

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEARS ENDED JUNE 30, 2018 AND 2017

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
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JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
City of St. Joseph, Missouri
Police Pension Fund
St. Joseph, Missouri

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the City of St. Joseph, Missouri Police Pension Fund (the Pension Fund) (a pension trust fund reported as a fiduciary fund of the City of St. Joseph, Missouri), which comprise the statements of fiduciary plan net position as of June 30, 2018 and 2017, and the related statements of changes in fiduciary plan net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pension Fund as of June 30, 2018 and 2017, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Police Pension Fund and do not purport to, and do not present fairly the financial position of the City of St. Joseph, Missouri as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the schedules of changes in the employer net pension liability and related ratios, schedule of investment returns, and scheduled employer contributions and related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Board of Trustees
City of St. Joseph, Missouri
Police Pension Fund

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of City of St. Joseph, Missouri Police Pension Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of City of St. Joseph, Missouri Police Pension Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of St. Joseph, Missouri Police Pension Fund's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

St. Joseph, Missouri
December 21, 2018

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
STATEMENTS OF FIDUCIARY PLAN NET POSITION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Accrued Interest and Dividends	\$ 102,326	\$ 132,010
Investments, at Fair Value:		
Fixed Income Securities	13,483,920	15,491,163
Corporate Stocks	<u>27,944,965</u>	<u>22,978,432</u>
Total Assets	<u>41,531,211</u>	<u>38,601,605</u>
 LIABILITIES		
Accrued Liabilities	<u>26,238</u>	<u>21,254</u>
 FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	 <u><u>\$ 41,504,973</u></u>	 <u><u>\$ 38,580,351</u></u>

See accompanying Notes to Financial Statements.

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
STATEMENTS OF CHANGES IN FIDUCIARY PLAN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ADDITIONS:		
CONTRIBUTIONS		
Member Contributions	\$ 270,199	\$ 264,163
Employer Contributions	2,430,332	2,186,054
Total Contributions	<u>2,700,531</u>	<u>2,450,217</u>
INVESTMENT INCOME		
Net Appreciation in Fair Value of Investments	2,055,617	2,712,488
Interest and Dividends	993,636	937,278
Less Investment Expenses	<u>(71,979)</u>	<u>\$ (65,863)</u>
Total Investment Income	<u>2,977,274</u>	<u>3,583,903</u>
Total Additions	5,677,805	6,034,120
DEDUCTIONS:		
BENEFITS	2,633,496	2,569,545
REFUND OF CONTRIBUTION	44,697	7,997
ADMINISTRATIVE EXPENSES	<u>74,990</u>	<u>63,751</u>
Total Deductions	<u>2,753,183</u>	<u>2,641,293</u>
NET INCREASE	2,924,622	3,392,827
FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS:		
Beginning of Year	<u>38,580,351</u>	<u>35,187,524</u>
End of Year	<u>\$ 41,504,973</u>	<u>\$ 38,580,351</u>

See accompanying Notes to Financial Statements.

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 DESCRIPTION OF PENSION FUND

Organization

The City of St. Joseph, Missouri Police Pension Fund (the Pension Fund, Fund, or Plan) is a single employer, defined benefit public employee retirement system established by the City of St. Joseph, Missouri (the City) to provide retirement benefits for employees of its police department. The Fund was established and operates under the provisions of Chapter 86 Revised Statutes of Missouri (RSMo.). It is administered by the board of trustees of the Fund. The Fund is considered part of the City's financial reporting entity and is included in the City's basic financial statements as a pension trust fund.

Fund membership consisted of the following for the actuarial years 2018 and 2017:

	2018	2017
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits, but Not Yet Receiving Them	115	114
Currently Active Employees:		
Vested	25	24
Nonvested	97	95
Total Currently Active Employees	122	119
Total Membership	237	233

The Fund provides retirement benefits as well as disability and death benefits. Eligibility for retirement benefits commences upon attaining 20 years of service. Vesting of benefits does not occur until such time as eligibility requirements are met. Disability benefits commence at the time of permanent disability. Death benefits are payable upon death of any active or retired participant.

