Wichita Retirement Systems

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

Pension Trust Funds of the City of Wichita, Kansas

Comprehensive Annual Financial Report

for the fiscal year ended December 31, 2012

City of Wichita


DROP
POLICE
WERS
PLAN
INVESTMENT
SYSTEMS
provide
FINANCIAL
Board
contributions
EMPLOYEES
PARTICIPANT
pension
year
assets
RETURN
ACTUARIAL
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City
WICHITA
ALLOCATION
liability
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SERVICE
equity
PAYROLL
VALUE

Comprehensive Annual Financial Report

for the fiscal year ended December 31, 2012

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
455 N. Main Street, 12th Floor
Wichita, KS 67202
316-268-4544
http://www.wichita.gov/Government/Departments/Finance

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Statistical Section

INTRODUCTORY SECTION

INTRODUCTORY SECTION

The Wichita Retirement Systems' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011 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 thirteenth 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, 2011 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This was the tenth 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).

June 24, 2013

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 fifteenth 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, 2012.

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, 2012 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 WRS were combined into a single Fund for investment purposes. Then, in October 2000, assets of WERS Plan 3 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 WRS, which resulted in a combined single Fund for investment purposes.

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City Treasurer's Division • Pension Management
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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 for the WRS defined benefit plans. 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 effecting future generations of citizens in the absence of plan benefit improvements.

The annual actuarial valuations, prepared by our actuary, Cavanaugh Macdonald Consulting, LLC, provide an indicator of the funded status of the Systems. As of December 31, 2012, the funded ratio of the PFRS was 90.5 percent and the funded ratio of the WERS was 91.0 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) are amortized over a 20-year rolling period.

Positive investment performance in 2009, 2010 and 2012 helped offset some, but not all, of the deferred losses from 2008 and 2011. Therefore, the funded ratios for the PFRS and WERS decreased by 0.3 and 1.5 percentage points, respectively. Without future investment returns above the actuarially assumed rate of return of 7.75 percent, the funded ratios for the Systems could deteriorate and the required employer contributions could increase in future years. In 2012, employer contributions for the PFRS remained the same as the prior year at 22.0 percent of annual covered payroll, while employer contributions for the WERS increased from 10.2 percent to 10.6 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.

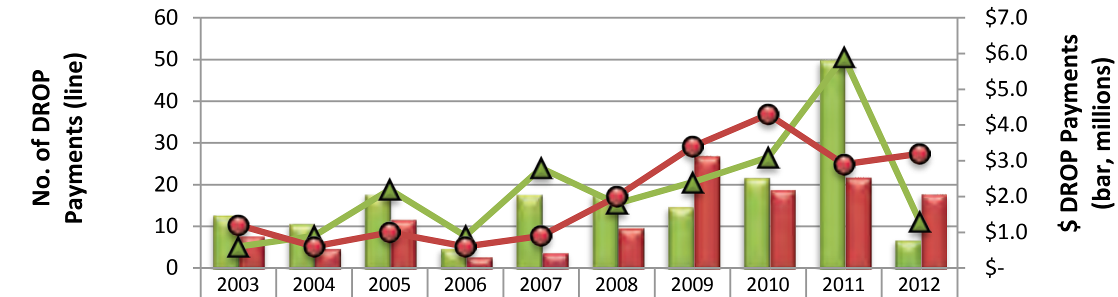
As of December 31, 2012, the Plan net position was $1.011 billion, an increase of 9.5 percent from the December 31, 2011 Plan net position of $923.5 million. The investment return for the WRS' combined investment portfolio was 13.78 percent for the year ended December 31, 2012, outperforming the WRS' investment target benchmark return of 12.56 percent for the same period and the Systems' long-term actuarial target 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 allocations. With the assistance of the Systems' financial consultant, Callan Associates Inc., and Pension Management 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 35.

Major Initiatives and Significant Actions

Deferred Retirement Option Plan (DROP): Beginning in 2000 (WERS) and 2001 (PFRS), the Systems began offering a DROP option 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, the PFRS DROP 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, which led to lower than average DROP payments in 2012. PFRS DROP payments slightly increased in 2012 after a one year decrease in 2011, preceded by several years of consistent growth (see figure below).

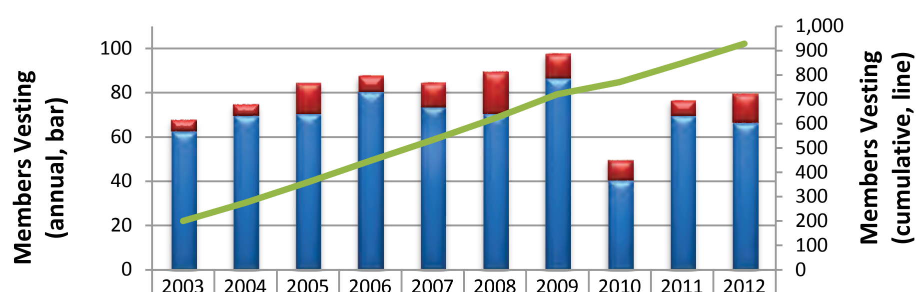
WERS and PFRS DROP Payments



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
# WERS	13	11	18	5	18	18	15	22	50	7
# PFRS	8	5	12	3	4	10	27	19	22	18
$ WERS	$0.6	$0.9	$2.2	$0.9	$2.8	$1.8	$2.4	$3.1	$5.9	$1.3
$ PFRS	$1.2	$0.6	$1.0	$0.6	$0.9	$2.0	$3.4	$4.3	$2.9	$3.2

Defined Contribution (DC) Plan**:** All full-time civilian employees hired after December 31, 1993 are WERS Plan 3 members. When vested after seven years of service, WERS Plan 3 members are required to make an election to remain in WERS Plan 3 (a DC plan) or transfer to WERS 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



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Vestings (Annual)	68	75	85	88	85	90	98	50	77	80
Remain in Plan 3 (Annual)	5	5	14	7	11	19	11	9	7	13
Transfer to Plan 2 (Annual)	63	70	71	81	74	71	87	41	70	67
Total Vestings (Cumulative)	200	275	360	448	533	623	721	771	848	928

Strategic Plan and Investment Policy Changes: During 2012, the Systems continued to fund new allocations based upon results of the 2010 asset allocation/liability study, which became effective in 2011. As of December 31, 2012, the

Systems had fully funded the commodities and TIPs allocations, partially funded the timber allocation and the new core real estate manager had not been funded.

In 2012, 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 April 2012 and apply to Domestic Fixed Income – Active Core Plus managers. The first change lowers the required average credit quality rating for the allocation from AA- to A, while the second allows the managers to take a position in a foreign currency without purchasing a security from that country.

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, 2011. This was the thirteenth 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, 2011 received the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for the tenth 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.

We believe that our plan design and administration continued to meet the PPCC award criteria during 2012 and plan to apply for Public Pension Standards Award.

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,

Shawn Henning	Rob Raine	Barbara Davis
Director of Finance	Interim City Treasurer	Pension Manager

Boards of Trustees

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
Mike Hastings	Appointed by Council Member
Shawn Henning (2nd V.P.)	Appointed by City Manager
Stephanie Mankins	Appointed by Council Member
Mark Manning (1st V.P.)	Elected
Sean Seamster	Elected
Melinda Walker (President)	Elected
Anne Warren	Elected
Vacant	Appointed by Council Member
Vacant	Appointed by Mayor
Vacant	City Manager Designee

[1]Names of Trustees and Officer positions are as of December 31, 2012.

Figure 1

Police and Fire Retirement System Board of Trustees

Trustee Name[1]	Type of Membership
Hans Asmussen (President)	Police Elected
Chris Bannister	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
Warren Koehn	Fire Elected
Paul O'Mara	Appointed by Council Member
Chester Pinkston	Police Elected
Larry White	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, 2012.

Figure 2

Organizational Chart

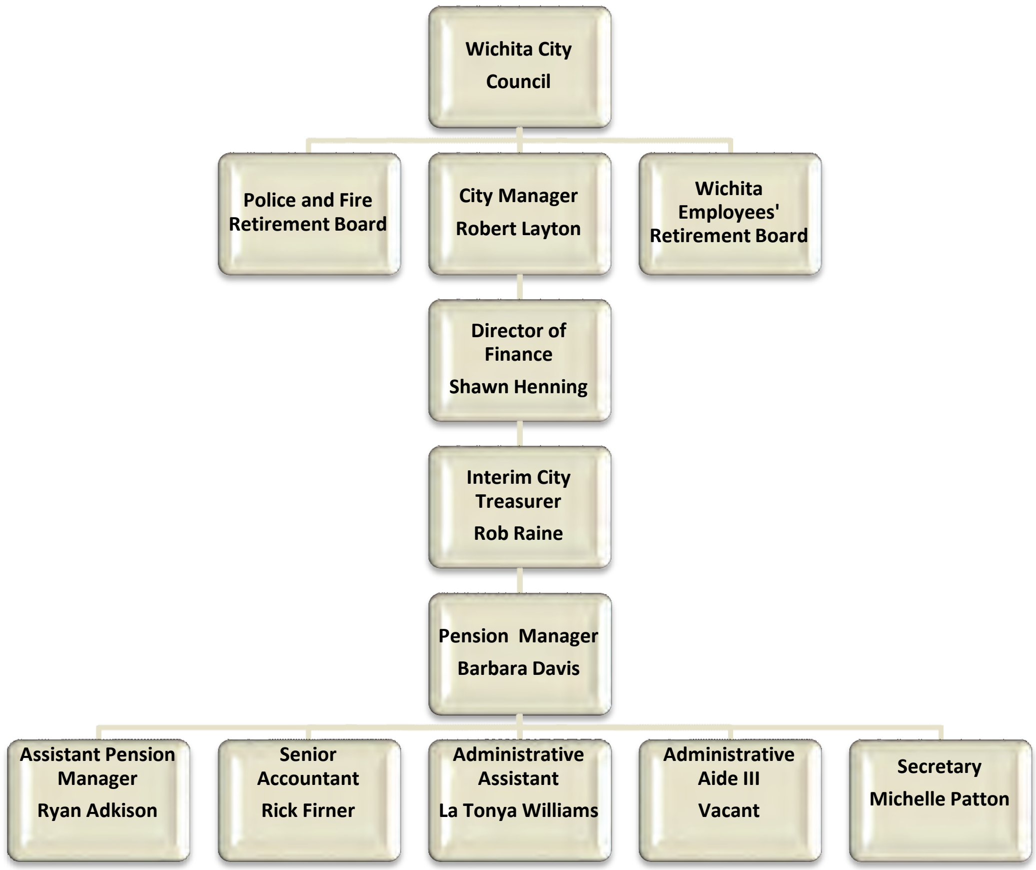


Figure 3

Professional Consultants

Actuary Cavanaugh Macdonald Consulting, LLC 3906 Raynor Pkwy, Suite 106 Bellevue, Nebraska 68123	**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 2 Avenue de Lafayette - 2nd Floor Boston, Massachusetts 02111	**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

Figure 4

A list of professional investment managers may be found on pages 43 and 44.

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FINANCIAL SECTION

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

The Boards of Trustees
Wichita Retirement Systems
Wichita, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Wichita Retirement Systems of the City of Wichita, Kansas (the Systems), which comprise the statement of plan net position as of December 31, 2012, and the related statement of changes in plan net position for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the systems' basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Systems as of December 31, 2012, and the changes in the Systems' financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Systems' 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2012. In our opinion, the

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summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information
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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part off financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Systems' basic financial statements. The accompanying supporting schedules on pages 30 and 31, and the introductory, investment, actuarial, and statistical sections as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supporting schedules on pages 30 and 31 are the responsibility of the Systems' management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013 on our consideration of the Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Systems' internal control over financial reporting and compliance.

