City of Kansas City, Missouri
The Employees' Retirement System
A Component Unit of the City of Kansas City, Missouri

Independent Accountants' Report and Financial Statements

April 30, 2012 and 2011

BKD LLP
CPAs & Advisors

City of Kansas City, Missouri
The Employees' Retirement System
A Component Unit of the City of Kansas City, Missouri
April 30, 2012 and 2011

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 Accountants' Report on Financial Statements and Supplementary Information

The Board of Trustees
City of Kansas City, Missouri
The Employees' Retirement System
Kansas City, Missouri

We have audited the accompanying basic financial statements of the City of Kansas City, Missouri The Employees' Retirement System (the Plan), a component unit of the City of Kansas City, Missouri, as of and for the years ended April 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 City of Kansas City, Missouri The Employees' Retirement System as of April 30, 2012 and 2011, and changes in its financial position for the years 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.

BKD, LLP

Kansas City, Missouri
August 28, 2012

The City of Kansas City, Missouri The Employees' Retirement System (ERS or the Plan) is a single-employer defined benefit plan covering general municipal employees and elected officials of the City of Kansas City, Missouri (the City). ERS was established by City ordinance in 1962 and is administered by a nine-person board of trustees (the Board) to provide retirement, death and survivor benefits to members and beneficiaries. This discussion and analysis of the financial performance of ERS provides an overview of financial activities for the fiscal years ended April 30, 2012 and 2011, and should be read along with the financial statements and notes to the financial statements.

The basic financial statements presented by ERS consist of the: (1) statements of plan net assets where net assets equal assets less liabilities at fiscal year-end and (2) statements of changes in plan net assets in which the net change in net assets is equal to additions less deductions.

The notes to the financial statements are an integral part of the financial statements and include information not necessarily discernable in the statements themselves. Following the notes are required supplemental information and other schedules that may be helpful in evaluating the financial condition of the Plan.

2012 and 2011 Summary Comparative Information of Plan Net Assets

	April 30, 2012	April 30, 2011	Amount Change	Percentage Change
Receivables	$ 10,400,584	$ 17,065,421	$ (6,664,837)	-39.05%
Investments at fair value	879,397,323	915,790,424	(36,393,101)	-3.97%
Securities lending collateral	69,879,742	79,536,046	(9,656,304)	-12.14%
Total assets	959,677,649	1,012,391,891	(52,714,242)	-5.21%
Due to broker for purchases of investments	24,420,182	45,186,833	(20,766,651)	-45.96%
Administrative and investment expenses payable	771,395	1,340,876	(569,481)	-42.47%
Securities lending collateral	69,879,742	79,536,046	(9,656,304)	-12.14%
Total liabilities	95,071,319	126,063,755	(30,992,436)	-24.58%
Net assets	$ 864,606,330	$ 886,328,136	$ (21,721,806)	-2.45%

2012 and 2011 Summary Comparative Information of Changes in Plan Net Assets

	April 30, 2012	April 30, 2011	Amount Change	Percentage Change
Member contributions	$ 6,612,397	$ 6,430,830	$ 181,567	2.82%
Employer contributions	18,421,668	18,588,723	(167,055)	-0.90%
Net investment income	6,122,273	115,721,780	(109,599,507)	-94.71%
Total additions	31,156,338	140,741,333	(109,584,995)	-77.86%
Benefits paid to members	49,573,667	46,983,788	2,589,879	5.51%
Refunds of contributions	3,137,589	2,617,875	519,714	19.85%
Administrative expenses	166,888	140,068	26,820	19.15%
Total deductions	52,878,144	49,741,731	3,136,413	6.31%
Net Increase (Decrease)	(21,721,806)	90,999,602	(112,721,408)	-123.87%
Net Assets, Beginning of Year	886,328,136	795,328,534	90,999,602	11.44%
Net Assets, End of Year	$ 864,606,330	$ 886,328,136	$ (21,721,806)	-2.45%

2012 Financial Highlights

Net plan assets declined by 2.5% in the period, a drop of $22 million. The investment portfolio registered a net of fee return of 0.7%, but this fell short of the 2.4% increase in the Policy Portfolio benchmark. This shortfall was primarily attributable to domestic equity, non-U.S. equity and emerging markets equity results that all failed to meet expectations. The active fixed income component of the portfolio performed well from both an absolute and relative standpoint, and the Plan's global equity manager added relative value. The approximately 5% allocation to real estate proved beneficial, as this segment returned nearly 16% due to the continued recovery in property prices.

As noted above, net assets decreased despite investment income of $6 million. Net contributions were virtually flat, as membership was stable and salaries remained largely frozen. Benefit payments grew by 5.5%, which was the same percentage increase experienced in the prior year. Contribution refunds advanced by about $0.5 million; this was primarily attributable to distribution elections made by retiring employees. Administrative expenditures rose by less than $30,000.

