Comprehensive Annual
Financial Report

for the year ended December 31, 2004

Pension Trust Funds of
The City of Wichita, Kansas

Wichita Retirement Systems

Police & Fire Retirement System of Wichita, KS

Wichita Employees' Retirement System

Wichita Employees' Retirement Plan 3

Prepared by

City of Wichita
Pension Management Office
455 N. Main, 12th Floor
Wichita, KS 67202

316-268-4544
www.wichita.gov

Wichita Retirement Systems
Comprehensive Annual Financial Report
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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Wichita Retirement Systems, Kansas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2003

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

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2004 Award

Presented to

Wichita Retirement Systems

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

June 14, 2005

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

The Department of Finance of the City of Wichita is pleased to present the eighth Comprehensive Annual Financial Report of the Wichita Retirement Systems ("WRS" or "System"); a single employer retirement system comprised of the Police & Fire Retirement System of Wichita, Kansas (PFRS), the Wichita Employees' Retirement System and the Wichita Employees' Plan 3 (WERS) for the year ended December 31, 2004. The Finance Department's Pension Management Office is responsible for the accuracy and completeness of the data presented in this report.

Pension Management is responsible for establishing and maintaining an internal control structure to ensure the protection of assets from loss, theft or misuse. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonableness recognizes that the cost of such controls should not exceed the benefits derived and the valuation of costs and benefits requires judgment by management. More specific information regarding the accounting policies may be found on page 20 in the Notes to Financial Statements.

Generally Accepted Accounting Principals (GAAP) require that management provide both a narrative introduction and an overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A begins on page 16 in the Financial Section, immediately following the report of the independent auditors.

Plan History

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

In October 1999, the assets of the Wichita Retirement Systems were combined into a single Fund for investment purposes. Then in October 2000, assets of WERS Plan 3 (a defined contribution plan) were separated from the combined WERS and PFRS Funds for investment, custodial and participant record keeping purposes. Finally, in January 2004, WERS Plan 3 assets were liquidated and the proceeds were reinvested with the other assets of the Wichita Retirement Systems, which resulted in a combined single fund for investment purposes.

Department of Finance
City Treasurer's Division, Pension Management
City Hall, 455 N. Main, Wichita, Kansas 67202
T 316.268.4544 **F** 316.268.4656

Report Contents and Structure
The report is organized into five sections as follows:

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

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

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

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

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

Major Initiatives
As a result of the asset allocation / liability study that was completed in 2003 by the System's financial consultant, Callan Associates, Inc., the individual Boards for WERS and PFRS adopted revisions to the Fund's Asset Allocation Policy in 2004. The major changes included the addition of a five percent (5%) allocation to Real Estate and removal of the Fund's existing allocation to International Fixed Income. The new policy restricts Real Estate investments to open-end commingled funds.

The following table summarizes the 2004 changes to the Asset Allocation Policy:

	Prior Asset Allocation	2004 Asset Allocation
Domestic Equity	49%	47%
International Equity	17%	20%
Domestic Fixed Income	28%	28%
International Fixed Income	6%	0%
Real Estate	0%	5%

At year-end, all asset classes were funded in accordance with the new policy, except for the new asset class, Real Estate, whose funding was completed in the first quarter of 2005.

In accordance with governing Rules and Ordinances, the Systems' actuary, Milliman, Inc., completed a five-year experience study (1998 through 2003) of both WERS and PFRS. The study is done every five years to determine how accurately current actuarial assumptions have predicted actual experience, and whether assumptions should be modified for future valuations. Based on the study, the actuary recommended numerous changes to the assumptions, which were approved by the individual Boards and implemented with the actuarial valuations for the period ended December 31, 2004.

The major assumption changes for both WERS and PFRS included lowering the inflation assumption from 4.5% to 4.0%, and reducing the general wage increase assumption from 4.75% to 4.5%. In addition, changes were made to demographic and salary increase assumptions including a new set of mortality tables published by the Society of Actuaries, known as the RP-2000 Tables. The new tables project future mortality improvements on a generational basis.

The composite effect of the assumption changes in WERS was a decrease in the normal cost rate and a slight increase in the actuarial liability. In comparison, the composite effect of the assumption changes in PFRS was an increase in both the normal cost rate and the actuarial liability.

WERS and PFRS authorized a Request for Proposal (RFP) to replace the Systems' pension administration software that was purchased in 1993. Responding firms made presentations in Wichita and in early 2005, Vitech Systems Group, Inc. was selected as the new software provider. The estimated sixteen-month implementation of the new software began in May of 2005.

Beginning in 2000, the WERS began offering a Deferred Retirement Option Plan (DROP) to participants currently eligible for a retirement benefit. Employees electing the DROP continue to work for a period of one to sixty months. During the DROP period, their monthly retirement benefit accumulates with interest. When they leave service, the participants receive a lump sum payment consisting of their accumulated benefit and also begin receiving their monthly pension benefit. As of December 31, 2004, 59 employees were participating in the DROP. The following chart shows participation in the DROP through 2004:

Year	**Employees electing DROP**	**Employees completing DROP**	**DROP Payments**
2000	17	0	$ 0
2001	16	6	127,652
2002	28	11	391,801
2003	17	13	622,675
2004	22	11	879,053

PFRS also began offering a similar Deferred Retirement Option Plan (DROP) to participants that was phased-in over a three-year period beginning in 2001 and completed in 2003. The DROP for PFRS however, is a backward DROP. This program allows participants, at their retirement date, to select a DROP date that is one to sixty months prior to the date they terminate service. The participant must be eligible, by both age and service, to receive a retirement benefit on the selected backward DROP date. Upon leaving service, the participant receives a lump sum payment consisting of their accumulated monthly retirement benefits and interest computed as of their backward DROP date and also begins receiving their monthly pension benefit. Annual participation in the PFRS backward DROP is illustrated in the following table:

Year	**Employees electing Backward DROP**	**DROP Payments**
2001	2	$ 63,161
2002	1	79,407
2003	8	1,240,509
2004	5	635,374

2004 was the fourth year, since inception of WERS Plan 3, that participants completed seven years of service and became fully vested in the plan. When vested, Plan 3 members are required to make an election to remain in Plan 3 (a defined contribution plan) or transfer to Plan 2 (a defined benefit plan). Upon vesting, Plan 3 members attend an education program conducted by NestEgg Consulting Inc., Wichita, Kansas. The program provides participants with information regarding defined contribution and defined benefit plans, investment options, and asset allocation to assist them in making an informed decision regarding their pension plan selection. The following chart reflects the Plan 3 members vesting and their plan elections:

Members Vesting	**2001**	**2002**	**2003**	**2004**	**Total**
Transfer to Plan 2	54	63	63	70	250
Remain in Plan 3	11	8	5	5	29
Total Vesting	**65**	**71**	**68**	**75**	**279**

No benefit increases for members of either the WERS or PFRS were enacted in the fiscal year ended December 31, 2004.

Plan Financial Condition

Funding is the process of setting aside resources for current and future use by the Systems. The funding objective of Wichita Retirement Systems is to meet funding requirements through contributions, expressed as a percent of member payroll, which will remain approximately level from year-to-year and will not have to be increased for future generation of citizens in the absence of plan benefit improvements. Historical information relating to progress in meeting this objective is presented on pages 26 and 27.

The annual actuarial valuations provide an indicator of the funding status of the Retirement Systems. As of December 31, 2004, the funded ratio of the Police and Fire Retirement System, which covers 1,922 participants, decreased from 106.8% to 99.8%. The funded ratio of the Wichita Employees' Retirement System, covering 3,053 participants, decreased from 115.4% to 112.1%. Both Systems experienced increases in the actuarial value of system assets that were offset by even larger increases in actuarial liabilities. In PFRS, a large portion of the increased liability was the result of salary increases being much higher than expected (as a result from the timing lag in contract negotiations). Both Systems' funding levels were negatively impacted by the changes in assumptions that were implemented for the first time in the 2004 valuations.

Despite decreases in the PFRS and WERS funded ratios, both the Police & Fire Retirement System and the Wichita Employees' Retirement System remain well funded; the WERS actuarial assets remain in excess of actuarial accrued liabilities, while PFRS assets are only marginally less than actuarial liabilities. Additional information regarding the financial condition of pension trust funds can be found in the Actuarial Section of this report.

Investment Activity

2004 was the second year of positive returns for the major equity market indices since 1999. Overall, the economy in 2004 was favorable, with all major market indicies posting positive returns. For the year ended December 31, 2004, the Fund's investment portfolio return was 9.95%, under performing its weighted index return of 12.03%. This marks the third time the Fund has under-performed its one-year benchmark since combining the Funds in 1999.

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

Certificate of Achievement For Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Wichita Retirement Systems for the fiscal year ended December 31, 2003. This marks the fifth consecutive year the Wichita Retirement Systems have received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Public Pension Standards Award

The Public Pension Coordinating Council (PPCC) awarded the Wichita Retirement Systems with their Public Pension Standards Award for the second consecutive year in 2004. This award recognizes the WRS as meeting their proscribed professional standards for pension plan design and administration.

Conclusion

In addition to the annual actuarial valuation, the accounting firm of Allen, Gibbs & Houlik, L.C. conducted an audit of the System's financial statements and an evaluation of the System's internal controls. The results of that audit may be found on page 15 in the Financial Section of this report.

