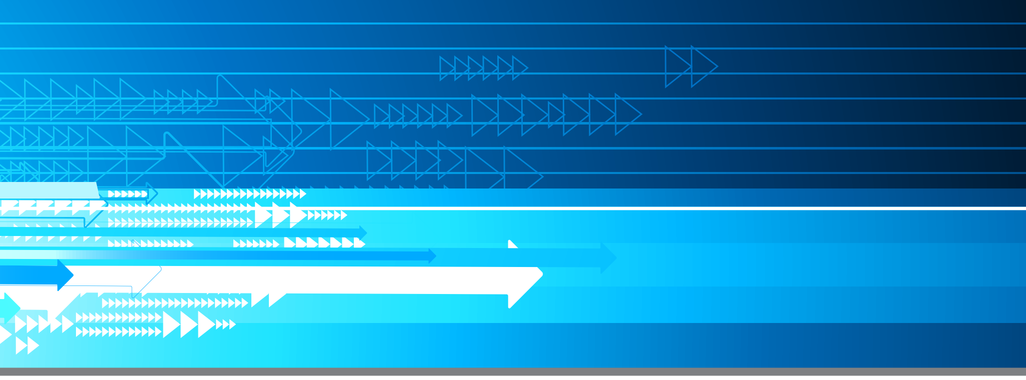

45TH
ANNUAL
REPORT

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, 2010 to
April 30, 2011

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, 2010 to April 30, 2011

45th 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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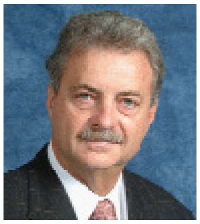
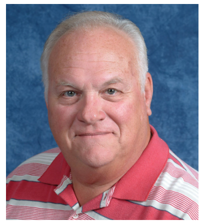
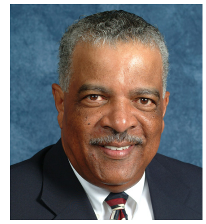


Gary R. Howell, Chairman
(Ret.) Crime Laboratory Director
Kansas City, Missouri
Police Department



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

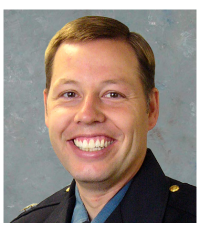


Bailus M. Tate, Treasurer
Appointed Member

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

James Chappell
Appointed Member

David E. Reyburn
Detective
Kansas City, Missouri
Police Department



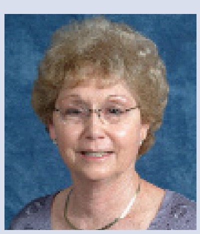
Richard C. Smith
Captain
Kansas City, Missouri
Police Department

Patrick J. Trysla
Appointed Member

Angela Wasson-Hunt
Appointed Member

KCPERS Staff

Sharon Blancett
Benefits Coordinator



Connie Davis
Administrative Assistant

Anna Vollenweider
Accountant

James Pyle
Pension Systems Manager & Board Secretary

KCPERS
Kansas City Police Employees' Retirement Systems

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

October 3, 2011

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 my pleasure to submit the fiscal year 2011 Comprehensive Annual Financial Report of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri.

Fiscal Year 2011 Projects

The Retirement Board completed its work on a new asset allocation that reduced investments in domestic stocks, increased investments in international and emerging market stocks and added hedge fund of funds to the portfolio. These changes are expected to generate about the same returns as the previous allocation but with lower risk. Once the decision was made to add hedge fund of funds to the portfolio, the Retirement Board started the process of finding a manager whose investment process fit with the board's risk tolerance. With the help of our investment consultant, staff completed target ranges for the new asset allocation and targets and ranges for the portion of the portfolio that can be tactically allocated.

The Retirement Board and staff met with several of our investment managers during the year to review investment performance and processes. Two managers, Prudential Real Estate and Abbott Capital, made presentations at board meetings because of volatility in the real estate and private equity markets. The board also selected a new actuarial firm following a change in staffing at Milliman. A request for proposals and evaluation process was completed and the board selected Cavanaugh Macdonald as the new actuarial firm. In part, the decision was based on Cavanaugh Macdonald's extensive experience with public employee retirement systems.

The KCPERS website www.kcpers.org was completely redesigned during the year. A benefit estimator, history of changes to the retirement system, and a list of frequently asked questions was added to the new Member Information section of the website.

During the year, 19 new members joined the retirement system; 22 active members left the Police Department and received refunds of member contributions; 2 active members became inactive vested members; 1 inactive vested member received a refund of member contributions; 13 members retired and started receiving benefits; 6 retired members, 1 active member, and 1 surviving spouse passed away; and 1 surviving spouse started receiving benefits.

Legislative Changes

No new legislative changes to plan provisions of the Civilian Employees' Retirement System became effective during FY 2011. However, House Bill 183 was introduced and passed during the 2011 session of the Missouri General Assembly. The bill became effective on August 28, 2011 and included the following changes in the Civilian Employees' Retirement System: 1) changes the start date for benefits and allows for any final benefit payment to a named beneficiary upon the death of a member; 2) allows members to purchase leave time at the actuarial cost; 3) changes the cost of purchasing prior creditable service to the member's actuarial cost; and 4) prohibits membership in the plan by retired members of the City Employees' plan or Firefighters plan.

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. This fiscal year (Ret.) Chief Floyd Bartch and James Chappell joined the Retirement Board. Chief Bartch was elected by the membership of the Retirement Systems and Mr. Chappell was appointed by the City Council of Kansas City.

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 principles. 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, 2011 and April 30, 2010.

	April 30, 2011	April 30, 2010
Additions	$ 16,421,404	$ 24,186,823
Deductions	5,122,993	4,906,758
Net Change	$ 11,298,411	$ 19,280,065

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 2010 to FY 2011, additions decreased by $7,765,419; investment gains decreased by $7,692,249, and contributions from both members and the city decreased by $73,170. From FY 2010 to FY 2011, deductions increased by $216,235; benefits paid increased by $355,561, refunds of contributions decreased by $138,514, and administrative expenses decreased by $812. Please review Management's Discussion and Analysis which can be found on pages 17 through 20 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 of the portfolio.

For the actuarial valuation dated April 30, 2011, the funded ratio of valuation assets to liabilities of the Civilian Employees' Retirement System, which covers 763 members, decreased by 2% to 75%. The decrease in the funded ratio is mainly due to recognizing prior investment losses, as part of the asset smoothing process, and the $2.2 million shortfall in employer contributions. Member contributions remain at 5.0% while employer contributions remain at 13.14% of payroll. The employer contribution rate is below the annual required contribution rate of 18.19% for the fiscal year beginning May 1, 2011 and the projected annual required contribution rate of 19.82% for the fiscal year beginning May 1, 2012.

Investment Activity

Investment markets remained volatile for the year ending April 30, 2011 with market losses early and gains later in the year. Those late gains provided a positive impact on Retirement System assets. Our investment portfolio produced a total return of 13.5% against the policy benchmark return of 16.1%, which means our investment managers and asset allocation had a 2.6% loss versus the market indices. The investment performance was more than our assumed rate of return, for actuarial purposes, of 7.75%, and generated net investment income of $11.8 million.

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, LSV Emerging Market, Prudential, and PIMCO finished in the 1st Quartile against a peer group of large cap value, emerging market, real estate, and commodity managers, respectively. Vaughan Nelson, LSV International, and Financial Counselors finished in the 2nd Quartile against a peer group of small cap value, international value, and core fixed income managers, respectively. Waddell & Reed finished in the 3rd Quartile against a peer group of small cap growth managers. RCM, GE International, GE Emerging Market, and Shenkman finished in the 4th Quartile against a peer group of large cap growth, international growth, emerging market, and high yield bond managers.

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 39 and 40. The asset allocation is further explained in Management's Discussion and Analysis on page 20. 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, 2010. This was the ninth 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 2011 annual report is the result of work by Retirement Systems staff, outside advisors, and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with 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 to thank each of our board members, our retirement system members, our outside advisors and the Kansas City Police Department for all your contributions towards the successful operation of the Civilian Employees' Retirement System.

Respectfully submitted,

James Pyle

James J. Pyle
Pension Systems Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2010

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

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

President

Executive Director

KCPERS

Kansas City Police Employees' Retirement Systems

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

October 3, 2011

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, 2011. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

This past year, the Retirement Board continued to implement plans that are designed to keep our retirement system sound and secure for current and future retirees and surviving spouses. Our investment decisions helped lower the overall risk in the portfolio. Small benefit plan changes implemented this year will reduce future liabilities in the retirement system.

You will see in the details of this 2011 report that we had another positive year in the investment markets with the portfolio earning 13% on our investments. Throughout the year we took a more conservative position thereby under performing the overall benchmark we use to measure the success of our managers and asset allocation. That same conservative position should lead to out performance of the benchmark in down market cycles like we have experienced during the past few months. In times when markets are more volatile, our investment process should help us retain investment earnings and out perform more aggressive investors.

During the last five months a Pension Reform Task Force has been studying the four City funded retirement plans, including the Civilian Employees' Retirement System. We have provided that group with information about our benefits, assets and liabilities, investments, and economic assumptions. We will continue to work with the task force to help them understand the important role we play in providing a reasonable, affordable, and secure retirement income for our members.

