The Report of the Annual Actuarial Valuation

of the

Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri

April 30, 2003
for the Plan Year Ending April 30, 2004

Submitted to
The Retirement Board

The Police Retirement System of
Kansas City, Missouri

Gabriel, Roeder, Smith & Company

OUTLINE OF CONTENTS

September 30, 2003

The Retirement Board
Police Retirement System of
Kansas City, Missouri

Dear Board Members:

Submitted in this report are the results of the Annual Actuarial Valuation of the assets, actuarial values, and contribution requirements associated with benefits provided by the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri.

The date of the valuation was April 30, 2003.

Valuation results, comments and conclusions are contained in Section A.

The valuation was based upon information concerning Retirement System benefits, financial transactions, and individual members, terminated members, retirants and beneficiaries. Data was checked for year-to-year consistency but was not otherwise audited by us. This information is summarized in Section B.

Descriptions of the actuarial cost methods and actuarial assumptions are contained in Section C, along with a glossary of technical terms.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge this report is complete and accurate and was made in accordance with standards of practice promulgated by the Actuarial Standards Board of the American Academy of Actuaries. The actuarial assumptions used for the valuation produce results which we believe are reasonable.

Respectfully submitted,

Brian B. Murphy, F.S.A. Mita D. Drazilov, A.S.A.

MDD:kmg

SECTION A

Valuation Results, Comments, Recommendations, and Conclusion

FINANCIAL OBJECTIVE

The financial objective of the Retirement System is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year-to-year and will not have to be increased for future generations of citizens.

CONTRIBUTION RATES

The Retirement System is supported by member contributions, City contributions and investment income from Retirement System assets.

Contributions which satisfy the financial objective are determined by an annual actuarial valuation and are sufficient to:

(1) cover the actuarial present value of benefits assigned to the current year by the actuarial cost methods described in Section C (the normal cost); and

(2) amortize over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (unfunded actuarial accrued liability).

Contribution requirements for the fiscal year beginning May 1, 2003 are shown on page A-2.

CONTRIBUTIONS COMPUTED TO MEET THE FINANCIAL OBJECTIVE OF THE RETIREMENT SYSTEM

Contributions for Fiscal Year Beginning May 1	Contributions Expressed as Percents of Payroll 2003	2002
Normal Cost		
Age & service benefits	9.87 %	8.60 %
Death and disability benefits	0.66	0.77
Termination benefits		
Deferred age & service benefits	0.79	1.97
Refunds of member contributions	1.67	0.30
Supplemental retirement benefit	0.52	0.67
Assumed rate for administrative expenses	0.40	0.40
Total Normal Cost	13.91	12.71
Amortization Payment		
Scheduled amortization of UAAL*	3.93	0.41
Additional amortization of UAAL or (shortfall)	(5.70)	(0.98)
Total Amortization Payment	(1.77)	(0.57)
Total Reported Contribution	12.14 %	12.14 %
Member portion	5.00 %	5.00 %
City portion#	7.14 %	7.14 %

* Unfunded Actuarial Accrued Liabilities
\# It was reported that the City is contributing 7.14% for the fiscal year beginning May 1, 2003.

The annual required City contribution is 12.84% of pay -- greater than the scheduled amount shown above.

Unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll. A description of the method may be found on page C-1.

Procedures for determining dollar contribution amounts are described on page A-3.

Comparative contribution amounts for prior fiscal years are shown on page A-5.

DETERMINING DOLLAR CONTRIBUTIONS

For any period of time, the percent-of-payroll contribution rate needs to be converted to dollar amounts. We recommend one of the following procedures.

(1) Contribute dollar amounts at the end of each payroll period which are equal to the City's reported percent-of-payroll contribution rate of 7.14% shown on page A-2, multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include special payments that are covered compensation. **The City's computed employer contribution rate is 12.84%.**

(2) Contribute $1,637,311 on October 30, 2003, based upon the reported City contribution rate of 7.14%. This dollar amount was derived by multiplying the percent-of-payroll contribution requirement by the April 30, 2003 valuation payroll, projected to the fiscal year beginning May 1, 2003, using a 1.045 projection factor. If contributions are made on a later schedule, interest should be added at the rate of 0.65% per month. **The annual required contribution based upon the valuation results is $2,944,407.**

These two methods are essentially equivalent, and will produce the same result in the long term.

AMORTIZATION SCHEDULE FOR THE UNFUNDED ACCRUED LIABILITY

	Balances			24-Year Amortization	
	Date Created	Initial	Outstanding	Initial	2003/2004 Amortization
05/01/1998 Base	05/01/1998	$ 1,365,456	$ 1,442,216	$ 79,125	$ 102,329
05/01/1999 Base	05/01/1999	(352,183)	(369,565)	(20,408)	(25,257)
05/01/2000 Base	05/01/2000	(1,913,466)	(1,990,010)	(110,881)	(131,314)
05/01/2001 Base	05/01/2001	1,087,122	1,118,085	62,996	71,393
05/01/2002 Base	05/01/2002	1,210,843	1,229,081	72,816	76,093
05/01/2003 Base	05/01/2003	13,432,011	13,432,011	807,761	807,761
Total			**$ 14,861,818**		**$ 901,005**

COMPUTED AND ACTUAL CITY CONTRIBUTIONS
COMPARATIVE STATEMENT

			Fiscal Year Contributions				
			as a % of Projected Pay		$ Contributions		
Fiscal Year Beg. May 1	Valuation Date April 30	Projected Annual Payroll	Annual Required Contrib.	Reported FY City Contrib.	Annual Required Contrib.	Projected FY City Contrib.	Actual Dollar Contrib.
1997	1997	$14,417,285	7.18 %	3.00 %	$ 1,035,180	$ 432,519	$ 453,217
1998	1998	15,295,680	6.80	4.38	1,040,673	669,951	674,228
1999	1999	15,430,846	7.47	5.76	1,152,018	888,817	944,475
2000	2000	17,786,369	7.08	7.14	1,259,454	1,269,947	1,286,166
2001	2001	18,831,325	7.49	7.14	1,410,461	1,344,557	1,420,668
2002	2002	21,688,988	8.12	7.14	1,761,146	1,548,594	1,567,833
2003	2003	22,931,521	9.32	7.14	2,137,218	1,637,311	-
2003@	2003	22,931,521	12.84	7.14	2,944,407	1,637,311	

@ *After changes in actuarial assumptions or methods in conjunction with an experience study.* *Please see Comment D on page A-9.*

ACTUARIAL ACCRUED LIABILITIES & VALUATION ASSETS
COMPARATIVE STATEMENT

Valuation Date April 30	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Present Assets to AAL	Ratio of UAAL to Annual Payroll
1997	$ 39,525,068	$ 37,079,924	$ 2,445,144	93.8 %	17.0 %
1998	43,200,513	41,835,057	1,365,456	96.8	8.9
1999	48,627,168	47,593,329	1,033,839	97.9	6.7
2000	56,038,915	56,905,524	(866,609)	101.5	(5.0)
2001	62,097,908	61,895,208	202,700	99.7	1.1
2002	67,814,254	66,401,308	1,412,946	97.9	6.8
2003	74,223,626	68,182,691	6,040,935	91.9	27.5
2003@	83,044,509	68,182,691	14,861,818	82.1	67.7

@ *After changes in actuarial assumptions or methods.*

The Ratio of Valuation Assets to AAL is a traditional measure of a system's funding progress. Except in years when the system is amended or actuarial assumptions are revised, this ratio can be expected to move gradually toward 100%.

