

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by Senator August "Gus" Bogina at
Chairperson

11:00 a.m./p.m. on February 5, 1985 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Alan Conroy
Revisor's Office: Norman Furse
Committee Office: Judy Bromich, Doris Fager

Conferees appearing before the committee:

Marshall Crowther, Executive Director, Kansas Public Employees Retirement System (KPERs)

PRESENTATION REGARDING PUBLIC EMPLOYEES RETIREMENT SYSTEM

Mr. Crowther distributed the following papers: Attachment A, Comparison of Significant Features of the Kansas Public Employees, Kansas Police and Fire, and Kansas Judges Retirement Systems; Attachment B, a copy of "KPERs PAPERS"; Attachment C, KPERs Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1984; and Attachment D, a letter dated February 5, 1985, addressed to Senator Bogina.

Mr. Crowther gave an overview of KPERs, its administration, people covered by the system, etc. He stressed improvements made by the Legislature to the KPERs system throughout the years. He also stressed that the Kansas retirement system is funded on an actuarial reserve system instead of on a pay-as-you-go basis. He reminded the committee that some people say there is too much money in the fund and retirees want more or employees want to pay less. However, since the Legislature has resisted that pressure, Mr. Crowther suggested there will be fewer dollars which the taxpayers must pay.

During his presentation, Mr. Crowther reminded the committee that, so far as employers' contributions are concerned, the State of Kansas is the employer for all united school districts in the state, for instance. He suggested that, in essence, this is another form of state aid to education.

Committee members questioned Mr. Crowther regarding present and future "surpluses" in the KPERs fund. He said there will not be much difference from 1986 to 1987; and that usually the changes come in three-year cycles. Then there is sometimes need for changing actuarial consideration. This was done last year, according to Mr. Crowther.

Senator Bogina asked about the rate of return on various KPERs investments. Mr. Crowther said the average has been 12% for the last five years in terms of not taking into account changes in market value.

There were questions about rental of the KPERs-owned building. Mr. Crowther said it is about 55% rented approximately 18 months after it was finished. In the investment itself, the KPERs organization is at the break-even point, in that the building is not a "drag" on the system.

In answer to a question from Senator Gaines concerning the ability of the KPERs fund to afford additional payouts, Mr. Crowther reminded the committee that the "thirteenth check" provision of the statute is scheduled to be sunsetted after October, 1987, and a decision must be made about that item. He said the Legislature has had the policy of providing benefits that can be given without increases in contributions.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,
room 123-S, Statehouse, at 11:00 a.m./p.m./ on February 5, 1985

PRESENTATION REGARDING PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Continuing discussion concerning the possibility of additional benefits, Mr. Crowther said he felt it would be possible to continue the "thirteenth check" for those presently receiving it without increasing contributions to the fund. If, however, it is continued for everyone, the payout would be three or four times as much as it is presently. He admitted there might be problems if some retirees received the check and those retiring after the deadline did not receive it.

Senator Gaines complimented Mr. Crowther on his excellence in informing retirees of benefits, etc.

When asked by Senator Werts if KPERS, as a tenant in Capitol Towers, pays rent, Mr. Crowther said a check is not actually issued to the leasing agent, but that KPERS rent is included in evaluating the financial condition of the complex. He referred to his comments concerning the break even point, and noted that excludes KPERS rental.

Senator Gannon commented on the fact that administrative expenses have taken a dramatic increase recently. Mr. Crowther explained that the largest increase involves charges from DISC. There has been an examination of record-keeping processes, and when the study is done the administrative expenses should be reduced somewhat.

Mr. Crowther referred briefly to Attachment A, his letter dated February 5, concerning the retirement status of certain former employees of the public schools in Kansas. He gave a little of the background on retirement benefits of these employees..

Senator Bogina stated that the subcommittee studying the KPERS budget and chaired by Senator Talkington would be assigned the suggestions in Mr. Crowther's letter.

Mr. Crowther briefly outlined KPERS involvement in the Kansas residential mortgage funds. Committee members were given opportunity to question him.

SB 62 - Lease of Land on FHSU Campus

There was discussion concerning possible amendments to this bill, which was heard on February 4. Senator Gaines indicated he would like an amendment which would make the day care center noted in the bill available to any child in the State of Kansas. The Chairman asked Mr. Furse to look into the wording of the amendment, and indicated action will be taken at a later date.

HB 2015 - Posted budgets to Research Department

There was continued discussion from the previous meeting concerning the possibility of getting the Governor's budget to the Legislative Research Department at an earlier date. Included in this discussion was reference to the Research Department's budget analysis, which cannot be started until the Governor's budget is released. Senator Doyen reiterated that he feels the larger departments should have the committee's full attention, and if there is time for the smaller agencies there can be detailed study of them. No decision was made concerning HB 2015. The Chairman suggested there would be more discussion during consideration of the appropriations bill for the Legislature and related agencies.

The meeting was adjourned by Senator Bogina.

COMPARISON OF SIGNIFICANT FEATURES OF THE KANSAS PUBLIC EMPLOYEES,
KANSAS POLICE AND FIRE, AND KANSAS JUDGES RETIREMENT SYSTEMS*
(All Administered by the Board of Trustees of KPERS)

COVERAGE - EMPLOYERS

KPERS - Mandatory for the state. Optional for any city, county, township, special district or any instrumentality of any one or several of the aforementioned whose employees are covered by Social Security and not covered by or eligible for another retirement plan under the laws of the State of Kansas.

KP&F - Optional, any political subdivision employing firemen or policemen. Includes Highway Patrol and KBI.

JUDGES - State Judicial System.

COVERAGE - EMPLOYEES

KPERS - Mandatory for all eligible employees (except elected officials), both current and future, whose employment is not seasonal or temporary and requires at least 1,000 hours per year. Future nonschool employees after entry date become eligible after one continuous year of service (except for first-day coverage for death and disability benefits).

KP&F - Mandatory for all employees except sheriffs. Sheriff may elect membership.

JUDGES - All justices of the Supreme Court, Court of Appeals and all judges and associate judges of the district courts of the State of Kansas automatically participate upon appointment. Supreme Court Commissioners were considered justices of the Supreme Court for the purpose of inclusion under the Judges Retirement System.

EMPLOYER CONTRIBUTION

KPERS - Amount required to pay current service liabilities and to fund prior service costs.

FYs 1984	School	4.4%	FY 1986	School	4.3%
and 1985	Non-School	4.6%		Non-School	4.9% ^a

a) This rate applies to local government employees in CY 1985.

* Prepared by KPERS staff and Kansas Legislative Research Department.

KP&F - Amount required to pay current service liabilities and to fund prior service costs. (16% for first year.) Each employer has a separate rate.

FY 1985	Local	20.9% (Avg.)	FY 1986	Local	16.8% (Avg.)
	KBI	18.5%		KBI	14.7%
	Patrol	20.1%		Patrol	16.1%

JUDGES - Amount required to pay all liabilities which shall exist or accrue, including amortization of unfunded accrued liability.

FY 1985	10.3%	FY 1986	8.7%
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EMPLOYEE CONTRIBUTION

KPERS - 4% gross compensation.

KP&F - 7% gross compensation - after 35 years credited service or attainment of age 60 and 20 years credited service, drops to 2%.

JUDGES - 6% gross compensation - after 20 years credited service and attainment of age 65, drops to 2%.

(Beginning in the 3rd quarter of CY 1984, legislation enacted in 1984 requires member contributions to be "picked-up" by employers, i.e., treated, but not actually paid, as employer contributions, for federal income tax purposes to defer taxation of that part of a member's salary until contributions are withdrawn or retirement benefits begin.)

REQUIRED SERVICE

KPERS - No required number of years.

KP&F - 20 years.

JUDGES - No required number of years.

VESTING OF BENEFITS

KPERS - 10 years credited service.

KP&F - 20 years credited service.

JUDGES - 10 years credited service.

(Members of one of the above systems who were members of either of the other systems may combine service credit for vesting under all systems for which they have credit.)

RETIREMENT AGE

KPERS - 65 (normal retirement).*
60 (early retirement).*

KP&F - 55 (normal retirement).
50 (early retirement).

JUDGES - 65 (normal retirement).
62 (early retirement).

MINIMUM RETIREMENT AGE

KPERS - 60, early retirement with 10 years credited service (actuarially reduced benefit). Exceptions for state correctional employees — see Retirement Age.

KP&F - 50, after 20 years service (actuarially reduced benefit).

JUDGES - 62, early retirement with 10 years credited service (actuarially reduced benefit).

MANDATORY RETIREMENT AGE

KPERS - None

KP&F - No mandatory retirement age except for Highway Patrol (age 60) and KBI (age 65); however, no credit earned after 60 except for employees who do not have required 20 years service. Employee must make contributions as long as employed as policeman or fireman.

JUDGES - End of term in which age 70 is attained.

* State correctional employees — unit team personnel, correctional officers, and supervisors have a normal retirement age of 55 and an early retirement option at age 50. Power plant operators, correctional industries personnel, food service employees, and maintenance supervisors, who have regular contact with inmates, have a normal retirement age of 60 and an early retirement option at age 55. Early retirement is subject to actuarial reduction.

BASIS OF RETIREMENT BENEFIT

- KPERS - Final average salary (FAS). Average highest 5 years of participating service. However, members eligible for a long-term disability benefit, who were disabled for at least five years immediately before retirement, will have their FAS adjusted upon retirement by the actuarial salary assumption rates existing during the period of disability.
- KP&F - Final average salary (FAS). Average highest 3 of last 5 years of participating service.
- JUDGES - Final average salary (FAS). Average highest 5 of last 10 years of participating service.

BASIC RETIREMENT BENEFIT

- KPERS - Prior service - 1% FAS for each year of prior service for persons retiring on or after 7-1-81; otherwise, 1% prior service salary (highest salary paid in one of the immediately preceding 3 years before entry date). Participating service - 1 1/4% FAS for each year of participating service; 1.4% for service credited after June 30, 1982; 1.4% FAS for all years of participating service for members who retire on or after July 1, 1989 with at least 25 years of such service. No minimum - No maximum.
- KP&F - 2% FAS per year of service (combined prior and participating) not to exceed 70% of FAS.
- JUDGES - 4% FAS per year of service for up to 10 years and 3 1/3% for more than 10 years (combined prior and participating) not to exceed 65% of FAS. Minimum of 50% FAS per month if 10 or more years of continuous service immediately preceding retirement.

OPTIONS

- KPERS - OPTION A: A reduced monthly benefit payable for life with one-half this amount continued monthly to the joint annuitant upon the death of a retirant. The reduction factor is 87% minus .6% for each year the joint annuitant is younger than the retirant or plus .6% for each year older.
- OPTION B: A reduced monthly benefit payable for life with the same amount continuing monthly to the joint annuitant upon the retirant's death. The reduction factor is 75% minus .9% for each year the joint annuitant is younger than the retirant or plus .9% for each year older.
- OPTION C: A reduced monthly benefit payable for life and if death occurs within 10 years of the retirement date, the same amount is payable to the beneficiary for the remainder of the 10 year period. The reduction factor is 94%.

KP&F - OPTION A: Same as KPERS except reduction factor is 89% plus or minus .4% for age differential.

OPTION B: Same as KPERS except reduction factor is 80% plus or minus .7% for age differential.

OPTION C: Same as KPERS except reduction factor is 97%.

JUDGES - OPTION A: Same as KPERS.

OPTION B: Same as KPERS.

OPTION C: Same as KPERS.

POST RETIREMENT ADJUSTMENTS

KPERS - 1972 - 5% across the board. (Permanent)

1973 - Graduated percentage increase based on year of retirement ranging from 32% to 2%. (Permanent)

1976 - 5% of annual benefit; maximum \$200, minimum \$20. (13th Check)

1977 - 5% of annual benefit; maximum \$200, minimum \$20. (13th Check)

1978 - Graduated percentage increase based on year of retirement ranging from 7.34% to 1.1%. (Permanent)

1980 - Retirement Dividend Payment not to exceed 8.33% of annual benefit (13th Check); expires October 2, 1987.

1982 - 10% increase in monthly benefits for retirants who were entitled to benefits as of 6-30-81. (Permanent)

1984 - 10% increase in monthly benefits for retirants who were entitled to benefits as of 6-30-81. (Permanent)

KP&F - 1972 - Same as KPERS.

1973 - Same as KPERS except 50% to those who retired before 1962.

1976 - Same as KPERS.

1977 - Same as KPERS.

1978 - Same as KPERS.

1980 - Same as KPERS.

1982 - Same as KPERS.

1984 - Same as KPERS.

JUDGES - 1972 - Same as KPERS.

1973 - None.

1974 - Integration with social security removed.

1976 - Same as KPERS.
1977 - Same as KPERS.
1978 - Same as KPERS.
1980 - Same as KPERS.
1982 - Same as KPERS.
1984 - Same as KPERS.

RESTRICTIONS ON POST RETIREMENT EARNINGS

KPERS - None.

KP&F - Retirants may not be employed by the same department of the employer from which they retired for more than 30 days in any calendar year.

JUDGES - None.

TERMINATION BENEFIT

KPERS - Return member's actual contributions plus credited interest (must be repaid by employee or employer if reemployed by same employer within 60 days); 31-day conversion provision on life insurance. Vested benefit with 10 years, if no withdrawal.

KP&F - Return member's actual contributions plus interest credited after June 30, 1982 (must be repaid by employee or employer if reemployed by same employer within 60 days). Vested benefit with 20 years, if no withdrawal.

JUDGES - Return member's contributions plus interest credited after June 30, 1982. Vested benefit with 10 years of service.

DEATH BENEFITS DEFINITION (DUTY CAUSED)

KPERS - Service-connected accident.

KP&F - Service-connected accident; for members with 5 or more years of credited service heart and lung disease is presumed service-connected.

JUDGES - Death from any cause while in service as a judge.

DEATH BENEFITS (DUTY CAUSED)

KPERS - SPOUSE: 50% FAS less any amount paid or payable under Workers' Compensation (\$100 minimum per month), until death or remarriage, and a \$50,000 lump sum payment.

EACH CHILD: NONE.

FAMILY MAXIMUM: 50% FAS.

CHILDREN, NO SPOUSE: Same as spouse, until youngest child attains age 18.

BENEFICIARY: Return member's actual contributions plus interest. Insured death benefit-100% annual rate of compensation (ARC) if member under age 70 (100% limitation eliminated in 1982, subject to availability of funds and KPERS Board approval). If no spouse or children, service-connected accident benefits payable to dependent parents.

KP&F - SPOUSE: 50% FAS, until death or remarriage.

EACH CHILD: 10% FAS, until youngest attains age 18.

FAMILY MAXIMUM: 75% FAS.

CHILDREN, NO SPOUSE: 50% FAS + 10% FAS per child.

BENEFICIARY: If no spouse or children, return member's contributions plus interest credited after June 30, 1982, to beneficiary.

JUDGES

PAYABLE TO ANY NAMED BENEFICIARY: Return member's actual contributions plus interest. Insured death benefit of 100% ARC payable to beneficiary if member under age 70 (100% limitation eliminated in 1982 subject to availability of funds and KPERS Board approval). If over age 60, with 10 years credited service and spouse is sole beneficiary, spouse may elect payment under Option A rather than lump sum return of actual contributions.

DEATH BENEFITS (NON DUTY)

KPERS - Return member's actual contributions plus interest. Insured death benefit of 100% ARC payable to beneficiary if member under age 70

(100% limitation eliminated in 1982 subject to availability of funds and KPERS Board approval). If over age 60, with 10 years credited service and spouse is sole beneficiary, spouse may elect payment under Option A rather than lump sum return of actual contributions.

KP&F - UNDER 5 YEARS SERVICE: Return member's actual contributions (with interest credited after June 30, 1982) to beneficiary.

5 YEARS OR MORE: Spouse receives lump sum of 50% FAS plus 2% FAS per year of service (payable at spouse's age 50 unless there are unmarried children under age 18). If no spouse or children, return member's actual contributions without interest to beneficiary.

JUDGES - Same as above (duty caused).

DEATH BENEFITS AFTER RETIREMENT

KPERS - None unless option is selected. If no option selected beneficiary receives amount remaining, if any, of member's actual contributions less retirement benefits paid to deceased member. Lump sum death benefit of \$1,000.

KP&F - None unless option is selected. Lump sum death benefit same as KPERS.

JUDGES - None unless option is selected. If no option selected beneficiary receives amount remaining, if any, of member's actual contributions less retirement benefits paid to deceased member. Lump sum death benefit same as KPERS.

DISABILITY BENEFIT DEFINITION (DUTY CAUSED)

KPERS - Totally and permanently disabled after 180 consecutive days regardless of cause. May be either physical or mental.

KP&F - Totally and permanently disabled as a policeman or fireman, may be physical or mental but must be caused by service-connected accident. For members with 5 or more years of credited service heart and lung disease is presumed service-connected.

JUDGES - Totally and permanently disabled as a judge, may be physical or mental from any cause. Also available to vested, inactive judges.

DISABILITY BENEFITS (DUTY CAUSED)

KPERS - EMPLOYEE: 55% ARC (law permits not to exceed 60% subject to availability of funds and KPERS Board approval), reduced by 1/2 Workers' Compensation and total of primary Social Security or any other employer provided benefits after 180 days disability (\$50

minimum). Continued group life insurance coverage. Participating service credit granted during period of total disability. Insurance benefits and coverage ends at age 70 or retirement, whichever first occurs. Disabilities occurring after age 60 receive benefits to the earlier of (1) termination, (2) age 70, (3) 5 years.

EACH CHILD: None.

FAMILY MAXIMUM: 55% ARC.

(Certain state correctional employees have the same benefits as under KP&F from July 1, 1982 to July 1, 1986, except such benefits are reduced by any disability benefits received under Social Security or Workers' Compensation but not to less than \$50 per month.)

KP&F - EMPLOYEE: 50% FAS.

EACH CHILD: 10% FAS.

FAMILY MAXIMUM: 75% FAS.

JUDGES - EMPLOYEE: Same as normal retirement benefits; benefits recalculated upon attainment of retirement age with additional credit granted for the period of disability.

EACH CHILD: Not applicable.

FAMILY MAXIMUM: Same as normal retirement benefits.

DISABILITY BENEFITS (NON-DUTY)

KPERS - Same as duty caused. (For certain state correctional employees, disability benefits are generally the same as for KP&F, both duty and nonduty caused.)

KP&F - UNDER 5 YEARS SERVICE: Return member's actual contributions (with interest credited after June 30, 1982).

5 YEARS OR MORE: 2% FAS per year of service, after 180 days disability. (Limit of 50% FAS).

JUDGES - Same as duty caused.

RELATIONSHIP TO SOCIAL SECURITY

KPERS - None except offset for social security under insured disability.

KP&F - None except select group covered under Brazelton vs. KPERS law suit.

JUDGES - None, integration with social security removed in 1974.

BACKGROUND

KANSAS SCHOOL RETIREMENT SYSTEM (KSRS) ANNUITANTS

In 1971 all of the active members (and most inactive vested members) of the KSRS became members of KPERS. KSRS members who were retired at that time and certain classes of inactive employees with vested rights did not come under KPERS. Instead, payments to these members continued under the provisions of KSRS through separate reserves maintained specifically for that purpose.

KSRS provided a benefit related to the amount of employee contributions, and a separate benefit, paid by the state, based solely on years of school service as follows:

Savings annuity - is the annuity amount which could be provided by the employee's contribution account at retirement (1984 legislation increased the savings annuity by 50%).

Service Annuity - the service related benefit - is a level dollar amount based on years of service at retirement. The service annuity rates at the time of the merger and prior to 1973 were as follows:

<u>Years of Service</u>	<u>Monthly Service Annuity Per Year of Service Prior to 1973</u>
less than 10	\$ 1.00
10 but less than 20	1.50
20 but less than 25	2.00
25 to 35	3.50

Effective in 1973, this benefit was increased to \$6.50 per year of service for all employees with at least 10 years of service; a further increase to \$6.85 became effective October 1, 1978, (with two subsequent 10% increases, the benefit is now \$8.29). Benefits to those with less than 10 years of service are \$1.21 per year of service. Effective September 1, 1979, the 35-year limit on service was removed and benefits were increased accordingly.

Although all currently active school employees are covered under KPERS, a small number of former school employees continue to qualify for benefits each year under KSRS.

The obligation of the state of Kansas for payment of School Service Annuities was originally to be amortized over a period of 10 years commencing July 1,

1973. The sum of \$10,220,000 was transferred from the State General Fund on July 1, 1973, and annual transfers of \$10 million were made each year from 1974 through 1983.

Legislation enacted in 1984 eliminated annual transfers from the State General Fund (which would have been \$10 million in 1984 and approximately \$3.4 million in 1985), made members of the old KSRS special members of KPERS, and provided that the state's remaining obligation for service annuities be amortized over 27 years.

The increase in the benefit level to \$6.85 effective October 1, 1978 produced an additional liability of \$4,507,900 as of that date. To finance this benefit increase, separate appropriations were made in 1978 of \$700,000 for FY 1979 and of \$1,269,300 for each of the fiscal years 1980, 1981, and 1982. Removal of the 35 year limitation in 1979 was funded by an appropriation in 1979 from the General Fund of \$2.8 million for both FY 1980 and FY 1981.

BACKGROUND

KANSAS CITY, KANSAS SCHOOL EMPLOYEES RETIREMENT FUND

The only Kansas school employees presently covered by a local retirement system are those of the Kansas City Unified School District No. 500 who were hired before 1964. Employees of that school district hired after January 1, 1964 — like all other active Kansas school employees — became members of the Kansas Public Employees Retirement System (KPERS) on January 1, 1971, the effective date of the merger of the Kansas School Retirement System (KSRS) into KPERS.

The 1953 legislation was passed to permit first-class city school retirement systems to transfer into KSRS. Employees covered by such city systems that joined the state system were given prior service credit under KSRS, and their contributions to the local systems after September 1, 1941 were transferred to KSRS. First-class cities that entered KSRS were permitted to retain their local school systems as supplemental retirement plans, so as to bring monthly benefits to a maximum of \$125 if a lesser amount was payable under KSRS.

The first-class city systems that transferred into KSRS in 1953 were those in Atchison, Coffeyville, Fort Scott, Leavenworth, Parsons, Pittsburg and Topeka. (A special act resulted in Hutchinson entering KSRS in 1951.) When Salina joined KSRS in 1954, Kansas City remained as the only first-class city with a separate school employees retirement system.

In 1963 the Kansas School Retirement Law (K.S.A. 72-5512a) was amended to provide that employees of the Kansas City school district hired after January 1, 1964 would become members of KSRS. The separate city system — the Kansas City School Employees Retirement Fund — continued to cover the closed group of employees hired before 1964. As of August 31, 1973 the Kansas City Plan covered only 407 active school employees.

The 1963 legislation also provided that the State School Retirement Fund would reimburse the Kansas City Fund for its members who retired after July 1, 1963, in the amount that such employees would have received had they retired under KSRS.

Payments from the State Fund to the Kansas City Fund were made semiannually on March 1 and September 1 of each year on the basis of the service annuities payable for the preceding six month period.

The substantial increase in KSRS service annuities effective July 1, 1973, did not apply to retirants receiving benefits from the Kansas City Fund. (The only exceptions to this general rule are a few Kansas City Plan retirants who are receiving direct payments from KSRS as Group II and Group III annuitants.) State payments to the Kansas City Fund continued to be based on the schedule of KSRS service annuity amounts effective July 1, 1965, up to a maximum of \$122.50 a month for Kansas City Plan retirants with 35 or more years of service. The State payment for the first 30 years of service (up to \$105 a month per retirant) was used to help finance the Kansas City Plan, but any amounts in excess of \$105 a month are paid to eligible Kansas City Plan retirants in addition to local plan benefits (up to \$17.50 a month passes through to the direct benefit of the retirant).

Chapter 293, Session Laws of 1974, amended K.S.A. 72-1759 and 74-4932 to provide members of the Kansas City School Employees Retirement Fund with the opportunity of electing membership in KPERS. The election had to be made prior to September 1, 1974. There are currently 69 active members of this local plan. For those who elected to become members of KPERS, the Kansas City Board of Education was required to transfer from the local retirement fund to KPERS an amount equal to the aggregate of all employee contributions of those so transferring. Employees were to be granted prior service credit in accordance with K.S.A. 74-4936 except that service between January 1, 1971 and September 1, 1974 was credited as participating service. Those electing membership in KPERS are no longer covered under the local retirement fund (K.S.A. 72-1758 to 72-1769) and are now governed by all the provisions of law applicable to employees who became members under K.S.A. 74-4935.

The 1974 legislation further provided for the KPERS actuary to compute the remaining obligation of the state for the retirants and employees who elected to remain under the local retirement fund and the level annual payments that were to be made by the state over a period of 10 years commencing July 1, 1975. This level annual payment amounts to \$404,900.

In 1978, 1979, and 1980, legislation was enacted which provided post-retirement benefits for certain members of the Kansas City system.

A bill enacted in 1981 lowered from \$125 to \$75 the maximum amount of primary social security benefits which are deducted from the monthly annuity paid to a member of the Kansas City system.

A bill enacted in 1982 provides for a 10 percent increase in the monthly benefits of retirants, but this must be financed by the Kansas City System.

Legislation enacted in 1984 provides that annuities paid by the Kansas City system shall begin on the first day of the month following retirement rather than on September 1 of the year in which retirement occurs.

KPERS PAPERS

KPERS PAPERS is published by the Kansas Public Employees Retirement System,
Capitol Tower, 2nd Floor, 400 W. 8th, Topeka, Kansas 66603

Vol. 12 No. 4

January 1985

Topeka, Kansas

KPERS BOARD INCREASES DISABILITY BENEFITS

At its meeting of October 26, 1984, the board of trustees of the Kansas Public Employees Retirement System increased benefits for disabled members. The board received a review of the past year's insurance experience and was able to make the increase effective January 1, 1985. The disability benefit is now based on 60% of the member's annual rate of compensation at the date of disability. Formerly, the disability benefit was based on 55% of the member's annual salary and the above increase was provided without a corresponding increase in the employer contribution rate for group insurance purposes. The increase affects all existing disabilities as well as those that occur in the future and is in addition to the 13th check most disabled members are entitled to receive on October 1st of each year through 1987.

The KPERS life insurance and disability benefit program is funded solely by employer contributions which presently amount to .6% of covered payroll. The KPERS board is charged with providing the broadest possible coverage with the funds generated through this statutory employer contribution rate. Presently, the life insurance coverage is equal to 100% of the member's annual salary at the time of death and the disability benefits as described above.

This insurance program was first established on January 1, 1966, and over the years the board has been able to make significant improvements while on only one occasion (1975) was the employer rate increased. The following is a brief summary of these major changes:

January 1968 Improved salary basis used to compute insured benefits from "final average salary" (highest average compensation in five of last ten years of participating service) to "current annual rate of compensation".

January 1970 Provided that insured disability benefits would not be reduced as a result of any increases in Social Security benefits after the later of January 1, 1970 or the commencement of disability benefit payments.

September 1972 Eliminated the graded reduction in insured death benefits which previously applied to members between ages 60 and 65. As a result, the insured death benefit for all KPERS members under age 65 was 50% of compensation.

Increased the insured disability benefit from 42% to 50% of compensation, inclusive of primary Social Security benefits and other employment-related benefits.

April 1973 KPERS Act amended to provide that certain faculty members

and other employees of educational institutions under the management of the State Board of Regents would be covered under the KPERS insurance program effective July 1, 1973.

May 1973 Increased the insured death benefit from 50% to 60% of compensation, effective July 1, 1973. (Legislation enacted in 1973 increased the statutory limit on life insurance benefits from 50% to 65% of compensation.)

December 1974 Increased the insured death benefit from 60% to 65% of compensation, effective January 1, 1975.

July 1975 Establish a minimum insured disability benefit of \$50 a month.

Provide that insured disability benefits may not be reduced by more than 50% of Worker's Compensation benefits.

Increase the employer contribution rate for insured benefits from .5% to .6% of members' compensation.

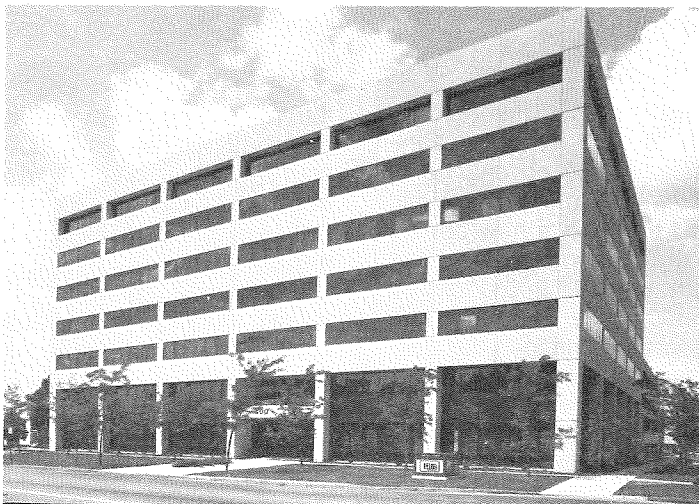
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KPERS MOVES TO CAPITOL TOWER

On December 3, 1984, the retirement system started moving into its new facilities on the second floor of the Capitol Tower building. The Capitol Tower is a modern highrise office building adjacent (northwest) to the State Capitol grounds. On Harrison Street there is an entrance to a covered parking garage which will benefit the many visitors to the retirement system office. The retirement system will occupy the whole second floor and to fully utilize the space will continue to use modular office equipment which can be added to or rearranged as the situation dictates. The new address for the retirement system is:

Kansas Public Employees Retirement System

Capitol Tower, 2nd Floor
400 West 8th Street
Topeka, Kansas 66603
(913) 232-6665



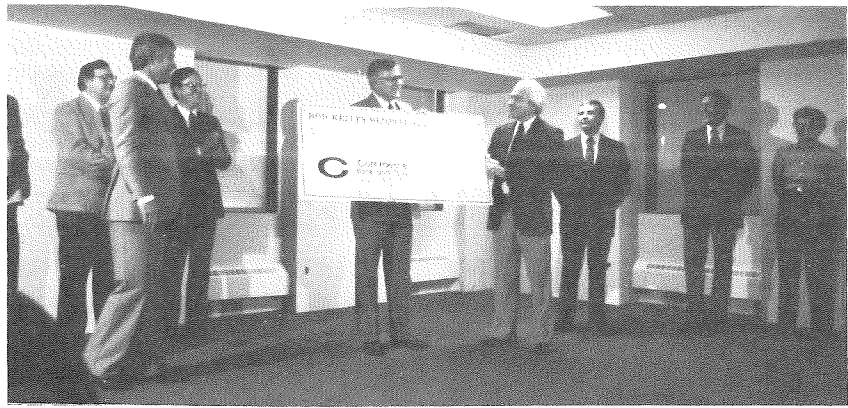
Seven-story Capitol Tower building at 8th and Harrison.

KPERS EMPLOYEES SPEARHEAD FUND RAISER

In early August, 1984, nineteen year old Rod Kelley, a recent graduate of Topeka High School, was tragically paralyzed in a swimming pool accident. Rod's mother, Nancy, served as Chief of the Accounting Section for KPERS in the early 1960's and his father, Dean, has been with the system almost 20 years—first as the agency's first field representative and presently as Chief of the Enrollment Section.

