

City of Kansas City, Missouri
The Employees' Retirement System
A Component Unit of the City of Kansas City, Missouri
Auditor's Report and Financial Statements
April 30, 2013 and 2012

City of Kansas City, Missouri
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A Component Unit of the City of Kansas City, Missouri
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Independent Auditor's 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 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, which comprise the statements of plan net position as of April 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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 financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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
September 24, 2013

City of Kansas City, Missouri
The Employees' Retirement System
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Management's Discussion and Analysis
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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, 2013 and 2012, with selected comparative information for the fiscal year ended April 30, 2011, and should be read along with the financial statements and notes to the financial statements.

The financial statements presented by ERS consist of the: (1) statements of plan net position which reflects resources available for the payment of benefits as of year end and (2) statements of changes in plan net position which reflects the sources and uses of those funds during the year.

The notes to the financial statements are an integral part of the financial statements and include information not necessarily discernible 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.

2013 and 2012 Summary Comparative Information of Plan Net Position

	April 30, 2013	April 30, 2012	Amount Change	Percentage Change
Receivables	\$ 7,193,841	\$ 10,400,584	\$ (3,206,743)	-30.83%
Investments at fair value	951,857,852	879,397,323	72,460,529	8.24%
Securities lending collateral	74,753,441	69,879,742	4,873,699	6.97%
Total assets	<u>1,033,805,134</u>	<u>959,677,649</u>	<u>74,127,485</u>	7.72%
Due to broker for purchases of investments	10,984,392	24,420,182	(13,435,790)	-55.02%
Administrative and investment expenses payable	997,675	771,395	226,280	29.33%
Securities lending collateral	74,753,441	69,879,742	4,873,699	6.97%
Total liabilities	<u>86,735,508</u>	<u>95,071,319</u>	<u>(8,335,811)</u>	-8.77%
Net position	<u>\$ 947,069,626</u>	<u>\$ 864,606,330</u>	<u>\$ 82,463,296</u>	9.54%

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2013 and 2012 Summary Comparative Information of Changes in Plan Net Position

	April 30, 2013	April 30, 2012	Amount Change	Percentage Change
Member contributions	\$ 6,652,125	\$ 6,612,397	\$ 39,728	0.60%
EMS back service contributions	4,755,600	-	4,755,600	100.00%
Employer contributions	20,919,438	18,421,668	2,497,770	13.56%
Net investment income	105,996,710	6,122,273	99,874,437	1631.33%
Total additions	<u>138,323,873</u>	<u>31,156,338</u>	<u>107,167,535</u>	343.97%
Benefits paid to members	52,346,221	49,573,667	2,772,554	5.59%
Refunds of contributions	3,348,203	3,137,589	210,614	6.71%
Administrative expenses	166,153	166,888	(735)	-0.44%
Total deductions	<u>55,860,577</u>	<u>52,878,144</u>	<u>2,982,433</u>	5.64%
Net Increase (Decrease)	82,463,296	(21,721,806)	104,185,102	479.63%
Net Position, Beginning of Year	<u>864,606,330</u>	<u>886,328,136</u>	<u>(21,721,806)</u>	-2.45%
Net Position, End of Year	<u>\$ 947,069,626</u>	<u>\$ 864,606,330</u>	<u>\$ 82,463,296</u>	9.54%

2013 Financial Highlights

Prices of most financial assets rose steadily throughout the year, resulting in a 9.5% (\$82 million) increase in net position. The investment portfolio performed extremely well on both an absolute and relative basis. Net of all associated fees, the portfolio returned 12.4%, compared to an 11.4% gain in the Policy Portfolio benchmark. The domestic equity component, in aggregate, failed to achieve its benchmark, but that was more than offset by the results of the developed non-U.S. equity and fixed income segments. Real estate experience was also favorable.

