Pension Trust Funds of the City of Wichita, Kansas

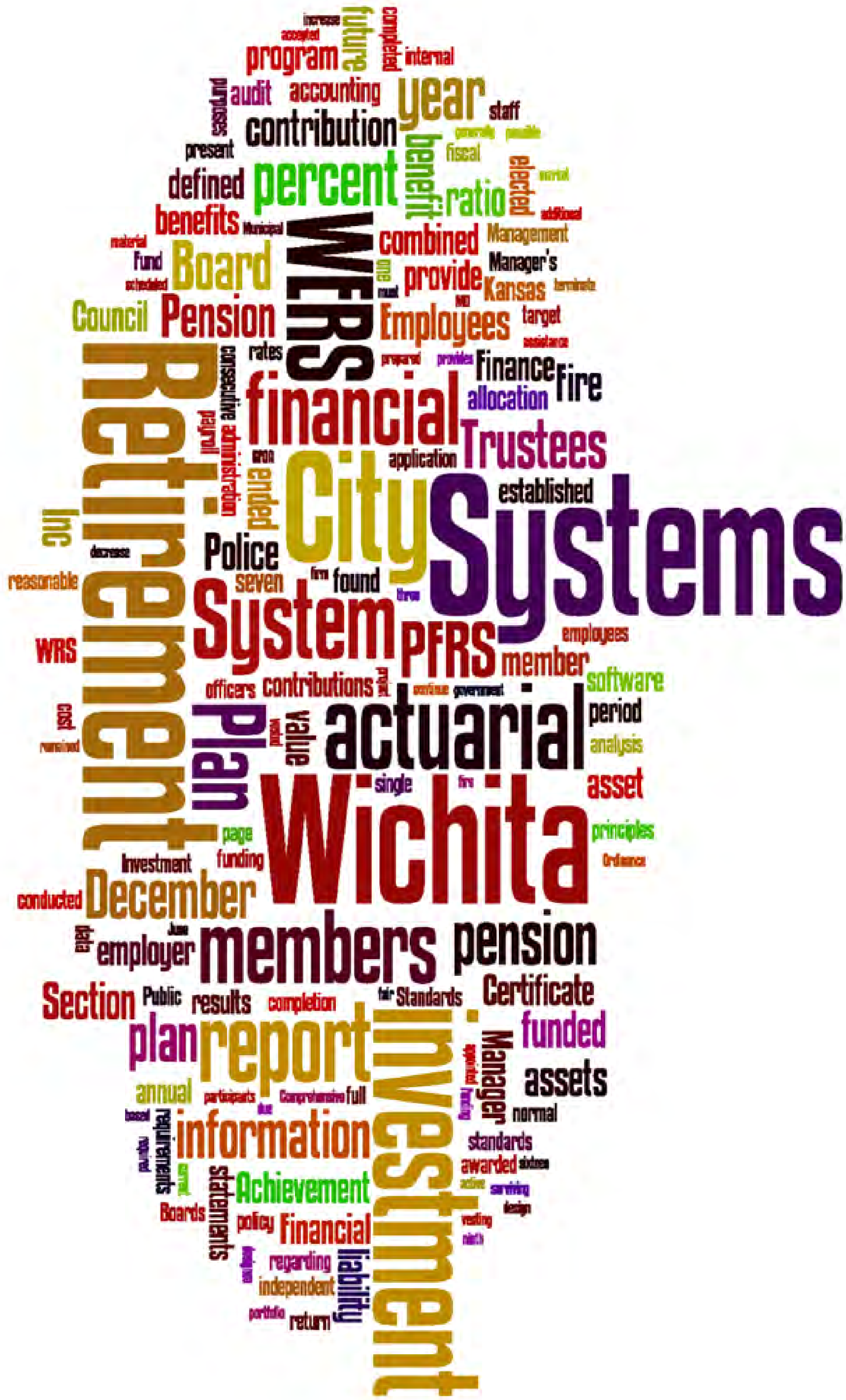
Comprehensive Annual Financial Report

for the fiscal year ended December 31, 2011

Wichita Retirement Systems

- Police and Fire Retirement System of Wichita, Kansas
- Wichita Employees' Retirement System
- Wichita Employees' Retirement System Plan 3

CITY OF WICHITA



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Comprehensive Annual Financial Report

for the fiscal year ended December 31, 2011

Pension Trust Funds of The City of Wichita, Kansas

Wichita Retirement Systems

Police and Fire Retirement System of Wichita, Kansas	Wichita Employees' Retirement System	Wichita Employees' Retirement System Plan 3

Prepared by:

City of Wichita
Pension Management Office
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Wichita, KS 67202
316-268-4544
www.wichita.gov/CityOffices/Finance/Treasury/Pension

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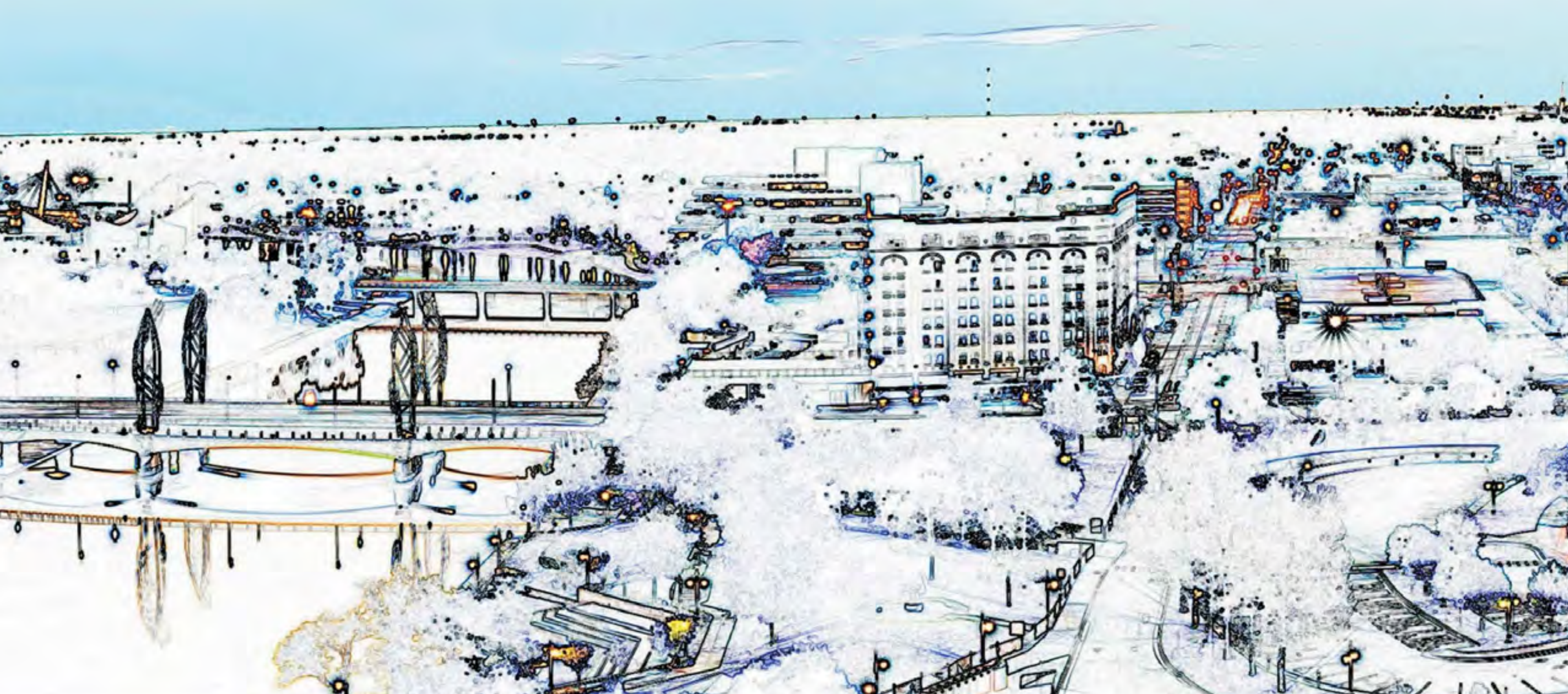
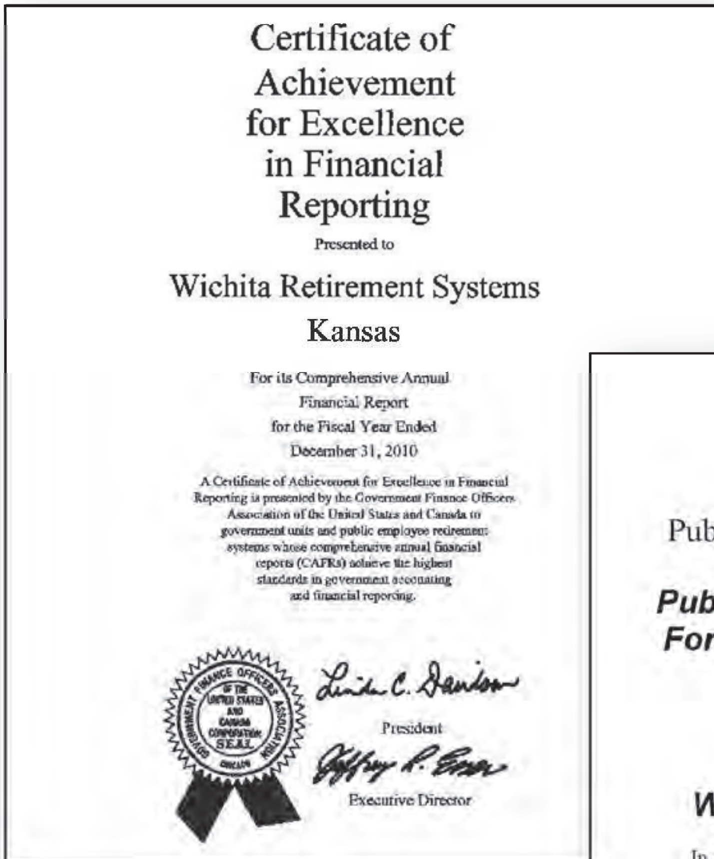
Introductory Section





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, 2010

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.

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2011

Presented to

Wichita Retirement Systems

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

The Wichita Retirement Systems' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2010 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). This was the twelfth consecutive year the System received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

The Wichita Retirement Systems also received the Public Pension Coordinating Council (PPCC), Public Pension Standards Award for the fiscal year ended December 31, 2010 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Sta ndards. This was the ninth consecutive year the System obtained this important award. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

CITY OF WICHITA
www.wichita.gov

June 26, 2012

The Honorable Mayor and City Council
Police and 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 fourteenth Comprehensive Annual Financial Report of the Wichita Retirement Systems ("WRS" or "Systems"); a single employer retirement system comprised of the Police and Fire Retirement System of Wichita, Kansas (PFRS), the Wichita Employees' Retirement System and the Wichita Employees' Plan 3 (WERS) for the year ended December 31, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Operating results and the financial position of the Systems are presented in accordance with generally accepted accounting principles (GAAP). To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and operating results of the Systems.

An annual audit of the Systems' financial statements and an evaluation of the Systems' internal controls were conducted by the independent accounting firm of Allen, Gibbs & Houlik, L.C. An unqualified ("clean") opinion on the Systems' financial statements for the year ended December 31, 2011 has been issued. The independent auditors' report may be found on page 9 of the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report (beginning on page 11) and provides a narrative introduction, overview and analysis of the financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

Plan History

The WERS was established in 1948 to provide pension benefits to all civilian employees, their surviving spouses, and beneficiaries. The PFRS 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. Then, in October 2000, assets of WERS Plan 3 (a defined contribution plan) were separated from the combined WERS and PFRS Funds for investment, custodial, and participant record keeping purposes. Finally, in January 2004, WERS Plan 3 assets were liquidated and the proceeds were reinvested with the other assets of the Wichita Retirement Systems, which resulted in a combined single Fund for investment purposes.

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City Treasurer's Division • Pension Management
City Hall • 12th Floor • 455 N. Main • Wichita, Kansas 67202
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How We Are Structured

A sixteen member Board of Trustees oversees the PFRS. The members include the City Manager or the City Manager's designee, the Police Chief, the Fire Chief, three fire officers and three police officers elected by PFRS members of their respective departments, and seven members appointed by the City Council. A separate sixteen member Board of Trustees oversees the WERS. The members include the City Manager or the City Manager's designee, the City Manager's appointee, seven members elected by WERS members, and seven members appointed by the City Council. The City Manager appoints a Pension Manager who manages staff to carry out the daily operations of the Retirement Systems.

System Funding and Financial Position

Funding is the process of setting aside resources for current and future use by the Systems. The objective of the WRS is to meet funding requirements through contributions, expressed as a percent of active member payroll, which will remain approximately level from year to year and will not require significant increases in contribution rates for future generations of citizens in the absence of plan benefit improvements.

The annual actuarial valuations, prepared by our actuary, Milliman, Inc., provide an indicator of the funded status of the Systems. As of December 31, 2011, the funded ratio of the PFRS was 90.8 percent and the funded ratio of the WERS was 92.5 percent. The funded ratio is the ratio of actuarial assets to actuarial liabilities. The actuarial liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the actuarial value of assets at the same date is referred to as the unfunded actuarial liability (UAL), or surplus if the asset value exceeds the actuarial liability. The Systems' unfunded actuarial liability (or surplus) is amortized over a 20-year rolling period.

Positive investment performance in 2009 and 2010 helped offset some of the deferred losses from 2008. However, the 2011 investment return underperformed the Fund's actuarial assumed investment rate of return of 7.75%. Therefore, the funded ratio for the PFRS and WERS decreased by 1.9 and 3.0 percentage points, respectively. Without future investment returns above the investment return target, the funded ratios for the Systems could deteriorate and the required employer contributions could increase in future years. In 2011, employer contributions for the PFRS increased from 20.8 percent to 22.0 percent of annual covered payroll, while employer contributions for the WERS increased from 8.4 percent to 10.2 percent of annual covered payroll. Additional information regarding the financial condition and funding status of the pension trust funds can be found in the Financial and Actuarial Sections of this report.

Investments

The WERS Board of Trustees' investment authority is found in the City of Wichita's Municipal Code, Section 2.28.090. Investment authority for the PFRS Board of Trustees is contained in Section 12 of Charter Ordinance 215.

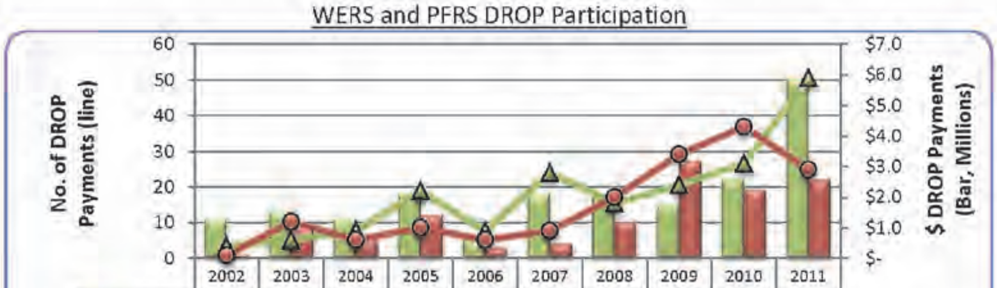
As of December 31, 2011, net assets totaled $923.5 million, a decrease from the December 31, 2010 net assets of $951.8 million, or 3.1%. The investment return for the WRS' combined investment portfolio was 0.79 percent for the year ended December 31, 2011, outperforming the WRS' investment target benchmark return of 0.19 percent for the same period, but underperforming the Systems' long-term actuarial target return of 7.75 percent.

The WERS and PFRS Boards of Trustees have established an overall strategic asset allocation policy based upon the financial needs of the joint fund and the Boards' tolerance for volatility, or risk. The Boards utilize external investment managers consisting of both passive and active strategies. The portfolio is broadly diversified among equities, debt securities, real estate, commodities and timber, with additional diversification achieved in equities through domestic and international investing. With the assistance of the Systems' financial consultant and staff, the Trustees continue to monitor the investment program and review the policy for future changes to the asset allocation, manager allocations and possible additional investment types. For more information on investment strategies and policies, safeguards on investments and a comparative analysis of investment results over time, please refer to the Investment Section of this report beginning on page 33.

Major Initiatives and Significant Actions

Deferred Retirement Option Plan (DROP): Beginning in 2000 (WERS) and 2001 (PFRS), the Systems began offering DROP to participants eligible for a retirement benefit. The WERS DROP is a forward DROP where participants continue to work for a period of one to sixty months after election. During the DROP period, the employee and employer continue to make contributions to the System and the participant's monthly retirement benefit is posted to a notational account which accumulates with interest. Upon leaving service, the participant receives a lump sum payment consisting of their accumulated monthly retirement benefits and interest and thereafter begins receiving their monthly pension benefit. The PFRS DROP is similar to the WERS DROP, however, this program allows participants, at their retirement date, to select a DROP date that is one to sixty months prior to the date they terminate service. The participant must be eligible, by both age and service, to receive a retirement benefit on the selected backward DROP date. Upon leaving service, the participant receives a lump sum payment consisting of their accumulated monthly retirement benefits and interest computed as of their backward DROP date and thereafter begins receiving their monthly pension benefit. WERS DROP participation has increased somewhat consistently since inception. However, in 2011, several DROP participants also chose to participate in the Wichita Early Retirement Incentive Program (WERIP), which was offered in late 2011. This action increased DROP payments in 2011 above the historical trend. PFRS DROP payments decreased in 2011 after four years of growth (see figure below).

WERS and PFRS DROP Participation



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
# WERS	11	13	11	18	5	18	18	15	22	50
# PFRS	1	8	5	12	3	4	10	27	19	22
$ WERS	$0.4	$0.6	$0.9	$2.2	$0.9	$2.8	$1.8	$2.4	$3.1	$5.9
$ PFRS	$0.1	$1.2	$0.6	$1.0	$0.6	$0.9	$2.0	$3.4	$4.3	$2.9

Defined Contribution (DC) Plan: All civilian employees hired after December 31, 1993 are Plan 3 members. When vested after seven years of service, Plan 3 members are required to make an election to remain in Plan 3 (a DC plan) or transfer to Plan 2 (a defined benefit (DB) plan). Upon vesting, Plan 3 members attend an education program. The program provides participants with information regarding DC and DB plans, investment options, and asset allocation to assist them in making an informed decision regarding their pension plan selection. The following figure reflects the Plan 3 members' vesting and plan elections:

WERS Plan 3 Members Vesting

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Vestings (Annual)	71	68	75	85	88	85	90	98	50	77
Remain in Plan 3 (Annual)	8	5	5	14	7	11	19	11	9	7
Transfer to Plan 2 (Annual)	63	63	70	71	81	74	71	87	41	70
Total Vestings (Cumulative)	136	204	279	364	452	537	627	725	775	852

Strategic Plan and Investment Policy changes: As a result of an asset allocation/liability study in 2010, both Boards adopted several changes to the Systems' Investment Policy that took effect January, 2011. Changes included the addition of timber, Treasury Inflation Protected Securities (TIPS), and commodities to the asset allocation mix. Additionally, the allocations to domestic equity, international equity and fixed income were revised, along with changes to the composition of the blended index used to compare investment performance. Finally, the domestic equity manager structure was revised, resulting in the elimination of one investment manager.

In 2011, the Joint Investment Committee (JIC) reviewed, and both WRS Boards adopted, additional changes to the Strategic Plan and Investment Policies. The changes took effect in November 2011 and included: tightening the targeted asset allocation range for commodities and TIPS from a range of 2-4% to a range of 2.5-3.5%, adding restriction language regarding timber and commodities, and revising the domestic fixed income managers' bond rating methodology.

Wichita Early Retirement Incentive Program (WERIP): The City Council approved the WERIP resolution on August 9, 2011. The WERIP offered WERS Plan 1 and Plan 2 employees who were eligible to retire: 1) a one-time lump sum payment; or 2) retiree health insurance at active employee rates for up to five years. Eligible employees had from August 19, 2011 through October 14, 2011 to elect the WERIP and from October 31, 2011 through December 23, 2011 to end employment with the City. A total of 103 WERS members participated in the WERIP.

Awards

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 (WRS) for its comprehensive annual financial report for the fiscal year ended December 31, 2010. This was the twelfth consecutive year that the Systems have achieved 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 one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the CAFR for the fiscal year ended December 31, 2010 received the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for the ninth consecutive year. This award is in recognition of meeting professional standards for pension plan design and administration, as set forth in the Public Pension Standards.

Acknowledgments

This report was made possible through the combined efforts of the Pension Management Staff, the Controller's Office, and the City Treasurer. The report is intended to provide complete and reliable information in accordance with 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,

Kelly Carpenter	Shawn Henning	Barbara Davis
Director of Finance	City Treasurer	Pension Manager

Wichita Employees' Retirement System Board of Trustees	
Trustee Name[1]	**Type of Membership**
Maria Bias	Elected
Steve Coberley	Elected
Bob Decker	Appointed by Council Member
Colleen Didier	Appointed by Council Member
Brent Dome	Appointed by Council Member
Mark Hall	Elected
Joann Hartig	Appointed by Mayor
Mike Hastings	Appointed by Council Member
Shawn Henning (1st V.P.)	Appointed by City Manager
Stephanie Mankins	Appointed by Council Member
Mark Manning (2nd V.P.)	Elected
Marcus Rivera	Appointed by Council Member
Sean Seamster	Elected
Melinda Walker (President)	Elected
Anne Warren	Elected
Vacant	City Manager Designee

[1]Names of Trustees and Officer positions are as of December 31, 2011.

