44TH
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, 2009 to
April 30, 2010

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, 2009 to April 30, 2010

44th 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

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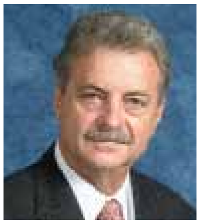
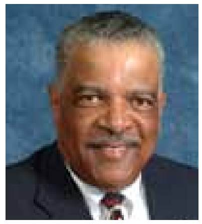
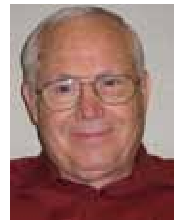


Gary R. Howell, Chairman
(Ret.) Crime Laboratory Director
Kansas City, Missouri
Police Department

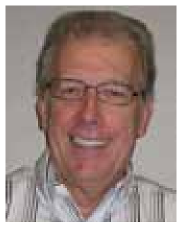


Bailus M. Tate, Treasurer
Appointed Member

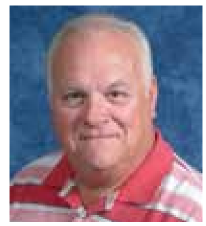


Floyd O. Bartch
(Ret.) Chief
Kansas City, Missouri
Police Department

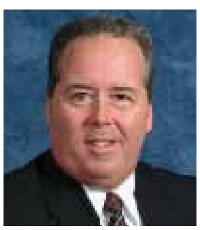
Richard K. Burnett
(Ret.) Captain
Kansas City, Missouri
Police Department



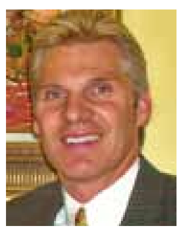
James Chappell
Appointed Member



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



David E. Reyburn
Detective
Kansas City, Misouri
Police Department

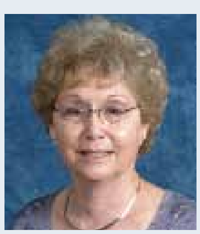


Patrick J. Trysla
Appointed Member

Angela Wasson-Hunt
Appointed Member

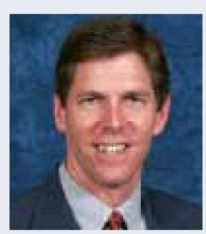
KCPERS Staff

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

September 28, 2010

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 2010 Comprehensive Annual Financial Report of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri.

Fiscal Year 2010 Projects

The Retirement Board started work on an asset mix update to determine if small changes to the current asset allocation would generate the same, or higher expected returns with lower volatility. The initial work on the project has led the board to conduct significant research on hedge fund of funds and the impact of increasing the allocation to emerging market equities. An ad hoc board committee, including active and retired members, reviewed options for making possible changes to the way cost of living increases are granted to eligible members. While no changes were made to the COLA structure, additional information was provided to members to help them better understand retirement system benefits and the current financial condition of the system. The Retirement Board considered a number of legislative changes to plan provisions that would slow the growth of future liabilities and help to improve the long term funded ratio of the plan. Staff researched other retirement plan provisions to provide ideas that could be replicated in the Civilian Employees' plan. With input from both active and retired members, the board submitted the legislation contained in House Bill 2162 (see below). Staff implemented online programs provided by our custodial bank to streamline the wire transfer, asset rebalancing, and capital call funding processes. During the year, 9 new members joined the retirement system; 27 active members left the Police Department and received refunds of member contributions; 24 members retired and started receiving benefits; 1 retired member and 2 active members passed away.

Legislative Changes

No legislative changes to the provisions of the Civilian Employees' plan became effective during FY2010. House Bill 2162 was introduced during the 2010 session of the Missouri General Assembly but did not pass. HB 2162 would have: 1) made changes to the start date for benefits and established requirements and a time frame for the final beneficiary payment upon the death of a member; 2) allowed members to purchase leave time at the actuarial cost; and 3) would have required the purchase of prior creditable service at the member's actuarial cost.

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 contributions and 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, 2010 and April 30, 2009

	April 30, 2010	April 30, 2009
Additions	$24,186,823	($20,473,746)
Deductions	4,906,758	4,221,420
Net Change	$19,280,065	($24,695,166)

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 2009 to FY 2010 additions increased by $44,660,569; investment gains increased by $44,827,741 and contributions from both members and the city decreased by $167,172. From FY 2009 to FY 2010 deductions increased by $685,338; benefits paid increased by $803,324, refunds of contributions decreased by $112,004 and administrative expenses decreased by $5,982. 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, 2010 the funded ratio of assets to liabilities of the Civilian Employees' Retirement System, which covers 774 members, increased by 11% to 77%. The increase in the funded ratio is mainly due to investment performance during the year and active member payroll growth being below the assumed rate. 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 18.87% for the fiscal year beginning May 1, 2010 and the projected annual required contribution rate of 18.19% for the fiscal year beginning May 1, 2011.

Investment Activity

Volatility remained in the investment markets for the year ending April 30, 2010 and provided a significant positive impact on the Civilian Employees' plan assets. Our investment portfolio produced a total return of 27.8% against the policy benchmark return of 27.4%, which means our investment managers had a 0.4% gain versus the market indexes. That investment performance was more than triple our assumed rate of return, for actuarial purposes, of 7.75%, and generated net investment income of $19.5 million. The investment gains in FY 2010 did not fully recover the $25 million of investment losses incurred in FY 2009.

The Retirement Board reviews the performance of each investment manager and compares their performance to a peer group of managers in each asset class. For the year ending April 30, LSV Emerging Market, Prudential, and PIMCO finished in the 1st Quartile against a peer group of emerging market, real estate, and commodity managers, respectively. RCM, LSV International, and Financial Counselors finished in the 2nd Quartile against a peer group of large cap growth, international large cap value, and core fixed income managers, respectively. LSV, Waddell & Reed, and GE International finished in the 3rd Quartile against a peer group of large cap value, small cap growth and international large cap growth managers. GE Emerging Market finished in the 4th Quartile against a peer group of emerging market managers.

The Retirement Board hired Vaughan Nelson Investment Management as a small cap value manager and sold Russell 2000 Value iShares to fund the mandate. Shenkman Capital Management was also hired to manage a high yield bond portfolio which was funded through transfers from the core bond fund managed by Financial Counselors. The Board continued to make tactical asset allocations, based on recommendations from DeMarche, to over weight or under weight equities, fixed income, or cash. The tactical allocations were accomplished through rebalancing the portfolio between investment managers or the purchase or sale to exchange traded funds in the appropriate asset class.

The total asset allocation is explained further in the Summary of Investment Policies and Objectives on pages 37 and 38. The asset allocation is further explained in Management's Discussion and Analysis on page 18. More information regarding the investment professionals who provide services to the Civilian Employees' Retirement System can be found in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri for its comprehensive annual financial report for the fiscal year ended April 30, 2009. This was the eighth 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 2010 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 KCPERS staff wants 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, 2009

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

September 14, 2010

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, 2010. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

With this 2010 financial report we bring to a close a decade of events that will shape the future of the retirement system for some time to come. In the early part of the decade the retirement board worked to improve benefits for retired and active members, and surviving spouses. By the end of the decade we were locked in on managing the worst financial crisis of our lifetime and its long term implications for the retirement system. The board continues to focus its efforts to ensure that the plan remains financially sound for present and future retirees. Our conservative investment approach of diversified asset allocation, and the use of tactical rebalancing to take advantage of market conditions, led to portfolio returns of 27% for FY 2010. Even with that impressive year under our belt, our portfolio averaged a modest 3% for the ten year period from 2000 to 2010.

Going forward we know we face challenges such as lowering the volatility in our investment portfolio without sacrificing investment returns, working to convince the City to more fully fund the annual employer contributions to the retirement system, and looking at options in our benefit structure that will slow the growth of liabilities.

On behalf of the retirement board I want to thank Robert Evans and Greg Mills for their service on the board. Bob Evans, who served on the board for 37 years, stepped down this year due to health reasons. Bob brought a valuable business perspective to the board and was involved in hundreds of decisions that have improved the lives of our members when they retire. (Ret.) Major Greg Mills did not seek re-election to a fourth term on the retirement board. Greg was a strong voice of reason during a very difficult decade. Earlier this year (Ret.) Chief Floyd Bartch was elected by the membership to the board and James Chappell was appointed to the board by the City Council. We look forward to working with our two new board members.

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. 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
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 CONSULTANTS

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

1201 Walnut Street, Suite 1700
Kansas City, MO 64106-2246
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, 2010, 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, 2010, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the Plan's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for 2010 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 2009, 2008, 2007, 2006 and 2005 financial statements.

Kansas City, Missouri
July 9, 2010

BKD, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri (Civilian Employees' Retirement System or the Plan) financial statements provide an overview of its financial activities during the year ended April 30, 2010. Please read it in conjunction with the more detailed financial statements, notes, and required supplementary information which follow this section.

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

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, 2010 and the Statement of Changes in Plan Net Assets for the year ended April 30, 2010. 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.

