2000

Comprehensive Annual Financial Report Fiscal Year Ended June 30

Kansas Public Employees Retirement System

a component unit of the state of Kansas

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Pillars of the Heartland–A Tribute . . .

From the Civil War, to the discovery of the planet Pluto, the people of Kansas have been involved in a multitude of historical events.

KPERS, in its seventh year of presenting thematic annual reports, pays tribute to several Kansas citizens whose lives have helped shape our past, present and future.

There are a number of individual Kansans who have played a major role in influencing our nation and world. Their impact is widespread, beginning with the men and women who settled and tamed the new frontier, and continuing to the 21^{st} century, as contemporary Kansans excel in the area of leadership, entertainment, science and industry. Unfortunately, because of limited space, all of those deserving recognition could not be included in this year's report.

Due to their success and notoriety, three key people were selected. Their stories are presented in detail, and provide insight into their lives and accomplishments. These "pillars of the heartland" broke ground in each of their fields. William Allen White of Emporia gained national attention and won the Pulitzer Prize. Amelia Earhart, born in Atchison, paved the way for women after breaking international flying records. Dwight Eisenhower, Abilene native and former president, returned from World War II a hero.

Based on historical significance, a number of others were also included and placed into one of the following categories: The Wild West, The Arts, or Science and Medicine.   Whether influencing the state, nation or the world, they all left their mark with a unique flair.

Remembered for courage, works of art, or knowledge and insight, each of these individuals contributed to making our nation what it is today and we honor them for their inspiration.

General Eisenhower at Topeka,
June 21, 1945

Dwight D. Eisenhower

Although many have left their mark in Kansas history throughout the years, few are more celebrated than Dwight D. Eisenhower, 34th president of the United States.

David Dwight Eisenhower was born October 14, 1890. He made his home in Abilene, Kansas after moving there with his family when he was just one year of age. Eisenhower's father, David, worked as an engineer at a creamery, yet struggled to provide for his eight-member family. A garden, tended by his sons, provided most of the household food.

Having been referred to as "Dwight" since early childhood, Eisenhower permanently changed his name to Dwight David during his high school years. Though not an excellent student he excelled in sports, serving as an outfielder in baseball, a tackle and captain on the football team, and becoming the founder and president of the high school athletic association.

Upon graduation from Abilene High School in 1909, Dwight and older brother Edward agreed to help each other attend college. The plan was that while one of the brothers attended school, the other would work to pay tuition fees. They would then rotate, so that each would have his turn. However, in 1910, Eisenhower discovered that both the U.S. Naval and Military Academies offered free education. While not aspiring to become a soldier, he chose to take the entrance exam anyway and was accepted at West Point, graduating June 12, 1915.

Following West Point, Eisenhower moved to Fort Sam Houston where he met Mamie Geneva Doud. Though Mamie's parents discouraged her from dating a soldier, the couple eventually married on July 1, 1916 in Denver, Colorado. They had two sons, Doud Dwight, born September 24, 1917 who sadly died of scarlet fever as a child, and John Sheldon Doud, born August 3, 1923.

Eisenhower continued to serve in the infantry until assigned to a new weapons division, the "Tank Corps," where he served for four years. This responsibility deprived him of the opportunity to fight in World War I and although he received the Distinguished Service Medal, Eisenhower felt disappointed at remaining out of combat.

Other assignments included aiding Generals John J. Pershing and Douglas MacArthur as well as traveling to France to establish a guidebook of World War I European battlefields. Eisenhower graduated first in his class from both the Command and General Staff School in Fort Leavenworth and the Army War College. Due to possible involvement of the United States in World War II, the government began a military draft in 1940 creating more leadership demands, and Eisenhower rose in the ranks, first as a Brigadier General, then assuming command of the War Plans Division.

In 1942 Eisenhower was promoted to Major General, heading the Operations Division. Shortly after, he became Lieutenant General, gaining command of the U.S. Army's European Theater of Operations Division. He successfully directed the Allied Forces for his first invasion, "Operation Torch," in North Africa in November of the same year. Subsequently he commanded "Operation Overlord," the invasion of Normandy. On June 6, 1944, the day of attack, the weather was cloudy and unpredictable. Against advice from both the Navy and Air Force, Eisenhower continued with his plan and the invasion was successful. This day became commonly known as "D-Day".

With his last major victory at the Battle of the Bulge, the war ended and Eisenhower became a worldwide hero. He earned a second Oak Leaf Cluster to his Distinguished Medal from the United States and many other nations bestowed him with gifts or honors.

After the war Eisenhower stayed in West Germany as Commander of the American

President and Mrs. Eisenhower with Winston Churchill, June 25, 1954

Against advice from both the Navy and Air Force, Eisenhower continued with his plan and the invasion was successful. This day became commonly known as "D-Day".

General Eisenhower waving to a large crowd at Topeka, June 21, 1945

Occupation Forces until 1945 when, for three years he assumed the duty of Chief of Staff for the Army. Upon retirement, the five-star General accepted a position as President of Columbia University, and later he served as Commander of the newly created NATO forces.

As the 1952 presidential election approached, Republican Party leaders persuaded Eisenhower to run for the presidency despite the fact that he had previously declined the invitation. The Republican challenger, Robert Taft, would either lose to Harry Truman or remove the United States from NATO. Eisenhower, considering the alternatives, changed his mind.

Efforts to nickname Eisenhower brought about a multitude of suggestions which included "Big Ike," "Little Ike" and "Ugly Ike". The simplicity of the final choice served him well and assisted him in winning over an entire nation, as millions of Americans proclaimed that they "liked Ike".

After succeeding in the election, he stayed on the middle course for domestic and foreign dilemmas. He stopped the Korean War and encouraged nuclear exploration, but his main goal remained keeping the United States out of another war.

Eisenhower expanded public works projects, such as Saint Lawrence Seaway 54, and the Interstate Highway System. He increased social security, adding federal disability insurance and coverage for farmers. In addition, the life-long athlete launched the President's Council on Physical Fitness and Sports.

In spite of suffering a heart attack in 1955, Eisenhower was re-elected for a second term in 1956. Finally, after serving his country for more than forty-five years, he retired. He is credited with writing three books, "Mandate for Change," "Waging Peace" and "At Ease: Stories I Tell to Friends." He remained in politics, endorsing candidates and advising presidents until, following several more heart attacks, Eisenhower died at Walter Reed Army Hospital March 28, 1969. He is buried in his hometown of Abilene.

Welcome for General Eisenhower at Abilene, June 22, 1945

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kansas Public Employees Retirement System

For its Comprehensive Annual Financial Report
for the Fiscal Year Ended
June 30, 1999

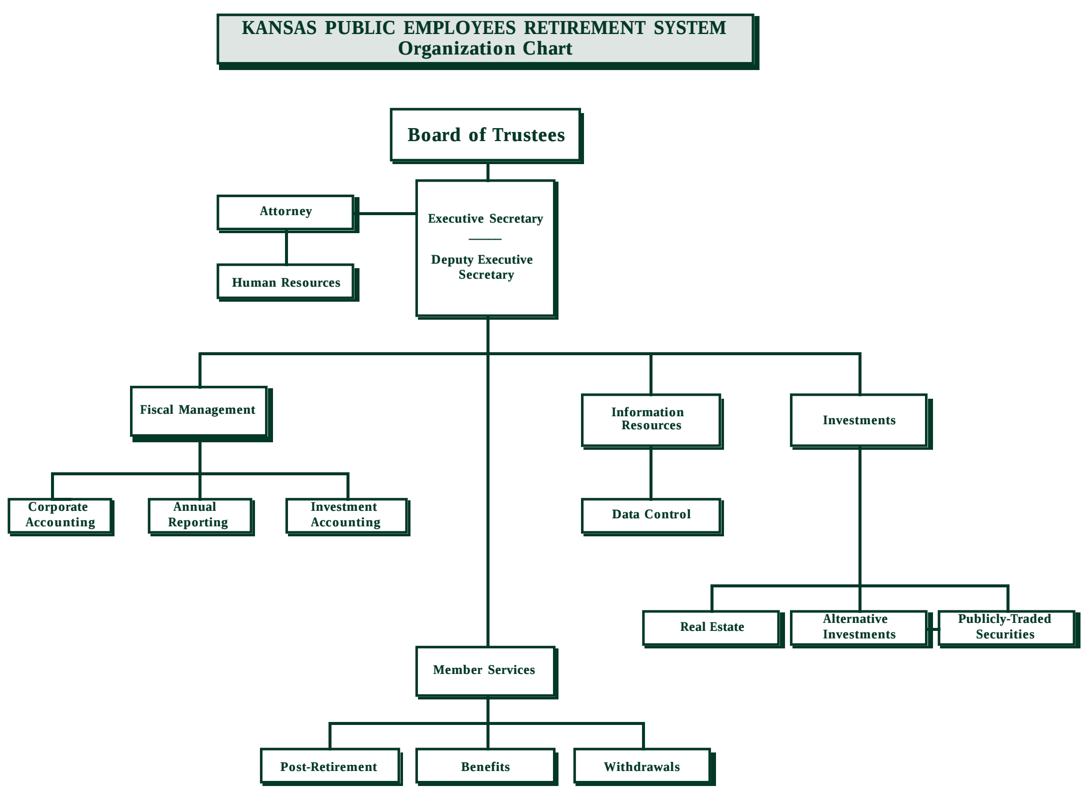
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

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

Jarold Boettcher, Beloit — Chair	(appointed by the Governor)
Patrick Smith, Overland Park - Vice Chair	(appointed by the President of the Senate)
Bruce Burditt, Auburn	(elected by non-school Retirement System members)
Vern Chesbro, Ottawa	(appointed by the Governor)
Frank Gaines, Hamilton	(appointed by the Governor)
Liz Miller, Lawrence	(appointed by the Governor)
Lon Pishny, Garden City	(appointed by the Speaker of the House)
Tim Shallenburger, Topeka	(State Treasurer - Board member by statute)
Marjorie Lee Webb, Shawnee Mission	(elected by school Retirement System members)



A list of the Retirement System's consultants and investment advisors is found on page 90.

KPERS

Mission Statement of the Kansas Public Employees Retirement System

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

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

Kansas Public Employees Retirement System

November 1, 2000

Board of Trustees and Members
Kansas Public Employees Retirement System

Dear Board of Trustees and Members:

I am pleased to present the 2000 Annual Report of the Kansas Public Employees Retirement System. The annual report covers the operations of the Retirement System for the fiscal year ended June 30, 2000. The System's fiscal year 2000 operating results and financial position are presented in conformity with generally accepted accounting principles. This report was prepared through the combined efforts of the Retirement System's staff members.

The 2000 Annual Report consists of several sections. The first section is the introductory section, which includes this letter; the second is the financial section, and includes the Statement of Plan Net Assets as of June 30, 2000. An annual audit of the Retirement System was conducted by the independent certified public accounting firm Berberich Trahan & Co., P.A. The firm's report on the Retirement System's financial statements is included in the financial section, which is the second section.

The third section of the annual report is the investment section, detailing the performance of the Retirement System's investment portfolio during fiscal year 2000. The fourth and fifth sections of the annual report are the actuarial section, which describes the funding basis, actuarial assumptions, contributions, and funded ratios of the Retirement System; and the statistical section, which provides tables and several graphics concerning membership, benefits, and other statistical data.

The Retirement System management is responsible for the maintenance of a system of adequate internal accounting controls designed to provide the safekeeping of assets and reasonable assurance regarding the reliability of financial records. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner to present fairly the financial position and results of operations of the Retirement System. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the management of the System.

Each year, the Retirement System features a unique theme in its Annual Report. This year's Annual Report theme focuses on individuals with ties to Kansas who have made significant contributions in our nation's history.

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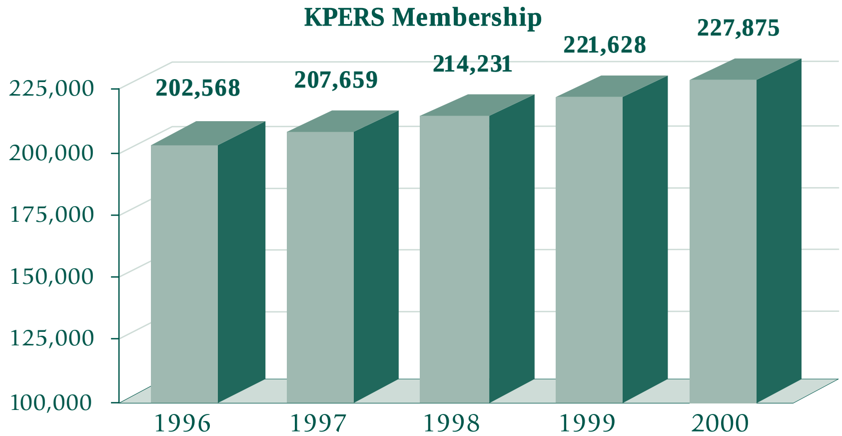
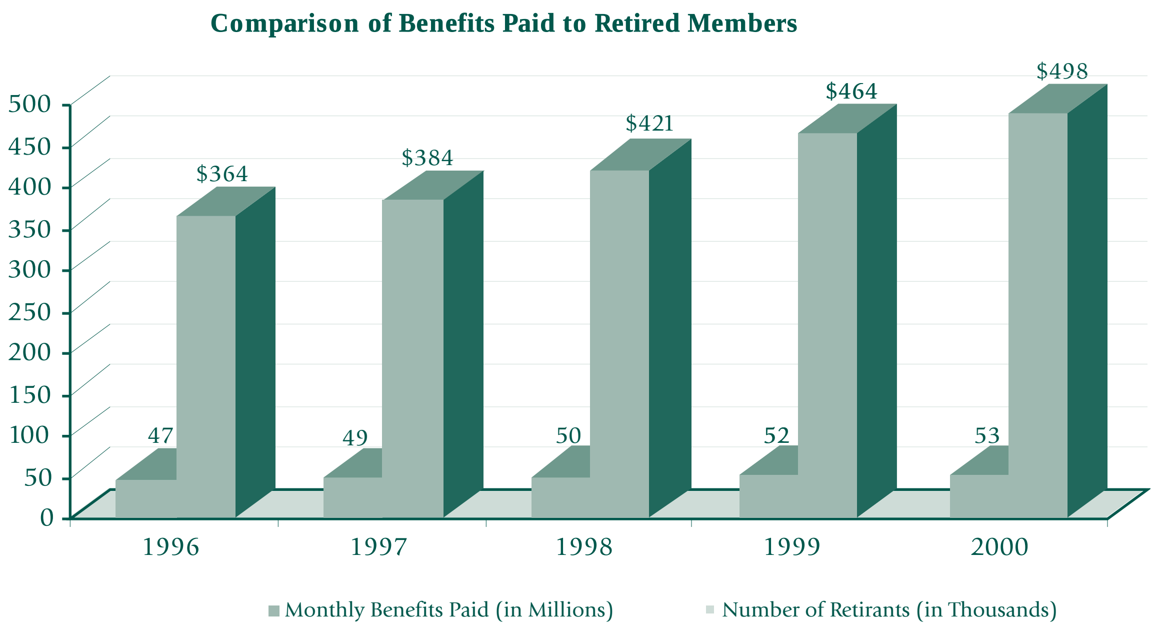
The Kansas Public Employees Retirement System, serving the needs of virtually all Kansas public servants, is an umbrella organization for three pension groups: the Kansas Public Employees Retirement System (KPERS), the Kansas Police & Firemen's Retirement System (KP&F), and the Kansas Retirement System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

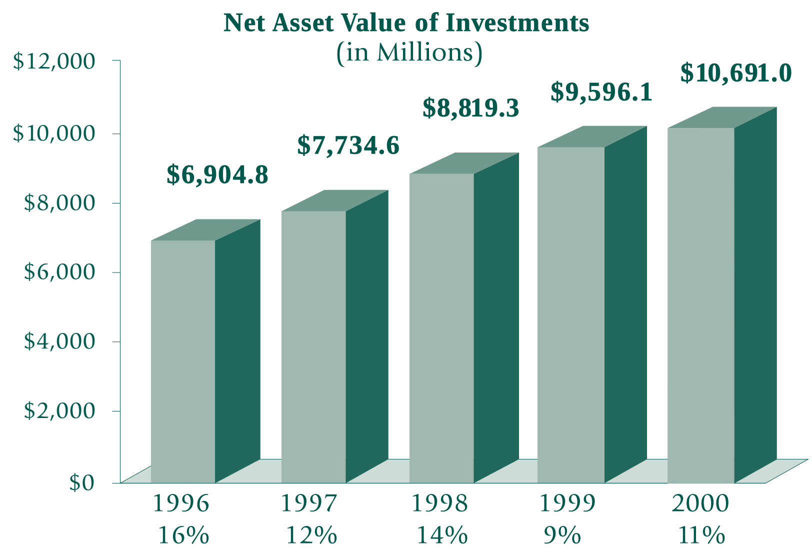
Over the last five years, the Retirement System has undergone significant growth, with notable increases in membership, amount and level of benefits paid (with a resulting impact on the Kansas economy), and member assets. The Retirement System's total membership has swelled in the last five years - to 227,875 as of June 30, 2000, from 202,568 as of June 30, 1996 - which is a 12.5 percent increase. Retired members grew in number from 46,746 to 53,141 over the same period, a 13.7 percent increase.



At June 30, 2000, the membership of the Retirement System included 149,681 active members, 25,053 former public servants, and 53,141 retired public servants and beneficiaries. Nine new public employers joined the Retirement System, and by the end of fiscal year 2000 the number of public employers in the Retirement System totaled 1,416.



The total benefits paid to retired members rose to $498 million in fiscal year 2000 from $364 million in fiscal year 1996. The average annual retirement benefit increased by $1,730 over the same five-year period, or approximately twenty percent. At June 30, 2000, the average annual benefit was $9,369. The purchasing power of retired KPERS members has a tremendous economic impact on the State of Kansas. Eighty-five percent of KPERS retired members continue to live in Kansas today. These members were paid more than $423 million in retirement benefits last year.



The net asset value of investments grew at an average annual rate of 12.6 percent in the past five years, increasing from almost $7 billion to well over $10 billion. This substantial asset foundation, invested in a prudent, productive fashion, when coupled with the statutory funding mechanism of employer and employee contributions established by Kansas law, ensures the future financial integrity of your Retirement System and your retirement benefits.

During this fiscal year, the Retirement System has concentrated on delivering services to members and their beneficiaries in a timely, accurate, and cost-effective manner. We have continued to enhance communication and technology to connect with all our members and beneficiaries in a variety of ways.

The Retirement System's goal is to attain fully automated and integrated business systems. In fiscal year 2000, we began implementing an imaging and workflow system that incorporates digital document imaging and managed workflow technologies. This system will integrate existing software applications with electronic records for all members and participating employers. We have also continued to enhance and maintain our web-based applications.

The financial operations of the Retirement System remain strong. The table below presents a synopsis of the System's financial operations for fiscal year 2000. The complete Statement of Changes in Plan Net Assets is on page 22. The Retirement System had net assets of $9.626 billion at June 30, 1999. During the year, active members contributed more than $192 million to the Retirement System, while employers contributed $185 million. Investments generated over $1.34 billion in gross income during the fiscal year, including realized gains and losses on publicly traded securities. After subtracting management fees and expenses associated with the investments, fiscal year 2000 net investment income totaled $1.315 billion. Net investment income plus member and employer contributions resulted in total operating revenues of more than $1.69 billion.

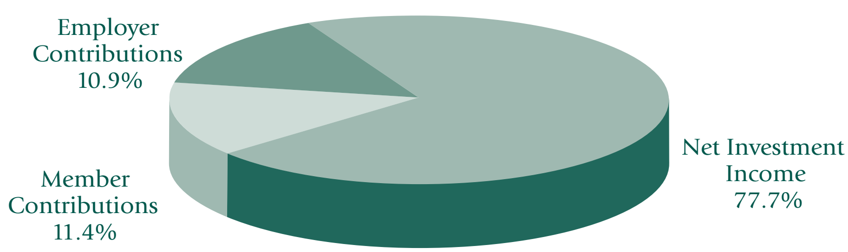
Fiscal Year 2000 Operating Results

Net Assets at July 1, 1999			$ **9,625,666,125**
Additions:			
Contributions			
Member	$ 192,777,255		
Employer	185,264,106		
Total Contributions		$ 378,041,361	
Investment Income			
Gross Investment Income$	1,340,287,814		
Less Manager, Custodian Fees, Expenses	(25,517,316)		
Net Investment Income		1,314,770,498	
Other Miscellaneous Income		245,354	
Total Additions		1,693,057,213	
Deductions:			
Monthly Retirement Benefits Paid	497,869,985		
Refunds of Contributions	43,631,850		
Death Benefits	8,071,779		
Insurance Premiums and Benefits	42,199,878		
Administrative Expenses	5,689,571		
Total Deductions		597,463,063	
Net Increase			1,095,594,150
Net Assets at June 30, 2000			$ **10,721,260,275**

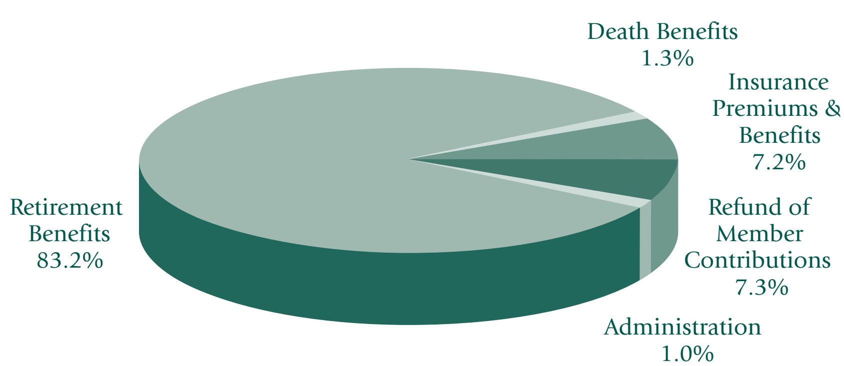
The expenses of the Retirement System totaled nearly $597 million in fiscal year 2000. Included were $498 million in monthly benefits to retired members, $43.6 million paid to members who withdrew their contributions, $8 million in death benefits, and $42 million in insurance premiums and benefits. The cost of maintaining the Retirement System's administrative operations totaled $5.7 million.

