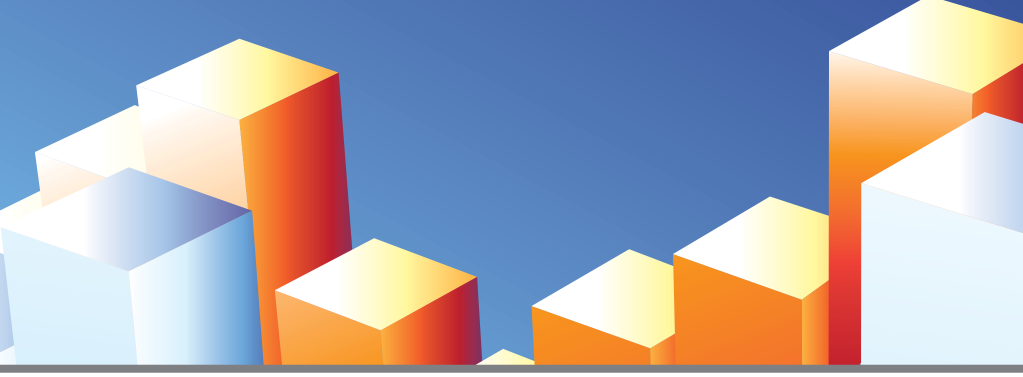

43RD
ANNUAL
REPORT

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, 2008 to
April 30, 2009

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, 2008 to April 30, 2009

43rd 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

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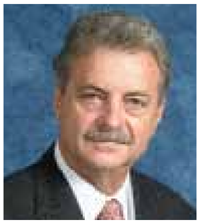
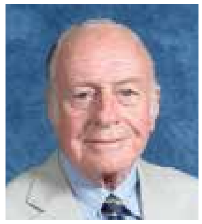
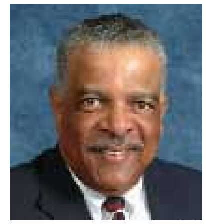


Gary R. Howell, Chairman
(Ret.) Crime Laboratory Director
Kansas City, Missouri
Police Department

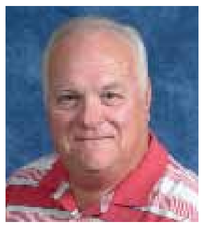


Robert W. Evans Sr., Vice-Chairman
Appointed Member

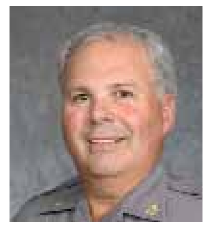


Bailus M. Tate, Treasurer
Appointed Member

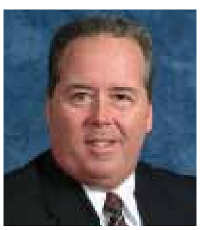
Richard K. Burnett
(Ret.) Captain
Kansas City, Missouri
Police Department



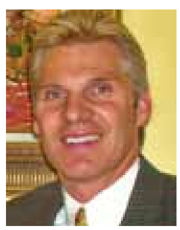
Victor A. Kauzlarich
(Ret.) Major
Kansas City, Missouri
Police Department



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



David E. Reyburn
Detective
Kansas City, Misouri
Police Department

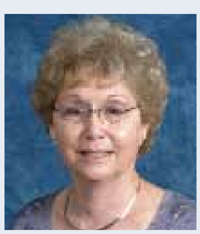


Patrick J. Trysla
Appointed Member

Angela Wasson-Hunt
Appointed Member

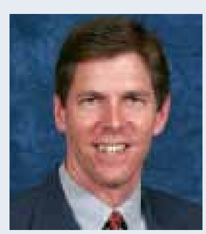
KCPERS Staff

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

October 12, 2009

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 2009 comprehensive annual financial report of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri.

Fiscal Year 2009 Projects

The Retirement Board worked with DeMarche Associates to implement a tactical asset allocation process whereby DeMarche could advise the board on tactical changes to our target investment allocations. DeMarche will provide guidance using market indicators, on a monthly basis and more frequently during periods of high market volatility, to overweight or underweight target allocations within the fixed income and equity allocations. The board established ranges that set limits on how much the tactical allocation can vary from the target asset allocation. Staff will implement the tactical calls approved by the board through existing managers for longer term allocation changes and through the use of exchange traded funds in the appropriate index for shorter term allocation changes. DeMarche will also meet two times per year with the Retirement Board for specific discussions of portfolio performance due to tactical asset allocations.

Legislative Changes

House Bill 1710 and Senate Bill 980 became effective in August 2008 and required members of the Civilian Employees' Retirement System to be in active service to be eligible for a duty or non-duty disability retirement.

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 costs of these internal controls do not exceed the anticipated benefits. 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. In the management letter to the Retirement Board, BKD identified segregation of duty issues that exist because our staff is so small. We have worked with BKD to implement procedures for cash receipts, purchasing and cash disbursements, and payroll that will segregate duties as much as possible, without adding additional staff.

The following schedule is a summary of the pension fund additions and deductions for the years ended April 30, 2009 and April 30, 2008

	April 30, 2009	April 30, 2008
Additions	($20,473,746)	$4,594,622
Deductions	4,221,420	3,762,233
Net Change	($24,695,166)	$832,389

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 2008 to FY 2009 additions decreased by $25,068,368; investment losses increased by $25,281,950 and contributions from both members and the city increased by $150,582. From FY 2008 to FY 2009 deductions increased by $459,187; benefits paid increased by $284,310, refunds of contributions increased by $163,309 and administrative expenses increased by $11,568. 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 protect the value to the portfolio, reduce risk, and increase our funded ratio.

For the actuarial valuation dated April 30, 2009 the funded ratio of assets to liabilities of the Civilian Employees' Retirement System, which covers 795 members, decreased by 14% to 69%. The decrease in the funded ratio is due to investment performance from the current year and prior years. Member contributions remain at 5% while employer contributions remain at 13.14% of payroll. The employer contribution rate is below the annual required contribution rate of 14.27% for the fiscal year beginning May 1, 2009 and the projected annual required contribution rate of 18.87% for the fiscal year beginning May 1, 2010.

Investment Activity

The volatile and unprecedented losses in the investment markets for the year ending April 30, 2009 had a significant negative impact on the Retirement System assets. Our investment portfolio produced a total return of -24.3% and the policy benchmark return for the year was -24.2%, which means our investment managers had a 0.1% loss versus the markets. That investment performance did not come close to meeting our assumed rate of return, for actuarial purposes, of 7.75%. For the year ending April 30 RCM, Waddell & Reed, and LSV Emerging Market finished in the 1st Quartile against a peer group of large cap growth managers, small cap growth managers and emerging market value managers, respectively. RCM outperformed the Russell 1000 Growth index, Waddell & Reed outperformed the Russell 2000 Growth index, and LSV outperformed the MSCI Emerging Market index. LSV and GE Emerging Market finished in the 2nd Quartile against a peer group of large cap value managers and emerging market growth managers, with LSV outperforming the

Russell 1000 Value index and GE meeting the MSCI Emerging Market index. FCI and LSV International finished in the 3rd Quartile against their peer groups. FCI outperformed the Barclays Government/Credit index and LSV underperformed the MSCI EAFE index. Prudential and GE International finished in the 4th Quartile against their peer groups. Prudential underperformed the NCREIF Property index and GE underperformed the MSCI EAFE index.

With all the market turmoil this past year we stayed in close contact with our fund managers through meetings in the KCPERS office and regular conference calls. The Ad Hoc Investment Committee reviewed proposals from small cap value equity managers and high yield bond managers and made recommendations to the full board to hire Vaughan Nelson Investment Management for small cap value and Shenkman Capital Management for high yield bonds. The Retirement Board also transferred funds invested with Systematic Financial Management to Russell 2000 Value iShares while we completed the search for a new small cap value manager. The board also hired PIMCO to invest in commodities that track the Dow Jones/UBS Commodities index. With the hiring of PIMCO and the recommendation to hire a high yield bond manager, the Retirement Board has completed its plan to diversify the asset allocation of the Civilian Employees' Retirement System.

The total asset allocation is explained further in the Summary of Investment Policies and Objectives on pages 37. The asset allocation is further explained in Management's Discussion and Analysis on page 17. 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, 2008. This was the seventh 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 2009 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 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, 2008

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

October 12, 2009

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, 2009. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

This past year was financially very stressful for everyone involved with the retirement system. The near collapse of the financial system, triggered by the meltdown in the mortgage banking industry, was an unprecedented event that spread to every segment of our economy. In this disastrous scenario there were no safe havens for investors. As you look through this report, you will see the impact of a 25% loss on our investments in FY2009. In spite of those losses, we have substantial assets to pay benefits well into the future and you need not worry about receiving your monthly pension check. Unfortunately, going forward we know some of the benefit increases our members have come to expect are going to change. The losses we incurred this past year will require long term investment performance above normal assumptions and increased contributions to bring retirement system assets back to expected levels.

We continue to invest system assets conservatively, with a view towards the long term. The losses we incurred were not normal and were not the result of risky investments. Our portfolio returns were similar to other retirement systems with diversified investments in stocks and bonds. Going forward we will continue to stick to a diversified asset allocation and to rebalance the portfolio to take advantage of market conditions that could lead to improved returns.

I want to tell you about one significant change on our board. In July, after 43 years of public service to the members of the Civilian Employees' Retirement System, Robert Turgeon's 21st term on the board expired. Bob was involved in hundreds of decisions that shaped the investment and benefit philosophy of the retirement system. He was a tireless advocate for protecting the security of your benefits. In Bob's place we welcome Patrick Trysla to the board and look forward to his advice and guidance through his experience as an investment banker and mergers and acquisitions attorney.

In closing I want to thank you, our members, for your continuing support of our efforts to safeguard your benefits and improve the 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
William Nicks
Kansas City, Missouri

INVESTMENT MANAGEMENT CONSULTANT

DeMarche Associates, Inc.
William Miskell
Overland Park, Kansas

Emcor
Robert Woodard
Lawrence, Kansas

LEGAL COUNSEL

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

MASTER TRUSTEE/CUSTODIAN

The Northern Trust Company
Patti Somerville-Koulouris
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, Nikki Newton
Overland Park, Kansas

G E Asset Management
Jonathan Passmore, David Pappalardo
Stamford, Connecticut

LSV Asset Management
Keith Bruch
Chicago, Illinois

Prudential Real Estate Investors
Darin Bright, 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

Northern Trust Global Investments
Gregory Williams
Chicago, Illinois

PIMCO Funds
Robert Greer, Ray Hayes
Newport Beach, California

Shenkman Capital Management, Inc.
Mark Flanagan, Nicole Lupo
Stamford, Connecticut

Vaughan Nelson Investment Management, LP
Chris Wallis, Mark Farrell
Houston, Texas

Financial Section

BKD LLP
CPAs & Advisors

120 West 12th Street Suite 1200
Kansas City, MO 64105-1936
816 221-6300 Fax 816 221-6380 **www.bkd.com**

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, 2009, 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, 2009, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described more fully in Note 4 to the financial statements, during 2009, the Plan implemented Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*.

