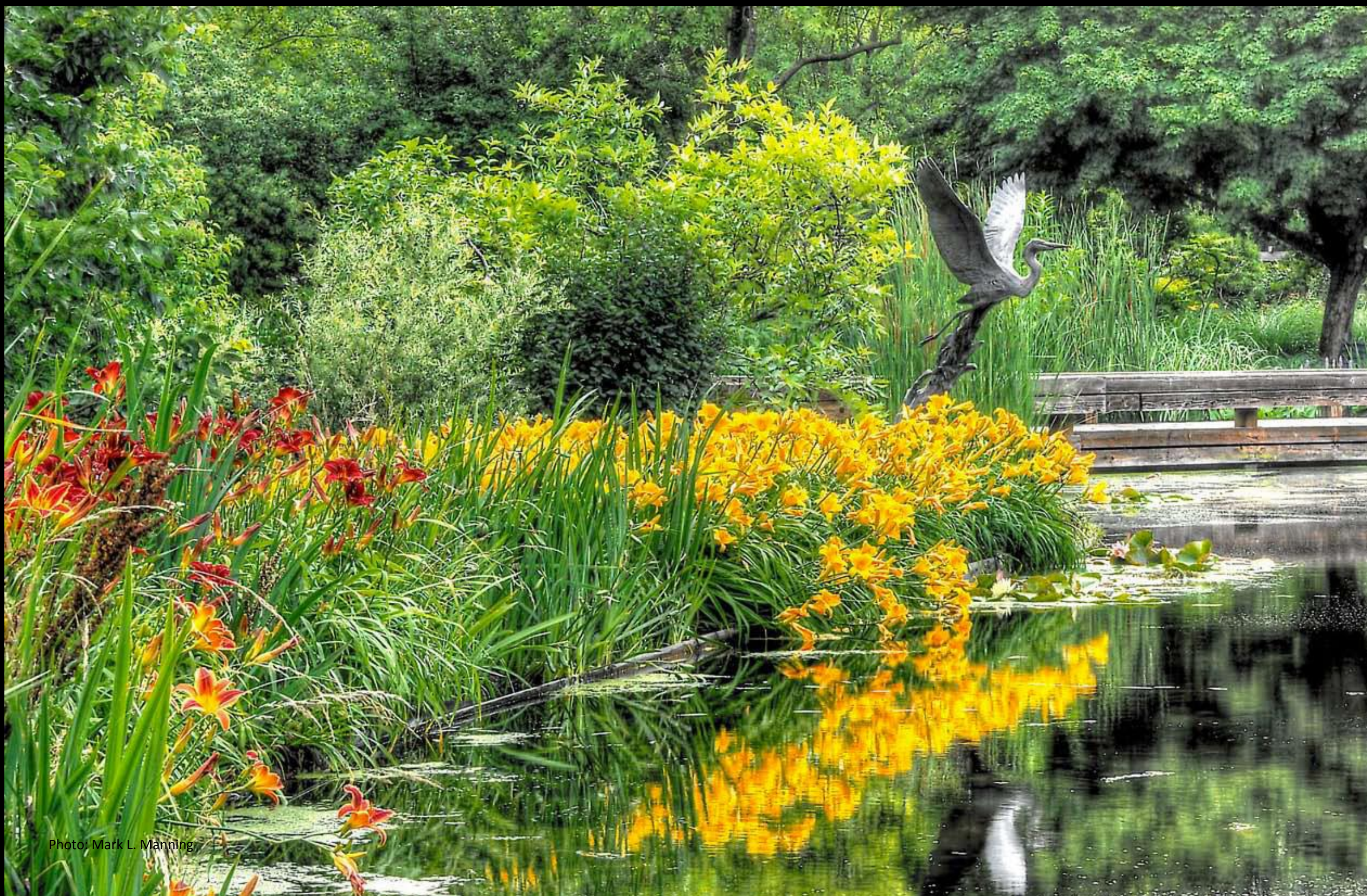


WICHITA RETIREMENT SYSTEMS

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, 2014


DROP
WERS
PLAN
FINANCIAL
INVESTMENT
SYSTEMS
RETIREMENT
MEMBERS
REPORT
MANAGER
BENEFIT
FUNDED
PARTICIPANT
EMPLOYEES
contributions
Board
pension
year
assets
City
WICHITA
ACTUARIAL
ALLOCATION
TRUSTEES
PFRS
liability
FUTURE
CHANGES
provide
POLICE
period
DATE
ANNUAL
comprehensive
ENDED
SECTION
RETURN
Achievement
ELIGIBLE
COMMODITIES
STATEMENTS
ADDITIONAL
REGARDING
SERVICE
COMBINED
PAYROLL
STANDARDS
PRESENT
equity
RESULTS
payment
officers
SINGLE
target
RATIO
MONTHLY
CERTIFICATE
October
SEVEN
CONTROL
FINANCE
DEPARTMENT
meet
WERIP
PRINCIPLES
domestic
CONSISTING
RESPECTIVELY
SELECTED
accumulated
BEGINNING
APPOINTED
position
auditors
VALUE
vesting
RATES
BENEFICIARIES
Strategic
GENERALLY
ACCORDANCE
USED
SPOUSES
ACCEPTED
TIMBER
DESIGNEE
completeness
TIME
active
RANGE
objective
SIXTEEN
EXCEEDS
REVISED
portfolio

Comprehensive Annual Financial Report

for the fiscal year ended December 31, 2014

Pension Trust Funds of

The City of Wichita, Kansas

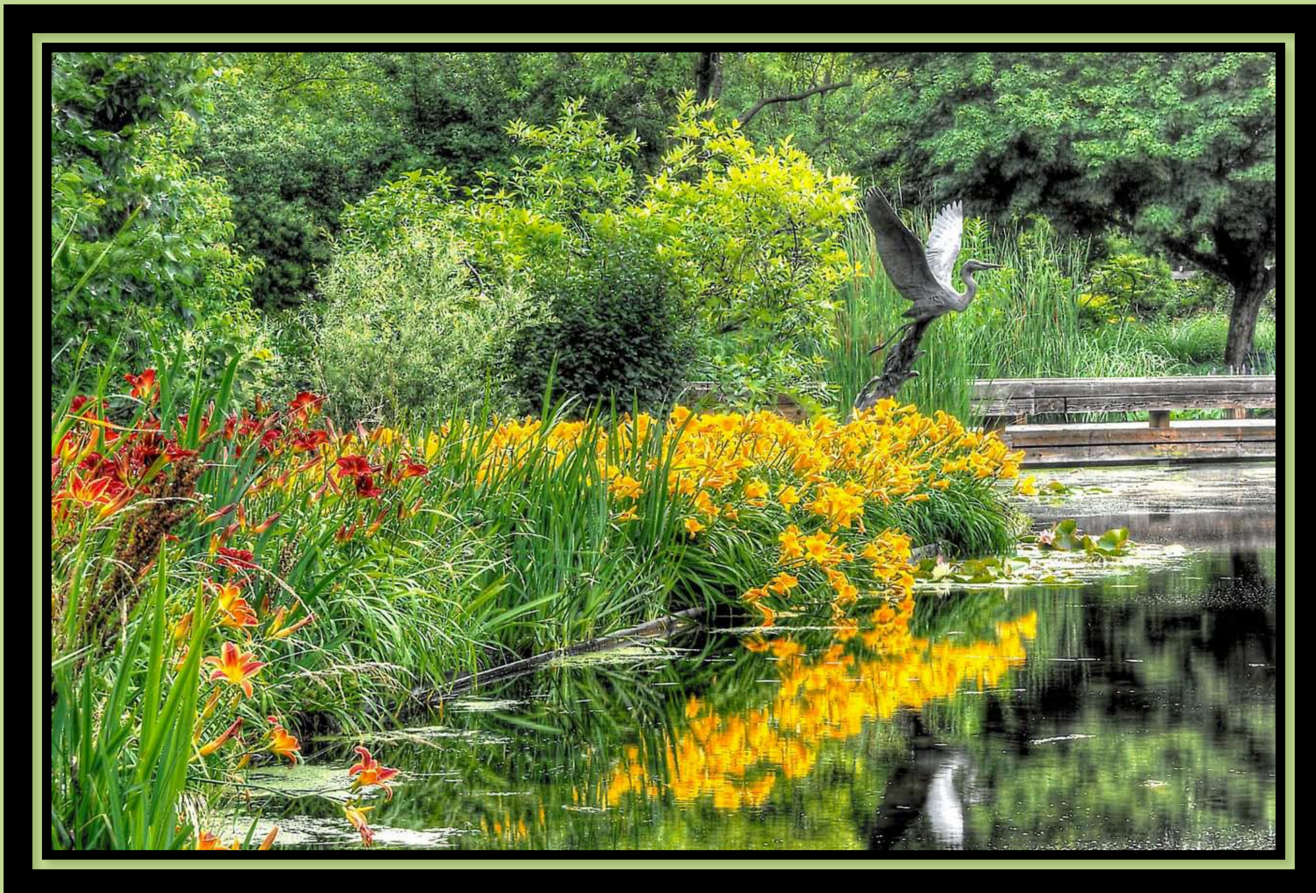
Wichita Retirement Systems

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

Table of Contents

INTRODUCTORY SECTION



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wichita Kansas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2014

Presented to

Wichita Retirement Systems

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

Presented by the Public Pension Coordinating Council, a confederation of

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

The Wichita Retirement Systems' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2013 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 fifteenth 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, 2013 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This was the twelfth 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).

July 28, 2015

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 seventeenth 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, 2014.

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 unmodified ("clean") opinion on the Systems' financial statements for the year ended December 31, 2014 has been issued. The independent auditor's 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 auditor's 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.

Department of Finance
City Treasurer's Division • Pension Management
City Hall • 12th Floor • 455 N. Main • Wichita, Kansas 67202
T 316.268.4544 • **F** 316.268.4656
www.wichita.gov

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, 2014, the funded ratio of the PFRS was 95.1 percent and the funded ratio of the WERS was 94.9 percent. The funded ratio is the ratio of actuarial assets to actuarial liabilities. The actuarial liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the actuarial value of assets at the same date is referred to as the unfunded actuarial liability (UAL), or surplus if the asset value exceeds the actuarial liability. The Systems' unfunded actuarial liability (or surplus) is amortized over a 20-year rolling period.

The funded ratios for the PFRS and WERS increased by 2.6 and 1.8 percentage points, respectively. Unless offset by future investment returns below the actuarial assumed rate of return of 7.75 percent, the recognition of these gains is expected to improve the funded ratios for the Systems and decrease the required employer contributions in future years. In 2014, employer contributions for the PFRS decreased from 22.8 percent to 22.4 percent of annual covered payroll and employer contributions for the WERS increased from 12.6 percent to 13.2 percent of annual covered payroll. Additional information regarding the financial condition and funding status of the pension trust funds can be found in the Financial and Actuarial Sections of this report.

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

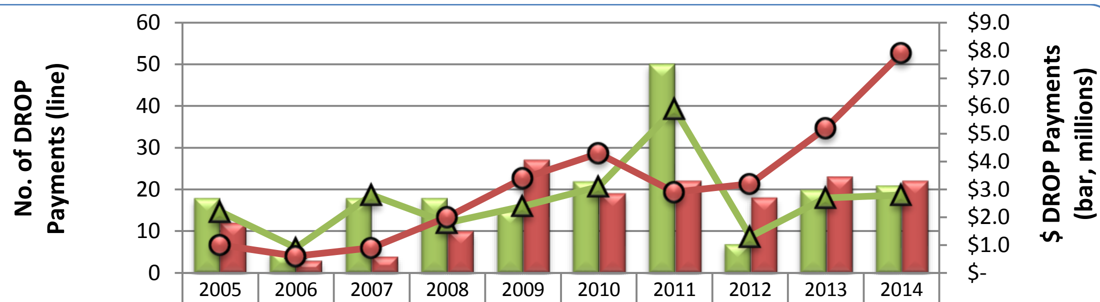
As of December 31, 2014, the Fiduciary net position was $1.19 billion, an increase of 1.7 percent from the December 31, 2013 Plan net position of $1.17 billion. The investment return for the WRS' combined investment portfolio was 5.59 percent for the year ended December 31, 2014, slightly underperforming the WRS' investment target benchmark return of 5.78 percent for the same period. The investment return over the past 5-year period was 10.63 percent, outperforming the benchmark return of 9.39 percent 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 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 41.

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 significantly increased in 2014 to $7.9 million. Although the number of participants in 2014 remained consistent with the prior year, the salaries of these more tenured participants contributed to the overall increase in payments (see figure below).

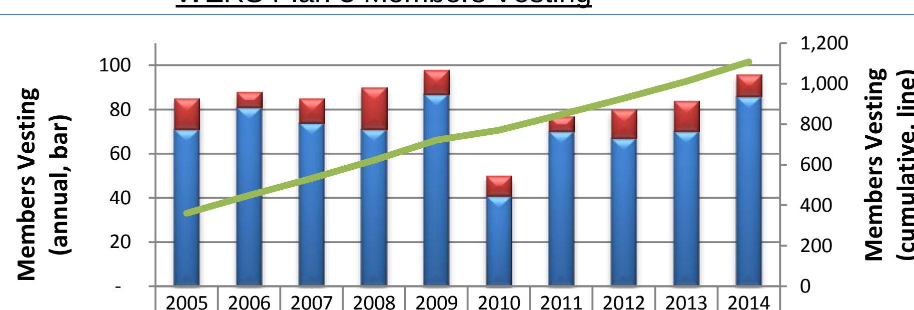
WERS and PFRS DROP Payments



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
# WERS	18	5	18	18	15	22	50	7	20	21
# PFRS	12	3	4	10	27	19	22	18	23	22
$ WERS	$2.2	$0.9	$2.8	$1.8	$2.4	$3.1	$5.9	$1.3	$2.7	$2.8
$ PFRS	$1.0	$0.6	$0.9	$2.0	$3.4	$4.3	$2.9	$3.2	$5.2	$7.9

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



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Vestings (Annual)	85	88	85	90	98	50	77	80	84	96
Remain in Plan 3 (Annual)	14	7	11	19	11	9	7	13	14	10
Transfer to Plan 2 (Annual)	71	81	74	71	87	41	70	67	70	86
Total Vestings (Cumulative)	360	448	533	623	721	771	848	928	1,012	1,108

Strategic Plan and Investment Policy Changes: During 2014, the Systems continued to fund new allocations based upon results of the 2010 asset allocation/liability study, which became effective in 2011. A new commodities manager, Wellington, was selected to replace GE Asset Management, which closed its commodities fund in 2013.

In 2013, the Joint Investment Committee (JIC) reviewed, and both WRS Boards adopted, additional changes to the Strategic Plan and Investment Policies applicable to the Fund's international equity structure which became effective in July 2013. Major components included: 1) adding a passive core allocation; 2) adding a small-cap allocation; 3) removing the active core plus allocation; and 4) moving from the Morgan Stanley Capital International, All Country World Index ex-U.S. (MSCI ACWI ex-US) to the Morgan Stanley Capital International, All Country World Index ex-U.S. Investable Market Index (MSCI ACWI ex-U.S. IMI). The overall allocation to international equity was unchanged at 22%. These changes to the international equity structure were implemented in 2014.

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, 2013. This was the fifteenth 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, 2013 received the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for the twelfth 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 2014 and plan to apply for the Public Pension Standards Award.

Acknowledgments

This report was made possible through the combined efforts of 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
Director of Finance

Carla Palmer
Interim Pension Manager

Boards of Trustees

Wichita Employees' Retirement System Board of Trustees

Trustee Name[1]	Type of Membership
Troy Arment	Appointed by Council Member
Maria Bias	Elected
Steve Coberley	Elected
Robert Decker	Appointed by Council Member
Colleen Didier	Appointed by Council Member
Jane Hammil	Appointed by Council Member
Mark Hall (President)	Elected
Mike Hastings (2nd V.P.)	Appointed by Council Member
Shawn Henning	City Manager Appointee
Jeff Kennedy	City Manager Designee
Stephanie Mankins	Appointed by Council Member
Mark Manning	Elected
William Perkins	Elected
Sean Seamster	Elected
Melinda Walker (1st V.P.)	Elected
Vacant	Appointed by Council Member

[1]Names of Trustees and Officer positions are as of December 31, 2014.

Figure 1

Police and Fire Retirement System Board of Trustees

Trustee Name[1]	Type of Membership
Ronald Blackwell	Fire Chief
Carolyn Conley	Appointed by Council Member
Michael Crosby (2nd V.P.)	Fire Elected
Shawn Henning	City Manager Designee
Jason Jones (President)	Fire Elected
Kenneth Kriz	Appointed by Council Member
Nelson Mosley	Interim Police Chief
Lance Oldridge	Police Elected
Paul O'Mara	Appointed by Council Member
Chester Pinkston	Police Elected
Jose Salcido	Police Elected
Jeremy Spexarth	Fire Elected
William Wynne (1st V.P.)	Appointed by Council Member
Vacant	Appointed by Mayor
Vacant	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, 2014.