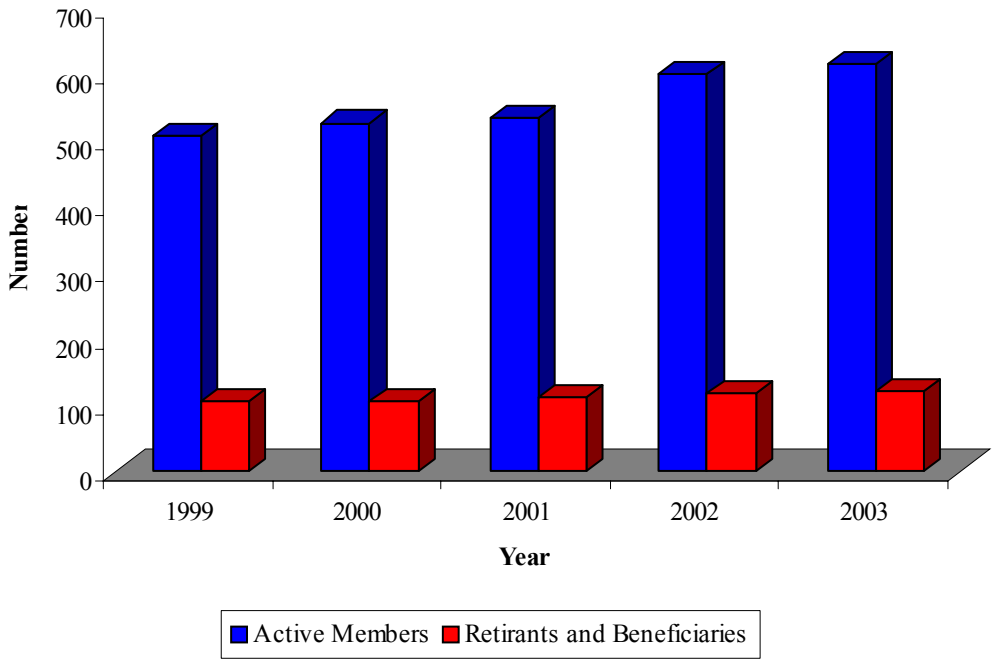
The Ratio of UAAL to Valuation Payroll is another relative index of condition. Actuarial unfunded liabilities represent debt, while active member payroll represents the system's capacity to collect contributions to pay toward debt. The lower the ratio, the greater the financial strength - and vice-versa.

SHORT CONDITION TEST
COMPARATIVE STATEMENT

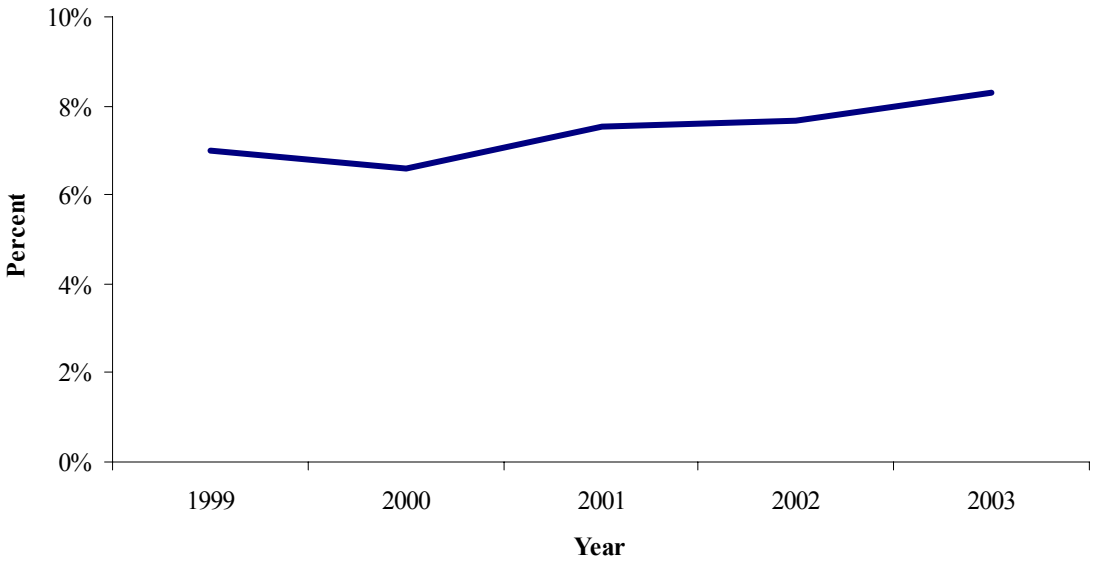
	Entry Age Accrued Liabilities				Portion of Accrued Liabilities Covered by Assets		
Valuation Date April 30	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Portion)	Valuation Assets	(1)	(2)	(3)
2002	$7,114,473	$19,950,246	$40,749,535	$66,401,308	100 %	100 %	97 %
2003	7,669,823	23,340,857	43,212,946	68,182,691	100	100	86
2003@	7,669,823	23,457,419	51,917,267	68,182,691	100	100	71