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 2009 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 2008, 2007, 2006, 2005 and 2004 financial statements.

BKD, LLP

Kansas City, Missouri
July 31, 2009

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 statements provides an overview of the Civilian Employees' Retirement System's operations and investment performance during the year ended April 30, 2009. 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, 2009 and the Statement of Changes in Plan Net Assets for the year ended April 30, 2009. 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, a summary of investments and actuarial methods and assumptions.
- 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 decreased by $24,695,166 or (25.55%) from $96,639,301 as of April 30, 2008 to $71,944,135 as of April 30, 2009. The decrease was due to significant investment losses for the Plan.

Plan Net Assets

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

	April 30, 2009	April 30, 2008	Amount Change
Cash	$15,916	$11,041	$4,875
Receivables	260,310	399,347	(139,037)
Investments	72,007,672	96,391,948	(24,384,276)
Securities lending collateral	12,077,291	22,053,208	(9,975,917)
Total assets	**84,361,189**	**118,855,544**	**(34,494,355)**
Accounts and refunds payable	144,030	163,035	(19,005)
Securities lending collateral	12,273,024	22,053,208	(9,780,184)
Total liabilites	**12,417,054**	**22,216,243**	**(9,799,189)**
Net assets	**$71,944,135**	**$96,639,301**	**($24,695,166)**

Changes in Plan Net Assets

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

	April 30, 2009	April 30, 2008	Amount Change
Member contributions	$1,338,180	$1,285,869	$52,311
Employer contributions	3,470,682	3,372,411	98,271
Net investment loss	(25,282,608)	(63,658)	(25,218,950)
Total additions	**(20,473,746)**	**4,594,622**	**(25,068,368)**
Benefits paid to members	3,716,269	3,431,959	284,310
Refunds of contributions	381,590	218,281	163,309
Administrative expenses	123,561	111,993	11,568
Total deductions	**4,221,420**	**3,762,233**	**459,187**
Net Increase (Decrease)	**(24,695,166)**	**832,389**	**(25,527,555)**
Net Assets, Beginning of Year	**96,639,301**	**95,806,912**	**832,389**
Net Assets, End of Year	**$71,944,135**	**$96,639,301**	**($24,695,166)**

Financial Highlights

Net assets held in trust by the Civilian Employees' Retirement System, as reported in the Statement of Plan Net Assets, totaled $71,944,135 as of April 30, 2009. Net assets decreased by $24,695,166 or (25.55%). Total assets decreased by $34,494,355 or (29.02%) while total liabilities decreased by $9,799,189 or (44.11%). The decrease in total assets included: 1) a $24,384,276 decrease in investments due to investment performance, and 2) a $9,975,917 decrease in securities lending collateral due to significant credit and liquidity problems in the investment markets.

The Statement of Changes in Plan Net Assets shows a change in net assets at the end of the year of (25.55%) compared to a gain of 0.87% at the end of fiscal year 2008. Total additions to the Plan decreased by $25,068,368 or (546%) while total deductions from the plan increased by $459,187 or 12.21%.

The decrease in total additions included: (1) A $25,218,950 decrease in investment income which is the result of investment performance that was significantly less than the prior year. For FY2009, net investment loss was $25,282,608. The portfolio's investment rate of return was (24.34%) with investment losses totaling $24,855,252, investment expenses totaling $427,356. (2) A $52,311 increase in member contributions to the Plan and a $98,271 increase in employer contributions from the City of Kansas City, Missouri. The increases in member and employer contributions are due to payroll growth rather than changes to the contribution rates.

The increase in total deductions included an increase of $284,310 for benefits paid to members, which is made up of $311,809 for increased benefit payments through new retirements and a cost of living increase, and a $27,499 decrease in partial lump-sum option payments at the time of retirement. Refunds of contributions to members leaving the Police Department increased by $163,309, while administrative expenses increased by $11,568.

For the eighth 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, 2009, employee contributions were 5.0% of compensation and employer contributions were 13.14%, which is 3.10% below the annual required contribution rate of 16.24%. For the year beginning May 1, 2009, employer contributions are budgeted to remain at 13.14% of compensation.

The Retirement Board reviews the 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. The portfolio was rebalanced in May 2008 and February 2009. In May 2008, PIMCO was hired as a commodity manager. In September 2008, Northern Trust declared a collateral deficiency in the Securities Lending collateral account and issued a $199,296 long-term liability. At April 30, 2009, the liability was reduced to $195,733 as Northern Trust had offset the original collateral deficiency with funds received from collateral liquidation. In December 2008, the board terminated investments in Systematic's small cap value fund and transferred the assets to small cap value exchange traded funds. The board also started the search process for a new small cap value manager and a high yield bond manager.

Operational Highlights

In August 2008, the provisions of Senate Bill 980 and House Bill 1710 became effective and provided that members must be in active status to be eligible for either a duty or non-duty disability retirement benefit.

The Retirement Board contracted with DeMarche Associates to assist with tactical asset allocation. On a monthly basis, DeMarche will provide guidance on the asset allocation of the Civilian Employees' Retirement System to tactically allocate fixed income and equity assets within a range set by the Retirement Board.

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, 2009

Assets

Investments, At Fair Value	
U.S. government securities	$3,923,763
Corporate bonds and notes	13,954,598
Common and preferred stock	31,631,836
Government mortgage-backed securities	4,491,759
Real estate	2,245,812
Partnerships	1,331,021
Short-term investment funds	3,896,570
Emerging markets equities	721,545
Commodities funds	2,390,924
Foreign equities	7,419,844
Total investments	72,007,672
Securities Lending Collateral	12,077,291
Receivables	
Member insurance premiums	33,418
Accrued interest and dividends	226,892
Total receivables	260,310
Cash	15,916
Total assets	84,361,189

Liabilities

Accounts and refunds payable	144,030
Securities lending liability	195,733
Securities lending collateral	12,077,291
Total liabilities	12,417,054
Net Assets Held in Trust for Pension Benefits	$71,944,135

(See Schedule of Funding Progress on Page 32)
See Notes to the Financial Statements.

CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI

STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2009

Additions

Investment Income (Loss)	
Net depreciation in fair value of investments	($27,620,402)
Interest and dividends	2,651,320
Investment expense	(427,356)
Net investment loss	(25,396,438)
Securities Lending Income	
Securities lending gross income	336,846
Securities lending expenses	
Borrower rebates	(188,915)
Management fees	(34,101)
Total securities lending expenses	(223,016)
Net securities lending income	113,830
Total net investment loss	(25,282,608)
Contributions	
City	3,470,682
Members	1,338,180
Total contributions	4,808,862
Total additions	(20,473,746)

Deductions

Benefits Paid	
Retired members	3,267,300
Spouses	169,021
Disabled members	199,860
Partial lump sum option	66,088
Death benefits	14,000
Total benefits paid	3,716,269
Other Deductions	
Refunds of contributions	381,590
Adminstrative expenses	123,561
Total other deductions	505,151
Total deductions	4,221,420
Net Decrease	(24,695,166)
Net Assets Held in Trust for Pension Benefits, Beginning of Year	96,639,301
Net Assets Held in Trust for Pension Benefits, End of Year	$71,944,135

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 $4,808,862 ($3,470,682 employer and $1,338,180 employee) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2008. 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 years of service and (c) post-retirement benefit increase of 3% per year of the original base pension granted annually.

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Note 1: Summary of Significant Accounting Policies (Continued)

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 16.24% 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, 2009, the City contributed at a rate of 13.14% of members' salaries.

The actual contributions by the City have been less than the rates recommended by the actuary in 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.

Funded Status and Funding Progress
The funded status of the plan as of April 30, 2008, the most recent actuarial valuation date, is as follows:

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) Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
4/30/08	$97,989,985	$117,626,995	$19,637,010	83%	$27,045,762	73%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation of Investments and Income Recognition

Marketable securities, including mutual funds, 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.

Note 1: Summary of Significant Accounting Policies (Continued)

The private equity partnerships consist primarily of non-marketable investments in various venture capital, corporate finance funds and private partnerships. These funds are primarily invested in the technology, communications, energy and real estate markets. A portion of these funds is also invested in foreign operations under certain partnership agreements. The plan is obligated to pay certain capital commitments to the partnerships. These outstanding commitments totaled $2,874,841 at April 30, 2009. The fair value of these investments is estimated based on the estimated fair values of the underlying securities. These estimates could change materially in the near term.

Securities which are not traded on a national security exchange are valued by the respective investment manager or other third parties based on similar sales.

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

Purchases and sales 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 designed, 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.

Note 2: Plan Description (Continued)

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, 2009, the Plan's membership consisted of the following:	
Retirees and beneficiaries currently receiving benefits	163
Terminated plan members entitled to but not yet receiving benefits	13
Active employees	
Vested	416
Non-vested	203
Total	795

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. A married 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.

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.

Note 2: Plan Description (Continued)

Upon the death of a member in service with less than five years of service, the Plan provides for refunding the accumulated member contributions plus interest to the member's surviving spouse. If a member dies in service and has at least five but less than twenty years of service, the member's surviving spouse may elect either the lump-sum payment of accumulated contributions above or a pension payable for life equal to 50% of the member's accrued pension at the date of death calculated for normal retirement. The surviving spouse's pension may be deferred until what would have been the member's earliest possible retirement date. If a member dies in service and has at least 20 years of service, the member's surviving spouse may elect either the lump-sum payment of accumulated contributions or, the larger of the 50% pension calculated for normal retirement 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 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, 2009.

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.

The Plan had no bank balances exposed to custodial credit risk at April 30, 2009.

Investments

For the year ended April 30, 2009, Northern Trust was the master custodian for substantially all of the securities of the Plan. The investments held by the Plan are managed by ten 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, commodities and equity securities.

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

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. 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	$11,828,733
Market value of cash collateral received from borrowers	$12,077,291
Market value of non-cash collateral received from borrowers	12,962
Total market value of collateral	$12,090,253

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.

At April 30, 2009, the Plan under its securities lending agreement with Northern Trust was responsible for a collateral deficiency of $195,733, which is recorded as a liability on the Plan's Statement of Plan Assets. This obligation is due to certain market events that have driven the markets into a highly illiquid condition. The obligation may be reduced over time as holdings mature and investment valuations return to normal; however, the liability will continue to exist reflecting any impaired holdings which are expected to pay out at a percentage of par.

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

At April 30, 2009, 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	$2,537,123	–	$937,762	$1,051,330	$548,031	$2,537,123
U.S. agencies obligations	1,386,640	–	1,386,640	–	–	1,010,697
Corporate bonds	13,954,598	$6,073,936	3,867,029	2,371,212	1,642,421	2,278,066
Government mortgage–backed securities	4,491,759	–	–	–	4,491,759	–
Money market mutual funds	3,896,570	3,896,570	–	–	–	–
		$9,970,506	$6,191,431	$3,422,542	$6,682,211	
Corporate stocks	31,631,836					6,002,847
Real estate	2,245,812					–
Partnerships	1,331,021					–
Emerging market equities	721,545					–
Commodities funds	2,390,924					–
Foreign equities	7,419,844					–
Total	**$72,007,672**					**$11,828,733**

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, 2009, 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*.

