Detail | | | | |
|---|---|---|---|---|
| Classification and Type | Change in Fair Value | Notional Value | Exposure/ Fair Value | Counterparty (Counterparty Rating) |
| FFX contracts: | | | | |
| Australian dollar | $ - | $ 84,729 | $ (518,476) | N/A[1] |
| Brazil real | - | - | (182,588) | N/A[1] |
| Canadian dollar | - | 1,326,402 | (373,633) | N/A[1] |
| Chinese r yuan hk | - | - | (797,514) | N/A[1] |
| Chinese yuan renminbi | - | 66,532 | 1,593 | N/A[1] |
| Czech koruna | - | 380,003 | 126,703 | N/A[1] |
| Euro currency unit | - | 1,076,399 | (15,572,653) | N/A[1] |
| Indian rupee | - | 241,647 | 137,955 | N/A[1] |
| Indonesian rupiah | - | - | (488,980) | N/A[1] |
| Japanese yen | - | 613,108 | (2,794,129) | N/A[1] |
| Malaysian ringgit | - | - | (188,715) | N/A[1] |
| Mexican peso | - | 1,554,064 | (2,848,720) | N/A[1] |
| New Taiwan dollar | - | 331,585 | - | N/A[1] |
| New Zealand dollar | - | 265,000 | (472,848) | N/A[1] |
| Norwegian krone | - | 431,316 | 469,671 | N/A[1] |
| Pound sterling | - | 76,391 | (2,197,043) | N/A[1] |
| Singapore dollar | - | - | (2,187,775) | N/A[1] |
| South African rand | - | - | (451,370) | N/A[1] |
| South Korean won | - | 187,357 | (53,440) | N/A[1] |
| Swedish krona | - | - | (94,906) | N/A[1] |
| Swiss franc | - | 395,697 | 64,841 | N/A[1] |
| U.S. dollar | - | 33,403,955 | 28,047,537 | N/A[1] |
| Aggregated | (138,254) | - | - | N/A[1] |
| Total FFX contracts | (138,254) | 40,434,185 | (374,490) | |
| | | | | |
| Futures contracts: | | | | |
| 3-month cash futures | 109,711 | (12,827,961) | 109,711 | Goldman Sachs & Co, NY (BBB+) |
| Eurodollar futures | (3,253) | 2,139,065 | (3,253) | Goldman Sachs & Co, NY (BBB+) |
| Futures contracts | (239,612) | - | - | N/A |
| Intl bond futures | (41,964) | 574,492 | (41,964) | Goldman Sachs & Co, NY (BBB+) |
| Intl govt bond futures | 359,591 | (9,707,956) | 359,591 | Goldman Sachs & Co, NY (BBB+) |
| Intl govt bond futures | (27,941) | 2,780,339 | (27,941) | JP Morgan Chase & Co (A-) |
| Intl govt bond futures - UK | (33,176) | 635,948 | (33,176) | Goldman Sachs & Co, NY (BBB+) |
| Treasury bonds | 142,267 | (373,923) | 142,266 | Goldman Sachs & Co, NY (BBB+) |
| Treasury notes | (83,743) | 20,190,939 | (83,743) | Goldman Sachs & Co, NY (BBB+) |
| Total futures contracts | 181,880 | 3,410,943 | 421,491 | |

[1] Counterparty ratings for FFX contracts are not available by currency. See table on the following page summarizing FFX contract ratings by counterparty.

| Derivative Investments Detail (continued) | | | | |
|---|---|---|---|---|
| Classification and Type | Change in Fair Value | Notional Value | Exposure/ Fair Value | Counterparty (Counterparty Rating) |
| Options: | | | | |
| Credit default swaps | $ 2,428 | N/A | $ (62,915) | Citigroup Inc (BBB+) |
| Credit default swaps | 5,014 | N/A | 7,010 | N/A |
| Foreign currency options | - | N/A | (4,284) | N/A |
| Futures contracts | (2,336) | N/A | - | N/A |
| Interest rate futures | (11,085) | N/A | 19,619 | Goldman Sachs & Co, NY (BBB+) |
| Treasury notes | (4,514) | N/A | 2,500 | Goldman Sachs & Co, NY (BBB+) |
| Total options | (10,493) | | (38,070) | |
| Swaps: | | | | |
| Cleared credit default swaps | 142,451 | 4,300,000 | (746) | Citigroup Inc (BBB+) |
| Cleared credit default swaps | (26,307) | 26,378,900 | (52,623) | JP Morgan Chase & Co (A-) |
| Cleared interest rate swaps | (92,432) | 28,580,000 | (94,474) | CME Group Inc (AA-) |
| Cleared zero coupon swaps | 1,309,248 | 20,782,000 | 1,560,824 | CME Group Inc (AA-) |
| Fixed income securities | (8,734) | - | - | N/A |
| Total swaps | 1,324,226 | 80,040,900 | 1,412,981 | |
| Total derivative investments | $ 1,357,359 | $ 123,886,028 | $ 1,421,912 | |

| FFX Contracts Rating by Counterparty [2] | |
|---|---|
| Counterparty (Counterparty Rating) | Exposure/ Fair Value |
| Bank of America Corp (A-) | $ (123,606) |
| Barclays PLC (BBB) | (103,790) |
| Citigroup Inc (BBB+) | (16,432) |
| The Goldman Sachs Group Inc (BBB+) | (31,165) |
| HSBC Holdings PLC (A-) | (126,560) |
| JPMorgan Chase & Co (A-) | 39,932 |
| Morgan Stanley (A-) | (12,869) |
| Total FFX counterparties | $ (374,490) |

[2] Counterparty ratings for FFX contracts are not available by currency, thus, summarized by Counterparty.

Foreign Currency Risk: Currency risk arises due to foreign exchange rate fluctuations. The WRS' investment policies manage the exposure to foreign currency risk by allowing international securities investment managers to enter into forward exchange or future contracts on foreign currency provided such contracts have a maturity of less than one year. Currency contracts are only to be utilized for the settlement of securities transactions and defensive hedging of currency positions. The WRS' exposure to foreign currency risk on December 31, 2022, is presented in the accompanying table:

| Currency | Cash and Cash Equivalents | Equities | Fixed Income | Derivatives |
|---|---|---|---|---|
| Argentina peso | $ 274 | $ - | $ - | $ - |
| Australian dollar | 129,738 | 8,528,842 | 504,174 | (564,375) |
| Brazil real | - | - | 178,121 | (182,588) |
| Canadian dollar | 254,793 | - | 1,091,206 | (373,292) |
| Chinese r yuan hk | - | - | - | (797,514) |
| Chinese yuan renminbi | 48,886 | - | 219,113 | 1,593 |
| Czech koruna | - | - | - | 126,703 |
| Danish krone | - | 1,701,252 | - | - |
| Euro currency unit | 351,640 | 55,227,161 | 13,893,859 | (15,328,919) |
| Hong Kong dollar | - | 5,248,692 | - | - |
| Hungarian Forint | (45,809) | - | - | - |
| Indian rupee | - | - | - | 137,955 |
| Indonesian rupiah | 163,191 | - | 1,057,743 | (488,980) |
| Japanese yen | 116,710 | 32,842,681 | 2,935,694 | (2,740,599) |
| Malaysian ringgit | - | - | 185,156 | (188,715) |
| Mexican peso | 133,907 | - | 4,284,008 | (2,943,194) |
| New Zealand dollar | (1,869) | 44,084 | 477,552 | (472,848) |
| Norwegian krone | (1,524) | 591,883 | - | 469,671 |
| Pound sterling | 181,550 | 18,172,699 | 1,913,503 | (2,230,219) |
| Russian ruble (new) | - | - | 145,356 | - |
| Singapore dollar | 35 | 2,620,899 | 2,177,570 | (2,187,776) |
| South African rand | - | - | 436,563 | (451,370) |
| South Korean won | - | - | - | (53,440) |
| Swedish krona | (4,399) | 3,498,665 | 87,951 | (94,906) |
| Swiss franc | - | 11,679,043 | 195,799 | 64,841 |
| Total subject to foreign currency risk | $ 1,327,121 | $ 140,155,900 | $ 29,783,370 | $ (28,297,972) |

All forward foreign currency contracts are carried at fair value by the WRS. As of December 31, 2022, the Systems held forward currency contracts with an unrealized loss of $374,490. If held, forward foreign currency contracts are reported as derivative investments in the financial statements.

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Securities Lending Transactions: Policies of the Board of Trustees for the Wichita Employees' Retirement and Police and Fire Retirement Systems permit the lending of securities to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same securities in the future. The WRS' custodial bank, The Bank of New York Mellon, is the lending agent for the Systems' domestic securities for initial collateral of 102% of the fair value of the loaned securities and international equity securities for initial collateral of 105% of the fair value of such securities. Collateral may consist of cash (U.S. currency only); securities issued or guaranteed by the U.S. government or its agencies or instrumentalities; sovereign debt, corporate bonds and equities. Additional forms of collateral may be acceptable as the parties may agree to in writing.

The collateral securities cannot be pledged or sold by the WRS unless the borrower defaults. The lending agent shall require additional collateral from the borrower whenever the value of loaned securities exceeds the value of the collateral in the agent's possession, so that collateral always equals or exceeds 100% of the fair value of the loaned securities. Contracts with the lending agent require them to indemnify the WRS, if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the WRS for income distributions by the securities' issuers while the securities are on loan.

At year-end, the WRS had no credit risk exposure to borrowers because the amounts the WRS owes the borrowers exceeded the amounts the borrowers owed the Systems. All securities loans, whether domestic or international, are open loans and can be terminated on demand by either the system or the borrower. At year-end, loaned securities were secured with cash collateral or securities collateral. The amount shown on the Statement of Fiduciary Net Position only reflects transactions where cash collateral was received. Cash collateral is invested in a separately managed cash collateral account. Also, since securities loans are terminable at will, the duration of the securities loans do not generally match the duration of the investments made with the cash collateral received from the borrower.

Custodial Credit Risk Related to Securities Lending: Custodial credit risk for lent securities is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Consistent with the WRS' securities lending policy, $63,146,501 was held by the counterparty acting as the WRS' agent in securities lending transactions on December 31, 2022.

Other Risk Information: Recent market conditions have resulted in an unusually high degree of volatility and increased risks associated with certain investments held by the Wichita Employees' Retirement System and the Police and Fire Retirement System. As a result, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements. In addition, declines in the fair values of Systems' assets could ultimately affect the funded status of the WRS. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual valuation is performed.

**3. Capital Assets**

Capital asset activity for the year ended December 31, 2022, is presented in the following table (expressed in thousands of dollars):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Pension administration hardware and software | $ 1,283 | $ - | $ - | $ 1,283 |
| Less: accumulated depreciation | (1,283) | - | - | (1,283) |
| Capital assets, net | $ - | $ - | $ - | $ - |

**4. Wichita Employees' Retirement System**

Plan Description: The Wichita Employees' Retirement System (WERS) was established to provide retirement and survivor annuities, disability benefits, death benefits and other benefits for all regular full-time civilian employees of the reporting entity and their dependents. Plan 1 was established by City Ordinance on January 1, 1948 and became closed to new entrants prior to July 18, 1981. With the initiation of Plan 2, which was established by City Ordinance on July 18, 1981, all covered employees of Plan 1 were given the option of converting to the new plan. Plan 2 was closed to new entrants with the establishment of Plan 3 by City Ordinance, effective January 1, 1994.

Plan 3 was established by City Ordinance on April 9, 1993 and amended on February 8, 2000. The reporting entity's contributions and earnings for each employee are 25% vested after three years of service, 50% vested after five years of service and are 100% vested after seven years of service. Upon completion of seven years of service, employees participating in Plan 3 automatically convert to participation in Plan 2 unless they make an irrevocable election to convert to Plan 3b, a defined contribution plan, within 90 days thereafter. Establishment of and amendments to the benefit provisions for the WERS are authorized by the City Council.

Benefits Provided: The primary benefits provided are retirement benefits. However, the System also provides ancillary benefits in the event of pre-retirement death, disability or termination of employment prior to meeting the eligibility requirements to retire.

Plan 2 members are eligible to retire at age 62 with seven years of actual service. Benefits for Plan 2 members are calculated using Final Average Salary (FAS), which is the member's compensation for the three highest consecutive years of service within the last 10 years, multiplied by the total years of creditable service and a factor of 2.25%, subject to a maximum of 75% of the FAS. Benefits vest with seven years of actual service. The calculation is reduced with early retirement.

When a Plan 1 member has been retired for 12 months, the member receives an annual post-retirement adjustment of 3% of the original base amount of the benefit. The annual post-retirement adjustment for Plan 2 members is 2%.

As of December 31, 2022, the WERS plan membership consisted of the following:

| Member Category | Plan 1 | Plan 2 | Plan 3 | Total |
|---|---|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 524 | 984 | - | 1,508 |
| Inactive employees entitled to but not yet receiving benefits | - | 146 | - | 146 |
| Active employees | - | 768 | 641 | 1,409 |
| Total membership | 524 | 1,898 | 641 | 3,063 |

Deferred Retirement Option Plan (DROP) Provision: The benefit structure of both Plan 1 and Plan 2 includes a Deferred Retirement Option Plan (DROP) provision. Members must be eligible to receive a service retirement benefit as of the DROP retirement date to participate in the DROP. The DROP period is one to 60 months. The monthly benefit amount is computed as of the DROP election date based on the final average salary and years of service as of that date. The benefit is paid into the member's notional DROP account during the deferral or DROP period. The member and City both continue to make the required contributions during the deferral period. These contributions are not credited to the member's DROP account, but are credited to general System assets to improve funding. Interest at an annual rate of 5.0%, compounded monthly, is credited to the notional DROP account. Voluntary termination of employment during the DROP period results in loss of accrued interest. When the member terminates employment, the balance of the DROP account is paid as a lump sum and future monthly benefits are paid to the member. The balance of the notional DROP accounts as of December 31, 2022, was $4,286,095.

Funding Policy: The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. Members of Plan 2 and 3 are required to contribute 4.7% of covered salaries. From its various operating funds, the City is required to contribute at an actuarially determined rate; the rate for 2022 was 12.9% of annual covered payroll for Plans 2 and 3 (excluding compensation attributable to members who have made an irrevocable election to remain in the defined contribution plan after fully vesting at seven years of service). The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the WERS consulting actuary. For the year ended December 31, 2022, WERS received $10,407,635 in contributions from the employer for Plans 2 and 3.

Actuarial Assumptions: A summary of the actuarial assumptions and other inputs used in measuring the total pension liability are presented in the accompanying table. The actuarial assumptions used in the December 31, 2022, valuation was based on the results of the most recent demographic experience study dated April 17, 2018, which covered a three-year period ending December 31, 2016. An economic experience study was adopted by the Boards, based upon actuarial assumptions presented March 9, 2022, effective with the December 31, 2021, valuation.

| | |
|---|---|
| Price inflation | 2.75% |
| Wage inflation | 3.25% |
| Salary increases, including wage inflation | 3.5% to 6.5% |
| Long-term rate of return, net of investment expense, including price inflation | 7.38% |
| Active Members | Based on the RP-2000 Non-Annuitant Healthy Mortality Table, set forward two years for males, projected on a generational basis using Scale AA . |
| Healthy Retirees And Beneficiaries | Based on the RP-2000 Annuitant Healthy Mortality Table, set forward two years for males, projected on a generational basis using Scale AA. |
| Disabled Retirees | Based on the RP-2000 Disabled Mortality, projeted on a generational basis using Scale AA. |

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<u>Actuarial Rate of Return Assumption</u>: The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience study prepared for the System. Several factors are considered in evaluating the long-term rate of return assumption, including long term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best-estimates of geometric real rates of return (net of 2.24% inflation assumption) for each major asset class are summarized in the accompanying table.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| Large cap equity | 32% | 4.49% |
| Small cap equity | 8% | 4.95% |
| International equity | 27% | 5.22% |
| Fixed Income | 20% | 1.51% |
| Real Estate | 7% | 4.00% |
| Timber | 5% | 1.82% |
| Cash | 1% | 0.17% |
| Total | 100% | |

* Geometric mean, net of investment expenses.

<u>Discount Rate</u>: The fiduciary net position is projected to be available to make future benefit payments; therefore, a Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR) for either the December 31, 2022, or the December 31, 2021, valuations. Thus, the discount rate, or the SEIR, is equal to the long-term assumed rate of return on investments, as determined in the last experience study. The discount rate used to measure the total pension liability as of the December 31, 2022, valuation is 7.38%. Please note 7.25% is used in the annual funding valuation to determine the City's contribution rate.

The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rate. Projected future benefit payments for all current plan members were projected through 2126. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Net Pension Liability of the City</u>: The components of net pension liability as of December 31, 2022, are shown in the accompanying table. Actuarial valuation of an ongoing plan involves estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The total pension liability was determined by an actuarial valuation as of December 31, 2021. A Schedule of Changes in the Employer's Net Pension Liability (Asset) and Related Ratios is presented in the required supplementary information of this report on page A-30.

| | | |
|---|---|---|
| Total Pension Liability (TPL) | $ | 719,189,726 |
| Less: Fiduciary Net Position (FNP) | | (592,959,176) |
| Net Pension Liability (NPL) | $ | 126,230,550 |
| Ratio of FNP to TPL | | 82.45% |

Sensitivity Analysis: The accompanying table presents the net pension liability of the City using the discount rate of 7.38%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.38%) or 1.0% higher (8.38%) than the current rate.

| | Rate | City's Net Pension Liability |
|---|---|---|
| 1.0% Decrease | 6.38% | $ 203,457,587 |
| Current Rate | 7.38% | 126,230,550 |
| 1.0% Increase | 8.38% | 60,758,814 |

**5. Wichita Employees' Retirement System Plan 3b**

The City contributes to Wichita Employees' Retirement System Plan 3b, a defined contribution pension plan, for all of its full-time civilian employees hired or rehired on or after January 1, 1994. Benefits depend solely on amounts contributed to the plan plus investment earnings.

Plan 3, established by City Ordinance on April 9, 1993 and amended on February 8, 2000, requires that both the employee and the reporting entity contribute an amount equal to 4.7% of covered salaries. The reporting entity's contributions and earnings for each employee are 25% vested after three years of service, 50% vested after five years and are 100% vested after seven years of service.