Recognizing that non-medical related bills were mounting up, a group of KPERS employees banded together and formed the Rod Kelley Benefit Fund and established a bank account at Commerce Bank and Trust in Topeka. A benefit dance/auction was planned for the night of October 27, 1984, at the Municipal Auditorium. The highlight was the auctioning off of a 1981 Chevy Chevette.

Posters were circulated throughout the Topeka area and local merchants were contacted to either contribute products for the auction or sponsor tables at the dance. The local media,



Dean Kelley (center), Chief of KPERS Enrollment Section, shown receiving check in the amount of \$11,707.68 for his son, Rod.

i.e., newspapers, television, and radio contributed greatly in the weeks preceding the benefit. The theme of the benefit was "A Great Time for a Great Cause" and indeed it was. Live music was provided by the Wagonmasters, a country rock band and free beer and soft drinks were provided throughout the evening. Interspersed between the band breaks, the auction was conducted.

On November 21st at a Thanksgiv-

ing pot-luck luncheon held in the retirement system offices, a check for \$11,707.68 was presented to Dean on behalf of all those in the community who donated their time, talents, and money to this benefit.

As of the writing of this story, Rod is at the Craig Institute in Denver, Colorado, battling to rehabilitate himself as best he can; but also knowing he has an army of support in the Topeka community.

POP UP BUT DON'T POP OUT

In 1982 the Kansas legislature passed House Bill 2623 which provided what is commonly called a "Pop-up Option" feature under KPERS. The pop-up option effectively increases an optional monthly benefit for those who retired on and after July 1, 1982, and select an option and are pre-deceased by their joint annuitant.

When a member retires under either Option A or Option B, their monthly benefit is actuarially reduced to take into account the age differential between them and their joint annuitant. Under former law if the joint annuitant predeceased the member, the member's monthly benefit remained at the reduced amount. The 1982 legislation now allows the system to "Pop" the benefit up to the amount it would have been had the member not selected Option A or Option B. This change would be effective the first day of the month following the death of the member's joint annuitant. Members who retired prior to July 1, 1982, under Option A or Option B are not eligible for this pop-up feature.

What To Do?

Therefore, if you (a) retired on or after July 1, 1982, AND (b) retired

under Option A or Option B, AND (c) your joint annuitant pre-deceases you, you should notify KPERS immediately of your joint annuitant's death. In addition, you will need to complete a new beneficiary designation form. Although there would be no further monthly benefits payable to anyone after your death, there will be a \$1,000 death benefit payable to your designated beneficiary/ies. Please keep in mind, however, that you cannot change your beneficiary designation (under Option A or Option B) unless your joint annuitant dies.

For those who retired prior to July 1, 1982, under Option A or Option B you still need to notify KPERS immediately of the death of your joint annuitant. Although there will be no change in the amount of your monthly benefit, you will need to name a new beneficiary/ies so that they may receive the \$1,000 death benefit. If you retired under Option C or the maximum with no option, you may change your designated beneficiary/ies at any time regardless of your retirement date but there will be no change in the amount of your monthly benefit at the time of your beneficiary's death.

REQUEST FOR INCOME VERIFICATION

KPERS receives numerous requests both by letter and by phone for verification of benefits received.

To help us process your request, you need to specify whether you are receiving retirement benefits or disability income benefits.

Any requests should include your full name and your social security number. If you are receiving benefits as a joint annuitant, please give us the retirant's name and social security number.

We need to know exactly what information you need verified. Some agencies require only verification of your monthly benefit while others need verification of income for a certain period of time. Please be specific with dates.

If someone other than the retirant makes the request for income verification information, we do need written authorization from the retirant. Personal requests should be signed.

Please remember that the retirant dividend check that is sent out on the first of October is also counted as income.

TAXABILITY OF BENEFITS

By law, your benefit is exempt from Kansas state income tax.

Along with your benefit check you receive on or about February 1, 1985, you will receive your W-2P form for 1984. This form reports total benefits paid to you in 1984 to the Internal Revenue Service and includes information regarding your unsheltered contributions to the retirement system. Remember, your contributions made on and after the third quarter of 1984 were tax sheltered at the time of your employment. Consequently, only contributions made prior to that date may

be considered in determining when your benefit becomes subject to federal income tax. We are required to report all benefit payments to the Internal Revenue Service although your benefit may not be taxable based on your own specific situation.

Your W-2P form will show the total benefits paid to you in 1984. As your December warrant is mailed in December, it is considered part of your total 1984 benefits. Your W-2P will also show total benefits paid in previous years plus your *own* unsheltered contributions to the retirement system.

You may wish to refer to the information in the article entitled "Three-Year Rule" for general information regarding the taxability of your retirement benefit. We recommend you consult a reputable tax consultant or the IRS in the preparation of your tax forms, especially during your early retirement years. You may also find IRS publication 554, "Tax Benefits for Older Americans" and publication 575, "Pension and Annuity Income" helpful in determining the taxability of your pension.

WITHHOLDING FOR FEDERAL INCOME TAX

Since January 1, 1983 the retirement system has been withholding from retirement benefits for federal income taxes.

KPERS is required to notify each retiree when benefits received are equal to the member's *own* contributions to the retirement system and consequently become subject to federal income tax. Remember, your contributions were tax sheltered beginning with the third quarter of 1984. Consequently, only contributions made prior to the third quarter of 1984 may be considered in determining when your benefit becomes subject to federal income tax. Different regulations apply depending upon the amount of your benefit.

Monthly Benefit Less than \$460 *

If your monthly benefit from the retirement system is less than \$460, no federal income tax will be withheld unless you choose to have withholding apply by filing a withholding certificate with the retirement system.

Although your KPERS benefit is *NOT* subject to mandatory withholding, you may elect to have withholding from your benefit by obtaining a form W-4P, Pension, Annuity or Sick Pay Recipient's Request for Federal Withholding, and submitting same to KPERS. You need to designate a specific dollar amount to be withheld.

Any election for withholding will be effective no later than January 1, May 1, July 1, or October 1, after it is received so long as it is received at least 30 days before that date. You may make or revoke withholding elections as often as you wish. The completed forms should be returned to the Kansas Public Employees Retirement System, Capitol Tower, 2nd Floor, 400

W. 8th St., Topeka, Kansas 66603.

In Kansas you can obtain your W-4P form by calling the following toll-free number: 1-800-424-1040. Outside of Kansas, call your regional IRS toll-free number.

If you have withholding from your pension, your form W-2P will show your total pension paid, and the tax withheld. Please keep in mind, however, if the benefit you are receiving is less than \$460 **NO FEDERAL INCOME TAX WITHHOLDING IS REQUIRED UNLESS YOU SPECIFICALLY REQUEST THAT THE WITHHOLDING PROVISIONS APPLY TO YOUR MONTHLY BENEFIT.**

Monthly Benefit More than \$460 *

If your monthly benefit is \$460 or more, your benefit is subject to federal income tax unless you elect not to have withholding apply. There will be no withholding on the return of your own contributions unless you elect to have withholding on those benefits. Remember, your contributions beginning with the third quarter of 1984 were tax sheltered at the time of your employment. Consequently, only contributions made prior to the third quarter of 1984 may be considered in determining when your benefit becomes subject to federal income tax.

At such time as you have received benefits equal to your unsheltered contributions to the retirement system, you will be sent the necessary election form.

You may elect not to have withholding apply by completing and returning the election form sent to you. The form should be returned to the Kansas Public Employees Retirement System, Capitol Tower, 2nd Floor, 400

W. 8th St., Topeka, Kansas 66603.

Any election or revocation will be effective no later than January 1, May 1, July 1, or October 1, after it is received so long as it is received at least 30 days before that date. You may make or revoke elections not to have withholding apply as often as you wish. Additional election forms may be obtained from the retirement system by contacting us at the above address.

To change your withholding allowances or change the additional amount being withheld, please obtain a form W-4P, Pension, Annuity or Sick Pay Recipient's Request for Federal Withholding.

In Kansas you can obtain your W-4P form by calling the following toll-free number: 1-800-424-1040. Outside of Kansas, call your regional IRS toll-free number.

Please bear in mind that if you request withholding of a specific dollar amount on the election form or W-4P form, this amount will be withheld in addition to the amount withheld based on the withholding tables.

If you do not return the election form sent to you by KPERS by the date stated on the election form, federal income tax will be withheld from the taxable portion of your benefit payment as if you were a married individual claiming three withholding allowances.

* NOTE: Even if you elect not to have federal income tax withheld, you are liable for payment of federal income tax on the taxable portion of your pension. You also may be subject to tax penalties under the estimated tax payment rules if your payments of estimated tax and withholding if any are not adequate.

(continued from page 1)

April 1979 KPERS Act amended, effective April 7, 1979, to provide for first day coverage of state employees under insured benefits program (i.e., for coverage of state employees fulfilling one-year service requirement for KPERS membership).

April 1980 Increase statutory maximum on insured death benefit from 65% to 100% of compensation.

Extend death benefit coverage from age 65 to age 70.

Provide for five years of benefit payments to disabled members who become disabled at or after age 60.

Allow the use of Social Security retirement benefits, as well as Social Security disability benefits, as an offset to the KPERS insured disability benefit.

June 1980 Increased insured death benefit from 65% to 100% of compensation, effective July 1, 1980 (and

amended insurance contract to implement provisions of 1980 legislation).

October 1980 Disabled members receive the retirant dividend payment (13th Check)

April 1981 KPERS Act amended, effective April 30, 1981, to authorize the board to provide death and/or disability benefits on an insured or self-insured basis, and to contract with insurance companies to administer and/or underwrite death or disability benefits or both such benefits.

September 1981 Changed structure of program effective July 1, 1981, to provide disability benefits and waiver of premium death benefits through a self-insured plan administered by SBL under an administrative services agreement.

May 1982 Eliminate statutory maximum on insured death benefit.

Increased statutory maximum on long-term disability benefit from 50% to 60% of the member's annual rate of

compensation on the date disability commences.

September 1982 Increased disability benefit percentage from 50% to 55% of the member's annual rate of compensation.

May 1984 The KPERS Act was amended effective July 1, 1984, to provide that any KPERS member who receives disability benefits for at least five (5) years immediately prior to retirement will have his or her final average salary adjusted by the actuarial salary increase assumption rate in existence during the member's period of disability.

October 1984 Increased disability benefit percentage from 55% to 60% of the member's annual rate of compensation.

During the first 18½ years of the program's operation, death and disability benefits paid to KPERS members and their beneficiaries have exceeded \$58 million.

THREE-YEAR RULE ON RETIREMENT BENEFITS

Except for certain TIAA members of KPERS, both you and your employer pay the cost of your benefit from KPERS. If you will get back your own unsheltered contributions within three years after the date you receive your first payment, no part of your benefit is taxable until your unsheltered contributions have been recovered. After your contributions have been recovered in benefits, all amounts you receive are subject to income tax. Remember, contributions made on and after the third quarter of 1984 were tax sheltered at the time of your employment. Consequently, only contributions made prior to that date may be considered in determining when your benefit becomes subject to income tax.

If you will not recover your contributions within three years, the IRS has a formula for determining which part of each benefit payment is the return of your own unsheltered contributions, and which part is taxable income. We suggest you refer to IRS publication 554, "Tax Benefits for Older Americans", and IRS publication 575,

"Pension and Annuity Income", for more information concerning the taxability of your benefits.

If you are receiving a benefit as a joint-annuitant, or beneficiary, under one of the optional forms of benefit payment, you do not include your benefit payments in income until the retiree's unsheltered contributions have been recovered. Thereafter, you must include all your payments in income. If the retirant had recovered all unsheltered contributions before death, your survivor benefits are subject to income tax.

If you are a TIAA member of KPERS receiving benefits based on service prior to 1962 only or if you are the joint annuitant of a TIAA member, your benefit is fully taxable because TIAA members make no employee contributions to KPERS.

The above is conveyed as general information only. For specific information, we suggest you contact your local IRS information line or the various IRS publications outlined above.

MOVING?

If you are a retirant and move, we ask that you notify KPERS in writing by the 10th of the month preceding the effective date of the change.

When notifying the retirement system you should provide the following information to the system:

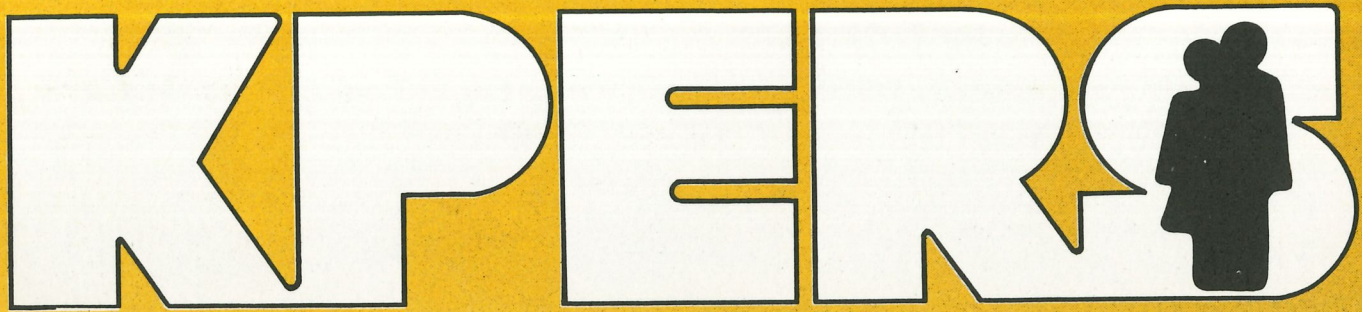
1. Your Full Name
2. Your Social Security Number or Retirement Number
3. Your Old Address
4. Your New Address
5. The Effective Date of New Address
6. Member's Name, if you are receiving a check as a Joint Annuitant

Failure to supply all the above information may result in a delay of the address change being made and thus a delay in the delivery of your retirement check.

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Editor: Jack L. Hawn



KANSAS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Comprehensive
Annual
Financial
Report

————— Fiscal Year Ended June 30, 1984 —————

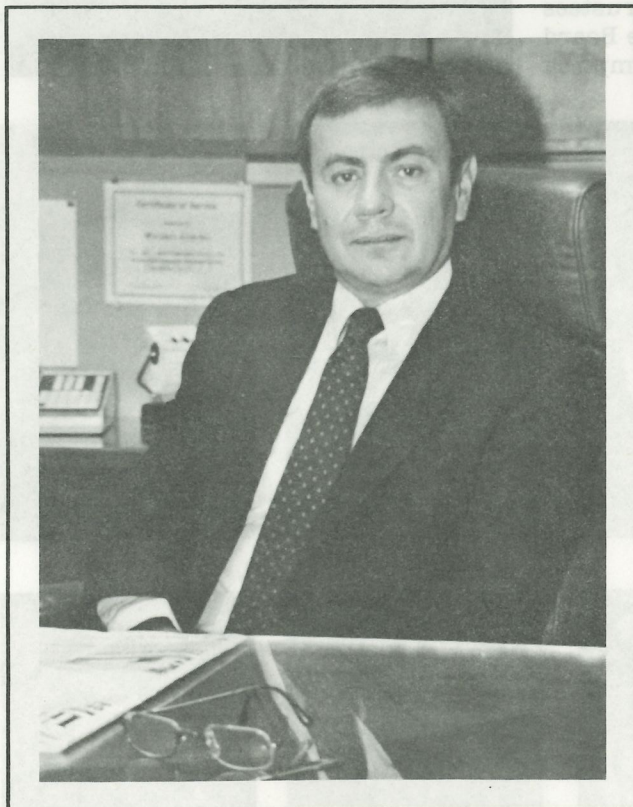
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Marshall Crowther, Executive Secretary
Capitol Tower - 2nd Floor
400 West 8th
Topeka, Kansas 66603

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

23rd ANNUAL REPORT

FISCAL YEAR ENDED JUNE 30, 1984



KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Capitol Tower - 2nd Floor
400 West 8th
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MARSHALL CROWTHER
EXECUTIVE SECRETARY

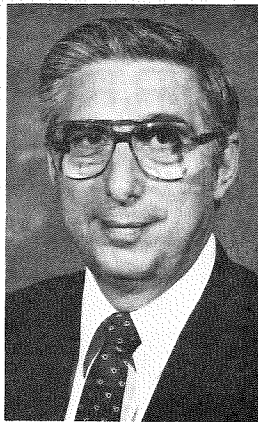
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

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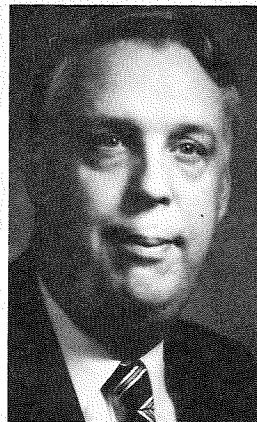


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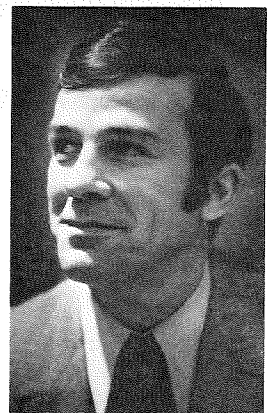
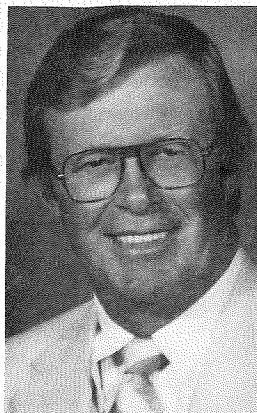
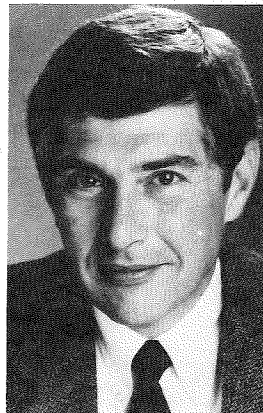


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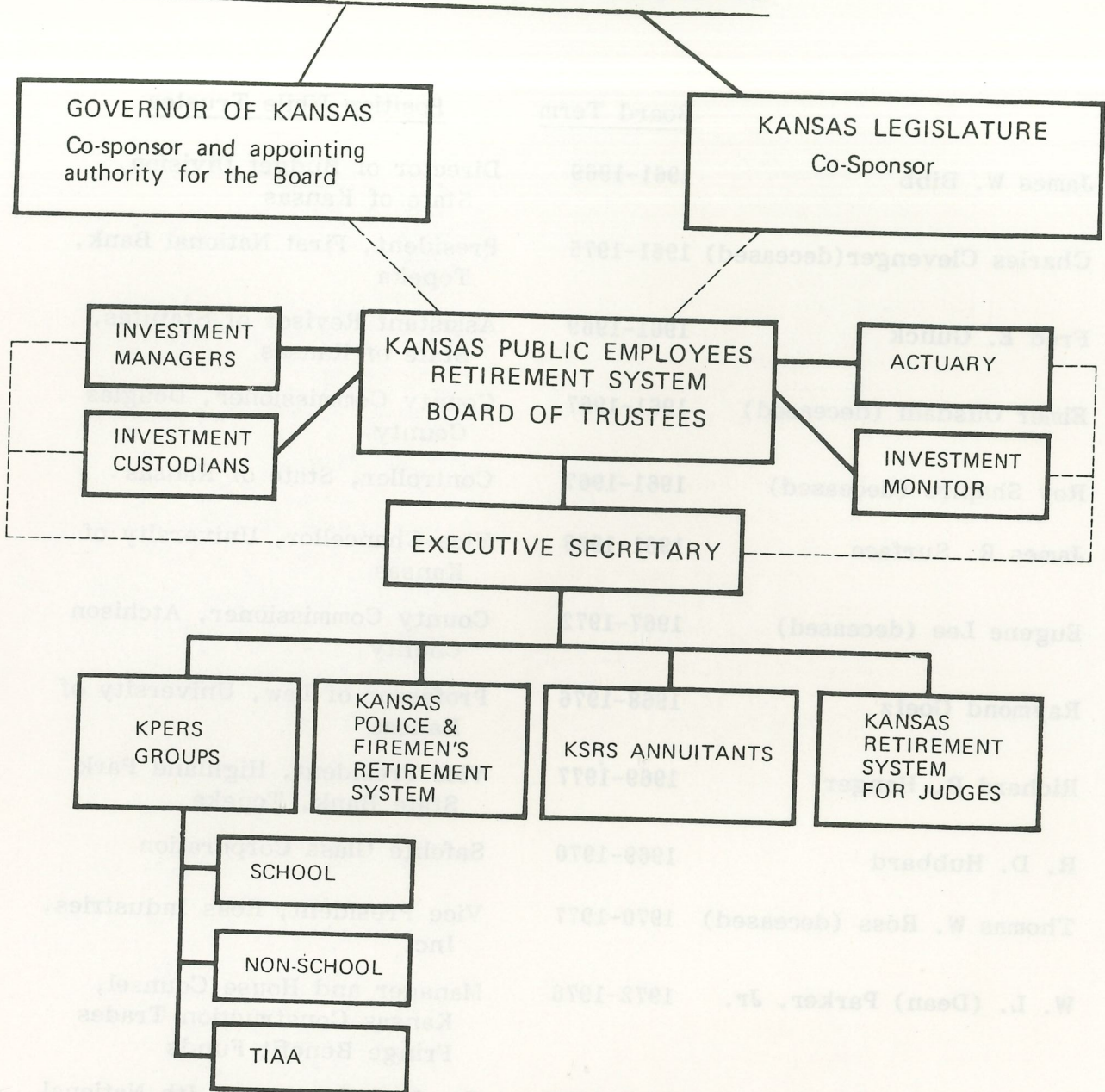
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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Former Trustees

	<u>Board Term</u>	<u>Position While Trustee</u>
James W. Bibb	1961-1969	Director of Budget Division, State of Kansas
Charles Clevenger(deceased)	1961-1975	President, First National Bank, Topeka
Fred E. Gulick	1961-1969	Assistant Revisor of Statutes, State of Kansas
Elmer Ousdahl (deceased)	1961-1967	County Commissioner, Douglas County
Roy Shapiro (deceased)	1961-1967	Controller, State of Kansas
James R. Surface	1961-1968	Vice-Chancellor, University of Kansas
Eugene Lee (deceased)	1967-1972	County Commissioner, Atchison County
Raymond Goetz	1968-1976	Professor of Law, University of Kansas
Richard B. Hanger	1969-1977	Vice President, Highland Park State Bank, Topeka
R. D. Hubbard	1969-1970	Safelite Glass Corporation
Thomas W. Ross (deceased)	1970-1977	Vice President, Ross Industries, Inc.
W. L. (Dean) Parker, Jr.	1972-1976	Manager and House Counsel, Kansas Construction Trades Fringe Benefit Funds
Don S. Peters	1975-1979	Sr. Vice President, 4th National Bank, Wichita
Robert W. Wagstaff	1975-1979	President, Coca-Cola Bottling Co. of Mid-America
Balfour Jeffrey	1976-1980	Chairman of the Board, Kansas Power & Light Co.
John Junior Armstrong	1977-1981	President, Kansas Farm Bureau
Marjory P. Sharp	1977-1981	President, Kansas National Education Association
H. Phillip Martin	1981-1983	Attorney

VOTERS OF THE STATE OF KANSAS



PURPOSE

... the Kansas Public Employees Retirement System was created to provide an orderly means whereby employees of the participating employers may be retired without prejudice and without inflicting a hardship on the employees retired. To enable such employees to accumulate reserves for themselves, to provide for old age, death and termination of employment, and for the purpose of effecting economy and efficiency in the administration of governmental affairs.

Kansas Public Employees Retirement Act. (K.S.A. 74-4901)



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Certificate of Conformance in Financial Reporting

Presented to

Kansas Public Employees Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1983

A Certificate of Conformance in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.



Arthur W. Mansfield
President

Jeffrey A. Essler
Executive Director



Kansas Public Employees Retirement System

MARSHALL CROWTHER, Executive Secretary

Honorable John Carlin
Governor, State of Kansas
State House
Topeka, KS 66612

October 26, 1984

Dear Governor Carlin:

We are pleased to submit, on behalf of the board of trustees, the 23rd Annual Report of the Kansas Public Employees Retirement System. Speaker of the House, Representative Mike Hayden, Chairman of the Legislative Coordinating Council; Lu Kenney, Secretary of the Senate; Geneva Seward, Chief Clerk of the House of Representatives; and all participating employers of the system will also receive this report in accordance with K.S.A. 74-4907(2).

The annual report consists of four sections: The Introductory Section contains various information pertinent to the system; the Financial Section contains the opinion from an independent CPA firm, the financial statements of the system as well as certain supporting schedules; the Actuarial Section contains a certification from the independent consulting actuary and results from the most recent annual actuarial valuation; and the Statistical Section consists of significant data pertaining to the Kansas Public Employees Retirement System and a complete list of securities owned by the retirement system on June 30, 1984.

ORGANIZATION

The Kansas Public Employees Retirement System (KPER) is a body corporate and an instrumentality of the State of Kansas. KPER is an umbrella organization which administers, through a single fund in the state treasurers office, four state-wide coverage groups which contain various subgroups. All of the coverage groups are defined benefit contributory plans covering substantially all public employees in Kansas.

A seven-member board of trustees, appointed to overlapping four-year terms by the Governor and confirmed by the Senate, is the managing body of the retirement system. The board of trustees appoints the executive secretary who is the managing officer of the system.

CERTIFICATE OF CONFORMANCE

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Conformance in Financial Reporting to the Kansas Public Employees Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 1983.



In order to be awarded a Certificate of Conformance, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Conformance is valid for a period of one year only. We believe our current report continues to conform to Certificate of Conformance Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACCOUNTING SYSTEM AND REPORTS

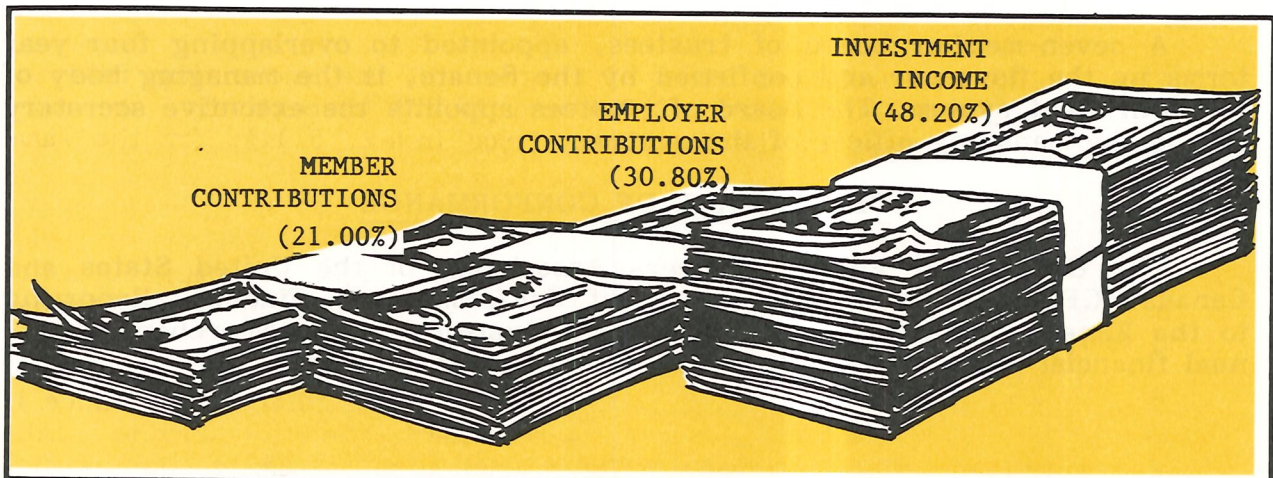
The accrual basis of accounting is used to record assets and liabilities and revenues and expenses. Revenues of the system are recorded when earned without regard to date of collection, expenses are recorded when the liability is incurred regardless of when payment is made. Fixed assets consisting of furniture, office equipment, and modular partitions are recorded at cost and depreciated through charges to administrative expense over the estimated useful life of the asset. Contributions to the retirement system are based on the principles of level cost financing with current service financed on a current basis and prior service amortized over a period not to exceed forty years. All contributions required to be made by law have been made.

REVENUES

The reserves needed to finance retirement benefits are accumulated through the collection of member and employer contributions and through investment income.

Total revenue for fiscal year 1984 totaled \$332.4 million, a decrease of 7.0% from fiscal year 1983 revenues of \$357.6 million. The decrease is due to a 16.7% decrease in investment income--\$160.1 million for fiscal year 1984 compared to \$192.3 million for fiscal year 1983. Even though investment income decreased, the amount received from interest and dividends increased. Interest and dividends for fiscal year 1984 were \$146.7 million compared to \$134.1 million for fiscal year 1983. The decrease is due to a lesser amount of net gain on sale of investments, \$13.4 million for fiscal year 1984 compared to \$58.2 million for fiscal year 1983.

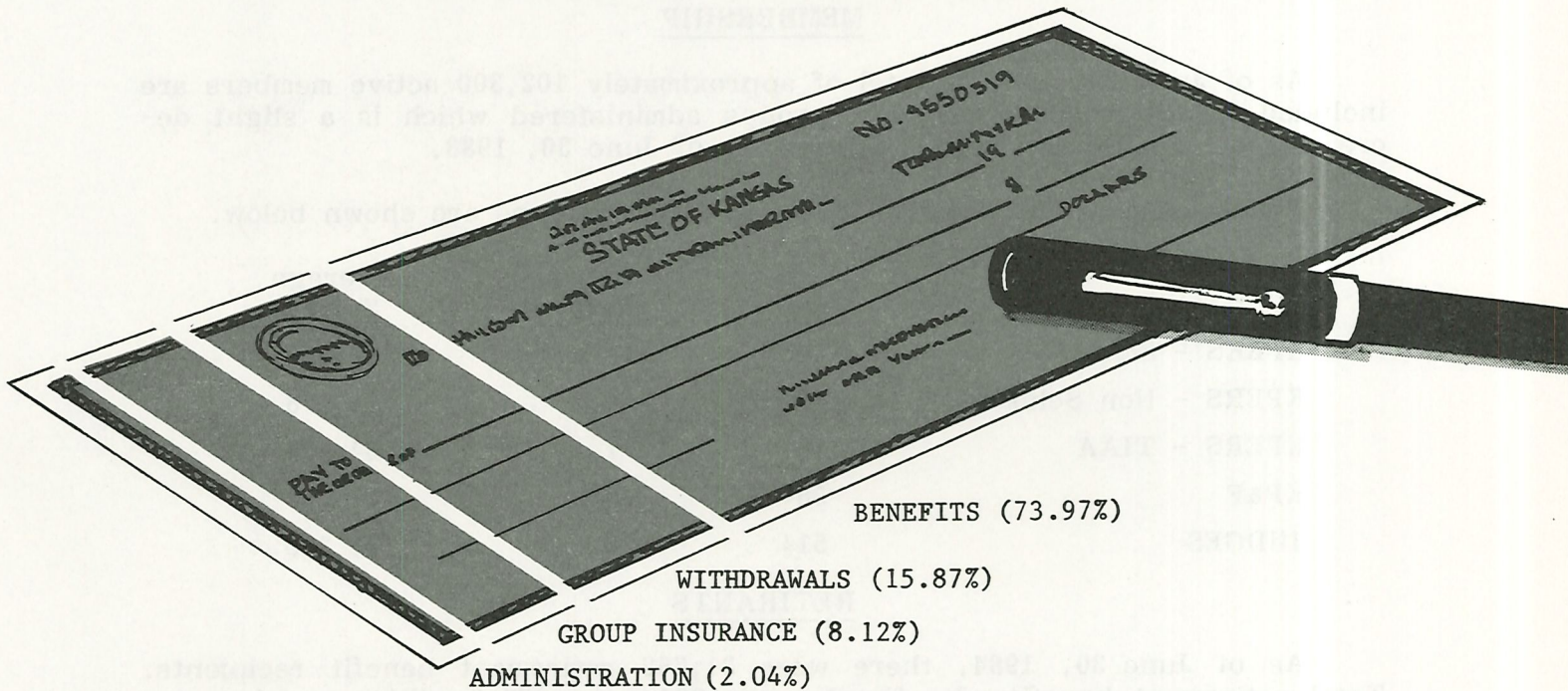
The chart below indicates the sources of revenue.



