



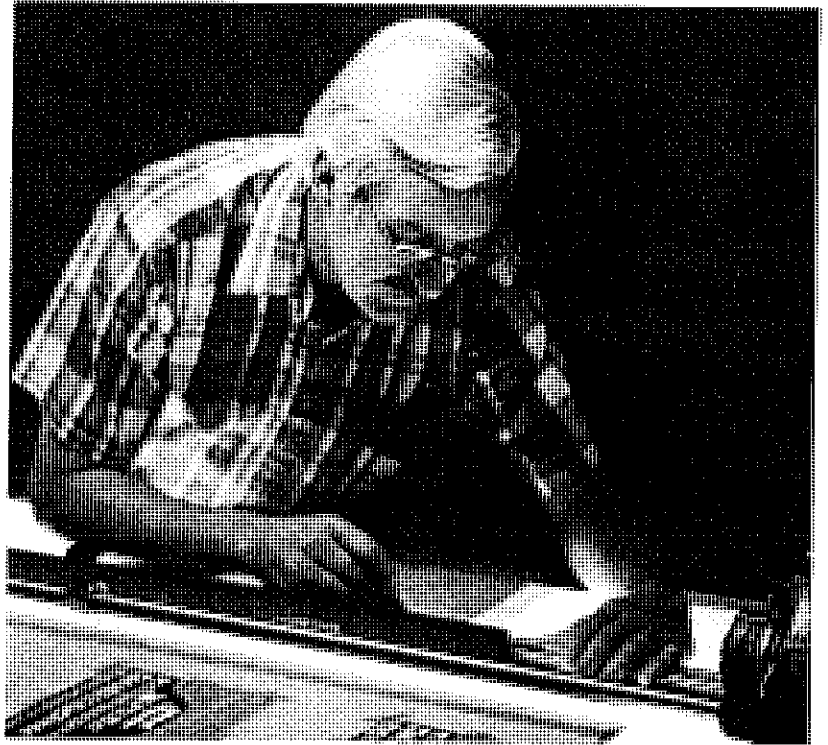
KPERC

1992

Component Unit

Financial Report

Fiscal Year Ending June 30, 1992



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

Jody Boeding, Kansas City

Steven W. Hirsch, Oberlin

Michael L. Johnston*, Topeka

K. Pat Marso, Coffeyville

Ruth A. Schrum, Manhattan

*appointed subsequent to June 30, 1992.

The Retirement System's 168,000 public servants provide a wide variety of services to Kansas citizens. Clockwise from top, tourism officials guide historic site visits, lab testing generates important health and environmental data, graphic artist designs public relations brochure, wildlife & parks employees monitor the state's natural resources, agencies respond to demand for printed materials, and selected law enforcement personnel receive assistance from four-legged friends. - photography by David Zlotky

**KANSAS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

COMPONENT UNIT FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 1992

Capitol Tower - Suite 200
400 West 8th Avenue
Topeka, Kansas 66603-3925

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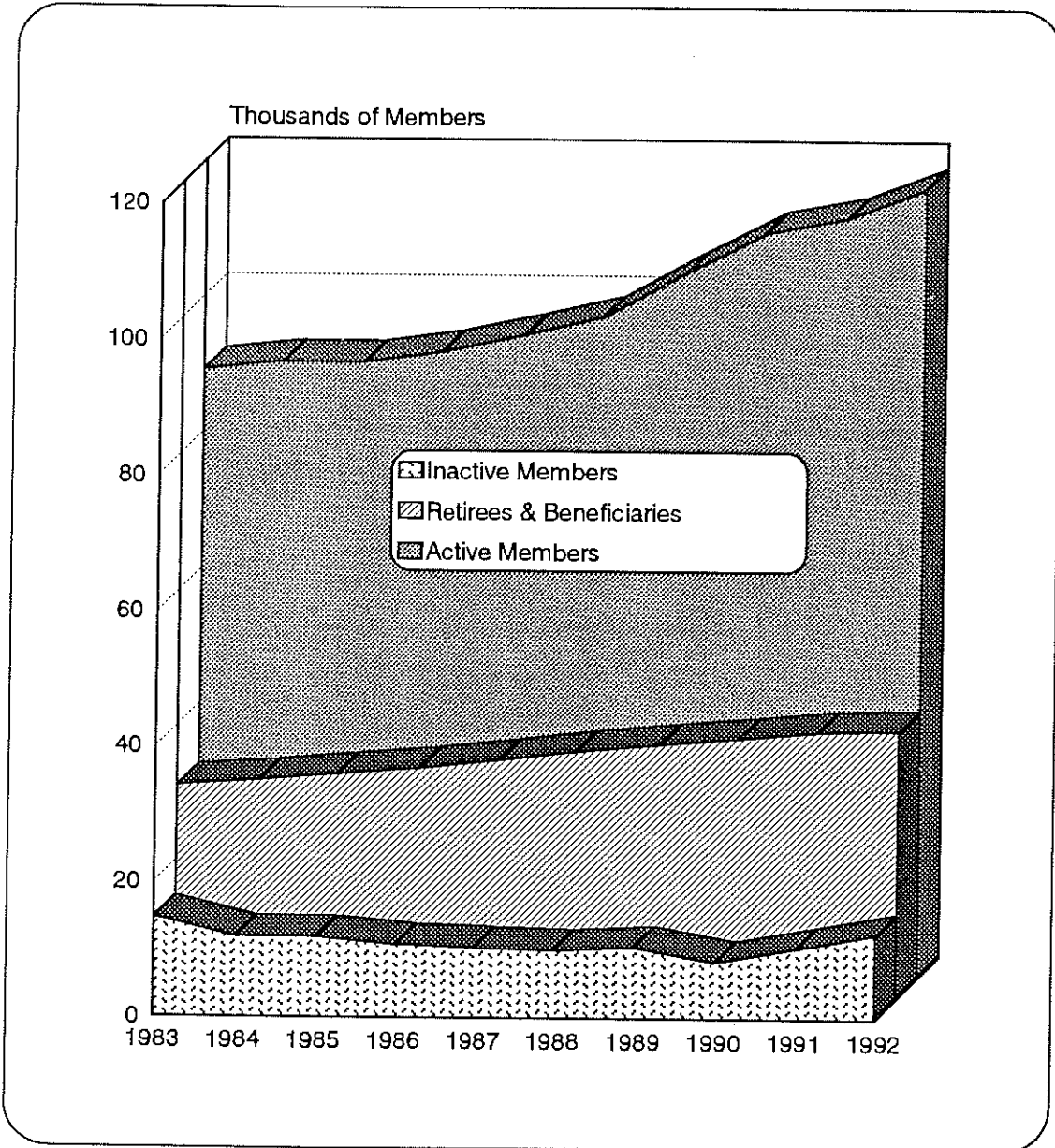
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Retirement System Members By Status

At June 30, 1992, the collective membership of the three pension groups was 168,337. This consisted of 253 members in the Kansas Retirement System for Judges, 6,902 members in the Kansas Police and Firemen's Retirement System, and 161,182 members in the Kansas Public Employees Retirement System of state, local and school district employees.

Kansas Public Employees Retirement System

April 2, 1993

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, 1992. The Retirement System's fiscal year 1992 operating results and financial position are presented in conformity with generally accepted accounting principles.

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

During this fiscal year the Board of Trustees continued to emphasize full disclosure, accountability, and the recovery of those funds lost through prior imprudent investment practices. The Board established a Direct Placement Subcommittee, which meets with the investment managers and investment staff on a monthly basis to review all direct placement transactions and receive status reports on the troubled assets in the direct placement portfolio.

The Board of Trustees established a process for the independent appraisal of the System's real estate investments by a qualified Member of the Appraisal Institute. A full narrative appraisal has been received for each of the System's separate account real estate investments, which establishes an independent assessment of the properties' value as of June 30, 1992. The annual appraisal process will continue in the future, with a biennial appraisal for half of the real estate properties each year, on a rolling basis. Appraised values are used to calculate investment performance results. An objective methodology for recognizing permanent declines in property values has been developed and implemented.

Through your support and that of the Legislature, the Retirement System is developing an internal investment function that will result in a net reduction of investment fees and enhanced oversight of investment managers. A study of pension funds for 1992 found that the average fees paid to investment managers by all public pension funds reviewed was .333 percent of managed assets. The Retirement System paid fees to investment managers of slightly more than \$14 million during the fiscal year ended June 30, 1992, which are equivalent to .315 percent of assets managed.

At June 30, 1992, the collective membership of the three systems was 168,337. The membership included 116,292 current public servants, 12,493 former public servants, and 39,552 retired public servants and beneficiaries. During the course of the year 2,476 members retired and 24 new public employers joined the Retirement System. At year end 1,247 employers were participating.

The Retirement System's fiscal year 1992 financial operations are summarized in the following table. As indicated, the Retirement System had net reserves of \$3.86 billion at June 30, 1991. During the year, active members contributed more than \$125 million to the System while employers contributed more than \$111 million. Investments generated more than \$414 million in gross income during the fiscal year, including realized gains and losses on publicly traded securities. This amount is reduced by \$3 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 1992 Net Investment Income totaled more than \$389 million. Net investment income plus member and employer contributions resulted in total operating revenues of \$626 million.

Fiscal Year 1992 Operating Results

Reserves - Balance at June 30, 1991		\$3,865,984,039
Operating Revenues		
Contributions		
Members	\$125,377,263	
Employers	111,933,458	
Total Contributions	<u>237,310,721</u>	
Investment Income		
Gross Investment Income	\$414,261,609	
Less:		
Allowance for Losses on Investments	(2,789,653)	
Manager-Custodians Fees, Expenses	<u>(22,397,943)</u>	
Net Investment Income	<u>389,074,013</u>	
Total Operating Revenues	<u>626,384,734</u>	
Operating Expenses		
Monthly Retirement Benefits	198,662,809	
Refunds of Contributions to Members	23,310,075	
Death Benefits	6,902,907	
Insurance Premiums and Benefits	26,745,196	
Administrative (KPERs Office) Expenses	<u>3,274,890</u>	
Total Operating Expenses	<u>258,895,877</u>	
Revenues in Excess of Expenses		<u>367,488,857</u>
Reserves - Balance at June 30, 1992		\$4,233,472,896

The expenses of the Retirement System totaled nearly \$259 million in fiscal year 1992. Included were \$198 million in monthly benefits to retired members, \$23 million paid to members who withdrew their contributions, more than \$6 million in death benefits, and nearly \$27 million in insurance premiums and benefits. The cost of maintaining the Retirement System's administrative operations totaled a little more than three million dollars, down slightly from the previous year. A survey of twenty other public pension funds revealed that the typical pension fund staff member serves 1,829 members; each KPERs staff member serves 2,512 members. Administrative expenses for the Retirement System averaged \$19 per member; the average cost for the other pension funds was \$40 per member.

