WICHITA RETIREMENT SYSTEMS

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

Pension Trust Funds of the City of Wichita, Kansas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended December 31, 2013

CITY OF WICHITA


DROP
POLICE
WERS
PLAN
INVESTMENT
SYSTEMS
provide
FINANCIAL
PARTICIPANT
RETIREMENT
MEMBERS
REPORT
MANAGER
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City
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target
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CERTIFICATE
ENDED
WERIP
PRINCIPLES
domestic
PRESENT
SERVICE
officers
payment
equity
PAYROLL
MONTHLY
RESPECTIVELY
position

Comprehensive Annual Financial Report

for the fiscal year ended December 31, 2013

Pension Trust Funds of

The City of Wichita, Kansas

Wichita Retirement Systems

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

Prepared by:
City of Wichita
Pension Management Office
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Wichita, KS 67202
316-268-4544
http://www.wichita.gov/Government/Departments/Finance

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INTRODUCTORY SECTION

INTRODUCTORY SECTION

The Wichita Retirement Systems' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2012 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 fourteenth 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, 2012 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This was the eleventh consecutive year the System obtained this important award. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

June 24, 2014

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 sixteenth 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, 2013.

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

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

An annual audit of the Systems' financial statements and an evaluation of the Systems' internal controls were conducted by the independent accounting firm of Allen, Gibbs & Houlik, L.C. An unmodified ("clean") opinion on the Systems' financial statements for the year ended December 31, 2013 has been issued. The independent auditor's report may be found on page 9 of the Financial Section of this report.

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

Plan History

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

In October 1999, the assets of the WRS were combined into a single fund for investment purposes. Then, in October 2000, assets of WERS Plan 3 were separated from the combined WERS and PFRS funds for investment, custodial, and participant record keeping purposes. Finally, in January 2004, WERS Plan 3 assets were liquidated and the proceeds were reinvested with the other assets of the WRS, which resulted in a combined single fund for investment purposes.

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How We Are Structured

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

System Funding and Financial Position

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

The annual actuarial valuations, prepared by our actuary, Cavanaugh Macdonald Consulting, LLC, provide an indicator of the funded status of the Systems. As of December 31, 2013, the funded ratio of the PFRS was 92.5 percent and the funded ratio of the WERS was 93.1 percent. The funded ratio is the ratio of actuarial assets to actuarial liabilities. The actuarial liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the actuarial value of assets at the same date is referred to as the unfunded actuarial liability (UAL), or surplus if the asset value exceeds the actuarial liability. The Systems' unfunded actuarial liability (or surplus) is amortized over a 20-year rolling period.

Positive investment performance in 2013 eliminated the deferred losses from 2008 and 2011 and resulted in a deferred gain in both systems. Therefore, the funded ratios for the PFRS and WERS increased by 2.0 and 2.1 percentage points, respectively. Unless offset by future investment returns below the actuarial assumed rate of return of 7.75 percent, the recognition of these gains is expected to improve the funded ratios for the Systems and decrease the required employer contributions in future years. In 2013, employer contributions for the PFRS increased from 22.0 percent to 22.8 percent of annual covered payroll and employer contributions for the WERS increased from 10.6 percent to 12.6 percent of annual covered payroll. Additional information regarding the financial condition and funding status of the pension trust funds can be found in the Financial and Actuarial Sections of this report.

Investments

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

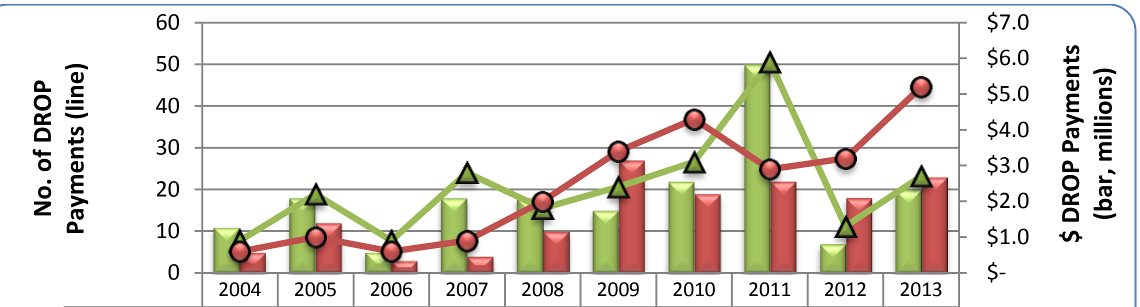
As of December 31, 2013, the Plan net position was $1.17 billion, an increase of 15.6 percent from the December 31, 2012 Plan net position of $1.01 billion. The investment return for the WRS' combined investment portfolio was 20.22 percent for the year ended December 31, 2013, outperforming the WRS' investment target benchmark return of 16.22 percent for the same period and the Systems' long-term actuarial target of 7.75 percent.

The WERS and PFRS Boards of Trustees have established an overall strategic asset allocation policy based upon the financial needs of the joint fund and the Boards' tolerance for volatility, or risk. The Boards utilize external investment managers consisting of both passive and active strategies. The portfolio is broadly diversified among equities, debt securities, real estate and timber, with additional diversification achieved in equities through domestic and international allocations. With the assistance of the Systems' financial consultant, Callan Associates Inc., and Pension Management staff, the Trustees continue to monitor the investment program and review the policy for future changes to the asset allocation, manager allocations and possible additional investment types. For more information on investment strategies and policies, safeguards on investments and a comparative analysis of investment results over time, please refer to the Investment Section of this report beginning on page 35.

Major Initiatives and Significant Actions

Deferred Retirement Option Plan (DROP): Beginning in 2000 (WERS) and 2001 (PFRS), the Systems began offering a DROP option to participants eligible for a retirement benefit. The WERS DROP is a forward DROP where participants continue to work for a period of one to sixty months after election. During the DROP period, the employee and employer continue to make contributions to the System and the participant's monthly retirement benefit is posted to a notational account, which accumulates with interest. Upon leaving service, the participant receives a lump sum payment consisting of their accumulated monthly retirement benefits and interest and thereafter begins receiving their monthly pension benefit. The PFRS DROP is similar to the WERS DROP; however, the PFRS DROP allows participants, at their retirement date, to select a DROP date that is one to sixty months prior to the date they terminate service. The participant must be eligible, by both age and service, to receive a retirement benefit on the selected backward DROP date. Upon leaving service, the participant receives a lump sum payment consisting of their accumulated monthly retirement benefits and interest computed as of their backward DROP date and thereafter begins receiving their monthly pension benefit. WERS DROP participation has increased somewhat consistently since inception. However, in 2011, several DROP participants also chose to participate in the Wichita Early Retirement Incentive Program (WERIP), which was offered in late 2011. This action increased DROP payments in 2011 above the historical trend, which led to lower than average DROP payments in 2012. DROP payments for 2013 are consistent with historical trends. PFRS DROP payments significantly increased in 2013 to $5.2 million, however this increase was after two consecutive years of payments below historical trends. (see figure below).

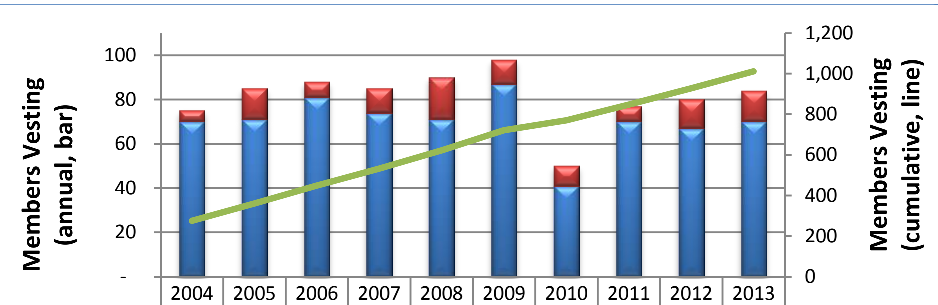
WERS and PFRS DROP Payments



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
# WERS	11	18	5	18	18	15	22	50	7	20
# PFRS	5	12	3	4	10	27	19	22	18	23
$ WERS	$0.9	$2.2	$0.9	$2.8	$1.8	$2.4	$3.1	$5.9	$1.3	$2.7
$ PFRS	$0.6	$1.0	$0.6	$0.9	$2.0	$3.4	$4.3	$2.9	$3.2	$5.2

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

WERS Plan 3 Members Vesting



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Vestings (Annual)	75	85	88	85	90	98	50	77	80	84
Remain in Plan 3 (Annual)	5	14	7	11	19	11	9	7	13	14
Transfer to Plan 2 (Annual)	70	71	81	74	71	87	41	70	67	70
Total Vestings (Cumulative)	275	360	448	533	623	721	771	848	928	1,012

Strategic Plan and Investment Policy Changes: During 2013, the Systems continued to fund new allocations based upon results of the 2010 asset allocation/liability study, which became effective in 2011. As of December 31, 2013, the Systems had fully funded the new core real estate allocation, the Treasury Inflation Protected Securities (TIPS) allocation and a portion of the timber allocation. The commodities allocation was not funded at year end because the commodities manager, GE Asset Management, closed their commodities fund. A new commodities manager has been selected with funding anticipated in 2014.

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Wichita Retirement Systems (WRS) for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This was the fourteenth consecutive year that the Systems have achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the CAFR for the fiscal year ended December 31, 2012 received the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for the eleventh consecutive year. This award is in recognition of meeting professional standards for pension plan design and administration, as set forth in the Public Pension Standards.

We believe that our plan design and administration continued to meet the PPCC award criteria during 2013 and plan to apply for Public Pension Standards Award.

Acknowledgments

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

Respectfully submitted,

Shawn Henning	Troy Bruun	Barbara Davis
Director of Finance	City Treasurer	Pension Manager

Boards of Trustees

Wichita Employees' Retirement System Board of Trustees

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

[1]Names of Trustees and Officer positions are as of December 31, 2013.

Figure 1

Police and Fire Retirement System Board of Trustees

Trustee Name[1]	**Type of Membership**
Chris Bannister	Police Elected
Ronald Blackwell	Fire Chief
Carolyn Conley	Appointed by Council Member
Michael Crosby (2nd V.P.)	Fire Elected
Marvin Fisher (1st V.P.)	Appointed by Mayor
Shawn Henning	City Manager Designee
Jason Jones (President)	Fire Elected
Lance Oldridge	Police Elected
Paul O'Mara	Appointed by Council Member
Chester Pinkston	Police Elected
Jeremy Spexarth	Fire Elected
Larry White	Appointed by Council Member
Norman Williams	Police Chief
William Wynne	Appointed by Council Member
Vacant	Appointed by Council Member
Vacant	Appointed by Council Member

[1]Names of Trustees and Officer positions are as of December 31, 2013.

Figure 2

Organizational Chart

Figure 3

Professional Consultants

Actuary Cavanaugh Macdonald Consulting, LLC 3906 Raynor Pkwy, Suite 106 Bellevue, Nebraska 68123	**Legal Services** Law Department, City of Wichita 455 N. Main Street, 13th Floor Wichita, Kansas 67202
Financial Consultant Callan Associates, Inc. 1660 Wynkoop Street, Suite 950 Denver, Colorado 80202	**Legal Services** Ice Miller, L.L.P. One American Square, Suite 3100 Indianapolis, Indiana 46282
Custody Institution State Street Bank and Trust Company 1200 Crown Colony Drive Quincy, Massachusetts 02169	**Defined Contribution Participant Accounting** Northeast Retirement Services 12 Gill Street Woburn, Massachusetts 01801
Independent Auditors Allen, Gibbs & Houlik, L.C. Epic Center, 301 N. Main Street, Suite 1700 Wichita, Kansas 67202	**Participant Education** NestEgg Consulting, Inc. 125 N. Market Street, Suite 1050 Wichita, Kansas 67202

Figure 4

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

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FINANCIAL SECTION

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

The Boards of Trustees
Wichita Retirement Systems
Wichita, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Wichita Retirement Systems of the City of Wichita, Kansas (the Systems), which comprise the statement of plan net position as of December 31, 2013, and the related statement of changes in plan net position for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Systems' basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Systems as of December 31, 2013, and the changes in the Systems' financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Systems' 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2013. In our opinion, the

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summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014 on our consideration of the Systems' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Systems' internal control over financial reporting and compliance.

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

June 23, 2014
Wichita, Kansas

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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, 2013. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 2 of this report.

Overview of the Financial Statements of the Fund

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

The **Statement of Plan Net Position** (see page 14) is presented for the pension trust funds as of December 31, 2013, with combined total comparative information at December 31, 2012. The Statement of Plan Net Position presents information on all of the Systems' assets and liabilities, with the difference between the two reported as net position held in trust for future benefits. The statement is a snapshot of the financial position of the Systems at the close of the fiscal year.

The **Statement of Changes in Plan Net Position** (see page 15) is presented for the pension trust funds for the year ended December 31, 2013, with combined total comparative information for the year ended December 31, 2012. The statement presents information showing how the Systems' net position changed during the fiscal year.

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

The **Required Supplementary Information and Supporting Schedules** (see page 28) consist of schedules and related notes concerning actuarial information, funded status and required contributions of the defined benefit systems. These schedules and notes emphasize the long-term nature of pension plans and show the progress of each system in accumulating sufficient assets to pay future benefits.

The **Schedules of Funding Progress** (see page 28) show actuarial trend data for the past six years. It includes the ratio of the actuarial value of assets to the actuarial liability, otherwise known as the funded ratio. The funded ratio increases or decreases over time based upon the relationships between contributions, investment performance, benefit changes, and actuarial assumption changes based upon participant information and characteristics. This schedule also shows the unfunded actuarial accrued liability as a percentage of member payroll.

The **Schedules of Employer Contributions** (see page 28) show the amount of required employer contributions determined in accordance with parameters established by Governmental Accounting Standards Board (GASB) Statement No. 25 and the percentage actually contributed.

The **Notes to the Required Supplementary Information** (see page 29) include the actuarial methods and assumptions used to determine the data included in the Schedules of Funding Progress and the Schedules of Employer Contributions.

A schedule of **Administrative Expenses** (see page 30), a schedule of **Investment Expenses** (see page 30), and a schedule of **Payments to Consultants Other Than Investment Advisors** (see page 31) are included to show detail of the administrative and investment costs to operate the Systems.

Financial Statement Analysis

Plan Net Position

The Plan net position increased by $157.8 million during the 2013 fiscal year. This change primarily consisted of a $171.7 million increase in cash and investments, mostly due to the appreciation of investment holdings. The investment return was 20.22% for the year ended December 31, 2013. Investment returns by asset class were: domestic equity 35.44%, international equity 18.93%, domestic fixed income (1.79)%, real estate 13.28% and timber 12.09%.

As of December 31, 2013, total securities lending obligations increased by $19.8 million, as compared to December 31, 2012. 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 2012 and 2013 are shown below (see Figure 5 and Figure 6).