@ *After changes in actuarial assumptions or methods.*

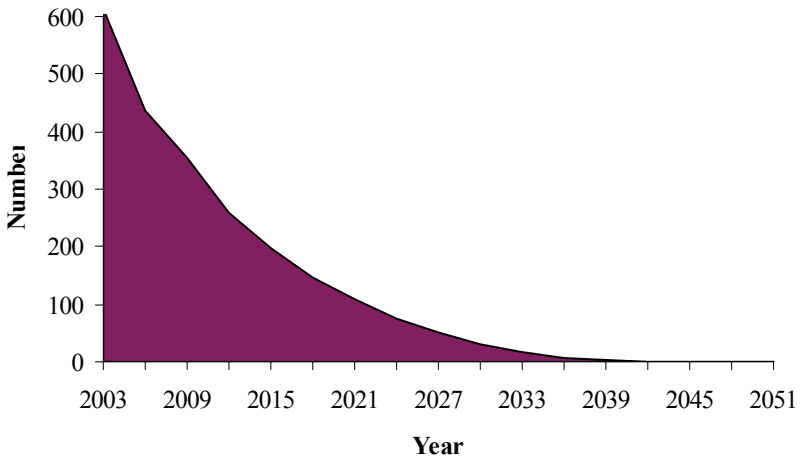
Active and Retired Members



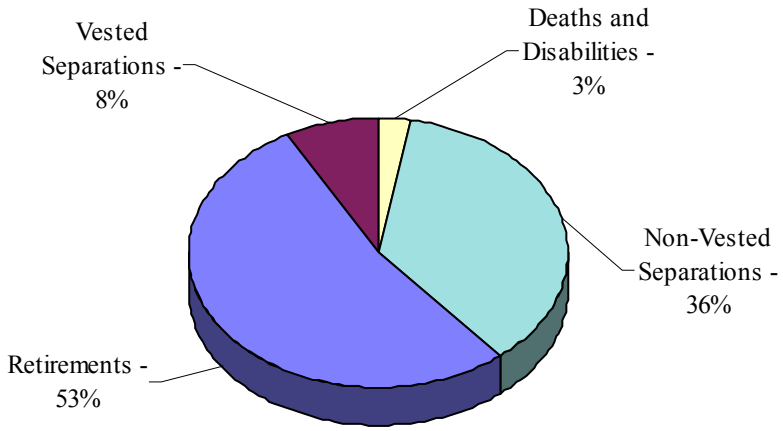
Benefits as a Percent-of-Payroll



Closed Group Population Projection



Expected Terminations from Active Employment for Current Active Members



COMMENTS, RECOMMENDATIONS, AND CONCLUSION

Comment A: For the fiscal year ending April 30, 2004, it was reported to the actuary that the City is contributing 7.14% of payroll. Based on the results of this valuation, the computed employer contribution rate is 12.84% of pay. For the long term well being of the retirement system, it is important that computed contributions be received. In the near term, when confronted with a contribution rate increase of this relative magnitude, some systems have permitted the increase to be phased in over a period of years. For example, the total computed increase in this valuation is 5.70%. If the increase were phased in over three future years, this would result in a scheduled increase of approximately 2% of payroll each year for those three years. Future gains and losses could, of course, affect the schedule.

Comment B: As of April 30, 2003, actuarial accrued liabilities were $83,044,509 while valuation assets were $68,182,691, resulting in a funded ratio of 82.1%. The funded ratio is likely to drop over the next several years as prior investment losses become more fully recognized. While this is a common situation in the United States today, a declining funded ratio indicates a weakening of the System's financial position.

Comment C: On a market value basis, the System earned (6.5)% return, in other words, it lost money on investments this year. Such losses have been a common experience for retirement systems across the country in recent years. The asset smoothing method smoothes gains and losses over 4 year periods. Consequently, not all of the losses that have occurred to date have been fully recognized in the valuation. There will be upward pressure on contribution rates as these prior losses gradually are recognized. Market rates of return well in excess of the actuarial assumed rate are required to offset that pressure. A recovery in the investment markets is important for this retirement system and for every other funded system in the country.

Comment D: The April 30, 2003 actuarial valuation includes the new non-economic assumptions and methods as a result of the experience study covering the 5-year period from May 1, 1997 to April 30, 2002. In particular, retirement probabilities were increased. This means that members are presumed to have shorter working careers in the future. This leads to higher funding requirements because there are assumed to be more retirees in the future. The new assumptions increased the computed contribution as was expected, based upon the results of the 1997-2002 experience study.

Recommendation 1: This valuation nominally produces a contribution rate for the fiscal year beginning May 1, 2003, but the valuation cannot be produced in time to permit those needed contributions to be budgeted. Many governmental retirement plans have instituted a time lag, such as one year, between the valuation date, and the period when contributions become due. If that were done in this case, it would mean that the results of this valuation would affect contributions that are due during the period May 1, 2004 through April 30, 2005. We recommend that the Board and Staff review this matter to see whether or not such an arrangement would produce a more satisfactory budgeting process, both for the Board, and for the City.

Recommendation 2: The ratio of funding value of assets to market value of assets is currently 119.5%. This means that in the financing of System benefits we are currently using $11.1 million in assets that the System does not actually have. We recommend that in future years, the funding value of assets be constrained to fall in between 80% and 120% of market value. This is a commonly accepted "corridor" for asset valuation methods, and would represent an improvement in the process.

Conclusion: This system, like virtually every other retirement system in the country has been battered by the weak investment market that has persisted since March of 2000. The echoes of that period will continue to affect the system for several more years as the full effects of the unrealized losses flow through to the value of assets that is recognized in the valuation. Two things are important for the continued well being of this system. First, there must be a return to more normal investment markets. Second a plan should be instituted for receiving contributions at the levels recommended in the actuarial valuation.

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES
APRIL 30, 2003

Actuarial Present Value	(1) Total Actuarial Present Value	Allocation by Entry Age (2) Portion Covered By Future Normal Cost Contributions	Allocation by Entry Age (3) Actuarial Accrued Liabilities (1)-(2)
Allowances currently being paid to current retirees and beneficiaries:			
Pension	$ 21,357,654	$ -	$ 21,357,654
Supplemental Retirement Benefit	2,099,765	-	2,099,765
Allowances likely to be paid to members with deferred benefits:			
Pension	695,558	-	695,558
Supplemental Retirement Benefit	89,236	-	89,236
Age and service allowances due to retirement or vested withdrawals based on service rendered before and likely to be rendered after the valuation date	74,853,174	19,759,961	55,093,213
Disability allowances likely to be paid present active members who become permanently disabled	2,305,336	922,706	1,382,630
Survivor benefits likely to be paid to spouses and children of present active members who die before retiring	713,377	237,900	475,477
Return of member contributions	2,221,845	3,222,040	(1,000,195)
Supplemental retirement benefit likely to be paid to present active members	3,575,913	724,742	2,851,171
Total	$107,911,858	$24,867,349	$83,044,509
Actuarial Value of Assets			68,182,691
Unfunded Actuarial Accrued Liability			$ 14,861,818