Total revenues exceeded expenses by more than \$367 million during the year, thereby increasing the System's net reserves to \$4.23 billion at June 30, 1992. These reserves represent the funds available to pay for current and future member benefits.

The supplemental investment information includes historical investment performance results for the Retirement System. The investment staff of the Retirement System has worked to correct prior period transactions which were recorded incorrectly. In addition, the performance results reflect appraised values for real estate investments, as of June 30, 1992.

As indicated in the table below, the Retirement System's investment performance improved dramatically in fiscal year 1992, relative to fiscal year 1991. This improvement is due to several factors, including strong performance from investments in all asset classes, except international equities and real estate. Another factor is that performance results are not burdened with the recognition of large direct placement losses from prior years, as were 1991 results. The time-weighted rate of return, which includes income and changes in investment value was 12.8 percent. Investment values used for direct placement reflect adjusted cost basis, not market value. Investment values used for publicly traded assets reflect market value. These performance results were calculated by CDA Investment Technologies, Inc. The net investment income of \$389 million represents an accounting rate of return (income divided by the average adjusted cost basis of investments) of 9.8 percent.

<u>Fiscal Year</u>	<u>Time-Weighted (a) Rate of Return</u>	<u>Accounting (b) Rate of Return</u>	<u>CPI Inflation</u>
1992	12.8%	9.8%	3.1%
1991	0.3%	3.3%	4.5%
1990	12.1%	7.2%	4.8%
1989	12.0%	7.8%	5.3%
1988	(0.6)%	12.1%	3.7%

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

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

The Retirement System maintains a diverse investment portfolio. At June 30, 1992, the carrying value of the publicly traded investments was \$3.599 billion and the carrying value of the non-publicly traded investments (real estate and direct placements) was \$.583 billion. The total investment portfolio carrying value at year end was \$4.18 billion. At year end, the market value for publicly traded investments was \$3.937 billion and the market value of real estate investments was \$.361 billion. Combining these market values with the carrying value of direct placement investments, which was \$.152 billion, provides a total valuation of \$4.450 billion at year end.

The Retirement System is proud of its many accomplishments during the last fiscal year. The first strategic plan was developed and adopted by the Board of Trustees; a dynamic, fluid management tool, it will continue to evolve over time. The strategic plan includes implementing internal management of a portion of the investment portfolio, as well as an investment monitoring system for staff use to ensure managers are complying with investment policies and statutory restrictions. The plan also provides for a review of data processing capabilities and needs in addition to recommending future directions for this activity.

To further enhance accountability, an independent valuation of all direct placement investments was performed during the year and a new securities lending relationship with the custodial bank was established. A new asset/liability study, which led to a new, long-term asset allocation mix was directed and approved by the Board of Trustees.

The Retirement System remains financially secure. One indication of a pension fund's strength is the funding status of its pension benefit obligation. This is a standardized disclosure method which is independent of the actuarial funding method used to determine the employers contributions. At June 30, 1992, net assets available for retirement benefits were 101% of the total pension benefit obligation for all systems combined. This recognized comparative measure places the Kansas Public Employees Retirement System in the top tier of public pension plans.

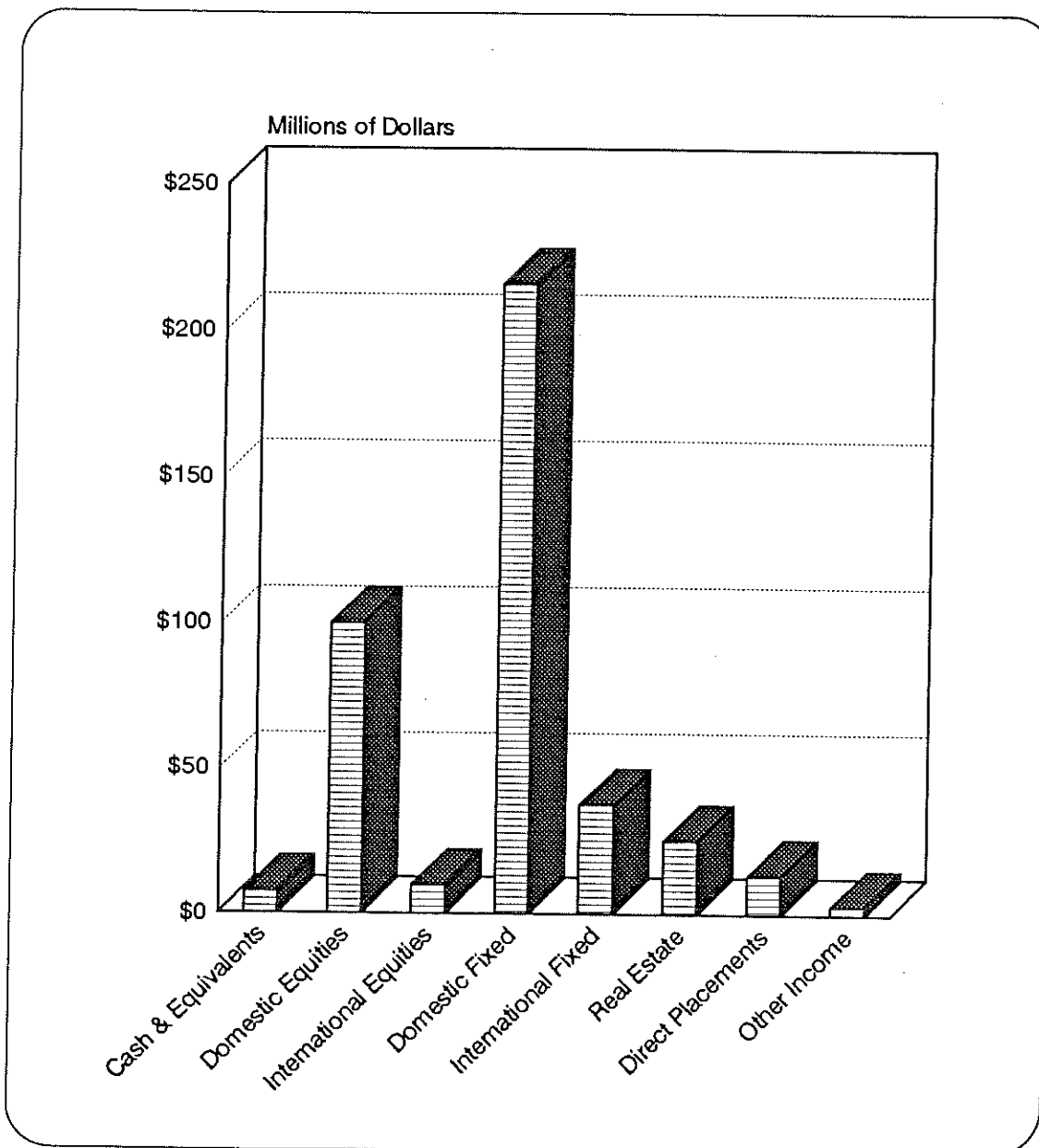
The Board of Trustees and its staff look forward to serving the needs of the members of the Kansas Public Employees Retirement System and the citizens of Kansas. The Retirement System is committed to the concepts of fiduciary responsibility, complete accountability, and full disclosure. Your questions,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

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Williams".

Meredith Williams
Executive Secretary

FINANCIAL SECTION



Investment Income By Asset Class

This bar chart depicts the net investment income earned by asset classification, during the year ended June 30, 1992. Investment income of \$411,471,957 includes interest and dividend income, plus realized gains and losses on the sale of investments. The investment income excludes unrealized capital appreciation.



Berberich Trahan & Co., P.A.

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

The Board of Trustees
Kansas Public Employees Retirement System

We have audited the accompanying balance sheet of the Kansas Public Employees Retirement System as of June 30, 1992, and the related statement of revenues, expenses and changes in fund balance for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

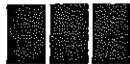
We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Public Employees Retirement System as of June 30, 1992, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit of the basic financial statements for the year ended June 30, 1992 was made for the purpose of forming an opinion on such basic financial statements taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements for the year ended June 30, 1992 taken as a whole. The basic financial statements for each of the years ending June 30, 1983 through 1991 were audited by other auditors whose reports indicated that, in their opinion, the supplemental information for those years was fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Berberich Trahan & Co., P.A.

December 24, 1992



Kansas Public Employees Retirement System
Balance Sheet As of June 30, 1992
With Comparative Figures for 1991

<u>Assets</u>	<u>1992</u>	<u>1991</u>
Cash and Deposits		
Cash	\$ 379,744	\$ 677,493
Deposits with Insurance Carrier	1,856,901	<u> </u>
Total Cash and Deposits	<u>2,236,645</u>	<u>677,493</u>
Receivables		
Contributions	29,561,891	29,548,025
Investment Income	30,059,020	44,723,525
Sale of Investment Securities	93,026,794	95,758,798
Total Receivables	<u>152,647,705</u>	<u>170,030,348</u>
Other Assets		
Fixed Assets & Supplies Inventory	<u>581,310</u>	<u>617,964</u>
Investments		
Investments at Cost	4,307,835,759	3,945,327,098
Allowance For Losses on Investments	(125,730,701)	(147,242,380)
Net Investments	<u>4,182,105,058</u>	<u>3,798,084,718</u>
Total Assets	<u>\$ 4,337,570,718</u>	<u>\$ 3,969,410,523</u>
Liabilities & Reserves		
Liabilities		
Administrative Costs	\$ 661,635	\$ 718,114
Benefits Payable	623,797	1,163,076
Securities Purchased	102,812,390	101,545,294
Total Liabilities	<u>104,097,822</u>	<u>103,426,484</u>
Reserves		
Members' Accumulated Contributions	1,489,300,991	1,417,761,316
Retirement Benefit Accumulation	1,642,467,651	1,463,361,950
Retirement Benefit Payment	1,509,129,600	1,364,942,169
Retirant Dividend Payment	9,590,109	9,453,989
Administrative Expenses	6,549,783	6,618,555
Optional Term Life Insurance	(10,561)	(43,377)
Group Insurance	109,300,223	106,514,037
Unreserved - Prior Service Cost	(532,854,900)	(502,624,600)
Total Reserves	<u>4,233,472,896</u>	<u>3,865,984,039</u>
Total Liabilities and Reserves	<u>\$ 4,337,570,718</u>	<u>\$ 3,969,410,523</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
For the Fiscal Year Ended June 30, 1992
With Comparative Totals for 1991

