



# **Kansas City Area Transportation Authority Retirement Plan for Salaried Employees**

Financial Report  
December 31, 2015

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RSM US LLP

## Independent Auditor's Report

To the Participants and the Salaried Pension Committee  
Kansas City Area Transportation Authority  
Retirement Plan for Salaried Employees  
Kansas City, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of the Kansas City Area Transportation Authority Retirement Plan for Salaried Employees (the Plan), a pension trust fund of the Kansas City Area Transportation Authority, which comprise the statements of plan net position as of December 31, 2015 and 2014, the related statements of changes in plan net position for the years 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.

### Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 plan net position of the Plan, a pension trust fund of the Kansas City Area Transportation Authority, as of December 31, 2015 and 2014, and the changes in plan net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1, the financial statements present only a pension trust fund of the Kansas City Area Transportation Authority and do not purport to, and do not, present the financial position of the Kansas City Area Transportation Authority as of December 31, 2015 and 2014, and the changes in its financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the pension information on pages 15 through 19 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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.

*RSM US LLP*

Kansas City, Missouri  
April 12, 2016

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Statements of Plan Net Position December 31, 2015 and 2014

	2015	2014
<b>Assets:</b>		
Investments (Note 3):		
Common stock	\$ 5,848,757	\$ 4,822,522
Equity funds	4,764,363	5,979,289
U.S. agencies	1,130,510	1,264,960
Debt funds	564,383	769,719
Corporate bonds	2,096,801	2,029,947
U.S. Treasury	727,527	353,027
Municipal bonds	49,461	49,248
Money market fund	413,216	473,188
<b>Total investments</b>	<b>15,595,018</b>	<b>15,741,900</b>
Accrued interest and dividend receivables	40,717	33,869
<b>Total assets</b>	<b>15,635,735</b>	<b>15,775,769</b>
<b>Liabilities:</b>		
Accrued administrative expenses	25,788	16,596
<b>Net position available for benefits</b>	<b>\$ 15,609,947</b>	<b>\$ 15,759,173</b>

See notes to financial statements.

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Statements of Changes in Plan Net Position Years Ended December 31, 2015 and 2014

	2015	2014
Additions:		
Employer contributions	<b>\$ 750,000</b>	\$ 860,445
Employee rollover contribution from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan	<b>41,178</b>	27,314
Investment income (loss):		
Net (depreciation) appreciation of fair value of investments	<b>(215,372)</b>	625,062
Interest and dividends	<b>309,903</b>	300,713
<b>Net investment income</b>	<b>94,531</b>	925,775
<b>Total additions</b>	<b>885,709</b>	1,813,534
Deductions:		
Benefits paid to participants	<b>995,727</b>	1,547,409
Administrative expenses	<b>39,208</b>	31,415
<b>Total deductions</b>	<b>1,034,935</b>	1,578,824
<b>Net increase (decrease)</b>	<b>(149,226)</b>	234,710
Net position available for benefits:		
Beginning of year	<b>15,759,173</b>	15,524,463
End of year	<b>\$ 15,609,947</b>	\$ 15,759,173

See notes to financial statements.

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

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#### Note 1. Plan Description

The following brief description of the Kansas City Area Transportation Authority Retirement Plan for Salaried Employees (the Plan) is provided for general information purposes only. Participants should refer to the plan agreements for more complete information. The Plan is included in the Kansas City Area Transportation Authority's financial report as a fiduciary fund.

**General:** The Plan is a single-employer defined benefit pension plan covering full-time salaried employees who meet the eligibility requirement of one year of continuous employment as an employee (or at least one year of continuous employment as an employee of Kansas City Area Transportation Authority (the Authority) with at least six consecutive months of such employment as an employee). The Plan is administered by the Salaried Pension Committee appointed by the Board of Commissioners of the Authority. The Plan is a pension trust fund of the Authority. The Plan allows employee rollover contributions from the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan (Union Plan). Included in net position available for benefits at December 31, 2015 and 2014, are \$488,754 and \$402,186, respectively, related to employee pretax contributions, additional contributions, and accumulated interest at 5 percent annually. These amounts will be distributed to individual members in a lump-sum payment no later than the date that the member's accrued benefit distributions begin.