Investment income of \$106 million contributed to a 9.5% increase in net plan position. Contributions rose by more than \$7 million, with most of the difference attributable to one-time employer contributions remitted to partially fund the benefits for the former employees of the Metropolitan Ambulance Services Trust (MAST) who elected to participate in the plan. Benefits increased by 5.6%, approximating the gain in the prior year, while administrative expenses remained consistent year over year.

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2013 Operational Highlights

A number of investment manager changes were made throughout the year. First, an emerging markets equity manager was terminated for performance reasons, and those assets were redeployed to the remaining emerging markets equity manager. Second, a domestic equity manager was replaced, again due to ongoing performance concerns. Last, an additional global equity manager was retained to boost the global equity allocation, consistent with the recommendations of an earlier Asset Liability study; this mandate was funded by trimming the domestic equity allocation. An Actuarial Equivalence Factor study was conducted, which led to adoption of revised (lower) reduction factors used in benefit calculations. Cash needs were met by liquidation of a combination of fixed income and domestic equity investments.

2012 and 2011 Summary Comparative Information of Plan Net Position

	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	<u>959,677,649</u>	<u>1,012,391,891</u>	<u>(52,714,242)</u>	-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	<u>95,071,319</u>	<u>126,063,755</u>	<u>(30,992,436)</u>	-24.58%
Net position	<u>\$ 864,606,330</u>	<u>\$ 886,328,136</u>	<u>\$ (21,721,806)</u>	-2.45%

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

	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	<u>31,156,338</u>	<u>140,741,333</u>	<u>(109,584,995)</u>	-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	<u>52,878,144</u>	<u>49,741,731</u>	<u>3,136,413</u>	6.31%
Net Increase (Decrease)	(21,721,806)	90,999,602	(112,721,408)	-123.87%
Net Position, Beginning of Year	<u>886,328,136</u>	<u>795,328,534</u>	<u>90,999,602</u>	11.44%
Net Position, End of Year	<u>\$ 864,606,330</u>	<u>\$ 886,328,136</u>	<u>\$ (21,721,806)</u>	-2.45%

2012 Financial Highlights

Net position 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 position 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.

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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 was not known until those employees completed their retirement plan elections during the 2013 fiscal year.

Requests for Information

This financial report is designed to provide members of the City of Kansas City, Missouri The 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 The 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
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Statements of Plan Net Position
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Assets

	2013	2012
Investments, At Fair Value		
Short-term investment funds	\$ 24,014,783	\$ 26,989,636
U.S. Treasuries	8,668,116	581,848
U.S. Federal agencies	2,420,495	13,158,472
U.S. government index linked bonds	334,347	1,808,129
U.S. government backed mortgages	9,794,753	21,396,900
Municipal bonds	557,332	1,789,616
Asset backed securities	1,678,240	3,288,955
Commercial mortgage backed securities	1,313,123	1,807,582
Collateralized mortgage obligations	3,770,292	4,714,970
Foreign debt obligations	2,642,034	4,972,468
Warrants	-	1,910
Corporate bonds - domestic	14,815,033	25,933,574
Corporate bonds - foreign	5,561,040	10,912,741
Domestic preferred equities	47,305	45,585
Domestic common equities	219,537,542	258,820,746
Foreign equities	793,263	8,293,957
Partnerships	23,397,169	20,823,321
Private investment funds	4,094,146	8,018,673
Derivative financial instruments	8,567,941	17,904,143
Collective trusts - equities	409,465,919	280,326,329
Collective trusts - fixed income	184,826,494	144,063,641
Collective trusts - real estate	25,558,485	23,744,127
Total investments	951,857,852	879,397,323
Securities Lending Collateral	74,753,441	69,879,742
Receivables		
Contributions	1,894,009	1,503,780
Investment income	436,595	833,986
Due from broker for sales of investments	4,863,237	8,062,818
Total receivables	7,193,841	10,400,584
Total assets	1,033,805,134	959,677,649
Liabilities		
Due to broker for purchases of investments	10,984,392	24,420,182
Administrative and investment expenses payable	997,675	771,395
Securities lending collateral	74,753,441	69,879,742
Total liabilities	86,735,508	95,071,319
Net Position Restricted for Pensions	\$ 947,069,626	\$ 864,606,330