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

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, $11,828,733 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.

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 and emerging market equities held are denominated in U.S. dollars.

Investment Income (Loss)

Investment loss for the year ended April 30, 2009, consisted of:

Interest and dividend income	$2,651,320
Net decrease in fair value of investments	(27,620,402)
	(24,969,082)
Less investment expense	427,356
	($25,396,438)

Note 4: Actuarial Methods and Assumptions

During the current year, the Plan adopted Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*. The effect of the adoption was to require additional disclosures about the actuarial methods and assumptions used in the valuations on which reported information about the annual required contribution, the funded status and funding progress are based.

An actuary from Milliman 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.

Note 4: Actuarial Methods and Assumptions (Continued)

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, 2008
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	17 years

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

Projected salary increases based on years of service as follows:

Years of Service	General Wage Growth	Merit and Longevity	Total
0	4.0%	5.75%	9.75%
1	4.0%	4.75%	8.75%
2	4.0%	3.75%	7.75%
3	4.0%	2.75%	6.75%
4	4.0%	2.25%	6.25%
5	4.0%	2.10%	6.10%
10	4.0%	1.60%	5.60%
15	4.0%	1.00%	5.00%
20	4.0%	0.55%	4.55%
25	4.0%	0.25%	4.25%

Note 4: Actuarial Methods and Assumptions (Continued)

Actuarial accrued liability as of April 30, 2008:

Active employees accruing benefits	
Present value of future benefits	$105,462,111
Present value of future normal costs	29,365,940
Total active employees accruing benefits	76,096,171
Retired and inactive members	
Members with deferred benefits	1,071,863
Members receiving benefits	37,647,795
Retired and inactive members with medical supplemental benefits	2,811,166
Total retired and inactive members	41,530,824
Total actuarial accrued liability	117,626,995
Assets, at actuarial value	97,989,985
Unfunded actuarial accrued liability	**$19,637,010**

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

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 5: Risks and Uncertainties (Continued)

Current Economic Conditions

The current economic environment, which in some cases have resulted in large declines in the fair value of investments, presents employee benefit plans with unprecedented circumstances and challenges. The financial statements have been prepared using values and information currently available to the Plan.

Given the volatility of current economic conditions, the values of assets recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Plan.

Note 6: Litigation

The Plan is subject to claims and lawsuits that arise primarily in the ordinary course of operating a retirement system. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the net assets of the Plan. There are currently no claims or lawsuits pending against the Plan.

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
4/30/2003	$68,182,691	$83,044,509	$14,861,818	82%	$21,944,040	68%
4/30/2004	69,868,024	89,141,414	19,273,390	78%	22,058,127	87%
4/30/2005	72,382,548	97,103,806	24,721,258	75%	22,239,092	111%
4/30/2006	78,846,717	105,928,172	27,081,455	74%	23,875,937	113%
4/30/2007	89,110,860	110,394,115	21,283,255	81%	25,472,341	84%
4/30/2008	97,989,985	117,626,995	19,637,010	83%	27,045,762	73%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
2004	$2,944,407	54%
2005	3,076,906	52%
2006	3,480,720	62%
2007	3,854,132	70%
2008	4,202,987	80%
2009	4,322,860	80%

CIVILIAN EMPLOYEES' RETIREMENT SYSTEM
OF THE POLICE DEPARTMENT OF KANSAS CITY, MISSOURI

SCHEDULE OF EXPENSES

Year Ending April 30, 2009

Investment Expenses	
Bank custodial fees and expenses	$79,761
Financial management expenses	341,469
Financial consultation	6,126
Total	**$427,356**

Administrative Expenses	
Salaries and payroll taxes	$54,193
Legal	10,644
Audit	10,937
Medical fees	279
Actuarial fees	36,687
Governmental fees	1,000
Printing and office expense	3,957
Postage	1,347
Travel and educational expense	159
Legislative consultation	3,650
Other	708
Total	**$123,561**

Investment Section

DEMARCHE
ASSOCIATES, INC.

September 29, 2009

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, commodities 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.

The Board reviews the quarterly performance of their investment managers, comparing them to benchmarks and peer universes. Early this year the Retirement Board hired Discretionary Management Services (DMS), an affiliate of DeMarche Associates, to provide, at least monthly, tactical asset allocation calls for the fund's assets excluding non-liquid assets. The Board provided DMS with target allocations for asset classes and styles and allowable ranges around the targets. The Retirement Board and its staff have the responsibility of implementing these calls.

While high yield bonds have been included in the asset allocation, the Board had tactically deferred the investment. However, earlier this year the Retirement Board conducted a high yield bond manager search and hired and funded an outside high yield bond manager. The Board has also made additional commitments to their private equity manager over the last year.

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 Administrative 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%; 2) Relative Standard Performance, a relative return objective of 35% S&P 500 Index, 10% Russell 2000 Index, 12% MSCI EAFE Index, 31% Barclays Government/Corporate Index, 4% NCREIF Index, 3% MSCI Emerging Markets Index, 3% Dow Jones/UBS Commodity Index, 1% 3 Month Treasury Bill Rate + 0.5% and 1% Actual Private Equity Return; 3) Comparative Standards of Performance, a relative return objective of above median in a 65% equity and 35% bond balanced manager universe.

The asset allocation as of year end was 55% equities, 37% bonds and cash, and 8% alternatives. The equities allocation was divided into 33% large cap stocks, 11% small cap stocks, 10% international stocks, and 1% emerging markets. The allocations to international and emerging market stocks are held in commingled funds. The individual international 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 any of the commingled fund makes up more than 5% of the total assets. The alternative allocation is divided into 3% real estate, 2% commodities, and 3% private equity.

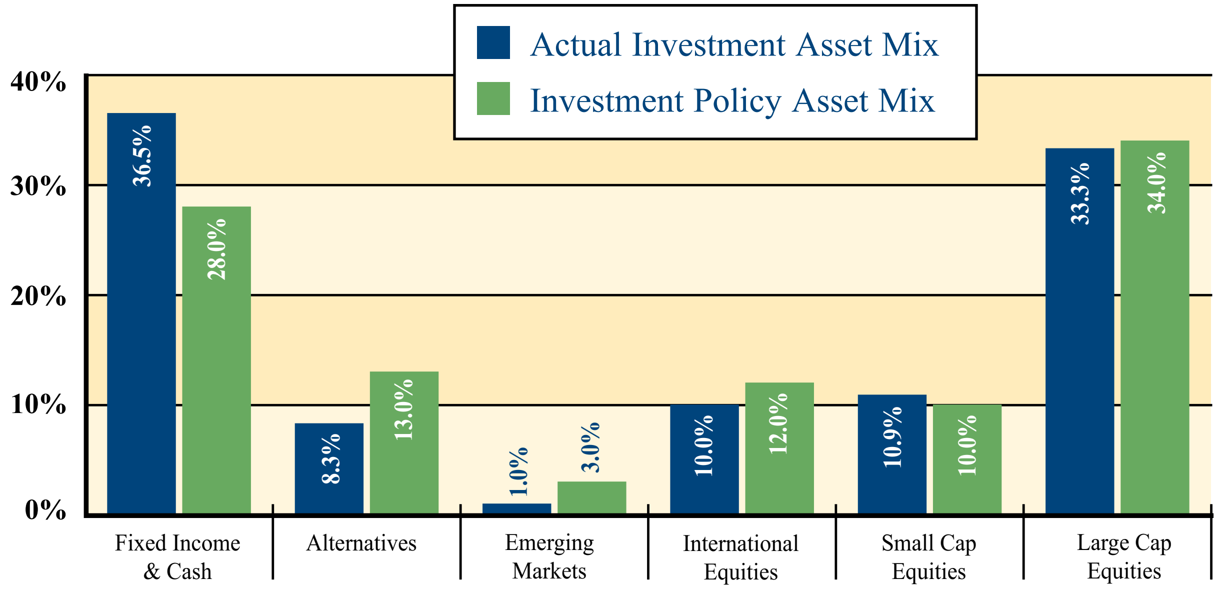
With the addition of a commodity fund and the selection of a high yield bond manager, the Retirement Board continued to move toward an asset allocation of 59% equities, 28% bonds and fixed income, and 13% alternatives. The equity allocation is divided into 34% large and mid cap stocks, 10% small cap stocks and 15% international stocks. The 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%.

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. Starting in January 2009 the Retirement Board contracted with DeMarche to provide monthly tactical asset allocation calls to equities, fixed income, and cash. The Retirement Board established target allocations for the asset classes and allowable ranges around the targets. The board and staff are responsible for implementing the tactical calls.

In May 2008 the Retirement Board started funding an allocation to commodities through investments with PIMCO. In December the Retirement Board replaced Systematic Financial Management as our small cap value manager. The allocation was invested in Russell 2000 Value iShares while a search was conducted for a new small cap value manager. In March 2009 the board started implementing tactical asset allocations from DeMarche through the purchase and sale of exchange traded funds in the appropriate asset class. The Retirement Board also completed searches for future investments in small cap value equities and high yield bonds with the hiring of Vaughan Nelson Investment Management for small cap value and Shenkman Capital Management for high yield.