EXPENSES

The largest expense of the Kansas Public Employees Retirement System relates to the purpose for which it was created; namely, the payment of benefits. Expenses for fiscal year 1984 were \$106.2 million, an increase of 11.6% over fiscal year 1983 expenses of \$95.1 million. The increase was mainly due to an increase in the average monthly retirement benefit.

The chart below indicates the major expense classification:



RESERVES

The names of the reserves and their uses are specified in K.S.A. 74-4922.

The amount in the Members' Accumulated Contribution Reserve, \$585.1 million, represents the total of active members contributions plus \$96.2 million interest credited to members accounts.

The amount in the Retirement Benefit Accumulation Reserve, \$876.7 million, represents the employer contributions to fund participating service cost as it accrues and an amount to pay the level dollar cost of prior service which is being amortized over a period not to exceed 40 years from the date the various participating employers affiliate with the retirement system.

Upon retirement, the individual member's account is transferred to the Retirement Benefit Payment Reserve plus an amount from the Retirement Benefit Accumulation Reserve to fully fund the present value of future benefits for that particular retiree. During fiscal year 1984, \$86.8 million was transferred to the Retirement Benefit Payment Reserve.

The amount by which the total reserves exceed the total fund balance is termed the "unreserved fund balance" and represents the past service liability not yet funded. The unreserved fund balance is shown on the balance



sheet as a deduction from the total reserves. The past service liability not yet funded decreased \$168.3 million to a total of \$325.7 million due to experience in excess of assumptions.

The assumptions used in actuarial valuations are adopted by the board based on the recommendation of the actuary and the findings of the triennial actuarial experience investigations. In the aggregate, the assumptions used in actuarial valuations relate reasonably to the past and anticipated experience of the respective retirement systems.

MEMBERSHIP

As of June 30, 1984, a total of approximately 102,300 active members are included in the various coverage groups administered which is a slight decrease from the 103,900 active members as of June 30, 1983.

The average characteristics of the coverage groups are shown below.

	<u>Average Age</u>	<u>Average Service</u>	<u>Average Salary</u>
KPERS - School	41	11 yrs.	\$18,960
KPERS - Non School	42½	9	16,178
KPERS - TIAA	58	7	34,425
KP&F	36½	10½	21,290
JUDGES	51½	8	46,295

RETIRANTS

As of June 30, 1984, there were 31,762 retirement benefit recipients. Total retirement benefits for fiscal year 1984 were \$77.2 million, an increase of 8.8% over fiscal year 1983 benefits of \$70.9 million.

During fiscal year 1984 there were 1,892 members who retired. The average monthly benefit for these new retirants was:

<u>System</u>	<u>Fiscal Year 1984 Retirants</u>	<u>Average Monthly Benefit</u>
KPERS--Non-school	944	\$ 288
KP&F	36	1,045
Special KP&F	28	1,069
Judges	4	1,320
KSRS Annuitants	43	10
KPERS--School	837	336

The Retirement Act at K.S.A. 74-4901 states,

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



death and termination of employment, and for the purpose of effecting economy and efficiency in the administration of governmental affairs.

Retirement benefits are calculated using formulas specified in state statutes. Normal retirement for members is age 65 (age 55 and a minimum of 20 years credited service for KP&F members). Members may retire with reduced benefits as early as age 60 with 10 years of credited service (age 50 with more than 20 years of credited service for KP&F members). For early retirement a reduction factor for each month under the normal retirement age will be applied.

Benefits are based on credited service, and a percentage of final average salary. Final average salary is the average compensation of the highest five years of participating service (for KP&F member final average salary is the average compensation of the highest 3 years out of the last five years of participating service).

Percentage factors applied to final average salary vary among the coverage groups and are specified in state statutes.

K.S.A. 74-49,109--74-49,114 establishes a Retirant Dividend Payment Reserve in the KPERS fund for the purpose of providing an annual retirement dividend payment. The dividend payment is authorized to be paid annually and pertains to all individuals who have retired on or before July 1 of the year in which the payment is to be made. This dividend payment covers retirants, retired special members, joint annuitants and beneficiaries of all systems administered by KPERS as well as certain individuals who retired under the Kansas City, Kansas, School Employees Retirement Fund and individuals who have qualified for insured disability benefits under the provisions of K.S.A. 74-4927.

The first such Retirant Dividend Payment of \$4.2 million was made October 1, 1980. The Retirant Dividend Payment for fiscal year 1984 was \$6.1 million.

INSURANCE PROGRAM

For the fiscal year which ended June 30, 1984, the insured death program paid 315 death claims with a total of \$5.4 million in death benefits.

The insured disability portion of the employer provided insurance paid \$3.1 million in monthly disability benefits. As of June 30, 1984, there were 1,147 members of KPERS coverage groups receiving a total monthly benefit of \$259,597 for an average of \$226 per recipient.

The optional term life insurance coverage paid 40 claims during fiscal year 1984 totaling \$450,000.

On January 1, 1966 a group life and long-term disability insurance program was commenced and extended coverage to all contributing members under the age of 65. The cost of this coverage is paid entirely by the employer and is statutorily fixed at .6% of total covered payroll.

Over the years there have been numerous enhancements and expansions of original insurance provisions.



The insured benefits presently provided by KPERS are:

1. Insured death benefit (group life insurance) for active members under age 70 equal to 100% of the member's annual compensation on the date of death.
2. Insured disability benefit equal to 55% of the member's annual compensation on the date disability commences, reduced by Social Security disability or retirement benefits, 50% of Worker's Compensation benefits, and other employment-related benefits; provided that the KPERS insured disability benefit may not be less than \$50 a month. Benefit payments to a totally disabled member start after 180 days of continuous and total disability and are continued for the shorter of:
 - (a) the remaining period of total disability;
 - (b) the period remaining to the disabled member's 65th birthday if disablement occurred before age 60;
 - (c) a period of five years or, if shorter, the period remaining to the disabled member's 70th birthday if disablement occurred on or after age 60;
 - (d) the period remaining to the disabled member's date of retirement;
 - (e) termination of membership by the withdrawal of the member's accumulated contributions.

The above benefits are also available to state employees in their year of service. A totally disabled member continues to receive service credit under KPERS.

TIAA-CREF members are also covered by the insurance program. In addition, a totally disabled TIAA-CREF member continues to receive TIAA-CREF assistance.

Individuals who have qualified for insured disability benefits are also entitled to receive the retirant dividend payment.

On January 1, 1982, the group life and long-term disability contract with the insurance carrier was amended. The group life insurance coverage is still provided on a fully-funded basis while the long-term disability is self-insured but administered by the group life insurance carrier. The retirement system paid \$8.5 million in insurance premiums and benefits during fiscal year 1984. In addition the insurance carrier paid \$5.4 million for life insurance benefits to beneficiaries of deceased members.

The 1978 session of the Kansas Legislature passed legislation which would allow all employees of the State of Kansas who were eligible for the basic KPERS group insurance program (discussed above) to participate in an optional group life insurance program through payroll deductions. Total cost of this program is to be paid by the participants. The individual may elect a minimum of \$5,000 coverage regardless of health. Coverage above \$5,000 may be selected in increments of \$1,000 up to \$10,000 and \$5,000 units above \$10,000 to a maximum of \$50,000 coverage. The system is required to monitor the monthly premium deductions on all participants and reconcile and coordinate this with the payroll department of the Accounts and Reports Division, Department of Administration. Total premiums paid for the optional insurance program for fiscal year 1984 were \$1.1 million.

ACTUARY

K.S.A. 74-4908(3) requires the board of trustees to select and employ a



qualified actuary to serve as technical advisor on matters regarding the generation of the system. The actuary is required to perform annual valuations and triennial experience investigations.

The actuary is required to make recommendations concerning actuarial tables to be used and recommend employer contribution rates necessary to establish and maintain the system on an actuarial reserve basis.

The last triennial experience investigation was performed as of June 30, 1983.

More detailed information concerning actuarial valuations may be found in the actuarial section of this report.

ACCOMPLISHMENTS

For fiscal year 1984 the retirement system continued to provide federal income withholding from retirants monthly benefit and from members who withdrew accumulated contributions.

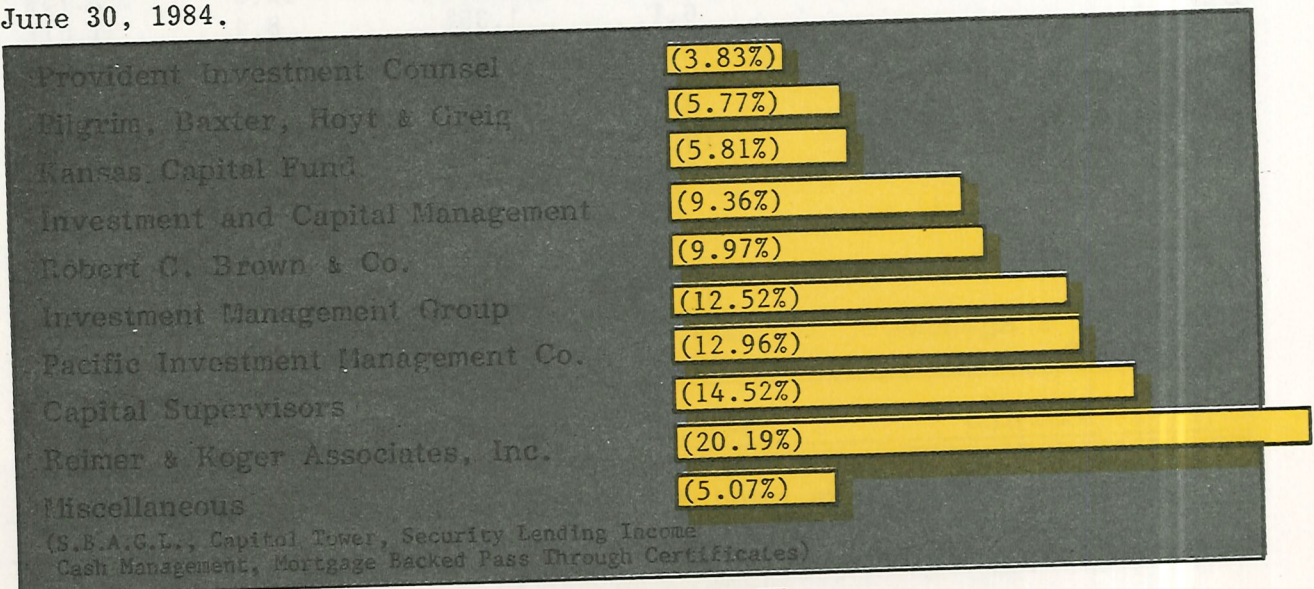
Beginning in September, 1983, the retirement system provided the option of withholding health and hospitalization premiums from monthly benefits for retirants who were state employees.

The retirement system continued to refine participants record keeping procedures to become more responsive to members, retirants, and employers. As a part of this process, the procedures were developed for monthly remitting and quarterly reporting which is to start January 1, 1985.

INVESTMENT ACTIVITIES

The funds of the system are invested in accordance with K.S.A. 74-4921. The investment authority is with the board of trustees with the provision that the board may appoint investment managers and investment custodians. Investments are made in accordance with the "prudent man rule" with the statutory limitation of not more than 50% of book value of the fund may be invested in common stock. The investment policy adopted by the board specifies an asset mix of 45% in equities and 55% in fixed income securities at market value.

The board of trustees has contracted with eight investment management firms to make investments within each firm's specialized area. The following chart indicates the percentage of the fund managed by each manager as of June 30, 1984.



Through its investment policy, the board of trustees has established that the funds of the system be invested in stocks, bonds and other securities of the highest quality so as to reduce risk and thereby preserve the capital of the fund. The following tables indicate the degree of quality which is maintained by this policy as it existed with the holdings as of June 30, 1984, with comparative amounts for June 30, 1983.

COMPARATIVE RATING DISTRIBUTION OF COMMON STOCK

Rating	1984		1983	
	Market (Millions)	% of Total	Market (Millions)	% of Total
A +	\$153.3	27.30%	\$179.7	24.92%
A	98.7	17.57%	128.9	17.88%
A -	126.1	22.45%	170.2	23.60%
B +	87.8	15.63%	118.9	16.49%
B	41.9	7.46%	59.1	8.20%
B -	7.5	1.34%	22.2	3.08%
C	1.4	.25%	9.5	1.31%
Not Rated	44.9	8.00%	32.6	4.52%
TOTALS	\$561.6	100.00%	\$721.1	100.00%

COMPARATIVE RATING DISTRIBUTION OF FIXED INCOME

Rating	1984		1983	
	Market (Millions)	% of Total	Market (Millions)	% of Total
AAA	\$ 3.5	.77%	\$ 3.9	.70%
AA +	7.0	1.55%	9.1	1.63%
AA	28.3	6.25%	36.4	6.53%
AA -	13.0	2.87%	15.1	2.71%
A +	15.0	3.31%	25.5	4.58%
A	40.8	9.00%	42.5	7.63%
A -	4.0	.88%	8.7	1.56%
BBB +	6.9	1.52%	15.2	2.73%
BBB	6.1	1.35%	8.4	1.51%
BBB -	.7	.15%	2.8	.50%
BB +	10.2	2.25%	8.3	1.49%
BB	2.5	.55%	.8	.14%
BB -	10.4	2.29%	3.7	.67%
B +	2.3	.51%	---	---
B	.8	.18%	2.8	.50%
B -	---	---	1.3	.23%
CCC	2.2	.49%	1.4	.25%
Not Rated	42.2	9.31%	23.0	4.13%
Government & Agencies	244.5	53.95%	334.0	59.94%
Industrial Revenue	12.8	2.82%	14.3	2.57%
TOTALS	\$453.2	100.00%	\$557.2	100.00%

Common stock holdings rated A- or better comprised 67.32% of the common stock holdings and 78.58% of bonds were either U. S. Treasuries, U. S. Government Agencies or were rated A- or better.



INVESTMENT PERFORMANCE

During fiscal year 1984, the firm of Callan Associates, Inc., San Francisco, California, continued to provide the investment performance measurement and consulting services for the trustees. A letter from that firm is included at the end of this section.

The first and foremost rule of investment performance, now universally accepted, is that market values must be used in any valid measurement of total investment results of performance. It does not matter, for the purposes of this measurement, whether any of the appreciation or depreciation that occurred during the period was realized through the sale of securities or left unrealized by holding the securities.

The Accounting rate of return which recognizes only income or income plus realized gains minus realized losses and relates this result to some other value such as cost or book value of investments is the rate that is used in the actuarial valuations but this rate is not valid for measurement of total investment performance.

The Dollar-Weighted rate of return, which measures a fund's market value growth, is affected not only by investment decisions but also by the timing and size of cash flows. It is not generally considered a fair or accurate measure of the performance of individual fund managers since the investment manager typically does not make decisions with respect to the rate and timing of contributions available for investment; however, it is an effective measure of the total fund's rate of growth and whether the return on invested assets is adequate to meet funding requirements. The dollar-weighted rate is also referred to as the internal, discounted cash flow or real rate of return.

The Time-Weighted rate of return is used to eliminate the influence of contributions and withdrawals which are not controlled by investment managers. It is generally accepted as a useful method of comparing the performance of various fund managers since it measures factors within their control.

Although the KPERS time-weighted rates of return for fiscal year 1984 are not positive, the rates are acceptable when compared against the market indicators and other comparable public funds. The KPERS time-weighted rate of return for fiscal year 1984, -3.42% ranks in the upper 50% of all public funds. The KPERS accounting rate of return for fiscal year 1984, 9.95%, remains strong.

The KPERS time-weighted rates of return and the accounting rates of returns for the last four years, 12.07% and 10.87% respectively, are more than double the increase in the Consumer Price Index, 5.44%, for the same period.

Fiscal Years Ended June 30	1984	1983	1982	1981	Cumulative 4 Years
KPERS					
Equities	(13.89%)	71.07%	(8.82)%	27.98%	14.55%
Fixed-Income	(2.65)	35.76	11.91	(8.12)	7.80
Total Fund	(3.42)	38.30	6.77	10.55	12.07
Accounting Rate	9.95	13.76	9.12	11.68	10.87
INFLATION					
Consumer Price Index	3.03%	2.44%	6.86%	9.50%	5.44%
MARKET INDICATORS					
Standard & Poor's 500	(4.64%)	60.92%	(11.40)%	20.47%	13.13%
Dow Jones Industrials	(2.77)	58.28	(11.22)	19.14	12.97
Salomon Bond Index	(6.27)	42.35	8.69	(12.99)	6.00
Lehman Kuhn Loeb Govt/Corp	1.76	29.13	13.33	(4.11)	9.33
Treasury Bills	9.82	9.31	14.49	13.92	11.88

INVESTMENTS IN KANSAS

The board of trustees has long had a policy of seeking investments which impact the Kansas economy when such investments can be made without a sacrifice of either the safety of the investment or the rate of return. During fiscal year 1984, this policy was continued.

The program "Kansas Funds Promote Kansas Jobs" established in 1970 continues in effect. Under this program the guaranteed portion of Small Business Administration loans made by Kansas banks to Kansas businesses are purchased by the retirement system. At the end of the fiscal year, the system had \$1.4 million in actual investments and an additional \$18.6 million committed to the program.

The Kansas Equity Fund which was established in 1973, totaled \$91.7 million as of June 30, 1984. This fund is used for investments in equity issues of companies headquartered in or having a major impact on the Kansas economy.

The Kansas Debt Fund which was created in 1975, totaled \$67.1 million at the end of the fiscal year. This fund is used for fixed income and private placement investments in companies headquartered in or having a major impact on the Kansas economy.

The Kansas Capital Fund, used to purchase federally insured certificates of deposit from Kansas banks and Kansas savings and loan associations with a three-year maturity and a variable interest rate, totaled \$108.1 million and had an interest rate of 11.5% as of June 30, 1984.

The program of purchasing mortgage-backed pass-through certificates on Kansas property was continued. The retirement system has made \$86 million available for these types of investments. As a result of monthly principle payments, the June 30, 1984, balance in these investments was \$58.9 million with an average interest rate of 12.44%. The retirement system has a commitment for an additional \$20 million which should close in fiscal year 1985.

On July 5, 1983, the construction phase of the Capitol Tower was completed. Leasing is now taking place.



RETIREMENT LEGISLATION

House Bill 2244, signed into law May 2, 1983 with an effective date of July 1, 1983, had the following provisions:

Increases the retirant death benefit from \$750 to \$1,000 and eliminates the off-set for the social security funeral benefit.

Permits membership in KPERS for individuals who are first employed in covered positions after the attainment of age 59. Employees who were previously barred from participating in KPERS because of their age and employment, can elect to now participate and purchase previously barred service if they so desire.

Provides for continued participation in KPERS by members who attain age 70 and continue employment in a covered position. Eligible employees over age 70 who had previously ceased contributing may elect to commence contributing and may purchase any service from the time contributions ceased to the time they were again commenced if they so desire.

Eliminates retirement by an employer strictly on the basis of age for members between age 65 and 70. This brings local units of government into conformity with the state which eliminated this provision in 1978.

Allows for the crediting of all prior service for members with ten or more years of participating service under KPERS. This effectively eliminates the requirement of long-time public employees having to meet certain statutory "magic dates" to receive prior service credit.

Provides for the use of the same final average salary for all periods of vested participating service. Previously vested members who returned to employment had their earlier service recalculated at a "frozen" final average salary at the time of retirement.

Requires as a condition of employment repayment of withdrawn contributions for all employees who terminate and return to the same employer within 60 days plus immediate reinstatement of membership.

Certified the employer contribution rates for fiscal year commencing in calendar year 1984 to 4.6% for KPERS non-school employers; 4.4% for KPERS school employers; 1.4% for KPERS TIAA employers.

Includes members of the judges retirement system under the KPERS group life insurance coverage and provides a monthly benefit equal to 4% of final average salary for the first 10 years of service as a judge and a minimum benefit of 50% of final average salary for those who reach retirement age with 10 or more years of continuous service.

ACKNOWLEDGEMENTS

The preparation of this report reflects the combined effort of the Kansas Public Employees Retirement System staff under the leadership of the board of trustees. It is intended to provide complete and reliable information.

On behalf of the board of trustees, we take this opportunity to express our gratitude to the staff, the advisors and to the many people who have worked to assure the successful operations of KPERS.

Respectfully submitted,



Marshall Crowther
Executive Secretary

MC:ms

CAI Callan Associates Inc.
San Francisco New York Chicago

Ronald D. Peyton
President

August 22, 1984

Mr. Virgil A. Basgall
Chairman of the Board of Trustees
Kansas Public Employees
Retirement System
Jayhawk Tower, 8th Floor
700 Jackson Street
Topeka, KS 66603

Dear Virgil:

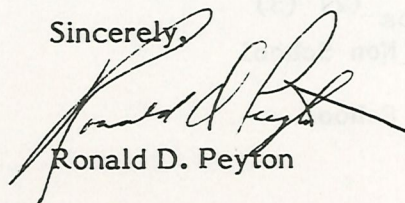
For the fiscal year ended June 30, 1984, the S&P 500 Stock Index declined 4.6% and the Salomon Brothers Bond Index declined 6.3%. KPERS total fund performance declined 3.4%.

We consider this result to be relatively superior on the part of your investment managers. The target index which measures the passive performance of the KPERS asset allocation policy declined 4.0%. Other public funds with similar equity exposure policies declined almost 8%. Therefore, your investment management structure and the actions of your managers added value in this poor market environment.

On average, fiscal year 1984 market results were not too surprising after the 38.2% return earned by the fund in fiscal year 1983. The financial markets tend to be cyclical so a poor market after such a good one should be expected. Your managers did a good job of protecting most of the gains earned in the prior year and provided a two year annualized rate of return of 15.6%.

Over the past three years since inception of your revised investment program both equity and fixed-income managers rank in the upper third of their respective universes. The total fund has outperformed its target index by 3/4% per year.

Sincerely,



Ronald D. Peyton

RDP/ml

859 Harrison Street, Suite 200, San Francisco, California 94107, 415-974-5060

KPERS

13

INTRODUCTION

HIGHLIGHTS
Last Ten Fiscal Years

	<u>1984</u>	<u>1983</u>	<u>1982</u>
TOTAL ASSETS (Millions)	\$1,818.6	1,585.3	1,370.1
Number of Retirants	30,855	30,906	29,813
Number of New Retirants During the Year	1,892	2,076	2,092
Number of Active Members	102,327	103,878	102,304
Number of Participating Employers	1,064	1,053	1,044
Retirement/Death Benefits (Millions)	78.8	71.8	59.6
Member Contributions (Millions)	69.7	65.6	59.8
Employer Contributions (Millions)	102.5	99.7	102.9
Investment Income (Millions)	160.2	192.3	107.7
Total Revenue (Millions)	332.4	357.6	270.5
Growth in Fund Balance (Millions)	226.2	262.5	183.4
Employer Contribution Rate			
KPERS -- Non School	4.80%	4.80%	5.20%
Average KP&F	20.80%	23.20%	22.39%
KPERS -- School	4.50%	4.50%	4.7%
Judges	10.40%	10.40%	15.6%
Past Service Liability (1) (2)			
KPERS -- Non School (Millions)	---	38.7	89.0
KP&F (Millions)	---	76.3	85.2
KPERS -- School (Millions)	---	174.5	269.1
Judges (Millions)	---	2.9	---
TIAA (Millions)	---	4.0	13.0
Funding Ratios (2) (3)			
KPERS -- Non School	---	94.3%	85.8%
KP&F	---	67.4%	59.8%
KPERS -- School	---	79.7%	68.0%
Judges	---	82.4%	---
TIAA	---	32.2%	24.2%

(1) Past Service Liability represents, in general, the actuarial liability for prior service benefits based on service before the employer affiliated with the retirement system. The past service liability is being funded by level dollar payments over a 40-year amortization period from the employer's date of affiliation.

(2) Fiscal year 1984 information will not be available until March, 1985.

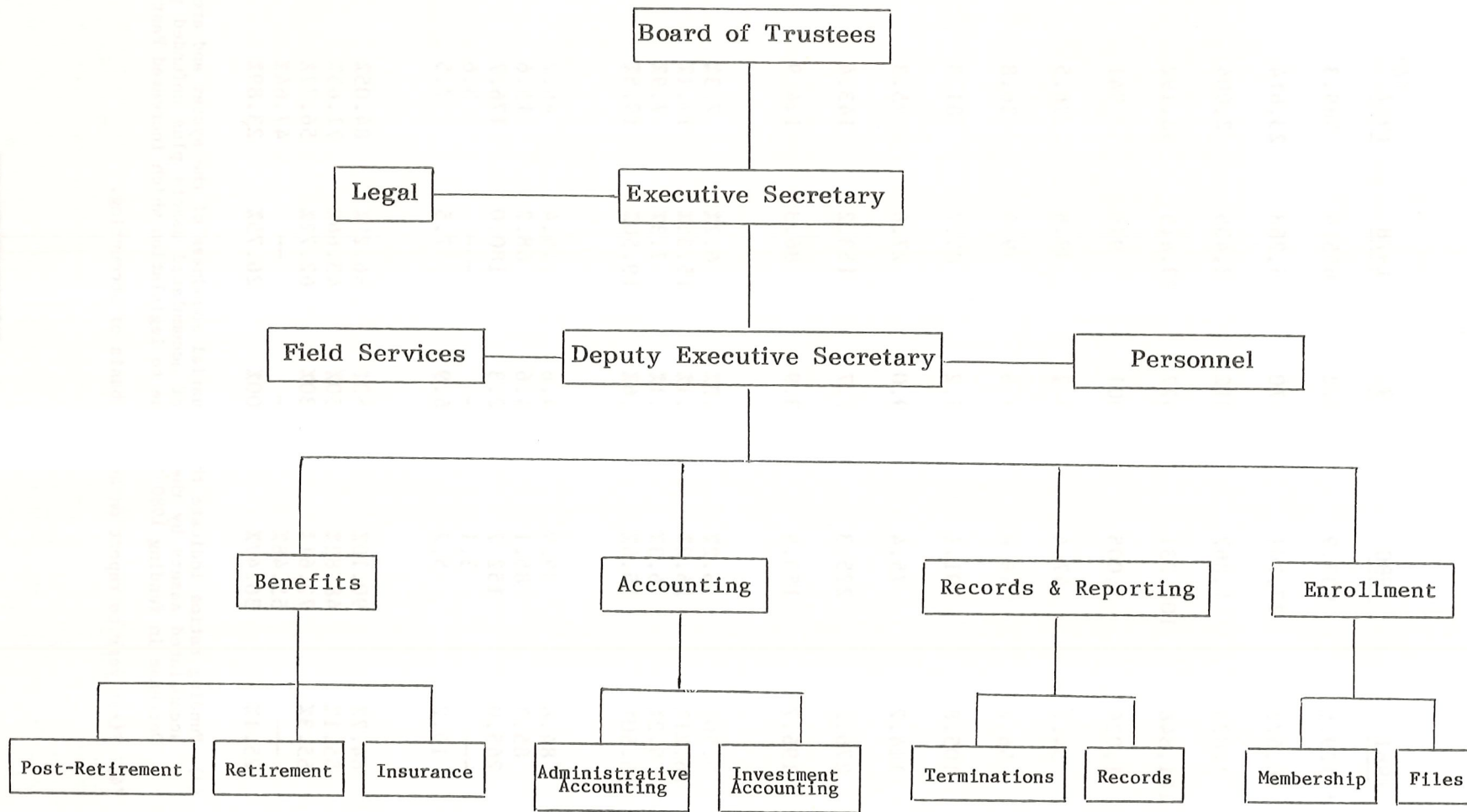


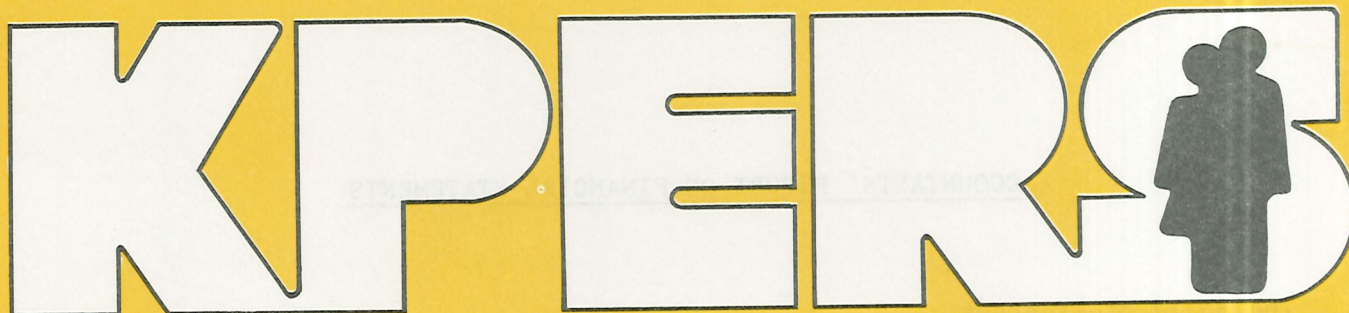
<u>1981</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>	<u>1977</u> ⁽⁴⁾	<u>1976</u>	<u>1975</u>
1,129.5	937.9	769.2	655.6	569.3	444.4	365.9
28,678	27,701	26,570	25,288	23,614	22,314	20,948
1,884	1,867	2,012	2,436	2,004	2,012	2,182
101,846	100,231	99,677	99,815	98,192	95,124	98,298
1,026	1,005	1,001	976	941	894	975
54.7	47.4	43.7	39.8	36.5	32.6	30.6
56.2	48.8	43.5	39.9	36.8	33.8	29.3
105.8	101.1	85.2	85.7	81.3	68.5	56.2
114.2	75.4	49.0	27.6	25.3	21.9	7.1
276.2	225.3	177.7	153.2	143.4	124.2	92.6
196.7	155.5	113.9	86.3	124.9	78.5	51.1
5.50%	6.2%	6.2%	6.7%	7.3%	7.4%	7.1%
26.21%	26.2%	16.1%	15.35%	17.1%	16.4%	19.1%
5.2%	6.3%	6.1%	7.3%	7.9%	5.8%	5.6%
15.60%	15.6%	15.6%	19.50%	19.5%	19.5%	19.5%
84.6	39.9	44.6	45.4	46.2	46.1	43.7
85.3	85.1	94.6	68.2	15.6	13.9	12.9
265.0	152.7	172.3	180.0	176.7	178.3	179.8
---	3.1	---	---	3.6	---	3.3
10.2	5.2	6.9	7.5	7.5	2.9	7.7
84.7%	90.10%	87.50%	86.29%	84.05%	81.82%	80.08%
55.1%	48.83%	40.50%	43.66%	71.65%	70.03%	66.70%
65.3%	72.61%	66.30%	62.72%	56.77%	51.37%	46.35%
---	55.48%	---	---	47.64%	---	---
25.1%	36.47%	29.00%	26.75%	23.89%	20.92%	21.17%

(3) Funding ratios indicate the actuarial soundness of the system and are determined by dividing accumulated assets by the sum of accumulated assets plus unfunded past service liability. Decrease in funding 1980-1981 due to legislation which increased Past Service Liability.

