65TH
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, 2010 to
April 30, 2011

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report
May 1, 2010 to April 30, 2011

65th 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

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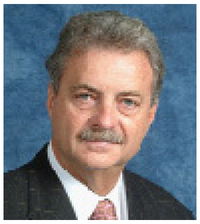
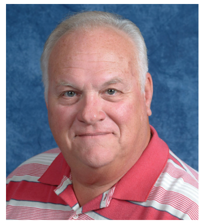
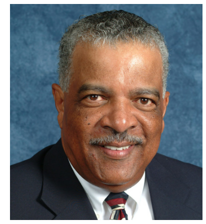


Gary R. Howell, Chairman
(Ret.) Crime Laboratory Director
Kansas City, Missouri
Police Department



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

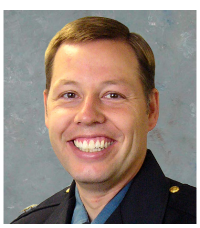


Bailus M. Tate, Treasurer
Appointed Member

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

James Chappell
Appointed Member

David E. Reyburn
Detective
Kansas City, Missouri
Police Department



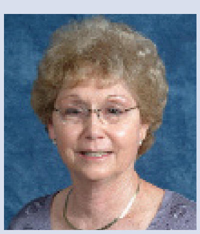
Richard C. Smith
Captain
Kansas City, Missouri
Police Department

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

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October 3, 2011

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

Dear Board Members:

It is my pleasure to submit the fiscal year 2011 Comprehensive Annual Financial Report of the Police Retirement System of Kansas City, Missouri.

Fiscal Year 2011 Projects

The Retirement Board completed its work on a new asset allocation that reduced investments in domestic stocks, increased investments in international and emerging market stocks and added hedge fund of funds to the portfolio. These changes are expected to generate about the same returns as the previous allocation but with lower risk. Once the decision was made to add hedge fund of funds to the portfolio, the Retirement Board started the process of finding a manager whose investment process fit with the board's risk tolerance. With the help of our investment consultant, staff completed target ranges for the new asset allocation and targets and ranges for the portion of the portfolio that can be tactically allocated.

The Retirement Board and staff met with several of our investment managers during the year to review investment performance and processes. Two managers, Prudential Real Estate and Abbott Capital, made presentations at board meetings because of volatility in the real estate and private equity markets. The board also selected a new actuarial firm following a change in staffing at Milliman. A request for proposals and evaluation process was completed and the board selected Cavanaugh Macdonald as the new actuarial firm. In part, the decision was based on Cavanaugh Macdonald's extensive experience with public employee retirement systems.

The 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. The Board of Police Commissioners made an employment decision to allow members to work until 32 years of service. That policy change has an $8 million positive impact on the retirement system.

The KCPERS website www.kcpers.org was completely redesigned during the year. A benefit estimator, history of changes to the retirement system, and a list of frequently asked questions was added to the new Member Information section of the website.

During the year, 26 new members joined the retirement system; 23 active members left the Police Department and received refunds of member contributions; 8 members became inactive vested members by reaching 30 years of creditable service but not retiring; 19 members retired and started receiving benefits; 23 retired members, 2 active members, and 6 spouses passed away; 3 children stopped receiving benefits due to age restrictions; and 14 survivors started receiving benefits.

Legislative Changes

No new legislative changes to plan provisions of the Police Retirement System became effective during FY 2011. However, House Bill 183 was introduced and passed during the 2011 session of the Missouri General Assembly. The bill became effective on August 28, 2011 and included the following changes in the Police Retirement System: 1) changes the start date for monthly retirement benefit payments; 2) prorates all final benefit payments in the month of a member's death and allows a designated beneficiary to receive the final benefit payment upon the death of a member; 3) eliminates creditable service for unpaid leave of less than 30 days; and 4) changes the cost of purchasing prior creditable service to 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. This fiscal year (Ret.) Chief Floyd Bartch and James Chappell joined the Retirement Board. Chief Bartch was elected by the membership of the Retirement Systems and Mr. Chappell was appointed by the City Council of Kansas City.

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 principles. 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, 2011 and April 30, 2010.

	April 30, 2011	April 30, 2010
Additions	$107,758,095	$168,345,775
Deductions	47,565,630	47,088,273
Net Change	$ 60,192,465	$121,257,502

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 2010 to FY 2011, additions decreased by $60,587,680; investment gains decreased by $60,763,760, and contributions from both members and the city increased by $176,080. From FY 2010 to FY 2011, deductions increased by $477,357; benefits paid increased by $86,171, refunds of contributions increased by $325,267, and administrative expenses increased by $65,919. Please review Management's Discussion and Analysis which can be found on pages 17 through 20 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 of the portfolio.

For the actuarial valuation dated April 30, 2011, the funded ratio of valuation assets to liabilities of the Police Retirement System, which covers 2,613 members, decreased by 3% to 76%. The decrease in the funded ratio is mainly due to recognizing prior investment losses, as part of the asset smoothing process, and the $17.8 million shortfall in employer contributions. 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 33.75% for the fiscal year beginning May 1, 2011 and the projected annual required contribution rate of 36.79% for the fiscal year beginning May 1, 2012.

Investment Activity
Investment markets remained volatile for the year ending April 30, 2011 with market losses early and gains later in the year. Those late gains provided a positive impact on Retirement System assets. Our investment portfolio produced a total return of 13.3% against the policy benchmark return of 16.1%, which means our investment managers and asset allocation had a 2.8% loss versus the market indices. The investment performance was more than our assumed rate of return, for actuarial purposes, of 7.75%, and generated net investment income of $82 million.

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, LSV Emerging Market, Prudential, and Gresham finished in the 1st Quartile against a peer group of large cap value, emerging market, real estate, and commodity managers, respectively. Vaughan Nelson, LSV International, and Financial Counselors finished in the 2nd Quartile against a peer group of small cap value, international value, and core fixed income managers, respectively. Waddell & Reed finished in the 3rd Quartile against a peer group of small cap growth managers. RCM, GE International, GE Emerging Market, and Shenkman finished in the 4th Quartile against a peer group of large cap growth, international growth, emerging market, and high yield bond managers.

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 20. 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, 2010. This was the ninth 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 2011 annual report is the result of work by Retirement Systems staff, outside advisors, and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with 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 Pyle

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, 2010

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

President

Executive Director

KCPERS
Kansas City Police Employees' Retirement Systems

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

October 3, 2011

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, 2011. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

This past year, the Retirement Board continued to implement plans that are designed to keep our retirement system sound and secure for current and future retirees and surviving spouses. Our investment decisions helped lower the overall risk in the portfolio. Small benefit plan changes implemented this year will reduce future liabilities in the retirement system.

You will see in the details of this 2011 report that we had another positive year in the investment markets with the portfolio earning 13% on our investments. Throughout the year we took a more conservative position thereby under performing the overall benchmark we use to measure the success of our managers and asset allocation. That same conservative position should lead to out performance of the benchmark in down market cycles like we have experienced during the past few months. In times when markets are more volatile, our investment process should help us retain investment earnings and out perform more aggressive investors.

During the last five months a Pension Reform Task Force has been studying the four City funded retirement plans, including the Police Retirement System. We have provided that group with information about our benefits, assets and liabilities, investments, and economic assumptions. We will continue to work with the task force to help them understand the important role we play in providing a reasonable, affordable, and secure retirement income for our members.

On behalf of the retirement board I want to thank Kenny Burnett for his 15 years of service on the board. Kenny was first elected to the board in 1996 and led the way to many important changes in our investment process and benefit improvements for retirees, surviving spouses and active members. Once we completed the election process earlier this year, we welcomed Captain Richard Smith as the newest member of the retirement board.

In closing I want to thank you, our members, for your continuing support of our efforts to provide an affordable, secure, and sustainable retirement benefit. I also want to thank our staff in the Retirement Systems office for their hard work and assistance to our members and the Retirement Board.

Sincerely,

Gary R. Howell
Retirement Board Chairman

Outside Professional Services

ACTUARY

Cavanaugh Macdonald Consulting, LLC
Patrice Beckham, Brent Banister
Bellevue, Nebraska

AUDITORS

BKD, LLP
Angela M. Miratsky
Kansas City, Missouri

INVESTMENT MANAGEMENT CONSULTANTS

DeMarche Associates, Inc.
William Miskell
Overland Park, Kansas

Emcor
Robert Woodard
Lawrence, Kansas

LEGAL COUNSEL

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

MASTER TRUSTEE/CUSTODIAN

The Northern Trust Company
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
Gil Scott, Nikki Newton
Overland Park, Kansas

G E Asset Management
Jonathan Passmore, Robb Ruhr
Stamford, Connecticut

LSV Asset Management
Keith Bruch
Chicago, Illinois

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

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

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

Northern Trust Global Investments
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, 2011, as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our 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, 2011, 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 2011 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 2010, 2009, 2008, 2007 and 2006 financial statements.

Kansas City, Missouri
July 29, 2011

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, 2011. 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, 2011 and the Statement of Changes in Plan Net Assets for the year ended April 30, 2011. 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, a summary of derivative financial instruments, 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, 2011	April 30, 2010	Amount Change
Cash	$8,284	$15,136	($6,852)
Receivables	2,098,612	1,703,669	394,943
Investments	714,541,874	654,889,854	59,652,020
Securities lending collateral	166,295,508	143,239,473	23,056,035
Office equipment	1,606	1,883	(277)
Total assets	**882,945,884**	**799,850,015**	**83,095,869**
Accounts and refunds payable	886,292	1,038,923	(152,631)
Securities lending collateral	166,295,508	143,239,473	23,056,035
Total liabilites	**167,181,800**	**144,278,396**	**22,903,404**
Net assets	**$715,764,084**	**$655,571,619**	**$60,192,465**

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 $715,764,084 as of April 30, 2011 from $655,571,619 as of April 30, 2010. 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 $882.9 million as of April 30, 2011 and included cash, investments and accrued interest receivables. Total assets increased by $83.1 million or 10.4% from FY 2010 due to investment income and increased securities lending collateral. Investable assets increased during the year by $59.7 million while securities lending collateral increased by $23.0 million.

Liabilities – Total liabilities of the Police Retirement System were $167.2 million as of April 30, 2011 and included payables for money manager fees and benefit payments, and securities lending collateral. Total liabilities increased by $22.9 million during the year mainly due to the $23.0 million offsetting liability for the increase in securities lending activity.