Total revenues exceeded expenses by more than $1.095 billion during the year, thereby increasing the System's net reserves to over $10.7 billion at June 30, 2000. These reserves represent the funds available to pay for current and future members' benefits. The graphics below depict the operating revenues and expenses of the Retirement System.

Operating Revenues



Operating Expenses



The Retirement System's investment performance for fiscal year 2000 is shown in the table below. The time-weighted rate of return, which includes income and changes in investment value, was 13.8 percent for the fiscal year ended June 30, 2000. The Retirement System maintains a diverse investment portfolio, as described in the Chief Investment Officer's Review, beginning on page 42.

Investment Performance
Past Five Years

Fiscal Year	Time-Weighted Rate of Return	Consumer Price Index
2000	**13.8 %**	**3.7 %**
1999	11.2	2.0
1998	16.5	1.7
1997	14.4	2.3
1996	18.8	2.7

Time weighted rate of return includes income and changes in market value. Values used for non-publicly traded securities reflect estimated fair value. Values used for real estate investments reflect appraised values.

The Retirement System remains financially secure. One indication of a pension fund's strength is the funding status of its actuarial liability. At June 30, 2000, assets available for retirement benefits were 88.6 percent of the total actuarial accrued liability, as computed by the System's actuary, Milliman & Robertson, Inc. Current Kansas law provides that this unfunded actuarial liability will be amortized over a forty-year period from July 1, 1993. Progress in reducing the unfunded actuarial liability will be accomplished over time by the System's investment performance and the receipt of adequate levels of contributions. This is in line with the legislation passed into law in 1995 that increased the cap on annual increases in employer contribution rates.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kansas Public Employees Retirement System, for the comprehensive annual financial report for the fiscal year ended June 30, 1999. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. The comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Kansas Public Employees Retirement System has received the Certificate of Achievement for each of the last six consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting this annual report to the GFOA for its consideration.

The Kansas Public Employees Retirement System has as its highest priority delivering essential services to Kansas public servants and public employers. The Retirement System is committed to the concepts of fiduciary responsibility, prompt and courteous member service, and the complete, accurate, and timely reporting of performance results. Your questions, comments, and concerns are essential and always welcome. We appreciate the opportunity to serve you.

Sincerely,

Joan Hancock
Interim Executive Secretary

Born in 1848, Wyatt Berry Stapp Earp, became notorious for his participation in the showdown at the O.K. Corral. The event changed the West forever and remains a part of American folklore.

Having an adventurous spirit from a young age, Earp worked a variety of jobs to support himself. He married Urilla Sutherland, but she died a short time later after contracting typhoid. Earp became a gambler and buffalo hunter, met lifelong friend, Bat Masterson, and moved on to Ellsworth and Wichita to work in law enforcement.

In 1876 Earp arrived in Dodge City. He earned a reputation there as an effective law enforcement officer, but contrary to popular belief, never served as Marshal of Dodge City. In 1879 Earp and brothers Morgan and Virgil traveled to Tombstone, Arizona where Earp became employed as Pima County Deputy Sheriff.

The October 26, 1881 gunfight between the Earps and the Clantons made history. The battle, fueled by a dispute between the two families, had simmered for several months but hostility reached its peak when Doc Holliday, famed gambler and gunman, provoked an inebriated Ike Clanton to draw his weapon. Though the incident was quickly under control, Clanton confronted Earp and began insistently harassing and threatening the brothers. The situation escalated when Virgil learned that the Clantons and their cohorts were conspiring against them. The Earps, along with Doc Holliday, met their opponents on the street and shots rang out. Although Virgil, Morgan and Holliday were injured, Earp remained unharmed. Of their adversaries, three were killed and two ran away - Ike Clanton was one of them. Earp died many years later, in 1929.

Renowned for his legendary sharp shooting ability, **James Butler Hickok** was both admired and despised for the life he lived. Born in 1837, Hickok enjoyed shooting and solitude. He frequently hunted in his spare time, resulting in his knowledge of weapons and most valuable asset - a deadly aim.

His accomplishments included killing a bear with a hunting knife, prevailing in a gun battle concerning property rights and serving as a Union scout and spy during the Civil War, at which time he most likely earned his nickname "Wild Bill". Yet the incident earning him hero status occurred when Hickok shot and killed gunman Dave Tutt. The story was exaggerated and retold in Harper's News monthly magazine and various newspapers.

Hickok served as Ft. Riley's Deputy U.S. Marshal, was appointed Sheriff of Ellis County, and later accepted an appointment with the Abilene Marshal's Office. During this term a local troublemaker shot at Hickok as he sat in a saloon. Hickok shot back and killed the adversary, along with another man approaching with a gun. Hickok later learned the man was his longtime friend Mike Williams, who had been rushing to Hickok's aid. He joined "Buffalo Bill" Cody's traveling show as a sharpshooter for a short time, and in 1876 married Agnes Lake. Hickok then left to look for gold, settling in Deadwood, Dakota Territory where he began prospecting and gambling.

Some of the town's miners hated Hickok due to his law enforcement reputation, and plans to kill him surfaced. Eventually, Jack McCall succeeded. During a hand of poker on August 2, 1876, Hickok was shot through the back of the head. He had been holding a hand, that included a pair of aces and eights. The hand became known as the "dead man's hand."

Famed lawman and gunfighter **William Barclay "Bat" Masterson** was said to have a notch in his gun handle for each man he killed. Legend has it this resulted in over twenty marks.

While in his early twenties Masterson was dancing with a young girl in a Texas saloon. Melvin King, also interested in the girl, found the two, and shot them both. The girl died, but Masterson was only hit in the hip, leaving him with a limp for the rest of his life.

Born in Canada in the 1850's, Masterson made his life in the United States. Leaving home as a teenager to pursue adventure, Masterson worked a variety of jobs, but while visiting his brother in Dodge City, Wyatt Earp, a longtime friend, offered Masterson a position as Deputy Marshal. By age twenty-two, Masterson was appointed Ford County Sheriff. From 1880-81, he assisted Earp in bringing law to Tombstone, Arizona and for the following twenty years he traveled to various cities in western America as a gambler and lawman.

President Theodore Roosevelt appointed Masterson the U.S. Marshal of the Southern District of New York, later offering him the position of Marshal in the Oklahoma Territory. By this time, Masterson's reputation as a gunfighter had escalated and he declined the offer. He took a job as a sports writer with the Morning Telegraph, remaining there until his death in 1921.

Her abhorrence for alcohol brought destruction to the drinking establishments in her path. Armed with her signature weapon, a simple hatchet, **Carry Nation** wreaked havoc with a fervor that earned her fame as she spread her message across the country.

She was born Carey Amelia Moore on November 25, 1846. A bit eccentric, she disapproved of tobacco, fashionable clothing and nearly everything considered enjoyable; but her brief, first marriage to an incurable alcoholic escalated her hatred of alcohol. She later married David Nation and moved to Richmond, Texas to run a hotel. With little success, the couple traded for property in Medicine Lodge, Kansas where David found a job as minister of a Christian church. Nation occupied herself with civil and charitable deeds and due to her kindness, became known as "Mother Nation."

In Medicine Lodge Nation began her war on saloons; at first simply praying and singing in front of each establishment. Later her method changed when one fateful night Nation, jabbed a pin at an open bible with her eyes shut. The impaled

words she read were a call to action. Retiring to bed that evening, voices and visions urged her to smash "those places." Her ventures became notorious and within ten years, Nation was arrested at least thirty times for the mayhem she inflicted.

Nation delivered numerous speeches, made public appearances and published three different newsletters, eventually retiring to Eureka Springs, Arkansas. She died June 3, 1911 in her home state, at Evergreen Hospital, Leavenworth.

William Frederick Cody, known to most as "Buffalo Bill," was born in 1864 and moved with his family to Leavenworth, Kansas when he was six years old. At age eleven, Cody's father died, so the young boy headed west carrying messages between trains and wagons, later working for the Pony Express to make ends meet. He eventually joined the Union Army as a dispatch rider and scout after the Civil War. An ardent hunter, Cody earned his nickname for killing more buffalo than contender "Buffalo Bill" Comstock.

Cody's notoriety increased after his encounter with a dime novelist who published the tales of Buffalo Bill. The stories inspired a play in which Cody starred as himself, increasing his popularity and earning him a tidy profit.

The following year Cody began a new production, touring until the show evolved into an outdoor spectacle. He then formed "Buffalo Bill's Wild West," using authentic cowboys to showcase such talents as roping, bronco riding and sharp shooting. Famed participants were featured, including Sitting Bull, Annie Oakley and "Wild Bill" Hickok.

Cody toured the United States and Europe, becoming a millionaire, yet newfound fortune did not bring happiness. Cody's drinking and womanizing practices began to wreak financial havoc. He joined with a friend to present another show, but outstanding debts resulted in auctioning the production in 1913.

In later years, Cody traveled with the Sells-Floto Circus and owned the Cody Historical Pictures Company. He was a highly successful

entrepreneur, plagued by bad financial decisions and the debts that resulted. He epitomized the nation's view of the Wild West, and capitalized on his fame with a vision like no other during that time in history.

Berberich Trahan & Co., P. A.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Kansas Public Employees Retirement System:

We have audited the accompanying statement of plan net assets of the Kansas Public Employees Retirement System as of June 30, 2000, and the related statement of changes in plan net assets 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 plan net assets of the Kansas Public Employees Retirement System as of June 30, 2000, and the changes in plan net assets for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of employer contributions, funding progress, and actuarial valuation included on pages 33 and 34, are supplemental disclosures under Governmental Accounting Standards Board Statement No. 25, and are not a required part of the financial statements. The supplementary information included on pages 35 through 38 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information for the years ended June 30, 1992 through 2000, has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplementary information for the year ending June 30, 1991 was subjected to auditing procedures by other auditors whose reports stated that such information was fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2000 on our consideration of the System's internal control structure over financial reporting and our tests on its compliance with certain provisions of laws and regulations.

Berberich Trahan & Co., P.A.

October 6, 2000

Statement of Plan Net Assets as of June 30, 2000
With Comparative Figures for 1999

	2000 Totals	1999 Totals
Assets		
Cash and Deposits		
Cash	$ 199,178	$ 54,166
Deposits with Insurance Carrier	5,343,448	2,069,016
Total Cash and Deposits	5,542,626	2,123,182
Receivables		
Contributions	23,474,103	25,330,580
Investment Income	62,771,216	56,074,813
Sale of Investment Securities	1,883,832,369	1,580,844,479
Total Receivables	1,970,077,688	1,662,249,872
Investments at Fair Value		
Domestic Large Cap Equities	2,867,547,825	3,115,131,941
Domestic Small Cap Equities	1,773,426,272	1,149,687,476
International Equities	1,586,982,129	1,471,961,073
Cash and Equivalents	247,684,985	212,958,637
Fixed Income	3,901,390,205	3,058,253,387
Alternative Investments	381,830,096	173,405,018
Real Estate	575,247,159	525,952,258
Total Investments	11,334,108,671	9,707,349,790
Invested Securities Lending Collateral	826,901,317	507,876,140
Fixed Assets and Supplies Inventory	3,363,499	3,806,223
Total Assets	14,139,993,801	11,883,405,207
Liabilities		
Administrative Costs	571,564	547,678
Benefits Payable	1,510,720	1,120,276
Securities Purchased	2,589,749,925	1,748,194,988
Securities Lending Collateral	826,901,317	507,876,140
Total Liabilities	3,418,733,526	2,257,739,082
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page 34.)	$10,721,260,275	$9,625,666,125

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Changes in Plan Net Assets
for the Fiscal Year Ended June 30, 2000
with Comparative Figures for 1999

	2000 Totals	1999 Totals
Additions		
Contributions		
Member Contributions	$ 192,777,255	$ 185,180,551
Employer Contributions	185,264,106	201,652,685
Total Contributions	378,041,361	386,833,236
Investments		
Net Appreciation in Fair Value of Investments	997,376,144	701,131,827
Interest	211,532,985	162,670,637
Dividends	55,532,495	69,869,740
Real Estate Income, Net of Operating Expenses	40,748,804	39,885,611
Other Investment Income	31,508,502	953,003
	1,336,698,930	974,510,818
Less Investment Expense	(25,517,316)	(23,363,682)
Net Investment Income	1,311,181,614	951,147,136
From Securities Lending Activities		
Securities Lending Income	32,446,888	25,884,533
Securities Lending Expenses		
Borrower Rebates	(27,320,030)	(21,819,685)
Management Fees	(1,537,974)	(1,219,259)
Total Securities Lending Activities Expense	(28,858,004)	(23,038,944)
Net Income from Security Lending Activities	3,588,884	2,845,589
Total Net Investment Income	1,314,770,498	953,992,725
Other Miscellaneous Income	245,354	210,116
Total Additions	1,693,057,213	1,341,036,077
Deductions		
Monthly Retirement Benefits Paid	(497,869,985)	(464,709,423)
Refunds of Contributions	(43,631,850)	(40,860,950)
Death Benefits	(8,071,779)	(7,862,525)
Insurance Premiums and Benefits	(42,199,878)	(41,892,190)
Administrative Expenses	(5,689,571)	(5,442,410)
Total Deductions	(597,463,063)	(560,767,498)
Net Increase	1,095,594,150	780,268,579
Net Assets held in trust for Pension Benefits		
Balance Beginning of Year	9,625,666,125	8,845,397,546
Balance End of Year	$ 10,721,260,275	$ 9,625,666,125

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR 2000

NOTE 1 - Plan Description

A. Plan Membership

The Kansas Public Employees Retirement System (the Retirement System, or the System) is a body corporate and an instrumentality of the State of Kansas. The Retirement System is an umbrella organization administering the following three statewide pension groups under one plan, as provided by K.S.A. 74, article 49: the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Firemen's Retirement System (KP&F), and the Kansas Retirement System for Judges (Judges). All three systems are part of a tax-exempt, defined benefit, contributory plan covering substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer, cost-sharing groups. Participation by the State of Kansas is mandatory, whereas participation by local political subdivisions is optional but irrevocable once elected. Participating employers and retirement system membership are as follows:

Number of Participating Employers

	KPERS	KP&F	Judges
State of Kansas	1	1	1
Counties	105	15	—
Cities	351	41	—
Townships	54	—	—
School Districts	304	—	—
Libraries	113	—	—
Conservation Districts	82	—	—
Extension Councils	78	—	—
Community Colleges	45	—	—
Recreation Commissions	36	—	—
Hospitals	31	—	—
Cemetery Districts	14	—	—
Other	144	—	—
Total	1,358	57	1

Membership by Retirement Systems

	KPERS	KP&F	Judges	Total
Retirees and beneficiaries currently receiving benefits	50,040	2,959	142	53,141
Terminated employees entitled to benefits but not yet receiving them	6,705	61	10	6,776
Inactive members not entitled to benefits	17,778	496	3	18,277
Current employees	142,870	6,560	251	149,681
Total	217,393	10,076	406	227,875

KPERS members' benefits vest with ten years of credited service. KP&F members' benefits vest with 20 years of credited service for Tier I, and with 15 years of credited service for Tier II. Normally, ten years of credited service is required for Retirement System for Judges members to become vested.

B. Plan Benefits

Members (except KP&F members) with ten or more years of credited service, may retire as early as age 55 (KP&F members may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (KP&F members' normal retirement ages are age 60 with 15 years of credited service, 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 members may elect to withdraw the accumulated contributions from their individual accounts, including the interest that has been credited to the account. Members who withdraw their accumulated contributions forfeit all rights and privileges accrued during membership. Members choose one of seven options to receive their monthly retirement benefits. Benefit increases, including ad hoc post-retirement benefit increases, must be approved and passed into law by the Kansas legislature. Benefit increases are under the authority of the legislature and the governor of the State of Kansas.

All active members (except KP&F members) are covered by the group life insurance contract. The life insurance benefit is 150 percent of the annual rate of compensation at the time of an active member's death. Generally, in cases of death as a result of an on-the-job accident, for KPERS members 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 (or beneficiaries). There is a $4,000 death benefit payable to the designated beneficiary(ies) upon the death of a retired member under any of the three systems.

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

C. Contributions

Member contributions (from four percent to seven percent of gross compensation), employer contributions and net investment income fund the reserves of the Retirement System. Member contribution rates are established by state law, and are paid by the employer according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. All of the retirement systems are funded on an actuarial reserve basis (see Note 3). For fiscal years beginning in 1995, State of Kansas legislation placed statutory limitations on annual increases in the contribution rates for KPERS employers of 0.1 percent of payroll over the prior year. During the 1995 legislative session, the statutory limits were increased to 0.2 percent of payroll over the prior year for fiscal years beginning in 1996 for state and school employers. The statutory increase for local units of government was amended to limit increases to no greater than 0.15 percent over the prior year for calendar years beginning in 1997. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The amortization period for the unfunded liability of all three systems is 40 years from July 1, 1993. Employer contributions for group life insurance and long-term disability income benefits are set by statute at 0.6 percent of covered payroll for KPERS and 0.4 percent for Judges.

However, legislation passed in calendar year 2000 and signed into law placed a moratorium on contributions related to the group life insurance and disability benefits effective for the period April 1, 2000 through June 30, 2001.

NOTE 2 - Summary of Significant Accounting Principles

A. Reporting Entity

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

B. Basis of Accounting

The financial statements of the Retirement System are prepared on the accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

C. Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international securities exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals. Investments that are not publicly traded are reported at estimated fair value.

D. Cash and Deposits

Cash deposits are classified in three categories of credit risk to give an indication of the level of risk assumed by KPERS. The three categories of credit risk are:

1. Insured or collateralized with securities held by the State Treasurer or its custodian in the name of the State of Kansas;

2. Collateralized with securities held by the pledging financial institution's trust department or custodian in the name of the State of Kansas; and,
3. Uncollateralized.

As of June 30, 2000, the cash deposits of $199,178 held by the State Treasurer were in credit risk category "1." The Retirement System's deposits with its insurance carrier were $5,343,448 at June 30, 2000, and were in credit risk category "3."

E. Investments

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

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

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

At June 30, 2000, the Retirement System did not have investments (other than those issued by the U.S. government) in any one organization representing five percent (5%) or more of the System's assets.

The Retirement System's permissible investment categories include equities, fixed income securities, cash equivalents, real estate, derivative products, and alternative investments. In fulfilling its responsibilities, the Board of Trustees has contracted with 19 investment management firms, and a master global custodian.

Presently the Retirement System has investments in the financial futures market. Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest fluctuations that may result in a decrease in the market value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Daily, the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of counterparties to futures contracts is minimal. At June 30, 2000, the Retirement System had futures contracts with a market value of approximately $376,000,000. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the Statement of Investment Policy.

The Retirement System's Statement of Investment Policy authorizes participation in a securities lending program administered by the master global custodian, Mellon Trust. The System receives income from the loan of the securities, in addition to the income which accrues to the System as owner of the securities. The securities loans are open contracts and therefore could be terminated at any time by either party. The type of securities lent include U.S. Government securities, domestic and international equities, and domestic and international bonds. The borrower collateralizes the loan with either cash or government securities of 102 percent of market value on domestic securities, and 105 percent of market value on international securities loaned. Cash collateral is invested in the Retirement System's name in a dedicated short term investment fund consisting of investment grade debt securities. The System does not have the ability to pledge or sell collateral securities without a borrower default. At June 30, 2000, the maturities of securities in this dedicated bond portfolio are as follows: 74 percent of the market value of the securities mature within 30 days; 13 percent mature between 31 and 180 days; and 13 percent mature after 180 days. The custodian provides for full indemnification to the Retirement System for any losses that might occur in the event of borrower default. Therefore, the Retirement System does not incur any credit risk as it relates to this activity. The securities on loan are marked to market daily to ensure the adequacy of the collateral. Net income produced from securities lending activities for fiscal year 1999 was $2,845,589 and for fiscal year 2000 was $3,588,884. The market value of securities on loan as of June 30, 1999 and June 30, 2000 were $519,343,683 and $1,029,978,406, respectively.