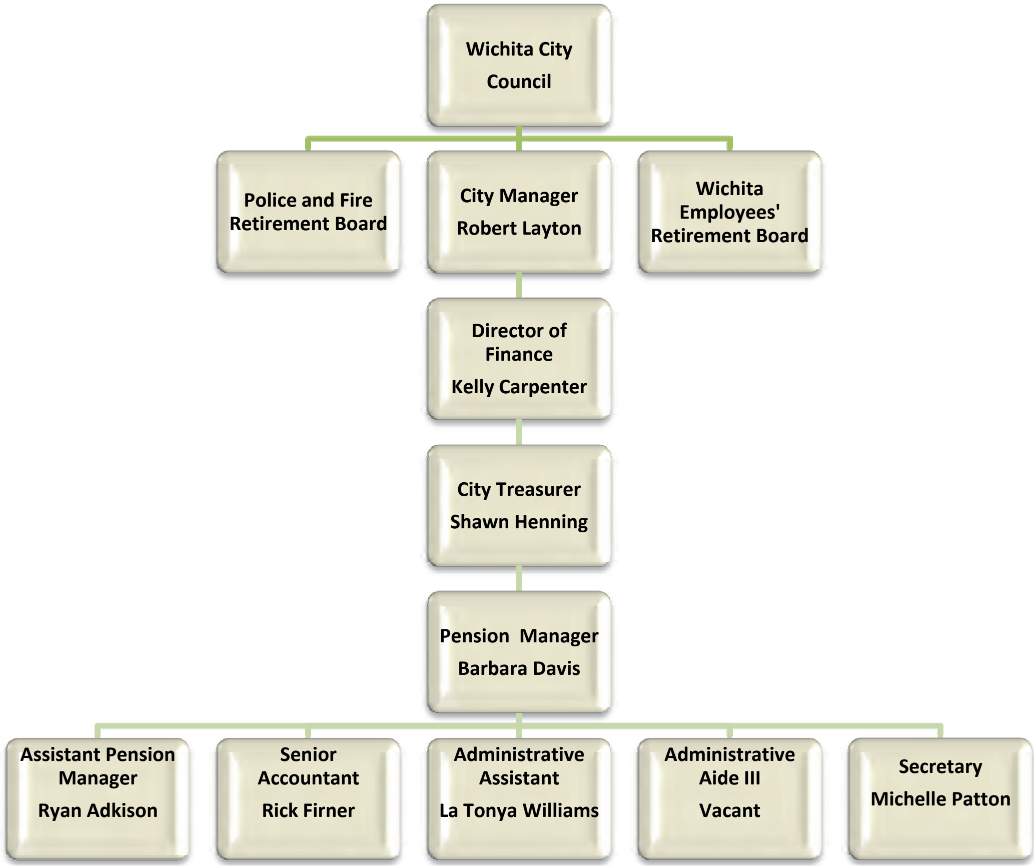
Introductory Section: Figure 1

Police and Fire Retirement System Board of Trustees	
Trustee Name[1]	**Type of Membership**
Hans Asmussen (President)	Police Elected
Ronald Blackwell	Fire Chief
Carolyn Conley	Appointed by Council Member
Michael Crosby (1st V.P.)	Fire Elected
Marvin Fisher (2nd V.P.)	Appointed by Mayor
Shawn Henning	City Manager Designee
Jason Jones	Fire Elected
Troy Jordan	Appointed by Council Member
Warren Koehn	Fire Elected
Paul O'Mara	Appointed by Council Member
Chester Pinkston	Police Elected
Aeramy Porter	Appointed by Council Member
Norman Williams	Police Chief
William Wynne	Appointed by Council Member
Vacant	Appointed by Council Member
Vacant	Appointed by Council Member

[1]Names of Trustees and Officer positions are as of December 31, 2011.

Introductory Section: Figure 2

Organizational Chart



Introductory Section: Figure 3

Professional Consultants

Actuary Milliman, Inc. 15800 W. Bluemound Road, Suite 100 Brookfield, Wisconsin 53005	**Legal Services** Law Department, City of Wichita 455 N. Main Street, 13th Floor Wichita, Kansas 67202
Financial Consultant Callan Associates, Inc. 1660 Wynkoop Street, Suite 950 Denver, Colorado 80202	**Legal Services** Ice Miller, L.L.P. One American Square, Suite 3100 Indianapolis, Indiana 46282
Custody Institution State Street Bank and Trust Company 1200 Crown Colony Drive Quincy, Massachusetts 02169	**Defined Contribution Participant Accounting** Northeast Retirement Services 4A Gill Street Woburn, Massachusetts 01801
Independent Auditors Allen, Gibbs & Houlik, L.C. Epic Center, 301 N. Main Street, Suite 1700 Wichita, Kansas 67202	**Participant Education** NestEgg Consulting, Inc. 125 N. Market Street, Suite 1050 Wichita, Kansas 67202

Introductory Section: Figure 4

A list of professional investment managers may be found on pages 40 and 41.

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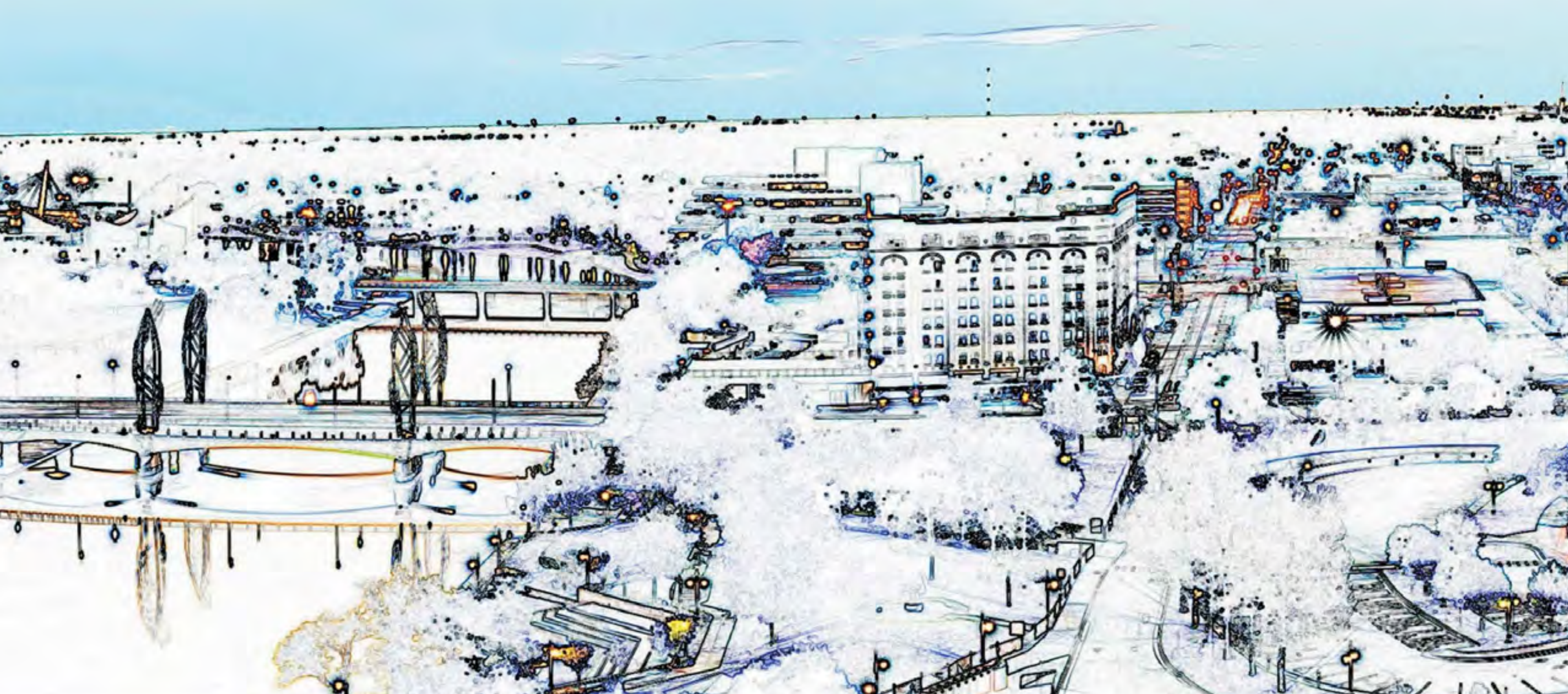
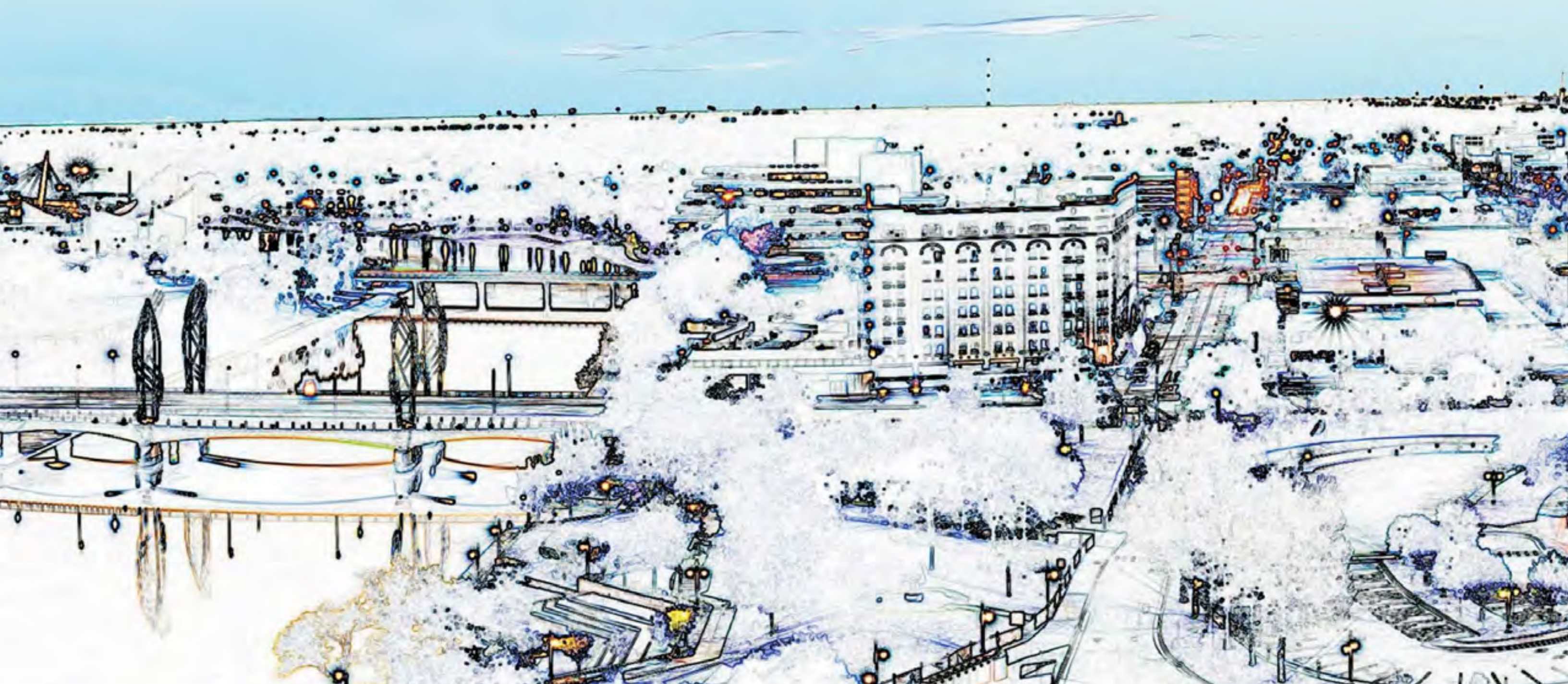
FINANCIAL SECTION



Financial Section



Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

The Boards of Trustees
Wichita Retirement Systems
Wichita, Kansas

We have audited the accompanying statement of plan net assets of the Wichita Retirement Systems of the City of Wichita, Kansas (Systems) as of December 31, 2011, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Systems' 2010 financial statements and in our report dated June 7, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 financial statements referred to above present fairly, in all material respects, the plan net assets of the Wichita Retirement Systems of the City of Wichita, Kansas as of December 31, 2011, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide

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any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 29 and 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2012
Wichita, KS

Management Discussion and Analysis

Management is pleased to provide this overview and analysis of the financial activities of the Wichita Retirement Systems (WRS) for the year ended December 31, 2011. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 2 of this report.

Overview of the Financial Statements of the Fund

The two basic financial statements of the Fund are the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. Statements are shown for the most recent and previous fiscal years for comparison and analysis in individual line items. The statements are prepared in conformity with accounting principles generally accepted in the United States.

The Statement of Plan Net Assets (see page 14) is presented for the pension trust funds as of December 31, 2011, with combined total comparative information at December 31, 2010. The Statement of Plan Net Assets presents information on all of the Systems' assets and liabilities, with the difference between the two reported as net assets held in trust for future benefits. The statement is a snapshot of the financial position of the Systems at the close of the fiscal year.

The Statement of Changes in Plan Net Assets (see page 15) is presented for the pension trust funds for the year ended December 31, 2011, with combined total comparative information for the year ended December 31, 2010. The statement presents information showing how the Systems' net assets changed during the fiscal year.

The Notes to the Financial Statements (see page 16) provide additional information, which is not included in the statements themselves, but is essential to a full understanding of the financial statements.

The Required Supplementary Information and Supporting Schedules (see page 26) consist of schedules and related notes concerning actuarial information, funded status and required contributions of the defined benefit systems. These schedules and notes emphasize the long-term nature of pension plans and show each system's progress in accumulating sufficient assets to pay future benefits.

The Schedules of Funding Progress (see page 26) show actuarial trend data for the past six years. It includes the ratio of the actuarial value of assets to the actuarial liability, otherwise known as the funded ratio. The funded ratio increases or decreases over time based upon the relationships between contributions, investment performance, benefit changes, and actuarial assumption changes based upon participant information and characteristics. This schedule also shows the unfunded actuarial accrued liability as a percentage of member payroll.

The Schedules of Employer Contributions (see page 27) show the amount of required employer contributions determined in accordance with parameters established by Governmental Accounting Standards Board (GASB) Statement No. 25 and the percentage actually contributed.

The Notes to the Required Supplementary Information (see page 28) include the actuarial methods and assumptions used to determine the data included in the Schedules of Funding Progress and the Schedules of Employer Contributions.

A schedule of Administrative Expenses (see page 29), a schedule of Investment Expenses (see page 29), and a schedule of Payments to Consultants Other Than Investment Advisors (see page 30) are included to show detail of the administrative and investment costs to operate the Systems.

Financial Statement Analysis

Plan Net Assets

The value of plan net assets decreased by $28.3 million during the 2011 fiscal year. This change primarily consisted of a $38.8 million decrease in cash and investments, mostly due to the depreciation of investment holdings. The investment return was 0.79% for the year ended December 31, 2011. Investment returns by asset class were: domestic equity 0.82%, international equity (8.83)%, real estate 22.17%, and domestic fixed income 7.69%.

As of December 31, 2011, total securities lending obligations decreased by $24.7 million, as compared to December 31, 2010. Several factors influence the amount of securities lent at any point in time, including the demand for the securities, the negotiated rebate rate and the overall market volatility.

Comparative summary financial statements for fiscal years 2010 and 2011 are shown below (see Financial Section: Figure 1 and Financial Section: Figure 2)

Summary of Plan Net Assets

	2011	2010	Increase (Decrease)
Assets			
Total cash and investments	$937,319,380	$976,150,969	$(38,831,589)
Total capital assets (net of depreciation)	640,523	820,572	(180,049)
Total receivables	27,617,390	37,574,868	(9,957,478)
Securities lending short-term collateral investment pool	88,624,514	113,338,136	(24,713,622)
Total assets	1,054,201,807	1,127,884,545	(73,682,738)
Liabilities			
Accounts payable and accrued expenses	4,399,356	965,014	3,434,342
Investment purchases pending	37,683,272	61,822,613	(24,139,341)
Securities lending obligations	88,624,514	113,338,136	(24,713,622)
Total liabilities	130,707,142	176,125,763	(45,418,621)
Plan Net Assets	$923,494,665	$951,758,782	$(28,264,117)

Financial Section: Figure 1

Summary of Changes in Plan Net Assets

	2011	2010	Increase (Decrease)
Additions			
Contributions			
Employer	$21,647,154	$19,948,502	$1,698,652
Employee	8,185,015	8,481,702	(296,687)
Net investment income	5,145,053	112,257,777	(107,112,724)
Transfers from other funds	2,680,431	1,276,393	1,404,038
Total additions	37,657,653	141,964,374	(104,306,721)
Deductions			
Pension benefits	60,299,420	56,356,565	3,942,855
Pension administration	966,745	924,859	41,886
Depreciation	180,049	181,362	(1,313)
Employee contributions refunded	1,795,125	1,325,667	469,458
Transfers to other funds	2,680,431	1,276,393	1,404,038
Total deductions	65,921,770	60,064,846	5,856,924
Changes in Plan Net Assets	$(28,264,117)	$81,899,528	$(110,163,645)

Financial Section: Figure 2

Additions to Plan Net Assets

Additions to plan net assets that are needed to finance Plan benefit obligations come primarily from employer and employee contributions and net earnings on investments. For the year ended December 31, 2011, additions totaled $37.7 million, which is a $104.3 million decrease from 2010 additions of $142.0 million. Employer contributions increased by $1.7 million in 2011, or 8.5%, while employee contributions decreased by approximately $300,000, or 3.5%. Net investment income decreased by $107.1 million from the prior year.

Deductions from Plan Net Assets

Deductions from plan net assets are consistent with characteristics of a mature pension system. Pension benefits increased from $56.4 million in 2010 to $60.3 million in 2011, or approximately $3.9 million (7.0%). This increase is due to new pensioners, with benefits based on higher salaries, being added to the pension payroll and to DROP and Back DROP payments, which increased from $7.4 million in 2010 to $8.8 million in 2011.

Requests for Information

Questions regarding any information provided in this report should be addressed to the Pension Management Office, City of Wichita, 455 N. Main St., 12th Floor, Wichita, KS 67202.

