64TH
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, 2009 to
April 30, 2010

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report
May 1, 2009 to April 30, 2010

64th Annual Report

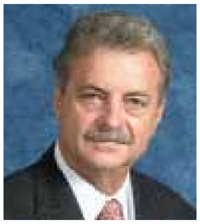
Prepared by:
Kansas City Police Employees' Retirement Systems
1328 Agnes
Kansas City, Missouri 64127
(816) 482-8138 or (888) 813-8138
Website: www. kcpers.org

Table of Contents

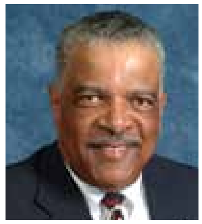
Introductory Section

Retirement Board

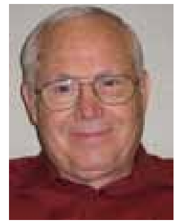
Police Retirement System of Kansas City, Missouri



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

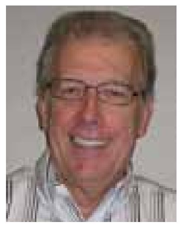


Bailus M. Tate, Treasurer
Appointed Member

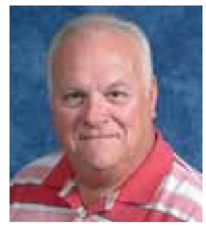


Floyd O. Bartch
(Ret.) Chief
Kansas City, Missouri
Police Department

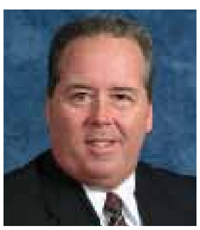
Richard K. Burnett
(Ret.) Captain
Kansas City, Missouri
Police Department



James Chappell
Appointed Member



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



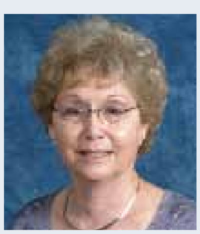
David E. Reyburn
Detective
Kansas City, Missouri
Police Department

Patrick J. Trysla
Appointed Member

Angela Wasson-Hunt
Appointed Member

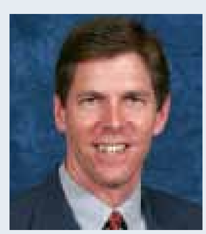
KCPERS Staff

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

September 28, 2010

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

Dear Board Members:

It is my great pleasure to submit the fiscal year 2010 Comprehensive Annual Financial Report of the Police Retirement System of Kansas City, Missouri.

Fiscal Year 2010 Projects

The Retirement Board started work on an asset mix update to determine if small changes to the current asset allocation would generate the same, or higher expected returns with lower volatility. The initial work on the project has led the board to conduct significant research on hedge fund of funds and the impact of increasing the allocation to emerging market equities. An ad hoc board committee, including active and retired members, reviewed options for implementing the equalizing supplemental benefit and making possible changes to the way cost of living increased are granted to eligible members. While no changes were made to the COLA structure and funds were not available to implement the equalizing supplemental benefit, additional information was provided to members to help them better understand retirement system benefits and the current financial condition of the system. The Retirement Board considered a number of legislative changes to plan provisions that would slow the growth of future liabilities and help to improve the long term funded ratio of the plan. Staff researched other retirement plan provisions to provide ideas that could be replicated in the Police plan. With input from both active and retired members, the board submitted the legislation contained in House Bill 2162 (see below). Staff implemented online programs provided by our custodial bank to streamline the wire transfer, asset rebalancing, and capital call funding processes. Board and staff also provided research assistance to the Board of Police Commissioners as they considered making changes to the 30 year mandatory retirement provision in the Police plan. During the year, 50 new members joined the retirement system; 12 active members left the Police Department and received refunds of member contributions; 29 members retired and started receiving benefits; 16 retired members, 1 active member, and 6 surviving spouses passed away; and 7 surviving spouses and 2 children started receiving benefits.

Legislative Changes

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.

House Bill 2162 was introduced during the 2010 session of the Missouri General Assembly but did not pass. HB 2162 would have: 1) made changes to the start date for benefits and established requirements and a time frame for the final beneficiary payment upon the death of a member; 2) eliminated creditable service for unpaid leave of less than 30 days; and 3) would have required the purchase of prior creditable service at the member's actuarial cost.

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 contributions and cash receipts, purchasing and cash disbursements, and payroll that will segregate duties as much as possible, without adding additional staff.

The following schedule is a summary of the pension fund additions and deductions for the years ended April 30, 2010 and April 30, 2009

	April 30, 2010	April 30, 2009
Additions	$168,345,775	($154,671,390)
Deductions	47,088,273	45,394,340
Net Change	$121,257,502	($200,065,370)

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 2009 to FY 2010 additions increased by $323,017,165; investment gains increased by $323,120,290 and contributions from both members and the city decreased by $103,125. From FY 2009 to FY 2010 deductions increased by $1,693,933; benefits paid increased by $2,193,147, refunds of contributions decreased by $514,507 and administrative expenses increased by $15,293. 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, 2010, the funded ratio of valuation assets to liabilities of the Police Retirement System, which covers 2,630 members, increased by 10% to 79%. The increase in the funded ratio is mainly due to investment performance during the year and active member payroll growth being below the assumed rate. 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 36.76% for the fiscal year beginning May 1, 2010 and the projected annual required contribution rate of 33.75% for the fiscal year beginning May 1, 2011.

Investment Activity

Volatility remained in the investment markets for the year ending April 30, 2010 and provided a significant positive impact on the Retirement System assets. Our investment portfolio produced a total return of 27.7% against the policy benchmark return of 27.4%, which means our investment managers had a 0.3% gain versus the market indexes. That investment performance was more than triple our assumed rate of return, for actuarial purposes, of 7.75%, and generated net investment income of $142 million. The investment gains in FY 2010 did not fully recover the $180 million of investment losses incurred in FY 2009.

The Retirement Board reviews the performance of each investment manager and compares their performance to a peer group of managers in each asset class. For the year ending April 30, LSV Emerging Market and Prudential finished in the 1st Quartile against a peer group of emerging market and real estate managers, respectively. RCM, LSV International, Financial Counselors, and Gresham finished in the 2nd Quartile against a peer group of large cap growth, international large cap value, core fixed income, and commodity managers, respectively. LSV, Waddell & Reed, and GE International finished in the 3rd Quartile against a peer group of large cap value, small cap growth and international large cap growth managers. GE Emerging Market finished in the 4th Quartile against a peer group of emerging market managers.

The Retirement Board hired Vaughan Nelson Investment Management as a small cap value manager and sold Russell 2000 Value iShares to fund the mandate. Shenkman Capital Management was also hired to manage a high yield bond portfolio which was funded through transfers from the core bond fund managed by Financial Counselors. The Board continued to make tactical asset allocations, based on recommendations from DeMarche, to over weight or under weight equities, fixed income, or cash. The tactical allocations were accomplished through rebalancing the portfolio between investment managers or the purchase or sale to exchange traded funds in the appropriate asset class.

The total asset allocation is explained further in the Summary of Investment Policies and Objectives on page 35. The asset allocation is further explained in Management's Discussion and Analysis on page 18. 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, 2009. This was the eighth 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 2010 annual report is the result of work by both Retirement Systems staff and outside advisors and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with the legislative and industry reporting requirements, and most importantly help our members learn more about the financial status of their retirement system.

The KCPERS staff wants to thank each of our board members, our retirement system members, our outside advisors and the Kansas City Police Department for all your contributions towards the successful operation of the 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, 2009

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

September 14, 2010

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, 2010. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

With this 2010 financial report we bring to a close a decade of events that will shape the future of the retirement system for some time to come. In the early part of the decade the retirement board worked to improve benefits for retired and active members, and surviving spouses. By the end of the decade we were locked in on managing the worst financial crisis of our lifetime and its long term implications for the retirement system. The board continues to focus its efforts to ensure that the plan remains financially sound for present and future retirees. Our conservative investment approach of diversified asset allocation, and the use of tactical rebalancing to take advantage of market conditions, led to portfolio returns of 27% for FY 2010. Even with that impressive year under our belt, our portfolio averaged a modest 3% for the ten year period from 2000 to 2010.

Going forward we know we face challenges such as lowering the volatility in our investment portfolio without sacrificing investment returns, working to convince the City to more fully fund the annual employer contributions to the retirement system, and looking at options in our benefit structure that will slow the growth of liabilities.

On behalf of the retirement board I want to thank Robert Evans and Greg Mills for their service on the board. Bob Evans, who served on the board for 37 years, stepped down this year due to health reasons. Bob brought a valuable business perspective to the board and was involved in hundreds of decisions that have improved the lives of our members when they retire. (Ret.) Major Greg Mills did not seek re-election to a fourth term on the retirement board. Greg was a strong voice of reason during a very difficult decade. Earlier this year (Ret.) Chief Floyd Bartch was elected by the membership to the board and James Chappell was appointed to the board by the City Council. We look forward to working with our two new board members.

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. 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
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 CONSULTANTS

DeMarche Associates, Inc.
William Miskell
Overland Park, Kansas

Emcor
Robert Woodard
Lawrence, Kansas

LEGAL COUNSEL

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

MASTER TRUSTEE/CUSTODIAN

The Northern Trust Company
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

1201 Walnut Street, Suite 1700
Kansas City, MO 64106-2246
816 221-6300 Fax 816 221-6380 **www.bkd.com**

Independent Auditors' Report on Financial Statements and Supplementary Information

Retirement Board
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, 2010, 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, 2010, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the Plan's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for 2010 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 2009, 2008, 2007, 2006 and 2005 financial statements.

