63RD
ANNUAL
REPORT

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report

KCPERS

Kansas City Police Employees' Retirement Systems

May 1, 2008 to
April 30, 2009

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report
May 1, 2008 to April 30, 2009

63rd Annual Report

Prepared by:
Kansas City Police Employees'
Retirement Systems
1328 Agnes
Kansas City, Missouri 64127
(816) 482-8138 or (888) 813-8138
Website: www. kcpers.org

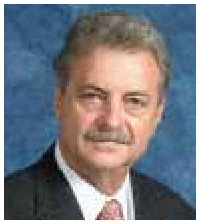
KCPERS

Table of Contents

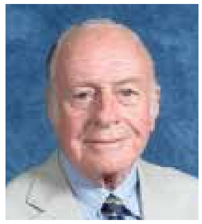
Introductory Section

Retirement Board

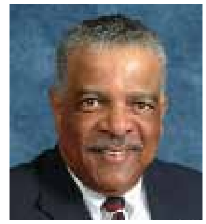
Police Retirement System of Kansas City, Missouri



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

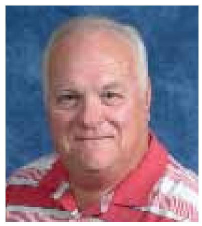


Robert W. Evans Sr.,
Vice-Chairman
Appointed Member

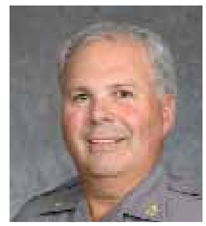


Bailus M. Tate,
Treasurer
Appointed Member

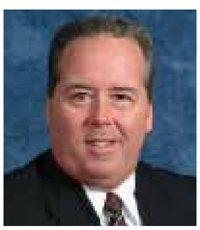
Richard K. Burnett
(Ret.) Captain
Kansas City, Missouri
Police Department



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



Gregory P. Mills
(Ret.) Major
Kansas City, Missouri
Police Department



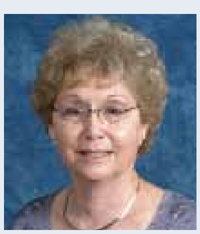
David E. Reyburn
Detective
Kansas City, Missouri
Police Department

Patrick J. Trysla
Appointed Member

Angela Wasson-Hunt
Appointed Member

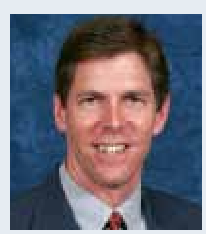
KCPERS Staff

Sharon Blancett
Benefits Coordinator



Connie Davis
Administrative
Assistant

Anna Vollenweider
Accountant



James Pyle
Pension Systems Manager
& Board Secretary

KCPERS
Kansas City Police Employees' Retirement Systems

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

October 12, 2009

Retirement Systems Board
Police Retirement System of Kansas City, Missouri
1328 Agnes
Kansas City, Missouri 64127

Dear Board Members:

It is with great pleasure that I submit the fiscal year 2009 comprehensive annual financial report of the Police Retirement System of Kansas City, Missouri.

Fiscal Year 2009 Projects

The Retirement Board worked with DeMarche Associates to implement a tactical asset allocation process whereby DeMarche could advise the board on tactical changes to our target investment allocations. DeMarche will provide guidance using market indicators, on a monthly basis and more frequently during periods of high market volatility, to overweight or underweight target allocations within the fixed income and equity allocations. The board established ranges that set limits on how much the tactical allocation can vary from the target asset allocation. Staff will implement the tactical calls approved by the board through existing managers for longer term allocation changes and through the use of exchange traded funds in the appropriate index for shorter term allocation changes. DeMarche will also meet two times per year with the Retirement Board for specific discussions of portfolio performance due to tactical asset allocations.

Legislative Changes

House Bill 1710 and Senate Bill 980 became effective in August 2008 and required members of the Police Retirement System to be in active service to be eligible for a duty or non-duty disability retirement. The bills also deleted duplicate language, printed in the statutes, relating to the equalizing supplemental benefit.

House Bill 397 and House Bill 947 became effective in August 2009 and provided $600 minimum pensions to four widows whose husbands died in service and one member who retired on a non-duty disability.

Contents of the Annual Report

The financial information in this report is the responsibility of the management of the Police Retirement System of Kansas City, Missouri. The report is designed to comply with the reporting requirements of sections 86.960 and 105.661 RSMo.

The Police Retirement System of Kansas City was created in 1946 by the Missouri General Assembly to provide retirement and disability benefits for law enforcement members of the Kansas City, Missouri Police Department and survivor benefits for their spouses and children. A nine member Board of Trustees, made up of elected and appointed members, governs the Police Retirement System.

Financial Information

The Police Retirement System is responsible for establishing and maintaining internal controls, which we believe exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. The costs of these internal controls do not exceed the anticipated benefits. The financial statements are prepared using generally accepted accounting principals. Our outside independent auditors, BKD, have audited the financial statements, which are prepared using accrual basis accounting, and reports are produced in a format that complies with the Governmental Accounting Standards Board. The unqualified opinion letter from BKD can be found in the Financial Section of this report. In the management letter to the Retirement Board, BKD identified segregation of duty issues that exist because our staff is so small. We have worked with BKD to implement procedures for cash receipts, purchasing and cash disbursements, and payroll that will segregate duties as much as possible, without adding additional staff.

The following schedule is a summary of the pension fund additions and deductions for the years ended April 30, 2009 and April 30, 2008

	April 30, 2009	April 30, 2008
Additions	($154,671,390)	$23,295,017
Deductions	45,394,340	44,022,306
Net Change	($200,065,370)	($20,727,289)

Additions include contributions from both members and the city, and gains or losses from investments. Deductions include benefits paid to members, refunds of contributions and administrative expenses. From FY 2008 to FY 2009 additions decreased by $177,966,407; investment losses increased by $179,442,588 and contributions from both members and the city increased by $1,476,181. From FY 2008 to FY 2009 deductions increased by $1,372,034; benefits paid increased by $1,295,233, refunds of contributions increased by $125,280 and administrative expenses decreased by $48,479. Please review Management's Discussion and Analysis which can be found on pages 15 through 18 for a further explanation of the changes in our financial position and the steps taken by the board of trustees during the fiscal year to protect the value to the portfolio, reduce risk, and maintain our funded ratio.

For the actuarial valuation dated April 30, 2009, the funded ratio of valuation assets to liabilities of the Police Retirement System, which covers 2,607 members, decreased by 15% to 72%. The decrease in the funded ratio is due to investment performance from the current year and prior years. Member contributions remain at 10.55% while employer contributions remain at 19.7% of payroll. The employer contribution rate is below the annual required contribution rate of 26.22% for the fiscal year beginning May 1, 2009 and the projected annual required contribution rate of 36.76% for the fiscal year beginning May 1, 2010.

Investment Activity

The volatile and unprecedented losses in the investment markets for the year ending April 30, 2009 had a significant negative impact on the Retirement System assets. Our investment portfolio produced a total return of -24.3% and the policy benchmark return for the year was -24.2%, which means our investment managers had a 0.1% loss versus the markets. That investment performance did not come close to meeting our assumed rate of return, for actuarial purposes, of 7.75%. For the year ending April 30 RCM, Waddell & Reed, and LSV Emerging Market finished in the 1st Quartile against a peer group of large cap growth managers, small cap growth managers and emerging market value managers, respectively. RCM outperformed the Russell 1000 Growth index, Waddell & Reed outperformed the Russell 2000 Growth index, and LSV outperformed the MSCI Emerging Market index. LSV and GE Emerging Market finished in the 2nd Quartile against a peer group of large cap value managers and emerging market growth managers, with LSV outperforming the Russell

1000 Value index and GE meeting the MSCI Emerging Market index. FCI and LSV International finished in the 3rd Quartile against their peer groups. FCI outperformed the Barclays Government/Credit index and LSV underperformed the MSCI EAFE index. Prudential and GE International finished in the 4th Quartile against their peer groups. Prudential underperformed the NCREIF Property index and GE underperformed the MSCI EAFE index.

With all the market turmoil this past year we stayed in close contact with our fund managers through meetings in the KCPERS office and regular conference calls. The Ad Hoc Investment Committee reviewed proposals from small cap value equity managers and high yield bond managers and made recommendations to the full board to hire Vaughan Nelson Investment Management for small cap value and Shenkman Capital Management for high yield bonds. The Retirement Board also transferred funds invested with Systematic Financial Management to Russell 2000 Value iShares while we completed the search for a new small cap value manager. The board also hired Gresham Investment Management to invest in commodities that track the Dow Jones/UBS Commodities index. With the hiring of Gresham and the recommendation to hire a high yield bond manager, the Retirement Board has completed its plan to diversify the asset allocation of the Police Retirement System.

The total asset allocation is explained further in the Summary of Investment Policies and Objectives on page 35. The asset allocation is further explained in Management's Discussion and Analysis on page 17. More information regarding the investment professionals who provide services to the Police Retirement System can be found in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Police Retirement System of Kansas City, Missouri for its comprehensive annual financial report for the fiscal year ended April 30, 2008. This was the seventh consecutive year that the Retirement System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The fiscal year 2009 annual report is the result of work by both Retirement Systems staff and outside advisors and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with the legislative and industry reporting requirements, and most importantly help our members learn more about the financial status of their retirement system.

The four of us in the KCPERS office thank each of our board members, our retirement system members, our outside advisors and the Kansas City Police Department for all your contributions towards the successful operation of the Police Retirement System.

Respectfully submitted,

James J. Pyle
Pension Systems Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Police Retirement System of Kansas City, Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2008

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

President

Executive Director

KCPERS
Kansas City Police Employees' Retirement Systems

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

October 12, 2009

Dear Members,

On behalf of the Retirement Systems Board I am pleased to provide you with the Police Retirement System of Kansas City, Missouri Comprehensive Annual Financial Report for the fiscal year ending April 30, 2009. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

This past year was financially very stressful for everyone involved with the retirement system. The near collapse of the financial system, triggered by the meltdown in the mortgage banking industry, was an unprecedented event that spread to every segment of our economy. In this disastrous scenario there were no safe havens for investors. As you look through this report, you will see the impact of a 25% loss on our investments in FY2009. In spite of those losses, we have substantial assets to pay benefits well into the future and you need not worry about receiving your monthly pension check. Unfortunately, going forward we know some of the benefit increases our members have come to expect are going to change. The losses we incurred this past year will require long term investment performance above normal assumptions and increased contributions to bring retirement system assets back to expected levels.

We continue to invest system assets conservatively, with a view towards the long term. The losses we incurred were not normal and were not the result of risky investments. Our portfolio returns were similar to other retirement systems with diversified investments in stocks and bonds. Going forward we will continue to stick to a diversified asset allocation and to rebalance the portfolio to take advantage of market conditions that could lead to improved returns.

I want to tell you about one significant change on our board. In July, after 43 years of public service to the members of the Police Retirement System, Robert Turgeon's 21st term on the board expired. Bob was involved in hundreds of decisions that shaped the investment and benefit philosophy of the retirement system. He was a tireless advocate for protecting the security of your benefits. In Bob's place we welcome Patrick Trysla to the board and look forward to his advice and guidance through his experience as an investment banker and mergers and acquisitions attorney.

In closing I want to thank you, our members, for your continuing support of our efforts to safeguard your benefits and improve the operations of the Police Retirement System of Kansas City, Missouri. I also want to thank our staff in the KCPERS office for their hard work and assistance to our members and the Retirement Board.

Sincerely,

Gary R Howell

Gary Howell
Retirement Board Chairman

Outside Professional Services

ACTUARY

Milliman, Inc.
Patrice Beckham, Brent Banister
Omaha, Nebraska

AUDITORS

BKD, LLP
William Nicks
Kansas City, Missouri

INVESTMENT MANAGEMENT CONSULTANT

DeMarche Associates, Inc.
William Miskell
Overland Park, Kansas

Emcor
Robert Woodard
Lawrence, Kansas

LEGAL COUNSEL

Slagle, Bernard & Gorman
Gerald W. Gorman
Kansas City, Missouri

MASTER TRUSTEE/CUSTODIAN

The Northern Trust Company
Patricia Somerville-Koulouris
Chicago, Illinois

INVESTMENT ADVISORS

Financial Counselors, Inc.
Peter Greig, Graham Hunt
Kansas City, Missouri

RCM Capital Management
Scott Migliori, Peter Sullivan
San Francisco, California

Waddell & Reed Asset Management Group
Mark Seferovich, Nikki Newton
Overland Park, Kansas

G E Asset Management
Jonathan Passmore, David Pappalardo
Stamford, Connecticut

LSV Asset Management
Keith Bruch
Chicago, Illinois

Prudential Real Estate Investors
Darin Bright, Kevin Smith
Parsippany, New Jersey

Abbott Capital Management, LLC
Meredith Rerisi, Charles van Horne
New York, New York

JPMorgan Investment Management, Inc.
Lawrence Unrein, Katherine Rosa
New York, New York

Northern Trust Global Investments
Gregory Williams
Chicago, Illinois

Gresham Investment Management LLC
Jonathan Spencer, Jonathan Berland
New York, New York

Shenkman Capital Management, Inc.
Mark Flanagan, Nicole Lupo
Stamford, Connecticut

Vaughan Nelson Investment Management, LP
Chris Wallis, Mark Farrell
Houston, Texas

Financial Section

BKD LLP
CPAs & Advisors

120 West 12th Street Suite 1200
Kansas City, MO 64105-1936
816 221-6300 Fax 816 221-6380 **www.bkd.com**

Independent Auditors' Report on Financial Statements and Supplementary Information

Retirement Board
Police Retirement System of Kansas City, Missouri
Kansas City, Missouri

We have audited the accompanying basic financial statements of the Police Retirement System of Kansas City, Missouri (the Plan), a component unit of the City of Kansas City, Missouri, as of and for the year ended April 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Police Retirement System of Kansas City, Missouri as of April 30, 2009, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described more fully in Note 4 to the financial statements, during 2009, the Plan implemented Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*.

