

Pension Trust Funds of the City of Wichita, Kansas

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended December 31, 2010



## WICHITA RETIREMENT SYSTEMS

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





# Comprehensive Annual Financial Report

for the fiscal year ended December 31, 2010



## Pension Trust Funds of The City of Wichita, Kansas

Wichita Retirement Systems

**Police and Fire  
Retirement System of  
Wichita, Kansas**

**Wichita Employees'  
Retirement System**

**Wichita Employees'  
Retirement System  
Plan 3**

Prepared by:

**City of Wichita  
Pension Management Office  
455 N. Main Street, 12<sup>th</sup> Floor  
Wichita, KS 67202  
316-268-4544**

[www.wichita.gov/CityOffices/Finance/Treasury/Pension](http://www.wichita.gov/CityOffices/Finance/Treasury/Pension)

# TABLE OF CONTENTS

## Introductory Section

- 1 Certificate of Achievement
- 1 Public Pension Standards Award
- 2 Letter of Transmittal
- 6 Boards of Trustees
- 7 Organizational Chart
- 7 Professional Consultants

## Financial Section

- 9 Independent Auditors' Report
- 11 Management Discussion and Analysis

### Basic Financial Statements

- 14 Statement of Plan Net Assets
- 15 Statement of Changes in Plan Net Assets

### Notes to the Financial Statements

- 16 Summary of Significant Accounting Policies and Plan Asset Matters
- 17 Insurance
- 17 Cash, Investments and Securities Lending
- 21 Capital Assets

### Notes to the Financial Statements for Wichita Employees' Retirement System

- 21 Plan Description
- 22 Eligibility Factors and Benefit Provisions
- 22 Funding Policy
- 22 Annual Pension Cost and Net Pension Obligation

### Notes to the Financial Statements for Wichita Employees' Retirement System Plan 3

- 23 Plan Description
- 24 Eligibility Factors and Benefit Provisions

### Notes to the Financial Statements for Police and Fire Retirement System

- 24 Plan Description
- 25 Eligibility Factors and Benefit Provisions
- 25 Funding Policy
- 25 Annual Pension Cost and Net Pension Obligation

### Required Supplementary Information

- 27 Schedules of Funding Progress
- 27 Schedules of Employer Contributions
- 28 Notes to the Required Supplementary Information

## TABLE OF CONTENTS (CONTINUED)

### Supporting Schedules

|    |   |
|----|---|
| 29 | Administrative Expenses   |
| 30 | Investment Expenses   |
| 30 | Payments to Consultants Other Than Investment Advisors  |
| 31 | Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters |

## Investment Section

|    |  |
|----|--|
| 33 | Investment Consultant's Report           |
| 35 | Investment Policy Summary                |
| 36 | Investment Performance                   |
| 38 | Asset Allocation                         |
| 39 | Largest Equity and Fixed Income Holdings |
| 40 | Investment Assets by Manager             |
| 41 | Investment Fees by Manager               |
| 42 | Investment Summary by Type of Investment |
| 43 | Brokerage Commissions                    |

## Actuarial Section

|    |                                |
|----|--------------------------------|
| 45 | Actuary's Certification Letter |
|----|--------------------------------|

### Wichita Employees' Retirement System Actuarial Information

|    |   |
|----|---|
| 48 | Actuarial Cost Method                     |
| 48 | Actuarial Assumptions Used for Valuations |

### Wichita Employees' Retirement System Actuarial Tables

|    |   |
|----|---|
| 51 | Active Member Valuation Data                                |
| 52 | Retirants and Beneficiaries Added to and Removed from Rolls |
| 52 | Solvency Test   |
| 52 | Derivation of System Experience Gain (Loss)                 |

### Wichita Employees' Retirement System Summary of Benefit Provisions

|    |                               |
|----|-------------------------------|
| 53 | Defined Benefit Plans 1 and 2 |
| 55 | Defined Contribution Plan 3   |

### Police and Fire Retirement System Actuarial Information

|    |   |
|----|---|
| 56 | Actuarial Cost Method                     |
| 56 | Actuarial Assumptions Used for Valuations |

### Police and Fire Retirement System Actuarial Tables

|    |   |
|----|---|
| 59 | Active Member Valuation Data                                |
| 60 | Retirants and Beneficiaries Added to and Removed from Rolls |
| 60 | Solvency Test   |

## **TABLE OF CONTENTS (CONTINUED)**

|    |   |
|----|---|
| 60 | Derivation of System Experience Gain (Loss) |
| 61 | Summary of Benefit Provisions               |

### **Statistical Section**

#### **Changes in Plan Net Assets – Last Ten Fiscal Years**

|    |   |
|----|---|
| 66 | Wichita Employees' Retirement System        |
| 66 | Police and Fire Retirement System           |
| 68 | Wichita Employees' Retirement System Plan 3 |

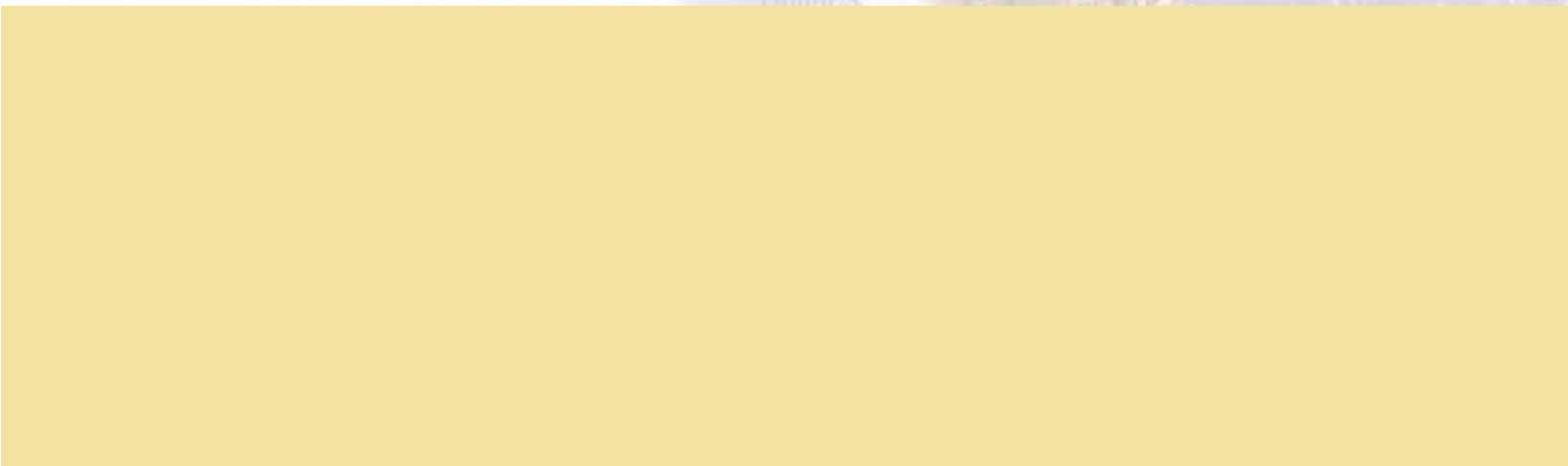
#### **Average Benefit Payments – Last Ten Fiscal Years**

|    |                                      |
|----|--------------------------------------|
| 70 | Wichita Employees' Retirement System |
| 70 | Police and Fire Retirement System    |

#### **Retired Members by Type and Benefit Amount**

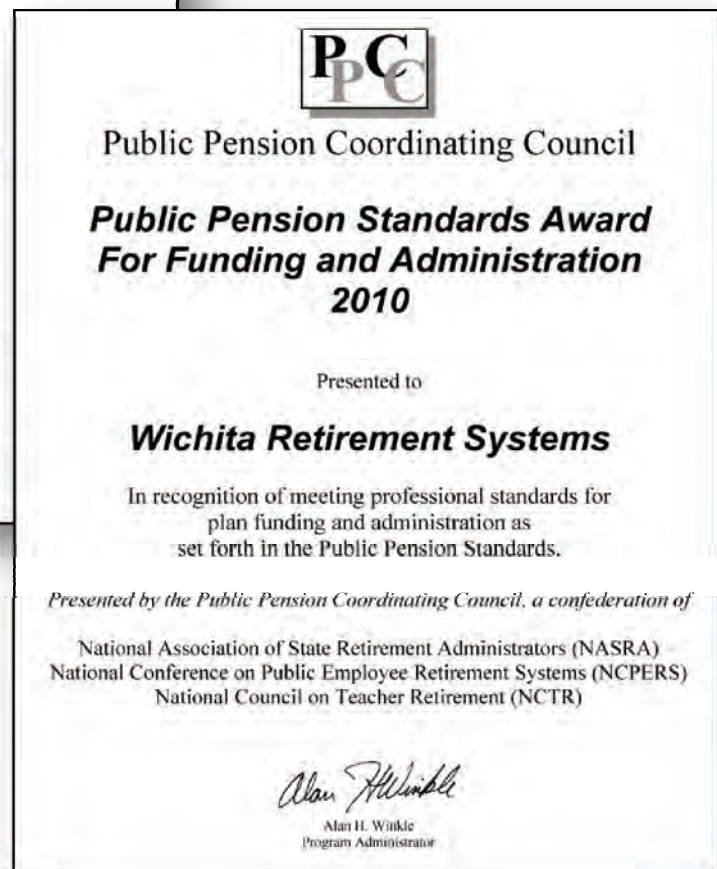
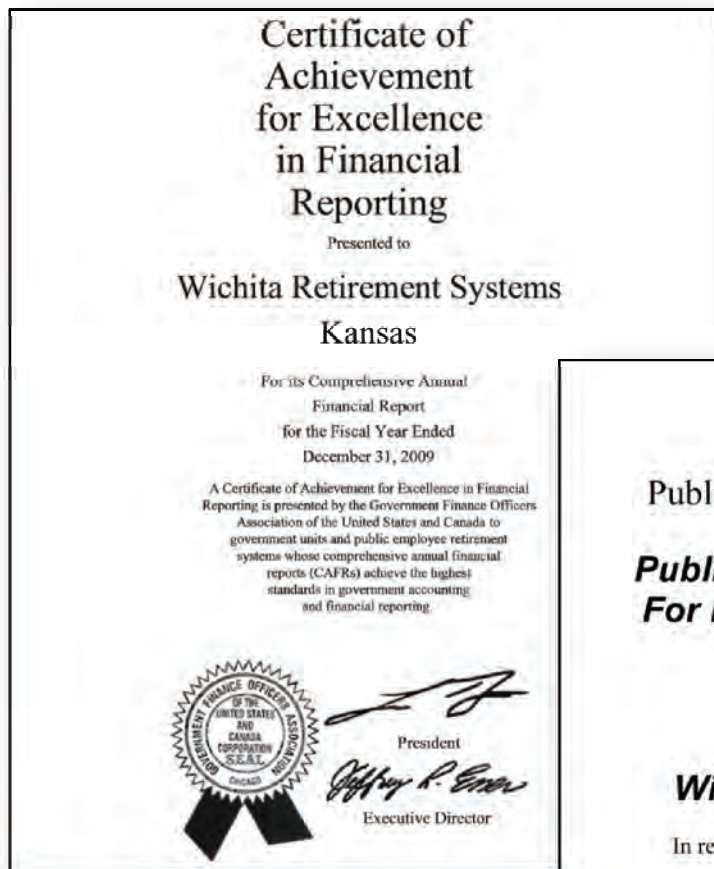
|    |                                      |
|----|--------------------------------------|
| 72 | Wichita Employees' Retirement System |
| 72 | Police and Fire Retirement System    |

# INTRODUCTORY SECTION



# INTRODUCTORY SECTION





The Wichita Retirement Systems' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2009 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). This was the eleventh consecutive year the System received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

The Wichita Retirement Systems also received the Public Pension Coordinating Council (PPCC), Public Pension Standards Award for the fiscal year ended December 31, 2009 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This was the eighth consecutive year the System obtained this important award. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).



June 8, 2011

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

The Department of Finance of the City of Wichita is pleased to present the thirteenth Comprehensive Annual Financial Report of the Wichita Retirement Systems ("WRS" or "Systems"); a single employer retirement system comprised of the Police and Fire Retirement System of Wichita, Kansas (PFRS), the Wichita Employees' Retirement System and the Wichita Employees' Plan 3 (WERS) for the year ended December 31, 2010.

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

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

An annual audit of the Systems' financial statements and an evaluation of the Systems' internal controls were conducted by the independent accounting firm of Allen, Gibbs & Houlik, L.C. An unqualified ("clean") opinion on the Systems' financial statements for the year ended December 31, 2010 has been issued. The independent auditors' report may be found on page 9 of the Financial Section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report (beginning on page 10) and provides a narrative introduction, overview and analysis of the financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

#### **Plan History**

The WERS was established in 1948 to provide pension benefits to all civilian employees, their surviving spouses, and beneficiaries. The PFRS was established in 1965 to provide pension benefits to commissioned police and fire officers, their surviving spouses, and beneficiaries. All full-time employees of the City of Wichita participate in one of these two Systems.

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

#### **Department of Finance**

City Treasurer's Division • Pension Management  
 City Hall • 12th Floor • 455 N. Main • Wichita, Kansas 67202  
 T 316.268.4544 • F 316.268.4656  
[www.wichita.gov](http://www.wichita.gov)

### **How We Are Structured**

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

### **System Funding and Financial Position**

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

The annual actuarial valuations, prepared by our actuary, Milliman, Inc., provide an indicator of the funded status of the Retirement Systems. As of December 31, 2010, the funded ratio of the PFRS was 92.7 percent and the funded ratio of the WERS was 95.5 percent. The funded ratio is the ratio of actuarial assets to actuarial liabilities. The actuarial liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the actuarial value of assets at the same date is referred to as the unfunded actuarial liability (UAL), or surplus if the asset value exceeds the actuarial liability. The Retirement Systems' ordinances require that this unfunded actuarial liability (or surplus) be amortized over a 20-year rolling period.

Positive investment performance in 2009 and 2010 helped offset some of the deferred losses in 2008. The funded ratio for the PFRS improved by 0.3 percent, while the funded ratio for the WERS decreased by 0.8 percent. Without future investment returns above the investment return target of 7.75 percent, the funded ratios for the Systems could deteriorate and the required employer contributions could increase in future years. During 2010, employer contributions for the PFRS increased from 17.5 percent to 20.8 percent of annual covered payroll while employer contributions for the WERS increased from 4.7 percent to 8.4 percent of annual covered payroll. Additional information regarding the financial condition and funding status of the pension trust funds can be found in the Financial and Actuarial Sections of this report.

### **Investments**

The WERS Board of Trustees' investment authority is found in the City of Wichita's Municipal Code, Section 2.28.090. Investment authority for the PFRS Board of Trustees is contained in Section 12 of Charter Ordinance 209.

Investment returns in 2010 were favorable. As of December 31, 2010, net assets totaled \$951.8 million, an increase from the December 31, 2009 net assets of \$869.9 million, or 9.4%. The investment return for the WRS' combined investment portfolio was 13.6 percent for the year ended December 31, 2010, outperforming the WRS' investment target benchmark return of 12.7 percent for the same period, and the Systems' long-term actuarial target return of 7.75 percent.

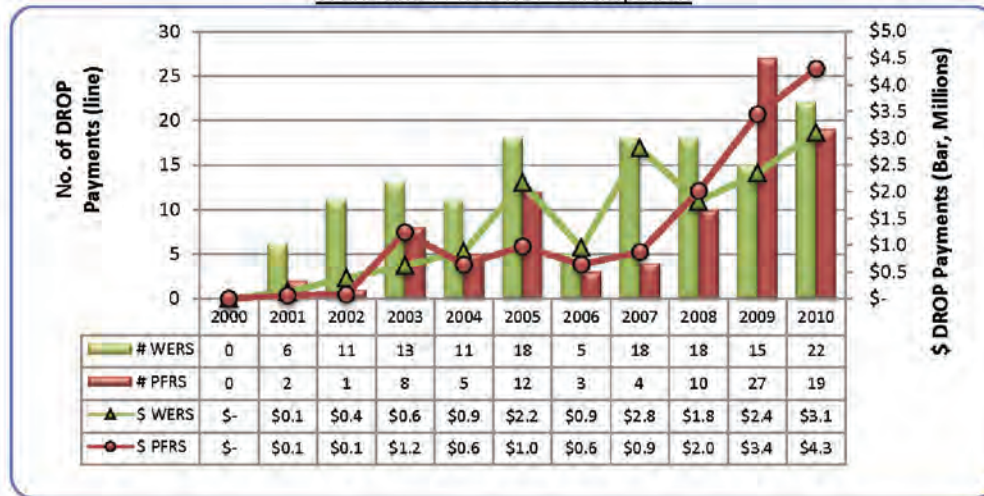
The WERS and PFRS Boards of Trustees have established an overall strategic asset allocation policy based upon the financial needs of the joint fund and the Boards' tolerance for volatility, or risk. The Boards utilize external investment managers consisting of both passive and active strategies. The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

### **Major Initiatives and Significant Actions**

Beginning in 2000 (WERS) and 2001 (PFRS), the Wichita Retirement Systems began offering a Deferred Retirement Option Plan (DROP) to participants eligible for a retirement benefit. WERS employees electing the DROP continue to work for a

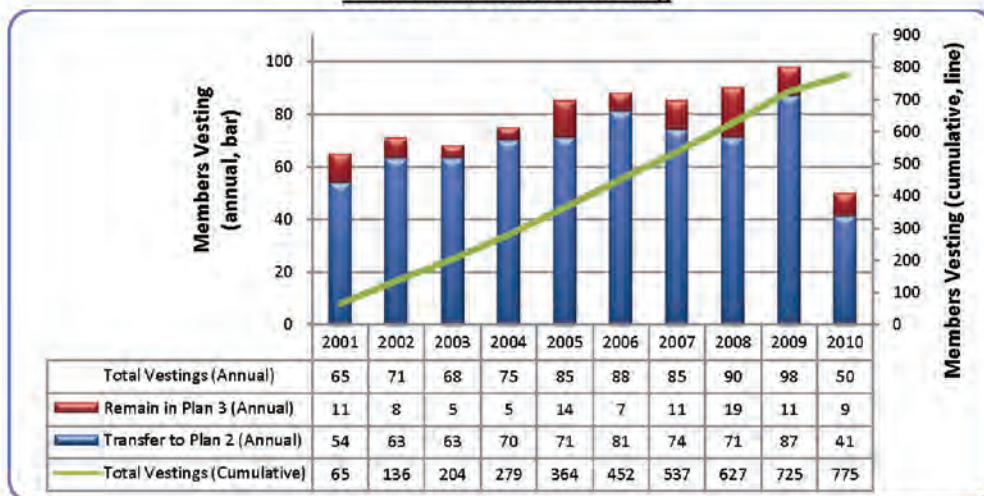
period of one to sixty months. During the DROP period, their monthly retirement benefit accumulates with interest. When they leave service, the participants receive a lump sum payment consisting of their accumulated benefit and also begin receiving their monthly pension benefit. The PFRS DROP is a backward 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. WERS DROP participation has increased somewhat consistently since inception, while PFRS participation has dramatically increased in the past the two years ending December 31, 2010 (see figure below).

**WERS and PFRS DROP Participation**



All civilian employees hired after December 31, 1993 are Plan 3 members. When vested after seven years of service, Plan 3 members are required to make an election to remain in Plan 3 (a 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. of 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 figure reflects the Plan 3 members' vesting and their plan elections:

**WERS Plan 3 Members Vesting**



The Joint Investment Committee of the WRS conducted an asset allocation/liability study in 2010 with the assistance of the Systems' investment consultant, Callan Associates, Inc. This study, performed approximately every five years, compares the System's current asset allocation and liabilities and recommends changes to the asset allocation based on current capital market assumptions and acceptable risk tolerances. As a result of this study, the Boards adopted several changes to the System's Investment Policy effective January, 2011. These changes included the addition of timber, Treasury Inflation Protected Securities (TIPS), and commodities to the asset allocation mix. Additional changes to the System's Investment Policy included revising the allocations to domestic equity, international equity and fixed income, along with changes to the composition of the blended index used to compare investment performance. Also, the domestic equity manager structure was revised resulting in the elimination of one investment manager.

The WERS and PFRS Boards and the City Council approved Ordinance revisions in 2010 relating to the Systems' investment authority, which were also the result of the asset allocation/liability study. The primary impact of these investment authority changes was the addition of timber investments, at a maximum exposure of 10%, and the increase of the maximum allowable exposure to international assets from 25% to 35%. Additionally, both Boards and the City Council approved Ordinance revisions seeking to obtain a Cycle C Determination Letter and to conform both Plans to Section 415 Limitations of the Internal Revenue Code.

#### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Wichita Retirement Systems (WRS) for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the CAFR for the fiscal year ended December 31, 2009 received the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for the eighth consecutive year. This award is in recognition of meeting professional standards for pension plan design and administration, as set forth in the Public Pension Standards.

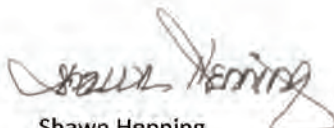
#### **Acknowledgments**

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

Respectfully submitted,



Kelly Carpenter  
Director of Finance



Shawn Henning  
City Treasurer



Barbara Davis  
Pension Manager

| <b>Wichita Employees' Retirement System Board of Trustees</b> |                             |
|---|-----------------------------|
| <b>Trustee Name<sup>1</sup></b>                               | <b>Type of Membership</b>   |
| Steve Coberley  | Elected                     |
| Carolyn Conley (1 <sup>st</sup> V.P.)                         | Appointed by Council Member |
| Bob Decker  | Appointed by Council Member |
| Colleen Didier  | Appointed by Council Member |
| Brent Dome  | Appointed by Council Member |
| Mark Hall (President)   | Elected                     |
| Shawn Henning (2 <sup>nd</sup> V.P.)                          | Appointed by City Manager   |
| Stephanie Mankins   | Appointed by Council Member |
| Mark Manning  | Elected                     |
| Guy McCormick   | Elected                     |
| Russell Oliver  | Designated by City Manager  |
| Sean Seamster   | Elected                     |
| Karen Walker  | Elected                     |
| Melinda Walker  | Elected                     |
| Vacant  | Appointed by Council Member |
| Vacant  | Appointed by Mayor          |

<sup>1</sup>Names of Trustees and Officer positions are as of December 31, 2010.

