

***CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM***

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED APRIL 30, 2024 AND 2023

AND

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Kansas City, Missouri
Firefighters' Pension System

Opinion

We have audited the financial statements of the City of Kansas City, Missouri Firefighters' Pension System (the Plan), as of and for the years ended April 30, 2024 and 2023, 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, 2024 and 2023, 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 12 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 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 14, 2024

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Kansas City, Missouri Firefighters' Pension System (the Plan) is the defined benefit retirement plan for firefighters of Kansas City, Missouri (City). The Plan was established by City ordinance in 1953 and is administered by the Retirement System Board of Trustees to provide retirement, disability, survivor and death benefits to its members and beneficiaries.

This discussion and analysis of the Plan's financial statements provides an overview of the Firefighters' Pension System's operations and investment performance for the fiscal years ended April 30, 2024 and 2023, with selected comparative information for the year ended April 30, 2022, and should be read in conjunction with the financial statements and notes to the financial statements, which follow this section.

Overview of the Financial Statements and Accompanying Information

- The financial statements presented in this report are the statements of fiduciary net position as of April 30, 2024 and 2023 and the statements of changes in fiduciary net position for the years ended April 30, 2024 and 2023. These statements reflect resources available for the payment of benefits as of year end, and 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 provide facts and detailed information to assist the reader in understanding the statements. Information in the notes includes a description of the Plan, a summary of significant accounting policies, the method used to value investments and a summary of investments.
- Required supplementary information presents schedules related to employer contributions and the funding of the Plan.

2024 and 2023 Comparative Summary of Fiduciary Net Position

	April 30, 2024	April 30, 2023	Amount Change	Percentage Change
Receivables	\$ 2,725,615	\$ 2,211,949	\$ 513,666	23.22%
Investments at fair value	642,061,473	606,218,008	35,843,465	5.91%
Securities lending collateral	24,609,582	34,414,308	(9,804,726)	-28.49%
Total assets	<u>669,396,670</u>	<u>642,844,265</u>	<u>26,552,405</u>	4.13%
Due to broker for purchases of investments	766,418	1,100,878	(334,460)	-30.38%
Administrative and investment expenses payable	559,063	958,710	(399,647)	-41.69%
Securities lending collateral	24,609,582	34,414,308	(9,804,726)	-28.49%
Total liabilities	<u>25,935,063</u>	<u>36,473,896</u>	<u>(10,538,833)</u>	-28.89%
Net position	<u>\$ 643,461,607</u>	<u>\$ 606,370,369</u>	<u>\$ 37,091,238</u>	6.12%

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

2024 and 2023 Comparative Summary of Changes in Fiduciary Net Position

	April 30, 2024	April 30, 2023	Amount Change	Percentage Change
Member contributions	\$ 10,094,712	\$ 8,369,821	\$ 1,724,891	20.61%
City contributions	34,090,105	30,444,591	3,645,514	11.97%
Net investment income (loss)	51,199,657	(9,651,971)	60,851,628	630.46%
Total additions	<u>95,384,474</u>	<u>29,162,441</u>	<u>66,222,033</u>	227.08%
Benefits paid to members	52,547,893	49,282,119	3,265,774	6.63%
Refunds of contributions	5,255,886	2,677,421	2,578,465	96.30%
Administrative expenses	489,457	490,251	(794)	-0.16%
Total deductions	<u>58,293,236</u>	<u>52,449,791</u>	<u>5,843,445</u>	11.14%
Net change	37,091,238	(23,287,350)	60,378,588	259.28%
Net position, beginning of year	<u>606,370,369</u>	<u>629,657,719</u>	<u>(23,287,350)</u>	-3.70%
Net position, end of year	<u>\$ 643,461,607</u>	<u>\$ 606,370,369</u>	<u>\$ 37,091,238</u>	6.12%

2024 Financial Highlights

The Plan's net position increased by 6.1% as seen in the statement of fiduciary net position. Global markets were volatile throughout the fiscal year mainly due to the Federal Reserve's actions around interest rates. The Federal Reserve raised rates in May and July, and then held rates steady as inflation started to decrease. At their meeting in March, the Federal Reserve again held rates but indicated there would be rate cuts later in the year, which resulted in positive performance in the equity markets. Then in April, the Federal Reserve's commentary turned hawkish as inflation was stickier than expected. This resulted in rising rates plus an escalation of geopolitical tensions in the Middle East added to investor uncertainty, and risk assets sold off. The Plan's investment portfolio returned 8.6% for the year. All segments of the portfolio posted positive returns except for real estate. 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 \$95.4 million, a 227% increase from the prior year. Employer contributions grew \$3.6 million due to an increase in the actuarial required contribution rate, and member contributions increased \$1.7 million due to an increase in the active members. Net investment income increased \$51.2 million, as investment performance improved from the prior year. Benefits paid to members increased by 6.6%, mainly due to cost-of-living adjustments and increased pensions received from newly retired members, and refunds of contributions increased 96.3%, as more members retired and exercised their option at retirement to withdraw some or all their employee contributions and interest.