Net Assets – Police Retirement System assets exceeded liabilities at April 30, 2011 by $715.8 million. This was an increase of $60.2 million or 9.2% from the prior year.

Changes in Plan Net Assets

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

	April 30, 2011	April 30, 2010	Amount Change
Member contributions	$9,223,994	$8,934,700	$289,294
Employer contributions	16,532,015	16,645,229	(113,214)
Net investment income	82,002,086	142,765,846	(60,763,760)
Total additions	**107,758,095**	**168,345,775**	**(60,587,680)**
Benefits paid to members	46,377,135	46,290,964	86,171
Refunds of contributions	557,214	231,947	325,267
Administrative expenses	631,281	565,362	65,919
Total deductions	**47,565,630**	**47,088,273**	**477,357**
Net Increase	**60,192,465**	**121,257,502**	**(61,065,037)**
Net Assets, Beginning of Year	**655,571,619**	**534,314,117**	**121,257,502**
Net Assets, End of Year	**$715,764,084**	**$655,571,619**	**$60,192,465**

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 contributions increased and the amount of employer contributions decreased from FY 2010, because of the timing of the last payroll at the end of the fiscal year. Net investment income of $82.0 million is the result of positive investment performance. The portfolio's investment rate of return was 13.3% with investment income totaling $85.2 million and investment expenses totaling $3.2 million. Stock, bond and alternative investments all posted gains for the year.

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

For the eighth year in a row, employer contributions did not equal the amount and percentage of compensation recommended by the Retirement System actuary. The employer contribution rate was 17.06% below the annual required contribution rate of 36.76%. For the year beginning May 1, 2011, employer contributions are budgeted to remain at 19.70% of covered pay, while the annual required contribution rate decreases to 33.75%.

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 13.3% in FY 2011 and 27.6% in FY 2010 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, 2011

Assets

Investments	
U.S. government securities	$123,343,191
Corporate bonds and notes	63,808,560
Common and preferred stock	265,005,933
Equity exchange-traded-funds	68,716,933
Fixed income exchange-traded-funds	18,526,117
Government mortgage-backed securities	19,622,286
Partnerships – equity	17,493,415
Partnerships – fixed income	14,015,538
Real estate funds	20,082,869
Short-term investment funds	29,396,211
Short-term investment funds held for commodity funds	23,409,344
Commodity futures	1,652,517
Emerging market equities	7,928,212
Foreign equities	41,540,748
Total investments	714,541,874
Securities Lending Collateral	166,295,508
Receivables	
Member contributions	336,154
Accrued interest and dividends	1,761,793
Other	665
Total receivables	2,098,612
Office Equipment, net of accumulated depreciation of $45,219	1,606
Cash	8,284
Total assets	882,945,884

Liabilities

Accounts and refunds payable	886,292
Securities lending collateral	166,295,508
Total liabilities	167,181,800
Net Assets Held in Trust for Pension Benefits	$715,764,084

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended April 30, 2011

Additions

Investment Income	
Net appreciation in fair value of investments	$70,821,668
Interest and dividends	14,265,550
Investment expense	(3,278,858)
Net investment income	81,808,360
Securities Lending Income	
Securities lending gross income	433,925
Securities lending expenses	
Borrower rebates	(157,271)
Management fees	(82,928)
Total securities lending expenses	(240,199)
Net securities lending income	193,726
Total net investment income	82,002,086
Contributions	
City	16,532,015
Members	9,223,994
Total contributions	25,756,009
Total additions	107,758,095

Deductions

Benefits Paid	
Retired members	33,964,741
Spouses	5,382,292
Children	131,641
Disabled	5,983,509
Partial lump sum option	889,952
Death benefits	25,000
Total benefits paid	46,377,135
Other Deductions	
Refunds of contributions	557,214
Adminstrative expenses	631,281
Total other deductions	1,188,495
Total deductions	47,565,630
Net Increase	**60,192,465**
Net Assets Held in Trust for Pension Benefits, Beginning of Year	**655,571,619**
Net Assets Held in Trust for Pension Benefits, End of Year	**$715,764,084**

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 $25,756,009 ($16,532,015 employer and $9,223,994 employees) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2010. 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, 2011, the member contribution rate was 10.55% of compensation. The computed City contribution rate of 36.76% 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, 2011, 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 for the past eight 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, 2010 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
4/30/2010	$722,464,003	$915,463,037	$192,999,034	79%	$90,475,241	213%

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 partnerships and real estate funds consist primarily of non-marketable investments in various venture capital, corporate finance funds and private partnerships. These funds are primarily invested in the technology, communications, energy 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 $17,568,892 at April 30, 2011. The fair value of these investments is estimated based on the estimated fair values of the underlying securities. These estimates could change materially in the near term.

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

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

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

Administrative Expenses

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

Use of Estimates

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

Plan Tax Status

The Plan obtained its most recent determination letter on November 15, 2010, in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code and, therefore, not subject to tax.

Note 2: Plan Description

The following description of the 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, 2011, the Plan's membership consisted of the following:	
Retirees and beneficiaries currently receiving benefits	1,202
Terminated plan members entitled to but not yet receiving benefits	12
Active employees	
Vested: Non-contributing (30 yr. max)	8
Contributing	530
Non-vested	861
Total	**2,613**

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 not earn creditable service beyond 30 years of service. In April 2011, the Board of Police Commissioners changed its policy to allow members to work up to 32 years of service. However, the Plan will not receive contributions from either the City or the Member, after they have completed 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, 2011.

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 Income

Deposits

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

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

The Plan had no bank balances exposed to custodial credit risk at April 30, 2011.

Investments

For the year ended April 30, 2011, 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 Income (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	$166,151,094
Market value of cash collateral received from borrowers	$166,295,508
Market value of non-cash collateral received from borrowers	3,294,975
Total market value of collateral	$169,590,483

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, 2011, the Plan had the following investments and maturities:

		Maturities in Years				
Type	Fair Value	Less than 1	1 – 5	6 – 10	More than 10	Loaned Under Securities Lending Agreements
U.S. Treasury obligations	$81,005,381	$ –	$43,968,277	$30,595,777	$6,441,327	$78,688,329
U.S. agencies obligations	22,900,987	–	7,740,478	–	15,160,509	4,289,548
Corporate bonds	63,808,560	2,082,946	28,494,213	18,591,257	14,640,144	5,261,312
Government mortgage-backed securities	19,622,286	–	–	1,750,501	17,871,785	–
Index linked government bonds	19,436,823	–	10,087,516	9,349,307	–	19,436,823
Money market mutual funds	52,805,555	52,805,555	–	–	–	–
Fixed income exchange-traded-funds	18,526,117	18,526,117	–	–	–	–
		$73,414,618	$90,290,484	$60,286,842	$54,113,765	
Equity exchanged-traded-funds	68,716,933					–
Corporate stocks	265,005,933					57,127,528
Real estate funds	20,082,869					–
Partnerships – equity	17,493,415					–
Partnerships – fixed income	14,015,538					–
Commodity futures	1,652,517					–
Foreign equities	41,540,748					1,347,554
Emerging markets equity	7,928,212					–
Total	**$714,541,874**					**$166,151,094**

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

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

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, 2011, 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*. The Plan's investments in money market mutual funds and fixed income exchange-traded-funds were not rated by *Standard & Poor's*. These bond rating requirements do not apply to the high yield portion of the fixed income portfolio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Consistent with the Plan's securities lending policy, $166,151,094 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, 2011, consisted of:

Interest and dividend income	$14,265,550
Net increase in fair value of investments	70,821,668
	85,087,218
Less investment expense	3,278,858
	$81,808,360

Note 4: Derivative Financial Instruments

Some of the Plan's managers invest in derivative securities. A derivative security is an investment where settlement depends upon the value of the underlying assets, such as bond and stock prices, a market index or commodity prices. During the year, derivative investments included only commodity futures. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. This risk is minimized by investing in derivatives that are regulated by overseeing agencies and are guaranteed by clearinghouses. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle.

The Plan's investment managers utilize commodity futures to obtain market exposure and to take advantage of mis-pricing opportunities. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Commodity futures contracts are agreements to buy or sell a specified amount at a specified delivery or maturity date for an agreed-upon price. When a position is taken in a futures contract, a margin is posted and the contract is subject to daily mark-to-market adjustments.

The fair value and notional amounts of investment derivative instruments outstanding at April 30, 2011 are as follows:

Note 4: Derivative Financial Instruments (Continued)

Commodity Future	Number of Contracts Long (Short)	Maturity Date	Fair Value
Aluminum	18	December 2011	$144,512
Aluminum	2	October 2011	18,863
Cattle	15	December 2011	24,560
Cattle	6	June 2011	34,230
Cocoa	6	July 2011	19,359
Coffee	4	December 2011	25,264
Copper	5	October 2011	202,513
Copper	10	July 2011	(76,778)
Corn	26	December 2011	39,787
Corn	6	July 2011	32,985
Cotton	7	July 2011	77,396
Crude Oil	12	December 2012	46,914
Crude Oil	28	July 2011	192,179
Crude Oil	12	July 2011	41,111
Feeder Cattle	4	August 2011	(1,598)
Gas Natural	16	January 2012	65,262
Gas Natural	6	January 2013	14,310
Gas Oil	3	October 2011	59,364
Gas RBOB	4	July 2011	33,871
Gas RBOB	3	June 2011	24,764
Gold	15	June 2011	195,150
Heating Oil	6	December 2011	16,999
Heating Oil	1	June 2011	36,490
Hogs	10	December 2011	(877)
Hogs	4	October 2011	7,136
Lead	3	October 2011	20,775
Nickel	1	June 2011	(288)
Nickel	2	November 2011	88,980
Palladium	1	June 2011	(4,680)
Platinum	2	July 2011	16,033
Robusta Coffee	4	July 2011	5,972
Silver	4	July 2011	145,235
Soybean Meal	10	December 2011	(1,300)
Soybean Oil	1	December 2011	1,042
Soybean Oil	7	October 2011	1,417
Soybeans	14	July 2011	98,732
Sugar	26	July 2011	10,524
Wheat	12	July 2011	(654)
Wheat	8	July 2011	17,826
Zinc	6	August 2011	(20,863)
			$1,652,517

The changes in fair value of the commodity futures approximates their fair value at April 30, 2011 and are reported in net appreciation in fair value of investments in the Statement of Changes in Plan Net Assets.

