



**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI  
SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE  
OF PENSION AMOUNTS BY EMPLOYER**

December 31, 2015

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Public School Retirement System of the School District of Kansas City, Missouri

### ***Report on Schedules***

We have audited the accompanying schedule of employer allocations of the Public School Retirement System of the School District of Kansas City, Missouri (the "Retirement System") as of and for the year ended December 31, 2015, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the Retirement System as of and for the year ended December 31, 2015, and the related notes.

### ***Management's Responsibility for the Schedules***

Management is responsible for the preparation and fair presentation of these schedules 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 the schedules that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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



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***Opinions***

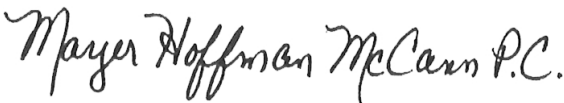
In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Retirement System as of and for the year ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Retirement System as of and for the year ended December 31, 2015, and our report thereon, dated June 14, 2016, expressed an unmodified opinion on those financial statements.

***Restriction of Use***

Our report is intended solely for the information and use of the Retirement System management, the Board of Trustees of the Retirement System, the Retirement System employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive, flowing script.

Kansas City, Missouri  
September 12, 2016

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**SCHEDULE OF EMPLOYER ALLOCATIONS**

For the year ended December 31, 2015

<b>Employer</b>	<b>2015 Adjusted Employer Contributions</b>	<b>Employer Allocated Proportion</b>
Academy For Intergrated Arts	\$ 45,609	0.315557%
Allen Edison Village School	279,616	1.934591%
Alta Vista Charter School	395,022	2.733055%
Benjamin Banneker Charter Academy of Technology	165,083	1.142167%
Crossroads Academy of Kansas City	171,886	1.189235%
DeLaSalle	221,414	1.531906%
Della Lamb Elementary	322,410	2.230671%
Genesis Promise Academy	163,839	1.133560%
Gordon Parks Elementary School	135,266	0.935870%
Hogan Preparatory Academy	469,723	3.249892%
Hope Academy	-	0.000000%
Hope Leadership Academy	55,139	0.381492%
Ewing Marion Kauffman School	282,125	1.951950%
Kipp Endeavor Academy	156,362	1.081828%
Academie Lafayette	386,925	2.677034%
Lee A. Tolbert Community Academy	242,067	1.674799%
Scuola Vita Nuova	111,159	0.769080%
University Academy	552,273	3.821034%
Brookside Day School	255,030	1.764487%
Derrick Thomas	-	0.000000%
Pathway Academy	164,446	1.137759%
Frontier School of Innovation	504,593	3.491148%
KC Library - KCPL	587,212	4.062768%
School District - KCSD	8,786,297	60.790116%
Total	<u>\$ 14,453,496</u>	<u>100.000000%</u>

See accompanying notes to schedule of employer allocations and schedule of pension amounts by employer.