The Retirement System's international investment managers utilize forward contracts to hedge the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward contracts to enhance returns or to control volatility. The Retirement System also contracts with a currency overlay manager to manage the currency exposure to the System's passive international equity portfolio. Currency risk arises due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counterparties. The Retirement System could incur a loss if its counterparties failed to perform pursuant to terms of their contractual obligations. Controls are established by the investment managers to monitor the creditworthiness of the counterparties.

All forward foreign currency contracts are carried at market value by the Retirement System. As of June 30, 2000, the System had sold forward currency contracts with a market value of $1,586,410,206 and had bought forward currency contracts with a market value of $1,580,573,060. Purchases of forward currency contracts are liabilities reported as Securities Purchased, and sales of forward currency contracts are receivables reported as Sale of Investment Securities.

The Retirement System also participates in option contracts. These contractual agreements give the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by the Retirement System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations.

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 custodial bank in the System's name.
2. Uninsured and unregistered and held by the counterparty's trust department or agent in the System's name.
3. Uninsured and unregistered and held by brokers or dealers not in the System's name.

All Retirement System investments that can be categorized within these guidelines meet the criteria of category 1, with the exception of investments made with securities lending cash collateral, 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 creditor status. "Securities" do not include investments made with another party, real estate or direct investments in mortgages. Investments in mutual funds, limited partnerships, real estate investment trusts, and commingled trust funds also are not considered securities for purposes of credit risk classification. Such investments are shown in the schedule on the following page as "not subject to classification." The schedule distributes by asset class the fair values of investments.

	Asset Classification			
Investments:	**1**	**2**	**3**	**Fair Value**
Subject to Classification				
Domestic Large Cap Equities	$2,828,883,284	—	—	$2,828,883,284
Domestic Small Cap Equities	1,736,214,312	—	—	1,736,214,312
International Equities	1,404,168,382	—	—	1,404,168,382
Fixed Income	3,379,399,800	—	124,068,668	3,503,468,468
Cash Equivalents		—		
Corporate Notes	146,336,212 (1)	—	677,832,649 (2)	824,168,861
Federal Agency	8,015,495 (1)	—	—	8,015,495
Foreign Currency	35,555,875	—	—	35,555,875
Total Subject to Classification	$9,538,573,360	—	$801,901,317	10,340,474,677
Not Subject to Classification				
Alternative Investments				381,824,054
Real Estate				571,604,315
Mutual Funds				
Cash Equivalents				60,511,509
Securities on Loan (3)				806,595,433
Total Not Subject to Classification				1,820,535,311
Total Investments				$12,161,009,988

1) Fixed securities maturing within 90 days of purchase date.
2) Securities Lending cash collateral invested with maturities within 90 days of fiscal year end.
3) Market value of securities loaned, with cash collateral.

F. Fixed Assets and Supplies Inventory

Furniture, fixtures, and equipment are reported on the Statement of Plan Net Assets at historical cost, net of accumulated depreciation. These assets are depreciated on a straight line basis over an average useful life of three to ten years with no salvage value. Accumulated depreciation on furniture, fixtures, and equipment as of June 30, 2000, was $2,369,677. Office supplies inventory in the amount of $13,846 is included, assuming the first-in, first-out method.

In fiscal year 1999, the Retirement System purchased an office building and garage in Topeka, Kansas. Fifty percent of the floor space of the office building is used as the System's administrative headquarters and the remaining fifty percent is a real estate investment. The administrative portion of the building and garage are reported on the Statement of Plan Net Assets as a fixed asset and are subject to depreciation. At June 30, 2000 the carrying value of the System's administrative headquarters was $3,211,270.

G. Compensated Accrued Absences

Expenses for accumulated vacation and sick leave earned by Retirement System personnel are recorded when earned by the employee. In the event of termination of employment with the State of Kansas, an employee is compensated for vacation benefits accrued in varying amounts ranging from one to 30 days. Compensation for accumulated sick leave requires three conditions to occur: (1) accumulation of 800 hours; (2) minimum of eight years of credited 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; the maximum amount is 60 days.

H. Reserves

K.S.A. 74-4922 and K.S.A. 74-4927 defines the title and use of the required reserves of the Retirement System. The law governing the Retirement System requires the actuary to make an annual valuation of the Retirement System's liabilities and reserves, to make a determination of the contributions required to discharge the Retirement System's liabilities, and to recommend to the Board of Trustees employer contribution rates required to maintain the System on an actuarial reserve basis. The various reserves are:

The Members Accumulated Contribution Reserve represents the accumulation of member contributions plus interest credited to individual member accounts of non-retired members. At the date of retirement the individual member's account is transferred to the Retirement Benefit Payment Reserve. Upon termination of employment and application for withdrawal, refunds of employee contributions plus accumulated interest are charged to this reserve. Interest is credited to member accounts on June 30 each year, based on the balance in the account as of the previous December 31. The interest crediting rate, defined by statute as the actuarial interest assumption rate, was eight percent (8%) for those who became members prior to July 1, 1993. For those who first became members after June 30, 1993, interest on employee contributions will be credited at the rate of four percent (4%) per year. The balance at June 30, 2000, was $2,934,469,052, and was fully funded.

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 balance at June 30, 2000, was $4,359,808,023. The unfunded liability was $1,233,122,246.

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 balance at June 30, 2000, was $4,446,085,692, and was fully funded.

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 balance at June 30, 2000, was $35,083, and was fully funded.

The Group Insurance Reserve Fund represents employer contributions, which pay 100 percent of the cost of group life insurance and long-term disability coverage. Insurance premiums and benefits consist of: (1) claims paid under the insurance contract; and (2) deposits made by the Retirement System to pay disability benefits to eligible participants. The balance at June 30, 2000, was $193,741,927, and was fully funded.

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 balance at June 30, 2000, was $11,431,117, and was fully funded.

The Retirant Dividend Payment Reserve represents an amount which approximates the prior year's retirant dividend payment. Retirant dividend payments (the 13th check) are charged to this reserve. The balance at June 30, 2000, was $8,811,627, and was fully funded.

I. Budget

The annual budget of the operations of the Retirement System is developed by the staff and approved by the Board of Trustees. It is sent to the State Budget Division for analysis and policy decisions and is included in the governor's budget message to the Legislature. The Legislature adopts appropriation and expenditure limitations. When that process is complete, the Retirement System has an approved budget.

NOTE 3 - Funding Policy

A. Funding

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

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

An actuarial experience study was conducted for the three years ending December 31, 1997, effective June 30, 1998. As a result of this study, the Board of Trustees adopted new assumptions in regard to retirement rates, mortality, and withdrawal rates.

In fiscal year 1993, the Kansas Legislature passed into law legislation that amended the statutory funding method applicable to the Retirement System. For KPERS, the funding method was changed from the frozen initial liability method to the projected unit credit actuarial cost method. The law further provided that this method be used to determine KPERS employer contribution rates commencing with the 1993 actuarial valuation, except for Board of Regents plan members (TIAA and equivalents). Under the new method, the unfunded actuarial accrued liability is recalculated each year (rather than being essentially fixed in dollar amounts as under the previous method). Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in KPERS' accrued actuarial liabilities, and affect the amount of annual amortization payments required to amortize the unfunded accrued liability over the statutory 40-year period from July 1, 1993. The funding methods used by the Retirement System's actuary for the KP&F and the Judges systems were not changed; they were the aggregate cost method with supplemental liability and the frozen initial liability method, respectively. The actuary has estimated the change in the unfunded actuarial liability between June 30, 1999 and June 30, 2000, can be attributed to the following (in millions):

Unfunded Actuarial Liability, June 30, 1999	$1,397
Effect of contribution cap/time lag	66
Expected increase due to amortization method	22
Investment gain	(441)
Actual experience other than investment return	99
Refinement in valuation procedures	71
Change in benefit provisions (13th check)	19
Unfunded Actuarial Liability, June 30, 2000	$1,233

B. Contributions Required and Contributions Made

KPERS. The actuarially determined contribution rates are computed as a level percentage of salary by the Retirement System's actuary. The results of 1996 and 1997 actuarial valuations provide the basis for Board certification of employer contribution rates for fiscal years beginning in 1998 and 1999, respectively. The actuarially determined employer contribution rates derived from the actuarial valuations for fiscal years beginning in calendar years 1999 and 2000 are as follows:

KPERS Membership Groups	Fiscal Year 1999	Fiscal Year 2000
State/School Employees	5.33%	5.27%
Certain Correctional Employees	5.92/6.41	5.82/6.28
TIAA Employees	1.93	1.82

As explained in Note 1, legislation has limited the amounts that employers are required to contribute for State/School employees and Local employees, which has resulted in lower employer contribution rates as compared to the actuarial determined rates shown above. For fiscal years ended June 30, 1999 and June 30, 2000, the employer contribution rates for State/School employees were 3.99 percent and 4.19 percent, respectively.

The results of 1997 and 1998 actuarial valuations provide the basis for Board certification of local employer contribution rates for fiscal years beginning in 1999 and 2000, respectively. The actuarially determined employer contribution rates derived from the actuarial valuations for fiscal years beginning in years 1999 and 2000 are 3.86 percent and 3.89 percent, respectively. The actual employer rates for local employees were 2.93 percent in 1999 and 3.22 percent in 2000.

KP&F. The uniform participating service rate for all KP&F employers was 7.36 percent for the fiscal year beginning in 1999 and 7.35 percent for the fiscal year beginning in 2000. KP&F employers also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer.

Judges. The total actuarially determined employer contribution rate was 15.67 percent of payroll for the fiscal year ended 1999 and 14.38 percent of payroll for the fiscal year ended 2000.

The law specifies employee contributions as: Each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct from the compensation of each member an amount equal to four percent (4%) for KPERS members, seven percent (7%) for KP&F members, and six percent (6%) for Judges members as the member's employee contributions. All contributions required to be made have been made as follows:

	(Expressed in Thousands)		
	Employer and Insurance Contributions	**Member Contributions (1)**	**Contributions as a Percent of Covered Payroll**
KPERS- State/School,TIAA	$127,517	$127,649	8.2%
KPERS - Local	27,517	40,411	9.1
KP&F	27,398	18,654	20.8
Judges	2,832	1,001	22.7
Total	$185,264	$187,715	9.1%

An estimated $299 million of employer and employee contributions were made to cover normal cost, and an estimated $57 million was made for the amortization of the unfunded actuarial accrued liability.

1) Member contributions do not include Optional Life Insurance contributions of approximately $5.1 million.

C. Historical Trend Information

Historical trend information, showing the Retirement System's progress in accumulating sufficient assets to pay benefits when due, is presented on page 33 and is titled, "Required Supplemental Information."

NOTE 4 - Commitments and Contingencies

As of June 30, 2000, the Retirement System was committed for additional funding of $4,667,000 in the form of capital expenditures on separate account real estate holdings in the portfolio and $676,058,000 for capital calls on venture capital investments.

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

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

Required Supplemental Information

Schedules of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1991	105,291,265	100.0 %
1992	118,116,573	94.3
1993	116,407,549	100.0
1994	117,581,812	100.0
1995	129,083,585	100.2
1996 (1)	173,927,737	82.5
1997	199,521,423	74.7
1998	216,270,482	77.3
1999	256,813,541	79.0
2000	234,941,116	80.6

1) For fiscal years ending after June 30, 1996, the actual contributions for KPERS employers were substantially lower than the actuarially required amount, due to statutory limitations on annual increases as discussed in Note 1C.

Required Supplemental Information

Schedules of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
06/30/91		$3,759,523	$4,262,148	$502,625	88%	$2,922,444	17%
06/30/92		4,101,987	4,634,842	532,855	89	3,051,989	17
06/30/93	(1)	4,492,542	5,460,281	967,739	82	3,265,869	30
06/30/94	(2)	5,041,703	6,546,924	1,505,221	77	3,487,462	43
06/30/95		5,510,957	6,991,029	1,480,072	79	3,766,917	39
06/30/96		6,158,755	7,603,111	1,444,356	81	3,945,207	37
06/30/97		6,875,918	8,251,986	1,376,068	83	4,108,320	33
06/30/98		7,749,203	9,340,685	1,591,482	83	4,273,627	37
06/30/99		8,601,876	9,999,246	1,397,370	86	4,480,717	31
06/30/00		9,568,275	10,801,397	1,233,122	89	4,684,768	26

1) 1993 legislation provided substantial benefit enhancements and changed the actuarial cost method of the KPERS system from the frozen initial liability method to the projected unit cost method. The amortization period was also adjusted to a 40-year period beginning July 1, 1993.

2) Asset valuation method was changed from book value to a market-based method.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	KPERS System	KP&F System	Judges System
Valuation Date	6/30/00	6/30/00	6/30/00
Actuarial cost method	Projected Unit Credit	Aggregate Cost with Supplemental Liabilities (2)	Frozen Initial Liability
Amortization method	Level Percent closed	Level Percent closed	Level Dollar closed
Remaining amortization period	33 years	33 years	33 years
Asset valuation method	Expected value plus 1/3 of difference between market and expected	Expected value plus 1/3 of difference between market and expected	Expected value plus 1/3 of difference between market and expected
Actuarial assumptions:			
Investment rate of return (1)	8%	8%	8%
Projected salary increases (1)	4.0% - 7.6%	5.7% - 7.6%	5.5%
Cost of Living Adjustment	none	none	none

1) Salary increases and investment rate of return include an inflation component of 3.5%.
2) The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities; however, a supplemental liability consisting of the additional actuarial liability for benefits provided by 1993 legislation attributable to service rendered before July 1, 1993 is being amortized over a 40-year period beginning July 1, 1993.

Schedule of Contributions

For the Fiscal Year Ended June 30, 2000

Kansas Public Employees Retirement System			
State / School Contributions			
Members	$127,648,605		
Employers	109,869,499		
Insurance	10,672,456		
Total State / School Contributions		$248,190,560	
Local Contributions			
Members	40,411,135		
Employers	23,269,767		
Insurance	4,247,204		
Total Local Contributions		67,928,106	
State Contributions - KPERS TIAA			
Employers	4,791,135		
Insurance	2,184,186		
Total KPERS TIAA State Contributions		6,975,321	
Total Contributions - Kansas Public Employees Retirement System			**$323,093,987**
Kansas Police and Firemen's System			
State Contributions			
Members	1,909,057		
Employers	2,504,094		
Total State Contributions		4,413,151	
Local Contributions			
Members	16,744,538		
Employers	24,893,900		
Total Local Contributions		41,638,438	
Total Contributions - Kansas Police and Firemen's System			**46,051,589**
Kansas Retirement System for Judges			
State Contributions			
Members	1,001,237		
Employers	2,771,292		
Insurance	60,573		
Total State Contributions		3,833,102	
Total Contributions - Kansas Retirement System for Judges			**3,833,102**
Optional Life Insurance			
Member Contributions			
State Employees	2,778,580		
Local Employees	2,284,103		
Total Contributions		5,062,683	
Total Contributions - Optional Life Insurance			**5,062,683**
GRAND TOTAL - ALL CONTRIBUTIONS			**$378,041,361**

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2000

Salaries and Wages		$ 3,656,038
Professional Services		
Actuarial	$ 192,717	
Legal	39,828	
Consultants	47,350	
Data Processing	128,543	
Audit	32,500	
Other Professional Services	46,958	
Total Professional Services		487,896
Communication		
Postage	191,923	
Telephone	95,016	
Printing	80,346	
Advertising	8,723	
Total Communication		376,008
Building Administration		
Real Estate Taxes	87,190	
Building Management	67,357	
Utilities	59,005	
Janitorial Service	44,135	
Total Building Administration		257,687
Miscellaneous		
Travel	116,971	
Temporary Services	81,692	
Supplies	92,861	
Repair and Service Agreements	57,423	
Dues and Subscriptions	46,415	
Fees-Other Services	28,443	
Office and Equipment Rent	15,731	
Depreciation	472,406	
Total Miscellaneous		911,942
Total Administrative Expenses		$ 5,689,571

Schedule of Investment Income by Asset Class

For the Fiscal Year Ended June 30, 2000

Asset Classification	Interest, Dividends and Other Transactions	Gains and Losses	Total
Marketable Equity Securities			
Domestic Large Capitalization	$ 28,853,246	$ 196,650,070	$ 225,503,316
Domestic Small Capitalization	15,742,027	500,688,913	516,430,940
International Equities	20,211,424	321,356,828	341,568,252
Subtotal Marketable Equities	64,806,697	1,018,695,811	1,083,502,508
Marketable Fixed Income Securities			
Domestic Fixed Income			
Treasury & Agency	83,076,562	(2,127,707)	80,948,855
Corporate	74,656,875	(48,216,819)	26,440,056
International Fixed Income	25,105,695	(20,616,732)	4,488,963
Subtotal Marketable Fixed	182,839,132	(70,961,258)	111,877,874
Temporary Investments	26,480,615	(4,867,157)	21,613,458
Total Marketable Securities	274,126,444	942,867,396	1,216,993,840
Real Estate	40,748,804	(13,881,531)	26,867,273
Alternative Investments	(7,060,965)	68,390,280	61,329,315
Total Real Estate and Alternative Investments	33,687,839	54,508,749	88,196,588
Other Investment Income			
Securities Lending	3,588,884	—	3,588,884
Recoveries from Litigation	31,265,768	—	31,265,768
Recaptured Broker Commissions	242,734	—	242,734
Total Other Investment Income	35,097,386	—	35,097,386
Investment Income	$342,911,669	$ 997,376,145	1,340,287,814

Manager and Custodian Fees and Expenses	
Investment Manager Fees	(23,356,674)
Custodian Fees and Expenses	(1,096,331)
Other Investment Expenses	(1,064,311)
Total Investment Fees and Expenses	(25,517,316)
Net Investment Income	$1,314,770,498

Schedule of Investment Fees and Expenses

For the Fiscal Year Ended June 30, 2000

Domestic Equity Large Capitalization Managers		
Barclays Global Investors	$ 1,924,766	
Brinson Partners, Inc.	522,043	
Provident Investment Counsel	1,169,845	
Wellington Management Co.	169,000	
Subtotal Equity Large Capitalization Managers		**$ 3,785,654**
Domestic Equity Small Capitalization Managers		
Barclays Global Investors	1,433,859	
Capital Guardian Trust Co.	1,044,979	
Pilgrim, Baxter & Associates	2,351,374	
Subtotal Equity Small Capitalization Managers		**4,830,212**
International Equity Managers		
Alliance Capital Management	881,747	
Lazard Freres Asset Management	1,283,638	
Morgan Stanley Asset Management	1,113,760	
Nomura Capital Management	813,450	
Subtotal International Equity Managers		**4,092,595**
Fixed Income Managers		
Barclays Global Investors	350,515	
The Boston Company	921,800	
Julius Baer Investment Management	724,347	
Loomis, Sayles & Co.	1,053,472	
Pacific Investment Management Co.	2,207,315	
Subtotal Fixed Income Managers		**5,257,449**
Foreign Currency Overlay Manager		
Pareto Partners	1,137,364	
Subtotal Foreign Currency Overlay Manager		**1,137,364**
Real Estate and Alternative Investment Managers		
Lend Lease	1,987,640	
L & B Core Group Trust	410,216	
Portfolio Advisors	1,679,077	
Subtotal Real Estate and Alternative Managers		**4,076,933**
Cash Equivalent Manager		
Payden & Rygel Investment Counsel	176,467	
Subtotal Cash Management		**176,467**
Total Investment Management Fees		**23,356,674**
Other Fees and Expenses		
Mellon Trust - Custodian Fees and Expenses	1,096,331	
Consultant Fees	544,592	
Litigation Expenses	519,719	
Subtotal Other Fees and Expenses		**2,160,642**
Total		**$ 25,517,316**

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Amelia Earhart

Recognized for her daring feats and mysterious disappearance, Amelia Mary Earhart is truly one of Kansas' most intriguing historical figures.

Born in Atchison, Kansas at the home of her maternal grandparents on July 24, 1897, Earhart was the eldest daughter of Amy (Otis) and Edwin Stanton Earhart, who, until she was born, resided in Kansas City, Kansas. Earhart and younger sister Murial, spent much time at the home of their grandparents and while residing there, Earhart attended a private college preparatory school. In time, her father's alcoholism and inability to maintain employment prompted Earhart to leave for Chicago with her mother and sister in 1914. Upon graduation from Hyde Park High School she enrolled in Ogontz School for Girls in Rydal, Pennsylvania. A subsequent decision to leave school and become a Red Cross nurse came when Earhart visited her sister in Toronto, personally observing the effects of World War I. She then enrolled in Columbia University to study medicine.

Earhart's parents reunited and they convinced her to join them in California. There, in Glendale, after her first plane ride with record-holder Frank Hawks, Earhart fully realized her dream to fly. In January 1921 she began flying lessons and after only 10 hours of instruction, soloed for the first time. Soon after Earhart bought her first plane, a Kinner Airster, dubbed "The Canary" and within 4 months set the women's altitude record of 14,000 feet. The plane was sold after Earhart's parents divorced in 1926. She then moved to Boston, Massachusetts, becoming employed as a social worker.