(4) First year to report on accrual basis of accounting.

KPERS ORGANIZATION





KANSAS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Financial Section

ACCOUNTANTS' REPORT ON FINANCIAL STATEMENTS

The Board of Trustees
Kansas Public Employees
Retirement System
Topeka, Kansas 66603

We have examined the balance sheet of the Kansas Public Employees Retirement System as of June 30, 1984, and the related statements of revenues, expenses and changes in fund balance and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Kansas Public Employees Retirement System at June 30, 1984, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on Schedules 1 through 6 is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pest, Marwick, Mitchell & Co.

October 4, 1984

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BALANCE SHEETS

As of June 30, 1984 and 1983

	1984	1983
<u>Assets</u>		
Cash	\$ 703,745	\$ 303,686
Deposits with Insurance Carrier	12,376,231	15,030,626
Advances to Investment Custodian	1,600,010	323
Accounts Receivable:		
Contributions	33,277,306	32,353,100
Dividends and Interest	15,128,954	13,888,936
Sale of Securities	41,778,847	6,443,198
Total Receivables	<u>90,185,107</u>	<u>52,685,234</u>
Construction In Progress (Note 7)	-0-	8,201,073
Accrued Interest Purchased	1,957,432	1,681,728
Investments:		
Temporary Investments, Common and Preferred Stock at Cost, Bonds at Amortized Cost, Real Estate, Net Depreciation (Market Value 1983 -- \$1,724,103,858; 1984 -- \$1,709,767,472)	1,711,499,468	1,507,104,105
Furniture, Fixtures and Equipment (Note 8) (original cost \$332,382; net of \$90,545 Accumulated Depreciation)	<u>241,837</u>	<u>258,189</u>
Total Assets	<u>\$1,818,563,830</u>	<u>\$1,585,264,964</u>
<u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts Payable	\$ 636,606	\$ 967,964
Securities Purchased	11,428,924	4,015,667
Total Liabilities	<u>12,065,530</u>	<u>4,983,631</u>
Fund Balance:		
Reserved:		
Members' Accumulated Contribution Reserve	585,145,904	514,001,739
Retirement Benefit Accumulation Reserve	876,707,522	938,244,228
Retirement Benefit Payment Reserve	609,030,125	570,597,864
Retirant Dividend Payment Reserve	5,862,443	4,013,841
Group Insurance Reserve	48,912,905	41,438,537
Optional Term Life Insurance Reserve	727	62,048
Optional Term Life Insurance Expense Reserve	16,951	9,723
Expense Reserve (Note 12)	6,507,223	5,966,553
Unreserved Fund Balance (Note 5)	(325,703,500)	(494,053,200)
Total Fund Balance	<u>1,806,498,300</u>	<u>1,580,281,333</u>
Total Liabilities and Fund Balance	<u>\$1,818,563,830</u>	<u>\$1,585,264,964</u>

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



KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1984
With Comparative Totals For 1983

	Members' Accumulated Contribution	Retirement Benefit Accumulation	Retirement Benefit Payment	Retirant Dividend Payment	Group Insurance
Operating Revenues:					
Member Contributions	\$ 68,649,331	--	--	--	--
Employer Contributions	--	81,872,335	10,015,000	--	10,599,042
Investment Income	37,149,530	76,164,899	39,820,252	--	4,288,596
Other Income	1,560	--	36,758	5,120	--
Total Revenues	<u>105,800,421</u>	<u>158,037,234</u>	<u>49,872,010</u>	<u>5,120</u>	<u>14,887,638</u>
Operating Expenses:					
Monthly Retirement Benefits	--	--	71,109,446	5,814,295	252,597
Refunds of Contributions	16,680,144	--	--	--	--
Death Benefits	--	414,964	1,202,322	--	--
Administration (Notes 9, 11, 12)	--	--	--	--	--
Insurance Premium & Benefits	--	--	--	--	7,398,265
Total Expenses	<u>16,680,144</u>	<u>414,964</u>	<u>72,311,768</u>	<u>5,814,295</u>	<u>7,650,862</u>
Operating Income Before Transfers	<u>89,120,277</u>	<u>157,622,270</u>	<u>(22,439,758)</u>	<u>(5,809,175)</u>	<u>7,236,776</u>
Reserve Transfers:					
Benefits Awarded	(17,377,088)	(69,404,245)	86,781,333	--	--
Actuarial Adjustment	(599,024)	26,490,338	(25,891,314)	--	--
Reimbursement	--	(7,895,369)	--	7,657,777	237,592
Total Transfers	<u>(17,976,112)</u>	<u>(50,809,276)</u>	<u>60,890,019</u>	<u>7,657,777</u>	<u>237,592</u>
Net Income	71,144,165	106,812,994	38,450,261	1,848,602	7,474,368
Decrease in Actuarial Liability (Note 2 & 5)					
Balance Beginning of Year	<u>514,001,739</u>	<u>938,244,228</u>	<u>570,597,864</u>	<u>4,013,841</u>	<u>41,438,537</u>
Balance End of Year	<u>\$585,145,904</u>	<u>876,707,522</u>	<u>609,030,125</u>	<u>5,862,443</u>	<u>48,912,905</u>

Optional Term Life Insurance	Optional Term Life Insurance Expense	Expense	Unreserved Fund Balance	1984 Total	1983 Total
1,077,043	7,228	--	--	\$ 69,733,602	65,571,654
--	--	--	--	102,486,377	99,694,663
--	--	2,695,054	--	160,118,331	192,311,656
--	--	370	--	43,808	44,645
<u>1,077,043</u>	<u>7,228</u>	<u>2,695,424</u>	<u>--</u>	<u>332,382,118</u>	<u>357,622,618</u>
--	--	--	--	77,176,338	70,913,233
--	--	--	--	16,680,144	15,094,312
--	--	--	--	1,617,286	888,381
--	--	2,154,754	--	2,154,754	1,696,722
<u>1,138,364</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,536,629</u>	<u>6,498,051</u>
<u>1,138,364</u>	<u>--</u>	<u>2,154,754</u>	<u>--</u>	<u>106,165,151</u>	<u>95,090,699</u>
<u>(61,321)</u>	<u>7,228</u>	<u>540,670</u>	<u>--</u>	<u>226,216,967</u>	<u>262,531,919</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>(61,321)</u>	<u>7,228</u>	<u>540,670</u>	<u>--</u>	<u>226,216,967</u>	<u>262,531,919</u>
--	--	--	168,349,700	--	--
<u>62,048</u>	<u>9,723</u>	<u>5,966,553</u>	<u>(494,053,200)</u>	<u>1,580,281,333</u>	<u>1,317,749,414</u>
<u>727</u>	<u>16,951</u>	<u>6,507,223</u>	<u>(325,703,500)</u>	<u>1,806,498,300</u>	<u>1,580,281,333</u>

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

EXHIBIT C

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Fiscal Years Ended June 30, 1984 and 1983

	<u>1984</u>	<u>1983</u>
Resources Provided by:		
Net Income	\$226,216,967	\$262,531,919
Disposal of Assets	17,030	3,275
Items Not Requiring Resources Currently:		
Depreciation	<u>25,334</u>	<u>20,871</u>
Total Resources Provided	<u>\$226,259,427</u>	<u>\$262,556,065</u>

Resources Used by:		
Current Year Acquisition of Equipment	\$ 26,012	\$ 97,417
Net Increase in Working Capital	<u>226,233,319</u>	<u>262,458,648</u>
Total Resources Used	<u>\$226,259,331</u>	<u>\$262,556,065</u>

Elements of Net Increase (Decrease) in Working Capital:	<u>Years Ended June 30</u>		1984	1983
	1984	1983	Increase (Decrease)	Increase (Decrease)
Current Assets:				
Cash and Advances	\$ 2,303,755	304,009	1,999,746	(1,476,566)
Deposits with Insurance				
Administrator	12,376,231	15,030,626	(2,654,395)	(1,420,661)
Receivables	90,185,107	52,685,234	37,499,873	(226,307)
Accrued Interest	1,957,432	1,681,728	275,704	41,732
Investments:				
Temporary, at cost	626,236,340	432,325,112	193,911,228	(61,162,632)
Common Stock, at cost	511,057,840	470,437,869	40,619,971	186,868,218
Preferred Stock, at cost	4,312	-0-	4,312	-0-
Bonds, at amortized cost	505,505,220	549,466,970	(43,961,750)	56,164,842
Small Business Administration				
Guaranteed Loans	1,392,769	2,876,236	(1,483,467)	(1,217,393)
Mortgages	57,907,203	51,997,918	5,909,285	37,483,830
Real Estate	9,395,784	8,201,073	1,194,711	6,428,891
Net Deferred Loss on Bond Swap	-0-	-0-		(6,377,547)
Total Current Assets	<u>1,818,321,993</u>	<u>1,585,006,775</u>		
Current Liabilities:				
Accounts Payable	<u>12,065,530</u>	<u>4,983,631</u>	(7,081,899)	(47,352,240)
Total Current Liabilities	<u>12,065,530</u>	<u>4,983,631</u>		
Working Capital	<u>\$1,806,256,463</u>	<u>1,580,023,144</u>	<u>226,233,319</u>	<u>262,458,647</u>

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

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

June 30, 1984

NOTE 1: Summary of Significant Accounting Policies

The Kansas Public Employees Retirement System is administered in accordance with the provisions of K.S.A. 74-4901 et seq. In particular K.S.A. 74-4909 makes the board of trustees responsible for the installation of a complete and adequate system of accounts and records. Listed below are the significant accounting policies followed by the retirement system in fulfilling this requirement.

- A. Basis of Accounting. The financial statements are presented on the accrual basis of accounting.
- B. Investments. Investments consist of common stock, government and corporate bonds, temporary investments and mortgage-backed pass-through certificates, stated at cost or amortized cost, and real estate, stated net of depreciation. If available, quoted market prices are used to value investments and are shown parenthetically on the Balance Sheet. Securities for which no quoted market price is available are shown at an estimated fair value.

Prior to February, 1984, when the investment practice was discontinued, the retirement system was involved in writing put and call options on common stock.

Put and call options were recorded as follows:

1. Deferring premiums until the option is exercised, expired or covered;
2. Recognizing income when option is exercised, expired or covered;
3. Balance sheet presentation - the deferred premiums were included with accrued interest purchased.

The retirement system is presently in a bond and common stock loan program with major brokerage firms for varying periods of time. The retirement system receives a fee during the period of the loan. The fee is equal to the difference between a negotiated rate of investment of collateral and actual investment rate. This fee is in addition to the normal dividends and interest accruing to KPERS as owners of the securities. The borrowing brokerage firms collateralize the loan with 105% of market value of the securities loaned. Collateral is cash or government securities. Collateral amount may be changed daily depending upon market value changes.

Securities loaned at June 30, 1984 and 1983, which are included in investments in the accompanying balance sheet, and income from securities lending for the fiscal years then ended are as follows:

<u>Securities Loaned</u>	<u>1984</u>	<u>1983</u>
U.S. Government and Corporate		
Cost	\$90,896,099	\$51,100,500
Quoted Market	82,981,195	50,780,000
Common Stock		
Cost	\$12,295,508	\$13,184,654
Quoted Market	11,057,743	17,583,400
Securities Lending Income	\$54,627,136	\$ 244,519

- C. Furniture, Fixtures and Equipment. Furniture, fixtures and equipment are reported on the balance sheet at historical cost, net of accumulated depreciation. These assets are depreciated on a straight-line basis over an average useful life of 10 years with 10 percent of cost as a salvage value.
- D. Contributions. The retirement system's reserves are funded by member contributions of between 4% and 7% of compensation, employer contributions, and investment income. Members' contributions rates are established by state law and are deducted from the members' compensation and remitted to the system by the participating employers. State law provides that the employer contribution rates be determined from year to year using the full funding method, which funds current costs each year and past service liability over a 40-year period. The rates are determined by the system's actuary using the "entry age normal, with frozen initial liability" actuarial method. Employer contributions for group life and long-term disability are set by statute at .6% of covered payroll.
- E. Reserves. K.S.A. 74-4920 specifies the names of the various required reserves and their uses. The make-up of the reserves, credits to the reserves and charges can only be changed by legislative action.

Member's Accumulated Contribution Reserve represents the accumulation of member contributions plus interest credited to individual member's accounts for non-retired members. At date of retirement, individual member's account is transferred to the Retirement Benefit Payment Reserve. Interest is added to member's accounts at July 1 each year, based upon the balance in the account as of the previous December 31. Interest crediting rate is set by statute at the actuarial interest assumption rate which was seven percent and six percent for fiscal years 1984 and 1983, respectively. As of June 30, 1984, there was a total of \$96.2 million interest in this reserve.

Retirement Benefit Accumulation Reserve represents the accumulation of employer contributions, plus net income of the fund less interest and transfers to the other reserves and the actuarially computed prior service cost not yet funded. The employer contribution rates are established as a level percentage of salary to cover the participating service cost and an amount sufficient to amortize the prior service cost not yet paid over a 40-year period.

Retirement Benefit Payment Reserve represents the actuarially computed present value of future benefits for retired system members plus interest credited for the current fiscal year.

Group Insurance Reserve is funded by employer contributions and is maintained to pay group life insurance premiums. In January 1982, the retirement system's long-term disability insurance became self-insured but administered by the insurance carrier. The reserves held by the insurance carrier at the date of conversion were transferred to the deposit administration account. For fiscal years 1984 and 1983 the insurance benefits consist of:

1. premiums paid under the life insurance contract, and
2. the sum of deposits transferred (for fiscal year 1983 only as discussed above) and deposits made by the retirement system.

Expense Reserve. The balance at June 30, 1984, represents the excess accumulation of employer contributions for administrative expenses over actual administrative expenses. The 1982 Legislature passed a bill that required the administrative expenses of the system to be paid from investment income beginning with fiscal year 1983. The board of trustees have decided that the amount of interest to be credited will be sufficient to maintain the year end balance at 3 times the most recent fiscal year administrative expense amount.

Optional Term Life Insurance Reserve and the Optional Term Life Insurance Expense Reserve, funded by employees participating in the program are maintained to pay the premiums for optional life insurance coverage and the system's costs to administer the program.

Retirant Dividend Payment Reserve is funded by investment income. On each October 1, all retirants and beneficiaries who were receiving benefits the preceding July 1, will receive a retirant dividend payment, not to exceed a retirant's or beneficiary's regular monthly benefit. The amount credited to this reserve shall be the lesser of 15% of the net investment income or the amount required to pay the maximum benefit. The balance in this reserve shall not be more than one year's retirant dividend payment.

NOTE 2: Actuarial Statements

The annual actuarial valuations of liabilities and reserves of the retirement system for the year ended June 30, 1983, were performed using assumptions adopted by the board of trustees in February, 1984. The significant changes in actuarial assumptions between the 1982 and 1983 valuations were:

- A. An increase from 6% to 7% in the assumed long-term rate of net investment yield (for all coverage groups).
- B. An increase from 5% to 6% in the assumed annual rate of salary increases (for all coverage groups).
- C. A reduction in the assumed retirement ages for KPERS employees (from 65½ to 64½ for KPERS school and from 65½ to 65 for KPERS non-school, excluding TIAA and certain correctional employees).



- D. A reduction in the assumed termination rates before retirement for most KPERS employees.
- E. Changes in the assumed mortality rates for certain KPERS female retirants.

Because of the net actuarial cost effects of changes in assumptions, the actuarially-determined employer contribution rates and the unfunded past service liabilities decreased for all coverage groups between the 1982 and 1983 actuarial valuations. Calculated employer contribution rates were also affected by the favorable investment experience during fiscal 1983.

Based on these valuations, the appropriate employer contribution rates were certified for the fiscal year commencing in calendar year 1985. Appropriate transfers between reserves to indicate the present value of future benefits for retirants were made.

Kansas statutes require annual valuations and triennial experience investigations. The next triennial experience investigation will be performed as of the end of fiscal year 1986.

NOTE 3: Description of Plan

The Kansas Public Employees Retirement System is the administrative organization of four basic retirement systems, all of which are divisions of KPERS:

- A. Kansas Public Employees Retirement System (KPERS);
- B. Kansas Police and Firemen's Retirement System (KP&F);
- C. Retirement System for Justices and Judges (Judges); and
- D. The annuitants of the Kansas School Retirement System (KSRS) who were retired prior to the merger of that system into KPERS on July 1, 1970.

All of the plans administered have certain basic common provisions. The following brief description is provided for general information only. Participants should refer to state statutes for complete information.

1. General. The plans are defined benefit retirement plans covering substantially all public employees in the state of Kansas.
2. Retirement Benefits. Members (except KP&F members) with 10 or more years of service may retire as early as age 60 with an actuarially reduced monthly benefit. Normal retirement is at age 65. Monthly retirement benefits are based on an equation of final average salary and years of service. Upon termination of employment a member may request withdrawal of accumulated contributions, which includes any interest credited to the members account, in which case the member forfeits all rights and privileges accrued during membership. Members are not entitled to contributions made by their employer. Monthly retirement benefits are calculated under four options:
 - a. Maximum benefit without option;
 - b. Option A - a reduced monthly benefit to the retirant and upon death of the retirant, one-half of that amount payable to the retirant's joint annuitant;
 - c. Option B - a reduced benefit to the retirant and upon death of the retirant the same amount will be paid to the retirant's joint annuitant; and



- d. Option C - Life with ten years certain (10 years from date of retirement)- a reduced benefit to the retirant and upon retirant's death, the same amount will be payable to the retirant's beneficiary for the remainder of the ten year period.

Under Options A and B, if the named joint annuitant predeceases the retirant, the retirant's monthly benefit reverts to the maximum benefit without option.

3. Death and Disability Benefits. All active members under age 70 (except KP&F members) are covered by the group life insurance contract. The life insurance benefit is 100% of annual rate of compensation at the time of death.

In cases of service-connected accidental death (KPERS), there is a \$50,000 lump sum benefit and a monthly benefit payable to surviving spouse, minor children or dependent parents (in this order of preference).

Statutory service-connected accidental death benefits are in addition to any life insurance benefit payable to the designated beneficiary(ies).

Active KPERS members under age 70 are also covered by the provisions of the disability income benefit contract. Annual disability income benefits are based on 55% of annual rate of compensation at time of disability less primary social security benefits, one-half of worker's compensation, and any other employment-related disability benefits. There is a waiting period of 180 continuous days from the date of disability. No benefits are payable during the waiting period. The minimum monthly benefit is \$50. During the period of approved disability, the member continues to have group life insurance coverage and to accrue participating service credit.

There is a \$1,000 death benefit payable to the designated beneficiary(ies) upon the death of a retirant under any system.

NOTE 4: Plan Amendments

Chapter 254 of the 1983 Legislative Session became effective July 1, 1983. The effect of the changes in the legislation was used in the actuarial valuations as of June 30, 1983. The significant changes were:

- A. Increases the retirant death benefit from \$750 to \$1,000 and eliminates the off-set for the social security funeral benefit.
- B. Permits membership in KPERS for individuals who are first employed in covered positions after the attainment of age 59. Employees who were previously barred from participating in KPERS because of their age and employment can elect to now participate and purchase previously barred service if they so desire.
- C. Provides for continued participation in KPERS by members who attain age 70 and continue employment in a covered position. Eligible employees over age 70 who had previously ceased contributing may elect to commence contributing and may purchase any service from the time contributions ceased to the time they were again commenced if they so desire.



- D. Eliminates retirement by an employer strictly on the basis of age for members between age 65 and 70. This brings local units of government into conformity with the state which eliminated this provision in 1978.
- E. Allows for the crediting of all prior service for members with ten or more years of participating service under KPERS. This effectively eliminates the requirement of long-time public employees having to meet certain statutory "magic dates" to receive prior service credit.
- F. Provides for the use of the same final average salary for all periods of vested participating service. Previously, vested members who returned to employment had their earlier service recalculated at a "frozen" final average salary at the time of retirement.
- G. Requires as a condition of employment repayment of withdrawn contributions for all employees who terminate and return to the same employer within 60 days plus immediate reinstatement of membership.
- H. Certifies the employer contribution rates for fiscal years commencing in calendar year 1984 to 4.6% for KPERS non-school employers; 4.4% for KPERS school employers; 1.4% for KPERS TIAA employers.
- I. Includes members of the judges retirement system under the KPERS group life insurance coverage and provides a monthly benefit equal to 4% of final average salary for the first 10 years of service as a judge and a minimum benefit of 50% of final average salary for those who reach retirement age with 10 or more years of continuous service immediately preceding the attainment of retirement age.

NOTE 5: Unamortized Past Service Liability.

The Kansas Public Employees Retirement System is a retirement system covering substantially all of the employees of the State of Kansas and units of local government in the state. Each participating unit of government has a legal obligation to make all required contributions to the plan. The prior service cost is:

KPERS - (Non-School)	- Shared equally by all employers
KP&F - (a subdivision of KPERS)	- Each participating employer pays its own prior service cost
KPERS - School (a subdivision of KPERS)	- Shared equally by all employers and paid by the State of Kansas as state aid to local governments
Kansas Retirement System for Judges (a subdivision of KPERS)	- Shared by all employers and paid by the State of Kansas.

The prior service cost is amortized over an initial 40-year amortization period (20 years if so elected by KP&F employers) beginning in 1962. All local units of government electing to participate (which is irrevocable) on or after January 1, 1982 must pay its own prior service cost and this cost must be paid in full by no later than December 31, 2021. The Retirement Act requires the accrued pension cost be funded. All contributions which were required to be made have been made.

As of June 30, 1983, the latest date for which information is available, the unfunded past service liability for each retirement system or major coverage group was:

	Unfunded Past Service Liability as of <u>June 30, 1983</u>
Kansas Public Employees Retirement System	
-- Non-School	\$ 38,680,100
Kansas Police and Firemen's Retirement System	\$ 76,312,400
Kansas Public Employees Retirement System	
-- School	\$174,477,000
Kansas Public Employees Retirement System -- TIAA	\$ 10,999,200
Kansas School Retirement System Annuitants	\$ 22,273,400
Kansas Retirement System for Judges	\$ 2,961,400
Total	<u>\$325,703,500</u>

NOTE 6: Plan Termination

The Kansas Public Employees Retirement System is administered in accordance with provisions of Kansas statutes (K.S.A. 74-4901 et. seq.). The statutes do not provide for plan termination under any circumstance.

NOTE 7: Real Estate

As of June 30, 1983, construction in progress was \$8.2 million which was the cost of the Capitol Tower, an office building in Topeka, Kansas.

During fiscal year 1984 the building was completed and tenant modifications began.

The amortized cost of the land and building, of approximately \$9.4 million, is included for fiscal year 1984 in investments. The building is being depreciated over 15 years. Tenant modifications are being depreciated over the life of the individual leases. Total depreciation for fiscal year 1984 was \$637,159 and is recorded as a reduction of investment income.

NOTE 8: Furniture, Fixtures and Equipment

The transactions involving furniture, fixtures and equipment for fiscal year 1984 are summarized below. The retirement system does not own real estate except as an investment.

	<u>6-30-83</u> Balance	Additions	Disposals	<u>6-30-84</u> Balance
Furniture	\$ 89,769	\$ 4,537	\$ (194)	\$ 94,112
Fixtures	102,141	-0-	(408)	101,733
Equipment	125,254	20,183	(16,012)	129,425
Books	6,236	1,292	(416)	7,112
Depreciation	(65,211)	(39,337)	14,003	(90,545)
Total	<u>\$258,189</u>	<u>\$13,325</u>	<u>\$(3,027)</u>	<u>\$241,837</u>

Furniture, fixtures and equipment are capitalized on date of acquisition. Depreciation is computed on a straight line method using an estimated useful life of 10 years with 10% of cost as salvage value.

NOTE 9: Compensated Accrued Absences

Expenses for accumulated vacation and sick leave earned by the system's employees are recorded when paid or taken by the employee. In the event of termination of employment, an employee is compensated for vacation benefits accrued in varying amounts ranging from 18 to 30 days. Compensation for accumulated sick leave requires three conditions to exist:

- A. Accumulation of 800 hours;
- B. Minimum of eight years of service; and
- C. Formal retirement.

If all conditions are met, the employee will be compensated in accordance with applicable personnel regulations. Minimum amount of sick leave to be compensated is 30 days, maximum amount is 60 days. As of June 30, 1984, the accumulated vacation leave and sick leave payable was:

	<u>Balance</u> <u>6-30-83</u>	<u>Earned</u>	<u>Used</u> <u>or Paid</u>	<u>Balance</u> <u>6-30-84</u>
Vacation Leave	\$63,768	\$61,867	\$68,805	\$56,830
Sick Leave	<u>7,668</u>	<u>3,973</u>	<u>-0-</u>	<u>11,641</u>
Total	<u>\$71,436</u>	<u>\$65,840</u>	<u>\$68,805</u>	<u>\$68,471</u>

NOTE 10: Outside Services

The Retirement Act requires the retirement system to use the services of the State Department of Administration for computer service and certain accounting and record-keeping services and the State Treasurer for deposit of contributions and clearing of warrants.

The board of trustees has contracted with the Martin E. Segal Company for actuarial services, Callan Associates, Inc. for investment consulting and performance services, Commerce Bank and Trust for investment custodian services and eight different firms for investment management services.

NOTE 11: Budgetary Control

Administrative expenses are subject to legislative control through an expenditure limitation. The unobligated balance of the expenditure limitation lapses at the end of each fiscal year. The \$6.5 million in the expense reserve is to be used to finance administrative costs in the future.

NOTE 12: Staff Members

Administrative staff members of the retirement system belong to the Kansas Public Employees Retirement System.

NOTE 13: Commitments

The retirement system is presently engaged in the financial futures (a commodity) market. At June 30, 1984, the retirement system had purchased Government National Mortgage Association (GNMA) and Treasury Bond future contracts with a face value of \$74,800,000. Settlement is to occur in September, 1984 and December, 1984, at the total contract price of \$48,396,581. The market value of the GNMA securities at June 30, 1984, was \$46,284,375. The difference between market value at year end and the contract price amounting to \$2,112,206 has been recognized as a reduction of investment income during fiscal year 1984. Margin deposits of approximately \$2.5 million are included in temporary investments.

NOTE 14: Subsequent Events

Senate Substitute for House Bill 2903, signed into law April 23, 1984, with an effective date of July 1, 1984, had the following provisions:

- A. A 10% across-the-board increase in retirement benefits to members and beneficiaries of members who had retired prior to July 1, 1981.
- B. Increase by 50% the savings annuity portion of 4,000 (the total group) KSRS annuitants.
- C. The sunset date of July 1, 1987, for the less than actuarial reduction for early retirement was removed and the less than actuarial reduction factors were made permanent.
- D. Members who retire on or after July 1, 1989, with 25 or more years of participating service will have all participating service calculated at 1.4% of final average salary. Prior to this legislation, only participating service accrued after July 1, 1982, would be calculated at 1.4% of final average salary.
- E. Employee contributions remitted on and after the third quarter 1984 will be "picked-up" by the participating employers. This provision defers taxation of employee contributions until the member either withdraws accumulated contributions or retires.
- F. Members of any coverage group may purchase service forfeited under any other coverage group. This provision permits portability between coverage groups.
- G. Any KPERS member who is receiving long-term disability benefits for at least five years immediately prior to retirement will receive an adjustment in final average salary based on actuarial salary assumptions in existence during the period of disability.

