

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

**Component Unit
Financial Report
Fiscal Year Ended June 30, 1991**

Capitol Tower
2nd Floor
400 West 8th Street
Topeka, Kansas 66603-3911

The Retirement System was created on January 1, 1962. The purpose of the Retirement System, stated below, is contained in K.S.A. 74-4901.

The purpose of this act is to provide an orderly means whereby employees of the participating employers who have attained retirement age as herein set forth may be retired from active service without prejudice and without inflicting a hardship upon the employees retired, and to enable such employees to accumulate reserves for themselves and their dependents to provide for old age, death and termination of employment, and for the purpose of effecting economy and efficiency in the administration of governmental affairs.

The act further provides that the Retirement System will be administered by a seven member Board appointed to 4 year overlapping terms. Current members serving on the Board are:

Walter L. Cobler, Topeka — Chairman

Jarold Boettcher, Beloit — Vice Chairman

Jack Brier, Topeka

Jody Boeding, Kansas City

Neva Entrikin, Lawrence

Steven W. Hirsch, Oberlin

K. Pat Marso, Coffeyville

The photographs in this report feature members of the Kansas Public Employees Retirement System. The System and its members serve all Kansans. The cover photo symbolizes the range of those services. The woman is a retired public servant; a member of the System receiving a monthly retirement payment from the System. Both the woman and the child will receive a variety of services throughout their lifetimes; services provided by the public servant members of the Retirement System.

Photography by David Zlotky

TABLE OF CONTENTS

PAGE

Transmittal Letter 1

Financial Section 7

 Audited Basic Financial Statements 9

 Supplemental Financial Data 19

 Supplemental Investment Data 27

Actuarial Section (Unaudited) 37

Statistical Section (Unaudited) 47



Kansas Public Employees Retirement System

April 15, 1992

The Honorable Joan Finney
Governor of the State of Kansas
Statehouse
Topeka, Kansas 66612

Dear Governor Finney:

I am pleased to submit, on behalf of the Board of Trustees and staff, the Annual Report of the Kansas Public Employees Retirement System. The report covers the operations of the Retirement System for the fiscal year ending June 30, 1991. The Chair of the Legislative Coordinating Council, the Secretary of the Senate, the Chief Clerk of the House of Representatives, and all participating public employers of the Retirement System will also receive this report in accordance with K.S.A. 74-4907.

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

Fiscal year 1991 was a difficult year for the Kansas Public Employees Retirement System. However, these difficulties presented the Board of Trustees with an opportunity to rededicate its efforts and those of its staff to serving the needs of the Retirement System's 161,448 public servant members, 1,223 participating public employers, and the citizens of Kansas. As the fiscal year drew to a conclusion, the Board of Trustees moved aggressively to emphasize full disclosure and accountability in all System operations, to institute an effective system of internal checks and balances, and to obtain recovery of those funds lost through prior imprudent investment practices.

In preparing this 30th Annual Report, our goal was to present the essential results of the Retirement System's fiscal year 1991 performance in a clear, understandable, and usable format. Accordingly, you will find that the emphasis is on the report content and not its appearance. The Retirement System's fiscal year 1991 operating results are presented in compliance with generally accepted accounting principles. Readers requiring more detailed information are encouraged to contact the Retirement System.

At June 30, 1991, the Kansas Public Employees Retirement System had a total membership of 161,448. The membership included 111,818 current public servants, 10,368 former public servants, and 39,262 retired public servants and beneficiaries. There were 2,431 new retired members during the course of the year. With the addition of 35 new public employers, the Retirement System had 1,223 participating employers at year end.

The Retirement System's fiscal year 1991 financial operations are summarized in the table on the next page. As indicated, the Retirement System had net reserves of \$3.75 billion at June 30, 1990. During the year, active members contributed more than \$123 million to the System while employers contributed more than \$105 million.

Investments generated \$292 million in gross income during the fiscal year, including realized and unrealized gains and losses on publicly traded securities. This amount is reduced by \$154 million, which represents the difference between what was originally paid for the Retirement System's direct placement and

real estate investments and the current, lower estimated value of those same investments. After subtracting management fees and expenses associated with the investments, fiscal year 1991 Net Investment Income totaled more than \$122 million. Net investment income plus employee and employer contributions resulted in total operating revenue of \$351 million.

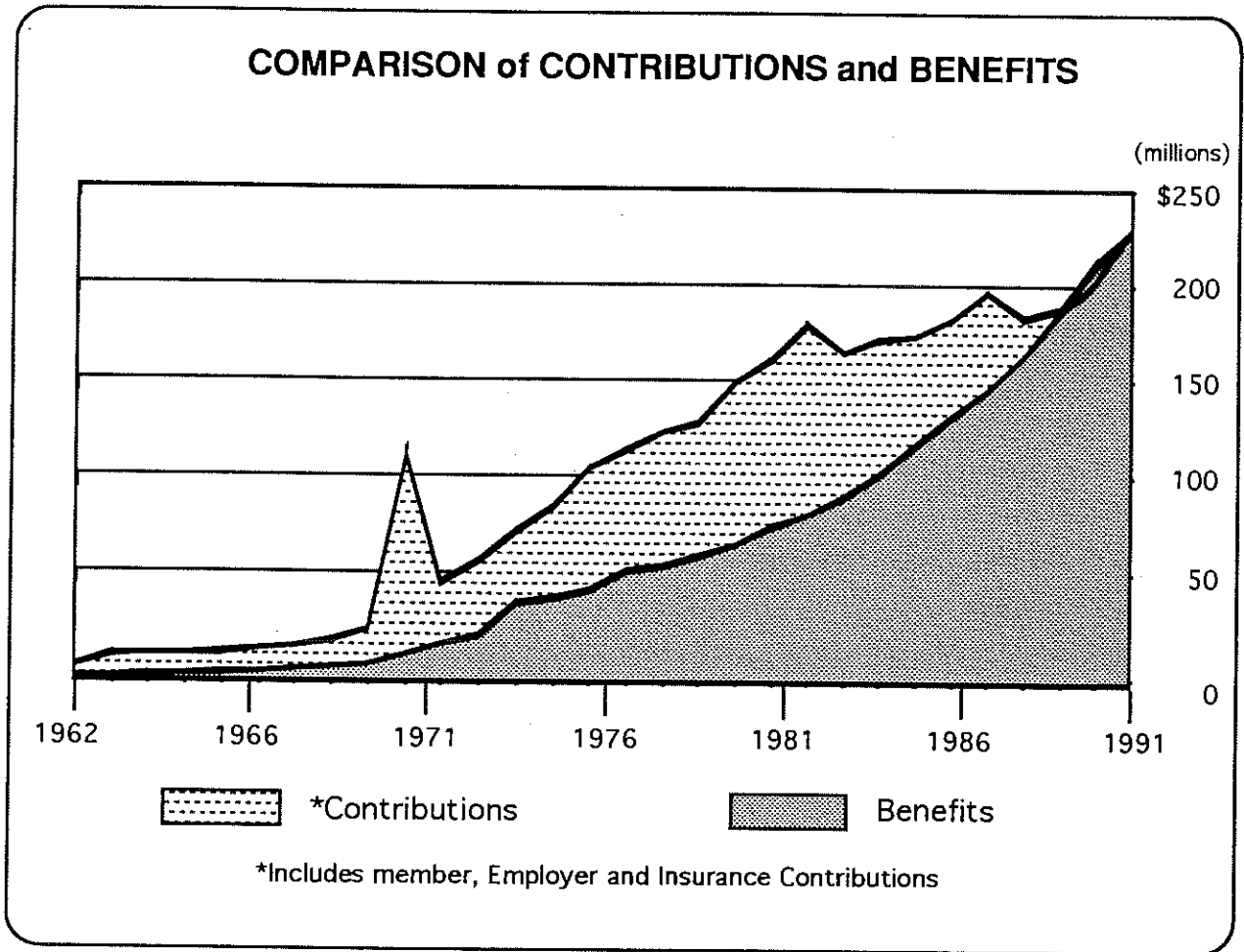
Fiscal Year 1991 Operating Results

Reserves — Balance at June 30, 1990		\$3,750,431,402
Operating Revenues:		
Contributions		
From Members	\$ 123,608,209	
From Employers	<u>105,676,734</u>	
Total Contributions	<u>\$ 229,284,943</u>	
Investment Income		
Gross Investment Income	\$ 292,622,937	
Less: Allowance for Losses on Investments	-153,808,707	
Less: Fees, Expenses Paid Managers, Custodians	<u>-16,590,756</u>	
Net Investment Income	<u>\$ 122,223,474</u>	
Total Operating Revenue	<u>\$ 351,508,417</u>	
Operating Expenses:		
Monthly Retirement Benefits Paid	\$ 180,041,274	
Refunds of Contributions to Members	22,086,947	
Death Benefits Paid	6,561,432	
Insurance Premiums & Benefits Paid	23,956,850	
Administrative (KPERs Office) Expenses	<u>3,309,277</u>	
Total Operating Expenses	<u>\$235,955,780</u>	
Income Over Expenses		<u>\$ 115,552,637</u>
Reserves — Balance at June 30, 1991		\$3,865,984,039

The expenses of the Retirement System totaled nearly \$236 million in fiscal year 1991. Included were \$180 million in monthly benefits to retired members, \$22 million paid to members who withdrew their contributions, more than \$6.5 million in death benefits, and nearly \$24 million in insurance premiums and benefits. The cost of maintaining the Retirement System's administrative operations totaled a little more than \$3 million.

Total revenues exceeded expenditures by over \$115 million during the year, resulting in an increase in the System's net reserves to \$3.87 billion at June 30, 1991. These assets represent the funds available to pay for current and future member benefits.

The chart below illustrates and compares the member and employer contribution to member benefit levels since the inception of the Retirement System. The rapid rise in benefit expenditures as compared to the growth in total contributions reflects both a maturing pension system and the outstanding investment performance experienced by the System during the 1980's. The growth in the Retirement System's assets and the investment earnings generated by those assets have acted to make the Retirement System less dependent on contributions. Accordingly, contribution levels as a percentage of covered payroll have declined in recent years.



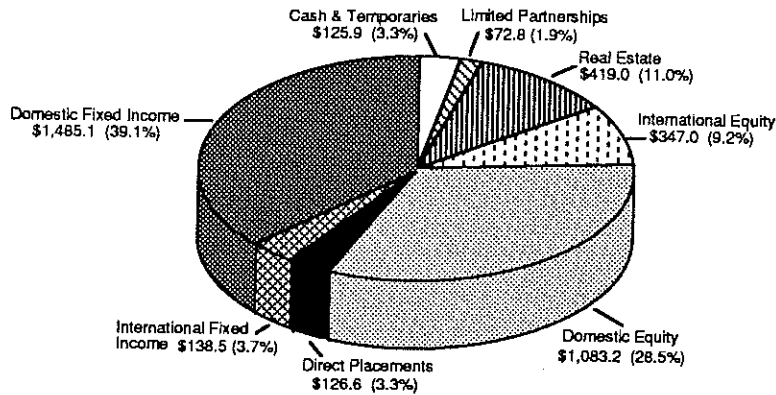
During the same period, a series of member benefit enhancements were funded. It is important to note, however, that the reduction in contribution levels has accrued exclusively to the benefit of participating employers. While statutory employee contribution rates have remained constant, participating employer rates have generally dropped, in most instances below that of the employee rate. This growing disparity is the subject of increasing public debate.

The Retirement System maintains a diverse investment portfolio, divided between publicly-traded securities and alternative investments which consist of real estate, direct or private placement investments, and limited partnerships. The investment portfolio at June 30, 1991 is depicted in the three charts on the next page. The first chart indicates that the total portfolio had an "adjusted cost value" of almost \$3.8 billion at year end. The adjusted cost figures include publicly traded securities at the lower of amortized cost or current market value. Non-publicly traded investments are valued at original cost less any permanent impairments. The next two charts depict the "original cost" and current "market value" of the investment portfolio.