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

Our audit was conducted for the purpose of forming an opinion on the Plan's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for 2009 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. We previously expressed an unqualified opinion on the 2008, 2007, 2006, 2005 and 2004 financial statements.

BKD, LLP

Kansas City, Missouri
July 31, 2009

The Police Retirement System of Kansas City, Missouri is the defined benefit retirement plan for law enforcement members of the Kansas City, Missouri Police Department. The Police Retirement System was established by the Missouri General Assembly in 1946 and is administered by the Retirement System Board to provide retirement, disability and survivor benefits to its members.

This discussion and analysis of the Police Retirement System's financial statements provides an overview of its operations and investment performance during the year ended April 30, 2009. Please read it in conjunction with the Police Retirement System's financial statements, which follow this section.

Overview of Financial Statements and Accompanying Information

- The financial statements presented in this report are the Statement of Plan Net Assets as of April 30, 2009 and the Statement of Changes in Plan Net Assets for the year ended April 30, 2009. These statements reflect resources available for the payment of benefits as of the year-end, and the sources and use of those funds during the year.

- The notes to the financial statements are an integral part of the financial statements and provide facts and detailed information to assist the reader in understanding the statements. Information in the notes includes a description of the Plan, a summary of significant accounting policies, the method used to value investments, a summary of investments and actuarial methods and assumptions.

- Required supplementary information presents schedules related to employer contributions and the funding of the Plan.

- Other supplementary schedules consist of detailed information supporting administrative and investment expenses and a historical summary of revenues and expenses.

Financial Analysis

The Police Retirement System's benefits are funded through member and employer contributions, and investment income. The net assets of the Police Retirement System decreased by $200,065,730 or (27.24%) from $734,379,847 as of April 30, 2008 to $534,314,117 as of April 30, 2009. The decrease was due to significant investment losses and negative cash flow for the Plan.

Plan Net Assets

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

	April 30, 2009	April 30, 2008	Amount Change
Cash and cash equivalents	$24,251	$19,586	$4,665
Receivables	1,716,213	2,620,117	(903,904)
Investments	534,662,291	732,609,621	(197,947,330)
Securities lending collateral	79,967,193	130,312,491	(50,345,298)
Office equipment	4,306	5,323	(1,017)
Total assets	**616,374,254**	**865,567,138**	**(249,192,884)**
Accounts and refunds payable	579,974	874,800	(294,826)
Securities lending collateral	81,480,163	130,312,491	(48,832,328)
Total liabilites	**82,060,137**	**131,187,291**	**(49,127,154)**
Net assets	**$534,314,117**	**$734,379,847**	**($200,065,730)**

Changes in Plan Net Assets

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

	April 30, 2009	April 30, 2008	Amount Change
Member contributions	$8,982,366	$8,459,762	$522,604
Employer contributions	16,700,688	15,747,111	953,577
Net investment loss	(180,354,444)	(911,856)	(179,442,588)
Total additions	**(154,671,390)**	**23,295,017**	**(177,966,407)**
Benefits paid to members	44,097,817	42,802,584	1,295,233
Refunds of contributions	746,454	621,174	125,280
Administrative expenses	550,069	598,548	(48,479)
Total deductions	**45,394,340**	**44,022,306**	**1,372,034**
Net Decrease	**(200,065,730)**	**(20,727,289)**	**(179,338,441)**
Net Assets, Beginning of Year	**734,379,847**	**755,107,136**	**(20,727,289)**
Net Assets, End of Year	**$534,314,117**	**$734,379,847**	**($200,065,730)**

Financial Highlights

Net assets held in trust by the Police Retirement System, as reported in the Statement of Plan Net Assets, totaled $534,314,117 as of April 30, 2009. Net assets decreased by $200,065,730 or (27.24%). Total assets decreased by $249,192,884 or (28.79%) while total liabilities decreased by $49,127,154 or (37.45%). The decrease in total assets included: 1) a $197,947,330 decrease in investments due to investment performance; and 2) a $50,345,298 decrease in securities lending collateral due to significant credit and liquidity problems in the investment markets.

The Statement of Changes in Plan Net Assets shows a change in net assets at the end of the year of (27.24%) compared to a loss of 2.74% at the end of fiscal year 2008. Total additions to the Plan decreased by $177,966,407 or (764%) while total deductions from the Plan increased by $1,372,034 or 3.12%.

The decrease in total additions included: (1) A $179,442,588 decrease in net investment income which is the result of even greater investment losses than the prior year. For FY2009, net investment loss was $180,354,444. The portfolio's investment rate of return was (24.34%) with investment losses totaling $177,401,864 and investment expenses totaling $2,952,580. (2) A $522,604 increase in member contributions to the Plan and a $953,577 increase in employer contributions from the City of Kansas City, Missouri. The increases in member and employer contributions are due to payroll growth rather than changes to the contribution rates.

The increase in total deductions included an increase of $1,295,233 for benefits paid to members, which is made up of $1,127,893 for increased benefit payments through new retirements and a cost of living increase, and a $167,340 increase in partial lump-sum option payments to members at the time of retirement. Refunds of contributions to members leaving the Police Department increased by $125,280 while administrative expenses decreased by $48,479 mainly due to legal expenses.

For the sixth year in a row, employer contributions did not equal the amount, or percentage of compensation, recommended by the Retirement System actuary. For the year ended April 30, 2009, employee contributions were 10.55% of compensation and employer contributions were 19.70%, which is 9.34% below the annual required contribution rate of 29.04%. For the year beginning May 1, 2009, employer contributions are budgeted to remain at 19.70% of compensation.

The Retirement Board reviews the allocation of investments on a quarterly basis and the Retirement Board Investment Policy calls for a rebalancing, back to a target allocation, when either the fixed income or equity asset classes are ±7% from the target allocation. The portfolio was rebalanced in May 2008 and February 2009. In May 2008, Gresham was hired as a commodity manager. In September 2008, Northern Trust declared a collateral deficiency in the Securities Lending collateral account and issued a $1.5 million long term liability. In December 2008, the board terminated investments in Systematic's small cap value fund and transferred the assets to small cap value exchange traded funds. The board also started the search process for a new small cap value manager and a high yield bond manager.

Operational Highlights

In August 2008, the provisions of Senate Bill 980 and House Bill 1710 became effective and deleted duplicate language related to the equalizing supplemental benefit and provided that members must be in active status to be eligible for either a duty or non-duty disability retirement benefit. In January 2009, House Bill 397 was introduced in the Missouri General Assembly to provide a $600 minimum pension to certain widows and a member who retired on a non-duty disability. The bill was signed into law by the Governor and became law on July 9, 2009.

The Retirement Board contracted with DeMarche Associates to assist with tactical asset allocation. On a monthly basis, DeMarche will provide guidance on the asset allocation of the Police Retirement System to tactically allocate fixed income and equity assets within a range set by the Retirement Board.

Requests For Information

This financial report is designed to provide members of the Police Retirement System, citizens, investors and creditors of the City of Kansas City, Missouri with a general overview of the Police Retirement System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Kansas City Police Employees' Retirement Systems, 1328 Agnes, Kansas City, Missouri 64127.

There are no other currently known facts, conditions or decisions that are expected to have a significant effect on the financial position or results of operations of the Police Retirement System.

STATEMENT OF PLAN NET ASSETS

April 30, 2009

Assets

Investments, At Fair Value	
U.S. government securities	$30,354,321
Corporate bonds and notes	100,275,262
Common and preferred stock	243,831,328
Government mortgage-backed securities	34,180,981
Partnerships	10,907,191
Real estate	19,104,233
Short-term investment funds	21,134,223
Emerging markets equities	5,497,660
Commodities	10,805,735
Foreign equities	58,571,357
Total investments	534,662,291
Securities Lending Collateral	79,967,193
Receivables	
Accrued interest and dividends	1,715,486
Other	727
Total receivables	1,716,213
Office Equipment, net of depreciation of $57,834	4,306
Cash	24,251
Total assets	616,374,254

Liabilities

Accounts and refunds payable	579,974
Securities lending liability	1,512,970
Securities lending collateral	79,967,193
Total liabilities	82,060,137
Net Assets Held in Trust for Pension Benefits	$534,314,117

(See Schedule of Funding Progress on Page 31)
See Notes to the Financial Statements.

POLICE RETIREMENT SYSTEM OF KANSAS CITY, MISSOURI

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended April 30, 2009

Additions

Investment Income (Loss)	
Net depreciation in fair value of investments	($197,510,339)
Interest and dividends	19,221,334
Investment expense	(2,952,580)
Net investment loss	(181,241,585)
Securities Lending Income	
Securities lending gross income	2,375,750
Securities lending expenses	
Borrower rebates	(1,220,783)
Management fees	(267,826)
Total securities lending expenses	(1,488,609)
Net securities lending income	887,141
Total net investment loss	(180,354,444)
Contributions	
City	16,700,688
Members	8,982,366
Total contributions	25,683,054
Total additions	(154,671,390)

Deductions

Benefits Paid	
Retired members	31,911,809
Spouses	5,117,427
Children	116,403
Disabled	5,978,251
Partial lump sum option	957,927
Death benefits	16,000
Total benefits paid	44,097,817
Other Deductions	
Refunds of contributions	746,454
Adminstrative expenses	550,069
Total other deductions	1,296,523
Total deductions	45,394,340
Net Decrease	(200,065,730)
Net Assets Held in Trust for Pension Benefits, Beginning of Year	734,379,847
Net Assets Held in Trust for Pension Benefits, End of Year	$534,314,117

See Notes to the Financial Statements.

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Police Retirement System of Kansas City, Missouri (the Plan) is considered a component unit of the City of Kansas City, Missouri financial reporting entity and included in the City's financial reports as a pension trust fund due to the nature of the Plan's reliance on funding from the City of Kansas City, Missouri. Accounting principles generally accepted in the United States of America require that the financial reporting entity include the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

Measurement Focus and Basis of Accounting

The Plan uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Plan's fund is classified as a pension trust fund of fiduciary fund type. Pension trust funds account for assets held by the Plan in a trustee capacity or as an agent on behalf of others and are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Interest and dividend income are recorded when earned. Expenses are recorded when the corresponding liabilities are incurred. Realized gains and losses on security transactions are based on the difference between sales proceeds and carrying value of the securities, and are recognized on the transaction date. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Contributions

Contributions totaling $25,683,054 ($16,700,688 employer and $8,982,366 employees) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2008. As a percentage of payroll, the amount contributed did not equal the ARC. Significant actuarial assumptions used include (a) rate of return on the investment of present and future assets of 7.75% per year compounded annually, (b) projected salary increases based on years of service and (c) post-retirement benefit increase of 3% per year of the original base pension granted annually.

As a condition of participation in the Plan, members are required to contribute a certain percentage of their compensation until they retire. For the year ended April 30, 2009, the member contribution rate was 10.55% of compensation. The computed City contribution rate of 29.04% was the balance required to pay pensions and maintain the Plan on an actuarially sound basis and would fund the normal cost and amortize the net unfunded actuarial accrued liability. For the year ended April 30, 2009, the City contributed at a rate of 19.70% of members' salaries.

Note 1: Summary of Significant Accounting Policies (Continued)

The actual contributions by the City have been less than the rates recommended by the actuary in six of the last ten years. The Plan is dependent upon the relationship of actual Plan experience with the underlying actuarial assumptions and sufficient funding by the City to meet future cash flow needs.

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

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2008, 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
4/30/08	$742,060,223	$850,763,745	$108,703,522	87%	$86,700,836	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.

Valuation of Investments and Income Recognition

Marketable securities are stated at fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan year; investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

For certain investments consisting of corporate bonds and notes that do not have an established fair value, the Plan has established a fair value based on yields currently available on comparable securities of issuers with similar credit ratings and quotations are obtained from brokerage firms or national pricing services.

The private equity partnerships consist primarily of non-marketable investments in various venture capital, corporate finance funds and private partnerships. These funds are primarily invested in the technology, communications, energy and real estate markets. A portion of these funds is also invested in foreign operations under certain partnership agreements. The plan is obligated to pay certain capital commitments to the partnerships. These outstanding commitments totaled $23,328,765 at April 30, 2009. The fair value of these investments is estimated based on the estimated fair values of the underlying securities. These estimates could change materially in the near term.

Securities which are not traded on a national security exchange are valued by the respective investment manager or other third parties based on similar sales.

Note 1: Summary of Significant Accounting Policies (Continued)

Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Administrative Expenses

Actuarial, investment management and bank trustee fees and expenses are included in the Plan's expenses when incurred. These expenses are financed through investment income. The Kansas City, Missouri Police Department provides office space without any direct cost to the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Plan Tax Status

The Plan obtained its determination letter on February 14, 2006, in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code and, therefore, not subject to tax.

Note 2: Plan Description

The following description of the Police Retirement System of Kansas City, Missouri provides only general information. Participants should refer to the Plan Statutes (Sections 86.900 to 86.1280 RSMo) for a more complete description of the Plan's provisions.

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

Note 2: Plan Description (Continued)

At April 30, 2009, the Plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	1,186
Terminated plan members entitled to but not yet receiving benefits	11
Active employees	
Vested	463
Non-vested	947
Total	**2,607**

The Plan provides retirement benefits and disability benefits. Members become vested for retirement benefits after 15 years of service or the combination of 10 years of service and age 60. Members who retire with 25 or more years of creditable service or those who retire at age 60 with 10 or more years of service are entitled to an annual pension of 2.5% of final average compensation multiplied by the number of years of creditable service, subject to a maximum limit of 75% of final compensation as defined in the Plan. When an officer voluntarily resigns with 15 years of service or more, the member is entitled to an annual pension, beginning at age 55, of 2.5% of final average compensation multiplied by the number of years of creditable service. All benefits vest after 15 years of creditable service and members shall retire upon completion of 30 years of creditable service.

When members terminate employment prior to becoming vested in the Plan or when vested members elect to withdraw their accumulated contributions, they shall be paid their accumulated contributions in one lump sum.

The Plan provides for a disability pension based on the member's final average compensation for the remainder of his or her natural life or so long as the disability continues. The Plan also provides for death benefits when an accident or occupational disease, arising out of and in the course of regular duties, is the natural and proximate cause of the death of the member. This benefit amounts to $50,000.