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

June 24, 2013
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, 2012. 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 Position and the Statement of Changes in Plan Net Position. 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 Position** (see page 14) is presented for the pension trust funds as of December 31, 2012, with combined total comparative information at December 31, 2011. The Statement of Plan Net Position presents information on all of the Systems' assets and liabilities, with the difference between the two reported as net position 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 Position** (see page15) is presented for the pension trust funds for the year ended December 31, 2012, with combined total comparative information for the year ended December 31, 2011. The statement presents information showing how the Systems' net position 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 for a full understanding of the financial statements.

The **Required Supplementary Information and Supporting Schedules** (see page 28) 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 the progress of each system in accumulating sufficient assets to pay future benefits.

The **Schedules of Funding Progress** (see page 28) 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 28) 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 29) 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 30), a schedule of **Investment Expenses** (see page 30), and a schedule of **Payments to Consultants Other Than Investment Advisors** (see page 31) are included to show detail of the administrative and investment costs to operate the Systems.

Financial Statement Analysis

Plan Net Position

The Plan net position increased by $87.3 million during the 2012 fiscal year. This change primarily consisted of a $71.1 million increase in cash and investments, mostly due to the appreciation of investment holdings. The investment return was 13.78% for the year ended December 31, 2012. Investment returns by asset class were: domestic equity 17.71%, international equity 16.13%, domestic fixed income 7.58%, real estate 15.68%, timber (0.11)% and commodities 0.34%.

As of December 31, 2012, total securities lending obligations decreased by $26.5 million, as compared to December 31, 2011. 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 2011 and 2012 are shown below (see Figure 5 and Figure 6).

Summary of Plan Net Position

	2012	2011	Increase (Decrease)
Assets			
Total cash and investments	$1,008,373,161	$937,319,380	$71,053,781
Total capital assets (net of depreciation)	473,154	640,523	(167,369)
Total receivables	23,178,905	27,617,390	(4,438,485)
Securities lending short-term collateral investment pool	62,150,482	88,624,514	(26,474,032)
Total assets	1,094,175,702	1,054,201,807	39,973,895
Liabilities			
Accounts payable and accrued expenses	1,055,499	4,399,356	(3,343,857)
Investment purchases pending	20,170,425	37,683,272	(17,512,847)
Securities lending obligations	62,150,482	88,624,514	(26,474,032)
Total liabilities	83,376,406	130,707,142	(47,330,736)
Plan Net Position	$1,010,799,296	$923,494,665	$87,304,631

Figure 5

Summary of Changes in Plan Net Position

	2012	2011	Increase (Decrease)
Additions			
Contributions			
Employer	$ 21,773,893	$21,647,154	$ 126,739
Employee	8,076,620	8,185,015	(108,395)
Net investment income	120,900,477	5,145,053	115,755,424
Transfers from other funds	2,025,607	2,680,431	(654,824)
Total additions	152,776,597	37,657,653	115,118,944
Deductions			
Pension benefits	60,743,700	60,299,420	444,280
Pension administration	865,333	966,745	(101,412)
Depreciation	178,749	180,049	(1,300)
Employee contributions refunded	1,658,577	1,795,125	(136,548)
Transfers to other funds	2,025,607	2,680,431	(654,824)
Total deductions	65,471,966	65,921,770	(449,804)
Change in Plan Net Position	$ 87,304,631	$(28,264,117)	$115,568,748

Figure 6

Additions to Plan Net Position

Additions to Plan net position 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, 2012, additions totaled $152.8 million, which is a $115.1 million increase from 2011 additions of $37.7 million. Employer contributions increased by approximately $127,000 in 2012, or 0.6%, while employee contributions decreased by approximately $108,000, or 1.3%. Net investment income increased by $115.8 million from the prior year.

Deductions from Plan Net Position

Deductions from Plan net position are consistent with characteristics of a mature pension system. Pension benefits increased from $60.3 million in 2011 to $60.7 million in 2012, or approximately $444,000 (0.7%). This 46.6% increase is due to new pensioners, with benefits based on higher salaries, being added to the pension payroll, offset by a decrease in DROP and Back DROP payments, which totaled $8.8 million in 2011 as compared to $4.6 million in 2012. The decrease in DROP payments in 2012 was primarily due to the 2011 Wichita Employees Retirement Incentive Plan (WERIP), applicable to qualifying WERS employees only, which caused a one-time increase in DROP payments 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.

Wichita Retirement Systems
Statement of Plan Net Position

December 31, 2012
(with comparative totals as of December 31, 2011)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2012	Totals 2011
ASSETS					
Cash and temporary investments	$462,154	$197,567	$28,464	$688,185	$534,657
Receivables:					
Investment sales pending	9,953,278	9,339,039	341,569	19,633,886	23,469,227
Interest and dividends	1,660,330	1,558,437	55,366	3,274,133	3,066,766
Other	121,415	123,319	26,152	270,886	1,081,397
Total receivables	11,735,023	11,020,795	423,087	23,178,905	27,617,390
Investments, at fair value:					
Government short-term investment fund	19,043,705	17,868,361	653,526	37,565,592	31,195,365
Government securities: long-term	18,480,647	17,339,645	679,401	36,499,693	30,823,657
Corporate debt instruments: long-term	46,221,262	43,367,545	1,699,224	91,288,031	93,784,938
Mortgage and asset-backed securities	40,285,325	37,798,097	1,481,002	79,564,424	87,013,880
Corporate stocks: domestic common	174,609,772	163,829,305	6,419,147	344,858,224	318,245,576
Corporate stocks: international common	83,374,531	78,226,958	3,065,083	164,666,572	143,652,699
Real estate	17,903,095	16,797,752	658,168	35,359,015	32,542,505
Timber	10,618,941	9,963,324	390,382	20,972,647	9,825,366
Value of interest in pooled funds: commodities	12,533,250	11,759,442	460,758	24,753,450	12,043,342
Value of interest in pooled funds: domestic fixed income	-	-	559,574	559,574	451,921
Value of interest in pooled funds: international fixed income	3,695,884	3,467,698	135,871	7,299,453	7,263,755
Value of interest in pooled funds: high yield fixed income	3,404,904	3,194,684	125,173	6,724,761	7,496,134
Value of interest in pooled funds: U.S. TIPS	13,672,383	12,828,246	502,635	27,003,264	12,854,067
Value of interest in pooled funds: domestic equities	42,993,048	40,338,643	1,580,546	84,912,237	112,084,537
Value of interest in pooled funds: international equities	23,030,573	21,609,167	1,018,299	45,658,039	37,506,981
Securities lending short-term collateral investment pool	31,506,901	29,562,351	1,081,230	62,150,482	88,624,514
Total investments	541,374,221	507,951,218	20,510,019	1,069,835,458	1,025,409,237
Capital assets:					
Pension software	453,543	453,543	388,751	1,295,837	1,284,451
Less accumulated depreciation	(287,939)	(287,939)	(246,805)	(822,683)	(643,928)
Total capital assets (net of depreciation)	165,604	165,604	141,946	473,154	640,523
Total assets	553,737,002	519,335,184	21,103,516	1,094,175,702	1,054,201,807
LIABILITIES					
Accounts payable and accrued expenses	512,358	513,572	29,569	1,055,499	4,399,356
Investment purchases pending	10,225,304	9,594,217	350,904	20,170,425	37,683,272
Securities lending obligations	31,506,901	29,562,351	1,081,230	62,150,482	88,624,514
Total liabilities	42,244,563	39,670,140	1,461,703	83,376,406	130,707,142
NET POSITION					
Held in trust for pension benefits	$511,492,439	$479,665,044	$19,641,813	$1,010,799,296	$923,494,665

Figure 7

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

Wichita Retirement Systems
Statement of Changes in Plan Net Position

For the year ended December 31, 2012
(with comparative totals for the year ended December 31, 2011)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2012	Totals 2011
ADDITIONS					
Contributions:					
Employer	$14,113,014	$6,471,423	$1,189,456	$21,773,893	$21,647,154
Employee	4,543,523	2,343,641	1,189,456	8,076,620	8,185,015
Total contributions	18,656,537	8,815,064	2,378,912	29,850,513	29,832,169
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of investments	50,616,279	48,438,421	1,971,200	101,025,900	(17,649,784)
Interest and dividends	12,353,419	11,762,769	430,367	24,546,555	26,658,361
Commission recapture	19,678	18,686	688	39,052	55,897
Total investing activity income	62,989,376	60,219,876	2,402,255	125,611,507	9,064,474
Less investment expense	2,585,782	2,459,772	94,713	5,140,267	4,320,402
Net income from investing activities	60,403,594	57,760,104	2,307,542	120,471,240	4,744,072
From securities lending activities					
Securities lending income	211,445	199,629	7,435	418,509	437,766
Less securities lending activities expenses:					
Borrower rebates	(93,340)	(91,060)	(3,262)	(187,662)	(119,708)
Management fees	88,965	84,847	3,122	176,934	156,493
Total securities lending activities expenses	(4,375)	(6,213)	(140)	(10,728)	36,785
Net income from securities lending activities	215,820	205,842	7,575	429,237	400,981
Total net investment income	60,619,414	57,965,946	2,315,117	120,900,477	5,145,053
Transfers from other funds	-	2,025,607	-	2,025,607	2,680,431
Total additions	79,275,951	68,806,617	4,694,029	152,776,597	37,657,653
DEDUCTIONS					
Pension benefits	27,808,079	32,935,621	-	60,743,700	60,299,420
Pension administration	396,424	396,167	72,742	865,333	966,745
Depreciation	62,562	62,562	53,625	178,749	180,049
Employee contributions refunded	357,192	341,634	959,751	1,658,577	1,795,125
Transfers to other funds	-	-	2,025,607	2,025,607	2,680,431
Total deductions	28,624,257	33,735,984	3,111,725	65,471,966	65,921,770
Change in net position	50,651,694	35,070,633	1,582,304	87,304,631	(28,264,117)
Net position - beginning	460,840,745	444,594,411	18,059,509	923,494,665	951,758,782
Net position - ending	$511,492,439	$479,665,044	$19,641,813	$1,010,799,296	$923,494,665

Figure 8

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, 2012

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 hardware 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 and the Strategic Plan and Investment Policies adopted by the Boards of Trustees. 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, 2011, 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. 67, Financial Reporting for Pension Plans, was issued in 2012. GASB Statement 67 revises existing guidance for the financial reports of most pension plans. The Statement enhances reporting requiring additional note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. Statement 67 also requires presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in ten-year RSI schedules. The provisions of Statement 67 are effective for financial statements for the City's fiscal year ending December 31, 2014.

GASB Statement 68, Accounting and Financial Reporting for Pensions, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Implementation of GASB Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively measure the annual costs of pension benefits. The Statement enhances disclosure requirements in the notes and in required supplementary information by including the amount expected to be the equivalent of the unfunded actuarial accrued liabilities for the Retirement Systems. The provisions of GASB Statement 68 are effective for financial statements for the City's fiscal year ending December 31, 2015.

Insurance

The WRS 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 WRS on December 31, 2012 are listed in Figure 9 on page 18.

