

ADDENDUM NO. 1

**Kansas City Area Transportation Authority
1350 E. 17th Street
Kansas City, Missouri 64108**

**RFP #19-7009-28B
AUDITING SERVICES FOR UNION EMPLOYEES FUNDED PENSION PLAN**

Issue Date: March 18, 2019

This Addendum is hereby made a part of the Bidding Documents to the same extent as if it was originally included therein and is intended to modify and/or interpret the bidding documents by additions, deletions, clarifications or corrections. The Contractor shall acknowledge in the proposal the receipt of this Addendum.

QUESTIONS AND ANSWERS RELATED TO RFP# 19-7009-28B

1.
 - a. Will the audit of the year ended 12/31/18 be a limited scope or full scope audit?
 - b. Has a limited scope audit been performed in the past? If so, may we have a copy of the last limited scope audit?
 - c. May we have a copy of the last full scope audit?

ANSWER

- a. The RFP erroneously listed a date of December 17, 208 as the release date of the RFP. The audit services for which services are being requested are for the years beginning in 2019. The 2018 audit already conducted was a full scope audit.
 - b. KCATA has never conducted a limited scope audit, however that does not preclude the possibility of conducting one in the future.
 - c. A copy of the 2017 final audit is attached to this Addendum.
2. What date do you require the final audit reports be delivered?

ANSWER

Audit reports must be delivered by the end of February each year so they can be reviewed and incorporated into the agency's financial report to the Board.

3. What were the fees paid for the last full scope audit and what were the fees for the last Limited scope audit?

ANSWER

The fees paid for the 2017 full scope audit were approximately \$23000.00

End of Addendum #1

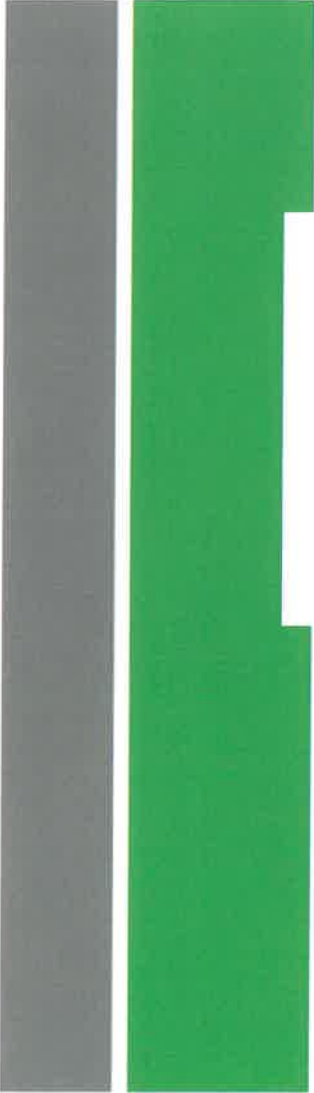
RECEIPT OF ADDENDA

**RFP #19-7009-28B
AUDITING SERVICES FOR UNION EMPLOYEES FUNDED PENSION PLAN**

Offerors shall return this **RECEIPT OF ADDENDA** form when submitting your bid. The form shall be signed and dated by an authorized representative of the firm. Failure to submit this form may deem the Offeror non-responsive.

We hereby acknowledge that the Addenda noted below have been received and all information has been incorporated in the RFP as required.

Addendum # 1	Dated _____	Date Received _____
Company Name:	_____	
Address:	_____	
City/State/Zip Code:	_____	
Telephone:	_____	Fax: _____
Printed Name:	_____	
Authorized Signature:	_____	
Email Address:	_____	



Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Financial Report
December 31, 2017

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RSM US LLP

Independent Auditor's Report

To the Participants and the Union Employees' Funded Pension Committee
Kansas City Area Transportation Authority
Union Employees' Funded Pension Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan (the Plan), which comprise the statements of plan net position as of December 31, 2017 and 2016, 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 Plan'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 Plan'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 as of December 31, 2017 and 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension information on pages 14 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 audits 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
September 17, 2018

