46TH
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, 2011 to
April 30, 2012

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, 2011 to April 30, 2012

46th Annual Report

Prepared by:
Kansas City Police Employees' Retirement Systems
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Kansas City, Missouri 64127
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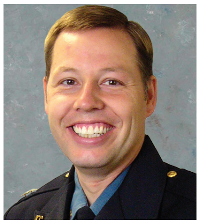
Retirement Board

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

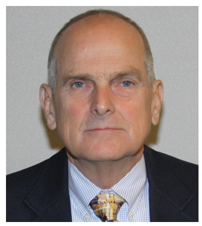


Richard C. Smith, Chairman
Captain
Kansas City, Missouri
Police Department

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

Bailus M. Tate, Treasurer
Appointed Member

James Chappell
Appointed Member



Gary Jenkins
(Ret.) Sergeant
Kansas City, Missouri
Police Department

Leslie Lewis
Appointed Member

Steven D. Miller
Police Officer
Kansas City, Missouri
Police Department

Barbara L. Stuart
Administrative Supervisor
Kansas City, Missouri
Police Department

Patrick J. Trysla
Appointed Member

KCPERS Staff

Sharon Blancett
Benefits Coordinator

Lori Freeze
Administrative Assistant

Anna Vollenweider
Accountant

James Pyle
Pension Systems Manager & Board Secretary

KCPERS
Kansas City Police Employees' Retirement Systems

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October 10, 2012

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 2012 Comprehensive Annual Financial Report (CAFR) of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri. This report is intended to provide our members and other stakeholders with detailed information about the financial, actuarial, and investment operations of the Civilian Employees' Retirement System.

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.

Contents of the Annual Report and Structure
This CAFR is designed to comply with the reporting requirements of sections 86.1370 and 105.661 of the Revised Statutes of Missouri (RSMo), as amended. The ultimate responsibility for the CAFR and financial statements rests with the Board of Trustees. Retirement Systems staff provide support to the board members in completing their fiduciary responsibilities. Staff has prepared the basic financial statements of the Retirement System and, to the best of our knowledge, presented information that is accurate in all material respects and is reported in a manner designed to fairly represent the financial position of the fund. The accounting policies followed in preparing the basic financial statements comply with U.S. generally accepted accounting principles. Financial information presented throughout the CAFR is consistent with information displayed in the basic financial statements

The Retirement Systems' external auditor, BKD, LLP conducted an independent audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. This audit is described in the Independent Auditors' Report on pages 18 and 19 of the Financial Section. Management has provided the external auditors with full and unrestricted access to staff to discuss their audit and related findings, to assure independent validation of the integrity of the Retirement Systems' financial reporting and the adequacy of internal controls.

The Financial Section also contains Management's Discussion and Analysis that serves as an introduction to and overview of the financial statements. The Civilian Employees' Retirement System is a component unit of the City of Kansas City, Missouri for financial reporting purposes and, as such, the financial statements in this report are also included in the City of Kansas City, Missouri's Comprehensive Annual Financial Reports.

Fiscal Year 2012 Projects
The Retirement Board members and staff spent a significant portion of the year attending the meetings of the Pension Reform Task Force, which was set up to review the cost and benefits of the four City funded retirement

plans, including the Civilian Employees' Retirement System. We were asked to serve as a resource to the Task Force as they reviewed plan benefits, required contributions, actuarial and investment assumptions, and long term funded status projections. The work and progress of the Pension Reform Task Force was reviewed monthly at Retirement Board meetings. Following the release of the Pension Reform Task Force recommendations, board and staff have served on the City Manager's Pension Project Team. The Pension Project Team has worked on a funding policy to ensure the long term sustainability of the Civilian Employees' Retirement System and other City funded plans, and to identify alternatives to the Pension Reform Task Force recommendations that could have equal or greater impact on the long term cost and funded ratios of the Retirement Systems.

With the July 2011 hiring of SSARIS, a hedge fund of funds manager, the Retirement Board completed the implementation of the 2010 asset allocation study. While hedge funds are generally portrayed as having a higher level of risk than other stock market investments, our hedge fund of funds search was directed at finding a manager that would lower the expected risk and volatility of the total portfolio.

The Retirement Board and staff met with several of our investment managers during the year to review investment performance and processes. Portfolio managers for GE Asset Management's International Fund and Emerging Market Fund were asked to make presentations at a Retirement Board meeting because of changes in the portfolio teams and investment performance that lagged the respective benchmarks. DeMarche Associates provided an additional review of GE's staff changes in the Emerging Markets portfolio and Emcor provided a statistical review of the GE Emerging Markets portfolio investment performance and volatility in relation to the emerging markets index. At the request of the Retirement Board, staff implemented a statistical monitoring process for investment performance and volatility for all of our equity managers.

Legal counsel and staff completed a review of the Retirement Systems' process for handling securities litigation cases. In addition to a review of Northern Trust's securities litigation monitoring and filing process, we also considered the need for additional legal counsel in certain cases.

The Retirement Board completed a review of its board election policy and voting process. As a result, for the first time an outside vendor was selected to run the election process and members were able to vote via mail, phone, or internet.

During the year, 34 new members joined the retirement system; 26 active members left the Police Department and received refunds of member contributions; 6 members became inactive vested members; 10 members retired and started receiving benefits; 5 retired members passed away; and 1 survivor started receiving benefits.

Legislative Changes

House Bill 183, which was introduced and passed during the 2011 session of the Missouri General Assembly, became effective on August 28, 2011 and included the following changes in the Civilian Employees' Retirement System: 1) Moves the effective date for monthly retirement benefits to the first day of the month following the month of retirement; 2) Allows a designated beneficiary to receive any final payment upon the death of a member or survivor; 3) Allows members to purchase any period of unpaid leave by paying the actuarial cost; 4) Changes the cost of purchasing prior creditable service to the member's portion of the actuarial cost; and 5) Prohibits membership in the plan by retired members of the City Employees' plan or Firefighters plan hired after August 28, 2011.

No changes to the plan provisions for the Civilian Employees' Retirement System were considered during the 2012 session of the Missouri General Assembly.

Financial and Actuarial Information

The following is a summary of the year ended April 30, 2012 revenues, expenses, and net assets for the Civilian Employees' Retirement System.

	April 30, 2012
Revenues	$3,756,952
Expenses	5,087,225
Net Change	($1,330,273)
Net Assets	$101,192,338

Revenues include contributions from both members and the city, and gains or losses from investments. Employee and employer contributions continued to decline as total payroll for civilian members of the Police Department continues to decline. Expenses include benefits paid to members, refunds of contributions and administrative expenses. Benefits paid to members decreased during the year because of fewer partial lump sum option payments to retiring members.

For the actuarial valuation dated April 30, 2012, the funded ratio of valuation assets to liabilities of the Civilian Employees' Retirement System, which covers 767 members, increased by 1% to 76%. 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 19.82% for the fiscal year beginning May 1, 2012 and the projected annual required contribution rate of 20.40% for the fiscal year beginning May 1, 2013.

Investment Activity

Our investment portfolio produced a total return of (0.1%) against the policy benchmark return of (0.4%), which means our investment managers and asset allocation had a 0.3% gain versus the market indexes. The investment performance was less than our assumed rate of return, for actuarial purposes, of 7.75%.

The Retirement Board reviews the performance of each investment manager and compares their performance to a peer group of managers in each asset class and against their individual benchmark index. The Board continued to make tactical asset allocations, based on recommendations from DeMarche, to overweight or underweight 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 41 and 42. More information regarding the investment professionals who provide services to the Police 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, 2011. This was the tenth 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 2012 annual report is the result of work by both Retirement Systems staff and outside advisors and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with the legislative and industry reporting requirements, and most importantly help our members learn more about the financial status of their retirement system.

The KCPERS staff wants 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, 2011

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 10, 2012

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, 2012. 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 spent part of each monthly meeting reviewing and responding to the recommendations of the Pension Reform Task Force. Board members and staff have spent countless hours monitoring the deliberations of the Task Force and providing information about our plan benefits, actuarial assumptions, asset allocation and investment returns, and overall fund management. When the Task Force provided its recommendations to the City Council we provided a response to the City Manager about the feasibility of the recommendations and the impact on our active and retired members. Following the Task Force report, the City Manager asked our Retirement Board, Fraternal Order of Police, and the Police Department to participate in a Pension Project Team along with representatives from the other City funded Retirement Boards, organized labor, and City staff. The Pension Project Team is working to identify retirement plan options that could be implemented by all four City funded plans, which would improve the funded status of the retirement systems, make contribution rates affordable for the members and the City, and ensure the sustainability of member benefits.

We also met with members of the City Council to help them better understand the benefits paid to our members and return on investment the City receives through our defined benefit plans. We told Council members about our "Chevrolet" retirement plan and that it did not have the same kind of benefit provisions that have led other plans to be severely underfunded. We also provided data on the $4 million in annual benefit payments distributed to members of the Civilian Employees' Retirement System who live in the Kansas City metro area.

As you know, the City has not made employer contributions to the Retirement System at the amount recommended by our actuary. As part of our fiduciary responsibility, the Retirement Board received a thorough review, from legal counsel, on the Missouri Supreme Court case that determined the City of St. Louis was required to pay the shortfall in employer contributions to the St. Louis Police and Firefighters Retirement Systems. The Retirement Board is exploring a variety of options which also include discussions with the City to help remedy the current underfunding status and ensure the security and sustainability of the Civilian Employees' Retirement System.

