Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Wichita Retirement Systems, Kansas

For its Comprehensive Annual Financial Report
for the Fiscal Year Ended
December 31, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

June 14, 2003

The Honorable Mayor and City Council
Police & Fire Retirement System of Wichita Board of Trustees
Wichita Employees' Retirement System Board of Trustees

The Department of Finance of the City of Wichita is pleased to present the sixth Comprehensive Annual Financial Report of the Wichita Retirement Systems ("WRS" or "System"); a single employer retirement system comprised of the Police & Fire Retirement System of Wichita (PFRS), the Wichita Employee's Retirement System and the Wichita Employees' Plan 3 (WERS) for the year ended December 31, 2002. The Finance Department's Pension Management Office is responsible for the accuracy and completeness of the data presented in this report.

Pension Management is responsible for establishing and maintaining an internal control structure to ensure the protection of assets from loss, theft or misuse. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonableness recognizes that the cost of such controls should not exceed the benefits derived and the valuation of costs and benefits requires the judgment by management. More specific information regarding the accounting policies may be found on page 16 in the Notes to Financial Statements.

Generally Accepted Accounting Principals (GAAP) require that management provide both a narrative introduction and an overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The MD&A begins on page 12 in the Financial Section, immediately following the report of the independent auditors.

Plan History

The Wichita Employees' Retirement System was established in 1948 to provide pension benefits to civilian employees, their surviving spouses and beneficiaries. The Police & Fire Retirement System of Wichita, Kansas was established in 1965 to provide pension benefits to commissioned police and fire officers, their surviving spouses and beneficiaries. All full-time employees of the City of Wichita participate in one of these two Systems.

In October 1999, the assets of the Wichita Retirement Systems were combined into a single Fund for investment purposes. As of October 2000, assets of Plan 3 (a defined contribution plan) were separated from the combined WERS and PFRS Funds for investment, custodial and participant record keeping purposes.

Report Contents and Structure

The report is organized into five sections as follows:

I. **Introductory Section** includes a letter of transmittal, the administrative organization and a listing of consultants.

II. **Financial Section** includes the report of the Independent Auditors, the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and supplementary financial information.

III. **Investment Section** contains a report on investment activity, investment policies and information relating to pension trust fund investment management.

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IV. Actuarial Section includes the Actuary's Certification Letter and information regarding the financial condition of the retirement plans administered by the System.

V. Statistical Section includes statistical information regarding the System's participants and benefits paid by WRS.

Major Initiatives

Wichita Employees' Retirement System ordinance revisions were adopted by the City Council to clarify the responsibility of vested Plan 3 members for self-directing the investment of their defined contribution account. During 2001, the first Plan 3 participants became vested with 7 years of service. When vested, Plan 3 members are required to make an election to remain in Plan 3 (a defined contribution plan) or transfer to Plan 2 (a defined benefit plan). The following chart reflects the Plan 3 members vesting and their plan elections:

Members Vesting	2001	2002
Transfer to Plan 2	54	63
Remain in Plan 3	11	8
Total Vesting	**65**	**71**

Beginning in 2000, the WERS began offering a Deferred Retirement Option Program (DROP) to participants currently eligible for a retirement benefit. Employees electing the DROP continue to work for a period of 1 to 60 months. During the DROP period, their monthly retirement benefit accumulates with interest. When they leave service, the participants receive a lump sum consisting of their accumulated benefit and begin receiving their monthly pension benefit. As of December 31, 2002, 40 employees were participating in the DROP. The following chart shows increased participation in the DROP through 2002:

Year	Employees electing DROP	Employees completing DROP	DROP Payments
2000	17	0	$ 0
2001	16	6	127,652
2002	27	14	391,801

The Police and Fire Retirement System received an updated Plan Qualification letter from the Internal Revenue Service. A new qualification ruling was sought as a result of modification and reorganization of Police and Fire Retirement System ordinances. Ice Miller, a legal services firm located in Indianapolis, IN, assisted with the application.

A PFRS ordinance revision was adopted by the City Council to establish a 20-year rolling amortization period. The revision was made possible by an amendment to K.S.A. 12-5002 passed by the Kansas Legislature during the 2002 Legislative Session. Prior policy established in 1978 set an initial 40-year declining amortization period for which 16 years remained. As the years remaining in the amortization period decreased, a greater percentage of System liabilities (or surplus) were required to be recognized each year. The rolling 20-year period maintains a constant amortization period to lessen the impact of unexpected liabilities in any one year.

In accordance with the Joint Investment Committee's Strategic Plan and Investment Policies, an asset allocation / liability study was begun in the first quarter of 2002 and will be completed in 2003.

No benefit increases for members of either the WERS or PFRS were enacted in the fiscal year ended December 31, 2002.

Plan Financial Condition

Funding is the process of setting aside resources for current and future use by the Systems. The funding objective of Wichita Retirement Systems is to meet funding requirements through contributions, expressed as a percent of member payroll, which will remain approximately level from year-to-year and will not have to be increased for future generation of citizens in the absence of plan benefit improvements. Historical information relating to progress in meeting this objective is presented on pages 22 and 23.

The annual actuarial valuations provide an indicator of the funding status of the Retirement Systems. As of December 31, 2002, the funding ratio of the Police and Fire Retirement System, which covers 1,881 participants, decreased from 111.4% to 106.2%. The funding ratio of the Wichita Employees' Retirement System, covering 3,068 participants, also decreased from 121.2% to 117.0%. The decrease in both Systems' funding ratio was primarily a result of unfavorable Fund investment experience. This was somewhat offset by favorable retirement and mortality experience (WERS) and favorable retirement and withdrawal experience (PFRS).

Despite decreases in the funding ratio, both the Police & Fire Retirement System and the Wichita Employees' Retirement System remain fully funded; each System's actuarial assets remain in excess of actuarial accrued liabilities. Additional information regarding the financial condition of pension trust funds can be found in the Actuarial Section of this report.

Investment Activity

2002 was the third consecutive year of negative returns for the major equity market indices. Additionally, U.S. equities experienced their worst year since 1974 with the S&P 500 Index declining 22.1%. Prospects of war, terrorist activities and accounting scandals have contributed to the continued market decline. For the year, the Fund's investment portfolio return was (11.6%), under performing its weighted index return of (9.2%), marking the first time the Fund has under-performed its 1-year benchmark since combining the Funds in 1999.

Plan participants, trustees, and Joint Investment Committee members are reminded that pension plans invest for the long-term and that downturns will occur, but have historically been outnumbered by positive investment returns. Please refer to the Investment Section for additional information.

Certificate of Achievement For Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Wichita Retirement Systems for the fiscal year ended December 31, 2001. This marks the third consecutive year the Wichita Retirement Systems have received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of 1 year only. We believe that our current comprehensive annual report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Conclusion

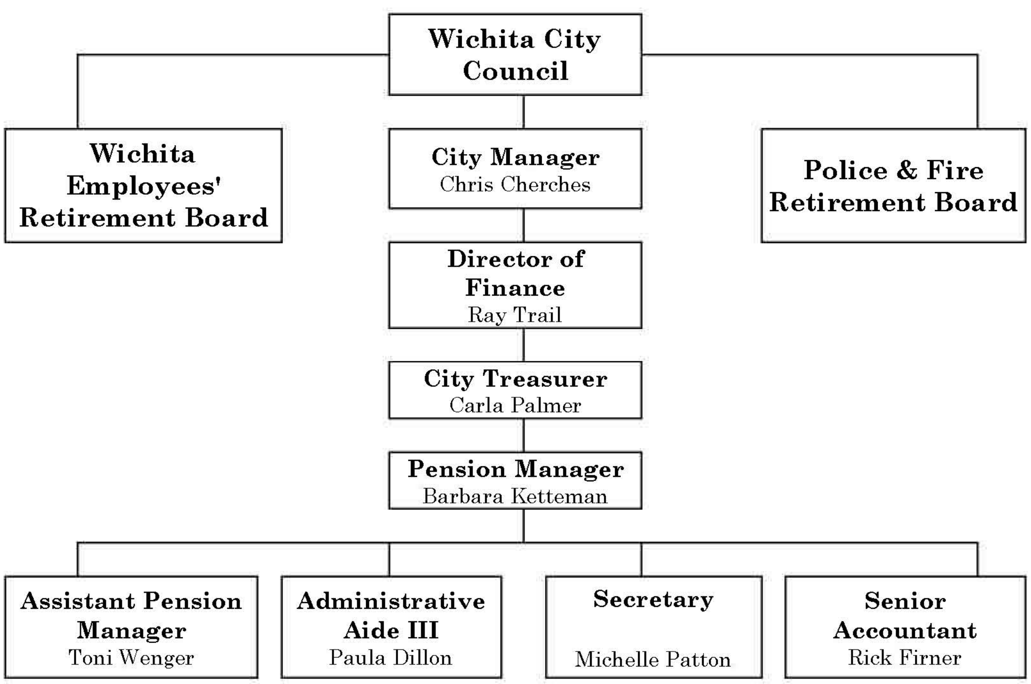
In addition to the annual actuarial valuation, the accounting firm of Allen, Gibbs & Houlik, L.C. conducted an audit of the System's financial statements and an evaluation of the System's internal controls. The results of that audit may be found on page 11 in the Financial Section of this report.

This report was made possible through the combined efforts of the Pension Management Staff, the Controller's Office and the City Treasurer. It provides complete and reliable information in accordance to the Finance Department's policy of full financial disclosure. The report was prepared using the principles of governmental accounting and reporting as developed by the Governmental Accounting Standards Board (GASB).

Respectfully submitted,

Ray Trail	Carla Palmer	Barbara Ketteman
Director of Finance	City Treasurer	Pension Manager

Boards of Trustees



Professional Consultants

Actuary
Milliman USA
10050 Regency Circle, Suite 500
Omaha, Nebraska 68114

Financial
Callan Associates, Inc.
120 North LaSalle, Suite 2100
Chicago, Illinois 60602

Custody Institution
The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675

Independent Auditors
Allen, Gibbs & Houlik, L.C.
Epic Center
301 N. Main, Suite 1700
Wichita, Kansas 67202

Legal Services
Law Department
City of Wichita
455 N. Main, 13th Floor
Wichita, Kansas 67202

Ice Miller
One American Square, Box 82001
Indianapolis, Indiana 46282

Defined Contribution Custodial and Administrative Services
INTRUST Bank, NA
Box One
Wichita, Kansas 67201-5001

Participant Accounting
NestEgg Consulting, Inc.
125 N. Market, Suite 1050
Wichita, Kansas 67202

A list of professional investment consultants for the Systems may be found on page 34.

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Financial Section

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ALLEN, GIBBS & HOULIK, L.C.
Certified Public Accountants & Consultants
Epic Center 301 N. Main, Suite 1700
Wichita, Kansas 67202-4868
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INDEPENDENT AUDITORS' REPORT

The Boards of Trustees
Wichita Retirement Systems

We have audited the individual fund statements and combining totals of the accompanying basic financial statements of the Wichita Retirement Systems of the City of Wichita, Kansas, as of and for the year ended December 31, 2002, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the individual fund financial statements and combining totals referred to above present fairly, in all material respects, the net assets of each of the individual funds and combining totals of the Wichita Retirement Systems as of December 31, 2002, and the changes in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supporting schedules on pages 25 and 26, and the introductory, investment, actuarial, and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules on pages 25 and 26 have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Allen, Gibbs & Houlik, L.C.

April 11, 2003

Management Discussion & Analysis

Wichita Retirement Systems' financial statements are comprised of the Statement of Plan Net Assets, Statement of Changes in Plan Assets, and Notes to the Financial Statements. Also contained in the Financial Section is other required supplementary information in addition to the basic financial statements.

The ***Statement of Plan Net Assets*** provides information on the Systems' assets and liabilities, where Assets - Liabilities = Net Assets available at December 31, 2002. The statement is a snapshot of the financial position of the Systems at that specific point in time.

The ***Statement of Changes in Plan Net Assets*** reports how the Systems' net assets changed during the current year, where Additions – Deductions = Change in Net Assets. The statement reports the Systems' activity that occurred during the past year and supports the changes in net assets that occurred from the beginning of the reporting year to the end of the year.

The ***Notes to the Financial Statements*** provide additional data, which is not included in the statements themselves, but is vital in understanding the financial statements. The Notes to the Financial Statements are immediately following the basic financial statements.

The *Required Supplementary Information and Schedules* following the *Notes to the Financial Statements* provide additional historical and detailed information considered useful in evaluating the condition of the plans administered by the Wichita Retirement Systems.

This discussion and analysis of WRS' financial performance provides an overview of the financial activities for the year ended December 31, 2002. The information contained in this section should be reviewed in conjunction with the letter of transmittal.

Following are summary comparative statements of WRS:

Summary Comparative Statement of Plan Net Assets

	2002	2001	Difference
Assets			
Total cash and investments	$ 727,408,335	$ 849,806,781	$ (122,398,446)
Total receivables	2,569,379	7,696,873	(5,127,494)
Total assets	729,977,714	857,503,654	(127,525,940)
Liabilities			
Accounts payable and accrued expenses	3,600,849	3,638,678	(37,829)
Investment purchases pending	1,579,325	5,620,309	(4,040,984)
Securities lending obligations	63,981,313	75,452,846	(11,471,533)
Total liabilities	69,161,487	84,711,833	(15,550,346)
Net Assets held in trust for pension benefits	$ 660,816,227	$ 772,791,821	$ (111,975,594)

Change in Net Assets

Total System assets declined by $127.5 million (14.9%), which was partially offset by a $15.6 million decrease in liabilities. In spite of this large decline, the System's assets continued to exceed liabilities by $660.8 million as of December 31, 2002.

The net assets held in the System decreased by $112 million, or approximately 14.5% during the year ended December 31, 2002. The decrease is attributable primarily to a $122.4 million reduction in the fair value of investments, resulting from the continued weakness in the domestic and international equity markets. This was the third consecutive year for negative returns in these markets.

At year end, System assets included $430.6 million in domestic and international equity securities. This represents a $128.4 million (23%) decrease when compared to the prior year.

Fixed income assets (domestic and international), however, experienced positive returns for the year. Year end assets of $283.7 million reflects a $14.7 million (5.5%) increase over the prior year.