On behalf of the retirement board I want to thank Kenny Burnett for his 15 years of service on the board. Kenny was first elected to the board in 1996 and led the way to many important changes in our investment process and benefit improvements for retirees, surviving spouses and active members. Once we completed the election process earlier this year, we welcomed Captain Richard Smith as the newest member of the retirement board.

In closing I want to thank you, our members, for your continuing support of our efforts to provide an affordable, secure, and sustainable retirement benefit. I also want to thank our staff in the Retirement Systems 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

Cavanaugh Macdonald Consulting, LLC
Patrice Beckham, Brent Banister
Bellevue, Nebraska

AUDITORS

BKD, LLP
Angela M. Miratsky
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
Gil Scott, Nikki Newton
Overland Park, Kansas

G E Asset Management
Jonathan Passmore, Robb Ruhr
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, Kevin Gray
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, 2011, 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, 2011, 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 2011 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 2010, 2009, 2008, 2007 and 2006 financial statements.

Kansas City, Missouri
July 29, 2011

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, 2011. 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, 2011 and the Statement of Changes in Plan Net Assets for the year ended April 30, 2011. 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, 2011	April 30, 2010	Amount Change
Cash	$3,446	$4,442	($996)
Receivables	339,188	270,531	68,657
Investments	102,336,387	91,072,133	11,264,254
Securities lending collateral	26,902,801	24,427,986	2,474,815
Total assets	**129,581,822**	**115,775,092**	**13,806,730**
Accounts and refunds payable	156,410	122,906	33,504
Securities lending collateral	26,902,801	24,427,986	2,474,815
Total liabilites	**27,059,211**	**24,550,892**	**2,508,319**
Net assets	**$102,522,611**	**$91,224,200**	**$11,298,411**

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 $102,522,611 as of April 30, 2011 from $91,224,200 as of April 30, 2010. 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 $129.6 million as of April 30, 2011 and included cash, investments and accrued interest receivables. Total assets increased by $13.8 million or 11.9% from FY 2010 due to investment income and increased securities lending collateral. Investable assets increased during the year by $11.3 million while securities lending collateral increased by $2.5 million.

Liabilities – Total liabilities of the Civilian Employees' Retirement System were $27.0 million as of April 30, 2011 and included securities lending collateral, refunds to members and payables for money manager fees. Total liabilities increased by $2.5 million during the year mainly due to the $2.5 million offsetting liability for the increase in securities lending activity.

Net Assets – Civilian Employees' Retirement System assets exceeded liabilities at April 30, 2011 by $102.5 million. This was an increase of $11.3 million or 12.4% from the prior year.

Changes in Plan Net Assets

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

	April 30, 2011	April 30, 2010	Amount Change
Member contributions	$1,383,479	$1,311,963	$71,516
Employer contributions	3,185,041	3,329,727	(144,686)
Net investment income	11,852,884	19,545,133	(7,692,249)
Total additions	**16,421,404**	**24,186,823**	**(7,765,419)**
Benefits paid to members	4,875,154	4,519,593	355,561
Refunds of contributions	131,072	269,586	(138,514)
Administrative expenses	116,767	117,579	(812)
Total deductions	**5,122,993**	**4,906,758**	**216,235**
Net Increase	**11,298,411**	**19,280,065**	**(7,981,654)**
Net Assets, Beginning of Year	**91,224,200**	**71,944,135**	**19,280,065**
Net Assets, End of Year	**$102,522,611**	**$91,224,200**	**$11,298,411**

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 contributions increased and the amount of employer contributions decreased, from FY 2010, because of the timing of the last payroll at the end of the fiscal year. Net investment income of $11.8 million is the result of positive investment performance. The portfolio's investment rate of return was 13.5% with investment income totaling $12.3 million and investment expenses totaling $480,000. Stock, 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 95% of the total deductions. Benefits paid to members increased over the prior year because of a significant number of new retirements. The amount of refunds of contributions decreased due to fewer members leaving the Police Department. Administrative expenses remained about the same as the prior year.

For the ninth consecutive year, employer contributions did not equal the amount, and percentage of compensation, recommended by the Retirement System actuary. The employer contribution rate was 5.73% below the annual required contribution rate of 18.87%. For the year beginning May 1, 2011, employer contributions are budgeted to remain at 13.14% of covered pay, while the annual required contribution rate decreases to 18.19%.

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 13.5% in FY 2011 and 27.8% in FY 2010 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 Plan 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, 2011

Assets

Investments	
U.S. government securities	$17,344,443
Corporate bonds and notes	8,869,335
Common and preferred stock	37,326,668
Equity exchange-traded-funds	10,029,161
Fixed income exchange-traded-funds	3,804,274
Government mortgage-backed securities	2,571,223
Real estate funds	2,375,335
Partnerships - equity	2,143,578
Partnerships - fixed income	1,919,779
Short-term investment funds	4,320,554
Emerging market equities	1,077,799
Commodities funds	4,635,232
Foreign equities	5,919,006
Total investments	102,336,387
Securities Lending Collateral	26,902,801
Receivables	
Member insurance premiums	37,798
Accrued interest and dividends	255,232
Member contributions	46,158
Total receivables	339,188
Cash	3,446
Total assets	129,581,822

Liabilities

Accounts and refunds payable	156,410
Securities lending collateral	26,902,801
Total liabilities	27,059,211
Net Assets Held in Trust for Pension Benefits	$102,522,611

See Notes to the Financial Statements.

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

STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2011

Additions

Investment Income	
Net appreciation in fair value of investments	$9,944,166
Interest and dividends	2,353,175
Investment expense	(481,376)
Net investment income	11,815,965
Securities Lending Income	
Securities lending gross income	82,884
Securities lending expenses	
Borrower rebates	(30,257)
Management fees	(15,708)
Total securities lending expenses	(45,965)
Net securities lending income	36,919
Total net investment income	11,852,884
Contributions	
City	3,185,041
Members	1,383,479
Total contributions	4,568,520
Total additions	16,421,404

Deductions

Benefits Paid	
Retired members	4,116,608
Spouses	207,306
Disabled members	190,725
Partial lump sum option	354,515
Death benefits	6,000
Total benefits paid	4,875,154
Other Deductions	
Refunds of contributions	131,072
Adminstrative expenses	116,767
Total other deductions	247,839
Total deductions	5,122,993
Net Increase	11,298,411
Net Assets Held in Trust for Pension Benefits, Beginning of Year	91,224,200
Net Assets Held in Trust for Pension Benefits, End of Year	$102,522,611

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 $4,568,520 ($3,185,041 employer and $1,383,479 employee) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2010. 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 18.87% was the balance required to pay pensions and maintain the Plan on an actuarially sound basis and was expected to fund the normal cost and amortize the net unfunded actuarial accrued liability. For the year ended April 30, 2011, 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 for the past nine 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, 2010, 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
4/30/2010	$100,515,970	$131,222,564	$30,706,594	77%	$26,136,353	117%

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 partnerships and real estate funds 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, commodities 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 $2,170,984 at April 30, 2011. 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 most recent determination letter on November 18, 2010, in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code and, therefore, not subject to tax.

Note 2: Plan Description

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

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, 2011, the Plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	193
Terminated plan members entitled to but not yet receiving benefits	13
Active members	
Vested	422
Non-vested	135
Total	763

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, 2011.

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 Income

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, 2011.

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

Investments

For the year ended April 30, 2011, 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 require it to indemnify the Plan if borrowers fail to return the securities, if the collateral is inadequate to replace the securities lent or if the borrowers fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan; therefore, non-cash collateral is not recorded as an asset or liability on the financial statements.

Market value of securities loaned	$28,460,244
Market value of cash collateral received from borrowers	$26,902,801
Market value of non-cash collateral received from borrowers	2,151,098
Total market value of collateral	$29,053,899

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 Income (Continued)

At April 30, 2011, 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	$11,402,740	$301,113	$5,164,776	$5,100,968	$835,883	$10,804,707
U.S. agencies obligations	3,163,562	1,636,759	556,113	–	970,690	563,003
Index linked government bonds	2,778,141	–	1,443,040	1,335,101	–	2,778,141
Corporate bonds	8,869,335	468,663	3,886,458	2,465,183	2,049,031	1,543,960
Government mortgage-backed securities	2,571,223	–	–	227,565	2,343,658	–
Money market mutual funds	4,320,554	4,320,554	–	–	–	–
Fixed income exchange-traded-funds	3,804,274	3,804,274	–	–	–	–
		$10,531,363	$11,050,387	$9,128,817	$6,199,262	
Common and preferred stocks	37,326,668					12,678,962
Equity exchange-traded-funds	10,029,161					–
Real estate funds	2,375,335					–
Partnerships - equity	2,143,578					–
Partnerships - fixed income	1,919,779					–
Emerging market equities	1,077,799					–
Commodities funds	4,635,232					–
Foreign equities	5,919,006					91,471
Total	**$102,336,387**					**$28,460,244**

Interest Rate Risk – The money market mutual funds and fixed income exchange-traded-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.