As part of our on-going due diligence board members conducted site visits to SSARIS, our new hedge fund of funds manager, Shenkman Capital, our high yield bond manager, and GE Asset Management, one of our International and Emerging Market managers. These site visits gave board members and staff the chance to have extended meetings with both the portfolio managers and the analysts who provide day to day research for investment opportunities. We left those meetings with a better understanding of the individuals who manage our money, the skill and depth of their supporting analysts, and how their investment process can add value to our portfolio.

This past year also brought significant changes to the Retirement Board with the departure of Gary Howell, Dave Reyburn, Vic Kauzlarich and Angela Wasson-Hunt. Gary, Dave, and Vic were long serving elected members who led the way to many important changes in the investment process and benefit improvements for active members, retirees, and surviving spouses. In their place, you elected Barbara Stuart, Steven Miller, and Gary Jenkins as new board members and the Board of Police Commissioners appointed Leslie Lewis to the board. We thank our outgoing board members for their hard work and dedication to the Retirement Systems and are looking forward to the ideas and knowledge our new members will bring to the Retirement Board.

At the staff level, our long time Administrative Assistant, Connie Davis, retired after 30+ years of providing help, support, and comfort to our active and retired members and especially our surviving spouses. Lori Freeze joined the staff in June as the new Administrative Assistant and is quickly learning the details of the Retirement Systems operations.

In closing, I want to thank 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,

Richard Smith
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, Gary Cloud
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
Jason Pasquinelli
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

SSARIS Advisors, LLC
Brian Chung, Robert Covino
Wilton, Connecticut

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, 2012, 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, 2012, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of expenses and schedule of revenues by source and expenses by type 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information for 2012 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. We previously expressed an unqualified opinion on the 2011, 2010, 2009, 2008 and 2007 financial statements.

BKD, LLP

Kansas City, Missouri
August 16, 2012

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 provides an overview of its financial activities during the year ended April 30, 2012. 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, 2012, and the Statement of Changes in Plan Net Assets for the year ended April 30, 2012. 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.

- Schedules related to employer contributions and the funding of the Plan are included in the section entitled Required Supplementary Information.

- 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, 2012	April 30, 2011	Amount Change
Cash	$6,383	$3,446	$2,937
Receivables	489,842	587,900	(98,058)
Investments	102,004,216	102,337,586	(333,370)
Securities lending collateral	29,102,179	26,902,801	2,199,378
Total assets	**131,602,620**	**129,831,733**	**1,770,887**
Accounts and refunds payable	157,056	156,410	646
Due to broker for purchases of investments	1,151,047	249,911	901,136
Securities lending collateral	29,102,179	26,902,801	2,199,378
Total liabilities	**30,410,282**	**27,309,122**	**3,101,160**
Net assets	**$101,192,338**	**$102,522,611**	**($1,330,273)**

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 decreased to $101,192,338 as of April 30, 2012 from $102,522,611 as of April 30, 2011. 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 $131.6 million as of April 30, 2012 and included cash, investments and receivables. Total assets increased by $1.8 million or 1.4% from FY 2011 due to increased securities lending collateral. Investable assets decreased during the year by $333,370 while securities lending collateral increased by $2.2 million.

Liabilities – Total liabilities of the Civilian Employees' Retirement System were $30.4 million as of April 30, 2012 and included securities lending collateral, payables for money manager fees and amounts due to brokers for purchases of investments. Total liabilities increased by $3.1 million during the year mainly due to the $2.2 million increase in the offsetting liability for securities lending activity.

Net Assets – Civilian Employees' Retirement System assets exceeded liabilities at April 30, 2012 by $101.2 million. This was a decrease of $1.3 million or (1.3%) from the prior year.

Changes in Plan Net Assets

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

	April 30, 2012	April 30, 2011	Amount Change
Member contributions	$1,224,736	$1,383,479	($158,743)
Employer contributions	3,146,124	3,185,041	(38,917)
Net investment income (loss)	(613,908)	11,852,884	(12,466,792)
Total additions	**3,756,952**	**16,421,404**	**(12,664,452)**
Benefits paid to members	4,786,286	4,875,154	(88,868)
Refunds of contributions	183,861	131,072	52,789
Administrative expenses	117,078	116,767	311
Total deductions	**5,087,225**	**5,122,993**	**(35,768)**
Net increase (decrease)	**(1,330,273)**	**11,298,411**	**(12,628,684)**
Net assets, beginning of year	**102,522,611**	**91,224,200**	**11,298,411**
Net assets, end of year	**$101,192,338**	**$102,522,611**	**($1,330,273)**

Financial Analysis of Changes in Plan Net Assets

Revenues – Additions to Plan Net Assets – Member contributions, employer contributions and investment income are the sources of revenue for the Civilian Employees' Retirement System. Members contribute 5% of covered salary to the Plan. Employer contributions are 13.14% of covered salary to the Plan. The amount of member and employer contributions and net investment income all decreased from FY 2011. Contributions were lower because of fewer service purchases and lower total payroll. The net investment loss of $614,000 is the result of negative investment performance and investment expenses. The portfolio's investment rate of return was (0.1%) with investment losses of $36,000 and investment expenses of $577,500. Investments in bonds posted gains and investments in stocks and alternative assets posted losses 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 and refunds represent 98% of the total deductions. Benefits paid to members decreased from the prior year because of fewer partial lump sum payments. The amount of refunds increased due to more long-term members leaving the Police Department. Administrative expenses remained similar to the prior year.

For the tenth consecutive year, employer contributions did not equal the amount and percentage of compensation recommended by the Retirement System actuary. The employer contribution rate was 5.05% below the annual required contribution rate of 18.19%. For the year beginning May 1, 2012, employer contributions are budgeted to remain at 13.14% of covered pay, while the annual required contribution rate increases to 19.82%.

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 returns of (0.1%) in FY 2012 and 13.5% in FY 2011 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.

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

STATEMENT OF PLAN NET ASSETS

April 30, 2012

Assets

Investments	
U.S. government securities	$17,514,747
Corporate bonds and notes	10,853,588
Common and preferred stock	21,266,150
Equity exchange-traded-funds	6,842,345
Fixed income exchange-traded-funds	2,614,024
Government mortgage-backed securities	1,914,183
Real estate funds	3,685,645
Partnerships - equity	2,620,379
Partnerships - fixed income	3,324,683
Short-term investment funds	5,806,187
Emerging markets equities	4,250,823
Commodities funds	4,416,776
Hedge fund of funds	9,561,745
Foreign equities	7,332,941
Total investments	102,004,216
Securities Lending Collateral	29,102,179
Receivables	
Member insurance premiums	44,381
Accrued interest and dividends	253,576
Member contributions	47,800
Due from broker for sales of investments	144,085
Total receivables	489,842
Cash	6,383
Total assets	131,602,620

Liabilities

Accounts and refunds payable	157,056
Due to broker for purchases of investments	1,151,047
Securities lending collateral	29,102,179
Total liabilities	30,410,282
Net Assets Held in Trust for Pension Benefits	$101,192,338

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, 2012

Additions

Investment Income (Loss)	
Net depreciation in fair value of investments	($2,978,909)
Interest and dividends	2,900,390
Investment expense	(577,508)
Net investment income (loss)	(656,027)
Securities Lending Income	
Securities lending gross income	70,799
Securities lending expenses	
Borrower rebates	(10,755)
Management fees	(17,925)
Total securities lending expenses	(28,680)
Net securities lending income	42,119
Total net investment income (loss)	(613,908)
Contributions	
City	3,146,124
Members	1,224,736
Total contributions	4,370,860
Total additions	3,756,952

Deductions

Benefits Paid	
Retired members	4,296,304
Spouses	208,118
Disabled members	220,350
Partial lump sum option	56,514
Death benefits	5,000
Total benefits paid	4,786,286
Other Deductions	
Refunds of contributions	183,861
Administrative expenses	117,078
Total other deductions	300,939
Total deductions	5,087,225
Net Decrease	(1,330,273)
Net Assets Held in Trust for Pension Benefits, Beginning of Year	102,522,611
Net Assets Held in Trust for Pension Benefits, End of Year	$101,192,338

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 $4,370,860 ($3,146,124 employer and $1,224,736 employee) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2011. 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 18.19% 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, 2012, 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 ten years. The Plan is dependent upon the relationship of actual plan experience with the underlying actuarial assumptions and sufficient funding by the City to meet future cash flow needs.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

Funded Status and Funding Progress
The funded status of the Plan as of April 30, 2011, 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) Active Member Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
4/30/2011	$102,522,611	$137,040,461	$34,517,850	75%	$25,238,690	137%

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 hedge fund of funds are invested in a non-marketable limited liability company which operates as a commodity pool, with the fund investing a majority of its assets in related commodity pools. The private equity 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 $2,513,502 at April 30, 2012. 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, 2012, the Plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	199
Terminated members entitled to but not yet receiving benefits	19
Active members	
Vested	433
Non-vested	116
Total	767

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 five 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, 2012. Members and their surviving spouses were eligible if the member retired after August 28, 2007 and had 15 years of creditable service. Prior to August 28, 2007, all retirees, disability recipients and eligible surviving spouses were eligible for the supplemental retirement benefit.

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, 2012.