Summary Comparative Statement of Changes in Plan Net Assets

	2002	2001	Difference
Additions			
Contributions			
Member	$ 6,544,480	$ 6,207,553	$ 336,927
Employer	7,907,897	7,854,305	53,592
Total net investment (loss)	(91,718,142)	(40,284,442)	(51,433,700)
Transfers from other funds	1,328,831	1,025,002	303,829
Total additions	(75,936,934)	(25,197,582)	(50,739,352)
Deductions			
Pension benefits	32,946,583	31,338,188	1,608,395
Pension administration	566,226	533,482	32,744
Refunds	1,197,020	1,223,215	(26,195)
Transfers to other funds	1,328,831	1,025,002	303,829
Total deductions	$ 36,038,660	$ 34,119,887	$ 1,918,773
Net Change	$ (111,975,594)	$ (59,317,469)	$ (52,658,125)

Additions and Deductions

The Summary Comparative Statement of Changes in Plan Net Assets provides additional detail of the 2002 reduction of $112 million in plan assets. In 2001, by comparison, the System's assets decreased $59 million.

In 2002, additions to the System decreased by $76 million, which was a $50.7 million decrease when compared to 2001. The decrease is primarily due to net investment losses of $91.7 million, or a $51.4 million decrease from the prior year.

In 2002, total deductions increased by $1.9 million over the prior year. The increase is due primarily to an increase in pension benefits of $1.6 million, comprised of $1.3 million for service and survivor benefits, and $0.3 million in lump-sum payments to employees participating in the DROP (Deferred Retirement Option Plan).

WICHITA RETIREMENT SYSTEMS

STATEMENT OF PLAN NET ASSETS

December 31, 2002

	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals
ASSETS				
Cash and temporary investments	$ 5,910,609	$ 7,243,403	$ 16,471	$ 13,170,483
Receivables:				
Investment sales pending	206,485	241,986	-	448,471
Interest and dividends	775,492	922,334	142	1,697,968
Other	240,485	116,994	65,461	422,940
Total receivables	1,222,462	1,281,314	65,603	2,569,379
Investments, at fair value:				
Government securities: long term	15,106,103	17,694,544	-	32,800,647
Corporate debt instruments: long term	28,995,963	33,964,442	-	62,960,405
Corporate stocks: domestic common	112,546,468	131,831,383	-	244,377,851
Corporate stocks: international common	32,475,149	38,039,789	-	70,514,938
Mortgage-backed securities	20,427,654	23,927,946	-	44,355,600
Pooled funds: domestic fixed income	40,005,227	46,860,146	2,677,087	89,542,460
Pooled funds: international fixed income	24,634,906	28,856,114	531,627	54,022,647
Pooled funds: domestic equities	30,759,591	36,030,270	3,133,653	69,923,514
Pooled funds: international equities	20,540,950	24,060,656	1,138,184	45,739,790
Total investments	325,492,011	381,265,290	7,480,551	714,237,852
Total assets	332,625,082	389,790,007	7,562,625	729,977,714
LIABILITIES				
Accounts payable and accrued expenses	1,681,305	1,884,949	34,595	3,600,849
Investment purchases pending	727,153	852,172	-	1,579,325
Securities lending obligations	29,458,277	34,523,036	-	63,981,313
Total liabilities	31,866,735	37,260,157	34,595	69,161,487
NET ASSETS				
Held in trust for pension benefits	$ 300,758,347	$ 352,529,850	$ 7,528,030	$ 660,816,227

A schedule of funding progress for each plan is presented on pages 22 and 23.
The accompanying Notes to the Financial Statements are an integral part of this statement.

WICHITA RETIREMENT SYSTEMS
STATEMENT OF CHANGES IN PLAN NET ASSETS

For the year ended December 31, 2002

	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals
ADDITIONS				
Contributions:				
Employer	$ 4,746,504	$ 1,957,922	$ 1,203,471	$ 7,907,897
Employee	3,104,036	2,236,973	1,203,471	6,544,480
Total contributions	7,850,540	4,194,895	2,406,942	14,452,377
Investment income:				
From investment activities				
Net (depreciation) in fair value of investments	(45,657,043)	(53,663,698)	(993,859)	(100,314,600)
Interest and dividends	5,176,251	6,094,466	237,729	11,508,446
Commission recapture	62,965	73,974	-	136,939
Total investing activity loss	(40,417,827)	(47,495,258)	(756,130)	(88,669,215)
Less investment expense	1,495,978	1,746,821	41,574	3,284,373
Net (loss) from investing activities	(41,913,805)	(49,242,079)	(797,704)	(91,953,588)
From securities lending activities				
Securities lending income	669,709	787,605	-	1,457,314
Securities lending activities expenses:				
Borrower rebates	516,208	606,641	-	1,122,849
Management fees	45,517	53,502	-	99,019
Total securities lending activities expenses	561,725	660,143	-	1,221,868
Net income from securities lending activities	107,984	127,462	-	235,446
Total net investment (loss)	(41,805,821)	(49,114,617)	(797,704)	(91,718,142)
Transfers from other funds	-	1,328,831	-	1,328,831
Total additions	(33,955,281)	(43,590,891)	1,609,238	(75,936,934)
DEDUCTIONS				
Pension benefits	15,710,172	17,236,411	-	32,946,583
Pension administration	261,074	270,292	34,860	566,226
Employee contributions refunded	415,274	255,091	526,655	1,197,020
Transfers to other funds	-	-	1,328,831	1,328,831
Total deductions	16,386,520	17,761,794	1,890,346	36,038,660
Change in net assets	(50,341,801)	(61,352,685)	(281,108)	(111,975,594)
Net assets held in trust for pension benefits				
Beginning of year	351,100,148	413,882,535	7,809,138	772,791,821
End of year	$ 300,758,347	$ 352,529,850	$ 7,528,030	$ 660,816,227

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

December 31, 2002

The Wichita Employees' Retirement System, the Police and Fire Retirement System of Wichita, and the Wichita Employees' Retirement System Plan 3 are reported as pension trust funds of the City of Wichita and its component units (the reporting entity). The plans consist of 2 single-employer defined benefit pension plans and a single-employer defined contribution plan, covering all full-time employees.

The defined benefit plans include the Wichita Employees' Retirement System (WERS) and the Police and Fire Retirement System (PFRS). A separate Board of Trustees administers each System.

The defined contribution plan consists of the Wichita Employees' Retirement System Plan 3, which is also governed by the Wichita Employees' Retirement System Board of Trustees.

Summary of Significant Accounting Policies

Basis of Accounting

The Wichita Employees' Retirement System, Police and Fire Retirement System, and the Wichita Employees' Retirement System Plan 3 are reported as pension trust funds of the City of Wichita, Kansas in the City's financial statements and use 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 each plan.

Investments

Investments are reported at fair value. Short-term investments are reported at cost plus accrued interest, which approximates market or fair value. Securities traded on national or international exchanges are valued at the last trade price of the day. If no close price exists, then a bid price is used. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar investments. Investments that do not have an established market value are reported at their estimated fair value. The Systems invest in treasury strips and various asset-backed securities, such as collateralized mortgage obligations and credit card trusts.

Management of Plan Assets

The Boards of Trustees of the Systems have contractual arrangements with independent investment counselors for management of the assets of the Systems. The firms have been granted discretionary authority concerning purchases and sales of investments within guidelines established by City ordinances. The Boards of Trustees also have contractual arrangements with independent firms, which monitor the investment decisions of the Systems' investment counselors.

Estimates

Preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires making estimates and assumptions that affect: 1) the reported amounts of assets and liabilities; 2) disclosures such as contingencies; and 3) the reported amounts of revenues and expenses included in the financial statements. Actual results could differ from those estimates.

Reserves and Concentrations

No assets are legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments (other than U.S. Government and U.S. Government guaranteed obligations) where the market value exceeded 5% or more of net assets available for benefits. There are no long-term contracts for contributions.

Cash

At December 31, 2002 the Plan's cash deposits in the amount of $338,797 is included in the City's pooled cash and temporary investments fund of $240,483,098.

Generally Accepted Accounting Principles require the City to categorize cash deposits at year-end according to 3 credit risk categories. Category 1 includes cash deposits that are insured under a federal depository insurance fund or are collateralized with securities held by the City or the City's agent in the City's name. Category 2 includes cash deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes cash deposits that are uncollateralized or collateralized with securities which are held by the pledging financial institution or its trust department or agent, but not in the City's name.

As of December 31, 2002, the City's cash deposits met the criteria of Category 1.

Bank Deposits	$ 10,905,864
Reconciling Items	(4,784,439)
Book Balance	$ 6,121,425

Reconciling items primarily include outstanding checks and deposits which were in transit at year-end.

State law (K.S.A. 9-1402) requires that collateral be pledged equal to or greater than 100% of the market value of the City's deposits. As of December 31, 2002, the City had deposits in 8 banks totaling $10,905,864 with assets pledged to the City by the banks as collateral with a market value of $16,461,885.

Investments

Investments of the City of Wichita are governed by state law (K.S.A. 12-1675 and 12-1677), which allows monies not otherwise regulated by statute to be invested in:

1. Temporary notes of the City of Wichita;
2. Time deposits, open accounts, or certificates of deposits with maturities of not more than 4 years;
3. Repurchase agreements with commercial banks, state or federally chartered savings and loan associations which have offices located in Wichita;
4. U.S. Treasury bills or notes with maturities not exceeding 4 years;
5. U.S. Government-Agency securities with a maturity of not more than 4 years that do not have any more interest rate risk than U.S. Government obligations or similar maturities;
6. The municipal investment pool fund operated by the State Treasurer;
7. A municipal investment pool established through the trust department of commercial banks which have offices located in Wichita.

Investments of the Wichita Employees' and Police and Fire Retirement Systems are held in a joint investment fund overseen by the Joint Investment Committee comprised of members from each System's Boards of Trustees. External professional money managers are hired to invest a portion of the Fund in accordance with an asset class and style as prescribed by the Strategic Plan and Investment Policies of the Committee and are held under a custodial agreement. The Boards are charged with managing the Fund in the same manner as a person of prudence, discretion, and intelligence would exercise in the management of their own affairs. City ordinance (44-812; Section 2.28.090) authorizes the Wichita Employees' Retirement System, and City ordinance (Charter Ordinance 195) authorizes the Police & Fire Retirement System to invest in:

1. Common stock (not more than 70%);
2. Direct or indirect obligations of the U.S. Government;
3. Corporate bonds rated A or better;
4. Commercial paper of high quality;
5. Foreign securities (not more than 25%);
6. Real estate (pooled) (not more than 10%);
7. Mutual funds, separate accounts, or commingled funds

The combined pension fund follows an overall strategic allocation policy that includes investments in 4 asset types: domestic equities, international equities, domestic fixed income, and international fixed income. Additionally, the pension funds invest in various asset-backed securities, such as collateralized mortgage obligations (CMO's) and credit card trusts, to maximize yields and reduce the impact of interest rate changes. These securities are based on cash flows from principal and interest payments on the underlying assets. For example, CMO's break up the cash flows from mortgages into categories with defined risk and return characteristics called tranches. The tranches are differentiated by the point in time the principal payments are received from the mortgage pool. Changes in interest and mortgage prepayment rates may affect the amount and timing of cash flows. The pension funds utilize a combination of asset-backed securities which vary in their degree of volatility.

The City's investments are categorized to give an indication of the level of credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker, dealer, or financial institution, or financial institution's trust department or safekeeping department or agent, but not in the City's name.

As of December 31, 2002 the Wichita Retirement System did not hold investments classified as Category 2 or Category 3. The System's investments were categorized as follows:

Category 1 Classification	**Fair Value**
U.S. Government and agencies	
Not on securities loan	$ 8,002,255
On securities loan for securities collateral	6,472,969
Corporate bonds	
Not on securities loan	50,299,405
Stocks	
Not on securities loan	211,724,780
On securities loan for securities collateral	1,457,413
Mortgage and asset-backed securities	44,355,600
Subtotal	$322,312,422
Not Subject to Classification	
Investments held by broker-dealers	
Under securities loans:	
U.S. Government and agency securities	12,332,667
Corporate bonds	6,264,211
Stocks	50,118,828
Securities lending short-term collateral investment pool	63,981,313
Mutual funds	272,060,097
Total investments	**$727,069,538**

Securities Lending Transactions

The "Strategic Plan and Investment Policies" adopted by the Boards of Trustees for the Wichita Employees' Retirement and Police and Fire Retirement Systems permit the lending of securities to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same securities in the future. The custodian of the City's pension plans is an agent in lending the plans' domestic securities for collateral of 102% and international securities for collateral of 105%. Collateral may consist of cash, securities issued or guaranteed by the U.S. Government or its agencies, or irrevocable letters of credit issued by a bank (including an affiliate of the agent) other than the securities borrower or affiliate, which is either insured by the Federal Deposit Insurance Corporation or a foreign bank that has complied with applicable requirements of the Federal Reserve Board. The collateral securities cannot be pledged or sold by the City unless the borrower defaults. The agent shall require additional collateral from the borrower whenever the value of loaned securities exceeds the value of the collateral in the agent's possession, so that collateral always equals or exceeds the required value of the loaned securities. Contracts with the lending agent require them to indemnify the Systems if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Systems for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand either by the Systems or the borrower. There are no restrictions on the amount of securities that may be lent.

At year-end, all loans were secured with cash collateral or securities and included domestic equities, international equities, and domestic fixed income securities. The term to maturity of securities loans is matched with the term to maturity of the investment of the cash collateral. Such matching existed at year-end. In lending domestic and international securities, a portion of the cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted-average maturity of 36 days. The relationship between the maturities of the investment pool and the Systems' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the System cannot determine.

Securities on loan at year-end are presented as not subject to classification in the preceding schedule of custodial credit risk. At year-end, the Systems had no credit risk exposure to borrowers because the amounts the Systems owe the borrowers exceed the amounts the borrowers owe the Systems.

Cash received as collateral and the related liability of $63,981,313 as of December 31, 2002 are reflected on the Combining Statement of Plan Net Assets. As of December 31, 2002, the market value of securities on loan was $62,242,737.

