67TH
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, 2012 to
April 30, 2013

Police Retirement System of Kansas City, Missouri

A Component Unit of the City of Kansas City, Missouri

Comprehensive Annual Financial Report
May 1, 2012 to April 30, 2013

67th Annual Report

Prepared by:
Kansas City Police Employees'
Retirement Systems
9701 Marion Park Drive, B
Kansas City, MO 64137
(816) 482-8138 or (888) 813-8138
Website: www.kcpers.org

Table of Contents

Introductory Section

Board of Trustees and Staff 8

Letter of Transmittal 9

Certificate of Achievement 12

Letter from the Chairman 13

Outside Professional Services 15

Financial Section

Independent Auditors' Report 18

Management's Discussion and Analysis 20

Financial Statements
- Statement of Plan Net Position 24
- Statement of Changes in Plan Net Position 25
- Notes to the Financial Statements 26

Required Supplementary Information
- Schedule 1 – Schedule of Funding Progress 39
- Schedule 2 – Schedule of Employer Contributions 39

Additional Financial Information
- Supplemental Schedule – Schedule of Expenses 40

Investment Section

Report on Investment Activity 42

Summary of Investment Policies and Objectives 43

Asset Allocation 44

Schedule of Investment Results 45

Schedule of Largest Assets Held 46

Schedule of Brokerage Commissions 47

Investment Summary 48

Actuarial Section

Actuary's Certification 52

Summary of Actuarial Assumptions and Methods 55

Schedule of Active Member Valuation Data 58

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls 58

Short-Term Solvency Test 59

Analysis of Financial Experience 59

Active Membership Data 60

Summary Plan Description 61

Statistical Section

Statistical Summary 66

Membership in Retirement Plan 66

Schedule of Changes in Plan Net Position 67

Schedule of Deductions from Plan Net Position for Benefits and Refunds by Type 68

Schedule of Retired Members by Type of Benefit 70

Schedule of Average Monthly Base Benefit Amounts 71

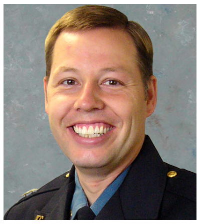
Retired Membership Data 72

Introductory Section

Board of Trustees and Staff	8
Letter of Transmittal	9
Certificate of Achievement	12
Letter from the Chairman	13
Outside Professional Services	15

Retirement Board

Police Retirement System of Kansas City, Missouri



Richard C. Smith,
Chairman
Captain
Kansas City, Missouri
Police Department

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

Bailus M. Tate,
Treasurer
Appointed Member

James Chappell
Appointed Member

Gary Jenkins
(Ret.) Sergeant
Kansas City, Missouri
Police Department

Leslie Lewis
Appointed Member

Steven D. Miller
Police Officer
Kansas City, Missouri
Police Department

Barbara L. Stuart
Administrative Supervisor
Kansas City, Missouri
Police Department

Patrick J. Trysla
Appointed Member

KCPERS Staff

Sharon Blancett
Benefits Coordinator

Lori Freeze
Administrative
Assistant

Anna Vollenweider
Accountant

James Pyle
Pension Systems Manager
& Board Secretary

KCPERS
Kansas City Police Employees' Retirement Systems

9701 Marion Park Drive, B • Kansas City, MO 64137
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 763-1190

October 1, 2013

Retirement Systems Board
Police Retirement System of Kansas City, Missouri
9701 Marion Park Drive, B
Kansas City, MO 64137

Dear Board Members:

It is my pleasure to submit the fiscal year 2013 Comprehensive Annual Financial Report (CAFR) of the Police Retirement System of Kansas City, Missouri. This report is intended to provide our members and other stakeholders with detailed information about the financial, actuarial, and investment operations of the Police Retirement System.

The Police Retirement System 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 Retirement System.

Contents of the Annual Report and Structure

This CAFR is designed to comply with the reporting requirements of sections 86.960 and 105.661 of the Revised Statutes of Missouri (RSMo), as amended. The ultimate responsibility for the CAFR and financial statements rests with the Board of Trustees. Retirement Systems staff provide support to the board members in completing their fiduciary responsibilities. Staff has prepared the basic financial statements of the Retirement System and, to the best of our knowledge, presented information that is accurate in all material respects and is reported in a manner designed to fairly represent the financial position of the fund. The accounting policies followed in preparing the basic financial statements comply with U.S. generally accepted accounting principles. Financial information presented throughout the CAFR is consistent with information displayed in the basic financial statements.

The Retirement Systems' external auditor, BKD, LLP conducted an independent audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. This audit is described in the Independent Auditors' Report on pages 18 and 19 of the Financial Section. Management has provided the external auditors with full and unrestricted access to staff to discuss their audit and related findings, to assure independent validation of the integrity of the Retirement Systems' financial reporting and the adequacy of internal controls.

The Financial Section also contains Management's Discussion and Analysis that serves as an introduction to and overview of the financial statements. The Police Retirement System is a component unit of the City of Kansas City, Missouri for financial reporting purposes and, as such, the financial statements in this report are also included in the City of Kansas City, Missouri's Comprehensive Annual Financial Reports.

Actuarial and Investment Information

For the actuarial valuation dated April 30, 2013, the funded ratio of valuation assets to liabilities of the Police Retirement System, which covers 2,620 members, increased by 2% to 78%. More information is available in the Actuarial Section of this report.

During the year, Cavanaugh Macdonald completed a regularly scheduled Five-Year Experience Study. The experience study compared our actuarial assumptions, related to economics and demographics, to the actual experience of the Retirement System. The Retirement Board adopted changes to the actuarial assumptions and methods, some of which were recommended in the experience study and some were negotiated with the City as part of the pension reform process.

Our investment portfolio produced a total return of 8.7% against the policy benchmark return of 9.9%, which means our investment managers and asset allocation had a 1.2% loss versus the market indexes. The investment performance was greater than our assumed rate of return, for actuarial purposes, of 7.5%.

The Retirement Board started a request for proposal process in April for investment consulting services. The bid process was completed this fall with the hiring of RV Kuhns. The search for an investment consultant was in compliance with a board policy to periodically bid out professional service contracts.

More information regarding the investment performance and the professionals who provide services to the Police Retirement System can be found in the Investment Section of this report.

Fiscal Year 2013 Projects

The Retirement Board members and staff continued to work with the Fraternal Order of Police Lodge 99, the Board of Police Commissioners, the Kansas City, Missouri Police Department, and the City of Kansas City, Missouri to develop a plan that would ensure the long-term affordability and sustainability of the Police Retirement System. That work came to a conclusion during the fiscal year with an agreement that the Retirement System would submit legislation to the Missouri General Assembly to implement a Tier II benefit plan. Included in the legislation, which passed and became law after the end of the fiscal year, is a funding provision that the City of Kansas City shall contribute the actuarial required contribution rate and $200 per month for each member entitled to receive the supplemental benefit. Because of the forward looking nature of the April 30, 2013 actuarial valuation, the Actuarial Section is the only portion of this annual report to reflect the impact of the Tier II provisions and projected increase in contributions.

In an effort to devote more attention to the investments of the Retirement System, the board appointed a standing Investment Committee. The committee was assigned the role of due diligence and investigation of all investment related issues. The committee will report any recommendations back to the Retirement Board for further action. During the fiscal year the Retirement Board approved three significant recommendations from the Investment Committee: 1) Terminate RCM as a large cap growth manager and invest the funds in the Northern Trust Russell 1000 Index Fund; 2) Terminate GE Asset Management as an emerging market manager and invest the funds in the Northern Trust Emerging Markets Index Fund; 3) Issue a request for proposals for investment consulting services.

The Retirement Systems staff moved into new office space on the South Patrol Division Campus. Our new offices have additional work and meeting space, a dedicated file room for enhanced organization and security of member files, and access to larger conference rooms for board meetings and education sessions.

Legislative Changes

No changes to the plan provisions for the Police Retirement System were implemented during Fiscal Year 2013. The Missouri General Assembly passed House Bill 418 and Senate Bill 215 during the 2013 session of the Missouri General Assembly. The legislation implemented Tier II plan provisions for members hired on or after August 28, 2013. A brief description of the benefit and funding changes from those two bills can be found on page 53 in the Actuarial Section.

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, 2012. This was the eleventh 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 2013 annual report is the result of work by both Retirement Systems staff and outside advisors and the leadership provided to us by the Retirement Systems Board. It is intended to provide complete and reliable information, comply with the legislative and industry reporting requirements, and most importantly help our members learn more about the financial status of their retirement system.

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

Respectfully submitted,

James J. Pyle
Pension Systems Manager

Government Finance Officers Association

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, 2012

Jeffrey R. Emer

Executive Director/CEO

KCPERS

Kansas City Police Employees' Retirement Systems

9701 Marion Park Drive, B • Kansas City, MO 64137
(816) 482-8138 • Toll Free (888) 813-8138 • Fax (816) 763-1190

October 10, 2013

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, 2013. This annual report to our members provides financial information about your retirement system and an update on changes that occurred during the past year.

First and foremost, the Retirement Board completed work with the Fraternal Order of Police, Board of Police Commissioners, Police Department, Mayor and City Council, and the City Manager regarding pension reform. This included both funding and benefits changes for the Police Retirement System in order to bring financial stability to the system. Tier II plan provisions for members hired on or after August 28, 2013 were passed by the Missouri General Assembly and signed by Governor Nixon. Included in the legislation was a requirement for the City to pay the actuarial required contributions plus $200 per month for each member eligible to receive the supplemental benefit. In addition, active members committed to increasing their contributions to 11.55% of base compensation. With these changes, we have taken significant steps toward ensuring the long term security of the Police Retirement System.

This past year, we increased the focus on the investments of the Retirement System to make sure that each investment manager was creating value in their designated asset class. With the assistance of our investment consultants, our analysis led the Retirement Board to terminate two long time investment managers. In addition, the board completed an in-depth review of the tactical asset allocation program provided by our investment consultant. The board concluded that tactical asset allocation was not providing sufficient excess returns to renew the program.

The Retirement Board also created an Investment Committee to be responsible for due diligence and investment research that cannot be completed during a monthly board meeting. The Investment Committee includes Retirement Board members, one retired and one active Retirement System member. The board adopted an Investment Committee Charter which formalizes the committee's duties and responsibilities. One of the first duties of the Investment Committee was to issue a request for proposals for our investment consultant services. That process led to the hiring, this fall, of RV Kuhns as our new general investment consultant. The Retirement Board is currently working with RV Kuhns on revising the Investment Policy Statement and conducting our initial Asset Liability study.

During the last year, board members completed due diligence site visits to LSV Asset Management and the Northern Trust Company. LSV manages our U.S. large cap value, International value, and Emerging Markets value funds. Northern Trust, in addition to being our custody bank, also manages our U.S large cap growth and International growth index funds. The manager meetings gave board members and staff the chance to have an in-depth discussion with the portfolio managers and analysts about how their investment process can add value to our portfolio.

In closing, I want to thank our members for your continuing support in providing an affordable, secure, and sustainable retirement benefit. During the process to strengthen our pension funds, hundreds of you gathered at informational meetings to provide feedback, ask questions, and make comments. I truly appreciate the interest and effort many of you made to help the Retirement Board through this historic process. I also want to thank our staff in the Retirement Systems office for their hard work and assistance during this very challenging year. I would like to take this opportunity to thank each of them, Sharon, Anna, Lori, and Jim for their extra effort.

Sincerely,

Richard Smith
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, Gary Cloud
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
Jason Pasquinelli
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

SSARIS Advisors, LLC
Andrew Fisch, Robert Covino
Wilton, Connecticut

Financial Section

Independent Auditors' Report	18
Management's Discussion and Analysis	20
Financial Statements	
• Statement of Plan Net Position	24
• Statement of Changes in Plan Net Position	25
• Notes to the Financial Statements	26
Required Supplementary Information	
• Schedule 1 – Schedule of Funding Progress	39
• Schedule 2 – Schedule of Employer Contributions	39
Additional Financial Information	
• Supplemental Schedule – Schedule of Expenses	40

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 financial statements of the Police Retirement System of Kansas City, Missouri (the Plan), a component unit of the City of Kansas City, Missouri, which comprise the statement of net position as of April 30, 2013, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Police Retirement System of Kansas City, Missouri as of April 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. We previously expressed an unmodified opinion on the 2012, 2011, 2010, 2009 and 2008 financial statements.