Asset Allocation

Year Ending April 30, 2009

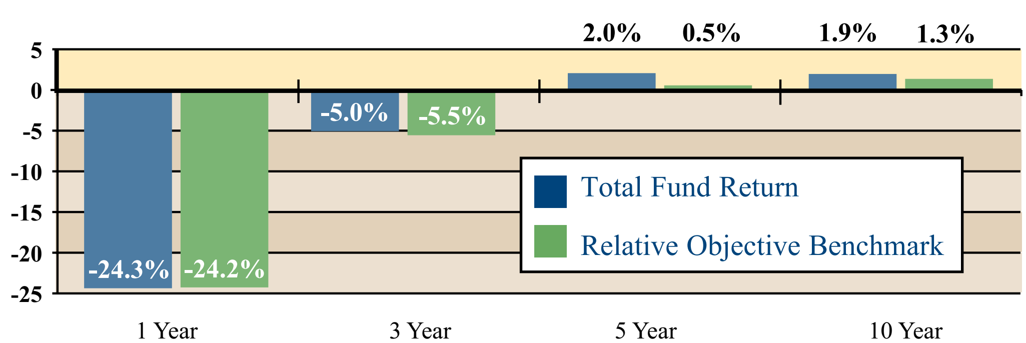


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2009. However, the results for the ten year returns are available for the quarter ending March 31, 2009 rather than for the fiscal year ending April 30, 2009. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2009 (Ten Year Returns as of March 31, 2009)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	3.5%	5.9%	4.7%	5.7%
Barclays Govt/Credit		*2.6%*	*5.6%*	*4.4%*	*5.6%*
GE Asset Mgmt	Foreign Equities	(44.6%)	(9.8%)	3.9%	1.2%
LSV Asset Mgmt	Foreign Equities	(44.3%)			
MSCI EAFE		*(42.8%)*	*(12.3%)*	*0.7%*	*(0.8%)*
Waddell & Reed	Small Cap Growth Equities	(25.3%)	(8.1%)	2.0%	5.0%
Russell 2000 Growth		*(30.4%)*	*(12.1%)*	*(1.7%)*	*(1.6%)*
RCM Capital Mgmt	Large Cap Growth Equities	(27.0%)	(5.8%)	(0.3%)	
Northern Trust Index	Large Cap Growth Equities	(31.6%)			
Russell 1000 Growth		*(31.6%)*	*(8.5%)*	*(2.4%)*	
Russell 2000 Value iShares	Small Cap Value Equities	N/A			
Russell 2000 Value		*(31.4%)*	*(13.5%)*	*(1.4%)*	
LSV Asset Mgmt	Large Cap Value Equities	(37.2%)	(12.2%)	0.1%	
Russell 1000 Value		*(39.2%)*	*(13.2%)*	*(2.5%)*	
Prudential PRISA II	Real Estate	(36.5%)	(4.8%)		
NCREIF Property		*(14.7%)*	*4.2%*		
GE Asset Mgmt	Emerging Markets	(42.2%)			
LSV Asset Mgmt	Emerging Markets	(39.2%)			
MSCI Emerging Mkts		*(42.9%)*			
Abbott Capital	Private Equity	(4.7%)	(2.6%)		
JP Morgan	Private Equity	(19.1%)	(10.7%)		
PIMCO	Commodities	N/A			
Tactical ETFs	Exchange Traded Equities	N/A			
Total Fund		**(24.3%)**	**(5.0%)**	**2.0%**	**1.9%**
Absolute Objective		***5.9%***	***6.4%***	***6.8%***	***6.5%***
Relative Objective		***(24.2%)***	***(5.5%)***	***0.5%***	***1.3%***



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, 2009	Market Value
1) AT&T Inc.	$425,292
2) Apple Inc.	390,073
3) Chevron Corp.	363,550
4) Pfizer Inc.	346,024
5) Exxon Mobil Corp.	340,017
6) J P Morgan Chase & Co.	323,400
7) Qualcomm Inc.	313,464
8) Wyeth Co.	288,320
9) Goldman Sachs Group Inc.	279,745
10) Verizon Communications	279,128

Ten Largest Bond Holdings April 30, 2009	Market Value
1) US Treasury Notes 3.75% Due 2018	$1,051,330
2) US Treasury Notes 4.25% Due 2013	883,062
3) Federal National Mortgage Assoc. Pool #918560 5.5% Due 2037	714,383
4) Merrill Lynch & Co Notes Variable Rate Due 2010	575,089
5) Federal National Mortgage Assoc. Pool #831298 5.5% Due 2036	551,002
6) US Treasury Bonds 5.25% Due 2029	548,031
7) Federal National Mortgage Assoc. 5.25% Due 2012	547,328
8) Emerson Electric Co. Notes 5.125% Due 2016	535,652
9) JPMorgan Chase & Co. Notes 6.75% Due 2011	492,609
10) Federal Home Loan Mortgage Corp. Pool #A6-5118 6% Due 2037	486,279

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2009

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Investment Technology Group Inc	444,523	$11,709,251	$8,290	$0.019
Liquidnet Inc	305,039	5,558,921	5,929	0.019
Merrill Lynch Pierce Fenner & Smith	117,759	3,678,859	2,868	0.024
UBS Warburg LLC	106,059	2,745,336	2,048	0.019
Instinet Corporation	46,930	1,066,947	1,149	0.024
Weeden & Company	58,660	1,305,622	1,070	0.018
Credit Suisse First Boston Corporation	2,629,697	4,895,101	1,050	0.000
Morgan Stanley & Company Inc New York	532,507	1,461,036	1,044	0.002
Goldman Sachs & Company	38,911	1,493,270	887	0.023
Citigroup Global Markets Inc / Smith Barney	2,052,100	3,965,814	772	0.000
Stifel Nicolaus & Company	234,000	1,260,510	721	0.003
Jefferies & Company	26,375	432,787	575	0.022
JP Morgan Securities Inc	14,791	595,982	565	0.038
Deutsche Bank Securities Inc	14,218	466,363	528	0.037
Robert W Baird & Company Inc Milwaukee USA	11,390	226,329	425	0.037
Sanford C Bernstein & Company	13,500	383,734	417	0.031
LaBranche Financial Services	16,544	433,794	411	0.025
SunTrust Robinson Humphrey	11,200	266,032	408	0.036
Others (including 47 brokerage firms)	2,672,192	8,066,621	6,002	0.002
Totals	**9,346,395**	**50,012,309**	**$35,159**	**$0.004**

Zero commission trades excluded from above	12,509,394	$25,487,661

Investment Summary

Year Ending April 30, 2009

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/09	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$22,370,120	31.0%
Cash			3,896,570	5.4%
GE Asset Management	Jun 1994	Foreign Equities	2,608,847	3.6%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	2,594,091	3.6%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	7,390,987	10.3%
LSV Asset Management	Feb 2003	Large Cap Value Equities	10,579,444	14.7%
Prudential PRISA II	Sep 2004	Real Estate	2,245,812	3.1%
Abbott Capital Management	Aug 2005	Private Equity	849,492	1.2%
JPMorgan Investment Management	Jan 2006	Private Equity	481,529	0.7%
LSV International Value	Jun 2006	Foreign Equities	2,639,982	3.7%
NTGI Russell 1000 Growth	Aug 2007	Large Cap Growth Equities	4,688,046	6.5%
GE Emerging Markets	Aug 2007	Emerging Markets	349,193	0.5%
LSV Emerging Markets	Aug 2007	Emerging Markets	372,352	0.5%
PIMCO	May 2008	Commodities	2,390,924	3.3%
Russell 2000 Value iShares	Dec 2008	Small Cap Value Equities	2,930,896	4.1%
Tactical ETFs	Mar 2009	Exchange Traded Equities	5,619,387	7.8%
		Total	**$72,007,672**	

Investment Summary (Continued)

Year Ending April 30, 2009

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$40,570	$525	$0.000
GE Asset Management	28,118	–	–
Waddell & Reed Investment Management	27,959	3,930	0.025
RCM Capital Management	36,517	5,064	0.032
Systematic Financial	20,701	19,676	0.022
LSV Asset Management	56,085	3,417	0.011
Prudential PRISA II	32,397	–	–
Abbott Capital Management	18,259	–	–
JPMorgan Investment Management	11,876	–	–
LSV International Value	22,208	–	–
NTGI Russell 1000 Growth	2,536	–	–
GE Emerging Markets	10,659	–	–
LSV Emerging Markets	9,283	–	–
PIMCO	24,300	–	–
Tactical ETFs	–	2,547	0.020
Total	**$341,468**	**$35,159**	**$0.004**

Actuarial Section

Milliman

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milliman.com

October 12, 2009

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

Dear Members of the Board:

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 unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of April 30, 2009.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial data annually.

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 & Service Retirement
  - Probabilities of Separation from Active Employment Before Age & 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.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. 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, 2009 actuarial valuation includes assumptions and methods resulting from the experience study covering the 5-year period from May 1, 2002 to April 30, 2007, as adopted by the Board based on advice of the actuary.

The System experienced an actuarial loss this year, primarily due to unfavorable investment return. 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. The System is 69% funded as of April 30, 2009, based on the actuarial value of assets, and 58% funded based on the market value of assets.

Based upon the results of the April 30, 2009 valuation, 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 return to sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

MILLIMAN, Inc.

Patrice Beckham

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

Brent A. Banister

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

Summary of Actuarial Assumptions and Methods

The investment rate of return is 7.75% per year (adopted 10/3/97) based on an underlying rate of inflation of 3.0% per year (adopted 2/12/08).

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 RP-2000 Tables for both males and females (adopted 2/12/08).

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 4.0% (adopted 2/12/08); merit and longevity increase range from 0.25% to 5.75% (adopted 2/12/08) depending upon the sample ages. These increases include an underlying assumption of 3.0% for inflation (adopted 2/12/08). 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, as allowed by state statute, in each year that statutory provisions are met. (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 February 2008 for the period May 1, 2002 through April 30, 2007. The Retirement System Board adopted the recommendations and assumptions from the February 2008 experience study for the valuation dated April 30, 2009 at the February 12, 2008 board meeting.

The most recent valuation was completed by Milliman, Inc. and was based on members of the System as of April 30, 2009. All census data was supplied by the System and was subject to reasonable consistency checks. Milliman, Inc. completed the 2007 through 2009 valuations. 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 active members, the RP-2000 Employees Table with a 1 year age set forward using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

For healthy retirees, the RP-2000 Healthy Annuitant Table with a 1 year age set forward using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

For disabled retirees, the RP-2000 Healthy Annuitant Table set forward 5 years using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

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 2/12/08)

Sample Ages	Years of Service	% of Active Members Separating within Next Year	
		Male	Female
	0	25.0%	20.0%
	1	20.0%	18.0%
	2	15.0%	16.0%
	3	12.0%	14.0%
	4	11.0%	12.0%
25	5 & Over	8.0%	9.4%
30		7.0%	8.4%
35		6.0%	7.0%
40		4.0%	4.0%
45		1.5%	1.5%
50		0.5%	0.5%
55		0.0%	0.0%

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%

Rates of Electing Refund Upon Termination. These assumptions represent the probabilities of active members requesting a refund rather than drawing a benefit at earliest retirement date. (Adopted 2/12/08)

Sample Ages	Percent of Active Members Terminating From Active Membership Who Elect Refund
35	95%
40	75%
45	30%
50	0%

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 2/12/08)

Active Members Retiring Within Next Year		
Age	Reduced	Unreduced
50		25%
51		20
52		20
53		15
54		15
55	5%	15
56	5	25
57	5	25
58	5	25
59	5	25
60	5	15
61	10	15
62	35	15
63	5	20
64	5	20
65		35
66		20
67		20
68		20
69		20
70 & Over		100

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 4.0% recognizes changes in wage levels due to broad economic effects, including inflation and real wage growth. (Adopted 2/12/08)

	Annual Rate of Pay Increase for Sample Years of Service		
Years of Service	**General Wage Growth**	**Merit and Longevity**	**Total**
0	4.0%	5.75%	9.75%
1	4.0%	4.75%	8.75%
2	4.0%	3.75%	7.75%
3	4.0%	2.75%	6.75%
4	4.0%	2.25%	6.25%
5	4.0%	2.10%	6.10%
10	4.0%	1.60%	5.60%
15	4.0%	1.00%	5.00%
20	4.0%	0.55%	4.55%
25	4.0%	0.25%	4.25%

Schedule of Active Member Valuation Data

Six Years Ended April 30, 2009

Valuation Date April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
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%
2008	630	27,045,762	42,930	3.3%
2009	619	27,580,796	44,557	3.8%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2009