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

**Statements of Plan Net Position
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Assets:		
Investments (Note 4):		
Common collective trusts	\$ 49,722,734	\$ 45,062,288
Other receivables	294,417	226,084
Total assets	50,017,151	45,288,372
Liabilities:		
Accrued administrative expenses	159,103	78,815
Net position available for pension benefits	\$ 49,858,048	\$ 45,209,557

See notes to financial statements.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

**Statements of Changes in Plan Net Position
Years Ended December 31, 2017 and 2016**

	2017	2016
Additions:		
Employer contributions	\$ 2,322,232	\$ 2,530,180
Participant contributions	1,172,264	1,138,310
	<u>3,494,496</u>	<u>3,668,490</u>
Investment income:		
Net appreciation of fair value of investments	6,655,989	3,453,539
Total additions	<u>10,150,485</u>	<u>7,122,029</u>
Deductions:		
Benefits paid to participants	5,138,819	4,264,741
Management fees	295,540	268,501
Administrative expenses	67,635	64,538
Total deductions	<u>5,501,994</u>	<u>4,597,780</u>
Net increase	4,648,491	2,524,249
Net position available for pension benefits:		
Beginning of year	45,209,557	42,685,308
End of year	<u>\$ 49,858,048</u>	<u>\$ 45,209,557</u>

See notes to financial statements.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

Note 1. Plan Description

The following description of the Kansas City Area Transportation Authority Union Employees' Funded Pension Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreements for more complete information.

General: The Plan is a single-employer defined benefit pension plan covering full-time union employees who meet the eligibility requirements of being a permanent employee (members). The Plan is administered by the Union Employees' Funded Pension Committee appointed by the Board of Commissioners of the Kansas City Area Transportation Authority (the Authority) and Division 1287, Amalgamated Transit Union, AFL-CIO (the Union).

The following presents the Plan's membership as of January 1, 2017 and 2016:

	2017	2016
Active employees	525	528
Retirees and beneficiaries currently receiving benefits	226	223
Terminated employees entitled to benefits but not yet receiving them	7	9
	<u>758</u>	<u>760</u>

Pension benefits: Members with 10 or more years of service are entitled to annual pension benefits, beginning at normal retirement age (62), equal to 1.28 percent of monthly earnings, as defined by the Plan, multiplied by years and months of credited service.

Vesting is as follows:

Years of Service	Vesting Percentage
Less than 10	0%
10 or more	100%

A member shall be entitled to his accrued benefit commencing on his normal 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 or (ii) the member reaches attained age 62 and completes at least 10 years of service. The Plan also permits early retirement at age 55 and 15 years of service. The early retirement benefit is the accrued benefit reduced based on the years and completed calendar months by which the early retirement date precedes the normal retirement date.

Members may elect to receive their pension benefits over their lifetime, over their lifetime with a 10-year certain annuity, over their lifetime and then continuing to a beneficiary, in the form of a joint and survivor annuity, or in a lump-sum payment; or members can 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.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

Note 1. Plan Description (Continued)

Death benefits: If an active member dies after five years of service, a death benefit equal to the greater of (i) the participant's contributions to the fund, together with interest thereon computed at 5 percent, compounded annually to the date of the participant's death or (ii) 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 receive benefits as follows if (i) the member has at least 10 years of continuous service or (ii) the member has at least five years of continuous service and the disability is due to an occupational injury or illness.

- a. If the member becomes entitled to a disability pension on or after September 1, 1992, but before January 1, 1996: nine-tenths of one percent (0.9 percent) of the member's average monthly earnings multiplied by his or her years of credited service.
- b. If the member becomes entitled to a disability pension on or after January 1, 1996, but before January 1, 2000: one percent (1 percent) of the member's average monthly earnings multiplied by his or her years of credited service.
- c. If the member becomes entitled to a disability pension on or after January 1, 2000: one and 28/100ths of one percent (1.28 percent) of the member's average monthly earnings multiplied by his or her years of credited service.

Refunds of participant contribution: Any nonvested participant who leaves the service of the Authority for any cause other than death, or one which entitles him or her to a retirement or disability provision under this Plan, shall be entitled, upon request, to have refunded to them an amount equal to their total contributions to the fund, with interest thereon computed at 5 percent (compounded annually) less any benefits they may have received.

