Schedule of Adminstrative Expenses

For the Fiscal Year Ended June 30, 2004

Salaries and Wages		**$4,301,157**
Professional Services		
Actuarial	$189,109	
Audit	32,500	
Data Processing	420,751	
Legal	31,931	
Other Professional Services	738,571	
Total Professional Services		**1,412,862**
Communication		
Advertising	4,509	
Postage	209,195	
Printing	87,651	
Telephone	42,741	
Total Communication		**344,096**
Building Administration		
Building Management	75,422	
Janitorial Service	40,260	
Office and Equipment Rent	20,602	
Real Estate Taxes	79,535	
Utilities	53,824	
Total Building Administration		**269,643**
Miscellaneous		
Dues and Subscriptions	30,971	
Repair and Service Agreements	74,687	
Fees-Other Services	75,780	
Supplies	125,280	
Temporary Services	140,811	
Travel	103,079	
Other Miscellaneous	40,306	
Depreciation	312,623	
Total Miscellaneous		**903,537**
Total Administrative Expenses		**$7,231,295**

Schedule of Investment Income by Asset Class

For the Fiscal Year Ended June 30, 2004

Asset Classification	Interest, Dividends and Other Transactions	Gains and (Losses)	Total
Marketable Equity Securities			
Domestic Equities	$37,912,844	$556,796,969	$594,709,813
International Equities	41,892,598	418,417,695	460,310,293
Subtotal Marketable Equities	79,805,442	975,214,664	1,055,020,106
Marketable Fixed Income Securities			
Domestic Fixed Income			
Government	54,992,976	10,398,063	65,391,039
Corporate	72,606,460	(22,663,540)	49,942,920
Subtotal Marketable Fixed Income	127,599,436	(12,265,477)	115,333,959
Temporary Investments	3,920,686	116,359	4,037,045
Total Marketable Securities	**211,325,564**	**963,065,546**	**1,174,391,110**
Real Estate	39,514,695	47,177,107	86,691,802
Alternative Investments	12,155,602	76,886,225	89,041,827
Total Real Estate and Alternative Investments	**51,670,297**	**124,063,332**	**175,733,629**
Other Investment Income			
Securities Lending	4,254,284	—	4,254,284
Recaptured Broker Commissions	355,830	—	355,830
Miscellaneous Income	209,662	—	209,662
Total Other Investment Income	**4,819,776**	**—**	**4,819,776**
Total Investment Income	**$267,815,637**	**$1,087,128,878**	**$1,354,944,515**

Manager and Custodian Fees and Expenses	
Investment Manager Fees	(17,520,389)
Custodian Fees and Expenses	(611,580)
Other Investment Expenses	(586,632)
Total Investment Fees and Expenses	(18,718,601)
Net Investment Income	**$1,336,225,914**

Schedule of Investment Fees and Expenses

For the Fiscal Year Ended June 30, 2004

Domestic Equity Managers		
Barclays Global Investors	$3,025,200	
Capital Guardian Trust Co.	343,828	
Wellington Management Co.	1,948,528	
Subtotal Domestic Equity Managers		**$5,317,556**
International Equity Managers		
Alliance Capital Management	1,000,875	
Barclays Global Investors	271,933	
Lazard Freres Asset Management	1,595,447	
Morgan Stanley Asset Management	1,637,130	
Nomura Capital Management	625,896	
Subtotal International Equity Managers		**5,131,281**
Fixed Income Managers		
Loomis, Sayles & Co.	1,110,453	
Pacific Investment Management Co.	1,048,718	
Payden & Rygel Investment Counsel	800,858	
Western Asset Management Co.	863,864	
Subtotal Fixed Income Managers		**3,823,893**
Foreign Currency Overlay Manager		
Pareto Partners	1,177,981	
Subtotal Foreign Currency Overlay Manager		**1,177,981**
Real Estate and Alternative Investment Managers		
AEW Capital Management	1,312,527	
Lend Lease	219,145	
Portfolio Advisors	358,154	
Morgan Stanley Prime Property Fund	56,589	
Subtotal Real Estate and Alternative Managers		**1,946,415**
Cash Equivalent Manager		
Payden & Rygel Investment Counsel	123,263	
Subtotal Cash Management		**123,263**
Total Investment Management Fees		**17,520,389**
Other Fees and Expenses		
Mellon Trust - Custodian Fees and Expenses	611,580	
Consultant Fees	559,100	
Litigation Expenses	27,532	
Subtotal Other Fees and Expenses		**1,198,212**
Total Investment Fees and Expenses		**$18,718,601**

Investment Section

Investment

Chief Investment Officer's Review

Robert Woodard

The Kansas Public Employees Retirement System's investment portfolio represents all contributions to the plan, from both members and their employers, as well as all net earnings on these assets. These reserves are held in support of both current and future benefits to which members have earned entitlement. Total assets at the end of the fiscal year were slightly over $10.3 billion. This money receives the benefit of a diversified, carefully monitored investment portfolio that includes stocks, bonds, real estate, alternative investments and cash.

Asset Allocation

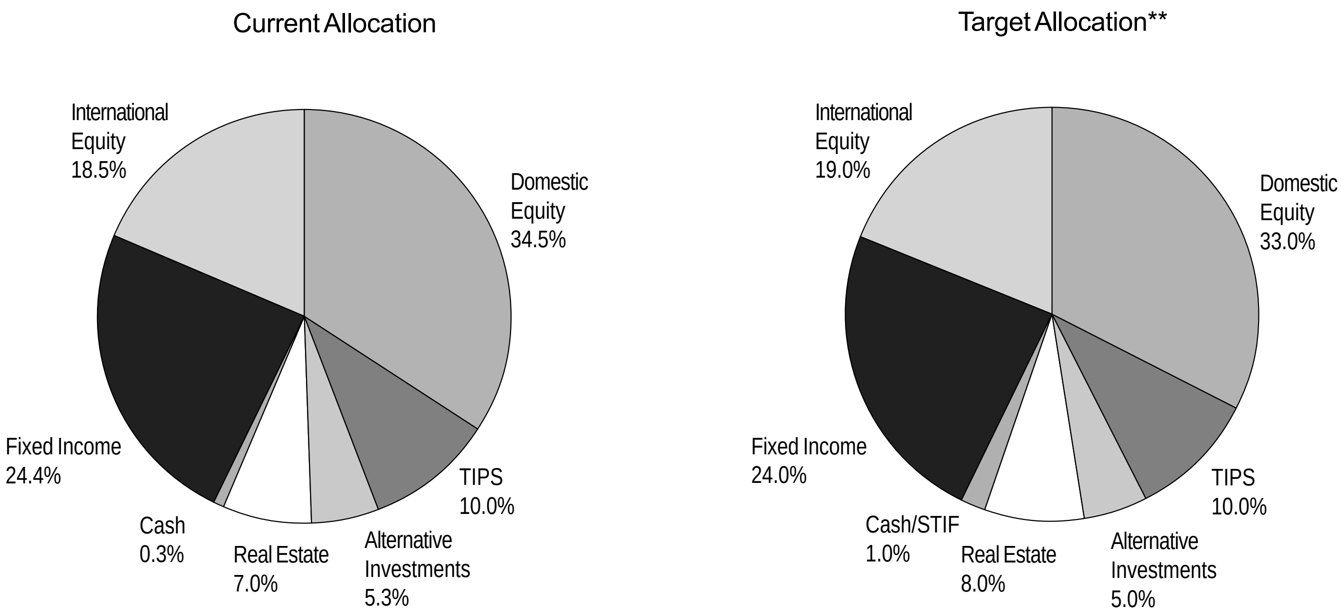
Stock holdings are invested primarily in companies doing business in the United States, but also include a significant exposure to stocks of companies operating outside the U.S. By diversifying a portion of the total stock portfolio away from the U.S., we expect over time to realize positive returns while simultaneously reducing the risk of adverse total returns. Since global economies generally operate independently, an exposure to foreign markets provides a higher probability of realizing positive results, on average, without as much year-to-year variability as might exist in a U.S. only portfolio. The Board of Trustees has carefully selected several domestic and international managers to supervise a total of 12 portfolios that make up this portion of the portfolio. By utilizing several managers, the fund enjoys further diversification among manager styles and is less reliant on any one manager's performance.

The bond holdings in the portfolio are similarly diversified, as are the managers. As with the equity investments, the portfolio is primarily invested domestically with a small portion of international opportunities added for additional yield and diversification. The Board has chosen five managers to supervise these pools.

Additional investments in real estate, alternative investments and cash complete the portfolio. Real estate and alternative investments provide return opportunities as well as diversification to the portfolio. This helps to further smooth the variability of the System's annual returns. Cash is held primarily to facilitate the settlement of purchases and sales of securities within the portfolio. It also provides for the operational needs of the System. During fiscal year 2004, nearly $780 million in benefits or refunds were distributed to members and their families.

Portfolio Asset Allocation

For the Period Ending June 30, 2004



**The Domestic Equity and Cash Allocations reflect the impact of the Cash Securitization Portfolio.

Investment Policy

To guide the implementation of the System's broad investment objectives the Board of Trustees has adopted a Statement of Investment Policy, Objectives and Guidelines. The Statement complements the KPERS Statutes and documents the principles and standards which are believed to guide the management of the assets of the System. It is binding upon all persons with authority over System assets, including investment managers, custodians, consultants, staff, and the Board of Trustees.

The Statement of Investment Policy, Objectives and Guidelines is the product of the Board's careful and prudent study and is reviewed and updated annually. It sets forth the investment policies, objectives, and guidelines which the Board of Trustees judges to be appropriate and prudent, in consideration of the needs of the System, and to comply with the K.S.A. 74-4901 *et seq*., to direct the System's assets. Although the System is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Board intends to abide by the directions of ERISA to the greatest extent desirable. As such, this Statement is written to be consistent with ERISA.

Among other things, the Statement establishes the criteria against which the investment managers retained are to be measured and communicates the investment policies, objectives, guidelines, and performance criteria to the Board, staff, investment advisors, consultants, and all other interested parties. In addition, it serves as a review document to guide the ongoing oversight of the investment of the Fund and as a yardstick for compliance with K.S.A. 74-4901 *et seq.*

The Statement also provides guidance in the areas of corporate governance and proxy voting. Specifically, the System expects that each proxy vote will be individually reviewed and acted upon in the long-term economic best interests of members and beneficiaries. All proxy votes, whether initiated by an external manager, internal KPERS management or through a third party service are reviewed annually to assess compliance. With regard to corporate governance, the Statement sets forth the criteria by which the System requires that in each case the manager base his actions on the long-term economic best interests of members and beneficiaries.

Recent Performance

The System realized a 15.4 percent return for the fiscal year, well in excess of the actuarial assumption of 8 percent. Total returns were led by the System's equity investments, with domestic (U.S.) equity investments returning just under 20 percent for the year and international equity investments returning over 27 percent. Also supporting the portfolio were the returns of the real estate segment (15.9 percent) led by Real Estate Investment Trusts and the Alternative Investments at 18.7 percent. Alternative Investments are typically less liquid investments in areas such as venture capital, buyouts and distressed debt. All other asset classes (fixed income and cash) were also positive, albeit by more modest amounts. Additional investment performance detail by asset class is on the following page.