City of Kansas City, Missouri
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Statements of Changes in Plan Net Position
Years Ended April 30, 2013 and 2012

Additions

	<u>2013</u>	<u>2012</u>
Investment Income		
Interest income	\$ 6,929,953	\$ 11,129,639
Dividend income	6,687,065	4,977,262
Net appreciation (depreciation) in fair value of investments	94,935,181	(7,322,176)
Less investment expense	<u>(2,845,027)</u>	<u>(3,017,196)</u>
Net investment income	<u>105,707,172</u>	<u>5,767,529</u>
Securities Lending Income		
Securities lending gross income	274,012	219,996
Securities lending expenses		
Borrower rebates	139,507	286,679
Management fees	<u>(123,981)</u>	<u>(151,931)</u>
Total securities lending expenses	<u>15,526</u>	<u>134,748</u>
Net securities lending income	<u>289,538</u>	<u>354,744</u>
Total net investment income	<u>105,996,710</u>	<u>6,122,273</u>
Contributions		
Contributions from the City of Kansas City, Missouri	20,919,438	18,421,668
Contributions - EMS supplement	4,755,600	-
Contributions from members	<u>6,652,125</u>	<u>6,612,397</u>
Total contributions	<u>32,327,163</u>	<u>25,034,065</u>
Total additions	<u>138,323,873</u>	<u>31,156,338</u>

Deductions

Benefits Paid to Members	52,346,221	49,573,667
Refunds		
Termination	1,318,251	1,242,438
Retirement	2,029,952	1,895,151
Administrative Expenses	<u>166,153</u>	<u>166,888</u>
Total deductions	<u>55,860,577</u>	<u>52,878,144</u>
Net Increase (Decrease)	82,463,296	(21,721,806)
Net Position Restricted for Pensions, Beginning of Year	<u>864,606,330</u>	<u>886,328,136</u>
Net Position Restricted for Pensions, End of Year	<u>\$ 947,069,626</u>	<u>\$ 864,606,330</u>

City of Kansas City, Missouri
The Employees' Retirement System
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Notes to Financial Statements
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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, 2013 and 2012, the Plan's membership consists of the following:

	<u>2013</u>	<u>2012</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	2,265	2,215
Current employees		
Vested	2,582	2,594
Nonvested	684	704
Inactive	<u>108</u>	<u>70</u>
Total	<u>5,639</u>	<u>5,583</u>

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.

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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, swaps, options, mortgage derivatives, 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, 2013 and 2012. 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, 2012 actuarial valuation, which was the most recent actuarial data available, the actuary recommended a City contribution rate of 17.18%. The City contributed at a rate of 12.03% and 12.12% in 2013 and 2012, respectively, for general employees. The City's contribution rate was 19.5% for judges and elected officials for 2013 and 2012.

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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, 2012, 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
4/30/2012	\$ 847,089,856	\$1,070,752,440	\$ 223,662,584	79%	\$161,134,295	139%

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.

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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.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net position.

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.

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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, 2013 and 2012, 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.

	<u>2013</u>	<u>2012</u>
Market value of securities loaned	\$ 73,274,513	\$ 68,685,706
Market value of cash collateral received from borrowers	\$ 74,753,441	\$ 69,879,742
Market value of non-cash collateral received from borrowers	-	757,443
Total market value of collateral	<u>\$ 74,753,441</u>	<u>\$ 70,637,185</u>

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.