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>Administrative</u> <u>Expenses</u>
Operating Revenues:					
Member Contributions	\$ 122,204,006	\$ —	\$ —	\$ —	\$ —
Employer Contributions	—	92,968,008	—	—	—
Employer Insurance	—	—	—	—	—
Investment Income	103,317,900	274,521,584	—	—	3,126,053
Other Income	7,409	25	493,812	7,773	45
Total Operating Revenues	<u>225,529,315</u>	<u>367,489,617</u>	<u>493,812</u>	<u>7,773</u>	<u>3,126,098</u>
Operating Expenses:					
Monthly Retirement	—	—	188,608,232	9,736,712	—
Refunds of Contributions	23,310,075	—	—	—	—
Death Benefits	2,669,376	235,386	3,998,144	—	—
Administrative Expenses	—	—	—	—	3,274,890
Insurance Premium/Benefits	—	—	—	—	—
Total Operating Expenses	<u>25,979,451</u>	<u>235,386</u>	<u>192,606,376</u>	<u>9,736,712</u>	<u>3,274,890</u>
Revenues in Excess of Expenses Before Transfers	<u>199,549,864</u>	<u>367,254,231</u>	<u>(192,112,564)</u>	<u>(9,728,939)</u>	<u>(148,792)</u>
Reserve Transfers For:					
Benefits Awarded	(52,681,820)	(197,260,119)	249,941,939	—	—
Unclaimed Accounts	(289,451)	289,451	—	—	—
Interest Adjustments	(75,038,918)	75,038,918	—	—	—
Actuarial Adjustments	—	(88,134,751)	88,134,751	—	—
Dividend Payments	—	(10,029,151)	—	9,721,925	—
Other	—	1,716,822	(1,776,695)	143,134	80,020
Total Reserves Transfers	<u>(128,010,189)</u>	<u>(218,378,830)</u>	<u>336,299,995</u>	<u>9,865,059</u>	<u>80,020</u>
Net Change in Reserve Balance	<u>71,539,675</u>	<u>148,875,401</u>	<u>144,187,431</u>	<u>136,120</u>	<u>(68,772)</u>
Actuarial Liability Increase	—	30,230,300	—	—	—
Balance Beginning 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>6,618,555</u>
Balance End of Year	<u>\$1,489,300,991</u>	<u>\$1,642,467,651</u>	<u>\$1,509,129,600</u>	<u>\$9,590,109</u>	<u>\$6,549,783</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>Group Insurance</u>	<u>Unreserved Prior Service Cost</u>	<u>1992 Totals</u>	<u>1991 Totals</u>
\$3,173,256	\$ —	\$ —	\$ 125,377,262	\$ 123,608,209
—	18,456,388	—	92,968,008	86,633,756
—	8,108,476	—	18,456,388	18,657,509
—	—	—	389,074,013	122,223,474
<u>3,173,256</u>	<u>26,564,864</u>	<u>—</u>	<u>509,064</u>	<u>385,469</u>
			<u>626,384,735</u>	<u>351,508,417</u>
—	317,866	—	198,662,810	180,041,274
—	—	—	23,310,075	22,086,947
—	—	—	6,902,906	6,561,432
—	—	—	3,274,890	3,309,277
<u>3,060,420</u>	<u>23,684,777</u>	<u>—</u>	<u>26,745,197</u>	<u>23,956,850</u>
<u>3,060,420</u>	<u>24,002,643</u>	<u>—</u>	<u>258,895,878</u>	<u>235,955,780</u>
—	—	—	—	—
112,836	2,562,221	—	367,488,857	115,552,637
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	307,226	—	—	—
(80,020)	(83,261)	—	—	—
<u>(80,020)</u>	<u>223,965</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>32,816</u>	<u>2,786,186</u>	<u>—</u>	<u>367,488,857</u>	<u>115,552,637</u>
—	—	(30,230,300)	—	—
(43,377)	106,514,037	(502,624,600)	3,865,984,039	3,750,431,402
<u>\$ (10,561)</u>	<u>\$ 109,300,223</u>	<u>\$(532,854,900)</u>	<u>\$4,233,472,896</u>	<u>\$3,865,984,039</u>

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1992

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 statewide retirement systems: the Kansas Public Employees Retirement System, the Kansas Police and Firemen's Retirement System (KP&F), and the Kansas Retirement System for Judges. All three systems are defined benefit, contributory, cost sharing plans that cover substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer plan, while the other two are multi-employer groups. Participation by the state of Kansas is mandatory, whereas participation by local political subdivisions is optional but irrevocable if elected.

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 60 with 15 years, age 55 with 20 years, or age 50 with 25 years). Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. Upon termination of employment a member may elect to withdraw accumulated 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 net investment income. Member contribution rates are established by state law. Member contributions are paid 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 fifteen 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, administers 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 1991 balances are presented for comparative purposes only. They do not include all information necessary for a complete presentation.

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 fourteen 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. Subsequent to June 30, 1992, those custodians were replaced by a master global custodian located in Boston, Massachusetts.

As of June 30, 1992, the Retirement System owned one repurchase agreement with a market value of \$25,652,000. 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 is presently engaged in the financial futures market. At June 30, 1992, the Retirement System had purchased Treasury note and Treasury bond future contracts with a market value of \$296,361,375. Market value and contract price are compared daily creating a corresponding gain or loss. Investment income of \$25,298,737 has been recognized during fiscal year 1992 from these activities. Margin deposits in the form of U.S. Treasury T-Bills of \$236,534 are included in temporary investments as of June 30, 1992.

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 1992 included domestic securities lending of \$278,219 and international securities lending of \$165,996. The market value of securities on loan as of June 30, 1992, was \$1,600,000.

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, 1992, the system had sold forward currency contracts with a market value of \$61,993,286, and had bought forward currency contracts with a market value of \$64,998,804. 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.

Call options with a cost value of \$584,375 on U.S. Government securities, were held by the Retirement System as of June 30, 1992.

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

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

All Retirement System investments that can be categorized within these guidelines meet the criteria of category 1, with the exception of repurchase agreements, which meet the criteria of category 3. A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditship. "Securities" do not include investments made with another party, real estate or direct investments in mortgages. Investments in mutual funds, limited partnerships, real estate investment trusts, and commingled trust funds also are not considered securities for purposes of credit risk classification. Such investments are shown in the following schedule as "not subject to classification." The schedule distributes by asset class the carrying value of investments as of June 30, 1992.

Investments:	Asset Classification			Carrying Value	Market Value
	1	2	3		
Subject to Classification:					
Domestic Equities	\$1,133,087,126		\$ —	\$1,133,087,126	\$1,391,337,419
Domestic Fixed Income	1,448,423,841		—	1,448,423,841	1,469,964,015
Temporary Investments	34,771,160		25,652,000	60,423,160	60,482,244
International Fixed	124,214,879		—	124,214,879	126,195,722
International Equities	310,974,524		—	310,974,524	299,824,592
Total Subject to Classification	<u>\$3,051,471,530</u>		<u>\$25,652,000</u>	<u>\$3,077,123,530</u>	<u>\$3,347,803,992</u>
Not Subject to Classification:					
Direct Placements				\$ 152,558,995	\$152,558,995*
Real Estate				430,754,228	360,836,721
Mutual Funds					
Domestic Equities				68,402,952	130,503,618
Domestic Fixed				323,749,632	328,150,712
International Fixed				129,515,721	130,195,225
Total Not Subject to Classification				<u>1,104,981,528</u>	<u>1,102,245,271</u>
Total Investments				<u>\$4,182,105,058</u>	<u>\$4,450,049,263</u>

*Direct placements are presented at historical cost less reductions for declines in value deemed to be other than temporary.

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, 1992, was \$1,053,304. Office supplies inventory in the amount of \$31,656 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. 74-4922 defines the title and use of the required reserves of the Retirement System. The composition of the reserves, credits to the reserves and charges to the reserves are also specified in K.S.A. 74-4922.

The law governing the retirement system requires the actuary to make an annual valuation of the 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.

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 June 30, 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 1992 and 1991.

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, 1992, 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 \$4,082 million as of June 30, 1992. The unfunded pension benefit obligation of approximately (\$42) 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. The unfunded pension benefit obligation as of June 30, 1992, for KPERS, KP&F, and the Judges Systems combined, was approximately (\$42) million or about \$575 million less than the unfunded past service liability of \$533 million.

As of June 30, 1992, net assets available for retirement benefits (which excludes reserves for Optional Term Life and Group Insurance) were 101% of the total pension benefit obligation for all systems combined. The pension benefit obligation at June 30, 1992, 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	\$1,369,872,300	\$111,570,700	\$ 7,858,000	\$1,489,301,000
Employer Financed Portion				
Vested	219,884,000	40,542,700	8,520,000	268,946,700
Non-Vested	588,206,500	139,512,400	1,832,100	729,551,000
Retirees and Beneficiaries				
Retirees receiving benefits and terminated employees not yet receiving benefits	<u>1,355,873,600</u>	<u>224,323,200</u>	<u>13,961,700</u>	<u>1,594,158,500</u>
Equals the Total Pension Benefit Obligation	3,533,836,400	515,949,000	32,171,800	4,081,957,200
Less Net Assets Available for Benefits at Book Value	<u>3,590,943,434</u>	<u>499,856,381</u>	<u>33,383,417</u>	<u>4,124,183,232</u>
Equals Unfunded Pension Benefit Obligation	<u>\$ (57,107,034)</u>	<u>\$ 16,092,619</u>	<u>\$(1,211,617)</u>	<u>\$ (42,226,032)</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 adjusted for the approximate 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)
1988 ^(a)	\$2,908.0	\$3,151.1	92.3%	\$243.1	\$2,397.3	10.1%
1989 ^(a)	3,026.7	3,610.7	83.8%	584.0	2,444.6	23.9%
1990 ^(a)	3,458.2	3,383.7	102.2%	(74.5)	2,651.6	-2.8%
1991 ^(b)	3,759.5	3,732.8	100.7%	(26.7)	2,922.4	-0.9%
1992^(b)	4,124.2	4,082.0	101.0%	(42.2)	3,052.0	-1.4%