Meanwhile, George P. Putnam, an established aviation publisher, was searching for the perfect passenger for a flight across the Atlantic Ocean. The donor of the plane for this venture sought an American girl with just the right image. When Putnam heard about the aviator in Boston, he located Earhart and persuaded her to join the Atlantic flight.

Wilmer Stultz piloted the plane and operated the radio while Louis Gordon served as the on-board mechanic. With Earhart maintaining a log of the flight, the trio departed from Trepassey Bay, Newfoundland, June 17, 1928. Twenty hours and forty minutes later, they landed safely in Burryport, Wales. Insisting that she was only a passenger, Earhart was nonetheless featured by the press as the first woman to cross the Atlantic by air.

Earhart's notoriety kept her busy with lectures, a new book entitled "20 Hours 40 Minutes" and a position with Cosmopolitan magazine as aviation editor. She endorsed a multitude of products and lines of luggage, and designer athletic clothes featured her name. Additionally, the "Ninety-Nines," an international club of women pilots, elected her as their first president. Putnam served as Earhart's promoter and, in 1931, became her husband as well. Earhart's second book, "For the Fun of It," was written that same year.

But coincidental fame fueled Earhart's desire to prove that she was more than a mere passenger on a plane. She decided to cross the Atlantic Ocean alone, though only one other pilot, Charles Lindbergh, had accomplished the feat. On the fifth anniversary of Lindbergh's journey, Earhart departed from Harbor Grace, Newfoundland. Despite broken instruments, an electrical storm, ice on the wings and a gas leak, she successfully landed in a pasture near Londonderry, Ireland on May 21, 1932.

Upon her return, Earhart's popularity soared. Herbert Hoover himself presented her with the National Geographic Society's Gold Medal and she received the Distinguished Flying Cross before a joint session of Congress, making her the first female ever to have received both awards. Additionally, Purdue University President Edward C. Elliott appointed Earhart career counselor to women students and special adviser in aeronautics.

Determined to add one last endeavor to her list of accomplishments before resigning from long-distance stunt flying, Earhart made the decision to fly around the world. Although others had made the flight, no one had flown the most difficult route…

On the way to pick up the plane for final round of the world trip. Wichita last stop before California. c.1937

Despite broken instruments, an electrical storm, ice on the wings and a gas leak, Earhart landed her Lockheed Vega in a pasture near Londonderry, Ireland, May 21, 1932.

Credit: George P. Putnam's Soaring Wings, NY, Harcourt, Brace & Co., 1939

over water. With the new Lockheed Electra, purchased for Earhart by the university, her goal of flying around the world was within her grasp.

Earhart and her two-man crew journeyed from Oakland, California to Hawaii, but in the process of leaving the island, a take-off accident occurred, causing extensive damage and forcing them to ship the plane to California for repairs. Henry Manning, a navigator, quit the project at this time, leaving only Earhart and one navigator, Fred Noonan.

Eventually the plane was ready, but weather conditions changed, forcing the team to reverse their plans and fly in the opposite direction, east to west. Earhart and Noonan began their actual world flight from Miami, Florida, June 1, 1937. Later, after departing from Lae, New Guinea, the pair intended to land on Howland Island, a tiny piece of land in the Pacific Ocean where radio equipment and homing devices would be available.

Arrival time passed and the plane was nowhere in sight. Earhart's voice became stronger and the frequency more clear, yet the plane remained unseen. Dialogue between Earhart and those who waited for her was frustrating and in time weakened. Earhart's last transmission came at 8:45 a.m. just before an announcement that she intended to change frequencies. After 32 days and 22,000 miles, Earhart and Noonan disappeared on the longest and most difficult leg of the trip. For two weeks, a $4 million dollar air and water search party covered 250,000 square miles, with no trace of the aviators.

Numerous theories surfaced concerning the disappearances. Some linked the pair with espionage and aerial photography missions over restricted areas. Others claimed they had made it to an island and died as prisoners or by execution at the hands of the Japanese. And still others speculated that the plane simply ran out of gas and the two perished at sea.

The disappearance of Earhart and Noonan still remains unsolved and the mystery of it all continues to fascinate the nation.

Amelia Earhart at Atchison, c1935

FISCAL YEAR 2000 INVESTMENT REPORT

Introduction

The Board of Trustees of the Kansas Public Employees Retirement System is charged with the responsibility for investing the assets of the System in a manner consistent with the fiduciary standard of a prudent expert. The standard of a prudent expert dictates that the Board exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The concept of diversification of investments among many different asset classes, with different market cycles, is central to the concept of prudence. All decisions regarding the investment of plan assets are made solely for the benefit of the participants and beneficiaries of the System. The Board of Trustees maintains a written Statement of Investment Policy, Objectives and Guidelines. This document, which is reviewed annually, presents the Board's conclusions as to the most suitable combination of investments, within statutory requirements, which will satisfy the System's ongoing obligations. In addition, it sets forth the criteria against which the System's investment managers will be measured and communicates the policies, objectives, guidelines, and performance expectations to the staff, advisors, consultants, and all other interested parties.

This discussion regarding the investments of the Retirement System describes the objectives, guidelines and general policy governing the System's investment activity. In addition, it provides the returns, by asset category and in total, for the fiscal year ended on June 30, 2000. This report is presented in compliance with the reporting standards as set forth by the Association of Investment Management and Research (AIMR). The data has been gathered and compiled by the staff of the Retirement System using internal records as well as information provided by the System's custodian bank and the external investment managers. All the information presented has received the benefit of rigorous oversight and affirmation, custodial review and internal staff analysis. It represents an accurate snapshot of the System's investments as of June 30, 2000.

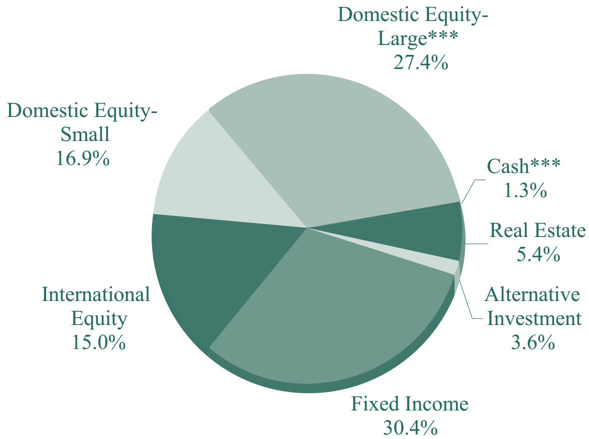
Kansas Public Employees Retirement System participants are provided a contractual promise of future and contingent benefits. These benefits are guaranteed, regardless of investment performance. Investment performance is critical nonetheless, as it has direct impact on future funding costs of the System. Every effort is made to achieve the highest return possible commensurate with an acceptable level of risk. Returns are measured over market cycles of three to five years. Risk, including risk of loss of principal, is measured primarily in statistical terms that capture the variability of potential investment outcomes over varying time periods.

Chief Investment Officer’s Review

- Rob Woodard

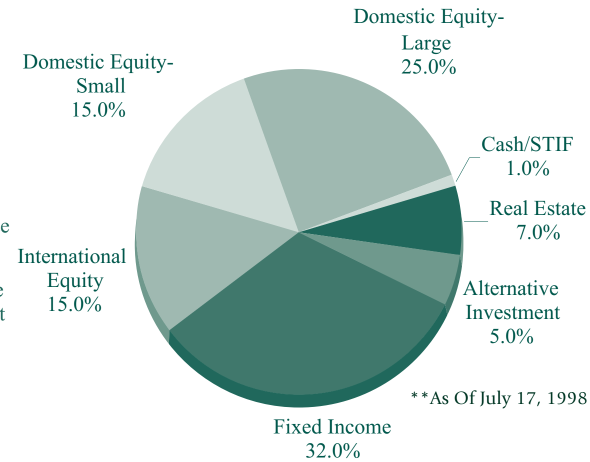
The investment portfolio of the Kansas Public Employees Retirement System represents all contributions to the plan, from both members and their employers, as well as all net earnings on these assets. These reserves are held in support of both current and future benefits. At the end of the fiscal year, total assets had grown to over $10.6 billion. This money receives the benefit of a diversified, carefully monitored investment portfolio that includes stocks, bonds, real estate, alternative investments and cash.

Current Allocation



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

Target Allocation**



**As Of July 17, 1998

Stock holdings are invested primarily in companies doing business in the United States, but also include an exposure to stocks of companies operating outside the U.S. By diversifying a portion of the total stock portfolio away from the U.S., we expect over time to realize additional returns while simultaneously reducing the risk of adverse total returns. Since global economies operate independently, an exposure to foreign markets provides a higher probability of realizing positive results, on average, without as much year to year variability as might exist in a U.S. only portfolio. The Board of Trustees has carefully selected several domestic and international managers to supervise a total of 13 portfolios that make up this portion of the total portfolio. By utilizing several managers, the fund enjoys further diversification among manager styles and is less reliant on any one manager's performance.

The bond holdings in the portfolio are similarly diversified, as are the managers. As with the equity investments, the portfolio is diversified across both domestic and international opportunities. The Board has chosen three domestic managers and one international manager to supervise these pools of funds.

Investments in real estate, alternative investments and cash round out the total portfolio. Real estate and alternative investments provide return opportunities as well as diversification to the portfolio. This helps to further smooth the variability of the annual returns of the System. Cash is held primarily to facilitate the settlement of purchases and sales of securities within the portfolio and also provides for the operational needs of the System. During fiscal year 2000 over $500 million in benefits were distributed to members and their families.

Thanks largely to the strong returns posted in the global stock markets the total portfolio returned 13.8 percent, growing over one billion dollars net of fees for the year. While an extraordinary number, it is important to consider this return within the context of what the markets did generally. To do so, we create an index of the various components of the portfolio that represents what the average returns should have been, given our exposures. We are pleased to report that the total portfolio exceeded, by 2.3 percent, what the expected returns would have been had we been invested in the averages or the indexes of the various asset classes.

As detailed elsewhere in this report, the highest returns in the portfolio came from investments in small capitalization domestic equities. Small capitalization equities represent investments in the stocks of small to mid-sized corporations within the United States. After several periods of under performance (relative to large domestic stock investments), small cap stocks experienced strong appreciation over the course of the fiscal year. As with all other publicly traded asset classes, our investments include several components within the small cap universe, including passive (index) and risk controlled holdings as well as actively managed portfolios. In addition to domestic stock investments, international investments returned over 21 percent, which also contributed significantly to the System's positive year. Recent initiatives in the alternative investment areas are beginning to pay dividends in the form of higher returns as well.

Investment Performance Report

For the Period Ending June 30, 2000

Time-Weighted Return (1)	Last Year	Latest 3 Years	Latest 5 Years
Total Portfolio	**13.8%**	**13.8%**	**14.9%**
Policy Index	11.5%	12.1%	12.7%
Consumer Price Index	3.7%	2.4%	2.5%
Domestic Equity Large Cap Portfolio	**8.9%**	**18.3%**	**21.4%**
KPERS Equity Benchmark	9.5%	20.8%	24.1%
Domestic Equity Small Cap Portfolio	**36.2%**	**18.3%**	**20.6%**
KPERS Small Cap Equity Benchmark	17.6%	12.1%	15.2%
International Equity Portfolio	**21.7%**	**14.1%**	**16.4%**
KPERS Int'l Equity Benchmark	19.8%	11.7%	12.7%
Fixed Income Portfolio	**4.0%**	**5.5%**	**6.1%**
Lehman Brothers Long Gov't/Corp Index	4.6%	7.1%	6.8%
Real Estate Portfolio	**4.4%**	**7.7%**	**8.0%**
NCREIF Real Estate Index	12.0%	14.7%	12.9%
Alternative Investment Portfolio	**24.3%**	**27.2%**	**21.8%**
S&P 500 Index + 4%	11.2%	23.7%	27.8%
Cash Equivalents Portfolio	**6.0%**	**6.0%**	**6.0%**
Merrill Lynch 0-1 Yr. Treasury Index	5.0%	5.3%	5.4%

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

Return, while important, is only one component of the ongoing evaluation of the performance of the investments of the System. Risk is the other important characteristic examined by the Board of Trustees on an ongoing basis. In determining the relationship of risk to return, the statistical measurement of standard deviation is used. Standard deviation is a measure of dispersion or distribution around an average, in this case, the average return. By measuring the standard deviation of the total portfolio (as well as its component classes) over a market cycle, we are able to monitor the risk being assumed versus the return earned.

In addition to considering the variability of the expected returns of the total portfolio, the System has designed and adopted an extensive program of risk budgeting and management at the asset class and manager levels as well. This emphasis on risk helps the System understand where specific risks may exist and measure the returns generated by virtue of these positions. It is anticipated that our risk management efforts will better prepare the System's portfolio for more modest average returns in the future, should the recent pace of stock market appreciation subside. Regardless of what future investment markets may provide in the way of total returns, a diligent and disciplined approach to risk should improve the overall quality and consistency of total portfolio returns.

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

Publicly Traded Securities

- Scott Peppard, Deputy Chief Investment Officer

Fiscal year 2000, like fiscal year 1999, was an active year as assets were positioned in accordance with the adopted asset allocation and manager structure plan. The asset allocation sets forth the strategic mix of asset classes including equity, fixed income, real estate and alternative investments. Portfolios within each asset class were structured to maximize expected return while controlling risk at both the asset class and total fund levels. The investment performance of each publicly traded asset class for the fiscal year 2000 is summarized in the following paragraphs.

Large-Capitalization Domestic Equities During the fiscal year ended June 30, 2000, the performance of large-capitalization stocks (capitalization refers to the market value of the company), as measured by the return of the S&P 500 Index, was 7.2 percent. After a slow start the S&P 500 Index finished calendar year 1999 on a strong note, returning 7.7 percent during the last six months. The first six months of 2000 was marked by a great deal of volatility, with the S&P 500 Index finishing down a fraction.

The System's large-capitalization stock portfolio consists of approximately 75 percent index or near-index strategies. Index strategies involve the passive replication of an established portfolio of stocks which represent a cross section of the market. This allocation was adopted to limit the System's risk relative to the portfolio's benchmark.

The System's manager structure is comprised of four portfolios. These portfolios combined to produce a one-year return of 8.9 percent, versus 9.5 percent for the customized benchmark. During the fiscal year a poorly performing manager was replaced. This poorly performing portfolio accounted for the below-index performance of the asset class. The large-cap customized benchmark is the Standard & Poor's 500 Index excluding the stocks of banks, savings and loans and credit unions. These exclusions are necessary to comply with the State Constitution, which prohibits the System from investing in the common stock of banks, and by State statutes, which prohibit investing in bank, savings and loan and credit union equity securities.

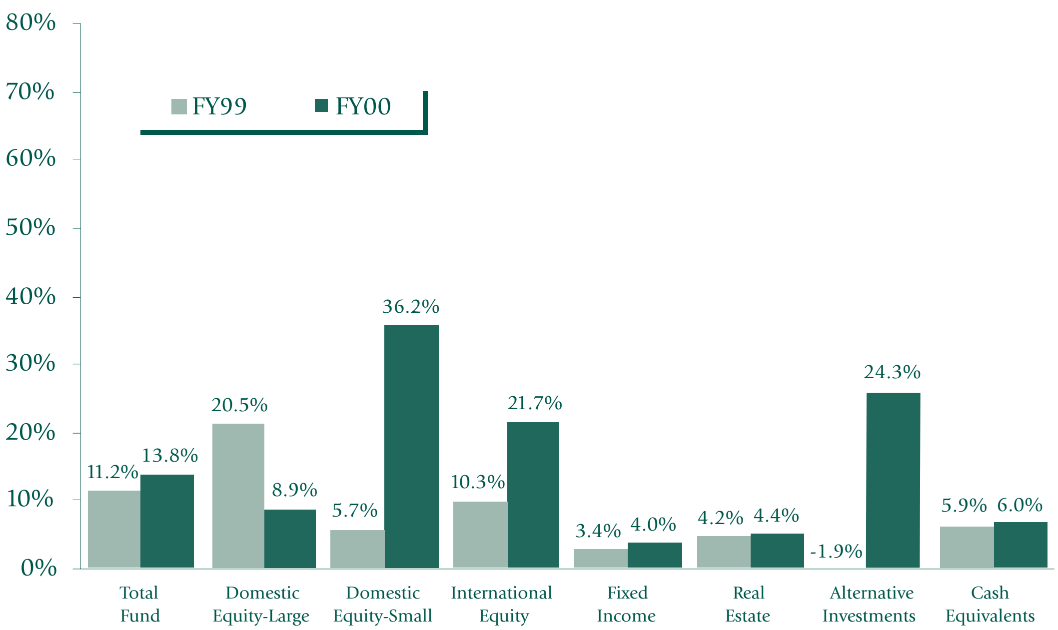
Small-Capitalization Domestic Equities During fiscal year 2000, broad measures of small-capitalization stocks produced a return that was almost double that of their large-capitalization counterparts. Small stocks, as measured by the Russell 2000 Index, returned 14.3 percent for the year. Small-capitalization stocks also suffered through a slow start in the fiscal year. The Russell 2000 Index surged more than 35 percent from November to February, before experiencing three months of negative returns. Similar to the balance of the domestic stock market, small capitalization stock values were subject to a great deal of day to day and month to month volatility.

Fiscal year 2000 saw a significant increase in the System's allocation to small cap stocks. This increase resulted from both making additional investments as well as from price appreciation. After beginning the year with three portfolios, an additional controlled risk portfolio was added to enhance the risk/return characteristics of the overall asset class.

For the year the System's managers produced a return of 36.2 percent, dramatically outperforming the 17.6 percent return of the small-cap customized benchmark. The customized benchmark is the Russell 2000 Index less prohibited securities (financial institutions). The outstanding performance can be attributed to two actively managed portfolios that invest in small-capitalization companies with growth characteristics.

Return Comparison by Asset Class

For The Fiscal Years Ending June 30, 1999 and June 30, 2000



Growth in Net Asset Value

International Equities International equity markets, as measured by the Morgan Stanley Europe Australia and Far East (EAFE) Index, returned 15.7 percent during the fiscal year. The major regions of the world experienced solid positive returns. For the fiscal year, the Pacific Basin markets returned 21.6 percent while the European markets returned 15.1 percent (as measured by the Morgan Stanley Pacific and European Indexes).

Besides normal reallocation among portfolios, no significant asset shifts occurred during the fiscal year. The assets of the index portfolio were reassigned, with the same investment mandate, to an existing manager after the previous manager suffered a significant change of investment personnel.

Overall, the System experienced returns from its international equity portfolio in excess of the customized benchmark. The international equity portfolio returned 21.7 percent for the fiscal year versus 19.8 percent for the Morgan Stanley EAFE Index excluding the stocks of companies classified as banking institutions.

Fixed Income The fixed income portfolio experienced some change during the fiscal year as the System continued to move toward the target portfolio structure. The most significant change was the implementation of an internally managed Treasury Inflation Protected Securities (TIPS) Portfolio. TIPS are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. The new TIPS portfolio was funded primarily through the termination of a passive fixed income portfolio. In addition to the TIPS portfolio, the fixed income portfolio includes allocations to domestic core, high-yield and international securities.

For the fiscal year, the overall fixed income portfolio returned 4.0 percent. This is somewhat below the 4.6 percent return of the Lehman Long Government/Corporate Bond Index that was used in the asset allocation process. Most of the performance shortfall can be attributed to the System's investments in segments of the fixed income markets that aren't represented in the index used for comparison. Specifically, for the fiscal year ended June 30, 2000, the System's investments in high-yield and international fixed income securities returned a negative 1.4 percent and positive 0.8 percent, respectively.

Real Estate

- Robert Schau, Real Estate Investment Officer

For fiscal year 2000, the System continued to target seven percent of the total investment assets towards real estate. Several acquisitions over the course of the year raised the funded allotment to approximately 5.4 percent of the total portfolio. Our expectation is that during fiscal year 2001 we should complete our investment cycle and raise our total investments in real estate to more closely match the target. Through a broad exposure to real estate, the System expects to enhance the diversification of the portfolio by providing a relatively steady source of return and a reduction in overall return variability.

The System's long-term investment strategy is to target a diverse range of institutional quality investments, with a priority on direct ownership of office, industrial, retail and multifamily properties. Geographic diversification of the portfolio improved substantially this year, with direct investments in Atlanta, Los Angeles, and the Orlando and Washington, D.C. metro areas. Additional activity included investments in publicly traded real estate investment trusts (REITs) and a limited participation in some non-core investments, consisting of properties with higher risk and return expectations.

A rapid decline in real estate occupancy and/or rental rates due to over-development, though long feared, have generally not materialized. While substantial amounts of new commercial and residential space have been developed, demand has generally been sufficient to maintain a healthy equilibrium. Commercial real estate performance historically has been highly correlated to overall economic growth. With increasing expectations for a continued modest expansion within the domestic economy, the prognosis for real estate returns for the coming year remains good.

