

***CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM***

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED APRIL 30, 2022 AND 2021
AND
INDEPENDENT AUDITOR'S REPORT



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THE EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Kansas City, Missouri
The Employees' Retirement System
Kansas City, Missouri

Opinion

We have audited the financial statements of the City of Kansas City, Missouri The Employees' Retirement System (the Plan) as of April 30, 2022 and 2021 and for the years then ended, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of April 30, 2022 and 2021, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Overland Park, KS
October 18, 2022

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Employees' Retirement System of the City of Kansas City, Missouri (ERS or Plan) is a single-employer defined benefit plan covering general municipal employees and elected officials of the City of Kansas City, Missouri (City). ERS was established by City ordinance in 1962 and is administered by the Retirement System's Board of Trustees (the Board) to provide retirement, survivor, and death benefits to members and beneficiaries. This discussion and analysis of the Plan's financial statements provides an overview of the Plan's operations and investment performance for the fiscal years ended April 30, 2022 and 2021, with selected comparative information for the fiscal year ended April 30, 2020, and should be read in conjunction with the financial statements and notes to the financial statements.

Overview of the Financial Statements and Accompanying Information

- The financial statements presented by ERS consist of the: (1) statements of fiduciary net position, which reflect resources available for the payment of benefits as of year-end, and (2) statements of changes in fiduciary net position, which reflect the sources and uses of those funds during the year.
- The notes to the financial statements are an integral part of the financial statements and include information not necessarily discernible in the statements themselves. Following the notes are required supplemental information and other schedules that may be helpful in evaluating the financial condition of the Plan.
- Required supplementary information presents schedules related to employer contributions and the funding of the Plan.

2022 and 2021 Comparative Summary of Fiduciary Net Position

	April 30, 2022	April 30, 2021	Amount Change	Percentage Change
Receivables	\$ 3,517,946	\$ 32,878,430	\$ (29,360,484)	-89.30%
Investments at fair value	1,225,768,153	1,348,011,794	(122,243,641)	-9.07%
Securities lending collateral	59,047,534	53,183,754	5,863,780	11.03%
Total assets	<u>1,288,333,633</u>	<u>1,434,073,978</u>	<u>(145,740,345)</u>	-10.16%
Due to broker for purchases of investments	16,433,928	38,981,552	(22,547,624)	-57.84%
Administrative and investment expenses payable	1,173,445	1,246,262	(72,817)	-5.84%
Securities lending collateral	59,047,534	53,183,754	5,863,780	11.03%
Total liabilities	<u>76,654,907</u>	<u>93,411,568</u>	<u>(16,756,661)</u>	-17.94%
Net position	<u>\$ 1,211,678,726</u>	<u>\$ 1,340,662,410</u>	<u>\$ (128,983,684)</u>	-9.62%

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MANAGEMENT'S DISCUSSION AND ANALYSIS

2022 and 2021 Comparative Summary of Changes in Fiduciary Net Position

	<u>April 30, 2022</u>	<u>April 30, 2021</u>	<u>Amount Change</u>	<u>Percentage Change</u>
Member contributions	\$ 7,708,274	\$ 8,500,926	\$ (792,652)	-9.32%
Employer contributions	30,638,396	27,524,702	3,113,694	11.31%
Net investment (loss) income	<u>(68,177,598)</u>	<u>291,460,205</u>	<u>(359,637,803)</u>	-123.39%
Total additions	<u>(29,830,928)</u>	<u>327,485,833</u>	<u>(357,316,761)</u>	-109.11%
Benefits paid to members	86,809,330	78,466,913	8,342,417	10.63%
Refunds of contributions	11,878,816	5,693,126	6,185,690	108.65%
Administrative expenses	<u>464,610</u>	<u>496,870</u>	<u>(32,260)</u>	-6.49%
Total deductions	<u>99,152,756</u>	<u>84,656,909</u>	<u>14,495,847</u>	17.12%
Net change	(128,983,684)	242,828,924	(371,812,608)	-153.12%
Net position, Beginning of Year	<u>1,340,662,410</u>	<u>1,097,833,486</u>	<u>242,828,924</u>	22.12%
Net position, End of Year	<u>\$ 1,211,678,726</u>	<u>\$ 1,340,662,410</u>	<u>\$ (128,983,684)</u>	-9.62%

2022 Financial Highlights

The Plan's net position decreased by 9.6%, as seen in the statement of fiduciary net position. Global markets started out strong but turned in September, due to the spread of the Coronavirus Delta variant, persistent high inflation, and supply chain bottlenecks. Then in December, the Federal Open Market Committee (FOMC) confirmed it would end its bond-buying program earlier than anticipated to reduce inflationary pressures on the economy. Additionally, projections indicated that the FOMC would increase the federal funds rates as many as three times in 2022, to stem inflationary pressures. In February, markets continued to contract, as geopolitical tensions in Ukraine and Russia led to Russia's invasion, and the U.S., along with many other countries, implemented economic sanctions against Russia. Then in March, the FOMC instituted its first increase in the federal funds rate since 2018. Finally, in April, as CPI reached 8.5%, the FOMC signaled it would evaluate all options to tame inflation, both through an aggressive wind down of balance sheet assets and additional increases in the federal funds rate. The U.S. GDP also unexpectedly contracted in the first quarter of 2022, at an annualized rate of 1.4%, due to several factors including the widening trade deficit, a deceleration in the pace of inventory accumulation and decreasing government spending. The Plan's investment portfolio returned -5.2% for the year, which underperformed the return of the Policy Portfolio benchmark. All segments of the Fund posted negative returns except for real assets. Although negative, the Plan's emerging markets equity and fixed income managers performed extremely well on a relative basis. Real assets was the best performing asset class, while global equity had the lowest returns on an absolute basis.

Total additions, as shown on the statement of changes in fiduciary net position, were negative \$29.8 million, a 109.1% decrease from the prior year. Employer contributions grew \$3.1 million mainly due to an increase in the actuarial required contribution rate, while member contributions decreased due to the reduced number of employees contributing due to the City's retirement incentive program. Net investment income decreased by \$359.6 million, compared to the prior year, due to negative performance. Benefits paid to members increased 10.6% due in large part to new retirements added during the City's retirement incentive program and cost-of-living adjustments, and refunds of contributions increased 108.7% due to elections made by retiring employees during the City's retirement

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MANAGEMENT'S DISCUSSION AND ANALYSIS

incentive program to withdrawal some or all of their employee contributions and interest. The 6.5% decrease in administrative expenses was mainly due to a decrease in actuarial fees and printing costs.