	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
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
2008	13	255,590	7	101,391	158*	3,238,248	10.1	20,495
2009	17	347,177	12	174,736	163*	3,487,340	7.7	21,395

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						
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
2008	10,652,040	40,458,961	66,515,994	97,989,985	100	100	70
2009	11,220,613	43,984,225	69,785,630	86,332,962	100	100	45

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, 2009

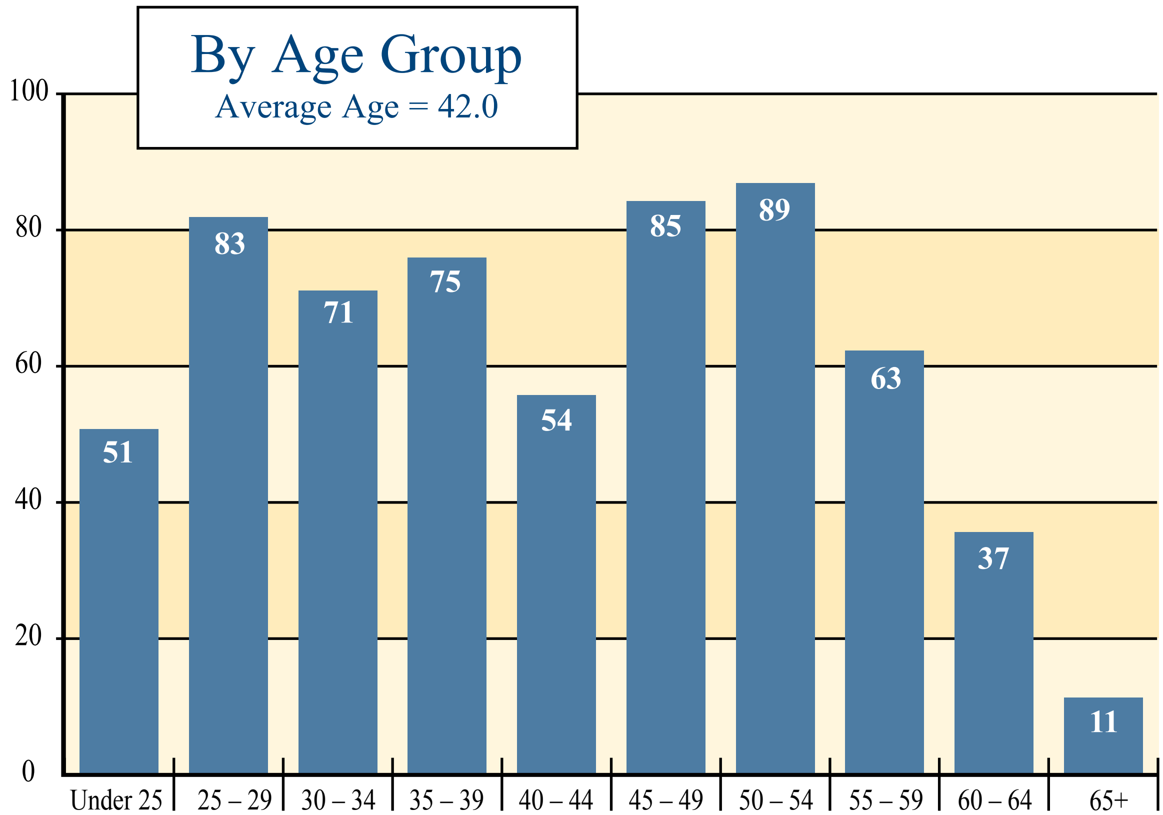
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

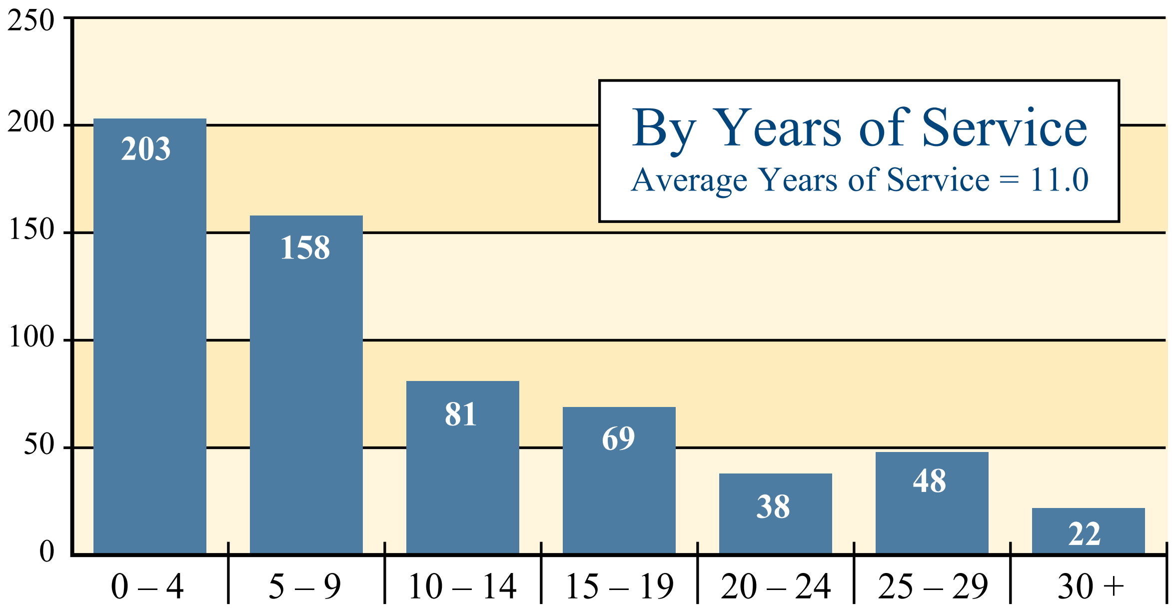
			$ Millions
(1)		UAAL* at start of year	$19.6
(2)	+	Normal cost for year	3.7
(3)	+	Assumed investment return on (1) & (2)	1.8
(4)	-	Actual contributions (member + city)	4.8
(5)	-	Assumed investment return on (4)	0.2
(6)	=	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	20.1
(7)	+	Increase (decrease) from benefit change	0.0
(8)	+	Increase (decrease) from assumption change	0.0
(9)	=	Expected UAAL after changes (6) + (7) + (8)	20.1
(10)	=	Actual UAAL at year end	38.7
(11)	=	Experience gain (loss) (9) - (10)	($18.6)
(12)	=	Percent of beginning of year AAL	(15.8%)

* Unfunded Actuarial Accrued Liability / (Surplus)

Year Ended April 30	2004	2005	2006	2007	2008	2009
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	(3.5%)	(4.1%)	(0.8%)	5.9%	1.1%	(15.8%)

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 14.27% 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 be in active service and 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

Retired members with 15 years of creditable service 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 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 one member of the Civilian Employees' Retirement System, one member retired from active service in the Police Retirement System, and one active member of the Police Retirement System who has not attained the rank of Sergeant or higher. Elections are held annually 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

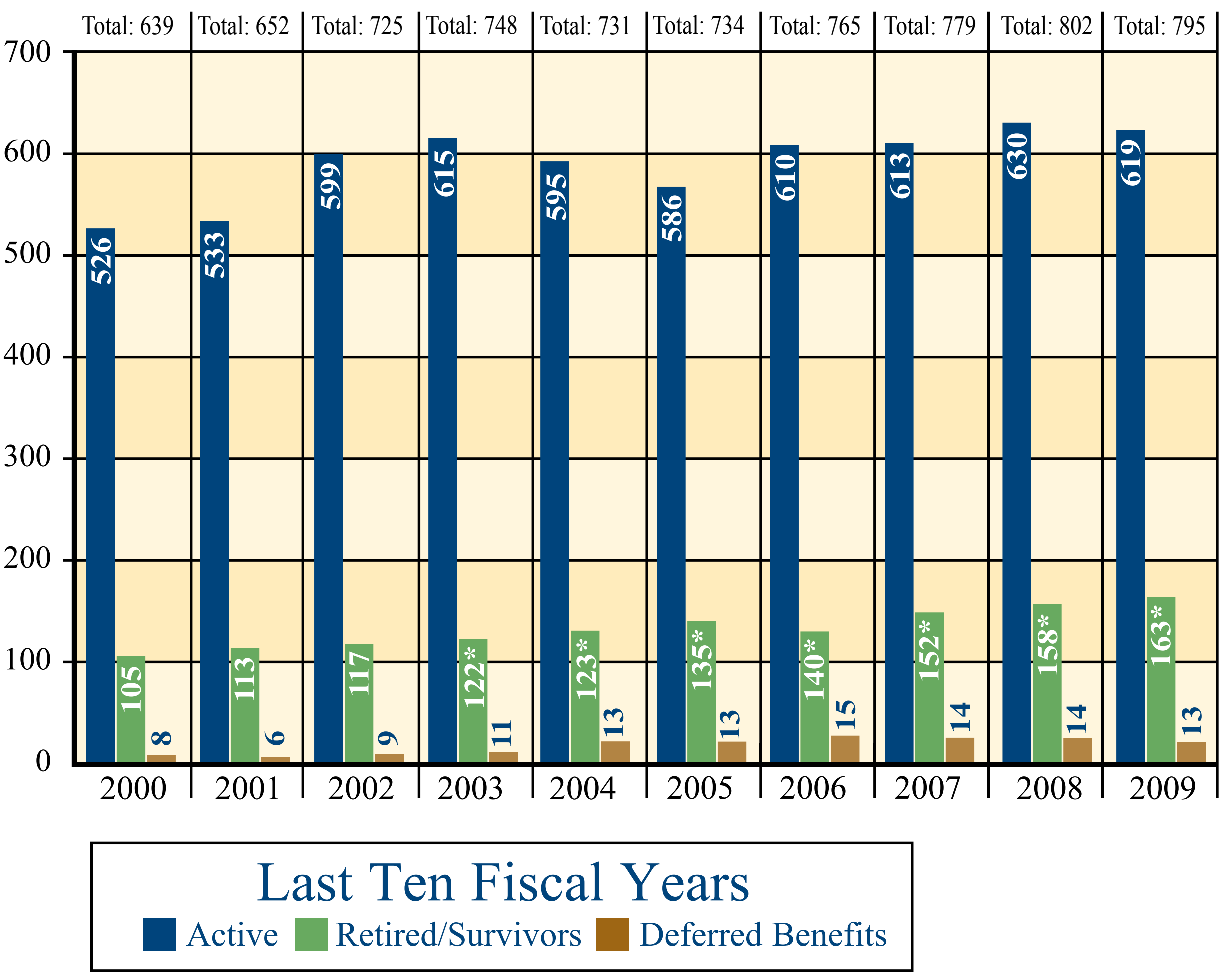
Statistical Summary

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	2000	2001	2002	2003	2004
Additions:					
Member Contributions	$850,537	$911,676	$1,002,689	$1,099,248	$1,247,257
Employer Contributions	944,475	1,286,166	1,420,668	1,567,833	1,601,243
Net Investment Income	5,689,826	(3,031,468)	(1,478,104)	(3,950,722)	9,992,199
Total Additions to Plan Net Assets	7,484,838	(833,626)	945,253	(1,283,641)	12,840,699
Deductions:					
Benefits	1,252,177	1,452,061	1,694,954	1,914,018	2,313,851
Refunds	245,332	169,707	272,962	108,033	240,121
Administrative	134,643	141,068	128,109	125,161	97,489
Total Deductions from Plan Net Assets	1,632,152	1,762,836	2,096,025	2,147,212	2,651,461
Change in Net Assets	$5,852,686	($2,596,462)	($1,150,772)	($3,430,853)	$10,189,238
Employer % of Annual Covered Payroll	5.3%	6.8%	6.8%	7.1%	7.3%

