



**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, 2017



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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
Schedule of Employer Allocations	3
Schedule of Pension Amounts by Employer	4-5
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer	6-15



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, 2017, 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) as of and for the year ended December 31, 2017 included in the accompanying schedule of pension amounts by employer of the Retirement System, 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 and the standards applicable to financial audits contained in Governmental 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 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 auditors' 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 opinion.

Opinion

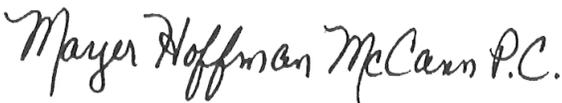
In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Retirement System as of and for the year ended December 31, 2017, 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, 2017, and our report thereon, dated June 11, 2018, 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 script.

Kansas City, Missouri
September 13, 2018

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

SCHEDULE OF EMPLOYER ALLOCATIONS

For the year ended December 31, 2017

<u>Employer</u>	<u>2017 Adjusted Employer Contributions</u>	<u>Employer Allocated Proportion</u>
Academie Lafayette	\$ 446,548	2.645419%
Academy For Intergrated Arts	86,399	0.511841%
Allen Village Charter School	294,948	1.747317%
Benjamin Banneker Charter Academy	188,672	1.117722%
Brookside Charter School	347,923	2.061149%
Citizens of the World Charter School	99,487	0.589376%
Crossroads Academy of Kansas City	366,500	2.171202%
DeLaSalle Charter School	160,301	0.949648%
Ewing Marion Kauffman School	455,225	2.696822%
Frontier School of Innovation	804,683	4.767065%
Genesis School, Inc.	180,880	1.071561%
Gordon Parks Elementary	143,945	0.852752%
Guadalupe Center Schools	511,175	3.028279%
Hogan Preparatory Academy	571,206	3.383912%
Hope Leadership Academy	67,496	0.399857%
Kansas City Neighborhood Academy	115,847	0.686295%
KC Intertional Academy	368,732	2.184425%
KC Library - KCPL	641,867	3.802518%
KIPP Endeavor Academy	286,878	1.699509%
Lee A. Tolbert Community Academy	248,976	1.474972%
Pathway Academy	165,370	0.979677%
School District - KCSD	9,578,553	56.744811%
Scuola Vita Nuova	144,732	0.857414%
University Academy	603,708	3.576458%
Total	<u>\$ 16,880,051</u>	<u>100.000000%</u>

NOTE: The Retirement System had contributions of \$46,510 for 2017; however, this amount was not used in determining the Schedule of Employer Allocations.