Kansas City, Missouri
July 9, 2010

BKD, LLP

This discussion and analysis of the Police Retirement System of Kansas City, Missouri (Police Retirement System or the Plan) financial statements provide an overview of its financial activities during the year ended April 30, 2010. Please read it in conjunction with the more detailed financial statements, notes and required supplementary information which follow this section.

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

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, 2010 and the Statement of Changes in Plan Net Assets for the year ended April 30, 2010. These statements reflect resources available for the payment of benefits as of the year end, and the sources and use of those funds during the year.

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

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

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

Plan Net Assets

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

	April 30, 2010	April 30, 2009	Amount Change
Cash and cash equivalents	$15,136	$24,251	($9,115)
Receivables	1,703,669	1,716,213	(12,544)
Investments	654,889,854	534,662,291	120,227,563
Securities lending collateral	143,239,473	79,967,193	63,272,280
Office equipment	1,883	4,306	(2,423)
Total assets	**799,850,015**	**616,374,254**	**183,475,761**
Accounts and refunds payable	1,038,923	579,974	458,949
Securities lending LT liability	0	1,512,970	(1,512,970)
Securities lending collateral	143,239,473	79,967,193	63,272,280
Total liabilites	**144,278,396**	**82,060,137**	**62,218,259**
Net assets	**$655,571,619**	**$534,314,117**	**$121,257,502**

Financial Analysis of Plan Net Assets

The Police Retirement System's benefits are funded through member and employer contributions and investment income. Net assets of the Plan increased to $655,571,619 as of April 30, 2010 from $534,314,117 as of April 30, 2009. Plan income is generated through the investment of contributions in stocks, bonds and alternative assets. Members contributed 10.55% of annual covered salary to the Plan, while employer contributions totaled 19.7% of covered salary. Plan members do not contribute to Social Security although members hired after 1986 do contribute to Medicare.

Assets – Total assets of the Police Retirement System were $799.8 million as of April 30, 2010 and included cash, investments and accrued interest receivables. Total assets increased by $183.4 million or 29.77% from FY 2009, due to investment income and increased securities lending collateral. Investable assets increased during the year by $120.2 million, while securities lending collateral increased by $63.2 million.

Liabilities – Total liabilities of the Police Retirement System were $144.2 million as of April 30, 2010 and included payables for money manager fees and benefit payments, refunds to members and securities lending collateral. Total liabilities increased by $62.2 million during the year mainly due to the $63.2 million offsetting liability for the increase in securities lending activity. In September 2008, Northern Trust declared a collateral deficiency in the securities lending collateral account and issued a long term liability. The collateral deficiency was corrected as markets recovered and asset values increased. In two separate transactions during FY 2010, Northern Trust completely reversed the long term liability.

Net Assets – Police Retirement System assets exceeded liabilities at April 30, 2010 by $655.5 million. This was an increase of $121.2 million, or 22.7%, from the prior year.

Changes in Plan Net Assets

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

	April 30, 2010	April 30, 2009	Amount Change
Member contributions	$8,934,700	$8,982,366	($47,666)
Employer contributions	16,645,229	16,700,688	(55,459)
Net investment income (loss)	142,765,846	(180,354,444)	323,120,290
Total additions	**168,345,775**	**(154,671,390)**	**323,017,165**
Benefits paid to members	46,290,964	44,097,817	2,193,147
Refunds of contributions	231,947	746,454	(514,507)
Administrative expenses	565,362	550,069	15,293
Total deductions	**47,088,273**	**45,394,340**	**1,693,933**
Net Increase (Decrease)	**121,257,502**	**(200,065,730)**	**321,323,232**
Net Assets, Beginning of Year	**534,314,117**	**734,379,847**	**(200,065,730)**
Net Assets, End of Year	**$655,571,619**	**$534,314,117**	**$121,257,502**

Financial Analysis of Changes in Plan Net Assets

Revenues – Additions to Plan Net Assets – Member contributions, employer contributions and investment income are the sources of revenue for the Police Retirement System. Members contribute 10.55% of covered salary to the Plan. Employer contributions are 19.7% of covered salary to the Plan. The amount of member and employer contributions decreased from FY 2009 because of declining payroll rather than changes to the contribution rates. Net investment income of $142.7 million is the result of positive investment performance. The portfolio's investment rate of return was 27.7% with investment income totaling $145.7 million and investment expenses totaling $3.0 million. Equity and bond investments posted gains for the year while investments in alternative assets posted losses.

Expenses – Deductions from Plan Net Assets – Benefits paid to members, refunds of member contributions and administrative expenses are the sources of expenses for the Police Retirement System. Benefit payments represent 98% of the total deductions. Benefits paid to members increased over the prior year because of a 3% cost of living adjustment for retired members and new retirements. The amount of refunds of contributions decreased due to fewer members leaving the Police Department. Administrative expenses increased because of additional legal and financial consulting expenses.

For the seventh consecutive year, employer contributions did not equal the amount, or percentage of compensation, recommended by the Retirement System actuary. The employer contribution rate was 6.5% below the annual required contribution rate of 26.22%. For the year beginning May 1, 2010, employer contributions are budgeted to remain at 19.70% of covered pay, while the annual required contribution rate increases to 36.76%.

The Retirement Board has approved an asset allocation which, over time, is expected to realize an assumed actuarial rate of investment return of 7.75%. While the asset allocation is structured to provide some control over volatility, investment rates of return of 27.7% in FY 2010 and (24.3%) in FY 2009 provide an indication of how dramatically the markets can move from year to year. The Retirement Board continues to review investment allocations on a quarterly basis and to make tactical allocations, on a more frequent basis, with guidance from an independent financial consulting firm.

Requests for Information

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

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

STATEMENT OF PLAN NET ASSETS

April 30, 2010

Assets

Investments, At Fair Value	
U.S. government securities	$100,449,809
Corporate bonds and notes	72,090,112
Common and preferred stock	283,465,591
Government mortgage-backed securities	26,819,162
Partnerships – equity	13,015,808
Partnerships – fixed income	12,572,167
Real estate	14,818,922
Short-term investment funds	53,205,295
Emerging market equities	6,891,092
Commodities	18,660,786
Foreign equities	52,901,110
Total investments	654,889,854
Securities Lending Collateral	143,239,473
Receivables	
Accrued interest and dividends	1,702,488
Other	1,181
Total receivables	1,703,669
Office Equipment, net of depreciation of $45,478	1,883
Cash	15,136
Total assets	799,850,015

Liabilities

Accounts and refunds payable	1,038,923
Securities lending collateral	143,239,473
Total liabilities	144,278,396
Net Assets Held in Trust for Pension Benefits	$655,571,619

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended April 30, 2010

Additions

Investment Income	
Net appreciation in fair value of investments	$131,435,237
Interest and dividends	14,004,394
Investment expense	(2,978,049)
Net investment income	142,461,582
Securities Lending Income	
Securities lending gross income	399,948
Securities lending expenses	
Borrower rebates	11,731
Management fees	(107,415)
Total securities lending expenses	(95,684)
Net securities lending income	304,264
Total net investment income	142,765,846
Contributions	
City	16,645,229
Members	8,934,700
Total contributions	25,579,929
Total additions	168,345,775

Deductions

Benefits Paid	
Retired members	33,368,992
Spouses	5,265,891
Children	118,131
Disabled	6,065,418
Partial lump sum option	1,455,532
Death benefits	17,000
Total benefits paid	46,290,964
Other Deductions	
Refunds of contributions	231,947
Adminstrative expenses	565,362
Total other deductions	797,309
Total deductions	47,088,273
Net Increase	**121,257,502**
Net Assets Held in Trust for Pension Benefits, Beginning of Year	**534,314,117**
Net Assets Held in Trust for Pension Benefits, End of Year	**$655,571,619**

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 $25,579,929 ($16,645,229 employer and $8,934,700 employees) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2009. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2010, the member contribution rate was 10.55% of compensation. The computed City contribution rate of 26.22% 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, 2010, the City contributed at a rate of 19.70% of members' salaries.

The actual contributions by the City have been less than the rates recommended by the actuary in seven 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, 2009, 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
4/30/09	$641,176,940	$893,559,090	$252,382,150	72%	$89,884,411	281%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation of Investments and Income Recognition

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The 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 $20,726,822 at April 30, 2010. The fair value of these investments is estimated based on the estimated fair values of the underlying securities. These estimates could change materially in the near term.

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

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

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

Administrative Expenses

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

Use of Estimates

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

Plan Tax Status

The Plan obtained its 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.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the statements of changes in plan net assets.

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.

At April 30, 2010, the Plan's membership consisted of the following:	
Retirees and beneficiaries currently receiving benefits	1,201
Terminated plan members entitled to but not yet receiving benefits	11
Active employees	
Vested	496
Non-vested	922
Total	**2,630**

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, 2010.

Note 2: Plan Description (Continued)

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 retired with at least 25 years of creditable service or due to a disability, or have died while in service.

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

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, 2010.

Investments

For the year ended April 30, 2010, Northern Trust was the master custodian for substantially all of the securities of the Plan. The investments held by the Plan are managed by twelve Board-appointed money managers. Each of the money managers has a different asset allocation based on Board-approved policy. The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, real estate, partnerships, corporate bonds, commodities and equity securities.

