

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

Financial Statements and
Required Supplementary Information

For the Years Ended
June 30, 2023 and 2022

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of City of St. Joseph, Missouri Police Pension Fund (the Pension Fund) (A pension trust fund reported as a fiduciary fund of the City of St. Joseph, Missouri), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of St. Joseph, Missouri Police Pension Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Police Pension, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pension Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pension Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the schedules of changes in the employer net pension liability (asset) and related ratios, employer contribution and related notes, and investment returns as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, on our consideration of the Pension Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Police Pension's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pension Fund's internal control over financial reporting and compliance.

Hood & Associates CPAs PC

Kansas City, Missouri
January 24, 2024

City of St. Joseph, Missouri
Police Pension Fund
Statements of Fiduciary Plan Net Position
June 30, 2023 and 2022

	2023	2022
Assets:		
Accrued interest	\$ 91,442	\$ 84,601
Investments, at fair value:		
Fixed income securities	12,810,734	14,161,795
Corporate stocks and other	24,406,126	21,322,605
Total investments	37,216,860	35,484,400
Total assets	37,308,302	35,569,001
Liabilities:		
Accounts payable	-	-
Net position restricted for pension benefits	\$ 37,308,302	\$ 35,569,001

See accompanying notes to the financial statements.

City of St. Joseph, Missouri
Police Pension Fund
Statements of Changes in Fiduciary Plan Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022
Additions:		
Interest and dividends	\$ 896,478	\$ 857,690
Net appreciation (depreciation) in fair value of investments	3,596,782	(6,368,381)
Less investment expenses	(55,695)	(67,222)
Total additions	4,437,565	(5,577,913)
Deductions:		
Benefit payments	2,645,318	2,648,792
Administrative expenses	52,946	65,257
Total deductions	2,698,264	2,714,049
Net change in net position	1,739,301	(8,291,962)
Net position restricted for pension benefits		
Beginning of year	35,569,001	43,860,963
End of year	\$ 37,308,302	\$ 35,569,001

See accompanying notes to the financial statements.

CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. Description of the Fund

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

Fund membership consisted of the following for the actuarial years 2023 and 2022:

	2023	2022
Inactive employees or beneficiaries currently receiving benefits	103	105
Active employees	-	-
	103	105

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

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

2. Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

The accounting and reporting policies of the Fund conform to accounting principles generally accepted in the United States of America applicable to governments and are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(b) Method Used to Value Investments

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

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reporting of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash Deposits and Investments

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Fund’s deposits may not be returned to it. At June 30, 2023 and 2022, the Plan was not exposed to such risks.

Investments for the Fund are as follows for the year ended June 30, 2023:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	> 10
Investment type:					
Debt securities:					
Fed Natl Mort Assoc	\$ 537,173	\$ -	\$ -	\$ 197,842	\$ 339,331
Fed Home Loan Mort	412,115	-	73,760	-	338,355
Gov Natl Mort Assoc	403,695	-	-	-	403,695
Money Market	2,537,786	2,537,786	-	-	-
US Treasuries	5,945,919	723,555	2,739,488	1,094,170	1,388,706
Certificate of Deposits	123,928	123,928	-	-	-
Corporate Debt	2,850,118	-	1,099,177	261,411	1,489,530
	<u>12,810,734</u>	<u>\$ 3,385,269</u>	<u>\$ 3,912,425</u>	<u>\$ 1,553,423</u>	<u>\$ 3,959,617</u>
Other investments					
Corporate stocks and other	<u>24,406,126</u>				
Total	<u>\$ 37,216,860</u>				

CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Investments for the Fund are as follows for the year ended June 30, 2022:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>> 10</u>
Investment type:					
Debt securities:					
Fed Natl Mort Assoc	\$ 630,129	\$ -	\$ -	\$ 232,247	\$ 397,882
Fed Home Loan Mort	506,430	-	-	98,702	407,728
Gov Natl Mort Assoc	461,768	-	-	-	461,768
Money Market	620,287	620,287	-	-	-
US Treasuries	8,490,316	1,437,951	3,310,963	2,332,972	1,408,430
Certificate of Deposits	125,855	-	125,855	-	-
Corporate Debt	3,327,010	224,752	590,475	1,168,601	1,343,182
	<u>14,161,795</u>	<u>\$ 2,282,990</u>	<u>\$ 4,027,293</u>	<u>\$ 3,832,522</u>	<u>\$ 4,018,990</u>
Other investments					
Corporate stocks and other	<u>21,322,605</u>				
Total	<u>\$ 35,484,400</u>				