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, 2017

Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					
	12/31/2017 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
Academie Lafayette	\$ 8,035,057	\$ 78,683	\$ 908,228	\$ 1,254,564	\$ 749	\$ 2,242,224	\$ 19,659	\$ 1,168,018	\$ -	\$ 15,139	\$ 1,202,816
Academy For Intergrated Arts	1,554,639	15,224	175,726	242,736	162,499	596,185	3,804	225,991	-	-	229,795
Allen Village Charter School	5,307,209	51,970	599,891	828,648	-	1,480,509	12,985	771,484	-	191,800	976,269
Benjamin Banneker Charter Academy	3,394,910	33,244	383,738	530,069	10,178	957,229	8,306	493,502	-	59,425	561,233
Brookside Charter School	6,260,426	61,305	707,636	977,479	202,959	1,949,379	15,317	910,049	-	-	925,366
Citizens of the World Charter School	1,790,140	17,530	202,345	279,506	361,375	860,756	4,380	260,224	-	-	264,604
Crossroads Academy of Kansas City	6,594,695	64,578	745,420	1,029,671	925,146	2,764,815	16,135	958,640	-	-	974,775
DeLaSalle Charter School	2,884,411	28,245	326,034	450,361	-	804,640	7,057	419,293	-	455,334	881,684
Ewing Marion Kauffman School	8,191,185	80,212	925,876	1,278,941	675,790	2,960,819	20,041	1,190,714	-	-	1,210,755
Frontier School of Innovation	14,479,233	141,787	1,636,634	2,260,733	1,115,451	5,154,605	35,425	2,104,778	-	-	2,140,203
Genesis School, Inc.	3,254,703	31,871	367,890	508,177	-	907,938	7,963	473,121	-	45,793	526,877
Gordon Parks Elementary	2,590,104	25,363	292,768	404,409	-	722,540	6,337	376,511	-	80,421	463,269
Guadalupe Centers Schools	9,197,935	90,070	1,039,672	1,436,131	303,233	2,869,106	22,504	1,337,061	-	-	1,359,565
Hogan Preparatory Academy	10,278,116	100,648	1,161,769	1,604,787	271,124	3,138,328	25,147	1,494,082	-	35,857	1,555,086
Hope Academy	-	-	-	-	-	-	-	-	-	-	-
Hope Leadership Academy	1,214,505	11,893	137,279	189,628	9,748	348,548	2,971	176,547	-	3,054	182,572
Kansas City Neighborhood Academy	2,084,516	20,412	235,620	325,469	374,126	955,627	5,100	303,016	-	-	308,116
KC International Academy	6,634,858	64,971	749,959	1,035,942	29,562	1,880,434	16,233	964,478	-	32,525	1,013,236
KC Library - KCPL	11,549,568	113,098	1,305,485	1,803,306	-	3,221,889	28,258	1,678,907	-	200,809	1,907,974
KIPP Endeavor Academy	5,161,999	50,549	583,477	805,975	569,653	2,009,654	12,630	750,376	-	-	763,006
Lee A. Tolbert Community Academy	4,480,002	43,870	506,389	699,491	-	1,249,750	10,961	651,237	-	130,109	792,307
Pathway Academy	2,975,619	29,139	336,344	464,602	-	830,085	7,280	432,552	-	151,786	591,618
School District - KCSD	172,353,704	1,687,763	19,481,695	26,910,661	-	48,080,119	421,684	25,054,248	-	3,518,583	28,994,515
Scuola Vita Nuova	2,604,264	25,502	294,368	406,620	77,999	804,489	6,372	378,570	-	-	384,942
University Academy	10,862,946	106,375	1,227,874	1,696,100	-	3,030,349	26,578	1,579,095	-	168,957	1,774,630
Total	\$ 303,734,744	\$ 2,974,302	\$ 34,332,117	\$ 47,424,006	\$ 5,089,592	\$ 89,820,017	\$ 743,127	\$ 44,152,494	\$ -	\$ 5,089,592	\$ 49,985,213

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 (continued)

For the year ended December 31, 2017

Employer	Pension Expense				Total Employer Pension Expense
	Proportionate Share of Plan Pension Expense	Net Recognition of Deferred Amounts from Changes in Proportionate Share	Employer Pension Expense Allocated	Military Service Purchase Payments	
Academie Lafayette	\$ 1,788,935	\$ 41,077	\$ -	\$ -	\$ 1,830,012
Academy For Intergrated Arts	346,127	164,812	-	-	510,939
Allen Village Charter School	1,181,603	(105,345)	-	-	1,076,258
Benjamin Banneker Charter Academy	755,847	(22,743)	-	-	733,104
Brookside Charter School	1,393,829	351,931	-	-	1,745,760
Citizens of the World Charter School	398,559	418,208	-	-	816,767
Crossroads Academy of Kansas City	1,468,251	838,845	-	-	2,307,096
DeLaSalle Charter School	642,189	(439,527)	-	-	202,662
Ewing Marion Kauffman School	1,823,696	753,292	-	-	2,576,988
Frontier School of Innovation	3,223,674	1,130,945	-	-	4,354,619
Genesis School, Inc.	724,631	(16,985)	-	-	707,646
Gordon Parks Elementary	576,664	30,196	-	-	606,860
Guadalupe Centers Schools	2,047,840	330,870	-	-	2,378,710
Hogan Preparatory Academy	2,288,332	187,053	-	-	2,475,385
Hope Academy	-	(166,634)	-	-	(166,634)
Hope Leadership Academy	270,399	30,835	-	-	301,234
Kansas City Neighborhood Academy	464,099	477,790	-	-	941,889
KC International Academy	1,477,193	(48,426)	-	-	1,428,767
KC Library - KCPL	2,571,410	(228,243)	-	-	2,343,167
KIPP Endeavor Academy	1,149,274	505,279	-	-	1,654,553
Lee A. Tolbert Community Academy	997,433	(144,713)	-	-	852,720
Pathway Academy	662,496	(150,704)	-	-	511,792
School District - KCSD	38,373,038	(3,867,670)	-	-	34,505,368
Scuola Vita Nuova	579,817	87,737	-	-	667,554
University Academy	2,418,539	(157,880)	-	-	2,260,659
Total	\$ 67,623,875	\$ -	\$ -	\$ -	\$ 67,623,875