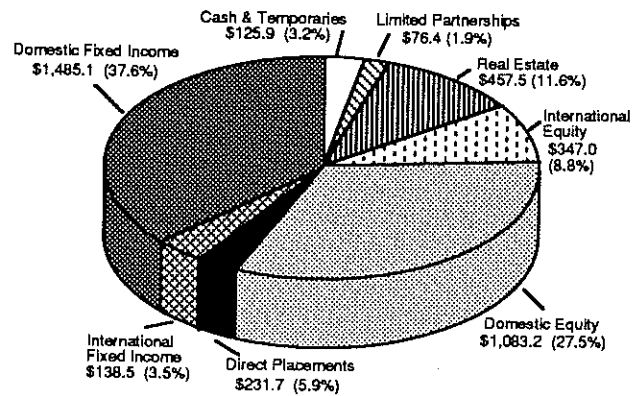
DISTRIBUTION OF INVESTMENT PORTFOLIO BY ASSET CLASS

As of June 30, 1991

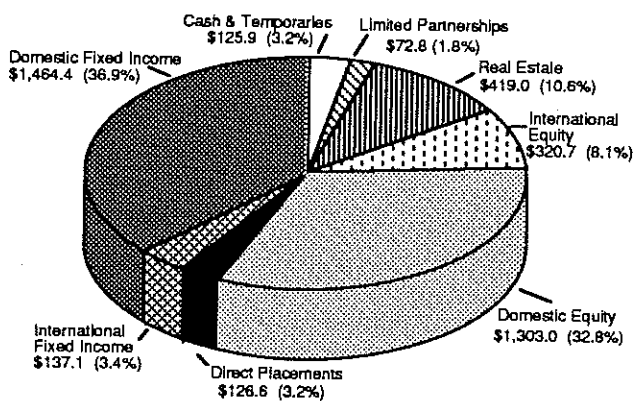
ADJUSTED COST VALUE* \$3,798.1 (millions)



ORIGINAL COST VALUE \$3,945.3 (millions)



MARKET VALUE \$3,969.5 (millions)



* Adjusted cost values are net of allowance for Loss Reserves on Direct Placements of \$105,042,482, on Real Estate of \$38,560,720, and on Limited Partnerships of \$3,639,178.

As indicated in the table below, the System's investment performance declined sharply in fiscal year 1991. This performance drop-off was primarily the result of losses realized and recognized in the direct placement and real estate investment portfolios. These losses, totaling over \$154 million, resulted from permanent declines in the market value of individual investments. The Retirement System has established a new procedure for identifying such declines in market value on a more accurate and timely basis.

Investment Performance Past Five Years			
<u>Fiscal Year</u>	<u>Accounting Rate of Return*</u>	<u>Time Weighted Total Rate of Return**</u>	<u>CPI Inflation</u>
1987	17.4%	11.4%	3.7%
1988	12.1%	-0.9%	3.8%
1989	7.8%	12.2%	5.2%
1990	7.2%	12.8%	4.5%
1991	3.3%	4.2%	4.5%
Five Year Average Annualized Return	8.3%	7.8%	4.3%

NOTES: * Accounting rate of return represents net income divided by average adjusted cost basis.
 ** Time-weighted total rate of return includes income and changes in investment value. Investment values used for direct placement and real estate investments reflect cost basis, not market value. Investment values used for publicly-traded assets reflect market value. These performance results were calculated by Callan Associates, Inc.

An intensive review of the Retirement System's direct placement investment portfolio by the Kansas Legislature's Joint Committee on KPERS' Investment Practices provided the first public documentation of the extensive losses in this portfolio. These losses were highlighted by the March, 1991 failure of Home Savings and Loan upon its seizure by the Resolution Trust Corporation, leading to the loss of the Retirement System's entire \$65 million investment in the institution. Subsequent review by the Joint Committee and the Retirement System's Board of Trustees indicated additional losses in the direct placement investment portfolio.

The Board of Trustees has taken a number of steps to address the difficulties experienced in the Retirement System's direct placement investment portfolio. In addition to placing a moratorium on direct placement investments, the two investment management firms responsible for the direct placement investments were fired. The Board filed a civil suit against one of those firms during fiscal year 1991. During the current year, the original suit was significantly expanded to include additional defendants and a new civil lawsuit was filed against the remaining, former direct placement investment management firm. The Board anticipates filing additional civil actions and expects to realize substantial recoveries.

The Retirement System remains financially secure. The assets of the System as a percentage of the unfunded past service liability plus assets, known as the "current overall funded ratio", stand at nearly ninety percent. This recognized comparative measure places the Kansas Public Employees Retirement System in the top tier of public pension plans.

The future of the Retirement System is exciting. A new set of internal controls, procedures, and reporting has been implemented to protect the System's assets. An innovative three-party process has been put into place to maximize the value of the direct placement and real estate assets. A new, more independent appraisal process has been established for the real estate assets. Investment returns are now calculated

independent of the investment managers. Through your support and that of the Legislature and the State Finance Council, the Retirement System is developing an in-house investment function that will result in a net reduction in investment fees and enhanced oversight of investment managers.

The investment performance outlook for the current year is outstanding. Through the first seven months of fiscal year 1992, the time weighted rate of return was estimated at 13.8 percent. Investment portfolio on a market value basis approached \$4.5 billion as of February 29, 1992.

The Board of Trustees and its staff look forward to serving the needs of the members of the Kansas Public Employees Retirement System and the citizens of Kansas. The Retirement System is committed to the concepts of fiduciary responsibility, complete accountability, and full disclosure. Your questions, comments, and concerns are essential and always appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Williams", followed by a horizontal line.

Meredith Williams
Executive Secretary



Independent Accountants' Report on Financial Statements
and Supplemental Information

**Baird,
Kurtz &
Dobson**

Board of Trustees
Kansas Public Employees Retirement System
Topeka, Kansas

Certified
Public
Accountants

We have audited the accompanying balance sheet of Kansas Public Employees Retirement System as of June 30, 1991, and the related statement of revenues, expenses, and changes in fund balance for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of Kansas Public Employees Retirement System as of June 30, 1991, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. We previously expressed unqualified opinions on such information for the years 1989 and 1990 in relation to the 1989 and 1990 basic financial statements taken as a whole. Such information for the years 1982 through 1988 was audited by other accountants who expressed unqualified opinions on such information in relation to the basic financial statements for the years 1982 through 1988 taken as a whole.

Suite 925
Kansas State
Bank Building
125 N. Market
Wichita,
Kansas 67202-1776
316 265-2811

FAX: 316 265-9405

With Offices in:
Arkansas
Illinois
Kansas
Kentucky
Missouri
Nebraska
Oklahoma

Member of
Moore Rowland
International

Baird, Kurtz & Dobson

October 18, 1991

**Kansas Public Employees Retirement System
Balance Sheet As of June 30, 1991
With Comparative Figures for 1990**

Assets	1991	1990
Cash and Deposits		
Cash (Note 2)	\$ 677,493	\$ 1,338,484
Deposits with Insurance Carrier	<u> </u>	<u>1,388,275</u>
Total Cash and Deposits	\$ 677,493	\$ 2,726,759
Receivables		
Contributions	29,548,025	27,147,148
Investment Income	44,723,525	31,947,392
Sale of Investment Securities	<u>95,758,798</u>	<u>78,930,247</u>
Total Receivables	\$ 170,030,348	\$ 138,024,787
Other Assets		
Fixed Assets & Supplies Inventory (Note 2)	617,964	501,589
Investments (Note 2)		
Investments at Cost	3,945,327,098	3,755,493,091
Allowance For Losses on Investments	<u>(147,242,380)</u>	<u>(64,055,728)</u>
Net Investments	<u>\$3,798,084,718</u>	<u>\$3,691,437,363</u>
Total Assets	<u>\$3,969,410,523</u>	<u>\$3,832,690,498</u>
Liabilities & Reserves		
Liabilities		
Administrative Costs	\$ 718,114	\$ 661,440
Benefits Payable	1,163,076	785,776
Securities Purchased	<u>101,545,294</u>	<u>80,811,880</u>
Total Liabilities	\$ 103,426,484	\$ 82,259,096
Reserves (Note 2)		
Members' Accumulated Contributions	\$1,417,761,316	\$1,187,120,755
Retirement Benefit Accumulation	1,463,361,950	1,475,605,681
Retirement Benefit Payment	1,364,942,169	1,398,964,206
Retirant Dividend Payment	9,453,989	9,560,479
Administrative Expenses	6,618,555	9,465,024
Optional Term Life Insurance	<u>(43,377)</u>	<u>27,078</u>
Group Insurance	106,514,037	106,565,334
Unreserved - Prior Service Cost	<u>(502,624,600)</u>	<u>(436,877,155)</u>
Total Reserves	<u>\$3,865,984,039</u>	<u>\$3,750,431,402</u>
Total Liabilities and Reserves	<u>\$3,969,410,523</u>	<u>\$3,832,690,498</u>

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

Kansas Public Employees Retirement System
Statement of Revenues, Expenses, and Changes in Fund Balance (Note 2)
For the Fiscal Year Ended June 30, 1991
With Comparative Totals for 1990

Reserves

	<u>Members'</u> <u>Accumulated</u> <u>Contribution</u>	<u>Retirement</u> <u>Benefit</u> <u>Accumulation</u>	<u>Retirement</u> <u>Benefit</u> <u>Payment</u>	<u>Retirant</u> <u>Dividend</u> <u>Payment</u>	<u>Group</u> <u>Insurance</u>
Operating Revenues:					
Member Contributions	\$ 121,019,458	—	—	—	—
Employer Contributions	—	\$ 86,633,756	—	—	—
Employer Insurance	—	—	—	—	\$ 18,657,509
Investment Income	93,583,200	25,669,029	—	—	2,613,900
Other Income	<u>8,915</u>	<u>—</u>	<u>\$ 357,944</u>	<u>\$ 13,459</u>	<u>731</u>
Total Operating Revenues	\$ 214,611,573	\$ 112,302,785	\$357,944	\$13,459	\$ 21,272,140
Operating Expenses:					
Monthly Retirement	—	—	\$ 169,915,990	\$ 9,755,374	\$ 369,910
Refunds of Contributions	\$ 22,086,947	—	—	—	—
Death Benefits	2,481,172	\$ 372,280	3,707,980	—	—
Administrative Expenses	—	—	—	—	—
Insurance Premium/Benefits	—	—	—	—	<u>21,399,768</u>
Total Operating Expenses	\$ 24,568,119	\$ 372,280	\$ 173,623,970	\$ 9,755,374	\$ 21,769,678
Revenues in Excess of Expenses Before Transfers	\$ 190,043,454	\$ 111,930,505	\$ (173,266,026)	\$(9,741,915)	\$ (497,538)
Reserve Transfers:					
Benefits Awarded	\$ (44,164,661)	\$ (172,838,589)	\$ 217,003,250	—	—
Unclaimed Accounts	(487,197)	487,197	—	—	—
Interest Adjustments	85,248,965	(3,941,265)	(82,049,385)	—	\$ 742,766
Dividend Payments	—	<u>(9,995,023)</u>	<u>—</u>	<u>\$ 9,635,425</u>	<u>359,598</u>
Total Reserves Transfers	\$ 40,597,107	\$ (186,287,680)	\$ 134,953,865	\$ 9,635,425	\$ 1,102,364
Actuarial Adjustments	—	<u>(3,634,001)</u>	<u>4,290,124</u>	<u>—</u>	<u>(656,123)</u>
Total Reserve Transfers	\$ 40,597,107	\$ (189,921,681)	\$ 139,243,989	\$ 9,635,425	\$ 446,241
Net Change in Reserve Balance					
	<u>\$ 230,640,561</u>	<u>\$ (77,991,176)</u>	<u>\$ (34,022,037)</u>	<u>\$ (106,490)</u>	<u>\$ (51,297)</u>
Increases in Actuarial Liability					
	—	65,747,445	—	—	—
Balance Beginning of Year	<u>1,187,120,755</u>	<u>1,475,605,681</u>	<u>1,398,964,206</u>	<u>9,560,479</u>	<u>106,565,334</u>
Balance End of Year	<u>\$1,417,761,316</u>	<u>\$1,463,361,950</u>	<u>\$1,364,942,169</u>	<u>\$ 9,453,989</u>	<u>\$106,514,037</u>

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

<u>Optional Term Life Insurance</u>	<u>Administrative Expense</u>	<u>Unfunded</u>	<u>1991 Totals</u>	<u>1990 Totals</u>
\$2,588,751	—	—	\$ 123,608,209	\$ 112,356,371
—	—	—	86,633,756	84,157,168
—	—	—	18,657,509	16,629,221
—	\$ 357,345	—	122,223,474	390,694,191
—	4,420	—	385,469	239,264
<u>\$2,588,751</u>	<u>\$ 361,765</u>	—	<u>\$ 351,508,417</u>	<u>\$ 604,076,215</u>
—	—	—	\$180,041,274	\$ 161,556,604
—	—	—	22,086,947	20,614,990
—	—	—	6,561,432	6,478,993
—	\$ 3,309,277	—	3,309,277	3,152,205
<u>\$2,557,082</u>	—	—	<u>23,956,850</u>	<u>17,826,637</u>
<u>\$2,557,082</u>	<u>\$ 3,309,277</u>	—	<u>\$ 235,955,780</u>	<u>\$ 209,629,429</u>
\$ 31,669	\$(2,947,512)	—	\$ 115,552,637	\$ 394,446,786
—	—	—	—	—
—	—	—	—	—
\$ (1,081)	—	—	—	—
(101,043)	\$ 101,043	—	—	—
<u>\$ (102,124)</u>	<u>\$ 101,043</u>	—	—	—
—	—	—	—	—
<u>\$ (102,124)</u>	<u>\$ 101,043</u>	—	—	—
<u>\$ (70,455)</u>	<u>\$(2,846,469)</u>	—	<u>\$115,552,637</u>	—
—	—	\$ (65,747,445)	—	—
27,078	9,465,024	(436,877,155)	3,750,431,402	3,355,984,616
<u>\$ (43,377)</u>	<u>\$ 6,618,555</u>	<u>\$(502,624,600)</u>	<u>\$3,865,984,039</u>	<u>\$3,750,431,402</u>

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1991

NOTE 1: Description of Plan

A. Plan Membership

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

B. Plan Benefits

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

All active members (except KP&F members) are covered by the group life insurance contract. The life insurance benefit is 150% of the annual rate of compensation at the time of death. Generally, in cases of death (KPERS) as a result of an on-the-job accident, there is a \$50,000 lump sum benefit and a monthly benefit payable to a surviving spouse, minor children or dependent parents (in this order of preference). Statutory service-connected accidental death benefits are in addition to any life insurance benefit payable to the designated beneficiary(ies). There is also a \$2,500 death benefit payable to designated beneficiary(ies) upon the death of a retired member under any system.

