41ST
ANNUAL
REPORT

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

A Component Unit of the City of Kansas City, Missouri

Comprehensive
Annual
Financial
Report

KCPERS
Kansas City Police Employees' Retirement Systems

May 1, 2006 to
April 30, 2007

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

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report
May 1, 2006 to April 30, 2007

41st Annual Report

Prepared by:
Kansas City Police Employees' Retirement Systems
1328 Agnes
Kansas City, Missouri 64127
(816) 482-8138 or (888) 813-8138
Website: www. kcpers.org

KCPERS

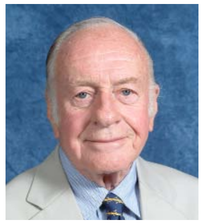
Table of Contents

Introductory Section

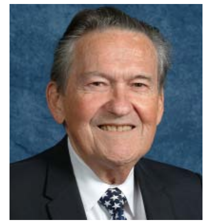
Retirement Board

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

Gary R. Howell, Chairman
(Ret.) Crime Laboratory Director
Kansas City, Missouri
Police Department



Robert W. Evans Sr., Vice-Chairman
Appointed Member



Robert E. Turgeon, Treasurer
Appointed Member

Richard K. Burnett
(Ret.) Captain
Kansas City, Missouri
Police Department

Victor A. Kauzlarich
(Ret.) Major
Kansas City, Missouri
Police Department

Gregory P. Mills
(Ret.) Major
Kansas City, Missouri
Police Department

David E. Reyburn
Detective
Kansas City, Misouri
Police Department

Bailus M. Tate
Appointed Member

Angela Wasson-Hunt
Appointed Member

KCPERS Staff

Sharon Blancett
Benefits Coordinator

Connie Davis
Administrative Assistant

Anna Vollenweider
Accountant

James Pyle
Pension Systems Manager & Board Secretary

KCPERS

Kansas City Police Employees' Retirement Systems

1328 Agnes • Kansas City, Missouri 64127
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 482-8851

RETIREMENT BOARD MEMBERS
GARY R. HOWELL • CHAIRMAN
ROBERT W. EVANS • VICE-CHAIRMAN
ROBERT E. TURGEON • TREASURER
(RET.) CAPTAIN RICHARD K. BURNETT
(RET.) MAJOR VICTOR A. KAUZLARICH
(RET.) MAJOR GREGORY P. MILLS
DETECTIVE DAVID E. REYBURN
BAILUS M. TATE
ANGELA WASSON-HUNT

September 28, 2007

Retirement Systems Board
Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri
1328 Agnes
Kansas City, Missouri 64127

Dear Board Members:

It is with great pleasure that I submit the fiscal year 2007 comprehensive annual financial report of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri.

Fiscal Year 2007 Projects

Membership Survey – For the first time in over ten years the Retirement Board conducted a membership survey to measure member's satisfaction with the operations and benefits of the Civilian Employees' Retirement System. The results of the survey, which were very positive, were included in the strategic planning process to help set the agenda for staff for the coming year. Over 75% of those who responded were very satisfied or satisfied with their retirement benefits, over 78% were very satisfied or satisfied with programs and services provided by the retirement systems, and over 80% were very satisfied or satisfied with the information and communications provided by the retirement systems. Members were most interested in seeing changes to: pension benefits, cost of living adjustments, and the supplemental benefit. Some members also requested more research on equitable alternatives for single member benefits. The survey results also indicated a need for more frequent information from the Civilian Employees' Retirement System through the KCPERS Newsletter and e-mail messages. Members also wanted greater access to Retirement Board members and staff at times and locations that are convenient to the membership.

Legislative Changes – House Bill 1138 and Senate Bill 830 became effective in August 2006 and provided creditable service in the Civilian Employees' Retirement System, under certain conditions, for members on a military leave of absence from the Police Department.

House Bill 172 and Senate Bill 406 became effective in August 2007 and required members of the Civilian Employees' Retirement System, who retire after August 28, 2007, to have 15 years of creditable service or retire on a duty or non-duty disability to be eligible for the supplemental benefit.

Change in Actuarial Firm – Milliman, Inc. was hired in April 2007 as KCPERS actuarial firm replacing Gabriel, Roeder, Smith & Company (GRS). The change in actuarial firms was part of the normal bid process we perform every five years for actuarial services. Prior to the change there were no disagreements between the Retirement Board and GRS on any actuarial issues.

Contents of the Annual Report

The financial information in this report is the responsibility of the management of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri. The report is designed to comply with the reporting requirements of sections 86.1370 and 105.661 RSMo.

The Civilian Employees' Retirement System was created in 1965 by the Missouri General Assembly to provide retirement and disability benefits for civilian members of the Kansas City, Missouri Police Department and survivor benefits for their spouses. A nine member Board of Trustees, made up of elected and appointed members, governs the Civilian Employees' Retirement System.

Financial Information

The Civilian Employees' Retirement System is responsible for establishing and maintaining internal controls, which we believe exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. The financial statements are prepared using generally accepted accounting principals. Our outside independent auditors, BKD, have audited the financial statements, which are prepared using accrual basis accounting, and reports are produced in a format that complies with the Governmental Accounting Standards Board. The unqualified opinion letter from BKD can be found in the Financial Section of this report.

The following schedule is a summary of the pension fund additions and deductions for the years ended April 30, 2007 and April 30, 2006

	April 30, 2007	April 30, 2006
Additions	$14,267,478	$16,152,304
Deductions	3,716,364	3,217,247
Net Change	$10,551,114	$12,935,057

Additions include contributions from both members and the city, and gains or losses from investments. Deductions include benefits paid to members, refunds of contributions and administrative expenses. From FY 2006 to FY 2007 additions decreased by $1,884,826; investment gains decreased by $2,341,495 and contributions from both members and the city increased by $456,669. From FY 2006 to FY 2007 deductions increased by $499,117; benefits paid increased by $507,698, refunds of contributions decreased by $14,601 and administrative expenses increased by $6,020. Please review Management's Discussion and Analysis which can be found on pages 15 through 18 for a further explanation of the changes in our financial position and the steps taken by the board of trustees during the fiscal year to add value to the portfolio, reduce risk, and increase our funded ratio.

For the actuarial valuation dated April 30, 2007 the funded ratio of assets to liabilities of the Civilian Employees' Retirement System, which covers 779 members, increased by 7% to 81%. The increase in the funded ratio is mainly due to investment performance during the year, a 2% increase in employer contributions, and lower than expected liabilities. Member contributions remain at 5% of payroll. On May 1, 2007 the employer contribution rate increased by 2.0% to 13.14%, this amount is below the annual required contribution rate of 16.12%.

Investment Activity

The Retirement System's investment portfolio produced a total return of 12.96% for the year ending April 30, 2007. The policy benchmark return for the year was 11.87%, which means our investment plan resulted in a 1.09% gain versus the markets. The out performance to the benchmark came from our large cap value stocks, small cap growth stocks and our real estate portfolio. All of our managers made money on an absolute basis. LSV Asset Management, one of our large cap value managers, out performed the

Russell 1000 Value benchmark by 1.6%, while Vontobel, our other large cap value manager, out performed the S&P 500 index by 1.5%. Waddell & Reed, our small cap growth manager, out performed the Russell 2000 Growth benchmark by 1.4%. Prudential, our real estate manager, out performed the NCREIF Property benchmark by 3.4%. Systematic, our small cap value manager, under performed the Russell 2000 Value benchmark by 1.7%.

This past year we continued to complete portfolio reviews with fund managers during presentations at monthly board meetings. We also met with the entire investment teams of GE Asset Management and JP Morgan Private Equity during their respective client conferences. Staff from GE Asset Management and LSV Asset Management made presentations to the Retirement Board on their Emerging Market funds.

Once every three years the Retirement Board reviews the asset allocation mix and with assistance from DeMarche Associates completes an asset allocation study. This year the Retirement Board adopted a new asset allocation that will be phased in over time and is expected to increase portfolio returns while reducing investment risk. The new asset allocation reduces investments in U.S. stocks and bonds, increases our current investment in real estate, and makes new allocations to commodities, high yield bonds, and emerging market stocks.

The total asset allocation is explained further in the Summary of Investment Policies and Objectives on page 35, the new asset allocation is further explained in Management's Discussion and Analysis on page 18. More information regarding the investment professionals who provide services to the Civilian Employees' Retirement System can be found in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri for its comprehensive annual financial report for the fiscal year ended April 30, 2006. This was the fifth consecutive year that the Retirement System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

The fiscal year 2007 annual report is the result of work by both Retirement Systems staff and outside advisors and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with the legislative and industry reporting requirements, and most importantly help our members learn more about the financial status of their retirement system.

The four of us in the KCPERS office thank each of our board members, our retirement system members, our outside advisors and the Kansas City Police Department for all your contributions towards the successful operation of the Civilian Employees' Retirement System.

Respectfully submitted,

James Pyle

James J. Pyle
Pension Systems Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2006

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

KCPERS
Kansas City Police Employees' Retirement Systems

1328 Agnes • Kansas City, Missouri 64127
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 482-8851

RETIREMENT BOARD MEMBERS
GARY R. HOWELL • CHAIRMAN
ROBERT W. EVANS • VICE-CHAIRMAN
ROBERT E. TURGEON • TREASURER
(RET.) CAPTAIN RICHARD K. BURNETT
(RET.) MAJOR VICTOR A. KAUZLARICH
(RET.) MAJOR GREGORY P. MILLS
DETECTIVE DAVID E. REYBURN
BAILUS M. TATE
ANGELA WASSON-HUNT

September 28, 2007

Dear Members,

On behalf of the Retirement Systems Board I am pleased to provide you with the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri Comprehensive Annual Financial Report for the fiscal year ending April 30, 2007. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the year.

This year we started to see results from our efforts to improve the funded status of the Civilian Employees' Retirement System. The funded ratio increased to 81% as the result of better than expected investment performance, an additional 2% increase in employer contributions from the Police Department and City of Kansas City, and lower than expected actuarial liabilities. The investment policy adopted by the Retirement Board continues to provide excellent investment performance in the current market. This past year our investment rate of return was 12.96%, outperforming both our expected rate of return of 7.75% and the benchmark rate of return of 11.87%.

During the past year, the Retirement Board completed the first membership survey in over 10 years. Over 75% of our members said they were very satisfied or satisfied with their retirement benefits. However the survey results gave us several items to work on including providing more frequent information to active and retired members through the newsletter and e-mail and scheduling retirement education sessions specifically for members of the Civilian Employees' Plan. This year Governor Blunt signed legislation that provides the supplemental benefit only to career employees who retire with 15 or more years of creditable service. Finally the Retirement Board adopted a new investment policy that will further diversify the investments of the Civilian Employees' Retirement System while reducing overall investment risk.

In closing I want to thank you, our members, for your continuing support of our efforts to improve the benefits and operations of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri. I also want to thank our staff in the KCPERS office for their hard work and assistance to our members and the Retirement Board.

Sincerely,

Gary R Howell

Gary Howell
Retirement Board Chairman

Outside Professional Services

ACTUARY

Milliman, Inc.
Patrice Beckham, Brent Banister
Omaha, Nebraska

AUDITORS

BKD, LLP
Randy Oberdiek, William Nicks
Kansas City, Missouri

INVESTMENT MANAGEMENT CONSULTANT

DeMarche Associates, Inc.
William Miskell
Overland Park, Kansas

LEGAL COUNSEL

Slagle, Bernard & Gorman
Gerald W. Gorman
Kansas City, Missouri

MASTER TRUSTEE/CUSTODIAN

The Northern Trust Company
Frank Fauser
Chicago, Illinois

INVESTMENT ADVISORS

Financial Counselors, Inc.
Peter Greig, Graham Hunt
Kansas City, Missouri

RCM Capital Management
Scott Migliori, Peter Sullivan
San Francisco, California

Waddell & Reed Asset Management Group
Mark Seferovich, Tracey Lewis
Overland Park, Kansas

G E Asset Management
Brian Hopkinson, Sean Tole
Stamford, Connecticut

Systematic Financial Management
Ron Mushock, James Wallerius
Teaneck, New Jersey

LSV Asset Management
Rob Vishny, Keith Bruch
Chicago, Illinois

Vontobel Asset Management
Edwin Walczak, Peter Newell
New York, New York

Prudential Real Estate Investors
Terry McHugh, Kevin Smith
Parsippany, New Jersey

Abbott Capital Management, LLC
Meredith Rerisi, Charles van Horne
New York, New York

JPMorgan Investment Management, Inc.
Lawrence Unrein, Katherine Rosa
New York, New York

Financial Section

BKD LLP

Independent Auditors' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying basic financial statements of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (the Plan), a component unit of the City of Kansas City, Missouri, as of and for the year ended April 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri as of April 30, 2007, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and schedules of funding progress and employer contributions as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Plan's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for 2007 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We previously expressed an unqualified opinion on the 2006, 2005 and 2004 financial statements. The supplementary information for the years ended April 30, 2002 through 2003 was audited by other auditors whose reports expressed unqualified opinions on such information in relation to the basic financial statements for the years then ended, taken as a whole.

BKD, LLP

Kansas City, Missouri
July 23, 2007

Twelve Wyandotte Plaza 120 West 12th Street Suite 1200 Kansas City, MO 64105-1936 816 221-6300 Fax 816 221-6380

bkd.com Beyond Your Numbers

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri is the defined benefit retirement plan for civilian members of the Kansas City, Missouri Police Department. The Civilian Employees' Retirement System was established by the Missouri General Assembly in 1965 and is administered by the Retirement System Board to provide retirement, disability and survivor benefits to its members.

This discussion and analysis of the Civilian Employees' Retirement System's financial statement provides an overview of the Civilian Employees' Retirement System's operations and investment performance during the year ended April 30, 2007. Please read it in conjunction with the Civilian Employees' Retirement System's financial statements, which follow this section.