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 DESCRIPTION OF PENSION FUND (CONTINUED)

Organization (Continued)

Retirement benefits are calculated at 40% of a retiree's average monthly salary over the highest 12-month span in the previous 120 months, plus additional benefits for members that continue employment between 20 and 35 years on a pro rata basis. Permanent disability benefits due to active service are 50% of the average salaries paid during the highest 12 consecutive months of service within the past 120 months of service preceding the effective date of disability. In the event the disabled employee has served less than one year, the board may authorize a monthly payment equal to 50% of the employee's monthly earnings as of the date the disability occurred. Participants may be entitled to a refund of 100% of the member's contributions if a permanent disability, necessitating retirement occurs while not on active service. Duty-related death benefits are calculated at the greatest of 50% of the monthly plan benefit that would have been received had they been retired on the date death or \$500 payable monthly to the widowed spouse. The benefit is payable as long as the widowed spouse remains unmarried; however, if the widowed spouse remarries, benefits will continue until such time as the employee would have attained twenty-five (25) years of service. Death benefits for a retired member are calculated at the greatest of 50% of the current monthly benefit or \$500 payable monthly to the widowed spouse (if married prior to the member's retirement date) as long as the widowed spouse remains unmarried. In addition, an amount of \$100 per month is paid for each unmarried child under 18. Upon death of an active or retired member, a lump sum payment in the amount of \$2,000 is paid toward the funeral expense.

Participant contributions are set by the board of trustees under provisions of RSMo. Chapter 86.520 and, for the years ended June 30, 2018 and 2017, were set at 4.0% of annual covered payroll. In the event of a resignation or dismissal, any covered police employee who has served less than 20 years shall receive a 100% refund from the pension fund of the police employee's contributions made. No refund shall be made if the covered police employee is eligible for plan benefits.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accounting and reporting policies of the Fund conform to accounting principles generally accepted in the United States of America applicable to governments and are prepared using the accrual basis of accounting, whereby revenues are recorded when they are earned, expenses are recorded when liabilities are incurred, and investment purchases and sales are recorded as of their trade date. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reporting of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits may not be returned to it. At June 30, 2018 and 2017, the Plan was not exposed to such risks.

Investments for the Fund are as follows for the years ended June 30:

		2018			
		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 - 10	>10
Investment Type:					
Debt Securities:					
US Agencies	\$ 1,112,381	\$ 397,534	\$ 586,403	\$ 128,444	\$ -
Money Market	1,133,923	1,133,923	-	-	-
US Treasuries	3,349,450	-	1,831,024	668,573	849,853
Muni Obligations	97,715	-	97,715	-	-
Foreign Debt	98,795	-	98,795	-	-
Mortgage Debt	2,922,708	-	-	-	2,922,708
Corporate Debt	4,768,948	149,756	1,805,231	1,685,734	1,128,227
Total Investment Type	13,483,920	<u>\$ 1,681,213</u>	<u>\$ 4,419,168</u>	<u>\$ 2,482,751</u>	<u>\$ 4,900,788</u>
Other Investments:					
Corporate Stock	27,944,965				
Total	<u>\$ 41,428,885</u>				
		2017			
		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 - 10	>10
Investment Type:					
Debt Securities:					
US Agencies	\$ 945,874	\$ -	\$ 701,123	\$ 102,597	\$ 142,154
Money Market	982,636	982,636	-	-	-
US Treasuries	1,731,747	49,900	420,908	474,685	786,254
Muni Obligations	99,712	-	99,712	-	-
Foreign Debt	99,708	-	99,708	-	-
Mortgage Debt	4,332,724	-	-	-	4,332,724
Corporate Debt	7,298,762	1,149,489	3,130,572	1,732,353	1,286,348
Total Investment Type	15,491,163	<u>\$ 2,182,025</u>	<u>\$ 4,452,023</u>	<u>\$ 2,309,635</u>	<u>\$ 6,547,480</u>
Other Investments:					
Corporate Stock	22,978,432				
Total	<u>\$ 38,469,595</u>				