Active members (except KP&F and Judges members) are also covered by the provisions of the disability income benefit contract. Annual disability income benefits are based upon 66-2/3% of the annual rate of compensation at the time of disability, less primary social security benefits, one-half of worker's compensation, and any other employment-related disability benefits, with a minimum monthly benefit of \$100. There is a waiting period of 180 continuous days from the date of disability before benefits can be paid. During the period of approved disability, the member continues to have group life insurance coverage and to accrue participating service credit.

C. Contributions

The Retirement System's reserves are funded by member contributions (between 4% and 7% of their compensation), employer contributions and investment income. Member contribution rates are established by state law. Member contributions are picked-up by the employer in accordance with provisions of section 414 (h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. All of the retirement systems are funded on an actuarial reserve basis. Contribution rates are determined as a level percentage of salary by the System's actuary using the entry age normal, with frozen initial

liability, actuarial cost method. Employer contributions for group life and long-term disability are set by statute at .6% of covered payroll. The amortization period for the past service liability as specified in the Retirement Act is 15 years from January 1, 1987 for non-school employers and 24 years from January 1, 1987 for school employers.

NOTE 2: Summary of Significant Accounting Policies

A. Reporting Entity

The Kansas Public Employees Retirement System is a component unit of the reporting entity of the State of Kansas. A seven member board of trustees, appointed to overlapping four-year terms by the governor and confirmed by the Senate, administer the Retirement System. The Board of Trustees appoints the executive secretary who is the system's managing officer.

B. Basis of Accounting

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

C. Prior Year Information

The 1990 balances are presented for comparative purposes only, they do not include all information necessary for a complete presentation. Prior year balances for investments have been revised to reflect the reclassification of assets completed during fiscal year 1991. Opening cost values have also been revised to eliminate third-party debt that was included as real estate investments and liabilities as of June 30, 1990. These reclassifications had no effect on total reserves.

D. Investments

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

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

In fulfilling its responsibilities, the Board of Trustees has contracted with 17 investment management firms, a domestic securities custodian bank in Topeka, Kansas, and a bank in New York, New York to be the custodian for international securities.

As of June 30, 1991, the Retirement System owned two repurchase and one reverse repurchase agreements with market values of \$45,519,000 and \$2,576 respectively. Repurchase agreements are made exclusively with the 40 primary government dealers and approved banks. In all cases involving repurchase agreements, collateral is received at the custodial bank before cash is disbursed.

The Retirement System participated in a closed-ended common stock mutual fund during the fiscal year. The securities held as investments in this fund are almost entirely publicly traded issues. This fund, the Pacific Investment Management Institutional Trust (PIMIT) Fund, is managed by Pacific Investment Management Company. As of June 30, 1991, the total amount invested in the PIMIT mutual fund was \$55,319,373.

The Retirement System also participated in an open-ended comingled group trust fund during the fiscal year. This group trust, named Provident Investment Counsel (PIC) Stellar Fund is managed by

Provident Investment Counsel and participation is limited to institutional investors. As of June 30, 1991, the total amount invested in the PIC Stellar Trust was \$28,664,474.

The Retirement System is presently engaged in the financial futures market. At June 30, 1991, the retirement system had purchased treasury note and treasury bond future contracts with a face value of \$122,799,781. Market value and contract price are compared daily creating a corresponding gain or loss. \$2,348,373 has been recognized as investment income during fiscal year 1991 from these activities. Margin deposits in the form of U.S. Treasury T-Bills of \$816,052 are included in temporary investments as of June 30, 1991.

Certificates of deposit are held by the custodian bank and are registered in the system's name. The certificates of deposit (nonnegotiable) are FDIC insured. As of June 30, 1991, the Retirement System held \$43,600,000 in certificates of deposit from Kansas banks and savings & loan associations through the Kansas Capital Fund program.

The Retirement System currently participates in both domestic and international securities lending activities. The system receives a fee from the brokerage firm in addition to the income which accrues to the system as owner of the securities. The brokerage firm collateralizes the loan with either cash or government securities of approximately 102% of market value on domestic securities, and 105% of market value on international securities loaned. Daily the securities on loan are marked to market to determine the adequacy of collateral. Income produced from securities lending activities for fiscal year 1991 included domestic securities lending of \$685,448 and international securities securities lending of \$379,232. The market value of securities on loan as of June 30, 1991, was \$315,568,588 on domestic securities and \$30,504,080 on international securities.

International managers utilize forward currency contracts in their management of funds for the Retirement System. All forward foreign currency contracts are carried at market value by the Retirement System, and as of June 30, 1991, the system had sold forward currency contracts with a market value of \$78,169,795, and had bought forward currency contracts with a market value of \$82,097,001. Purchases of forward currency contracts are recorded as securities purchased not paid for, and sales of forward currency contracts are recorded as receivables on the sale of investments. The Retirement System realized \$1,015,627 income during fiscal year 1991 from these activities.

Call options with a cost value of \$1,671,094 on U.S. Government securities, were held by the Retirement System as of June 30, 1991.

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

- (1) Insured or registered and held by the system's custodian bank in the system's name.
- (2) Uninsured and unregistered and held by the contra party's trust department or agent in the system's name.
- (3) Uninsured and unregistered and held by brokers or dealers but not in the system's name.

The schedule on the following page distributes by asset class the adjusted cost value of investments for the Retirement System as of June 30, 1991.

	ASSET CLASS CATEGORY			<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
	<u>Carrying Value</u>			
Marketable Securities:				
Cash & Temporary Investments	\$ 125,921,492			\$ 125,931,543
Domestic Equities	1,083,226,257			1,303,023,835
International Equities	346,945,122			320,753,905
Domestic Fixed Income	1,485,117,758			1,464,379,222
International Fixed Income	138,491,025			137,055,971
Total Marketable Securities	<u>\$3,179,701,654</u>			<u>\$3,351,144,476</u>
Alternative Investments:				
Direct Placements	\$ 126,630,966			Not Applicable—
Real Estate	418,999,504			No quoted
Limited Partnerships	72,752,594			market exists
Total Alternative Investments	<u>\$ 618,383,064</u>			
Total Investments	<u>\$3,798,084,718</u>			

E. Furniture, Fixtures, Equipment and Office Supplies

Furniture, fixtures, and equipment are reported on the balance sheet at historical cost, net of accumulated depreciation. These assets are depreciated on a straight line basis over an average useful life of 3 to 10 years with no salvage value. Accumulated depreciation on furniture, fixtures, and equipment as of June 30, 1991, was \$887,852. Office supplies inventory in the amount of \$33,929 are included, assuming the first-in, first-out method.

F. Compensated Accrued Absences

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

G. Reserves

K.S.A. 74-4920 defines the title and use of the required reserves of the Retirement System. The composition of the reserves, credits to the reserves and charges to the reserves are also specified in K.S.A. 74-4920.

The law governing the retirement system requires the actuary to make an annual valuation of the systems liabilities and reserves, to make a determination of the contributions required to discharge the systems liabilities, and to recommend to the Board of Trustees employer contribution rates required to maintain the systems on an actuarial reserve basis. During the year, there was a change in the actuarial assumption for future salaries from 6-1/2% to 5% plus a percentage based on an age-related salary scale.

The **Member's Accumulated Contribution Reserve** represents the accumulation of member contributions plus interest credited to individual members' accounts of non-retired

members. At the date of retirement the individual member's account is transferred to the Retirement Benefit Payment Reserve. Upon termination of employment and application for withdrawal, refunds of employee contributions plus accumulated interest are charged to this reserve. Interest is credited to member accounts on each July 1, based upon the balance in the account as of the previous December 31. The interest crediting rate, defined by statute as the actuarial interest assumption rate, was eight percent (8%) for fiscal years 1991 and 1990. As of June 30, 1991, there was a total of \$524.1 million interest in this reserve.

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

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

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

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

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

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

H. Leases

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

NOTE 3: Funding Status

A. Funding Status

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

The pension benefit obligation was determined as of June 30, 1991, the date of the most recent actuarial valuations of the KPERS, KP&F, and Judges Systems. The actuarial assumptions used to determine the pension benefit obligation are the same as the assumptions used in the actuarial valuations as of June 30, 1991. Significant actuarial assumptions include an assumed long-term investment yield rate of 8% per year, and projected salary increases of 5% plus a percentage based

on an age-related salary scale. The inflation component of the economic assumptions is an assumed long-term inflation rate of 5% per year.

The total pension benefit obligation was approximately \$3,732.8 million as of June 30, 1991. The unfunded pension benefit obligation of approximately \$(26.7) million is the amount computed by subtracting net assets available for retirement benefits (at book value) from the total pension benefit obligation.

The unfunded pension benefit obligation differs from the unfunded past service liability. For KPERS, KP&F, and the Judges Systems combined, the unfunded pension benefit obligation as of June 30, 1991, was approximately \$(26.7) million or about \$529.3 million less than the unfunded past service liability of \$502.6 million.

As of June 30, 1991, net assets available for retirement benefits (which excludes reserves for Optional Term Life and Group Insurance) were 100.7% of the total pension benefit obligation for all systems combined. The pension benefit obligation at June 30, 1991, is shown below:

Individual Retirement Systems

	<u>KPERS</u>	<u>KP&F</u>	<u>Judges</u>	<u>Total</u>
Current Employees				
Members Accumulated Contributions Including Interest	\$1,105,334,300	\$96,247,900	\$6,691,200	\$1,208,273,400
Employer Financed Portion				
Vested	234,291,700	33,390,000	7,915,300	275,597,000
Non-Vested	683,084,900	127,986,500	3,112,600	814,184,000
Retirees and Beneficiaries				
Retirees receiving benefits and terminated employees not yet receiving benefits	<u>1,213,369,600</u>	<u>208,530,300</u>	<u>12,856,800</u>	<u>1,434,756,700</u>
Equals the Total Pension Benefit Obligation	\$3,236,080,500	\$466,154,700	\$30,575,900	\$3,732,811,100
Less Net Assets Available for Benefits at Book Value	<u>3,274,050,100</u>	<u>454,298,600</u>	<u>31,164,700</u>	<u>3,759,513,400</u>
Equals Unfunded Pension Benefit Obligation	<u>\$ (37,969,600)</u>	<u>\$11,856,100</u>	<u>\$(588,800)</u>	<u>\$(26,702,300)</u>

Analysis of the dollar amounts of net assets available for retirement benefits, the pension benefit

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

The following unaudited historical data is presented to provide information about the progress the Retirement System is making in accumulating sufficient assets to pay benefits:

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS
ALL SYSTEMS COMBINED - STATED IN MILLIONS**

Year	(1)	(2)	(3)		(4)	(5)	(6)	
	Net Assets Available for Retirement Benefits	Pension Benefit Obligation	Percentage Funded (1) / (2)		Unfunded Pension Benefit Obligation (2) - (1)	Annual Covered Payroll	Unfunded Pension Benefit Obligation As a Percent of Covered Payroll (4) / (5)	
1987 ^(a)	\$2,589.5	\$2,958.1	87.5%		\$368.6	\$2,304.5	16.0%	
1988 ^(b)	2,908.0	3,151.1	92.3%		243.1	2,397.3	10.1%	
1989 ^(b)	3,026.7	3,610.7	83.8%		584.0	2,444.6	23.9%	
1990 ^(b)	3,458.2	3,383.7	102.2%		(74.5)	2,651.6	-2.8%	
1991^(a)	3,759.5	3,732.8	100.7%		(26.7)	2,922.4	-0.9%	

Note: (a) The Retirement System's date for actuarial valuations was June 30.
(b) The Retirement System's date for actuarial valuations was December 31.

NOTE 4: Other Matters

A. Commitments and Contingencies

As of June 30, 1991, the Retirement System was committed for additional funding, totalling \$2,017,917, in the form of capital calls on existing limited partnerships in the portfolio.