The employees participating in the Plan will be converted to WERS Plan 2, a defined benefit plan, unless they make an irrevocable election to remain in the defined contribution plan within 90 days of becoming vested. If an employee converts to Plan 2, the employee's Plan 3 account balance becomes part of WERS assets available to pay future benefits of WERS defined benefit plan members. For this reason, Plan 3 members who have not made an irrevocable election to remain in the defined contribution plan are reported with the WERS defined benefit plan. Fully vested Plan 3 members who elect to remain in the defined contribution plan are referred to as Plan 3b members and are reported as a separate plan on the combining financial statements beginning on page A-8.

Fully vested employees who elect to continue participation in Plan 3b may contribute additional amounts into the plan as permitted by the rules of the Internal Revenue Code in effect at the time of the contribution. Contributions of the reporting entity and earnings forfeited by employees who leave employment before seven years of service are used to reduce the reporting entity's contribution requirements. Benefit terms, including contribution requirements, are established and may be amended by the City Council. For the year ending December 31, 2022, employee and employer contributions to Plan 3b totaled $212,909 and $212,909, respectively. As of December 31, 2022, there were 80 members covered under the defined contribution Plan 3b.

**6. Police and Fire Retirement System of Wichita, Kansas**

Plan Description: The Police and Fire Retirement System (PFRS) consists of three plans: Plan A, Plan B and Plan C-79. The plans were established to provide retirement and survivor annuities, disability benefits, death benefits and other benefits for Police and Fire Officers of the reporting entity and their dependents. All full-time active "commissioned" Police and Fire department personnel are required to participate in the plans. Plans A and B were established by City Ordinance on January 1, 1965 and Plan C-79 was established January 1, 1979 by City Ordinance. Plan B was closed to new entrants as of January 1, 1965 and Plan A was closed to new entrants as of December 31, 1978. Establishment of and amendments to the benefit provisions for the PFRS are authorized by the City Council.

Benefits Provided: The primary benefits provided are retirement benefits. However, the System also provides ancillary benefits in the event of pre-retirement death, disability or termination of employment prior to meeting the eligibility requirements to retire.

Plan A and Plan B members are eligible to retire at 20 years of actual service regardless of age. Plan C members are eligible to retire at 30 years of creditable service regardless of age, 20 years of actual service and age 50 or 10 years of actual service and age 55. Benefits are calculated using Final Average Salary (FAS), which is the member's compensation for the three highest consecutive years of service within the last 10 years, multiplied by the total years of creditable service and a factor of 2.5%, subject to a maximum of 75% of the FAS. Benefits vest after 10 years of service.

When a member has been retired for 36 months, they will receive an annual post-retirement adjustment to their benefit of 2% of the original base amount of the benefit.

As of December 31, 2022, the PFRS defined benefit plan membership consisted of the following:

| Member Category | Plan A | Plan B | Plan C-79 | Total |
|---|---|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 408 | 130 | 583 | 1,121 |
| Inactive employees entitled to, but not yet receiving benefits | - | - | 43 | 43 |
| Active employees | 1 | - | 1,115 | 1,116 |
| **Total membership** | 409 | 130 | 1,741 | 2,280 |

Backward Deferred Retirement Option Plan (DROP) Provision: The benefit structure of the Wichita Police and Fire Retirement System includes a Backward Deferred Retirement Option Pan (DROP). The Backward DROP is available to Plan A and Plan C-79 members. Members must be eligible to receive a service retirement benefit as of the Backward DROP retirement date. The DROP period is one to 60 months. The DROP period is the time between the Backward DROP retirement date and the date the employee terminates service. The retirement benefit is calculated as of the day prior to the Backward DROP retirement date. The employee's monthly retirement benefits (for the DROP period) plus applicable post retirement adjustments and interest at an annual rate of 5.0%, compounded monthly, is payable upon the employee's termination of service. When the member terminates employment, the balance of the DROP account is paid as a lump sum and the member begins to receive monthly retirement benefits on the month following termination of service.

Funding Policy: The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. PFRS members are required to contribute 6% to 8% of covered salaries. From its various operating funds, the City is required to contribute at an actuarially determined rate; the rate for 2022 was 20.9% of annual covered payroll. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the PFRS consulting actuary. For the year ended December 31, 2022, PFRS received $17,183,919 in contributions from the employer.

Actuarial Assumptions: A summary of the actuarial assumptions and other inputs used in measuring the total pension liability are presented in the table below. The actuarial assumptions used in the December 31, 2022, valuation was based on the results of the most recent demographic experience study dated April 17, 2018, which covered a three-year period ending December 31, 2016. An economic experience study was adopted by the Boards, based upon actuarial assumptions presented March 9, 2022, effective with the December 31, 2021, valuation.

| | |
|---|---|
| Price inflation | 2.75% |
| Wage inflation | 3.25% |
| Salary increases, including wage inflation | 4.00% to 5.75% |
| Long-term rate of return, net of investment expense, including price inflation | 7.34% |
| Active Members | Based on the RP-2000 Non-Annuitant Healthy Mortality Table, set forward two years for males, projected on a generational basis using Scale AA . |
| Healthy Retirees And Beneficiaries | Based on the RP-2000 Annuitant Healthy Mortality Table, set forward two years for males, projected on a generational basis using Scale AA. |
| Disabled Retirees | Based on the RP-2000 Disabled Mortality, projeted on a generational basis using Scale AA. |

Actuarial Rate of Return Assumption and Discount Rate: PFRS discount rate is 7.34%. Information about the actuarial rate of return assumption and the discount rate assumption is disclosed in Note 4 - Wichita Employees' Retirement System. Because the assets of the plans are pooled for investment purposes, the assumptions for the Police and Fire Retirement System are identical to those of the Wichita Employees' Retirement System.

Net Pension Liability of the City: The components of net pension liability as of December 31, 2022, are shown in the accompanying table. Actuarial valuation of an ongoing plan involves estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The total pension liability was determined by an actuarial valuation as of December 31, 2021. A Schedule of Changes in the Employer's Net Pension Liability (Asset) and Related Ratios is presented in the required supplementary information of this report on page A-30.

| | | |
|---|---|---|
| Total Pension Liability (TPL) | $ | 907,541,617 |
| Less: Fiduciary Net Position (FNP) | | 746,791,698 |
| Net Pension Liability (NPL) | $ | 160,749,919 |
| Ratio of FNP to TPL | | 82.29% |

Sensitivity Analysis: The accompanying table presents the net pension liability of the City using the discount rate of 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.34%) or 1.0% higher (8.34%) than the current rate.

| | Rate | | City's Net Pension Liability |
|---|---|---|---|
| 1.0% Decrease | 6.34% | $ | 270,336,566 |
| Current Rate | 7.34% | | 160,749,919 |
| 1.0% Increase | 8.34% | | 69,327,660 |

## 7. Insurance

WRS participate in the City of Wichita's self-insurance fund programs for workers' compensation, group life insurance, employee liability, property damage, auto liability and general liability. There were no settlements in excess of insurance coverage in any of the three most recent fiscal years. Additional information, including a general description of each program, can be found in the Annual Comprehensive Financial Report issued by the City of Wichita.

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## WICHITA RETIREMENT SYSTEMS
### REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
### WICHITA EMPLOYEES' RETIREMENT SYSTEM

For the years ended December 31, 2014 through December 31, 2022 [1]

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **TOTAL PENSION LIABILITY** | | | | | |
| Service cost | $ 9,796,265 | $ 9,220,703 | $ 9,639,316 | $ 10,132,953 | $ 10,067,053 |
| Interest | 50,309,417 | 49,907,671 | 49,106,352 | 47,499,432 | 47,789,825 |
| Benefit term changes | - | - | - | - | - |
| Differences between expected and actual experience | 2,296,782 | 478,629 | (1,365,285) | 3,656,262 | (2,668,930) |
| Assumption changes | (2,847,201) | 17,287,512 | 669,701 | (19,749,611) | 32,865,478 |
| Reclassification due to conversion of members to Plan 3b | (295,038) | (417,138) | (63,361) | (94,720) | (179,012) |
| Benefit payments, including member refunds | (50,367,805) | (47,000,275) | (45,828,504) | (44,447,896) | (41,670,299) |
| Net change in total pension liability | 8,892,420 | 29,477,102 | 12,158,219 | (3,003,580) | 46,204,115 |
| Total pension liability - beginning | 710,297,306 | 680,820,204 | 668,661,985 | 671,665,565 | 625,461,450 |
| Total pension liability - ending (a) | 719,189,726 | 710,297,306 | 680,820,204 | 668,661,985 | 671,665,565 |
| **PLAN FIDUCIARY NET POSITION** | | | | | |
| Employer contributions | 10,407,635 | 10,722,494 | 11,010,091 | 9,683,553 | 10,099,027 |
| Employee contributions | 3,823,411 | 3,632,713 | 3,809,288 | 3,770,224 | 3,755,812 |
| Reclassification due to conversion of members to Plan 3b | (295,038) | (417,138) | (63,361) | (94,720) | (179,012) |
| Net investment income | (98,593,403) | 95,356,927 | 80,782,297 | 102,909,003 | (39,511,690) |
| Benefit payments, including member refunds | (50,367,805) | (47,000,275) | (45,828,504) | (44,447,896) | (41,670,299) |
| Administrative expenses | (733,533) | (605,918) | (573,137) | (619,398) | (580,204) |
| Net change in plan fiduciary net position | (135,758,733) | 61,688,803 | 49,136,674 | 71,200,766 | (68,086,366) |
| Plan fiduciary net position - beginning | 728,717,909 | 667,029,106 | 617,892,432 | 546,691,666 | 614,778,032 |
| Plan fiduciary net position - ending (b) | 592,959,176 | 728,717,909 | 667,029,106 | 617,892,432 | 546,691,666 |
| Net pension liability (asset) - ending (a) - (b) | $ 126,230,550 | $ (18,420,603) | $ 13,791,098 | $ 50,769,553 | $ 124,973,899 |
| Plan fiduciary net position as a percentage of the total pension liability | 82.45% | 102.59% | 97.97% | 92.41% | 81.39% |
| Covered payroll | $ 80,679,341 | $ 77,140,245 | $ 80,365,628 | $ 80,029,364 | $ 78,898,648 |
| Employer's net pension liability (asset) as a percentage of covered payroll | 156.46% | (23.88)% | 17.16% | 63.44% | 158.40% |

| 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|
| $ 10,049,029 | $ 9,679,684 | $ 9,644,456 | $ 9,278,998 |
| 46,669,189 | 45,634,881 | 44,305,832 | 43,680,283 |
| - | - | - | - |
| (1,893,808) | (2,791,029) | (656,102) | (3,427,255) |
| - | - | (8,877,507) | (3,550,489) |
| (191,292) | (244,793) | (465,171) | (571,242) |
| (39,282,815) | (39,144,783) | (37,089,403) | (37,681,042) |
| 15,350,303 | 13,133,960 | 6,862,105 | 7,729,253 |
| 610,111,147 | 596,977,187 | 590,115,082 | 582,385,829 |
| 625,461,450 | 610,111,147 | 596,977,187 | 590,115,082 |
| 9,642,540 | 8,946,064 | 9,031,463 | 9,423,640 |
| 3,682,056 | 3,642,007 | 3,574,026 | 3,394,544 |
| (191,292) | (244,793) | (465,171) | (571,242) |
| 91,773,973 | 35,956,780 | 13,380 | 28,659,491 |
| (39,282,815) | (39,144,783) | (37,089,403) | (37,681,042) |
| (633,379) | (615,829) | (624,085) | (621,460) |
| 64,991,083 | 8,539,446 | (25,559,790) | 2,603,931 |
| 549,786,949 | 541,247,503 | 566,807,293 | 564,203,362 |
| 614,778,032 | 549,786,949 | 541,247,503 | 566,807,293 |
| $ 10,683,418 | $ 60,324,198 | $ 55,729,684 | $ 23,307,789 |
| 98.29% | 90.11% | 90.66% | 96.05% |
| $ 78,394,634 | $ 77,121,241 | $ 74,028,385 | $ 71,391,212 |
| 13.63% | 78.22% | 75.28% | 32.65% |

**NOTES TO SCHEDULE**

*Benefit changes:*

- There have been no benefit changes in the plan in the last ten years.

*Changes in actuarial assumptions:*

December 31, 2021 valuation

- Decrease in the investment return assumption from 7.50% to 7.25%.

December 31, 2018 valuation

- Decrease in the price inflation rate from 3.25% to 2.75%.
- Decrease in the investment return assumption from 7.75% to 7.50%.
- Decrease in the general wage growth assumption from 4.0% to 3.25%.
- Decrease in the covered payroll growth from 4.00% to 3.25%.
- Decrease in the indexation of terminated vested benefits from 4.00% to 3.50%.
- Modification of the retirement rates to better reflect the actual experience.
- Increase in the probability of entering the DROP from 70% to 75%.
- Change the termination of employment assumption.
- Decrease the merit component of the salary increase assumption.
- Reduce the sick leave load assumption from 2.50% to 1.75%.

December 31, 2015 valuation

- There were no changes to the assumptions used for the funding valuation, even though, the Single Equivalent Interest Rate (SEIR) at the measurement date was changed for GASB 67 valuation.

December 31, 2014 valuation

- Decrease in the price inflation rate from 3.50% to 3.25%.
- Modify Plan 2 retirement assumption to partially reflect experience. The changes increased rates at some ages and decreased them at others.
- Eliminate the disability assumption.
- Change the termination of employment assumption to a pure service-based assumption.
- Reduce the sick leave load from 4.0% to 2.5%.
- A 20% corridor was added to the actuarial value of assets calculation.

[1] Schedule is intended to show a 10-year trend. Additional years will be reported as available.

## WICHITA RETIREMENT SYSTEMS
### REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
### POLICE AND FIRE RETIREMENT SYSTEM OF WICHITA, KANSAS

For the years ended December 31, 2014 through December 31, 2022[1]

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **TOTAL PENSION LIABILITY** | | | | | |
| Service cost | $ 19,320,826 | $ 17,772,976 | $ 17,070,149 | $ 16,230,358 | $ 15,754,976 |
| Interest | 61,525,792 | 59,373,364 | 57,538,167 | 55,560,527 | 53,649,438 |
| Benefit term changes | - | - | - | - | - |
| Differences between expected and actual experience | 15,091,525 | 6,094,423 | (3,886,707) | (3,777,136) | 11,768,665 |
| Assumption changes | (3,002,231) | 24,321,745 | 1,753,326 | (12,112,003) | 26,241,485 |
| Benefit payments, including member refunds | (53,182,842) | (47,333,495) | (45,162,140) | (42,111,381) | (39,381,501) |
| Net change in total pension liability | 39,753,070 | 60,229,013 | 27,312,795 | 13,790,365 | 68,033,063 |
| Total pension liability - beginning | 867,788,547 | 807,559,534 | 780,246,739 | 766,456,374 | 698,423,311 |
| Total pension liability - ending (a) | 907,541,617 | 867,788,547 | 807,559,534 | 780,246,739 | 766,456,374 |
| **PLAN FIDUCIARY NET POSITION** | | | | | |
| Employer contributions | 17,183,919 | 17,889,908 | 16,617,743 | 13,965,415 | 14,331,422 |
| Employee contributions | 6,505,692 | 6,682,182 | 5,927,784 | 5,428,455 | 5,599,216 |
| Net investment income | (121,753,365) | 116,265,367 | 97,865,002 | 120,349,987 | (43,988,371) |
| Benefit payments, including member refunds | (53,182,842) | (47,333,495) | (45,162,140) | (42,111,381) | (39,381,501) |
| Administrative expenses | (657,985) | (556,934) | (574,182) | (612,049) | (590,098) |
| Net change in plan fiduciary net position | (151,904,581) | 92,947,028 | 74,674,207 | 97,020,427 | (64,029,332) |
| Plan fiduciary net position - beginning | 898,696,279 | 805,749,251 | 731,075,044 | 634,054,617 | 698,083,949 |
| Plan fiduciary net position - ending (b) | 746,791,698 | 898,696,279 | 805,749,251 | 731,075,044 | 634,054,617 |
| Net pension liability (asset) - ending (a) - (b) | $ 160,749,919 | $ (30,907,732) | $ 1,810,283 | $ 49,171,695 | $ 132,401,757 |
| Plan fiduciary net position as a percentage of the total pension liability | 82.29% | 103.56% | 99.78% | 93.70% | 82.73% |
| Covered payroll | $ 82,219,708 | $ 79,158,885 | $ 75,880,105 | $ 73,891,085 | $ 72,017,196 |
| Employer's net pension liability (asset) as a percentage of covered payroll | 195.51% | (39.05)% | 2.39% | 66.55% | 183.85% |

| 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|
| $ 15,178,226 | $ 14,772,379 | $ 14,981,100 | $ 15,894,290 |
| 51,532,754 | 49,519,284 | 47,600,166 | 46,490,734 |
| - | - | - | - |
| (1,784,785) | (2,576,401) | (3,259,180) | (12,040,126) |
| - | - | (10,871,013) | 226,376 |
| (36,930,533) | (35,552,267) | (36,090,820) | (36,415,156) |
| 27,995,662 | 26,162,995 | 12,360,253 | 14,156,118 |
| 670,427,649 | 644,264,654 | 631,904,401 | 617,748,283 |
| 698,423,311 | 670,427,649 | 644,264,654 | 631,904,401 |
| 13,369,785 | 12,585,895 | 13,964,379 | 14,464,181 |
| 4,915,378 | 4,776,958 | 4,603,331 | 4,529,895 |
| 103,236,679 | 39,901,640 | (163,702) | 30,596,067 |
| (36,930,533) | (35,552,267) | (36,090,820) | (36,415,156) |
| (554,641) | (548,171) | (521,018) | (542,207) |
| 84,036,668 | 21,164,055 | (18,207,830) | 12,632,780 |
| 614,047,281 | 592,883,226 | 611,091,056 | 598,458,276 |
| 698,083,949 | 614,047,281 | 592,883,226 | 611,091,056 |
| $ 339,362 | $ 56,380,368 | $ 51,381,428 | $ 20,813,345 |
| 99.95% | 91.59% | 92.02% | 96.71% |
| $ 69,634,297 | $ 66,946,250 | $ 65,560,465 | $ 64,572,237 |
| 0.49% | 84.22% | 78.37% | 32.23% |

**NOTES TO SCHEDULE**

*Benefit changes:*

- There have been no benefit changes in the plan in the last ten years.