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

Investments

For the year ended April 30, 2012, Northern Trust was the master custodian for substantially all of the securities of the Plan. The investments held by the Plan are managed by thirteen 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	$28,404,120
Market value of cash collateral received from borrowers	$29,102,179
Market value of non-cash collateral received from borrowers	17,678
Total market value of collateral	$29,119,857

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, 2012, the Plan had the following investments and maturities:

		Maturities in Years				
Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10	Loaned Under Securities Lending Agreements
U.S. Treasury obligations	$12,557,173	$1,809,985	$5,371,676	$3,501,407	$1,874,105	$12,557,173
U.S. agencies obligations	2,001,908	530,987	501,870	507,400	461,651	–
Index linked government bonds	2,955,666	95,510	1,760,102	1,100,054	–	2,955,666
Corporate bonds	10,853,588	814,358	3,471,564	4,339,570	2,228,096	2,425,235
Government mortgage-backed securities	1,914,183	–	–	164,325	1,749,858	–
Money market mutual funds	5,806,187	5,806,187	–	–	–	–
Fixed income exchange-traded-funds	2,614,024	2,614,024	–	–	–	–
		$11,671,051	$11,105,212	$9,612,756	$6,313,710	
Common and preferred stocks	21,266,150					9,681,995
Equity exchange-traded-funds	6,842,345					636,813
Real estate funds	3,685,645					–
Partnerships - equity	2,620,379					–
Partnerships - fixed income	3,324,683					–
Emerging market equities	4,250,823					–
Commodities funds	4,416,776					–
Hedge fund of funds	9,561,745					–
Foreign equities	7,332,941					147,238
Total	**$102,004,216**					**$28,404,120**

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, 2012, the Plan's investments in corporate bonds were rated BBB+ 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 A or better by *Standard & Poor's*. U.S. Treasury obligations and index linked government bonds were explicitly guaranteed by the U.S. Government. The Plan's investments in government mortgage-backed securities, 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, $28,404,120 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

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

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

Investment Income (Loss)

Investment income (loss) for the year ended April 30, 2012, consisted of:

Interest and dividend income	$2,900,390
Net decrease in fair value of investments	(2,978,909)
	(78,519)
Less investment expense	577,508
	($656,027)

Note 4: Actuarial Methods and Assumptions

An actuary from Cavanaugh Macdonald Consulting, LLC 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, 2011
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	15 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, 2011:

Active employees accruing benefits	
Present value of future benefits	$107,522,949
Present value of future normal costs	26,718,425
Total active employees accruing benefits	80,804,524
Retired and inactive members	
Members with deferred benefits	834,210
Members receiving benefits	51,853,259
Retired member supplemental benefits	3,548,468
Total retired and inactive members	56,235,937
Total actuarial accrued liability	137,040,461
Assets, at actuarial value	102,522,611
Unfunded actuarial accrued liability	**$34,517,850**

The actuarial value of assets is calculated using an asset smoothing method. The difference between the actual and assumed investment returns on the market value of assets is recognized evenly over a five-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.

Note 6: Litigation

The Plan is subject to claims and lawsuits that arise primarily in the ordinary course of operating a retirement system. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the net assets of the Plan.

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) Active Member Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
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%
4/30/2011	102,522,611	137,040,461	34,517,850	75%	25,238,690	137%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
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%
2012	4,944,371	64%

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

SCHEDULE OF EXPENSES
Year Ending April 30, 2012

Investment Expenses	
Bank custodial fees and expenses	$81,617
Financial management expenses	474,056
Financial consultation	21,835
Total	**$577,508**

Administrative Expenses	
Salaries and payroll taxes	$64,213
Legal	9,462
Audit	9,431
Actuarial fees	24,832
Printing and office expense	3,609
Postage	764
Legislative consultation	4,011
Other	756
Total	**$117,078**

Investment Section

DEMARCHE
ASSOCIATES, INC.

October 9, 2012

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, growth and value and emerging markets. 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. Three 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 few months, the Retirement Board has experienced considerable turnover on its Board. Partly due to the Board turnover but primarily because it is due, late in 2012 an asset allocation study will be initiated to review the current asset allocation and its risk parameters. The result of this study may revise the funds' future asset allocation.

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 15% S&P 500 Index, 11% Russell 2000 Index, 10% MSCI EAFE Index, 10% MSCI Emerging Markets Index, 24% Barclays Government/Corporate Index, 10% Hedge Fund Research Fund of Funds Index, 5% Merrill Lynch High Yield Bond Index, 5% NCREIF Index, 5% Dow Jones/UBS Commodity Index, 3% Actual Private Equity Return, and 2% Three Month Treasury Bill Rate; 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 the relative benchmark with a (0.12%) return for the fiscal year.

The tactical asset allocation at year end was 39% equities, 41% bonds and cash, and 20% alternatives. The equities allocation was divided into 20% large cap stocks, 7% small cap stocks, 8% international stocks, and 6% emerging markets. The allocations to international and emerging market stocks are held in commingled funds. The individual international and emerging market commingled funds can 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 10% hedge fund of funds, 4% real estate, 4% commodities, and 2% private equity.

With the hiring of a hedge fund of funds manager the Retirement Board completed the move to a target asset allocation of 46% equities, 31% bonds and cash, and 23% alternatives. The equity allocation is divided into 15% large and mid cap stocks, 11% 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 fixed income allocation is divided into 24% 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 target asset allocation is 8.79% and expected standard deviation (risk) is 10.85%. The differences between the year end allocation and the target allocation represent monthly tactical allocations to overweight or underweight asset classes based on market conditions and trends determined by our investment consultant.

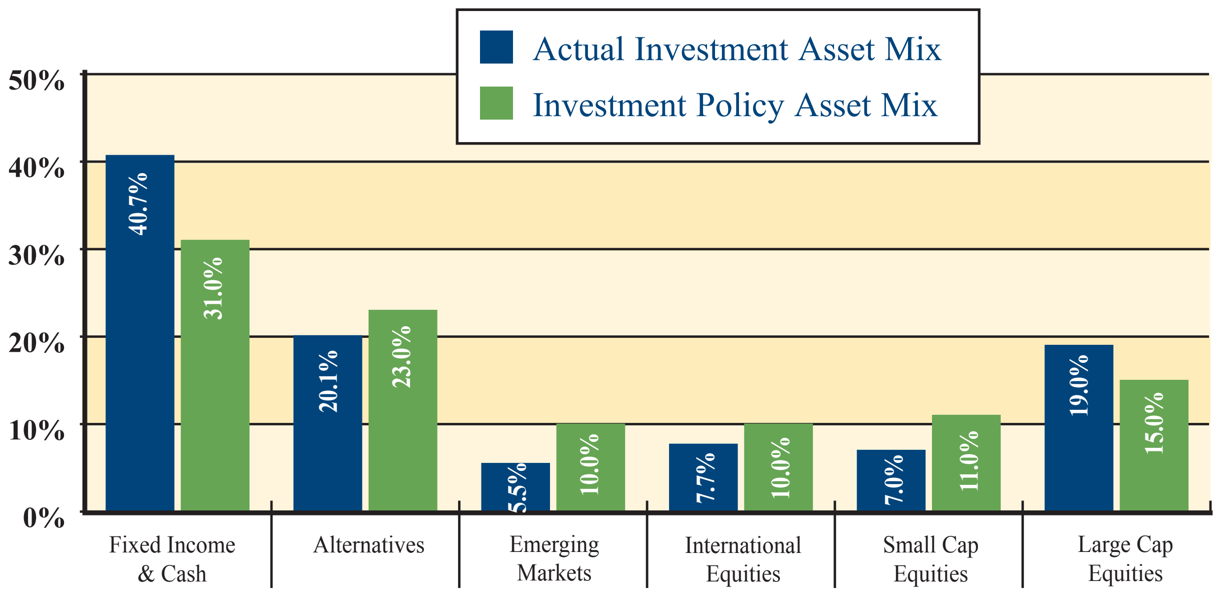
The Retirement Board met with staff from DeMarche Associates on a quarterly basis to review the performance of each of the investment managers hired by the Retirement Systems. Performance is reviewed both on an absolute basis, did the manager make or lose money, and on a relative basis, how did the manager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

Summary of Investment Policies and Objectives
(Continued)

The Retirement Board met twice with DeMarche to review the monthly tactical asset allocation calls. During the year, DeMarche recommended three separate tactical allocation changes away from the target allocation. The last tactical call of the fiscal year, in April 2012, was to underweight equities and overweight 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, 2012