Securities Lending Transactions

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

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

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

Market value of securities loaned	$139,147,196
Market value of cash collateral received from borrowers	$143,239,473
Market value of non-cash collateral received from borrowers	–
Total market value of collateral	$143,239,473

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, 2010, the Plan had the following investments and maturities:

		Maturities in Years				Loaned Under Securities Lending Agreements
Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**	
U.S. Treasury obligations	$60,448,565	$ –	$30,154,369	$24,004,586	$6,289,610	$60,174,188
U.S. agencies obligations	33,280,205	20,935,272	8,328,692	4,016,241	–	6,048,694
Corporate bonds	72,090,112	6,977,002	28,352,617	22,728,132	14,032,361	6,626,009
Government mortgage-backed securities	26,819,162	–	–	–	26,819,162	–
Index linked government bonds	6,721,039	–	3,363,279	3,357,760	–	6,721,039
Money market mutual funds	53,205,295	53,205,295	–	–	–	–
		$81,117,569	$70,198,957	$54,106,719	$47,141,133	
Corporate stocks	283,465,591					57,413,344
Real estate	14,818,922					–
Partnerships – equity	13,015,808					–
Partnerships – fixed income	12,572,167					–
Emerging markets equities	6,891,092					–
Commodities	18,660,786					–
Foreign equities	52,901,110					2,163,922
Total	**$654,889,854**					**$139,147,196**

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, 2010, 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*. These bond rating requirements do not apply to the high yield portion of the fixed income portfolio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, $139,147,196 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

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

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

Investment Income

Investment income for the year ended April 30, 2010, consisted of:

Interest and dividend income	$14,004,394
Net increase in fair value of investments	131,435,237
	145,439,631
Less investment expense	2,978,049
	$142,461,582

Note 4: Actuarial Methods and Assumptions

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

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

Valuation date	April 30, 2009
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	18 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, 2009:

Active employees accruing benefits	
Present value of future benefits	$595,537,111
Present value of future normal costs	226,125,053
Total active employees accruing benefits	369,412,058
Retired and inactive members	
Members with deferred benefits	2,539,116
Members receiving benefits	463,751,162
Retired member supplemental benefits	57,856,754
Total retired and inactive members	524,147,032
Total actuarial accrued liability	893,559,090
Assets, at actuarial value	641,176,940
Unfunded actuarial accrued liability	**$252,382,150**

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

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

Note 6: Litigation

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b–a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
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%
4/30/2009	641,176,940	893,559,090	252,382,150	72%	89,884,411	281%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
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%
2010	23,642,278	70%

POLICE RETIREMENT SYSTEM OF KANSAS CITY, MISSOURI
SCHEDULE OF EXPENSES
Year Ending April 30, 2010

Investment Expenses	
Bank custodial fees and expenses	$143,559
Financial management expenses	2,699,256
Financial consultation	135,234
Total	**$2,978,049**

Administrative Expenses	
Salaries and payroll taxes	$318,518
Legal	94,787
Audit	16,691
Medical fees	6,983
Actuarial fees	37,426
Fringe benefits	40,282
Printing and office expense	10,386
Postage	4,777
Board meetings	1,306
Travel and education expense	5,237
Insurance	2,788
Depreciation	2,423
Legislative consultation	21,710
Other	2,048
Total	**$565,362**

Investment Section

DEMARCHE
ASSOCIATES, INC.

September 27, 2010

Dear Interested Parties,

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

Current investment objectives of the fund include preserving principal and maximizing the rate of return to the System to meet approved actuarial assumptions. The System's absolute investment objective is a 7.75% annual return. The System also has a relative objective consisting of weighted returns of applicable investment style benchmarks.

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

The Board reviews the quarterly performance of their investment managers, comparing them to benchmarks and peer universes. Last 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.

Over the last year the Board has conducted a review of the asset allocation. Under consideration is an investment in hedge funds and an increased allocation to emerging markets.

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

Regards,
DEMARCHE ASSOCIATES, INC.

William Miskell

William Miskell
Executive Vice President
Chief Administrative Officer

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

Summary of Investment Policies and Objectives

Investment performance objectives were established to give the retirement system a method to evaluate the investment return of the system's portfolio and individual managers. The system's investment return will be measured against, and expected to exceed, the following benchmarks: 1) Absolute Investment Objective, a minimum return target of the Consumer Price Index plus 4%; 2) Relative Standard Performance, a relative return objective of 34% S&P 500 Index, 10% Russell 2000 Index, 12% MSCI EAFE Index, 3% MSCI Emerging Markets Index, 23% Barclays Government/Corporate Index, 5% Merrill Lynch High Yield Bond Index, 5% NCREIF Index, 5% Dow Jones/UBS Commodity Index, and 3% Actual Private Equity Return; 3) Comparative Standards of Performance, a relative return objective of above median in a 65% equity and 35% bond balanced manager universe. The portfolio exceeded each of the benchmarks with a 27% return for the fiscal year.

The tactical asset allocation at year end was 52% equities, 41% bonds and cash, and 7% alternatives. The equities allocation was divided into 35% large cap stocks, 9% small cap stocks, 7% international stocks, and 1% emerging markets. The allocations to international and emerging market stocks are held in commingled funds. The individual international commingled funds total more than 5% of plan assets and as a result must be disclosed under Governmental Accounting Standards Board rules. However none of the individual stocks in any of the commingled funds makes up more than 5% of the total assets. The alternative allocation is divided into 2% real estate, 3% commodities, and 2% private equity.

With the addition of a high yield bond manager, the Retirement Board continued to move toward a target 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 long term return for the target asset allocation is 8.93% and expected standard deviation (risk) is 10.74%. The differences between the year end allocation and the target allocation represent monthly tactical allocations to over weight or under weight asset classes based on market conditions and trends determined by our investment consultant.

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 and monthly tactical asset allocation calls to equities, fixed income, and cash.

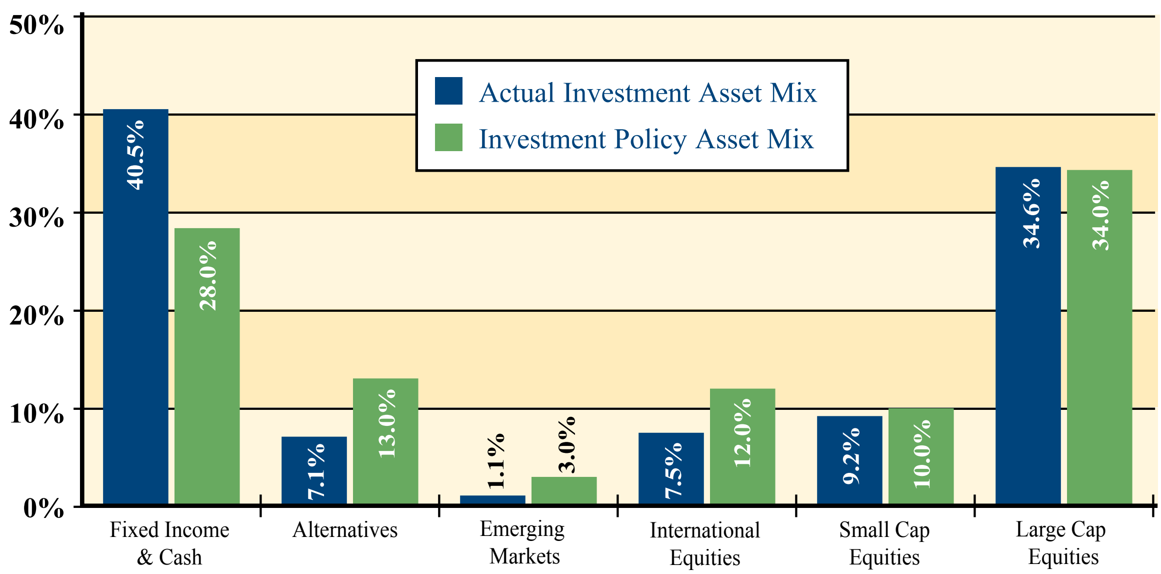
In May 2009 the Retirement Board funded an allocation to high yield bonds through investments with Shenkman Capital Management, and an allocation to an actively managed small cap value equity portfolio with Vaughan Nelson Investment Management. In March 2010 the Retirement Board contracted with DeMarche to conduct an asset mix update to determine if small changes to the current asset allocation would generate the same, or higher expected returns with lower volatility.

Summary of Investment Policies and Objectives
(Continued)

The Retirement Board met twice with DeMarche to review the monthly tactical asset allocation calls. During the year, DeMarche recommended four separate tactical allocation changes away from the target allocation. The last tactical call of the fiscal year, in February 2010, was to under weight equities and over weight fixed income and cash. The board and staff are responsible for implementing the tactical calls using established target allocations for the asset classes and allowable ranges around the targets.