Wichita Employees' Retirement System
Plan Description

The WERS was established to provide retirement and survivor annuities, disability benefits, death benefits, and other benefits for all regular full-time civilian employees of the reporting entity and their dependents. Plan 1 (defined benefit plan) was established by City ordinance on January 1, 1948 and became closed to new entrants as of July 19, 1981. With the initiation of Plan 2 (defined benefit plan) which was established by City ordinance on July 18, 1981, all covered employees of Plan 1 were given the option of converting to the new plan. Plan 2 was also closed to new employees with the establishment of Plan 3 (defined contribution plan) effective January 1, 1994. However, upon completion of 7 years of service, employees participating in Plan 3 may convert to participation in Plan 2. Establishment of and amendments to the benefit provisions for the WERS are authorized by the City Council.

Defined Benefit Plan 1 and Plan 2

On December 31, 2002, the WERS defined benefit plan membership consisted of:

	Plan 1	Plan 2	Total
Employees:			
Vested	208	823	1,031
Non-vested	-	-	-
Subtotal	208	823	1,031
Retirees and beneficiaries receiving benefits	937	155	1,092
Terminated employees entitled to benefits but not receiving them	21	91	112
Subtotal	958	246	1,204
Total membership	**1,166**	**1,069**	**2,235**

The following is a summary of eligibility factors and benefit provisions:

	Plan 1	Plan 2
Eligibility for benefits	30 years credited service regardless of age; or 7 years credited service and age 60	7 years credited service and age 62
Early retirement benefits	Early retirement between age 55 and 60 on a reduced basis	Early retirement between age 55 and 62 on a reduced basis
Minimum vesting	7 years of credited service	7 years of credited service
Maximum benefit	2.5% of final average salary per year of service up to a maximum of 75%	2.25% of final average salary per year of service up to a maximum of 75%
Service-connected disability	60% of final salary	50% of final salary
Non-service connected disability	Formula based on credited service with a 50% maximum	25% of final salary
Pre-retirement survivor benefits	If vested, 50% of employee's retirement benefits	If vested, 50% of employee's retirement benefits
Post-retirement survivor benefits	50% of the retiree's benefit	50% of the retiree's benefit
Annual post-retirement benefit increases	3% of original benefit after 12 full months of retirement, not compounded	2% of original benefit after 12 full months of retirement, not compounded

Funding Policy

The contribution requirements of plan members and the employer are established by City ordinance and may be amended by the governing body. Members of Plan 1 and 2 are required to contribute 6.4% and 4.7% of covered salaries, respectively. The City is required to contribute at an actuarially determined rate; the current rate is 4.7% of annual covered payroll for both Plans 1 and 2. The City provides for pension and administrative expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the WERS consulting actuary.

Annual Pension Cost and Net Pension Obligation

The net pension obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2002, the City's annual pension cost of $1,957,922 was equal to the required and actual contributions.

Wichita Employees' Retirement Plan 3

Plan Description

City Ordinance established WERS Plan 3 on April 9, 1993 to provide pension benefits for all of its full-time civilian employees hired or rehired on or after January 1, 1994. Plan 3 is a defined contribution plan; therefore, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employee pension contributions and their earnings are always 100% vested. An employee becomes vested in City pension contributions and their earnings according to their years of service.

Upon completion of 7 years of service, an employee is fully vested and is required to make an election to continue as a member of defined contribution Plan 3 or to transfer to defined benefit Plan 2. Upon election to transfer to Plan 2, the employee's account balance transfers to Plan 2.

Employees who elect to continue participation in defined contribution Plan 3 are required to direct the investment of their account within the investment options offered by the defined contribution administrator. Fully vested Plan 3 members may elect to contribute additional amounts into the plan as permitted by the rules of the Internal Revenue Code in effect at the time of contribution.

On December 31, 2002, the WERS defined contribution plan membership consisted of:

Years of Service	Employer contribution vesting schedule	Number of Employees
7 years or more	100%	18
5 to 7 years	50%	157
3 to 5 years	25%	216
0 to 3 years	0%	482
Total membership		**873**

The following is a summary of eligibility factors and disability benefit provisions:

	Less than 7 yrs. of service	7 or more yrs. of service
Service-connected disability	50% of final salary; or refund of vested Plan 3 account balance	50% of final salary; or refund of vested Plan 3 account balance
Non-service connected disability	Refund of vested Plan 3 account balance	25% of final salary; or refund of vested Plan 3 account balance

Funding Policy

The contribution requirements of plan members and the employer are established by City ordinance and may be amended by the governing body. Members of Plan 3 are required to contribute 4.7% of covered salaries. The City is also required to contribute 4.7% of annual covered payroll. The City provides for pension and administrative expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the WERS consulting actuary.

Contributions of the employer and earnings forfeited by employees who leave employment before 7 years of service are used to reduce the employer's contribution requirements.

Annual Pension Cost

For the year ending December 31, 2002, employer contributions to Plan 3 totaled $1,203,471.

Police & Fire Retirement System of Wichita

Plan Description

The PFRS is divided into 3 plans, Plan A, Plan B, and Plan C-79. The plans were established to provide retirement and survivor annuities, death benefits, and other benefits for Police and Fire Officers of the reporting entity and their dependents. All full-time active "commissioned" Police and Fire Department personnel are required to participate in the plans. Plans A and B were established by City ordinance on January 1, 1965 and Plan C-79 was established January 1, 1979 by City ordinance. Plan B was closed to new entrants as of January 1, 1965 and Plan A was closed to new entrants as of December 31, 1978. Establishment and amendments to benefit provisions for the PFRS are authorized by the City Council.

On December 31, 2002, the Police & Fire Retirement System's membership consisted of:

	Plan A	Plan B	Plan C-79	Total
Employees:				
Vested	89	1	439	529
Non-vested	-	-	499	499
Subtotal	89	1	938	1,028
Retirees and beneficiaries receiving benefits	403	374	56	833
Terminated employees entitled to benefits but not receiving them	1	-	19	20
Subtotal	404	374	75	853
Total membership	**493**	**375**	**1,013**	**1,881**

The following is a summary of eligibility factors and benefit provisions:

	Plans A & B	Plan C-79
Eligibility for benefits	20 years credited service regardless of age	30 years credited service regardless of age; or 20 years of credited service and 50 years of age
Minimum vesting	10 years of credited service	10 years of credited service
Maximum benefit	2.5% of final average salary per year of service up to a maximum of 75%	2.5% of final average salary per year of service up to a maximum of 75%
Service-connected disability, injury related	75% of final salary	75% of final salary
Service-connected disability, disease related	50% of final salary	50% of final salary
Non-service connected disability	With 7 years of service, benefit formula based on credited service with a maximum of 50% final average salary	With 7 years of service, benefit formula based on credited service with a maximum of 50% final average salary
Service-connected death	Benefit formula based on number of survivors with a maximum of 75% final salary	Benefit formula based on number of survivors with a maximum of 75% final salary
Non-service connected death	Benefit formula based on credited service and number of survivors with a maximum of 66 2/3% of final average salary (Plan A) 50% of final salary (Plan B)	Benefit formula based on credited service and number of survivors with a maximum of 66 2/3% of final average salary with 3 years of service
Post-retirement survivor benefits	Benefit formula based on credited service and number of survivors with a maximum of 66 2/3% of final average salary (Plan A) 50% of final salary (Plan B)	Benefit formula based on credited service and number of survivors with a maximum of 66 2/3% of final average salary
Annual post-retirement benefit increases	2% of original benefit after 36 full months of retirement, not compounded	2% of original benefit after 36 full months of retirement, not compounded

Funding Policy

The contribution requirements of plan members and the employer are established by City ordinance and may be amended by the governing body. Members of Plan A contribute 8% of covered salaries, Plan B contribute 6% of covered salaries, and Plan C contribute 7% of covered salaries. The City is required to contribute at an actuarially determined rate; the current rate is 10.9% of annual covered payroll for all plans. The City provides for pension and administrative expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the consulting actuary.

Annual Pension Cost and Net Pension Obligation

The Net Pension Obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2002, the City's annual pension cost of $4,746,504 was equal to the required and actual contributions.

Required Supplementary Information

Wichita Employees' Retirement System

Schedule of Employer Contributions

	Annual Required Contributions		
Fiscal Year Ending	Plan 1 & Plan 2	Plan 3	Percentage Contributed
12/31/97	$ 4,459,654	$ 494,159	100
12/31/98	4,140,164	620,831	100
12/31/99	4,134,826	751,608	100
12/31/00	2,751,084	1,020,209	100
12/31/01	1,843,213	1,214,229	100
12/31/02	1,957,922	1,203,471	100

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/97	$ 296,705	$ 263,573	$ (33,132)	112.6	$ 54,346	(61.0)
12/31/98	340,417	276,980	(63,437)	122.9	56,093	(113.1)
12/31/99	383,338	319,289	(64,049)	120.1	57,562	(111.3)
12/31/00	414,643	329,390	(85,253)	125.9	61,112	(139.5)
12/31/01	428,204	353,158	(75,046)	121.2	65,347	(114.8)
12/31/02	433,366 *	370,399	(62,967)	117.0	68,117	(92.4)

* Includes Plan 3 members.

Police & Fire Retirement System of Wichita

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
12/31/97	$ 6,343,027	100 %
12/31/98	6,429,744	100
12/31/99	6,043,455	100
12/31/00	5,540,575	100
12/31/01	4,796,863	100
12/31/02	4,746,504	100

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/97	$ 262,815	$ 258,706	$ (4,109)	101.6	$ 35,502	(11.6)
12/31/98	295,625	274,900	(20,725)	107.5	36,566	(56.7)
12/31/99	330,072	291,633	(38,439)	113.2	37,969	(101.2)
12/31/00	354,044	308,894	(45,150)	114.6	38,613	(116.9)
12/31/01	362,493	325,335	(37,158)	111.4	42,286	(87.9)
12/31/02	361,687	340,524	(21,163)	106.2	45,696	(46.3)

Notes to Required Supplementary Information
Summary of Actuarial Methods and Assumptions

Wichita Employees' Retirement System

The date of the actuarial valuation was December 31, 2002. The employer's annual required contribution for the current year was determined as part of the December 31, 2000 actuarial valuation using the individual entry-age actuarial cost method. Significant actuarial assumptions used include: (a) rate of return on the investment of present and future assets of 7.75% per year, compounded annually; (b) projected salary increases of 4.75% per year, compounded annually (4.5% attributable to inflation and 0.25% attributable to productivity); (c) additional projected salary increases ranging from 0% to 3.8% per year, depending on age, attributable to seniority/merit; and (d) benefit increase of 3% per year (non-compounded), commencing 12 months after retirement for Plan 1, and 2% per year (non-compounded) for Plan 2.

The actuarial value of assets belonging to the plan is equal to the expected value (calculated using the actuarial assumed rate of 7.75%) and recognition of 25% of the difference between the market and expected actuarial value. This valuation method, used for the first time with the December 31, 2002 valuation, smooths the effect of market fluctuations.

The actuarial accrued liability, as determined by the individual entry-age actuarial cost method, is the portion of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs.

The unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on an open basis. At December 31, 2002, the amortization period was 20 years.

Police & Fire Retirement System

The date of the actuarial valuation was December 31, 2002. The employer's annual required contribution was determined as part of the December 31, 2000 actuarial valuation using the individual entry-age actuarial cost method. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 7.75% per year, compounded annually; (b) projected salary increases of 4.75% per year, compounded annually (4.5% inflation rate and 0.25% productivity); (c) additional projected salary increases ranging from 0% to 3% per year, depending on age, attributable to seniority/ merit; and (d) the assumption that benefits will increase 2% per year (non-compounded), commencing 36 months after retirement.

The actuarial value of assets belonging to the plan is equal to the expected value (calculated using the actuarial assumed rate of 7.75%) and recognition of 25% of the difference between the market and expected actuarial value. This valuation method, used for the first time with the December 31, 2002 valuation, smooths the effect of market fluctuations.

The actuarial accrued liability, as determined by the individual entry-age actuarial cost method, is the portion of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs.

The unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on an open basis. At December 31, 2002, the amortization period was 20 years.

Wichita Retirement Systems
Supporting Schedules

ADMINISTRATIVE EXPENSES
Year ended December 31, 2002

	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Total
Personal services:				
Wages	$ 147,719	$ 141,688	$ -	$ 289,407
Benefits	30,463	30,463	-	60,926
Total personal services	178,182	172,151	-	350,333
Contractuals:				
Telephone	2,640	2,640	-	5,280
Postage	2,095	1,967	64	4,126
Transportation and travel	2,097	5,547	-	7,644
Medical and laboratory services	-	-	-	-
Data center charges	16,075	16,075	-	32,150
City administrative charges	7,565	7,565	-	15,130
Actuarial fees	32,700	34,800	-	67,500
Audit fees	7,500	7,500	-	15,000
Studies and consultants	-	9,000	-	9,000
Legal services	1,584	612	-	2,196
Advertising	4,890	448	229	5,567
Periodicals and manuals	102	102	-	204
Membership dues	213	838	-	1,051
Printing and photocopying	3,840	9,502	-	13,342
Plan 3 participant administratior	-	-	34,567	34,567
Other	586	511	-	1,097
Total contractuals	81,887	97,107	34,860	213,854
Commodities:				
Microfilming	-	-	-	-
Office equipment and supplies	994	994	-	1,988
Data processing equipment	-	-	-	-
Other	11	40	-	51
Total commodities	1,005	1,034	-	2,039
Total administrative expenses	$ 261,074	$ 270,292	$ 34,860	$ 566,226

INVESTMENT EXPENSES

Year ended December 31, 2002

	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals
Investment expenses:				
Financial consulting	$ 41,574	$ 42,656	$ 10,000	$ 94,230
Custodial bank	134,454	159,118	0	293,572
Performance measurement fees	23,660	23,790	0	47,450
Investment management fees	1,296,290	1,521,257	31,574	2,849,121
Total investment expenses	$ 1,495,978	$ 1,746,821	$ 41,574	$ 3,284,373

PAYMENTS TO CONSULTANTS OTHER THAN INVESTMENT ADVISORS

Year ended December 31, 2002

Firm	Services	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Total
Ice Miller	Legal services	$ 1,584	$ 612	$ -	$ 2,196
Milliman USA	Actuarial services	32,700	34,800	-	67,500
Allen, Gibbs & Houlik, L.C.	Auditing services	7,500	7,500	-	15,000
NestEgg Consulting, Inc.	Participant accounting	-	-	34,567	34,567
		$ 41,784	$ 42,912	$ 34,567	$ 119,263

Investment Section

Investment Objectives

The Boards of Trustees of the Wichita Retirement Systems have created a Trust Fund that makes investments for the sole interest of the participants and beneficiaries of the Fund. The primary purpose of the investments is to generate rates of return at a reasonable level of risk, thereby enabling the Fund to pay all pension benefit and expense obligations when due. Accordingly, the assets of the Fund are invested in accordance with these investment objectives: (1) to fulfill current benefit obligations; (2) to maximize return within reasonable and prudent levels of risk; and (3) to maintain sufficient liquidity to meet benefit payment obligations on a timely basis.