Overview of the Financial Statements and Accompanying Information

- The financial statements presented in this report are the Statement of Plan Net Assets as of April 30, 2007 and the Statement of Changes in Plan Net Assets for the year ended April 30, 2007. These statements reflect resources available for the payment of benefits as of the year-end, and the sources and use of those funds during the year.

- The notes to the financial statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Information in the notes includes a description of the Plan, a summary of significant accounting policies, the method used to value investments and a summary of investments.

- Required supplementary information presents schedules related to employer contributions and the funding of the Plan.

- Other supplementary schedules consist of detailed information supporting administrative and investment expenses and a historical summary of revenues and expenses.

Financial Analysis

The Civilian Employees' Retirement System's benefits are funded through member and employer contributions, and investment income. The net assets of the Civilian Employees' Retirement System increased by $10,551,114 from $85,255,798 as of April 30, 2006 to $95,806,912 as of April 30, 2007. This increase was mainly due to a 12.96% rate of return on investments and a 2.0% increase in the employer contribution rate.

Plan Net Assets

The following is a summary comparative statement of Plan Net Assets for the System:

	April 30, 2007	April 30, 2006	Amount Change	Percentage Change
Cash	$15,234	$67,261	$(52,027)	(77.35)%
Receivables	638,444	582,835	55,609	9.54%
Investments	95,333,988	84,762,297	10,571,691	12.47%
Securities lending collateral	27,751,057	18,805,227	8,945,830	47.57%
Total assets	**123,738,723**	**104,217,620**	**19,521,103**	**18.73%**
Accounts and refunds payable	180,754	156,595	24,159	15.43%
Securities lending collateral	27,751,057	18,805,227	8,945,830	47.57%
Total liabilities	**27,931,811**	**18,961,822**	**8,969,989**	**47.31%**
Net assets	**$95,806,912**	**$85,255,798**	**$10,551,114**	**12.38%**

Changes in Plan Net Assets

The following is a summary comparative statement of Changes in Plan Net Assets for the System:

	April 30, 2007	April 30, 2006	Amount Change	Percentage Change
Member contributions	$1,212,401	$1,262,297	$(49,896)	(3.95)%
Employer contributions	2,681,732	2,175,167	506,565	23.29%
Net investment income	10,373,345	12,714,840	(2,341,495)	(18.42)%
Total additions	**14,267,478**	**16,152,304**	**(1,884,826)**	**(11.67)%**
Benefits paid to members	3,351,956	2,844,258	507,698	17.85%
Refunds of contributions	253,358	267,959	(14,601)	(5.45)%
Administrative expenses	111,050	105,030	6,020	5.73%
Total deductions	**3,716,364**	**3,217,247**	**499,117**	**15.51%**
Net Increase (Decrease)	**10,551,114**	**12,935,057**	**(2,383,943)**	**(18.43)%**
Net Assets, Beginning of Year	**85,255,798**	**72,320,741**	**12,935,057**	**17.89%**
Net Assets, End of Year	**$95,806,912**	**$85,255,798**	**$10,551,114**	**12.38%**

Financial Highlights

Net assets held in trust by the Civilian Employees' Retirement System, as reported in the Statement of Plan Net Assets, totaled $95,806,912 as of April 30, 2007. Net assets increased by $10,551,114 or 12.38%. The increase in net assets is primarily due to positive performance, relative to appropriate benchmarks, in domestic and international equity markets, real estate, and a 2.0% increase in the employer contribution rate. The increase in securities lending collateral is due to the normal fluctuations in the lending program. The increase in liabilities is due to the corresponding offset for securities lending collateral.

The Statement of Changes in Plan Net Assets, from fiscal year 2006 to fiscal year 2007, reflects a decrease of $1,884,826 in additions to the Plan and an increase of $499,117 in deductions from the Plan. Of the total additions, the Civilian Employees' Retirement System members' contributions decreased by $49,896 because of a decrease in service time purchases from FY2006 to FY2007; employer contributions from the City of Kansas City, Missouri increased by $506,565. On May 1, 2007, the employer contribution rate increased from 9.14% to 11.14%. The $2,341,495 decrease in net investment income from FY2006 to FY2007 is the result of investment performance that, while still positive, was less than the prior year. Of the total deductions, $271,378 represents an increase in benefit payments through a cost of living increase and a net increase in retired members receiving benefits, $236,320 represents an increase in partial lump sum option payments. Refunds of contributions to members leaving the Police Department decreased by $14,601, while administrative expenses increased by $6,020.

Even with the 2.0% increase in the employer contribution rate, for the sixth year in a row employer contributions did not equal the amount, or percentage of compensation, recommended by the Retirement System actuary. For the year ended April 30, 2007, employee contributions were 5.0% of compensation and employer contributions were 11.14%, which is 4.73% below the annual required contribution rate of 15.87%. For the year beginning May 1, 2007, employer contributions are budgeted to increase an additional 2.0% to 13.14% of compensation.

The Retirement Board reviews the asset allocation of investments on a quarterly basis and the Retirement Board Investment Policy calls for a rebalancing, back to a target allocation, when either the fixed income or equity asset classes are ±7% from the target allocation. In June 2006, growth in the domestic and international equities markets caused equities to approach a 3.1% overweight position. The Retirement Board rebalanced the portfolio by moving $1.4 million from equities to fixed income. At the same time, $5 million was transferred from the GE Asset Management Core International Fund to the LSV International Value Equity Fund. In March 2007, an additional $1.1 million was committed to Prudential Real Estate Investors.

Operational Highlights

In August 2006, the provisions of House Bill 1138 and Senate Bill 830 became effective and provided creditable service in the Civilian Employees' Retirement System, under certain conditions, for members on a military leave of absence from the Police Department. In January 2007, legislation was introduced in the Missouri General Assembly to require members who retire after August 2007 to have 15 years of creditable service to be eligible for the $160 per month supplemental benefit. The General Assembly passed Senate Bill 172 and Senate Bill 406, both of which contain the provisions of the 15 year supplemental bill. Both bills will become effective on August 28, 2007.

The Retirement Board completed an asset allocation study in January 2007 and approved a new asset allocation for the portfolio that lowers the equity allocation from 62% to 59%, lowers the fixed income allocation from 33% to 28% and increases the alternative allocation from 5% to 13%. The asset allocation was changed to increase the potential for investment returns and lower overall risk in the portfolio through greater diversification of assets. A 3% allocation to emerging markets was added to the equity portfolio, a 5% allocation to high yield bonds was added to the fixed income portfolio. In the alternative portfolio, a 5% allocation to commodities was added, the real estate allocation was increased to 5% and the private equity allocation was increased to 3%. The Retirement Board adopted a strategic implementation plan for the new asset allocation.

Requests For Information

This financial report is designed to provide members of the Civilian Employees' Retirement System, citizens, investors and creditors of the City of Kansas City, Missouri with a general overview of the Civilian Employees' Retirement System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kansas City Police Employees' Retirement Systems, 1328 Agnes, Kansas City, Missouri 64127.

There are no other currently known facts, conditions or decisions that are expected to have a significant effect on the financial position or results of operations of the Civilian Employees' Retirement System.

STATEMENT OF PLAN NET ASSETS
April 30, 2007

Assets

Investments	
U.S. government securities	$16,000,827
Municipal bonds	100,000
Corporate bonds and notes	8,775,513
Common and preferred stock	47,133,992
Government mortgage-backed securities	3,506,872
Asset-backed securities	650,677
Real estate	2,274,813
Partnerships	378,074
Short-term investment funds	2,423,596
Foreign equities	14,089,624
Total investments	95,333,988
Securities Lending Collateral	27,751,057
Receivables	
City contributions	209,499
Member insurance premiums	36,408
Accrued interest and dividends	382,485
Other	10,052
Total receivables	638,444
Cash	15,234
Total assets	123,738,723

Liabilities

Accounts and refunds payable	180,754
Securities lending collateral	27,751,057
Total liabilities	27,931,811
Net Assets Held in Trust for Pension Benefits	$95,806,912

(See Schedule of Funding Progress on Page 28)

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2007

Additions

Investment Income	
Net appreciation in fair value of investments	$8,401,620
Interest and dividends	2,415,698
Investment expense	(472,600)
Net investment income	10,344,718
Securities Lending Income	
Securities lending gross income	1,237,265
Securities lending expenses	
Borrower rebates	(1,196,424)
Management fees	(12,214)
Total securities lending expenses	(1,208,638)
Net securities lending income	28,627
Total net investment income	10,373,345
Contributions	
City	2,681,732
Members	1,212,401
Total contributions	3,894,133
Total additions	14,267,478

Deductions

Benefits Paid	
Retired members	2,816,917
Spouses	105,298
Disabled members	190,421
Partial lump sum option	236,320
Death benefits	3,000
Total benefits paid	3,351,956
Other Deductions	
Refunds of contributions	253,358
Administrative expenses	111,050
Total other deductions	364,408
Total deductions	3,716,364
Net Increase	10,551,114
Net Assets Held in Trust for Pension Benefits, Beginning of Year	85,255,798
Net Assets Held in Trust for Pension Benefits, End of Year	$95,806,912

See Notes to the Financial Statements.

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (the Plan) is considered a component unit of the City of Kansas City, Missouri financial reporting entity and included in the City's financial reports as a pension trust fund due to the nature of the Plan's reliance on funding from the City of Kansas City, Missouri. Accounting principles generally accepted in the United States of America require that the financial reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

Measurement Focus and Basis of Accounting

The Plan uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Plan's fund is classified as a pension trust fund of fiduciary fund type. Pension trust funds account for assets held by the Plan in a trustee capacity or as an agent on behalf of others and are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Interest and dividend income are recorded when earned. Expenses are recorded when the corresponding liabilities are incurred. Realized gains and losses on security transactions are based on the difference between sales proceeds and carrying value of the securities, and are recognized on the transaction date. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Contributions

Contributions totaling $3,894,133 ($2,681,732 employer and $1,212,401 employee) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2006. As a percentage of payroll, the amount contributed did not equal the ARC. Significant actuarial assumptions used include (a) rate of return on the investment of present and future assets of 7.75% per year compounded annually, (b) projected salary increases based on age as follows: Age 25 – 7.5%; Age 35 – 6.7%; Age 45 – 5.8%; Age 55 – 5.1% and (c) post-retirement benefit increase of 3% per year of the original base pension granted annually.

As a condition of participation in the Plan, members are required to contribute 5% of their salary to the plan. The computed City contribution rate of 15.87% was the balance required to pay pensions and maintain the Plan on an actuarially sound basis and was expected to fund the normal cost and amortize the net unfunded actuarial accrued liability. For the year ended April 30, 2007, the City contributed at a rate of 11.14% of members' salaries.

Note 1: Summary of Significant Accounting Policies (Continued)

The actual contributions by the City have been less than the rates recommended by the actuary for nine of the last ten years. The Plan is dependent upon the relationship of actual Plan experience with the underlying actuarial assumptions and sufficient funding by the City to meet future cash flow needs.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the individual entry age normal method.

Valuation of Investments and Income Recognition
Marketable securities are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

For certain investments consisting of corporate bonds and notes that do not have an established fair value, the Plan has established a fair value based on yields currently available on comparable securities of issuers with similar credit ratings and quotations are obtained from brokerage firms or national pricing services.

Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments.

Purchases and sale of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Administrative Expenses
Actuarial, investment management and bank trustee fees and expenses are included in the Plan's expenses when incurred. These expenses are financed through investment income. The Kansas City, Missouri Police Department provides office space without any direct cost to the Plan.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Plan Tax Status
The Plan obtained its determination letter on February 14, 2006, in which the Internal Revenue Service stated that the Plan, as designated, was in compliance with the applicable requirements of the Internal Revenue Code and, therefore, not subject to tax.

Note 2: Plan Description

The following description of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri provides only general information. Participants should refer to the Plan Statutes (Sections 86.1310 to 86.1640 RSMo) for a more complete description of the Plan's provisions.

The Plan is a single-employer, contributory, defined benefit plan established by the State of Missouri's General Assembly and administered by the Retirement Board of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri.

The Plan covers the regularly appointed full-time civilian employees of the Police Department of Kansas City, Missouri whose eligibility is effective on their hire date.

At April 30, 2007, the Plan's membership consisted of the following:	
Retirees and beneficiaries currently receiving benefits	152
Terminated plan members entitled to but not yet receiving benefits	14
Active employees	
Vested	414
Non-vested	199
Total	**779**

The Plan provides retirement benefits and disability benefits. All benefits vest after five years of creditable service for those employees. A member is then entitled to an annual pension beginning at the latter of age 65, or 10th anniversary of employment, equal to 2% of final average compensation multiplied by the number of years of creditable service. The member may elect an optional 100% joint and survivor annuity equivalent to the actuarial value of the normal pension for such member at the date of retirement.

The Plan provides active members three early retirement options:

(A) Employee's total of age and years of service equals or exceeds 80 years.

(B) Employee's age equals or exceeds 55 and years of service equals or exceeds 10 years.

(C) Employee's age equals or exceeds 60 and years of service equals or exceeds 5 years but is not greater than 10 years.

Early retirement monetary reductions may be applicable to items (B) and (C) above.

When a member terminates employment prior to retirement, accumulated contributions of the member are refundable, with interest. Such refunds result in forfeiture of all other benefits under the Plan. Members with five or more years of creditable service who terminate employment prior to retirement may choose to leave their accumulated contributions in the Retirement System fund and receive a pension upon the member's normal retirement date or upon the member's early retirement date subject to any applicable adjustment.

Note 2: Plan Description (Continued)

The Plan provides for duty disability pension based on 50% of the member's final average compensation for the remainder of his or her life or so long as the disability continues. The Plan also provides for non-duty disability benefits calculated at a minimum of 30% of the member's final average compensation for the remainder of his or her life or so long as the disability continues.

Upon the death of a member with less than five years of service, the Plan provides for refunding the accumulated member contributions plus interest to the member's surviving spouse. For those members with more than five years of service, the spouse may elect to either receive a pension until death or withdraw the member's accumulated contributions with interest. For members with less than 20 years of service, the surviving spouse pension may be deferred until what would have been the member's early retirement date. If there is no surviving spouse, the accumulated member contributions plus interest will be paid to the member's designated beneficiary.