2024 Operational Highlights

Last year, the Plan added a 5% allocation to private equity. To date, three private equity managers have been hired with total committed capital of \$50 million, and \$15.5 million of this capital has been called. Ongoing cash needs were met through liquidation of domestic equity and global equity securities.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

2023 and 2022 Comparative Summary of Fiduciary Net Position

	April 30, 2023	April 30, 2022	Amount Change	Percentage Change
Receivables	\$ 2,211,949	\$ 2,241,983	\$ (30,034)	-1.34%
Investments at fair value	606,218,008	629,341,374	(23,123,366)	-3.67%
Securities lending collateral	34,414,308	29,512,345	4,901,963	16.61%
Total assets	<u>642,844,265</u>	<u>661,095,702</u>	<u>(18,251,437)</u>	-2.76%
Due to broker for purchases of investments	1,100,878	1,173,450	(72,572)	-6.18%
Administrative and investment expenses payable	958,710	752,188	206,522	27.46%
Securities lending collateral	34,414,308	29,512,345	4,901,963	16.61%
Total liabilities	<u>36,473,896</u>	<u>31,437,983</u>	<u>5,035,913</u>	16.02%
Net position	<u>\$ 606,370,369</u>	<u>\$ 629,657,719</u>	<u>\$ (23,287,350)</u>	-3.70%

2023 and 2022 Comparative Summary of Changes in Fiduciary Net Position

	April 30, 2023	April 30, 2022	Amount Change	Percentage Change
Member contributions	\$ 8,369,821	\$ 8,128,036	\$ 241,785	2.97%
City contributions	30,444,591	29,854,395	590,196	1.98%
Net investment income (loss)	(9,651,971)	(29,874,153)	20,222,182	67.69%
Total additions	<u>29,162,441</u>	<u>8,108,278</u>	<u>21,054,163</u>	259.66%
Benefits paid to members	49,282,119	47,470,864	1,811,255	3.82%
Refunds of contributions	2,677,421	4,705,949	(2,028,528)	-43.11%
Administrative expenses	490,251	428,743	61,508	14.35%
Total deductions	<u>52,449,791</u>	<u>52,605,556</u>	<u>(155,765)</u>	-0.30%
Net change	(23,287,350)	(44,497,278)	21,209,928	47.67%
Net position, beginning of year	629,657,719	674,154,997	(44,497,278)	-6.60%
Net position, end of year	<u>\$ 606,370,369</u>	<u>\$ 629,657,719</u>	<u>\$ (23,287,350)</u>	-3.70%

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

MANAGEMENT'S DISCUSSION AND ANALYSIS

2023 Financial Highlights

The Plan's net position decreased by 3.7% as seen in the statement of fiduciary net position. Global markets were volatile at the beginning of the fiscal year due to inflation, fears of recession and the Federal Open Market Committee's (FOMC's) actions to continue to increase the federal funds rates to slow down demand. In October, there was a strong rebound in U.S. equity markets due to higher than expected corporate earnings reports, and GDP was up 2.6% following two straight quarters of decline but volatility continued, as the FOMC continued to raise rates, which resulted in bank failures. The Plan's investment portfolio returned -0.4% for the year, which underperformed the return of the Policy Portfolio benchmark. The Plan's U.S. large cap equity, non-U.S. equity, global equity and fixed income segments posted positive returns, the U.S. small cap equity segment posted a negative return, but performance was strong on a relative basis, and the return for real assets was negative. Non-U.S. equity was the best performing asset class on an absolute basis, while real assets had the lowest return.

Total additions, as shown on the statement of changes in fiduciary net position, were \$29.2 million, a 260% increase from the prior year. Much of this increase was due to a \$20.2 million decrease in investment loss, as investment performance improved from the prior year. Benefits paid to members increased by 3.8%, mainly due to cost-of-living adjustments, and refunds of contributions decreased 43.1%, as fewer members retired and exercised their option at retirement to withdraw some or all of their employee contributions and interest. The 14.4% increase in administrative expenses was mainly due to an increase in disability medical evaluation and fact finder fees, salaries and legal fees.

2023 Operational Highlights

The Plan's emerging markets equity manager was terminated due to performance issues and a new manager was hired. The Plan added a 5% allocation to private equity, which will be funded over time from the Plan's global equity segment. Ongoing cash needs were met through liquidation of domestic equity and fixed income securities.

Request for Information

This financial report is designed to provide members of the Plan, citizens, investors and creditors of the City of Kansas City, Missouri with a general overview of the Plan'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 Firefighters' Pension 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 Firefighters' Pension System.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

STATEMENTS OF FIDUCIARY NET POSITION

April 30, 2024 and 2023

	2024	2023
Assets		
Investments, at Fair Value		
Short-term investment funds	\$ 13,140,882	\$ 13,305,398
U.S. Treasuries	10,537,014	9,008,500
U.S. government-backed mortgages	5,175,537	4,409,229
Municipal bonds	2,320,025	2,841,855
Asset-backed securities	6,599,532	6,984,710
Corporate bonds - domestic	25,687,711	27,001,225
Corporate bonds - foreign	1,410,116	1,422,044
Domestic debt obligations	2,193,037	2,483,456
Domestic common stock	90,193,563	76,501,915
Foreign equities	5,821,936	4,208,277
Partnerships	22,035,534	22,119,810
Collective trusts - equities	257,821,394	221,792,240
Collective trusts - fixed income	115,346,601	111,493,940
Collective trusts - hedge funds	30,858,566	37,980,219
Collective trusts - real estate	52,920,025	64,665,190
	642,061,473	606,218,008
Securities Lending Collateral	24,609,582	34,414,308
Receivables		
Contributions	1,339,731	751,790
Investment income	766,335	699,662
Due from broker for sales of investments	619,549	760,497
	2,725,615	2,211,949
Total assets	669,396,670	642,844,265
Liabilities		
Due to broker for purchases of investments	766,418	1,100,878
Administrative and investment expenses payable	559,063	958,710
Securities lending collateral	24,609,582	34,414,308
	25,935,063	36,473,896
Net Position Restricted for Pensions	638,335,930	602,383,893
Net Position Restricted for Health Care Subsidy	5,125,677	3,986,476
Total Net Position	\$ 643,461,607	\$ 606,370,369