Asset Allocation

Year Ending April 30, 2010

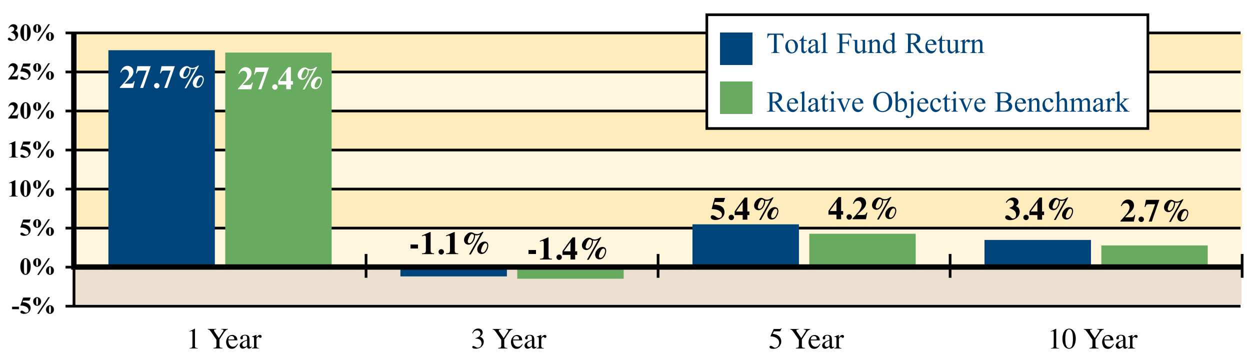


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2010. However, the results for the ten year returns are available for the quarter ending March 31, 2010 rather than for the fiscal year ending April 30, 2010. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2010 (Ten Year Returns as of March 31, 2010)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	10.2%	6.9%	5.7%	6.4%
Barclays Govt/Credit		*8.6%*	*6.1%*	*5.1%*	*6.2%*
Shenkman Capital Mgmt	High Yield Bonds	N/A			
Merrill Lynch Hi Yield		*N/A*			
GE Asset Mgmt	Foreign Equities	30.3%	(7.1%)	6.4%	2.4%
LSV Asset Mgmt	Foreign Equities	35.9%	(11.1%)		
MSCI EAFE		*34.4%*	*(8.9%)*	*3.9%*	*(1.3%)*
Waddell & Reed	Small Cap Growth Equities	36.4%	0.0%	5.8%	2.3%
Russell 2000 Growth		*45.2%*	*(1.9%)*	*6.1%*	*(1.5%)*
RCM Capital Mgmt	Large Cap Growth Equities	37.3%	0.7%	6.6%	
Northern Trust Index	Large Cap Growth Equities	38.9%			
Russell 1000 Growth		*38.2%*	*(1.9%)*	*4.1%*	
Vaughan Nelson	Small Cap Value Equities	N/A			
Russell 2000 Value		*N/A*			
LSV Asset Mgmt	Large Cap Value Equities	46.0%	(6.2%)	4.8%	
Russell 1000 Value		*42.3%*	*(7.7%)*	*1.9%*	
Prudential PRISA II	Real Estate	(26.1%)	(19.3%)	(5.0%)	
NCREIF Property		*(9.6%)*	*(4.3%)*	*4.2%*	
GE Asset Mgmt	Emerging Markets	51.8%			
LSV Asset Mgmt	Emerging Markets	71.8%			
MSCI Emerging Mkts		*57.1%*			
Gresham LLC	Commodities	30.8%			
DJ/UBS Commodity		*22.0%*			
Abbott Capital	Private Equity	(13.5%)	(4.1%)		
JP Morgan	Private Equity	(12.0%)	(2.7%)		
Tactical ETFs	Exchange Traded Equities	N/A			
Total Fund		**27.7%**	**(1.1%)**	**5.4%**	**3.4%**
Absolute Objective		***5.5%***	***5.8%***	***6.4%***	***6.4%***
Relative Objective		***27.4%***	***(1.4%)***	***4.2%***	***2.7%***



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, 2010	Market Value
1) Chevron Corp.	$4,699,088
2) Apple Computer Inc.	4,615,035
3) Exxon Mobil Corp.	3,887,805
4) ConocoPhillips	3,509,967
5) Pfizer Inc.	3,093,484
6) Wells Fargo & Co.	3,070,290
7) Bank of America Corp.	3,020,402
8) J P Morgan Chase & Co.	2,784,732
9) Cisco Systems Inc.	2,526,038
10) Microsoft Corp.	2,397,848

Ten Largest Bond Holdings April 30, 2010	Market Value
1) US Treasury Notes 1.375% Due 2012	$13,052,806
2) US Treasury Notes 3.00% Due 2016	10,014,840
3) US Treasury Notes 2.375% Due 2014	9,064,692
4) US Treasury Notes 1.00% Due 2011	8,036,872
5) US Treasury Notes 3.125% Due 2019	7,729,376
6) US Treasury Notes 3.75% Due 2018	5,107,420
7) Federal National Mortgage Assoc. 5.25% Due 2012	4,313,692
8) Verizon Communications Inc. 5.55% Due 2016	4,130,021
9) Federal National Mortgage Assoc. Step Up 3.00% Due 2016	4,016,240
10) Federal Home Loan Mortgage Corp. 3.00% Due 2014	4,015,000

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2010

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
National Financial Services	2,710,639	$151,831,026	$54,213	$0.020
Instinet	3,360,067	63,454,406	33,528	0.010
Merrill Lynch Pierce Fenner & Smith	895,561	29,093,630	17,927	0.020
Jefferies & Co.	698,293	30,313,892	17,509	0.025
Credit Suisse First Boston Corp.	22,925,766	42,379,775	16,449	0.001
Morgan Stanley & Co. Inc. New York	6,623,715	17,927,479	15,902	0.002
UBS Warburg LLC	510,472	16,589,036	11,176	0.022
Weeden & Co.	882,343	16,730,252	10,758	0.012
Goldman Sachs & Co.	11,160,035	27,488,039	10,583	0.001
Citigroup Global Markets Inc./Smith Barney	759,447	23,088,629	10,192	0.013
Bernstein, Sanford C. & Co.	304,586	10,373,715	9,661	0.032
Deutsche Bank Securities Inc.	204,117	7,844,828	7,789	0.038
Stifel Nicolaus & Co.	262,227	5,697,567	7,190	0.027
Liquidnet Inc.	412,287	7,874,495	7,065	0.017
Investment Technology Group Inc.	444,532	16,249,859	7,001	0.016
Friedman Billing & Ramsey	222,600	1,988,575	4,625	0.021
J.P. Morgan Securities Inc.	151,908	5,190,966	4,268	0.028
Knight Securities L.P.	78,897	2,552,182	3,098	0.039
Others (including 37 brokerage firms)	988,515	25,839,650	25,936	0.026
Totals	**53,596,007**	**502,508,001**	**$274,870**	**$0.005**

Zero commission trades excluded from above	101,059,547	$118,275,814

Investment Summary

Year Ending April 30, 2010

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/10	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$181,345,730	27.7%
Cash			53,205,295	8.1%
GE Asset Management	Jun 1994	Foreign Equities	23,607,839	3.6%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	29,264,236	4.5%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	68,068,917	10.4%
LSV Asset Management	Feb 2003	Large Cap Value Equities	111,136,619	17.0%
Prudential PRISA II	Sep 2004	Real Estate	14,818,922	2.3%
Abbott Capital Management	Aug 2005	Private Equity	7,413,191	1.1%
JPMorgan Investment Management	Jan 2006	Private Equity	5,602,617	0.9%
LSV International Value	Jun 2006	Foreign Equities	23,612,507	3.6%
NTGI Russell 1000 Growth	Aug 2007	Large Cap Growth Equities	43,002,578	6.6%
GE Emerging Markets	Aug 2007	Emerging Markets	3,306,260	0.5%
LSV Emerging Markets	Aug 2007	Emerging Markets	3,584,832	0.5%
Gresham Investment Management	May 2008	Commodities	18,660,786	2.8%
Tactical ETFs	Mar 2009	Exchange Traded Equities	25,077,617	3.8%
Shenkman Capital Management	May 2009	High Yield Bonds	12,572,167	1.9%
Vaughan Nelson Investment Management	May 2009	Small Cap Value Equities	30,609,741	4.7%
		Total	**$654,889,854**	

Investment Summary (Continued)

Year Ending April 30, 2010

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$243,945	$7,942	$0.000
GE Asset Management	176,942	—	—
Waddell & Reed Investment Management	220,396	34,219	0.029
RCM Capital Management	311,859	62,349	0.034
LSV Asset Management	475,530	30,161	0.010
Prudential PRISA II	193,115	—	—
Abbott Capital Management	264,491	—	—
JPMorgan Investment Management	95,000	—	—
LSV International Value	144,197	—	—
NTGI Russell 1000 Growth	24,455	—	—
GE Emerging Markets	37,585	—	—
LSV Emerging Markets	36,225	—	—
Gresham Investment Management	216,973	—	—
Tactical ETFs	—	59,325	0.020
Vaughan Nelson Investment Management	258,543	80,874	0.015
Total	**$2,699,256**	**$274,870**	**$0.005**

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

September 24, 2010

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, 2010.

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, 2010 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 gain this year, primarily due to favorable investment returns. 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 79% funded as of April 30, 2010, based on the actuarial value of assets, and 72% funded based on the market value of assets.

Based upon the results of the April 30, 2010 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

Patrice A. Beckham, F.S.A.
Consulting 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, 2010 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, 2010. All census data was supplied by the System and was subject to reasonable consistency checks. Milliman, Inc. completed the 2007 through 2010 valuations. Gabriel, Roeder, Smith & Company completed the valuations from 2002 through 2006. William M. Mercer, Inc. completed all previous valuations.