SCHEDULE 1

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

For the Fiscal Years Ended June 30, 1984 and 1983

	<u>1984</u>	<u>1983</u>
Cash Balance Beginning of Year	\$ <u>303,686</u>	\$ <u>585,794</u>
Add Cash Receipts:		
Member Contributions	\$ 67,893,650	\$ 63,718,319
Employer Contributions	92,309,502	88,708,714
State Transfer for Service Annuities	10,077,543	10,000,000
State Transfer for Kansas City, Kansas School Retirement	404,900	404,900
Optional Term Life Insurance	1,084,271	968,872
Recoveries of Expenditures	43,809	44,645
Refunds of Advances to Investment Custodians	<u>82,260,000</u>	<u>65,200,000</u>
Total Cash Receipts	<u>\$254,073,675</u>	<u>\$229,045,450</u>
Deduct Cash Disbursements:		
Monthly Retirement Benefits	\$ 77,176,338	\$70,913,233
Kansas City, Kansas School Retirement System	404,900	404,900
Paid to Beneficiary upon Death of a Retirant	1,202,322	888,381
Paid to Members of Law Suit	-0-	1,679
Withdrawal of Accumulated Contributions	16,707,229	15,091,807
Paid to Beneficiary upon Death of a Member	414,964	-0-
Group Life Insurance Premium	4,692,459	4,187,437
Optional Term Life Insurance Premium	1,120,460	889,952
Current Fiscal Year Administration	2,086,303	1,744,504
Prior Fiscal Year Administration Paid During Current Year	68,641	130,665
Distributed to Investment Custodians	<u>149,800,000</u>	<u>135,075,000</u>
Total Cash Disbursements	<u>\$253,673,616</u>	<u>\$229,327,558</u>
Cash Balance End of Year	<u>\$ 703,745</u>	<u>\$ 303,686</u>

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF REVENUES AND EXPENSES -- BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 1984
With Comparative Actual Figures For 1983

	<u>1984</u>		<u>1983</u>
	<u>Budgeted</u>	<u>Actual</u>	<u>Actual</u>
Revenues:			
Member Contributions	\$ 80,062,924	68,299,427	64,236,640
Employer Contributions	71,395,350	81,887,335	79,681,020
Insurance Contributions	10,428,435	10,599,042	10,013,643
Employees for Optional Term Life Insurance	1,101,408	1,077,043	968,872
Recoveries	45,350	43,808	44,645
Purchase and Repurchase of Service Credit	348,000	357,132	366,142
State for Kansas School Retirement System Service Annuity	10,000,000	10,000,000	10,000,000
Investment Income	<u>137,716,293</u>	<u>160,118,331</u>	<u>192,311,656</u>
Total Revenues	<u>\$311,097,760</u>	<u>332,382,118</u>	<u>357,622,618</u>
Expenses:			
Monthly Retirement Benefits	63,735,135	64,347,170	56,458,373
Retirant Dividend Payment	5,820,937	5,814,295	5,528,675
Refund of Contributions	17,771,306	16,680,144	15,094,312
Insurance Benefits	10,428,435	7,650,862	6,498,051
Optional Insurance Premium	1,101,408	1,138,364	888,381
Service and Savings Annuities	7,919,648	8,379,562	8,926,085
Administration	<u>2,289,062</u>	<u>2,100,638</u>	<u>1,696,722</u>
Total Expenses	<u>\$109,065,931</u>	<u>106,165,151</u>	<u>95,090,699</u>
Capital Outlay	<u>7,831</u>	<u>54,116</u>	<u>55,418</u>
Total Expenses and Capital Outlay	<u>109,073,762</u>	<u>106,219,267</u>	<u>95,146,017</u>
Excess of Revenues Over Expenses and Capital Outlay	<u>\$202,023,998</u>	<u>226,162,851</u>	<u>262,476,601</u>

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS RECEIVED

For the Fiscal Year Ended June 30, 1984

Kansas Public Employees Retirement System

State Contributions		
Members	\$16,025,727	
Employers	16,103,220	
Insurance	<u>2,593,792</u>	
Total State Contributions		\$34,722,739
Local Contributions		
Members	12,425,391	
Employers	12,951,957	
Insurance	<u>1,914,894</u>	
Total Local Contributions		27,292,242
State Contributions--KPERs TIAA		
Employers	1,106,478	
Insurance	<u>945,652</u>	
Total State Contributions--KPERs TIAA		<u>2,052,130</u>
Total Contributions -- Kansas Public Employees Retirement System		\$ 64,067,111

Kansas Police and Firemen's Retirement System

State Contributions		
Members	\$ 704,910	
Employers	<u>2,561,166</u>	
Total State Contributions		\$ 3,266,076
Local Contributions		
Members	4,408,181	
Employers	<u>15,971,905</u>	
Total Local Contributions		<u>20,380,086</u>
Total Contributions -- Kansas Police and Firemen's Retirement System		<u>23,646,162</u>
Contributions Carried Forward		\$87,713,273

SCHEDULE 3

SCHEDULE OF CONTRIBUTIONS RECEIVED (Cont'd)

Contributions Carried Forward		\$87,713,273
Kansas Public Employees Retirement System -- School		
State Contributions		
Members	\$ 43,766	
Employers	39,788	
Insurance	<u>6,282</u>	
Total State Contributions		\$ 89,836
Local Contributions		
Members	34,609,780	
Employers	32,404,658	
Insurance	<u>5,116,651</u>	
Total Local Contributions		<u>72,131,089</u>
Total Contributions -- Kansas Public Employees Retirement System -- School		72,220,925
Kansas Retirement System for Judges		
State Contributions		
Members	\$ 431,576	
Employers	733,163	
Insurance	<u>21,771</u>	
Total State Contributions		<u>\$1,186,510</u>
Total Contributions - Kansas Retirement System for Judges		\$ 1,186,510
State Employees for Optional Term Life Insurance		1,084,271
State Contributions for Annuitants Service Annuity		10,000,000
El Dorado Consolidation		<u>15,000</u>
TOTAL CONTRIBUTIONS		<u>\$172,219,979</u>

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN INVESTMENTS**

For the Fiscal Year Ended June 30, 1984

	Balance - June 30, 1983		Amortized During Year	Purchases	Sales	Balance - June 30, 1984	
	Cost/Amort. Cost	Market				Cost/Amort. Cost	Market
Temporary	\$ 282,835,185	\$ 282,835,185	\$ --	\$17,873,961,917	\$17,638,660,762	\$ 518,136,340	\$ 518,136,340
Common Stock	511,827,794	721,141,169	--	343,978,571	344,748,525	511,057,840	561,647,330
Preferred Stock	--	--	--	4,312	--	4,312	783
Small Business Administration Guaranteed Loans	2,876,236	2,876,236	--	--	1,483,467	1,392,769	1,392,769
Bonds							
U S Treasury Notes and Bonds	218,833,929	219,381,523	874,835	1,115,220,385	1,187,972,744	146,956,405	130,459,087
U S Government Agencies	107,761,282	114,579,829	560,289	341,100,129	329,361,776	120,059,924	114,065,480
Corporate Bonds	208,175,834	208,927,409	3,338,206	146,353,209	133,456,766	224,410,483	195,871,031
Industrial Revenue Bonds	14,695,927	14,264,589	--	--	617,519	14,078,408	12,800,953
Total Bonds	549,466,972	557,153,350	4,773,330	1,602,673,723	1,651,408,805	505,505,220	453,196,551
Kansas Mortgage Backed Pass-Through	51,997,918	51,997,918	39,624	16,961,659	11,091,998	57,907,203	57,907,203
Kansas Capital Fund	108,100,000	108,100,000	--	--	--	108,100,000	108,100,000
Capitol Tower	--	--	(637,159)	10,032,943	--	9,395,784	9,395,784
Totals	<u>\$1,507,104,105</u>	<u>\$1,724,103,858</u>	<u>\$4,175,795</u>	<u>\$19,847,613,125</u>	<u>\$19,647,393,557</u>	<u>\$1,711,499,467</u>	<u>\$1,709,776,760</u>

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF FEES AND COMMISSIONS

For the Fiscal Year Ended June 30, 1984

<u>Investment Manager Firm</u>	<u>Assets Under Management at 6-30-84</u>	<u>Fees Paid</u>
Robert C. Brown & Co	\$ 179,147,358	\$ 287,064
Capital Supervisors	250,324,145	154,743
Investment and Capital Management	164,168,856	198,944
Investment Management Group	215,497,563	161,326
Pacific Investment Management Co.	226,577,985	293,629
Pilgrim, Baxter, Hoyt & Greig	104,016,884	175,092
Provident Investment Counsel, Inc.	20,924,577	44,250
Reimer and Koger and Associates	367,596,319	688,372
Total	<u>\$1,528,253,687</u>	<u>\$2,003,420</u>
 <u>Investment Custodian</u>		
Commerce Bank and Trust		<u>\$349,998</u>
 <u>Investment Performance Measurement Consultant</u>		
Callan Associates, Inc. (Directed Brokerage)		<u>\$ 130,792</u>
 <u>Investment Brokerage Firms</u>		
Merrill Lynch, Pierce, Fenner & Smith		\$ 72,690
George K. Baum & Co., Inc.		63,199
Prudential - Bache Securities, Inc.		54,478
Paine, Webber, Jackson & Curtis, Inc.		54,116
E. F. Hutton & Co., Inc.		51,775
Dean Witter, Reynolds, Inc.		49,486
B. C. Christopher & Co.		32,646
Kidder, Peabody Co., Inc.		25,437
Shearson - American Express, Inc.		19,622
Smith Barney, Harris Upham & Co., Inc.		15,931
All other brokerage firms		995,202
Total		<u>\$1,434,582</u>

Board of Trustees

Each member of the Board of Trustees is paid \$35 for each meeting attended. They are also reimbursed for actual out-of-pocket travel expenses incurred.

Wages and Salaries	\$2,835
Out-of-Pocket Travel Expenses	5,527
Total Trustees compensation, travel and subsistence	<u>\$8,362</u>



SCHEDULE 6

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF ADMINISTRATIVE EXPENSES--BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 1984
With Comparative Actual Figures For 1983

	<u>1984</u>		<u>1983</u>
	<u>Budgeted</u>	<u>Actual</u>	<u>Actual</u>
Salaries and Wages	\$ 1,155,550	\$1,144,000	\$1,042,101
Postage	121,165	97,570	106,799
Telephone	24,817	20,065	16,037
Freight	1,500	2,925	1,463
Travel	65,782	44,348	42,551
Printing	43,561	27,845	20,613
Actuary	94,500	94,500	94,500
Data Processing	476,969	446,985	228,627
Other Professional Services	6,600	9,236	8,672
Office Rent	60,000	59,997	57,798
Equipment Rent	18,782	7,730	13,002
Office Supplies	24,264	14,744	25,244
Repairing and Servicing	5,068	12,661	6,404
Dues and Subscriptions	15,353	2,530	1,574
Official Hospitality	500	42	198
Professional Supplies	1,100	1,506	-0-
Utilities	9,510	11,860	7,562
Janitorial	5,460	5,460	455
Moving Expenses	-0-	-0-	27,634
Depreciation	39,338	39,338	17,949
Lawsuit (Orr vs KPERS)	111,412	111,412	10,852
Charged to Expense Reserve		2,154,754	1,730,035
Capital Outlay	7,831	54,116	55,418
Total Charged to Fiscal Year Budget	<u>\$2,289,062</u>	\$2,208,870	\$1,785,453
Capital Outlay and Prior Fiscal Year Correction		-0-	(88,731)
Total Administration		<u>\$2,208,870</u>	<u>\$1,696,722</u>

SCHEDULE OF COMPENSATION OF ADMINISTRATIVE OFFICIALS

<u>Individual</u>	<u>Official Position</u>	<u>Salary Paid</u>
Marshall Crowther	Executive Secretary	\$53,540
Jack Hawn	Deputy Executive Secretary	41,238
Ron Bleidissel	Chief of Accounting Section	34,896
Marc Goodman	Attorney	26,076
Jerry Grant	Chief of Records and Reporting Section	32,748
Judy Harden	Chief of Benefits Section	27,990
Dean Kelley	Chief of Enrollment Section	32,748





KANSAS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Actuarial Section

MARTIN E. SEGAL COMPANY

CONSULTANTS AND ACTUARIES

730 FIFTH AVENUE
NEW YORK, NEW YORK 10019
(212) 586-5600

October 4, 1984

JOHN P. MACKIN, Ph.D.
SENIOR VICE PRESIDENT
GOVERNMENTAL DIVISION

Board of Trustees
Kansas Public Employees Retirement System
Jayhawk Tower - 8th Floor
700 Jackson Street
Topeka, Kansas 66603

Re: KPERS Annual Report for Fiscal Year Ended June 30, 1984
- Introductory Letter for Actuarial Section

Dear Trustees:

All of the retirement systems administered by the Board of Trustees are funded on an actuarial reserve basis. Employer contribution rates are certified by the Board each year based on the results of actuarial valuations and the provisions of governing state statutes.

Actuarial valuations were prepared as of June 30, 1983 for all of the retirement systems and coverage groups. Over 133,000 individuals were included in the valuations.

<u>Retirement System Coverage Groups</u>	<u>Total Members June 30, 1983</u>
KPERS School	60,904
KPERS Non-School	61,327
KPERS TIAA	1,047
KP&F	4,941
KSRS Annuitants	4,782
Judges	214
All Groups	133,215

Actuarial Reserve Funding

Participating employers are required by statute to make retirement contributions covering both the current cost of benefits and the cost of amortizing any past service liability over a period of not more than 40 years from the date of entry into the Kansas Public Employees Retirement System (KPERS) or the Kansas Police and Firemen's Retirement System (KP&F).

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Actuarial valuations of KPERS and KP&F are prepared annually to determine the employer contribution rates required to fund the retirement systems in accordance with the statutory actuarial reserve funding provisions. Actuarially-determined contribution rates for employers participating in KPERS and KP&F are comprised of two components:

1. The participating service rate - the level percentage-of-payroll contribution rate required to pay all future benefits after subtracting expected future employee contributions, the liability for past service benefits, and the assets accumulated as of the valuation date; and
2. The amortization payment - the level dollar payment required to amortize the total past service liability over not more than 40 years from each employer's entry date. (Required amortization payments are calculated for KPERS School employers and KPERS Non-School employers as two groups of participating employers; required amortization payments for employers participating in KP&F are calculated separately for each participating employer with an unfunded past service liability.)

The basic funding objective is an employer participating service contribution that remains level as a percentage of payroll, and an annual amortization payment that remains level as a dollar amount throughout the 40-year amortization period. Under the funding methods used for KPERS and KP&F, the past service liability is not adjusted each year to reflect differences between actual and assumed experience. Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in the employer participating service rates.

Actuarial valuations are prepared annually for all coverage groups except the Judges. In accordance with the Judges Retirement Act, actuarial valuations of the Judges System are prepared every three years. The last valuation of the Judges System was made as of June 30, 1983 and the next valuation will be made as of June 30, 1986.

Actuarial Assumptions

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

For KPERS School and Non-School members, the most recent triennial actuarial experience investigations covered the three-year period ended June 30, 1983. Based on a review and discussion of our reports on 1980-83 experience, the Board adopted the following changes in assumptions at the February 24, 1984 meeting.

- An increase from 6% to 7% in the assumed long-term rate of net investment yield (for all coverage groups).
- An increase from 5% to 6% in the assumed annual rate of salary increases (for all coverage groups).
- A reduction in the assumed retirement ages for KPERS employees (from 65½ to 64½ for KPERS School and from 65½ to 65 for KPERS Non-School, excluding TIAA and certain correctional employees).
- A reduction in the assumed termination rates before retirement for most KPERS employees.
- Changes in the assumed mortality rates for certain KPERS female retirants.

Primarily because of the net actuarial cost effects of changes in assumptions, the actuarially-determined employer contribution rates and the unfunded past service liabilities decreased for all coverage groups between the 1982 and 1983 actuarial valuations. Calculated employer contribution rates were also affected by the favorable investment experience during fiscal 1983.

Highlights of Actuarial Valuations

Each of the actuarial valuations prepared as of June 30, 1983 was based on four basic elements: (1) the current benefit provisions; (2) the characteristics of active, inactive, and retired members as of the valuation date; (3) the new actuarial assumptions adopted by the Board; and (4) the book value of assets attributable to each coverage group as of June 30, 1983.

The Actuarial Valuation Statements which follow this introductory letter show the actuarial cost factors derived from our actuarial valuations as of June 30, 1983, and summarize the assumptions used in each of the valuations. Based on the provisions of Senate Substitute for House Bill No. 2903 and on the results of the most recent actuarial valuations, the total percentage-of-payroll employer contribution rates for fiscal years beginning in calendar year 1985 are as follows:

<u>KPERS School</u>	4.3%
<u>KPERS Non-School</u>	
All except TIAA and certain	
correctional employees	4.9
TIAA members	1.3
Correctional employees	5.9/7.7

KP&F. Uniform participating service rate for all employers participating in KP&F is 11.1% for fiscal years beginning in 1985. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. (Total employer contribution rates are shown in the table following the KP&F Actuarial Valuation Statement.)

Judges. Total employer contribution rate based on the June 30, 1983 actuarial valuation of the Judges System is 8.7% of compensation.

System Provisions. Actuarial valuations as of June 30, 1983 were based on the current benefit provisions applicable to each coverage group, including the benefit improvements provided by 1983 retirement legislation (House Bill No. 2244). Summaries of the benefits provided for each coverage group are included at the end of this Actuarial Section.

Membership Data. Information on active, inactive, and retired members is obtained from computer tapes provided by the Executive Secretary. Membership data contained on the computer tapes is examined and tested for reasonableness.

A total of approximately 128,200 members were included in the actuarial valuations of KPERS and KP&F as of June 30, 1983, as shown below:

KPERS and KP&F Members as of June 30, 1983

<u>Membership Group</u>	<u>Active Employees*</u>	<u>Inactive Members**</u>	<u>Retirants and Beneficiaries</u>	<u>Total Membership</u>
KPERS School	42,134	7,701	11,069	60,904
KPERS Non-School				
Non-TIAA	43,930	4,189	13,208	61,327
TIAA	388	113	546	1,047
KP&F	3,672	73	1,196	4,941
Total	90,124	12,076	26,019	128,219

* Includes employees on leave of absence or military leave.

** Includes vested and nonvested inactive members.

Between June 30, 1982 and June 30, 1983 the average age, years of service, annual salary and total payroll of the three largest membership groups changed as follows:

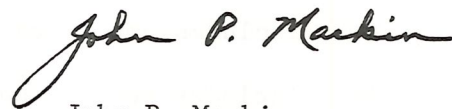
<u>Membership Group</u>	<u>Average Age</u>	<u>Average Years of Service</u>	<u>Average Annual Salary</u>	<u>Total Payroll (Millions)</u>
KPERs School				
6/30/82	41	10½	\$17,564	\$739.0
6/30/83	41	11	18,960	797.5
KPERs Non-School, Non-TIAA				
6/30/82	42½	9	\$15,405	\$650.4
6/30/83	42½	9	16,178	709.9
KP&F				
6/30/82	36	10	\$19,924	\$ 72.7
6/30/83	36½	10½	21,290	78.2

Schedules showing active member valuation data and retirants added to and removed from the rolls during the most recent 10-year period follow the Actuarial Valuation Statements.

* * *

This Actuarial Section also includes schedules indicating the progress being made toward realization of the funding objective. As of June 30, 1983 the ratios of assets over total accrued liabilities were 79.7% for KPERs School, 94.3% for KPERs Non-School, and 67.4% for KP&F.

Sincerely,



John P. Mackin

JPM:ns

MARTIN E. SEGAL COMPANY

CONSULTANTS AND ACTUARIES

730 FIFTH AVENUE
NEW YORK, NEW YORK 10019
(212) 586-5600

April 2, 1984

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Actuarial Valuation Statement

School Members

This is to certify that we have prepared an actuarial valuation of the Kansas Public Employees Retirement System with respect to school members as of June 30, 1983.

Actuarial calculations were made with respect to 42,134 active school employees (including 168 on leave of absence), 7,701 inactive employees with equity, 10,843 retirees and 226 surviving beneficiaries.

The calculations established an employer benefit cost of 2.669% of the annual compensation of school employees, comprised of 0.991% for normal cost and 1.758% for 40-year amortization of the adjusted initial past service liability.

The cost factors for school members are as follows:

1.	Present value of benefits - total	\$1,121,241,300
	Active employees (including those on leave) - total	870,497,900
	Retirement benefits	\$509,398,800
	Pre-Retirement death benefits	11,774,500
	Withdrawal benefits	349,324,600
	Inactive employees	22,365,200
	Retirees	226,320,700
	Surviving beneficiaries	2,057,500
2.	Assets	684,142,200
3.	Adjusted initial past service liability	174,477,000
4.	Present value of future normal cost contributions	
	(1) - (2) - (3)	262,622,100
5.	Present value of 1% of future salaries	52,802,700
6.	Total salary of employees funded for below the assumed retirement age	787,512,100
7.	Total payroll	797,537,100
8.	Current cost as percentage of salary $\frac{(4)}{(5)} \times \frac{(6)}{(7)}$	4.911%
	Employee portion	4.000
	Employer portion911

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Actuarial Valuation - 2 -

The actuarial assumptions used in the actuarial valuation are as follows:

- Interest rate: 7%
- Salary increases: 6% per year at all ages.
- Retirement age: 64½
- Termination rates before retirement:

<u>Age</u>	<u>Annual rate (%), all causes</u>	
	<u>Men</u>	<u>Women</u>
22	26.0%	24.0%
27	16.0	19.0
32	13.0	16.0
37	12.0	15.0
42	12.0	14.0
47	11.0	13.0
52	10.0	12.0
57	9.0	11.0

Mortality rates: For males - 1971 Group Annuity Mortality Table set back 4 years; For females - sample rates as follows:

<u>Age</u>	<u>Rate</u>
62	0.5%
67	0.9
72	1.6
77	2.3
82	3.2
87	8.0
92	12.4
97	19.4

Funding method: Frozen initial liability.

The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, and were based on the actuarial assumptions adopted by the Board of Trustees upon the recommendation of the actuary.

The Kansas Public Employees Retirement System is funded on an actuarial reserve basis. Participating employers are making contributions to the Retirement System in accordance with the actuarial reserve funding provisions of the governing statute.



Michael J. Karlin, F.S.A., M.A.A.A.
Associate Actuary



MARTIN E. SEGAL COMPANY

CONSULTANTS AND ACTUARIES

730 FIFTH AVENUE
NEW YORK, NEW YORK 10019
(212) 586-5600

April 6, 1984

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Actuarial Valuation Statement

Non-School Members

This is to certify that we have prepared an actuarial valuation of the Kansas Public Employees Retirement System with respect to non-school members as of June 30, 1983.

Actuarial calculations were made with respect to 43,930 active non-school, non-TIAA employees (including 116 on leave of absence), 4,156 inactive employees with equity, 12,233 retirants and 975 surviving beneficiaries; the TIAA calculations included 501 non-retired employees with benefit rights, 474 retirants and 72 surviving beneficiaries.

The calculations for non-TIAA members established a benefit cost of 3.512% of annual compensation, comprised of 3.020% for normal cost and 0.492% for 40-year amortization of the adjusted initial past service liability.

The non-TIAA cost factors are as follows:

1.	Present value of benefits - total	\$1,066,038,300
	Active employees (including those on leave) - total	868,485,700
	Retirement benefits	\$629,431,800
	Pre-Retirement death benefits	21,274,500
	Withdrawal benefits	217,779,400
	Inactive employees	10,696,300
	Retirants	180,233,500
	Surviving beneficiaries	6,622,800
2.	Assets	639,398,700
3.	Adjusted initial past service liability	38,680,100
4.	Present value of future normal cost contributions	
	(1) - (2) - (3)	387,959,500
5.	Present value of 1% of future salaries	53,964,400
6.	Total salary of employees funded for below the assumed retirement age	693,202,300
7.	Total payroll	709,878,800
8.	Current cost as a percentage of salary $\frac{(4)}{(5)} \times \frac{(6)}{(7)}$.. 7.020%	
	Employee portion	4.000
	Employer portion	3.020

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Actuarial Valuation - 2 -

The TIAA cost factors are as follows:

1. Present value of benefits - total	\$16,226,400
Non-retired employees	\$8,864,400
Retirants	6,943,800
Surviving beneficiaries	418,200
2. Assets	5,227,200
3. Adjusted initial past service liability (1) - (2)	10,999,200
4. Amount for amortization of past service liability (18½ years remaining from 6/30/83).....	1,045,500
5. Amortization amount as percentage of current total TIAA payroll (\$156,954,900)	0.666%

The actuarial assumptions used in the actuarial valuation are as follows:

Interest rate: 7%
 Salary increases: 6% per year at all ages.
 Retirement age: 65 for non-TIAA; 67 for TIAA; 57 and
 62 for certain correction officers.
 Termination rates before retirement, non-TIAA members:

<u>Age</u>	<u>Annual Rate (%), all causes</u>	
	<u>Men</u>	<u>Women</u>
22	18.0%	22.0%
27	15.0	18.0
32	13.5	15.0
37	12.0	12.5
42	10.0	10.0
47	8.0	8.0
52	7.0	7.0
57	6.0	6.0

Mortality rates: For males - 1971 Group Annuity Mortality Table; for females - sample rates are as follows:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
62	0.6%	82	5.0%
67	1.1	87	9.7
72	1.9	92	15.1
77	3.4	97	23.7

Funding method: Frozen initial liability.

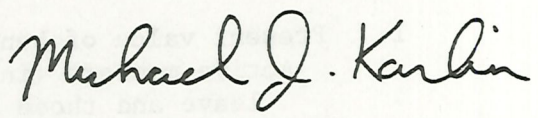


KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Actuarial Valuation - 3 -

The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, and were based on the actuarial assumptions adopted by the Board of Trustees upon the recommendation of the actuary.

The Kansas Public Employees Retirement System is funded on an actuarial reserve basis. Participating employers are making contributions to the Retirement System in accordance with the actuarial reserve funding provisions of the governing statute.



Michael J. Karlin, F.S.A., M.A.A.A.
Associate Actuary



MARTIN E. SEGAL COMPANY

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730 FIFTH AVENUE
NEW YORK, NEW YORK 10019
(212) 586-5600

April 4, 1984

KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM

Actuarial Valuation Statement

This is to certify that we have prepared an actuarial valuation of the Kansas Police and Firemen's Retirement System as of June 30, 1983.

Actuarial calculations were made with respect to 3,672 active members (including 7 members on leave of absence and 6 terminated members who are assumed to retain their prior service credits), 6 terminated members with vested rights to a deferred pension, 67 terminated members with equity, 837 pensioners and 359 surviving beneficiaries.

The cost factors as of the valuation date, for all participating employers combined, are as follows:

1.	Present value of benefits - total	\$396,519,400
	Active members (including those on leave and those terminated who we assume will not lose their prior service benefits)	\$312,556,600
	Terminated members with vested rights to a deferred pension ...	276,800
	Terminated members with equity ...	157,600
	Pensioners	71,026,100
	Beneficiaries	12,502,300
2.	Assets	158,129,600
3.	Unfunded accrued liability	76,312,400
4.	Present value of future employee contributions ..	61,482,100
5.	Present value of employer participating service contributions (1) - (2) - (3) - (4)	100,595,300
6.	Present value of future salaries	878,316,000
7.	Employer participating service cost percentage (5)/(6)	11.5%
8.	Total salary of employees below the assumed retirement age	75,673,800
9.	Employer participating service cost (7) x (8)	8,702,500
10.	Total salary	78,176,800
11.	Employer participating service cost as a percentage of salary (9)/(10)	11.1%

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KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM

Actuarial Valuation - 2 -

The individual cost factors and total contribution rates for each employer for fiscal years beginning in calendar year 1985 are presented in the schedule which follows.

The actuarial assumptions used in the valuation are as follows:

- Interest rate - 7%
- Salary scale - Salaries at all ages are assumed to increase at the rate of 6% per year.
- Retirement age - 55, or completion of service requirement if later.
- Termination rates before retirement -

Termination Rates Per 1,000 Employees

<u>Age</u>	<u>Withdrawal</u>	<u>Disability*</u>	<u>Death*</u>
22	107.1	0.4	0.5
27	79.0	0.6	0.7
32	55.7	1.7	0.9
37	36.7	3.8	1.3
42	20.2	7.4	2.0
47	2.9	13.8	3.7
52	3.7	18.3	6.5

* 75% assumed to be service-connected.

Mortality rates after retirement - 1971 Group Annuity Mortality Table

Funding method - Aggregate cost method with supplementary liability

The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, and were based on the actuarial assumptions adopted by the Board of Trustees upon the recommendation of the actuary.

The Kansas Police and Firemen's Retirement System is funded on an actuarial reserve basis. Participating employers are making contributions to the Retirement System in accordance with the actuarial reserve funding provisions of the governing statute.

Michael J. Karlin

Michael J. Karlin, F.S.A., M.A.A.A.
Associate Actuary



KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM

Employer Contribution Rates for Fiscal Years
Commencing in Calendar Year 1985

<u>Employer</u>	<u>Total Employer Contribution Rate</u>
Johnson County Fire District No. 2	12.9%
Johnson County Sheriff's Office	13.5
Riley County Law Enforcement Agency	11.1
Sedgwick County Fire District No. 1	12.2
Sedgwick County Sheriff's Office	12.6
Sumner County Sheriff's Office	18.1
Arkansas City	18.4
Atchison	13.9
Chanute	13.5
Coffeyville	23.8
Concordia	22.3
Derby	14.8
Emporia	17.3
Fairway Police	12.9
Fort Scott	26.0
Herington	13.8
Hutchinson	25.3
Junction City	14.0
Kansas City	24.6
Lawrence	13.3
Leavenworth	12.9
Leawood	14.9
Lenexa	11.9
Manhattan Fire	22.3
Merriam	13.4
McPherson	12.0
Newton	14.9
Olathe	11.6
Parsons	20.9
Pittsburg	21.3
Salina	20.3
Shawnee	12.8
Topeka	25.6
Wellington	22.2
Westwood Police	11.2
Winfield	21.1
Kansas Bureau of Investigation	14.7
Kansas Highway Patrol	16.1

MARTIN E. SEGAL COMPANY

CONSULTANTS AND ACTUARIES

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April 5, 1984

KANSAS SCHOOL RETIREMENT SYSTEM

Actuarial Valuation Statement

This is to certify that we have prepared an actuarial valuation of the Kansas School Retirement System as of June 30, 1983.

Actuarial calculations were made with respect to 4,782 KSRS annuitants as of the valuation date and 50 anticipated awards during fiscal 1983-84.

The calculations established that full funding of the liabilities for KSRS service annuities required 2 payments of \$10,000,000 as of July 1, 1983 and 1984, and one partial payment of \$3,351,800 on July 1, 1985.

The cost factors are as follows:

Service Annuities

Liability for retired members	\$51,302,000
Liability for expected future retirements	127,700
Total liability	\$51,429,700
Assets	29,156,300
Unfunded liability	\$22,273,400

Savings Annuities

Liability for retired members	\$ 3,172,600
Assets	4,865,600
Assets in excess of liability	\$ 1,693,000

KANSAS SCHOOL RETIREMENT SYSTEM

Actuarial Valuation - 2 -

The actuarial assumptions used in the actuarial valuation are as follows:

Interest rate: 7%

Mortality rates: For males - 1971 Group Annuity Mortality Table set back 4 years.
For females - special KPERS Female School Mortality Table, with sample rates as follows:

<u>Age</u>	<u>Rate</u>
62	0.5%
67	0.9
72	1.6
77	2.3
82	3.2
87	8.0
92	12.4

The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, and were based on the actuarial assumptions adopted by the Board of Trustees upon the recommendation of the actuary.

The contributions required to discharge the System's liabilities are being made and the funding provisions of the law are being met.



Michael J. Karlin, F.S.A., M.A.A.A.
Associate Actuary

MARTIN E. SEGAL COMPANY

CONSULTANTS AND ACTUARIES

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April 5, 1984

KANSAS RETIREMENT SYSTEM FOR JUDGES

Actuarial Valuation Statement

This is to certify that we have prepared an actuarial valuation of the Kansas Retirement System for Judges as of June 30, 1983.

Actuarial calculations were made with respect to 154 active judges, 6 inactive members with equity, 39 retirees and 15 surviving beneficiaries.

The calculations established an employer benefit cost of 8.409% of the annual compensation of covered judges, comprised of 4.952% for normal cost and 3.457% for amortization of the unfunded accrued liability over 40 years from June 30, 1968.

The cost factors are as follows:

1.	Present value of benefits - total	\$27,142,900
	Active employees	\$22,359,500
	Inactive employees	267,100
	Retirees	3,961,100
	Surviving beneficiaries	555,200
2.	Assets	13,837,700
3.	Unfunded accrued liability	2,961,400
4.	Present value of future normal cost contributions (1) - (2) - (3)	10,343,800
5.	Present value of future salaries	90,342,500
6.	Total salary of employees funded for below the assumed retirement age	6,815,000
7.	Total payroll	7,124,400
8.	Current cost as percentage of salary $\frac{(5)}{(6)} \times \frac{(7)}{(8)}$...	10.952%
	Employee portion	6.000
	Employer portion	4.952

KANSAS RETIREMENT SYSTEM FOR JUDGES

Actuarial Valuation - 2 -

The actuarial assumptions used in the actuarial valuation are as follows:

Interest rate: 7%
Salary increases: 6% per year at all ages.
Retirement age: 67
Termination rates before retirement (other than death):

<u>Age</u>	<u>Rate</u>
20	5.4%
25	5.3
30	5.1
35	4.7
40	3.5
45	1.8
50	0.4

Mortality rates: 1971 Group Annuity Mortality Table.
Funding method: Frozen initial liability.

The actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, and were based on the actuarial assumptions adopted by the Board of Trustees upon the recommendation of the actuary.

The Kansas Retirement System for Judges is funded on an actuarial reserve basis. Employers are making contributions to the Retirement System in accordance with the actuarial reserve funding provisions of the governing statute.