*Changes in actuarial assumptions:*

December 31, 2021 valuation

- Decrease in the investment return assumption from 7.50% to 7.25%.

December 31, 2018 valuation

- Decrease in the price inflation rate from 3.25% to 2.75%.
- Decrease in the investment return assumption from 7.75% to 7.50%.
- Decrease in the general wage growth assumption from 4.0% to 3.25%.
- Decrease in the covered payroll growth from 4.00% to 3.25%.
- Decrease in the indexation of terminated vested benefits from 4.00% to 3.50%.
- Modification of the retirement rates to better reflect the actual experience.
- Increase in the probability of entering the DROP from 70% to 75%.
- Change the termination of employment assumption.
- Decrease the merit component of the salary increase assumption.
- Reduce the sick leave load assumption from 2.50% to 1.75%.

December 31, 2015 valuation

- There were no changes to the assumptions used for the funding valuation, even though, the Single Equivalent Interest Rate (SEIR) at the measurement date was changed for GASB 67 valuation.

December 31, 2014 valuation

- Decrease in the price inflation rate from 3.50% to 3.25%.
- Modify Plan 2 retirement assumption to partially reflect experience. The changes increased rates at some ages and decreased them at others.
- Eliminate the disability assumption.
- Change the termination of employment assumption to a pure service-based assumption.
- Reduce the sick leave load from 4.0% to 2.5%.
- A 20% corridor was added to the actuarial value of assets calculation.

[1] Schedule is intended to show a 10-year trend. Additional years will be reported as available.

## WICHITA RETIREMENT SYSTEMS
### REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF EMPLOYER CONTRIBUTIONS
### WICHITA EMPLOYEES' RETIREMENT SYSTEM

For the years ended December 31, 2013 through December 31, 2022
(dollars expressed in thousands)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Actuarially determined employer contributions | $ 10,408 | $ 10,722 | $ 11,010 | $ 9,684 | $ 10,099 |
| Actual employer contributions | 10,408 | 10,722 | 11,010 | 9,684 | 10,099 |
| Annual contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 80,679 | $ 77,140 | $ 80,366 | $ 80,029 | $ 78,899 |
| Contributions as a percentage of covered payroll | 12.90% | 13.90% | 13.70% | 12.10% | 12.80% |

**NOTES TO SCHEDULE**

The system is funded with fixed contribution rates for members and actuarially determined amounts for the City of Wichita. The Actuarially Determined Employer Contributions in the Schedule of Employer Contributions are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported as of December 31, 2022.

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | Rolling 20 years |
| Asset valuation method | Expected Value + 25% of (Fair Value - Expected Value) |
| Price inflation | 2.75% |
| Salary increases, including wage inflation | 3.50% - 6.50% |
| Investment Rate of Return | 7.50% |

| 2017 | | 2016 | | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|---|---|---|
| $ | 9,643 | $ | 8,946 | $ | 9,031 | $ | 9,424 | $ | 8,940 |
| | 9,643 | | 8,946 | | 9,031 | | 9,424 | | 8,940 |
| $ | - | $ | - | $ | - | $ | - | $ | - |
| $ | 78,395 | $ | 77,121 | $ | 74,028 | $ | 71,391 | $ | 70,953 |
| | 12.30% | | 11.60% | | 12.20% | | 13.20% | | 12.60% |

## WICHITA RETIREMENT SYSTEMS
### REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF EMPLOYER CONTRIBUTIONS
### POLICE AND FIRE RETIREMENT SYSTEM OF WICHITA, KANSAS

For the years ended December 31, 2013 through December 31, 2022
(dollars expressed in thousands)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Actuarially determined employer contributions | $ 17,184 | $ 17,890 | $ 16,618 | $ 13,965 | $ 14,331 |
| Actual employer contributions | 17,184 | 17,890 | 16,618 | 13,965 | 14,331 |
| Annual contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 82,220 | $ 79,159 | $ 75,880 | $ 73,891 | $ 72,017 |
| Contributions as a percentage of covered payroll | 20.90% | 22.60% | 21.90% | 18.90% | 19.90% |

**NOTES TO SCHEDULE**

The system is funded with fixed contribution rates for members and actuarially determined amounts for the City of Wichita. The Actuarially Determined Employer Contributions in the Schedule of Employer Contributions are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported as of December 31, 2022.

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | Rolling 20 years |
| Asset valuation method | Expected Value + 25% of (Fair Value - Expected Value) |
| Price inflation | 2.75% |
| Salary increases, including wage inflation | 4.00% - 5.75% |
| Investment Rate of Return | 7.50% |

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | $ 13,370 | $ 12,586 | $ 13,964 | $ 14,464 | $ 14,890 |
| | 13,370 | 12,586 | 13,964 | 14,464 | 14,890 |
| | $ - | $ - | $ - | $ - | $ - |
| | $ 69,634 | $ 66,946 | $ 65,560 | $ 64,572 | $ 65,306 |
| | 19.20% | 18.80% | 21.30% | 22.40% | 22.80% |

## WICHITA RETIREMENT SYSTEMS
### REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF INVESTMENT RETURNS

For the years ended December 31, 2014 through December 31, 2022 [1]

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expenses | (13.73) % | 14.84 % | 13.85 % | 19.77 % |

[1] Schedule is intended to show a 10-year trend. Additional years will be reported as available.

| 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| (5.86) % | 17.40 % | 7.16 % | 0.63 % | 5.18 % |

## WICHITA RETIREMENT SYSTEMS
### SUPPLEMENTARY INFORMATION

### SCHEDULE OF ADMINISTRATIVE EXPENSES

For the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

| | Police and Fire Retirement System | Employees' Retirement System | Totals 2022 | Totals 2021 |
|---|---|---|---|---|
| Personnel services: | | | | |
| Wages | $ 316,160 | $ 316,160 | $ 632,320 | $ 530,532 |
| Benefits | 90,365 | 90,365 | 180,730 | 157,396 |
| Total personnel services | 406,525 | 406,525 | 813,050 | 687,928 |
| Contractual services: | | | | |
| Telephone | 2,071 | 2,071 | 4,142 | 3,986 |
| Postage | 2 | 2 | 4 | 34 |
| Transportation and travel | 5,021 | 5,021 | 10,042 | 1,940 |
| Data center charges | 12,434 | 12,434 | 24,868 | 20,202 |
| City adminstrative fees | 37,828 | 37,828 | 75,656 | 64,114 |
| Actuarial fees | 44,301 | 48,301 | 92,602 | 73,814 |
| Audit fees | 9,550 | 9,550 | 19,100 | 17,170 |
| Studies and consultants | 3,993 | 4,928 | 8,921 | 4,884 |
| Legal services | - | - | - | 4,255 |
| Periodicals and manuals | 392 | 392 | 784 | 484 |
| Membership dues | 4,175 | 3,824 | 7,999 | 3,316 |
| Printing and photocopying | 6,909 | 8,117 | 15,026 | 11,710 |
| Plan 3 participant administration | - | 36,400 | 36,400 | 34,200 |
| Pension software expense | 97,490 | 97,490 | 194,980 | 158,610 |
| Custody transactions | 31,154 | 45,764 | 76,918 | 71,320 |
| Other | (7,272) | 11,474 | 4,202 | 7,553 |
| Total contractual services | 248,048 | 323,596 | 571,644 | 477,592 |
| Commodities: | | | | |
| Office equipment and supplies | 1,733 | 1,733 | 3,466 | 2,710 |
| Data processing equipment | 1,679 | 1,679 | 3,358 | 1,672 |
| Other | - | - | - | 56 |
| Total commodities | 3,412 | 3,412 | 6,824 | 4,438 |
| Total administrative expenses | $ 657,985 | $ 733,533 | $ 1,391,518 | $ 1,169,958 |

## SCHEDULE OF INVESTMENT EXPENSES

For the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

| | Police and Fire Retirement System | Employees' Retirement System | Employees' Retirement Plan 3b | Totals 2022 | Totals 2021 |
|---|---|---|---|---|---|
| Investment expenses: | | | | | |
| Financial consulting | $ 150,500 | $ 175,502 | $ - | $ 326,002 | $ 242,852 |
| Custodial bank | 167,170 | 167,170 | - | 334,340 | 289,494 |
| Investment management fees | 3,400,922 | 2,726,085 | 17,218 | 6,144,225 | 6,443,614 |
| Total investment expenses | $ 3,718,592 | $ 3,068,757 | $ 17,218 | $ 6,804,567 | $ 6,975,960 |

## SCHEDULE OF PAYMENTS MADE TO CONSULTANTS OTHER THAN INVESTMENT ADVISORS

For the year ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

| | Police and Fire Retirement System | Employees' Retirement System | Totals 2022 | Totals 2021 |
|---|---|---|---|---|
| Ice Miller LLP (legal services) | $ - | $ - | $ - | $ 4,255 |
| Cheiron, Inc. (actuarial services) | 44,301 | 48,301 | 92,602 | 73,814 |
| Eide Bailly LLP (auditing services) | 9,550 | 9,550 | 19,100 | 17,170 |
| Northeast Retirement Services (participant accounting) | - | 36,400 | 36,400 | 34,200 |
| Total payments | $ 53,851 | $ 94,251 | $ 148,102 | $ 129,439 |

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
Wichita Retirement Systems
Wichita, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Wichita Retirement Systems' basic financial statements, and have issued our report thereon dated June 6, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City of Wichita, Kansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Wichita, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Wichita, Kansas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Wichita Retirement Systems, the Pension Trust Funds of the City of Wichita, Kansas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
June 6, 2023

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CITY OF WICHITA


BASEBALL

# Investment Section

Callan

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www.callan.com

April 2023

The Wichita Retirement Systems
Wichita Employees' Retirement System and Police & Fire Retirement System of Wichita
455 North Main Street, 12th Floor
Wichita, Kansas 67202

**RE: Report on 2022 Investment Activities**

Dear Board Members:

The City of Wichita created the Wichita Retirement Systems (the "Fund") to make investments in the sole interest of the participants and beneficiaries of the Wichita Employees' Retirement System and the Police & Fire Retirement System of Wichita, Kansas. The combined Retirement Funds' assets are invested in accordance with the following investment objectives: (1) to fulfill current benefit obligations; (2) to maximize return within reasonable and prudent levels of risk; and (3) to maintain sufficient liquidity in order to meet benefit payment obligations when due.

Fund assets are to be invested with the care, skill, and diligence that a prudent person acting in a like capacity would undertake. The Boards also acknowledge the objective of controlling the costs involved with administering and managing the investments of the Fund.

Through the Joint Investment Committee, the two Boards closely monitor the Fund's asset mix to assure compliance with the adopted Investment Policy Statement and appropriate City ordinances that regulate the investment process. The Boards' investment consultant provides performance and other analyses to facilitate their ongoing evaluation of Fund's results.

On an ongoing basis, the Boards implement a performance measurement and evaluation process that examines rates of return for the Total Fund, the major asset classes, and the individual managers. The Boards compare returns to broad market indices and relevant "peer groups" of investment managers with similar investment styles. All performance reflects time-weighted rates of return calculated by the Fund's investment consultant on a fair value basis with cash flow data provided by the Fund's custodian bank.

Comments in the following paragraphs reflect investment results for the one-year period ended December 31, 2022.

Financial markets declined in 2022 as the Federal Reserve (Fed) embarked on an aggressive path of rate hikes to combat unexpectedly high and persistent inflation. Global stock and bond markets posted double-digit losses for the year, with U.S. bonds posting record-breaking calendar year losses and several U.S. stock indices falling the most since 2008. In addition to traditional financial asset declines, the crypto market shrank from a high of $3 trillion in November 2021 to roughly $800 billion at year-end, according to data from CoinMarketCap. Commodities were a lone bright spot, buoyed by soaring energy prices in the first half of the year and metals later in the year.

The Federal Reserve raised its target range for the Fed Funds rate by 50 bps to 4.25% - 4.50% at its December meeting, the highest since 2007. The 2022 cumulative rate hike totaled 425 bps. The Fed has been explicit in its intent to aggressively fight inflation and is willing to see the economy slow and unemployment rise to bring it down. The median Fed Funds rate projection from the Fed for year-end 2023 is now 5.1%, up 50 bps from the September projections.

In response to dramatically increasing interest rates, the U.S. fixed income market experienced its worst year ever in 2022, by a wide margin. The Bloomberg U.S. Aggregate Bond Index sank 13.0%; the next worst calendar year was 1994 when the Aggregate fell 2.9%. The silver lining lies in the 4.68% yield-to-worst for the Index, up from 1.75% at the beginning of the year. The yield curve remained inverted at year-end, reflecting investor expectations for the economy to slow and an eventual need for the Fed to lower rates. The fourth quarter brought some relief to bond investors as longer rates fell modestly and most “spread” sectors outperformed Treasuries.

U.S. stock indices posted positive returns in 4Q as investor sentiment improved, but the 2022 results remained dismal with most indices posting double-digit declines. The S&P 500 Index rose 7.6% for the quarter, which lowered its loss for the year to 18.1%. Value stocks trounced growth for the year (Russell 1000 Value: -7.5%; Russell 1000 Growth: -29.1%). Looking back three years, growth is now only modestly ahead of value (Russell 1000 Value: +6.0%; Russell 1000 Growth: +7.8%); Small-cap stocks exhibited a similar pattern.

While financial markets were challenged in 2022, economic data was more promising. The labor market remained strong despite well-publicized layoffs across the tech industry. In 2022, 4.5 million jobs were created, down from the record-setting 6.7 million added in 2021. The unemployment rate dropped a tenth of a percentage point in December to 3.5%. Hourly wages were 4.6% higher than a year earlier.

Inflation began to show signs of moderating, with the annual rate of inflation slowing for the sixth straight month in December. The headline Consumer Price Index (CPI) rose 6.5% year-over-year, off the midsummer peak of 9.1% (June 2022). These year-over-year figures remain well above the Federal Reserve’s long-run inflation rate objective of 2%, but most components of the CPI registered smaller gains or even price declines in the most recent reading.

As noted in the Schedule of Investment Results, the Total Fund returned -13.2% (net of fees) for the year ended December 31, 2022, which outperformed the -13.6% return of the target benchmark. In aggregate, active management added value during the year, particularly within the Timber and International Equity asset classes.

Respectfully submitted,

Gordon Weightman, CFA
Senior Vice President
Callan LLC

Alexander Ford
Vice President
Callan LLC

Perry Hopper, CFA, CAIA
Assistant Vice President
Callan LLC

**Investment Policy Summary**

Strategic Plan: Assets of the Wichita Employees' and Police and Fire Retirement Systems (Fund) are invested in a diversified mix of domestic and international equities, domestic and international fixed income securities, real estate, timber and cash equivalents. The Fund is overseen by the Joint Investment Committee (JIC), comprised of the President of each Board, two elected members from each Board, two City Council appointees from each Board and a City Manager's designee.

Investment Policies: The duties of the Boards include, but are not limited to, approving the Asset Allocation Plan and Investment Policy contained in the Strategic Plan, annual performance review of the investment portfolio and the hiring of a common financial consultant and actuary.

The duties of the JIC include, but are not limited to, making recommendations to the Boards on the Asset Allocation Plan and Investment Policy and the hiring of a common financial consultant and actuary; quarterly performance review of the investment portfolio; and retention and termination of the Fund's investment managers and the custodial bank.

The assets of the Fund are managed solely in the interest of each System's participants and beneficiaries. Fund assets are allocated to professional investment managers who are given full investment discretion with respect to assets under their management, subject to mandated investment guidelines. In the event an investment manager search is deemed prudent by the JIC, a "candidate profile" will be created for each search that lists the rationale and objective in addition to any preferences and requirements relevant to the selection of candidates.

Investment Objectives: The goal of the Fund is to ensure sufficient resources to meet or exceed benefit obligations. Pursuing these objectives, the Boards will endeavor to earn the maximum total return on assets consistent with maintaining a prudent level of risk. In investing and reinvesting monies in the Fund, there shall be exercised the judgment and care under the circumstances then prevailing which people of prudence, discretion and intelligence exercise in the management of their own affairs.

Total Fund returns are compared to a blended target index composed of market indexes weighted to the applicable asset class median. As of December 31, 2022, the blended target consisted of the following:

| Asset Class | Target Allocation | Relevant Index |
|---|---|---|
| Domestic Equity | 40% | Russell 3000 Index |
| International Equity | 27% | Morgan Stanley Capital International All Country World ex-U.S. Investable Markets Index. (MSCI - ACWI ex-U.S. IMI) |
| Fixed Income | 20% | Bloomberg Aggregate Bond Index |
| Real Estate | 7% | National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Equity Value-Weighted Index (NCREIF ODCE Value Weighted) |
| Timber | 5% | National Council of Real Estate Investment Fiduciaries (NCREIF) Timberland Index |
| Cash | 1% | 3-month Treasury Bill Index |
| Total | 100% | |

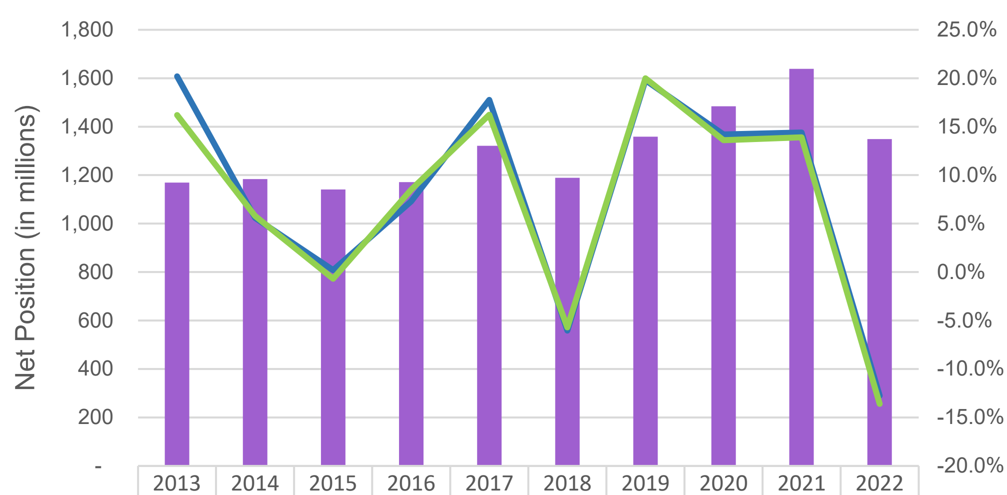
The Boards expect the Fund's overall returns to be less volatile than the relevant market indices. The Fund's long-term objective is to achieve an annualized rate of return that is 4.50% higher than the price inflation assumption.