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

For the year ended December 31, 2015

Employer	Deferred Outflows of Resources						Deferred Inflows of Resources					Pension Expense				
	Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Proportion	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Proportion	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Recognition of Deferred Amounts from Changes in Proportionate Share	Employer Pension Expense Allocated	Military Service Purchase Payments	Total Employer Pension Expense
Academy For Intergrated Arts	\$ 822,621	\$ 23,651	\$ 218,126	\$ 2,411	\$ 43,353	\$ 287,541	\$ -	\$ -	\$ -	\$ 4,053	\$ 4,053	\$ 129,657	\$ 19,684	\$ 149,341	\$ -	\$ 149,341
Allen Edison Village School	5,043,257	144,999	1,337,270	14,782	284,822	1,781,873	-	-	-	-	-	794,890	346,338	1,141,228	-	1,141,228
Alta Vista Charter School	7,124,761	204,844	1,889,202	20,883	384,928	2,499,857	-	-	-	-	-	1,122,965	369,905	1,492,870	-	1,492,870
Benjamin Banneker Charter Academy of Technology	2,977,498	85,606	789,513	8,727	3,392	887,238	-	-	-	-	-	469,297	(136,511)	332,786	-	332,786
Crossroads Academy of Kansas City	3,100,199	89,134	822,049	9,087	253,425	1,173,695	-	-	-	-	-	488,636	207,898	696,534	-	696,534
DeLaSalle	3,993,503	114,817	1,058,917	11,705	40,099	1,225,538	-	-	-	17,642	17,642	629,434	53,022	682,456	-	682,456
Della Lamb Elementary	5,615,103	167,190	1,541,933	17,044	26,221	1,752,368	-	-	-	51,837	51,837	916,544	10,393	926,937	-	926,937
Genesis Promise Academy	2,955,061	84,961	783,564	8,661	105,720	982,906	-	-	-	-	-	465,760	97,113	562,873	-	562,873
Gordon Parks Elementary School	2,439,706	70,144	646,912	7,151	238,872	963,079	-	-	-	-	-	384,533	65,312	449,845	-	449,845
Hogan Preparatory Academy	8,472,095	243,581	2,246,461	24,832	315,604	2,830,478	-	-	-	-	-	1,335,325	347,831	1,683,156	-	1,683,156
Hope Academy	-	-	-	-	-	-	-	-	-	717,636	717,636	-	(726,327)	-	-	(726,327)
Hope Leadership Academy	994,506	28,593	263,703	2,915	68,574	363,785	-	-	-	-	-	156,749	62,521	219,270	-	219,270
Ewing Marion Kauffman School	5,088,510	146,300	1,349,269	14,915	627,155	2,137,639	-	-	-	-	-	802,023	545,585	1,347,608	-	1,347,608
Kipp Endeavor Academy	2,820,201	81,084	747,805	8,266	106,651	943,806	-	-	-	-	-	444,505	96,462	540,967	-	540,967
Academie Lafayette	6,978,720	200,645	1,850,478	20,455	162,618	2,234,196	-	-	-	-	-	1,099,947	103,238	1,203,185	-	1,203,185
Lee A. Tolbert Community Academy	4,366,009	125,527	1,157,691	12,797	-	1,296,015	-	-	-	24,406	24,406	688,146	(35,203)	652,943	-	652,943
Scuola Vita Nuova	2,004,903	57,643	531,620	5,877	51,222	646,362	-	-	-	12,279	12,279	316,002	11,366	327,368	-	327,368
University Academy	9,960,997	286,389	2,641,258	29,196	60,632	3,017,475	-	-	-	-	-	1,569,997	48,173	1,618,170	-	1,618,170
Brookside Day School	4,599,815	132,249	1,219,687	13,482	449,629	1,815,047	-	-	-	-	-	724,997	373,636	1,098,633	-	1,098,633
Derrick Thomas	-	-	-	-	-	-	-	-	-	252,045	252,045	-	(400,070)	(400,070)	-	(400,070)
Pathway Academy	2,966,007	85,276	786,466	8,694	-	880,436	-	-	-	92,904	92,904	467,486	(78,769)	388,717	-	388,717
Frontier School of Innovation	9,101,022	261,664	2,413,227	26,676	614,495	3,316,062	-	-	-	-	-	1,434,453	579,043	2,013,496	-	2,013,496
KC Library - KCPL	10,591,170	304,507	2,808,355	31,043	-	3,143,905	-	-	-	112,134	112,134	1,669,322	(90,156)	1,579,166	-	1,579,166
School District - KCSD	158,472,857	4,556,256	42,020,664	464,497	-	47,041,417	-	-	-	2,415,678	2,415,678	24,977,618	(1,870,484)	23,107,134	7,404	23,114,538
<b>Total</b>	<b>\$ 260,688,521</b>	<b>\$ 7,495,060</b>	<b>\$ 69,124,170</b>	<b>\$ 764,096</b>	<b>\$ 3,837,412</b>	<b>\$ 81,220,738</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,837,412</b>	<b>\$ 3,837,412</b>	<b>\$ 41,088,286</b>	<b>\$ -</b>	<b>\$ 41,088,286</b>	<b>\$ 7,404</b>	<b>\$ 41,095,690</b>

See accompanying notes to schedule of employer allocations and schedule of pension amounts by employer.