ACTUARIAL BALANCE SHEET

Present Resources and Expected Future Resources	Measured on April 30 2003	2002
A. Valuation assets:		
1. Net assets from system financial statements (market value)	$ 57,063,133	$ 60,493,794
2. Valuation adjustment	11,119,558	5,907,514
3. Valuation assets	68,182,691	66,401,308
B. Actuarial present value of expected future employer contributions:		
1. For normal costs	16,163,849	13,776,593
2. For unfunded actuarial accrued liabilities	14,861,818	1,412,946
3. Total	31,025,667	15,189,539
C. Actuarial present value of expected future member contributions	9,460,326	10,372,627
D. Total Actuarial Present Value of Present and Expected Future Resources	$ 108,668,684	$ 91,963,474
Actuarial Present Value of Expected Future Benefit Payments and Reserves		
A. To retirants and beneficiaries	$ 23,457,419	$ 19,950,246
B. To vested terminated members	784,794	884,809
C. To present active members:		
1. Allocated to service rendered prior to valuation date	58,802,296	46,979,199
2. Allocated to service likely to be rendered after valuation date	24,867,349	23,319,410
3. Total	83,669,645	70,298,609
D. Total Actuarial Present Value of Expected Future Benefit Payments	107,911,858	91,133,664
E. Present Value of Assumed Future Administrative Expenses	756,826	829,810
F. Total Actuarial Present Value of Expected Future Benefit Payments and Reserves	$ 108,668,684	$ 91,963,474

DERIVATION OF ACTUARIAL GAIN (LOSS)

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year-by-year comparative schedule.

Measurements for Fiscal Year Ended April 30	2003	2002
(1) UAAL* at start of year	$ 1,412,946	$ 202,700
(2) Employer normal cost from last valuation	1,517,191	2,372,206
(3) Actual employer contributions	1,567,833	2,423,357
(4) Interest accrual: (1) x 0.0775 + [(2) - (3)] / 2 x 0.0775	107,541	15,709
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	1,469,845	167,258
(6) Change from benefit changes	none	none
(7) Change from revised actuarial assumptions and miscellaneous	8,820,883	34,845
(8) Expected UAAL after changes: (5) + (6) + (7)	10,290,728	202,103
(9) Actual UAAL at end of year	14,861,818	1,412,946
(10) Gain (loss) (8) - (9)	(4,571,090)	(1,210,843)
(11) Gain (loss) as percent of actuarial accrued liabilities at start of year ($67,814,254)	(6.7%)	(1.9%)

* *Unfunded actuarial accrued liability (UAAL).*

Year Ended April 30	Actuarial Gain (Loss) As % of Beginning Accrued Liabilities
2002	(1.9) %
2003	(6.7)

SECTION B

Summary of Benefit Provisions and Valuation Data Submitted by the Retirement System

BRIEF SUMMARY OF BENEFIT CONDITIONS EVALUATED (APRIL 30, 2003)

Eligibility	Amount
SERVICE RETIREMENT	
The later of age 65 or member's tenth anniversary of employment.	Straight life pension equals 2.0% of Final Compensation times years of service. Final Compensation is the average annual compensation for the two years of service with the highest salary whether consecutive or otherwise. Pensions are payable monthly at one-twelfth of the annual rate.
EARLY RETIREMENT	
Age 55 with 10 or more years of service, or age 60 with 5 or more years of service, or date at which attained age plus years of service equal or exceed 80.	Computed as service retirement but reduced by ½% for each month that actual retirement precedes age 60 if the member has completed at least 10 years of service. Reduced by ½% for each month that actual retirement precedes age 65 if the member has completed at least 5 years of service, but less than 10 years of service. No reduction if member's attained age plus years of service total at least 80.
DEFERRED RETIREMENT	
5 or more years of creditable service.	Computed as service retirement but based upon service, Final Compensation and benefit in effect at termination. Benefit begins at early retirement age adjusted by applicable reductions.
DEATH AFTER RETIREMENT SURVIVOR'S PENSION	
Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension. Benefit is payable for life.	Spouse's pension equals 50% of member's base benefit at time of retirement plus cost of living adjustments. In lieu of the 50% surviving spouse death benefit, the retiring employee may elect a reduced actuarially equivalent 100% surviving spouse annuity at time of retirement. Should the total amount paid to a member and surviving spouse be less than the member's accumulated contributions with interest to the date of retirement, the beneficiary shall receive an amount equal to the difference.

BRIEF SUMMARY OF BENEFIT CONDITIONS EVALUATED (CONTINUED) (APRIL 30, 2003)

Eligibility	Amount
DEATH IN SERVICE SURVIVOR'S PENSION	
Payable to a surviving spouse, if any, upon death of a member with at least 5 but less than 20 years of service. Benefit is payable until death.	50% of member's accrued pension. The effective date shall be the later of the first day of the month after the member's death or attainment of what would have been the member's early retirement date.
Payable to a surviving spouse, if any, upon death of a member with 20 or more years of service. Benefit is payable until death.	May elect a pension determined on a joint-and-survivor basis from the actuarial value of the member's accrued benefit, if larger than 50% of member's accrued pension.
NON-DUTY DISABILITY	
Payable upon the total and permanent disability of a member with 10 or more years of service.	30% of Final Compensation, but in no event less than the amount the member would have been entitled to as a pension, if the member had retired on the same date with equivalent age and creditable service.
DUTY DISABILITY	
Payable upon the total and permanent disability of a member as a result of performance duties with the Police Department.	50% of Final Compensation payable for the remainder of the member's life, or as long as the permanent disability continues. The pension may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law.

POST-RETIREMENT BENEFIT INCREASES

Any member may receive during each year, in addition to the member's base pension, a cost of living adjustment in an amount not to exceed 3% of the member's base pension. Base pension is the pension computed under the provisions of the law at the date of retirement, without regard to the cost of living adjustment. The cost of living adjustment also applies to benefits being paid to a surviving spouse. The adjustment is normally effective with the June 1 benefit payment.

MEMBER CONTRIBUTIONS

5% of compensation.

SUPPLEMENTAL RETIREMENT BENEFIT

Current and future retired and disabled members and their surviving spouses are eligible to receive $160 per month in addition to pension benefits.