An annual cost of living adjustment, not to exceed 3%, may be provided for members receiving benefits.

The Plan also provided a $160 monthly supplemental retirement benefit to all retirees, disability recipients and eligible surviving spouses for the year ended April 30, 2007.

The Plan is permitted by state statute to withhold amounts on behalf of members receiving benefits, including amounts for health and life insurance premiums. The Plan does not contract with insurance carriers on behalf of its members; instead, all insurance premiums are remitted through the Kansas City Police Department.

Note 3: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Plan's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Cash and cash equivalents of $15,234, represent amounts held in the Plan's general operating accounts. The associated bank balance as of April 30, 2007 totaled $34,542. At April 30, 2007, the bank balance was entirely covered by federal depository insurance.

Note 3: Deposits, Investments and Investment Return (Continued)

Investments

For the year ended April 30, 2007, Northern Trust was the master custodian for significantly all of the securities of the Plan. The investments held by the Plan are managed by eleven Board-appointed money managers. Each of the money managers has a different asset allocation based on Board-approved policy. The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, real estate, partnerships, corporate bonds and equity securities.

Securities Lending Transactions

State statutes and the Plan's Board policies permit the Plan to use investments of the Plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The Plan has contracted with Northern Trust as its third-party lending agent to lend domestic equity and debt securities for cash collateral of not less than 102% of the market value and international debt and equity securities of not less than 105% of the market value. At April 30, 2007, management believes the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. Contracts with the lending agent requires it to indemnify the Plan if borrowers fail to return the securities, if the collateral is inadequate to replace the securities lent or if the borrowers fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan; therefore, non-cash collateral is not recorded as an asset or liability on the financial statements.

Market value of securities loaned	$28,708,571
Market value of cash collateral received from borrowers	$27,751,057
Market value of non-cash collateral received from borrowers	1,736,328
Total market value of collateral	$29,487,385

All securities loans can be terminated on demand by either the Plan or the borrower. The cash collateral received on each security loan was invested, in accordance with the Plan investment guidelines, in short term funds. The maturities of the resulting investments generally match the maturities of the securities lending arrangement themselves. The Plan is not permitted to pledge or sell collateral received unless the borrower defaults.

Note 3: Deposits, Investments and Investment Return (Continued)

At April 30, 2007, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years Less than 1	1–5	6–10	More than 10	Loaned Under Securities Lending Agreements
U.S. Treasury obligations	$10,450,864	$1,423,703	$4,128,601	$4,059,560	$839,000	$10,450,864
U.S. agencies obligations	5,549,963	955,109	3,987,364	607,490	—	3,562,582
Municipal bonds	100,000	—	—	—	100,000	—
Corporate bonds	8,775,513	688,990	1,263,969	4,370,524	2,452,030	2,009,402
Government mortgage-backed securities	3,506,872	—	158,126	—	3,348,746	—
Asset-backed securities	650,677	—	650,677	—	—	—
Money market mutual funds	2,423,596	2,423,596	—	—	—	129,711
		$5,491,398	$10,188,737	$9,037,574	$6,739,776	
Corporate stocks	47,133,992					12,556,012
Real estate	2,274,813					—
Partnerships	378,074					—
Foreign equities	14,089,624					—
	$95,333,988					$28,708,571

Interest Rate Risk – The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. The debt securities are presented in their respective category based on final maturity date. The Plan's investment policy does not specifically address exposure to fair value losses arising from rising interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Plan's policy to limit its investments in corporate bonds to those that are rated Baa or better by credit rating agencies. The Plan's portfolio must have an average rating of A or better in the aggregate as measured by at least one credit rating agency. At April 30, 2007, the Plan's investments in corporate bonds were rated Baa or better by *Standard & Poor's*. At the same date, the Plan's investments in U.S. agencies obligations not directly guaranteed by the U.S. government (including Federal National Mortgage Association, Federal Home Loan Banks & Federal Home Loan Mortgage Corporation) were rated AAA by *Standard & Poor's* and its investments in money market mutual funds were rated AAA by *Standard & Poor's*. At April 30, 2007, the Plan's investments in International LSV and G.E. Asset Management foreign equities funds were not rated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, $28,708,571 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

Concentration of Credit Risk – The Plan limits the amount that may be invested in any one security at 5% to 15% of total Plan assets.

Note 3: Deposits, Investments and Investment Return (Continued)

Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Plan's investment policy permits investments in international equities, American Depository Receipts (ADRs), warrants, rights, 144A securities, convertible bonds and U.S. registered securities whose principal markets are outside of the United States. All foreign equities held are denominated in U.S. dollars.

Investment Income

Investment income for the year ended April 30, 2007, consisted of:

Interest and dividend income	$2,415,698
Net increase in fair value of investments	8,401,620
	10,817,318
Less investment expense	472,600
	$10,344,718

Note 4: Accumulated Plan Benefits

An actuary from Gabriel, Roeder, Smith & Company determines the actuarial present value of accumulated plan benefits, which is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The supplementary information provides more detailed analysis of actuarial assumptions and calculations.

Note 5: Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 6: Litigation

The Plan purchases commercial insurance for general liability, employee dishonesty and commercial property. There have been no significant reductions in insurance coverage. Settlements have not exceeded coverage for these items in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b–a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
5/1/2001	$61,895,208	$62,097,908	$202,700	100%	$18,831,325	1%
5/1/2002	66,401,308	67,814,254	1,412,946	98%	20,755,012	7%
5/1/2003@	68,182,691	83,044,509	14,861,818	82%	21,944,040	68%
5/1/2004*	69,868,024	89,141,414	19,273,390	78%	22,058,127	87%
5/1/2005	72,382,548	97,103,806	24,721,258	75%	22,239,092	111%
5/1/2006	78,846,717	105,928,172	27,081,455	74%	23,875,937	113%

@ After changes in actuarial assumptions or methods.
* After changes in benefits.
See Note to the Required Supplementary Information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
2002	$1,410,461	101%
2003	1,761,146	89%
2004@	2,944,407	54%
2005	3,076,906	52%
2006	3,480,720	62%
2007	3,854,132	69%

@ After changes in actuarial assumptions or methods.
See Note to the Required Supplementary Information.

Note 1. Actuarial Methods and Assumptions

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

Valuation Date	April 30, 2006
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	21.03 years

Actuarial Assumptions:	
Investment rate of return	7.75% per annum
Inflation rate	3.50% per annum
Cost of living adjustments	3.00%, simple

Projected salary increases based on age as follows:

Age	Salary Scale
25	7.5%
35	6.7%
45	5.8%
55	5.1%

Note 1. Actuarial Methods and Assumptions (Continued)

Actuarial accrued liability as of April 30, 2006:	
Active employees accruing benefits	
Retirement and withdrawal benefits	$65,072,456
Disability benefits	1,663,923
Death benefits	572,046
Supplemental benefits	3,256,659
Return of member contributions	(940,216)
Total active employees accruing benefits	69,624,868
Retired and inactive members	
Members with deferred benefits	1,349,575
Members receiving benefits	32,265,147
Retired and inactive members with supplemental benefits	2,688,582
Total retired and inactive members	36,303,304
Total actuarial accrued liability	105,928,172
Assets, at actuarial value	78,846,717
Unfunded actuarial accrued liability	**$27,081,455**

Actuarial Value of Assets are defined as follows:
Market Value of Assets on the Valuation Date

Minus 75% of net Realized and Unrealized Gain (Loss) during the prior plan year

Minus 50% of net Realized and Unrealized Gain (Loss) during the plan year two years prior

Minus 25% of net Realized and Unrealized Gain (Loss) during the plan year three years prior

SCHEDULE OF EXPENSES

Year Ending April 30, 2007

Investment Expenses	
Bank custodial fees and expenses	$70,806
Financial management expenses	398,904
Financial consultation	2,890
Total	**$472,600**

Administrative Expenses	
Salaries and payroll taxes	$49,709
Legal	10,813
Audit	8,100
Medical fees	4,300
Actuarial fees	20,450
Printing and office expense	3,504
Postage	826
Travel and education expense	182
Legislative consultation	3,677
Governmental fees	9,000
Other	489
Total	**$111,050**

Investment Section

DEMARCHE
ASSOCIATES, INC.

September 25, 2007

Dear Interested Parties,

DeMarche Associates serves as the investment consultant for the Kansas City Police Employees' Retirement Systems. Our primary objective is to provide the Retirement Board with information, advice, and a process in which appropriate investment decisions can be made and implemented through an investment policy. The degree of portfolio success may be in part attributable to the degree by which a process is implemented and followed within the three major areas of fiduciary responsibility: asset allocation, including diversification of assets and formulation of investment policy guidelines, prudent delegation of investment management, and ongoing performance measurement.

Current investment objectives of the fund include preserving principal and maximizing the rate of return to the System to meet approved actuarial assumptions. The System's absolute investment objective is a minimum return target of the Consumer Price Index plus 4%. The System also has a relative objective consisting of weighted returns of applicable investment style benchmarks.

The current asset allocation is based upon the fund's investment objective, given its risk/return profile, time horizon, and return expectations. The fund has delegated investment management functions to professional managers. The Board has diversified these investments among equities, fixed income, real estate, and private equity. Further equity diversification includes domestic and international, large cap and small cap, and growth and value. DeMarche provides performance measurement, using quarterly data supplied by the fund's custodian on a time-weighted rate of return methodology based on market values. Appropriate summaries and comparisons of investment performance are then provided to the Retirement Board.

Quarterly, the Retirement Board reviews its asset allocation for possible rebalancing of the asset classes that fall outside the Board's approved ranges. The Board also reviews the quarterly performance of their investment managers, comparing them to benchmarks and peer universes.

Over the last year, the Retirement Board conducted an Asset Mix Study. During the Study new asset classes were reviewed and various optimization model portfolios, with their expected returns and standard deviations, were examined. The Retirement Board adopted a revised asset mix adding Commodity, High Yield and Emerging Markets asset classes into their target portfolio. Investment into these asset classes will be phased into the portfolio over the next few years.

The Retirement Board is committed to a long-term investment policy that maximizes returns within the Board's acceptable level of risk.

Regards,
DEMARCHE ASSOCIATES, INC.

William Miskell

William Miskell
Executive Vice President
Chief Operating Officer

P.O. Box 7027 • Kansas City, Missouri 64113 • 913-384-4994

Summary of Investment Policies and Objectives

Investment performance objectives were established to give the retirement system a method to evaluate investment return of the system's portfolio and individual managers. The system's investment return will be measured against and expected to exceed the following benchmarks: 1) Absolute Investment Objective, a minimum return target of the Consumer Price Index plus 4% which represents a long term real rate of return of 4%; 2) Relative Standard Performance, a relative return objective of 35% S&P 500 Index, 15% Russell 2000 Index, 12% EAFE Index, 33% Lehman Government/Corporate Index, 2.5% NCREIF Index and 2.5% 3 Month Treasury Bill Rate + 0.5%; 3) Comparative Standards of Performance, a relative return objective of above median in a 62% equity (12% international) and 38% bond (5% alternative investments) balanced manager universe.

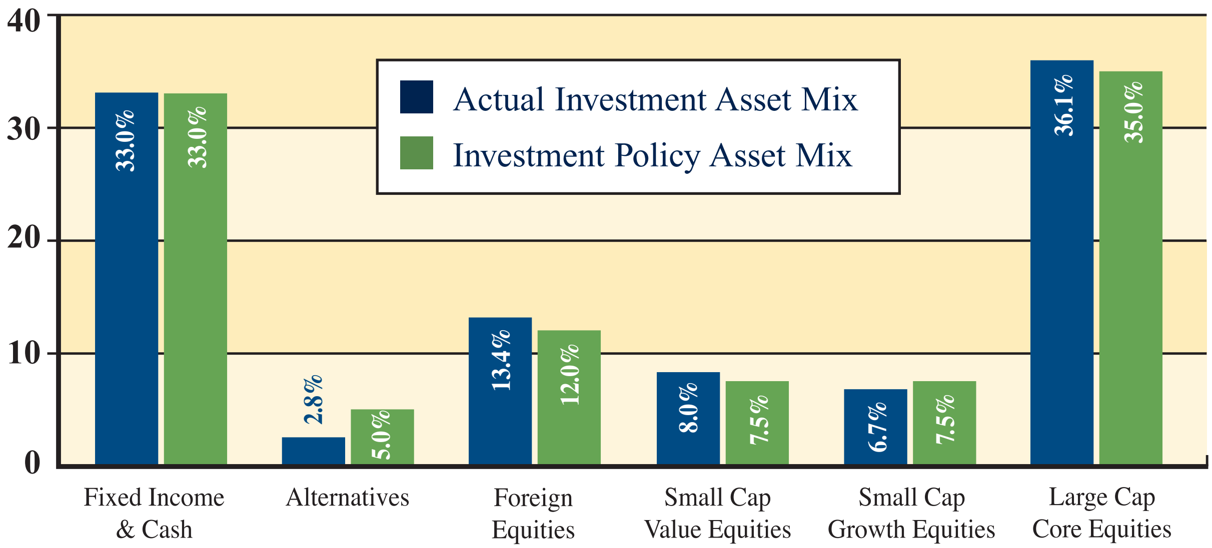
The asset allocation of 62% equities, 33% bonds and fixed income, and 5% alternatives remained unchanged for the year. The equities allocation is divided into 35% large cap stocks, 15% small cap stocks, and 12% international stocks. The small cap allocation is further subdivided into 7.5% for small cap growth stocks and 7.5% for small cap value stocks. The 12% allocation to international stocks is held in two commingled funds. The individual commingled funds total more than 5% of plan assets and as a result must be disclosed under Governmental Accounting Standards Board rules. However none of the individual stocks in either commingled fund makes up more than 5% of the total assets. The alternative allocation is divided into 2.5% real estate and 2.5% private equity.