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

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended April 30, 2024 and 2023

	2024	2023
Additions		
Investment Income		
Interest income	\$ 5,897,501	\$ 4,899,679
Dividend income	2,942,864	2,647,642
Net change in fair value of investments	44,833,427	(14,651,387)
Less investment expense	(2,553,710)	(2,612,077)
	51,120,082	(9,716,143)
Securities Lending Income		
Securities lending gross income	1,743,306	1,045,946
Securities lending expenses		
Borrower rebates (fees)	(1,629,685)	(954,340)
Management fees	(34,046)	(27,434)
Total securities lending expenses	(1,663,731)	(981,774)
Net securities lending income	79,575	64,172
Total net investment (loss) income	51,199,657	(9,651,971)
Contributions		
Contributions from the City of Kansas City, Missouri		
Pension	29,461,351	27,335,443
Health subsidy	2,926,354	1,449,748
Health supplemental	1,702,400	1,659,400
Contributions from members		
Pension	8,631,535	7,644,947
Health subsidy	1,463,177	724,874
Total contributions	44,184,817	38,814,412
Total additions	95,384,474	29,162,441
Deductions		
Benefits Paid		
Retirement benefits	52,498,560	49,235,119
Funeral benefits	49,333	47,000
Total benefits paid	52,547,893	49,282,119
Refunds		
Termination	599,144	63,146
Retirement	4,656,742	2,614,275
Administrative Expenses	489,457	490,251
Total deductions	58,293,236	52,449,791
Net Change in Net Position	37,091,238	(23,287,350)
Net Position, Beginning of Year	606,370,369	629,657,719
Net Position, End of Year	\$ 643,461,607	\$ 606,370,369

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

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Kansas City, Missouri Firefighters' Pension System (the Plan) is a contributory, single-employer, defined benefit pension plan covering all employees of the Firefighting Division of the City of Kansas City, Missouri (the City). 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 Document 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 they are due and when 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, corporate bonds and domestic debt obligations are valued at fair value based on prices quoted by a major dealer in such securities.

Common stock and foreign equities are valued at fair value based on closing prices 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, fixed income, real estate 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 Portfolio Fund's proportionate interest in the net assets or net equity of the Portfolio Funds as determined by each Portfolio Fund's general partner or investment manager. The 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, 2024 or 2023.

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 Retirement Board believes that the Plan is designed in accordance with section 401(a) of the Internal Revenue Code (Code), and is therefore tax exempt, and is currently being operated in compliance with the applicable requirements of the Code.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 14, 2024, 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 (Board) of the City of Kansas City, Missouri Firefighters' Pension System. The Board is composed of nine members, four of whom are the Director of the Fire Department, the City's Director of Human Resources, the City's Director of Finance, and the City Treasurer. One is an appointed retired member and the remaining four are elected by the members of the Firefighters' Pension System.

Tier 1 Member - Those employees hired before April 20, 2014.

Tier 2 Member - Those employees hired on or after April 20, 2014.

At April 30, 2024 and 2023, the Plan's membership consists of the following:

	2024		
	Tier 1 Members	Tier 2 Members	Total
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	989	4	993
Current employees			
Vested	565	1	566
Nonvested	6	473	479
Inactive	2	41	43
Total	1,562	519	2,081

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

2. PLAN DESCRIPTION (CONTINUED)

	2023		Total
	Tier 1 Members	Tier 2 Members	
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	981	2	983
Current employees			
Vested	592	--	592
Nonvested	11	400	411
Inactive	3	40	43
Total	1,587	442	2,029

Contributions - Funding is provided by contributions from the Plan's members and the City, and earnings on investments. Firefighters contribute 10.55% of their base salary and an additional 1% for 2023 and 2% for 2024 to fund the health insurance subsidy. The City's contribution is set by the City Council in conjunction with its approval of the City's annual budget, based on the actuarially determined contribution rate set by the Plan's consulting actuary.

Based upon the May 1, 2022 and 2021 valuations, the actuary recommended City contribution rates of 40.62% and 39%, respectively, of covered payroll. For the years ended April 30, 2024 and 2023, the City contributed at rates of 38.08% and 38.23%, respectively, of annual covered payroll. The City Council also contributed 4% and 2% toward the health insurance subsidy for 2024 and 2023, respectively.

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, survivor, disability and pre-retirement death benefits as noted below:

Tier 1 Members - Members become vested for retirement benefits after ten years of service. Members who retire with 25 years or more of creditable service are entitled to an annual pension of 2.5% of final average compensation multiplied by the number of years of creditable service, subject to a maximum limit of 80% of final compensation as defined in the Plan.

If members 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. Such refunds result in the forfeiture of all other benefits under the Plan and are reduced by a service charge if the terminated employee has less than five years of service.

An automatic annual cost-of-living adjustment of 3% non-compounded is provided in the Plan. The Plan also provides for a minimum monthly payment of \$600 to all current and future service and disability retirees.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

2. PLAN DESCRIPTION (CONTINUED)

Tier 2 Members - Members become vested for retirement benefits after ten years of service. Members who retire with 27 years or more of creditable service are entitled to an annual pension of 2.5% of final average compensation multiplied by the number of years of creditable service, subject to a maximum limit of 80% of final compensation as defined in the Plan.

If members 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. Such refunds result in the forfeiture of all other benefits under the Plan and are reduced by a service charge if the terminated employee has less than five years of service.

An annual cost-of-living adjustment, not to exceed 2.5%, non-compounded, is provided annually to pensioners following the 27th anniversary of the Tier 2 member's employment if the prior year funding ratio is equal or greater than 80% and will be equal to the percentage increase in the prior 12 months of the final national consumer price index for all urban consumers. The Plan also provides for a minimum monthly payment of \$600 to all current and future service and disability retirees.