Each equity and fixed income manager's total fund return on a time-weighted basis is compared to a universe of managers employing a similar investment style. Performance relative to a manager's style group is expected to be above median over rolling seven-year periods. Over the long term, (ie. a market cycle or periods greater than seven years), each manager's performance will also be compared to a relevant market index.

**Investment Performance**

The accompanying chart illustrates the portfolio's annual gross investment performance compared to the benchmark and changes in the Fund's net position based on asset class allocations at year-end. Net investment performance was not available until 2018 with the change of the custodian of the Fund. The 2022 Fund return of (12.76%) outperformed the benchmark return of (13.60%). The Fund's net position decreased by ($289.7) million, or (17.68%).

**Investment Return and Fund Net Position**




| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Position | 1,169 | 1,184 | 1,141 | 1,171 | 1,321 | 1,189 | 1,359 | 1,484 | 1,639 | 1,349 |
| System Return | 20.2% | 5.6% | 0.2% | 7.3% | 17.8% | -6.0% | 19.8% | 14.2% | 14.4% | -12.8% |
| Benckmark Return | 16.2% | 5.8% | -0.7% | 8.5% | 16.2% | -5.7% | 20.0% | 13.6% | 13.9% | -13.6% |

The accompanying table illustrates Fund performance compared with plan target and relevant index comparisons.

| | Annualized Returns [1] | | | |
|---|---|---|---|---|
| | 1 year | 3 years | 5 years | 10 years |
| Fund performance[2] | (12.76%) | 4.47% | 5.11% | 7.52% |
| *Fund target performance*[3] | (13.60%) | 3.77% | 4.79% | 6.86% |
| Domestic equity | (19.04%) | 7.33% | 8.74% | 12.03% |
| *Russell 3000 Index* | (19.21%) | 7.07% | 8.79% | 12.13% |
| International equity | (15.30%) | 1.99% | 1.75% | 4.89% |
| *MSCI ACWI ex US IMI Index* | (16.58%) | 0.20% | 0.85% | 3.98% |
| Fixed income | (13.56%) | (2.49%) | 0.37% | 1.59% |
| *Bloomberg Aggregate Index* | (13.01%) | (2.71%) | 0.02% | 1.06% |
| Real Estate | 7.56% | 9.06% | 7.52% | 9.41% |
| *NCREIF NFI-ODCE Val Wt Nt* | 6.55% | 8.97% | 7.72% | 9.11% |
| Timber | 31.73% | 11.66% | 7.49% | 6.46% |
| *NCREIF Timberland Index* | 12.90% | 7.51% | 5.37% | 5.80% |

[1] Performance returns are calculated using a time-weighted return on market values.

[2] Performance is gross of fees. Timber was funded after January 2011.

[3] Fund target performance is as follows:

(a) From 10/01/11 until 10/01/16; 32% Russell 1000 Index; 8% Russell 2000 Index; 22% Morgan Stanley Capital International All Country World (ex-U.S.) Index; 22% Barclays Capital Aggregate Bond Index; 5% NCREIF Total Property Index; 5% NCREIF Timberland Index; 3% Barclays Capital U.S. TIPS Index; 3% Dow Jones-UBS Commodity Index.

(b) From 10/01/16 until 05/31/19; 31% Russell 1000 Index; 8% Russell 2000 Index; 26% Morgan Stanley Capital International All Country World (ex-U.S.) Index; 19% Bloomberg/Barclays Aggregate Index; 7% NCREIF Total Property Index; 5% NCREIF Timberland Index; 3% Bloomberg Commodity Trust Index; 1% 3-month Treasury Bill.

(c) From 06/01/19 until present; 40% Russell 3000 Index; 27% MSCI ACWI ex US IMI Index, 20% Blmbg Aggregate Index, 7% NCREIF NFI-ODCE Val Wt Nt, 5% NCREIF Timberland Index and 1% 3-month Treasury Bill Index.

### Asset Allocation

The Wichita Employees' and the Police and Fire Retirement Boards believe that a diversified portfolio aids in the preservation of investment principal. Growth with limited risk is the Fund's objective. The Boards established the Joint Investment Committee (JIC) to manage the assets of both Systems. Asset allocation, in conjunction with investment manager selection, has a significant impact on investment performance. The JIC is responsible for recommending an Asset Allocation Plan developed with the assistance of Callan, LLC, the Board's financial consultant.

The Boards review the adopted Asset Allocation Plan at least every three years. The Boards' commitment to the adopted Asset Allocation Plan, which ensures a diversified portfolio, is especially important to minimize the Fund's exposure to market volatility and to help preserve sufficient funding for future generations. As of December 31, 2022, 65.30% of the Fund's assets were invested in equities, 18.70% in fixed income, 8.00% in real estate, 6.80% in timber and 1.20% in cash. The accompanying table displays the Fund's target and actual asset allocations on December 31, 2022.

| | Asset Allocation | | | |
|---|---|---|---|---|
| Asset Class | Minimum[1] | Target | Maximum[1] | Actual |
| Domestic equity: | | | | |
| Large/mid-cap | 17.00% | 20.00% | 23.00% | 19.30% |
| Large-cap passive | 10.20% | 12.00% | 13.80% | 11.40% |
| Small-cap | 6.80% | 8.00% | 9.20% | 7.20% |
| Total domestic equity | 34.00% | 40.00% | 46.00% | 37.90% |
| International equity: | | | | |
| Active core | 8.70% | 10.30% | 11.80% | 10.80% |
| Passive core | 6.20% | 7.30% | 8.40% | 7.70% |
| Small-cap | 3.50% | 4.00% | 4.60% | 4.50% |
| Emerging markets | 4.60% | 5.40% | 6.20% | 4.40% |
| Total international equity | 23.00% | 27.00% | 31.00% | 27.40% |
| Fixed income: | | | | |
| Active core | 6.80% | 8.00% | 9.20% | 7.60% |
| Active core plus | 6.80% | 8.00% | 9.20% | 7.20% |
| Global | 3.40% | 4.00% | 4.60% | 3.90% |
| Total fixed income | 17.00% | 20.00% | 23.00% | 18.70% |
| Real estate: | | | | |
| Core | 5.00% | 7.00% | 9.00% | 8.00% |
| Timber | 3.00% | 5.00% | 7.00% | 6.80% |
| Cash | 0.00% | 1.00% | 5.00% | 1.20% |

[1] Because the styles within each asset class are more restrictive than the overall asset class, the min/max ranges for the styles within each asset class may not total the min/max for the overall asset class.

### Investment Holdings

The Fund's top ten largest equity holdings by fair value and top ten largest fixed income holdings by fair value as of December 31, 2022 are summarized in the accompanying tables. A complete listing of the portfolio of investments is available from the Pension Management Office upon request.

Ten Largest Equity Holdings
As of December 31, 2022

| Holding | Fair Value | Number of Shares/Par Value | Percent of Total Portfolio |
|---|---|---|---|
| Microsoft Corp | $ 12,661,297 | 52,795 | 0.94 % |
| Amazon.com Inc | 5,906,796 | 70,319 | 0.44 |
| Apple Inc. | 5,183,168 | 39,892 | 0.38 |
| Nestle SA | 4,504,929 | 38,902 | 0.33 |
| AIA Group Ltd | 4,099,255 | 368,600 | 0.30 |
| Alphabet Inc | 3,913,614 | 44,107 | 0.29 |
| Merck & Co Inc | 3,821,806 | 34,217 | 0.28 |
| Roche Holding AG | 3,759,984 | 11,975 | 0.28 |
| Hess Corp | 3,550,606 | 25,036 | 0.26 |
| Vici Properties Inc | 3,326,233 | 101,440 | 0.25 |
| Total | $ 50,727,688 | 787,283 | 3.75 % |

Ten Largest Fixed Income Holdings
As of December 31, 2022

| Holding | Fair Value | Number of Shares/Par Value | Percent of Total Portfolio |
|---|---|---|---|
| US Treasury Note | $ 4,632,469 | 6,935,000 | 0.34 % |
| US Treasury Bond | 3,569,824 | 4,179,487 | 0.26 |
| Bundesobligation Regs | 3,140,384 | 3,830,000 | 0.23 |
| US Treasury Note | 2,828,924 | 3,003,682 | 0.21 |
| Singapore Government Bond | 2,498,710 | 2,823,468 | 0.19 |
| US Treasury Bond | 2,389,357 | 2,620,756 | 0.18 |
| US Treasury Note | 2,306,634 | 2,683,153 | 0.17 |
| US Treasury Bond | 2,187,382 | 2,975,000 | 0.16 |
| CME Group Inc. | 2,181,206 | 2,671,422 | 0.16 |
| Australia Government Bond Regs | 2,063,408 | 2,230,000 | 0.15 |
| Total | $ 27,798,298 | 33,951,968 | 2.05 % |

The tables presented on the following pages provide additional information about portfolio investments, including fair value of investment assets by investment, assets under management and related investment management fees by manager and brokerage commissions earned for the year ended December 31, 2022.

| Investment Summary by Type of Investment as of December 31, 2022 | | |
|---|---|---|
| Type of Investment | Fair Value | % of Total Portfolio |
| Government short-term investment fund | $ 42,431,999 | 3.10 % |
| Equity: | | |
| Domestic equity | 498,912,819 | 36.45 |
| International equity | 364,058,198 | 26.60 |
| Total equities | 862,971,017 | 63.05 |
| Fixed income | 242,849,704 | 17.74 |
| Real estate | 108,037,344 | 7.89 |
| Target date and money market funds | 5,974,974 | 0.44 |
| Timber | 91,995,089 | 6.72 |
| Derivative investments | 1,421,912 | 0.10 |
| Securities lending short-term collateral investment pool | 13,141,922 | 0.96 |
| **Total Investments** | $ 1,368,823,961 | 100.00 % |

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## Investment Assets Under Management and Related Management Fees

As of and for the year ended December 31, 2022

| Asset Category/Investment Manager | Management Fees | Fair Value |
|---|---|---|
| Fixed income: | | |
| Insight Investment | $ 184,658 | $ 49,745,775 |
| Richmond Capital Management, Inc. | 196,445 | 99,260,309 |
| Western Asset Management Co. | 303,604 | 95,265,532 |
| BNYM[1] securities lending short-term collateral investment pool | - | 13,141,922 |
| BNYM[1] Collective Trust GSTIF[2] | - | 42,431,999 |
| Total fixed income | 684,707 | 299,845,537 |
| Domestic equity: | | |
| Barrow Hanley Global Investors | 670,002 | 142,742,100 |
| Boston Partners Asset Management | 500,533 | 47,234,715 |
| Fred Alger Management, Inc. | 543,023 | 109,787,144 |
| Peregrine Capital Management | 436,024 | 46,147,625 |
| SSGA[3] S&P 500 Flagship Fund | 30,197 | 153,001,235 |
| Total domestic equity | 2,179,779 | 498,912,819 |
| International equity: | | |
| AQR Capital Management | 484,911 | 58,949,178 |
| Brandes Investment Partners | 420,191 | 60,311,457 |
| Fidelity Investment Asset Mgmt | 616,251 | 141,280,621 |
| SSGA[3] MSCI World-Ex-U.S. Index | 57,689 | 103,516,942 |
| Total international equity | 1,579,042 | 364,058,198 |
| Real estate: | | |
| RREEF America REIT II | 640,987 | 64,987,173 |
| UBS Trumbull Property Fund | 278,198 | 43,050,171 |
| Total real estate | 919,185 | 108,037,344 |
| Timber: | | |
| Molpus Woodlands Fund III | 217,193 | 25,517,182 |
| Molpus Woodlands Fund IV | 285,098 | 34,550,915 |
| Molpus Woodlands Fund V | 279,221 | 31,926,992 |
| Total timber | 781,512 | 91,995,089 |
| Defined contribution pooled funds: | | |
| SSGA[3] Target Date Funds | - | 5,707,970 |
| SSGA[3] Cash Series Prime Fund CL C | - | 267,004 |
| Total defined contribution pooled funds | - | 5,974,974 |
| Total | $ 6,144,225 | $ 1,368,823,961 |

[1]The Bank of New York Mellon

[2]Government Short Term Investment Fund

[3]State Street Global Advisors

| Brokerage Firm | Total Commissions | Number of Shares | Commission Per Share | Percent of Total |
|---|---|---|---|---|
| Piper Jaffray & Co, Jersey City | $ 25,174 | 722,529 | $ 0.03484 | 8.33 % |
| Goldman Sachs & Co, Ny | 22,459 | 21,288,690 | 0.00105 | 7.44 |
| BNY Convergex, New York | 21,777 | 621,891 | 0.03502 | 7.22 |
| Cowen And Co Llc, New York | 18,446 | 741,971 | 0.02486 | 6.11 |
| J.P Morgan Securities Inc, New York | 11,983 | 389,317 | 0.03078 | 3.97 |
| Guggenheim Capital Markets Llc, New York | 11,629 | 325,050 | 0.03578 | 3.85 |
| Morgan Stanley And Co, Llc, New York | 11,510 | 478,798 | 0.02404 | 3.82 |
| Goldman Sachs Intl, London (Gsilgb2x) | 7,350 | 1,347,003 | 0.00546 | 2.44 |
| Merrill Lynch Pierce Fenner Smith Inc Ny | 7,198 | 235,335 | 0.03059 | 2.39 |
| Wedbush Securities Inc/P3, Los Angeles | 7,076 | 271,461 | 0.02607 | 2.35 |
| J.P. Morgan Securities Llc, New York | 5,945 | 215,484 | 0.02759 | 1.97 |
| Baird, Robert W & Co Inc, Milwaukee | 5,860 | 174,301 | 0.03362 | 1.94 |
| UBS Securities Llc, Stamford | 5,623 | 337,386 | 0.01667 | 1.86 |
| Morgan Stanley & Co, London (Mslngb2x) | 5,616 | 374,211 | 0.01501 | 1.86 |
| Cowen And Company, Llc, Jersey City | 5,431 | 155,173 | 0.03500 | 1.80 |
| Credit Suisse International, London | 5,212 | 16,900,000 | 0.00031 | 1.73 |
| Jefferies & Co Inc, New York | 4,927 | 142,126 | 0.03467 | 1.63 |
| RBC Capital Markets Llc, New York | 4,873 | 171,623 | 0.02839 | 1.62 |
| Pershing Llc, Jersey City | 4,767 | 151,349 | 0.03150 | 1.58 |
| UBS Equities, London | 4,767 | 455,317 | 0.01047 | 1.58 |
| Wells Fargo Securities, Llc, New York | 4,335 | 129,141 | 0.03357 | 1.44 |
| Stifel Nicolaus | 4,120 | 123,661 | 0.03332 | 1.37 |
| Jefferies & Co Ltd, London | 4,067 | 235,431 | 0.01727 | 1.35 |
| Credit Suisse, New York (Csus) | 4,052 | 223,076 | 0.01816 | 1.34 |
| Suntrust Capital Markets Inc, New York | 3,708 | 104,796 | 0.03538 | 1.23 |
| Raymond James & Assoc Inc, St Petersburg | 3,528 | 111,869 | 0.03154 | 1.17 |
| Merrill Lynch Gilts Ltd, London | 3,396 | 141,100 | 0.02407 | 1.13 |
| Barclays Capital Inc/Le, New Jersey | 3,325 | 116,644 | 0.02851 | 1.10 |
| Liquidnet Inc, New York | 3,238 | 181,275 | 0.01786 | 1.07 |
| J.P. Morgan Securities, Hong Kong | 3,205 | 137,500 | 0.02331 | 1.06 |
| Instinet Europe Limited, London | 3,098 | 212,742 | 0.01456 | 1.03 |
| Other firms (Includes 83 brokerage firms, each contributing less than 1% of total | 64,006 | 3,420,201 | 0.01871 | 21.22 |
| Total brokerage commissions | $ 301,701 | 50,636,451 | $ 0.00596 | 100.00 % |

Schedule of Brokerage Commissions
For the year ended December 31, 2022

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CITY OF WICHITA


TEAM
BUD LIGHT
Kansas

# Actuarial Section

June 1, 2023

Boards of Trustees for the Wichita Employees' Retirement System and
Police and Fire Retirement System of Wichita, Kansas
City Hall, 12th Floor
455 N. Main Street
Wichita, KS 67202

***Re: Certification of the December 31, 2022 Actuarial Valuations***

Dear Board Members:

This is the Actuary's Certification Letter for the Actuarial Section of the Annual Comprehensive Financial Report for the Wichita Employees' Retirement System and the Police and Fire Retirement System of Wichita, Kansas as of December 31, 2022. This letter includes references to three documents produced by Cheiron for each System: the Actuarial Valuation Report as of December 31, 2022, the GASB 67 Report as of December 31, 2022, and the GASB 68 Report as of December 31, 2022.

**Actuarial Valuation Reports as of December 31, 2022**

The purpose of the annual Actuarial Valuation Reports as of December 31, 2022 is to determine the actuarial funding status of the Systems on that date and to calculate the employer contribution rate for Fiscal Year 2024.

Actuarial funding is based on the Entry Age Normal cost method. Under this method, a contribution rate provides for the current cost (normal cost) plus a level percentage of payroll to amortize the Unfunded Actuarial Liability (UAL). The UAL is amortized over an open (rolling) 20-year period as a level percentage of payroll. For actuarial valuation purposes, System assets are based on the Actuarial Value of Assets. For these Systems, the Actuarial Value of Assets is calculated as the expected Actuarial Value of Assets plus 25% of the difference between the expected Actuarial Value of Assets and the actual fair value of assets. The actuarial value is limited to no less than 80% and no more than 120% of fair value.

The funding objective of the Systems is to establish and receive contributions which (1) when expressed as a percent of active payroll, will remain approximately level from generation to generation of Wichita citizens, and (2) when combined with present assets and future investment returns will be sufficient to meet the financial obligations of the Systems for present and future retirees and beneficiaries.

The Boards of Trustees are responsible for establishing and maintaining the funding policy of the Systems.

The December 31, 2022 valuation results are based on the same actuarial assumptions and methods used in the December 31, 2021 valuations. The demographic assumptions were based on recommendations from the experience studies covering the period January 1, 2014 through December 31, 2016 prepared by the prior actuary. The economic assumptions were adopted by the Board, effective with the December 31, 2021 valuation, based on recommendations from the economic experience study presented to the Board on March 9, 2022. Cheiron has reviewed the assumptions. While we consider these assumptions to be generally reasonable, we have not performed our own demographic actuarial experience study. The actuarial assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice.