Wichita Retirement Systems' Investments

Type of Investment	Fair Value
Government short-term investment fund	$ 37,565,592
Government securities, long-term	36,499,693
Corporate debt instruments, long-term	91,288,031
Mortgage and asset-backed securities	79,564,424
Corporate stocks, domestic common	344,858,224
Corporate stocks, international common	164,666,572
Real estate	35,359,015
Timber	20,972,647
Value of interest in pooled funds, commodities	24,753,450
Value of interest in pooled funds, domestic fixed income	559,574
Value of interest in pooled funds, international fixed income	7,299,453
Value of interest in pooled funds, high yield fixed income	6,724,761
Value of interest in pooled funds, U.S. TIPS	27,003,264
Value of interest in pooled funds, domestic equities	84,912,237
Value of interest in pooled funds, international equities	45,658,039
Securities lending short-term collateral investment pool	62,150,482
Total investments	**$1,069,835,458**

Figure 9

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 an impact on the estimated fair value of real estate investments. Restrictions on the availability of real estate financing, as well as economic uncertainties, have affected the 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 WRS' deposits may not be recovered. On December 31, 2012, the WRS' cash deposits in the amount of $688,185 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. The modified duration methodology estimates the sensitivity of a bond's price to interest rate changes.

The WRS 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 for nominal fixed income managers 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, 2012, the duration of the Index was 5.06 years, which equated to a minimum and maximum range for each fixed income portfolio of 4.05 years and 6.07 years, respectively.

Portfolio duration for Treasury Inflation Protected Securities (TIPS) fixed income managers must not be less than 80% nor more than 120% of the duration of the Barclays Capital US TIPS Index. As of December 31, 2012, the duration of the Index was 8.09 years, which equated to a minimum and maximum range for each TIPS portfolio of 6.47 years and 9.71 years, respectively.

The modified duration of investments, expressed in years, on December 31, 2012 is shown as follows (see Figure 10):

Modified Duration of Investments

Investment Type	Fair Value	Percent of all Fixed Income Assets	Weighted Average Modified Duration (years)
Corporate debt instruments, long-term	$91,288,031	32.0%	5.4
Mortgage and asset-backed securities	79,564,424	27.8	2.7
Government securities long-term	36,499,693	12.7	7.6
Actively managed investments	207,352,148	72.5	4.8
Government short-term investment fund	37,565,592	13.1	0.1
Pooled U.S. TIPS	27,003,264	9.4	8.1
Pooled high yield fixed income securities	7,299,453	2.5	5.1
Pooled international fixed income securities	6,724,761	2.3	2.7
Pooled domestic fixed income securities	559,574	0.2	5.0
Total	**$286,504,792**	**100%**	

Figure 10

Credit Risk of Debt Securities: Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The WRS 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 "A2/A/A" 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 2012, no securities were purchased that were below the established credit quality minimum in the active core portfolio and the weighted average credit quality of the active core plus portfolio did not fall below the established credit quality rating.

Figure 11 shows the debt investments held by the WRS on December 31, 2012, as rated by Standard and Poor's or an equivalent nationally recognized statistical rating organization.

Standard and Poor's Investment Ratings

Quality Rating	Debt Securities
AAA	$ 11,043,403
AA+	101,535,656
AA	3,014,791
AA-	2,539,679
A+	8,780,200
A	26,024,435
A-	29,703,964
BBB+	12,916,081
BBB	6,679,776
BBB-	4,649,507
BB+	987,555
BB	265,314
BB-	3,158,231
B+	4,016,245
B	687,927
B-	27,900
CCC	2,180,109
CC	210,916
C	946,875
D	1,432,761
NR	575,037
Total credit risk debt securities	221,376,362
Pooled domestic fixed income securities[1]	559,574
Pooled U.S. TIPS fund[2]	27,003,264
Government short-term investment fund[3]	37,565,592
Total investment in debt securities	**$286,504,792**

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

[2] The average quality of the holdings of the U.S. TIPS Fund on December 31, 2012 was AAA.

[3] The average quality of the holdings of the Government short-term investment fund on December 31, 2012 was A1+P1.

Figure 11

Credit risk for investment derivative instruments results from counterparty risk assumed by the WRS. This is essentially the risk that the counterparty to a WRS' transaction will be unable to meet its obligation. See Figure 13 on page 21 for information regarding the WRS' credit risk related to derivatives.

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 WRS' 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 WRS 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 WRS. As of December 31, 2012, the Systems held forward currency contracts with an unrealized loss of $239,043. If held, sales of forward currency contracts are receivables and are reported as investment sales pending in the financial statements.

The WRS' exposure to foreign currency risk on December 31, 2012 is as follows (see Figure 12):

Exposure to Foreign Currency Risk

Currency	Cash and Cash Equivalents	Debt Securities	Equities	Total
Australian dollar	$ 6,814	$ -	$ 10,257,846	$ 10,264,660
Canadian dollar	17,270	-	1,314,537	1,331,807
Danish krone	-	-	1,244,412	1,244,412
Euro	36,566	-	56,290,777	56,327,343
Hong Kong dollar	4,305	-	3,251,059	3,255,364
Japanese yen	-	-	35,425,762	35,425,762
New Zealand dollar	-	-	113,297	113,297
Norwegian krone	10,663	-	1,098,766	1,109,429
Pound sterling	116,730	-	35,447,700	35,564,430
Singapore dollar	78,053	-	3,995,224	4,073,277
Swedish krona	-	-	874,618	874,618
Swiss franc	25,185	-	14,052,946	14,078,131
International mutual funds (various currencies)	-	7,299,453	45,658,039	52,957,492
Total exposure to foreign currency risk	**$295,586**	**$7,299,453**	**$209,024,983**	**$216,620,022**

Figure 12

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.

Derivatives: Investment derivative instruments are financial contracts for which the value of the contract is dependent on the values of one or more underlying asset, reference rate, or financial index. They include futures contracts, swap contracts, options contracts, rights, and forward foreign currency exchanges. While the WRS has no formal policy specific to investment derivatives, the WRS, through its external investment managers, held a variety of these instruments as of December 31, 2012. The WRS enter 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 WRS on December 31, 2012 are shown in Figure 13. 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

Position and the total changes in fair value for the year are included as investment income in the Statement of Changes in Plan Net Position.

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 the date of the Statement of Plan Net Position. 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.

Investment Derivative Instruments

Type	Classification	Change in Fair Value	Notional Value	Exposure/ Fair Market Value	Counterparty	Counterparty Rating
Credit Default Swap Bought	Investment Loss	$(22,734)	$1,071,955	$6,191	Goldman Sachs & Co	A
Credit Default Swap Written	Investment Revenue	35,399	588,000	(10,660)		
Fixed Income Futures Long	Investment Revenue	312,505	7,850,000			
Fixed Income Futures Short	Investment Loss	(277,109)	15,550,000			
Fixed Income Options Bought	Investment Loss	(45,151)				
Fixed Income Options Written	Investment Revenue	77,845				
Futures Options Bought	Investment Loss	(85,641)	33,000	8,172		
Futures Options Written	Investment Revenue	106,156				
FX Forwards	Investment Loss	(239,043)	3,174,526	(24,759)	State Street Bank London	A+
Pay Fixed Interest Rate Swaps	Investment Loss	(104,870)	3,740,000			
Rights	Investment Revenue	9				
Total Return Bond Swap	Investment Loss	(50,704)	649,975			
	Totals	**$(293,338)**	**$32,657,456**	**$(21,056)**		

Figure 13

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 WRS' 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 WRS unless the borrower defaults. The lending 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 WRS, if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the WRS for income distributions by the securities' issuers while the securities are on loan.

At year-end, the WRS had no credit risk exposure to borrowers because the amounts the WRS owe the borrowers exceeded the amounts the borrowers owed the Systems. All securities loans, whether domestic or international, are open loans and can be terminated on demand by either the system or the borrower. At year-end, loaned securities 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 33 days. The relationship between the maturities of the investment pool and the WRS' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the WRS cannot determine. Also, since securities loans are terminable at will, the duration of the securities loans do not generally match the duration of the investments made with the cash collateral received from the borrower.

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 WRS 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 WRS' securities lending policy, $62,150,482 was held by the counterparty acting as the WRS' agent in securities lending transactions on December 31, 2012.

Capital Assets

Capital asset activity for the year ended December 31, 2012 is displayed below (see Figure 14):

Capital Assets

	Beginning Balance	Increase/ (Decrease)	Ending Balance
Pension administration hardware and software	$1,284,451	$ 11,386	$1,295,837
Less: accumulated depreciation	(643,928)	(178,755)	(822,683)
Capital assets, net	$ 640,523	$(167,369)	$ 473,154

Figure 14

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, 2012, the WERS defined benefit plan membership (Plan 1 and Plan 2) consisted of (see Figure 15):

Defined Benefit Plan Membership

	Plan 1	Plan 2	Total
Employees vested	26	950	976
Subtotal	26	950	976
Retirees and beneficiaries receiving benefits	809	493	1,302
Terminated employees entitled to benefits, but not receiving them	1	141	142
Subtotal	810	634	1,444
Total membership	**836**	**1,584**	**2,420**

Figure 15

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

Figure 16

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. From its various operating funds, the City is required to contribute at an actuarially determined rate; the rate for 2012 was 10.6% 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 2012, the City's annual pension cost of $6,471,423 was equal to the required and actual contributions.

The employer's annual required contribution for the 2012 fiscal year was determined as part of the December 31, 2010 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. The Board first adopted this methodology for the December 31, 2002 valuation.

With the smoothing method, portions of investment losses are deferred and currently represent about 5% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $26 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 91.0% to 86.5% and the actuarially determined contribution rate would increase from 13.2% to 15.7%.

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, 2012, the amortization period was 20 years.

The schedule of funding progress (see Figure 25 on page 28), 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.

Wichita Employees' Retirement System Funded Status

(as of December 31, 2012, 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)
12/31/12	$520,320	$571,805	$51,485	91.0%	$70,783	72.7%

Rounded dollar amounts are in thousands.

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

Figure 17

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
12/31/10	$4,529,765	$2,298,753	100%
12/31/11	6,596,124	1,244,150	100
12/31/12	6,471,423	1,189,456	100

Figure 18

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, 2012, membership totaled 604. 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% 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 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 to remain in Plan 3 within 90 days thereafter. If an employee converts to Plan 2, the employee's Plan 3 account becomes part of Plan 2. Fully vested employees who elect to continue participation in Plan 3 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, 2012, employee and employer contributions to Plan 3 totaled $1,189,456 and $1,189,456, respectively. On December 31, 2012, the WERS defined contribution Plan 3 membership consisted of (see Figure 19):

Defined Contribution Plan Membership

Years of Service	Employer Contribution Vesting Schedule	Number of Employees
7 years or more	100%	77
5 to 7 years	50	239
3 to 5 years	25	128
0 to 3 years	0	160
Total Membership		**604**

Figure 19

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

Figure 20

Police and Fire Retirement System

Plan Description: The Police and Fire Retirement System (PFRS) consists of 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, 2012, the PFRS membership consisted of (see Figure 21):

Defined Benefit Plan Membership

	Plan A	Plan B	Plan C-79	Total
Employees				
Vested	11	-	652	663
Non-vested	-	-	421	421
Subtotal	11	-	1,073	1,084
Retirees and beneficiaries receiving benefits	454	253	214	921
Terminated employees entitled to benefits but not receiving them	-	-	38	38
Subtotal	454	253	252	959
Total membership	**465**	**253**	**1,325**	**2,043**

Figure 21

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

Figure 22

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 6% to 8% of covered salaries. From its various operating funds, the City is required to contribute at an actuarially determined rate; the rate for 2012 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 PFRS' 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 2012, the City's annual pension cost of $14,113,014 was equal to the required and actual contributions.

The employer's annual required contribution for the 2012 fiscal year was determined as part of the December 31, 2010 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. The Board first adopted this methodology for the December 31, 2002 valuation.

With the smoothing method, portions of investment losses are deferred and currently represent about 4% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $22 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 90.5% to 86.8% and the actuarially determined contribution rate would increase from 22.4% to 24.7%.

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 percentage of projected payroll on an open basis. At December 31, 2012, the amortization period was 20 years.

