TO THE STARS...

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Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 1994

Kansas Public Employees Retirement System

- A component unit of the State of Kansas

- This Report was prepared by the Staff of the Retirement System.

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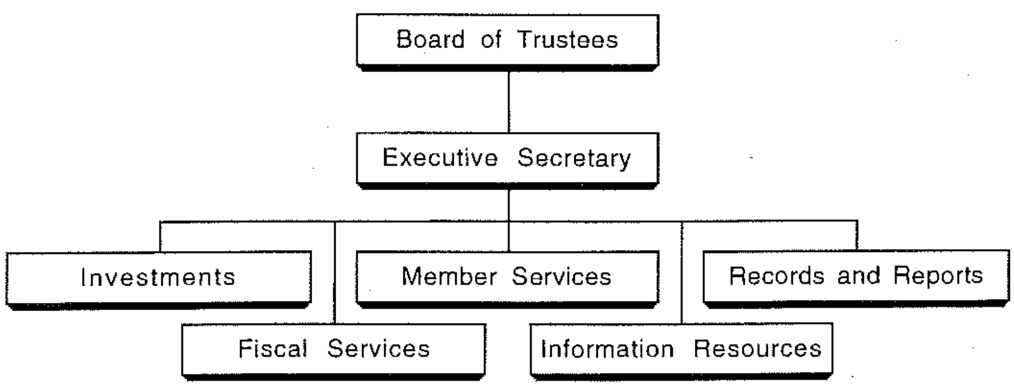
Mission Statement of the Kansas Public Employees Retirement System

The Kansas Public Employees Retirement System is a plan of retirement, disability, and survivor benefits provided by law for Kansas public servants and their beneficiaries.

The Board of Trustees and the Staff of the Retirement System strive at all times to safeguard the System's assets by adhering to the highest standards of fiduciary and professional care, to comply strictly and fairly with the law, and to conduct business in a courteous, timely and effective manner.

KPERS Organization Structure



The Board of Trustees of the Kansas Public Employees Retirement System is a nine-member Board; four members are appointed by the Governor, two are appointed by legislative leaders, two are elected by Retirement System members, and one is the elected State Treasurer. Those currently serving on the Board are:

Jarold Boettcher, Beloit — Chair
(appointed by the Speaker of House)

K. Pat Marso, Coffeyville — Vice-Chair
(appointed by the Governor)

Jody Boeding, Kansas City
(appointed by the Governor)

Vern R. Chesbro, Ottawa
(appointed by the Governor)

Michael L. Johnston, Topeka
(appointed by the Governor)

Les Meredith, Overland Park
(appointed by the President of the Senate)

Kathy Stover, Topeka
(elected by non-school Retirement System members)

Sally Thompson, Topeka
(State Treasurer - Board member by statute)

Marjorie Lee Webb, Shawnee Mission
(elected by school Retirement System members)

KPERS

Kansas Public Employees Retirement System

December 29, 1994

Members
Kansas Public Employees Retirement System

Dear Members:

I am pleased to submit, on behalf of your Board of Trustees and staff, the 1994 Annual Report of the Kansas Public Employees Retirement System. The annual report covers the operations of the Retirement System for the fiscal year ending June 30, 1994. The Retirement System's fiscal year 1994 operating results and financial position are presented in conformity with generally accepted accounting principles.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and result of operations of the system. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the management of the Retirement System. The 1994 annual report was prepared by the combined efforts of the Retirement System's staff members.

The 1994 annual report consists of six sections. The first two sections are the introductory section, which includes this letter; and a financial section, including the balance sheet as of June 30, 1994. An annual audit of the Retirement System was conducted by the independent accounting firm Berberich Trahan & Co., P.A., independent auditors. The independent auditors' report on the Retirement System's financial statements is included in the financial section.

The third and fourth sections of the annual report are the supplemental financial section, highlighting important schedules pertaining to the Retirement System's operations; and the investment section, providing details of the performance of the Retirement System's investment portfolio during fiscal year 1994. The fifth and sixth sections of the annual report are the actuarial section, describing the funding basis, actuarial assumptions, contributions, and funded ratios of the Retirement System; and the statistical section, which provides tables and other graphics concerning membership, benefits, and other statistical data.

The Kansas Public Employees Retirement System is an umbrella organization for three pension groups serving the needs of virtually all Kansas public servants: the Kansas Public Employees Retirement System, the Kansas Police and Firemen's Retirement System, and the Kansas Retirement System for Judges. All three systems are defined benefit, contributory, cost-sharing plans. The Kansas Retirement System for Judges is a single employer plan, the other two are multi-employer plans.

During this fiscal year the focus of the Retirement System has been on our successful growth and progress in providing ever-better retirement benefits to our members and their beneficiaries. We looked to the motto of the State of Kansas, *Ad Astra ...*, which means *To the Stars ...*, for inspiration as we successfully provided more secure futures for our active members and increased pension benefits for our retired members in fiscal year 1994. In choosing the theme *Ad Astra* for fiscal year 1994, we focus on Kansas, which ranks first among the 50 states in aviation manufacturing. In this annual report we honor the achievements of Kansas men and women whose contributions to the growth and progress of 20th century aviation and aerospace advances have helped take us "*To the Stars ...*"

From the first day of this fiscal year, our members began taking advantage of the major benefit enhancements approved by the Kansas Legislature during the 1993 legislative session, with the 3,390 members who retired during fiscal year 1994 enjoying 25 percent better benefits than those who retired in years before them. In addition, members who retired prior to fiscal year 1994 also received significant benefit increases during this fiscal year. The Retirement System's first-ever comprehensive benefit package put an additional $27 million into the hands of all retired members of the Retirement System in fiscal year 1994, with the ripple effect on the Kansas economy estimated at $230 million total.

The growth in the Kansas economy overall reflects this economic influx. Personal incomes of Kansans increased six percent in fiscal year 1994, while wages and salaries increased 4.7 percent. Total job growth in the last fiscal year rose 2.4 percent, with non-farm wage and salary employment rising 3.3 percent. Construction starts in Kansas were expected to increase 19 percent during fiscal year 1994. Kansas is among the nation's top agricultural states, ranking first in wheat and sorghum production with the total value of crops produced at $8.65 billion. Total Kansas exports of manufactured goods increased 18 percent over the last year, while agricultural exports increased 25 percent for the same period.

At June 30, 1994, the collective membership of the three systems was 187,906. The membership included 144,535 current and former public servants, and 43,371 retired public servants and beneficiaries. During the course of fiscal year 1994, nearly 1,000 more members retired than in fiscal year 1993. Fifteen new public employers joined the Retirement System during the past fiscal year. By the end of the fiscal year, there were 1,287 employers participating in the Retirement System.

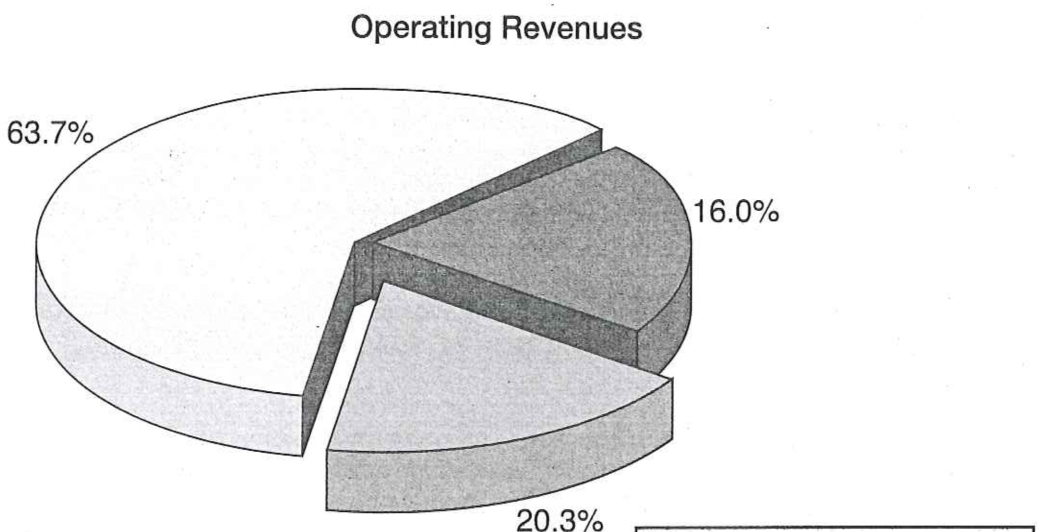
The Retirement System's fiscal year 1994 financial operations are summarized in the table below. As indicated, the Retirement System had net reserves of $4.62 billion at June 30, 1993. During the year, active members contributed more than $149 million to the Retirement System, while employers contributed $118 million. Investments generated $485 million in gross income during the fiscal year, including realized gains and losses on publicly traded securities. After subtracting management fees and expenses associated with the investments, fiscal year 1994 Net Investment Income totaled $468 million. Net investment income plus member and employer contributions resulted in total operating revenues of $735 million.

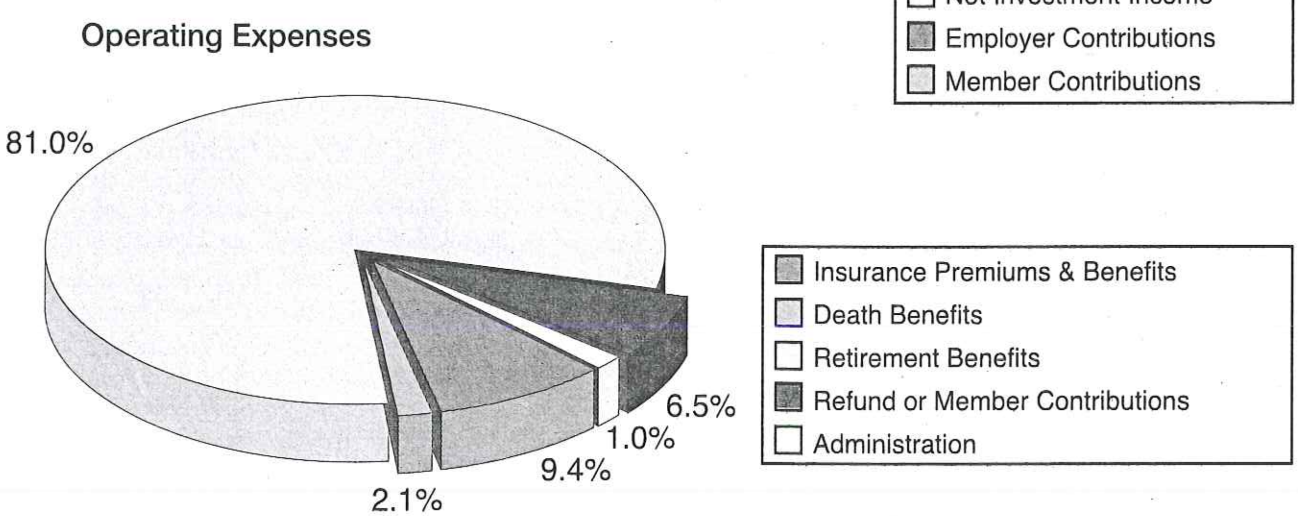
Fiscal Year 1994 Operating Results

Reserves - Balance at July 1, 1993			**$ 4,616,631,524**
Operating Revenues:			
Contributions			
Members		$ 149,049,696	
Employers		118,107,383	
Total Contributions		267,157,079	
Investment Income			
Gross Investment Income	$ 485,129,455		
Less:			
Manager - Custodians Fees, Expenses	(16,907,843)		
Net Investment Income		468,221,612	
Total Operating Revenue		735,378,691	
Operating Expenses:			
Monthly Retirement Benefits Paid	285,029,638		
Refunds of Contributions to Members	22,900,621		
Death Benefits	7,345,897		
Insurance Premiums and Benefits	33,129,180		
Administrative (KPERS Office) Expenses	3,596,637		
Total Operating Expenses		352,001,973	
Revenue in Excess of Expenses			383,376,718
Reserves - Balance at June 30, 1994			**$ 5,000,008,242**

The expenses of the Retirement System totaled $352 million in fiscal year 1994. Included were $285 million in monthly benefits to retired members, $23 million paid to members who withdrew their contributions, more than $7 million in death benefits, and over $33 million in insurance premiums and benefits. The cost of maintaining the Retirement System's administrative operations totaled nearly $3.6 million dollars.

Total revenues exceeded expenses by more than $383 million during the year, thereby increasing the System's net reserves to $5 billion at June 30, 1994. These reserves represent the funds available to pay for current and future member benefits. The following graphics depict the operating expenses and revenues of the Retirement System.





The Retirement System's investment performance for fiscal year 1994 is shown in the table on the next page. The time-weighted rate of return, which includes income and changes in investment value, was 2.3 percent. Investment values used for alternative investment assets reflect adjusted cost basis (original cost less allowance for losses), not market value. Investment values used for publicly traded assets reflect market value. These performance results were independently calculated by CDA Investment Technologies, Inc.

The Retirement System maintains a diverse investment portfolio, as described in the Investment Asset Allocation summary on page 46. At June 30, 1994, the carrying value (including receivables and payables) of the publicly traded investments was $4.42 billion and the carrying value of the non-publicly traded investments (real estate and alternative investments) was $.55 billion. The total investment portfolio carrying value at fiscal year end was $4.97 billion. At year end, the net asset value of the publicly traded investments was $4.69 billion and the net asset value of real estate and alternative investments was $.45 billion. This provided a total investment net asset value of $5.14 billion at year end.

The Retirement System remains financially secure. One indication of a pension fund's strength is the funding status of its pension benefit obligation. This is a standardized disclosure method which is independent of the actuarial funding method used to determine the employers' contributions. At June 30, 1994, assets available for retirement benefits were 76 percent of the total pension benefit obligation for all systems combined. The Retirement System's 1994 Actuarial Valuation indicated that its unfunded actuarial liability increased 56 percent to $1.505 billion at June 30, 1994. Current Kansas law provides that this unfunded actuarial liability will be amortized over the next 38-and-one-half years. It is imperative that the unfunded actuarial liability not be allowed to grow unchecked. To ensure the continuing fiscal health and actuarial soundness of the Retirement System, it is essential that the current statutory cap on KPERS' employer contribution rates be reviewed.

Investment Performance Past Five Years

Fiscal Year	Time-Weighted Rate of Return	Consumer Price Index
1994	2.3%	2.5%
1993	14.7%	3.0%
1992	12.8%	3.1%
1991	0.3%	4.5%
1990	12.1%	4.8%

Time-weighted total return includes income and changes in market value. These performance results were calculated by CDA Investment Technologies, Inc. For time periods prior to fiscal year 1992, CDA calculations are based on information provided by Callan Associates for all asset classes except direct placements. Values used for direct placement investments reflect adjusted cost basis, not market value. Values used for real estate investments prior to June 30, 1992, reflect adjusted cost. The real estate values on and after June 30, 1992, reflect appraised values.

During fiscal year 1994, the Board of Trustees and the staff approved the first ever Mission Statement for the Retirement System. The Mission Statement reflects the overall goals and objectives of the Retirement System. The Mission Statement is an important declaration of the Retirement System's purpose for our members and staff and is useful in long-range planning by the Retirement System. The Mission Statement and the Retirement System's organizational structure are found on page 6 of this annual report.

The Board of Trustees and its staff have as their highest priority delivering essential services to Kansas public servants and public employers. The Retirement System is committed to the concepts of fiduciary responsibility, prompt and courteous member service, and the complete, accurate and timely reporting of performance results. Your questions, comments, and concerns are essential and always appreciated.

Sincerely,

Meredith Williams
Executive Secretary

Berberich Trahan & Co., P.A.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Kansas Public Employees Retirement System

We have audited the accompanying balance sheet of the Kansas Public Employees Retirement System as of June 30, 1994, and the related statement of revenues, expenses and changes in fund balance for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Public Employees Retirement System as of June 30, 1994, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on pages 30 and 31 is not a required part of the basic financial statements but is required by the Governmental Accounting Standards Board. The accompanying supplemental financial section included on pages 34 to 39 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information for the years ended June 30, 1994, 1993 and 1992 has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplementary information for each of the years ending June 30, 1985 through 1991 were subjected to auditing procedures by other auditors whose reports stated that such information was fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Berberich Trahan & Co., P.A.

December 22, 1994

Kansas Public Employees Retirement System
Balance Sheet as of June 30, 1994

With Comparative Figures for 1993

Assets	1994	1993
Cash and Deposits		
Cash	$ 731,435	$ 683,037
Deposits with Insurance Carrier	1,201,162	708,555
Total Cash and Deposits	1,932,597	1,391,592
Receivables		
Contributions	26,180,195	31,184,034
Investment Income	34,930,729	32,419,696
Sale of Investment Securities	513,004,417	161,115,386
Total Receivables	574,115,341	224,719,116
Other Assets		
Fixed Assets and Supplies Inventory	491,515	519,695
Investments		
Investments at Cost	5,122,940,670	4,658,436,866
Allowance For Losses on Investments	(98,323,093)	(103,080,961)
Net Investments	5,024,617,577	4,555,355,905
Total Assets	$ 5,601,157,030	$ 4,781,986,308
Liabilities and Reserves		
Liabilities		
Administrative Costs	$ 344,281	$ 762,138
Benefits Payable	1,012,785	517,664
Securities Purchased	599,791,722	164,074,982
Total Liabilities	601,148,788	165,354,784
Reserves		
Members' Accumulated Contributions	1,801,791,927	1,651,701,055
Retirement Benefit Accumulation	2,189,480,528	1,946,424,483
Retirement Benefit Payment	2,377,677,617	1,855,044,596
Retirant Dividend Payment	12,005,319	9,850,417
Administrative Expenses	7,193,247	7,430,637
Optional Term Life Insurance	(14,631)	(46,298)
Group Insurance	117,095,523	113,965,334
Unreserved - Unfunded Actuarial Liability	(1,505,221,288)	(967,738,700)
Total Reserves	5,000,008,242	4,616,631,524
Total Liabilities and Reserves	$ 5,601,157,030	$ 4,781,986,308

The accompanying notes are an integral part of these financial statements and should be read in conjunction with them.