Michael J. Karlin

Michael J. Karlin, F.S.A., M.A.A.A.
Associate Actuary

Actuarial Schedule

ACTIVE MEMBER VALUATION DATA, 1974 TO 1983
(active members include employees on leave)

<u>Actuarial Valuation as of June 30</u>	<u>Number of Active Members</u>	<u>Total Payroll (millions)</u>	<u>Average Annual Salary</u>	<u>% Increase in Average Salary</u>
--	---------------------------------	---------------------------------	------------------------------	-------------------------------------

KPERS SCHOOL

1974	39,625	\$345.3	\$ 8,515	4.9%
1975	39,773	375.2	9,379	10.1
1976	39,136	414.4	10,558	12.6
1977	41,988	490.5	11,747	11.3
1978	42,007	518.6	12,417	5.7
1979	42,900	560.6	13,168	6.0
1980	41,918	605.6	14,486	10.0
1981	42,421	681.8	16,128	11.3
1982	42,234	739.0	17,564	8.9
1983	42,134	797.5	18,960	7.9

KPERS NON-SCHOOL (Non-TIAA)

1974	34,507	\$269.5	\$ 7,632	7.8%
1975	36,623	310.0	8,413	10.2
1976	37,677	342.4	9,358	11.2
1977	37,264	387.1	10,433	11.5
1978	38,094	419.1	11,038	5.8
1979	38,169	458.7	12,073	9.4
1980	40,105	517.3	12,918	7.0
1981	41,756	595.0	14,279	10.5
1982	42,337	650.4	15,405	7.9
1983	43,930	709.9	16,178	5.0

KP&F

1974	1,740	\$ 16.6	\$ 9,526	6.2%
1975	1,931	19.9	10,319	8.3
1976	2,088	24.3	11,630	12.7
1977	2,303	28.7	12,465	7.2
1978	3,034	41.0	13,499	8.3
1979	3,171	46.4	14,619	8.3
1980	3,574	57.6	16,126	10.3
1981	3,556	63.6	17,886	10.9
1982	3,648	72.7	19,924	11.4
1983	3,672	78.2	21,290	6.9

Actuarial Schedule

RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED
FROM ROLLS - ALL SYSTEMS, 1974 TO 1983

Fiscal Year Ended June 30	Additions During Year	Deletions During Year	Number at End of Year
1974	2,326	546	19,428
1975	2,182	662	20,948
1976	2,012	646	22,314
1977	2,004	704	23,614
1978	2,436	762	25,288
1979	2,012	730	26,570
1980	1,867	736	27,701
1981	1,884	907	28,678
1982	2,092	957	29,813
1983	2,057	937	29,133

NUMBER OF INITIAL BENEFIT PAYMENTS
ALL SYSTEMS, 1974 TO 1983

Fiscal Year Ended June 30	Retirements	Service Connected Deaths and Disabilities	Withdrawals	Total
1974	2,057	5	7,626	9,688
1975	1,959	4	7,989	9,952
1976	1,994	18	7,815	9,827
1977	1,991	13	8,863	10,867
1978	2,421	15	12,215	14,651
1979	2,000	12	12,336	14,348
1980	1,862	5	11,306	13,173
1981	1,882	2	9,873	11,757
1982	2,089	3	10,605	12,697
1983	2,057	11	8,467	10,535

CALCULATED EMPLOYER CONTRIBUTION RATES
FOR KPERS SCHOOL AND NON-SCHOOL MEMBERS
BASED ON ANNUAL ACTUARIAL VALUATIONS OF KPERS

Actuarial Valuation as of June 30	KPERS SCHOOL			
	Participating Service Rate	Amortization Percentage	Group Insurance + Administration	Total Rate
1974	4.045%	3.093%	.750%	7.888%
1975	3.674	2.846	.775	7.295
1976	2.779	2.584	.775	6.138
1977	3.359	2.189	.775	6.323
1978	2.330	2.070	.775	5.175
1979	2.457	1.915	.700	5.072
1980	.867	1.773	.700	3.340
1981	.673	2.767	.700	4.140
1982	1.156	2.626	.600	4.382
1983	.911	1.758	.600	3.269

Actuarial Valuation as of June 30	KPERS NON-SCHOOL*			
	Participating Service Rate	Amortization Percentage	Group Insurance + Administration	Total Rate
1974	5.548%	1.037%	.750%	7.335%
1975	4.959	.924	.775	6.658
1976	4.521	.896	.775	6.192
1977	4.625	.807	.775	6.207
1978	3.988	.747	.775	5.510
1979	4.433	.683	.700	5.816
1980	2.963	.607	.700	4.270
1981	2.491	1.137	.700	4.328
1982	2.925	1.119	.600	4.644
1983	3.020	.492	.600	4.112

* Excluding TIAA members and certain correctional employees.

TOTAL STATE CONTRIBUTION RATES TO KANSAS RETIREMENT SYSTEMS
BY MEMBERSHIP GROUP, 1976-77 TO 1985-86

Fiscal Year beginning in	KPERS School	KPERS NON-SCHOOL			KP&F		JUDGES (since Affiliation)
		All except CE & TIAA	Correctional Employees	TIAA	Highway Patrol	Bureau of Investigation	
1976	7.9%	7.3%	--	2.0%	23.0%	19.7%	19.5%
1977	7.3	6.7	9.7%	1.9	22.6	20.6	19.5
1978	6.1	6.2	9.4	1.7	20.8	19.2	19.5
1979	6.3	6.2	9.1	1.5	20.2	18.5	15.6
1980	5.2	5.5	8.4	1.4	20.9	18.7	15.6
1981	4.7	5.2	7.5	1.7	21.1	19.7	15.6
1982	4.5	4.8	7.2	1.7	18.0	16.8	10.4
1983	4.4	4.6	8.7/12.7	1.4	18.3	16.9	10.4
1984	4.4	4.6	8.5/11.1	1.4	20.1	18.5	10.3
1985	4.3	4.9	5.9/ 7.7	1.3	16.1	14.7	8.7

ASSETS AND ACTUARIAL LIABILITIES, 1974 TO 1983

Actuarial Valuation as of June 30	Assets (millions)	Actuarial Liabilities (millions)	
		Retirants and Beneficiaries	Unfunded Past Service Liability
<u>KPERS SCHOOL</u>			
1974	\$131.2	\$ 88.2	\$181.6
1975	155.3	104.4	179.8
1976	188.3	117.9	178.3
1977	232.1	137.2	176.7
1978	293.8	154.2	174.6
1979	346.0	152.1	172.3
1980	414.0	174.5	152.7
1981	498.2	185.3	265.0
1982	572.6	220.5	269.1
1983	684.1	228.4	174.5
<u>KPERS NON-SCHOOL (Non-TIAA)</u>			
1974	\$152.6	\$ 76.1	\$ 43.2
1975	175.8	84.0	43.7
1976	207.6	92.6	46.1
1977	243.3	102.0	46.2
1978	285.9	115.3	45.4
1979	331.1	122.3	44.6
1980	389.3	127.2	39.9
1981	466.5	138.8	84.6
1982	536.1	174.9	89.0
1983	639.4	186.9	38.7
<u>KP&F</u>			
1974	\$ 21.0	\$ 4.7	\$ 12.8
1975	25.8	5.9	12.9
1976	32.4	7.5	13.9
1977	39.3	9.4	15.6
1978	52.6	42.1	67.8
1979	64.7	55.4	94.6
1980	81.6	60.6	85.1
1981	104.7	67.9	86.8
1982	126.7	81.0	85.2
1983	158.1	83.5	76.3

FUNDED RATIOS, 1974 TO 1983

<u>Actuarial Valuation as of June 30</u>	<u>Unfunded Past Service Liability as % of Total Payroll</u>	<u>Assets as % of Total Accrued Liability</u>
	<u>KPERS SCHOOL</u>	
1974	52.6%	41.9%
1975	47.9	46.3
1976	43.0	51.4
1977	36.0	56.8
1978	33.7	62.7
1979	30.7	66.8
1980	25.2	73.1
1981	38.9	65.3
1982	36.4	68.0
1983	21.9	79.7
	<u>KPERS NON-SCHOOL (Non-TIAA)</u>	
1974	16.0%	77.9%
1975	14.1	80.1
1976	13.5	81.8
1977	11.9	84.0
1978	10.8	86.3
1979	9.7	88.1
1980	7.7	90.7
1981	14.2	84.7
1982	13.7	85.8
1983	5.4	94.3
	<u>KP&F</u>	
1974	77.1%	62.1%
1975	64.8	66.7
1976	57.2	70.0
1977	54.4	71.6
1978	165.4	43.7
1979	203.9	40.6
1980	147.6	49.0
1981	136.5	54.7
1982	117.2	59.8
1983	97.6	67.4

ANALYSIS OF ACTUARIAL OBLIGATION
PUBLIC EMPLOYEES - SCHOOL

Last Ten Fiscal Years

Actuarial Valuation as of June 30	Present Value of Benefits- Total	Present Value of Future Normal Cost Contributions		To Be Funded by	
		Employee	Employer	Employer Contributions to Amortize Past Service Liability	Accumulated Assets
1974	561,559,900	123,671,500	125,063,000	181,631,300	131,194,100
1975	592,235,600	134,004,400	123,103,100	179,790,900	155,337,200
1976	616,626,000	147,501,000	102,476,100	178,319,100	188,329,800
1977	667,293,400	140,482,600	117,947,600	176,741,600	232,121,600
1978	706,138,100	146,764,400	85,494,500	180,039,000	293,840,200
1979	776,820,400	160,126,700	98,350,600	172,347,800	345,995,300
1980	769,117,400	163,526,600	38,899,200	152,690,300	413,998,300
1981	974,468,500	184,812,800	26,474,400	265,025,100	498,156,200
1982	1,097,863,800	198,780,200	57,447,500	269,077,700	572,558,400
1983	1,121,241,300	213,905,200	48,716,900	174,477,000	684,142,200

ANALYSIS OF ACTUARIAL OBLIGATION
PUBLIC EMPLOYEES - NON SCHOOL (NON TIAA)

Last Ten Fiscal Years

Actuarial Valuation as of June 30	Present Value of Benefits- Total	Present Value of Future Normal Cost Contributions		To Be Funded by	
		Employee	Employer	Employer Contributions to Amortize Past Service Liability	Accumulated Assets
1974	417,951,600	93,052,300	129,063,500	43,223,400	152,612,400
1975	462,904,200	108,658,300	134,697,300	43,723,200	175,825,400
1976	508,477,600	119,601,500	135,179,800	46,131,900	207,564,400
1977	542,313,400	117,265,700	135,571,000	46,174,400	243,302,300
1978	584,912,300	126,975,500	126,620,500	45,420,300	285,896,000
1979	664,862,200	137,145,900	152,008,600	44,620,700	331,087,000
1980	711,070,400	160,309,200	121,603,700	39,892,200	389,265,300
1981	848,402,300	186,070,800	111,223,800	84,568,600	466,539,100
1982	975,283,300	202,254,700	147,898,800	89,048,300	536,081,500
1983	1,066,038,300	221,059,500	166,900,000	38,680,100	639,398,700

Actuarial Schedule

ANALYSIS OF ACTUARIAL OBLIGATION
PUBLIC EMPLOYEES - TIAA

Last Ten Fiscal Years

Actuarial Valuation as of June 30	Present Value of Benefits- Total	Employer Contributions to Amortize Past Service Liability	Accumulated Assets
1974	10,103,200	7,957,700	2,145,500
1975	9,778,100	7,708,300	2,069,800
1976	9,989,900	7,900,300	2,089,600
1977	9,795,300	7,454,700	2,340,600
1978	10,153,800	7,534,200	2,619,600
1979	10,019,500	7,115,700	2,903,800
1980	8,588,700	5,456,800	3,131,900
1981	13,778,800	10,341,700	3,437,100
1982	17,099,100	12,954,000	4,145,100
1983	16,226,400	10,999,200	5,227,200

ANALYSIS OF ACTUARIAL OBLIGATION
POLICE AND FIRE

Last Ten Fiscal Years

Actuarial Valuation as of June 30	Present Value of Benefits- Total	<u>To Be Funded by</u>			Accumulated Assets
		<u>Present Value of Future Normal Cost Contributions</u>		Employer Contributions to Amortize Past Service Liability	
		Employee	Employer		
1974	71,968,200	14,630,000	23,479,700	12,814,200	21,044,300
1975	89,285,500	17,730,100	32,838,600	12,893,300	25,823,500
1976	101,640,800	20,087,200	35,299,800	13,858,900	32,395,800
1977	121,141,600	23,820,000	42,402,600	15,570,700	39,348,300
1978	215,628,000	32,457,100	62,350,300	68,236,200	52,584,400
1979	273,037,300	36,912,900	76,870,600	94,598,900	64,654,900
1980	299,786,000	47,286,200	85,797,200	85,055,500	81,647,100
1981	337,974,500	51,831,100	96,110,000	85,330,400	104,703,000
1982	394,911,000	57,182,100	125,778,000	85,208,400	126,742,500
1983	396,519,400	61,482,100	100,595,300	76,312,400	158,129,600



ANALYSIS OF ACTUARIAL OBLIGATION
JUDGES

Since Merger

Date of Valuation*	Present Value of Benefits- Total	Present Value of Future Normal Cost Contributions		To Be Funded by	
		Employee	Employer	Employer Contributions to Amortize Past Service Liability	Accumulated Assets
March 31, 1975	\$ 8,957,990	\$1,270,656	\$2,103,929	\$3,325,324	\$ 2,231,021
June 30, 1977	16,288,900	3,514,600	5,905,300	3,596,500	3,272,500
June 30, 1980	20,445,900	4,446,600	4,456,300	3,105,700	8,437,300
June 30, 1983	27,142,900	5,666,800	4,677,000	2,961,400	13,837,700

* Actuarial valuation performed every three years.

ANALYSIS OF ACTUARIAL OBLIGATION
KANSAS SCHOOL RETIREMENT SYSTEM

Last Ten Fiscal Years

Actuarial Valuation as of June 30	Present Value of Benefits- Total*	To Be Funded by		
		Savings Annuity Assets	Service Annuity Assets	Contributions to Amortize Service Annuity Liability
1974	\$86,963,000	\$7,069,000	\$ (647,800)	\$80,541,800
1975	--	--	--	--
1976	86,280,900	6,105,000	(734,300)	80,910,200
1977	82,302,200	5,668,800	73,399	76,560,001
1978	76,198,602	5,290,502	1,303,645	69,604,455
1979	72,983,400	5,052,000	3,637,800	64,293,600
1980	68,190,500	4,930,900	10,157,400	53,102,200
1981	64,749,700	4,943,500	17,937,500	41,868,700
1982	63,662,900	4,915,500	24,088,300	34,659,100
1983	56,295,300	4,865,600	29,156,300	22,273,400

* Sum of Savings Annuity assets plus total liability for Service Annuities.

KANSAS SCHOOL EMPLOYEES RETIREMENT SYSTEM
SCHOOL MEMBERS
SUMMARY OF BENEFITS

Normal Retirement

- Eligibility -- Age 65.
- Benefit -- Based on member's highest five-year average compensation or final average salary (FAS).
- For prior service before 1971 - 1% FAS for each year credited under KSRS plus .75% FAS for each year not credited under KSRS. For participating service after 1970 - 1.25% FAS for each year to July 1, 1982 plus 1.4% for each year after June 30, 1982. Total benefit is sum of benefits for prior and participating service.

Early Retirement

- Eligibility -- Age 60 and 10 years of service.
- Benefit -- Normal retirement benefit reduced 0.3% per month under age 65.

Deferred Vesting

- Eligibility -- 10 years of service at termination and leave contributions in KPERS.
- Benefit -- Accrued normal retirement benefit payable at age 65 or in reduced amount as early as age 60.

Withdrawal Benefit

Any member who terminates before retirement may withdraw his or her accumulated contributions with interest. (A former member who returns to employment within five years after termination does not incur a break in continuous employment if such member has not withdrawn accumulated contributions.)

Disability Benefit

Disability benefits are provided under the KPERS Death and Disability Benefits Program, which is financed by employer contributions of 0.6% of members' compensation. The long-term disability benefit is 55% of the member's annual compensation on the date disability commences, reduced by Social Security benefits and one-half of Worker's Compensation benefits, subject to a minimum benefit of \$50 a month. KPERS members receiving long-term disability benefits continue to receive service credit under KPERS.

Death Benefits

Pre-retirement death (non-service connected) -- Member's accumulated contributions are paid to designated beneficiary. If member is eligible to retire at death and spouse is beneficiary, spouse may elect to receive benefits as joint annuitant under Option A in lieu of refund of member's accumulated contributions.

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

Insured death benefit -- In addition to above benefits, an insured death benefit is provided under the KPERS Death and Disability Benefits Program for active members under age 70 equal to 100% of the member's annual compensation on the date of death.

Post-retirement death -- Lump sum amount of \$1,000. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options A and B, if joint annuitant predeceases retirant the reduced option benefit is increased to amount retirant would have received if no option has been elected. Benefits payable to a joint annuitant cease at joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death.

Member Contributions

Four percent of compensation. Interest is credited to members' contribution accounts on each June 30, based on account balance as of the preceding December 31, at the interest rate adopted by the board for actuarial valuations.

Employer Contributions

Rates certified by board based on results of annual actuarial valuations.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NON-SCHOOL MEMBERS
SUMMARY OF BENEFITS

Normal Retirement

- Eligibility -- Age 65.
- Benefit -- Based on member's highest five-year average compensation or final average salary (FAS).
- 1% FAS for each year of prior service (service prior to member's entry date); plus 1.25% FAS for each year of participating service to July 1, 1982; plus 1.4% FAS for each year of participating service after June 30, 1982.

Early Retirement

- Eligibility -- Age 60 and 10 years of service.
- Benefit -- Normal retirement benefit reduced 0.3% per month under age 65.

Deferred Vesting

- Eligibility -- 10 years of service at termination and leave contributions in KPERS.
- Benefit -- Accrued normal retirement benefit payable at age 65 or in reduced amount as early as age 60.

Withdrawal Benefit

Any member who terminates before retirement may withdraw his or her accumulated contributions with interest. (A former member who returns to employment within five years after termination does not incur a break in continuous employment if such member has not withdrawn accumulated contributions.)

Disability Benefit

Disability benefits are provided under the KPERS Death and Disability Benefits Program, which is financed by employer contributions of 0.6% of member's compensation. The long-term disability benefit is 55% of the member's annual compensation on the date disability commences, reduced by Social Security benefits and one-half of Worker's Compensation benefits, subject to a minimum benefit of \$50 a month. KPERS members receiving long-term disability benefits continue to receive service credit under KPERS.

Death Benefits

Pre-retirement death (non-service connected) -- Member's accumulated contributions are paid to designated beneficiary. If member is eligible to retire at death and spouse is beneficiary, spouse may elect to receive benefits as joint annuitant under Option A in lieu of refund of member's accumulated contributions.

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

Insured death benefit -- In addition to above benefits, an insured death benefit is provided under the KPERS Death and Disability Benefits Program for active members under age 70 equal to 100% of the member's annual compensation on the date of death.

Post-retirement death -- Lump sum amount of \$1,000. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options A and B, if joint annuitant predeceases retirant the reduced option benefit is increased to amount retirant would have received if no option has been elected. Benefits payable to a joint annuitant cease at joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death.

Member Contributions

Four percent of compensation. Interest is credited to members' contribution accounts on each June 30, based on account balance as of the preceding December 31, at the interest rate adopted by the board for actuarial valuations.

Employer Contributions

Rates certified by board based on results of annual actuarial valuations.

Other provisions of the Kansas Public Employees Retirement Act that apply to KPERS non-school members are summarized below:

Membership

Non-school employees become KPERS members after one year of continuous employment. Employees hired after age 59 and after employer's entry date are eligible for KPERS membership but are not eligible for benefits under the KPERS Death and Disability Benefits Program. State employees are covered by the KPERS Death and Disability Benefits Program and service-connected death benefits from date of employment.

TIAA Members

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

Correctional Employees

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

For groups (a) and (b) with at least three consecutive years of service in such positions immediately preceding retirement, normal retirement date is age 55 and early retirement requirements are age 50 with 10 years of service.

For groups (c), (d), (e) and (f) with at least three consecutive years of service in such positions immediately preceding retirement, normal retirement date is age 60 and early retirement requirements are age 55 with 10 years of service.

For correctional employees in groups (a) through (f) and other correctional employees in positions that involve regular contact with inmates, special disability benefits based on the employee's final average salary (FAS) - which for this purpose is the average of highest three years in last five - are as follows:

Service-connected disability -- no age or service requirement; pension of 50% FAS plus 10% FAS for each dependent child under 18, to a maximum of 75% FAS; reduced by Social Security and Worker's Compensation benefits but not to less than \$50 a month.

Nonservice-connected disability -- five years of service required; pension of 2% FAS per year of service to maximum of 50% FAS; reduced by Social Security and Worker's Compensation benefits but not to less than \$50 a month.

Disability benefits for eligible correctional employees apply to disabilities occurring before July 1, 1986, and such employees are not eligible for disability benefits under the KPERS Death and Disability Benefits Program.

KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM
SUMMARY OF BENEFITS

Normal Retirement

- Eligibility -- Age 55 and 20 years of service. (For members covered by local plan on entry date, age 50 and 25 years of service.)
- Benefit -- Based on member's final average salary (FAS) - highest three-year average compensation in last five years of participating service.
- Two percent FAS per year of service to maximum of 70% FAS.

Early Retirement

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

Deferred Vesting

- Eligibility -- Twenty years of service at termination and leave contributions in system.
- Benefit -- Accrued normal retirement benefit payable at age 55 or in reduced amount as early as age 50.

Withdrawal Benefit

Any member who terminates before retirement may withdraw his or her accumulated contributions, with interest credited at the actuarial valuation rate after June 30, 1982. (A former member who returns to covered employment within two years after termination does not incur a break in employment if such member has not withdrawn accumulated contributions.)

Disability Benefits

Service-connected disability -- No age or service requirement; pension of 50% FAS plus 10% FAS for each dependent child under age 18, to maximum of 75% FAS. (If member receiving service-connected disability benefits dies within two years of retirement, or after two years from the same service-connected cause, surviving spouse and dependent children are eligible for service-connected death benefits.)

Nonservice-connected disability -- Five years of service required; pension of 2% FAS per year of service to maximum of 50% FAS.

Death Benefits

Service-connected death -- No age or service requirement; pension of 50% FAS to spouse until death or remarriage, plus 10% FAS to each dependent child under age 18, to maximum of 75% FAS.

Nonservice-connected death -- Five years of service required; lump sum of 50% FAS to spouse; pension of 2% FAS per year of service (to maximum of 50%) is payable to spouse beginning at age 50, or at any age if caring for dependent children, until spouse's death or remarriage.

Death after retirement eligibility -- If active member is eligible to retire at death, and spouse is beneficiary but not eligible for service-connected or nonservice-connected death benefits, spouse may elect to receive benefits as joint annuitant under Option A in lieu of refund of member's accumulated contributions.

Post-retirement death -- Lump sum amount of \$1,000, less any death benefit payable under local police or fire plan. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options A and B, if joint annuitant predeceases retirant the reduced option benefit is increased to amount retirant would have received if no option had been elected. Benefits payable to a joint annuitant cease at joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death.

(For members covered by local plan on entry date who die after retirement and who had not elected an option, spouse receives lump sum of 50% FAS and pension of 75% of the member's retirement benefit until death or remarriage. Spouse's pension is payable to dependent children under age 18 if there is no surviving spouse or if surviving spouse dies.)

Member Contributions

Seven percent of compensation. Contribution rate reduced to 2% of compensation for members with 35 years of service or age 60 with 20 years of service.

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

Employer Contributions

Individual rates certified by board for each participating employer based on results of annual actuarial valuations. Statutory employer contribution rate for first year after entry into KP&F is 16% of members' compensation.

KANSAS RETIREMENT SYSTEM FOR JUDGES
SUMMARY OF BENEFITS

Normal Retirement

- Eligibility -- Age 65.
- Benefit -- Based on member's final average salary (FAS) - highest average annual salary for any 5 of last 10 years of service as a judge.
- Basic formula is 4% FAS for each year of service up to 10 years, plus 3-1/3% FAS for each year in excess of 10 years. Maximum benefit is 65% FAS. Minimum benefit for a judge who retires at age 65 after 10 years of continuous service is 50% FAS.

Early Retirement

- Eligibility -- Age 62 (10 years service required for persons who become judges on or after July 1, 1975).
- Benefit -- Normal benefit reduced by 0.6% per month under age 65.

Deferred Vesting

- Eligibility -- 10 years of service at termination and leave contributions in Retirement System. (District judges and associate district judges who have service credited under KPERS have vested benefits under both KPERS and the Judges' System when the combined total credited service equals 10 years.)
- Benefit -- Normal benefit accrued at termination is payable at age 65 or in reduced amount at age 62.

Disability Benefit

- Eligibility -- Totally and permanently disabled, either physically or mentally.
- Benefit -- Disability benefit computed in same manner as normal benefit is payable up to age 65; disabled judge is placed on regular retirement status at age 65 and credited with service for period of disability to age 65.

Withdrawal Benefit

Any member who terminates before retirement may withdraw his or her accumulated contributions, with interest credited thereon after June 30, 1982. (A former member who again serves as a judge may return the amount refunded without interest or penalty and regain credit for service previously credited under the Retirement System.)

Death Benefits

Pre-retirement death -- Lump sum insured death benefit equal to 100% of the member's annual compensation on the date of death; plus refund of member's accumulated contributions. If active member had attained age 60 at death and spouse is beneficiary, spouse may elect to receive benefits as joint annuitant under Option A in lieu of a refund of member's accumulated contributions.

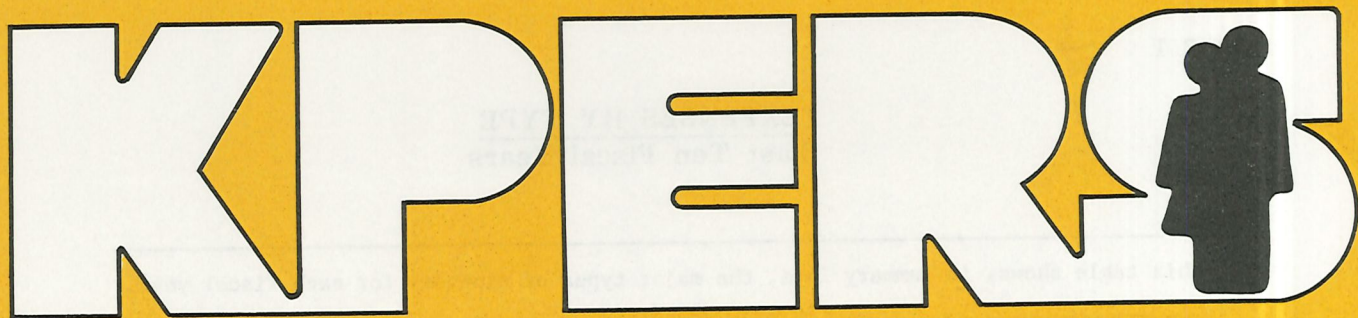
Post-retirement death -- Lump sum death benefit of \$1,000. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options A and B, if joint annuitant predeceases retirant, the reduced option benefit is increased to amount retirant would have received if no option had been elected. Benefits payable to a joint annuitant cease at joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death.

Judges Contributions

Six percent of compensation. Upon attainment of age 65 and completion of 20 years of service, the contribution rate is reduced to 2% of compensation.

State Contributions

Actuarially-determined rate certified by the KPERS Board of Trustees based on the results of actuarial valuations prepared every three years.



KANSAS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Statistical Section

TABLE 1

EXPENSES BY TYPE
Last Ten Fiscal Years

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

Fiscal Year	Benefits	Withdrawals	Insurance	Administration	Total
1975	31,309,465	5,902,725	3,416,721	760,813	41,389,724
1976	33,867,252	6,200,926	4,867,335	818,524	45,754,037
1977*	36,501,647	13,048,767	5,754,464	902,918	56,207,796
1978	39,871,419	12,008,759	5,813,457	953,783	58,647,418
1979	43,667,994	14,103,569	4,899,625	1,011,007	63,682,195
1980	47,416,099	16,696,535	4,550,040	1,138,999	69,801,673
1981	54,711,585	15,550,794	7,987,255	1,277,961	79,527,595
1982	59,636,519	20,210,777	5,726,606	1,507,313	87,081,215
1983	71,801,614	15,094,312	6,498,051	1,696,722	95,090,699
1984	78,793,624	16,680,144	8,536,629	2,154,754	106,165,151

*The accounting records were changed from cash to accrual basis of accounting.

TABLE 2

REVENUES BY SOURCE
Last Ten Fiscal Years

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

Fiscal Year	Employee Contributions	Employer Contributions	Insurance Contributions	Investment Income	El Dorado Consolidation Liability Payments	Misc.	Total
1975	29,250,605	52,528,422	3,660,588	7,123,364	15,000	8,975	92,586,954
1976	33,777,425	63,595,823	4,872,735	21,911,844	15,000	10,065	124,182,892
1977*	36,848,573	75,727,111	5,522,913	23,286,056	15,000	9,865	141,409,518
1978	39,876,205	79,489,506	6,069,370	27,662,632	15,000	78,003	153,190,716
1979	43,670,152	78,279,911	6,569,797	49,039,860	15,000	--	177,574,720
1980	48,829,583	93,522,137	7,519,133	75,389,383	15,000	35,398	225,310,634
1981	56,164,509	97,146,521	8,616,264	114,256,253	15,000	22,448	276,220,995
1982	59,819,081	93,621,588	9,297,675	107,730,019	15,000	36,227	270,519,590
1983	65,571,654	89,666,020	10,013,643	192,311,656	15,000	44,645	357,622,618
1984	69,733,602	91,872,335	10,599,042	160,118,331	15,000	43,808	332,382,118

*The accounting records were changed from cash to accrual basis of accounting.

TABLE 3

INVESTMENT INCOME BY SOURCE
Last Ten Fiscal Years
(Thousands)

Fiscal Year	Dividend Income	Bond Interest	Temporary Income	Gain/(Loss) on Sales of Investments	Total Income	Less: Managers & Custodians Fees & Expenses	Net Income of the Fund
1975	\$ 3,131	\$11,451	\$ 3,066	\$(10,130)	\$ 7,518	\$ (395)	7,123
1976	4,827	14,884	2,740	60	22,511	(599)	21,912
1977*	7,749	17,348	2,607	(1,730)	25,974	(688)	25,286
1978	9,159	19,326	6,518	(6,556)	28,447	(784)	27,663
1979	10,679	20,128	19,252	(154)	49,905	(865)	49,040
1980	12,904	25,803	35,324	2,247	76,278	(888)	75,390
1981	15,396	40,989	39,561	19,335	115,281	(1,025)	114,256
1982	14,248	60,841	63,467	(29,457)	109,099	(1,369)	107,730
1983	19,490	75,088	41,441	58,199	194,218	(1,906)	192,312
1984	21,361	81,860	46,441	13,389	163,051	(2,933)	160,118

*The accounting records were changed from cash to accrual basis of accounting.