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At April 30, 2013, the Plan had the following investments and maturities:

Type	Fair Value	Maturities in Years				Loaned Under Securities Lending Agreements
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasuries	\$ 8,668,116	\$ -	\$ 5,300,104	\$ 2,714,426	\$ 653,586	\$ 6,334,148
U.S. Federal agencies	2,420,495	-	239,971	1,523,644	656,880	589,323
U.S. government index linked bonds	334,347	-	-	-	334,347	334,347
U.S. government backed mortgages	9,794,753	-	-	-	9,794,753	-
Municipal bonds	557,332	-	-	-	557,332	-
Asset backed securities	1,678,240	-	-	182,177	1,496,063	-
Commercial mortgage backed securities	1,313,123	-	112,006	334,620	866,497	-
Collateralized mortgage obligations	3,770,292	-	-	-	3,770,292	-
Foreign debt obligations	2,642,034	100,194	1,735,279	630,633	175,928	540,733
Corporate bonds - domestic	14,815,033	297,939	4,484,384	6,237,164	3,795,546	2,286,270
Corporate bonds - foreign	5,561,040	164,023	2,668,552	1,684,839	1,043,626	629,513
Money market funds	24,014,783	24,014,783	-	-	-	-
Collective trusts - fixed income	184,826,494	184,826,494	-	-	-	-
		<u>\$209,403,433</u>	<u>\$ 14,540,296</u>	<u>\$ 13,307,503</u>	<u>\$ 23,144,850</u>	
Domestic preferred equities	47,305					-
Domestic common equities	219,537,542					62,324,190
Foreign equities	793,263					235,989
Partnerships	23,397,169					-
Private investment funds	4,094,146					-
Derivative financial instruments	8,567,941					-
Collective trusts - equities	409,465,919					-
Collective trusts - real estate	25,558,485					-
	<u>\$ 951,857,852</u>					<u>\$ 73,274,513</u>

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

Type	Fair Value	Maturities in Years				Loaned Under Securities Lending Agreements
		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	21,396,900	-	-	82,337	21,314,563	-
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	1,807,582	-	155,171	533,224	1,119,187	-
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	-	-	-	-
		<u>\$182,078,269</u>	<u>\$ 12,572,282</u>	<u>\$ 22,556,109</u>	<u>\$ 44,211,872</u>	
Warrants	1,910					-
Domestic preferred equities	45,585					-
Domestic common equities	258,820,746					49,567,741
Foreign equities	8,293,957					6,748,383
Partnerships	20,823,321					-
Private investment funds	8,018,673					-
Derivative financial instruments	17,904,143					-
Collective trusts - equities	280,326,329					-
Collective trusts - real estate	23,744,127					-
	<u>\$ 879,397,323</u>					<u>\$ 68,685,706</u>

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, \$73,274,513 and \$68,685,706 at April 30, 2013 and 2012, respectively, was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

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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, 2013 and 2012, the Plan's fixed income assets that are not explicitly government guaranteed represented 95% of the fixed income portfolio. The following tables summarize the Plan's fixed income portfolio exposure levels and credit qualities at April 30, 2013 and 2012:

Average Credit Quality and Exposure Levels of Nongovernmental Guaranteed Securities

Fixed Income Security Type	Fair Value April 30, 2013	Percentage of all Fixed Income Assets	S&P Weighted Average Credit Quality
U.S. Federal agencies	\$ 1,155,730	0.44%	AA-
U.S. government backed mortgages	7,072,683	2.72%	AA+
Municipal bonds	557,332	0.21%	AA-
Asset backed securities	1,678,240	0.64%	BBB+
Commercial mortgage backed securities	1,313,123	0.50%	A
Collateralized mortgage obligations	3,770,292	1.45%	B-
Foreign debt obligations	2,642,034	1.01%	AA-
Corporate bonds - domestic	14,815,033	5.69%	BBB+
Corporate bonds - foreign	5,561,040	2.14%	BBB+
Money market funds	24,014,783	9.22%	Not rated
Collective trusts - fixed income	184,826,494	70.98%	Not rated
	<u>\$ 247,406,784</u>	<u>95.00%</u>	