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Statement of Revenues, Expenses, and Changes in Fund Balance
With Comparative Totals for 1993

Reserves

	Members' Accumulated Contribution	Retirement Benefit Accumulation	Retirement Benefit Payment	Retirant Dividend Payment
Operating Revenues:				
Member Contributions	$ 145,571,762	$ —	$ —	$ —
Employer Contributions	—	95,622,052	—	—
Employer Insurance	—	—	—	—
Investment Income	124,723,400	329,078,870	—	—
Other Income	—	665	508,820	—
Total Operating Revenues	270,295,162	424,701,587	508,820	—
Operating Expenses:				
Monthly Retirement	—	—	273,821,219	10,985,580
Refunds of Contributions	22,900,621	—	—	—
Death Benefits	—	265,506	7,080,391	—
Administrative Expenses	—	—	—	—
Insurance Premium/Benefits	—	—	—	—
Total Operating Expenses	22,900,621	265,506	280,901,610	10,985,580
Revenues in Excess of Expenses Before Transfers	247,394,541	424,436,081	(280,392,790)	(10,985,580)
Reserve Transfers For:				
Benefits Awarded	(96,954,206)	(384,974,309)	481,928,515	—
Unclaimed Accounts	(349,463)	349,463	—	—
Actuarial Adjustments	—	(321,097,296)	321,097,296	—
Dividend Payments	—	(13,140,482)	—	13,140,482
Other	—	—	—	—
Total Reserves Transfers	(97,303,669)	(718,862,624)	803,025,811	13,140,482
Net Change In Reserve Balance	**150,090,872**	**(294,426,543)**	**522,633,021**	**2,154,902**
Actuarial Liability Increase	—	537,482,588	—	—
Balance Beginning of Year	1,651,701,055	1,946,424,483	1,855,044,596	9,850,417
Balance End of Year	$ 1,801,791,927	$ 2,189,480,528	$ 2,377,677,617	$ 12,005,319

The accompanying notes are an integral part of these financial statements and should be read in conjunction with them.

Administrative Expenses	Optional Term Life Insurance	Group Insurance	Unreserved-Unfunded Actuarial Liability	1994 Totals	1993 Totals
$ —	$ 3,477,934	$ —	$ —	$ 149,049,696	$ 133,506,738
—	—	—	—	95,622,052	96,292,433
—	—	21,959,761	—	21,959,761	20,115,114
3,250,739	—	11,168,603	—	468,221,612	416,269,798
16,085	—	—	—	525,570	533,403
3,266,824	3,477,934	33,128,364	—	735,378,691	666,717,486
—	—	222,839	—	285,029,638	223,178,255
—	—	—	—	22,900,621	20,812,351
—	—	—	—	7,345,897	7,499,557
3,596,637	—	—	—	3,596,637	3,715,294
—	3,353,844	29,775,336	—	33,129,180	28,353,401
3,596,637	3,353,844	29,998,175	—	352,001,973	283,558,858
(329,813)	124,090	3,130,189	—	383,376,718	383,158,628
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
92,423	(92,423)	—	—	—	—
92,423	(92,423)	—	—	—	—
(237,390)	31,667	3,130,189	—	383,376,718	383,158,628
—	—	—	(537,482,588)	—	—
7,430,637	(46,298)	113,965,334	(967,738,700)	4,616,631,524	4,233,472,896
$ 7,193,247	$ (14,631)	$ 117,095,523	$ (1,505,221,288)	$ 5,000,008,242	$ 4,616,631,524

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1994

NOTE 1: Plan Description

A. Plan Membership

The Kansas Public Employees Retirement System (KPERS) (the Retirement System) is a body corporate and an instrumentality of the State of Kansas. KPERS is an umbrella organization administering three statewide retirement systems: the Kansas Public Employees Retirement System, the Kansas Police and Firemen's Retirement System (KP&F), and the Kansas Retirement System for Judges. All three systems are defined benefit, contributory, cost sharing plans that cover substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer plan, while the other two are multi-employer groups. Participation by the State of Kansas is mandatory, whereas participation by local political subdivisions is optional but irrevocable if elected. Information on participating employers and retirement system membership is as follows:

Participating Employers	June 30,1994
KPERS	1,221
KP&F	65
Judges	1
Total	1,287

Membership by Retirement Systems

	KPERS	KP&F	Judges	Total
Retirees and beneficiaries currently receiving benefits:	41,042	2,219	110	43,371
Terminated employees entitled to benefits but not yet receiving them:	5,415	115	5	5,535
Inactive members not entitled to benefits:	7,250	59	7	7,316
Current employees:	125,972	5,480	232	131,684
Total	179,679	7,873	354	187,906

KPERS members' benefits vest with ten years of credited service. KP&F members' benefits vest with 20 years of credited service for Tier I, and 15 years of credited service for Tier II. Vesting of benefits for members of the Retirement System for Judges normally requires ten years of credited service.

B. Plan Benefits

Members (except KP&F members) with 10 or more years of service may retire as early as age 55 (KP&F age 50 with 20 years) with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with 10 years of service credit, or when combined age and years of service equal 85 "points" (KP&F age 60 with 15 years, age 55 with 20 years, or age 50 with 25 years). Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. Upon termination of employment a member may elect to withdraw accumulated employee contributions, including interest credited to the member's account. A member who withdraws contributions forfeits all rights and privileges accrued during membership. Members choose one of seven options to receive their monthly retirement benefits.

All active members (except KP&F members) are covered by the group life insurance contract. The life insurance benefit is 150 percent of the annual rate of compensation at the time of death. Generally, in cases of death (KPERS) as a result of an on-the-job accident, there is a $50,000 lump sum benefit and a monthly benefit payable to a surviving spouse, minor children or dependent parents (in this order of preference). Statutory service-connected accidental death benefits are in addition to any life insurance benefit payable to the designated beneficiary(ies). There is a $4,000 death benefit payable, to the designated beneficiary(ies) upon the death of a retired member, under any system.

Active members (except KP&F and Judges members) are also covered by the provisions of the disability income benefit contract. Annual disability income benefits are based upon two-thirds of the annual rate of compensation at the time of disability, less primary social security benefits, one-half of worker's compensation, and any other employment-related disability benefits, with a minimum monthly benefit of $100. There is a waiting period of 180 continuous days from the date of disability before benefits can be paid. During the period of approved disability, the member continues to have group life insurance coverage and to accrue participating service credit.

C. Contributions

Member contributions (from four percent to seven percent of compensation), employer contributions and net investment income fund the reserves of the Retirement System. Member contribution rates are established by state law, and are paid by the employer according to the provisions of section 414 (h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. All of the retirement systems are funded on an actuarial reserve basis (see Note 4). State of Kansas legislation placed statutory limitations on annual increases in the contribution rates for fiscal years beginning in 1995. The rates for KPERS certified by the Board may not increase by more than 0.1 percent of payroll over the prior year. An additional adjustment was made for the benefit increase in Fiscal Year 1995. The statutory limits do not apply to KP&F and Judges. The amortization period for the unfunded liability of all systems is 40 years from July 1, 1993. Employer contributions for group life insurance and long term disability are set by statute at 0.6 percent of covered payroll for KPERS and 0.4 percent for Judges.

NOTE 2: Summary of Significant Accounting Policies

A. Reporting Entity

The Kansas Public Employees Retirement System is a component unit of the reporting entity of the State of Kansas. A nine member board of trustees administers the Retirement System: four trustees are appointed by the governor, two by the legislative leadership, two are elected by Retirement System members, and one is the State Treasurer. The Board of Trustees appoints the executive secretary who is the system's managing officer.

B. Basis of Accounting

The financial statements of the Retirement System are prepared on the accrual basis in accordance with Generally Accepted Accounting Principles (GAAP).

C. Prior Year Information

The 1993 balances are presented for comparative purposes only. They do not include all information necessary for a complete presentation.

D. Cash and Deposits

Cash deposits of the Retirement System at June 30, 1994, of $731,435 are maintained by the State Treasurer of Kansas. Deposits were fully secured, as required by statute, through a combination of FDIC insurance and collateral which is either held by the State Treasurer or in joint custody by approved Kansas banks, the Federal Reserve Bank, or the Federal Home Loan Bank of Topeka. The Retirement System's deposits with its insurance carrier represents a disbursement account used by the insurance company to pay disability claims to eligible members under a self-insured plan. These deposits were uncollateralized and were $1,201,162 at June 30, 1994.

E. Investments

Investments are presented on the balance sheet at cost for marketable equity securities and amortized cost for marketable debt securities. Alternative investments and real estate are presented at historical cost less reductions for declines in value deemed to be other than temporary.

Investments and the investment process are governed by K.S.A. 74-4921. The Board of Trustees maintains a formal Statement of Investment Policy which addresses the governing provisions of the law as well as specifying additional guidelines for the investment process.

Statutory authority for the investment program of the Kansas Public Employees Retirement System is provided for in K.S.A. 74-4901, et. seq., effective July 1, 1993. The Retirement Act addresses the following areas:

- Establishes the structure of the Board of Trustees, defines the responsibilities of the Board and imposes the prudent expert rule upon their actions with respect to the assets of the System.

- Requires that the assets be invested to preserve capital and solely to provide benefits to members and such members' beneficiaries.
- Limits the possible allocation of common stock to 60 percent of the total book value of the fund. Restricts the fund from investment in the common stock of banks, savings and loans, and credit unions.
- Limits the allocation of private placements and other alternative (non-publicly traded) investments to five percent (5%) of the total investment assets of the fund, but does not require the sale of such investments held unless the sale is in the best interests of members.
- Establishes limits on the structure of future investments in real estate or alternative investments.
- Requires that the Board develop investment policies and objectives for the investment and reinvestment of the assets of the fund.
- Authorizes the Board to hire qualified professionals/firms to assist in the investing of the fund and to require that such professionals/ firms obtain errors and omissions insurance coverage and fidelity bond insurance coverage.
- Authorizes the Board to pay for the services of retained professionals/firms at the rates fixed by the Board, excluding any reimbursement for expenses and subject to the provisions of the appropriations acts.
- Provides for an annual audit and requires that the Board examine the investment program, specific investments, and its policies and practices annually.

Permissible investments of the Retirement System include equities, fixed income securities, cash equivalents, real estate, derivative products, and alternative investments. In fulfilling its responsibilities the Board of Trustees has contracted with 20 investment management firms and a master global custodian located in Boston, Massachusetts.

The Retirement System presently has investments in the financial futures market. At June 30, 1994, the Retirement System had purchased Treasury note and Treasury bond future contracts with a market value of $134,830,203. Margin deposits in the form of U.S. Treasury Notes of $6,665,157 were held by the Retirement System as of June 30, 1994. Cash equivalents in an amount necessary to settle the futures contracts were held in the portfolio, so that no leverage was employed.

The Retirement System currently participates in both domestic and international securities lending activities. The System receives income from the loan of the securities, in addition to the income which accrues to the System as owner of the securities. The borrower collateralizes the loan with either cash or government securities of 102 percent of market value on domestic securities, and 105 percent of market value on international securities loaned. Daily, the securities on loan are marked to market to ensure the adequacy of the collateral. Income produced from securities lending activities for fiscal year 1994 was $2,975,677. The market value of securities on loan as of June 30, 1994, was $345,089,066.

International managers utilize forward currency contracts in their management of funds for the Retirement System. All forward foreign currency contracts are carried at market value by the Retirement System, and as of June 30, 1994, the System had sold forward currency contracts with a market value of $433,790,438, and had bought forward currency contracts with a market value of $437,708,251. Purchases of forward currency contracts are recorded as securities purchased not paid for, and sales of forward currency contracts are recorded as receivables on the sale of investments.

The Retirement System's investments are categorized by asset classes to give an indication of the level of risk assumed as of year-end. The categories are as follows:

(1) Insured or registered and held by the System's custodian bank in the System's name.

(2) Uninsured and unregistered and held by the counterparty's trust department or agent in the System's name.

(3) Uninsured and unregistered and held by brokers or dealers not in the System's name.

All Retirement System investments that can be categorized within these guidelines meet the criteria of category 1. A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditor status. "Securities" do not include investments made with another party, real estate or direct investments in mortgages. Investments in mutual funds, limited partnerships, real estate investment trusts, and commingled trust funds also are not considered securities for purposes of credit risk classification. Such investments are shown in the following schedule as "not subject to classification." The schedule distributes by asset class the carrying values of investments.

	Asset Classification				
Investments:	1	2	3	Carrying Value	Market Value
Subject to Classification:					
Domestic Equities	$ 1,473,319,661	$ —	$ —	$ 1,473,319,661	$ 1,681,448,462
Domestic Fixed Income	1,406,283,199	—	—	1,406,283,199	1,342,939,682
Cash and Equivalents (1)	67,370,347	—	—	67,370,347	67,813,709
International Fixed	248,688,562	—	—	248,688,562	248,065,579
International Equities	770,124,615	—	—	770,124,615	818,924,050
Total Subject to Classification	$ 3,965,786,384	$ —	$ —	3,965,786,384	4,159,211,482
Not Subject to Classification					
Direct Placements (2)				114,995,375	114,995,375
Real Estate				435,608,495	335,873,833
Mutual Funds					
Cash and Equivalents				2,234,975	2,234,975
Domestic Equities				27,817,283	106,403,660
Domestic Fixed				478,175,065	471,424,091
Total Not Subject to Classification				1,058,831,193	1,030,931,934
Total Investments				$ 5,024,617,577	$ 5,190,143,416

(1) Cash, money market funds, foreign currencies and fixed securities maturing within 90 days of purchase date.
(2) Direct placements are presented at historical cost less reductions for declines in value deemed to be other than temporary.

F. Fixed Assets and Supplies Inventory

Furniture, fixtures, and equipment are reported on the balance sheet at historical cost, net of accumulated depreciation. These assets are depreciated on a straight line basis over an average useful life of 3 to 10 years with no salvage value. Accumulated depreciation on furniture, fixtures, and equipment as of June 30, 1994, was $1,401,280. Office supplies inventory in the amount of $17,234 are included, assuming the first-in, first-out method.

G. Compensated Accrued Absences

Expenses for accumulated vacation and sick leave earned by Retirement System personnel are recorded when earned by the employee. In the event of termination of employment with the State of Kansas, an employee is compensated for vacation benefits accrued in varying amounts ranging from one to 30 days. Compensation for accumulated sick leave requires three conditions to occur: (1) accumulation of 800 hours; (2) minimum of eight years of service; and (3) termination with the State of Kansas on or after attainment of retirement age. If all conditions are met, the employee will be compensated in accordance with applicable personnel regulations. The minimum amount of sick leave to be compensated is 30 days, maximum amount is 60 days.

H. Reserves

K.S.A. 74-4922 defines the title and use of the required reserves of the Retirement System. The composition of the reserves, credits to the reserves and charges to the reserves are also specified in K.S.A. 74-4922.

The law governing the Retirement System requires the actuary to make an annual valuation of the System's liabilities and reserves, to make a determination of the contributions required to discharge the System's liabilities, and to recommend to the Board of Trustees employer contribution rates required to maintain the System on an actuarial reserve basis. The various reserves are:

The Member's Accumulated Contribution Reserve represents the accumulation of member contributions plus interest credited to individual members' accounts of non-retired members. At the date of retirement the individual member's account is transferred to the Retirement Benefit Payment Reserve. Upon termination of employment and application for withdrawal, refunds of employee contributions plus accumulated interest are charged to this reserve. Interest is credited to member accounts on June 30 each year, based on the balance in the account as of the previous December 31. The interest crediting rate, defined by statute as the actuarial interest assumption rate, was eight percent (8%) for fiscal years 1994 and 1993. For those who first begin public service careers after June 30, 1993, interest on employee contributions will be credited at the rate of four percent (4%).

The Retirement Benefit Accumulation Reserve represents the accumulation of employer contributions, net investment income not credited to any other reserve, and the actuarially computed prior service liability not yet funded.

The Retirement Benefit Payment Reserve represents the actuarially computed present value of future benefits for retired members plus interest credited for the current fiscal year based upon information as of the preceding January 1.

The Group Insurance Reserve represents employer contributions, which pay 100 percent of the cost of group life insurance and long-term disability coverage. Insurance premiums and benefits consist of (1) claims paid under the insurance contract; and (2) deposits made by the System to pay disability benefits to eligible participants.

The Expense Reserve represents an amount of investment income which is sufficient to maintain a year end account balance at two times the most recent fiscal year's administrative expense amount. The System's administrative expenses are charged to this reserve.

The Optional Term Life Insurance Reserve accumulates employee contributions to pay premiums for optional life insurance coverage and is charged annually with the cost of administering the program.

The Retirant Dividend Payment Reserve represents an amount which approximates the prior year's retirant dividend payment. Retirant dividend payments (13th check) are charged to this reserve.

I. Leases

The Retirement System has no lease commitments. The Retirement System owns the office building in which it is headquartered as a real estate investment.

J. Budget

The annual budget of the operations of the Retirement System is developed by the staff and approved by the Board of Trustees. It is sent to the State Budget Division for analysis and policy decisions and is included in the governor's budget message to the legislature. The legislature adopts appropriation and expenditure limitations. When that process is complete, the Retirement System has an approved budget. The budgetary basis for reporting administrative expenditures is on a modified accrual basis and differs from the basis for financial reporting (GAAP basis). A reconciliation of the difference between the GAAP and Budgeted basis is presented on the Schedule of Administrative Expenses - Budget and Actual, located in the supplemental financial section of this Annual Report.

NOTE 3: Funding Status

A. Funding

The pension benefit obligation is a standardized disclosure measure which is independent of the actuarial funding method used to determine the employer contributions required to fund the KPERS, KP&F, and Judges Retirement Systems. The pension benefit obligation is the actuarial present value of credited projected benefits (adjusted for the effects of projected salary increases) estimated to be payable in the future as a result of employee service to date.

The pension benefit obligation was determined as of June 30, 1994, the date of the most recent actuarial valuations of the KPERS, KP&F, and Judges Systems. Significant actuarial assumptions used to determine the pension benefit obligation include an assumed long-term investment yield rate of eight percent per year, and projected salary increases of five percent, plus a percentage based on an age-related salary scale. The inflation component of the economic assumptions is an assumed long-term inflation rate of five percent per year. These assumptions are the same as the assumptions used in the actuarial valuations as of June 30, 1993.

As of June 30, 1994, net assets available for retirement benefits (which excludes reserves for Optional Term Life and Group Insurance) were 76 percent of the total pension benefit obligation for all systems combined. The pension benefit obligation at June 30, 1994, is shown below.