Investment Performance Report

For the Period Ending June 30, 2004

Time-Weighted Return (1)	Last Year	Latest 3 Years	Latest 5 Years
Total Portfolio	**15.4%**	**4.6%**	**3.8%**
Policy Index	15.2%	5.2%	4.1%
Consumer Price Index	3.2%	2.1%	2.7%
Domestic Equity Portfolio	19.9%	1.1%	0.4%
KPERS Equity Benchmark	20.5%	1.4%	0.5%
International Equity Portfolio	27.4%	2.3%	0.8%
KPERS Int'l Equity Benchmark	30.3%	2.8%	-0.7%
Fixed Income Portfolio	3.1%	7.6%	7.1%
KPERS Fixed Income Benchmark	2.3%	7.1%	6.2%
TIPS Portfolio	5.6%	11.9%	NA
KPERS TIPS Benchmark	5.6%	11.8%	NA
Real Estate Portfolio	15.9%	10.0%	9.9%
KPERS Real Estate Benchmark	13.3%	8.6%	10.3%
Alternative Investment Portfolio	18.7%	-2.2%	1.3%
KPERS Alternative Investment Benchmark	15.0%	6.9%	7.7%
Cash Equivalents Portfolio	1.1%	1.9%	3.8%
Merrill Lynch 0-1 Yr. Treasury Index	1.0%	2.0%	3.5%

(1) Time weighted total return includes income and changes in market value.

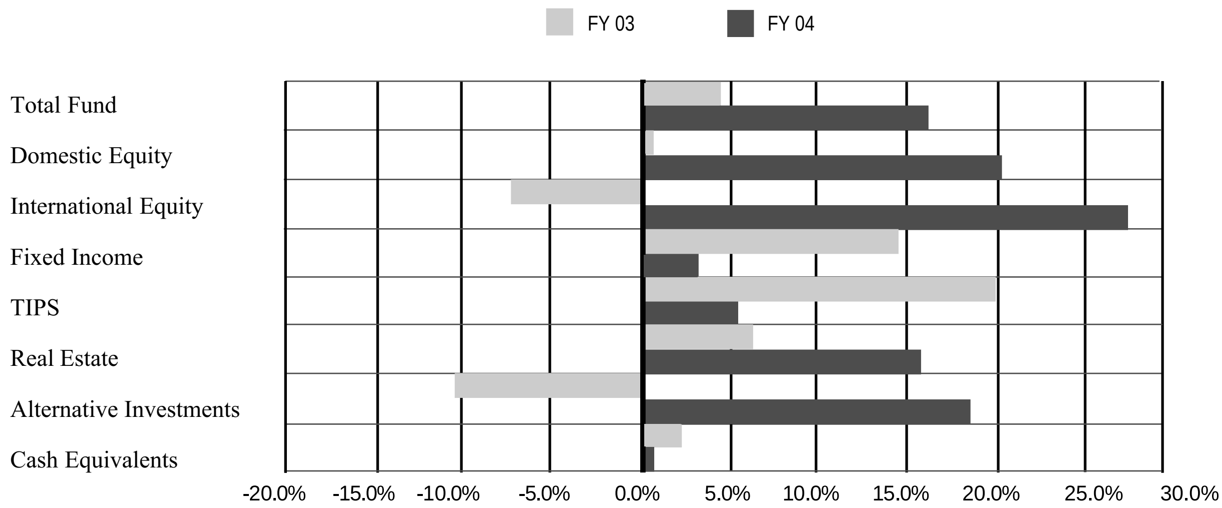
(2) Above performance data presented in conformance with AIMR standards.

In periods of volatile markets it is important to keep in mind that the long-term health and stability of the System is not predicated on any single year or single decade of performance, be it exceptionally good or exceptionally disappointing. Like the benefits that the assets are held to eventually pay, the investment strategy will continue to focus on the long-term. This includes the application of prudent diversification and moderation in return expectations.

The Retirement System employs a staff of eight professionals to provide oversight and management of the System's assets and the System's external asset managers. Under the oversight of the Chief Investment Officer, responsibility for the portfolio is divided by asset class. The Deputy Chief Investment Officer is assigned to equity securities, the Fixed Income Investment Officer to fixed income securities, the Real Estate Investment Officer to real estate and the Alternative Investment Officer position (currently vacant), is in charge of alternative investments. These individuals' comments on their respective areas follow. In keeping with our mandate to prudently manage the assets of the System solely for the benefit of the participants, we will continue to seek out opportunities to deliver consistent risk adjusted returns and to contain overhead.

Return Comparison by Asset Class

For Fiscal Years Ending June 2003 and June 2004



Equity Review

Scott Peppard, Deputy Chief Investment Officer

During the 2004 fiscal year, the System's domestic and international equity portfolios experienced favorable absolute returns, providing the highest returns among the asset classes in which the System invests. For the year ending June 30, 2004, domestic stocks in general returned over 20 percent and international stocks returned just under 33 percent. During this period the U.S. dollar weakened, which accounted for nearly all of the return differential between the domestic and international equity markets.

Almost all of the gains in the fiscal year were achieved during the first eight months (July 2003 through February 2004), as the domestic markets experienced positive returns in seven out of eight months while developed international equity markets were positive in all eight months. The favorable market returns from July to February can be attributed to a recovering economy and a low interest rate environment. From March to June returns were flat, due in part to uncertainties associated with rising oil prices, the timing and magnitude of interest rate hikes by the Federal Reserve and the war in Iraq.

The returns for both the domestic and international equity indexes were much improved over recent fiscal years. For FY 2004 domestic equities, as measured by the Russell 3000 Index, increased in value by 20.5 percent. This compares extremely well against the 0.8 percent and negative 17.2 percent returns of FY2003 and FY2002, respectively. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE), a proxy for developed country international equity markets, gained 32.9 percent. Again, this was much better than the negative 6.1 percent return in FY2003 and the negative 9.2 percent return in FY2002.

The System's domestic equity portfolio is made up of six separate portfolios. Five of the portfolios are actively managed, which means that the portfolio's objective is to earn a return greater than their assigned benchmark. The active portfolios are managed by external investment managers. The remaining portfolio is passively managed by KPERS internal management team. The objective of this portfolio is to match the return of the assigned benchmark. When considered in aggregate, the portfolios have characteristics that are similar to that of the Russell 3000. During the most recent fiscal year, the overall portfolio returned 19.9 percent, compared to the 20.5 percent return of the Russell 3000 Index. Two of the five portfolios met or exceeded the benchmark return while the remaining three underperformed. The passive portfolio returned 19.4 percent relative to its Russell 1000 benchmark return of 19.5 percent.

Similarly, the international equity portfolio consists of six separate externally managed equity portfolios with an additional advisor in place to manage a portion of the currency exposure. The total international portfolio, including the currency manager's activities, returned 27.4 percent versus 30.3 percent for the MSCI EAFE Index, adjusted for currency hedging.

Excluding the currency overlay manager, the combined portfolios returned 29.1 percent for the fiscal year. While the return is very favorable in absolute terms, the consolidation underperformed the MSCI EAFE Index return of 32.9 percent. Like the domestic portfolio, the international portfolio uses both active and passive management. For the fiscal year, only one manager outperformed, while four under performed their benchmark. One portfolio was added during the year and had less than a year of history with the System. The passive strategy slightly under performed.

The System's external investment management team remained stable over the year, with the exception of moving about half of the passive international equity portfolio to an enhanced index mandate. The enhanced index portfolio is expected to add value relative to its benchmark while pursuing a risk controlled strategy.

During the first half of FY2005, the System will be going through its triennial asset/liability study. The study's objective is to develop a strategic asset mix that is designed to meet the funding needs of the System. In conjunction with this study, the manager structure will be analyzed in an effort to maximize return given the associated risks.

Fixed Income

Cheri Woolsey, Fixed Income Investment Officer
The System's traditional fixed income portfolio returned 3.1 percent for fiscal year 2004. On a relative basis, the portfolio out performed the KPERS fixed income benchmark return of 2.3 percent. Through active management, three of four external managers added value based on their ability to identify opportunities to enhance portfolio returns. The passively managed Treasury Inflation Protected Securities (TIPS) portfolio performed well in both relative and absolute terms with a return of 5.62 percent versus its benchmark's return of 5.57 percent.

During the fiscal year, price volatility in fixed income increased as the financial markets fixated on when and by how much interest rates and inflation would rise. The markets evaluated every comment by Federal Reserve Chairman Greenspan and watched for key economic indicators that might lead to short-term rate increases. However, the Fed's targeted short-term federal funds rate remained at 1.0 percent and the long awaited increase to 1.25 percent did not occur until June 2004. Conversely, medium and long-term rates trended higher throughout the fiscal year based on investor anticipation of an eventual Fed tightening to counter increasing inflation expectations. These rising interest rates produced price declines that resulted in lower total returns for fixed income than in previous years (e.g. fiscal year 2003 returns were 14 percent for fixed income and slightly over 19 percent for TIPS).

Throughout the year, inconsistent economic data also contributed to erratic price movements for fixed income. Economic growth was fueled by strong consumer confidence and spending that was predicated on low interest rate mortgages and cash-out refinancing. Additional economic stimulus was created by the president's tax relief package that gave taxpayers more discretionary dollars to spend on goods and services. Yet, corporations refrained from investing in capital improvements or hiring, and instead focused on improving their balance sheets. Unemployment continued to remain comparatively high for an economic recovery, a recovery that was for a time referred to as “the jobless recovery.” Economists dissected and openly debated the growth and quality of jobs reflected in monthly payroll data, lending to additional market confusion on the Fed's intention to raise rates.

Corporate high yield securities were the best performing among major fixed income components. The System's high-yield manager returned 11.3 percent compared to the benchmark's return of 10.4 percent. High yield tends to perform extremely well in a recovering economy based on its equity-like valuation. Investor demand for high yield also increased as the “carry trade” was readily available. This strategy allows investors to take advantage of a steep upward sloping yield curve. It is typically used by sophisticated investors who use leverage to borrow at extremely low short-term rates and invest the proceeds in riskier, longer-term assets such as high-yield and emerging markets. Combined, the recovering economy and the carry trade contributed to the continued demand for high yield and resulted in strong returns in spite of rising rates.

Single-digit returns for fixed income and TIPS is the consensus expectation for the next few years. If interest rates rise in a measured fashion, and absent a stronger than expected overall economic recovery, fixed income should continue to deliver reasonable absolute returns and good diversification. In this environment, the System's TIPS portfolio should contribute to positive performance since TIPS provide a monthly inflation adjustment in addition to a real return. We expect this adjustment to help mitigate price declines in the overall fixed income portion of the portfolio if interest rates rise.

Real Estate

Robert Schau, Real Estate Investment Officer
For fiscal year 2004, the System continued to target an 8 percent exposure to real estate assets, with actual investments reaching 6.8 percent. This allocation is expected to provide a steady source of relatively high current income returns and enhance portfolio diversification by reducing overall return volatility.

The System's long-term investment strategy includes direct and indirect ownership of institutional quality office, industrial, retail and multifamily properties in major metropolitan areas, with a target weighting of one-half of the real estate portfolio. The other half includes investments in publicly traded real estate investment trusts (REITs) and participation in several non-core investment funds, consisting of pooled holdings of properties (having higher risk and return expectations).

Commercial real estate performance historically has been highly correlated to overall economic growth. We correctly anticipated that a recession of the magnitude experienced in the late 1980s would not be repeated before a recovery, and have steadily worked toward reaching the targeted weighting. In fact, during the recent recession, low interest rates and lack of competitive yield vehicles have driven real estate values up, even as operating results have declined. The System has taken advantage of this market by continuing its program of favorably refinancing outstanding debt and realizing profits on strategic property sales. Diversification has improved with three new acquisitions; a grocery anchored shopping center in Minneapolis, a high-end multifamily property near West Palm Beach and a high-quality open-end core fund.

For the fiscal year ending June 30, 2004, the portfolio generated a total return (defined as value changes plus current income) of 15.9 percent (compared to 6.4 percent last year). This was substantially above the 13.3 percent blended benchmark (consisting of policy-weighted components for private and public equity real estate), and well above last year's benchmark performance of 4.8 percent. The majority of the excess performance was driven by exposure in two REIT portfolios which provided returns of 30 and 27 percent, respectively, and to the more aggressive non-core funds which generated a return of almost 11 percent. Over the past five years, the total portfolio has contributed an average return of 10.0 percent, the highest of any asset class.