The schedule of funding progress (see Figure 26 on page 28), 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.

Police and Fire Retirement System Funded Status

(as of December 31, 2012, 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)
12/31/12	$533,381	$589,074	$55,693	90.5%	$64,150	86.8%

Rounded dollar amounts are in thousands.

Figure 23

Schedule of Employer Contributions

(Three Year Trend Information)

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
12/31/10	$13,119,984	100%
12/31/11	13,806,880	100
12/31/12	14,113,014	100

Figure 24

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)
12/31/07	$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
12/31/12	520,320	571,805	51,485	91.0	70,783	72.7

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

Figure 25

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)
12/31/07	$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
12/31/12	533,381	589,074	55,693	90.5	64,150	86.8

Figure 26

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
12/31/07	$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
12/31/12	6,471,423	1,189,456	100

Figure 27

Police and Fire Retirement System

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
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
12/31/12	14,113,014	100

Figure 28

Notes to the Required Supplementary Information

Summary of Actuarial Methods and Assumptions

Wichita Employees' Retirement System	
Valuation date	December 31, 2012
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

Figure 29

Summary of Actuarial Methods and Assumptions

Police and Fire Retirement System	
Valuation date	December 31, 2012
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

Figure 30

Supporting Schedules

Administrative Expenses

Year ended December 31, 2012

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

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2012	Totals 2011
Personal services:					
Wages	$197,469	$197,469	$ -	$ 394,938	$ 438,576
Benefits	65,375	65,375	-	130,750	137,004
Total personal services	262,844	262,844	-	525,688	575,580
Contractuals:					
Telephone	1,767	1,767	-	3,534	3,452
Postage	1,668	1,424	-	3,092	2,867
Transportation and travel	3,121	2,139	-	5,260	5,079
Data center charges	28,591	28,591	-	57,182	47,270
City administrative charges	4,475	4,475	-	8,950	29,210
Actuarial fees	26,132	27,855	888	54,875	68,160
Audit fees	7,421	7,421	-	14,842	14,198
Legal services	3,198	1,880	67	5,145	17,270
Advertising	13	13	-	26	7,398
Periodicals and manuals	112	112	-	224	228
Membership dues	551	2,051	-	2,602	2,340
Printing and photocopying	5,812	5,186	-	10,998	10,658
Plan 3 participant administration	-	-	30,850	30,850	31,723
Pension software expense	47,863	47,858	40,907	136,628	141,912
Depreciation	62,562	62,562	53,625	178,749	180,049
Other	1,647	1,342	30	3,019	3,954
Total contractuals	194,933	194,676	126,367	515,976	565,768
Commodities:					
Office equipment and supplies	992	992	-	1,984	3,094
Data processing equipment	-	-	-	-	916
Other	217	217	-	434	1,436
Total commodities	1,209	1,209	-	2,418	5,446
Total administrative expenses	**$458,986**	**$458,729**	**$126,367**	**$1,044,082**	**$1,146,794**

Figure 31

Investment Expenses

Year ended December 31, 2012

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

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2012	Totals 2011
Investment expenses:					
Financial consulting	$ 114,970	$ 110,864	$ 7,957	$ 233,791	$ 204,826
Custodial bank	128,149	131,078	3,770	262,997	260,080
Investment management fees	2,342,663	2,217,830	82,986	4,643,479	3,855,496
Total investment expenses	**$2,585,782**	**$2,459,772**	**$94,713**	**$5,140,267**	**$4,320,402**

Figure 32

Payments to Consultants Other Than Investment Advisors

Year ended December 31, 2012

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

Firm	Services	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2012	Totals 2011
Ice Miller, LLP	Legal services	$ 3,198	$ 1,880	$ 67	$ 5,145	$ 17,270
Milliman, Inc.	Actuarial services	16,800	18,159	584	35,543	68,160
Cavanaugh Macdonald Consulting, LLC	Actuarial services	9,332	9,696	304	19,332	-
Allen, Gibbs & Houlik, L.C.	Auditing services	7,421	7,421	-	14,842	14,198
Northeast Retirement Services	Participant accounting	-	-	30,850	30,850	31,723
Total payments		**$36,751**	**$37,156**	**$31,805**	**$105,712**	**$131,351**

Figure 33

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

INDEPENDENT AUDITOR'S 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*

The Boards of Trustees
Wichita Retirement Systems
Wichita, Kansas

We have audited, in accordance with the 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, the financial statements of the Wichita Retirement Systems of the City of Wichita, Kansas (the Systems), which comprise the statement of plan net position as of December 31, 2012, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Systems' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Systems' internal control. Accordingly, we do not express an opinion on the effectiveness of the Systems' internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

301 N. Main, Suite 1700 • Wichita, Kansas 67202-4868 • (316) **267-7231** • (316) **267-0339** fax • www.aghlc.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Systems' financial statements are free from 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 Audit Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 24, 2013
Wichita, Kansas

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INVESTMENT SECTION

INVESTMENT SECTION

Callan

Callan Associates Inc.
1660 Wynkoop Street
Suite 950
Denver, CO 80202

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www.callan.com

March 29, 2013

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 2012 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.

Callan

The Retirement Boards
March 29, 2013 2

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 the following page 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.

With the presidential election and end-of-year "fiscal cliff" dominating headlines in 2012, the U.S. economy managed to gain 2.2% for the calendar year, a similar growth rate to the last two years. General market volatility was more subdued in 2012 than 2011, and investors felt more comfortable with "risk" assets such as equities and lower grade bonds. Much of this feeling was driven by quantitative easing programs undertaken by both the Federal Reserve and the European Central Bank. Against this backdrop, the S&P 500 Index, a proxy for U.S. large-cap stocks, gained 16.00%. U.S. small-cap stocks, as measured by the Russell 2000 Index, rose 16.35%. Non-U.S. equities performed even better than domestic equities as the MSCI EAFE Index increased 17.32%. Interest rates declined marginally during the year while yield spreads relative to Treasuries narrowed, which helped returns in non-Treasury sectors. The BC Aggregate Bond Index, a proxy for U.S. investment-grade bonds, rose 4.21%. The private real estate market, as measured by the NCREIF Property Index, had another solid year as the Index gained 10.54%. The NCREIF Timberland Index delivered a 7.76% return while the Dow Jones-UBS Commodity Index declined 1.06%.

As noted in the Schedule of Investment Results, the Fund generated a total return of 13.78% for the year ended December 31, 2012, which out-performed the 12.56% return of the Fund's target benchmark (the Weighted Index). In aggregate, the Fund's U.S. large and small cap equity, domestic fixed income, real estate, and commodities 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
Senior 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, 2012, the blended target consisted of:

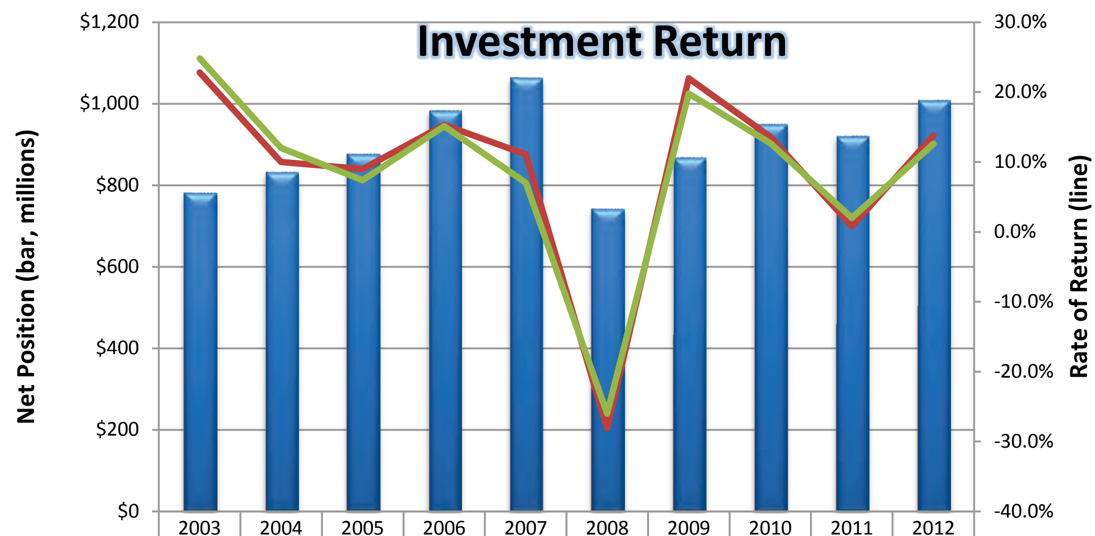
- **32%** Russell 1000 Index
- **8%** Russell 2000 Index
- **22%** Morgan Stanley Capital International, All Country World ex-U.S. (MSCI ACWI ex-US) Index
- **22%** Barclays Capital Aggregate Bond Index
- **3**% Barclays Capital US TIPS Index
- **5%** National Council of Real Estate Investment Fiduciaries (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.

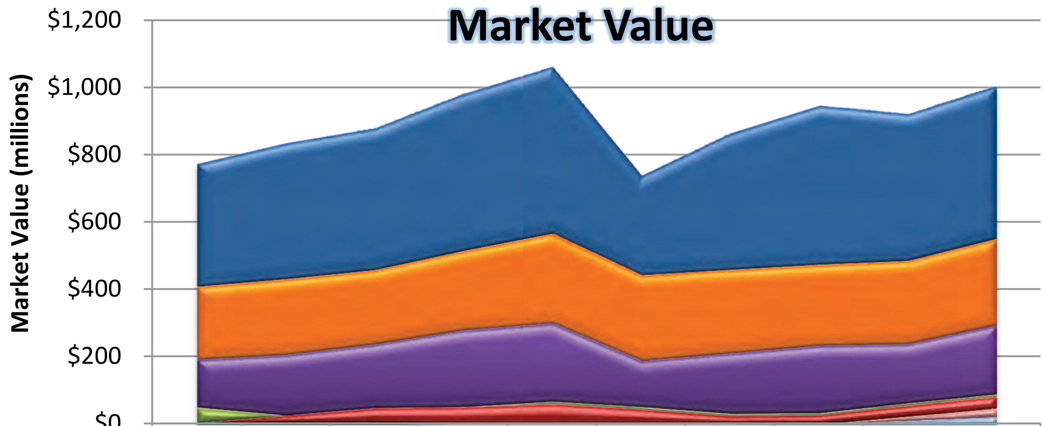
Investment Performance

Figure 34 and Figure 35 illustrate annual portfolio investment performance compared to the benchmark and changes in the Fund's net position based on asset class allocations at year-end. Positive returns, beginning in 2003 and continuing through 2007, are responsible for increasing the Fund's net position. After a volatile investment environment in 2008, returns in 2009, 2010 and 2012 helped stabilize the fund. The 2012 Fund return of 13.78% outperformed the benchmark return of 12.56%. The Fund's net position increased by $87.3 million, or 9.5%.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Position	$783	$835	$879	$986	$1,066	$744	$870	$952	$923	$1,011
System Return	22.8%	10.0%	9.0%	15.3%	11.1%	-28.1%	22.0%	13.6%	0.8%	13.8%
Benchmark Return	24.8%	12.0%	7.4%	15.1%	7.0%	-26.0%	19.8%	12.7%	2.0%	12.6%

Figure 34



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Domestic Equity	$365	$404	$421	$467	$496	$297	$406	$474	$437	$455
Domestic Fixed Income	218	226	221	236	266	255	249	240	247	257
International Equity	142	180	189	229	233	138	180	201	176	206
International Fixed Income	46	-	-	-	7	6	5	5	7	7
Real Estate	-	23	45	52	61	45	25	28	33	35
Commodities	-	-	-	-	-	-	-	-	12	25
Timber	-	-	-	-	-	-	-	-	10	21
Cash	6	5	4	1	1	1	2	1	2	2

Figure 35

The Investment Performance table (see Figure 36) illustrates the 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]	13.78%	9.29%	2.75%	5.63%
Fund Target performance[2]	12.56	8.32	2.41	4.78
Domestic equities:				
Large-Cap equity	17.21	11.10	2.06	5.36
Russell 1000 Index	16.42	11.12	1.92	4.30
S&P 500 Index	16.00	10.87	1.66	4.12
Small-Cap equity	19.14	14.99	7.25	7.53
Russell 2000 Index	16.35	12.25	3.56	4.79
International equities:				
International equity	16.13	4.65	(2.19)	4.11
MSCI EAFE Index	17.32	3.56	(3.69)	2.19
MSCI ACWI (Ex-US) Index	17.39	4.33	(2.44)	4.00
Domestic fixed income:				
Nominal Domestic fixed income	7.67	8.19	7.53	6.97
Barclays Capital Aggregate Index	4.21	6.19	5.95	5.86
TIPS	6.88	-	-	-
Barclays Capital U.S TIPS Index	6.98	8.90	7.04	6.70
Real estate:				
Real estate	15.68	18.79	(6.44)	(0.41)
NCREIF Total Property Index	10.55	12.63	2.13	5.97
Timber:				
Timber	(0.11)	-	-	-
NCREIF Timberland Index	7.76	3.00	2.65	6.31
Commodities:				
Commodities	0.34	-	-	-
DJ UBS Commodity Index TR	(1.06)	0.07	5.17	1.34

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

[2] Fund target performance is as follows:

(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.