Death Benefits - If an active member dies, the following benefits are paid:

A funeral benefit of \$2,000 to the spouse or named beneficiary.

To the member's spouse until death, a pension equal to one-half of the member's accrued pension, but not less than 25% of the member's average final compensation. The minimum monthly benefit is \$275 to all spouses. Certain benefit provisions have been established for deaths sustained in the performance of a member's duties, or deaths of active members prior to retirement who have achieved 25 years or more of creditable service.

To the member's children, an allowance of \$100 a month each until the attainment of age 18, unless certain conditions are met whereby benefits may continue.

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

If a retired member dies, the following benefits are 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.

Disability Benefits - Disability benefits are available for members and are based on an average final compensation. The Plan provides for a minimum monthly payment of \$600 to all current and future disability retirees.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

2. PLAN DESCRIPTION (CONTINUED)

Health Care Subsidy - Effective May 1, 1991, the Plan established a subsidy fund (subsidy). The City and active firefighters contribute 2% and 1% of salary, respectively, and beginning July 16, 2023, the City and active firefighters contribute 4% and 2% of salary, respectively. Prior to April 1 of each year, the Board of Trustees of the Plan establishes the dollar value of the monthly subsidy. The monthly subsidy for the years ended April 30, 2024 and 2023 was \$650 and \$500, respectively.

The subsidy is invested in both fixed income and equity securities and is stated at fair value. Investments totaled \$5,125,677 and \$3,986,476 at April 30, 2024 and 2023, respectively.

The actuarial valuations do not consider the subsidy's fiduciary net position, which at April 30, 2024 and 2023 was \$5,125,677 and \$3,986,476, respectively. According to the City ordinance that established the subsidy, if the fiduciary net position available for the subsidy is zero, the subsidy will no longer be available. For the years ended April 30, 2024 and 2023, City contributions for the subsidy were \$4,628,754 and \$3,109,148, respectively, and employee contributions were \$1,463,177 and \$724,874, respectively.

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 and common and preferred stocks. 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.

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
Large Cap Equity	12% - 22%	17%
Small Cap Equity	6% - 16%	11%
Non-U.S. Equity	12% - 22%	17%
Long/Short Equity	0% - 10%	5%
Global Equity	0% - 10%	5%
Private Equity	0% - 10%	5%
Fixed Income	25% - 35%	30%
Real Estate	5% - 15%	10%

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

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% of the fair value and international debt and equity securities of not less than 105% of the fair value. At April 30, 2024 and 2023, 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.

	<u>2024</u>	<u>2023</u>
Fair value of securities loaned	<u>\$ 23,820,301</u>	<u>\$ 33,829,553</u>
Fair value of cash collateral received from borrowers	<u>\$ 24,609,582</u>	<u>\$ 34,414,308</u>

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.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

At April 30, 2024, 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	\$ 10,537,014	\$ --	\$ 1,093,266	\$ 3,404,255	\$ 6,039,493	\$ 4,857,347
U.S. government-backed mortgages	5,175,537	--	278,030	468,392	4,429,115	--
Municipal bonds	2,320,025	--	1,615,207	704,818	--	--
Asset-backed securities	6,599,532	--	2,654,274	583,288	3,361,970	--
Corporate bonds - domestic	25,687,711	2,245,371	10,622,631	5,269,538	7,550,171	7,187,415
Corporate bonds - foreign	1,410,116	633,250	563,138	--	213,728	430,988
Domestic debt obligations	2,193,037	--	118,812	--	2,074,225	--
Short-term investment funds	13,140,882	13,140,882	--	--	--	--
	<u>67,063,854</u>	<u>\$ 16,019,503</u>	<u>\$ 16,945,358</u>	<u>\$ 10,430,291</u>	<u>\$ 23,668,702</u>	
Domestic common stock	90,193,563					9,818,755
Foreign equities	5,821,936					1,525,796
Partnerships	22,035,534					--
Collective trusts - equities	257,821,394					--
Collective trusts - fixed income	115,346,601					--
Collective trusts - hedge funds	30,858,566					--
Collective trusts - real estate	52,920,025					--
	<u>\$ 642,061,473</u>					<u>\$ 23,820,301</u>

At April 30, 2023, 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	\$ 9,008,500	\$ --	\$ 1,100,625	\$ 1,354,502	\$ 6,553,373	\$ 4,041,601
U.S. government-backed mortgages	4,409,229	--	380,605	--	4,028,624	--
Municipal bonds	2,841,855	500,000	1,262,201	1,079,654	--	--
Asset-backed securities	6,984,710	--	2,716,219	569,363	3,699,128	--
Corporate bonds - domestic	27,001,225	1,058,426	13,990,387	6,423,694	5,528,718	7,853,928
Corporate bonds - foreign	1,422,044	--	1,204,154	--	217,890	568,731
Domestic debt obligations	2,483,456	--	723,632	--	1,759,824	--
Short-term investment funds	13,305,398	13,305,398	--	--	--	--
	<u>67,456,417</u>	<u>\$ 14,863,824</u>	<u>\$ 21,377,823</u>	<u>\$ 9,427,213</u>	<u>\$ 21,787,557</u>	
Domestic common stock	76,501,915					18,924,127
Foreign equities	4,208,277					2,038,895
Partnerships	22,119,810					--
Collective trusts - equities	221,792,240					--
Collective trusts - fixed income	111,493,940					--
Collective trusts - hedge funds	37,980,219					--
Collective trusts - real estate	64,665,190					402,271
	<u>\$ 606,218,008</u>					<u>\$ 33,829,553</u>

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, \$23,820,301 and \$33,829,553 were held by the counterparty that was acting as the Plan's agent in securities lending transactions at April 30, 2024 and 2023, respectively.