Plan Net Assets

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

	April 30, 2010	April 30, 2009	Amount Change
Cash	$4,442	$15,916	($11,474)
Receivables	270,531	260,310	10,221
Investments	91,072,133	72,007,672	19,064,461
Securities lending collateral	24,427,986	12,077,291	12,350,695
Total assets	**115,775,092**	**84,361,189**	**31,413,903**
Accounts and refunds payable	122,906	144,030	(21,124)
Securities lending LT liability	0	195,733	(195,733)
Securities lending collateral	24,427,986	12,077,291	12,350,695
Total liabilites	**24,550,892**	**12,417,054**	**12,133,838**
Net assets	**$91,224,200**	**$71,944,135**	**$19,280,065**

Financial Analysis of Plan Net Assets

The Civilian Employees' Retirement System's benefits are funded through member and employer contributions, and investment income. Net assets of the Plan increased to $91,224,200 as of April 30, 2010 from $71,944,135 as of April 30, 2009. Plan income is generated through the investment of contributions in stocks, bonds, and alternative assets. Members contributed 5% of annual covered salary to the Plan, while employer contributions totaled 13.14% of covered salary. Plan members participate in both Social Security and Medicare.

Assets – Total assets of the Civilian Employees' Retirement System were $115.7 million as of April 30, 2010 and included cash, investments, and accrued interest receivables. Total assets increased by $31.4 million or 37.2% from FY 2009 due to investment income and increased securities lending collateral. Investable assets increased during the year by $19.0 million while securities lending collateral increased by $12.3 million.

Liabilities – Total liabilities of the Civilian Employees' Retirement System were $24.5 million as of April 30, 2010 and included securities lending collateral, refunds to members, and payables for money manager fees. Total liabilities increased by $12.1 million during the year mainly due to the $12.3 million offsetting liability for the increase in securities lending activity. In September 2008, Northern Trust declared a collateral deficiency in the securities lending collateral account and issued a long term liability. The collateral deficiency was corrected as markets recovered and asset values increased. In two separate transactions during FY 2010 Northern Trust completely reversed the long term liability.

Net Assets – Civilian Employees' Retirement System assets exceeded liabilities at April 30, 2010 by $91.2 million. This was an increase of $19.2 million or 26.8% from the prior year.

Changes in Plan Net Assets

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

	April 30, 2010	April 30, 2009	Amount Change
Member contributions	$1,311,963	$1,338,180	($26,217)
Employer contributions	3,329,727	3,470,682	(140,955)
Net investment income (loss)	19,545,133	(25,282,608)	44,827,741
Total additions	**24,186,823**	**(20,473,746)**	**44,660,569**
Benefits paid to members	4,519,593	3,716,269	803,324
Refunds of contributions	269,586	381,590	(112,004)
Administrative expenses	117,579	123,561	(5,982)
Total deductions	**4,906,758**	**4,221,420**	**685,338**
Net Increase (Decrease)	**19,280,065**	**(24,695,166)**	**43,975,231**
Net Assets, Beginning of Year	**71,944,135**	**96,639,301**	**(24,695,166)**
Net Assets, End of Year	**$91,224,200**	**$71,944,135**	**$19,280,065**

Financial Analysis of Changes in Plan Net Assets

Revenues – Additions to Plan Net Assets – Member contributions, employer contributions and investment income are the sources of revenue for the Civilian Employees' Retirement System. Members contribute 5% of covered salary to the Plan. Employer contributions are 13.14% of covered salary to the Plan. The amount of member and employer contributions decreased from FY 2009 because of declining payroll rather than changes to the contributions rates. Net investment income of $19.5 million is the result of positive investment performance. The portfolio's investment rate of return was 27.8% with investment income totaling $20 million and investment expenses totaling $440,000. Equity, bond, and alternative asset investments all posted gains for the year.

Expenses – Deductions from Plan Net Assets – Benefits paid to members, refunds of member contributions, and administrative expenses are the sources of expenses for the Civilian Employees' Retirement System. Benefit payments represent 92% of the total deductions. Benefits paid to members increased over the prior year because of a 3% cost of living adjustment for retired members, and a significant number of new retirements. The amount of refunds of contributions decreased due to fewer members leaving the Police Department. Administrative expenses decreased because of reduced custodial fees, death benefits and actuarial fees.

For the ninth year in a row employer contributions did not equal the amount, or percentage of compensation, recommended by the Retirement System actuary. The employer contribution rate was 1.13% below the annual required contribution rate of 14.27%. For the year beginning May 1, 2010, employer contributions are budgeted to remain at 13.14% of covered pay, while the annual required contribution rate increases to 18.87%.

The Retirement Board has approved an asset allocation which over time is expected to realize the assumed actuarial rate of investment return of 7.75%. While the asset allocation is structured to provide some control over volatility, investment rates of return of 27.8% in FY 2010 and (24.3%) in FY 2009 provide an indication of how dramatically the markets can move from year to year. The Retirement Board continues to review investment allocations on a quarterly basis and to make tactical allocations, on a more frequent basis, with guidance from an independent financial consulting firm.

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, 2010

Assets

Investments, At Fair Value	
U.S. government securities	$14,486,178
Corporate bonds and notes	9,910,953
Common and preferred stock	38,970,464
Government mortgage-backed securities	3,508,194
Real estate	1,749,635
Partnerships - equity	1,593,229
Partnerships - fixed income	1,722,073
Short-term investment funds	7,649,221
Emerging market equities	879,201
Commodities	3,318,799
Foreign equities	7,284,186
Total investments	91,072,133
Securities Lending Collateral	24,427,986
Receivables	
Member insurance premiums	34,192
Accrued interest and dividends	236,339
Total receivables	270,531
Cash	4,442
Total assets	115,775,092

Liabilities

Accounts and refunds payable	122,906
Securities lending collateral	24,427,986
Total liabilities	24,550,892
Net Assets Held in Trust for Pension Benefits	$91,224,200

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2010

Additions

Investment Income	
Net appreciation in fair value of investments	$17,797,419
Interest and dividends	2,134,894
Investment expense	(438,876)
Net investment income	19,493,437
Securities Lending Income	
Securities lending gross income	73,121
Securities lending expenses	
Borrower rebates	(3,071)
Management fees	(18,354)
Total securities lending expenses	(21,425)
Net securities lending income	51,696
Total net investment income	19,545,133
Contributions	
City	3,329,727
Members	1,311,963
Total contributions	4,641,690
Total additions	24,186,823

Deductions

Benefits Paid	
Retired members	3,941,128
Spouses	201,307
Disabled members	191,868
Partial lump sum option	183,290
Death benefits	2,000
Total benefits paid	4,519,593
Other Deductions	
Refunds of contributions	269,586
Adminstrative expenses	117,579
Total other deductions	387,165
Total deductions	4,906,758
Net Increase	19,280,065
Net Assets Held in Trust for Pension Benefits, Beginning of Year	71,944,135
Net Assets Held in Trust for Pension Benefits, End of Year	$91,224,200

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 $4,641,690 ($3,329,727 employer and $1,311,963 employee) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2009. 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 14.27% 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, 2010, 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, 2009, 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
4/30/09	$86,332,962	$124,990,468	$38,657,506	69%	$27,580,796	140%

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 $2,555,225 at April 30, 2010. 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.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the statements of changes in plan net assets.

Note 2: Plan Description

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

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

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

At April 30, 2010, the Plan's membership consisted of the following:	
Retirees and beneficiaries currently receiving benefits	186
Terminated plan members entitled to but not yet receiving benefits	13
Active employees	
Vested	401
Non-vested	174
Total	774

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.

Note 2: Plan Description (Continued)

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

Upon the death of a member 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, 2010.

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, 2010.

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

Investments

For the year ended April 30, 2010, Northern Trust was the master custodian for substantially all of the securities of the Plan. The investments held by the Plan are managed by twelve 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.

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	$23,679,450
Market value of cash collateral received from borrowers	$24,427,986
Market value of non-cash collateral received from borrowers	–
Total market value of collateral	$24,427,986

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

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

At April 30, 2010, 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	$7,692,967	$ –	$3,687,452	$3,189,437	$816,078	$6,101,746
U.S. agencies obligations	5,786,864	3,698,979	1,535,652	552,233	–	993,619
Index linked government bonds	1,006,347	–	506,059	500,288	–	1,006,347
Corporate bonds	9,910,953	910,999	3,509,215	3,528,436	1,962,303	3,473,965
Government mortgage-backed securities	3,508,194	–	–	–	3,508,194	–
Money market mutual funds	7,649,221	7,649,221	–	–	–	–
		$12,259,199	$9,238,378	$7,770,394	$6,286,575	–
Corporate stocks	38,970,464					12,103,773
Real estate	1,749,635					–
Partnerships - equity	1,593,229					–
Partnerships - fixed income	1,722,073					–
Emerging market equities	879,201					–
Commodities	3,318,799					–
Foreign equities	7,284,186					–
Total	**$91,072,133**					**$23,679,450**

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, 2010, 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*. These bond rating requirements do not apply to the high yield portion of the fixed income portfolio.

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, $23,679,450 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

Investment income for the year ended April 30, 2010, consisted of:

Interest and dividend income	$2,134,894
Net increase in fair value of investments	17,797,419
	19,932,313
Less investment expense	438,876
	$19,493,437

Note 4: Actuarial Methods and Assumptions

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.