BKD, LLP

Kansas City, Missouri
July 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Police Retirement System of Kansas City, Missouri (Police Retirement System or the Plan) financial statements provides an overview of its financial activities during the year ended April 30, 2013. 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 Position as of April 30, 2013, and the Statement of Changes in Plan Net Position for the year ended April 30, 2013. 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.

- Schedules related to employer contributions and the funding of the Plan are included in the section entitled Required Supplementary Information.

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

Plan Net Position

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

	April 30, 2013	April 30, 2012	Amount Change
Cash	$61,961	$10,887	$51,074
Receivables	2,713,092	3,001,138	(288,046)
Investments	717,086,259	699,380,748	17,705,511
Securities lending collateral	129,025,538	151,951,330	(22,925,792)
Office equipment	6,310	8,739	(2,429)
Total assets	**848,893,160**	**854,352,842**	**(5,459,682)**
Accounts and refunds payable	695,742	1,198,290	(502,548)
Due to broker for purchases of investments	433,156	12,974,838	(12,541,682)
Commodity futures	1,420,796	357,727	1,063,069
Securities lending collateral	129,025,538	151,951,330	(22,925,792)
Total liabilities	**131,575,232**	**166,482,185**	**(34,906,953)**
Net position	**$717,317,928**	**$687,870,657**	**$29,447,271**

Financial Analysis of Plan Net Position

The Police Retirement System's benefits are funded through member and employer contributions, and investment income. Net position of the Plan increased to $717,317,928 as of April 30, 2013 from $687,870,657 as of April 30, 2012. 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 $848.9 million as of April 30, 2013 and included cash, investments and receivables. Total assets decreased by $5.5 million or (0.6%) from FY 2012. Investable assets increased during the year by $17.7 million while securities lending collateral decreased by $22.9 million.

Liabilities – Total liabilities of the Police Retirement System were $131.6 million as of April 30, 2013 and included payables for money manager fees and benefit payments, amounts due to brokers for purchases of investments and securities lending collateral. Total liabilities decreased by $34.9 million during the year mainly due to the $22.9 million decrease in the offsetting liability for securities lending activity and $12.5 million decrease in investment purchases payable.

Net Position – Police Retirement System assets exceeded liabilities at April 30, 2013 by $717.3 million. This was an increase of $29.4 million or 4.3% from the prior year.

Changes in Plan Net Position

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

	April 30, 2013	April 30, 2012	Amount Change
Member contributions	$9,343,416	$8,894,208	$449,208
Employer contributions	16,933,694	16,476,608	457,086
Net investment income (loss)	55,542,099	(3,584,270)	59,126,369
Total additions	**81,819,209**	**21,786,546**	**60,032,663**
Benefits paid to members	50,979,009	48,578,196	2,400,813
Refunds of contributions	816,459	549,026	267,433
Administrative expenses	576,470	552,751	23,719
Total deductions	**52,371,938**	**49,679,973**	**2,691,965**
Net Increase (Decrease)	**29,447,271**	**(27,893,427)**	**57,340,698**
Net Position, Beginning of Year	**687,870,657**	**715,764,084**	**(27,893,427)**
Net Position, End of Year	**$717,317,928**	**$687,870,657**	**$29,447,271**

Financial Analysis of Changes in Plan Net Position

Revenues – Additions to Plan Net Position – Member contributions, employer contributions and investment income are the sources of revenue for the Police Retirement System. Members contribute 10.55% of covered salary to the Plan. Employer contributions are 19.7% of covered salary to the Plan. The amount of member and employer contributions and net investment income all increased from FY 2012. Contributions increased due to growth of payroll rather than changes to the contribution rates. The net investment income of $55.5 million is the result of positive investment performance. The portfolio's investment rate of return was 8.7% with investment income of $59.4 million and investment expenses of $3.9 million. Investments in stocks, bonds, and alternative assets posted gains and investments in commodities posted a loss for the year.

Expenses – Deductions from Plan Net Position – Benefits paid to members, refunds of member contributions and administrative expenses are the sources of expenses for the Police Retirement System. Benefit payments and refunds represent 99% of the total deductions. Benefits paid to members increased over the prior year because of new retirements and a cost of living adjustment for retirees. The amount of refunds increased due to an increase in members leaving the Police Department. Administrative expenses increased because of additional actuarial service for pension reform research.

For the tenth 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 17.09% below the annual required contribution rate of 36.79%. For the year beginning May 1, 2013, employer contributions are budgeted to remain at 19.70% of covered pay, unless pension reform legislation is signed into law. The annual required contribution rate increases to 38.85%.

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 returns of 8.7% in FY 2013 and 0.1% in FY 2012 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 the 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, 9701 Marion Park Drive B, Kansas City, Missouri 64137.

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 POSITION

April 30, 2013

Assets

Investments	
U.S. government securities	$80,953,569
Corporate bonds and notes	88,080,984
Common and preferred stock	125,391,574
Equity exchange-traded-funds	77,511,831
Fixed income exchange-traded-funds	8,760,213
Government mortgage-backed securities	16,763,805
Partnerships – equity	22,392,342
Partnerships – fixed income	56,763,521
Real estate funds	32,584,939
Hedge fund of funds	71,387,646
Short-term investment funds	17,983,365
Short-term investment funds held for commodity futures	33,607,486
Emerging market equities	36,629,475
Foreign equities	48,275,509
Total investments	717,086,259
Securities Lending Collateral	129,025,538
Receivables	
Member contributions	359,848
Accrued interest and dividends	1,590,859
Due from broker for sales of investments	761,827
Other	558
Total receivables	2,713,092
Office Equipment, net of accumulated depreciation of $8,069	6,310
Cash	61,961
Total assets	848,893,160

Liabilities

Accounts and refunds payable	695,742
Due to broker for purchases of investments	433,156
Commodity futures	1,420,796
Securities lending collateral	129,025,538
Total liabilities	131,575,232
Net Position Restricted for Pensions	$717,317,928

See Notes to the Financial Statements.

STATEMENT OF CHANGES IN PLAN NET POSITION

Year Ended April 30, 2013

Additions

Investment Income	
Net appreciation in fair value of investments	$46,322,478
Interest and dividends	12,869,133
Investment expense	(3,916,982)
Net investment income	55,274,629
Securities Lending Income	
Securities lending gross income	445,741
Securities lending expenses	
Borrower rebates	(63,752)
Management fees	(114,519)
Total securities lending expenses	(178,271)
Net securities lending income	267,470
Total net investment income	55,542,099
Contributions	
City	16,933,694
Members	9,343,416
Total contributions	26,277,110
Total additions	81,819,209

Deductions

Benefits Paid	
Retired members	36,539,274
Spouses	6,003,768
Children	102,348
Disabled	6,345,482
Partial lump sum option	1,967,137
Death benefits	21,000
Total benefits paid	50,979,009
Other Deductions	
Refunds of contributions	816,459
Administrative expenses	576,470
Total other deductions	1,392,929
Total deductions	52,371,938
Net Increase	**29,447,271**
Net Position Restricted for Pensions, Beginning of Year	**687,870,657**
Net Position Restricted for Pensions, End of Year	**$717,317,928**

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions

Contributions totaling $26,277,110 ($16,933,694 employer and $9,343,416 employees) were made during the Plan year. The annual required contribution rate (ARC) was determined through an actuarial valuation performed at April 30, 2012. As a percentage of payroll, the amount contributed did not equal the ARC. Significant actuarial assumptions used include (a) rate of return on the investment of present and future assets of 7.75% per year compounded annually, (b) projected salary increases based on years of service and (c) post-retirement benefit increase of 3% per year of the original base pension granted annually.

As a condition of participation in the Plan, members are required to contribute a certain percentage of their compensation until they retire. For the year ended April 30, 2013, the member contribution rate was 10.55% of compensation. The computed City contribution rate of 36.79% 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, 2013, 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 ten years. The Plan is dependent upon the relationship of actual plan experience with the underlying actuarial assumptions and sufficient funding by the City to meet future cash flow needs.

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

Funded Status and Funding Progress

The funded status of the plan as of April 30, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b–a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Active Member Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
4/30/2012	$734,375,923	$972,127,874	$237,751,951	76%	$87,880,774	271%

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The hedge fund of funds are invested in a non-marketable limited liability company which operates as a commodity pool, with the fund investing a majority of its assets in related commodity pools. The private equity 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 $14,079,762 at April 30, 2013. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2013, the Plan's membership consisted of the following:		
Retirees and beneficiaries currently receiving benefits		1,240
Terminated members entitled to but not yet receiving benefits		15
Active members		
Vested	Non-contributing (30 yr. max)	6
	Contributing	581
Non-vested		778
Total		**2,620**

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.

Note 2: Plan Description (Continued)

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, 2013.

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, 2013.

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

Investments

For the year ended April 30, 2013, Northern Trust was the master custodian for substantially all of the securities of the Plan. The investments held by the Plan are managed by thirteen Board-appointed money managers. Each of the money managers has a different asset allocation based on Board-approved policy. The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, real estate, partnerships, corporate bonds, commodities and equity securities.

Securities Lending Transactions

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

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

Market value of securities loaned	$126,378,579
Market value of cash collateral received from borrowers	$129,025,538
Market value of non-cash collateral received from borrowers	–
Total market value of collateral	$129,025,538

All securities loans can be terminated on demand be 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.

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

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

Type	Fair Value	Maturities in Years				Loaned Under Securities Lending Agreements
		Less than 1	1 – 5	6 – 10	More than 10	
U.S. Treasury obligations	$75,525,131	$10,854,565	$33,341,349	$21,106,721	$10,222,496	$75,525,131
U.S. agencies obligations	5,428,438	–	–	1,396,598	4,031,840	–
Corporate bonds	88,080,984	3,122,139	32,354,456	39,295,816	13,308,573	9,531,443
Government mortgage backed securities	16,763,805	–	–	903,253	15,860,552	–
Money market mutual funds	51,590,851	51,590,851	–	–	–	–
Fixed income exchange-traded-funds	8,760,213	8,760,213	–	–	–	–
		$74,327,768	$65,695,805	$62,702,388	$43,423,461	
Equity exchange-traded-funds	77,511,831					–
Corporate stocks	125,391,574					41,222,577
Real estate funds	32,584,939					–
Hedge fund of funds	71,387,646					–
Partnerships - equity	22,392,342					–
Partnerships - fixed income	56,763,521					–
Foreign equities	48,275,509					99,428
Emerging markets equity	36,629,475					–
	$717,086,259					**$126,378,579**

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 BBB 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, 2013, the Plan's investments in corporate bonds were rated BBB or better by *Standard & Poor's*. U.S. Treasury obligations were explicitly guaranteed by the U.S. Government. 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) and in government mortgage-backed securities were rated A or better 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*.