The Retirement Board adopted a new asset allocation in January 2007 which is being phased in during Fiscal Year 2008. The new asset allocation includes 59% equities, 28% bonds and fixed income, and 13% alternatives. The equity allocation is divided into 34% large and mid cap stocks, 10% small cap stocks and 15% international stocks. The small cap allocation is further subdivided into 5% for small cap growth and 5% for small cap value stocks. The international allocation is further subdivided into 12% large cap international and 3% emerging markets stocks. The bond and fixed income allocation is divided into 23% intermediate bonds and up to 5% high yield bonds. The alternative allocation is divided into 5% real estate, 3% private equity, and up to 5% commodities. The expected return for this new asset allocation is 8.93% and expected standard deviation (risk) is 10.74%.

Summary of Investment Policies and Objectives
(Continued)

The Retirement Board met with staff from DeMarche Associates on a quarterly basis to review the performance of each of the investment managers hired by the Retirement Systems. Performance is reviewed both on an absolute basis, did the manager make or lose money, and on a relative basis, how did the manager perform compared to their designated benchmark. DeMarche also provides comparative information about how the investment manager's performance stacked up against other managers in their asset class. The Retirement Board reviews the asset allocation of the fund on a monthly basis and quarterly decides if the assets in the fund need to be rebalanced back to the target asset allocation. In June 2006 the allocation to international stocks was divided between GE Asset Management and LSV. GE is an international growth manager and LSV Asset Management is an international value manager. The portfolio was also rebalanced back to target allocations by selling international stocks, which had increased in value due to market gains and purchasing bonds, which had dropped below the target allocation.

Asset Allocation Year Ending April 30, 2007

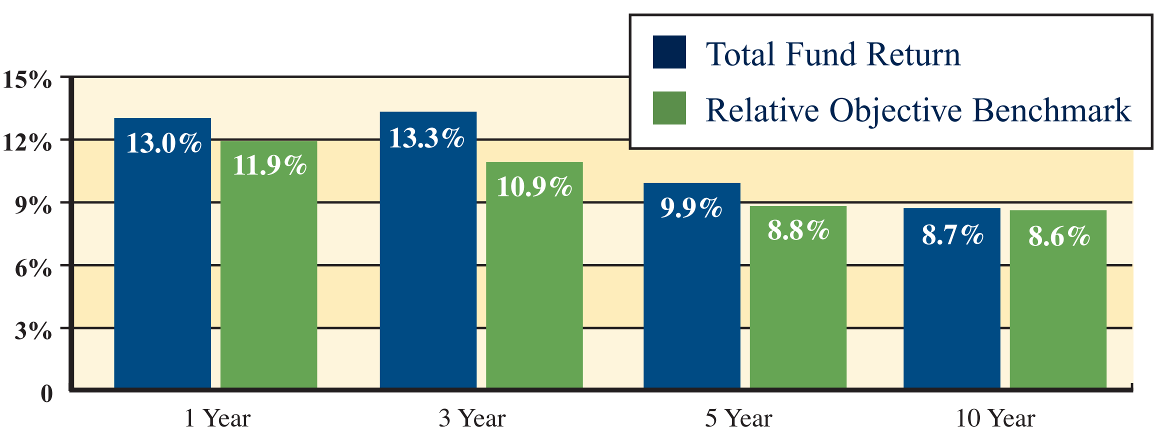


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2007. However, the results for the ten year returns are available for the quarter ending March 31, 2007 rather than for the fiscal year ending April 30, 2007. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2007 (Ten Year Returns as of March 31, 2007)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	7.3%	4.4%	5.1%	6.5%
Lehman Govt/Credit		*7.3%*	*4.2%*	*5.3%*	*6.5%*
GE Asset Mgmt	Foreign Equities	19.1%	25.2%	16.9%	9.9%
International LSV	Foreign Equities	N/A			
MSCI EAFE		*19.8%*	*22.5%*	*16.6%*	*8.3%*
Waddell & Reed	Small Cap Growth Equities	5.9%	14.5%	10.4%	
Russell 2000 Growth		*4.5%*	*12.3%*	*8.9%*	
RCM Capital Mgmt	Large Cap Growth Equities	12.2%	9.7%	6.2%	
Russell 1000 Growth		*12.3%*	*9.1%*	*6.2%*	
Systematic Financial	Small Cap Value Equities	9.5%	17.4%	11.7%	
Russell 2000 Value		*11.2%*	*16.9%*	*13.1%*	
LSV Asset Mgmt	Large Cap Value Equities	19.8%	21.2%		
Russell 1000 Value		*18.2%*	*16.8%*		
Vontobel Asset Mgmt	Large Cap Value Equities	16.7%	8.4%		
S&P 500		*15.2%*	*12.3%*		
Prudential PRISA II	Real Estate	19.9%			
NCREIF Property		*16.5%*			
Abbott Capital	Private Equity	(9.3%)			
JP Morgan	Private Equity	(13.3%)			
Total Fund		**13.0%**	**13.3%**	**9.9%**	**8.7%**
Absolute Objective		***6.0%***	***6.5%***	***6.1%***	***6.2%***
Relative Objective		***11.9%***	***10.9%***	***8.8%***	***8.6%***



Returns provided by DeMarche Associates, Inc. to the Kansas City Police Employees' Retirement Systems.
Note: Performance returns were calculated using a time weighted rate of return based on market values.

Schedule of Largest Assets Held

Ten Largest Equity Holdings April 30, 2007	**Market Value**
1) Bank of America Corp.	$826,107
2) Pfizer Inc.	804,384
3) J P Morgan Chase & Company	760,660
4) Federal Home Loan Mortgage Corp.	650,715
5) Chevron Corp.	637,878
6) Exxon Mobil Corp.	587,412
7) Citigroup Inc.	520,114
8) American International Group Inc.	515,237
9) Merck & Company Inc.	510,799
10) Berkshire Hathaway Inc. Class B	457,128

Ten Largest Bond Holdings April 30, 2007	**Market Value**
1) US Treasury Notes 3.375% Due 2008	$1,665,669
2) US Treasury Notes 5.00% Due 2011	1,070,836
3) US Treasury Notes 3.625% Due 2010	976,758
4) US Treasury Notes 5.125% Due 2016	932,801
5) US Treasury Notes 4.625% Due 2017	899,578
6) US Treasury Bonds 5.25% Due 2029	839,000
7) US Treasury Notes 4.00% Due 2007	796,750
8) US Treasury Notes 4.25% Due 2013	762,133
9) Federal National Mortgage Assoc. 5.45% Due 2011	749,535
10) Federal Home Loan Mortgage Corp. 5.10% Due 2010	747,165

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2007

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Liquidnet Inc.	165,945	$4,080,611	$3,427	$0.021
Credit Suisse First Boston Corporation	3,701,684	7,098,850	3,356	0.001
Bernstein, Sanford C. & Co.	45,034	2,276,106	2,174	0.048
Investment Technology Group Inc.	134,588	4,421,088	2,039	0.015
Lehman Brothers Inc.	646,961	2,162,528	1,882	0.003
Goldman Sachs & Company	43,635	1,364,309	1,653	0.038
Citigroup Global Markets Inc./Smith Barney	607,620	2,650,209	1,309	0.002
Merrill Lynch Pierce Fenner & Smith	35,771	1,599,230	1,196	0.033
Bear Stearns 57079	30,384	878,565	1,164	0.038
Morgan Stanley & Co. Inc. New York	38,283	1,419,560	968	0.025
Banc America Secur. Montgomery Div.	26,030	816,681	957	0.037
Robert W. Baird & Company Inc. Milwaukee USA	22,700	692,968	944	0.042
Lehman Brothers Inc. New York	21,832	882,797	930	0.043
Blair, William & Co.	17,317	760,052	829	0.048
Direct Trading Institutional Inc.	96,706	1,675,950	819	0.008
UBS Warburg LLC	17,370	545,397	729	0.042
Raymond James	18,018	446,048	702	0.039
Unterberg Harris	17,200	322,518	670	0.039
Others (Including 69 Brokerage Firms)	883,928	13,625,896	14,886	0.017
Totals	**6,571,006**	**47,719,363**	**$40,634**	**$0.006**

Zero commission trades excluded from above	21,050,371	$27,420,736

Investment Summary

Year Ending April 30, 2007

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/07	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$29,033,889	30.5%
Cash			2,423,596	2.5%
GE Asset Management	Jun 1994	Foreign Equities	6,344,860	6.7%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	6,415,009	6.7%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	6,538,792	6.9%
Systematic Financial Management	Aug 2001	Small Cap Value Equities	7,657,441	8.0%
LSV Asset Management	Feb 2003	Large Cap Value Equities	21,964,286	23.0%
Vontobel Asset Management	Feb 2003	Large Cap Value Equities	5,937,878	6.2%
Prudential PRISA II	Sep 2004	Real Estate	2,274,813	2.4%
Abbott Capital Management	Aug 2005	Private Equity	225,216	0.2%
JPMorgan Investment Management	Jan 2006	Private Equity	152,858	0.2%
LSV International Value	Jun 2006	Foreign Equities	6,365,350	6.7%
		Total	**$95,333,988**	

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$41,124	–	–
GE Asset Management	38,412	–	–
Waddell & Reed Investment Management	43,979	$8,425	$0.041
RCM Capital Management	26,873	3,851	0.035
Systematic Financial Management	57,046	20,000	0.027
LSV Asset Management	78,791	2,513	0.013
Vontobel Asset Management	26,341	5,845	0.014
Prudential PRISA II	25,093	–	–
Abbott Capital Management	19,400	–	–
JPMorgan Investment Management	17,393	–	–
LSV International Value	24,452	–	–
Total	**$398,904**	**$40,634**	**$0.006**

Actuarial Section

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries

1120 South 101st Street, Suite 400
Omaha, NE 68124-1088
Phone: (402) 393-9400
Fax: (402) 393-1037
www.milliman.com

October 2, 2007

The Board of Trustees
Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri
1328 Agnes Street
Kansas City, MO 64127

Dear Members of the Board:

At your request, we have performed an annual actuarial valuation of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri as of April 30, 2007 for determining the actuarial contribution rate for fiscal year 2009. The valuation reflects the benefit provisions in effect as of April 30, 2007, including changes passed by the 2007 Missouri legislature. There were two changes in the benefit provisions since the last valuation: creditable service for military leave is granted without the payment of member contributions under certain conditions and the eligibility requirement for the supplemental benefit changed from 5 to 15 years for members retiring after August 28, 2007. There was no change in the actuarial assumptions or methods from the prior valuation.

The basic financial objective of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri to present and future retirees and beneficiaries.

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund the unfunded actuarial accrued liability as a level percent of active member payroll over a finite period.

In preparing the valuation, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the actuarial valuation report is complete and accurate and has been prepared in accordance with generally recognized and accepted principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB) and the applicable Guides to Professional Conduct, amplifying Opinions and Supporting Recommendations of American Academy of Actuaries.

We further certify that all costs, liabilities, rates of interest and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations of future experience); and which, in combination, offer our best estimate of anticipated experience under the Plan. Nevertheless, the emerging costs will vary from those presented in the valuation report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as outlined in Appendix C of the valuation report.

Actuarial computations in this valuation are for purposes of determining the actuarial contribution rates for funding the System. Actuarial computations under GASB Statement No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ. The calculations in the valuation report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statements No. 25 and 27. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Determinations for purposes other than these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

The actuary prepared, or assisted in preparing, the following supporting schedules for the Comprehensive Annual Financial Report:

Actuarial Section

- Summary of Assumptions
  - Funding Method, Asset Valuation Method, Interest Rate
  - Payroll Growth
  - Probabilities of Age and Service Retirement
  - Probabilities of Separation from Active Employment Before Age and Service Retirement
- Short-Term Solvency Test
- Membership Data
- Analysis of Financial Experience
- Supplementary Schedules
  - Schedule of Funding Progress
  - Schedule of Employer Contributions
  - Notes to Trend Data

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four year period.

Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The April 30, 2007 actuarial valuation includes non-economic assumptions and methods resulting from the experience study covering the 5-year period from May 1, 1997 to April 30, 2002, as adopted by the Board based on advice of the prior actuary.

The valuation results provide a "snapshot" view of the System's financial condition on April 30, 2007. The unfunded actuarial accrued liability decreased from the last valuation by approximately $5.8 million. The System is 81% funded as of April 30, 2007, based on the actuarial value of assets. The System experienced an actuarial gain this year, primarily due to favorable investment return. Although the City has increased its contribution rate in the last three years, contributions have been lower than the actuarial contribution rate. For the continued well being of the System it is important that a plan be instituted for receiving contributions at the levels recommended in the actuarial valuation. Absent such a plan, the System's ability to grant COLAs may be limited or benefit levels may need to be reconsidered.

Based upon the results of the April 30, 2007 valuations, future contributions need to be increased for the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri to meet its basic financial objective and continue in sound condition in accordance with actuarial principles of level percent of payroll financing.

Milliman's work product was prepared exclusively for the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri operations, and used data from the System, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage professionals for advice appropriate to its own specific needs.

We would like to express our appreciation to the System's staff, who gave substantial assistance in supplying the data on which this report is based.

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

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

Respectfully Submitted,

MILLIMAN, Inc.

Patrice Beckham

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

Brent A. Banister

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

Summary of Actuarial Assumptions and Methods

The investment rate of return is 7.75% per year based on an underlying rate of inflation of 3.5% per year. (Adopted 10/3/97)

The System uses a four-year smoothed market approach to value plan assets for actuarial purposes. (Adopted 10/12/00)

Actuarial assumptions are suggested by the retirement system actuary and approved by the Retirement System Board.

For healthy and disabled retirees and surviving beneficiaries, and all active employees, the System uses the 1983 Group Annuity Mortality Table for both males and females.

The rates to measure the probabilities of age and service retirements are included in the Rates of Retirement table on the following pages.

Tables for Rates of Separation from Active Membership and Rates of Disability are shown on the following pages.