We certify that the valuations were performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards Nos. 4, 27, 35, and 44.

**GASB 67 and 68 Reports as of December 31, 2022**

The purpose of the GASB 67 and 68 Reports as of December 31, 2022 is to provide accounting and financial reporting information under GASB 67 for the Systems and under GASB 68 for the City of Wichita. These reports are not appropriate for other purposes, including the measurement of funding requirements for the Systems.

For financial reporting purposes, measurements as of the reporting date are based on the fair value of assets and the Total Pension Liability as of December 31, 2022.

The calculation of the Total Pension Liability and the projection of the System's contributions and projected benefit payments as of December 31, 2022 were based on the same data, actuarial assumptions and methods, and plan provisions as used in the actuarial valuation reports as of December 31, 2022, except for the discount rate.

For the Actuarial Valuations as of December 31, 2022, the investment rate of return is net of both investment and administrative expenses and is assumed to be 7.25%. The administrative expenses are expected to be 0.13% of assets for the Wichita Employees' Retirement System and 0.09% for the Police and Fire Retirement System of Wichita, Kansas. Therefore, in accordance with Paragraph 40 of GASB Statement No. 67, the projection of the Plan's fiduciary net position is based on a long-term expected rate of return of 7.38% per annum for the Wichita Employees' Retirement System and 7.34% per annum for the Police and Fire Retirement System of Wichita, Kansas, net of investment expenses.

We certify that the reports were performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

We prepared the following supporting schedules that are included in the Annual Comprehensive Financial Report. All historical information prior to December 31, 2019, is based on information reported by the prior actuary.

**Actuarial Section**

Summary of Actuarial Methods and Assumptions
Active Member Valuation Data
Retirants and Beneficiaries Added to and Removed from Rolls
Solvency Test
System Experience Gain/(Loss)
Schedule of Funding Progress

**Statistical Section**

Average Benefit by Years of Service
Retired Members by Type and Benefit Amount

**Financial Section**

Calculation of the Total Pension Liability and Net Pension Liability/(Asset)
Sensitivity Analysis of the Net Pension Liability/(Asset)
Schedule of Changes in the Employers' Net Pension Liability/(Asset) and Related Ratios
Schedule of Employer Contributions

**Disclaimers**

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) for the intended purpose of calculating liabilities and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We are not aware of any material inconsistencies, unreasonable output resulting from the aggregation of assumptions, material limitations or known weaknesses that would affect our reports.

Projections in our reports were developed using P-scan, our proprietary tool for the intended purpose of developing projections. The projections shown in our reports cover multiple individual scenarios and the variables are not necessarily correlated. We are not aware of any material inconsistencies, unreasonable output resulting from aggregation of assumptions, material limitations or known weaknesses that would affect the projections shown in our reports.

In preparing our reports, we relied on information (some oral and some written) supplied by the Wichita Retirement Systems staff. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality. The reports do not reflect any subsequent changes in the membership or assets.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

These reports are for the use of the Boards and their auditor in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of these reports is not an intended user and is considered a third party.

Cheiron's reports were prepared solely for the Wichita Employees' Retirement System and the Police and Fire Retirement System of Wichita, Kansas for the purposes described herein, except that the Plan's Auditor may rely on these reports solely for the purpose of completing an audit related to the matters herein. They are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

These reports and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Jake Libauskas, FSA, FCA, MAAA, EA
Consulting Actuary

Janet Cranna, FSA, FCA, MAAA, EA
Principal Consulting Actuary

**1. Wichita Employees' Retirement System**

Provisions of the plan are outlined in the financial section of this report beginning on page A-24. The Plans prepare two actuarial valuations - one for funding purposes and one for accounting and financial reporting purposes under Governmental Accounting Standards Board Statement 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. With the exception of the discount rate used, the actuarial cost methods and assumptions used for financial reporting purposes are consistent with those utilized for funding purposes.

A. Actuarial Cost Method

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

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

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

The portion of the actuarial present value of retirement system benefits allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial liability. Deducting actuarial assets from the actuarial liability determines the unfunded actuarial liability (or surplus). The Wichita Employees' Retirement System (WERS) had an unfunded actuarial liability of $70.6 million as of December 31, 2022.

B. Actuarial Assumptions Used for Valuations

System contribution requirements and actuarial present values are calculated by applying experience assumptions to the benefit provisions and participant information of the Retirement System using the actuarial cost method. The demographic assumptions were proposed by the Fund's prior actuary following the completion of this experience study covering the period January 1, 2014, through December 31, 2016, and adopted by the Board on September 19, 2018. An economic experience study was performed and adopted by the Boards, based upon actuarial assumptions presented March 9, 2022, effective with the December 31, 2021, valuation. An experience study is performed every five years.

The actuarial valuation of assets is based upon the "Expected Value plus 25%" method, which levels the effects of fair value fluctuations by recognizing 25% of the difference between the expected actuarial value and the fair value of assets. The Board first adopted this methodology for the December 31, 2002 valuation. Actuarial gains and losses reduce or increase the unfunded actuarial liability or surplus, which is amortized over a rolling 20-year amortization period.

<u>Long-Term Rate of Return</u>: The investment return rate, net of investment expenses and administrative expenses, used for the actuarial valuation performed for funding purposes is 7.25% per year, compounded annually. This rate consists of 2.75% in recognition of long-term price inflation and 4.50% in recognition of a real rate of return over price inflation. This assumption, used to equate the value of payments due at different points in time, was adopted by the Board and was first used for the December 31, 2021, valuation.

The 7.38% rate of return used for accounting purposes is based on the same underlying data as the rate used for funding purposes. However, the rate used for accounting purposes represents investment return, net of investment expenses. Administrative expenses are accounted for separately, consistent with the requirements of GASB Statement No. 67.

Salary Projections: These assumptions are used to project current salaries to determine average annual compensation. They consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel, and a years-of-service component to reflect promotion and longevity increments.

Salary increases are assumed to occur mid-year. The salary increase assumptions are expected to produce 3.25% annual increases in active member payroll (the inflation and productivity base rate), given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial liability. The rate of return over assumed wage growth is 4.00% per year. These assumptions were first used for the December 31, 2021, valuation. Assumptions about annual rates of salary increases are summarized in the accompanying table:

| Years of Service | Inflation Component | Productivity Component | Merit and Longevity | Total |
|---|---|---|---|---|
| Under 1 | 2.75% | 0.50% | 3.25% | 6.50% |
| 1 | 2.75 | 0.50 | 3.10 | 6.35 |
| 2 | 2.75 | 0.50 | 2.90 | 6.15 |
| 3 | 2.75 | 0.50 | 2.70 | 5.95 |
| 4 | 2.75 | 0.50 | 2.50 | 5.75 |
| 5 | 2.75 | 0.50 | 2.30 | 5.55 |
| 6 | 2.75 | 0.50 | 2.10 | 5.35 |
| 7 | 2.75 | 0.50 | 1.90 | 5.15 |
| 8 | 2.75 | 0.50 | 1.80 | 5.05 |
| 9 | 2.75 | 0.50 | 1.70 | 4.95 |
| 10 | 2.75 | 0.50 | 1.60 | 4.85 |
| 11 | 2.75 | 0.50 | 1.50 | 4.75 |
| 12 | 2.75 | 0.50 | 1.40 | 4.65 |
| 13 | 2.75 | 0.50 | 1.30 | 4.55 |
| 14 | 2.75 | 0.50 | 1.20 | 4.45 |
| 15 | 2.75 | 0.50 | 1.06 | 4.31 |
| 16 | 2.75 | 0.50 | 0.92 | 4.17 |
| 17 | 2.75 | 0.50 | 0.78 | 4.03 |
| 18 | 2.75 | 0.50 | 0.64 | 3.89 |
| 19 | 2.75 | 0.50 | 0.50 | 3.75 |
| 20 | 2.75 | 0.50 | 0.35 | 3.60 |
| Over 20 | 2.75 | 0.50 | 0.25 | 3.50 |

Annual Post-Retirement Benefit Increases: Retirees in Plan 1 are entitled to annual post-retirement benefit increases of 3% of their original benefit after 12 months of retirement. Retirees in Plan 2 are entitled to annual post-retirement benefit increases of 2% of their original benefit after 12 months of retirement. Post-retirement benefit increases are not compounded.

Rates of Retirement and Deferred Retirement Option Plan (DROP) Elections: The rates displayed in the accompanying table are used to measure the probability of eligible members retiring under either the regular retirement provisions or the Deferred Retirement Option Plan. In addition, the following assumptions apply to members in this category:

• Plan 2: 75% of members with 33.33 or more years of service that are at least age 62 were assumed to elect the DROP with an average DROP period of 36 months.

• All members of the retirement system were assumed to retire on or before age 70. Deferred vested members are assumed to retire at age 62. This assumption was first used in the December 31, 2018 actuarial valuation.

| Rates of Retirement | |
|---|---|
| Retirement Age | Plan 2 |
| 55-59 | 1% |
| 60 | 3 |
| 61 | 10 |
| 62 | 50 |
| 63 | 25 |
| 64 | 25 |
| 65 | 40 |
| 66-69 | 40 |
| 70 | 100 |

Marriage: 70% of non-retired members were assumed to be married for purposes of death benefits. In each case, the male was assumed to be three years older than the female.

Sick Leave: Accumulated unused sick leave is converted to service credits for the purpose of computing annual benefits. The calculated normal retirement benefits were increased by 1.75% to account for the inclusion of unused sick leave in the calculation of service credit. This assumption was first used with the December 31, 2018 valuation.

Forfeiture of Vested Benefits: A percentage of the actuarial present value of vested termination benefits is assumed to be forfeited by a withdrawal of accumulated contributions. This percentage is applied individually based on years of service. The data in the accompanying table was first used for the December 31, 2004 actuarial valuation.

| Years of Service | Percent Forfeiting |
|---|---|
| Less than 15 | 60% |
| 15 - 19 | 40 |
| 20 - 24 | 20 |
| 25 or more | - |

Plan 3 Transfer: Plan 3 (defined contribution plan) members are assumed to elect Plan 2 if they acquire seven years of service. An actuarial reserve is held for the difference between the fair and actuarial value of assets. This assumption was last revised for the December 31, 2004 valuation.

Mortality Assumptions: This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement. As summarized in the following table, the RP-2000 tables are used, with generational mortality. This table was first used for the December 31, 2004 actuarial valuation.

| | |
|---|---|
| Active Members | Based on the RP-2000 Employee Mortality Tables (set forward two years for males) with generational projection using Scale AA. |
| Healthy Retirees And Beneficiaries | Based on the RP-2000 Healthy Annuitant Mortality Tables (set forward two years for males) with generational projection using Scale AA. |
| Disabled Retirees | Based on the RP-2000 Disabled Mortality Tables with generational projection using Scale AA. |

Rates of Separation from Active Membership: This assumption measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire. Annual probabilities of terminating are summarized in the accompanying table. This assumption was first used for the December 31, 2018 valuation.

| Years of Service | Termination Rates | Years of Service | Termination Rates |
|---|---|---|---|
| 0-1 | 13.50 % | 15 | 3.00 % |
| 2 | 12.00 | 16 | 2.75 |
| 3 | 10.00 | 17 | 2.50 |
| 4 | 9.00 | 18 | 2.25 |
| 5 | 8.00 | 19 | 2.00 |
| 6 | 7.00 | 20 | 1.75 |
| 7 | 6.00 | 21 | 1.50 |
| 8 | 5.00 | 22 | 1.25 |
| 9-11 | 4.50 | 23-25 | 1.00 |
| 12 | 4.00 | 26-29 | 0.50 |
| 13 | 3.50 | 30+ | - |
| 14 | 3.25 | | |

Vested Deferred Pensions: Amounts are assumed to increase during the deferral period at 3.50% per year, compounded annually. This assumption was first used in the December 31, 2018 valuation.

C. Actuarial Tables

Several tables are presented on the following pages to provide information about active members of the Wichita Employees' Retirement System, as well as retirees and beneficiaries. These tables also present information about the solvency of the plan, system experience and funding progress.

**Active Member Valuation Data**
**as of December 31, 2022**

| Valuation Date December 31, | Number of Members[1] Plan 1 | Plan 2 | Plan 3[2] | Total | Annual Covered Payroll (in thousands) | Average Annual Pay | Percentage Change in Average Annual Pay |
|---|---|---|---|---|---|---|---|
| 2013 | 15 | 957 | 517 | 1,489 | $ 70,953 | $ 47,652 | 1.2 % |
| 2014 | 8 | 989 | 520 | 1,517 | 71,391 | 47,061 | (1.2) |
| 2015 | 5 | 988 | 539 | 1,532 | 74,028 | 48,321 | 2.7 |
| 2016 | 3 | 952 | 617 | 1,572 | 77,121 | 49,059 | 1.5 |
| 2017 | 3 | 891 | 647 | 1,541 | 78,395 | 50,873 | 3.7 |
| 2018 | 2 | 852 | 675 | 1,529 | 78,899 | 51,601 | 1.4 |
| 2019 | 1 | 821 | 696 | 1,518 | 80,029 | 52,720 | 2.2 |
| 2020 | 0 | 790 | 638 | 1,428 | 80,366 | 56,278 | 6.7 |
| 2021 | 0 | 779 | 635 | 1,414 | 77,140 | 54,555 | (3.1) |
| 2022 | 0 | 768 | 641 | 1,409 | 80,679 | 57,260 | 5.0 |

[1] Includes DROP members.

[2] Plan 3 totals do not include Plan 3b members, who have made an irrevocable election to remain in the defined contribution plan.

## Retirants and Beneficiaries Added to and Removed from Rolls[1]

| Valuation Date December 31, | Added to Rolls No. | Added to Rolls Annual Pensions[2] | Removed from Rolls No. | Removed from Rolls Annual Pensions[2] | Year-End Rolls No. | Year-End Rolls Annual Pensions[2] | Annual Pensions Average Pension | Annual Pensions Percentage Increase |
|---|---|---|---|---|---|---|---|---|
| 2013 | 72 | $ 1,676,296 | 47 | $ 744,036 | 1,327 | $ 33,294,857 | $ 25,090 | 3.0 % |
| 2014 | 68 | 1,549,070 | 54 | 927,726 | 1,341 | 34,427,388 | 25,673 | 2.3 |
| 2015 | 90 | 1,830,381 | 51 | 1,132,754 | 1,380 | 35,726,088 | 25,888 | 0.8 |
| 2016 | 78 | 1,730,868 | 65 | 1,194,869 | 1,393 | 36,931,056 | 26,512 | 2.4 |
| 2017 | 71 | 1,678,547 | 48 | 1,153,410 | 1,416 | 38,125,080 | 26,924 | 1.6 |
| 2018 | 77 | 1,811,362 | 72 | 1,537,746 | 1,421 | 39,094,992 | 27,512 | 2.2 |
| 2019 | 78 | 2,148,529 | 69 | 1,428,652 | 1,430 | 40,503,100 | 28,324 | 2.9 |
| 2020 | 86 | 2,425,255 | 57 | 1,426,896 | 1,459 | 42,141,748 | 28,884 | 2.0 |
| 2021 | 103 | 2,911,475 | 68 | 1,555,927 | 1,494 | 44,052,935 | 29,487 | 2.1 |
| 2022 | 86 | 2,870,438 | 72 | 1,709,274 | 1,508 | 45,901,191 | 30,438 | 3.2 |

[1] Excludes DROP members.

[2] Values are estimated based upon annualized pension amounts.

## Solvency Test

| Valuation Date December 31, | Aggregate Actuarial Liability For: (1) Active Member Contributions[1] | (2) Inactive Members, Retirees and Beneficiaries[2] | (3) Active Member (Employer Financed) Contributions[1] | Reported Actuarial Value of Assets | Portion of Actuarial Liabilities Covered by Reported Assets (1) | (2) | (3) |
|---|---|---|---|---|---|---|---|
| 2013 | $ 50,337,976 | $ 362,224,034 | $ 169,823,819 | $ 542,157,342 | 100 % | 100 % | 76.3 % |
| 2014 | 51,408,059 | 369,926,908 | 168,780,115 | 560,031,764 | 100 | 100 | 82.2 |
| 2015 | 51,609,961 | 378,186,127 | 176,058,606 | 568,464,178 | 100 | 100 | 78.8 |
| 2016 | 53,857,062 | 385,231,766 | 181,400,097 | 575,971,337 | 100 | 100 | 75.6 |
| 2017 | 55,050,806 | 395,107,729 | 184,748,720 | 598,793,422 | 100 | 100 | 80.5 |
| 2018 | 56,965,551 | 408,534,420 | 193,208,730 | 598,778,588 | 100 | 100 | 69.0 |
| 2019 | 56,989,509 | 422,969,785 | 195,297,778 | 613,063,149 | 100 | 100 | 68.2 |
| 2020 | 56,284,261 | 441,288,791 | 188,648,034 | 636,876,961 | 100 | 100 | 73.8 |
| 2021 | 55,727,450 | 465,098,445 | 194,702,240 | 669,951,808 | 100 | 100 | 76.6 |
| 2022 | 54,350,901 | 476,413,401 | 198,645,067 | 658,835,272 | 100 | 100 | 64.5 |

[1] Includes DROP members.