Preservation of capital is of primary concern. The Fund seeks preservation of capital with a consistent, positive return on Fund assets. Although speculation is avoided, the Boards understand that an above-average return is associated with a certain degree of risk. Risk to be assumed must be considered appropriate for the return anticipated and consistent with the total diversification of Fund assets.

Trust Fund assets are to be invested with the care, skill, and diligence that a prudent person acting in a like capacity would undertake. The Boards acknowledge that, in the process, they have the objective of controlling the costs involved with administering and managing the investments of the Fund.

In establishing their risk tolerance, the Boards considered their ability to withstand short and intermediate-term volatility in market conditions. The Boards also reviewed the long-term characteristics of various asset classes, focusing on balancing risk with expected return. Accordingly, the Boards selected these five asset classes as allowable asset classes: large to mid-capitalization U.S. equities; small to mid-capitalization U.S. equities; U.S. fixed-income securities; non-U.S. equities (developed and emerging markets); and non-dollar denominated fixed-income securities. The "Asset Allocation" discussion that appears later in this section provides details about the Trust Fund percentages to be invested in the 5 asset classes.

The Boards, with information provided by their Financial Consultant, closely monitor the Fund's asset mix to assure compliance with the adopted Investment Policy Statement and appropriate City ordinances that regulate the investment process. On an ongoing basis, the Boards implement a performance measurement and evaluation process that examines rates of return for the Trust Fund in total, the 5 major asset classes, and individual managers. The Boards compare returns to broad market indices and relevant "peer groups" of investment managers. *The Schedule of Investment Results,* included in this section, depicts the Fund's various rates of return. All returns are time-weighted rates of return calculated by the Fund's custodian bank.

Last year was a difficult investment environment for all investors as economic uncertainties, war and terrorism fears, and Wall Street accounting irregularities took their toll. During this environment, the U.S. stock market declined for the third year in a row, resulting in one of the country's longest and deepest bear markets. The U.S. stock market, as measured by the S&P 500 Index, declined 22.10%. International equities also performed poorly. For the year, the MSCI ACWI (ex U.S.) Index fell 14.67%. A bright spot was the U.S. Bond market, which outperformed U.S. stocks for the third consecutive year. Bonds rose by 10.26% as measured by the Lehman Brother's Aggregate Bond Index. As noted in the Schedule of Investment Results, the Fund generated a total return of minus 11.59% for the year ended December 31, 2002. The return was less than the minus 9.23% return of the Fund's target benchmark (the Weighted Index). In the aggregate, the Fund's domestic equity, fixed-income, and non-U.S. equity managers generated returns that were less than those of their respective benchmarks.

To help defray the expenses associated with the administration and investment of Trust Fund assets, the Boards have created a commission recapture program whereby the Fund's large-cap equity managers direct up to 25% of their trades through a large broker-dealer firm selected by the Boards. The Trust Fund "recaptures" a percentage of the commission dollars. The responsibility of the commission recapture broker is to obtain "best price and best execution" when executing trades.

Ron Gold
Callan Associates, Inc.

Investment Policy

Strategic Plan

Assets of the Wichita Employees' and Police & Fire Retirement Systems (Fund) are invested in a diversified mix of domestic and international equities, domestic and international fixed income securities, and cash equivalents. The Fund is overseen by the Joint Investment Committee comprised of trustee representatives elected from both Boards and a City Manager's designee.

Investment Policies

The assets of the Fund shall be managed solely in the interest of each System's participants and beneficiaries.

The duties of the Boards include, but are not limited to, approving the asset allocation plan and investment policy contained in the Strategic Plan.

The duties of the Joint Investment Committee include, but are not limited to, making recommendations to the Boards on the asset allocation plan; an investment policy; hiring an investment advisor and actuary; the quarterly and annual performance review of the investment portfolio; and retaining or terminating investment managers and the custodial bank.

Fund assets are allocated to professional investment managers who are given full investment discretion with respect to assets under their management, subject to the mandated investment guidelines.

Investment Objectives

The Boards endeavor to earn the maximum total return on assets consistent with maintaining a prudent level of risk. In investing and reinvesting monies in the Fund, there shall be exercised the judgment and care under the circumstances then prevailing which people of prudence, discretion, and intelligence exercise in the management of their own affairs.

Total Fund returns are compared to a blended index composed of market indices weighted to the applicable asset class median.

The blended index consists of:

40%	S&P 500 Stock Index
9%	Russell 2000
17%	Morgan Stanley Capital International ACWI (ex-US)
28%	Lehman Brothers Aggregate Bond Index
6%	Salomon Brothers Non-US Bond Index

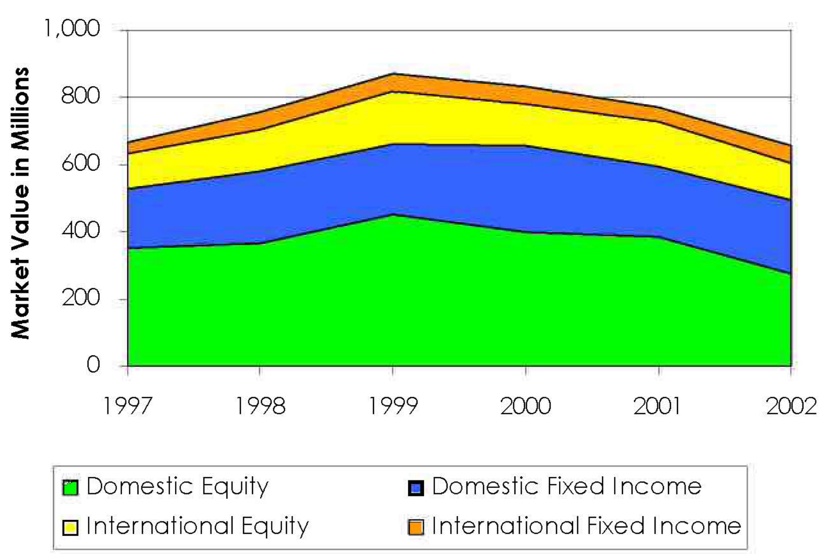
The Fund's objective is to achieve an annualized rate of return that is 4.5% higher than the Consumer Price Index of Urban Wage Earners and Clerical Workers (CPI-U).

Each equity and fixed income manager's total fund return on a time-weighted basis is compared to a universe of managers employing a similar investment style.

Performance relative to a manager's style group is expected to be above median in 3 of 5 calendar years, and above the 40th percentile over rolling 5-year periods.

Fund Growth

The chart below illustrates changes in Fund balance over the last 6 years based on asset class allocations at year-end. An excellent investment climate contributed to the Fund's growth through 1999. However, 2002 proved to be the third year of difficulties for equity investments, which is reflected in the continuing decline in the market value of the Fund.



Performance

The Investment Returns (Table 1) illustrate Fund performance with an appropriate indices comparison. The calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Association for Investment Management and Research (AIMR) performance presentation standards.

The Wichita Employees' Retirement System (WERS) and Police & Fire Retirement System (PFRS) funds were combined for investment purposes on October 1, 1999. The WERS consists of defined benefit Plans 1 and 2 and defined contribution Plan 3 (invested separately as of October 2000, Investment Returns shown on Table 2). The PFRS consists of defined benefit Plans A, B, and C-79.

Table 1

Investment Returns

(includes WERS Defined Contribution Plan 3 prior to October 2000)

	1 – year	3 – year	* 3 1/4 – year
Total portfolio:			
Actual performance	-11.6 %	-6.1 %	-2.5 %
Weighted Index 1	-9.2 %	-6.2 %	-2.8 %
Domestic equities:			
Actual performance	-25.1 %	-12.8 %	-7.5 %
Weighted Index 2	-21.7 %	-13.1 %	-8.2 %
International equities:			
Actual performance	-17.9 %	-19.6 %	-14.3 %
Weighted Index 3	-14.7 %	-16.2 %	-10.8 %
Domestic fixed income:			
Actual performance	10.1 %	10.3 %	9.5 %
Lehman Bros Aggregate	10.3 %	10.1 %	9.3 %
International fixed income:			
Actual performance	22.0 %	5.2 %	4.2 %
Salomon Bros Non-US World Gov't Bond	22.0 %	4.6 %	3.8 %

* Historical return data is not available for the combined Fund for 5-year periods.

Weighted Index 1:

From 10/01/99 – 09/31/00: 34% S&P 500; 8% Russell 2000; 13% Morgan Stanley Capital International Europe Australia Far East (MSCI EAFE); 35% Lehman Brothers Aggregate Bond; 10% Salomon Non-US$ World Govt. Bond Index.

From 10/01/00 – 12/31/01; 40% S&P 500; 9% Russell 2000; 14% Morgan Stanley Capital International Europe Australia Far East (MSCI EAFE); 28% Lehman Brothers Aggregate Bond; 6% Salomon Non-US$ World Govt Bond Index; 3% MSCI Emerging Markets.

From 01/01/2002 until the present; 40% S&P 500; 9% Russell 2000; 17% Morgan Stanley Capital International All Country Ex US (MSCI ACWI); 28% Lehman Brothers Aggregate Bond; 6% Salomon Non-US$ World Govt Bond Index.

Weighted Index 2: 80% S&P 500; 20% Russell 2000.

Weighted Index 3: Morgan Stanley Capital International Europe Australia Far East (MSCI EAFE) through 12/31/00; thereafter Morgan Stanley Capital International All Country Ex US (MSCI ACWI).

Performance (continued)

As of October 2000, funds for the WERS Defined Contribution Plan 3 were separated from the combined WERS and PFRS Funds for investment and management purposes. Although separately invested, these funds continue to be managed in accordance with the Investment Strategies and Policies adopted for the Wichita Retirement System Funds and are, therefore, benchmarked to the same indices. Actual performance data for Plan 3 funds is available only for the year ending 2002.

Table 2

Investment Returns

(WERS Defined Contribution Plan 3)

	1 – year	2 1/4 – year	* 3 – year
Total portfolio:			
Actual performance	-9.3 %	-6.8 %	N/A
Weighted Index 1	-9.2 %	-8.1 %	N/A
Domestic equities:			
Actual performance	-24.0 %	-18.2 %	N/A
Weighted Index 2	-21.7 %	-17.0 %	N/A
International equities:			
Actual performance	-13.5 %	-12.1 %	N/A
MSCI ACWI	-13.5 %	-18.6 %	N/A
Domestic fixed income:			
Actual performance	9.9 %	10.0 %	N/A
Lehman Bros Aggregate	10.3 %	10.3 %	N/A
International fixed income:			
Actual performance	7.6 %	8.7 %	N/A
Salomon Bros Non-US World Gov't Bond	22.0 %	9.4 %	N/A

*Historical return data is not available for the segregated Plan 3 funds prior to October 2000.

Weighted Index 1: 40% S&P 500; 9% Russell 2000; 17% Morgan Stanley Capital International All Country Ex US (MSCI ACWI); 28% Lehman Brothers Aggregate Bond; 6% Salomon Non-US$ World Gov't Bond Index.
Weighted Index 2: 80% S&P 500; 20% Russell 2000.

Asset Allocation

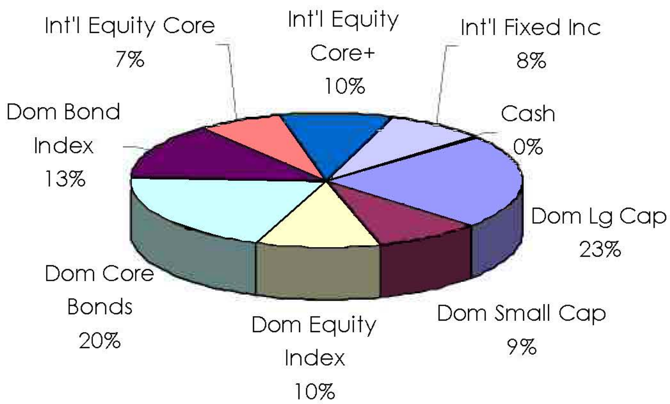
The Wichita Employees' and the Police & Fire Retirement Boards believe that a diversified portfolio aids in the preservation of investment principal. Growth with limited risk is the Funds' objective.

The Boards established the Joint Investment Committee to manage the assets of both Retirement Systems. Asset allocation in conjunction with investment manager selection has a great impact on investment performance. The Committee is responsible for recommending an Asset Allocation Plan developed with the assistance of Callan Associates, the Boards' financial consultant. The Boards review their adopted Asset Allocation Plan at least every 3 years.