Investment Concentrations - The following presents investments that represent 5% or more of the fiduciary net position of the Plan, as of April 30, 2024:

<u>Investment</u>	<u>Fair Value</u>
NT Collective S&P 500 Index Fund - Non-Lending	\$ 82,955,539
Marathon-London International Fund	77,007,410
Acadian Global Equity Fund	58,455,728
Pioneer Multi-Sector Fixed Income Trust	58,220,200
Blackrock Strategic Income Opportunities Portfolio	57,126,402

The following presents investments that represent 5% or more of the fiduciary net position of the Plan, as of April 30, 2023:

<u>Investment</u>	<u>Fair Value</u>
NT Collective S&P 500 Index Fund - Non-Lending	\$ 67,629,191
Acadian Global Equity Fund	62,875,478
Pioneer Multi-Sector Fixed Income Trust	56,983,021
Marathon-London International Fund	56,977,536
Blackrock Strategic Income Opportunities Portfolio	54,510,920
JPMCB Special Situation Property Fund	33,228,375
Principal Real Estate Separate Account	30,974,042

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plan. As of April 30, 2024 and 2023, the Plan's fixed income assets that are not government guaranteed represented 91.4% and 92.5%, respectively, of the fixed income portfolio. The Plan has not established a policy with regard to credit risk. The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities at April 30, 2024 and 2023:

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Average Credit Quality and Exposure Levels of Nongovernment Guaranteed Fixed Income Securities

<u>Fixed Income Security Type</u>	<u>Fair Value April 30, 2024</u>	<u>Percentage of all Fixed Income Assets</u>	<u>Weighted Average Credit Quality</u>
Short-term investment funds	\$ 13,140,882	7.2%	Not rated
Municipal bonds	2,320,025	1.3%	Aa2
Asset-backed securities	6,599,532	3.6%	Aaa
Corporate bonds - domestic	25,687,711	14.1%	A3
Corporate bonds - foreign	1,410,116	0.8%	Baa1
Domestic debt obligations	2,193,037	1.2%	Aaa
Collective trusts - fixed income	115,346,601	63.2%	Not rated
	<u>\$ 166,697,904</u>	<u>91.4%</u>	

<u>Fixed Income Security Type</u>	<u>Fair Value April 30, 2023</u>	<u>Percentage of all Fixed Income Assets</u>	<u>Weighted Average Credit Quality</u>
Short-term investment funds	\$ 13,305,398	7.4%	Not rated
Municipal bonds	2,841,855	1.6%	Aa2
Asset-backed securities	6,984,710	3.9%	Aaa
Corporate bonds - domestic	27,001,225	15.1%	A3
Corporate bonds - foreign	1,422,044	0.8%	Baa1
Domestic debt obligations	2,483,456	1.4%	Aaa
Collective trusts - fixed income	111,493,940	62.3%	Not rated
	<u>\$ 165,532,628</u>	<u>92.5%</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. The Plan has not established a policy with regard to interest rate risk. The Plan actually owns an interest in the underlying assets of the collective trusts and the money market funds and the unit values are based on the fair value of their underlying assets.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Effective Duration of Fixed Income by Security Type

<u>Fixed Income Security Type</u>	<u>Fair Value April 30, 2024</u>	<u>Percentage of all Fixed Income Assets</u>	<u>Weighted Average Effective Duration (Years)</u>
Short-term investment funds**	\$ 13,140,882	7.2%	**
U.S. Treasuries	10,537,014	5.8%	11.40
U.S. government-backed mortgages	5,175,537	2.8%	4.89
Municipal bonds	2,320,025	1.3%	4.11
Asset-backed securities	6,599,532	3.6%	1.68
Corporate bonds - domestic	25,687,711	14.1%	6.06
Corporate bonds - foreign	1,410,116	0.8%	3.14
Domestic debt obligations	2,193,037	1.2%	5.69
Collective trusts - fixed income	115,346,601	63.2%	5.00
	<u>\$ 182,410,455</u>	<u>100.0%</u>	

<u>Fixed Income Security Type</u>	<u>Fair Value April 30, 2023</u>	<u>Percentage of all Fixed Income Assets</u>	<u>Weighted Average Effective Duration (Years)</u>
Short-term investment funds**	\$ 13,305,398	7.4%	**
U.S. Treasuries	9,008,500	5.0%	13.67
U.S. government-backed mortgages	4,409,229	2.5%	4.09
Municipal bonds	2,841,855	1.6%	4.07
Asset-backed securities	6,984,710	3.9%	2.44
Corporate bonds - domestic	27,001,225	15.1%	5.69
Corporate bonds - foreign	1,422,044	0.8%	3.98
Domestic debt obligations	2,483,456	1.4%	5.78
Collective trusts - fixed income	111,493,940	62.3%	4.73
	<u>\$ 178,950,357</u>	<u>100.0%</u>	

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

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (CONTINUED)

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 foreign currency risk exposure, or exchange rate risk, primarily reside 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, 2024 and 2023, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 8.71% and -1.49%, 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, 2024 and 2023 were as follows:

	2024	2023
Total pension liability	\$ 961,491,907	\$ 907,095,005
Plan fiduciary net position	(638,335,930)	(602,383,893)
City's net pension liability	\$ 323,155,977	\$ 304,711,112
Fiduciary net position as a % of total pension liability	66.39%	66.41%