[2] Includes vested and non-vested terminated members

System Experience: For the year ended December 31, 2022, the Wichita Employees' Retirement System experienced an actuarial loss of approximately $26.4 million. The loss for the 2022 plan year reflects the combined impact of an actuarial net loss of $22 million on the actuarial value of plan assets and an actuarial loss of $4.4 million on liabilities. The loss on System liabilities were primarily due to negative investment returns. Information about the factors that contributed to the actuarial loss are presented in the following table:

**System Experience (Gain)/Loss**

| | Actuarial Liability (a) | Actuarial Value of Assets (b) | Unfunded Actuarial Liability (a) - (b) |
|---|---|---|---|
| Value as of December 31, 2021 | $ 715,528,135 | $ 669,951,808 | $ 45,576,327 |
| Changes for the year: | | | |
| Normal cost | 9,324,461 | - | 9,324,461 |
| Contributions | - | 14,231,046 | (14,231,046) |
| Benefit payments | (50,367,805) | (50,367,805) | - |
| Plan 3 members transferring to Plan 3b | (295,038) | (295,038) | - |
| Interest | 50,747,418 | 47,273,960 | 3,473,458 |
| Assumption changes | - | - | - |
| Expected actuarial value at December 31, 2022 | 724,937,171 | 680,793,971 | 44,143,200 |
| Actual actuarial value as of December 31, 2022 | 729,409,369 | 658,835,272 | 70,574,097 |
| Actuarial (gain) loss | $ 4,472,198 | $ 21,958,699 | $ 26,430,897 |

**Schedule of Funding Progress**

| Actuarial Valuation Date December 31, | Actuarial Value of Assets (a) | Actuarial Liability (AL) (b) | Unfunded Actuarial Liability (UAL) (b)-(a) | Funded Ratio (a)/(b) | Active Member Covered Payroll (c) | UAL as a Percentage of Active Member Covered Payroll [(b)-(a)]/(c) |
|---|---|---|---|---|---|---|
| 2013 | $ 542,157 | $ 582,386 | $ 40,229 | 93.1% | $ 70,953 | 56.7% |
| 2014 | 560,032 | 590,115 | 30,083 | 94.9 | 71,391 | 42.1 |
| 2015 | 568,464 | 605,855 | 37,391 | 93.8 | 74,028 | 50.5 |
| 2016 | 575,971 | 620,219 | 44,248 | 92.9 | 77,121 | 57.4 |
| 2017 | 598,793 | 634,907 | 36,114 | 94.3 | 78,395 | 46.1 |
| 2018 | 598,779 | 658,709 | 59,930 | 90.9 | 78,899 | 76.0 |
| 2019 | 613,063 | 675,257 | 62,194 | 90.8 | 80,029 | 77.7 |
| 2020 | 636,877 | 686,221 | 49,344 | 92.8 | 80,366 | 61.4 |
| 2021 | 669,952 | 715,528 | 45,576 | 93.6 | 77,140 | 59.1 |
| 2022 | 658,835 | 729,409 | 70,574 | 90.3 | 80,679 | 87.5 |

(Rounded dollar amounts are in thousands.)

A schedule of Employer Contributions, including a comparison of actuarially determined contributions to actual contributions made, is presented as Required Supplementary Information on page A-34 in the Financial Section of this report.

D. Summary of Benefit Provisions

Plan 1 is a closed plan, which is applicable to members employed prior to July 18, 1981, who did not elect to be converted to Plan 2. Plan 2 applies to all employees hired or rehired on or after July 18, 1981; employees who voluntarily elected, in writing, to convert from Plan 1 to Plan 2 prior to December 18, 1981; and to all employees hired after January 1, 1994, who become vested and do not elect to remain in Plan 3. A summary of benefit provisions applicable to the plans is presented below. A more detailed description of Plan provisions is available upon request from the Pension Management Office.

Contributions:

- *Employee contributions:*

  Plan 2 and Plan 3: 4.7% of base salary and longevity pay (effective February 19, 2000).

- *Employer contributions:*

  Actuarially determined amounts which, together with employee contributions and investment earnings, fund the obligations of the System in accordance with accepted actuarial principles.

Unused sick leave: Accumulated unused sick leave is converted to service credits for the purpose of computing annual benefits.

Normal Retirement:

- *Eligibility:*

  Plan 2: Age 62 with seven or more years of service.

- *Benefit:*

  Plan 2: Years of service times 2.25% of final average salary, to a maximum of 75%.

- *Final Average Salary:* Average for the three consecutive years within the last 10 actual years of service that produce the highest average salary.

Early Retirement:

- *Eligibility:* Age 55 with seven or more years of service.
- *Benefit:* An amount computed as for normal retirement, but reduced for each month retirement precedes age 62 under Plan 2. The amount of reduction per month of early retirement is computed as follows:

  Plan 2: An age-graduated percentage for each month retirement precedes age 62. The percentage is 0.6% for each month that the member's age precedes age 62, up to a maximum of 50.4% at age 55.

Service-Connected Disability:

- *Eligibility:* All Plans: No age or service requirement. Disability must be permanent and total, and precludes performance of any duties for a City position commensurate with the employee's training, experience, and education.
- *Benefit:*

  Plan 2: 50% of final rate of salary.

Non-Service-Connected Disability:

- *Eligibility:* Seven or more years of service and age 62, Plan 2. Disability must be permanent and total and preclude performance of any duties for a City position commensurate with the employee's training, experience and education.
- *Benefit:*

  Plan 2: 25% of final rate of salary.

Deferred Retirement Option Plan (DROP):

- *Eligibility:* Must be eligible for retirement and elect to participate in the DROP for one to 60 months.
- *Benefit:* Benefit computed based on years of service and final average salary as of DROP election date, which is paid into member's notional DROP account during the deferral period. Member continues to make required employee contributions during the deferral period. Interest at an annual rate of 5% is credited to the notional DROP account. Voluntary termination of employment during the DROP period results in a loss of accrued interest. Balance of DROP account is payable within 90 days of actual termination of employment.

Deferred Retirement:

- *Eligibility:*

  Plan 2: Termination of service with seven or more years of service and under age 62.
- *Benefit:* Deferred pensioner may apply for a reduced retirement benefit upon meeting the applicable age requirement for early retirement (55 years) or an unreduced pension upon meeting the applicable age requirement for normal retirement (62 years, Plan 2). A refund of employee contributions, plus 5% annual interest, may be elected in lieu of a retirement benefit. Retirement benefit is computed as for normal retirement. Deferred pensions are adjusted during the deferral period based on changes in the National Average Earnings Index, up to 5.5% annually.

Pre-Retirement Survivor Benefits (surviving spouse and minor child):

- *Eligibility:* Death of employee with seven or more years of credited service.
- *Benefit:* 50% of the benefit earned by the deceased employee at the time of death, plus 10% of the deceased employee's final average salary for each minor child under age 18, to a maximum of 75% of final average salary. If no surviving spouse, benefit is 20% of final average salary on account of each child to a maximum of 60% of final average salary; terminates when child reaches 18 years old, married, or deceased.

Pre-Retirement Survivor Benefits (designated beneficiary): When no spouse or minor child is eligible for a survivor's benefit, the retiree may designate a beneficiary.

- *Eligibility:* Death of employee with seven or more years of credited service.
- *Benefit:* Accumulated contributions plus 5% annual interest, and one month's salary for each full year of service, not to exceed six months of salary.

Post-Retirement Survivor Benefits (surviving spouse and minor child):

- *Eligibility:* Spouse must have been married to retired employee for one year or more prior to death if retired after January 1, 2000. If retired prior to January 1, 2000, must have been married to retired employee at retirement. A minor child must be under age 18.
- *Benefit:* 50% of benefit paid to retiree at time of death, plus 10% of retiree's final average salary for each minor child under age 18, to a maximum of 75% of final average salary. If no surviving spouse, benefit is 20% of final average salary on account of each child to a maximum of 60% of final average salary; terminates when child reaches age 18. Plan 1 also includes a $1,500 funeral benefit.

Post-Retirement Survivor Benefits (designated beneficiary): When no spouse or minor child is eligible for a survivor's benefit, the retiree may designate a beneficiary.

- *Benefit:* Final partial benefit due retiree through date of death plus balance, if any, of contributions and interest. Plan 1 also includes a $1,500 funeral benefit.

Refund of Contributions:

- *Eligibility:* Termination of employment without eligibility for any other benefit.
- *Benefit:* Accumulated contributions at the time of termination, plus 5% annual interest.

**2. Wichita Employees' Retirement System Plan 3 and Plan 3b**

The City contributes to Wichita Employees' Retirement System Plan 3, a defined contribution pension plan, for all of its full-time civilian employees hired or rehired on or after January 1, 1994. Provisions of the plan are outlined in the financial section of this report beginning on page A-24.

A. Summary of Benefit Provisions

Because Plan 3 and Plan 3b are defined contribution plans, members of those plans are only entitled to certain limited retirement benefits as described below. In the event that a Plan 3 or Plan 3b member is granted either of these benefits, the member will be required to forfeit the balance of contributions and earnings in his or her participant account.

Service-Connected Disability:

- *Eligibility:* No age or service requirement. Disability must be permanent and total and preclude the performance of any duties for a City position commensurate with the employee's training, experience and education.
- *Benefit:* 50% of final rate of salary; or distribution of vested Plan 3 account.

Non-Service Connected Disability:

- *Eligibility:* Seven or more years of service and under age 62. Disability must be permanent and total and preclude the performance of any duties for a City position commensurate with the employee's training, experience and education.
- *Benefit:* 25% of final rate of salary; or distribution of vested Plan 3 account.

Remainder of page intentionally left blank.

**3. Police and Fire Retirement System of Wichita, Kansas**

Provisions of the plan are outlined in the Financial Section of this report beginning on page A-27. The Plans prepare two actuarial valuations - one for funding purposes and one for accounting and financial reporting purposes under Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. With the exception of the discount rate used, the actuarial cost methods and assumptions used for financial reporting purposes are consistent with those utilized for funding purposes.

A. Actuarial Cost Method

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

- The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement, and

- Each annual normal cost is a constant percentage of the member's year-by-year projected covered compensation.

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

The portion of the actuarial present value of retirement system benefits allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial liability. Deducting actuarial assets from the actuarial liability determines the unfunded actuarial liability (or surplus). The Police and Fire Retirement System (PFRS) had an unfunded actuarial liability of $89.5 million as of December 31, 2022.

B. Actuarial Assumptions Used for Valuations

System contribution requirements and actuarial present values are calculated by applying experience assumptions to the benefit provisions and participant information of the Retirement System, using the actuarial cost method. The demographic assumptions were proposed by the Fund's prior actuary following the completion of this experience study covering the period January 1, 2014 through December 31, 2016, and adopted by the Board on September 19, 2018. An economic experience study was performed and adopted by the Boards, based upon actuarial assumptions presented March 9, 2022, effective with the December 31, 2021, valuation. An experience study is performed every five years.

The actuarial valuation of assets is based upon the "Expected Value plus 25%" method, which levels the effects of fair value fluctuations by recognizing 25% of the difference between the expected actuarial value and the fair value of assets. The Board first adopted this methodology for the December 31, 2002 valuation. Actuarial gains and losses reduce or increase the unfunded actuarial liability or surplus, which is amortized over a rolling 20-year amortization period.

Long-Term Rate of Return: The investment return rate, net of investment expenses and administrative expenses, used for the actuarial valuation performed for funding purposes is 7.25% per year, compounded annually. This rate consists of 2.75% in recognition of long-term price inflation and 4.50% in recognition of a real rate of return over price inflation. This assumption, used to equate the value of payments due at different points in time, was adopted by the Board and was first used for the December 31, 2022 valuation.

The 7.34% rate of return used for accounting purposes is based on the same underlying data as the rate used for funding purposes. However, the rate used for accounting purposes represents investment return, net of investment expenses. Administrative expenses are accounted for separately, consistent with the requirements of GASB Statement No. 67.

Salary Projections: These assumptions are used to project current salaries to determine average annual compensation. They consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel and a years-of-service component to reflect promotion and longevity increments.

Salary increases are assumed to occur mid-year. The salary increase assumptions are expected to produce 3.25% annual increases in active member payroll (the inflation and productivity base rate), given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial liability. The rate of return over assumed wage growth is 4.00% per year. This assumption was first used for the December 31, 2021 valuation. Assumptions about annual rates of salary increases are summarized in the accompanying table.

| Years of Service | Inflation Component | Productivity Component | Merit and Longevity | Total |
|---|---|---|---|---|
| Under 15 | 2.75 % | 0.50 % | 2.50 % | 5.75 % |
| 15-17 | 2.75 | 0.50 | 1.00 | 4.25 |
| 18+ | 2.75 | 0.50 | 0.75 | 4.00 |

Annual Post-Retirement Benefit Increases: Retirees in the Police and Fire Retirement System are entitled to annual post-retirement benefit increases of 2% of their original benefit after 36 months of retirement. Post-retirement benefit increases are not compounded.

Rates of Retirement and Backward Deferred Retirement Option Plan (Back DROP) Elections: The rates displayed in the accompanying table are used to measure the probability of eligible members retiring under either the regular retirement provisions or the Backward Deferred Retirement Option Plan. It is assumed that members who retire under service retirement provisions elect a Back DROP of up to five years which maximizes the actuarial value of the retirement benefit determined as of the retirement date. Deferred vested members with less than 20 years of service are assumed to retire at age 55 and those with 20 or more years of service are assumed to retire at age 50. These rates were first used for the December 31, 2018 valuation.

| Plan C-79 | | | | | |
|---|---|---|---|---|---|
| | Less than 30 YOS | | | 30 or More YOS | |
| Age of Member | Police | Fire | Service of Member | Police | Fire |
| 50-58 | 10 % | 10 % | 30 | 0 % | 0 % |
| 59 | 10 | 15 | 31 | 0 | 0 |
| 60+ | 100 | 100 | 32 | 25 | 15 |
| | | | 33 | 50 | 20 |
| | | | 34 | 75 | 50 |
| | | | 35+ | 100 | 100 |

Marriage: 80% of non-retired members were assumed to be married for purposes of death benefits. In each case, the male was assumed to be three years older than the female.

Sick Leave: Accumulated unused sick leave is converted to service credits for the purpose of computing annual benefits. The calculated normal retirement benefits were increased by 2.50% to account for the inclusion of unused sick leave in the calculation of service credit. This assumption was last revised with the December 31, 2018 valuation.

Forfeiture of Vested Benefits: A percentage of the actuarial present value of vested termination benefits is assumed to be forfeited by a withdrawal of accumulated contributions. This percentage is applied individually based on years of service. The data in the accompanying table was first used for the December 31, 2018 actuarial valuation.

| Years of Service | Percent Forfeiting |
|---|---|
| 10 - 14 | 65 % |
| 15 - 19 | 10 |
| 20 or more | - |

Mortality Assumptions: This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement. As summarized in the following table, the RP-2000 tables are used, with generational mortality. The table was first used in the December 31, 2004 actuarial valuation.

| | |
|---|---|
| Active Members | Based on the RP-2000 Employee Mortality Tables (set forward two years for males) with generational projection using Scale AA. |
| Healthy Retirees And Beneficiaries | Based on the RP-2000 Healthy Annuitant Mortality Tables (set forward two years for males) with generational projection using Scale AA. |
| Disabled Retirees | Based on the RP-2000 Disabled Mortality Tables with generational projection using Scale AA. |

Rates of Disability: This assumption measures the probabilities of a member receiving a disability retirement. The rates do not apply to members who are eligible to retire. The rates of recovery from disability are assumed to be zero. The accompanying table provides the assumed probability of active members becoming disabled in during the next year. These rates were first used for the December 31, 2014 valuation.

| Annual Probability of Becoming Disabled | | |
|---|---|---|
| Age | Police | Fire |
| 20 | 0.09 % | 0.07 % |
| 25 | 0.15 | 0.12 |
| 30 | 0.30 | 0.24 |
| 35 | 0.49 | 0.39 |
| 40 | 0.69 | 0.54 |
| 45 | 0.88 | 0.70 |
| 50 | 1.08 | 0.85 |
| 55 | 1.28 | 0.91 |

Rates of Separation from Active Membership: This assumption measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire. This assumption was last revised for the December 31, 2018 valuation.

| Termination Rates before Retirement | | |
|---|---|---|
| Years of Service | Police | Fire |
| 0-5 | 5.50 % | 2.00 % |
| 6 | 4.50 | 2.00 |
| 7-8 | 3.00 | 2.00 |
| 9-13 | 3.00 | 1.50 |
| 14-16 | 2.00 | 1.50 |
| 17-22 | 2.00 | - |
| Over 22 | - | - |

Vested Deferred Pensions: Amounts for Plan C-79 are assumed to increase during the deferral period at 3.50% per year, compounded annually. This assumption was most recently revised with the December 31, 2018 valuation.

C. Actuarial Tables

Several tables are presented on the following pages to provide information about active members of the Police and Fire Retirement System, as well as retirees and beneficiaries. These tables also present information about the solvency of the plan, system experience and funding progress.

**Active Member Valuation Data**

| Valuation Date December 31, | Number of Members: Plan A | Plan C-79 | Total Members | Annual Covered Payroll (in thousands) | Average Annual Pay | Percentage Change in Average Annual Pay |
|---|---|---|---|---|---|---|
| 2013 | 9 | 1,076 | 1,085 | $ 65,306 | $ 60,190 | 1.7 % |
| 2014 | 8 | 1,060 | 1,068 | 64,572 | 60,461 | 0.5 |
| 2015 | 5 | 1,045 | 1,050 | 65,560 | 62,439 | 3.3 |
| 2016 | 4 | 1,059 | 1,063 | 66,946 | 62,979 | 0.9 |
| 2017 | 2 | 1,080 | 1,082 | 69,634 | 64,357 | 2.2 |
| 2018 | 2 | 1,065 | 1,067 | 72,017 | 67,495 | 4.9 |
| 2019 | 1 | 1,093 | 1,094 | 73,891 | 67,542 | 0.1 |
| 2020 | 1 | 1,115 | 1,116 | 75,880 | 67,993 | 0.7 |
| 2021 | 1 | 1,119 | 1,120 | 79,159 | 70,678 | 3.9 |
| 2022 | 1 | 1,115 | 1,116 | 82,220 | 73,674 | 4.2 |

Remainder of page intentionally left blank.

## Retirants and Beneficiaries Added to and Removed from Rolls[1]

| Valuation Date December 31, | Added to Rolls No. | Added to Rolls Annual Pensions[1] | Removed from Rolls No. | Removed from Rolls Annual Pensions[1] | End of Year Rolls No. | End of Year Rolls Annual Pensions[1] | Annual Pensions Average Pension | Annual Pensions Percentage Increase (Decrease) |
|---|---|---|---|---|---|---|---|---|
| 2013 | 48 | $ 1,938,485 | 17 | $ 380,985 | 952 | $ 27,143,376 | $ 28,512 | 4.1 % |
| 2014 | 63 | 2,400,693 | 42 | 850,741 | 971 | 29,165,652 | 30,037 | 5.3 |
| 2015 | 44 | 1,652,860 | 26 | 494,625 | 989 | 30,774,324 | 31,117 | 3.6 |
| 2016 | 31 | 1,286,489 | 33 | 629,314 | 987 | 31,914,576 | 32,335 | 3.9 |
| 2017 | 41 | 1,757,606 | 28 | 694,600 | 1,000 | 33,526,716 | 33,527 | 3.7 |
| 2018 | 43 | 1,888,265 | 28 | 544,427 | 1,015 | 35,386,980 | 34,864 | 4.0 |
| 2019 | 56 | 2,090,904 | 27 | 604,235 | 1,044 | 37,445,846 | 35,868 | 2.9 |
| 2020 | 57 | 2,473,237 | 41 | 1,024,790 | 1,060 | 39,429,415 | 37,198 | 3.7 |
| 2021 | 58 | 2,415,326 | 43 | 1,126,089 | 1,075 | 41,220,576 | 38,345 | 3.1 |
| 2022 | 77 | 3,275,490 | 31 | 722,243 | 1,121 | 44,392,174 | 39,601 | 3.3 |

[1] Values are estimated based on annualized pension amounts.