The projected average salary increase attributable to inflation is 4.5% (adopted 10/3/97); merit and longevity increase range from 0.3% to 3.0% (adopted 12/10/02) depending upon the sample ages. These increases include an underlying assumption of 3.5% for inflation (adopted 10/3/97). The table for Pay Increase Assumptions is shown on the following pages.

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. Unfunded actuarial accrued liabilities were amortized by level percent of payroll contributions (principal and interest combined) over a closed initial period of 24 years. (Adopted 10/3/97)

The System assumes the Retirement Board will grant the full 3.0% cost of living adjustment each year as allowed by state statute. (Adopted 1973)

The System periodically prepares a study using actual experience in order to develop assumptions to be used in its actuarial valuations. The latest study was completed in December 2002 for the period May 1, 1997 through April 30, 2002. The Retirement System Board adopted the recommendations and assumptions from the December 2002 experience study for the valuation dated April 30, 2003 at the December 10, 2002 board meeting.

The most recent valuation was completed by Milliman, Inc. and was based on members of the System as of April 30, 2007. All census data was supplied by the System and was subject to reasonable consistency checks. Gabriel, Roeder, Smith & Company completed the valuations from 2002 through 2006. William M. Mercer, Inc. completed all previous valuations.

Summary of Actuarial Assumptions and Methods (Continued)

Mortality Tables.
For healthy lives, the 1983 Group Annuity Mortality Table. Male and female members still in active employment are assumed to be subject to 75% of the previously described mortality tables. (Adopted 10/3/97)

For disabled lives, the 1983 Group Annuity Mortality Table, set forward 10 years for males and 10 years for females was used. (Adopted 12/10/02)

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. (Adopted 12/10/02)

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%

Summary of Actuarial Assumptions and Methods (Continued)

Rates of Disability.
These assumptions represent the probabilities of active members becoming disabled. (Adopted 1984)

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

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%

Summary of Actuarial Assumptions and Methods (Continued)

Rates of Retirement.
These rates are used to measure the probabilities of an eligible member retiring during the next year. (Adopted 12/10/02)

Active Members Retiring Within Next Year		
Age	**Reduced**	**Unreduced**
50		25.00%
51		20.00
52		20.00
53		15.00
54		15.00
55	4.00%	15.00
56	4.00	15.00
57	4.00	15.00
58	4.00	20.00
59	4.00	20.00
60	5.00	20.00
61	20.00	20.00
62	45.00	45.00
63	5.00	20.00
64	5.00	20.00
65		50.00
66		20.00
67		20.00
68		20.00
69		20.00
70 & Over		100.00

Summary of Actuarial Assumptions and Methods (Continued)

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. (Adopted 12/10/02)

	Annual Rate of Pay Increase for Sample Ages		
Sample Ages	General Wage Growth	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%

Schedule of Active Member Valuation Data

Six Years Ended April 30, 2007

Valuation Date April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2002	599	$20,755,012	$34,649	8.8%
2003	615	21,944,040	35,681	3.0%
2004	595	22,058,127	37,072	3.9%
2005	586	22,239,092	37,951	2.4%
2006	610	23,875,937	39,141	3.1%
2007	613	25,472,341	41,554	6.2%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2007

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Year Ended Apr 30	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	% Increase in Annual Benefits	Average Annual Benefits
2002	6	$140,014	2	$8,560	117	$1,588,479	11.9	$13,577
2003	13	271,738	8	74,826	122*	1,824,405	14.9	14,954
2004	9	224,388	8	45,900	123*	2,048,856	12.3	16,657
2005	19	422,375	7	25,805	135*	2,497,184	21.9	18,498
2006	9	171,447	4	13,576	140*	2,718,995	8.9	19,421
2007	15	276,927	3	54,476	152*	2,941,440	8.2	19,352

Benefit amounts do not include $160 supplemental benefit.

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

Short-Term Solvency Test

Valuation Date April 30	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
	ENTRY AGE ACCRUED LIABILITIES						
2002	$7,114,473	$19,950,246	$40,749,535	$66,401,308	100%	100%	97%
2003*	7,669,823	23,457,419	51,917,267	68,182,691	100	100	71
2004#	8,218,260	26,402,483	54,520,671	69,868,024	100	100	65
2005	8,641,718	32,330,097	56,131,991	72,382,548	100	100	56
2006	9,373,054	34,786,783	61,768,335	78,846,717	100	100	56
2007	9,972,284	36,754,725	63,667,106	89,110,860	100	100	67

* *After changes in actuarial assumptions or methods.*
\# *After changes in benefits.*
Note: For years prior to 2007, information is shown from the prior actuary's report.

Analysis of Financial Experience

Year Ended April 30, 2007

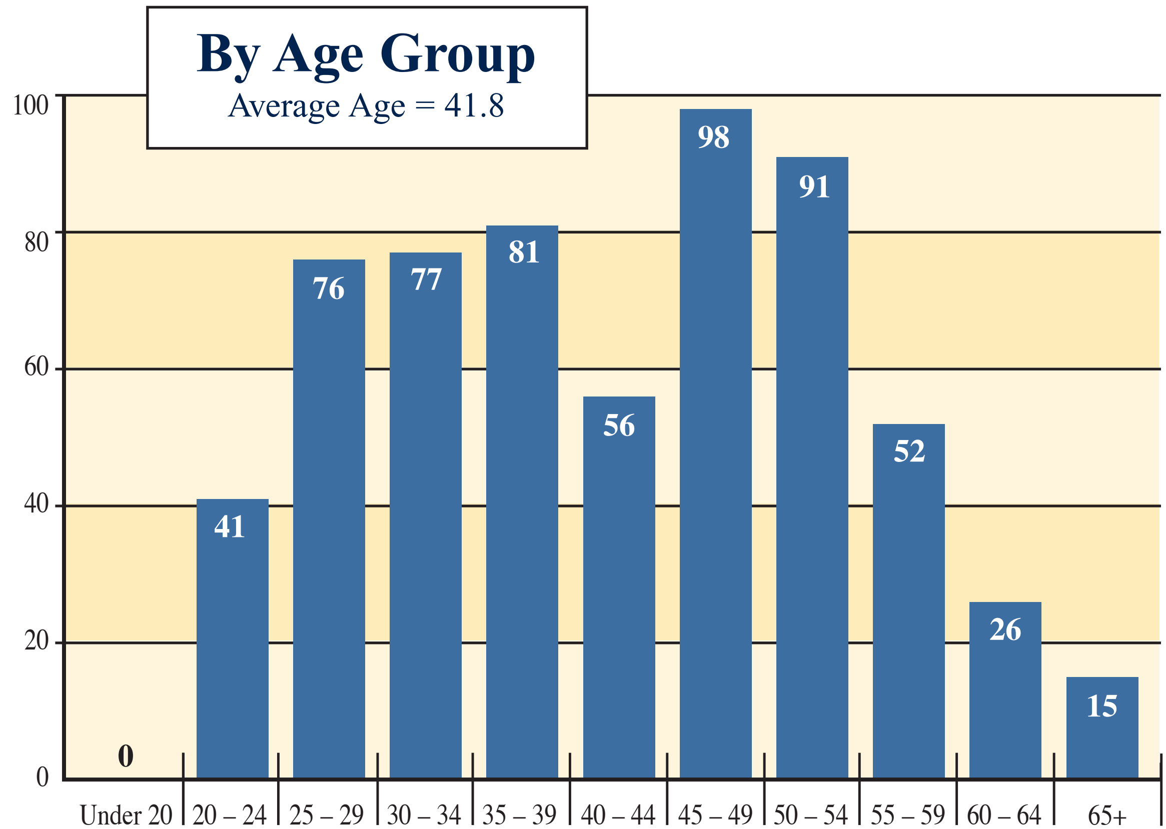
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

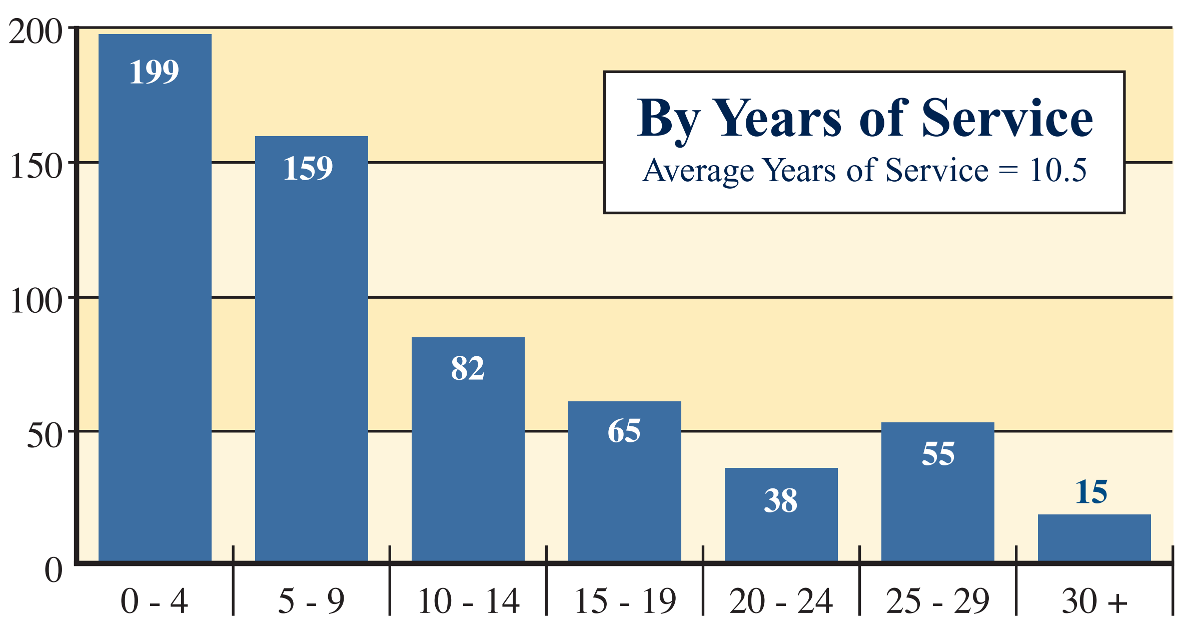
		$ Millions
(1)	UAAL* at start of year	27.1
(2)	+ Normal cost for year	3.4
(3)	+ Assumed investment return on (1) & (2)	2.4
(4)	- Actual contributions (member + city)	3.9
(5)	- Assumed investment return on (4)	0.2
(6)	= Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	28.8
(7)	+ Increase (decrease) from amendments	(0.5)
(8)	+ Increase (decrease) from replication of 2006 valuation	(0.8)
(9)	= Expected UAAL after changes (6) + (7) + (8)	27.5
(10)	= Actual UAAL at year end	21.3
(11)	= Experience gain (loss) (9) - (10)	6.2
(12)	= Percent of beginning of year AAL	5.9%

* Unfunded Actuarial Accrued Liability / (Surplus)

Year Ended April 30	2002	2003	2004	2005	2006	2007
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	(1.9)%	(6.7)%	(3.5)%	(4.1)%	(0.8)%	5.9%

Active Membership





Summary Plan Description

Membership

All regularly appointed full-time civilian employees of the Kansas City, Missouri Police Department, who are not eligible to receive a pension from the Police Retirement System, shall become members of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri as a condition of their employment.

Creditable Service

Membership service includes all service rendered as a civilian employee for compensation. Creditable service includes current membership service and may also include purchases of prior service, military service and other qualifying public service.

Service Interruptions

If a member is on a leave of absence for military leave, the member may purchase service credit by paying the applicable member contributions to the Retirement System. Under certain conditions a member may be eligible for creditable service for military leave without paying the applicable member contributions. Creditable service shall not include any time a member is suspended from service without pay. The Board of Police Commissioners must approve a leave of absence.

Prior Service

A member who terminates membership with three years or more of creditable service and later returns may be given credit toward retirement for that prior service. However, the member must first repay to the Retirement System the amount refunded to them upon separation plus interest.

Prior Military Service

Members may elect to purchase creditable service in the Retirement System based upon any active duty time they served in the U.S. military prior to employment with the Kansas City, Missouri Police Department. A member may purchase up to two years of qualifying military service. The cost shall be determined at the time of purchase using current actuarial rates, and must be paid in full prior to retirement.

Other Public Employment

Under Section 105.691 RSMo. a member who has been employed in nonfederal public employment in the State of Missouri prior to becoming a member of the Civilian Employees' Retirement System may purchase service up to the actual number of years of public service in an eligible position. A member becomes eligible under this section after they have been a member of the Civilian Employees' Retirement System for five years. The cost shall be determined using actuarial rates.

Contributions

All members contribute a percentage of their base pay until they retire. The member's contribution rate is 5% of base pay. Member contributions are made through payroll deduction on a pre-tax basis and paid into the Retirement System by the Board of Police Commissioners each pay period.

The City of Kansas City, Missouri contributes 13.14% of members' base pay. The current annual required contribution to maintain the Retirement System on an actuarially sound basis is 16.12% of base pay. Future contribution rates will be based on actuarial requirements.

Retirement Benefits

A member's normal retirement date shall be the first day of the month following the later of the date the member attains the age of 65 years or of the member's tenth anniversary of employment.

Age and Service Retirement

A member who retires on or after the member's normal retirement date, shall receive a pension in a sum equal to 2% of the member's Final Compensation multiplied by the number of years of creditable service. Final Compensation is generally the member's average annual compensation over the 24 months of service for which the member received the highest base salary. There is no reduction for social security benefits.

A member who is married at the time of retirement may, with their spouse's consent, select an optional annuity in lieu of a normal pension. An optional annuity provides a monthly pension to the member for life and an equal amount to the surviving spouse upon the death of the member. The value of the optional annuity will be the actuarial equivalent of the member's normal pension amount at the date of retirement, including the value of survivorship rights for the surviving spouse. The optional annuity will be paid to the member's surviving spouse for life without regard to remarriage.