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

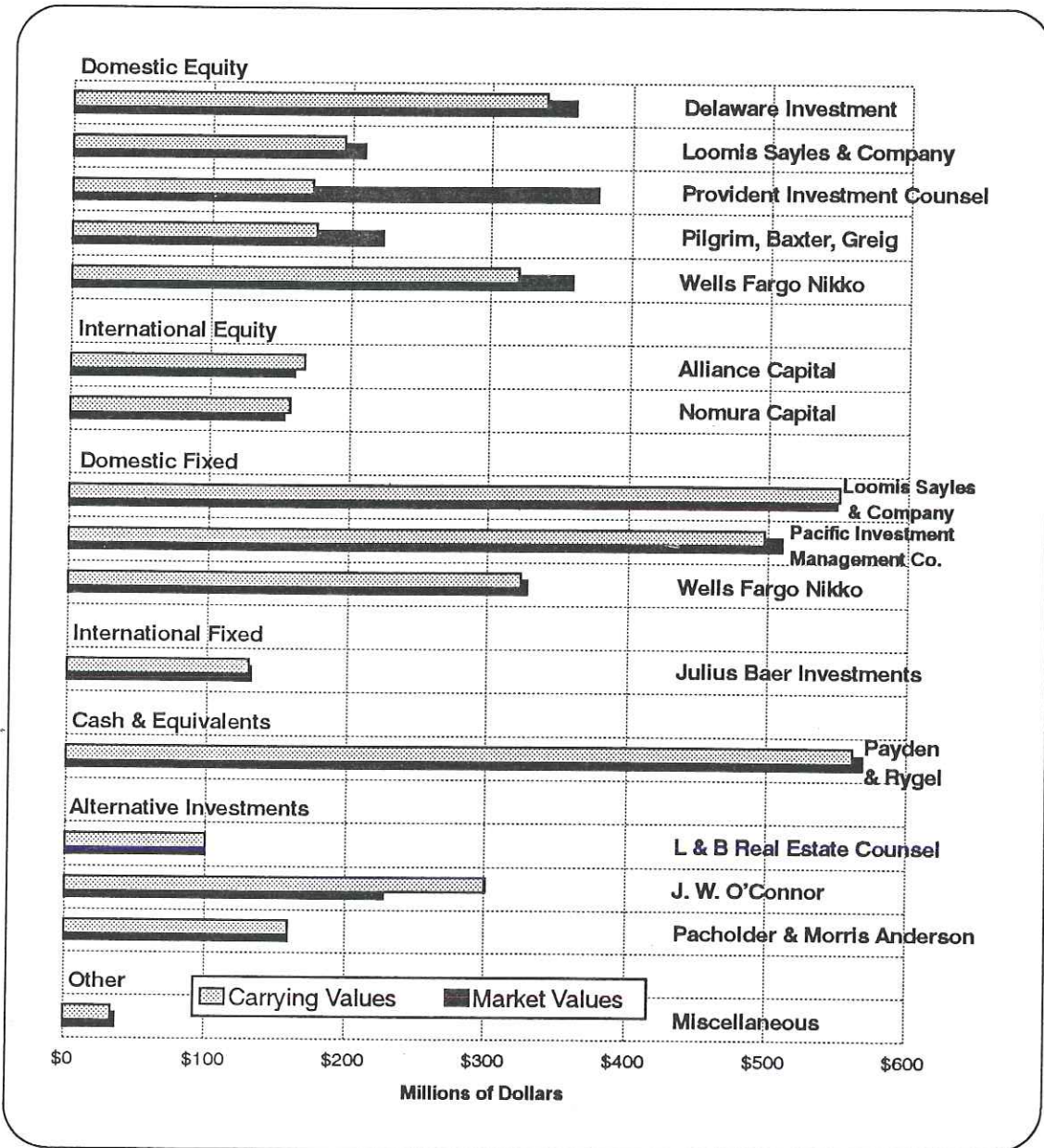
NOTE 4: Commitments and Contingencies

As of June 30, 1992, the Retirement System was committed for additional funding, totalling \$12,352,078 in the form of capital calls on existing direct placement and real estate holdings in the portfolio.

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

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

SUPPLEMENTAL FINANCIAL DATA



Carrying Values and Market Values By Investment Manager

This chart depicts carrying values and market values of investments held at June 30, 1992, by investment manager. The values exclude cash balances, which are shown as managed by Payden & Rygel.

Highlights of Operations — 10 Year Summary

	1992	1991	1990	1989
Membership Composition				
Number of Retirants	39,552	39,262	38,243	87,250
Number of New Retirants During the Year	2,476	2,431	2,262	2,323
Number of Active and Inactive Members	128,785	122,186	118,042	114,169
Number of Participating Employers	1,247	1,223	1,188	1,150
Financial Results (Millions)				
Retirement/Death Benefits	206	187	168	152
Member Contributions	125	124	112	97
Employer Contributions	112	106	101	91
Investment Income	389	122	391	230
Total Revenue	626	352	604	419
Total Expenses	259	236	210	194
Revenues in Excess of Expenses	367	116	395	225
Total Assets	4,338	3,969	3,833	3,451
Employer Contribution Rate				
KPERS-State/School	3.3%	3.2%	3.1%	3.0%
KPERS-Local	2.4%	2.6%	2.0%	3.0% ^(b)
KPERS-School				
KP&F (Average)	9.3%	9.1%	13.1%	11.1%
Judges	7.3%	5.4%	5.9%	6.6%
TIAA	1.7%	1.5%	1.5%	1.6%
Special Elected Officials	8.3%	7.9%	7.8%	7.7% ^(c)
Past Service Liability (Millions)				
KPERS-State/School	395	373	344	316
KPERS Local	47	40	34	30
KPERS-School				
KP&F	67	66	69	70
Judges	4	4	4	3
TIAA	20	20	19	19
Funding Percentages^(e)				
KPERS-State/School	88.3%	88.0%	88.0%	87.3%
KPERS-Local	92.7%	93.1%	93.6%	93.9%
KPERS-School				
KP&F	88.1%	87.3%	85.9%	84.1%
Judges	89.8%	89.1%	89.1%	88.9%
TIAA	22.6%	21.1%	24.2%	21.6%
Special Elected Officials			78.5%	

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

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

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

<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>	<u>1983</u>
36,171	34,819	33,598	32,675	31,762	30,906
2,640	2,345	2,148	1,984	1,892	2,076
107,107	104,691	102,693	102,100	102,327	103,878
1,126	1,112	1,100	1,078	1,064	1,053
135	119	106	93	79	72
92	91	83	75	70	66
92	106	100	99	103	100
231	322	395	220	160	192
415	519	578	393	332	358
169	152	138	122	106	95
245	367	440	271	226	263
3,177	2,928	2,602	2,108	1,819	1,585
3.0% ^(a)	3.9%	4.3%	4.6%	4.6%	4.8%
3.0%	4.1%	4.0%	4.4%	4.4%	4.5%
19.0%	18.7%	18.9%	16.3%	20.8%	23.2%
6.6%	8.7%	8.7%	10.3%	10.4%	10.4%
1.4%	1.5%	1.3%	1.4%	1.4%	1.6%
294	311	72	65	58	39
26					
		231	228	217 ^(d)	175
68	69	70	75	75	76
3	3	3			3
16	16	15	13	14	11
87.7%	87.9%	93.3%	92.8%	92.7%	94.3%
94.3%					
		83.1%	80.8%	79.0%	79.7%
83.2%	81.0%	79.8%	74.8%	71.4%	67.4%
89.3%	88.3%	89.2%			82.4%
25.5%	24.1%	27.1%	29.7%	26.3%	32.2%

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

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

Kansas Public Employees Retirement System

Schedule Of Contributions Received
For The Fiscal Year Ended June 30, 1992

Kansas Public Employees Retirement System

State/School Contributions		
Members	\$89,312,789	
Employer	60,229,596	
Insurance	<u>13,434,649</u>	
Total State/School Contributions		\$162,977,034
Local Contributions		
Members	21,939,629	
Employers	9,869,252	
Insurance	<u>3,264,701</u>	
Total Local Contributions		35,073,582
State Contributions- KPERS TIAA		
Employers	2,615,053	
Insurance	<u>1,723,438</u>	
Total TIAA Contributions		4,338,491

Total Contributions - Kansas Public Employees Retirement System	<u>\$ 202,389,107</u>
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Kansas Police and Firemen's System

State Contributions		
Members	1,225,806	
Employers	<u>1,494,478</u>	
Total State Contributions		2,720,284
Local Contributions		
Members	9,128,790	
Employers	<u>18,020,986</u>	
Total Local Contributions		<u>27,149,776</u>

Total Contributions - Kansas Police and Firemen's System	<u>29,870,060</u>
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Contributions Carried Forward	232,259,167
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Kansas Public Employees Retirement System

Schedule Of Contributions Received (continued)

For The Fiscal Year Ended June 30, 1992

Contributions Brought Forward \$232,259,167

Kansas Retirement System for Judges

State Contributions

Members	\$ 596,993
Employers	738,643
Insurance	<u>33,600</u>

Total State Contributions \$ 1,369,236

**Total Contributions -
Kansas Retirement System for Judges** **1,369,236**

Member Contributions - Optional Life

State	2,314,183
Local	<u>859,073</u>
Total Contributions	<u>3,173,256</u>

**Total Contributions
Optional Life Insurance** **3,173,256**

GRAND TOTAL - ALL CONTRIBUTIONS **\$236,801,659**

Kansas Public Employees Retirement System
Schedule Of Revenues And Expenses - Budget And Actual

For the Fiscal Year Ended June 30, 1992

With Comparative Actuals For 1991

	<u>1992 BUDGETED</u>	<u>1992 ACTUAL</u>	<u>1991 ACTUAL</u>
Revenues:			
Member Contributions	\$123,448,433	\$120,405,712	\$119,115,097
Optional Term Life Insurance	2,690,000	3,173,256	2,588,751
Purchase Of Service Credit	2,032,230	1,798,294	1,904,361
Subtotal - Members	<u>128,170,663</u>	<u>125,377,262</u>	<u>123,608,209</u>
Employer Contributions	93,810,522	92,968,008	86,633,756
Insurance	18,763,666	18,456,388	18,657,509
Investment Income	325,920,000	389,074,013	122,224,430
Other Income	—	509,064	384,513
Total Revenues	<u>\$566,664,851</u>	<u>\$626,384,735</u>	<u>\$351,508,417</u>
Expenses:			
Monthly Retirement Benefits	\$190,275,925	\$195,511,138	\$173,996,250
Retirant Dividend Payments	9,951,990	10,054,578	10,125,284
Refund Of Contributions	22,555,000	23,310,075	24,568,119
Insurance	18,763,666	23,684,777	21,399,768
Optional Insurance	2,690,000	3,060,420	2,557,082
Administration	3,150,294	3,274,890	3,309,277
Total Operating Expenses	<u>247,386,875</u>	<u>258,895,878</u>	<u>235,955,780</u>
Capital Outlay	<u>150,561</u>	<u>201,576</u>	<u>394,386</u>
Total Expenses and Capital Outlay	<u>\$247,537,436</u>	<u>\$259,097,454</u>	<u>\$236,350,166</u>
Revenues in Excess of Expenses and Capital Outlay	<u>\$319,127,415</u>	<u>\$367,287,281</u>	<u>\$115,158,251</u>