For the fiscal year ended June 30, 2000, the portfolio generated a total return (defined as value changes plus current income) of 4.4 percent. This under performed the benchmark NCREIF index (consisting of private equity real estate) which generated a return of 12 percent. Current income within the System's portfolio was 8.9 percent, which was virtually equal to the benchmark. The majority of the under performance experienced by the System was due to unrealized depreciation. With the recent acquisition of several high quality investments, diversified by both property type and location, the System's future value changes should better track the national average. The System's real estate investment trust investments earned 3.9 percent compared to 3.4 percent for the benchmark Morgan Stanley REIT index. Over the past three years, the portfolio has generated an average return of 7.7 percent, a large portion of which was income. Over this period, real estate provided about 1.2 units of return per unit of risk which is very close to the System's overall long term expectations.

Alternative Investments

- Janet Kruzel, Alternative Investment Officer

Alternative investments are investments that do not trade publicly on an organized exchange. They may include private equity investments, venture capital, buyout funds, mezzanine financing, distressed securities or investments in natural resources. These investments are frequently made in some pooled format, usually a limited partnership or limited liability corporation. The limited partnerships or limited liability corporations provide institutional investors like KPERS an opportunity to share in the potential high returns of the investments in a more efficient and expedient fashion.

Due to their highly variable returns and illiquid nature, alternative investments are appropriate for only a small portion of the System's assets. Kansas Statutes limit our holdings in alternative investments to five percent of the total fund. While arguably more risky as stand alone investments, when taken as a small part of a larger portfolio alternative investments provide an opportunity to earn higher levels of return while diversifying total portfolio risk. This risk reduction is a function of the historically low correlation of returns with the System's other asset classes. Thus, the volatility of returns associated with alternative investments is dampened by this lack of correlation with other investments the System holds.

The current KPERS alternative investment program was launched in fiscal year 1997. At that time the Board of Trustees selected a professional, non-discretionary consultant to assist with the development and execution of a long-term strategy for investment. Extensive policies and guidelines were developed and adopted to ensure the consistent monitoring and oversight of the portfolio. The implementation of this long-term strategy was continued through fiscal year 2000 with an objective to generate returns that exceed, over a market cycle, public equity returns by an average of four percent per year. The target allocation for alternative investments is five percent of the System's total portfolio.

The Retirement System has utilized the limited partnership format for its current alternative investment program. Within a limited partnership, a general partner selects and manages the investments of the partnership while limited partners invest their capital and receive the return of the partnership. The average life of a limited partnership may be as long as ten to twelve years. As a limited partner the System participates along with other institutional investors such as public pension funds, banks, insurance companies, endowment funds or similar entities. The general partner invests its capital alongside the limited partners and thus shares in any positive or negative returns.

When making a limited partnership investment, the selection of the general partner is a critical decision. During fiscal years 1998 through 2000, a rigorous process of due diligence involving the System's staff and the Board's independent consultant resulted in the selection and recommendation of 36 different general partners. These general partners were selected based on their historical ability to generate competitive returns and manage risks. The 36 general partners represent several different styles and segments of the alternative investment market. Through these general partners, the System has invested in 51 separate funds. Each of these investments was presented to the KPERS Board who reviewed each opportunity prior to committing the System as a partner.

At the end of fiscal year 2000, alternative investments represented 3.6 percent of the total fund. The total return from these investments to the System over the fiscal year was slightly in excess of 24 percent. As current investments mature, the consistency of portfolio returns should improve. However, due to the dynamic nature of cash flows within alternative investments, it is likely to be several years before the System reaches a sustained exposure approaching the five percent target allocation. In the interim, the Board and staff will continue to strive to build a prudently diversified portfolio that provides the System an opportunity to participate in the historically attractive long-term returns and diversifying nature of alternative investments.

Additional Investment Schedules

As required by K.S.A. 74-4904, a schedule of alternative investments initiated on or after July 1, 1991, is listed below. Another schedule, summarizing changes in the fair value of investments, is on page 50. A listing of domestic broker commissions paid in fiscal year 2000 and the top ten equities and fixed income holdings at fiscal year end are shown on page 51.

Alternative Investments Initiated On or After July 1, 1991

		As of June 30, 2000	
Shares	Description	Cost	Market Value
	Included in Alternative Investments Portfolios:		
2,500,000	Advanced Technology VI LP	$ 2,417,938	$ 2,417,938
5,100,000	Apax Europe IV LP	4,684,102	4,684,102
3,500,000	Battery Ventures V LP	3,108,072	4,897,109
8,385,529	Beacon Group Energy Fund II	7,643,749	6,776,278
12,821,263	Behrman Capital II LP	10,688,063	21,717,142
4,023,276	Candover 1997 US #1 Fund LP	5,833,885	5,822,273
5,516,979	Capital Resource Partners IV	5,254,155	5,274,795
4,303,970	Clayton Dubilier & Rice VI LP	3,907,786	3,907,785
3,988,386	Cypress Merchant Banking II	4,140,700	4,028,274
5,000,000	Dominion Fund V LP	4,854,297	4,854,295
4,500,000	El Dorado Ventures IV LP	3,830,338	14,575,910
3,500,000	El Dorado Ventures V LP	3,377,263	3,377,262
7,700,000	GTCR Capital Partners LP	7,586,273	7,441,734
3,000,000	GTCR Fund VII LP	2,874,189	2,892,132
1,200,000	Halpern Denny Fund III LP	1,200,000	1,200,000
10,931,530	Harvest Partners III LP	9,750,078	9,675,421
7,639,287	Kelso Investment Assoc VI	6,599,428	7,458,763
1,365,257	Littlejohn Fund II LP	1,075,739	1,075,739
13,400,000	McCown De Leeuw & Co IV LP	11,267,337	11,485,770
20,000,000	MD Sass Corp Resurgence	12,659,690	16,797,560
1,344,381	MD Sass Corp Resurgence II	1,344,381	1,344,381
9,170,810	Oak Hill Capital Partners LP	8,884,225	9,369,321
13,000,000	OCM Opportunities Fund II LP	13,477,783	14,266,005
8,000,000	OCM Opportunities Fund III LP	7,925,894	7,937,000
8,000,000	OneLiberty Fund IV LP	6,587,253	17,680,304
1,500,000	OneLiberty Ventures 2000 LP	1,500,000	1,500,000
7,000,000	Pacholder Value Opportunity	7,118,675	6,072,619
2,000,000	TA Subordinated Debt Fund LP	2,000,000	2,000,000
5,200,000	TCV IV LP	5,200,000	5,200,000
3,515,296	The Second Cinven Fund US LP	5,299,464	5,459,774
15,603,540	Thomas H Lee Equity Fund IV LP	14,391,562	19,843,568
3,651,563	Trinity Ventures VI LP	2,981,648	7,217,139
5,400,000	Trinity Ventures VII LP	5,228,687	5,228,674
16,355,980	Triumph Partners III LP	13,207,044	13,728,212
6,750,000	Vantagepoint Venture III LP	5,468,642	8,371,256
1,500,000	Vantagepoint Venture IV LP	1,500,000	1,500,000
1,229,647	Vestar Capital Partners IV LP	1,146,000	1,145,999
5,546,370	VS & A Communications III	5,426,449	5,026,586
9,600,000	Warburg Pincus Equity	8,337,194	9,342,950
17,800,000	Welsh Carson VIII LP	16,494,645	24,169,481
18,691,823	Willis Stein & Partners II LP	16,656,488	16,752,883
305,858	Windjammer Fund II LP	305,858	305,858
9,339,883	Windward Capital Partners II	8,588,379	8,588,377
	Subtotal	$ 271,823,353	$ 332,410,669
	Included in Fixed Income Portfolios:		
6,000,000	Level 3 Communs Sr Discount 144A 0.0% 03/15/2010	$ 3,179,005	$ 3,285,000
2,741,870	Associates Manufacturing HSG 99-1 Fltg Rate 07/30/2030	2,741,870	2,744,441
5,325,000	International Paper Co. Note 144A 8.125% 07/8/2005	5,319,994	5,361,263
	Subtotal	$ 11,240,869	$ 11,390,704
	Total Post 1991 Investments	$ 283,064,222	$ 343,801,373

Investment Summary

(In Thousands) (1)

For the Fiscal Year Ended June 30, 2000

	June 30, 1999 Fair Value	Purchases and Other Increases	Sales and Other Decreases	June 30, 2000 Fair Value	Asset Mix Fair Value
Marketable Securities					
Domestic Equities					
Large Capitalization	$3,115,132	$1,943,928	$(2,191,512)	$2,867,548	25.30 %
Small Capitalization	1,149,688	2,843,103	(2,219,364)	1,773,427	15.65
International Equities	1,471,961	1,317,207	(1,202,186)	1,586,982	14.00
Total Fixed Income	3,058,253	8,521,998	(7,678,861)	3,901,390	34.42
Temporary (2) Investments	212,959	30,146,631	(30,111,905)	247,685	2.18
Total Marketable Securities	9,007,993	44,772,867	(43,403,828)	10,377,032	91.55
Real Estate and Alternative Investments					
Real Estate	525,952	271,478	(222,183)	575,247	5.08
Direct Placements and Limited Partnerships	173,405	317,836	(109,411)	381,830	3.37
Total Real Estate and Alternative Investments	699,357	589,314	(331,594)	957,077	8.45
Total	$9,707,350	$45,362,181	$(43,735,422)	$11,334,109	100.00 %

1) Amounts include changes in unrealized appreciation and exclude interest and dividend accruals. Amounts do not include security lending cash collateral of $507,876,140 for FY 1999 or $826,901,317 for FY 2000.

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

U.S. Equity Commissions
For the Fiscal Year Ending June 30, 2000

Broker Name	Commissions Paid	Shares	Commission Per Share	Percent of Total Commissions
Goldman Sachs & Co	$ 1,461,594	19,152,084	$ 0.08	35.1 %
Instinet Corporation	633,993	36,449,883	0.02	15.2
Investment Technology Group	218,398	10,802,641	0.02	5.2
Merrill Lynch Pierce Fenner Smith Inc	207,378	6,158,802	0.03	5.0
Frank Russell Securities Inc	164,525	2,914,312	0.06	3.9
Smith Barney Inc	128,309	3,123,992	0.04	3.1
Lynch Jones & Ryan Inc	87,474	1,564,000	0.06	2.1
Morgan Stanley & Co Inc	82,393	1,332,743	0.06	2.0
Capital Institutional Investors	77,977	2,123,336	0.04	1.9
Lehman Bros Inc	77,037	2,052,307	0.04	1.9
Bear Stearns & Co Inc	68,895	1,492,735	0.05	1.7
Donaldson Lufkin & Jenrette	64,394	1,451,629	0.04	1.5
J P Morgan Securities Inc	62,001	1,198,400	0.05	1.5
DB Clearing Services	55,682	554,358	0.10	1.3
Prudential Securities Inc	52,685	1,215,526	0.04	1.3
Credit Suisse First Boston Corp	48,534	1,007,249	0.05	1.2
Jefferies & Co Inc	48,490	1,145,450	0.04	1.2
Montgomery Securities	47,704	1,362,604	0.04	1.1
Weeden & Co	41,492	862,814	0.05	1.0
Paine Webber Inc	38,463	738,491	0.05	0.9
Warburg Dillon Read LLC	35,967	716,084	0.05	0.9
Cantor Fitzgerald & Co Inc	34,220	816,267	0.04	0.8
Lewco Securities	32,411	555,900	0.06	0.8
Spear Leeds & Kellogg	25,380	425,950	0.06	0.6
Sanford C Bernstein & Co	25,130	486,331	0.05	0.6
Other	341,287	7,748,076	0.04	8.2
Total Broker Commissions	$ 4,161,813	107,451,964	0.04	100 %

List of Largest Holdings [a]

as of June 30, 2000

EQUITIES

Shares	Security	Market Value ($)
1,701,490	Cisco Systems Inc	$ 108,150,958
1,962,344	General Electric	104,004,232
673,551	Intel Corp	90,045,349
1,121,431	Microsoft Corp	89,714,480
1,526,028	Pfizer	73,249,320
788,933	Exxon Mobil Corp	61,931,241
558,310	Sun Microsystems Inc	50,771,316
850,003	Wal Mart Stores Inc	48,981,423
630,189	Merck & Co Inc	48,288,232
406,718	American Intl Group Inc	47,789,365

Par Value[b]	Security	Description	Market Value ($)
479,799,567	U.S. Treasury Inflation Index Bonds	3.875% 04/15/2029	$ 477,851,581
373,600,000	Commit to Purchase GNMA	6.500% 07/15/2030	354,568,816
117,000,000	Commit to Purchase GNMA	7.500% 07/15/2030	116,158,770
102,671,590	U. S. Treasury CPI	3.625% 04/15/2028	97,858,346
70,400,000	Commit to Purchase GNMA	6.000% 07/15/2030	68,517,936
49,720,000	Germany Fed Republic Bonds	6.250% 04/26/2006	49,917,158
43,000,000	Cleveland Electric Illuminated Ser B	7.190% 07/01/2000	43,000,000
31,180,000	U. S. Treasury Bonds	7.250% 08/15/2022	35,072,511
32,606,000	Federal National Mortgage Assn	7.250% 05/15/2030	33,387,892
32,653,000	Commit to Purchase GNMA	8.000% 07/15/2030	33,000,101

(a) A complete listing of the System's holdings is available at the Retirement System office.

(b) In Local Currency

Science & Medicine

Clyde Tombaugh developed an interest in astronomy at a young age. Once a childhood hobby, astronomy grew into a career for Tombaugh, earning him a place in history.

Tombaugh was born in Illinois in 1906 and later moved to Kansas with his family, settling in Pawnee County to farm wheat. After graduating from high school he remained on the farm, but began building a telescope from scrap metal. He regularly corresponded with Lowell Observatory in Flagstaff, Arizona, sending sketches of Jupiter and Mars and blueprints of his telescope. Lowell, impressed with his dedication and skill, offered Tombaugh a position and assigned him the project of searching for the ninth planet, or "Planet X." On February 18, 1930, Tombaugh located the mysterious planet. He became the only person from North America and the 20th century to discover a planet. He named it Pluto, after the Roman god of outer darkness.

Tombaugh took a leave of absence to attend the University of Kansas, earning a Bachelor of Astronomy and Master's degree. He married Patricia Edson and later returned to Lowell, studying a multitude of stars, galaxies and images. He taught at the University of California, became a part-time professor at New Mexico State University, presented lectures throughout the country, and served as a NASA consultant. The impact he left on both space knowledge and research at a university level are evident. A post-doctoral research fund at NMSU, an observatory at KU and even a comet are all named in Tombaugh's honor. He died in 1997.

In 1882, **Charles Frederick "C.F." Menninger** graduated from Indiana Central Normal College and moved west to begin his teaching career. He taught a variety of sciences at Campbell College in Holton, Kansas and met his future wife, Flo Knisley, one of his students. In 1889, he graduated from medical school in Chicago and the couple returned to Kansas, opening an office in Topeka. They had three sons, Karl, Edwin and William.

Karl attended the University of Wisconsin and Harvard University and upon his return, began a practice with his father. In 1925, they founded the Menninger Clinic. Their approach was revolutionary for the time and included involving the family, thorough psychological and physical exams, and treating the patients as people rather than cases. Menninger was also the first psychoanalytic hospital. It was a success and full in less than a year. As the clinic's popularity grew, it was expanded over time.

William joined the practice after attending Washburn, Cornell and Columbia Universities, and in 1941, the trio began the Menninger Foundation, for non-profit research and education.

Karl became the first psychiatrist to win the Medal of Freedom, and founded The Villages, to house troubled children. William served as general secretary and professor of the school of psychiatry. Both wrote many volumes on psychiatry. The Kansas Public Health Association honored the brothers with the 1955 Samuel Crumbine Award.

The Menninger Clinic has remained on U.S. News and World Report's America's Best Hospitals list since 1991, when the survey began. Menninger has never dropped below the top five, and reached number one in 1995.

George Washington Carver, a pioneer in agriculture and racial equality, began his life dramatically. He was born in the 1860's at the end of the Civil War and while still an infant was kidnapped along with his mother. Carver was later returned to the plantation, but his mother was never heard from again. His former owners became surrogate parents to him and his brother, James.

Seeking an education, Carver left home in 1877 to attend a small, black school in Missouri, working as a stable boy to earn his keep. He later met the Seymour family, moving with them to Minneapolis, Kansas and attending high school there. He applied for and received acceptance to Highland College, yet, was denied entrance upon arrival when his race became evident.

Disillusioned with education, Carver returned to agriculture, settling in Ness County and planting a few crops. Eventually, his longing for formal education prompted him to travel to Iowa where he enrolled in Simpson College to study art. He subsequently transferred to Iowa Agricultural College to study agriculture, graduating in 1894 and staying for an additional two years as an instructor. He next accepted a position heading the Agricultural Department at Tuskegee Normal and Industrial Institute after being persuaded to do so by the school's founder, Booker T. Washington. He remained there for the rest of his life, searching for agricultural improvements.

Carver discovered a multitude of uses for agricultural products, concocted hundreds of dyes and pigments and created numerous synthetic products. His discoveries improved agriculture and paved the way for other successful minorities.

Born in 1862, Kansas' first public health official, **Samuel J. Crumbine** was responsible for numerous reforms across the country. The "frontier doctor" warned the nation about health hazards and was consequently responsible for many health-conscious products on the market today.

Crumbine began his career working in a pharmacy and later attended the Cincinnati College of Medicine and Surgery. During school vacations he worked in and acquired part ownership of a drug store in Kansas. In 1885 he moved to Dodge City and after establishing himself, married college classmate Katherine Zuercher.

In 1898 Crumbine was invited to join the fledgling Kansas State Board of Health and was later elected secretary and executive. On this platform, he led his most famous and effective public health campaigns.

Crumbine was responsible for warning the public of the hazards of houseflies, prompting the invention of window screens and fly swatters. The invention of the paper cup came about after Crumbine produced evidence that disease could be spread through common drinking cups. Kansas became the first state to ban common drinking utensils in 1909. It was the first decree of its kind and just the first of many from Crumbine and the Board of Health.

Crumbine continued to serve as Secretary of the Board of Health until his resignation in 1923. He then became director of the American Child Health Association in New York, remaining there for the rest of his career. His dedication to informing communities changed public health in Kansas and the nation.

As a boy in Burlingame, Kansas, **Earl Sutherland** devoured the science and medical books his parents gave him. He read about Louis Pasteur and disease-causing germs with a vivid curiosity. Science continued to fascinate Sutherland for the rest of his life.

Upon graduation from Washburn College in 1937, Sutherland received a scholarship to medical school. He attended Washington University in St. Louis graduating with a Master's degree in 1942. He was an instructor there until 1953 when he was offered a position as professor and director of the Department of Pharmacology at Western Reserve University. Ten years later, Sutherland became a professor of physiology at Vanderbilt University.

After extensive research Sutherland discovered cyclic adenosine monophosphate, or cyclic AMP, which forms on the membrane of a cell. Cyclic AMP carries epinephrine or adrenaline, into the cell, regulating functions such as growth and metabolism and occurs in almost every cell. Considered a pivotal step toward understanding hormone action, Sutherland's advances attracted international attention.

The Karolinska Medical Institute in Stockholm, Sweden awarded Sutherland the Nobel Prize in medicine on December 10, 1971. The sole recipient in eleven years, Sutherland received a medal, certificate and $88,000. Sutherland continued researching, as a career investigator with the American Heart Association and at the University of Miami, until his death in 1974.

MILLIMAN & ROBERTSON, INC.
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September 6, 2000

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

Dear Members of Board:

At your request, we have conducted our annual actuarial valuation of the Kansas Public Employees Retirement Systems as of June 30, 2000. The results of the valuation are contained in the following report.

The valuation results reflect the impact of the partial 13th check granted by the 2000 Legislature (payable October, 2000). There were no other changes in plan provisions from the prior valuation. There has been no change in the actuarial assumptions used in this report as compared to the prior valuation; however, certain refinements in the valuation procedures are first reflected in this valuation.

In preparing our report, we relied, without audit, on the employee census data and financial statements provided by the Retirement System.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with principles of practice prescribed by the Actuarial Standards Board.

We hereby further certify that all costs, liabilities, rates of interest and other factors under the Plan have been determined on the basis of actuarial assumptions and methods which are internally consistent, reasonable (taking into account the experience of the Plan and reasonable expectations of future experience) and which, in combination, offer our best estimate of anticipated experience under the Plan.

Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions.

Respectfully Submitted,
MILLIMAN & ROBERTSON, INC.

Patrice Beckham

Patrice A. Beckham, F.S.A.
Principal

SECTION I

BOARD SUMMARY

OVERVIEW

This report presents the results of the June 30, 2000 actuarial valuations of the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Firemen's Retirement System (KP & F) and the Kansas Retirement System for Judges (Judges). The primary purposes of performing valuations are to:

- determine the employer contribution rates required to fund each System on an actuarial basis,
- determine the statutory employer contribution rates for each System,
- disclose asset and liability measures as of June 30, 2000
- determine the experience of the System over the past year, and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

The valuation results provide a "snapshot" view of each System's financial condition on June 30, 2000. The results reflect the liability for the partial 13th check granted by the 2000 Legislature which is payable in October 2000. The unfunded actuarial liability decreased by $164 million, largely due to investment return on the actuarial value of assets in excess of the 8% assumed. A detailed analysis of the change in the unfunded actuarial liability from June 30, 1999 to June 30, 2000 is shown on page 5.