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, 2009
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	18 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, 2009:

Active employees accruing benefits	
Present value of future benefits	$109,351,154
Present value of future normal costs	29,486,544
Total active employees accruing benefits	79,864,610
Retired and inactive members	
Members with deferred benefits	1,141,633
Members receiving benefits	41,018,868
Retired member supplemental benefits	2,965,357
Total retired and inactive members	45,125,858
Total actuarial accrued liability	124,990,468
Assets, at actuarial value	86,332,962
Unfunded actuarial accrued liability	**$38,657,506**

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.

Current Economic Conditions

The current protracted economic environment, which in some cases have resulted in large declines in the fair value of investments, continue to present employee benefit plans with difficult 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.

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
4/30/2004	$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%
4/30/2009	86,332,962	124,990,468	38,657,506	69%	27,580,796	140%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
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%
2010	4,013,807	83%

SCHEDULE OF EXPENSES

Year Ending April 30, 2010

Investment Expenses	
Bank custodial fees and expenses	$67,107
Financial management expenses	349,287
Financial consultation	22,482
Total	**$438,876**

Administrative Expenses	
Salaries and payroll taxes	$56,259
Legal	7,965
Audit	12,086
Medical fees	7,458
Actuarial fees	24,926
Printing and office expense	3,444
Postage	885
Travel and education expense	100
Legislative consultation	3,831
Other	625
Total	**$117,579**

Investment Section

DEMARCHE
ASSOCIATES, INC.

September 27, 2010

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 7.75% annual return. 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. Further fixed income diversification includes short-term, intermediate and high yield bonds. 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. Last 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.

Over the last year the Board has conducted a review of the asset allocation. Under consideration is an investment in hedge funds and an increased allocation to emerging markets.

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 the 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 34% S&P 500 Index, 10% Russell 2000 Index, 12% MSCI EAFE Index, 3% MSCI Emerging Markets Index, 23% Barclays Government/Corporate Index, 5% Merrill Lynch High Yield Bond Index, 5% NCREIF Index, 5% Dow Jones/UBS Commodity Index, and 3% 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 portfolio exceeded each of the benchmarks with a 27% return for the fiscal year.

The tactical asset allocation at year end was 52% equities, 41% bonds and cash, and 7% alternatives. The equities allocation was divided into 34% large cap stocks, 9% small cap stocks, 8% 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 funds makes up more than 5% of the total assets. The alternative allocation is divided into 2% real estate, 3% commodities, and 2% private equity.

With the addition of a high yield bond manager, the Retirement Board continued to move toward a target 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 long term return for the target asset allocation is 8.93% and expected standard deviation (risk) is 10.74%. The differences between the year end allocation and the target allocation represent monthly tactical allocations to over weight or under weight asset classes based on market conditions and trends determined by our investment consultant.

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 and monthly tactical asset allocation calls to equities, fixed income, and cash.

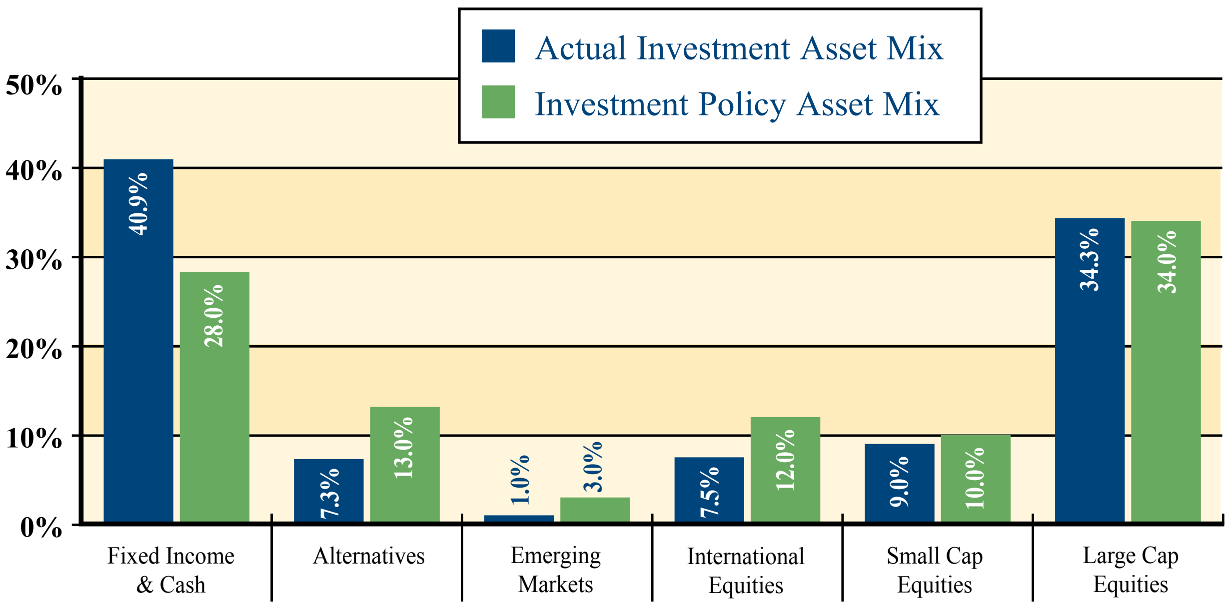
In May 2009 the Retirement Board funded an allocation to high yield bonds through investments with Shenkman Capital Management, and an allocation to an actively managed small cap equity portfolio with Vaughan Nelson Investment Management. In March 2010 the Retirement Board contracted with DeMarche to conduct an asset mix update to determine if small changes to the current allocation would generate the same, or higher expected returns with lower volatility.

Summary of Investment Policies and Objectives (Continued)

The Retirement Board met twice with DeMarche to review the monthly tactical asset allocation calls. During the year DeMarche recommended four separate tactical allocation changes away from the target allocation. The last tactical call of the fiscal year, in February 2010, was to under weight equities and over weight fixed income and cash. The board and staff are responsible for implementing the tactical calls using established target allocations for the asset classes and allowable ranges around the targets.

Asset Allocation

Year Ending April 30, 2010

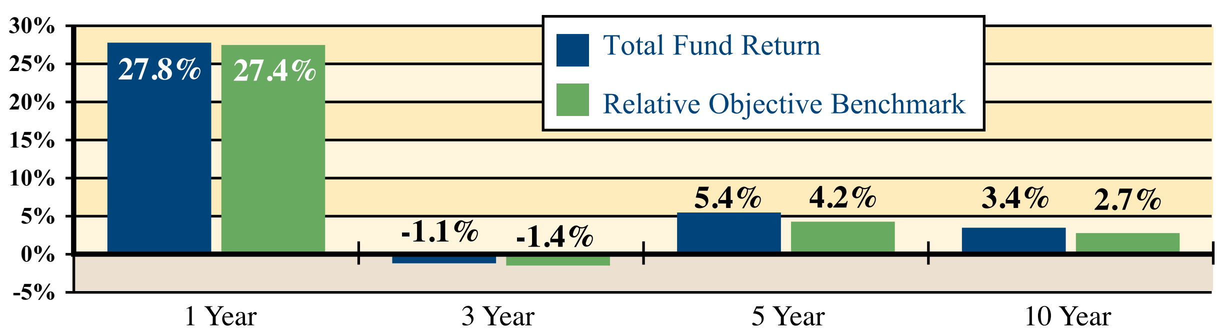


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2010. However, the results for the ten year returns are available for the quarter ending March 31, 2010 rather than for the fiscal year ending April 30, 2010. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2010 (Ten Year Returns as of March 31, 2010)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	9.9%	6.9%	5.7%	6.4%
Barclays Govt/Credit		*8.6%*	*6.1%*	*5.1%*	*6.2%*
Shenkman Capital Mgmt	High Yield Bonds	N/A			
Merrill Lynch Hi Yield		*N/A*			
GE Asset Mgmt	Foreign Equities	30.3%	(7.1%)	6.4%	2.4%
LSV Asset Mgmt	Foreign Equities	35.9%	(11.1%)		
MSCI EAFE		*34.4%*	*(8.9%)*	*3.9%*	*(1.3%)*
Waddell & Reed	Small Cap Growth Equities	36.4%	0.0%	5.8%	2.3%
Russell 2000 Growth		*45.2%*	*(1.9%)*	*6.1%*	*(1.5%)*
RCM Capital Mgmt	Large Cap Growth Equities	37.3%	0.7%	6.6%	
Northern Trust Index	Large Cap Growth Equities	38.9%			
Russell 1000 Growth		*38.2%*	*(1.9%)*	*4.1%*	
Vaughan Nelson	Small Cap Value Equities	N/A			
Russell 2000 Value		*N/A*			
LSV Asset Mgmt	Large Cap Value Equities	45.1%	(6.2%)	4.8%	
Russell 1000 Value		*42.3%*	*(7.7%)*	*1.9%*	
Prudential PRISA II	Real Estate	(26.1%)	(19.3%)	(5.0%)	
NCREIF Property		*(9.6%)*	*(4.3%)*	*4.2%*	
GE Asset Mgmt	Emerging Markets	52.1%			
LSV Asset Mgmt	Emerging Markets	71.8%			
MSCI Emerging Mkts		*57.1%*			
PIMCO	Commodities	38.8%			
DJ/UBS Commodity		*22.0%*			
Abbott Capital	Private Equity	(13.5%)	(4.1%)		
JP Morgan	Private Equity	(12.0%)	(2.7%)		
Tactical ETFs	Exchange Traded Equities	N/A			
Total Fund		**27.8%**	**(1.1%)**	**5.4%**	**3.4%**
Absolute Objective		***5.5%***	***5.8%***	***6.4%***	***6.4%***
Relative Objective		***27.4%***	***(1.4%)***	***4.2%***	***2.7%***