Note 5: 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, 2010
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	15 years

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

Projected salary increases based on years of service as follows:

Years of Service	General Wage Growth	Merit and Longevity	Total
0	4.0%	5.75%	9.75%
1	4.0%	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 5: Actuarial Methods and Assumptions (Continued)

Actuarial accrued liability as of April 30, 2010:

Active employees accruing benefits	
Present value of future benefits	$607,991,761
Present value of future normal costs	223,279,179
Total active employees accruing benefits	384,712,582
Retired and inactive members	
Members with deferred benefits	4,228,595
Members receiving benefits	470,162,148
Retired member supplemental benefits	56,359,712
Total retired and inactive members	530,750,455
Total actuarial accrued liability	915,463,037
Assets, at actuarial value	722,464,003
Unfunded actuarial accrued liability	**$192,999,034**

The actuarial value of assets is calculated using an asset smoothing method. The difference between the actual investment return on the market value of assets and the assumed investment return on the prior year's actuarial value of assets is phased-in equally over a four year period. The resulting actuarial value of assets is constrained to fall within a corridor of 80% to 120% of market value.

Note 6: Risks and Uncertainties

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

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

Current Economic Conditions

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

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

Note 7: 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
4/30/2005	$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%
4/30/2010	722,464,003	915,463,037	192,999,034	79%	90,475,241	213%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
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%
2011	34,363,170	48%

SCHEDULE OF EXPENSES

Year Ending April 30, 2011

Investment Expenses	
Bank custodial fees and expenses	$178,272
Financial management expenses	2,976,586
Financial consultation	124,000
Total	**$3,278,858**
Administrative Expenses	
Salaries and payroll taxes	$318,514
Legal	163,827
Audit	15,095
Medical fees	4,449
Actuarial fees	34,390
Fringe benefits	44,710
Printing and office expense	10,692
Postage	3,620
Board meetings	995
Travel and education expense	6,061
Insurance	3,096
Depreciation	932
Legislative consultation	22,440
Other	2,460
Total	**$631,281**

Investment Section

DEMARCHE
ASSOCIATES, INC.

September 22, 2011

Dear Interested Parties,

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

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

The current asset allocation is based upon the fund's investment objective, given its risk/return profile, time horizon, and return expectations. The fund has delegated investment management functions to professional managers. The Board has diversified these investments among equities, fixed income, real estate, commodities, private equity and a fund-of-funds hedge fund. Further equity diversification includes domestic and international, large cap and small cap, 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. Two years ago the Retirement Board hired Discretionary Management Services (DMS), an affiliate of DeMarche Associates, to provide, at least monthly, tactical asset allocation calls for the fund's assets excluding non-liquid assets. The Board provided DMS with target allocations for asset classes and styles and allowable ranges around the targets. The Retirement Board and its staff have the responsibility of implementing these calls.

Over the last year, the Board has implemented a shift in allocation; primarily reducing domestic equity exposure and increasing allocations to fixed income, emerging markets and hedge funds.

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 13.3% return for the fiscal year.

The tactical asset allocation at year end was 53% equities, 38% bonds and cash, and 9% alternatives. The equities allocation was divided into 40% large cap stocks, 7% small cap stocks, 5% 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 make up more than 5% of the total assets. The alternative allocation is divided into 3% real estate, 4% commodities, and 2% private equity.

The Retirement Board continued to move toward a target asset allocation of 59% equities, 28% bonds and cash, 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 cash 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 8.79% and expected standard deviation (risk) is 12.33%. 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.

In November 2010 the Retirement Board adopted a new target asset allocation to be implemented upon the hiring of a hedge fund of funds manager. The target asset allocation will be 45.7% equities, 31.3% bonds and cash, and 23% alternatives. The equity allocation is divided into 15.0% large and mid cap stocks, 10.7% small cap stocks and 20% international stocks. The international allocation is further subdivided into 10% large cap international and 10% emerging markets stocks. The bond and cash allocation is divided into 24.3% intermediate bonds, 5% high yield bonds, and 2% cash. The alternative allocation is divided into 10% hedge fund of funds, 5% real estate, 5% commodities, and 3% private equity. The expected long term return for the new target asset allocation continues to be 8.79% but the expected standard deviation (risk) is lowered to 10.85%.

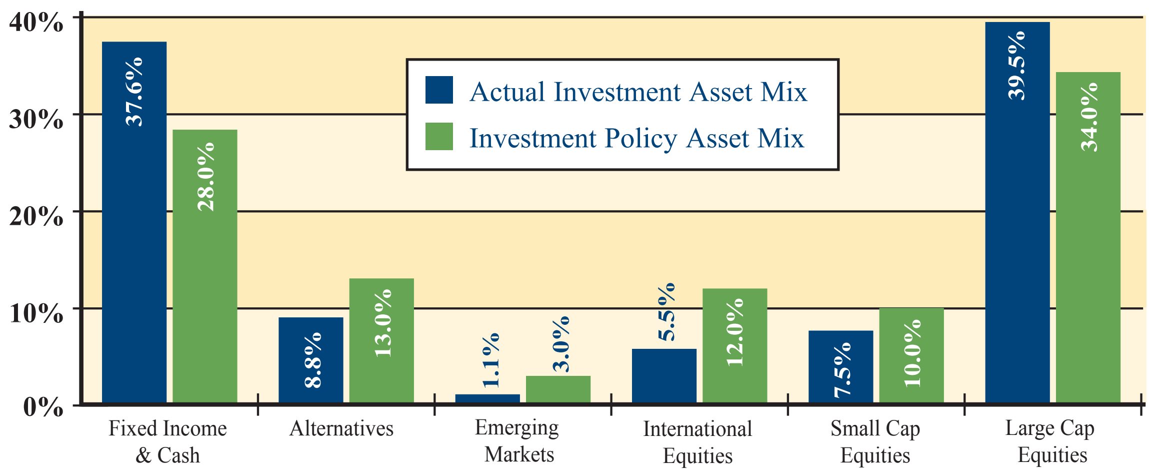
Summary of Investment Policies and Objectives
(Continued)

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, (i.e. Did the manager make or lose money?) and on a relative basis, (i.e. 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.

The Retirement Board met twice with DeMarche to review the monthly tactical asset allocation calls. During the year, DeMarche recommended two separate tactical allocation changes away from the target allocation. The last tactical call of the fiscal year, in March 2011, 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, 2011

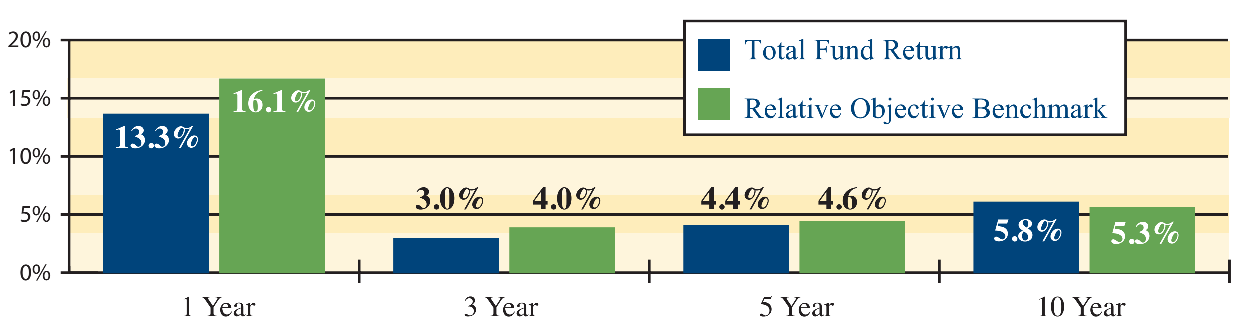


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2011. However, the results for the ten year returns are available for the quarter ending March 31, 2011 rather than for the fiscal year ending April 30, 2011. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2011 (Ten Year Returns as of March 31, 2011)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	5.5%	6.4%	6.7%	5.7%
Barclays Govt/Credit		*5.4%*	*5.5%*	*6.2%*	*5.5%*
Shenkman Capital Mgmt	High Yield Bonds	11.5%			
Merrill Lynch Hi Yield		*13.4%*			
GE Asset Mgmt	Foreign Equities	18.1%	(5.2%)	2.5%	6.3%
LSV Asset Mgmt	Foreign Equities	19.6%	(3.3%)		
MSCI EAFE		*19.2%*	*(2.9%)*	*1.5%*	*5.4%*
Waddell & Reed	Small Cap Growth Equities	32.1%	10.4%	7.0%	9.0%
Russell 2000 Growth		*30.3%*	*9.6%*	*5.1%*	*6.4%*
RCM Capital Mgmt	Large Cap Growth Equities	14.7%	4.8%	5.6%	2.8%
Northern Trust Index	Large Cap Growth Equities	20.9%	4.7%		
Russell 1000 Growth		*20.9%*	*4.6%*	*5.1%*	*3.0%*
Vaughan Nelson	Small Cap Value Equities	24.6%			
Russell 2000 Value		*14.6%*			
LSV Asset Mgmt	Large Cap Value Equities	18.6%	2.9%	3.2%	
Russell 1000 Value		*15.2%*	*(0.1%)*	*1.4%*	
Prudential PRISA II	Real Estate	30.7%	(15.3%)	(3.8%)	
NCREIF Property		*16.0%*	*(3.6%)*	*3.5%*	
GE Asset Mgmt	Emerging Markets	14.8%	0.3%		
LSV Asset Mgmt	Emerging Markets	30.5%	10.9%		
MSCI Emerging Mkts		*18.0%*	*0.4%*		
Gresham LLC	Commodities	34.3%			
DJ/UBS Commodity		*30.4%*			
Abbott Capital	Private Equity	5.6%	(4.5%)	(3.3%)	
JP Morgan	Private Equity	17.2%	2.1%	(1.3%)	
Tactical ETFs	Exchange Traded Equities	7.9%			
Total Fund		**13.3%**	**3.0%**	**4.4%**	**5.8%**
Absolute Objective		***7.8%***	***6.4%***	***6.5%***	***6.5%***
Relative Objective		***16.1%***	***4.0%***	***4.6%***	***5.3%***