The Retirement System, through one of its investment management firms, has guaranteed the principal and interest payments on Retirement Management Corporation (Brandon Woods). The total loan guarantee at June 30, 1991, was \$13,400,000.

As of June 30, 1991, the Retirement System was committed for additional funding, totalling \$22,699,356, in the form of capital commitments on existing real estate holdings in the portfolio.

Highlights of Operations — 10 Year Summary

	1991	1990	1989	1988
Membership Composition				
Number of Retirants	39,262	38,243	37,250	36,171
Number of New Retirants During the Year	2,431	2,262	2,323	2,640
Number of Active and Inactive Members	122,186	118,042	114,169	107,107
Number of Participating Employers	1,223	1,188	1,150	1,126
Financial Results				
Retirement/Death Benefits (Millions)	186.7	168.0	151.5	135.1
Member Contributions (Millions)	123.6	112.4	97.4	91.8
Employer Contributions (Millions)	105.7	101.0	91.2	91.8
Investment Income (Millions)	122.2	390.7	230.3	231.0
Total Revenue (Millions)	351.5	604.1	418.9	414.6
Total Expenses (Millions)	235.9	209.6	193.8	169.4
Revenues in Excess of Expenses (Millions)	115.6	394.5	225.2	245.2
Total Assets (Millions)	3,969.4	3,832.7	3,451.4	3,177.2
Employer Contribution Rate				
KPERS-State/School (a)	3.2%	3.1%	3.0%	3.0%
KPERS-Local	2.6%	2.0%	3.0%	—
KPERS-School (b)	—	—	—	3.0%
KP&F(Average)	9.1%	13.1%	11.1%	19.0%
Special Elected Officials	7.9%	—	—	—
Past Service Liability				
KPERS-State/School (Millions)	372.8	341.5	315.6	294.2
KPERS Local (Millions)	39.9	34.2	29.7	25.6
KPERS-School (Millions)	—	—	—	—
KP&F (Millions)	66.2	68.5	69.6	68.4
Judges (Millions)	3.8	3.6	3.4	3.1
TIAA (Millions)	19.9	19.2	18.8	15.8
Special Elected Officials (Millions)	—	2.2	—	—
Funding Ratios (c)				
KPERS-State/School	88.0%	88.0%	87.3%	87.7%
KPERS-Local	93.1%	93.6%	93.9%	94.3%
KPERS-School	—	—	—	—
KP&F	87.3%	85.9%	84.1%	83.2%
Judges	89.1%	89.1%	88.9%	89.3%
TIAA	21.1%	24.2%	21.6%	25.5%
Special Elected Officials	—	78.5%	—	—

(a) KPERS Nonschool and KPERS School was combined.

(b) KPERS was divided into sections - KPERS State/School and KPERS Local commencing in fiscal year 1988.

1987	1986	1985	1984	1983	1982
34,819	33,598	32,675	31,762	30,906	29,813
2,345	2,148	1,984	1,892	2,076	2,092
104,691	102,693	102,100	102,327	103,878	102,304
1,112	1,100	1,078	1,064	1,053	1,044
118.6	106.4	92.7	78.8	71.8	59.6
91.3	83.1	74.6	69.7	65.6	59.8
105.5	100.0	99.1	102.5	99.7	103.0
322.1	394.7	219.5	160.2	192.3	107.7
518.9	577.8	393.2	332.4	357.6	270.5
151.5	137.6	122.0	106.2	95.1	85.4
367.4	440.2	271.2	226.2	262.5	185.1
2,928.4	2,602.3	2,107.6	1,818.6	1,585.3	1,370.1
3.9%	4.3%	4.6%	4.6%	4.8%	5.20%
18.7%	18.9%	16.3%	20.8%	23.2%	23.0%
4.1%	4.0%	4.4%	4.4%	4.5%	4.7%
8.7%	8.7%	10.3%	10.4%	10.4%	15.6%
310.7	72.1	64.5	57.5	38.7	89.0
230.9	227.7	217.2 (d)	174.5	269.1	
69.4	69.7	75.2	75.4	76.3	85.2
2.9	2.6		2.9		
15.8	15.3	12.9	14.2	11.0	13.0
87.9%	93.3%	92.8%	92.7%	94.3%	85.8%
83.1%	80.8%	79.0%	79.7%	68.0%	
81.0%	79.8%	74.8%	71.4%	67.4%	59.8%
88.3%	89.2%		82.4%		
24.1%	27.1%	29.7%	26.3%	32.2%	24.2%

(c) Funding ratios indicate the actuarial soundness of the system and are determined by dividing accumulated assets by the sum of accumulated assets plus unfunded past service liability.

(d) For 1984 includes the amount for KSRS annuitants which were combined with KPERS-School on July 1, 1984.

Schedule Of Revenues And Expenses - Budget And Actual

For The Fiscal Year Ended June 30, 1991
With Comparative Actual Figures For June 30, 1990

	<u>1991 BUDGETED</u>	<u>1991 ACTUAL</u>	<u>1990 ACTUAL</u>
Revenues:			
Member Contributions	\$114,599,530	\$119,115,097	\$108,100,658
Employees-Optional Term Life	2,957,198	2,588,751	2,541,620
Purchase Of Service Credit	1,900,259	1,904,361	1,714,093
Subtotal - Members	<u>\$119,456,987</u>	<u>\$123,608,209</u>	<u>\$112,356,371</u>
Employer Contributions	86,556,985	86,633,756	84,157,168
Benefit Recoveries	—	385,469	239,264
Insurance Contributions	17,856,654	18,657,509	16,629,221
Fixed Asset Dispositions	—	(956)	—
Investment Income	<u>314,024,250</u>	<u>122,224,430</u>	<u>390,694,191</u>
Total Revenues	<u>\$537,894,876</u>	<u>\$351,508,417</u>	<u>\$604,076,215</u>
Expenses:			
Monthly Retirement Benefits	\$172,168,354	\$173,996,250	\$155,591,520
Retirant Dividend Payments	9,470,586	10,125,284	9,833,404
Refund Of Contributions	23,045,000	24,568,119	23,225,663
Insurance	17,856,653	21,399,768	15,350,901
Optional Insurance	2,957,198	2,557,082	2,475,736
Administration	<u>3,056,094</u>	<u>3,309,277</u>	<u>3,152,205</u>
Total Expenses	<u>\$228,553,885</u>	<u>\$235,955,780</u>	<u>\$209,629,429</u>
Capital Outlay	<u>311,459</u>	<u>394,386</u>	<u>78,722</u>
Total Expenses and Capital Outlay	<u>\$228,865,344</u>	<u>\$236,350,166</u>	<u>\$209,708,151</u>
Excess Revenues Over Expenses and Capital Outlay	<u>\$309,029,532</u>	<u>\$115,158,251</u>	<u>\$394,368,064</u>

Schedule Of Administrative Expenses - Budget And Actual

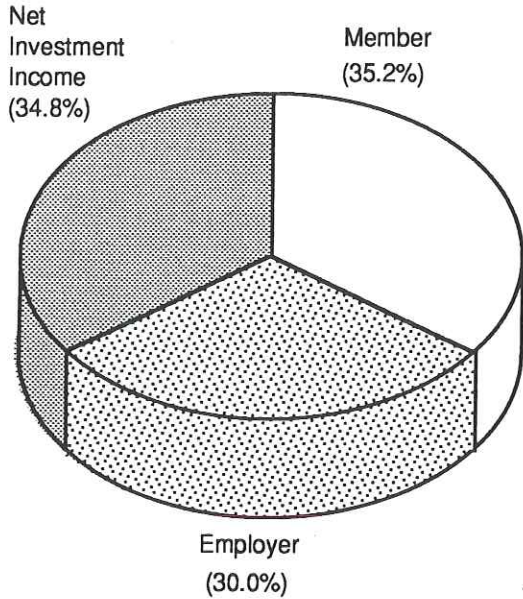
For The Fiscal Year Ended June 30, 1991
With Comparative Actual Figures For 1990

	<u>1991 BUDGETED</u>	<u>1991 ACTUAL</u>	<u>1990 ACTUAL</u>
Salaries And Wages	\$1,929,773	\$1,928,042	\$1,849,572
Postage	172,052	152,743	150,724
Telephone	59,575	53,125	54,416
Freight	3,045	1,069	3,886
Travel	64,904	52,939	48,378
Printing	83,140	74,047	60,337
Actuary	171,000	171,000	163,500
Data Processing	255,515	253,204	278,306
Other Professional Fees	69,146	101,965	56,752
Office And Equipment Rent	4,145	1,218	2,060
Office And Building Supplies	46,670	67,999	28,355
Repair And Service Agreements	57,925	44,019	40,167
Dues And Subscriptions	8,448	7,758	7,550
Official Hospitality	1,629	824	1,266
Professional Supplies	8,788	7,989	7,594
Utilities	22,585	22,001	24,853
Janitorial & Building Admin.	97,754	91,992	103,921
Depreciation on Fixed Assets	—	261,020	207,130
Accrued Absences	—	16,323	63,438
Charged To Expense Reserve	\$3,056,094	\$3,309,277	\$3,152,205
Capital Outlay	<u>311,459</u>	<u>394,386</u>	<u>78,722</u>
Total Expenses	<u>\$3,367,553</u>	<u>\$3,703,578</u>	<u>\$3,230,927</u>

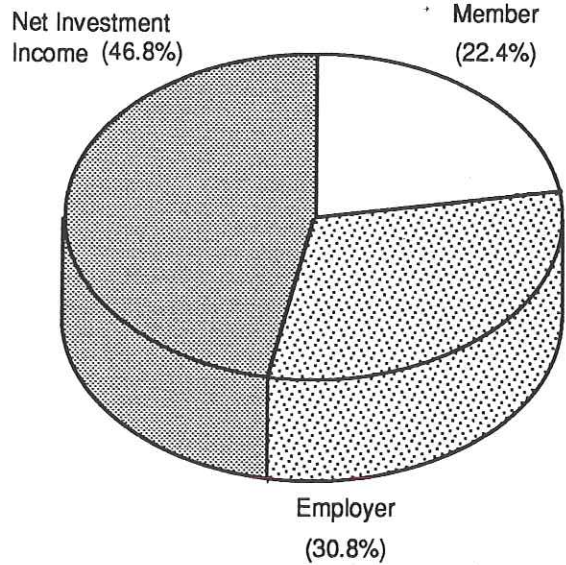
DISTRIBUTION of REVENUES & EXPENDITURES

REVENUES

Fiscal Year 1991 Revenues

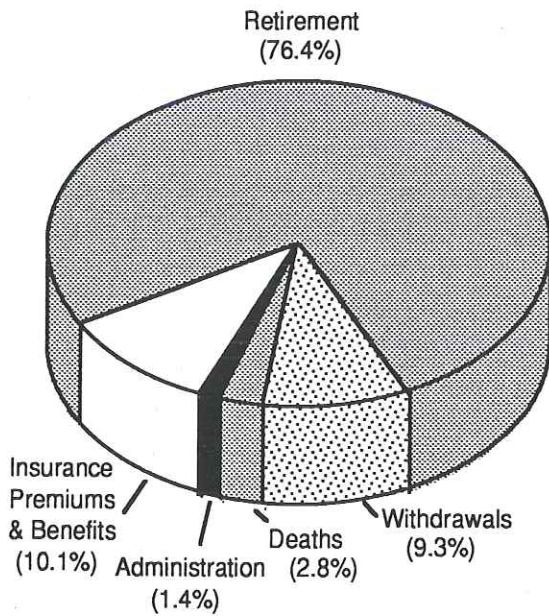


30-Year Revenues*

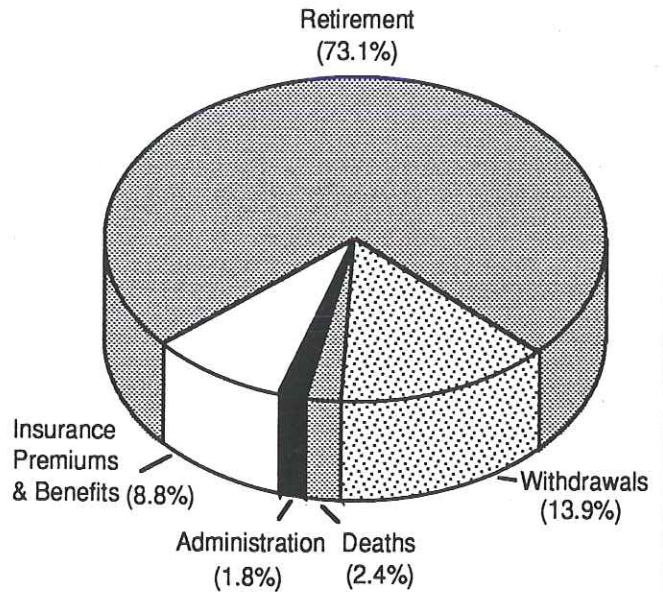


EXPENDITURES

Fiscal Year 1991 Expenditures



30-Year Expenditures*



* Analysis based on historical 30-year data

Rates Of Return Last Five Fiscal Years

	1991	1990	1989	1988	1987
Accounting Rate ^(A)	3.3%	7.2%	7.8%	12.1%	17.4%
Time Weighted ^(B)					
Domestic Equities	4.8%	20.1%	13.7%	(9.0)%	17.7%
Domestic Fixed Income	10.6	5.8	14.4	6.5	4.0
International Equities	(11.2)	25.6	13.7	5.5	—
International Fixed - Income	10.6	7.8	0.9	18.0	—
Real Estate	4.7	7.2	8.5	9.5	6.7
Direct Placements	(18.0)	12.3	7.9	9.5	11.0
Cash And Equivalents	8.6	8.5	9.3	7.4	5.8
Total Fund	4.2%	12.7%	12.2%	(0.9)%	11.4%
Market Indicators					
FRMS Universe	4.5%	13.1%	21.0%	6.1%	23.3%
Shearson Lehman Brothers Gov't/Corp	10.2	7.1	12.3	7.5	4.7
MSCI Eafe Index - Usd	(11.5)	3.3	9.5	4.1	58.3
Salomon Non Us Wld Bd-Usd	10.9	5.1	(2.3)	12.1	23.1
Total Real Estate Commingled Funds	(1.9)	5.0	8.0	7.1	6.8
Treasury Bills	6.9	8.3	8.4	6.2	5.8
Standard & Poors 500 (South Africa Free)	5.7	16.4	20.5	(7.0)	25.2
Brinson Venture Capital Index	(1.2)	6.8	2.7	1.7	4.7
Consumer Price Index + 3.5%	8.0%	8.0%	8.7%	7.3%	7.2%

(A) Accounting rate of return represents net income divided by average investment cost basis.