The following presents the Plan's membership as of January 1, 2015 and 2014:

	2015	2014
Active employees	93	89
Retirees and beneficiaries currently receiving benefits	46	46
Terminated employees entitled to benefits but not yet receiving them	11	9
	150	144

**Pension benefits:** Members with five or more years of service are entitled to annual pension benefits, beginning at normal retirement age (65), equal to 1.45 percent of monthly earnings, as defined by the Plan, multiplied by years and months of credited service.

Any member who is an employee on or after his or her normal retirement date shall be 100 percent vested in his or her accrued benefit. Vesting for all other members is as follows:

Years of Service	Vesting Percentage
Less than 5	0%
5 or more	100%

A member shall be entitled to his or her accrued benefit commencing on their early retirement date without actuarial reduction under any of the following circumstances: (i) the member reaches attained age 60 and completes at least 30 years of service, (ii) the member reaches attained age 62 and completes at least 10 years of service, or (iii) the member had completed at least 30 years of service by January 1, 1979, regardless of age. The Plan also permits early retirement at age 55 and 15 years of service. The early retirement benefit is the accrued benefit reduced by 1/180 for each of the first 60 months and 1/360 for each of the next 60 months by which the early retirement date precedes the normal retirement date.

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

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#### Note 1. Plan Description (Continued)

Members may elect to receive their pension benefits over their lifetime, guaranteed for 60, 120 or 180 months; over their lifetime and then continuing to a beneficiary; in the form of a joint and survivor annuity; or in a lump-sum payment. Effective January 1, 2014, an additional pension payment option was approved, which allows members to elect to receive a one-time 25 percent lump-sum payment and the remaining 75 percent of the benefit payments in any of the Plan's existing annuity options.

**Death benefits:** If an active member dies after five years of service, a death benefit equal to 50 percent of the value of the employee's accumulated pension benefits is paid to the employee's beneficiary.

**Disability benefit:** Members who become totally and permanently disabled after 10 years of service receive benefits that are equal to the normal retirement benefits as long as the participant remains disabled.

#### Note 2. Summary of Significant Accounting Policies

The Plan's significant accounting policies are as follows:

**Basis of accounting:** The accompanying financial statements are prepared on the accrual basis of accounting.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates. The Plan uses an actuary to determine the total pension liability. A change in the actuarial assumptions used could significantly change the amount of the total pension liability reported in the accompanying footnotes to the financial statements.

**Investment valuation and income recognition:** Investments are valued at fair value. UMB Bank, N.A. has discretionary authority concerning the purchases of investments in the Plan, subject to the overall investment policy guidelines as approved by the Board of Commissioners. The investments have been valued at quoted market prices.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investments of the Plan are invested in common stock, U.S. agencies, U.S. Treasury, corporate bonds, municipal bonds, money market accounts and mutual funds through UMB Bank, N.A. The equity funds consist of mutual funds that comprise common and convertible stocks. The debt funds consist of mutual funds that comprise United States government and agency securities, corporate bonds and commercial paper. The money market fund consists of investments similar to the debt funds; however, the maturity date of the money market fund investments is less than one year.

**Benefit payments:** Benefit payments to participants are recorded upon distribution.

**Contributions:** Employer contributions are subject to annual appropriation by the Authority. The only employee contributions allowed are rollovers from the Union Plan sponsored by the Authority. The Plan receives an annual actuarial valuation for the purpose of determining the recommended contribution rates.



## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

The actuarially determined required contribution and actual contributions as of January 1, 2015 and 2014, were as follows:

	2015	2014
Normal cost	\$ 443,735	\$ 438,563
Interest on net pension liability	28,683	27,069
Amortization toward unfunded amount	321,155	283,279
Annual required contribution	<u>\$ 793,573</u>	<u>\$ 748,911</u>
Actual contributions made	<u>\$ 750,000</u>	<u>\$ 860,445</u>
Covered payroll	\$ 6,076,318	\$ 5,761,978
Percentage of covered payroll contributed	12.34%	14.93%

Administrative costs of the Plan are financed through investment earnings when incurred.