Figure 2

Organizational Chart

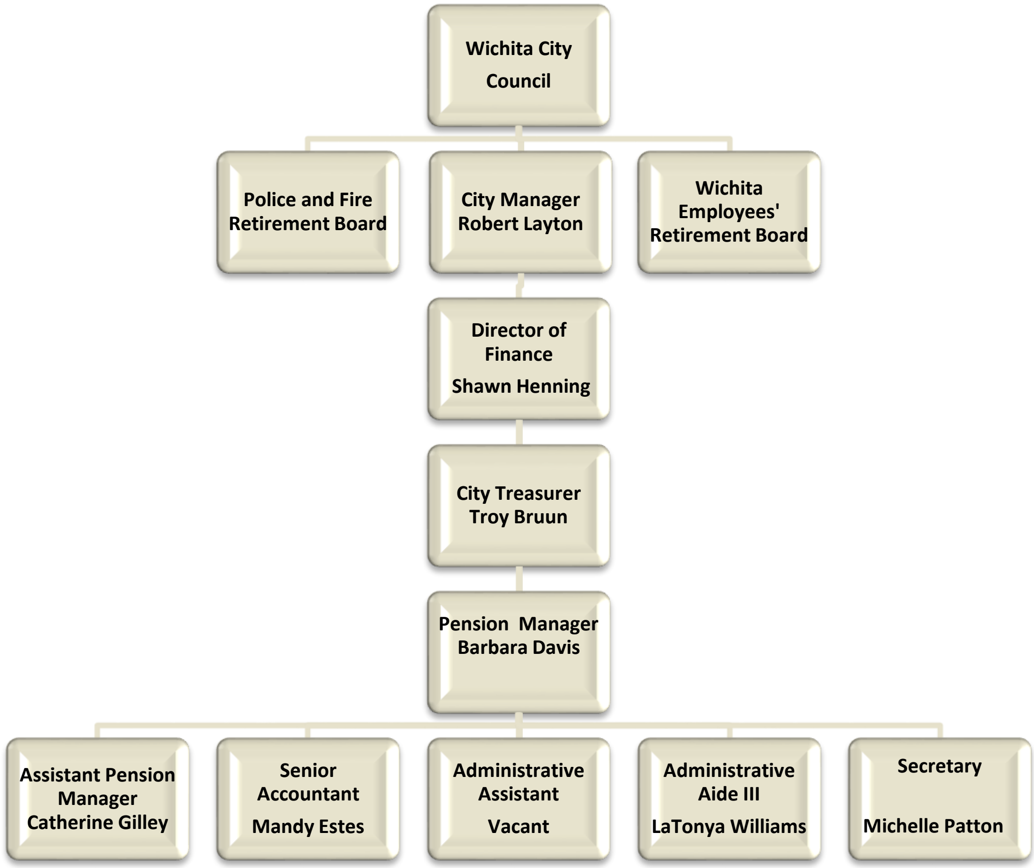


Figure 3

Principal officials and pension management positions are as of December 31, 2014

Professional Consultants

Actuary Cavanaugh Macdonald Consulting, L.L.C. 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 1200 Crown Colony Drive Quincy, Massachusetts 02169	**Defined Contribution Participant Accounting** Northeast Retirement Services 12 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 49 and 50. A schedule of fees and commissions can be found on Page 52.

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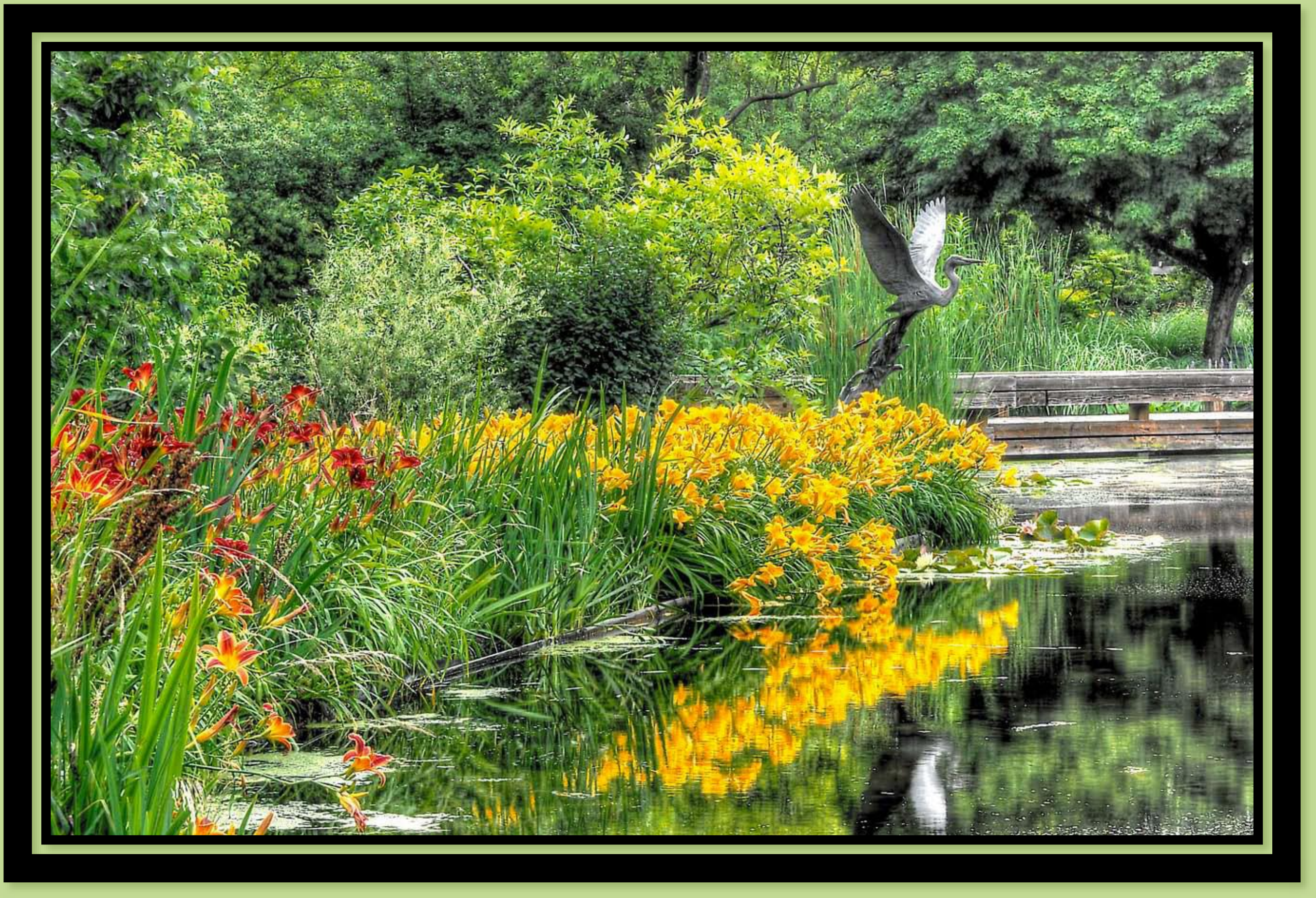
FINANCIAL SECTION



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, 2013, and the related statement of changes in plan net position for the year ended December 31, 2013, 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 from 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, 2013, 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' 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2013. In our opinion, the

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summarized comparative information presented herein as of and for the year ended December 31, 2012, 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 in 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 of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 purposes 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 management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 23, 2014 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 23, 2014
Wichita, Kansas

2

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, 2014. 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 Fiduciary Net Position and the Statement of Changes in Fiduciary 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 Fiduciary Net Position** (see Page 14) is presented for the pension trust funds as of December 31, 2014, with combined total comparative information at December 31, 2013. The Statement of Fiduciary Net Position presents information on all of the Systems' assets and liabilities, with the difference between the two reported as net position restricted for pensions. The statement is a snapshot of the financial position of the Systems at the close of the fiscal year.

The **Statement of Changes in Fiduciary Net Position** (see Page 15) is presented for the pension trust funds for the year ended December 31, 2014, with combined total comparative information for the year ended December 31, 2013. 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** (see Page 30) consists of schedules and related notes concerning significant actuarial information and assumptions. 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 Changes in the Employer's Net Pension Liability and Related Ratios** (see Page 30) presents detailed information about the pension liabilities for which the pension plan's assets are held and managed. The schedule is intended to assist financial statement users in understanding the magnitude of the pension liability and the degree to which net position restricted for pensions is sufficient to cover the liability.

The **Schedules of Employer Contributions** (see Page 32) show the amount of actuarially determined required contributions relative to the actual contributions made during the year. This schedule also presents covered payroll and contributions as a percentage of covered payroll to provide an economic context for the amounts of contributions reported.

The **Schedule of Investment Returns** (see Page 34) shows the money-weighted rate of return on investments, net of investment expense. The money-weighted rate of return is a method for calculating investment performance on pension investments that adjusts for the changing amounts actually invested.

The **Notes to the Required Supplementary Information** (see Page 34) include the actuarial methods and assumptions used to determine the data included in the Schedules of Changes in the Employer's Net Pension Liability and Related Ratios and the Schedules of Employer Contributions.

The **Supplementary Information** beginning on Page 36 includes a schedule of **Administrative Expenses** (see Page 36), a schedule of **Investment Expenses** (see Page 36) and a schedule of **Payments to Consultants Other Than Investment Advisors** (see Page 37) to show detail of the administrative and investment costs to operate the Systems.

Financial Statement Analysis

Fiduciary Net Position

The fiduciary net position increased by $15.9 million during the 2014 fiscal year. This change primarily consisted of a $17.0 million increase in cash and investments, mostly due to the appreciation of investment holdings. The investment return was 5.67% for the year ended December 31, 2014. Investment returns by asset class were: domestic equity 10.66%, international equity (4.06)%, domestic fixed income 6.68%, real estate 14.48% and timber 2.79%.

As of December 31, 2014, total securities lending obligations decreased by $8.3 million, as compared to December 31, 2013. 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 2013 and 2014 are shown below (see Figure 5 and Figure 6).

Summary of Fiduciary Net Position

	2014	2013	Increase (Decrease)
Assets			
Total cash and investments	$ 1,197,077,295	$1,180,074,551	$ 17,002,744
Total capital assets (net of depreciation)	108,066	290,611	(182,545)
Total receivables	15,705,048	24,504,234	(8,799,186)
Securities lending short-term collateral investment pool	73,614,900	81,956,461	(8,341,561)
Total assets	1,286,505,309	1,186,825,857	(320,548)
Liabilities			
Accounts payable and accrued expenses	2,232,594	1,235,509	997,085
Investment purchases pending	26,177,044	35,069,489	(8,892,445)
Securities lending obligations	73,614,900	81,956,461	(8,341,561)
Total liabilities	102,024,538	118,261,459	(16,236,921)
Fiduciary Net Position	$ 1,184,480,771	$1,168,564,398	$ 15,916,373

Figure 5

Summary of Changes in Fiduciary Net Position

	2014	2013	Increase (Decrease)
Additions			
Contributions			
Employer	$ 24,076,878	$ 23,996,680	$ 80,198
Employee	8,113,496	8,028,412	85,084
Net investment income	59,594,917	195,317,084	(135,722,167)
Reclassifications due to participant conversion	2,942,734	2,465,600	477,134
Total additions	94,728,025	229,807,776	(135,079,751)
Deductions			
Pension benefits	72,736,422	66,531,806	6,204,616
Pension administration	984,875	879,766	105,109
Depreciation	182,543	182,543	-
Employee contributions refunded	1,965,078	1,982,959	(17,881)
Reclassifications due to participant conversion	2,942,734	2,465,600	477,134
Total deductions	78,811,652	72,042,674	6,768,978
Net increase (decrease) in Fiduciary Net Position	15,916,373	$ 157,765,102	(141,848,729)
Net Position – beginning	1,168,564,398	1,010,799,296	157,765,102
Net position – ending	$1,184,480,771	$1,168,564,398	$ 15,916,373

Figure 6

Additions to Fiduciary Net Position

Additions to fiduciary 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, 2014, additions totaled $94.7 million, which is a $135.0 million decrease from the 2013 additions of $229.8 million. Employer and employee contributions remained consistent with amounts reported in 2013. However, net investment income decreased by $135.7 million from the prior year.

Deductions from Fiduciary Net Position

Deductions from fiduciary net position are consistent with characteristics of a mature pension system. Pension benefits increased from $66.5 million in 2013 to $72.7 million in 2014, or approximately $6.2 million or 9.3%. This increase is due to new pensioners with benefits based on higher salaries being added to the pension payroll. In addition, DROP and Back DROP payments increased $2.8 million, or 25.2% over 2014.

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 Fiduciary Net Position
December 31, 2014
(with comparative totals as of December 31, 2013)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2014	Totals 2013
ASSETS					
Cash and temporary investments	$ 477,041	$ 279,968	$ 37,359	$ 794,368	$ 806,493
Receivables:					
Investment sales pending	6,210,395	5,619,380	177,044	12,006,819	20,684,984
Interest and dividends	1,320,171	1,194,536	37,635	2,552,342	2,788,710
Other	607,254	489,955	48,678	1,145,887	1,030,540
Total receivables	8,137,820	7,303,871	263,357	15,705,048	24,504,234
Investments, at fair value:					
Government short-term investment fund	18,368,874	16,620,791	523,655	35,513,320	28,810,870
Government securities: long-term	23,023,664	20,832,452	672,073	44,528,189	41,769,993
Corporate debt instruments: long-term	47,654,375	43,119,006	1,391,057	92,164,438	86,308,355
Mortgage and asset-backed securities	40,298,580	36,463,277	1,176,337	77,938,194	73,863,160
Corporate stocks: domestic equities	225,697,502	204,217,386	6,588,230	436,503,118	438,046,582
Corporate stocks: international equities	52,383,258	47,397,830	1,529,095	101,310,183	204,117,335
Real estate	33,381,234	30,204,271	974,416	64,559,921	62,009,396
Timber	12,274,441	11,106,255	358,297	23,738,993	24,854,838
Value of interest in pooled funds:					
Commodities	13,600,177	12,305,819	396,996	26,302,992	-
Target date funds	-	-	3,294,383	3,294,383	2,756,523
International fixed income	3,778,191	3,418,612	110,287	7,307,090	6,970,523
High yield fixed income	4,381,246	3,964,273	127,891	8,473,410	8,953,804
U.S. TIPS	17,371,691	15,718,390	507,089	33,597,170	24,676,427
Domestic equities	49,711,902	44,980,714	1,451,117	96,143,733	131,201,951
International equities	74,951,961	67,819,123	2,136,709	144,907,793	44,928,301
Securities lending short-term collateral investment pool	38,076,497	34,452,929	1,085,474	73,614,900	81,956,461
Total investments	654,953,593	592,621,128	22,323,106	1,269,897,827	1,261,224,519
Capital assets:					
Pension software	453,543	453,543	388,751	1,295,837	1,295,837
Less accumulated depreciation	(415,718)	(415,718)	(356,335)	(1,187,771)	(1,005,226)
Total capital assets (net of depreciation)	37,825	37,825	32,416	108,066	290,611
Total assets	663,606,279	600,242,792	22,656,238	1,286,505,309	1,286,825,857
LIABILITIES					
Accounts payable and accrued expenses	898,938	1,305,771	27,885	2,232,594	1,235,509
Investment purchases pending	13,539,788	12,251,268	385,988	26,177,044	35,069,489
Securities lending obligations	38,076,497	34,452,929	1,085,474	73,614,900	81,956,461
Total liabilities	52,515,223	48,009,968	1,499,347	102,024,538	118,261,459
NET POSITION					
Restricted for pensions	$ 611,091,056	$552,232,824	$21,156,891	$1,184,480,771	$1,168,564,398

Figure 7

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

Wichita Retirement Systems
Statement of Changes in Fiduciary Net Position
For the year ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2014	Totals 2013
ADDITIONS					
Contributions:					
Employer	$ 14,464,181	$ 8,464,927	$ 1,147,770	$ 24,076,878	$23,996,680
Employee	4,529,895	2,435,831	1,147,770	8,113,496	8,028,412
Total contributions	18,994,076	10,900,758	2,295,540	32,190,374	32,025,092
Investment income:					
From investment activities					
Net appreciation in fair value of investments	17,482,735	15,935,619	711,269	34,129,623	171,885,510
Interest and dividends	16,009,243	14,605,740	482,487	31,097,470	28,434,475
Commission recapture	11,105	10,114	336	21,555	32,688
Total investing activity income	33,503,083	30,551,473	1,194,092	65,248,648	200,352,673
Less investment expense	3,059,394	2,795,662	94,480	5,949,536	5,294,099
Net income from investing activities	30,443,689	27,755,811	1,099,612	59,299,112	195,058,574
From securities lending activities					
Securities lending income	114,088	105,401	4,176	223,665	251,167
Securities lending activities expenses:					
Borrower rebates	(100,165)	(89,782)	(3,076)	(193,023)	(106,127)
Management fees	61,875	56,368	2,640	120,883	98,784
Total securities lending activities expenses	(38,290)	(33,414)	(436)	(72,140)	(7,343)
Net income from securities lending activities	152,378	138,815	4,612	295,805	258,510
Total net investment income	30,596,067	27,894,626	1,104,224	59,594,917	195,317,084
Reclassifications due to participant conversion	-	2,942,734	-	2,942,734	2,465,600
Total additions	49,590,143	41,738,118	3,399,764	94,728,025	229,807,776
DEDUCTIONS					
Pension benefits	35,957,733	36,778,689	-	72,736,422	66,531,806
Pension administration	478,320	441,869	64,686	984,875	879,766
Depreciation	63,887	63,888	54,768	182,543	182,543
Employee contributions refunded	457,423	400,433	1,107,222	1,965,078	1,982,959
Reclassifications due to participant conversion	-	-	2,942,734	2,942,734	2,465,600
Total deductions	36,957,363	37,684,879	4,169,410	78,811,652	72,042,674
Net increase (decrease) in net position	12,632,780	4,053,239	(769,646)	15,916,373	157,765,102
Net position - beginning	598,458,276	548,179,585	21,926,537	1,168,564,398	1,010,799,296
Net position - ending	$ 611,091,056	$ 552,232,824	$ 21,156,891	$ 1,184,480,771	$1,168,564,398

Figure 8

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

Notes to the Financial Statements

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.