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

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, 2011, 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*. The Plan's investments in money market mutual funds and fixed income exchange-traded-funds were not rated by *Standard & Poor's*. These bond rating requirements do not apply to the high yield portion of the fixed income portfolio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, $28,460,244 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, 2011, consisted of:

Interest and dividend income	$2,353,175
Net increase in fair value of investments	9,944,166
	12,297,341
Less investment expense	481,376
	$11,815,965

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, 2010
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	16 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, 2010:

Active employees accruing benefits	
Present value of future benefits	$106,567,724
Present value of future normal costs	28,101,363
Total active employees accruing benefits	78,466,361
Retired and inactive members	
Members with deferred benefits	1,016,197
Members receiving benefits	48,821,087
Retired member supplemental benefits	2,918,919
Total retired and inactive members	52,756,203
Total actuarial accrued liability	131,222,564
Assets, at actuarial value	100,515,970
Unfunded actuarial accrued liability	**$30,706,594**

The actuarial value of assets is calculated using an asset smoothing method. The difference between the actual investment return on the market value of assets and the assumed investment return on the prior year's actuarial value of assets is phased-in equally over a four year period. The resulting actuarial value of assets is constrained to fall within a corridor of 80% to 120% of market value.

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, continues 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
4/30/2005	$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%
4/30/2010	100,515,970	131,222,564	30,706,594	77%	26,136,353	117%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
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%
2011	5,412,676	59%

SCHEDULE OF EXPENSES

Year Ending April 30, 2011

Investment Expenses	
Bank custodial fees and expenses	$85,563
Financial management expenses	375,275
Financial consultation	20,538
Total	**$481,376**

Administrative Expenses	
Salaries and payroll taxes	$56,259
Legal	13,374
Audit	11,027
Medical fees	6,375
Actuarial fees	20,885
Printing and office expense	3,447
Postage	680
Travel and education expense	13
Legislative consultation	3,960
Other	747
Total	**$116,767**

Investment Section

DEMARCHE
ASSOCIATES, INC.

September 22, 2011

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, private equity and a fund-of-funds hedge fund. 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. Two years ago 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 implemented a shift in allocation; primarily reducing domestic equity exposure and increasing allocations to fixed income, emerging markets and hedge funds.

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 13.5% return for the fiscal year.

The tactical asset allocation at year end was 53% equities, 38% bonds and cash, and 9% alternatives. The equities allocation was divided into 39% large cap stocks, 7% small cap stocks, 6% 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 make up more than 5% of the total assets. The alternative allocation is divided into 2% real estate, 5% commodities, and 2% private equity.

The Retirement Board continued to move toward a target asset allocation of 59% equities, 28% bonds and cash, 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 cash 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 8.79% and expected standard deviation (risk) is 12.33%. 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.

In November 2010 the Retirement Board adopted a new target asset allocation to be implemented upon the hiring of a hedge fund of funds manager. The target asset allocation will be 45.7% equities, 31.3% bonds and cash, and 23% alternatives. The equity allocation is divided into 15.0% large and mid cap stocks, 10.7% small cap stocks and 20% international stocks. The international allocation is further subdivided into 10% large cap international and 10% emerging markets stocks. The bond and cash allocation is divided into 24.3% intermediate bonds, 5% high yield bonds, and 2% cash. The alternative allocation is divided into 10% hedge fund of funds, 5% real estate, 5% commodities, and 3% private equity. The expected long term return for the new target asset allocation is 8.79% but the expected standard deviation (risk) is lowered to 10.85%.

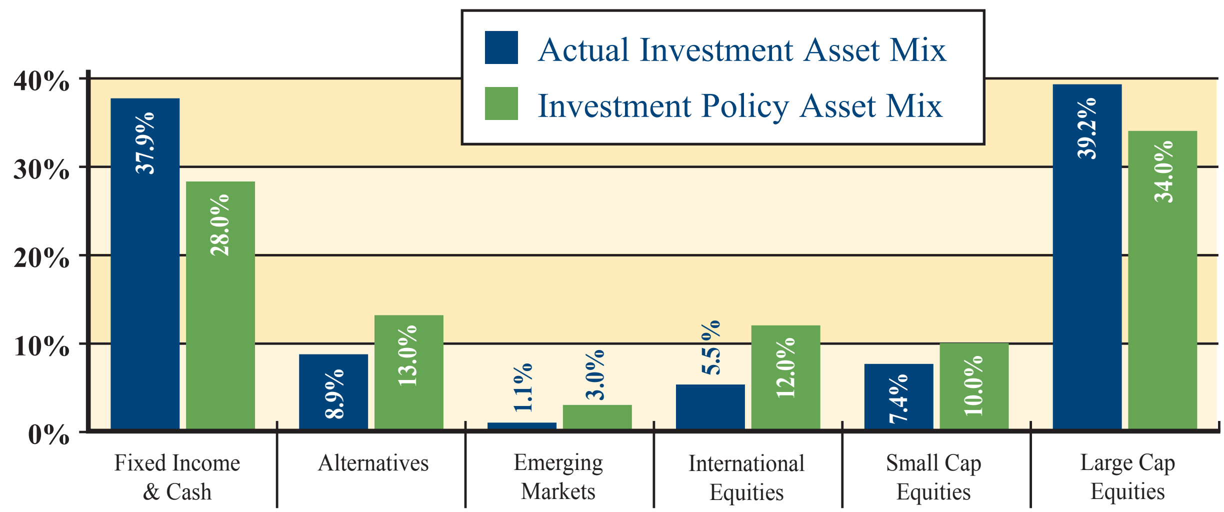
Summary of Investment Policies and Objectives
(Continued)

The Retirement Board met with staff from DeMarche Associates on a quarterly basis to review the performance of each of the investment managers hired by the Retirement Systems. Performance is reviewed both on an absolute basis, (i.e. Did the manager make or lose money?), and on a relative basis, (i.e. How did the manager perform compared to their designated benchmark?). DeMarche also provides comparative information about how the investment manager's performance stacked up against other managers in their asset class.

The Retirement Board met twice with DeMarche to review the monthly tactical asset allocation calls. During the year, DeMarche recommended two separate tactical allocation changes away from the target allocation. The last tactical call of the fiscal year, in March 2011, 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, 2011

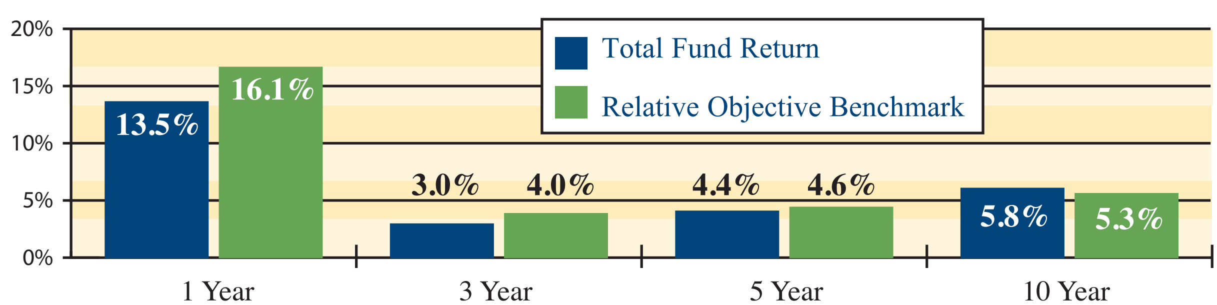


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2011. However, the results for the ten year returns are available for the quarter ending March 31, 2011 rather than for the fiscal year ending April 30, 2011. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2011 (Ten Year Returns as of March 31, 2011)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	5.3%	6.4%	6.7%	5.7%
Barclays Govt/Credit		*5.4%*	*5.5%*	*6.2%*	*5.5%*
Shenkman Capital Mgmt	High Yield Bonds	11.5%			
Merrill Lynch Hi Yield		*13.4%*			
GE Asset Mgmt	Foreign Equities	18.1%	(5.2%)	2.5%	6.3%
LSV Asset Mgmt	Foreign Equities	19.6%	(3.3%)		
MSCI EAFE		*19.2%*	*(2.9%)*	*1.5%*	*5.4%*
Waddell & Reed	Small Cap Growth Equities	32.0%	10.4%	7.0%	9.0%
Russell 2000 Growth		*30.3%*	*9.6%*	*5.1%*	*6.4%*
RCM Capital Mgmt	Large Cap Growth Equities	14.6%	4.8%	5.6%	2.8%
Northern Trust Index	Large Cap Growth Equities	20.9%	4.7%		
Russell 1000 Growth		*20.9%*	*4.6%*	*5.1%*	*3.0%*
Vaughan Nelson	Small Cap Value Equities	24.5%			
Russell 2000 Value		*14.6%*			
LSV Asset Mgmt	Large Cap Value Equities	18.7%	2.9%	3.2%	
Russell 1000 Value		*15.2%*	*(0.1%)*	*1.4%*	
Prudential PRISA II	Real Estate	30.7%	(15.3%)	(3.8%)	
NCREIF Property		*16.0%*	*(3.6%)*	*3.5%*	
GE Asset Mgmt	Emerging Markets	14.8%	0.3%		
LSV Asset Mgmt	Emerging Markets	30.5%	10.9%		
MSCI Emerging Mkts		*18.0%*	*0.4%*		
PIMCO	Commodities	39.7%			
DJ/UBS Commodity		*30.4%*			
Abbott Capital	Private Equity	5.5%	(4.5%)	(3.3%)	
JP Morgan	Private Equity	17.2%	2.1%	(1.3%)	
Tactical ETFs	Exchange Traded Equities	7.9%			
Total Fund		**13.5%**	**3.0%**	**4.4%**	**5.8%**
Absolute Objective		***7.8%***	***6.4%***	***6.5%***	***6.5%***
Relative Objective		***16.1%***	***4.0%***	***4.6%***	***5.3%***