Summary of Plan Net Position

	2013	2012	Increase (Decrease)
Assets			
Total cash and investments	$ 1,180,074,551	$1,008,373,161	$171,701,390
Total capital assets (net of depreciation)	290,611	473,154	(182,543)
Total receivables	24,504,234	23,178,905	1,325,329
Securities lending short-term collateral investment pool	81,956,461	62,150,482	19,805,979
Total assets	1,286,825,857	1,094,175,702	192,650,155
Liabilities			
Accounts payable and accrued expenses	1,235,509	1,055,499	180,010
Investment purchases pending	35,069,489	20,170,425	14,899,064
Securities lending obligations	81,956,461	62,150,482	19,805,979
Total liabilities	118,261,459	83,376,406	34,885,053
Plan Net Position	$ 1,168,564,398	$1,010,799,296	$157,765,102

Figure 5

Summary of Changes in Plan Net Position

	2013	2012	Increase (Decrease)
Additions			
Contributions			
Employer	$23,996,680	$21,773,893	$2,222,787
Employee	8,028,412	8,076,620	(48,208)
Net investment income	195,317,084	120,900,477	74,416,607
Transfers from other funds	2,465,600	2,025,607	439,993
Total additions	229,807,776	152,776,597	77,031,179
Deductions			
Pension benefits	66,531,806	60,743,700	5,788,106
Pension administration	879,766	865,333	14,433
Depreciation	182,543	178,749	3,794
Employee contributions refunded	1,982,959	1,658,577	324,382
Transfers to other funds	2,465,600	2,025,607	439,993
Total deductions	72,042,674	65,471,966	6,570,708
Change in Plan Net Position	$157,765,102	$87,304,631	$70,460,471

Figure 6

Additions to Plan Net Position

Additions to Plan net position that are needed to finance Plan benefit obligations come primarily from employer and employee contributions and net earnings on investments. For the year ended December 31, 2013, additions totaled $229.8 million, which is a $77 million increase from 2012 additions of $152.8 million. Employer contributions increased by approximately $2.2 million in 2013, or 10.2%, while employee contributions decreased by approximately $48,000, or 0.6%. Net investment income increased by $74.4 million from the prior year.

Deductions from Plan Net Position

Deductions from Plan net position are consistent with characteristics of a mature pension system. Pension benefits increased from $60.7 million in 2012 to $66.5 million in 2013, or approximately $5.8 million or 9.5%. This increase is due to new pensioners, with benefits based on higher salaries, being added to the pension payroll. In addition, DROP and Back DROP payments increased $3.3 million, or 71.7% over 2012. The increase in DROP payments is partially due to 2012 payments being artificially low because the Wichita Employees Retirement Incentive Plan (WERIP) caused DROP payments to be artificially high in 2011.

Requests for Information

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

Wichita Retirement Systems
Statement of Plan Net Position
December 31, 2013
(with comparative totals as of December 31, 2012)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2013	Totals 2012
ASSETS					
Cash and temporary investments	$ 503,348	$ 270,401	$ 32,744	$ 806,493	$ 688,185
Receivables:					
Investment sales pending	10,621,169	9,729,586	334,229	20,684,984	19,633,886
Interest and dividends	1,431,926	1,311,724	45,060	2,788,710	3,274,133
Other	547,076	439,831	43,633	1,030,540	270,886
Total receivables	12,600,171	11,481,141	422,922	24,504,234	23,178,905
Investments, at fair value:					
Government short-term investment fund	14,793,588	13,551,755	465,527	28,810,870	37,565,592
Government securities: long-term	21,443,832	19,643,424	682,737	41,769,993	36,499,693
Corporate debt instruments: long-term	44,308,887	40,588,744	1,410,724	86,308,355	91,288,031
Mortgage and asset-backed securities	37,919,786	34,736,069	1,207,305	73,863,160	79,564,424
Corporate stocks: domestic equities	224,883,863	206,002,778	7,159,941	438,046,582	344,858,224
Corporate stocks: international equities	104,789,529	95,991,476	3,336,330	204,117,335	164,666,572
Real estate	31,834,314	29,161,528	1,013,554	62,009,396	35,359,015
Timber	12,759,949	11,688,633	406,256	24,854,838	20,972,647
Value of interest in pooled funds: commodities	-	-	-	-	24,753,450
Value of interest in pooled funds: domestic fixed income	-	-	-	-	559,574
Value of interest in pooled funds: target date funds	-	-	2,756,523	2,756,523	-
Value of interest in pooled funds: international fixed income	3,578,519	3,278,069	113,935	6,970,523	7,299,453
Value of interest in pooled funds: high yield fixed income	4,596,694	4,210,759	146,351	8,953,804	6,724,761
Value of interest in pooled funds: U.S. TIPS	12,668,356	11,604,731	403,340	24,676,427	27,003,264
Value of interest in pooled funds: domestic equities	67,356,311	61,701,123	2,144,517	131,201,951	84,912,237
Value of interest in pooled funds: international equities	23,069,445	21,132,903	725,953	44,928,301	45,658,039
Securities lending short-term collateral investment pool	42,082,385	38,549,820	1,324,256	81,956,461	62,150,482
Total investments	646,085,458	591,841,812	23,297,249	1,261,224,519	1,069,835,458
Capital assets:					
Pension software	453,543	453,543	388,751	1,295,837	1,295,837
Less accumulated depreciation	(351,829)	(351,829)	(301,568)	(1,005,226)	(822,683)
Total capital assets (net of depreciation)	101,714	101,714	87,183	290,611	473,154
Total assets	659,290,691	603,695,068	23,840,098	1,286,825,857	1,094,175,702
LIABILITIES					
Accounts payable and accrued expenses	742,813	470,045	22,651	1,235,509	1,055,499
Investment purchases pending	18,007,217	16,495,618	566,654	35,069,489	20,170,425
Securities lending obligations	42,082,385	38,549,820	1,324,256	81,956,461	62,150,482
Total liabilities	60,832,415	55,515,483	1,913,561	118,261,459	83,376,406
NET POSITION					
Held in trust for employee's pension benefits	$598,458,276	$548,179,585	$21,926,537	$1,168,564,398	$ 1,010,799,296

Figure 7

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

Wichita Retirement Systems
Statement of Changes in Plan Net Position

For the year ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2013	Totals 2012
ADDITIONS					
Contributions:					
Employer	$14,889,714	$7,990,502	$1,116,464	$23,996,680	$21,773,893
Employee	4,607,691	2,304,481	1,116,240	8,028,412	8,076,620
Total contributions	19,497,405	10,294,983	2,232,704	32,025,092	29,850,513
Investment income:					
From investment activities					
Net appreciation in fair value of investments	87,528,935	81,093,307	3,263,268	171,885,510	101,025,900
Interest and dividends	14,511,288	13,442,278	480,909	28,434,475	24,546,555
Commission recapture	16,705	15,430	553	32,688	39,052
Total investing activity income	102,056,928	94,551,015	3,744,730	200,352,673	125,611,507
Less investment expense	2,694,548	2,506,414	93,137	5,294,099	5,140,267
Net income from investing activities	99,362,380	92,044,601	3,651,593	195,058,574	120,471,240
From securities lending activities					
Securities lending income	134,603	112,387	4,177	251,167	418,509
Securities lending activities expenses:					
Borrower rebates	(47,637)	(56,607)	(1,883)	(106,127)	(187,662)
Management fees	50,388	46,721	1,675	98,784	176,934
Total securities lending activities expenses	2,751	(9,886)	(208)	(7,343)	(10,728)
Net income from securities lending activities	131,852	122,273	4,385	258,510	429,237
Total net investment income	99,494,232	92,166,874	3,655,978	195,317,084	120,900,477
Transfers from other funds	-	2,465,600	-	2,465,600	2,025,607
Total additions	118,991,637	104,927,457	5,888,682	229,807,776	152,776,597
DEDUCTIONS					
Pension benefits	31,158,006	35,373,800	-	66,531,806	60,743,700
Pension administration	401,901	404,514	73,351	879,766	865,333
Depreciation	63,890	63,890	54,763	182,543	178,749
Employee contributions refunded	402,003	570,712	1,010,244	1,982,959	1,658,577
Transfers to other funds	-	-	2,465,600	2,465,600	2,025,607
Total deductions	32,025,800	36,412,916	3,603,958	72,042,674	65,471,966
Change in net position	86,965,837	68,514,541	2,284,724	157,765,102	87,304,631
Net position - beginning	511,492,439	479,665,044	19,641,813	1,010,799,296	923,494,665
Net position - ending	$598,458,276	$548,179,585	$21,926,537	$1,168,564,398	$1,010,799,296

Figure 8

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

Notes to the Financial Statements for the Fiscal Year Ended December 31, 2013

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. The Systems invest in treasury strips and various asset-backed securities, such as collateralized mortgage obligations and credit card trusts. The fair value of real estate and timber investments is based on independent appraisals. Investments that do not have an established market value are reported at their estimated fair value.

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

Management of Plan Assets: The Boards of Trustees of the Systems have contractual arrangements with independent money managers for investment of the assets of the Systems. The firms have been granted discretionary authority concerning purchases and sales of investments within guidelines established by City Ordinances and the Strategic Plan and Investment Policies adopted by the Boards of Trustees. The Boards of Trustees of the Systems also have contractual arrangements with independent firms which monitor the investment decisions of the Systems' investment managers.

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

Prior Year Comparative Information: The basic financial statements include certain prior year comparative information that is summarized in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Systems' financial statements for the year ended December 31, 2012, from which the summarized information has been derived.

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

Pending Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 67, Financial Reporting for Pension Plans, was issued in 2012. GASB Statement 67 revises existing guidance for the financial reports of most pension plans. The Statement enhances reporting requiring additional note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution pension plans. Statement 67 also requires presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in ten-year RSI schedules. The provisions of Statement 67 are effective for financial statements for the City's fiscal year ending December 31, 2014.

GASB Statement 68, Accounting and Financial Reporting for Pensions, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Implementation of GASB Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively measure the annual costs of pension benefits. The Statement enhances disclosure requirements in the notes and in required supplementary information by including the amount expected to be the equivalent of the unfunded actuarial accrued liabilities for the Retirement Systems as disclosed in Note 7 to the financial statements. The provisions of GASB Statement 68 are effective for financial statements for the City's fiscal year ending December 31, 2015.

GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date, provides guidance related to accounting and reporting for contributions made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The guidance amends GASB Statement 68 and is required to be applied simultaneously with the provisions of GASB Statement 68, which is effective for financial statement for the City's fiscal year ending December 31, 2015.

Insurance

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

Cash, Investments and Securities Lending

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

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

All of the deposits and investments of the Wichita Employees' and Police and Fire Retirement Systems are held in a joint investment fund that is invested by outside money managers and are held under a custodial agreement. The Pension Boards have adopted the Strategic Plan and Investment Policies which set forth in detail the asset allocation for the fund and restrictions applicable to specific investment types to mitigate risk. The policies permit investment in six asset types: domestic equities, international equities, domestic fixed income, real estate, timber, and commodities.

The investments of the WRS on December 31, 2013 are listed in Figure 9 below.

Wichita Retirement Systems' Investments

Type of Investment	Fair Value
Government short term investment fund	$ 28,810,870
Government securities, long-term	41,769,993
Corporate debt instruments, long- term	86,308,355
Mortgage and asset-backed securities	73,863,160
Corporate stocks, domestic common	438,046,582
Corporate stocks, international common	204,117,335
Real estate	62,009,396
Timber	24,854,838
Value of interest in pooled funds, target date funds	2,756,523
Value of interest in pooled funds, international fixed income	6,970,523
Value of interest in pooled funds, high yield fixed income	8,953,804
Value of interest in pooled funds, U.S. TIPS	24,676,427
Value of interest in pooled funds, domestic equities	131,201,951
Value of interest in pooled funds, international equities	44,928,301
Securities lending short-term collateral investment pool	81,956,461
Total investments	**$1,261,224,519**

Figure 9

The pension funds invest in various asset-backed securities such as collateralized mortgage obligations (CMO's) and credit card trusts to maximize yields and reduce the impact of interest rate changes. These securities are based on cash flows from principal and interest payments on the underlying assets. For example, CMO's break up the cash flows from mortgages into categories with defined risk and return characteristics called tranches. The tranches are differentiated by when the principal payments are received from the mortgage pool. Changes in interest and mortgage prepayment rates may affect the amount and timing of cash flows, which would also affect the reported estimated fair values. The pension funds utilize a combination of asset-backed securities, which vary in their degree of volatility. Although considerable variability is inherent in such estimates, management believes the estimated fair values are reasonable estimates.

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

Custodial Credit Risk: The custodial credit risk for deposits is the risk that in the event of a bank failure, the WRS' deposits may not be recovered. On December 31, 2013, the WRS' cash deposits in the amount of $806,493 were included in the City's pooled cash and temporary investments. The WRS' debt securities investments were registered in the name of WRS and were held in the possession of the WRS' custodial bank, State Street.

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

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

1. Fixed income managers have full discretion over the issuers selected and may hold any mix of fixed income securities and cash equivalents.

2. Portfolio duration for nominal fixed income managers must not be less than 80% nor more than 120% of the duration of the Barclays Capital Aggregate Bond Index, unless the Joint Investment Committee prospectively grants a written exception. As of December 31, 2013, the duration of the Index was 5.39 years, which equated to a minimum and maximum range for each fixed income portfolio of 4.31 years and 6.46 years, respectively.

Portfolio duration for Treasury Inflation Protected Securities (TIPS) fixed income managers must not be less than 80% nor more than 120% of the duration of the Barclays Capital US TIPS Index. As of December 31, 2013, the duration of the Index was 6.83 years, which equated to a minimum and maximum range for each TIPS portfolio of 5.46 years and 8.20 years, respectively.

The modified duration of investments, expressed in years, on December 31, 2013 is shown as follows (see Figure 10):

Modified Duration of Investments

Investment Type	Fair Value	Percent of all Fixed Income Assets	Weighted Average Modified Duration (years)
Corporate debt instruments, long-term	$86,308,355	31.8%	3.6
Mortgage and asset-backed securities	73,863,160	27.2	2.9
Government securities long-term	41,769,993	15.4	5.1
Actively managed investments	201,941,508	74.4	3.6
Government short-term investment fund	28,810,870	10.6	0.1
Pooled U.S. TIPS	24,676,427	9.1	7.4
Pooled high yield fixed income securities	8,953,804	3.3	2.7
Pooled international fixed income securities	6,970,523	2.6	6.0
Total	**$271,353,132**	**100.0%**	

Figure 10

Credit Risk of Debt Securities: Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The WRS manage exposure to investment credit risk by adhering to the following policies: (1) For active core domestic fixed income investments, at the time of purchase, bonds and preferred stocks must be rated at least “A2/A/A” or higher using the middle rating of Moody’s, Standard & Poor’s, and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower (“more conservative”) rating is used. When a rating from only one agency is available, that rating is used to determine credit quality; and (2) For core-plus domestic fixed income investments, the weighted average credit quality of the portfolio will not fall below “A2/A/A” or equivalent; when determining credit quality, the middle rating of Moody’s, Standard & Poor’s, and Fitch is used after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower (“more conservative”) rating is used. When a rating from only one agency is available, that rating is used to determine credit quality. Throughout 2013, no securities were purchased that were below the established credit quality minimum in the active core portfolio and the weighted average credit quality of the active core plus portfolio did not fall below the established credit quality rating.