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Wichita Retirement Systems

Statement of Plan Net Assets

December 31, 2011
(with comparative totals as of December 31, 2010)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2011	Totals 2010
ASSETS					
Cash and temporary investments	$ 353,469	$ 154,632	$ 26,556	$ 534,657	$ 493,369
Receivables:					
Investment sales pending	11,704,690	11,350,622	413,915	23,469,227	34,390,622
Interest and dividends	1,529,473	1,483,206	54,087	3,066,766	2,989,565
Other	524,488	517,470	39,439	1,081,397	194,681
Total receivables	13,758,651	13,351,298	507,441	27,617,390	37,574,868
Investments, at fair value:					
Government short-term investment fund	15,557,908	15,087,280	550,177	31,195,365	15,306,952
Government securities: long-term	15,356,843	14,892,058	574,756	30,823,657	58,501,830
Corporate debt instruments: long-term	46,725,170	45,310,999	1,748,769	93,784,938	102,497,312
Mortgage and asset-backed securities	43,351,720	42,039,648	1,622,512	87,013,880	96,535,942
Corporate stocks: domestic common	158,555,083	153,756,301	5,934,192	318,245,576	350,776,473
Corporate stocks: international common	71,570,093	69,403,973	2,678,633	143,652,699	159,439,551
Real estate	16,213,201	15,722,497	606,807	32,542,505	28,310,749
Timber	4,895,156	4,747,001	183,209	9,825,366	-
Commodities	6,000,187	5,818,588	224,567	12,043,342	-
Value of interest in pooled funds: domestic fixed income	-	-	451,921	451,921	440,450
Value of interest in pooled funds: international fixed income	3,618,920	3,509,391	135,444	7,263,755	4,727,357
Value of interest in pooled funds: high yield fixed income	3,734,695	3,621,662	139,777	7,496,134	3,114,995
Value of interest in pooled funds: U.S. TIPS	6,404,104	6,210,278	239,685	12,854,067	-
Value of interest in pooled funds: domestic equities	55,842,327	54,152,218	2,089,992	112,084,537	116,494,433
Value of interest in pooled funds: international equities	18,615,151	18,052,041	839,789	37,506,981	39,511,556
Securities lending short-term collateral investment pool	44,199,259	42,862,229	1,563,026	88,624,514	113,338,136
Total investments	510,639,817	495,186,164	19,583,256	1,025,409,237	1,088,995,736
Capital assets:					
Pension software	449,558	449,558	385,335	1,284,451	1,284,451
Less accumulated depreciation	(225,374)	(225,374)	(193,180)	(643,928)	(463,879)
Total capital assets (net of depreciation)	224,184	224,184	192,155	640,523	820,572
Total assets	524,976,121	508,916,278	20,309,408	1,054,201,807	1,127,884,545
LIABILITIES					
Accounts payable and accrued expenses	1,142,528	3,234,556	22,272	4,399,356	965,014
Investment purchases pending	18,793,589	18,225,082	664,601	37,683,272	61,822,613
Securities lending obligations	44,199,259	42,862,229	1,563,026	88,624,514	113,338,136
Total liabilities	64,135,376	64,321,867	2,249,899	130,707,142	176,125,763
NET ASSETS					
Held in trust for pension benefits	$460,840,745	$444,594,411	$18,059,509	$923,494,665	$951,758,782

Financial Section: Figure 3

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, 2011
(with comparative totals for the year ended December 31, 2010)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2011	Totals 2010
ADDITIONS					
Contributions:					
Employer	$ 13,806,880	$ 6,596,124	$ 1,244,150	$ 21,647,154	$ 19,948,502
Employee	4,403,425	2,537,440	1,244,150	8,185,015	8,481,702
Total contributions	18,210,305	9,133,564	2,488,300	29,832,169	28,430,204
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of investments	(8,880,404)	(8,540,380)	(229,000)	(17,649,784)	93,212,504
Interest and dividends	13,196,725	12,990,112	471,524	26,658,361	23,129,707
Commission recapture	27,574	27,311	1,012	55,897	27,984
Total investing activity income	4,343,895	4,477,043	243,536	9,064,474	116,370,195
Less investment expense	2,138,317	2,102,027	80,058	4,320,402	4,488,614
Net income from investing activities	2,205,578	2,375,016	163,478	4,744,072	111,881,581
From securities lending activities					
Securities lending income	216,512	213,314	7,940	437,766	554,186
Less Securities lending activities expenses:					
Borrower rebates	(59,470)	(58,371)	(1,867)	(119,708)	21,043
Management fees	77,461	76,278	2,754	156,493	156,947
Total securities lending activities expenses	17,991	17,907	887	36,785	177,990
Net income from securities lending activities	198,521	195,407	7,053	400,981	376,196
Total net investment income	2,404,099	2,570,423	170,531	5,145,053	112,257,777
Transfers from other funds	-	2,680,431	-	2,680,431	1,276,393
Total additions	20,614,404	14,384,418	2,658,831	37,657,653	141,964,374
DEDUCTIONS					
Pension benefits	26,116,346	34,183,074	-	60,299,420	56,356,565
Pension administration	445,898	444,630	76,217	966,745	924,859
Depreciation	63,016	63,016	54,017	180,049	181,362
Employee contributions refunded	636,120	449,266	709,739	1,795,125	1,325,667
Transfers to other funds	-	-	2,680,431	2,680,431	1,276,393
Total deductions	27,261,380	35,139,986	3,520,404	65,921,770	60,064,846
Change in net assets	(6,646,976)	(20,755,568)	(861,573)	(28,264,117)	81,899,528
Net assets - beginning of year	467,487,721	465,349,979	18,921,082	951,758,782	869,859,254
Net assets - ending of year	$460,840,745	$444,594,411	$18,059,509	$923,494,665	$951,758,782

Financial Section: Figure 4

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

Notes to the Financial Statements for the Fiscal Year Ended December 31, 2011

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 two 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 administered by the Wichita Employees' Retirement System Board of Trustees.

Summary of Significant Accounting Policies and Plan Asset Matters

Measurement Focus and 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 using the economic resources measurement focus and 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.

Method Used to Value 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.

Capital Assets: Capital assets include equipment and software. Capital assets are defined as assets with an initial individual minimum cost of $5,000 or more. Capital assets are valued at historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over useful lives of one to thirty three years for office equipment and seven to twenty years for data processing software.

Management of Plan Assets: The Boards of Trustees of the Systems have contractual arrangements with independent money managers for investment 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 of the Systems also have contractual arrangements with independent firms which monitor the investment decisions of the Systems' investment managers.

Estimates: Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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. Some of the more significant estimates include the valuation of certain investments described in the Notes and the actuarial data included in the Required Supplementary Information.

Prior Year Comparative Information: The basic financial statements include certain prior year comparative information that is summarized in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Systems' financial statements for the year ended December 31, 2010, from which the summarized information has been derived.

Reserves and Concentrations of Credit Risks: There are no assets legally reserved for purposes other than the payment of plan member benefits. 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.

Pending Governmental Accounting Standards Board (GASB) Statements: GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53, was issued in June 2011. GASB Statement No. 64 requires a government to cease hedge accounting upon termination of the hedging instrument, resulting in immediate recognition of the deferred outflow or deferred inflow of resources as a component of investment income. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2012.

Insurance

The Wichita Retirement Systems participate in the City of Wichita's self-insurance fund programs of workers' compensation, group life insurance, employee liability, property damage, auto liability and general liability. Settled claims for the City of Wichita have not exceeded commercial coverage in any of the past three fiscal years. Additional information, including a general description of each program, can be found in the Comprehensive Annual Financial Report issued by the City of Wichita.

Cash, Investments and Securities Lending

Investments of the Pension Trust Funds: City Ordinance (49-036; section 2.28.090) authorizes the Wichita Employees' Retirement System and City Ordinance (Charter Ordinance 215; section 12), authorizes the Police and Fire Retirement System to invest trust fund assets in accordance with the prudent person rule, subject to the following limitations: 1) The proportion of funds invested in corporate preferred and common stock shall not exceed 70%; and (2) the proportion of funds invested in foreign securities shall not exceed 35%. Additionally, the Systems are not permitted to invest directly or indirectly in any:

1. Real estate, except in certain pooled arrangements with the amount of such investment not to exceed 10% of the Fund;
2. Private equity, except in a commingled fund-of funds vehicle operated by a registered investment advisor or a bank with the amount of such investment not to exceed 10% of the Fund;
3. Timber; except in a commingled fund vehicle operated by a registered investment advisor or a bank. The amount of such investment shall not exceed 10% of the Fund;
4. Mortgages secured by real estate, except insured mortgages under Titles 203, 207, 220 and 221 of the Federal Housing Act;
5. Oil and gas leases or royalties; or
6. Commodities (including, but not limited to, wheat, gold, gasoline, options, or financial futures); provided however, that the restriction on investments contained in this paragraph shall not apply to funds which are invested in a mutual fund, separate account or commingled fund operated by a registered investment advisor or insurance company.

All of the deposits and investments of the Wichita Employees' and Police and Fire Retirement Systems are held in a joint investment fund that is invested by outside money managers and are held under a custodial agreement. The pension funds follow an overall strategic allocation policy that includes investments in six asset types: domestic equities, international equities, domestic fixed income, real estate, timber, and commodities.

The investments of the Wichita Retirement Systems on December 31, 2011 are listed in Financial Section: Figure 5.

Wichita Retirement Systems' Investments

Type of Investment	Fair Value
Government short-term investment fund	$ 31,195,365
Government securities: long-term	30,823,657
Corporate debt instruments: long-term	93,784,938
Mortgage and asset-backed securities	87,013,880
Corporate stocks: domestic common	318,245,576
Corporate stocks: international common	143,652,699
Real estate	32,542,505
Timber	9,825,366
Commodities	12,043,342
Value of interest in pooled funds: domestic fixed income	451,921
Value of interest in pooled funds: international fixed income	7,263,755
Value of interest in pooled funds: high yield fixed income	7,496,134
Value of interest in pooled funds: U.S. TIPS	12,854,067
Value of interest in pooled funds: domestic equities	112,084,537
Value of interest in pooled funds: international equities	37,506,981
Securities lending short-term collateral investment pool	88,624,514
Total investments	$1,025,409,237

Financial Section: Figure 5

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 when 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, which would also affect the reported estimated fair values. The pension funds utilize a combination of asset-backed securities, which vary in their degree of volatility. Although considerable variability is inherent in such estimates, management believes the estimated fair values are reasonable estimates.

The pension funds also invest in real estate through real estate investment trusts (REITS). The fair values of these investments are estimated using the net asset value of the Systems' shares owned in each trust. Market conditions have had a negative impact on the estimated fair value of real estate investments. Restrictions on the availability of real estate financing, as well as economic uncertainties, have resulted in a low volume of purchase and sale transactions. As a result, the estimates and assumptions used in determining the fair values of the real estate investments are inherently subject to uncertainty.

Custodial Credit Risk: The custodial credit risk for deposits is the risk that in the event of a bank failure, the Wichita Retirement Systems' (WRS) deposits may not be recovered. On December 31, 2011, the WRS' cash deposits in the amount of $534,657 were included in the City's pooled cash and temporary investments. The WRS' debt securities investments were registered in the name of WRS and were held in the possession of the WRS' custodial bank, State Street.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is managed using the modified duration methodology. Duration is a measure of a fixed income's cash flow using present values, weighted for cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes.

The Wichita Retirement Systems manage their exposure to fair value loss arising from increasing interest rates by complying with the following policy:

1. Fixed income managers have full discretion over the issuers selected and may hold any mix of fixed income securities and cash equivalents.
2. Portfolio duration must not be less than 80% nor more than 120% of the duration of the Barclays Capital Aggregate Bond Index, unless the Joint Investment Committee prospectively grants a written exception. As of December 31, 2011, the duration of the Index was 4.95 years, which equated to a minimum and maximum range for each fixed income portfolio of 3.96 years and 5.94 years, respectively.

The modified duration of investments, expressed in years, on December 31, 2011 is shown as follows (see Financial Section: Figure 6 below):

Modified Duration of Investments

Investment Type	Fair Value	Modified Duration (years)
Government securities, long-term	$ 30,823,657	5.79
Corporate debt instruments: long term	93,784,938	5.17
Mortgage and asset-backed securities	87,013,880	3.41
Actively managed investment totals	211,622,475	4.54
Government short-term investment fund	31,195,365	0.09
Pooled U.S. TIPS	12,854,067	8.17
Pooled domestic fixed income securities	451,921	4.86
Pooled international and high yield fixed income securities	14,759,889	3.13
Total investment in debt securities	$270,883,717	

Financial Section: Figure 6

Credit Risk of Debt Securities: Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Wichita Retirement Systems manage exposure to investment credit risk by adhering to the following policies: (1) For active core domestic fixed income investments, at the time of purchase, bonds and preferred stocks must be rated at least "A2/A/A" or higher using the middle rating of Moody's, Standard and Poor's, and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower ("more conservative") rating is used. When a rating from only one agency is available, that rating is used to determine credit quality; and (2) For core-plus domestic fixed income investments, the weighted average credit quality of the portfolio will not fall below "Aa3/AA-/AA-" or equivalent; when determining credit quality, the middle rating of Moody's, Standard and Poor's, and Fitch is used after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower ("more conservative") rating is used. When a rating from only one agency is available, that rating is used to determine credit quality. Throughout 2011, no securities were purchased that were below the established credit quality minimum in the active core portfolio. Due to the volatile investment environment in 2011, the weighted average credit quality of the active core-plus portfolio fell below the established credit quality minimum.

Financial Section: Figure 7 shows the debt investments held by the Wichita Retirement Systems on December 31, 2011, as rated by Standard and Poor's or an equivalent nationally recognized statistical rating organization.

Credit risk for investment derivative instruments results from counterparty risk assumed by the Wichita Retirement Systems. This is essentially the risk that the counterparty to a Wichita Retirement Systems' transaction will be unable to meet its obligation. See Financial Section: Figure 9 for information regarding the Wichita Retirement Systems' credit risk related to derivatives.

Standard and Poor's Investment Ratings

Quality Rating	Total Debt Securities
AAA	$ 30,090,238
AA+	88,728,726
AA	4,355,880
AA-	2,974,572
A+	9,829,454
A	24,811,964
A-	28,260,780
BBB+	12,885,900
BBB	6,072,586
BBB-	3,351,001
BB+	1,719,531
BB	401,488
BB-	776,400
B+	7,904,541
B	904,931
B-	93,883
CCC	4,522,567
CC	866,624
C	53,625
D	1,387,530
NR	9,244,210
Total credit risk debt securities	239,236,431
Pooled domestic fixed income securities[1]	451,921
Government short term investment fund[2]	31,195,365
Total investment in debt securities	$270,883,717

[1] Pooled domestic fixed income securities funds report average quality ratings of AA2.

[2] The average quality of the holdings of the Government Short-Term Investment Fund on December 31, 2011 was A1P1.

Financial Section: Figure 7

Concentration Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an entity's investment with a single issuer. The Wichita Retirement Systems' investment in debt securities had no single issuer of investments that represented 5% or more of the plan assets, with exception of investments issued or implicitly guaranteed by the U.S. government and investments in mutual funds.

Foreign Currency Risk: Currency risk arises due to foreign exchange rate fluctuations. The Wichita Retirement Systems manage the exposure to foreign currency risk by allowing the international securities investment managers to enter into forward exchange or future contracts on foreign currency provided such contracts have a maturity of less than one year. Currency contracts are only to be utilized for the settlement of securities transactions and defensive hedging of currency positions.

All forward foreign currency contracts are carried at fair value by the Wichita Retirement Systems. As of December 31, 2011, the Systems held forward currency contracts with an unrealized gain of $152,033. If held, sales of forward currency contracts are receivables and are reported as investment sales pending in the financial statements.

The Wichita Retirement Systems' exposure to foreign currency risk on December 31, 2011 is as follows (see Financial Section: Figure 8):

Other Risk Information: Recent market conditions have resulted in an unusually high degree of volatility and increased risks associated with certain investments held by the City, the Wichita Employees' Retirement System, and the Police and Fire Retirement System. As a result, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements. In addition, for the pensions systems, declines in the fair values of Plan assets could ultimately affect the funded status of the Plans. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual valuation is performed. While it is unknown at this time, the future net pension obligations and pension costs recorded by the Systems could be negatively impacted by the current market conditions.

Exposure to Foreign Currency Risk

Currency	Cash and Cash Equivalents	Debt Securities	Equities
Australian dollar	$173,797	$ -	$ 10,985,855
Canadian dollar	24,653	-	1,279,176
Danish krone	-	-	837,340
Euro	62,854	-	47,453,315
Hong Kong dollar	4	-	2,435,010
Japanese yen	-	-	30,627,665
New Zealand dollar	-	-	196,173
Norwegian krone	9,943	-	656,040
Pound sterling	80,136	-	33,303,276
Singapore dollar	27,636	-	2,737,563
Swedish krona	-	-	717,823
Swiss franc	-	-	10,641,294
International mutual funds (various currencies)	-	7,263,755	37,506,981
Total subject to foreign currency risk	$379,023	$7,263,755	$179,377,511

Financial Section: Figure 8

Investment Derivative Instruments

Type	Classification	Change in Fair Value	Notional Value	Exposure/ Fair Market Value	Counterparty	Counterparty Rating
Credit Default Swap Bought	Investment Revenue	$ 2,818	$ 312,000	$ 15,688	Goldman Sachs & Co.	A-
Credit Default Swap Bought	Investment Loss	(377)	328,000	16,493	Morgan Stanley Co., Inc.	A-
Credit Default Swap Written	Investment Loss	(68,507)	553,000	(65,786)		
Fixed Income Futures Long	Investment Revenue	2,089,415	5,738,520			
Fixed Income Futures Short	Investment Loss	(1,319,794)	15,500,000			
Fixed Income Options Bought	Investment Revenue	6,545				
Fixed Income Options Written	Investment Revenue	48,195				
Futures Options Bought	Investment Loss	(5,844)	42,500	5,631		
Futures Options Written	Investment Revenue	129,116	(42,500)	(4,037)		
FX Forwards	Investment Revenue	152,033	4,984,352	152,806	State Street Bank London	A+
Pay Fixed Interest Rate Swaps	Investment Loss	(622,271)				
Rights	Investment Revenue	45,639				
Total Return Bond Swap	Investment Loss	(213,789)	1,122,823	(10,455)		
	Totals	$ 243,179	$28,538,695	$ 110,340		

Financial Section: Figure 9

Derivatives: Investment derivative instruments are financial contracts for which the value of the contract is dependent on the values of one or more underlying assets, reference rate, or financial index. Derivatives may include futures contracts, swap contracts, options contracts, rights, and forward foreign currency exchanges. While the Wichita Retirement Systems has no formal policy specific to investment derivatives, the Wichita Retirement Systems, through its external investment managers, held a variety of these instruments as of December 31, 2011. The Wichita Retirement Systems enters into these investment derivative instruments primarily to enhance the performance, reduce the volatility of its investment portfolio, and to manage interest rate risk. The investment derivative instruments held by the Wichita Retirement Systems on December 31, 2011 are shown in Financial Section: Figure 9. The notional values associated with these derivative instruments are generally not recorded in the financial statements; however, the exposure amounts on these instruments are included in the fair value of investments in the Statement of Plan Net Assets and the total changes in fair value for the year are included as investment income in the Statement of Changes in Plan Net Assets.

The fair value of derivative investments is based on the exchanges when available. When an exchange is not available, estimated fair values are determined in good faith by using information from J.P. Morgan traders and other market participants, including methods and assumptions considering market conditions and risks existing at year-end. Such methods and assumptions incorporate standard valuation conventions and techniques, such as discounted cash flow analysis and option pricing models. All methods utilized to estimate fair values result only in general approximations of value.

Securities Lending Transactions: Policies of the Board 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 Wichita Retirement Systems' custodial bank, State Street, is the lending agent for the Systems' domestic securities for initial collateral of 102% of the market value of the loaned securities, international equity securities for initial collateral of 105% of the market value of such securities, and the initial collateral received for loans of United Kingdom (UK) Gilts shall have a value of at least 102.5% of the market value of such UK Gilts. Collateral may consist of cash (U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, irrevocable bank letters of credit issued by a person other than the securities borrower or affiliate, if determined appropriate by the agent under the securities lending programs it administers and such other collateral as the parties may agree to in writing.

The collateral securities cannot be pledged or sold by the Wichita Retirement Systems 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 100% of the market value of the loaned securities. Contracts with the lending agent require them to indemnify the Wichita Retirement 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 Wichita Retirement Systems for income distributions by the securities' issuers while the securities are on loan.

At year-end, the Wichita Retirement Systems had no credit risk exposure to borrowers because the amounts the Wichita Retirement Systems owe the borrowers exceeded the amounts the borrowers owed the Systems. Securities loaned can be terminated on demand by the Wichita Retirement Systems or the borrower.

At year-end, loans were secured with cash collateral, securities collateral or letters of credit. 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 Wichita Retirement Systems' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Wichita Retirement Systems cannot determine.

Custodial Credit Risk Related to Securities Lending: Custodial credit risk for lent securities is the risk that, in the event of the failure of the counterparty, the Wichita Retirement Systems will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Consistent with the Wichita Retirement Systems' securities lending policy, $88,624,514 was held by the counterparty acting as the Wichita Retirement Systems' agent in securities lending transactions on December 31, 2011.

Capital Assets

Capital asset activity for the year ended December 31, 2011 is displayed below (see Financial Section: Figure 10):

Capital Assets

	Beginning Balance	Decrease	Ending Balance
Pension administration software	$1,284,451	$ -	$1,284,451
Less: accumulated depreciation	(463,879)	(180,049)	(643,928)
Capital assets, net	$ 820,572	$(180,049)	$ 640,523

Financial Section: Figure 10

Wichita Employees' Retirement System

Plan Description: The Wichita Employees' Retirement System (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 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, 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 closed to new entrants with the establishment of Plan 3 by City Ordinance, effective January 1, 1994. However, upon completion of seven 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.

On December 31, 2011, the WERS defined benefit plan membership (Plan 1 and Plan 2) consisted of (see Financial Section: Figure 11):

Defined Benefit Plan Membership

	Plan 1	Plan 2	Total
Employees vested	31	916	947
Subtotal	31	916	947
Retirees and beneficiaries receiving benefits	836	474	1,310
Terminated employees entitled to benefits, but not receiving them	1	145	146
Subtotal	837	619	1,456
Total membership	868	1,535	2,403

Financial Section: Figure 11

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	Benefit formula based on credited service with a maximum of 50% of final average salary	25% of final salary
Pre-retirement survivor benefits	Benefit formula based on credited service and number of survivors with a maximum of 75% of final average salary	Benefit formula based on credited service and number of survivors with a maximum of 75% of final average salary
Post-retirement survivor benefits	Benefit formula based on credited service and number of survivors with a maximum of 75% of final average salary	Benefit formula based on credited service and number of survivors with a maximum of 75% of final average salary
Annual post-retirement benefit increases	3% of original benefit after 12 months of retirement, not compounded	2% of original benefit after 12 months of retirement, not compounded

Financial Section: Figure 12

Funding Policy: The contribution requirements of plan members and the reporting entity 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 rate for 2011 was 10.2% of annual covered payroll for both Plans 1 and 2. The City may provide for pension 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 2011, the City's annual pension cost of $6,596,124 was equal to the required and actual contributions.