2012 Operational Highlights

Because of organizational and performance concerns, a domestic equity manager was replaced early in the fiscal year. Additionally, as a result of an Asset Liability study that was performed, a non-U.S. small cap equity manager was retained near the end of the period. Cash requirements in excess of contributions continued to be met mostly through the sale of fixed income investments. Late in the period the City Council finalized the retirement benefits to be made available to former employees of the Metropolitan Ambulance Services Trust (MAST). The total impact of this decision on the Plan will not be known until those employees complete their retirement plan elections during the 2013 fiscal year.

2011 and 2010 Summary Comparative Information of Plan Net Assets

	April 30, 2011	April 30, 2010	Amount Change	Percentage Change
Receivables	$ 17,065,421	$ 36,726,606	$ (19,661,185)	-53.53%
Investments at fair value	915,790,424	804,428,898	111,361,526	13.84%
Securities lending collateral	79,536,046	71,214,321	8,321,725	11.69%
Total assets	1,012,391,891	912,369,825	100,022,066	10.96%
Due to broker for purchases of investments	45,186,833	44,972,643	214,190	0.48%
Administrative and investment expenses payable	1,340,876	854,327	486,549	56.95%
Securities lending collateral	79,536,046	71,214,321	8,321,725	11.69%
Total liabilities	126,063,755	117,041,291	9,022,464	7.71%
Net assets	$ 886,328,136	$ 795,328,534	$ 90,999,602	11.44%

2011 and 2010 Summary Comparative Information of Changes in Plan Net Assets

	April 30, 2011	April 30, 2010	Amount Change	Percentage Change
Member contributions	$ 6,430,830	$ 6,331,891	$ 98,939	1.56%
Employer contributions	18,588,723	19,186,317	(597,594)	-3.11%
Net investment income	115,721,780	177,195,888	(61,474,108)	-34.69%
Total additions	140,741,333	202,714,096	(61,972,763)	-30.57%
Benefits paid to members	46,983,788	44,532,106	2,451,682	5.51%
Refunds of contributions	2,617,875	2,766,068	(148,193)	-5.36%
Administrative expenses	140,068	150,505	(10,437)	-6.93%
Total deductions	49,741,731	47,448,679	2,293,052	4.83%
Net Increase	90,999,602	155,265,417	(64,265,815)	-41.39%
Net Assets, Beginning of Year	795,328,534	640,063,117	155,265,417	24.26%
Net Assets, End of Year	$ 886,328,136	$ 795,328,534	$ 90,999,602	11.44%

2011 Financial Highlights

Asset prices continued to rise during the fiscal year, paving the way to an 11.4% increase in net plan assets. As calculated by the Plan's investment consultant, the investment portfolio generated a return of 14.7% net of all fees. This exceeded the Policy Portfolio benchmark gain of 14.0% by a comfortable margin. Major contributors to this favorable variance were the active fixed income and opportunistic (global tactical asset allocation) segments of the portfolio, while the domestic equity component slightly underperformed. The real estate asset class rebounded strongly, and the Plan's two investments in that area fully participated in that rally.

Net assets grew by $91.0 million, fueled by $116 million of investment income. Despite constant contribution rates, net contributions decreased modestly due to retirements of generally higher paid employees coupled with a lack of salary increases. Member contributions rose while employer contributions declined; this was primarily due to some former MAST employees making contributions through the end of calendar year 2010 that were not accompanied by the related sponsor contribution. Benefit payments climbed at a fairly typical rate, with the annual cost-of-living adjustment responsible for much of that increase. Contribution refunds were down slightly, as were administrative expenses.

2011 Operational Highlights

No service provider changes occurred throughout the year, although the Board did authorize an additional investment in a real estate fund. Cash needed to make benefit payments was siphoned largely from bond investments, with the remainder coming from the opportunistic allocation. An Actuarial Experience Study was conducted, resulting in the modification of certain demographic assumptions that, in aggregate, will reduce reported Plan liabilities prospectively. The pension benefits to be offered by the City to former employees of the MAST, which might result in at least some of those employees becoming members of the Plan, had not been determined by the City at the end of the fiscal year.

Requests for Information

This financial report is designed to provide members of the City of Kansas City, Missouri Employees' Retirement System, citizens, investors and creditors of the City of Kansas City, Missouri with a general overview of the Employees' Retirement System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Kansas City, Missouri Employees' Retirement System, City Hall, 414 East 12th Street, 10th Floor, Kansas City, Missouri 64106-2705.

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 Plan.