2022 Operational Highlights

There were no manager changes in the portfolio. On-going cash needs were met primarily from liquidation of U.S. equities and fixed income securities.

2021 and 2020 Comparative Summary of Fiduciary Net Position

	April 30, 2021	April 30, 2020	Amount Change	Percentage Change
Receivables	\$ 32,878,430	\$ 7,156,153	\$ 25,722,277	359.44%
Investments at fair value	1,348,011,794	1,097,030,850	250,980,944	22.88%
Securities lending collateral	53,183,754	56,099,306	(2,915,552)	-5.20%
Total assets	<u>1,434,073,978</u>	<u>1,160,286,309</u>	<u>273,787,669</u>	23.60%
Due to broker for purchases of investments	38,981,552	5,213,529	33,768,023	647.70%
Administrative and investment expenses payable	1,246,262	1,139,988	106,274	9.32%
Securities lending collateral	53,183,754	56,099,306	(2,915,552)	-5.20%
Total liabilities	<u>93,411,568</u>	<u>62,452,823</u>	<u>30,958,745</u>	49.57%
Net position	<u>\$1,340,662,410</u>	<u>\$1,097,833,486</u>	<u>\$ 242,828,924</u>	22.12%

2021 and 2020 Comparative Summary of Changes in Fiduciary Net Position

	April 30, 2021	April 30, 2020	Amount Change	Percentage Change
Member contributions	\$ 8,500,926	\$ 8,552,954	\$ (52,028)	-0.61%
Employer contributions	27,524,702	27,256,034	268,668	0.99%
Net investment income	291,460,205	(25,371,609)	316,831,814	-1248.77%
Total additions	<u>327,485,833</u>	<u>10,437,379</u>	<u>317,048,454</u>	3037.63%
Benefits paid to members	78,466,913	75,387,320	3,079,593	4.09%
Refunds of contributions	5,693,126	5,999,576	(306,450)	-5.11%
Administrative expenses	496,870	488,582	8,288	1.70%
Total deductions	<u>84,656,909</u>	<u>81,875,478</u>	<u>2,781,431</u>	3.40%
Net increase	242,828,924	(71,438,099)	314,267,023	-439.92%
Net position, Beginning of Year	<u>1,097,833,486</u>	<u>1,169,271,585</u>	<u>(71,438,099)</u>	-6.11%
Net position, End of Year	<u>\$1,340,662,410</u>	<u>\$1,097,833,486</u>	<u>\$ 242,828,924</u>	22.12%

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MANAGEMENT'S DISCUSSION AND ANALYSIS

2021 Financial Highlights

The Plan's net position increased by 22.1%, as seen in the statement of fiduciary net position. Global markets continued their remarkable recovery from the swiftest market correction in history that occurred in March 2020, due to the spread of COVID-19. Amid periodic market volatility, this tremendous recovery was aided by the development and distribution of three vaccines, the reopening of economies around the world and the vast amount of monetary and fiscal stimulus that was funneled into the markets through stimulus payments and the Federal Reserve's actions to keep interest rates low and continue their quantitative easing program. The Plan's investment portfolio returned 27.2% for the year, which outperformed the return of the Policy Portfolio benchmark. All segments of the Plan posted positive returns and most performed extremely well on a relative basis. U.S. equity was the best performing asset class, while real assets had the lowest returns on an absolute basis.

Total additions, as shown on the statement of changes in fiduciary net position, were positive \$317 million, a 3,037.6% increase from the prior year. Employer contributions grew \$269 thousand, mainly due to an increase in the actuarial required contribution rate, and net investment income increased by \$316.8 million, due to strong performance. Benefits paid to members increased 4.1%, due in large part to new retirements and cost-of-living adjustments, while refunds of contributions decreased -5.1%, due to a decrease in refund elections made by retiring employees. The 1.7% increase in administrative expenses was mainly due to an increase in salaries and printing costs.

2021 Operational Highlights

A real estate manager was terminated due to performance issues. A search was conducted, and a new real estate manager was hired. On-going cash needs were met primarily through rebalancing and the sale of appreciating equity securities.

Requests for Information

This financial report is designed to provide members of the City of Kansas City, Missouri The Employees' Retirement System, citizens, investors and creditors of the City of Kansas City, Missouri with a general overview of the Employees' Retirement System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Kansas City, Missouri The Employees' Retirement System, City Hall, 414 East 12th Street, 10th Floor, Kansas City, Missouri 64106-2705.

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

**CITY OF KANSAS CITY, MISSOURI
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STATEMENTS OF FIDUCIARY NET POSITION

April 30, 2022 and 2021

Assets	<u>2022</u>	<u>2021</u>
Investments, at Fair Value		
Short-term investment funds	\$ 29,416,051	\$ 54,512,080
U.S. Treasuries	16,107,212	16,183,692
U.S. government-backed mortgages	45,426,228	45,216,472
Municipal bonds	2,003,050	2,368,385
Asset-backed securities	5,889,322	6,478,846
Foreign debt obligations	2,329,399	2,422,715
Corporate bonds - domestic	22,527,675	21,649,304
Corporate bonds - foreign	20,268,984	19,988,837
Domestic preferred equities	1,234,620	1,236,015
Domestic common equities	190,362,808	232,986,023
Foreign equities	5,314,322	6,826,288
Partnerships	58,177,409	61,653,504
Collective trusts - equities	443,458,732	565,938,279
Collective trusts - fixed income	257,610,634	190,129,563
Collective trusts - real estate	125,641,707	120,421,791
	<u>1,225,768,153</u>	<u>1,348,011,794</u>
Securities Lending Collateral	<u>59,047,534</u>	<u>53,183,754</u>
Receivables		
Contributions	709,858	747,416
Investment income	826,430	1,993,065
Due from broker for sales of investments	1,981,658	30,137,949
	<u>3,517,946</u>	<u>32,878,430</u>
Total assets	<u>1,288,333,633</u>	<u>1,434,073,978</u>
Liabilities		
Due to broker for purchases of investments	16,433,928	38,981,552
Administrative and investment expenses payable	1,173,445	1,246,262
Securities lending collateral	59,047,534	53,183,754
	<u>76,654,907</u>	<u>93,411,568</u>
Net Position Restricted for Pensions	<u>\$ 1,211,678,726</u>	<u>\$ 1,340,662,410</u>