Individual Retirement Systems Table

	KPERS	KP&F	Judges	Total
Current Employees				
Members Accumulated Contributions Including Interest	$ 1,633,316,028	$ 140,931,622	$ 9,132,521	$ 1,783,380,171
Employer Financed Portion				
Vested	920,726,775	90,364,109	9,269,597	1,020,360,481
Non-Vested	893,373,133	202,534,866	4,710,325	1,100,618,324
Refunds Due to Non-Vested Members	17,324,250	1,016,467	71,050	18,411,767
Retirees and Beneficiaries				
Retirees receiving benefits and terminated employees not yet receiving benefits	2,150,838,944	326,685,392	23,157,852	2,500,682,188
Equals the Total Pension Benefit Obligation	5,615,579,130	761,532,456	46,341,345	6,423,452,931
Less Net Assets Available for Benefits at Book Value (1)	4,252,836,625	592,313,727	37,776,998	4,882,927,350
Equals Unfunded Pension Benefit Obligation	$ 1,362,742,505	$ 169,218,729	$ 8,564,347	$ 1,540,525,581

(1) As of June 30, 1994 market value of net assets available for benefits was $5,041,702,744.

The total pension benefit obligation was approximately $6,423.5 million as of June 30, 1994. The unfunded pension benefit obligation of approximately $1,540.5 million at June 30, 1994, is the amount computed by subtracting net assets available for retirement benefits (at book value) from the total pension benefit obligation. The unfunded pension benefit obligation differs from the unfunded actuarial liability. The unfunded pension benefit obligation as of June 30, 1994, for KPERS, KP&F, and the Judges Systems combined, was $35.3 million more than the unfunded actuarial liability of $1,505.2 million.

The actuary has estimated the change in the unfunded actuarial liability between June 30, 1993, and June 30, 1994, can be attributed to the following (in millions):

Unfunded Actuarial Liability, June 30, 1993	$ 968
Investment gain at book values	(102)
Change in asset valuation method to a modified market value	(134)
Revised liabilities for 1993 cost of living adjustment, return of employee contributions, deferred vested employees, and pre-retirement spouse benefits	228
Data and salary adjustments	150
Actual mortality, disability, retirement, turnover and salary experience	320
Cost of living adjustments enacted by 1994 legislation	75
Unfunded Actuarial Liability, June 30, 1994	$ 1,505

B. Historical Trend Information

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 30 and 31 and is titled **Required Supplemental Information.**

NOTE 4: Contributions Required and Contributions Made

The law governing the Retirement System requires the actuary to make an annual valuation of the System's liabilities and reserves, and a determination of the contributions required to discharge the System's liabilities, and recommend to the System's Board of Trustees employer contribution rates required to maintain the systems on an actuarial reserve basis.

Every three years the actuary makes a general investigation of the actuarial experience under the System including mortality, retirement, employment turnover and interest, and recommends actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation.

Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. The actuarial determined contribution rates are computed as a level percentage of salary by the Retirement System's actuary. The contribution requirements for fiscal year 1994 were actuarially determined based upon the valuations performed at June 30, 1991, and June 30, 1992. In fiscal year 1993, the Kansas Legislature passed into law legislation that amended the statutory funding method applicable to the KPERS system. For KPERS, the funding method was changed from the frozen initial liability method to the projected unit credit actuarial cost method, and provided that this method be used to determine KPERS employer contribution rates commencing with the 1993 actuarial valuation (except for TIAA members). Under the new method, the unfunded actuarial accrued liability is recalculated each year (rather than being essentially fixed in dollar amount as under the previous method). Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in KPERS' accrued actuarial liabilities, and affect the amount of annual amortization payments required to amortize the unfunded accrued liability over the statutory 40-year period from July 1, 1993. The funding methods used by the System's actuary for the KP&F and Judges retirement systems remained consistent and were the aggregate cost method with supplemental liability and the frozen initial liability method, respectively.

The law specifies employee contributions as: Each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct from the compensation of each member four percent (or seven percent for KP&F, six percent for Judges, five percent for Special Elected Officials) of such member's compensation as employee contributions. All contributions required by law to be made have been made as follows:

(Expressed in Thousands)

	Employer And Insurance Contributions	Employee Contributions	Contributions As Percent of Covered Payroll
KPERS- State/School	$ 84,423	$ 104,945	7.0%
KPERS- Local	12,163	27,108	6.8%
KP&F	19,886	12,526	17.6%
Judges	1,110	993	14.9%
Total	**$ 117,582**	**$ 145,572**	**7.6%**

An estimated $30 million of employer contributions were made to cover normal cost and an estimated $66 million were made for the amortization of the unfunded actuarial accrued liability.

NOTE 5: Commitments and Contingencies

As of June 30, 1994, the Retirement System was committed for additional funding, totalling $10,154,520 in the form of capital calls on existing direct placement and real estate holdings in the portfolio.

The Retirement System is a defendant in legal proceedings and claims arising in the ordinary course of business. The Retirement System believes that it has adequate legal defenses and that the ultimate outcome of these actions will not have a material adverse effect on the Retirement System's financial position.

The Retirement System has initiated litigation for the recovery of certain funds lost through prior imprudent investment practices. The Retirement System intends to vigorously pursue this litigation. However, the ultimate outcome of the litigation cannot presently be determined. No provision for possible collection of any claims asserted in this litigation has been recorded in the Retirement System's financial statements.

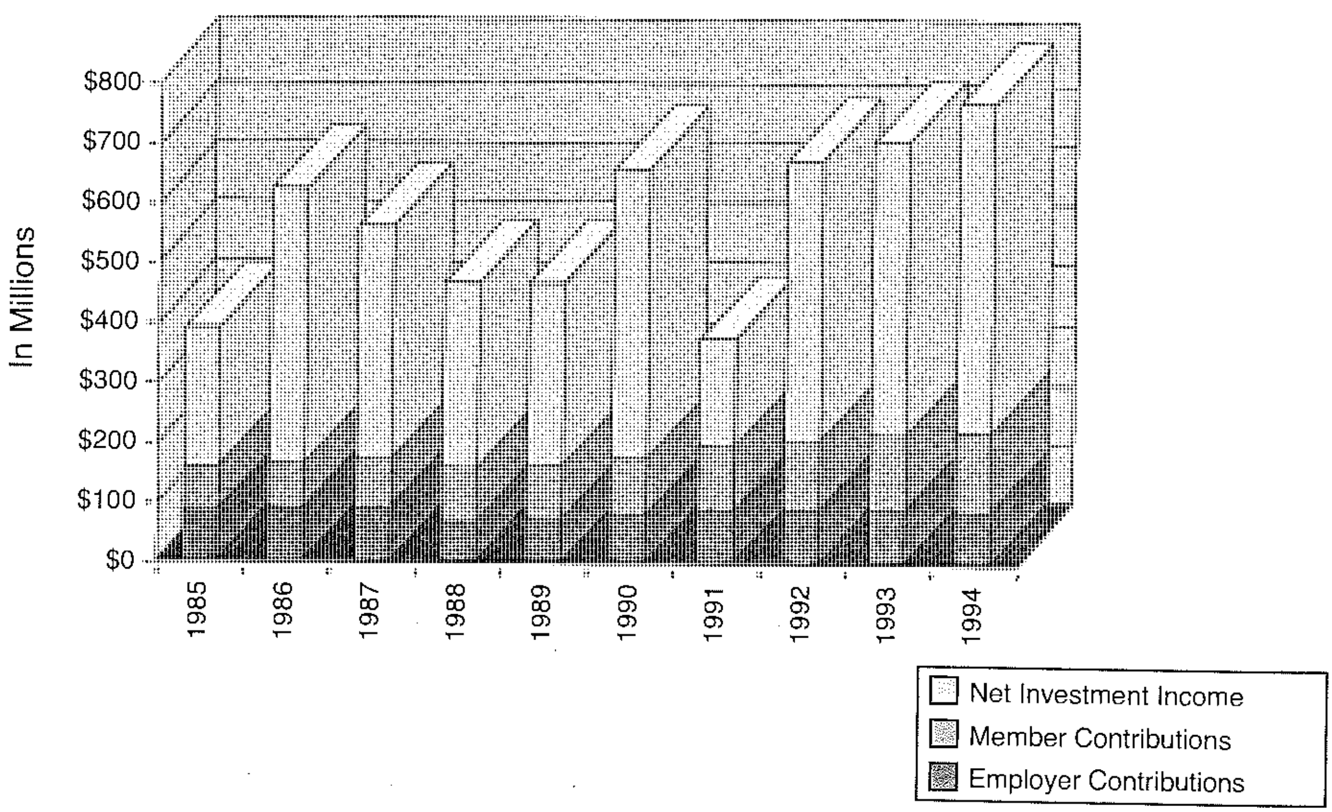
Required Supplemental Information

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Revenues by Source

Fiscal Year	Contributions: Member	Employer	Employer Insurance	Misc.	Net Investment Income	Total
1985	$ 74,597,350	$ 87,647,259	$ 11,440,485	$ 68,571	$ 219,456,111	$ 393,209,776
1986	83,068,244	87,223,469	12,733,578	91,981	394,697,570	577,814,842
1987	91,298,822	91,646,665	13,669,844	111,941	322,143,084	518,870,356
1988	95,024,218	74,211,045	14,173,341	151,205	231,046,917	414,606,726
1989	97,400,647	76,503,223	14,645,898	95,688	230,348,337	418,993,793
1990	112,356,371	84,157,168	16,629,221	239,264	390,694,191	604,076,215
1991	123,608,209	86,633,756	18,657,509	385,469	122,223,474	351,508,417
1992	125,377,263	92,968,008	18,456,388	509,062	389,074,013	626,384,734
1993	133,506,738	96,292,433	20,115,114	533,403	416,269,798	666,717,486
1994	149,049,696	95,622,052	21,959,761	525,570	468,221,612	735,378,691

Contributions and Investment Income History



Required Supplemental Information

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Expenses by Type

Fiscal Year	Benefits	Withdrawals	Insurance	Administration	Total
1985	$ 92,654,383	$ 17,699,344	$ 9,361,611	$ 2,257,359	$ 121,972,697
1986	106,394,070	17,718,546	11,371,587	2,094,299	137,578,502
1987	118,541,073	16,850,300	13,519,657	2,547,931	151,458,961
1988	135,105,984	17,270,090	14,162,853	2,653,107	169,192,034
1989	151,532,348	19,209,745	19,809,732	3,255,155	193,806,980
1990	165,424,924	23,225,663	17,826,637	3,152,205	209,629,429
1991	184,121,534	24,568,119	23,956,850	3,309,277	235,955,780
1992	205,565,716	23,310,075	26,745,197	3,274,890	258,895,878
1993	230,677,812	20,812,351	28,353,401	3,715,294	283,558,858
1994	292,375,535	22,900,621	33,129,180	3,596,637	352,001,973

Analysis of Funding Progress
All Systems Combined - Stated in Millions

Year	(1) Net Assets Available for Retirement Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation As a Percent of Covered Payroll (4) / (5)
* 1987 (a)	$2,589.5	$2,958.1	87.5%	$368.6	$2,304.5	16.0%
1988 (a)	$2,908.0	$3,151.1	92.3%	$243.1	$2,397.3	10.1%
1989 (a)	$3,026.7	$3,610.7	83.8%	$584.0	$2,444.6	23.9%
1990 (a)	$3,458.2	$3,383.7	102.2%	($74.5)	$2,651.6	(2.8)%
1991 (b)	$3,759.5	$3,732.8	100.7%	($26.7)	$2,922.4	(0.9)%
1992 (b)	$4,124.2	$4,082.0	101.0%	($42.2)	$3,052.0	(1.4)%
1993 (b)	$4,502.7	$5,278.1	85.3%	$775.4	$3,122.3	24.8%
1994 (b)	$4,882.9	$6,423.4	76.0%	$1,540.5	$3,487.5	44.2%

Note:
- * Not available prior to January 1, 1987
- (a) The Retirement System's date for actuarial valuations was December 31.
- (b) The Retirement System's date for actuarial valuations was June 30.

Analysis of the dollar amounts of net assets available for retirement benefits, the pension benefit obligation, or the unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides the reader an indication of the present funding status of the Retirement System. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll adjusted for the approximate effects of inflation aids in the analysis of progress made in accumulating sufficient assets to pay benefits when due.

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Schedule of Contributions Received

Kansas Public Employees Retirement System			
State / School Contributions			
Members	$ 104,944,953		
Employers	63,684,422		
Insurance	16,039,257		
Total State / School Contributions		$ 184,668,632	
Local Contributions			
Members	27,108,479		
Employers	8,265,022		
Insurance	3,897,912		
Total Local Contributions		39,271,413	
State Contributions - KPERS TIAA			
Employers	2,732,920		
Insurance	1,966,291		
Total TIAA Contributions		4,699,211	
Total Contributions - Kansas Public Employees Retirement System			**$ 228,639,256**
Kansas Police and Firemen's System			
State Contributions			
Members	1,362,646		
Employers	1,768,071		
Total State Contributions		3,130,717	
Local Contributions			
Members	11,162,753		
Employers	18,117,736		
Total Local Contributions		29,280,489	
Total Contributions - Kansas Police and Firemen's System			**32,411,206**
Kansas Retirement System for Judges			
State Contributions			
Members	992,932		
Employers	1,053,881		
Insurance	56,300		
Total State Contributions		2,103,113	
Total Contributions - Kansas Retirement System for Judges			**2,103,113**
Member Contributions - Optional Group Life			
State	2,436,544		
Local	1,041,390		
Total Contributions		3,477,934	
Total Contributions - Optional Group Life Insurance			**3,477,934**
GRAND TOTAL - ALL CONTRIBUTIONS			**$ 266,631,509**

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Schedule of Revenues and Expenses - Budget and Actual
With Comparative Amounts for 1993

	1994 BUDGETED	1994 ACTUAL	1993 ACTUAL
Revenues:			
Member Contributions	$ 134,074,880	**$ 141,051,678**	$ 127,758,999
Optional Term Life Insurance	3,792,283	**3,477,934**	3,159,882
Purchase of Service Credit	3,219,685	**4,520,084**	2,587,857
Subtotal - Members	141,086,848	**149,049,696**	133,506,738
Employer Contributions	95,985,527	**95,622,052**	96,292,433
Insurance	20,803,002	**21,959,761**	20,115,114
Investment Income	372,700,000	**468,221,612**	416,269,798
Other Income	—	**525,570**	533,403
Total Revenues	$ 630,575,377	**$ 735,378,691**	$ 666,717,486
Expenses:			
Monthly Retirement Benefits	$ 273,586,354	**$ 281,167,116**	$ 217,534,315
Retirant Dividend Payments	10,888,892	**11,208,419**	10,097,879
Refund of Contributions	24,120,000	**22,900,621**	23,857,970
Insurance	20,803,002	**29,775,336**	25,241,803
Optional Insurance	3,792,283	**3,353,844**	3,111,598
Administration	4,055,542	**3,596,637**	3,715,294
Total Operating Expenses	337,246,073	**352,001,973**	283,558,858
Capital Outlays	300,295	**148,814**	124,046
Total Expenses and Capital Outlays	337,546,368	**352,150,787**	283,682,904
Revenues in Excess of Expenses and Capital Outlays	$ 293,029,009	**$ 383,227,904**	$ 383,034,582

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Schedule of Administrative Expenses - Budget and Actual
With Comparative Amounts for 1993

	1994 BUDGETED	1994 ACTUAL	1993 ACTUAL
Salaries and Wages	$ 2,717,262	$ 2,647,736	$ 2,278,174
Communications			
Postage	177,570	155,724	177,197
Telephone	139,515	135,611	126,299
Freight	3,434	9,113	7,026
Printing	85,887	56,445	85,753
Office and Equipment Rent	15,898	964	1,373
Repair and Service Agreements			
Equipment	89,774	79,653	81,600
Vehicles	-	553	-
Other	2,759	2,225	2,223
Travel	111,692	91,355	79,518
Fees - Other Services	197,502	124,907	97,014
Fees - Professional Services			
Actuary	199,000	189,000	200,400
Other Professional Fees	48,991	37,698	143,825
Building Administration			
Janitorial Service	10,761	10,872	15,150
Building Management	36,672	28,372	35,094
Real Estate Taxes	43,267	36,472	39,632
Building Improvements	-	12,592	114
Utilities	25,678	27,430	24,961
Contractual Services			
Dues and Subscriptions	60,960	62,360	33,874
Official Hospitality	3,000	809	1,020
Other Contractual Services	-	2,230	190
Professional Supplies	9,984	9,477	5,472
Office and Equipment Supplies	44,558	116,547	95,352
Capital Outlay	331,673	425,856	122,580
Total Administrative Expenses (Budgetary Basis)	4,355,837	4,266,019	3,653,841
Adjustments necessary to convert administrative expenses on the budgetary basis to the GAAP basis		(469,382)	61,453
Total Administrative Expenses (GAAP Basis)	$ 4,355,837	$ 3,796,637	$ 3,715,294

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Schedule of Realized Investment Income by Asset Class

Asset Classification	Interest, Dividends & Other	Realized Gains and Losses	Total
Marketable Securities			
Domestic Equities	$ 35,637,134	$ 170,762,130	$ 206,399,264
International Equities	7,091,019	16,486,039	23,577,058
Subtotal	42,728,153	187,248,169	229,976,322
Domestic Fixed Income			
Treasury & Agency	42,260,980	(18,544,992)	23,715,988
Corporate	98,781,572	46,111,836	144,893,408
Subtotal	141,042,552	27,566,844	168,609,396
International Fixed Income			
Treasury & Agency	16,496,934	17,429,100	33,926,034
Corporate	1,569,156	10,152,325	11,721,481
Subtotal	18,066,090	27,581,425	45,647,515
Temporary Investments	992,639	(11,434,146)	(10,441,507)
Total Marketable Securities	$ 202,829,434	$ 230,962,292	$ 433,791,726
Real Estate	$ 30,613,744	—	$ 30,613,744
Alternative Investments			
Direct Placements & Limited Partnerships	11,686,881	5,406,655	17,093,536
Total Real Estate & Alternative Investments	$ 42,300,625	$ 5,406,655	$ 47,707,280
Other Investment Income			
Security Lending	$ 2,975,677	—	$ 2,975,677
Miscellaneous	654,772	—	654,772
Total Other Investment Income	$ 3,630,449	—	$ 3,630,449
Investment Income	$ 248,760,509	$ 236,368,946	485,129,455
Manager and Custodian Fees and Expenses:			
Investment Management Fees			15,101,841
Custodian Fees			908,656
Investment Expenses			897,346
Total Investment Fees and Expenses			16,907,843
Net Investment Income			$ 468,221,612

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Schedule of Investment Management Fees