City of Kansas City, Missouri
The Employees' Retirement System
A Component Unit of the City of Kansas City, Missouri
Statements of Plan Net Assets
April 30, 2012 and 2011

Assets

	2012	2011
Investments, At Fair Value		
Short-term investment funds	$ 26,989,636	$ 41,697,810
U.S. Treasuries	581,848	4,523,868
U.S. Federal agencies	13,158,472	10,176,911
U.S. government index linked bonds	1,808,129	1,971,201
U.S. government backed mortgages	38,517,407	36,441,821
Municipal bonds	1,789,616	2,293,426
Asset backed securities	3,288,955	2,894,069
Commercial mortgage backed securities	2,552,660	3,357,018
Collateralized mortgage obligations	4,714,970	7,257,366
Foreign debt obligations	4,972,468	5,034,965
Warrants	1,910	23,408
Corporate bonds - domestic	25,933,574	21,772,405
Corporate bonds - foreign	10,912,741	8,558,728
Domestic preferred equities	45,585	253,140
Domestic common equities	258,820,746	283,758,818
Foreign equities	8,293,957	6,417,263
Partnerships	20,823,321	6,631,510
Private investment funds	8,018,673	8,119,731
Futures contracts and options	38,558	(251,102)
Collective trusts - equities	280,326,329	286,458,640
Collective trusts - fixed income	144,063,641	156,461,688
Collective trusts - real estate	23,744,127	21,937,740
Total investments	879,397,323	915,790,424
Securities Lending Collateral	69,879,742	79,536,046
Receivables		
Contributions	1,503,780	1,399,967
Investment income	833,986	774,598
Due from broker for sales of investments	8,062,818	14,890,856
Total receivables	10,400,584	17,065,421
Total assets	959,677,649	1,012,391,891

Liabilities

	2012	2011
Due to broker for purchases of investments	24,420,182	45,186,833
Administrative and investment expenses payable	771,395	1,340,876
Securities lending collateral	69,879,742	79,536,046
Total liabilities	95,071,319	126,063,755
Net Assets Held in Trust for Pension Benefits	$ 864,606,330	$ 886,328,136

City of Kansas City, Missouri
The Employees' Retirement System
A Component Unit of the City of Kansas City, Missouri
Statements of Changes in Plan Net Assets
Years Ended April 30, 2012 and 2011

Additions	2012	2011
Investment Income		
Interest income	$ 11,129,639	$ 8,832,075
Dividend income	4,977,262	5,061,214
Net appreciation (depreciation) in fair value of investments	(7,322,176)	104,859,474
Less investment expense	(3,017,196)	(3,235,946)
Net investment income	5,767,529	115,516,817
Securities Lending Income		
Securities lending gross income	219,996	225,136
Securities lending expenses		
Borrower rebates	286,679	67,580
Management fees	(151,931)	(87,753)
Total securities lending expenses	134,748	(20,173)
Net securities lending income	354,744	204,963
Total net investment income	6,122,273	115,721,780
Contributions		
Contributions from the City of Kansas City, Missouri	18,421,668	18,588,723
Contributions from members	6,612,397	6,430,830
Total contributions	25,034,065	25,019,553
Total additions	31,156,338	140,741,333
Deductions		
Benefits Paid to Members	49,573,667	46,983,788
Refunds		
Termination	1,242,438	1,287,002
Retirement	1,895,151	1,330,873
Administrative Expenses	166,888	140,068
Total deductions	52,878,144	49,741,731
Net Increase (Decrease)	(21,721,806)	90,999,602
Net Assets Held in Trust for Pension Benefits, Beginning of Year	886,328,136	795,328,534
Net Assets Held in Trust for Pension Benefits, End of Year	$ 864,606,330	$ 886,328,136

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The City of Kansas City, Missouri The Employees' Retirement System (the Plan) is a contributory, single-employer, defined benefit, public employee retirement system covering employees and elected officials of the City of Kansas City, Missouri (the City). Members of the Police and Fire Departments' pension systems are excluded. The Plan is considered part of the City's financial reporting entity and is included in the City's comprehensive annual financial report as a pension trust fund. Employees should refer to the plan agreement for more complete information.

At April 30, 2012 and 2011, the Plan's membership consists of the following:

	2012		2011
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,215		2,141
Current employees:			
Vested	2,594	*	2,354
Nonvested	704		830
Inactive	70		147
Total	5,583		5,472

*Included in the April 30, 2012 Plan's membership count is approximately 150 former MAST employees whom chose to participate in the Plan over a defined contribution plan offered by the City *(see Note 6)*. There are approximately 30 individuals that have not yet made the election. Should these individuals choose to be members of this Plan they will become immediately vested.

Basis of Accounting

The financial statements are prepared on 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. Benefits and refunds are recognized when paid in accordance with the terms of the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Investments

Investments are valued at fair value as follows:

Government securities and corporate bonds – Prices quoted by a major dealer in such securities.