(B) Time-weighted total return includes income and changes in market value. These performance results were calculated by Callan Associates. Values used for direct placement and real estate investments reflect cost basis, not market value.)

FRMS Universe Index is composed of all common stock issues used in the Fundamental Risk Measurement Service (FRMS) by BARRA. The index contains about 5,700 companies and is capitalization-weighted.

Standard & Poor's 500 Index is a composite of 400 industrial, 40 financial, 40 utility and 20 transportation stocks. The index is capitalization-weighted with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

Lehman Brothers Gov't/Corp Bond Index is a composite of all publicly-issued, fixed-rate, non-convertible, domestic bonds. The issues are rated at least BBB, have a minimum outstanding principal of \$100 million for U.S. Treasuries or \$25 million for other bonds, and have a maturity of at least one year. The index is capitalization-weighted.

Consumer Price Index is a measure of the average change in prices for a fixed market basket of goods and services. This market basket is based on the spending patterns of urban wage earners and clerical workers, who represent 40 percent of the total civilian population.

Morgan Stanley Capital International (MSCI) EAFE Index is composed of approximately 1000 equity securities representing the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is capitalization-weighted; includes currency changes and is expressed in terms of U.S. dollars.

Salomon Brothers Non-U.S. Dollar World Bond Index is composed of the Salomon Brothers World Bond Index excluding U.S. bonds. The index consists of Government bonds, Eurobonds and foreign bonds rated at least AA with remaining maturities of 5 or more years. The index is weighted by the outstanding principal amount of each issue and is expressed in terms of U.S. dollars.

Real Estate Total Commingled Funds (150 funds) consist of open and closed-end commingled funds managed by real estate firms.

Kansas Public Employees Retirement System
Schedule of Changes in Investments
for Fiscal Year Ending June 30, 1991

Asset Classification	June 30, 1990 Cost Value (a)	Purchases And Accretion	Sales And Amortization	June 30, 1991 Cost Value	Percentage of Total Investments
Marketable Securities					
Cash & Temporary Investments	\$ 63,767,272	\$12,149,955,584	\$(12,131,401,364)	\$ 82,321,492	2.2%
Kansas Capital Fund C.D.'s	44,000,000	—	(400,000)	43,600,000	1.1%
Domestic Equities	1,088,697,898	733,779,742	(739,251,383)	1,083,226,257	28.5%
International Equities	317,075,033	201,159,621	(171,289,532)	346,945,122	9.1%
Sub-Total	\$1,513,540,203	\$13,084,894,947	\$(13,042,342,279)	\$1,556,092,871	40.9%
Domestic Fixed Income:					
Treasury & Agency Corporate	698,133,352	706,854,406	(644,036,761)	760,950,997	20.0%
MGIC (Mtg Guarantee Corp)	645,494,818	380,697,750	(336,616,555)	689,576,013	18.2%
Sub-Total	40,831,154	12,154	(6,252,560)	34,590,748	0.9%
Sub-Total	\$1,384,459,324	\$ 1,087,564,310	\$ (986,905,876)	\$1,485,117,758	39.1%
International Fixed Income:					
Treasury & Agency Corporate	44,850,088	193,920,157	(187,045,327)	51,724,918	1.4%
Sub-Total	47,408,838	120,399,126	(81,041,857)	86,766,107	2.3%
Sub-Total	\$ 92,258,926	\$ 314,319,283	\$ (268,087,184)	\$ 138,491,025	3.7%
Total Marketable Securities	\$2,990,258,453	\$14,486,778,540	\$(14,297,335,339)	\$3,179,701,654	83.7%
Alternative Investments					
Real Estate Appraisal Valuation Reserve	\$ 403,330,957	\$ 69,170,904	\$ (14,941,637)	\$ 457,560,224	12.1%
Sub-Total	—	(38,560,720)	—	(38,560,720)	(1.0)%
Sub-Total	\$ 403,330,957	\$ 30,610,184	\$ (14,941,637)	\$ 418,999,504	11.1%
Direct Placements Allowance For Loss Reserve	291,189,193	35,490,062	(95,005,807)	231,673,448	6.1%
Sub-Total	(64,055,728)	(111,609,009)	70,622,255	(105,042,482)	(2.8)%
Sub-Total	\$ 227,133,465	\$ (76,118,947)	\$ (24,383,552)	\$ 126,630,966	3.3%
Limited Partnerships Allowance For Loss Reserve	\$ 70,714,488	\$ 5,886,223	\$ (208,939)	\$ 76,391,772	2.0%
Sub-Total	—	(3,639,178)	—	(3,639,178)	(0.1)%
Sub-Total	\$ 70,714,488	\$ 2,247,045	\$ (208,939)	\$ 72,752,594	1.9%
Total Alternative Investments	\$ 701,178,910	\$ (43,261,718)	\$ (39,534,128)	\$ 618,383,064	16.3%
GRAND TOTALS	\$3,691,437,363	\$14,443,516,822	\$(14,336,869,467)	\$3,798,084,718	

(a) Opening cost values at June 30, 1990 were revised to eliminate \$63,286,398 of third-party debt that was included in real estate holdings, and to conform to year-end classifications.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

AS OF JUNE 30, 1991

DISTRIBUTION OF INVESTMENT PORTFOLIO BY MANAGER

MANAGER	ASSET CLASS MANAGED	ADJUSTED (a) COST VALUE OF ASSETS MANAGED (MILLIONS)	PERCENTAGE OF TOTAL COST VALUE
MARKET RESEARCH & MGT.	EQUITY	\$ 75.0	2.0%
COMMERCE BANK HOLDING ACCOUNT	MIXED (b)	85.4	2.2%
LEHNDORFF & BABSON	REAL ESTATE	100.0	2.6%
JULIUS BAER	INT'L FIXED	103.5	2.7%
NOMURA	INT'L EQUITY	159.0	4.2%
PILGRIM, BAXTER & GREIG	EQUITY	164.2	4.3%
PROVIDENT INVESTMENT COUNSEL	EQUITY	167.8	4.4%
LOOMIS, SAYLES & CO.	EQUITY	168.9	4.4%
PACHOLDERS/CHEMICAL BANK	DIRECT PLACEMENT	170.3	4.5%
ALLIANCE	INT'L EQUITY	171.4	4.5%
WELLS FARGO NIKKO	EQUITY	212.6	5.6%
PAYDEN & RYGEL	STIF (c)	271.7	7.2%
J. W. O'CONNOR	REAL ESTATE	284.3	7.5%
DELAWARE INVESTMENT ADVISORS	EQUITY	312.6	8.3%
PACIFIC INVESTMENT	FIXED	419.5	11.0%
PETERS, GAMM, WEST	FIXED	443.0	11.7%
LOOMIS, SAYLES & CO., INC.	FIXED	488.9	12.9%
		<u>\$3,798.1</u>	

(a) Reported values are net of Allowance for Loss Reserves on Direct Placements of \$105,042,482, on Real Estate of \$38,560,720, and on Limited Partnerships of \$3,639,178.

(b) Assets under management in the Commerce Bank & Trust holding account include: Capital Tower, Kansas Capital Fund, and Mortgage Guarantee Insurance Corp. Loans (MGIC).

(c) STIF represents Short Term Investment Funds.

Historical Investment Portfolio Holdings At Cost By Asset Class (Millions)

<u>Asset Class Descriptions</u>	<u>1991</u> <u>Dollars</u>	<u>Percent</u> <u>of Total</u>	<u>1990</u> <u>Dollars</u>	<u>Percent</u> <u>of Total</u>	<u>1989</u> <u>Dollars</u>	<u>Percent</u> <u>of Total</u>	<u>1988</u> <u>Dollars</u>	<u>Percent</u> <u>of Total</u>	<u>1987</u> <u>Dollars</u>	<u>Percent</u> <u>of Total</u>
Cash & Temporaries	\$ 125.9	3.3%	\$ 107.8	2.9%	\$ 191.3	5.7%	\$ 312.2	10.2%	\$ 269.7	9.5%
Domestic Equities	1,083.2	28.5	1,088.7	29.5	958.5	28.6	917.0	29.9	1,038.0	36.5
International Equities	347.0	9.2	317.1	8.6	252.4	7.5	191.6	6.3	77.1	2.71
Domestic Fixed Income	1,485.1	39.1	1,384.4	37.5	1,360.4	40.6	1,147.5	37.5	1,111.4	39.0
International Fixed Income	138.5	3.7	92.3	2.5	69.4	2.1	58.5	1.9	—	—
Real Estate	419.0*	11.0	403.3	10.9	255.1	7.6	159.6	5.2	87.3	3.1
Direct Placements	126.6*	3.3	227.1*	6.2	264.7*	7.9	277.0	9.0	261.4	9.2
Limited Partnerships	72.8*	1.9	70.7	1.9	—	—	—	—	—	—
Total Investments At Cost	\$3,798.1	100.0%	\$3,691.4	100.0%	\$3,351.8	100.0%	\$3,063.4	100.0%	\$2,844.90	100.0%

*Adjusted cost values are net of Valuation/Appraisal Reserves on Real Estate and Allowances for Losses on Direct Placements and Limited Partnerships.

Kansas Public Employees Retirement System
Analysis Of Changes In Investment Cost Allowance Reserves
For The Fiscal Year Ending June 30, 1991

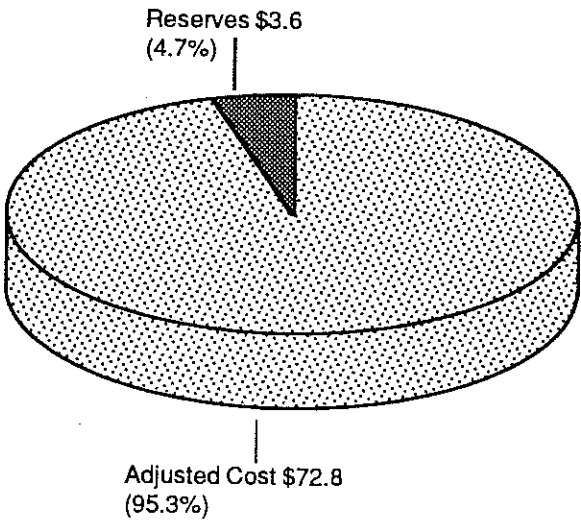
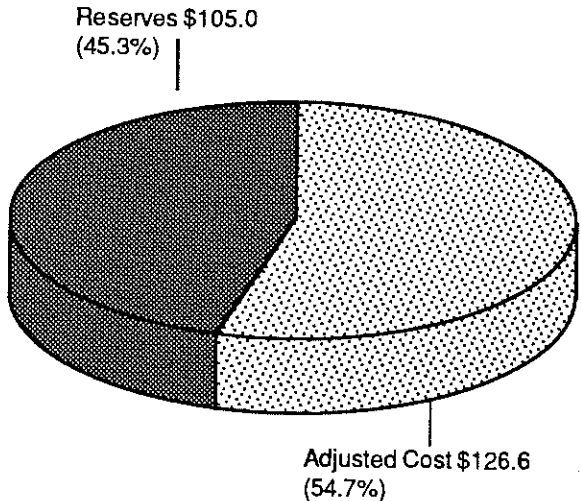
Activity Type	<u>Direct Placements</u>	<u>Real Estate</u>	<u>Limited Partnership</u>	<u>Total Reserves</u>
Opening Reserve Balances June 30, 1990	\$ 64,055,728	—	—	\$ 64,055,728
Increases in Reserves - due to decline in asset values deemed to be other than temporary in nature	111,608,809	\$38,560,720	\$3,639,178	153,808,707
Decrease in Reserves - due to write-offs taken in Fiscal Year 1991				
Affinity Systems, Inc.	(2,000,000)			(2,000,000)
Home Savings Association	(65,221,567)			(65,221,567)
JS Materials	<u>(3,400,488)</u>			<u>(3,400,488)</u>
Ending Reserve Balances June 30, 1991	<u>\$105,042,482</u>	<u>\$38,560,720</u>	<u>\$3,639,178</u>	<u>\$147,242,380</u>