The WERS Board of Trustees is comprised of 16 members including the City Manager or the City Manager's designee, one employee appointed by the City Manager, seven members appointed by the City Council, and seven employees elected by the WER employee members. The single-employer defined contribution plan consists of the Wichita Employees' Retirement System Plan 3 that is also governed by the Wichita Employees' Retirement System Board of Trustees. The PFRS Board of Trustees is comprised of 16 members including the City Manager or the City Manager's designee, the Chief of the Police Department, the Chief of the Fire Department, seven members appointed by the City Council, three fire officers elected by PFRS employee members in the Fire Department or the Airport and three police officers elected by PFRS employee members in the Police Department.

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.

The Plans have adopted GASB Statement 67, Financial Reporting for Pension Plans, for the year ended December 31, 2014. GASB 67 requires, among other things, the notes to the financial statements include additional descriptive information about investments, the types of benefits provided, the classes of plan members covered, the composition of the System's boards, and information on the total pension liability, fiduciary net position, and net pension liability. GASB 67 also revises the required supplementary information to include further details on the net pension liability and changes to that liability.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost plus accrued interest, which approximates 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. The Systems invest in treasury strips and various asset-backed securities, such as collateralized mortgage obligations and credit card trusts. The fair value of real estate and timber investments is based upon independent appraisals. Investments that do not have an established market are reported at their estimated fair value.

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 to the Financial Statements 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, 2013, 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 fair value exceeded 5% or more of the net position available for pension benefits. There are no long-term contracts for contributions.

Pending Governmental Accounting Standards Board (GASB) Statements: GASB Statement 72, Fair Value Measurement and Application, provides guidance for determining a fair value measurement for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this Statement are effective for financial statements for the Plans' fiscal year ending December 31, 2016.

Insurance

The WRS participate in the City of Wichita's self-insurance fund programs for workers' compensation, group life insurance, employee liability, property damage, auto liability and general liability. There were no settlements in excess of insurance coverage in any of the three prior 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.

With the exception of the $794,368 held in the City's pooled funds, as of December 31, 2014 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 held under a custodial agreement. The Pension Boards have adopted the Strategic Plan and Investment Policies which set forth, in detail, the asset allocation for the fund and restrictions applicable to specific investment types to mitigate risk. The policies permit investment in six asset types: domestic equities, international equities, domestic fixed income, real estate, timber, and commodities.

The investments of the WRS on December 31, 2014 are listed in Figure 9 below.

Wichita Retirement Systems' Investments

Type of Investment		Fair Value
Government short-term investment fund	$	35,513,320
Government securities, long-term		44,528,189
Corporate debt instruments, long-term		92,164,438
Mortgage and asset-backed securities		77,938,194
Corporate stocks, domestic common		436,503,118
Corporate stocks, international common		101,310,183
Real estate		64,559,921
Timber		23,738,993
Value of interest in pooled funds, commodities		26,302,992
Value of interest in pooled funds, target date funds		3,294,383
Value of interest in pooled funds, international fixed income		7,307,090
Value of interest in pooled funds, high yield fixed income		8,473,410
Value of interest in pooled funds, U.S. TIPS		33,597,170
Value of interest in pooled funds, domestic equities		96,143,733
Value of interest in pooled funds, international equities		144,907,793
Securities lending short-term collateral investment pool		73,614,900
Total investments	$	1,269,897,827

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, 2014, the WRS' cash deposits in the amount of $794,368 were included in the City's pooled cash and temporary investments. As of December 31, 2014, all deposits held in the City's pooled funds were fully collateralized by securities or other collateral held by an outside party. 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, 2014, the duration of the Index was 5.55 years, which equated to a minimum and maximum range for each fixed income portfolio of 4.44 years and 6.66 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, 2014, the duration of the Index was 7.84 years, which equated to a minimum and maximum range for each TIPS portfolio of 6.27 years and 9.41 years, respectively.

The modified duration of investments, expressed in years, on December 31, 2014 is shown in Figure 10, below:

Modified Duration of Investments

Investment Type	Fair Value	Percent of all Fixed Income Assets	Weighted Average Modified Duration (years)
Corporate debt instruments, long-term	$ 92,164,438	30.8%	6.1
Mortgage and asset-backed securities	77,938,194	26.0	4.1
Government securities long-term	44,528,189	14.9	10.0
Actively managed investments	214,630,821	71.7	6.2
Government short-term investment fund	35,513,320	11.9	0.1
Pooled U.S. TIPS	33,597,170	11.2	7.7
Pooled high yield fixed income securities	8,473,410	2.8	2.1
Pooled international fixed income securities	7,307,090	2.4	4.9
Total	**$ 299,521,811**	**100.0%**	

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 & 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 & 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 2014, 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, 2014, as rated by Standard & Poor's or an equivalent nationally recognized statistical rating organization.

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 14 on Page 22 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, as delineated in the WRS' investment policies.

Rate of Return: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.18% for the year ended December 31, 2014. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Actuarial Rate of Return Assumption: The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience study prepared for the System. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by targeting the asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of geometric real rates of return (net of 2.25% inflation assumption) for each major asset class is summarized in Figure 12.

Standard & Poor's Investment Ratings

Quality Rating	Debt Securities
AAA	$ 40,186,899
AA+	95,439,990
AA	5,088,752
AA-	4,775,768
A+	13,752,183
A	25,384,900
A-	24,785,942
BBB+	16,785,278
BBB	5,377,417
BBB-	5,880,872
BB+	2,543,622
BB	1,385,699
BB-	4,216,864
B+	6,155,553
B	364,707
B-	1,308,955
CCC+	125,413
CCC	1,862,101
CCC-	227,271
CC	-
D	1,562,274
NR	6,798,031
Total credit risk debt securities	264,008,491
Government short-term investment fund[1]	35,513,320
Total investment in debt securities	**$299,521,811**

[1] While the government short-term investment fund itself is not rated, the average quality of the holdings of the Government Short-Term Investment Fund on December 31, 2014 was A-1+P1.

Figure 11

Long-term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Broad U.S. Equity	40%	5.35%
Broad International Equity	22%	5.25%
Broad U.S. Fixed Income	22%	0.75%
TIPS	3%	0.75%
Real Estate	5%	3.90%
Timber	5%	4.65%
Commodities	3%	0.80%
Total	**100%**	

*Geometric mean, net of investment expenses

Figure 12

Foreign Currency Risk: Currency risk arises due to foreign exchange rate fluctuations. The WRS' investment policies 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, 2014, the Systems held forward currency contracts with an unrealized gain of $73,787. 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, 2014 is as follows (see Figure 13):

Exposure to Foreign Currency Risk

Currency	Cash and Cash Equivalents	Debt Securities	Equities	Total
Australian dollar	$ 5,458	$ -	$ 6,897,682	$ 6,903,140
Danish krone	-	-	1,119,581	1,119,581
Euro	180,175	-	36,020,892	36,201,067
Hong Kong dollar	6	-	3,427,759	3,427,765
Japanese yen	-	-	21,206,237	21,206,237
Mexican peso	122,088	2,239,231		2,361,319
New Zealand dollar	-	-	684,625	684,625
Norwegian krone	7,915	-	713,640	721,555
Pound sterling	80,461	-	19,839,818	19,920,279
Singapore dollar	27,043	-	1,176,409	1,203,452
Swedish krona	-	-	1,687,280	1,687,280
Swiss franc	23,207	-	8,457,004	8,480,211
International mutual funds (various currencies)	-	7,307,090	-	7,307,090
Total exposure to foreign currency risk	**$ 446,353**	**$ 9,546,321**	**$101,230,927**	**$111,223,601**

Figure 13

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.

Derivatives: Investment derivative instruments are financial contracts for which the value of the contract is dependent upon 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, 2014. 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, 2014 are shown in Figure 14. 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 Fiduciary Net Position and the total changes in fair value for the year are included as investment income in the Statement of Changes in Fiduciary Net Position.

The fair value of derivative investments is based upon 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 Fiduciary 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 Value	Counterparty	Counterparty Rating
Credit Default Swap Bought	Investment Revenue	$ 21,448	$ -	$ -	Goldman Sachs CME	A-
Credit Default Swap Written	Investment Revenue	944	160,000	910	Deutsche Bank Securities, Inc.	A
Credit Default Swap Written	Investment Revenue	6,066	270,000	-	Deutsche Bank AG New York	A
Credit Default Swap Written	Investment Loss	(643)	130,000	963	Barclays De Zoete Wedd	A
Credit Default Swap Written	Investment Revenue	18,852	-	-	Goldman Sachs CME	A-
Fixed Income Futures Long	Investment Revenue	838,528	15,200,000	225,005		
Fixed Income Futures Short	Investment Loss	(690,210)	(17,650,000)	(238,444)		
Foreign Currency Futures Short	Investment Revenue	61,881	(375,000)	12,863		
Foreign Currency Options Bought	Investment Loss	(17,907)	19,700	8,770		
Foreign Currency Options Written	Investment Revenue	7,944	-	-		
Futures Options Bought	Investment Loss	(70,311)	33,000	13,922		
Futures Options Written	Investment Revenue	143,874	(212,500)	(19,938)		
FX Forwards	Investment Revenue	424,693	2,503,425	80,436	Citibank N.A. London	A
FX Forwards	Investment Loss	(34,286)	1,151,695	(34,286)	Bank of America N.A.	A
FX Forwards	Investment Revenue	66,734	838,564	27,636	Barclays Bank PLC Wholesale	A
FX Forwards	Investment Loss	(78,632)	-	-	State Street Bank London	AA-
Receive fixed interest rate swaps	Investment Revenue	13,558	-	-	Goldman Sachs CME	A-
Pay fixed interest rate swaps	Investment loss	(18,429)	-	-	Goldman Sachs CME	A-
Rights	Investment Revenue	513	9,487	-		
	Totals	**$ 694,617**	**$ 2,078,371**	**$ 77,837**		

Figure 14

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 fair value of the loaned securities, international equity securities for initial collateral of 105% of the fair 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 fair 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 fair 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. The amount shown on the Statement of Fiduciary Net Position only reflects transactions where cash collateral was received. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted average maturity of 31 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, $73,614,900 was held by the counterparty acting as the WRS' agent in securities lending transactions on December 31, 2014.

Capital Assets

Capital asset activity for the year ended December 31, 2014 is displayed below (see Figure 15):

Capital Assets

	Beginning Balance	Increase/ (Decrease)	Ending Balance
Pension administration hardware and software	$ 1,295,837	$ -	$ 1,295,837
Less: accumulated depreciation	(1,005,226)	(182,545)	(1,187,771)
Capital assets, net	**$ 290,611**	**$ (182,545)**	**$ 108,066**

Figure 15

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.

Deferred Retirement Option Plan (DROP) Provision: The benefit structure of the Wichita Employees' Retirement System includes a Deferred Retirement Option Plan (DROP). Both Plan 1 and Plan 2 provide a DROP provision. Members must be eligible to retire early under early reduced or normal age and/or service requirements to participate in the DROP. The maximum DROP period is five years. The monthly benefit amount is computed as of the DROP election date based on the Final Average Salary and years of service as of that date. The benefit is paid into the member's notional DROP account during the deferral or DROP period. The member and City both continue to make the required contributions during the deferral period. These contributions are not credited to the member's DROP account, but are credited to general Plan assets to improve the System's funding. Interest at an annual rate of 5.0%, compounded monthly, is credited to the notional DROP account. Voluntary termination of employment during the DROP period results in loss of accrued interest. When the member terminates employment, the balance of the DROP account is paid as a lump sum and future monthly benefits are paid to the member. The balance of the notional DROP accounts as of the measurement date is $3,470,883.

On December 31, 2014, the WERS defined benefit plan membership (Plan 1 and Plan 2) consisted of (Figure 16):

Defined Benefit Plan Membership

	Plan 1	Plan 2	Total
Inactive plan members or beneficiaries currently receiving benefits	768	573	1,341
Inactive plan members entitled, to but not yet receiving benefits	-	147	147
Active plan members	8	989	997
Total membership	**776**	**1,709**	**2,485**

Figure 16

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%
Final average salary	Average for the 3 consecutive years of service which produce the highest average and which are within the last 10 years of service	Average for the 3 consecutive years of service which produce the highest average and which are within the last 10 years of service
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 17

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 2014 was 13.2% of annual covered payroll for both Plans 1 and 2. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the WERS' consulting actuary.

Net Pension Liability of the City: The components of net pension liability (the City's liability, determined in accordance with Governmental Accounting Standards Board Statement No. 67, less the fiduciary net position) as of December 31, 2014, are shown in Figure 18. Actuarial valuation of an ongoing plan involves estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The total pension liability was determined by an actuarial valuation as of December 31, 2014. A Schedule of Changes in the Employers' Net Pension Liability is presented in the required supplementary information of this report (see Page 30).

Net Pension Liability

	December 31, 2014
Total Pension Liability	$ 590,115,082
Less: Fiduciary Net Position	(566,807,293)
Net Pension Liability	$ 23,307,789
Ratio of Fiduciary Net Position to Total Pension Liability	96.05%

*Total pension liability and fiduciary net position include amounts attributable to Plan 3 members who have not made an irrevocable election to remain in Plan 3b. At December 31, 2014, net position attributable to those members amounted to $14,574,469.

Figure 18

GASB 67 also requires the disclosure of the sensitivity of the net pension liability to changes in the discount rate. Figure 19 presents the net pension liability using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

Sensitivity Analysis

	Rate	Employers' Net Pension Liability
1.0% Decrease	6.75%	90,648,959
Current Rate	7.75%	23,307,789
1.0% Increase	8.75%	(33,624,491)

Figure 19

Discount Rate: The discount rate used to measure the total pension liability at December 31, 2014 was 7.75%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan contributions from members and the City of Wichita will be made using actuarially determined rates. Employees of Plan 1 will contribute 6.4% of total compensation and 4.7% of base salary and longevity pay for Plan 2. The Employer will contribute the difference between the employer actuarial contribution rate and 4.7% multiplied by Plan 3 pensionable compensation (excluding compensation attributable to members who have made an irrevocable election to remain in the defined contribution plan) to Plan 2. In addition, the Employer contributes the full actuarial contribution rate on pensionable compensation for all Plan 1 and Plan 2 members. The expected contribution rate was modeled for all future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Actuarial Assumptions: A summary of actuarial assumptions and other inputs used in measuring the total pension liability are presented in Figure 20. The most recent experience study dated July 15, 2014, covered the five-year period ending December 31, 2013. Information about the long-term expected rate of return on pension plan investments is presented in the Actuarial Rate of Return Assumption footnote (see Page 20). The target asset allocation and best estimates of geometric real rates of return (net of 2.25% inflation assumption) for each major asset class are summarized in Figure 12 on Page 20.

Summary of Actuarial Assumptions

Actuarial Assumption	
Valuation date	December 31, 2014
Inflation	3.25%
Salary increases, including inflation	4.25% to 7.20%, including inflation
Payroll growth	4.0% per year
Long-term investment rate of return, net of Plan investment expense, including inflation	7.75%, including inflation
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
Mortality	Pre-retirement mortality rates were based on the RP-2000 Employee Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA. Post-retirement mortality rates were based on the RP-2000 Health Annuitant Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA. Disabled mortality rates were based on the RP-2000 Disabled Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Figure 20

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, 2014, membership totaled 619. 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, 2014, employee and employer contributions to Plan 3 totaled $1,147,770 and $1,147,770, respectively. On December 31, 2014, the WERS defined contribution Plan 3 membership consisted of (see Figure 21):

Defined Contribution Plan Membership

Years of Service	Employer Contribution Vesting Schedule	Number of Employees
7 years or more	100%	99
5 to 7 years	50	111
3 to 5 years	25	38
0 to 3 years	0	371
Total membership		**619**

Figure 21

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 22

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.

Backward Deferred Retirement Option Plan (DROP) Provision: The benefit structure of the Wichita Police and Fire Retirement System includes a Backward Deferred Retirement Option Plan (DROP). The backward DROP is available to Plan C-79 members. Members must be eligible to receive a service retirement benefit as of the backward DROP retirement date. The DROP period is one to sixty months. The DROP period is the time between the backward DROP retirement date and the date the employee terminates service. The retirement benefit is calculated as of the day prior to the backward DROP retirement date. The employee's monthly retirement benefits (for the DROP period) plus applicable post-retirement adjustments and interest at an annual rate of 5.0%, compounded monthly, is payable upon the employee's termination of service. When the member terminates employment, the balance of the DROP account is paid as a lump sum and the member begins to receive monthly retirement benefits on the month following termination of service.

On December 31, 2014, the PFRS membership consisted of (see Figure 23):

Defined Benefit Plan Membership

	Plan A	Plan B	Plan C-79	Total
Inactive plan members or beneficiaries currently receiving benefits	451	229	291	971
Inactive plan members entitled to, but not yet receiving benefits	-	-	31	31
Active plan members	8	-	1,060	1,068
Total membership	**459**	**229**	**1,382**	**2,070**

Figure 23

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%
Final average salary	Average for the 3 consecutive years of service which produce the highest average and which are within the last 10 years of service	Average for the 3 consecutive years of service which produce the highest average and which are within the last 10 years of service
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 24

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 2014 was 22.4% 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.

Net Pension Liability of the City: The components of net pension liability (the City's liability, determined in accordance with Governmental Accounting Standards Board Statement No. 67, less the fiduciary net position) as of December 31, 2014 are shown in Figure 25. Actuarial valuation of an ongoing plan involves estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The total pension liability was determined by an actuarial valuation as of December 31, 2014. A Schedule of Changes in the Employers' Net Pension Liability is presented in the required supplementary information of this report (see Page 31).