DERIVATION OF FUNDING VALUE OF ASSETS

Valuation Date April 30,	2002	2003	2004	2005	2006
A. Funding Value Beginning of Year	$61,895,208	$66,401,308			
B. Market Value End of Year	60,493,794	57,063,133			
C. Market Value Beginning of Year	61,644,758	60,493,794			
D. Non-Investment Net Cash Flow	369,100	519,869			
E. Investment Return:					
E1. Market Total: B-C-D	(1,520,064)	(3,950,530)			
E2. Assumed Rate	7.75%	7.75%			
E3. Amount for Immediate Recognition	4,811,003	5,165,996			
E4. Amount for Phased In Recognition	(6,331,067)	(9,116,526)			
F. Phased-In Recognition of Investment Return:					
F1. Current Year: 0.25 x E4	($1,582,767)	($2,279,132)			
F2. First Prior Year	(1,116,631)	(1,582,767)	$(2,279,132)		
F3. Second Prior Year	1,074,049	(1,116,631)	(1,582,767)	$(2,279,132)	
F4. Third Prior Year	951,346	1,074,048	(1,116,631)	(1,582,766)	$(2,279,130)
F5. Total Recognized Investment Gain	(674,003)	(3,904,482)	(4,978,530)	(3,861,898)	(2,279,130)
G. Funding Value End of Year: A+D+E3+F5	66,401,308	68,182,691			
H. Difference Between Funding & Market Values	5,907,514	11,119,558			
I. Recognized Rate of Return	6.7%	1.9%			
J. Market Rate of Return	(2.5)%	(6.5)%			
K. Ratio of Funding Value to Market Value	109.8%	119.5%			

The Funding Value of Assets recognizes assumed investment return (line E3) fully each year. Differences between actual and assumed investment return (line E4) are phased in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, Funding Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Funding Value of Assets will tend to be greater than market value. If assumed rates are exactly realized for 3 consecutive years, funding value will become equal to market value.

SUMMARY OF CURRENT ASSET INFORMATION REPORTED FOR VALUATION

	Market Value	
	April 30, 2003	**April 30, 2002**
Cash & Equivalents	$ 2,099,618	$1,940,684
Receivables	509,471	615,082
Stocks: Common Corporate	24,838,938	29,226,595
Foreign	5,608,963	6,887,288
Bonds: U.S Government	11,760,408	10,588,468
Corporate	10,843,091	10,188,463
Mortgages	1,467,700	1,108,096
Other	0	0
Total Assets	$57,128,189	$60,554,676
Accounts Payable	(65,056)	(60,882)
Net Assets Available for Benefits	$57,063,133	$60,493,794

Additions and Deductions

	2003	**2002**
Market Value - Balance - Beginning of Year	$60,493,794	$61,644,758
Additions:		
Employees' Contributions	1,099,248	1,002,689
Employer Contributions	1,567,833	1,420,668
Investment Return	(3,709,900)	(1,216,871)
Miscellaneous	0	0
Deductions:		
Retirement Benefit Payments	1,914,018	1,694,955
Death Benefit Payments	0	0
Refunds of Member Contributions	108,033	272,962
Investment Expenses	240,630	303,193
Administrative Expenses	125,161	86,340
Market Value - Balance - End of Year	$57,063,133	$60,493,794

ASSET INFORMATION REPORTED FOR VALUATION
COMPARATIVE STATEMENT

Year		Additions				Deductions					
Ended	Assets	Employee	Employer	Invest.	Misc.	Ret.	Death	Contrib.	Inv.	Admin.	Assets
April 30	BOY	Contrib.	Contrib.	Return	Income	Benefits	Benefits	Refunds	Exp.	Exp.	Year-End
2001	$ 64,241,220	$ 911,676	$ 1,286,166	$ (2,794,084)	$ 0	$ 1,452,061	$ 0	$ 169,707	$ 237,384	$ 141,068	$ 61,644,758
2002	61,644,758	1,002,689	1,420,668	(1,216,871)	0	1,694,955	0	272,962	303,193	86,340	60,493,794
2003	60,493,794	1,099,248	1,567,833	(3,709,900)	0	1,914,018	0	108,033	240,630	125,161	57,063,133

RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS
COMPARATIVE STATEMENT

Year Ended April 30	Added to Rolls			Removed from Rolls		Rolls End of Year		% Incr. Annual Benefits	Average Annual Benefit	Annual Benefits as a % of Active Payroll	Number of Active Members per Retired Members
	No.	Annual Benefits	Post-Ret. Increases	No.	Annual Benefits	No. *	Annual Benefits #				
2001						113	$ 1,419,983		$ 12,566	8.4 %	4.7
2002	6	$140,014	$37,042	2	$8,560	117	1,588,479	12	13,577	7.7	5.1
2003	13	271,738	39,014	8	74,826	122	1,824,405	15	14,954	8.3	5.0

** The total number does not reflect QDROs receiving benefits. For reporting purposes, the member and respective QDRO have been grouped together as one pension.*

 # Does not include supplemental retirement benefits.

RETIRANTS AND BENEFICIARIES - APRIL 30, 2003
TABULATED BY ATTAINED AGES*

Attained Ages	Age & Service Retirants		Disability Retirants		Survivor Beneficiaries	
	No. #	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
30-34						
35-39			1	$5,437		
40-44						
45-49			1	20,373	1	$21,345
50-54	8	$229,205				
55-59	17	482,444	2	57,973	1	10,437
60-64	19	301,618	1	7,326		
65-69	13	204,471	1	7,945	2	11,997
70-74	10	138,854			1	10,910
75-79	14	161,505			5	16,714
80-84	8	59,380			2	7,435
85-89	7	58,026			3	3,392
90 & Over	3	6,010			2	1,608
Totals	**99**	**$1,641,513**	**6**	**$99,054**	**17**	**$83,838**

** Benefit amounts do not include supplemental retirement benefits.*

 # Number counts do not reflect 1 QDRO receiving benefits. For reporting purposes, the member and respective QDRO have been grouped together as one pension.