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – Interest rate risk is the risk that the fair value of the Fund’s investments will decrease as a result of an increase in interest rates. Given this relationship between risk and return, the investment objective of the Fund is to provide attractive investment returns from income and capital appreciation consistent with the moderate level of risk taken in the portfolio. This is a goal of relatively stable returns over the longer term, with some potential of negative returns in any given year. According to the Fund investment policy statement, the average maturity of the portfolio’s fixed income component will be within a range of 3 to 10 years.

Credit Risk – Credit risk is the risk that the Fund will not recover its investments due to the inability of the counterparty to fulfill their obligation. The Fund follows the prudent person rule with certain fixed income securities portfolio constraints. According to the Fund investment policy statement, only "investment-grade" debt securities are allowed, limited to government and agency issues, mortgage-backed securities, asset-backed securities, corporate bonds, and money market instruments.

Credit ratings for the Fund’s investments that are rated are as follows at June 30:

		2018					
		Quality Ratings					
	Fair Value	AAA	AA	A	BAA	BBB	Unrated
Investment Type:							
Debt Securities:							
US Agencies	\$ 1,112,381	\$ 1,112,381	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market	1,133,923	1,133,923	-	-	-	-	-
US Treasuries	3,349,450	3,349,450	-	-	-	-	-
Muni Obligations	97,715	-	97,715	-	-	-	-
Foreign Debt	98,795	-	98,795	-	-	-	-
Mortgage Debt	2,922,708	2,922,708	-	-	-	-	-
Corporate Debt	4,768,948	195,125	-	2,407,120	2,166,703	-	-
Total Investment							
Type	13,483,920	<u>\$ 8,713,587</u>	<u>\$ 196,510</u>	<u>\$ 2,407,120</u>	<u>\$ 2,166,703</u>	<u>\$ -</u>	<u>\$ -</u>
Other Investments:							
Corporate Stock	27,944,965						
Total	<u>\$ 41,428,885</u>						
		2017					
		Quality Ratings					
	Fair Value	AAA	AA	A	BAA	BBB	Unrated
Investment Type:							
Debt Securities:							
US Agencies	\$ 945,874	\$ 945,874	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market	982,636	982,636	-	-	-	-	-
US Treasuries	1,731,747	1,731,747	-	-	-	-	-
Muni Obligations	99,712	-	99,712	-	-	-	-
Foreign Debt	99,708	-	99,708	-	-	-	-
Mortgage Debt	4,332,724	4,332,724	-	-	-	-	-
Corporate Debt	7,298,762	497,221	464,432	4,362,123	1,844,400	130,586	-
Total Investment							
Type	15,491,163	<u>\$ 8,490,202</u>	<u>\$ 663,852</u>	<u>\$ 4,362,123</u>	<u>\$ 1,844,400</u>	<u>\$ 130,586</u>	<u>\$ -</u>
Other Investments:							
Corporate Stock	22,978,432						
Total	<u>\$ 38,469,595</u>						

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Police Pension Board established asset allocation guidelines in its investment policy statement to achieve the long-term investment objectives. The asset allocation mix should be maintained as follows: (1) Equity investments will range between a maximum of 75% and a minimum of 40% of the total portfolio within the total equity exposure, with a variance of no more than +/- 10%. (2) Investments in international securities may comprise up to 20% of the total portfolio value. (3) Fixed income investments will range between a maximum of 60% and a minimum of 25% of the total portfolio, with a variance of no more than +/- 10%. (4) Cash investments will range between 0% and 20% of the total portfolio. (5) Convertible securities may represent attractive investment alternatives and are limited to 10% of the portfolio value. To ensure diversification of the fixed incomes securities, the investment policy indicates that no more than 5% of the Plan’s fixed income portfolio shall be invested in securities of any one issuing corporation, taxable municipal bonds, asset-backed securities, or commercial mortgaged-backed securities at the time of the purchase. U.S. Government and its Agencies are excluded from these restrictions. As of June 30, 2018, the Police Pension had less than 5% of their fixed income portfolio invested in any of one issuing corporation, taxable municipal bonds, asset-backed securities, or commercial mortgaged-backed securities.