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

These bond rating requirements do not apply to the high yield portion of the fixed income portfolio. The following table summarizes the Plan's fixed income portfolio exposure level and credit qualities at April 30, 2013:

Fixed Income Security Type	Fair Value April 30, 2013	S&P Weighted Average Credit Quality
U.S. Agencies obligations	$5,428,438	AA+
Corporate bonds	88,080,984	A
Government mortgage-backed securities	16,763,805	AA+
Money market mutual funds	51,590,851	Not rated
Fixed income exchange-traded-funds	8,760,213	Not rated

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, $126,378,579 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, 2013, consisted of:

Interest and dividend income	$12,869,133
Net increase in fair value of investments	46,322,478
	59,191,611
Less investment expense	3,916,982
	$55,274,629

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, 2013 are as follows:

Commodity Future	Number of Contracts Long (Short)	Maturity Date	Fair Value
Aluminum	31	July 2013	($23,300)
Brent Crude Oil	8	December 2013	(31,486)
Brent Crude Oil	16	July 2013	(18,856)
Brent Crude Oil	7	June 2013	(27,330)
Cattle	20	August 2013	(64,787)
Cattle	9	December 2013	73
Cattle	2	June 2013	(8,133)
Cocoa	6	July 2013	7,404
Coffee	8	July 2013	(11,629)
Copper	16	July 2013	(74,800)
Copper	8	June 2013	(219,618)
Corn	51	December 2013	(47,363)
Corn	8	July 2013	9,182
Cotton	4	December 2013	161
Cotton	5	July 2013	(6,002)
Crude Oil	12	December 2014	(35,684)
Crude Oil	24	December 2015	(73,038)
Feeder Cattle	6	August 2013	6,726
Gas Oil	5	June 2013	(38,062)
Gas RBOB	3	December 2013	(8,306)
Gas RBOB	6	July 2013	(19,199)
Gold	1	August 2013	(2,850)
Gold	22	June 2013	(269,500)

Note 4: Derivative Financial Instruments (Continued)

Commodity Future	Number of Contracts Long (Short)	Maturity Date	Fair Value
Heating Oil	5	December 2013	($30,932)
Heating Oil	5	July 2013	(17,113)
Lead	6	June 2013	(20,191)
Lean Hogs	6	December 2013	1,796
Lean Hogs	14	October 2013	(28,407)
Natural Gas	25	April 2014	39,412
Natural Gas	33	January 2015	49,280
Natural Gas	7	October 2014	9,800
Nickel	5	July 2013	3,825
Palladium	3	June 2013	(17,970)
Platinum	3	July 2013	(12,045)
Red Wheat	9	July 2013	6,884
Silver	8	July 2013	(226,272)
Soybean Meal	17	July 2013	26,421
Soybean	29	November 2013	(74,351)
Soybean Oil	1	August 2013	(654)
Soybean Oil	12	December 2013	(135)
Soybean Oil	4	July 2013	(8,894)
Sugar #11	31	July 2013	(93,955)
Wheat	9	December 2013	14,129
Wheat	10	July 2013	(49,934)
Wheat	9	July 2013	18,411
Zinc	9	June 2013	(53,504)
			($1,420,796)

The changes in fair value of the commodity futures approximates their fair value at April 30, 2013 and are reported in net appreciation in fair value of investments in the Statement of Changes in Plan Net Position.

Note 5: Actuarial Methods and Assumptions

An actuary from Cavanaugh Macdonald Consulting, LLC 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, 2012
Actuarial cost method	Individual entry age
Amortization method	Level percent closed
Equivalent single amortization period	14 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, 2012:

Active employees accruing benefits	
Present value of future benefits	$613,474,156
Present value of future normal costs	201,846,224
Total active employees accruing benefits	411,627,932
Retired and inactive members	
Members with deferred benefits	8,822,167
Members receiving benefits	493,944,833
Retired member supplemental benefits	57,732,942
Total retired and inactive members	560,499,942
Total actuarial accrued liability	972,127,874
Assets, at actuarial value	734,375,923
Unfunded actuarial accrued liability	**$237,751,951**

The actuarial value of assets is calculated using an asset smoothing method. The difference between the actual and assumed investment returns on the market value of assets is recognized evenly over a five-year period.

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 position.

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

Note 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 position of the Plan.

Note 8: Retirement Plan

The Retirement System has a 408(k) SEP retirement plan covering its employees that meet certain eligibility requirements. The Retirement System's contributions to its employees' SEP are determined by the Retirement Board. Contributions to the SEP were $47,663 for fiscal year 2013.

Note 9: Subsequent Events

On June 28, 2013, House Bill 418 was signed into law by the Governor of Missouri. This bill which becomes effective August 28, 2013, creates a Tier II retirement plan for new employees and a Tier I retirement plan for current employees and retirees.

Police Retirees and Surviving Spouses (Tier I) – No change in current retirement benefits. The City will pay the retirement system, for each member eligible to receive the supplemental benefit, $200 per month towards the supplemental benefit.

Police Currently Active Members (Tier I) – No change in current retirement benefits. Members may earn creditable service in the retirement system up to a maximum of 32 years of service. Benefits for a duty related disability will be 80% of final average salary.

Police New Members (Tier II) – Retirement benefit formula remains at 2.5% of the final average salary multiplied by the years of creditable service. Final average salary is calculated over highest three years. Members are first eligible to retire after 27 years of service or age 60 with 15 years of service. Maximum creditable service is 32 years. Eligibility for a cost of living increase, following retirement, would be delayed up to five years until the member reaches the equivalent of 32 years of service. Surviving spouse benefits are 50% of the member's benefit. Member's will have the option to elect a 75% or 100% surviving spouse benefit with an actuarial reduction in the member's retirement benefit.

An additional provision of the legislation is the statutory requirement for the City to pay the actuarial required contributions annually, as determined by the Retirement System's actuary.

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) Active Member Covered Payroll	[(b–a)/c] UAAL as a Percentage of Covered Payroll
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%
4/30/2011	715,764,084	940,609,092	224,845,008	76%	88,444,971	254%
4/30/2012	734,375,923	972,127,874	237,751,951	76%	87,880,774	271%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended April 30	Annual Required Contributions	Percentage Contributed
2008	$22,749,385	69%
2009	24,311,281	69%
2010	23,642,278	70%
2011	34,363,170	48%
2012	31,756,810	52%
2013	33,840,461	50%

SCHEDULE OF EXPENSES

Year Ending April 30, 2013

Investment Expenses	
Bank custodial fees and expenses	$201,921
Financial management expenses	3,593,120
Financial consultation	121,941
Total	**$3,916,982**

Administrative Expenses	
Salaries and payroll taxes	$304,055
Legal	43,951
Audit	14,875
Medical fees	9,991
Actuarial fees	94,931
Fringe benefits	51,874
Printing and office expense	10,237
Postage	634
Board meetings	2,186
Board election	5,267
Travel and education expense	8,220
Insurance	2,573
Depreciation	2,428
Legislative consultation	22,751
Other	2,497
Total	**$576,470**

Investment Section

Report on Investment Activity	42
Summary of Investment Policies and Objectives	43
Asset Allocation	44
Schedule of Investment Results	45
Schedule of Largest Assets Held	46
Schedule of Brokerage Commissions	47
Investment Summary	48

DEMARCHE
ASSOCIATES, INC.

August 31, 2013

Dear Interested Parties,

DeMarche Associates has served as the investment consultant for the Kansas City Police Employees' Retirement Systems. Our primary objective was 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, growth and value and emerging markets. Further fixed income diversification includes short-term, intermediate and high yield bonds. DeMarche provided 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. This year the Retirement Board decided to discontinue implementing tactical asset allocation tilts within their approved asset allocation ranges.

Over the last year, the Retirement Board conducted an Asset Allocation Study utilizing both strategic and secular expected returns. The Board decided to delay implementing this new Asset Allocation until their consultant search was completed.

The Retirement Board recently formed an Investment Committee. This Committee will meet monthly to review performance and meet with their investment managers.

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 15% S&P 500 Index, 11% Russell 2000 Index, 10% MSCI EAFE Index, 10% MSCI Emerging Markets Index, 24% Barclays Government/Corporate Index, 10% Hedge Fund Research Fund of Funds Index, 5% Merrill Lynch High Yield Bond Index, 5% NCREIF Index, 5% Dow Jones/UBS Commodity Index, 3% Actual Private Equity Return, and 2% Three Month Treasury Bill Rate; 3) Comparative Standards of Performance, a relative return objective of above median in a 65% equity and 35% bond balanced manager universe. The portfolio lagged the relative benchmark with an 8.7% return for the fiscal year.

The tactical asset allocation at year end was 40% equities, 38% bonds and cash, and 22% alternatives. The bond and cash allocation was divided into 27% core bonds, 8% high yield bonds, and 3% cash. The equities allocation was divided into 20% large cap stocks, 7% small cap stocks, 8% international stocks, and 5% emerging markets. The allocations to international and emerging market stocks are held in commingled funds. The individual international and emerging market commingled funds can 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 was divided into 10% hedge fund of funds, 5% real estate, 4% commodities, and 3% private equity.

The current target asset allocation is 46% equities, 31% bonds and cash, and 23% alternatives. The equity allocation is divided into 15% large and mid cap stocks, 11% 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 fixed income allocation is divided into 24% 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 target asset allocation is 8.79% and expected standard deviation (risk) is 10.85%. The differences between the year end allocation and the target allocation represent monthly tactical allocations to overweight or underweight asset classes based on market conditions and trends determined by our investment consultant.

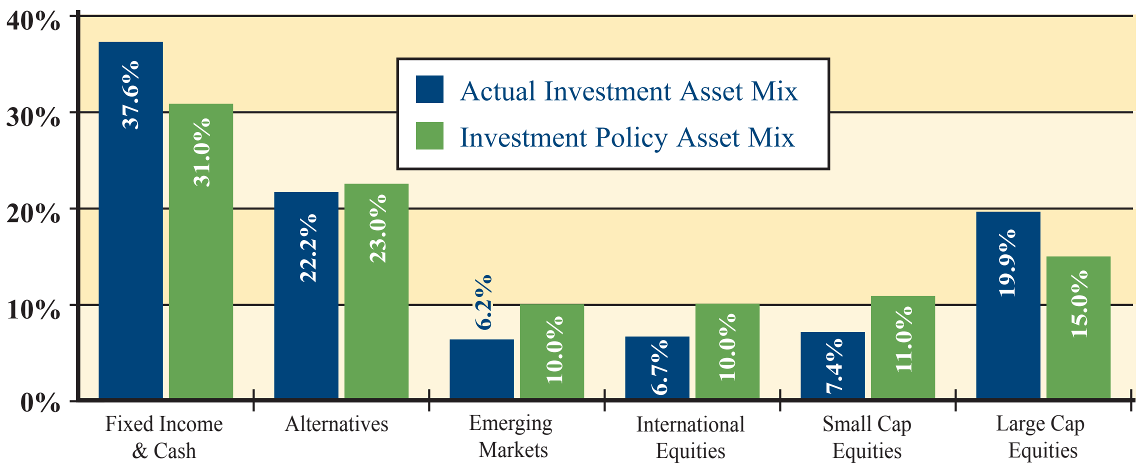
The Retirement Board met with staff from DeMarche Associates on a quarterly basis to review the performance of each of the investment managers hired by the Retirement Systems. Performance is reviewed both on an absolute basis, did the manager make or lose money, and on a relative basis, how did the manager perform compared to their designated benchmark. DeMarche also provides comparative information about how the investment manager's performance stacked up against other managers in their asset class.

Summary of Investment Policies and Objectives
(Continued)

The Retirement Board met twice with DeMarche to review the monthly tactical asset allocation calls. During the year, DeMarche recommended three separate tactical allocation changes away from the target allocation. The last tactical call of the fiscal year, in March 2013, was to underweight equities and overweight fixed income and cash. With assistance from DeMarche, the board completed a regularly scheduled asset allocation update. Implementation of the new asset allocation was suspended at the end of the fiscal year to complete a competitive bid process for the investment consultant contract.

Asset Allocation

Year Ending April 30, 2013

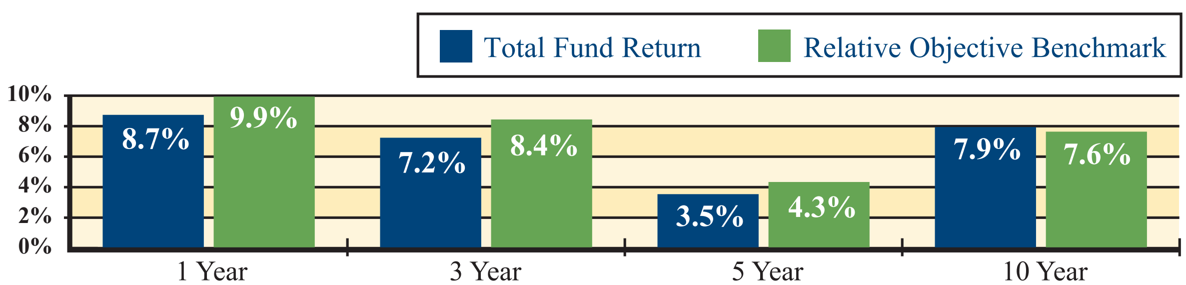


Schedule of Investment Results

Comparative investment results for the one, three, and five year returns are for the fiscal year ending April 30, 2013. However, the results for the ten year returns are available for the quarter ending March 31, 2013 rather than for the fiscal year ending April 30, 2013. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

Annualized Returns as of April 30, 2013 (Ten Year Returns as of March 31, 2013)