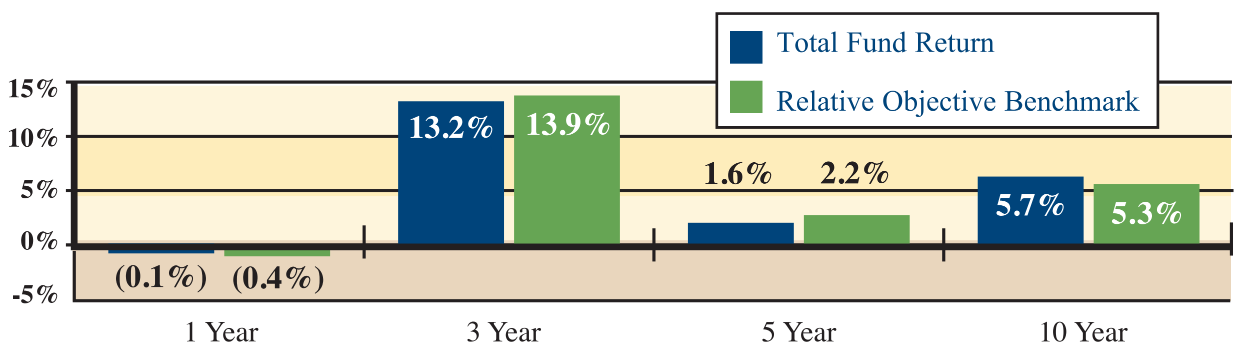


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2012. However, the results for the ten year returns are available for the quarter ending March 31, 2012 rather than for the fiscal year ending April 30, 2012. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2012 (Ten Year Returns as of March 31, 2012)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	7.8%	7.7%	6.7%	5.9%
Barclays Govt/Credit		*8.6%*	*7.5%*	*6.4%*	*5.9%*
Shenkman Capital Mgmt	High Yield Bonds	6.0%			
Merrill Lynch Hi Yield		*5.1%*			
GE Asset Mgmt	Foreign Equities	(12.8%)	10.3%	(3.7%)	6.2%
LSV Asset Mgmt	Foreign Equities	(15.5%)	11.1%	(6.7%)	
MSCI EAFE		*(12.8%)*	*11.8%*	*(4.7%)*	*5.7%*
Waddell & Reed	Small Cap Growth Equities	(7.5%)	18.6%	4.3%	7.0%
Russell 2000 Growth		*(4.4%)*	*21.8%*	*3.3%*	*6.0%*
RCM Capital Mgmt	Large Cap Growth Equities	2.8%	17.4%	3.8%	4.1%
Northern Trust Index	Large Cap Growth Equities	7.2%	21.7%		
Russell 1000 Growth		*7.3%*	*21.4%*	*4.1%*	*4.3%*
Vaughan Nelson	Small Cap Value Equities	(3.0%)			
Russell 2000 Value		*(4.1%)*			
LSV Asset Mgmt	Large Cap Value Equities	(1.1%)	19.4%	(0.6%)	
Russell 1000 Value		*1.0%*	*18.3%*	*(1.7%)*	
Prudential PRISA II	Real Estate	19.6%	4.9%	(3.8%)	
NCREIF Property		*13.4%*	*6.0%*	*2.9%*	
GE Asset Mgmt	Emerging Market Equities	(15.9%)	13.6%		
LSV Asset Mgmt	Emerging Market Equities	(12.2%)	25.3%		
MSCI Emerging Mkts		*(14.8%)*	*15.7%*		
PIMCO	Commodities	(14.9%)	18.2%		
DJ/UBS Commodity		*(19.4%)*	*8.6%*		
Abbott Capital	Private Equity	13.4%	1.%	1.1%	
JP Morgan	Private Equity	12.8%	14.0%	3.9%	
Tactical ETFs	Exchange Traded Equities	10.5%			
Total Fund		**(0.1%)**	**13.2%**	**1.6%**	**5.7%**
Absolute Objective		***7.8%***	***7.0%***	***6.6%***	***6.8%***
Relative Objective		***(0.4%)***	***13.9%***	***2.2%***	***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, 2012	Market Value
1) Apple Inc.	$466,224
2) Intel Corp.	392,886
3) Pfizer Inc.	343,950
4) Microsoft Corp.	334,737
5) Chevron Corp.	330,336
6) Wells Fargo & Co.	328,049
7) JPMorgan Chase & Co.	305,158
8) ConocoPhillips	236,379
9) Exxon Mobil Corp.	233,118
10) Merck & Co. Inc.	223,668

Ten Largest Bond Holdings April 30, 2012	Market Value
1) US Treasury Notes 1.375% Due 2012	$1,809,985
2) US Treasury Notes 3.00% Due 2016	1,540,000
3) US Treasury Notes 2.375% Due 2016	1,496,250
4) US Treasury Notes 3.625% Due 2021	1,331,844
5) US Treasury Bonds 4.25% Due 2039	1,229,219
6) US Treasury Notes 3.125% Due 2019	1,122,891
7) US Treasury Notes 2.375% Due 2014	1,049,609
8) US Treasury Notes 3.75% Due 2018	1,046,672
9) US Treasury Notes 1.25% Due 2014	1,018,555
10) US Treasury Bonds 5.25% Due 2029	644,887

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2012

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Northern Trust Co.	392,007	$17,908,684	$10,678	$0.027
Goldman Sachs & Co.	50,621	2,812,140	1,339	0.026
Weeden & Co.	102,025	3,459,859	1,258	0.012
Credit Suisse First Boston Corp.	263,684	2,262,534	1,090	0.004
Knight Equity Markets LP	31,450	881,821	944	0.030
Bernstein, Sanford C. & Co.	40,016	1,667,277	918	0.023
Merrill Lynch Pierce Fenner & Smith	96,178	2,649,417	900	0.009
UBS Warburg LLC	43,230	1,546,577	829	0.019
Instinet	34,794	734,520	781	0.022
Jefferies & Co.	26,224	1,393,535	656	0.025
Knight Direct LLC	79,922	1,958,432	638	0.008
Stifel Nicolaus & Co.	21,492	691,316	608	0.028
Liquidnet Inc.	26,722	751,378	532	0.020
Bear Stearns	10,611	460,486	370	0.035
Piper Jaffray Inc.	14,207	479,214	364	0.026
Oppenheimer & Co.	1,014,025	1,356,514	356	0.000
Deutsche Bank Securities Inc.	9,914	421,112	344	0.035
Baypoint Trading LLC	34,375	891,150	327	0.010
Others (Including 39 Brokerage Firms)	1,792,909	7,499,714	3,188	0.002
Totals	**4,084,406**	**$49,825,680**	**$26,120**	**$0.006**
Zero commission trades excluded from above	9,930,526	$33,923,914		

Investment Summary

Year Ending April 30, 2012

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/12	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$30,282,517	30.0%
Cash			5,806,187	5.7%
GE Asset Management	Jun 1994	Foreign Equities	3,762,602	3.7%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	3,530,754	3.5%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	5,446,780	5.4%
LSV Asset Management	Feb 2003	Large Cap Value Equities	8,901,686	8.8%
Prudential PRISA II	Sep 2004	Real Estate	3,685,645	3.6%
Abbott Capital Management	Aug 2005	Private Equity	1,531,866	1.5%
JPMorgan Investment Management	Jan 2006	Private Equity	1,088,513	1.1%
LSV International Value	Jun 2006	Foreign Equities	3,400,155	3.4%
NTGI Russell 1000 Growth	Aug 2007	Large Cap Growth Equities	4,901,552	4.9%
GE Emerging Markets	Aug 2007	Emerging Market Equities	2,105,650	2.1%
LSV Emerging Markets	Aug 2007	Emerging Market Equities	2,145,173	2.1%
PIMCO	May 2008	Commodities	4,416,776	4.4%
Tactical ETFs	Mar 2009	Exchange Traded Equities	3,590,729	3.5%
Shenkman Capital Management	May 2009	High Yield Bonds	3,324,683	3.3%
Vaughan Nelson Investment Management	May 2009	Small Cap Value Equities	3,514,241	3.5%
SSARIS Advisors LLC	June 2011	Hedge Fund of Funds	9,561,745	9.5%
		Total	**$100,997,254**	

Investment Summary (Continued)

Year Ending April 30, 2012

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$43,778	$–	$ –
Cash / Transition	–	7,905	0.031
GE Asset Management	23,969	–	–
Waddell & Reed Investment Management	24,381	4,191	0.028
RCM Capital Management	26,683	5,430	0.030
LSV Asset Management	55,070	2,081	0.007
Prudential PRISA II	37,720	–	–
Abbott Capital Management	30,759	–	–
JPMorgan Investment Management	11,872	–	–
LSV International Value	19,988	–	–
NTGI Russell 1000 Growth	2,825	–	–
GE Emerging Markets	20,852	–	–
LSV Emerging Markets	18,180	–	–
PIMCO	33,190	–	–
Tactical ETFs	–	2,773	0.020
Shenkman Capital Management	12,460	–	–
Vaughan Nelson Investment Management	32,445	3,740	0.016
SSARIS Advisors LLC	79,884	–	–
Total	**$474,056**	**$26,120**	**$0.006**

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 17, 2012

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 the unfunded actuarial accrued liability 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, 2012.

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 in the last valuation 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, 2012 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 gain for fiscal year end 2012. There was a $1.7 million loss on the actuarial value of assets and a $2.8 million gain on actuarial liabilities, largely the result of salaries in the 2012 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 76% funded as of April 30, 2012 based on the actuarial value of assets.

Based upon the results of the April 30, 2012 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, FSA, FCA, EA, MAAA
Principal and 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).

The System uses a 5-year smoothing of actual vs. expected return on market value approach to value plan assets for actuarial purposes. (Adopted 9/20/11)

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, 2012. All census data was supplied by the System and was subject to reasonable consistency checks. Cavanaugh Macdonald Consulting, LLC completed the 2011 and 2012 valuations. 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, 2012

Valuation Date April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
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%
2012	549	23,934,913	43,597	(2.2%)

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2012

	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
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
2012	11	161,674	5	72,224	199	4,581,012	5.1	23,020

Benefit amounts do not include $160 supplemental benefit.