5. ACTUARIAL METHODS AND ASSUMPTIONS

Cheiron, the Plan's actuary, determines the total pension liability. The total pension liability as of April 30, 2024 and 2023 was determined based on an actuarial valuation prepared as of May 1, 2023 and 2022, respectively, rolled forward one year, using the following actuarial assumptions:

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

5. ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Price inflation	2.5%
Salary increases, including wage inflation	9.5% to 3%
Long-term investment rate of return, net of plan investment expense, including inflation	7%
Mortality tables:	
Non-annuitant	2010 Public Safety Amount-Weighted Above-Median Mortality Table for Healthy Employees, projected using Scale MP-2021 on a generational basis
Healthy	2010 Public Safety Amount-Weighted Below-Median Mortality Table for Healthy Retirees (multiplied by 1.031 for males and 0.93 for females), projected using Scale MP-2021 on a generational basis
Disabled	2010 Public Safety Amount-Weighted Mortality Table for Disabled Retirees, projected using Scale MP-2021 on a generational basis

The actuarial assumptions were based on the results of the actuarial experience study for the period from May 1, 2016 to April 30, 2021. The actuarial experience study is dated April 22, 2022.

For purposes of calculating the total pension liability, future ad hoc cost of living adjustments (COLAs) of 3% (simple COLA) were assumed to be granted in all future years for Tier 1 Members. For Tier 2 Members, COLA will only be payable if the prior year's funding ratio is greater than or equal to 80% and will be equal to the percentage increase in the consumer price index, up to a maximum of 2%, payable at the 27th anniversary date of hire.

Long-Term Expected Real 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, 2024 and 2023 are summarized in the following table:

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

5. ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Asset Class	April 30, 2024		April 30, 2023	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	17%	7.2%	17%	7.2%
Small Cap Equity	11%	8.6%	11%	8.6%
Non-U.S. Equity	17%	8.3%	17%	8.6%
Long/Short Equity	5%	5.55%	5%	5.8%
Global Equity	5%	7.9%	5%	7.9%
Private Equity	5%	10.5%	5%	10.6%
Fixed Income	30%	2.9%	30%	2.9%
Real Estate	10%	7.3%	10%	7.3%

Discount Rate - The discount rate used to measure the total pension liability was 7% as of April 30, 2024 and 2023. 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.

Sensitivity Analysis - The following sensitivity analysis presents the net pension liability of the City, calculated using the discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of April 30, 2024 and 2023:

	2024		
	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Total pension liability	\$1,089,160,471	\$ 961,491,907	\$ 856,206,390
Fiduciary net position	(638,335,930)	(638,335,930)	(638,335,930)
Net pension liability	<u>\$ 450,824,541</u>	<u>\$ 323,155,977</u>	<u>\$ 217,870,460</u>

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

5. ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

	2023		
	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Total pension liability	\$1,026,841,012	\$ 907,095,005	\$ 808,301,519
Fiduciary net position	(602,383,893)	(602,383,893)	(602,383,893)
Net pension liability	\$ 424,457,119	\$ 304,711,112	\$ 205,917,626

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:

- 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

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying financial statements 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, 2024 and 2023:

	Total Fair Value	April 30, 2024		
		Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasuries	\$ 10,537,014	\$ --	\$ 10,537,014	\$ --
U.S. government-backed mortgages	5,175,537	--	5,175,537	--
Municipal bonds	2,320,025	--	2,320,025	--
Asset-backed securities	6,599,532	--	6,599,532	--
Corporate bonds - domestic	25,687,711	--	25,687,711	--
Corporate bonds - foreign	1,410,116	--	1,410,116	--
Domestic debt obligations	2,193,037	--	1,863,821	329,216
Domestic common stock	90,193,563	90,193,563	--	--
Foreign equities	5,821,936	5,821,936	--	--
Short-term investment funds	13,140,882	13,140,882	--	--
Total investments measured at fair value	<u>163,079,353</u>	<u>\$ 109,156,381</u>	<u>\$ 53,593,756</u>	<u>\$ 329,216</u>
Investments measured at net asset value (NAV) ^(A)				
Partnerships	22,035,534			
Collective trusts - equities	257,821,394			
Collective trusts - fixed income	115,346,601			
Collective trusts - hedge funds	30,858,566			
Collective trusts - real estate	52,920,025			
Total investments measured at NAV	<u>478,982,120</u>			
Total investments measured at fair value	<u>\$ 642,061,473</u>			

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

	April 30, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasuries	\$ 9,008,500	\$ --	\$ 9,008,500	\$ --
U.S. government-backed mortgages	4,409,229	--	4,221,384	187,845
Municipal bonds	2,841,855	--	1,494,719	1,347,136
Asset-backed securities	6,984,710	--	6,984,710	--
Corporate bonds - domestic	27,001,225	--	27,001,225	--
Corporate bonds - foreign	1,422,044	--	1,422,044	--
Domestic debt obligations	2,483,456	--	2,071,955	411,501
Domestic common stock	76,501,915	76,501,915	--	--
Foreign equities	4,208,277	4,208,277	--	--
Short-term investment funds	13,305,398	13,305,398	--	--
Total investments measured at fair value	<u>148,166,609</u>	<u>\$ 94,015,590</u>	<u>\$ 52,204,537</u>	<u>\$ 1,946,482</u>
Investments measured at net asset value (NAV) ^(A)				
Partnerships	22,119,810			
Collective trusts - equities	221,792,240			
Collective trusts - fixed income	111,493,940			
Collective trusts - hedge funds	37,980,219			
Collective trusts - real estate	64,665,190			
Total investments measured at NAV	<u>458,051,399</u>			
Total investments measured at fair value	<u>\$ 606,218,008</u>			

(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 and 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.