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

Respectfully submitted,

Kelly Carpenter
Finance Director

Carla Palmer
City Treasurer

Barbara Ketteman
Pension Manager

Boards of Trustees

Wichita Employees' Retirement Board

Marvin Fisher President	Appointee
Mark Hall 1st Vice President	Employee
Ron Franks 2nd Vice President	Appointee
Mike Bellinger	Appointee
James Bishop	Employee
Don Boleski	Appointee
Kim Chenault	Employee
Gregory Chinn	Appointee
Carolyn Conley	Appointee
Charles Coykendall	Employee
Sandy Greeno	Employee
Jim High	Employee
Russell Oliver	City Manager Designee
Carla Palmer	City Manager Appointee
Melinda Walker	Employee
Don Wolfe	Appointee

Police & Fire Retirement Board

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Mike Malter 1st Vice President	Employee
Stephanie Mankins 2nd Vice Pres.	Appointee
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Tim Carr	Employee
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David Moses	Appointee
Carla Palmer	City Manager Designee
Lazaro SanMartin	Appointee
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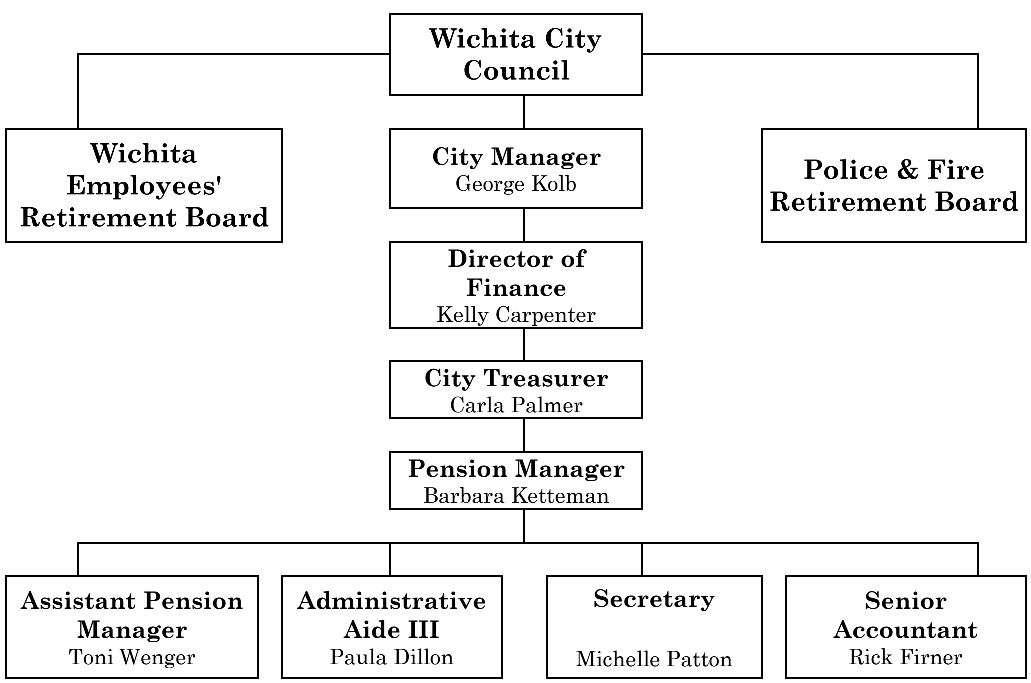
Norman Williams	Police Chief
Vacancy	Employee



Professional Consultants

Actuary
Milliman Inc.
1120 South 101st Street, Suite 400
Omaha, Nebraska 68124

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

Custody Institution
State Street
200 Newport Avenue
North Quincy, Massachusetts 02171

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

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

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

Defined Contribution
Participant Accounting
Northeast Retirement Services
69 Cummings Park
Woburn, Massachusettes 01801

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

A list of professional investment consultants for the Systems may be found on pages 37 and 38.

Financial Section

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AGH ALLEN, GIBBS & HOULIK, L.C.
Certified Public Accountants & Consultants
www.aghlc.com

Epic Center • 301 N. Main, Suite 1700
Wichita, Kansas 67202-4868
(316) 267-7231 • FAX (316) 267-0339

INDEPENDENT AUDITORS' REPORT

The Boards of Trustees
Wichita Retirement Systems
Wichita, Kansas

We have audited the accompanying statement of plan net assets of the Wichita Retirement Systems of the City of Wichita, Kansas (Systems) as of December 31, 2004, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Systems' 2003 financial statements and in our report dated March 26, 2004, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Wichita Retirement Systems of the City of Wichita, Kansas as of December 31, 2004, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supporting schedules on pages 29 and 30, and the introductory, investment, actuarial, and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules on pages 29 and 30 have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Allen, Gibbs & Houlik, L.C.

March 25, 2005

AGH An Independently Owned Member
of the RSM McGladrey Network

Management Discussion & Analysis

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

The ***Statement of Plan Net Assets*** provides information on the Systems' assets and liabilities, where Assets - Liabilities = Net Assets available at December 31, 2004. The statement is a snapshot of the financial position of the Systems at that specific point in time.

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

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

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

This discussion and analysis of WRS' financial performance provides an overview of the financial activities for the year ended December 31, 2004. The information contained in this section should be reviewed in conjunction with the letter of transmittal.

Following are summary comparative statements of WRS:

Summary Comparative Statement of Plan Net Assets

Assets	2004	2003	Difference
Total cash and investments	$ 874,217,875	$ 785,390,384	$ 88,827,491
Total receivables	12,467,877	3,631,712	8,836,165
Total assets	886,685,752	789,022,096	97,663,656
Liabilities			
Accounts payable and accrued expenses	4,370,012	3,960,476	409,536
Investment purchases pending	11,114,949	2,340,467	8,774,482
Securities lending obligations	36,398,125	0	36,398,125
Total liabilities	51,883,086	6,300,943	45,582,143
Net Assets held in trust for pension benefits	$ 834,802,666	$ 782,721,153	$ 52,081,513

Change in Net Assets

Total System assets increased by $97.7 million (12.4%), which was accompanied by a $45.6 million increase in liabilities. The System's assets exceeded liabilities by $834.8 million as of December 31, 2004.

The net assets held in the System increased by $52 million, or approximately 6.7% during the year ended December 31, 2004. The change is partly attributable to a $81.3 million increase in the fair value of investments, resulting from the second consecutive year of positive returns in the domestic and international equity markets. This increase in investments was then offset primarily by a $36.4 million increase in securities lending obligations. In 2003 securities lending activities had temporarily been suspended due to a custodial bank change. The securities lending program resumed with the System's new custodial bank in June of 2004.

At year-end, System assets included $599.2 million in domestic and international equity securities. This represents a $92.7 million (18.3%) increase when compared to the prior year.

Domestic fixed income assets totaled $229.1 million, which represents a $12.5 million (5.8%) increase from the prior year.

As a result of the Systems' new asset allocation policy, international fixed income assets were liquidated during 2004, and a new asset class, real estate, was added and partially funded with investments of $22.6 million.

M. D. & A. (Continued)

Summary Comparative Statement of Changes in Plan Net Assets

Additions	2004	2003	Difference
Contributions			
Employer	$ 10,229,614	$ 8,265,984	1,963,630
Employee	6,981,248	6,908,919	$ 72,329
Total net investment gain (loss)	73,664,727	144,298,745	(70,634,018)
Transfers from other funds	1,528,790	1,138,869	389,921
Total additions	92,404,379	160,612,517	(68,208,138)
Deductions			
Pension benefits	37,156,758	36,152,250	1,004,508
Pension administration	566,245	562,634	3,611
Employee Contributions Refunded	1,071,073	853,838	217,235
Transfers to other funds	1,528,790	1,138,869	389,921
Total deductions	$ 40,322,866	$ 38,707,591	$ 1,615,275
Net Change	$ 52,081,513	$ 121,904,926	$ (69,823,413)

Additions and Deductions

The Summary Comparative Statement of Changes in Plan Net Assets provides additional detail of the 2004 increase of $52 million in plan assets. In 2003, for comparative purposes, the System's assets had increased by $121.9 million.

In 2004, additions to the System totaled $92.4 million, which was a $68.2 million decrease when compared to 2003. The decrease is primarily due to 2004 net investment gains of $73.6 million, which is a $70.6 million reduction when compared to net investment gains of $144.3 million in the prior year.

In 2004, total deductions were $40.3 million, an increase of $1.6 million over the prior year. The 4.1% increase was due primarily to an increase in pension benefits of $1 million, comprised of an increase of $1.3 million for service and survivor benefits, and $.3 million decrease in lump-sum payments to employees participating in the DROP (Deferred Retirement Option Plan).

WICHITA RETIREMENT SYSTEMS

STATEMENT OF PLAN NET ASSETS

December 31, 2004

(with comparative totals as of December 31, 2003)

	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals	
				2004	2003
ASSETS					
Cash and temporary investments	$ 10,908,336	$ 11,941,517	$ 486,516	$ 23,336,369	$ 15,818,927
Receivables:					
Investment sales pending	4,895,469	5,628,513	143,814	10,667,796	1,366,652
Interest and dividends	826,060	949,754	24,267	1,800,081	1,783,275
Other	-	-	-	-	481,785
Total receivables	5,721,529	6,578,267	168,081	12,467,877	3,631,712
Investments, at fair value:					
Government securities: long term	14,605,378	16,792,017	437,136	31,834,531	24,237,380
Corporate debt instruments: long term	28,800,102	33,111,902	861,980	62,773,984	65,662,034
Corporate stocks: domestic common	139,431,974	160,306,995	4,173,168	303,912,137	273,185,685
Corporate stocks: international common	54,347,685	62,484,335	1,626,614	118,458,634	80,016,126
Mortgage-backed securities	19,345,558	22,241,873	579,008	42,166,439	36,666,427
Real estate	10,349,622	11,899,113	309,762	22,558,497	-
Pooled funds: domestic fixed income	42,358,760	48,700,491	1,267,788	92,327,039	90,051,833
Pooled funds: international fixed income	-	-	-	-	46,445,521
Pooled funds: domestic equities	49,439,947	56,841,836	1,479,726	107,761,509	92,011,175
Pooled funds: international equities	31,697,250	36,442,795	948,691	69,088,736	61,295,276
Total investments	390,376,276	448,821,357	11,683,873	850,881,506	769,571,457
Total assets	407,006,141	467,341,141	12,338,470	886,685,752	789,022,096
LIABILITIES					
Accounts payable and accrued expenses	2,128,255	2,130,998	110,759	4,370,012	3,960,476
Investment purchases pending	5,100,668	5,864,438	149,843	11,114,949	2,340,467
Securities lending obligations	16,703,158	19,204,277	490,690	36,398,125	-
Total liabilities	23,932,081	27,199,713	751,292	51,883,086	6,300,943
NET ASSETS					
Held in trust for pension benefits	$ 383,074,060	$ 440,141,428	$ 11,587,178	$ 834,802,666	$ 782,721,153

A schedule of funding progress for each plan is presented on pages 26 and 27.
The accompanying Notes to the Financial Statements are an integral part of this statement.

WICHITA RETIREMENT SYSTEMS
STATEMENT OF CHANGES IN PLAN NET ASSETS

For the year ended December 31, 2004
(with comparative totals for the year ended December 31, 2003)

	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2004	Totals 2003
ADDITIONS					
Contributions:					
Employer	$ 6,925,467	$ 2,084,558	$ 1,219,589	$ 10,229,614	$ 8,265,984
Employee	3,482,237	2,279,422	1,219,589	6,981,248	6,908,919
Total contributions	10,407,704	4,363,980	2,439,178	17,210,862	15,174,903
Investment income:					
From investment activities					
Net appreciation in fair value of investments	28,537,947	32,815,383	944,715	62,298,045	135,784,440
Interest and dividends	6,652,899	7,718,781	205,825	14,577,505	11,481,262
Commission recapture	66,011	74,085	1,666	141,762	114,056
Total investing activity income	35,256,857	40,608,249	1,152,206	77,017,312	147,379,758
Less investment expense	1,583,615	1,816,989	46,091	3,446,695	3,266,382
Net income from investing activities	33,673,242	38,791,260	1,106,115	73,570,617	144,113,376
From securities lending activities					
Securities lending income	191,413	218,948	5,546	415,907	932,443
Securities lending activities expenses:					
Borrower rebates	135,962	156,116	3,959	296,037	668,348
Management fees	11,796	13,621	343	25,760	78,726
Total securities lending activities expenses	147,758	169,737	4,302	321,797	747,074
Net income from securities lending activities	43,655	49,211	1,244	94,110	185,369
Total net investment income	33,716,897	38,840,471	1,107,359	73,664,727	144,298,745
Transfers from other funds	-	1,528,790	-	1,528,790	1,138,869
Total additions	44,124,601	44,733,241	3,546,537	92,404,379	160,612,517
DEDUCTIONS					
Pension benefits	17,395,455	19,761,303	-	37,156,758	36,152,250
Pension administration	262,061	271,128	33,056	566,245	562,634
Employee contributions refunded	283,197	387,089	400,787	1,071,073	853,838
Transfers to other funds	-	-	1,528,790	1,528,790	1,138,869
Total deductions	17,940,713	20,419,520	1,962,633	40,322,866	38,707,591
Change in net assets	26,183,888	24,313,721	1,583,904	52,081,513	121,904,926
Net assets held in trust for pension benefits					
Beginning of year	356,890,172	415,827,707	10,003,274	782,721,153	660,816,227
End of year	$ 383,074,060	$ 440,141,428	$ 11,587,178	$ 834,802,666	$ 782,721,153

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

Notes to the Financial Statements

December 31, 2004

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 governed by the Wichita Employees' Retirement System Board of Trustees.