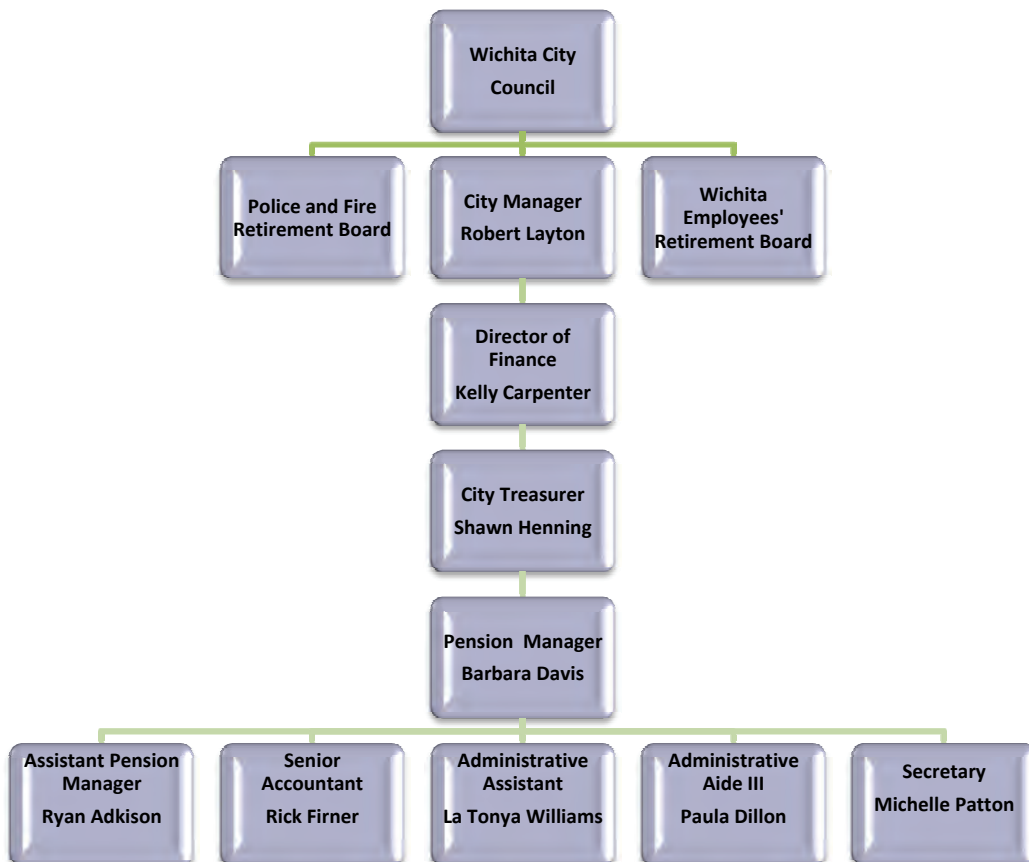
**Introductory Section: Figure 1**

| <b>Police and Fire Retirement System Board of Trustees</b> |                             |
|--|-----------------------------|
| <b>Trustee Name<sup>1</sup></b>                            | <b>Type of Membership</b>   |
| Hans Asmussen (President)                                  | Police Elected              |
| Ronald Blackwell   | Fire Chief                  |
| Michael Crosby (1 <sup>st</sup> V.P.)                      | Fire Elected                |
| Joe Dessenberger   | Police Elected              |
| Marvin Fisher (2 <sup>nd</sup> V.P.)                       | Appointed by Council Member |
| Mike Hastings  | Appointed by Council Member |
| Shawn Henning  | Appointed by City Manager   |
| Jason Jones  | Fire Elected                |
| Troy Jordan  | Appointed by Council Member |
| Warren Koehn   | Fire Elected                |
| Chester Pinkston   | Police Elected              |
| Jim Ward   | Appointed by Council Member |
| Norman Williams  | Police Chief                |
| William Wynne  | Appointed by Council Member |
| Vacant   | Appointed by Mayor          |
| Vacant   | Appointed by Council Member |

<sup>1</sup>Names of Trustees and Officer positions are as of December 31, 2010

**Introductory Section: Figure 2**

**Organizational Chart**



Introductory Section: Figure 3

**Professional Consultants**

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

Introductory Section: Figure 4

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

---

*This page is intentionally left blank.*





# FINANCIAL SECTION



## 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, 2010, 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' 2009 financial statements and in our report dated June 11, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Wichita Retirement Systems of the City of Wichita, Kansas as of December 31, 2010, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2011 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, are 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.*  
CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2011  
Wichita, KS

## Management Discussion and Analysis

Management is pleased to provide this overview and analysis of the financial activities of the Wichita Retirement Systems (WRS) for the year ended December 31, 2010. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 2 of this report.

### Overview of the Financial Statements of the Fund

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

The **Statement of Plan Net Assets** (see page 14) is presented for the pension trust funds at December 31, 2010, with combined total comparative information at December 31, 2009. The Statement of Plan Net Assets presents information on all of the Systems' assets and liabilities, with the difference between the two reported as net assets held in trust for future benefits. The statement is a snapshot of the financial position of the Systems at the close of the fiscal year.

The **Statement of Changes in Plan Net Assets** (see page 15) is presented for the pension trust funds for the year ended December 31, 2010, with combined total comparative information for the year ended December 31, 2009. The statement presents information showing how the Systems' net assets changed during the fiscal year.

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

The **Required Supplementary Information and Supporting Schedules** (see page 27) consist of schedules and related notes concerning actuarial information, funded status and required contributions of the defined benefit systems. These schedules and notes emphasize the long-term nature of pension plans and show each system's progress in accumulating sufficient assets to pay future benefits.

The **Schedules of Funding Progress** (see page 27) show actuarial trend data for the past six years. It includes the ratio of the actuarial value of assets to the actuarial liability, otherwise known as the funded ratio. The funded ratio increases or decreases over time based upon the relationships between contributions, investment performance, benefit changes, and actuarial assumption changes based upon participant information and characteristics. This schedule also shows the unfunded actuarial accrued liability as a percentage of member payroll.

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

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

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

### Financial Statement Analysis

#### Plan Net Assets

The value of plan net assets increased by \$81.9 million during the 2010 fiscal year. This change primarily consisted of a \$94.9 million increase in cash and investments due to the appreciation of investments holdings. The investment return was 13.6% for the year ended December 31, 2010, with all portfolios generating positive returns. Investment returns by asset class were as follows: domestic equity 18.3%, international equity 7.6%, real estate 17.8%, and domestic fixed income 9.3%.

As of December 31, 2010, total securities lending obligations increased by \$25.1 million, as compared to December 31, 2009. Several factors influence the amount of securities lent at any point in time, including the demand for the securities, the negotiated rebate rate and the overall market volatility.

Comparative summary financial statements for fiscal years 2009 and 2010 are shown below (see Financial Section: Figure 1 and Financial Section: Figure 2)

### Summary of Plan Net Assets

|  | 2010                 | 2009                 | Increase (Decrease) |
|--|----------------------|----------------------|---------------------|
| <b>Assets</b>  |                      |                      |                     |
| Total cash and investments                               | \$976,150,969        | \$881,210,446        | \$94,940,523        |
| Total capital assets (net of depreciation)               | 820,572              | 1,001,934            | (181,362)           |
| Total receivables  | 37,574,868           | 12,781,813           | 24,793,055          |
| Securities lending short-term collateral investment pool | 113,338,136          | 138,455,969          | (25,117,833)        |
| <b>Total assets</b>                                      | <b>1,127,884,545</b> | <b>1,033,450,162</b> | <b>94,434,383</b>   |
| <b>Liabilities</b>                                       |                      |                      |                     |
| Accounts payable and accrued expenses                    | 965,014              | 2,819,639            | (1,854,625)         |
| Investment purchases pending                             | 61,822,613           | 22,315,300           | 39,507,313          |
| Securities lending obligations                           | 113,338,136          | 138,455,969          | (25,117,833)        |
| <b>Total liabilities</b>                                 | <b>176,125,763</b>   | <b>163,590,908</b>   | <b>12,534,855</b>   |
| <b>Plan Net Assets</b>                                   | <b>\$951,758,782</b> | <b>\$869,859,254</b> | <b>\$81,899,528</b> |

Financial Section: Figure 1

### Summary of Changes in Plan Net Assets

|                                   | 2010                | 2009                 | Increase (Decrease)   |
|-----------------------------------|---------------------|----------------------|-----------------------|
| <b>Additions</b>                  |                     |                      |                       |
| Contributions                     |                     |                      |                       |
| Employer                          | \$19,948,502        | \$15,058,139         | \$4,890,363           |
| Employee                          | 8,481,702           | 8,560,860            | (79,158)              |
| Net investment income             | 112,257,777         | 156,120,453          | (43,862,676)          |
| Transfers from other funds        | 1,276,393           | 1,664,681            | (388,288)             |
| <b>Total additions</b>            | <b>141,964,374</b>  | <b>181,404,133</b>   | <b>(39,439,759)</b>   |
| <b>Deductions</b>                 |                     |                      |                       |
| Pension benefits                  | 56,356,565          | 51,539,779           | 4,816,786             |
| Pension administration            | 924,859             | 960,025              | (35,166)              |
| Depreciation                      | 181,362             | 184,614              | (3,252)               |
| Employee contributions refunded   | 1,325,667           | 1,020,604            | 305,063               |
| Transfers to other funds          | 1,276,393           | 1,664,681            | (388,288)             |
| <b>Total deductions</b>           | <b>60,064,846</b>   | <b>55,369,703</b>    | <b>4,695,143</b>      |
| <b>Changes in Plan Net Assets</b> | <b>\$81,899,528</b> | <b>\$126,034,430</b> | <b>\$(44,134,902)</b> |

Financial Section: Figure 2

#### Additions to Plan Net Assets

Additions to plan net assets that are needed to finance Plan benefit obligations come primarily from employer and employee contributions and net earnings on investments. For the year ended December 31, 2010, additions totaled \$142.0 million, which is a \$39.4 decrease from 2009 additions of \$181.4 million. Employer contributions increased by \$4.9 million in 2010, or 32.5%, while employee contributions decreased by \$0.08 million, or 0.9%. Net investment income decreased by \$43.9 million from the prior year.

#### Deductions from Plan Net Assets

Deductions from plan net assets are consistent with characteristics of a mature pension system. Pension benefits increased from \$51.5 million in 2009 to \$56.4 million in 2010, or approximately \$4.8 million (9.3%). This increase is due to new pensioners, with benefits based on higher salaries, being added to the pension payroll and to DROP and Back DROP payments, which increased from \$5.8 million in 2009 to \$7.4 million in 2010.

## Requests for Information

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

## Wichita Retirement Systems

### Statement of Plan Net Assets

December 31, 2010  
(with comparative totals as of December 31, 2009)

|   | Police and<br>Fire<br>Retirement<br>System | Employees'<br>Retirement<br>System | Employees'<br>Retirement<br>Plan 3 | Totals        |               |
|---|--|------------------------------------|------------------------------------|---------------|---------------|
|   |  |                                    |                                    | 2010          | 2009          |
| <b>ASSETS</b>   |  |                                    |                                    |               |               |
| Cash and temporary investments                              | \$318,382                                  | \$147,839                          | \$27,148                           | \$493,369     | \$364,186     |
| Receivables:  |  |                                    |                                    |               |               |
| Investment sales pending                                    | 16,917,281                                 | 16,847,353                         | 625,988                            | 34,390,622    | 9,410,873     |
| Interest and dividends                                      | 1,470,613                                  | 1,464,535                          | 54,417                             | 2,989,565     | 3,237,435     |
| Other   | 84,483                                     | 85,506                             | 24,692                             | 194,681       | 133,505       |
| Total receivables   | 18,472,377                                 | 18,397,394                         | 705,097                            | 37,574,868    | 12,781,813    |
| Investments, at fair value:                                 |  |                                    |                                    |               |               |
| Government short-term investment fund                       | 7,529,727                                  | 7,498,603                          | 278,622                            | 15,306,952    | 17,678,689    |
| Government securities: long-term                            | 28,754,625                                 | 28,635,692                         | 1,111,513                          | 58,501,830    | 40,888,227    |
| Corporate debt instruments: long-term                       | 50,379,139                                 | 50,170,765                         | 1,947,408                          | 102,497,312   | 99,647,881    |
| Mortgage and asset-backed securities                        | 47,449,026                                 | 47,252,771                         | 1,834,145                          | 96,535,942    | 106,333,562   |
| Corporate stocks: domestic common                           | 172,412,490                                | 171,699,370                        | 6,664,613                          | 350,776,473   | 297,846,669   |
| Corporate stocks: international common                      | 78,367,200                                 | 78,043,062                         | 3,029,289                          | 159,439,551   | 162,834,278   |
| Real estate   | 13,915,206                                 | 13,857,650                         | 537,893                            | 28,310,749    | 27,336,014    |
| Pooled funds: domestic fixed income                         | -  | -                                  | 440,450                            | 440,450       | 364,485       |
| Pooled funds: international fixed income                    | 2,323,575                                  | 2,313,964                          | 89,818                             | 4,727,357     | 5,131,638     |
| Pooled funds: high yield fixed income                       | 1,531,072                                  | 1,524,739                          | 59,184                             | 3,114,995     | 7,266,835     |
| Pooled funds: domestic equities                             | 57,258,958                                 | 57,022,127                         | 2,213,348                          | 116,494,433   | 101,097,243   |
| Pooled funds: international equities                        | 19,352,215                                 | 19,272,223                         | 887,118                            | 39,511,556    | 14,420,739    |
| Securities lending short-term collateral<br>investment pool | 55,752,788                                 | 55,522,334                         | 2,063,014                          | 113,338,136   | 138,455,969   |
| Total investments   | 535,026,021                                | 532,813,300                        | 21,156,415                         | 1,088,995,736 | 1,019,302,229 |
| Capital assets:   |  |                                    |                                    |               |               |
| Pension software  | 449,558                                    | 449,558                            | 385,335                            | 1,284,451     | 1,284,451     |
| Less accumulated depreciation                               | (162,358)                                  | (162,358)                          | (139,163)                          | (463,879)     | (282,517)     |
| Total capital assets (net of<br>depreciation)               | 287,200                                    | 287,200                            | 246,172                            | 820,572       | 1,001,934     |
| Total assets  | 554,103,980                                | 551,645,733                        | 22,134,832                         | 1,127,884,545 | 1,033,450,162 |
| <b>LIABILITIES</b>  |  |                                    |                                    |               |               |
| Accounts payable and accrued expenses                       | 451,968                                    | 487,623                            | 25,423                             | 965,014       | 2,819,639     |
| Investment purchases pending                                | 30,411,503                                 | 30,285,797                         | 1,125,313                          | 61,822,613    | 22,315,300    |
| Securities lending obligations                              | 55,752,788                                 | 55,522,334                         | 2,063,014                          | 113,338,136   | 138,455,969   |
| Total liabilities   | 86,616,259                                 | 86,295,754                         | 3,213,750                          | 176,125,763   | 163,590,908   |
| <b>NET ASSETS</b>   |  |                                    |                                    |               |               |
| Held in trust for pension benefits                          | \$467,487,721                              | \$465,349,979                      | \$18,921,082                       | \$951,758,782 | \$869,859,254 |

Financial Section: Figure 3

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



## Wichita Retirement Systems

### Statement of Changes in Plan Net Assets

For the year ended December 31, 2010  
(with comparative totals for the year ended December 31, 2009)

|  | Police and<br>Fire<br>Retirement<br>System | Employees'<br>Retirement<br>System | Employees'<br>Retirement<br>Plan 3 | Totals        |               |
|--|--|------------------------------------|------------------------------------|---------------|---------------|
|  |  |                                    |                                    | 2010          | 2009          |
| <b>ADDITIONS</b>                               |  |                                    |                                    |               |               |
| Contributions:                                 |  |                                    |                                    |               |               |
| Employer                                       | \$13,119,984                               | \$4,529,765                        | \$2,298,753                        | \$19,948,502  | \$15,058,139  |
| Employee                                       | 4,467,983                                  | 2,664,619                          | 1,349,100                          | 8,481,702     | 8,560,860     |
| Total contributions                            | 17,587,967                                 | 7,194,384                          | 3,647,853                          | 28,430,204    | 23,618,999    |
| Investment income:                             |  |                                    |                                    |               |               |
| From investment activities                     |  |                                    |                                    |               |               |
| Net appreciation in fair value of investments  | 45,661,526                                 | 45,742,773                         | 1,808,205                          | 93,212,504    | 134,441,222   |
| Interest and dividends                         | 11,300,331                                 | 11,437,779                         | 391,597                            | 23,129,707    | 24,565,198    |
| Commission recapture                           | 13,716                                     | 13,775                             | 493                                | 27,984        | 106,368       |
| Total investing activity income                | 56,975,573                                 | 57,194,327                         | 2,200,295                          | 116,370,195   | 159,112,788   |
| Less investment expense                        | 2,195,653                                  | 2,211,285                          | 81,676                             | 4,488,614     | 3,737,028     |
| Net income from investing activities           | 54,779,920                                 | 54,983,042                         | 2,118,619                          | 111,881,581   | 155,375,760   |
| From securities lending activities             |  |                                    |                                    |               |               |
| Securities lending income                      | 269,009                                    | 275,825                            | 9,352                              | 554,186       | 1,139,462     |
| Less securities lending activities expenses:   |  |                                    |                                    |               |               |
| Borrower rebates                               | 10,298                                     | 10,373                             | 372                                | 21,043        | 100,529       |
| Management fees                                | 74,933                                     | 79,412                             | 2,602                              | 156,947       | 294,240       |
| Total securities lending activities expenses   | 85,231                                     | 89,785                             | 2,974                              | 177,990       | 394,769       |
| Net income from securities lending activities  | 183,778                                    | 186,040                            | 6,378                              | 376,196       | 744,693       |
| Total net investment income                    | 54,963,698                                 | 55,169,082                         | 2,124,997                          | 112,257,777   | 156,120,453   |
| Transfers from other funds                     | -  | 1,276,393                          | -                                  | 1,276,393     | 1,664,681     |
| Total additions                                | 72,551,665                                 | 63,639,859                         | 5,772,850                          | 141,964,374   | 181,404,133   |
| <b>DEDUCTIONS</b>                              |  |                                    |                                    |               |               |
| Pension benefits                               | 26,466,067                                 | 29,890,498                         | -                                  | 56,356,565    | 51,539,779    |
| Pension administration                         | 421,251                                    | 429,764                            | 73,844                             | 924,859       | 960,025       |
| Depreciation                                   | 63,477                                     | 63,477                             | 54,408                             | 181,362       | 184,614       |
| Employee contributions refunded                | 492,380                                    | 191,171                            | 642,116                            | 1,325,667     | 1,020,604     |
| Transfers to other funds                       | -  | -                                  | 1,276,393                          | 1,276,393     | 1,664,681     |
| Total deductions                               | 27,443,175                                 | 30,574,910                         | 2,046,761                          | 60,064,846    | 55,369,703    |
| Change in net assets                           | 45,108,490                                 | 33,064,949                         | 3,726,089                          | 81,899,528    | 126,034,430   |
| Net assets held in trust for pension benefits: |  |                                    |                                    |               |               |
| Beginning of year                              | 422,379,231                                | 432,285,030                        | 15,194,993                         | 869,859,254   | 743,824,824   |
| End of year                                    | \$467,487,721                              | \$465,349,979                      | \$18,921,082                       | \$951,758,782 | \$869,859,254 |

Financial Section: Figure 4

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

## Notes to the Financial Statements for the Fiscal Year Ended December 31, 2010

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

The defined benefit plans include the Wichita Employees' Retirement System (WERS) and the Police and Fire Retirement System (PFRS). A separate Board of Trustees administers each System. The defined contribution plan consists of the Wichita Employees' Retirement System Plan 3, which is also administered by the Wichita Employees' Retirement System Board of Trustees.

### Summary of Significant Accounting Policies and Plan Asset Matters

**Measurement Focus and Basis of Accounting:** The Wichita Employees' Retirement System, Police and Fire Retirement System, and the Wichita Employees' Retirement System Plan 3 are reported as pension trust funds of the City of Wichita, Kansas in the City's financial statements using the economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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

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

**Management of Plan Assets:** The Boards of Trustees of the Systems have contractual arrangements with independent investment managers 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 advisors.

**Estimates:** Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires making estimates and assumptions that affect: 1) the reported amounts of assets and liabilities; 2) disclosures, such as contingencies; and 3) the reported amounts of revenues and expenses included in the financial statements. Actual results could differ from those estimates. Some of the more significant estimates include the valuation of certain investments described in the Notes and the actuarial data included in the Required Supplementary Information.

**Prior Year Comparative Information:** The basic financial statements include certain prior year 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, 2009, from which the summarized information has been derived.

**Reserves and Concentrations of Credit Risks:** There are no assets legally reserved for purposes other than the payment of plan member benefits. The plans held no individual investments (other than U.S. Government and U.S. Government guaranteed obligations) where the market value exceeded five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

**Pending Governmental Accounting Standards Board (GASB) Statements:** GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was issued in February 2009 and is effective for financial statements for periods beginning after June 15, 2010. This Statement addresses fund balance classifications and disclosure of the policies in the notes to the financial statements, provides guidance on stabilization funds and clarifies definitions of governmental fund types.

GASB Statement No. 59, "Financial Instruments Omnibus", was issued in June 2010. This statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for the City's fiscal year ending December 31, 2011.

## Insurance

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

## Cash, Investments and Securities Lending

**Investments of the Pension Trust Funds:** City Ordinance (44-812; section 2.28.090) authorizes the Wichita Employees' Retirement System and City Ordinance (Charter Ordinance 209) authorizes the Police and Fire Retirement System to invest trust fund assets in accordance with the prudent person rule, subject to the following limitations: 1) The proportion of funds invested in corporate preferred and common stock shall not exceed 70 percent; and (2) the proportion of funds invested in foreign securities shall not exceed 25 percent. Additionally, the Systems are not permitted to invest directly or indirectly in any:

1. Real estate, except in certain pooled arrangements with the amount of such investment not to exceed 10 percent;
2. Private equity, except in a commingled fund-of-funds vehicle with the amount of such investment not to exceed 10 percent;
3. Mortgages secured by real estate, except insured mortgages under Titles 203, 207, 220 and 221 of the Federal Housing Act;
4. Oil and gas leases or royalties;
5. Commodities;
6. Provided, however that the restrictions on investments set forth above shall not apply to funds which are invested in a mutual fund, separate account, or commingled fund operated by a qualified investment manager or insurance company for the purpose of making international investments.

### Wichita Retirement Systems' Investments

| Type of Investment  | Fair Value             |
|---|------------------------|
| Government short-term investment fund                         | \$ 15,306,952          |
| Government securities, long-term                              | 58,501,830             |
| Corporate debt instruments, long-term                         | 102,497,312            |
| Mortgage and asset-backed securities                          | 96,535,942             |
| Corporate stocks, domestic common                             | 350,776,473            |
| Corporate stocks, international common                        | 159,439,551            |
| Real estate   | 28,310,749             |
| Value of interest in pooled funds, domestic fixed income      | 440,450                |
| Value of interest in pooled funds, international fixed income | 4,727,357              |
| Value of interest in pooled funds, high yield fixed income    | 3,114,995              |
| Value of interest in pooled funds, domestic equities          | 116,494,433            |
| Value of interest in pooled funds, international equities     | 39,511,556             |
| Securities lending short-term collateral investment pool      | 113,338,136            |
| <b>Total investments</b>                                      | <b>\$1,088,995,736</b> |

Financial Section: Figure 5

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

The investments of the Wichita Retirement Systems on December 31, 2010 are listed in Financial Section: Figure 5.