Real estate historically has had risk and return characteristics that fall between debt and equity. Therefore, while pleased with these results, we do not expect this out performance to continue indefinitely. This is particularly likely as the System's returns have been generated with a moderate risk exposure - i.e., 40 percent debt levels and no core acquisitions involving development or leasing challenges. We are cognizant of the cyclicality inherent in individual sectors, as well as the extraordinary amount of capital flowing into real estate. U.S. institutional tax-exempt real estate assets have increased to $266 billion in 2003, from a base of about $125 billion ten years earlier. Recent surveys project an additional increase of up to $50 billion in 2004 alone. Pricing at the margin is largely being driven by individuals who are arbitraging the low cost of capital against the relatively high yields. That strategy will not be indefinitely sustainable, and it has often ended badly for the asset class in which it has occurred. These risks are accentuated by the prospect of rising interest rates in a fragile economy.

That said, unlike past real estate boom/bust cycles, transparency in the form of information and disclosure is materially better, reigning in developers and reducing the risk of oversupply. Equally important, the high current income component remains virtually unmatched in the capital markets for the foreseeable future. As this cash flow characteristic corresponds well with the requirements of an aging population (both domestically and internationally), we anticipate that the flow of funds into this sector will likely be sustainable for some time and that operational results are likely to improve in most property types and markets. As such, we intend to remain focused on achieving the targeted real estate exposure level.

Alternative Investments

Don Deseck, Senior Investment Accountant
Alternative investments are traditionally focused on private debt and equity assets that are not traded on an organized exchange. Large institutional investors like KPERS purchase alternative investments in an effort to improve their total portfolio returns and to diversify risk. Alternative investments provide an opportunity for higher returns due to the inefficiencies and illiquidity inherent in this portion of the capital markets. These excess returns are expected to compensate for the greater risk of loss and the extreme volatility of returns. To help manage and diversify these risks, alternative investments are frequently made in a pooled format, usually as a limited partnership or limited liability corporation. At

present, the System has investment relationships with 35 different investment managers across 53 distinct partnership funds. The portfolio is further diversified across several investment sectors including buyout, venture capital, mezzanine and distressed debt.

The System has a 5 percent target allocation to alternatives and a current weighting slightly in excess of that amount. The System began constructing the majority of the current alternative investment portfolio in 1997 with commitments made over the ensuing four years. Due to fluctuations in the market value of both the alternative investment portfolio and the underlying aggregate portfolio, the exposure to alternatives has varied between 5 and 6 percent of total investments. Recent legislation replaced a 5 percent limitation on total alternative investments with an annual 1 percent limit on new investments. Staff is in the process of evaluating the System's future alternative investment portfolio strategy given these new statutory developments.

Alternative investment performance is highly sensitive to the general state of the economy and the health of the public equity markets. Over the course of the fiscal year, the economy steadily strenghtened with continued growth in corporate profitability, productivity and employment. In turn, public markets stabilized, providing for the resurgence of initial public offerings (IPOs), which are a primary exit vehicle for many private equity investments. As the fiscal year drew to a close, the economy and capital markets seemed to be losing some momentum, and optimism over continued growth was somewhat offset with concerns about terrorism, energy prices and potentially rising interest rates.

KPERS' aggregate alternative investment portfolio performance reflected the turnaround in the economy and the public markets with an 18.7 percent return for fiscal year 2004, substantially exceeding the index benchmark of 15 percent. Within the asset class, venture capital returns were the best for the fiscal year, followed by buyout, distressed debt and mezzanine. Exemplifying the volatility of these assets, until recently the buyout strategy had produced the best returns and venture capital the worst. KPERS' portfolio is still in the early stages of maturation and the long-term expectations for this asset class remain positive.

As required by K.S.A. 74-4904, a schedule of alternative investment initiated on or after July 1, 1991, is listed on the following two pages. Another schedule, summarizing changes in fair value of investments, is on page 50. A listing of domestic broker commissions paid in fiscal year 2004 and the top ten equities and fixed income holdings at fiscal year end are shown on pages 51 and 52.

Alternative Investments Initiated on or After July 1, 1991 (1)

Shares	Description	Cost	Market Value
	Included in Alternative Investments Portfolios:		
11,250,000	Advanced Technology VI LP	$8,799,988	$4,004,978
14,400,000	Apax Europe IV LP	5,938,924	6,130,620
18,480,000	Apax Europe V LP	12,754,353	14,117,465
5,000,000	Battery Ventures V LP	1,531,561	1,580,420
8,985,925	Battery Ventures VI LP	6,938,021	4,253,110
10,770,037	Beacon Group Energy Fund II	4,121,624	5,568,928
17,625,353	Behrman Capital II LP	12,685,058	10,056,885
20,741,262	Behrman Capital III LP	18,179,354	18,454,725
5,543,913	Candover 1997 Us #1 Fund LP	362,920	1,444,030
17,067,044	Capital Resource Partners IV	13,497,152	10,612,834
5,593,603	Cinven Second Fund US LP	5,142,527	8,268,333
15,092,907	Clayton Dubilier & Rice VI LP	9,790,887	7,816,767
12,480,139	Cypress Merchant Banking II	11,938,034	12,479,827
9,500,000	Dominion Fund V LP	6,225,904	2,783,481
4,750,000	El Dorado Ventures IV LP	1,583,722	306,427
8,000,000	El Dorado Ventures V LP	5,725,541	3,178,760
10,000,000	El Dorado Ventures VI LP	8,526,771	6,674,270
17,397,353	GTCR Capital Partners LP	12,103,555	11,936,028
26,577,662	GTCR Fund VII LP	21,439,333	20,184,273
3,075,000	GTCR Fund VII/A LP	1,997,752	2,921,358
14,900,000	Halpern Denny Fund III LP	8,681,953	10,279,808
18,779,894	Harvest Partners III LP	15,349,191	14,795,157
15,524,188	Kelso Investment Assoc VI	5,821,957	12,792,567
13,590,056	Littlejohn Fund II LP	10,517,085	12,767,219
16,999,811	McCown De Leeuw & Co IV LP	6,995,534	8,229,473
20,000,000	MD Sass Corp Resurgence	6,905,508	12,666,880
16,808,919	MD Sass Corp Resurgence II	6,691,665	11,857,633
15,388,559	MD Sass Corp Resurgence III	7,746,285	11,449,858

Shares	Description	Cost	Market Value
17,666,196	Oak Hill Capital Partners LP	$ 9,702,166	$ 9,307,047
13,000,000	OCM Opportunities Fund II LP	4,645,220	5,026,060
20,000,000	OCM Opportunities Fund III	6,940,057	11,072,440
8,000,000	OneLiberty Fund IV LP	4,368,128	2,873,432
16,500,000	OneLiberty Ventures 2000 LP	14,486,432	9,797,766
21,200,000	TA IX, L. P.	15,465,065	22,645,819
10,700,000	TA Subordinated Debt Fund LP	7,692,514	8,483,281
15,268,000	TCV IV LP	9,928,644	12,085,156
16,910,043	Thomas H Lee Equity Fund IV	10,956,263	10,808,020
17,474,885	Thomas H Lee Equity Fund V	14,727,980	19,016,781
4,518,438	Trinity Ventures VI LP	1,429,163	987,369
12,750,000	Trinity Ventures VII LP	8,888,326	4,423,256
9,240,000	Trinity Ventures VIII LP	7,480,648	4,730,871
19,730,748	Triumph Partners III LP	12,528,650	10,030,067
12,600,000	Vantagepoint Venture III	6,844,347	3,452,312
14,100,000	Vantagepoint Venture IV LP	10,980,727	9,527,455
15,351,999	Vestar Capital Partners IV LP	11,219,447	12,357,545
16,594,668	VS & A Communications III	12,040,134	11,631,269
20,000,000	Warburg Pincus Equity (8)	3,650,819	11,934,940
25,200,000	Welsh, Carson IX LP	13,126,863	20,348,143
19,800,000	Welsh, Carson VIII LP	13,378,635	15,255,365
19,954,755	Willis Stein & Partners II LP	8,326,495	6,829,395
25,672,493	Willis Stein & Partners III	23,880,083	23,101,367
13,304,898	Windjammer Fund II LP	9,661,849	11,428,548
15,277,377	Windward Capital Partners II	10,543,140	18,651,065
Total Post 1991 Investments		**$490,883,951**	**$523,416,882**

(1) Investment values quoted without spin-offs or distributions.

Schedule of Investment Summary

(In Thousands) (1) For the Fiscal Year Ended June 30, 2004

	June 30, 2003 Fair Value	Purchases and Other Increases	Sales and Other Decreases	June 30, 2004 Fair Value	Asset Mix Fair Value
Marketable Securities					
Domestic Equities	$3,024,581	$986,276	$(497,411)	$3,513,446	32.65%
International Equities	1,621,533	1,260,835	(745,454)	2,136,914	19.86
Total Fixed Income	3,255,500	10,155,754	(9,729,782)	3,621,472	34.22
Temporary Investments (2)	379,764	21,593,784	(21,791,041)	182,507	1.70
Total Marketable Securities	**8,281,378**	**33,996,649**	**(32,763,688)**	**9,514,339**	**88.43**
Real Estate and Alternative Investments					
Real Estate	623,648	155,902	(72,655)	706,895	6.57
Direct Placements and Limited Partnerships	483,144	208,307	(153,523)	537,928	5.00
Total Real Estate and Alternative Investments	**1,106,792**	**364,209**	**(226,178)**	**1,244,823**	**11.57**
Total	**$9,388,170**	**$34,360,858**	**($32,989,866)**	**$10,759,162**	**100.00%**

1) Amounts include changes in unrealized appreciation and exclude interest and dividend accruals. Amounts exclude security lending cash collateral of $1,860,279,374 for FY 2003 and FY 2004 cash collateral of $2,078,302,191.

2) Temporary Investments include foreign currencies and securities maturing within 90 days of purchase date.

U.S. Equity Commissions

For the Fiscal Year Ended June 30, 2004

Broker Name	Commissions Paid	Shares	Commission Per Share	Percent of Total Commissions
Goldman Sachs & Co, NY	$ 131,343	3,335,450	$0.04	7.6 %
Morgan Stanley & Co Inc, NY	129,012	4,458,355	0.03	7.4
Credit Suisse First Boston Corp, NY	113,959	2,525,295	0.05	6.6
Citigroup Gbl Mkts Inc, New York	113,584	3,097,230	0.04	6.5
Merrill Lynch Pierce Fenner Smith Inc NY	109,065	2,368,900	0.05	6.3
Lehman Bros Inc, New York	107,815	2,168,567	0.05	6.2
Banc Of America Secs LLC, Charlotte	91,951	2,301,700	0.04	5.3
Ubs Securities LLC, New York	68,094	1,455,800	0.05	3.9
Jefferies & Co Inc, New York	60,674	1,443,000	0.04	3.5
Sg Americas Securities LLC, New York	55,390	1,204,100	0.05	3.2
Investment Technology Groups, NY	53,956	4,143,600	0.01	3.1
Schwab Charles & Co Inc, San Francisco	43,538	1,174,600	0.04	2.5
Thomas & Weisel Inc, San Francisco	40,952	855,400	0.05	2.4
Bear Stearns & Co Inc, NY	37,208	797,100	0.05	2.1
Morgan J P Secs Inc, New York	33,322	792,300	0.04	1.9
Soundview Finl Group, Stanford	31,878	659,100	0.05	1.8
Wachovia Capital Markets LLC, Charlotte	29,546	620,400	0.05	1.7
Knight Sec Broadcort, Jersey City	26,639	771,500	0.03	1.5
Deutsche Banc Alex Brown Inc, NY	25,470	613,400	0.04	1.5
Oppenheimer & Co Inc, New York	23,941	524,800	0.05	1.4
First Clearing LLC, Richmond	21,945	731,500	0.03	1.3
Bear Stearns Sec Corp, Brooklyn	18,627	372,539	0.05	1.1
Stephens Inc, Little Rock	16,793	340,300	0.05	1.0
Maxcor Finl Inc, Jersey City	16,143	538,100	0.03	0.9
Bridge Trading Co, St Louis	15,999	399,800	0.04	0.9
Others	321,615	9,820,327	0.03	18.5
Total Broker Commissions	**$1,738,456**	**47,513,163**	**$0.04**	**100.0 %**