Domestic Equity Managers		
Brinson Partners, Inc.	$ 577,094	
Capital Guardian Trust Co.	188,070	
Delaware Investment Advisors	153,557	
Pilgrim, Baxter & Associates	1,430,455	
Provident Investment Counsel	2,500,864	
Wells Fargo Nikko Investment Advisors	196,592	
Loomis Sayles & Co.	78,094	
Subtotal Equity Managers		**$ 5,124,726**
Domestic Fixed Income Managers		
The Boston Company	43,550	
Pacific Investment Management Co.	1,677,517	
Wells Fargo Investment Advisors	485,218	
Loomis Sayles & Co.	1,224,128	
Payden & Rygel Investment Counsel (STBF)	58,006	
Subtotal Fixed Income Managers		**3,488,419**
International Equity Managers		
Nomura Capital Management	570,853	
Alliance Capital Management	381,962	
Bankers Trust Company	37,405	
Morgan Stanley Asset Management	198,007	
Lazard Freres Asset Management	223,169	
Subtotal International Equity Managers		**1,411,396**
International Fixed Income Manager		
Julius Baer Investment Management	513,918	
Subtotal International Fixed Manager		**513,918**
Direct Placement Managers		
Pacholder Associates/Morris Anderson	2,479,993	
Subtotal Direct Placement Managers		**2,479,993**
Real Estate Managers		
Equitable Real Estate Investment Management	1,028,186	
The O'Connor Group - RPT	223,420	
L & B Real Estate Counsel	582,333	
Subtotal Real Estate Managers		**1,833,939**
Cash Equivalent Manager		
Payden & Rygel Investment Counsel (STIF)	249,450	
Subtotal Cash Management		**249,450**
TOTAL INVESTMENT MANAGEMENT FEES		**$ 15,101,841**
Mellon Trust - Custodian Fees and Expenses	$ 908,656	
CDA Investment Technologies	42,000	
William M. Mercer Asset Planning	118,267	
Litigation Expenses	695,575	
Other Investment Expenses	41,504	
Subtotal Custodial, Consultant and Litigation		**1,806,002**
TOTAL		**$ 16,907,843**

Kansas Public Employees Retirement System
For the Fiscal Year Ended June 30, 1994

Investment Summary
(In Thousands)

	FYE June 30, 1993 (1)		Purchases and	Sales and	FYE June 30, 1994		Asset Mix
	Book Value	Market Value	Other Increases	Other Decreases	Book Value	Market Value	Market %
Marketable Securities							
Domestic Equities	$ 1,535,094	$ 2,018,388	$ 1,127,038	$ (1,160,995)	$ 1,501,137	$ 1,787,851	34.45%
International Equities	280,938	303,173	868,982	(379,795)	770,125	818,924	15.78%
Domestic Fixed Income	1,847,837	1,936,806	3,547,139	(3,510,518)	1,884,458	1,814,364	34.96%
International Fixed Income	297,725	307,064	1,152,759	(1,201,795)	248,689	248,086	4.78%
Cash and Temporary Investments	24,173	23,819	6,228,907	(6,183,475)	69,605	70,049	1.35%
Total Marketable Securities	3,985,767	4,589,250	12,924,825	(12,436,578)	4,474,014	4,739,274	91.31%
Real Estate and Alternative Investments							
Real Estate	480,812	343,279	20,229	(15,403)	485,638	335,874	
Allowance	(50,483)	-	-	453	(50,030)	-	
Subtotal	430,329	343,279	20,229	(14,950)	435,608	335,874	6.47%
Direct Placements and Ltd Partnerships	191,858	139,260	1,738	(30,308)	163,288	114,995	
Allowance	(52,598)	-	-	4,305	(48,293)	-	
Subtotal	139,260	139,260	1,738	(26,003)	114,995	114,995	2.22%
Total Real Estate and Alternative Investment	569,589	482,539	21,967	(40,953)	550,603	450,869	8.69%
Total All Asset Classifications	$ 4,555,356	$ 5,071,789	$ 12,946,792	$ (12,477,531)	$ 5,024,617	$ 5,190,143	100.00%

(1) Certain investments from the previous fiscal year have been reclassified to conform with current fiscal year financial statements.

Cash Receipts and Disbursements

Opening Cash Balance		$ 683,037
Member Contributions	$ 143,729,509	
Employer Contributions	124,458,773	
System Recoveries	541,582	
Federal Income Tax-Disability	300,421	
Refund of Advancements	327,966,900	
Optional Life Insurance	3,447,066	
Other	1,465	
Total Cash Receipts		600,445,716
Withdrawal of Contributions	(19,637,504)	
Paid to Beneficiary	(10,365,915)	
Retirement Benefits	(285,033,293)	
Group Life Insurance Premiums	(10,646,987)	
Optional Life Insurance Premiums	(3,069,987)	
Electronic Funds Transfer	(13,022)	
Administrative Expenses	(3,988,948)	
Deposited with Insurance Carrier	(19,620,957)	
Advanced to Investment Custodian	(232,380,000)	
Federal Income Tax-Disability	(300,421)	
Investment Manager Fees and Expenses	(15,340,284)	
Total Disbursements Made		(600,397,318)
Ending Cash Balance		$ 731,436

FISCAL YEAR 1994 INVESTMENT REPORT

Financial Market Review

World financial markets experienced difficult and volatile times during the fiscal year ending June 30, 1994. The performance of U.S. financial assets, both equity and fixed income, was disappointing relative to recent historical results. The performance of non-U.S. financial assets, both equity and fixed income, was robust.

The first half of the fiscal year (the last half of the calendar year 1993) saw the continued environment of low inflation and interest rates in the U.S., and yielded positive returns for domestic financial assets. Conditions changed early in calendar year 1994, however, as accelerating domestic economic growth (first half 1994 Gross Domestic Product growth was estimated at 3.6 percent) and increasing fears of accelerating inflation became apparent. In a series of monetary policy moves, the Federal Reserve raised interest rates, which caused declining bond prices. Domestic stock issues also responded negatively to the reality of rising interest rates and continued concern about the political leadership in the U.S. The bond market produced a total return of (minus) -1.3 percent (as measured by Lehman Aggregate Bond Index) for the year, while the S&P 500 stock market index produced a relatively weak 1.4 percent total return.

International (non-U.S.) financial market investments were very rewarding for U.S.-based investors during the 1994 fiscal year. The first half of the fiscal year produced strong local market returns for non-U.S. equity and fixed income markets. The weakness of the U.S. dollar, particularly relative to the Japanese yen and the German deutschemark, added significantly to total returns for a U.S.-based investor. The weakness of the U.S. dollar continued into the first half of calendar year 1994, even though local market returns were much weaker during that time period. The Europe, Australia, and Far East (EAFE) international stock market index produced a total return of 17.3 percent for the year, with approximately 11.3 percent of the return attributable to local market appreciation. The Salomon Non-U.S. Government Bond Index produced a total return of 9.4 percent for the year, with approximately 4.3 percent of the return attributable to local market appreciation. The balance of both returns can be attributed to the currency translation impact of the weak U.S. dollar.

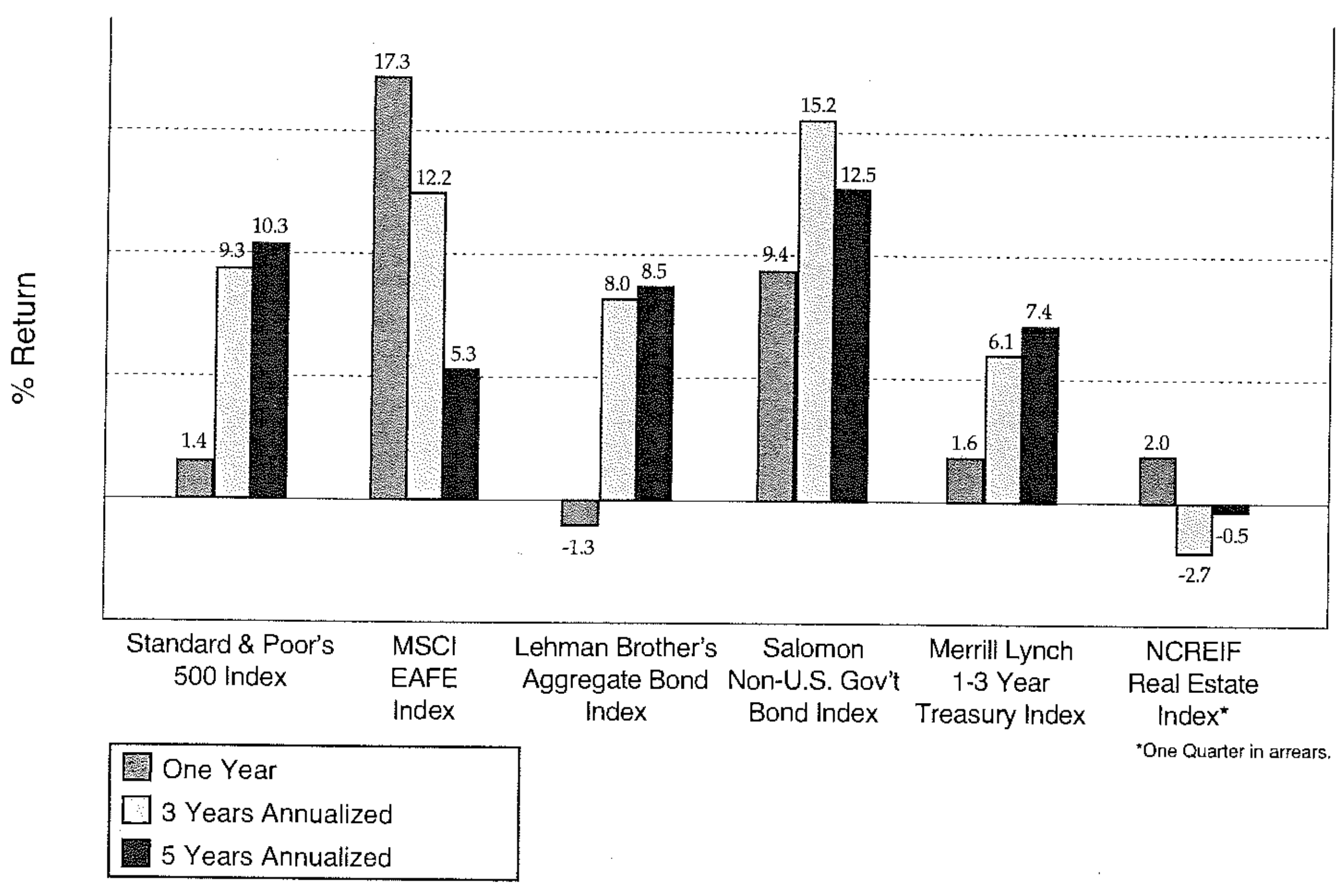
Real estate investments staged a significant comeback in fiscal year 1994. The growing domestic economy, coupled with a continued lack of new real estate development, contributed to an increase in occupancy rates across property types. With expectations that these trends will continue, property values and rents for some properties began to increase for the first time since 1991. While expectations have not yet approached the level experienced at the peak of the market cycle, virtually all market participants believe that a recovery has begun in the national commercial real estate market. Reflective of these developments, many institutional investors have begun the process of increasing their allocations to the real estate asset class. The

Russell-NCREIF Index produced a total return of 2.0 percent for the year ending June 30, 1994. Income return accounted for 8.8 percent of this return and valuation declines contributed a negative return of -6.8 percent.

The year ending June 30, 1994, was a very active period for the alternative investments portfolio. Alternative investments produced an 11.8 percent time-weighted total return for the fiscal year, exceeding the benchmark return of the S&P 500 Index plus eight percent. In addition to improved returns on alternative investments, significant progress was made toward restructuring troubled credits, and refining exit strategies to achieve liquidity for some of the investments in the portfolio. Several transactions which are expected to occur in the alternative investments portfolio during the 1995 fiscal year bode well for continued strong positive returns from this asset class.

At the beginning of the 1994 fiscal year, the venture capital limited partnership investments were brought under in-house management. Future activities include beginning to define a prudent strategy for future venture capital investments. This process is part of the implementation of the target asset allocation mix, as determined by the Retirement System's Board of Trustees.

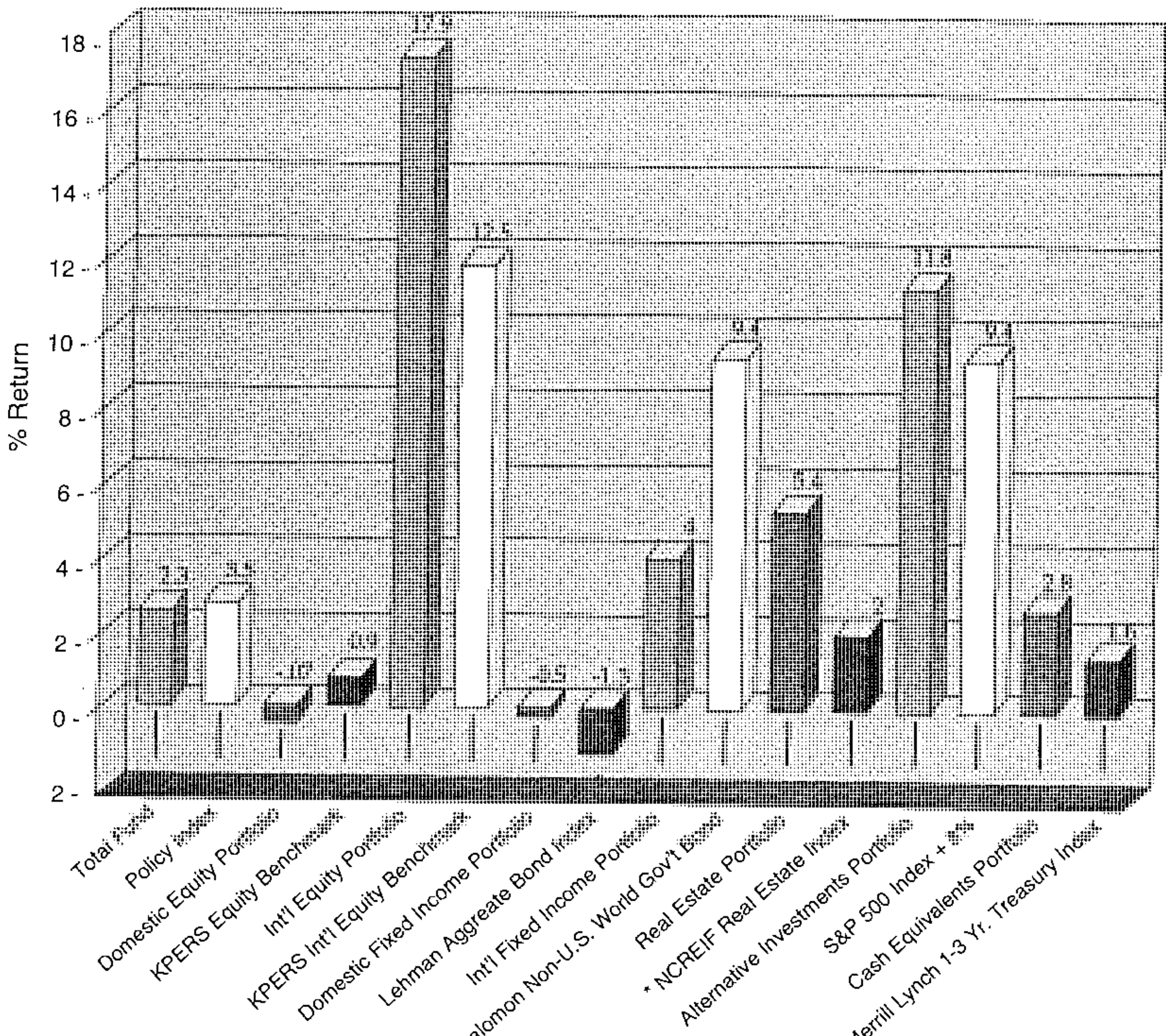
Comparative Index Returns
For the Fiscal Year Ending June 30, 1994



Investment Performance Review

The Retirement System's assets produced a time-weighted total return of 2.3 percent for the fiscal year ending June 30, 1994. As the chart below illustrates, the Retirement System's international equity investment portfolios produced strong returns for the fiscal year.

Asset Class Relative Return Comparison For the Fiscal Year Ending June 30, 1994



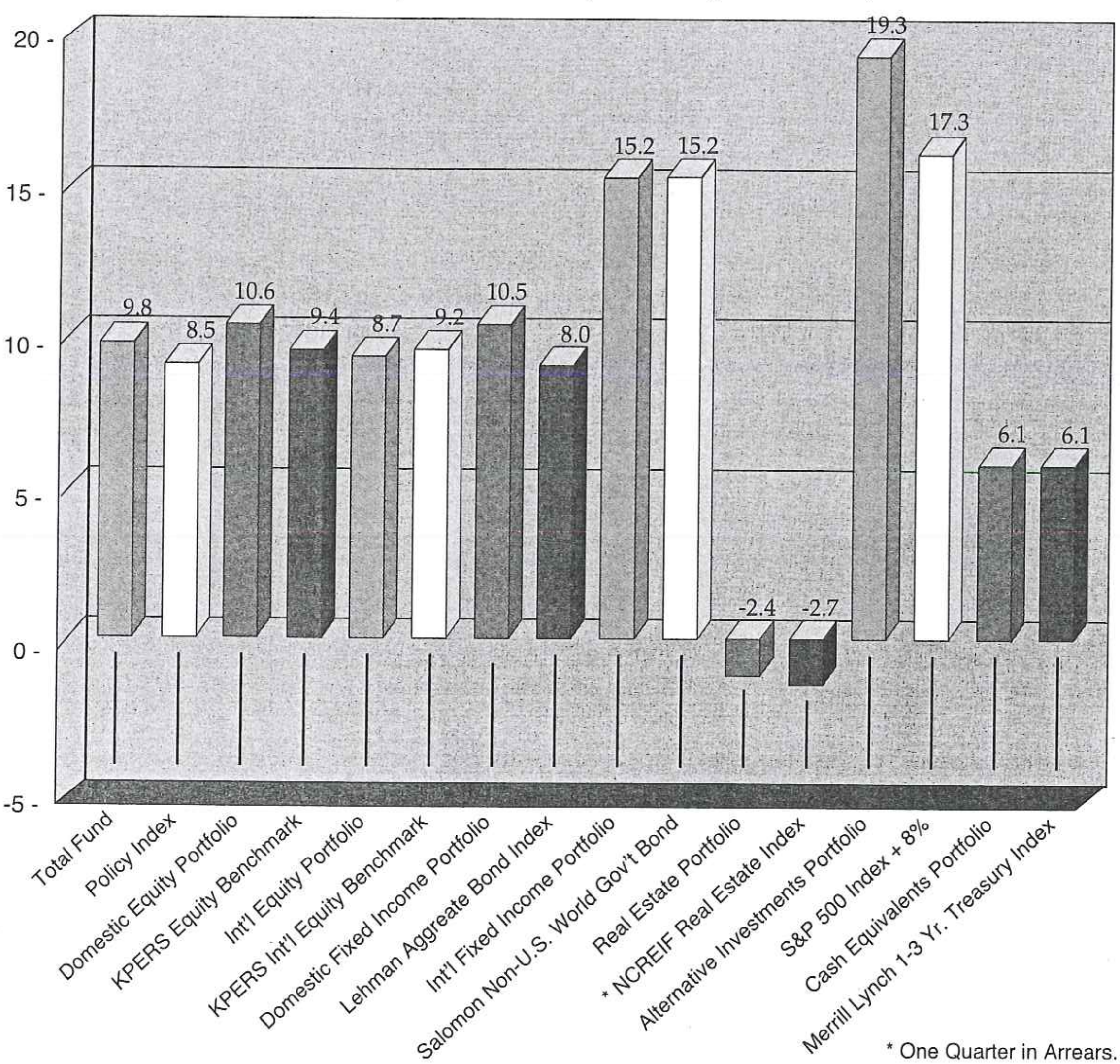
* One Quarter in Arrears.