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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	4.09%	AA+
U.S. government backed mortgages	21,396,900	8.18%	AA+
Municipal bonds	1,789,616	0.68%	AA-
Asset backed securities	3,288,955	1.26%	BBB
Commercial mortgage backed securities	1,807,582	0.69%	A+
Collateralized mortgage obligations	4,714,970	1.80%	B-
Foreign debt obligations	4,972,468	1.90%	A+
Corporate bonds - domestic	25,933,574	9.92%	BBB+
Corporate bonds - foreign	10,912,741	4.17%	A-
Money market funds	26,989,636	10.32%	Not rated
Collective trusts - fixed income	144,063,641	55.11%	Not rated
	<u>\$ 256,559,190</u>	<u>98.12%</u>	

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, 2013 and 2012, 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.

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Effective Duration of Fixed Income Assets by Security Type at April 30, 2013

Fixed Income Security Type	Fair Value April 30, 2013	Percentage of all Fixed Income Assets	Weighted Average Effective Duration (Years)
U.S. Treasuries	\$ 8,668,116	3.3%	7.4
U.S. Federal agencies	2,420,495	0.9%	5.3
U.S. government index linked bonds	334,347	0.1%	28.8
U.S. government backed mortgages	9,794,753	3.8%	27.8
Municipal bonds	557,332	0.2%	34.1
Asset backed securities	1,678,240	0.6%	20.3
Commercial mortgage backed securities	1,313,123	0.5%	22.8
Collateralized mortgage obligations	3,770,292	1.4%	25.0
Foreign debt obligations	2,642,034	1.0%	6.3
Corporate bonds - domestic	14,815,033	5.7%	11.3
Corporate bonds - foreign	5,561,040	2.1%	9.4
Money market funds	24,014,783	9.2%	**
Collective trusts - fixed income	184,826,494	71.0%	**
	<u>\$ 260,396,082</u>	<u>100.0%</u>	

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	5.0%	5.3
U.S. government index linked bonds	1,808,129	0.7%	22.5
U.S. government backed mortgages	21,396,900	8.2%	28.3
Municipal bonds	1,789,616	0.7%	34.7
Asset backed securities	3,288,955	1.3%	21.1
Commercial mortgage backed securities	1,807,582	0.7%	27.3
Collateralized mortgage obligations	4,714,970	1.9%	26.0
Foreign debt obligations	4,972,468	1.8%	2.8
Corporate bonds - domestic	25,933,574	9.9%	12.1
Corporate bonds - foreign	10,912,741	4.2%	8.5
Money market funds	26,989,636	10.3%	**
Collective trusts - fixed income	144,063,641	55.1%	**
	<u>\$ 261,418,532</u>	<u>100.0%</u>	

**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.

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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, 2013 and 2012 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, swaps, and mortgage derivatives. 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 and mortgage derivatives 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 or mortgage derivative rather than the underlying security (arbitrage). Financial futures contracts and mortgage derivatives 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.

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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, 2013 and 2012:

	April 30, 2013		
	Number of Contracts	Contract Principal*	Fair Value
Domestic			
Fixed income futures purchased			
U.S. Ultra bond due June 2013	16	\$ 2,629,500	\$ -
Fixed income futures sold			
10-year note due June 2013	48	6,401,250	-
5-year note due June 2013	8	997,125	-
U.S. Long Bond due June 2013	2	296,750	-
Fixed income written call options			
U.S. 10-year future option due June 2013	20	806,037	(4,688)
Fixed income purchased call options			
U.S. 10-year future option due June 2013	10	818,768	7,032
Interest rate swaps - fixed leg receiver			
Pay Markit IOS.FN30.450.10 for 1-month LIBOR matures January 2041	107,169	107,169	(1,904)
Pay Markit IOS.FN30.450.10 for 1-month LIBOR matures January 2041	107,169	107,169	(1,904)
Mortgage derivatives purchased			
DBUBS Mortgage Trust due August 2044	481,299	21,399	21,399
FNMA 2012 17 WS 6.356% Due July 2039	175,717	36,346	36,346
FNMA 2012 74 SA 6.456% Due March 2042	200,000	38,459	38,459
FNMA 2012 75 6.406% Due July 2042	88,732	23,396	23,396
FNMA 2012 66 SA 5.806% Due June 2042	81,882	14,378	14,378
FNMA 2012 70 YS 6.456% Due February 2041	93,477	21,863	21,863