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

Schedule of Largest Assets Held

Ten Largest Equity Holdings April 30, 2011		Market Value
1)	Chevron Corp.	$963,072
2)	JPMorgan Chase & Co.	730,080
3)	AT&T Inc.	591,280
4)	Apple Inc.	548,462
5)	Pfizer Inc.	526,054
6)	ConocoPhillips	520,938
7)	Exxon Mobil Corp.	413,600
8)	Wells Fargo & Co. New	399,389
9)	CitiGroup Inc. New	361,692
10)	Amgen Inc.	341,157

Ten Largest Bond Holdings April 30, 2011		Market Value
1)	US Treasury Notes 1.375% Due 2012	$1,825,735
2)	US Treasury Notes 3.00% Due 2016	1,671,000
3)	US Treasury Notes 3.75% Due 2018	1,491,437
4)	US Treasury Notes 2.375% Due 2014	1,038,438
5)	US Treasury Notes 2.375% Due 2016	1,020,547
6)	US Treasury Notes 3.125% Due 2019	1,014,062
7)	US Treasury Notes 1.25% Due 2014	1,007,810
8)	US Treasury Notes 3.625% Due 2021	924,469
9)	Federal National Mortgage Assoc. Step Up 2.00% Due 2025	635,999
10)	Emerson Electric Co. 5.125% Due 2016	592,342

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2011

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Credit Suisse First Boston Corp.	201,485	$4,244,097	$2,529	$0.013
Merrill Lynch Pierce Fenner & Smith	186,567	6,035,964	1,947	0.010
Bernstein, Sanford C. & Co.	88,847	3,113,063	1,901	0.021
UBS Warburg LLC	85,842	3,061,879	1,767	0.021
J.P. Morgan Clearing Corp.	45,625	1,886,678	1,268	0.028
Weeden & Co.	79,028	2,117,412	1,052	0.013
Citigroup Global Markets Inc./Smith Barney	83,997	2,337,880	1,036	0.012
Instinet	76,479	1,853,675	862	0.011
Liquidnet Inc.	40,827	1,061,560	737	0.018
Deutsche Bank Securities Inc.	22,838	1,132,906	724	0.032
Baypoint Trading LLC	35,975	766,529	721	0.020
Knight Direct LLC	37,350	1,027,957	720	0.019
Blair, William & Co.	17,892	448,502	708	0.040
Morgan Stanley & Co Inc. New York	4,567,365	5,428,615	626	0.000
Jefferies & Co.	234,296	1,093,276	590	0.003
Barclays Capital Inc. LE	16,062	776,540	546	0.034
Piper Jaffray Inc.	16,993	597,541	507	0.030
National Financial Services	23,685	1,133,747	474	0.020
Others (including 38 brokerage firms)	187,676	5,949,152	4,099	0.022
Totals	**6,048,829**	**$44,066,973**	**$22,814**	**$0.004**
Zero commission trades excluded from above	7,272,790	$15,250,700		

Investment Summary

Year Ending April 30, 2011

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/11	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$28,785,001	28.1%
Cash			4,320,554	4.2%
GE Asset Management	Jun 1994	Foreign Equities	2,829,790	2.8%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	3,906,931	3.8%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	8,318,598	8.1%
LSV Asset Management	Feb 2003	Large Cap Value Equities	21,827,316	21.3%
Prudential PRISA II	Sep 2004	Real Estate	2,375,335	2.3%
Abbott Capital Management	Aug 2005	Private Equity	1,189,182	1.2%
JPMorgan Investment Management	Jan 2006	Private Equity	954,396	0.9%
LSV International Value	Jun 2006	Foreign Equities	2,768,405	2.7%
NTGI Russell 1000 Growth	Aug 2007	Large Cap Growth Equities	9,981,317	9.8%
GE Emerging Markets	Aug 2007	Emerging Markets	507,245	0.5%
LSV Emerging Markets	Aug 2007	Emerging Markets	570,554	0.6%
PIMCO	May 2008	Commodities	4,635,232	4.5%
Tactical ETFs	Mar 2009	Exchange Traded Equities	3,804,274	3.7%
Shenkman Capital Management	May 2009	High Yield Bonds	1,919,779	1.9%
Vaughan Nelson Investment Management	May 2009	Small Cap Value Equities	3,642,478	3.6%
		Total	**$102,336,387**	

Investment Summary (Continued)

Year Ending April 30, 2011

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$39,558	$ –	$ –
GE Asset Management	21,932	–	–
Waddell & Reed Investment Management	25,841	5,622	0.026
RCM Capital Management	34,336	8,000	0.030
LSV Asset Management	72,988	3,487	0.008
Prudential PRISA II	27,524	–	–
Abbott Capital Management	30,238	–	–
JPMorgan Investment Management	11,872	–	–
LSV International Value	16,776	–	–
NTGI Russell 1000 Growth	3,268	–	–
GE Emerging Markets	5,233	–	–
LSV Emerging Markets	4,836	–	–
PIMCO	27,910	–	–
Tactical ETFs	–	474	0.020
Shenkman Capital Management	18,117	–	–
Vaughan Nelson Investment Management	34,846	5,231	0.020
Total	**$375,275**	**$22,814**	**$0.004**

Actuarial Section

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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Kennesaw, GA
Bellevue, NE
Hilton Head Island, SC

October 7, 2011

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, 2011.

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

For valuation purposes, an asset smoothing method is used to develop the actuarial value of assets. The Board of Trustees, upon the recommendation of the actuary, adopted a new asset smoothing method and implemented it by setting the April 30, 2011 actuarial value of assets equal to the market value of assets.

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, 2011 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 a net actuarial loss for fiscal year end 2011. There was a $5 million loss on the actuarial value of assets and a $3 million gain on actuarial liabilities, largely the result of salaries in the 2011 valuation that were lower than expected, based on the actuarial assumptions. For the continued well being of the System it is important that a plan be instituted for receiving contributions at the levels recommended in the actuarial valuation. Absent such action, COLAs may not be able to be granted and benefit levels may need to be reconsidered. The System is 75% funded as of April 30, 2011 on both an actuarial and market value basis.

Based upon the results of the April 30, 2011 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,

CAVANAUGH MACDONALD CONSULTING, LLC

Patrice Beckham

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

Summary of Actuarial Assumptions and Methods

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

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).

For the 4/30/2011 valuation, the actuarial value of assets were reset to match the market value of assets. A new 5-year smoothing method will be implemented, to develop the actuarial value of assets, in the 4/30/2012 valuation. (Adopted 9/20/2011)

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 0.25% to 5.75% (adopted 2/12/08) depending upon the sample ages. These increases include an underlying assumption of 3.0% for inflation (adopted 2/12/08). The table for Pay Increase Assumptions is shown on the following pages.

Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry age actuarial cost method. Unfunded actuarial accrued liabilities were amortized by level percent of payroll contributions (principal and interest combined) over a closed initial period of 24 years. (Adopted 10/3/97)

The System assumes the Retirement Board will grant the full 3.0% cost of living adjustment, as allowed by state statute, in each year that statutory provisions are met. (Adopted 1973)

The System periodically prepares a study using actual experience in order to develop assumptions to be used in its actuarial valuations. The latest study was completed in February 2008 for the period May 1, 2002 through April 30, 2007. The Retirement System Board adopted the recommendations and assumptions from the February 2008 experience study for the valuation dated April 30, 2008 at the February 12, 2008 board meeting.

The most recent valuation was completed by Cavanaugh Macdonald Consulting, LLC and was based on members of the System as of April 30, 2011. 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	% of Active Members 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	% of 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, 2011

Valuation Date April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
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%
2011	557	24,837,595	44,592	3.6%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2011

	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
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
2011	14	313,147	7	167,166	193*	4,358,184	6.0	22,581

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)
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
2011	12,057,814	55,401,727	69,580,920	102,522,611	100	100	50

Note: For years prior to 2011, information is shown from a prior actuary's report.