TABLE 4

INVESTMENTS
Last Ten Fiscal Years
(Millions of Dollars)

This table indicates the holdings of the types of securities as of June 30 of each year

Fiscal Year	Bonds		Common Stock		Preferred Stock		Short Term*	Total	
	Cost	Market	Cost	Market	Cost	Market		Cost	Market
1975**	\$191.1	\$157.3	\$146.6	\$136.0	\$.3	\$.3	\$30.5	\$ 368.5	\$ 324.1
1976	224.2	203.3	184.1	178.7	1.9	2.1	38.4	448.6	422.5
1977***	245.5	243.2	211.3	202.3	4.1	4.2	67.5	528.4	517.2
1978	251.7	237.5	202.2	188.3	.7	1.0	167.5	622.1	594.3
1979	284.7	270.9	228.9	224.7	.4	.4	212.8	726.8	708.8
1980	327.2	300.6	266.0	282.4	.6	1.1	288.3	882.1	872.4
1981	446.4	368.5	310.6	359.7	2.5	3.4	314.7	1,074.2	1,046.3
1982	541.4	499.2	283.6	273.3	--	--	464.0	1,289.0	1,236.3
1983	604.4	612.0	511.8	721.2	--	--	390.9	1,507.1	1,724.1
1984	574.2	522.0	511.1	561.6	--	--	626.2	1,711.5	1,709.8

*Cost is equal to market

**The Kansas Public Employees Retirement System began recording Investments in Bonds at amortized cost. Previous fiscal years are recorded at cost.

***The accounting records were changed from cash to accrual basis of accounting.



TABLE 5

NUMBER OF MEMBERS
Last Ten Fiscal Years

This table shows the number of members, by type, for last 10 years.

Fiscal Year	Active	Inactive	Retirants & Beneficiaries	Total Membership
1975	81,627	16,671	20,948	119,246
1976	80,524	14,600	22,314	117,438
1977	82,972	15,220	23,614	121,806
1978	84,120	15,695	25,288	125,103
1979	85,391	14,286	26,570	126,247
1980	86,549	13,682	27,701	127,932
1981	87,719	14,128	28,678	130,525
1982	88,651	13,653	29,813	132,117
1983	89,174	14,704	30,906	134,785
1984	90,391	11,936	30,855	133,182

TABLE 6

EMPLOYER CONTRIBUTION RATE
Last Ten Fiscal Years

This table shows the total employer contribution rate for fiscal year indicated

For the Fiscal Year Commencing in Calendar Year	KPERS Non-School	KPERS School	KPERS TIAA	Judges
1975	7.40%	5.80%	1.90%	19.50%
1976	7.30%	7.90%	2.00%	19.50%
1977	6.70%	7.30%	1.90%	19.50%
1978	6.20%	6.10%	1.70%	19.50%
1979	6.20%	6.30%	1.50%	15.60%
1980	5.50%	5.20%	1.40%	15.60%
1981	5.20%	4.70%	1.70%	15.60%
1982	4.80%	4.50%	1.60%	10.40%
1983	4.80%	4.50%	1.60%	10.40%
1984	4.60%	4.40%	1.40%	10.30%

MEMBERS CONTRIBUTION RATECONTRIBUTION RATE IS SET BY STATE STATUTERegular Member

Contribution rate has been 4% of gross compensation since inception at January 1, 1962.

Police and Firemen Member

Seven percent (7%) of gross compensation. After 35 years of credited service or after reaching age 60 with at least 20 years of credited service the contribution rate is 2% of gross compensation.

Police and Firemen--Special Member

Contribution rate set at 7% of gross compensation. Highway Patrol rate set at 8%.

School Member

Contribution rate has been 4% of gross compensation, including the tax sheltered annuity amount since inception at January 1, 1971.

KPERS-TIAA Member

KPERS-TIAA employees do not contribute to the Kansas Public Employees Retirement System. These employees are members only for service credit prior to January 1, 1962.

Justices and Judges

Contribution rate set at 6% of gross compensation. After attainment of age 65 and completion of 20 years of service the rate is 2%.

NUMBER OF PARTICIPATING EMPLOYERS
Since Inception of the Retirement System

As of Entry Date January 1 Each Year	State	School Employers	Counties	Cities	County Boards of Social Welfare	Misc	Police and Firemen	Judges	Total
1962	1	--	39	52	64	28	--	--	184
1963	1	--	48	68	73	55	--	--	245
1964	1	3	51	80	84	64	--	--	283
1965	1	3	56	85	86	74	--	--	305
1966	1	5	61	91	87	80	--	--	325
1967	1	1	67	100	91	89	12	--	361
1968	1	1	80	119	105	106	13	--	425
1969	1	1	87	133	105	118	16	--	461
1970	1	1	93	145	105	129	17	--	491
1971	1	334	105	156	105	145	18	--	864
1972	1	334	105	164	105	175	18	--	902
1973	1	333	105	174	105	196	20	--	934
1974	1	333	105	185	*--	205	23	--	852
1975	1	332	105	194	--	219	24	--	875
1976	1	334	105	201	--	227	25	1	894
1977	1	339	105	208	--	234	27	27	941
1978	1	342	105	214	--	254	33	27	976
1979	1	344	105	221	--	269	34	27	1,001
1980	1	345	105	231	--	287	35	1	1,005
1981	1	347	105	240	--	298	35	1	1,027
1982	1	346	105	244	--	310	37	1	1,044
1983	1	345	105	248	--	314	38	1	1,053
1984	1	345	105	254	--	320	38	1	1,064

*County Boards of Social Welfare were merged into state system on July 1, 1973

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NAMES OF PARTICIPATING EMPLOYERS

As of January 1, 1984

Dates in Front of Names are the Affiliation Dates

Airport Authorities--3

79--Metropolitan Topeka Airport Authority
67--Strother Field Commission

67--Salina Airport Authority

Cemetery District--8

79--Bird City Cemetery, Dist. #1, Cheyenne Co.
63--Delphos Cemetery Dist. #14, Ottawa Co.
74--Eastside Cemetery Assoc., Reno County
68--El Dorado Jt. Cemetery Dist., Butler Co.
72--Glasco Cemetery Dist., #9, Coud County
72--Glasco Cemetery Dist. #9, Cloud County

71--Grant County Cemetery District
63--Highland Cemetery Dist. #9, Ottawa Co.
84--Highland Cemetery Dist., Barber Co.
72--Sabetha Cemetery Association
71--Stafford Cemetery Dist. #1, Stafford Co.

Conservation Districts--65

79--Allen
80--Atchison
77--Barber
65--Bourbon
80--Brown
73--Butler
81--Chase
72--Chautauqua
72--Cherokee
73--Cloud
76--Comanche
81--Cowley
78--Crawford

79--Dickinson
82--Edwards
82--Ellis
82--Ellsworth
78--Finney
77--Franklin
78--Geary
72--Grant
73--Greenwood
81--Hamilton
74--Haskell
65--Hodgeman
83--Jefferson

72--Kingman
73--Kiowa
78--Labette
68--Lincoln
78--Linn
81--Lyon
72--McPherson
76--Marion
84--Marshall
82--Meade
75--Miami
78--Mitchell
79--Morris

79--Nemaha
78--Ness
72--Osage
79--Osborne
65--Ottawa
78--Pawnee
79--Phillips
78--Pottawatomie
72--Pratt
80--Rawlins
78--Reno
77--Republic
65--Riley

72--Rush
70--Seward
77--Smith
78--Stafford
81--Stanton
79--Stevens
71--Summer
71--Trego
79--Wabaunsee
78--Wallace
78--Washington
80--Wichita
72--Wilson

Counties--105

63--Allen
63--Anderson
62--Atchison
71--Barber
66--Barton
62--Bourbon
68--Brown
62--Butler
62--Chase
62--Chautauqua
62--Cherokee
66--Cheyenne
68--Clark
71--Clay
67--Cloud
71--Coffey
69--Comanche
63--Cowley
62--Crawford
70--Decatur
71--Dickinson

71--Doniphan
62--Douglas
70--Edwards
71--Elk
67--Ellis
62--Ellsworth
68--Finney
62--Ford
63--Franklin
62--Geary
71--Gove
68--Graham
68--Grant
71--Gray
62--Greeley
62--Greenwood
62--Hamilton
71--Harper
63--Harvey
62--Haskell
62--Hodgeman

68--Jackson
65--Jefferson
62--Jewell
62--Johnson
68--Kearny
70--Kingman
69--Kiowa
63--Labette
65--Lane
65--Leavenworth
68--Lincoln
64--Linn
69--Logan
64--Lyon
62--McPherson
62--Marion
62--Marshall
67--Meade
68--Miami
63--Mitchell
66--Montgomery

68--Morris
71--Morton
62--Nemaha
62--Neosho
65--Ness
62--Norton
63--Osage
66--Osborne
62--Ottawa
64--Pawnee
69--Phillips
63--Pottawatomie
70--Pratt
62--Rawlins
62--Reno
68--Republic
62--Rice
67--Riley
69--Rooks
62--Rush
62--Russell

62--Saline
66--Scott
62--Sedgwick
62--Seward
62--Shawnee
62--Sheridan
69--Sherman
67--Smith
68--Stafford
71--Stanton
67--Stevens
71--Summer
70--Thomas
68--Trego
62--Wabaunsee
70--Wallace
69--Washington
62--Wichita
62--Wilson
65--Woodson
62--Wyandotte

Drainage Districts--2

62--Kaw Valley Drainage District, Wyandotte County

70--North Topeka, Shawnee County

Extension Councils--49

68--Allen	84--Douglas	72--Kingman	80--Nemaha	75--Saline
73--Atchison	82--Ellsworth	78--Kiowa	63--Osage	79--Sedgwick
75--Barber	77--Ford	82--Labette	80--Osborne	84--Shawnee
63--Butler	64--Franklin	80--Leavenworth	82--Ottawa	78--Smith
72--Cherokee	63--Geary	68--Lincoln	79--Pottawatomie	68--Stafford
71--Clark	69--Greenwood	77--Linn	82--Pratt	81--Stevens
84--Commanche	83--Hamilton	72--McPherson	73--Reno	72--Sumner
64--Cowley	80--Harper	70--Marion	73--Rice	70--Wilson
63--Dickinson	69--Harvey	67--Meade	80--Riley	64--Woodson
63--Doniphan	82--Kearny	80--Mitchell	75--Saline	64--Wyandotte

Hospitals--16

67--Anderson County	75--Graham County	74--Rice County	74--Stafford County
82--Ark City Mem.	80--Harper, Dist. #5	76--Russell City	82--Wamego City
65--Coffeyville	69--Miami County	75--SW Med. Center	68--Wm. Newton Mem.
75--Dickinson County	75--Norton County	77--St. Lukes Hosp.	69--Wilson County

Instrumentalities--17

65--Coffeyville Memorial Auditorium	70--Saline County-City Bldg. Authority
68--Johnson County Park & Rec. Dist.	74--Topeka Metro Transit Authority
76--Kansas Association of Counties	77--Topeka-Tecumseh Fire District
80--Kansas City, KS. Port Authority	81--RWD #1, Miami County
67--Kansas Turnpike Authority	81--Consolidated RWD #1, Shawnee Co.
63--League of Kansas Municipalities	81--Mitchell County RWD #2
75--NE Animal Control Comm. Johnson Co.	81--RWD #3, Miami County
80--Kansas Municipal Energy	64--Waterworks Board, City of
74--Riley County Law Enforcement Agency	Leavenworth

Improvement District--1

66--Park City Improvement District, Sedgwick County

Recreation Commissions--21

80--Abilene	75--Dodge City	81--Holcomb	72--Newton	79--Stafford
65--Arkansas City	69--Emporia	68--Hutchinson	62--Parsons	70--USD #353
80--Burlington	62--Garden City	69--Independence	64--Pittsburg	Wellington
74--Chanute	73--Great Bend	80--Kingman	62--Salina	71--Winfield
73--Coffeyville	81--Hays			

Joint Boards of Health--11

64--Butler-Greenwood Bi-County	67--Manhattan Riley County
78--Junction City-Geary County	73--NEK Multi-County
62--Kansas City-Wyandotte County	63--Salina-Saline County
62--Lawrence-Douglas County	72--SEK Multi-County
80--Liberal Seward Joint Board of Health	72--Sumner County-Wellington
64--Lyon County-Emporia City	

Library Boards -- 78

65--Abilene	77--George Smith (Junction City)	69--Liberal	79--Pottawatomie-- Wab. Regional
66--Arkansas City	75--Girard	62--Lyons	62--Pratt
67--Atchison	66--Graham Co.	62--McPherson	63--Russell
79--Augusta City	68--Grant Co.	62--Manhattan	62--Salina
78--Belleville	72--Great Bend	72--Minneapolis	62--Seneca
62--Beloit	63--Harper	83--Meade Pub Libr.	74--So. Central Ks.
63--Burlington	82--Hays Public	66--Morrill (Hiawatha)	68--SE Kansas
68--Central Kansas	67--Hoisington	78--Morton Co.	75--SW Kansas
75--Chanute	77--Horton	62--Newton	64--Stafford
73--Cherryvale	63--Hutchinson	83--NE Kansas	67--Stevens
72--Chetopa	62--Independence	76--NW Kansas	73--Stockton
84--Clearwater	63--Iola	62--Norton	63--Topeka
64--Coffeyville	62--Johnson City	72--Olathe	72--Wamego
75--Columbus	81--Johnston	72--Osborne	73--Wellington
62--Dodge City	73--Kearny Co.	63--Ottawa	71--Wellsville
62--El Dorado	66--Kinsley	71--Paola	68--Wichita Co.
63--Emporia	81--Kiowa Co.	77--Pioneer Mem. (Colby)	72--Winfield
73--Eureka	74--Lane Co.	63--Pittsburg	70--Wm. Rankin Memorial
83--Finney Co.	62--Lawrence		72--Wyandotte
62--Fort Scott	71--Leavenworth		
83--Frank Carlson Pub. Libr.			

Mental Health Centers--4

65--Central Kansas	66--Northeast Kansas Guidance Clinic
73--North Central Kansas Guidance Center	68--Southwest Guidance Center

Townships--41

64--Aubry, Johnson County	72--Grasshopper, Atchison County	78--Palmyra, Douglas County
72--Belpre, Edwards County	69--Hamlin, Brown County	80--Riverside, Sedgwick County
71--Big Creek, Russell County	69--Hiawatha, Brown County	69--Robinson, Brown County
71--Center, Atchison County	71--Irving, Brown County	76--Sedgwick, Harvey County
74--Center, Russell County	76--Kechi, Sedgwick County	70--Sherman, Clay County
68--Clay, Reno County	78--Bloom Township, Ford Co.	63--Smokey Hill, McPherson County
65--Eagle, Sedgwick County	72--Lincoln, Edwards County	71--Soldier, Shawnee County
63--East Cooper, Stafford County	69--Little Walnut, Butler County	63--Spring Hill, Johnson County
64--El Dorado, Butler County	63--McCamish, Johnson County	76--Tecumseh, Shawnee County
84--Elwood, Barber County	63--Marysville, Marshall County	84--Topeka, Shawnee County
71--Eudora, Douglas County	73--Mission, Brown County	77--Valley Center, Sedgwick County
75--Franklin, Edwards County	63--Mission, Shawnee County	62--Wayne, Edwards County
70--Gardner, Johnson County	69--Morrill, Brown County	72--Windsor, Cowley County
71--Grant, Douglas County	70--Oxford, Johnson County	

School Districts--345

71-306 Unified School Districts	71- 19 County Community Junior Colleges
71- 4 Area Vocational Technical Schools	71- 16 Educational Cooperatives

Watershed Districts--3

73--Big Caney Watershed Joint District #31	74--Wakarusa Watershed Joint
73--Twin Caney Watershed Joint District #34	

Cities--254

62--Abilene	68--Council Grove	67--Hillsboro	67--Marysville	62--St. John
66--Alma	68--Deerfield	67--Hoisington	76--McLouth	62--St. Marys
62--Altamont	63--Derby	84--Holcomb	75--Medicine Lodge	72--Sabatha
62--Altoona	68--DeSoto	63--Holton	68--Merriam	62--Salina
66--Anthony	75--Dighton	72--Holyrood	80--Milford	69--Satanta
65--Arkansas City	62--Dodge City	62--Horton	65--Minneapolis	67--Scandia
74--Arlington	74--Downs	69--Hoxie	63--Mission	67--Scott City
62--Arma	81--Edwardsville	62--Hugoton	80--Mission Hills	80--Scranton
74--Ashland	72--Effingham	62--Humboldt	81--Montezuma	62--Sedan
63--Atchison	62--El Dorado	62--Hutchinson	82--Mound City	76--Sedgwick
78--Attica	74--Elkhart	62--Independence	66--Moundridge	62--Seneca
76--Atwood	63--Ellinwood	62--Iola	79--Mount Hope	80--Severy
64--Augusta	73--Ellis	69--Jamestown	65--Mulvane	70--Sharon Springs
74--Baldwin City	75--Ellsworth	62--Jetmore	63--Natoma	68--Shawnee
83--Baxter Springs	62--Emporia	63--Johnson City	62--Neodesha	83--Silver Lake
84--Bel Aire	84--Enterprise	62--Junction City	62--Ness City	70--Smith Center
69--Belle Plaine	69--Erie	77--Kanorado	62--Newton	70--South Hutchinson
69--Belleville	71--Eudora	62--Kansas City	77--Nickerson	82--Spearville
62--Beloit	80--Eureka	62--Independence	62--Norton	71--Spring Hill
76--Bennington	73--Fairway	84--Kechi	82--Nortonville	62--Stafford
79--Bird City	81--Florence	66--Kinsley	64--Oakley	73--Sterling
70--Bonner Springs	62--Fort Scott	62--Kingman	75--Oberlin	62--Stockton
78--Buffalo	71--Fredonia	77--Kiowa	83--Ogden	68--Strong
73--Buhler	63--Frontenac	72--LaCrosse	64--Olathe	77--Sylvia
62--Burlingame	73--Galva	74--Lake Quivira	68--Osage City	67--Syracuse
71--Burlington	62--Garden City	62--Lakin	64--Osawatomie	78--Thayer
70--Bushton	80--Garden Plain	63--Larned	68--Osborne	68--Tonganoxie
63--Caldwell	68--Gardner	62--Lawrence	71--Oswego	62--Topeka
69--Caney	62--Garnett	64--Leavenworth	63--Ottawa	80--Toronto
74--Canton	79--Gas	69--Leawood	84--Overbrook	78--Towanda
73--Carbondale	78--Geneseo	73--Lebo	66--Overland Park	70--Tribune
75--Cawker City	62--Girard	69--Lenora	69--Oxford	79--Troy
72--Centralia	71--Glasco	77--Leon	64--Paola	81--Turon
62--Chanute	76--Glen Elder	67--Leoti	82--Park City	75--Udall
75--Chapman	81--Goessel	73--Lewis	62--Parsons	69--Ulysses
77--Cheney	76--Goddard	68--Liberal	83--Pawnee Rock	69--Valley Center
72--Cherryvale	64--Goodland	64--Lincoln Center	62--Peabody	84--Valley Falls
67--Chetopa	63--Greensburg	70--Lindsborg	81--Perry	73--Victoria
67--Cimarron	62--Halstead	76--Louisburg	68--Phillipsburg	69--WaKeeney
72--Claflin	68--Hanover	71--Lucas	62--Pittsburg	62--Wakefield
62--Clay Center	81--Hardtner	68--Luray	70--Plainville	64--Wamego
62--Clearwater	63--Harper	77--Lyndon	79--Pomona	68--Washington
64--Coffeyville	74--Hartford	62--Lyons	63--Potwin	81--Waterville
68--Colby	72--Haven	62--McPherson	73--Prairie Village	71--Wathena
71--Coldwater	62--Hays	75--Macksville	62--Pratt	63--Wellington
79--Colony	63--Haysville	64--Madison	78--Quinter	70--Wellsville
74--Columbus	70--Herington	80--Maize	74--Ransom	69--Westwood
80--Colwich	64--Hesston	62--Manhattan	70--Roeland Park	71--Wilson
68--Concordia	68--Hiawatha	68--Mankato	74--Rolla	65--Winfield
80--Conway Springs	81--Highland	77--Manter	62--Russell	70--Yates Center
75--Cottonwood Falls	65--Hill City	66--Marion	71--St. Francis	

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
LIST OF SECURITIES OWNED AS OF JUNE 30, 1984

COMMON STOCKS

<u>Shares</u>	<u>Description</u>	<u>Cost</u>	<u>Market Value</u>
81,500	AVX Corporation Com.	\$ 1,840,988	\$ 1,650,375
104,000	Air Midwest Inc. Com.	1,086,125	1,196,000
130,000	Allied Stores Corp. Com.	5,467,450	5,460,000
36,600	Aluminum Co. of Amer. Com.	1,225,315	1,244,400
35,300	American Broadcasting Cos. Inc. Com.	1,242,012	2,215,075
120,000	American Express Co. Com.	2,692,341	3,450,000
131,000	American Intl. Group Inc. Com.	7,971,500	7,663,500
77,175	American Investors Life Ins. of Kansas Com.	498,750	655,988
101,176	American Telephone & Tel. Com.	1,740,969	1,745,286
21,000	A M P Inc. Com.	711,896	672,000
79,200	Analogic Corp. Com.	1,484,552	1,009,800
150,000	Anixter Brothers Inc. Com.	3,705,622	2,493,750
294,000	Archer-Daniels-Midland Co. Com.	6,044,251	5,181,750
210,000	Arkla Inc. Com.	2,219,232	4,147,500
26,600	Asea Ab. Adr.	1,213,705	997,500
136,000	Atlantic Richfield Co. Com.	5,411,480	6,188,000
101,300	Augat Inc. Com.	3,170,818	3,039,000
100,000	Bally Mfg. Corp. Com.	2,356,307	2,162,500
80,000	Baltimore Gas & Electric	2,030,000	2,550,000
132,750	C.R. Bard Inc. Com.	3,551,403	3,318,750
130,000	Baxter Travenol Labs Com.	2,247,950	1,998,750
30,351	Bell South Corp. Com.	826,685	842,240
20,000	Beverly Enterprises Com.	533,195	547,500
150,000	Big Three Inds. Inc. Com.	3,382,257	3,487,500
79,600	Binney & Smith Inc. Com.	2,771,244	4,348,150
65,000	H & R Block Com.	2,556,212	2,551,250
255,000	Boeing Co. Com.	8,308,207	11,156,250
105,280	Borg-Warner Corp. Com.	1,939,496	1,974,000
280,000	Bristol Myers Co. Com.	6,927,193	13,160,000
60,000	Brock Hotel Corp. Com.	731,413	300,000
24,000	Brush Wellman Inc. Com.	701,632	804,000
77,300	Burlington Northern Inc. Com.	3,206,100	3,111,325
76,500	Business Mens Assurance Co. of America Com.	2,398,762	3,002,625
110,000	Butler Manufacturing Co. Com.	3,098,329	2,145,000
42,700	CBS Inc. Com.	3,067,527	3,341,275
150,000	Capital Holding Corp. of Del.	5,399,063	4,950,000
170,000	Cheseborough Ponds Inc. Com.	6,673,820	6,290,000
63,400	Cipher Data Products Com.	1,073,328	1,378,950
228,000	Coachman Industries Inc. Com.	2,837,550	3,163,500
120,000	Coca-Cola Co. Com.	5,271,168	6,915,000
164,000	Collins Inds. Inc. Com.	369,738	1,066,000
74,300	Comcoa Inc. Com.	141,947	130,025
405,700	Commodore Corp. Com.	2,970,377	659,263
200,000	Commonwealth Edison Co. Com.	4,641,750	4,550,000
96,700	Community Psychiatric Centers	3,031,919	3,384,500
45,000	Compusave Corp. Com.	225,000	303,750
135,100	Conagra Inc. Com.	2,973,738	5,133,800
110,000	Consolidated Freightways Com.	5,897,685	5,073,750
35,000	Contl. Healthcare Systems. Corp. Com.	201,250	210,000
90,000	Control Data Corp. Del. Com.	2,256,300	2,778,750
144,200	Convergent Technology Inc. Com.	1,897,946	1,946,700
10,000	Cray Research Inc. Com.	453,713	450,000
169,400	Deere & Co. Com.	6,114,404	4,637,325
150,000	Delta Airlines Inc. Del. Com.	5,125,825	4,612,500
50,000	Dickey-John Corp. Com.	970,019	587,500
49,000	Diebold Inc. Com.	3,519,898	4,103,750
42,000	Digital Equipment Corp. Com.	3,751,363	3,528,000
80,500	Digital Switch Corp. Com.	1,817,820	1,841,438
40,000	Disney Productions Com.	2,142,560	1,895,000
90,000	Dupont & Co. Com.	3,876,160	4,106,250
180,000	Duckwall-Alco Stores Inc. Com.	1,914,409	3,150,000
80,000	Eastman Kodak Com.	5,375,478	5,540,000
24,000	Echlin Inc. Com.	571,267	531,000
40,000	El Dorado Motor Corp. Com.	200,000	185,000
60,000	Emery Air Freight Corp. Com.	848,775	847,500
634,000	Energy Reserves Group Com.	4,848,900	2,536,000
83,400	Equatorial Communications Com.	1,846,888	1,845,225
55,200	Ericsson (LM) Tel. Adr. Class B	3,315,647	2,125,200

<u>Shares</u>	<u>Description</u>	<u>Cost</u>	<u>Market Value</u>
150,000	Exxon Corp. Com.	\$ 5,121,238	\$ 6,112,500
1,400	FMC Corp. Com.	62,701	68,075
108,225	Farm Fresh Inc. Com.	1,676,838	1,783,086
41,000	Federated Dept. Stores Com.	1,478,559	1,968,000
80,000	Fort Howard Paper Co. Com.	3,442,519	4,370,000
42,500	Foxmeyer Corp. Com.	1,118,750	935,000
252,840	Gates Learjet Corp. Com.	3,979,776	3,666,180
40,000	General Dynamics Com.	2,199,125	2,100,000
150,000	General Electric Corp. Com.	4,423,985	7,875,000
150,000	Genstar Corp. Com.	2,642,500	2,512,500
45,000	Georgia Pacific Corp. Com.	904,500	855,000
332,000	Goodyear Tire & Rubber Co. Com.	6,041,727	8,549,000
81,500	Gott Corp Com.	837,086	957,625
40,000	Great Empire Broadcasting Com.	4,000	4,000
105,000	Hall (Frank B.) & Co. Inc. Com.	2,529,250	2,336,250
10,000	Healthamerica Corp. Com.	436,475	542,500
165,000	Hesston Corp. Com.	2,095,268	1,381,875
18,000	Home Depot Inc. Com.	362,115	407,250
150,000	Hospital Corp. of America Com.	5,982,725	5,981,250
200,000	Houston Inds. Inc. Com.	3,824,063	3,700,000
160,000	I. C. Industries Inc. Com.	3,182,200	7,300,000
15,700	Innovative Software Systems Com.	133,450	121,675
200,000	Intel Corp. Com.	7,537,500	6,050,000
133,900	Interco Inc. Com.	6,292,228	8,100,950
350,625	Inter-Collegiate Press Inc. Com.	385,688	385,688
217,376	International Business Mach. Com.	17,192,917	22,987,512
60,000	Intl. Mineral & Chem. Corp. Com.	2,232,788	2,160,000
87,600	Johnson & Johnson Com.	4,439,435	2,628,000
37,800	KLA Instruments Corp. Com.	839,800	850,500
71,000	Kaiser Aluminum & Chemicals Com.	1,890,535	1,029,500
152,500	Kansas City Southern Ind. Com.	5,775,254	7,015,000
156,000	Kellogg Co. Com.	4,531,000	4,894,500
1,128.78	Kemper Corp.	43,910	39,225
169,200	The Limited Inc. Com.	3,621,999	3,299,400
45,000	Litton Inds. Inc. Com.	3,095,397	3,307,500
101,200	Liz Claiborne Inc. Com.	3,073,785	4,048,000
58,900	Lockheed Corp. Com.	1,287,073	2,311,825
145,000	Lodgistix Inc. Com.	733,188	616,250
97,000	Lone Star Industries Inc. Com.	3,152,500	1,915,750
100,000	Longs Drug Stores Inc. Com.	4,003,500	3,737,500
93,300	Lotus Development Corp.	2,090,031	1,889,325
87,500	Lowes Cos. Inc. Com.	597,625	1,859,375
209,000	M.E.I. Corp. Com.	5,624,655	7,915,875
144,500	Marion Labs Inc. Com.	3,361,245	5,563,250
14,600	Marriott Corp. Com.	960,062	994,625
129,700	Matrix Corp.	3,102,129	3,112,800
44,000	Maverick Restaurant Corp. Com.	198,000	220,000
120,000	McDonald Corp. Com.	7,359,475	8,235,000
24,000	Mellon Natl. Corp. Com.	901,078	900,000
27,300	Micon Systems Inc. Com.	968,050	1,057,875
95,000	Minnesota Mining & Mfg. Com.	6,420,707	7,326,875
200,000	Mohawk Data Sciences Corp. Com.	2,854,893	2,650,000
75,000	Motorola Inc. Com.	2,978,750	2,503,500
280,000	N.C.R. Corp. Com.	5,337,350	6,860,000
65,700	National Education Corp. Com.	1,076,397	1,100,475
100,000	Norfolk Southern Corp. Com.	5,440,295	5,100,000
8,000	Northrop Corp. Com.	668,148	744,000
10,117	NYNEX Corp. Com.	601,257	612,079
102,100	Ogilvy & Mather Intl. Com.	2,419,700	2,909,850
50,000	Olivetti Non-Conv. Svgs. Shr. Adr.	1,230,256	1,110,750
12,000	Optical Radiation Corp. Com.	435,250	462,000
80,500	Pacific Telesis Group Com.	4,579,920	4,377,188
64,800	Panhandle Eastern Corp. Com.	2,374,162	2,235,600
85,000	Payless Cashways Com.	1,058,187	1,391,875
10,000	Pearle Health Svcs. Inc. Com.	189,750	208,750
70,000	J. C. Penney Com.	3,483,538	3,552,500
327,300	Pfizer Inc. Com.	8,765,059	10,719,075
129,816	Phibro - Salomon Inc. Com.	776,921	3,472,578
10,000	Philip Morris Inc. Com.	688,560	692,500
25,000	Physio Technology Inc. Com.	200,000	100,000
91,100	Pic-N-Sav Corp. Com.	1,724,516	1,799,225