Short-Term Solvency Test

Valuation Date April 30	ENTRY AGE ACTUARIAL ACCRUED LIABILITIES (1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
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
2012	12,623,138	56,978,299	73,306,093	108,018,073	100	100	52

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

Analysis of Financial Experience

Year Ended April 30, 2012

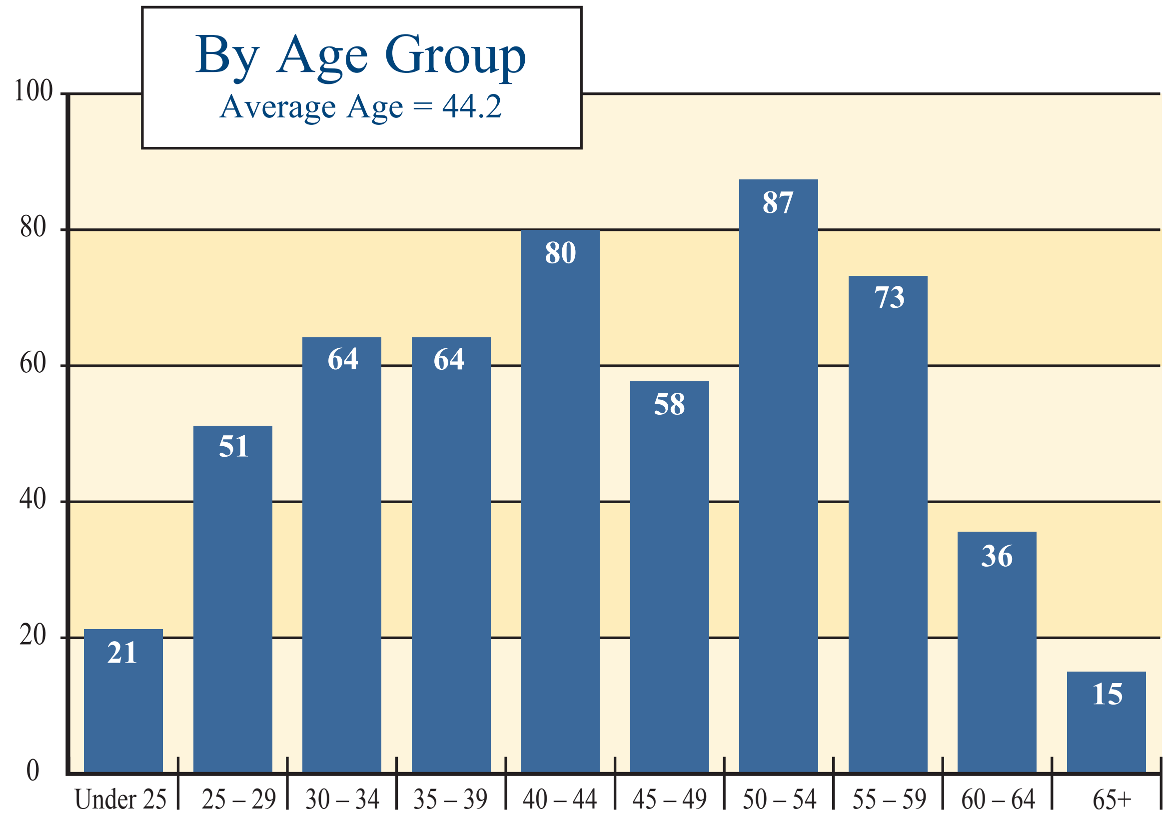
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

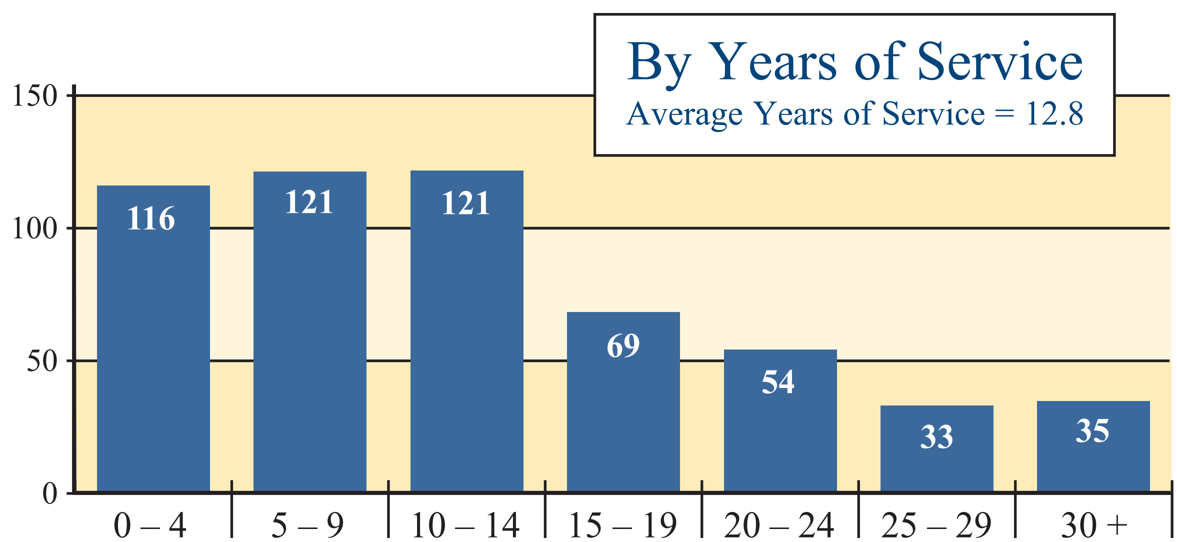
			Millions
(1)		UAAL* at start of year	$34.5
(2)	+	Normal cost and expenses for year	3.2
(3)	+	Assumed investment return on (1) & (2)	2.9
(4)	-	Actual contributions (member + city)	4.4
(5)	-	Assumed investment return on (4)	0.2
(6)	=	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	36.0
(7)	+	Increase (decrease) from new smoothing method	0.0
(8)	+	Increase (decrease) from change in actuary	0.0
(9)	=	Expected UAAL after changes (6) + (7) + (8)	36.0
(10)	=	Actual UAAL at year end	34.9
(11)	=	Experience gain (loss) (9) - (10)	$1.1
(12)	=	Percent of beginning of year AAL	0.8%

* Unfunded Actuarial Accrued Liability / (Surplus)

Year Ended April 30	2007	2008	2009	2010	2011	2012
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	5.9%	1.1%	(15.8%)	8.1%	(1.5%)	0.8%

Active Membership





Summary Plan Description at April 30, 2012

Membership

All regularly appointed full-time civilian employees of the Kansas City, Missouri Police Department, who are not eligible to receive a pension from any other City funded 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

With certain exceptions, any time a member is on leave without compensation, the member will not receive creditable service in the Retirement System for such period of time. However, upon returning from unpaid leave to active service, the member may purchase creditable service for such time by paying the actuarial cost calculated at the time of the purchase. Under certain conditions, members who have been on a period of unpaid leave for military purposes may receive creditable service without being required to pay the actuarial cost. Creditable service does not include any time a member is suspended from service without pay.

Prior Service

A member who terminates membership with three years or more of creditable service and later returns to membership may purchase credit toward retirement for that prior service. The cost shall be determined using the member's portion of actuarial rates.

Prior Military Service

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

Other Public Employment

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

Contributions

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

The City of Kansas City, Missouri contributes 13.14% of members' base pay. The current annual required contribution to maintain the Retirement System on an actuarially sound basis is 18.19% 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.

Pension benefits begin in the month following the member's effective retirement date.

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 day 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 but 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 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 the first day of the month following what would have been the member's early retirement date.

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

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

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

A funeral benefit of $1000.00.

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

Upon the death of a member, if there is no surviving spouse or 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 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.

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

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, if any, 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