Standard & Poor’s Investment Ratings

Quality Rating	Debt Securities
AAA	$54,104,139
AA+	73,463,539
AA	5,590,258
AA-	3,044,520
A+	8,784,269
A	23,793,999
A-	27,097,829
BBB+	12,778,254
BBB	9,922,196
BBB-	3,985,290
BB+	3,408,511
BB	455,702
BB-	9,427,393
B+	14,040
B	607,056
B-	512,382
CCC+	23,850
CCC	2,070,150
CCC-	223,503
CC	933,140
D	2,300,546
NR	1,696
Total credit risk debt securities	242,542,262
Government short-term investment fund[1]	28,810,870
Total investment in debt securities	**$271,353,132**

[1]The average quality of the holdings of the Government short-term investment fund on December 31, 2013 was A-1+P1.

Figure 11

Figure 11 shows the debt investments held by the WRS on December 31, 2013, as rated by Standard & Poor’s or an equivalent nationally recognized statistical rating organization.

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

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

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

All forward foreign currency contracts are carried at fair value by the WRS. As of December 31, 2013, the Systems held forward currency contracts with an unrealized gain of $136,763. If held, sales of forward currency contracts are receivables and are reported as investment sales pending in the financial statements.

The WRS' exposure to foreign currency risk on December 31, 2013 is as follows (see Figure 12):

Exposure to Foreign Currency Risk

Currency	Cash and Cash Equivalents	Debt Securities	Equities	Total
Australian dollar	$ 5,882	$ -	$ 10,016,190	$ 10,022,072
Canadian dollar	16,666	-	1,332,807	1,349,473
Danish krone	-	-	1,322,257	1,322,257
Euro	97,320	-	73,376,339	73,473,659
Hong Kong dollar	6	-	3,243,676	3,243,682
Japanese yen	-	-	40,470,598	40,470,598
New Zealand dollar	-	-	45,825	45,825
Norwegian krone	9,781	-	380,580	390,361
Pound sterling	85,468	-	47,206,099	47,291,567
Singapore dollar	79,195	-	4,438,026	4,517,221
Swedish krona	-	-	1,597,518	1,597,518
Swiss franc	43,580	-	18,531,738	18,575,318
International mutual funds (various currencies)	-	6,970,523	44,928,301	51,898,824
Total exposure to foreign currency risk	**$337,898**	**$6,970,523**	**$246,889,954**	**$254,198,375**

Figure 12

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

Derivatives: Investment derivative instruments are financial contracts for which the value of the contract is dependent on the values of one or more underlying asset, reference rate, or financial index. They include futures contracts, swap contracts, options contracts, rights, and forward foreign currency exchanges. While the WRS has no formal policy specific to investment derivatives, the WRS, through its external investment managers, held a variety of these instruments as of December 31, 2013. The WRS enter into these investment derivative instruments primarily to enhance the performance, reduce the volatility of its investment portfolio, and to manage interest rate risk. The investment derivative instruments held by the WRS on December 31, 2013 are shown in Figure 13. The notional values associated with these derivative instruments are generally not recorded in the financial statements; however, the exposure amounts on these instruments are included in the fair value of investments in the Statement of Plan Net

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

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

Investment Derivative Instruments

Type	Classification	Change in Fair Value	Notional Value	Exposure/ Fair Market Value	Counterparty	Counterparty Rating
Credit Default Swap Bought	Investment Loss	$(50,571)	$1,060,000	$(90,364)	Goldman Sachs CME	A-
Credit Default Swap Written	Investment Revenue	7,813	270,000	4,241		
Fixed Income Futures Long	Investment Loss	(419,367)	3,300,000	-		
Fixed Income Futures Short	Investment Revenue	482,511	(4,400,000)	-		
Fixed Income Options Bought	Investment Loss	(5,200)	-	-		
Fixed Income Options Written	Investment Revenue	6,031	-	-		
Foreign Currency Options Bought	Investment Loss	(20,630)	30,300	9,858		
Futures Options Bought	Investment Revenue	10,116	13,000	31,453		
Futures Options Written	Investment Revenue	70,623	(24,000)	(10,719)		
FX Forwards	Investment Revenue	29,842	567,673	35,408	Barclays Bank Plc Wholesale	A
FX Forwards	Investment Loss	(104,296)	8,451,399	(35,800)	Citibank N.A.	A
FX Forwards	Investment Revenue	413,509	3,914,431	136,361	State Street Bank London	A+
Pay Fixed Interest Rate Swaps	Investment Revenue	2,871	-	-		
Rights	Investment Revenue	71,051	-	-		
Total Return Bond Swap	Investment Revenue	30,659	-	-		
	Totals	**$524,962**	**$13,182,803**	**$80,438**		

Figure 13

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

The collateral securities cannot be pledged or sold by the WRS unless the borrower defaults. The lending agent shall require additional collateral from the borrower whenever the value of loaned securities exceeds the value of the collateral in the agent's possession, so that collateral always equals or exceeds 100% of the market value of the loaned securities. Contracts with the lending agent require them to indemnify the WRS, if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the WRS for income distributions by the securities' issuers while the securities are on loan.

At year-end, the WRS had no credit risk exposure to borrowers because the amounts the WRS owe the borrowers exceeded the amounts the borrowers owed the Systems. All securities loans, whether domestic or international, are open loans and can be terminated on demand by either the system or the borrower. At year-end, loaned securities were secured with cash collateral. The amount shown on the Statement of Plan Net Position only reflects transactions where cash collateral was received. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted average maturity of 41 days. The relationship between the maturities of the investment pool and the WRS' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the WRS cannot determine. Also, since securities loans are terminable at will, the duration of the securities loans do not generally match the duration of the investments made with the cash collateral received from the borrower.

Custodial Credit Risk Related to Securities Lending: Custodial credit risk for lent securities is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Consistent with the WRS' securities lending policy, $81,956,461 was held by the counterparty acting as the WRS' agent in securities lending transactions on December 31, 2013.

Capital Assets

Capital asset activity for the year ended December 31, 2013 is displayed below (see Figure 14):

Capital Assets

	Beginning Balance	Increase/ (Decrease)	Ending Balance
Pension administration hardware and software	$ 1,295,837	$ -	$ 1,295,837
Less: accumulated depreciation	(822,683)	(182,543)	(1,005,226)
Capital assets, net	$ 473,154	$ (182,543)	$ 290,611

Figure 14

Wichita Employees' Retirement System

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

On December 31, 2013, the WERS defined benefit plan membership (Plan 1 and Plan 2) consisted of (see Figure 15):

Defined Benefit Plan Membership

	Plan 1	Plan 2	Total
Employees vested	15	957	972
Subtotal	15	957	972
Retirees and beneficiaries receiving benefits	795	532	1,327
Terminated employees entitled to benefits, but not receiving them	-	147	147
Subtotal	795	679	1,474
Total membership	**810**	**1,636**	**2,446**

Figure 15

Eligibility Factors and Benefit Provisions

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

Figure 16

Funding Policy: The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. Members of Plan 1 and 2 are required to contribute 6.4% and 4.7% of covered salaries, respectively. From its various operating funds, the City is required to contribute at an actuarially determined rate; the rate for 2013 was 12.6% of annual covered payroll for both Plans 1 and 2. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the WERS' consulting actuary.

Annual Pension Cost and Net Pension Obligation: The net pension obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2013, the City's annual pension cost of $7,990,502 was equal to the required and actual contributions.

The employer's annual required contribution for the 2013 fiscal year was determined as part of the December 31, 2011 actuarial valuation using the Entry Age Normal actuarial cost method. Significant actuarial assumptions used for this evaluation include:

a) a rate of return on the investment of present and future assets of 7.75% per year compounded annually,

b) projected salary increases of 4.0% per year compounded annually (3.5% attributable to inflation and 0.5% attributable to productivity),

c) additional projected salary increases ranging from 0.25% to 3.2% per year, depending on age, attributable to seniority/merit, and
d) the assumption that benefits will increase 3.0% per year (non-compounded) after retirement for Plan 1 and 2.0% per year (non-compounded) for Plan 2.

The market value of assets is not used directly in the calculation of the City's contribution rate. An asset valuation method is used to smooth the effect of market fluctuations and determine the value of assets used in the valuation, called the actuarial value of assets. The actuarial value of assets is equal to the expected value (calculated using the actuarial assumed rate of return of 7.75%), plus 25% of the difference between the market and expected value. The Board first adopted this methodology for the December 31, 2002 valuation.

With the smoothing method, portions of investment gains are deferred and currently represent about 4% of the market value of assets. Unless offset by future investment losses or other unfavorable experience, the recognition of the $22 million gain is expected to have a positive impact on the future funded ratio and actuarial contribution requirements. If the deferred gain was recognized immediately in the actuarial value of assets, the funded percentage would increase from 93% to 97% and the actuarially determined contribution rate would decrease from 12.2% to 10.1%.

The actuarial accrued liability, as determined by the Entry Age Normal actuarial cost method, is the portion of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs. The unfunded actuarial liability/(surplus) represents the difference between the actuarial accrued liability and the actuarial value of assets. The unfunded actuarial liability/(surplus) is amortized as a level percent of projected payroll on an open basis. At December 31, 2013, the amortization period was 20 years.

The schedule of funding progress (see Figure 25 on page 28), presented as required supplementary information following the notes to the financial statements, reflects multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Wichita Employees' Retirement System Funded Status

(as of December 31, 2013, the most recent actuarial valuation date)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
12/31/13	$542,157	$582,386	$40,229	93.1%	$70,953	56.7%

Rounded dollar amounts are in thousands.
[1] Includes Plan 3 members who are not vested.

Figure 17

Schedule of Employer Contributions

(Three Year Trend Information)

Fiscal Year Ending	Employees' Retirement System Annual Required Contribution	Employees' Retirement Plan 3 Annual Required Contribution	Percentage Contributed
12/31/11	$6,596,124	$1,244,150	100%
12/31/12	6,471,423	1,189,456	100
12/31/13	7,990,502	1,116,464	100

Figure 18

Wichita Employees' Retirement System Plan 3

Plan Description: The reporting entity provides pension benefits for all of its full-time civilian employees hired or rehired on or after January 1, 1994. This is a defined contribution plan; therefore, benefits depend solely on amounts contributed to the plan plus investment earnings. At December 31, 2013, membership totaled 601. Plan 3, established by City Ordinance on April 9, 1993 and amended on February 8, 2000, requires that both the employee and the reporting entity contribute an amount equal to 4.7% of covered salaries. The reporting entity's contributions and earnings for each employee are 25% vested after three years of service, 50% vested after five years and are fully vested after seven years of service.

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

For the year ending December 31, 2013, employee and employer contributions to Plan 3 totaled $1,116,240 and $1,116,464, respectively. On December 31, 2013, the WERS defined contribution Plan 3 membership consisted of (see Figure 19):

Defined Contribution Plan Membership

Years of Service	Employer Contribution Vesting Schedule	Number of Employees
7 years or more	100%	85
5 to 7 years	50	130
3 to 5 years	25	119
0 to 3 years	0	267
Total membership		**601**

Figure 19

Eligibility Factors and Benefit Provisions

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

Figure 20

Police and Fire Retirement System

Plan Description: The Police and Fire Retirement System (PFRS) consists of three plans - Plan A, Plan B, and Plan C-79. The plans were established to provide retirement and survivor annuities, disability benefits, death benefits, and other benefits for Police and Fire Officers of the reporting entity and their dependents. All full-time active “commissioned” Police and Fire Department personnel are required to participate in the plans. Plans A and B were established by City Ordinance on January 1, 1965 and Plan C-79 was established January 1, 1979 by City Ordinance. Plan B was closed to new entrants as of January 1, 1965 and Plan A was closed to new entrants as of December 31, 1978. Establishment of, and amendments to, the benefit provisions for the PFRS are authorized by the City Council. On December 31, 2013, the PFRS membership consisted of (see Figure 21):

Defined Benefit Plan Membership

	Plan A	Plan B	Plan C-79	Total
Employees				
Vested	9	-	649	658
Non-vested	-	-	427	427
Subtotal	9	-	1,076	1,085
Retirees and beneficiaries receiving benefits	457	247	248	952
Terminated employees entitled to benefits but not receiving them	-	-	28	28
Subtotal	457	247	276	980
Total membership	**466**	**247**	**1,352**	**2,065**

Figure 21

Eligibility Factors and Benefit Provisions

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

Figure 22

Funding Policy: The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. PFRS members are required to contribute 7% to 8% of covered salaries. From its various operating funds, the City is required to contribute at an actuarially determined rate; the rate for 2013 was 22.8% of annual covered payroll. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the PFRS' consulting actuary.

Annual Pension Cost and Net Pension Obligation: The net pension obligation (NPO) is defined as the cumulative difference between the employer's annual pension cost and the employer's annual required contributions to the plan. For 2013, the City's annual pension cost of $14,889,714 was equal to the required and actual contributions.

The employer's annual required contribution for the 2013 fiscal year was determined as part of the December 31, 2011 actuarial valuation using the Entry Age Normal actuarial cost method. Significant actuarial assumptions used include:

a) a rate of return on the investment of present and future assets of 7.75% per year compounded annually,
b) projected salary increases of 4.0% per year compounded annually (3.5% attributable to inflation and 0.5% attributable to productivity),
c) additional projected salary increases ranging from 1.0% to 2.75% per year, depending on years of service, attributable to seniority/merit, and
d) the assumption that benefits will increase 2.0% per year (non-compounded) commencing 36 months after retirement.

The market value of assets is not used directly in the calculation of the City's contribution rate. An asset valuation method is used to smooth the effect of market fluctuations and determine the value of assets used in the valuation, called the actuarial value of assets. The actuarial value of assets is equal to the expected value (calculated using the actuarial assumed rate of return of 7.75%), plus 25% of the difference between the market and expected value. The Board first adopted this methodology for the December 31, 2002 valuation.

With the smoothing method, portions of investment gains are deferred and currently represent about 5% of the market value of assets. Unless offset by future investment losses or other unfavorable experience, the recognition of the $27 million gain is expected to have a positive impact on the future funded ratio and actuarial contribution requirements. If the deferred gain was recognized immediately in the actuarial value of assets, the funded percentage would increase from 92% to 97% and the actuarially determined contribution rate would decrease from 21.3% to 18.5%.

The actuarial accrued liability, as determined by the Entry Age Normal actuarial cost method, is the portion of the actuarial present value of pension plan benefits and expenses not provided for by future normal costs. The unfunded actuarial liability/(surplus) represents the difference between the actuarial accrued liability and the actuarial value of assets. The unfunded actuarial liability/(surplus) is amortized as a level percentage of projected payroll on an open basis. At December 31, 2013, the amortization period was 20 years.

The schedule of funding progress (see Figure 26 on page 28), presented as required supplementary information following the notes to the financial statements, reflects multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police and Fire Retirement System Funded Status

(as of December 31, 2013, the most recent actuarial valuation date)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
12/31/13	$571,262	$617,748	$46,486	92.5%	$65,306	71.2%

Rounded dollar amounts are in thousands.