Common stock, preferred stock, foreign preferred stock, warrants, futures contracts and options, and indexed notes and bonds: (A) Listed – closing prices as reported on the composite summary of national securities exchanges (B) Over-the-counter – bid prices

Partnerships – The partnerships consist primarily of non-marketable investments in the real estate markets. The Plan is obligated to pay certain capital commitments to the partnerships. All commitments were fulfilled as of April 30, 2012. The outstanding commitments totaled $12,000,000 at April 30, 2011. The fair value of these investments is estimated based on the estimated fair values of the underlying securities.

Collective trusts and private investment funds – Represent quoted redemption values determined principally based on quoted market prices of the underlying investments.

Where investment securities are not listed on an exchange, quotations are estimated by management based on information obtained from brokerage firms or national pricing services. The estimated value of such investments is subject to uncertainty and, therefore, may differ from the value that would have been used had a market for such investments existed.

Investment transactions are accounted for on a trade-date basis (the date the order to buy or sell is executed), and the dividend income is recognized on the ex-dividend date. Interest income is recognized on an accrual basis. Realized gains and losses from investments are determined on an average-cost basis.

Contributions

Funding is provided by contributions from Plan members, the City and earnings on investments. Members contribute 4% of their base salary. The City's contribution is set by the City Council in conjunction with its approval of the annual budget, based on information provided by the Plan's consulting actuary and board of trustees (the Board).

The recommended contribution rate is determined by the Plan's consulting actuary using the entry age normal actuarial cost funding method. Significant assumptions used to compute contribution requirements are the same as those used to compute the actuarial accrued liability.

Based upon the April 30, 2011 actuarial valuation, which was the most recent actuarial data available, the actuary recommended a City contribution rate of 16.14%. The City contributed at a rate of 12.12% in 2012 and 2011 for general employees. The City's contribution rate was 19.5% for judges and elected officials for 2012 and 2011.

The Plan is dependent upon the relationship of actual Plan experience with the underlying actuarial assumptions and sufficient funding by the City to meet future cash flow needs. The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the individual entry age normal method.

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) Covered Payroll	[(b - a)/c] UAAL as a Percentage of Covered Payroll
4/30/2011	$ 806,792,596	$1,010,996,133	$ 204,203,537	80%	$ 163,113,722	125%

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.

Retirement Benefits

Employees with five or more years of service are entitled to retirement benefits based on final average compensation multiplied by years and months of creditable service. If married at the time of retirement, the percentages are 2.0% for general employees and 2.2% for elected officials, and if unmarried at the date of retirement, the percentage is 2.2% up to a maximum of 70% of final average compensation. If the employee has at least 10 years of creditable service, the minimum benefit is $400 per month. If members terminate prior to retirement and before rendering five years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to City contributions and are refunded their member contributions with interest. Such refunds result in the forfeiture of all other benefits under the Plan. Members terminating prior to retirement with five or more years of service may elect to receive a refund of their member contributions with interest as a lump-sum distribution, or they may elect to receive a deferred pension. An annual cost-of-living adjustment of 3% is provided annually.

Death Benefits

If a retired member dies, the following benefits shall be paid:

> To the member's spouse until death, a retirement benefit equal to one-half of the member's normal retirement benefit.

To the member's designated beneficiary or estate, if there is no surviving spouse, any remaining member contributions and interest.

If an active member dies, the member contributions and interest are distributed to the surviving spouse or, if none, to the designated beneficiary. The surviving spouse, however, may elect to receive monthly benefit payments instead of the lump-sum distribution if the member had five or more years of creditable service.

Administrative Expenses

Plan administrative salary, duplicating, telecommunications and travel expenses are included in the Plan's administrative expenses when incurred. The City provides office space, a portion of administrative and clerical services of the Human Resources Department and accounting services of the Finance Department without any direct charge to the Plan.

Note 2: Deposits and Investments

The City administrative code and ordinances passed by the City Council provide that Plan investments may include, but are not limited to, obligations of the U.S. government, state of Missouri and municipal corporations, including school districts, corporate bonds, real estate mortgages, common and preferred stocks, partnerships, collective trusts and derivatives. The Plan purchases investments from Securities and Exchange Commission registered securities broker-dealers and banks through its investment managers. Investments in U.S. Treasury obligations are held at the Federal Reserve Bank through the customer account of a financial institution.

Securities Lending Transactions

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

The Plan has contracted with Northern Trust as its third-party lending agent to lend domestic equity and debt securities for cash collateral of not less than 102% of the market value and international debt and equity securities of not less than 105% of the market value. At April 30, 2012 and 2011, management believes the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. Contracts with the lending agent 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.

	2012	2011
Market value of securities loaned	$ 68,685,706	$ 78,716,352
Market value of cash collateral received from borrowers	$ 69,879,742	$ 79,536,046
Market value of non-cash collateral received from borrowers	757,443	857,892
Total market value of collateral	$ 70,637,185	$ 80,393,938

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 arrangements themselves. The Plan is not permitted to pledge or sell collateral received unless the borrower defaults.