Kansas Public Employees Retirement System
Schedule Of Administrative Expenses - Budget And Actual
For the Fiscal Year Ended June 30, 1992
With Comparative Actuals For 1991

	<u>1992 BUDGETED</u>	<u>1992 ACTUAL</u>	<u>1991 ACTUAL</u>
Salaries and Wages	\$2,087,914	\$2,106,607	\$1,928,042
Postage	157,459	163,658	152,743
Telephone	60,630	60,041	53,125
Freight	3,195	4,009	1,069
Printing	87,385	57,235	74,047
Travel	69,593	73,652	52,939
Actuary	186,000	180,139	171,000
Other Professional Fees	229,017	118,437	355,169
Office Supplies	61,415	54,990	77,206
Repair and Service Agreements	78,209	81,292	44,019
Dues and Subscriptions	16,163	19,991	7,758
Official Hospitality	1,629	436	824
Utilities	24,698	24,338	22,001
Building Maintenance and Taxes	86,987	91,176	91,992
Depreciation on Fixed Assets	—*	219,506	261,020
Accrued Absences	—*	19,383	16,323
	<hr/>	<hr/>	<hr/>
Charged To Expense Reserve	3,150,294	3,274,890	3,309,277
Capital Outlay	150,561	201,576	394,386
	<hr/>	<hr/>	<hr/>
Total Administrative Expenses	<u>\$3,300,855</u>	<u>\$3,476,466</u>	<u>\$3,703,663</u>

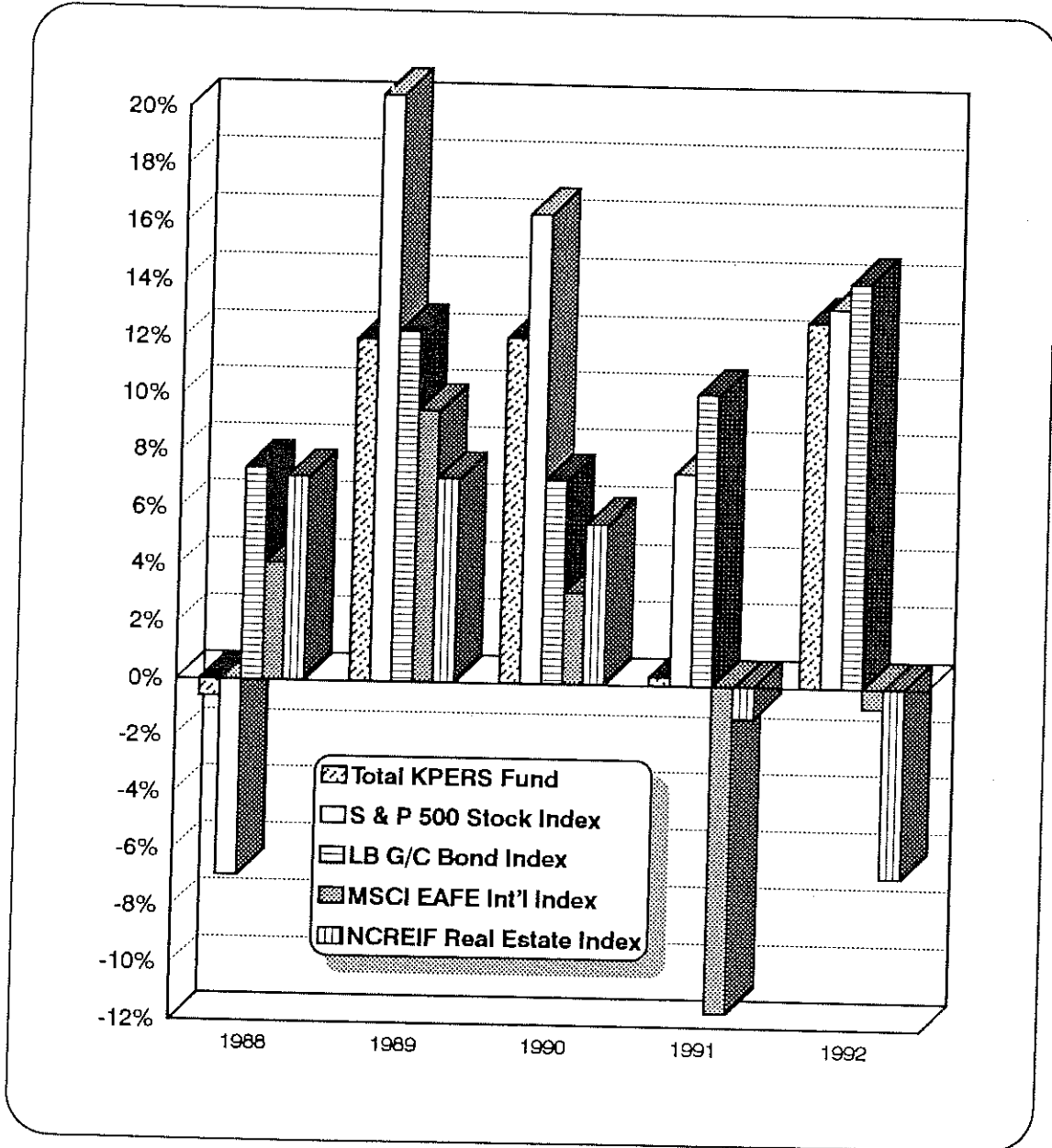
* The State's budgetary system does not include these accrual items.

**Kansas Public Employees Retirement System
Alternative Investments**

Carrying Values, Income and Allowance for Losses
For the Fiscal Year Ended June 30, 1992

Description	Direct Placements Includes Limited Partnerships	Real Estate	Total
Carrying Values at June 30, 1992	\$152,558,995	\$ 430,754,228	\$583,313,223
Gross Investment Income	\$ 14,055,847	\$ 27,148,724	\$ 41,204,571
Adjustment to Gross Investment Income			
Write-Off of Investment Not Reserved Highland American Corporation	\$ (3,431,632)	\$ —	\$ (3,431,632)
Income from the recapture of prior year allowance for losses on sales and maturities	2,582,933	—	2,582,933
Other Adjustments and Transfers	4,380,955	(6,321,909)	(1,940,954)
Total Adjustment to Gross Investment Income	\$ 3,532,256	\$ (6,321,909)	\$ (2,789,653)
Allowance for Losses Reserve at June 30, 1991	\$108,681,660	\$ 38,560,720	\$147,242,380
Decrease in Reserves due to write-offs			
Affinity Systems, Inc.	(2,425,000)	—	(2,425,000)
Craft World II Holding, Inc.	(4,976,295)	—	(4,976,295)
Highland American Corp.	(258,461)	—	(258,461)
N I Holding Corp.	(9,699,961)	—	(9,699,961)
Riblet Products Corp.	(3,509,983)	—	(3,509,983)
Decrease in Reserves due to the recapture of prior year allowance for losses and other adjustments	(6,963,883)	6,321,909	(641,974)
Allowance for Losses Reserve at June 30, 1992	80,848,077	44,882,629	125,730,706
Cumulative write-offs through June 30, 1991	117,930,619	—	117,930,619
Investment write-offs during Fiscal Year 1992	24,301,332	—	24,301,332
Total Anticipated Losses Resulting from Alternative Investments through June 30, 1992	\$223,080,028	\$ 44,882,629	\$ 267,962,657

SUPPLEMENTAL INVESTMENT DATA



Rates of Return Comparison

This bar chart shows the time-weighted rates of return for selected indices and the total fund rate of return for fiscal years 1988 through 1992.

Rates Of Return Last Five Fiscal Years

	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
Time Weighted Rate of Return ^(A)					
Domestic Equities	15.1%	5.1%	18.6%	13.3%	(9.2)%
Domestic Fixed Income	17.2	10.6	6.0	13.9	7.0
International Equities	2.7	(11.2)	25.6	13.7	5.6
International Fixed Income	28.9	10.6	7.8	0.8	18.1
Real Estate	(13.3)	(1.4)	8.0	5.5	5.8
Direct Placements	26.5	(37.8)	3.9	8.0	9.5
Cash And Equivalents	9.0	9.3	8.6	8.9	7.4
Total Fund	12.8%	0.3%	12.1%	12.0%	(0.6)%
Market Indexes					
Standard & Poor's 500 Index	13.3%	7.4%	16.4%	20.5%	(6.9)%
Standard & Poor's 500 (South Africa Free)	14.7	5.9	14.5	20.4	(7.4)
Lehman Brothers Gov't/Corp Index	14.2	10.2	7.1	12.3	7.4
MSCI EAFE Index	(0.7)	(11.5)	3.2	9.5	4.1
Salomon Non-U.S. World Gov't Bond	27.3	9.9	7.3	(2.2)	12.1
NCREIF Real Estate Index	(6.7)	(1.1)	5.6	7.1	7.1
90 Day Treasury Bill Index	5.2	7.6	8.5	8.5	6.8
Consumer Price Index	3.1	4.5	4.8	5.3	3.7
Accounting Rate ^(B)	9.8%	3.3%	7.2%	7.8%	12.1%

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

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

Standard & Poor's 500 Index contains a representative sample of common stocks that trade on the New York and American Stock Exchanges and some over-the-counter stocks. The index is weighted by market capitalization and calculated on a total return basis with dividends reinvested.

Standard & Poor's 500 South African Free Index is the Standard & Poor's 500 Index less the common stocks of companies which are engaged in business in the Republic of South Africa and are listed in Section I of the Investors Responsibility Research Code (IRRC).

Lehman Brothers Gov't/Corp Bond Index is a composite of all publicly issued, non-convertible debt ranked at least BAA by Moody's, BBB by S&P Corporation or, in the case of bank bonds, BBB by Fitch Investors Service. The bonds must have at least \$1 million outstanding principal and a minimum of one-year maturity. The index is weighted by the market value of each issue.

Morgan Stanley Capital International (MSCI) EAFE Index contains approximately 1053 companies from 18 countries. The index represents the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is market value-weighted and calculated with the net dividends, after foreign taxes have been withheld, reinvested.

Salomon Non-U.S. World Government Bond Index is designed to provide a measure of performance of fixed-rate securities in the international government bond market. The following eight countries are included in the index: Japan, United Kingdom, West Germany, France, Canada, Netherlands, Australia, and Switzerland. All issues must have a maturity of one year or more.

NCREIF Real Estate Index is maintained by the National Council of Real Estate Investment Fiduciaries and measures income producing properties owned by commingled funds.