Summary of Significant Accounting Policies

Basis of Accounting

The Wichita Employees' Retirement System, Police and Fire Retirement System, and the Wichita Employees' Retirement System Plan 3 are reported as pension trust funds of the City of Wichita, Kansas in the City's financial statements and use the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments

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

Management of Plan Assets

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

Estimates

Preparation of financial statements in conformity with 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.

Prior Year Comparative Information

The basic financial statements include certain prior year summarized comparative information 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, 2003, from which the summarized information has been derived.

Reserves and Concentrations

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

Insurance

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

Cash

At December 31, 2004 the Plan's cash deposits in the amount of $829,503 are included in the City's pooled cash and temporary investments fund of $275,854,982.

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

As of December 31, 2004, the City's cash deposits met the criteria of Category 1.

Bank Deposits	$ 37,512,967
Reconciling Items	(7,730,793)
Book Balance	$ 29,782,174

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

State law (K.S.A. 9-1402) requires that collateral be pledged equal to or greater than 100% of the market value of the City's deposits. As of December 31, 2004, the City had deposits in 8 banks totaling $37,512,967 with assets pledged to the City by the banks as collateral with a market value of $45,055,775.

Investments

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

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

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

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

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

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

As of December 31, 2004 the Wichita Retirement System did not hold investments classified as Category 2 or Category 3. The System's investments were categorized as follows:

Category 1 Classification	Fair Value
U.S. Government and agencies	$ 31,834,531
Corporate bonds	62,773,984
Stocks	422,370,771
Mortgage and asset-backed securities	42,166,439
Subtotal	$ 559,145,725
Not Subject to Classification	
Mutual funds	269,177,284
Real Estate	22,558,497
Subtotal	$ 291,735,781
Total investments	**$ 850,881,506**

Securities Lending Transactions

The "Strategic Plan and Investment Policies" adopted by the Boards of Trustees for the Wichita Employees' Retirement and Police and Fire Retirement Systems permit the lending of securities to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same securities in the future. The custodian of the City's pension plans serves as the agent in lending the plans' domestic securities for collateral of 102%, international securities for collateral of 105%, and collateral of 102.5% for loans of U.K. Gilts.

Collateral may consist of cash, securities issued or guaranteed by the U.S. Government or its agencies, or irrevocable letters of credit issued by a bank (including an affiliate of the agent) other than the securities borrower or affiliate, which is either insured by the Federal Deposit Insurance Corporation or a foreign bank that has complied with applicable requirements of the Federal Reserve Board. The collateral securities cannot be pledged or sold by the City unless the borrower defaults.

The agent shall require additional collateral from the borrower whenever the value of loaned securities exceeds the value of the collateral in the agent's possession, so that collateral always equals or exceeds the required value of the loaned securities. The contract with the lending agent requires them to indemnify the Systems if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Systems for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand either by the Systems or the borrower. There are no restrictions on the amount of securities that may be lent.

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

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

Cash received as collateral and the related liability of $36,398,125 as of December 31, 2004 are reflected on the Combining Statement of Plan Net Assets. As of December 31, 2004, the market value of securities on loan was $35,227,373.

Wichita Employees' Retirement System

Plan Description

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

Defined Benefit Plan 1 and Plan 2

On December 31, 2004, the WERS defined benefit plan membership consisted of:

	Plan 1	Plan 2	Total
Employees:			
Vested	169	877	1,046
Non-vested	-	-	-
Subtotal	169	877	1,046
Retirees and beneficiaries receiving benefits	880	182	1,062
Terminated employees entitled to benefits but not receiving them	17	103	120
Subtotal	897	285	1,182
Total membership	**1,066**	**1,162**	**2,228**

Eligibility Factors and Benefit Provisions

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

Funding Policy

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

Annual Pension Cost and Net Pension Obligation

The net pension obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2004, the City's annual pension cost of $2,084,558 was equal to the required and actual contributions.

Wichita Employees' Retirement Plan 3

Plan Description

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

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

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

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

On December 31, 2004, the WERS defined contribution plan membership consisted of:

Years of Service	Employer Contribution Vesting Schedule	Number of Employees
7 years or more	100%	23
5 to 7 years	50%	107
3 to 5 years	25%	339
0 to 3 years	0%	356
Total membership		**825**

Eligibility Factors and Benefit Provisions

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

Funding Policy

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

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

Annual Pension Cost

For the year ending December 31, 2004, employer contributions to Plan 3 totaled $1,219,589.

Police & Fire Retirement System of Wichita

Plan Description

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

On December 31, 2004, the Police & Fire Retirement System's membership consisted of:

	Plan A	Plan B	Plan C-79	Total
Employees:				
Vested	74	1	474	549
Non-vested	-	-	516	516
Subtotal	74	1	990	1,065
Retirees and beneficiaries receiving benefits	414	350	70	834
Terminated employees entitled to benefits but not receiving them	1	-	22	23
Subtotal	415	350	92	857
Total membership	**489**	**351**	**1,082**	**1,922**

Eligibility Factors and Benefit Provisions

	Plans A & B	Plan C-79
Eligibility for benefits	20 years credited service regardless of age	30 years credited service regardless of age; or 20 years of credited service and 50 years of age
Minimum vesting	10 years of credited service	10 years of credited service
Maximum benefit	2.5% of final average salary per year of service up to a maximum of 75%	2.5% of final average salary per year of service up to a maximum of 75%
Service-connected disability, injury	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 full months of retirement, not compounded	2% of original benefit after 36 full months of retirement, not compounded

Funding Policy

The contribution requirements of plan members and the employer are established by City ordinance and may be amended by the governing body. Members of Plan A contribute 8% of covered salaries, Plan B contribute 6% of covered salaries, and Plan C contribute 7% of covered salaries. The City is required to contribute at an actuarially determined rate; the current rate is 14% of annual covered payroll for all plans. The City provides for pension and administrative expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the consulting actuary.

Annual Pension Cost and Net Pension Obligation

The Net Pension Obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2004, the City's annual pension cost of $6,925,467 was equal to the required and actual contributions.

Required Supplementary Information

Wichita Employees' Retirement System

Schedule of Employer Contributions

	Annual Required Contributions		
Fiscal Year Ending	Plan 1 & Plan 2	Plan 3	Percentage Contributed
12/31/99	4,134,826	751,608	100 %
12/31/00	2,751,084	1,020,209	100
12/31/01	1,843,213	1,214,229	100
12/31/02	1,957,922	1,203,471	100
12/31/03	2,007,656	1,214,823	100
12/31/04	2,084,558	1,219,589	100

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/99	383,338	319,289	(64,049)	120.1	57,562	(111.3)
12/31/00	414,643	329,390	(85,253)	125.9	61,112	(139.5)
12/31/01	428,204	353,158	(75,046)	121.2	65,347	(114.8)
12/31/02	433,366 *	370,399	(62,967)	117.0	68,117	(92.4)
12/31/03	446,794 *	387,037	(59,757)	115.4	69,161	(86.4)
12/31/04	462,994 *	413,159	(49,835)	112.1	72,154	(69.1)

* *Includes Plan 3 members with the exception of those members electing to stay in Plan 3 after vesting.*

Police & Fire Retirement System of Wichita

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
12/31/99	6,043,455	100 %
12/31/00	5,540,575	100
12/31/01	4,796,863	100
12/31/02	4,746,504	100
12/31/03	5,043,505	100
12/31/04	6,925,467	100

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/99	330,072	291,633	(38,439)	113.2	37,969	(101.2)
12/31/00	354,044	308,894	(45,150)	114.6	38,613	(116.9)
12/31/01	362,493	325,335	(37,158)	111.4	42,286	(87.9)
12/31/02	361,687	340,524	(21,163)	106.2	45,696	(46.3)
12/31/03	374,171	350,444	(23,726)	106.8	45,876	(51.7)
12/31/04	392,485	393,387	902	99.8	50,414	1.8

Notes to Required Supplementary Information

Summary of Actuarial Methods and Assumptions

Wichita Employees' Retirement System

The date of the actuarial valuation was December 31, 2004. Significant actuarial assumptions used include: (a) rate of return on the investment of present and future assets of 7.75% per year, compounded annually; (b) projected salary increases of 4.5% per year, compounded annually (4% attributable to inflation and 0.5% attributable to productivity); (c) additional projected salary increases ranging from 0% to 5.5% per year attributable to seniority/merit; and (d) benefit increase of 3% per year (non-compounded), commencing 12 months after retirement for Plan 1, and 2% per year (non-compounded) for Plan 2.

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

The actuarial accrued liability, as determined by the individual entry-age actuarial cost method, is the portion of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs. The unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on an open basis. At December 31, 2004, the amortization period was 20 years.

The employer's annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the individual entry-age actuarial cost method.

Police & Fire Retirement System

The date of the actuarial valuation was December 31, 2004. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 7.75% per year, compounded annually; (b) projected salary increases of 4.5% per year, compounded annually (4% inflation rate and 0.5% productivity); (c) additional projected salary increases ranging from 0% to 2.5% per year attributable to seniority/merit; and (d) the assumption that benefits will increase 2% per year (non-compounded), commencing 36 months after retirement.

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

The actuarial accrued liability, as determined by the individual entry-age actuarial cost method, is the portion of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs. The unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on an open basis. At December 31, 2004, the amortization period was 20 years.

The employer's annual required contribution was determined as part of the December 31, 2002 actuarial valuation using the individual entry-age actuarial cost method.