**Funding policy:** The Authority has voluntarily agreed to make contributions to the Plan sufficient to provide the Plan with assets with which to pay pension benefits to plan participants. The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The actuarially determined recommended contributions for 2015 and 2014 were \$793,573 and \$748,911, respectively. According to the actuarial valuation as of January 1, 2015, the normal cost for the plan year beginning January 1, 2015, is \$443,735, or 7.3 percent of eligible payroll for those under the assumed retirement age.

According to the actuarial valuation as of January 1, 2014, the normal cost for the plan year beginning January 1, 2014, is \$438,563, or 7.6 percent of eligible payroll for those under the assumed retirement age.

**Funded status and changes in net pension liability:** As of December 31, 2015, the total pension liability was determined using an actuarial valuation date of January 1, 2015, rolled forward from the valuation date to the plan year ended December 31, 2015, using generally accepted actuarial principles and methods. The total pension liability was \$18,840,768, and the plan fiduciary net position was \$15,609,947, resulting in a net pension liability (NPL) of \$3,230,821 and 82.9 percent funding. The annual covered payroll (annual payroll of active employees covered by the Plan) was \$6,076,318, and the ratio of the NPL to the annual covered payroll was 53.17 percent.

As of December 31, 2014, The total pension liability was determined using an actuarial valuation date of January 1, 2014, rolled forward from the valuation date to the plan year ending December 31, 2014, using generally accepted actuarial principles and methods. The total pension liability was \$17,387,285; and the plan fiduciary net position was \$15,759,173; resulting in a net pension liability (NPL) of \$1,628,112 and 90.6 percent funding. The annual covered payroll (annual payroll of active employees covered by the Plan) was \$5,761,978; and the ratio of the NPL to the annual covered payroll was 28.3 percent.

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the Plan with its year ending December 31, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value and what information about fair value should be disclosed in the notes to the financial statements. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The related disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in may alternative investments.

#### Note 3. Net Pension Liability and Actuarial Assumptions

**Net pension liability of the Plan:** The components of the net pension liability of the Plan at December 31, 2015 and 2014, were as follows:

	2015	2014
Total pension liability	\$ 18,840,768	\$ 17,387,285
Plan fiduciary net position	(15,609,947)	(15,759,173)
Net pension liability	<u>\$ 3,230,821</u>	<u>\$ 1,628,112</u>
Plan fiduciary net position as a percent of the total pension liability	82.9%	90.6%

**Sensitivity analysis:** The following presents the net pension liability of the Plan, calculated using the discount rate of 7.5 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2015	\$ 4,703,749	\$ 3,230,821	\$ 1,941,693
2014	2,795,778	1,628,112	552,053

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

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#### Note 3. Net Pension Liability and Actuarial Assumptions (Continued)

The significant actuarial assumptions used in the valuation as of January 1, 2015 and 2014, are as follows:

##### Economic assumptions:

Long-term rate of return:	7.5% per year
Discount rate:	The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension 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.
Salary increases:	4% per year
Expenses:	\$45,000 added to normal cost
Lump sums:	75% of retirees are assumed to elect lump-sum distributions and 25% are assumed to elect life annuity distributions. 100% of others are assumed to elect lump-sum distributions. The lump sum is based upon an interest rate of 6.5% and the UP 1984 Mortality Table, set forward one year.
Maximum benefit:	\$210,000 for current and future years
Maximum earnings:	\$265,000 for current and future years (\$260,000 for 2014)

##### Demographic assumptions:

Mortality—healthy lives:	RP-2014 Total Mortality Table with 2014 intermediate assumption Social Security improvement scale. (RP-2000 Combined Annuitant/Non-Annuitant Mortality Table for Males and Females in 2014)
Termination of employment:	Table T-3 of the Actuary's Pension Handbook
Disability:	1987 Commissioners Table for 2015 and 2014
Amortization period:	15 years; 14 years left in amortization period
Amortization method:	Level dollar, closed period