Summary of Actuarial Assumptions and Methods (Continued)

Mortality Tables. For active members, the RP-2000 Employees Table 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)

Years of Service	Annual Rate of Pay Increase for Sample 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, 2010

Valuation April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2005	1,285	$67,575,902	$52,588	3.5%
2006	1,355	71,835,495	53,015	0.8%
2007	1,391	75,377,572	54,189	2.2%
2008	1,433	81,825,577	57,101	5.4%
2009	1,410	84,741,206	60,100	5.3%
2010	1,418	85,500,737	60,297	0.3%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2010

	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
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
2010	38	1,426,523	23	533,519	1201*	39,272,337	2.4	32,700

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)
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
2010	81,310,956	526,521,860	307,630,221	722,464,003	100	100	37

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

Analysis of Financial Experience

Year Ended April 30, 2010

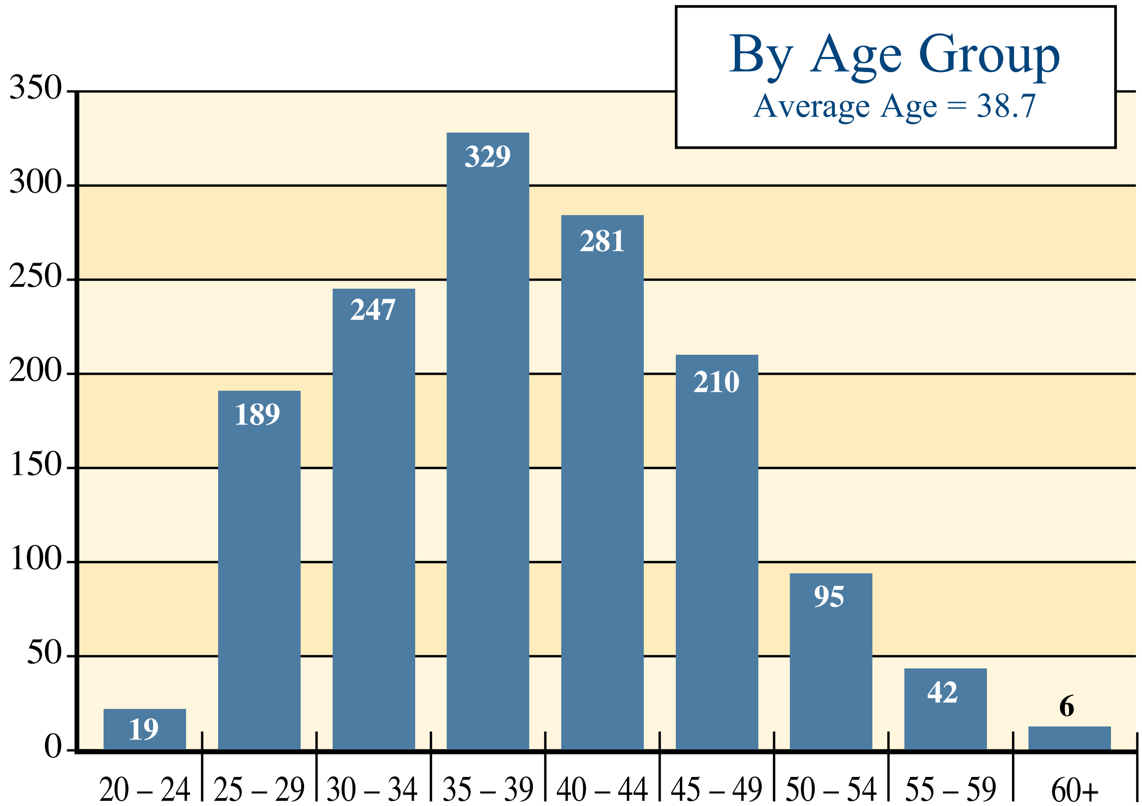
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

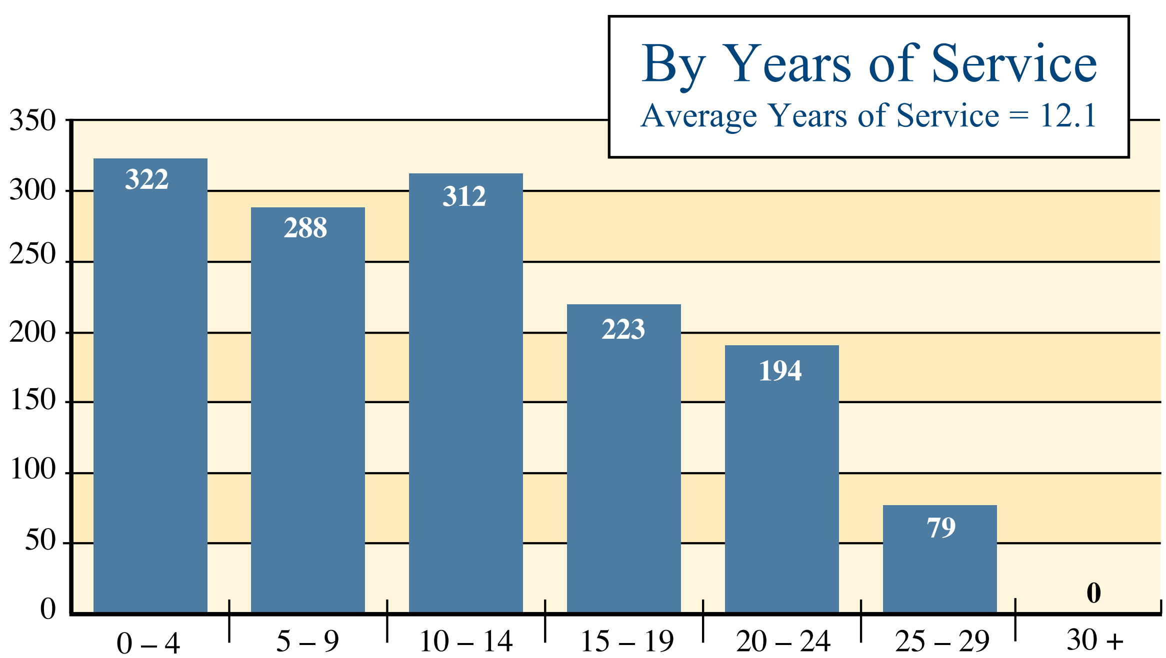
			$ Millions
(1)		UAAL* at start of year	$252.4
(2)	+	Normal cost for year	22.2
(3)	+	Assumed investment return on (1) & (2)	21.3
(4)	-	Actual contributions (member + city)	25.6
(5)	-	Assumed investment return on (4)	1.0
(6)	=	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	269.3
(7)	+	Increase (decrease) from plan amendments	—
(8)	+	Increase (decrease) from assumption change	—
(9)	=	Expected UAAL after changes (6) + (7) + (8)	269.3
(10)	=	Actual UAAL at year end	193.0
(11)	=	Experience gain (loss) (9) - (10)	$76.3
(12)	=	Percent of beginning of year AAL	8.5%

* Unfunded Actuarial Accrued Liability/(Surplus)

Year Ended April 30	2005	2006	2007	2008	2009	2010
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	(3.1%)	0.5%	5.4%	1.1%	(16.2%)	8.5%

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

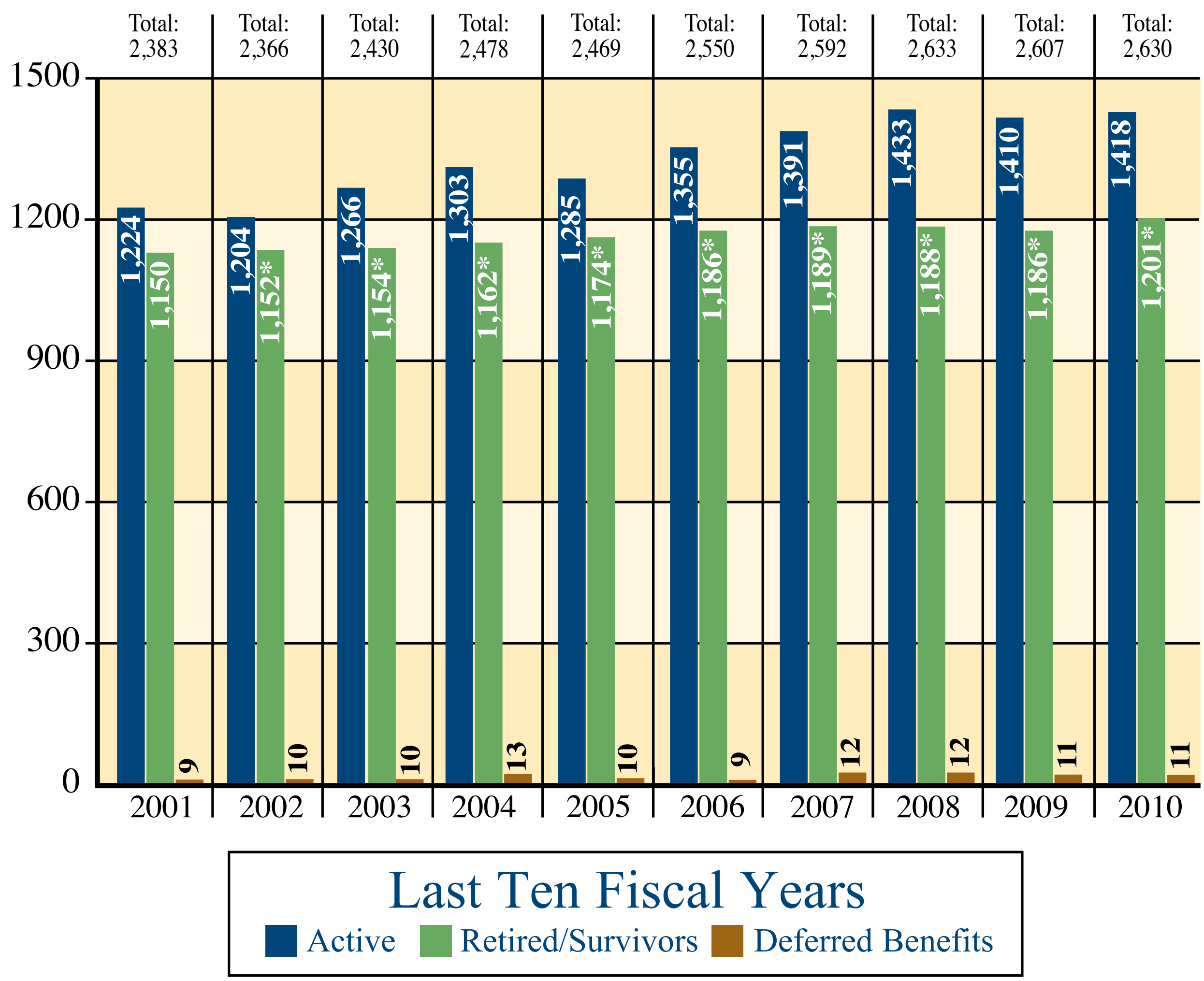
Statistical Summary

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	2001	2002	2003	2004	2005
Additions:					
Member Contributions	$5,958,321	$6,158,020	$6,551,628	$6,972,986	$7,212,990
Employer Contributions	11,392,871	11,312,754	12,017,801	12,817,176	13,297,605
Net Investment Income	(29,280,927)	(15,527,529)	(41,377,601)	91,313,225	45,338,145
Total Additions to Plan Net Assets	(11,929,735)	1,943,245	(22,808,172)	111,103,387	65,848,740
Deductions:					
Benefits	30,518,936	33,445,971	34,880,077	36,061,330	37,754,187
Refunds	514,571	1,075,649	618,418	442,327	609,138
Administrative	541,539	520,366	476,575	478,498	470,866
Total Deductions from Plan Net Assets	31,575,046	35,041,986	35,975,070	36,982,155	38,834,191
Change in Net Assets	($43,504,781)	($33,098,741)	($58,783,242)	$74,121,232	$27,014,549