The pension funds invest in various asset-backed securities, such as collateralized mortgage obligations (CMO's) and credit card trusts, to maximize yields and reduce the impact of interest rate changes. These securities are based on cash flows from principal and interest payments on the underlying assets. For example, CMO's break up the cash flows from mortgages into categories with defined risk and return characteristics called tranches. The tranches are differentiated by when the principal payments are received from the mortgage pool. Changes in interest and mortgage prepayment rates may affect the amount and timing of cash flows, which would also

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

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

**Custodial Credit Risk:** The custodial credit risk for deposits is the risk that in the event of a bank failure, the Wichita Retirement Systems' (WRS) deposits may not be recovered. On December 31, 2010, the WRS' cash deposits in the amount of \$493,369 were included in the City's pooled cash and temporary investments. The WRS' debt securities investments were registered in the name of WRS and were held in the possession of the WRS custodial bank, State Street.

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

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

1. Fixed income managers have full discretion over the issues selected and may hold any mix of fixed income securities and cash equivalents.
2. Portfolio duration must not be less than 80 percent nor more than 120 percent of the duration of the Barclays Capital Aggregate Bond Index, unless the Joint Investment Committee prospectively grants a written exception. The minimum and maximum of the index range on December 31, 2010 was 3.98 and 5.98, respectively.

The modified duration of investments, expressed in years, on December 31, 2010 is shown as follows (see Financial Section: Figure 6 below):

**Modified Duration of Investments**

| <b>Investment Type</b>                                      | <b>Fair Value</b> | <b>Modified Duration (years)</b> |
|---|-------------------|----------------------------------|
| Government securities, long-term                            | \$ 58,501,830     | 2.90                             |
| Corporate debt instruments, long-term                       | 102,497,312       | 3.97                             |
| Mortgage and asset-backed securities                        | 96,535,942        | 2.31                             |
| Actively managed investment totals                          | 257,535,084       | 3.12                             |
| Government short-term investment fund                       | 15,306,952        | 0.13                             |
| Pooled domestic fixed income securities                     | 440,450           | 4.95                             |
| Pooled international and high yield fixed income securities | 7,842,352         | 5.74                             |
| Total investment in debt securities                         | \$281,124,838     |                                  |

Financial Section: Figure 6

**Credit Risk of Debt Securities:** Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Wichita Retirement Systems manage exposure to investment credit risk by adhering to the following policies: (1) For active core domestic fixed income investments, bonds and preferred stocks must be rated at least "A" by Moody's or Standard and Poor's at the time of purchase; and (2) For core-plus domestic fixed income investments, the weighted average credit quality of the portfolio will not fall below AA- or equivalent. On December 31, 2010, no securities in the investment managers' portfolios were outside of the policy guidelines.

The debt investments held by the Wichita Retirement Systems on December 31, 2010, as rated by Standard and Poor's or an equivalent nationally recognized statistical rating organization, are shown in Financial Section: Figure 7.

Credit risk for investment derivative instruments results from counterparty risk assumed by the Wichita Retirement Systems. This is essentially the risk that the counterparty to a Wichita Retirement Systems' transaction will be unable to meet its obligation. Information regarding the Wichita Retirement Systems' credit risk related to derivatives is found under the derivatives disclosures on pages 20-21 of these notes.

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

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

All forward foreign currency contracts are carried at fair value by the Retirement Systems. As of December 31, 2010, the Systems held no forward currency contracts. If held, sales of forward currency contracts are receivables and are reported as investment sales pending in the financial statements.

The Wichita Retirement Systems' exposure to foreign currency risk on December 31, 2010 is as follows (see Financial Section: Figure 8):

### Exposure to Foreign Currency Risk

| Currency  | Cash and Cash Equivalents | Debt Securities    | Equities             |
|---|---------------------------|--------------------|----------------------|
| Australian dollar                               | \$ 6,727                  | \$ -               | \$ 14,750,397        |
| Canadian dollar                                 | -                         | -                  | 1,091,596            |
| Danish krone                                    | -                         | -                  | 1,513,199            |
| Euro  | 88,306                    | -                  | 53,344,007           |
| Hong Kong dollar                                | 5                         | -                  | 2,848,984            |
| Japanese yen                                    | 901                       | -                  | 33,709,572           |
| New Zealand dollar                              | -                         | -                  | 531,116              |
| Norwegian krone                                 | 10,209                    | -                  | 871,953              |
| Pound sterling                                  | 162,552                   | -                  | 34,492,436           |
| Singapore dollar                                | 27,973                    | -                  | 3,410,976            |
| Swedish krona                                   | -                         | -                  | 689,473              |
| Swiss franc                                     | 24,733                    | -                  | 10,547,739           |
| International mutual funds (various currencies) | -                         | 4,693,016          | 39,511,556           |
| <b>Total subject to foreign currency risk</b>   | <b>\$321,406</b>          | <b>\$4,693,016</b> | <b>\$197,313,004</b> |

Financial Section: Figure 8

### Standard and Poor's Investment Ratings

| Quality Rating   | Total Debt Securities |
|--|-----------------------|
| AAA  | \$139,914,356         |
| AA+  | 5,924,968             |
| AA   | 10,194,405            |
| AA-  | 4,075,209             |
| A+   | 15,673,372            |
| A  | 32,313,474            |
| A-   | 24,399,943            |
| BBB+   | 7,718,843             |
| BBB  | 4,549,895             |
| BBB-   | 2,452,843             |
| BB+  | 1,173,984             |
| BB   | 1,284,577             |
| BB-  | 332,225               |
| B+   | 3,114,995             |
| B  | 952,940               |
| B-   | 655,528               |
| CCC+   | 45,473                |
| CCC  | 8,051,811             |
| CC   | 847,187               |
| C  | 15,679                |
| D  | 1,519,740             |
| NR   | 165,989               |
| <b>Total credit risk debt securities</b>                   | <b>\$265,377,436</b>  |
| <b>Pooled domestic fixed income securities<sup>1</sup></b> | <b>440,450</b>        |
| <b>Government short term investment fund<sup>2</sup></b>   | <b>15,306,952</b>     |
| <b>Total investment in debt securities</b>                 | <b>\$281,124,838</b>  |

<sup>1</sup> Pooled domestic fixed income securities funds report average quality ratings of AA2.

<sup>2</sup> The average quality of the holdings of the Government short-term investment fund on December 31, 2010 was A1.

Financial Section: Figure 7

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

**Derivatives:** Investment derivative instruments are financial contracts for which the value of the contract is dependent on the value of underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchanges. While the Wichita Retirement Systems has no formal policy specific to investment derivatives, the Wichita Retirement Systems, through its external investment managers, held credit default swaps, interest rate swaps and total return bond swaps as of December 31, 2010. The Wichita Retirement Systems enters into these investment derivative instruments primarily to enhance performance, reduce volatility, and to manage the interest rate risk of its investment portfolio. The investment derivative instruments held by the Wichita Retirement Systems on December 31, 2010 are shown in Financial Section: Figure 9. The notional values associated with these derivative instruments are generally not recorded in the financial statements; however, the amounts for the exposure on these instruments are included in the fair value of investments in the Statement of Plan Net Assets and the total changes in fair value for the year are included as investment income in the Statement of Changes in Plan Net Assets

The fair value of derivative investments is based on the exchanges when available. When an exchange is not available, fair value is determined by J.P. Morgan Chase & Co. These estimated fair values are determined in good faith by using information from J.P. Morgan's investment managers, including methods and assumptions considering market conditions and risks existing at the date of the Statement of Plan Net Assets. Such methods and assumptions incorporate standard valuation conventions and techniques, such as discounted cash flow analysis and option pricing models. All methods utilized to estimate fair values result only in general approximations of value.

### Investment Derivative Instruments

| Type                   | Classification     | Change in Fair Value | Notional Value | Exposure/Fair Market Value | Counterparty                          | Counterparty Rating |
|------------------------|--------------------|----------------------|----------------|----------------------------|---------------------------------------|---------------------|
| Credit Default Swap    | Investment Loss    | \$ (4,460)           | \$ 500,000     | \$ 20,300                  | Bank of America Securities LLC        | A                   |
| Credit Default Swap    | Investment Loss    | (20,303)             | 1,090,000      | 43,600                     | Goldman Sachs & Co.                   | A                   |
| Credit Default Swap    | Investment Revenue | 483                  | 170,000        | 6,800                      | JP MorganChase Bank/Greenwich Capital | AA-                 |
| Credit Default Swap    | Investment Revenue | 2,058                | 700,000        | 17,250                     | Morgan Stanley Co., Inc.              | A                   |
| Interest Rate Swap     | Investment Loss    | (104,986)            | 1,950,000      | (104,986)                  | Barclays Capital, Inc.                | AA-                 |
| Interest Rate Swap     | Investment Loss    | (93,067)             | 1,920,000      | (93,067)                   | Morgan Stanley Co., Inc.              | A                   |
| Total Return Bond Swap | Investment Revenue | 1,962                | 170,000        | 5,605                      | Bank of America Securities LLC        | A                   |
| Total Return Bond Swap | Investment Revenue | 6,219                | 459,876        | 381                        | Barclays Capital, Inc.                | AA-                 |
| Total Return Bond Swap | Investment Revenue | 7,209                | 260,000        | 8,572                      | Goldman Sachs & Co.                   | A                   |
| Total Return Bond Swap | Investment Revenue | 1,244                | 91,975         | 76                         | Morgan Stanley Co., Inc.              | A                   |
| Totals                 |                    | \$(203,641)          | \$7,311,851    | \$(95,469)                 |                                       |                     |

Financial Section: Figure 9

**Securities Lending Transactions:** Policies of the Board of Trustees for the Wichita Employees' Retirement and Police and Fire Retirement Systems permit the lending of securities to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same securities in the future. The custodian of the City's pension plans is an agent in lending the plans' domestic securities for initial collateral of 102 percent of the market value of the loaned securities, international equity securities for initial collateral of 105 percent of the market value of such securities, and the initial collateral received for loans of United Kingdom (UK) Gilts shall have a value of at least 102.5 percent of the market value of such UK Gilts. Collateral may consist of cash

(U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, irrevocable bank letters of credit issued by a person other than the securities borrower or affiliate, if determined appropriate by the agent under the securities lending programs it administers and such other collateral as the parties may agree to in writing.

The collateral securities cannot be pledged or sold by the 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 100 percent of the market value of the loaned securities. Contracts with the lending agent require them to indemnify the Systems, if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Systems for income distributions by the securities' issuers while the securities are on loan.

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

At year-end, loans were secured with cash collateral, securities collateral or letters of credit. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted average maturity of 47 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 Systems cannot determine.

**Custodial Credit Risk Related to Securities Lending:** Custodial credit risk for lent securities is the risk that, in the event of the failure of the counterparty, the Systems will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Consistent with the Systems' securities lending policy, \$113,338,136 was held by the counterparty acting as the Systems' agent in securities lending transactions on December 31, 2010.

## Capital Assets

Capital asset activity for the year ended December 31, 2010 is displayed below (see Financial Section: Figure 10):

### Capital Assets

|                                 | Beginning Balance | Decrease    | Ending Balance |
|---------------------------------|-------------------|-------------|----------------|
| Pension administration software | \$1,284,451       | \$ -        | \$1,284,451    |
| Less: accumulated depreciation  | (282,517)         | (181,362)   | (463,879)      |
| Capital assets, net             | \$1,001,934       | \$(181,362) | \$ 820,572     |

Financial Section: Figure 10

## Wichita Employees' Retirement System

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

On December 31, 2010, the WERS defined benefit plan membership (Plan 1 and Plan 2) consisted of (see Financial Section: Figure 11):

### Defined Benefit Plan Membership

|   | Plan 1 | Plan 2 | Total |
|---|--------|--------|-------|
| Employees vested  | 61     | 993    | 1,054 |
| Subtotal  | 61     | 993    | 1,054 |
| Retirees and beneficiaries receiving benefits                     | 830    | 363    | 1,193 |
| Terminated employees entitled to benefits, but not receiving them | 2      | 132    | 134   |
| Subtotal  | 832    | 495    | 1,327 |
| Total membership  | 893    | 1,488  | 2,381 |

Financial Section: Figure 11

### Eligibility Factors and Benefit Provisions

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

Financial Section: Figure 12

**Funding Policy:** The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. Members of Plan 1 and 2 are required to contribute 6.4 and 4.7 percent of covered salaries, respectively. The City is required to contribute at an actuarially determined rate; the rate for 2010 was 8.4 percent of annual covered payroll for both Plans 1 and 2. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the WERS consulting actuary.

**Annual Pension Cost and Net Pension Obligation:** The net pension obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2010, the City's annual pension cost of \$4,529,765 was equal to the required and actual contributions.

The employer's annual required contribution for the 2010 fiscal year was determined as part of the December 31, 2008 actuarial valuation using the Entry Age Normal actuarial cost method. Significant actuarial assumptions used for this evaluation include (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually (4.0 percent attributable to inflation and 0.5 percent attributable to productivity), (c) additional projected salary increases ranging from 0.0 percent to 5.5 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 3.0 percent per year (non-compounded) after retirement for Plan 1 and 2.0 percent per year (non-compounded) for Plan 2.

Subsequently, the actuarial assumptions for projected salary increases were modified with the December 31, 2009 valuation to 4.0 percent per year compounded annually (3.5 percent attributable to inflation and 0.5 percent attributable to productivity) and additional projected salary increases ranging from 0.25 percent to 3.2 percent per year, depending on age, attributable to seniority/merit.

The actuarial accrued liability, as determined by the Entry Age Normal actuarial cost method, is the portion of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs. An asset valuation method is used to smooth the effect of market fluctuations. The actuarial value of assets is equal to the Expected Value (calculated using the actuarial assumed rate of 7.75 percent) plus 25 percent of the difference between the market and expected value. This smoothing method has been used since 2002. As of December 31, 2010, the System had an unfunded actuarial liability (UAL), which is being amortized as a level percent of projected payroll on an open basis. At December 31, 2010, the amortization period was 20 years.

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



### Wichita Employees' Retirement System Funded Status

(as of December 31, 2010, the most recent actuarial valuation date)

| Actuarial Valuation Date | Actuarial Value of Assets <sup>1</sup> | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Active Member Covered Payroll | UAAL as a Percentage of Active Member Covered Payroll |
|--------------------------|--|---|---------------------|--------------|-------------------------------|---|
|                          | (a)                                    | (b)   | (b)-(a)             | (a)/(b)      | (c)                           | ((b-a)/c)   |
| 12/31/10                 | \$516,308                              | \$540,436                                   | \$24,128            | 95.5%        | \$79,636                      | 30.3%   |

Rounded dollar amounts are in thousands.

<sup>1</sup> Includes Plan 3 members who are not vested.

Financial Section: Figure 13

### Schedule of Employer Contributions

(Three Year Trend Information)

| Fiscal Year Ending | Employees' Retirement System Annual Required Contribution | Employees' Retirement Plan 3 Annual Required Contribution | Percentage Contributed |
|--------------------|---|---|------------------------|
| 12/31/08           | \$2,450,162   | \$1,494,079   | 100%                   |
| 12/31/09           | 2,545,331   | 1,478,256   | 100                    |
| 12/31/10           | 4,529,765   | 2,298,753   | 100                    |

Financial Section: Figure 14

## Wichita Employees' Retirement System Plan 3

**Plan Description:** The reporting entity provides pension benefits for all of its full-time civilian employees hired or rehired on or after January 1, 1994. This is a defined contribution plan; therefore, benefits depend solely on amounts contributed to the plan plus investment earnings. At December 31, 2010, current membership totaled 731.

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

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

For the year ending December 31, 2010, employee and employer contributions to Plan 3 totaled \$1,349,100 and \$2,298,753, respectively. On December 31, 2010, the WERS defined contribution Plan 3 membership consisted of (see Financial Section: Figure 15):

### Defined Contribution Plan Membership

| Years of Service | Employer Contribution Vesting Schedule | Number of Employees |
|------------------|--|---------------------|
| 7 years or more  | 100%                                   | 70                  |
| 5 to 7 years     | 50                                     | 197                 |
| 3 to 5 years     | 25                                     | 254                 |
| 0 to 3 years     | 0                                      | 210                 |
| Total Membership |  | 731                 |

Financial Section: Figure 15

### Eligibility Factors and Benefit Provisions

|                                  | <b>Less than 7 years of service</b>                             | <b>7 or more years of service</b>                               |
|----------------------------------|---|---|
| Service-connected disability     | 50% of final salary; or refund of vested Plan 3 account balance | 50% of final salary; or refund of vested Plan 3 account balance |
| Non-service connected disability | Refund of vested Plan 3 account balance                         | 25% of final salary; or refund of vested Plan 3 account balance |

Financial Section: Figure 16

## Police and Fire Retirement System

**Plan Description:** The Police and Fire Retirement System (PFRS) is divided into three plans - Plan A, Plan B, and Plan C-79. The plans were established to provide retirement and survivor annuities, disability benefits, death benefits, and other benefits for Police and Fire Officers of the reporting entity and their dependents. All full-time active "commissioned" Police and Fire department personnel are required to participate in the plans. Plans A and B were established by City Ordinance on January 1, 1965 and Plan C-79 was established January 1, 1979 by City Ordinance. Plan B was closed to new entrants as of January 1, 1965 and Plan A was closed to new entrants as of December 31, 1978. Establishment of and amendments to the benefit provisions for the PFRS are authorized by the City Council. On December 31, 2010, the PFRS membership consisted of (see Financial Section: Figure 17):

### Defined Benefit Plan Membership

|  | <b>Plan A</b> | <b>Plan B</b> | <b>Plan C-79</b> | <b>Total</b> |
|--|---------------|---------------|------------------|--------------|
| Employees  |               |               |                  |              |
| Vested   | 21            | -             | 648              | 669          |
| Non-vested   | -             | -             | 420              | 420          |
| Subtotal   | 21            | -             | 1,068            | 1,089        |
| Retirees and beneficiaries receiving benefits                    | 455           | 271           | 166              | 892          |
| Terminated employees entitled to benefits but not receiving them | -             | -             | 35               | 35           |
| Subtotal   | 455           | 271           | 201              | 927          |
| Total membership   | 476           | 271           | 1,269            | 2,016        |

Financial Section: Figure 17

### Eligibility Factors and Benefit Provisions

|  | Plans A and B  | Plan C-79   |
|--|--|---|
| Eligibility for benefits                 | 20 years credited service regardless of age  | 30 years credited service regardless of age; or 20 years of credited service and age 50; or 10 years of credited service and age 55         |
| Minimum vesting                          | 10 years of credited service   | 10 years of credited service  |
| Maximum benefit                          | 2.5% of final average salary per year of service up to a maximum of 75%  | 2.5% of final average salary per year of service up to a maximum of 75%   |
| Service-connected disability, injury     | 75% of final salary  | 75% of final salary   |
| Service-connected disability, disease    | 50% of final salary  | 50% of final salary   |
| Non-service connected disability         | With 7 years of service, benefit formula based on credited service with a maximum of 50% final average salary  | With 7 years of service, benefit formula based on credited service with a maximum of 50% final average salary                               |
| Service-connected death                  | Benefit formula based on number of survivors with a maximum of 75% final salary  | Benefit formula based on number of survivors with a maximum of 75% final salary   |
| Non-service connected death              | Benefit formula based on credited service and number of survivors with a maximum of 66 2/3% of final average salary (Plan A); 50% of final salary (Plan B) | Benefit formula based on credited service and number of survivors with a maximum of 66 2/3% of final average salary with 3 years of service |
| Post-retirement survivor benefits        | Benefit formula based on credited service and number of survivors with a maximum of 66 2/3% of final average salary (Plan A); 50% of final salary (Plan B) | Benefit formula based on credited service and number of survivors with a maximum of 66 2/3% of final average salary                         |
| Annual post-retirement benefit increases | 2% of original benefit after 36 months of retirement, not compounded   | 2% of original benefit after 36 months of retirement, not compounded  |

Financial Section: Figure 18

**Funding Policy:** The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. PFRS members are required to contribute 7 to 8 percent of covered salaries. The City is required to contribute at an actuarially determined rate; the rate for 2010 was 20.8 percent of annual covered payroll. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the consulting actuary.

**Annual Pension Cost and Net Pension Obligation:** The net pension obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2010, the City's annual pension cost of \$13,119,984 was equal to the required and actual contributions.

The employer's annual required contribution for the 2010 fiscal year was determined as part of the December 31, 2008 actuarial valuation using the Entry Age Normal actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.75 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually (4.0 percent attributable to inflation and 0.5 percent attributable to productivity), (c) additional projected salary increases ranging from 0.0 percent to 2.5 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.0 percent per year (non-compounded) commencing 36 months after retirement.

Subsequently, the actuarial assumptions for projected salary increases were modified with the December 31, 2009 valuation to 4.0 percent per year compounded annually (3.5 percent attributable to inflation and 0.5 percent attributable to productivity) and additional projected salary increases ranging from 1.0 percent to 2.75 percent per year, depending on age, attributable to seniority/merit.

The actuarial accrued liability, as determined by the Entry Age Normal actuarial cost method, is the portion of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs. An asset valuation method is used to smooth the effect of market fluctuations. The actuarial value of assets is equal to the Expected Value (calculated using the actuarial assumed rate of 7.75 percent) plus 25 percent of the difference between the market and expected value. This smoothing method has been used since 2002. As of December 31, 2010, the System had an unfunded actuarial liability, which is being amortized as a level percent of projected payroll on an open basis. At December 31, 2010, the amortization period was 20 years.

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

### Police and Fire Retirement System Funded Status

(as of December 31, 2010, the most recent actuarial valuation date)

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Active Member Covered Payroll | UAAL as a Percentage of Active Member Covered Payroll |
|--------------------------|---------------------------|---|---------------------|--------------|-------------------------------|---|
|                          | (a)                       | (b)   | (b-a)               | (a/b)        | (c)                           | ((b-a)/c)   |
| 12/31/10                 | \$497,926                 | \$536,908                                   | \$38,982            | 92.7%        | \$63,077                      | 61.8%   |

Rounded dollar amounts are in thousands.

[Financial Section: Figure 19](#)

### Schedule of Employer Contributions

(Three Year Trend Information)

| Fiscal Year Ending | Annual Required Contribution | Percentage Contributed |
|--------------------|------------------------------|------------------------|
| 12/31/08           | \$10,549,401                 | 100%                   |
| 12/31/09           | 11,034,552                   | 100                    |
| 12/31/10           | 13,119,984                   | 100                    |

[Financial Section: Figure 20](#)

## Required Supplementary Information

### Schedules of Funding Progress

#### Wichita Employees' Retirement System

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets <sup>1</sup><br>(a) | Actuarial Liability (AAL) Entry Age<br>(b) | Unfunded AAL (UAAL)<br>(b-a) | Funded Ratio<br>(a/b) | Active Member Covered Payroll<br>(c) | UAAL as a Percentage of Active Member Covered Payroll<br>((b-a)/c) |
|--------------------------|---|--|------------------------------|-----------------------|--------------------------------------|--|
| 12/31/05                 | \$479,275                                     | \$433,297                                  | \$(45,978)                   | 110.6%                | \$72,367                             | (63.5)%  |
| 12/31/06                 | 505,756                                       | 459,062                                    | (46,694)                     | 110.2                 | 75,881                               | (61.5)   |
| 12/31/07                 | 533,911                                       | 483,387                                    | (50,524)                     | 110.5                 | 78,736                               | (64.2)   |
| 12/31/08                 | 512,853                                       | 512,373                                    | (480)                        | 100.1                 | 81,580                               | (0.6)  |
| 12/31/09                 | 509,494                                       | 529,272                                    | 19,778                       | 96.3                  | 82,704                               | 23.9   |
| 12/31/10                 | 516,308                                       | 540,436                                    | 24,128                       | 95.5                  | 79,636                               | 30.3   |

Rounded dollar amounts are in thousands.