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

#### Note 3. Net Pension Liability and Actuarial Assumptions (Continued)

Retirement:	Age	Rate
	60	5%
	61	5%
	62	25%
	63	10%
	64	10%
	65 and older	100%

Sample rates:	Disability			
	Age	Termination	Males	Females
	25	5.27%	0.04%	0.11%
	30	4.83%	0.10%	0.14%
	35	4.47%	0.12%	0.20%
	40	3.84%	0.17%	0.27%
	45	3.21%	0.28%	0.39%
	50	1.52%	0.52%	0.61%
	55	0.33%	0.97%	0.94%
	60	0.00%	1.48%	1.20%

**Funding method:** Effective with the January 1, 2014, valuation, the actuarial cost method is the Individual Entry Age Actuarial Cost Method, with entry age determined at the date each employee would have entered the Plan, had the Plan always been in existence.

The present value of the future normal costs is the excess of the present value of benefits over the assets. The normal cost accrual rate is the present value of future normal costs divided by the present value of future covered payroll. The normal cost is the normal cost accrual rate times the annual covered payroll.

**Changes in assumptions:** In 2015 the mortality assumption was changed from the RP-2000 Combined Annuitant/Non-Annuitant Mortality Table to the RP-2014 Mortality Table projected generationally with scale based on Social Security intermediate assumptions, and the assumed form of payment was updated to 75 percent lump sum, 25 percent life annuity, resulting in a \$636,032 increase in total pension liability.

In 2014, the actuarial cost method was changed from the Frozen Initial Liability Method to the Entry Age Normal Method, resulting in \$29,619 decrease in the recommended contribution.

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

#### Note 4. Investments

As of December 31, 2015 and 2014, the Plan had the following investments. Those equity investments that represent 5 percent or more of the Plan's net position are presented separately. All debt securities are presented separately.

Investment Type	2015			2014		
	Fair Value	Moody's Rating	Standard & Poor's Rating	Fair Value	Moody's Rating	Standard & Poor's Rating
Common stock	<u>\$ 5,848,757</u>	NA	NA	<u>\$ 4,822,522</u>	NA	NA
Mutual funds:						
Equity funds:						
Vanguard Developed Markets	965,433	NA	NA	810,249	NA	NA
Other equity funds	<u>3,798,930</u>	NA	NA	<u>5,169,040</u>	NA	NA
	<u>4,764,363</u>			<u>5,979,289</u>		
Debt funds	<u>564,383</u>	Not rated	Not rated	<u>769,719</u>	Not rated	Not rated
Corporate bonds:						
AFLAC Inc	100,528	A3	A	124,972	A3	A
American Express Co	124,024	A3	BBB+	123,811	A3	BBB+
Ameriprise	138,620	A3	A	-	-	-
Anheuser Busch Inbev Worldwide Inc	144,491	A2	A-	151,405	A2	A
Archer Daniels Midland Co	31,338	A2	A	38,987	A2	A
BB&T Corporation	125,491	A2	A-	125,256	A2	A-
Bhp Billiton Fin USA	124,746	A1	A	126,034	A1	A+
BP Cap Mkts P L C Gtd NT	98,567	A2	A-	98,225	A2	A
Bank America Corp	111,742	Baa1	BBB+	115,778	Baa2	A-
Daimler Finance North America	100,528	A3	A-	102,085	A3	A-
General Electric Corp	54,530	A1	AA+	53,741	A1	AA+
General Electric Corp	-	-	-	56,262	A1	AA+
Goldman Sachs Group Inc Medium Term	161,818	Baa1	A-	162,502	Baa1	A-
Halliburton Co	136,664	A2	A	141,320	A2	A
Home Depot Inc	110,122	A2	A	-	-	-
JPMorgan Chase & Co Sr	54,217	A3	A-	55,235	A3	A
JPMorgan Chase & Co	74,756	A3	A-	50,475	A3	A
Morgan Stanley SR	112,910	A3	BBB+	116,671	Baa2	A-
Rio Tinto Fin USA Ltd	-	-	-	30,241	A3	A-
Simon Pty Group	-	-	-	142,262	A2	A
Vale Overseas Ltd	99,810	Ba3	BBB+	106,660	Baa2	BBB+
Verizon Communications Inc	112,503	Baa1	BBB+	-	-	-
Wachovia Corp	79,396	A2	A+	82,802	A2	A+
Wells Fargo Co	-	-	-	25,223	A2	A+
	<u>2,096,801</u>			<u>2,029,947</u>		
U.S. agencies:						
Federal Home Loan	670,192	Aaa	AA+	497,333	Aaa	AA+
Federal National Mortgage Association	337,098	Aaa	AA+	552,328	Aaa	AA+
Government National Mortgage Association	<u>123,220</u>	Aaa	AA+	<u>215,299</u>	Aaa	AA+
	<u>1,130,510</u>			<u>1,264,960</u>		
U.S. Treasury	<u>727,527</u>	NA	NA	<u>353,027</u>	NA	NA
Municipal bonds	<u>49,461</u>	A3	AA	<u>49,248</u>	A3	AA
BMO Prime Money Market Fund	<u>413,216</u>	NA	NA	<u>473,188</u>	NA	NA
	<u>\$ 15,595,018</u>			<u>\$ 15,741,900</u>		