Kansas Public Employees Retirement System
Losses Resulting From Alternative Investments

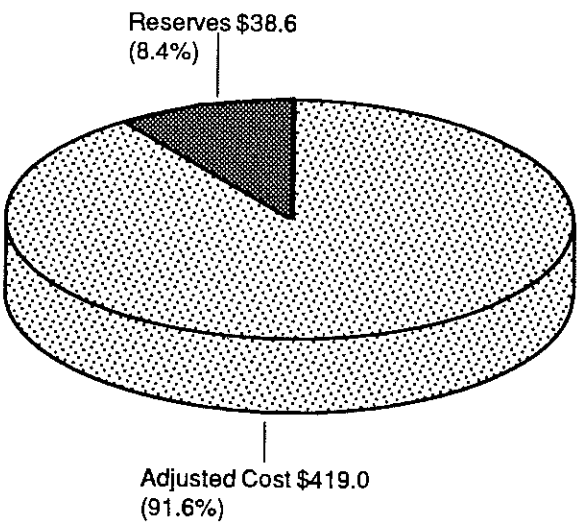
Investment Program Description	<u>Cummulative Through June 30, 1990</u>	<u>Asset Write-Offs Taken During Fiscal Year 1991</u>	<u>June 30, 1991 Reserves</u>	<u>Total Anticipated Losses Resulting From Programs</u>
Direct Placements	\$47,308,564	\$70,622,055	\$105,042,482	\$222,973,101
Limited Partnerships	—	—	3,639,178	3,639,178
Real Estate	—	—	<u>38,560,720</u>	<u>38,560,720</u>
Totals	<u>\$47,308,564</u>	<u>\$70,622,055</u>	<u>\$147,242,380</u>	<u>\$265,172,999</u>

Kansas Public Employees Retirement System Distribution of Cost Values on Alternative Investments at June 30, 1991

Direct Placements
June 30, 1991
Original Cost
\$231,673,448



Limited Partnerships
June 30, 1991
Original Cost
\$76,391,772



Real Estate
June 30, 1991
Original Cost
\$457,560,224

Schedule Of Income, Fees And Expenses

	Accrual Income Generated from Interest, Dividends & Other Transactions	Income Generated from Gains/<Losses> on Security Sales	Gains/<Losses> due to Declines in Value Deemed to be Other Than Temporary
Equity Managers			
Market Research & Management	\$ 1,265,441	\$11,122,309	—
Delaware Investment Advisors	15,400,771	(12,590,241)	—
Pilgrim, Baxter, Greig & Associates	1,466,724	8,947,583	—
Provident Investment Counsel	2,642,971	15,837,184	—
Wells Fargo Nikko Investment Advisors	7,420,676	281,340	—
Loomis Sayles & Co., Inc., Equity	5,982,622	(3,305,969)	—
Subtotal Equity Managers	<u>\$ 34,179,205</u>	<u>\$20,292,206</u>	—
Fixed Income Managers			
Peters, Gamm, West & Vincent (Fixed)	37,708,018	2,563,516	—
Pacific Investment Management Co.	39,900,218	1,449,218	\$ (1,343,948)
Loomis Sayles & Co., Inc., Fixed	64,868,812	(7,896,786)	—
Subtotal Fixed Income Managers	<u>\$142,477,048</u>	<u>\$ (3,884,052)</u>	<u>\$ (1,343,948)</u>
International Managers			
Nomura Capital Management	3,987,214	5,851,835	—
Julius Baer Investment Management	8,601,502	(880,528)	—
Alliance Capital Management	3,496,072	9,618,417	—
Subtotal International Managers	<u>\$ 16,084,788</u>	<u>\$14,589,724</u>	—
Direct Placement Managers			
Peters, Gamm, West & Vincent (Specialty)	1,007,690	(16,378)	\$ 77,594
Reimer & Koger And Associates, Inc.	12,741,386	(2,154,461)	(6,243,721)
Chemical Bank/Pacholder Associates	3,317,060	—	(115,837,912) ^(a)
Subtotal Direct Placement Managers	<u>\$ 17,066,136</u>	<u>\$ (2,170,839)</u>	<u>\$ (122,004,039)</u>
Real Estate Managers			
Cohen Esrey (Capitol Tower)	2,171,053	—	(5,500,000)
O'Connor Group	15,788,928	—	(24,960,720)
Lehndorff & Babson	4,771,290	—	—
Subtotal Real Estate Managers	<u>\$ 22,731,271</u>	<u>—</u>	<u>\$ (30,460,720)</u>
Other			
Payden & Rygel	22,071,163	\$ 756,650	—
Marine Midland Securities Lending	685,448	—	—
Bankers Trust Securities Lending	379,232	—	—
Commerce Bank Holding Account	7,325,347	40,566	—
Reproduction Systems Inc.	—	—	—
Miscellaneous & Other Investment Related Items	(956) ^(d)	—	—
Subtotal Other	<u>\$ 30,460,234</u>	<u>\$ 797,216</u>	<u>—</u>
Investment Custodian Banks			
Bankers Trust Company	—	—	—
Commerce Bank And Trust	—	—	—
Grand Totals	<u><u>\$262,998,682</u></u>	<u><u>\$29,624,255</u></u>	<u><u>\$ (153,808,707)</u></u>

Summary Of Other Expenses Not Reported Above

Callan Associates, Inc. (Consulting Services)	\$ 404,149 ^(f)
Total Brokerage Commissions	3,244,431
Litigation Expenses	2,557 ^(g)

- (a) Chemical Bank/Pacholder Associates assumed managerial responsibility of Direct Placement Portfolio on May 24, 1991 upon termination of the firms of Reimer & Koger and Associates and Peters, Gamm, West & Vincent.
- (b) Includes property level operating expenses.
- (c) Expense associated with litigation.
- (d) Gain/Loss associated with the disposition of Retirement System's equipment.
- (e) Other expenses incurred include the payment or accrual of expenses for the following firms: Arkansas Systems, Inc.—\$127,538; CDA Investment Technologies—\$3,075; Mize Houser Company P.A.—\$38,000.
- (f) Payments made in the form of soft dollar. Total soft dollar payments for Fiscal Year 1991—\$279,816.
- (g) Total litigation expense for fiscal year was \$173,830. The amount of \$2,557 was paid from the Retirement Systems operating budget.

Total Income Generated by Investment Manager	Less Management Fees Paid/ Payable	Less Expenses for Manager out- of-Pocket & Real Estate Operational	Net Accrual Income/ <Loss> Generated by Manager
\$ 12,387,750	\$ 280,288	—	\$ 12,107,462
2,810,530	808,126	—	2,002,404
10,414,307	628,656	—	9,785,651
18,480,155	1,426,022	—	17,054,133
7,702,016	78,870	—	7,623,146
2,676,653	435,114	—	2,241,539
<u>\$ 54,471,411</u>	<u>\$ 3,657,076</u>	—	<u>\$ 50,814,335</u>
40,271,534	912,626	—	39,358,908
40,005,488	857,747	—	39,147,741
56,972,026	934,185	—	56,037,841
<u>\$ 137,249,048</u>	<u>\$ 2,704,558</u>	—	<u>\$ 134,544,490</u>
9,839,049	558,377	\$ 21,407	9,259,265
7,720,974	435,243	—	7,285,731
13,114,489	639,988	21,407	12,453,094
<u>\$ 30,674,512</u>	<u>\$ 1,633,608</u>	<u>42,814</u>	<u>\$ 28,998,090</u>
1,068,906	182,257	100,011	786,638
4,343,204	1,104,892	49,449	3,188,863
(112,520,852)	290,000	88,898	(112,899,750)
<u>\$ (107,108,742)</u>	<u>\$ 1,577,149</u>	<u>\$ 238,358</u>	<u>\$ (108,924,249)</u>
(3,328,947)	51,227	896,963 ^(b)	(4,277,137)
(9,171,792)	1,312,608	1,389,049 ^(b)	(11,873,449)
4,771,290	550,654	—	4,220,636
<u>\$ (7,729,449)</u>	<u>\$ 1,914,489</u>	<u>\$2,286,012</u>	<u>\$ (11,929,950)</u>
22,827,813	246,497	—	22,581,316
685,448	247,462	4,111	433,875
379,232	193,113	—	186,119
7,365,913	—	—	7,365,913
—	—	171,273 ^(c)	(171,273)
(956)	—	168,613 ^(e)	(169,569)
<u>\$ 31,257,450</u>	<u>\$ 687,072</u>	<u>\$ 343,997</u>	<u>\$ 30,226,381</u>
—	720,373	—	(720,373)
—	750,610	34,640	(785,250)
<u>\$ 138,814,230</u>	<u>\$ 13,644,935</u>	<u>\$2,945,821</u>	<u>\$ 122,223,474</u>

Kansas Public Employee Retirement System
Schedule of Investment Income by Asset Class
For Fiscal Year Ending June 30, 1991

<u>Asset Classification</u>	<u>Interest, Dividends & Other Trans.</u>	<u>Gains & Losses</u>	<u>Total Income</u>	<u>Percent of Total Income</u>
Marketable Securities				
Cash & Temporary Investments	\$ 9,996,795	\$ (39,060)	\$ 9,957,735	7.2%
Kansas Capital Fund C.D.'s	3,939,675	—	3,939,675	2.8%
Domestic Equities	37,030,830	21,113,644	58,144,474	41.9%
International Equities	7,841,059	12,867,261	20,708,320	14.9%
Currency Conversion	—	1,015,627	1,015,627	0.7%
Domestic Fixed Income				
Treasury & Agency	65,105,964	2,521,787	67,627,751	48.7%
Corporate	86,564,160	(8,957,905)	77,606,255	55.9%
MGIC (Mtg Guarantee Corp.)	3,353,603	40,566	3,394,169	2.5%
Futures	—	2,348,374	2,348,374	1.7%
Options	(75,781)	133,081	57,300	—
Sub-Total	\$213,756,305	\$ 31,043,375	\$ 244,799,680	176.3%
International Fixed Income				
Treasury & Agency	4,973,138	(930,786)	4,042,352	2.9%
Corporate	3,648,123	49,800	3,697,923	2.7%
Sub-Total	\$ 8,621,261	\$ (880,986)	\$ 7,740,275	5.6%
Total Marketable Securities	<u>\$222,377,566</u>	<u>\$30,162,389</u>	<u>\$ 252,539,955</u>	<u>181.9%</u>
Alternative Investments				
Real Estate	\$ 26,097,703	\$ (38,556,645)	\$ (12,458,942)	-9.0%
Direct Placements	14,370,511	(112,152,621)	(97,782,110)	-70.4%
Limited Partnerships	153,858	(3,637,575)	(3,483,717)	-2.5%
Miscellaneous	(956)	—	(956)	—
Total Alternative Investments	<u>\$ 40,621,116</u>	<u>\$(154,346,841)</u>	<u>\$(113,725,725)</u>	<u>-81.9%</u>
Grand Total	<u>\$262,998,682</u>	<u>\$(124,184,452)</u>	<u>\$ 138,814,230</u>	<u>100.0%</u>
Investment Related Expenses				
Manager Fees & Expenses			\$ 15,085,133	
Custodial Fees & Expenses			1,505,623	
Sub-Total Expenses			\$ 16,590,756	
Net Income From Investments			<u>\$ 122,223,474</u>	

THE SEGAL COMPANY

One Park Avenue
New York, New York
10016-5895
212-251-5311
FAX: 212-251-5490

John P. Mackin, Ph.D.
Senior Vice President
Governmental Division

March 26, 1992

Board of Trustees
Kansas Public Employees Retirement System
Capitol Tower - 2nd Floor
400 West 8th
Topeka, Kansas 66603

Re: 1991 Actuarial Valuations

Dear Trustees:

The three retirement systems administered by KPERS -- Kansas Public Employees Retirement System, Kansas Police and Firemen's Retirement System, and Kansas Retirement System for Judges -- are funded on an actuarial reserve basis. Employer contribution rates are certified by the Board of Trustees each year, based on the results of annual actuarial valuations and the provisions of governing state statutes.