<sup>1</sup> Includes Plan 3 members who are not vested.

Financial Section: Figure 21

#### Police and Fire Retirement System

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets<br>(a) | Actuarial Liability (AAL) Entry Age<br>(b) | Unfunded AAL (UAAL)<br>(b-a) | Funded Ratio<br>(a/b) | Active Member Covered Payroll<br>(c) | UAAL as a Percentage of Active Member Covered Payroll<br>((b-a)/c) |
|--------------------------|----------------------------------|--|------------------------------|-----------------------|--------------------------------------|--|
| 12/31/05                 | \$412,823                        | \$414,027                                  | \$ 1,204                     | 99.7%                 | \$52,207                             | 2.3%   |
| 12/31/06                 | 444,498                          | 439,179                                    | (5,319)                      | 101.2                 | 53,530                               | (9.9)  |
| 12/31/07                 | 480,820                          | 468,115                                    | (12,705)                     | 102.7                 | 57,310                               | (22.2)   |
| 12/31/08                 | 472,345                          | 496,561                                    | 24,216                       | 95.1                  | 60,282                               | 40.2   |
| 12/31/09                 | 480,556                          | 519,935                                    | 39,379                       | 92.4                  | 63,055                               | 62.5   |
| 12/31/10                 | 497,926                          | 536,908                                    | 38,982                       | 92.7                  | 63,077                               | 61.8   |

Financial Section: Figure 22

### Schedules of Employer Contributions

#### Wichita Employees' Retirement System

| Fiscal Year Ending | Employees' Retirement System Annual Required Contribution | Employees' Retirement Plan 3 Annual Required Contribution | Percentage Contributed |
|--------------------|---|---|------------------------|
| 12/31/05           | \$2,170,650   | \$1,281,156   | 100%                   |
| 12/31/06           | 2,264,339   | 1,369,009   | 100                    |
| 12/31/07           | 2,357,052   | 1,428,686   | 100                    |
| 12/31/08           | 2,450,162   | 1,494,079   | 100                    |
| 12/31/09           | 2,545,331   | 1,478,256   | 100                    |
| 12/31/10           | 4,529,765   | 2,298,753   | 100                    |

Financial Section: Figure 23

#### Police and Fire Retirement System

| Fiscal Year Ending | Annual Required Contribution | Percentage Contributed |
|--------------------|------------------------------|------------------------|
| 12/31/05           | \$ 7,308,916                 | 100%                   |
| 12/31/06           | 9,849,536                    | 100                    |
| 12/31/07           | 10,029,253                   | 100                    |
| 12/31/08           | 10,549,401                   | 100                    |
| 12/31/09           | 11,034,552                   | 100                    |
| 12/31/10           | 13,119,984                   | 100                    |

Financial Section: Figure 24

## Notes to the Required Supplementary Information

### Summary of Actuarial Methods and Assumptions

| <b>Wichita Employees' Retirement System</b> |   |
|---|---|
| Valuation date                              | December 31, 2010   |
| Actuarial cost method                       | Entry age normal  |
| Amortization method                         | Level percentage of projected payroll   |
| Amortization approach                       | Open  |
| Remaining amortization period               | Rolling 20 years  |
| Asset valuation method                      | Expected Value: assumes 7.75% rate of return plus 25% of the difference between the market value and the expected value of assets |
| Actuarial assumptions:                      |   |
| Investment rate of return                   | 7.75% per year  |
| Projected salary increases                  | 4.0% per year; 3.5% attributable to inflation, 0.5% attributable to productivity  |
|   | Additional salary increases ranging from .25% to 3.2% per year attributable to seniority/merit                                    |
| Inflation rate                              | 3.5% per year   |
| Post-retirement benefit increases           | Plan 1: 3% per year (non-compounded), commencing 12 months after retirement   |
|   | Plan 2: 2% per year (non-compounded), commencing 12 months after retirement   |

Financial Section: Figure 25

### Summary of Actuarial Methods and Assumptions

| <b>Police and Fire Retirement System</b> |   |
|--|---|
| Valuation date                           | December 31, 2010   |
| Actuarial cost method                    | Entry age normal  |
| Amortization method                      | Level percentage of projected payroll   |
| Amortization approach                    | Open  |
| Remaining amortization period            | Rolling 20 years  |
| Asset valuation method                   | Expected Value: assumes 7.75% rate of return plus 25% of the difference between the market value and the expected value of assets |
| Actuarial assumptions:                   |   |
| Investment rate of return                | 7.75% per year  |
| Projected salary increases               | 4.0% per year; 3.5% attributable to inflation, 0.5% attributable to productivity  |
|  | Additional salary increases ranging from 1.0% to 2.75% per year attributable to seniority/merit                                   |
| Inflation rate                           | 3.5% per year   |
| Post-retirement benefit increases        | 2% per year (non-compounded), commencing 36 months after retirement   |

Financial Section: Figure 26

## Supporting Schedules

### Administrative Expenses

Year ended December 31, 2010

(with comparative totals for the year ended December 31, 2009)

|                                      | Police and<br>Fire<br>Retirement<br>System | Employees'<br>Retirement<br>System | Employees'<br>Retirement<br>Plan 3 | Totals      |             |
|--------------------------------------|--|------------------------------------|------------------------------------|-------------|-------------|
|                                      |  |                                    |                                    | 2010        | 2009        |
| Personal services:                   |  |                                    |                                    |             |             |
| Wages                                | \$220,374                                  | \$220,374                          | \$ -                               | \$ 440,748  | \$ 435,862  |
| Benefits                             | 60,462                                     | 60,462                             | -                                  | 120,924     | 100,618     |
| Total personal services              | 280,836                                    | 280,836                            | -                                  | 561,672     | 536,480     |
| Contractuals:                        |  |                                    |                                    |             |             |
| Telephone                            | 1,688                                      | 1,688                              | -                                  | 3,376       | 3,358       |
| Postage                              | 1,369                                      | 1,331                              | 6                                  | 2,706       | 2,739       |
| Transportation and travel            | 3,202                                      | 3,429                              | -                                  | 6,631       | 4,815       |
| Data center charges                  | 22,195                                     | 22,195                             | -                                  | 44,390      | 40,374      |
| City administrative charges          | 14,605                                     | 14,605                             | -                                  | 29,210      | 28,160      |
| Actuarial fees                       | 30,128                                     | 34,456                             | 1,000                              | 65,584      | 105,823     |
| Audit fees                           | 6,776                                      | 6,776                              | -                                  | 13,552      | 13,000      |
| Legal services                       | 5,551                                      | 8,173                              | 276                                | 14,000      | 20,969      |
| Advertising                          | -  | -                                  | -                                  | -           | 3,855       |
| Periodicals and manuals              | 108  | 108                                | -                                  | 216         | 202         |
| Membership dues                      | 345  | 1,845                              | -                                  | 2,190       | 1,915       |
| Printing and photocopying            | 2,311                                      | 2,158                              | -                                  | 4,469       | 8,348       |
| Plan 3 participant<br>administration | -  | -                                  | 30,225                             | 30,225      | 29,250      |
| Pension software expense             | 49,224                                     | 49,224                             | 41,814                             | 140,262     | 154,232     |
| Depreciation                         | 63,477                                     | 63,477                             | 54,408                             | 181,362     | 184,614     |
| Other                                | 610  | 719                                | 378                                | 1,707       | 2,409       |
| Total contractuals                   | 201,589                                    | 210,184                            | 128,107                            | 539,880     | 604,063     |
| Commodities:                         |  |                                    |                                    |             |             |
| Office equipment and<br>supplies     | 1,364                                      | 1,364                              | -                                  | 2,728       | 2,850       |
| Data processing equipment            | 638  | 556                                | 145                                | 1,339       | 1,128       |
| Other                                | 301  | 301                                | -                                  | 602         | 118         |
| Total commodities                    | 2,303                                      | 2,221                              | 145                                | 4,669       | 4,096       |
| Total administrative expenses        | \$484,728                                  | \$493,241                          | \$128,252                          | \$1,106,221 | \$1,144,639 |

Financial Section: Figure 27

**Investment Expenses**

Year ended December 31, 2010

(with comparative totals for the year ended December 31, 2009)

|                            | Police and<br>Fire<br>Retirement<br>System | Employees'<br>Retirement<br>System | Employees'<br>Retirement<br>Plan 3 | 2010               | Totals<br>2009     |
|----------------------------|--|------------------------------------|------------------------------------|--------------------|--------------------|
| Investment expenses:       |  |                                    |                                    |                    |                    |
| Financial consulting       | \$ 138,357                                 | \$ 134,119                         | \$ 8,434                           | \$ 280,910         | \$ 173,683         |
| Custodial bank             | 143,517                                    | 149,792                            | 4,364                              | 297,673            | 296,783            |
| Investment management fees | 1,913,779                                  | 1,927,374                          | 68,878                             | 3,910,031          | 3,266,562          |
| Total investment expenses  | <u>\$2,195,653</u>                         | <u>\$2,211,285</u>                 | <u>\$81,676</u>                    | <u>\$4,488,614</u> | <u>\$3,737,028</u> |

Financial Section: Figure 28

**Payments to Consultants Other Than Investment Advisors**

Year ended December 31, 2010

(with comparative totals for the year ended December 31, 2009)

| Firm                             | Services                  | Police and<br>Fire<br>Retirement<br>System | Employees'<br>Retirement<br>System | Employees'<br>Retirement<br>Plan 3 | 2010             | Totals<br>2009   |
|----------------------------------|---------------------------|--|------------------------------------|------------------------------------|------------------|------------------|
| Ice Miller, LLP                  | Legal<br>services         | \$ 5,551                                   | \$ 8,173                           | \$ 276                             | \$ 14,000        | \$ 20,969        |
| Milliman, Inc.                   | Actuarial<br>services     | 30,128                                     | 34,456                             | 1,000                              | 65,584           | 105,823          |
| Allen, Gibbs & Houlik,<br>L.C.   | Auditing<br>services      | 6,776                                      | 6,776                              | -                                  | 13,552           | 13,000           |
| Northeast Retirement<br>Services | Participant<br>accounting | -  | -                                  | 30,225                             | 30,225           | 29,250           |
| Total payments                   |                           | <u>\$42,455</u>                            | <u>\$49,405</u>                    | <u>\$31,501</u>                    | <u>\$123,361</u> | <u>\$169,042</u> |

Financial Section: Figure 29





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

---

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

We have audited the accompanying statement of plan net assets of the Wichita Retirement Systems of the City of Wichita, Kansas (Systems) as of and for the year ended December 31, 2010, and the related statement of changes in plan net assets for the year then ended, which collectively comprise the System's basic financial statements and have issued our report thereon dated June 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

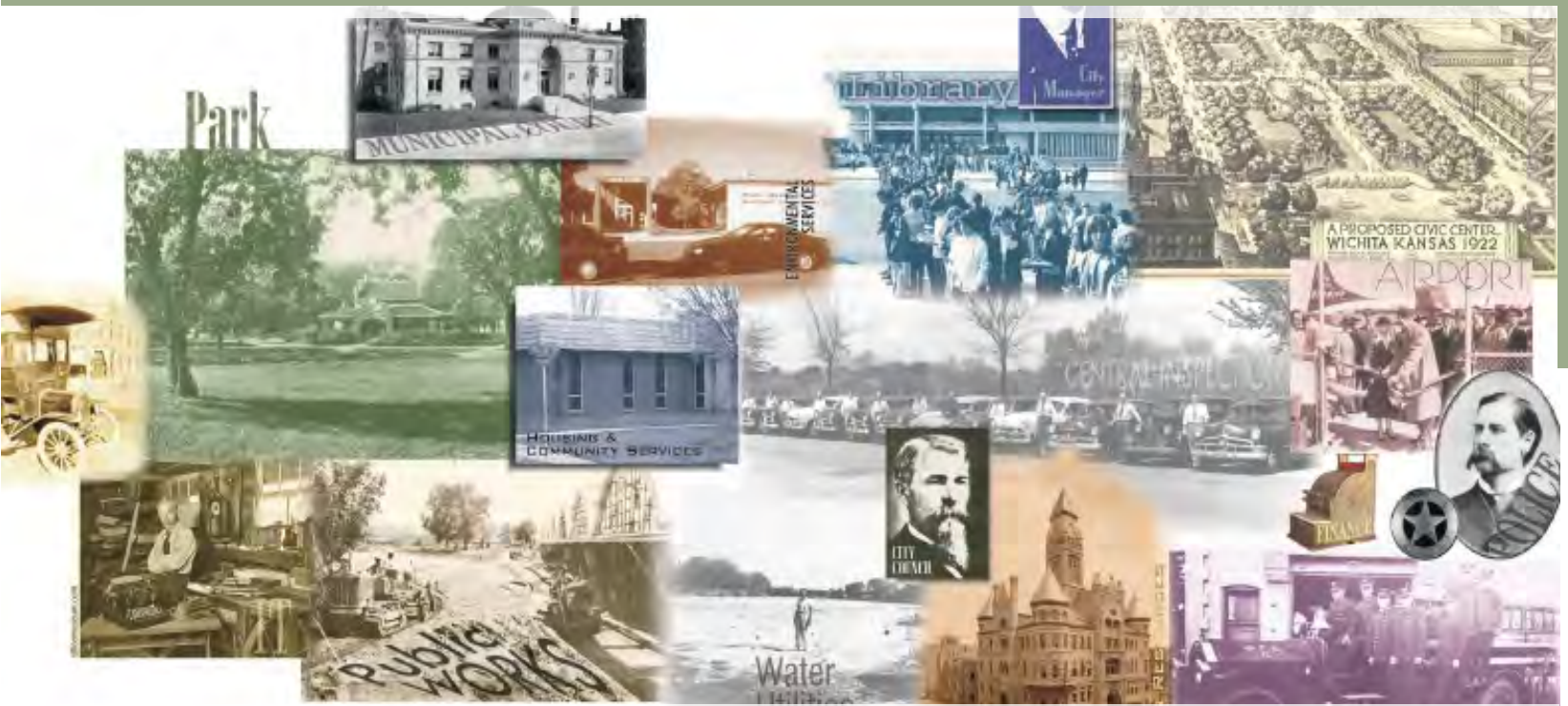
the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

June 7, 2011  
Wichita, Kansas

# INVESTMENT SECTION



# INVESTMENT SECTION

# CALLAN ASSOCIATES<sup>SM</sup>



SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

March 14, 2011

## The Retirement Boards

Wichita Employees' Retirement System and Police & Fire Retirement System of Wichita  
455 North Main Street, 12<sup>th</sup> Floor  
Wichita, Kansas 67202

### **RE: Report on 2010 Investment Activities**

Dear Board Members:

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

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

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

In establishing its risk tolerance, the Boards considered their ability to withstand short and intermediate-term volatility in market conditions. The Boards also reviewed the long-term characteristics of various asset classes, focusing on balancing risk with expected return. Accordingly, the Boards selected these five asset classes as allowable asset classes: large to mid-capitalization U.S. equities; small capitalization U.S. equities; U.S. fixed-income securities; non-U.S. equities (developed and emerging markets); and 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.

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 on the basis of market value and cash flow data provided by the Fund's bank custodian.

The Retirement Boards  
March 14, 2011  
Page 2

2010 was another good year for institutional investors with diversified portfolios as the median portfolio rose 13%, the second consecutive year of double-digit gains. Equity markets rose markedly in the last four months of the year to finish comfortably in the black. The S&P 500 Index, a proxy for U.S. large-cap stocks, rose 15.06%. U.S. small-cap stocks, as measured by the Russell 2000 Index, surged 26.85%. Non-U.S. equities, hurt by sovereign debt concerns in Europe, did not fare as well as U.S. equities, but still produced positive returns in 2010 as the MSCI EAFE Index gained 7.75%. Interest rates declined during the year, boosting bond prices and the BC Aggregate Index higher by 6.54%. After two straight years of declines, the private real estate market rebounded in 2010 as the NCREIF Property Index increased 13.11%.

As noted in the Schedule of Investment Results, the Fund generated a total return of 13.64% for the year ended December 31, 2010, which out-performed the 12.69% return of the Fund's target benchmark (the Weighted Index). In aggregate, the Fund's U.S. large/mid cap equity, U.S. small cap equity, fixed income, and real estate managers generated returns that exceeded their respective benchmarks; only the non-U.S. equity managers, in aggregate, trailed 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.

Yours truly,



William C. Howard, CFA  
Vice President

## Investment Policy Summary

### Strategic Plan

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

### Investment Policies

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

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

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

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

The following minimum standards are set for investment managers:

1. The investment firm must have \$500 million or more under management;
2. The investment management firm must have five years of performance history;
3. The Fund's portfolio with the investment manager shall not constitute more than ten percent of the investment manager's total portfolio.

### 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 exercised in the management of their own affairs.

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

The blended target consists of:

- 38% Standard & Poor's (S&P) 500 Stock Index
- 9% Russell 2000 Index
- 20% Morgan Stanley Capital International, Europe Australia and Far East (MSCI EAFE) Index
- 28% Barclays Capital Aggregate Bond Index
- 5% National Council of Real Estate Investment Fiduciaries (NCREIF) Total Index

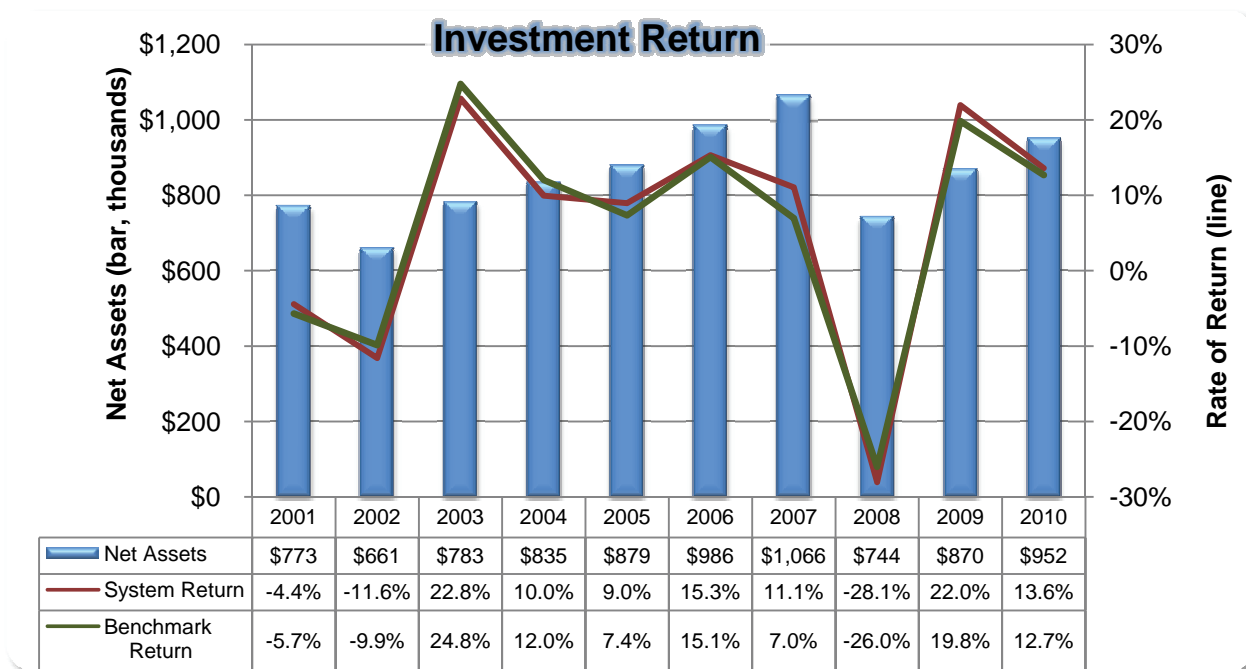
The goal of the Fund is to ensure sufficient resources to meet or exceed benefit obligations. The related investment objectives are, first, to preserve and, second, to increase the capital value of the Fund. In pursuing these objectives, the Boards will endeavor to earn the maximum total return on assets consistent with maintaining a prudent level of risk.

The Boards expect the Fund's overall returns to be less volatile than the relevant market indices. The Fund's long-term objective is to achieve an annualized rate of return that is 4.5% higher than the Consumer Price Index of Urban Wage Earners and Clerical Workers (CPI-U).

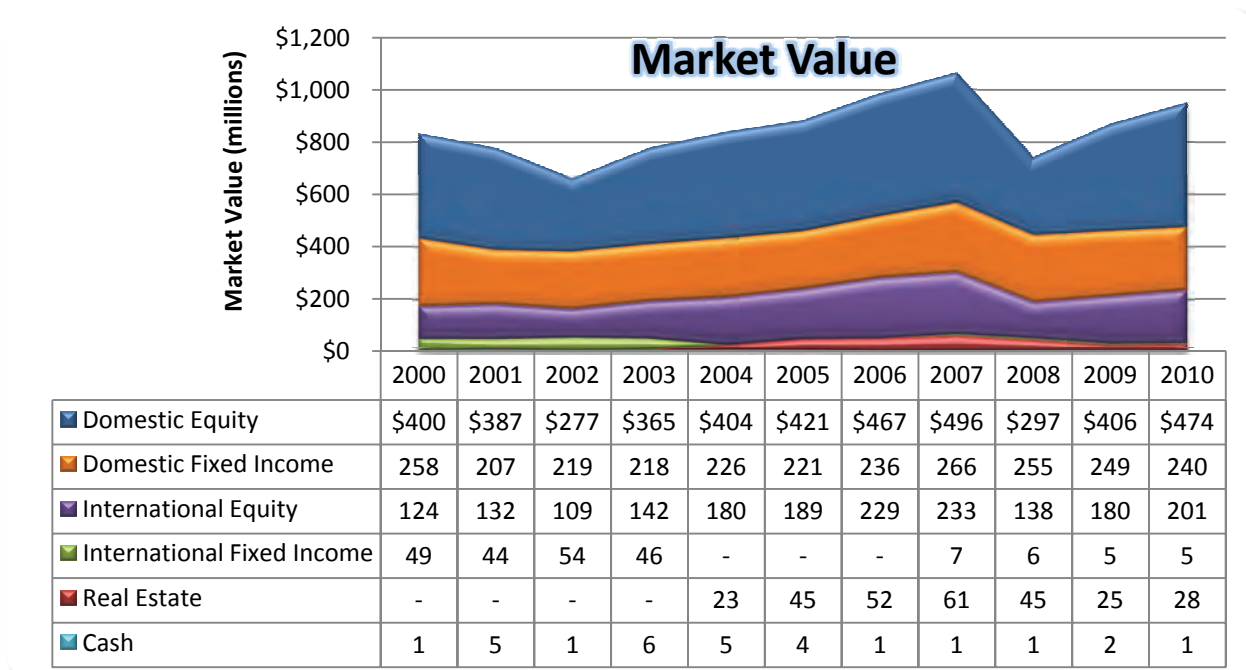
Each equity and fixed income manager’s total fund return on a time-weighted basis is compared to a universe of managers employing a similar investment style. Performance relative to a manager’s style group is expected to be above median in three of five calendar years, and above the 40th percentile over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

## Investment Performance

The charts below (Investment Section: Figure 1 and Investment Section: Figure 2) illustrate annual portfolio investment performance compared to the benchmark and changes in the Fund’s net assets based on asset class allocations at year-end. Positive returns, beginning in 2003 and continuing through 2007, are responsible for increasing the Fund’s market value. After an extremely negative investment return in 2008, 2009 and 2010 returned 22.0% and 13.6%, respectively.