The accompanying notes are an
integral part of these financial statements.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended April 30, 2022 and April 30, 2021

	2022	2021
Additions		
Investment Income		
Interest income	\$ 12,280,084	\$ 11,879,217
Dividend income	9,356,478	6,436,030
Net change in fair value of investments	(85,188,168)	277,864,439
Less investment expense	(4,739,057)	(4,849,036)
	(68,290,663)	291,330,650
Securities Lending Income		
Securities lending gross income	147,781	181,980
Securities lending expenses		
Borrower rebates	13,646	3,006
Management fees	(48,362)	(55,431)
Total securities lending expenses	(34,716)	(52,425)
Net securities lending income	113,065	129,555
Total net investment (loss) income	(68,177,598)	291,460,205
Contributions		
Contributions from the City of Kansas City, Missouri	30,638,396	27,524,702
Contributions from members	7,708,274	8,500,926
Total contributions	38,346,670	36,025,628
Total additions	(29,830,928)	327,485,833
Deductions		
Benefits Paid to Members	86,809,330	78,466,913
Refunds		
Termination	2,320,927	1,649,175
Retirement	9,557,889	4,043,951
Administrative Expenses	464,610	496,870
Total deductions	99,152,756	84,656,909
Net Change in Net Position	(128,983,684)	242,828,924
Net Position Restricted for Pensions, Beginning of Year	1,340,662,410	1,097,833,486
Net Position Restricted for Pensions, End of Year	\$ 1,211,678,726	\$ 1,340,662,410

The accompanying notes are an integral part of these financial statements.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Kansas City, Missouri The Employees' Retirement System (ERS or Plan) is a contributory, single-employer, defined benefit pension plan, covering employees and elected officials of the City of Kansas City, Missouri (City). Members of the Police and Fire Departments' pension systems are excluded. The Plan is considered part of the City's financial reporting entity and is included in the City's annual comprehensive financial report as a pension trust fund. Employees should refer to the Plan agreement for more complete information.

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when paid in accordance with the terms of the Plan.

Investments - Investments are valued at fair value as follows:

Government securities, asset-backed securities, and corporate bonds are valued at fair value based on prices quoted by a major dealer in such securities.

Common stock, preferred stock, foreign common stock, and indexed notes and bonds are listed at fair value based on either listed prices (closing prices as reported on the composite summary of national securities exchanges) or on over-the-counter or bid prices.

Collective trusts, partnerships, and short-term investment funds consist primarily of non-marketable investments in various venture capital funds, corporate finance funds, and private partnerships (collectively, Portfolio Funds). These funds are primarily invested in a diversified portfolio of equities, real estate, U.S. fixed income instruments, and alternative or non-traditional investments. These investments are recorded at fair value based on financial data, which is generally at an amount equal to the net asset value per share or the Plan's proportionate interest in the net assets or net equity of the Portfolio Funds as determined by each Portfolio Fund's general partner or investment manager. The estimated value of such investments is subject to uncertainty and, therefore, may differ from the value that would have been used had a market for such investments existed.

The Plan is obligated to pay certain capital commitments to the partnerships. There were no outstanding commitments as of April 30, 2022 or 2021.

Investment transactions are accounted for on a trade-date basis, and dividend income is recognized on the ex-dividend date. Interest income is recognized on an accrual basis. Realized gains and losses from investments are determined on an average-cost basis.

Tax Status - The Board of Trustees (Board) believes that the Plan is designed in accordance with section 401(a) of the Internal Revenue Code (Code) and is currently being operated in compliance with the applicable requirements of the Code.

Administrative Expenses - Plan administrative salaries, duplicating, telecommunications, and travel expenses are included in the Plan's administrative expenses when incurred. The City provides office space, a portion of administrative and clerical services of the Human Resources Department, and accounting services of the Finance Department without any direct charge to the Plan.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Subsequent Events - These financial statements considered subsequent events through October 18, 2022, the date the financial statements were available to be issued.

2. PLAN DESCRIPTION

The Plan is established by City ordinances enacted by the City Council. The Plan is administered by the Board of Trustees of the City of Kansas City, Missouri The Employees' Retirement System. The Board is composed of ten members, two of whom are the Director of Human Resources and the Director of Finance of the City, two are active employees and members of ERS, one is a retired member of ERS and one is designated by Firefighters' IAFF Local 42. The remaining members are prominent Kansas City business or civic leaders appointed by the mayor.

Eligibility - All full-time, permanent employees in the classified and unclassified services shall become members of the Plan as a condition of their employment. Employees of any administrative board or board of control as organized and existing under the general laws of the State of Missouri and as defined in RSMo § 95.540, whose governing body has elected membership, shall also be members. Members of the police, firemen's, or municipal judges' (or any other pension system involving City funds) receiving or entitled to receive a future pension from those systems, are ineligible for membership.

Tier I Member - Those employees hired before April 20, 2014.

Tier II Member - Those employees hired on or after April 20, 2014.

At April 30, 2022 and 2021, the Plan's membership consisted of the following:

	2022		Total
	Tier I	Tier II	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,005	--	3,005
Current employees			
Vested	1,437	1	1,438
Nonvested	--	1,337	1,337
Inactive	90	785	875
Total	<u>4,532</u>	<u>2,123</u>	<u>6,655</u>

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

2. PLAN DESCRIPTION (CONTINUED)

	2021		Total
	Tier I	Tier II	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,862	--	2,862
Current employees			
Vested	1,707	--	1,707
Nonvested	--	1,299	1,299
Inactive	68	576	644
Total	4,637	1,875	6,512

Contributions - Funding is provided by contributions from Plan members and the City, and earnings on investments. Members contribute 5 percent of their base salary. The City's contribution is set by the City Council in conjunction with its approval of the annual budget, based on the actuarially determined contribution rate set by the Plan's consulting actuary. For the years ended April 30, 2022 and 2021, the City contributed at rates of 18.54 percent and 16.11 percent, respectively, of annual covered payroll.