Investment Manager	Investment Class	One Year	Three Years	Five Years	Ten Years
Financial Counselors	Bonds & Fixed Income	3.9%	5.7%	6.2%	5.2%
Barclays Govt/Credit		*4.4%*	*6.1%*	*5.9%*	*5.1%*
Shenkman Capital Mgmt	High Yield Bonds	10.1%	9.2%		
Merrill Lynch Hi Yield		*14.0%*	*10.8%*		
GE Asset Mgmt	Foreign Equities	17.4%	6.5%	(2.7%)	10.8%
LSV Asset Mgmt	Foreign Equities	22.6%	7.4%	(1.3%)	
MSCI EAFE		*19.4%*	*7.4%*	*(0.9%)*	*9.7%*
Waddell & Reed	Small Cap Growth Equities	12.9%	11.3%	7.1%	10.6%
Russell 2000 Growth		*15.7%*	*12.9%*	*7.8%*	*11.6%*
RCM Capital Mgmt	Large Cap Growth Equities	5.5%	7.6%	4.5%	7.6%
Northern Trust Index	Large Cap Growth Equities	12.8%	13.5%	6.8%	
Russell 1000 Growth		*12.6%*	*13.4%*	*6.7%*	*8.6%*
Vaughan Nelson	Small Cap Value Equities	16.8%	12.2%		
Russell 2000 Value		*19.7%*	*9.6%*		
LSV Asset Mgmt	Large Cap Value Equities	23.3%	13.2%	5.9%	11.9%
Russell 1000 Value		*21.8%*	*12.4%*	*4.2%*	*9.2%*
Prudential PRISA II	Real Estate	11.6%	20.4%	(4.1%)	
NCREIF Property		*10.5%*	*13.3%*	*2.3%*	
GE Asset Mgmt	Emerging Market Equities	3.9%	0.1%	(2.5%)	
LSV Asset Mgmt	Emerging Market Equities	8.3%	7.5%	5.3%	
MSCI Emerging Mkts		*1.3%*	*0.6%*	*(2.7%)*	
Gresham LLC	Commodities	(5.8%)	3.1%		
DJ/UBS Commodity		*(5.3%)*	*(0.2%)*		
SSARIS	Hedge Fund of Funds	4.2%			
HFR Fund of Fund		*5.9%*			
Abbott Capital	Private Equity	9.8%	9.6%	1.6%	
JP Morgan	Private Equity	11.1%	13.7%	5.9%	
Total Fund		**8.7%**	**7.2%**	**3.5%**	**7.9%**
Absolute Objective		***7.8%***	***7.8%***	***7.0%***	***6.9%***
Relative Objective		***9.9%***	***8.4%***	***4.3%***	***7.6%***



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, 2013		Market Value
1)	Pfizer Inc.	$2,584,323
2)	Chevron Corp.	2,562,210
3)	Exxon Mobil Corp.	2,295,942
4)	JPMorgan Chase & Co.	2,269,163
5)	Wells Fargo & Co.	1,895,202
6)	Merck & Co Inc.	1,663,800
7)	Cisco Systems Inc.	1,447,664
8)	Citigroup Inc.	1,362,472
9)	Amgen Inc.	1,344,309
10)	Harman Intl. Inds. Inc.	1,343,536

Ten Largest Bond Holdings April 30, 2013		Market Value
1)	US Treasury Notes 1.25% Due 2014	$10,854,565
2)	US Treasury Bonds 4.25% Due 2039	10,222,496
3)	US Treasury Notes 2.00% Due 2022	8,078,166
4)	US Treasury Notes 0.25% Due 2015	7,303,993
5)	US Treasury Notes 2.375% Due 2014	7,217,112
6)	US Treasury Notes 3.00% Due 2016	6,531,096
7)	US Treasury Notes 0.875% Due 2017	6,345,213
8)	US Treasury Notes 3.625% Due 2021	5,294,529
9)	US Treasury Notes 2.375% Due 2016	4,771,053
10)	FNMA Bond 2.4% Due 2024	4,031,840

A complete list of portfolio holdings is available upon request.

Schedule of Brokerage Commissions

Year Ending April 30, 2013

Brokerage Firms	Shares Traded	Dollar Volume of Trades	Commission Dollar Amount	Commission Value Per Share
Northern Trust Co.	1,115,815	$75,392,975	$22,316	$0.020
Instinet	349,468	9,144,874	8,056	0.023
Merrill Lynch Pierce Fenner & Smith	321,912	12,046,176	7,357	0.023
Credit Suisse First Boston Corp.	23,502,705	40,090,310	5,238	0.000
Bernstein, Sanford C. & Co.	241,530	13,144,953	5,068	0.021
UBS Warburg LLC	232,782	8,678,835	4,658	0.020
Weeden & Co.	162,775	4,859,557	4,656	0.029
Jefferies & Co.	138,850	5,350,269	4,372	0.031
Liquidnet Inc.	182,180	5,397,668	4,250	0.023
Bear Stearns	123,729	5,627,885	3,998	0.032
Knight Direct LLC	287,043	8,547,180	3,792	0.013
Stifel Nicolaus & Co.	106,575	3,198,920	3,670	0.034
Barclays Capital	96,589	4,838,557	3,539	0.037
Piper Jaffray Inc.	96,999	2,885,955	3,230	0.033
Oppenheimer & Co.	2,557,825	4,450,965	2,746	0.001
Citation Group	74,730	4,274,509	2,276	0.030
Goldman Sachs & Co.	6,735,047	10,375,534	2,131	0.000
Blair, William & Co.	57,238	1,516,934	2,067	0.036
Others (Including 46 Brokerage Firms)	42,786,528	70,917,958	19,229	0.000
Totals	**79,170,320**	**$290,740,014**	**$112,649**	**$0.001**

Zero commission trades excluded from above	123,766,186	$1,021,548,203

Investment Summary

Year Ending April 30, 2013

Investment Manager	Date Hired	Investment Class	Portfolio Market Value As of 4/30/13	% of Total Fair Value
Financial Counselors, Inc.	Oct 1974	Fixed Income	$185,798,358	25.9%
Cash			17,983,365	2.5%
GE Asset Management	Jun 1994	Foreign Equities	29,296,095	4.1%
Waddell and Reed Investment Management	Jan 1999	Small Cap Growth Equities	25,885,639	3.6%
RCM Capital Management	Sep 2000	Large Cap Growth Equities	–	0.0%
LSV Asset Management	Feb 2003	Large Cap Value Equities	73,770,816	10.3%
Prudential PRISA II	Sep 2004	Real Estate	32,584,939	4.6%
Abbott Capital Management	Aug 2005	Private Equity	14,405,443	2.0%
JPMorgan Investment Management	Jan 2006	Private Equity	8,371,899	1.2%
LSV International Value	Jun 2006	Foreign Equities	18,879,987	2.6%
NTGI Russell 1000 Growth	Aug 2007	Large Cap Growth Equities	68,521,225	9.6%
GE Emerging Markets	Aug 2007	Emerging Market Equities	–	0.0%
LSV Emerging Markets	Aug 2007	Emerging Market Equities	21,530,869	3.0%
Gresham Investment Management	May 2008	Commodities	32,186,690	4.5%
Tactical ETFs	Mar 2009	Exchange Traded Equities	31,874,785	4.5%
Shenkman Capital Management	May 2009	High Yield Bonds	56,763,521	7.9%
Vaughan Nelson Investment Management	May 2009	Small Cap Value Equities	26,752,857	3.7%
SSARIS Advisors LLC	June 2011	Hedge Fund of Funds	71,387,646	10.0%
		Total	**$715,994,134**	

Investment Summary (Continued)

Year Ending April 30, 2013

Investment Manager	Management Fee	Commission Expense	Commission per Share
Financial Counselors, Inc.	$293,323	$—	$—
GE Asset Management	189,173	—	—
Waddell & Reed Investment Management	174,889	35,591	0.033
RCM Capital Management	156,984	36,269	0.018
LSV Asset Management	326,069	4,204	0.007
Prudential PRISA II	330,535	—	—
Abbott Capital Management	251,991	—	—
JPMorgan Investment Management	95,000	—	—
LSV International Value	115,387	—	—
NTGI Russell 1000 Growth	19,205	—	—
GE Emerging Markets	165,621	—	—
LSV Emerging Markets	184,419	—	—
Gresham Investment Management	135,812	—	—
Tactical ETFs	—	8,069	0.005
Shenkman Capital Management	221,584	—	—
Vaughan Nelson Investment Management	242,156	28,516	0.021
SSARIS Advisors LLC	690,972	—	—
Total	**$3,593,120**	**$112,649**	**$0.001**

Actuarial Section

Actuary's Certification	52
Summary of Actuarial Assumptions and Methods	55
Schedule of Active Member Valuation Data	58
Schedule of Retirants and Beneficiaries Added to and Removed from Rolls	58
Short-Term Solvency Test	59
Analysis of Financial Experience	59
Active Membership Data	60
Summary Plan Description	61

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

3906 Raynor Pkwy, Suite 106
Bellevue, NE 68123

Phone 402 905 4461
Fax 402 905 4464

www.CavMacConsulting.com

Offices in
Englewood, CO
Kennesaw, GA
Bellevue, NE
Hilton Head Island, SC

October 11, 2013

The Retirement Board
Police Retirement System of
Kansas City, Missouri
9701 Marion Park Drive, B
Kansas City, MO 64137

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 the unfunded actuarial accrued liability as a level percent of active member payroll over a given period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of April 30, 2013.

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 membership 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

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 in the April 30, 2011 valuation by setting the actuarial value of assets equal to the market value of assets. As a result, the smoothing method has only been applied to the last two years of investment experience.

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 actuarial contribution rates as needed. The April 30, 2013 actuarial valuation reflects a new set of actuarial assumptions and methods that were recently adopted by the Board, upon the recommendation of the actuary, based on the experience study covering the five year period from May 1, 2007 to April 30, 2012.

The unfunded actuarial accrued liability (UAAL) decreased from the last valuation by about $23 million due to the combined impact of the plan changes passed in the 2013 session of the Missouri General Assembly, the assumption changes adopted by the Board, and actual experience. Senate Bill 215 and House Bill 418 provided for the following changes to the System:

(1) Increase the employee contribution rate by 1.0%, from 10.55% to 11.55%.
(2) Increase the number of years of creditable service from 30 to 32 (which results in the maximum benefit increasing from 75% to 80% of final average pay).
(3) Create a new benefit tier for new hires with the same benefit structure except final compensation is based on the average of the highest three years, eligibility for service retirement is the earlier of 27 years of service or age 60 with 15 years of service, and the form of payment is a joint and 50% survivor benefit, if married.
(4) Requires the City to contribute the full actuarial contribution rate plus an additional $200 per month for every member entitled to receive a supplemental benefit.

The legislative changes decreased the UAAL by $39 million and decreased the normal cost rate by 0.51% of pay. In addition, the normal cost rate is expected to decline over time as current active members leave and are replaced with members in the new tier. The assumption changes decreased the UAAL by $12 million and increased the normal cost rate by 0.77%. In addition, one actuarial method was modified as a result of the experience study. In the past, the UAAL was composed of separate amortization bases established each year with payments determined over a 24 year closed period. In order to better match the actuarial methods used by the other retirement systems sponsored by the City of Kansas City, Missouri, the amortization of the UAAL was changed to be a single base, recalculated each year, and amortized as a level percentage of payroll over an open 30 year period. This change resulted in a lower UAAL payment and, therefore, a lower actuarial contribution rate in the 2013 valuation.

The System is 78% funded as of April 30, 2013 based on the actuarial value of assets. However, reflecting the impact of the Tier II benefit structure for future hires and the City's commitment to contribute the full actuarial contribution rate, the funded ratio of the System is projected to increase significantly over the next thirty years if all actuarial assumptions are met.

Respectfully submitted,
CAVANAUGH MACDONALD CONSULTING, LLC

Patrice Beckham

Patrice A. Beckham, FSA, FCA, EA, MAAA
Principal and Consulting Actuary

Summary of Actuarial Assumptions and Methods

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

The investment rate of return is 7.50% per year (adopted 7/9/13) based on an underlying rate of inflation of 3.0% per year (adopted 2/12/08).