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

Schedule of Largest Assets Held

Ten Largest Equity Holdings April 30, 2011	Market Value
1) Chevron Corp.	$6,183,360
2) J P Morgan Chase & Co.	5,128,812
3) AT&T Inc.	3,958,464
4) Apple Inc.	3,934,651
5) Pfizer Inc.	3,877,956
6) ConocoPhillips	3,654,459
7) Exxon Mobil Corp.	2,886,400
8) Marathon Oil Co.	2,685,788
9) Wells Fargo & Co. New	2,682,487
10) Amgen Inc.	2,461,548

Ten Largest Bond Holdings April 30, 2011	Market Value
1) US Treasury Notes 1.375% Due 2012	$13,185,861
2) US Treasury Notes 1.25% Due 2014	12,093,720
3) US Treasury Notes 3.00% Due 2016	11,488,125
4) US Treasury Notes 2.375% Due 2014	9,345,942
5) US Treasury Notes 2.375% Due 2016	8,164,376
6) US Treasury Notes 3.125% Due 2019	8,112,496
7) US Treasury Notes 3.75% Due 2018	5,859,216
8) US Treasury Notes 3.625% Due 2021	5,135,940
9) Federal National Mortgage Assoc. Step Up 2.00% Due 2025	4,403,070
10) Federal National Mortgage Assoc. 5.25% Due 2012	4,237,048

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2011

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Credit Suisse First Boston Corp.	1,455,636	$31,209,219	$18,650	$0.013
Merrill Lynch Pierce Fenner & Smith	1,316,069	42,455,964	13,808	0.010
Bernstein, Sanford C. & Co.	634,611	21,947,893	13,736	0.022
UBS Warburg LLC	595,614	21,157,130	12,583	0.021
J.P. Morgan Clearing Corp.	376,415	15,539,953	10,331	0.027
Weeden & Co.	656,584	17,918,261	8,453	0.013
Citigroup Global Markets Inc./Smith Barney	609,820	16,435,441	7,540	0.012
Instinet	549,859	13,283,259	6,214	0.011
Baypoint Trading LLC	269,750	5,998,599	5,407	0.020
Deutsche Bank Securities Inc.	166,384	8,178,752	5,289	0.032
Knight Direct LLC	269,497	7,417,530	5,185	0.019
Liquidnet Inc.	279,556	7,211,439	5,076	0.018
Blair, William & Co.	121,508	3,018,692	4,796	0.039
Morgan Stanley & Co. Inc. New York	31,124,891	36,813,013	4,718	0.000
Jefferies & Co.	1,760,443	7,897,965	4,268	0.002
Barclays Capital Inc. LE	116,059	5,619,704	3,944	0.034
Piper Jaffray Inc.	121,398	4,323,704	3,610	0.030
Stifel Nicolaus & Co.	119,019	2,722,648	3,490	0.029
Others (including 44 brokerage firms)	1,409,615	47,376,867	29,429	0.021
Totals	**41,952,728**	**$316,526,033**	**$166,527**	**$0.004**

Zero commission trades excluded from above	68,306,902	$498,542,304

Investment Summary

Year Ending April 30, 2011

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/11	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$206,774,037	28.9%
Cash			29,396,211	4.1%
GE Asset Management	Jun 1994	Foreign Equities	19,622,007	2.7%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	27,682,020	3.9%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	59,998,107	8.4%
LSV Asset Management	Feb 2003	Large Cap Value Equities	154,177,506	21.6%
Prudential PRISA II	Sep 2004	Real Estate	20,082,869	2.8%
Abbott Capital Management	Aug 2005	Private Equity	9,857,387	1.4%
JPMorgan Investment Management	Jan 2006	Private Equity	7,636,028	1.1%
LSV International Value	Jun 2006	Foreign Equities	19,586,917	2.7%
NTGI Russell 1000 Growth	Aug 2007	Large Cap Growth Equities	68,368,630	9.6%
GE Emerging Markets	Aug 2007	Emerging Markets	3,674,122	0.5%
LSV Emerging Markets	Aug 2007	Emerging Markets	4,254,089	0.6%
Gresham Investment Management	May 2008	Commodities	25,061,863	3.5%
Tactical ETFs	Mar 2009	Exchange Traded Equities	18,526,117	2.6%
Shenkman Capital Management	May 2009	High Yield Bonds	14,015,538	2.0%
Vaughan Nelson Investment Management	May 2009	Small Cap Value Equities	25,828,426	3.6%
		Total	**$714,541,874**	

Investment Summary (Continued)

Year Ending April 30, 2011

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$287,487	$ —	$ —
Cash	—	7	0.003
GE Asset Management	157,384	—	—
Waddell & Reed Investment Management	185,958	40,816	0.026
RCM Capital Management	248,388	59,073	0.030
LSV Asset Management	529,369	25,398	0.008
Prudential PRISA II	234,326	—	—
Abbott Capital Management	247,824	—	—
JPMorgan Investment Management	95,001	—	—
LSV International Value	120,823	—	—
NTGI Russell 1000 Growth	23,380	—	—
GE Emerging Markets	38,200	—	—
LSV Emerging Markets	37,177	—	—
Gresham Investment Management	385,903	—	—
Tactical ETFs	—	2,656	0.020
Shenkman Capital Management	134,558	—	—
Vaughan Nelson Investment Management	250,808	38,577	0.020
Total	**$2,976,586**	**$166,527**	**$0.004**

Actuarial Section

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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Bellevue, NE
Hilton Head Island, SC

October 7, 2011

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, 2011.

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

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

Actuarial Section

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

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

For valuation purposes, an asset smoothing method is used to develop the actuarial value of assets. The Board of Trustees, upon the recommendation of the actuary, adopted a new asset smoothing method and implemented it by setting the April 30, 2011 actuarial value of assets equal to the market value of assets.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The April 30, 2011 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 retirement assumption was modified in this valuation to reflect a new employer policy which allows officers to continue working until they reach 32 years of service (previously mandatory retirement was required at 30 years of service).

The System experienced a net actuarial loss for fiscal year end 2011. There was a $45 million loss on the actuarial value of assets and a $20 million gain on actuarial liabilities. For the continued well being of the System it is important that a plan be instituted for receiving contributions at the levels recommended in the actuarial valuation. Absent such action, COLAs may not be able to be granted and benefit levels may need to be reconsidered. The System is 76% funded as of April 30, 2011 on both an actuarial and market value basis.

Based upon the results of the April 30, 2011 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,

CAVANAUGH MACDONALD CONSULTING, LLC

Patrice Beckham

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

Summary of Actuarial Assumptions and Methods

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

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

For the 4/30/2011 valuation, the actuarial value of assets were reset to match the market value of assets. A new 5-year smoothing method will be implemented, to develop the actuarial value of assets, in the 4/30/2012 valuation. (Adopted 9/20/2011)

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, 2008 at the February 12, 2008 board meeting.

The most recent valuation was completed by Cavanaugh Macdonald Consulting, LLC and was based on members of the System as of April 30, 2011. 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. All vested members are assumed to leave their contributions with the System and receive a deferred benefit. 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. Deferred members are assumed to retire at age 55. (Adopted 2/12/08)

Members actively working with more than 30 years of service are assumed to retire in one year or at attainment of 32 years of service, if sooner.
(Adopted 09/20/11)

Active Members Retiring Within Next Year	
Years of Service	Percent Retiring
25	25%
26	25%
27	25%
28	25%
29	25%
30	35%
31	55%
32	100%

Summary of Actuarial Assumptions and Methods (Continued)

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

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

Schedule of Active Member Valuation Data

Six Years Ended April 30, 2011

Valuation April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
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%
2011	1,391	86,762,488	62,374	3.4%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2011

	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
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
2011	33	1,175,093	32	699,395	1202*	40,616,220	3.4	33,791

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)
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
2011	86,306,128	537,670,377	316,632,587	715,764,084	100	100	29

Note: Results for years before 2011 were prepared by a prior actuary.

Analysis of Financial Experience

Year Ended April 30, 2011

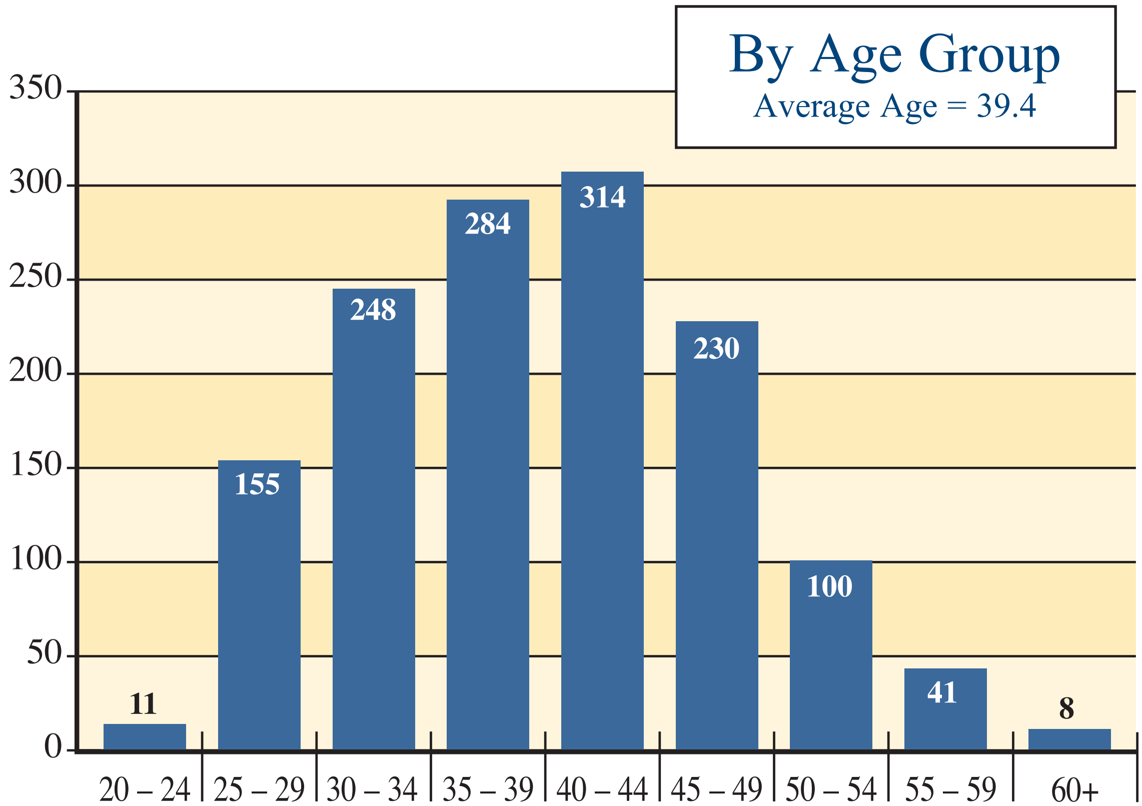
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