Retirement Benefits - Benefit terms for the Plan are established in the City administrative code and can only be amended by the City Council. The Plan provides retirement benefits as well as pre-retirement death benefits as noted below:

Tier I Members - Employees become vested for retirement benefits after five years of service. Members who retire with total age and creditable service equal to 80, or the later of age 60 and 10 years of creditable service, are entitled to an annual pension based on a percentage of final average compensation multiplied by years and months of creditable service. If married at the time of retirement, the percentages of final average compensation are 2.0 percent for general employees and 2.2 percent for elected officials, and if unmarried at the date of retirement, the percentage is 2.22 percent up to a maximum of 70 percent of final average compensation as defined in the Plan. If the employee has at least 10 years of creditable service, the minimum benefit is \$400 per month.

If members terminate prior to retirement and before rendering five years of service, they forfeit the right to receive the portion of their accumulated Plan benefits attributable to City contributions and are refunded their member contributions with interest. Such refunds result in the forfeiture of all other benefits under the Plan. Members terminating prior to retirement with five or more years of service may elect to receive a refund of their member contributions with interest as a lump-sum distribution, or they may elect to receive a deferred pension. An automatic cost-of-living adjustment of 3 percent, non-compounded, is provided annually.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

2. PLAN DESCRIPTION (CONTINUED)

Tier II Members - Employees become vested for retirement benefits after ten years of service. Members who retire with total age and creditable service equal to 85, or the later of age 62 and 10 years of creditable service, are entitled to an annual pension of 1.75 percent of final average compensation multiplied by the number of years of creditable service, subject to a maximum limit of 70 percent of final average compensation as defined in the Plan. If the employee has at least 10 years of creditable service, the minimum benefit is \$400 per month.

If employees terminate prior to retirement and before rendering ten years of service, they forfeit the right to receive the portion of their accumulated Plan benefits attributable to City contributions and are refunded their member contributions with interest.

An automatic cost-of-living adjustment, not to exceed 2.5 percent, non-compounded, is provided annually to pensioners age 62 and older if the prior year funding ratio is equal to or greater than 80 percent and will be equal to the percentage increase in the prior 12 months of the final national consumer price index.

Health Insurance Subsidy - All retirees are eligible to receive a \$200 monthly health insurance subsidy. If a member dies as a direct result of an accident sustained in the performance of their assigned duties, their surviving spouse is eligible to receive the health insurance subsidy.

Death Benefits - If a retired member dies, the following benefits shall be paid:

To the member's spouse until death, a retirement benefit equal to one-half of the member's normal retirement benefit.

To the member's designated beneficiary or estate, if there is no surviving spouse, any remaining member contributions and interest.

If an active member dies, the member's contributions and interest are distributed to the surviving spouse or, if none, to the designated beneficiary. The surviving spouse, however, may elect to receive monthly benefit payments instead of the lump-sum distribution if the member had five or more years of creditable service.

3. DEPOSITS AND INVESTMENTS

The City administrative code and ordinances passed by the City Council provide that Plan investments may include, but are not limited to, obligations of the U.S. government, state of Missouri and municipal corporations, including school districts, corporate bonds, real estate mortgages, common and preferred stocks, partnerships, collective trusts and derivatives. The Plan purchases investments from Securities and Exchange Commission registered securities broker-dealers and banks through its investment managers. Investments in U.S. Treasury obligations are held at the Federal Reserve Bank through the customer account of a financial institution.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Policy - The asset type and classes, target allocation and ranges that have been approved by the Board are shown below. All percentages are based on fair values. The Board has authorized Plan staff, with the guidance from the investment consultant, to rebalance the portfolio in accordance with the current strategy guidelines below:

Asset Type and Class	Range	Target
Global Equity		
U.S. Equity	12% - 22%	17%
Emerging Manager of Managers	2% - 7%	4%
Non-U.S. Equity	7% - 17%	12%
Emerging Markets Equity	3% - 7%	5%
Global Equity	5% - 11%	8%
Global Fixed Income		
Core Fixed Income	12% - 22%	17%
Non-Core Fixed Income	10% - 20%	15%
Real Assets		
Real Estate	3% - 13%	8%
Infrastructure	1% - 5%	3%
Opportunistic	5% - 15%	10%
Cash	0% - 5%	1%

Securities Lending Transactions - City ordinances and the Plan's Board policies permit the Plan to use investments of the Plan to enter into securities lending transactions, which are loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The Plan has contracted with The Northern Trust Company as its third-party lending agent to lend domestic equity and debt securities for cash collateral of not less than 102 percent of the fair value and international debt and equity securities of not less than 105 percent of the fair value. At April 30, 2022 and 2021, management believes the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. Contracts with the lending agent require it to indemnify the Plan if borrowers fail to return the securities, if the collateral is inadequate to replace the securities lent or if the borrowers fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan; therefore, non-cash collateral is not recorded as an asset or liability on the financial statements.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

	2022	2021
Fair value of securities loaned	\$ 56,604,265	\$ 51,592,017
Fair value of cash collateral received from borrowers	\$ 59,047,534	\$ 53,183,754

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

At April 30, 2022, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years				Loaned Under Securities Lending Agreements
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasuries	\$ 16,107,212	\$ --	\$ 7,162,054	\$ 8,945,158	\$ --	\$13 893,747
U.S. government-backed mortgages	45,426,228	--	--	352,928	45,073,300	--
Municipal bonds	2,003,050	--	--	--	2,003,050	--
Asset-backed securities	5,889,322	--	--	31,229	5,858,093	--
Foreign debt obligations	2,329,399	--	--	607,484	1,721,915	772,892
Corporate bonds - domestic	22,527,675	802,532	7,865,324	4,391,879	9,467,940	3,881,233
Corporate bonds - foreign	20,268,984	610,517	8,511,228	3,466,748	7,680,491	2,684,634
Short-term investment funds	29,416,051	29,416,051	--	--	--	--
	143,967,921	\$ 30,829,100	\$ 23,538,606	\$ 17,795,426	\$ 71,804,789	
Domestic preferred equities	1,234,620					1,165,622
Domestic common equities	190,362,808					30,312,483
Foreign equities	5,314,322					3,036,000
Partnerships	58,177,409					--
Collective trusts - equities	443,458,732					--
Collective trusts - fixed income	257,610,634					--
Collective trusts - real estate	125,641,707					857,654
	\$ 1,225,768,153					\$ 56,604,265