90 Day Treasury Bill Index measures the performance of the most current three month Treasury Bill.

Consumer Price Index measures the relative price changes of a selected group of goods and services. The CPI is frequently used as a measure of inflation.

Kansas Public Employees Retirement System

Schedule of Investment Income by Asset Class

For Fiscal Year Ending June 30, 1992

<u>Asset Classification</u>	<u>Interest, Dividends, and Other Transactions</u>	<u>Gains and Losses</u>	<u>Total</u>	<u>Percent of Total Income</u>
Marketable Securities				
Cash & Equivalents	\$ 8,262,298	\$ (885,326)	\$ 7,376,972	1.8%
Domestic Equities	38,060,159	61,746,149	99,806,308	24.3%
International Equities	7,511,793	2,197,046	9,708,839	2.4%
Subtotal	<u>45,571,952</u>	<u>63,943,195</u>	<u>109,515,147</u>	<u>26.7%</u>
Domestic Fixed Income				
Treasury & Agency	42,421,032	59,980,143	102,401,175	24.9%
Corporate	71,654,794	39,057,031	110,711,825	26.9%
Mortgage Guarantee Ins Corp	2,619,465	21,387	2,640,852	0.6%
Subtotal	<u>116,695,291</u>	<u>99,058,561</u>	<u>215,753,852</u>	<u>52.4%</u>
International Fixed Income				
Treasury & Agency	12,841,684	8,251,242	21,092,926	5.1%
Corporate	8,604,915	7,885,249	16,490,164	4.0%
Subtotal	<u>21,446,599</u>	<u>16,136,491</u>	<u>37,583,090</u>	<u>9.1%</u>
Total Marketable Securities	<u><u>\$ 191,976,140</u></u>	<u><u>\$178,252,921</u></u>	<u><u>\$ 370,229,061</u></u>	<u><u>90.0%</u></u>
Alternative Investments				
Real Estate	\$ 27,148,724	\$ (6,321,909)	\$ 20,826,815	5.1%
Direct Placements	7,765,924	9,822,179	17,588,103	4.2%
Total Alternative Investments	<u><u>\$ 34,914,648</u></u>	<u><u>\$ 3,500,270</u></u>	<u><u>\$ 38,414,918</u></u>	<u><u>9.3%</u></u>
Other Investment Income				
Security Lending	\$ 665,701	\$ —	\$ 665,701	0.2%
Litigation Recovery	2,001,376	—	2,001,376	0.5%
Miscellaneous	160,900	—	160,900	0.0%
Total Other Investment Income	<u><u>\$ 2,827,977</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 2,827,977</u></u>	<u><u>0.7%</u></u>
Investment Income	<u><u>\$ 229,718,765</u></u>	<u><u>\$181,753,191</u></u>	<u><u>411,471,956</u></u>	<u><u>100.0%</u></u>
Manager and Custodian Fees and Expenses				
Investment Manager Fees			14,037,714	
Custodian Fees			1,563,007	
Investment Expenses			6,797,222	
Subtotal			<u>22,397,943</u>	
Net Investment Income			<u><u>\$ 389,074,013</u></u>	

Kansas Public Employees Retirement System Schedule of Investment Income, Fees and Expenses

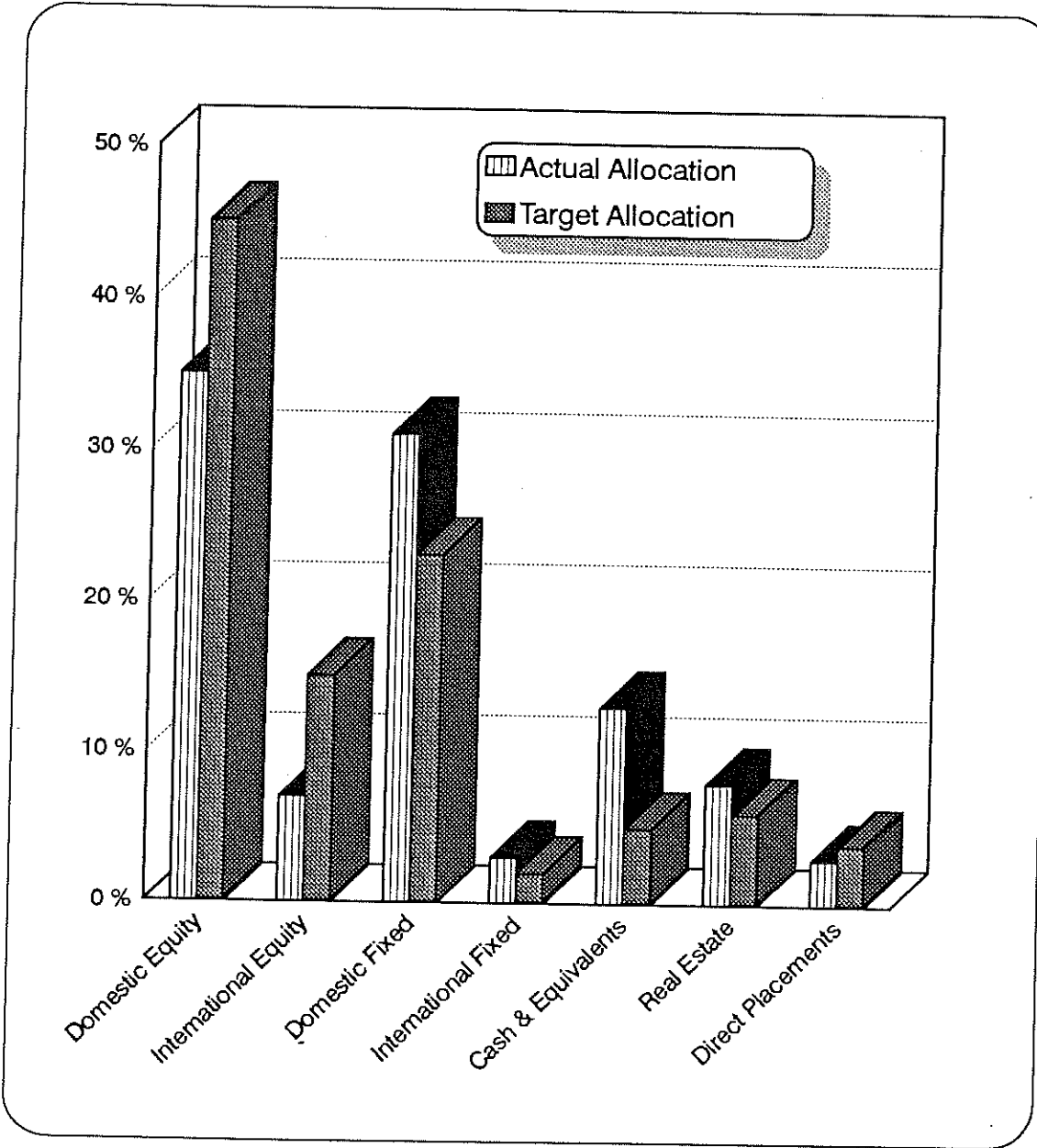
	Interest, Dividends, and Other Transactions	Gains and Losses Realized	Losses due to Declines in Value Deemed Other Than Temporary
Equity Managers			
Market Research & Management	\$ 761,981	\$ (3,285,677)	\$ —
Delaware Investment Advisors	16,267,613	64,909	—
Pilgrim, Baxter, Greig & Associates	1,460,508	31,107,581	—
Provident Investment Counsel	2,627,179	28,812,000	—
Wells Fargo Nikko Investment Advisors	10,595,576	610,831	—
Loomis Sayles & Co., Inc., Equity	6,276,830	13,701,776	—
Subtotal Equity Managers	<u>37,989,687</u>	<u>71,011,420</u>	<u>—</u>
Fixed Income Managers			
Peters, Gamm, West & Vincent (Fixed)	6,869,700	6,352,625	—
Pacific Investment Management Co.	49,083,927	42,188,680	—
Wells Fargo Investment Advisor (Fixed)	17,221,949	10,488,200	—
Loomis Sayles & Co., Inc., Fixed	30,818,434	35,577,552	—
Subtotal Fixed Income Managers	<u>103,994,010</u>	<u>94,607,057</u>	<u>—</u>
International Managers			
Nomura Capital Management	3,697,050	(4,096,226)	—
Julius Baer Investment Management	10,214,405	17,266,463	—
Alliance Capital Management	3,371,733	(5,448,381)	—
Subtotal International Managers	<u>17,283,188</u>	<u>7,721,856</u>	<u>—</u>
Direct Placement Managers			
Morris Anderson and Pacholder Associates	10,565,586	5,911,382	(767,744)
Real Estate Managers			
Cohen-Esrey (Capitol Tower)	2,055,696	—	—
O'Connor Group	15,414,216	—	(2,021,909)
Lehndorff & Babson	5,686,269	—	—
Subtotal Real Estate Managers	<u>23,156,181</u>	<u>—</u>	<u>(2,021,909)</u>
Cash Management			
Payden & Rygel	30,039,219	5,269,742	—
Mortgage Guarantee Insurance Corporation	2,619,465	21,387	—
Litigation	2,001,376	—	—
Kansas Capital Fund	1,389,750	—	—
Security Lending			
Marine Midland Securities Lending	499,706	—	—
Bankers Trust Securities Lending	165,995	—	—
Custodian Banks			
Bankers Trust Company	—	—	—
Commerce Bank and Trust	—	—	—
Consultants			
CDA Investment Technologies, Inc.	—	—	—
Mercer Asset Planning	—	—	—
Townsend Real Estate Consulting	—	—	—
General Counsel			
Joint Committee on KPERS Investment Practices	—	—	—
Miscellaneous			
	14,602	—	—
Subtotal Other	<u>6,690,894</u>	<u>21,387</u>	<u>—</u>
GRAND TOTALS	<u>\$229,718,765</u>	<u>\$184,542,844</u>	<u>\$ (2,789,653)</u>