Supporting Schedules

ADMINISTRATIVE EXPENSES

Year ended December 31, 2004
(with comparative totals for the year ended December 31, 2003)

	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Total	2003
Personal services:					
Wages	$ 151,128	$ 152,494	$ -	$ 303,622	$ 303,322
Benefits	31,987	31,987	-	63,974	63,574
Total personal services	183,115	184,481	-	367,596	366,896
Contractuals:					
Telephone	1,568	1,568	-	3,136	3,172
Postage	1,563	1,532	108	3,203	4,950
Transportation and travel	4,829	5,111	-	9,940	9,339
Data center charges	13,320	13,320	-	26,640	27,172
City administrative charges	230	6,910	-	7,140	7,260
Actuarial fees	42,897	38,918	933	82,748	55,100
Audit fees	5,000	5,000	-	10,000	18,628
Studies and consultants	-	-	-	-	9,298
Legal services	3,351	6,575	636	10,562	13,314
Advertising	491	490	-	981	2,147
Periodicals and manuals	124	124	-	248	192
Membership dues	50	2,050	-	2,100	100
Printing and photocopying	4,129	3,845	-	7,974	8,200
Plan 3 participant administration	-	-	31,379	31,379	33,141
Other	711	598	-	1,309	1,611
Total contractuals	78,263	86,041	33,056	197,360	193,624
Commodities:					
Office equipment and supplies	625	604	-	1,229	1,336
Data processing equipment	-	-	-	-	604
Other	58	2	-	60	174
Total commodities	683	606	-	1,289	2,114
Total administrative expenses	$ 262,061	$ 271,128	$ 33,056	$ 566,245	$ 562,634

INVESTMENT EXPENSES

Year ended December 31, 2004

(with comparative totals for the year ended December 31, 2003)

	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2004	Totals 2003
Investment expenses:					
Financial consulting	$ 56,633	$ 52,789	$ 1,466	$ 110,888	$ 212,583
Custodial bank	105,328	122,725	3,512	231,565	263,144
Performance measurement fees	15,058	17,509	403	32,970	48,365
Investment management fees	1,406,596	1,623,966	40,710	3,071,272	2,742,290
Total investment expenses	$1,583,615	$1,816,989	$ 46,091	$3,446,695	$3,266,382

PAYMENTS TO CONSULTANTS OTHER THAN INVESTMENT ADVISORS

Year ended December 31, 2004

(with comparative totals for the year ended December 31, 2003)

Firm	Services	Police & Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2004	Totals 2003
Ice Miller	Legal services	$ 3,351	$ 6,575	$ 636	$ 10,562	$ 13,315
Milliman Inc.	Actuarial services	42,897	38,918	933	82,748	55,100
Allen, Gibbs & Houlik, L.C.	Auditing services	5,000	5,000	-	10,000	18,628
Northeast Retirement Services	Participant accounting	-	-	27,879	27,879	-
NestEgg Consulting, Inc.	Participant accounting	-	-	-	-	33,141
NestEgg Consulting, Inc.	Plan 3 educational serv.	-	-	3,500	3,500	-
		$ 51,248	$ 50,493	$ 32,948	$ 134,689	$ 120,184

Investment Section

Investment Objectives

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

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

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

In establishing 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 five asset classes as allowable asset classes: large to mid-capitalization U.S. equities; small to mid-capitalization U.S. equities; U.S. fixed-income securities; non-U.S. equities (developed and emerging markets); and private equity real estate. The "Asset Allocation" discussion that appears later in this section provides details about the Trust Fund percentages that are invested in the five asset classes. In late 2003, the Boards conducted a review of their asset-allocation policy in the context of pension liabilities and made a revision that began to be implemented in 2004. Real estate investments were added (starting with a five percent allocation) to replace the non-$ bond investments.

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

On an ongoing basis, the Boards implement a performance measurement and evaluation process that examines rates of return for the Trust Fund in total, the five 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.

Last year was a good investment environment for all investors, as economies and capital markets around the globe performed well. The U.S. stock market, which soared in 2003, had another good year. The S&P 500 Index, a proxy for large-cap stocks, increased 10.88 percent. Small-cap stocks, as measured by the Russell 2000 Index, generated a return of 18.33 percent. Non-U.S. equities also performed extremely well. For the year, the MSCI ACWI (ex U.S.) Index increased 21.36 percent. Bonds generated a return of 4.34 percent, as measured by the LB Aggregate Bond Index. As noted in the Schedule of Investment Results, the Fund generated a total return of 9.95 percent for the year ended December 31, 2004. The return was 2.08 percent less than the 12.03 percent return of the Fund's target benchmark (the Weighted Index). In the aggregate, the Fund's large-cap domestic equity managers, small-cap domestic equity managers and non-U.S. equity managers generated returns that were less than those of their respective benchmarks. The fixed-income managers essentially matched their benchmark.

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.

Ron Gold
Callan Associates, Inc.

Investment Policy

Strategic Plan

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

Investment Policies

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

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

The duties of the Joint Investment Committee include, but are not limited to, making recommendations to the Boards on the asset allocation plan, investment policies; and a common investment advisor and actuary; and solely responsible for the retention and termination of investment managers and the custodial bank.

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

Investment Objectives

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

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

The blended index consists of:

38%	S&P 500 Stock Index
9%	Russell 2000 Index
20%	Morgan Stanley Capital International All Country World (ex-US) Index (ACWI)
28%	Lehman Brothers Aggregate Bond Index
5%	National Council of Real Estate Investment Fiduciaries (NCREIF) Total Index

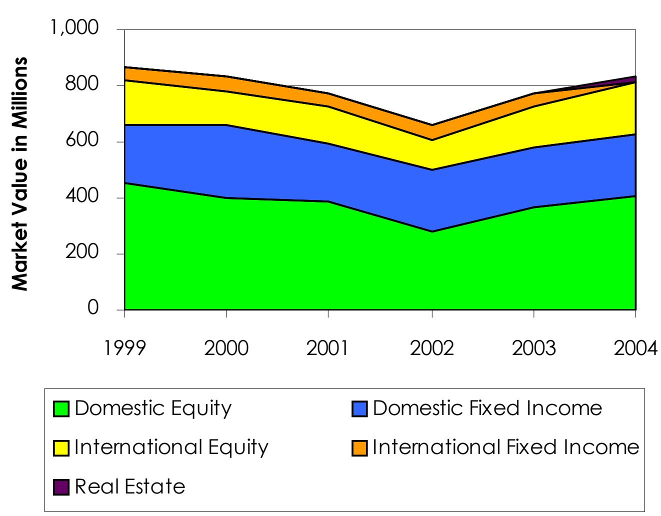
In 2004, the Boards completed an asset/liability study which resulted in changes to the Asset Allocation Policy. The revised policy added an allocation to real estate and removed the international fixed income allocation.

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

Each equity and fixed income manager's total fund return on a time-weighted basis is compared to a universe of managers employing a similar investment style. Performance relative to a manager's style group is expected to be above median in three of five calendar years, and above the 40th percentile over rolling 5-year periods.

Fund Growth

The chart below illustrates changes in Fund balance over the last six years based on asset class allocations at year-end. The three years of market decline that began in 2000 finally ended with positive returns and an increase in the market value of the Fund in 2003 and continuing in 2004.



Performance

The Investment Performance table illustrates Wichita Retirement System (WRS) Fund performance compared with plan target and appropriate indices comparisons. The calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Association for Investment Management and Research (AIMR) performance presentation standards.

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

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

Investment Performance

(includes WERS Defined Contribution assets prior to October 2000 and after December 31,2003)

	1 – year	3 – year	5 – year
Total portfolio:			
WRS Fund performance *	10.0 %	6.1 %	2.3 %
Plan Target performance	12.0 %	8.3 %	3.0 %
Domestic equities:			
WRS Large Cap equity	10.0 %	2.5 %	(1.3) %
S&P 500 Index	10.9 %	3.6 %	(2.3) %
WRS Small Cap equity	12.0 %	7.6 %	3.5 %
Russell 2000 Index	18.3 %	11.5 %	6.6 %
International equities:			
WRS International equity	17.5 %	8.4 %	(4.2) %
MSCI ACW (ex U.S.) Index	21.4 %	13.6 %	0.0 %
Domestic fixed income:			
WRS Domestic Fixed Income	4.4 %	6.1 %	7.8 %
Lehman Bros Aggregate Index	4.3 %	6.2 %	7.7 %
Real Estate			
WRS Real Estate **	N/A	N/A	N/A
NCREIF Total Index	14.5 %	11.7 %	7.1 %

** Performance does not include WERS Plan 3 assets from October 2000 through December 2003.*
*** Real Estate investments were funded after January 1, 2004, therefore, annual return data is not available.*

Plan Target:

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

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

From 01/01/02 - 03/31/2004; 40% S&P 500; 9% Russell 2000; 17% Morgan Stanley Capital International All Country Ex US (MSCI ACWI); 28% Lehman Brothers Aggregate Bond; 6% Salomon Non-US$ World Govt. Bond Index.

From 04/01/04 until the present; 38% S&P 500; 9% Russell 2000; 20% Morgan Stanley Capital International All Country Ex US (MSCI ACWI); 28% Lehman Brothers Aggregate Bond; 5% NCREIF Total Index.

Asset Allocation

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

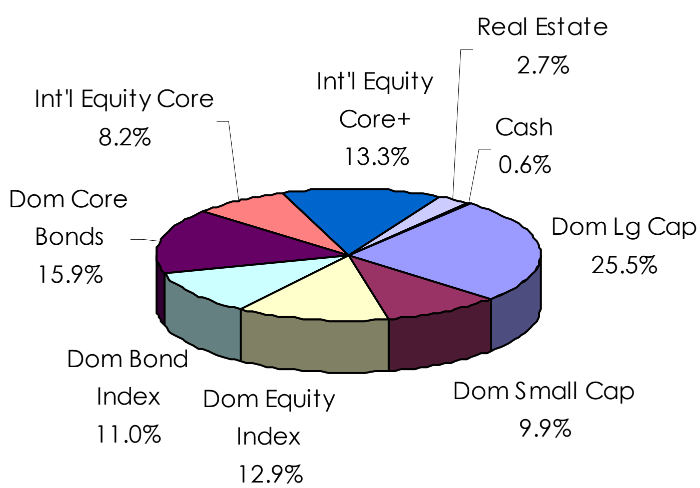
The Boards established the Joint Investment Committee to manage the assets of both Retirement Systems. Asset allocation in conjunction with investment manager selection has a great impact on investment performance. The Committee is responsible for recommending an Asset Allocation Plan developed with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

The Boards review their adopted Asset Allocation Plan at least every three years. A review of the plan was completed in 2003 and implemented in 2004.