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	April 30, 2013		
	Number of Contracts	Contract Principal*	Fair Value
Domestic			
Mortgage derivatives purchased			
FNMA 2012 89 AS 5.856% Due May 2039	384,932	\$ 82,351	\$ 82,351
FNMA 2012 93 SG 5.906% Due September 2042	193,629	46,370	46,370
FNMA 2012 111 JS 5.906% Due July 2040	391,262	94,799	94,799
FNMA 409 C2 Due April 2027	327,882	33,400	33,400
FNMA 409 C13 3.5% Due November 2041	146,755	14,212	14,212
FNMA 409 C18 Due April 2042	376,779	52,833	52,833
FNMA 409 C22 4.5% Due November 2039	336,492	33,989	33,989
FHLMC Multifamily Structured Pass Through			
Cert K009 1.670% Due June 2020	563,843	52,632	52,632
FHLMC K702 X1 1.500% Due August 2020	466,146	38,187	38,187
FHLMC K702 X1 1.551% Due February 2018	1,728,975	114,483	114,483
FHLMC K703 X1 2.087% Due May 2018	610,582	57,219	57,219
FHLMC 3947 SG 5.750% Due October 2041	185,600	44,771	44,771
FHMS K016 X1 K016 X1 1.579% Due October 2021	334,911	36,683	36,683
FHLMC 3997 SK 6.400% Due November 2041	362,723	83,121	83,121
FHMS K017 X1 1.452% Due December 2021	267,218	26,725	26,725
FHLMC 4013 AI 4.00% Due February 2039	565,890	109,171	109,171
FHLMC 4057 BS 5.850% Due September 2039	282,945	61,783	61,783
FHLMC 4057 SA 5.850% Due April 2039	478,147	106,381	106,381
FHLMC 4092 AI 3.00% Due September 2031	1,100,984	125,913	125,913
FHLMC 4120 SV 5.950% Due October 2042	196,634	51,723	51,723
FNMA 2011 63 SW 6.486% Due July 2041	208,722	31,119	31,119
FHLMC Multifamily Structured Pass Through			
Certs K007 X1 1.223% Due April 2020	666,613	44,321	44,321
FNMA 2010 142 SM 6.336% Due December 2040	88,571	13,365	13,365
FHLMC K006 AX1 1.045% Due January 2020	1,440,361	84,578	84,578
GS Mortgage Securities Ttrust 2011 GC5			
XA 1.742% Due August 2044	215,585	18,463	18,463
GNMA 2010 85 HS 6.451% Due January 2040	67,381	11,702	11,702
GNMA 2009 106 SU 6.001% Due May 2037	161,619	23,201	23,201
GNMA 2010 31 GS 6.301% Due March 2039	63,579	9,313	9,313
GNMA 2010 57 QS 6.301% Due May 2040	56,015	10,542	10,542
GNMA 2010 121 SE 5.801% Due September 2040	113,802	18,882	18,882
GNMA 2011 32 S 5.801% Due March 2041	43,888	6,058	6,058
GNMA 2011 70 BS 6.501% Due December 2036	58,610	7,363	7,363
GNMA 2011 146 YS 6.451% Due November 2041	164,155	39,111	39,111
GNMA 2012 66 CI 3.50% Due February 2038	662,700	99,223	99,223
MSBAM 2012-C5 XA 1.926% Due August 2045	198,194	22,379	22,379
WF-RBS Commercial Mortgage Trust 2011 C2			
XA 1.138% Due February 2044	276,570	13,421	13,421
WF-RBS Commercial Mortgage Trust 2012 C7			
XA 1.600% Due June 2045	29,645	3,285	3,285