Investment Performance Review (continued)

Both the international equity and the international fixed income portfolios outperformed their domestic counterparts - illustrating the value of diversifying Retirement System assets across asset classes with different market cycles. The non-publicly traded asset classes, real estate and alternative investments, also produced positive returns for the year. The total assets of the Retirement System underperformed the "Policy Index" for the fiscal year. (The Policy Index reflects the asset allocation policies that have been in place during the time period being measured. For the 1994 fiscal year, the asset allocation policy mix was 28.4 percent KPERS Equity Benchmark; 15 percent KPERS International Equity Benchmark; 25.7 percent Lehman Aggregate Bond Index; 10.9 percent Salomon Non-U.S. World Government Bond Index; 10 percent NCREIF Real Estate Index; and 10 percent U.S. Treasury Bills Index.) Since the returns from international investments were strong during the year, and the Retirement System was underweighted in international stocks and bonds relative to the Policy Index, the underweighting contributed to the underperformance of the Policy Index. In addition, the domestic equity portfolio underperformed the benchmark for the year, as did the international fixed income portfolio. The international equity, domestic fixed income, real estate, alternative investments, and cash equivalents portfolios all outperformed their respective policy benchmarks for the year.

It is important to note that the performance of the Retirement System's assets has outpaced the Policy Index for the three years and five years ending June 30, 1994. In addition, the three and five year average annualized returns exceed the eight percent actuarial assumption. With inflation at a fairly low level (three percent to six percent) during these years, the real (inflation-adjusted) returns from the Retirement System's investments have been very attractive, over these time periods.

Asset Class Relative Return Comparison
Three Years (Annualized) Ending June 30, 1994



* One Quarter in Arrears.

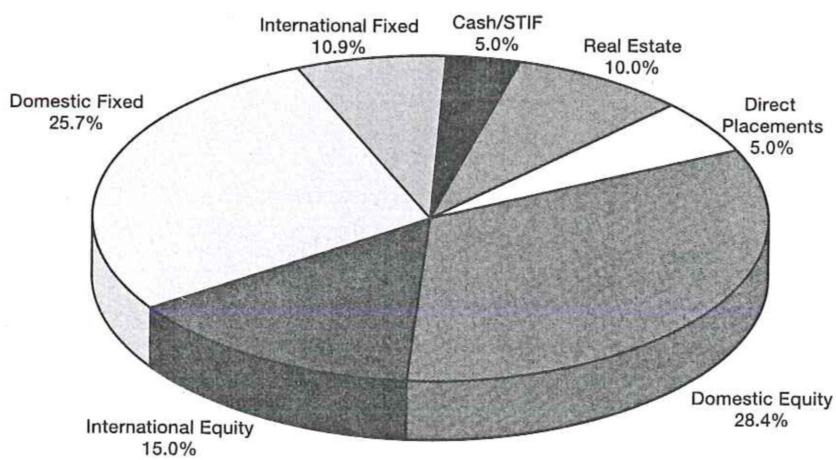
The graph on the previous page illustrates the performance of the Retirement System's investments over the past three years, on an average annualized return basis. The international fixed income and domestic equity portfolios produced the strongest returns of the publicly-traded asset classes over this three-year time period. The Retirement System's asset class portfolios all produced performance at or above the market index benchmarks during this time period, with the exception of the international equity portfolio, which lagged the index slightly.

Investment Asset Allocation

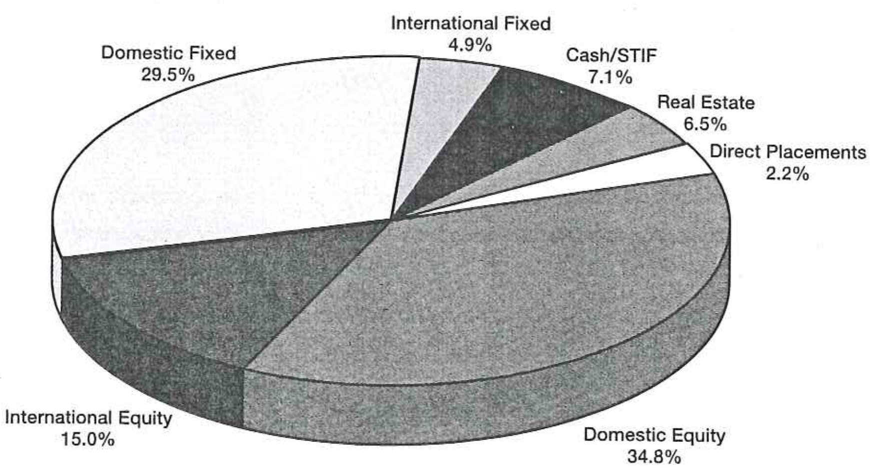
Decisions concerning how to allocate investments between the asset classes are very important ones. (Studies have estimated that approximately 85 percent to 95 percent of investment performance results can be attributed to the asset allocation mix.) Therefore, the members of the Board of Trustees, working with their consultant, William M. Mercer Asset Planning, Inc., have devoted a great deal of time and energy to the determination of the appropriate mix of assets. This process has taken place over the past three years. In early 1994, the Board of Trustees adopted the target asset allocation mix, which is illustrated in the pie chart below, titled "Target Allocation." Given the Retirement System's estimated stream of liabilities (retirement benefits), this mix of assets is expected to produce the greatest total return at a level of risk (volatility of return) that the Board of Trustees believes is tolerable.

Target & Current Asset Allocation

Target Allocation



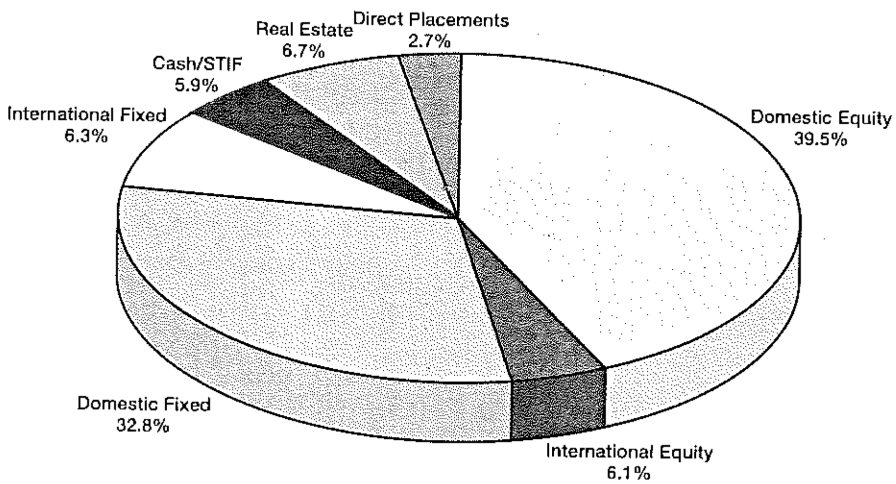
Current Allocation



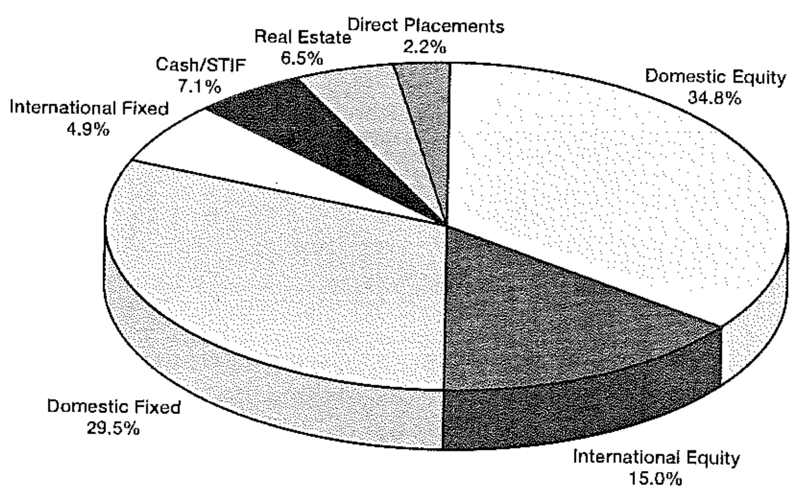
The implementation of this target asset mix has been a gradual, incremental process. The two pie charts below illustrate how the Retirement System's asset mix changed during the 1994 fiscal year. Beginning in early 1993, the Board of Trustees undertook a series of nine separate investment manager searches. As new (or existing) investments managers were retained to fill the new roles designated for each asset class, the assets were gradually moved towards the target asset mix. At the end of fiscal year 1994, one final manager search remains for the publicly-traded asset classes. A new international fixed income manager will be retained in late calendar year 1994, and the Retirement System will gradually increase its international fixed income assets over time until the international fixed income target allocation is achieved.

Asset Mix Change 1993-1994

June 30, 1993



June 30, 1994

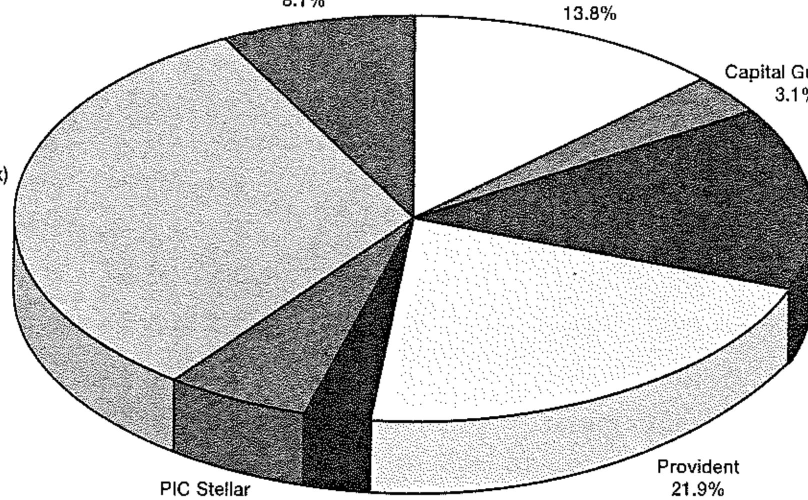


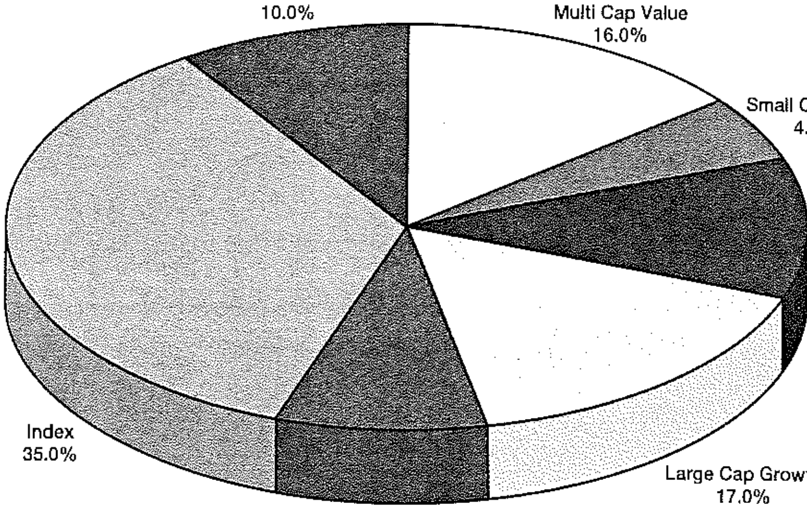
Investment Diversification

Diversification of assets is a fundamental principle of prudent asset management. Diversification is important not only between the various asset classes (U.S. stocks, non-U.S. stocks, U.S. bonds, non-U.S. bonds, real estate, venture capital, cash equivalents, etc.) but also within each asset class.

Within each type of asset, the Board of Trustees has diversified the asset portfolio between various investment management styles. An example of this diversification can be seen in the domestic stock portfolio, which is illustrated by the two pie charts shown below.

Domestic Equity Diversification





Manager	Style
Brinson	Multi Cap Value
Capital Guardian	Small Cap Value
Pilgrim	Mid Cap Growth
Provident	Large Cap Growth
PB Small Cap	Small Cap Growth
PIC Stellar	Small Cap Growth
Wells, Fargo (Index)	Index
Wells, Fargo (Low P/E)	Low P/E Tilt

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December 14, 1994

Board of Trustees
Kansas Public Employees Retirement Systems
Capitol Tower - Suite 200
400 S.W. 8th Avenue
Topeka, KS 66063-3925

Dear Members of the Board:

At your request, we have conducted our annual valuation of the Kansas Public Employees Retirement Systems as of June 30, 1994. The results of the valuation are contained in the following report.

This valuation represents Milliman & Robertson's first valuation of the Kansas Public Employees Retirement Systems. The results of this valuation were significantly different than the prior year. The unfunded actuarial liability increased from $968 million as of June 30, 1993 to $1,505 million as of June 30, 1994.

The valuation report reflects the change in the asset valuation method adopted by the Board. To implement the new method, the actuarial value of assets has been set to the market value of assets as of June 30, 1994. In future years, the actuarial value of assets will be equal to the expected asset value based on the assumed interest rate plus ⅓ of the difference between the actual market value and the expected asset value.

There has been only one change in plan features since the prior valuation. An ad hoc cost of living increase was granted to retirees and beneficiaries in July, 1994. This benefit increase is reflected in the results of our valuation.

In preparing our report, we relied, without audit, on the employee census data and financial statements provided by the System. The census data and financial statements provided to us have been reviewed for reasonableness and consistency.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the applicable Guides to Professional Conduct of the American Academy of Actuaries.

We hereby further certify that all costs, liabilities, rates of interest and other factors under the Plan have been determined on the basis of actuarial assumptions and methods which are in the aggregate reasonable (taking into account the experience of the Plan and reasonable expectations) and which, in combination, offer our best estimate of anticipated experience under the Plan. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions.

Respectfully submitted,

MILLIMAN & ROBERTSON, INC.

Eugene M. Kalwarski, F.S.A.
Principal

OVERVIEW

This report presents the results of the June 30, 1994 actuarial valuations of the Kansas Public Employees' Retirement System (KPERS), the Kansas Police and Firemen's Retirement System (KP&F) and the Kansas Retirement System for Judges (Judges). The primary purposes of performing the valuations are to:

- determine the employer contribution rates required to fund each System on an actuarial basis,
- disclose asset and liability measures as of June 30, 1994, and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

The valuation results provide a "snapshot" view of each System's financial condition on June 30, 1994. The results include the benefit increase to retirees (COLA) in July, 1994 and the change in the determination of the actuarial value of assets which was effective June 30, 1994. All other benefit provisions and assumptions were unchanged from the 1993 valuation.

This valuation represents Milliman & Robertson's first valuation of the Kansas Public Employees Retirement Systems. As such, we normally encounter differences that require reconciliation between our work and that of our predecessors. In this valuation, the differences were significant. A significant amount of time and effort was spent reconciling results. Most substantive differences were resolved. We have deferred to our predecessor for valuation techniques in all areas except those where we were convinced that our approach is preferable. It is important to note that the final result will not affect the near term funding of KPERS due to statutory limitations on increases in employer contribution rates. However, there are no such limitations on increases in contribution rates for KP&F and Judges.

Please also note that all of the information in this report with respect to fiscal years before 1994 has been taken from the System's 1993 Annual Report or from previous actuarial valuations.

CONTRIBUTION RATES

Kansas legislation with respect to KPERS provides that, for fiscal years beginning in 1995, the rates of contribution for State/School and Local certified by the Board may not increase by more than 0.1% of payroll over the prior year. Any additional cost resulting from correctional employees is added to the employer contribution rate for the Department of Corrections. This year's recommended rates for

State/School and Local were also increased by the cost of the July 1, 1994 COLA. The statutory limits do not apply to TIAA, KP&F and Judges.

A summary of actuarial and recommended rates follows:

System	1993 Valuation Actuarial	1993 Valuation Recom-mended	Diff.
State / School	4.11%	3.30%[1/]	0.81%
Local	3.05	2.30[1/]	0.75
Correctional Employees – NRA 60	4.41	3.60[1/]	0.81
Correctional Employees – NRA 55	5.21	4.40[1/]	0.81
TIAA	1.75	1.75	0.00
Police & Fire – Uniform Rate[3/]	6.95	6.95	0.00
Judges	10.35	10.35	0.00
Weighted Average	4.11	3.21	0.90

System	1994 Valuation Actuarial	1994 Valuation Recom-mended	Diff.
State / School	5.17%	3.49%[1/,2/]	1.68%
Local	3.72	2.48[1/,2/]	1.24
Correctional Employees – NRA 60	5.47	3.79[1/,2/]	1.68
Correctional Employees – NRA 55	6.27	4.59[1/,2/]	1.68
TIAA	1.89	1.89	0.00
Police & Fire – Uniform Rate[3/]	9.65	9.65	0.00
Judges	16.00	16.00	0.00
Weighted Average	5.15	3.57	1.58

1/ Rates, by statute, are allowed to increase by a maximum of 0.1% per year.

2/ The KPERS recommended rates have also been increased for the cost of the July 1, 1994 COLA (0.09% for State/School and 0.08% for Local).

3/ For KP&F, the recommended contribution rate is equal to the "Uniform" rate plus the payment required to amortize the unfunded past service liability determined separately for each employer.