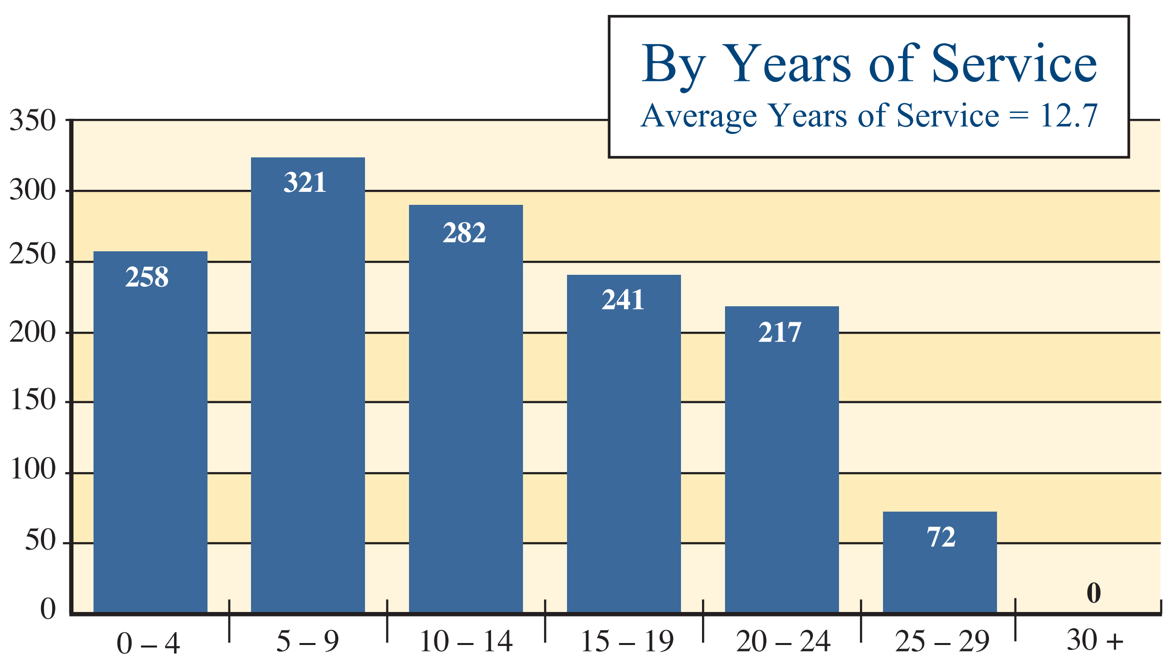
			Millions
(1)		UAAL* at start of year	$193.0
(2)	+	Normal cost for year	22.0
(3)	+	Assumed investment return on (1) & (2)	16.6
(4)	-	Actual contributions (member + city)	25.8
(5)	-	Assumed investment return on (4)	1.0
(6)	=	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5)	204.8
(7)	+	Increase (decrease) from assumption change	(6.9)
(8)	+	Increase (decrease) from change in actuary	6.7
(9)	+	Increase (decrease) from change in asset smoothing	(4.4)
(10)	=	Expected UAAL after changes (6) + (7) + (8) + (9)	200.2
(11)	=	Actual UAAL at year end	224.8
(12)	=	Experience gain (loss) (10) - (11)	($24.6)
(13)	=	Percent of beginning of year AAL	(2.7%)

* Unfunded Actuarial Accrued Liability/(Surplus)

Year Ended April 30	2006	2007	2008	2009	2010	2011
Actuarial Gain (Loss) As % of Actuarial Accrued Liabilities	0.5%	5.4%	1.1%	(16.2%)	8.5%	(2.7%)

Active Membership





Summary Plan Description at April 30, 2011

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 conditions, there is no interruption in the member's 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 annual required contribution to maintain the Retirement System on an actuarially sound basis is 36.76% 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. The Board of Police Commissioners allows a member who has completed 30 years of creditable service to stay in service until reaching 32 years of service. 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 32 years of 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, 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

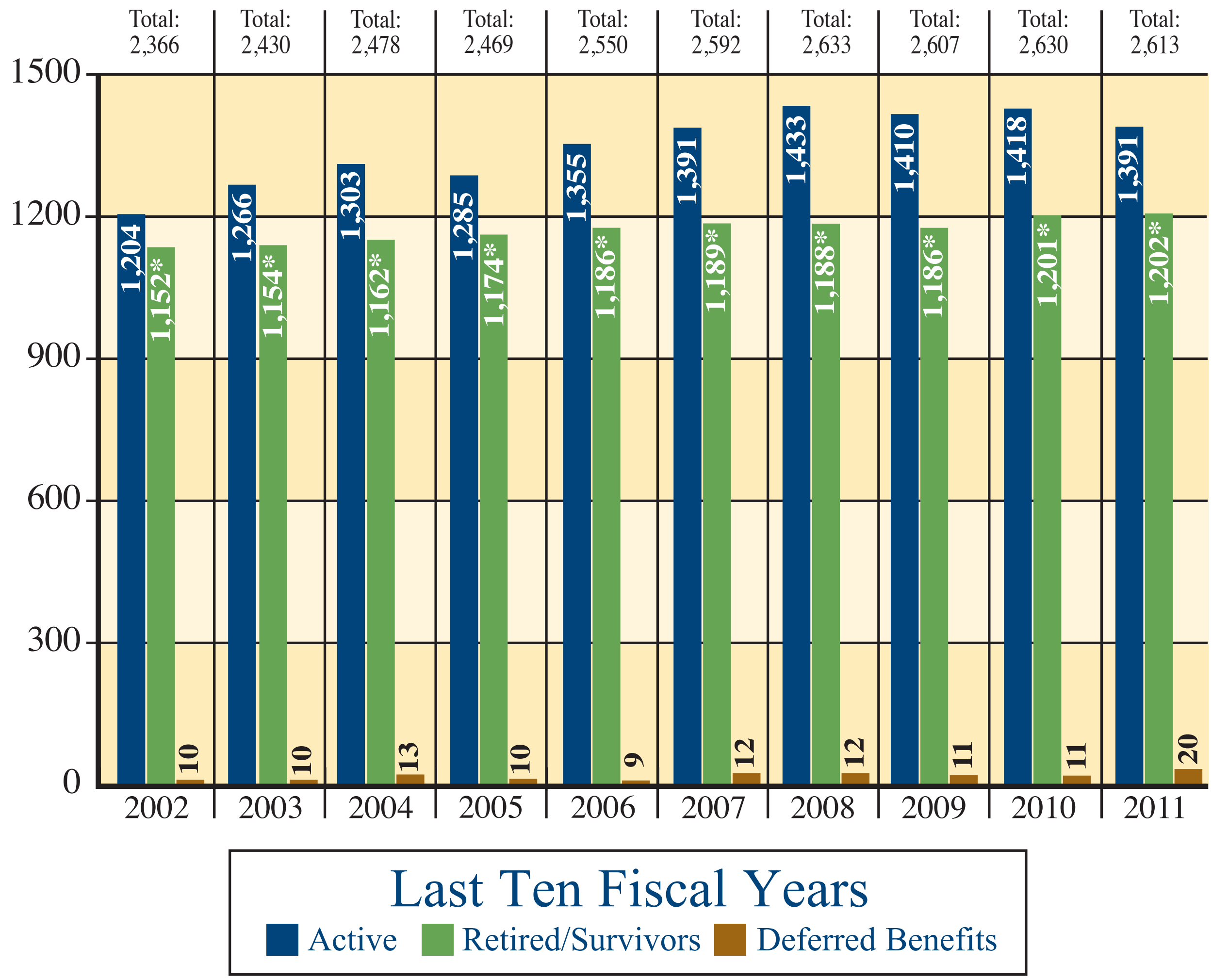
Statistical Summary

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	2002	2003	2004	2005	2006
Additions:					
Member Contributions	$6,158,020	$6,551,628	$6,972,986	$7,212,990	$7,472,503
Employer Contributions	11,312,754	12,017,801	12,817,176	13,297,605	13,729,225
Net Investment Income	(15,527,529)	(41,377,601)	91,313,225	45,338,145	107,627,267
Total Additions to Plan Net Assets	1,943,245	(22,808,172)	111,103,387	65,848,740	128,828,995
Deductions:					
Benefits	33,445,971	34,880,077	36,061,330	37,754,187	39,443,788
Refunds	1,075,649	618,418	442,327	609,138	457,355
Administrative	520,366	476,575	478,498	470,866	495,613
Total Deductions from Plan Net Assets	35,041,986	35,975,070	36,982,155	38,834,191	40,396,756
Change in Net Assets	($33,098,741)	($58,783,242)	$74,121,232	$27,014,549	$88,432,239

Fiscal Year	2007	2008	2009	2010	2011
Additions:					
Member Contributions	$7,814,142	$8,459,762	$8,982,366	$8,934,700	$9,223,994
Employer Contributions	14,526,734	15,747,111	16,700,688	16,645,229	16,532,015
Net Investment Income	83,730,123	(911,856)	(180,354,444)	142,765,846	82,002,086
Total Additions to Plan Net Assets	106,070,999	23,295,017	(154,671,390)	168,345,775	107,758,095
Deductions:					
Benefits	42,293,180	42,802,584	44,097,817	46,290,964	46,377,135
Refunds	694,903	621,174	746,454	231,947	557,214
Administrative	515,720	598,548	550,069	565,362	631,281
Total Deductions from Plan Net Assets	43,503,803	44,022,306	45,394,340	47,088,273	47,565,630
Change in Net Assets	$62,567,196	($20,727,289)	($200,065,730)	$121,257,502	$60,192,465