List of Largest Holdings[a]

as of June 30, 2004

Equities		
Shares	**Security**	**Fair Value ($)**
1,209,800	Citigroup Inc Com	$56,255,700
1,925,762	Microsoft Corp Com	54,999,763
1,450,174	Pfizer Inc Com Stk USD0.05	49,711,965
1,500,944	General Elec Co Com	48,630,586
3,163,014	HSBC Hldgs Ord USD 0.05 (UK)	47,036,232
1,055,524	Exxon Mobil Corp	46,875,821
19,877,416	Vodafone Group Pic Ord USD0.10	43,527,590
498,149	Bank of America Corp	42,153,368
210,898	Total SA Eur10	40,207,504
1,528,805	CISCO Inc Com	36,232,679

Fixed Income			
Par Value	**Security**	**Description**	**Fair Value ($)**
$ 570,888,107	US Treasury Inflation Index Bd	3.875% 04/15/2029	$ 728,239,142
112,737,280	US Treasury Inflation Index Bd	3.625% 04/15/2028	137,574,994
98,490,720	US Treasury Inflation Index Bd	3.375% 04/15/2032	119,881,919
81,800,000	US Treasury Bill	0.000% 07/08/2004	81,661,516
70,990,000	US Treasury Notes	2.500% 05/31/2006	70,769,931
63,670,000	US Treasury Notes	4.000% 06/15/2009	64,223,929
49,640,000	Commit To Pur FNMA Sf Mtg	6.500% 07/01/2034	51,676,014
50,380,000	Commit To Pur FNMA Sf Mtg	5.000% 8/01/2019	20,245,050
49,700,000	Goldman Cat 2 Repo	1.450% 07/01/2004	49,700,000
50,000,000	US Treasury Notes	3.375% 12/15/2008	49,375,000

(a) A complete listing of the System's holdings is available at the Retirement System office.
Does not include holdings of commingled funds

Actuarial Section

Actuarial

A MILLIMAN GLOBAL FIRM

Milliman USA
Consultants and Actuaries

October 28, 2004

Board of Trustees
Kansas Public Employees Retirement System
611 S. Kansas Ave., Suite 100
Topeka, KS 66603

Dear Members of Board:

At your request, we have conducted our annual actuarial valuation of the Kansas Public Employees Retirement System as of December 31, 2003. The major findings of the valuation are contained in this report. While there was no change in the actuarial assumptions, there were changes made to both the actuarial cost method and the asset valuation method from the prior valuation. The report also reflects several legislative changes. All of the information and the supporting schedules found on page 56 through 84 of the Actuarial Section have been provided by Milliman, Inc. We also provided the information used in the supporting schedules in the *Schedules of Funding Progress* in the Financial Section as well as the employer contribution rates shown in the *Schedule of Employer Contributions* in the Financial Section.

In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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 principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

We hereby further certify that all costs, liabilities, rates of interest and other factors for the System have been determined on the basis of actuarial assumptions and methods which are internally consistent, individually reasonable (taking into account the experience of the Plan and reasonable expectations of future experience); 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. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted the set of assumptions used in this valuation. The assumptions comply with the requirements of Statement 25 of the Government Accounting Standards Board.

This report has been prepared for the Board of Trustees. Actuarial computations presented in this report are for purposes of determining the actuarial contribution rates for funding the System. Determinations for purposes other than this may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes. Other users of this report are cautioned not to rely on the information contained herein if their purpose for its use is not consistent with the purpose for which the report was prepared.

We would like to express our appreciation to Glenn Deck, Executive Director of the System, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

I, Patrice A. Beckham F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Brent A. Banister F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN, Inc.

Sincerely,

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

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

Section I, Board Summary

Overview

The Kansas Public Employees Retirement System is an umbrella organization which administers the following three statewide pension groups under one plan: 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). This report presents the results of the December 31, 2003, actuarial valuations for each of the Systems. The primary purposes of performing actuarial valuations are to:

- determine the employer contribution rates required to fund each System on an actuarial basis,
- determine the statutory employer contribution rates for each System,
- disclose asset and liability measures as of the valuation date,
- determine the experience of the System since the last valuation date, and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

There are a number of significant changes that are first reflected in this valuation:

- changing the actuarial cost method,
- changing the asset valuation method,
- issuance of Pension Obligation Bonds (POBs),
- increases in the statutory cap for Local employers,
- a benefit enhancement for KP&F, and
- splitting the State/School group into two separate groups.

The number of changes and the magnitude of their impact make it very difficult to compare the results of the current valuation to those performed in prior years. Each change is discussed individually. Also, the impact of each change on the System's Unfunded Actuarial Liability (UAL) and actuarial contribution rates is quantified.

The 2004 Legislature passed the 2004 KPERS Omnibus Bill (SB520), which contained several provisions that impacted the valuation and are reflected in this report:

- The KPERS Board of Trustees was given authority to select the actuarial cost method and the amortization method and amortization period for all three systems.
- The KPERS State/School group was split for actuarial purposes, including the calculation of employer contribution rates, into two separate groups: State and School.
- The statutory cap for the Local group increases to 0.40 percent in CY2006, with subsequent increases of 0.50 percent in CY2007 and 0.60 percent in CY2008 and beyond.
- Tier I members of KP&F may retire with unreduced benefits after 32 years of service regardless of age.

The valuation results provide a "snapshot" view of the System's financial condition on December 31, 2003. The unfunded actuarial liability for the System as a whole increased by $782 million, due to various factors, the most significant of which was the change in the actuarial cost method. A detailed analysis of the change in the unfunded actuarial liability from December 31, 2002, to December 31, 2003, is shown on page 65.

There were significant changes in the actuarial procedures this year as the Board took action to implement the actuarial components of the long-term funding plan. Both the actuarial cost method and the asset valuation method were changed for all groups.

The prior actuarial cost method was the Projected Unit Credit (PUC) method for KPERS, the Aggregate Cost method with a Supplemental Unfunded Actuarial Liability for KP&F, and the Frozen Entry Age method for Judges. At the May meeting of the KPERS Board of Trustees, the Board adopted a resolution changing the actuarial cost method for all three Systems to the traditional Entry Age Normal (EAN) cost method for the December 31, 2003, valuation. This change provides for a consistent valuation basis for all three plans and moves the System's funding method to the method most commonly used by public retirement systems.

The asset valuation method was also changed by the Board effective with the December 31, 2003, valuation. Under the previous method, the expected value of plan assets was determined using the prior year's actuarial value of assets, actual receipts and disbursements of the Fund for the year, and the assumed rate of investment return. The actuarial value of assets was the expected value plus one-third of the difference between actual market value and the expected value. The new smoothing method calculates the difference between the actual return and the expected return (assumed rate of return) on the market value of assets each year. The difference is recognized evenly over a five-year period. The new smoothing method was implemented by calculating the gain or loss on market value in prior years as though the method had always been in place.

On March 10, 2004, the State of Kansas issued Pension Obligation Bonds in the amount of $500 million. The net proceeds of $440.2 million were transferred to KPERS to assist with financing the unfunded actuarial liability for the State/School group. The debt service payment on the bonds is paid in addition to the State's KPERS contribution. The bond proceeds are treated as a receivable for the December 31, 2003, valuation. The proceeds were allocated to the State and School groups based on the unfunded actuarial liability (UAL) as of December 31, 2003, determined under the Entry Age Normal cost method for each group. The resulting allocation was $36.5 million to the State and $403.7 million to the School group.

In KPERS, the State, School and Local employers do not necessarily contribute the full actuarial contribution rate. Based on legislation passed in 1993, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap, which has been changed periodically, is currently 0.50 percent in FY2007 for State and School and will increase to 0.60 percent in FY 2008. Legislation passed in 2004 increased the statutory cap for Local employers from 0.15 percent to 0.40 percent in CY 2006, 0.50 percent in CY2007 and 0.60 percent in CY2008 and thereafter. Based on the results of the current valuation and assuming an 8 percent return on the market value of assets in 2004 and beyond and that all other assumptions are met in the future and the current statutory caps, the statutory and actuarial contributions rates will converge before the end of the amortization period.

Due to favorable experience and the allocation of the POB proceeds, the State reached equilibrium with the December 31, 2003, actuarial valuation. "Equilibrium" means that the actual contribution rate being paid into the System will equal the actuarial contribution rate. However, due to the use of an asset smoothing method, there are still deferred investment losses that have not been recognized in the actuarial process. For the State group, the amount of deferred loss is $150 million. If the actuarial assumed rate of 8 percent is met for calendar year 2004, $120 million of the deferred loss for the State will flow into the actuarial value of assets and result in an increase in the UAL in the December 31, 2004, valuation. If this occurs, the actuarial contribution rate would increase about 0.90 percent to 6.11 percent. The statutory cap would limit the increase in the contribution rate to 5.81 percent and the State would again be out of equilibrium.

Prior actuarial valuation reports have addressed concerns about the long term funding of KPERS. KPERS' funded status has improved due to legislation, Board action and strong investment performance in 2003. The State has reached equilibrium (statutory rate is equal to the actuarial rate) and, given the current statutory caps, the School and Local groups are projected to reach equilibrium before the end of the amortization period (2033). The System is in actuarial balance and the long term funding has improved dramatically. Due to the use of an asset smoothing method and the delayed reflection of market experience in the actuarial value of assets, it is expected that additional actuarial losses will be reflected in the unfunded actuarial liability over the next few years. This will result in an increase in the UAL and a corresponding increase in the contribution for the UAL payment, but the System is expected to remain in actuarial balance if all actuarial assumptions are met going forward. For the School and Local groups, the shortfall between the actuarial and statutory contribution rates will produce additional increases in the UAL. As a result, the actuarial contribution rate for these groups is expected to increase until equilibrium is reached.

Contribution Rates

The System's funding objective is to establish contribution rates that over time will remain relatively level, as a percentage of payroll, and to pay off the unfunded actuarial liability by 2033. Actuarial contribution rates consist of a normal cost rate and an amortization payment. The contribution rates in the December 31, 2003, valuation will set rates for fiscal year end 2007 for the State and 2006 for Local employers.

State, School and Local employers do not necessarily contribute the full actuarial contribution rate. Based on legislation passed in 1993, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap, which has been changed periodically, is currently 0.50 percent in FY2007 for State and School and will increase to 0.60 percent in FY 2008. Legislation passed in 2004 increased the statutory cap for Local employers from 0.15 percent to 0.40 percent in CY 2006, 0.50 percent in CY2007 and 0.60 percent in CY2008 and thereafter.

A summary of actuarial and statutory employer contribution rates for the Retirement System (excluding the statutory contribution for the Death and Disability Program) follows:

	December 31, 2003, Valuation		
System	Actuarial	Statutory	Difference
State	5.21%	5.21%	0.00%
School	9.75%	5.77%[1]	3.98%
Local	6.24%	3.81%[1]	2.43%
Police & Fire-Uniform Rates [2]	12.39%	12.39%	0.00%
Judges	19.11%	19.11%	0.00%

	December 31, 2002, Valuation		
System	Actuarial	Statutory	Difference
State/School	9.14%	5.27%	3.87%
Local	5.44%	3.41%[1]	2.03%
Police & Fire-Uniform Rates [2]	11.63%	11.63%	0.00%
Judges	21.97%	21.97%	0.00%

[1] Rates for this fiscal year, by statute, are allowed to increase by a maximum of 0.50 percent for State and School and 0.40 percent for Local employees per year plus the cost of any benefit enhancements.