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

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, 2017, 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, Benjamin Banneker Charter Academy, Brookside Charter School, Citizens of the World Kansas City, Crossroads Charter Schools, DeLaSalle Charter School, Ewing Marion Kauffman School, Frontier Schools, Genesis School, Inc., Gordon Parks Elementary, Guadalupe Center Schools, Hogan Preparatory Academy, Hope Leadership Academy, Kansas City International Academy, Kansas City Neighborhood 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 (the “Board”) 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 policies 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 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, 2017 and 2016, respectively, the Plan’s membership consisted of:

	2017	2016
Active Plan members	3,701	3,574
Retirees and beneficiaries receiving benefits	4,032	4,049
Terminated Plan members, vested entitled to but not yet receiving benefits	490	461
Terminated Plan members, nonvested entitled to a refund of contributions plus accrued interest	2,298	2,279
Total Plan membership	10,521	10,363

**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 - For the years beginning January 1, 2017 and 2016, members of Plan B and C contributed at 9% of annual compensation.

For the years beginning January 1, 2017 and 2016, employers contributed at 9% 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 34.25 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. 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)

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.

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 a benefit calculated as for normal retirement, based on credible service and average final compensation at the actual disability retirement date, or the minimum disability benefit whichever is greater. The minimum disability retirement benefit shall be the lesser of:

1. 25% of the member's average final compensation; or
2. The member's service retirement benefit calculated on the member's average final compensation and the maximum number of years of creditable service the member would have earned had the member remained an employee until age 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 designated survivor will receive, for life, the same level of monthly retirement benefit. In the event that the retiree's designated survivor 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 designated survivor will receive, for life, a monthly retirement benefit equal to one-half the retiree's benefit. In the event the retiree's designated survivor 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 and interest, 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 1st 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, 2017 and 2016 there was no Benefit Increase Adjustment or an extra check issued to eligible retirees.

**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

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

Use of estimates - The amounts reported in the schedule of employer allocations and the schedule of pension amounts by employer were prepared in accordance with accounting principles generally accepted in the United States of America. Such preparation requires management to make estimates and assumptions related to the reported amounts. Accordingly, actual results may differ from those estimates.

(3) Net pension liability

The components of the net pension liability of the participating employers as of December 31, 2017 were as follows:

Total pension liability		\$ 989,536,742
Less: Fiduciary net position		<u>685,801,998</u>
Net pension liability		<u><u>\$ 303,734,744</u></u>

Plan fiduciary net position as a percentage of total pension liability		69.31%
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(4) Actuarial assumptions

Valuation Date	January 1, 2017 and 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed Period (2017); Level Dollar, Open Period (2016)
Remaining Amortization Period	30 years
Asset Valuation Method	5-year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.75% (2017) and 8.00% (2016), including inflation
Projected Salary Increases	5.00%, including inflation
Inflation	2.75% (2017) and 3.00% (2016)
Mortality:	2017 - Pre-retirement mortality rates were based on RP-2014 Healthy Non-Annuitant Blue Collar Table with a one-year setback for females, projected 15 years from the valuation date using Scale MP-2016. Post-retirement mortality rates were based on RP-2014 Healthy Annuitant Blue Collar Table with a one-year setback for females, projected 7 years from the valuation date using Scale MP-2016. Disability mortality rates were based on RP-2014 Disabled Table for Males and Females.

**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)

2016 - 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 actuarial assumptions used in the January 1, 2017 valuation were adopted by the Board from the results of an actuarial experience study covering the five-year period ended December 31, 2015 (dated October 3, 2016).