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, 2010	Market Value
1) Chevron Corp.	$659,664
2) Apple Computer Inc.	623,816
3) Exxon Mobil Corp.	515,660
4) ConocoPhillips	467,601
5) Pfizer Inc.	419,639
6) Wells Fargo & Co.	408,909
7) Bank of America Corp.	397,609
8) J P Morgan Chase & Co.	378,962
9) Cisco Systems Inc.	341,346
10) Microsoft Corp.	324,182

Ten Largest Bond Holdings April 30, 2010	Market Value
1) US Treasury Notes 1.375% Due 2012	$1,807,312
2) US Treasury Notes 3.00% Due 2016	1,201,781
3) US Treasury Notes 3.75% Due 2018	1,021,484
4) US Treasury Notes 1.00% Due 2011	1,004,609
5) US Treasury Notes 3.125% Due 2019	966,172
6) US Treasury Notes 2.375% Due 2014	604,313
7) Emerson Electric Co. 5.125% Due 2016	570,928
8) Federal National Mortgage Assoc. 5.25% Due 2012	566,172
9) Federal National Mortgage Assoc. Step Up 3.00% Due 2016	552,233
10) Federal Home Loan Mortgage Corp. 3.00% Due 2014	552,063

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2010

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
National Financial Services	391,046	$22,297,265	$7,821	$0.020
Instinet	437,157	8,205,131	4,416	0.010
Merrill Lynch Pierce Fenner & Smith	111,535	3,663,097	2,254	0.020
Credit Suisse First Boston Corp.	3,235,874	5,940,355	2,243	0.001
Jefferies & Co.	88,039	3,892,069	2,187	0.025
Morgan Stanley & Co. Inc. New York	1,094,315	2,624,953	2,144	0.002
Weeden & Co.	130,214	2,753,310	1,587	0.012
Goldman Sachs & Co.	1,323,369	3,671,759	1,524	0.001
UBS Warburg LLC	66,159	2,234,182	1,496	0.023
Citigroup Global Markets Inc./Smith Barney	105,152	3,173,904	1,407	0.013
Bernstein, Sanford C. & Co.	41,600	1,439,938	1,313	0.032
Investment Technology Group Inc.	75,255	2,931,762	1,275	0.017
Deutsche Bank Securities Inc.	27,734	1,067,449	1,058	0.038
Stifel Nicolaus & Co.	39,229	866,754	1,045	0.027
Liquidnet Inc.	43,264	923,438	763	0.018
J.P. Morgan Securities Inc.	25,105	877,729	667	0.027
Friedman Billing & Ramsey	30,154	269,663	629	0.021
Knight Securities L.P.	10,425	340,644	409	0.039
Others (including 35 brokerage firms)	131,714	3,593,106	3,508	0.027
Totals	**7,407,340**	**70,766,508**	**$37,746**	**$0.005**

Zero commission trades excluded from above	11,755,122	$13,862,513

Investment Summary

Year Ending April 30, 2010

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/10	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$24,206,346	26.6%
Cash			7,649,221	8.4%
GE Asset Management	Jun 1994	Foreign Equities	3,242,414	3.6%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	4,040,084	4.4%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	9,202,233	10.1%
LSV Asset Management	Feb 2003	Large Cap Value Equities	15,312,784	16.8%
Prudential PRISA II	Sep 2004	Real Estate	1,749,635	1.9%
Abbott Capital Management	Aug 2005	Private Equity	892,995	1.0%
JPMorgan Investment Management	Jan 2006	Private Equity	700,234	0.8%
LSV International Value	Jun 2006	Foreign Equities	3,236,312	3.6%
NTGI Russell 1000 Growth	Aug 2007	Large Cap Growth Equities	5,760,511	6.3%
GE Emerging Markets	Aug 2007	Emerging Markets	441,826	0.5%
LSV Emerging Markets	Aug 2007	Emerging Markets	437,375	0.5%
PIMCO	May 2008	Commodities	3,318,799	3.6%
Tactical ETFs	Mar 2009	Exchange Traded Equities	4,939,190	5.4%
Shenkman Capital Management	May 2009	High Yield Bonds	1,722,073	1.9%
Vaughan Nelson Investment Management	May 2009	Small Cap Value Equities	4,220,101	4.6%
		Total	**$91,072,133**	

Investment Summary (Continued)

Year Ending April 30, 2010

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$33,320	$1,089	$0.000
GE Asset Management	23,530	–	–
Waddell & Reed Investment Management	29,913	4,548	0.028
RCM Capital Management	42,252	8,672	0.033
LSV Asset Management	63,699	3,972	0.009
Prudential PRISA II	22,763	–	–
Abbott Capital Management	32,321	–	–
JPMorgan Investment Management	11,875	–	–
LSV International Value	19,257	–	–
NTGI Russell 1000 Growth	3,161	–	–
GE Emerging Markets	5,015	–	–
LSV Emerging Markets	4,782	–	–
PIMCO	22,783	–	–
Tactical ETFs	–	8,866	0.020
Vaughan Nelson Investment Management	34,616	10,599	0.015
Total	**$349,287**	**$37,746**	**$0.005**

Actuarial Section

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milliman.com

September 24, 2010

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, 2010.

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, 2010 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 gain this year, primarily due to favorable investment returns. 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 77% funded as of April 30, 2010, based on the actuarial value of assets, and 70% funded based on the market value of assets.

Based upon the results of the April 30, 2010 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

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 increases range from 0.0% to 5.75% (adopted 2/12/08) depending upon the sample years of service. 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, 2010 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, 2010. All census data was supplied by the System and was subject to reasonable consistency checks. Milliman, Inc. completed the 2007 through 2010 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, 2010

Valuation Date April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2005	586	$22,239,092	$37,951	2.4%
2006	610	23,875,937	39,141	3.1%
2007	613	24,120,994	39,349	0.5%
2008	630	25,610,892	40,652	3.3%
2009	619	26,143,479	42,235	3.9%
2010	575	24,751,839	43,047	1.9%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2010

	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
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
2010	24	632,570	1	9,072	186*	4,110,838	17.9	22,101

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	ENTRY AGE ACCRUED LIABILITIES (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)
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
2010	11,328,650	51,740,006	68,153,908	100,515,970	100	100	55

Note: For years prior to 2007, information is shown from the prior actuary's report.

Analysis of Financial Experience

Year Ended April 30, 2010

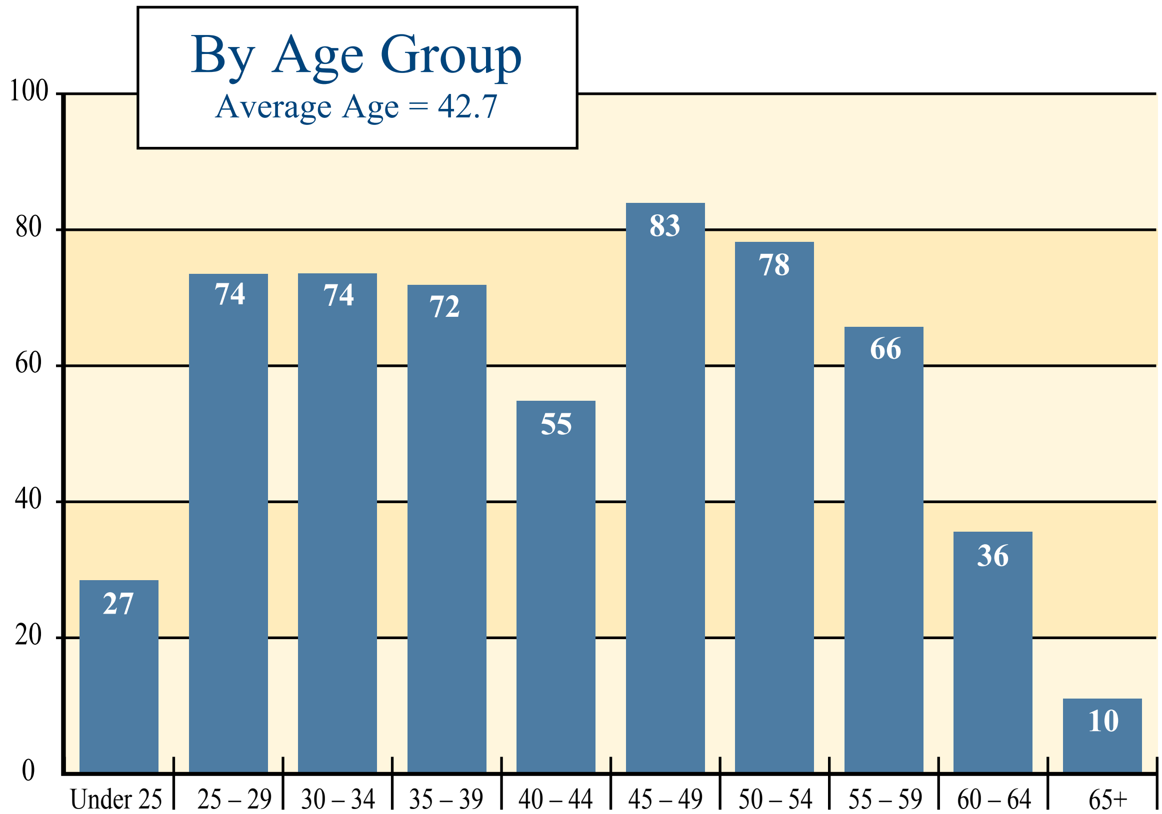
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