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 1 )    Description of plan**

The following description of the Public School Retirement System of the School District of Kansas City, Missouri (the "Retirement System") provides only general information. Participants should refer to the Missouri Revised Statutes regarding the Retirement System or the Summary Plan Description for a more complete description of the Retirement System's provisions, which are available from the Retirement System's administrator.

**General** - The Retirement System is a cost-sharing multiple-employer defined benefit pension plan (the "Plan"), which was established by the General Assembly of the State of Missouri and is exempt from the provisions of the Employee Retirement Income Security Act of 1974. The Board of Trustees of the Retirement System ("Board of Trustees") administers and operates the Plan in accordance with the statutes of the State of Missouri. At December 31, 2015, participating employers consisted of the School District of Kansas City, Missouri; the Kansas City, Missouri Public Library District; the Retirement System; and the following charter schools: Academie LaFayette, Academy for Integrated Arts, Allen Village Charter School, Alta Vista Charter School, Benjamin Banneker Charter Academy, Brookside Charter School, Crossroads Academy of Kansas City, DeLaSalle Charter School, Della Lamb Elementary, Ewing Marion Kauffman School, Frontier School of Innovation, Genesis School, Inc., Gordon Parks Elementary, Hogan Preparatory Academy, Hope Leadership Academy, KIPP Endeavor Academy, Lee A. Tolbert Community Academy, Pathway Academy, Scuola Vita Nuova, and University Academy.

**Administration of the Retirement System** - The Board of Trustees is responsible for the general administration and proper operation of the Retirement System. The Board consists of twelve members: four members appointed by the Board of Education, one member appointed by the Board of Trustees of the Library District, four members elected by and from the members of the Retirement System, two members elected by and from the retirees of the Retirement System, and the Superintendent of Schools of the School District of Kansas City, Missouri. The Board hires an Executive Director to manage the day-to-day operations and implement strategic plans as set by the Board.

**Eligibility** - All regular, full-time employees of the participating employers become members of the Plan as a condition of employment if they are in a position requiring at least 25 hours of work per week and nine calendar months per year. Employees hired before or during 1961 are members of Plan A. As of December 31, 2014, there are no longer any members of Plan A receiving benefits. Employees who retire after June 30, 1999 and were hired after 1961, but before January 1, 2014 are members of Plan B. Employees hired after January 1, 2014 are members of Plan C. At January 1, 2015 and 2014, respectively, the Plan's membership consisted of:

	<u>2015</u>	<u>2014</u>
Active plan members	3,493	3,501
Retirees and beneficiaries receiving benefits	4,011	3,885
Terminated plan members entitled to but not yet receiving benefits	476	560
Terminated non vested members	<u>2,124</u>	<u>2,230</u>
Total plan membership	<u><u>10,104</u></u>	<u><u>10,176</u></u>

Terminated plan members entitled to but not yet receiving benefits include former members who are entitled to a refund of their contributions plus accrued interest.

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 1 )    Description of plan (continued)**

**Contributions** - Effective January 1, 2014, members of Plan B and C contributed at 8% of annual compensation, as defined. Effective January 1, 2015, members of Plan B and C contributed at 8.5% of annual compensation.

Effective January 1, 2014, employers contributed 8% of annual compensation, as defined. Effective January 1, 2015, employers contributed at 8.5% of annual compensation.

**Service** - Creditable service is membership service. This is service for which required contributions have been made. Members of Plan B are effectively limited to 30 years of creditable service, regardless of the number of years actually worked, unless the member earned more than 30 years prior to August 28, 1993. Members of Plan C are effectively limited to 34.29 years of creditable service, regardless of the number of years actually worked.

**Compensation**

*Annual compensation* - Compensation in excess of the limitations set forth in Section 401(a)(17) of the Internal Revenue Code will be disregarded for purposes of determining contributions and benefits for members of Plan B and C. However, for years prior to 1989, members of Plan B and C's annual compensation are limited to the scheduled compensation for a school principal who holds a master's degree. A member's annual compensation is the member's regular compensation.

*Average final compensation* - For members of Plan B and C, the average final compensation is the highest average compensation paid during any four consecutive years of creditable service.