VESTED TERMINATED MEMBERS - APRIL 30, 2003
TABULATED BY ATTAINED AGES

Attained Ages	No.	Annual Benefits*
35-39	2	$13,411
40-44	1	6,335
45-49	4	38,304
50-54	2	24,133
55-59	2	29,975
Totals	**11**	**$112,158**

** Benefit amounts do not include supplemental retirement benefits.*

ACTIVE MEMBERS INCLUDED IN APRIL 30, 2003 VALUATION
COMPARATIVE SCHEDULE

Valuation Date April 30	Active Members	Annual Payroll	Average Age	Average Service	Average Pay	% Inc. Avg. Pay
1999	506	$15,430,846	39.3 yrs.	9.6 yrs.	$30,496	
2000	526	17,786,369	39.9	9.7	33,814	10.9 %
2001	533	18,831,325	40.2	9.9	35,331	4.5
2001 *	533	16,974,738	40.2	9.9	31,848	
2002	599	20,755,012	39.8	9.1	34,649	8.8
2003	615	21,944,040	40.0	9.2	35,681	3.0

* *Payroll reported in data. For valuation years 2001 and prior, valuation payroll includes projected salary increases for year following valuation. For valuation years 2002 and greater, valuation payroll is payroll reported in data after annualization of pays for new hires.*

ADDITIONS TO AND REMOVALS FROM ACTIVE MEMBERSHIP
ACTUAL AND EXPECTED NUMBERS

Year Ended April 30	Number Added During Year		Terminations During Year								Active Members End of Year
			Normal Retirement		Disability Retirement		Died-In Service		Other Terminations		
	A	E	A	E	A	E	A	E	A	E	
2001											533
2002	118	52	6	11.1	0	0.5	1	0.5	45	28.2	599
2003	75	59	9	11.2	1	0.5	2	0.6	47	20.0	615
5-Year Totals	193	111	15	22.3	1	1.0	3	1.1	92	48.2	

A represents actual number.
E represents number based on assumptions outlined in Section C.

ACTIVE MEMBERS – APRIL 30, 2003
ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Annual Payroll
Under 20									
20-24	60							60	$ 1,507,296
25-29	79	14						93	2,743,751
30-34	44	24	13					81	2,597,082
35-39	22	15	12	12	1			62	2,243,171
40-44	28	14	13	11	17			83	3,204,163
45-49	19	12	13	10	23	15	1	93	3,917,795
50-54	12	6	9	6	16	7	4	60	2,606,868
55-59	12	8	9	6	7	7	3	52	2,095,922
60-64	7	4	4	4	2			21	715,696
65-69		2	1			1		4	129,204
70-74	1		3					4	107,032
75-79			1			1		2	76,060
Totals	**284**	**99**	**78**	**49**	**66**	**31**	**8**	**615**	**$ 21,944,040**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 40.0 years

Service: 9.2 years

Annual Pay: $35,681

SECTION C

Financial Principles, Actuarial Valuation Process, Actuarial Cost Methods, Actuarial Assumptions and Definitions of Technical Terms

BASIC FINANCIAL PRINCIPLES AND OPERATION OF THE RETIREMENT SYSTEM

Benefit Promises Made Which Must Be Paid For. A retirement program is an orderly means of handing out, keeping track of, and financing pension promises to a group of employees. As each member of the retirement program acquires a unit of service credit the member is, in effect, handed an "IOU" which reads: "The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri promises to pay you one unit of retirement benefits, payments in cash commencing when you retire."

The principal related financial question is: When shall the money required to cover the "IOU" be contributed? This year, when the benefit of the member's service is received? Or, some future year when the "IOU" becomes a cash demand?

A Retirement System meets this requirement by having as its ***financial objective the establishment and receipt of contributions, expressed as percents of active member payroll, which will remain approximately level*** from year-to-year and will not have to be increased for future generations of taxpayers.

Translated into actuarial terminology, a level percent-of-payroll contribution objective means that the contribution rate must be at least:

> ***Normal Cost*** (the present value of future benefits assigned to members' service being rendered in the current year)
>
> ... plus ...
>
> ***Interest on the Unfunded Actuarial Accrued Liability*** (the difference between the actuarial accrued liability and current system assets).

The accumulation of invested assets ***is a by-product of level percent-of-payroll contributions, not the objective***. Investment income becomes the 3rd major contributor to the retirement program, and the amount is directly related to the amount of contributions and investment performance.

If contributions to the retirement program are less than the preceding amount, the difference, ***plus investment earnings not realized thereon***, will have to be contributed at some later time (or benefits will have to be reduced) to satisfy the fundamental fiscal equation under which all retirement programs must operate:

$$B = C + I - E$$

The aggregate amount of **B**enefit payments to any group of members and their beneficiaries cannot exceed the sum of:

The aggregate amount of **C**ontributions received on behalf of the group

. . . plus . . .

Investment earnings on contributions received and not required for immediate cash payments of benefits

. . . minus . . .

The **E**xpenses of operating the program.

There are retirement programs designed to defer the bulk of contributions far into the future. The present contribution rate for such systems is ***artificially low***. The fact that the contribution rate is destined to increase relentlessly to a much higher level, is often ignored.

Computed Contribution Rate Needed to Finance Benefits. From a given schedule of benefits and from the data furnished, the actuary calculates the contribution rate ***by means of an actuarial valuation*** - the technique of assigning monetary values to the risks assumed in operating a retirement program.

THE ACTUARIAL VALUATION PROCESS

The financing diagram on the previous page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program) which is an ***increasing contribution method***; and the ***level contribution method*** which equalizes contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined, and the flow of activity constituting the valuation may be summarized as follows:

A. ***Covered Person Data***, furnished by plan administrator.

Retired lives now receiving benefits

Former employees with vested benefits not yet payable

Active employees

B. + ***Asset data*** (cash & investments), furnished by plan administrator

C. + ***Assumptions concerning future financial experience in various risk areas***, which assumptions are established by the Retirement Board after consulting with the actuary

D. + ***The funding method*** for employer contributions (the long-term, planned pattern for employer contributions)

E. + ***Mathematically combining the assumptions, the funding method, and the data***

F. = Determination of:

Plan financial position

and/or New Employer Contribution Rate

ACTUARIAL COST METHODS USED FOR THE VALUATION

Age and Service Benefits, Death and Disability Benefits. Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

(i) the annual normal costs for each individual active member, payable from the member's date of employment to the member's projected date of retirement, are sufficient to accumulate the actuarial present value of the member's future service benefit at time of retirement;

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

Amortization of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities were amortized by level percent-of-payroll contributions (principal and interest combined) over a closed initial period of 24 years. Beginning in 1998, a new basis is created as of each valuation date.

Active member payroll was assumed to increase 4.5% a year for the purpose of determining the level percent contributions.

ACTUARIAL ASSUMPTIONS IN THE VALUATION PROCESS

The actuary calculates contribution requirements and actuarial present values for a retirement system by applying actuarial assumptions to the benefit provisions and people information of the system, using the actuarial cost methods described on page C-5.

The principal areas of risk which require assumptions about future experience are:

(i) long-term rates of investment return to be generated by the assets of the system
(ii) patterns of pay increases to members
(iii) rates of mortality among members, retirants and beneficiaries
(iv) rates of withdrawal of active members
(v) rates of disability among active members
(vi) the age patterns of actual retirements

In making a valuation, the actuary calculates the monetary effect of each assumption for as long as a present covered person survives - - - a period of time which can be as long as a century.