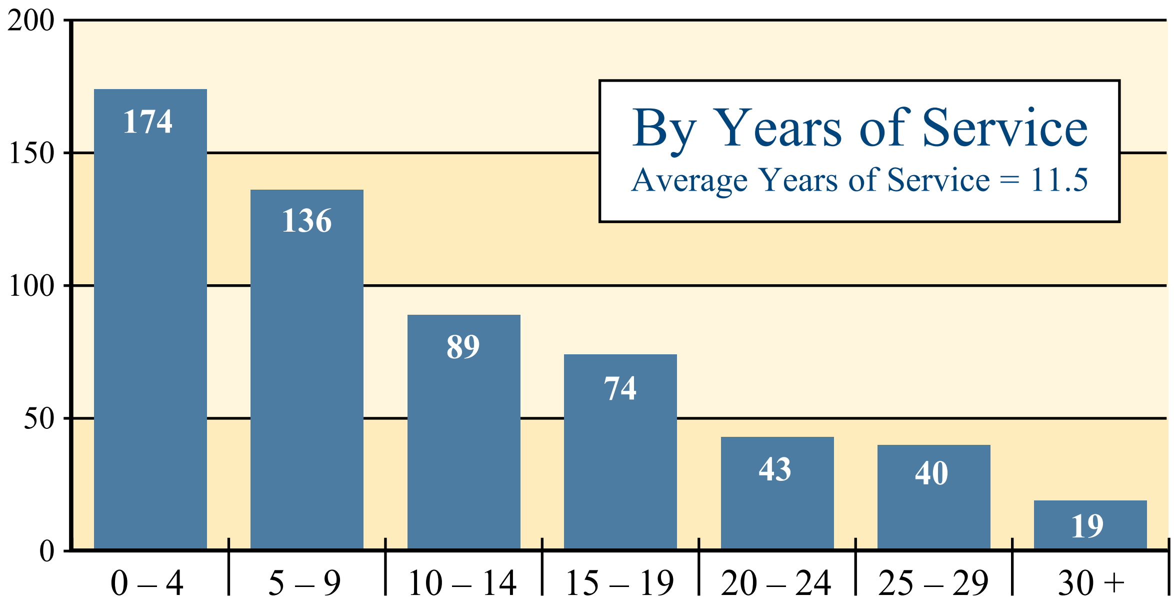
			$ Millions
(1)		UAAL* at start of year	$38.7
(2)	+	Normal cost for year	3.6
(3)	+	Assumed investment return on (1) & (2)	3.3
(4)	-	Actual contributions (member + city)	4.6
(5)	-	Assumed investment return on (4)	0.2
(6)	=	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	40.8
(7)	+	Increase (decrease) from benefit change	0.0
(8)	+	Increase (decrease) from assumption change	0.0
(9)	=	Expected UAAL after changes (6) + (7) + (8)	40.8
(10)	=	Actual UAAL at year end	30.7
(11)	=	Experience gain (loss) (9) - (10)	$10.1
(12)	=	Percent of beginning of year AAL	8.1%

* Unfunded Actuarial Accrued Liability / (Surplus)

Year Ended April 30	2005	2006	2007	2008	2009	2010
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	(4.1%)	(0.8%)	5.9%	1.1%	(15.8%)	8.1%

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

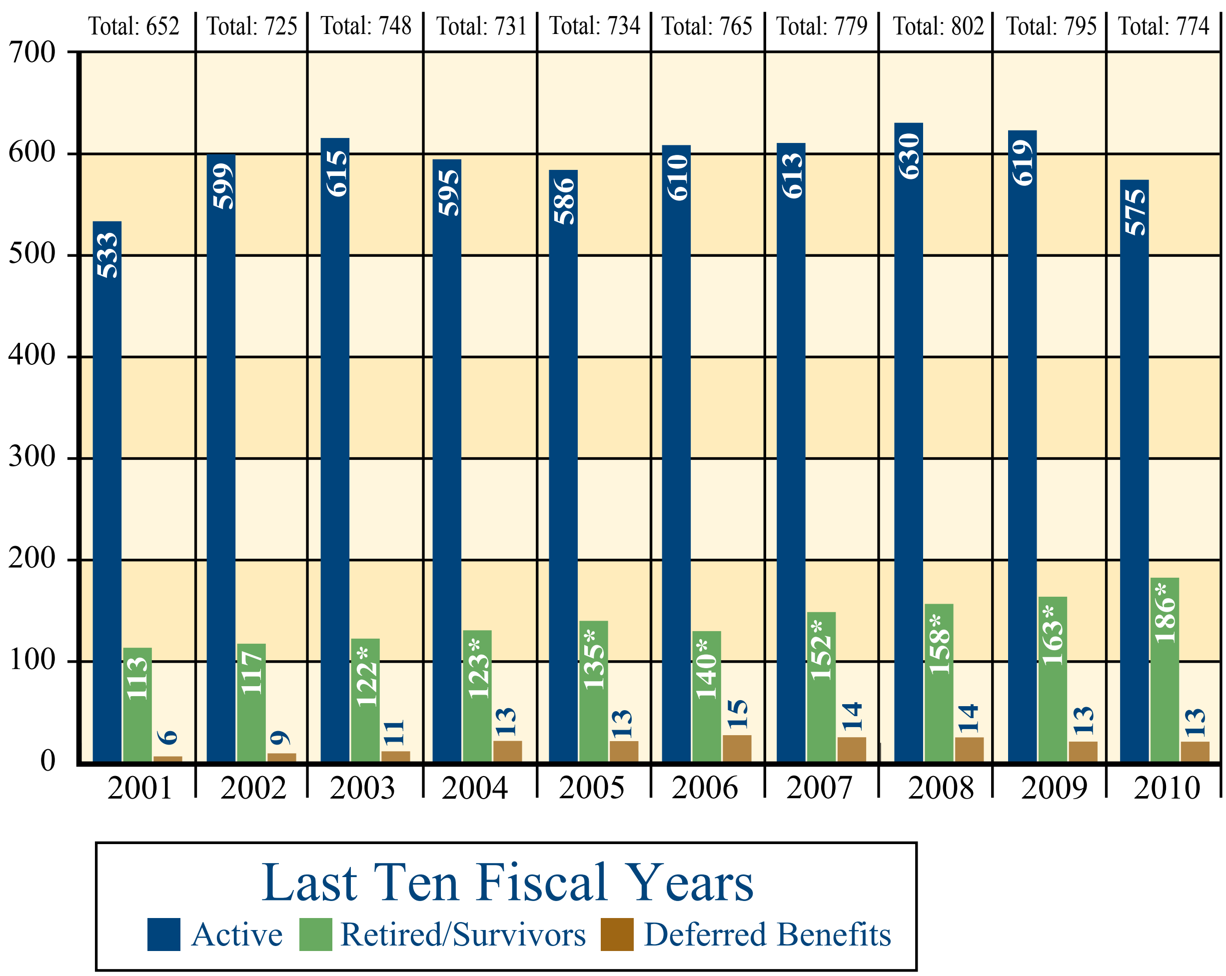
Statistical Summary

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	2001	2002	2003	2004	2005
Additions:					
Member Contributions	$911,676	$1,002,689	$1,099,248	$1,247,257	$1,188,564
Employer Contributions	1,286,166	1,420,668	1,567,833	1,601,243	1,612,080
Net Investment Income	(3,031,468)	(1,478,104)	(3,950,722)	9,992,199	5,231,299
Total Additions to Plan Net Assets	(833,626)	945,253	(1,283,641)	12,840,699	8,031,943
Deductions:					
Benefits	1,452,061	1,694,954	1,914,018	2,313,851	2,688,395
Refunds	169,707	272,962	108,033	240,121	166,110
Administrative	141,068	128,109	125,161	97,489	109,068
Total Deductions from Plan Net Assets	1,762,836	2,096,025	2,147,212	2,651,461	2,963,573
Change in Net Assets	($2,596,462)	($1,150,772)	($3,430,853)	$10,189,238	$5,068,370