## Solvency Test

| Valuation Date December 31, | Aggregate Actuarial Liability For (1) Active Member Contributions | Aggregate Actuarial Liability For (2) Retirants and Beneficiaries[1] | Aggregate Actuarial Liability For (3) Active Members (Employer Financed Portion) | Reported Valuation Assets | Portion of Actuarial Liabilities Covered by Reported Assets (1) | Portion of Actuarial Liabilities Covered by Reported Assets (2) | Portion of Actuarial Liabilities Covered by Reported Assets (3) |
|---|---|---|---|---|---|---|---|
| 2013 | $ 74,238,693 | $ 325,096,785 | $ 218,412,805 | $ 571,261,929 | 100 % | 100 % | 78.7 % |
| 2014 | 74,684,418 | 348,915,979 | 208,304,004 | 600,860,146 | 100 | 100 | 85.1 |
| 2015 | 77,222,492 | 364,943,124 | 212,970,051 | 620,148,816 | 100 | 100 | 83.6 |
| 2016 | 81,765,281 | 377,864,418 | 222,014,789 | 640,508,756 | 100 | 100 | 81.5 |
| 2017 | 85,753,036 | 393,307,456 | 230,956,665 | 677,616,328 | 100 | 100 | 86.0 |
| 2018 | 88,116,395 | 425,093,252 | 248,875,679 | 690,969,459 | 100 | 100 | 71.4 |
| 2019 | 91,219,009 | 446,538,086 | 250,689,554 | 722,197,375 | 100 | 100 | 73.6 |
| 2020 | 93,912,548 | 466,754,126 | 253,079,217 | 766,121,894 | 100 | 100 | 81.2 |
| 2021 | 96,912,524 | 499,190,198 | 277,462,561 | 824,660,202 | 100 | 100 | 82.4 |
| 2022 | 95,542,693 | 537,566,193 | 283,488,662 | 827,126,234 | 100 | 100 | 68.4 |

[1] Includes vested and non-vested terminated members.

System Experience: For the year ended December 31, 2022, the Police and Fire Retirement System experienced an actuarial loss of $42 million. The loss for the 2022 plan year reflects the combined impact of an actuarial net loss of $26.8 million on the actuarial value of plan assets and an actuarial loss of $15.2 million on liabilities primarily due to negative investment returns.

**System Experience (Gain)/Loss**

| | Actuarial Liability (a) | Actuarial Value of Assets (b) | Unfunded Actuarial Liability (a) - (b) |
|---|---|---|---|
| Balances as of December 31, 2021 | $ 873,565,283 | $ 824,660,202 | $ 48,905,081 |
| Changes for the year: | | | |
| Normal cost | 18,255,940 | - | 18,255,940 |
| Contributions | - | 23,689,611 | (23,689,611) |
| Benefit payments | (53,182,842) | (53,182,842) | - |
| Interest | 62,762,891 | 58,737,441 | 4,025,450 |
| Assumption changes | - | - | - |
| Change in Benefits | - | - | - |
| Expected actuarial value at December 31, 2022 | 901,401,272 | 853,904,412 | 47,496,860 |
| Actual actuarial value as of December 31, 2022 | 916,597,548 | 827,126,234 | 89,471,314 |
| Actuarial (gain) loss | $ 15,196,276 | $ 26,778,178 | $ 41,974,454 |

**Schedule of Funding Progress**

| Valuation Date December 31, | Actuarial Value of Assets (a) | Actuarial Liability (AL) (b) | Unfunded Actuarial Liability (UAL) (b)-(a) | Funded Ratio (a)/(b) | Active Member Covered Payroll (c) | UAL as a Percentage of Active Member Covered Payroll [(b)-(a)]/(c) |
|---|---|---|---|---|---|---|
| 2013 | $ 571,262 | $ 617,748 | $ 46,486 | 92.5% | $ 65,306 | 71.2 % |
| 2014 | 600,860 | 631,904 | 31,044 | 95.1 | 64,572 | 48.1 |
| 2015 | 620,149 | 655,136 | 34,987 | 94.7 | 65,560 | 53.4 |
| 2016 | 640,508 | 681,644 | 41,136 | 94.0 | 66,946 | 61.4 |
| 2017 | 677,616 | 710,017 | 32,401 | 95.4 | 69,634 | 46.5 |
| 2018 | 690,969 | 762,085 | 71,116 | 90.7 | 72,017 | 98.7 |
| 2019 | 722,197 | 788,446 | 66,249 | 91.6 | 73,891 | 89.7 |
| 2020 | 766,122 | 813,746 | 47,624 | 94.1 | 75,880 | 62.8 |
| 2021 | 824,660 | 873,565 | 48,905 | 94.4 | 79,159 | 61.8 |
| 2022 | 827,126 | 916,597 | 89,471 | 90.2 | 82,220 | 108.8 |

(Rounded dollar amounts are in thousands.)

A schedule of Employer Contributions, including a comparison of actuarially determined contributions to actual contributions made, is presented as Required Supplementary Information on page A-36 in the Financial Section of this report.

D. Summary of Benefit Provisions

Plan A is a closed plan which was applicable to commissioned members who entered the System between January 1, 1965, and December 31, 1978; and to members who entered prior to January 1, 1965, and elected Plan A coverage. Plan B is a closed plan which was applicable to commissioned members who entered the System prior to January 1, 1965, and elected Plan B coverage. Plan C-79 is an open plan which is applicable to commissioned members entering the System on or after January 1, 1979. A summary of benefit provisions applicable to the plans is presented below. A more detailed description of Plan provisions is available upon request from Pension Management.

Contributions:

- *Employee contributions:*

  Plan C-79: 7.0% of salary.

- *Employer contributions:*

  Actuarially determined amounts which, together with employee contributions and investment earnings, fund the obligations of the System in accordance with accepted actuarial principles.

Unused sick leave: Accumulated unused sick leave is converted to service credits for the purpose of computing annual benefits.

Normal Retirement:

- *Eligibility:*

  Plan C-79: Age 55 with 10 years of actual service, age 50 with 20 or more years of actual service, or any age with 30 years of creditable service.

- *Benefit:* Years of service times 2.5% of final average salary, to a maximum of 75%.
- *Final Average Salary:* Average for the three consecutive years within the last 10 years of service that produce the highest average salary.

Service-Connected Disability:

- *Eligibility:* Disability must be permanent and preclude employee, under age 55, from performing the duties of their position.
- *Benefit:* 75% of final salary rate if injury, 50% if disease.
- *Conditions*: Benefit plus earnings from gainful employment cannot exceed current salary for rank held at time of disability. Benefit is recomputed at age 55 using service retirement formula, updated final average salary, and service credit for period of disability.

Non-Service Connected Disability:

- *Eligibility:* Seven or more years of service and under age 55. Disability must be permanent and preclude employee from performing the duties of their position.
- *Benefit:* 30% of final average salary plus 1% of final average salary for each year of service in excess of seven years. Maximum is 50% of final average salary.
- *Conditions*: Benefit plus earnings from gainful employment cannot exceed current salary for rank held at the time of disability.

<u>Backward Deferred Retirement Option Plan (Back DROP)</u>:

- *<u>Eligibility</u>:* Must be eligible to receive a service retirement benefit as of the Backward DROP retirement date and elect the Back DROP for a period of one to 60 months.
- *<u>Benefit</u>:* Under the Back DROP, the member may elect a benefit based on a retirement date up to 60 months prior to the current date. The monthly benefit is computed based on service, final average salary and benefit formula at the selected prior date. The DROP account available to the retiring member is the computed benefit multiplied by the number of months of Back DROP plus applicable post-retirement adjustments and 5% annual compounded interest.

<u>Deferred Retirement</u>:

- *<u>Eligibility</u>:* Vested members of C-79 who leave City service may defer their pension benefit by electing to leave their contributions in the Retirement System until they are eligible for a retirement benefit; age 55 with less than 20 years of actual service and age 50 with 20 or more years of actual service. A refund of employee contributions, plus 5% annual interest, may be elected in lieu of a retirement benefit.
- *<u>Benefit</u>:* Retirement benefit is computed as for normal retirement. Deferred pensions are indexed during the deferral period based on changes in the National Average Earnings Index, up to 5.5% annually.

<u>Pre-Retirement Survivor Benefits Service-Connected Death</u>:

- *<u>Eligibility</u>:* When death results from performance of duty as a fire fighter or police officer, there is no minimum service requirement. Spouse and minor children of member at the time of death are eligible for a survivor's benefit.
- *<u>Benefit</u>:* 50% of final salary plus 10% of final salary for each minor child under age 18, to a maximum of 75% of final salary. If no surviving spouse, benefit is 20% of final salary for each child under age 18 to a maximum of 60% of final salary; terminates when child reaches 18 years old, married, or deceased.

<u>Pre-Retirement Survivor Benefits Non-Service-Connected Death</u>:

- *<u>Eligibility</u>:* Spouse and minor children of member at the time of death.

  Plan C-79: Three or more years of service.

- *<u>Benefit</u>:*

  Plan C-79: Identical to Plan A benefits.

<u>Post-Retirement Survivor Benefits</u>:

- *<u>Eligibility</u>:* 20 or more years of service. If retired prior to January 1, 2000, surviving spouse must have been married to retired member at date of retirement. Effective January 1, 2000, surviving spouse must have been married to retired member for a minimum of 12 months prior to death.
- *<u>Benefit</u>:*

  Plan A: 35% of final average salary plus 1% of final average salary for each year of service over three years to a maximum of 50% of final average salary, plus 10% of final average salary for each minor child under age 18 to a maximum of 66 2/3%. If no surviving spouse, 15% of final average salary for each child to a maximum of 50%.

  Plan B: 50% of final salary to surviving spouse or if no surviving spouse pension's payable to children under age 18.

  Plan C-79: Identical to Plan A benefits.

<u>Funeral Benefit</u>:

- *<u>Eligibility</u>:* Plan A, B and C-79 members who retired after November 21, 1973.
- *<u>Benefit</u>:*

  Plan A: $750 payable to a beneficiary. Plan A members who retired prior to November 21, 1973 are not eligible for a funeral benefit.

  Plan B: $750 payable to a beneficiary. Plan B members who retired between January 1, 1965 and November 21, 1973 are eligible for a $100 funeral benefit payable to a beneficiary.

  Plan C-79: $750 payable to a beneficiary.

<u>Refund of Contributions</u>:

- *<u>Eligibility</u>:* Termination of employment without eligibility for any other benefit.
- *<u>Benefit</u>:* Accumulated contributions at the time of termination plus 5% annual interest, beginning January 1, 2000.

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# Statistical Section

**Statistical Section Overview**

This section includes detailed schedules showing trends related to changes in the net position, including deductions from the net position for benefits and refunds beginning on page D-2, average benefit payments beginning on page D-8, and retired members by type and benefit amount beginning on page D-12. These schedules may be considered useful in evaluating the condition of the Systems and understanding the information presented in the financial statements, note disclosures and required supplementary information.

The Schedule of Changes in Fiduciary Net Position, including deductions from the net position for benefits and refunds, is derived from the Annual Comprehensive Financial Report for the relevant fiscal year. All other information is derived from internal sources of the Systems, except for information that is derived from the actuarial valuations of the plans.

# WICHITA RETIREMENT SYSTEMS

## CHANGES IN FIDUCIARY NET POSITION
## WICHITA EMPLOYEES' RETIREMENT SYSTEM

For years ended December 31, 2013 through December 31, 2022
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 |
| **ADDITIONS** | | | | |
| Employer contributions | $ 10,407,635 | $ 10,722,494 | $ 11,010,091 | $ 9,683,553 |
| Employee contributions | 3,823,411 | 3,632,713 | 3,809,288 | 3,770,224 |
| Net income (loss) from investing activities | (98,593,403) | 95,356,927 | 80,782,297 | 102,909,003 |
| Reclassifications due to participant conversion | - | - | - | - |
| Total additions | (84,362,357) | 109,712,134 | 95,601,676 | 116,362,780 |
| **DEDUCTIONS** | | | | |
| Benefit payments | | | | |
| Service retirement | 40,463,641 | 38,827,309 | 37,091,691 | 35,624,779 |
| Survivor benefit | 4,142,204 | 3,922,599 | 3,683,114 | 3,715,161 |
| DROP lump sum payments | 4,349,608 | 2,936,292 | 3,534,655 | 3,737,391 |
| Qualified domestic relations order | 106,988 | 121,966 | 131,473 | 130,868 |
| Disability (service) | 68,220 | 75,935 | 65,686 | 73,146 |
| Disability (non-service) | 174,875 | 176,838 | 208,574 | 234,168 |
| Funeral benefits | 71,581 | 55,279 | 153,632 | 107,570 |
| Pension administration | 733,533 | 605,918 | 573,137 | 619,398 |
| Depreciation | - | - | - | - |
| Refunds | 990,688 | 884,057 | 959,679 | 824,813 |
| Reclassifications due to participant conversion | 295,038 | 417,138 | 63,361 | 94,720 |
| Total deductions | 51,396,376 | 48,023,331 | 46,465,002 | 45,162,014 |
| Net increase (decrease) in fiduciary net position | (135,758,733) | 61,688,803 | 49,136,674 | 71,200,766 |
| Net position - beginning, as previously reported | 728,717,909 | 667,029,106 | 617,892,432 | 546,691,666 |
| Prior period adjustment | - | - | - | - |
| Net position - beginning, restated | 728,717,909 | 667,029,106 | 617,892,432 | 546,691,666 |
| Net position - ending | $ 592,959,176 | $ 728,717,909 | $ 667,029,106 | $ 617,892,432 |

Note: In 2015, a prior period adjustment was made to report non-vested Plan 3 participants as part of the Wichita Employees' Retirement System. Prior to 2015, those members were reported with Plan 3b members in the defined contribution plan. Reclassifications due to participant conversion represent members of Plan 3 who vest with seven years of service and move into either Plan 2 or Plan 3b.

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| $ 10,099,027 | $ 9,642,540 | $ 8,946,064 | $ 9,031,463 | $ 8,464,927 | $ 7,990,502 |
| 3,755,812 | 3,682,056 | 3,642,007 | 3,574,026 | 2,435,831 | 2,304,481 |
| (39,511,690) | 91,773,973 | 35,956,780 | 13,380 | 27,894,626 | 92,166,874 |
| - | - | - | - | 2,942,734 | 2,465,600 |
| (25,656,851) | 105,098,569 | 48,544,851 | 12,618,869 | 41,738,118 | 104,927,457 |
| | | | | | |
| 34,715,603 | 33,606,377 | 32,442,114 | 31,786,968 | 30,632,053 | 29,346,178 |
| 3,576,872 | 3,492,605 | 3,394,194 | 3,121,649 | 2,956,020 | 2,762,399 |
| 1,969,674 | 1,077,319 | 2,122,297 | 885,185 | 2,798,396 | 2,650,766 |
| 135,301 | 150,477 | 142,351 | 99,384 | 58,561 | 56,936 |
| 74,483 | 54,609 | 53,905 | 53,201 | 59,753 | 57,193 |
| 253,239 | 239,262 | 220,021 | 216,319 | 216,557 | 232,372 |
| 54,276 | 48,063 | 86,569 | 59,823 | 57,349 | 267,956 |
| 580,204 | 633,379 | 615,829 | 553,844 | 441,869 | 404,514 |
| - | - | - | 70,241 | 63,888 | 63,890 |
| 890,851 | 614,103 | 683,332 | 866,874 | 400,433 | 570,712 |
| 179,012 | 191,292 | 244,793 | 465,171 | - | - |
| 42,429,515 | 40,107,486 | 40,005,405 | 38,178,659 | 37,684,879 | 36,412,916 |
| | | | | | |
| (68,086,366) | 64,991,083 | 8,539,446 | (25,559,790) | 4,053,239 | 68,514,541 |
| | | | | | |
| 614,778,032 | 549,786,949 | 541,247,503 | 552,232,824 | 548,179,585 | 479,665,044 |
| - | - | - | 14,574,469 | - | - |
| 614,778,032 | 549,786,949 | 541,247,503 | 566,807,293 | 548,179,585 | 479,665,044 |
| $ 546,691,666 | $ 614,778,032 | $ 549,786,949 | $ 541,247,503 | $ 552,232,824 | $ 548,179,585 |

# WICHITA RETIREMENT SYSTEMS

## CHANGES IN FIDUCIARY NET POSITION
## WICHITA EMPLOYEES' RETIREMENT SYSTEM PLAN 3b

For years ended December 31, 2013 through December 31, 2022
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 |
| **ADDITIONS** | | | | |
| Employer contributions | $ 212,909 | $ 195,927 | $ 197,163 | $ 198,342 |
| Employee contributions | 212,909 | 195,927 | 197,162 | 198,343 |
| Net income (loss) from investing activities | (1,978,671) | 1,482,045 | 1,470,084 | 1,776,395 |
| Reclassifications due to participant conversion | 295,038 | 417,138 | 63,361 | 94,720 |
| Total additions | (1,257,815) | 2,291,037 | 1,927,770 | 2,267,800 |
| **DEDUCTIONS** | | | | |
| Pension administration | - | 7,106 | 11,093 | 9,384 |
| Depreciation | - | - | - | - |
| Refunds | 827,147 | 1,288,418 | 964,393 | 575,000 |
| Reclassifications due to participant conversion | - | - | - | - |
| Total deductions | 827,147 | 1,295,524 | 975,486 | 584,384 |
| Net increase (decrease) in fiduciary net position | (2,084,962) | 995,513 | 952,284 | 1,683,416 |
| Net position - beginning, as previously reported | 11,735,949 | 10,740,436 | 9,788,152 | 8,104,736 |
| Prior period adjustment | - | - | - | - |
| Net position - beginning, restated | 11,735,949 | 10,740,436 | 9,788,152 | 8,104,736 |
| Net position - ending | $ 9,650,987 | $ 11,735,949 | $ 10,740,436 | $ 9,788,152 |

Note: In 2015, a prior period adjustment was made to report non-vested Plan 3 participants as part of the Wichita Employees' Retirement System. Prior to 2015, those members were reported with Plan 3b members in the defined contribution plan. Reclassifications due to participant conversion represent members of Plan 3 who vest with seven years of service and move into either Plan 2 or Plan 3b.