Fiscal Year	2006	2007	2008	2009	2010
Additions:					
Member Contributions	$7,472,503	$7,814,142	$8,459,762	$8,982,366	$8,934,700
Employer Contributions	13,729,225	14,526,734	15,747,111	16,700,688	16,645,229
Net Investment Income	107,627,267	83,730,123	(911,856)	(180,354,444)	142,765,846
Total Additions to Plan Net Assets	128,828,995	106,070,999	23,295,017	(154,671,390)	168,345,775
Deductions:					
Benefits	39,443,788	42,293,180	42,802,584	44,097,817	46,290,964
Refunds	457,355	694,903	621,174	746,454	231,947
Administrative	495,613	515,720	598,548	550,069	565,362
Total Deductions from Plan Net Assets	40,396,756	43,503,803	44,022,306	45,394,340	47,088,273
Change in Net Assets	$88,432,239	$62,567,196	($20,727,289)	($200,065,730)	$121,257,502

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

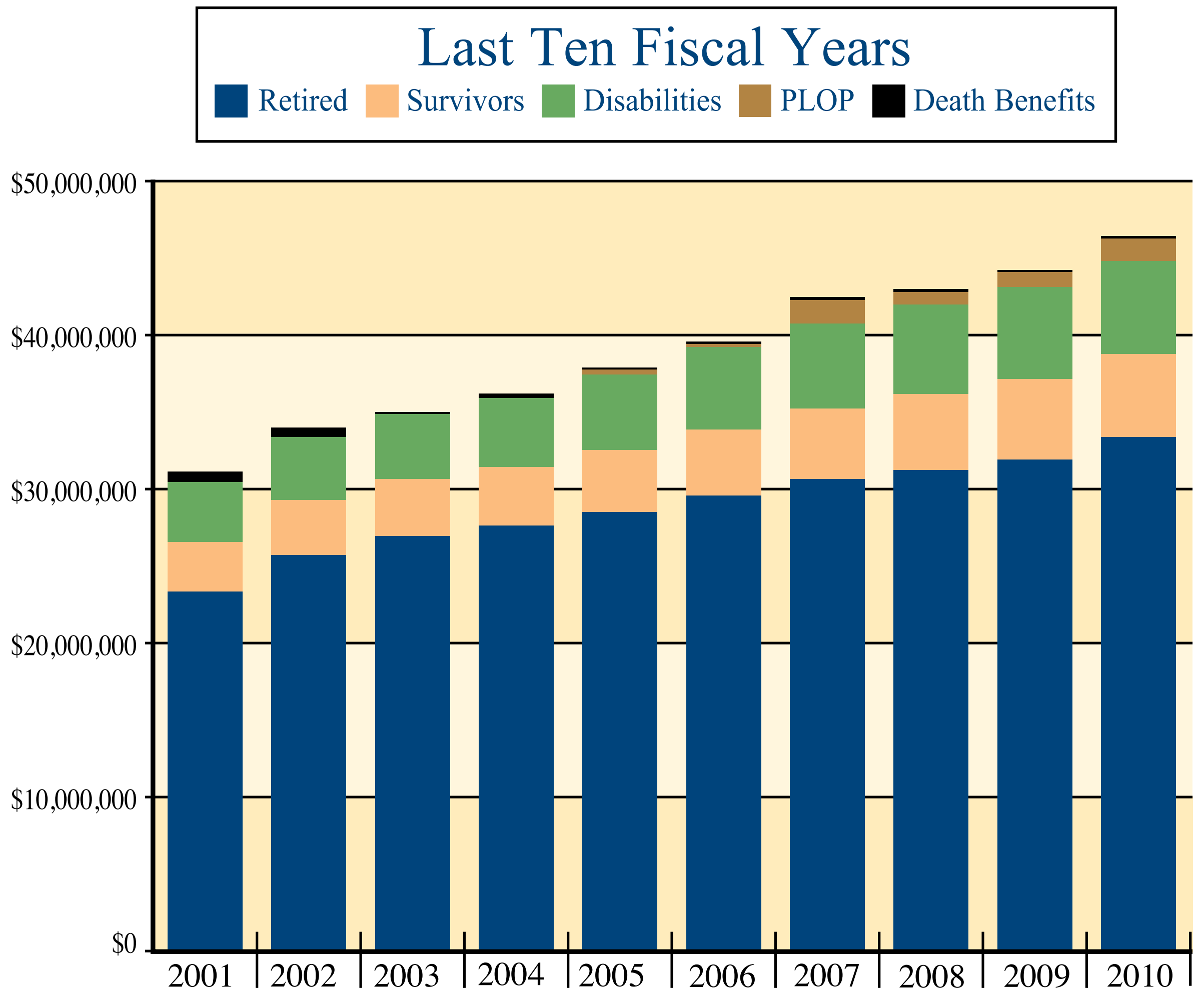
Last Ten Fiscal Years

Fiscal Year	2001	2002	2003	2004	2005
Type of Benefit:					
Retired	$23,341,466	$25,703,780	$26,955,355	$27,628,285	$28,488,160
Survivors	3,228,721	3,598,131	3,670,378	3,792,951	4,053,319
Disabilities	3,876,683	4,073,060	4,241,344	4,618,094	4,896,656
PLOP	–	–	–	–	303,052
Death Benefits	72,066	71,000	13,000	22,000	13,000
Total Benefits	$30,518,936	$33,445,971	$34,880,077	$36,061,330	$37,754,187
Type of Refund:					
Separation	$514,571	$988,345	$618,418	$363,931	$609,138
Death	–	87,304	–	78,396	–
Total Refunds	$514,571	$1,075,649	$618,418	$442,327	$609,138

Fiscal Year	2006	2007	2008	2009	2010
Type of Benefit:					
Retired	$29,564,876	$30,657,765	$31,212,247	$31,911,809	$33,368,992
Survivors	4,317,777	4,546,298	4,943,672	5,233,830	5,384,022
Disabilities	5,326,293	5,544,299	5,827,078	5,978,251	6,065,418
PLOP	219,842	1,522,818	790,587	957,927	1,455,532
Death Benefits	15,000	22,000	29,000	16,000	17,000
Total Benefits	$39,443,788	$42,293,180	$42,802,584	$44,097,817	$46,290,964
Type of Refund:					
Separation	$457,355	$694,903	$621,174	$746,454	$231,947
Death	–	–	–	–	–
Total Refunds	$457,355	$694,903	$621,174	$746,454	$231,947

*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, 2010

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	$2,300	15			15		
501 to 1,000	8,876	12	2	5	5		
1,001 to 1,500	79,154	64	12	46	2	1	3
1,501 to 2,000	149,843	85	28	39	1	11	6
2,001 to 2,500	328,436	145	53	66		12	14
2,501 to 3,000	471,817	172	104	34		20	14
3,001 to 3,500	845,444	262	214	13		25	10
3,501 to 4,000	769,204	207	179	4		17	7
4,001 to 4,500	608,348	144	126	3		15	
4,501 to 5,000	196,257	41	33	1		5	2
Over 5,000	307,779	54	52			2	
Totals	**$3,767,458**	**1,201**	**803**	**211**	**23**	**108**	**56**