The employer's annual required contribution for the 2011 fiscal year was determined as part of the December 31, 2009 actuarial valuation using the Entry Age Normal actuarial cost method. Significant actuarial assumptions used for this evaluation 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 4.0% per year compounded annually (3.5% attributable to inflation and 0.5% attributable to productivity),

c) additional projected salary increases ranging from 0.25% to 3.2% per year, depending on age, attributable to seniority/merit, and

d) the assumption that benefits will increase 3.0% per year (non-compounded) after retirement for Plan 1 and 2.0% per year (non-compounded) for Plan 2.

The market value of assets is not used directly in the calculation of the City's contribution rate. An asset valuation method is used to smooth the effect of market fluctuations and determine the value of assets used in the valuation, called the actuarial value of assets. The actuarial value of assets is equal to the expected value (calculated using the actuarial assumed rate of return of 7.75%), plus 25% of the difference between the market and expected value. This is the tenth year this smoothing method has been used.

With the smoothing method, portions of investment losses are deferred and currently represent about 12% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $54 million loss is expected to have an impact on the future funded ratio and actuarial contribution requirements. If the deferred losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 92.5% to 82.6% and the actuarially determined contribution rate would increase from 12.6% to 17.9%.

The actuarial accrued liability, as determined by the Entry Age Normal 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 liability/(surplus) represents the difference between the actuarial accrued liability and the actuarial value of assets. The unfunded actuarial liability/(surplus) is amortized as a level percent of projected payroll on an open basis. At December 31, 2011, the amortization period was 20 years.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, reflects multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits (see Financial Section: Figure 13).

Wichita Employees' Retirement System Funded Status

(as of December 31, 2011, the most recent actuarial valuation date)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
12/31/11	$513,298	$555,174	$41,876	92.5%	$75,444	55.5%

Rounded dollar amounts are in thousands.
[1] Includes Plan 3 members who are not vested.
Financial Section: Figure 13

Schedule of Employer Contributions

(Three Year Trend Information)

Fiscal Year Ending	Employees' Retirement System Annual Required Contribution	Employees' Retirement Plan 3 Annual Required Contribution	Percentage Contributed
12/31/09	$2,545,331	$1,478,256	100%
12/31/10	4,529,765	2,298,753	100
12/31/11	6,596,124	1,244,150	100

Financial Section: Figure 14

Wichita Employees' Retirement System Plan 3

Plan Description: The reporting entity provides pension benefits for all of its full-time civilian employees hired or rehired on or after January 1, 1994. This is a defined contribution plan; therefore, benefits depend solely on amounts contributed to the plan plus investment earnings. At December 31, 2011, membership totaled 681.

Plan 3, established by City Ordinance on April 9, 1993 and amended on February 8, 2000, requires that both the employee and the reporting entity contribute an amount equal to 4.7 percent of covered salaries. The reporting entity's contributions and earnings for each employee are 25% vested after three years of service, 50% vested after five years and are fully vested after seven years of continuous service.

Upon completion of seven years of service, employees participating in the plan will be converted to the WERS Plan 2, a defined benefit plan, unless they make an irrevocable election in Plan 3 within 90 days thereafter. If an employee converts to Plan 2, the employee's account on the date of election shall become part of Plan 2. These transactions are reflected as transfers out of Plan 3 and transfers into the Wichita Employees' Retirement System. Fully vested employees who elect to continue participation in Plan 3 beyond seven years may contribute additional amounts into the plan as permitted by the rules of the Internal Revenue Code in effect at the time of the contribution. Contributions of the reporting entity and earnings forfeited by employees who leave employment before seven years of service are used to reduce the reporting entity's contribution requirements.

For the year ending December 31, 2011, employee and employer contributions to Plan 3 each totaled $1,244,150. On December 31, 2011, the WERS defined contribution Plan 3 membership consisted of (see Financial Section: Figure 15):

Defined Contribution Plan Membership

Years of Service	Employer Contribution Vesting Schedule	Number of Employees
7 years or more	100%	70
5 to 7 years	50	212
3 to 5 years	25	247
0 to 3 years	0	152
Total Membership		681

Financial Section: Figure 15

Eligibility Factors and Benefit Provisions

	Less than 7 years of service	7 or more years 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

Financial Section: Figure 16

Police and Fire Retirement System

Plan Description: The Police and Fire Retirement System (PFRS) is divided into three plans - Plan A, Plan B, and Plan C-79. The plans were established to provide retirement and survivor annuities, disability benefits, 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 of and amendments to the benefit provisions for the PFRS are authorized by the City Council. On December 31, 2011, the PFRS membership consisted of (see Financial Section: Figure 17):

Defined Benefit Plan Membership

	Plan A	Plan B	Plan C-79	Total
Employees				
Vested	14	-	636	650
Non-vested	-	-	438	438
Subtotal	14	-	1,074	1,088
Retirees and beneficiaries receiving benefits	456	262	193	911
Terminated employees entitled to benefits but not receiving them	-	-	35	35
Subtotal	456	262	228	946
Total membership	470	262	1,302	2,034

Financial Section: Figure 17

Eligibility Factors and Benefit Provisions

	Plans A and 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 age 50; or 10 years of credited service and age 55
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	75% of final salary	75% of final salary
Service-connected disability, disease	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 months of retirement, not compounded	2% of original benefit after 36 months of retirement, not compounded

Financial Section: Figure 18

Funding Policy: The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. PFRS members are required to contribute 7 to 8% of covered salaries. The City is required to contribute at an actuarially determined rate; the rate for 2011 was 22.0% of annual covered payroll. The City may provide for pension 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 2011, the City's annual pension cost of $13,806,880 was equal to the required and actual contributions.

The employer's annual required contribution for the 2011 fiscal year was determined as part of the December 31, 2009 actuarial valuation using the Entry Age Normal 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 4.0% per year compounded annually (3.5% attributable to inflation and 0.5% attributable to productivity),

c) additional projected salary increases ranging from 1.0% to 2.75% per year, depending on years of service, attributable to seniority/merit, and

d) the assumption that benefits will increase 2.0% per year (non-compounded) commencing 36 months after retirement.

The market value of assets is not used directly in the calculation of the City's contribution rate. An asset valuation method is used to smooth the effect of market fluctuations and determine the value of assets used in the valuation, called the actuarial value of assets.

The actuarial value of assets is equal to the expected value (calculated using the actuarial assumed rate of return of 7.75%), plus 25% of the difference between the market and expected value. This is the tenth year this smoothing method has been used.

With the smoothing method, portions of investment losses are deferred and currently represent about 11% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $50 million loss is expected to have an impact on the future funded ratio and actuarial contribution requirements. If the deferred losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 90.8% to 81.9% and the actuarially determined contribution rate would increase from 22.8% to 28.2%.

The actuarial accrued liability, as determined by the Entry Age Normal 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 liability/(surplus) represents the difference between the actuarial accrued liability and the actuarial value of assets. The unfunded actuarial accrued liability/(surplus) is amortized as a level percentage of projected payroll on an open basis. At December 31, 2011, the amortization period was 20 years.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, reflects multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits (see Financial Section: Figure 19).

Police and Fire Retirement System Funded Status

(as of December 31, 2011, the most recent actuarial valuation date)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
12/31/11	$510,946	$562,488	$51,542	90.8%	$62,759	82.1%

Rounded dollar amounts are in thousands.

Financial Section: Figure 19

Schedule of Employer Contributions

(Three Year Trend Information)

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
12/31/09	$11,034,552	100%
12/31/10	13,119,984	100
12/31/11	13,806,880	100

Financial Section: Figure 20

Required Supplementary Information

Schedules of Funding Progress

Wichita Employees' Retirement System

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
12/31/06	$505,756	$459,062	$(46,694)	110.2%	$75,881	(61.5)%
12/31/07	533,911	483,387	(50,524)	110.5	78,736	(64.2)
12/31/08	512,853	512,373	(480)	100.1	81,580	(0.6)
12/31/09	509,494	529,272	19,778	96.3	82,704	23.9
12/31/10	516,308	540,436	24,128	95.5	79,636	30.3
12/31/11	513,298	555,174	41,876	92.5	75,444	55.5

Rounded dollar amounts are in thousands.

[1] Includes Plan 3 members who are not vested.

Financial Section: Figure 21

Police and Fire Retirement System

(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)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
12/31/06	$444,498	$439,179	$ (5,319)	101.2%	$53,530	(9.9)%
12/31/07	480,820	468,115	(12,705)	102.7	57,310	(22.2)
12/31/08	472,345	496,561	24,216	95.1	60,282	40.2
12/31/09	480,556	519,935	39,379	92.4	63,055	62.5
12/31/10	497,926	536,908	38,982	92.7	63,077	61.8
12/31/11	510,946	562,488	51,542	90.8	62,759	82.1

Financial Section: Figure 22

Schedules of Employer Contributions

Wichita Employees' Retirement System

Fiscal Year Ending	Employees' Retirement System Annual Required Contribution	Employees' Retirement Plan 3 Annual Required Contribution	Percentage Contributed
12/31/06	$2,264,339	$1,369,009	100%
12/31/07	2,357,052	1,428,686	100
12/31/08	2,450,162	1,494,079	100
12/31/09	2,545,331	1,478,256	100
12/31/10	4,529,765	2,298,753	100
12/31/11	6,596,124	1,244,150	100

Financial Section: Figure 23

Police and Fire Retirement System

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
12/31/06	$ 9,849,536	100%
12/31/07	10,029,253	100
12/31/08	10,549,401	100
12/31/09	11,034,552	100
12/31/10	13,119,984	100
12/31/11	13,806,880	100

Financial Section: Figure 24

Notes to the Required Supplementary Information

Summary of Actuarial Methods and Assumptions

Wichita Employees' Retirement System	
Valuation date	December 31, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll
Amortization approach	Open
Remaining amortization period	Rolling 20 years
Asset valuation method	Expected Value: assumes 7.75% rate of return plus 25% of the difference between the market value and the expected value of assets
Actuarial assumptions:	
Investment rate of return	7.75% per year
Projected salary increases	4.0% per year; 3.5% attributable to inflation, 0.5% attributable to productivity Additional salary increases ranging from .25% to 3.2% per year attributable to seniority/merit
Inflation rate	3.5% per year
Post-retirement benefit increases	Plan 1: 3% per year (non-compounded), commencing 12 months after retirement Plan 2: 2% per year (non-compounded), commencing 12 months after retirement

Financial Section: Figure 25

Summary of Actuarial Methods and Assumptions

Police and Fire Retirement System	
Valuation date	December 31, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll
Amortization approach	Open
Remaining amortization period	Rolling 20 years
Asset valuation method	Expected Value: assumes 7.75% rate of return plus 25% of the difference between the market value and the expected value of assets
Actuarial assumptions:	
Investment rate of return	7.75% per year
Projected salary increases	4.0% per year; 3.5% attributable to inflation, 0.5% attributable to productivity Additional salary increases ranging from 1.0% to 2.75% per year attributable to seniority/merit
Inflation rate	3.5% per year
Post-retirement benefit increases	2% per year (non-compounded), commencing 36 months after retirement

Financial Section: Figure 26

Supporting Schedules

Administrative Expenses

Year ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2011	Totals 2010
Personal services:					
Wages	$219,288	$219,288	$ -	$438,576	$440,748
Benefits	68,502	68,502	-	137,004	120,924
Total personal services	287,790	287,790	-	575,580	561,672
Contractuals:					
Telephone	1,726	1,726	-	3,452	3,376
Postage	1,527	1,336	4	2,867	2,706
Transportation and travel	3,601	1,478	-	5,079	6,631
Data center charges	23,635	23,635	-	47,270	44,390
City administrative charges	14,605	14,605	-	29,210	29,210
Actuarial fees	31,899	35,129	1,132	68,160	65,584
Audit fees	7,099	7,099	-	14,198	13,552
Legal services	6,846	10,053	371	17,270	14,000
Advertising	6,646	752	-	7,398	-
Periodicals and manuals	114	114	-	228	216
Membership dues	420	1,920	-	2,340	2,190
Printing and photocopying	5,924	4,734	-	10,658	4,469
Plan 3 participant administration	-	-	31,723	31,723	30,225
Pension software expense	49,669	49,669	42,574	141,912	140,262
Depreciation	63,016	63,016	54,017	180,049	181,362
Other	1,674	1,867	413	3,954	1,707
Total contractuals	218,401	217,133	130,234	565,768	539,880
Commodities:					
Office equipment and supplies	1,547	1,547	-	3,094	2,728
Data processing equipment	458	458	-	916	1,339
Other	718	718	-	1,436	602
Total commodities	2,723	2,723	-	5,446	4,669
Total administrative expenses	$508,914	$507,646	$130,234	$1,146,794	$1,106,221

Financial Section: Figure 27

Investment Expenses

Year ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2011	Totals 2010
Investment expenses:					
Financial consulting	$ 100,488	$ 96,954	$ 7,384	$ 204,826	$ 280,910
Custodial bank	126,110	130,023	3,947	260,080	297,673
Investment management fees	1,911,719	1,875,050	68,727	3,855,496	3,910,031
Total investment expenses	$2,138,317	$2,102,027	$80,058	$4,320,402	$4,488,614

Financial Section: Figure 28

Payments to Consultants Other Than Investment Advisors

Year ended December 31, 2011
(with comparative totals for the year ended December 31, 2010)

Firm	Services	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2011	Totals 2010
Ice Miller, LLP	Legal services	$ 6,846	$10,053	$ 371	$ 17,270	$ 14,000
Milliman, Inc.	Actuarial services	31,899	35,129	1,132	68,160	65,584
Allen, Gibbs & Houlik, L.C.	Auditing services	7,099	7,099	-	14,198	13,552
Northeast Retirement Services	Participant accounting	-	-	31,723	31,723	30,225
Total payments		$45,844	$52,281	$33,226	$131,351	$123,361

Financial Section: Figure 29

Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Wichita Employees' Retirement System
Police and Fire Retirement System of Wichita, KS

We have audited the accompanying statement of plan net assets of the Wichita Retirement Systems of the City of Wichita, Kansas (Systems) as of and for the year ended December 31, 2011, and the related statement of changes in plan net assets for the year then ended, which collectively comprise the System's basic financial statements and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Systems is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

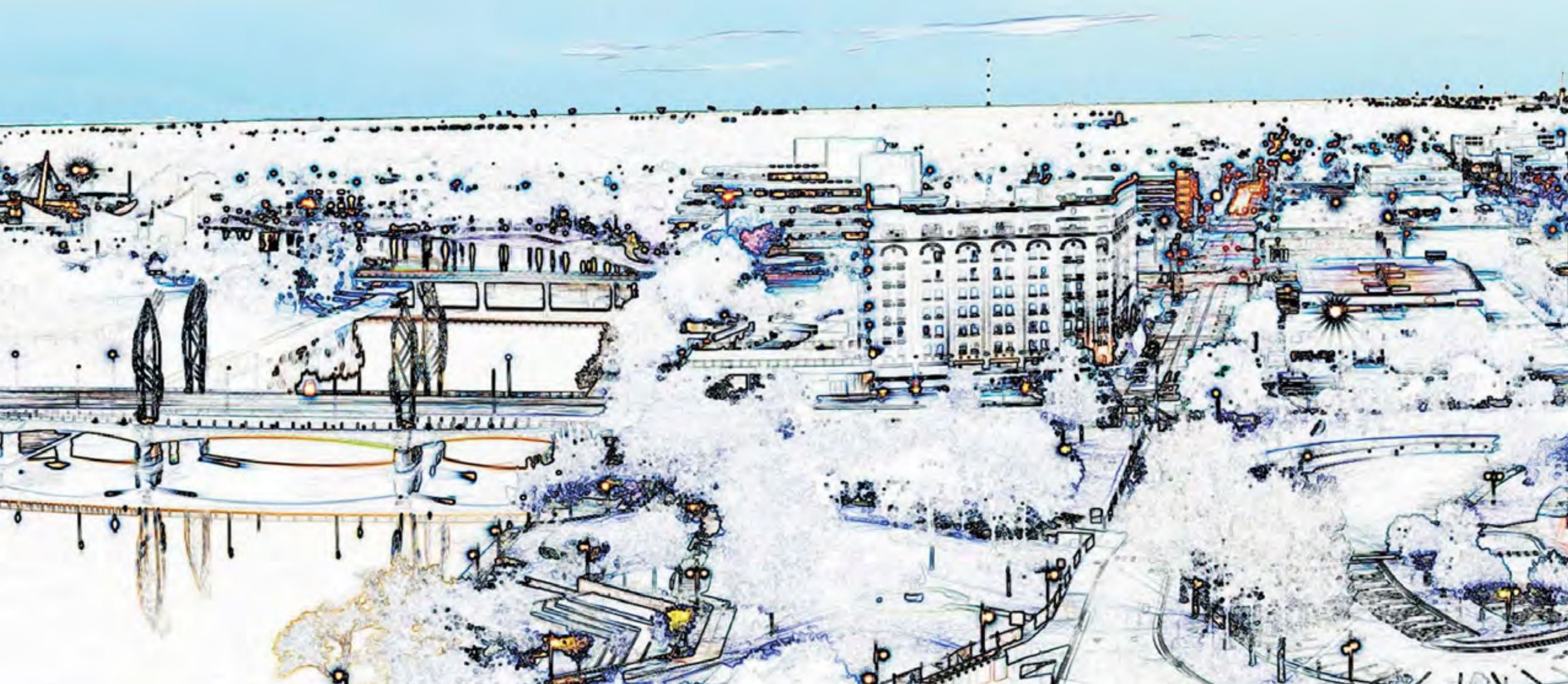
As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

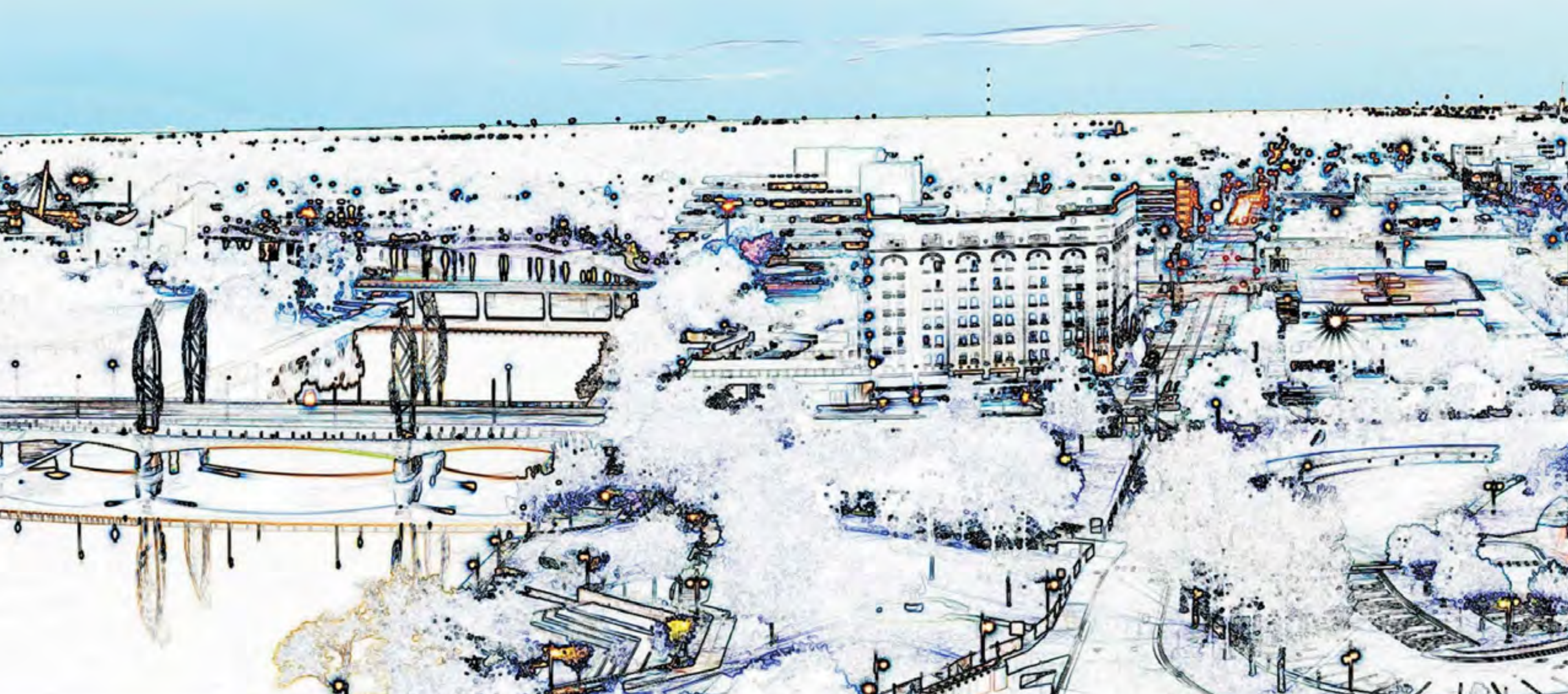
Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2012
Wichita, Kansas

INVESTMENT SECTION



INVESTMENT SECTION



Callan

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March 23, 2012

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

RE: Report on 2011 Investment Activities

Dear Board Members:

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 and controlled level of risk that enable 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 when due.