Net Pension Liability

	December 31, 2014
Total Pension Liability	$ 631,904,401
Less: Fiduciary Net Position	(611,091,056)
Net Pension Liability	$ 20,813,345
Ratio of Fiduciary Net Position to Total Pension Liability	96.71%

Figure 25

GASB 67 also requires the disclosure of the sensitivity of the net pension liability to changes in the discount rate. Figure 26 presents the net pension liability using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

Sensitivity Analysis

	Rate	Employers' Net Pension Liability
1.0% Decrease	6.75%	94,983,635
Current Rate	7.75%	20,813,345
1.0% Increase	8.75%	(48,035,870)

Figure 26

Discount Rate: The discount rate used to measure the total pension liability at December 31, 2014 was 7.75%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan contributions from members and the City will be made using the actuarially determined rates. Employees will contribute 8.0% of salary for Plan A, 6.0% of salary for Plan B, and 7.0% of salary for Plan C. In addition, the City will contribute the full actuarial contribution rate on pensionable compensation for all plan members. The expected contribution rate was modeled for all future years, assuming all actuarial assumptions are met. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Actuarial Assumptions: A summary of actuarial assumptions and other inputs used in measuring the total pension liability are presented in Figure 27. The most recent experience study dated July 15, 2014 covered the five-year period ending December 31, 2013. Information about the long-term expected rate of return on pension plan investments is presented in the Actuarial Rate of Return Assumption footnote (see Page 20). The target asset allocation and best estimates of geometric real rates of return (net of 2.25% inflation assumption) for each major asset class are summarized in Figure 12 on Page 20.

Summary of Actuarial Assumptions

Actuarial Assumption	
Valuation date	December 31, 2014
Inflation	3.25%
Salary increases, including inflation	5.0% to 6.75%
Payroll growth	4.00%
Long-term investment rate of return, net of Plan investment expense, including inflation	7.75%, including inflation
Post-retirement benefit increases	2.0% per year (non-compounded), commencing 36 months after retirement
Mortality	Pre-retirement mortality rates were based on the RP-2000 Employee Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA. Post-retirement mortality rates were based on the RP-2000 Health Annuitant Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA. Disabled mortality rates were based on the RP-2000 Disabled Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Figure 27

Required Supplementary Information
Schedules of Changes in the Employers' Net Pension Liability and Related Ratios

Wichita Employees' Retirement System
(Dollar amounts in thousands)

	2014
Total Pension Liability	
Service cost	$ 9,279
Interest	43,701
Benefit term changes	-
Differences between expected and actual and expected experience	(4,020)
Assumption changes	(3,550)
Benefit payments, including member refunds	(37,681)
Net Change in Total Pension Liability	7,729
Total Pension Liability – beginning	582,386
Total Pension Liability – ending (a)	**$ 590,115**
Plan Fiduciary Net Position	
Employer contributions	$ 9,424
Employee contributions	3,395
Reclassification due to conversion of members to Plan 3b	(571)
Net investment income	28,540
Benefit payments, including member refunds	(37,681)
Administrative expenses	(503)
Net Change in Plan Fiduciary Net Position	$ 2,604
Plan Fiduciary Net Position – beginning	**$ 564,203**
Plan Fiduciary Net Position – ending (b)	**$ 566,807**
Net Pension Liability – ending (a) – (b)	**$ 23,308**
Fiduciary Net Position as a percentage of the Total Pension Liability	96.05%
Covered Payroll	$ 71,391
Employers' Net Pension Liability as a percentage of covered payroll	32.65%

Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Note: Amounts reported in this schedule vary from amounts reported in the basic financial statements due to the inclusion of only those Plan 3 members who have not made an irrevocable election to remain in the defined contribution plan.

Figure 28

Schedules of Changes in the Employers' Net Pension Liability and Related Ratios

Police and Fire Retirement System

(Dollar amounts in thousands)

	2014
Total Pension Liability	
Service cost	$ 15,894
Interest	46,491
Benefit term changes	-
Differences between expected and actual and expected experience	(12,040)
Assumption changes	226
Benefit payments, including member refunds	(36,415)
Net Change in Total Pension Liability	14,156
Total Pension Liability – beginning	617,748
Total Pension Liability – ending (a)	**$ 631,904**
Plan Fiduciary Net Position	
Employer contributions	$ 14,464
Employee contributions	4,530
Net investment income	30,596
Benefit payments, including member refunds	(36,415)
Administrative expenses	(543)
Net Change in Plan Fiduciary Net Position	$ 12,632
Plan Fiduciary Net Position – beginning	**$ 598,459**
Plan Fiduciary Net Position – ending (b)	**$ 611,091**
Net Pension Liability – ending (a) – (b)	**$ 20,813**
Fiduciary Net Position as a percentage of the Total Pension Liability	96.71%
Covered Payroll	$ 64,572
Employers' Net Pension Liability as a percentage of covered payroll	32.23%

Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Figure 29

Schedules of Employer Contributions

Wichita Employees' Retirement System

(Dollar amounts in thousands)

	2014	2013	2012	2011	2010	2009	2008
Actuarially determined employer contributions	$ 9,424	$ 8,940	$7,503	$ 7,695	$ 6,689	$ 3,887	$ 3,834
Actual employer contributions	9,424	8,940	7,503	7,695	6,689	3,887	3,834
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$71,391	$70,953	$70,783	$75,444	$79,636	$82,704	$81,580
Contributions as a percentage of covered-employee payroll	13.20%	12.60%	10.60%	10.20%	8.40%	4.70%	4.70%

Figure 30

Police and Fire Retirement System

(Dollar amounts in thousands)

	2014	2013	2012	2011	2010	2009	2008
Actuarially determined employer contributions	$ 14,464	$ 14,890	$14,113	$13,807	$13,120	$11,035	$10,549
Actual employer contributions	14,464	14,890	14,113	13,807	13,120	11,035	10,549
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 64,572	$ 65,306	$64,150	$62,759	$63,077	$63,055	$60,282
Contributions as a percentage of covered-employee payroll	22.40%	22.80%	22.00%	22.00%	20.80%	17.50%	17.50%

Figure 31

Schedules of Employer Contributions

Wichita Employees' Retirement System

(Dollar amounts in thousands)

	2007	2006	2005
Actuarially determined employer contributions	$ 3,701	$ 3,556	$ 3,589
Actual employer contributions	3,701	3,556	3,589
Annual contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$78,736	$75,881	$72,367
Contributions as a percentage of covered-employee payroll	4.70%	4.70%	4.96%

Figure 32

Police and Fire Retirement System

(Dollar amounts in thousands)

	2007	2006	2005
Actuarially determined employer contributions	$ 10,029	$ 9,850	$ 7,309
Actual employer contributions	10,029	9,850	7,309
Annual contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 57,310	$ 53,350	$ 52,207
Contributions as a percentage of covered-employee payroll	17.50%	18.40%	14.00%

Figure 33

Schedule of Investment Returns

Wichita Retirement Systems

(Dollar amounts in thousands)

	2014
Annual money-weighted rate of return, net of investment expense	5.18%

Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Figure 34

Notes to the Required Supplementary Information

Wichita Employees' Retirement System

Summary of Actuarial Methods and Assumptions	
Valuation date	December 31, 2014
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 fair value and the expected value of assets
Actuarial assumptions:	
Investment rate of return	7.75% per year, including inflation
Projected salary increases	4.25% to 7.20%, including inflation
Payroll growth	4.0% per year
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 35

Changes in Benefit and Funding Terms and Actuarial Assumptions	
Changes in benefit and funding terms	There have been no changes to the plan provisions in the last ten years
December 31, 2014 valuation	• Decrease the price inflation assumption from 3.50% to 3.25%. • Modify the Plan 2 retirement assumption to partially reflect experience. The changes increased rates at some ages and decreased them at others. • Eliminate the disability assumption. • Change the termination of employment assumption to a pure service-based assumption • Reduce sick leave load from 4.0% to 2.5%. • A 20% corridor was added to the actuarial value of assets calculation.
December 31, 2009 valuation	• Decrease in the price inflation assumption from 4.0% to 3.5%. • Decrease in the general wage growth assumption from 4.5% to 4.0%. • Modification of the retirement rates for both Plans 1 and 2 to better reflect actual experience. The changes increased rates at some ages and decreased them at others. • Increase in the rates of termination of employment for ages under 32 for the ultimate assumption. • Lower assumption for indexation of benefits for terminated vested members from 4.5% to 4.0% to be consistent with the general wage growth assumption. • Non-disabled mortality tables were updated to reflect an additional year of mortality improvements.
December 31, 2006 valuation	• Retirement rates were adjusted for Plan 1 and Plan 2 members. For Plan 1 members, the ultimate rate changed from age 70 to age 65. • Explicit assumptions were added for members to participate in DROP. For Plan 1, 70% of members with 30 or more years of service are assumed to elect DROP for a period of 48 months. For Plan 2, 70% of members with 33.33 years of service and age 62 are assumed to elect DROP for a period of 36 months.

Figure 36

Police and Fire Retirement System

Summary of Actuarial Methods and Assumptions	
Valuation date	December 31, 2014
Actuarial cost method	Entry age
Amortization method	Level percentage of 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 fair value and the expected value of assets
Actuarial assumptions:	
Investment rate of return	7.75% per year, including inflation
Projected salary increases	5.00% to 6.75%, including inflation
Payroll growth	4.00%
Inflation rate	3.50% per year
Post-retirement benefit increases	2% per year (non-compounded), commencing 36 months after retirement

Figure 37

Changes in Benefit and Funding Terms and Actuarial Assumptions	
Changes in benefit and funding terms	There have been no changes to the plan provisions in the last ten years
December 31, 2014 valuation	• Decrease the price inflation assumption from 3.50% to 3.25%. • Modify the Plan C retirement assumption to partially reflect experience. Created separate rates for less than or more than 30 years of service. • Lower assumed disability rates. • Change the termination of employment assumption to a pure service-based assumption • Modify the probability of electing a refund to partially reflect actual, observed experience • Reduce sick leave load from 4.0% to 3.0%. • A 20% corridor was added to the actuarial value of assets calculation.
December 31, 2009 valuation	• Decrease in the price inflation assumption from 4.0% to 3.5%. • Decrease in the general wage growth assumption from 4.5% to 4.0%. • Lower the retirement rates for Plan A and extend them to 35 years of service. • Lower the retirement rate for Plan C members at ages before 53 and ages 58-60 and increase rates at ages 56 and 57. • Increase in the rates of termination of employment for ages under 44 and decrease rates at ages over 44. • Lower assumption for indexation of benefits for terminated vested members from 4.5% to 4.0% to be consistent with the general wage growth assumption.

Figure 38

Supplementary Information

Administrative Expenses

Year ended December 31, 2014

(with comparative totals for the year ended December 31, 2013)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2014	Totals 2013
Personnel services:					
Wages	$ 222,099	$ 222,099	$ -	$ 444,198	$ 406,494
Benefits	73,608	73,608	-	147,216	139,608
Total personnel services	295,707	295,707	-	591,414	546,102
Contractuals					
Telephone	1,778	1,778	-	3,556	3,596
Postage	2,161	2,434	-	4,595	3,440
Transportation and travel	2,660	5,320	-	7,980	7,007
Data center charges	5,755	5,755	-	11,510	11,558
City administrative charges	26,367	26,367	-	52,734	32,786
Actuarial fees	80,464	45,942	1,000	127,406	58,000
Audit fees	8,258	8,258	-	16,516	15,494
Studies and consultants	2,800	-	-	2,800	-
Legal services	2,804	2,777	37	5,618	4,723
Advertising	8	8	-	16	26
Periodicals and manuals	133	133	-	266	372
Membership dues	536	536	-	1,072	4,552
Printing and photocopying	4,362	4,318	33	8,713	11,030
Plan 3 participant administration	-	-	29,600	29,600	30,050
Pension software expense	40,388	40,383	34,016	114,787	141,099
Depreciation	63,887	63,888	54,768	182,543	182,543
Other	2,789	789	-	3,578	7,182
Total contractuals	245,150	208,686	119,454	573,290	513,458
Commodities					
Office equipment and supplies	1,140	1,140	-	2,280	2,114
Data processing equipment	-	-	-	-	124
Other	210	224	-	434	511
Total commodities	1,350	1,364	-	2,714	2,749
Total administrative expenses	$ 542,207	$ 505,757	$ 119,454	$ 1,167,418	$ 1,062,309

Figure 39

Investment Expenses

Year ended December 31, 2014

(with comparative totals for the year ended December 31, 2013)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2014	Totals 2013
Investment expenses:					
Financial consulting	$ 118,137	$ 114,389	$ 7,859	$ 240,385	$ 237,656
Custodial bank	133,263	129,888	3,178	266,329	264,667
Investment management fees	2,807,994	2,551,385	83,443	5,442,822	4,791,776
Total investment expenses	**$3,059,394**	**$2,795,662**	**$94,480**	**$5,949,536**	**$5,294,099**

Figure 40

Payments to Consultants Other Than Investment Advisors

Year ended December 31, 2014

(with comparative totals for the year ended December 31, 2013)

Firm	Services	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2014	Totals 2013
Ice Miller, L.L.P.	Legal services	$ 2,804	$ 2,777	$ 37	$ 5,618	$ 4,723
Cavanaugh Macdonald Consulting, L.L.C.	Actuarial services	80,464	45,942	1,000	127,406	58,000
Allen, Gibbs & Houlik, L.C.	Auditing services	8,258	8,258	-	16,516	15,494
Northeast Retirement Services	Participant accounting	-	-	29,600	29,600	30,050
Total payments		**$ 91,526**	**$ 56,977**	**$ 30,637**	**$ 179,140**	**$108,267**

Figure 41

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, 2013, 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 23, 2014.

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. 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.

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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 results 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 23, 2014
Wichita, Kansas

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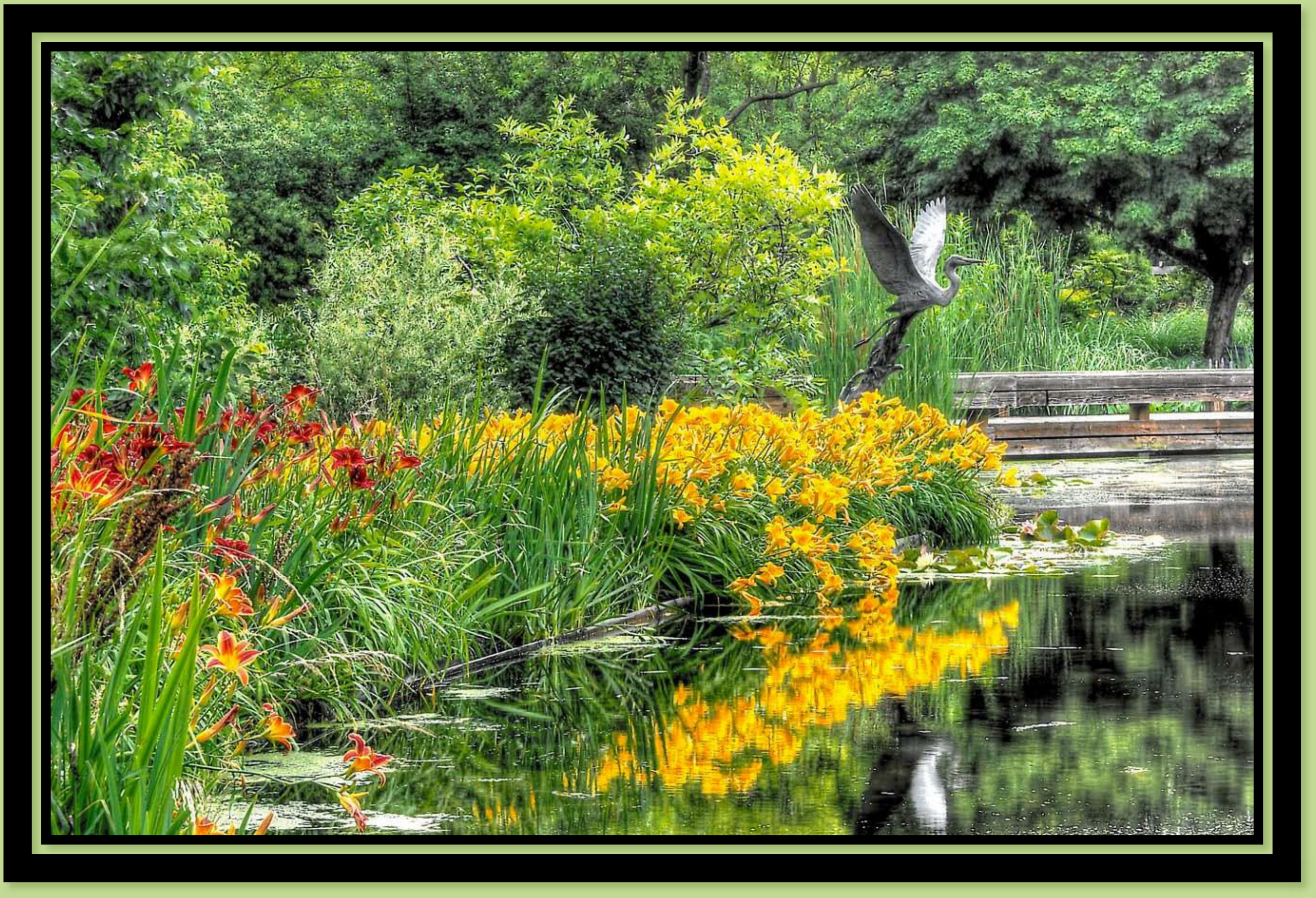
INVESTMENT SECTION



Callan

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April 7, 2015

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 2014 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: domestic equity; fixed income; international equity; 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 six asset classes.