The funding objective of the plan is to establish contribution rates which over time will remain relatively level, as a percentage of payroll, and to pay off the unfunded liability by the year 2033. Due to significant increases in the liabilities in the current valuation and statutory limitations on the annual increase in the contribution rate, the System will have to increase the statutory limitation on contribution rate increases or extend the amortization period for the unfunded liability if the financing goal is to be achieved.

EXPERIENCE – ALL SYSTEMS COMBINED
July 1, 1993 – June 30, 1994

Several factors contributed to the change in the Systems' assets, liabilities, and recommended contribution rates between June 30, 1993 and June 30, 1994. Below each component is examined.

ASSETS

As of June 30, 1994, the System had total funds, when measured on a market value basis, of $5.16 billion, including assets held for the Group Insurance and Optional Life reserves. This was an increase of $32 million from the 1993 figure of $5.13 billion. The components of this change (in millions) are set forth below and compared to book values:

	Book → Book	Market → Market
Assets, June 30, 1993	$ 4,617	$ 5,131
• Employer and Member Contributions	+ 267	+ 267
• Benefit Payments and Expenses	– 352	– 352
• Investment Income – Expected	+ 366	+ 407
• Investment Gain/(Loss)	+ 102	– 290
Assets, June 30, 1994	$ 5,000	$ 5,163

The Board of Trustees has elected to change the method used to value assets for actuarial valuation purposes to a method which recognizes market values but smooths year to year fluctuations. In the past, assets have been carried at book values. At the end of any year the actuarial value of assets is equal to the expected asset value based on the assumed interest rate plus 1/3 of the difference between the actual market value and the expected asset value. In the first year of implementation of the new methodology, the 1994 valuation, the actuarial value of assets is set equal to the market value as of June 30, 1994. This asset valuation method is in keeping with long term trends at other State systems.

LIABILITIES

The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and asset values at the same date is referred to as the unfunded actuarial liability. The unfunded actuarial liability will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial liability. Benefit improvements, actuarial gains and losses, and changes in actuarial procedures will also have an effect on the total actuarial liability and on the portion of it that is unfunded.

Between June 30, 1993 and June 30, 1994 we estimate the change in the unfunded actuarial liabilities for the System as follows (in millions):

Unfunded Actuarial Liability, June 30, 1993	$968
• investment gain at book values	(102)
• change in asset valuation method	(134)
• revised liabilities for 1993 COLA, return of employee contributions, deferred vested employees, and pre–retirement spouse benefits	228
• data and salary adjustments	150
• actual mortality, disability, retirement, turnover and salary experience	320
• actual 1994 COLA	75
Unfunded Actuarial Liability, June 30, 1994	$1,505

CONTRIBUTIONS

Generally, contributions to the System consist of:

- a "normal cost" for the portion of projected liabilities attributable to service of members during the year following the valuation date, (except TIAA)
- an "unfunded actuarial liability contribution" for the excess of the portion of projected liabilities allocated to service to date over assets on hand,
- a "group insurance" contribution which is statutory (except KP&F).

The combined Systems' contribution rate (before statutory limits) increased by 1.04% of pay, to 5.15% on June 30, 1994, from 4.11% on June 30, 1993. The primary components of this change are as follows:

Actuarial Contribution Rate, June 30, 1993	4.11 %
• investment gain	(0.23)
• change in asset valuation method	(0.37)
• liability changes	1.64
Actuarial Contribution Rate, June 30, 1994	5.15 %

Actuarial Assumptions

Rate of Investment Return — 8.0%

Rate of Mortality — 1983 Group Annuity Mortality Table (without margin) except (with margin) for KPERS School.

Under KPERS, 5% of pre–retirement deaths are assumed to be service related

Under KP&F, 70% of pre–retirement deaths are assumed to be service related.

Rates of Salary Increase (% at Se–lected Ages)

Age	KPERS & KP&F	Judges
25	6.7 %	5.5 %
30	6.5	5.5
35	6.4	5.5
40	6.0	5.5
45	5.7	5.5
50	5.4	5.5
55	5.3	5.5
60	5.2	5.5

Funding Method

KPERS

Under the Projected Unit Credit actuarial cost method, the normal cost for any year is equal to the actuarial present value of the benefits expected to accrue in that year. The actuarial present value of benefits which have accrued in prior years is called the actuarial liability.

The portion of the actuarial liability in excess of plan assets is funded according to a schedule which is intended to amortize such unfunded actuarial liability fully after a period of years. This is in addition to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability.

The unfunded actuarial liability is amortized by annual payments over a 40 year period from July 1, 1993. These annual payments will increase 4% for each year remaining in the 40–year amortization period. If total payroll grows 4% per year, the increasing dollar amortization payments should remain approximately level as a percentage of total payroll.

KP&F & Judges

Different actuarial cost methods were used for KP&F and Judges. The Aggregate Cost Method With Supplemental Liability was used for KP&F and the Frozen Initial Liability Method was used for Judges. Under these methods, gains and losses are reflected in the Normal Cost as opposed to the Unfunded Actuarial Liability.

Asset Valuation Method

For actuarial purposes, assets are valued at expected value at the valuation date plus one–third of the difference between the market value and expected value. As a starting point for the implementation of the asset valuation method, the actuarial value of assets as of June 30, 1994 was set equal to the market value.

Rates of Termination at Selected Ages (number of withdrawals per 1,000 members)	Age	KPERS Male	KPERS Female	KP&F	Judges
	22	159.6	185.5	91	54
	27	129.2	154.6	79	52
	32	98.4	118.9	58	49
	37	71.3	84.1	37	44
	42	50.0	62.0	20	28
	47	42.2	53.8	6	12
	52	30.7	40.0	0	1
	57	18.0	30.0	0	0

Disabled Life Mortality		
	KPERS	Disabled members assumed to exhibit age 65 mortality
	KP&F	1983 Group Annuity Table (without margin) set forward 10 years
	Judges	Healthy life mortality used

Retirement Ages

KPERS

- Age 63 (except certain correctional employees and TIAA) combined with the following retirement rates for employees who accumulate 85 points between ages 55 and 62:

	Assumed Retirement Rates	
Age	1st Year With 85 Points	After 1st Year With 85 Points
55–59	20 %	5 %
60	30	10
61	30	10
62	100	100

- For correctional employees with an age 55 normal retirement date – Age 57
- For correctional employees with an age 60 normal retirement date – Age 62
- For TIAA employees – Age 66.

KP&F

Tier I: Later of age 55 or completion of 20 years of service

Tier II: Upon attainment of earliest of (a) age 52 and 25 years of service, (b) age 55 and 20 years of service, or (c) age 60 and 15 years of service.

Judges

Age 65

Rates of Disability at Selected Ages (members becom–ing disabled per 1,000 members)**	Age	KPERS	KP&F	Judges
	22	0.3	0.6	0.0
	27	0.3	0.7	0.0
	32	0.3	3.0	0.0
	37	0.3	6.0	0.0
	42	0.6	9.0	0.0
	47	1.2	11.0	0.0
	52	2.7	15.0	0.0
	57	5.7	19.4	0.0

** 90% assumed to be service–connected under KP&F Tier I.

Marriage Assumption		KPERS	KP&F	Judges
	Male	70%	80%	74%
	Female	40%	80%	49.5%

Males are assumed to be three years older than their wives.

SUMMARY OF PLAN PROVISIONS

Plan Membership

KPERS - is a body corporate and an instrumentality of the state of Kansas. KPERS is an umbrella organization administering three statewide retirement systems: the Kansas Public Employees Retirement System, the Kansas Police and Firemen's Retirement System and the Kansas Retirement System for Judges. All three systems are defined benefit, contributory, cost sharing plans that cover substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer plan, while the other two are multi-employer plans. Participation by the state of Kansas is mandatory, whereas participation by local political subdivisions is optional but irrevocable if elected. Benefit payments are also provided for a certain group of legislative employees.

Employee Membership

KPERS - membership is mandatory for all employees in covered positions, except elected officials. A covered position for non-school employees is one that is covered by Social Security, is not seasonal or temporary, and requires at least 1,000 hours of work per year. School employees become KPERS members on date of employment. School employees who work at least 630 hours per year or 3.5 hours per day for 180 days, including substitute teachers and those concurrently working for multiple employers, are eligible for membership. Non-school employees become KPERS members after one year of continuous employment. First-day coverage for death and disability benefits is provided for state employees and non-school employees of local employers that elect such coverage. Those who retire under the provisions of the Retirement System may not become contribution members again.

Qualified Domestic Relations Orders

Effective July 1, 1994, whenever a member divorces, any annuity or benefit or accumulated contributions from the Retirement System may be subject to claims by a former spouse under the provisions of a Qualified Domestic Relations Order (QDRO). A "QDRO" is a court order providing for maintenance, child support, or property division (retirement account assets are considered marital assets to the extent they have accumulated during the marriage). Most QDROs result from an agreement between the parties. A former spouse may not receive payment from the Retirement System under a QDRO unless and until the member becomes eligible and applies to retire or to withdraw, or the member dies. For an active member, the QDRO, if it's in the proper form, would be marked "accepted" and placed in the member's KPERS file until there is a distribution from the KPERS account (withdrawal, retirement, or death). That is, if the member ceases employment and withdraws contributions, the former spouse may get a portion of the lump-sum distribution. If the member becomes eligible and retires with monthly benefits, the former spouse may receive a portion of each benefit for a specified time period. If the member dies, the former spouse's award may be enforceable against the refund of accumulated contributions or lump-sum death benefit. This law affects members of all three retirement systems and members of local plans, as well as members in special categories.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM SUMMARY OF PROVISIONS

Normal Retirement

Eligibility - (a) Age 65, or (b) age 62 with 10 years of credited service, or (c) any age when combined age and years of credited service equal 85. Age is determined by member's last birthday and is not rounded up. **Benefit** - Based on member's credited service, Final Average Salary (FAS), and a statutory multiplier. For those who were hired prior to July 1, 1993, Final Average Salary equals the greater of either: a four-year Final Average Salary, including add-ons, such as sick and annual leave; or a three-year Final Average

SUMMARY OF PLAN PROVISIONS

Salary, excluding add-ons, such as sick and annual leave. For those who are hired on or after July 1, 1993, Final Average Salary equals the average of the three highest years of service, excluding add-ons, such as sick and annual leave. **Prior Service** - .75 percent to one percent Final Average Salary per year. (School employees receive .75 percent Final Average Salary for each year of prior service not credited under the former Kansas School Retirement System.) **Participating service** - 1.75 percent Final Average Salary.

Early Retirement

Eligibility - Age 55 and ten years of credited service. **Benefit** - Normal retirement benefit reduced 0.2 percent per month if member is from age 60 to age 62, plus 0.6 percent per month if member is from age 55 to age 60.

Deferred Vesting

Eligibility - Ten years of credited service at termination and leave contributions in KPERS. **Benefit** - Accrued normal retirement benefit payable at normal retirement age or in reduced amount at early retirement age.

Other Benefits

Withdrawal Benefit - Members who terminate employment may withdraw contributions with interest after the last day on the employer's payroll. Withdrawal of contributions forfeits all membership rights and benefits, such as insurance coverage, which a member may have accrued prior to withdrawing their contributions from the Retirement System. (Former members who return to employment within five years after termination don't incur a break in continuous employment if they *haven't* withdrawn contributions.) **Disability Benefit** - Disability income benefits are provided under the KPERS Death and Disability Benefits Program, which is financed by employer contributions of 0.6 percent of a member's compensation. A member must be totally disabled for 180 continuous days. Benefits accrue from the later of the 181st day of continuous disability or the first day upon which compensation from the employer ceases. The long term disability benefit is two-thirds of the member's annual compensation on the date disability commences, reduced by Social Security benefits, one-half of Workers' Compensation benefits, and any other employment-related disability benefits, subject to a minimum benefit of $100 per month. Members receiving disability benefits continue to receive service credit under KPERS. If a disabled member retires after receiving disability benefits for at least five years immediately preceding retirement, the member's Final Average Salary is adjusted by the actuarial salary increase assumption rates in existence during the member's period of disability prior to July 1, 1993 and five percent per year since that date. **Death Benefits: Pre-Retirement death** (non-service-connected) - Member's accumulated contributions plus interest are paid in a lump sum to the designated beneficiary. In lieu of receiving the member's accumulated contributions, the surviving spouse of a member who is eligible to retire at death may elect to receive benefits under any survivor option. The spouse must be the member's sole designated beneficiary to exercise this option. If the member had at least 15 years of service, but had not reached retirement age, the spouse may elect a monthly benefit to begin on the date the member would have been eligible to retire. **Service-connected accidental death** - Member's accumulated contributions, plus lump sum amount of $50,000, plus annual benefit based on 50 percent of Final Average Salary - reduced by Workers' Compensation benefits and subject to a minimum benefit of $100 a month - are payable to spouse, minor children, or dependent parents, for life, or until the youngest child reaches age 18 (or up to age 23 if full-time students), in this order of preference.

SUMMARY OF PLAN PROVISIONS

The monthly accidental death benefit is in lieu of any joint/survivor benefit for which the member would have been eligible. **Insured Death Benefit** - An insured death benefit is provided under the KPERS Death and Disability Program equal to 150 percent of the member's annual compensation on the date of death. (If a disabled member dies after receiving disability benefits for at least five years immediately preceding death, the member's current annual rate of compensation is adjusted by the actuarial salary increase assumption rates in existence during the member's period of disability prior to July 1, 1993, and five percent per year since that date.) **Post-retirement death** - Lump sum amount of $4,000, payable to the member's beneficiary. The beneficiary may, in turn, assign this benefit to a funeral home. The beneficiary for the $4,000 death benefit may be, but is not always, the same person as the member's joint annuitant. If the member has selected a retirement option, benefits are paid to the joint annuitant or the designated beneficiary. Under joint and survivor retirement options, if the joint annuitant predeceases the retired member, the reduced option benefit is increased to the amount the retired member would have received if no retirement option had been elected. Benefits payable to a joint annuitant cease at the joint annuitant's death. If a member does not select an option, the designated beneficiary receives the excess, if any, of the member's accumulated contributions over total benefits paid to date of death.

Member Contributions

Member contributions are four percent of compensation. Interest is credited to members' contribution accounts on each June 30, based on account balance as of the preceding December 31, at the interest rate adopted by the Board for actuarial valuations. Currently contributions earn interest at the rate of eight percent per year. Those who become members on or after July 1, 1993, will have interest credited to their accounts at the rate of four percent per year.

Employer Contributions

Rates are certified by the Board of Trustees based on results of annual actuarial valuations.

TIAA Members

TIAA members do not make contributions to KPERS. They receive prior service benefits for service before 1962; the benefit is one percent of Final Average Salary for each year of credited prior service. Service after 1961 is counted for purposes of determining eligibility for vesting. TIAA members are also covered by the KPERS Death and Disability Benefits Program.

Correctional Members

Correctional employees, as certified to the Board of Trustees by the Secretary of Corrections, are defined in K.S.A. 74-4914a: (a) correctional officers, (b) certain directors and deputy directors of correctional institutions, (c) correctional power plant operators, (d) correctional industries employees, (e) correctional food service employees, and (f) correctional maintenance employees.

For groups (a) and (b) with at least three consecutive years of service in such positions immediately preceding retirement, normal retirement age is 55 and early retirement requirements are age 50 with ten years of credited service. For groups (c), (d), (e) and (f) with at least three consecutive years of service in such positions immediately preceding retirement, normal retirement age is 60 and early retirement requirements are age 55

SUMMARY OF PLAN PROVISIONS

with ten years of credited service. For correctional employees in groups (a) through (f) and other correctional employees in positions that involve regular contact with inmates, there are special disability benefits based on the employee's Final Average Salary, which for this purpose is the average of the highest three years of the last five years of service.

Other Benefits - Correctional Members

Service-connected disability - No age or service requirement; benefit of 50 percent Final Average Salary plus 10 percent Final Average Salary for each dependent child under 18, (age 23 for full time students) to a maximum of 75 percent of Final Average Salary; reduced by Social Security and Workers' Compensation benefits but not to less than $100 a month.

Non service-connected disability - Pension of two percent Final Average Salary per year of service, with a minimum of 25 percent to a maximum of 50 percent of Final Average Salary; reduced by Social Security and Workers' Compensation benefits, but in no case, not less than $100 a month. Employees are not eligible for disability benefits under the KPERS Death and Disability Benefits Program except during the year of service prior to membership.

KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM SUMMARY OF PROVISIONS

Normal Retirement

TIER I - Age 55 and 20 years of service. **TIER II** - Age 50 and 25 years of service, or age 55 and 20 years of service, or age 60 and 15 years of service. **Benefit** - Based on member's Final Average Salary. For those who were hired prior to July 1, 1993, Final Average Salary equals the average of highest three years of last five years of participating service, including add-ons, such as sick and annual leave. For those who are hired on or after July 1, 1993, Final Average Salary equals the average of the highest three of the last five years of participating service, excluding add-ons, such as sick and annual leave. Two-and-one-half percent of Final Average Salary for each year of service to a maximum of 80 percent of Final Average Salary. **LOCAL PLAN** - For members covered by local plan on entry date, age 50 and 22 years of service.

Early Retirement

Eligibility - Age 50 and 20 years of credited service. **Benefit** - Normal retirement benefit reduced 0.4 percent per month under age 55.

Deferred Vesting

Eligibility - TIER I - 20 years of service at termination and leave contributions in system. **Eligibility TIER II** - 15 years of service at termination and leave contributions in system.