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

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

CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Credit ratings at June 30, 2023 for the Fund's investments that are rated are as follows:

	Fair Value	Quality Ratings				
		AAA	AA	A	BAA	BBB
Investment Type:						
Debt Securities:						
Fed Natl Mort Assoc	\$ 537,173	\$ 537,173	\$ -	\$ -	\$ -	\$ -
Fed Hme Loan Mort	412,115	412,115	-	-	-	-
Gov Natl Mort Assoc	403,695	403,695				
Money Market	2,537,786	2,537,786				
US Treasuries	5,945,919	5,945,919	-	-	-	-
Certificates of Deposits	123,928	123,928	-	-	-	-
Corporate Debt	2,850,118	-	137,357	732,423	-	1,980,338
	<u>12,810,734</u>	<u>\$ 9,960,616</u>	<u>\$ 137,357</u>	<u>\$ 732,423</u>	<u>\$ -</u>	<u>\$ 1,980,338</u>
Other Investments						
Corporate Stock and other	24,406,126					
	<u>\$ 37,216,860</u>					

Credit ratings at June 30, 2022 for the Fund's investments that are rated are as follows:

	Fair Value	Quality Ratings				
		AAA	AA	A	BAA	BBB
Investment Type:						
Debt Securities:						
Certificates of Deposits	\$ 125,855	\$ 125,855	\$ -	\$ -	\$ -	\$ -
Money Market	620,287	620,287	-	-	-	-
US Treasuries	8,490,316	8,490,316	-	-	-	-
Mortgage Debt	1,598,327	1,598,327	-	-	-	-
Corporate Debt	3,327,010	-	148,194	811,265	-	2,367,551
	<u>14,161,795</u>	<u>\$ 10,834,785</u>	<u>\$ 148,194</u>	<u>\$ 811,265</u>	<u>\$ -</u>	<u>\$ 2,367,551</u>
Other Investments						
Corporate Stock and other	21,322,605					
	<u>\$ 35,484,400</u>					

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may attributed to the magnitude of a government's investment in a single issuer. The Police Pension Board of Trustees established asset allocation guidelines in its investment policy statement to achieve the long-term investment objectives. To ensure diversification of the fixed income securities, the investment policy indicates that no more than 5% of the Plan's fixed income portfolio shall be invested in securities of any one issuing corporation, taxable municipal bonds, asset-backed securities, or commercial mortgaged-backed securities at the time of the purchase. U.S. Government and its Agencies are excluded from these restrictions. As of June 30, 2023 and 2022, the Plan has no single-issuer exposure that comprises 5% or more of the overall portfolio, excluding mutual funds, external investment pools, and other pooled investments. Therefore, no concentration of credit risk exists.

Foreign Currency Risk Exposure – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. It is the Fund's policy that external managers demonstrate sensitivity to foreign currency risk. The foreign currency exposure of the Fund may be hedged back to the U.S. dollar using forward foreign exchange contracts. From 0% to 100% of the foreign currency exposure of a portfolio may be hedged. Cross-hedging to currency other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted. The Plan is not exposed to foreign currency risk as of June 30, 2023 and 2022.

CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Investment Allocation Policy - The asset allocation mix should be maintained as follows: (1) Equity investments will range between a maximum of 75% and a minimum of 40% of the total portfolio within the total equity exposure, with a variance of no more than +/- 10%. (2) Investments in international securities may comprise up to 20% of the total portfolio value. (3) Fixed income investments will range between a maximum of 60% and a minimum of 25% of the total portfolio, with a variance of no more than +/- 10%. (4) Cash investments will range between 0% and 20% of the total portfolio. (5) Convertible securities may represent attractive investment alternatives and are limited to 10% of the portfolio value.