The Boards, with information provided by their Financial Consultant, closely monitor the Fund's asset mix to assure compliance with the adopted Investment Policy Statement and appropriate City ordinances that regulate the investment process.

Callan

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.

The global economic outlook demonstrated dispersion in 2014, with growth in the U.S. solidifying while growth in Europe and Japan cooled. Central Bank policies diverged as the U.S. ended its quantitative easing program while Europe and Japan announced policies to stimulate growth and fight deflation. Diverging growth and monetary policies led to significant gains in the U.S. dollar versus the euro and yen. Falling energy prices increased volatility in the equity and bond markets during the last half of the year. U.S. labor markets had a solid 2014 with the unemployment rate falling to 5.6% in December, a 1.1% decline over the course of the year. The U.S. economy grew 2.4% in 2014, which is better than the post-recession average of 2.2% yet still below longer term averages. Against this backdrop, the Russell 3000 Index, a proxy for domestic stocks, gained 12.56%. International stocks lagged behind their U.S. counterparts as the MSCI ACWI ex-U.S. IMI Index fell 3.47%. Interest rates declined during the year, boosting fixed income returns, as the Barclays Aggregate Bond Index, a proxy for U.S. investment-grade bonds, increased 5.97%. The private real estate market, as measured by the NCREIF Property Index, had another solid year as the Index gained 11.82%. The NCREIF Timberland Index produced a 10.48% return while the Bloomberg Commodity Index declined 17.01% on falling oil prices.

As noted in the Schedule of Investment Results, the Fund generated a total return of 5.59% for the year ended December 31, 2014, which trailed the 5.78% return of the Fund's target benchmark (the Weighted Index). In aggregate, active management in the Fund's domestic equity portfolio was the primary reason for the under-performance for the year.

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 exercise 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, 2014, 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.

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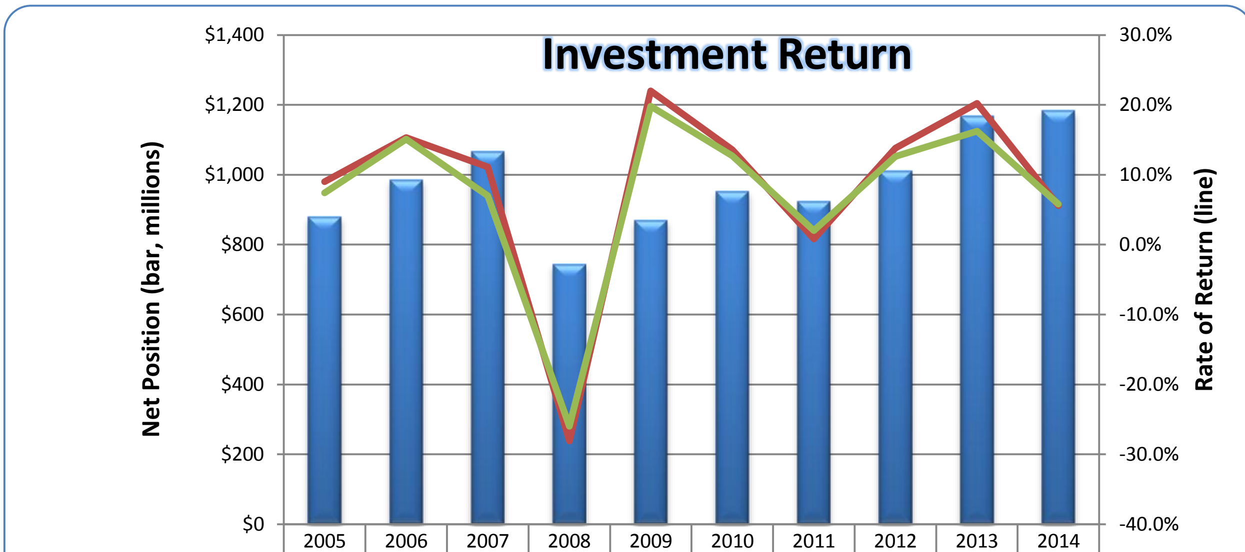
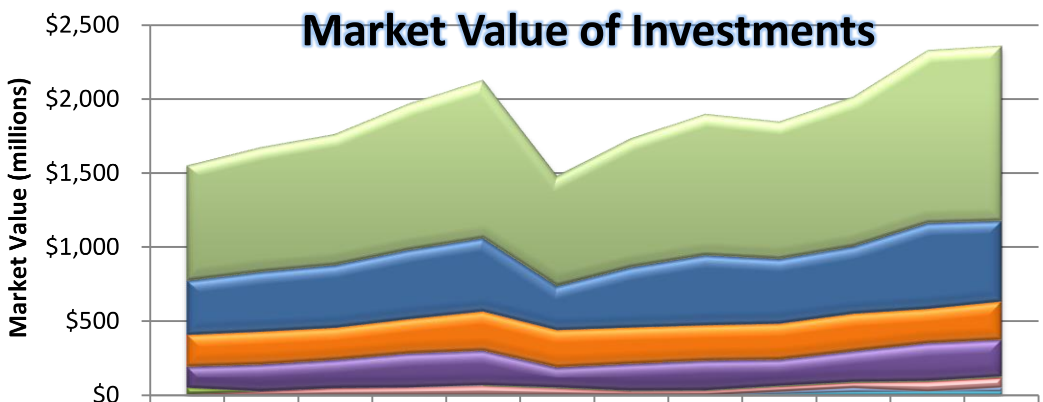
Investment Performance

Figure 42 and Figure 43 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 through 2013 helped stabilize the fund. The 2014 Fund return of 5.59% fell slightly short of the benchmark return of 5.78%. However, the Fund's net position increased by $15.5 million, or 1.3%.



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Position	$879	$986	$1,066	$744	$870	$952	$923	$1,011	$1,169	$1,184
System Return	9.0%	15.3%	11.1%	-28.1%	22.0%	13.6%	0.8%	13.8%	20.2%	5.6%
Benchmark Return	7.4%	15.1%	7.0%	-26.0%	19.8%	12.7%	2.0%	12.6%	16.2%	5.8%

Figure 42



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Fund	$776	$837	$881	$984	$1,064	$741	$868	$950	$924	$1,008	$1,164	$1,180
Domestic Equity	$365	$404	$421	$467	$496	$297	$406	$474	$437	$455	$577	$545
Domestic Fixed Income	$218	$226	$221	$236	$266	$255	$249	$240	$247	$257	$237	$261
International Equity	$142	$180	$189	$229	$233	$138	$180	$201	$176	$206	$253	$248
International Fixed Income	$46	$0	$0	$0	$7	$6	$5	$5	$7	$7	$7	$7
Cash	$6	$5	$4	$1	$1	$1	$2	$1	$2	$2	$3	$5
Real Estate	$0	$23	$45	$52	$61	$45	$25	$28	$33	$35	$62	$64
Commodities	$0	$0	$0	$0	$0	$0	$0	$0	$12	$25	$0	$26
Timber	$0	$0	$0	$0	$0	$0	$0	$0	$10	$21	$25	$24

Figure 43

The Investment Performance table (see Figure 44) 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.

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Investment Performance[1]

	Annualized Returns			
	1 year	3 years	5 years	7 years
Total portfolio:				
Fund performance[2]	5.59%	13.04%	10.63%	5.49%
Fund Target performance[3]	5.78	11.53	9.39	4.80
Domestic equities:				
Domestic equity	10.66	20.83	16.04	8.32
Large-Cap equity	12.08	20.98	15.68	7.63
Small-Cap equity	5.60	20.24	17.27	10.96
International equities:	(4.33)	9.73	5.45	0.26
Domestic fixed income:				
Domestic fixed income	6.68	4.07	5.82	6.03
Nominal Domestic fixed income	7.14	4.54	6.09	6.22
TIPS	3.65	0.41	-	-
Real estate:				
Real estate	14.48	14.48	16.80	(1.03)
Timber:				
Timber	2.79	4.79	-	-

[1] Performance returns are calculated using a time-weighted rate of return on market values.
[2] Performance is gross of fees. Timber and TIPS were funded after January 2011. Therefore, greater than one-year return data is not available.
[3] 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 44

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. Implementation of changes began in 2011 and was complete as of December 31, 2014. These changes included the addition of timber, Treasury Inflation Protected Securities (TIPS), and commodities to the asset allocation mix. In 2013, the international equity portion of the Asset Allocation Plan was amended. Major components included: 1) adding a passive core allocation; 2) adding a small-cap allocation; 3) removing the active core plus allocation; 4) increasing the dedicated emerging markets allocation; and 5) changing the international equity benchmark from the Morgan Stanley Capital International, All Country World Index ex-U.S. (MSCI ACWI ex-US) to the Morgan Stanley Capital International, All Country World Index ex-U.S. Investable Market Index (MSCI ACWI ex-U.S. IMI). The overall allocation to international equity was unchanged at 22%. These changes were implemented in 2014.

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, 2014, 67.37% of the Fund's assets were invested in equities, 22.49% in fixed income, 5.37% in real estate, 1.99% in timber and 2.34% in commodities. The table below (Figure 45) displays the Fund's target and actual asset allocation on December 31, 2014.

Asset Allocation Policy

Asset Class	Min[1]	Target	Max[1]	Actual
Domestic Equity				
Large/Mid-Cap	16.00%	24.00%	30.00%	28.03%
Large-Cap Passive	18.00	8.00	10.00	8.15
Small-Cap	4.00	8.00	12.00	9.90
Total Domestic Equity	34.00	40.00	46.00	46.08
Domestic Fixed Income				
Active Core	7.00	11.00	11.00	9.75
Active Core Plus	7.00	11.00	11.00	9.89
TIPS	2.50	3.00	3.50	2.85
Total Domestic Fixed Income	21.00	25.00	29.00	22.49
International Equity				
Active Core	11.00	8.80	18.00	13.90
Passive Core	11.00	5.50	18.00	13.90
Small-Cap	2.00	3.30	5.00	3.06
Emerging Markets	3.00	4.40	6.00	4.33
Total International Equity	18.00	22.00	26.00	21.29
Real Estate				
Core	2.00	4.00	6.00	4.72
Value Added	0.00	1.00	2.00	0.65
Total Real Estate	3.00	5.00	7.00	5.37
Timber	3.00	5.00	7.00	1.99
Commodities	2.50	3.00	3.50	2.34
Cash	0.00	0.00	2.00	0.44

[1] Because the styles within each asset class are more restrictive than the overall asset class, the min/max ranges for the styles within each asset class may not total the min/max for the overall asset class.

Figure 45

Largest Equity and Fixed Income Holdings

Ten Largest Equity Holdings by Fair Value
(as of December 31, 2014)

Number of Shares	Holding	Fair Value	% of Total Portfolio
495,900	Bank of America Corp.	$ 8,871,651	0.74%
138,550	Comcast Corp. Class A	8,037,286	0.67
230,955	Pfizer, Inc.	7,194,248	0.60
132,710	Citigroup, Inc..	7,180,938	0.60
62,965	Apple, Inc.	6,950,077	0.58
90,154	Medtronic Inc.	6,509,119	0.55
249,400	General Electric Co.	6,302,338	0.53
47,150	Boeing Co.	6,128,557	0.51
120,700	Oracle Corp.	5,427,879	0.45
53,100	Unitedhealth Group Inc.	5,367,879	0.45
1,621,584	**Total**	**$67,969,972**	**5.68%**

Figure 46

Ten Largest Fixed Income Holdings by Fair Value
(as of December 31, 2014)

Number of Shares	Holding	Fair Value	% of Total Portfolio
4,700,000	FNMA TBA 30 Yr. 5	$ 5,192,654	0.43%
3,800,000	FNMA TBA 30 Yr. 5.5	3,961,196	0.33%
3,100,000	FNMA TBA 15 Yr. 3	3,222,171	0.27%
2,461,253	FNMA Pool Aq9292	2,569,179	0.22%
1,756,087	Federal Home Loan PC Pool G0650	1,881,630	0.16%
1,760,763	FNMA Pool 745506	1,815,224	0.15%
1,590,000	Citigroup, Inc.	1,772,977	0.15%
1,600,000	BP Capital Markets, Plc.	1,609,712	0.13%
1,447,678	GNMA Pool 666413	1,565,664	0.13%
1,500,000	Bank of Nova Scotia	1,502,355	0.13%
23,715,781	**Total**	**$25,092,762**	**2.10%**

Figure 47

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

Investment Assets by Manager

(as of December 31, 2014)

Asset Category	**Fair Value**
Domestic fixed income	
Richmond Capital Management, Inc.	$ 110,450,764
Western Asset Management Co.	112,653,467
SSGA[1] U.S. TIPS Index Fund	33,597,170
SSGA[1] Government Short-Term Investment Fund	35,190,777
SSGA[1] Securities Lending Short-Term Collateral Investment Pool	73,614,900
Subtotal	365,507,078
International fixed income	
Western Asset Management Co.	7,307,090
Domestic equity	
Barrow, Hanley, Mewhinney & Strauss, Inc.	110,435,671
Boston Partners Asset Management	53,865,603
Fred Alger Management, Inc.	113,222,815
Voya Investment Management Co.	60,912,372
Institutional Capital L.L.C.	98,066,657
SSGA[1] S&P 500 Flagship Fund	96,143,733
Subtotal	532,646,851
International equity	
Mondrian Investment Partners, Limited	(7,154)
Pyramis Global Advisors Trust Company	101,317,337
SSGA MSCI World-Ex-U.S. Index	60,309,152
Brandes Investment Partners	35,766,315
AQR Emerging Markets Index Fund	48,832,326
Subtotal	246,217,976
Real Estate	
RREEF America REIT II	27,970,208
RREEF America REIT III	7,806,034
UBS Trumbull Property Fund	28,783,679
Subtotal	64,559,921
Timber	
Molpus Woodlands Fund III	23,738,993
Commodities	
Wellington	26,302,992
Defined Contribution Pooled Funds	
SSGA[1] Target Date Funds	3,294,383
SSGA[1] Cash Series Prime Fund CL C	322,543
Subtotal	3,616,926
Total Investment Assets	**$ 1,269,897,827**

[1]State Street Global Advisors

Figure 48

Investment Fees by Manager

Year ended December 31, 2014

Investment Management Fees:	**Fees**
Domestic Fixed Income Managers	
Richmond Capital Management, Inc.	$ 221,096
Western Asset Management Co.	308,919
SSGA[1] U.S. TIPS Index Fund	18,667
International Fixed Income Manager	
Western Asset Management Co.	20,038
Domestic Equity Managers	
Barrow, Hanley, Mewhinney, & Strauss, Inc.	546,347
Boston Partners Asset Management	499,310
Fred Alger Management, Inc.	518,367
Voya Investment Management Co.	479,919
Institutional Capital L.L.C.	486,241
SSGA[1] S&P 500 Flagship Fund	37,639
International Equity Managers	
Mondrian Investment Partners, Limited	332,503
Pyramis Global Advisors Trust Company	576,079
SSGA MSCI World-Ex-U.S. Index	30,818
Brandes Investment Partners	228,761
AQR Emerging Markets Index Fund	50,583
Real Estate Managers	
RREEF America REIT II	259,818
RREEF America REIT III	141,464
UBS Trumbull Property Fund	304,161
Timber Manager	
Molpus Woodlands Fund III	235,097
Commodities	
Wellington	146,994
Subtotal Investment Management Fees	5,442,821
Other Investment Service Fees:	
Custodian Fees	
State Street Bank and Trust Company	266,330
Investment Consultant and Performance Measurement Fees	
Callan Associates, Inc.	236,274
NestEgg Consulting, Inc.	4,111
Subtotal Other Investment Service Fees	506,715
Total Investment Fees	**$ 5,949,536**

[1]State Street Global Advisors

Figure 49

Investment Summary by Type of Investment

(as of December 31, 2014)

Type of Investment	Fair Value	% of Total Portfolio
Domestic equities:		
Consumer discretionary	$ 74,742,401	5.89 %
Consumer staples	14,424,770	1.13
Energy	19,139,824	1.51
Financial services	81,887,553	6.45
Health care	79,185,317	6.24
Industrials	60,413,820	4.76
Information technology	81,461,266	6.40
Materials	16,852,061	1.33
Telecommunications services	3,415,973	0.27
Utilities	4,366,884	0.34
Venture Capital	613,249	0.05
Total domestic equities	436,503,118	34.37
Domestic equities - commingled funds	96,143,733	7.57
International equities:		
Consumer discretionary	15,553,666	1.22
Consumer staples	9,164,666	0.72
Energy	4,793,388	0.38
Financial services	24,478,902	1.93
Health care	14,469,285	1.14
Industrials	10,382,610	0.82
Information technology	6,777,051	0.53
Materials	7,344,725	0.58
Telecommunications services	5,670,864	0.45
Utilities	2,363,943	0.19
Private placement	311,083	0.02
Total international equities	101,310,183	7.98
International equities - commingled funds	144,907,793	11.41
Domestic fixed income:		
Government securities: long-term	44,528,189	3.50
Corporate debt instruments: long-term	92,164,438	7.26
Mortgage and asset-backed securities	77,938,194	6.14
Total domestic fixed income	214,630,821	16.90
TIPS	33,597,170	2.65
Timber	23,738,993	1.87
Target date funds	3,294,383	0.26
Commodities	26,302,992	2.07
Domestic high yield fixed income - commingled funds	8,473,410	0.67
International fixed income - commingled funds	7,307,090	0.57
Securities lending short-term collateral investment pool	73,614,900	5.80
Real estate	64,559,921	5.08
Short-term investments	35,513,320	2.80
Total Invested Assets[1]	**$1,269,897,827**	**100.00%**

[1]Amounts do not include the City's cash deposits of $794,368.