Other Benefits

Withdrawal Benefits - Members who terminate employment before retirement may withdraw contributions with interest after the last day on the employer's payroll. Withdrawal of contributions forfeits all membership rights and benefits, which a member may have accrued prior to withdrawing their contributions from the Retire-

SUMMARY OF PLAN PROVISIONS

ment System. (Former members who return to covered employment within two years after termination don't incur a break in employment if such members *haven't* withdrawn contributions.) **Disability Benefits TIER I* - service connected disability** - No age or service requirement; pension of 50 percent of Final Average Salary plus 10 percent of Final Average Salary for each dependent child under age 18 (up to age 23 for full time students), to maximum of 75 percent Final Average Salary. If dependent benefits are not payable, benefit is 2.5 percent for each year to a maximum of 80 percent Final Average Salary. (Upon death of member receiving service-connected disability benefits, spouse and dependent children receive service-connected death benefits if member dies within two years of retirement or after two years from same service-connected cause; if service-connected death benefits are not payable, spouse receives lump sum of 50 percent Final Average Salary. Additionally, a pension of half the member's benefit is payable either to spouse or dependent children.) **Non service-connected disability** - Pension of 2.5 percent of Final Average Salary per year of service to maximum of 80 percent Final Average Salary (minimum benefit is 25 percent of Final Average Salary). (Upon the death of member receiving non service-connected disability benefits, the surviving spouse receives lump sum of 50 percent Final Average Salary. Additionally, a pension of half the member's benefit is payable either to spouse or dependent children.)
TIER II* - There is no distinction between service-connected and non-service connected disability benefits. Pension is 50 percent of Final Average Salary. Service credit granted during period of disability. Disability benefits convert to age and service retirement at earliest date member is eligible for full retirement benefits. If member is disabled for at least five years immediately preceding retirement, member's Final Average Salary is adjusted by the actuarial salary increase assumption rate, which currently is five percent, in effect during period of disability. Disability benefits are offset one dollar for each two dollars earned after the first $10,000 earnings. **TIER I & II Death Benefits** (Service Connected Death) - No age or service requirement, pension of 50 percent of Final Average Salary to spouse, plus 10 percent of Final Average Salary to each dependent child under age 18 (up to age 23 for full-time students), to a maximum of 75 percent of Final Average Salary. Non service Connected Death - Lump sum of 100 percent Final Average Salary to spouse; pension of 2.5 percent of Final Average Salary per year of service (to a maximum of 50 percent) is payable to spouse. If there is no spouse, the monthly benefit is paid to the dependent children. **Inactive Member Death** - If an inactive member is eligible to retire at death, and spouse is sole beneficiary, spouse may elect to receive benefits as joint annuitant under any option in lieu of refund of member's accumulated contributions. **Post-Retirement Death** - Lump sum amount of $4,000, less any death benefit is payable under local plan. If member has selected a retirement option, benefits are paid to joint annuitant or designated beneficiary. Under joint and survivor options, if joint annuitant predeceases retiree, the benefit is increased to the amount retiree would have received if no option had been selected. Benefits payable to joint annuitant cease at joint annuitant's death. If no option is selected, the designated beneficiary receives the excess, if any, of member's accumulated contributions over total benefits paid to date of death. (Surviving spouse, of a transfer member covered by local plan on entry date who dies after retirement and who had not elected an option, receives lump sum of 50 percent of Final Average Salary; also a pension of three-fourths of the member's benefit is payable either to spouse or dependent children.)
* Tier I - Members have Tier I coverage if they were employed prior to July 1, 1989, and if they did not elect coverage under Tier II. Tier II - Members have Tier II coverage if they were employed July 1, 1989, or later. Also includes members employed before July 1, 1989, who elected Tier II coverage.

SUMMARY OF PLAN PROVISIONS

Member Contributions

Member contributions are seven percent of compensation. Contribution rate reduced to two percent of compensation for members with 32 years of service.

A few members employed before January 1, 1976, have contributions reduced by their Social Security contributions, exclusive of contributions for Medicare. Benefits payable to these members are reduced by one-half of Social Security benefits accruing from employment with the participating employer.

Employer Contributions

Individual rates are certified by the Board of Trustees for each participating employer based on the results of annual actuarial valuations.

KANSAS RETIREMENT SYSTEM FOR JUDGES SUMMARY OF PROVISIONS

Normal Retirement

Eligibility - Age 65, or age 62 with 10 years of service credit, or any age when combined age and service credit equal 85. **Benefit** - Based on member's Final Average Salary (FAS): average of highest three years of service as a judge. Basic formula for those who were members prior to July 1, 1987 is five percent of Final Average Salary for each year of service up to ten years, plus 3.5 percent for each year, to a maximum of 70 percent Final Average Salary. For those who became members on or after July 1, 1987, the formula is 3.5 percent for each year, to maximum benefit of 70 percent of Final Average Salary.

Early Retirement

Eligibility - Age 55 with 10 years of credited service if the member doesn't have the 85 "points." Benefit - Normal benefit reduced 0.2 percent per month under age 62 and 0.6 percent per month from age 55-60.

Deferred Vesting

Eligibility - Leave contributions in Retirement System; no minimum service requirement. (Eligible judges who have service credited under KPERS have vested benefits under both KPERS and the Judges' System when the combined total credited service equals 10 years.) Judges who are defeated in an election may continue participation at their own cost until they have 10 years service credit. Benefit - Normal benefit accrued at termination is payable at age 62 or in reduced amount at age 55.

Other Benefits

Disability Benefits - Defined as permanently physically or mentally disabled. The disability benefit payable until age 65 is 3.5 percent of Final Average Salary for each year of service (minimum of 25 percent Final Average Salary). Benefits are recalculated upon reaching retirement age. If a judge is disabled for at least five years immediately preceding retirement, the judge's Final Average Salary is adjusted by the actuarial salary increase assumption rates in existence during the period of disability. **Withdrawal Benefit** - Members who terminate employment may withdraw contributions with interest. (A former member who resumes service as a judge may return the amount refunded without interest or penalty and regain credit for service previously credited

SUMMARY OF PLAN PROVISIONS

under the Retirement System.) **Pre-retirement death** - Lump sum insured death benefit equal to 150 percent of the member's annual compensation on the date of death; plus refund of member's accumulated contributions. In lieu of receiving member's accumulated contributions, the surviving spouse, of a member who is eligible to retire at death, may elect to receive benefits under any survivor option. The spouse must be the member's sole designated beneficiary to exercise this option. If the member had at least 15 years' service, but hadn't reached retirement age, the spouse may elect a monthly benefit to begin on the date the member would have been eligible to retire. **Post-retirement death** - Lump sum death benefit of $4,000. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options, if joint annuitant predeceases retiree, the reduced option benefit is increased to amount retiree would have received if no option had been elected. Benefits payable to a joint annuitant cease on joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death.

Member Contributions

Judges contributions are six percent of compensation. Upon reaching maximum retirement benefit of 70 percent of Final Average Salary, the contribution rate is reduced to four percent. Upon reaching age 65 and completing 20 years of service, the contribution rate is reduced to two percent of compensation.

Employer Contributions

Rates are certified by the Board of Trustees based on the results of annual actuarial valuations.

Membership extended to District Magistrate Judges

All district magistrate judges who take office after June 18, 1993, automatically become members of the Retirement System for Judges. Previously, district magistrate judges could become members of the Retirement System for Judges for future service only if they elected membership in that system by June 18, 1993. Those who elected membership in the Judges' system by that date had the option of bringing all participating service into the plan by paying the full cost of transferring participating service from KPERS to the Judges' system.

Kansas Public Employees Retirement System

Solvency Test
Last Ten Fiscal Years

Actuarial Valuation *	Member Contributions (A)	Retirants and Beneficiaries (B)	Active Members Employer Financed Portion (C)	Assets Available for Benefits	Portions of Accrued Liabilities Covered by Assets (A)	(B)	(C)
1994	$ 1,801,791,938	$ 2,500,682,188	$ 2,120,978,805	$ 4,882,927,349	100%	100%	27%
1993	1,651,701,100	1,932,031,000	1,694,367,600	4,502,712,488	100	100	54
1992	1,489,301,000	1,594,158,500	998,497,700	4,124,183,232	100	100	100
1991	1,208,273,400	1,434,756,700	1,089,781,000	3,759,513,400	100	100	100
1990	975,736,900	1,348,573,100	1,059,343,500	3,458,171,900	100	100	100
1989	943,712,100	1,177,842,700	1,342,014,500	3,026,692,200	100	100	67
1988	768,638,100	1,038,950,600	1,507,564,200	2,907,976,500	100	100	73
1987	800,461,100	895,514,500	1,292,397,900	2,589,487,600	100	100	69
1986	752,313,100	899,405,800	1,187,074,000	2,448,146,300	100	100	67
1985	665,909,800	753,618,200	957,481,200	2,001,710,500	100	100	61

* Actuarial valuations preparations as of June 30, beginning in 1991 and prior to 1987, and as of January 1 for fiscal years 1987 through 1990.

A short term solvency test, which is one means of determining a system's progress under its funding program, compares the plan's present assets with (1) active member contributions on deposit, (2) the liabilities for future benefits to present retired lives, and (3) the pension benefit obligation for service already rendered by active members. In a system that has been following the level percent of payroll financing discipline, the obligation for active member contributions on deposit (Item A) and the liabilities for future benefits to present retired lives (Item B) will be fully covered by present assets with the exception of rare circumstances. The obligation for service already rendered by active members (Item C) will be fully or partially covered by the remainder of present assets. If the system has been using level cost financing, the funded portion of Item C usually will increase over a period of time. Item C being fully funded is rare.

Schedule of Active Member Valuation Data

Valuation Date 6/30	Number of Active Members	Percentage Change in Membership	Number of Participating Employers	Percentage Increase in Number of Participating Employers	Total Annual Payroll (Millions)	Average Payroll	Percentage Increase in Average Payroll
1994	131,646	7.9%	1,287	1.2%	$ 3,487	$ 26,491	3.5%
1993	121,997	4.4	1,272	2.0	3,122	25,591	-2.0%
1992	116,891	4.5	1,247	2.0	3,052	26,109	-0.1%
1991	111,818	2.0	1,223	2.9	2,922	26,131	8.0%
1990	109,654	5.7	1,188	3.3	2,652	24,185	2.6%
1989	103,721	6.8	1,150	2.1	2,445	23,572	-4.5%
1988	97,137	2.9	1,126	1.3	2,397	24,670	1.0%
1987	94,369	——	1,112	——	2,305	24,425	——

Not available prior to January 1, 1987.

Kansas Public Employees Retirement System

Retirants, Beneficiaries - Changes in Rolls - All Systems

Fiscal Year Ended June 30	Additions During Year	Deletions During Year	Number at End of Year
1985	1,984	1,071	32,675
1986	2,148	1,225	33,598
1987	2,345	1,124	34,819
1988	2,640	1,288	36,171
1989	2,323	1,244	37,250
1990	2,262	1,269	38,243
1991	2,431	1,412	39,262
1992	2,476	1,383	40,355
1993	2,492	1,459	41,388
1994	3,576	1,593	43,371

Membership Profile

Fiscal Year	Active	Inactive	Retirees & Beneficiaries	Total Membership
1985	90,283	11,817	32,675	134,775
1986	91,939	10,754	33,598	136,291
1987	94,369	10,322	34,819	139,510
1988	97,137	9,970	36,171	143,278
1989	103,721	10,448	37,250	151,419
1990	109,654	8,388	38,243	156,285
1991	111,818	10,368	39,262	161,448
1992	116,891	8,798	39,552	165,241
1993	121,997	9,182	41,388	172,567
1994	131,684	12,851	43,371	187,906

Kansas Public Employees Retirement System

Highlights of Operations - 10 Year Summary

	1994	1993	1992	1991
Membership Composition				
Number of Retirants	43,371	41,388	39,552	39,262
Number of New Retirants During the Year	3,576	2,492	2,476	2,431
Number of Active and Inactive Members	144,535	131,179	128,689	122,186
Number of Participating Employers	1,287	1,272	1,247	1,223
Financial Results (Millions)				
Retirement / Death Benefits	$ 292	$ 231	$ 206	$ 187
Member Contributions	149	134	125	124
Employer Contributions	118	117	112	106
Investment Income	468	416	389	122
Total Revenue	735	667	626	352
Total Expenses	352	284	259	236
Revenues in Excess of Expenses	383	383	367	116
Total Assets	$ 5,601	$ 4,782	$ 4,338	$ 3,969
Employer Contribution Rate				
KPERS--State / School (a)	3.10%	3.30%	3.30%	3.20%
KPERS--Local (b)	1.90%	1.80%	2.40%	2.60%
KPERS--School (a)	—	—	—	—
KP&F (Average)	9.60%	9.10%	9.30%	9.10%
Judges	7.80%	7.10%	7.30%	5.40%
TIAA	1.60%	1.60%	1.70%	1.50%
Special Elected Officials (c)	—	7.90%	8.30%	7.90%
Unfunded Actuarial Liability (Millions)				
KPERS--State / School	$ 1,059	$ 573	$ 395	$ 373
KPERS--Local	142	94	47	40
KPERS--School	—	—	—	—
KP&F	276	272	67	66
Judges	5	5	4	4
TIAA	23	24	20	20
Special Elected Officials	—	—	—	—
Funding Ratios (d)				
KPERS--State / School	77.58%	85.10%	88.30%	88.00%
KPERS--Local	84.44%	87.30%	92.70%	93.10%
KPERS--School	—	—	—	—
KP&F	68.94%	66.70%	88.10%	87.30%
Judges	88.64%	87.90%	89.80%	89.10%
TIAA	20.39%	20.00%	22.60%	21.10%
Special Elected Officials	—	—	—	—

(a) KPERS State and KPERS School were combined commencing in fiscal year 1988.

(b) KPERS was divided into sections: KPERS State/School and KPERS Local, commencing in fiscal year 1989.

(c) Special Elected Officials coverage was applicable commencing in fiscal year 1989 through calendar year 1992.

1990	1989	1988	1987	1986	1985
38,243	37,250	36,171	34,819	33,598	32,675
2,262	2,323	2,640	2,345	2,148	1,984
118,042	114,169	107,107	104,691	102,693	102,100
1,188	1,150	1,126	1,112	1,100	1,078
$ 168	$ 152	$ 135	$ 119	$ 106	$ 93
112	97	92	91	83	75
101	91	92	106	100	99
391	230	231	322	395	220
604	419	415	519	578	393
210	194	169	152	138	122
395	225	245	367	440	271
$ 3,833	$ 3,451	$ 3,177	$ 2,928	$ 2,602	$ 2,108
3.10%	3.00%	3.00%	3.90%	4.30%	4.60%
2.00%	3.00%	—	—	—	—
—	—	3.00%	4.10%	4.00%	4.40%
13.10%	11.10%	19.00%	18.70%	18.90%	16.30%
5.90%	6.55%	6.55%	8.70%	8.70%	10.30%
1.50%	1.60%	1.40%	1.50%	1.30%	1.40%
7.80%	7.70%	—	—	—	—
$ 342	$ 316	$ 294	$ 311	$ 72	$ 65
34	30	26	—	—	—
—	—	—	—	231	228
69	70	68	69	70	75
4	3	3	3	3	—
19	19	16	16	15	13
2	—	—	—	—	—
88.00%	87.30%	87.70%	87.90%	93.30%	92.80%
93.60%	93.90%	94.30%	—	—	—
—	—	—	—	83.10%	80.80%
85.90%	84.10%	83.20%	81.00%	79.80%	74.80%
89.10%	88.90%	89.30%	88.30%	89.20%	—
24.20%	21.60%	25.50%	24.10%	27.10%	29.70%
78.50%	—	—	—	—	—

(d) The funding percentage indicates the actuarial soundness of the System, generally, the greater the percentage, the stronger the System. The percentage is determined by dividing accumulated assets by the sum of accumulated assets plus unfunded service liability.

Kansas Public Employees Retirement System

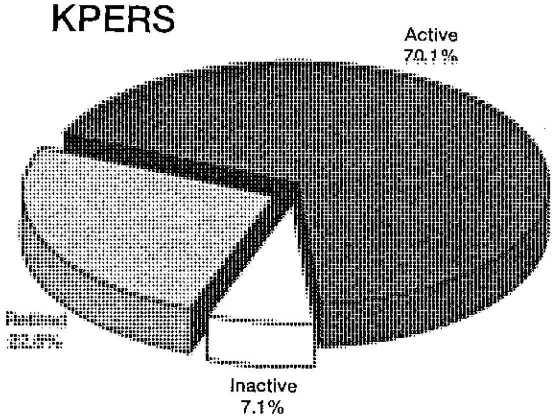
Number of Participating Employers

	KPERS	KP&F	Judges
State of Kansas	1	1	1
Cities	324	49	—
Counties	105	12	—
Cemetary Districts	13	—	—
Conservation Districts	76	—	—
Extension Councils	67	—	—
Hospitals	28	—	—
Libraries	95	—	—
Recreation Commissions	31	—	—
Townships	37	—	—
Community Colleges	47	—	—
School Districts	304	—	—
Other	93	3	—
	1,221	65	1

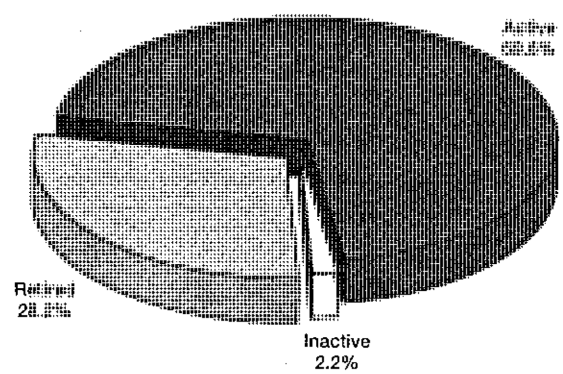
A complete detailed listing of participating employers is available upon request.