Figure 36

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/liability study was completed in 2010 with changes becoming effective 2011 and partially implemented as of December 31, 2012. 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, 2012, 66.2% of the Fund's assets were invested in equities, 25.5% in fixed income, 3.5% in real estate, 2.1% in timber, and 2.5% in commodities. The table below (Figure 37) displays the Fund's target and actual asset allocation on December 31, 2012.

Asset Allocation Policy

Asset Class	Min	Target	Max	Actual
Domestic Equity				
Large/Mid-Cap	18.00%	24.00%	30.00%	25.10%
Small-Cap	4.00	8.00	12.00	11.71
Index	6.00	8.00	10.00	8.32
Total Domestic Equity	28.00	40.00	52.00	45.13
Domestic Fixed Income				
Active Core	9.00	11.00	13.00	11.49
Active Core Plus	9.00	11.00	13.00	11.34
TIPS	2.50	3.00	3.50	2.68
Total Domestic Fixed Income	21.00	25.00	29.00	25.51
International Equity				
Active Core	7.00	9.00	11.00	8.60
Active Core Plus	8.00	10.00	12.00	10.46
Emerging Markets Index	2.00	3.00	4.00	2.04
Total International Equity	18.00	22.00	26.00	21.10
Real Estate				
Core	2.00	4.00	6.00	2.41
Value Added	0.00	1.00	2.00	1.10
Total Real Estate	3.00	5.00	7.00	3.51
Timber	3.00	5.00	7.00	2.08
Commodities	2.50	3.00	3.50	2.46
Cash	0.00	0.00	2.00	0.21

Figure 37

Largest Equity and Fixed Income Holdings

Ten Largest Equity Holdings by Fair Value
(as of December 31, 2012)

Number of Shares	Holding	Fair Value	% of Total Portfolio
315,941	Pfizer, Inc.	$ 7,923,800	0.79%
104,750	Honeywell International, Inc.	6,648,483	0.66
113,300	Capital One Financial Corp.	6,563,469	0.65
91,750	Johnson & Johnson	6,431,675	0.64
144,060	Citigroup, Inc.	5,699,014	0.57
117,800	Time Warner, Inc.	5,634,374	0.56
164,650	Texas Instruments, Inc.	5,094,271	0.51
111,350	JP Morgan Chase & Co.	4,896,060	0.49
180,700	Vodafone Group Plc Sp Adr.	4,551,833	0.45
210,800	General Electric Co.	4,424,692	0.44
1,555,101	**Total**	**$57,867,671**	**5.76%**

Figure 38

Ten Largest Fixed Income Holdings by Fair Value
(as of December 31, 2012)

Number of Shares	Holding	Fair Value	% of Total Portfolio
5,900,000	FNMA TBA 3Pct Jan. 30 Single Fa	$ 6,182,079	0.61%
2,500,000	US Treasury N/B	3,845,700	0.38
3,740,000	0Wp250350 IRS USD R V 03M LIBOR	3,751,125	0.37
3,130,000	US Treasury N/B	3,121,205	0.31
2,331,845	Federal Home Loan PC Pool G06501	2,533,830	0.25
2,094,155	FNMA Pool Al2688	2,292,702	0.23
2,140,000	US Treasury N/B	2,157,719	0.21
1,859,011	FNMA Pool 745506	2,082,557	0.21
1,990,000	US Treasury N/B	1,976,946	0.20
1,880,000	BP Capital Markets Plc.	1,956,347	0.19
27,565,011	**Total**	**$29,900,210**	**2.96%**

Figure 39

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

Investment Assets by Manager

(as of December 31, 2012)

Asset Category	**Fair Value**
Domestic fixed income	
Richmond Capital Management, Inc.	$ 106,762,319
Western Asset Management Co.	107,085,709
SSGA[1] U.S. TIPS Index Fund	27,003,264
SSGA[1] Government Short-Term Investment Fund	37,565,592
SSGA[1] Securities Lending Short-Term Collateral Investment Pool	62,150,482
Subtotal	340,567,366
International fixed income	
Western Asset Management Co.	7,299,453
Domestic equity	
Barrow, Hanley, Mewhinney & Strauss, Inc.	84,022,588
Boston Partners Asset Management	46,765,472
Fred Alger Management, Inc.	82,695,342
ING Investment Management Co.	49,658,311
Institutional Capital LLC	81,716,511
SSGA[1] S&P 500 Flagship Fund	83,864,726
Subtotal	428,722,950
International equity	
Mondrian Investment Partners, Limited	104,291,281
Pyramis Global Advisors Trust Company	85,280,541
SSGA[1] Emerging Markets Index Fund	20,524,836
Subtotal	210,096,658
Real Estate	
RREEF America REIT II	24,273,373
RREEF America REIT III	11,085,642
Subtotal	35,359,015
Timber	
Molpus Woodlands Fund III	20,972,647
Commodities	
GEAM Trust Active Commodities Fund	24,753,450
Defined Contribution Pooled Funds	
SSGA[1] Strategic Balanced Funds	1,835,038
SSGA[1] Cash Series Prime Fund CL C	228,881
Subtotal	2,063,919
Total Investment Assets	**$1,069,835,458**

[1]State Street Global Advisors

Figure 40

Investment Fees by Manager

Year ended December 31, 2012

Investment Management Fees:	**Fees**
Domestic Fixed Income Managers	
Richmond Capital Management, Inc.	$ 221,081
Western Asset Management Co.	300,673
SSGA[1] U.S. TIPS Index Fund	14,838
International Fixed Income Manager	
Western Asset Management Co.	18,860
Domestic Equity Managers	
Barrow, Hanley, Mewhinney, & Strauss, Inc.	418,404
Boston Partners Asset Management	456,619
Fred Alger Management, Inc.	356,535
ING Investment Management Co.	444,386
Institutional Capital LLC	376,356
SSGA[1] S&P 500 Flagship Fund	33,714
International Equity Managers	
Mondrian Investment Partners, Limited	530,930
Pryamis Global Advisors Trust Company	456,692
SSGA[1] Emerging Markets Index Fund	46,521
Real Estate Managers	
RREEF America REIT II	485,037
RREEF America REIT III	71,547
Timber Manager	
Molpus Woodlands Fund III	165,001
Commodities Manager	
GEAM Trust Active Commodities Fund	246,285
Subtotal Investment Management Fees	4,643,479
Other Investment Service Fees:	
Custodian Fees	
State Street Bank and Trust Company	262,997
Investment Consultant and Performance Measurement Fees	
Callan Associates, Inc.	229,941
NestEgg Consulting, Inc.	3,850
Subtotal Other Investment Service Fees	496,788
Total Investment Fees	**$5,140,267**

[1]State Street Global Advisors

Figure 41

Investment Summary by Type of Investment

(as of December 31, 2012)

Type of Investment	Fair Value	% of Total Portfolio
Domestic equities:		
Consumer discretionary	$ 54,305,620	5.08%
Consumer staples	16,888,407	1.58
Energy	26,989,103	2.52
Financial services	63,079,712	5.88
Health care	54,460,433	5.09
Industrials	53,637,249	5.01
Information technology	52,904,031	4.95
Materials	13,035,253	1.22
Telecommunications services	7,389,930	0.69
Utilities	2,168,486	0.20
Total domestic equities	344,858,224	32.22
Domestic equities - commingled funds	84,912,237	7.94
International equities:		
Consumer discretionary	18,591,384	1.74
Consumer staples	21,806,992	2.04
Energy	16,102,586	1.51
Financial services	30,687,886	2.87
Health care	20,784,537	1.94
Industrials	15,691,470	1.47
Information technology	10,283,872	0.96
Materials	10,024,627	0.94
Telecommunications services	13,240,472	1.24
Utilities	7,452,746	0.70
Total international equities	164,666,572	15.41
International equities - commingled funds	45,658,039	4.27
Domestic fixed income:		
Government securities: long-term	36,499,693	3.41
Corporate debt instruments: long-term	91,288,031	8.53
Mortgage and asset-backed securities	79,564,424	7.44
Total domestic fixed income	207,352,148	19.38
TIPS	27,003,264	2.52
Timber	20,972,647	1.96
Commodities	24,753,450	2.31
Domestic high yield fixed income - commingled funds	6,724,761	0.63
International fixed income - commingled funds	7,299,453	0.68
Domestic fixed income - commingled funds	62,710,056	5.86
Real estate - commingled funds	35,359,015	3.31
Short-term investments	37,565,592	3.51
Total Invested Assets[1]	**$1,069,835,458**	**100.00%**

[1]Amounts do not include the City's cash deposits of $688,185.

Figure 42

Brokerage Commissions

Year ended December 31, 2012

Brokerage Firm	Total Commissions	Shares	Commission Per Share	Percent of Total Commissions
BNY Convergex LJR	$ 66,633	1,700,400	$0.03919	19.36%
Credit Suisse Securities (USA), LLC	19,716	66,701,635	0.00030	5.73
Broadcort Capital (Thru Ml)	15,174	503,520	0.03014	4.41
Goldman Sachs & Company	10,670	48,594,516	0.00022	3.10
Morgan Stanley Co., Inc.	9,223	77,797,118	0.00012	2.68
Barclays Capital Le	9,223	378,880	0.02434	2.68
J.P. Morgan Securities, Inc.	8,867	383,352	0.02313	2.58
Citigroup Global Markets, Inc.	7,388	13,964,429	0.00053	2.15
Goldman Sachs International	7,239	494,789	0.01463	2.10
Merrill Lynch International	6,901	543,077	0.01271	2.00
UBS Securities Asia Ltd.	5,990	767,783	0.00780	1.74
Deutsche Bank Securities, Inc.	5,783	146,096,323	0.00004	1.68
State Street Bank and Trust	5,762	702,850,432	0.00001	1.67
Merrill Lynch Pierce Fenner & Smith, Inc.	5,655	644,903	0.00877	1.64
UBS Ag	5,601	510,942	0.01096	1.63
Convergex Execution Solutions, LLC	5,284	175,468	0.03011	1.53
Sanford C. Bernstein Co., LLC	5,214	177,085	0.02944	1.51
Goldman Sachs & Co.	5,197	79,202,489	0.00007	1.51
Deutsche Bank Ag London	5,185	507,568	0.01022	1.51
JP Morgan Securities Plc.	4,667	265,769	0.01756	1.36
ITG, Inc.	3,903	130,092	0.03000	1.13
Cowen and Company, LLC	3,899	101,905	0.03826	1.13
Merrill Lynch Peirce Fenner & Smith, Inc.	3,837	388,959	0.00986	1.11
Jefferies & Co., Inc.	3,796	972,105	0.00390	1.10
Macquarie Securities Ltd.	3,730	904,850	0.00412	1.08
ISI Group, Inc.	3,627	112,400	0.03227	1.05
Liquidnet Inc.	3,616	192,407	0.01879	1.05
Nomura Securities International, Inc.	3,463	437,794	0.00791	1.01
Other firms (Includes 143 brokerage firms, each contributing less than 1% of total commissions)	99,052	64,675,595	0.00153	28.77
Total Brokerage Commissions	**$344,295**	**1,210,176,585**	**$0.00028**	**100.00%**

Figure 43

ACTUARIAL SECTION

Actuarial Section

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

June 4, 2013

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

RE: Certification of December 31, 2012 Actuarial Valuations

Dear Board Members:

We certify that the information included herein and contained in the 2012 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, 2012.