[2] For KP&F, the statutory contribution rate is equal to the "Uniform" rate. The rate shown is for local employers. The rate for State employers is 12.52 percent which includes a payment of 0.76 percent for the debt service payment on the bonds issued for the 13th check. The uniform rate does not include the payment required to amortize the unfunded past service liability or any 15 percent excess benefit liability determined separately for each employer.

Employer Contribution Rates for the Correctional Employee Groups are shown below:

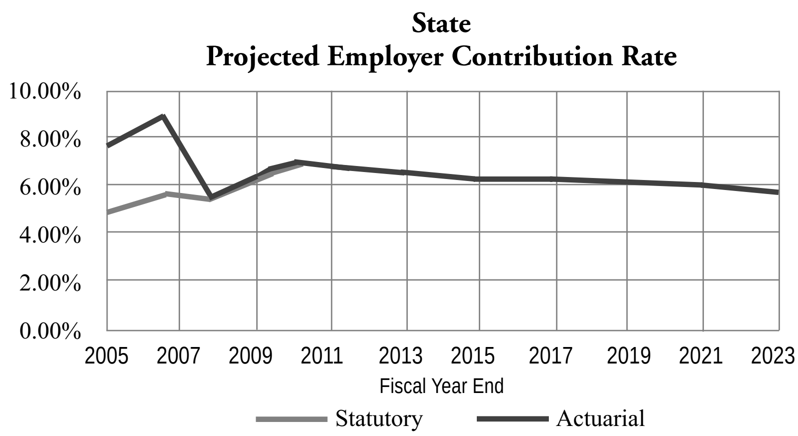
	Actuarial	Statutory
Retirement Age 55:	7.17%	7.17%
Retirement Age 60:	7.04%	7.04%

There were significant changes to the actuarial basis used to develop contribution rates in this valuation. The following chart compares the baseline numbers (no change in actuarial cost method or asset valuation method) and the current valuation results:

	Normal Cost		UAL Payment		Total (EE + ER)	
	Before	After	Before	After	Before	After
State/School*	9.29%	7.81%	3.72%	4.83%	13.01%	12.64%
Local	7.75%	7.36%	1.95%	2.88%	9.70%	10.24%
KP&F (Local)	16.09%	14.78%	3.85%	4.18%	19.94%	18.96%
Judges	19.27%	17.86%	5.33%	6.07%	24.60%	23.93%

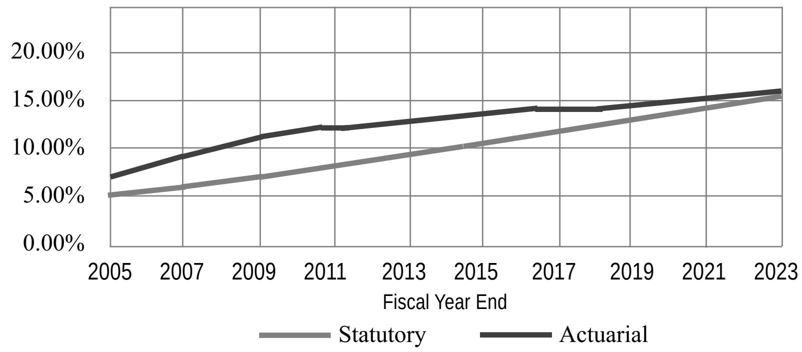
*Informational only. Separate rates apply for State and School groups effective December 31, 2003.

Due to statutory caps, the full actuarial contribution rate is not contributed for the School and the Local groups. Based on the current valuation, there is a difference (shortfall) between the actuarial and statutory contribution rates of 3.98 percent, and 2.43 percent respectively for the School and Local groups. Assuming an 8 percent return on the market value of assets for 2004 and beyond, and that all other actuarial assumptions are met in the future, and the current statutory caps the statutory and actuarial contribution rates are projected to converge for Locals in 2014 and Schools in 2025.

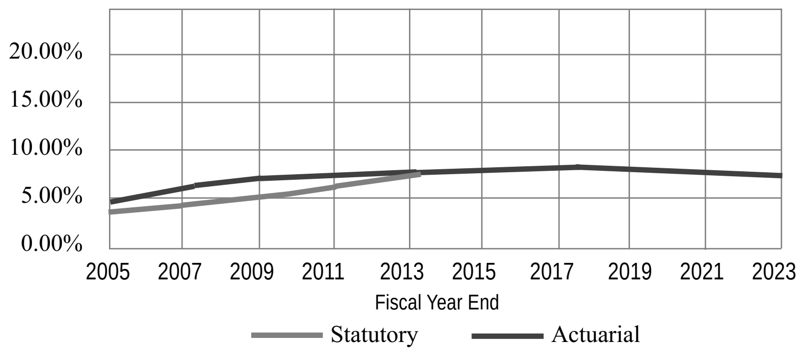


Despite a rate of return on the market value of assets of over 20 percent for 2003, there was an actuarial experience loss on the actuarial value of assets. The impact of negative experience is reflected in the unfunded actuarial liability (UAL). The result is the actuarial loss increases the payment on the UAL but the normal cost rate is not impacted. As the remainder of the deferred investment loss is recognized in the actuarial value of assets in future years, contribution rates can be expected to continue to increase.

School
Projected Employer Contribution Rate



Local
Projected Employer Contribution Rate



The funding for the State and School groups was strengthened by the bond issue and subsequent deposit of $440 million. With the separation of the State and Schools into two separate groups, the impact of the bond issue is less obvious. For comparative purposes the actuarial contribution rate was calculated on a combined basis. The State/School actuarial contribution rate would have been 8.64 percent, as compared to 9.14 percent last year, despite increases in the UAL due to the change in the actuarial cost method and an actuarial experience loss for the 2003 year.

Historical contribution rates for each group are shown below. Please note that prior to the December 31, 2003, valuation, one contribution rate was developed for the State and School together as one group. Legislation passed in 2004 split the group for contribution rate calculations into two separate groups. In addition, bonds were issued by the State to help finance the UAL of the State and School groups and the actuarial methods were changed for all groups. These changes impact the comparability of contribution rates from the 2003 valuation and prior years.

member then goes to work for an employer he or she worked for during his or her last two years of KPERS participation, the member has a $15,000-per-year earnings limit.

Early Retirement
Eligibility — Eligibility is age 55 and ten years of credited service. Benefit — The retirement benefit is reduced 0.2 percent per month if the member is from age 60 to age 62, plus 0.6 percent per month if the member is from age 55 to age 60.

Vesting Requirements
Eligibility — A member must have ten years of credited service. Should the vested member end employment, the member must leave accumulated contributions on deposit with the Retirement System to be eligible for future benefits. If a vested member ends employment and withdraws accumulated contributions, the member loses all rights and privileges under the Retirement System. If a vested member who is married ends employment and wants to withdraw accumulated contributions, the member's spouse must provide consent for the contribution withdrawal, since any benefits to which the spouse may have been entitled in the future would be lost as well. Benefit — Retirement benefits are payable when the vested member reaches normal retirement age, or reduced benefits are payable when the vested member reaches a specified early retirement age.

Other Benefits
Withdrawal Benefit — If members leave employment they can withdraw their contributions, plus interest, after 30 days. Members lose any rights and benefits when they withdraw from KPERS, such as insurance coverage. Former members who return to covered employment within five years will not have lost any membership rights or privileges, if they haven't withdrawn contributions. The Retirement Act does not allow members to borrow from contributions. The employer portion of contributions remains with the System when a member ends employment and withdraws contributions. The Retirement System will refund contributions only after all contributions have been reported by the member's former employer.

Disability Benefit — KPERS Death and Disability Program provides disability income benefits, 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 from the first day when compensation from the employer ceases. The long-term disability benefit is two-thirds of the member's annual compensation on the date disability begins, reduced by Social Security benefits (members must apply), Workers' Compensation benefits and any other employment-related disability benefits. The minimum monthly benefit is $100. Members receiving disability benefits continue to receive service credit under KPERS, group life insurance coverage and waiver of optional group life insurance premiums if the member is under age 65 when first disabled. The waiver of optional group life insurance premiums ends January 1, 2004, for new disabled members. If a disabled member retires after receiving disability benefits for at least five years immediately before retirement, the member's FAS is adjusted by statute.

Non-Service Connected Death Benefit — The active member's designated beneficiary receives the member's accumulated contributions plus interest in a lump sum. If the member had reached age 55 with ten years of credited service, and the spouse is the sole beneficiary, then the spouse may choose a lifetime benefit instead of receiving the returned contributions. If a member with 15 or more years of service dies and was not of retirement age, and the spouse is the sole beneficiary, then the spouse can elect one of the survivor options at the time the member would have first been of retirement age.

Service-Connected Accidental Death Benefit — The active member's accumulated contributions plus interest, a $50,000 lump sum, and an annual benefit based on 50 percent of FAS (reduced by Workers' Compensation benefits and subject to a minimum benefit of $100 a month), are payable to a spouse, minor children or dependent parents for life, or until the youngest child reaches age 18 (or up to age 23 if a full-time student), in this order of preference. The monthly accidental death benefit is in lieu of any joint/survivor benefit.

Insured Death Benefit — KPERS Death and Disability Program provides an insured death benefit equal to 150 percent of the active member's annual compensation on the date of death. If a disabled member dies after receiving disability benefits for at least five years immediately before death, the member's current annual rate of compensation is adjusted by statute.

Death Benefit After Retirement — The retiree's beneficiary receives a $4,000 lump sum. The beneficiary may assign this benefit to a funeral establishment. The beneficiary for the $4,000 death benefit may be, but is not always, the same person as the member's joint annuitant. A retiree may name a funeral establishment as beneficiary. 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 dies before the retired member, the reduced benefit payment is increased to the amount the retired member would have received if no retirement option had been selected. Benefits payable to a joint annuitant stop 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, plus interest, over total benefits paid to date of death.

Member Contributions
Members contribute 4 percent of their gross earnings. Interest is credited to members' contribution accounts on June 30 each year, based on account balance as of the preceding December 31. Those who became members before July 1, 1993, earn 8 percent interest per year. Those who became members on and after July 1, 1993, earn 4 percent interest.

Employer Contributions
Rates are certified by the Board of Trustees based on results of annual actuarial valuations; however, annual increases are capped by state statute.

Board of Regents Plan Members (TIAA and equivalents)
Board of Regents plan members (TIAA and equivalents) do not make contributions to KPERS. They receive prior service benefits for service before 1962. The benefit is 1 percent of FAS for each year of credited prior service. Service after 1961 is counted for purposes of determining eligibility for vesting. These 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
f) Correctional maintenance employees

For groups (a) and (b) with at least three consecutive years of credited service, in such positions immediately before 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 before retirement, normal retirement age is 60 and early retirement requirements are age 55 with ten years of credited service. Both groups are also eligible for full benefits when age and service equal 85 "points."

Kansas Police and Firemen's Retirement System (KP&F)

Retirement: Age and Service Requirements
Eligibility — TIER I *:
- Age 55 and 20 years of service
- Any age with 32 years of service

Eligibility — TIER II **:
- Age 50 and 25 years of service
- Age 55 and 20 years of service
- Age 60 and 15 years of service

Benefits — Benefits are based on the member's Final Average Salary (FAS) and years of service. Effective July 1, 2001, at retirement a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced.

For those who were hired *before* July 1, 1993, FAS is the average of the highest three of the last five years of credited participating service, *including* additional compensation, such as sick and annual leave.

For those who are hired *on or after* July 1, 1993, FAS is the average of the highest three of the last five years of participating service, *excluding* additional compensation, such as sick and annual leave.

Annual benefits at normal retirement age equal FAS x 2.5 percent x years of service (up to 32 years).