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

#### Note 4. Investments (Continued)

**Credit risk:** Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The December 31, 2015 and 2014, ratings are listed in the table above. In December 2014, the Plan updated its investment policy to establish a policy to minimize credit risk. Purchases of individual fixed-income assets and bond mutual funds must be rated A3/A- or better by one major credit rating agency.

**Interest rate risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment means the greater the sensitivity of its fair value to changes in market interest rates. The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity. Common stocks, mutual funds (equity and debt funds) and money market funds are not subject to interest rate risk given they have no maturity dates.

Security Description	December 31, 2015				
	Current Market Value	Investment Maturities (in Years)			Greater Than 10
		Less Than 1	1-5	6-10	
Common stock	\$ 5,848,757	\$ -	\$ -	\$ -	\$ -
Equity funds	4,764,363	-	-	-	-
Debt funds	564,383	-	-	-	-
Corporate bonds	2,096,801	-	1,860,228	236,573	-
U.S. agencies	1,130,510	-	685,094	189,159	256,257
Municipal bonds	49,461	-	-	-	49,461
U.S. Treasury	727,527	-	381,875	203,677	141,975
Money market fund	413,216	-	-	-	-
	<u>\$ 15,595,018</u>	<u>\$ -</u>	<u>\$ 2,927,197</u>	<u>\$ 629,409</u>	<u>\$ 447,693</u>

Security Description	December 31, 2014				
	Current Market Value	Investment Maturities (in Years)			Greater Than 10
		Less Than 1	1-5	6-10	
Common stock	\$ 4,822,522	\$ -	\$ -	\$ -	\$ -
Equity funds	5,979,289	-	-	-	-
Debt funds	769,719	-	-	-	-
Corporate bonds	2,029,947	25,224	2,004,723	-	-
U.S. agencies	1,264,960	101,146	587,171	204,612	372,031
Municipal bonds	49,248	-	-	49,248	-
U.S. Treasury	353,027	-	353,027	-	-
Money market fund	473,188	-	-	-	-
	<u>\$ 15,741,900</u>	<u>\$ 126,370</u>	<u>\$ 2,944,921</u>	<u>\$ 253,860</u>	<u>\$ 372,031</u>

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Notes to Financial Statements

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#### Note 4. Investments (Continued)

**Concentration of credit risk:** The Plan's investment policy is to apply the prudent-person rule: Investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived. It is the Plan's policy that the portfolio should be well diversified in an attempt to reduce the overall risk of the portfolio. The policy specifically places the following constraints on the following specific asset classes:

Small cap	Maximum 20 percent of total portfolio
Foreign	Maximum 30 percent of total portfolio
Large cap	Minimum 20 percent and maximum 40 percent of total portfolio
Mid cap	Maximum 20 percent of total portfolio

**Rate of return:** For the years ended December 31, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.00 percent and 6.16 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Asset allocation:** The Plan's investment policy has the following asset allocation ranges permitted and the long-term expected arithmetic real rate of return for each major asset class:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	55–75%	4.60%-7.20%
Fixed income	10–40%	1.70%-2.70%
Other	0–10%	3.10%-6.90%
Cash	0–10%	0.00%-0.60%

Mutual funds may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds are not subject to concentration of credit risk.

**Custodial credit risk:** Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Plan does not have a policy for custodial credit risk.

At December 31, 2015 and 2014, the Plan's corporate bonds, common stock, municipal bonds, and U.S. agencies were uninsured investments, but the securities were held by the counterparty's trust department or agent in the name of the Plan. The equity funds, debt funds, U.S. Treasury and money market funds are not exposed to custodial credit risk. The Plan's investments during the years ended December 31, 2015 and 2014, did not differ significantly from these at the respective year-ends in amounts or level of risk.

## **Kansas City Area Transportation Authority Retirement Plan for Salaried Employees**

### **Notes to Financial Statements**

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#### **Note 5. Plan Termination**

In the event that the Plan terminates, the assets of the Plan will be allocated to provide monthly retirement income, disability payments and death benefits in the following order:

- (a) To refund any pretax employee contributions that were made by a member to the Union Plan and then transferred to this Plan. Any such refund shall include interest calculated in accordance with plan provisions.
- (b) To provide benefits to members and beneficiaries receiving such income or payments under the Plan prior to its termination.
- (c) To provide benefits to members and beneficiaries qualified to receive such income or payments, but not yet receiving them as of the date of termination.
- (d) To provide monthly retirement income at normal retirement date under the plan terms as if it were in effect to members who have fulfilled the requirements for early retirement benefits or termination benefits. The amount of such monthly retirement income shall be equal to the member's accrued benefit fully vested as of the date of termination.
- (e) To provide monthly retirement income at normal retirement date, equal to the member's accrued benefits fully vested at the date of termination, to every other member of the Plan.

If the assets available for allocation to (b), (c) or (d) are insufficient to satisfy in full all benefits in that class, the assets shall be allocated to individuals on the basis of the present value (as of the termination date) of the benefits in such class (adjusted for any subsequent payments).

#### **Note 6. Administrative Expenses**

Certain administrative costs of the Plan are paid by the Authority and by the Plan.

#### **Note 7. Tax Status**

The Plan has received a favorable determination letter dated June 24, 2014, from the Internal Revenue Service indicating that it is qualified under section 401(a) of the Internal Revenue Code (the Code). The Plan has been amended since receiving this determination letter. The Plan Administrator believes the Plan is currently designed, and is being operated, in compliance with the applicable requirements of the Code.



**Kansas City Area Transportation Authority Retirement Plan for Salaried Employees**

**Required Supplementary Information  
Schedule of Changes in Net Pension Liability  
Fiscal Years Ended December 31, 2015 and 2014**

	2015	2014
Total pension liability:		
Service cost	\$ 398,735	\$ 393,564
Interest	1,349,207	1,267,046
Difference between expected and actual experience	65,236	-
Changes in assumptions	636,032	-
Benefit payments including refunds of member contributions	(995,727)	(1,547,409)
<b>Net change in total pension liability</b>	<b>1,453,483</b>	<b>113,201</b>
Total pension liability—beginning of year	<b>17,387,285</b>	17,274,084
Total pension liability—end of year	<b>\$ 18,840,768</b>	<b>\$ 17,387,285</b>
Plan fiduciary net position:		
Contributions—employer	\$ 750,000	\$ 860,445
Net investment income	94,531	925,775
Contributions	(995,727)	(1,547,409)
Administrative expenses	(39,208)	(31,415)
Other (transfers)	41,178	27,314
<b>Net change in plan fiduciary net position</b>	<b>(149,226)</b>	<b>234,710</b>
Plan fiduciary net position—beginning of year	<b>15,759,173</b>	15,524,463
Plan fiduciary net position—end of year	<b>\$ 15,609,947</b>	<b>\$ 15,759,173</b>
<b>Net pension liability</b>	<b>\$ 3,230,821</b>	<b>\$ 1,628,112</b>

Information prior to 2014 is unavailable.