All calculations have been made in conformity with generally recognized and accepted actuarial principals and practices, and with applicable 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 actuarial valuation 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.

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Offices in Englewood, CO · Kennesaw, GA · Hilton Head Island, SC

The Retirement Boards
June 4, 2013
Page 2

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.

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 in future years. The most recent annual actuarial valuations were completed based upon membership data, asset data and plan provisions as of December 31, 2012. 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 $51.5 million for the Wichita Employees' Retirement system and $55.7 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 actual investment experience is recognized over a period of time. On a market value basis, the rate of return on assets in 2012 was 13%. This return reduced the impact of the deferred investment loss from the 2011 valuation, but did not eliminate it. As a result, the rate of return on the actuarial value of assets for 2012 was about 6%, less than the assumed rate of 7.75%. This generated an experience loss on assets for both systems. There was an experience gain on liabilities from all sources during 2012 for the Police and Fire Retirement System of Wichita, Kansas, but a small experience loss on liabilities for the Wichita Employees' Retirement System. The actuarial value of assets in both Systems exceeds the market value by about 5%. This difference between the actuarial and market value of assets decreased from last year, but there are still 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 2012 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 50 to 53 of the valuation reports for the Wichita Employees' Retirement System and the Police and Fire Retirement System of Wichita, Kansas.

Data

In preparing the December 31, 2012 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 years' data. If the underlying data or information is inaccurate or incomplete, our calculations may need to be revised.

The Retirement Boards
June 4, 2013
Page 3

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 may be found on pages 53 to 58 of the Wichita Employees' Retirement System valuation report and pages 53 to 57 for the Police and Fire Retirement System of Wichita, Kansas valuation report. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are based on a study of actuarial experience for the five year period ending December 31, 2008.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are individually reasonable are 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, Patrice A. Beckham, FSA, 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, Brent A. Banister, FSA, 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.

Sincerely,

Patrice Beckham

Patrice A. Beckham, FSA, EA, FCA, MAAA
Principal and Consulting Actuary

Brent A. Banister

Brent A. Banister, PhD, FSA, EA, FCA, MAAA
Chief Pension Actuary

S:\Wichita ERS\2013 Correspondence\Certification of 12/31/12 Actuarial Valuations

Wichita Employees' Retirement System 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). The Wichita Employees' Retirement System (WERS) had an unfunded actuarial liability of $51.5 million as of December 31, 2012.

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 Figure 44).

Salary increases are assumed to occur mid-year. The salary increase assumptions are expected to 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

Figure 44

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

The rates displayed in Figure 45 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

Figure 45

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 Figure 46 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

Figure 46

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 Figure 47). 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

Figure 47

Rates of Separation from Active Membership

This assumption (see Figure 48 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

Figure 48

Rates of Disability

This assumption measures the probabilities of a member becoming disabled (see Figure 49). 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

Figure 49

Wichita Employees' Retirement System Actuarial Tables

Active Member Valuation Data

	Number of Members						
Valuation Date	Plan 1	Plan 2	Plan 3[1]	Total	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Annual Pay
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
12/31/2012	26	950	527	1,503	70,783	47,094	(2.7)

[1] Does not include vested Plan 3 Members

Figure 50

Average Annual Pay and Total Members

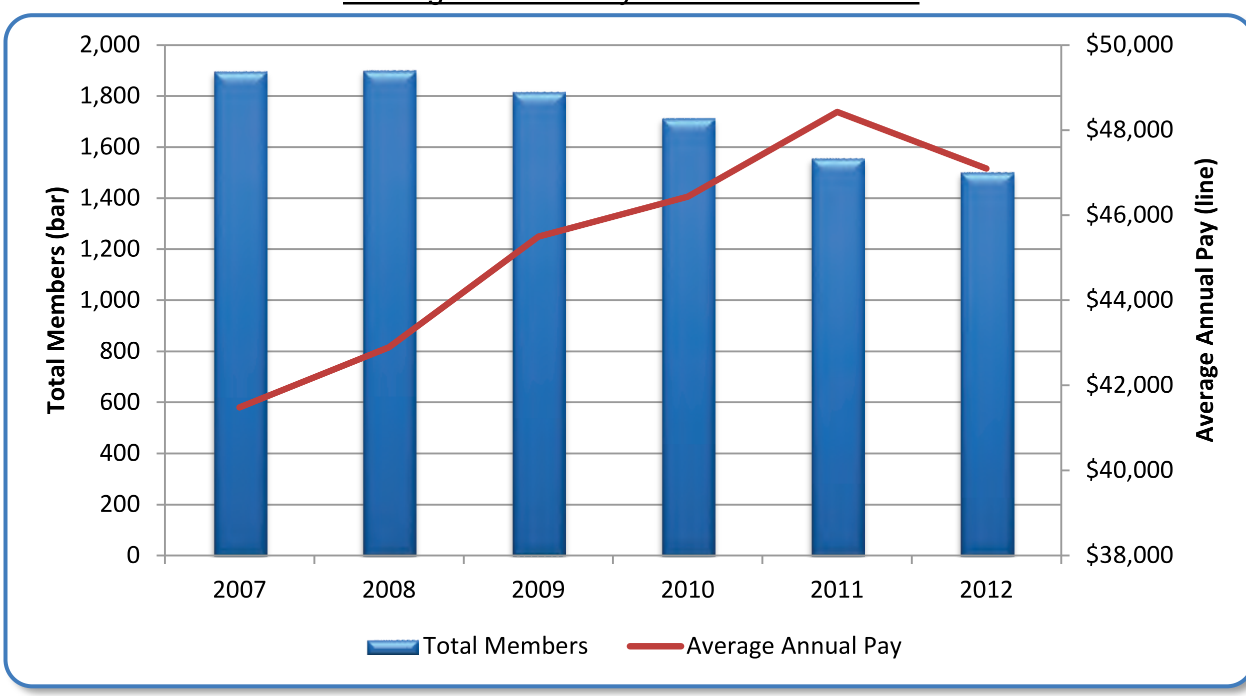

Figure 51

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
12/31/2007	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
12/31/2012	50	1,010,373	58	1,036,870	1,302	31,730,663	24,371	(2.9)

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

Figure 52

Solvency Test

	Aggregate Actuarial Liability for				Portion of Actuarial Liabilities Covered by Reported Assets		
	(1)	(2)	(3)				
Valuation Date	Active Member Contributions	Retirants and Beneficiaries[1]	Active Members (Employer Financed) Portion)	Reported Valuation Assets	(1)	(2)	(3)
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
12/31/2012	49,519,050	347,350,296	174,936,109	520,320,051	100	100	70.6

[1] Includes vested terminated members.

Figure 53

System Experience

For the year ended December 31, 2012, the Wichita Employees' Retirement System generated an actuarial loss of $8.6 million, or 1.5% of the beginning of the year actuarial liability (see Figure 54).

Derivation of System Experience Gain/(Loss)

			Year Ended 12/31/12 (in millions)
(1)		UAL[1] at start of year	$41.9
(2)	+	Normal cost for year	9.0
(3)	+	Assumed investment return on (1) and (2)	3.6
(4)	-	Actual contributions (member + City)	10.9
(5)	-	Assumed investment return on (4)	0.4
(6)	=	Expected UAL at end of year	43.2
(7)	+	Increase (decrease) from change in actuary	(0.3)
(8)	+	Increase (decrease) from assumption changes	0.0
(9)	=	Expected UAL after changes	42.9
(10)	=	Actual UAL at year end	51.5
(11)	=	Experience gain (loss) (9) – (10) [2]	(8.6)
(12)	=	Percent of beginning of year AL	1.5%

[1] Unfunded Actuarial Liability/(Surplus)

[2] Of this amount, $8.5 million of the experience loss is due to an experience loss on the actuarial value of assets and $0.1 million represents an experience loss on liabilities.

Figure 54

Wichita Employees' Retirement System Summary of Benefit Provisions

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 Benefits

- **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 Benefits

- **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 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.

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.

Service-Connected Disability

- **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.

Non-Service Connected Disability

- **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 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-79 (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-79.

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). The Police and Fire Retirement System (PFRS) had an unfunded actuarial accrued liability of $55.7 million as of December 31, 2012.

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.

Net Investment Rate of Return

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 Figure 55).

Salary increases are assumed to occur mid-year. The salary increase assumptions are expected to 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

Figure 55

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 (Figure 56 below) was first used for the December 31, 2004 valuation.

Forfeiture of Vested Benefits

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

Figure 56

Rates of Retirement

These rates (see Figure 57 and Figure 58) 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

Figure 57

Rates of Retirement for Plan C-79

	% 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

Figure 58

Rates of Separation from Active Membership

This assumption measures the probabilities of a member terminating employment. The rates (see Figure 59) do not apply to members who are eligible to retire. These rates were first used for the December 31, 2009 valuation.