Investment Section: Figure 1



Investment Section: Figure 2



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

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

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

### Investment Performance

|                                      | Annualized Returns |         |         |         |
|--------------------------------------|--------------------|---------|---------|---------|
|                                      | 1 year             | 3 years | 5 years | 7 years |
| <b>Total portfolio:</b>              |                    |         |         |         |
| Fund performance <sup>1</sup>        | 13.64%             | -0.09%  | 5.02%   | 6.28%   |
| Fund Target performance <sup>2</sup> | 12.69              | -0.03   | 4.22    | 5.75    |
| <b>Domestic equities:</b>            |                    |         |         |         |
| Large-Cap equity                     | 15.75              | -2.23   | 4.00    | 5.43    |
| S&P 500 Index                        | 15.06              | -2.85   | 2.29    | 3.85    |
| Small-Cap equity                     | 27.93              | 6.09    | 6.94    | 8.28    |
| Russell 2000 Index                   | 26.85              | 2.22    | 4.47    | 6.36    |
| <b>International equities:</b>       |                    |         |         |         |
| International equity                 | 7.57               | -5.63   | 4.46    | 7.67    |
| MSCI EAFE Index                      | 7.75               | -7.02   | 2.46    | 6.38    |
| MSCI ACWI (Ex-US) Index              | 11.60              | -4.58   | 5.29    | 9.09    |
| <b>Domestic fixed income:</b>        |                    |         |         |         |
| Domestic fixed income                | 9.33               | 7.46    | 6.71    | 5.77    |
| Barclays Capital Aggregate Index     | 6.54               | 5.90    | 5.80    | 5.10    |
| <b>Real estate:</b>                  |                    |         |         |         |
| Real estate <sup>3</sup>             | 17.76              | -20.43  | -7.35   | n/a     |
| NCREIF Total Index                   | 13.11              | -4.18   | 3.51    | n/a     |

<sup>1</sup> Performance does not include WERS Plan 3 assets prior to January 2004.

<sup>2</sup>(a) From 01/01/02 - 03/31/04; 40% S&P 500 Index; 9% Russell 2000 Index; 17% Morgan Stanley Capital International All Country Ex US (MSCI ACWI) Index; 28% Barclays Capital Aggregate Bond Index; 6% Salomon Non-US\$ World Govt. Bond Index.

(b) From 04/01/04 until 12/31/06; 38% S&P 500 Index; 9% Russell 2000 Index; 20% Morgan Stanley Capital International All Country Ex US (MSCI ACWI) Index; 28% Barclays Capital Aggregate Bond Index; 5% NCREIF Total Index.

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

<sup>3</sup> Real estate investments were funded in 2004; therefore, 7 year annual return data is not available.

[Investment Section: Figure 3](#)

## Asset Allocation

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

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

The Boards review their adopted Asset Allocation Plan at least every three years. An Asset Allocation-Only Study was completed and, as a result, changes were implemented in 2007. 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. At the end of fiscal year 2010, 71.1% of the Fund's assets were invested in equities, 25.8% in fixed income, and 3.0% in real estate. The table below (Investment Section: Figure 4) displays the Fund's actual asset allocation on December 31, 2010.

### Asset Allocation Policy

As of December 31, 2010

| <b>Asset Class</b>                 | <b>Low</b>   | <b>Target</b> | <b>High</b>  | <b>Actual</b> |
|------------------------------------|--------------|---------------|--------------|---------------|
| Domestic Equity                    |              |               |              |               |
| Large-Cap                          | 18.00%       | 25.00%        | 30.00%       | 26.93%        |
| Small-Cap                          | 6.00         | 9.40          | 16.00        | 10.81         |
| Index                              | 9.00         | 12.60         | 15.00        | 12.19         |
| <b>Total Domestic Equity</b>       | <b>33.00</b> | <b>47.00</b>  | <b>61.00</b> | <b>49.92</b>  |
| Domestic Fixed Income              |              |               |              |               |
| Active Core                        | 11.00        | 14.00         | 17.00        | 13.13         |
| Active Core Plus                   | 11.00        | 14.00         | 17.00        | 12.67         |
| <b>Total Domestic Fixed Income</b> | <b>22.00</b> | <b>28.00</b>  | <b>34.00</b> | <b>25.80</b>  |
| International Equity               |              |               |              |               |
| Active Core                        | 6.00         | 8.00          | 10.00        | 8.45          |
| Active Core Plus                   | 10.00        | 12.00         | 14.00        | 10.47         |
| Emerging Markets Index             | 2.00         | 4.00          | 3.00         | 2.23          |
| <b>Total International Equity</b>  | <b>16.00</b> | <b>20.00</b>  | <b>24.00</b> | <b>21.15</b>  |
| Real Estate                        |              |               |              |               |
| Core                               | 2.00         | 3.00          | 5.00         | 2.35          |
| Value Added                        | 1.00         | 2.00          | 3.00         | 0.63          |
| <b>Total Real Estate</b>           | <b>3.00</b>  | <b>5.00</b>   | <b>8.00</b>  | <b>2.98</b>   |
| Cash                               | 0.00         | 0.00          | 2.00         | 0.15          |

Investment Section: Figure 4

## Largest Equity and Fixed Income Holdings

### Ten Largest Equity Holdings by Fair Value

As of December 31, 2010

| Number of Shares | Security                     | Fair Value          | % of Total Portfolio |
|------------------|------------------------------|---------------------|----------------------|
| 63,565           | Chevron Corp.                | \$5,800,306         | 0.63%                |
| 17,530           | Apple Inc.                   | 5,654,477           | 0.61                 |
| 80,900           | Conoco Phillips              | 5,509,290           | 0.60                 |
| 138,742          | Royal Dutch Shell Plc A Shs. | 4,602,981           | 0.50                 |
| 44,450           | Occidental Petroleum Corp.   | 4,360,545           | 0.47                 |
| 245,805          | Pfizer Inc.                  | 4,304,046           | 0.47                 |
| 58,300           | Pepsico Inc.                 | 3,808,739           | 0.41                 |
| 90,110           | Hewlett Packard Co.          | 3,793,631           | 0.41                 |
| 116,600          | Wells Fargo & Co.            | 3,613,434           | 0.39                 |
| 6,055            | Google Inc Cl. A             | 3,596,488           | 0.39                 |
| <b>862,057</b>   | <b>Total</b>                 | <b>\$45,043,937</b> | <b>4.88%</b>         |

Investment Section: Figure 5

### Ten Largest Fixed Income Holdings by Fair Value

As of December 31, 2010

| Number of Shares  | Holding                          | Fair Value          | % of Total Portfolio |
|-------------------|----------------------------------|---------------------|----------------------|
| 16,000,000        | United States Treasury Bills     | \$15,994,699        | 1.74%                |
| 6,900,000         | FNMA TBA Jan 30 Single Fam.      | 7,462,531           | 0.81                 |
| 6,482,809         | United States Treasury Bonds     | 7,422,622           | 0.81                 |
| 6,900,000         | GNMA li TBA Jan 30 Jumbos        | 7,121,205           | 0.77                 |
| 5,001,023         | Federal Home Loan PC Pool G13833 | 5,257,326           | 0.57                 |
| 5,100,000         | US Treasury N/B                  | 5,027,135           | 0.55                 |
| 4,300,000         | FNMA TBA 15 Yr                   | 4,329,584           | 0.47                 |
| 4,300,000         | FNMA TBA Single Family Mortgage  | 4,277,167           | 0.47                 |
| 4,160,000         | Federal Home Loan Bank           | 4,162,619           | 0.45                 |
| 3,400,000         | Wachovia Bank Coml. Mtg. Tr.     | 3,583,822           | 0.39                 |
| <b>62,543,832</b> | <b>Total</b>                     | <b>\$64,638,710</b> | <b>7.03%</b>         |

Investment Section: Figure 6

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

Investment Assets by Manager

As of December 31, 2010

| <b>Asset Category</b>   | <b>Fair Value</b>                    |
|---|--------------------------------------|
| Domestic fixed income   |                                      |
| Richmond Capital Management, Inc.                               | \$ 121,880,488                       |
| Western Asset Management Co.                                    | 138,769,588                          |
| SSGA <sup>1</sup> Government Short-Term Investment Fund         | 15,306,952                           |
| SSGA <sup>1</sup> Securities Lending Short-Term Investment Pool | 113,338,136                          |
| Subtotal  | <u>389,295,164</u>                   |
| International fixed income                                      |                                      |
| Western Asset Management Co.                                    | <u>4,727,357</u>                     |
| Domestic equity   |                                      |
| Barrow, Hanley, Mewhinney & Strauss, Inc.                       | 63,477,225                           |
| Boston Partners Asset Management                                | 48,823,669                           |
| Fred Alger Management, Inc.                                     | 69,241,080                           |
| ING Investment Management Co.                                   | 51,814,774                           |
| Institutional Capital LLC                                       | 62,415,620                           |
| Rainier Investment Management, Inc.                             | 55,004,108                           |
| SSGA <sup>1</sup> S&P 500 Flagship Fund                         | 115,713,287                          |
| Subtotal  | <u>466,489,763</u>                   |
| International equity  |                                      |
| Mondrian Investment Partners, Limited                           | 98,400,109                           |
| Pyramis Global Advisors Trust Company                           | 79,172,738                           |
| SSGA <sup>1</sup> Emerging Markets Index Fund                   | 21,207,229                           |
| Subtotal  | <u>198,780,076</u>                   |
| Real Estate   |                                      |
| RREEF America II  | 22,284,937                           |
| RREEF America III   | 6,025,812                            |
| Subtotal  | <u>28,310,749</u>                    |
| Defined Contribution Pooled Funds                               |                                      |
| SSGA <sup>1</sup> Strategic Balanced Funds                      | 1,392,627                            |
| <b>Total Investment Assets</b>                                  | <b><u><u>\$1,088,995,736</u></u></b> |

<sup>1</sup>State Street Global Advisors  
[Investment Section: Figure 7](#)

**Investment Fees by Manager**

Year ended December 31, 2010

| <b>Investment Management Fees:</b>                     | <b>Fees</b>        |
|--|--------------------|
| Domestic Fixed Income Managers                         |                    |
| Richmond Capital Management, Inc.                      | \$ 237,341         |
| Western Asset Management Co.                           | 346,310            |
| International Fixed Income Manager                     |                    |
| Western Asset Management Co.                           | 11,797             |
| Domestic Equity Managers                               |                    |
| Barrow, Hanley, Mewhinney, & Strauss, Inc.             | 318,051            |
| Boston Partners Asset Management                       | 384,101            |
| Fred Alger Management, Inc.                            | 276,613            |
| ING Investment Management Co.                          | 363,441            |
| Institutional Capital LLC                              | 277,949            |
| Rainier Investment Management, Inc.                    | 251,901            |
| SSGA <sup>1</sup> S&P 500 Flagship Fund                | 37,612             |
| International Equity Managers                          |                    |
| Mondrian Investment Partners, Limited                  | 517,240            |
| Pryamis Global Advisors Trust Company                  | 518,223            |
| SSGA <sup>1</sup> Emerging Markets Index Fund          | 32,533             |
| Real Estate Managers                                   |                    |
| RREEF America II                                       | 249,694            |
| RREEF America III                                      | 87,225             |
| Subtotal Investment Management Fees                    | 3,910,031          |
| <b>Other Investment Service Fees:</b>                  |                    |
| Custodian Fees   |                    |
| State Street Bank and Trust Company                    | 297,673            |
| Investment Consultant and Performance Measurement Fees |                    |
| Callan Associates, Inc.                                | 277,242            |
| NestEgg Consulting, Inc.                               | 3,668              |
| Subtotal Other Investment Service Fees                 | 578,583            |
| <b>Total Investment Fees</b>                           | <b>\$4,488,614</b> |

<sup>1</sup>State Street Global Advisors  
Investment Section: Figure 8

## Investment Summary by Type of Investment

As of December 31, 2010

| Type of Investment                                  | Fair Value             | % of Total Portfolio |
|---|------------------------|----------------------|
| Domestic equities:                                  |                        |                      |
| Consumer discretionary                              | \$ 52,334,429          | 4.81%                |
| Consumer staples                                    | 21,097,492             | 1.94                 |
| Energy  | 36,546,360             | 3.36                 |
| Financial services                                  | 58,272,632             | 5.34                 |
| Health care   | 43,298,792             | 3.98                 |
| Industrials   | 50,963,908             | 4.68                 |
| Information technology                              | 62,522,128             | 5.74                 |
| Materials   | 14,149,242             | 1.30                 |
| Telecommunications services                         | 6,465,892              | 0.59                 |
| Utilities   | 5,125,601              | 0.47                 |
| Total domestic equities                             | 350,776,476            | 32.21                |
| Domestic equities - commingled funds                | 116,494,433            | 10.70                |
| International equities:                             |                        |                      |
| Consumer discretionary                              | 16,638,199             | 1.53                 |
| Consumer staples                                    | 22,576,472             | 2.07                 |
| Energy  | 16,978,423             | 1.56                 |
| Financial services                                  | 28,280,471             | 2.60                 |
| Health care   | 18,673,368             | 1.71                 |
| Industrials   | 15,373,125             | 1.41                 |
| Information technology                              | 6,710,011              | 0.62                 |
| Materials   | 10,946,480             | 1.01                 |
| Telecommunications services                         | 17,037,474             | 1.56                 |
| Utilities   | 6,225,528              | 0.57                 |
| Total international equities                        | 159,439,551            | 14.64                |
| International equities - commingled funds           | 39,511,556             | 3.63                 |
| Domestic fixed income:                              |                        |                      |
| Government securities: long-term                    | 58,501,829             | 5.38                 |
| Corporate debt instruments: long-term               | 102,497,311            | 9.41                 |
| Mortgage-backed securities                          | 96,535,941             | 8.86                 |
| Total domestic fixed income                         | 257,535,081            | 23.65                |
| Domestic high yield fixed income - commingled funds | 3,114,995              | 0.29                 |
| International fixed income - commingled funds       | 4,727,357              | 0.43                 |
| Domestic fixed income - commingled funds            | 113,778,586            | 10.45                |
| Real estate - commingled funds                      | 28,310,749             | 2.60                 |
| Short-term investments                              | 15,306,952             | 1.40                 |
| <b>Total Invested Assets<sup>1</sup></b>            | <b>\$1,088,995,736</b> | <b>100.00%</b>       |

<sup>1</sup>Amounts do not include the City's cash deposits of \$493,369.

[Investment Section: Figure 9](#)

## Brokerage Commissions

Year ended December 31, 2010 (Continued on next page)

| Brokerage Firm                               | Number of<br>Shares Traded | Total<br>Commissions | Commissions<br>Per Share |
|--|----------------------------|----------------------|--------------------------|
| ABG Amro Asia Ltd.                           | 93,000                     | \$ 518               | \$0.00557                |
| ABN Amro Bank N. V. Hong Kong                | 199,229                    | 528                  | 0.00265                  |
| Baird Robert W. & Co., Inc.                  | 1,703,788                  | 4,178                | 0.00245                  |
| Banco Bilbao Vizcaya Argentari               | 58,364                     | 82                   | 0.00141                  |
| Barclays Bank Plc.                           | 1,001,554                  | 2,189                | 0.00219                  |
| Barclays Capital                             | 157,719                    | 3,822                | 0.02423                  |
| Barclays Capital Le.                         | 163,902                    | 3,493                | 0.02131                  |
| Bloomberg Tradebook LLC                      | 76,790                     | 1,164                | 0.01516                  |
| BNY Convergenx                               | 74,900                     | 2,278                | 0.03042                  |
| BNY Convergenx LJR                           | 993,945                    | 44,926               | 0.04520                  |
| Broadcort Capital (Thru MI)                  | 183,600                    | 5,631                | 0.03067                  |
| BTIG, LLC                                    | 138,772                    | 3,582                | 0.02581                  |
| Cantor Fitz Eur.                             | 164,554                    | 338                  | 0.00205                  |
| Capital Institutional Svcs. Inc. Equities    | 41,435                     | 1,701                | 0.04106                  |
| China International. Cap Corp. HK Secs. Ltd. | 63,200                     | 207                  | 0.00328                  |
| CIBC World Markets Corp.                     | 40,400                     | 1,616                | 0.04000                  |
| Citigroup Global Markets, Inc.               | 6,267,112                  | 9,279                | 0.00148                  |
| Citigroup Global Markets Ltd.                | 379,328                    | 4,371                | 0.01152                  |
| Citigroup Global Markets UK Equity Ltd.      | 141,194                    | 1,571                | 0.01113                  |
| CLSA Singapore Pte. Ltd.                     | 167,158                    | 1,639                | 0.00980                  |
| Cowen & Co., LLC                             | 113,500                    | 4,020                | 0.03542                  |
| Credit Lyonnais Securities (USA), Inc.       | 90,200                     | 792                  | 0.00878                  |
| Credit Lyonnais Securities (Asia)            | 529,612                    | 2,037                | 0.00385                  |
| Credit Suisse Securities (Europe) Ltd.       | 662,273                    | 5,325                | 0.00804                  |
| Credit Suisse Securities (USA), LLC          | 166,567,002                | 22,800               | 0.00014                  |
| Credit USA                                   | 71,200                     | 25                   | 0.00035                  |
| Cuttone & Co. Inc.                           | 99,480                     | 1,795                | 0.01805                  |
| Daiwa Securities (HK) Ltd.                   | 77,864                     | 1,032                | 0.01326                  |
| Daiwa Securities America, Inc.               | 109,696                    | 1,681                | 0.01533                  |
| Deutsche Bank Ag London                      | 214,069                    | 4,603                | 0.02150                  |
| Deutsche Bank Securities, Inc.               | 298,041,367                | 4,614                | 0.00002                  |
| Deutsche Morgan Grenfell Secs.               | 78,479                     | 858                  | 0.01093                  |
| Dowling & Partners                           | 40,490                     | 1,400                | 0.03457                  |
| Evolution Beeson Gregory Ltd.                | 99,798                     | 1,297                | 0.01300                  |
| Fox River Execution Technology, LLC          | 85,820                     | 1,287                | 0.01500                  |
| Friedman Billings & Ramsey                   | 97,631                     | 3,232                | 0.03311                  |
| Goldman Sachs & Co.                          | 181,433,678                | 20,963               | 0.00012                  |
| Goldman Sachs Capital Markets LP             | 44,715                     | 854                  | 0.01909                  |
| Goldman Sachs Intl.                          | 1,044,651                  | 19,952               | 0.01910                  |
| Hong Kong & Shanghai Banking Corp.           | 69,500                     | 622                  | 0.00895                  |
| HSBC Bank Plc.                               | 61,723                     | 978                  | 0.01585                  |
| Instinet                                     | 143,305                    | 3,365                | 0.02348                  |
| Instinet U.K. Ltd.                           | 286,370                    | 1,618                | 0.00565                  |
| Investment Technology Group, Inc.            | 405,537                    | 6,618                | 0.01632                  |
| Investment Technology Group Ltd.             | 125,275                    | 511                  | 0.00408                  |
| ISI Group, Inc.                              | 85,886                     | 3,047                | 0.03548                  |
| ITG Inc.                                     | 212,778                    | 4,218                | 0.01982                  |
| ITG Securities (Hk) Ltd.                     | 122,000                    | 94                   | 0.00077                  |
| J.P. Morgan Clearing Corp.                   | 12,091,315                 | 507                  | 0.00004                  |
| J.P. Morgan Securities, Inc.                 | 368,425                    | 9,034                | 0.02452                  |
| Jefferies & Company, Inc.                    | 4,353,909                  | 6,346                | 0.00146                  |

## Brokerage Commissions

Year ended December 31, 2010 (Continued from previous page)

| Brokerage Firm                            | Number of<br>Shares Traded | Total<br>Commissions | Commissions<br>Per Share |
|---|----------------------------|----------------------|--------------------------|
| JP Morgan Securities Australia Ltd.       | 116,018                    | \$ 1,335             | \$0.01151                |
| JP Morgan Securities Ltd.                 | 347,408                    | 5,034                | 0.01449                  |
| JP Morgan Securities, Inc.                | 175,340,783                | 2,093                | 0.00001                  |
| JP Morgan Securities (Asia Pacific) Ltd.  | 143,300                    | 891                  | 0.00622                  |
| Keefe Bruyette & Woods, Inc.              | 93,977                     | 1,940                | 0.02064                  |
| Knight Securities                         | 152,248                    | 3,863                | 0.02537                  |
| Liquidnet Europe Ltd.                     | 210,386                    | 4,417                | 0.02100                  |
| Liquidnet, Inc.                           | 486,105                    | 8,431                | 0.01734                  |
| Macquarie Equities Ltd. (Sydney)          | 122,610                    | 480                  | 0.00392                  |
| Macquaries Equities (USA), Inc.           | 41,010                     | 1,578                | 0.03849                  |
| Macquarie Securities Ltd.                 | 590,456                    | 4,736                | 0.00802                  |
| Merrill Lynch Intl.                       | 1,370,376                  | 13,769               | 0.01005                  |
| Merrill Lynch Pierce Fenner & Smith, Inc. | 1,216,781                  | 11,433               | 0.00940                  |
| Merrill Lynch Professional Clearing Corp. | 3,033,499                  | 2,044                | 0.00788                  |
| Mitsubishi UFJ Securities (USA)           | 54,543                     | 430                  | 0.00262                  |
| Monument Securities Ltd.                  | 54,866                     | 144                  | 0.03547                  |
| Morgan Keegan & Co., Inc.                 | 115,370                    | 4,092                | 0.01894                  |
| Morgan Stanley & Co. Intl.                | 153,847                    | 2,913                | 0.00004                  |
| Morgan Stanley Co. Inc.                   | 255,678,936                | 10,752               | 0.02266                  |
| Morgan Stanley Dean Witter Inv.           | 78,201                     | 1,772                | 0.00814                  |
| Morgan Stanley Securities Ltd.            | 69,023                     | 562                  | 0.00075                  |
| National Financial Services Corp.         | 807,600                    | 602                  | 0.02875                  |
| National Financial Services LLC           | 74,224                     | 2,134                | 0.01845                  |
| Nomura Intl. PLC                          | 301,381                    | 5,560                | 0.00542                  |
| Nomura Intl. (Hong Kong) Ltd.             | 59,000                     | 320                  | 0.00012                  |
| Nomura Securities Intl., Inc.             | 23,339,795                 | 2,709                | 0.03824                  |
| Pacific Crest Securities                  | 52,287                     | 1,999                | 0.00001                  |
| Pershing LLC                              | 46,473,714                 | 292                  | 0.01316                  |
| Pipeline Trading Systems LLC              | 421,902                    | 5,554                | 0.02169                  |
| Piper Jaffray                             | 49,400                     | 1,072                | 0.03192                  |
| Piper Jaffray Ltd.                        | 64,291                     | 2,052                | 0.02809                  |
| Pulse Trading LLC                         | 127,455                    | 3,580                | 0.00018                  |
| Raymond James & Associates, Inc.          | 7,037,930                  | 1,256                | 0.04000                  |
| Raymond James Trust Co.                   | 80,241                     | 3,210                | 0.00014                  |
| RBC Capital Markets                       | 10,387,023                 | 1,468                | 0.02000                  |
| Rosenblatt Securities LLC                 | 104,050                    | 2,081                | 0.00575                  |
| Sanford C. Bernstein Ltd.                 | 1,153,923                  | 6,638                | 0.02712                  |
| Sanford C. Bernstein Co. LLC              | 140,695                    | 3,816                | 0.02650                  |
| SG Americas Securities LLC                | 102,993                    | 2,730                | 0.02012                  |
| Societe Generale London Branch            | 40,760                     | 820                  | 0.00441                  |
| Sterne Agee & Leach, Inc.                 | 44,960                     | 198                  | 0.03995                  |
| Stifel Nicolaus & Co., Inc.               | 102,810                    | 4,107                | 0.01966                  |
| The Royal Bank of Scotland N.V.UK Equity  | 175,946                    | 3,458                | 0.01417                  |
| UBS Ag                                    | 857,711                    | 12,155               | 0.01258                  |
| UBS Securities Asia Ltd.                  | 95,855                     | 1,205                | 0.00007                  |
| UBS Securities LLC                        | 62,625,994                 | 4,689                | 0.02233                  |
| UBS Warburg LLC                           | 51,428                     | 1,148                | 0.03434                  |
| Weeden & Co.                              | 213,184                    | 7,321                | 0.00162                  |
| Wells Fargo Securities, LLC               | 1,432,105                  | 2,317                | 0.03786                  |
| William Blair & Co. LLC                   | 40,945                     | 1,550                | 0.01151                  |
| Remaining 138 Firms                       | 1,488,882                  | 45,654               | 0.05607                  |
| <b>Total</b>                              | <b>1,277,355,719</b>       | <b>\$443,042</b>     | <b>\$0.00035</b>         |

Investment Section: Figure 10



# ACTUARIAL SECTION



# ACTUARIAL SECTION



15800 Bluemound Road  
Suite 100  
Brookfield, WI 53005-6043  
USA

Tel +1 262 784 2250  
Fax +1 262 923 3687

milliman.com

May 26, 2011

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

**Subject: Certification of December 31, 2010 Actuarial Valuations**

Dear Board Members:

We certify that the information included herein and contained in the 2010 Actuarial Valuation Reports is accurate and fairly presents the actuarial position of the Wichita Employees' Retirement System (WER) and the Police and Fire Retirement System of Wichita, Kansas (WPF) as of December 31, 2010.