Local Plan — For members covered by local plan provisions on the employer's entry date, normal retirement is at age 50 with 22 years of credited service. Working After Retirement — A member must wait 30 days after his or her retirement date before working for any employer who participates in KP&F. If a retired member then goes to work for an employer he or she worked for during his or her last two years of KP&F participation, the member has a $15,000-per-year earnings limit.

Early Retirement
Eligibility — Members must be at least age 50 and have 20 years of credited service. Benefit — Normal retirement benefits are reduced 0.4 percent per month under age 55.

Vesting Requirements
Eligibility — TIER I *: The member must have 20 years of credited service; if ending employment, the member must leave contributions with the Retirement System to be eligible for future benefits.

Eligibility — TIER II **: The member must have 15 years of credited service to be considered vested. To draw a benefit before age 60, however, the member must have 20 years of credited service. If ending employment, the member must leave contributions with the Retirement System to be eligible for future benefits.

Other Benefits
Withdrawal Benefit — If members leave employment before retirement they can withdraw their contributions, plus interest, after 30 days. When members withdraw from KP&F they lose any rights and benefits, such as insurance coverage.

If a married vested member ends employment and wants to withdraw accumulated contributions, the member's spouse must consent to the withdrawal, since any of the spouse's future benefits will be forfeited as well. Former members who return to covered employment within five years will not lose any membership rights or privileges if they haven't withdrawn contributions. The Retirement Act does not allow members to borrow from contributions. The employer contributions remain with the System when a member ends employment and withdraws. The Retirement System will refund contributions only after all contributions have been reported by the member's former employer.

Disability Benefits
TIER I *: Service-Connected Disability — There is no age or service requirement to be eligible for this benefit. A member receives a pension of 50 percent of FAS, plus 10 percent of FAS for each dependent child under age 18 (or up to age 23 for full-time students), to a maximum of 75 percent of FAS. If dependent benefits aren't payable, the benefit is 2.5 percent for

each year, to a maximum of 80 percent of FAS. When a member receiving service-connected disability benefits dies, the spouse and dependent children receive service-connected death benefits if the member dies within two years of retirement or after two years from the same service-connected cause. If service-connected death benefits aren't payable, the spouse receives a lump-sum payment of 50 percent of the member's FAS. Also, either the spouse or the dependent children receive a pension of half of the member's benefit.

TIER I*: Non Service-Connected Disability — This pension is calculated at 2.5 percent of FAS per year of service, to a maximum benefit of 80 percent of FAS (minimum benefit is 25 percent of FAS). When a member receiving non-service-connected disability benefits dies, the surviving spouse receives a lump-sum payment of 50 percent of FAS. Also, either the spouse or the dependent children receive a pension of half of the member's benefit.

TIER II **: There is no distinction between service-connected and non-service-connected disability benefits. Benefit is 50 percent of FAS. Service credit is granted during the disability period. Disability benefits convert to age and service retirement as soon as the member is eligible for full retirement benefits. If the member is disabled for at least five years immediately before retirement, the member's FAS is adjusted by statute. Disability benefits are offset $1 for each $2 earned after the first $10,000 of earnings.

Death Benefits
TIER I * and TIER II **: Service Connected Death — There is no age or service requirement, and a pension of 50 percent of FAS goes to the spouse, plus 10 percent of FAS goes to each dependent child under age 18 [or up to age 23 if full time student(s)], to a maximum of 75 percent of FAS.

Non-Service-Connected Death — A lump sum of 100 percent of FAS goes to the spouse; and a pension of 2.5 percent of FAS per year of service (to a maximum of 50 percent) is payable to the spouse. If there is no spouse, the monthly benefit is paid to the dependent children. If there is no surviving spouse or children the lump-sum payment less refundable contributions and interest is paid to the beneficiary.

Inactive Member Death — If an inactive member with 20 or more years of service dies and was not of retirement age, and the spouse is the sole beneficiary, then the spouse can elect one of the survivor options at the time the member would have first been of retirement age. If an inactive member is eligible to retire when he or she dies, and the spouse is the sole beneficiary, the spouse may elect to receive benefits as a joint annuitant under any option instead of receiving the member's contributions.

Death Benefit After Retirement — The retiree's beneficiary may assign this benefit to a funeral establishment. The beneficiary for the $4,000 death benefit may be, but is not always, the same person as the member's joint annuitant. A retiree may name a funeral establishment as beneficiary. 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 dies before the retired member, the reduced benefit payment is increased to the amount the retired member would have received if no retirement option had been selected. Benefits payable to a joint annuitant stops 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, plus interest, over total benefits paid to date of death.

The surviving spouse of a transfer member (who was covered by a local plan on the employer's entry date, who dies after retirement, and who had not elected a retirement benefit option), receives a lump-sum payment of 50 percent of FAS. Also, 75 percent of the member's benefit is payable either to the spouse or to dependent children.

* TIER I — Members have Tier I coverage if they were employed before 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. This also includes members employed before July 1, 1989, who elected Tier II coverage.

Member Contributions
Members contribute 7 percent of their gross earnings. For members with 32 years service credit, the contribution rate is reduced to 2 percent of compensation.

A few members employed before January 1, 1976, have contributions reduced by their Social Security contributions, not including contributions for Medicare. These members' benefits are reduced by 50 percent of original Social Security benefits accruing from employment with the participating employer.

Kansas Retirement System for Judges (Judges)

Employer Contributions
The employer rates are certified by the Board of Trustees based on the results of annual actuarial valuations.

Retirement: Age and Service Requirements
Eligibility
- Age 65
- Age 62 with ten years of credited service
- Any age when combined age and years of credited service equal 85 "points"

Age is determined by the member's last birthday and is not rounded up. Benefit — The benefit is based on the member's Final Average Salary (FAS), which is the average of the three highest years of service as a judge. Effective July 1, 2001, at retirement a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced.

The basic formula for those who were members before July 1, 1987, is 5 percent of FAS for each year of service up to ten years, plus 3.5 percent for each year, to a maximum of 70 percent of FAS. For those who became members on or after July 1, 1987, the formula is 3.5 percent for each year, to a maximum benefit of 70 percent of FAS.

Employment after Retirement: Retired judges may enter into an agreement to work for up to 104 days at 25 percent of the current salary of a judge. The agreement is for two years and may be renewed for up to 12 years. Retirement benefits will be suspended in any case where a retired judge is elected or appointed to a judgeship. The judge in that case resumes active participation and will accrue additional service credit. When the judge retires again, the retirement benefit is recalculated.

Early Retirement
Eligibility — A member must be age 55 and have ten years of credited service to take early retirement. Benefit — The retirement benefit is reduced 0.2 percent per month if the member is from age 60 to age 62, plus 0.6 percent per month if the member is from age 55 to age 60.

Vesting Requirements
Eligibility — There is no minimum service requirement. However, if ending employment, the member must leave contributions on deposit with the Retirement System in order to be eligible for future benefits. Eligible judges who have service credited under KPERS have vested benefits under both KPERS and the Retirement System for Judges when the combined total credited service equals ten years. Benefit — Normal benefit accrued at termination is payable at age 62 or in a reduced amount at age 55, provided the member has ten years of service credit. Otherwise, benefits are not payable until age 65.

Other Benefits
Disability Benefits — These benefits are payable if a member is defined as permanently physically or mentally disabled. The disability benefit, payable until age 65, is 3.5 percent of FAS for each year of service. The minimum benefit is 50 percent of FAS. Benefits are recalculated when the member reaches retirement age. If a judge is disabled for at least five years immediately before retirement, the judge's FAS is adjusted by statute.

Withdrawal Benefit — If members leave employment they can withdraw their contributions, plus interest, after 30 days. When members withdraw from KPERS they lose any rights and benefits, such as insurance coverage. Former members who return to covered employment within five years will not have lost any membership rights or privileges, if they haven't withdrawn contributions. The Retirement Act does not allow members to borrow from contributions. The employer portion of contributions remains with the System when a member ends employment and withdraws contributions. KPERS will refund contributions only after all contributions have been reported by the member's former employer.

Death Benefit Before Retirement — A lump sum insured death benefit equal to 150 percent of the active member's annual compensation on the date of the member's death is payable; plus a refund of the member's accumulated contributions. 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 benefit option. The spouse must be the member's sole designated beneficiary to exercise this option. If the member had at least 15 years of credited service, but hadn't reached retirement age at the time of death, the spouse may elect a monthly benefit to begin on the date the member first would have been eligible to retire.

Death Benefit After Retirement — The retiree's beneficiary receives a $4,000 lump sum. The beneficiary may assign this benefit to a funeral establishment. A retiree may also directly name a funeral establishment as beneficiary. If the member had selected an option with survivor benefits, benefits are paid to the joint annuitant or to the member's designated beneficiary. Under joint and survivor retirement options, if the joint annuitant dies before the retired member, the reduced benefit payment is increased to the amount the retired member would have received if no retirement option had been selected. Benefits payable to a joint annuitant stop when the joint annuitant dies. If the member did not select an option, the designated beneficiary receives the excess, if any, of the member's accumulated contributions, plus interest, over total benefits paid to date of death.

Member Contributions

Judges contribute 6 percent of gross earnings. When an active member reaches the maximum retirement benefit level of 70 percent of FAS, the contribution rate is reduced to 2 percent.

Employer Contributions

Rates are certified by the Board of Trustees, based on results of annual actuarial valuations and statutory regulations set by the Legislature.

Short Term Solvency Test

Last Ten Fiscal Years

Valuation Date	Member Contributions (A)	Retirants and Beneficiaries (B)	Active Members Employer Financed Portion (C)	Assets Available for Benefits		Portions of Accrued Liabilities overed by Assets (A)	(B)	(C)
06/30/95	$ 1,958,992,138	$ 2,678,609,811	$ 2,353,427,051	$ 5,510,957,394		100%	100%	37%
06/30/96	2,159,113,770	3,037,892,830	2,406,103,997	6,158,754,752		100	100	40
06/30/97	2,337,511,704	3,232,733,926	2,681,740,618	6,875,918,348		100	100	49
06/30/98	2,522,614,846	3,841,556,459	2,976,514,154	7,749,203,022		100	100	47
06/30/99	2,725,881,233	4,125,714,368	3,147,650,125	8,601,875,670		100	100	56
06/30/00	2,929,469,325	4,454,897,319	3,417,030,430	9,568,274,828		100	100	64
12/31/00	3,007,338,917	4,576,452,175	3,556,222,919	9,835,181,839	(1)	100	100	63
12/31/01	3,330,859,571	4,903,096,418	3,509,095,766	9,962,917,897		100	100	49
12/31/02	3,353,870,165	5,247,201,306	4,012,527,155	9,784,862,188		100	100	30
12/31/03	3,595,082,177	5,558,543,751	5,285,920,342	10,853,462,178	(2)	100	100	32

1) Actuarial valuation date was changed to a calendar year.
2) Actuarial cost method was changed to the Entry Age Normal (EAN) for all three plans.

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 (A) active member contributions on deposit, (B) the liability for future benefits to present retired lives and (C) the actuarial liability for service already rendered by active members. In a system that has been following the level percent of payroll financing discipline, the liability 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 liability 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 (1)

Valuation Date	Number of Active Members (2)	Percentage Change in Membership	Number of Participating Employers	Percentage Increase in Number of Participating Employers	Total Annual Payroll (Millions) (2)	Average Payroll	Percentage Increase in Average Payroll
06/30/95	131,270	6.6%	1,309	1.7%	$ 3,309	$ 25,208	1.2%
06/30/96	134,470	2.4	1,344	2.7	3,464	25,760	2.2
06/30/97	136,241	1.3	1,371	2.0	3,590	26,350	2.3
06/30/98	134,866	-1.0	1,397	1.9	3,765	27,915	5.9
06/30/99	137,969	2.3	1,407	0.7	4,088	28,529	2.2
06/30/00	140,559	1.9	1,416	0.6	4,290	30,471	6.8
12/31/00	143,337	2.0	1,423	0.5	4,455	30,412	-0.2
12/31/01	145,666	1.6	1,435	0.8	4,675	32,094	5.5
12/31/02	147,294	1.1	1,442	0.5	4,866	32,984	2.8
12/31/03	148,145	0.6	1,454	0.8	4,978	32,944	-0.1

1) Data provided to actuary reflects active membership information as of January 1.
2) Excludes TIAA salaries.