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

At April 30, 2021, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years				Loaned Under Securities Lending Agreements
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasuries	\$ 16,183,692	\$ --	\$ 6,495,521	\$ 9,008,073	\$ 680,098	\$ 15,334,721
U.S. government-backed mortgages	45,216,472	--	--	535,358	44,681,114	--
Municipal bonds	2,368,385	--	--	--	2,368,385	--
Asset-backed securities	6,478,846	--	--	74,444	6,404,402	--
Foreign debt obligations	2,422,715	--	727,825	256,875	1,438,015	--
Corporate bonds - domestic	21,649,304	768,017	6,559,344	4,857,970	9,463,973	1,663,617
Corporate bonds - foreign	19,988,837	--	8,185,991	4,195,148	7,607,698	3,741,248
Short-term investment funds	54,512,080	54,512,080	--	--	--	--
	168,820,331	<u>\$ 55,280,097</u>	<u>\$ 21,968,681</u>	<u>\$ 18,927,868</u>	<u>\$ 72,643,685</u>	
Domestic preferred equities	1,236,015					1,235,956
Domestic common equities	232,986,023					26,579,161
Foreign equities	6,826,288					2,124,462
Partnerships	61,653,504					--
Collective trusts - equities	565,938,279					--
Collective trusts - fixed income	190,129,563					--
Collective trusts - real estate	120,421,791					912,852
	<u>\$ 1,348,011,794</u>					<u>\$ 51,592,017</u>

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, \$56,604,265 and \$51,592,017 was held by the counterparty that was acting as the Plan's agent in securities lending transactions at April 30, 2022 and 2021, respectively.

Investment Concentrations - The following presents investments that represent 5 percent or more of the fiduciary net position of the Plan as of April 30, 2022:

Investment	
Prudential Core Plus Bond Fund	\$ 116,381,155
Mellon EB DV Global Exp Alpha I Fund	82,645,779
Lazard Wilmington International Equity Portfolio	79,554,751
Blackrock Alpha Advantage International Fund	76,943,579
FIAM Tactical Bond Pool	70,890,024
Pioneer Multi Sector Fixed Income Portfolio	70,339,456

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

The following presents investments that represent 5 percent or more of the fiduciary net position of the Plan as of April 30, 2021:

Investment	
Prudential Core Plus Bond Fund	\$ 116,119,208
Blackrock Alpha Advantage International Fund	91,583,602
Mellon EB DV Global Exp Alpha I Fund	87,535,462
Lazard Wilmington International Equity Portfolio	84,522,890
Pioneer Multi Sector Fixed Income Portfolio	74,676,981
FIAM Tactical Bond Pool	74,010,356

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plan. The Plan's policy is that fixed income securities must have a minimum investment quality of "B" at the time of purchase. The weighted average credit rating of the portfolio must have a minimum investment quality of "A." As of April 30, 2022 and 2021, the Plan's fixed income assets that are not explicitly government guaranteed represented 84.7 percent and 82.9 percent of the fixed income portfolio, respectively. The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities at April 30, 2022 and 2021:

Fixed Income Security Type	Fair Value April 30, 2022	Percentage of all Fixed Income Assets	S&P Weighted Average Credit Quality
Municipal bonds	\$ 2,003,050	0.5%	A
Asset-backed securities	5,889,322	1.5%	AAA
Foreign debt obligations	2,329,399	0.6%	BB
Corporate bonds - domestic	22,527,675	5.6%	BBB
Corporate bonds - foreign	20,268,984	5.1%	BBB
Short-term investment funds	29,416,051	7.3%	Not rated
Collective trusts - fixed income	257,610,634	64.1%	A
	\$ 340,045,115	84.7%	

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fixed Income Security Type	Fair Value April 30, 2021	Percentage of all Fixed Income Assets	S&P Weighted Average Credit Quality
Municipal bonds	\$ 2,368,385	0.7%	AAA
Asset-backed securities	6,478,846	1.8%	AA-
Foreign debt obligations	2,422,715	0.7%	BB
Corporate bonds - domestic	21,649,304	6.0%	BBB
Corporate bonds - foreign	19,988,837	5.6%	BBB
Short-term investment funds	54,512,080	15.2%	Not rated
Collective trusts - fixed income	190,129,563	52.9%	A
	<u>\$ 297,549,730</u>	<u>82.9%</u>	

Each portfolio is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers and the average credit quality of the overall portfolios.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration of option-adjusted methodology. The Plan's policy is to manage duration to a maximum 25 percent of underweighting/overweighting relative to the Barclays Aggregate Bond Index.

Effective Duration of Fixed Income Assets by Security Type

Fixed Income Security Type	Fair Value April 30, 2022	Percentage of all Fixed Income Assets	Weighted Average Effective Duration (Years)
U.S. Treasuries	\$ 16,107,212	4.0%	5.11
U.S. government-backed mortgages	45,426,228	11.3%	9.02
Municipal bonds	2,003,050	0.5%	9.01
Asset-backed securities	5,889,322	1.5%	3.92
Foreign debt obligations	2,329,399	0.6%	8.95
Corporate bonds - domestic	22,527,675	5.6%	6.71
Corporate bonds - foreign	20,268,984	5.1%	5.19
Short-term investment funds**	29,416,051	7.3%	**
Collective trusts - fixed income	257,610,634	64.1%	5.87
	<u>\$ 401,578,555</u>	<u>100.0%</u>	

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fixed Income Security Type	Fair Value April 30, 2021	Percentage of all Fixed Income Assets	Weighted Average Effective Duration (Years)
U.S. Treasuries	\$ 16,183,692	4.5%	6.69
U.S. government-backed mortgages	45,216,472	12.6%	3.74
Municipal bonds	2,368,385	0.7%	9.68
Asset-backed securities	6,478,846	1.8%	0.56
Foreign debt obligations	2,422,715	0.7%	8.95
Corporate bonds - domestic	21,649,304	6.0%	6.77
Corporate bonds - foreign	19,988,837	5.6%	6.77
Short-term investment funds**	54,512,080	15.2%	**
Collective trusts - fixed income	190,129,563	52.9%	6.10
	<u>\$ 358,949,894</u>	<u>100.0%</u>	

**The Plan actually owns an interest in the underlying assets of these money market funds, and the unit values are based on the fair value of their underlying assets. The money market funds do not have a maturity date, even though their underlying assets do have maturity dates of less than one year.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Plan's currency risk exposure, or exchange rate risk, primarily resides within the Plan's foreign debt obligations and foreign equity holdings through the Plan's various asset managers. The Plan's policy for each specific portfolio does not place limits on the amount of foreign exposure that can be held by the individual asset managers.