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

***Actuarial Valuations***

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

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

***Financing Objective of the Systems***

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

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

A member of Aetna Global

May 26, 2011  
Page 2

The financial objective is addressed within the annual actuarial valuations. The valuation process develops contribution rates that are sufficient to fund the plan's current normal cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial liabilities as level percents of active member payroll. The most recent annual actuarial valuations were completed based upon population data, asset data and plan provisions as of December 31, 2010. For both the Wichita Employees' Retirement System and the Police and Fire Retirement System of Wichita, Kansas actuarial liabilities exceeded valuation assets. This difference, called the unfunded actuarial liability, was \$24.1 million for the Wichita Employees' Retirement System and \$39.0 million for the Police and Fire Retirement System of Wichita, Kansas. The unfunded actuarial liability was amortized as a level percent of payroll over 20 years in both Systems.

An asset smoothing method is used in the valuation process so investment experience is recognized over a period of time. The positive investment performance in both 2009 and 2010 offset some of the deferred losses from 2008. However, the rate of return on the actuarial value of assets for 2010 that was less than the assumed rate of 7.75%, despite a return on market value of 13%. This generated an experience loss on assets for both Systems. While there were experience gains on liabilities, the net experience from all sources during 2010 was an actuarial loss for the Wichita Employees' Retirement System and an actuarial gain for the Police and Fire Retirement System of Wichita, Kansas. The actuarial value of assets in both Systems exceeds the market value by 6 to 7%. This difference declined from last year, but there are still significant deferred investment losses from prior years that have not yet been fully recognized. Without investment returns over the next few years above the assumed rate of return of 7.75%, the deferred investment loss will be recognized and contribution rates can be expected to increase.

On the basis of the 2010 valuations, it is our opinion that the Retirement Systems are meeting their basic financial objectives and continue in sound condition in accordance with the actuarial principles of the level percent of payroll financing.

#### ***Plan Provisions***

The plan provisions used in the actuarial valuations are described on pages 53 to 56 for the Wichita Employees' Retirement System and pages 61 to 63 for the Police and Fire Retirement System of Wichita, Kansas.

#### ***Data***

In preparing the December 31, 2010 actuarial valuations, we have relied upon member and asset data provided by the Retirement Program Administrator. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and for consistency with prior year's data. If the underlying data or information is inaccurate or incomplete, our calculations may need to be revised.

#### ***Actuarial Methods and Assumptions***

The actuarial methods and assumptions have been selected by the Board of Trustees of the Systems based upon the analysis and advice of the actuary and other professionals. These assumptions and methods are detailed on pages 48 to 50 for the Wichita Employees' Retirement System and pages 56 to 58 for the Police and Fire Retirement System of Wichita, Kansas. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are based on a study of actuarial experience for the five year period ending December 31, 2008.

Milliman

May 26, 2011  
Page 3

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

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

**Actuarial Section**

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

**Financial Statements Section**

Schedule of Employer Contributions  
Schedule of Funding Progress

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

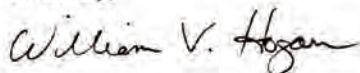
I, William V. Hogan, F.S.A. am a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

Respectfully submitted,

Milliman, Inc.

Sincerely,



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



Timothy J. Herman, FSA, MAAA  
Consulting Actuary

Milliman

## Wichita Employees' Retirement System (WERS) Actuarial Information

### Actuarial Cost Method

The actuarial cost method is a procedure for allocating the actuarial present value of pension plan benefits and expenses to time periods. The method used for the valuation is known as the Entry Age Normal actuarial cost method, and has the following characteristics:

- The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement;
- Each annual normal cost is a constant percentage of the member's year-by-year projected covered compensation.

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

The portion of the actuarial present value allocated to the valuation year is called the *normal cost*. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the *actuarial liability*. Deducting actuarial assets from the actuarial liability determines the *unfunded actuarial liability or (surplus)*. WERS had an unfunded actuarial liability of \$24.1 million as of December 31, 2010.

### Actuarial Assumptions Used for Valuations

Retirement System contribution requirements and actuarial present values are calculated by applying experience assumptions to the benefit provisions and participant information of the Retirement System, using the actuarial cost method. These assumptions were proposed by the Fund's actuary following the completion of an experience study covering the period December 31, 2003 through December 31, 2008, and adopted by the Board on September 16, 2009. An experience study is performed every five years.

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

### Net Investment Rate of Return

The investment return rate (net of administrative expenses) used for actuarial valuation calculations is 7.75% a year, compounded annually. This rate consists of 3.50% in recognition of long-term price inflation and 4.25% in recognition of a real rate of return over price inflation. This assumption, used to equate the value of payments due at different points in time, was adopted by the Board and was first used for the December 31, 1981 valuation, although the allocation between inflation and real return has changed periodically, most recently in 2009.

### Salary Projections

These assumptions are used to project current salaries to determine average annual compensation. They consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel, and a years of service component to reflect promotion and longevity increments (see Actuarial Section: Figure 1).

Salary increases are assumed to occur mid-year. The salary increase assumptions will produce 4.25% annual increases in active member payroll (the inflation and productivity base rate), given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial liability. The rate of return over assumed wage growth is 3.50% per year. These assumptions were first used for the December 31, 2009 valuation.

### Annual Rate of Salary Increases

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

Actuarial Section: Figure 1

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

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

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

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

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

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

### Marriage

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

### Sick Leave

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

**Rates of Retirement**

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

Actuarial Section: Figure 2

**Forfeiture of Vested Benefits**

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

**Forfeiture of Vested Benefits**

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

Actuarial Section: Figure 3

**Plan 3 Transfer**

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

**Mortality Table**

The RP-2000 mortality tables (RP-2000 Healthy Annuitant Tables, RP-2000 Disabled Table and RP-2000 Employee Table) were first used for the December 31, 2004 valuation (see Actuarial Section: Figure 4). The Healthy Annuitant and Employee Tables are set forward two years for males to fit the observed experience of the group. The RP-2000 Tables are used with generational mortality. These tables measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

**Future Life Expectancy (years)**

| Sample Ages <sup>1</sup> | 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   |

<sup>1</sup> Ages in 2000

Actuarial Section: Figure 4

**Rates of Separation from Active Membership**

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

**Rates of Separation**

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

Actuarial Section: Figure 5

**Rates of Disability**

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

**Rates of Active Member Disability**

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

Actuarial Section: Figure 6



# Wichita Employees' Retirement System Actuarial Tables

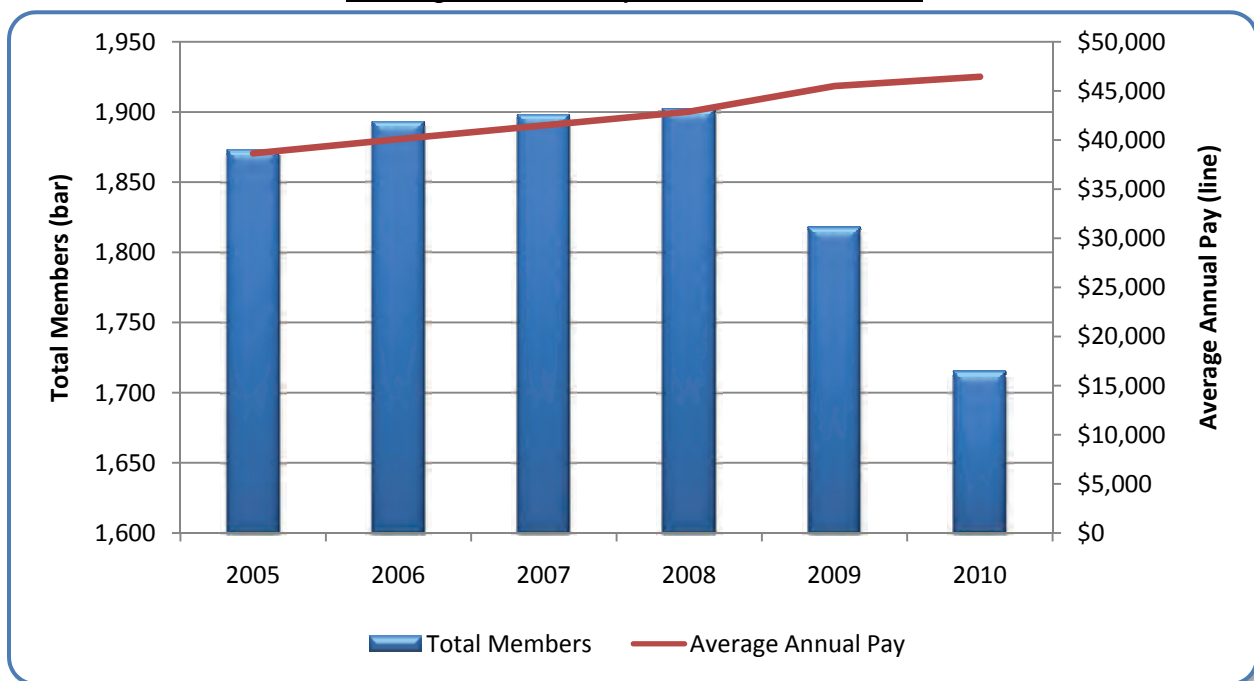
## Active Member Valuation Data

| Valuation Date | Number of Members |        |                     | Total | Annual Payroll (\$000's) | Average Annual Pay | % Increase In Average Annual Pay |
|----------------|-------------------|--------|---------------------|-------|--------------------------|--------------------|----------------------------------|
|                | Plan 1            | Plan 2 | Plan 3 <sup>1</sup> |       |                          |                    |                                  |
| 12/31/2005     | 151               | 900    | 822                 | 1,873 | \$72,367                 | \$38,637           | (1.0)%                           |
| 12/31/2006     | 134               | 922    | 837                 | 1,893 | 75,881                   | 40,085             | 3.7                              |
| 12/31/2007     | 113               | 947    | 838                 | 1,898 | 78,736                   | 41,484             | 3.5                              |
| 12/31/2008     | 92                | 958    | 852                 | 1,902 | 81,580                   | 42,892             | 3.4                              |
| 12/31/2009     | 80                | 998    | 740                 | 1,818 | 82,704                   | 45,492             | 6.1                              |
| 12/31/2010     | 61                | 993    | 661                 | 1,715 | 79,636                   | 46,435             | 2.1                              |

<sup>1</sup> Does not include vested Plan 3 Members

Actuarial Section: Figure 7

## Average Annual Pay and Total Members



Actuarial Section: Figure 8

### Retirants and Beneficiaries Added to and Removed From Rolls

| Year Ended | Added to Rolls |                              | Removed from Rolls |                              | End of Year Rolls |                              | Annual Pensions |                  |
|------------|----------------|------------------------------|--------------------|------------------------------|-------------------|------------------------------|-----------------|------------------|
|            | #              | Annual Pensions <sup>1</sup> | #                  | Annual Pensions <sup>1</sup> | #                 | Annual Pensions <sup>1</sup> | Average Pension | Average Increase |
| 12/31/2005 | 58             | \$1,256,205                  | 40                 | \$403,572                    | 1,080             | \$22,803,853                 | \$21,115        | 5.3%             |
| 12/31/2006 | 63             | 1,205,241                    | 41                 | 580,114                      | 1,102             | 24,146,982                   | 21,912          | 3.8              |
| 12/31/2007 | 77             | 1,763,901                    | 47                 | 665,077                      | 1,132             | 25,757,557                   | 22,754          | 3.8              |
| 12/31/2008 | 79             | 1,879,045                    | 44                 | 693,343                      | 1,167             | 27,520,308                   | 23,582          | 3.6              |
| 12/31/2009 | 66             | 1,338,875                    | 52                 | 708,830                      | 1,181             | 28,730,505                   | 24,327          | 3.2              |
| 12/31/2010 | 71             | 1,847,020                    | 59                 | 949,872                      | 1,193             | 29,855,835                   | 26,056          | 2.9              |

<sup>1</sup> Values are estimated based on annualized pension amounts.

Actuarial Section: Figure 9

### Solvency Test

| Valuation Date | Aggregate Actuarial Liability for |  |   |                           |   |      |        |
|----------------|-----------------------------------|--|---|---------------------------|---|------|--------|
|                | (1)                               | (2)                                      | (3)   | Reported Valuation Assets | Portion of Actuarial Liabilities Covered by Reported Assets |      |        |
|                | Active Member Contributions       | Retirants and Beneficiaries <sup>1</sup> | Active Members (Employer Financed) Portion) |                           | (1)   | (2)  | (3)    |
| 12/31/2005     | \$43,397,403                      | \$228,408,201                            | \$161,491,272                               | \$479,274,508             | 100%  | 100% | 128.5% |
| 12/31/2006     | 45,475,389                        | 237,860,848                              | 175,725,905                                 | 505,755,995               | 100   | 100  | 126.6  |
| 12/31/2007     | 46,189,489                        | 256,374,002                              | 180,823,537                                 | 533,911,465               | 100   | 100  | 127.9  |
| 12/31/2008     | 46,541,280                        | 272,176,420                              | 193,655,822                                 | 512,853,345               | 100   | 100  | 100.2  |
| 12/31/2009     | 49,152,328                        | 279,396,973                              | 200,722,170                                 | 509,493,888               | 100   | 100  | 90.1   |
| 12/31/2010     | 50,473,365                        | 293,227,477                              | 196,734,871                                 | 516,307,845               | 100   | 100  | 87.7   |

<sup>1</sup> Includes vested terminated members.

Actuarial Section: Figure 10

### System Experience

For the year ended December 31, 2010, the Wichita Employees' Retirement System generated an actuarial loss of \$2.8 million, or 0.5% of the beginning of the year actuarial liability (see Actuarial Section: Figure 11).

### Derivation of System Experience Gain/ (Loss)

|      |  | Year Ended 12/31/10 (in millions) |
|------|--|-----------------------------------|
| (1)  | UAL <sup>1</sup> at start of year                | \$ 19.8                           |
| (2)  | + Normal cost for year                           | 10.2                              |
| (3)  | + Assumed investment return on (1) and (2)       | 2.3                               |
| (4)  | - Actual contributions (member + City)           | 10.6                              |
| (5)  | - Assumed investment return on (4)               | 0.4                               |
| (6)  | = Expected UAL at end of year                    | 21.3                              |
| (7)  | + Increase (decrease) from amendments            | 0.0                               |
| (8)  | + Increase (decrease) from assumption changes    | 0.0                               |
| (9)  | = Expected UAL after changes                     | 21.3                              |
| (10) | = Actual UAL at year end                         | 24.1                              |
| (11) | = Experience gain (loss) (9) – (10) <sup>2</sup> | (2.8)                             |
| (12) | = Percent of beginning of year AL                | 0.5%                              |

<sup>1</sup> Unfunded Actuarial Liability/(Surplus)

<sup>2</sup> Of this amount, \$11.9 million of the experience loss is due to an experience loss on the actuarial value of assets and \$9.1 million represents an experience gain on liabilities.

Actuarial Section: Figure 11

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

Plan 1 is a closed plan, which is applicable to members employed prior to July 18, 1981 who did not elect to be covered by Plan 2. Plan 2 is applicable to members employed prior to July 18, 1981 who elected to be covered by Plan 2, those employed or re-employed on or after July 18, 1981 and before January 1, 1994, and Plan 3 members who, upon vesting, elect to become members of Plan 2.

### Normal Retirement

- **Eligibility**
  - Plan 1: Age 60 with seven or more years of service, or any age with 30 or more years of service.
  - Plan 2: Age 62 with seven or more years of service.
- **Benefit**
  - Plan 1: Years of service times 2.5% of final average salary, to a maximum of 75%.
  - Plan 2: Years of service times 2.25% of final average salary, to a maximum of 75%.
- **Final Average Salary**
  - Average for the three consecutive years within the last 10 years of service that produce the highest average salary.

### Early Retirement

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

### Service-Connected Disability

- **Eligibility**
  - No age or service requirement. Disability must be permanent and total, and precludes performance of any duties for a City position commensurate with the employee's training, experience, and education.
- **Benefit**
  - Plan 1: 60% of final rate of salary.
  - Plan 2: 50% of final rate of salary.

### Non-Service Connected Disability

- **Eligibility**
  - Seven or more years of service and under age 60, Plan 1, or age 62, Plan 2. Disability must be permanent and total, and precludes performance of any duties for a City position commensurate with the employee's training, experience, and education.
- **Benefit**
  - Plan 1: 30% of final average salary plus 1% of final average salary for each year of service in excess of seven years, to a maximum of 50%.
  - Plan 2: 25% of final rate of salary.

**Deferred Retirement Option Plan (DROP)**

- **Eligibility**
  - Must be eligible for retirement, and elect to participate in the DROP for 1 to 60 months.
- **DROP Benefit**
  - Benefit computed based on years of service, final average salary as of DROP election date, which is paid into member's notational DROP account during the deferral period. Member continues to make required employee contributions during the deferral period. Interest at an annual rate of 5% is credited to the notational DROP account. Voluntary termination of employment during the DROP period results in a loss of accrued interest. Balance of DROP account is payable within 90 days of actual termination of employment.

**Deferred Retirement**

- **Eligibility**
  - Termination of service.
    - Plan 1: 7 or more years of service and under age 60.
    - Plan 2: 7 or more years of service and under age 62.
- **Deferred Benefit**
  - Deferred pensioner may apply for a reduced retirement benefit upon meeting the applicable age requirement for early retirement (55 years) or an unreduced pension upon meeting the applicable age requirement for normal retirement (60 years, Plan 1 or 62 years, Plan 2). A refund of employee contributions, plus 5% annual interest, may be elected in lieu of a retirement benefit.
  - Retirement benefit is computed as for normal retirement. Deferred pensions are adjusted during the deferral period based on changes in the National Average Earnings Index, up to 5.5% annually.

**Pre-Retirement Survivor Benefit**

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

**Post-Retirement Survivor Benefit**

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

**Refund of Contributions**

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

**Post-Retirement Adjustment of Pension Benefit**

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

**Employee Contributions**

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

**Employer Contributions**

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

**Unused Sick Leave**

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

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

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

**Employee Contributions**

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

**Employer Contributions**

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

**Vesting of Contributions**

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

**Distribution of Vested Accounts**

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

**Service-Connected Disability**

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

## Non-Service Connected Disability

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

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

## Police and Fire Retirement System (PFRS) Actuarial Information

### **Actuarial Cost Method**

The actuarial cost method is a procedure for allocating the actuarial present value of pension plan benefits and expenses to time periods. The method used for the valuation is known as the Entry Age Normal actuarial cost method, and has the following characteristics:

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

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

The portion of the actuarial present value allocated to the valuation year is called the *normal cost*. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the *actuarial liability*. Deducting actuarial assets from the actuarial liability determines the *unfunded actuarial liability or (surplus)*. PFRS had an unfunded actuarial accrued liability of \$39.0 million as of December 31, 2010.

### **Actuarial Assumptions Used for Valuations**

Retirement System contribution requirements and actuarial present values are calculated by applying experience assumptions to the benefit provisions and participant information of the Retirement System, using the actuarial cost method. These assumptions were proposed by the Fund's actuary following the completion of an experience study covering the period December 31, 2003 through December 31, 2008, and adopted by the Board September 23, 2009. An experience study is performed every five years.

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

### Net Investment Rate of Return

The investment rate of return (net of administrative expenses) used for actuarial valuation calculations was 7.75% a year, compounded annually. This rate consists of 3.50% in recognition of long-term price inflation and 4.25% in recognition of a real rate of return over price inflation. This assumption, used to equate the value of payments due at different points in time, was adopted by the Board and was first used for the December 31, 1980 valuation, although the allocation between inflation and real return has changed periodically, most recently in 2009.

**Salary Projections**

These assumptions are used to project current salaries to determine average annual compensation. They consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel, and a years of service component to reflect promotion and longevity increments (see Actuarial Section: Figure 12).

Salary increases are assumed to occur mid-year. The salary increase assumptions will produce 4.50% annual increases in active member payroll (the inflation and productivity base rate) given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial liability. The rate of return over assumed wage growth is 3.25% per year. These assumptions were first used for the December 31, 2009 valuation.