Fiscal Year	2006	2007	2008	2009	2010
Additions:					
Member Contributions	$1,262,297	$1,212,401	$1,285,869	$1,338,180	$1,311,963
Employer Contributions	2,175,167	2,681,732	3,372,411	3,470,682	3,329,727
Net Investment Income	12,714,840	10,373,345	(63,658)	(25,282,608)	19,545,133
Total Additions to Plan Net Assets	16,152,304	14,267,478	4,594,622	(20,473,746)	24,186,823
Deductions:					
Benefits	2,844,258	3,351,956	3,431,959	3,716,269	4,519,593
Refunds	267,959	253,358	218,281	381,590	269,586
Administrative	105,030	111,050	111,993	123,561	117,579
Total Deductions from Plan Net Assets	3,217,247	3,716,364	3,762,233	4,221,420	4,906,758
Change in Net Assets	$12,935,057	$10,551,114	$832,389	$(24,695,166)	$19,280,065

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

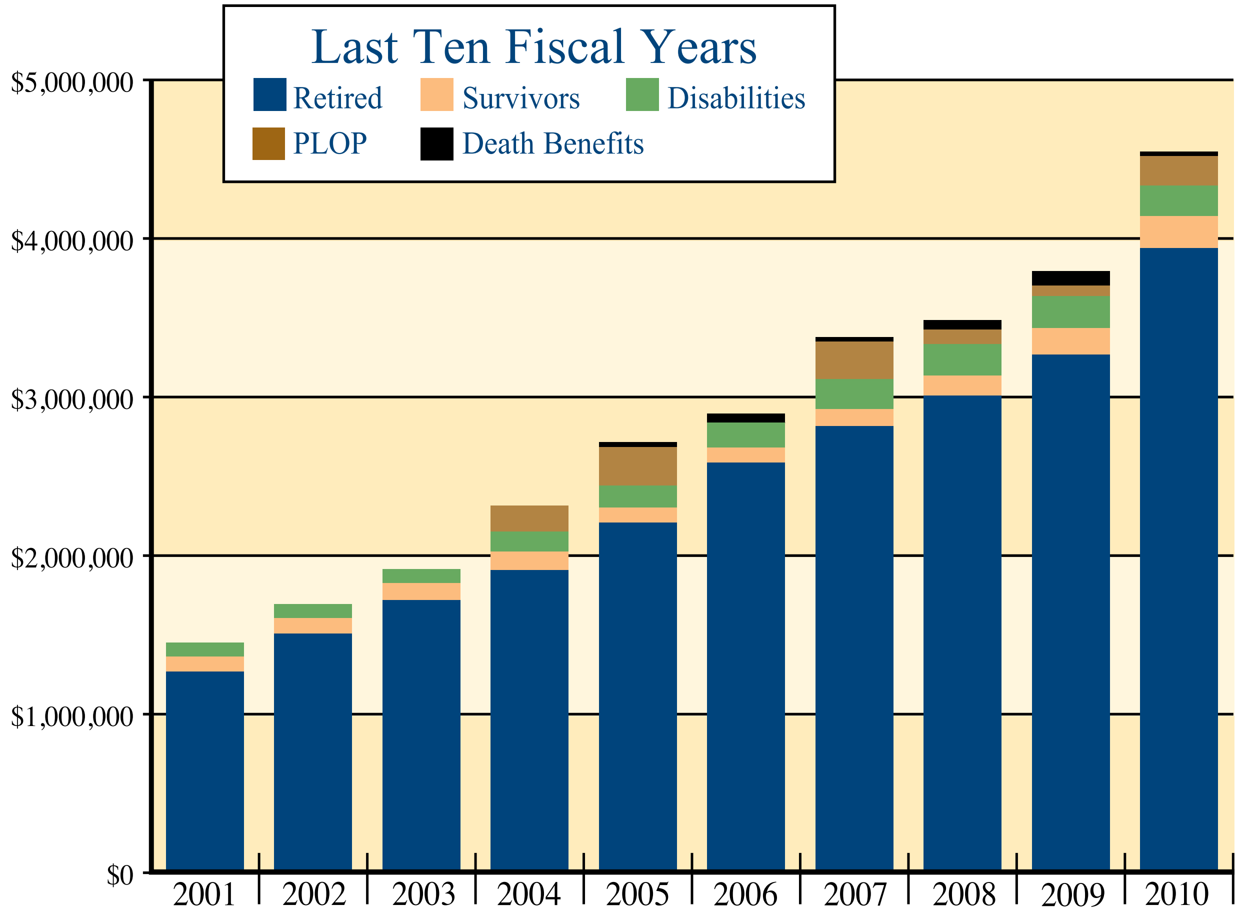
Last Ten Fiscal Years

Fiscal Year	2001	2002	2003	2004	2005
Type of Benefit:					
Retired	$1,268,885	$1,507,823	$1,719,500	$1,910,368	$2,207,718
Survivors	92,109	99,050	108,282	114,489	96,169
Disabilities	91,067	88,081	86,236	126,822	136,542
PLOP	–	–	–	162,172	243,966
Death Benefits	–	–	–	–	4,000
Total Benefits	$1,452,061	$1,694,954	$1,914,018	$2,313,851	$2,688,395
Type of Refund:					
Separation	$169,707	$271,998	$107,367	$236,853	$110,224
Death	–	964	666	3,268	55,886
Total Refunds	$169,707	$272,962	$108,033	$240,121	$166,110

Fiscal Year	2006	2007	2008	2009	2010
Type of Benefit:					
Retired	$2,586,409	$2,816,917	$3,010,989	$3,267,300	$3,941,128
Survivors	95,432	105,298	124,607	169,021	201,307
Disabilities	156,417	190,421	196,776	199,860	191,868
PLOP	–	236,320	93,587	66,088	183,290
Death Benefits	6,000	3,000	6,000	14,000	2,000
Total Benefits	$2,844,258	$3,351,956	$3,431,959	$3,716,269	$4,519,593
Type of Refund:					
Separation	$217,364	$253,358	$218,281	$300,856	$183,517
Death	50,595	–	–	80,734	86,069
Total Refunds	$267,959	$253,358	$218,281	$381,590	$269,586

*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, 2010

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	4,280	12	10	2		
501 to 750	14,910	23	17	5		1
751 to 1,000	9,601	11	7	3		1
1,001 to 1,500	29,303	24	21	3		
1,501 to 2,000	44,200	26	24	1	1	
2,001 to 2,500	66,950	30	26	1	1	2
2,501 to 3,000	52,774	19	17	1		1
3,001 to 3,500	61,176	19	18			1
3,501 to 4,000	40,762	11	11			
Over 4,000	46,662	10	10			
Totals	**$370,730**	**186**	**161**	**17**	**2**	**6**

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

Schedule of Average Monthly Base Benefit Amounts*

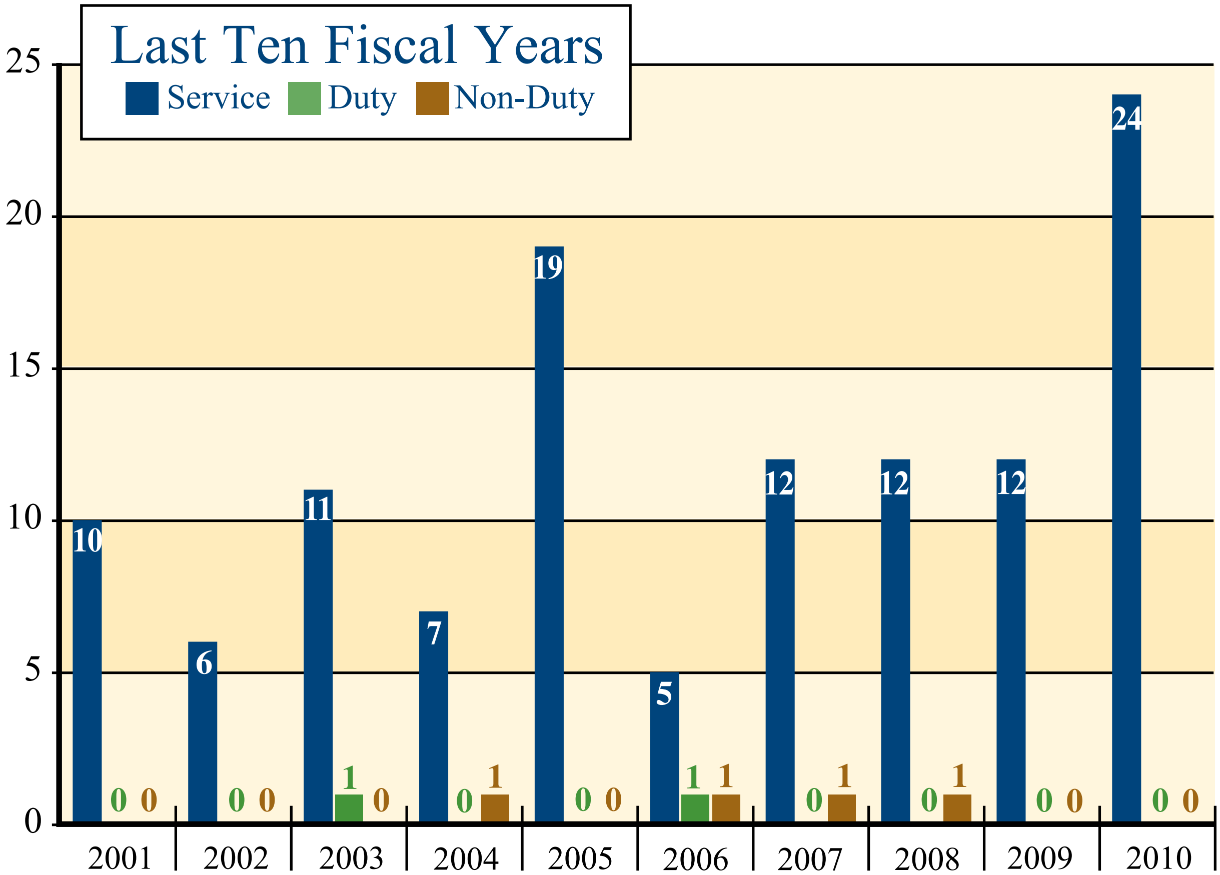
Ten Years Ended April 30, 2010

Members Retiring During	Years Credited Service 5–10	10–15	15–20	20–25	25–30	30+	All Members
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
Fiscal Year Ending 04/30/10							
Average monthly benefit	$511	686	1,072	1,600	2,555	3,010	2,196
Average final compensation	$3,360	2,872	3,646	3,898	4,495	4,435	4,122
Number of retirees	2	2	2	2	7	9	24