Figure 23

Schedule of Employer Contributions

(Three Year Trend Information)

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
12/31/11	$13,806,880	100%
12/31/12	14,113,014	100
12/31/13	14,889,714	100

Figure 24

Required Supplementary Information

Schedules of Funding Progress

Wichita Employees' Retirement System

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
12/31/08	$512,853	$512,374	$ (479)	100.1%	$81,580	(0.6)%
12/31/09	509,494	529,271	19,777	96.3	82,704	23.9
12/31/10	516,308	540,436	24,128	95.5	79,636	30.3
12/31/11	513,298	555,174	41,876	92.5	75,444	55.5
12/31/12	520,320	571,805	51,485	91.0	70,783	72.7
12/31/13	542,157	582,386	40,229	93.1	70,953	56.7

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

Figure 25

Police and Fire Retirement System

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	UAAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
12/31/08	$472,345	$496,561	$24,216	95.1%	$60,282	40.2%
12/31/09	480,556	519,934	39,378	92.4	63,055	62.5
12/31/10	497,926	536,908	38,982	92.7	63,077	61.8
12/31/11	510,946	562,488	51,542	90.8	62,759	82.1
12/31/12	533,381	589,074	55,693	90.5	64,150	86.8
12/31/13	571,262	617,748	46,486	92.5	65,306	71.2

Figure 26

Schedules of Employer Contributions

Wichita Employees' Retirement System

Fiscal Year Ending	Employees' Retirement System Annual Required Contribution	Employees' Retirement Plan 3 Annual Required Contribution	Percentage Contributed
12/31/08	$2,450,162	$1,494,079	100%
12/31/09	2,545,331	1,478,256	100
12/31/10	4,529,765	2,298,753	100
12/31/11	6,596,124	1,244,150	100
12/31/12	6,471,423	1,189,456	100
12/31/13	7,990,502	1,116,464	100

Figure 27

Police and Fire Retirement System

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
12/31/11	13,806,880	100
12/31/12	14,113,014	100
12/31/13	14,889,714	100

Figure 28

Notes to the Required Supplementary Information

Summary of Actuarial Methods and Assumptions

Wichita Employees' Retirement System	
Valuation date	December 31, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll
Amortization approach	Open
Remaining amortization period	Rolling 20 years
Asset valuation method	Expected Value: assumes 7.75% rate of return plus 25% of the difference between the market value and the expected value of assets
Actuarial assumptions:	
Investment rate of return	7.75% per year
Projected salary increases	4.0% per year; 3.5% attributable to inflation, 0.5% attributable to productivity Additional salary increases ranging from .25% to 3.2% per year attributable to seniority/merit
Inflation rate	3.5% per year
Post-retirement benefit increases	Plan 1: 3% per year (non-compounded), commencing 12 months after retirement Plan 2: 2% per year (non-compounded), commencing 12 months after retirement

Figure 29

Summary of Actuarial Methods and Assumptions

Police and Fire Retirement System	
Valuation date	December 31, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll
Amortization approach	Open
Remaining amortization period	Rolling 20 years
Asset valuation method	Expected Value: assumes 7.75% rate of return plus 25% of the difference between the market value and the expected value of assets
Actuarial assumptions:	
Investment rate of return	7.75% per year
Projected salary increases	4.0% per year; 3.5% attributable to inflation, 0.5% attributable to productivity Additional salary increases ranging from 1.0% to 2.75% per year attributable to seniority/merit
Inflation rate	3.5% per year
Post-retirement benefit increases	2% per year (non-compounded), commencing 36 months after retirement

Figure 30

Supporting Schedules

Administrative Expenses

Year ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2013	Totals 2012
Personal services:					
Wages	$203,247	$203,247	$ -	$ 406,494	$ 394,938
Benefits	69,804	69,804	-	139,608	130,750
Total personal services	273,051	273,051	-	546,102	525,688
Contractuals:					
Telephone	1,798	1,798	-	3,596	3,534
Postage	1,817	1,581	42	3,440	3,092
Transportation and travel	2,884	4,123	-	7,007	5,260
Data center charges	5,779	5,779	-	11,558	57,182
City administrative charges	16,393	16,393	-	32,786	8,950
Actuarial fees	28,000	29,115	885	58,000	54,875
Audit fees	7,747	7,747	-	15,494	14,842
Legal services	1,934	2,734	55	4,723	5,145
Advertising	13	13	-	26	26
Periodicals and manuals	186	186	-	372	224
Membership dues	776	3,776	-	4,552	2,602
Printing and photocopying	5,332	5,648	50	11,030	10,998
Plan 3 participant administration	-	-	30,050	30,050	30,850
Pension software expense	49,438	49,426	42,235	141,099	136,628
Depreciation	63,890	63,890	54,763	182,543	178,749
Other	5,392	1,756	34	7,182	3,019
Total contractuals	191,379	193,965	128,114	513,458	515,976
Commodities:					
Office equipment and supplies	1,057	1,057	-	2,114	1,984
Data processing equipment	62	62	-	124	-
Other	242	269	-	511	434
Total commodities	1,361	1,388	-	2,749	2,418
Total administrative expenses	**$465,791**	**$468,404**	**$128,114**	**$1,062,309**	**$1,044,082**

Figure 31

Investment Expenses

Year ended December 31, 2013
(with comparative totals for the year ended December 31, 2012)

	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2013	Totals 2012
Investment expenses:					
Financial consulting	$116,779	$112,755	$8,122	$237,656	$ 233,791
Custodial bank	128,870	132,281	3,516	$264,667	262,997
Investment management fees	2,448,899	2,261,378	81,499	$4,791,776	4,643,479
Total investment expenses	**$2,694,548**	**$2,506,414**	**$93,137**	**$5,294,099**	**$5,140,267**

Figure 32

Payments to Consultants Other Than Investment Advisors

Year ended December 31, 2013

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

Firm	Services	Police and Fire Retirement System	Employees' Retirement System	Employees' Retirement Plan 3	Totals 2013	Totals 2012
Ice Miller, LLP	Legal services	$ 1,934	$ 2,734	$ 55	$ 4,723	$ 5,145
Milliman, Inc.	Actuarial services	-	-	-	-	35,543
Cavanaugh Macdonald Consulting, LLC	Actuarial services	28,000	29,115	885	58,000	19,332
Allen, Gibbs & Houlik, L.C.	Auditing services	7,747	7,747	-	15,494	14,842
Northeast Retirement Services	Participant accounting	-	-	30,050	30,050	30,850
Total payments		**$37,681**	**$39,596**	**$30,990**	**$108,267**	**$105,712**

Figure 33

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

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

The Boards of Trustees
Wichita Retirement Systems
Wichita, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wichita Retirement Systems of the City of Wichita, Kansas (the Systems), which comprise the statement of plan net position as of December 31, 2013, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

June 23, 2014
Wichita, Kansas

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INVESTMENT SECTION

INVESTMENT SECTION

Callan

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

Main 303.861.1900
Fax 303.832.8230

www.callan.com

March 12, 2014

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

RE: Report on 2013 Investment Activities

Dear Board Members:

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

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

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

In establishing its risk tolerance, the Boards considered their ability to withstand short and intermediate-term volatility in market conditions. The Boards also reviewed the long-term characteristics of various asset classes, focusing on balancing risk with expected return. Accordingly, the Boards selected these seven asset classes as allowable asset classes: large to mid-capitalization U.S. equities; small capitalization U.S. equities; U.S. fixed-income securities; non-U.S. equities (developed and emerging markets); real estate; commodities; and timber. The "Asset Allocation" discussion that appears later in this section provides details about the Trust Fund percentages that are invested in the seven asset classes.

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

Callan

The Retirement Boards
March 12, 2014 2

On an ongoing basis, the Boards implement a performance measurement and evaluation process that examines rates of return for the Trust Fund in total, the seven major asset classes, and individual managers. The Boards compare returns to broad market indices and relevant "peer groups" of investment managers with similar investment styles. The schedule on the following page depicts the Fund's various rates of return. All returns are time-weighted rates of return calculated by the Fund's Financial Consultant on the basis of market value and cash flow data provided by the Fund's bank custodian.

News in 2013 was dominated by the Fed. Concluding his second term as Chair, Ben Bernanke announced a tapering of the quantitative easing program in December. The new Chair, Janet Yellen, has committed to this policy and made assurances that the Fed will continue to reduce stimulus until the objective of shelving the program is reached. The U.S. economy grew 1.9% for the calendar year, continuing a trend of moderate growth following the global financial crisis of 2008. General market volatility was more subdued in 2013 than the year prior and investors felt even more comfortable with "risk" assets such as equities and lower grade bonds. Against this backdrop, the S&P 500 Index, a proxy for U.S. large-cap stocks, gained 32.39%. U.S. small-cap stocks, as measured by the Russell 2000 Index, surged 38.82%. Non-U.S. equities lagged domestic equities, but still had a good year as the MSCI ACWI ex-US Index increased 15.78%. Interest rates rose during the year hurting bond performance as the BC Aggregate Bond Index, a proxy for U.S. investment-grade bonds, fell 2.02%. The private real estate market, as measured by the NCREIF Property Index, had another solid year as the Index gained 10.98%. The NCREIF Timberland Index delivered a 9.68% return while the Dow Jones-UBS Commodity Index declined 9.58%

As noted in the Schedule of Investment Results, the Fund generated a total return of 20.22% for the year ended December 31, 2013, which out-performed the 16.22% return of the Fund's target benchmark (the Weighted Index). In aggregate, the Fund's U.S. large cap equity, international equity, domestic fixed income, real estate, and timber portfolios generated returns that exceeded their respective benchmarks.

To help defray the expenses associated with the administration and investment of Trust Fund assets, the Boards have created a commission recapture program whereby the Fund's large-cap equity managers direct up to 25 percent of their trades through a large broker-dealer firm selected by the Boards.

Yours truly,

William C. Howard

William C. Howard, CFA
Senior Vice President

Investment Policy Summary

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

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

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

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

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

The following minimum standards are set for investment managers:

1. The investment firm must have $500 million or more under management;
2. The investment management firm must have five years of performance history;
3. The Fund's portfolio with the investment manager shall not constitute more than 10% of the investment manager's total portfolio.

Investment Objectives
The goal of the Fund is to ensure sufficient resources to meet or exceed benefit obligations. The related investment objectives are, first, to preserve and, second, to increase the capital value of the Fund. In pursuing these objectives, the Boards will endeavor to earn the maximum total return on assets consistent with maintaining a prudent level of risk. In investing and reinvesting monies in the Fund, there shall be exercised the judgment and care under the circumstances then prevailing which people of prudence, discretion, and intelligence exercised in the management of their own affairs.

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

As of December 31, 2013, the blended target consisted of:

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

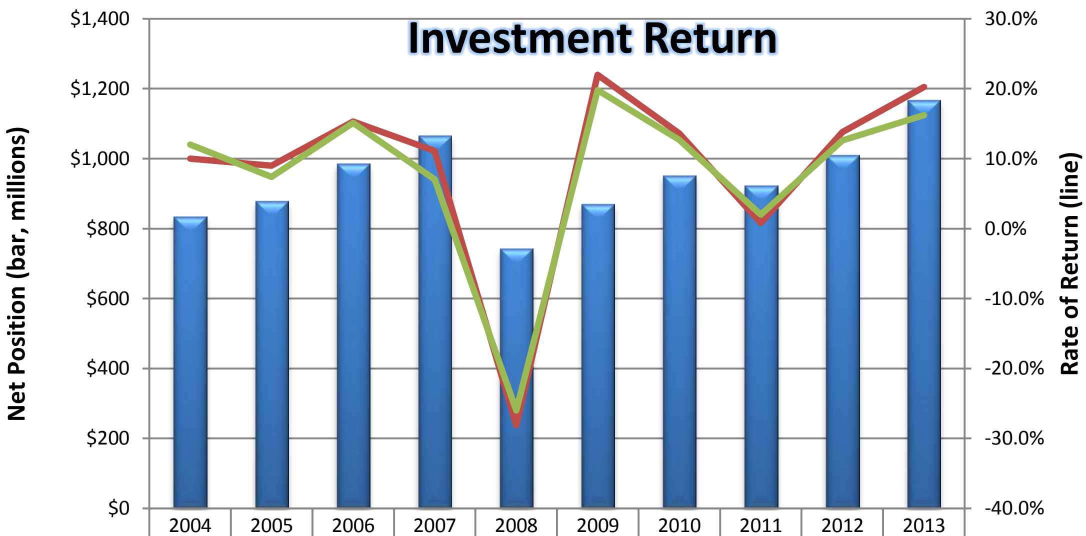
The Boards expect the Fund's overall returns to be less volatile than the relevant market indices. The Fund's long-term objective is to achieve an annualized rate of return that is 4.5% higher than the Consumer Price Index of Urban Wage Earners and Clerical Workers (CPI-U).

`

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

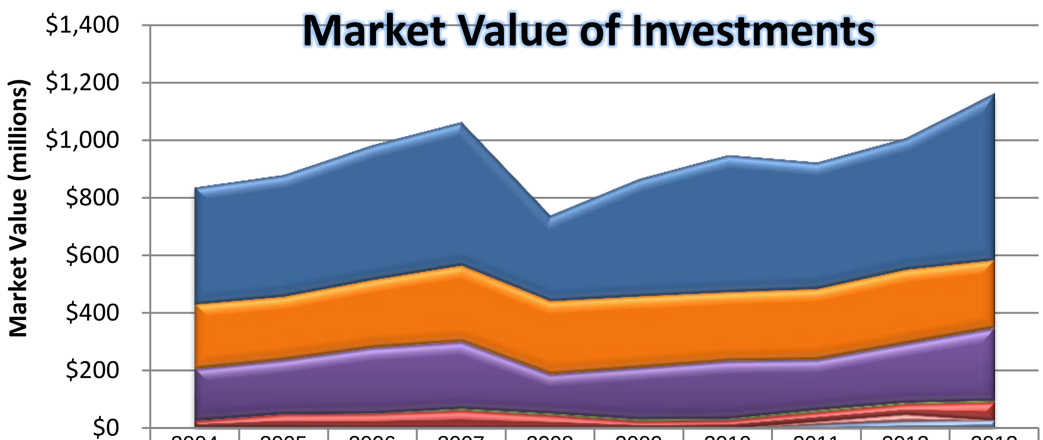
Investment Performance

Figure 34 and Figure 35 illustrate annual portfolio investment performance compared to the benchmark and changes in the Fund's net position based on asset class allocations at year-end. Positive returns, beginning in 2003 and continuing through 2007, are responsible for increasing the Fund's net position. After a volatile investment environment in 2008, returns in 2009 through 2013 helped stabilize the fund. The 2013 Fund return of 20.22% outperformed the benchmark return of 16.22%. The Fund's net position increased by $157.8 million, or 15.6%.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Position	$835	$879	$986	$1,066	$744	$870	$952	$923	$1,011	$1,169
System Return	10.0%	9.0%	15.3%	11.1%	-28.1%	22.0%	13.6%	0.8%	13.8%	20.2%
Benchmark Return	12.0%	7.4%	15.1%	7.0%	-26.0%	19.8%	12.7%	2.0%	12.6%	16.2%

Figure 34



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Domestic Equity	$404	$421	$467	$496	$297	$406	$474	$437	$455	$577
Domestic Fixed Income	226	221	236	266	255	249	240	247	257	237
International Equity	180	189	229	233	138	180	201	176	206	253
International Fixed Income	-	-	-	7	6	5	5	7	7	7
Real Estate	23	45	52	61	45	25	28	33	35	62
Commodities	-	-	-	-	-	-	-	12	25	-
Timber	-	-	-	-	-	-	-	10	21	25
Cash	5	4	1	1	1	2	1	2	2	3

Figure 35

The Investment Performance table (see Figure 36) illustrates the Fund performance compared with plan target and appropriate index comparisons. The calculations were prepared using a time weighted rate of return based on the market rate of return.