Figure 50

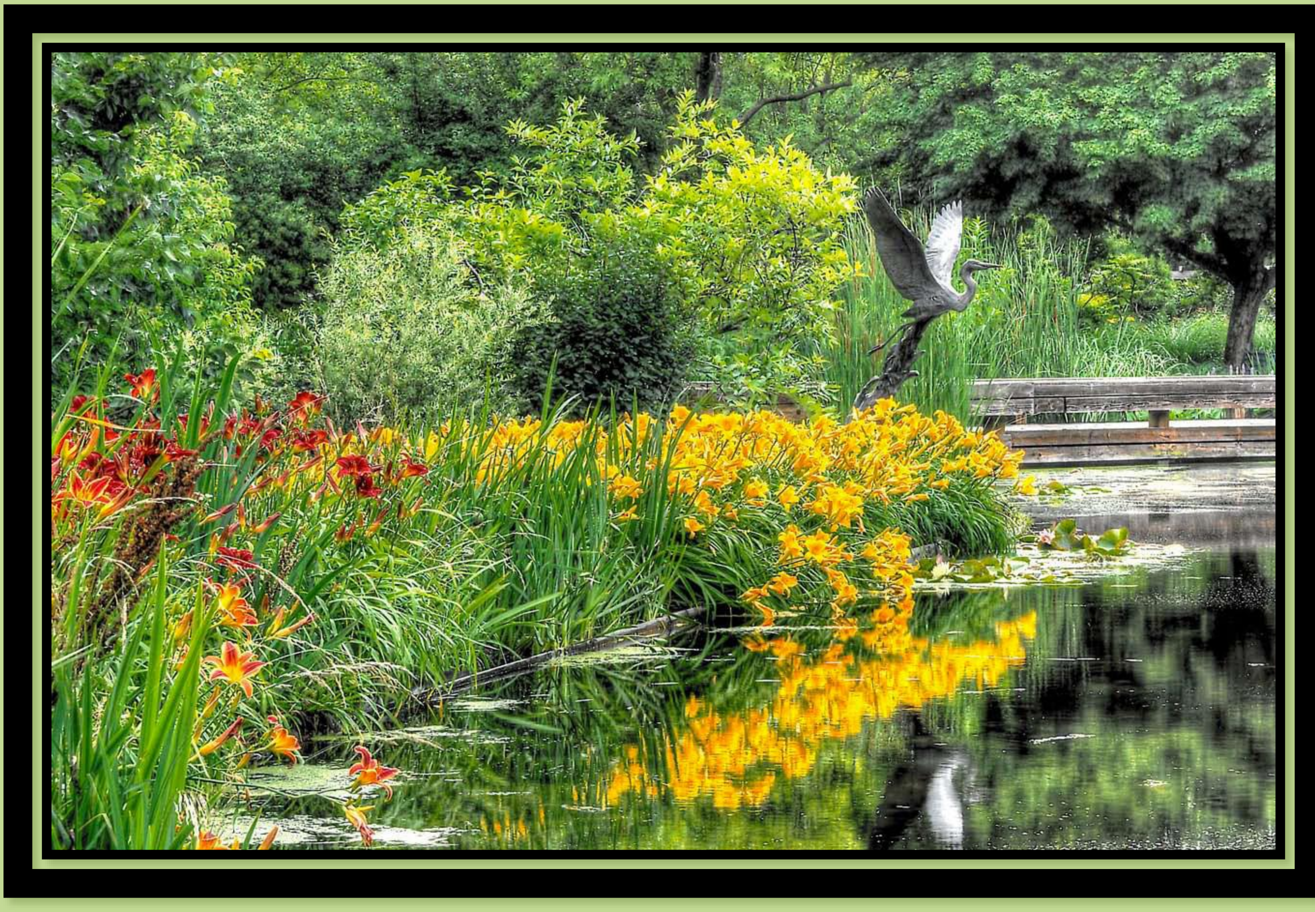
Brokerage Commissions

Year ended December 31, 2014

Brokerage Firm	Total Commissions	Shares	Commission Per Share	Percent of Total Commissions
State Street Bank and Trust Co.	$ 100,949	2,332,466,608	$0.00004	23.03%
Credit Suisse Securities (USA), L.L.C.	31,480	550,955,894	0.00006	7.18
BNY Convergex, L.J.R.	23,282	744,346	0.03128	5.31
Morgan Stanley & Co., Incorporated	19,899	529,782,266	0.00004	4.54
Goldman Sachs & Company	17,970	91,717,234	0.00196	4.10
J.P. Morgan Securities, Inc.	14,135	531,782	0.02660	3.22
Goldman Sachs International	13,092	205,479,731	0.00006	2.99
Barclays Capital	12,290	386,000,850	0.00003	2.80
Fred Alger & Co., Inc.	12,233	4,619,026	0.00265	2.79
Broadcort Capital	9,263	304,995	0.03037	2.11
Credit Suisse Securities (Europe) Ltd.	7,211	8,843,406	0.00082	1.64
Merrill Lynch Pierce Fenner & Smith, Inc.	6,603	1,290,989	0.00511	1.51
UBS Ag.	6,591	903,774,251	0.00001	1.50
Sanford C. Bernstein Co., L.L.C.	6,389	252,639	0.02529	1.46
Instinet U.K. Ltd.	5,887	284,793,084	0.00002	1.34
ISI Group, Inc.	5,645	192,996	0.02925	1.29
Convergex Execution Solutions, L.L.C.	5,483	183,524	0.02988	1.25
Macquarie Bank, Ltd.	5,413	180,234,920	0.00003	1.23
UBS Securities Asia, Ltd.	5,206	41,564,861	0.00013	1.19
Deutsche Bank Ag. London	4,735	54,214,900	0.00009	1.08
Citigroup Global Markets, Inc.	4,678	163,109,666	0.00003	1.07
Other firms (Includes 185 brokerage firms, each contributing less than 1% of total commissions)	119,933	794,620,689	0.00015	27.37
Total Brokerage Commissions	**$ 438,367**	**6,535,678,657**	**$0.00007**	**100.00%**

Figure 51

ACTUARIAL SECTION



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May 6, 2015

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, 2014 Actuarial Valuations

Dear Board Members:

We certify that the information included herein and contained in the 2014 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, 2014.

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, 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 Systems' condition.

Actuarial computations, based on the actuarial valuation performed as of December 31, 2014, were also prepared for purposes of fulfilling financial accounting requirements for the Systems under Governmental Accounting Standards Board Number 67 (GASB 67). The assumptions used in the funding valuations were also used for GASB 67 reporting, including the use of a 7.75% discount rate for GASB 67 calculations (7.75% is the assumed rate of return used in the funding valuation).

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The Retirement Boards
May 6, 2015
Page 2

In addition, the entry age normal actuarial cost method, which is required to be used under GASB 67, is also used in the funding valuation. The actuarial assumptions and methods meet the parameters set by Actuarial Standards of Practice (ASOPs), as issued by the Actuarial Standards Board, and generally accepted accounting principles (GAAP) applicable in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Funding valuations and GASB 67 calculations are prepared for each System annually, as of December 31 of each year, the last day of the System's plan and fiscal year.

Financing Objective of the Systems

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

- when expressed as percents of active member payroll, will remain approximately level from generation to generation of Wichita citizens, and

- when combined with present assets and future investment returns 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, 2014. 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 $30.1 million for the Wichita Employees' Retirement System and $31.0 million for the Police and Fire Retirement System of Wichita, Kansas. The unfunded actuarial liability is 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 2014 was 5.1%. As a result, the rate of return on the actuarial value of assets for 2014 was over 8%, slightly higher than the assumed rate of 7.75%. This generated an experience gain on assets for both systems. There was an experience gain of $3.4 million on liabilities from all sources during 2014 for the Wichita Employees' Retirement System and an experience gain of $12.0 million on liabilities for the Police and Fire Retirement System of Wichita, Kansas. The market value of assets in both Systems exceeds the actuarial value with a difference of 1% for the Wichita Employees' Retirement System and 2% for the Police and Fire Retirement System of Wichita, Kansas. If investment returns over the next few years are at or above the assumed rate of return of 7.75%, the deferred investment gains will be recognized and contribution rates can be expected to decrease slightly.

On the basis of the 2014 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.

The Retirement Boards
May 6, 2015
Page 3

Plan Provisions

The Plan provisions used in the actuarial valuations are described on pages 44 to 47 of the valuation report for the Wichita Employees' Retirement System and pages 48 to 51 of the valuation report for the Police and Fire Retirement System of Wichita, Kansas.

Data

In preparing the December 31, 2014 actuarial valuations, we have relied upon member and asset data provided by the Pension Manager. 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.

Actuarial Methods and Assumptions

The actuarial methods and assumptions used in the valuations 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 48 to 53 of the Wichita Employees' Retirement System valuation report and pages 52 to 56 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 assumptions are based on a study of actuarial experience for the five years ending December 31, 2013. As a result of that study, the Boards adopted several changes in the sets of actuarial assumptions during 2014 that were first implemented in the December 31, 2014 actuarial valuations. The specific assumptions that changed are listed in each of the valuation reports. The net impact was a $3.6 million decrease in the actuarial liability for the Wichita Employees' Retirement System and a $0.2 million increase in actuarial liability for the Police and Fire Retirement System of Wichita, Kansas.

In our opinion, the actuarial assumptions used are appropriate for purposes of the funding valuation and for GASB 67 purposes, are individually reasonable, are related to the experience of the Systems, and offer the best estimate of anticipated experience. In addition, we believe they comply with the requirements of Governmental Accounting Standards Board Statement No. 27. Nevertheless, the emerging costs will vary from those presented in the valuation reports to the extent actual experience differs from that projected by the actuarial assumptions.

The Retirement Boards
May 6, 2015
Page 4

The actuary prepared the following supporting schedules that are included in the Comprehensive Annual Financial Report. The items in the Actuarial Section can be found in the valuation report while the items in the Financial Statements Section can be found in the GASB 67 report.

Actuarial Section

Summary of Actuarial Methods and Assumptions
Schedule of Active Member Valuation Data
Solvency Test
Derivation of System Experience Gain/(Loss)

Financial Statements Section

Calculation of the Total Pension Liability and Net Pension Liability
Sensitivity Analysis of the Net Pension Liability
Schedule of Employer Contributions
Schedule of Changes in the Employers' Net Pension Liability

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

Wichita Employees' Retirement System Actuarial Information

Provisions of the plan are outlined in the financial section of this report beginning on Page 23. Implementation of Governmental Accounting Standards Board (GASB) Statement No. 67 required the need to prepare two actuarial valuations – one for funding purposes and one for accounting and financial reporting purposes. The actuarial cost methods and assumptions used for financial reporting purposes are consistent with those utilized for funding purposes.

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 $30.1 million as of December 31, 2014.

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, 2008 through December 31, 2013, and adopted by the Board on September 17, 2014. An experience study is performed every five years.

The actuarial valuation of assets is based upon 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 3.25% in recognition of long-term price inflation and 4.50% 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 2014.

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 52).

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	3.25%	0.75%	3.20%	7.20%
2	3.25	0.75	3.00	7.00
3	3.25	0.75	2.80	6.80
4	3.25	0.75	2.60	6.60
5	3.25	0.75	2.40	6.40
6	3.25	0.75	2.20	6.20
7	3.25	0.75	2.00	6.00
8	3.25	0.75	1.80	5.80
9	3.25	0.75	1.70	5.70
10	3.25	0.75	1.60	5.60
11	3.25	0.75	1.50	5.50
12	3.25	0.75	1.40	5.40
13	3.25	0.75	1.30	5.30
14	3.25	0.75	1.20	5.20
15	3.25	0.75	1.06	5.06
16	3.25	0.75	0.92	4.92
17	3.25	0.75	0.78	4.78
18	3.25	0.75	0.64	4.64
19	3.25	0.75	0.50	4.50
20	3.25	0.75	0.50	4.50
21	3.25	0.75	0.50	4.50
22	3.25	0.75	0.50	4.50
23	3.25	0.75	0.50	4.50
24	3.25	0.75	0.50	4.50
25	3.25	0.75	0.50	4.50
>25	3.25	0.75	0.25	4.25

Figure 52

Annual Post-Retirement Benefit Increases

Retirees in Plan 1 are entitled to annual post-retirement benefit increases of 3% of their original benefit after 12 months of retirement. Retirees in Plan 2 are entitled to annual post-retirement benefit increases of 2% of their original benefit after 12 months of retirement. Post-retirement benefit increases are not compounded.

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

The rates displayed in Figure 53 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 2.5% to account for the inclusion of unused sick leave in the calculation of service credit. This assumption was last revised with the December 31, 2014 valuation.

Rates of Retirement

Retirement Age	Plan 1	Plan 2
55	15%	3%
56	15	3
57	15	3
58	15	3
59	15	3
60	40	3
61	40	20
62	20	40
63	20	25
64	20	25
65	100	50
66	N/A	35
67	N/A	20
68	N/A	20
69	N/A	20
70	N/A	100

Figure 53

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 54 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 54

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 55). 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 55

Rates of Disability

This assumption measured the probabilities of a member becoming disabled. This assumption was eliminated in the December 31, 2014 valuation.

Rates of Separation from Active Membership

This assumption (see Figure 56 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, 2014 valuation.

Rates of Separation

Years of Service	Annual Termination Probability
0	13.00%
1	13.00%
2	11.00%
3	9.00%
4	8.00%
5	7.00%
6	6.00%
7	5.00%
8-12	4.50%
13	4.00%
14	3.50%
15	3.00%
16	2.75%
17	2.50%
18	2.50%
19	2.25%
20 or more	2.00%

Figure 56

Wichita Employees' Retirement System Actuarial Tables

Active Member Valuation Data

Valuation Date	Number of Members: Plan 1	Plan 2	Plan 3[1]	Total	Annual Payroll ($000's)	Average Annual Pay	Increase (Decrease) In Average Annual Pay
12/31/2005	151	900	822	1,873	$72,367	$38,637	(1.0)%
12/31/2006	134	922	837	1,893	75,881	40,085	3.7
12/31/2007	113	947	838	1,898	78,736	41,484	3.5
12/31/2008	92	958	852	1,902	81,580	42,892	3.4
12/31/2009	80	998	740	1,818	82,704	45,492	6.1
12/31/2010	61	993	661	1,715	79,636	46,435	2.1
12/31/2011	31	916	611	1,558	75,444	48,424	4.3
12/31/2012	26	950	527	1,503	70,783	47,094	(2.7)
12/31/2013	15	957	517	1,489	70,952	49,068	4.2
12/31/2014	8	989	520	1,517	71,391	47,061	(4.1)

[1] Does not include vested Plan 3 Members

Figure 57

Average Annual Pay and Total Members

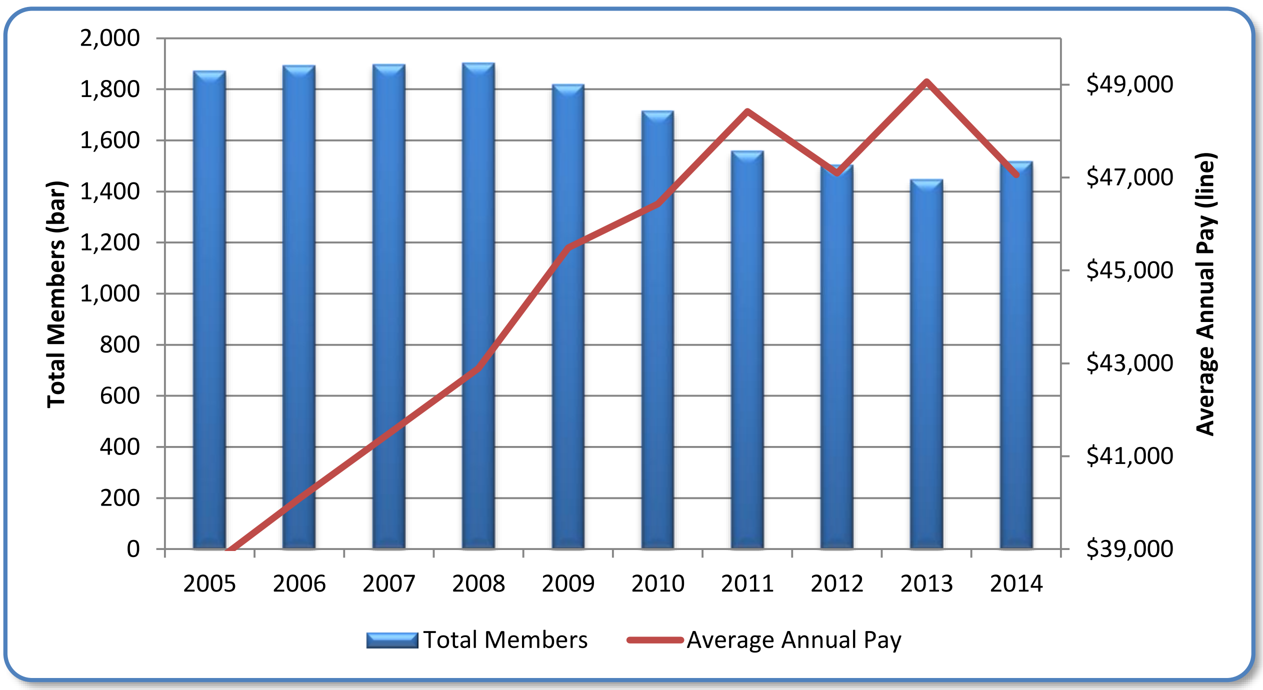

Figure 58

Retirants and Beneficiaries Added to and Removed from Rolls

Valuation Date	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 Percentage Increase(Decrease)
12/31/2005	58	$1,256,205	40	$403,572	1,080	$22,803,853	$21,115	5.3%
12/31/2006	63	1,205,241	41	580,114	1,102	24,146,982	21,912	3.8
12/31/2007	77	1,763,901	47	665,077	1,132	25,757,557	22,754	3.8
12/31/2008	79	1,879,045	44	693,343	1,167	27,520,308	23,582	3.6
12/31/2009	66	1,338,875	52	708,830	1,181	28,730,505	24,327	3.2
12/31/2010	71	1,847,020	59	949,872	1,193	29,855,835	26,026	2.9
12/31/2011	16	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)
12/31/2013	72	1,676,296	47	744,036	1,327	33,294,857	25,090	3.0
12/31/2014	68	1,549,070	54	927,726	1,341	34,427,388	25,673	2.3

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

Figure 59

Solvency Test

Valuation Date	Aggregate Actuarial Liability for: (1) Active Member Contributions	(2) Retirants and Beneficiaries[1]	(3) Active Members (Employer Financed) Portion)	Reported Valuation Assets	Portion of Actuarial Liabilities Covered by Reported Assets (1)	(2)	(3)
12/31/2005	$43,397,403	$228,408,201	$161,491,272	479,274,508	100	100	128.5
12/31/2006	45,475,389	237,860,848	175,725,905	505,755,995	100	100	126.6
12/31/2007	46,189,489	256,374,002	180,823,537	533,911,465	100	100	127.9
12/31/2008	46,541,280	272,176,420	193,655,822	512,583,345	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
12/31/2013	50,337,976	362,224,034	169,823,819	542,157,342	100	100	76.3
12/31/2014	51,408,059	369,926,908	168,780,115	560,031,764	100	100	82.2

[1] Includes vested terminated members.