Annual Money-Weighted Rate of Return - For the years ended April 30, 2022 and 2021, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was -5.20 percent and 27.14 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

4. NET PENSION LIABILITY

The components of the net pension liability of the City at April 30, 2022 and 2021 were as follows:

	2022	2021
Total pension liability	\$ 1,483,512,854	\$ 1,467,005,680
Plan fiduciary net position	<u>(1,211,678,726)</u>	<u>(1,340,662,410)</u>
City's net pension liability	<u>\$ 271,834,128</u>	<u>\$ 126,343,270</u>
Fiduciary net position as a % of total pension liability	81.68%	91.39%

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

5. ACTUARIAL METHODS AND ASSUMPTIONS

The Plan's actuary, Cheiron, determines the total pension liability. The total pension liability as of April 30, 2022 and 2021 was determined based on actuarial valuations prepared as of May 1, 2021 and 2020, respectively, rolled forward one year, using the following actuarial assumptions:

Price inflation	2.50%
Salary increases, including wage inflation	2.75% to 5.00%
Long-term investment rate of return, net of plan investment expense, including inflation	7.00%
Mortality tables:	
Healthy	2010 Public General Amount-Weighted Below-Median Mortality Table for Healthy Retirees (multiplied by 1.051 for males and 1.131 for females), projected using Scale MP-2020 on a generational basis
Disabled	2010 Public General Amount-Weighted Mortality Table for Disabled Retirees, projected using Scale MP-2020 on a generational basis

The actuarial assumptions used in the May 1, 2021 and 2020 valuations were based on the results of the actuarial experience study for the period May 1, 2015 through April 30, 2020. The actuarial experience study is dated March 23, 2021.

For purposes of calculating the total pension liability, future ad hoc cost of living adjustments (COLAs) of 3.0 percent (simple COLA) were assumed to be granted in all future years for Tier I employees. Tier II employees' COLA will only be payable if the prior year's funding ratio is greater than or equal to 80 percent and will be equal to the percentage increase in the consumer price index, up to a maximum of 2.50 percent, payable at age 62.

Long-Term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of April 30, 2022 and 2021 are summarized below:

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

5. ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

April 30, 2022:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.0%	3.3%
Emerging Manager of Managers	4.0%	3.3%
Non-U.S. Equity	12.0%	5.0%
Emerging Markets Equity	5.0%	7.8%
Global Equity	8.0%	4.3%
Core Fixed Income	17.0%	0.0%
Non-Core Fixed Income	15.0%	2.9%
Real Estate	8.0%	3.5%
Infrastructure	3.0%	4.5%
Opportunistic	12.0%	2.4%
Cash	1.0%	1.0%

April 30, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	16.25%	5.3%
Emerging Manager of Managers	4.0%	5.3%
Non-U.S. Equity	15.25%	7.7%
Emerging Markets Equity	4.5%	9.3%
Global Equity	5.0%	6.4%
Core Fixed Income	20.0%	0.5%
Non-Core Fixed Income	12.0%	3.3%
Real Estate	7.5%	3.8%
Infrastructure	2.5%	5.8%
Opportunistic	12.0%	5.0%
Cash	1.0%	-0.5%

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. In the professional judgment of the Plan's actuary, the funding policy of the Plan will result in the Plan's projected fiduciary net position being greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

5. ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Sensitivity Analysis - The following sensitivity analysis presents the net pension liability of the City, calculated using the discount rate of 7.00 percent as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate as of April 30, 2022 and 2021:

	2022		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Total pension liability	\$ 1,653,925,828	\$ 1,483,512,854	\$ 1,339,935,164
Fiduciary net position	(1,211,678,726)	(1,211,678,726)	(1,211,678,726)
Net pension liability	\$ 442,247,102	\$ 271,834,128	\$ 128,256,438
	2021		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Total pension liability	\$ 1,636,824,269	\$ 1,467,005,680	\$ 1,324,083,364
Fiduciary net position	(1,340,662,410)	(1,340,662,410)	(1,340,662,410)
Net pension liability (asset)	\$ 296,161,859	\$ 126,343,270	\$ (16,579,046)

6. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Market risks include global events which could impact the value of investment securities, such as pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

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

7. FAIR VALUE MEASUREMENTS

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

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

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

Recurring Measurements - The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2022 and 2021:

	April 30, 2022			
	Total			
	Fair Value	Level 1	Level 2	Level 3
Investments by fair value level				
Short-term investment funds	\$ 29,416,051	\$ 29,416,051	\$ --	\$ --
U.S. Treasuries	16,107,212	--	16,107,212	--
U.S. government-backed mortgages	45,426,228	--	38,806,516	6,619,712
Municipal bonds	2,003,050	--	2,003,050	--
Asset-backed securities	5,889,322	--	5,889,322	--
Foreign debt obligations	2,329,399	--	2,329,399	--
Corporate bonds - domestic	22,527,675	--	22,527,675	--
Corporate bonds - foreign	20,268,984	--	20,268,984	--
Domestic preferred equities	1,234,620	1,234,620	--	--
Domestic common equities	190,362,808	190,362,808	--	--
Foreign equities	5,314,322	5,314,322	--	--
Collective trusts - equities	59,101,691	--	59,101,691	--
Total investments	399,981,362	\$ 226,327,801	\$ 167,033,849	\$ 6,619,712
Investments measured at the net asset value (NAV) (A)				
Partnerships	58,177,409			
Collective trusts - equities	384,357,041			
Collective trusts - fixed income	257,610,634			
Collective trusts - real estate	125,641,707			
Total investments measured at the NAV	825,786,791			
Total investments	\$ 1,225,768,153			