Analysis of Financial Experience

Year Ended April 30, 2011

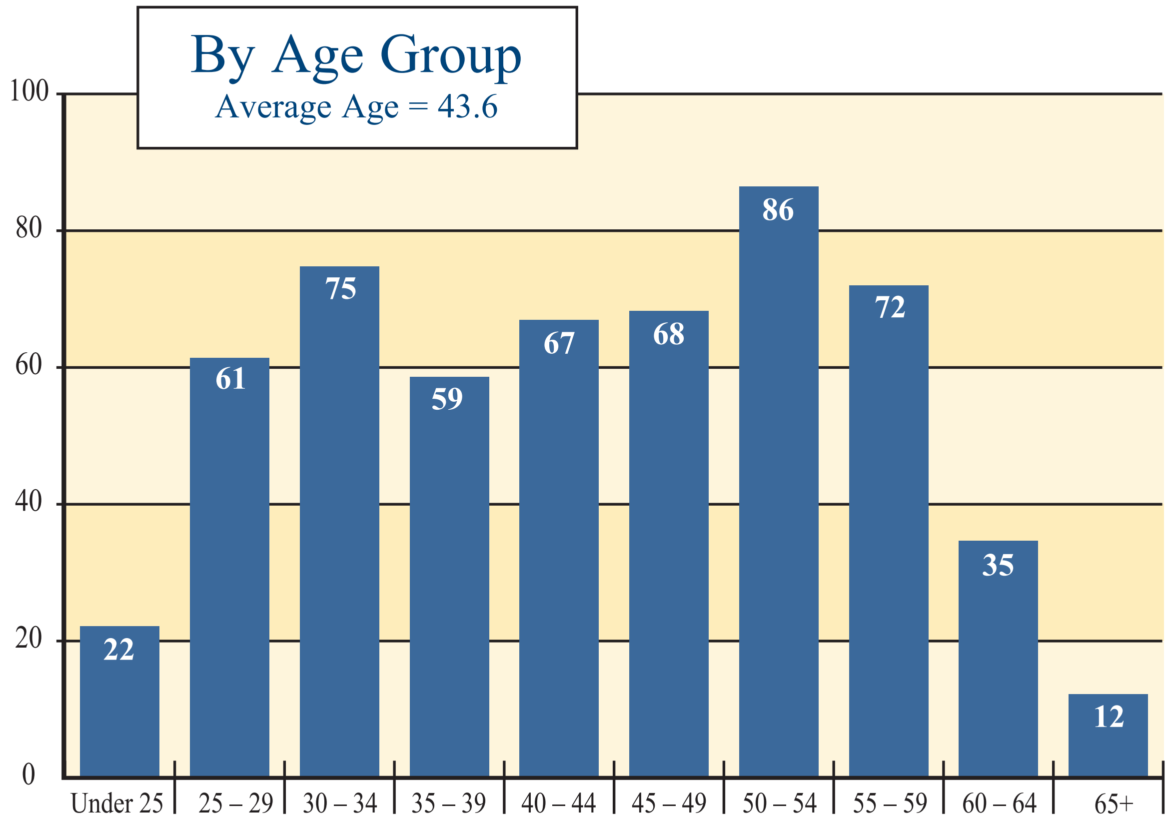
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

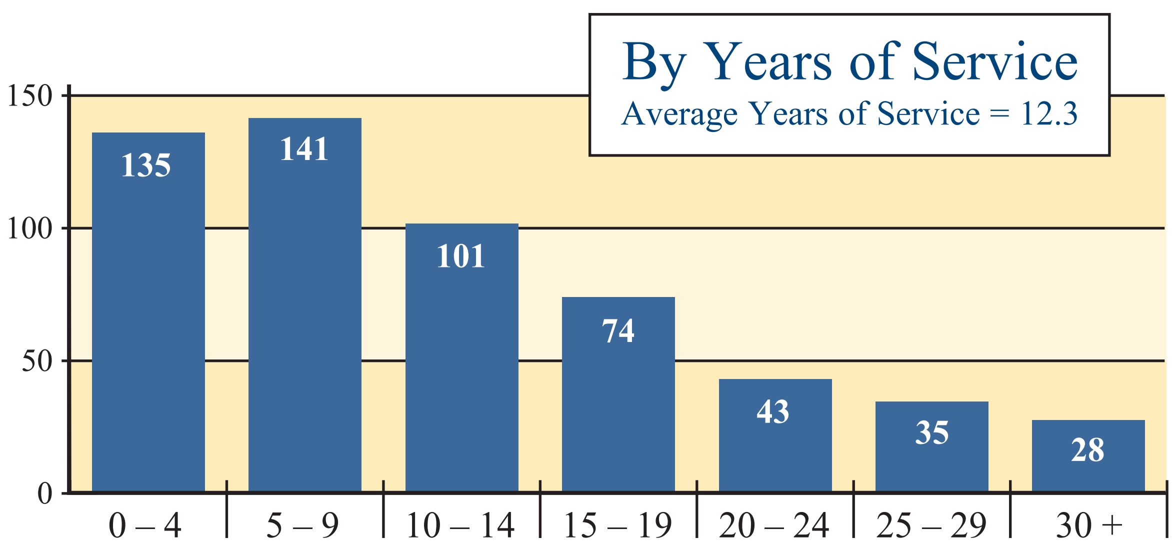
			Millions
(1)		UAAL* at start of year	$30.7
(2)	+	Normal cost for year	3.6
(3)	+	Assumed investment return on (1) & (2)	2.7
(4)	-	Actual contributions (member + city)	4.6
(5)	-	Assumed investment return on (4)	0.2
(6)	=	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	32.2
(7)	+	Increase (decrease) from new smoothing method	(0.8)
(8)	+	Increase (decrease) from change in actuary	1.1
(9)	=	Expected UAAL after changes (6) + (7) + (8)	32.5
(10)	=	Actual UAAL at year end	34.5
(11)	=	Experience gain (loss) (9) - (10)	($2.0)
(12)	=	Percent of beginning of year AAL	(1.5%)

* Unfunded Actuarial Accrued Liability / (Surplus)

Year Ended April 30	2006	2007	2008	2009	2010	2011
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	(0.8%)	5.9%	1.1%	(15.8%)	8.1%	(1.5%)

Active Membership





Summary Plan Description at April 30, 2011

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 annual required contribution to maintain the Retirement System on an actuarially sound basis is 18.87% 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.

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.

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 any Workers' Compensation law. A disability retiree may be required by the Retirement Board to undergo periodic medical examinations.

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 $1,000.00.

When a surviving spouse receives Workers' Compensation benefits on account of the death of a member, 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

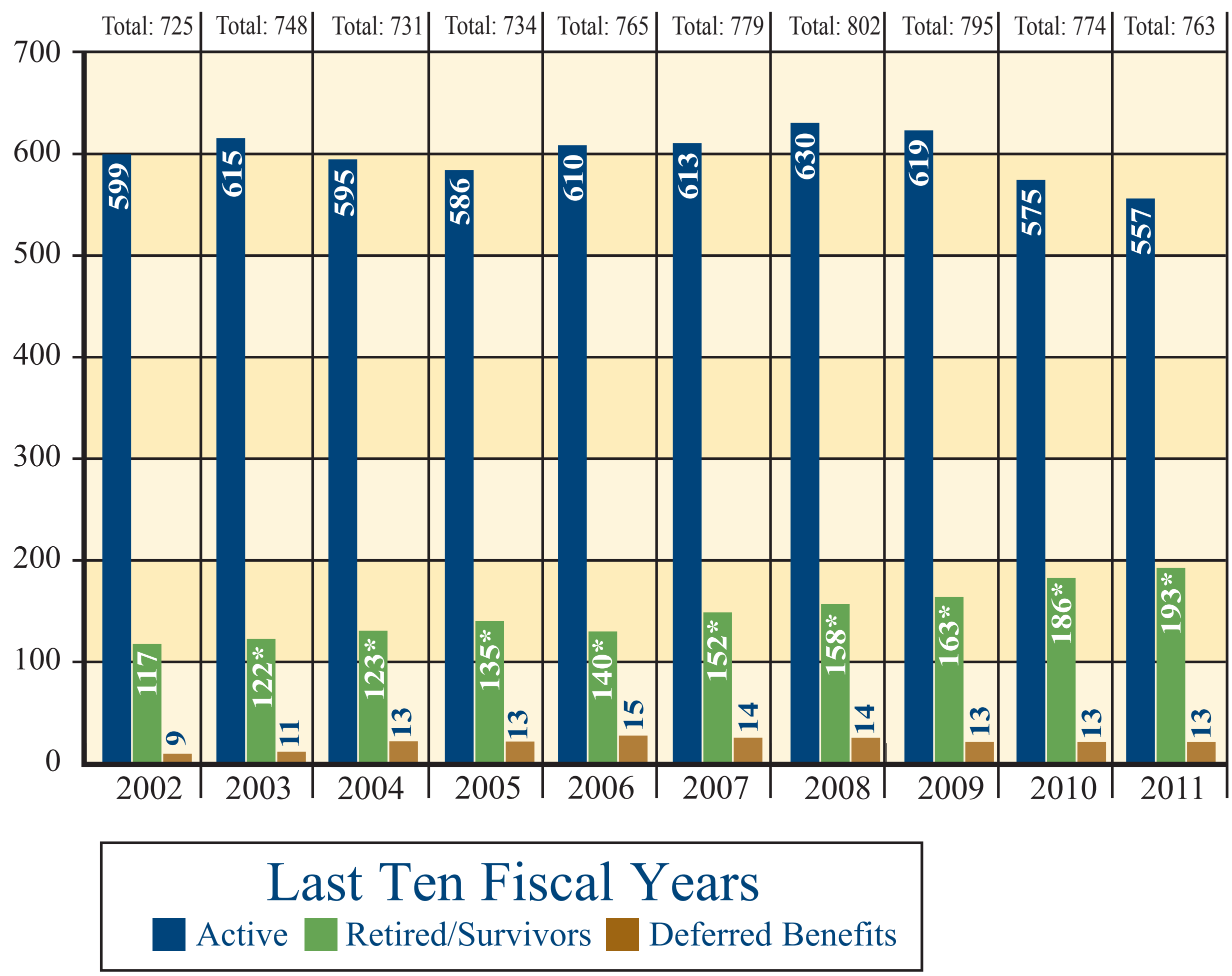
Statistical Summary

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	2002	2003	2004	2005	2006
Additions:					
Member Contributions	$1,002,689	$1,099,248	$1,247,257	$1,188,564	$1,262,297
Employer Contributions	1,420,668	1,567,833	1,601,243	1,612,080	2,175,167
Net Investment Income	(1,478,104)	(3,950,722)	9,992,199	5,231,299	12,714,840
Total Additions to Plan Net Assets	945,253	(1,283,641)	12,840,699	8,031,943	16,152,304
Deductions:					
Benefits	1,694,954	1,914,018	2,313,851	2,688,395	2,844,258
Refunds	272,962	108,033	240,121	166,110	267,959
Administrative	128,109	125,161	97,489	109,068	105,030
Total Deductions from Plan Net Assets	2,096,025	2,147,212	2,651,461	2,963,573	3,217,247
Change in Net Assets	($1,150,772)	($3,430,853)	$10,189,238	$5,068,370	$12,935,057