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

Schedule of Average Monthly Base Benefit Amounts*

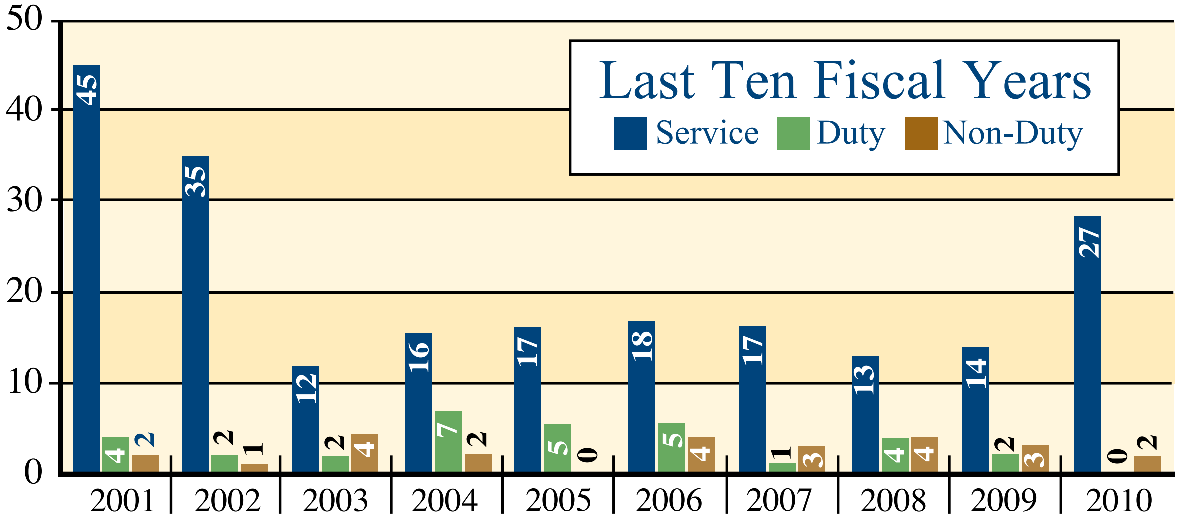
Ten Years Ended April 30, 2010

Years Credited Service

Members Retiring During	<25	25–26	26–27	27–28	28–29	29–30	All Members
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
Fiscal Year Ending 04/30/10							
Average monthly benefit	$2,474	3,580	3,705	4,230	3,006	4,297	3,616
Average final compensation	$5,394	5,691	5,885	6,546	5,276	6,605	6,022
Number of retirees	7	6	2	3	1	10	29

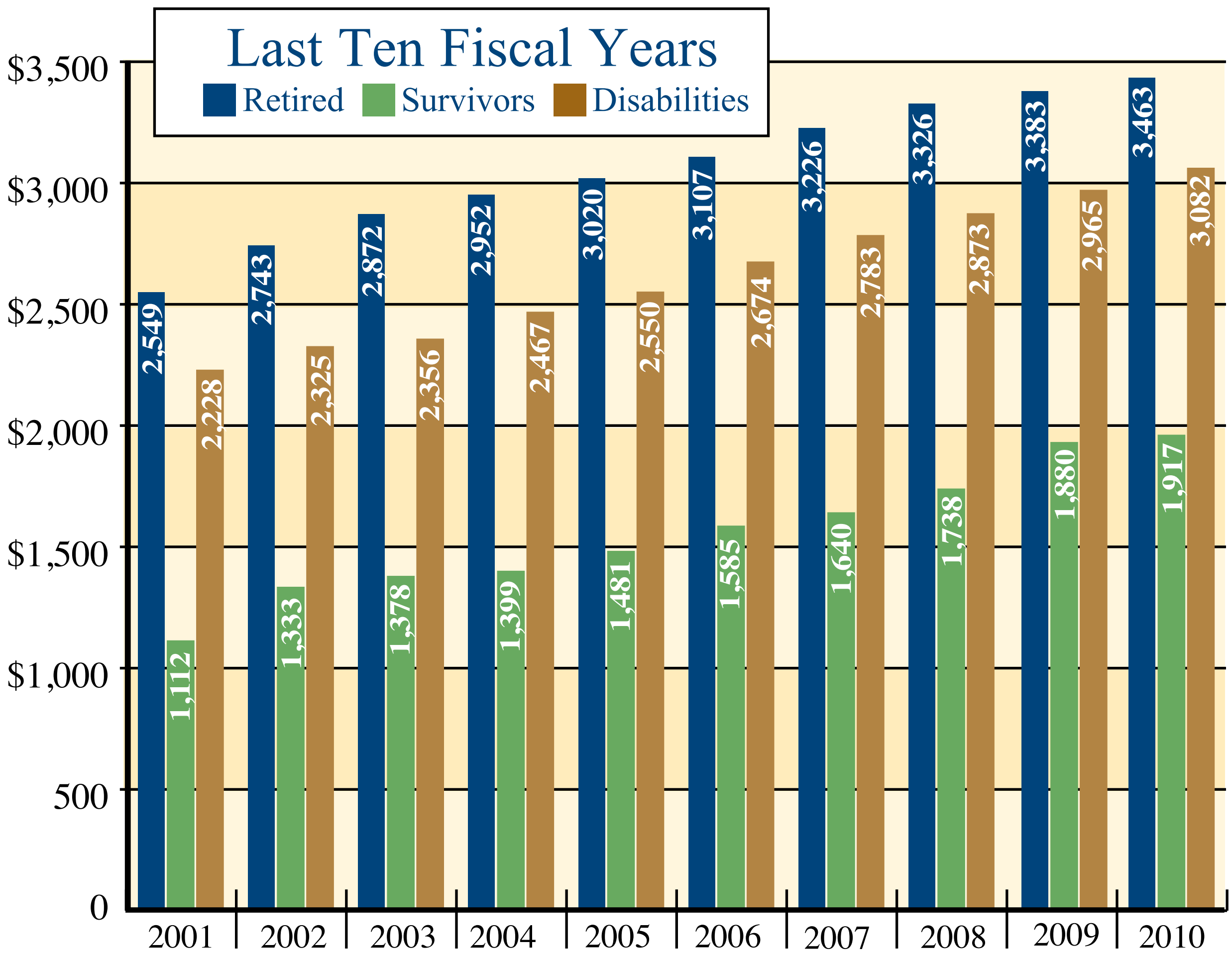
*Benefit amounts do not include supplemental benefits or cost of living adjustments.
*Benefit amounts are after reductions for optional benefits.

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

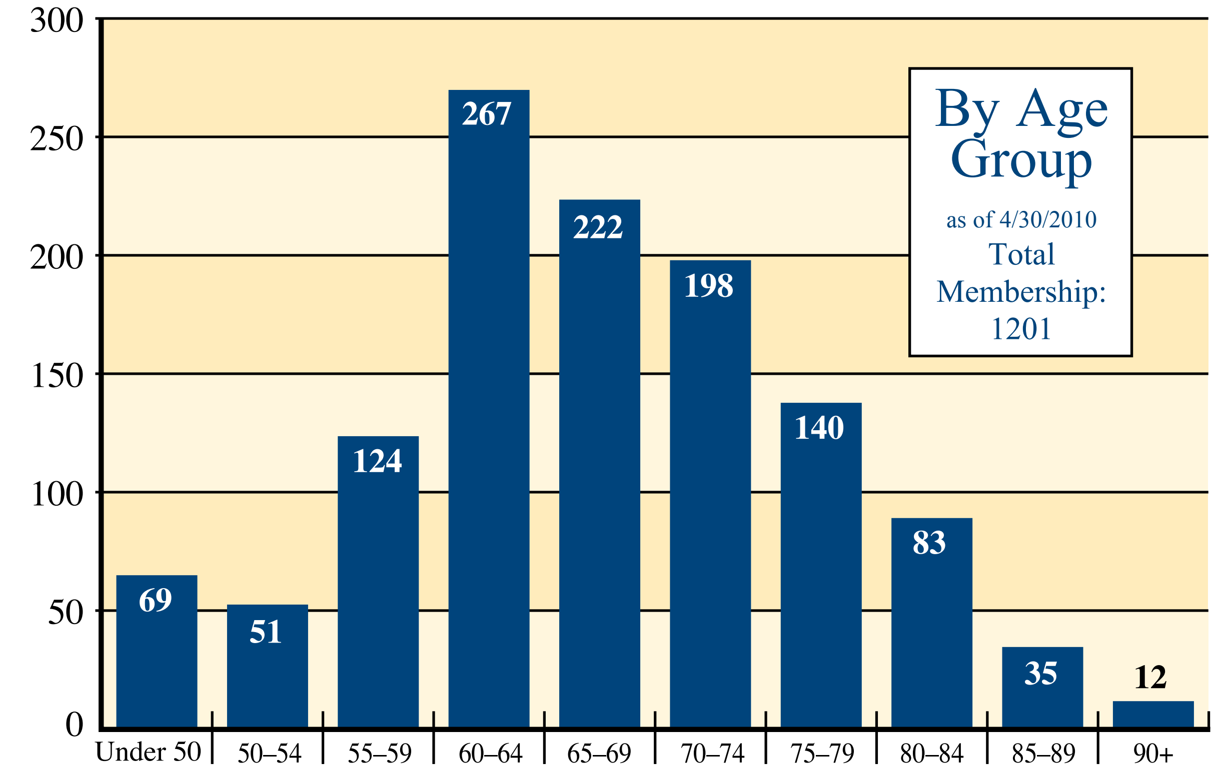
Fiscal Year	% Increase to Monthly Base Pension
2001	3.00%
2002	3.00%
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%
2010	3.00%