If the terminated participant returns to employment with the Authority, then they shall pay the Plan an amount equal to the amount determined in accordance with the then applicable labor agreement, for each week such participant was absent from work, plus an amount specified to the participant by the Union Employees' Funded Pension Committee, which shall equal 5 percent (compounded annually) on the participant's return to work date. The aggregate amount shall be payable by the participant in equal monthly installments over a period of time not to exceed three years, or over such other period of time as may be determined by the Union Employees' Funded Pension Committee.

Any monthly pension payments shall be suspended during any period in which a retired participant returns to full-time active service with the Authority. Upon such re-employed retiree's subsequent termination of employment, he or she shall be entitled to a pension benefit recomputed on the basis of his or her total credited services, including credited service for the period of the re-employment, as though such services were continuous services, provided all other terms and conditions for retirement are observed. Such a participant's final pension benefit shall be actuarially reduced, however, to reflect the monthly pension payments received by the participant prior to the participant's return to active service with the Authority. Moreover, if such a re-employed retiree had elected to receive his or her original pension benefit in the form of a single lump-sum payment, his or her final pension benefit shall be actuarially reduced by the amount of the monthly pension payments that would have been suspended during the participant's period of re-employment had he or she elected to receive his or her original pension benefit in the form of a single-life annuity benefit.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in 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 notes to the financial statements.

Investment valuation and income recognition: Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. 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. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as held, during the year. See Note 4 for additional information regarding fair value measurements.

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

Contributions: Each active participant is required to contribute 3.75 percent of their eligible earnings less allowances or other amounts provided in the applicable labor agreement for each week of credited service. The Authority is required to contribute, per the terms of the Union labor agreement, (1) 7.50 percent of eligible wages per active participant for each week of credited service and (2) an actuarially calculated recommended contribution amount covering the difference between the 7.50 percent and the calculation. The Authority is required to pay the higher of the 7.50 percent or the calculation. For the years ended December 31, 2017 and 2016, the Authority contributed 7.50 percent and 8.41 percent, respectively.

Funding policy: The Authority is required to contribute, per the terms of the Union labor agreement, (1) 7.50 percent of eligible wages per active participant for each week of credited service and (2) an actuarially calculated recommended contribution amount covering the difference between the 7.50 percent and the calculation. The Authority is required to pay the higher of the 7.50 percent or the calculation. The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The actuarially determined recommended employer contributions for 2017 and 2016 were \$3,715,350 and \$3,258,400, respectively. According to the actuarial valuation as of January 1, 2017, the normal cost for the Plan year beginning January 1, 2017, is \$2,099,379, or 6.80 percent of eligible payroll for those under the assumed retirement age.

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

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

Note 3. Net Pension Liability and Actuarial Assumptions

Net pension liability of the Plan: As of December 31, 2017, the total pension liability was determined using an actuarial valuation date of January 1, 2017, rolled forward from the valuation date to the Plan year ended December 31, 2017, using generally accepted actuarial principles and methods.

As of December 31, 2016, the total pension liability was determined using an actuarial valuation date of January 1, 2016, rolled forward from the valuation date to the Plan year ended December 31, 2016, using generally accepted actuarial principles and methods.

The components of the net pension liability of the Plan for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Total pension liability	\$ 66,969,584	\$ 62,732,903
Plan fiduciary net position	(49,858,048)	(45,209,557)
Net pension liability	<u>\$ 17,111,536</u>	<u>\$ 17,523,346</u>
Plan fiduciary net position as a percent of the total pension liability	74.4%	72.1%

Sensitivity analysis: The following presents the net pension liability of the Plan, calculated using the discount rate of 7.0 percent and 7.5 percent for 2017 and 2016, respectively, 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
2017	\$23,545,782	\$17,111,536	\$11,579,001
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2016	\$23,335,161	\$17,523,346	\$12,511,946

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

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

The significant actuarial assumptions used in the valuation as of January 1, 2017 and 2016, are as follows:

Economic assumptions:

Long-term rate of return: 7.0% per year (7.5% for 2016)

Discount rate: The discount rate used to measure the total pension liability was 7.0%. This represents a change from the prior-year rate of 7.5%. The projection of cash flows used to determine the discount rate assumed that Plan contributions from both employees and the employer will be made at the current contribution rates as determined annually by the Union Employees' Funded Pension Committee in effect on the measurement date: (a) employee contribution rate of 3.75% of annual compensation; (b) employer contribution rate of the greater of 7.50% or the actuarially determined amounts per the actuarial valuation report; and (c) administrative expenses in the prior year projected forward with inflation as an estimate for administrative expenses in the current and future years. 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: 4.25% per year

Expenses: Actual administrative expenses from the prior year are added to normal.

Accumulation rate for employee contributions: 5.0%

Employee contribution rate: 3.75%

Demographic assumptions:

Mortality—healthy lives: RP-2014 Blue Collar Mortality Table with improvement scale MP-2014

Mortality—disabled lives: RP-2014 Blue Collar Mortality Table with improvement scale MP-2014

Termination of employment: Select rates of 15%, 10% and 10% in first three years.
Ultimate rates of Table T-3 of the Actuary's Pension Handbook

Disability: See sample rates.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

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

Retirement:	Age	Rate
	60	20%
	61	30%
	62	50%
	63	40%
	64	30%
	65	30%
	66	30%
	67	100%

Sample rates:	Age	Disability*		
		Males	Females	Termination
	25	0.03%	0.05%	5.27%
	30	0.04%	0.06%	4.83%
	35	0.05%	0.08%	4.47%
	40	0.07%	0.10%	3.84%
	45	0.10%	0.15%	3.21%
	50	0.18%	0.26%	1.52%
	55	0.36%	0.49%	0.33%
	60	0.90%	1.21%	0.00%

*All disabilities that occur within the first 10 years of service are assumed to be non-duty related.

Actuarial methods:

Actuarial cost method: 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.

Changes in assumptions: In the January 1, 2017, actuarial valuation, the discount rate was decreased from 7.5 percent to 7.0 percent, resulting in a \$2,868,379 increase in the total pension liability.

Note 4. Investments

Fair value measurements: The Plan categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1: Inputs are quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2: Inputs—other than quoted prices included within Level 1—are observable for an asset or liability, either directly or indirectly.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

Note 4. Investments (Continued)

Level 3: Inputs are unobservable for the asset or liability, which are typically based upon the Plan's own assumptions, as there is little, if any, related market activity.

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

All of the Plan's investments are in common collective trusts, which are measured at net asset value and not assigned a level in the fair value hierarchy.

As of December 31, 2017 and 2016, the Plan had the following investments. All funds within the common collective trust are presented separately.

Investment Type	2017			2016		
	Fair Value	Moody's Rating	Standard & Poor's Rating	Fair Value	Moody's Rating	Standard & Poor's Rating
Investments measured at net asset value:						
Common collective trusts:						
Russell Emerging Markets Fund	\$ -	-	-	\$ 1,312,381	Not rated	Not rated
Russell International Fund	-	-	-	6,761,858	Not rated	Not rated
Russell Small Cap Fund	-	-	-	1,939,343	Not rated	Not rated
Russell Multi Mgr Bond Fund	14,916,454	Not rated	Not rated	15,784,122	Not rated	Not rated
Russell World Equity Fund	-	-	-	4,577,819	Not rated	Not rated
Russell Large Cap US EQ Fund	-	-	-	4,616,655	Not rated	Not rated
Russell Marketable Real Estate Asset FD	-	-	-	4,523,302	Not rated	Not rated
Russell Enhanced Index US Equity FD	-	-	-	5,546,808	Not rated	Not rated
Russell Short Term Investment Fund	1,220	Not rated	Not rated	-	-	-
Russell Multi Asset Core Fund	34,805,060	Not rated	Not rated	-	-	-
	<u>\$ 49,722,734</u>			<u>\$ 45,062,288</u>		

The following table sets forth additional disclosures of the Plan's investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2017 and 2016:

Investment	Fair Value at December 31		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2017	2016			
Common collective trusts (A)	<u>\$ 49,722,734</u>	<u>\$ 45,062,288</u>	<u>\$ -</u>	Quarterly	None

(A) These funds aim to generate consistent absolute returns by investing in assets with a diversified group of investment managers through managed account structures.