Rate of Return - For the year ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.10 and a negative 13.01 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value of Financial Measurements - Generally accepted accounting principles specify a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

Level 1 – Unadjusted quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy. In which case, the Pension Fund defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments.

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

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

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

CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Fair values of investments measured on a recurring basis, as of June 30, 2023 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment type:				
Debt securities:				
Money Market Mutual Funds	\$ 2,537,786	\$ 2,537,786	\$ -	\$ -
Certificate of Deposits	123,928	-	123,928	-
Corporate Debt	2,850,118	-	2,850,118	-
US Treasuries	5,945,919	5,945,919	-	-
Fed Natl Mort Assoc	537,173	110,479	426,694	-
Fed Hme Loan Mort	412,115	-	412,115	-
Gov Natl Mort Assoc	41,285	-	41,285	-
Collateral	362,410	-	362,410	-
Equity Securities:				
Corporate Stock	19,397,186	19,397,186	-	-
Exchange Traded Fund - Equity	644,127	644,127	-	-
Real Estate Investment Trust	484,246	484,246	-	-
Foreign Equities	3,880,568	3,880,568	-	-
Total	<u>\$ 37,216,860</u>	<u>\$ 33,000,310</u>	<u>\$ 4,216,550</u>	<u>\$ -</u>

Fair values of investments measured on a recurring basis, as of June 30, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment type:				
Debt securities:				
Money Market Mutual Funds	\$ 620,287	\$ 620,287	\$ -	\$ -
Certificate of Deposits	125,855	-	125,855	-
Corporate Debt	3,327,010	-	3,327,010	-
Asset Based Security	8,490,316	8,490,316	-	-
US Treasuries	630,129	118,689	511,440	-
Mortgage Debt	506,430	-	506,430	-
Collateral	49,836	-	49,836	-
Municipal Obligations	411,932	-	411,932	-
Equity Securities				
Corporate Stock	16,892,262	16,892,262	-	-
Exchange Traded Fund - Equity	659,486	659,486	-	-
Real Estate Investment Trust	548,035	548,035	-	-
Foreign Equities	3,222,822	3,222,822	-	-
Total	<u>\$ 35,484,400</u>	<u>\$ 30,551,897</u>	<u>\$ 4,932,503</u>	<u>\$ -</u>

4. Contributions

Since August 2018 when the active employees under the Pension Fund were transferred to LAGERS, a contribution from the City and the active employee is no longer required.

CITY OF ST. JOSEPH, MISSOURI
POLICE PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

5. Risks and Uncertainties

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

6. Net Pension Liability of the City

Components of the net pension liability (assets) of the Plan include the following:

	2023	2022
Total pension liability	\$ 32,196,550	\$ 33,033,774
Plan fiduciary net position	(37,308,302)	(35,569,001)
Plan's net pension liability (asset)	\$ (5,111,752)	\$ (2,535,227)
Plan fiduciary net position as a percentage of the total pension liability	115.9%	107.7%

Actuarial Valuation Information

The total pension liability was determined by an actuarial valuation as of January 1, 2023 and 2022, rolled forward to the measurement dates of June 30, 2023 and 2022, respectively, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Individual entry age
Actuarial assumptions:	
Inflation assumption	2.6% for 2023 and 2.6% for 2022
Investment rate of return	6.5% for 2023 and 6.5% for 2022
Salary increases	N/A

Mortality rates for healthy lives were based on the Public Safety 2010 Below Median Income tables projected with generational improvements from 2010 at the most recently available (MP-2020) scale and mortality rates for disabled lives were based on the MP 2019 Disabled Mortality Table with generational improvements set forward 10 years.

CITY OF ST. JOSEPH, MISSOURI
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The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Long-term Expected Real Rate of Return	Target Allocation
Equity	5.7%	60.0%
Fixed Income	2.7%	40.0%
Cash	0.5%	0.0%

Discount rate

The discount rate used to measure the total pension liability for 2023 and 2022 is 6.5% and 6.5%, respectively. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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 payment to determine the total pension liability.

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate as well as what the employer's Net Pension Liability/(Asset) would be using a discount rate that is 1 percentage point lower or one percentage point higher than the current rate.