Schedule of Employer Contribution Rates

Last Ten Fiscal Years (1)

KPERS State/School

Fiscal Year	Actuarial Rate	Actual Rate
1995	3.10%	3.20 %
1996	4.11	3.30
1997	5.17	3.59
1998	5.23	3.79
1999	5.33	3.99
2000	5.27	4.19
2001	6.15	3.98 (2)
2002	6.00	4.78
2003	6.17	4.98 (3)
2004	**7.05**	**4.58 (3)**

KPERS Local

Fiscal Year	Actuarial Rate	Actual Rate
1995	3.05%	2.30 %
1996	3.72	2.48
1997	3.73	2.63
1998	3.86	2.78
1999	3.86	2.93
2000	3.89	3.22
2001	3.88	2.77 (2)
2002	4.07	3.52
2003	4.73	3.67 (3)
2004	**4.64**	**3.22 (3)**

TIAA

Fiscal Year	Actuarial Rate	Actual Rate
1995	1.70 %	1.70 %
1996	1.75	1.75
1997	1.89	1.89
1998	1.66	1.66
1999	1.93	1.93
2000	1.82	1.82
2001	1.21	1.21 (2)
2002	2.03	2.03
2003	2.27	2.27 (3)
2004	**n/a**	**n/a (4)**

KP&F (Uniform Rate)

Fiscal Year	Actuarial Rate	Actual Rate
1995	6.95 %	6.95 %
1996	9.65	9.65
1997	9.73	9.73
1998	9.45	9.45
1999	7.36	7.36
2000	7.35	7.35
2001	6.97	6.97
2002	6.79	6.79
2003	6.86	6.86
2004	**9.47**	**9.47**

Judges

Fiscal Year	Actuarial Rate	Actual Rate
1995	8.00 %	8.00 %
1996	10.35	10.35
1997	16.00	16.00
1998	15.67	15.67
1999	15.67	15.67
2000	14.38	14.38
2001	16.14	15.74 (2)
2002	12.88	12.88
2003	12.66	12.66 (3)
2004	**16.67**	**16.67 (3)**

1) Rates shown for KPERS State/School, TIAA and Judges represent the rates for the fiscal years ending June 30. KPERS Local and KP&F rates are reported for the calendar years.
2) Per 2000 and 2001 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from April 1, 2000, through December 31, 2001.
3) Per 2002 and 2003 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from July 1, 2002, through December 31, 2002, or from April 1, 2003, through June 30, 2004.

Retirants, Beneficiaries - Changes in Rolls - All Systems

Last Ten Fiscal Years

		Additions		Deletions				
Fiscal Year Ended June 30	Number at Beginning of Year	Number Added	Annual Allowances	Number Removed	Annual Allowances	Number at End of Year	% Change in Number of Retirants	% Change in Additions Allowances
1995	43,371	3,463	$41,898,882	1,530	$6,690,418	45,304	4.50%	(1.00)%
1996	45,304	3,119	37,681,571	1,677	7,233,445	46,746	3.20	(10.10)
1997	46,746	3,456	42,581,075	1,643	7,829,006	48,559	3.90	13.00
1998	48,559	3,228	40,731,685	1,716	7,638,945	50,071	3.10	(4.30)
1999	50,071	3,328	41,833,222	1,756	9,151,705	51,643	3.10	2.70
2000	51,643	3,360	44,028,303	1,862	9,563,949	53,141	2.90	5.20
2001	53,141	3,112	44,919,587	1,951	10,020,387	54,302	2.20	2.00
2002	54,302	3,689	45,669,820	1,922	9,552,087	56,069	3.30	1.70
2003	56,069	3,585	48,718,476	2,116	10,942,002	57,538	2.60	6.70
2004	**57,538**	**3,612**	**50,253,218**	**2,009**	**11,940,793**	**59,141**	**2.60**	**3.20**

Membership Profile

Last Ten Years, as of December 31

Valuation Date	Active	Inactive	Retirees & Beneficiaries	Total Membership
1994	131,387	16,091	44,285	191,763
1995	134,565	16,397	48,572	199,534
1996	136,285	21,443	47,940	205,668
1997	134,866	23,588	50,058	208,512
1998	138,292	25,463	51,639	215,394
1999	140,833	27,664	53,137	221,634
2000	143,591	35,482	54,396	233,469
2001	145,910	38,056	56,115	240,081
2002	147,294	40,404	57,597	245,295
2003	148,145	41,315	59,124	248,584

1) Actuarial valuation date was changed to a calendar year.

Summary of Membership Data

Retiree and Beneficiary Member Valuation Data (1)	12/31/03	12/31/2002
KPERS		
Number	55,509	53,367
Average Benefit	$10,042	$9,794
Average Age	72.91	73.08
Police & Fire		
Number	3,456	3,338
Average Benefit	$21,258	$20,941
Average Age	61.20	60.90
Judges		
Number	159	154
Average Benefit	$30,463	$29,856
Average Age	73.30	72.80
System Total		
Number	59,124	56,859
Average Benefit	$10,752	$10,503
Average Age	72.23	72.36

Active Member Valuation Data (1)	12/31/03	12/31/02
KPERS		
Number	141,401	140,278
Average Current Age	44.96	44.64
Average Service	10.59	10.36
Average Pay	$32,111	$31,634
Police & Fire		
Number	6,494	6,548
Tier I	744	782
Tier II	5,750	5,766
Average Current Age	38.80	38.40
Average Service	10.95	10.59
Average Pay	$49,017	$47,580
Judges		
Number	250	248
Average Current Age	55.10	55.00
Average Service	11.30	11.06
Average Pay	$86,770	$86,116
System Total		
Number	148,145	147,074
Average Current Age	44.71	44.38
Average Service	10.60	10.37
Average Pay	$32,944	$32,436

1) Data provided to actuary reflects active membership information as of January 1.

Statistical Section

Statistical

Highlights of Operations – Ten-Year Summary

	2004	2003	2002	2001
Membership Composition				
Number of Retirants (a)	59,124	57,597	56,115	54,396
New Retirants During the Fiscal Year	3,612	3,585	3,689	3,112
Active and Inactive Members (a)	189,460	187,698	183,966	179,073
Participating Employers	1,454	1,442	1,435	1,423
Financial Results (Millions)				
Member Contributions	$230	$225	$210	$204
Employer Contributions (g)	714	231	221	193
Retirement/Death Benefits	686	654	636	559
Investment Income (b)	1,336	326	(464)	(798)
Employer Contribution Rate (c)				
KPERS—State/School	4.58%	4.98%	4.78%	3.98%
KPERS—Local (d)	3.22	3.67	3.52	2.77
KP&F (Uniform Participating) (d)	9.47	6.86	6.79	6.97
Judges	16.67	12.66	12.88	15.74
TIAA	---	2.27	2.03	1.21
Unfunded Actuarial Liability (Millions)				
KPERS—State/School	$2,734	$2,239	$1,506	$1,120
KPERS—Local	588	340	185	90
KP&F	249	232	59	62
Judges	15	17	10	10
TIAA (e)	---	---	20	23
Funding Ratios (f)				
KPERS—State/School	74.07%	75.64%	82.46%	86.23%
KPERS—Local	73.69	81.71	89.12	94.29
KP&F	84.04	84.16	95.53	95.22
Judges	84.92	82.21	88.94	88.66
TIAA	---	---	48.32	41.18

a) Membership information taken from System's actuarial valuation.

b) Investment income for prior years has been adjusted to reflect changes in unrealized appreciation.

c) Rates include Group Life and Disability contributions where applicable. Per 2000 and 2001 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from April 1, 2000, through December 31, 2001. Per 2002 and 2003 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from July 1, 2002, through December 31, 2002, or from April 1, 2003, through June 30, 2004.

d) KPERS Local and KP&F contribution rates are reported on a calendar year basis.

e) Legislation provided for bonds to be issued in 2003 to fully fund the existing unfunded liability for the TIAA group.

Highlights of Operations – Ten-Year Summary

	2000	1999	1998	1997	1996	1995
Membership Composition						
Number of Retirants (a)	51,639	50,058	47,940	48,572	44,285	43,165
New Retirants During the Fiscal Year	3,360	3,328	3,228	3,456	3,119	3,463
Active and Inactive Members (a)	163,755	158,454	157,728	150,962	147,478	135,607
Participating Employers	1,415	1,407	1,397	1,371	1,344	1,309
Financial Results (Millions)						
Member Contributions	$193	$185	$174	$171	$173	$159
Employer Contributions (g)	185	202	167	156	143	130
Retirement/Death Benefits	506	473	429	397	364	334
Investment Income (b)	1,315	954	1,247	974	1,095	906
Employer Contribution Rate (c)						
KPERS—State/School	4.19%	3.99%	3.79%	3.59%	3.30%	3.20%
KPERS—Local (d)	3.22	2.93	2.78	2.63	2.48	2.30
KP&F (Uniform Participating) (d)	7.35	7.36	9.45	9.73	9.65	6.95
Judges	14.38	15.67	15.67	16.00	10.35	8.00
TIAA	1.82	1.93	1.66	1.89	1.75	1.70
Unfunded Actuarial Liability (Millions)						
KPERS—State/School	$860	$973	$1,142	$933	$1,014	$1,051
KPERS—Local	36	76	104	131	121	123
KP&F	307	317	313	288	283	279
Judges	8	8	8	5	5	5
TIAA (e)	23	23	24	19	21	22
Funding Ratios (f)						
KPERS—State / School	88.82%	86.36%	83.03%	84.19%	81.48%	79.19%
KPERS—Local	97.56	94.41	91.47	88.34	87.99	86.51
KP&F	79.68	77.28	75.62	74.77	72.81	70.72
Judges	90.53	89.42	88.21	91.21	90.15	89.10
TIAA	39.72	34.16	28.83	31.26	25.38	22.62

f) The funding percentage indicates the actuarial soundness of the System, generally, the greater the percentage, the stronger the System.
g) Pension obligation bonds for $440 million were issued in 2004.

Expenses by Type

Fiscal Year	Benefits	Withdrawals	Insurance	Administration	Total
1995	$ 333,924,392	$ 26,542,254	$ 35,873,212	$ 4,312,658	$ 400,652,516
1996	364,102,629	30,687,458	34,108,251	4,493,293	433,391,631
1997	396,660,948	36,761,626	36,048,625	4,659,099	474,130,298
1998	428,997,161	41,510,908	37,639,743	4,702,566	512,850,378
1999	472,571,948	40,860,950	41,892,190	5,442,410	560,767,498
2000	505,941,764	43,631,850	42,199,878	5,689,571	597,463,063
2001	558,901,552	43,967,623	46,456,603	6,843,434	656,169,212
2002	636,398,865	39,066,937	47,625,764	6,776,044	729,867,610
2003	653,542,143	39,608,946	53,829,235	7,215,024	754,195,348
2004	685,603,796	41,179,470	50,396,392	7,231,295	784,410,953

Revenues by Source

	Contributions					
Fiscal Year	Member	Employer	Employer Insurance	Misc.	Net Investment Income	Total
1995	$ 159,250,384	$ 106,496,039	$ 22,881,197	$ 533,638	$ 906,231,045	$ 1,195,392,303
1996	173,247,638	119,319,684	24,084,601	97,505 (1)	1,095,001,676	1,411,751,104
1997	171,120,750	133,053,259	23,226,519	92,827	974,302,417	1,301,795,772
1998	173,954,587	142,931,373	24,173,870	173,035	1,247,347,928	1,588,580,793
1999	185,180,551	175,581,182	26,071,503	210,116	953,992,725	1,341,036,077
2000	192,776,305	168,100,637	17,164,419	245,354	1,314,770,498	1,693,057,213
2001	204,142,810	193,384,289	—— (2)	175,815	(798,126,783)	(400,423,869)
2002	209,624,015	207,611,045	13,862,682	137,633	(463,746,959)	(32,511,584)
2003	224,746,447	222,882,765	8,581,558	82,257	326,056,643	782,349,670
2004	230,349,955	714,353,221 (3)	—— (2)	182,113	1,336,225,914	2,281,111,203

1) Beginning in Fiscal Year 1996, refund of current year benefit payments were accounted as a reduction to benefit expenses.