Early Retirement

Beginning at age 55, a member who has completed at least 10 years of creditable service may elect early retirement and receive a pension benefit which shall be reduced by one-half of one percent for each month the effective date is prior to the first day of the month after the member turns 60. For members electing early retirement at age 55 the reduction is 30%. Beginning at age 60 a member who has completed at least 5 years but not more than 10 years of creditable service may elect early retirement and receive a pension benefit which shall be reduced by one-half of one percent for each month the effective date is prior to the first date of the month after the member turns 65. Beginning at age 60 a member who has completed at least 10 years of creditable service, or at any time after a member's total of age and years of creditable service equals or exceeds 80, the member may elect early retirement without any reduction in benefits.

Disability Benefits

A member eligible for disability benefits must have a total and permanent disability that prevents the member from engaging in any occupation or performing any work for remuneration or profit for the remainder of the member's life. The disability must not be caused by the member's own negligence or willful self infliction. A duty disability is directly due to and caused by actual performance of employment with the Police Department. A non duty disability arises from any other cause than a duty disability.

There is no age or service requirement for a duty disability pension. A member eligible for a duty disability pension, as determined by the Medical Board of the Retirement System and the Retirement Board, will receive a pension equal to 50% of the member's Final Compensation. To be eligible for a non-duty disability pension, a member must have 10 or more years of creditable service. A member eligible for a non-duty disability pension, as determined by the Medical Board of the Retirement System and the Retirement Board, will receive a pension equal to 30% of the member's Final Compensation. A disability pension shall be paid to eligible members for so long as the total and permanent disability shall continue. The pension may be subject to offset or reduction by amounts paid or payable under Workers' Compensation law. A disability retiree may be required by the

Retirement Board to undergo periodic medical examinations. In no event shall the disability pension be less than the amount the member would be entitled to as a pension if they retired on the same date with equivalent age and creditable service.

Partial Lump-sum Option Payment (PLOP)
A Partial Lump-sum Option Payment (PLOP) is available to members who have one or more years of creditable service beyond their eligible retirement date. A member with one or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to 12 times the initial monthly base pension they would have received without making the PLOP election. A member with two or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to 24 times the initial monthly base pension they would have received without making the PLOP election. A member with three or more years of creditable service beyond their eligible retirement date may elect a lump-sum equal to 36 times the initial monthly base pension they would have received without making the PLOP election. When a member makes an election to receive a PLOP, the member's base pension calculated at the time of retirement will be actuarially reduced to reflect the PLOP payment. The reduction in a member's retirement benefit with a PLOP is dependent upon the member's age, creditable service, marital status and the amount of the PLOP.

Survivor Benefits
Upon the death of a member in service or of a member after retirement, there shall be paid the following:

If the member dies in service and has less than 5 years of creditable service, the member's surviving spouse shall be paid, in a lump sum, the amount of the member's contributions plus interest.

If the member dies in service and has at least 5 but less than 20 years of creditable service, the member's surviving spouse may elect, in lieu of the lump sum return of contributions plus interest, a pension equal to 50% of the member's accrued pension as computed for normal retirement. The effective date of the election shall be the latter 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.

If the member dies in service and has at least 20 years of creditable service, the member's surviving spouse may elect, in lieu of the lump sum return of contributions plus interest, the larger of the 50% pension as computed above or a pension determined on a joint and survivor's basis from the actuarial value of the member's accrued pension at the date of death.

If the member retired and did not elect an optional annuity in lieu of a normal pension, the surviving spouse shall receive a pension payable for life equaling 50% of the member's normal retirement benefit as of the member's actual retirement date plus cost of living adjustments.

If the member retired and elected an optional spousal annuity, the surviving spouse shall receive the same amount as the annuity being paid to the member and will be paid such amount for the lifetime of such surviving spouse.

A funeral benefit of $1000.00.

When a surviving spouse receives Workers' Compensation benefits on account of the death of a member in service, the amounts of any payments under this section may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law.

Any death of a retired member before the first payment of a pension is a death before retirement. If there is no surviving spouse upon the death of a member, payment of the member's accumulated contributions and interest shall be made to the member's designated beneficiary, or if none, to the executor or administrator of the member's estate.

A surviving spouse shall not be entitled to benefits unless the spouse was married to the member at the time of retirement.

If the total amount paid to the member and/or the member's surviving spouse is less than the member's accumulated contributions, an amount equal to the difference shall be paid to the member's designated beneficiary or, if none, to the executor or administrator of the member's estate. A payment to a designated beneficiary shall constitute full and final payment of any and all claims for benefits from the Retirement System.

Cost of Living Adjustments

Members, including surviving spouses, may receive an annual cost-of-living adjustment in an amount not to exceed 3% of their respective base pension. Statutes require that the Retirement System remain actuarially sound and that the Retirement Board must act upon the advice of a qualified actuary when granting cost of living adjustments. To be eligible for the cost of living increase, which is normally granted on the June 1 benefit check, the member's pension must have commenced by December 31 of the prior year.

Supplemental Retirement Benefits

All retired members and eligible surviving spouses receive a supplemental retirement benefit, currently in the amount of $160.00 monthly, in addition to pension benefits.

Resignation or Termination

Upon resignation or termination of a member with less than 5 years of creditable service, the member will be paid the amount of the member's accumulated contributions plus interest and the return of contributions shall be in lieu of any and all benefits to which the member might be entitled.

With 5 or more years of creditable service, a member may choose to leave their accumulated contributions in the Retirement System fund and receive a pension upon the member's normal retirement date or upon the member's early retirement date subject to any applicable adjustments.

Retirement Board

The Retirement Board is composed of nine members, two of whom are appointed by the Board of Police Commissioners, two are appointed by the City Council and five are elected by the membership of the Retirement Systems. The elected members must include at least one member of the Civilian Employees' Retirement System, at least one member retired from active service in the Police Retirement System, and at least one active member of the Police Retirement System who has not attained the rank of Sergeant or higher. Annual elections are held and board members are elected to serve for three-year terms.

The above summary is not intended to serve as a legal document or substitute for the law. In all circumstances the language of the actual text of the law and the policies adopted by the Retirement System Board will take precedence. Copies of sections 86.1310 to 86.1640 of the Revised Statutes of Missouri, which govern the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri are available on our web site at www.kcpers.org or upon request at the KCPERS office.

Statistical Section

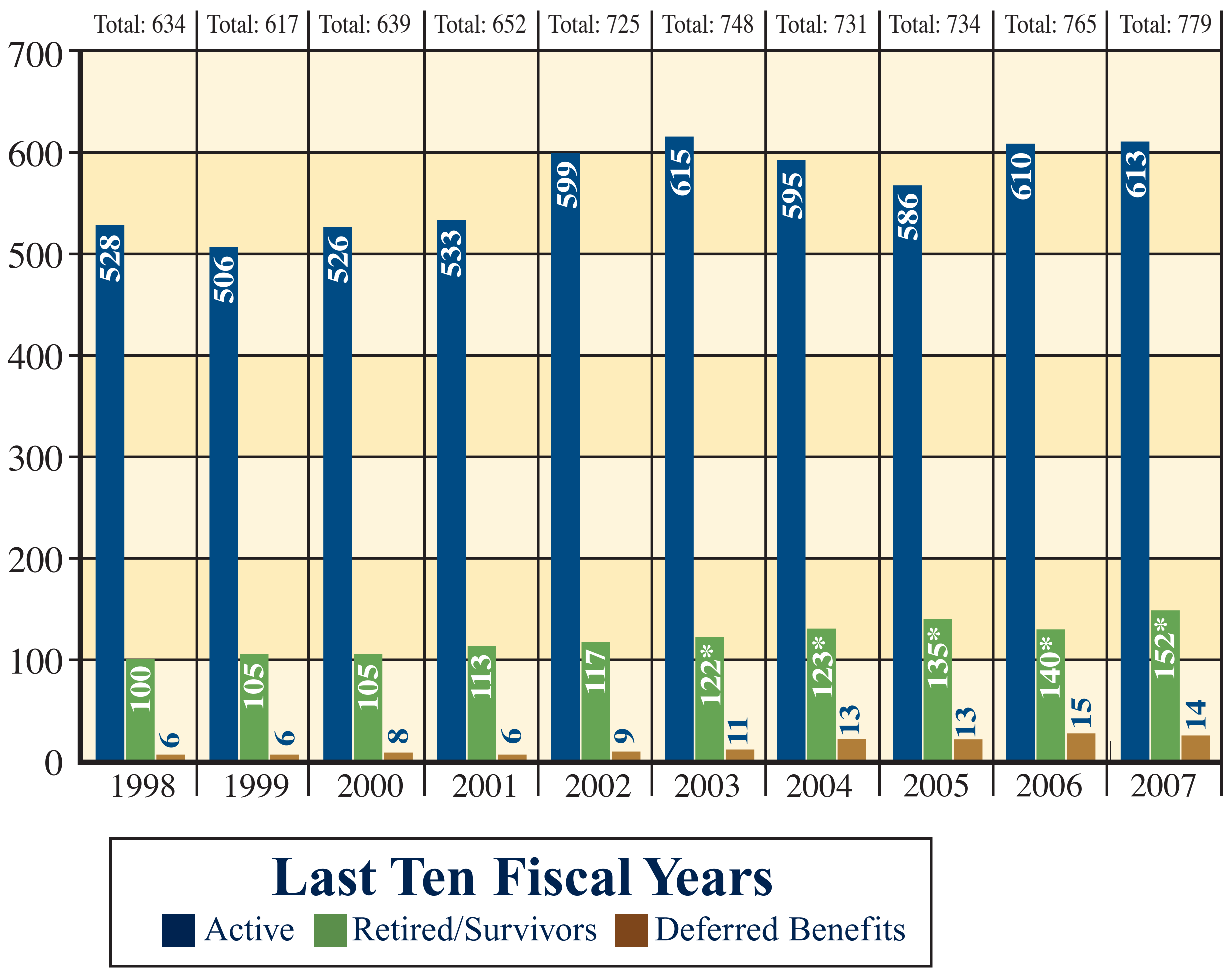
Statistical Summary

The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri has implemented the provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section. GASB Statement No. 44 established reporting requirements related to the supplementary information presented in this section.

Each of the schedules in the statistical section contain ten years of historical data to provide more comprehensive comparisons and track the progress of changes to member demographics and plan benefits.

All of the member demographic and benefit data used in the statistical section was obtained from internal sources. Participant data is separated into active, retired/survivor, and deferred categories where appropriate. Retirement benefit data is separated into service retirement, duty disability retirement, and non-duty disability retirement categories where appropriate.

Membership in Retirement Plan



* Retired/Survivors figure does not count Qualified Domestic Relations Order (QDRO) recipients. FY2003 is the first occurrence of a QDRO recipient; the member and respective QDRO have been grouped together as one pension for reporting purposes.

Schedule of Changes in Plan Net Assets

Last Ten Fiscal Years

Fiscal Year	1998	1999	2000	2001	2002
Additions:					
Member Contributions	$769,484	$779,914	$850,537	$911,676	$1,002,689
Employer Contributions	453,217	674,228	944,475	1,286,166	1,420,668
Net Investment Income	10,162,480	5,136,113	5,689,826	(3,031,468)	(1,478,104)
Total Additions to Plan Net Assets	**11,385,181**	**6,590,255**	**7,484,838**	**(833,626)**	**945,253**
Deductions:					
Benefits	875,954	1,013,756	1,252,177	1,452,061	1,694,954
Refunds	290,547	342,619	245,332	169,707	272,962
Administrative	118,210	95,801	134,643	141,068	128,109
Total Deductions from Plan Net Assets	**1,284,711**	**1,452,176**	**1,632,152**	**1,762,836**	**2,096,025**
Change in Net Assets	**$10,100,470**	**$5,138,079**	**$5,852,686**	**$(2,596,462)**	**$(1,150,772)**
Employer % of Annual Covered Payroll	3.0%	4.4%	5.3%	6.8%	6.8%

Fiscal Year	2003	2004	2005	2006	2007
Additions:					
Member Contributions	$1,099,248	$1,247,257	$1,188,564	$1,262,297	$1,212,401
Employer Contributions	1,567,833	1,601,243	1,612,080	2,175,167	2,681,732
Net Investment Income	(3,950,722)	9,992,199	5,231,299	12,714,840	10,373,345
Total Additions to Plan Net Assets	**(1,283,641)**	**12,840,699**	**8,031,943**	**16,152,304**	**14,267,478**
Deductions:					
Benefits	1,914,018	2,313,851	2,688,395	2,844,258	3,351,956
Refunds	108,033	240,121	166,110	267,959	253,358
Administrative	125,161	97,489	109,068	105,030	111,050
Total Deductions from Plan Net Assets	**2,147,212**	**2,651,461**	**2,963,573**	**3,217,247**	**3,716,364**
Change in Net Assets	**$(3,430,853)**	**$10,189,238**	**$5,068,370**	**$12,935,057**	**$10,551,114**
Employer % of Annual Covered Payroll	7.1%	7.3%	7.2%	9.1%	10.5%