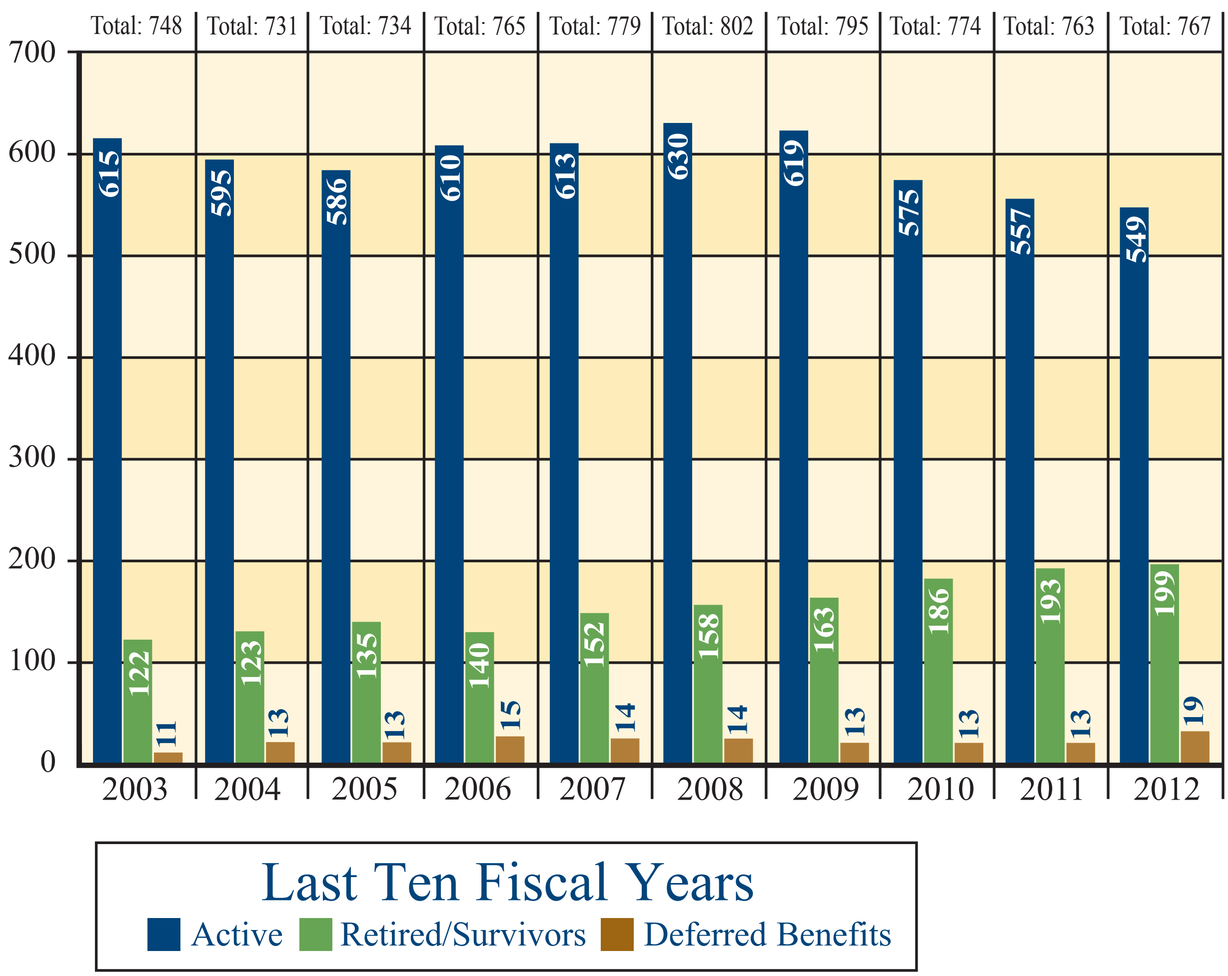
Statistical Summary

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



Schedule of Changes in Plan Net Assets

Last Ten Fiscal Years

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

Fiscal Year	2008	2009	2010	2011	2012
Additions:					
Member Contributions	$1,285,869	$1,338,180	$1,311,963	$1,383,479	$1,224,736
Employer Contributions	3,372,411	3,470,682	3,329,727	3,185,041	3,146,124
Net Investment Income	(63,658)	(25,282,608)	19,545,133	11,852,884	(613,908)
Total Additions to Plan Net Assets	4,594,622	(20,473,746)	24,186,823	16,421,404	3,756,952
Deductions:					
Benefits	3,431,959	3,716,269	4,519,593	4,875,154	4,786,286
Refunds	218,281	381,590	269,586	131,072	183,861
Administrative	111,993	123,561	117,579	116,767	117,078
Total Deductions from Plan Net Assets	3,762,233	4,221,420	4,906,758	5,122,993	5,087,225
Change in Net Assets	$832,389	($24,695,166)	$19,280,065	$11,298,411	($1,330,273)

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

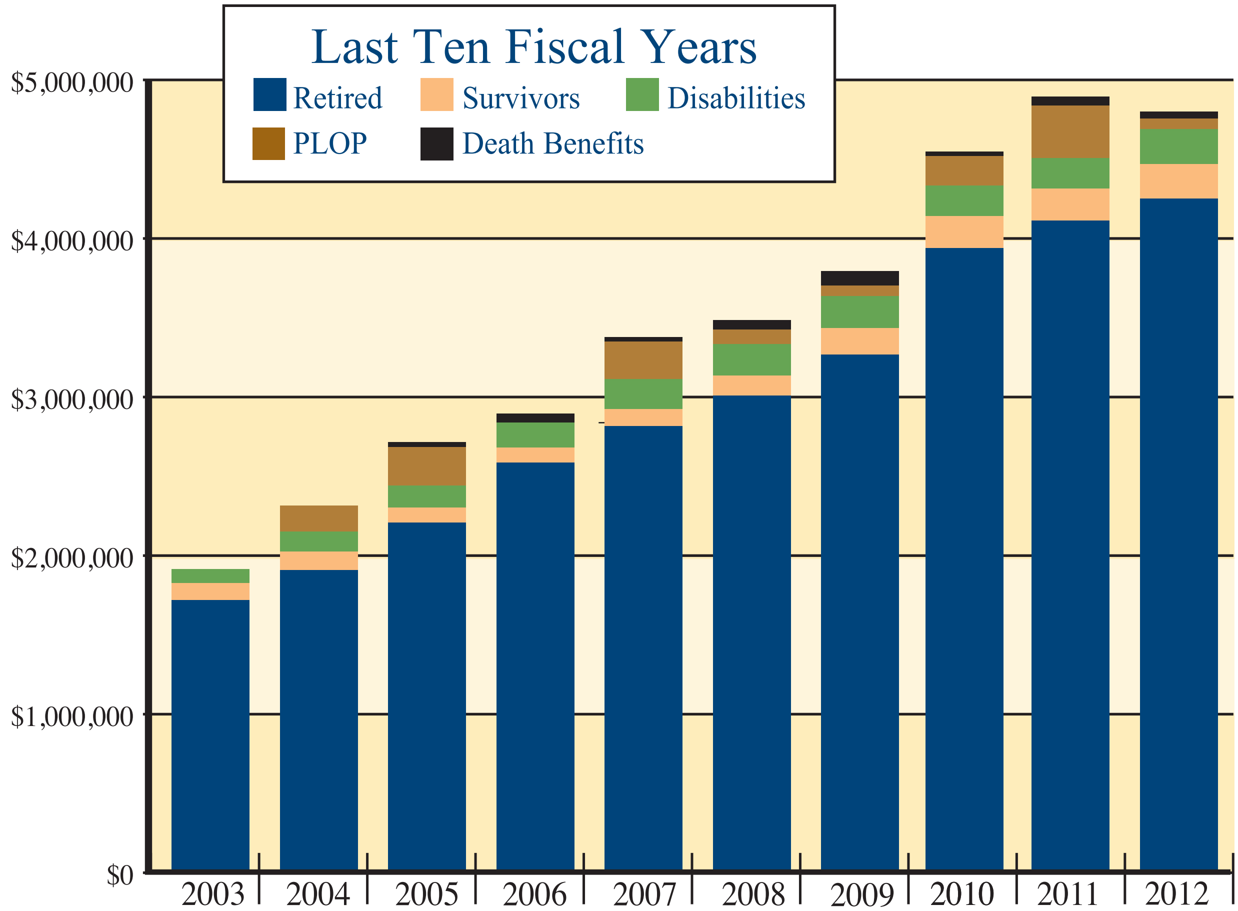
Last Ten Fiscal Years

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

Fiscal Year	2008	2009	2010	2011	2012
Type of Benefit:					
Retired	$3,010,989	$3,267,300	$3,941,128	$4,116,608	$4,296,304
Survivors	124,607	169,021	201,307	207,306	208,118
Disabilities	196,776	199,860	191,868	190,725	220,350
PLOP	93,587	66,088	183,290	354,515	56,514
Death Benefits	6,000	14,000	2,000	6,000	5,000
Total Benefits	$3,431,959	$3,716,269	$4,519,593	$4,875,154	$4,786,286
Type of Refund:					
Separation	$218,281	$300,856	$183,517	$122,076	$183,861
Death	–	80,734	86,069	8,996	–
Total Refunds	$218,281	$381,590	$269,586	$131,072	$183,861

*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, 2012

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	$119	1		1		
251 to 500	5,884	15	12	3		
501 to 750	10,862	17	11	5		1
751 to 1,000	14,654	17	13	3		1
1,001 to 1,500	34,282	27	24	2		1
1,501 to 2,000	45,391	26	22	2	1	1
2,001 to 2,500	66,250	29	25	1	1	2
2,501 to 3,000	51,818	19	18			1
3,001 to 3,500	64,307	20	18	1		1
3,501 to 4,000	60,417	16	16			
Over 4,000	57,050	12	12			
Totals	**$411,034**	**199**	**171**	**18**	**2**	**8**

*Benefit amounts include $160 supplemental benefit.

*Benefit amounts include cost of living adjustments.

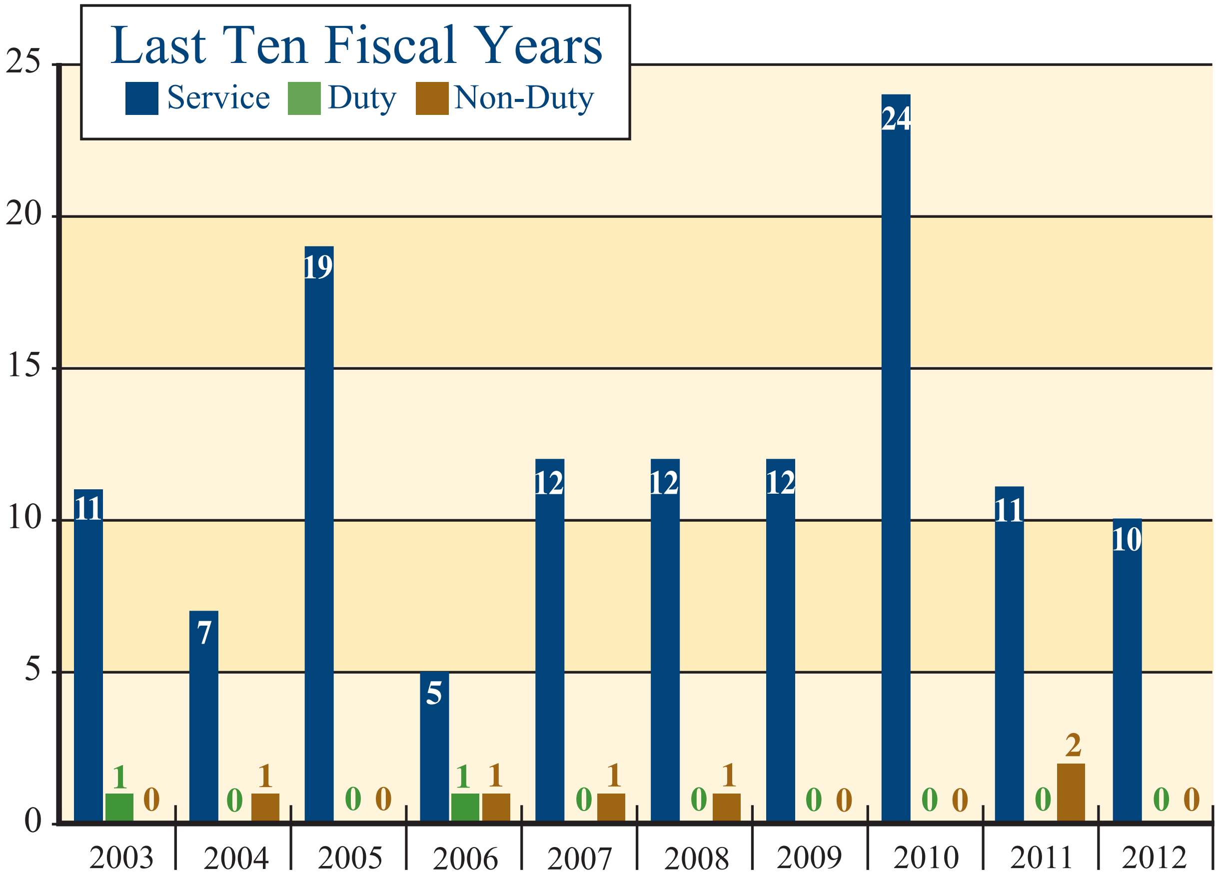
Schedule of Average Monthly Base Benefit Amounts*