**Normal retirement**

*Eligibility* - A member of Plan B may retire (a) after the completion of five years of creditable service, provided such member has attained at least the age of 60 or (b) after the member has accumulated a minimum of 75 credits (effective August 28, 1998), where each year of creditable service plus a member's age equals 75 credits. A member of Plan C may retire (a) after the completion of five years of creditable service, provided such member has attained at least the age of 62 or (b) after the member has accumulated a minimum of 80 credits, where each year of creditable service plus a member's age equals 80 credits.

*Benefit* - For a member of Plan B, the normal monthly retirement benefit equals the product of one-twelfth of 2.00% (1.75% for members who retired prior to June 30, 1999) of the member's average final compensation and years of creditable service, subject to a maximum of 60% of their average final compensation. The normal monthly retirement benefit for a member of Plan B whose years of creditable service exceeded 34.25 years on August 28, 1993, shall equal the product of 1.75% and the member's years of creditable service on August 28, 1993. For a member of Plan C, the normal monthly retirement benefit equals the product of one-twelfth of 1.75% of the member's average final compensation and years of creditable service, subject to a maximum of 60% of their average final compensation.

*Minimum benefit* - Effective January 1, 1996, any member with at least ten years of service, but less than twenty years, is entitled to a minimum monthly retirement benefit equal to the sum of \$150 and \$15 for each full year of creditable service in excess of ten years or the actuarial equivalent if an option is elected. Any member with at least twenty years of creditable service at retirement is entitled to a minimum monthly retirement benefit of \$300 or the actuarial equivalent of \$300 if an option is elected. Beneficiaries of deceased members who retired with at least ten years of creditable service and elected one of the optional plans for payment of benefits may receive the actuarial equivalent of the minimum monthly retirement benefit available for the option chosen.



**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 1 )    Description of plan (continued)**

Under either Plan, if a member's accumulated contributions provide more than one-half of the member's monthly retirement benefit (under the actuarial assumptions adopted by the Board of Trustees), the member's benefit will be increased by this excess.

**Early retirement**

*Eligibility* - A member with at least five years of creditable service and a minimum age of fifty-five is eligible for early retirement. A member with at least thirty years of creditable service may retire at any time regardless of age.

*Benefit* - A member eligible for early retirement will receive a reduced benefit, calculated as for normal retirement, which recognizes service and compensation to the actual retirement date. The reduction in benefit will provide a benefit which is actuarially equivalent to the normal retirement benefit that would be payable at the member's normal retirement date.

**Disability retirement**

*Eligibility* - A member with at least five years of creditable service who is certified to be totally incapacitated for performance of duty by the Medical Board (as designated by the Board of Trustees) is eligible for disability retirement.

*Benefit* - A disabled member will receive an unreduced benefit, calculated as for normal retirement, based on service and average final compensation at the actual retirement date. The minimum disability retirement allowance shall be the lesser of:

1. 25% of the person's average compensation; or
2. The member's service retirement allowance calculated based on the member's final average compensation and the maximum number of years of creditable service the member would have earned had the member remained an employee until attaining the age of 60.

**Termination benefits - vested**

*Eligibility* - A member who has at least five years of creditable service earns a vested interest in their accrued benefit, provided the member leaves their contributions in the Plan.

*Benefit* - The vested benefit is calculated as a normal retirement benefit based on a member's creditable service and average final compensation on the termination date. The benefit is payable, at minimum, on the member's normal retirement date.

**Termination benefits - non-vested**

If the member's termination is for reasons other than death or retirement, and if the member has not met the vesting or retirement requirements, only the member's contributions with interest will be refunded.

**Death benefit**

*Prior to retirement* - For a member who passes away while actively employed, the member's accumulated contributions with interest will be paid to the member's beneficiary. Certain beneficiaries of a member of Plan B or C have the option to receive a monthly retirement benefit or a refund of the member's contributions with interest. All beneficiaries are guaranteed to receive at least the member's accumulated contributions at retirement, if a member passes away before electing an option.

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 1 )    Description of plan (continued)**

*Post retirement* - The optional form of benefit payment selected under either Plan B or Plan C will determine what, if any, benefits are payable upon death after retirement.