Wichita Retirement Systems

Asset Class	Low	Target	High	Actual
Domestic Equity				
Large Cap	20.0%	26.4%	32.0%	25.5%
Small Cap	6.0%	9.4%	16.0%	9.9%
Index	8.0%	11.2%	14.0%	12.9%
Domestic Fixed Income				
Core Bonds	14.0%	16.8%	20.0%	15.9%
Bond Index	8.0%	11.2%	14.0%	11.0%
International Equity				
Core	6.0%	8.0%	10.0%	8.2%
Core Plus	10.0%	12.0%	14.0%	13.3%
Real Estate				
Core	2.0%	3.0%	5.0%	0.7%
Value Added	1.0%	2.0%	3.0%	2.0%
Cash	0.0%	0.0%	2.0%	0.6%

The Boards' commitment to the adopted Asset Allocation Plan, which ensures a diversified portfolio, is especially important to minimize the Fund's exposure to market volatility and to help preserve sufficient funding for future generations. The following chart represents the System's actual asset allocation on December 31, 2004:



Largest Equity & Fixed Income Holdings

(As of December 31, 2004)

Ten Largest Equity Holdings

No. Shares	Description	Market Value	% of Total Portfolio
128,058	General Electric Company	$ 4,674,117	0.56 %
171,210	Microsoft Corporation	4,573,019	0.55
63,580	Lowe's Companies, Incorporated	3,661,572	0.44
70,558	Citigroup, Incorporated	3,399,484	0.41
708,218	Banca Intesa SPA	3,393,851	0.41
177,933	Telefonica S.A.	3,338,430	0.40
123,430	Pfizer, Incorporated	3,319,033	0.40
139,300	Glaxosmithkline	3,261,245	0.39
81,618	JP Morgan, Chase & Company	3,183,918	0.38
56,300	RWE AG (NEU)	3,101,882	0.37
	Total	**$ 35,906,551**	**4.29 %**

Ten Largest Fixed Income Holdings

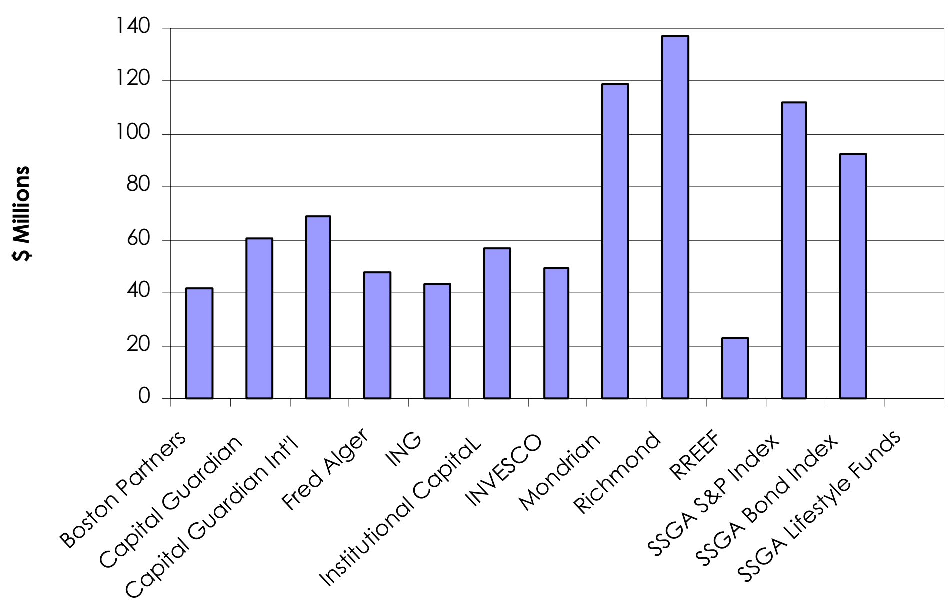
Par Value	Security	Market Value	% of Total Portfolio
$2,850,000	Federal Home Loan Banks	$ 2,918,208	0.35 %
2,800,000	Wells Fargo & Company	2,896,796	0.35
2,738,792	FNMA Pool 763798	2,785,244	0.33
2,640,000	Federal Home Loan Mortgage Corporation	2,774,118	0.33
2,527,001	Federal Home Loan PC Pool C90847	2,625,317	0.31
2,470,964	Federal Home Loan PC Pool C01501	2,514,109	0.30
2,400,000	SLM Corporation Medium Term NTS	2,394,753	0.29
2,075,000	Federal National Mortgage Association	2,075,333	0.25
2,000,000	Conoco FDG Company	2,073,996	0.25
1,942,030	Federal Home Loan PC Pool E01590	1,975,712	0.24
	Total	**$ 25,033,587**	**2.99 %**

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

Money Manager Summary

Year Ended December 31, 2004

Asset Category	Value 12/31/2004
Domestic fixed income	
Richmond Capital Management	$ 136,774,954
State Street Global Advisors	92,276,431
Domestic equity	
Boston Partners Asset Management	41,807,988
Capital Guardian Trust Company	60,400,155
Fred Alger Capital Management	47,887,043
ING Investment Management	43,335,564
Institutional Capital Management	56,751,237
INVESCO National Asset Management	49,311,398
State Street Global Advisors	112,065,276
International equity	
Mondrian Investment Partners Limited	118,458,634
Capital Guardian Trust Company	69,063,591
Real Estate	
RREEF America II	5,651,815
RREEF America III	16,906,682
Defined Contribution Pooled Funds	
SSGA Lifestyle Funds	190,738
Total	$ 850,881,506



Fund Management Fees (continued)

Wichita Retirement Systems
Investment Fees
Year Ended December 31, 2004

	Fees
Investment managers' fees:	
Domestic fixed income managers	
Richmond Capital Management	$ 249,089
State Street Global Advisors	46,651
International fixed income manager	
Alliance Capital Management	76,957
Domestic equity managers	
Capital Guardian Trust Company	186,699
Fred Alger Capital Management	209,050
State Street Global Advisors	35,869
Institutional Capital Management	257,314
Strong Capital Management	62,779
INVESCO National Asset Management	219,956
ING Investment Management	325,849
Boston Partners Asset Management	236,443
International equity managers	
Oechsle International Advisors	324,103
Capital Guardian Trust Company	338,703
Mondrian Investment Partners Limited	225,481
Real Estate	
RREEF America II	(13,514)
RREEF America III	275,481
Total investment managers' fees	3,056,910
Other investment service fees:	
Custodian fees	
State Street Corporation	245,927
Performance measurement fees	
Callan Associates, Inc.	32,970
Investment consultant fees	
Callan Associates, Inc.	110,888
Total other investment service fees	389,785
Net investment management fees	$ 3,446,695

Wichita Retirement Systems
Investment Summary
Year Ended December 31, 2004

Type of Investment	Market Value	% of Total Portfolio
Domestic equities:		
Consumer discretionary	$ 37,665,069	4.50
Consumer staples	17,092,763	2.04
Energy	17,318,020	2.07
Financial services	49,093,040	5.87
Health care	50,081,523	5.98
Industrials	41,791,037	4.99
Information technology	57,142,735	6.84
Materials	9,772,348	1.17
Telecommunications services	3,091,743	0.37
Utilities	4,636,033	0.55
Total domestic equities	287,684,312	34.38
Domestic equities - commingled funds	107,761,509	12.87
International equities:		
Consumer discretionary	9,206,607	1.10
Consumer staples	9,536,635	1.14
Energy	11,773,036	1.41
Financial services	30,112,343	3.60
Health care	8,408,505	1.00
Industrials	5,390,824	0.64
Materials	9,272,374	1.11
Information technology	4,197,361	0.50
Telecommunications services	11,117,863	1.33
Utilities	9,510,698	1.14
Total international equities	108,526,246	12.97
International equities - commingled funds	69,088,736	8.25
Domestic fixed income:		
Government securities: long-term	28,785,781	3.44
Corporate debt instruments: long-term	61,193,359	7.31
Mortgage-backed securities	36,557,901	4.37
Total domestic fixed income	126,537,041	15.12
Domestic fixed income - commingled funds	92,327,040	11.03
Real estate	22,558,497	2.69
Short term investments	22,506,866	2.69
Total invested assets	$ 836,990,247	100.00

Amounts do not include the City's cash deposits of $829,503.

Brokerage Commissions

Year ended December 31, 2004

Brokerage Firm	Number of Shares Traded	Total Commissions	Commission Per Share
Abel Noser Corporation	450,644	$ 6,764	$ 0.015
Abn Amro Asia Limited	118,000	415	0.004
Abn Amro Securities (Usa), Inc.	370,365	5,440	0.015
Adams Harkness & Hill, Inc.	74,164	3,708	0.050
Banc/America Sec. Montgomey Div.	283,662	13,724	0.048
Bank Julius Baer	24,659	1,735	0.070
Bear Stearns & Company, Inc.	188,376	8,157	0.043
Bear Stearns Securities Corp.	40,100	1,454	0.036
Bny Brokerage, Incorporated	194,927	9,694	0.050
Bridge Trading Company	26,300	1,459	0.055
Broadcort Capital Corporation	676,800	33,637	0.050
Brockhouse & Cooper, Inc., Montreal	113,000	872	0.008
B-Trade Services, LLC	228,150	3,997	0.018
Cantor Fitzgerald Eur 2	621,515	2,215	0.004
Cantor Fitzgerald & Company	102,143	2,600	0.025
Charles Schwab Company, Inc.	125,877	3,773	0.030
CIBC World Markets Corp.	141,897	6,866	0.048
Citation Group	95,818	4,442	0.046
Citigroup Global Markets, Inc.	680,760	23,044	0.034
Collins Stewart & Co	12,526	1,265	0.101
Credit Agricole Indosuez Securities	577,622	7,804	0.014
Credit Lyonnais Securities (Usa), Inc.	673,600	2,397	0.004
Credit Lyonnais Sec. Asia/Guernsey	908,400	2,633	0.003
Credit Suisse First Boston Corp.	810,030	29,623	0.037
CSFB Equities, 1 Cabot Square	107,220	2,060	0.019
Daiwa Securities America, Inc.	16,670	788	0.047
Deutsche Bank Securities, Inc.	503,525	11,529	0.023
Dresdner Kleinwort Benson, N. Amer.	119,039	2,289	0.019
E Trade Securities Limited	140,900	859	0.006
Factset Data Systems	54,850	2,378	0.043
First Albany Capital. Inc.	27,330	1,366	0.050
Friedman Billings & Ramsey	99,850	4,951	0.050
Goldman, Sachs & Company	793,367	28,931	0.036
HSBC Securities, Inc. (James Capel)	118,100	1,202	0.010
Instinet Clearing Services, Inc.	24,600	470	0.019
Investment Technology Group Inc.	120,127	2,182	0.018
ISI Group Incorporated	10,239	512	0.050
J. P. Morgan Securities, Inc.	367,654	16,970	0.046
J. P. Morgan Securities, Limited	91	566	6.220
J. P. Morgan Chase Bank	39,856	3,392	0.085
Jefferies & Company, Inc.	225,285	10,533	0.047
Jones & Associates, Incorporated	108,800	2,966	0.027
Keefe, Bruyette & Woods Inc.	19,488	974	0.050
Kleinwort, Benson Securities, Limited	137,310	1,965	0.014
Knight Securities	13,900	604	0.043
La Branche Financial #2	32,000	640	0.020
Leerink Swann And Company	9,800	490	0.050
Legg Mason Wood Walker, Inc.	15,025	644	0.043
Lehman Brothers, Incorporated	713,773	28,205	0.040