An annual cost of living adjustment, not to exceed 3%, may be provided for members receiving benefits.

Current and future retired and disabled members and their surviving spouses were eligible to receive $420 per month as a supplemental benefit for the year ended April 30, 2009.

The minimum monthly benefit for retired members and surviving spouses is $600 in combined pension benefit amounts and cost of living adjustments. To be eligible for the $600 monthly minimum, the officer must have had at least 25 years of creditable service or be retired or have died as a result of an accident or illness occurring in the line of duty or course of employment.

Surviving spouses are eligible to receive 80% of the pension amount being received by the retiree at the time of death.

Note 2: Plan Description (Continued)

The Plan is permitted by state statute to withhold amounts on behalf of members receiving benefits, including amounts for health and life insurance premiums. The Plan does not contract with insurance carriers on behalf of its members; instead, all insurance premiums are remitted through the Kansas City Police Department.

Note 3: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Plan's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Missouri; bonds of any city, county, school district or special road district of the State of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Plan had no bank balances exposed to custodial credit risk at April 30, 2009.

Investments

For the year ended April 30, 2009, Northern Trust was the master custodian for substantially all of the securities of the Plan. The investments held by the Plan are managed by ten Board-appointed money managers. Each of the money managers has a different asset allocation based on Board-approved policy. The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, real estate, partnerships, corporate bonds, commodities and equity securities.

Securities Lending Transactions

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

The Plan has contracted with Northern Trust as its third-party lending agent to lend domestic equity and debt securities for cash collateral of not less than 102% of the market value and international debt and equity securities of not less than 105% of the market value. Contracts with the lending agent require it to indemnify the Plan if borrowers fail to return the securities, if the collateral is inadequate to replace the securities lent or if the borrowers fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan; therefore, non-cash collateral is not recorded as an asset or liability on the financial statements.

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

Market value of securities loaned	$78,175,996
Market value of cash collateral received from borrowers	$79,967,193
Market value of non-cash collateral received from borrowers	-
Total market value of collateral	$79,967,193

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, 2009, the Plan under its securities lending agreement with Northern Trust was responsible for a collateral deficiency of $1,512,970, which is recorded as a liability on the Plan's Statement of Plan Assets. This obligation is due to certain market events that have driven the markets into a highly illiquid condition. The obligation may be reduced over time as holdings mature and investment valuations return to normal; however, the liability will continue to exist reflecting any impaired holdings which are expected to pay out at a percentage of par.

At April 30, 2009, the Plan had the following investments and maturities:

		Maturities in Years				
Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**	**Loaned Under Securities Lending Agreements**
U.S. Treasury obligations	$20,309,017	$1,022,891	$8,252,930	$6,995,071	$4,038,125	$20,309,017
U.S. agencies obligations	10,045,304	–	10,045,304	–	–	7,431,262
Corporate bonds	100,275,262	40,762,664	28,740,386	18,047,972	12,724,240	5,570,579
Government mortgage-backed securities	34,180,981	–	–	–	34,180,981	–
Money market mutual funds	21,134,223	21,134,223	–	–	–	–
		$62,919,778	$47,038,620	$25,043,043	$50,943,346	
Corporate stocks	243,831,328					44,865,138
Real estate	19,104,233					–
Partnerships	10,907,191					–
Emerging market equities	5,497,660					–
Commodities	10,805,735					–
Foreign equities	58,571,357					–
Total	**$534,662,291**					**$78,175,996**

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

Interest Rate Risk – The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. The debt securities are presented in their respective category based on final maturity date. The Plan's investment policy does not specifically address exposure to fair value losses arising from rising interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Plan's policy to limit its investments in corporate bonds to those that are rated Baa or better by credit rating agencies. The Plan's portfolio must have an average rating of A or better in the aggregate as measured by at least one credit rating agency. At April 30, 2009, the Plan's investments in corporate bonds were rated Baa or better by *Standard & Poor's*. At the same date, the Plan's investments in U.S. agencies obligations not directly guaranteed by the U.S. government (including Federal National Mortgage Association, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation) were rated AAA by *Standard & Poor's* and its investments in money market mutual funds were rated AAA by *Standard & Poor's*.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, $78,175,996 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

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

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

Investment Income (Loss)

Investment loss for the year ended April 30, 2009, consisted of:

Interest and dividend income	$19,221,334
Net decrease in fair value of investments	(197,510,339)
	(178,289,005)
	2,952,580
Less investment expense	($181,241,585)

Note 4: Actuarial Methods and Assumptions

During the current year, the Plan adopted Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*. The effect of the adoption was to require additional disclosures about the actuarial methods and assumptions used in the valuations on which reported information about the annual required contributions, the funded status and funding progress are based.

An actuary from Milliman determines the actuarial present value of accumulated plan benefits, which is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The information presented in the required supplemental schedules was determined as part of the actuarial valuations as of dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	April 30, 2008
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	17 years

Actuarial Assumptions:	
Investment rate of return	7.75% per annum
Inflation rate	3.00% per annum
Cost of living adjustments	3.00%, simple

Projected salary increases based on years of service as follows:

Years of Service	General Wage Growth	Merit and Longevity	Total
0	4.0%	5.75%	9.75%
1	4.0%	5.50%	9.50%
2	4.0%	4.50%	8.50%
3	4.0%	4.00%	8.00%
4	4.0%	4.00%	8.00%
5	4.0%	4.00%	8.00%
10	4.0%	3.50%	7.50%
15	4.0%	0.00%	4.00%
20	4.0%	0.00%	4.00%
25	4.0%	0.00%	4.00%

Note 4: Actuarial Methods and Assumptions (Continued)

Actuarial accrued liability as of April 30, 2008:

Active employees accruing benefits	
Present value of future benefits	$563,061,143
Present value of future normal costs	226,605,156
Total active employees accruing benefits	336,455,987
Retired and inactive members	
Members with deferred benefits	2,736,001
Members receiving benefits	453,324,758
Retired and inactive members with medical supplemental benefits	58,246,999
Total retired and inactive members	514,307,758
Total actuarial accrued liability	850,763,745
Assets, at actuarial value	742,060,223
Unfunded actuarial accrued liability	**$108,703,522**

Actuarial Value of Assets are defined as follows:

Market Value of Assets on the Valuation Date

Minus 75% of net Realized and Unrealized Gain (Loss) during the prior plan year
Minus 50% of net Realized and Unrealized Gain (Loss) during the plan year two years prior
Minus 25% of net Realized and Unrealized Gain (Loss) during the plan year three years prior

Note 5: Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of net assets available for benefits.

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

Current Economic Conditions

The current economic environment, which in some cases have resulted in large declines in the fair value of investments, presents employee benefit plans with unprecedented circumstances and challenges. The financial statements have been prepared using values and information currently available to the Plan.

Given the volatility of current economic conditions, the values of assets recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Plan.

Note 6: Litigation

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b–a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
4/30/2003	$611,246,928	$682,690,968	$71,444,040	90%	$62,425,468	114%
4/30/2004	603,418,620	712,273,616	108,854,996	85%	66,230,606	164%
4/30/2005	604,560,607	741,001,020	136,440,413	82%	67,575,902	202%
4/30/2006	635,621,582	775,271,985	139,650,403	82%	71,835,495	194%
4/30/2007	698,078,688	807,902,176	109,823,488	86%	80,111,515	137%
4/30/2008	742,060,223	850,763,745	108,703,522	87%	86,700,836	125%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
2004	$15,095,290	85%
2005	15,774,578	84%
2006	18,992,671	72%
2007	21,444,703	68%
2008	22,749,385	69%
2009	24,311,281	69%

SCHEDULE OF EXPENSES

Year Ending April 30, 2009

Investment Expenses	
Bank custodial fees and expenses	$127,528
Financial management expenses	2,761,156
Financial consultation	63,896
Total	**$2,952,580**
Administrative Expenses	
Salaries and payroll taxes	$306,509
Legal	50,434
Audit	15,104
Medical fees	16,195
Actuarial fees	53,083
Fringe benefits	42,145
Printing and office expense	12,989
Postage	7,334
Board meetings	1,299
Travel and educational expense	15,376
Insurance	2,893
Depreciation	2,423
Legislative consultation	20,684
Other	3,601
Total	**$550,069**

Investment Section

DEMARCHE
ASSOCIATES, INC.

September 29, 2009

Dear Interested Parties,

DeMarche Associates serves as the investment consultant for the Kansas City Police Employees' Retirement Systems. Our primary objective is to provide the Retirement Board with information, advice, and a process in which appropriate investment decisions can be made and implemented through an investment policy. The degree of portfolio success may be in part attributable to the degree by which a process is implemented and followed within the three major areas of fiduciary responsibility: asset allocation, including diversification of assets and formulation of investment policy guidelines, prudent delegation of investment management, and ongoing performance measurement.

Current investment objectives of the fund include preserving principal and maximizing the rate of return to the System to meet approved actuarial assumptions. The System's absolute investment objective is a minimum return target of the Consumer Price Index plus 4%. The System also has a relative objective consisting of weighted returns of applicable investment style benchmarks.

The current asset allocation is based upon the fund's investment objective, given its risk/return profile, time horizon, and return expectations. The fund has delegated investment management functions to professional managers. The Board has diversified these investments among equities, fixed income, real estate, commodities and private equity. Further equity diversification includes domestic and international, large cap and small cap, and growth and value. DeMarche provides performance measurement, using quarterly data supplied by the fund's custodian on a time-weighted rate of return methodology based on market values. Appropriate summaries and comparisons of investment performance are then provided to the Retirement Board.

The Board reviews the quarterly performance of their investment managers, comparing them to benchmarks and peer universes. Early this year the Retirement Board hired Discretionary Management Services (DMS), an affiliate of DeMarche Associates, to provide, at least monthly, tactical asset allocation calls for the fund's assets excluding non-liquid assets. The Board provided DMS with target allocations for asset classes and styles and allowable ranges around the targets. The Retirement Board and its staff have the responsibility of implementing these calls.

While high yield bonds have been included in the asset allocation, the Board had tactically deferred the investment. However, earlier this year the Retirement Board conducted a high yield bond manager search and hired and funded an outside high yield bond manager. The Board has also made additional commitments to their private equity manager over the last year.

The Retirement Board is committed to a long-term investment policy that maximizes returns within the Board's acceptable level of risk.

Regards,
DEMARCHE ASSOCIATES, INC.

William Miskell

William Miskell
Executive Vice President
Chief Administrative Officer

P.O. Box 7027 • Kansas City, Missouri 64113 • 913-384-4994

Summary of Investment Policies and Objectives

Investment performance objectives were established to give the retirement system a method to evaluate investment return of the system's portfolio and individual managers. The system's investment return will be measured against and expected to exceed the following benchmarks: 1) Absolute Investment Objective, a minimum return target of the Consumer Price Index plus 4%; 2) Relative Standard Performance, a relative return objective of 35% S&P 500 Index, 10% Russell 2000 Index, 12% MSCI EAFE Index, 31% Barclays Government/Corporate Index, 4% NCREIF Index, 3% MSCI Emerging Markets Index, 3% Dow Jones/UBS Commodity Index, 1% 3 Month Treasury Bill Rate + 0.5% and 1% Actual Private Equity Return; 3) Comparative Standards of Performance, a relative return objective of above median in a 65% equity and 35% bond balanced manager universe.

The asset allocation as of year end was 57% equities, 35% bonds and cash, and 8% alternatives. The equities allocation was divided into 33% large cap stocks, 12% small cap stocks, 11% international stocks, and 1% emerging markets. The allocations to international and emerging market stocks are held in commingled funds. The individual international commingled funds total more than 5% of plan assets and as a result must be disclosed under Governmental Accounting Standards Board rules. However none of the individual stocks in any of the commingled fund makes up more than 5% of the total assets. The alternative allocation is divided into 4% real estate, 2% commodities, and 2% private equity.

With the addition of a commodity fund and the selection of a high yield bond manager, the Retirement Board continued to move toward an asset allocation of 59% equities, 28% bonds and fixed income, and 13% alternatives. The equity allocation is divided into 34% large and mid cap stocks, 10% small cap stocks and 15% international stocks. The international allocation is further subdivided into 12% large cap international and 3% emerging markets stocks. The bond and fixed income allocation is divided into 23% intermediate bonds and up to 5% high yield bonds. The alternative allocation is divided into 5% real estate, 3% private equity, and up to 5% commodities. The expected return for this new asset allocation is 8.93% and expected standard deviation (risk) is 10.74%.

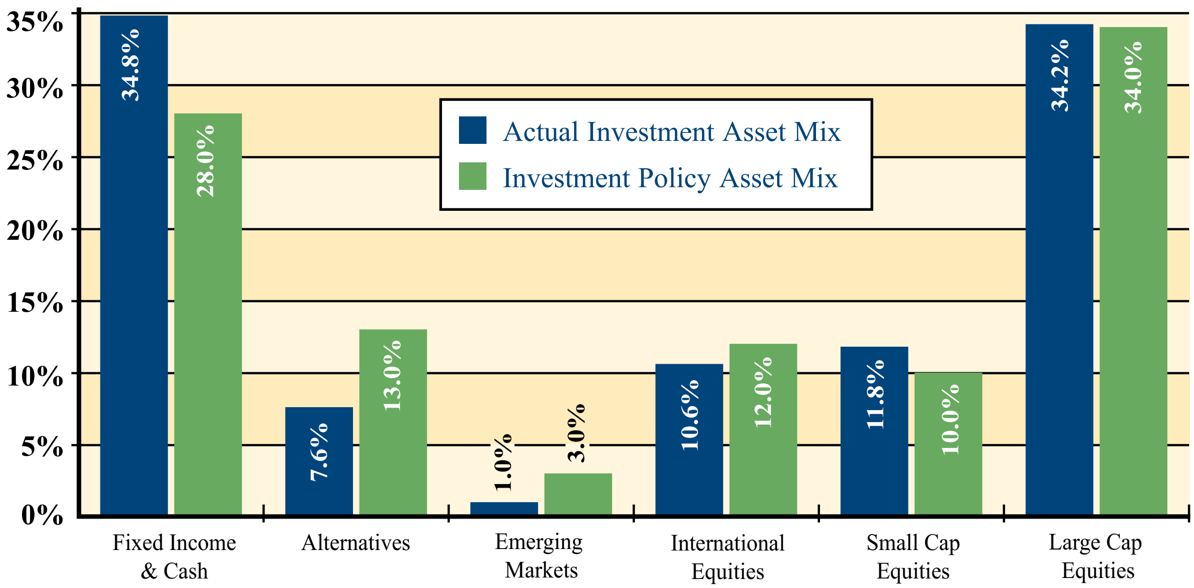
The Retirement Board met with staff from DeMarche Associates on a quarterly basis to review the performance of each of the investment managers hired by the Retirement Systems. Performance is reviewed both on an absolute basis, did the manager make or lose money, and on a relative basis, how did the manager perform compared to their designated benchmark. DeMarche also provides comparative information about how the investment manager's performance stacked up against other managers in their asset class. Starting in January 2009 the Retirement Board contracted with DeMarche to provide monthly tactical asset allocation calls to equities, fixed income, and cash. The Retirement Board established target allocations for the asset classes and allowable ranges around the targets. The board and staff are responsible for implementing the tactical calls.