At April 30, 2012, the Plan had the following investments and maturities:

		Maturities in Years				Loaned Under Securities Lending Agreements
Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasuries	$ 581,848	$ -	$ 413,800	$ -	$ 168,048	$ 581,848
U.S. Federal agencies	13,158,472	6,996,029	398,884	3,599,170	2,164,389	2,416,972
U.S. government index linked bonds	1,808,129	-	-	646,734	1,161,395	646,734
U.S. government backed mortgages	38,517,407	-	-	82,337	38,435,070	-
Municipal bonds	1,789,616	-	122,008	123,332	1,544,276	-
Asset backed securities	3,288,955	-	367,547	75,595	2,845,813	-
Commercial mortgage backed securities	2,552,660	-	155,171	533,224	1,864,265	-
Collateralized mortgage obligations	4,714,970	-	-	-	4,714,970	-
Foreign debt obligations	4,972,468	828,525	3,409,390	446,099	288,454	2,481,100
Corporate bonds - domestic	25,933,574	2,005,263	4,230,607	12,216,294	7,481,410	2,761,329
Corporate bonds - foreign	10,912,741	1,195,175	3,474,875	4,833,324	1,409,367	3,481,599
Money market funds	26,989,636	26,989,636	-	-	-	-
Collective trusts - fixed income	144,063,641	144,063,641	-	-	-	-
		$182,078,269	$ 12,572,282	$ 22,556,109	$ 62,077,457	
Warrants	1,910					-
Domestic preferred stocks	45,585					-
Domestic common stocks	258,820,746					49,567,741
Foreign equities	8,293,957					6,748,383
Partnerships	20,823,321					-
Private investment funds	8,018,673					-
Futures contracts and options	38,558					-
Collective trusts - equities	280,326,329					-
Collective trusts - real estate	23,744,127					-
	$ 879,397,323					$ 68,685,706

At April 30, 2011, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years: Less than 1	1 - 5	6 - 10	More than 10	Loaned Under Securities Lending Agreements
U.S. Treasuries	$ 4,523,868	$ -	$ 273,755	$ 1,767,838	$ 2,482,275	$ 3,225,363
U.S. Federal agencies	10,176,911	-	4,770,928	3,617,123	1,788,860	2,060,794
U.S. government index linked bonds	1,971,201	-	-	-	1,971,201	1,725,814
U.S. government backed mortgages	36,441,821	-	-	1,659,648	34,782,173	-
Municipal bonds	2,293,426	-	-	228,482	2,064,944	-
Asset backed securities	2,894,069	-	-	367,968	2,526,101	-
Commercial mortgage backed securities	3,357,018	-	-	225,899	3,131,119	-
Collateralized mortgage obligations	7,257,366	-	-	-	7,257,366	-
Foreign debt obligations	5,034,965	-	3,615,303	1,102,650	317,012	685,223
Corporate bonds - domestic	21,772,405	560,061	5,234,691	8,896,021	7,081,632	4,106,095
Corporate bonds - foreign	8,558,728	23,400	3,924,376	3,194,339	1,416,613	1,724,077
Money market funds	41,697,810	41,697,810	-	-	-	-
Collective trusts - fixed income	156,461,688	156,461,688	-	-	-	-
		$198,742,959	$ 17,819,053	$ 21,059,968	$ 64,819,296	
Warrants	23,408					-
Domestic preferred stocks	253,140					-
Domestic common stocks	283,758,818					62,876,439
Foreign equities	6,417,263					2,312,547
Partnerships	6,631,510					-
Private investment funds	8,119,731					-
Futures contracts and options	(251,102)					-
Collective trusts - equities	286,458,640					-
Collective trusts - real estate	21,937,740					-
	$ 915,790,424					$ 78,716,352

Custodial Credit Risk

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 investments or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, $68,685,706 and $78,716,352 at April 30, 2012 and 2011, respectively, was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plan. The Plan's policy is that fixed income securities must have a minimum investment quality of "B" at the time of purchase. The weighted average credit rating of the portfolio must have a minimum investment quality of "A." As of April 30, 2012 and 2011, the Plan's fixed income assets that are not explicitly government guaranteed represented 95% and 93%, respectively, of the fixed income portfolio. The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities at April 30, 2012 and 2011:

Average Credit Quality and Exposure Levels of Nongovernmental Guaranteed Securities