Option 1 - The retiree's beneficiary will receive, for life, the same level of monthly retirement benefit. In the event that the retiree's beneficiary predeceases the retiree, the retiree's monthly retirement benefit will be adjusted to the amount it would have been, had the retiree not elected Option 1.

Option 2 - The retiree's beneficiary will receive, for life, a monthly retirement benefit equal to one-half the retiree's benefit. In the event the retiree's beneficiary predeceases the retiree, the retiree's monthly benefit will be adjusted to the amount it would have been, had the retiree not elected Option 2.

Option 3 - No benefits are payable to the retiree's estate or any beneficiary. Retirement benefits payable under this option will be actuarially increased from the normal formula.

If the death of any retiree who has not elected an option occurs before they have received total benefits at least as large as their accumulated contributions, the difference shall be paid to the deceased's beneficiary, if living, or to their estate.

**Benefit increase adjustments** - The Board of Trustees shall determine annually whether or not the Retirement System can provide an increase in benefits for those retirees who, as of January 1 preceding the date of such increase, have been retired at least one year (three years prior to January 1, 2002). Any increase also applies to optional retirement allowances paid to a retiree's beneficiary. Before any increases are made, the following requirements must be satisfied:

1. The Retirement System funded ratio as of January 1<sup>st</sup> of the preceding year of the proposed increase must be at least 100% after adjusting for the effect of the proposed increase. The funded ratio is the ratio of assets to the pension benefit obligation.
2. The actuarially required contribution rate, after adjusting for the effect of the proposed increase, may not exceed the statutory contribution rate.
3. The actuary must certify that the proposed increase will not impair the actuarial soundness of the Retirement System.

In accordance with the Benefit Increase Adjustments Policy, if an increase is permissible, the amount of the increase will be equal to the lesser of 3% or the percentage increase in the CPI for the preceding year, subject to a cumulative increase of 100% subsequent to December 31, 2000.

The Board of Trustees reserves the right, at its sole discretion, not to award any Benefit Increase Adjustment or other supplements for any year, even if the statutory requirements for an increase are satisfied, or to provide increases in greater or lesser amounts than prescribed by this policy. For the years ended December 31, 2015 and 2014 there was no Benefit Increase Adjustment or an extra check issued to eligible retirees.

**( 2 )    Summary of significant accounting policies**

**Basis of accounting** - The schedule of employer allocations and the schedule of pension amounts by employer present amounts that are considered elements of the financial statements of the Retirement System or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Retirement System or the participating employers.

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 2 )    Summary of significant accounting policies (continued)**

**Use of estimates** - The accompanying schedule of employer allocations and the schedule of pension amounts by employer were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Retirement System to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**( 3 )    Net pension liability**

The components of the net pension liability of the participating employers as of December 31, 2015 were as follows:

Total pension liability	\$ 896,798,027
Less: plan fiduciary net position	<u>636,109,506</u>
Net pension liability	<u><u>\$ 260,688,521</u></u>

Plan fiduciary net position as a percentage of total pension liability	70.93%
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**( 4 )    Actuarial assumptions**

The actuarial assumptions used for the most recent valuation are as follows:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open Period
Remaining Amortization Period	30 years
Asset Valuation Method	5-year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.00%, including inflation
Projected Salary Increases	5.00%, including inflation
Inflation	3.50%

Pre-retirement mortality rates were based on RP-2000 Healthy Non-Annuitant projected 15 years from the valuation date using Scale AA. Post-retirement mortality rates were based on RP-2000 Healthy Annuitant Table Annuitant projected 7 years from the valuation date using Scale AA. Disability mortality rates were based on RP-2000 Disabled Table for Males and Females.