The fair value estimates presented herein are based on pertinent information available to management as of April 30, 2024 and 2023. 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.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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

	April 30, 2024			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period
Partnerships ^(A)	\$ 22,035,534	\$ --	Monthly	15 Days
Collective trusts - equities ^(B)	257,821,394	--	Daily/Monthly	3-30 Days
Collective trusts - fixed income ^(C)	115,346,601	--	Daily	1 Business Day
				45 days prior to
Collective trusts - real estate ^(D)	24,226,871	--	Once per Quarter	quarter end
Collective trusts - real estate ^(D)	28,693,154	--	Daily	1 Business Day
Collective trusts - hedge funds ^(E)	30,858,566	--	Quarterly	30-97 Days
Total investments measured at NAV	<u>\$ 478,982,120</u>	<u>\$ --</u>		

	April 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Notice Period
Partnerships ^(A)	\$ 22,119,810	\$ --	Monthly	15 Days
Collective trusts - equities ^(B)	221,792,240	--	Daily/Monthly	3-30 Days
Collective trusts - fixed income ^(C)	111,493,940	--	Daily	1 Business Day
				45 days prior to
Collective trusts - real estate ^(D)	33,228,013	--	Once per Quarter	quarter end
Collective trusts - real estate ^(D)	31,437,177	--	Daily	1 Business Day
Collective trusts - hedge funds ^(E)	37,980,219	--	Quarterly	90 Days
Total investments measured at NAV	<u>\$ 458,051,399</u>	<u>\$ --</u>		

(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 that is traded daily. The fund includes U.S. and non-U.S. government, securitized and corporate bonds, and currencies across the entire quality spectrum.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO THE FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (CONTINUED)

- (D) This category is a common collective trust redeemable quarterly with a 45 day and one day notice period, respectively. Investments are open-ended U.S. Commercial real estate.
- (E) This category is a limited partnership domiciled in the Cayman Islands. Investments provide exposure to more than 60 “hedge fund risk premiums” across nine broad strategy groups (event driven, convertible arbitrage, equity market neutral, dedicated short bias, long/short equity, emerging markets, global macro, managed futures and fixed income relative value) with a dynamic and disciplined investment process that aims to provide risk-balanced, long-term exposure to the underlying strategies. The result is a high risk-adjusted expected return stream with low correlation to traditional asset classes.

8. RELATED PARTY TRANSACTIONS

The Plan reimburses the City for the cost of providing financial and other services. Expenses reimbursable to the City totaled \$185,919 and \$181,213 for the years ended April 30, 2024 and 2023, respectively. Amounts charged are expensed during the period incurred.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 19,852,709	\$ 18,839,362	\$ 16,323,772	\$ 16,249,751	\$ 15,915,926	\$ 15,499,462	\$ 15,135,242	\$ 12,886,414	\$ 13,124,510	\$ 13,137,551
Interest on total pension liability	64,649,427	60,960,978	60,793,678	59,196,090	57,027,647	54,607,607	52,444,755	46,425,259	44,922,139	43,442,934
Difference between expected and actual experience	22,447,445	(3,803,263)	(6,786,814)	733,452	3,952,169	78,742	6,556,970	(1,411,774)	(1,569,538)	-
Effect of assumption changes or inputs	-	-	4,996,017	-	-	-	-	73,346,941	-	-
Benefit payments, including member refunds	(52,552,679)	(48,651,340)	(48,302,713)	(45,147,209)	(43,091,346)	(39,168,957)	(37,245,710)	(36,922,344)	(35,808,161)	(34,761,116)
Net change in total pension liability	54,396,902	27,345,737	27,023,940	31,032,084	33,804,396	31,016,854	36,891,257	94,324,496	20,668,950	21,819,369
Total pension liability - beginning	907,095,005	879,749,268	852,725,328	821,693,244	787,888,848	756,871,994	719,980,737	625,656,241	604,987,291	583,167,922
Total pension liability - ending	961,491,907	907,095,005	879,749,268	852,725,328	821,693,244	787,888,848	756,871,994	719,980,737	625,656,241	604,987,291
Plan fiduciary net position										
Net investment income	50,901,287	(8,939,874)	(29,566,597)	158,576,766	(13,158,656)	24,331,965	47,009,524	58,651,918	(7,690,067)	32,672,401
Contributions - employer	29,461,351	27,335,443	26,813,483	24,258,707	21,728,336	20,015,327	17,435,993	16,754,798	16,631,844	16,258,533
Contributions - member	8,631,535	7,644,947	7,423,080	7,413,942	7,381,126	7,109,128	6,882,375	6,534,349	6,173,154	6,258,482
Benefits paid	(47,296,793)	(45,973,919)	(43,596,764)	(42,554,436)	(41,176,488)	(38,305,725)	(36,713,962)	(35,905,329)	(33,876,851)	(32,536,750)
Refunds of contributions	(5,255,886)	(2,677,421)	(4,705,949)	(2,592,773)	(1,914,858)	(863,232)	(531,748)	(1,017,015)	(1,931,310)	(1,956,321)
Administrative expenses	(489,457)	(490,251)	(428,743)	(280,419)	(400,399)	(415,090)	(386,608)	(345,060)	(300,479)	(264,100)
Net change in fiduciary net position	35,952,037	(23,101,075)	(44,061,490)	144,821,787	(27,540,939)	11,872,373	33,695,574	44,673,661	(20,993,709)	20,432,245
Plan fiduciary net position - beginning	602,383,893	625,484,968	669,546,458	524,724,671	552,265,610	540,393,237	506,697,663	462,024,002	483,017,711	462,585,466
Plan fiduciary net position - ending	638,335,930	602,383,893	625,484,968	669,546,458	524,724,671	552,265,610	540,393,237	506,697,663	462,024,002	483,017,711
Net pension liability, ending	\$ 323,155,977	\$ 304,711,112	\$ 254,264,300	\$ 183,178,870	\$ 296,968,573	\$ 235,623,238	\$ 216,478,757	\$ 213,283,074	\$ 163,632,239	\$ 121,969,580
Fiduciary net position as a percentage of total pension liability	66.39%	66.41%	71.10%	78.52%	63.86%	70.09%	71.40%	70.38%	73.85%	79.84%
Covered-employee payroll	\$ 77,359,100	\$ 71,505,018	\$ 70,004,912	\$ 69,674,827	\$ 68,246,790	\$ 66,264,508	\$ 64,492,241	\$ 57,625,619	\$ 59,294,555	\$ 59,410,476
Net pension liability as a percentage of covered-employee payroll	417.73%	426.14%	363.21%	262.91%	435.14%	355.58%	335.67%	370.12%	275.97%	205.30%