The employer contribution rate has been computed to remain level from year-to-year so long as benefits and the basic experience and make-up of members do not change. Examples of favorable experience, which would tend to reduce the employer contribution rate are:

(1) Investment returns in excess of 7.75 percent per year.
(2) Member non-vested terminations at a higher rate than outlined on page C-11.
(3) Mortality among retirants and beneficiaries at a higher rate than indicated by the 1983 Group Annuity Mortality Table.

Examples of unfavorable experience, which would tend to increase the employer contribution rate are:

(1) Pay increases in excess of the rates outlined on page C-9.
(2) An acceleration in the rate of retirement from the rates outlined on page C-12.
(3) A pattern of hiring employees at older ages than in the past.

Actual experience of the system will not coincide exactly with assumed experience, regardless of the choice of the assumptions, or the skill of the actuary or the precision of the calculations. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time one or more of the assumptions is modified to reflect experience trends (but not random or temporary year-to-year fluctuations).

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Economic Assumptions

The investment return rate used in making the valuations was 7.75% per year, compounded annually. The real rate of return is the portion of total investment return, which is more than the wage inflation rate. Considering other financial assumptions, the 7.75% investment return rate translates to an assumed real rate of return of 3.25%. In order to assume a 3.25% real return over wage growth, it would be necessary to realize about a 4.25% real return over price inflation, after accounting for difference between wage increases and price increases.

Pay increase assumptions for individual active members are shown below. Part of the assumed increase at each age is for merit and/or seniority, and the other 4.5% recognizes changes in wage levels due to broad economic effects, including inflation and real wage growth.

	Annual Rate of Pay Increase for Sample Ages		
Sample Ages	Base (Economic)	Merit and Longevity	Total
20	4.5%	3.0%	7.5%
25	4.5%	3.0%	7.5%
30	4.5%	2.9%	7.4%
35	4.5%	2.2%	6.7%
40	4.5%	1.7%	6.2%
45	4.5%	1.3%	5.8%
50	4.5%	0.8%	5.3%
55	4.5%	0.6%	5.1%
60	4.5%	0.3%	4.8%

Price inflation of 3.5% per year would be consistent with the above assumptions. (This assumption is not utilized in the valuation process.)

The active member payroll is assumed to increase 4.5% annually, which is the portion of the individual pay increase assumptions attributable to broad economic effects.

The number of active members is assumed to continue at the present number.

Non-Economic Assumptions

Mortality Tables. For healthy lives, the 1983 Group Annuity Mortality Table, set back 0 years for men and 0 years for women. Male and female members still in employment use 75% of the standard mortality tables. Sample values follow:

Sample Ages	Actuarial Present Value of $1 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	$135.06	$143.84	29.18	34.92
55	127.14	137.81	24.82	30.24
60	117.18	129.90	20.64	25.67
65	104.97	119.83	16.69	21.29
70	91.48	107.29	13.18	17.13
75	77.33	92.89	10.15	13.37
80	63.28	78.10	7.64	10.20

For disabled lives, the 1983 Group Annuity Mortality Table, set forward 10 years for men and 10 years for women was used. Sample values follow:

Sample Ages	Actuarial Present Value of $1 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	$117.18	$129.90	20.64	25.67
55	104.97	119.83	16.69	21.29
60	91.48	107.29	13.18	17.13
65	77.33	92.89	10.15	13.37
70	63.28	78.10	7.64	10.20
75	51.01	63.62	5.73	7.58
80	40.59	49.36	4.28	5.40

These assumptions are used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

It was assumed that 80% of deaths-in-service would be non-duty related.

Rates of separation from active membership. The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment.

Sample Ages	Years of Service	% of Active Members Separating within Next Year	
		Male	Female
	0	20.0%	20.0%
	1	15.0%	20.0%
	2	13.0%	20.0%
	3	12.0%	16.0%
	4	11.0%	16.0%
25	5 & Over	8.0%	9.4%
30		7.0%	8.4%
35		6.0%	7.7%
40		4.0%	5.1%
45		3.5%	2.9%
50		2.5%	2.5%
55		0.0%	1.7%

Rates of Disability. These assumptions represent the probabilities of active members becoming disabled.

Sample Ages	Percent Becoming Disabled within Next Year
25	0.023%
30	0.030%
35	0.038%
40	0.053%
45	0.075%
50	0.135%
55	0.270%
60	0.675%
65	3.200%

It was assumed that one-third of disabilities would be duty related.

Rates of Retirement. These rates are used to measure the probabilities of an eligible member retiring during the next year.

	Male		Female	
Age	Reduced	Unreduced	Reduced	Unreduced
50		25.00%		25.00%
51		20.00		20.00
52		20.00		20.00
53		15.00		15.00
54		15.00		15.00
55	4.00%	15.00	4.00%	15.00
56	4.00	15.00	4.00	15.00
57	4.00	15.00	4.00	15.00
58	4.00	20.00	4.00	20.00
59	4.00	20.00	4.00	20.00
60	5.00	20.00	5.00	20.00
61	20.00	20.00	20.00	20.00
62	45.00	45.00	45.00	45.00
63	5.00	20.00	5.00	20.00
64	5.00	20.00	5.00	20.00
65		50.00		50.00
66		20.00		20.00
67		20.00		20.00
68		20.00		20.00
69		20.00		20.00
70 & Over		100.00		100.00

Present assets (cash & investments) were used with a market value adjustment that spreads differences between actual and assumed return over a closed four-year period. Details of the method may be found in the body of the report on page B-3. Assets may be used in the valuation prior to the final audit.

The data about persons now covered and about present assets were furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.) who has experience performing public plan valuations.

SUMMARY OF ASSUMPTIONS USED
APRIL 30, 2003

Pensions in an Inflationary Environment

Value of $1,000/month Retirement Benefit To an Individual Who Retires at Age 55 In an Environment of 3.5% Inflation

Age	Value
55	$1,000
56	966
57	934
58	902
59	871
60	842
65	709
70	597
75	503
80	423
85	356
90	300

The life expectancy of a 55 year old male retiree is age 80. The life expectancy for a 55 year old female retiree is age 85. Half of the people will outlive their life expectancy. The effects of even moderate amounts of inflation can be significant for those who live to an advanced age. The plan's 3% simple Cola offsets some of the inflation loss.

SUMMARY OF ASSUMPTIONS USED
APRIL 30, 2003
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption. 85% of males and 55% of females are assumed to be married for purposes of death-in-service benefits and for the supplemental retirement benefit. Males are assumed to be 3 years older than their spouses. Actual reported data is utilized for retirees and beneficiaries.