Figure 60

System Experience

For the year ended December 31, 2014, the Wichita Employees' Retirement System generated an actuarial gain of $5.6 million, or 1.0% of the beginning of the year actuarial liability (see Figure 61).

Derivation of System Experience Gain/(Loss)

			Year Ended 12/31/14 (in millions)
(1)		UAL[1] at start of year	$40.2
(2)	+	Normal cost for year	8.6
(3)	+	Assumed investment return on (1) and (2)	3.8
(4)	-	Actual contributions (member + City)	12.8
(5)	-	Assumed investment return on (4)	0.5
(6)	=	Expected UAL at end of year	39.3
(7)	+	Increase (decrease) from assumption changes	(3.6)
(8)	=	Expected UAL after changes	35.7
(9)	=	Actual UAL at year end	30.1
(10)	=	Experience gain (loss) (8) – (9) [2]	$ 5.6
(11)	=	Percent of beginning of year AL	1.0%

[1] Unfunded Actuarial Liability/(Surplus)

[2] Of this amount, $2.2 million of the experience gain is due to an experience gain on the actuarial value of assets and $3.4 million represents an experience gain on liabilities.

Figure 61

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	$ 479,275	$ 433,297	$ (45,978)	110.6	$ 72,367	(63.5)%
12/31/06	505,756	459,062	(46,694)	110.2	75,881	(61.5)%
12/31/07	533,911	483,387	(50,524)	110.5	78,736	(64.2)%
12/31/08	512,853	512,373	(480)	100.1	81,580	(0.6)%
12/31/09	509,494	529,271	19,777	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%
12/31/13	542,157	582,386	40,229	93.1	70,953	56.7%
12/31/14	560,032	590,115	30,083	94.9	71,391	42.1%

Figure 62

A Schedule of Employer Contributions, including a comparison of actuarially determined contributions to actual contributions made, is presented in the financial section of this report on Page 32.

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 and 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 a 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

Provisions of the plan are outlined in the financial section of this report beginning on Page 27. Implementation of Governmental Accounting Standards Board (GASB) Statement No. 67 required the need to prepare two actuarial valuations – one for funding purposes and one for accounting and financial reporting purposes. The actuarial cost methods and assumptions used for financial reporting purposes are consistent with those utilized for funding purposes.

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 upon 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 $31.0 million as of December 31, 2014.

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, 2008 through December 31, 2013, and adopted by the Board August 27, 2014. An experience study is performed every five years.

The actuarial valuation of assets is based upon 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 3.25% in recognition of long-term price inflation and 4.50% 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 2014.

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 63).

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, 2014 valuation.

Annual Rate of Salary Increases

Years of Service	Inflation Component	Productivity Component	Merit and Longevity	Total
1	3.25%	0.75%	2.75%	6.75%
5	3.25	0.75	2.75	6.75
10	3.25	0.75	2.75	6.75
15	3.25	0.75	2.75	6.75
20	3.25	0.75	1.00	5.00
25	3.25	0.75	1.00	5.00
30	3.25	0.75	1.00	5.00

Figure 63

Annual Post-Retirement Benefit Increases

Retirees in the Police & Fire Retirement System are entitled to annual post-retirement benefit increases of 2% of their original benefit after 36 months of retirement. Post-retirement benefit increases are not compounded.

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 64) was first used for the December 31, 2014 valuation.

Forfeiture of Vested Benefits

Years of Service	Percent Forfeiting
10 – 14	75%
15 – 19	10
20 or more	0

Figure 64

Rates of Retirement

These rates (see Figure 65) 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, 2014 valuation.

Rates of Retirement for Plans A, B and C-79

Plans A & B			Plan C-79				
				Less than 30 YOS		30 or More YOS	
Years of Service	Police	Fire	Age	Police	Fire	Police	Fire
28 or less	5%	5%	50	10%	10%	10%	20%
29	5	5	51	10	10	10	20
30	10	5	52	10	10	10	20
31	10	5	53	20	15	10	20
32	30	25	54	20	15	10	20
33	50	25	55	20	10	10	25
34	50	25	56	20	10	30	25
35	100	100	57	20	20	30	30
Over 35	100	100	58	20	15	30	50
			59	20	15	30	50
			60	100	100	100	100
			Over 60	100	100	100	100

Figure 65

Rates of Separation from Active Membership

This assumption measures the probabilities of a member terminating employment. The rates (see Figure 66) do not apply to members who are eligible to retire. These rates were first used for the December 31, 2014 valuation.

Rates of Separation

	% Separating Within Year	
Years of Service	**Police**	**Fire**
0 – 4	5.50%	3.00%
5 – 7	3.00	3.00
8 – 13	3.00	2.50
14 – 15	1.00	2.00
16 – 22	1.00	0.00
Over 22	0.00	0.00

Figure 66

Rates of Disability

This assumption measures the probabilities of a member receiving a disability retirement (see Figure 67). 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, 2014 valuation.

Rates of Disability

	Percent Disabled During the Year	
Sample Ages	**Police**	**Fire**
20	0.09%	0.07%
25	0.15	0.12
30	0.30	0.24
35	0.49	0.39
40	0.69	0.54
45	0.88	0.70
50	1.08	0.85
55	1.28	0.91

Figure 67

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 68 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 68

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 3% to account for the inclusion of unused sick leave in the calculation of service credit. This assumption was last revised for the December 31, 2014 valuation.

Police and Fire Retirement System Actuarial Tables

Active Member Valuation Data

Valuation Date	Number of Members: Plan A	Number of Members: Plan C-79	Number of Members: Total Members	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Annual Pay
12/31/2005	62	988	1,050	$52,207	$49,721	4.90%
12/31/2006	59	1021	1,080	53,530	49,565	(0.30)
12/31/2007	57	1035	1,092	57,310	52,482	5.90
12/31/2008	47	1029	1,076	60,282	56,024	6.70
12/31/2009	32	1,068	1,100	63,055	57,323	2.30
12/31/2010	21	1,068	1,089	63,077	57,922	1.00
12/31/2011	14	1,074	1,088	62,759	57,683	(0.40)
12/31/2012	11	1,073	1,084	64,150	59,179	2.60
12/31/2013	9	1,076	1,085	65,306	60,190	1.70
12/31/2014	8	1,060	1,068	64,572	60,461	0.05

Figure 69

Average Annual Pay and Total Members

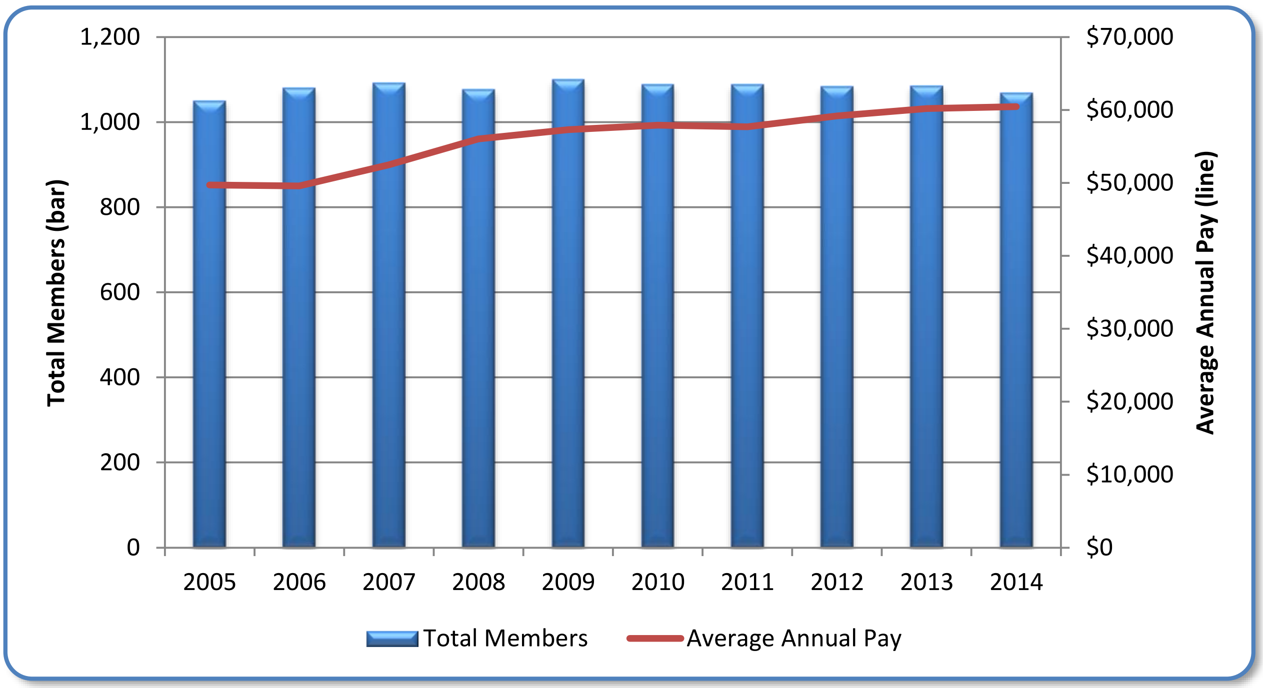

Figure 70

Retirants and Beneficiaries Added to and Removed from Rolls

Valuation Date	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 Percentage Increase (Decrease)
12/31/2005	24	$ 704,201	21	$213,529	835	$17,829,449	$21,302	4.0%
12/31/2006	29	715,353	26	389,856	840	18,349,917	21,845	2.5
12/31/2007	21	548,513	28	452,202	833	18,777,464	22,542	3.2
12/31/2008	39	510,543	32	417,236	840	19,492,053	23,205	2.9
12/31/2009	57	1,959,741	24	398,908	873	21,357,569	24,465	5.4
12/31/2010	47	1,439,435	28	541,662	892	22,570,141	25,303	3.4
12/31/2011	48	1,615,338	29	525,289	911	24,030,607	26,378	4.2
12/31/2012	33	1,201,800	23	435,120	921	25,226,219	27,390	3.8
12/31/2013	48	1,938,485	17	380,985	952	27,143,376	28,512	4.1
12/31/2014	63	2,400,693	42	850,741	971	29,165,652	30,037	5.3

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

Figure 71

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)
12/31/2005	$ 44,057,922	$ 201,560,068	$ 159,408,592	$ 412,822,760	100	100	99.2%
12/31/2006	48,361,719	216,449,174	174,368,239	444,497,827	100	100	103.1
12/31/2007	53,686,866	230,893,426	183,534,348	480,820,001	100	100	106.9
12/31/2008	58,050,319	238,590,747	199,920,080	472,345,191	100	100	87.9
12/31/2009	60,326,408	257,298,665	202,309,181	480,555,562	100	100	80.5
12/31/2010	63,515,814	270,693,677	202,698,947	497,925,786	100	100	80.8
12/31/2011	66,390,179	293,730,691	202,367,017	510,946,217	100	100	74.5
12/31/2012	70,527,705	305,985,839	212,559,831	533,380,618	100	100	73.8
12/31/2013	74,238,693	325,096,785	218,412,805	571,261,929	100	100	78.7
12/31/2014	74,684,418	348,915,979	208,304,004	600,860,146	100	100	85.1

[1] Includes vested terminated members.

Figure 72

System Experience

For the year ended December 31, 2014, the Police and Fire Retirement System generated an actuarial gain of $15.4 million, or 2.5% of the beginning of the year actuarial liability (see Figure 73).

Derivation of System Experience Gain/(Loss)

			Year Ended 12/31/14 (in millions)
(1)		UAL[1] at start of year	$46.5
(2)	+	Normal cost for year	15.3
(3)	+	Assumed investment return on (1) and (2)	4.1
(4)	-	Actual contributions (member + City)	19.0
(5)	-	Assumed investment return on (4)	0.7
(6)	=	Expected UAL at end of year	46.2
(7)	+	Increase (decrease) from assumption changes	0.2
(8)	=	Expected UAL after changes	46.4
(9)	=	Actual UAL at year end	31.0
(10)	=	Experience gain (loss) (9) – (10) [2]	$15.4
(11)	=	Percent of beginning of year AL	2.5%

[1] Unfunded Actuarial Liability/(Surplus)

[2] Of this amount, there was an experience gain of $3.4 million due to the actuarial value of assets and an experience gain of $12.0 million on actuarial liabilities.

Figure 73

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	$ 412,823	$ 414,027	$ 1,204	99.7	$ 52,207	2.3%
12/31/06	444,498	439,179	(5,319)	101.2	53,530	9.9%
12/31/07	480,820	468,115	(12,705)	102.7	57,310	(22.2)%
12/31/08	472,345	496,561	24,216	95.1	60,282	40.2%
12/31/09	480,556	519,934	39,378	92.4	63,055	62.5%
12/31/10	597,926	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%
12/31/13	571,262	617,748	46,486	92.5	65,306	71.2%
12/31/14	600,860	631,904	31,044	95.1	64,572	48.1%

Figure 74

A Schedule of Employer Contributions, including a comparison of actuarially determined contributions to actual contributions made, is presented in the financial section of this report on Page 32.

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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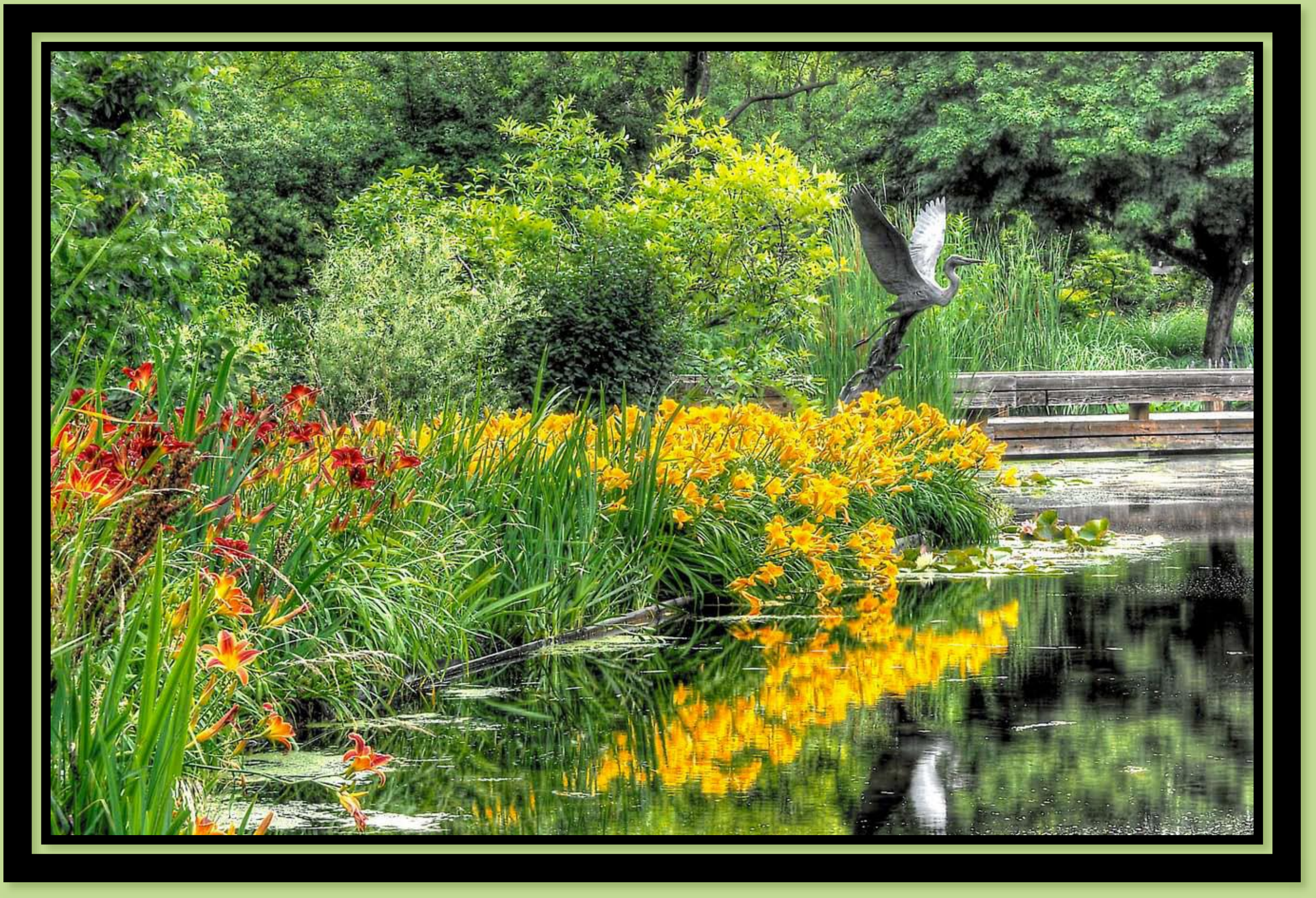
STATISTICAL SECTION