Fiscal Year	2005	2006	2007	2008	2009
Additions:					
Member Contributions	$1,188,564	$1,262,297	$1,212,401	$1,285,869	$1,338,180
Employer Contributions	1,612,080	2,175,167	2,681,732	3,372,411	3,470,682
Net Investment Income	5,231,299	12,714,840	10,373,345	(63,658)	(25,282,608)
Total Additions to Plan Net Assets	8,031,943	16,152,304	14,267,478	4,594,622	(20,473,746)
Deductions:					
Benefits	2,688,395	2,844,258	3,351,956	3,431,959	3,716,269
Refunds	166,110	267,959	253,358	218,281	381,590
Administrative	109,068	105,030	111,050	111,993	123,561
Total Deductions from Plan Net Assets	2,963,573	3,217,247	3,716,364	3,762,233	4,221,420
Change in Net Assets	$5,068,370	$12,935,057	$10,551,114	$832,389	$(24,695,166)
Employer % of Annual Covered Payroll	7.2%	9.1%	10.5%	12.5%	12.6%

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

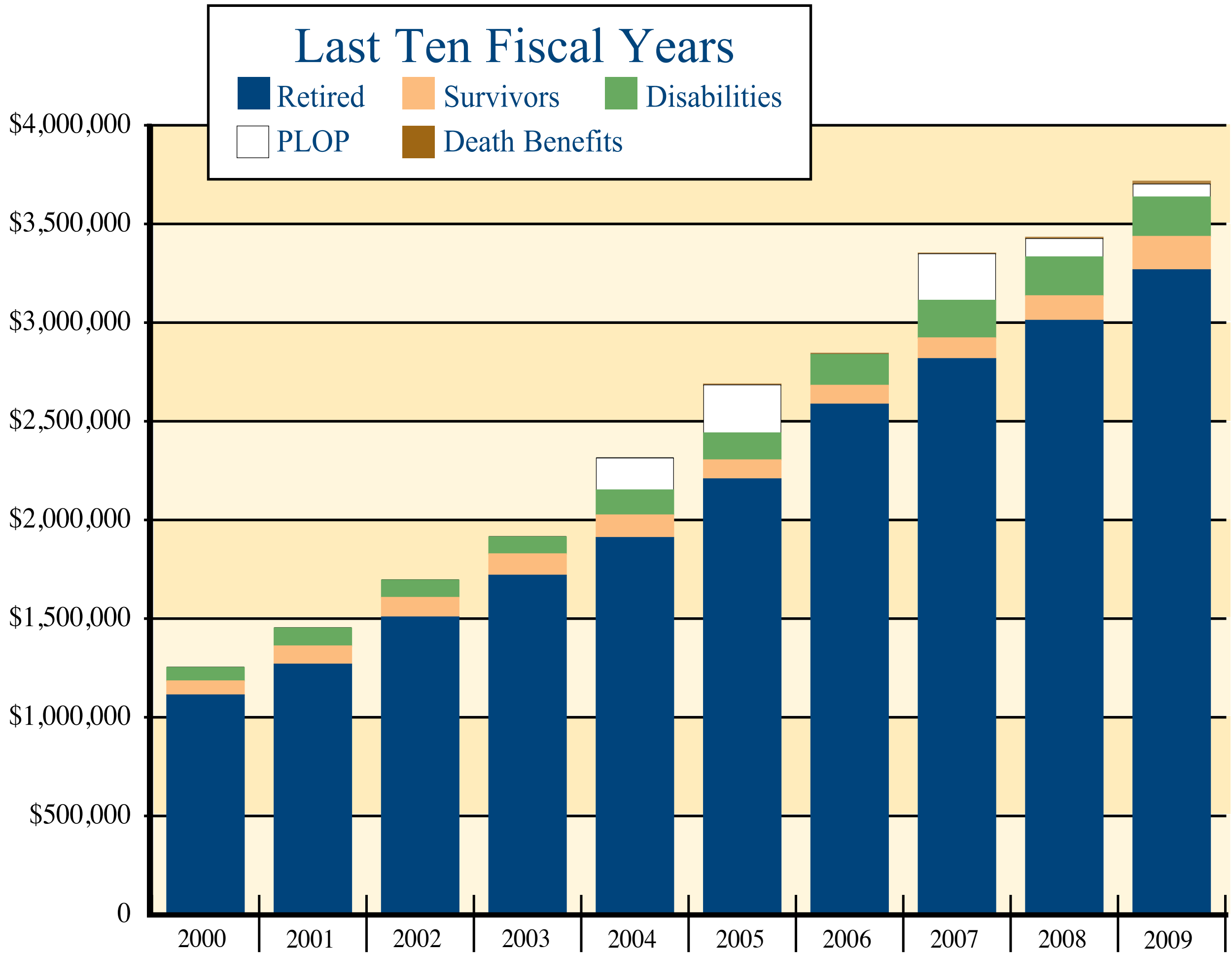
Last Ten Fiscal Years

Fiscal Year	2000	2001	2002	2003	2004
Type of Benefit:					
Retired	$1,112,756	$1,268,885	$1,507,823	$1,719,500	$1,910,368
Survivors	71,103	92,109	99,050	108,282	114,489
Disabilities	68,318	91,067	88,081	86,236	126,822
PLOP	–	–	–	–	162,172
Death Benefits	–	–	–	–	–
Total Benefits	$1,252,177	$1,452,061	$1,694,954	$1,914,018	$2,313,851
Type of Refund:					
Separation	$216,959	$169,707	$271,998	$107,367	$236,853
Death	28,373	–	964	666	3,268
Total Refunds	$245,332	$169,707	$272,962	$108,033	$240,121

Fiscal Year	2005	2006	2007	2008	2009
Type of Benefit:					
Retired	$2,207,718	$2,586,409	$2,816,917	$3,010,989	$3,267,300
Survivors	96,169	95,432	105,298	124,607	169,021
Disabilities	136,542	156,417	190,421	196,776	199,860
PLOP	243,966	–	236,320	93,587	66,088
Death Benefits	4,000	6,000	3,000	6,000	14,000
Total Benefits	$2,688,395	$2,844,258	$3,351,956	$3,431,959	$3,716,269
Type of Refund:					
Separation	$110,224	$217,364	$253,358	$218,281	$300,856
Death	55,886	50,595	–	–	80,734
Total Refunds	$166,110	$267,959	$253,358	$218,281	$381,590

*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, 2009

Amount of Monthly Benefit*	Total Monthly Benefits*	Total Number of Recipients	Type of Benefit			
			Retired	Surviving Spouses	Duty Disability	Non-Duty Disability
$ 1 to 250	$112	1		1		
251 to 500	3,979	11	9	2		
501 to 750	13,588	21	15	5		1
751 to 1,000	9,746	11	6	3		2
1,001 to 1,500	25,516	21	18	3		
1,501 to 2,000	44,200	26	24	1	1	
2,001 to 2,500	53,751	24	20	1	1	2
2,501 to 3,000	41,685	15	13	1		1
3,001 to 3,500	51,345	16	15			1
3,501 to 4,000	29,877	8	8			
Over 4,000	41,929	9	9			
Totals	**$315,728**	**163**	**137**	**17**	**2**	**7**

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

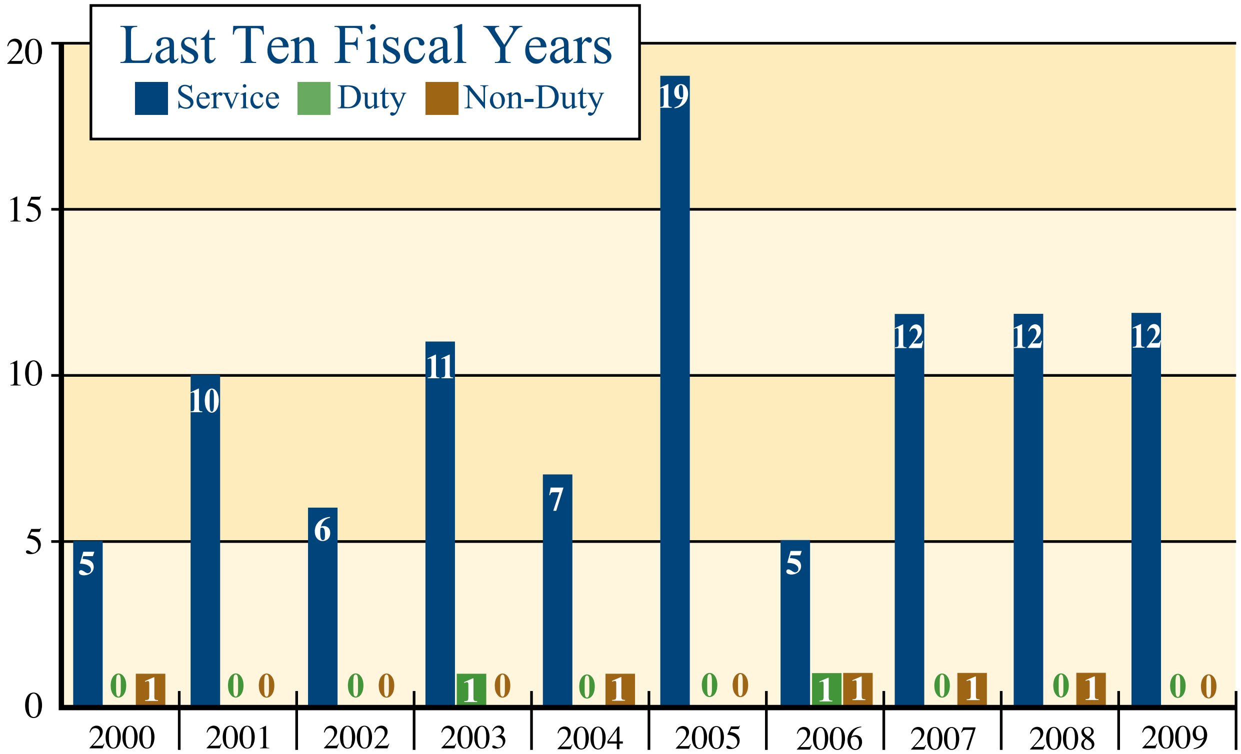
Schedule of Average Monthly Base Benefit Amounts*