The System uses a 5-year smoothing of actual vs. expected return on market value approach to value plan assets for actuarial purposes. (Adopted 9/20/11)

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 3.75% (adopted 7/9/13); merit and longevity increases range from 0.0% to 5.0% (adopted 7/9/13) 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 an open 30 year period. (Adopted 7/9/13)

The System assumes the Retirement Board will grant a 2.5% cost of living adjustment, as allowed by state statute, in each year that statutory provisions are met. (Adopted 7/9/13)

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 July 2013 for the period May 1, 2007 through April 30, 2012. The Retirement Board adopted the recommendations and assumptions from the July 2013 experience study for the valuation dated April 30, 2013 at the July 9, 2013 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, 2013. All census data was supplied by the System and was subject to reasonable consistency checks. Cavanaugh Macdonald Consulting, LLC completed the 2011, 2012 and 2013 valuations. 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 7/9/13)

Sample Ages	% of Active Members Separating within Next Year	
	Male	Female
25	5.51%	5.51%
30	3.61%	3.61%
35	2.21%	2.21%
40	1.25%	1.25%
45	0.25%	0.25%
50	0.00%	0.00%

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%

Summary of Actuarial Assumptions and Methods (Continued)

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 for Tier 1 and age 60 for Tier 2. (Adopted 7/9/13)

Active Members Retiring Within Next Year	
Years of Service	Percent Retiring
25	25%
26	25%
27	20%
28	20%
29	20%
30	15%
31	15%
32	35%
33	30%
34	30%
35	100%

Pay increase assumptions for individual active members are shown below. (Adopted 7/9/13)

	Annual Rate of Pay Increase for Sample Years of Service		
Years of Service	General Wage Growth	Merit and Longevity	Total
0	3.75%	5.00%	8.75%
1	3.75%	5.00%	8.75%
2	3.75%	5.00%	8.75%
3	3.75%	5.00%	8.75%
4	3.75%	5.00%	8.75%
5	3.75%	5.00%	8.75%
10	3.75%	2.00%	5.75%
15	3.75%	0.00%	3.75%
20	3.75%	0.00%	3.75%

Schedule of Active Member Valuation Data

Six Years Ended April 30, 2013

Valuation April 30	Active Members	Annual Payroll	Annual Average Pay	% Increase in Average Pay
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%
2012	1,366	83,143,924	60,867	(2.4%)
2013	1,359	85,903,657	63,211	3.9%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Six Years Ended April 30, 2013

	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
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
2012	43	1,782,017	36	974,256	1209	42,319,944	4.2	35,004
2013	57	2,427,998	26	638,909	1240	45,035,688	6.4	36,319

Benefit amounts do not include $420 supplemental benefit.

Short-Term Solvency Test

	ENTRY AGE ACTUARIAL ACCRUED LIABILITIES				Portion of Actuarial Accrued Liabilities Covered by Reported Assets		
Valuation Date April 30	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Financed Portion)	Valuation Assets	(1)	(2)	(3)
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
2012	91,427,576	551,677,775	329,022,523	734,375,923	100	100	28
2013	93,709,417	554,078,691	316,514,107	749,617,334	100	100	32

Note: For years prior to 2011, information is shown from a prior actuary's report.

Analysis of Financial Experience

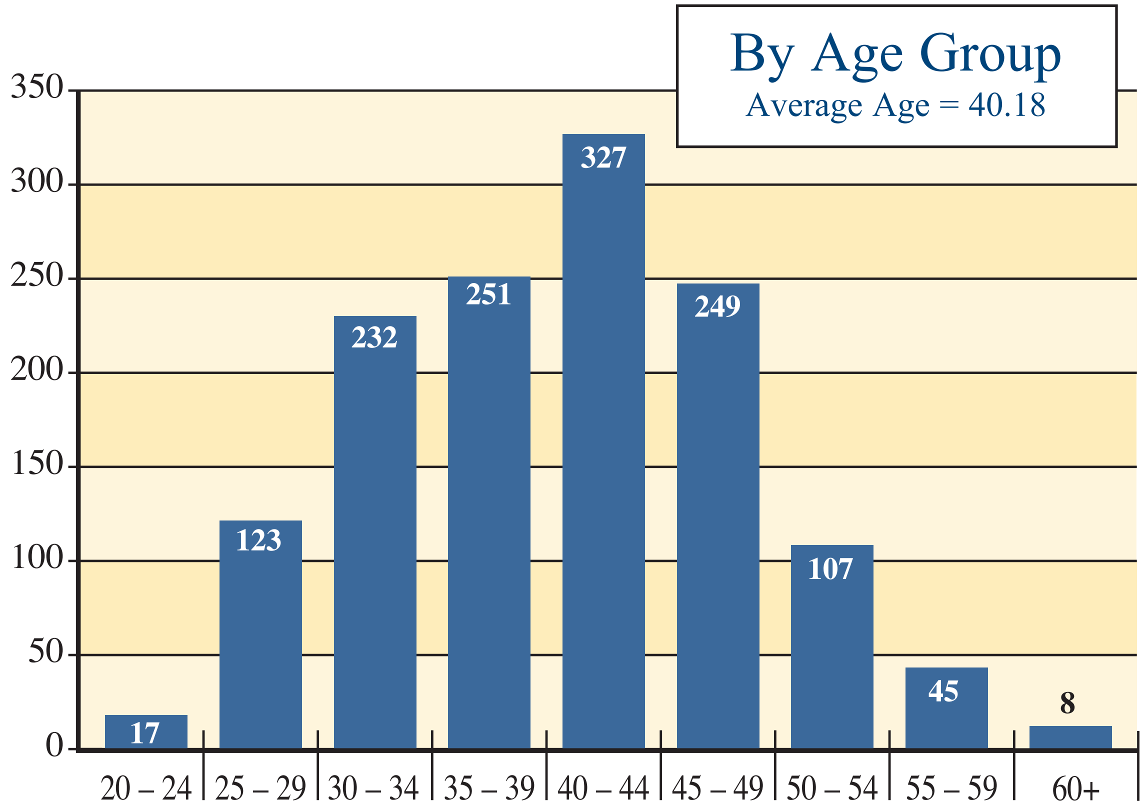
Year Ended April 30, 2013

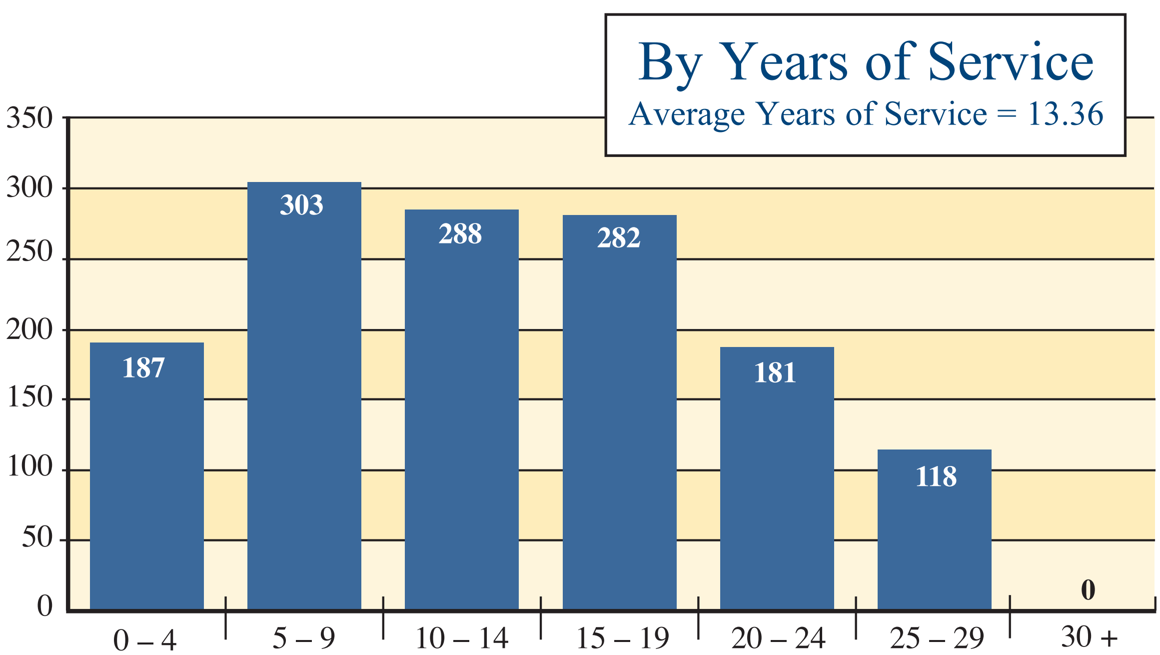
The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over a period of years, but sizable year-to-year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

	Millions
Unfunded Actuarial Accrued Liability, April 30, 2012	$237.8
- effect of contributions less than actuarial rate	13.7
- expected change due to amortization	(2.4)
- loss from investment return on actuarial assets	14.6
- demographic experience[1]	0.6
- all other experience	2.1
- change in actuarial assumptions/methods	(12.4)
- change in benefit provisions	(39.3)
Unfunded Actuarial Accrued Liability, April 30, 2013	$214.7

[1] Liability loss is about 0.06% of total actuarial liability

Active Membership





Summary Plan Description at April 30, 2013

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

With certain exceptions, any time a member is on leave without compensation, the member will not receive creditable service in the Retirement System for such period of time. However, upon returning from unpaid leave to active service, the member may purchase creditable service for such time by paying the actuarial cost calculated at the time of the purchase. Under certain conditions, members who have been on a period of unpaid leave for military purposes may receive creditable service without being required to pay the actuarial cost. Creditable service does not include any time a member is suspended from service without pay.

Prior Service

A member who terminates membership with five years or more of creditable service and later returns to membership may purchase credit toward retirement for that prior service. The cost shall be determined using the member's portion of actuarial rates.

Prior Military Service

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

Other Public Employment

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

Contributions

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

The City of Kansas City, Missouri contributes 19.7% of members' base pay. The current annual required contribution to maintain the Retirement System on an actuarially sound basis is 36.79% 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. Members can continue to accrue creditable service until they reach 30 years. Members with 30 years of creditable service in the Retirement System may remain in active service with the Police Department until they reach a total of 32 years of service. Members must retire at age 60, however, the Board of Police Commissioners may, upon recommendation of the Chief of Police, permit a member who has reached age 60 to continue in service until they reach age 65.

Pension benefits begin in the month following the member's effective retirement date.

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, and any prorated benefit for the month of the member's death 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.

Any prorated benefit for the month of a surviving spouse's death shall be paid to a named beneficiary.

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

Cost of Living Adjustments
Members, including surviving spouses, may receive an annual cost of living adjustment in an amount not to exceed 3% of their respective base pension. Statutes require that the Retirement System remain actuarially sound and that the Retirement Board must act upon the advice of a qualified actuary when granting cost of living adjustments. To be eligible for the cost of living increase, which is normally granted on the May 31 retirement check, the member's pension must have commenced by December 31 of the prior year.

Supplemental Retirement Benefit
All retired members and eligible surviving spouses receive a supplemental retirement benefit, currently in the amount of $420.00 monthly, in addition to pension benefits. No supplemental benefit will be paid in any month when only a partial monthly pension payment is made due to the death of a member or survivor.