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

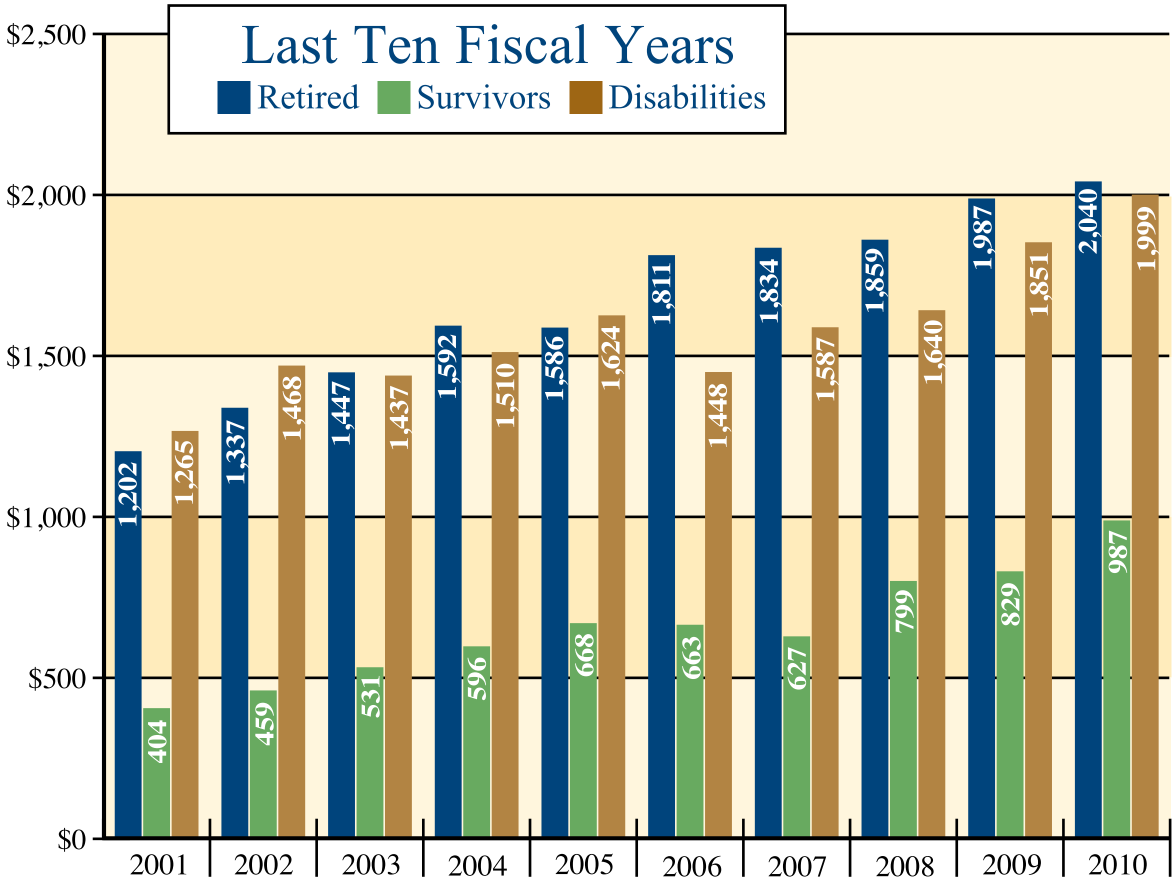
*Benefit amounts are after reductions for optional benefits.

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

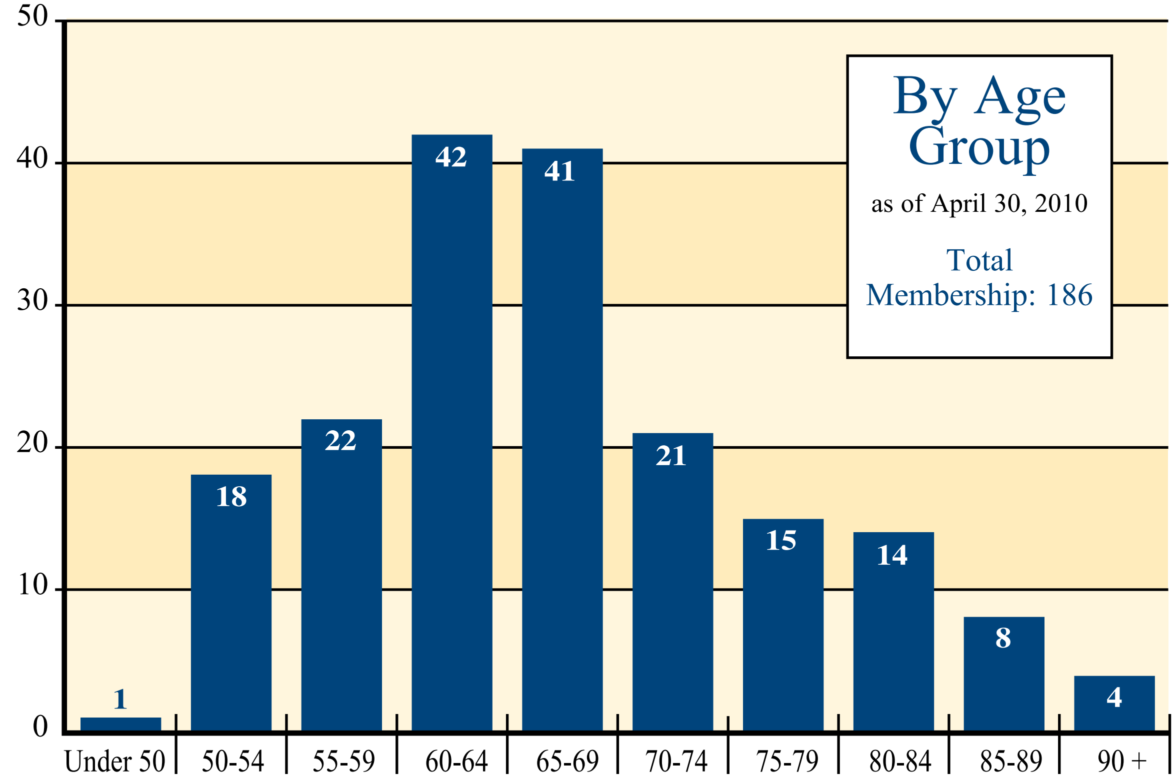
Fiscal Year	% Increase to Monthly Base Pension
2001	3.00%
2002	3.00%
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%
2010	3.00%