In May 2008 the Retirement Board started funding an allocation to commodities through investments with Gresham Investment Management. In December the Retirement Board replaced Systematic Financial Management as our small cap value manager. The allocation was invested in Russell 2000 Value iShares while a search was conducted for a new small cap value manager. In March 2009 the board started implementing tactical asset allocations from DeMarche through the purchase and sale of exchange traded funds in the appropriate asset class. The Retirement Board also completed searches for future investments in small cap value equities and high yield bonds with the hiring of Vaughan Nelson Investment Management for small cap value and Shenkman Capital Management for high yield.

Summary of Investment Policies and Objectives
(Continued)

Asset Allocation

Year Ending April 30, 2009

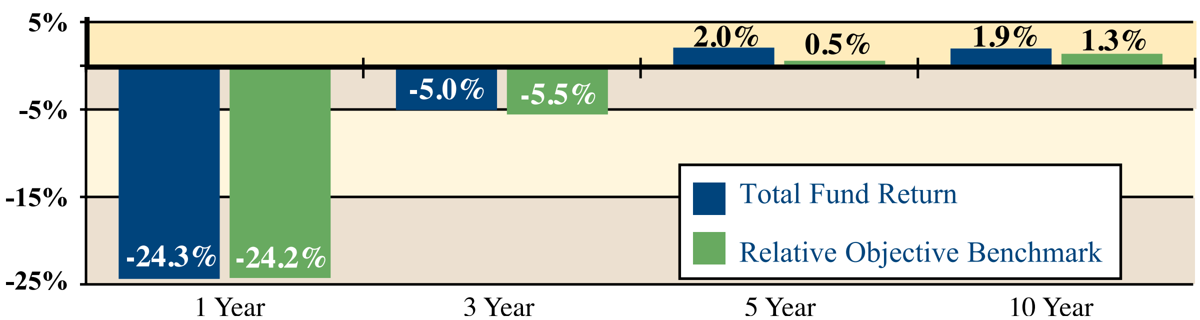


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2009. However, the results for the ten year returns are available for the quarter ending March 31, 2009 rather than for the fiscal year ending April 30, 2009. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2009 (Ten Year Returns as of March 31, 2009)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	3.5%	5.9%	4.7%	5.7%
Barclays Govt/Credit		*2.6%*	*5.6%*	*4.4%*	*5.6%*
GE Asset Mgmt	Foreign Equities	(44.6%)	(9.8%)	3.9%	1.2%
LSV Asset Mgmt	Foreign Equities	(44.3%)			
MSCI EAFE		*(42.8%)*	*(12.3%)*	*0.7%*	*(0.8%)*
Waddell & Reed	Small Cap Growth Equities	(25.3%)	(8.1%)	2.0%	5.0%
Russell 2000 Growth		*(30.4%)*	*(12.1%)*	*(1.7%)*	*(1.6%)*
RCM Capital Mgmt	Large Cap Growth Equities	(27.0%)	(5.8%)	(0.3%)	
Northern Trust Index	Large Cap Growth Equities	(31.6%)			
Russell 1000 Growth		*(31.6%)*	*(8.5%)*	*(2.4%)*	
Russell 2000 Value iShares	Small Cap Value Equities	N/A			
Russell 2000 Value		*(31.4%)*	*(13.5%)*	*(1.4%)*	
LSV Asset Mgmt	Large Cap Value Equities	(37.2%)	(12.2%)	0.1%	
Russell 1000 Value		*(39.2%)*	*(13.2%)*	*(2.5%)*	
Prudential PRISA II	Real Estate	(36.5%)	(4.8%)		
NCREIF Property		*(14.7%)*	*4.2%*		
GE Asset Mgmt	Emerging Markets	(42.2%)			
LSV Asset Mgmt	Emerging Markets	(39.2%)			
MSCI Emerging Mkts		*(42.9%)*			
Abbott Capital	Private Equity	(4.7%)	(2.6%)		
JP Morgan	Private Equity	(19.1%)	(10.7%)		
Gresham LLC	Commodities	N/A			
Tactical ETFs	Exchange Traded Equities	N/A			
Total Fund		**(24.3%)**	**(5.0%)**	**2.0%**	**1.9%**
Absolute Objective		***5.9%***	***6.4%***	***6.8%***	***6.5%***
Relative Objective		***(24.2%)***	***(5.5%)***	***0.5%***	***1.3%***



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

Schedule of Largest Assets Held

Ten Largest Equity Holdings April 30, 2009	Market Value
1) AT&T Inc.	$3,284,484
2) Apple Inc.	2,909,693
3) Chevron Corp.	2,895,180
4) Exxon Mobil Corp.	2,766,805
5) Pfizer Inc.	2,631,920
6) J P Morgan Chase & Co.	2,481,600
7) Qualcomm Inc.	2,331,155
8) Verizon Communications	2,321,010
9) Google Inc. Class A	2,072,111
10) ConocoPhillips	2,041,800

Ten Largest Bond Holdings April 30, 2009	Market Value
1) US Treasury Notes 4.25% Due 2013	$6,071,054
2) US Treasury Notes 3.75% Due 2018	5,256,650
3) Federal National Mortgage Assoc. Pool #918560 5.5% Due 2037	5,042,701
4) Federal National Mortgage Assoc. Pool #831298 5.5% Due 2036	4,180,016
5) Federal National Mortgage Assoc. 5.25% Due 2012	4,170,120
6) Federal National Mortgage Assoc. Pool #928196 5.5% Due 2037	4,091,624
7) Emerson Electric Co. Notes 5.125% Due 2016	4,081,160
8) Merrill Lynch & Co Notes Variable Rate Due 2010	4,073,549
9) US Treasury Bonds 5.25% Due 2029	4,038,125
10) JPMorgan Chase & Co. Notes 6.75% Due 2011	3,837,163

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2009

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Investment Technology Group Inc	3,634,493	$93,908,098	$67,186	$0.018
Liquidnet Inc	2,358,668	43,846,407	45,893	0.019
Merrill Lynch Pierce Fenner & Smith	836,355	22,608,976	20,026	0.024
UBS Warburg LLC	900,954	22,621,501	16,555	0.018
Weeden & Co	499,425	10,483,037	9,153	0.018
Instinet Corporation	342,926	7,842,738	8,449	0.025
Credit Suisse First Boston Corporation	10,805,701	28,552,895	8,028	0.001
Goldman Sachs & Company	359,881	14,082,126	8,019	0.022
Morgan Stanley & Company Inc New York	4,047,830	11,168,394	7,989	0.002
Citigroup Global Markets Inc / Smith Barney	10,725,494	29,928,608	7,193	0.001
JP Morgan Securities Inc	120,443	4,899,233	4,653	0.039
Jefferies & Company	195,235	2,645,738	4,093	0.021
Stifel Nicolaus & Company	1,377,400	6,546,732	3,878	0.003
Deutsche Bank Securities Inc	104,604	3,417,939	3,862	0.037
Robert W Baird & Company Inc Milwaukee USA	90,120	1,809,935	3,370	0.037
Lehman Brothers Inc New York	94,600	2,829,588	3,292	0.035
LaBranche Financial Services	128,560	3,739,792	3,192	0.025
Needham & Company	100,500	1,171,087	3,185	0.032
Others (including 47 brokerage firms)	11,610,530	51,352,807	47,313	0.004
Totals	**48,333,719**	**363,455,631**	**$275,329**	**$0.006**

Zero commission trades excluded from above	91,402,577	$142,625,652

Investment Summary

Year Ending April 30, 2009

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/09	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$164,810,565	30.8%
Cash			21,134,222	4.0%
GE Asset Management	Jun 1994	Foreign Equities	19,803,747	3.7%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	19,770,705	3.7%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	54,897,617	10.3%
LSV Asset Management	Feb 2003	Large Cap Value Equities	81,382,207	15.2%
Prudential PRISA II	Sep 2004	Real Estate	19,104,233	3.6%
Abbott Capital Management	Aug 2005	Private Equity	7,054,369	1.3%
JPMorgan Investment Management	Jan 2006	Private Equity	3,852,822	0.7%
LSV International Value	Jun 2006	Foreign Equities	20,018,578	3.7%
NTGI Russell 1000 Growth	Aug 2007	Large Cap Growth Equities	35,904,597	6.7%
GE Emerging Markets	Aug 2007	Emerging Markets	2,640,448	0.5%
LSV Emerging Markets	Aug 2007	Emerging Markets	2,857,212	0.5%
Gresham Investment Management	May 2008	Commodities	10,805,735	2.0%
Russell 2000 Value iShares	Dec 2008	Small Cap Value Equities	22,831,831	4.3%
Tactical ETFs	Mar 2009	Exchange Traded Equities	47,793,403	9.0%
		Total	**$534,662,291**	

Investment Summary (Continued)

Year Ending April 30, 2009

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$313,668	$3,975	$0.000
GE Asset Management	213,296	—	—
Waddell & Reed Investment Management	218,046	30,776	0.026
RCM Capital Management	271,541	35,986	0.033
Systematic Financial	162,198	153,445	0.022
LSV Asset Management	427,535	29,482	0.011
Prudential PRISA II	263,686	—	—
Abbott Capital Management	151,991	—	—
JPMorgan Investment Management	95,000	—	—
LSV International Value	171,374	—	—
NTGI Russell 1000 Growth	23,808	—	—
GE Emerging Markets	80,955	—	—
LSV Emerging Markets	70,304	—	—
Gresham Investment Management	297,754	—	—
Tactical ETFs	—	21,665	0.020
Total	**$2,761,156**	**$275,329**	**$0.006**

Actuarial Section

Milliman

1120 South 101st Street
Suite 400
Omaha, NE 68124
USA
Tel +1 402 393 9400
Fax +1 402 393 1037
milliman.com

October 12, 2009

The Retirement Board
Police Retirement System of
Kansas City, Missouri
1328 Agnes
Kansas City, MO 64127

Dear Members of the Board:

The basic financial objective of the Police Retirement System of Kansas City, Missouri is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Police Retirement System of Kansas City, Missouri to present and future retirees and beneficiaries.

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of April 30, 2009.

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial data annually.

The actuary prepared, or assisted in preparing, the following supporting schedules for the Comprehensive Annual Financial Report:

Actuarial Section

- Summary of Assumptions
  - Funding Method, Asset Valuation Method, Interest Rate
  - Payroll Growth
  - Probabilities of Age & Service Retirement
  - Probabilities of Separation from Active Employment Before Age & Service Retirement
- Short-Term Solvency Test
- Membership Data
- Analysis of Financial Experience

- Supplementary Schedules
  – Schedule of Funding Progress
  – Schedule of Employer Contributions
  – Notes to Trend Data

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The April 30, 2009 actuarial valuation includes assumptions and methods resulting from the experience study covering the 5-year period from May 1, 2002 to April 30, 2007, as adopted by the Board based on advice of the actuary.

The System experienced an actuarial loss this year, primarily due to unfavorable investment return. For the continued well being of the System it is important that a plan be instituted for receiving contributions at the levels recommended in the actuarial valuation. Absent such action, COLAs may not be able to be granted and benefit levels may need to be reconsidered. The System is 72% funded as of April 30, 2009, based on the actuarial value of assets, and 60% funded based on the market value of assets.

Based upon the results of the April 30, 2009 valuation, future contributions need to be increased for the Police Retirement System of Kansas City, Missouri to meet its basic financial objective and return to sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

MILLIMAN, Inc.

Patrice Beckham *Brent A. Banister*

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

Brent A. Banister, F.S.A.
Actuary

Summary of Actuarial Assumptions and Methods

The investment rate of return is 7.75% per year (adopted 10/3/97) based on an underlying rate of inflation of 3.0% per year (adopted 2/12/08).

The System uses a four-year smoothed market approach to value plan assets for actuarial purposes. (Adopted 10/12/00)

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

For healthy and disabled retirees and surviving beneficiaries, and all active employees, the System uses the RP-2000 Tables for both males and females (adopted 2/12/08).

The rates to measure the probabilities of age and service retirements are included in the Rates of Retirement table on the following pages.

Tables for Rates of Separation from Active Membership and Rates of Disability are shown on the following pages.

The projected average salary increase attributable to inflation is 4.0% (adopted 2/12/08); merit and longevity increases range from 0.0% to 5.75% (adopted 2/12/08) depending upon the sample years of service. These increases include an underlying assumption of 3.0% for inflation (adopted 2/12/08). The table for Pay Increase Assumptions is shown on the following pages.

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

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

The System periodically prepares a study using actual experience in order to develop assumptions to be used in its actuarial valuations. The latest study was completed in February 2008 for the period May 1, 2002 through April 30, 2007. The Retirement System Board adopted the recommendations and assumptions from the February 2008 experience study for the valuation dated April 30, 2009 at the February 12, 2008 board meeting.