Note to schedule: As discussed in Note 2, the activity related to the health care subsidy is excluded from the above information.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

SCHEDULE OF CITY CONTRIBUTIONS

Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined employer contribution	\$ 29,045,338	\$ 27,301,916	\$ 26,803,906	\$ 23,981,922	\$ 21,562,471	\$ 19,747,524	\$ 17,316,499	\$ 16,726,994	\$ 16,581,464	\$ 16,162,139
Actual city contributions	29,461,351	27,335,443	26,813,483	24,258,707	21,728,336	20,015,327	17,435,993	16,754,798	16,631,844	16,258,533
Annual contribution deficiency (excess)	\$ (416,013)	\$ (33,527)	\$ (9,577)	\$ (276,785)	\$ (165,865)	\$ (267,803)	\$ (119,494)	\$ (27,804)	\$ (50,380)	\$ (96,394)
Covered-employee payroll	77,359,100	71,505,018	70,004,912	69,674,827	68,246,790	66,264,508	64,492,241	57,625,619	59,294,555	59,410,476
Contributions as a percentage of covered payroll	38.08%	38.23%	38.30%	34.82%	31.84%	30.21%	27.04%	29.08%	28.05%	27.37%

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

SCHEDULE OF INVESTMENT RETURNS

Last Ten Fiscal Years

Fiscal Year Ending April 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	8.71%	-1.49%	-4.45%	30.32%	-2.35%	4.62%	9.53%	12.89%	-1.50%	7.19%

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit and funding terms – The following changes to the plan provisions for the last ten fiscal years were reflected in the valuation as listed below:

5/01/2023 Valuation

- No changes to benefit or funding terms.

5/01/2022 Valuation

- No changes to benefit or funding terms.

5/01/2021 Valuation

- No changes to benefit or funding terms.

5/01/2020 Valuation

- No changes to benefit or funding terms.

5/01/2019 Valuation

- No changes to benefit or funding terms.

5/01/2018 Valuation

- No changes to benefit or funding terms.

5/01/2017 Valuation

- No changes to 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, member contribution rates increased by 1% and Tier 2 has been added to the Plan.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION SYSTEM**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in actuarial assumptions and methods - The following changes to the Plan provisions for the last ten fiscal years were reflected in the valuations as listed below:

5/01/2023 Valuation

- No changes in actuarial assumptions or methods.

5/01/2022 Valuation

- No changes in actuarial assumptions or methods.

5/01/2021 Valuation

- Numerous assumptions have been revised based on the results of the experience study conducted for the period May 1, 2016 to April 30, 2021. These assumptions were incorporated into the GASB 67 disclosures and net pension liability for the Plan's 2022 fiscal year-end. Changes included changes to salary increases including wage growth, mortality tables, discount rate, and expected rate of return.

5/01/2020 Valuation

- No changes in actuarial assumptions or methods.

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

- All assumptions have been revised based on the results of the experience study conducted for the period May 1, 2011 to April 30, 2016.
- Administrative expense assumption was increased from 0.35% of payroll to 0.37% of payroll.

5/01/2016 Valuation

- No changes in actuarial assumptions or methods.

5/01/2015 Valuation

- An administrative expense assumption of 0.35% of payroll was added. Retirement rates added for Tier 2.

5/01/2014 Valuation

- The investment return assumption decreased from 7.75% to 7.5%.

**CITY OF KANSAS CITY, MISSOURI
FIREFIGHTERS' PENSION 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, 2022 actuarial valuation:

Valuation Date	May 1, 2022
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	5-year smoothed market. 80% / 120% corridor around market value
Amortization method	30-year layered amortization as a level percent of pay for changes to the unfunded actuarial liability on or after 5/1/2008
Discount rate	7%
Amortization growth rate	3%
Price inflation	2.5%
Salary increases	Ranges from 9.5% to 3%
Cost-of-living adjustments	Tier 1: 3% simple Tier 2: 2% simple payable at 27th anniversary of date of hire if the prior year's funding ratio is greater than or equal to 80%
Mortality	Non-annuitant: 2010 Public Safety Amount-Weighted Above-Median Mortality Table for Healthy Employees, projected using Scale MP-2021 on a generational basis Healthy: 2010 Public Safety Amount-Weighted Below-Median Mortality Table for Healthy Retirees (multiplied by 1.031 for males and 0.93 for females), projected using Scale MP-2021 on a generational basis Disabled: 2010 Public Safety Amount-Weighted Mortality Table for Disabled Retirees, projected using Scale MP-2021 on a generational basis