Supplemental Retirement Benefit

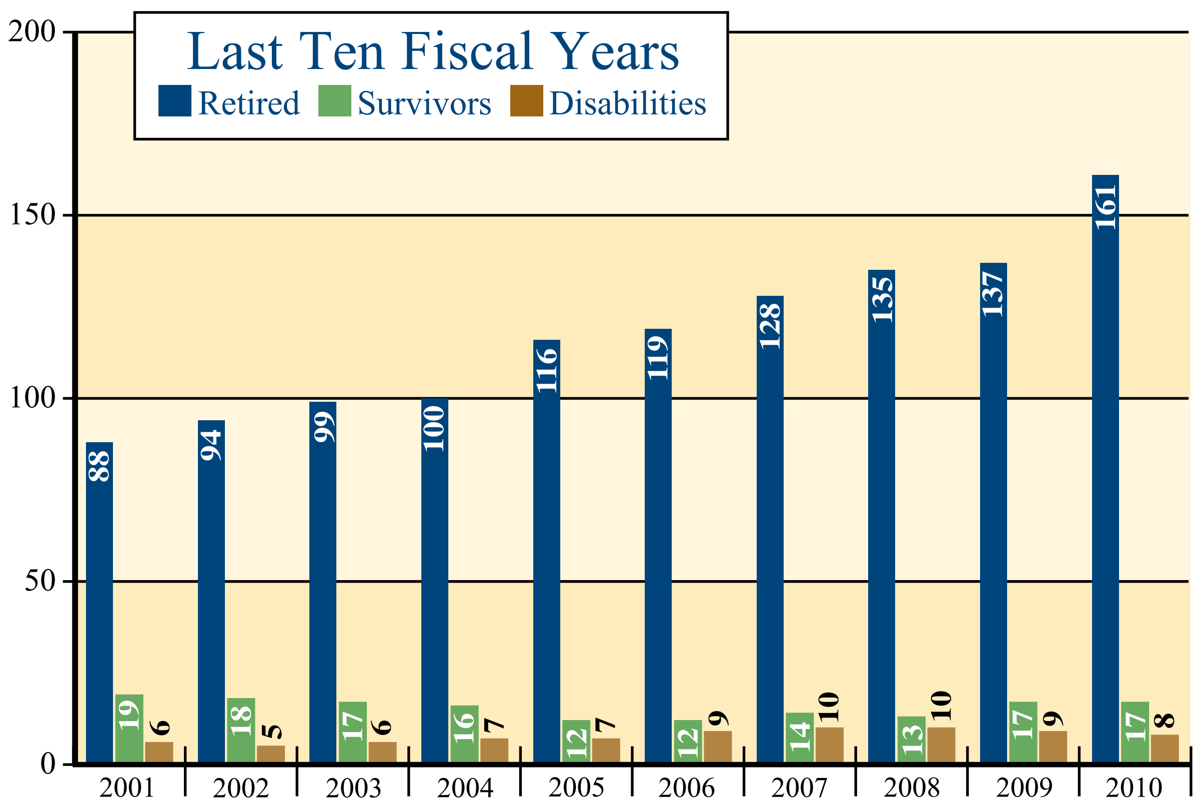
History of Increases

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

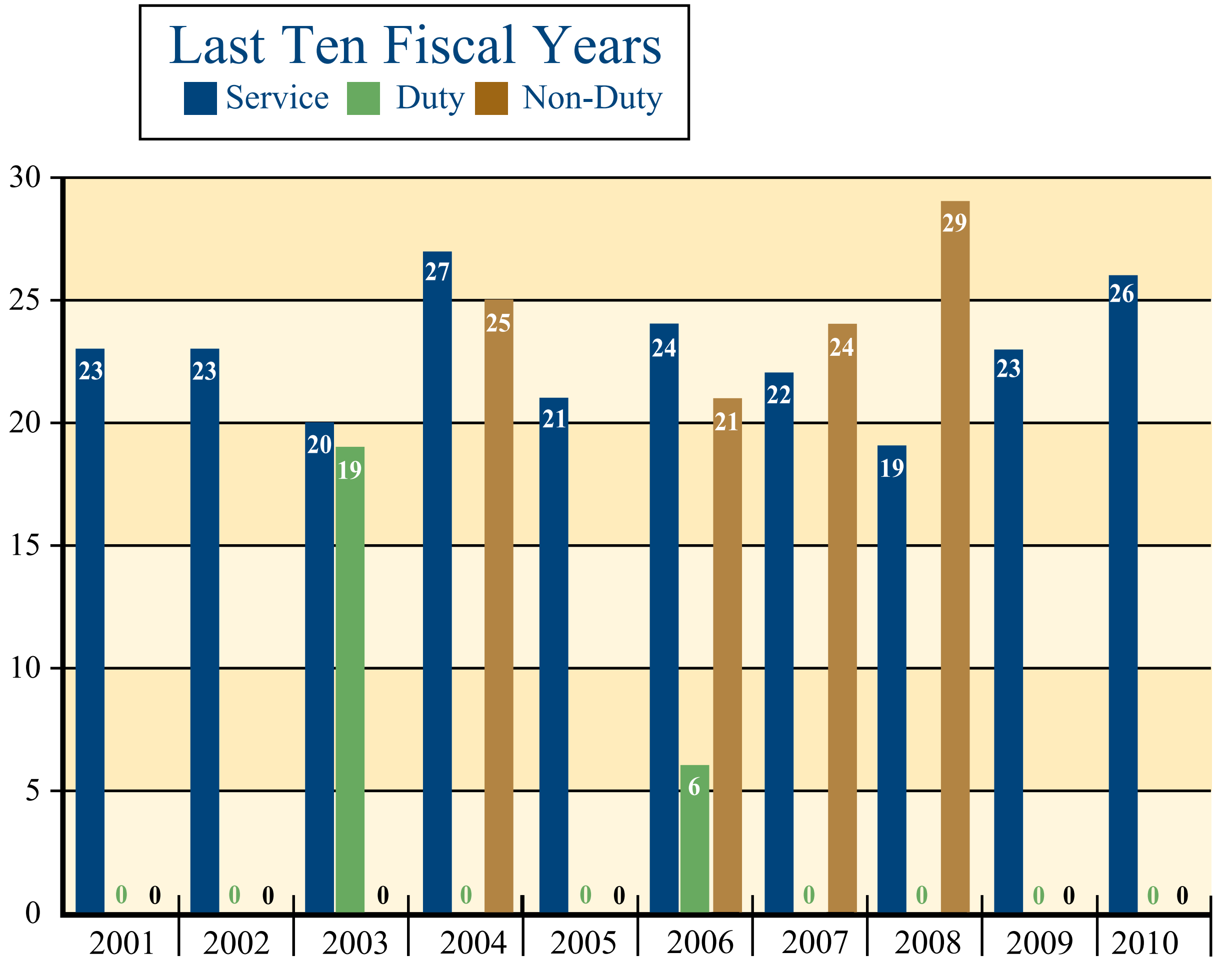
Membership Receiving Benefits



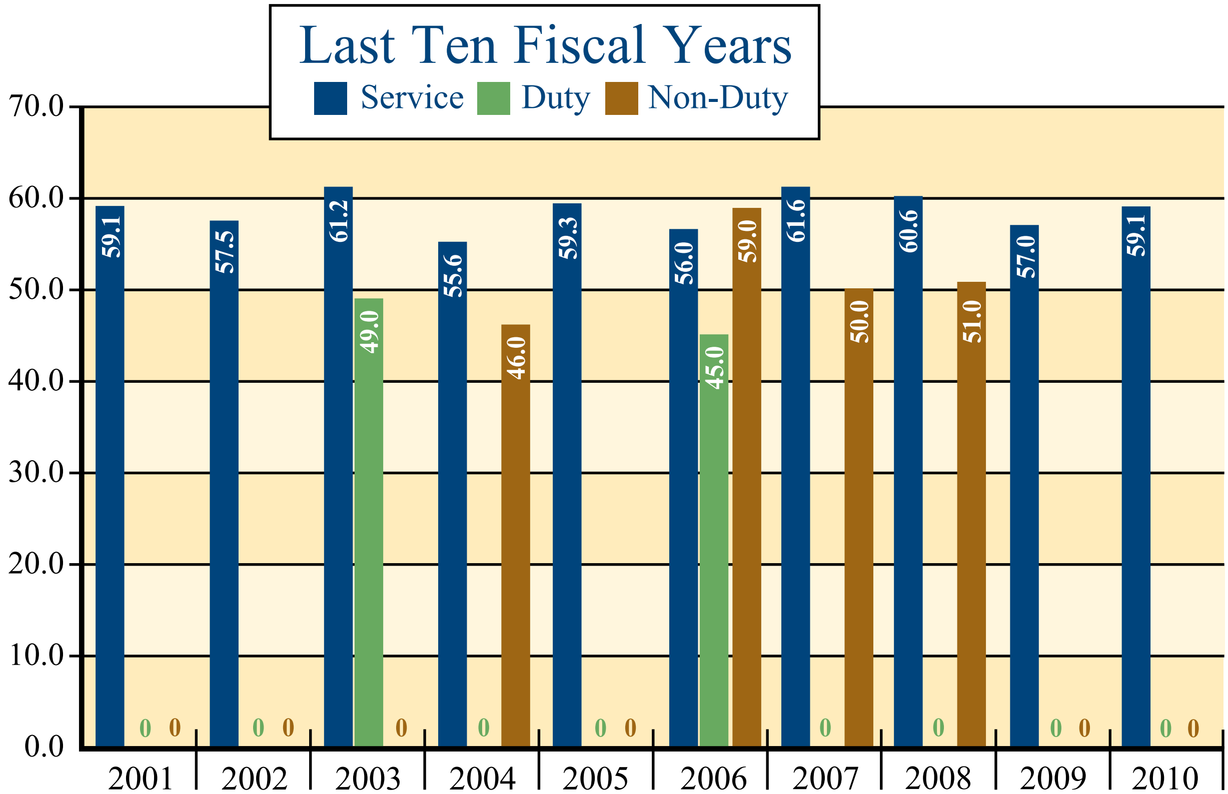
Membership Receiving Benefits



Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2010

Service	**67**
(161 retired members ranging in age from 52 to 97)	
Duty Disability	**53**
(2 retired members ranging in age from 50 to 56)	
Non-Duty Disability	**56.3**
(6 retired members ranging in age from 44 to 66)	

KCPERS
Kansas City Police Employees' Retirement Systems

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