Statistical Section 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 78, average benefit payments beginning on Page 82, and retired members by type and benefit amount beginning on Page 84. 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 Fiduciary Net Position (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued on next page)

	2014	2013	2012	2011
ADDITIONS				
Employer contributions	$ 8,464,927	$ 7,990,502	$ 6,471,423	$ 6,596,124
Employee contributions	2,435,831	2,304,481	2,343,641	2,537,440
Net investment income (loss)	27,894,626	92,166,874	57,965,946	2,570,423
Reclassifications due to participant conversion[1]	2,942,734	2,465,600	2,025,607	2,680,431
Total additions	41,738,118	104,927,457	68,806,617	14,384,418
DEDUCTIONS				
Benefits				
Service retirement	30,632,053	29,346,178	28,490,161	25,279,476
Survivor benefit	2,956,020	2,762,399	2,658,630	2,591,380
DROP lump sum	2,798,396	2,650,766	1,327,860	5,873,920
Qualified domestic relations order	58,561	56,936	53,820	56,285
Disability (service)	59,753	57,193	67,910	67,247
Disability (non-service)	216,557	232,372	243,470	247,876
Funeral	57,349	267,956	93,770	66,890
Contribution refunds (separation)	400,433	570,712	341,634	449,266
Pension administration	441,869	404,514	396,167	444,630
Depreciation	63,888	63,890	62,562	63,016
Total deductions	37,684,879	36,412,916	33,735,984	35,139,986
Change in fiduciary net position	4,053,239	68,514,541	35,070,633	(20,755,568)
Net position - beginning	548,179,585	479,665,044	444,594,411	465,349,979
Net position – ending	**$552,232,824**	**$548,179,585**	**$479,665,044**	**$444,594,411**

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

Figure 75

Changes in Fiduciary Net Position (Last Ten Fiscal Years)

Police and Fire Retirement System (continued on next page)

	2014	2013	2012	2011
ADDITIONS				
Employer contributions	$ 14,464,181	$ 14,889,714	$ 14,113,014	$ 13,806,880
Employee contributions	4,529,895	4,607,691	4,543,523	4,403,425
Net investment income (loss)	30,596,067	99,494,232	60,619,414	2,404,099
Total additions	49,590,143	118,991,637	79,275,951	20,614,404
DEDUCTIONS				
Benefits				
Service retirement	22,854,129	21,081,456	19,751,947	18,492,549
Survivor benefit	3,147,177	2,963,019	2,798,141	2,704,987
Backward DROP lump sum	7,903,252	5,202,861	3,245,820	2,877,779
Qualified domestic relations order	159,200	130,426	116,670	117,737
Disability (service)	1,794,729	1,701,928	1,816,648	1,835,512
Disability (non-service)	70,558	68,445	67,428	66,411
Funeral	28,688	9,871	11,425	21,371
Contribution refunds (separation)	457,423	402,003	357,192	636,120
Pension administration	478,320	401,901	396,424	445,898
Depreciation	63,887	63,890	62,562	63,016
Total deductions	36,957,363	32,025,800	28,624,257	27,261,380
Change in fiduciary net position	12,632,780	86,965,837	50,651,694	(6,646,976)
Net position – beginning	598,458,276	511,492,439	460,840,745	467,487,721
Net position – ending	**$611,091,056**	**$598,458,276**	**$511,492,439**	**$460,840,745**

Figure 76

Changes in Fiduciary Net Position (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued from previous page)

2010	2009	2008	2007	2006	2005
$ 4,529,765	$ 2,545,331	$ 2,450,162	$ 2,357,052	$ 2,264,339	$ 2,170,650
2,664,619	2,639,080	2,621,076	2,543,563	2,445,103	2,358,466
55,169,082	78,011,118	(150,525,640)	54,108,853	67,028,887	36,074,046
1,276,393	1,664,681	2,019,289	2,102,726	1,983,067	1,562,135
63,639,859	84,860,210	(143,435,113)	61,112,194	73,721,396	42,165,297
23,806,844	22,406,162	21,107,131	19,618,444	18,731,065	17,647,226
2,478,774	2,449,423	2,369,917	2,174,019	2,069,030	1,940,571
3,104,564	2,352,858	1,820,599	2,809,284	947,843	2,168,410
74,004	81,064	63,516	60,617	59,079	56,532
78,511	75,314	76,736	100,921	110,817	124,673
254,152	262,579	286,251	218,443	210,243	199,428
93,649	55,317	71,192	70,929	73,779	59,210
191,171	247,890	313,595	232,417	287,379	251,710
429,764	444,112	438,411	384,528	355,954	296,883
63,477	64,615	34,266	-	-	-
30,574,910	28,439,334	26,581,614	25,669,602	22,845,189	22,744,643
33,064,949	56,420,876	(170,016,727)	35,442,592	50,876,207	19,420,654
432,285,030	375,864,154	545,880,881	510,438,289	459,562,082	440,141,428
$465,349,979	**$432,285,030**	**$375,864,154**	**$545,880,881**	**$510,438,289**	**$459,562,082**

Figure 77

Changes in Fiduciary Net Position (Last Ten Fiscal Years)

Police and Fire Retirement System (continued from previous page)

2010	2009	2008	2007	2006	2005
$ 13,119,984	$ 11,034,552	$ 10,549,401	$ 10,029,253	$ 9,849,536	$ 7,308,916
4,467,983	4,443,524	4,277,247	4,056,022	3,789,743	3,652,348
54,963,698	75,500,370	(140,686,744)	49,134,414	59,897,041	31,745,327
72,551,665	90,978,446	(125,860,096)	63,219,689	73,536,320	42,706,591
17,657,512	16,313,729	15,124,453	14,767,792	14,350,119	13,820,287
2,569,695	2,367,563	2,293,653	2,175,191	2,080,107	2,007,215
4,296,127	3,444,839	2,013,670	873,050	641,517	977,977
115,432	93,762	80,179	72,056	64,614	66,348
1,745,289	1,557,901	1,459,306	1,476,513	1,558,438	1,414,202
65,394	64,377	63,359	62,342	69,970	68,801
16,618	14,891	18,351	15,578	18,655	51,950
492,380	295,424	493,516	254,190	384,672	313,219
421,251	438,348	418,165	366,637	354,904	315,068
63,477	64,615	34,266	-	-	-
27,443,175	24,655,449	21,998,918	20,063,349	19,522,996	19,035,067
45,108,490	66,322,997	(147,859,014)	43,156,340	54,013,324	23,671,524
422,379,231	356,056,234	503,915,248	460,758,908	406,745,584	383,074,060
$467,487,721	**$422,379,231**	**$356,056,234**	**$503,915,248**	**$460,758,908**	**$406,745,584**

Figure 78

Changes in Fiduciary Net Position (Last Ten Fiscal Years)

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

	2014	2013	2012	2011
ADDITIONS				
Employer contributions	$ 1,147,770	$ 1,116,464	$ 1,189,456	$ 1,244,150
Employee contributions	1,147,770	1,116,240	1,189,456	1,244,150
Net investment income (loss)	1,104,224	3,655,978	2,315,117	170,531
Total additions	3,399,764	5,888,682	4,694,029	2,658,831
DEDUCTIONS				
Contribution refunds	1,107,222	1,010,244	959,751	709,739
Pension administration	64,686	73,351	72,742	76,217
Depreciation	54,768	54,763	53,625	54,017
Reclassifications due to participant conversion[1]	2,942,734	2,465,600	2,025,607	2,680,431
Total deductions	4,169,410	3,603,958	3,111,725	3,520,404
Change in fiduciary net position	(769,646)	2,284,724	1,582,304	(861,573)
Net position – beginning	21,926,537	19,641,813	18,059,509	18,921,082
Net position - ending	**$21,156,891**	**$21,926,537**	**$19,641,813**	**$18,059,509**

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

Figure 79

Changes in Fiduciary Net Position (Last Ten Fiscal Years)

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

2010	2009	2008	2007	2006	2005
$ 2,298,753	$ 1,478,256	$ 1,494,079	$ 1,428,686	$ 1,369,009	$ 1,281,156
1,349,100	1,478,256	1,494,079	1,428,686	1,369,009	1,281,156
2,124,997	2,608,965	(4,387,641)	1,542,383	1,876,517	978,703
-	-	-	-	-	-
5,772,850	5,565,477	(1,399,483)	4,399,755	4,614,535	3,541,-15
642,116	477,290	698,751	864,999	786,140	628,696
73,844	77,565	69,865	32,639	31,374	29,512
54,408	55,384	29,371	-	-	-
1,276,393	1,664,681	2,019,289	2,102,726	1,983,067	1,562,135
2,046,761	2,274,920	2,817,276	3,000,364	2,800,581	2,220,343
3,726,089	3,290,557	(4,216,759)	1,399,391	1,813,954	1,320,672
15,194,993	11,904,436	16,121,195	14,721,804	12,907,850	11,587,178
$18,921,082	**$15,194,993**	**$11,904,436**	**$16,121,195**	**$14,721,804**	**$12,907,850**

Figure 80

Average Benefit Payments (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued on next page)

	2014	2013	2012	2011
Average monthly pension				
0 - 5 Years of Service	$ -	$ -	$ -	$ -
5 - 10 Years of Service	665	1,164	980	554
10 - 15 Years of Service	950	1,278	921	994
15 - 20 Years of Service	1,624	1,621	2,026	1,655
20 - 25 Years of Service	1,957	1,992	2,492	1,853
25 - 30 Years of Service	2,230	2,433	2,477	2,435
30+ Years of Service	3,217	3,891	3,455	3,187
Average for All Years of Service	**1,921**	**1,760**	**2,084**	**$1,844**
Average final average salary				
0 - 5 Years of Service	$ -	$ -	$ -	$ -
5 - 10 Years of Service	3,206	5,437	3,361	3,110
10 - 15 Years of Service	3,353	4,091	3,472	3,298
15 - 20 Years of Service	4,343	3,914	4,541	4,359
20 - 25 Years of Service	4,027	4,288	5,275	4,021
25 - 30 Years of Service	4,065	4,397	4,762	4,090
30+ Years of Service	4,495	5,388	5,125	4,703
Average for All Years of Service	**$4,026**	**$4,409**	**$4,460**	**$3,995**
Number of members retiring				
0 - 5 Years of Service	-	-	-	-
5 - 10 Years of Service	11	8	2	11
10 - 15 Years of Service	10	17	6	21
15 - 20 Years of Service	19	12	5	23
20 - 25 Years of Service	14	6	4	31
25 - 30 Years of Service	9	7	6	18
30+ Years of Service	20	4	4	19
Total for All Years of Service	**83**	**54**	**27**	**123**

Figure 81

Average Benefit Payments (Last Ten Fiscal Years)

Police and Fire Retirement System (continued on next page)

	2014	2013	2012	2011
Average monthly pension				
0 - 5 Years of Service	$ 3,710	$ -	$ -	$ -
5 - 10 Years of Service	-	3,371	-	-
10 - 15 Years of Service	1,867	2,254	2,344	2,381
15 - 20 Years of Service	1,993	3,930	3,929	3,784
20 - 25 Years of Service	2,971	3,037	3,691	2,983
25 - 30 Years of Service	4,212	4,138	-	4,064
30+ Years of Service	4,870	4,790	-	4,847
Average for All Years of Service	**$3,984**	**$3,697**	**$3,281**	**$3,349**
Average final average salary				
0 - 5 Years of Service	$ 4,890	$ -	$ -	$ -
5 - 10 Years of Service	-	4,262	-	-
10 - 15 Years of Service	5,150	4,065	3,838	3,980
15 - 20 Years of Service	4,842	4,961	5,120	4,970
20 - 25 Years of Service	5,132	4,936	5,652	4,704
25 - 30 Years of Service	5,698	5,696	-	5,810
30+ Years of Service	6,192	6,387	-	6,463
Average for All Years of Service	**$ 5,671**	**$ 5,337**	**$ 4,959**	**$ 4,997**
Number of members retiring				
0 - 5 Years of Service	1	-	-	-
5 - 10 Years of Service	0	1	-	-
10 - 15 Years of Service	1	3	2	2
15 - 20 Years of Service	1	1	1	2
20 - 25 Years of Service	13	10	3	9
25 - 30 Years of Service	11	20	-	4
30+ Years of Service	17	2	-	1
Total for All Years of Service	**44**	**37**	**6**	**18**

Figure 82

Average Benefit Payments (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued from previous page)

2010	2009	2008	2007	2006	2005
$ 290	$ -	$ -	$ -	$ -	$ -
-	593	528	554	436	532
2,852	1,158	821	894	692	712
-	1,482	1,547	1,180	1,129	1,288
2,745	2,173	2,250	1,895	2,038	1,567
3,646	2,870	3,137	3,015	3,342	3,251
1,993	2,758	3,760	3,443	2,265	2,460
$ 2,928	**$ 2,084**	**$ 2,420**	**$2,199**	**$ 2,342**	**$ 2,270**
$ 2,956	$ -	$ -	$ -	$ -	$ -
-	2,962	2,660	4,493	2,538	2,532
5,058	3,904	3,089	3,414	2,708	2,692
-	3,451	3,901	3,239	2,932	3,399
5,100	4,192	4,133	3,432	3,720	3,545
5,134	4,225	4,371	4,215	4,520	4,465
4,269	4,008	5,005	4,591	3,020	3,818
$ 4,839	**$ 3,929**	**$ 4,094**	**$ 3,861**	**$ 3,830**	**$ 3,864**
1	-	-	-	-	-
-	6	4	2	5	5
2	10	16	9	4	1
-	5	9	7	5	11
2	5	6	9	9	6
7	23	25	29	25	25
2	4	18	1	1	4
14	**53**	**78**	**57**	**49**	**52**

Figure 83

Average Benefit Payments (Last Ten Fiscal Years)

Police and Fire Retirement System (continued from previous page)

2009	2009	2008	2007	2006	2005
$ -	$ -	$ -	$ -	$ -	$ -
3,016	3,016	-	-	4,549	2,629
2,237	2,237	2,539	-	2,249	3,277
3,834	3,834	-	-	3,393	-
2,808	2,808	2,489	2,436	2,346	2,306
3,964	3,964	3,989	3,635	3,410	3,184
4,034	4,034	4,308	3,400	3,462	4,484
$3,180	**$3,180**	**$ 3,351**	**$ 3,132**	**$ 3,092**	**$ 3,249**
$ -	$ -	$ -	$ -	$ -	$ -
3,341	3,341	-	-	4,221	2,919
5,074	5,074	4,536	-	4,559	3,912
4,893	4,893	-	-	3,023	-
4,771	4,771	4,615	3,992	3,774	3,979
5,426	5,426	5,488	5,030	4,872	4,467
5,378	5,378	5,744	4,534	4,793	5,118
$ 4,943	**$ 4,943**	**$ 5,113**	**$ 4,565**	**$ 4,515**	**$ 4,391**
-	-	-	-	-	-
2	2	-	-	1	1
4	4	2	-	4	1
1	1	-	-	1	-
12	12	7	8	5	4
9	9	9	10	11	9
1	1	2	2	5	4
29	**29**	**20**	**20**	**27**	**19**

Figure 84

Retired Members by Type and Benefit Amount

Wichita Employees' Retirement System

(as of December 31, 2014)

Amount of Monthly Benefit	Active in DROP	Non-Service Disability	QDRO[1]	Service	Service Disability	Survivor	Total
$ 0-500	0	2	2	65	0	74	143
500-1000	8	8	2	141	1	72	232
1000-1500	4	5	1	132	0	61	203
1500-2000	6	0	0	153	3	35	197
2000-2500	8	2	1	106	0	11	128
2500-3000	8	0	0	107	0	4	119
3000-3500	9	0	0	112	0	2	123
3500-4000	3	0	0	71	0	0	74
4000-4500	5	0	0	67	0	0	72
4500-5000	3	0	0	36	0	0	39
>5000	0	0	0	65	0	0	65
Total	**54**	**17**	**6**	**1,055**	**4**	**259**	**1,395**

[1] Qualified Domestic Relations Order

Figure 85

Retired Members by Type and Benefit Amount

Police and Fire Retirement System

(as of December 31, 2014)

Amount of Monthly Benefit	Non-Service Disability	QDRO[1]	Recalc. Service Disability	Service	Service Disability	Survivor	Total
$ 0-500	0	2	0	5	0	4	11
500-1000	2	8	0	21	4	39	74
1000-1500	4	5	1	63	0	41	114
1500-2000	0	1	3	130	0	43	177
2000-2500	0	0	2	131	0	32	165
2500-3000	0	0	7	95	9	9	120
3000-3500	0	0	6	79	13	1	99
3500-4000	0	0	19	68	16	1	104
4000-4500	0	0	7	44	5	1	57
4500-5000	0	0	3	27	1	0	31
>5000	0	0	2	17	0	0	19
Total	**6**	**16**	**50**	**680**	**48**	**171**	**971**

[1] Qualified Domestic Relations Order

Figure 86

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