Preservation of capital is of primary concern. The Fund seeks preservation of capital by pursuing a policy of broad diversification with the long-term objective of achieving 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 its 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 seven asset classes as allowable asset classes: large to mid-capitalization U.S. equities; small capitalization U.S. equities; U.S. fixed-income securities; non-U.S. equities (developed and emerging markets); real estate; commodities; and timber. The "Asset Allocation" discussion that appears later in this section provides details about the Trust Fund percentages that are invested in the seven asset classes.

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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 seven major asset classes, and individual managers. The Boards compare returns to broad market indices and relevant "peer groups" of investment managers with similar investment styles. The schedule on page 37 depicts the Fund's various rates of return. All returns are time-weighted rates of return calculated by the Fund's Financial Consultant on the basis of market value and cash flow data provided by the Fund's bank custodian.

Many sizeable global macro-economic events occurred in 2011 that caused investor uncertainty. The environment was shaped by political upheaval in the Middle East; a terrible earthquake and tsunami in Japan; a debt crisis that threatened the world's largest economic union; U.S. political gridlock; and S&P downgrades on the sovereign debt of nine developed countries with warnings on five others. Against this backdrop, the U.S. managed to produce positive economic growth with GDP up 1.7% in 2011. In response to these events, equity markets made little ground. The S&P 500 Index, a proxy for U.S. large-cap stocks, gained 2.11%. U.S. small-cap stocks, as measured by the Russell 2000 Index, lost 4.18%. Non-U.S. equities performed even worse than domestic equities as the MSCI EAFE Index fell 12.14%. Interest rates continued to decline throughout the year, boosting bond prices and the return of the BC Aggregate Bond Index, which gained 7.84%. The private real estate market, as measured by the NCREIF Property Index, made its second straight year of gains by rising 14.26%. The Dow Jones-UBS Commodity Index declined 13.32% while the NCREIF Timberland Index gained 1.58%.

As noted in the Schedule of Investment Results, the Fund generated a total return of 0.79% for the year ended December 31, 2011, which out-performed the 0.19% return of the Fund's target benchmark (the Weighted Index). In aggregate, the Fund's U.S. small cap equity, real estate, and non-U.S. equity managers generated returns that exceeded 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 percent of their trades through a large broker-dealer firm selected by the Boards.

Yours truly,

William C. Howard

William C. Howard, CFA
Vice President

Investment Policy Summary

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

Investment Policies
The assets of the Fund are 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, annual performance review of the investment portfolio, and the hiring of a common financial consultant and actuary.

The duties of the JIC include, but are not limited to, making recommendations to the Boards on an asset allocation plan, an investment policy and the hiring of a common financial consultant and actuary; quarterly performance review of the investment portfolio; and the retention and termination of the Fund's 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 mandated investment guidelines.

The following minimum standards are set for investment managers:

1. The investment firm must have $500 million or more under management;

2. The investment management firm must have five years of performance history;

3. The Fund's portfolio with the investment manager shall not constitute more than 10% of the investment manager's total portfolio.

Investment Objectives
The goal of the Fund is to ensure sufficient resources to meet or exceed benefit obligations. The related investment objectives are, first, to preserve and, second, to increase the capital value of the Fund. In pursuing these objectives, the Boards will 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 exercised in the management of their own affairs.

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

As of December 31, 2011, the blended target consisted of:

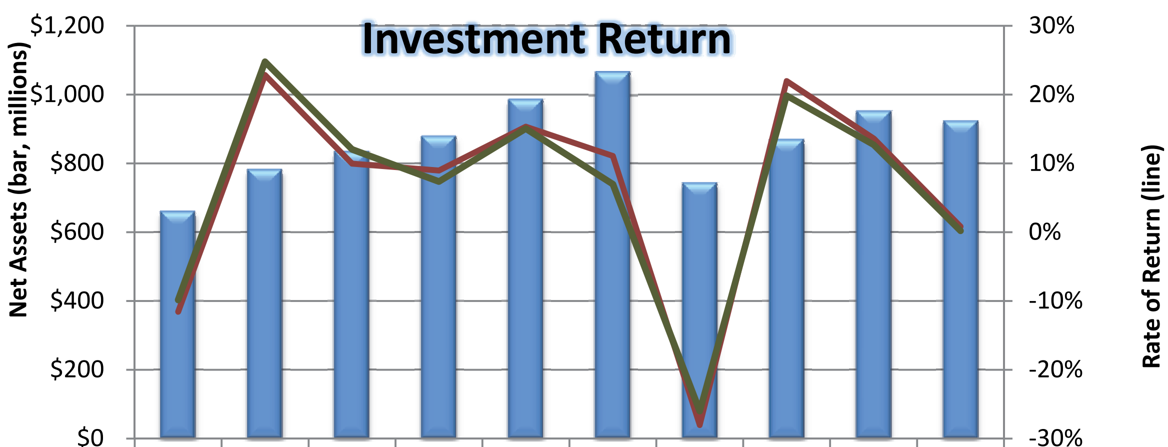
- 32% Russell 1000 Index
- 8% Russell 2000 Index
- 22% Morgan Stanley Capital International, All Country World ex-U.S.(MSCI ACWI ex-US) Index
- 22% Barclays Capital Aggregate Bond Index
- 3% Barclays Capital US TIPS Index
- 5% National Council of Real Estate Investment Fiduciaries (NCREIF) Total Property Index
- 5% National Council of Real Estate Investment Fiduciaries (NCREIF) Timberland Index
- 3% Dow Jones-UBS (DJ UBS) Commodity Index

The Boards expect the Fund's overall returns to be less volatile than the relevant market indices. The Fund's long-term 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 three of five calendar years, and above the 40th percentile over rolling five-year periods.

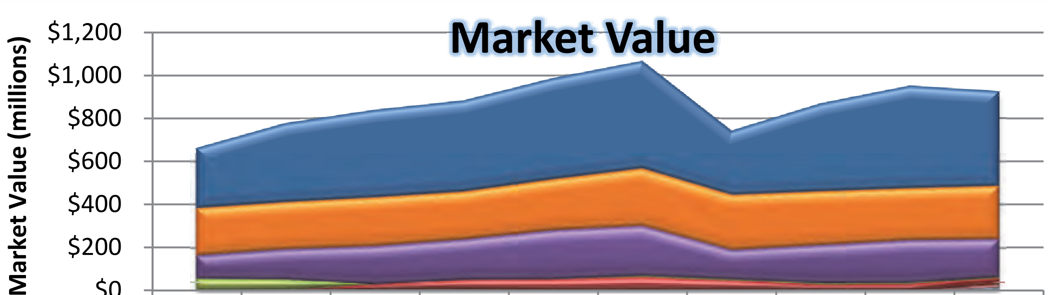
Investment Performance

The charts below (Investment Section: Figure 1 and Investment Section: Figure 2) illustrate annual portfolio investment performance compared to the benchmark and changes in the Fund's net assets based on asset class allocations at year-end. Positive returns, beginning in 2003 and continuing through 2007, are responsible for increasing the Fund's market value. After a volatile investment environment in 2008, 2009 and 2010 returns of 22.0% and 13.6%, respectively, stabilized the fund. The 2011 Fund return of 0.79% outperformed the benchmark return of 0.19%. Despite a positive return, net assets decreased by $28.3 million, or 3.0%.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Assets	$660.9	$782.7	$834.8	$879.2	$985.9	$1,065.9	$743.9	$869.9	$951.8	$923.5
System Return	-11.6%	22.8%	10.0%	9.0%	15.3%	11.1%	-28.1%	22.0%	13.6%	0.8%
Benchmark Return	-9.9%	24.8%	12.0%	7.4%	15.1%	7.0%	-26.0%	19.8%	12.7%	0.2%

Investment Section: Figure 1



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Domestic Equity	$277	$365	$404	$421	$467	$496	$297	$406	$474	$437
Domestic Fixed Income	219	218	226	221	236	266	255	249	240	247
International Equity	109	142	180	189	229	233	138	180	201	176
International Fixed Income	54	46	-	-	-	7	6	5	5	7
Real Estate	-	-	23	45	52	61	45	25	28	33
Commodities	-	-	-	-	-	-	-	-	-	12
Timber	-	-	-	-	-	-	-	-	-	10
Cash	1	6	5	4	1	1	1	2	1	2

Investment Section: Figure 2

The Investment Performance table below (see Investment Section: Figure 3) illustrates the Wichita Retirement Systems' (WRS) Fund performance compared with plan target and appropriate index comparisons. The calculations were prepared using a time weighted rate of return based on the market rate of return.

The Wichita Employees' Retirement System (WERS) and Police and Fire Retirement System (PFRS) funds are combined for investment purposes. The WERS consists of defined benefit Plans 1 and 2 and defined contribution Plan 3. The PFRS consists of defined benefit Plans A, B, and C-79.

In 2000, funds for the WERS Defined Contribution Plan 3 were separated from the combined Fund for investment management purposes. Although separately invested, these funds continued to be managed in accordance with the Strategic Plan and Investment Policies adopted for the WRS Funds. In January 2004, the Plan 3 funds were returned to the combined Fund for investment management purposes.

Investment Performance

	Annualized Returns			
	1 year	3 years	5 years	7 years
Total portfolio:				
Fund performance[1]	0.79%	11.84%	2.25%	4.97%
Fund Target performance[2]	0.19	10.60	1.37	4.07
Domestic equities:				
Large-Cap equity	1.07	15.40	1.14	4.17
Russell 1000 Index	1.50	14.81	-0.02	2.95
S&P 500 Index	2.11	14.11	-0.25	2.64
Small-Cap equity	-0.25	20.69	4.34	6.50
Russell 2000 Index	-4.18	15.63	0.15	3.20
International equities:				
International equity	-8.83	8.95	-2.26	3.93
MSCI EAFE Index	-12.14	7.65	-4.72	1.71
MSCI ACWI (Ex-US) Index	-13.33	11.20	-2.48	3.97
Domestic fixed income:				
Domestic fixed income	7.69	10.47	7.34	6.25
Barclays Capital Aggregate Index	7.84	6.77	6.50	5.60
Real estate:				
Real estate	22.17	-5.60	-6.43	0.06
NCREIF Total Property Index	14.26	2.43	3.09	7.23

[1] Performance is gross of fees. Timber, Commodities, and TIPS were funded after January, 2011. Therefore, one-year return data is not available.

[2](a) From 04/01/04 until 12/31/06; 38% S&P 500 Index; 9% Russell 2000 Index; 20% Morgan Stanley Capital International All Country World (ex-U.S.) Index; 28% Barclays Capital Aggregate Bond Index; 5% NCREIF Total Property Index.

(b) From 01/01/07 until 12/31/2010; 38% S&P 500 Index; 9% Russell 2000 Index; 20% Morgan Stanley Capital International EAFE Index; 28% Barclays Capital Aggregate Bond Index; 5% NCREIF Total Property Index.

(c) From 01/01/11 until 09/30/2011; 38% Russell 1000 Index; 9% Russell 2000 Index; 20% Morgan Stanley Capital International All Country World (ex-U.S.) Index; 28% Barclays Capital Aggregate Bond Index; 5% NCREIF Total Property Index.

(d) From 10/01/11 until present; 32% Russell 1000 Index; 8% Russell 2000 Index; 22% Morgan Stanley Capital International All Country World (ex-U.S.) Index; 22% Barclays Capital Aggregate Bond Index; 5% NCREIF Total Property Index; 5% NCREIF Timberland Index; 3% Barclays Capital U.S. TIPS Index; 3% Dow Jones-UBS Commodity Index.

Investment Section: Figure 3

Asset Allocation

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

The Boards established the JIC 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, Inc., the Boards' financial consultant.

The Boards review the adopted Asset Allocation Plan at least every three years. An Asset Allocation-Only Study was completed in 2010 with changes becoming effective, and partially implemented, in 2011. These changes primarily affected the System's Investment Policy and included the addition of timber, Treasury Inflation Protected Securities (TIPS), and commodities to the asset allocation mix. Additionally, Ordinance changes were adopted to limit the exposure to timber at 10% and to increase the allowed exposure to international assets from 25% to 35%.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. As of December 31, 2011, 67.1% of the Fund's assets were invested in equities, 26.8% in fixed income, 3.52% in real estate, 1.1% in timber, and 1.3% in commodities. The table below (Investment Section: Figure 4) displays the Fund's actual asset allocation on December 31, 2011.

Asset Allocation Policy

As of December 31, 2011

Asset Class	Min	Target	Max	Actual
Domestic Equity				
Large/Mid Cap	18.00%	24.00%	30.00%	24.19%
Small-Cap	4.00	8.00	12.00	11.08
Index	6.00	8.00	10.00	12.04
Total Domestic Equity	28.00	40.00	52.00	47.31
Domestic Fixed Income				
Active Core	9.00	11.00	13.00	13.00
Active Core Plus	9.00	11.00	13.00	12.38
TIPS	2.50	3.00	3.50	1.39
Total Domestic Fixed Income	21.00	25.00	29.00	26.77
International Equity				
Active Core	7.00	9.00	11.00	7.70
Active Core Plus	8.00	10.00	12.00	10.24
Emerging Markets Index	2.00	3.00	4.00	1.87
Total International Equity	18.00	22.00	26.00	19.81
Real Estate				
Core	2.00	4.00	6.00	2.52
Value Added	0.00	1.00	2.00	1.00
Total Real Estate	3.00	5.00	7.00	3.52
Timber	3.00	5.00	7.00	1.07
Commodities	2.50	3.00	3.50	1.30
Cash	0.00	0.00	2.00	0.22

Investment Section: Figure 4

Largest Equity and Fixed Income Holdings

Ten Largest Equity Holdings by Fair Value

As of December 31, 2011

Number of Shares	Security	Fair Value	% of Total Portfolio
348,891	Pfizer, Inc.	$ 8,045,426	0.80%
95,950	Procter & Gamble Co.	6,416,177	0.64
191,750	Microsoft Corp.	6,157,093	0.62
92,950	Honeywell International, Inc.	5,669,950	0.57
127,653	JPMorgan Chase & Co.	5,591,201	0.56
76,965	ConocoPhillips	5,556,103	0.56
160,596	Wells Fargo & Co.	5,434,569	0.54
98,850	Capital One Financial Corp.	5,420,934	0.54
174,700	Vodafone Group Plc. Sp. Adr.	4,898,588	0.49
7,645	Apple, Inc.	4,645,867	0.46
1,375,950	**Total**	**$57,835,908**	**5.78%**

Investment Section: Figure 5

Ten Largest Fixed Income Holdings by Fair Value

As of December 31, 2011

Number of Shares	Holding	Fair Value	% of Total Portfolio
195,468	W20000001 US Dollar High Yield	$ 4,700,039	0.47%
2,548,066	Federal Home Loan PC Pool G06501	2,704,441	0.27
2,300,000	FNMA TBA 30 Yr Single Family	2,383,375	0.24
1,575,000	US Treasury N/B	2,377,762	0.24
2,100,000	GNMA 21H032662	2,200,737	0.22
2,014,747	Federal Home Loan PC Pool G03696	2,197,485	0.22
1,881,816	FNMA Pool 745506	2,125,605	0.21
2,000,000	FNMA TBA 15 Y	2,084,060	0.21
1,905,015	FNMA Pool Al0215	2,061,341	0.21
1,690,137	FNMA Pool 745505	1,911,021	0.19
18,210,249	**Total**	**$24,745,866**	**2.48%**

Investment Section: Figure 6

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

Investment Assets by Manager

As of December 31, 2011

Asset Category	**Fair Value**
Domestic fixed income	
Richmond Capital Management, Inc.	$ 113,501,839
Western Asset Management Co.	105,616,771
SSGA[1] U.S. TIPS Index Fund	12,854,067
SSGA[1] Government Short-Term Investment Fund	31,195,365
SSGA[1] Securities Lending Short-Term Investment Pool	88,624,514
Subtotal	351,792,556
International fixed income	
Western Asset Management Co.	7,263,755
Domestic equity	
Barrow, Hanley, Mewhinney & Strauss, Inc.	73,825,883
Boston Partners Asset Management	46,552,731
Fred Alger Management, Inc.	71,962,527
ING Investment Management Co.	53,065,385
Institutional Capital LLC	72,839,050
SSGA[1] S&P 500 Flagship Fund	111,257,062
Subtotal	429,502,638
International equity	
Mondrian Investment Partners, Limited	93,799,132
Pyramis Global Advisors Trust Company	69,912,986
SSGA[1] Emerging Markets Index Fund	17,266,063
Subtotal	180,978,181
Real Estate	
RREEF America REIT II	23,276,942
RREEF America REIT III	9,265,563
Subtotal	32,542,505
Timber	
Molpus Woodlands Fund III	9,825,366
Commodities	
GEAM Trust Active Commodities Fund	12,043,342
Defined Contribution Pooled Funds	
SSGA[1] Strategic Balanced Funds	1,460,894
Total Investment Assets	**$1,025,409,237**

[1]State Street Global Advisors

Investment Section: Figure 7

Investment Fees by Manager

Year ended December 31, 2011

Investment Management Fees:	**Fees**
Domestic Fixed Income Managers	
Richmond Capital Management, Inc.	$233,992
Western Asset Management Co.	315,159
SSGA[1] U.S. TIPS Index Fund	1,583
International Fixed Income Manager	
Western Asset Management Co.	19,013
Domestic Equity Managers	
Barrow, Hanley, Mewhinney, & Strauss, Inc.	384,282
Boston Partners Asset Management	449,181
Fred Alger Management, Inc.	333,384
ING Investment Management Co.	422,818
Institutional Capital LLC	359,013
Rainier Investment Management, Inc.	32,226
SSGA[1] S&P 500 Flagship Fund	44,855
International Equity Managers	
Mondrian Investment Partners, Limited	543,755
Pryamis Global Advisors Trust Company	467,230
SSGA[1] Emerging Markets Index Fund	49,669
Real Estate Managers	
RREEF America REIT II	53,820
RREEF America REIT III	82,800
Timber	
Molpus Woodlands Fund III	37,682
Commodities	
GEAM Trust Active Commodities Fund	25,034
Subtotal Investment Management Fees	3,855,496
Other Investment Service Fees:	
Custodian Fees	
State Street Bank and Trust Company	260,080
Investment Consultant and Performance Measurement Fees	
Callan Associates, Inc.	200,976
NestEgg Consulting, Inc.	3,850
Subtotal Other Investment Service Fees	464,906
Total Investment Fees	**$4,320,402**

[1]State Street Global Advisors

Investment Section: Figure 8

Investment Summary by Type of Investment

As of December 31, 2011

Type of Investment	Fair Value	% of Total Portfolio
Domestic equities:		
Consumer discretionary	$ 45,957,095	4.49%
Consumer staples	24,285,202	2.37
Energy	30,747,901	3.00
Financial services	52,811,380	5.15
Health care	49,693,003	4.85
Industrials	43,589,097	4.25
Information technology	51,571,739	5.03
Materials	8,006,652	0.78
Telecommunications services	7,923,221	0.77
Utilities	3,660,286	0.36
Total domestic equities	318,245,576	31.05
Domestic equities - commingled funds	112,084,537	10.93
International equities:		-
Consumer discretionary	12,292,089	1.20
Consumer staples	20,996,289	2.05
Energy	17,061,755	1.66
Financial services	22,464,603	2.19
Health care	19,318,192	1.88
Industrials	14,302,257	1.39
Information technology	6,807,230	0.66
Materials	9,366,783	0.91
Telecommunications services	15,327,171	1.49
Utilities	5,716,330	0.56
Total international equities	143,652,699	13.99
International equities - commingled funds	37,506,981	3.66
Domestic fixed income:		-
Government securities: long-term	30,823,657	3.01
Corporate debt instruments: long-term	93,784,938	9.15
Mortgage and asset-backed securities	87,013,880	8.49
Total domestic fixed income	211,622,475	20.65
TIPS	12,854,067	1.25
Timber	9,825,366	0.96
Commodities	12,043,342	1.17
Domestic high yield fixed income - commingled funds	7,496,134	0.73
International fixed income - commingled funds	7,263,755	0.71
Domestic fixed income - commingled funds	89,076,435	8.69
Real estate - commingled funds	32,542,505	3.17
Short-term investments	31,195,365	3.04
Total Invested Assets[1]	**$1,025,409,237**	**100.00**

[1]Amounts do not include the City's cash deposits **of $534,657.**

Investment Section: Figure 9

Brokerage Commissions

Year ended December 31, 2011 (Continued on next page)