Wichita Retirement Systems

Asset Class	Low	Target	High	Actual
Domestic Equity				
Large Cap	22.0%	27.4%	34.0%	22.8%
Small Cap	6.0%	9.8%	16.0%	8.9%
Index	9.0%	11.8%	15.0%	10.3%
Domestic Fixed Income				
Core Bonds	14.0%	16.8%	20.0%	19.9%
Bond Index	8.0%	11.2%	14.0%	13.3%
International Equity				
Core	5.0%	6.8%	8.0%	6.9%
Core Plus	9.0%	10.2%	12.0%	9.5%
International Fixed Income	4.0%	6.0%	8.0%	8.2%
Cash	0.0%	0.0%	2.0%	0.2%

The Boards' commitment to the adopted Asset Allocation Plan, which ensures a diversified portfolio, is especially important to minimize the Fund's exposure to market volatility and to help preserve sufficient funding for future generations. The following chart represents the System's actual asset allocation on December 31, 2002:



Largest Equity & Fixed Income Holdings

(As of December 31, 2002)

Ten Largest Equity Holdings

No. Shares	Description	Market Value	% of Total Portfolio
114,516	Citigroup, Incorporated	$ 4,029,818	0.61 %
120,310	Pfizer, Incorporated	3,677,877	0.56
67,230	Microsoft Corporation	3,475,791	0.53
113,617	General Electric Company	2,766,574	0.42
71,780	Wyeth	2,684,572	0.41
40,160	FNMA	2,583,493	0.39
23,400	Forest Lab, Incorporated	2,298,348	0.35
44,400	Wal-Mart Stores, Incorporated	2,242,644	0.34
38,140	Johnson & Johnson	2,048,499	0.31
55,800	Bank One Corporation	2,039,490	0.31
	Total	**$ 27,847,106**	**4.21** %

Ten Largest Fixed Income Holdings

Par Value	Security	Market Value	% of Total Portfolio
$4,895,000	U.S. Treasury Bonds 7.25%	$ 6,269,075	0.95 %
4,170,000	Federal Home Loan Mortgage Corporation 3.75%	4,290,930	0.65
3,800,000	Federal Home Loan Mortgage Corporation 5%	3,942,196	0.60
3,595,000	Federal Home Loan Bank Bonds 5.375%	3,739,411	0.57
2,990,000	FNMA NT 3.125%	3,037,661	0.46
2,412,176	GNMA Pool # 550986 Series 2031 6.5%	2,531,145	0.38
2,361,276	GNMA Pool # 780914 Series 2028 6%	2,468,785	0.37
2,300,000	Merrill Lynch & Company, Incorporated 6.55%	2,451,960	0.37
1,721,000	Morgan Stanley Dean Witter & Company 6.875%	1,931,337	0.29
1,610,000	FPL Group Cap, Incorporated 7.375%	1,841,271	0.28
	Total	**$ 32,503,771**	**4.92** %

A complete list of portfolio holdings is available upon request from the Pension Management Office.

Wichita Retirement Systems
Investment Fees
Year Ended December 31, 2002

	Fees
Investment managers' fees:	
Domestic fixed income managers	
Richmond Capital Management	$ 240,081
Deutsche Asset Management	74,870
International fixed income manager	
Alliance Capital Management	245,504
Domestic equity managers	
Capital Guardian Trust Company	154,466
Fred Alger Capital Management	267,630
State Street Global Advisors	32,140
Institutional Capital Management	231,556
Strong Capital Management	319,016
INVESCO National Asset Management	198,903
ING Aeltus Investment Management	268,037
International equity managers	
Oechsle International Advisors	513,610
Capital Guardian Trust Company	243,349
Cash management	
The Northern Trust Company	28,385
INTRUST Bank, N.A.	31,574
Total investment managers' fees	2,849,121
Other investment service fees:	
Custodian fees	
The Northern Trust Company	293,572
Performance measurement fees	
The Northern Trust Company	47,450
Investment consultant fees	
Callan Associates, Inc.	94,230
Total other investment service fees	435,252
Net investment management fees	$ 3,284,373

Wichita Retirement Systems

Investment Summary

Year Ended December 31, 2002

Type of Investment	Market Value	% of Total Portfolio
Domestic equities:		
Consumer discretionary	$ 36,488,394	5.50
Consumer staples	8,668,514	1.31
Energy	16,329,060	2.46
Financial services	35,682,021	5.38
Health care	38,302,734	5.78
Industrials	20,562,521	3.10
Information technology	33,867,681	5.11
Materials	5,039,833	0.76
Telecommunications services	4,636,647	0.70
Utilities	2,015,933	0.30
Total domestic equities	201,593,339	30.40
Domestic equities - commingled funds	71,103,157	10.72
International equities:		
Consumer discretionary	20,610,366	3.11
Consumer staples	7,281,507	1.10
Energy	3,270,507	0.49
Financial services	7,034,676	1.06
Health care	6,109,061	0.92
Industrials	3,270,507	0.49
Information technology	3,085,384	0.47
Materials	2,098,061	0.32
Telecommunications services	7,528,337	1.14
Utilities	493,661	0.07
Miscellaneous	925,616	0.14
Total international equities	61,707,683	9.31
International equities - commingled funds	44,601,606	6.73
Domestic fixed income:		
Government securities: long-term	26,807,891	4.04
Corporate debt instruments: long-term	56,563,616	8.53
Mortgage-backed securities	44,355,600	6.69
Total domestic fixed income	127,727,107	19.26
Domestic fixed income - commingled funds	90,032,627	13.58
International fixed income - commingled funds	53,491,020	8.06
Short term investments	12,831,686	1.94
Total invested assets	$ 663,088,225	100.00

Amounts do not include securities lending collateral of $63,981,313 and City's cash deposits of $338,797.

Brokerage Commissions

Year ended December 31, 2002

Brokerage Firm	Number of Shares Traded	Total Commissions	Commission Per Share
Abel Noser Corporation	734,463	$12,486	$0.02
ABG Securities, New York	46,744	482	0.01
ABN Amro Incorporated LLC	7,400	395	0.05
ABN Amro Sec. (USA), Inc. DTC 792	344,262	9,048	0.03
Adams Harkness & Hill, Incorporated	43,050	1,286	0.03
Advest, Incorporated	699,702	-	-
Alex Brown and Sons, New York	12,756	638	0.05
Alger, Fred, & Company, Incorporated	4,261,219	-	-
Alpha Management Inc./Broadcourt, CA	41,300	2,065	0.05
Archipelago BCC Capital	6,700	134	0.02
Autranet, Inc. Equity Trades	6,000	300	0.05
B Trade Services	313,710	4,538	0.01
Banc/America Sec. Montgomery Division	73,900	2,929	0.04
Bank Julius Baer, New York	15,657	1,363	0.09
Banque Indosuez, New York	6,252	581	0.09
Bear, Stearns New York DTC 352	59,300	759	0.01
Bear, Stearns Securities Corporation	211,068	9,435	0.04
Berstein, Sanford C. & Company	192,590	8,849	0.05
Blair, William & Company	2,100	105	0.05
BNY ESI Securities Company	72,064	3,603	0.05
Bridge Trading Company	42,696	2,135	0.05
Brockhouse & Cooper	23,480	704	0.03
Brockhouse & Cooper Montreal	425,420	1,720	-
Buckingham Research Group	1,000	50	0.05
Burnham Securities, Incorporated	2,000	80	0.04
Burns Fry, Incorporated	6,600	330	0.05
Cantor Fitzgerald	462,315	1,040	-
Cantor Fitzgerald & Company	43,000	1,285	0.03
Cantor Fitzgerald & Company, NY	33,805	2,251	0.01
Carnegie Incorporated, New York	346,126	1,231	-
Chase Manhattan Bank DTC 902	11,914	293	-
Chase Securities, Incorporated (CSI)	1,385,000	-	-
CIBC Wood Gundy	800	40	0.05
CIBC World Markets Corp., New York	55,300	2,676	0.05
Citation Group	3,000	110	0.04
Citigroup Global Markets, Incorporated	124,022	2,683	0.02
Citigroup Global Markets, Inc., NY DTC418	193,964	6,478	0.03
Citigroup Global Markets, Inc./SALOMC	9,009,540	-	-
Collins Stewart	138,560	3,486	0.03
Collins Stewart (CSCS) & Company London	17,304	990	0.06
Correspondent Services Corporation	11,700	379	0.03
Credit Lyonnais Securities Inc., New York	36,196	3,576	0.09
Credit Lyonnais Securities London	2,598	54	0.02
Credit Lyonnais Securities LTD	2,600	104	0.04
Credit Suisse First Boston Corporation	4,860,591	30,183	0.01
CSFB (Europe) Limited London	38,865	1,457	0.04
CSFB New York DTC 355	577,283	8,457	0.01
D. Kleinwort Wasserstein N. America	367,930	7,577	0.02
D.A. Davidson & Company, Incorporated	500	25	0.05
Daiwa Securities America, New York	93,328	2,539	0.03
Davis Mendel and Regenstein, Incorporated	2,300	115	0.05
Deutsche Bank Govt Sec., Incorporated	1,500	-	-
Deutsche Bank Securities, Incorporated	1,723,117	15,251	0.01
Dresdner Kleinwort Wasserstein Securities	60,049	633	0.01
Dresdner Securities	500	25	0.05
Edwards, A.G.	5,200	250	0.05
Ernst and Company	2,200	110	0.05

Brokerage Commissions (Continued)

Brokerage Firm	Number of Shares Traded	Total Commissions	Commission Per Share
F.P. Maglio & Company, Incorporated	119,800	$ 5,494	$ 0.05
Factset Data Systems	6,500	325	0.05
First Albany Corporation	504,900	250	-
First Chicago Capital Markets	885,000	-	-
First Union Capital Markets Clearance	36,700	1,627	0.04
Fox Pitt Belton	10,100	428	0.04
Friedman Billing and Ramsey	39,640	1,674	0.04
Gerard, Klaider, Mattison & Company	27,150	290	0.01
Goldman, Sachs & Company	17,387,063	16,319	-
Goldman, Sachs & Co., NY DTC 005	1,611,825	12,640	0.01
Herzog161	13,300	290	0.02
Hibernia Southcoast Capital, Incorporated	2,000	100	0.05
Hoenig & Co., New York	16,161	819	0.05
Howard, Weil, Div. Legg Mason	8,000	400	0.05
HSBC Securities, New York	160,390	4,228	0.03
Instinet	85,100	1,488	0.02
Instinet - New York (Corporation)	23,976	193	0.01
Intermobilaire Milan	98,218	631	0.01
Investment Technology Group, Incorporated	306,731	5,919	0.02
ISI Group, Incorporated	2,750	138	0.05
J.P. Morgan Securities	410,714	-	-
J.P. Morgan Securities, Incorporated	1,791,819	12,997	0.01
Janney, Montgomery, Scott	600	30	0.05
Jeffries & Company	105,125	4,006	0.04
Johnson Rice & Company	15,200	45	-
Jones & Associates	78,550	2,895	0.04
JP Morgan Securities, New York DTC 60	116,000	2,050	0.02
Julius Baer Securities New York	11,906	648	0.05
Keefe, Bruyette and Woods, Incorporated	24,502	1,210	0.05
Knight Securities L.P.	113,630	4,140	0.04
Lazard Freres & Company	1,450	73	0.05
Leerink Swann & Company/IPO	1,200	600	0.05
Legg Mason Wood Walker, Incorporated	10,900	535	0.05
Lehman Brothers Commercial Paper	4,046,276	-	-
Lehman Brothers, Incorporated	1,962,415	21,311	0.01
Lehman Brothers, Inc., NY DTC 074	274,387	10,112	0.04
Liquidnet, Incorporated	58,800	1,176	0.02
Lynch, Jones & Ryan	1,893,812	106,373	0.06
McDonald and Company	3,500	175	0.05
Merill Lynch International London	74,927	1,727	0.02
Merrill Professional Clearing Corporation	3,500	175	0.05
Merrill Lynch & Company, Inc. – NY	405,310	11,649	0.03
Merrill Lynch Capital Markets	107,200	2,694	0.03
Merrill Lynch Government	100,000	-	-
Merrill Lynch Government Securities	6,654,534	-	-
Merrill Lynch Inter, New York DTC 161	18,012	901	0.05
Merrill, Lynch, Pierce, Fenner & Smith	8,713,743	24,992	-
Moors and Cabot, Inc./IPO Tracking	1,600	48	0.03
Morgan Keegan and Company	540,700	42	-
Morgan Stanley & Company, Incorporated	5,745,483	19,541	-
Morgan Stanley and Co. NW DTC 050	501,362	14,610	0.03
Morgan Stanley Dean Witter	5,440,000	-	-
National Financial Services	900	45	0.05
National Financial Services New York	6,124	306	0.05
Needham & Company	10,100	505	0.05
Nesbitt Burns Securities	200	10	0.05
Nomura Securities, New York	91,041	1,748	0.02
Northeast Securities, Incorporated	500	25	0.05

Brokerage Firm	Number of Shares Traded	Total Commissions	Commission Per Share
Paine Webber, Incorporated	2,609,006	$ 207	$ -
PCS Securities, Incorporated	14,000	560	0.04
Precursor Group, Incorporated	900	45	0.05
Prudential Bache New York	3,534	177	0.05
Prudential Securities, Incorporated	116,900	4,504	0.04
Punk, Ziegel & Knoell	600	30	0.05
Putnam Lovell De Guardiola	2,800	140	0.05
PXP Securities Group	13,500	772	0.06
Raymond James	17,100	855	0.05
RBC Dain Rauscher	52,300	2,181	0.04
RBC Dominion Securities, New York	10,169	506	0.05
Robb, Peck McCooey Clearing Corporation	100	5	0.05
Robert W. Baird & Company, Incorporated	4,600	230	0.05
Robertson, Stephens & Company L.R.	88,000	3,315	0.04
Robinson, Humphrey / America	6,300	315	0.05
Ryan, Beck & Company	5,700	285	0.05
Sanders Morris Mundy	61,500	3,070	0.05
Sandler O'Neil & Partner	200	10	0.05
Sanford Bernstein New York	143,463	1,760	0.01
Schwab, Charles	196,200	6,912	0.04
Scotia McLeod, Incorporated	2,500	125	0.05
Scott & Stringfellow Investment	1,650,400	-	-
Ser, De Comp. Y Liquidacion, Madrid	7,865	-	-
SG Cowen and Company	156,350	6,831	0.04
SG Cowen Securities, New York	31,405	1,975	0.06
Simmons & Company, International	5,900	295	0.05
Smith, Barney, Incorporated	699,059	31,715	0.05
Soundview Financial Group	35,800	1,517	0.04
Spear Leeds and Kellogg	953,000	60	-
Standard & Poors Securities	2,800	140	0.05
State Street Brokerage Services	300	15	0.05
Stephens Incorporated	1,400	70	0.05
Suntrust Robinson Humphrey	5,600	283	0.05
Thomas Weisel Partners, LLC	44,900	2,146	0.05
Tir Securities Inc. New York DTC 384	3,455	85	0.02
Transnational Research Corporation NY	36,479	1,063	0.03
Troster Singer Corporation	195,000	3,965	0.02
U.S. Bancorp Piper Jaffray, Incorporated	79,000	3,085	0.04
UBS Warburg (Asia) LTD HK	58,300	3,712	0.06
UBS Warburg, LLC	1,678,664	29,812	0.02
Union Bank of Swit New Yk DTC 642	81,941	431	0.01
Warburg, Dillon, Read, LLC New York	75,464	2,966	0.04
Wedbush Morgan Securities, Incorporated	5,100	306	0.06
Weeden & Company	147,800	5,283	0.04
Wells Fargo Securities, LLC	4,500	225	0.05
Wells Fargo Van Kasper, LLC	2,900	145	0.05
Westminster Research Associates	450	23	0.05
Wilshire Associates, Incorporated	15,000	750	0.05
WR Hambrecht & Company	11,100	333	0.03

Actuarial Section

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May 14, 2003

The Retirement Boards
City of Wichita Employees' Retirement System and
Police and Fire Retirement System
455 North Main Street, 12th Floor
Wichita, Kansas 67202

Subject: Certification of December 31, 2002 Actuarial Valuations

Dear Board Members:

We certify that the information included herein and contained in the 2002 Actuarial Valuation Reports is accurate and fairly presents the actuarial position of the Wichita Employees' Retirement System (WER) and the Wichita Police and Fire Retirement System (WPF) as of December 31, 2002.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the City ordinances and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries, who are members of the American Academy of Actuaries and are also Enrolled Actuaries. They are experienced in performing valuations for public retirement systems.