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

	April 30, 2021			
	Total			
	Fair Value	Level 1	Level 2	Level 3
Investments by fair value level				
Short-term investment funds	\$ 54,512,080	\$ 54,512,080	\$ --	\$ --
U.S. Treasuries	16,183,692	--	16,183,692	--
U.S. government-backed mortgages	45,216,472	--	43,074,413	2,142,059
Municipal bonds	2,368,385	--	2,368,385	--
Asset-backed securities	6,478,846	--	6,478,846	--
Foreign debt obligations	2,422,715	--	2,422,715	--
Corporate bonds - domestic	21,649,304	--	21,649,304	--
Corporate bonds - foreign	19,988,837	--	19,988,837	--
Domestic preferred equities	1,236,015	1,236,015	--	--
Domestic common equities	232,986,023	232,986,023	--	--
Foreign equities	6,826,288	6,826,288	--	--
Collective trusts - equities	63,086,853	--	63,086,853	--
Total investments	472,955,510	\$ 295,560,406	\$ 175,253,045	\$ 2,142,059
Investments measured at the net asset value (NAV) (A)				
Partnerships	61,653,504			
Collective trusts - equities	502,851,426			
Collective trusts - fixed income	190,129,563			
Collective trusts - real estate	120,421,791			
Total investments measured at the NAV	875,056,284			
Total investments	\$ 1,348,011,794			

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of fiduciary net position.

Equity and short-term investment funds classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate and governmental debt securities as well as certain collective trusts classified as Level 2 of the fair value hierarchy are valued using third-party pricing services based on market observable information such as market quotes for similar assets, as well as normal market pricing considerations such as duration, interest rates and prepayment assumptions.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value estimates presented herein are based on pertinent information available to management as of April 30, 2022. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

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

Fair value determinations for Level 3 measurements of securities are the responsibility of the Pension Administrator's office. The Pension Administrator's office contracts with the respective money manager to engage a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Pension Administrator's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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

	April 30, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period
Partnerships (A)	\$ 58,177,409	\$ --	Semi-Annual	2 Months
Collective trusts - equities (B)	384,357,041	--	Daily/Monthly	1-7 Days
Collective trusts - fixed income (C)	257,610,634	--	Daily	1 Day
Collective trusts - real estate (D)	125,641,707	--	Quarterly	45 Days
Total investments measured at NAV	\$ 825,786,791	\$ --		

	April 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period
Partnerships (A)	\$ 61,653,504	\$ --	Semi-Annual	2 Months
Collective trusts - equities (B)	502,851,426	--	Daily/Monthly	1-7 Days
Collective trusts - fixed income (C)	190,129,563	--	Daily	1 Day
Collective trusts - real estate (D)	120,421,791	--	Quarterly	45 Days
Total investments measured at NAV	\$ 875,056,284	\$ --		

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

- (A) This category is a limited partnership. Investments are open-ended Global Core/Core Plus infrastructure investments.
- (B) This category includes collective trust funds. Each invests in equity securities both on the national and international markets listed on public market exchanges.
- (C) This category is a fixed income fund. The fund includes U.S. and Non-U.S. government, securitized and corporate bonds, and currencies across the entire quality spectrum.
- (D) This category is a common collective trust redeemable quarterly with a 45 day notice period. Investments are open-ended U.S. Commercial real estate.

8. RELATED PARTY TRANSACTIONS

The Plan reimburses the City for the cost of providing certain financial and other services. Amounts charged are expensed during the period incurred.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 18,404,268	\$ 19,599,485	\$ 19,922,994	\$ 20,312,736	\$ 20,085,682	\$ 20,048,780	\$ 19,485,402	\$ 19,694,295
Interest on total pension liability	100,334,957	104,889,664	102,057,580	100,099,386	97,267,046	94,116,208	87,902,877	85,393,038
Difference between expected and actual experience	(3,543,905)	(1,147,543)	(15,368,078)	(5,950,247)	(2,291,715)	(431,574)	(6,077,385)	-
Change of assumptions	-	6,427,915	-	-	-	-	43,062,525	-
Benefit payments, including member refunds	(98,688,146)	(84,160,039)	(81,386,896)	(75,804,145)	(71,994,704)	(67,877,732)	(67,603,613)	(63,149,987)
Net change in total pension liability	16,507,174	45,609,482	25,225,600	38,657,730	43,066,309	45,855,682	76,769,806	41,937,346
Total pension liability - beginning	1,467,005,680	1,421,396,198	1,396,170,598	1,357,512,868	1,314,446,559	1,268,590,877	1,191,821,071	1,149,883,725
Total pension liability - ending	1,483,512,854	1,467,005,680	1,421,396,198	1,396,170,598	1,357,512,868	1,314,446,559	1,268,590,877	1,191,821,071
Plan fiduciary net position								
Net investment income	(68,177,598)	291,460,205	(25,371,609)	59,453,267	98,766,580	105,285,874	(26,366,931)	84,827,952
Contributions - City	30,638,396	27,524,702	27,256,034	26,032,072	24,530,445	23,701,217	24,577,647	27,569,434
Contributions - members	7,708,274	8,500,926	8,552,954	8,514,325	8,622,835	7,966,105	8,235,363	8,610,268
Benefits paid	(86,809,330)	(78,466,913)	(75,387,320)	(71,410,862)	(71,994,704)	(67,877,732)	(67,603,613)	(63,149,987)
Refunds of contributions	(11,878,816)	(5,693,126)	(5,999,576)	(4,393,283)	-	-	-	-
Administrative expenses	(464,610)	(496,870)	(488,582)	(584,912)	(563,030)	(386,784)	(365,571)	(379,424)
Net change in fiduciary net position	(128,983,684)	242,828,924	(71,438,099)	17,610,607	59,362,126	68,688,680	(61,523,105)	57,478,243
Plan fiduciary net position - beginning	1,340,662,410	1,097,833,486	1,169,271,585	1,151,660,978	1,092,298,852	1,023,610,172	1,085,133,277	1,027,655,034
Plan fiduciary net position - ending	1,211,678,726	1,340,662,410	1,097,833,486	1,169,271,585	1,151,660,978	1,092,298,852	1,023,610,172	1,085,133,277
Net pension liability, ending	\$ 271,834,128	\$ 126,343,270	\$ 323,562,712	\$ 226,899,013	\$ 205,851,890	\$ 222,147,707	\$ 244,980,705	\$ 106,687,794
Fiduciary net position as a percentage of total pension liability	81.68%	91.39%	77.24%	83.75%	84.84%	83.10%	80.69%	91.05%
Covered-employee payroll	\$ 165,299,880	\$ 170,834,611	\$ 171,476,103	\$ 171,688,301	\$ 167,811,028	\$ 164,248,048	\$ 166,853,097	\$ 167,629,048
Net pension liability as a percentage of covered-employee payroll	164.45%	73.96%	188.69%	132.16%	122.67%	135.25%	146.82%	63.65%