CONTRIBUTION RATES

Currently, the full actuarial contribution rate is not made by all employers. Kansas legislation with respect to KPERS provides that the employer rates of contribution for State and Local employers certified by the Board may not increase by more than 0.20% and 0.15% of payroll respectively over the prior year plus the cost of any benefit enhancements granted by the Legislature. The statutory limits do not apply to TIAA, KP & F and Judges. Based on the current valuation, there is a difference between the actuarial and statutory contribution rates of 1.19% and 0.55% respectively for the State/School and Local groups. This shortfall in contribution rates is reflected in an increase in the unfunded actuarial liability from year to year, which would otherwise not occur.

A summary of actuarial and recommended employer contribution rates follows:

	2000 Valuation		
System	**Actuarial**	**Recommended**	**Difference**
State/School	6.17%	4.98% [1]	1.19%
Local	4.07%	3.52%[1]	0.55%
TIAA	2.27%	2.27%	0.00%
Police & Fire -Uniform Rates [2]	6.79%	6.69%	0.00%
Judges	15.46%	15.46%	0.00%
Weighted Average	5.50%	4.60%	0.90%

	1999 Valuation		
System	**Actuarial**	**Recommended**	**Difference**
State/School	6.00%	4.78% [1]	1.22%
Local	3.88%	3.37% [1]	0.51%
TIAA	2.03%	2.03%	0.00%
Police & Fire -Uniform Rates [2]	6.89%	6.89%	0.00%
Judges	15.68%	15.68%	0.00%
Weighted Average	5.33%	4.42%	0.91%

[1] Rates, by statute, are allowed to increase by a maximum of 0.20% and 0.15% per year plus the cost of any benefit enhancements for State and Local employers respectively.

[2] For KP&F, the recommended contribution rate is equal to the "Uniform" rate. The rate shown is for local employers. The rate for State employers is 6.48%. The uniform rate does not include the payment required to amortize the unfunded past service liability or any 15% excess benefit liability determined separately for each employer.

Employer Contribution Rates for Correctional Employee Groups are:

Retirement Age 60: 7.88%
Retirement Age 55: 8.52%

The funding objective of the plan is to establish contribution rates that over time will remain relatively level, as a percentage of payroll, and to pay off the unfunded actuarial liability by the year 2033. There was a net decrease of $164 million in the unfunded actuarial liability from the 1999 to the 2000 valuation. Under current projections, the actuarial and statutory rates are expected to converge, indicating the System's funding objective should be achieved.

EXPERIENCE - ALL SYSTEMS COMBINED
July 1, 1999 - June 30, 2000

Several factors contributed to the change in the Systems' assets, liabilities, and recommended contribution rates between June 30, 1999 and June 30, 2000. On the following pages each component is examined.

ASSETS

As of June 30, 2000, the System had total funds, when measured on a market value basis, of $10.527 billion, excluding assets held for the Group Insurance and Optional Life reserves. This was an increase of $1.091 billion from the 1999 figure of $9.436 billion. The components of the change in the market value of assets for the Retirement System (in millions) are set forth below:

	Market Value
Assets, June 30, 1999	$9,436
• Employer and Member Contributions	356
• Benefit Payments and Expenses	(555)
• Investment Income (Expected)	747
• Investment Gain/(Loss)	543
Assets, June 30, 2000	$10,527

The market value of assets is not used directly in the calculation of contribution rates. An asset valuation method is used to smooth the effect of market fluctuations. The actuarial value of assets is equal to the expected asset value based on the assumed interest rate plus 1/3 of the difference between the actual market value and the expected asset value. The dollar-weighted rate of return, measured on the actuarial value of assets, was 13.8%. The actuarial value of assets as of June 30, 2000 was $9.568 billion.

LIABILITIES

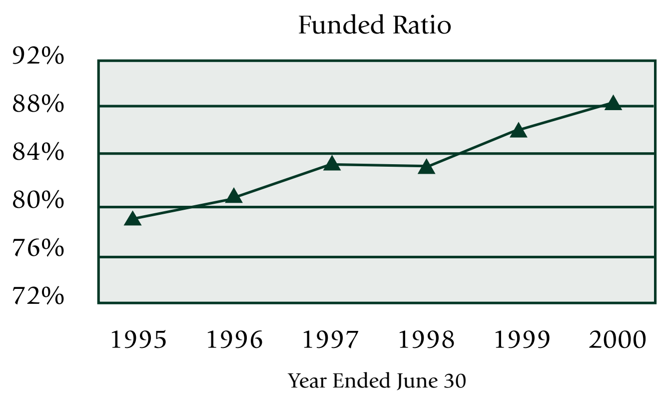
The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and asset values at the same date is referred to as the unfunded actuarial liability. The unfunded actuarial liability will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial liability. Benefit improvements, experience gains and losses, and changes in actuarial assumptions and procedures will also impact the total actuarial liability and the unfunded portion thereof. Between June 30, 1999 and June 30, 2000 the change in the unfunded actuarial liabilities for the System as a whole was as follows (in millions):

(Unfunded) Actuarial Liability, June 30, 1999	(1,397)
• effect of contribution cap/time lag	(66)
• expected increase due to amortization method	(22)
• gain from investment gain	441
• actual experience other than investment return	(99)
• refinement in data/procedures	(71)
• change in benefit provisions (13th check)	(19)
(Unfunded) Actuarial Liability, June 30, 2000	(1,233)

From a historical perspective, the unfunded actuarial liability has decreased over the past five years due to significant gains on the actuarial value of assets. The increase in 1998 was the net result of the changes in the actuarial assumptions and the 1998 COLA, which were larger than the gain from favorable experience. The unfunded actuarial liability as of June 30, 2000 is $534 million less than would have been expected based on 1994 projections (assuming the actuarial contribution rate was made in all years).

An evaluation of the unfunded actuarial liability on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities are reflected. Another way to evaluate the unfunded actuarial liability and the progress made in funding it is to track the funded status, the ratio of the actuarial value of assets to the actuarial liability. This information is shown below (in millions).

	1996	1997	1998	1999	2000
Funded Ratio	81.0%	83.3%	83.0%	86.0%	88.6%
Unfunded Actuarial Liability (UAL)	1,444	1,376	1,591	1,397	1,233



The funded status of the Retirement System has improved steadily over the past six years.

CONTRIBUTIONS

Generally, contributions to the System consist of:

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

The combined Systems' employer actuarial contribution rate (before statutory limits) increased by 0.17% of pay, to 5.50% on June 30, 2000, from 5.33% on June 30, 1999. The primary components of this change are as follows:

Actuarial Contribution Rate, June 30, 1999	5.33%
Change in amortization of UAL	
• effect of contribution cap/time lag	0.09
• amortization method	0.00
• investment gain	(0.49)
• actual experience other than investment return	0.11
• refinement in valuation procedures	0.09
• changes in benefit provisions (13th check)	0.02
Change in normal cost rate	0.07
• member demographics	0.03
• refinement in valuation procedures*	0.24
Actuarial Contribution Rate, June 30, 2000	5.50%

ACTUARIAL ASSUMPTIONS AND METHODS

Every three years the actuary makes a general investigation of the actuarial experience under the System including mortality, retirement, and employment turnover. The actuary recommends actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation. An actuarial experience study was conducted for the three years ending December 31, 1997. As a result of this study, the Board of Trustees adopted the assumptions to be used for the valuations effective June 30, 1998.

A. Actuarial Assumptions (As of June 30, 1998)

KPERS

Rate of Investment Return — 8.0%

Rates of Mortality — School (Male): 1994 GAM Male Table
School (Female): 1994 GAM Female Table -1
NonSchool (Male): 1994 GAM Male Table +2
NonSchool (Female): 1994 GAM Female Table +1

Disabled Life Mortality — 1994 GAM Table Set forward 12 years

Rates of Salary Increase

Age	Rate
25	7.6%
30	6.5%
35	5.9%
40	5.6%
45	5.3%
50	4.7%
55	4.2%
60	4.0%

Rates of Termination (Service Based)

School – Male Years of Service

Age	1	2	3	4	5 or more
25	26.0%	19.0%	15.6%	13.0%	9.0%
30	23.5%	17.2%	14.1%	11.0%	6.0%
35	21.9%	16.0%	13.1%	11.0%	4.5%
40	21.4%	15.6%	12.8%	10.7%	4.0%
45	20.9%	15.3%	12.5%	10.5%	3.2%
50	20.4%	14.9%	12.2%	10.2%	2.4%

School - Female Years of Service

Age	1	2	3	4	5 or more
25	26.0%	20.7%	17.5%	11.3%	12.0%
30	23.5%	16.2%	14.4%	9.2%	8.0%
35	20.0%	13.5%	12.5%	8.0%	5.7%
40	16.5%	11.3%	9.0%	7.3%	3.5%
45	14.0%	10.2%	8.7%	7.1%	2.1%
50	13.4%	9.9%	8.5%	7.0%	2.0%

State - Male Years of Service					
Age	**1**	**2**	**3**	**4**	**5 or more**
25	25.0%	20.5%	17.5%	15.0%	15.0%
30	20.0%	16.4%	14.0%	12.0%	9.0%
35	17.5%	14.4%	12.3%	10.5%	6.0%
40	15.8%	13.0%	11.1%	9.5%	4.8%
45	15.3%	12.5%	10.7%	9.2%	4.0%
50	15.0%	12.3%	10.5%	9.0%	3.0%

State - Female Years of Service					
Age	**1**	**2**	**3**	**4**	**5 or more**
25	25.0%	23.0%	21.3%	15.0%	18.8%
30	20.5%	18.9%	17.4%	12.3%	12.0%
35	17.8%	16.4%	15.1%	10.7%	8.5%
40	16.3%	15.0%	13.9%	9.8%	5.9%
45	15.8%	14.5%	13.4%	9.5%	5.0%
50	15.5%	14.3%	13.2%	9.3%	4.5%

Local - Male Years of Service					
Age	**1**	**2**	**3**	**4**	**5 or more**
25	23.0%	18.4%	16.1%	15.0%	7.0%
30	18.0%	14.4%	12.6%	11.7%	8.0%
35	15.0%	12.0%	10.5%	9.8%	5.7%
40	12.5%	10.0%	8.8%	8.1%	4.5%
45	11.3%	9.0%	7.9%	7.3%	3.9%
50	11.0%	8.8%	7.7%	7.2%	3.5%

Local - Female Years of Service					
Age	**1**	**2**	**3**	**4**	**5 or more**
25	25.0%	22.5%	18.8%	15.8%	10.0%
30	20.0%	18.0%	15.0%	12.6%	10.0%
35	17.5%	15.8%	13.1%	11.0%	8.3%
40	15.8%	14.2%	11.9%	10.0%	6.5%
45	15.3%	13.8%	11.5%	9.6%	5.0%
50	15.0%	13.5%	11.3%	9.5%	5.0%

Retirement Ages

School

Rule of 85

Age	1st Year With 85 Points	After 1st Year With 85 Points
53	20%	10%
55	20%	15%
57	20%	15%
59	25%	25%
61	30%	35%

Early and Normal Retirement

Age	Rate
55	3%
57	3%
59	10%
61	15%
63	30%
65	40%
67	20%
69	20%

State

Rule of 85

Age	1st Year With 85 Points	After 1st Year With 85 Points
53	20%	20%
55	20%	15%
57	20%	15%
59	15%	15%
61	25%	25%

Early and Normal Retirement

Age	Rate
55	3%
57	3%
59	5%
61	15%
63	30%
65	50%
67	30%
69	20%

Local **Rule of 85**

Age	1st Year With 85 Points	After 1st Year With 85 Points
53	10%	5%
55	10%	5%
57	10%	10%
59	10%	10%
61	25%	20%

Early and Normal Retirement

Age	Rate
55	3%
57	3%
59	5%
61	15%
63	25%
65	40%
67	20%

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

Rates of Disability:

Age	School	State	Local
25	.025%	.036%	.030%
30	.025%	.146%	.065%
35	.035%	.230%	.097%
40	.050%	.305%	.130%
45	.096%	.376%	.190%
50	.213%	.511%	.330%
55	.452%	.892%	.600%
60	.850%	1.400%	1.200%

Probability of Vested Members Leaving Contributions With System:

Age	School	State	Local
25	60%	50%	35%
30	60%	50%	35%
35	75%	60%	50%
40	80%	70%	65%
45	85%	75%	75%
50	100%	100%	100%

Marriage Assumption: 70% of all members are assumed married with male spouse assumed 3 years older than female.

A. Actuarial Assumptions

KP&F

Rate of Investment Return	8.0%
Rates of Mortality	1994 GAM Male Table*
	*70% of preretirement deaths assumed to be service related
Disabled Life Mortality	1994 GAM Table Set forward 12 years

Rates of Salary Increase

Age	Rate
25	7.6%
30	6.5%
35	6.4
40	6.0
45	5.7
50	6.0
55	7.0
60	6.0

Rates of Termination

Age	Rate
25	9.6%
30	7.0%
35	5.0%
40	3.7%
45	2.5%
50	1.8%
55	1.5%
60	1.5%

Retirement Ages

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

(a) age 52 and 25 years of service,
(b) age 55 and 20 years of service, or
(c) age 60 and 15 years of service.

Rates of Disability

Age	Rate
22	.06%
27	.07%
32	.30%
37	.60%
42	.90%
47	1.10%
52	1.50%
57	1.94%

**90% assumed to be service-connected under KP & F Tier I.
Marriage Assumption: 80% of all members assumed married with male spouse assumed to be three years older than female.

A. Actuarial Assumptions

Judges

Rate of Investment Return	8.0%	
Rates of Mortality	1994 GAM Table	
Rates of Salary Increase	5.5%	
Rates of Termination	**Age**	**Rate**
	22	5.4%
	27	5.2%
	32	4.9%
	37	4.4%
	42	2.8%
	47	1.2%
	52	1.0%
	57	0.0%
Disabled Life Mortality	Same as Healthy Lives	
Rates of Disability	None assumed	

Marriage Assumption: 70% of all members are assumed married with male spouse assumed 3 years older than female.

B. Actuarial Methods

1. Funding Method

KPERS

Under the Projected Unit Credit actuarial cost method, the normal cost for any year is equal to the actuarial present value of the benefits allocated to that year. The actuarial present value of benefits that are allocated to prior years is called the actuarial liability.

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

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

2. Asset Valuation Method

For actuarial purposes, assets are valued at expected value at the valuation date plus one-third of the difference between the market value and expected value.

2000 SUMMARY of PLAN PROVISIONS

NOTE: *In the interest of simplicity, certain generalizations have been made. The text of the law and the rules adopted by the Board of Trustees will control specific situations.*

Plan Membership

The Kansas Public Employees Retirement System (the Retirement System, or, the System), is a body corporate and an instrumentality of the State of Kansas. The Retirement System is an umbrella organization administering three statewide retirement systems: the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Firemen's Retirement System (KP&F), and the Kansas Retirement System for Judges (Judges). All three systems are defined benefit, contributory 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 cost-sharing, multi-employer plans. Participation by the State of Kansas is mandatory, whereas participation by local political subdivisions is optional but irrevocable once elected. Benefit payments are also provided for a certain group of legislative employees.

Employee Membership

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

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Summary of Provisions

Retirement: Age and Service Requirements

Eligibility — Eligibility is (a) Age 65, or (b) age 62 with ten years of credited service, or (c) any age when combined age and years of credited service equal 85 "points." Age is determined by the member's last birthday and is not rounded up. **Benefits** — Benefits are based on the member's years of credited service, Final Average Salary (FAS), and a statutory multiplier. Effective July 1, 2001, at retirement a member may elect to receive a lump sum payment of up to 50 percent of the actuarial present value of the member's monthly benefit. The monthly retirement benefit is then reduced accordingly. For those who were hired prior to July 1, 1993, Final Average Salary equals the greater of either: a four-year Final Average Salary, including add-ons, such as sick and annual leave; or a three-year Final Average Salary, excluding add-ons, such as sick and annual leave. For those who are hired on or after July 1, 1993, Final Average Salary equals the average of the three highest years of service, excluding add-ons, such as sick and annual leave. **Prior Service Credit** — Prior service credit is 0.75 percent to one percent (1%) of Final Average Salary per year [School employees receive 0.75 percent Final Average Salary for each year of prior service that is not credited under the former Kansas School Retirement System (KSRS)]. **Participating Service Credit** — Participating service credit is 1.75 percent of Final Average Salary. **Working after Retirement** — Effective July 1, 1998, there is a 30-day waiting period during which a retiring member may not return to work in any capacity for any participating employer.

Early Retirement

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

Vesting Requirements

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

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Summary of Provisions

Other Benefits

Withdrawal Benefit — Members who terminate employment may withdraw contributions, with interest, after the last day on the employer's payroll. Members must wait 30 days after their last day on the payroll before applying to withdraw contributions. Withdrawing contributions forfeits all membership rights and benefits, such as insurance coverage, which a member may have accrued prior to withdrawing contributions from the Retirement System. Former members, who return to covered employment within five years after terminating employment, will not have lost any membership rights or privileges, if they ***haven't*** withdrawn contributions. The Retirement Act does not allow members to borrow from contributions. The employer portion of contributions remains with the System when a member terminates employment and withdraws contributions. The Retirement System will refund contributions only after all contributions have been reported by the member's former employer.

Disability Benefit — Disability income benefits are provided under the KPERS Death and Disability Benefits Program, which is financed by employer contributions of 0.6 percent of a member's compensation. A member must be totally disabled for 180 continuous days. Benefits accrue from the later of the 181st day of continuous disability or from the first day upon which compensation from the employer ceases. The long term disability benefit is two-thirds of the member's annual compensation on the date disability commences, reduced by Social Security benefits, Workers' Compensation benefits (members must apply), and any other employment-related disability benefits, but in no event will the monthly benefit be less than $100 per month. Members receiving disability benefits continue to receive service credit under KPERS, group life insurance coverage, and waiver of optional group life insurance premiums if the member is under age 65 when first disabled. If a disabled member retires after receiving disability benefits for at least five years immediately preceding retirement, the member's Final Average Salary is statutorily adjusted.

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

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

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Summary of Provisions

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

Post-retirement death — A lump sum amount of $4,000 is payable to the member's beneficiary. The beneficiary may, in turn, assign this benefit to a funeral home. The beneficiary for the $4,000 death benefit may be, but is not always, the same person as the member's joint annuitant. If the member has selected a retirement option, benefits are paid to the joint annuitant or the designated beneficiary. Under joint and survivor retirement options, if the joint annuitant predeceases the retired member, the reduced option benefit is increased to the amount the retired member would have received if no retirement option had been elected. Benefits payable to a joint annuitant cease at the joint annuitant's death. If a member does not select an option, the designated beneficiary receives the excess, if any, of the member's accumulated contributions plus interest, over total benefits paid to date of death.

Member Contributions

Member contributions are four percent (4%) of compensation. Interest is credited to members' contribution accounts on June 30 each year, based on account balance as of the preceding December 31, at the interest rate adopted by the Board for actuarial valuations. Those who became members prior to July 1, 1993, have interest credited to their accounts at the rate of eight percent (8%) per year. Those who become members on and after July 1, 1993, will have interest credited to their accounts at the rate of four percent (4%) per year.

Employer Contributions

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

Board of Regents Plan Members (TIAA and equivalents)

Board of Regents plan members (TIAA and equivalents) do not make contributions to KPERS. They receive prior service benefits for service before 1962; the benefit is one percent (1%) of Final Average Salary for each year of credited prior service. Service after 1961 is counted for purposes of determining eligibility for vesting. These members are also covered by the KPERS Death and Disability Benefits Program.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Summary of Provisions

Correctional Members

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

For groups (a) and (b) with at least three consecutive years of credited service, in such positions immediately preceding retirement, normal retirement age is 55 and early retirement requirements are age 50 with ten years of credited service. For groups (c), (d), (e), and (f) with at least three consecutive years of service in such positions immediately preceding retirement, normal retirement age is 60 and early retirement requirements are age 55 with ten years of credited service. Both groups are also eligible for full benefits when age and service equal 85 "points".

KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM

Summary of Provisions

Retirement: Age and Service Requirements

Eligibility — TIER I *: age 55 and 20 years of service.
Eligibility — TIER II **: age 50 and 25 years of service, or age 55 and 20 years of service, or age 60 and 15 years of service. **Benefits** — Benefits are based on the member's Final Average Salary. Effective July 1, 2001, at retirement a member may elect to receive a lump sum payment of up to 50 percent of the actuarial present value of the member's monthly benefit. The monthly retirement benefit is then reduced accordingly. For those who were hired prior to July 1, 1993, Final Average Salary equals the average of the highest three of the last five years of credited participating service, including add-ons, such as sick and annual leave. For those who are hired on or after July 1, 1993, Final Average Salary equals the average of the highest three of the last five years of participating service, excluding add-ons, such as sick and annual leave. Benefits are based on a member's years of service, and a multiplier of 2.5 percent of Final Average Salary for each year of service, to a maximum of 80 percent of Final Average Salary. **Local Plan** — For members covered by local plan provisions on the employer's entry date, normal retirement is at age 50 with 22 years of credited service. **Working after Retirement** — Effective July 1, 1998, there is a 30-day waiting period in which a retiring member may not return to work in any capacity for any participating employer.