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	April 30, 2013		
	Number of Contracts	Contract Principal*	Fair Value
Domestic			
Mortgage derivatives purchased (TBA's)			
FNMA 15YR MAY FWD 2.50% Due May 2028	1,200,000	\$ 1,254,750	\$ 1,254,750
FNMA 30YR MAY FWD 2.50% Due May 2043	200,000	202,469	202,469
FNMA 30YR MAY FWD 3.00% Due May 2043	900,000	941,344	941,344
FNMA 30YR MAY FWD 3.50% Due May 2043	700,000	745,828	745,828
FNMA 30YR JUN FWD 3.50% Due June 2043	300,000	318,891	318,891
FNMA 30YR MAY FWD 4.00% Due May 2043	1,500,000	1,605,469	1,605,469
GNMA 30YR MAY FWD 3.00% Due May 2043	100,000	106,406	106,406
GNMA 30YR MAY FWD 4.00% Due May 2043	400,000	437,875	437,875
GNMA II 30YR MAY FWD 3.00% Due May 2043	300,000	318,797	318,797
GNMA II 30YR MAY FWD 3.50% Due May 2043	700,000	758,663	758,663
			<u>\$ 8,567,941</u>

	April 30, 2012		
	Number of Contracts	Contract Principal*	Fair Value
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

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	April 30, 2012		
	Number of Contracts	Contract Principal*	Fair Value
Domestic			
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)
Mortgage derivatives purchased			
DBUBS Mortgage Trust due August 2044	27,894	496,538	27,894
FNMA 2011 87 SJ 5.71% Due September 2041	69,335	383,569	69,335
FNMA 2011 96 SA 6.311% Due October 2041	100,491	538,012	100,491
FHLMC Multifamily Structured Pass Through			
Cert K008 1.679% Due June 2020	57,965	571,721	57,965
FHLMC K009 1.512% Due August 2020	42,144	473,012	42,144
FHLMC K702 1.562% Due February 2018	158,118	2,045,761	158,118
FHLMC K014 1.276% Due April 2021	29,953	337,778	29,953
FHLMC K703 2.092% Due May 2018	99,246	913,602	99,246
FHMS K704 2.010% Due August 2018	101,675	949,201	101,675
FHMS K016 1.585% Due October 2021	38,916	337,297	38,916
FHMS K017 1.460% Due December 2021	28,159	269,819	28,159
FNMA 2011 63 SW 6.441% Due July 2041	53,165	320,524	53,165
FNMA 2010 118 YB 6.261% Due October 2040	43,437	273,228	43,437
FHLMC Multifamily Structured Pass Through			
Cert K007 1.234% Due April 2020	49,533	676,616	49,533
FNMA 2010 142 SM 6.291% Due December 2040	24,590	154,309	24,590
FHLMC K006 AX1 1.056% Due January 2020	94,083	1,461,455	94,083
GS Mortgage Securities Corporation II 2011			
GC5 XA 1.772% Due August 2044	20,696	218,578	20,696
GNMA 2010 85 HS 6.410% Due January 2040	15,477	90,530	15,477
GNMA 2009 106 SU 5.960% Due May 2037	39,394	232,180	39,394
GNMA 2010 3 MS 6.310% Due November 2038	21,559	133,416	21,559
GNMA 2010 31 GS 6.260% Due March 2039	13,866	85,040	13,866
GNMA 2010 50 QS 6.310% Due December 2038	112,547	676,227	112,547
GNMA 2010 57 QS 6.260% Due May 2040	13,206	74,625	13,206
GNMA 2010 60 S 6.260% Due May 2040	26,178	148,375	26,178
GNMA 2010 113 BS 5.760% Due September 2040	25,177	152,386	25,177
GNMA 2010 121 SE 5.760% Due September 2040	25,489	151,610	25,489
GNMA 2011 11 SA 5.760% Due January 2041	13,218	79,904	13,218
GNMA 2011 40 SA 5.891% Due February 2036	73,398	506,399	73,398
GNMA 2011 32 S 5.761% Due March 2041	10,494	79,649	10,494
GNMA 2011 32 SD 5.760% Due March 2041	13,429	82,016	13,429
GNMA 2011 70 BS 6.461% Due December 2036	15,530	86,109	15,530
WF-RBS Commercial Mortgage Trust 2011			
C2 XA Due February 2044	33,583	601,113	33,583