Brokerage Commissions (Continued)

Brokerage Firm	Number of Shares Traded	Total Commissions	Commission Per Share
Lehman Brothers Int'l (Europe)	32,474	$ 2,282	$ 0.070
Lehman Brothers Secs. (Asia)	116,000	2,573	0.022
Liquidnet, Incorporated	243,507	5,518	0.023
Lynch, Jones & Ryan, Incorporated	2,603,527	133,619	0.051
MacQuarie Equities, Limited (Sydney)	1,613,134	4,782	0.003
Merrill Lynch International	245,363	4,725	0.019
Merrill Lynch Pro. Clearing Corp.	14,600	512	0.035
Merrill Lynch Pierce Fenner & Smith	698,219	28,360	0.041
Mizuho Securities Usa, Inc.	45,020	1,212	0.027
Morgan Keegan & Company, Inc.	19,750	988	0.050
Morgan Stanley & Company, Inc.	559,851	15,980	0.029
National Financial Services Corp.	15,500	568	0.037
Nomura International, Inc.	24,988	1,739	0.070
Pershing Securities Limited	3,670,677	26,470	0.007
Piper Jaffray & Company	85,927	4,105	0.048
Prudential Equity Group	140,572	6,517	0.046
RBC Capital Markets	27,900	1,364	0.049
Robert W. Baird & Company, Inc.	57,500	2,875	0.050
S.G. Cowen & Company, LLC	74,017	3,701	0.050
Sanford C. Bernstein Company LLC	202,315	8,849	0.044
SG Americas Securities, LLC	13,500	675	0.050
SG Cowen Securities Corp.	147,931	4,029	0.027
Spear, Leeds & Kellogg	48,700	731	0.015
Standard & Poor's Securities, Inc.	21,150	1,208	0.057
State Street Brokerage Services	2,330,097	35,941	0.015
Suntrust Capital Markets, Inc.	21,900	1,095	0.050
Thinkequity Partners, LLC	26,006	1,300	0.050
Thomas Weisel Partners	96,282	4,629	0.048
Tir Securities, Incorporated	79,000	733	0.009
U.S. Bancorp Piper Jaffray, Inc.	17,000	726	0.043
UBS Ag London	175,813	3,309	0.019
UBS Securities, LLC	249,584	11,286	0.045
UBS Warburg, LLC	170,291	7,477	0.044
Wachovia Securities, LLC	10,900	436	0.040
Wachovia Capital Markets, LLC	79,700	3,904	0.049
Warburg Dillion Read (Asia) Ltd.	80,000	1,742	0.022
Wedbush Morgan Securities, Inc.	51,530	2,577	0.050
Weeden & Company	72,786	3,251	0.045
Other 56 Brokers	453,505	9,181	0.020
Less Commission Recapture	-	(141,762)	-
	25,994,650	$ 514,387	$ 0.020

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Actuarial Section

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries

1120 South 101st Street, Suite 400
Omaha, NE 68124
Phone: (402) 393-9400
Fax: (402) 393-1037
www.milliman.com

May 31, 2005

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

Subject: Certification of December 31, 2004 Actuarial Valuations

Dear Board Members:

We certify that the information included herein and contained in the 2004 Actuarial Valuation Reports is accurate and fairly presents the actuarial position of the Wichita Employees' Retirement System (WER) and the Wichita Police and Fire Retirement System (WPF) as of December 31, 2004.

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

Actuarial Valuations

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

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

Financing Objective of the Systems

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

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

May 31, 2005
Page 2

The financial objective is addressed within the annual actuarial valuations. The valuation process develops contribution rates that are sufficient to fund the plan's current normal cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as level percents of active member payroll. The most recent annual actuarial valuations were completed based upon population data, asset data and plan provisions as of December 31, 2004. For the Wichita Employees' Retirement System, valuation assets exceeded actuarial accrued liabilities as of December 31, 2004. The excess was amortized as a level percent of payroll over 20 years and applied as a possible credit to the computed normal cost. The actuarial accrued liability as of December 31, 2004 for the Wichita Police and Fire Retirement System was slightly higher than the valuation assets, resulting in an unfunded actuarial accrued liability. This liability was amortized as a level percentage of payroll over 20 years and added to the System's normal cost to arrive at the actuarial contribution rate.

Due to the asset smoothing method, there are deferred investment losses from prior years that have not yet been fully recognized. As a result, despite market value rates of returns in both Systems higher than the assumed rate, the rate of return on the actuarial value of assets was less than the assumed rate. This generated an experience loss on assets for both Systems. Although the actuarial value of assets in both Systems remains above the market value, the difference is smaller than last year. The net experience in both Systems from all sources during 2004 was an actuarial loss.

On the basis of the 2004 valuations, it is our opinion that the Retirement Systems are meeting their basic financial objectives and continue in sound condition in accordance with the actuarial principles of the level percent of payroll financing.

Plan Provisions

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

Data

In preparing the December 31, 2004 actuarial valuations, we have relied upon member and asset data provided by the Retirement Program Administrator. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and for consistency with prior year's data. If the underlying data or information is inaccurate or incomplete, our calculations may need to be revised.

Actuarial Methods and Assumptions

The actuarial methods and assumptions have been selected by the Board of Trustees of the Systems based upon the analysis and advice of the actuary and other professionals. These assumptions and methods are detailed in Appendix C of the valuation report. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are based on a study of actuarial experience for the five year period ending December 31, 2003.

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

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

Actuarial Section

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

Financial Statements Section

Schedule of Employer Contributions
Schedule of Funding Progress

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

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

Respectfully submitted,

MILLIMAN, INC.

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

Patrice Beckham

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

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

Brent A. Banister, F.S.A.
Consulting Actuary

Wichita Employees' Retirement System (WERS)

Actuarial Cost Method

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

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

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

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

The portion of the actuarial present value allocated to the valuation year is called the *normal cost*. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the *actuarial accrued liability*. Deducting actuarial assets from the actuarial accrued liability determines the *unfunded actuarial accrued liability*. There was no unfunded accrued liability as of December 31, 2004.

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, 1998 through December 31, 2003, and adopted by the Board July 21, 2004. An updated experience study will be performed every five years.

The actuarial valuation of assets is based on the "Expected Value plus 25%" method, which smooths the effect of market value fluctuations by recognizing 25% of the difference between the expected actuarial value and market value of assets. The Board first adopted this methodology for the December 31, 2002 valuation. Actuarial gains and losses reduce or increase the unfunded liability or surplus and are amortized over a rolling 20-year amortization period.

The Net Investment Rate of Return

The net investment rate of return used for actuarial valuation calculations was 7.75% per year, compounded annually. This rate is used to equate the value of payments due at different points in time and was first used for the December 31, 1999 valuation.

This rate of return consists of 4.0% in recognition of long-term price inflation and 3.75% real rate of return over price inflation. This assumption was first used for the December 31, 2004 valuation.

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 an age-graded component to reflect promotion and longevity increments. These assumptions were first used for the December 31, 2004 valuation.

Annual Rate of Salary Increases

Years of Service	Inflation Component	Productivity Component	Merit & Longevity	Total
1	4.00 %	0.50 %	5.50 %	10.00 %
2	4.00	0.50	4.50	9.00
3	4.00	0.50	3.50	8.00
4	4.00	0.50	3.50	8.00
5	4.00	0.50	3.00	7.50
6	4.00	0.50	2.64	7.14
7	4.00	0.50	2.28	6.78
8	4.00	0.50	1.92	6.42
9	4.00	0.50	1.56	6.06
10	4.00	0.50	1.20	5.70
11	4.00	0.50	1.10	5.60
12	4.00	0.50	1.00	5.50
13	4.00	0.50	0.90	5.40
14	4.00	0.50	0.80	5.30
15	4.00	0.50	0.70	5.20
16	4.00	0.50	0.56	5.06
17	4.00	0.50	0.42	4.92
18	4.00	0.50	0.28	4.78
19	4.00	0.50	0.14	4.64
20+	4.00	0.50	0.00	4.50

The salary increase assumptions will produce 4.5% annual increases in active member payroll (the inflation and productivity base rate), given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial accrued liability. The real rate of return over assumed wage growth is 3.25% per year. These assumptions were first used for the December 31, 2004 valuation.

Marriage

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

Sick Leave

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

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

These rates are used to measure the probabilities of an eligible member retiring under the regular retirement provisions or from the Deferred Retirement Option Plan (DROP). This assumption was first used for the December 31, 2004 valuation.

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

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

	% Retiring During the Year	
Retirement Age	Plan 1	Plan 2
<55	15 %	0 %
55	25	5
56	10	5
57	10	5
58	10	5
59	10	5
60	20	5
61	20	5
62	35	45
63	30	25
64	40	20
65	70	45
66	55	45
67	80	55
68	90	55
69	95	55
70	100	100

Post-Retirement Cost of Living Increases

Plan 1 benefits are projected to increase 3.0% per year of retirement (non-compounded), first adopted January 1, 1977. Plan 2 benefits are projected to increase 2.0% per year of retirement (non-compounded), first adopted February 19, 2000. The increases are effective after 12 months of retirement.

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. These tables, set forward 2 years for males to fit the observed experience of the group, measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

Future Life Expectancy (Years)

Sample Ages*	Men	Women
50	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

* Ages in 2000

Separation from Active Membership

This assumption measures the probabilities of members terminating employment or becoming disabled during the year. Disabilities are assumed to be non-duty related. These rates do not apply to members who are eligible to retire. This assumption was last revised for the December 31, 2004 valuation.

Sample Ages	Years of Service	Probability of Terminating During the Year	Percent Becoming Disabled During the Year
Any	0	25.00 %	NA
-	1	19.00	NA
-	2	14.00	NA
-	3	11.00	NA
-	4	9.00	NA
25	Over 4	7.50	0.03 %
30	-	6.50	0.04
35	-	5.25	0.05
40	-	4.00	0.09
45	-	3.50	0.14
50	-	2.50	0.24
55	-	1.50	0.43
60	-	1.50	0.71

Forfeiture of Vested Benefits

A percentage of the actuarial present value of vested benefits is assumed to be forfeited by a withdrawal of accumulated contributions. This percentage is applied individually based on years of service. This table was first used for the December 31, 2004 actuarial valuation.