Early Retirement

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

KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM

Summary of Provisions

Vesting Requirements

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

Other Benefits

Withdrawal Benefits — Members who terminate employment before retirement may withdraw contributions with interest after the last day on the employer's payroll. Effective July 1, 1998, members must wait 30 days after their last day on the payroll before applying to withdraw contributions. Withdrawal of contributions forfeits all membership rights and benefits, which a member may have accrued prior to withdrawing accumulated contributions from the Retirement System. If a vested member (either Tier I or Tier II), who is married, terminates employment and wants to withdraw accumulated contributions, the member's spouse must provide consent for the withdrawal of contributions since any benefits to which the spouse may have been entitled in the future would be forfeited as well. Former members, who return to covered employment within five years after terminating employment, will not have lost any membership rights or privileges if they *haven't* withdrawn contributions. The Retirement Act does not allow members to borrow from contributions. The employer portion of contributions remain with the System when a member terminates employment and withdraws contributions. The Retirement System will refund contributions only after all contributions have been reported by the member's former employer.

Disability Benefits

TIER I *: Service-connected disability — There is no age or service requirement to be eligible for this benefit; there is a pension of 50 percent of Final Average Salary, plus 10 percent of Final Average Salary for each dependent child under age 18 (or up to age 23 for full-time students), to a maximum of 75 percent of Final Average Salary. If dependent benefits aren't payable, the benefit is 2.5 percent for each year, to a maximum of 80 percent of Final Average Salary. Upon the death of a member receiving service-connected disability benefits, the spouse and dependent children receive service-connected death benefits if the member dies within two years of retirement or after two years from the same service-connected cause; if service-connected death benefits aren't payable, the spouse receives a lump sum payment of 50 percent of the member's Final Average Salary. Additionally, a pension of half the member's benefit is payable to either the spouse or to the dependent children.

KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM

Summary of Provisions

TIER I*: Non service-connected disability — This pension is calculated at 2.5 percent of Final Average Salary per year of service, to a maximum benefit of 80 percent of Final Average Salary (minimum benefit is 25 percent of Final Average Salary). Upon the death of a member receiving non-service-connected disability benefits, the surviving spouse receives a lump sum payment of 50 percent of Final Average Salary. Additionally, a pension benefit of one-half the member's benefit is payable to either the spouse or to the dependent children.

TIER II **: There is no distinction between service-connected and non-service-connected disability benefits. Benefit is 50 percent of Final Average Salary. Service credit is granted during the period of disability. Disability benefits convert to age and service retirement at the earliest date the member is eligible for full retirement benefits. If the member is disabled for at least five years immediately preceding retirement, the member's Final Average Salary is statutorily adjusted. Disability benefits are offset one dollar for each two dollars earned after the first $10,000 earnings.

Death Benefits

TIER I * and TIER II **: Service Connected Death — There is no age or service requirement, and a pension of 50 percent of Final Average Salary goes to the spouse, plus 10 percent of Final Average Salary goes to each dependent child under age 18 [or up to age 23 if full time student(s)], to a maximum of 75 percent of Final Average Salary. **Non-Service-connected Death** — A lump sum of 100 percent of Final Average Salary goes to the spouse; and a pension of 2.5 percent of Final Average Salary per year of service (to a maximum of 50 percent) is payable to the spouse. If there is no spouse, the monthly benefit is paid to the dependent children. No surviving spouse or children 100 percent of current annual salary less refundable contributions and interest to the beneficiary. **Inactive Member Death** — If a member had at least 20 years of credited service, but had not reached retirement age, the surviving spouse (if the spouse is the sole beneficiary) may elect a monthly benefit to begin on the date the member would have been eligible to retire, in lieu of a refund of the member's contributions. If an inactive member is eligible to retire when death occurs, and the inactive member's spouse is the sole beneficiary, the spouse may elect to receive benefits as a joint annuitant under any option in lieu of a refund of the member's accumulated contributions. **Post-Retirement Death** — A lump sum amount of $4,000, is payable. If the member has selected a retirement option, benefits are paid to the joint annuitant or the designated beneficiary. Under joint and survivor options, if the joint annuitant predeceases the retired member, the benefit is increased to the amount the retired member would have received if no option had been selected. Benefits payable to the joint annuitant cease when the joint annuitant dies. If no option is selected, the designated beneficiary receives the excess, if any, of the member's accumulated contributions over total benefits paid to the date of death. The surviving spouse of a transfer member (who was covered by a local plan on the employer's entry date, who dies after retirement, and who had not elected a retirement benefit option), receives a lump sum payment of 50 percent of Final Average Salary. Additionally, a pension benefit of three-fourths of the member's benefit is payable either to the spouse or to dependent children.

KANSAS RETIREMENT SYSTEM for KP&F

Summary of Provisions

* **TIER I**	—	Members have Tier I coverage if they were employed prior to July 1, 1989, and if they did not elect coverage under Tier II.
** **TIER II**	—	Members have Tier II coverage if they were employed July 1, 1989, or later. This also includes members employed before July 1, 1989, who elected Tier II coverage.

Member Contributions

Member contributions are seven percent (7%) of compensation. For members with 32 years of credited service, the contribution rate is reduced to two percent (2%) of compensation.

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

KANSAS RETIREMENT SYSTEM for JUDGES

Summary of Provisions

Employer Contributions

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

Retirement: Age and Service Requirements

Eligibility — Eligibility is (a) Age 65, or (b) age 62 with ten years of credited service, or (c) any age when combined age and years of credited service equal 85 "points." Age is determined by the member's last birthday and is not rounded up. **Benefit** — The benefit is based on the member's Final Average Salary, which is the average of the three highest years of service as a judge. Effective July 1, 2001, at retirement a member may elect to receive a lump sum payment of up to 50 percent of the actuarial present value of the member's monthly benefit. The monthly retirement benefit is then reduced accordingly. The basic formula for those who were members prior to July 1, 1987, is five percent (5%) of Final Average Salary for each year of service up to ten years, plus 3.5 percent for each year, to a maximum of 70 percent of Final Average Salary. For those who became members on or after July 1, 1987, the formula is 3.5 percent for each year, to a maximum benefit of 70 percent of Final Average Salary.

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

KANSAS RETIREMENT SYSTEM for JUDGES

Summary of Provisions

Early Retirement

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

Vesting Requirements

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

Other Benefits

Disability Benefits — These benefits are payable if a member is defined as permanently physically or mentally disabled. The disability benefit, payable until age 65, is 3.5 percent of Final Average Salary for each year of service (minimum of 25 percent of Final Average Salary). Benefits are recalculated when the member reaches retirement age. If a judge is disabled for at least five years immediately preceding retirement, the judge's Final Average Salary is statutorily adjusted. **Withdrawal Benefit** — Members who terminate employment may withdraw contributions with interest. Members must wait 30 days after their last day on the payroll before applying to withdraw contributions. The employer portion of contributions remain with the System when a member terminates employment and withdraws contributions. The Retirement Act does not allow members to borrow from contributions. A former member who resumes service as a judge may return the amount refunded without additional interest or penalty and regain credit for service previously credited under the Retirement System. **Pre-retirement Death** — A lump sum insured death benefit equal to 150 percent of the member's annual compensation on the date of the member's death is payable; plus a refund of the member's accumulated contributions. In lieu of receiving the member's accumulated contributions, the surviving spouse of a member who is eligible to retire at death, may elect to receive benefits under any survivor benefit option. The spouse must be the member's sole designated beneficiary to exercise this option. If the member had at least 15 years of credited service, but hadn't reached retirement age at the time of death, the spouse may elect a monthly benefit to begin on the date the member first would have been eligible to retire. **Post-retirement Death** — A lump sum death benefit of $4,000 is payable to the member's beneficiary. If the member had selected an option with survivor

KANSAS RETIREMENT SYSTEM for JUDGES
Summary of Provisions

benefits, those benefits are paid to the joint annuitant or to the member's designated beneficiary. Under retirement options with survivor benefits, if the joint annuitant predeceases the retired member, the retirement benefit is increased to the amount the retired member would have received if no survivor benefits had been elected. Benefits payable to a joint annuitant cease when the joint annuitant dies. If no option was chosen by the retired member, the member's designated beneficiary receives the excess, if any, of the member's accumulated contributions over the total benefits paid to the date of the retired member's death.

Member Contributions

Judges contributions are six percent (6%) of compensation. Upon reaching the maximum retirement benefit level of 70 percent of Final Average Salary, the contribution rate is reduced to two percent (2%).

Employer Contributions

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

Short Term Solvency Test
Last Ten Fiscal Years

Valuation Date	Member Contributions (A)	Retirants and Beneficiaries (B)	Active Members Employer Financed Portion (C)	Assets Available for Benefits	Portions of Accrued Liabilities Covered by Assets (A)	(B)	(C)
06/30/91	$1,208,273,400	$1,374,757,300	$1,679,117,300	$3,759,523,000	100%	100%	70%
06/30/92	1,489,301,000	1,530,763,300	1,614,777,700	4,101,987,000	100	100	67
06/30/93	1,651,701,100	1,864,877,500	1,943,701,800	4,492,541,700	100	100	50(2)
06/30/94	1,801,791,938	2,388,662,221	2,356,469,874	5,041,702,745(1)	100	100	36
06/30/95	1,958,992,138	2,678,609,811	2,353,427,051	5,510,957,394	100	100	37
06/30/96	2,159,113,770	3,037,892,830	2,406,103,997	6,158,754,752	100	100	40
06/30/97	2,337,511,704	3,232,733,926	2,681,740,618	6,875,918,348	100	100	49
06/30/98	2,522,614,846	3,841,556,459	2,976,514,154	7,749,203,022	100	100	47
06/30/99	2,725,881,233	4,125,714,368	3,147,650,125	8,601,875,670	100	100	56
06/30/00	2,929,469,325	4,454,897,319	3,417,030,430	9,568,274,828	100	100	64

1) Actuarial valuation method was changed from book value to a market-based method.
2) 1993 legislation passed substantial benefit enhancements and changed the actuarial method of the KPERS system from the frozen initial liability method to the projected unit cost method. The amortization period was also adjusted to a 40 year period beginning July 1, 1993.

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

Schedule of Active Member Valuation Data (1)

Valuation Date	Number of Active Members	Percentage Change in Membership	Number of Participating Employers	Percentage Increase in Number of Participating Employers	Total Annual Payroll (Millions)(2)	Average Payroll	Percentage Increase in Average Payroll
06/30/91	114,460	2.4 %	1,223	2.9 %	$ 2,560	$ 22,366	4.3 %
06/30/92	116,077	1.4	1,247	2.0	2,700	23,260	4.0
06/30/93	119,074	2.6	1,272	2.0	2,835	23,809	2.4
06/30/94	123,178	3.4	1,287	1.2	3,068	24,907	4.6
06/30/95	131,270	6.6	1,309	1.7	3,309	25,208	1.2
06/30/96	134,470	2.4	1,344	2.7	3,464	25,760	2.2
06/30/97	136,241	1.3	1,371	2.0	3,590	26,350	2.3
06/30/98	134,866	-1.0	1,397	1.9	3,765	27,915	5.9
06/30/99	137,969	2.3	1,407	0.7	4,088	28,529	2.2
06/30/00	140,559	1.9	1,416	0.6	4,290	30,471	6.8

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

Schedule of Employer Contribution Rates

Last Ten Fiscal Years (1)

KPERS STATE/SCHOOL

Fiscal Years	Actuarial Determined Rate	Actual Rate
1991	3.20%	3.20%
1992	3.30	3.30
1993	3.30	3.30
1994	3.10	3.10
1995	3.10	3.20
1996	4.11	3.30
1997	5.17	3.59
1998	5.23	3.79
1999	5.33	3.99
2000	**5.27**	**4.19** (2)

KPERS LOCAL

Fiscal Years	Actuarial Determined Rate	Actual Rate
1991	2.40%	2.40%
1992	1.80	1.80
1993	1.90	1.90
1994	2.20	2.20
1995	3.05	2.30
1996	3.72	2.48
1997	3.73	2.63
1998	3.86	2.78
1999	3.86	2.93
2000	**3.89**	**3.22** (2)

TIAA

Fiscal Years	Actuarial Determined Rate	Actual Actual Rate
1991	1.50%	1.50%
1992	1.70	1.70
1993	1.60	1.60
1994	1.60	1.60
1995	1.70	1.70
1996	1.75	1.75
1997	1.89	1.89
1998	1.66	1.66
1999	1.93	1.93
2000	**1.82**	**1.82** (2)

KP&F (UNIFORM RATE)

Fiscal Years	Actuarial Determined Rate	Actual Actual Rate
1991	7.80%	7.80%
1992	5.70	5.70
1993	6.50	6.50
1994	6.80	6.80
1995	6.95	6.95
1996	9.65	9.65
1997	9.73	9.73
1998	9.45	9.45
1999	7.36	7.36
2000	**7.35**	**7.35**

JUDGES

Fiscal Years	Actuarial Determined Rate	Actual Rate
1991	5.40%	5.40%
1992	7.30	7.30
1993	7.10	7.10
1994	7.70	7.70
1995	8.00	8.00
1996	10.35	10.35
1997	16.00	16.00
1998	15.67	15.67
1999	15.67	15.67
2000	**14.38**	**14.38** (2)

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

Retirants, Beneficiaries - Changes in Rolls - All Systems
Last Ten Fiscal Years

		Additions		Deletions		
Number at Fiscal Year Ended June 30	Number at Beginning of Year	Number Added	Annual Allowances	Number Removed	Annual Allowances	Number at End of Year
1991	38,243	2,431	$17,912,703	1,412	$3,996,293	39,262
1992	39,262	2,476	20,430,611	1,383	4,268,325	40,355
1993	40,355	2,492	22,391,029	1,459	4,632,807	41,388
1994	41,388	3,576	41,949,288	1,593	6,120,175	43,371
1995	43,371	3,463	41,898,882	1,530	6,690,418	45,304
1996	45,304	3,119	37,681,571	1,677	7,233,445	46,746
1997	46,746	3,456	42,581,075	1,643	7,829,006	48,559
1998	48,559	3,228	40,731,685	1,716	7,638,945	50,071
1999	50,071	3,328	41,833,222	1,756	9,151,705	51,643
2000	51,643	3,360	44,028,303	1,862	9,563,949	53,141

Membership Profile
Last Ten Fiscal Years

Fiscal Year	Active	Inactive	Retirees & Beneficiaries	Total Membership
1991	111,818	10,368	39,262	161,448
1992	116,891	8,798	39,552	165,241
1993	121,997	9,182	41,388	172,567
1994	131,684	12,851	43,371	187,906
1995	136,710	13,362	45,304	195,376
1996	140,573	15,249	46,746	202,568
1997	141,127	17,973	48,559	207,659
1998	143,080	21,080	50,071	214,231
1999	147,985	22,000	51,643	221,628
2000	149,681	25,053	53,141	227,875

Summary of Membership Data

Retiree and Beneficiary Member Valuation Data (1)

	2000	1999
KPERS		
Number	50,037	48,643
Average Benefit	$8,243	$7,909
Average Age	73.69	73.85
Police & Fire		
Number	2,958	2,855
Average Benefit	$19,441	$18,818
Average Age	67.40	67.30
Judges		
Number	142	141
Average Benefit	$27,356	$26,612
Average Age	74.00	74.70
System Total		
Number	53,137	51,639
Average Benefit	$8,918	$8,563
Average Age	73.34	73.49

Active Member Valuation Data (1)

	2000	1999
KPERS		
Number	134,494	132,192
Average Current Age	44.35	44.17
Average Service	10.37	10.30
Average Pay	$29,789	$27,882
Police & Fire		
Number	6,091	5,864
Average Current Age	38.40	38.50
Average Service	10.80	10.88
Average Pay	$43,424	$41,116
Judges		
Number	248	236
Average Current Age	54.05	53.40
Average Service	10.40	10.30
Average Pay	$81,772	$77,719
System Total		
Number	140,833	138,292
Average Current Age	44.11	43.94
Average Service	10.39	10.32
Average Pay	$30,471	$28,529

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

Portrait of White, published in Life Magazine, c.1946

William Allen White

William Allen White, a maverick in his time and known as the "Sage of Emporia," was born February 10, 1868.

At the young age of eleven, White quit his printing job but became the ambitious owner of his own newspaper "The Emporia Gazette," just sixteen years later. It was here, as editor and owner, that he wrote his legendary editorials, gaining countrywide attention, changing history and even garnering a Pulitzer Prize.

White was born in Emporia, Kansas and graduated from El Dorado High School in 1884. He attended the College of Emporia, but subsequently left to learn the printing trade in El Dorado. White next attended the University of Kansas for four years, leaving before graduation and accepting a position with The El Dorado Republican in 1890. He worked many jobs including printer, circulation manager, reporter and advertising solicitor, finally becoming an editorial writer and Topeka correspondent to The Kansas City Journal. However, White felt the publication was floundering and in 1892 chose to accept employment with The Kansas City Star as an editorial writer. In 1895, White quit the Star, borrowed $3,000 and bought The Emporia Gazette.

White married Sallie Moss Lindsay and the couple had two children, William Lindsay, born in 1900 and Mary Katherine, born four years later.

After his purchase of the Emporia newspaper, White first became known to the nation after authoring "What's the Matter with Kansas?" on August 15, 1896. This occurred after White, on his way to the office, encountered a group of Populists who teased and jeered him, poking him with a small stick. Infuriated, White marched back to his office and hastily wrote the seething editorial.

The article was written during a presidential election year and William Jennings Bryant, the Democratic candidate with Populist support ran against William McKinley, a Republican. White's anti-Populist article was so effective that newspapers and the Republican Party re-printed and distributed it across the county, assisting McKinley in defeating his opponent.

Not limiting his involvement in politics to merely journalism, White ran as an independent for Governor of Kansas in 1924. With a one-plank platform, "Rid Kansas of the Ku Klux Klan," he traveled across the state with his wife and son. Though White did not win, his scornful editorials damaged the KKK's influence on Kansas.

His brief run for office confirmed White's future as an author. "An Anxious Friend," published July 27, 1922 earned White the 1923 Pulitzer Prize in editorial writing and after encouragement from his wife, he decided to try other forms of writing. White published novels, collections of short stories, political essays and biographies throughout his journalism career.

After operating The Gazette for nearly fifty years, William Allen White died on January 29, 1944, still the editor-owner of the business. After his death, White's son, William,

White seated at his desk.

"An Anxious Friend," published July 27, 1922 earned White the 1923 Pulitzer Prize in Editorial writing.

Portrait of White seated at desk. Autographed to Jay House, April 30, 1914

published his father's incomplete autobiography, which also won the Pulitzer Prize in 1946.

Additional recognition came in the form of a bust, sculpted by Jo Davidson in White's honor and dedicated by former President Herbert Hoover. It still remains at Peter Pan Park in Emporia, Kansas.

On July 21, 1948, White joined Joseph Pulitzer and Horace Greeley, as one of three American editors to be featured on a special commemorative stamp.

In 1952, Ruth Garver Gagliardo honored White's legacy by establishing the William Allen White Children's Book Award. The award, sought to acknowledge White's journalistic accomplishments and encourage reading, allows fourth through eighth graders a vote on the best book of the year from a list compiled by the White Award Book Selection Committee.

Since creation of the award, students across the state have cast more than 2.6 million votes.

White holding hand of small child in front of "Poet, Sage, and Child" statue.

Highlights of Operations - 10 Year Summary

	2000	1999	1998	1997
Membership Composition				
Number of Retirants	53,141	51,643	50,071	48,559
New Retirants During the Year	3,360	3,328	3,228	3,456
Active and Inactive Members	174,734	169,985	164,160	159,100
Participating Employers	1,416	1,407	1,397	1,371
Financial Results (Millions)				
Member Contributions	$ 193	$ 185	$ 174	$ 171
Employer Contributions	185	202	167	156
Retirement / Death Benefits	506	473	429	397
Investment Income (a)	1,315	954	1,247	974
Employer Contribution Rate				
KPERS—State / School	4.19%	3.99%	3.79%	3.59%
KPERS—Local (b)	3.22	2.93	2.78	2.63
KP&F (Uniform Participating) (b)	7.35	7.36	9.45	9.73
Judges	14.38	15.67	15.67	16.00
TIAA	1.82	1.82	1.93	1.89
Special Elected Officials (c)	—	—	—	—
Unfunded Actuarial Liability (Millions)				
KPERS—State / School	$ 860	$ 973	$ 1,142	$ 933
PERS—Local	36	76	104	131
KP&F	307	317	313	288
Judges	8	8	8	5
TIAA	23	23	24	19
Funding Ratios (d)				
KPERS—State / School	88.82%	86.36%	83.03%	84.19%
KPERS—Local	97.56	94.41	91.47	88.34
KP&F	79.86	77.28	75.62	74.77
Judges	90.53	89.42	88.21	91.21
TIAA	39.72	34.16	28.83	31.26
Special Elected Officials (c)	—	—	—	—

a) Investment income for prior years has been adjusted to reflect changes in unrealized appreciation.
b) KPERS Local and KP&F contribution rates are reported on a calendar year basis.
c) Special Elected Officials coverage was applicable commencing in fiscal year 1989 through calendar year 1992.