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions Per Share
Abel Noser Corp.	$ 85,050	$ 1,276	$0.01500
Barclays Bank Plc.	24,286,786	1,540	0.00006
Barclays Capital	404,149	6,018	0.01489
Bloomberg Trade Book, LLC	107,060	1,611	0.01505
BNY Convergex LJR	1,132,330	50,871	0.04493
Broadcort Capital (Thru Ml)	1,122,950	33,652	0.02997
BTIG, LLC	63,416	1,760	0.02775
Cantor Fitzgerald & Co.	69,975	1,617	0.02311
Cantor Fitzgerald Europe	123,414	895	0.00725
Capital Institutional Svcs., Inc. Equities	17,100	599	0.03503
CIBC World Markets Corp.	17,815	713	0.04002
Citigroup Global Markets, Inc.	1,669,398	9,797	0.00587
Citigroup Global Markets Ltd.	562,969	2,771	0.00492
Citigroup Global Markets UK Equity Ltd.	84,078	1,056	0.01256
CLSA Singapore Pte. Ltd.	125,943	1,713	0.01360
Convergex Execution Solutions LLC	96,055	2,855	0.02972
Cowen & Co., LLC	116,750	3,900	0.03340
Credit Lyonnais Securities (USA), Inc.	156,000	604	0.00387
Credit Lyonnais Securities (Asia)	161,100	861	0.00534
Credit Suisse Securities (Europe) Ltd.	470,870	6,145	0.01305
Credit Suisse Securities (USA), LLC	150,110,677	20,447	0.00014
CSFB Australia Equities Ltd.	40,600	880	0.02167
Cuttone & Co., Inc.	30,960	493	0.01592
Daiwa Securities (Hk) Ltd.	137,775	2,045	0.01484
Deutsche Bank Ag London	213,739	4,006	0.01874
Deutsche Bank Securities, Inc.	341,477,713	5,668	0.00002
Dowling & Amp, Partners	16,900	529	0.03130
Fidelity Clearing Canada Ulc.	48,950	734	0.01499
Friedman Billings & Ramsey	28,472	1,003	0.03523
Goldman Sachs & Co.	178,378,975	18,458	0.00010
Goldman Sachs Capital Markets LP	70,589	2,118	0.03000
Goldman Sachs Intl.	1,181,605	15,114	0.01279
Hong Kong & Shanghai Banking Corp.	709,100	605	0.00085
Howard Weil Division Legg Mason	15,450	551	0.03566
HSBC Bank Plc.	191,046	766	0.00401
HSBC Brokerage (USA), Inc.	73,300	1,466	0.02000
Instinet	351,950	5,426	0.01542
Instinet U.K. Ltd.	46,788	507	0.01084
Investment Technology Group, Inc.	216,505	3,361	0.01552
ISA Group, Inc.	75,810	2,436	0.03213
ITG Inc.	115,702	2,389	0.02065
J.P. Morgan Securities, Inc.	544,023	10,416	0.01915
J.P. Morgan Clearing Corp.	553,569	670	0.00121
Jackson Partners & Associates, Inc.	59,717	1,534	0.02569
Janney Montgomery Scott, Inc.	22,605	702	0.03106
Jefferies & Company, Inc.	705,608	2,443	0.00346
Jefferies International Ltd.	46,555	819	0.01759
JMP Securities	17,961	644	0.03586
Jones & Amp Associates, Inc.	11,900	476	0.04000
Jones Trading Institutional Services LLC	53,507	1,696	0.03170
J.P. Morgan Securities Australia Ltd.	99,342	1,437	0.01447

Brokerage Commissions

Year ended December 31, 2011 (Continued from previous page)

Brokerage Firm	Number of Shares Traded	Total Commissions	Commissions Per Share
J.P. Morgan Securities Ltd.	$ 316,918	$ 4,791	$0.01512
J.P. Morgan Securities (Asia Pacific) Ltd.	200,900	2,586	0.01287
Keefe Bruyette & Woods, Inc.	43,652	1,464	0.03354
Kepler Equities Paris	23,652	544	0.02300
Keybanc Capital Markets, Inc.	288,346	642	0.00223
Knight Equity Markets L.P.	163,367	4,836	0.02960
Lazard Capital Markets LLC	30,101	634	0.02106
Leerink Swann & Co.	17,220	557	0.03235
Liquidnet Europe Ltd.	128,915	3,150	0.02443
Liquidnet Inc.	359,809	7,221	0.02007
Macquarie Equities (Sydney) Ltd.	231,151	2,687	0.01162
Macquarie Equities (USA) Ltd.	22,940	855	0.03727
Macquarie Equities Ltd.	838,256	4,893	0.00584
Merrill Lynch Intl.	670,346	11,291	0.01684
Merrill Lynch Peirce Fenner & Smith, Inc.	1,105,520	8,801	0.00796
Merrill Lynch Professional Clearing Corp.	1,244,530	1,725	0.00139
Mizuho Securities USA, Inc.	52,067	1,099	0.02111
Morgan Stanley & Co. Intl.	245,661	3,795	0.01545
Morgan Stanley & Co., Inc.	153,072,962	6,419	0.00004
Morgan Stanley Dean Witter Inv.	22,867	1,003	0.04386
Needham & Co.	46,796	1,852	0.03958
Nomura Intl. Plc.	280,640	3,834	0.01366
Nomura Securities Intl., Inc.	478,882	3,871	0.00808
Pipeline Trading Systems LLC	203,625	2,142	0.01052
Pulse Trading LLC	90,690	1,910	0.02106
Raymond James & Associates	57,499	2,300	0.04000
RNC Capital Markets	18,862,641	1,134	0.00006
RNC Dominion Securities, Inc.	71,412	1,346	0.01885
Robert W. Baird Co., Inc.	103,176	2,787	0.02701
Royal Bank Of Scotland Plc.	385,578	530	0.00137
Sandler Oneill & Part L.P.	13,640	477	0.03497
Sanford C. Bernstein Ltd.	728,975	6,174	0.00847
Sanford C. Bernstein Co., LLC	141,150	3,923	0.02779
State Street Global Markets	632,970	8,901	0.01406
Stifel Nicolaus & Co., Inc.	545,565	1,133	0.00208
Susquehanna Intl. Securities	22,935	917	0.03998
UBS Ag	859,441	8,167	0.00950
UBS Securities Asia Ltd.	260,081	2,901	0.01115
UBS Securities, LLC	42,744,385	3,046	0.00007
Wedbush Morgan Securities, Inc.	21,155	791	0.03739
Weeden & Co.	100,163	3,478	0.03472
Wells Fargo Securities, LLC	1,549,050	2,691	0.00174
William Blair & Amp Co., LLC	21,082	743	0.03524
Simmons & Co. Intl.	15,050	452	0.03003
Pershing LLC	517,047	430	0.00083
Exane S.A.	25,932	423	0.01631
BNP Paribas Securities (Asia) Ltd.	315,100	413	0.00131
Investment Technology Group Ltd.	58,285	396	0.00679
Pacific Crest Securities	9,900	396	0.04000
Remaining 113 Firms	70,700,808	13,676	0.00019
Total	**$1,005,463,434**	**$390,318**	**$0.00039**

Investment Section: Figure 10

ACTUARIAL SECTION

Actuarial Section

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June 4, 2012

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

Subject: Certification of December 31, 2011 Actuarial Valuations

Dear Board Members:

We certify that the information included herein and contained in the 2011 Actuarial Valuation Reports is accurate and fairly presents the actuarial position of the Wichita Employees' Retirement System (WER) and the Police and Fire Retirement System of Wichita, Kansas (WPF) as of December 31, 2011.

All calculations have been made in conformity with generally recognized and 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 experienced in performing valuations for public retirement systems. They are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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.

June 4, 2012
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 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, 2011. For both the Wichita Employees' Retirement System and the Police and Fire Retirement System of Wichita, Kansas actuarial liabilities exceeded valuation assets. This difference, called the unfunded actuarial liability, was $41.9 million for the Wichita Employees' Retirement System and $51.5 million for the Police and Fire Retirement System of Wichita, Kansas. The unfunded actuarial liability was amortized as a level percent of payroll over 20 years in both Systems.

An asset smoothing method is used in the valuation process so investment experience is recognized over a period of time. The positive investment performance in both 2009 and 2010 offset some of the deferred losses from 2008. However, the rate of return on the actuarial value of assets for 2011 was less than the assumed rate of 7.75%, partially due to a return on market value of 0.4%. This generated an experience loss on assets for both Systems. While there were experience gains on liabilities, the net experience from all sources during 2011 was an actuarial loss for both the Wichita Employees' Retirement System and the Police and Fire Retirement System of Wichita, Kansas. The actuarial value of assets in both Systems exceeds the market value by 11 to 12%. This difference increased from last year, and there are still significant deferred investment losses from prior years that have not yet been fully recognized. Without investment returns over the next few years above the assumed rate of return of 7.75%, the deferred investment loss will be recognized and contribution rates can be expected to increase.

On the basis of the 2011 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 on pages 53 to 56 for the Wichita Employees' Retirement System and pages 61 to 63 for the Police and Fire Retirement System of Wichita, Kansas.

Data

In preparing the December 31, 2011 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. If the underlying data or information is inaccurate or incomplete, our calculations may need to be revised.

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 on pages 48 to 50 for the Wichita Employees' Retirement System and pages 56 to 58 for the Police and Fire Retirement System of Wichita, Kansas. 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 five year period ending December 31, 2008.

Milliman

June 4, 2012
Page 3

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are individually reasonably related to the experience of the System and offer the best estimate of anticipated experience. We believe they comply with the requirements of Governmental Accounting Standards Board Statement No. 25. Nevertheless, the emerging costs will vary from those presented in this valuation to the extent actual experience differs from that projected by the actuarial assumptions.

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
Solvency Test
Derivation of Retirement Systems Experience Gain/(Loss)

Financial Statements Section

Schedule of Employer 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.

I, William V. Hogan, 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.

I, Timothy J. Herman, 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.

Respectfully submitted,

Milliman, Inc.

Sincerely,

William V. Hogan

William V. Hogan, FSA, MAAA
Principal & Consulting Actuary

Timothy J. Herman

Timothy J. Herman, FSA, MAAA
Consulting Actuary

Milliman

Wichita Employees' Retirement System (WERS) Actuarial Information

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 Entry Age Normal actuarial cost method, and has the following characteristics:

- The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement;
- 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 assumed pensionable compensation rates between the entry age of the member and the assumed exit age.

The portion of the actuarial present value of retirement system benefits 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 liability*. Deducting actuarial assets from the actuarial liability determines the *unfunded actuarial liability or (surplus)*. WERS had an unfunded actuarial liability of $41.9 million as of December 31, 2011.

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 December 31, 2003 through December 31, 2008, and adopted by the Board on September 16, 2009. An experience study is performed every five years.

The actuarial valuation of assets is based on the "Expected Value plus 25%" method, which smoothes the effect of market value fluctuations by recognizing 25% of the difference between the expected actuarial value and the 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 actuarial liability or surplus, which is amortized over a rolling 20-year amortization period.

Net Investment Rate of Return

The investment return rate (net of administrative expenses) used for actuarial valuation calculations is 7.75% a year, compounded annually. This rate consists of 3.50% in recognition of long-term price inflation and 4.25% in recognition of a 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 was first used for the December 31, 1981 valuation, although the allocation between inflation and real return has changed periodically, most recently in 2009.

Salary Projections

These assumptions are used to project current salaries to determine average annual compensation. They 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 a years of service component to reflect promotion and longevity increments (see Actuarial Section: Figure 1).

Salary increases are assumed to occur mid-year. The salary increase assumptions will produce 4.00% 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 liability. The rate of return over assumed wage growth is 3.75% per year. These assumptions were first used for the December 31, 2009 valuation.

Annual Rate of Salary Increases

Years of Service	Inflation Component	Productivity Component	Merit and Longevity	Total
1	3.50%	0.50%	3.20%	7.20%
2	3.50	0.50	3.00	7.00
3	3.50	0.50	2.80	6.80
4	3.50	0.50	2.60	6.60
5	3.50	0.50	2.40	6.40
6	3.50	0.50	2.20	6.20
7	3.50	0.50	2.00	6.00
8	3.50	0.50	1.80	5.80
9	3.50	0.50	1.70	5.70
10	3.50	0.50	1.60	5.60
11	3.50	0.50	1.50	5.50
12	3.50	0.50	1.40	5.40
13	3.50	0.50	1.30	5.30
14	3.50	0.50	1.20	5.20
15	3.50	0.50	1.06	5.06
16	3.50	0.50	0.92	4.92
17	3.50	0.50	0.78	4.78
18	3.50	0.50	0.64	4.64
19	3.50	0.50	0.50	4.50
20	3.50	0.50	0.50	4.50
21	3.50	0.50	0.50	4.50
22	3.50	0.50	0.50	4.50
23	3.50	0.50	0.50	4.50
24	3.50	0.50	0.50	4.50
25	3.50	0.50	0.50	4.50
>25	3.50	0.50	0.25	4.25

Actuarial Section: Figure 1

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

The rates displayed in Actuarial Section: Figure 2 are used to measure the probability of eligible members retiring under either the regular retirement provisions or the Deferred Retirement Option Plan (DROP).

In addition, the following assumptions apply to members in this category:

- Plan 1: 70% of members with 30 or more years of service were assumed to elect the DROP with an average DROP period of 48 months. The remaining 30% are assumed to retire immediately.
- Plan 2: 70% of members with 33.33 or more years of service that are at least age 62 were assumed to elect the DROP with an average DROP period of 36 months.

All members of the Retirement System were assumed to retire on or before age 70.

This assumption was first used for the December 31, 2009 valuation.

Marriage

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

Sick Leave

The calculated normal retirement benefits were increased by 4% to account for the inclusion of unused sick leave in the calculation of service credit. This assumption was last revised with the December 31, 2004 valuation.

Rates of Retirement

Retirement Age	Plan 1	Plan 2
55	15%	5%
56	15	5
57	15	5
58	15	5
59	15	5
60	40	5
61	40	5
62	20	30
63	20	30
64	20	40
65	100	40
66	N/A	30
67	N/A	30
68	N/A	30
69	N/A	30
70	N/A	100

Actuarial Section: Figure 2

Forfeiture of Vested Benefits

A percentage of the actuarial present value of vested termination benefits is assumed to be forfeited by a withdrawal of accumulated contributions. This percentage is applied individually based on years of service. The data in Actuarial Section: Figure 3 was first used for the December 31, 2004 actuarial valuation.

Forfeiture of Vested Benefits

Years of Service	Percent Forfeiting
< 15	60%
15 - 19	40
20 - 24	20
>= 25	0

Actuarial Section: Figure 3

Plan 3 Transfer

Plan 3 (defined contribution plan) members are assumed to elect Plan 2 if they acquire seven years of service. An actuarial reserve is held for the difference between the market and actuarial value of assets. This assumption was last revised for the December 31, 2004 valuation.

Mortality Table

The RP-2000 mortality tables (RP-2000 Healthy Annuitant Tables, RP-2000 Disabled Table and RP-2000 Employee Table) were first used for the December 31, 2004 valuation (see Actuarial Section: Figure 4). The Healthy Annuitant and Employee Tables are set forward two years for males to fit the observed experience of the group. The RP-2000 Tables are used with generational mortality. These tables 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[1]	Men	Women
50	30.4	34.6
55	25.7	29.7
60	21.2	25.1
65	16.9	20.7
70	13.0	16.7
75	9.7	13.0
80	6.9	9.8
85	4.8	7.1

[1] Ages in 2000

Actuarial Section: Figure 4

Rates of Separation from Active Membership

This assumption (see Actuarial Section: Figure 5 below) measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire. This assumption was last revised for the December 31, 2009 valuation.

Rates of Separation

Sample Ages	Years of Service	Annual Termination Probability
Any	0	25.00%
-	1	19.00
-	2	14.00
-	3	11.00
-	4	9.00
25	Over 4	9.00
30	-	7.00
35	-	5.25
40	-	4.00
45	-	3.50
50	-	2.50
55	-	1.50
60	-	1.50

Actuarial Section: Figure 5

Rates of Disability

This assumption measures the probabilities of a member becoming disabled (see Actuarial Section: Figure 6 below). Disabilities are assumed to be non-duty related. These rates were first used for the December 31, 2009 valuation.

Rates of Active Member Disability

Sample Ages	% Becoming Disabled During the Next Year
25	0.02%
30	0.03
35	0.04
40	0.07
45	0.10
50	0.18
55	0.32
60	0.53

Actuarial Section: Figure 6

Wichita Employees' Retirement System Actuarial Tables

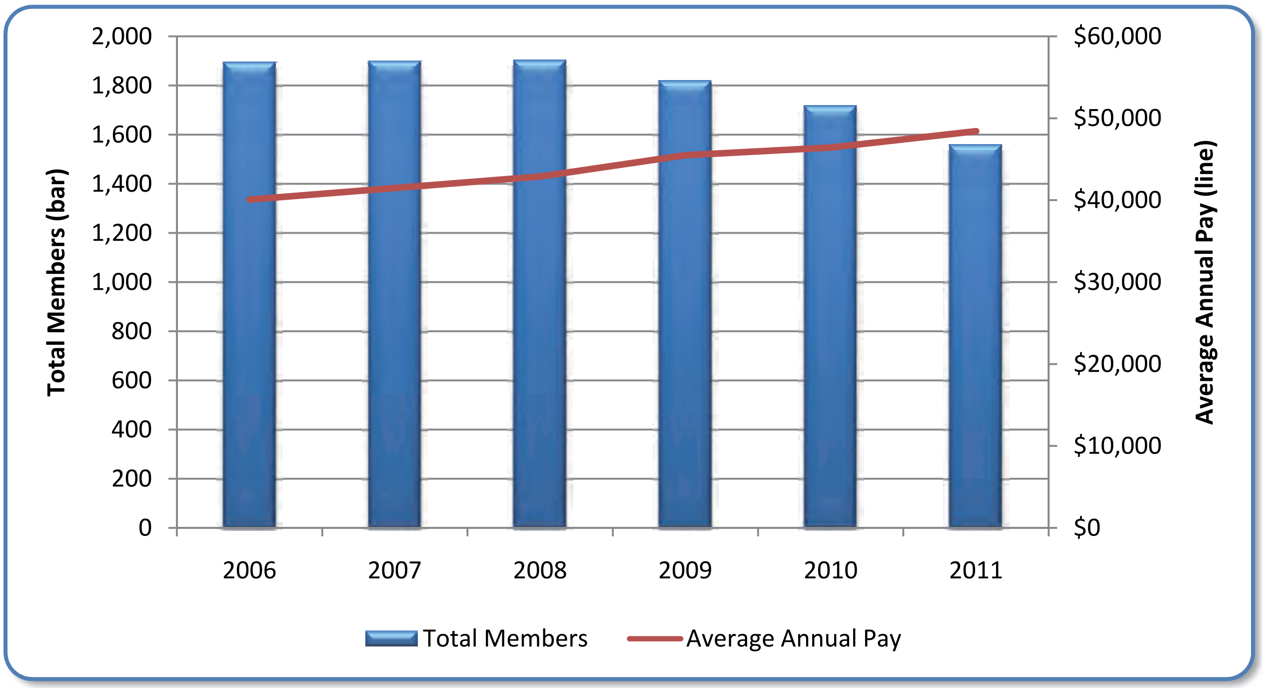
Active Member Valuation Data

	Number of Members				Annual		% Increase In
Valuation Date	Plan 1	Plan 2	Plan 3[1]	Total	Payroll ($000's)	Average Annual Pay	Average Annual Pay
12/31/2006	134	922	837	1,893	$75,881	$40,085	3.7%
12/31/2007	113	947	838	1,898	78,736	41,484	3.5
12/31/2008	92	958	852	1,902	81,580	42,892	3.4
12/31/2009	80	998	740	1,818	82,704	45,492	6.1
12/31/2010	61	993	661	1,715	79,636	46,435	2.1
12/31/2011	31	916	611	1,558	75,444	48,424	4.3

[1] Does not include vested Plan 3 Members

Actuarial Section: Figure 7

Average Annual Pay and Total Members



Actuarial Section: Figure 8

Retirants and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		End of Year Rolls		Annual Pensions	
Year Ended	#	Annual Pensions[1]	#	Annual Pensions[1]	#	Annual Pensions[1]	Average Pension	Average Increase
12/31/2006	63	$1,205,241	41	$580,114	1,102	$24,146,982	$21,912	3.8%
12/31/2007	77	1,763,901	47	665,077	1,132	25,757,557	22,754	3.8
12/31/2008	79	1,879,045	44	693,343	1,167	27,520,308	23,582	3.6
12/31/2009	66	1,338,875	52	708,830	1,181	28,730,505	24,327	3.2
12/31/2010	71	1,847,020	59	949,872	1,193	29,855,835	26,056	2.9
12/31/2011	164	4,305,336	47	824,103	1,310	32,885,454	25,103	0.3

[1] Values are estimated based on annualized pension amounts.

Actuarial Section: Figure 9

Solvency Test

	Aggregate Actuarial Liability for						
	(1)	(2)	(3)				
Valuation Date	Active Member Contributions	Retirants and Beneficiaries[1]	Active Members (Employer Financed) Portion)	Reported Valuation Assets	Portion of Actuarial Liabilities Covered by Reported Assets (1)	(2)	(3)
12/31/2006	$45,475,389	$237,860,848	$175,725,905	$505,755,995	100%	100%	126.6%
12/31/2007	46,189,489	256,374,002	180,823,537	533,911,465	100	100	127.9
12/31/2008	46,541,280	272,176,420	193,655,822	512,853,345	100	100	100.2
12/31/2009	49,152,328	279,396,973	200,722,170	509,493,888	100	100	90.1
12/31/2010	50,473,365	293,227,477	196,734,871	516,307,845	100	100	87.7
12/31/2011	45,440,569	349,202,490	160,530,664	513,298,382	100	100	73.9

[1] Includes vested terminated members.