(a) Includes property level operating expenses

<u>Total Investment Income</u>	<u>Manager and Custodian Fees</u>	<u>Out-of-Pocket and Property Level Real Estate Expenses</u>	<u>Net Investment Income or (Loss)</u>
\$ (2,523,696)	\$ 211,692	\$ 147	\$ (2,735,535)
16,332,522	884,012	—	15,448,510
32,568,089	760,382	—	31,807,707
31,439,179	1,925,197	—	29,513,982
11,206,407	91,538	—	11,114,869
19,978,606	505,089	—	19,473,517
<u>109,001,107</u>	<u>4,377,910</u>	<u>147</u>	<u>104,623,050</u>
13,222,325	290,060	78,136	12,854,129
91,272,607	1,345,755	131	89,926,721
27,710,149	198,878	—	27,511,271
66,395,986	1,125,451	—	65,270,535
<u>198,601,067</u>	<u>2,960,144</u>	<u>78,267</u>	<u>195,562,656</u>
(399,176)	562,713	21,724	(983,613)
27,480,868	368,698	—	27,112,170
(2,076,648)	586,719	21,724	(2,685,091)
<u>25,005,044</u>	<u>1,518,130</u>	<u>43,448</u>	<u>23,443,466</u>
<u>15,709,224</u>	<u>2,826,452</u>	<u>1,107,213</u>	<u>11,775,559</u>
2,055,696		1,051,371 ^(a)	1,004,325
13,392,307	1,324,337	1,797,145 ^(a)	10,270,825
5,686,269	667,941	—	5,018,328
<u>21,134,272</u>	<u>1,992,278</u>	<u>2,848,516</u>	<u>16,293,478</u>
<u>35,308,961</u>	<u>362,800</u>	<u>—</u>	<u>34,946,161</u>
2,640,852	—	—	2,640,852
2,001,376	—	1,715,209	286,167
1,389,750	—	—	1,389,750
499,706	—	221,488	278,218
165,995	—	—	165,995
—	728,422	—	(728,422)
—	834,585	—	(834,585)
—	—	42,030	(42,030)
—	—	128,335	(128,335)
—	—	170,000	(170,000)
—	—	66,169	(66,169)
—	—	329,439	(329,439)
14,602	—	46,961	(32,359)
<u>6,712,281</u>	<u>1,563,007</u>	<u>2,719,631</u>	<u>2,429,643</u>
<u>\$411,471,956</u>	<u>\$15,600,721</u>	<u>\$6,797,222</u>	<u>\$389,074,013</u>

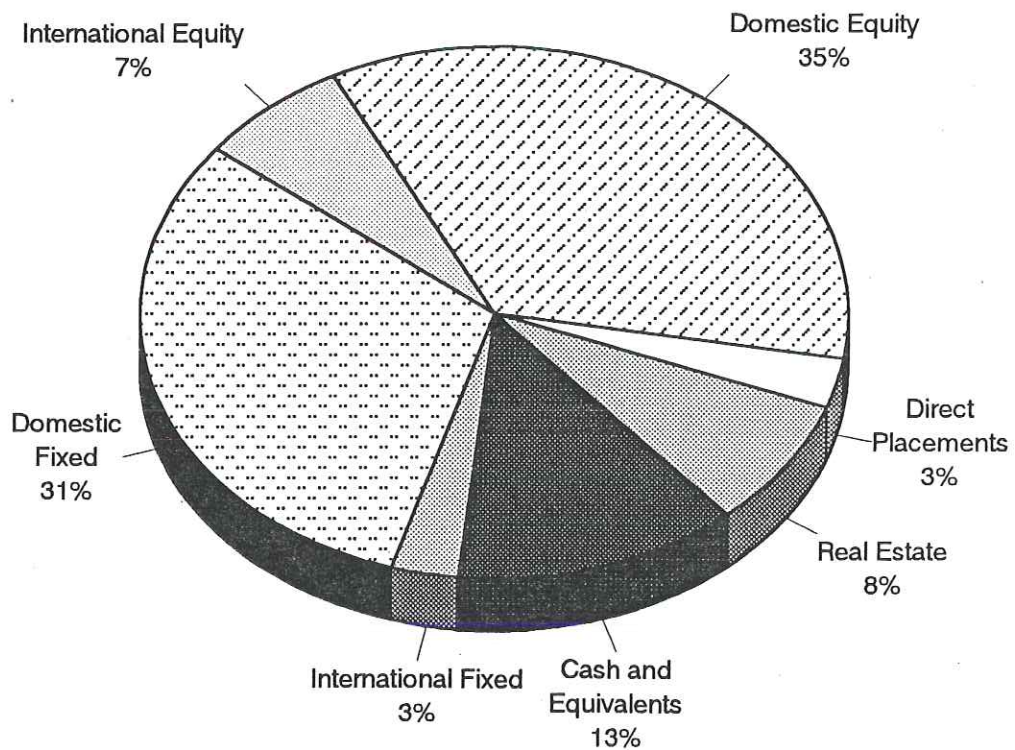
Kansas Public Employees Retirement System
 Schedule of Investment Changes
 For The Fiscal Year Ended June 30, 1992

Asset Classification	Carrying Value Beginning of Year	Purchases And Other Increases	Sales And Other Decreases	Carrying Value End of Year	Percent of Net Investments
Marketable Securities					
Cash & Equivalents	\$ 82,321,492	\$12,421,182,125	\$(12,443,080,457)	\$ 60,423,160	1.4%
Kansas Capital Fund	43,600,000	—	(43,600,000)	—	0.0%
Subtotal	<u>125,921,492</u>	<u>12,421,182,125</u>	<u>(12,486,680,457)</u>	<u>60,423,160</u>	<u>1.4%</u>
Domestic Equities	1,083,226,257	769,454,317	(651,190,496)	1,201,490,078	28.8%
International Equities	346,945,122	156,346,742	(192,317,340)	310,974,524	7.4%
Subtotal	<u>1,430,171,379</u>	<u>925,801,059</u>	<u>(843,507,836)</u>	<u>1,512,464,602</u>	<u>36.2%</u>
Domestic Fixed Income					
Treasury & Agency	760,950,997	1,484,091,634	(1,697,584,059)	547,458,573	13.1%
Corporate	689,576,013	1,237,124,810	(728,063,070)	1,198,637,753	28.7%
MGIC	34,590,748	11,141	(8,524,742)	26,077,147	0.6%
Subtotal	<u>1,485,117,758</u>	<u>2,721,227,585</u>	<u>(2,434,171,871)</u>	<u>1,772,173,473</u>	<u>42.4%</u>
International Fixed Income					
Treasury & Agency	51,724,918	244,038,167	(214,269,691)	81,493,393	2.0%
Corporate	86,766,107	208,476,679	(123,005,579)	172,237,207	4.1%
Subtotal	<u>138,491,025</u>	<u>452,514,846</u>	<u>(337,275,270)</u>	<u>253,730,600</u>	<u>6.1%</u>
Total Marketable Securities	<u>\$ 3,179,701,654</u>	<u>\$16,520,725,615</u>	<u>\$(16,101,635,434)</u>	<u>\$ 3,598,791,835</u>	<u>86.1%</u>
Alternative Investments					
Real Estate	\$ 457,560,224	\$ 18,898,900	\$ (822,267)	\$ 475,636,857	11.4%
Allowance for Loss Reserves	(38,560,720)	(6,321,909)	—	(44,882,629)	(1.1)%
Subtotal	<u>418,999,504</u>	<u>12,576,991</u>	<u>(822,267)</u>	<u>430,754,228</u>	<u>10.3%</u>
Direct Placements	308,065,220	4,622,012	(79,280,165)	233,407,067	5.6%
Allowance for Loss Reserves	(108,681,660)	—	27,833,588	(80,848,072)	(2.0)%
Subtotal	<u>199,383,560</u>	<u>4,622,012</u>	<u>(51,446,577)</u>	<u>152,558,995</u>	<u>3.6%</u>
Total Alternative Investments	<u>\$ 618,383,064</u>	<u>\$ 17,199,003</u>	<u>\$ (52,268,844)</u>	<u>\$ 583,313,223</u>	<u>13.9%</u>
Total All Asset Classifications	<u>\$3,798,084,718</u>	<u>\$16,537,924,618</u>	<u>\$(16,153,904,278)</u>	<u>\$ 4,182,105,058</u>	<u>100.0%</u>



**Actual and Target Asset Allocation
as of June 30, 1992**

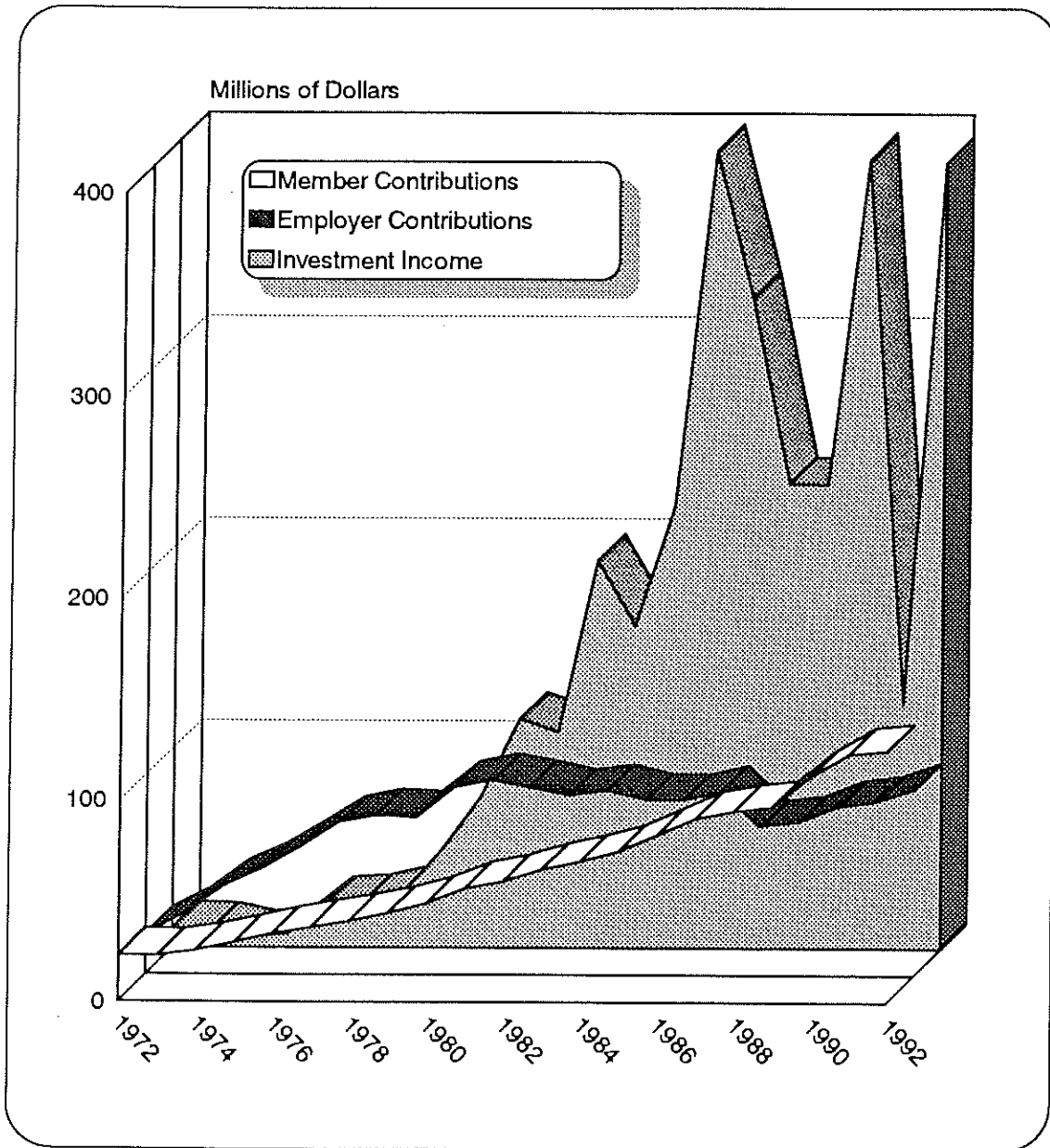
This chart reflects the target asset allocation and actual allocation of market values by asset class at June 30, 1992. The schedule on the facing page shows changes in carrying values by classification.