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, 2017 and 2016, ratings are listed in the table above. The Plan does not have a policy for credit risk.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

Note 4. Investments (Continued)

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. The investments in the common collective trusts are not subject to interest rate risk given they have no maturity dates.

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.

Rate of return For the years ended December 31, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.17 percent and 8.18 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 geometric real rate of return for each major asset class:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	57%	5.15%
Fixed income	43%	5.69%
Other	0%	1.48%
Cash	0%	4.67%

Common collective trusts may be used for these asset classes. The policy places no limit on the amount the Plan may invest in any one issuer.

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, 2017 and 2016, the Plan's common collective trusts were uninsured investments, but the securities were held by the counterparty's trust department or agent in the name of the Plan. The Plan's investments during the years ended December 31, 2017 and 2016, did not differ significantly from these at the respective year-ends in amounts or level of risk.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Notes to Financial Statements

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. An amount shall be allocated to each participant equal to his or her contributions to the date of abandonment, less any benefits received under the Plan;
- b. From the remaining balance, an amount shall be allocated to retired participants and to participants eligible for normal retirement or disability at the date of abandonment, sufficient to provide for the amount of their allowances as already provided under (a); and
- c. The remaining balance shall be allocated to the active participants in proportion to the excess of the actuarial values of their accrued benefits under the Plan over the amounts allowed under (a).

The trustee shall liquidate the funds of the trust and the amounts allocated in accordance with the order noted above, which shall then be apportioned to all such participants in cash, in the form of insured paid-up annuities, by transfer to another trust fund, or otherwise, as the Union Employees' Funded Pension Committee may direct.

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 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 Union Employees' Funded Pension Plan

**Required Supplementary Information
Schedule of Changes in Net Pension Liability
For the Last Four Fiscal Years**

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 1,996,043	\$ 1,894,701	\$ 1,823,167	\$ 1,657,267
Interest on total pension liability	4,522,438	4,524,248	4,483,228	4,199,534
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(193,109)	(1,896,192)	(77,383)	-
Changes in assumptions	2,868,379	-	1,676,801	-
Benefit payments including refunds of member contributions	(4,957,070)	(4,151,286)	(3,796,329)	(3,882,725)
Net change in total pension liability	4,236,681	371,471	4,109,484	1,974,076
Total pension liability—beginning of year	62,732,903	62,361,432	58,251,948	56,277,872
Total pension liability—end of year	66,969,584	62,732,903	62,361,432	58,251,948
Plan fiduciary net position:				
Contributions—employer	2,322,232	2,530,180	2,436,703	2,490,987
Contributions—employee	1,172,264	1,138,310	1,103,227	1,083,747
Net investment income	6,655,989	3,453,539	(677,912)	2,463,634
Benefit payments	(4,957,070)	(4,151,286)	(3,796,329)	(3,882,574)
Administrative expenses	(363,175)	(333,039)	(77,356)	(62,062)
Other (transfers)	(181,749)	(113,455)	(61,563)	(27,314)
Net change in plan fiduciary net position	4,648,491	2,524,249	(1,073,230)	2,066,418
Plan fiduciary net position—beginning of year	45,209,557	42,685,308	43,758,538	41,692,120
Plan fiduciary net position—end of year	49,858,048	45,209,557	42,685,308	43,758,538
Net pension liability	\$ 17,111,536	\$ 17,523,346	\$ 19,676,124	\$ 14,493,410

Information prior to 2014 is unavailable.