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

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

Investment Performance[1]

	Annualized Returns			
	1 year	3 years	5 years	7 years
Total portfolio:				
Fund performance[2]	20.22%	11.31%	13.86%	6.26%
Fund Target performance[3]	16.22	9.44	12.10	4.93
Domestic equities:				
Domestic equity	35.44	17.14	20.33	8.28
Large-Cap equity	34.78	16.88	19.41	7.62
Russell 1000 Index	33.11	16.30	18.59	6.44
S&P 500 Index	32.39	16.18	17.94	6.13
Small-Cap equity	38.15	17.97	23.68	10.69
Russell 2000 Index	38.82	15.67	20.08	7.20
International equities:				
International equity	18.93	7.98	12.30	3.03
MSCI EAFE Index	22.78	8.17	12.44	1.78
MSCI ACWI (Ex-US) Index	15.78	5.61	13.32	2.62
Domestic fixed income:				
Domestic fixed income	(1.79)	4.40	7.33	6.02
Nominal Domestic fixed income	(0.96)	4.69	7.51	6.15
Barclays Capital Aggregate Index	(2.02)	3.26	4.44	4.91
TIPS	(8.62)	-	-	-
Barclays Capital U.S TIPS Index	(8.62)	3.55	5.63	5.28
Real estate:				
Real estate	13.28	17.26	2.11	(0.78)
NCREIF Total Property Index	10.98	11.92	5.68	5.23
Timber:				
Timber	12.09	-	-	-
NCREIF Timberland Index	4.39	4.55	1.67	5.02

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

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

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

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

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

Figure 36

Asset Allocation

The Wichita Employees' and the Police and Fire Retirement Boards believe that a diversified portfolio aids in the preservation of investment principal. Growth with limited risk is the Fund's objective. The Boards established the JIC to manage the assets of both Retirement Systems. Asset allocation, in conjunction with investment manager selection, has a great impact on investment performance. The Committee is responsible for recommending an Asset Allocation Plan developed with the assistance of Callan Associates, Inc., the Boards' financial consultant.

The Boards review the adopted Asset Allocation Plan at least every three years. An asset allocation/liability study was completed in 2010. Implementation of changes began in 2011 and was partially complete as of December 31, 2013. These changes included the addition of timber, Treasury Inflation Protected Securities (TIPS), and commodities to the asset allocation mix. Also in 2013, the international equity portion of the Asset Allocation Plan was amended. Major components included: 1) adding a passive core allocation; 2) adding a small-cap allocation; 3) removing the active core plus allocation; 4) increasing the dedicated emerging markets allocation; and 5) changing the international equity benchmark from the Morgan Stanley Capital International, All Country World Index ex-U.S. (MSCI ACWI ex-US) to the Morgan Stanley Capital International, All Country World Index ex-U.S. Investable Market Index (MSCI ACWI ex-U.S. IMI). The overall allocation to international equity was unchanged at 22%. These changes will be implemented in 2014.

The Boards' commitment to the adopted Asset Allocation Plan, which ensures a diversified portfolio, is especially important to minimize the Fund's exposure to market volatility and to help preserve sufficient funding for future generations. As of December 31, 2013, 71.3% of the Fund's assets were invested in equities, 20.9% in fixed income, 5.4% in real estate and 2.1% in timber. The table below (Figure 37) displays the Fund's target and actual asset allocation on December 31, 2013.

Asset Allocation Policy

Asset Class	Min[1]	Target	Max[1]	Actual
Domestic Equity				
Large/Mid-Cap	18.00%	24.00%	30.00%	28.10%
Small-Cap	4.00	8.00	12.00	10.26
Index	6.00	8.00	10.00	11.26
Total Domestic Equity	34.00	40.00	46.00	49.62
Domestic Fixed Income				
Active Core	9.00	11.00	13.00	9.39
Active Core Plus	9.00	11.00	13.00	9.40
TIPS	2.50	3.00	3.50	2.12
Total Domestic Fixed Income	21.00	25.00	29.00	20.91
International Equity				
Active Core	7.00	9.00	11.00	9.45
Active Core Plus	8.00	10.00	12.00	10.55
Emerging Markets Index	2.00	3.00	4.00	1.70
Total International Equity	18.00	22.00	26.00	21.70
Real Estate				
Core	2.00	4.00	6.00	4.57
Value Added	0.00	1.00	2.00	0.80
Total Real Estate	3.00	5.00	7.00	5.37
Timber	3.00	5.00	7.00	2.13
Commodities	2.50	3.00	3.50	0.00
Cash	0.00	0.00	2.00	0.27

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

Figure 37

Largest Equity and Fixed Income Holdings

Ten Largest Equity Holdings by Fair Value
(as of December 31, 2013)

Number of Shares	Holding	Fair Value	% of Total Portfolio
299,303	Pfizer, Inc.	$ 9,167,651	0.78%
130,150	JP Morgan Chase & Co.	7,611,172	0.65
101,425	CVS Caremark Corp.	7,258,987	0.62
138,560	Citigroup, Inc.	7,220,362	0.61
94,100	Capital One Financial Corp.	7,209,001	0.61
237,400	General Electric Co.	6,654,322	0.57
404,700	Bank Of America Corp.	6,301,179	0.54
153,500	Vodafone Group Plc Sp Adr.	6,034,085	0.51
56,550	Exxon Mobil Corp.	5,722,860	0.49
64,200	Viacom, Inc.	5,607,228	0.48
1,679,888	**Total**	**$68,786,847**	**5.86%**

Figure 38

Ten Largest Fixed Income Holdings by Fair Value
(as of December 31, 2013)

Number of Shares	Holding	Fair Value	% of Total Portfolio
5,100,000	FNMA TBA Jan. 30 Single Family	$ 5,538,702	0.47%
4,290,000	US Treasury N/B (#1)	4,935,516	0.42%
5,345,000	US Treasury N/B (#2)	4,856,039	0.41%
2,800,000	FNMA TBA Single Family Mortgage	2,882,264	0.25%
1,940,000	Buoni Poliennali Del Tes	2,772,316	0.24%
2,610,000	US Treasury N/B (#3)	2,720,716	0.23%
2,595,738	FNMA Pool Aq9292	2,581,202	0.22%
2,200,000	FNMA TBA 15 Yr.	2,245,122	0.19%
2,278,263	US Treasury Inflation Index N/B	2,197,271	0.19%
1,951,553	Federal Home Loan PC Pool G06501	2,008,733	0.17%
31,110,554	**Total**	**$32,737,881**	**2.79%**

Figure 39

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

Investment Assets by Manager

(as of December 31, 2013)

Asset Category	**Fair Value**
Domestic fixed income	
Richmond Capital Management, Inc.	$ 104,910,124
Western Asset Management Co.	105,985,188
SSGA[1] U.S. TIPS Index Fund	24,676,427
SSGA[1] Government Short-Term Investment Fund	28,530,846
SSGA[1] Securities Lending Short-Term Collateral Investment Pool	81,956,461
Subtotal	346,059,046
International fixed income	
Western Asset Management Co.	6,970,523
Domestic equity	
Barrow, Hanley, Mewhinney & Strauss, Inc.	110,102,019
Boston Partners Asset Management	55,791,189
Fred Alger Management, Inc.	108,967,152
ING Investment Management Co.	61,191,328
Institutional Capital LLC	101,994,894
SSGA[1] S&P 500 Flagship Fund	131,201,951
Subtotal	569,248,533
International equity	
Mondrian Investment Partners, Limited	120,882,684
Pyramis Global Advisors Trust Company	108,309,235
SSGA[1] Emerging Markets Index Fund	19,853,717
Subtotal	249,045,636
Real Estate	
RREEF America REIT II	26,186,978
RREEF America REIT III	9,369,924
UBS Trumbull Property Fund	26,452,494
Subtotal	62,009,396
Timber	
Molpus Woodlands Fund III	24,854,838
Defined Contribution Pooled Funds	
SSGA[1] Target Date Funds	2,756,523
SSGA[1] Cash Series Prime Fund CL C	280,024
Subtotal	3,036,547
Total Investment Assets	**$ 1,261,224,519**

[1]State Street Global Advisors

Figure 40

Investment Fees by Manager

Year ended December 31, 2013

Investment Management Fees:	**Fees**
Domestic Fixed Income Managers	
Richmond Capital Management, Inc.	$ 215,200
Western Asset Management Co.	300,667
SSGA[1] U.S. TIPS Index Fund	15,441
International Fixed Income Manager	
Western Asset Management Co.	19,123
Domestic Equity Managers	
Barrow, Hanley, Mewhinney, & Strauss, Inc.	508,027
Boston Partners Asset Management	458,609
Fred Alger Management, Inc.	471,152
ING Investment Management Co.	440,555
Institutional Capital LLC	449,122
SSGA[1] S&P 500 Flagship Fund	40,091
International Equity Managers	
Mondrian Investment Partners, Limited	594,938
Pryamis Global Advisors Trust Company	541,805
SSGA[1] Emerging Markets Index Fund	49,072
Real Estate Managers	
RREEF America REIT II	111,822
RREEF America REIT III	116,598
UBS Trumbull Property Fund	290,925
Timber Manager	
Molpus Woodlands Fund III	104,664
Commodities Manager	
GEAM Trust Active Commodities Fund	63,965
Subtotal Investment Management Fees	4,791,776
Other Investment Service Fees:	
Custodian Fees	
State Street Bank and Trust Company	264,667
Investment Consultant and Performance Measurement Fees	
Callan Associates, Inc.	233,559
NestEgg Consulting, Inc.	4,097
Subtotal Other Investment Service Fees	502,323
Total Investment Fees	**$ 5,294,099**

[1]State Street Global Advisors

Figure 41

Investment Summary by Type of Investment

(as of December 31, 2013)

Type of Investment	Fair Value	% of Total Portfolio
Domestic equities:		
Consumer discretionary	$ 75,216,999	5.96 %
Consumer staples	19,336,692	1.53
Energy	33,938,291	2.69
Financial services	83,324,823	6.61
Health care	61,399,713	4.87
Industrials	68,885,571	5.46
Information technology	68,020,847	5.39
Materials	17,008,889	1.35
Telecommunications services	8,198,702	0.65
Utilities	2,716,055	0.22
Total domestic equities	438,046,582	34.73
Domestic equities - commingled funds	131,201,951	10.40
International equities:		
Consumer discretionary	24,503,781	1.94
Consumer staples	25,301,181	2.01
Energy	18,850,215	1.49
Financial services	36,016,682	2.86
Health care	26,492,474	2.10
Industrials	23,215,573	1.84
Information technology	12,586,391	1.00
Materials	9,550,865	0.76
Telecommunications services	19,417,754	1.54
Utilities	8,182,419	0.65
Total international equities	204,117,335	16.19
International equities - commingled funds	44,928,301	3.56
Domestic fixed income:		
Government securities: long-term	41,769,993	3.31
Corporate debt instruments: long-term	86,308,355	6.84
Mortgage and asset-backed securities	73,863,160	5.86
Total domestic fixed income	201,941,508	16.01
TIPS	24,676,427	1.96
Timber	24,854,838	1.97
Target date funds	2,756,523	0.22
Domestic high yield fixed income - commingled funds	8,953,804	0.71
International fixed income - commingled funds	6,970,523	0.55
Domestic fixed income - commingled funds	81,956,461	6.50
Real estate - commingled funds	62,009,396	4.92
Short-term investments	28,810,870	2.28
Total Invested Assets[1]	**$1,261,224,519**	**100.00%**

[1]Amounts do not include the City's cash deposits of $806,493.

Figure 42

Brokerage Commissions

Year ended December 31, 2013

Brokerage Firm	Total Commissions	Shares	Commission Per Share	Percent of Total Commissions
BNY Convergex LJR	$ 35,364	1,033,932	$0.03420	11.03%
Credit Suisse Securities (USA), LLC	25,059	94,719,192	0.00026	7.82
Morgan Stanley Co., Inc.	12,665	89,813,286	0.00014	3.95
Broadcort Capital (Thru Ml)	12,140	404,650	0.03000	3.79
J.P. Morgan Securities, Inc.	11,612	464,078	0.02502	3.62
Goldman Sachs & Company	11,140	4,123,500	0.00270	3.47
UBS Securities Asia Ltd.	9,683	853,628	0.01134	3.02
Macquarie Bank Ltd.	8,901	622,730	0.01429	2.78
Merrill Lynch International	8,427	1,277,036	0.00660	2.63
Goldman Sachs & Co.	7,831	87,060,723	0.00009	2.44
Goldman Sachs International	7,304	490,065	0.01490	2.28
Merrill Lynch Pierce Fenner & Smith, Inc.	6,851	742,608	0.00923	2.14
Barclays Capital	6,522	883,327	0.00738	2.03
Convergex Execution Solutions, LLC	6,519	203,750	0.03200	2.03
Liquidnet, Inc.	5,787	318,039	0.01820	1.81
Deutsche Bank Securities, Inc.	5,716	198,707,001	0.00003	1.78
UBS Ag	5,660	408,206	0.01387	1.77
Credit Suisse Securities (Europe) Ltd.	5,061	177,416	0.02853	1.58
ISI Group, Inc.	4,818	154,950	0.03109	1.50
Merrill Lynch Peirce Fenner & Smith, Inc.	4,669	222,467	0.02099	1.46
Macquarie Equities Ltd. (Sydney)	4,436	346,354	0.01281	1.38
Strategas Securities, LLC	4,109	117,400	0.03500	1.28
Citigroup Global Markets, Inc.	4,007	8,498,099	0.00047	1.25
JP Morgan Securities Plc.	3,852	246,848	0.01560	1.20
Sanford C. Bernstein Co., LLC	3,823	147,678	0.02589	1.19
Morgan Stanley & Co., International	3,771	498,482	0.00756	1.18
CLSA Singapore Pte. Ltd.	3,368	209,936	0.01604	1.05
Other firms (Includes 211 brokerage firms, each contributing less than 1% of total commissions)	91,482	2,786,157,057	0.00003	28.54
Total Brokerage Commissions	**$320,577**	**3,278,902,438**	**$0.00010**	**100.00%**

Figure 43

ACTUARIAL SECTION

ACTUARIAL SECTION

Cavanaugh Macdonald
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June 11, 2014

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

RE: Certification of December 31, 2013 Actuarial Valuations

Dear Board Members:

We certify that the information included herein and contained in the 2013 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, 2013.

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

Actuarial Valuations

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

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

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The Retirement Boards
June 11, 2014
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Financing Objective of the Systems

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

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

The financial objective is addressed within the annual actuarial valuations. The valuation process develops contribution rates that are sufficient to fund the plan's current normal cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial liabilities as level percents of active member payroll in future years. The most recent annual actuarial valuations were completed based upon membership data, asset data and plan provisions as of December 31, 2013. 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 $40.2 million for the Wichita Employees' Retirement system and $46.5 million for the Police and Fire Retirement System of Wichita, Kansas. The unfunded actuarial liability is amortized as a level percent of payroll over 20 years in both Systems.