Actuarial Valuations

The primary purpose of the valuation report is to determine the City's contribution rate to fund each System on an actuarial basis, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the reports provide information required by the System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB No. 25), and they provide various summaries of the underlying data.

Valuations are prepared for each System annually, as of December 31 of each year, the last day of the System's plan and fiscal year.

Financing Objective of the Systems

The funding objective of each Retirement System is to establish and receive contributions which:

- when expressed as percents of active member payroll, will remain approximately level from generation to generation of Wichita citizens, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Systems to present and future retirees and beneficiaries.

OFFICES IN PRINCIPAL CITIES WORLDWIDE

May 14, 2003
Page 2

The financial objective is addressed within the annual actuarial valuations. The valuation process develops contribution rates that are sufficient to fund the plan's current normal cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as level percents of active member payroll. The most recent annual actuarial valuations were completed based upon population data, asset data and plan provisions as of December 31, 2002. In each System, valuation assets exceeded actuarial accrued liabilities as of December 31, 2002. The excess in both systems was amortized as a level percent of payroll over 20 years and applied as a possible credit to the computed normal cost.

Valuation assets were based on a smoothed market value, which recognizes 25% of the difference between the market value and the expected value, based on the actuarial assumed rate of return. This asset valuation method was first applied in the December 31, 2002 valuation. Market value rates of return in both Systems were lower than the long term assumed rate for the period ending December 31, 2002. This was a common occurrence in public sector systems for this period. The rate of return on the actuarial value of assets exceeded the market return but was still less than the long term assumed rate. Net experience in each System from all sources was unfavorable during 2002, largely due to the rate of return on the actuarial value of assets.

On the basis of the 2002 valuations, it is our opinion that the Retirement Systems are meeting their basic financial objectives and continue in sound condition in accordance with the actuarial principles of the level percent of payroll financing.

Plan Provisions

The plan provisions used in the actuarial valuations are described in Appendix B of the valuation report.

Data

In preparing the December 31, 2002 actuarial valuations, we have relied upon member and asset data provided by the Retirement Program Administrator. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and for consistency with prior year's data.

Actuarial Methods and Assumptions

The actuarial methods and assumptions have been selected by the Board of Trustees of the Systems based upon the analysis and advice of the actuary and other professionals. These assumptions and methods are detailed in Appendix C of the valuation report. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are based on a study of actuarial experience for the four year period ending December 31, 1998.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are internally consistent and reasonably related to the experience of the System and to reasonable expectations. We believe they comply with the requirements of Governmental Accounting Standards Board Statement No. 25.

May 14, 2003
Page 3

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report:

Actuarial Section

Summary of Actuarial Methods and Assumptions
Schedule of Active Member Valuation Data
Schedule of Retirants and Beneficiaries Added to and Removed from Rolls
Solvency Test
Derivation of Retirement Systems Experience Gain (Loss)

Financial Statements Section

Schedule of Employee Contributions
Schedule of Funding Progress

Retirement System staff prepared the schedules shown in the Statistical Section of the report, based in part upon the material prepared by the actuary.

Respectfully submitted,

MILLIMAN USA, INC.

I, Patrice A. Beckham, F.S.A. am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Patrice Beckham

Patrice A. Beckham, F.S.A.
Consulting Actuary

I, Gregg Rueschhoff, A.S.A. am a member of the American Academy of Actuaries and an Associate of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to ender the actuarial opinion contained herein.

Gregg Rueschhoff

Gregg Rueschhoff, A.S.A.
Consulting Actuary

Wichita Employees' Retirement System (WERS)

Actuarial Cost Method

The actuarial cost method is a procedure for allocating the actuarial present value of pension plan benefits and expenses to time periods. The method used for the valuation is known as the individual entry-age normal actuarial cost method, and has the following characteristics:

(i) The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement;

(ii) Each annual normal cost is a constant percentage of the member's year-by-year projected covered compensation.

The entry-age normal actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry-age of the member and the assumed exit-age.

The portion of the actuarial present value allocated to the valuation year is called the *normal cost*. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the *actuarial accrued liability*. Deducting accrued assets from the actuarial accrued liability determines the *unfunded actuarial accrued liability*. There was no unfunded accrued liability as of December 31, 2002.

Actuarial Assumptions Used for Valuations

Retirement System contribution requirements and actuarial present values are calculated by applying experience assumptions to the benefit provisions and participant information of the Retirement System, using the actuarial cost method. These assumptions were proposed by the Fund's actuary following the completion of an experience study covering the period January 1, 1995 through December 31, 1998, and adopted by the Board July 21, 1999. The actuarial valuation of assets is based on the "Expected Value plus 25%" method, which smooths the effect of market value fluctuations by recognizing 25% of the difference between the expected actuarial value and market value of assets. The Board first adopted this methodology for the December 31, 2002 valuation. Actuarial gains and losses reduce or increase the unfunded liability or surplus and are amortized over a rolling 20-year amortization period.

The Net Investment Rate of Return

The net investment rate of return used for actuarial valuation calculations was 7.75% per year, compounded annually. This annual rate of return consists of 4.50% in recognition of long-term price inflation and 3.25% real rate of return over price inflation. This assumption, used to equate the value of payments due at different points in time, was adopted by the Board and first used for the December 31, 1999 valuation.

Salary Projections

These assumptions are used to project current salaries to those that determine average annual compensation. The assumptions consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel, and an age-graded component to reflect promotion and longevity increments. These assumptions were first used for the December 31, 1999 valuation.

Annual Rate of Salary Increases

Sample Ages	Inflation Component	Productivity Component	Merit and Longevity	Total
20	4.50 %	0.25 %	3.80 %	8.55 %
25	4.50	0.25	3.12	7.87
30	4.50	0.25	2.68	7.43
35	4.50	0.25	2.37	7.12
40	4.50	0.25	2.13	6.88
45	4.50	0.25	1.68	6.43
50	4.50	0.25	1.14	5.89
55	4.50	0.25	0.66	5.41
60	4.50	0.25	0.16	4.91
65	4.50	0.25	-	4.75

The salary increase assumptions will produce 4.75% annual increases in active member payroll (the inflation and productivity base rate), given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial accrued liability. The real rate of return over assumed wage growth is 3% per year. The inflation and productivity assumptions were first used for the December 31, 1999 valuation. The merit and longevity rates were first used for the December 31, 1987 valuation.

Marriage

Seventy percent of active members were assumed to be married for purposes of death benefits. In each case, the male was assumed to be 3 years older than the female.

Sick Leave

Normal retirement benefits were increased by 5% to account for the inclusion of unused sick leave in the calculation of final average salary.

Rates of Retirement and Deferred Retirement Option Plan (DROP) Elections

These rates are used to measure the probabilities of an eligible member retiring under the regular retirement provisions or from the Deferred Retirement Option Plan (DROP). This assumption was first used for the December 31, 1999 valuation.

Participation in the DROP is an option available to employees eligible to retire on or after January 1, 2000. The DROP allows retired employees to remain in active employee status for a period of 1 to 60 months. During the DROP period, additional pension benefits are not accrued and the employee's retirement benefit plus 5% annual interest accumulates in their DROP notational account. The employee receives a lump sum distribution of the balance of the account at the end of the DROP period when service is terminated.

Plan 1 members acquiring 30 years of service and Plan 2 members acquiring 33.33 years of service were assumed to elect the most advantageous plan provision; DROP or regular retirement. All members were assumed to retire on or before age 70.

	% Retiring During the Year	
Retirement Age	Plan 1	Plan 2
55	25 %	5 %
56	5	5
57	10	5
58	10	5
59	5	5
60	20	5
61	20	5
62	35	45
63	30	5
64	40	20
65	70	45
66	55	45
67	80	55
68	90	55
69	95	55
70	100	100

Forfeiture of Vested Benefits

A percentage of the actuarial present value of vested benefits is assumed to be forfeited by a withdrawal of accumulated contributions. This percentage is applied individually based on a graded scale beginning at 50% for the earliest vesting age to 0% at the individual's minimum retirement age.

Mortality Table

The 1971 Group Annuity Mortality Table projected to 2000, set back 0 years for men and 6 years for women, was first used for the December 31, 1999 valuation. This table is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

Future Life Expectancy (Years)

Sample Ages	Men	Women
50	28.3	33.7
55	24.0	29.2
60	19.9	24.8
65	16.1	20.7
70	12.7	16.8
75	9.8	13.3
80	7.4	10.4
85	5.6	7.8

Separation from Active Membership

This assumption measures the probabilities of members terminating employment or becoming disabled during the year. Disabilities are assumed to be non-duty related. These rates do not apply to members who are eligible to retire. This assumption was last revised for the December 31, 1999 valuation.

Sample Ages	Years of Service	Percent Separating During the Year	Percent Becoming Disabled During the Year
Any	0	25.00 %	NA
-	1	19.00	NA
-	2	14.00	NA
-	3	11.00	NA
-	4	9.00	NA
25	Over 4	7.50	0.03 %
30	-	6.50	0.04
35	-	5.25	0.05
40	-	4.00	0.09
45	-	2.90	0.14
50	-	2.00	0.24
55	-	1.50	0.43
60	-	1.50	0.71

Plan 3 Transfer

Plan 3 (defined contribution plan) members whose age at hire is at least 35 years are assumed to elect Plan 2 if they acquire 7 years of service. Members hired under age 35 are assumed to elect the better of Plan 2 or Plan 3 benefits.

Active Member Valuation Data

Valuation Date	Number of Members: Plan 1	Plan 2	Plan 3	Total	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Pay
12/31/1997	330	950	551	1,831	$ 54,346	$ 29,681	1.8 %
12/31/1998	285	891	663	1,839	56,093	30,502	2.8
12/31/1999	256	832	767	1,855	57,562	31,031	1.7
12/31/2000	241	777	878	1,896	61,112	32,232	3.9
12/31/2001	224	794	851	1,869	65,347	34,964	8.5
12/31/2002	208	823	873	1,904	68,117	35,776	2.3

Retirants and Beneficiaries Added To and Removed from Rolls

	Added to Rolls		Removed from Rolls		End of Year Rolls		Annual Pensions	
Year Ended	Number	* Annual Pensions	Number	* Annual Pensions	Number	Annual Pensions	Average Pension	Average Increase
12/31/1997	57	N/A	36	N/A	976	$ 12,933,387	$ 13,251	6.2 %
12/31/1998	68	N/A	28	N/A	1,016	14,237,825	14,014	10.1
12/31/1999	60	N/A	44	N/A	1,032	15,034,841	14,569	5.6
12/31/2000	57	$ 1,253,508	42	$ 427,360	1,047	15,860,989	15,149	5.5
12/31/2001	49	1,162,200	49	550,633	1,047	16,472,556	15,733	3.9
12/31/2002	54	1,063,800	49	540,684	1,052	17,436,240	16,574	5.3

* Data not available prior to year 2000. Values are estimated based on annualized pension amounts.

Solvency Test

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)				
Valuation Date	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)	Reported Valuation Assets	(1)	(2)	(3)
12/31/1997	$29,881,922	$141,922,445	$91,768,436	$296,704,769	100 %	100 %	136.1 %
12/31/1998	29,694,389	156,764,183	90,521,375	340,417,265	100	100	170.1
12/31/1999	32,017,094	169,602,958	117,669,351	383,337,991	100	100	154.4
12/31/2000	34,189,528	177,095,907	118,104,491	414,642,694	100	100	172.2
12/31/2001	33,516,616	179,374,487	140,266,410	428,204,828	100	100	153.5
12/31/2002	38,291,472	192,615,216	139,492,410	433,365,890	100	100	145.1

Financial Experience

During the 12 months ended December 31, 2002, the City of Wichita Employees' Retirement System generated a net experience loss of $14.8 million. The amount is 4.0% of the actuarial liability at the beginning of the year. Investment experience, partially offset by retirement and mortality experience gains, was the primary source of the loss.

Derivation of Retirement System Experience Gain (Loss)
(amounts in millions of dollars)

			Year Ended 12/31/02
(1)		* UAL at start of year	($75.0)
(2)	+	Normal Cost for year	9.2
(3)	+	Assumed investment return on (1) & (2)	(5.1)
(4)	-	** Actual contributions (member + City)	6.6
(5)	+	Assumed investment return on (4)	0.3
(6)	=	Expected UAL at end of year	(77.8)
(7)	=	Actual UAL at year end	(63.0)
(8)	=	Experience gain (loss) (6) – (7)	(14.8)
(9)	=	Percent of beginning of year AL	4.0%

* *Unfunded actuarial liability*
** *Member contributions for 2002 include those for Plan 3 members with the exception of those members electing to stay in Plan 3 after vesting.*

Summary of Benefit Provisions
Wichita Employees' Retirement System
Defined Benefit Plans 1 and 2

Plan 1 is applicable to members employed prior to July 18, 1981 who did not elect to be covered by Plan 2.