Fixed Income Security Type	Fair Value April 30, 2012	Percentage of all Fixed Income Assets	S&P Weighted Average Credit Quality
U.S. Federal agencies	$ 10,689,107	3.83%	AA+
U.S. government backed mortgages	28,398,734	10.17%	AA+
Municipal bonds	1,789,616	0.64%	AA-
Asset backed securities	3,288,955	1.18%	BBB
Commercial mortgage backed securities	2,552,660	0.91%	A+
Collateralized mortgage obligations	4,714,970	1.69%	B-
Foreign debt obligations	4,972,468	1.78%	A+
Corporate bonds - domestic	25,933,574	9.29%	BBB+
Corporate bonds - foreign	10,912,741	3.91%	A-
Money market funds	26,989,636	9.66%	Not rated
Collective trusts - fixed income	144,063,641	51.58%	Not rated
	$ 264,306,102	94.64%	

Fixed Income Security Type	Fair Value April 30, 2011	Percentage of all Fixed Income Assets	S&P Weighted Average Credit Quality
U.S. Federal agencies	$ 7,814,951	2.58%	AAA
U.S. government backed mortgages	24,503,975	8.10%	AAA
Municipal bonds	2,293,426	0.76%	AA
Asset backed securities	2,894,069	0.96%	A
Commercial mortgage backed securities	3,357,018	1.11%	AA
Collateralized mortgage obligations	7,257,366	2.40%	B
Foreign debt obligations	5,034,965	1.66%	A
Corporate bonds	30,331,133	10.03%	A
Money market funds	41,697,810	13.79%	Not rated
Collective trusts - fixed income	156,461,688	51.73%	Not rated
	$ 281,646,401	93.12%	

Each portfolio is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios.

Credit risk for derivative instruments held by the Plan results from counterparty risk assumed by the Plan. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Plan's credit risk related to derivatives is found under the derivatives disclosures found in Note 3.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Plan's policy for each specific portfolio limits investments in any corporate entity to no more than 5% of the market value of the account for actively managed portfolios, excluding U.S. government and agency obligations. As of April 30, 2012 and 2011, there were no investments not directly guaranteed by the U.S. government in any issuer greater than 5%.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration of option-adjusted methodology. The Plan's policy is to manage duration to a maximum 25% of underweighting/overweighting relative to the Barclays Aggregate Bond Index.

Effective Duration of Fixed Income Assets by Security Type at April 30, 2012

Fixed Income Security Type		Fair Value April 30, 2012	Percentage of all Fixed Income Assets	Weighted Average Effective Duration (Years)
U.S. Treasuries	$	581,848	0.2%	11.8
U.S. Federal agencies		13,158,472	4.7%	5.3
U.S. government index linked bonds		1,808,129	0.6%	22.5
U.S. government backed mortgages		38,517,407	13.8%	28.3
Municipal bonds		1,789,616	0.6%	34.7
Asset backed securities		3,288,955	1.2%	21.1
Commercial mortgage backed securities		2,552,660	0.9%	27.3
Collateralized mortgage obligations		4,714,970	1.7%	26.0
Foreign debt obligations		4,972,468	1.8%	2.8
Corporate bonds - domestic		25,933,574	9.3%	12.1
Corporate bonds - foreign		10,912,741	3.9%	8.5
Money market funds		26,989,636	9.7%	**
Collective trusts - fixed income		144,063,641	51.6%	**
	$	279,284,117	100.0%	

Effective Duration of Fixed Income Assets by Security Type at April 30, 2011

Fixed Income Security Type		Fair Value April 30, 2011	Percentage of all Fixed Income Assets	Weighted Average Effective Duration (Years)
U.S. Treasuries	$	4,523,868	1.5%	11.1
U.S. Federal agencies		10,176,911	3.3%	14.4
U.S. government index linked bonds		1,971,201	0.7%	22.4
U.S. government backed mortgages		36,441,821	12.1%	26.4
Municipal bonds		2,293,426	0.8%	19.4
Asset backed securities		2,894,069	1.0%	22.4
Commercial mortgage backed securities		3,357,018	1.1%	31.0
Collateralized mortgage obligations		7,257,366	2.4%	27.5
Foreign debt obligations		5,034,965	1.6%	4.9
Corporate bonds - domestic		21,772,405	7.2%	13.2
Corporate bonds - foreign		8,558,728	2.8%	10.1
Money market funds		41,697,810	13.8%	**
Collective trusts - fixed income		156,461,688	51.7%	**
	$	302,441,276	100.0%	

** A common or commingled collective trust (CCT) is a vehicle that provides for collective investment and reinvestment of assets contributed from the Plan. The Plan actually owns an interest in the underlying assets of the CCT and the money market funds and the unit values are based on the fair value of their underlying assets. The CCT and money market funds do not have a maturity date, even though their underlying assets do have maturity dates. Therefore, the effective duration of the assets is not applicable.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Plan's currency risk exposure, or exchange rate risk, primarily reside within the Plan's foreign debt obligations and foreign equity holdings through the Plan's various asset managers. The Plan's policy for each specific portfolio does not place limits on the amount of foreign exposure that can be held by the individual asset managers. As noted in Note 3, the Plan had no derivative investments at April 30, 2012 and 2011 invested in foreign financial instruments.