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	66
Membership in Retirement Plan	66
Schedule of Changes in Plan Net Position	67
Schedule of Deductions from Plan Net Position for Benefits and Refunds by Type	68
Schedule of Retired Members by Type of Benefit	70
Schedule of Average Monthly Base Benefit Amounts	71
Retired Membership Data	72

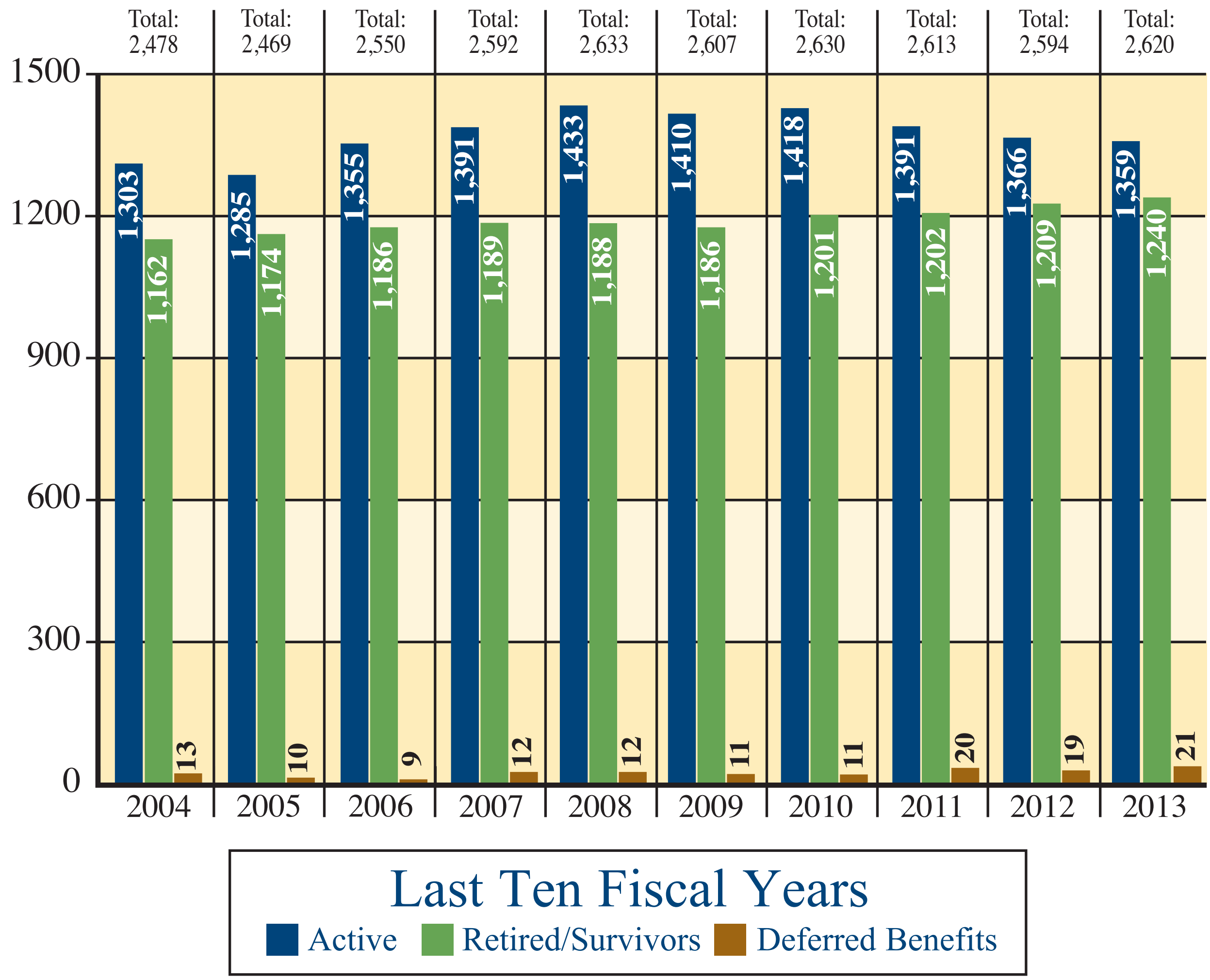
Statistical Summary

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



Schedule of Changes in Plan Net Position

Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Additions:					
Member Contributions	$6,972,986	$7,212,990	$7,472,503	$7,814,142	$8,459,762
Employer Contributions	12,817,176	13,297,605	13,729,225	14,526,734	15,747,111
Net Investment Income	91,313,225	45,338,145	107,627,267	83,730,123	(911,856)
Total Additions to Plan Net Position	111,103,387	65,848,740	128,828,995	106,070,999	23,295,017
Deductions:					
Benefits	36,061,330	37,754,187	39,443,788	42,293,180	42,802,584
Refunds	442,327	609,138	457,355	694,903	621,174
Administrative	478,498	470,866	495,613	515,720	598,548
Total Deductions from Plan Net Position	36,982,155	38,834,191	40,396,756	43,503,803	44,022,306
Change in Net Position	$74,121,232	$27,014,549	$88,432,239	$62,567,196	($20,727,289)

Fiscal Year	2009	2010	2011	2012	2013
Additions:					
Member Contributions	$8,982,366	$8,934,700	$9,223,994	$8,894,208	$9,343,416
Employer Contributions	16,700,688	16,645,229	16,532,015	16,476,608	16,933,694
Net Investment Income	(180,354,444)	142,765,846	82,002,086	(3,584,270)	55,542,099
Total Additions to Plan Net Position	(154,671,390)	168,345,775	107,758,095	21,786,546	81,819,209
Deductions:					
Benefits	44,097,817	46,290,964	46,377,135	48,578,196	50,979,009
Refunds	746,454	231,947	557,214	549,026	816,459
Administrative	550,069	565,362	631,281	552,751	576,470
Total Deductions from Plan Net Position	45,394,340	47,088,273	47,565,630	49,679,973	52,371,938
Change in Net Position	($200,065,730)	$121,257,502	$60,192,465	($27,893,427)	$29,447,271

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

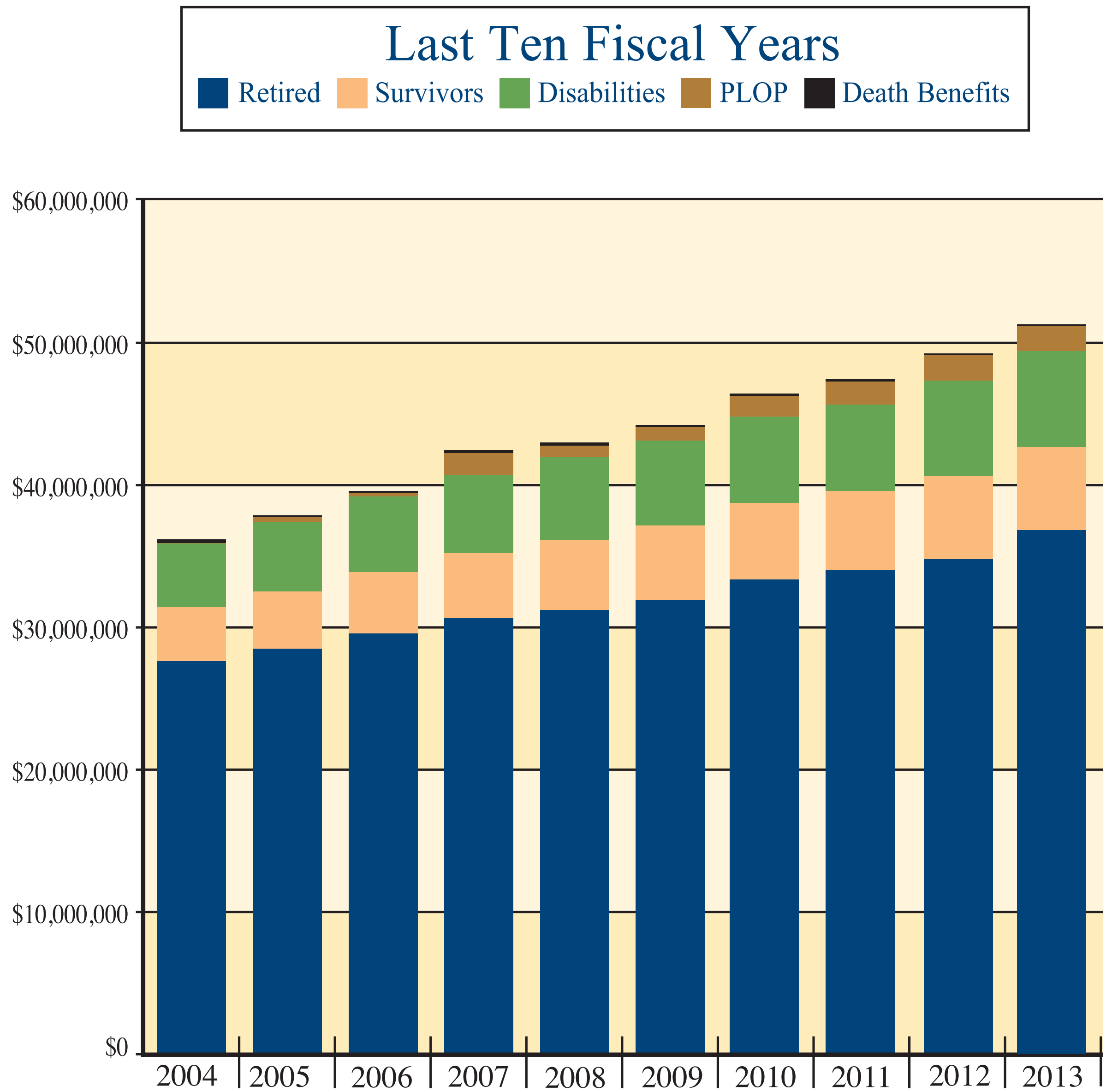
Last Ten Fiscal Years

Fiscal Year	2004	2005	2006	2007	2008
Type of Benefit:					
Retired	$27,628,285	$28,488,160	$29,564,876	$30,657,765	$31,212,247
Survivors	3,792,951	4,053,319	4,317,777	4,546,298	4,943,672
Disabilities	4,618,094	4,896,656	5,326,293	5,544,299	5,827,078
PLOP	–	303,052	219,842	1,522,818	790,587
Death Benefits	22,000	13,000	15,000	22,000	29,000
Total Benefits	$36,061,330	$37,754,187	$39,443,788	$42,293,180	$42,802,584
Type of Refund:					
Separation	$363,931	$609,138	$457,355	$694,903	$621,174
Death	78,396	–	–	–	–
Total Refunds	$442,327	$609,138	$457,355	$694,903	$621,174

Fiscal Year	2009	2010	2011	2012	2013
Type of Benefit:					
Retired	$31,911,809	$33,368,992	$33,964,741	$34,794,455	$36,539,274
Survivors	5,233,830	5,384,022	5,513,933	5,936,074	6,106,116
Disabilities	5,978,251	6,065,418	5,983,509	6,124,737	6,345,482
PLOP	957,927	1,455,532	889,952	1,697,930	1,967,137
Death Benefits	16,000	17,000	25,000	25,000	21,000
Total Benefits	$44,097,817	$46,290,964	$46,377,135	$48,578,196	$50,979,009
Type of Refund:					
Separation	$746,454	$231,947	$557,214	$441,701	$682,890
Death	–	–	–	107,325	133,569
Total Refunds	$746,454	$231,947	$557,214	$549,026	$816,459

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

Schedule of Deductions from Plan Net Position 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, 2013

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	$827	10			10		
501 to 1,000	9,074	12	2	4	6		
1,001 to 1,500	55,999	46	10	32	1	1	2
1,501 to 2,000	138,013	78	21	42	1	9	5
2,001 to 2,500	241,446	106	28	60		9	9
2,501 to 3,000	429,472	157	80	47		16	14
3,001 to 3,500	785,304	239	178	31		21	9
3,501 to 4,000	802,482	213	182	4		21	6
4,001 to 4,500	761,771	180	162	4		10	4
4,501 to 5,000	466,045	100	75	2		21	2
Over 5,000	575,799	99	91	1		7	
Totals	**$4,266,232**	**1,240**	**829**	**227**	**18**	**115**	**51**