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund’s investments are held by its investment custodian in the Fund’s name.

Foreign Currency Risk Exposure – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. It is the Fund’s policy that external managers demonstrate sensitivity to foreign currency risk. The foreign currency exposure of the Fund may be hedged back to the U.S. dollar using forward foreign exchange contracts. From 0% to 100% of the foreign currency exposure of a portfolio may be hedged. Cross-hedging to currency other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted. The Plan is not exposed to foreign currency risk as of June 30, 2018 or 2017.

Rate of Return

For the years ended June 30, 2018 and June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.87% and 11.32%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value of Financial Measurements

In determining fair value, the Pension Fund uses various valuation approaches within GASBS 72 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (CONTINUED)

GASBS 72 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. GASBS 72 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

Level 2 – Valuations based on quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

Debt Securities: Valued at last sales price, if listed on a national market or exchange, or if there is no sale and the market is still considered active, at the last transaction price before year-end. In less active markets, the valuation is based on the most recent price of the equivalent quoted yield for such securities. These are classified as Level 2 within the valuation hierarchy.

Equity Securities: Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy, as appropriate.

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Fair values of assets and liabilities of the District measured on a recurring basis, as of June 30, 2018 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment Types:				
Debt Securities:				
US Agencies	\$ 1,112,381	\$ -	\$ 1,112,381	\$ -
US Treasuries	3,132,836	-	3,132,836	-
Muni Obligations	97,715	-	97,715	-
Foreign Debt	98,795	-	98,795	-
Mortgage Debt	3,334,450	-	3,334,450	-
Corporate Debt	4,573,820	-	4,573,820	-
Money Market Mutual Funds	1,133,923	-	1,133,923	-
Equity Securities:				
Corporate Stock	21,652,279	21,652,279	-	-
Real Estate Investment Trust	268,857	268,857	-	-
Foreign Equities	5,121,792	5,121,792	-	-
Exchange Traded Fund - International	902,037	902,037	-	-
Total	<u>\$ 41,428,885</u>	<u>\$ 27,944,965</u>	<u>\$ 13,483,920</u>	<u>\$ -</u>

Fair values of assets and liabilities of the District measured on a recurring basis, as of June 30, 2017 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment Types:				
Debt Securities:				
US Agencies	\$ 945,874	\$ -	\$ 945,874	\$ -
US Treasuries	1,731,747	-	1,731,747	-
Muni Obligations	99,712	-	99,712	-
Foreign Debt	99,708	-	99,708	-
Mortgage Debt	4,332,724	-	4,332,724	-
Corporate Debt	7,298,762	-	7,298,762	-
Money Market Mutual Funds	982,636	-	982,636	-
Equity Securities:				
Corporate Stock	17,562,093	17,562,093	-	-
Real Estate Investment Trust	37,610	37,610	-	-
Foreign Equities	3,882,597	3,882,597	-	-
Exchange Traded Fund - Equity	1,454,860	1,454,860	-	-
Exchange Traded Fund - International	41,272	41,272	-	-
Total	<u>\$ 38,469,595</u>	<u>\$ 22,978,432</u>	<u>\$ 15,491,163</u>	<u>\$ -</u>

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 4 CONTRIBUTIONS

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age actuarial funding method. The Fund also uses the level percentage of payroll method to amortize the unfunded liability over the remaining 20-year period.