Ten Years Ended April 30, 2012

	Years Credited Service						
Members Retiring During	**5–10**	**10–15**	**15–20**	**20–25**	**25–30**	**30+**	**All Members**
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
Fiscal Year Ending 04/30/12							
Average monthly benefit	$570	511	1,095	3,208		2,762	1,307
Average final compensation	$4,214	2,542	3,135	7,024		4,794	4,002
Number of retirees	3	3	1	1		2	10

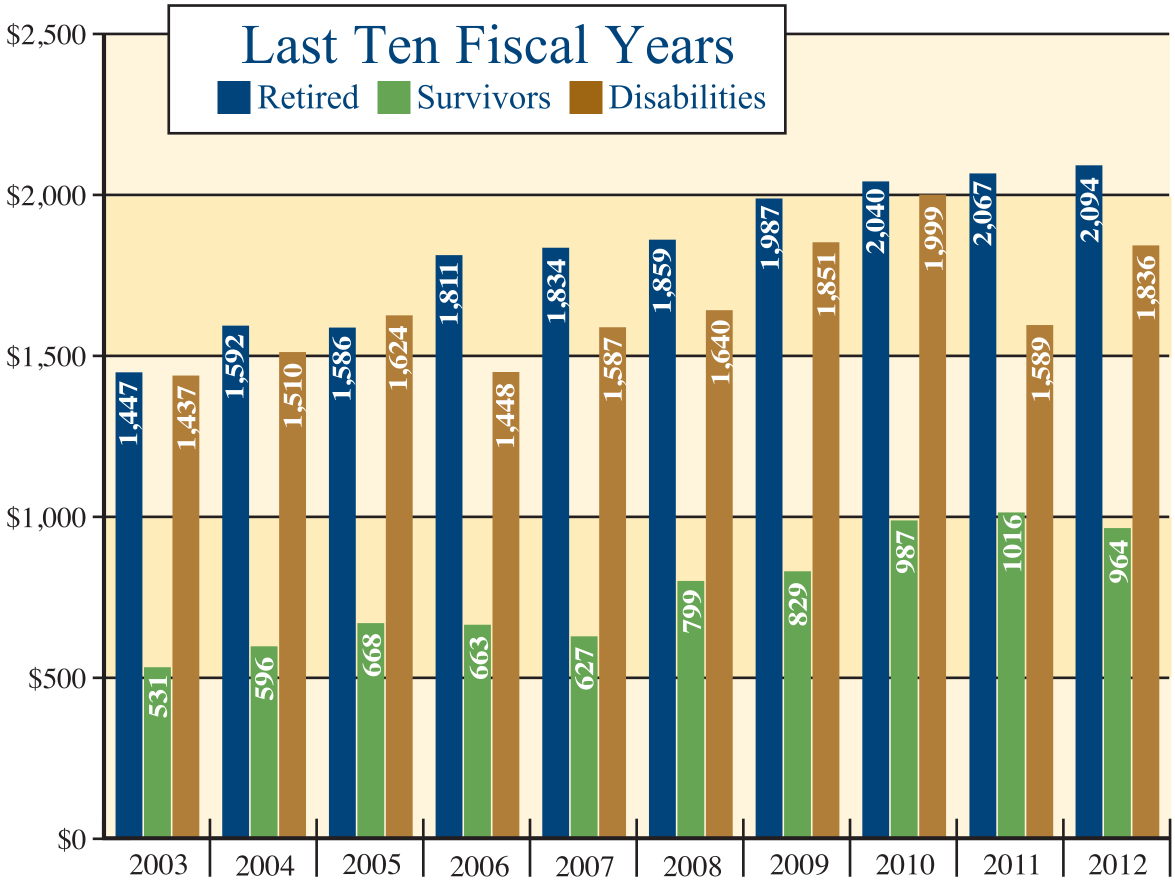
*Benefit amounts do not include supplemental benefits or cost of living adjustments.
*Benefit amounts are after reductions for optional benefits.

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

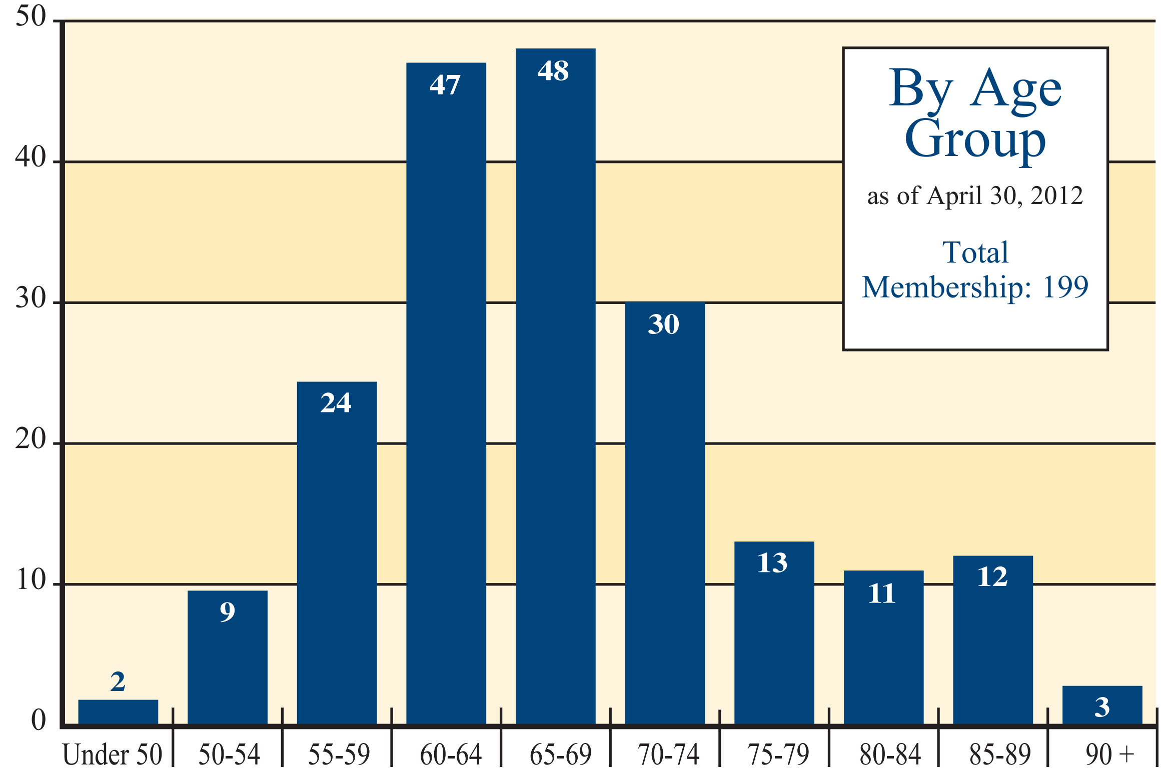
Fiscal Year	% Increase to Monthly Base Pension
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%
2010	3.00%
2011	0.00%
2012	3.00%