The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience study prepared by the Retirement System. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the Retirement System's investment consultant. These ranges are combined to produce the 10-year 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 Retirement System's target asset allocation as of December 31, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 4 )    Actuarial assumptions (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Year Long-term Expected Real Rate of Return</u>
US Equity	22.50 %	6.8 %
Developed Equity	15.00 %	7.5 %
Emerging Market Equity	10.00 %	9.9 %
Core Fixed Income	10.00 %	1.8 %
Developed Markets Fixed Income	5.00 %	0.8 %
High Yield	2.50 %	5.0 %
Hedge Fund of Funds	15.00 %	3.8 %
Private Equity	5.00 %	11.5 %
Commodities	5.00 %	4.3 %
Real Estate	10.00 %	4.6 %

**Discount Rate** - The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from the Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. 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 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 participating entities calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<u>Discount Rate</u>	<u>Participating entities' net pension liability</u>
1% decrease	7.0%	\$339,036,923
Current discount rate	8.0%	260,688,521
1% increase	9.0%	193,241,618

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 5 )    Collective deferred outflows of resources and deferred inflows of resources**

A summary of the collective deferred outflows of resources and deferred inflows of resources as of December 31, 2015, are included below. The actual experience and assumption change impacts are recognized over the average expected remaining service life of active and inactive Plan members at the beginning of the measurement period, while investment gains/losses are recognized equally over five years.

	<b>December 31, 2014</b>	<b>Deferred Outflows of Resources</b>		<b>December 31, 2015</b>
		<b>Additions</b>	<b>Recognition</b>	
Differences between expected and actual experience				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	-	12,010,156	4,515,096	7,495,060
Total	-	12,010,156	4,515,096	7,495,060
Changes of assumptions				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	-	1,224,394	460,298	764,096
Total	-	1,224,394	460,298	764,096
Differences between projected and actual earnings				
2014 Base	\$ 24,056,578	\$ -	\$ 6,014,145	\$ 18,042,433
2015 Base	-	63,852,171	12,770,434	51,081,737
Total	24,056,578	63,852,171	18,784,579	69,124,170
Changes in proportion				
2014 Base	\$ 3,084,693	\$ -	\$ 1,892,452	\$ 1,192,241
2015 Base	-	4,238,648	1,593,477	2,645,171
Total	3,084,693	4,238,648	3,485,929	3,837,412
Total	<u>\$ 27,141,271</u>	<u>\$ 81,325,369</u>	<u>\$ 27,245,902</u>	<u>\$ 81,220,738</u>

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 5 )    Collective deferred outflows of resources and deferred inflows of resources (continued)**

	Deferred Inflows of Resources			
	December 31, 2014	Additions	Recognition	December 31, 2015
Differences between expected and actual experience				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	-	-	-	-
Total	-	-	-	-
Changes of assumptions				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	-	-	-	-
Total	-	-	-	-
Differences between projected and actual earnings				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	-	-	-	-
Total	-	-	-	-
Changes in proportion				
2014 Base	\$ 3,084,693	\$ -	\$ 1,892,452	\$ 1,192,241
2015 Base	-	4,238,648	1,593,477	2,645,171
Total	3,084,693	4,238,648	3,485,929	3,837,412
Total	<u>\$ 3,084,693</u>	<u>\$ 4,238,648</u>	<u>\$ 3,485,929</u>	<u>\$ 3,837,412</u>

The following provides the net deferred outflows/(inflows) of resources as of December 31, 2015, that will be recognized in pension expense in future years:

Year Ending December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
2016	\$ 23,759,973	\$ -	\$ 23,759,973
2017	22,068,341	-	22,068,341
2018	18,784,577	-	18,784,577
2019	12,770,435	-	12,770,435
2020	-	-	-
Thereafter	-	-	-

**PUBLIC SCHOOL RETIREMENT SYSTEM  
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**NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS  
BY EMPLOYER**

**( 6 )    Collective pension expense**

Collective pension expense for the year ended December 31, 2015 is as follows:

Service cost	\$     16,689,825
Interest on the total pension liability	67,219,018
Benefit term changes	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	4,515,096
Expensed portion of current-period assumption changes	460,298
Member contributions	(14,645,901)
Projected earnings of plan investments	(53,826,653)
Expenses portion of current-period difference between projected and actual earnings on plan investments	12,770,434
Administrative expenses	1,648,449
Other	243,575
Recognition of beginning deferred outflows resources	6,014,145
Recognition of beginning deferred inflows resources	-
Total pension expense	<u><u>\$     41,088,286</u></u>