Actuarial Section: Figure 10

System Experience

For the year ended December 31, 2011, the Wichita Employees' Retirement System generated an actuarial loss of $17.0 million, or 3.1% of the beginning of the year actuarial liability (see Actuarial Section: Figure 11).

Derivation of System Experience Gain/(Loss)

			Year Ended 12/31/11 (in millions)
(1)		UAL[1] at start of year	$24.1
(2)	+	Normal cost for year	9.9
(3)	+	Assumed investment return on (1) and (2)	2.6
(4)	-	Actual contributions (member + City)	11.3
(5)	-	Assumed investment return on (4)	0.4
(6)	=	Expected UAL at end of year	24.9
(7)	+	Increase (decrease) from amendments	0.0
(8)	+	Increase (decrease) from assumption changes	0.0
(9)	=	Expected UAL after changes	24.9
(10)	=	Actual UAL at year end	41.9
(11)	=	Experience gain (loss) (9) – (10) [2]	(17.0)
(12)	=	Percent of beginning of year AL	3.1%

[1] Unfunded Actuarial Liability/(Surplus)

[2] Of this amount, $18.2 million of the experience loss is due to an experience loss on the actuarial value of assets and $1.2 million represents an experience gain on liabilities.

Actuarial Section: Figure 11

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

Plan 1 is a closed plan, which 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 1, 1994, and Plan 3 members who, upon vesting, elect to become members of Plan 2.

Normal Retirement

- Eligibility
  - Plan 1: Age 60 with seven or more years of service, or any age with 30 or more years of service.
  - Plan 2: Age 62 with seven 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
  - Average for the three consecutive years within the last 10 years of service that produce the highest average salary.

Early Retirement

- Eligibility
  - Age 55 with seven or more years of service.
- Benefit
  - An amount computed as for normal retirement, but reduced for each month retirement precedes age 60 under Plan 1 and age 62 under Plan 2. The amount of reduction per month of early retirement is:
    - Plan 1: A service graduated percentage for each month retirement precedes age 60. The percentage is .05 of 1% if service is 29 years but less than 30 years, increasing by .05 of 1% for each additional year service is less than 30 years, to a maximum of .50 of 1% if service is less than 20 years.
    - Plan 2: An age graduated percentage for each month retirement precedes age 62. The percentage is 0.6% for each month that the member's age precedes age 62, up to a maximum of 50.4% at age 55.

Service-Connected Disability

- Eligibility
  - No age or service requirement. Disability must be permanent and total, and precludes performance of any duties 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, and precludes performance of any duties 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 seven years, to a maximum of 50%.
  - Plan 2: 25% of final rate of salary.

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
    - Benefit computed based on years of service, final average salary as of DROP election date, which is paid into member's notational DROP account during the deferral period. Member continues to make required employee contributions during the deferral period. Interest at an annual rate of 5% is credited to the notational DROP account. Voluntary termination of employment during the DROP period results in a loss of accrued interest. Balance of DROP account is payable within 90 days of actual termination of employment.

Deferred Retirement

- Eligibility
    - Termination of service.
        - Plan 1: 7 or more years of service and under age 60.
        - Plan 2: 7 or more years of service and under age 62.
- Deferred Benefit
    - Deferred pensioner may apply for a reduced retirement benefit upon meeting the applicable 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, plus 5% annual interest, may be elected in lieu of a retirement 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.

Pre-Retirement Survivor Benefit

- Eligibility - Surviving spouse and minor child
    - Death of employee with seven or more years of credited service.
- Benefit
    - 50% of the benefit earned by the deceased employee at the time of death, plus 10% of the deceased employee's final average salary for each minor child under age 18, to a maximum of 75% of final average salary. If no surviving spouse, benefit is 20% of final average salary on account of each child to a maximum of 60% of final average salary; terminates when child reaches age 18.
- Designated Beneficiary
    - When no spouse or minor child is eligible for a survivor's benefit, the beneficiary designated by the retiree.
- Benefit
    - Accumulated contributions plus 5% annual interest, and one month's salary for each full year of service, not to exceed six months of salary.

Post-Retirement Survivor Benefit

- Eligibility
    - Spouse must have been married to retired employee for one year or more, at time of death if retired after January 1, 2000. If retired prior to January 1, 2000, must have been married to retired employee at retirement.
    - Minor child must be must be under age 18.
- Benefit
    - 50% of benefit paid to retiree at time of death, plus 10% of retiree's final average salary for each minor child under age 18, to a maximum of 75% of final average salary. If no surviving spouse, benefit is 20% of final average salary on account of each child to a maximum of 60% of final average salary; terminates when child reaches age 18.
    - Plan 1: $1,500 funeral benefit.
- Designated Beneficiary
    - When no spouse or minor child is eligible for a survivor's benefit, the beneficiary designated by the retiree.
- Benefit
    - Final partial benefit due retiree through date of death, plus balance, if any, of contributions and interest.
    - Plan 1: $1,500 funeral benefit.

Refund of Contributions

- Eligibility
  - Termination of employment without eligibility for any other benefit.
- Amount
  - Accumulated contributions at the time of termination, plus 5% annual interest.

Post-Retirement Adjustment of Pension Benefit

- Eligibility
  - Plan 1: Completion of 12 months of retirement and annually thereafter.
  - Plan 2: Completion of 12 months of retirement and annually thereafter (effective February 19, 2000).
- Benefit
  - Plan 1: 3% of base pension benefit (not compounded).
  - Plan 2: 2% of base pension benefit (not compounded).

Employee Contributions

- Plan 1: 6.4% of base salary, longevity and overtime pay.
- Plan 2: 4.7% of base salary and longevity pay (effective February 19, 2000).

Employer Contributions

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

Unused Sick Leave

- Accumulated unused sick leave is converted to service credits for the purpose of computing annual benefits.

Summary of Benefit Provisions for the Wichita Employees' Retirement System Defined Contribution Plan 3

Plan 3 is applicable to members employed on or after January 1, 1994 who have not become covered by Plan 2. Plan 3 members automatically transfer to Plan 2 at the time they acquire 7 years of service, unless they file an irrevocable election to remain in Plan 3.

Employee Contributions

- 4.7% of compensation (effective February 19, 2000).

Employer Contributions

- 4.7% of compensation (effective February 19, 2000).

Vesting of Contributions

- Employee contributions and investment earnings thereon are 100% vested.
- Employer contributions and investment earnings thereon are 25% vested after three years of service, 50% vested after five years of service, and 100% vested after seven years of service.

Distribution of Vested Accounts

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

<u>Service-Connected Disability</u>

- Eligibility
    - No age or service requirement. Disability must be permanent and total, and precludes the performance of any duties for a City position commensurate with the employee's training, experience, and education.
- Benefit
    - 50% of final rate of salary; or distribution of vested Plan 3 account.

<u>Non-Service Connected Disability</u>

- Eligibility
    - Seven or more years of service and under age 62. Disability must be permanent and total, and precludes the performance of any duties for City position commensurate with the employee's training, experience, and education.
- Benefit
    - 25% of final rate of salary; or distribution of vested Plan 3 account.

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

Police and Fire Retirement System (PFRS) Actuarial Information

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 Entry Age Normal actuarial cost method, and has the following characteristics:

- The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement;
- Each annual normal cost is a constant percentage of the member's year-by-year projected covered compensation;
- Normal costs for Plans A and B (closed plans) were based on Plan C (open plan) assumptions and benefit conditions.

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 assumed pensionable compensation rates between the entry age of the member and the assumed exit age. By applying the Entry Age Normal cost method as described above, 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 of retirement system benefits 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 liability*. Deducting actuarial assets from the actuarial liability determines the *unfunded actuarial liability or (surplus)*. PFRS had an unfunded actuarial accrued liability of $51.5 million as of December 31, 2011.

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 December 31, 2003 through December 31, 2008, and adopted by the Board September 23, 2009. An experience study is performed every five years.

The actuarial valuation of assets is based on the "Expected Value plus 25%" method, which smoothes the effect of market value fluctuations by recognizing 25% of the difference between the expected actuarial value and the 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 actuarial liability or surplus, which is amortized over a rolling 20-year amortization period.

<u>Net Investment Rate of Return</u>

The investment rate of return (net of administrative expenses) used for actuarial valuation calculations was 7.75% a year, compounded annually. This rate consists of 3.50% in recognition of long-term price inflation and 4.25% in recognition of a 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 was first used for the December 31, 1980 valuation, although the allocation between inflation and real return has changed periodically, most recently in 2009.

Salary Projections

These assumptions are used to project current salaries to determine average annual compensation. They 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 a years of service component to reflect promotion and longevity increments (see Actuarial Section: Figure 12).

Salary increases are assumed to occur mid-year. The salary increase assumptions will produce 4.00% 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 liability. The rate of return over assumed wage growth is 3.75% per year. These assumptions were first used for the December 31, 2009 valuation.

Annual Rate of Salary Increases

Years of Service	Inflation Component	Productivity Component	Merit and Longevity	Total
1	3.50%	0.50%	2.75%	6.75%
5	3.50	0.50	2.75	6.75
10	3.50	0.50	2.75	6.75
15	3.50	0.50	2.75	6.75
20	3.50	0.50	1.00	5.00
25	3.50	0.50	1.00	5.00
30	3.50	0.50	1.00	5.00

Actuarial Section: Figure 12

Forfeiture of Vested Benefits

A percentage of the actuarial present value of vested termination benefits will be forfeited by a withdrawal of accumulated contributions. The percentage is applied individually based on years of service. This table (Actuarial Section: Figure 13 below) was first used for the December 31, 2004 valuation.

Forfeiture of Vested Benefits

Years of Service	Percent Forfeiting
10 – 14	100%
>= 15	0

Actuarial Section: Figure 13

Rates of Retirement

These rates (see Actuarial Section: Figure 14 and Actuarial Section: Figure 15) are used to measure the probability of eligible members retiring and applicable elections under the BackDROP program. It is assumed that members who retire under service retirement provisions elect a BackDROP of up to five years which maximizes the actuarial value of the retirement benefit determined as of the retirement date. These rates were first used for the December 31, 2009 valuation.

Rates of Retirement for Plans A and B

	% Retiring During Year	
Years of Service	Police	Fire
28 or less	5%	5%
29	5	5
30	10	5
31	10	5
32	30	25
33	50	25
34	50	25
35	100	100
Over 35	100	100

Actuarial Section: Figure 14

Rates of Retirement for Plan C

	% Retiring During Year	
Years of Service	Police	Fire
50	10%	5%
51	10	5
52	10	5
53	10	10
54	10	10
55	10	10
56	30	20
57	30	20
58	30	20
59	30	20
60	100	100
Over 60	100	100

Actuarial Section: Figure 15

Rates of Separation from Active Membership

This assumption measures the probabilities of a member terminating employment. The rates (see Actuarial Section: Figure 16) do not apply to members who are eligible to retire. These rates were first used for the December 31, 2009 valuation.

Rates of Separation

Sample Ages	Years of Service	% Separating Within Year	
		Police	Fire
All	0	10.00%	8.00%
-	1	8.00	6.00
-	2	6.00	4.50
-	3	4.00	3.00
-	4	3.00	2.00
25	Over 4	3.00	1.00
30	-	3.00	1.00
35	-	2.50	0.95
40	-	1.90	0.85
45	-	0.70	0.50
50	-	0.00	0.00
55	-	0.00	0.00

Actuarial Section: Figure 16

Rates of Disability

This assumption measures the probabilities of a member receiving a disability retirement (see Actuarial Section: Figure 17). The rates do not apply to members who are eligible to retire. The rates of recovery from disability are assumed to be zero. These rates were first used for the December 31, 1999 valuation.

Rates of Disability

Sample Ages	Percent Disabled During the Year	
	Police	Fire
20	0.10%	0.09%
25	0.16	0.14
30	0.33	0.30
35	0.55	0.49
40	0.77	0.68
45	0.98	0.87
50	1.20	1.06
55	1.42	1.14

Actuarial Section: Figure 17

Mortality Table

The RP-2000 mortality tables (RP-2000 Healthy Annuitant Tables, RP-2000 Disabled Table and RP-2000 Employee Table) were first used for the December 31, 2004 valuation (see Actuarial Report: Figure 18 below). The RP-2000 Tables are used with generational mortality. These tables 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[1]	Men	Women
50	32.3	34.6
55	27.6	29.7
60	23.0	25.1
65	18.5	20.7
70	14.5	16.7
75	10.9	13.0
80	7.9	9.8
85	5.6	7.1

[1] Ages in 2000

Actuarial Report: Figure 18

Marriage

Eighty percent of non-retired members are assumed to be married for purposes of death benefits. In each case, the male was assumed to be three years older than the female.

Sick Leave

The calculated normal retirement benefits were increased by 4% to account for the inclusion of unused sick leave in the calculation of service credit. This assumption was last revised for the December 31, 2004 valuation.

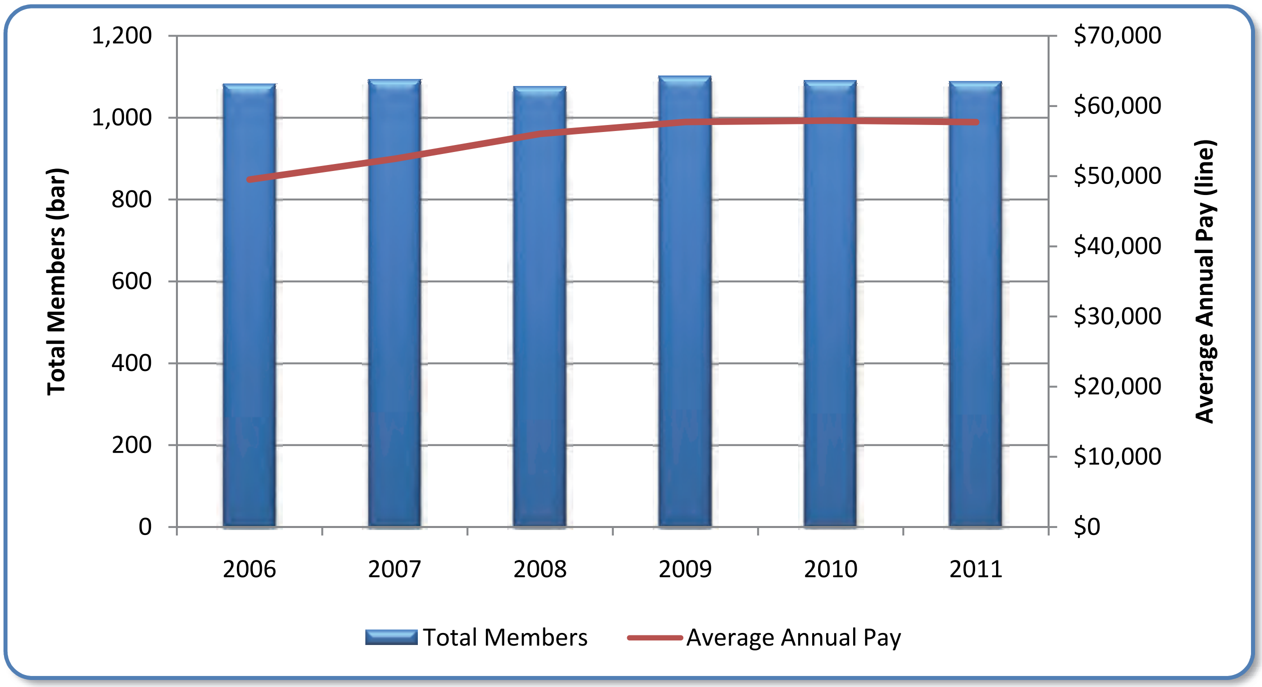
Police and Fire Retirement System Actuarial Tables

Active Member Valuation Data

Valuation Date	Number of Members: Plan A	Plan B	Plan C	Total Members	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Annual Pay
12/31/2006	59	1	1,021	1,081	$53,530	$49,519	-0.3%
12/31/2007	57	0	1,035	1,092	57,310	52,482	6.0
12/31/2008	47	0	1,029	1,076	60,282	56,024	6.7
12/31/2009	32	0	1,068	1,100	63,479	57,708	3.0
12/31/2010	21	0	1,068	1,089	63,077	57,922	0.4
12/31/2011	14	0	1,074	1,088	62,759	57,683	-0.4

Actuarial Section: Figure 19

Average Annual Pay and Total Members



Actuarial Section: Figure 20

Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls #	Added to Rolls Annual Pensions[1]	Removed from Rolls #	Removed from Rolls Annual Pensions[1]	End of Year Rolls #	End of Year Rolls Annual Pensions[1]	Annual Pensions Average Pension	Annual Pensions Average Increase
12/31/2006	29	$ 715,353	26	$389,856	840	$18,349,917	$21,845	2.5%
12/31/2007	21	548,513	28	452,202	833	18,777,464	22,542	3.2
12/31/2008	39	510,543	32	417,236	840	19,492,053	23,205	2.9
12/31/2009	57	1,959,741	24	398,908	873	21,357,569	24,465	5.4
12/31/2010	47	1,439,435	28	541,662	892	22,570,141	25,303	3.4
12/31/2011	48	1,615,338	29	525,289	911	24,030,607	26,378	4.2

[1] Values are estimated based on annualized pension amounts.

Actuarial Section: Figure 21

Solvency Test

Valuation Date	Aggregate Actuarial Liability for: (1) Active Member Contributions	(2) Retirants and Beneficiaries[1]	(3) Active Members (Employer Financed) Portion)	Reported Valuation Assets	Portion of Actuarial Liabilities Covered by Reported Assets (1)	(2)	(3)
12/31/2006	$48,361,719	$216,449,174	$174,368,239	$444,497,827	100%	100%	103.1%
12/31/2007	53,686,866	230,893,426	183,534,348	480,820,001	100	100	106.9
12/31/2008	58,050,319	238,590,747	199,920,080	472,345,191	100	100	87.9
12/31/2009	60,326,408	257,298,665	202,309,181	480,555,562	100	100	80.5
12/31/2010	63,515,814	270,693,677	202,698,947	497,925,786	100	100	80.8
12/31/2011	66,390,179	293,730,691	202,367,017	510,946,217	100	100	74.5

[1] Includes vested terminated members.

Actuarial Section: Figure 22

System Experience

For the year ended December 31, 2011, the Police and Fire Retirement System generated an actuarial loss of $11.5 million, or 2.1% of the beginning of the year actuarial liability (see Actuarial Section: Figure 23).

Derivation of System Experience Gain/(Loss)

			Year Ended 12/31/11 (in millions)
(1)		UAL[1] at start of year	$39.0
(2)	+	Normal cost for year	15.7
(3)	+	Assumed investment return on (1) and (2)	4.2
(4)	-	Actual contributions (member + City)	18.2
(5)	-	Assumed investment return on (4)	0.7
(6)	=	Expected UAL at end of year	40.0
(7)	+	Increase (decrease) from amendments	0.0
(8)	+	Increase (decrease) from assumption changes	0.0
(9)	=	Expected UAL after changes	40.0
(10)	=	Actual UAL at year end	51.5
(11)	=	Experience gain (loss) (9) – (10) [2]	(11.5)
(12)	=	Percent of beginning of year AL	2.1%

[1] Unfunded Actuarial Liability/(Surplus)

[2] Of this amount, $16.7 million of the experience loss is due to an experience loss on the actuarial value of assets and $5.2 million represents an experience gain on liabilities.

Actuarial Section: Figure 23

Summary of Police and Fire Retirement System Benefit Provisions

Plan A is a closed plan which 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 a closed plan which is applicable to members who entered the System prior to January 1, 1965 and elected Plan B coverage. Plan C is an open plan which 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 55 with between 10 and 20 years of service, 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
  - Average for the three consecutive years within the last 10 years of service that produce the highest average salary.

Deferred Retirement

- Eligibility
  - Ten or more years of service (does not include survivor benefits if service is less than 20 years) and under age 55. Deferred pensioner may apply for a normal retirement benefit upon attainment of age 55. A refund of employee contributions, plus 5% annual interest, 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.

Backward Deferred Retirement Option Plan (Back DROP)

- Eligibility
  - Must be eligible for retirement and, prior to retirement, elect the Back DROP for a period of 1 to 60 months.
- Benefit
  - Under the Back DROP, the member may elect a benefit based on a retirement date up to 60 months prior to the current date. The monthly benefit is computed based on service, final average salary and benefit formula at the selected prior date. The DROP account available to the retiring member is the computed benefit multiplied by the number of months of Back DROP plus applicable post-retirement adjustments and 5% annual compounded interest.

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.
- 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 and 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 seven 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 and minor children of member at the time of death are eligible for a survivor's benefit.
- Benefit
    - 50% of final salary plus 10% of final salary for each minor child under age 18, to a maximum of 75% of final salary. If no surviving spouse, benefit is 20% of final salary for each child to a maximum of 60% of final salary; terminates when child reaches age 18.