	2023 Discount		
	1% Decrease	Rate Assumption	1% Increase
	5.50%	6.50%	7.50%
Total Pension Liability (TPL)	\$ 35,573,079	\$ 32,196,550	\$ 29,359,839
Plan Net Pension	(37,308,302)	(37,308,302)	(37,308,302)
Net Pension Liability (Asset)	\$ (1,735,223)	\$ (5,111,752)	\$ (7,948,463)

	2022 Discount		
	1% Decrease	Rate Assumption	1% Increase
	5.50%	6.50%	7.50%
Total Pension Liability (TPL)	\$ 36,551,171	\$ 33,033,774	\$ 30,085,796
Plan Net Pension	(35,569,001)	(35,569,001)	(35,569,001)
Net Pension Liability (Asset)	\$ 982,170	\$ (2,535,227)	\$ (5,483,205)

CITY OF ST. JOSEPH, MISSOURI
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

7. Plan Transfer of Assets

In August 2018, active employees under the Plan were transitioned to the Missouri Local Government Employees Retirement System (LAGERS). The Plan then became “closed”, and, as such, no future police department employees will be enrolled in the Plan, and all present police department employees will not accrue any additional benefits in the Plan. On October 11, 2018, \$4,692,747 was transferred from the Plan to LAGERS.

8. Subsequent Events

The Plan evaluated subsequent events through January 24, 2024, the date the financial statements were available to be issued. No subsequent events were identified that required disclosure or adjustment to the financial statements.

Required Supplementary Information

City of St. Joseph, Missouri
Police Pension Fund
Required Supplementary Information

Schedule of Changes in the Employer Net Pension Liability (Asset) and Related Ratios

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service costs	\$ -	\$ -	\$ -	\$ -	\$ 602,772	\$ 1,119,675	\$ 1,098,105	\$ 1,541,534	\$ 884,293	\$ 882,284
Interest on total pension liability	2,534,211	2,445,516	2,508,657	2,530,293	3,383,635	4,142,054	4,078,284	5,619,009	3,180,140	3,037,990
Difference between expected and actual experience	(712,098)	(360,253)	(712,369)	(328,231)	(606,026)	(1,759,840)	(624,567)	(2,356,440)	2,171,488	176,916
Changes in assumptions	-	1,828,926	-	233,328	-	-	2,061,705	2,347,868	-	-
Benefit payments and refunds	(2,659,337)	(2,662,153)	(2,673,871)	(2,664,292)	(2,679,515)	(2,678,193)	(2,577,542)	(2,437,913)	(2,269,912)	(2,087,535)
Plan transfers	-	-	-	-	(23,986,298)	-	-	-	-	-
Net change in pension liability	(837,224)	1,252,036	(877,583)	(228,902)	(23,285,432)	823,696	4,035,985	4,714,058	3,966,009	2,009,655
Total pension liability - beginning of year	33,033,774	31,781,738	32,659,321	32,888,223	56,173,655	55,349,959	51,313,974	46,599,916	42,633,907	40,624,252
Total pension liability - end of year (a)	<u>\$ 32,196,550</u>	<u>\$ 33,033,774</u>	<u>\$ 31,781,738</u>	<u>\$ 32,659,321</u>	<u>\$ 32,888,223</u>	<u>\$ 56,173,655</u>	<u>\$ 55,349,959</u>	<u>\$ 51,313,974</u>	<u>\$ 46,599,916</u>	<u>\$ 42,633,907</u>
Plan Fiduciary Net Position										
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ 368,889	\$ 2,430,332	\$ 2,186,054	\$ 1,688,681	\$ 1,625,738	\$ 1,752,686
Contributions - employee	-	-	-	-	43,667	270,199	264,163	255,516	243,701	219,628
Net investment income (loss)	4,493,279	(5,505,331)	9,939,449	2,564,111	2,324,697	2,977,274	3,583,903	(1,624,901)	880,708	5,376,006
Benefit payments and refunds	(2,659,337)	(2,662,153)	(2,669,871)	(2,664,292)	(2,679,515)	(2,678,193)	(2,577,542)	(2,437,913)	(2,269,912)	(2,087,535)
Plan transfers	-	-	-	-	(4,692,747)	-	-	-	-	-
Administrative expenses	(94,641)	(124,478)	(54,353)	(53,257)	(70,788)	(74,990)	(63,751)	(74,716)	(71,613)	(67,737)
Net change in plan fiduciary net position	1,739,301	(8,291,962)	7,215,225	(153,438)	(4,705,797)	2,924,622	3,392,827	(2,193,333)	408,622	5,193,048
Plan fiduciary net position - beginning of year	35,569,001	43,860,963	36,645,738	36,799,176	41,504,973	38,580,351	35,187,524	37,380,857	36,972,235	31,779,187
Plan fiduciary net position - end of year (b)	<u>\$ 37,308,302</u>	<u>\$ 35,569,001</u>	<u>\$ 43,860,963</u>	<u>\$ 36,645,738</u>	<u>\$ 36,799,176</u>	<u>\$ 41,504,973</u>	<u>\$ 38,580,351</u>	<u>\$ 35,187,524</u>	<u>\$ 37,380,857</u>	<u>\$ 36,972,235</u>
Employer's net pension liability (asset) (a) - (b)	<u>\$ (5,111,752)</u>	<u>\$ (2,535,227)</u>	<u>\$ (12,079,225)</u>	<u>\$ (3,986,417)</u>	<u>\$ (3,910,953)</u>	<u>\$ 14,668,682</u>	<u>\$ 16,769,608</u>	<u>\$ 16,126,450</u>	<u>\$ 9,219,059</u>	<u>\$ 5,661,672</u>
Plan net position as a percentage of the total pension liability	115.88%	107.67%	138.01%	112.21%	111.89%	73.89%	69.70%	68.57%	80.22%	86.72%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ 1,091,394	\$ 6,472,665	\$ 6,324,914	\$ 6,038,143	\$ 6,087,055	\$ 5,494,313
City's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	-358.34%	226.63%	265.14%	267.08%	151.45%	103.05%