Membership Profile by System

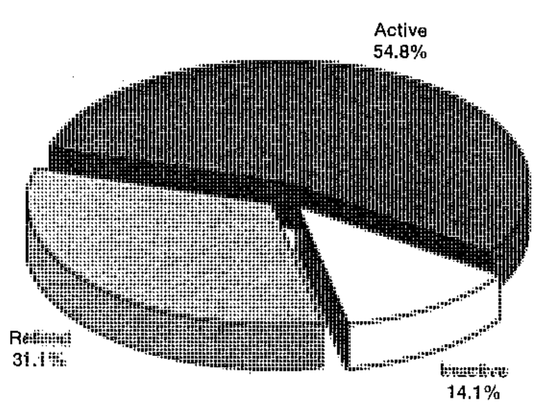
KPERS



KP&F



JUDGES

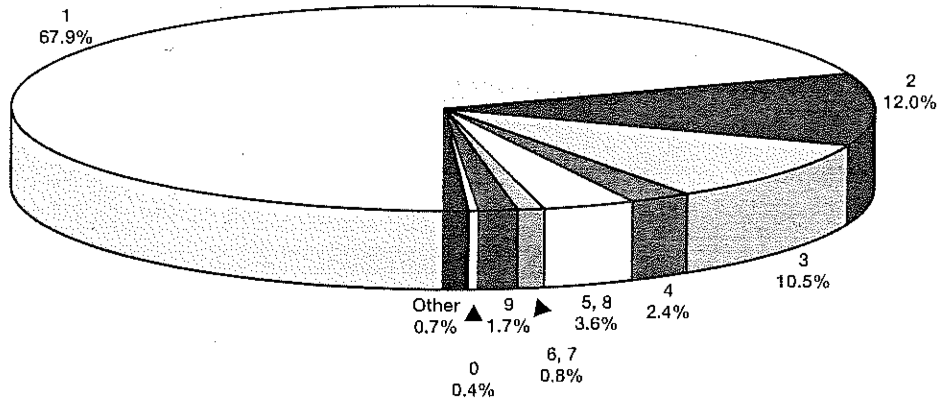


Kansas Public Employees Retirement System

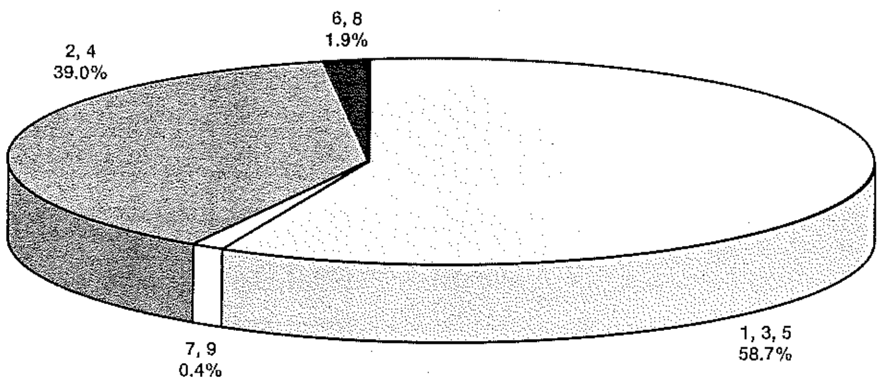
Option Taken

Option Taken

1 - Maximum, no survivor benefit
2 - Joint, 1/2 to Survivor
3 - Joint, w/ Same to Survivor
4 - Life w/ 10 years Certain
5, 8 - Joint, 3/4 to Survivor
6,7 - Widow, children survivor
9 - Life w/ 5 Years Certain
0 - Life w/ 15 Years Certain



Retirement Type



Retirment Types

1, 3, 5 - Normal
2, 4 - Early
6, 8 - Service-Connected death and disability
7, 9 - Non-Service Connected death and disability

Schedule of Retired Members and Survivors by Type of Benefit
June 30, 1994

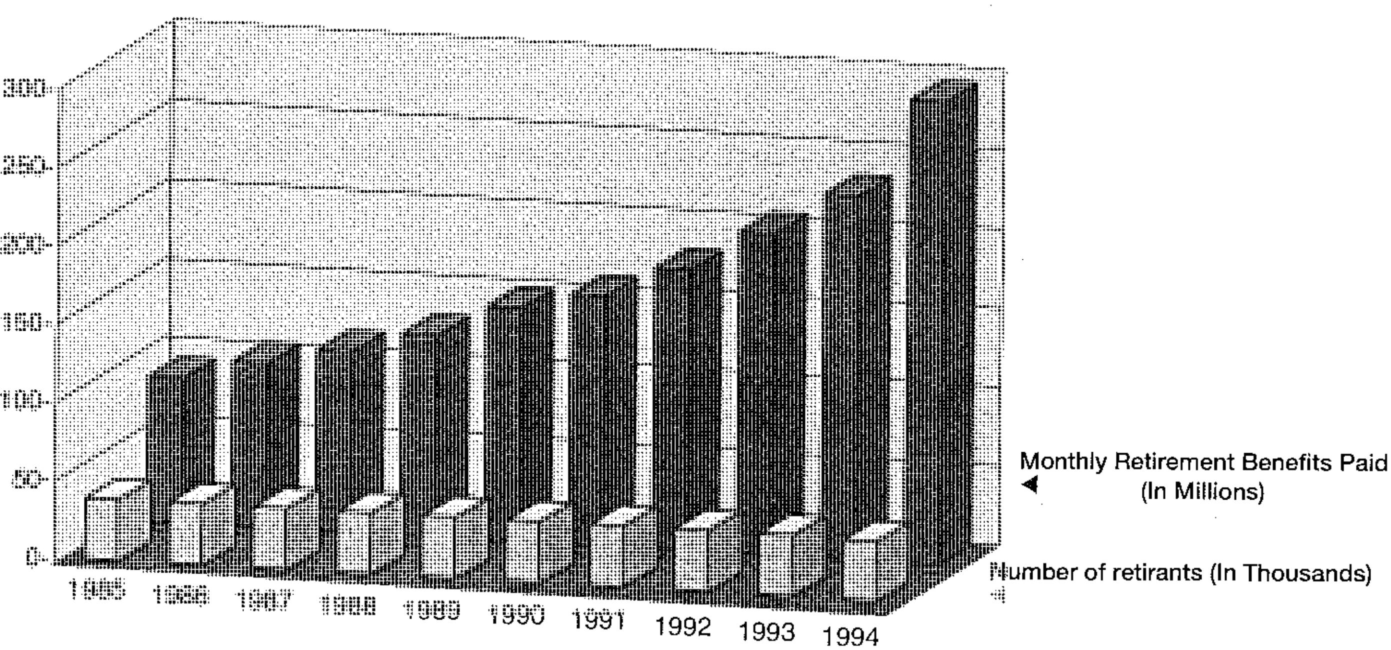
Amount of monthly Benefit	Number of Retirants	Type of Retirement 1, 3, 5	2,4	6,8	7,9	Option Type Selected 1	2	3	4	5,8	6,7	9	0	Other
Deferred														
$ 1 - $ 100	3,367	2,433	919	10	5	2,742	351	124	40	26	2	36	18	28
101 - 200	7,724	4,296	3,334	92	2	5,684	933	542	188	64	55	78	15	165
201 - 300	6,825	3,407	3,303	108	7	4,890	701	545	180	145	87	173	27	77
301 - 400	5,462	2,793	2,594	64	11	3,856	575	542	135	119	36	172	18	9
401 - 500	3,872	2,015	1,815	32	10	2,720	399	413	113	90	5	114	12	6
501 - 600	3,037	1,631	1,376	18	12	2,036	341	357	85	115	2	85	11	5
601 - 700	2,329	1,216	1,077	29	7	1,554	254	304	68	83	6	51	6	3
701 - 800	1,801	954	805	32	10	1,225	213	230	57	55	9	6	6	0
801 - 900	1,428	775	592	48	13	915	183	214	31	59	13	4	9	0
901 - 1,000	1,080	678	348	40	14	680	147	161	26	43	11	1	10	1
Over 1,000	6,446	5,300	742	334	70	3,153	1,093	1,121	123	770	120	31	34	1
Totals	43,371	25,498	16,905	807	161	29,455	5,190	4,553	1,046	1,569	346	751	166	295

Kansas Public Employees Retirement System

Average Benefit by Years of Service - Five Year Summary

Service Credit	1989	1990	1991	1992	1993
Less Than 5	58	60	82	77	106
Average Benefit	$186.92	$203.68	$138.64	$130.01	$133.14
Average Years	2.90	2.78	2.66	2.74	2.71
5 - 9.99	137	162	173	158	153
Average Benefit	$224.12	$241.30	$254.30	$219.93	$240.79
Average Years	7.26	6.98	6.93	7.15	7.07
10 - 14.99	393	436	423	403	449
Average Benefit	$309.64	$285.29	$309.62	$266.79	$341.20
Average Years	11.87	11.94	11.85	12.10	12.08
15 - 19.99	340	361	398	374	451
Average Benefit	$464.10	$449.01	$455.68	$457.10	$560.96
Average Years	16.86	17.06	16.78	16.92	17.00
20 - 24.99	357	378	381	399	421
Average Benefit	$646.66	$641.13	$664.92	$668.18	$773.82
Average Years	21.86	21.94	21.93	21.96	21.97
25 - 29.99	233	285	280	290	427
Average Benefit	$812.65	$855.49	$865.93	$945.32	$1,156.13
Average Years	26.76	26.69	26.91	26.73	27.06
30 - 34.99	188	209	218	311	426
Average Benefit	$1,008.14	$1,033.56	$1,135.61	$1,235.77	$1,493.34
Average Years	31.84	31.77	31.80	31.76	31.97
35 - 39.99	225	208	275	327	396
Average Benefit	$1,386.15	$1,431.12	$1,557.00	$1,612.31	$1,691.19
Average Years	36.63	36.66	36.59	36.61	36.69
40 - 44.99	80	75	98	123	148
Average Benefit	$1,368.96	$1,636.29	$1,722.15	$1,682.39	$1,858.72
Average Years	41.26	41.25	41.52	41.31	41.41
45 - 49.99	8	7	9	10	15
Average Benefit	$1,423.29	$1,787.16	$1,535.40	$2,001.79	$1,802.69
Average Years	45.38	46.71	46.33	45.80	46.33
50 and Over	1	2	3	1	1
Average Benefit	$1,296.49	$1,754.50	$1,593.79	$1,465.36	$1,880.73
Average Years	50.00	52.00	51.33	51.00	52.00
Total Number	**2020**	**2183**	**2340**	**2473**	**2993**
Average Benefit	**$675.67**	**$676.31**	**$737.86**	**$810.33**	**$964.41**
Average Years	**21.56**	**21.23**	**21.60**	**22.85**	**23.48**

Comparison of Benefits Paid to Retired Members

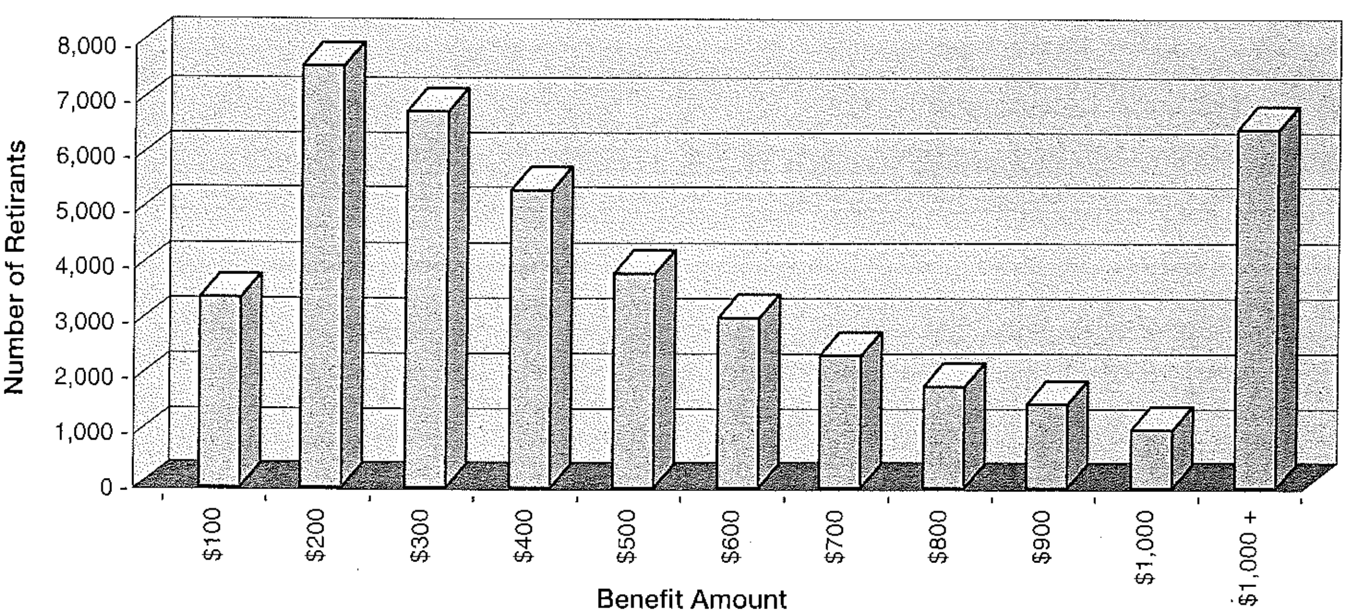


Kansas Public Employees Retirement System

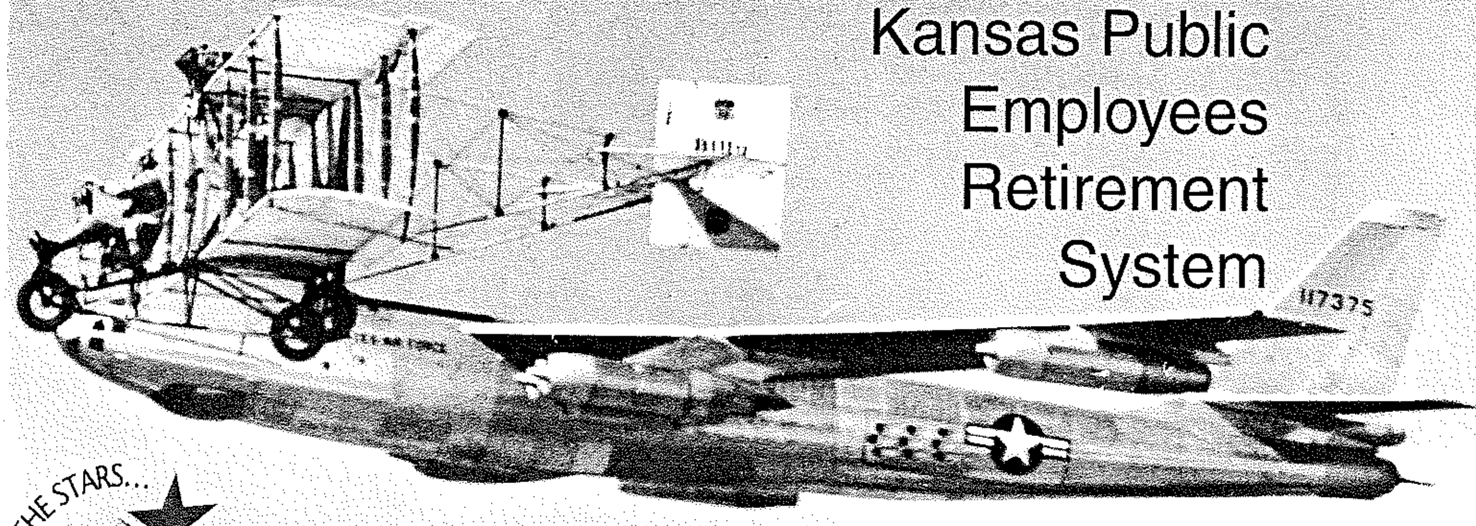
Average Benefit by Years of Service - Five Year Summary
Joint Annuitant Only

Service Credit	1989	1990	1991	1992	1993
Less Than 5	5	6	5	5	4
Average Benefit	$136.88	$268.22	$630.01	$169.71	$101.14
Average Years	3.00	2.83	2.40	3.60	2.25
5 - 9.99	18	13	6	13	8
Average Benefit	$351.56	$225.27	$360.42	$285.11	$163.90
Average Years	7.19	7.54	7.33	7.15	7.50
10 - 14.99	13	18	17	15	13
Average Benefit	$369.93	$225.47	$321.24	$272.20	$306.58
Average Years	12.00	12.56	11.88	12.20	12.62
15 - 19.99	16	13	13	26	15
Average Benefit	$344.37	$468.71	$499.80	$364.48	$429.16
Average Years	17.19	16.69	16.92	17.08	16.67
20 - 24.99	19	14	15	17	26
Average Benefit	$539.51	$637.55	$589.91	$543.14	$586.39
Average Years	21.74	22.00	22.33	21.71	22.50
25 - 29.99	9	10	12	13	9
Average Benefit	$759.93	$549.37	$746.33	$602.96	$645.22
Average Years	26.67	26.60	27.17	26.08	26.67
30 - 34.99	8	11	18	15	7
Average Benefit	$1,016.29	$471.15	$692.71	$859.23	$878.64
Average Years	31.38	32.27	32.17	37.27	31.43
35 - 39.99	15	12	12	7	10
Average Benefit	$838.21	$856.77	$1,356.33	$1,489.82	$1,370.29
Average Years	36.87	36.33	36.50	37.14	36.50
40 - 44.99	6	3	4	7	2
Average Benefit	$1,289.29	$1,646.28	$1,508.29	$1,532.81	$1,142.10
Average Years	41.67	40.67	41.25	41.43	41.50
45 - 49.99				2	1
Average Benefit	---	---	---	$1,748.98	$887.78
Average Years				45.50	47.00
50 and Over					
Average Benefit	---	---	---	---	---
Average Years					
Total Number	**109**	**100**	**102**	**120**	**95**
Average Benefit	**$576.70**	**$497.45**	**$684.84**	**$606.09**	**$591.76**
Average Years	**20.94**	**20.45**	**22.75**	**21.43**	**21.29**

Benefit Amount as of June 30, 1994



Staff Members, Kansas Public Employees Retirement System



TO THE STARS... AD ASTRA

A Boeing B-47 jet bomber and a pusher biplane "race" each other through the skies over Kansas during an air show.

Cathy A. Adams
Brenda Alfrey
William A. Anderson
Katy Bach
Yohonna Darneece Barraud
Annie Barron
Shelley Bauman
Barbara Beach
Dianna Berry
Leland C. Breedlove
Rosemary Butler
Roque Chang
Virgil V. Clifton
Cathy Colpitts
Amanda Conn
Doug Cunningham
Margaret Danner
Donna Deck
Don Deseck
Yolanda Dickinson
Kevin W. Doel
Jill Emme
Mitchell Fick
Evelyn Fitzpatrick
Renae E. Forque
Connie Gardner
Kay Gleason
Linda A. Grame
Jerry W. Grant
Barbara J. Grimes
Earlene Hagans
Joan T. Hancock
James R. Handley
Jack L. Hawn
Duane Herrmann
Lisa Hernandez
Robb Hickey
Denise Hilmes
Arlene Hill
John L. Hooker
Barb Huerter
Joanna L. Huffman
Melva Janke
Sharran Johnson
Dean Kelley
Deanna Kirk
Cheryl Koch
Janet M. Kruzel
Judy Lambert
Vu Le
Bob Linke
Jim Long
Debra J. Lewis
Priscilla A. Martinez
Judy McNeal
Elizabeth B. A. Miller
Janice Minger
Florence Morris
Velma Morris
Craig Pearman
Scott T. Peppard
Claudia Perney
Diana J. Peters
Linda S. Porter
Diane Potter
Jerry L. Quick
Kim Raines
Randall W. Rahberg
Norma Reed
MaryAnn Sachs
Robert D. Schau
Cora Schulte
Susan Sebring
Kay Simecka
LeRoy Tralle
David E. Westphal
Meredith Williams
Barbara Wisbey
Corinna M. Woodward
Pat Zimmerman