Schedule of Deductions from Plan Net Assets for Benefits and Refunds by Type*

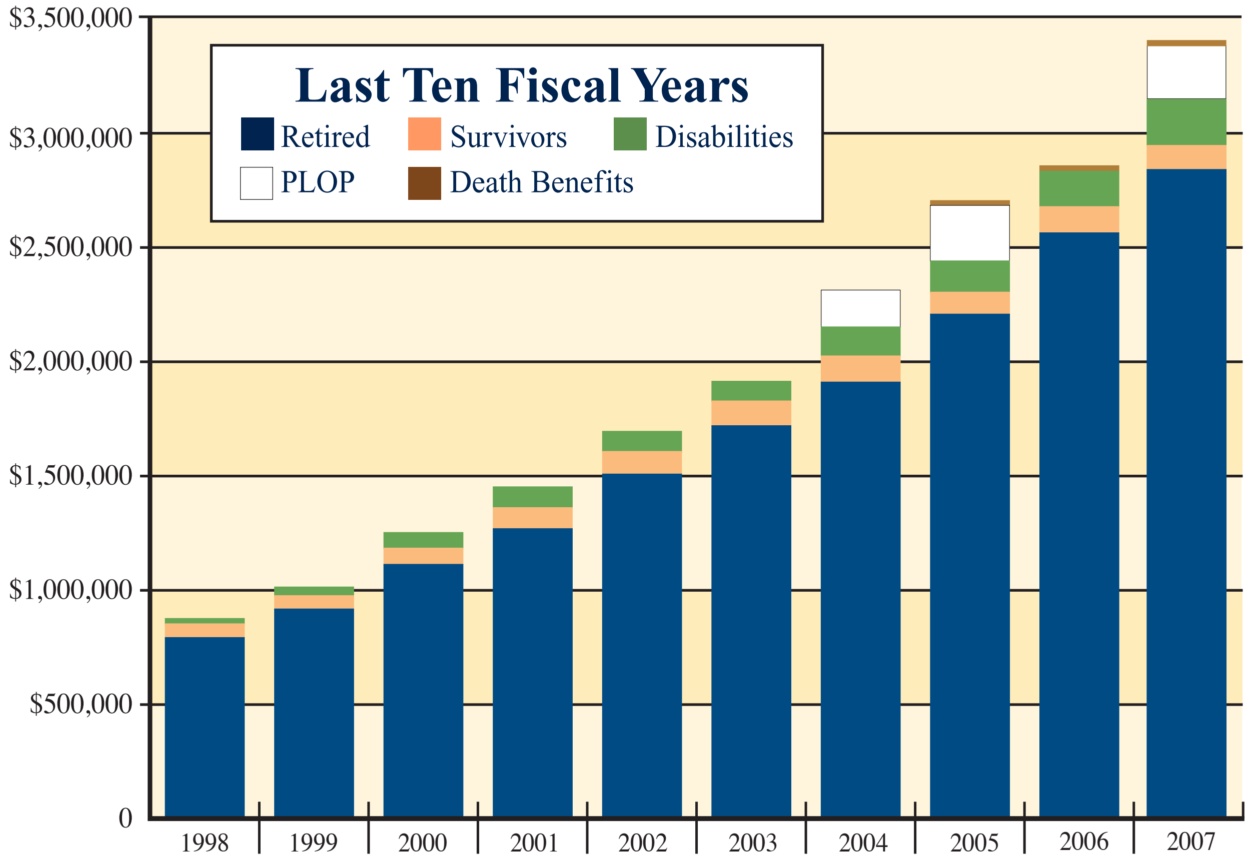
Last Ten Fiscal Years

Fiscal Year	1998	1999	2000	2001	2002
Type of Benefit:					
Retired	$792,429	$917,500	$1,112,756	$1,268,885	$1,507,823
Survivors	60,283	58,445	71,103	92,109	99,050
Disabilities	23,242	37,811	68,318	91,067	88,081
PLOP	–	–	–	–	–
Death Benefits	–	–	–	–	–
Total Benefits	**$875,954**	**$1,013,756**	**$1,252,177**	**$1,452,061**	**$1,694,954**
Type of Refund:					
Separation	$290,547	$321,660	$216,959	$169,707	$271,998
Death	–	20,959	28,373	–	964
Total Refunds	**$290,547**	**$342,619**	**$245,332**	**$169,707**	**$272,962**

Fiscal Year	2003	2004	2005	2006	2007
Type of Benefit:					
Retired	$1,719,500	$1,910,368	$2,207,718	$2,586,409	$2,816,917
Survivors	108,282	114,489	96,169	95,432	105,298
Disabilities	86,236	126,822	136,542	156,417	190,421
PLOP	–	162,172	243,966	–	236,320
Death Benefits	–	–	4,000	6,000	3,000
Total Benefits	**$1,914,018**	**$2,313,851**	**$2,688,395**	**$2,844,258**	**$3,351,956**
Type of Refund:					
Separation	$107,367	$236,853	$110,224	$217,364	$253,358
Death	666	3,268	55,886	50,595	–
Total Refunds	**$108,033**	**$240,121**	**$166,110**	**$267,959**	**$253,358**

*Benefit amounts include $160 supplemental benefit.
*Benefit amounts include cost of living adjustments.

Schedule of Deductions from Plan Net Assets for Benefits and Refunds by Type* (Continued)



* Benefit amounts include $160 supplemental benefit.
* Benefit amounts include cost of living adjustments.

Schedule of Retired Members by Type of Benefit

April 30, 2007

Amount of Monthly Benefit*	Total Monthly Benefits*	Total Number of Recipients	Retired	Surviving Spouses	Duty Disability	Non-Duty Disability
$ 1 to 250	$439	2		2		
251 to 500	4,867	13	10	3		
501 to 750	10,968	18	14	3		1
751 to 1,000	13,235	15	10	3		2
1,001 to 1,250	12,403	11	10	1		
1,251 to 1,500	9,591	7	5	1		1
1,501 to 1,750	30,516	19	18		1	
1,751 to 2,000	13,381	7	7			
2,001 to 2,500	41,701	19	15	1	1	2
2,501 to 3,000	60,449	22	20			2
Over 3,000	71,886	19	19			
Totals	**$269,436**	**152**	**128**	**14**	**2**	**8**

*Benefit amounts include $160 supplemental benefit.

*Benefit amounts include cost of living adjustments.

Schedule of Average Monthly Base Benefit Amounts*

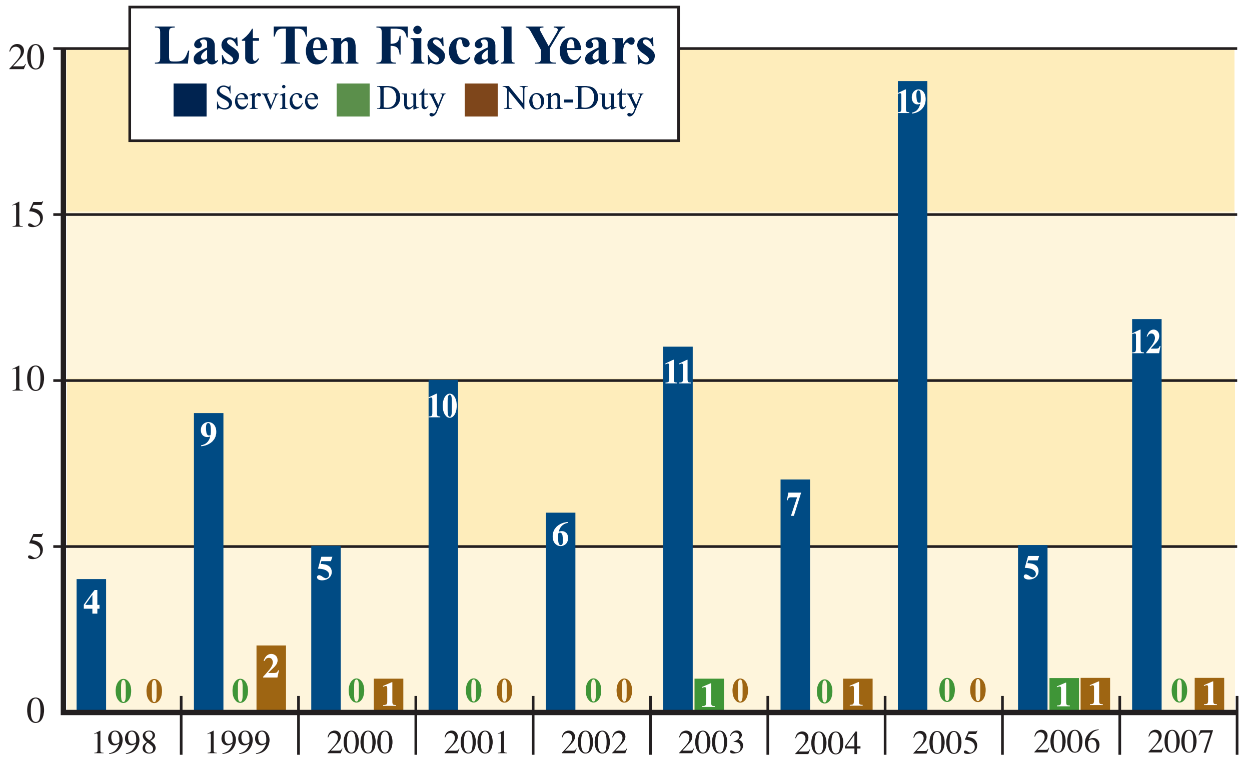
Ten Years Ended April 30, 2007

	Years Credited Service						
Members Retiring During	**5–10**	**10–15**	**15–20**	**20–25**	**25–30**	**30+**	**All Members**
Fiscal Year Ending 04/30/98							
Average monthly benefit	$	411	733	1,142			762
Average final compensation	$	2,251	2,369	2,392			2,337
Number of retirees		1	1	1			3
Fiscal Year Ending 04/30/99							
Average monthly benefit	$	401	923	1,923	2,097	1,929	1,591
Average final compensation	$	1,986	2,612	4,390	4,147	3,116	3,133
Number of retirees		1	2	1	1	5	10
Fiscal Year Ending 04/30/00							
Average monthly benefit	$	1,296		1,518		2,683	1,869
Average final compensation	$	4,547		3,330		4,147	3,805
Number of retirees		1		3		2	6
Fiscal Year Ending 04/30/01							
Average monthly benefit	$225	905		1,778	2,142	2,448	1,697
Average final compensation	$1,653	4,286		3,647	3,799	4,006	3,687
Number of retirees	1	2		1	5	1	10
Fiscal Year Ending 04/30/02							
Average monthly benefit	$388	755			2,454	2,666	1,932
Average final compensation	$2,735	2,612			4,887	4,398	3,905
Number of retirees	1	1			1	3	6
Fiscal Year Ending 04/30/03							
Average monthly benefit	$335	1,094	1,492	1,968	2,525	2,753	1,692
Average final compensation	$2,141	4,697	3,536	4,629	4,360	4,020	4,161
Number of retirees	1	3	2	3	2	1	12
Fiscal Year Ending 04/30/04							
Average monthly benefit	$	480			2,407	2,532	2,229
Average final compensation	$	2,540			4516	4,554	4,288
Number of retirees		1			3	4	8
Fiscal Year Ending 04/30/05							
Average monthly benefit	$239	821	1,304	1,588	2,178	3,749	1,818
Average final compensation	$2,046	3,529	3,902	3,719	3,949	6,241	4,014
Number of retirees	3	3	1	4	4	4	19
Fiscal Year Ending 04/30/06							
Average monthly benefit	$1,387		1,248	1,078	1,744	3,270	1,892
Average final compensation	$2,845		3,542	2,816	3,339	5,370	3,832
Number of retirees	1		2	1	1	2	7
Fiscal Year Ending 04/30/07							
Average monthly benefit	$210	667	1,203	1,661	1,739	3,470	1,622
Average final compensation	$1,997	2,659	3,274	3,671	3,377	5,938	3,606
Number of retirees	1	2	2	3	3	2	13

*Benefit amounts do not include supplemental benefits or cost of living adjustments.

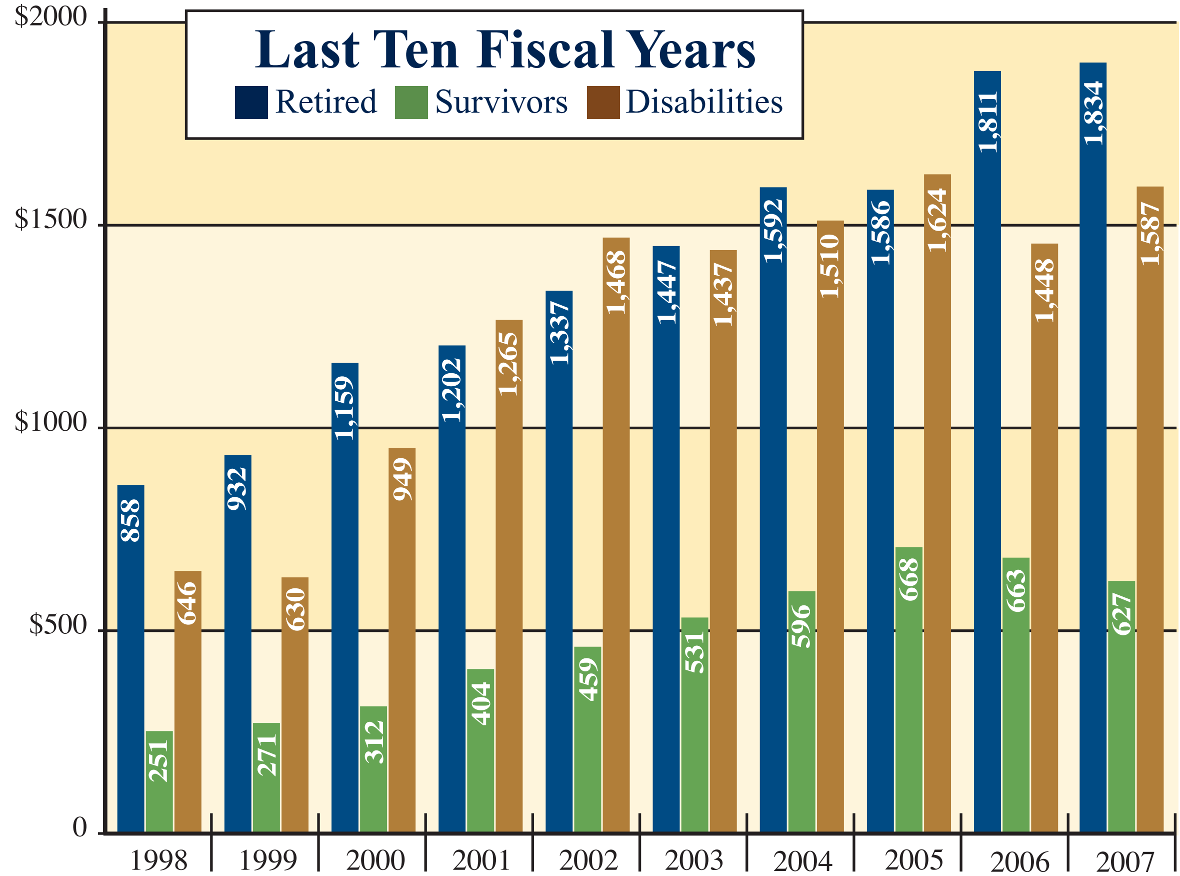
*Benefit amounts are after reductions for optional benefits.