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

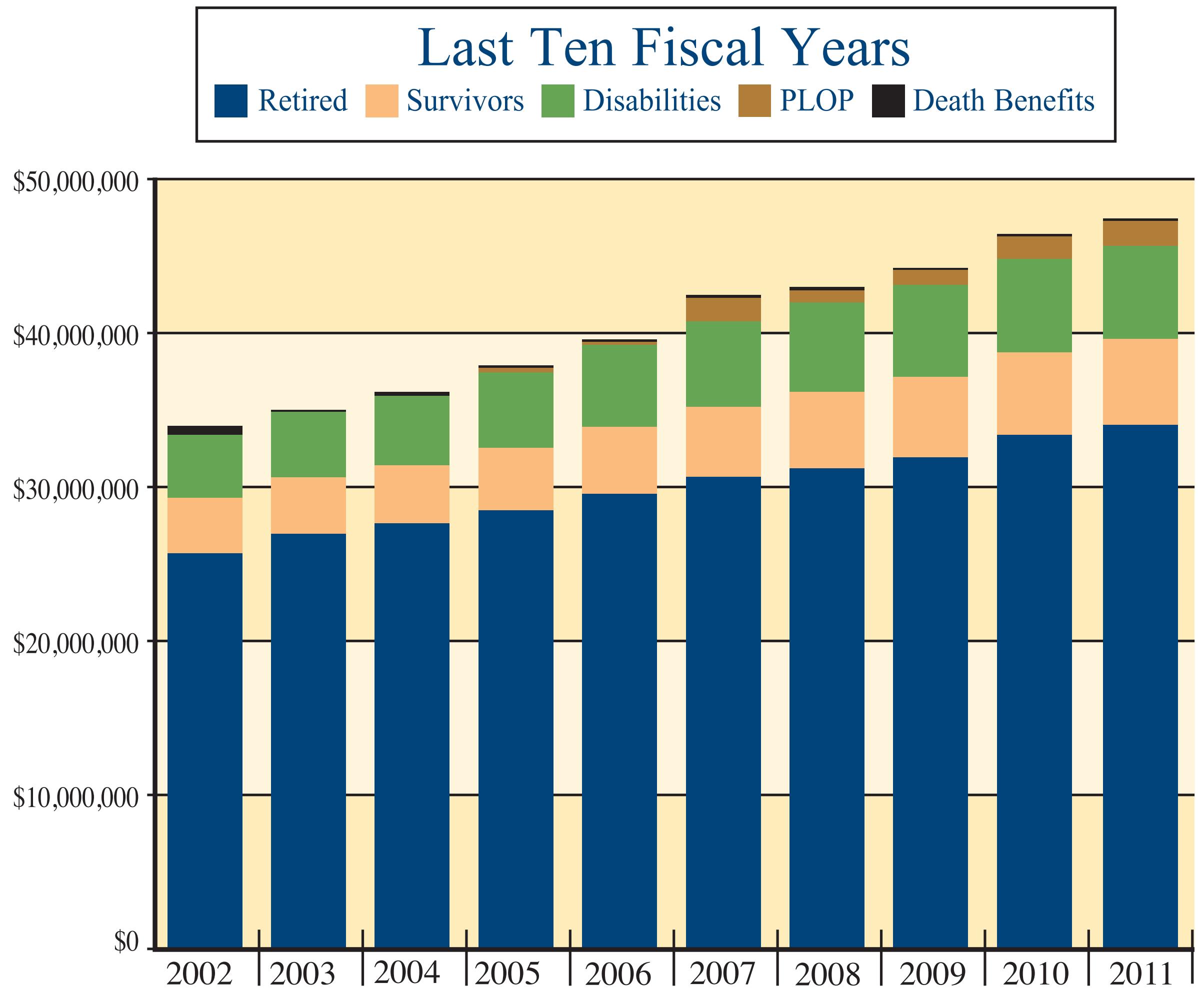
Last Ten Fiscal Years

Fiscal Year	2002	2003	2004	2005	2006
Type of Benefit:					
Retired	$25,703,780	$26,955,355	$27,628,285	$28,488,160	$29,564,876
Survivors	3,598,131	3,670,378	3,792,951	4,053,319	4,317,777
Disabilities	4,073,060	4,241,344	4,618,094	4,896,656	5,326,293
PLOP	–	–	–	303,052	219,842
Death Benefits	71,000	13,000	22,000	13,000	15,000
Total Benefits	$33,445,971	$34,880,077	$36,061,330	$37,754,187	$39,443,788
Type of Refund:					
Separation	$988,345	$618,418	$363,931	$609,138	$457,355
Death	87,304	–	78,396	–	–
Total Refunds	$1,075,649	$618,418	$442,327	$609,138	$457,355

Fiscal Year	2007	2008	2009	2010	2011
Type of Benefit:					
Retired	$30,657,765	$31,212,247	$31,911,809	$33,368,992	$33,964,741
Survivors	4,546,298	4,943,672	5,233,830	5,384,022	5,513,933
Disabilities	5,544,299	5,827,078	5,978,251	6,065,418	5,983,509
PLOP	1,522,818	790,587	957,927	1,455,532	889,952
Death Benefits	22,000	29,000	16,000	17,000	25,000
Total Benefits	$42,293,180	$42,802,584	$44,097,817	$46,290,964	$46,377,135
Type of Refund:					
Separation	$694,903	$621,174	$746,454	$231,947	$557,214
Death	–	–	–	–	–
Total Refunds	$694,903	$621,174	$746,454	$231,947	$557,214

*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, 2011

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	$2,326	14			14		
501 to 1,000	8,382	11	2	5	4		
1,001 to 1,500	70,216	57	10	41	2	1	3
1,501 to 2,000	143,697	82	24	40	2	10	6
2,001 to 2,500	308,364	136	43	70		9	14
2,501 to 3,000	440,943	161	98	34		19	10
3,001 to 3,500	840,954	259	202	18		26	13
3,501 to 4,000	794,290	212	188	5		14	5
4,001 to 4,500	674,176	158	135	3		18	2
4,501 to 5,000	174,506	37	31			4	2
Over 5,000	422,440	75	68	1		6	
Totals	**$3,880,294**	**1,202**	**801**	**217**	**22**	**107**	**55**

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

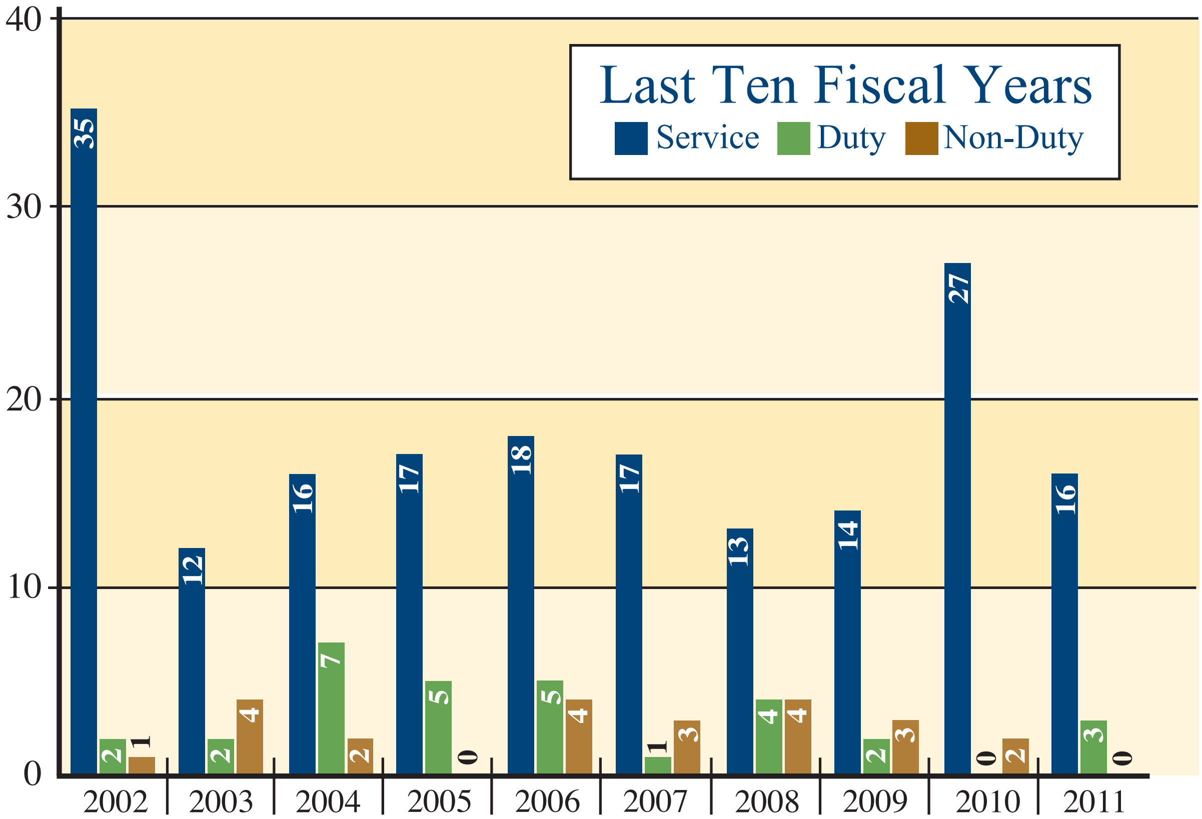
Schedule of Average Monthly Base Benefit Amounts*