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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Year Long-term Expected Real Rate of Return</u>
US Equity	22.50 %	6.80 %
Developed Equity	15.00 %	7.50 %
Emerging Market Equity	10.00 %	9.90 %
Core Fixed Income	10.00 %	1.80 %
High Yield	2.50 %	5.00 %
Global Fixed Income	5.00 %	1.30 %
Real Estate	10.00 %	4.60 %
Commodities	5.00 %	4.30 %
Hedge Fund of Funds	7.50 %	3.80 %
GTAA	7.50 %	4.20 %
Private Equity	5.00 %	11.50 %

**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)

Discount rate - The discount rate used to measure the total pension liability as of December 31, 2017 and 2016 was 7.75% and 8%, respectively. 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	Participating entities' net pension liability
1% decrease	6.75%	\$401,049,071
Current discount rate	7.75%	303,734,744
1% increase	8.75%	221,067,453

**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, 2017, 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.

	Deferred Outflows of Resources			December 31, 2017
	December 31, 2016	Additions	Recognition	
Differences between expected and actual experience				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	2,979,964	-	2,979,964	-
2016 Base	-	-	-	-
2017 Base	-	4,918,291	1,943,989	2,974,302
Total	<u>2,979,964</u>	<u>4,918,291</u>	<u>4,923,953</u>	<u>2,974,302</u>
Changes of assumptions				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	303,798	-	303,798	-
2016 Base	796,648	-	471,389	325,259
2017 Base	-	77,882,241	30,783,494	47,098,747
Total	<u>1,100,446</u>	<u>77,882,241</u>	<u>31,558,681</u>	<u>47,424,006</u>
Differences between projected and actual earnings				
2014 Base	\$ 12,028,288	\$ -	\$ 6,014,145	\$ 6,014,143
2015 Base	38,311,303	-	12,770,434	25,540,869
2016 Base	3,702,807	-	925,702	2,777,105
2017 Base	-	-	-	-
Total	<u>54,042,398</u>	<u>-</u>	<u>19,710,281</u>	<u>34,332,117</u>
Changes in proportion				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	1,051,694	-	1,051,694	-
2016 Base	3,808,937	-	2,253,809	1,555,128
2017 Base	-	5,844,571	2,310,107	3,534,464
Total	<u>4,860,631</u>	<u>5,844,571</u>	<u>5,615,610</u>	<u>5,089,592</u>
Total	<u>\$ 62,983,439</u>	<u>\$ 88,645,103</u>	<u>\$ 61,808,525</u>	<u>\$ 89,820,017</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, 2017
	December 31, 2016	Additions	Recognition	
Differences between expected and actual experience				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	-	-	-	-
2016 Base	1,820,121		1,076,994	743,127
2017 Base	-	-	-	-
Total	<u>1,820,121</u>	<u>-</u>	<u>1,076,994</u>	<u>743,127</u>
Changes of assumptions				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	-	-	-	-
2016 Base	-	-	-	-
2017 Base	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Differences between projected and actual earnings				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	-	-	-	-
2016 Base	-	-	-	-
2017 Base	-	55,190,618	11,038,124	44,152,494
Total	<u>-</u>	<u>55,190,618</u>	<u>11,038,124</u>	<u>44,152,494</u>
Changes in proportion				
2014 Base	\$ -	\$ -	\$ -	\$ -
2015 Base	1,051,694	-	1,051,694	-
2016 Base	3,808,937	-	2,253,809	1,555,128
2017 Base	-	5,844,571	2,310,107	3,534,464
Total	<u>4,860,631</u>	<u>5,844,571</u>	<u>5,615,610</u>	<u>5,089,592</u>
Total	<u>\$ 6,680,752</u>	<u>\$ 61,035,189</u>	<u>\$ 17,730,728</u>	<u>\$ 49,985,213</u>

The following provides the net deferred outflows/(inflows) of resources as of December 31, 2017, 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
2018	\$ 52,763,021	\$ 11,781,251	\$ 40,981,770
2019	31,041,703	11,038,124	20,003,579
2020	925,701	11,038,124	(10,112,423)
2021	-	11,038,122	(11,038,122)
2022	-	-	-
Thereafter	-	-	-

**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**

(6) Collective pension expense

Collective pension expense for the year ended December 31, 2017 is as follows:

Service cost	\$ 18,682,762
Interest on the total pension liability	68,868,243
Expensed portion of current-period difference between expected and actual experience in the total pension liability	1,943,989
Expensed portion of current-period assumption changes	30,783,494
Member contributions	(16,964,351)
Projected earnings of plan investments	(48,577,096)
Expenses portion of current-period difference between projected and actual earnings on plan investments	(11,038,124)
Administrative expenses	1,520,665
Other	15,855
Recognition of beginning deferred outflows resources	23,465,432
Recognition of beginning deferred inflows resources	(1,076,994)
Total pension expense	<u><u>\$ 67,623,875</u></u>