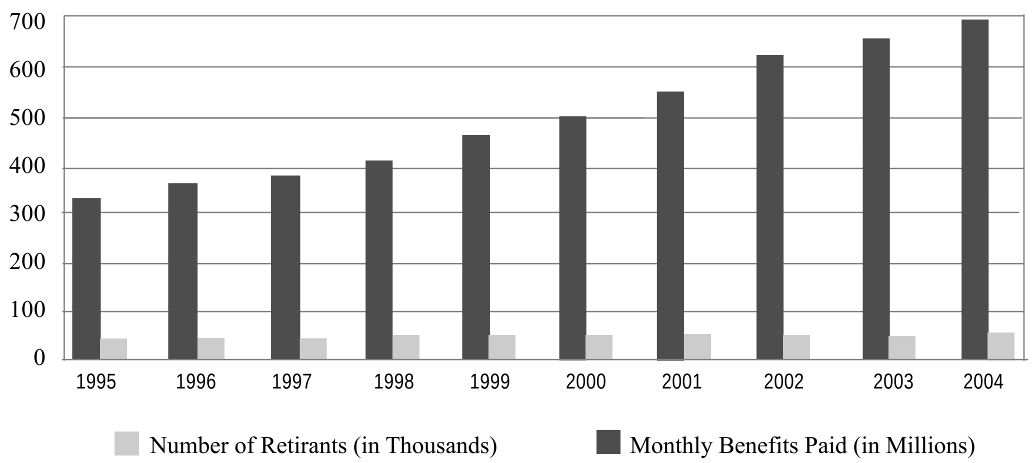
2) Per legislation, employers were not required to remit the Group Life and Disability Insurance portion of required employer contributions.

3) Pension obligation bonds for $440 million were issued in 2004.

Schedule of Benefits by Type

Fiscal Year	Monthly Retirement Benefits	Retirement Dividend	Death Benefits	Refunds of Contributions	Disability Insurance Premiums & Benefits
1995	$ 315,965,280	$ 11,019,325	$ 6,742,192	$ 26,542,254	$ 36,070,807
1996	346,390,529	10,701,234	7,010,866	30,687,458	34,108,251
1997	378,656,752	10,173,553	7,830,644	36,761,625	36,048,625
1998	411,626,428	9,673,950	7,682,253	41,510,908	37,639,743
1999	455,265,896	9,443,527	7,862,525	40,860,950	41,892,190
2000	489,058,357	8,811,628	8,071,779	43,631,850	42,199,878
2001	542,389,577	8,284,487	8,227,488	43,967,623	46,456,603
2002	619,959,068	7,744,988	8,694,809	39,066,937	47,625,764
2003	638,498,630	7,217,449	7,826,064	39,608,946	53,829,235
2004	670,246,402	6,672,212	8,685,182	41,179,470	50,396,392

Comparison of Benefits Paid to Retired Members



Schedule of Retired Members and Survivors by Type of Benefit

June 30, 2004

Amount of Monthly Benefits	Number of Retirants	Type of Retirement				Option Type Selected								
		1,3,5	2,4	6,8	7,9	1	2	3	4	5,8	6,7	9	0	Other
$ - 99	3,473	3,036	416	8	13	2,813	258	236	41	32	11	20	55	7
$100-199	5,563	3,442	2,033	69	19	4,049	679	515	93	76	59	27	48	18
$200-299	5,738	3,047	2,607	73	11	4,131	650	591	112	115	61	23	48	8
$300-399	5,389	2,983	2,334	48	24	3,778	587	656	108	136	38	26	58	2
$400-499	4,418	2,528	1,822	49	19	3,109	507	542	73	112	31	9	34	1
$500-599	3,763	2,319	1,401	32	11	2,600	416	474	60	122	9	47	31	4
$600-699	3,210	1,967	1,192	33	18	2,199	359	445	56	96	11	16	26	2
$700-799	2,784	1,739	996	35	14	1,876	347	361	51	106	7	16	19	1
$800-899	2,349	1,543	733	57	16	1,540	298	321	37	111	15	9	18	0
$900-999	2,066	1,481	507	56	22	1,316	291	293	32	103	10	6	15	0
$1,000-1,499	8,331	7,030	990	212	99	4,959	1,325	1,230	97	568	72	27	52	1
$1,500-1,999	6,264	5,901	142	136	85	3,629	1,071	837	57	565	50	21	33	1
$2,000-2,499	3,232	3,123	31	53	25	1,834	620	351	29	361	11	18	7	1
$2,500-2,999	1,403	1,359	24	10	10	686	319	144	20	221	3	4	6	0
$3,000-3,499	622	599	17	3	3	258	154	81	5	117	2	3	2	0
$3,500-3,999	278	276	1	1	0	121	58	31	3	65	0	0	0	0
$4,000 +	255	250	5	0	0	97	68	26	2	61	0	0	1	0
Totals	**59,138**	**42,623**	**15,251**	**875**	**389**	**38,995**	**8,007**	**7,134**	**876**	**2,967**	**390**	**272**	**453**	**46**

Type of Retirement
1, 3, 5, Normal
2, 4, Early
6, 8, Service-connected death and disability
7,9, Non-service connected death and disability

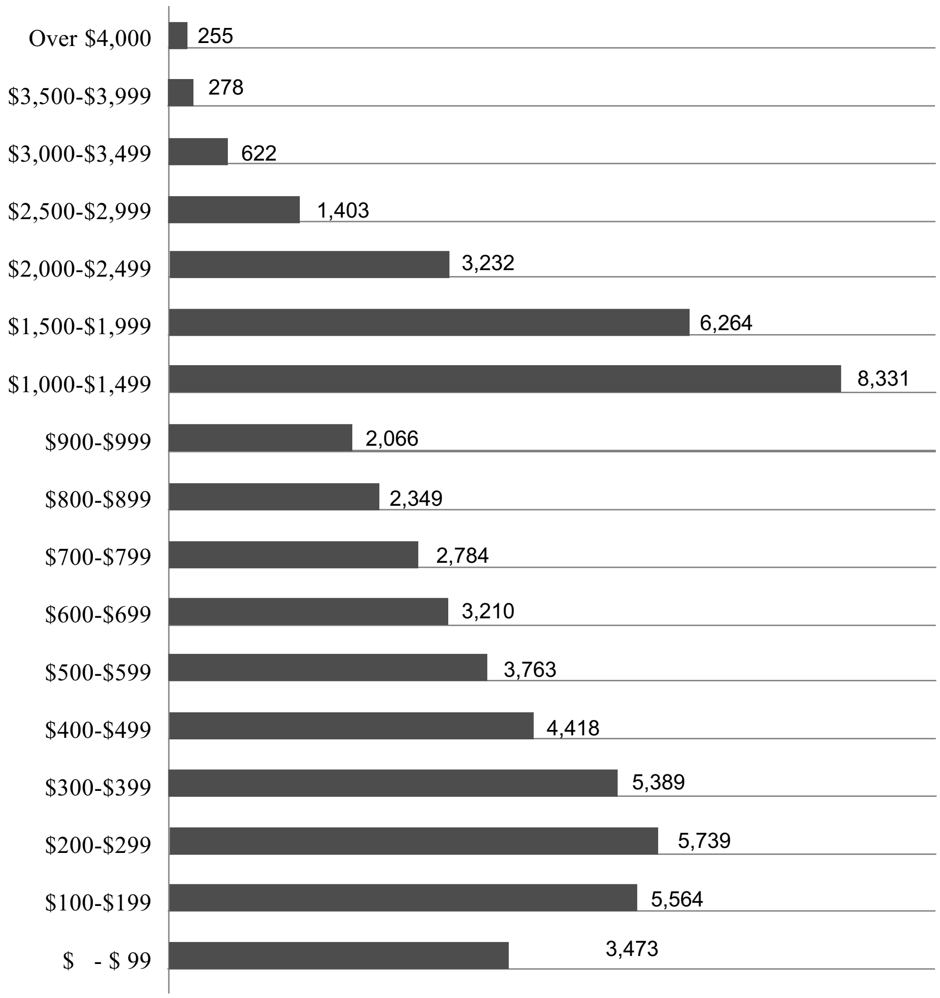
Option Type Selected
1, Maximum, no survivor benefit
2, Joint, 1/2 to survivor
3, Joint, same to survivor
4, Life with ten years certain
5, 8, Joint with 3/4 to survivor
6,7, Widowed, children, survivor
9, Life with five years certain
0, Life with 15 years certain

Average Monthly Benefit by Years of Service

New Retirees, Five-Year Summary

	Calendar Year				
Service Credit	**1999**	**2000**	**2001**	**2002**	**2003**
Less than 5 years	159	150	189	191	196
Average Benefit	$76.38	$84.08	$123.00	$178.38	$111.97
Average Years	2.46	2.30	2.47	2.33	2.27
5-9.9 Years	237	249	221	201	218
Average Benefit	$253.02	$281.88	$222.53	$197.94	$230.30
Average Years	7.01	7.01	7.08	7.16	6.88
10-14.99 Years	527	559	521	557	556
Average Benefit	$387.82	$423.63	$379.37	$451.20	$429.97
Average Years	11.75	11.91	11.87	12.04	11.86
15-19.99	490	466	502	496	515
Average Benefit	$646.49	$640.33	$608.25	$684.88	$669.08
Average Years	17.04	16.87	16.96	16.93	16.89
20-24.99	450	431	435	454	432
Average Benefit	$913.36	$917.57	$935.92	$952.70	$1,011.30
Average Years	21.84	21.94	21.90	22.04	21.87
25-29.99	510	527	557	523	543
Average Benefit	$1,464.29	$1,574.01	$1,478.75	$1,466.67	$1,515.03
Average Years	26.94	27.08	27.18	27.05	27.14
30-34.99	617	633	671	703	667
Average Benefit	$1,861.44	$1,960.60	$1,842.36	$1,918.15	$2,026.35
Average Years	31.80	31.83	32.01	31.89	31.84
35-39.99	268	234	233	211	233
Average Benefit	$2,146.47	$2,119.73	$2,038.41	$2,137.57	$2,278.46
Average Years	36.79	36.71	36.44	36.69	36.66
40-44.99	79	73	75	68	66
Average Benefit	$2,177.81	$2,350.35	$2,296.74	$2,221.94	$2,511.66
Average Years	41.65	41.49	41.65	41.38	41.44
45-49.99	13	11	9	14	17
Average Benefit	$2,604.31	$2,338.06	$2,103.47	$2,346.95	$2,129.79
Average Years	45.62	46.18	45.67	46.21	46.24
50 and Over	5	—	—	7	4
Average Benefit	$3,421.89	$ —	$ —	$2,805.10	$3,325.39
Average Years	52.00	—	—	54.43	55.60
Total Number	**3,355**	**3,333**	**3,413**	**3,425**	**3,447**
Average Benefit	**$1,102.19**	**$1,133.32**	**$1,086.60**	**$1,129.21**	**$1,164.22**
Average Years	**21.99**	**21.78**	**21.95**	**21.94**	**21.74**

Benefit Amount as of June 2004



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