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

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

SCHEDULE OF CITY CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined employer contribution	\$ 30,664,813	\$ 27,333,291	\$ 26,920,726	\$ 25,842,898	\$ 24,390,835	\$ 23,042,413	\$ 24,540,893	\$ 27,568,194	\$ 27,568,194	\$ 27,682,872
Actual City contributions	<u>30,638,396</u>	<u>27,524,702</u>	<u>27,256,034</u>	<u>26,032,072</u>	<u>24,530,445</u>	<u>23,701,217</u>	<u>24,577,647</u>	<u>27,569,434</u>	<u>25,987,662</u>	<u>23,744,372</u>
Annual contribution deficiency (excess)	<u>\$ 26,417</u>	<u>\$ (191,411)</u>	<u>\$ (335,308)</u>	<u>\$ (189,174)</u>	<u>\$ (139,610)</u>	<u>\$ (658,804)</u>	<u>\$ (36,754)</u>	<u>\$ (1,240)</u>	<u>\$ 1,580,532</u>	<u>\$ 3,938,500</u>
Covered payroll	\$ 165,299,880	\$ 170,834,611	\$ 171,476,103	\$ 171,688,301	\$ 167,811,028	\$ 164,248,048	\$ 166,853,097	\$ 167,629,048	\$ 167,629,049	\$ 166,877,689
Actual contributions as a percentage of covered payroll	18.54%	16.11%	15.89%	15.16%	14.62%	14.43%	14.73%	16.45%	15.50%	14.23%

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years

Fiscal Year Ending April 30	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-5.20%	27.14%	-2.16%	5.32%	9.28%	10.46%	-2.50%	8.36%	11.50%

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

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit and funding terms - The following changes to the Plan provisions were reflected in the valuations as listed below:

5/01/2021 Valuation

- No changes in benefit or funding terms.

5/01/2020 Valuation

- No changes in benefit or funding terms.

5/01/2019 Valuation

- No changes in benefit or funding terms.

5/01/2018 Valuation

- No changes in benefit or funding terms.

5/01/2017 Valuation

- No changes in benefit or funding terms.

5/01/2016 Valuation

- No changes to benefit or funding terms.

5/01/2015 Valuation

- No changes to benefit or funding terms.

5/01/2014 Valuation

- Effective April 20, 2014, Tier I member contribution rates increased by 1.00 percent and the interest credited to employee account balances decreased to 5.00 percent.
- Tier II members were added.

5/01/2013 Valuation

- The City contribution rate changed from 9.50 percent of payroll for General Employees and 19.50 percent of payroll for Judges and Elected Officials to the prior year's actuarially determined contribution rate.

5/01/2012 Valuation

- No changes in benefit or funding terms.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in actuarial assumptions and methods - The following changes were reflected in the valuations as listed below:

5/01/2021 Valuation

- No changes in actuarial assumptions or methods.

5/01/2020 Valuation

- All assumptions have been revised based on the results of the experience study conducted for the period May 1, 2015 to April 30, 2020. These assumptions were incorporated into the GASB 67 disclosures and net pension liability for the Plan's 2021 fiscal year-end. Changes included changes to inflation rate, salary increases including wage growth, mortality tables, discount rate, and expected rate of return.

5/01/2019 Valuation

- No changes in actuarial assumptions or methods.

5/01/2018 Valuation

- No changes in actuarial assumptions or methods.

5/01/2017 Valuation

- No changes in actuarial assumptions or methods.

5/01/2016 Valuation

- No changes in actuarial assumptions or methods.

5/01/2015 Valuation

- No changes in actuarial assumptions or methods.

5/01/2014 Valuation

- All assumptions have been revised based on the results of the experience study conducted for the period May 1, 2010 to April 30, 2015. These assumptions were incorporated into the GASB 67 disclosures and net pension liability calculation for the Plan's 2016 fiscal year-end which is based on the 4/30/2014 Valuation.

5/01/2013 Valuation

- No changes in actuarial assumptions or methods.

5/01/2012 Valuation

- No changes in actuarial assumptions or methods.

**CITY OF KANSAS CITY, MISSOURI
THE EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The following actuarial methods and assumptions were used to determine the actuarially determined employer contribution reported in the most recent fiscal year, which was based on the May 1, 2020 actuarial valuation:

Valuation Date	May 1, 2020
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the Plan year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	4-year smoothing using Expected Value Method
Amortization method	20-year layered amortization as a level percent of pay. Changes to the 5/1/2009 unfunded actuarial liability were amortized over 30 years.
Discount rate	7.50%
Amortization growth rate	3.75%
Price inflation	3.00%
Salary increases	Ranges from 5.0% to 3.75%
Cost-of-living adjustments	3.00% simple for Tier 1 Members; 2.50% simple payable at 27th anniversary of date at hire if the prior year's funding ratio is greater than or equal to 80% for Tier II Members.
Mortality	<p>Non-Annuitants: RP-2000 Combined Healthy Non-Annuitant Mortality Table (multiplied by 0.956 for males and 0.960 for females), projected using a modified Scale MP-2015 on a generational basis.</p> <p>Healthy Annuitants: RP-2000 Combined Healthy Annuitant Mortality Table (multiplied by 1.078 for males and 1.065 for females), projected using a modified Scale MP-2015 on a generational basis.</p> <p>Disabled: RP-2000 Combined Healthy Mortality Table (multiplied by 1.300 for males and 1.500 for females) projected using a modified Scale MP-2015 on a generational basis.</p>