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| $ 202,075 | $ 200,003 | $ 203,532 | $ 190,049 | $ 1,147,770 | $ 1,116,464 |
| 202,077 | 200,003 | 203,509 | 190,049 | 1,147,770 | 1,116,240 |
| (598,098) | 1,156,192 | 467,817 | (80,749) | 1,104,224 | 3,655,978 |
| 179,012 | 191,292 | 244,793 | 465,171 | - | - |
| (14,934) | 1,747,490 | 1,119,651 | 764,520 | 3,399,764 | 5,888,682 |
| | | | | | |
| 27,384 | 9,725 | 7,366 | 5,056 | 64,686 | 73,351 |
| - | - | - | - | 54,768 | 54,763 |
| 349,140 | 348,275 | 614,342 | 733,125 | 1,107,222 | 1,010,244 |
| - | - | - | - | 2,942,734 | 2,465,600 |
| 376,524 | 358,000 | 621,708 | 738,181 | 4,169,410 | 3,603,958 |
| (391,458) | 1,389,490 | 497,943 | 26,339 | (769,646) | 2,284,724 |
| 8,496,194 | 7,106,704 | 6,608,761 | 21,156,891 | 21,926,537 | 19,641,813 |
| - | - | - | (14,574,469) | - | - |
| 8,496,194 | 7,106,704 | 6,608,761 | 6,582,422 | 21,926,537 | 19,641,813 |
| $ 8,104,736 | $ 8,496,194 | $ 7,106,704 | $ 6,608,761 | $ 21,156,891 | $ 21,926,537 |

# WICHITA RETIREMENT SYSTEMS

## CHANGES IN FIDUCIARY NET POSITION
## POLICE AND FIRE RETIREMENT SYSTEM OF WICHITA, KANSAS

For years ended December 31, 2013 through December 31, 2022
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 |
| **ADDITIONS** | | | | |
| Employer contributions | $ 17,183,919 | $ 17,889,908 | $ 16,617,743 | $ 13,965,415 |
| Employee contributions | 6,505,692 | 6,682,182 | 5,927,784 | 5,428,455 |
| Net income (loss) from investing activities | (121,753,365) | 116,265,367 | 97,865,002 | 120,349,987 |
| Total additions | (98,063,754) | 140,837,457 | 120,410,529 | 139,743,857 |
| **DEDUCTIONS** | | | | |
| Benefit payments | | | | |
| Service retirement | 36,610,009 | 34,027,529 | 32,556,490 | 30,941,654 |
| Survivor benefit | 4,335,634 | 4,052,214 | 3,768,561 | 3,611,221 |
| Backward DROP lump sum payments | 9,310,075 | 6,494,055 | 5,801,901 | 5,232,443 |
| Qualified domestic relations order | 254,295 | 232,690 | 232,683 | 237,496 |
| Disability (service) | 1,781,299 | 1,791,884 | 1,751,762 | 1,573,985 |
| Disability (non-service) | 63,792 | 62,953 | 62,114 | 69,254 |
| Funeral benefits | 24,427 | 49,530 | 26,090 | 20,697 |
| Pension administration | 657,985 | 556,934 | 574,182 | 612,049 |
| Depreciation | - | - | - | - |
| Refunds | 803,311 | 622,640 | 962,539 | 424,631 |
| Total deductions | 53,840,827 | 47,890,429 | 45,736,322 | 42,723,430 |
| Net increase (decrease) in fiduciary net postion | (151,904,581) | 92,947,028 | 74,674,207 | 97,020,427 |
| Net position - beginning | 898,696,279 | 805,749,251 | 731,075,044 | 634,054,617 |
| Net position - ending | $ 746,791,698 | $ 898,696,279 | $ 805,749,251 | $ 731,075,044 |

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| $ 14,331,422 | $ 13,369,785 | $ 12,585,895 | $ 13,964,379 | $ 14,464,181 | $ 14,889,714 |
| 5,599,216 | 4,915,378 | 4,776,958 | 4,603,331 | 4,529,895 | 4,607,691 |
| (43,988,371) | 103,236,679 | 39,901,640 | (163,702) | 30,596,067 | 99,494,232 |
| (24,057,733) | 121,521,842 | 57,264,493 | 18,404,008 | 49,590,143 | 118,991,637 |
| | | | | | |
| 28,998,635 | 27,471,812 | 26,169,001 | 24,767,622 | 22,854,129 | 21,081,456 |
| 3,431,832 | 3,253,128 | 3,275,582 | 3,216,979 | 3,147,177 | 2,963,019 |
| 4,836,668 | 4,279,460 | 3,951,323 | 5,550,489 | 7,903,252 | 5,202,861 |
| 222,699 | 220,953 | 221,720 | 200,947 | 159,200 | 130,426 |
| 1,533,354 | 1,439,920 | 1,546,440 | 1,818,427 | 1,794,729 | 1,701,928 |
| 73,957 | 72,513 | 71,496 | 70,479 | 70,558 | 68,445 |
| 23,283 | 18,772 | 20,974 | 17,697 | 28,688 | 9,871 |
| 590,098 | 554,641 | 548,171 | 483,193 | 478,320 | 402,003 |
| - | - | - | 37,825 | 63,887 | 401,901 |
| 261,073 | 173,975 | 295,731 | 448,180 | 457,423 | 63,890 |
| 39,971,599 | 37,485,174 | 36,100,438 | 36,611,838 | 36,957,363 | 32,025,800 |
| | | | | | |
| (64,029,332) | 84,036,668 | 21,164,055 | (18,207,830) | 12,632,780 | 86,965,837 |
| | | | | | |
| 698,083,949 | 614,047,281 | 592,883,226 | 611,091,056 | 598,458,276 | 511,492,439 |
| $ 634,054,617 | $ 698,083,949 | $ 614,047,281 | $ 592,883,226 | $ 611,091,056 | $ 598,458,276 |

# WICHITA RETIREMENT SYSTEMS

## AVERAGE BENEFIT BY YEARS OF SERVICE [1]

***New Retirees by Calendar Year***

## WICHITA EMPLOYEES' RETIREMENT SYSTEM

For years ended December 31, 2013 through December 31, 2022

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 |
| **AVERAGE MONTHLY PENSION BENEFIT** | | | | |
| 0 - 5 years of service | $ - | $ - | $ - | $ - |
| 5 - 10 years of service | 1,280 | 806 | 711 | 779 |
| 10 - 15 years of service | 1,487 | 1,824 | 1,169 | 1,196 |
| 15 - 20 years of service | 1,848 | 1,785 | 1,799 | 1,986 |
| 20 - 25 years of service | 3,753 | 2,127 | 2,412 | 2,155 |
| 25 - 30 years of service | 3,430 | 4,109 | 2,568 | 3,485 |
| More than 30 years of service | 4,504 | 3,721 | 4,281 | 3,752 |
| Average for all years of service | 3,013 | 2,343 | 2,431 | 2,551 |
| **AVERAGE FINAL AVERAGE SALARY** | | | | |
| 0 - 5 years of service | $ - | $ - | $ - | $ - |
| 5 - 10 years of service | 6,460 | 4,632 | 3,914 | 4,490 |
| 10 - 15 years of service | 4,771 | 6,156 | 4,030 | 4,403 |
| 15 - 20 years of service | 4,644 | 4,945 | 4,751 | 4,795 |
| 20 - 25 years of service | 7,315 | 4,262 | 4,837 | 4,413 |
| 25 - 30 years of service | 5,426 | 6,780 | 4,132 | 5,817 |
| More than 30 years of service | 5,802 | 4,771 | 5,419 | 4,811 |
| Average for all years of service | 5,808 | 5,287 | 4,827 | 4,843 |
| **NUMBER OF RETIRED MEMBERS** | | | | |
| 0 - 5 years of service | - | - | - | - |
| 5 - 10 years of service | 7 | 11 | 3 | 5 |
| 10 - 15 years of service | 5 | 16 | 14 | 11 |
| 15 - 20 years of service | 13 | 12 | 15 | 5 |
| 20 - 25 years of service | 11 | 7 | 19 | 7 |
| 25 - 30 years of service | 7 | 8 | 9 | 5 |
| More than 30 years of service | 16 | 14 | 17 | 22 |
| Total for all years of service | 59 | 68 | 77 | 55 |

[1] Includes new disabilities and members entering DROP.

| Fiscal Year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2018 | | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | |
| $ | - | $ | - | $ | - | $ | - | $ | - | $ | - |
| | 709 | | 1,092 | | 648 | | 746 | | 665 | | 1,164 |
| | 989 | | 1,332 | | 1,159 | | 1,095 | | 950 | | 1,278 |
| | 1,795 | | 2,175 | | 1,915 | | 1,791 | | 1,624 | | 1,621 |
| | 2,291 | | 2,299 | | 2,249 | | 1,861 | | 1,957 | | 1,992 |
| | 2,617 | | 2,395 | | 2,849 | | 2,983 | | 2,230 | | 2,433 |
| | 4,020 | | 4,235 | | 3,456 | | 4,003 | | 3,217 | | 3,891 |
| | 2,573 | | 2,310 | | 2,167 | | 2,174 | | 1,921 | | 1,760 |
| | | | | | | | | | | | |
| $ | - | $ | - | $ | - | $ | - | $ | - | $ | - |
| | 4,185 | | 5,807 | | 3,293 | | 3,823 | | 3,206 | | 5,437 |
| | 3,930 | | 4,722 | | 4,226 | | 3,617 | | 3,353 | | 4,091 |
| | 4,422 | | 5,699 | | 4,837 | | 4,546 | | 4,343 | | 3,914 |
| | 4,523 | | 4,609 | | 4,442 | | 3,727 | | 4,027 | | 4,288 |
| | 4,276 | | 3,868 | | 4,419 | | 4,799 | | 4,065 | | 4,397 |
| | 5,148 | | 5,425 | | 4,322 | | 5,197 | | 4,495 | | 5,388 |
| | 4,617 | | 4,971 | | 4,289 | | 4,367 | | 4,026 | | 4,409 |
| | | | | | | | | | | | |
| | - | | - | | - | | - | | - | | - |
| | 5 | | 4 | | 7 | | 11 | | 11 | | 8 |
| | 11 | | 14 | | 15 | | 7 | | 10 | | 17 |
| | 9 | | 8 | | 8 | | 13 | | 19 | | 12 |
| | 15 | | 10 | | 13 | | 9 | | 14 | | 6 |
| | 8 | | 6 | | 7 | | 9 | | 9 | | 7 |
| | 26 | | 10 | | 17 | | 13 | | 20 | | 4 |
| | 74 | | 52 | | 67 | | 62 | | 83 | | 54 |

## WICHITA RETIREMENT SYSTEMS

### AVERAGE BENEFIT BY YEARS OF SERVICE[1]

***New Retirees by Calendar Year***

### POLICE AND FIRE RETIREMENT SYSTEM OF WICHITA, KANSAS

For years ended December 31, 2013 through December 31, 2022

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 |
| **AVERAGE MONTHLY PENSION BENEFIT** | | | | |
| 0 - 5 years of service | $ 3,530 | $ - | $ - | $ - |
| 5 - 10 years of service | - | - | 3,460 | 3,379 |
| 10 - 15 years of service | 1,828 | 1,481 | 2,296 | - |
| 15 - 20 years of service | 2,868 | 3,850 | 3,825 | 4,196 |
| 20 - 25 years of service | 3,348 | 3,579 | 3,635 | 3,230 |
| 25 - 30 years of service | 4,628 | 4,212 | 4,551 | 4,233 |
| More than 30 years of service | 4,990 | 4,678 | 4,739 | 4,866 |
| Average for all years of service | 4,075 | 3,942 | 4,173 | 3,913 |
| **AVERAGE FINAL AVERAGE SALARY** | | | | |
| 0 - 5 years of service | $ 4,706 | $ - | $ - | $ - |
| 5 - 10 years of service | - | - | 4,441 | 4,341 |
| 10 - 15 years of service | 3,676 | 4,616 | 4,209 | - |
| 15 - 20 years of service | 5,154 | 5,238 | 5,661 | 5,464 |
| 20 - 25 years of service | 5,840 | 6,062 | 5,840 | 5,931 |
| 25 - 30 years of service | 6,711 | 6,204 | 6,667 | 6,119 |
| More than 30 years of service | 6,665 | 6,238 | 6,360 | 6,488 |
| Average for all years of service | 6,181 | 6,085 | 6,068 | 6,026 |
| **NUMBER OF RETIRED MEMBERS** | | | | |
| 0 - 5 years of service | 1 | - | - | - |
| 5 - 10 years of service | - | - | 3 | 1 |
| 10 - 15 years of service | 3 | 1 | 3 | - |
| 15 - 20 years of service | 2 | 1 | 3 | 2 |
| 20 - 25 years of service | 16 | 15 | 5 | 15 |
| 25 - 30 years of service | 22 | 16 | 17 | 11 |
| More than 30 years of service | 10 | 5 | 9 | 7 |
| Total for all years of service | 54 | 38 | 40 | 36 |

[1] Includes new disabilities.

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| $ - | $ - | $ - | $ - | $ 3,710 | $ - |
| - | - | - | - | - | 3,371 |
| - | 2,744 | 2,688 | - | 1,867 | 2,254 |
| 4,549 | 2,533 | 1,895 | 4,203 | 1,993 | 3,930 |
| 3,861 | 3,144 | 3,108 | 3,004 | 2,971 | 3,037 |
| 4,073 | 4,320 | 4,509 | 4,074 | 4,212 | 4,138 |
| 4,359 | 6,304 | 4,658 | 4,589 | 4,870 | 4,790 |
| 4,116 | 3,972 | 4,235 | 3,979 | 3,984 | 3,697 |
| | | | | | |
| $ - | $ - | $ - | $ - | $ 4,890 | $ - |
| - | - | - | - | - | 4,262 |
| - | 5,122 | 5,014 | - | 5,150 | 4,065 |
| 5,429 | 4,726 | 3,590 | 5,280 | 4,842 | 4,961 |
| 6,062 | 5,596 | 5,586 | 5,490 | 5,132 | 4,936 |
| 6,196 | 6,349 | 6,887 | 5,963 | 5,698 | 5,696 |
| 5,711 | 7,929 | 5,917 | 5,824 | 6,192 | 6,387 |
| 5,983 | 6,082 | 6,055 | 5,756 | 5,671 | 5,337 |
| | | | | | |
| - | - | - | - | 1 | - |
| - | - | - | - | - | 1 |
| - | 1 | 1 | - | 1 | 3 |
| 1 | 5 | 1 | 1 | 1 | 1 |
| 10 | 7 | 2 | 8 | 13 | 10 |
| 13 | 14 | 7 | 9 | 11 | 20 |
| 11 | 4 | 10 | 11 | 17 | 2 |
| 35 | 31 | 21 | 29 | 44 | 37 |

## WICHITA RETIREMENT SYSTEMS

### RETIRED MEMBERS BY TYPE AND BENEFIT AMOUNT
### WICHITA EMPLOYEES' RETIREMENT SYSTEM

As of December 31, 2022

| Monthly Benefit | Active in DROP | Non-Service Disability | QDRO[1] | Service | Service Disability | Survivor | Total |
|---|---|---|---|---|---|---|---|
| Less than $500 | - | 1 | 1 | 37 | - | 54 | 93 |
| 500 - 1,000 | 3 | 3 | 4 | 126 | - | 56 | 192 |
| 1,000 - 1,500 | 7 | 2 | 1 | 161 | - | 52 | 223 |
| 1,500 - 2,000 | 8 | 2 | - | 156 | 2 | 49 | 217 |
| 2,000 - 2,500 | 3 | 1 | 1 | 133 | 1 | 35 | 174 |
| 2,500 - 3,000 | 7 | 1 | 1 | 108 | - | 9 | 126 |
| 3,000 - 3,500 | 9 | - | - | 109 | - | 7 | 125 |
| 3,500 - 4,000 | 8 | - | - | 110 | - | 3 | 121 |
| 4,000 - 4,500 | 6 | - | - | 72 | - | - | 78 |
| 4,500 - 5,000 | 4 | - | - | 72 | - | - | 76 |
| More than $5,000 | 6 | - | - | 136 | - | 2 | 144 |
| | 61 | 10 | 8 | 1,220 | 3 | 267 | 1,569 |

### POLICE AND FIRE RETIREMENT SYSTEM OF WICHITA, KANSAS

As of December 31, 2022

| Monthly Benefit | Non-Service Disability | QDRO[1] | Service | Recalc. Service Disability | Service Disability | Survivor | Total |
|---|---|---|---|---|---|---|---|
| Less than $500 | - | 2 | 4 | - | - | - | 6 |
| 500 - 1,000 | 2 | 10 | 4 | - | 2 | 21 | 39 |
| 1,000 - 1,500 | 3 | 6 | 33 | - | - | 30 | 72 |
| 1,500 - 2,000 | - | 2 | 56 | 1 | - | 41 | 100 |
| 2,000 - 2,500 | - | 1 | 114 | 2 | - | 48 | 165 |
| 2,500 - 3,000 | - | - | 98 | 1 | 1 | 30 | 130 |
| 3,000 - 3,500 | - | - | 94 | 5 | 5 | 14 | 118 |
| 3,500 - 4,000 | - | - | 97 | 13 | 9 | 4 | 123 |
| 4,000 - 4,500 | - | - | 93 | 19 | 10 | 2 | 124 |
| 4,500 - 5,000 | - | - | 89 | 14 | 8 | 1 | 112 |
| More than $5,000 | - | - | 120 | 8 | 2 | 2 | 132 |
| | 5 | 21 | 802 | 63 | 37 | 193 | 1,121 |

[1] Qualified Domestic Relations Order