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	April 30, 2012		
	Number of Contracts	Contract Principal*	Fair Value
Domestic			
Mortgage derivatives purchased (TBA's)			
FNMA 15YR May Fwd 2.5% Due May 2027	2,353,906	\$ 2,300,000	\$ 2,353,906
FNMA 15YR May Fwd 3.0% Due May 2027	3,756,375	3,600,000	3,756,375
FNMA 30YR May Fwd 3.5% Due May 2042	1,557,422	1,500,000	1,557,422
GNMA 30YR May Fwd 3.5% Due May 2042	526,641	500,000	526,641
GNMA 30YR May Fwd 4.0% Due May 2042	432,625	400,000	432,625
FHLMC Gold 15YR May Fwd 2.5% Due May 2027	306,844	300,000	306,844
FHLMC Gold 30YR May Fwd 3.5% Due May 2042	310,922	300,000	310,922
FHLMC Gold 30YR May Fwd 4.0% Due May 2042	1,793,234	1,700,000	1,793,234
FHLMC Gold 30YR May Fwd 5.5% Due May 2042	653,344	600,000	653,344
GNMA II 30YR May Fwd 3.5% Due May 2042	1,263,187	1,200,000	1,263,187
GNMA II 30YR Jun Fwd 3.5% Due June 2042	2,204,343	2,100,000	2,204,343
GNMA II 30YR May Fwd 4.5% Due May 2042	328,406	300,000	328,406
GNMA II 30YR May Fwd 5.0% Due May 2042	774,922	700,000	774,922
GNMA II 30YR May Fwd 5.5% Due May 2042	111,469	100,000	111,469
			<u>\$ 17,904,143</u>

*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 position values.

The changes in fair value of the investment derivative instruments approximates their fair value at April 30, 2013 and 2012 and are reported in net appreciation (depreciation) in fair value of investments in the Statements of Changes in Plan Net Position.

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.

City of Kansas City, Missouri
The Employees' Retirement System
A Component Unit of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2013 and 2012

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, 2012 and 2011
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	24.8 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 position.

City of Kansas City, Missouri
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Notes to Financial Statements
April 30, 2013 and 2012

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 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 all elections were finalized during 2013.

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 included those that elected the defined benefit plan as well as those that had not made the final election as of the date of the April 30, 2012 actuary report in the calculation of the actuarial accrued liability. The April 30, 2012 actuarial valuation estimated the prior service cost to increase the actuarial accrued liability by approximately \$16,300,000 for these employees.

During 2013, a supplemental contribution was made to the Plan. This represented a one-time contribution from the City and was comprised of approximately \$3,900,000 of funds the City originally received from MAST, as well as approximately \$840,000 of prior year contributions from the City of Kansas City, Missouri. The prior year contributions were accounted for outside of the Plan until the former MAST employees formalized their election to participate in the Plan.

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
4/30/2003	\$ 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%
4/30/2012	847,089,856	1,070,752,440	223,662,584	79%	161,134,295	139%

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

<u>Year Ended</u> <u>April 30</u>	<u>Annual</u> <u>Required</u> <u>Contributions</u>	<u>Percentage</u> <u>Contributed</u>
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%
2012	26,326,555	78%