Contributions totaling \$2,700,531 (\$2,430,332 employer and \$270,199 member) were made during the year ended June 30, 2018. Contributions totaling \$2,450,217 (\$2,186,054 employer and \$264,163 member) were made during the year ended June 30, 2017. Actual employer contribution rates, as a percent of covered payroll, were 37.55% and 34.56% for 2018 and 2017, respectively.

NOTE 5 RISKS AND UNCERTAINTIES

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

NOTE 6 NET PENSION LIABILITY OF THE CITY

Components of the net pension liability of the City include the following:

	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 56,173,655	\$ 55,349,959
Plan Fiduciary Net Position	(41,504,973)	(38,580,351)
City's Net Pension Liability	<u>\$ 14,668,682</u>	<u>\$ 16,769,608</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.89%	69.70%

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 NET PENSION LIABILITY OF THE CITY (CONTINUED)

Actuarial Valuation Information

The total pension liability was determined by an actuarial valuation as of January 1, 2018 for the fiscal year beginning July 1, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percentage of Payroll Over 20 Years of unfunded liability as of June 30, 2018
Actuarial Assumptions:	
Inflation Assumption	2.50%
Investment Rate of Return	7.1% for 2018 and 2017
Salary Increases	3.0% for 2018 and 2017. Including 2.0% Assumed Future COLA
Mortality - Healthy Lives	RP-2014 Blue Collar with generational improvements
Mortality - Disabled Lives	RP-2014 Disabled with generational improvements
Termination of Employment	Rate of Turnover from 0.75% to 5.00% Based on Age
Disablement	Rates from 0.17% to 1.93% Based on Age

The actuarial valuation was performed as of January 1, 2018 and 2017, and the results of these valuations were rolled forward to the measurement dates of June 30, 2018 and 2017, respectively.

The actuarial assumptions and methods and the provisions of the Plan used in this valuation did not significantly change from those use in the prior valuation.

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 of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.7%
Domestic Equity	5.7%
International Equity	5.7%
Cash	0.5%

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 NET PENSION LIABILITY OF THE CITY (CONTINUED)

Actuarial Valuation Information (Continued)

The following changes in actuarial assumptions occurred in 2017:

The assumed interest rate was lowered from 7.50% to 7.10%.

The assumed salary increases dropped from 4.00% to 3.00%.

A five-year smoothing of asset gains and losses was initiated.

No changes were made in actuarial assumptions during 2018.

Discount Rate

The discount rate used to measure the total pension liability during 2018 was consistent with the rate used in 2017, 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the City will be made at the actuarially determined amounts. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City calculated using the discount rate of 7.10%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	2018 Discount		
	1% Decrease 6.10%	Rate 7.10%	1% Increase 8.10%
Total Pension Liability	\$ 63,826,701	\$ 56,173,655	\$ 49,935,681
Plan Fiduciary Net Position	(41,504,973)	(41,504,973)	(41,504,973)
Net Pension Liability	<u>\$ 22,321,728</u>	<u>\$ 14,668,682</u>	<u>\$ 8,430,708</u>
	2017 Discount		
	1% Decrease 6.10%	Rate 7.10%	1% Increase 8.10%
Total Pension Liability	\$ 63,032,958	\$ 55,349,959	\$ 49,106,918
Plan Fiduciary Net Position	(38,580,351)	(38,580,351)	(38,580,351)
Net Pension Liability	<u>\$ 24,452,607</u>	<u>\$ 16,769,608</u>	<u>\$ 10,526,567</u>

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 SUBSEQUENT EVENT

In August 2018, active employees under the Plan were transitioned to the Missouri Local Government Employees Retirement System (LAGERS). The Plan then became “closed”, and, as such, no future police department employees will be enrolled in the Police Pension Plan, and all present police department employees will not accrue any additional benefits in the Plan. On October 11, 2018, \$4,691,900 was transferred from the Plan to LAGERS.