Ten Years Ended April 30, 2009

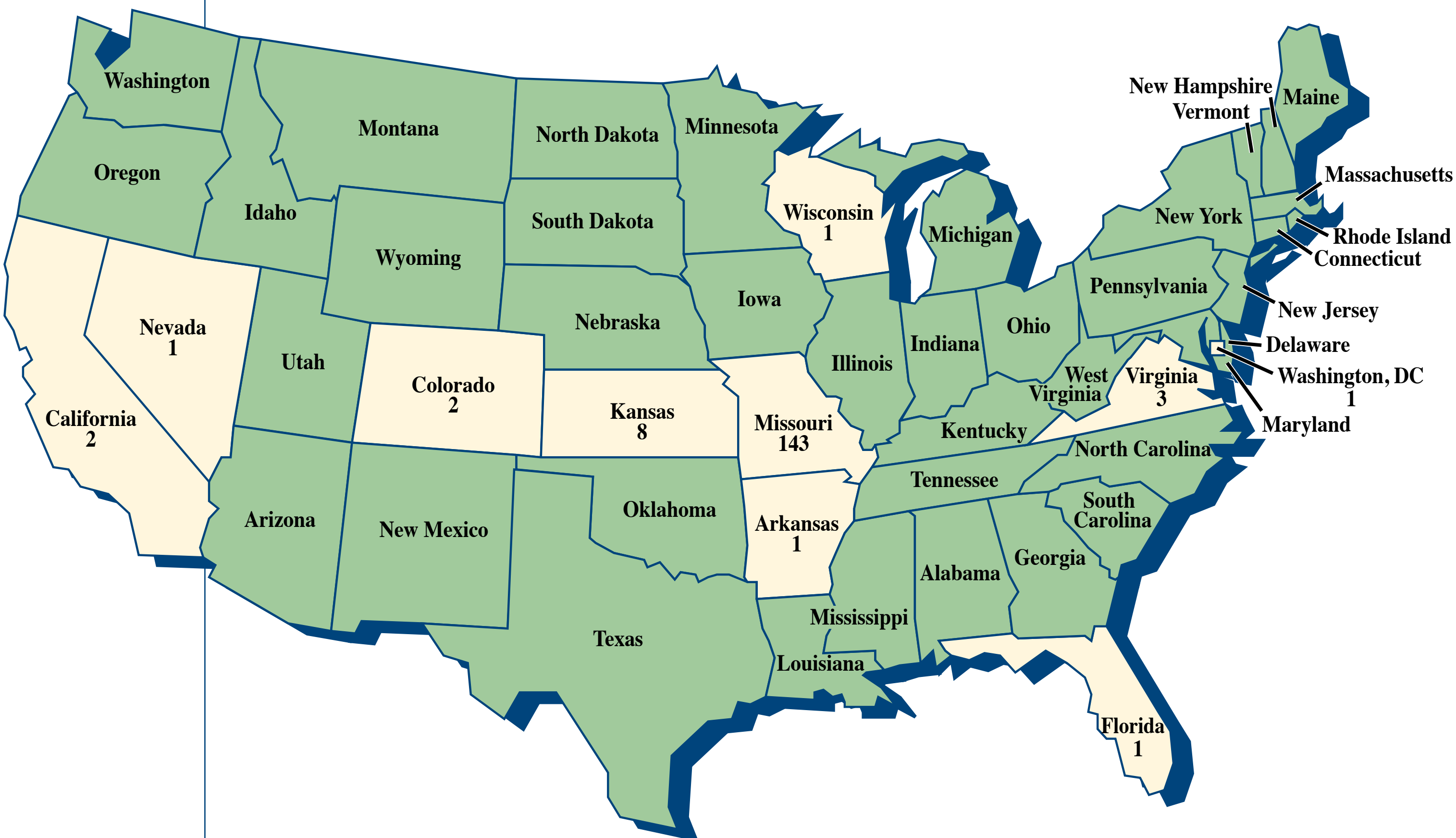
Members Retiring During	Years Credited Service 5–10	10–15	15–20	20–25	25–30	30+	All Members
Fiscal Year Ending 04/30/00							
Average monthly benefit	$	1,296		1,518		2,683	1,869
Average final compensation	$	4,547		3,330		4,147	3,805
Number of retirees		1		3		2	6
Fiscal Year Ending 04/30/01							
Average 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			4,516	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
Fiscal Year Ending 04/30/08							
Average monthly benefit	$830	896	1,137		1,841	3,191	1,603
Average final compensation	$4,700	3,694	3,379		4,096	5,361	4,169
Number of retirees	1	5	2		2	3	13
Fiscal Year Ending 04/30/09							
Average monthly benefit	$330	722	1,060	1,778	2,660	2,131	1,892
Average final compensation	$2,347	2,682	3,321	3,851	4,947	3,494	4,005
Number of retirees	1	2	1	1	6	1	12

*Benefit amounts do not include supplemental benefits or cost of living adjustments.
*Benefit amounts are after reductions for optional benefits.

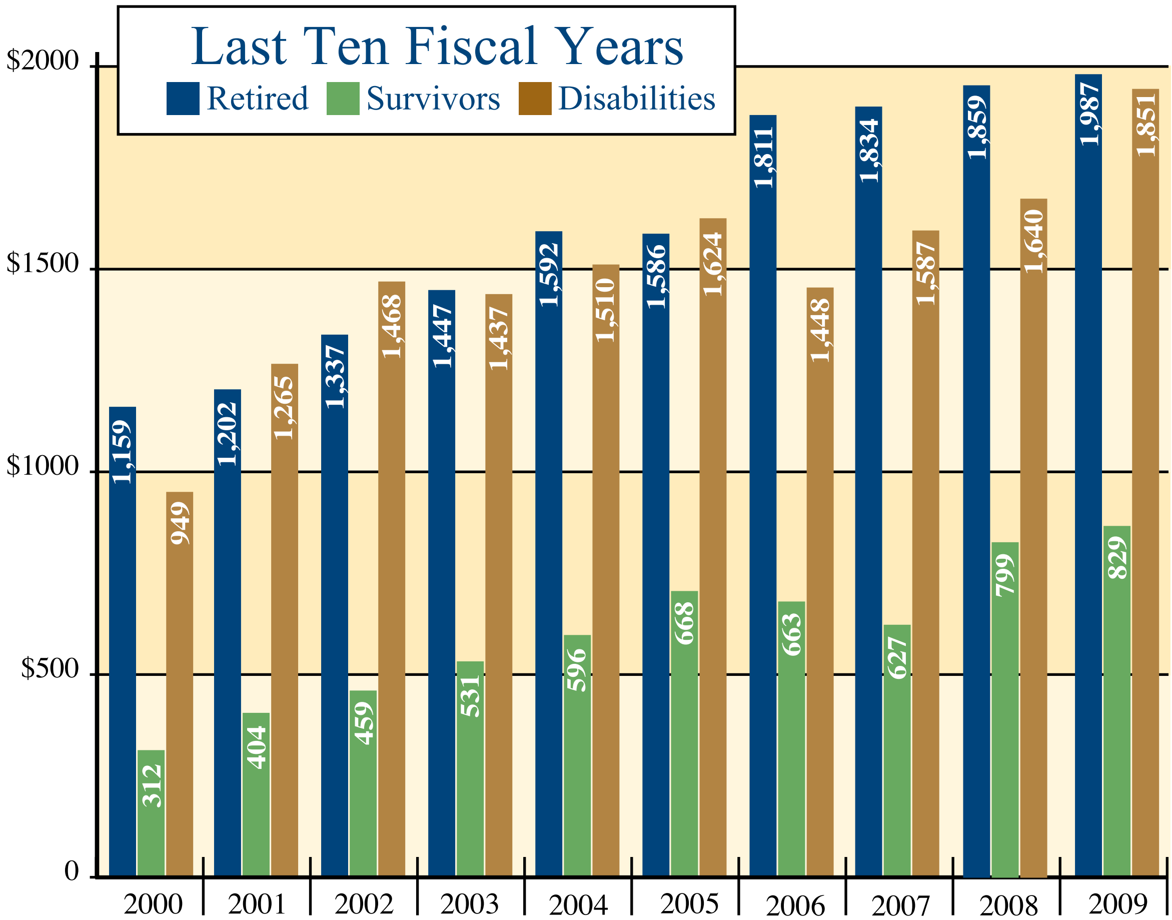
New Pensions Started



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

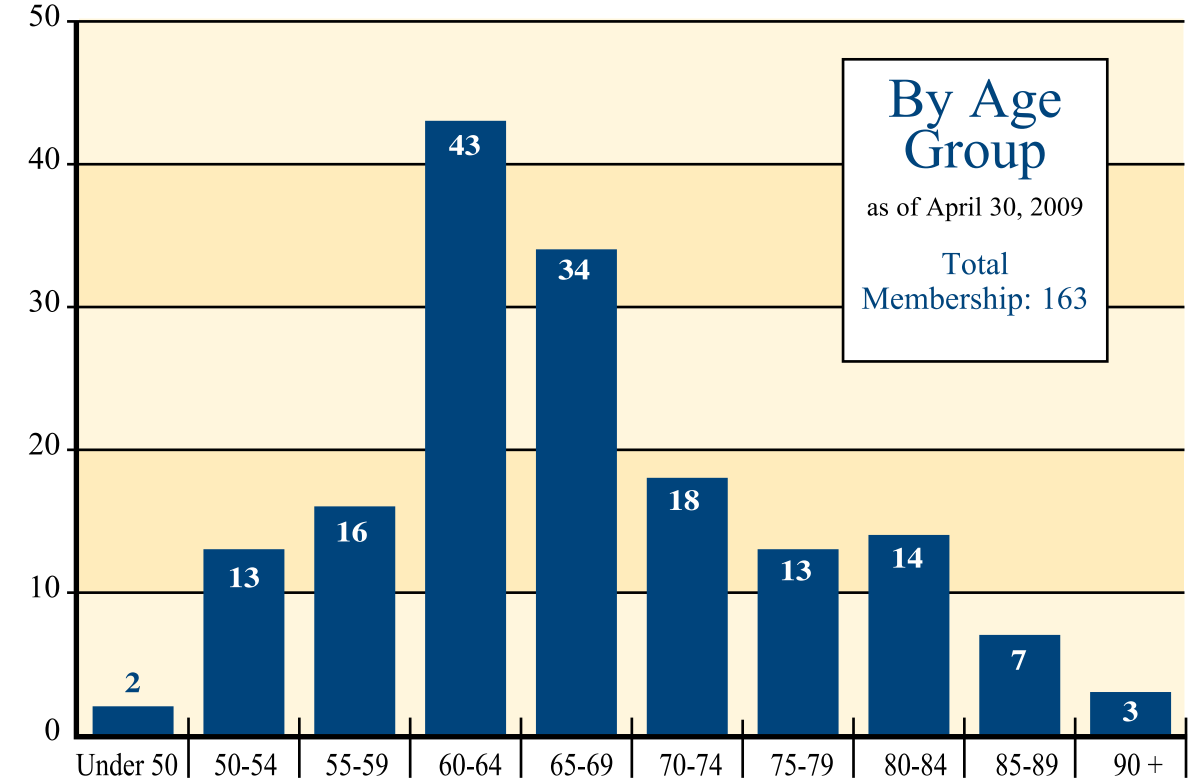
Fiscal Year	% Increase to Monthly Base Pension
2000	0.90%
2001	3.00%
2002	3.00%
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%