See note to required supplementary information.

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Required Supplementary Information Schedule of Net Pension Liability and Related Ratios Fiscal Years Ended December 31, 2015 and 2014

	2015	2014
Total pension liability—end of year	\$ 18,840,768	\$ 17,387,285
Plan fiduciary net position—end of year	15,609,947	15,759,173
<b>Net pension liability</b>	<b>\$ 3,230,821</b>	<b>\$ 1,628,112</b>
Plan fiduciary net position as a percentage of the total pension liability	82.85%	90.63%
Covered employee payroll	\$ 6,076,318	\$ 5,761,978
Net pension liability as a percentage of covered employee payroll	53.17%	28.26%

Information prior to 2014 is unavailable.

See note to required supplementary information.

**Kansas City Area Transportation Authority Retirement Plan for Salaried Employees**

**Required Supplementary Information  
Schedule of Employer Contributions  
Ten Years Ended December 31, 2015**

Years Ended December 31	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 736,367	\$ 739,550	\$ (3,183)	\$ 5,235,979	14.12%
2007	779,086	795,951	(16,865)	5,646,903	14.10%
2008	731,087	812,552	(81,465)	5,635,819	14.42%
2009	811,286	860,000	(48,714)	6,141,909	14.00%
2010	854,001	860,000	(5,999)	6,145,730	13.99%
2011	806,145	900,000	(93,855)	6,235,887	14.43%
2012	881,559	900,000	(18,441)	6,344,517	14.19%
2013	860,445	945,000	(84,555)	6,005,404	15.74%
2014	748,911	860,445	(111,534)	5,761,978	14.93%
2015	793,573	750,000	43,573	6,076,318	12.34%

See note to required supplementary information.

**Kansas City Area Transportation Authority Retirement Plan for Salaried Employees**

**Required Supplementary Information  
Schedule of Investment Returns  
Fiscal Years Ended December 31, 2015 and 2014**

	<b>2015</b>	2014
Annual money-weighted rate of return, net of investment expense	<b>1.00%</b>	6.16%

Information prior to 2014 is unavailable.

See note to required supplementary information.

## Kansas City Area Transportation Authority Retirement Plan for Salaried Employees

### Note to Required Supplementary Information

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The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation:

Frequency	Annual
Latest date	January 1, 2015
Cost method	Entry age actuarial

The significant actuarial assumptions used in the valuation as of January 1, 2015 and 2014, are as follows:

#### **Economic assumptions:**

Interest rates:	7.5% per year
Long-term rate of return:	7.5% per year
Salary increases:	4% per year
Expenses:	\$45,000 added to normal cost
Lump sums:	All participants are assumed to choose a lump-sum distribution upon termination of employment. The lump sum is based upon an interest rate of 6.5% and the UP 1984 Mortality Table, set forward one year
Maximum benefit:	\$210,000 for current and future years
Maximum earnings:	\$265,000 for current and future years (\$260,000 for 2014)
Amortization period:	15 years; 14 years left in amortization period
Amortization method:	Level dollar, closed period

#### **Demographic assumptions:**

Mortality—healthy lives:	RP-2014 Total Mortality Table with 2014 intermediate assumption Social Security improvement scale (RP-2000 Combined Annuitant/ Non-Annuitant Mortality Table for Males and Females in 2014)
Termination of employment:	Table T-3 of the Actuary's Pension Handbook
Disability:	1987 Commissioners Table for 2015 and 2014

The method of valuation is the Entry Age Cost Method, with entry age determined at the date each employee would have entered the Plan, had the Plan always been in existence.