<u>Shares</u>	<u>Description</u>	<u>Cost</u>	<u>Market Value</u>
74,700	Piedmont Aviation Inc. Com.	\$ 2,221,721	\$ 2,184,975
35,000	Pioneer Corp. Com.	1,061,829	949,375
12,000	Price Co. Com.	330,513	468,000
123,100	Proctor & Gamble Co. Com.	6,072,032	6,447,363
85,700	Quantum Corp. Com.	1,707,650	1,606,875
146,500	Quotron Systems Inc. Com.	1,478,875	1,574,875
34,500	Rent-A-Center Inc. Com.	500,250	414,000
35,000	Revco Drug Stores Com.	1,050,875	980,000
60,000	R. J. Reynolds Ind. Com.	2,846,038	3,420,000
32,200	Rolm Corp. Com.	1,272,260	1,279,950
149,900	Rorer Group Inc. Com.	2,825,940	4,721,850
54,200	Rubbermaid Inc. Com.	612,744	2,046,050
9,864	SFE Technologies	187,688	155,358
65,400	SAGA Corp. Com.	2,078,199	1,929,300
60,000	Schering Plough Corp Com.	2,283,900	2,325,000
40,000	Schlumberger LTD Com.	1,454,863	1,810,000
12,000	Sea Land Corp. Com.	173,500	213,000
125,000	Sears Roebuck & Co. Com.	3,740,363	3,937,500
263,103	Southern Company	3,579,257	3,913,657
207,500	Southwest Airlines Co. Com.	5,521,050	4,409,375
50,117	Southwestern Bell Corp. Com.	2,938,985	2,800,287
250,000	Southwestern Public Serv. Com.	3,071,016	4,656,250
100,000	Square D. Co. Com.	3,060,525	3,325,000
150,000	Staley (A.E.) Manufacturing Co. Com.	3,756,525	3,131,250
50,000	Standard Havens Inc. Com.	470,980	231,250
50,000	Standard Havens Inc. Warrants (exp. 8-26-88)	104,020	100,000
344,150	Standard Motor Prod. Inc. Cl A	2,866,697	6,022,625
62,000	Standard Oil Co. Calif. Com.	1,304,367	2,170,000
100,000	Stanley Works Com.	1,071,734	2,162,500
200,000	State Street Boston Corp. Com.	7,134,125	6,800,000
200	Stauffer Communications Inc. Com.	10,700	10,400
200,000	Storage Technology Corp. Com.	4,529,175	1,950,000
25,000	Student Loan Marketing Assn. Com.	622,350	603,125
100,000	Syntax Corporation Com.	4,915,413	4,300,000
59,500	Systems Intergrators Com.	519,365	609,875
45,000	Tambrands Inc. Com.	1,733,705	2,328,750
180,000	Techamerica Group Inc. Cim.	1,422,676	697,500
31,800	Tellabs Inc. Com.	779,100	779,100
100,000	Temple Inland Inc. Com.	2,967,975	2,637,500
30,000	Texas Oil & Gas Corp. Com.	732,963	667,500
200,000	Texas Utils. Co. Com.	4,620,250	4,275,000
30,000	Torchmark Corp. Com.	625,538	671,250
121,300	Tracor Inc. Com.	2,629,696	2,880,875
19,566	Trans World Airlines Inc. Pfd. .05%	4,312	783
96,900	U.T.L. Corporation Com.	1,470,934	1,719,975
12,000	Ultrasystems Inc. Com.	215,452	237,000
95,000	Union Pacific Corp. Com.	4,604,030	3,681,250
200	Unitog Company Common Stock Purchase Warrants	200	200
87,500	Vicorp Restaurants Inc. Com.	1,598,178	1,531,250
100,400	Wal-Mart Stores Inc. Com.	3,568,512	4,141,500
10,000	Washington Post Co. Class B Com.	740,220	777,500
76,500	Waste Management Com.	413,251	2,495,813
127,500	Watkins Johnson Co. Inc. Com.	2,064,219	3,155,625
35,000	Weyerhaeuser Co. Com.	921,725	936,250
145,000	Whirlpool Corp. Com.	2,949,632	5,673,125
59,800	Wisconsin Electric Power Corp.	1,236,717	1,666,925
98,000	Xidex Corp. Com.	1,625,999	1,519,000
10,000	Yellow Freight Systems Inc. Com.	328,750	236,250
122,700	Zenith Electrs. Corp. Com.	3,239,426	2,914,125
204,500	Zimmer Homes Corp. Com.	1,203,233	1,508,188
	Total	<u>\$511,062,152</u>	<u>\$561,638,825</u>

U.S. GOVERNMENT NOTES AND BONDS

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
\$ 5,000,000	U. S. Treasury Notes 14.875% Due 6-30-1986	\$ 4,994,216	\$ 5,145,300
1,300,000	U. S. Treasury Bonds 7.875% Due 2-15-2000	1,264,219	810,875
2,500,000	8.375% Due 8-15-2000	1,973,820	1,634,375
6,000,000	14.25% Due 2-15-2002	6,661,477	6,185,640
22,000,000	10.75% Due 2-15-2003	21,693,811	17,490,000
5,000,000	10.75% Due 5-15-2003	4,920,214	3,975,000
4,500,000	11.125% Due 8-15-2003	4,325,067	3,687,165
1,000,000	8.25% Due 5-15-2005	1,000,000	628,750
2,000,000	9.125% Due 5-15-2009	1,932,093	1,348,740
14,000,000	14% Due 11-15-2011	15,920,595	14,288,680
15,720,000	10.375% Due 11-15-2012	14,755,434	11,927,550
37,675,000	12% Due 8-15-2013	35,532,314	32,965,625
29,405,000	13.25% Due 5-15-2014	29,239,525	28,577,837
7,000,000	Treasury Inv. Growth Receipts 5% Due 11-15-2001	1,417,327	723,030
1,500,000	Certificate of Accrual Treasury Sec. 0% Due 5-15-1994 Ser. K	497,360	401,445
2,500,000	0% Due 5-15-1994 Ser. F	828,933	669,075
<u>\$157,100,000</u>	Total	<u>\$146,956,405</u>	<u>\$130,459,087</u>

U.S. GOVERNMENT AGENCIES NOTES AND BONDS

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
\$ 1,000,000	Farmers Home Admin. 9% Due 4-23-1989	\$ 1,003,239	\$ 811,250
1,731,000	Federal Home Loan 8.85% Due 3-15-2008	1,451,360	1,358,835
1,995,075	10.25% Due 3-15-2009	1,746,572	1,735,715
1,000,000	Federal Natl. Mortgage Assn. 7.65% Due 6-10-1987	858,772	856,250
2,590,572	15.75% Due 12-01-2011	2,717,181	2,703,909
15,425,438	14.75% Due 3-01-2012	15,982,931	15,435,002
6,733,673	14.75% Due 8-01-2012	6,977,047	6,737,848
9,099,137	16% Due 9-01-2012	9,623,000	9,622,337
4,953,429	F.H.A. Mortgage Note Broadmoor At Chelsea 7.50% Due 2-01-2021	3,600,368	2,842,030
1,496,001	Clinton Place 7.44% Due 2-01-2021	885,670	858,330
500,297	Concordia Apts. 7.44% Due 2-01-2019	363,196	287,045
331,958	Golden Plains Inc. Complex 14.25% Due 12-18-1995	331,958	323,659
1,934,888	Greenway Park Apts. 7.42% Due 10-01-2019	1,390,267	1,110,142
5,545,892	The Meadows II 7.44% Due 2-20-2021	3,289,485	3,181,955
4,522,622	Mt. Carmel Village Complex 7.43% Due 7-01-2021	2,616,251	2,594,854
594,297	Northbrooke Townhouses 7.37% Due 5-01-2019	433,708	340,978
1,641,496	Overland Park Estates 7.43% Due 1-01-2020	1,200,455	941,808
1,167,351	Park Plaza Tower 7.44% Due 11-01-2017	981,347	669,768
955,286	Pine Manor Apts. 7.44% Due 10-20-2020	564,469	548,096
1,781,340	Shady Brook Estates 7.43% Due 1-01-2020	1,302,755	1,022,044
2,462,580	Shadyway Plaza 7.43% Due 8-01-2020	1,430,988	1,412,905
2,194,133	Somerset Plaza Tower 7.44% Due 3-01-2019	1,457,745	1,258,884
1,199,848	Western Well & Pump 15.34% Due 12-18-1996	1,214,829	1,229,844
2,405,490	Willow Creek Manor 7.44% Due 12-01-2019	1,729,770	1,380,150
1,682,155	Windsor Court 7.44% Due 3-01-2018	1,413,802	965,137
885,269	Government Natl. Mtg. Assn. Pool 9% Due 1-15-2009	823,070	625,770
64,911	9% Due 3-15-2009	57,138	45,884
730,962	13.50% Due 3-15-2011	596,540	696,695
2,244,816	15.50% Due 7-15-2011	2,373,237	2,328,996
6,159,088	15.50% Due 8-15-2011	6,511,517	6,390,054
7,070,363	15.50% Due 9-15-2011	7,474,933	7,335,501
52,183	17% Due 10-15-2011	61,622	57,319

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
415,413	17.50% Due 10-15-2011	\$ 450,863	\$ 435,664
82,544	17% Due 11-01-2011	97,476	90,669
131,424	17% Due 11-15-2011	155,174	144,360
7,486,236	17.50% Due 11-15-2011	8,123,996	7,851,190
803,205	15.50% Due 12-15-2011	849,154	833,325
134,585	17% Due 12-15-2011	158,931	147,832
1,458,909	17.50% Due 12-15-2011	1,583,195	1,530,030
801,853	15.50% Due 1-15-2012	847,725	831,922
201,012	17.50% Due 1-15-2012	218,092	210,811
360,657	15% Due 2-15-2012	391,613	367,304
37,901	15% Due 3-15-2012	41,154	38,599
1,915,781	15% Due 7-15-2012	2,079,863	1,951,089
843,594	15% Due 8-01-2012	915,937	859,142
462,543	15% Due 8-15-2012	502,174	471,068
1,809,781	15% Due 9-15-2012	1,964,841	1,843,135
836,589	13.50% Due 10-15-2012	854,675	797,370
828,362	15% Due 10-15-2012	899,481	843,629
497,455	11.50% Due 3-15-2013	427,267	417,549
962,513	11.50% Due 8-15-2013	826,709	807,934
19,800,000	7.62% CDR Contracts	12,771,000	12,672,000
	Government Natl. Mtg. Assn. Coll. Oblig.		
1,000,000	12% Due 12-01-2001 Series 83 ICLC	974,601	881,250
530,000	12% Due 12-01-2013 Series 83 ICLZ	461,361	330,614
	Chemical Pioneer Title XI		
	11.27% Due 3-27-1985 US Govt. GTD NT	1,999,420	2,000,000
<u>2,000,000</u>			
<u>\$135,551,907</u>	<u>Total</u>	<u>\$120,059,924</u>	<u>\$114,065,480</u>

CORPORATE BONDS

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
\$ 17,590,000	Aluminum Co. of America 7% Due 4-15-2011	\$10,845,014	\$ 8,882,950
2,000,000	12.25% Due 12-01-2012	1,985,792	1,682,500
2,000,000	American Cyanamid 8.375% Due 3-15-2006	1,709,226	1,225,000
3,000,000	American Express Credit Corp. 11.75% Due 11-01-2012	2,962,117	2,516,250
1,000,000	American Medical Intl. Inc. 12.875% Due 1-15-2014	996,598	883,750
3,000,000	Archer Daniels Midland 7% Due 5-15-2011	1,683,367	1,515,000
1,000,000	Arizona Public Service Co. Inc. 12.75% Due 7-01-2013	992,730	835,000
3,135,000	Armco Steel Corp. 9.20% Due 7-15-2000	2,665,311	2,108,288
924,885	Bank Amer. Natl. Tr. & Svgs. 9.50% Due 12-01-2008	647,394	664,761
3,500,000	Bankamerica Corp. 8.35% Due 5-15-2007	2,681,187	2,082,500
1,200,000	Bankers Trust NY Corp. 8.125% Due 1-15-1999	852,389	708,000
1,500,000	Burlington Inds. Inc. 8.75% Due 9-15-2008	1,405,973	1,170,000
2,000,000	CIGNA Corp. 8% Due 12-01-2007	2,054,299	1,810,000
4,000,000	Caterpillar Tractor Co. 6% Due 5-01-2007	2,148,160	1,805,000
2,500,000	Chesapeake & Potomac Tel. Co. 6.625% Due 10-01-2008	1,563,620	1,209,375
10,600,000	Chrysler Finl. Corp. 13.25% Due 12-15-1988	10,522,351	10,388,000
4,000,000	Collins Industries, Inc. 10% Due 2-28-1989	4,000,000	4,000,000
2,500,000	Consolidated Natural Gas 11.125% Due 4-01-2008	2,494,519	1,925,000
1,100,000	Crocker National Corp. 8.60% Due 12-01-2002	831,857	653,125

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
1,400,000	Crystal Oil 13.75% Due 7-15-2000	1,302,524	1,050,000
750,000	Dana Corp. 5.875% Due 6-15-2006	475,630	446,250
2,000,000	Didde-Glasser Inc. 9% Due 10-01-1992	2,000,000	2,000,000
2,000,000	Dresser Inds. 11.75% Due 11-01-2007	1,992,533	1,645,000
4,000,000	Dupont E.I. De Nemours & Co. 6% Due 12-01-2001	2,410,529	1,905,000
5,260,000	Duke Power Co. 7.50% Due 3-01-2001	3,645,921	2,998,200
2,500,000	Ensearch Corp. 8.50% Due 11-15-2002	1,976,223	1,537,500
3,000,000	10.875% Due 6-15-2005	2,857,836	2,242,500
5,000,000	European Economic Community 10.375% Due 7-05-1990	5,001,000	5,001,000
2,000,000	Export Development Corp. 14.375% Due 7-15-1987	1,997,559	2,030,000
1,784,361	Farmland Industries Inc. 12% Due 7-01-1998 #11	1,784,361	1,784,361
1,459,279	12% Due 7-01-1998 #10	1,459,279	1,459,279
1,000,000	Florida Power & Light Co. 11.30% Due 5-01-2010	924,306	773,750
2,000,000	Florida Power Corp. 7.75% Due 6-01-2003	1,314,899	1,142,500
1,000,000	Ford Motor Credit Co. 4.50% Due 11-15-1996	1,008,301	850,000
6,000,000	10.937% Due 4-08-1987	6,005,400	6,005,400
1,000,000	Fourth Financial Corp. 8.50% Due 4-01-2003	1,000,000	1,003,750
500,000	GATX Corp. 8.15% Due 6-01-1997	379,363	321,875
1,000,000	9% Due 11-15-1998	991,224	677,500
2,000,000	13.875% Due 9-15-2001	1,920,647	1,787,500
4,000,000	General Foods Corp. 6% Due 6-15-2001	2,568,710	1,975,000
1,000,000	General Motors Accept. Corp. 16% Due 3-06-1987	1,000,000	990,000
2,000,000	16% Due 3-02-1987	2,000,000	1,955,000
700,000	General Tel. Co. of Ohio 16.625% Due 5-01-2011	802,756	766,500
5,000,000	Grace Geothermal Corp. 14.125% Due 9-01-2003	4,477,229	4,243,750
2,000,000	Great Empire Broadcasting Inc. 9% Due 2-01-1992	2,000,000	2,000,000
2,000,000	9% Due 2-01-1992	2,000,000	2,000,000
1,200,000	Gulf Power Co. 9% Due 9-01-2008	908,445	757,500
3,000,000	Honeywell Inc. 9.375% Due 6-15-2009	2,476,455	2,013,750
1,000,000	Household Finance Corp. 7.75% Due 10-01-1999	745,843	598,750
4,100,000	Hughes Tool Co. 9% Due 11-01-2008	3,486,186	2,629,125
2,500,000	Hydro-Quebec Debs 17.375% Due 9-01-1991	2,731,479	2,718,750
2,000,000	Illinois Power Co. 8.875% Due 8-01-2008	1,401,322	1,207,500
1,000,000	12% Due 11-15-2012	920,431	807,500
664,063	Inter-Collegiate Press Inc. 15% Due 8-01-1992	664,063	664,063
3,000,000	Intl. Telephone & Telegraph 6.50% Due 7-01-2001	1,903,151	1,537,500
2,000,000	Iowa Public Service Co. 9.75% Due 9-01-2009	1,526,524	1,377,500
825,000	Kansas City Power & Light 6.75% Due 4-01-1998	547,357	440,344
500,000	7.125% Due 2-01-1999	499,259	271,875
1,700,000	7.75% Due 6-01-2001	1,184,551	952,000
4,000,000	8.125% Due 12-01-2006	3,359,178	2,245,000
500,000	9.25% Due 6-01-2008	479,841	314,375
200,000	12% Due 12-01-2009	191,877	157,750

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
1,347,000	Kansas Gas & Electric Co. 8.50% Due 3-01-2000	1,010,197	806,516
1,700,000	8.125% Due 5-01-2001	1,238,965	969,000
250,000	9.625% Due 7-01-2005	200,747	160,312
145,000	8.375% Due 9-01-2006	95,411	81,744
1,000,000	Kansas Power & Light 8.125% Due 6-01-2007	981,088	586,250
1,000,000	Kerr McGee Corp. 7% Due 11-01-2011	542,719	505,000
735,000	Long Island Lighting Co. 9.875% Due 9-01-1984	722,872	712,950
200,000	9.625% Due 6-01-2006	138,477	115,250
5,500,000	MCI Communications 9.50% Due 8-01-1993	4,464,452	3,815,625
2,000,000	Marathon Oil Co. 12.50% Due 3-01-1994	1,825,524	1,740,000
3,500,000	Mountain States Tel. & Teleg. 4.50% Due 6-01-2002	1,806,688	1,338,750
4,000,000	Natl. Coop Refinery Assn. 10.25% Due 9-30-1994	4,000,000	4,000,000
1,000,000	Niagara Mohawk Pwr. Gen. Mtg. Bds. 7.75% Due 8-01-2002	915,355	526,250
3,000,000	Northern Indiana Public Ser. 8.90% Due 4-01-2004	2,298,265	1,875,000
4,000,000	Pacific Gas & Electric 7.50% Due 6-01-2004	2,759,349	2,185,000
1,000,000	J. C. Penney Europe Inc. 6% Due 12-01-1989	1,136,901	950,000
10,300,000	J. C. Penney & Co., Inc. 6% Due 5-01-2006	5,789,456	4,712,250
5,000,000	Philadelphia Electric Co. 14.50% Due 2-15-2009	5,000,000	4,312,500
4,000,000	Philip Morris Inc. 6% Due 7-15-2001	2,439,726	1,925,000
2,500,000	Phillips Petroleum 11.25% Due 5-01-2013	2,500,000	1,981,250
3,000,000	Public Svc. Co. of Indiana 14.75% Due 2-01-2011	3,066,664	2,531,250
1,000,000	Public Svc. Co. of Oklahoma 12.125% Due 3-01-2013	996,417	830,000
1,235,000	Recognition Equipment 11% Due 2-15-2006	1,235,000	1,154,725
3,000,000	Republic of New York Corp. 8.75% Due 12-01-2002	2,449,400	1,863,750
2,500,000	Resorts Intl. Inc. 11.375% Due 4-01-2013	2,266,812	1,750,000
3,270,000	Seafirst Corp. 10.50% Due 6-01-1990	2,955,141	2,812,200
4,000,000	Sears Roebuck & Co. 7% Due 11-15-2001	2,435,458	2,205,000
1,750,000	South Central Bell Telephone 11.875% Due 4-01-2023	1,745,762	1,424,063
3,000,000	Southern Bell Tel. & Tel. 10.90% Due 12-01-2019	2,514,013	2,253,750
2,000,000	Southern Calif. Edison 8.875% Due 3-01-2000	1,478,278	1,315,000
1,500,000	Southwestern Bell 6.875% Due 2-01-2011	860,515	735,000
3,000,000	Southwestern Bell Telephone 7.375% Due 5-01-2012	2,066,729	1,578,750
1,500,000	Standard Oil of Ohio 10.875% Due 5-01-2013	1,469,279	1,155,000
950,000	Storage Technology Corp. 9% Due 5-15-2001	739,391	581,875
3,000,000	Tenneco Inc. 8.875% Due 4-15-2003	2,105,561	1,931,250
8,950,000	6% Due 12-15-2011	4,982,368	3,781,375
10,000,000	Texas Commerce Bank 11.108% Due 10-21-1985	10,000,000	10,000,000
800,000	Toledo Edison Co. 13.375% Due 12-01-1993	813,407	730,000

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
1,000,000	Transamerica Finl. Corp. 8.50% Due 7-01-2001	1,000,000	952,500
6,000,000	Unitog Company 12% Due 5-01-1994	6,000,000	6,000,000
2,000,000	Valley Lines XI Sf Series C Bd. US Merchant Marine Govt. Gtd. 11.75% Due 1-06-2006	2,000,000	1,637,500
<u>\$272,724,588</u>	Total	<u>\$224,410,483</u>	<u>\$195,871,031</u>

INDUSTRIAL REVENUE BONDS

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
\$ 4,000,000	Dodge City KS Indl. Dev. Rev. Bd. 12.75% Due 5-01-2000	\$ 4,000,000	\$ 4,305,280
	Great Bend KS Ind. Rev. Bonds. Fuller Brush Co.		
490,000	8.25% Due 10-01-1984	490,000	488,643
535,000	8.25% Due 10-01-1985	535,000	527,729
580,000	8.25% Due 10-01-1986	580,000	562,211
630,000	8.25% Due 10-01-1987	630,000	597,045
	Hutchinson KS Ind. Rev. Bd. Serv. Cargill Inc.		
1,000,000	8.875% Due 4-01-2001	1,000,000	777,680
	Junction City KS Ind. Rev. Bds. F.W. Woolworth Co. Project		
3,743,026	9.40% Due 4-01-2004	3,743,026	2,944,302
	Wichita KS Ind. Rev. Bds. National Cash Register Co.		
50,000	8.125% Due 8-01-1984	50,000	49,910
55,000	8.125% Due 8-01-1985	55,000	54,283
60,000	8.125% Due 8-01-1986	60,000	58,157
65,000	8.125% Due 8-01-1987	65,000	61,562
70,000	8.125% Due 8-01-1988	70,000	64,531
75,000	8.125% Due 8-01-1989	75,000	67,193
80,000	8.125% Due 8-01-1990	80,000	69,906
90,000	8.125% Due 8-01-1991	90,000	76,662
95,000	8.125% Due 8-01-1992	95,000	78,940
105,000	8.125% Due 8-01-1993	105,000	85,113
115,000	8.125% Due 8-01-1994	115,000	91,063
125,000	8.125% Due 8-01-1995	125,000	97,051
135,000	8.125% Due 8-01-1996	135,000	102,915
145,000	8.125% Due 8-01-1997	145,000	108,695
155,000	8.125% Due 8-01-1998	155,000	114,260
<u>1,680,382</u>	Pizza Hut Inc. 9.50% Due 12-01-1997	<u>1,680,382</u>	<u>1,417,822</u>
<u>\$14,078,408</u>	Total	<u>\$14,078,408</u>	<u>\$12,800,953</u>

OTHER INVESTMENTS

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
\$ 1,392,769	Small Business Administration Guaranteed Loans	\$ 1,392,769	\$ 1,392,769
108,100,000	Kansas Capital Fund	108,100,000	108,100,000
<u>58,928,605</u>	Mortgage Loan Pass-Through Certificates	<u>57,907,203</u>	<u>57,907,203</u>
<u>\$168,421,374</u>	Total	<u>\$167,399,972</u>	<u>\$167,399,972</u>

TEMPORARY INVESTMENTS

<u>Face</u>	<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
\$ 19,999,500	Certificates of Deposit	\$ 19,999,500	\$ 19,999,500
9,953,958	Commercial Paper	9,953,958	9,953,958
147,230,000	Repurchase Agreements	147,230,000	147,230,000
338,566,429	Short Term Investment Fund	338,566,429	338,566,429
<u>2,386,452</u>	U. S. Treasury Bills	<u>2,386,453</u>	<u>2,386,453</u>
<u>\$518,136,339</u>	Total	<u>\$518,136,340</u>	<u>\$518,136,340</u>

SUMMARY OF INVESTMENTS

<u>Description</u>	<u>Amortized Cost</u>	<u>Market Value</u>
Common Stocks and Preferred Stock	\$ 511,062,152	\$ 561,648,113
U. S. Government Notes and Bonds	146,956,405	130,459,087
U. S. Government Agencies Notes and Bonds	120,059,924	114,065,480
Corporate Bonds	224,410,483	195,871,031
Industrial Revenue Bonds	14,078,408	12,800,953
Other Investments	167,399,972	167,399,972
Temporary Investments	518,136,340	518,136,340
Capitol Tower	<u>9,395,784</u>	<u>9,395,784</u>
	<u>\$1,711,499,468</u>	<u>\$1,709,767,472</u>

TIME WEIGHTED RATES OF RETURN

Last Ten Fiscal Years

	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
<u>KPERS Total Fund</u>	(3.42%)	38.30%	6.77%	10.55%	10.42%	9.35%	2.15%	7.29%	11.20%	27.97%
<u>Inflation</u>										
Consumer Price Index	3.03	2.44	6.86	9.50	14.40	9.44	6.66	5.78	7.09	*
<u>Market Indicators</u>										
Standard & Poors 500	(4.64)	60.92	(11.40)	20.47	17.27	13.41	0.49	0.50	13.93	55.05
Dow Jones Industrials	(2.77)	58.28	(11.22)	19.14	9.67	8.96	(4.83)	(4.35)	18.91	
Salomon Bond Index	(6.27)	42.35	8.69	(12.99)	2.37	7.17	.94	12.44	10.62	12.61
Lehman Kuhn Loeb Govt/Corp	1.76	29.13	13.33	(4.11)	3.85	7.65	*	*	*	*
Treasury Bills	9.82	9.31	14.49	13.92	12.26	9.24	6.38	12.45	5.79	4.60

* Unable to calculate from internal sources

PUBLICATIONS

The following manuals, brochures and pamphlets are produced by the retirement system and are available to all members of all systems through their Designated Retirement Agent:

- 1) Retirement Act -- KPERS Nonschool & School
- 2) Retirement Act -- KP&F
- 3) Retirement Act -- Judges
- 4) Administrative Regulations -- KPERS
- 5) Administrative Regulations -- KP&F
- 6) Quarterly Reporting Manual -- KPERS
- 7) Quarterly Reporting Manual -- Special Instructions KP&F
- 8) Quarterly Reporting Manual -- Electronic Data Processing
- 9) Employers Enrollment Manual -- Non-school
- 10) Employers Enrollment Manual -- School
- 11) Employers Enrollment Manual -- Special Instructions State Agencies
(Currently being updated)
- 12) Employers Enrollment Manual -- KP&F
- 13) Affiliation Manual -- KP&F
- 14) Annual Report
- 15) Employees Information Manual--KPERS
- 16) Employees Information Manual--KP&F
- 17) Employees Information Manual--Judges
- 18) Brochure--Should I Vest or Withdraw
- 19) Brochure--So You Think You Want an Option?
- 20) Brochure--Membership & Service Credit
- 21) Brochure--Purchasing & Repurchasing Service Credit
- 22) Brochure--Designating a Beneficiary
- 23) Annual Statement of Members Account
- 24) KPERS Papers

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Marshall Crowther, Executive Secretary
Capitol Tower - 2nd Floor
400 West 8th
Topeka, Kansas 66603



Kansas Public Employees Retirement System

MARSHALL CROWTHER, Executive Secretary

February 5, 1985

Senator August Bogina, Chairman
Senate Ways and Means Committee
Statehouse
Topeka, Kansas

Dear Senator Bogina:

At the end of the 1984 Legislative Session, discussions were held by the Senate Ways and Means Committee relating to the retirement status of certain former employees of the public schools of the state of Kansas. In general terms the discussions centered on the treatment, for retirement purposes, of years of school service which were credited under neither the Kansas School Retirement System (KSRS) nor the Kansas Public Employees Retirement System (KPERS).

For the sake of simplicity, the term "non-credited service" is used herein. It includes all such service whether it was prior to the establishment of the respective retirement systems, the result of failure to elect to participate in KSRS, or the termination of service and withdrawal of contributions without either returning to service or returning to service and electing not to repay the withdrawn contributions.

For several years, various constituent inquiries have been received by members of not only the Senate, but the House as well. It has always been difficult to really address the problem because of a lack of any data which would give a precise indication of the number of individuals, the amount of service, and its impact (cost implications) on the system should some type of benefits for non-member service be considered. It is extremely difficult to reconstruct some of the records of KSRS. In many instances, no record was ever made because the service could not be credited.

Our staff has attempted to analyze the available records and is able to provide us with some information which may be helpful. There are approximately 4,350 retirants who are receiving benefits as members of KSRS. It should be noted that legislative enactments of the 1984 Session made them special members of KPERS effective July 1, 1984. While it is possible for a small number of additions to be made to this group, they are for all practical purposes a "closed group" and are diminishing at a rate of two to three hundred individuals each year.

Available records indicate that approximately 950 members of this group have some type of service which had not been credited under KSRS. One note of caution is to recognize that at the time the records were established the years of service in excess of thirty-five were not considered credited for the

purpose of paying benefits. Subsequent legislation which enabled KSRS members to receive service annuities for all years of service rather than the previous limit of thirty-five included a substantial number of these individuals.

However, our best estimate would be that there are approximately four to five hundred individuals who have some type of non-credited service under KSRS. Because of the nature of the group, it is hard to be precise. There are, undoubtedly, individuals within the group who have service which they knew would not be credited and, therefore, never bothered to record it with KSRS and it's not included in any statistics which we are able generate at this time.

Our rough calculations indicated that the known data resulted in an average of between six and seven years of non-credited service with the 950 individuals whose records do reflect non-credited service under KSRS.

While the information may give us some clue as to the general characteristics of the group, it is certainly not the type of information from which precise cost figures of any possible changes might be generated. However, it is significant to note that the 1984 retirement legislation which made the KSRS members special members of KPERS merged their liability with the KPERS group for purposes of actuarial valuations and future contributions. This is particularly significant if increases are to be considered at this time because the impact on the KPERS group of any reasonably modest proposals would be negligible and would not have the effect of changing the required KPERS employer contribution.

In analyzing the cases reviewed by our office, the concerns of constituents brought to our attention by members of the legislature and the many years of requests for special legislation or special consideration for various individuals, we would offer some possibilities for full or partial recognition of non-credited KSRS service.

First, we would note that numerous provisions relating to KSRS place great significance on the status of those who completed ten or more years of school service in the state of Kansas. Ten years has been the threshold for the first increase in monthly service annuities under the KSRS system and has been the "cut-off point" for all increases in service annuities that have been granted since the merger of the two systems.

Second, we would note that some precedent may have been established for recognition of non-credited service by past statutory enactments. Under the original KSRS system, non-credited service could be used, in some instances, to qualify for membership of benefits. Under the provisions of the merger of the two systems in 1971, KPERS members received credit and benefits at a reduced rate for non-credited school service.

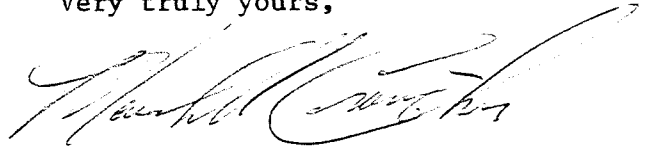
With this in mind, I would suggest you may wish to give consideration to providing that any individuals in the group of special members receiving benefit under the KSRS formula, whose combined non-credited and credited service equals ten years or more, have all years of credited service at the full service annuity (base amount of \$6.85 per month) and all years of non-credited service at a reduced rate of, perhaps \$3 per month. This would result in substantial increases in benefits for these individuals on a percentage basis but a modest amount on a dollar per month basis.

February 5, 1985

You may wish also to consider the fact that our records indicate there are approximately 750 special KPERS members receiving benefits under the KSRS formula who receive benefits of less than \$10 a month. While should the above proposal be enacted the number would be diminished, you may wish to consider some increase for those who have less than ten years of total service credit. A modest increase of the credited service from a base benefit of \$1 a month to \$2 a month and a granting of service annuity of a \$1 month for each year of non-credited service would again result in significant percentage increases while the dollar increase would be modest.

I would be happy to discuss any variations of the above should the committee wish to explore them. Certainly, there may be other alternatives that the committee might wish to explore. I would be happy to work with you in developing them.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Marshall Crowther", written in dark ink.

Marshall Crowther
Executive Secretary

MC:ms