Ten Years Ended April 30, 2011

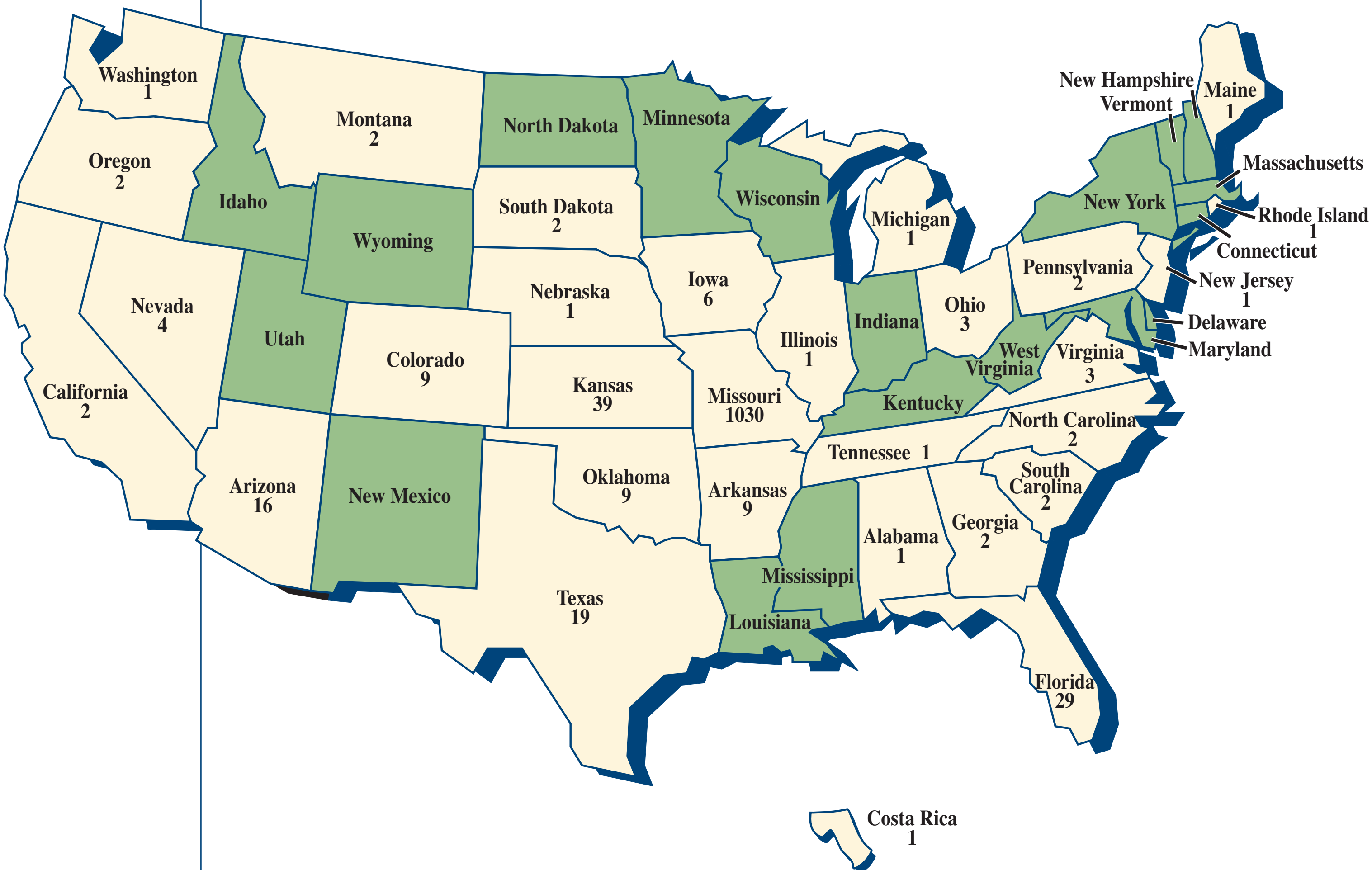
	Years Credited Service						
Members Retiring During	**<25**	**25–26**	**26–27**	**27–28**	**28–29**	**29–30**	**All Members**
Fiscal Year Ending 04/30/02							
Average monthly benefit	$2,486	2,802		4,437	3,539	3,429	3,118
Average final compensation	$4,538	4,462		6,402	5,002	4,603	4,653
Number of retirees	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
Fiscal Year Ending 04/30/11							
Average monthly benefit	$3,553	3,469	4,271	3,996	4,340	4,190	3,912
Average final compensation	$4,978	5,428	6,829	5,950	6,847	6,502	5,985
Number of retirees	4	4	3	2	2	4	19

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

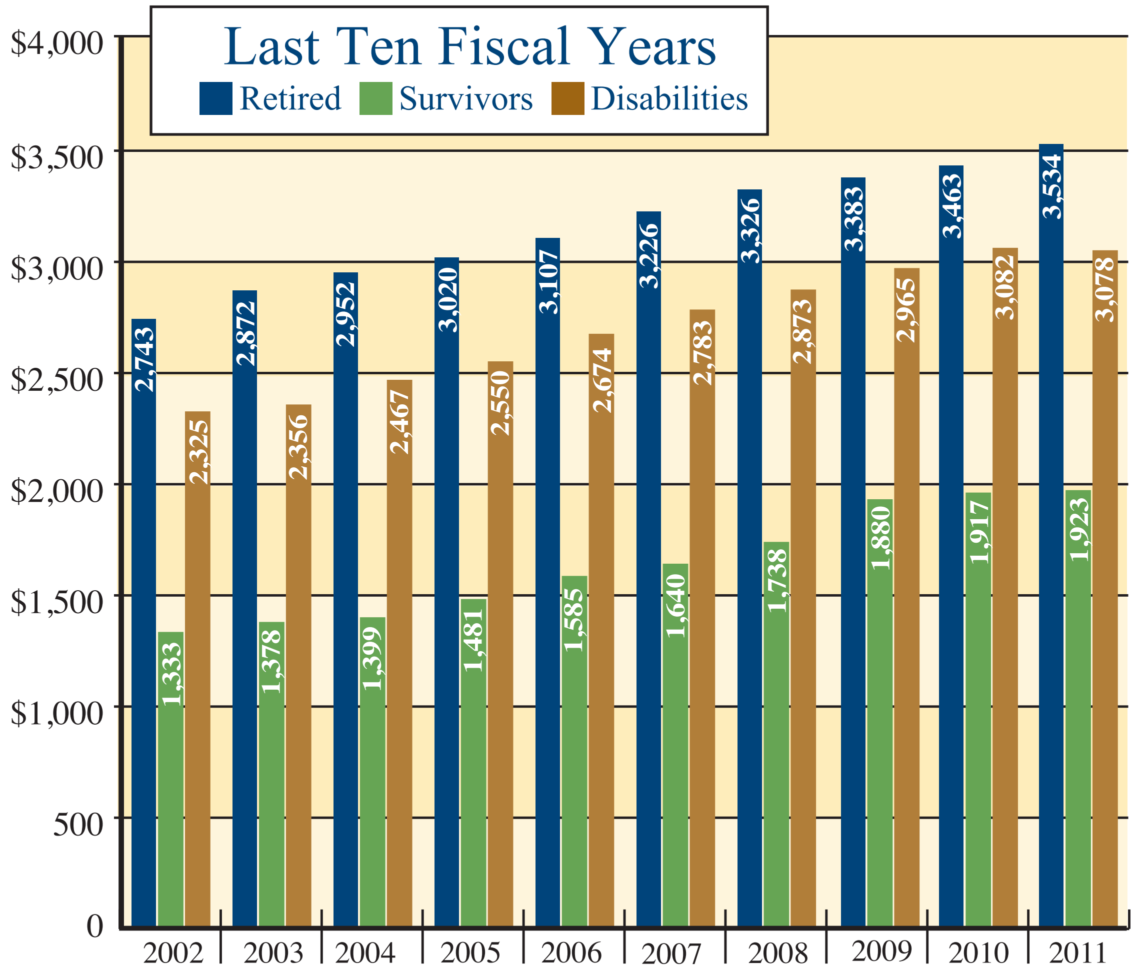
New Pensions Started



Retiree Distribution by State



Average Monthly Benefit*



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

Cost of Living Increases

Ten Year History

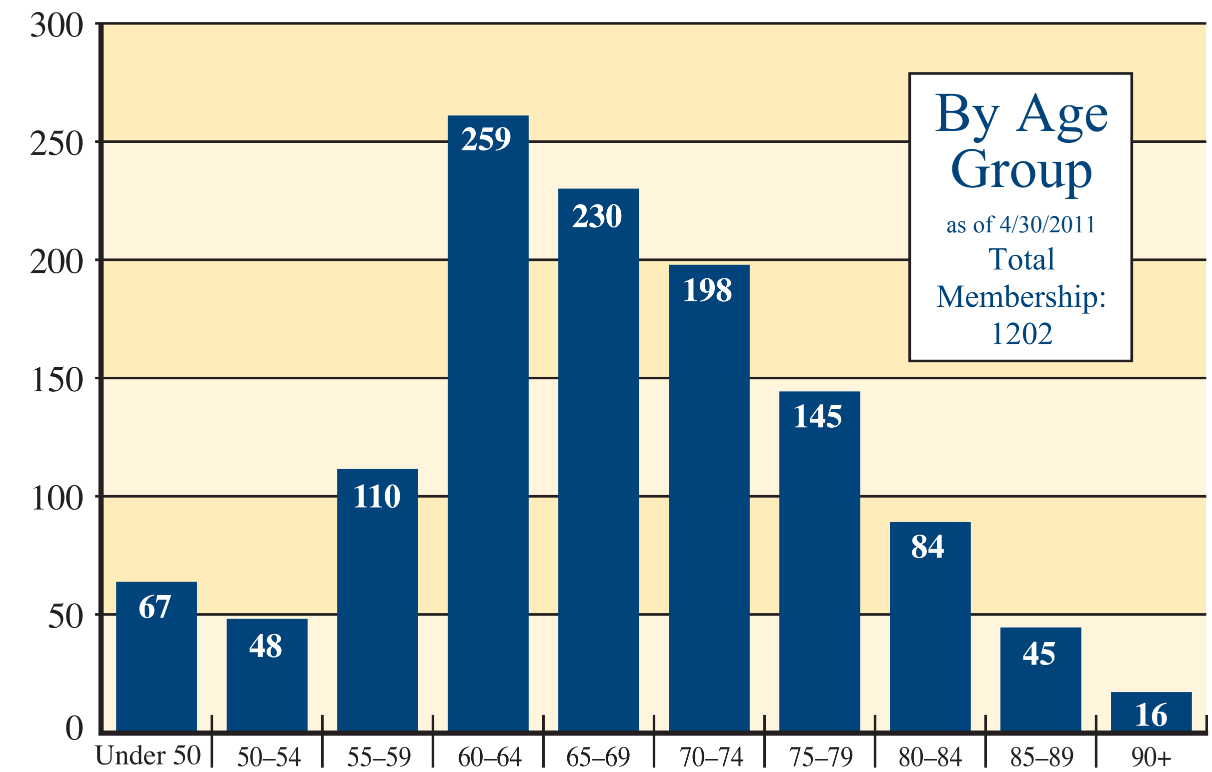
Fiscal Year	% Increase to Monthly Base Pension
2002	3.00%
2003	3.00%
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%
2010	3.00%
2011	0.00%