See accompanying notes to the financial statements.

City of St. Joseph, Missouri
Police Pension Fund
Required Supplementary Information
Schedule of Employer Contributions

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation to Actuarially Determined Contributions	Contribution (Excess) Deficiency	Covered Payroll	Contribution as Percentage of Covered Payroll
2014	\$ 1,752,686	\$ 1,752,686	\$ -	\$ 6,087,055	28.79%
2015	1,625,738	1,625,738	-	5,954,250	27.30%
2016	1,688,681	1,688,681	-	6,588,958	25.63%
2017	2,186,054	2,186,054	-	6,604,033	33.10%
2018	2,430,332	2,430,332	-	6,708,361	36.23%
2019	368,889	368,889	-	1,091,394	33.80%
2020	-	-	-	-	0.00%
2021	-	-	-	-	0.00%
2022	-	-	-	-	0.00%
2023	-	-	-	-	0.00%

Notes to Schedule of Employer Contributions

Valuation Date July 1, 2023

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

Methods and assumptions used to determine contributions rates:

Actuarial cost method Individual entry age

Amortization method Level percentage of payroll, open

Remaining amortization period 20 years

Asset valuation method Market Value

Investment rate of return 6.5% , net of investment and administrative expenses

Inflation assumption 2.6%

Salary increases N/A

Mortality – healthy lives Public Safety 2010 Below Median Income Tables projected with generational improvements from 2010 at the most recently available (MP 2021) scale. In the prior year valuation, projection scale MP-2021 was used.

Mortality – disabled lives Public Safety 2010 Below Median Income Tables projected with generational improvements from 2010 at the most recently available (MP 2021) scale. In the prior year valuation, projection scale MP-2021 was used.

Termination of employment N/A

Disablement N/A

See accompanying notes to the financial statements.

City of St. Joseph, Missouri
Required Supplementary Information
Schedule of Investment Returns

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money -weighted rate of return, net of investment expenses	13.10%	-13.01%	28.08%	7.45%	6.46%	7.87%	11.32%	-4.34%	2.41%	16.97%

See accompanying notes to the financial statements.