Rates of Separation

		% Separating Within Year	
Sample Ages	Years of Service	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

Figure 59

Rates of Disability

This assumption measures the probabilities of a member receiving a disability retirement (see Figure 60). 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

	Percent Disabled During the Year	
Sample Ages	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

Figure 60

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 Figure 61 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

Figure 61

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-79	Total Members	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Annual Pay
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	$63,055	$57,323	2.3
12/31/2010	21	0	1,068	1,089	$63,077	$57,922	1.0
12/31/2011	14	0	1,074	1,088	$62,759	$57,683	(0.4)
12/31/2012	11	0	1,073	1,084	$64,150	$59,179	2.6

Figure 62

Average Annual Pay and Total Members

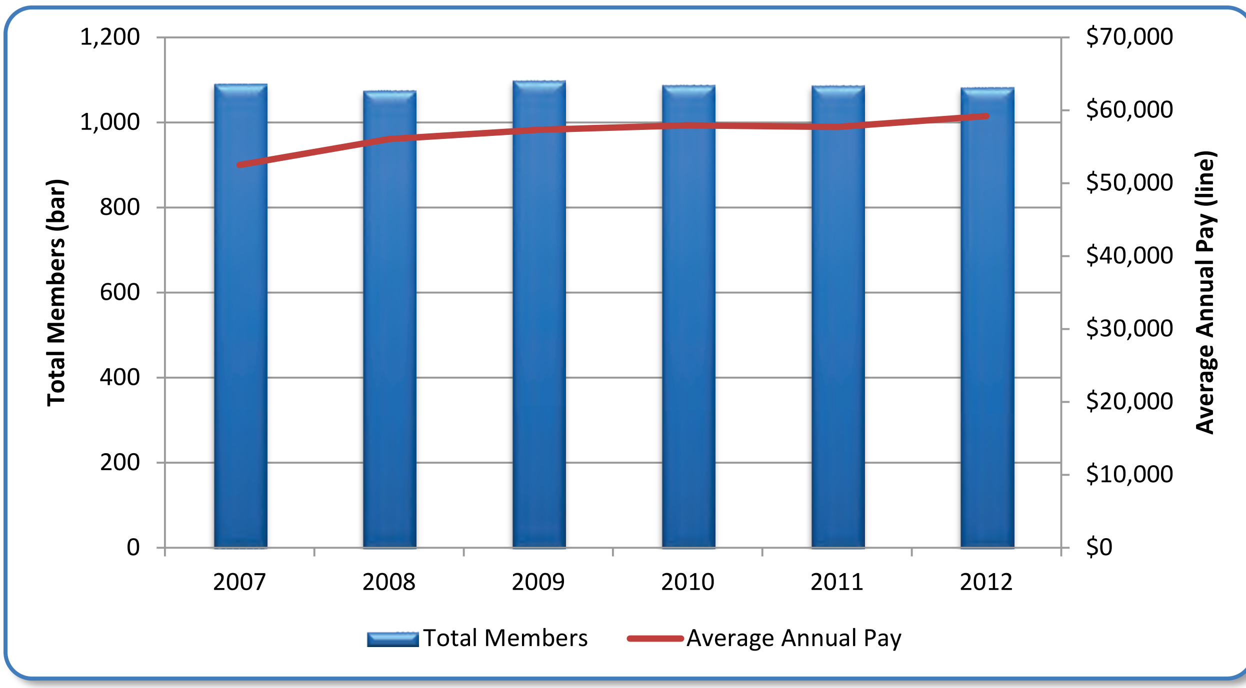

Figure 63

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
12/31/2007	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
12/31/2012	33	1,201,800	23	435,120	921	25,226,219	27,390	3.8

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

Figure 64

Solvency Test

	Aggregate Actuarial Liability for						
	(1)	(2)	(3)		Portion of Actuarial Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retirants and Beneficiaries[1]	Active Members (Employer Financed) Portion)	Reported Valuation Assets	(1)	(2)	(3)
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
12/31/2012	70,527,705	305,985,839	212,559,831	533,380,618	100	100	73.8

[1] Includes vested terminated members.

Figure 65

System Experience

For the year ended December 31, 2012, the Police and Fire Retirement System generated an actuarial gain of $1.2 million, or 0.2% of the beginning of the year actuarial liability (see Figure 66).

Derivation of System Experience Gain/(Loss)

			Year Ended 12/31/12 (in millions)
(1)		UAL[1] at start of year	$51.5
(2)	+	Normal cost for year	15.4
(3)	+	Assumed investment return on (1) and (2)	4.6
(4)	-	Actual contributions (member + City)	18.7
(5)	-	Assumed investment return on (4)	0.7
(6)	=	Expected UAL at end of year	52.1
(7)	+	Increase (decrease) from change in actuary	4.8
(8)	+	Increase (decrease) from assumption changes	0.0
(9)	=	Expected UAL after changes	56.9
(10)	=	Actual UAL at year end	55.7
(11)	=	Experience gain (loss) (9) – (10) [2]	1.2
(12)	=	Percent of beginning of year AL	0.2%

[1] Unfunded Actuarial Liability/(Surplus)
[2] Of this amount, there was an experience loss of $7.3 million due to the actuarial value of assets and an experience gain of $8.5 million on actuarial liabilities.

Figure 66

Police and Fire Retirement System Summary of Benefit Provisions

Defined Benefit Plans A, B and C-79

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-79 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-79: 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-79: Three or more years of service.
  - Plan B: Twenty or more years of service.
- **Benefit**
  - Plan A and Plan C-79: 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 Benefits

- **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-79: 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**
  - Members 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-79: 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 the net position, including deductions from the net position for benefits and refunds beginning on page 68, average benefit payments beginning on page 72, and retired members by type and benefit amount beginning on page 74. 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 Position, 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 Position (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued on next page)

	2012	2011	2010	2009
ADDITIONS				
Employer contributions	$ 6,471,423	$ 6,596,124	$ 4,529,765	$ 2,545,331
Employee contributions	2,343,641	2,537,440	2,664,619	2,639,080
Net investment income (loss)	57,965,946	2,570,423	55,169,082	78,011,118
Transfers from other funds[1]	2,025,607	2,680,431	1,276,393	1,664,681
Total additions	68,806,617	14,384,418	63,639,859	84,860,210
DEDUCTIONS				
Benefits				
Service retirement	28,490,161	25,279,476	23,806,844	22,406,162
Survivor benefit	2,658,630	2,591,380	2,478,774	2,449,423
DROP lump sum	1,327,860	5,873,920	3,104,564	2,352,858
Qualified domestic relations order	53,820	56,285	74,004	81,064
Disability (service)	67,910	67,247	78,511	75,314
Disability (non-service)	243,470	247,876	254,152	262,579
Funeral	93,770	66,890	93,649	55,317
Contribution refunds (separation)	341,634	449,266	191,171	247,890
Pension administration	396,167	444,630	429,764	444,112
Depreciation	62,562	63,016	63,477	64,615
Total deductions	33,735,984	35,139,986	30,574,910	28,439,334
Change in net position	35,070,633	(20,755,568)	33,064,949	56,420,876
Net position - beginning	444,594,411	465,349,979	432,285,030	375,864,154
Net position – ending	**$479,665,044**	**$444,594,411**	**$465,349,979**	**$432,285,030**

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

Figure 67

Changes in Plan Net Position (Last Ten Fiscal Years)

Police and Fire Retirement System (continued on next page)

	2012	2011	2010	2009
ADDITIONS				
Employer contributions	$ 14,113,014	$ 13,806,880	$ 13,119,984	$ 11,034,552
Employee contributions	4,543,523	4,403,425	4,467,983	4,443,524
Net investment income (loss)	60,619,414	2,404,099	54,963,698	75,500,370
Total additions	79,275,951	20,614,404	72,551,665	90,978,446
DEDUCTIONS				
Benefits				
Service retirement	19,751,947	18,492,549	17,657,512	16,313,729
Survivor benefit	2,798,141	2,704,987	2,569,695	2,367,563
Backward DROP lump sum	3,245,820	2,877,779	4,296,127	3,444,839
Qualified domestic relations order	116,670	117,737	115,432	93,762
Disability (service)	1,816,648	1,835,512	1,745,289	1,557,901
Disability (non-service)	67,428	66,411	65,394	64,377
Funeral	11,425	21,371	16,618	14,891
Contribution refunds (separation)	357,192	636,120	492,380	295,424
Pension administration	396,424	445,898	421,251	438,348
Depreciation	62,562	63,016	63,477	64,615
Total deductions	28,624,257	27,261,380	27,443,175	24,655,449
Change in net position	50,651,694	(6,646,976)	45,108,490	66,322,997
Net position – beginning	460,840,745	467,487,721	422,379,231	356,056,234
Net position – ending	**$511,492,439**	**$460,840,745**	**$467,487,721**	**$422,379,231**

Figure 68

Changes in Plan Net Position (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued from previous page)

2008	2007	2006	2005	2004	2003
$ 2,450,162	$ 2,357,052	$ 2,264,339	$ 2,170,650	$ 2,084,558	$ 2,007,656
2,621,076	2,543,563	2,445,103	2,358,466	2,279,422	2,397,597
(150,525,640)	54,108,853	67,028,887	36,074,046	38,840,471	76,871,558
2,019,289	2,102,726	1,983,067	1,562,135	1,528,790	1,138,869
(143,435,113)	61,112,194	73,721,396	42,165,297	44,733,241	82,415,680
21,107,131	19,618,444	18,731,065	17,647,226	16,589,983	15,796,197
2,369,917	2,174,019	2,069,030	1,940,571	1,807,897	1,697,975
1,820,599	2,809,284	947,843	2,168,410	879,053	622,675
63,516	60,617	59,079	56,532	55,836	59,640
76,736	100,921	110,817	124,673	141,872	155,315
286,251	218,443	210,243	199,428	222,810	166,783
71,192	70,929	73,779	59,210	63,852	78,124
313,595	232,417	287,379	251,710	387,089	276,261
438,411	384,528	355,954	296,883	271,128	264,853
34,266	-	-	-	-	-
26,581,614	25,669,602	22,845,189	22,744,643	20,419,520	19,117,823
(170,016,727)	35,442,592	50,876,207	19,420,654	24,313,721	63,297,857
545,880,881	510,438,289	459,562,082	440,141,428	415,827,707	352,529,850
$375,864,154	**$545,880,881**	**$510,438,289**	**$459,562,082**	**$440,141,428**	**$415,827,707**

Changes in Plan Net Position (Last Ten Fiscal Years)

Police and Fire Retirement System (continued from previous page)

2008	2007	2006	2005	2004	2003
$ 10,549,401	$ 10,029,253	$ 9,849,536	$ 7,308,916	$ 6,925,467	$ 5,043,505
4,277,247	4,056,022	3,789,743	3,652,348	3,482,237	3,296,499
(140,686,744)	49,134,414	59,897,041	31,745,327	33,716,897	65,824,556
(125,860,096)	63,219,689	73,536,320	42,706,591	44,124,601	74,164,560
15,124,453	14,767,792	14,350,119	13,820,287	13,253,231	12,785,027
2,293,653	2,175,191	2,080,107	2,007,215	1,910,236	1,875,774
2,013,670	873,050	641,517	977,977	635,674	1,240,509
80,179	72,056	64,614	66,348	57,753	62,615
1,459,306	1,476,513	1,558,438	1,414,202	1,447,143	1,528,118
63,359	62,342	69,970	68,801	72,761	77,412
18,351	15,578	18,655	51,950	18,657	6,086
493,516	254,190	384,672	313,219	283,197	192,808
418,165	366,637	354,904	315,068	262,061	264,386
34,266	-	-	-	-	-
21,998,918	20,063,349	19,522,996	19,035,067	17,940,713	18,032,735
(147,859,014)	43,156,340	54,013,324	23,671,524	26,183,888	56,131,825
503,915,248	460,758,908	406,745,584	383,074,060	356,890,172	300,758,347
$356,056,234	**$503,915,248**	**$460,758,908**	**$406,745,584**	**$383,074,060**	**$356,890,172**

Changes in Plan Net Position (Last Ten Fiscal Years)

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

	2012	2011	2010	2009
ADDITIONS				
Employer contributions	$ 1,189,456	$ 1,244,150	$ 2,298,753	$ 1,478,256
Employee contributions	1,189,456	1,244,150	1,349,100	1,478,256
Net investment income (loss)	2,315,117	170,531	2,124,997	2,608,965
Transfers from other funds	-	-	-	-
Total additions	4,694,029	2,658,831	5,772,850	5,565,477
DEDUCTIONS				
Contribution refunds	959,751	709,739	642,116	477,290
Pension administration	72,742	76,217	73,844	77,565
Depreciation	53,625	54,017	54,408	55,384
Transfers to other funds[1]	2,025,607	2,680,431	1,276,393	1,664,681
Total deductions	3,111,725	3,520,404	2,046,761	2,274,920
Change in net position	1,582,304	(861,573)	3,726,089	3,290,557
Net position – beginning	18,059,509	18,921,082	15,194,993	11,904,436
Net position - ending	**$19,641,813**	**$18,059,509**	**$18,921,082**	**$15,194,993**