See note to required supplementary information.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

**Required Supplementary Information
Schedule of Net Pension Liability and Related Ratios
For the Last Four Fiscal Years**

	2017	2016	2015	2014
Total pension liability—end of year	\$ 66,969,584	\$ 62,732,903	\$ 62,361,432	\$ 58,251,948
Plan fiduciary net position—end of year	<u>49,858,048</u>	<u>45,209,557</u>	<u>42,685,308</u>	<u>43,758,538</u>
Net pension liability	<u>\$ 17,111,536</u>	<u>\$ 17,523,346</u>	<u>\$ 19,676,124</u>	<u>\$ 14,493,410</u>
Plan fiduciary net position as a percentage of the total pension liability	74.45%	72.07%	68.45%	75.12%
Covered payroll	<u>\$ 30,963,093</u>	<u>\$ 30,780,779</u>	<u>\$ 29,217,865</u>	<u>\$ 27,122,786</u>
Net pension liability as a percentage of covered payroll	55.26%	56.93%	67.34%	53.44%

Information prior to 2014 is unavailable.

See note to required supplementary information.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

**Required Supplementary Information
Schedule of Employer Contributions
Ten Years Ended December 31, 2017**

Years Ended December 31	Annual Recommended Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 1,803,128	\$ 2,055,566	\$ (252,438)	\$ 27,429,163	7.49%
2009	2,422,138	2,882,344	(460,206)	27,443,885	10.50%
2010	2,370,772	2,062,572	308,200	27,712,152	7.44%
2011	2,441,900	2,051,196	390,704	28,258,875	7.26%
2012	2,348,733	2,090,240	258,493	27,573,796	7.58%
2013	2,161,149	2,050,024	111,125	26,890,312	7.62%
2014	2,210,419	2,490,987	(280,568)	27,122,786	9.18%
2015	2,436,703	2,436,703	-	28,631,221	8.51%
2016	2,530,180	2,530,180	-	30,780,779	8.22%
2017	2,322,232	2,322,232	-	30,963,093	7.50%

See note to required supplementary information.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

**Required Supplementary Information
Schedule of Investment Returns
For the Last Four Fiscal Years**

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	15.17%	8.18%	(1.60)%	5.95%

Information prior to 2014 is unavailable.

See note to required supplementary information.

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Note to Required Supplementary Information

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, 2017
Cost method:	Entry Age Actuarial

The significant actuarial assumptions used in the valuations as of January 1, 2017 and 2016, are as follows:

Economic assumptions:

Long-term rate of return: 7.0% per year (7.5% for 2016)

Discount rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that Plan contributions from both employees and the employer will be made at the current contribution rates as determined annually by the Union Employees' Funded Pension Committee in effect on the measurement date: (a) employee contribution rate of 3.75% of annual compensation; (b) employer contribution rate of the greater of 7.50% or the actuarially determined amounts per the actuarial valuation report; and (c) administrative expenses in the prior year projected forward with inflation as an estimate for administrative expenses in the current and future years. 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: 4.25% per year

Expenses: Actual administrative expenses from the prior year are added to normal cost.

Accumulation rate for employee contributions: 5.0%

Employee contribution rate: 3.75%

Kansas City Area Transportation Authority Union Employees' Funded Pension Plan

Note to Required Supplementary Information

Demographic assumptions:

Mortality—healthy lives: RP-2014 Blue Collar Mortality Table with improvement scale MP-2014

Mortality—disabled lives: RP-2014 Disabled Mortality Table with improvement scale MP-2014

Termination of
Employment:

Select rate of 15%, 10% and 10% in the first three years
Ultimate rates of Table T-3 of the Actuary's Pension Handbook

Retirement:

Age	Rate
60	20%
61	30%
62	50%
63	40%
64	30%
65	30%
66	30%
67	100%

Sample rates:

Age	Disability*		Termination
	Males	Females	
25	0.03%	0.05%	5.27%
30	0.04%	0.06%	4.83%
35	0.05%	0.08%	4.47%
40	0.07%	0.10%	3.84%
45	0.10%	0.15%	3.21%
50	0.18%	0.26%	1.52%
55	0.36%	0.49%	0.33%
60	0.90%	1.21%	0.00%

*All disabilities that occur within the first 10 years of service are assumed to be non-duty related.