Fiscal Year	2007	2008	2009	2010	2011
Additions:					
Member Contributions	$1,212,401	$1,285,869	$1,338,180	$1,311,963	$1,383,479
Employer Contributions	2,681,732	3,372,411	3,470,682	3,329,727	3,185,041
Net Investment Income	10,373,345	(63,658)	(25,282,608)	19,545,133	11,852,884
Total Additions to Plan Net Assets	14,267,478	4,594,622	(20,473,746)	24,186,823	16,421,404
Deductions:					
Benefits	3,351,956	3,431,959	3,716,269	4,519,593	4,875,154
Refunds	253,358	218,281	381,590	269,586	131,072
Administrative	111,050	111,993	123,561	117,579	116,767
Total Deductions from Plan Net Assets	3,716,364	3,762,233	4,221,420	4,906,758	5,122,993
Change in Net Assets	$10,551,114	$832,389	($24,695,166)	$19,280,065	$11,298,411

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

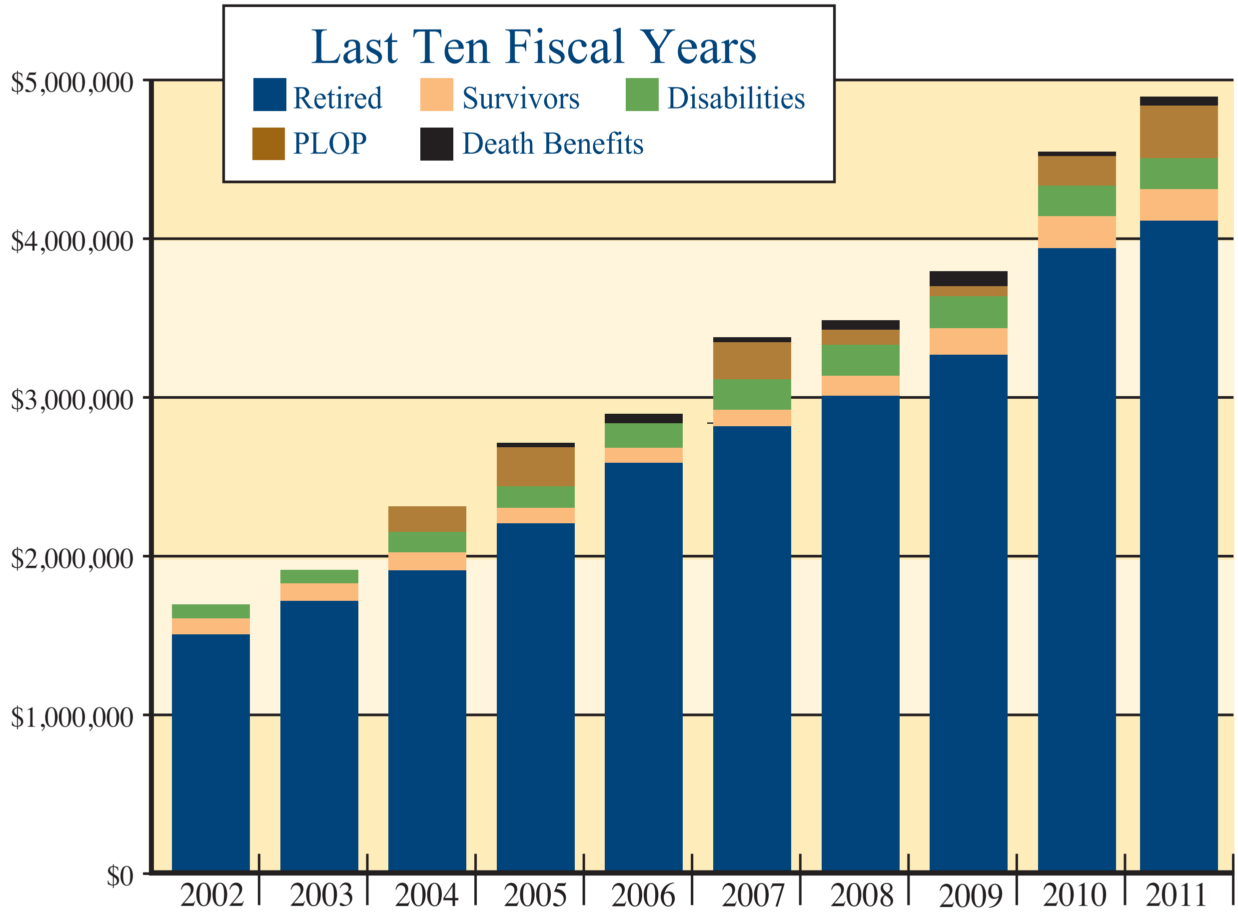
Last Ten Fiscal Years

Fiscal Year	2002	2003	2004	2005	2006
Type of Benefit:					
Retired	$1,507,823	$1,719,500	$1,910,368	$2,207,718	$2,586,409
Survivors	99,050	108,282	114,489	96,169	95,432
Disabilities	88,081	86,236	126,822	136,542	156,417
PLOP	–	–	162,172	243,966	–
Death Benefits	–	–	–	4,000	6,000
Total Benefits	$1,694,954	$1,914,018	$2,313,851	$2,688,395	$2,844,258
Type of Refund:					
Separation	$271,998	$107,367	$236,853	$110,224	$217,364
Death	964	666	3,268	55,886	50,595
Total Refunds	$272,962	$108,033	$240,121	$166,110	$267,959

Fiscal Year	2007	2008	2009	2010	2011
Type of Benefit:					
Retired	$2,816,917	$3,010,989	$3,267,300	$3,941,128	$4,116,608
Survivors	105,298	124,607	169,021	201,307	207,306
Disabilities	190,421	196,776	199,860	191,868	190,725
PLOP	236,320	93,587	66,088	183,290	354,515
Death Benefits	3,000	6,000	14,000	2,000	6,000
Total Benefits	$3,351,956	$3,431,959	$3,716,269	$4,519,593	$4,875,154
Type of Refund:					
Separation	$253,358	$218,281	$300,856	$183,517	$122,076
Death	–	–	80,734	86,069	8,996
Total Refunds	$253,358	$218,281	$381,590	$269,586	$131,072

*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, 2011

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	$115	1		1		
251 to 500	4,348	12	10	2		
501 to 750	12,399	19	13	5		1
751 to 1,000	13,076	15	10	4		1
1,001 to 1,500	31,341	25	23	1		1
1,501 to 2,000	44,412	26	22	2	1	1
2,001 to 2,500	76,930	34	30	1	1	2
2,501 to 3,000	47,136	17	16			1
3,001 to 3,500	60,641	19	17	1		1
3,501 to 4,000	56,235	15	15			
Over 4,000	47,836	10	10			
Totals	**$394,469**	**193**	**166**	**17**	**2**	**8**

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

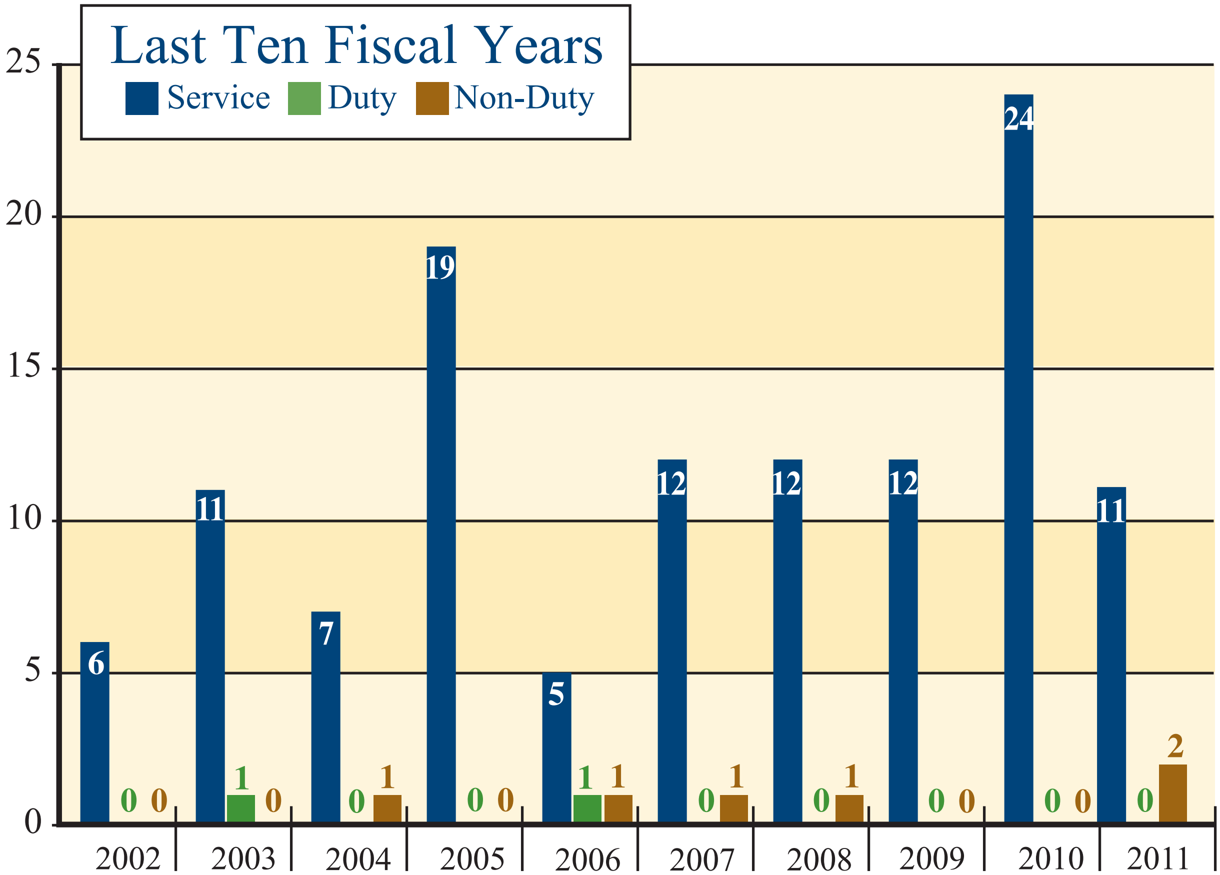
Schedule of Average Monthly Base Benefit Amounts*