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

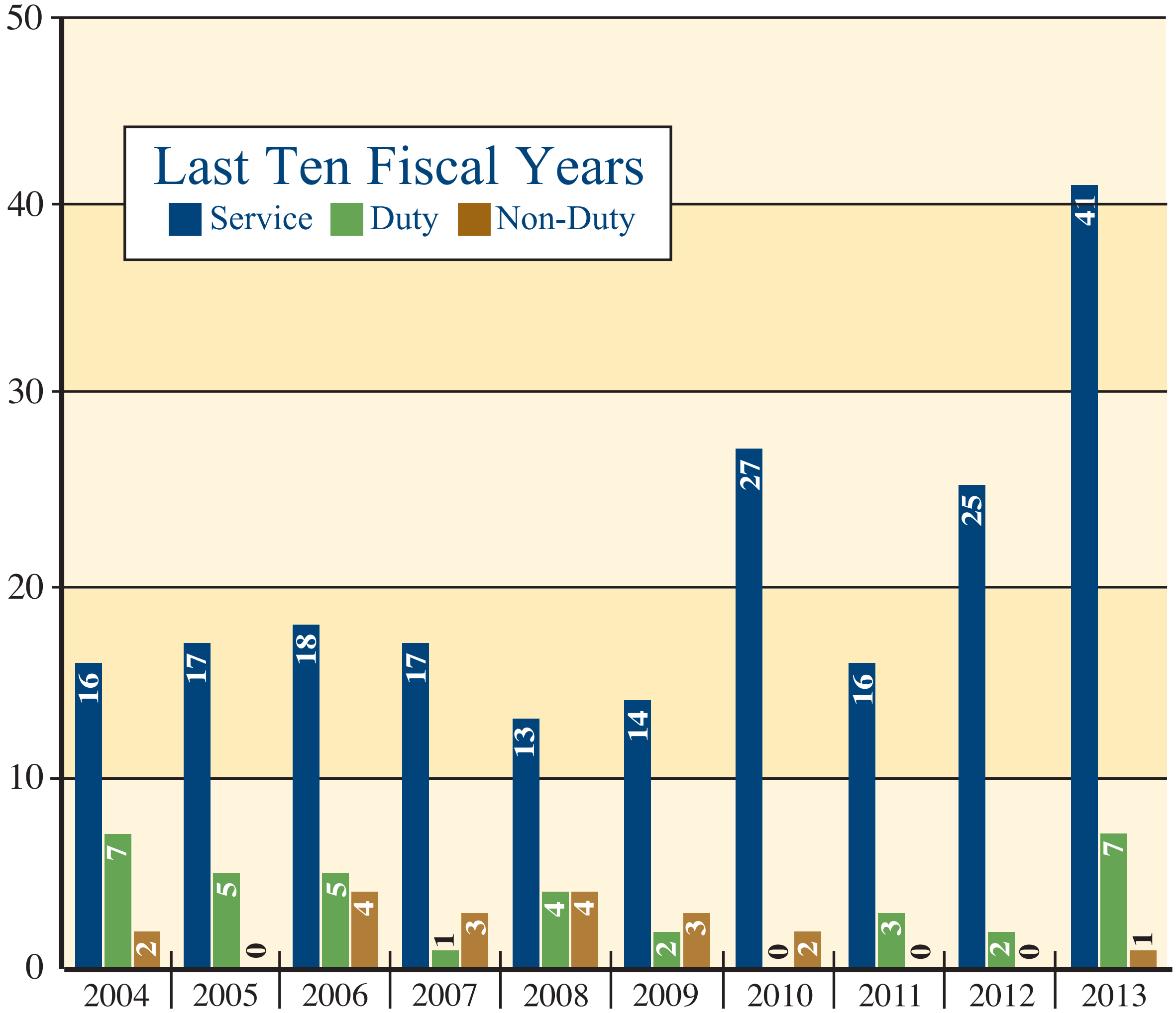
Schedule of Average Monthly Base Benefit Amounts*

Ten Years Ended April 30, 2013

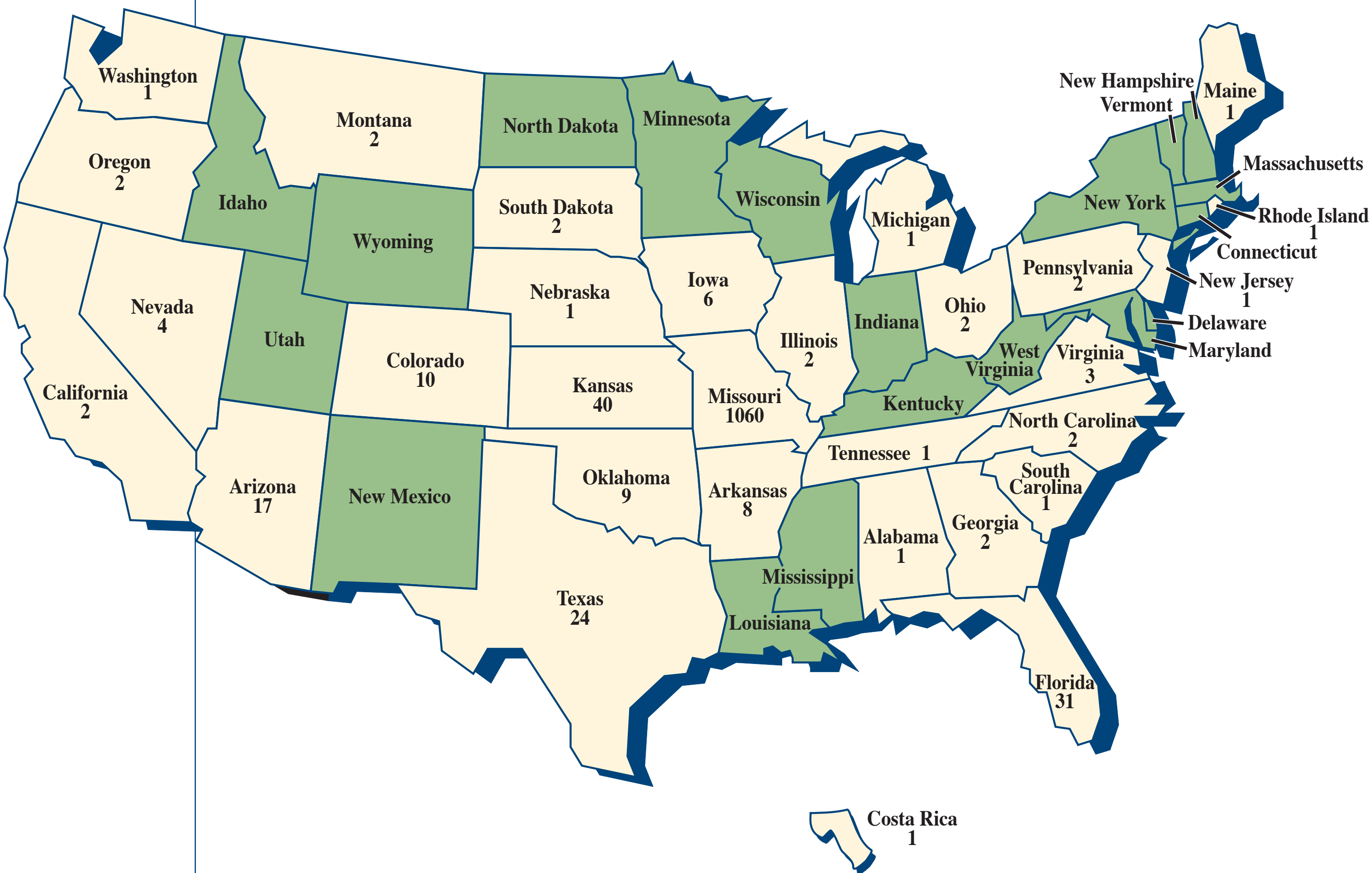
Members Retiring During	Years Credited Service						
	<25	25–26	26–27	27–28	28–29	29–30	All Members
Fiscal Year Ending 04/30/04							
Average monthly benefit	$2,689	3,015	3,584	4,915		4,122	3,206
Average final compensation	$4,225	4,786	5,394	7,182		5,550	4,853
Number of retirees	10	7	3	1		4	25
Fiscal 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
Fiscal Year Ending 04/30/12							
Average monthly benefit	$4,087	3,711	3,668	3,341	4,114	4,796	4,021
Average final compensation	$5,449	5,893	5,697	5,601	6,735	7,437	6,308
Number of retirees	2	8	4	2	5	6	27
Fiscal Year Ending 04/30/13							
Average monthly benefit	$3,076	3,659	4,004	3,977	3,536	4,463	3,693
Average final compensation	$5,242	5,809	6,038	6,266	5,801	7,101	5,929
Number of retirees	12	14	6	5	5	7	49

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

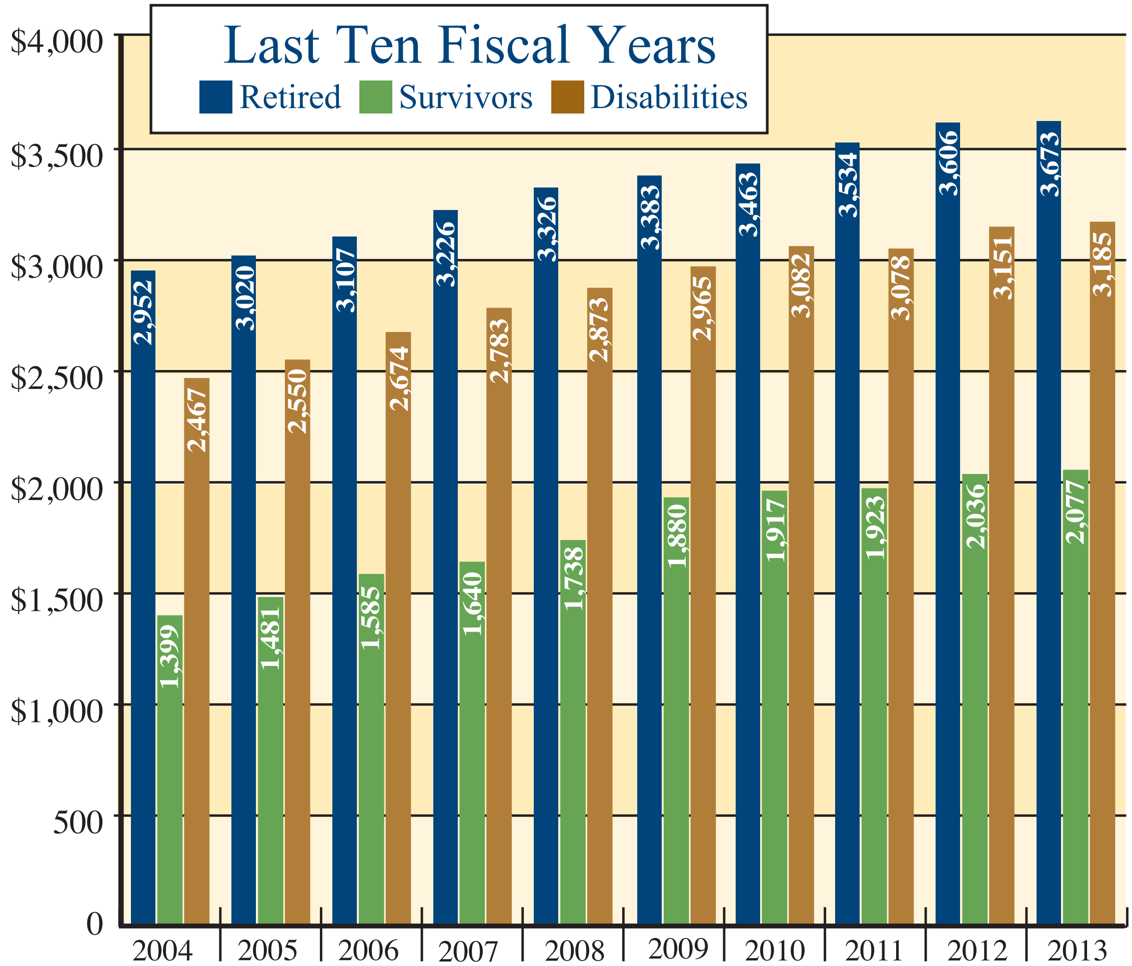
New Pensions Started



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

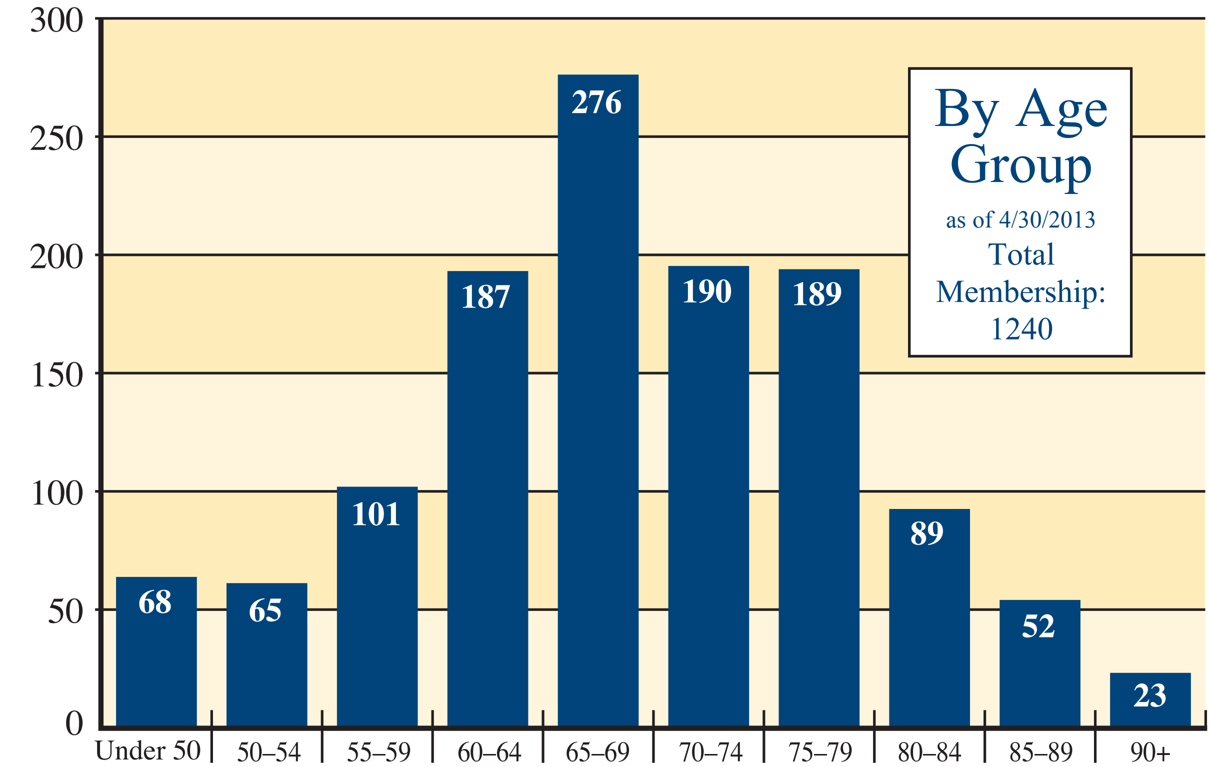
Fiscal Year	% Increase to Monthly Base Pension
2004	3.00%
2005	3.00%
2006	3.00%
2007	3.00%
2008	3.00%
2009	3.00%
2010	3.00%
2011	0.00%
2012	3.00%
2013	3.00%