1996	1995	1994	1993	1992	1991
46,746	45,304	43,371	41,388	39,552	39,262
3,119	3,463	3,576	2,492	2,476	2,431
155,822	150,072	144,535	131,179	128,689	122,186
1,344	1,309	1,287	1,272	1,247	1,223
$ 173	$ 159	$ 149	$ 134	$ 125	$ 124
143	130	118	117	112	106
364	334	292	231	206	187
1095	906	115	665	486	48
3.30%	3.20%	3.10%	3.30%	3.30%	3.20%
2.48	2.30	2.20	1.90	1.80	2.40
9.65	6.95	6.80	6.50	5.70	7.80
10.35	8.00	7.70	7.10	7.30	5.40
1.75	1.70	1.60	1.60	1.70	1.50
—	—	—	7.90	8.30	7.90
$ 1,014	$ 1,051	$ 1,059	$ 573	$ 395	$ 373
121	123	142	94	47	40
283	279	276	272	67	66
5	5	5	5	4	4
21	22	23	24	20	20
81.48%	79.19%	77.58%	85.10%	88.30%	88.00%
87.99	86.51	84.44	87.30	92.70	93.10
72.81	70.72	68.94	66.70	88.10	87.30
90.15	89.10	88.64	87.90	89.80	89.10
25.38	22.62	20.39	20.00	22.60	21.10
—	—	—	—	—	—

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

Expenses by Type

Fiscal Year	Benefits	Withdrawals	Insurance	Administration	Total
1991	$184,121,534	$24,568,119	$23,956,850	$3,309,277	$235,955,780
1992	205,565,716	23,310,075	26,745,197	3,274,890	258,895,878
1993	230,677,812	20,812,351	28,353,401	3,715,294	283,558,858
1994	292,375,535	22,900,621	33,129,180	3,596,637	352,001,973
1995	333,924,392	26,542,254	35,873,212	4,312,658	400,652,516
1996	364,102,629	30,687,458	34,108,251	4,493,293	433,391,631
1997	396,660,948	36,761,626	36,048,625	4,659,099	474,130,298
1998	428,997,161	41,510,908	37,639,743	4,702,566	512,850,378
1999	472,571,948	40,860,950	41,892,190	5,442,410	560,767,498
2000	505,941,764	43,631,850	42,199,878	5,689,571	597,463,063

Revenues by Source

	Contributions					
Fiscal Year	Member	Employer	Employer Insurance	Misc.	Net Investment Income	Total
1991	$123,608,209	$ 86,633,756	$18,657,509	$385,469	$ 48,172,791	$ 277,457,734
1992	125,377,263	92,968,008	18,456,388	509,062	485,575,396	722,886,117
1993	133,506,738	96,292,433	20,115,114	533,403	664,759,162	915,206,850
1994	149,049,696	95,622,052	21,959,761	525,570	114,634,694	381,791,773
1995	159,250,384	106,496,039	22,881,197	533,638	906,231,045	1,195,392,303
1996	173,247,638	119,319,684	24,084,601	97,505 (1)	1,095,001,676	1,411,751,104
1997	171,120,750	133,053,259	23,226,519	92,827	974,302,417	1,301,795,772
1998	173,954,587	142,931,373	24,173,870	173,035	1,247,347,928	1,588,580,793
1999	185,180,551	175,581,182	26,071,503	210,116	953,992,725	1,341,036,077
2000	192,777,255	168,099,687	17,164,419	245,354	1,314,770,498	1,693,057,213

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

Schedule of Benefits by Type

Fiscal Year	Monthly Retirement Benefits	Retirement Dividend	Death Benefits	Refunds of Contributions	Disability Insurance Premiums/ Benefits
1991	$169,915,990	$9,755,374	$6,561,432	$22,086,947	$24,326,760
1992	188,608,232	9,736,712	6,902,906	23,310,075	27,063,063
1993	213,080,377	9,834,057	7,499,557	20,812,351	28,617,222
1994	273,821,219	10,985,580	7,345,897	22,900,621	33,352,019
1995	315,965,280	11,019,325	6,742,192	26,542,254	36,070,807
1996	346,390,529	10,701,234	7,010,866	30,687,458	34,108,251
1997	378,656,752	10,173,553	7,830,644	36,761,625	36,048,625
1998	411,626,428	9,673,950	7,682,253	41,510,908	37,639,743
1999	455,265,896	9,443,527	7,862,525	40,860,950	41,892,190
2000	489,058,357	8,811,628	8,071,779	43,631,850	43,051,860

Schedule of Retired Members and Survivors by Type of Benefit
June 30, 2000

Amount of Monthly Benefits	Number of Retirants	Type of Retirement (1)				Option Type Selected (2)								
		1,3,5	2,4	6,8	7,9	1	2	3	4	5,8	6,7	9	0	Other
$ - 99	3,041	2,530	493	7	11	2,470	270	162	34	29	10	23	30	13
$100-199	6,089	3,577	2,393	99	20	4,453	781	488	112	65	73	37	34	46
$200-299	6,202	3,170	2,934	85	13	4,494	665	596	139	104	72	55	43	34
$300-399	5,595	2,972	2,539	63	21	3,942	607	629	134	134	49	56	36	8
$400-499	4,395	2,403	1,935	42	15	3,123	488	517	83	100	19	38	26	1
$500-599	3,586	2,088	1,454	33	11	2,494	409	422	74	103	6	50	25	3
$600-699	3,006	1,726	1,229	35	16	2,053	334	406	65	86	10	29	21	2
$700-799	2,549	1,498	1,002	35	14	1,703	315	318	58	102	8	29	15	1
$800-899	2,010	1,211	726	59	14	1,312	260	265	41	95	15	8	14	
$900-999	1,734	1,167	488	58	21	1,087	247	250	32	86	12	5	14	1
$1,000-1,999	11,430	9,928	1,003	354	145	942	236	512	32	142	72	5	26	1
$2,000 or More	3,504	3,382	57	47	18	831	215	224	26	92	19	4	14	
Totals	53,141	35,652	16,253	917	319	28,904	4,827	4,789	830	1,138	365	339	298	110

Type of Retirement (1)
1, 3, 5 -Normal
2, 4 - Early
6, 8 - Service-Connected Death and Disability
7, 9 - Non-Service Connected Death and Disability

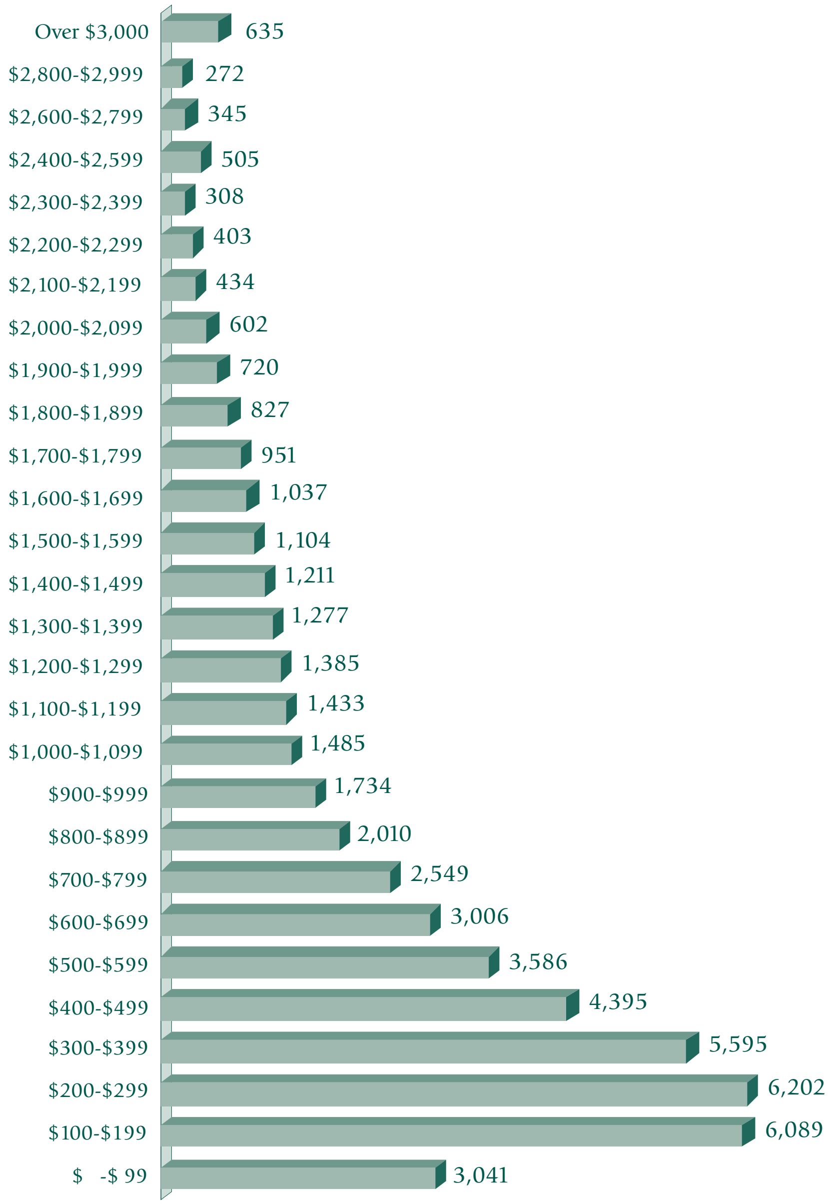
Option Type Selected (2)
1 - Maximum, No Survivor Benefit
2 - Joint, 1/2 to Survivor
3 - Joint, Same to Survivor
4 - Life w/10 Yrs Certain
5, 8 - Joint, 3/4 to Survivor
6, 7 - Widowed, Children, Survivor
9 - Life w/ 5 Yrs Certain
0 - Life w/ 15 Yrs Certain

Average Benefit by Years of Service - Five Year Summary
New Retirees

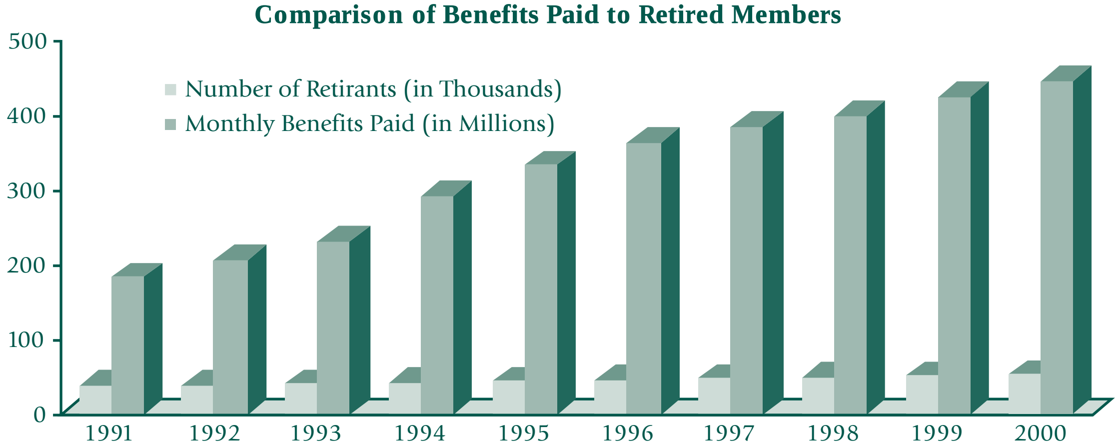
Calendar Year

Service Credit	1995	1996	1997	1998	1999
Less Than 5	143	147	160	182	159
Average Benefit	$ 144.96	$ 100.65	$ 117.53	$ 50.16	$ 76.38
Average Years	2.52	2.49	2.88	2.63	2.46
5-9.99	208	196	215	244	237
Average Benefit	$ 298.27	$ 249.47	$ 246.81	$ 229.48	$ 253.02
Average Years	6.97	7.06	7.21	6.74	7.01
10-14.99	474	500	553	527	527
Average Benefit	$ 373.08	$ 359.97	$ 401.78	$ 398.61	$ 387.82
Average Years	11.79	11.85	11.80	11.81	11.75
15-19.99	476	494	515	486	490
Average Benefit	$ 562.36	$ 591.87	$ 617.75	$ 605.01	$ 646.49
Average Years	16.90	16.97	17.05	17.00	17.04
20-24.99	469	464	502	476	450
Average Benefit	$ 809.95	$ 851.83	872	$ 869.81	$ 913.36
Average Years	21.87	21.96	21.95	21.90	21.84
25-29.99	500	510	500	496	510
Average Benefit	$ 1,331.94	$ 1,396.09	$ 1,471.01	$ 1,443.16	$ 1,464.29
Average Years	27.17	27.10	26.99	27.04	26.94
30-34.99	441	509	575	564	617
Average Benefit	$ 1,631.57	$ 1,729.45	$ 1,798.24	$ 1,801.47	$ 1,861.44
Average Years	31.86	31.85	31.91	31.91	31.80
35-39.99	334	268	273	260	268
Average Benefit	$ 1,878.19	$ 1,874.62	$ 1,946.01	$ 1,991.97	$ 2,146.47
Average Years	36.63	36.84	36.81	36.64	36.79
40-44.99	97	113	113	81	79
Average Benefit	$ 1,817.06	$ 1,925.92	$ 2,172.84	$ 2,064.07	$ 2,177.81
Average Years	41.52	41.54	41.37	41.32	41.65
45-49.99	26	14	13	8	13
Average Benefit	$ 2,088.80	$ 2,050.13	$ 2,111.18	$ 2,067.15	$ 2,604.31
Average Years	45.96	46.00	46.08	46.00	45.62
50 and Over	3	1	1	3	5
Average Benefit	$ 2,496.38	$ 1,921.82	$ 2,161.62	$ 2,513.91	$ 3,421.89
Average Years	51.33	54.00	50.00	52.00	52.00
Total Number	**3,171**	**3,216**	**3,420**	**3,327**	**3,355**
Average Benefit	**$ 995.91**	**$ 1,018.11**	**$ 1,060.24**	**$ 1,029.24**	**$ 1,102.19**
Average Years	**22.37**	**22.25**	**22.09**	**21.59**	**21.99**

Benefit Amount as of June 2000



Comparison of Benefits Paid to Retired Members



The Arts

Enthralled with words since age seven, Gwendolyn Brooks carved out a legendary writing career before reaching fifty, then began again.

Born in Topeka, Kansas in 1917, Brooks actually spent most of her life in Chicago. She began her writing career at thirteen after the publication of one of her poems, and by her late teens had published many more. She graduated from Wilson Junior College and married Henry Blakely in 1939.

Her first collection of poems "A Street in Bronzeville" was published in 1945 and Mademoiselle magazine named her one of the "Ten Young Women of the Year." She next won a Guggenheim fellowship, and her first of four Midwestern Writer's Conference awards. Additionally, Brooks became the first black author to win the Pulitzer Prize for poetry in 1950 for her second compilation, "Annie Allen."

While continuing to write poetry and novels, Brooks' perspective changed in 1967 when she attended the Second Black Writers' Conference at Fisk University. Discovering a new part of herself, she risked her well-established reputation to concentrate solely on her heritage. Her new style threatened to end her career, but she started over with a new angle for future works. The decision did not hinder her success.

Brooks served as Poet Laureate of Illinois from 1968 until her death in 2000. She also served as a Consultant in Poetry at the Library of Congress from 1985-86. Brooks also joined the National Women's Hall of Fame and received both the Frost Medal from the Poetry Society of America and the National Medal of Arts.

Frederic Sackrider Remington, recognized for his paintings, drawings and sculptures, demonstrated a talent in capturing the spirit of exploration and the adventure of the Wild West in his masterpieces.

Born in 1861, Remington loved the outdoors, horses, and the military. He attended the Highland Military Academy in Massachusetts and for a time Yale University's School of Fine Arts. In 1881 Remington toured the Montana Territory, becoming infatuated with the West's tales, legends and scenery. He realized the West would soon be tamed, and that its days of wild glory had not been documented.

Remington next relocated to Butler County, Kansas, where he purchased a sheep ranch. In no time wool prices began to fall so Remington sold the ranch, married Eva Caten, moved to Kansas City and opened a studio. Unwise investments, however, left the couple in financial difficulty, so they moved to New York where Remington began working with Harper's Weekly Magazine, writing and illustrating articles for various publications. Successful in selling his art, Remington longed for professional recognition, aspiring to become an artist, rather than an illustrator. His first sculpture, "The Bronco Buster," met with national acclaim. Remington's subsequent sculptures garnered the same fame and success.

Remington died in 1909, leaving a contribution of over 2,700 paintings and drawings and 25 sculptures, each catching the action of the West in the pivotal moment between its peak and extinction. His artwork remains in many private and public collections today.

Born after his parent's separation in 1902, **James Langston Hughes** grew up in the Lawrence, Topeka and Kansas City, Kansas areas. Throughout his lifetime he held a strong belief in equality. Hughes' maternal grandfather, Sheridan Leary, died with John Brown fighting at Harper's Ferry. As a child, his grandmother wrapped him in the bullet-ridden shawl that Leary wore at the battle and told stories of famous abolitionists. At age three, he heard Booker T. Washington speak and when he was of school age, a petition organized by his mother enabled Hughes to attend a closer, previously all-white school. Hughes discovered poetry by eighth grade as a means of escaping the loneliness he felt at that time.

Attending Columbia University for a time, Hughes left to pursue poetry, publishing his first poem, "The Negro Speaks of Rivers" shortly after. He later moved to Harlem, inspired by the jazz and blues in the area. There, he published many works, including his first book of poems, entitled "The Weary Blues." Hughes graduated from Lincoln University in 1929 with a Bachelor of Arts, and received an honorary doctorate in 1943. He was granted both the Guggenheim and Rosenwald Fellowships and later accepted assignments as Atlanta University's poet-in-residence and news correspondent during the Spanish Civil War.

Before his death in 1976, Hughes wrote many pieces including poetry, histories, novels, scripts and music. He identified himself as not just a writer, but a black writer. Yet, he emerged as one of the most successful authors of any race.

Gordon Parks, the youngest of fifteen children, was born in 1912 on a small farm in Fort Scott, Kansas. The death of his mother and subsequent family break up during his early teens resulted in Parks relocating to Minnesota to live with his married sister. Discontented, Parks moved out and quit school, supporting himself in a variety of jobs. At age twenty-five, he realized his desire to pursue photography. Parks bought a used Voigtlander Brilliant camera at a pawnshop and began taking photos.

Accepting a variety of photography positions, Parks' talent steadily increased, and in 1941 he was awarded the first Rosenwald Fellowship for Photography after displaying prints of New York's poverty-stricken areas. Despite racism issues, Parks worked as a fashion photographer for "Vogue" and eventually accepted a position with "Life" magazine, becoming the first black photographer on staff. Here, Parks was able to expose his talent to the nation, working on some of his most famous pieces.

Parks published his first novel, "The Learning Tree," in 1963, which focused on his Kansas childhood. Made into a film five years later, Parks became the first black American to produce and direct a major movie.

The movie became one of the first inductees onto the Library of Congress' National Film Registry in 1989. Succeeding in additional forms of expression, Parks completed many books and volumes of poetry and photos, films and musical compositions. He was the 1985 Kansan of the Year and the recipient of numerous awards, including the National Medal of Arts in 1988.

Kansas native and renowned artist **Elizabeth Layton** began her drawing career after enrolling in a contour drawing class at the encouragement of her sister. Layton was sixty-eight years old at the time, but tormented by a lifetime of depression and distressed by the loss of her son, she turned to art as a form of therapy.

Layton's drawing instructor chose her work to be included in a class exhibition at which time her unique style caught the eye of Don Lambert, a reporter from The Ottawa Herald. After viewing a number of pieces previously hidden away, Lambert became Layton's voluntary agent, soon gaining her national fame. Layton's work was exhibited in over 200 communities, including the Smithsonian's National Museum of American Art, the National Council on Aging Gallery and the School of the Art Institute of Chicago.

Her subjects varied, according to issues she dealt with in her life. Utilizing art as a platform, she expressed her views on such issues as feminism, AIDS, aging and nursing homes. Her models were always people, though her most frequent subject was herself.

Layton continued drawing until her death in 1993, ending a fifteen-year career. Considering the therapeutic results of her artwork, Layton's beliefs prevented her from accepting monetary profit for her success. However, she exhibited her work in the hope of helping others with similar experiences.

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Historical and biographical information was obtained through research of a multitude of Internet sites. A record of this information may be obtained by contacting:

The Kansas Public Employees Retirement System / 611 South Kansas Avenue, Suite 100 / Topeka, Kansas 66603 / Phone: 785-296-6666.

KPERS wishes to express their appreciation to intern Lori Wilson, Kansas State University student, for her dedication in researching this information.

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