Market Value Distribution By Asset Class
as of June 30, 1992

This chart reflects the relative market values by the investment manager's asset class. Cash and Equivalents includes \$528 million invested by the cash manager in Domestic Fixed Income investments. Domestic Fixed excludes that amount and includes \$130 million invested by a domestic fixed manager in an International Fixed Income investment.

ACTUARIAL SECTION



Contribution and Investment Income History

This graph depicts members' and employers' annual contributions and annual net investment income during the most recent twenty years.

THE SEGAL COMPANY

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

December 10, 1992

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

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

Re: 1992 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, 1992 for all retirement systems and coverage groups. A total of over 168,000 individuals were included in the 1992 actuarial valuations.

The 1992 actuarial valuations are based on four basic elements: (1) the present provisions of the retirement acts, as amended by 1992 legislation; (2) the characteristics of active, inactive, and retired members as of January 1, 1992; (3) the book value of assets attributable to each coverage group as of June 30, 1992; 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 1992 actuarial valuations provide the basis for Board certification of employer contribution rates for fiscal years beginning in 1994. The percentage-of-payroll employer contribution rates recommended for certification by the Board for fiscal years beginning in 1994 are as follows:

KPERS Membership Groups

State/School Employees	3.1%
Local Employees	2.2
Certain Correctional Employees	4.0/4.7
TIAA Employees	1.7

KP&F. The uniform participating service rate for all employers participating in KP&F is 6.8% for fiscal years beginning in 1994. 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 actuarially-determined total employer contribution rate for each KP&F participating employer for fiscal years beginning in 1994.

Judges. The total actuarially-determined employer contribution rate is 8.0% of payroll for the fiscal year beginning in 1994.

December 10, 1992

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, KP&F and the Judges retirement systems have increased as follows:

	<u>Actuarial Funded Ratios</u>	
	<u>1982</u>	<u>1992</u>
KPERS	75.6%	89.0%
KP&F	59.8	88.1
Judges	79.3	89.8

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
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 1994

<u>Employer</u>	<u>Total Employer Contribution Rate (Percent)</u>	<u>Employer</u>	<u>Total Employer Contribution Rate (Percent)</u>
Douglas County Law Enforcement	14.5%	Hutchinson	19.0%
Ford County	6.8	Junction City	8.9
Gray County Sheriff's Dept.	6.8	Kansas City	15.0
Harvey County Sheriff's Dept.	10.5	Lawrence	8.1
		Leavenworth	7.8
Johnson County Fire Dept.	6.8		
Johnson County Fire No. 2	6.8	Leawood	8.8
Johnson County Park Comm.	6.8	Lenexa	7.1
Johnson County Sheriff's Dept.	7.6	Manhattan	13.9
		Merriam	7.8
Reno County Fire No. 2	6.8	McPherson	7.4
Reno County Sheriff's Dept.	6.8		
Riley County Law Enforcement	6.8	Mission	6.8
		Newton EMTs	8.5
Sedgwick County Fire No. 1	7.5	Newton	9.0
Sedgwick County Sheriff's Dept.	7.5	Olathe	7.0
Sedgwick County EMTs	7.8	Parsons	15.8
Shawnee County Sheriff's Dept.	12.4		
Sumner County Sheriff's Dept.	11.5	Pittsburg	13.2
Wyandotte County Sheriff's Dept.	6.8	Salina	13.3
Arkansas City	10.7	Shawnee	7.5
Atchison	9.4	Topeka	16.2
Bonner Springs	6.8		
Chanute	8.3	Wellington	14.1
Cimarron	6.8	Westwood	6.8
		Winfield	14.8
Coffeyville	17.7		
Concordia	14.9	Board of Regents	
Derby	8.7	Campus Police	6.8
Dodge City	22.6	Kansas Bureau of	
Emporia	11.0	Investigation	8.4
		Kansas Highway	
Erie	6.8	Patrol	9.7
Eudora	6.8		
Fairway	7.7		
Fort Scott	17.9		
Herington	8.4		

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

Employee Membership

KPERS - membership is mandatory for all 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 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 had not reached retirement age, the spouse may elect a monthly benefit to begin on the date the member would have been eligible to retire. The spouse must be the member's sole 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 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 the retiree, the reduced option benefit is increased to the amount the retiree would have received if no option had been elected (applies only to those retiring on and after July 1, 1982). Benefits payable to a joint annuitant cease at joint annuitant's death. If a member does not select an option, the designated beneficiary receives the excess, if any, of the member's accumulated contributions over total benefits paid to date of death.

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, there 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 \$100 a month.

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 \$100 a month. Disability benefits for eligible correctional employees apply to disabilities occurring before July 1, 1992, 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 & 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 (minimum benefit is 25% of 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 dependent children. **Death after Retirement** - If an inactive member is eligible to retire at death, and spouse is beneficiary, 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 the amount retiree would have received if no option had been elected (this pertains to retirement dates from July 1, 1982). Benefits payable to a joint annuitant cease at joint annuitant's death. If no option is selected, the designated beneficiary receives the excess, if any, of member's accumulated contributions over total benefits paid to date of death. (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, 1989 and who did not elect coverage under Tier II. ** Tier II - Members employed July 1, 1989 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 - Leave contributions in Retirement System; no minimum service requirement. (Eligible judges who have service credited under KPERS have vested benefits under both KPERS and the Judges' System when the combined total credited service equals 10 years.) Judges who are defeated in an election may continue participation at their own cost until they have 10 years service credit. Benefit - Normal benefit accrued at termination is payable at age 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.

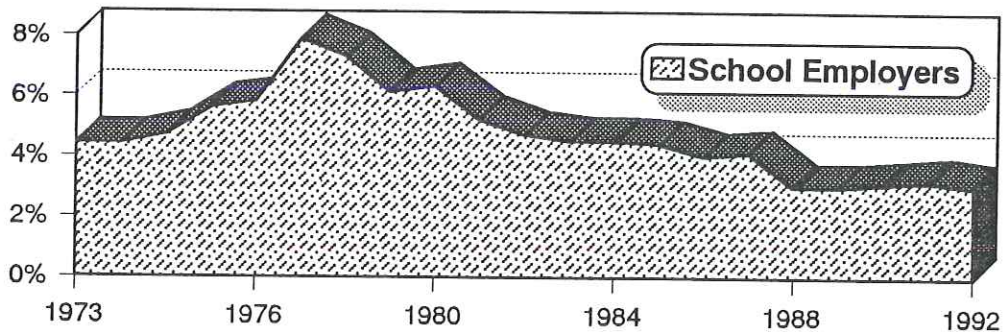
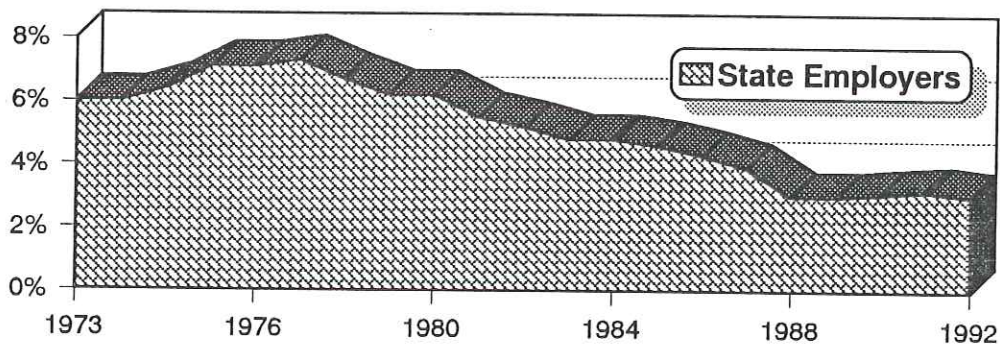
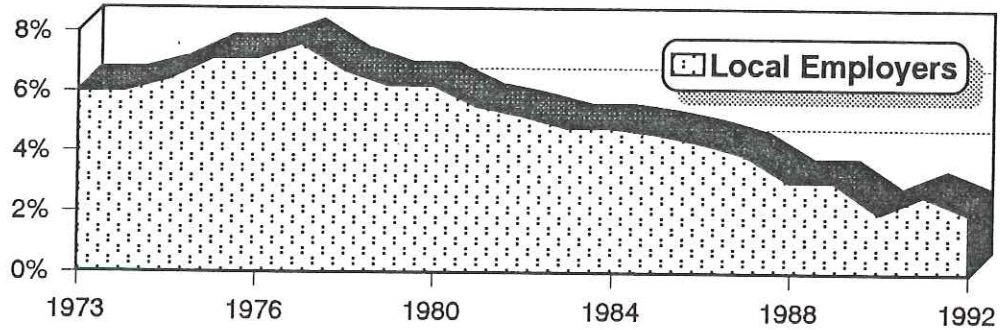
Member Contributions

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.

STATISTICAL SECTION



Historical Employer Contribution Rates

Originally, Kansas Public Employees Retirement System employer contributions exceeded the 4.0% level statutorily set for members. In 1977 employer contributions began decreasing. Since 1987, KPERS employers have contributed less than the 4.0% required of members.

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

Revenues by Source

Fiscal Year	Contributions				Net Investment Income	Total
	Member	Employer	Employer Insurance	Misc.		
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
1992	125,377,263	92,968,008	18,456,388	509,062	389,074,013	626,384,734

Expenses by Type

Fiscal Year	Benefits	Withdrawals	Insurance	Administration	Total
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
1992	205,565,716	23,310,075	26,745,197	3,274,890	258,895,878

Membership Profile

Fiscal Year	Active	Inactive	Retirees & Beneficiaries	Total Membership
1983	89,174	14,704	30,906	134,784
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
1992	116,292	12,493	39,552	168,337

Kansas Public Employees Retirement System Staff

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