Plan 2 is applicable to members employed prior to July 18, 1981 who elected to be covered by Plan 2, those employed or re-employed on or after July 18, 1981 and before January 2, 1994, and Plan 3 members who, upon vesting, elect to become members of Plan 2.

Normal Retirement

Eligibility

Plan 1: Age 60 with 7 or more years of service, or any age with 30 or more years of service.
Plan 2: Age 62 with 7 or more years of service.

Benefit

Plan 1: Years of service times 2.5% of final average salary, to a maximum of 75%.
Plan 2: Years of service times 2.25% of final average salary, to a maximum of 75%.

Final Average Salary

Three consecutive years within the last 10 years of service that produce the highest average salary.

Early Retirement

Eligibility

Age 55 with 7 or more years of service.

Benefit

Plan 1: An amount computed as for normal retirement but reduced for each month retirement precedes age 60.

Service	Reduction per Month
30 yrs	No reduction
29 yrs	.05 of 1%
28 yrs	.10 of 1%
27 yrs	.15 of 1%
26 yrs	.20 of 1%
25 yrs	.25 of 1%
24 yrs	.30 of 1%
23 yrs	.35 of 1%
22 yrs	.40 of 1%
21 yrs	.45 of 1%
20 yrs or less	.50 of 1%

Plan 2: An amount computed as for normal retirement but reduced 0.6% for each month retirement precedes age 62.

Deferred Retirement

Eligibility

Any age with 7 or more years of service. Deferred pensioner may apply for a reduced retirement benefit upon meeting the age requirement for early retirement (55 years) or an unreduced pension upon meeting the applicable age requirement for normal retirement (60 years, Plan 1 or 62 years, Plan 2). A refund of employee contributions may be elected in lieu of a retirement benefit.

Deferred Benefit

Retirement benefit is computed as for normal retirement. Deferred pensions are adjusted during the deferral period based on changes in the National Average Earnings Index, up to 5.5% annually.

Deferred Retirement Option Plan (DROP)

Eligibility

Must be eligible for retirement, and elect to participate in the DROP for 1 to 60 months.

DROP Benefit

Retirement benefit is computed as beginning on the date of the DROP election. During the DROP period of 1 to 60 months, the employee continues to work and contribute to the Pension Plan. The monthly benefit plus 5% annual interest accumulates in the employee's notational DROP account, which is payable to the employee upon actual termination of employment.

Service-Connected Disability

Eligibility

No age or service requirement. Disability must be permanent and total, as defined in State Worker's Compensation Act, for a City position commensurate with the employee's training, experience, and education.

Benefit

Plan 1: 60% of final rate of salary.
Plan 2: 50% of final rate of salary.

Non-Service Connected Disability

Eligibility

Seven or more years of service and under age 60, Plan 1, or age 62, Plan 2. Disability must be permanent and total, as defined in State Worker's Compensation Act, for a City position commensurate with the employee's training, experience, and education.

Benefit

Plan 1: 30% of final average salary plus 1% of final average salary for each year of service in excess of 7 years, to a maximum of 50%.
Plan 2: 25% of final rate of salary.

Pre-Retirement Survivor Benefit

Eligibility

Spouse of employee who had 7 or more years of service at the time of death.

Benefit

50% of the annual benefit to which the deceased employee would have been entitled had the employee been retired at the time of death. Minor children receive 10% (20% if no surviving spouse) of the benefit, total payments not to exceed 75% of final average salary.

Designated Beneficiary

Unmarried employees or those with less than 7 years of service must designate a beneficiary to receive benefits.

Benefit

The deceased employee's accumulated contributions plus 5% interest and 1 month's salary for each full year of service, not to exceed 6 months of salary.

Post-Retirement Survivor Benefit

Eligibility

Spouse of retiree for a minimum of 12 months at time of death.

Benefit

50% of benefit paid to retiree at time of death.
Plan 1: $1,500 funeral benefit.

Designated Beneficiary

When no spouse is eligible for a survivor's benefit, the retiree must designate a beneficiary.

Benefit

Balance, if any, of contributions and interest, plus benefit due retiree through date of death.
Plan 1: $1,500 funeral benefit.

Non-Vested Termination Benefits

Eligibility

Termination of employment without eligibility for any other benefit.

Benefit

Accumulated contributions at the time of termination, plus 5% annual interest.

Post-Retirement Adjustment of Pension Benefit

Eligibility

Completion of 12 full months of retirement and annually thereafter.

Benefit

Plan 1: 3% of the base pension benefit (not compounded).
Plan 2: 2% of the base pension benefit (not compounded) for those retiring after 2/18/2000.

Employee Contributions

Plan 1: 6.4% of total compensation.
Plan 2: 4.7% of base salary and longevity pay (effective 2/19/2000).

Employer Contributions

Actuarially determined amounts which, together with employee contributions and investment earnings, fund the obligations of the Plan in accordance with accepted actuarial principles.

Unused Sick Leave

Each month of accumulated unused sick leave is considered to be a month of service for the purpose of computing annual benefit amounts.

Wichita Employees' Retirement System
Defined Contribution Plan 3

Plan 3 is applicable to members employed or re-employed on or after January 1, 1994, and Plan 3 members who, upon vesting, choose to remain members of Plan 3.

Employee Contributions
4.7% of compensation (effective 2/19/2000).

Employer Contributions
4.7% of compensation (effective 2/19/2000).

Vesting of Contributions
Member contributions and investment earnings thereon are 100% vested.

Employer contributions and investment earnings thereon are 25% vested after 3 years of service, 50% vested after 5 years of service, and 100% vested after 7 years of service.

Vested accounts are payable upon termination of City employment or death of employee.

Transfer to Plan 2 or Remain in Plan 3
When vested with 7 years of service, employees have the option to transfer to Plan 2 (the defined benefit plan) or remain a member of Plan 3.

Prior to 100% vesting, investment of Plan 3 accounts is directed by the Wichita Employees' Retirement System's Board of Directors in the same asset allocation as the Pension Trust Funds. Employees opting to remain in Plan 3 assume self-direction responsibility for the investment of their Plan 3 accounts.

Service-Connected Disability
Eligibility
No age or service requirement. Disability must be permanent and total, as defined in State Worker's Compensation Act, for a City position commensurate with the employee's training, experience, and education.

Benefit
50% of final salary; or refund of Plan 3 vested account.

Non-Service Connected Disability
Eligibility
Seven or more years of service and under age 62. Disability must be permanent and total, as defined in State Worker's Compensation Act, for a City position commensurate with the employee's training, experience, and education.

Benefit
25% of final salary; or refund of Plan 3 vested account.

A more detailed description of Plan provisions is available from the Pension Management Office on request.

Police & Fire Retirement System (PFRS)

Actuarial Cost Method

The actuarial cost method is a procedure for allocating the actuarial present value of pension plan benefits and expenses to time periods. The method used for the valuation is known as the *individual entry-age actuarial cost method*, and has the following characteristics:

(i) The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement;

(ii) Each annual normal cost is a constant percentage of the member's year-by-year projected covered compensation;

(iii) Normal costs for Plans A and B (closed plans) were based on Plan C (open plan) assumptions and benefit conditions.

The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry-age of the member and the assumed exit-age. By applying the entry-age cost method in the fashion described in (iii), the ultimate normal cost will remain level as a percent of active member payroll (if actuarial assumptions are realized) as Plan A and Plan B members leave active status and are replaced by members entering Plan C.

The portion of the actuarial present value allocated to the valuation year is called the *normal cost*. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the *actuarial accrued liability*. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability. There was no unfunded accrued liability as of December 31, 2002.

Actuarial Assumptions Used for Valuations

Retirement System contribution requirements and actuarial present values are calculated by applying experience assumptions to the benefit provisions and participant information of the Retirement System, using the actuarial cost method. These assumptions were proposed by the Fund's actuary following the completion of an experience study covering the period January 1, 1995 through December 31, 1998, and adopted by the Board July 21, 1999. The actuarial valuation of assets is based on the "Expected plus 25%" method, which smooths the effect of market value fluctuations by recognizing 25% of the difference between the expected actuarial value, based on 7.75% return assumption, and market value of assets. The Board first adopted this methodology for the December 31, 2002 valuation. Actuarial gains and losses reduce or increase the unfunded liability or surplus and are amortized over a rolling 20-year amortization period.

The Net Investment Rate of Return

The net investment rate of return used for actuarial valuation calculations was 7.75% per year, compounded annually. This rate consists of 4.5% in recognition of long-term price inflation and a real rate of return of 3.25% annually. This assumption, used to equate the value of payments due at different points in time, was adopted by the Board and first used for the December 31, 1999 valuation.

Salary Projections

These assumptions are used to project current salaries to those that determine average annual compensation. The assumptions consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel, and an age-graded component to reflect promotion and longevity increments. These assumptions were first used for the December 31, 1999 valuation.

Annual Rate of Salary Increases

Sample Ages	Inflation Component	Productivity Component	Merit and Longevity	Total
20	4.50 %	0.25 %	3.0 %	7.75 %
25	4.50	0.25	3.0	7.75
30	4.50	0.25	2.6	7.35
35	4.50	0.25	1.1	5.85
40	4.50	0.25	0.2	4.95
45	4.50	0.25	0.2	4.95
50	4.50	0.25	0.2	4.95
55	4.50	0.25	0.1	4.85
60	4.50	0.25	-	4.75
65	4.50	0.25	-	4.75

The salary increase assumptions will produce 4.75% annual increases in active member payroll (the inflation and productivity base rate) given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial accrued liability. The real rate of return over assumed wage growth is 3% per year. The inflation and productivity assumptions were first used for the December 31, 1999 valuation. The merit and longevity rates were first used for the December 31, 1987 valuation.

Rates of Retirement

The rates in the tables below are used to measure the probability of eligible members retiring. This assumption was first used for the December 31, 1999 valuation.

Plans A & B

Years of Service	% Retiring During Year	
	Police	Fire
20	28 %	20 %
21	28	15
22	26	10
23	15	10
24	12	10
25	15	15
26	15	10
27	15	10
28	15	10
29	15	30
30	100	10
31	100	100

Plan C

Age	% Retiring During Year	
	Police	Fire
50	35 %	20 %
51	25	15
52	20	10
53	15	10
54	15	10
55	15	10
56	15	10
57	15	15
58	25	25
59	30	30
60	100	100
Over 60	100	100

Rates of Separation from Active Membership

The assumed probabilities of members terminating employment are reflected in the table below. The rates do not apply to members who are eligible to retire. These rates were first used for the December 31, 1999 valuation.

Sample Ages	Years of Service	Percent Separating During the Year		Percent Disabled During the Year	
		Police	Fire	Police	Fire
Any	0	10.0 %	8.0 %	NA	NA
-	1	8.0	6.0	NA	NA
-	2	6.0	4.5	NA	NA
-	3	4.0	3.0	NA	NA
-	4	3.0	2.0	NA	NA
20	NA	NA	NA	0.10 %	0.09 %
25	Over 4	3.0	1.0	0.16	0.14
30	-	2.4	1.0	0.33	0.30
35	-	1.7	1.0	0.55	0.49
40	-	1.2	0.9	0.77	0.68
45	-	1.0	0.8	0.98	0.87
50	-	0.9	0.7	1.20	1.06
55	-	0.8	0.6	1.42	1.14

Mortality Table

The 1971 Group Annuity Mortality Table projected to 2000, set back 0 years for men and 6 years for women, was first used for the December 31, 1999 valuation. This table is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment made after retirement.

Future Life Expectancy (Years)

Sample Ages	Men	Women
50	28.3	33.7
55	24.0	29.2
60	19.9	24.8
65	16.1	20.7
70	12.7	16.8
75	9.8	13.3
80	7.4	10.4
85	5.6	7.8

Marriage

Eighty percent of active members were assumed to be married. In each case, the male was assumed to be 3 years older than the female.

Sick Leave

Normal retirement benefits were increased by 5% to account for the inclusion of unused sick leave in the calculation of final average salary.

Active Member Valuation Data

Valuation Date	Number of Members: Plan A	Plan B	Plan C	Total	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Pay
12/31/1997	166	1	837	1,004	$ 35,502	$ 35,361	1.1 %
12/31/1998	138	1	858	997	36,566	36,676	3.7
12/31/1999	113	1	887	1,001	37,969	37,637	2.6
12/31/2000	98	1	894	993	38,613	38,885	3.3
12/31/2001	93	1	907	1,001	42,287	42,244	8.6
12/31/2002	89	1	938	1,028	45,696	44,452	5.2

Retirants and Beneficiaries Added To and Removed from Rolls

	Added to Rolls		Removed from Rolls		End of Year Rolls		Annual Pensions	
Year Ended	Number	Annual Pensions	Number	Annual Pensions	Number	Annual Pensions	Average Pension	Average Increase
12/31/1997	27	N/A	20	N/A	774	$12,122,832	$15,663	3.7 %
12/31/1998	45	N/A	18	N/A	801	13,019,926	16,255	7.4
12/31/1999	37	N/A	15	N/A	823	14,198,538	17,252	9.1
12/31/2000	29	$1,028,983	28	$341,725	824	14,885,796	18,065	4.8
12/31/2001	32	933,725	25	453,017	831	15,366,504	18,492	2.4
12/31/2002	15	397,728	13	123,468	833	15,981,492	19,185	3.7

Solvency Test

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)				
Valuation Date	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)	Reported Valuation Assets	(1)	(2)	(3)
12/31/1997	$22,518,199	$146,068,362	$90,119,236	$262,814,796	100 %	100 %	104.6 %
12/31/1998	23,845,658	157,021,415	94,033,095	295,624,986	100	100	122.0
12/31/1999	24,759,118	170,478,501	96,395,412	330,071,866	100	100	139.9
12/31/2000	27,152,206	183,463,718	98,277,967	354,044,311	100	100	145.9
12/31/2001	27,694,761	183,034,623	114,605,637	362,493,060	100	100	132.4
12/31/2002	34,440,696	182,063,498	124,019,921	361,687,109	100	100	117.1

Financial Experience

During the 12 months ended December 31, 2002, the City of Wichita Police & Fire Retirement System generated a net experience loss of $16.7 million. The amount is 6.3% of the actuarial accrued liability at the beginning of the year. Investment experience, partially offset by retirement and withdrawal experience, was the primary source of the loss.