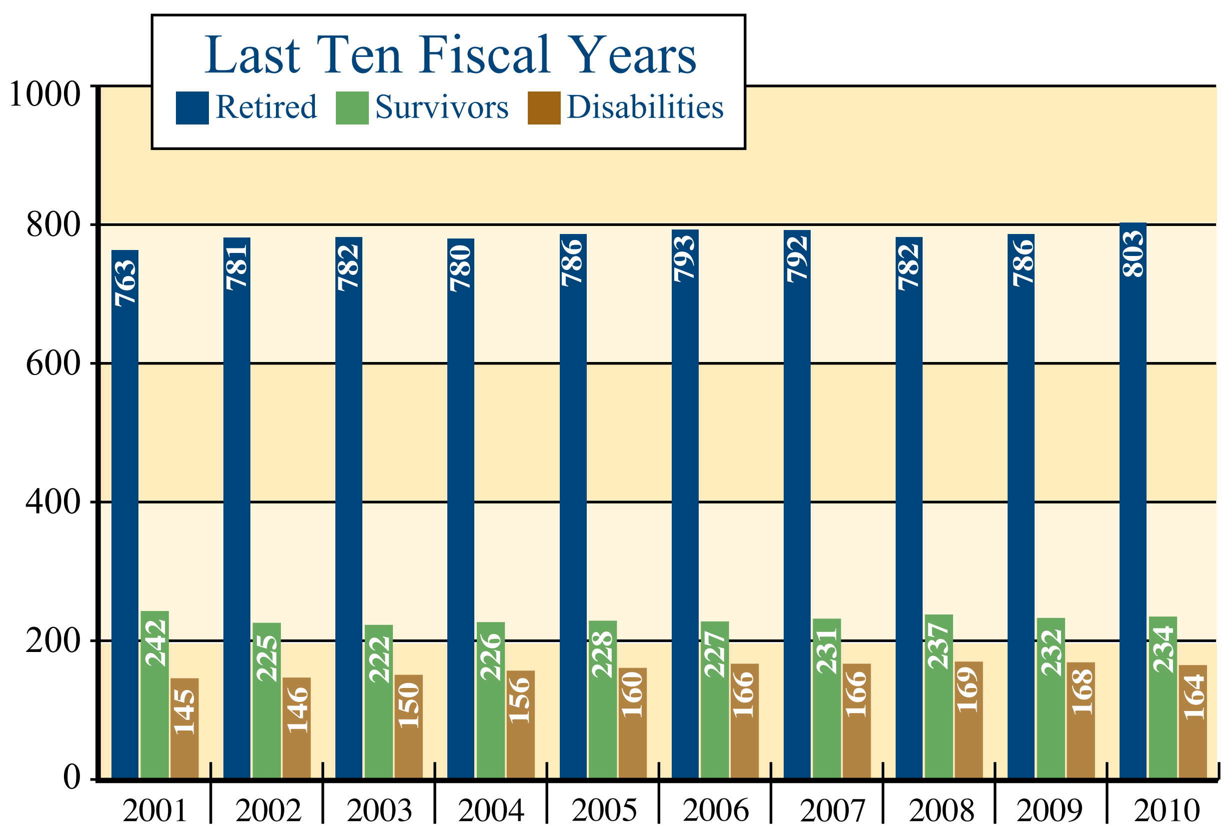
Supplemental Retirement Benefit

History of Increases

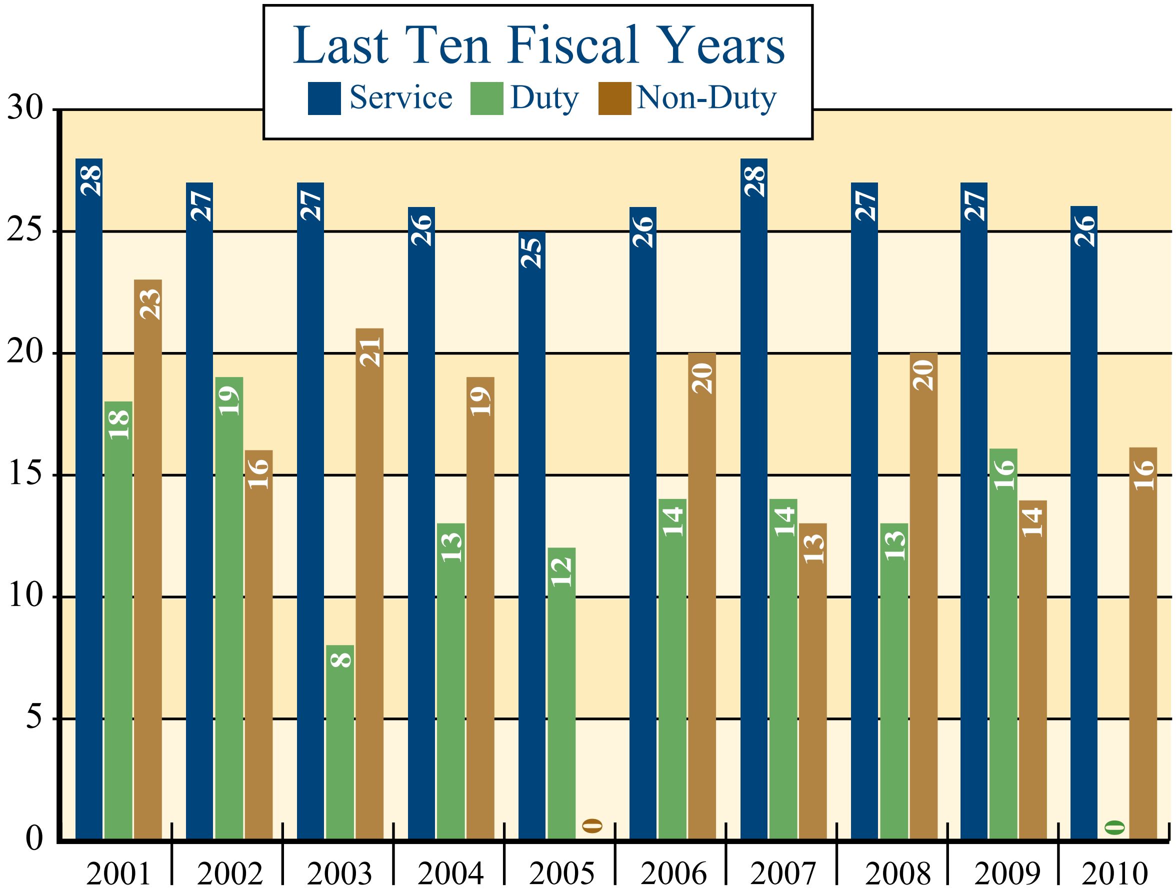
Fiscal Year	Monthly Benefit Amount	Annual Benefit Amount
1992	$50.00	$600.00
1993	70.00	840.00
1994	80.00	960.00
1995	90.00	1,080.00
1996	140.00	1,680.00
1997	180.00	2,160.00
1998	230.00	2,760.00
1999	270.00	3,240.00
2000	380.00	4,560.00
2001	420.00	5,040.00

Membership Receiving Benefits

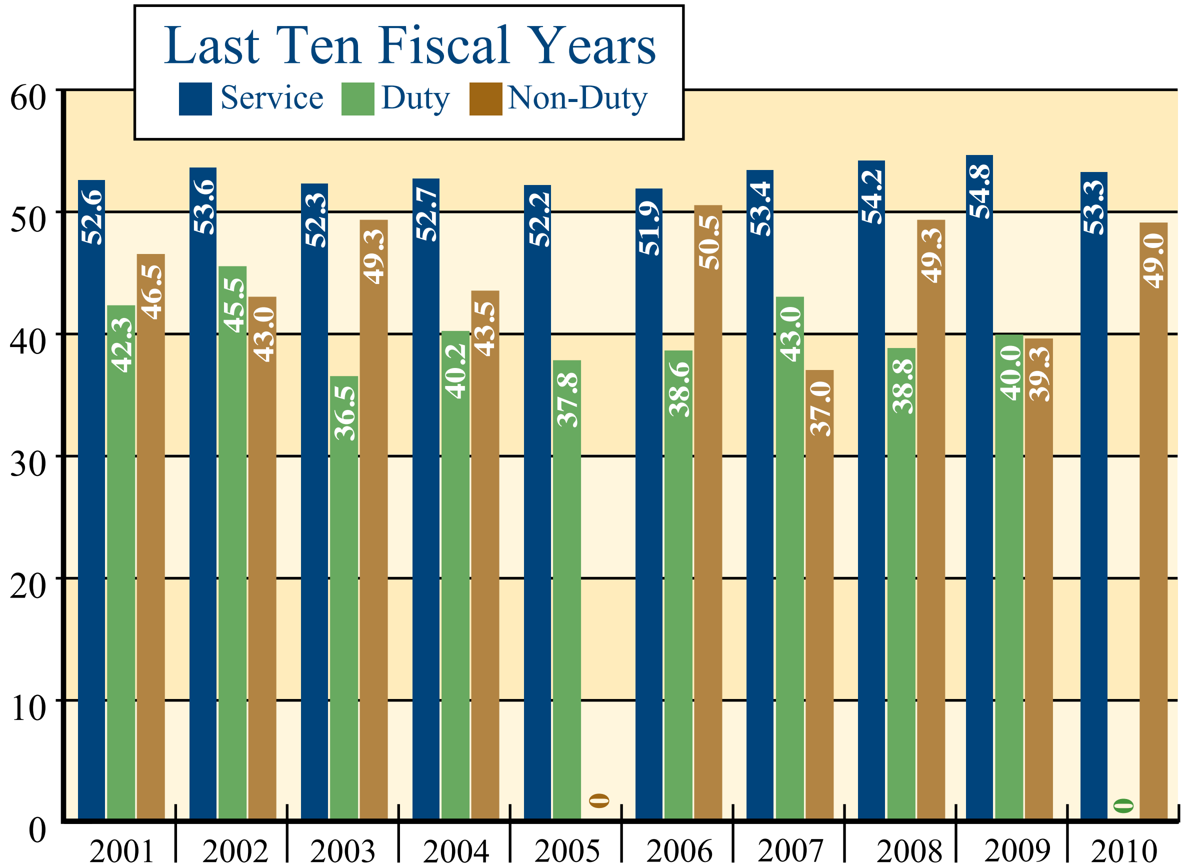




Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2010

Service	**67.4**
(803 retired members ranging in age from 49 to 91)	
Duty Disability	**59.4**
(108 retired members ranging in age from 29 to 87)	
Non-Duty Disability	**58.1**
(56 retired members ranging in age from 37 to 83)	

KCPERS

Kansas City Police Employees' Retirement Systems

1328 Agnes
Kansas City, Missouri 64127