**Annual Rate of Salary Increases**

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

Actuarial Section: Figure 12

**Forfeiture of Vested Benefits**

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

**Forfeiture of Vested Benefits**

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

Actuarial Section: Figure 13

**Rates of Retirement**

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

**Rates of Retirement for Plans A and B**

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

Actuarial Section: Figure 14

**Rates of Retirement for Plan C**

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

Actuarial Section: Figure 15

**Rates of Separation from Active Membership**

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

**Rates of Separation**

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

Actuarial Section: Figure 16

**Rates of Disability**

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

**Rates of Disability**

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

Actuarial Section: Figure 17

**Mortality Table**

The RP-2000 mortality tables (RP-2000 Healthy Annuitant Tables, RP-2000 Disabled Table and RP-2000 Employee Table) were first used for the December 31, 2004 valuation (see Actuarial Report: Figure 18 below). The RP-2000 Tables are used with generational mortality. These tables measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

**Future Life Expectancy (years)**

| Sample Ages <sup>1</sup> | Men  | Women |
|--------------------------|------|-------|
| 50                       | 32.3 | 34.6  |
| 55                       | 27.6 | 29.7  |
| 60                       | 23.0 | 25.1  |
| 65                       | 18.5 | 20.7  |
| 70                       | 14.5 | 16.7  |
| 75                       | 10.9 | 13.0  |
| 80                       | 7.9  | 9.8   |
| 85                       | 5.6  | 7.1   |

<sup>1</sup> Ages in 2000

Actuarial Report: Figure 18

**Marriage**

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

**Sick Leave**

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



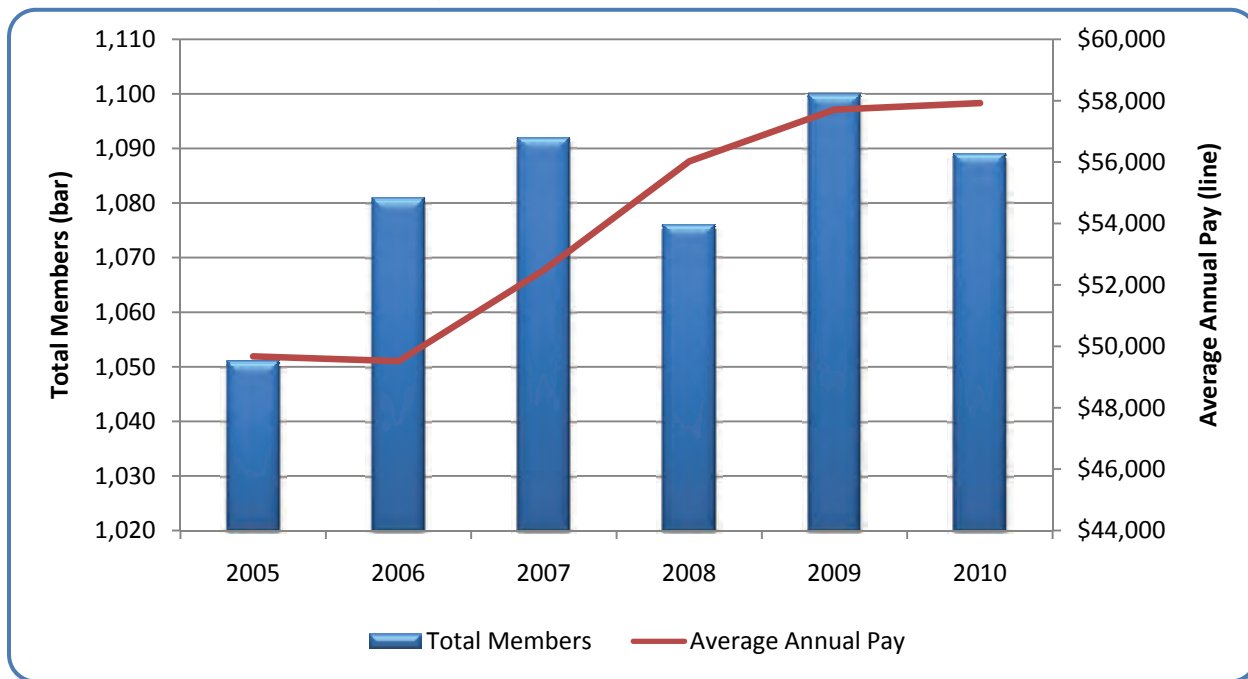
# Police and Fire Retirement System Actuarial Tables

## Active Member Valuation Data

| Valuation Date | Number of Members |        |        | Total Members | Annual Payroll (\$000's) | Average Annual Pay | % Increase In Average Annual Pay |
|----------------|-------------------|--------|--------|---------------|--------------------------|--------------------|----------------------------------|
|                | Plan A            | Plan B | Plan C |               |                          |                    |                                  |
| 12/31/2005     | 62                | 1      | 988    | 1,051         | \$52,207                 | \$49,674           | 4.9%                             |
| 12/31/2006     | 59                | 1      | 1,021  | 1,081         | 53,530                   | 49,519             | -0.3                             |
| 12/31/2007     | 57                | 0      | 1,035  | 1,092         | 57,310                   | 52,482             | 6.0                              |
| 12/31/2008     | 47                | 0      | 1,029  | 1,076         | 60,282                   | 56,024             | 6.7                              |
| 12/31/2009     | 32                | 0      | 1,068  | 1,100         | 63,479                   | 57,708             | 3.0                              |
| 12/31/2010     | 21                | 0      | 1,068  | 1,089         | 63,077                   | 57,922             | 0.4                              |

Actuarial Section: Figure 19

## Average Annual Pay and Total Members



Actuarial Section: Figure 20

### Retirants and Beneficiaries Added to and Removed from Rolls

| Year Ended | Added to Rolls |                              | Removed from Rolls |                              | End of Year Rolls |                              | Annual Pensions |                  |
|------------|----------------|------------------------------|--------------------|------------------------------|-------------------|------------------------------|-----------------|------------------|
|            | #              | Annual Pensions <sup>1</sup> | #                  | Annual Pensions <sup>1</sup> | #                 | Annual Pensions <sup>1</sup> | Average Pension | Average Increase |
| 12/31/2005 | 24             | \$ 704,201                   | 21                 | \$213,529                    | 837               | \$17,829,449                 | \$21,302        | 4.0%             |
| 12/31/2006 | 29             | 715,353                      | 26                 | 389,856                      | 840               | 18,349,917                   | 21,845          | 2.5              |
| 12/31/2007 | 21             | 548,513                      | 28                 | 452,202                      | 833               | 18,777,464                   | 22,542          | 3.2              |
| 12/31/2008 | 39             | 510,543                      | 32                 | 417,236                      | 840               | 19,492,053                   | 23,205          | 2.9              |
| 12/31/2009 | 57             | 1,959,741                    | 24                 | 398,908                      | 873               | 21,357,569                   | 24,465          | 5.4              |
| 12/31/2010 | 47             | 1,439,435                    | 28                 | 541,662                      | 892               | 22,570,141                   | 25,303          | 3.4              |

<sup>1</sup> Values are estimated based on annualized pension amounts.

Actuarial Section: Figure 21

### Solvency Test

| Valuation Date | Aggregate Actuarial Liability for |  |  |                           |   |      |       |
|----------------|-----------------------------------|--|--|---------------------------|---|------|-------|
|                | (1)                               | (2)                                      | (3)  | Reported Valuation Assets | Portion of Actuarial Liabilities Covered by Reported Assets |      |       |
|                | Active Member Contributions       | Retirants and Beneficiaries <sup>1</sup> | Active Members (Employer Financed Portion) |                           | (1)   | (2)  | (3)   |
| 12/31/2005     | \$44,057,922                      | \$201,560,068                            | \$159,408,592                              | \$412,822,760             | 100%  | 100% | 99.2% |
| 12/31/2006     | 48,361,719                        | 216,449,174                              | 174,368,239                                | 444,497,827               | 100   | 100  | 103.1 |
| 12/31/2007     | 53,686,866                        | 230,893,426                              | 183,534,348                                | 480,820,001               | 100   | 100  | 106.9 |
| 12/31/2008     | 58,050,319                        | 238,590,747                              | 199,920,080                                | 472,345,191               | 100   | 100  | 87.9  |
| 12/31/2009     | 60,326,408                        | 257,298,665                              | 202,309,181                                | 480,555,562               | 100   | 100  | 80.5  |
| 12/31/2010     | 63,515,814                        | 270,693,677                              | 202,698,947                                | 497,925,786               | 100   | 100  | 80.8  |

<sup>1</sup> Includes vested terminated members.

Actuarial Section: Figure 22

### System Experience

During the 12 months ended December 31, 2010 the Police and Fire Retirement System generated an actuarial gain of \$2.0 million, or 0.4% of the beginning of the year actuarial liability (see Actuarial Section: Figure 23).

### Derivation of System Experience Gain/ (Loss)

|      |  | Year Ended 12/31/10 (in millions) |
|------|--|-----------------------------------|
| (1)  | UAL <sup>1</sup> at start of year                | \$ 39.4                           |
| (2)  | + Normal cost for year                           | 15.6                              |
| (3)  | + Assumed investment return on (1) and (2)       | 4.3                               |
| (4)  | - Actual contributions (member + City)           | 17.6                              |
| (5)  | - Assumed investment return on (4)               | 0.7                               |
| (6)  | = Expected UAL at end of year                    | 41.0                              |
| (7)  | + Increase (decrease) from amendments            | 0.0                               |
| (8)  | + Increase (decrease) from assumption changes    | 0.0                               |
| (9)  | = Expected UAL after changes                     | 41.0                              |
| (10) | = Actual UAL at year end                         | 39.0                              |
| (11) | = Experience gain (loss) (9) – (10) <sup>2</sup> | 2.0                               |
| (12) | = Percent of beginning of year AL                | 0.4%                              |

<sup>1</sup> Unfunded Actuarial Liability/(Surplus)

<sup>2</sup> Of this amount, \$10.1 million of the experience loss is due to an experience loss on the actuarial value of assets and \$12.1 million represents an experience gain on liabilities.

Actuarial Section: Figure 23

## Summary of Police and Fire Retirement System Benefit Provisions

Plan A is a closed plan which is applicable to members who entered the System between January 1, 1965 and December 31, 1978; and to members who entered prior to January 1, 1965 and elected Plan A coverage. Plan B is a closed plan which is applicable to members who entered the System prior to January 1, 1965 and elected Plan B coverage. Plan C is an open plan which is applicable to members entering the System after December 31, 1978.

### Service Retirement

- **Eligibility**
  - Plan A and Plan B: Any age with 20 years of service.
  - Plan C: Age 55 with between 10 and 20 years of service, age 50 with 20 or more years of service, or any age with 30 years of service.
- **Benefit**
  - Years of service times 2.5% of final average salary, to a maximum of 75%.
- **Final Average Salary**
  - Average for the three consecutive years within the last 10 years of service that produce the highest average salary.

### Deferred Retirement

- **Eligibility**
  - 10 or more years of service (does not include survivor benefits if service is less than 20 years) and under age 55. Deferred pensioner may apply for a normal retirement benefit upon attainment of age 55. A refund of employee contributions, plus 5% annual interest, may be elected in lieu of a retirement benefit.
- **Deferred Benefit**
  - Retirement benefit is computed as for normal retirement. Deferred pensions are adjusted during the deferral period based on changes in the National Average Earnings Index, up to 5.5% annually.

### Backward Deferred Retirement Option Plan (Back DROP)

- **Eligibility**
  - Must be eligible for retirement and, prior to retirement, elect the Back DROP for a period of 1 to 60 months.
- **Benefit**
  - Under the Back DROP, the member may elect a benefit based on a retirement date up to 60 months prior to the current date. The monthly benefit is computed based on service, final average salary and benefit formula at the selected prior date. The DROP account available to the retiring member is the computed benefit multiplied by the number of months of Back DROP plus applicable post-retirement adjustments and 5% annual compounded interest. Members are eligible to elect a five-year Back DROP beginning January 1, 2003.

### Service-Connected Disability

- **Eligibility**
  - No age or service requirement. Disability must be permanent and preclude employee from performing the duties of their position.
- **Benefit**
  - 75% of final salary.
- **Conditions**
  - Benefit plus earnings from gainful employment cannot exceed current salary for rank held at time of disability. Benefit is recomputed at age 55 using service retirement formula, updated final average salary, and service credit for period of disability.

### Non-Service Connected Disability

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

### Pre-retirement Benefits Non-Service Connected Death

- **Eligibility:** Spouse and minor children of member at the time of death.
  - Plan A and Plan C: Three or more years of service.
  - Plan B: Twenty or more years of service.
- **Benefit**
  - Plan A and Plan C: 35% of final average salary plus 1% of final average salary for each year of service over three years to a maximum of 50% of final average salary, plus 10% of final average salary on account of each minor child under age 18 to a maximum of 66 2/3% of final average salary. If no surviving spouse, benefit is 15% of final average salary on account of each child to a maximum of 50% of final average salary; terminates when child reaches age 18.
  - Plan B: 50% of final salary.
- **Designated Beneficiary**
  - The beneficiary designated by an unmarried member or by a married member who fails to meet the service requirements for the surviving spouse benefit.
- **Benefit**
  - Member's accumulated contributions plus 5% annual interest, beginning January 1, 2000.

### Post-Retirement Survivor Benefit

- **Eligibility**
  - Twenty or more years of service. If retired prior to January 1, 2000, surviving spouse must have been married to retired member at date of retirement. Effective January 1, 2000, surviving spouse must have been married to retired member for a minimum of 12 months at time of death.
- **Benefit**
  - Plan A and Plan C: 35% of final average salary plus 1% of final average salary for each year of service over three years to a maximum of 50% of final average salary, plus 10% of final average salary for each minor child under age 18 to a maximum of 66 2/3%. If no surviving spouse, 15% for each child to a maximum of 50%.
  - Plan B: 50% of final salary to surviving spouse or children under age 18.

### Refund of Contributions

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

### Funeral Benefit

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

### Post-Retirement Adjustment of Pension Benefit

- **Eligibility**
  - Annually after completion of 36 months of retirement.
- **Amount**
  - 2% of base pension benefit (not compounded).

### Employee Contributions

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

### Employer Contributions

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

### Unused Sick Leave

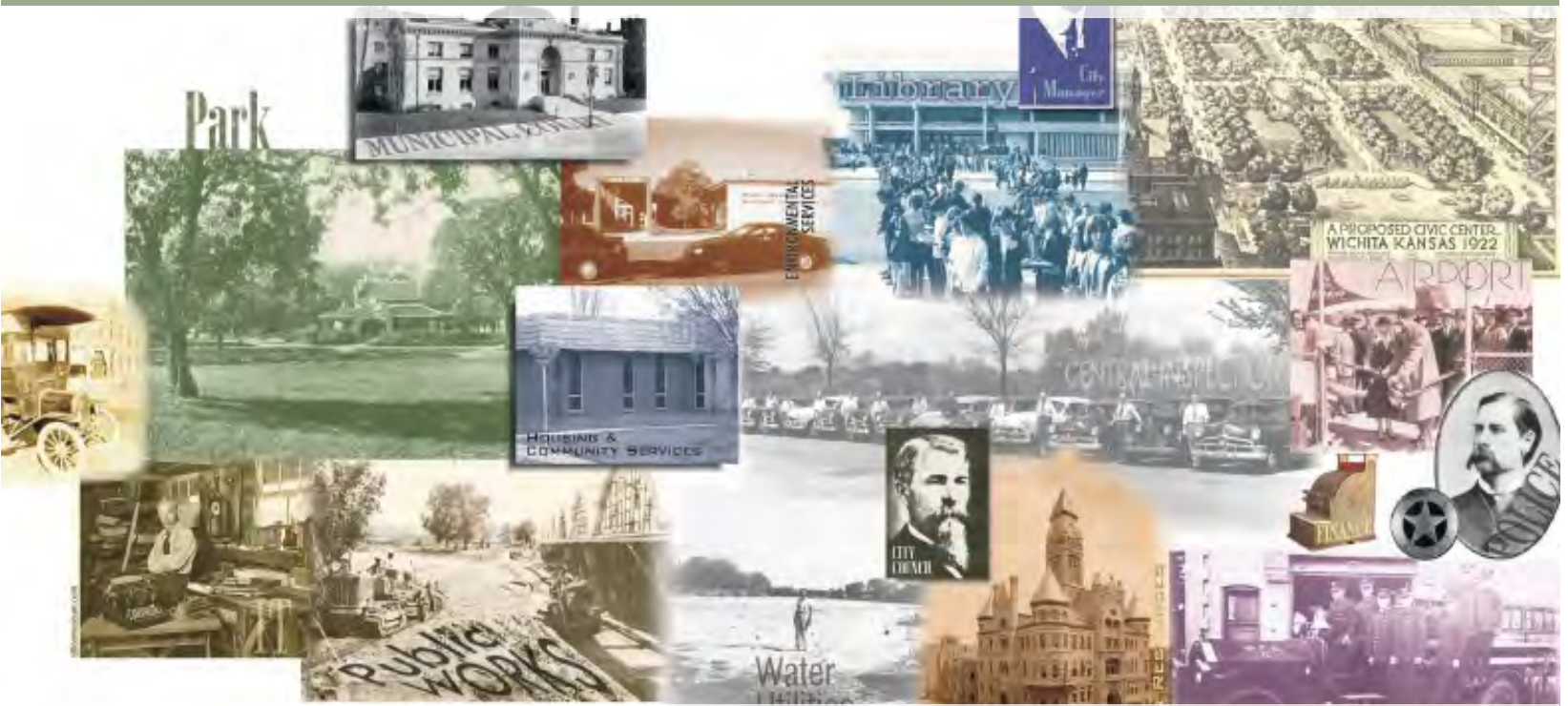
- Accumulated unused sick leave is converted to service credits for the purpose of computing annual benefits.

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

---

*This page is intentionally left blank.*

# STATISTICAL SECTION



# STATISTICAL SECTION



## Statistical Section Overview

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

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

**Changes in Plan Net Assets (Last Ten Fiscal Years)**

Wichita Employees' Retirement System (continued on next page)

|  | 2010              | 2009              | 2008                 | 2007              |
|--|-------------------|-------------------|----------------------|-------------------|
| <b>ADDITIONS</b>                                     |                   |                   |                      |                   |
| Employer contributions                               | \$ 4,529,765      | \$ 2,545,331      | \$ 2,450,162         | \$ 2,357,052      |
| Employee contributions                               | 2,664,619         | 2,639,080         | 2,621,076            | 2,543,563         |
| Net investment income (loss)                         | 55,169,082        | 78,011,118        | (150,525,640)        | 54,108,853        |
| Transfers from other funds <sup>1</sup>              | 1,276,393         | 1,664,681         | 2,019,289            | 2,102,726         |
| <b>Total additions to plan net assets</b>            | <b>63,639,859</b> | <b>84,860,210</b> | <b>(143,435,113)</b> | <b>61,112,194</b> |
| <b>DEDUCTIONS</b>                                    |                   |                   |                      |                   |
| <b>Benefits</b>                                      |                   |                   |                      |                   |
| Service retirement                                   | 23,806,845        | 22,406,162        | 21,107,131           | 19,618,444        |
| Survivors benefit                                    | 2,478,774         | 2,449,423         | 2,369,917            | 2,174,019         |
| DROP lump sum  | 3,104,564         | 2,352,858         | 1,820,599            | 2,809,284         |
| Qualified domestic relations order                   | 74,004            | 81,064            | 63,516               | 60,617            |
| Disability (service)                                 | 78,511            | 75,314            | 76,736               | 100,921           |
| Disability (non-service)                             | 254,152           | 262,579           | 286,251              | 218,443           |
| Funeral  | 93,649            | 55,317            | 71,192               | 70,929            |
| Contribution refunds (separation)                    | 191,171           | 247,890           | 313,595              | 232,417           |
| Pension administration                               | 429,764           | 444,112           | 438,411              | 384,528           |
| Depreciation   | 63,477            | 64,615            | 34,266               | -                 |
| <b>Total deductions from plan net assets</b>         | <b>30,574,910</b> | <b>28,439,334</b> | <b>26,581,614</b>    | <b>25,669,602</b> |
| <b>Change in net assets</b>                          | <b>33,064,949</b> | <b>56,420,876</b> | <b>(170,016,727)</b> | <b>35,442,592</b> |
| <b>Net assets held in trust for pension benefits</b> |                   |                   |                      |                   |
| Beginning of year                                    | 432,285,030       | 375,864,154       | 545,880,881          | 510,438,289       |
| End of year  | \$465,349,979     | \$432,285,030     | \$375,864,154        | \$545,880,881     |

<sup>1</sup> Transfers from Employees' Retirement Plan 3 as a result of full vesting option of converting to Plan 2.

Statistical Section: Figure 1

**Changes in Plan Net Assets (Last Ten Fiscal Years)**

Police and Fire Retirement System (continued on next page)

|  | 2010              | 2009              | 2008                 | 2007              |
|--|-------------------|-------------------|----------------------|-------------------|
| <b>ADDITIONS</b>                                     |                   |                   |                      |                   |
| Employer contributions                               | \$ 13,119,984     | \$ 11,034,552     | \$ 10,549,401        | \$ 10,029,253     |
| Employee contributions                               | 4,467,983         | 4,443,524         | 4,277,247            | 4,056,022         |
| Net investment income (loss)                         | 54,963,698        | 75,500,370        | (140,686,744)        | 49,134,414        |
| <b>Total additions to plan net assets</b>            | <b>72,551,665</b> | <b>90,978,446</b> | <b>(125,860,096)</b> | <b>63,219,689</b> |
| <b>DEDUCTIONS</b>                                    |                   |                   |                      |                   |
| <b>Benefits</b>                                      |                   |                   |                      |                   |
| Service retirement                                   | 17,657,242        | 16,313,729        | 15,124,453           | 14,767,792        |
| Survivors benefit                                    | 2,569,695         | 2,367,563         | 2,293,653            | 2,175,191         |
| Backward DROP <sup>1</sup> lump sum                  | 4,296,127         | 3,444,839         | 2,013,670            | 873,050           |
| Qualified domestic relations order                   | 115,432           | 93,762            | 80,179               | 72,056            |
| Disability (service)                                 | 1,745,289         | 1,557,901         | 1,459,306            | 1,476,513         |
| Disability (non-service)                             | 65,394            | 64,377            | 63,359               | 62,342            |
| Funeral  | 16,618            | 14,891            | 18,351               | 15,578            |
| Contribution refunds (separation)                    | 492,380           | 295,424           | 493,516              | 254,190           |
| Pension administration                               | 421,521           | 438,348           | 418,165              | 366,637           |
| Depreciation   | 63,477            | 64,615            | 34,266               | -                 |
| <b>Total deductions from plan net assets</b>         | <b>27,443,175</b> | <b>24,655,449</b> | <b>21,998,918</b>    | <b>20,063,349</b> |
| <b>Change in net assets</b>                          | <b>45,108,490</b> | <b>66,322,997</b> | <b>(147,859,014)</b> | <b>43,156,340</b> |
| <b>Net assets held in trust for pension benefits</b> |                   |                   |                      |                   |
| Beginning of year                                    | 422,379,231       | 356,056,234       | 503,915,248          | 460,758,908       |
| End of year  | \$467,487,721     | \$422,379,231     | \$356,056,234        | \$503,915,248     |

<sup>1</sup> Backward Deferred Retirement Option Plan became effective January 1, 2001.