Derivation of Retirement System Experience Gain (Loss)
(amounts in millions of dollars)

			Year Ended 12/31/02
(1)		* UAL at start of year	($37.2)
(2)	+	Normal Cost for year	9.6
(3)	+	Assumed investment return on (1) & (2)	(2.1)
(4)	-	Actual contributions (member + City)	7.9
(5)	+	Assumed investment return on (4)	0.3
(6)	=	Expected UAL at end of year	(37.9)
(7)	=	Actual UAL at year end	(21.2)
(8)	=	Experience gain (loss) (6) – (7)	(16.7)
(9)	=	Percent of beginning of year AL	6.3%

** Unfunded actuarial liability*

Summary of Benefit Provisions
Police & Fire Retirement System

Plan A is applicable to members who entered the System between January 1, 1965 and December 31, 1978; and to members who entered prior to January 1, 1965 and elected Plan A coverage.

Plan B is applicable to members who entered the System prior to January 1, 1965 and elected Plan B coverage.

Plan C is applicable to members entering the System after December 31, 1978.

Service Retirement

Eligibility

Plan A and Plan B: Any age with 20 years of service.

Plan C: Age 50 with 20 or more years of service, or any age with 30 years of service.

Benefit

Years of service times 2.5% of final average salary, to a maximum of 75%.

Final Average Salary

Three consecutive years within the last 10 years of service that produce the highest average salary.

Deferred Retirement

Eligibility

Any age with 10 or more years of service (does not include survivor benefits if service is less than 20 years). Deferred pensioner may apply for normal retirement benefit upon attainment of age 55. A refund of employee contributions may be elected in lieu of a retirement benefit.

Benefit

Retirement benefit is computed as for normal retirement. Deferred pensions are adjusted during the deferral period based on changes in the National Average Earnings Index, up to 5.5% annually.

Backward Deferred Retirement Option Plan (Back DROP)

Eligibility

Must be eligible for normal retirement and, prior to retirement, elect the Back DROP for a period of 1 to 60 months.

Benefit

Retirement benefit is computed as of the Backward DROP date. Value of the DROP account is calculated by multiplying the monthly benefit by the number of months in the DROP period plus 5% annual interest. Upon withdrawal from service, member receives the DROP account and begins to receive their pension benefit calculated as of the Backward DROP date, plus applicable post-retirement adjustments.

Service-Connected Disability

Eligibility

No age or service requirement. Disability must be permanent and preclude employee from performing the duties of their position.

Benefit

75% of final salary if accident, 50% of final salary if disease.

Conditions

Benefit plus earnings from gainful employment cannot exceed current salary for rank held at time of disability. Benefit is recomputed at age 55 using service retirement formula, updated final average salary, and service credit for period of disability.

Non-Service Connected Disability

Eligibility

Seven or more years of service if under age 55. Disability must be permanent and preclude employee from performing the duties of their position.

Benefit

30% of final average salary plus 1% of final average salary for each year of service in excess of 7 years. Maximum is 50% of final average salary.

Conditions

Benefit plus earnings from gainful employment cannot exceed current salary for rank held at the time of disability.

Pre-Retirement Survivor Benefits
Service-Connected Death

Eligibility

When death results from performance of duty as a fire fighter or police officer, there is no minimum service requirement. Spouse of member at the time of death is eligible for a survivor's benefit.

Benefit

50% of final salary plus 10% of final salary for each child under age 18, to a maximum of 75% of final salary.

Children – If no surviving spouse, benefit is 20% of final salary on account of each child to a maximum of 60% of final salary; terminates when child reaches age 18.

Pre-Retirement Survivor Benefits Non-Service Death

Eligibility
Spouse of member at the time of death.

Plan A and Plan C: 3 or more years of service.
Plan B: 20 or more years of service.

Benefit
Plan A and Plan C: 35% of final average salary plus 1% of final average salary for each year of service over 3 years to a maximum of 50% of final average salary, plus 10% of final average salary on account of each child under age 18 to a maximum of 66 2/3% of final average salary.
Plan B: 50% of final salary.

Designated Beneficiary
The beneficiary designated by an unmarried member or by a married member who fails to meet the service requirements for the surviving spouse benefit.

Benefit
Member's accumulated contributions plus 5% interest calculated annually, beginning 1/1/2000.

Post-Retirement Survivor Benefit

Eligibility
Twenty or more years of service. Prior to 1/1/2000, surviving spouse must have been married to retired member at date of retirement. Effective 1/1/2000, surviving spouse must have been married to retired member for a minimum of 12 months at time of death.

Benefit
Plan A and Plan C: 50% of final average salary plus 10% of final average salary on account of each child under age 18 to a maximum of 66 2/3% of final average salary.
Plan B: 50% of final salary to surviving spouse or children under age 18.

Non-Vested Termination Benefit

Eligibility
Termination of employment without eligibility for any other benefit.

Amount
Accumulated contributions at the time of termination plus 5% interest, beginning 1/1/2000.

Funeral Benefit

Eligibility
Member who retired after November 30, 1973.

Amount
$750

Post-Retirement Adjustment of Annual Benefit

Eligibility
Completion of 36 full months of retirement and annually thereafter.

Amount
2% of base pension amount (not compounded).

Employee Contributions

Plan A: 8% of salary.
Plan B: 6% of salary.
Plan C: 7% of salary.

Employer Contributions

Actuarially determined amounts which, together with employee contributions and investment earnings, fund the obligations of the Plan in accordance with accepted actuarial principles.

Unused Sick Leave

Each month of accumulated unused sick leave is considered to be a month of service for the purpose of computing annual benefit amounts.

A more detailed description of Plan provisions is available from the Pension Management Office on request.

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Statistical Section

Wichita Employees' Retirement System
Plan Statistics

Employee Pension Contribution Rates
as a percentage of payroll

Fiscal Year	Plan 1	Plan 2	Plan 3
1997	6.4 %	4.1 %	4.1 %
1998	6.4	4.1	4.1
1999	6.4	4.1	4.1
2000	6.4	4.7	4.7
2001	6.4	4.7	4.7
2002	6.4	4.7	4.7

WERS Defined Benefit Plan Statistics

Revenue by Source

		Employer Contributions				
Year Ended	Member Contributions	Dollars	% of Annual Covered Payroll	Net Investment Income (Loss)	Other	Total
12/31/1997	$ 2,123,914	$ 4,459,652	9.0	$ 48,727,209	$ 9,251	$ 55,320,026
12/31/1998	2,038,926	4,140,164	8.4	67,792,546	-	73,971,636
12/31/1999	1,920,760	4,134,826	8.4	66,070,347	-	72,125,933
12/31/2000	2,026,021	2,751,084	6.2	(11,149,067)	-	(6,371,962)
12/31/2001	2,066,480	1,843,213	4.7	(21,590,153)	1,023,882	(16,656,578)
12/31/2002	2,236,973	1,957,922	4.7	(49,114,617)	1,328,831	(43,590,891)

Expenses by Type

Year Ended	Benefit Payments	Administrative	Contribution Refunds	Total
12/31/1997	$ 12,737,213	$ 169,314	$ 618,493	$13,525,020
12/31/1998	13,688,871	247,142	469,158	14,405,171
12/31/1999	14,821,235	285,094	576,855	15,683,184
12/31/2000	15,485,852	248,698	432,269	16,166,819
12/31/2001	16,229,842	247,111	330,726	16,807,679
12/31/2002	17,236,411	270,292	255,091	17,761,794

WERS Defined Benefit Plan Statistics (continued)

Benefit Payments by Type

Year Ended	Service	DROP Payments	Service Disability	Non-Service Disability	Survivor	* QDRO	Funeral	Total
12/31/1997	$11,238,227	$ -	$160,544	$116,739	$1,073,024	$6,815	$98,834	$12,694,183
12/31/1998	12,213,745	-	145,262	111,090	1,180,300	12,974	25,500	13,688,871
12/31/1999	13,097,960	-	143,563	148,566	1,297,086	25,436	108,624	14,821,235
12/31/2000	13,632,880	-	144,324	176,844	1,434,071	27,138	70,595	15,485,852
12/31/2001	14,154,115	127,652	148,335	202,639	1,504,236	35,074	57,791	16,229,842
12/31/2002	14,809,378	391,801	152,542	165,928	1,601,217	60,443	55,102	17,236,411

* Qualified Domestic Relations Order

Employees in the Deferred Retirement Option Plan (DROP)

Number of Months Elected in the DROP Period

	1 – 24	25 - 36	37 - 48	49 – 60	Total
Plan 1	2	10	3	20	35
Plan 2	2	0	1	2	5
Total	4	10	4	22	40

Retired Members by Benefit Type

Fiscal Year	Service	Disability	Survivor	QDRO	Total
1997	757	27	191	1	976
1998	788	28	198	2	1,016
1999	784	32	214	2	1,032
2000	787	34	223	3	1,047
2001	789	33	222	3	1,047
2002	792	31	225	4	1,052

Average Benefit Payments

Year Ending	Service	Disability	Survivor	QDRO
12/31/1997	$14,826	$10,270	$5,618	$6,815
12/31/1998	15,460	9,155	5,961	6,487
12/31/1999	16,827	10,310	6,852	12,817
12/31/2000	17,690	10,617	6,789	10,789
12/31/2001	18,396	10,812	7,140	11,016
12/31/2002	19,389	11,181	7,556	15,168

WERS Defined Contribution Plan Statistics

Revenue by Source

Year Ended	Member Contributions	Employer Contributions: Dollars	Employer Contributions: % of Annual Covered Payroll	Net Investment Income (Loss)	Total
12/31/1997	$ 494,161	$ 494,161	4.1	$ 244,417	$ 1,232,739
12/31/1998	620,831	620,831	4.1	550,856	1,792,518
12/31/1999	751,608	751,608	4.1	756,271	2,259,487
12/31/2000	1,020,209	1,020,209	4.7	(110,047)	1,930,371
12/31/2001	1,214,229	1,214,229	4.7	(449,836)	1,978,622
12/31/2002	1,203,471	1,203,471	4.7	(797,704)	1,609,238

Expenses by Type

Year Ended	Administrative	Contribution Refunds	Transfers to Plan 2	Total
12/31/1997	$ 225	$ 137,542	$ -	$ 137,767
12/31/1998	19,371	249,918	-	269,289
12/31/1999	25,657	343,448	-	369,105
12/31/2000	28,851	428,883	-	457,734
12/31/2001	45,569	472,505	1,023,882	1,541,956
12/31/2002	34,860	526,655	1,328,831	1,890,346

Police & Fire Retirement System
Plan Statistics

Employee Pension Contribution Rates
as a percentage of payroll

Fiscal Year	Plan A	Plan B	Plan C
1997	9.0 %	7.0 %	8.0 %
1998	9.0	7.0	8.0
1999	8.0	6.0	7.0
2000	8.0	6.0	7.0
2001	8.0	6.0	7.0
2002	8.0	6.0	7.0

Revenue by Source

		Employer Contributions			
Year Ended	Member Contributions	Dollars	% of Annual Covered Payroll	Investment Income (Loss)	Total
12/31/1997	$ 2,862,803	$ 6,343,027	18.3	$ 38,432,637	$ 47,638,467
12/31/1998	3,072,713	6,429,744	17.5	33,985,681	43,488,138
12/31/1999	2,935,486	6,043,455	15.9	58,430,577	67,409,518
12/31/2000	2,899,385	5,540,575	14.0	(9,376,292)	(936,332)
12/31/2001	2,926,844	4,796,863	11.7	(18,244,453)	(10,520,746)
12/31/2002	3,104,036	4,746,504	10.9	(41,805,821)	(33,955,281)

Expenses by Type

Year Ended	Benefit Payments	Administrative	Contribution Refunds	Total
12/31/1997	$ 11,915,111	$ 206,436	$ 195,537	$ 12,317,084
12/31/1998	12,529,505	243,887	197,283	12,970,675
12/31/1999	13,500,460	256,326	282,150	14,038,936
12/31/2000	14,519,932	231,101	327,817	15,078,850
12/31/2001	15,108,346	240,802	419,984	15,769,132
12/31/2002	15,710,172	261,074	415,274	16,386,520

Benefit Payments by Type

Year Ended	Service	DROP Payments	Service Disability	Non-Service Disability	Survivor	QDRO	Funeral	Total
12/31/1997	$9,390,389	$ -	$1,062,607	$45,318	$1,370,774	$43,273	$2,750	$11,915,111
12/31/1998	9,816,694	-	1,133,890	46,075	1,480,040	47,456	5,350	12,529,505
12/31/1999	10,604,877	-	1,266,570	46,827	1,514,163	64,823	3,200	13,500,460
12/31/2000	11,308,103	-	1,404,367	77,109	1,657,550	62,466	10,337	14,519,932
12/31/2001	11,777,516	63,161	1,382,186	64,124	1,746,985	59,943	14,431	15,108,346
12/31/2002	12,244,565	79,407	1,430,210	65,294	1,821,252	61,975	7,469	15,710,172

Retired Members by Benefit Type

Fiscal Year	Service	Disability	Survivor	QDRO	Total
1997	543	73	152	6	774
1998	554	78	162	7	801
1999	568	81	163	11	823
2000	579	84	153	8	824
2001	579	86	157	9	831
2002	581	90	153	9	833

Average Benefit Payments

Year Ending	Service	Disability	Survivor	QDRO
12/31/1997	$17,105	$15,177	$9,018	$7,212
12/31/1998	17,498	15,128	9,136	7,909
12/31/1999	18,237	23,085	11,127	7,114
12/31/2000	19,031	23,813	11,502	6,864
12/31/2001	19,488	25,056	11,880	6,828
12/31/2002	19,981	27,098	12,230	6,907

Average and annualized pension data are based on year-end rolls.