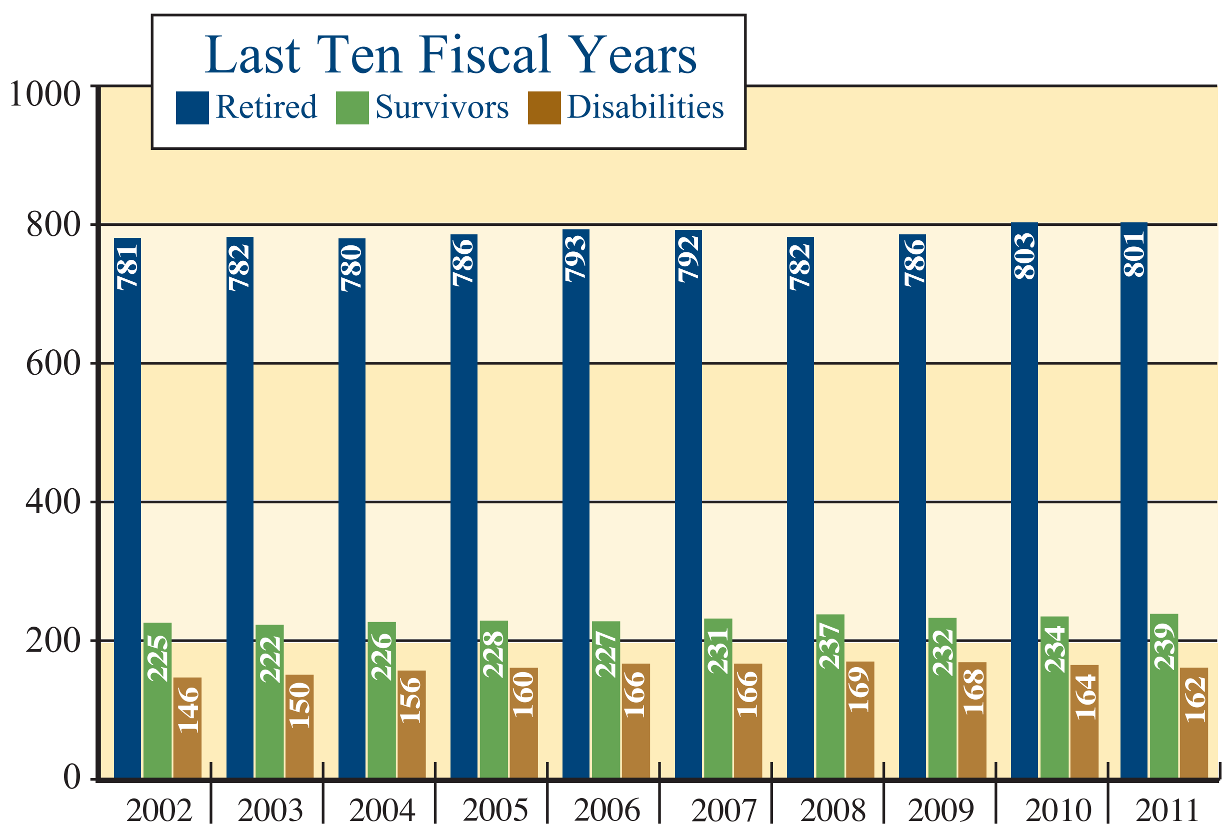
Supplemental Retirement Benefit

History of Increases

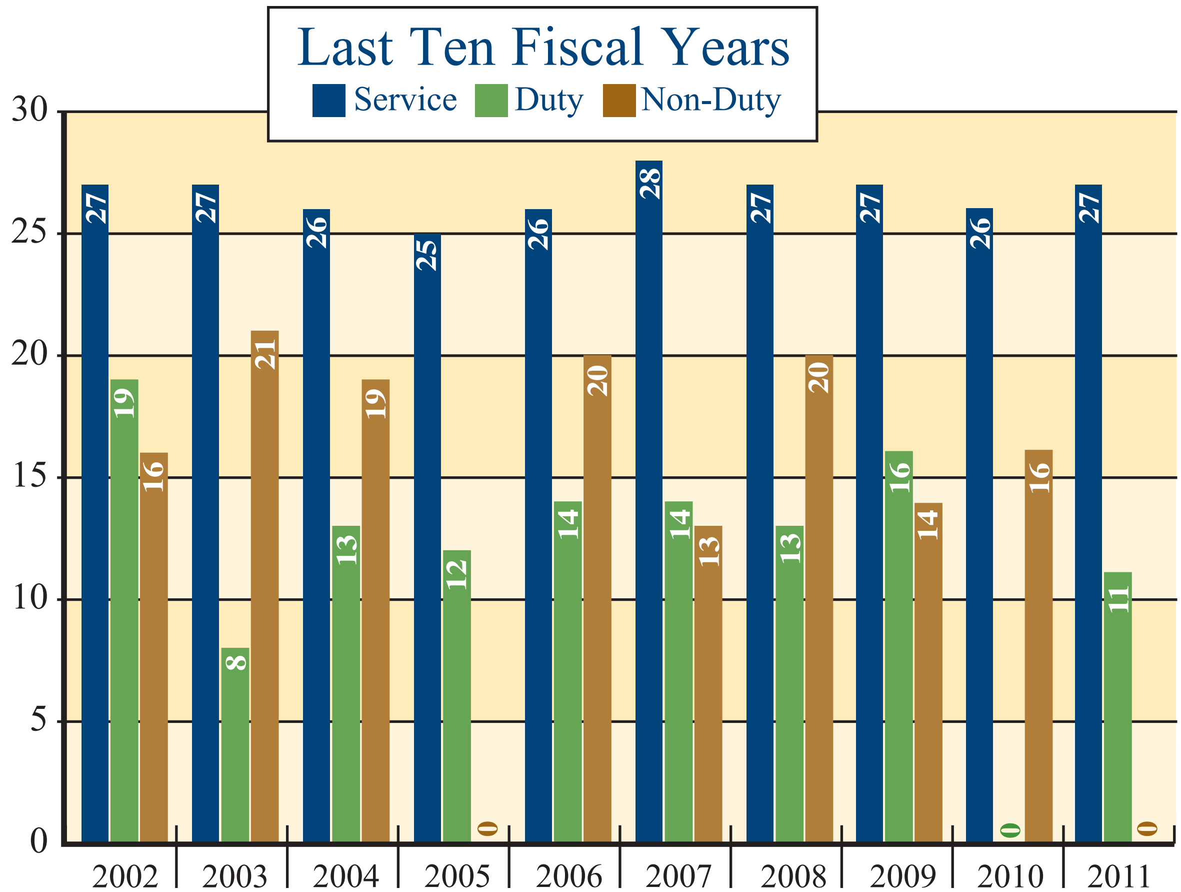
Fiscal Year	Monthly Benefit Amount	Annual Benefit Amount
1992	$50.00	$600.00
1993	70.00	840.00
1994	80.00	960.00
1995	90.00	1,080.00
1996	140.00	1,680.00
1997	180.00	2,160.00
1998	230.00	2,760.00
1999	270.00	3,240.00
2000	380.00	4,560.00
2001	420.00	5,040.00

Membership Receiving Benefits

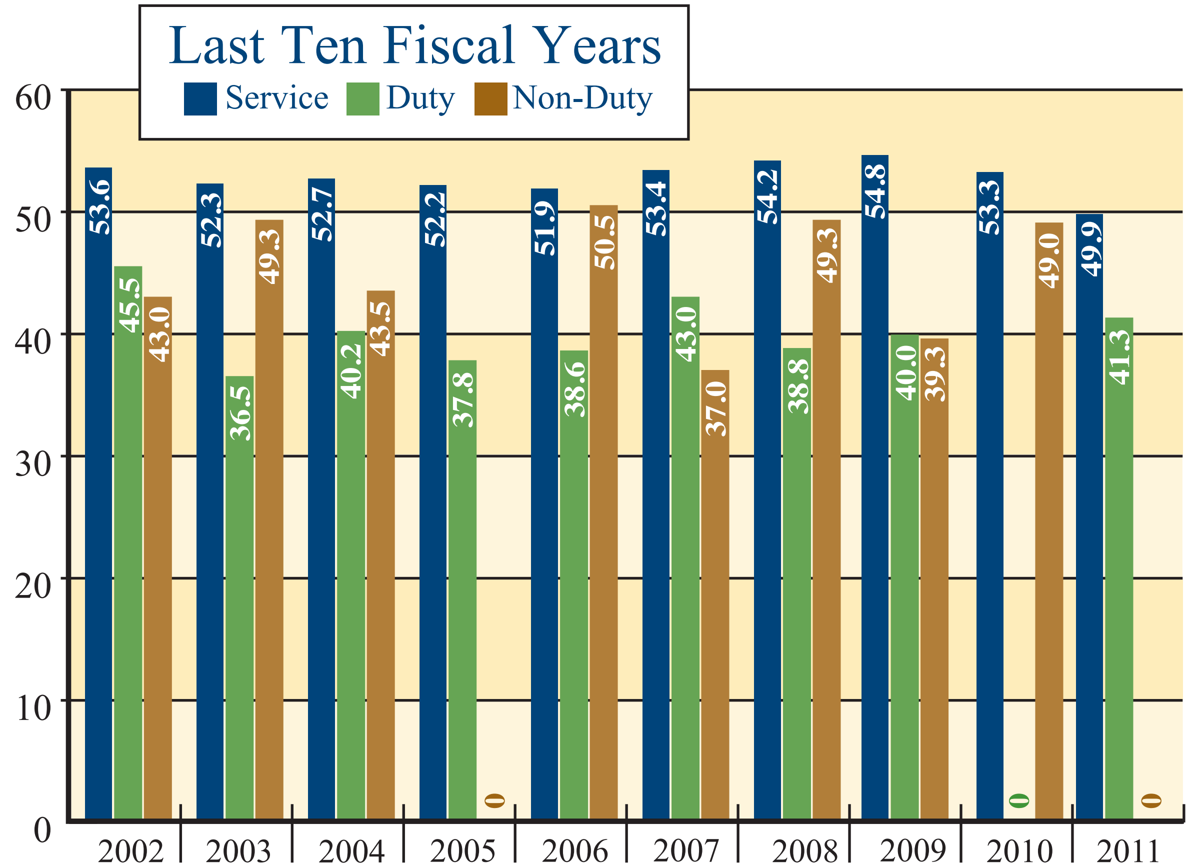




Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2011

Service	**67.9**
(801 retired members ranging in age from 49 to 92)	
Duty Disability	**59.6**
(107 retired members ranging in age from 30 to 88)	
Non-Duty Disability	**59.4**
(55 retired members ranging in age from 38 to 84)	

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