Actuarial valuations were performed as of June 30, 1991 for all retirement systems and coverage groups. A total of over 164,000 individuals were included in the 1991 actuarial valuations.

The 1991 actuarial valuations are based on four basic elements: (1) the current provisions of the retirement acts, as amended by 1991 legislation; (2) the characteristics of active, inactive, and retired members as of January 1, 1991; (3) the book value of assets attributable to each coverage group as of June 30, 1991; and (4) the actuarial assumptions adopted by the Board of Trustees.

Actuarial Reserve Funding

Participating employers are required by statute to make retirement contributions covering both the current cost of benefits and the cost of amortizing the past service liability. Actuarial valuations are prepared annually to determine the employer contribution rates required to fund the retirement systems in accordance with the statutory actuarial reserve funding provisions.

The actuarial cost or funding method used to calculate employer contribution rates is the frozen initial liability method. The two components of the total actuarially-determined employer contribution rates are the participating service rate and the payment required to amortize the adjusted initial past service liability over the amortization periods specified in the governing state statutes.

Atlanta Boston Chicago Cleveland Denver Edmonton Hartford Houston Los Angeles
New Orleans New York Phoenix San Francisco Seattle Toronto Washington, D.C. West Palm Beach



Multinational Group of Actuaries and Consultants
Antwerp Hamburg London Lausanne Oslo Paris Rotterdam

The basic funding objective is an employer participating service contribution that remains level as a percentage of payroll, and an annual amortization payment that remains level as a dollar amount throughout the remaining amortization period. Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in the employer participating service rates.

Actuarial Assumptions

The assumptions used in annual actuarial valuations are adopted by the Board of Trustees, based on the recommendations of the actuary and the findings of triennial actuarial experience investigations. Actuarial experience is analyzed every three years, and the assumptions are revised to take account of actual emerging experience and expected experience over the long-term future. In the aggregate, the assumptions used in actuarial valuations relate reasonably to the past and anticipated experience of the respective retirement systems and coverage groups.

For all coverage groups, the significant economic assumptions are an assumed long-term investment yield rate of 8% per year and assumed annual salary increases of 5% plus a percentage based on an age-related salary scale. The inflation component of the economic assumptions is an assumed long-term inflation rate of 5% per year.

Employer Contribution Rates

The results of the 1991 actuarial valuations provide the basis for Board certification of employer contribution rates for fiscal years beginning in 1993. The percentage-of-payroll employer contribution rates certified by the Board for fiscal years beginning in 1993 are as follows:

KPERS Membership Groups

State/School Employees	3.1%
Local Employees	1.9
Certain Correctional Employees	3.9/4.5
TIAA Employees	1.6

KP&F. Uniform participating service rate for all employers participating in KP&F is 6.5% for fiscal years beginning in 1993. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The table attached to this letter shows the certified total employer contribution rate for each KP&F participating employer for fiscal years beginning in 1993.

Judges. Total employer contribution rate is 7.7% of payroll for the fiscal year beginning in 1993.

Funding Progress

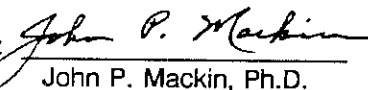
The current overall funded ratio -- assets as a percentage of the unfunded past service liability plus assets -- is nearly 90% for the three Kansas Retirement Systems combined. During the past decade, the actuarial funded ratios of KPERS (excluding TIAA), KP&F and the Judges retirement systems have increased as follows:

	<u>Actuarial Funded Ratios</u>	
	<u>1982</u>	<u>1991</u>
KPERS	75.6%	88.8%
KP&F	59.8	87.3
Judges	79.3	89.1

The maintenance of a consistent actuarial reserve funding policy has enhanced the retirement security of all members of Kansas Retirement Systems.

Sincerely,

THE SEGAL COMPANY

By: 
 John P. Mackin, Ph.D.
 Senior Vice President

JPM:ns
 Att.

KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM

Employer Contribution Rates for Fiscal Years Beginning in Calendar Year 1993

<u>Employer</u>	<u>Total Employer Contribution Rate (Percent)</u>	<u>Employer</u>	<u>Total Employer Contribution Rate (Percent)</u>
Douglas County Law Enforcement	14.4%	Hutchinson	18.8%
Ford County	6.5	Junction City	8.6
Gray County Sheriff's Dept.	6.5	Kansas City	14.9
Harvey County Sheriff's Dept.	10.3	Lawrence	8.1
Johnson County Fire Dept.	6.5	Leavenworth	7.5
Johnson County Fire No. 2	6.5	Leawood	8.5
Johnson County Park Comm.	6.5	Lenexa	6.8
Johnson County Sheriff's Dept.	7.4	Manhattan	14.0
Reno County Fire No. 2	6.5	Merriam	7.6
Reno County Sheriff's Dept.	6.5	McPherson	7.1
Riley County Law Enforcement	6.5	Mission	6.5
Sedgwick County Fire No. 1	7.2	Newton EMTs	8.3
Sedgwick County Sheriff's Dept.	7.2	Newton	8.7
Sedgwick County EMTs	7.6	Olathe	6.7
Shawnee County Sheriff's Dept.	12.0	Parsons	15.6
Sumner County Sheriff's Dept.	12.5	Pittsburg	12.8
Arkansas City	10.4	Salina	13.0
Atchison	8.2	Shawnee	7.3
Bonner Springs	6.5	Topeka	16.1
Chanute	8.2	Wellington	14.2
Cimarron	6.5	Westwood	6.5
Coffeyville	17.9	Winfield	14.6
Concordia	13.2	Board of Regents	
Derby	8.7	Campus Police	6.5
Dodge City	19.7	Kansas Bureau of	
Emporia	10.8	Investigation	8.2
Erie	6.5	Kansas Highway	
Eudora	6.5	Patrol	9.3
Fairway	7.4		
Fort Scott	16.7		
Herington	8.5		

THE SEGAL COMPANY

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEMS SUMMARY OF PROVISIONS

Plan Membership

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

Employee Membership

KPERS - membership is mandatory for all eligible employees of participating employers, except elected officials, whose employment is not seasonal or temporary and requires at least 1,000 hours per year. School employees become KPERS members on date of employment. Non-school employees become KPERS members after one year of continuous employment. First-day coverage for death and disability benefits is provided for state employees and non-school employees of local employers that elect such coverage.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM SUMMARY OF PROVISIONS

Normal Retirement

Eligibility - (a) Age 65, or (b) age 60 and 35 years of service, or (c) any age and 40 years of service. **Benefit** - Based on member's final average salary (FAS): average of highest 4 years for members who retire after July 31, 1987. **Prior Service** - 1% FAS per year. (School employees receive .75% FAS for each year of prior service not credited under KSRS.) **Participating service** - 1.25% FAS per year to July 1, 1982 plus 1.4% FAS per year after June 30, 1982; or 1.4% FAS for all years of participating service for members who retire after July 31, 1987 with ten or more years of participating service; or 1.5% FAS for all years of participating service for members who retire after July 21, 1987 with 35 or more years of total credited service.

Early Retirement

Eligibility - Age 55 and ten years of service. **Benefit** - Normal retirement benefit reduced 0.2% per month under age 65 to age 60, plus 0.6% per month under age 60 to age 55.

Deferred Vesting

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

Other Benefits

Withdrawal Benefit - Any member who terminates before retirement may withdraw his or her contributions with interest. (A former member who returns to employment within five years after termination does not incur a break in continuous employment if such member has not withdrawn his or her contributions.) **Disability Benefit** - Disability benefits are provided under KPERS Death and Disability Benefits Program, which is financed by employer contributions of 0.6% of members' compensation. The long term disability benefit is $66 \frac{2}{3}\%$ of the member's annual compensation on the date disability commences, reduced by Social Security benefits and one-

half of Workers' Compensation benefits, subject to a minimum benefit of \$100 a month. Members receiving disability benefits continue to receive service credit under KPERS. If a disabled member retires after receiving disability benefits for at least five years immediately preceding retirement, the member's final average salary is adjusted by the actuarial salary increase assumption rates in existence during the member's period of disability.

Death Benefits - Pre-Retirement death (non-service connected) - Member's accumulated contributions are paid to designated beneficiary. In lieu of receiving member's accumulated contributions, the surviving spouse of a member who is eligible to retire at death may elect to receive benefits under any survivor option. If the member had at least 15 years of service, but has not reached retirement age, the spouse may elect a monthly benefit to begin on the date the member would have been eligible to retire. The spouse must be the sole member's designated beneficiary to exercise this option.

Service-connected accidental death - Member's accumulated contributions; plus lump sum amount of \$50,000; plus annual benefit of 50% FAS - reduced by value of any Workers' Compensation benefits and subject to a minimum benefit of \$100 a month - payable to spouse, minor children, or dependent parents for life or until remarriage or until youngest child attains age 18 (age 23 for full time students).

Insured Death Benefit - An insured death benefit is provided under the KPERS Death and Disability Benefits Program equal to 150% of the member's annual compensation on the date of death. (If a disabled member dies after receiving disability benefits for at least five years immediately preceding death, the member's current annual rate of compensation is adjusted by the actuarial salary increase assumption rates in existence during the member's period of disability.)

Post-retirement death - Lump sum amount of \$2,500. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options, if joint annuitant predeceases retiree the reduced option benefit is increased to amount retiree would have received if no option had been elected (Applies only to those retiring on and after July 1, 1982, and later). Benefits payable to a joint annuitant cease at joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death.

Correctional Employees

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

For groups (a) and (b) with at least three consecutive years of service in such positions immediately preceding retirement, normal retirement date is age 55 and early retirement requirements are age 50 with ten years of service. For groups (c), (d), (e) and (f) with at least three consecutive years of service in such positions immediately preceding retirement, normal retirement date is age 60 and early retirement requirements are age 55 with ten years of service. For correctional employees in groups (a) through (f) and other correctional employees in positions that involve regular contact with inmates, these are special disability benefits based on the employee's final average salary (FAS) - which for this purpose is the average of highest three years in last five.

Other Benefits

Service-connected disability - No age or service requirement; benefit of 50% FAS plus 10% FAS for each dependent child under 18, (age 23 for full time students) to a maximum of 75% FAS; reduced by Social Security and Workers' Compensation benefits but not to less than \$50 a month (minimum increased to \$100 effective July 1, 1990).

Nonservice-connected disability - Five years of service required; pension of 2% FAS per year of service to maximum of 50% FAS; reduced by Social Security and Workers' Compensation benefits but not to less than \$50 a month (minimum increased to \$100 effective July 1, 1990). Disability benefits for eligible correctional employees apply to disabilities occurring before July 1, 1991, and such employees are not eligible for disability benefits under the KPERS Death and Disability Benefits Program except during the year of service prior to membership.

Member Contributions

Member contributions are 4% of compensation. Interest is credited to members' contribution accounts on each June 30, based on account balance as of the preceding December 31, at the interest rate adopted by the Board for actuarial valuations.

Employer Contributions

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

TIAA Members

TIAA members do not make contributions to KPERS. They receive prior service benefits for service rendered before 1962; the benefit is 1% FAS for each year of prior service. Service after 1961 is counted for purposes of determining eligibility for vesting. TIAA members are also covered by the KPERS Death and Disability Benefits Program.

Kansas Police and Firemen's Retirement System Summary of Provisions

Normal Retirement

Eligibility - * TIER I - Age 55 and 20 years of service. (for members covered by local plan on entry date, age 50 and 25 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. **Benefit** - Based on member's FAS; average of highest three years in last five years of participating service. 2% FAS for each year of service to maximum of 70% FAS.