Years of Service	Percent Forfeiting
Under 15	60 %
15 - 19	40
20 - 24	20
25 or more	0

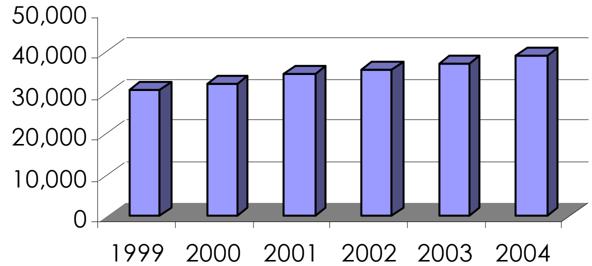
Wichita Employees' Retirement System
Actuarial Tables

Active Member Valuation Data

Valuation Date		Number of Members: Plan 1	Plan 2	Plan 3	Total	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Pay
12/31/1999		256	832	767	1,855	$ 57,562	$ 31,031	1.7 %
12/31/2000		241	777	878	1,896	61,112	32,232	3.9
12/31/2001		224	794	851	1,869	65,347	34,964	8.5
12/31/2002	*	208	823	856	1,887	67,501	35,772	2.3
12/31/2003	*	184	839	824	1,847	69,161	37,445	4.7
12/31/2004	*	169	877	802	1,848	72,154	39,044	4.3

** Does not include vested Plan 3 Members*

Average Annual Pay



Retirants and Beneficiaries Added To and Removed from Rolls

Year Ended	Added to Rolls: Number	Added to Rolls: * Annual Pensions	Removed from Rolls: Number	Removed from Rolls: * Annual Pensions	End of Year Rolls: Number	End of Year Rolls: * Annual Pensions	Annual Pensions: Average Pension	Annual Pensions: Average Increase
12/31/1999	60	N/A	44	N/A	1,032	$ 15,034,841	$ 14,569	5.6 %
12/31/2000	57	$ 1,253,508	42	$ 427,360	1,047	15,860,989	15,149	5.5
12/31/2001	49	1,162,200	49	550,633	1,047	16,472,556	15,733	3.9
12/31/2002	54	1,063,800	49	540,684	1,052	17,436,240	16,574	5.3
12/31/2003	57	1,228,096	48	507,978	1,061	18,516,902	17,452	5.3
12/31/2004	54	1,113,513	53	892,130	1,062	19,272,132	18,147	4.0

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

Solvency Test

Valuation Date	Aggregate Accrued Liabilities for (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Valuation Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
12/31/1999	$ 32,017,094	$ 169,602,958	$ 117,669,351	$ 383,337,991	100 %	100 %	154.4 %
12/31/2000	34,189,528	177,095,907	118,104,491	414,642,694	100	100	172.2
12/31/2001	33,516,616	179,374,487	140,266,410	428,204,828	100	100	153.5
12/31/2002	38,291,472	192,615,216	139,492,410	433,365,890	100	100	145.1
12/31/2003	39,847,119	205,799,341	141,390,445	446,794,052	100	100	142.3
12/31/2004	41,852,724	218,518,676	152,632,267	462,994,047	100	100	132.8

Financial Experience

During the 12 months ended December 31, 2004, the City of Wichita Employees' Retirement System generated an actuarial loss of $7.6 million, or 2% of the beginning of the year actuarial liability. The loss represents the combined impact of a $4 million loss on actuarial assets in addition to a $3.6 million loss on system liabilities.

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

			Year Ended 12/31/04
(1)		UAL* at start of year	($59.8)
(2)	+	Normal Cost for year	8.9
(3)	+	Assumed investment return on (1) & (2)	(3.9)
(4)	-	Actual contributions (member + City)	6.7
(5)	-	Assumed investment return on (4)	0.3
(6)	=	Expected UAL at end of year	(61.8)
(7)	+	Increase (decr.) from amendments	0.0
(8)	+	Increase (decr.) from assumption changes	4.4
(9)	=	Expected UAL after changes	(57.4)
(10)	=	Actual UAL at year end	(49.8)
(11)	=	Experience gain (loss) (9) – (10)	(7.6)
(12)	=	Percent of beginning of year AL	2.0%

* *Unfunded actuarial liability*

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

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

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

Normal Retirement
Eligibility
Plan 1: Age 60 with 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
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
Plan 1: An amount computed as for normal retirement but reduced for each month retirement precedes age 60.

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

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

Deferred Retirement
Eligibility
Termination of service.
Plan 1: Less than 30 years of service and under age 60.
Plan 2: Under age 62.

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

Deferred Retirement Option Plan (DROP)
Eligibility
Must be eligible for retirement, and elect to participate in the DROP for 1 to 60 months.

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

Service-Connected Disability
Eligibility
No age or service requirement. Disability must be permanent and total, 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.

Pre-Retirement Survivor Benefit

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

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

Designated Beneficiary
When no spouse is eligible for a survivor's benefit, the beneficiary designated by the retiree.

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

Post-Retirement Survivor Benefit

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

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

Designated Beneficiary
When no spouse is eligible for a survivor's benefit, the beneficiary designated by the retiree.

Benefit
Balance, if any, of contributions and interest, plus benefit due retiree through date of death.
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
Completion of 12 full months of retirement and annually thereafter.

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

Employee Contributions

Plan 1: 6.4% of salary, longevity and overtime pay.
Plan 2: 4.7% of base salary and longevity pay.

Employer Contributions

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

Unused Sick Leave

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

Wichita Employees' Retirement System
Defined Contribution Plan 3

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

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

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

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

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

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

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

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

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 salary; or refund of Plan 3 vested account.

Non-Service Connected Disability
Eligibility
Seven or more years of service and under age 62. Disability must be permanent and total, and precludes the performance of any duties for City position commensurate with the employee's training, experience, and education.

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

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

Police & Fire Retirement System (PFRS)

Actuarial Cost Method

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

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

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

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

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

The portion of the actuarial present value allocated to the valuation year is called the *normal cost*. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the *actuarial accrued liability*. Deducting actuarial assets from the actuarial accrued liability determines the unfunded actuarial accrued liability.

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, 1998 through December 31, 2003, and adopted by the Board August 25, 2004. An updated experience study is performed every 5 years.

The actuarial valuation of assets is based on the "Expected plus 25%" method, which smooths the effect of market value fluctuations by recognizing 25% of the difference between the expected actuarial value, based on 7.75% return assumption, and market value of assets. The Board first adopted this methodology for the December 31, 2002 valuation. Actuarial gains and losses reduce or increase the unfunded liability or surplus and are amortized over a rolling 20-year amortization period.

The Net Investment Rate of Return

The net investment rate of return used for actuarial valuation calculations was 7.75% per year, compounded annually. This rate is used to equate the value of payments due at different points in time and was first used for the December 31, 1999 valuation.

This rate of return consists of 4.0% in recognition of long-term price inflation and 3.75% real rate of return over price inflation. This assumption was first used for the December 31, 2004 valuation.

Salary Projections

These assumptions are used to project current salaries to determine average annual compensation. The assumptions consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel, and a years of service component to reflect promotion and longevity increments. These assumptions were first used for the December 31, 2004 valuation.

Annual Rate of Salary Increases

Years of Service	Inflation Component	Productivity Component	Merit and Longevity	Total
1	4.0 %	0.5 %	2.5 %	7.0 %
5	4.0	0.5	2.5	7.0
10	4.0	0.5	2.5	7.0
15	4.0	0.5	2.5	7.0
20	4.0	0.5	0.0	4.5
25	4.0	0.5	0.0	4.5
30	4.0	0.5	0.0	4.5

The salary increase assumptions will produce 4.5% annual increases in active member payroll (the inflation and productivity base rate) given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial accrued liability. The real rate of return over assumed wage growth is 3.25% per year.

Forfeiture of Vested Benefits

The assumption is that a percentage of the actuarial present value of vested termination benefits will be forfeited by a withdrawal of accumulated contributions. This table was first used for the December 31, 2004 valuation.

Years of Service	Percent Forfeiting
10 - 14	100 %
15	0

Post-Retirement Cost of Living Increases

Benefits are projected to increase 2% per year of retirement (not compounded) beginning three years after member retires.

Rates of Retirement

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

Plans A & B

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

Plan C

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

Rates of Separation from Active Membership

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

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

Mortality Table

The RP-2000 mortality tables (RP-2000 Healthy Annuitant Tables, RP-2000 Disabled Table and RP-2000 Employee Table) are first used for the December 31, 2004 valuation. 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*	Men	Women
50	37.3	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

* Ages in 2000

Marriage

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

Sick Leave

Normal retirement benefits were increased by 4% to account for the inclusion of unused sick leave in the benefit calculation. This assumption was first used for the December 31, 2004 valuation.

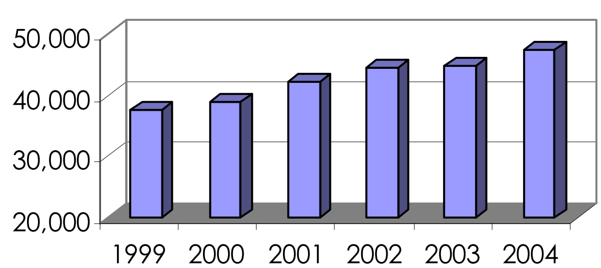
Police & Fire Retirement System

Actuarial Tables

Active Member Valuation Data

Valuation Date	Number of Members: Plan A	Plan B	Plan C	Total	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Pay
12/31/1999	113	1	887	1,001	$ 37,969	$ 37,637	2.6 %
12/31/2000	98	1	894	993	38,613	38,885	3.3
12/31/2001	93	1	907	1,001	42,287	42,244	8.6
12/31/2002	89	1	938	1,028	45,696	44,452	5.2
12/31/2003	80	1	942	1,023	45,876	44,845	0.9
12/31/2004	74	1	990	1,065	50,414	47,337	5.6

Average Annual Pay



Retirants and Beneficiaries Added To and Removed from Rolls

	Added to Rolls		Removed from Rolls		End of Year Rolls		Annual Pensions	
Year Ended	Number	* Annual Pensions	Number	* Annual Pensions	Number	* Annual Pensions	Average Pension	Average Increase
12/31/1999	37	N/A	15	N/A	823	$ 14,198,538	$ 17,252	9.1 %
12/31/2000	29	$1,028,983	28	$341,725	824	14,885,796	18,065	4.8
12/31/2001	32	933,725	25	453,017	831	15,366,504	18,492	2.4
12/31/2002	15	397,728	13	123,468	833	15,981,492	19,185	3.7
12/31/2003	23	494,457	20	209,458	836	16,589,328	19,844	3.4
12/31/2004	22	600,273	24	191,291	834	17,075,328	20,474	3.2

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

Solvency Test

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)				
Valuation Date	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)	Reported Valuation Assets	(1)	(2)	(3)
12/31/1999	$ 24,759,118	$ 170,478,501	$ 96,395,412	$ 330,071,866	100	100	139.9 %
12/31/2000	27,152,206	183,463,718	98,277,967	354,044,311	100	100	145.9
12/31/2001	27,694,761	183,034,623	114,605,637	362,493,060	100	100	132.4
12/31/2002	34,440,696	182,063,498	124,019,921	361,687,109	100	100	117.1
12/31/2003	37,027,041	186,930,565	126,486,746	374,170,781	100	100	118.8
12/31/2004	40,959,525	201,051,248	151,375,876	392,484,697	100	100	99.4

Financial Experience

During the 12 months ended December 31, 2004, the City of Wichita Police & Fire Retirement System generated a net experience loss of $8.6 million. The amount is 2.5% of the actuarial accrued liability at the beginning of the year. The actuarial loss on liabilities reflects the net impact of about $3.1 million loss on the actuarial value of assets in addition to a $5.5 million loss on liabilities.