An asset smoothing method is used in the valuation process so actual investment experience is recognized over a period of time. On a market value basis, the rate of return on assets in 2013 was 19.6%. This return more than offset the impact of the deferred investment loss from prior valuations. As a result, the rate of return on the actuarial value of assets for 2013 was about 9%, more than the assumed rate of 7.75%. This generated an experience gain on assets for both systems. There was an experience gain of $4 million on liabilities from all sources during 2013 for the Wichita Employees' Retirement System and a very small experience loss of $0.1 million on liabilities for the Police and Fire Retirement System of Wichita, Kansas. The market value of assets in both Systems exceeds the actuarial value with a difference of 4% for the Wichita Employees' Retirement System and 5% for the Police and Fire Retirement System of Wichita, Kansas. If investment returns over the next few years are at or above the assumed rate of return of 7.75%, the deferred investment gains will be recognized and contribution rates can be expected to decrease.

On the basis of the 2013 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 45 to 48 of the valuation report for the Wichita Employees' Retirement System and pages 47 to 50 of the valuation report for the Police and Fire Retirement System of Wichita, Kansas.

The Retirement Boards
June 11, 2014
Page 3

Data

In preparing the December 31, 2013 actuarial valuations, we have relied upon member and asset data provided by the Pension Manager. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and for consistency with prior years' data. If the underlying data or information is inaccurate or incomplete, our calculations may need to be revised.

Actuarial Methods and Assumptions

The actuarial methods and assumptions have been selected by the Board of Trustees of the Systems based upon the analysis and advice of the actuary and other professionals. These assumptions and methods may be found on pages 49 to 54 of the Wichita Employees' Retirement System valuation report and pages 51 to 55 for the Police and Fire Retirement System of Wichita, Kansas valuation report. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are based on a study of actuarial experience for the five year period ending December 31, 2008.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation, are individually reasonable, are related to the experience of the Systems, 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 the valuation reports 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.

The Retirement Boards
June 11, 2014
Page 4

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

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

Sincerely,

Patrice Beckham

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

Brent A. Banister

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

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

Wichita Employees' Retirement System Actuarial Information

Actuarial Cost Method

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

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

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

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

The portion of the actuarial present value of retirement system benefits allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial liability. Deducting actuarial assets from the actuarial liability determines the unfunded actuarial liability or (surplus). The Wichita Employees' Retirement System (WERS) had an unfunded actuarial liability of $40.2 million as of December 31, 2013.

Actuarial Assumptions Used for Valuations

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

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

Net Investment Rate of Return

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

Salary Projections

These assumptions are used to project current salaries to determine average annual compensation. They consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel, and a years of service component to reflect promotion and longevity increments (see Figure 44).

Salary increases are assumed to occur mid-year. The salary increase assumptions are expected to produce 4.00% annual increases in active member payroll (the inflation and productivity base rate), given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial liability. The rate of return over assumed wage growth is 3.75% per year. These assumptions were first used for the December 31, 2009 valuation.

Annual Rate of Salary Increases

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

Figure 44

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

The rates displayed in Figure 45 are used to measure the probability of eligible members retiring under either the regular retirement provisions or the Deferred Retirement Option Plan (DROP).

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

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

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

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

Marriage

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

Sick Leave

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

Rates of Retirement

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

Figure 45

Forfeiture of Vested Benefits

A percentage of the actuarial present value of vested termination benefits is assumed to be forfeited by a withdrawal of accumulated contributions. This percentage is applied individually based on years of service. The data in Figure 46 was first used for the December 31, 2004 actuarial valuation.

Forfeiture of Vested Benefits

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

Figure 46

Plan 3 Transfer

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

Mortality Table

The RP-2000 mortality tables (RP-2000 Healthy Annuitant Tables, RP-2000 Disabled Table and RP-2000 Employee Table) were first used for the December 31, 2004 valuation (see Figure 47). The Healthy Annuitant and Employee Tables are set forward two years for males to fit the observed experience of the group. The RP-2000 Tables are used with generational mortality. These tables measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

Future Life Expectancy (Years)

Sample Ages[1]	Men	Women
50	30.4	34.6
55	25.7	29.7
60	21.2	25.1
65	16.9	20.7
70	13.0	16.7
75	9.7	13.0
80	6.9	9.8
85	4.8	7.1

[1] Ages in 2000

Figure 47

Rates of Separation from Active Membership

This assumption (see Figure 48 below) measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire. This assumption was last revised for the December 31, 2009 valuation.

Rates of Separation

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

Figure 48

Rates of Disability

This assumption measures the probabilities of a member becoming disabled (see Figure 49). Disabilities are assumed to be non-duty related. These rates were first used for the December 31, 2009 valuation.

Rates of Active Member Disability

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

Figure 49

Wichita Employees' Retirement System Actuarial Tables

Active Member Valuation Data

	Number of Members				Annual		% Increase In
Valuation Date	Plan 1	Plan 2	Plan 3[1]	Total	Payroll ($000's)	Average Annual Pay	Average Annual Pay
12/31/2008	92	958	852	1,902	$81,580	$42,892	3.4%
12/31/2009	80	998	740	1,818	82,704	45,492	6.1
12/31/2010	61	993	661	1,715	79,636	46,435	2.1
12/31/2011	31	916	611	1,558	75,444	48,424	4.3
12/31/2012	26	950	527	1,503	70,783	47,094	(2.7)
12/31/2013	15	957	517	1,489	70,952	49,068	4.2

[1] Does not include vested Plan 3 Members

Figure 50

Average Annual Pay and Total Members

Figure 51

Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls #	Added to Rolls Annual Pensions[1]	Removed from Rolls #	Removed from Rolls Annual Pensions[1]	End of Year Rolls #	End of Year Rolls Annual Pensions[1]	Annual Pensions Average Pension	Annual Pensions Average Increase
12/31/2008	79	$1,879,045	44	$693,343	1,167	$27,520,308	$23,582	3.6
12/31/2009	66	1,338,875	52	708,830	1,181	28,730,505	24,327	3.2
12/31/2010	71	1,847,020	59	949,872	1,193	29,855,835	26,026	2.9
12/31/2011	164	4,305,336	47	824,103	1,310	32,885,454	25,103	0.3
12/31/2012	50	1,010,373	58	1,036,870	1,302	31,730,663	24,371	(2.9)
12/31/2013	72	1,676,296	47	744,036	1,327	33,294,857	25,090	2.95

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

Figure 52

Solvency Test

	Aggregate Actuarial Liability for						
Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries[1]	(3) Active Members (Employer Financed) Portion)	Reported Valuation Assets	Portion of Actuarial Liabilities Covered by Reported Assets (1)	(2)	(3)
12/31/2008	$46,541,280	$272,176,420	$193,655,822	$512,853,345	100%	100%	100.2%
12/31/2009	49,152,328	279,396,973	200,722,170	509,493,888	100	100	90.1
12/31/2010	50,473,365	293,227,477	196,734,871	516,307,845	100	100	87.7
12/31/2011	45,440,569	349,202,490	160,530,664	513,298,382	100	100	73.9
12/31/2012	49,519,050	347,350,296	174,936,109	520,320,051	100	100	70.6
12/31/2013	50,337,976	362,224,034	169,823,819	542,157,342	100	100	76.3

[1] Includes vested terminated members.

Figure 53

System Experience

For the year ended December 31, 2013, the Wichita Employees' Retirement System generated an actuarial gain of $11.6 million, or 2.0% of the beginning of the year actuarial liability (see Figure 54).

Derivation of System Experience Gain/(Loss)

			Year Ended 12/31/13 (in millions)
(1)		UAL[1] at start of year	$51.5
(2)	+	Normal cost for year	8.6
(3)	+	Assumed investment return on (1) and (2)	4.3
(4)	-	Actual contributions (member + City)	12.2
(5)	-	Assumed investment return on (4)	0.4
(6)	=	Expected UAL at end of year	51.8
(7)	+	Increase (decrease) from assumption changes	0.0
(8)	=	Expected UAL after changes	51.8
(9)	=	Actual UAL at year end	40.2
(10)	=	Experience gain (loss) (8) – (9) [2]	$11.6
(11)	=	Percent of beginning of year AL	2.0%

[1] Unfunded Actuarial Liability/(Surplus)

[2] Of this amount, $7.4 million of the experience gain is due to an experience gain on the actuarial value of assets and $4.2 million represents an experience gain on liabilities.

Figure 54

Wichita Employees' Retirement System Summary of Benefit Provisions

Defined Benefit Plans 1 and 2

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

Normal Retirement

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

Early Retirement

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

Service-Connected Disability

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

Non-Service Connected Disability

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

Deferred Retirement Option Plan (DROP)

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

Deferred Retirement

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

Pre-Retirement Survivor Benefits

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

Post-Retirement Survivor Benefits

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

- **Benefit**
  - Final partial benefit due retiree through date of death, plus balance, if any, of contributions and interest.
  - Plan 1: $1,500 funeral benefit.

<u>Refund of Contributions</u>

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

<u>Post-Retirement Adjustment of Pension Benefit</u>

- **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).

<u>Employee Contributions</u>

- 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).

<u>Employer Contributions</u>

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

<u>Unused Sick Leave</u>

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

Defined Contribution Plan 3

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

<u>Employee Contributions</u>

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

<u>Employer Contributions</u>

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

<u>Vesting of Contributions</u>

- 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.

<u>Distribution of Vested Accounts</u>

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

<u>Service-Connected Disability</u>

- **Eligibility**
  - No age or service requirement. Disability must be permanent and total, and precludes the performance of any duties for a City position commensurate with the employee’s training, experience, and education.

- **Benefit**
  - 50% of final rate of salary; or distribution of vested Plan 3 account.

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

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

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

Police and Fire Retirement System Actuarial Information

Actuarial Cost Method

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

- The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement;
- Each annual normal cost is a constant percentage of the member's year-by-year projected covered compensation;
- Normal costs for Plans A and B (closed plans) were based on Plan C-79 (open plan) assumptions and benefit conditions.

The Entry Age Normal actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's assumed pensionable compensation rates between the entry age of the member and the assumed exit age. By applying the Entry Age Normal cost method as described above, the ultimate normal cost will remain level as a percent of active member payroll (if actuarial assumptions are realized) as Plan A and Plan B members leave active status and are replaced by members entering Plan C-79.

The portion of the actuarial present value of retirement system benefits allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial liability. Deducting actuarial assets from the actuarial liability determines the unfunded actuarial liability or (surplus). The Police and Fire Retirement System (PFRS) had an unfunded actuarial accrued liability of $46.5 million as of December 31, 2013.

Actuarial Assumptions Used for Valuations

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

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

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

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

Salary Projections

These assumptions are used to project current salaries to determine average annual compensation. They consist of the same inflation component used for the investment return assumption, a component reflecting productivity and the competition from other employers for personnel, and a years of service component to reflect promotion and longevity increments (see Figure 55).

Salary increases are assumed to occur mid-year. The salary increase assumptions are expected to produce 4.00% annual increases in active member payroll (the inflation and productivity base rate) given a constant active member group size. This is the same payroll growth assumption used to amortize the unfunded actuarial liability. The rate of return over assumed wage growth is 3.75% per year. These assumptions were first used for the December 31, 2009 valuation.

Annual Rate of Salary Increases

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

Figure 55

Forfeiture of Vested Benefits

A percentage of the actuarial present value of vested termination benefits will be forfeited by a withdrawal of accumulated contributions. The percentage is applied individually based on years of service. This table (Figure 56 below) was first used for the December 31, 2004 valuation.

Forfeiture of Vested Benefits

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

Figure 56

Rates of Retirement

These rates (see Figure 57 and Figure 58) are used to measure the probability of eligible members retiring and applicable elections under the BackDROP program. It is assumed that members who retire under service retirement provisions elect a BackDROP of up to five years which maximizes the actuarial value of the retirement benefit determined as of the retirement date. These rates were first used for the December 31, 2009 valuation.

Rates of Retirement for Plans A and B

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

Figure 57

Rates of Retirement for Plan C-79

Retirement Age	% 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

Figure 58

Rates of Separation from Active Membership

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

Rates of Separation

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

Figure 59

Rates of Disability

This assumption measures the probabilities of a member receiving a disability retirement (see Figure 60). The rates do not apply to members who are eligible to retire. The rates of recovery from disability are assumed to be zero. These rates were first used for the December 31, 1999 valuation.

Rates of Disability

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

Figure 60

Mortality Table

The RP-2000 mortality tables (RP-2000 Healthy Annuitant Tables, RP-2000 Disabled Table and RP-2000 Employee Table) were first used for the December 31, 2004 valuation (see Figure 61 below). The RP-2000 Tables are used with generational mortality. These tables measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

Future Life Expectancy (Years)

Sample Ages[1]	Men	Women
50	32.3	34.6
55	27.6	29.7
60	23.0	25.1
65	18.5	20.7
70	14.5	16.7
75	10.9	13.0
80	7.9	9.8
85	5.6	7.1

[1] Ages in 2000

Figure 61

Marriage

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

Sick Leave

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

Police and Fire Retirement System Actuarial Tables

Active Member Valuation Data

Valuation Date	Number of Members: Plan A	Number of Members: Plan C-79	Number of Members: Total Members	Annual Payroll ($000's)	Average Annual Pay	% Increase In Average Annual Pay
12/31/2008	47	1,029	1,076	$60,282	$56,024	6.7
12/31/2009	32	1,068	1,100	63,055	57,323	2.3
12/31/2010	21	1,068	1,089	63,077	57,922	1.0
12/31/2011	14	1,074	1,088	62,759	57,683	(0.4)
12/31/2012	11	1,073	1,084	64,150	59,179	2.6
12/31/2013	9	1,076	1,085	65,306	60,190	1.7