Ten Years Ended April 30, 2011

	Years Credited Service						
Members Retiring During	**5–10**	**10–15**	**15–20**	**20–25**	**25–30**	**30+**	**All Members**
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
Fiscal Year Ending 04/30/11							
Average monthly benefit		$959	1,562	1,665	2,395	2,964	2,047
Average final compensation		$3,198	4,739	3,698	4,415	5,264	4,507
Number of retirees		1	4	2	3	3	13

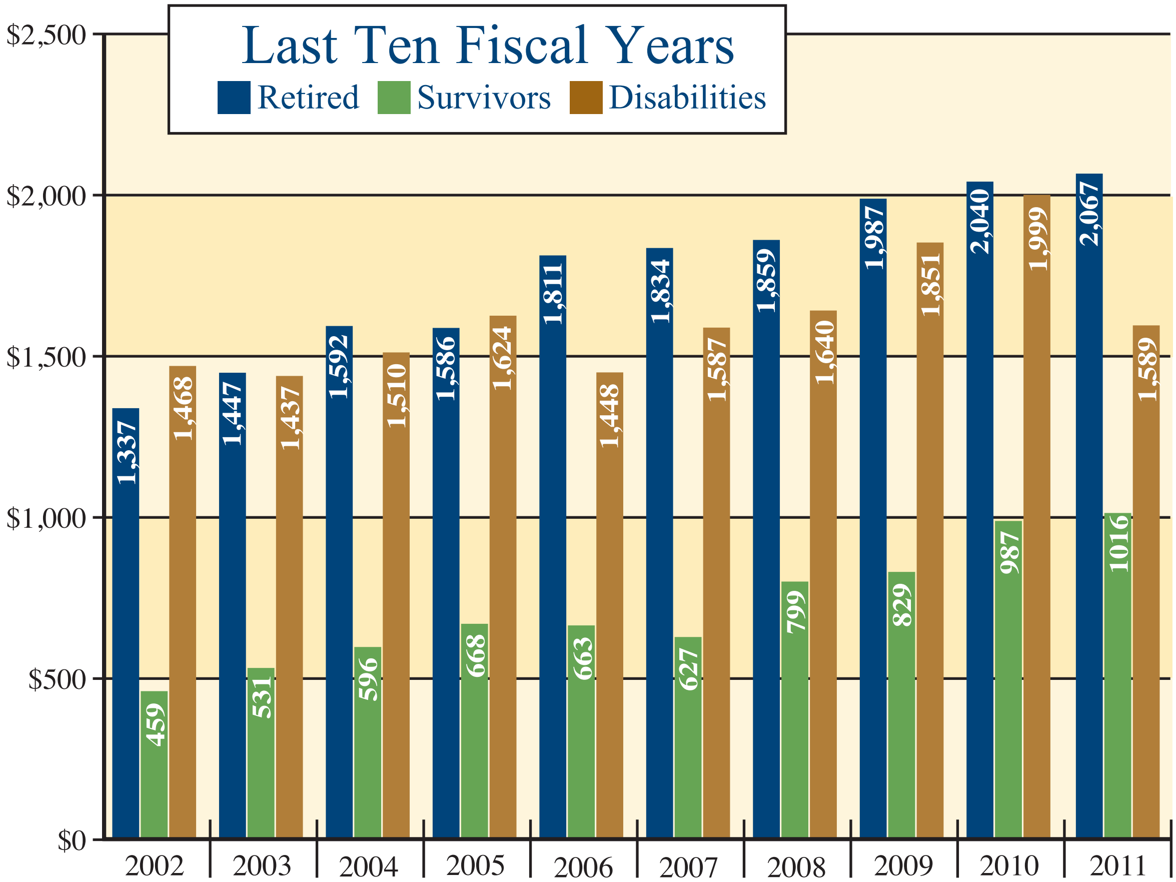
*Benefit amounts do not include supplemental benefits or cost of living adjustments.
*Benefit amounts are after reductions for optional benefits.

New Pensions Started



Retiree Distribution by State

Average Monthly Benefit*



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

Cost of Living Increases

Ten Year History

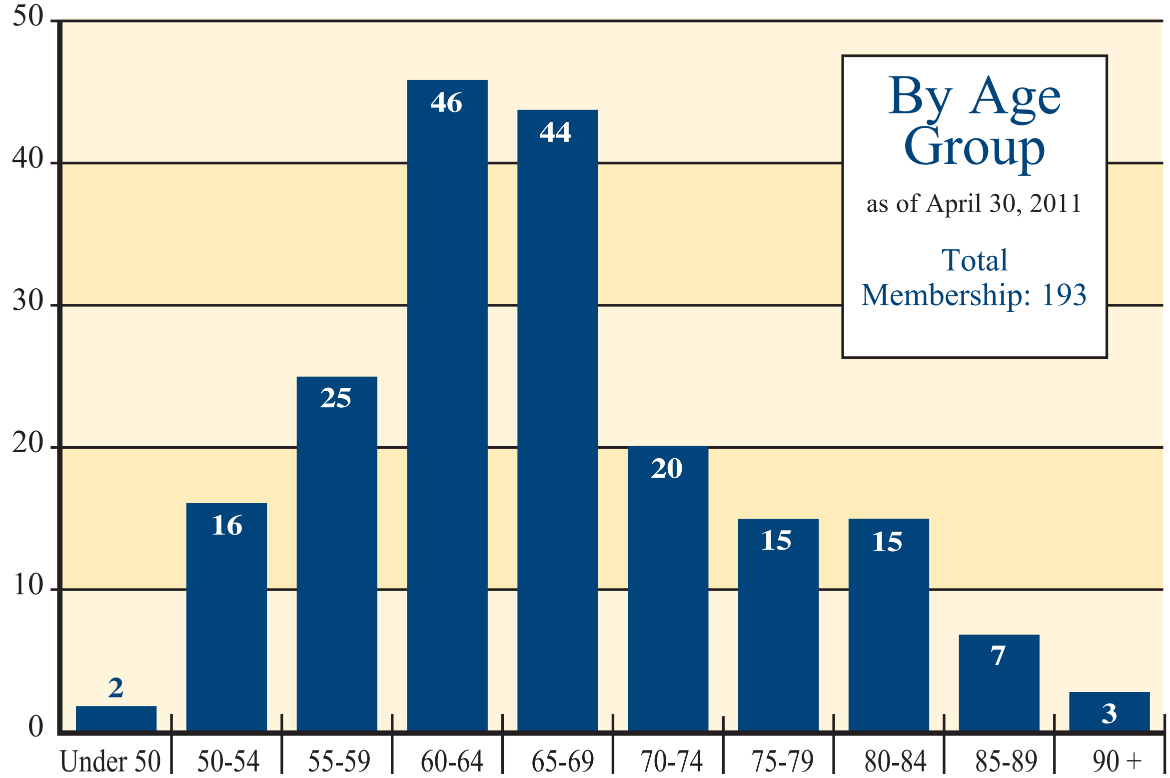
Fiscal Year	% Increase to Monthly Base Pension
2002	3.00%
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%
2010	3.00%
2011	0.00%