The most recent valuation was completed by Milliman, Inc. and was based on members of the System as of April 30, 2009. All census data was supplied by the System and was subject to reasonable consistency checks. Milliman, Inc. completed the 2007 through 2009 valuations. Gabriel, Roeder, Smith & Company completed the valuations from 2002 through 2006. William M. Mercer, Inc. completed all previous valuations.

Summary of Actuarial Assumptions and Methods (Continued)

Mortality Tables. For active members, the RP-2000 Employees Table using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

For healthy retirees, the RP-2000 Healthy Annuitant Table using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

For disabled retirees, the RP-2000 Healthy Annuitant Table set forward 5 years using Scale AA to model future mortality improvement was used. (Adopted 2/12/08)

Rates of separation from active membership. The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment. (Adopted 2/12/08)

Sample Ages	% of Active Members Separating within Next Year	
	Male	Female
25	5.8%	6.3%
30	3.8%	5.0%
35	2.4%	3.5%
40	1.6%	1.6%
45	1.1%	0.5%
50	0.6%	0.0%

Summary of Actuarial Assumptions and Methods (Continued)

Rates of Disability. These assumptions represent the probabilities of active members becoming disabled. It was assumed that 55% of disabilities would be duty related. (Adopted 2/12/08)

Sample Ages	% of Active Members Becoming Disabled within Next Year	
	Male	Female
30	0.062%	0.134%
35	0.312%	0.672%
40	0.416%	0.896%
45	0.437%	0.941%
50	0.759%	1.635%
55	1.456%	3.136%
60	2.579%	5.555%

Rates of Retirement. These rates are used to measure the probabilities of an eligible member retiring during the next year. (Adopted 2/12/08)

Active Members Retiring Within Next Year	
Years of Service	Percent Retiring
25	25%
26	25%
27	25%
28	25%
29	55%
30	100%

Summary of Actuarial Assumptions and Methods (Continued)

Pay increase assumptions for individual active members are shown below. (Adopted 2/12/08)

	Annual Rate of Pay Increase for Sample Years of Service		
Years of Service	General Wage Growth	Merit and Longevity	Total
0	4.0%	5.75%	9.75%
1	4.0%	5.50%	9.50%
2	4.0%	4.50%	8.50%
3	4.0%	4.00%	8.00%
4	4.0%	4.00%	8.00%
5	4.0%	4.00%	8.00%
10	4.0%	3.50%	7.50%
15	4.0%	0.00%	4.00%
20	4.0%	0.00%	4.00%
25	4.0%	0.00%	4.00%

Schedule of Active Member Valuation Data

Six Years Ended April 30, 2009

Valuation April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2004	1,303	$66,230,606	$50,829	3.1%
2005	1,285	67,575,902	52,588	3.5%
2006	1,355	71,835,495	53,015	0.8%
2007	1,391	80,111,515	57,593	8.6%
2008	1,433	86,700,836	60,503	5.1%
2009	1,410	89,884,411	63,748	5.4%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2009

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Year Ended April 30	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits	% Increase in Annual Benefits	Average Annual Benefits
2004	38	$1,214,976	30	$582,329	1162*	$31,382,052	4.4	$27,007
2005	36	1,194,013	24	420,756	1174*	32,862,853	4.7	27,992
2006	37	1,317,604	25	407,332	1186*	34,524,112	5.1	29,110
2007	42	1,352,192	39	783,851	1189*	35,867,172	3.9	30,166
2008	45	1,259,038	46	803,604	1188*	37,132,056	3.5	31,256
2009	26	926,993	28	523,897	1186*	38,357,598	3.3	32,342

Benefit amounts do not include $420 supplemental benefit.

* The total number does not reflect QDROs receiving benefits. For reporting purposes, the member and respective QDRO have been grouped together as one pension.

Short-Term Solvency Test

Valuation Date April 30	ENTRY AGE ACCRUED LIABILITIES (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
2004	$50,340,747	$448,521,694	$213,411,175	$603,418,620	100%	100%	49%
2005	55,220,395	460,235,649	225,544,976	604,560,607	100	100	40
2006	59,717,930	476,677,326	238,876,729	635,621,582	100	100	42
2007	64,314,276	487,633,976	255,953,924	698,078,688	100	100	57
2008	70,012,081	511,571,757	269,179,907	742,060,223	100	100	60
2009	76,321,890	521,607,916	295,629,284	641,176,940	100	100	15

Note: Results for years before 2007 were prepared by the prior actuary.

Analysis of Financial Experience

Year Ended April 30, 2009

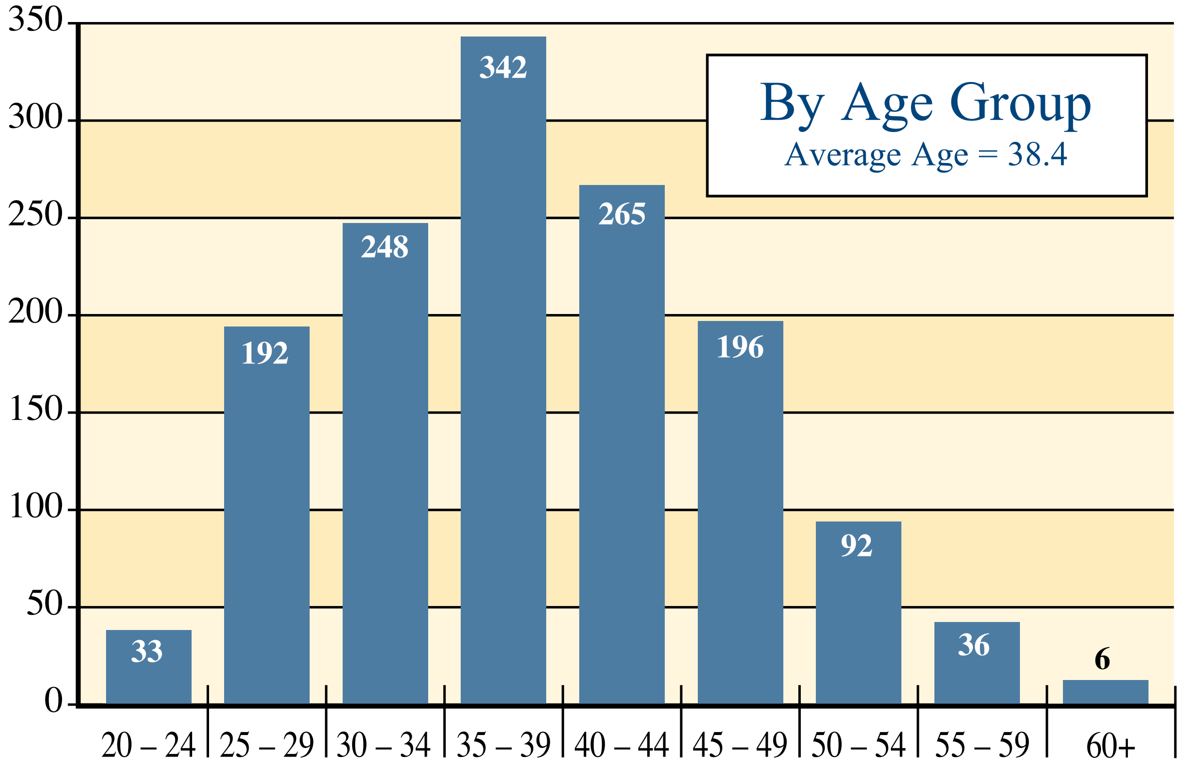
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

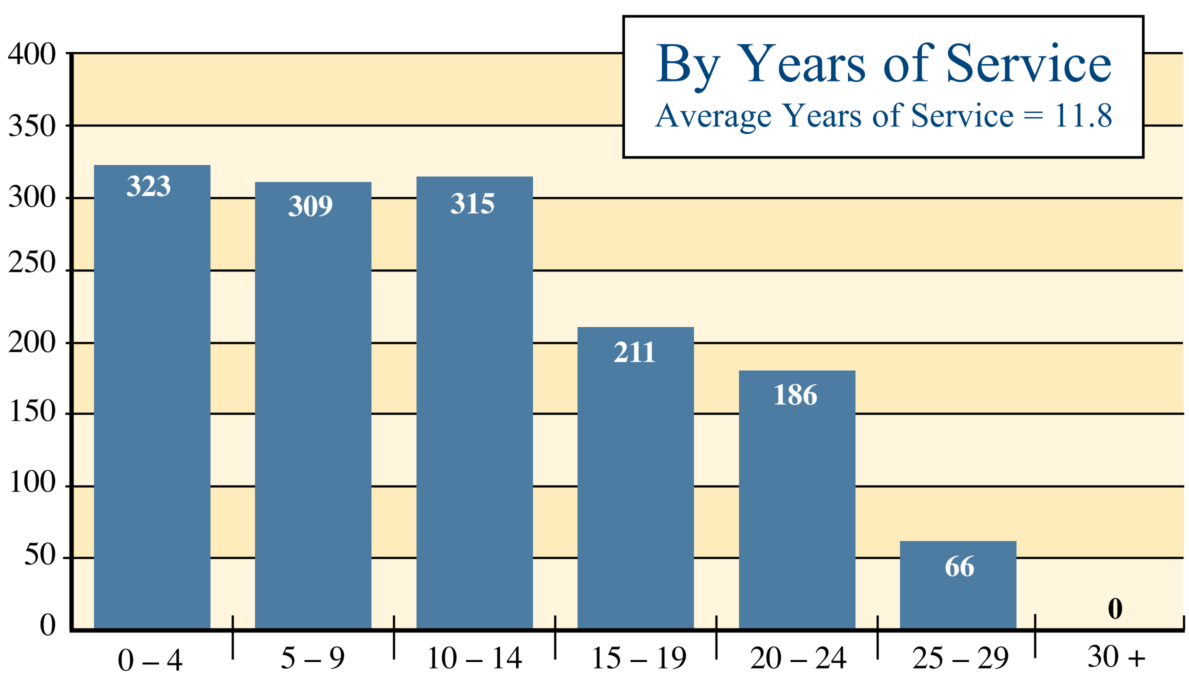
			$ Millions
(1)		UAAL* at start of year	$108.7
(2)	+	Normal cost for year	22.3
(3)	+	Assumed investment return on (1) & (2)	10.2
(4)	-	Actual contributions (member + city)	25.7
(5)	-	Assumed investment return on (4)	1.0
(6)	=	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	114.5
(7)	+	Increase (decrease) from plan amendments	–
(8)	+	Increase (decrease) from assumption change	–
(9)	=	Expected UAAL after changes (6) + (7) + (8)	114.5
(10)	=	Actual UAAL at year end	252.4
(11)	=	Experience gain (loss) (9) - (10)	($137.9)
(12)	=	Percent of beginning of year AAL	(16.2%)

* Unfunded Actuarial Accrued Liability/(Surplus)

Year Ended April 30	2004	2005	2006	2007	2008	2009
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	(5.1%)	(3.1%)	0.5%	5.4%	1.1%	(16.2%)

Active Membership





Summary Plan Description

Membership

All police officers who serve as law enforcement officers for compensation shall become members of the Police Retirement System of Kansas City, Missouri as a condition of their employment. Members do not include police commissioners, reserve officers, or civilian employees.

Creditable Service

Membership service includes all service rendered as a police officer for compensation. Creditable service includes current membership service and may also include purchases of prior service, military service, and other qualifying public service.

Service Interruptions

If a member is on an approved leave of absence for 30 consecutive days or less, or for military leave under certain condition, there is no interruption in the members' service. If a member is on leave of absence for more than 30 consecutive days the member may receive service credit by paying the applicable member contributions to the Retirement System. Under certain conditions a member may be eligible for creditable service for military leave without paying the applicable member contributions. Creditable service does not include any time a member is suspended from service without pay. The Board of Police Commissioners must approve a leave of absence.

Prior Service

A member who terminates membership with five years or more of creditable service and later returns may be given credit toward retirement for that prior service. However, the member must first repay to the Retirement System the amount refunded to them upon separation plus interest.

Prior Military Service

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

Other Public Employment

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

Contributions

All members contribute a percentage of their base pay until they retire or have completed 30 years of creditable service. The member contribution rate is 10.55% of base pay. Member contributions are made through payroll deduction on a pre-tax basis and paid into the Retirement System by the Board of Police Commissioners each pay period.

The City of Kansas City, Missouri contributes 19.7% of members' base pay. The current annual required contribution to maintain the Retirement System on an actuarially sound basis is 26.22% of base pay. Future contribution rates will be based on actuarial requirements.

Retirement Benefits

A member is eligible to retire after completing 25 or more years of creditable service and must retire after completing 30 years of creditable service or turning age 60, whichever occurs first. However, the

Board of Police Commissioners may, upon recommendation of the Chief of Police, permit a member who has reached age 60 but has not yet completed 30 years of creditable service to continue in service until they reach age 65.

Age and Service Retirement
Upon retirement, a member with at least 25 years of creditable service or a member who is age 60 with at least 10 years of creditable service shall receive an annual pension calculated as follows:

For a member retiring on or after August 28, 2000, the annual benefit is calculated by multiplying 2.5% of the member's Final Compensation by the number of years of total creditable service. The pension benefit may not exceed 75% of the member's Final Compensation. For a member retiring before August 28, 2000, the annual benefit was calculated by multiplying 2.0% of the member's Final Compensation by the number of years of total creditable service. The pension benefit may not exceed 60% of the member's Final Compensation.

Final Compensation is generally the member's average annual compensation over the 24 months of service for which the member received the highest base salary.

Minimum Pension Benefit
Any member who retired entitled to a pension benefit and who either has at least 25 years of creditable service or is retired as a result of an injury or illness, shall receive a minimum monthly benefit of not less than $600 in combined pension benefit and cost-of-living adjustments. A surviving spouse qualifies for the minimum monthly benefit if the officer had at least 25 years of creditable service, died in service, or was retired as a result of an injury or illness. The minimum monthly pension benefit is in addition to the Supplemental Retirement Benefit.