New Pensions Started



Retiree Distribution by State

Average Monthly Benefit*



* Benefit amounts include $160 supplemental benefit

* Benefit amounts include cost of living adjustments

Cost of Living Increases

Ten Year History

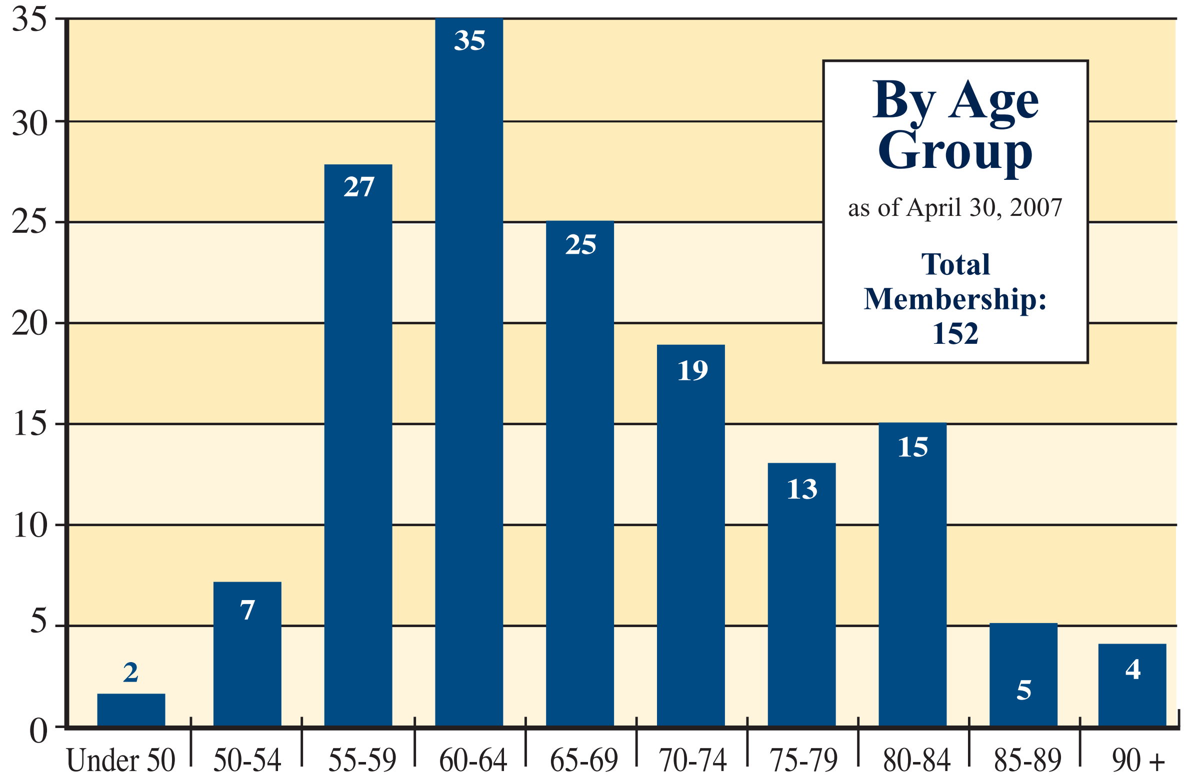
Fiscal Year	% Increase to Monthly Base Pension
1998	3.00%
1999	2.60%
2000	0.90%
2001	3.00%
2002	3.00%
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%

Supplemental Retirement Benefit

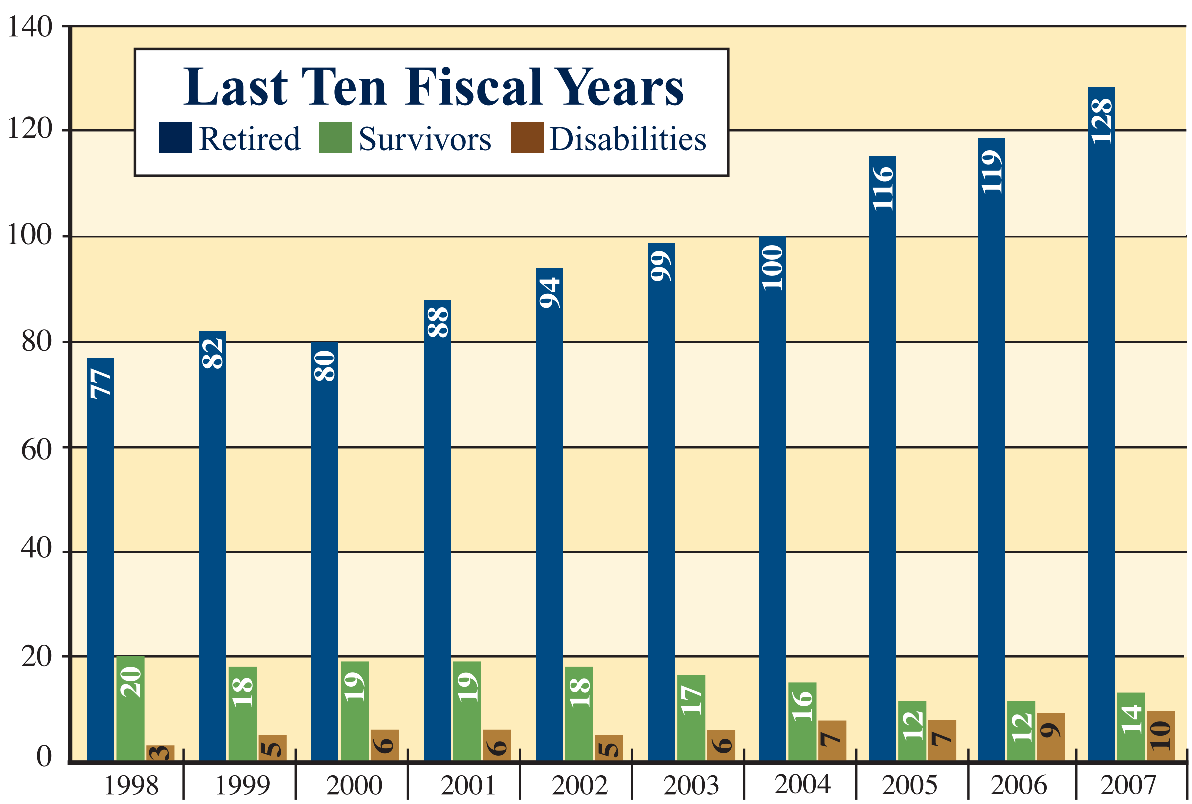
History of Increases

Fiscal Year	Monthly Benefit Amount	Annual Benefit Amount
1993	$50.00	$600.00
2000	120.00	1,440.00
2001	160.00	1,920.00

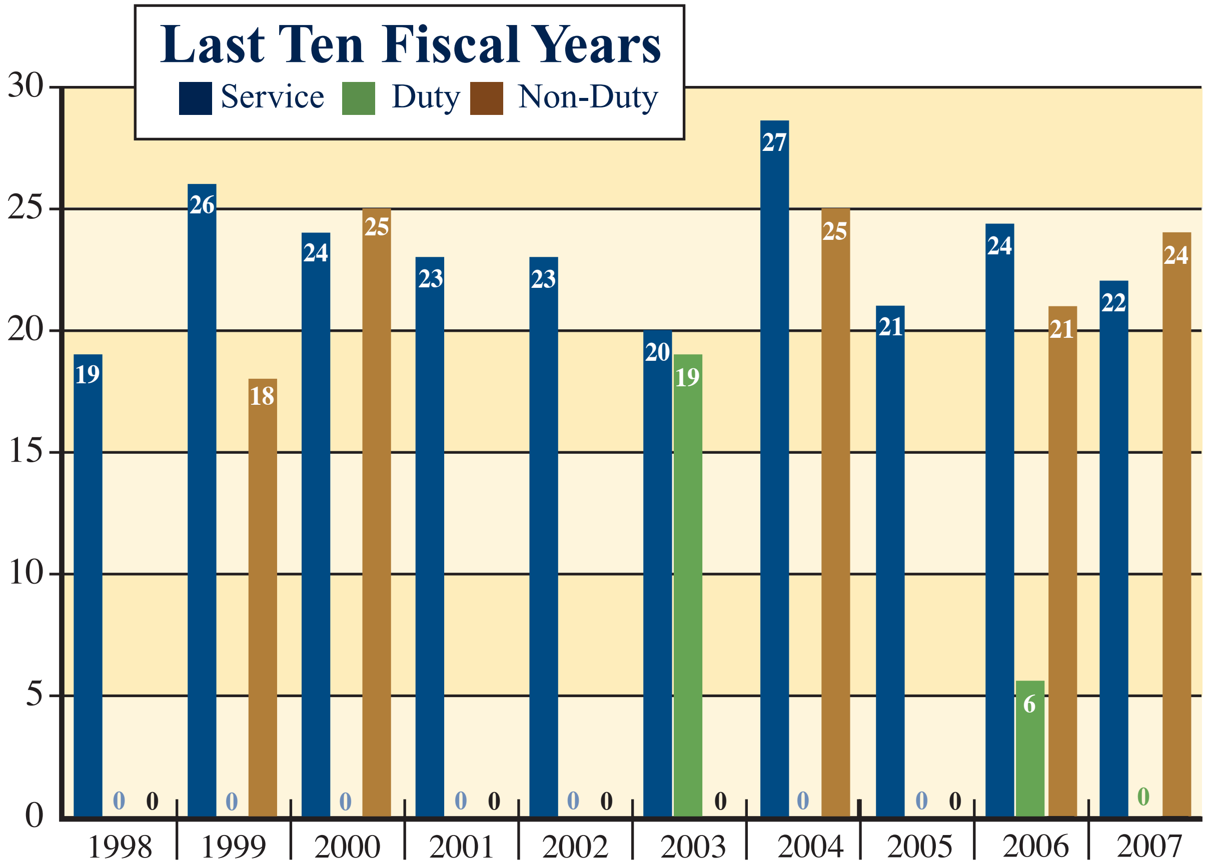
Membership Receiving Benefits



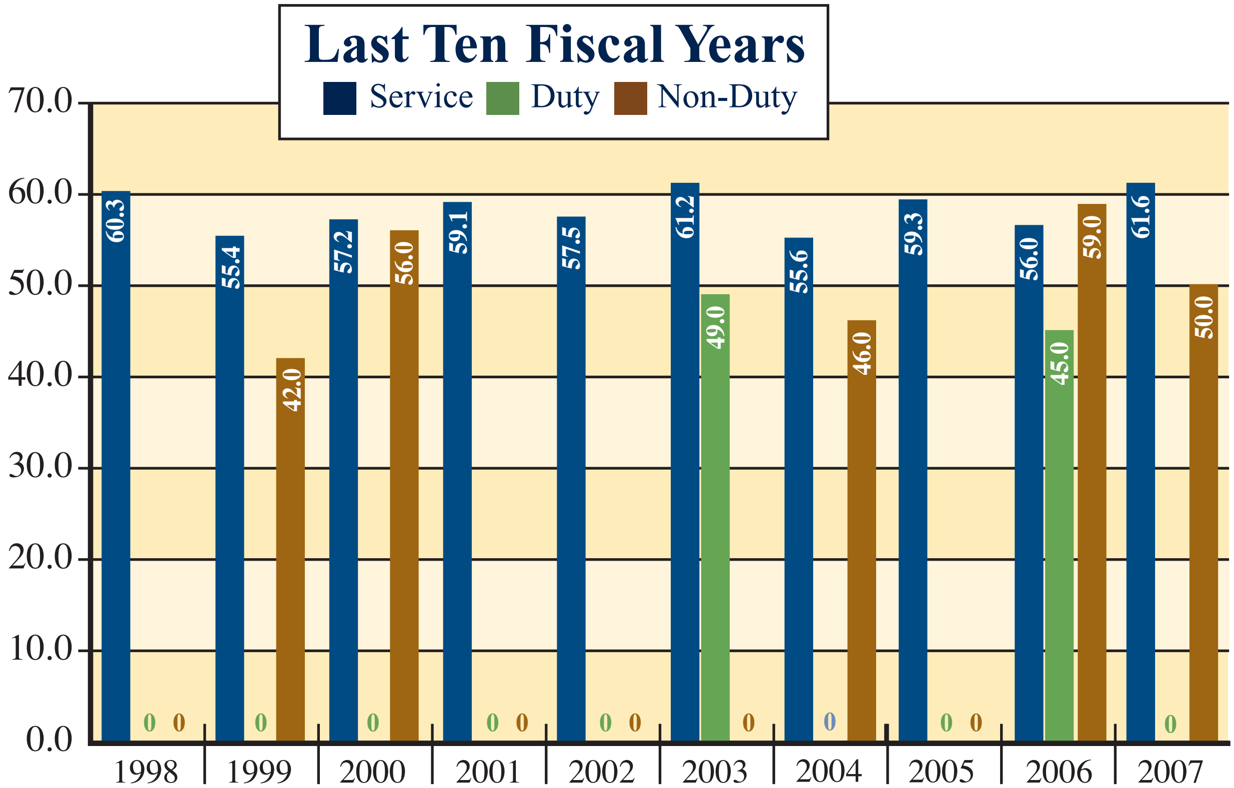
Membership Receiving Benefits



Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2007

Service	**67.7**
(128 retired members ranging in age from 51 to 94)	
Duty Disability	**50**
(2 retired members ranging in age from 47 to 53)	
Non-Duty Disability	**57.6**
(8 retired members ranging in age from 41 to 71)	

www.kcpers.org

KCPERS
Kansas City Police Employees' Retirement Systems
1328 Agnes
Kansas City, Missouri 64127