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

Figure 69

Changes in Plan Net Position (Last Ten Fiscal Years)

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

2008	2007	2006	2005	2004	2003
$ 1,494,079	$ 1,428,686	$ 1,369,009	$ 1,281,156	$ 1,219,589	$ 1,214,823
1,494,079	1,428,686	1,369,009	1,281,156	1,219,589	1,214,823
(4,387,641)	1,542,383	1,876,517	978,703	1,107,359	1,602,631
-	-	-	-	-	-
(1,399,483)	4,399,755	4,614,535	3,541,-15	3,546,537	4,032,277
698,751	864,999	786,140	628,696	400,787	384,769
69,865	32,639	31,374	29,512	33,056	33,395
29,371	-	-	-	-	-
2,019,289	2,102,726	1,983,067	1,562,135	1,528,790	1,138,869
2,817,276	3,000,364	2,800,581	2,220,343	1,962,633	1,557,033
(4,216,759)	1,399,391	1,813,954	1,320,672	1,583,904	2,475,244
16,121,195	14,721,804	12,907,850	11,587,178	10,003,274	7,528,030
$11,904,436	**$16,121,195**	**$14,721,804**	**$12,907,850**	**$11,587,178**	**$10,003,274**

Average Benefit Payments (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued on next page)

	2012	2011	2010	2009
Average monthly pension				
0 - 5 Years of Service	$ -	$ -	$ -	$ -
5 - 10 Years of Service	980	554	404	593
10 - 15 Years of Service	921	994	974	1,158
15 - 20 Years of Service	2,026	1,655	1,429	1,482
20 - 25 Years of Service	2,492	1,853	2,046	2,173
25 - 30 Years of Service	2,477	2,435	3,250	2,870
30+ Years of Service	3,455	3,187	3,234	2,758
Average for All Years of Service	2,084	$1,844	$1,997	$2,084
Average final average salary				
0 - 5 Years of Service	$ -	$ -	$ -	$ -
5 - 10 Years of Service	3,361	3,110	2,212	2,962
10 - 15 Years of Service	3,472	3,298	3,248	3,904
15 - 20 Years of Service	4,541	4,359	3,733	3,451
20 - 25 Years of Service	5,275	4,021	4,043	4,192
25 - 30 Years of Service	4,762	4,090	4,839	4,225
30+ Years of Service	5,125	4,703	4,527	4,008
Average for All Years of Service	$4,460	$3,995	$3,977	$3,929
Number of members retiring				
0 - 5 Years of Service	-	-	-	-
5 - 10 Years of Service	2	11	1	6
10 - 15 Years of Service	6	21	5	10
15 - 20 Years of Service	5	23	9	5
20 - 25 Years of Service	4	31	12	5
25 - 30 Years of Service	6	18	6	23
30+ Years of Service	4	19	3	4
Total for All Years of Service	27	123	36	53

Figure 70

Average Benefit Payments (Last Ten Fiscal Years)

Police and Fire Retirement System (continued on next page)

	2012	2011	2010	2009
Average monthly pension				
0 - 5 Years of Service	$ -	$ -	$ 290	$ -
5 - 10 Years of Service	-	-	-	3,016
10 - 15 Years of Service	2,344	2,381	2,852	2,237
15 - 20 Years of Service	3,929	3,784	-	3,834
20 - 25 Years of Service	3,691	2,983	2,745	2,808
25 - 30 Years of Service	-	4,064	3,646	3,964
30+ Years of Service	-	4,847	1,993	4,034
Average for All Years of Service	$3,281	$3,349	$2,928	$3,180
Average final average salary				
0 - 5 Years of Service	$ -	$ -	$2,956	$ -
5 - 10 Years of Service	-	-	-	3,341
10 - 15 Years of Service	3,838	3,980	5,058	5,074
15 - 20 Years of Service	5,120	4,970	-	4,893
20 - 25 Years of Service	5,652	4,704	5,100	4,771
25 - 30 Years of Service	-	5,810	5,134	5,426
30+ Years of Service	-	6,463	4,269	5,378
Average for All Years of Service	$4,959	$4,997	$4,839	$4,943
Number of members retiring				
0 - 5 Years of Service	-	-	1	-
5 - 10 Years of Service	-	-	-	2
10 - 15 Years of Service	2	2	2	4
15 - 20 Years of Service	1	2	-	1
20 - 25 Years of Service	3	9	2	12
25 - 30 Years of Service	-	4	7	9
30+ Years of Service	-	1	2	1
Total for All Years of Service	6	18	14	29

Figure 71

Average Benefit Payments (Last Ten Fiscal Years)
Wichita Employees' Retirement System (continued from previous page)

2008	2007	2006	2005	2004	2003
$ -	$ -	$ -	$ -	$ -	$ -
528	554	436	532	420	424
821	894	692	712	893	838
1,547	1,180	1,129	1,288	1,062	1,235
2,250	1,895	2,038	1,567	1,627	1,808
3,137	3,015	3,342	3,251	3,467	2,889
3,760	3,443	2,265	2,460	2,062	3,087
$2,420	$2,199	$2,342	$2,270	$2,210	$2,206
$ -	$ -	$ -	$ -	$ -	$ -
2,660	4,493	2,538	2,532	2,426	2,669
3,089	3,414	2,708	2,692	2,996	2,776
3,901	3,239	2,932	3,399	2,848	3,484
4,133	3,432	3,720	3,545	3,462	3,115
4,371	4,215	4,520	4,465	4,686	4,034
5,005	4,591	3,020	3,818	2,878	4,116
$4,094	$3,861	$3,830	$3,864	$3,730	$3,635
-	-	-	-	-	-
4	2	5	5	3	3
16	9	4	1	4	3
9	7	5	11	7	7
6	9	9	6	6	10
25	29	25	25	18	27
18	1	1	4	3	2
78	57	49	52	41	52

Average Benefit Payments (Last Ten Fiscal Years)
Police and Fire Retirement System (continued from previous page)

2008	2007	2006	2005	2004	2003
$ -	$ -	$ -	$ -	$ -	$ -
-	-	4,549	2,629	2,390	612
2,539	-	2,249	3,277	2,578	2,045
-	-	3,393	-	3,194	3,427
2,489	2,436	2,346	2,306	2,282	1,956
3,989	3,635	3,410	3,184	3,054	3,084
4,308	3,400	3,462	4,484	3,540	3,207
$3,351	$3,132	$3,092	$3,249	$3,057	$2,642
$ -	$ -	$ -	$ -	$ -	$ -
-	-	4,221	2,919	2,998	3,582
4,536	-	4,559	3,912	2,967	2,996
-	-	3,023	-	4,179	3,798
4,615	3,992	3,774	3,979	3,995	3,816
5,488	5,030	4,872	4,467	4,271	4,192
5,744	4,534	4,793	5,118	4,765	4,276
$5,113	$4,565	$4,515	$4,391	$4,271	$3,950
-	-	-	-	-	-
-	-	1	1	1	2
2	-	4	1	1	2
-	-	1	-	3	1
7	8	5	4	4	1
9	10	11	9	11	4
2	2	5	4	8	6
20	20	27	19	28	16

Retired Members by Type and Benefit Amount

Wichita Employees' Retirement System

(as of December 31, 2012)

Amount of Monthly Benefit	Active in DROP	Non-Service Disability	QDRO[1]	Service	Service Disability	Survivor	Total
$ 0-500	-	3	1	76	-	84	164
500-1000	2	10	1	136	1	80	230
1000-1500	5	5	1	133	-	56	200
1500-2000	2	1	1	133	2	31	170
2000-2500	4	1	1	105	1	10	122
2500-3000	9	-	-	108	-	1	118
3000-3500	13	-	-	99	-	1	113
3500-4000	3	-	-	79	-	-	82
4000-4500	6	-	-	59	-	-	65
4500-5000	-	-	-	28	-	-	28
>5000	3	-	-	52	-	-	55
Total	**47**	**20**	**5**	**1,008**	**4**	**263**	**1,347**

[1] Qualified Domestic Relations Order

Figure 72

Retired Members by Type and Benefit Amount

Police and Fire Retirement System

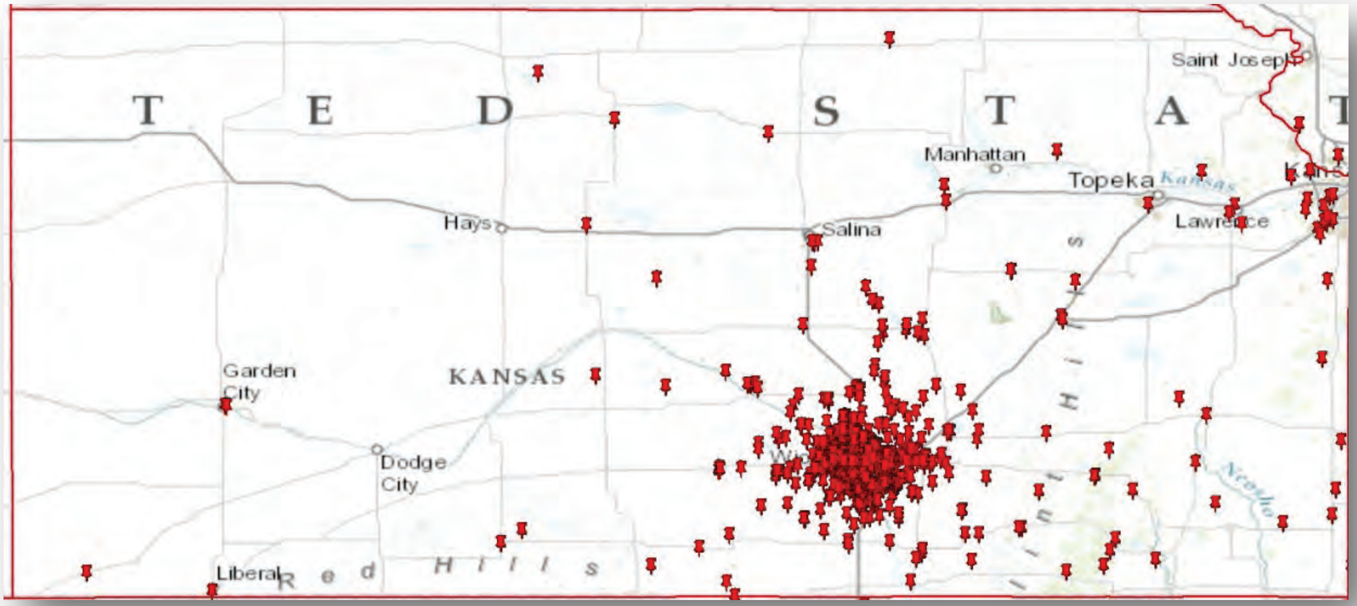
(as of December 31, 2012)

Amount of Monthly Benefit	Non-Service Disability	QDRO[1]	Recalc. Service Disability	Service	Service Disability	Survivor	Total
$ 0-500	-	2	-	5	-	8	15
500-1000	2	8	-	31	4	47	92
1000-1500	4	3	1	72	-	36	116
1500-2000	-	-	2	145	-	44	191
2000-2500	-	-	4	137	1	28	170
2500-3000	-	-	7	76	11	5	99
3000-3500	-	-	10	75	14	1	100
3500-4000	-	-	16	53	17	1	87
4000-4500	-	-	3	27	3	-	33
4500-5000	-	-	3	8	-	-	11
>5000	-	-	2	6	-	-	8
Total	**6**	**13**	**48**	**635**	**50**	**170**	**922**

[1] Qualified Domestic Relations Order

Figure 73

<u>Retiree Locations in Kansas</u>



<u>Estimated Total Annual Pensions per Kansas County</u>

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