Disability Benefits
A member eligible for disability benefits must be in active service and have a permanent disability that prevents the member from performing the full and unrestricted duties of a police officer. A duty disability is the exclusive result of an accident occurring within the actual performance of duty or through an occupational disease arising out of and in the course of employment. A non-duty disability is the result of an injury or illness not exclusively caused by the actual performance of official duties or the member's own negligence.

A member eligible for a duty disability pension, as certified by the Medical Board of the Retirement System to the Board of Police Commissioners shall have no age or service requirement and will receive a pension equal to 75% of the member's Final Compensation for so long as the permanent disability shall continue. The pension may be subject to offset or reduction by amounts paid or payable under any Workers' Compensation law. A disability retiree who is not age 60 may be required by the Retirement Board to undergo periodic medical examinations.

A member eligible for a non-duty disability pension, as certified by the Medical Board of the Retirement System to the Board of Police Commissioners, must have 10 or more years of creditable service and will receive a pension equal to 2.5% of the member's Final Compensation multiplied by the number of years of the member's creditable service for so long as the permanent disability shall continue. A non-duty disability retiree who is not age 60 may be required by the Retirement Board to undergo periodic medical examinations.

Partial Lump-sum Option Payment (PLOP)
A Partial Lump-sum Option Payment (PLOP) is available to members electing a normal retirement who have 26 or more years of creditable service. A member with at least 26 years of creditable service may elect a lump-sum amount equal to 12 times the initial monthly base pension they would have received without making the PLOP election.

A member with at least 27 years of creditable service may elect a lump-sum amount equal to

24 times the initial monthly base pension they would have received without making the PLOP election.

A member with at least 28 years of creditable service may elect a lump-sum amount equal to 36 times the initial monthly base pension they would have received without making the PLOP election.

When a member makes an election to receive a PLOP, the member's base pension calculated at the time of retirement will be actuarially reduced to reflect the PLOP payment. The reduction in a member's retirement benefit with a PLOP is dependent upon the member's age, creditable service, marital status and the amount of the PLOP.

Survivor Benefits
Upon the death of a member in service or of a member after retirement, there shall be paid the following:

If a member dies while in service, the surviving spouse shall be paid a base annual pension equal to 40% of the Final Compensation of the member.

If a member dies after commencement of pension benefits, and after August 28, 1999, the member's surviving spouse shall be paid a pension and/or special consultant supplement in an amount equal to 80% of the pension being received by the member, including cost of living adjustments, at the time of the member's death. The 80% benefit amount calculated under this provision is in addition to the Supplemental Retirement Benefit.

A member's child or children under the age of 18, at the time of the member's death, shall be paid $50.00 per month each. Each child who is a full-time student may continue to receive payments until they reach the age of 21. Any child who is physically or mentally incapacitated from earning wages shall be entitled to the same benefits as a child under the age of 18.

A funeral benefit of $1,000.00.

If there is no qualified surviving spouse, or if the surviving spouse dies, the pension to which the surviving spouse would be entitled shall be payable to the qualified child or children of the deceased member in equal shares.

If there is no surviving spouse or children qualified to receive a pension, the remainder of the accumulated contributions of the deceased member shall be paid to a named beneficiary.

For entitlement to benefits, the surviving spouse of a member who retired on or after August 28, 1997 must have been married to the member at the time of the member's retirement. The surviving spouse of a member who retired prior to August 28, 1997 must have been married to the member for at least two years prior to the member's retirement.

A surviving spouse applying for a pension must furnish a copy of their marriage certificate and the death certificate of the deceased member. Children applying for a pension must furnish a copy of the death certificate and a copy of their birth certificate.

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

Cost of Living Adjustments
Members, including surviving spouses, may receive an annual cost of living adjustment in an amount not to exceed 3% of their respective base pension. Statutes require that the Retirement System remain actuarially sound and that the Retirement Board must act upon the advice of a qualified actuary when granting cost of living adjustments. To

be eligible for the cost of living increase, which is normally granted on the May 31 retirement check, the member's pension must have commenced by December 31 of the prior year.

Supplemental Retirement Benefit
All retired members and eligible surviving spouses receive a supplemental retirement benefit, currently in the amount of $420.00 monthly, in addition to pension benefits.

Resignation or Termination
Upon resignation or termination of a member, with less than 15 years of creditable service, the member will be paid the amount of the member's contributions and this return of contributions shall be in lieu of any and all benefits to which the member might be entitled. The member will receive their accumulated contributions in one lump sum payment without interest.

With 15 or more years of creditable service, a member may elect to become entitled to an annual pension beginning at age 55 by leaving their contributions in the Retirement System.

Service Connected Death Benefit

Upon receipt of the proper proofs that the death of a member in service was the natural result of an event occurring within the performance of duty or of an occupational disease arising out of and in the course of the member's employment, there shall be paid to the member's eligible surviving spouse, or eligible child or children, the sum of $50,000. Eligible children are children under the age of 21 or over the age of 21 if mentally or physically incapacitated from wage earning. Amounts payable under this section shall not be subject to offset or reduction by amounts paid or payable under Workers' Compensation.

Retirement Board

The Retirement Board is composed of nine members, two are appointed by the Board of Police Commissioners, two are appointed by the City Council and five are elected by the membership of the Retirement Systems. The elected members must include one member of the Civilian Employees' Retirement System, one member retired from active service in the Police Retirement System, and one active member of the Police Retirement System who has not attained the rank of Sergeant or higher. Elections are held annually and board members are elected to serve for three-year terms.

The above summary is not intended to serve as a legal document or substitute for the law. In all circumstances the language of the actual text of the law and the policies adopted by the Retirement System Board will take precedence. Copies of sections 86.900 to 86.1280 of the Revised Statutes of Missouri, which govern the Police Retirement System of Kansas City, Missouri, are available on our web site at www.kcpers.org or upon request at the KCPERS Office.

Statistical Section

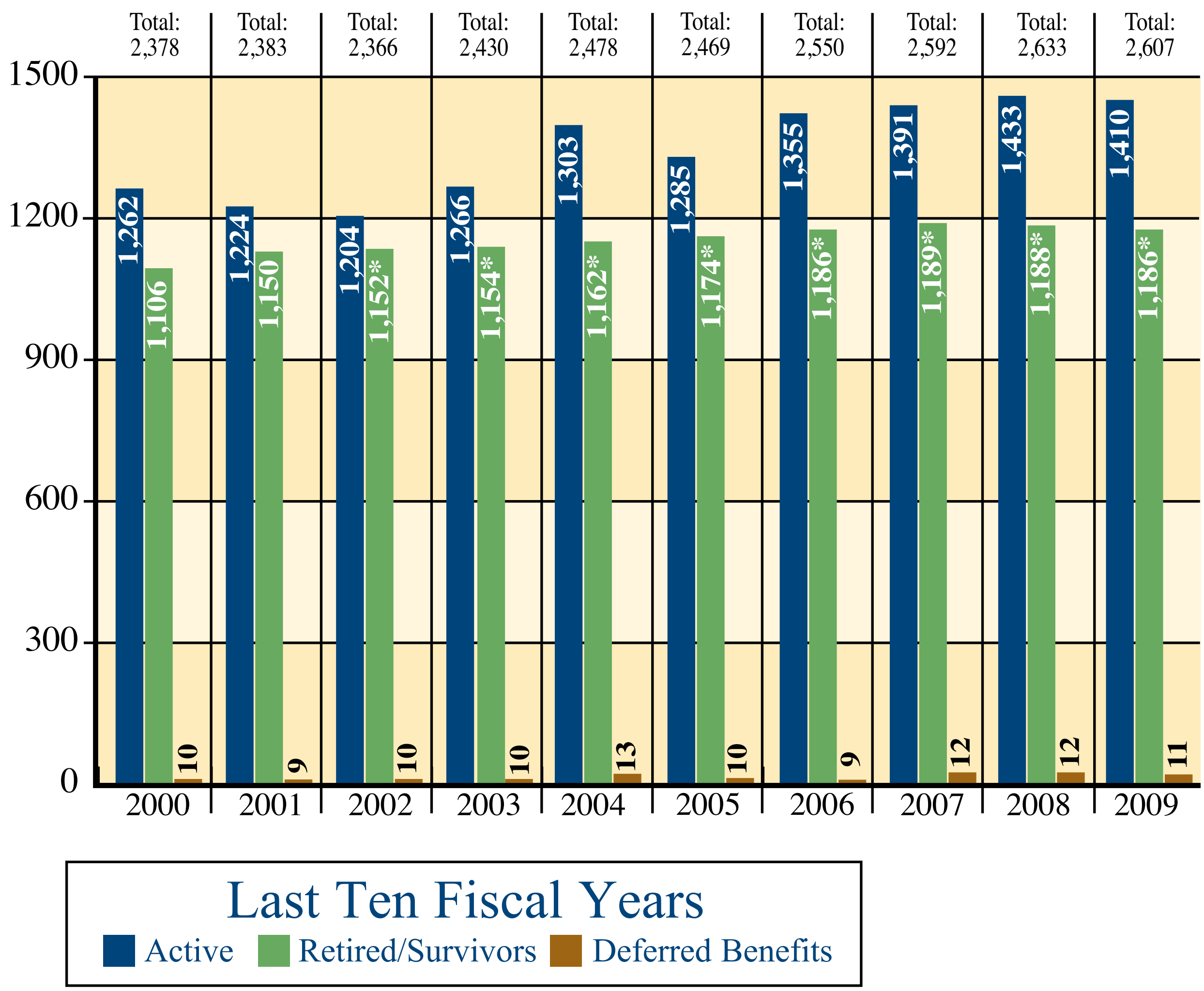
Statistical Summary

The Police Retirement System of Kansas City, Missouri has implemented the provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section. GASB Statement No. 44 established reporting requirements related to the supplementary information presented in this section.

Each of the schedules in the statistical section contain ten years of historical data to provide more comprehensive comparisons and track the progress of changes to member demographics and plan benefits.

All of the member demographic and benefit data used in the statistical section was obtained from internal sources. Participant data is separated into active, retired/survivor, and deferred categories where appropriate. Retirement benefit data is separated into service retirement, duty disability retirement, and non-duty disability retirement categories where appropriate.

Membership in Retirement Plan



* Retired/Survivors figure does not count Qualified Domestic Relations Order (QDRO) recipients. Beginning in FY2002, the member and respective QDRO have been grouped together as one pension for reporting purposes.

Schedule of Changes in Plan Net Assets

Last Ten Fiscal Years

Fiscal Year	2000	2001	2002	2003	2004
Additions:					
Member Contributions	$5,026,229	$5,958,321	$6,158,020	$6,551,628	$6,972,986
Employer Contributions	10,789,963	11,392,871	11,312,754	12,017,801	12,817,176
Net Investment Income	49,989,356	(29,280,927)	(15,527,529)	(41,377,601)	91,313,225
Total Additions to Plan Net Assets	**65,805,548**	**(11,929,735)**	**1,943,245**	**(22,808,172)**	**111,103,387**
Deductions:					
Benefits	28,546,646	30,518,936	33,445,971	34,880,077	36,061,330
Refunds	437,931	514,571	1,075,649	618,418	442,327
Administrative	503,997	541,539	520,366	476,575	478,498
Total Deductions from Plan Net Assets	29,488,574	31,575,046	35,041,986	35,975,070	36,982,155
Change in Net Assets	$36,316,974	($43,504,781)	($33,098,741)	($58,783,242)	$74,121,232
Employer % of Annual Covered Payroll	18.7%	19.8%	20.0%	19.3%	19.4%

Fiscal Year	2005	2006	2007	2008	2009
Additions:					
Member Contributions	$7,212,990	$7,472,503	$7,814,142	$8,459,762	$8,982,366
Employer Contributions	13,297,605	13,729,225	14,526,734	15,747,111	16,700,688
Net Investment Income	45,338,145	107,627,267	83,730,123	(911,856)	(180,354,444)
Total Additions to Plan Net Assets	65,848,740	128,828,995	106,070,999	23,295,017	(154,671,390)
Deductions:					
Benefits	37,754,187	39,443,788	42,293,180	42,802,584	44,097,817
Refunds	609,138	457,355	694,903	621,174	746,454
Administrative	470,866	495,613	515,720	598,548	550,069
Total Deductions from Plan Net Assets	38,834,191	40,396,756	43,503,803	44,022,306	45,394,340
Change in Net Assets	$27,014,549	$88,432,239	$62,567,196	($20,727,289)	($200,065,730)
Employer % of Annual Covered Payroll	19.7%	19.1%	18.1%	18.2%	18.6%