Supplemental Retirement Benefit

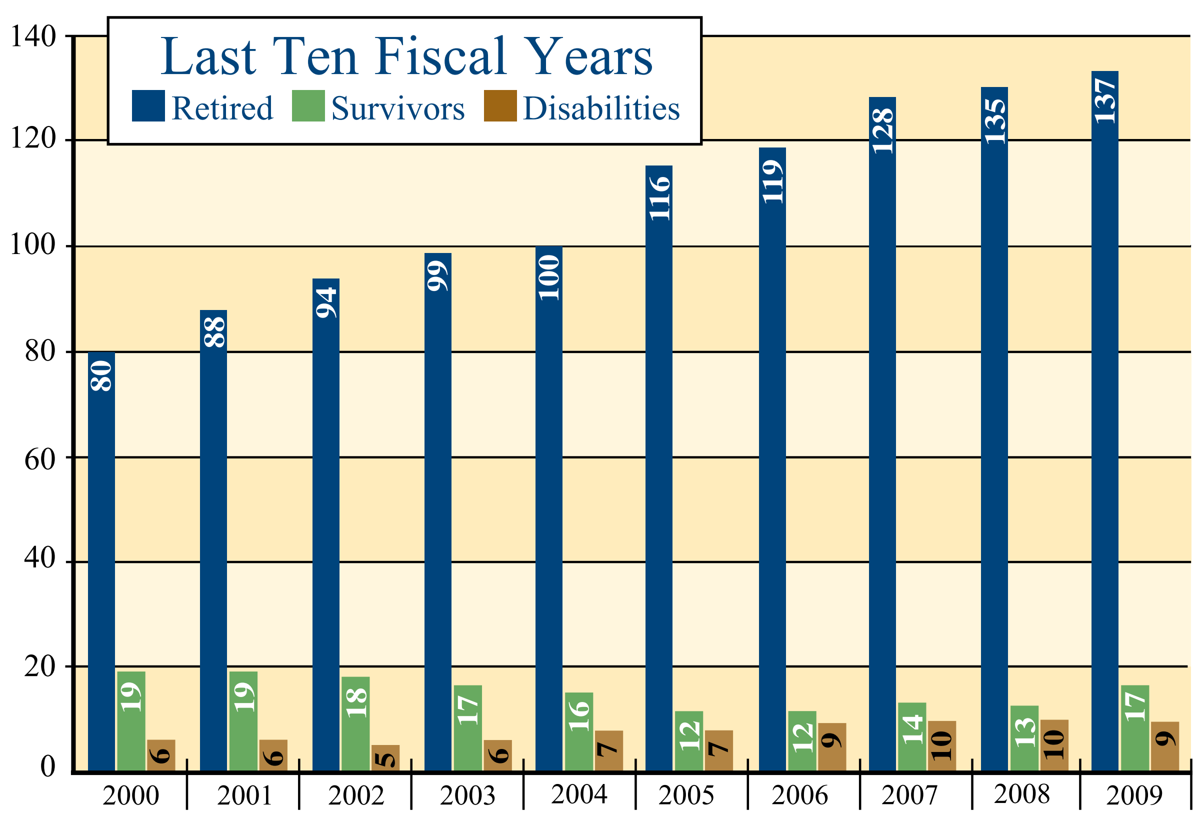
History of Increases

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

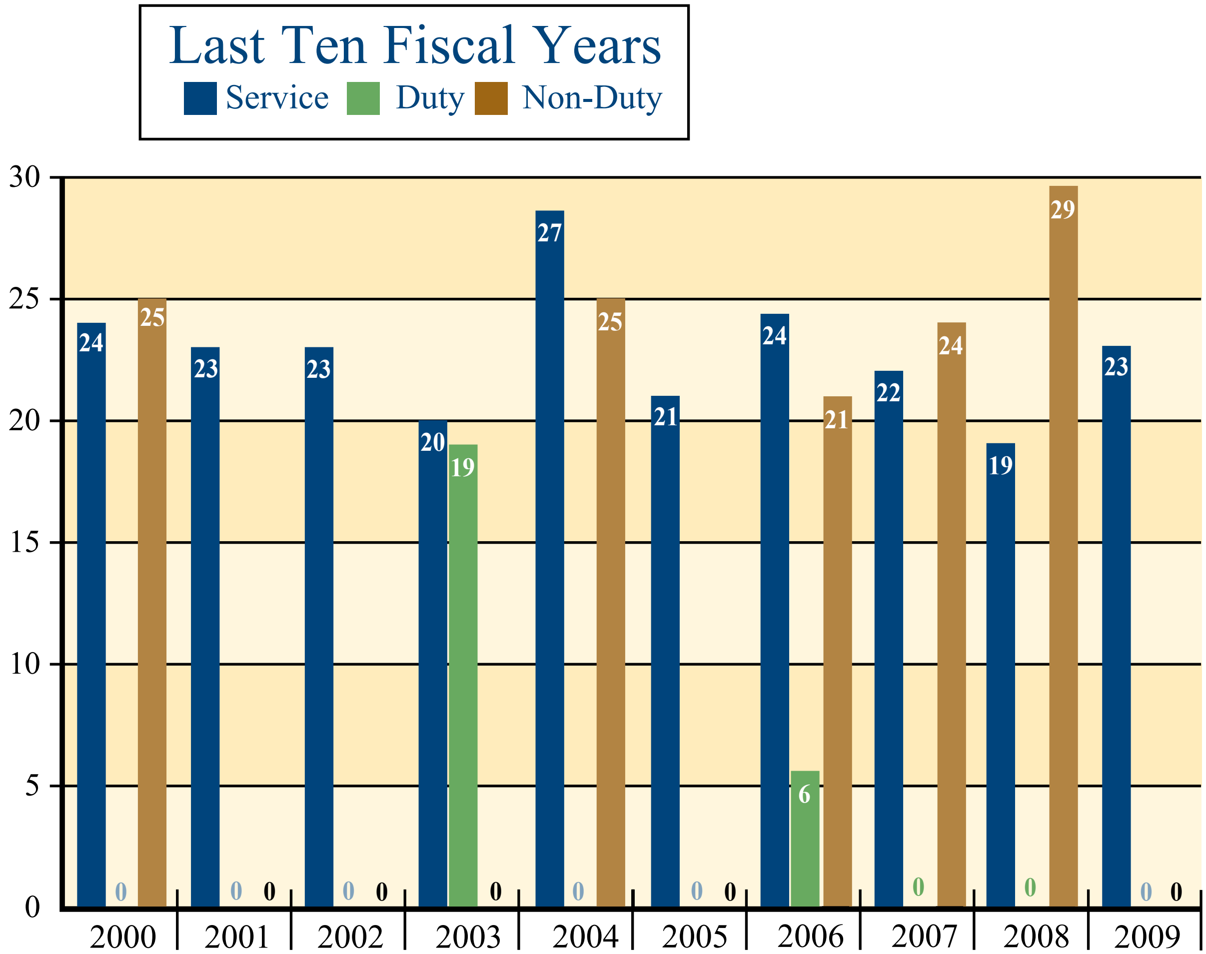
Membership Receiving Benefits



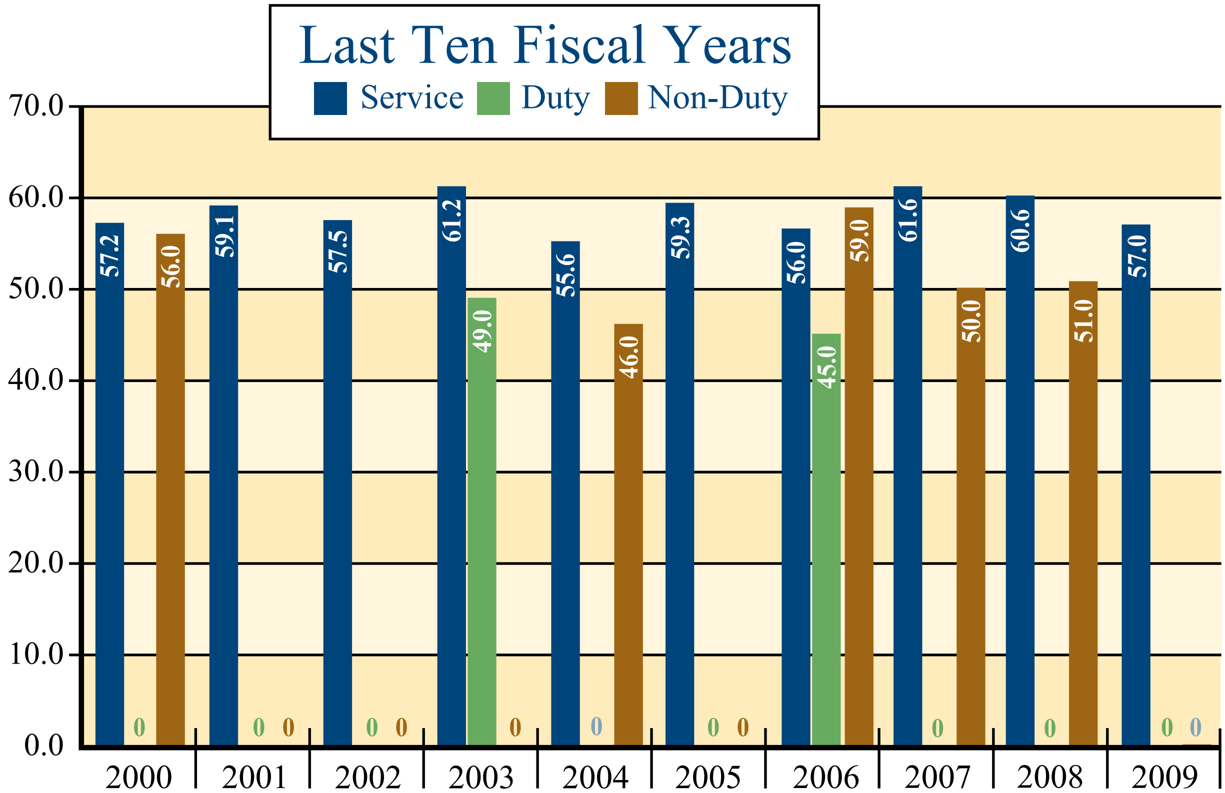
Membership Receiving Benefits



Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2009

Service	**67.3**
(135 retired members ranging in age from 51 to 96)	

Duty Disability	**52.0**
(2 retired members ranging in age from 49 to 55)	

Non-Duty Disability	**57.9**
(7 retired members ranging in age from 43 to 73)	

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Kansas City Police Employees' Retirement Systems

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