Early Retirement

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

Deferred Vesting

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

Other Benefits

Withdrawal Benefits - Any member who terminates before retirement may withdraw his or her contributions with interest credited at the actuarial valuation rate after June 30, 1982. (A former member who returns to covered employment within 2 years after termination does not incur a break in employment if such member has not withdrawn his or her contributions.) **Disability Benefits TIER 1 - service connected disability** - No age or service requirement; pension of 50% FAS plus 10% FAS for each dependent child under age 18 (age 23 for full time students), to maximum of 75% FAS. (Upon death of member receiving service-connected disability benefits, spouse and dependent children receive service-connected death benefits if members dies within 2 years of retirement or after 2 years from same service-connected cause; if service-connected death benefits are not payable, spouse receives lump sum of 50% FAS and pension of half the member's benefit is payable either to spouse or dependent children.) **Nonservice-connected disability** - Pension of 2% FAS per year of service to maximum of 50% FAS. (Upon death of member receiving nonservice-connected disability benefits, spouse receives lump sum of 50% FAS and pension of half the member's benefit is payable either to spouse or dependent children.) **TIER II** - No distinction between service connected and non-service connected disability benefits. Pension is 50% FAS. Service credit granted during period of disability. Disability benefits convert to age

and service retirement at earliest date member is eligible for full retirement benefits. If member is disabled for at least five years immediately preceding retirement, member's FAS is adjusted by the actuarial salary increase assumption rates in effect during period of disability. Disability benefit offset \$1 for each \$2 earned after the first \$10,000 of earnings. **Death Benefits** - Service-connected death - No age or service requirement; pension of 50% FAS to spouse plus 10% FAS to each dependent child under age 18 (age 23 for full time students), to maximum of 75% FAS. **Nonservice-connected disability** - Lump sum of 100% FAS to spouse; pension of 2% FAS per year of service (to maximum of 50%) is payable to spouse beginning at age 50, or at any age if caring for dependent children. If there is no spouse, the monthly benefit is paid to the dependant children. **Death after Retirement** - If an active member is eligible to retire at death, and spouse is beneficiary but not eligible for service-connected or nonservice-connected death benefits, spouse may elect to receive benefits as joint annuitant under the Joint/1/2 Survivor Option in lieu of refund of member's accumulated contributions. **Post-retirement death** - Lump sum amount of \$2,500, less any death benefit payable under local plan. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options, if joint annuitant predeceases retiree the reduced option benefit is increased to amount retiree would have received if no option had been elected (This pretains to retirement dates from July, 1982). Benefits payable to a joint annuitant cease at joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death. (For transfer members covered by local plan on entry date who die after retirement and who had not elected an option, spouse receives lump sum of 50% FAS and pension of three-fourths of the member's benefit is payable either to spouse or dependent children.)

* Tier I - Members employed prior to July 1, 1990 and who did not elect coverage under Tier II. ** Tier II - Members employed July 1, 1990 or later and those employed before that date who elected coverage.

Member Contributions

Member contributions are 7% of compensation. Contribution rate reduced to 2% of compensation for members with 35 years of service or age 60 with 20 years of service.

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

Employer Contributions

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

KANSAS RETIREMENT SYSTEM FOR JUDGES SUMMARY OF PROVISIONS

Normal Retirement

Eligibility - Age 65. **Benefit** - Based on member's final average salary (FAS): average of highest four of last ten years of service as a judge. Basic formula is 5% FAS for each year of service up to ten years, plus 3 1/3% FAS for each year in excess of ten years. Maximum benefit is 65% FAS. For judges who became members on or after July 1, 1987 the formula is 3 1/3% FAS for each year up to maximum benefit of 65% FAS.

Early Retirement

Eligibility - Age 55 (10 years service required for persons who become judges on or after July 1, 1975). **Benefit** - Normal benefit reduced 0.2% per month under age 65 and .6% per month under age 60 to age 55.

Deferred Vesting

Eligibility - 10 years of service at termination and leave contributions in Retirement System. (Eligible judges who have service credited under KPERS have vested benefits under both KPERS and the Judges' System when the combined total credited service equals 10 years.) Judges who are defeated in an election may continue participation at their own cost until they have 10 years service credit. Benefit - Normal benefit accrued at termination is payable at age 65 or in reduced amount at age 55.

Other Benefits

Disability Benefits - Defined as permanently physically or mentally disabled. The disability benefit payable until age 65 is 3 1/3% FAS for each year of service to maximum of 65% FAS (minimum of 25% FAS). At age 65 a disabled judge is placed on regular retirement; the normal benefit payable is based on total credited service including service for the period of disability to age 65. If a judge is disabled for at least five years immediately preceding retirement, such judge's FAS is adjusted by the actuarial salary increase assumption rates in existence during such period of disability. **Withdrawal Benefit** - Any member who terminates before retirement may withdraw his or her contribution with interest credited at the actuarial valuation rate after June 30, 1982. (A former member who again serves as a judge may return the amount refunded without interest or penalty and regain credit for service previously credited under the Retirement System.) **Pre-retirement death** - Lump sum insured death benefit equal to 150% of the member's annual compensation on the date of death; plus refund of member's accumulated contributions. If active member had attained age 55 at death and spouse is beneficiary, spouse may elect to receive benefits as joint annuitant under the Joint/1/2 Survivor Option or any option the member had previously selected in lieu of a refund of member's accumulated contributions. **Post-retirement death** - Lump sum death benefit of \$2,500. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options, if joint annuitant predeceases retiree, the reduced option benefit is increased to amount retiree would have received if no option had been elected (Only when retirement happened after July 1, 1982). Benefits payable to a joint annuitant cease on joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death.

Member Contributions

Judges contributions are 6% of compensation. Upon attaining maximum retirement benefit of 65% of FAS the contribution rate is reduced to 4%. Upon attainment of age 65 and completion of 20 years of service, the contribution rate is reduced to 2% of compensation.

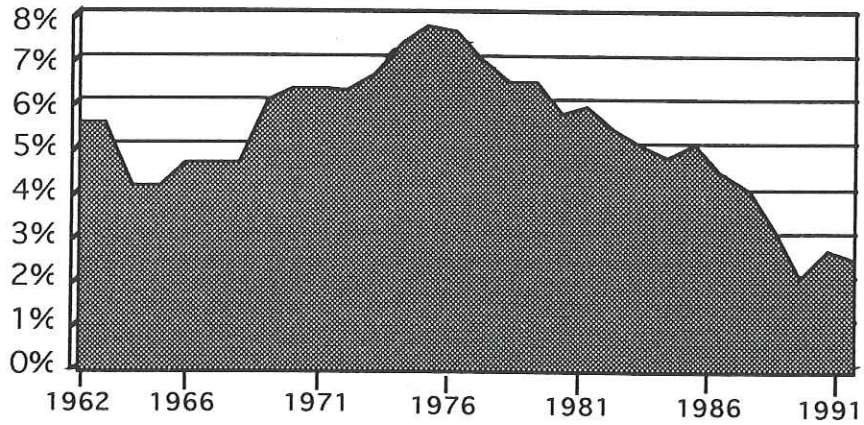
Employer Contributions

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

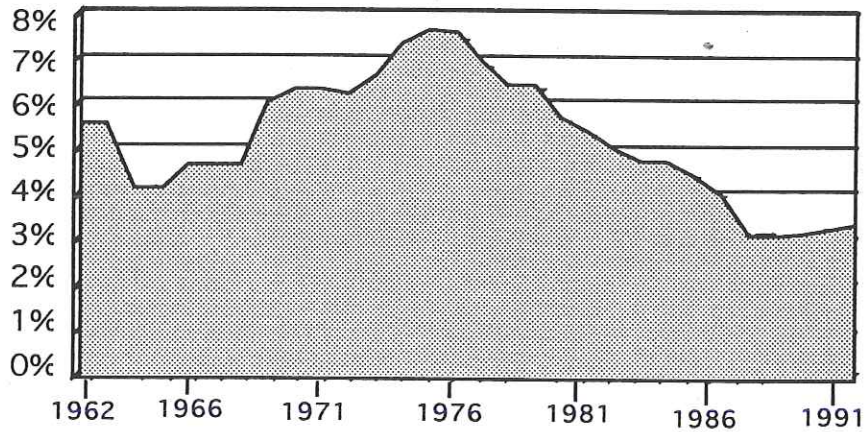
HISTORICAL EMPLOYER CONTRIBUTION RATES

Fiscal Years Commencing Calendar Year

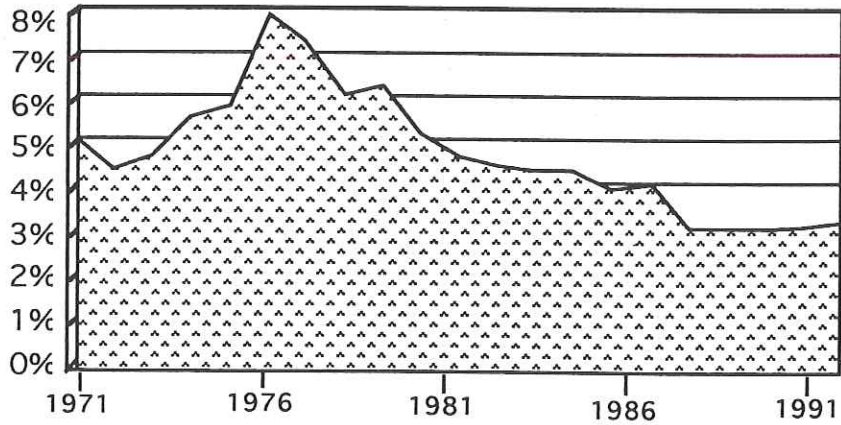
LOCAL EMPLOYERS



STATE EMPLOYERS



SCHOOL EMPLOYERS



Revenues by Source Last Ten Fiscal Years

This table shows in broad categories the types of revenues for each fiscal year.

Fiscal Year	Contributions				Investment Income	Total
	Employee	Employer	Employee Insurance	Misc.		
1982	\$ 59,819,081	\$93,621,588	\$ 9,297,675	\$ 51,227	\$107,730,019	\$270,519,590
1983	65,571,654	89,666,020	10,013,643	59,645	192,311,656	357,622,618
1984	69,733,602	91,872,335	10,559,042	58,808	160,118,331	332,342,118
1985	74,597,350	87,647,259	11,440,485	68,571	219,456,111	393,209,776
1986	83,068,244	87,223,469	12,733,578	91,981	394,697,570	577,814,842
1987	91,298,822	91,646,665	13,669,844	111,941	322,143,084	518,870,356
1988	95,024,218	74,211,045	14,173,341	151,205	231,046,917	414,606,726
1989	97,400,647	76,503,223	14,645,898	95,688	230,348,337	418,993,793
1990	112,356,371	84,157,168	16,629,221	239,264	390,694,191	604,076,215
1991	123,608,209	86,633,756	18,657,509	385,469	122,223,474	351,508,417

Expenses by Type Last Ten Fiscal Years

This table shows, in summary form, the major types of expenses for each fiscal year.

	Benefits	Withdrawals	Insurance	Administration	Total
1982	\$ 59,636,519	\$20,210,777	\$ 5,726,606	\$1,507,313	\$ 87,081,215
1983	71,801,614	15,094,312	6,498,051	1,696,722	95,090,699
1984	78,793,624	16,680,144	8,536,629	2,154,754	106,165,151
1985	92,654,383	17,699,344	9,361,611	2,257,359	121,972,697
1986	106,394,070	17,718,546	11,371,587	2,094,299	137,578,502
1987	118,541,073	16,850,300	13,519,657	2,547,931	151,458,961
1988	135,105,984	17,270,090	14,162,853	2,653,107	169,192,034
1989	151,532,348	19,209,745	19,809,732	3,255,155	193,806,980
1990	165,424,924	23,225,663	17,826,637	3,152,205	209,629,429
1991	184,121,534	24,568,119	23,956,850	3,309,277	235,955,780

Membership Profile Last Ten Fiscal Years

This table shows the number of members, by type, for last ten years.

Fiscal Year	Active	Inactive	Retirees & Beneficiaries	Total Membership
1982	88,651	13,653	29,813	132,117
1983	89,174	14,704	30,906	134,785
1984	90,391	11,936	30,855	133,182
1985	90,283	11,817	32,675	134,775
1986	91,939	10,754	33,598	136,291
1987	94,369	10,322	34,819	139,510
1988	97,137	9,970	36,171	143,278
1989	103,721	10,448	37,250	151,419
1990	109,654	8,388	38,243	156,285
1991	111,818	10,368	39,262	161,448

Kansas Public Employees Retirement System Staff

Cathy A. Adams	Donna F. Hungerpiller
William A. Anderson	Sharran Johnson
Yohonna Darneece Barraud	Dean Kelley
Annie Barron	Donna Kimmi
Mary E. Black	Deanna Kirk
Ranona Boyd	Janet M. Kruzal
Leland C. Breedlove	Judy Lambert
Louise A. Brock	Debra J. Lewis
Rosemary Butler	Peggy Lind
Anne M. Calderwood	Priscilla Martinez
Helen Chambers	Elizabeth B. A. Miller
Virgil V. Clifton	Florence Morris
Cathy Colpitts	Velma Morris
Becky Cook	Mike Myrick
Margaret Danner	Dick Nelson
Tina Demmitt	Scott T. Peppard
Kevin Doel	Claudia Perney
Jill Emme	Linda S. Porter
Martha Erickson	Diane Potter
Mitchell Fick	Jerry L. Quick
Renae E. Forque	Kim Raines
Kay Gleason	Norma Reed
Linda A. Grame	Cora Schulte
Jerry W. Grant	Kay Simecka
Barbara J. Grimes	Marla Terpening
Harlan Hamman	Mabel Van Dam
James R. Handley	Ken Waters
Jack L. Hawn	Earlene Wiecken
Arlene Hill	Meredith Williams
Anna Mae Hinkle	Barbara Wisbey
John L. Hooker	Corinna M. Woodward
Barb Huerter	Brenda L. Yustick
Joanna L. Huffman	Pat Zimmerman