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

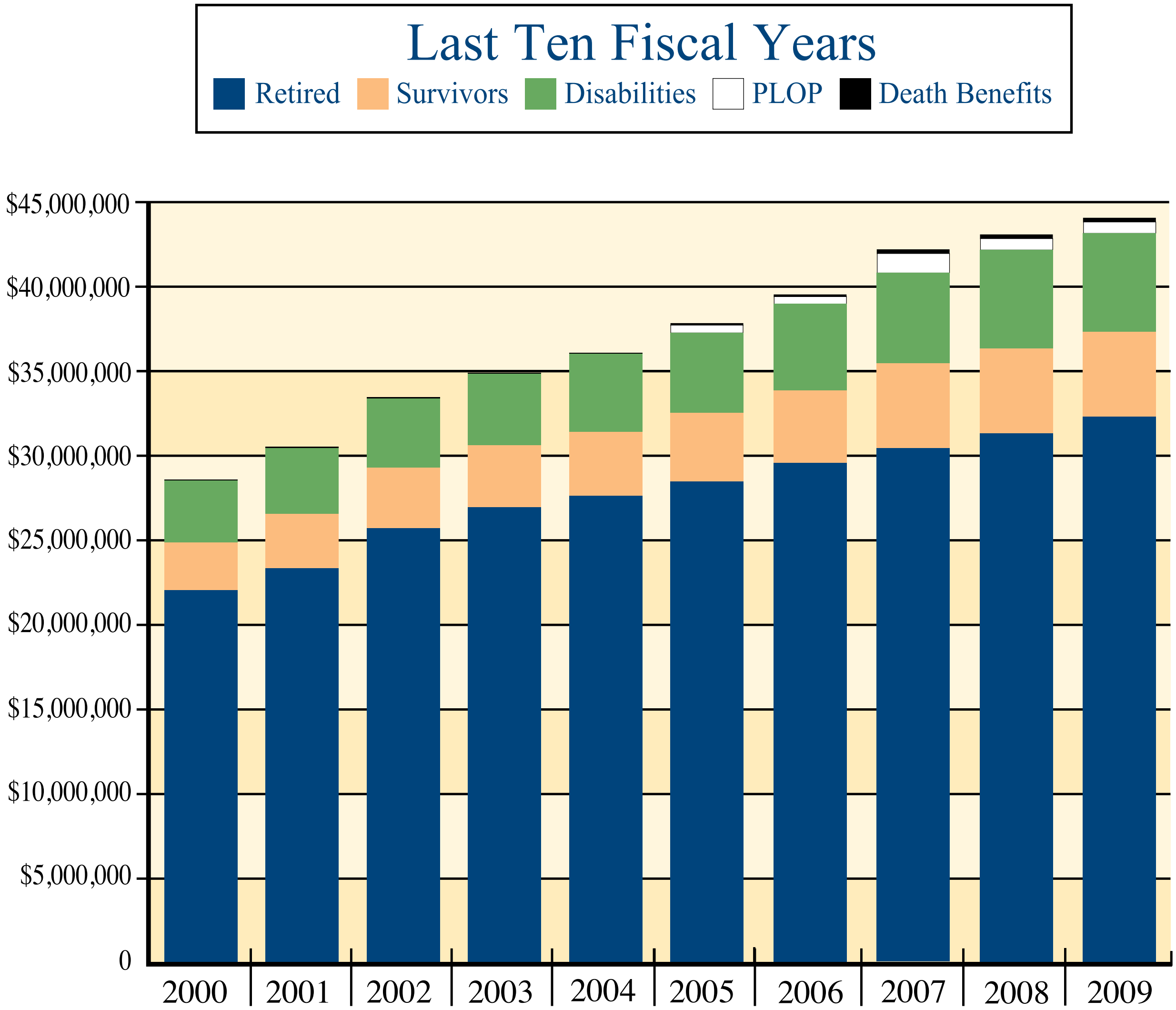
Last Ten Fiscal Years

Fiscal Year	2000	2001	2002	2003	2004
Type of Benefit:					
Retired	$22,035,152	$23,341,466	$25,703,780	$26,955,355	$27,628,285
Survivors	2,841,591	3,228,721	3,598,131	3,670,378	3,792,951
Disabilities	3,651,903	3,876,683	4,073,060	4,241,344	4,618,094
PLOP	–	–	–	–	–
Death Benefits	18,000	72,066	71,000	13,000	22,000
Total Benefits	$28,546,646	$30,518,936	$33,445,971	$34,880,077	$36,061,330
Type of Refund:					
Separation	$437,931	$514,571	$988,345	$618,418	$363,931
Death	–	–	87,304	–	78,396
Total Refunds	$437,931	$514,571	$1,075,649	$618,418	$442,327

Fiscal Year	2005	2006	2007	2008	2009
Type of Benefit:					
Retired	$28,488,160	$29,564,876	$30,657,765	$31,212,247	$31,911,809
Survivors	4,053,319	4,317,777	4,546,298	4,943,672	5,233,830
Disabilities	4,896,656	5,326,293	5,544,299	5,827,078	5,978,251
PLOP	303,052	219,842	1,522,818	790,587	957,927
Death Benefits	13,000	15,000	22,000	29,000	16,000
Total Benefits	$37,754,187	$39,443,788	$42,293,180	$42,802,584	$44,097,817
Type of Refund:					
Separation	$609,138	$457,355	$694,903	$621,174	$746,454
Death	–	–	–	–	–
Total Refunds	$609,138	$457,355	$694,903	$621,174	$746,454

*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

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



*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

Schedule of Retired Members by Type of Benefit

April 30, 2009

Amount of Monthly Benefit*	Total Monthly Benefits*	Total Number of Recipients	Type of Benefit				
			Retired	Surviving Spouses	Surviving Children	Duty Disability	Non-Duty Disability
$1 to 500	$2,250	14			14		
501 to 1,000	12,417	17	2	9	5		1
1,001 to 1,500	77,554	62	12	45	2	1	2
1,501 to 2,000	153,289	87	30	40	1	11	5
2,001 to 2,500	323,316	143	53	63		12	15
2,501 to 3,000	485,969	177	107	33		23	14
3,001 to 3,500	835,262	259	213	12		25	9
3,501 to 4,000	758,595	204	173	4		18	9
4,001 to 4,500	574,567	136	119	3		14	
4,501 to 5,000	181,740	38	30	1		5	2
Over 5,000	280,389	49	47			2	
Totals	**$3,685,348**	**1,186**	**786**	**210**	**22**	**111**	**57**

*Benefit amounts include $420 supplemental benefit for eligible members
*Benefit amounts include cost of living adjustments

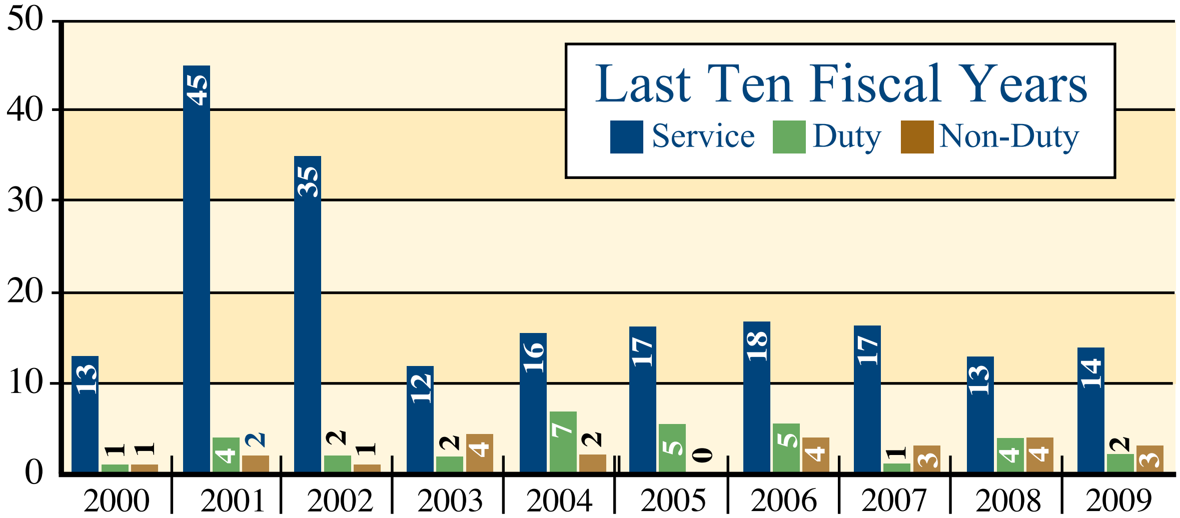
Schedule of Average Monthly Base Benefit Amounts*

Ten Years Ended April 30, 2009

	Years Credited Service						
Members Retiring During	**<25**	**25–26**	**26–27**	**27–28**	**28–29**	**29–30**	**All Members**
Fiscal Year Ending 04/30/00							
Average monthly benefit	$2,514	2,117		2,676	2,704	2,664	2,568
Average final compensation	$5,199	4,093		4,875	4,776	4,444	4,743
Number of retirees	3	2		3	4	2	14
Fiscal Year Ending 04/30/01							
Average monthly benefit	$2,169	3,075	3,242	3,136	3,316	3,221	3,073
Average final compensation	$4,020	4,887	4,874	4,532	4,619	4,399	4,490
Number of retirees	7	7	3	2	10	22	51
Fiscal Year Ending 04/30/02							
Average monthly benefit	$2,486	2,802		4,437	3,539	3,429	3,118
Average final compensation	$4,538	4,462		6,402	5,002	4,603	4,653
Number of retirees	5	14		1	6	12	38
Fiscal Year Ending 04/30/03							
Average monthly benefit	$2,218	3,046	2,882		3,716	4,191	3,063
Average final compensation	$3,860	4,761	4,408		5,170	5,611	4,666
Number of retirees	4	7	3		1	3	18
Fiscal Year Ending 04/30/04							
Average monthly benefit	$2,689	3,015	3,584	4,915		4,122	3,206
Average final compensation	$4,225	4,786	5,394	7,182		5,550	4,853
Number of retirees	10	7	3	1		4	25
Fiscal Year Ending 04/30/05							
Average monthly benefit	$2,623	3,044	4,764	4,056	3,388	5,807	3,343
Average final compensation	$4,263	4,822	7,213	5,888	5,909	7,745	5,189
Number of retirees	8	7	1	2	2	2	22
Fiscal Year Ending 04/30/06							
Average monthly benefit	$2,975	3,767	3,602	3,187	3,272	2,829	3,356
Average final compensation	$4,947	5,932	5,566	4,685	4,633	4,669	5,331
Number of retirees	10	7	7	1	1	1	27
Fiscal Year Ending 04/30/07							
Average monthly benefit	$2,168	2,954	2,848		3,311	4,226	3,505
Average final compensation	$4,969	4,691	4,705		4,730	6,405	5,739
Number of retirees	5	2	1		1	12	21
Fiscal Year Ending 04/30/08							
Average monthly benefit	$2,553	3,405		3,876	2,778	3,814	3,206
Average final compensation	$4,584	5,360		6,084	4,922	5,778	5,243
Number of retirees	7	5		3	2	4	21
Fiscal Year Ending 04/30/09							
Average monthly benefit	$2,646	3,537		5,550	2,965	3,827	3,345
Average final compensation	$5,163	5,644		8,048	5,152	5,932	5,648
Number of retirees	8	2		1	1	7	19

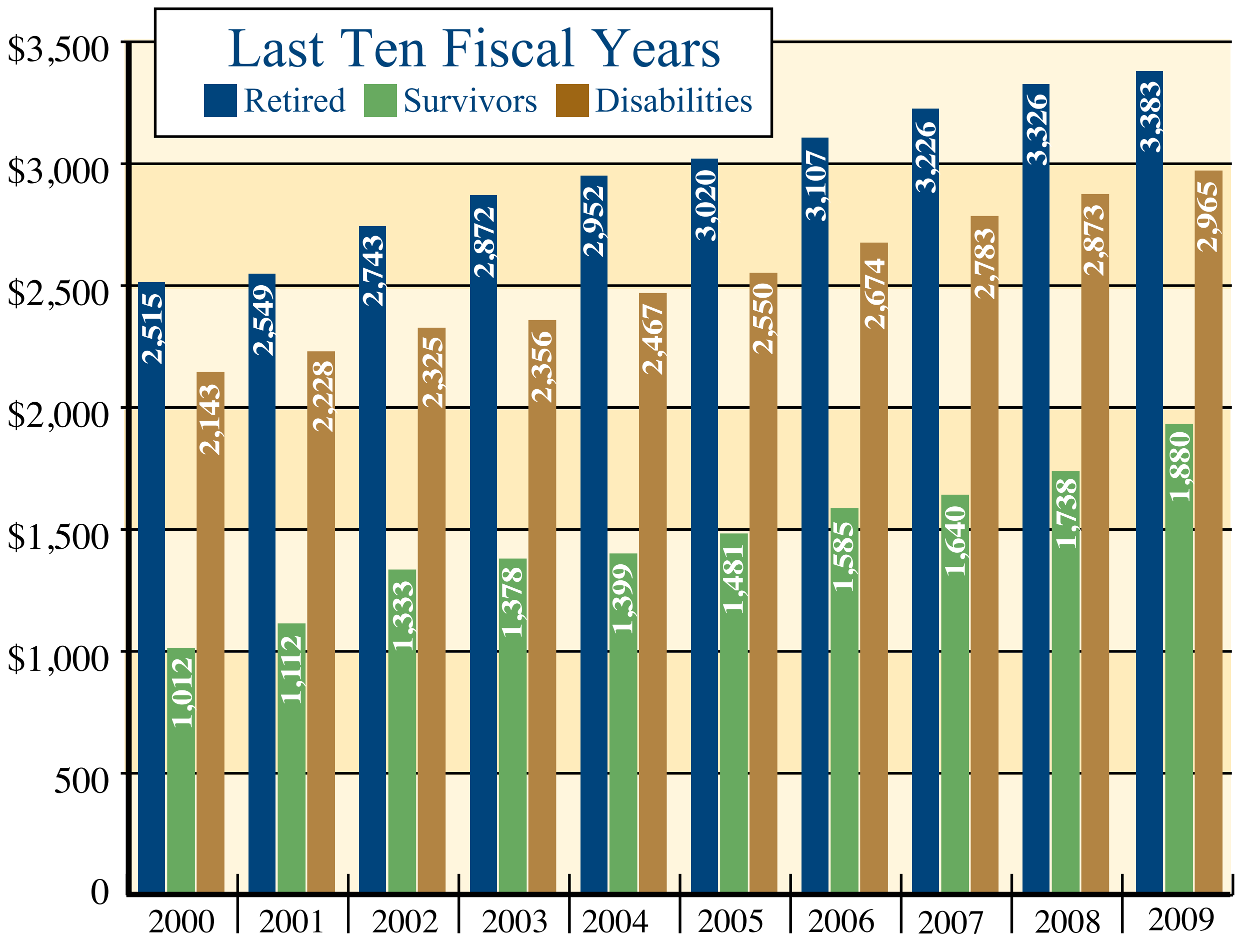
*Benefit amounts do not include supplemental benefits or cost of living adjustments.
*Benefit amounts are after reductions for optional benefits.