Figure 62

Average Annual Pay and Total Members

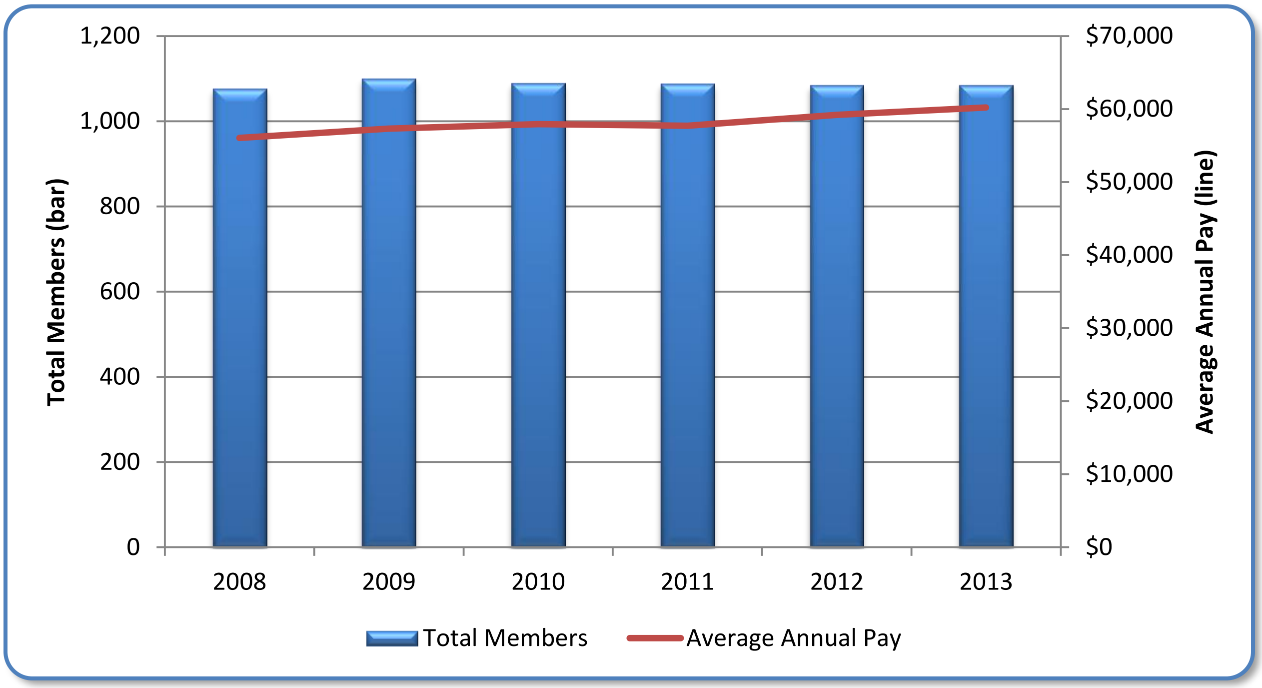


Figure 63

Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls: #	Added to Rolls: Annual Pensions[1]	Removed from Rolls: #	Removed from Rolls: Annual Pensions[1]	End of Year Rolls: #	End of Year Rolls: Annual Pensions[1]	Annual Pensions: Average Pension	Annual Pensions: Average Increase
12/31/2008	39	$510,543	32	$417,236	840	$19,492,053	$23,205	2.9%
12/31/2009	57	1,959,741	24	398,908	873	21,357,569	24,465	5.4
12/31/2010	47	1,439,435	28	541,662	892	22,570,141	25,303	3.4
12/31/2011	48	1,615,338	29	525,289	911	24,030,607	26,378	4.2
12/31/2012	33	1,201,800	23	435,120	921	25,226,219	27,390	3.8
12/31/2013	48	1,938,485	17	380,985	952	27,143,376	28,512	4.2

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

Figure 64

Solvency Test

	Aggregate Actuarial Liability for				Portion of Actuarial Liabilities Covered by Reported Assets		
	(1)	(2)	(3)				
Valuation Date	Active Member Contributions	Retirants and Beneficiaries[1]	Active Members (Employer Financed) Portion)	Reported Valuation Assets	(1)	(2)	(3)
12/31/2008	$58,050,319	$238,590,747	$199,920,080	$472,345,191	100%	100%	87.9%
12/31/2009	60,326,408	257,298,665	202,309,181	480,555,562	100	100	80.5
12/31/2010	63,515,814	270,693,677	202,698,947	497,925,786	100	100	80.8
12/31/2011	66,390,179	293,730,691	202,367,017	510,946,217	100	100	74.5
12/31/2012	70,527,705	305,985,839	212,559,831	533,380,618	100	100	73.8
12/31/2013	74,238,693	325,096,785	218,412,805	571,261,929	100	100	78.7

[1] Includes vested terminated members.

Figure 65

System Experience

For the year ended December 31, 2013, the Police and Fire Retirement System generated an actuarial gain of $9.0 million, or 1.5% of the beginning of the year actuarial liability (see Figure 66).

Derivation of System Experience Gain/(Loss)

			Year Ended 12/31/13 (in millions)
(1)		UAL[1] at start of year	$55.7
(2)	+	Normal cost for year	15.2
(3)	+	Assumed investment return on (1) and (2)	4.9
(4)	-	Actual contributions (member + City)	19.5
(5)	-	Assumed investment return on (4)	0.8
(6)	=	Expected UAL at end of year	55.5
(7)	+	Increase (decrease) from assumption changes	0.0
(8)	=	Expected UAL after changes	55.5
(9)	=	Actual UAL at year end	46.5
(10)	=	Experience gain (loss) (9) – (10) [2]	$ 9.0
(11)	=	Percent of beginning of year AL	1.5%

[1] Unfunded Actuarial Liability/(Surplus)

[2] Of this amount, there was an experience gain of $9.1 million due to the actuarial value of assets and an experience loss of $0.1 million on actuarial liabilities.

Figure 66

Police and Fire Retirement System Summary of Benefit Provisions

Defined Benefit Plans A, B and C-79

Plan A is a closed plan which is applicable to members who entered the System between January 1, 1965 and December 31, 1978; and to members who entered prior to January 1, 1965 and elected Plan A coverage. Plan B is a closed plan which is applicable to members who entered the System prior to January 1, 1965 and elected Plan B coverage. Plan C-79 is an open plan which is applicable to members entering the System after December 31, 1978.

Service Retirement

- **Eligibility**
  - Plan A and Plan B: Any age with 20 years of service.
  - Plan C-79: Age 55 with between 10 and 20 years of service, age 50 with 20 or more years of service, or any age with 30 years of service.
- **Benefit**
  - Years of service times 2.5% of final average salary, to a maximum of 75%.
- **Final Average Salary**
  - Average for the three consecutive years within the last 10 years of service that produce the highest average salary.

Deferred Retirement

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

Backward Deferred Retirement Option Plan (Back DROP)

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

Service-Connected Disability

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

Non-Service Connected Disability

- **Eligibility**
  - Seven or more years of service and under age 55. Disability must be permanent and preclude employee from performing the duties of their position.
- **Benefit**
  - 30% of final average salary plus 1% of final average salary for each year of service in excess of seven years. Maximum is 50% of final average salary.
- **Conditions**
  - Benefit plus earnings from gainful employment cannot exceed current salary for rank held at the time of disability.

Pre-Retirement Survivor Benefits Service-Connected Death

- **Eligibility**
  - When death results from performance of duty as a fire fighter or police officer, there is no minimum service requirement. Spouse and minor children of member at the time of death are eligible for a survivor's benefit.
- **Benefit**
  - 50% of final salary plus 10% of final salary for each minor child under age 18, to a maximum of 75% of final salary. If no surviving spouse, benefit is 20% of final salary for each child to a maximum of 60% of final salary; terminates when child reaches age 18.

Pre-Retirement Benefits Non-Service Connected Death

- **Eligibility:** Spouse and minor children of member at the time of death.
  - Plan A and Plan C-79: Three or more years of service.
  - Plan B: Twenty or more years of service.
- **Benefit**
  - Plan A and Plan C-79: 35% of final average salary plus 1% of final average salary for each year of service over three years to a maximum of 50% of final average salary, plus 10% of final average salary on account of each minor child under age 18 to a maximum of 66 2/3% of final average salary. If no surviving spouse, benefit is 15% of final average salary on account of each child to a maximum of 50% of final average salary; terminates when child reaches age 18.
  - Plan B: 50% of final salary.
- **Designated Beneficiary**
  - The beneficiary designated by an unmarried member or by a married member who fails to meet the service requirements for the surviving spouse benefit.
- **Benefit**
  - Member's accumulated contributions plus 5% annual interest, beginning January 1, 2000.

Post-Retirement Survivor Benefits

- **Eligibility**
  - Twenty or more years of service. If retired prior to January 1, 2000, surviving spouse must have been married to retired member at date of retirement. Effective January 1, 2000, surviving spouse must have been married to retired member for a minimum of 12 months at time of death.
- **Benefit**
  - Plan A and Plan C-79: 35% of final average salary plus 1% of final average salary for each year of service over three years to a maximum of 50% of final average salary, plus 10% of final average salary for each minor child under age 18 to a maximum of 66 2/3%. If no surviving spouse, 15% for each child to a maximum of 50%.
  - Plan B: 50% of final salary to surviving spouse or children under age 18.

Refund of Contributions

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

Funeral Benefit

- **Eligibility**
  - Members who retired after November 21, 1973.
- **Amount**
  - $750

Post-Retirement Adjustment of Pension Benefit

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

Employee Contributions

- Plan A: 8% of salary
- Plan B: 6% of salary
- Plan C-79: 7% of salary

Employer Contributions

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

Unused Sick Leave

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

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

Statistical Section

STATISTICAL SECTION

Statistical Section Overview

This section includes detailed schedules showing trends regarding changes in the net position, including deductions from the net position for benefits and refunds beginning on page 68, average benefit payments beginning on page 72, and retired members by type and benefit amount beginning on page 74. These schedules may be considered useful in evaluating the condition of the Systems and understanding the information presented in the financial statements, note disclosures and required supplementary information.

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

Changes in Plan Net Position (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued on next page)

	2013	2012	2011	2010
ADDITIONS				
Employer contributions	$7,990,502	$ 6,471,423	$ 6,596,124	$ 4,529,765
Employee contributions	2,304,481	2,343,641	2,537,440	2,664,619
Net investment income (loss)	92,166,874	57,965,946	2,570,423	55,169,082
Transfers from other funds[1]	2,465,600	2,025,607	2,680,431	1,276,393
Total additions	104,927,457	68,806,617	14,384,418	63,639,859
DEDUCTIONS				
Benefits				
Service retirement	29,346,178	28,490,161	25,279,476	23,806,844
Survivor benefit	2,762,399	2,658,630	2,591,380	2,478,774
DROP lump sum	2,650,766	1,327,860	5,873,920	3,104,564
Qualified domestic relations order	56,936	53,820	56,285	74,004
Disability (service)	57,193	67,910	67,247	78,511
Disability (non-service)	232,372	243,470	247,876	254,152
Funeral	267,956	93,770	66,890	93,649
Contribution refunds (separation)	570,712	341,634	449,266	191,171
Pension administration	404,514	396,167	444,630	429,764
Depreciation	63,890	62,562	63,016	63,477
Total deductions	36,412,916	33,735,984	35,139,986	30,574,910
Change in net position	68,514,541	35,070,633	(20,755,568)	33,064,949
Net position - beginning	479,665,044	444,594,411	465,349,979	432,285,030
Net position – ending	**$548,179,585**	**$479,665,044**	**$444,594,411**	**$465,349,979**

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

Figure 67

Changes in Plan Net Position (Last Ten Fiscal Years)

Police and Fire Retirement System (continued on next page)

	2013	2012	2011	2010
ADDITIONS				
Employer contributions	$14,889,714	$ 14,113,014	$ 13,806,880	$ 13,119,984
Employee contributions	4,607,691	4,543,523	4,403,425	4,467,983
Net investment income (loss)	99,494,232	60,619,414	2,404,099	54,963,698
Total additions	118,991,637	79,275,951	20,614,404	72,551,665
DEDUCTIONS				
Benefits				
Service retirement	21,081,456	19,751,947	18,492,549	17,657,512
Survivor benefit	2,963,019	2,798,141	2,704,987	2,569,695
Backward DROP lump sum	5,202,861	3,245,820	2,877,779	4,296,127
Qualified domestic relations order	130,426	116,670	117,737	115,432
Disability (service)	1,701,928	1,816,648	1,835,512	1,745,289
Disability (non-service)	68,445	67,428	66,411	65,394
Funeral	9,871	11,425	21,371	16,618
Contribution refunds (separation)	402,003	357,192	636,120	492,380
Pension administration	401,901	396,424	445,898	421,251
Depreciation	63,890	62,562	63,016	63,477
Total deductions	32,025,800	28,624,257	27,261,380	27,443,175
Change in net position	86,965,837	50,651,694	(6,646,976)	45,108,490
Net position – beginning	511,492,439	460,840,745	467,487,721	422,379,231
Net position – ending	**$598,458,276**	**$511,492,439**	**$460,840,745**	**$467,487,721**

Figure 68

Changes in Plan Net Position (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued from previous page)

2009	2008	2007	2006	2005	2004
$ 2,545,331	$ 2,450,162	$ 2,357,052	$ 2,264,339	$ 2,170,650	$ 2,084,558
2,639,080	2,621,076	2,543,563	2,445,103	2,358,466	2,279,422
78,011,118	(150,525,640)	54,108,853	67,028,887	36,074,046	38,840,471
1,664,681	2,019,289	2,102,726	1,983,067	1,562,135	1,528,790
84,860,210	(143,435,113)	61,112,194	73,721,396	42,165,297	44,733,241
22,406,162	21,107,131	19,618,444	18,731,065	17,647,226	16,589,983
2,449,423	2,369,917	2,174,019	2,069,030	1,940,571	1,807,897
2,352,858	1,820,599	2,809,284	947,843	2,168,410	879,053
81,064	63,516	60,617	59,079	56,532	55,836
75,314	76,736	100,921	110,817	124,673	141,872
262,579	286,251	218,443	210,243	199,428	222,810
55,317	71,192	70,929	73,779	59,210	63,852
247,890	313,595	232,417	287,379	251,710	387,089
444,112	438,411	384,528	355,954	296,883	271,128
64,615	34,266	-	-	-	-
28,439,334	26,581,614	25,669,602	22,845,189	22,744,643	20,419,520
56,420,876	(170,016,727)	35,442,592	50,876,207	19,420,654	24,313,721
375,864,154	545,880,881	510,438,289	459,562,082	440,141,428	415,827,707
$432,285,030	**$375,864,154**	**$545,880,881**	**$510,438,289**	**$459,562,082**	**$440,141,428**

Changes in Plan Net Position (Last Ten Fiscal Years)

Police and Fire Retirement System (continued from previous page)

2009	2008	2007	2006	2005	2004
$ 11,034,552	$ 10,549,401	$ 10,029,253	$ 9,849,536	$ 7,308,916	$ 6,925,467
4,443,524	4,277,247	4,056,022	3,789,743	3,652,348	3,482,237
75,500,370	(140,686,744)	49,134,414	59,897,041	31,745,327	33,716,897
90,978,446	(125,860,096)	63,219,689	73,536,320	42,706,591	44,124,601
16,313,729	15,124,453	14,767,792	14,350,119	13,820,287	13,253,231
2,367,563	2,293,653	2,175,191	2,080,107	2,007,215	1,910,236
3,444,839	2,013,670	873,050	641,517	977,977	635,674
93,762	80,179	72,056	64,614	66,348	57,753
1,557,901	1,459,306	1,476,513	1,558,438	1,414,202	1,447,143
64,377	63,359	62,342	69,970	68,801	72,761
14,891	18,351	15,578	18,655	51,950	18,657
295,424	493,516	254,190	384,672	313,219	283,197
438,348	418,165	366,637	354,904	315,068	262,061
64,615	34,266	-	-	-	-
24,655,449	21,998,918	20,063,349	19,522,996	19,035,067	17,940,713
66,322,997	(147,859,014)	43,156,340	54,013,324	23,671,524	26,183,888
356,056,234	503,915,248	460,758,908	406,745,584	383,074,060	356,890,172
$422,379,231	**$356,056,234**	**$503,915,248**	**$460,758,908**	**$406,745,584**	**$383,074,060**

Changes in Plan Net Position (Last Ten Fiscal Years)