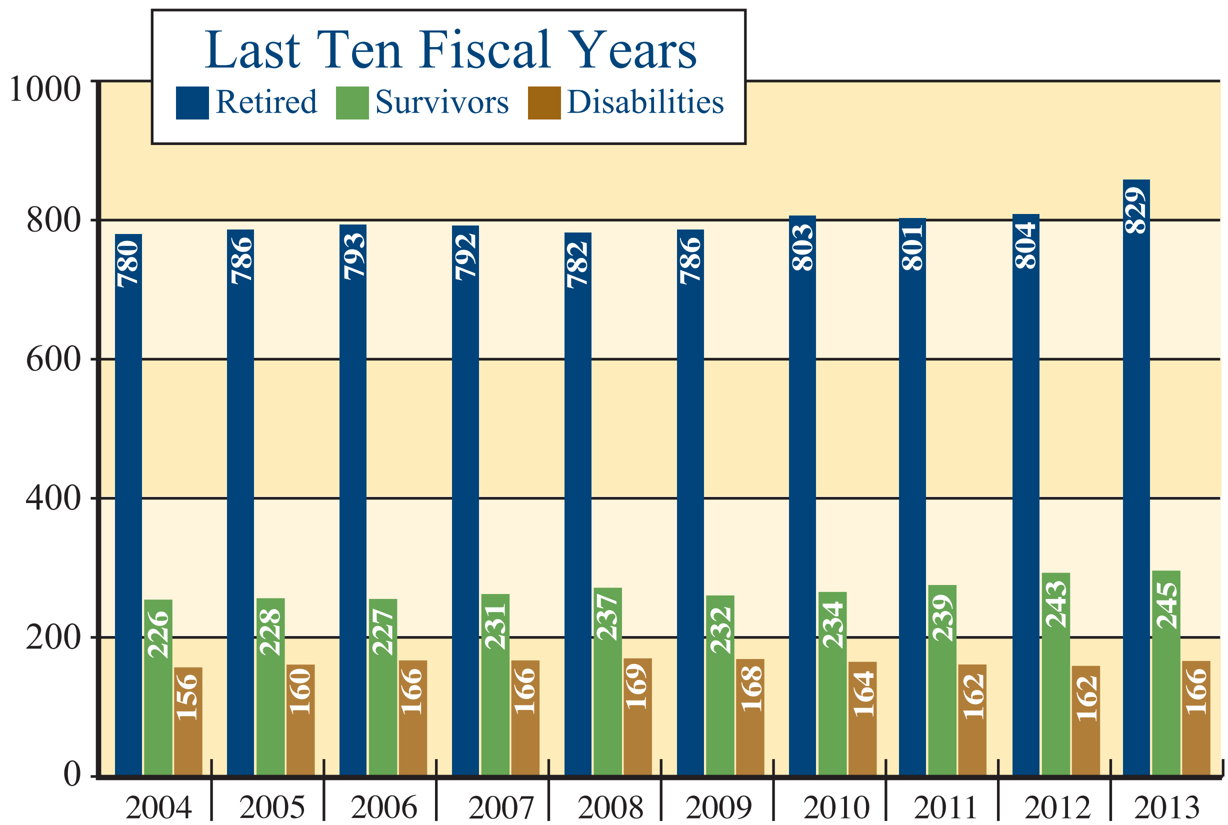
Supplemental Retirement Benefit

History of Increases

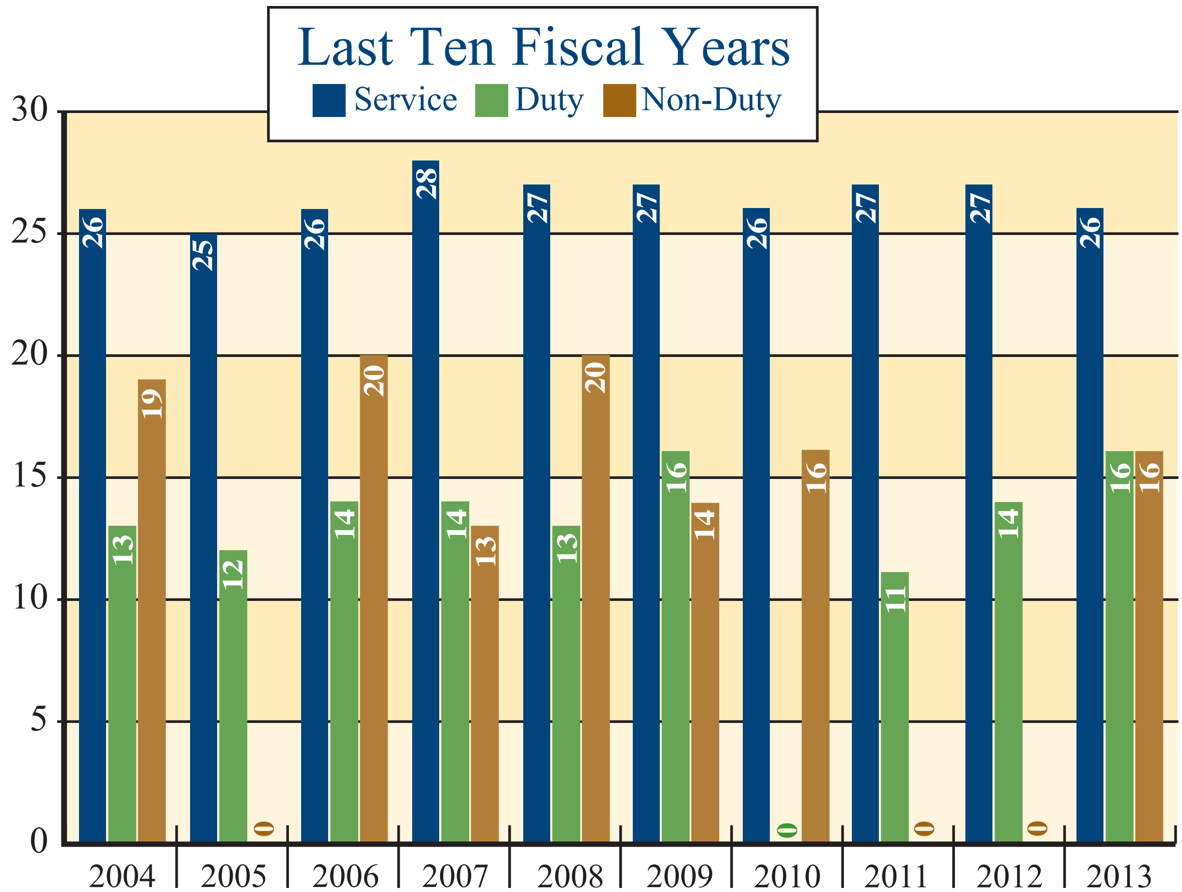
Fiscal Year	Monthly Benefit Amount	Annual Benefit Amount
1992	$50.00	$600.00
1993	70.00	840.00
1994	80.00	960.00
1995	90.00	1,080.00
1996	140.00	1,680.00
1997	180.00	2,160.00
1998	230.00	2,760.00
1999	270.00	3,240.00
2000	380.00	4,560.00
2001	420.00	5,040.00

Membership Receiving Benefits

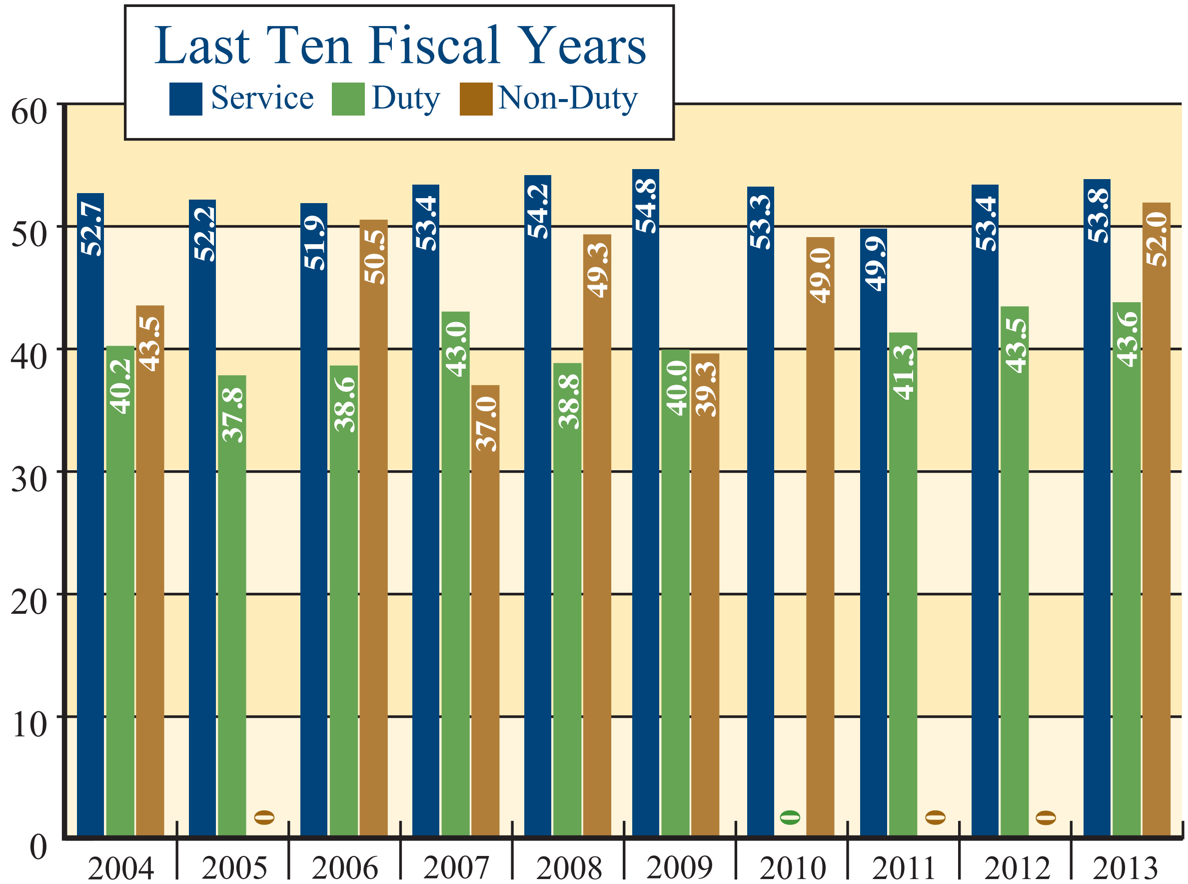




Average Years of Service at Retirement



Average Age at Retirement



Average Age of Retirees as of April 30, 2013

Service (829 retired members ranging in age from 47 to 94)	**68.3**
Duty Disability (115 retired members ranging in age from 32 to 90)	**59.8**
Non-Duty Disability (51 retired members ranging in age from 41 to 86)	**61.3**

www.kcpers.org

KCPERS

Kansas City Police Employees' Retirement Systems

9701 Marion Park Drive, B
Kansas City, MO 64137