Pre-retirement Benefits Non-Service Connected Death

- Eligibility: Spouse and minor children of member at the time of death.
    - Plan A and Plan C: Three or more years of service.
    - Plan B: Twenty 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 three years to a maximum of 50% of final average salary, plus 10% of final average salary on account of each minor child under age 18 to a maximum of 66 2/3% of final average salary. If no surviving spouse, benefit is 15% of final average salary on account of each child to a maximum of 50% of final average salary; terminates when child reaches age 18.
    - 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% annual interest, beginning January 1, 2000.

Post-Retirement Survivor Benefit

- Eligibility
    - Twenty or more years of service. If retired prior to January 1, 2000, surviving spouse must have been married to retired member at date of retirement. Effective January 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: 35% of final average salary plus 1% of final average salary for each year of service over three years to a maximum of 50% of final average salary, plus 10% of final average salary for each minor child under age 18 to a maximum of 66 2/3%. If no surviving spouse, 15% for each child to a maximum of 50%.
    - Plan B: 50% of final salary to surviving spouse or children under age 18.

Refund of Contributions

- Eligibility
    - Termination of employment without eligibility for any other benefit.
- Amount
    - Accumulated contributions at the time of termination plus 5% annual interest, beginning January 1, 2000.

Funeral Benefit

- Eligibility
  - Member who retired after November 21, 1973
- Amount
  - $750

Post-Retirement Adjustment of Pension Benefit

- Eligibility
  - Annually after completion of 36 months of retirement.
- Amount
  - 2% of base pension benefit (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, will fund the obligations of the System in accordance with accepted actuarial principles.

Unused Sick Leave

- Accumulated unused sick leave is converted to service credits for the purpose of computing annual benefits.

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

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STATISTICAL SECTION

STATISTICAL SECTION

Statistical Section Overview

This section includes detailed schedules showing trends regarding changes in net assets, including deductions from net assets for benefits and refunds beginning on page 66, average benefit payments beginning on page 70, and retired members by type and benefit amount beginning on page 72. These schedules may be considered useful in evaluating the condition of the Systems and understanding the information presented in the financial statements, note disclosures and required supplementary information.

The Schedule of Changes in Plan Net assets, including deductions from net assets for benefits and refunds, is derived from the Comprehensive Annual Financial Reports for the relevant fiscal year. All other information is derived from internal sources of the Systems, except for information that is derived from the actuarial valuations of the plans.

Changes in Plan Net Assets (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued on next page)

	2011	2010	2009	2008
ADDITIONS				
Employer contributions	$ 6,596,124	$ 4,529,765	$ 2,545,331	$ 2,450,162
Employee contributions	2,537,440	2,664,619	2,639,080	2,621,076
Net investment income (loss)	2,570,423	55,169,082	78,011,118	(150,525,640)
Transfers from other funds[1]	2,680,431	1,276,393	1,664,681	2,019,289
Total additions to plan net assets	14,384,418	63,639,859	84,860,210	(143,435,113)
DEDUCTIONS				
Benefits				
Service retirement	25,279,476	23,806,844	22,406,162	21,107,131
Survivor benefit	2,591,380	2,478,774	2,449,423	2,369,917
DROP lump sum	5,873,920	3,104,564	2,352,858	1,820,599
Qualified domestic relations order	56,285	74,004	81,064	63,516
Disability (service)	67,247	78,511	75,314	76,736
Disability (non-service)	247,876	254,152	262,579	286,251
Funeral	66,890	93,649	55,317	71,192
Contribution refunds (separation)	449,266	191,171	247,890	313,595
Pension administration	444,630	429,764	444,112	438,411
Depreciation	63,016	63,477	64,615	34,266
Total deductions from plan net assets	35,139,986	30,574,910	28,439,334	26,581,614
Change in net assets	(20,755,568)	33,064,949	56,420,876	(170,016,727)
Net assets held in trust for pension benefits				
Beginning of year	465,349,979	432,285,030	375,864,154	545,880,881
End of year	$444,594,411	$465,349,979	$432,285,030	$375,864,154

[1] Transfers from Wichita Employees' Retirement Plan 3 as a result of full vesting option of converting to Plan 2.

Statistical Section: Figure 1

Changes in Plan Net Assets (Last Ten Fiscal Years)

Police and Fire Retirement System (continued on next page)

	2011	2010	2009	2008
ADDITIONS				
Employer contributions	$ 13,806,880	$ 13,119,984	$ 11,034,552	$ 10,549,401
Employee contributions	4,403,425	4,467,983	4,443,524	4,277,247
Net investment income (loss)	2,404,099	54,963,698	75,500,370	(140,686,744)
Total additions to plan net assets	20,614,404	72,551,665	90,978,446	(125,860,096)
DEDUCTIONS				
Benefits				
Service retirement	18,492,549	17,657,512	16,313,729	15,124,453
Survivor benefit	2,704,987	2,569,695	2,367,563	2,293,653
Backward DROP lump sum	2,877,779	4,296,127	3,444,839	2,013,670
Qualified domestic relations order	117,737	115,432	93,762	80,179
Disability (service)	1,835,512	1,745,289	1,557,901	1,459,306
Disability (non-service)	66,411	65,394	64,377	63,359
Funeral	21,371	16,618	14,891	18,351
Contribution refunds (separation)	636,120	492,380	295,424	493,516
Pension administration	445,898	421,251	438,348	418,165
Depreciation	63,016	63,477	64,615	34,266
Total deductions from plan net assets	27,261,380	27,443,175	24,655,449	21,998,918
Change in net assets	(6,646,976)	45,108,490	66,322,997	(147,859,014)
Net assets held in trust for pension benefits				
Beginning of year	467,487,721	422,379,231	356,056,234	503,915,248
End of year	$460,840,745	$467,487,721	$422,379,231	$356,056,234

Statistical Section: Figure 2

Changes in Plan Net Assets (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued from previous page)

2007	2006	2005	2004	2003	2002
$ 2,357,052	$ 2,264,339	$ 2,170,650	$ 2,084,558	$ 2,007,656	$ 1,957,922
2,543,563	2,445,103	2,358,466	2,279,422	2,397,597	2,236,973
54,108,853	67,028,887	36,074,046	38,840,471	76,871,558	(49,114,617)
2,102,726	1,983,067	1,562,135	1,528,790	1,138,869	1,328,831
61,112,194	73,721,396	42,165,297	44,733,241	82,415,680	(43,590,891)
19,618,444	18,731,065	17,647,226	16,589,983	15,796,197	14,809,378
2,174,019	2,069,030	1,940,571	1,807,897	1,697,975	1,601,217
2,809,284	947,843	2,168,410	879,053	622,675	391,801
60,617	59,079	56,532	55,836	59,640	60,443
100,921	110,817	124,673	141,872	155,315	152,542
218,443	210,243	199,428	222,810	166,783	165,928
70,929	73,779	59,210	63,852	78,124	55,102
232,417	287,379	251,710	387,089	276,261	255,091
384,528	355,954	296,883	271,128	264,853	270,292
-	-	-	-	-	-
25,669,602	22,845,189	22,744,643	20,419,520	19,117,823	17,761,794
35,442,592	50,876,207	19,420,654	24,313,721	63,297,857	(61,352,685)
510,438,289	459,562,082	440,141,428	415,827,707	352,529,850	413,882,535
$545,880,881	$510,438,289	$459,562,082	$440,141,428	$415,827,707	$352,529,850

Changes in Plan Net Assets (Last Ten Fiscal Years)

Police and Fire Retirement System (continued from previous page)

2007	2006	2005	2004	2003	2002
$ 10,029,253	$ 9,849,536	$ 7,308,916	$ 6,925,467	$ 5,043,505	$ 4,746,504
4,056,022	3,789,743	3,652,348	3,482,237	3,296,499	3,104,036
49,134,414	59,897,041	31,745,327	33,716,897	65,824,556	(41,805,821)
63,219,689	73,536,320	42,706,591	44,124,601	74,164,560	(33,955,281)
14,767,792	14,350,119	13,820,287	13,253,231	12,785,027	12,244,565
2,175,191	2,080,107	2,007,215	1,910,236	1,875,774	1,821,252
873,050	641,517	977,977	635,674	1,240,509	79,407
72,056	64,614	66,348	57,753	62,615	61,975
1,476,513	1,558,438	1,414,202	1,447,143	1,528,118	1,430,210
62,342	69,970	68,801	72,761	77,412	65,294
15,578	18,655	51,950	18,657	6,086	7,469
254,190	384,672	313,219	283,197	192,808	415,274
366,637	354,904	315,068	262,061	264,386	261,074
-	-	-	-	-	-
20,063,349	19,522,996	19,035,067	17,940,713	18,032,735	16,386,520
43,156,340	54,013,324	23,671,524	26,183,888	56,131,825	(50,341,801)
460,758,908	406,745,584	383,074,060	356,890,172	300,758,347	351,100,148
$503,915,248	$460,758,908	$406,745,584	$383,074,060	$356,890,172	$300,758,347

Changes in Plan Net Assets (Last Ten Fiscal Years)

Wichita Employees' Retirement System Plan 3 (continued on next page)

	2011	2010	2009	2008
ADDITIONS				
Employer contributions	$1,244,150	$ 2,298,753	$ 1,478,256	$ 1,494,079
Employee contributions	1,244,150	1,349,100	1,478,256	1,494,079
Net investment income (loss)	170,531	2,124,997	2,608,965	(4,387,641)
Transfers from other funds	-	-	-	-
Total additions to plan net assets	2,658,831	5,772,850	5,565,477	(1,399,483)
DEDUCTIONS				
Contribution refunds	709,739	642,116	477,290	698,751
Pension administration	76,217	73,844	77,565	69,865
Depreciation	54,017	54,408	55,384	29,371
Transfers to other funds[1]	2,680,431	1,276,393	1,664,681	2,019,289
Total deductions from plan net assets	3,520,404	2,046,761	2,274,920	2,817,276
Change in net assets	(861,573)	3,726,089	3,290,557	(4,216,759)
Net assets held in trust for pension benefits				
Beginning of year	18,921,082	15,194,993	11,904,436	16,121,195
End of year	$18,059,509	$18,921,082	$15,194,993	$11,904,436

[1] Transfers to Wichita Employees' Retirement System upon full vesting in WERS Plan 3.

Statistical Section: Figure 3

Changes in Plan Net Assets (Last Ten Fiscal Years)

Wichita Employees' Retirement System Plan 3 (continued from previous page)

2007	2006	2005	2004	2003	2002
$ 1,428,686	$ 1,369,009	$ 1,281,156	$ 1,219,589	$ 1,214,823	$ 1,203,471
1,428,686	1,369,009	1,281,156	1,219,589	1,214,823	1,203,471
1,542,383	1,876,517	978,703	1,107,359	1,602,631	(797,704)
-	-	-	-	-	-
4,399,755	4,614,535	3,541,-15	3,546,537	4,032,277	1,609,238
864,999	786,140	628,696	400,787	384,769	526,655
32,639	31,374	29,512	33,056	33,395	34,860
-	-	-	-	-	-
2,102,726	1,983,067	1,562,135	1,528,790	1,138,869	1,328,831
3,000,364	2,800,581	2,220,343	1,962,633	1,557,033	1,890,346
1,399,391	1,813,954	1,320,672	1,583,904	2,475,244	(281,108)
14,721,804	12,907,850	11,587,178	10,003,274	7,528,030	7,809,138
$16,121,195	$14,721,804	$12,907,850	$11,587,178	$10,003,274	$7,528,030

Average Benefit Payments (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued on next page)

	2011	2010	2009	2008
Average monthly pension				
0 - 5 Years of Service	$ -	$ -	$ -	$ -
5 - 10 Years of Service	554	404	593	528
10 - 15 Years of Service	994	974	1,158	821
15 - 20 Years of Service	1,655	1,429	1,482	1,547
20 - 25 Years of Service	1,853	2,046	2,173	2,250
25 - 30 Years of Service	2,435	3,250	2,870	3,137
30+ Years of Service	3,187	3,234	2,758	3,760
Average for All Years of Service	$1,844	$1,997	$2,084	$2,420
Average final average salary				
0 - 5 Years of Service	$ -	$ -	$ -	$ -
5 - 10 Years of Service	3,110	2,212	2,962	2,660
10 - 15 Years of Service	3,298	3,248	3,904	3,089
15 - 20 Years of Service	4,359	3,733	3,451	3,901
20 - 25 Years of Service	4,021	4,043	4,192	4,133
25 - 30 Years of Service	4,090	4,839	4,225	4,371
30+ Years of Service	4,703	4,527	4,008	5,005
Average for All Years of Service	$3,995	$3,977	$3,929	$4,094
Number of members retiring				
0 - 5 Years of Service	-	-	-	-
5 - 10 Years of Service	11	1	6	4
10 - 15 Years of Service	21	5	10	16
15 - 20 Years of Service	23	9	5	9
20 - 25 Years of Service	31	12	5	6
25 - 30 Years of Service	18	6	23	25
30+ Years of Service	19	3	4	18
Total for All Years of Service	123	36	53	78

Statistical Section: Figure 4

Average Benefit Payments (Last Ten Fiscal Years)

Police and Fire Retirement System (continued on next page)

	2011	2010	2009	2008
Average monthly pension				
0-5 Years of Service	$ -	$ 290	$ -	$ -
5 - 10 Years of Service	-	-	3,016	-
10 - 15 Years of Service	2,381	2,852	2,237	2,539
15 - 20 Years of Service	3,784	-	3,834	-
20 - 25 Years of Service	3,081	2,431	2,862	2,489
25 - 30 Years of Service	3,956	3,675	4,003	3,887
30+ Years of Service	4,847	1,993	4,034	4,308
Average for All Years of Service	$3,374	$2,872	$3,198	$3,203
Average final average salary				
0-5 Years of Service	$ -	$2,956	$ -	$ -
5 - 10 Years of Service	-	-	3,341	-
10 - 15 Years of Service	3,980	5,058	5,074	4,536
15 - 20 Years of Service	4,970	-	4,893	-
20 - 25 Years of Service	4,669	4,705	4,812	4,615
25 - 30 Years of Service	5,796	5,219	5,495	5,365
30+ Years of Service	6,463	4,269	5,378	5,744
Average for All Years of Service	$4,962	$4,802	$4,968	5,003
Number of members retiring				
0-5 Years of Service	-	1	-	-
5 - 10 Years of Service	-	-	2	-
10 - 15 Years of Service	2	2	4	2
15 - 20 Years of Service	2	-	1	-
20 - 25 Years of Service	7	1	11	7
25 - 30 Years of Service	3	6	8	6
30+ Years of Service	1	2	1	2
Total for All Years of Service	15	12	27	17

Statistical Section: Figure 5

Average Benefit Payments (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued from previous page)

2007	2006	2005	2004	2003	2002
$ -	$ -	$ -	$ -	$ -	$ -
554	436	532	420	424	547
894	692	712	893	838	930
1,180	1,129	1,288	1,062	1,235	1,598
1,895	2,038	1,567	1,627	1,808	1,875
3,015	3,342	3,251	3,467	2,889	3,254
3,443	2,265	2,460	2,062	3,087	2,308
$2,199	$2,342	$2,270	$2,210	$2,206	$2,327
$ -	$ -	$ -	$ -	$ -	$ -
4,493	2,538	2,532	2,426	2,669	2,830
3,414	2,708	2,692	2,996	2,776	2,922
3,239	2,932	3,399	2,848	3,484	4,453
3,432	3,720	3,545	3,462	3,115	3,390
4,215	4,520	4,465	4,686	4,034	4,511
4,591	3,020	3,818	2,878	4,116	3,266
$3,861	$3,830	$3,864	$3,730	$3,635	$4,012
-	-	-	-	-	-
2	5	5	3	3	4
9	4	1	4	3	5
7	5	11	7	7	8
9	9	6	6	10	5
29	25	25	18	27	24
1	1	4	3	2	3
57	49	52	41	52	49

Average Benefit Payments (Last Ten Fiscal Years)

Police and Fire Retirement System (continued from previous page)

2007	2006	2005	2004	2003	2002
$ -	$ -	$ -	$ -	$ -	$1,112
-	4,549	2,629	2,390	612	-
-	2,249	3,277	2,578	2,045	3,006
-	3,393	-	3,194	3,427	2,739
2,458	2,346	2,306	2,282	1,956	2,791
3,650	3,410	3,184	3,054	3,084	2,970
3,439	3,462	4,484	3,540	3,207	6,143
$2,937	$3,092	$3,249	$3,057	$2,642	$2,885
$ -	$ -	$ -	$ -	$ -	$2,448
-	4,221	2,919	2,998	3,582	-
-	4,559	3,912	2,967	2,996	3,543
-	3,023	-	4,179	3,798	3,355
3,979	3,774	3,979	3,995	3,816	3,815
4,987	4,872	4,467	4,271	4,192	4,323
4,585	4,793	5,118	4,765	4,276	8,190
$4,366	$4,515	$4,391	$4,271	$3,950	$4,113
-	-	-	-	-	2
-	1	1	1	2	-
-	4	1	1	2	1
-	1	-	3	1	1
7	5	4	4	1	3
4	11	9	11	4	7
1	5	4	8	6	1
12	27	19	28	16	15

Retired Members by Type and Benefit Amount

Wichita Employees' Retirement System (as of December 31, 2011)

Amount of Monthly Benefit	Active in DROP	Non-Service Disability	QDRO[1]	Service	Service Disability	Survivor	Grand Total
$ 0-500	-	3	1	80	-	91	175
500-1000	2	11	2	146	1	73	235
1000-1500	-	6	-	140	1	52	199
1500-2000	3	2	-	134	2	30	171
2000-2500	3	-	1	106	1	10	121
2500-3000	9	-	-	114	-	1	124
3000-3500	11	1	-	100	-	-	112
3500-4000	2	-	-	78	-	-	80
4000-4500	8	-	-	53	-	-	61
4500-5000	-	-	-	24	-	-	24
>5000	6	-	-	46	-	-	52
Total	44	23	4	1,021	5	257	1,354

[1] Qualified Domestic Relations Order

Statistical Section: Figure 6

Retired Members by Type and Benefit Amount

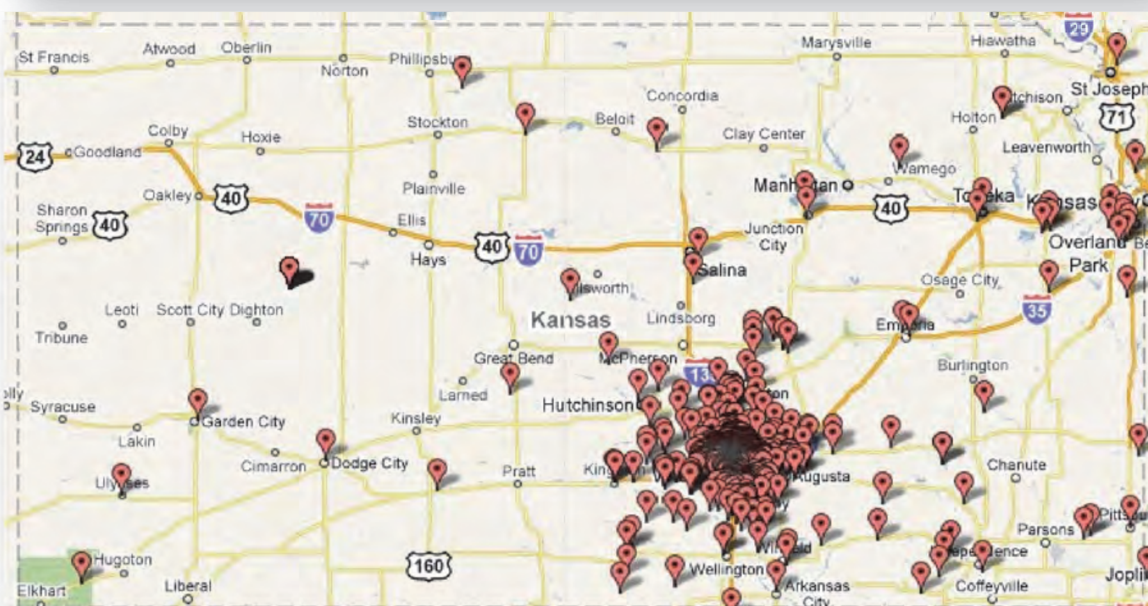
Police and Fire Retirement System (as of December 31, 2011)

Amount of Monthly Benefit	Non-Service Disability	QDRO[1]	Recalc. Service Disability	Service	Service Disability	Survivor	Grand Total
$ 0-500	-	2	-	5	-	9	16
500-1000	2	7	-	36	4	55	104
1000-1500	4	3	1	76	-	35	119
1500-2000	-	-	2	151	-	43	196
2000-2500	-	-	4	132	3	23	162
2500-3000	-	-	8	78	14	4	104
3000-3500	-	-	10	67	13	1	91
3500-4000	-	-	14	46	14	1	75
4000-4500	-	-	3	20	3	-	26
4500-5000	-	-	2	9	1	-	12
>5000	-	-	2	4	-	-	6
Total	6	12	46	624	52	171	911

[1] Qualified Domestic Relations Order

Statistical Section: Figure 7

Retiree Locations



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