Pay Increase Timing. Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.

Decrement Timing. Decrements of all types are assumed to occur mid-year.

Eligibility Testing. Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date decrement.

Benefit Service. Exact fractional service is used to determine the amount of benefit payable.

Decrement Relativity. Decrement rates are used without adjustment for multiple decrement table effects.

Decrement Operation. Withdrawal does not operate during retirement eligibility.

Normal Form of Benefit. The assumed normal form of benefit a 50% joint & survivor benefit.

Cost of Living. It was assumed that the Retirement Board will grant the full 3.0% cost of living adjustment each year as allowed by the plan.

Loads. 0.4% of payroll each year for administrative expenses.

Incidence of Contributions. Contributions are assumed to be received continuously throughout the year based upon the computed percent-of-payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

Pay Annualization. Reported pays for members with less than 1 year of service were annualized for valuation purposes.

DEFINITIONS OF TECHNICAL TERMS

Accrued Service. Service credited under the system, which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between the actuarial present value of system benefits and the actuarial present value of future normal costs. Also referred to as "past service liability."

Actuarial Assumptions. Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future benefits" between future normal costs and actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. One series of payments is said to be actuarially equivalent to another series of payments if the two series have the same actuarial present value.

Actuarial Gain (Loss). The difference between actual unfunded actuarial accrued liabilities and anticipated unfunded actuarial accrued liabilities -- during the period between two valuation dates. It is a measurement of the difference between actual and expected experience.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments.

Amortization. Paying off an interest-discounted amount with periodic payments of interest and (generally) principal -- as opposed to paying off with a lump sum payment.

Normal Cost. The portion of the actuarial present value of future benefits that is assigned to the current year by actuarial cost method. Sometimes referred to as "current service cost."

Unfunded Actuarial Accrued Liabilities. The difference between actuarial accrued liabilities and valuation assets. Sometimes referred to as "unfunded past service liability" or "unfunded supplemental present value."

Most retirement systems have unfunded actuarial accrued liabilities. They arise each time new benefits are added and each time an actuarial loss occurs.

The existence of unfunded actuarial accrued liabilities is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liabilities do not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liabilities and the trend in their amount (after due allowance for devaluation of the dollar).

Valuation Assets. Also referred to as actuarial value of assets, funding value of assets, or smoothed market value of assets.

Valuation assets recognize assumed investment return fully each year. Differences between actual and assumed investment return are phased in over a closed 4-year period. During periods when investment performance exceeds the assumed rate, valuation assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, valuation assets will tend to be greater than market value. If assumed rates are exactly realized for 3 consecutive years, valuation assets will become equal to market value.

SECTION D

Actuarial Schedules Required by Statements No. 25 and No. 27 of the Governmental Accounting Standards Board

GASB STATEMENTS NO. 25 AND NO. 27 REQUIRED ACTUARIAL INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Payroll#	[(b-a)/c] UAL as a Percentage of Annual Payroll
4/30/1997	$37,079,924	$39,525,068	$2,445,144	94	$14,417,285	17 %
4/30/1998	41,835,057	43,200,513	1,365,456	97	15,295,680	9
4/30/1999	47,593,329	48,627,168	1,033,839	98	15,430,846	7
4/30/2000	56,905,524	56,038,915	(866,609)	102	17,786,369	(5)
4/30/2001	61,895,208	62,097,908	202,700	100	18,831,325	1
4/30/2002	66,401,308	67,814,254	1,412,946	98	20,755,012	7
4/30/2003	68,182,691	74,223,626	6,040,935	92	21,944,040	28
4/30/2003@	68,182,691	83,044,509	14,861,818	82	21,944,040	68

@ *After changes in actuarial assumptions or methods.*

\# *For valuation years 2001 and prior, valuation payroll includes projected salary increases for year following valuation. For valuation years 2002 and greater, valuation payroll is payroll reported in data after annualization of pays for new hires.*

GASB STATEMENTS NO. 25 AND NO. 27 REQUIRED ACTUARIAL INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending April 30	Annual Required Contribution	Percent Contributed*
1996	$ 379,773	99 %
1997	441,682	89
1998	465,004	90
1999	1,035,180	44
2000	1,040,673	65
2001	1,259,454	75
2002	1,410,461	101
2003	1,761,146	89
2004@	2,944,407	

@ *After changes in actuarial assumptions or methods.*
* *For years 2001 and prior, percents contributed shown are from prior actuary's report.*

DEVELOPMENT OF ANNUAL PENSION COST AND NET PENSION OBLIGATION

Fiscal Year	(a) Annual Required Contribution (ARC)	(b) Interest on Net Pension Obligation (Asset) (NPO (NPA))	(c) ARC Adjustment	(d) = (a) + (b) – (c) Annual Pension Cost	(e) Actual Contribution	(f) = (d) – (e) Change in NPO (NPA)	(g) = sum of (f) Net Pension Obligation (Asset) at End of Year
1998	$ 1,035,180	$ (17,285)	$ (11,193)	$ 1,029,088	$ 453,217	$ 575,871	$ 352,836
1999	1,040,673	27,345	20,446	1,047,572	674,228	373,344	726,180
2000	1,152,018	56,279	42,080	1,166,217	944,475	221,742	947,922
2001	1,259,454	73,464	54,930	1,277,988	1,286,166	(8,178)	939,744
2002	1,410,461	72,830	54,456	1,428,835	1,420,668	8,167	947,911
2003	1,761,146	73,463	57,005	1,777,604	1,567,833	209,771	1,157,682
2004	2,944,407	89,720	69,620	2,964,507			

GASB STATEMENTS 25 AND 27
REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation date follows:

Valuation date	April 30, 2003
Actuarial cost method	Individual entry age
Amortization method for unfunded actuarial accrued liabilities	Level percent closed
Remaining amortization periods	19 - 24 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases including wage inflation at 4.5%	4.5% - 7.5%
Cost-of-living adjustments	3.0% simple

Membership of the plan consisted of the following at April 30, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	122
Terminated plan members entitled to but not yet receiving benefits	11
Active plan members	615
Total	748

September 30, 2003

Mr. James J. Pyle
Pension Systems Manager
Kansas City Civilian Employees'
Retirement System
1328 Agnes
Kansas City, Missouri 64127

Dear Jim:

Enclosed are twenty report copies of the Annual Actuarial Valuation of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri. A copy will be forwarded to your auditor.

Please call if you have any questions or comments.

Sincerely,

Mita D. Drazilov

MDD:kmg

CC: McGladrey & Pullen