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
SCHEDULE OF CHANGES IN THE EMPLOYER NET PENSION
LIABILITY AND RELATED RATIOS
JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Costs	\$ 1,119,675	\$ 1,098,105	\$ 1,541,534	\$ 884,293
Interest	4,142,054	4,078,284	5,619,009	3,180,140
Difference Between Expected and Actual Experience	(1,759,840)	(624,567)	(2,356,440)	2,171,488
Changes of Assumptions	-	2,061,705	2,347,868	-
Benefit Payments	(2,678,193)	(2,577,542)	(2,437,913)	(2,269,912)
Net Change in Pension Liability	<u>823,696</u>	<u>4,035,985</u>	<u>4,714,058</u>	<u>3,966,009</u>
Total Pension Liability - Beginning of Year	<u>55,349,959</u>	<u>51,313,974</u>	<u>46,599,916</u>	<u>42,633,907</u>
Total Pension Liability - End of Year (a)	<u>\$ 56,173,655</u>	<u>\$ 55,349,959</u>	<u>\$ 51,313,974</u>	<u>\$ 46,599,916</u>
Plan Fiduciary Net Position				
Member Contributions	\$ 270,199	\$ 264,163	\$ 255,516	\$ 243,701
Employer Contributions	2,430,332	2,186,054	1,688,681	1,625,738
Net Investment Income	2,977,274	3,583,903	(1,624,901)	880,708
Benefit Payments and Refunds	(2,678,193)	(2,577,542)	(2,437,913)	(2,269,912)
Administrative Expenses	(74,990)	(63,751)	(74,716)	(71,613)
Net Change in Plan Fiduciary Net Position	<u>2,924,622</u>	<u>3,392,827</u>	<u>(2,193,333)</u>	<u>408,622</u>
Plan Fiduciary Net Position - Beginning of Year	<u>38,580,351</u>	<u>35,187,524</u>	<u>37,380,857</u>	<u>36,972,235</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 41,504,973</u>	<u>\$ 38,580,351</u>	<u>\$ 35,187,524</u>	<u>\$ 37,380,857</u>
Employer's Net Pension Liability (a) - (b)	<u>\$ 14,668,682</u>	<u>\$ 16,769,608</u>	<u>\$ 16,126,450</u>	<u>\$ 9,219,059</u>
Plan Net Position as a Percentage of the Total Pension Liability	73.89%	69.70%	68.57%	80.22%
Covered Payroll	\$ 6,472,665	\$ 6,324,914	\$ 6,038,143	\$ 5,954,250
City's Net Pension Liability as a Percentage of Covered Payroll	226.63%	265.14%	267.08%	151.45%

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	7.87%	11.32%	-4.34%	2.41%

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2018**

	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	\$ 1,550,095	\$ (1,550,095)	\$ -	\$ 5,137,480	30.17%
2010	1,980,812	(1,980,812)	-	5,276,973	37.54%
2011	1,786,550	(1,786,550)	-	5,234,079	34.13%
2012	1,715,703	(1,715,703)	-	5,200,069	32.99%
2013	1,771,904	(2,271,904)	(500,000)	5,494,313	32.25%
2014	1,752,686	(1,752,686)	-	6,087,055	28.79%
2015	1,625,738	(1,625,738)	-	5,954,250	27.30%
2016	1,688,681	(1,688,681)	-	6,588,958	25.63%
2017	2,186,054	(2,186,054)	-	6,604,033	33.10%
2018	2,430,332	(2,430,332)	-	6,472,665	37.55%

**CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2018**

NOTE 1 ACTUARIAL CALCULATIONS

Actuarially determined contributions rates are calculated as of January 1, 18 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	20 Years
Investment Rate of Return	7.10%
Inflation Assumption	2.5%
Salary Increases	3%

RP-2014 Blue Collar with Generational Improvements (using most recent available scale MP-2017)

RP-2014 Disabled with Generational Improvements (using most recent available scale MP-2017)

Termination of Employment	Rates of Turnover from 0.75% to 5.00% Based on Age
Disablement	Rates from 0.17% to 1.93% Based on Age

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.