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

	2013	2012	2011	2010
ADDITIONS				
Employer contributions	$1,116,464	$ 1,189,456	$ 1,244,150	$ 2,298,753
Employee contributions	1,116,240	1,189,456	1,244,150	1,349,100
Net investment income (loss)	3,655,978	2,315,117	170,531	2,124,997
Transfers from other funds	-	-	-	-
Total additions	5,888,682	4,694,029	2,658,831	5,772,850
DEDUCTIONS				
Contribution refunds	1,010,244	959,751	709,739	642,116
Pension administration	73,351	72,742	76,217	73,844
Depreciation	54,763	53,625	54,017	54,408
Transfers to other funds[1]	2,465,600	2,025,607	2,680,431	1,276,393
Total deductions	3,603,958	3,111,725	3,520,404	2,046,761
Change in net position	2,284,724	1,582,304	(861,573)	3,726,089
Net position – beginning	19,641,813	18,059,509	18,921,082	15,194,993
Net position - ending	**$21,926,537**	**$19,641,813**	**$18,059,509**	**$18,921,082**

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

Figure 69

Changes in Plan Net Position (Last Ten Fiscal Years)

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

2009	2008	2007	2006	2005	2004
$ 1,478,256	$ 1,494,079	$ 1,428,686	$ 1,369,009	$ 1,281,156	$ 1,219,589
1,478,256	1,494,079	1,428,686	1,369,009	1,281,156	1,219,589
2,608,965	(4,387,641)	1,542,383	1,876,517	978,703	1,107,359
-	-	-	-	-	-
5,565,477	(1,399,483)	4,399,755	4,614,535	3,541,-15	3,546,537
477,290	698,751	864,999	786,140	628,696	400,787
77,565	69,865	32,639	31,374	29,512	33,056
55,384	29,371	-	-	-	-
1,664,681	2,019,289	2,102,726	1,983,067	1,562,135	1,528,790
2,274,920	2,817,276	3,000,364	2,800,581	2,220,343	1,962,633
3,290,557	(4,216,759)	1,399,391	1,813,954	1,320,672	1,583,904
11,904,436	16,121,195	14,721,804	12,907,850	11,587,178	10,003,274
$15,194,993	**$11,904,436**	**$16,121,195**	**$14,721,804**	**$12,907,850**	**$11,587,178**

Average Benefit Payments (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued on next page)

	2013	2012	2011	2010
Average monthly pension				
0 - 5 Years of Service	$ -	$ -	$ -	$ -
5 - 10 Years of Service	1,164	980	554	404
10 - 15 Years of Service	1,278	921	994	974
15 - 20 Years of Service	1,621	2,026	1,655	1,429
20 - 25 Years of Service	1,992	2,492	1,853	2,046
25 - 30 Years of Service	2,433	2,477	2,435	3,250
30+ Years of Service	3,891	3,455	3,187	3,234
Average for All Years of Service	**1,760**	**2,084**	**$1,844**	**$1,997**
Average final average salary				
0 - 5 Years of Service	$ -	$ -	$ -	$ -
5 - 10 Years of Service	5,437	3,361	3,110	2,212
10 - 15 Years of Service	4,091	3,472	3,298	3,248
15 - 20 Years of Service	3,914	4,541	4,359	3,733
20 - 25 Years of Service	4,288	5,275	4,021	4,043
25 - 30 Years of Service	4,397	4,762	4,090	4,839
30+ Years of Service	5,388	5,125	4,703	4,527
Average for All Years of Service	**$4,409**	**$4,460**	**$3,995**	**$3,977**
Number of members retiring				
0 - 5 Years of Service	-	-	-	-
5 - 10 Years of Service	8	2	11	1
10 - 15 Years of Service	17	6	21	5
15 - 20 Years of Service	12	5	23	9
20 - 25 Years of Service	6	4	31	12
25 - 30 Years of Service	7	6	18	6
30+ Years of Service	4	4	19	3
Total for All Years of Service	**54**	**27**	**123**	**36**

Figure 70

Average Benefit Payments (Last Ten Fiscal Years)

Police and Fire Retirement System (continued on next page)

	2013	2012	2011	2010
Average monthly pension				
0 - 5 Years of Service	$ -	$ -	$ -	$ 290
5 - 10 Years of Service	3,371	-	-	-
10 - 15 Years of Service	2,254	2,344	2,381	2,852
15 - 20 Years of Service	3,930	3,929	3,784	-
20 - 25 Years of Service	3,037	3,691	2,983	2,745
25 - 30 Years of Service	4,138	-	4,064	3,646
30+ Years of Service	4,790	-	4,847	1,993
Average for All Years of Service	**$3,697**	**$3,281**	**$3,349**	**$2,928**
Average final average salary				
0 - 5 Years of Service	$ -	$ -	$ -	$2,956
5 - 10 Years of Service	4,262	-	-	-
10 - 15 Years of Service	4,065	3,838	3,980	5,058
15 - 20 Years of Service	4,961	5,120	4,970	-
20 - 25 Years of Service	4,936	5,652	4,704	5,100
25 - 30 Years of Service	5,696	-	5,810	5,134
30+ Years of Service	6,387	-	6,463	4,269
Average for All Years of Service	**$5,337**	**$4,959**	**$4,997**	**$4,839**
Number of members retiring				
0 - 5 Years of Service	-	-	-	1
5 - 10 Years of Service	1	-	-	-
10 - 15 Years of Service	3	2	2	2
15 - 20 Years of Service	1	1	2	-
20 - 25 Years of Service	10	3	9	2
25 - 30 Years of Service	20	-	4	7
30+ Years of Service	2	-	1	2
Total for All Years of Service	**37**	**6**	**18**	**14**

Figure 71

Average Benefit Payments (Last Ten Fiscal Years)

Wichita Employees' Retirement System (continued from previous page)

2009	2008	2007	2006	2005	2004
$ -	$ -	$ -	$ -	$ -	$ -
593	528	554	436	532	420
1,158	821	894	692	712	893
1,482	1,547	1,180	1,129	1,288	1,062
2,173	2,250	1,895	2,038	1,567	1,627
2,870	3,137	3,015	3,342	3,251	3,467
2,758	3,760	3,443	2,265	2,460	2,062
$2,084	**$2,420**	**$2,199**	**$2,342**	**$2,270**	**$2,210**
$ -	$ -	$ -	$ -	$ -	$ -
2,962	2,660	4,493	2,538	2,532	2,426
3,904	3,089	3,414	2,708	2,692	2,996
3,451	3,901	3,239	2,932	3,399	2,848
4,192	4,133	3,432	3,720	3,545	3,462
4,225	4,371	4,215	4,520	4,465	4,686
4,008	5,005	4,591	3,020	3,818	2,878
$3,929	**$4,094**	**$3,861**	**$3,830**	**$3,864**	**$3,730**
-	-	-	-	-	-
6	4	2	5	5	3
10	16	9	4	1	4
5	9	7	5	11	7
5	6	9	9	6	6
23	25	29	25	25	18
4	18	1	1	4	3
53	**78**	**57**	**49**	**52**	**41**

Average Benefit Payments (Last Ten Fiscal Years)

Police and Fire Retirement System (continued from previous page)

2009	2008	2007	2006	2005	2004
$ -	$ -	$ -	$ -	$ -	$ -
3,016	-	-	4,549	2,629	2,390
2,237	2,539	-	2,249	3,277	2,578
3,834	-	-	3,393	-	3,194
2,808	2,489	2,436	2,346	2,306	2,282
3,964	3,989	3,635	3,410	3,184	3,054
4,034	4,308	3,400	3,462	4,484	3,540
$3,180	**$3,351**	**$3,132**	**$3,092**	**$3,249**	**$3,057**
$ -	$ -	$ -	$ -	$ -	$ -
3,341	-	-	4,221	2,919	2,998
5,074	4,536	-	4,559	3,912	2,967
4,893	-	-	3,023	-	4,179
4,771	4,615	3,992	3,774	3,979	3,995
5,426	5,488	5,030	4,872	4,467	4,271
5,378	5,744	4,534	4,793	5,118	4,765
$4,943	**$5,113**	**$4,565**	**$4,515**	**$4,391**	**$4,271**
-	-	-	-	-	-
2	-	-	1	1	1
4	2	-	4	1	1
1	-	-	1	-	3
12	7	8	5	4	4
9	9	10	11	9	11
1	2	2	5	4	8
29	**20**	**20**	**27**	**19**	**28**

Retired Members by Type and Benefit Amount

Wichita Employees' Retirement System

(as of December 31, 2013)

Amount of Monthly Benefit	Active in DROP	Non-Service Disability	QDRO[1]	Service	Service Disability	Survivor	Total
$ 0-500	0	2	2	67	0	79	150
500-1000	3	9	1	144	1	75	233
1000-1500	2	6	1	131	0	61	201
1500-2000	5	1	0	152	3	31	192
2000-2500	5	1	1	107	1	9	124
2500-3000	8	0	0	103	0	3	114
3000-3500	10	0	0	105	0	1	116
3500-4000	3	0	0	77	0	0	80
4000-4500	3	0	0	58	0	0	61
4500-5000	3	0	0	34	0	0	37
>5000	1	0	0	61	0	0	62
Total	**43**	**19**	**5**	**1,039**	**5**	**259**	**1,370**

[1] Qualified Domestic Relations Order

Figure 72

Retired Members by Type and Benefit Amount

Police and Fire Retirement System

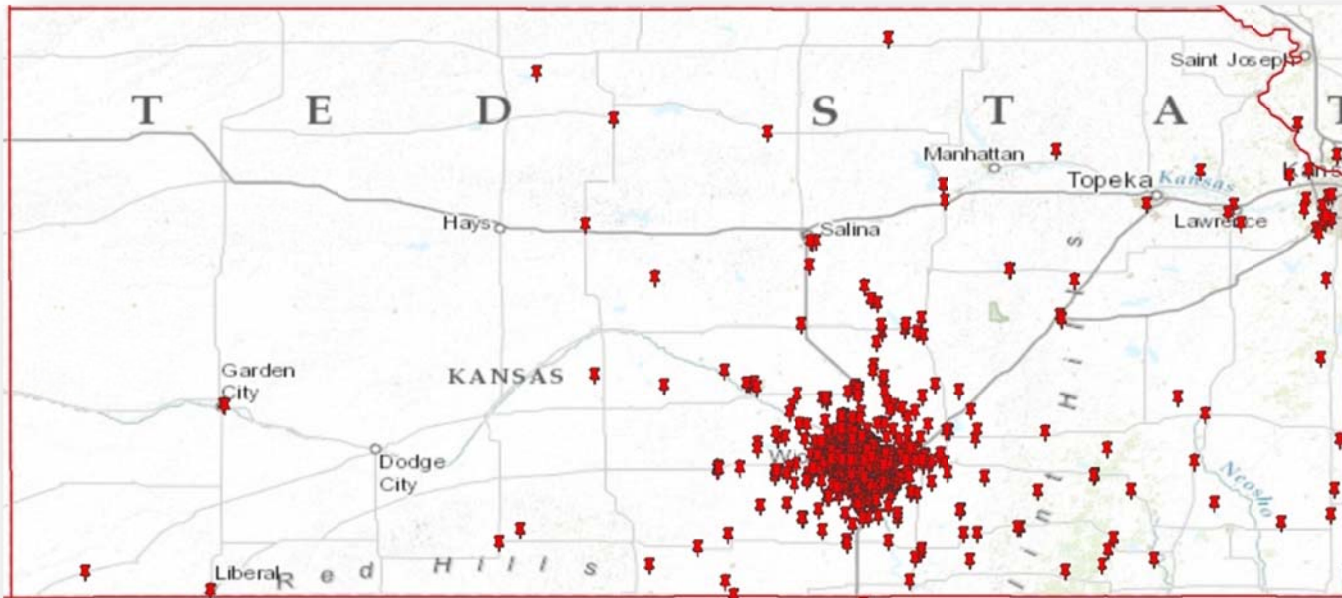
(as of December 31, 2013)

Amount of Monthly Benefit	Non-Service Disability	QDRO[1]	Recalc. Service Disability	Service	Service Disability	Survivor	Total
$ 0-500	0	2	0	5	0	6	13
500-1000	2	8	0	28	4	45	87
1000-1500	4	5	1	69	0	37	116
1500-2000	0	0	2	138	0	44	184
2000-2500	0	0	2	137	0	30	169
2500-3000	0	0	8	86	10	7	111
3000-3500	0	0	10	78	14	1	103
3500-4000	0	0	17	58	18	1	94
4000-4500	0	0	5	37	4	0	46
4500-5000	0	0	3	13	0	0	16
>5000	0	0	2	11	0	0	13
Total	**6**	**15**	**50**	**660**	**50**	**171**	**952**

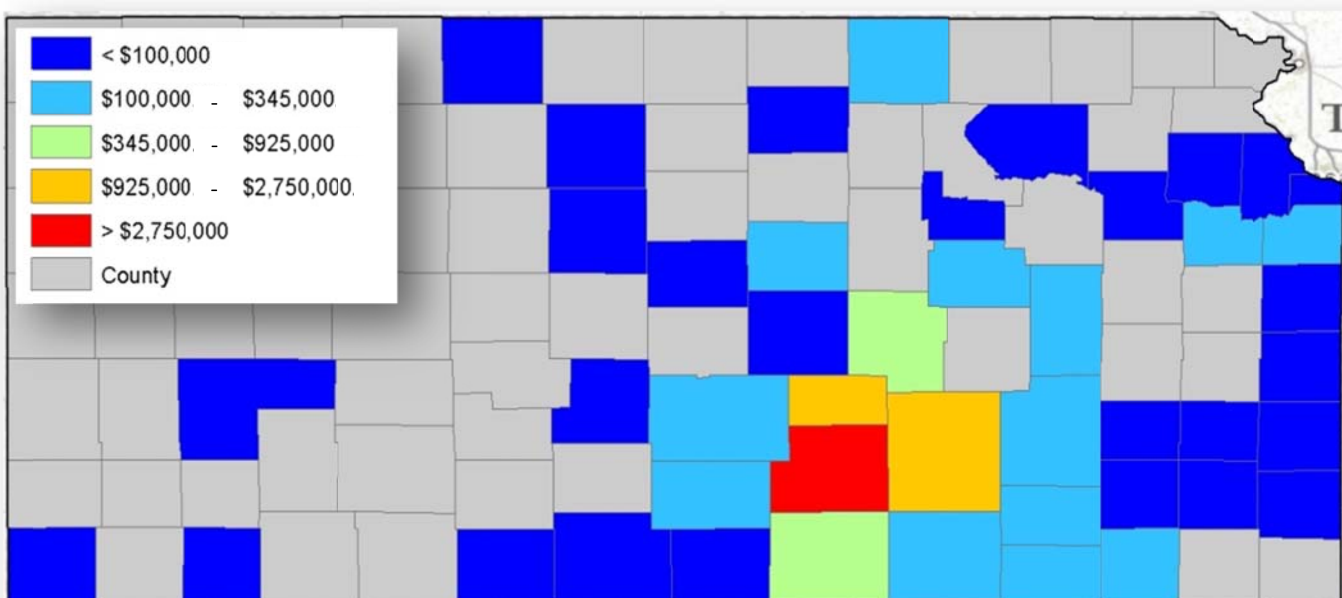
[1] Qualified Domestic Relations Order

Figure 73

Retiree Locations in Kansas



Estimated Total Annual Pensions per Kansas County



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