Note 3: Derivative Financial Instruments

Some of the Plan's managers invest in derivative securities. A derivative security is an investment whose payoff depends upon the value of other assets, such as bond and stock prices, a market index or commodity prices. The Plan's derivative investments included futures, options, and swaps. These derivatives are used to add incremental value at the margin and to hedge or reduce risk. They were used mainly to adjust yield curve exposure, add yield and adjust the duration of the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. This risk is minimized by using exchange-traded futures and options. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. The Board and senior management approve these limits. The Plan's investment consultant reviews the risk positions of the investment managers on a regular basis to monitor compliance with the limits.

The Plan's investment managers utilize financial futures to replicate an underlying security they desire to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Financial future contracts are also used to improve the yield or adjust the duration of the portfolio. Financial futures contracts are agreements to buy or sell a specified amount at a specified delivery or maturity date for an agreed-upon price. The market values of the futures contracts vary from the original contract price; a gain or loss is recognized and paid to or received from the clearinghouse. Financial futures represent an off-balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The cash or securities to meet these obligations are held in the investment portfolio.

The Plan's investment managers utilize options in an effort to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Options are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. As the writer of financial options, the Plan receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the instrument underlying the option. As the purchaser, the Plan pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

The Plan's investment managers utilize swaps in an effort to adjust interest rate and yield curve exposure and substitute for physical securities. Interest rate swaps are agreements between two counter-parties to exchange future cash flows. These are generally fixed vs. variable flows, and can be either received or paid. Long swap positions (receive fixed) increase exposure to long-term interest rates; short positions (pay fixed) decrease exposure.

The Plan's collective trusts also invest in various derivatives; however, these holdings are not reflected in the following table. The following table presents the investment derivatives held by the Plan as of April 30, 2012 and 2011:

	April 30, 2012		
	Number of Contracts	**Contract Principal***	**Fair Value of Futures/Options**
Domestic			
Fixed income futures purchased			
2-year note due June 2012	1	$ 220,547	$ -
U.S. Ultra bond due June 2012	15	2,367,188	-
5-year note due June 2012	29	3,590,109	-
Fixed income futures sold			
90-day EURO$ due December 2014	85	21,025,813	-
10-year note due June 2012	73	9,656,531	-
U.S. Long Bond due June 2012	2	285,750	-
Fixed income written call options			
U.S. 10-year future option due June 2012	16	292,077	(1,750)
U.S. 10-year future option due June 2012	16	948,192	(8,500)
Fixed income purchased call options			
U.S. 10-year future option due June 2012	16	1,870,986	38,250
Fixed income written put options			
2-Year EURO$ due December 2012	45	2,750,168	(7,311)
U.S. Bond Future due May 2012	16	205,740	(2,500)
U.S. Bond Future due May 2012	16	43,434	(500)
Fixed income purchased put options			
2-Year EURO$ due December 2012	45	5,253,480	16,875
U.S. Bond Future due May 2012	16	454,914	6,250
Index swaps - fixed leg receiver			
Pay Markit IOS.FN30.450.10 for 1-month LIBOR matures January 2041	1,128	151,160	(1,128)
Pay Markit IOS.FN30.450.10 for 1-month LIBOR matures January 2041	1,128	151,160	(1,128)
			$ 38,558

	April 30, 2011		
	Number of Contracts	Contract Principal*	Fair Value of Futures/Options
Domestic			
Fixed income futures purchased			
10-year note due June 2011	87	$ 10,539,234	$ -
U.S. Ultra bond due June 2011	10	1,258,750	-
5-year note due June 2011	7	829,281	-
90-day Eurodollar due June 2013	21	21,000,000	-
Fixed income futures sold			
2-year note due June 2010	31	6,792,875	-
Fixed income written call options			
U.S. 10-year future option due June 2011	30	3,634,219	21,563
Interest rate swaps			
Pay 3.25% fixed for 3-month LIBOR matures September 2019	710	710,000	(10,742)
Pay 3.25% fixed for 3-month LIBOR matures September 2019	710	710,000	(10,742)
Pay 3.25% fixed for 3-month LIBOR matures February 2025	340	340,000	(20,053)
Pay 3.25% fixed for 3-month LIBOR matures February 2025	440	440,000	(28,204)
Pay 3.25% fixed for 3-month LIBOR matures February 2025	1,950	1,950,000	(128,467)
Pay 3.25% fixed for 3-month LIBOR matures February 2025	1,100	1,100,000	(71,846)
Index swaps			
Pay Markit IOS.FN30.400.09 - 4% Coupon for 1-month LIBOR matures January 2040	178	178,366	(1,145)
Pay Markit IOS.FN30.500.09 - 5% Coupon for 1-month LIBOR matures January 2040	152	152,270	(977)
Pay Markit IOS.FN30.500.09 - 5% Coupon for 1-month LIBOR matures January 2040	76	76,135	(489)
			$ (251,102)

*Contract principal amounts shown represent the fair value of the underlying assets the contracts control. These are shown to present the volumes of the transactions, but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk. Contract principal values also do not represent actual statement of plan net asset values.