Supplemental Retirement Benefit

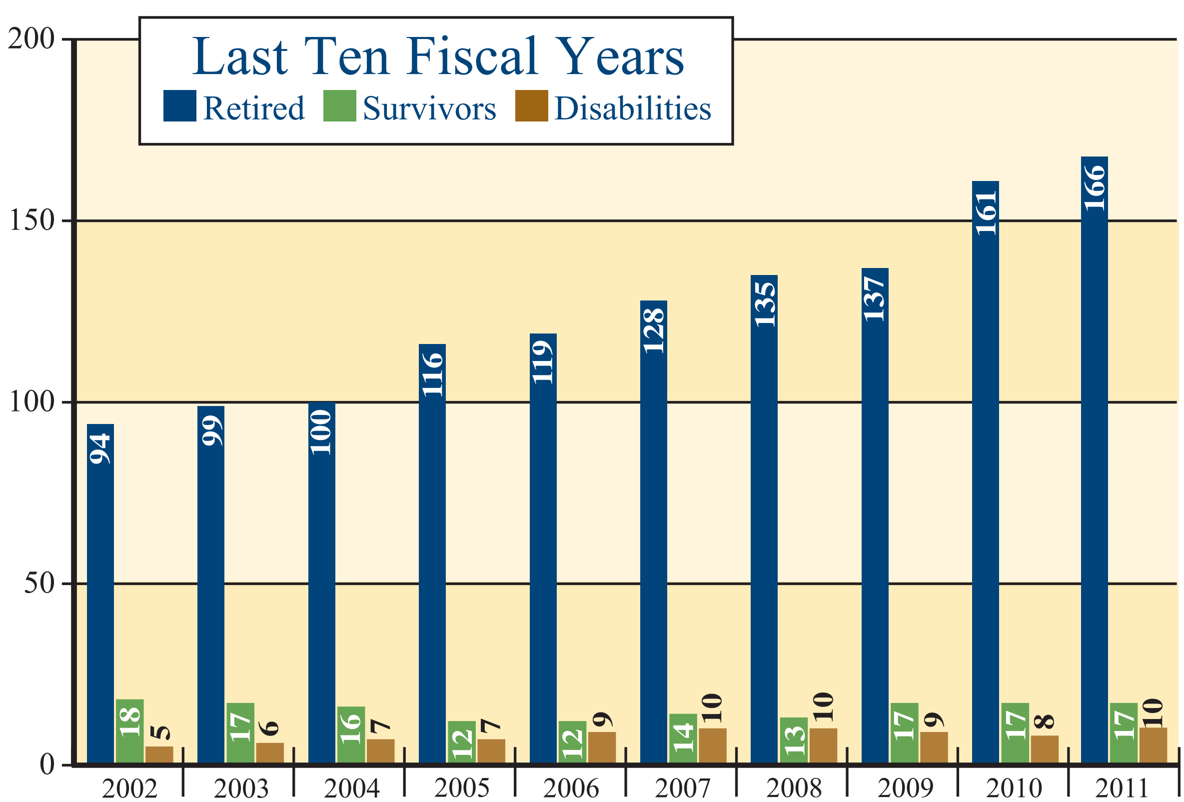
History of Increases

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

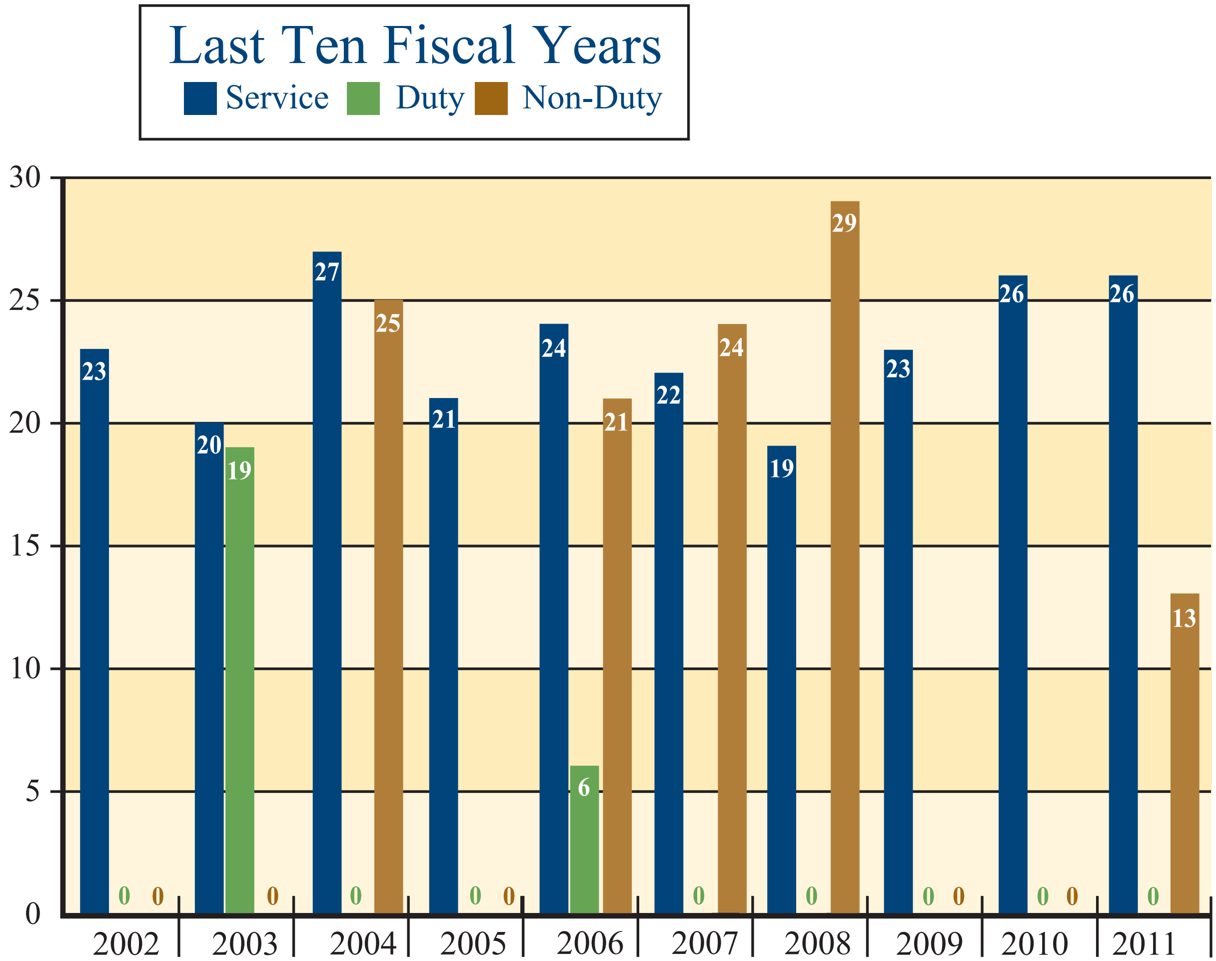
Membership Receiving Benefits



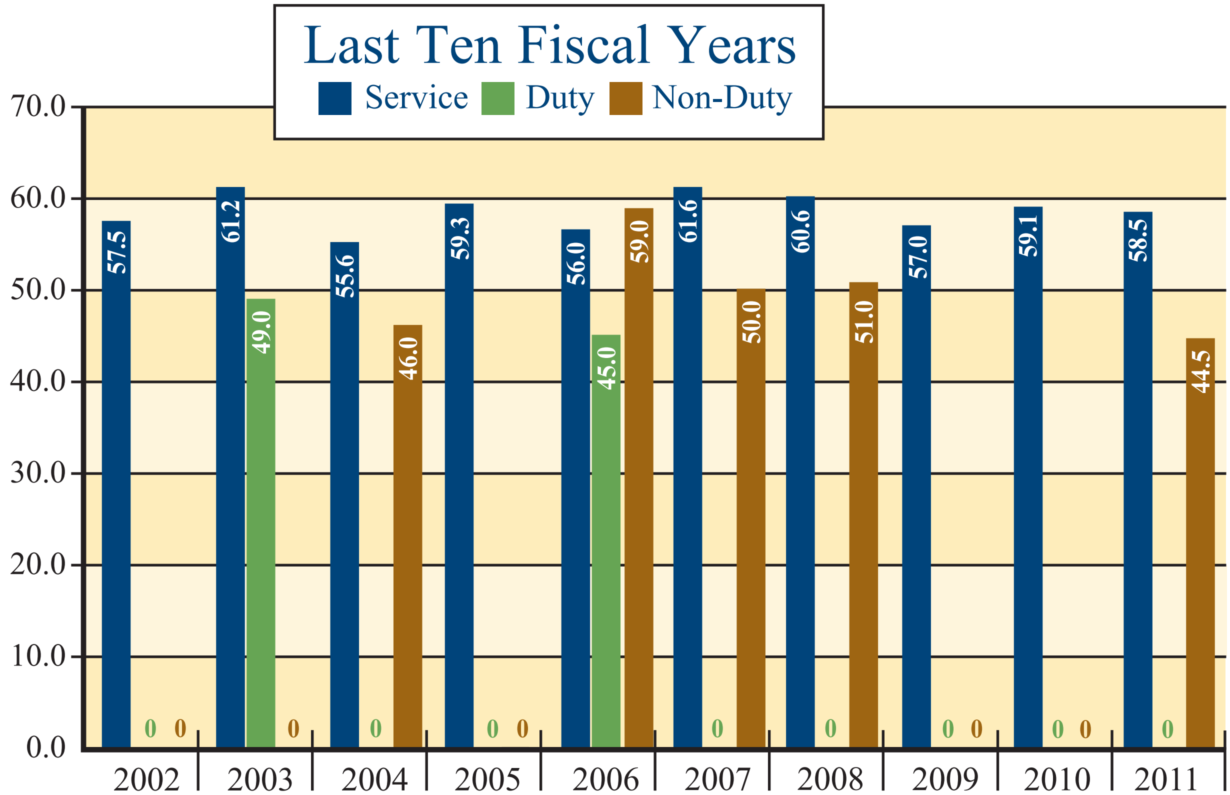
Membership Receiving Benefits



Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2011

Service	**67**
(166 retired members ranging in age from 51 to 93)	
Duty Disability	**54**
(2 retired members ranging in age from 51 to 57)	
Non-Duty Disability	**54.1**
(8 retired members ranging in age from 36 to 68)	

KCPERS
Kansas City Police Employees' Retirement Systems

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