Statistical Section: Figure 2

**Changes in Plan Net Assets (Last Ten Fiscal Years)**

Wichita Employees' Retirement System (continued from previous page)

| 2006          | 2005          | 2004          | 2003          | 2002          | 2001          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 2,264,339  | \$ 2,170,650  | \$ 2,084,558  | \$ 2,007,656  | \$ 1,957,922  | \$ 1,843,213  |
| 2,445,103     | 2,358,466     | 2,279,422     | 2,397,597     | 2,236,973     | 2,066,480     |
| 67,028,887    | 36,074,046    | 38,840,471    | 76,871,558    | (49,114,617)  | (21,590,153)  |
| 1,983,067     | 1,562,135     | 1,528,790     | 1,138,869     | 1,328,831     | 1,023,882     |
| 73,721,396    | 42,165,297    | 44,733,241    | 82,415,680    | (43,590,891)  | (16,656,578)  |
| 18,731,065    | 17,647,226    | 16,589,983    | 15,796,197    | 14,809,378    | 14,154,115    |
| 2,069,030     | 1,940,571     | 1,807,897     | 1,697,975     | 1,601,217     | 1,504,236     |
| 947,843       | 2,168,410     | 879,053       | 622,675       | 391,801       | 127,652       |
| 59,079        | 56,532        | 55,836        | 59,640        | 60,443        | 35,074        |
| 110,817       | 124,673       | 141,872       | 155,315       | 152,542       | 148,335       |
| 210,243       | 199,428       | 222,810       | 166,783       | 165,928       | 202,639       |
| 73,779        | 59,210        | 63,852        | 78,124        | 55,102        | 57,791        |
| 287,379       | 251,710       | 387,089       | 276,261       | 255,091       | 330,726       |
| 355,954       | 296,883       | 271,128       | 264,853       | 270,292       | 247,111       |
| -             | -             | -             | -             | -             | -             |
| 22,845,189    | 22,744,643    | 20,419,520    | 19,117,823    | 17,761,794    | 16,807,679    |
| 50,876,207    | 19,420,654    | 24,313,721    | 63,297,857    | (61,352,685)  | (33,464,257)  |
| 459,562,082   | 440,141,428   | 415,827,707   | 352,529,850   | 413,882,535   | 447,346,792   |
| \$510,438,289 | \$459,562,082 | \$440,141,428 | \$415,827,707 | \$352,529,850 | \$413,882,535 |

**Changes in Plan Net Assets (Last Ten Fiscal Years)**

Police and Fire Retirement System (continued from previous page)

| 2006          | 2005          | 2004          | 2003          | 2002          | 2001          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 9,849,536  | \$ 7,308,916  | \$ 6,925,467  | \$ 5,043,505  | \$ 4,746,504  | \$ 4,796,863  |
| 3,789,743     | 3,652,348     | 3,482,237     | 3,296,499     | 3,104,036     | 2,926,844     |
| 59,897,041    | 31,745,327    | 33,716,897    | 65,824,556    | (41,805,821)  | (18,244,453)  |
| 73,536,320    | 42,706,591    | 44,124,601    | 74,164,560    | (33,955,281)  | (10,520,746)  |
| 14,350,119    | 13,820,287    | 13,253,231    | 12,785,027    | 12,244,565    | 11,777,516    |
| 2,080,107     | 2,007,215     | 1,910,236     | 1,875,774     | 1,821,252     | 1,746,985     |
| 641,517       | 977,977       | 635,674       | 1,240,509     | 79,407        | 63,161        |
| 64,614        | 66,348        | 57,753        | 62,615        | 61,975        | 59,943        |
| 1,558,438     | 1,414,202     | 1,447,143     | 1,528,118     | 1,430,210     | 1,382,186     |
| 69,970        | 68,801        | 72,761        | 77,412        | 65,294        | 64,124        |
| 18,655        | 51,950        | 18,657        | 6,086         | 7,469         | 14,431        |
| 384,672       | 313,219       | 283,197       | 192,808       | 415,274       | 419,984       |
| 354,904       | 315,068       | 262,061       | 264,386       | 261,074       | 240,802       |
| -             | -             | -             | -             | -             | -             |
| 19,522,996    | 19,035,067    | 17,940,713    | 18,032,735    | 16,386,520    | 15,769,132    |
| 54,013,324    | 23,671,524    | 26,183,888    | 56,131,825    | (50,341,801)  | (26,289,878)  |
| 406,745,584   | 383,074,060   | 356,890,172   | 300,758,347   | 351,100,148   | 377,390,026   |
| \$460,758,908 | \$406,745,584 | \$383,074,060 | \$356,890,172 | \$300,758,347 | \$351,100,148 |

**Changes in Plan Net Assets (Last Ten Fiscal Years)**  
 Wichita Employees' Retirement System Plan 3 (continued on next page)

|  | 2010                | 2009                | 2008                | 2007                |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>ADDITIONS</b>                                     |                     |                     |                     |                     |
| Employer contributions                               | \$ 2,298,753        | \$ 1,478,256        | \$ 1,494,079        | \$ 1,428,686        |
| Employee contributions                               | 1,349,100           | 1,478,256           | 1,494,079           | 1,428,686           |
| Net investment income (loss)                         | 2,124,997           | 2,608,965           | (4,387,641)         | 1,542,383           |
| Transfers from other funds                           | -                   | -                   | -                   | -                   |
| <b>Total additions to plan net assets</b>            | <b>5,772,850</b>    | <b>5,565,477</b>    | <b>(1,399,483)</b>  | <b>4,399,755</b>    |
| <b>DEDUCTIONS</b>                                    |                     |                     |                     |                     |
| Contribution refunds                                 | 642,116             | 477,290             | 698,751             | 864,999             |
| Pension administration                               | 73,844              | 77,565              | 69,865              | 32,639              |
| Depreciation   | 54,408              | 55,384              | 29,371              | -                   |
| Transfers to other funds <sup>1</sup>                | 1,276,393           | 1,664,681           | 2,019,289           | 2,102,726           |
| <b>Total deductions from plan net assets</b>         | <b>2,046,761</b>    | <b>2,274,920</b>    | <b>2,817,276</b>    | <b>3,000,364</b>    |
| <b>Change in net assets</b>                          | <b>3,726,089</b>    | <b>3,290,557</b>    | <b>(4,216,759)</b>  | <b>1,399,391</b>    |
| <b>Net assets held in trust for pension benefits</b> |                     |                     |                     |                     |
| Beginning of year                                    | 15,194,993          | 11,904,436          | 16,121,195          | 14,721,804          |
| <b>End of year</b>                                   | <b>\$18,921,082</b> | <b>\$15,194,993</b> | <b>\$11,904,436</b> | <b>\$16,121,195</b> |

<sup>1</sup> Transfers to Employees' Retirement System upon full vesting in WERS Plan 3.  
 Statistical Section: Figure 3

**Changes in Plan Net Assets (Last Ten Fiscal Years)**  
 Wichita Employees' Retirement System Plan 3 (continued from previous page)

| 2006         | 2005         | 2004         | 2003         | 2002         | 2001         |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 1,369,009 | \$ 1,281,156 | \$ 1,219,589 | \$ 1,214,823 | \$ 1,203,471 | \$ 1,214,229 |
| 1,369,009    | 1,281,156    | 1,219,589    | 1,214,823    | 1,203,471    | 1,214,229    |
| 1,876,517    | 978,703      | 1,107,359    | 1,602,631    | (797,704)    | (449,836)    |
| -            | -            | -            | -            | -            | 560          |
| 4,614,535    | 3,541,-15    | 3,546,537    | 4,032,277    | 1,609,238    | 1,979,182    |
| 786,140      | 628,696      | 400,787      | 384,769      | 526,655      | 472,505      |
| 31,374       | 29,512       | 33,056       | 33,395       | 34,860       | 45,569       |
| -            | -            | -            | -            | -            | -            |
| 1,983,067    | 1,562,135    | 1,528,790    | 1,138,869    | 1,328,831    | 1,024,442    |
| 2,800,581    | 2,220,343    | 1,962,633    | 1,557,033    | 1,890,346    | 1,542,516    |
| 1,813,954    | 1,320,672    | 1,583,904    | 2,475,244    | (281,108)    | 436,666      |
| 12,907,850   | 11,587,178   | 10,003,274   | 7,528,030    | 7,809,138    | 7,372,472    |
| \$14,721,804 | \$12,907,850 | \$11,587,178 | \$10,003,274 | \$7,528,030  | \$7,809,138  |

**Average Benefit Payments (Last Ten Fiscal Years)**  
 Wichita Employees' Retirement System (continued on next page)

|                                     | 2010    | 2009    | 2008    | 2007    |
|-------------------------------------|---------|---------|---------|---------|
| <b>Average monthly pension</b>      |         |         |         |         |
| 0 - 5 Years of Service              | \$ -    | \$ -    | \$ -    | \$ -    |
| 5 - 10 Years of Service             | 404     | 593     | 528     | 554     |
| 10 - 15 Years of Service            | 974     | 1,158   | 821     | 894     |
| 15 - 20 Years of Service            | 1,429   | 1,482   | 1,547   | 1,180   |
| 20 - 25 Years of Service            | 2,046   | 2,173   | 2,250   | 1,895   |
| 25 - 30 Years of Service            | 3,250   | 2,870   | 3,137   | 3,015   |
| 30+ Years of Service                | 3,234   | 2,758   | 3,760   | 3,443   |
| Average for All Years of Service    | \$1,997 | \$2,084 | \$2,420 | \$2,199 |
| <b>Average final average salary</b> |         |         |         |         |
| 0 - 5 Years of Service              | \$ -    | \$ -    | \$ -    | \$ -    |
| 5 - 10 Years of Service             | 2,212   | 2,962   | 2,660   | 4,493   |
| 10 - 15 Years of Service            | 3,248   | 3,904   | 3,089   | 3,414   |
| 15 - 20 Years of Service            | 3,733   | 3,451   | 3,901   | 3,239   |
| 20 - 25 Years of Service            | 4,043   | 4,192   | 4,133   | 3,432   |
| 25 - 30 Years of Service            | 4,839   | 4,225   | 4,371   | 4,215   |
| 30+ Years of Service                | 4,527   | 4,008   | 5,005   | 4,591   |
| Average for All Years of Service    | \$3,977 | \$3,929 | \$4,094 | \$3,861 |
| <b>Number of members retiring</b>   |         |         |         |         |
| 0 - 5 Years of Service              | -       | -       | -       | -       |
| 5 - 10 Years of Service             | 1       | 6       | 4       | 2       |
| 10 - 15 Years of Service            | 5       | 10      | 16      | 9       |
| 15 - 20 Years of Service            | 9       | 5       | 9       | 7       |
| 20 - 25 Years of Service            | 12      | 5       | 6       | 9       |
| 25 - 30 Years of Service            | 6       | 23      | 25      | 29      |
| 30+ Years of Service                | 3       | 4       | 18      | 1       |
| Total for All Years of Service      | 36      | 53      | 78      | 57      |

Statistical Section: Figure 4

**Average Benefit Payments (Last Ten Fiscal Years)**  
 Police and Fire Retirement System (continued on next page)

|                                     | 2010     | 2009    | 2008    | 2007    |
|-------------------------------------|----------|---------|---------|---------|
| <b>Average monthly pension</b>      |          |         |         |         |
| 0-5 Years of Service                | \$ 290   | \$ -    | \$ -    | \$ -    |
| 5 - 10 Years of Service             | -        | 3,016   | -       | -       |
| 10 - 15 Years of Service            | 2,852    | 2,237   | 2,539   | -       |
| 15 - 20 Years of Service            | -        | 3,834   | -       | -       |
| 20 - 25 Years of Service            | 2,431    | 2,968   | 2,806   | 2,458   |
| 25 - 30 Years of Service            | 3,371    | 4,172   | 3,953   | 3,721   |
| 30+ Years of Service                | 1,993    | 4,034   | 4,725   | 3,439   |
| Average for All Years of Service    | \$2,589  | \$3,243 | \$3,354 | \$2,891 |
| <b>Average final average salary</b> |          |         |         |         |
| 0-5 Years of Service                | \$ 2,956 | \$ -    | \$ -    | \$ -    |
| 5 - 10 Years of Service             | -        | 3,341   | -       | -       |
| 10 - 15 Years of Service            | 5,058    | 5,074   | 4,536   | -       |
| 15 - 20 Years of Service            | -        | 4,893   | -       | -       |
| 20 - 25 Years of Service            | 4,705    | 4,900   | 4,709   | 3,979   |
| 25 - 30 Years of Service            | 4,882    | 5,773   | 5,489   | 5,034   |
| 30+ Years of Service                | 4,269    | 5,378   | 6,300   | 4,585   |
| Average for All Years of Service    | \$4,584  | \$5,043 | \$5,105 | \$4,322 |
| <b>Number of members retiring</b>   |          |         |         |         |
| 0-5 Years of Service                | 1        | 0       | 0       | 0       |
| 5 - 10 Years of Service             | 0        | 2       | 0       | 0       |
| 10 - 15 Years of Service            | 2        | 4       | 2       | 0       |
| 15 - 20 Years of Service            | 0        | 1       | 0       | 0       |
| 20 - 25 Years of Service            | 1        | 9       | 5       | 7       |
| 25 - 30 Years of Service            | 4        | 6       | 5       | 3       |
| 30+ Years of Service                | 2        | 1       | 1       | 1       |
| Total for All Years of Service      | 10       | 23      | 13      | 11      |

Statistical Section: Figure 5

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

| 2006           | 2005           | 2004           | 2003           | 2002           | 2001           |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           |
| 436            | 532            | 420            | 424            | 547            | 428            |
| 692            | 712            | 893            | 838            | 930            | 845            |
| 1,129          | 1,288          | 1,062          | 1,235          | 1,598          | 1,585          |
| 2,038          | 1,567          | 1,627          | 1,808          | 1,875          | 1,896          |
| 3,342          | 3,251          | 3,467          | 2,889          | 3,254          | 2,831          |
| 2,265          | 2,460          | 2,062          | 3,087          | 2,308          | 2,547          |
| <b>\$2,342</b> | <b>\$2,270</b> | <b>\$2,210</b> | <b>\$2,206</b> | <b>\$2,327</b> | <b>\$2,120</b> |
| \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           |
| 2,538          | 2,532          | 2,426          | 2,669          | 2,830          | 2,394          |
| 2,708          | 2,692          | 2,996          | 2,776          | 2,922          | 2,719          |
| 2,932          | 3,399          | 2,848          | 3,484          | 4,453          | 3,030          |
| 3,720          | 3,545          | 3,462          | 3,115          | 3,390          | 3,520          |
| 4,520          | 4,465          | 4,686          | 4,034          | 4,511          | 3,917          |
| 3,020          | 3,818          | 2,878          | 4,116          | 3,266          | 3,426          |
| <b>\$3,830</b> | <b>\$3,864</b> | <b>\$3,730</b> | <b>\$3,635</b> | <b>\$4,012</b> | <b>\$3,462</b> |
| -              | -              | -              | -              | -              | -              |
| 5              | 5              | 3              | 3              | 4              | 5              |
| 4              | 1              | 4              | 3              | 5              | 3              |
| 5              | 11             | 7              | 7              | 8              | 3              |
| 9              | 6              | 6              | 10             | 5              | 6              |
| 25             | 25             | 18             | 27             | 24             | 19             |
| 1              | 4              | 3              | 2              | 3              | 4              |
| <b>49</b>      | <b>52</b>      | <b>41</b>      | <b>52</b>      | <b>49</b>      | <b>40</b>      |

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

| 2006           | 2005           | 2004           | 2003           | 2002           | 2001           |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ -           | \$ -           | \$ -           | \$ -           | \$1,112        | \$ -           |
| 4,549          | 2,629          | 2,390          | 612            | -              | 1,526          |
| 2,249          | 3,277          | 2,578          | 2,045          | 3,006          | 1,171          |
| 3,393          | -              | 3,194          | 3,427          | 2,739          | 2,465          |
| 2,346          | 2,306          | 2,282          | 1,956          | 2,791          | 2,396          |
| 3,252          | 3,184          | 3,054          | 3,084          | 2,970          | 2,748          |
| 3,437          | 4,484          | 3,540          | 3,207          | 6,143          | 2,948          |
| <b>\$2,868</b> | <b>\$3,249</b> | <b>\$3,057</b> | <b>\$2,642</b> | <b>\$2,885</b> | <b>\$2,339</b> |
| \$ -           | \$ -           | \$ -           | \$ -           | \$2,448        | \$ -           |
| 4,221          | 2,919          | 2,998          | 3,582          | -              | 3,227          |
| 4,559          | 3,912          | 2,967          | 2,996          | 3,543          | 3,387          |
| 3,023          | -              | 4,179          | 3,798          | 3,355          | 3,767          |
| 3,774          | 3,979          | 3,995          | 3,816          | 3,815          | 4,481          |
| 4,782          | 4,467          | 4,271          | 4,192          | 4,323          | 3,939          |
| 4,746          | 5,118          | 4,765          | 4,276          | 8,190          | 3,930          |
| <b>\$4,322</b> | <b>\$4,391</b> | <b>\$4,271</b> | <b>\$3,950</b> | <b>\$4,113</b> | <b>\$3,877</b> |
| 0              | 0              | 0              | 0              | 2              | 0              |
| 1              | 1              | 1              | 2              | 0              | 2              |
| 4              | 1              | 1              | 2              | 1              | 1              |
| 1              | 0              | 3              | 1              | 1              | 3              |
| 5              | 4              | 4              | 1              | 3              | 3              |
| 6              | 9              | 11             | 4              | 7              | 4              |
| 1              | 4              | 8              | 6              | 1              | 1              |
| <b>18</b>      | <b>19</b>      | <b>28</b>      | <b>16</b>      | <b>15</b>      | <b>14</b>      |

**Retired Members by Type and Benefit Amount**  
 Wichita Employees' Retirement System (as of December 31, 2010)

| Amount of Monthly Benefit | Active in DROP | Non-Service Disability | QDRO <sup>1</sup> | Service    | Service Disability | Survivor   | Grand Total  |
|---------------------------|----------------|------------------------|-------------------|------------|--------------------|------------|--------------|
| \$ 0-500                  | -              | 3                      | 1                 | 81         | -                  | 89         | 174          |
| 500-1000                  | 2              | 11                     | 1                 | 139        | 1                  | 81         | 235          |
| 1000-1500                 | 3              | 6                      | -                 | 118        | 2                  | 51         | 180          |
| 1500-2000                 | 4              | 2                      | -                 | 118        | 1                  | 28         | 153          |
| 2000-2500                 | 6              | -                      | 1                 | 82         | -                  | 7          | 96           |
| 2500-3000                 | 12             | -                      | 1                 | 106        | -                  | 1          | 119          |
| 3000-3500                 | 15             | -                      | -                 | 91         | -                  | -          | 107          |
| 3500-4000                 | 12             | -                      | -                 | 67         | -                  | -          | 79           |
| 4000-4500                 | 7              | -                      | -                 | 48         | -                  | -          | 55           |
| 4500-5000                 | 3              | -                      | -                 | 16         | -                  | -          | 19           |
| >5000                     | 7              | -                      | -                 | 40         | -                  | -          | 47           |
| <b>Total</b>              | <b>71</b>      | <b>22</b>              | <b>4</b>          | <b>906</b> | <b>4</b>           | <b>257</b> | <b>1,264</b> |

<sup>1</sup> Qualified Domestic Relations Order  
 Statistical Section: [Figure 6](#)

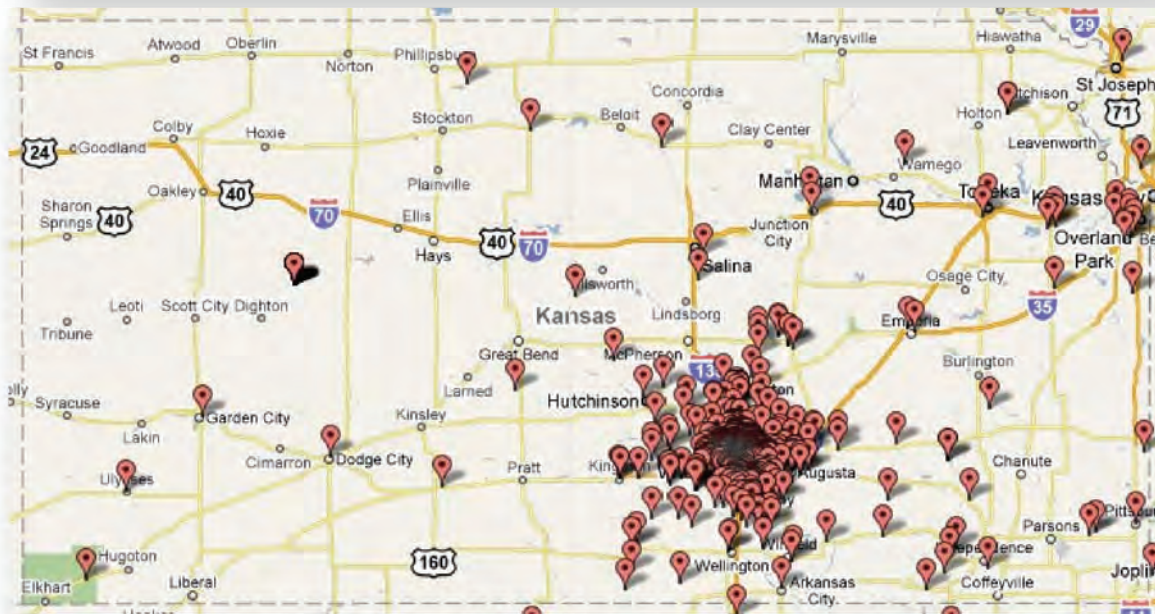
**Retired Members by Type and Benefit Amount**  
 Police and Fire Retirement System (as of December 31, 2010)

| Amount of Monthly Benefit | Non-Service Disability | QDRO <sup>1</sup> | Recalc. Service Disability | Service    | Service Disability | Survivor   | Grand Total |
|---------------------------|------------------------|-------------------|----------------------------|------------|--------------------|------------|-------------|
| \$ 0-500                  | -                      | -                 | -                          | 5          | -                  | 11         | 16          |
| 500-1000                  | 3                      | 8                 | -                          | 40         | 4                  | 57         | 112         |
| 1000-1500                 | 3                      | 3                 | 1                          | 84         | -                  | 36         | 127         |
| 1500-2000                 | -                      | -                 | 2                          | 165        | 1                  | 39         | 207         |
| 2000-2500                 | -                      | -                 | 4                          | 114        | 3                  | 22         | 143         |
| 2500-3000                 | -                      | -                 | 9                          | 83         | 15                 | 3          | 110         |
| 3000-3500                 | -                      | -                 | 11                         | 62         | 15                 | 1          | 89          |
| 3500-4000                 | -                      | -                 | 14                         | 29         | 10                 | 1          | 54          |
| 4000-4500                 | -                      | -                 | 3                          | 17         | 1                  | -          | 21          |
| 4500-5000                 | -                      | -                 | 1                          | 7          | 1                  | -          | 9           |
| >5000                     | -                      | -                 | 1                          | 3          | -                  | -          | 4           |
| <b>Total</b>              | <b>6</b>               | <b>11</b>         | <b>46</b>                  | <b>609</b> | <b>50</b>          | <b>170</b> | <b>892</b>  |

<sup>1</sup> Qualified Domestic Relations Order  
 Statistical Section: [Figure 7](#)



# Retiree Locations





**Department of Finance**

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

T 316.268.4544 • F 316.268.4656

[www.wichita.gov](http://www.wichita.gov)