The changes in fair value of the investment derivative instruments approximates their fair value at April 30, 2012 and 2011 and are reported in net appreciation (depreciation) in fair value of investments in the Statement of Changes in Plan Net Assets.

Note 4: Actuarial Methods and Assumptions

An actuary from Cheiron 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 and 2010
Actuarial cost method	Entry age normal cost
Amortization method	20-year layered amortization, level percent of pay for all years except the 5/1/09 Plan Year (30-year layer).
Remaining amortization period	26.3 years

<u>Actuarial Assumptions</u>

Investment rate of return	7.50% per annum
Projected salary increases*	4.0% to 8.0% per annum, depending on age
Cost-of-living adjustments	3.0% per annum

* Includes inflation rate of 3%.

Actuarial Value of Assets

The Plan has adopted a smoothed market method of valuing assets called the "Expected Value Method," which recognizes the fair market value of assets. The following represents the components of the asset valuation:

(a) The actuarial value at the beginning of the year; plus

(b) The contributions less benefits paid during the year; plus

(c) Interest at the assumed net rate of investment return on an actuarial basis; plus

(d) 25% of the difference between market value and the sum of (a), (b) and (c).

If the actuarial value of assets is less than 85% or more than 110% of the market value, an adjustment is made to the actuarial value to bring the value within the corridor.

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 that such changes could materially affect the amounts reported in the statement of plan net assets.

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 continues to present pension systems with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments. 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: Former MAST Employees

On April 26, 2010, more than 300 individuals previously employed by the Metropolitan Ambulance Services Trust (MAST) became employees of the City. The former MAST employees became eligible to participate in the Plan if they elected to not participate in a separate defined contribution plan. Formal elections to participate in the Plan started in fiscal year 2012 and were ongoing as of April 30, 2012. Approximately 150 of these employees have elected to participate in the Plan and 30 employees have not yet made an election.

The City's ordinance went into effect October 1, 2011 and credited these employees with service since April 26, 2010 and provided for certain prior service benefits. The employees must remain employed for 18 months following April 26, 2010 to be vested in the prior service benefit. Management is awaiting an election response from all individuals before calculating the final impact to the actuarial accrued liability. The April 30, 2011 actuarial valuation included all of the former MAST employees as participants with service credit starting on April 26, 2010. The estimate for the prior service benefit as of April 30, 2011 assuming all former MAST employees elected to participate in the Plan was expected to increase the actuarial accrued liability by approximately $24,000,000.

Required Supplementary Information

City of Kansas City, Missouri
The Employees' Retirement System
A Component Unit of the City of Kansas City, Missouri
Required Supplementary Information
Schedule of Funding Progress
Last Ten Fiscal Years

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b - a)/c] UAAL as a Percentage of Covered Payroll
4/30/2002	$ 634,025,842	$ 630,683,891	$ (3,341,951)	101%	$ 146,816,820	N/A
4/30/2003	624,897,653	707,513,176	82,615,523	88%	130,028,040	64%
4/30/2004	627,078,139	740,186,346	113,108,207	85%	137,207,640	82%
4/30/2005	645,609,869	781,899,987	136,290,118	83%	141,605,640	96%
4/30/2006	745,720,993	800,839,808	55,118,815	93%	146,365,332	38%
4/30/2007	823,014,181	847,393,167	24,378,986	97%	158,779,836	15%
4/30/2008	873,680,276	934,333,865	60,653,589	94%	169,867,066	36%
4/30/2009	704,069,429	966,779,322	262,709,893	73%	160,200,649	164%
4/30/2010	749,551,649	994,767,684	245,216,035	75%	153,948,044	159%
4/30/2011	806,792,596	1,010,996,133	204,203,537	80%	163,113,722	125%

City of Kansas City, Missouri
The Employees' Retirement System
A Component Unit of the City of Kansas City, Missouri
Required Supplementary Information
Schedule of Employer Contributions
Last Ten Fiscal Years

Year Ended April 30,	Annual Required Contributions	Percentage Contributed
2002	$ 9,094,835	96%
2003	13,996,455	66%
2004	20,018,740	60%
2005	23,406,798	63%
2006	25,770,978	68%
2007	17,652,900	105%
2008	15,623,936	128%
2009	19,364,846	105%
2010	29,589,060	65%
2011	27,772,227	67%