Derivation of Retirement System Experience Gain (Loss)

(amounts in millions of dollars)

			Year Ended 12/31/04
(1)		* UAL at start of year	($23.7)
(2)	+	Normal Cost for year	10.6
(3)	+	Assumed investment return on (1) & (2)	(1.0)
(4)	-	Actual contributions (member + City)	10.4
(5)	-	Assumed investment return on (4)	0.4
(6)	=	Expected UAL at end of year	(24.9)
(7)	+	Increase (decr.) from amendments	0.0
(8)	+	Increase (decr.) from assumption changes	17.2
(9)	=	Expected UAL after changes	(7.7)
(10)	=	Actual UAL at year end	0.9
(11)	=	Experience gain (loss) (9) – (10)	(8.6)
(12)	=	Percent of beginning of year AL	2.5%

* *Unfunded actuarial liability*

Summary of Benefit Provisions
Police & Fire Retirement System

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

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

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

Service Retirement

Eligibility

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

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

Benefit

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

Final Average Salary

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

Deferred Retirement

Eligibility

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

Benefit

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

Backward Deferred Retirement Option Plan (Back DROP)

Eligibility

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

Benefit

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

Service-Connected Disability

Eligibility

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

Benefit

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

Conditions

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

Non-Service Connected Disability

Eligibility

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

Benefit

30% of final average salary plus 1% of final average salary for each year of service in excess of 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 of member at the time of death is eligible for a survivor's benefit.

Benefit

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

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

Pre-Retirement Survivor Benefits Non-Service Death

Eligibility

Spouse of member at the time of death.

Plan A and Plan C: Three or more years of service.
Plan B: Twenty or more years of service.

Benefit

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

Designated Beneficiary

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

Benefit

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

Post-Retirement Survivor Benefit

Eligibility

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

Benefit

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

Refund of Contributions

Eligibility

Termination of employment without eligibility for any other benefit.

Amount

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

Funeral Benefit

Eligibility

Member who retired after November 30, 1973.

Amount

$750

Post-Retirement Adjustment of Annual Benefit

Eligibility

Completion of 36 full months of retirement and annually thereafter.

Amount

2% of base pension amount (not compounded).

Employee Contributions

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

Employer Contributions

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

Unused Sick Leave

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

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

Statistical Section

Wichita Employees' Retirement System
Plan Statistics

Employee Pension Contribution Rates
as a percentage of payroll

Fiscal Year	Plan 1	Plan 2	Plan 3
1999	6.4 %	4.1 %	4.1 %
2000	6.4	4.7	4.7
2001	6.4	4.7	4.7
2002	6.4	4.7	4.7
2003	6.4	4.7	4.7
2004	6.4	4.7	4.7

WERS Defined Benefit
Plan Statistics

Revenue by Source

		Employer Contributions				
Year Ended	Member Contributions	Dollars	% of Annual Covered Payroll	Net Investment Income (Loss)	Other	Total
12/31/1999	$ 1,920,760	$ 4,134,826	8.4 %	$ 66,070,347	-	$ 72,125,933
12/31/2000	2,026,021	2,751,084	6.2	(11,149,067)	-	(6,371,962)
12/31/2001	2,066,480	1,843,213	4.7	(21,590,153)	$ 1,023,882	(16,656,578)
12/31/2002	2,236,973	1,957,922	4.7	(49,114,617)	1,328,831	(43,590,891)
12/31/2003	2,397,597	2,007,656	4.7	76,871,558	1,138,869	82,415,680
12/31/2004	2,279,422	2,084,558	4.7	38,840,471	1,528,790	44,733,241

Expenses by Type

Year Ended	Benefit Payments	Administrative	Contribution Refunds	Total
12/31/1999	$ 14,821,235	$ 285,094	$ 576,855	$ 15,683,184
12/31/2000	15,485,852	248,698	432,269	16,166,819
12/31/2001	16,229,842	247,111	330,726	16,807,679
12/31/2002	17,236,411	270,292	255,091	17,761,794
12/31/2003	18,576,709	264,853	276,261	19,117,823
12/31/2004	19,761,303	271,128	387,089	20,419,520

WERS Defined Benefit Plan Statistics (continued)

Benefit Payments by Type

Year Ended	Service	DROP Payments	Service Disability	Non-Service Disability	Survivor	* QDRO	Funeral	Total
12/31/1999	$ 13,097,960	-	$ 143,563	$ 148,566	$ 1,297,086	$ 25,436	$ 108,624	$ 14,821,235
12/31/2000	13,632,880	-	144,324	176,844	1,434,071	27,138	70,595	15,485,852
12/31/2001	14,154,115	$ 127,652	148,335	202,639	1,504,236	35,074	57,791	16,229,842
12/31/2002	14,809,378	391,801	152,542	165,928	1,601,217	60,443	55,102	17,236,411
12/31/2003	15,796,197	622,675	155,315	166,783	1,697,975	59,640	78,124	18,576,709
12/31/2004	16,589,983	879,053	141,872	222,810	1,807,897	55,836	63,852	19,761,303

** Qualified Domestic Relations Order*

Employees in the Deferred Retirement Option Plan (DROP)

Number of Months Elected in the DROP Period

	1 – 24	25 - 36	37 - 48	49 – 60	Total
Plan 1	2	1	5	34	42
Plan 2	1	3	6	7	17
Total	3	4	11	41	59

Retired Members by Benefit Type

Fiscal Year	Service	Disability	Survivor	QDRO	Total
1999	784	32	214	2	1,032
2000	787	34	223	3	1,047
2001	789	33	222	3	1,047
2002	792	31	225	4	1,052
2003	805	32	221	3	1,061
2004	796	29	234	3	1,062

Average Benefit Payments

Year Ending	Service	Disability	Survivor	QDRO
12/31/1999	$ 16,827	$ 10,310	$ 6,852	$ 12,817
12/31/2000	17,690	10,617	6,789	10,789
12/31/2001	18,396	10,812	7,140	11,016
12/31/2002	19,389	11,181	7,556	15,168
12/31/2003	20,324	11,248	7,878	18,457
12/31/2004	21,282	11,374	8,312	18,689

WERS Defined Contribution
Plan Statistics

Revenue by Source

Year Ended	Member Contributions	Employer Contributions: Dollars	Employer Contributions: % of Annual Covered Payroll	Net Investment Income (Loss)	Total
12/31/1999	$ 751,608	$ 751,608	4.1 %	$ 756,271	$ 2,259,487
12/31/2000	1,020,209	1,020,209	4.7	(110,047)	1,930,371
12/31/2001	1,214,229	1,214,229	4.7	(449,836)	1,978,622
12/31/2002	1,203,471	1,203,471	4.7	(797,704)	1,609,238
12/31/2003	1,214,823	1,214,823	4.7	1,602,631	4,032,277
12/31/2004	1,219,589	1,219,589	4.7	1,107,359	3,546,537

Expenses by Type

Year Ended	Administrative	Contribution Refunds	Transfers to Plan 2	Total
12/31/1999	$ 25,657	$ 343,448	-	$ 369,105
12/31/2000	28,851	428,883	-	457,734
12/31/2001	45,569	472,505	$ 1,023,882	1,541,956
12/31/2002	34,860	526,655	1,328,831	1,890,346
12/31/2003	33,395	384,769	1,138,869	1,557,033
12/31/2004	33,056	400,787	1,528,790	1,962,633

Police & Fire Retirement System
Plan Statistics

Employee Pension Contribution Rates
as a percentage of payroll

Fiscal Year	Plan A	Plan B	Plan C
1999	8.0 %	6.0 %	7.0 %
2000	8.0	6.0	7.0
2001	8.0	6.0	7.0
2002	8.0	6.0	7.0
2003	8.0	6.0	7.0
2004	8.0	6.0	7.0

Revenue by Source

		Employer Contributions			
Year Ended	Member Contributions	Dollars	% of Annual Covered Payroll	Net Investment Income (Loss)	Total
12/31/1999	$ 2,935,486	$ 6,043,455	15.9 %	$ 58,430,577	$ 67,409,518
12/31/2000	2,899,385	5,540,575	14.0	(9,376,292)	(936,332)
12/31/2001	2,926,844	4,796,863	11.7	(18,244,453)	(10,520,746)
12/31/2002	3,104,036	4,746,504	10.9	(41,805,821)	(33,955,281)
12/31/2003	3,296,499	5,043,505	10.9	65,824,556	74,164,560
12/31/2004	3,482,237	6,925,467	14.0	33,716,897	44,124,301

Expenses by Type

Year Ended	Benefit Payments	Administrative	Contribution Refunds	Total
12/31/1999	$ 13,500,460	$ 256,326	$ 282,150	$ 14,038,936
12/31/2000	14,519,932	231,101	327,817	15,078,850
12/31/2001	15,108,346	240,802	419,984	15,769,132
12/31/2002	15,710,172	261,074	415,274	16,386,520
12/31/2003	17,575,541	264,386	192,808	18,032,735
12/31/2004	17,395,455	262,061	283,197	17,940,713

Benefit Payments by Type

Year Ended	Service	DROP Payments	Service Disability	Non-Service Disability	Survivor	QDRO	Funeral	Total
12/31/1999	$ 10,604,877	-	$ 1,266,570	$ 46,827	$ 1,514,163	$ 64,823	$ 3,200	$ 13,500,460
12/31/2000	11,308,103	-	1,404,367	77,109	1,657,550	62,466	10,337	14,519,932
12/31/2001	11,777,516	$ 63,161	1,382,186	64,124	1,746,985	59,943	14,431	15,108,346
12/31/2002	12,244,565	79,407	1,430,210	65,294	1,821,252	61,975	7,469	15,710,172
12/31/2003	12,785,027	1,240,509	1,528,118	77,412	1,875,774	62,615	6,086	17,575,541
12/31/2004	13,253,231	635,674	1,447,143	72,761	1,910,236	57,753	18,657	17,395,455

Retired Members by Benefit Type

Fiscal Year	Service	Disability	Survivor	QDRO	Total
1999	568	81	163	11	823
2000	579	84	153	8	824
2001	579	86	157	9	831
2002	581	90	153	9	833
2003	582	93	152	9	836
2004	579	93	154	8	834

Average Benefit Payments

Year Ending	Service	Disability	Survivor	QDRO
12/31/1999	$ 18,237	$ 23,085	$ 11,127	$ 7,114
12/31/2000	19,031	23,813	11,502	6,864
12/31/2001	19,488	25,056	11,880	6,828
12/31/2002	19,981	27,098	12,230	6,907
12/31/2003	20,607	28,190	12,577	6,979
12/31/2004	21,074	29,683	13,343	7,181

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