New Pensions Started



Retiree Distribution by State

Average Monthly Benefit*



* Benefit amounts include $420 supplemental benefit for eligible members

* Benefit amounts include cost of living adjustments

Cost of Living Increases

Ten Year History

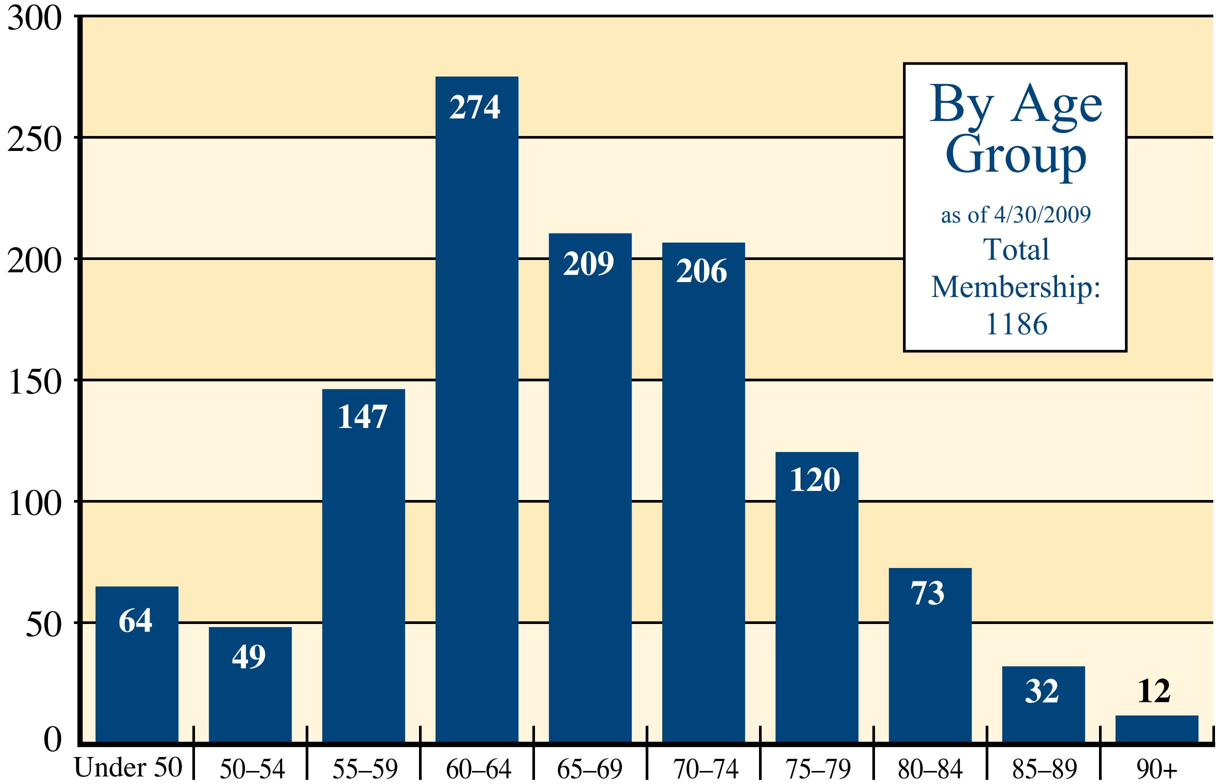
Fiscal Year	% Increase to Monthly Base Pension
2000	0.90%
2001	3.00%
2002	3.00%
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%

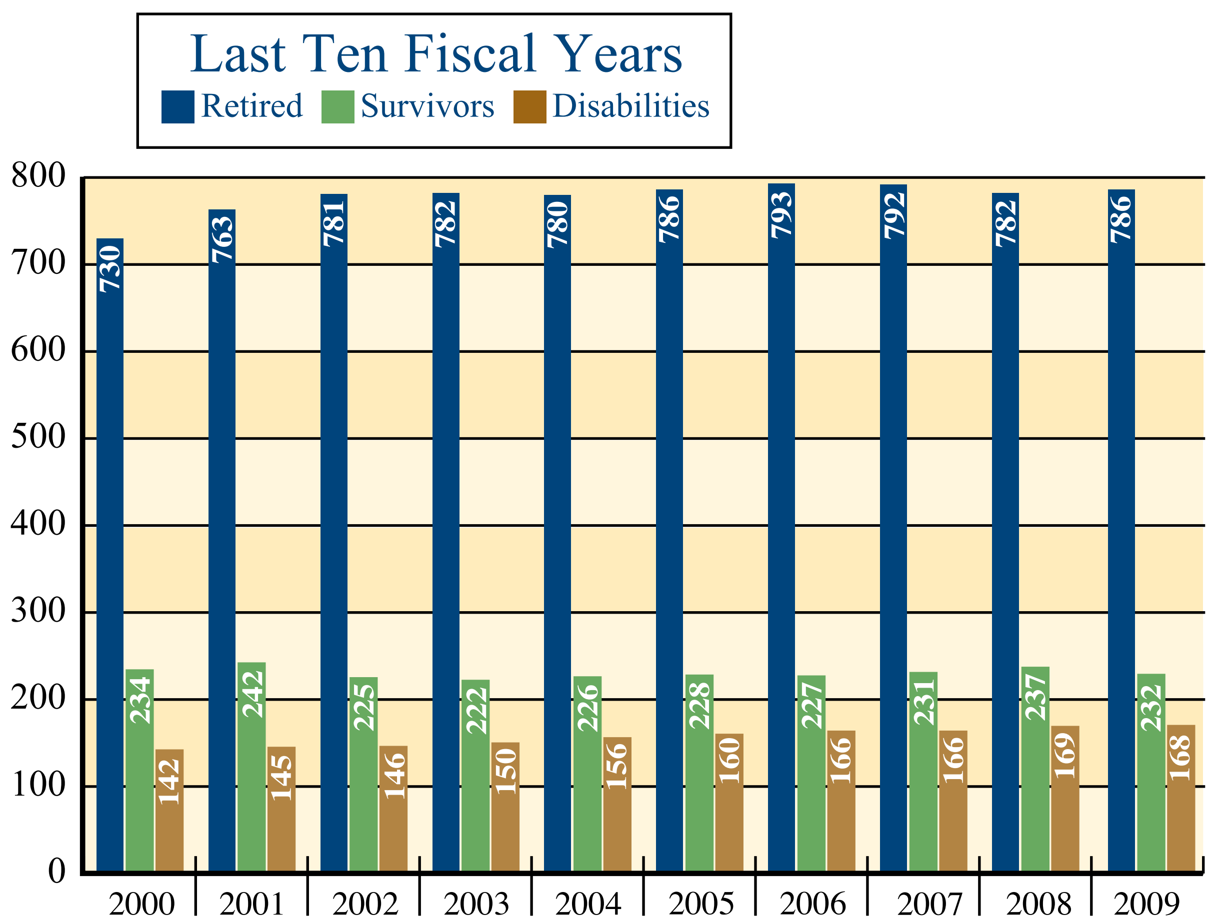
Supplemental Retirement Benefit

History of Increases

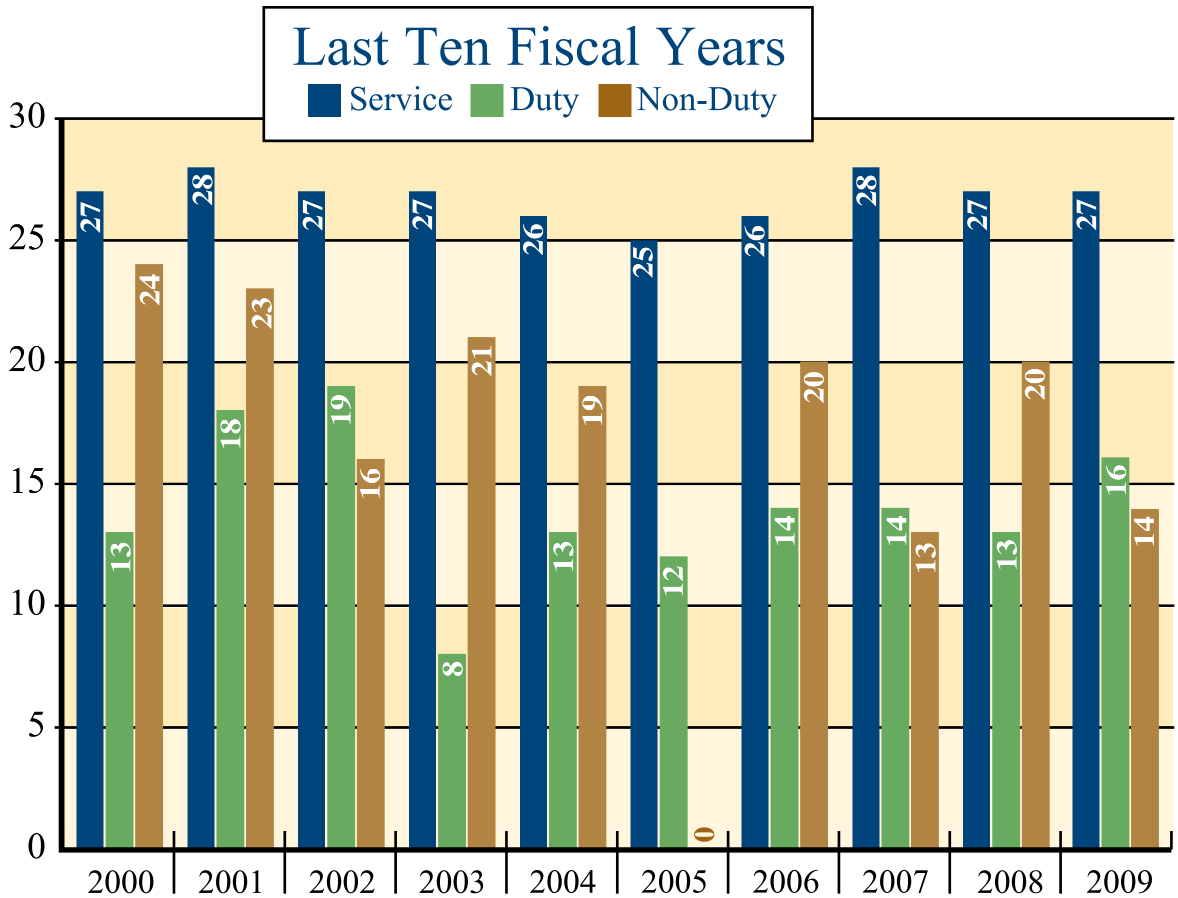
Fiscal Year	Monthly Benefit Amount	Annual Benefit Amount
1992	$50.00	$600.00
1993	70.00	840.00
1994	80.00	960.00
1995	90.00	1,080.00
1996	140.00	1,680.00
1997	180.00	2,160.00
1998	230.00	2,760.00
1999	270.00	3,240.00
2000	380.00	4,560.00
2001	420.00	5,040.00

Membership Receiving Benefits

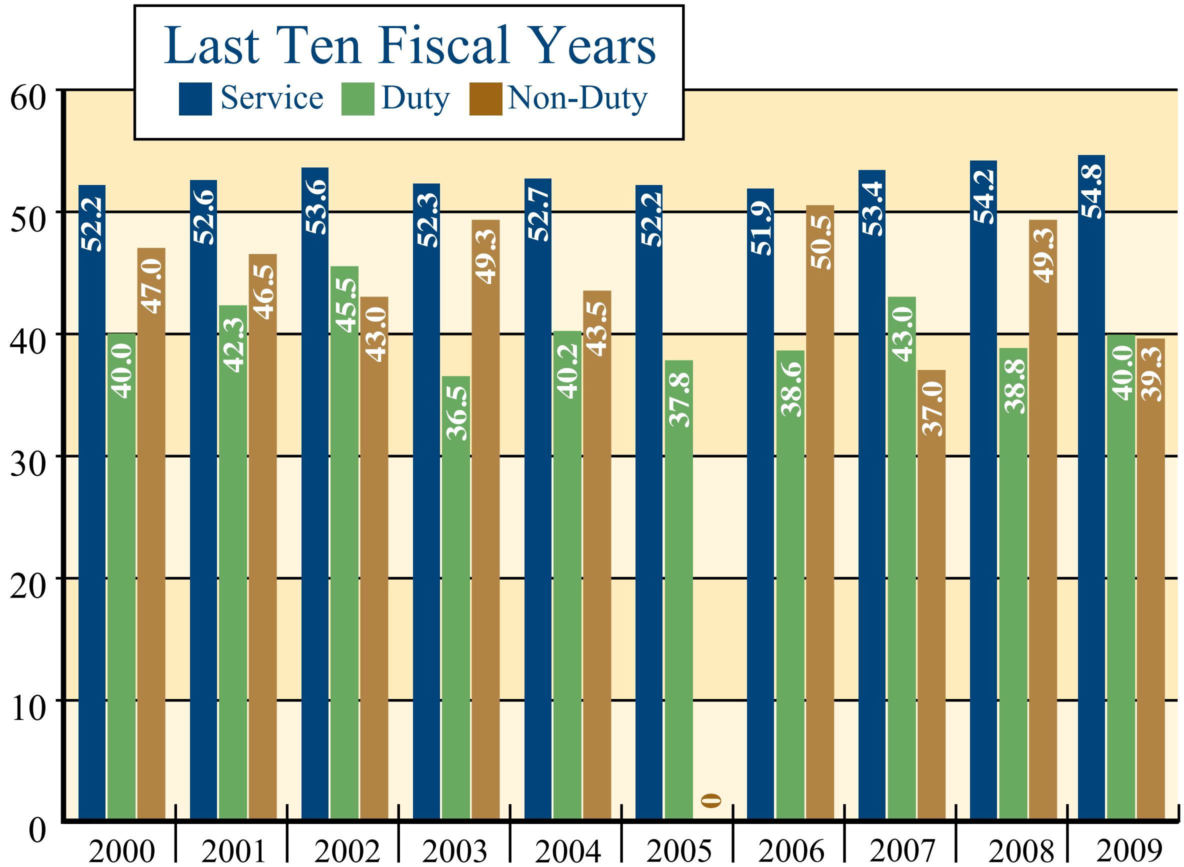




Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2009

Service	**67.0**
(786 retired members ranging in age from 48 to 90)	
Duty Disability	**58.7**
(111 retired members ranging in age from 28 to 86)	
Non-Duty Disability	**57.7**
(57 retired members ranging in age from 36 to 82)	

www.kcpers.org

KCPERS

Kansas City Police Employees' Retirement Systems

1328 Agnes
Kansas City, Missouri 64127