Supplemental Retirement Benefit

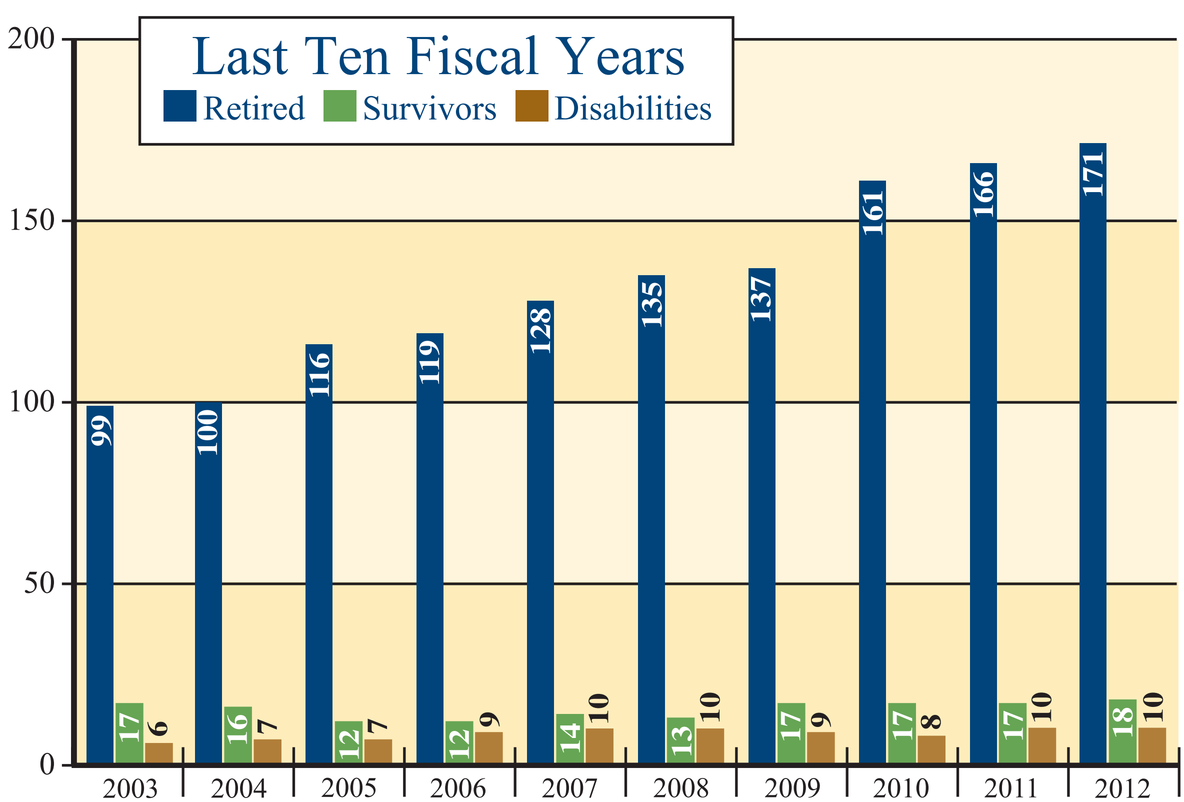
History of Increases

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

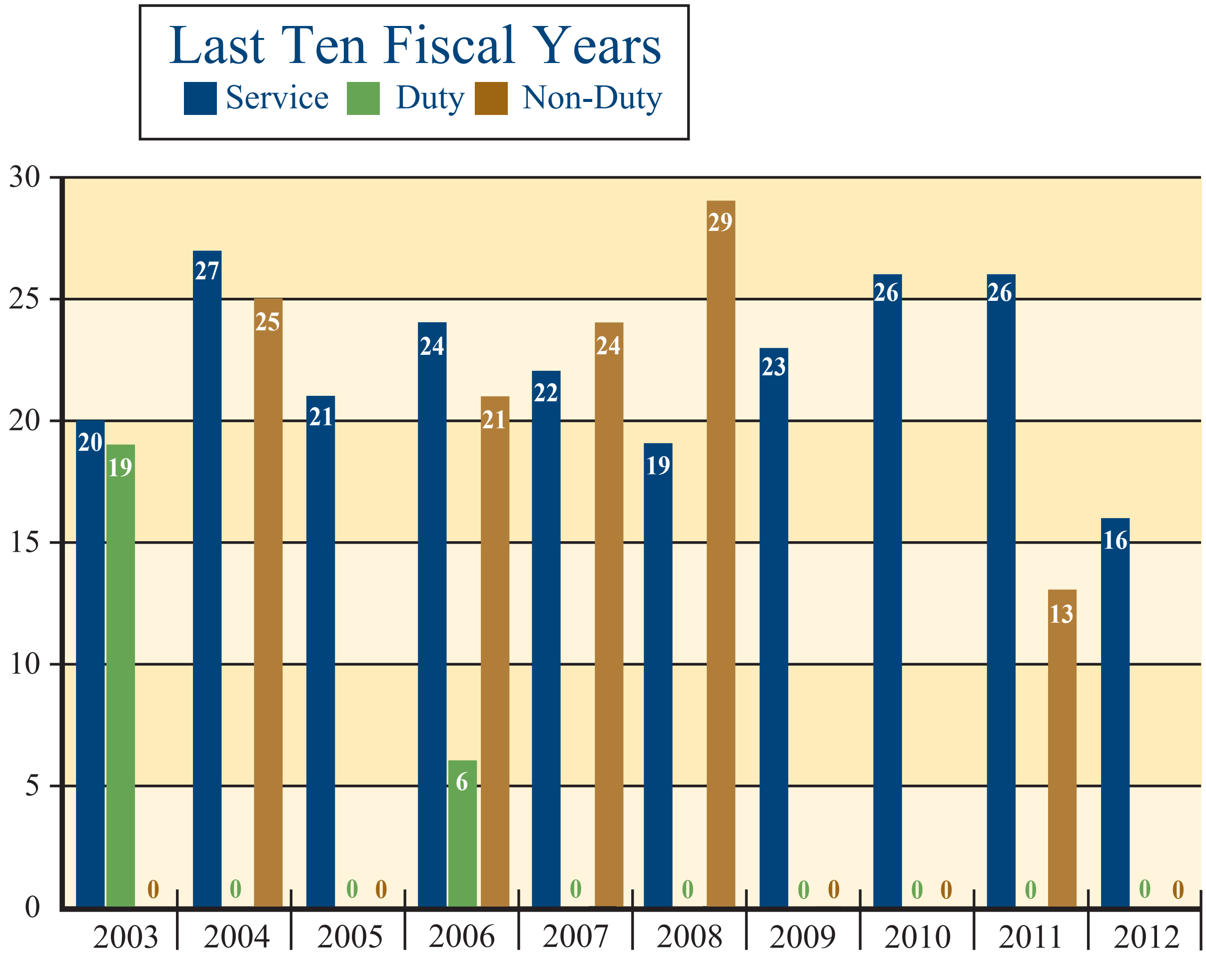
Membership Receiving Benefits



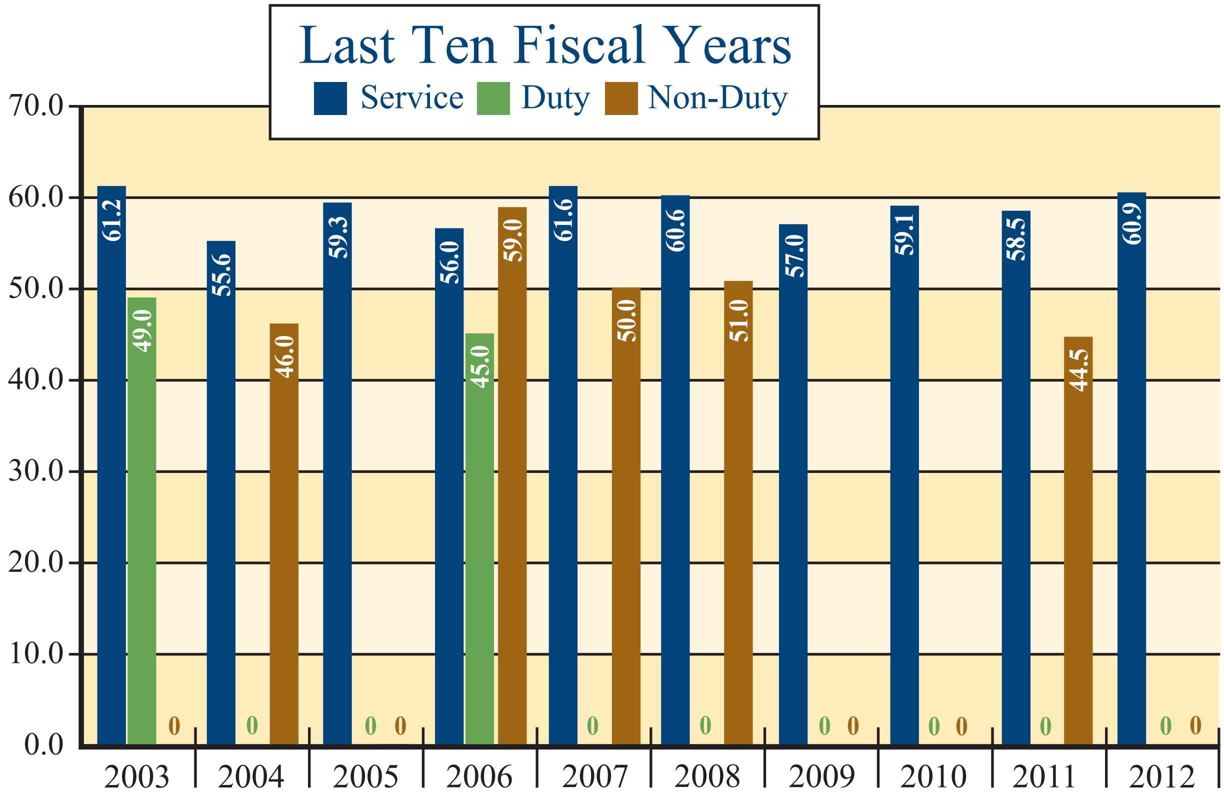
Membership Receiving Benefits



Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2012

Service **67.4**
(171 retired members ranging in age from 50 to 94)

Duty Disability **55.0**
(2 retired members ranging in age from 52 to 58)

Non-Duty Disability **55.1**
(8 retired members ranging in age from 37 to 69)

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