

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson David Adkins at 9:00 a.m. on January 20, 2000 in Room 514-S of the Capitol.

All members were present except: Rep. Allen - excused
 Rep. Peterson - excused
 Rep. Spangler - excused

Committee staff present: Alan Conroy, Kansas Legislative Research Department
 Stuart Little, Kansas Legislative Research Department
 Julian Efird, Kansas Legislative Research Department
 Jim Wilson, Revisor of Statutes Office
 David Stallings, Assistant to the Chairman
 Mary Shaw, Committee Secretary

Conferees appearing before the committee:
 Meredith Williams, Executive Secretary, Kansas Public Employees Retirement System
 Pat Beckham, KPERS Consulting Actuary, Milliman & Robertson, Inc., Omaha, Nebraska

Others attending: See attached list.

Chairman Adkins thanked Vice Chairman Neufeld for chairing yesterday's meeting for him as he could not attend the meeting due to a prior commitment in Overland Park. The Chairman mentioned that the Committee will be continuing to look into several of the critical issues that shape the budget.

Chairman Adkins welcomed Meredith Williams, Executive Secretary, Kansas Public Employees Retirement System, Pat Beckham, KPERS Consulting Actuary, Milliman & Robertson, Inc., of Omaha, Nebraska, and Vern Chesbro, Chairman of the Board for KPERS. The Chairman turned the meeting over to Mr. Williams.

Mr. Williams briefed the Committee with an overview of KPERS and mentioned that Ms. Beckham will focus on actuarial issues. Mr. Williams reviewed with the Committee KPERS mission statement, their Board of Trustees, Accomplishments and Initiatives and Monthly Reports (Attachment 1).

Chairman Adkins welcomed Pat Beckham, KPERS Consulting Actuary, Milliman & Robertson, Inc., of Omaha, Nebraska. Ms. Beckham reviewed with the Committee the actuarial valuations of the retirement system and the death and disability program performance as of June 30, 1999 (Attachment 2).

Chairman Adkins asked Ms. Beckham to comment on how the convergence of rates would be impacted as a result of the Governor's recommendation to freeze the employer contribution rate in the FY 2001 budget. Ms. Beckham explained that if the one-year freeze is implemented, the convergence date now expected to converge in 2004 at 5.3 percent and would move to 2005 at 5.24 percent. Information from the Kansas Public Employees Retirement System, State/School Contribution Rate Comparison, One Year Freeze was distributed (Attachment 3). Committee questions and discussion followed for Mr. Williams and Ms. Beckham. Representative Nichols requested information from Mr. Williams regarding Kansas' unfunded liability in comparison with other states. Mr. Williams explained that the information requested is compiled every two years and should be available within a couple of weeks.

Mr. Williams mentioned that they will have a legislative package of proposals for the Committee early next week. He felt there would be some proposed legislation concerning minor technical cleanup issues. Mr. Williams explained that the Board has extensively looked at a plan design issue and the Board will have some significant recommendations for the Legislature's consideration. Chairman Adkins thanked Mr. Williams and Ms. Beckham for the information they presented to the Committee.

The meeting was adjourned at 10:40 a.m. The next meeting is scheduled for January 25, 2000.

HOUSE APPROPRIATIONS COMMITTEE GUEST LIST

DATE January 20, 2000

NAME	REPRESENTING
Leland Breedlove	KPERS
Meredith Williams	.
Patricia Beckham	CPERS M+R
Jack Hawn	KPERS
Rob Woodard	KPERS
Ken A. Chesbro	KPERS
Leminta M. King	Wyan. Co. Ret. Teach. Assoc.
Mary E. Essey	Wyan. Co. Ret. Teachers
Pat Hauer	Wyo. Co. Ret. Teachers (Pres)
Ruth Miller	Wyo. Co. Ret. Teachers
Anna Mae Greiner	Wyo. Co. Ret. Teachers
Donald L. Greka Sr	Leavenworth Ret. Teacher
Jean E. Ryan	Leavenworth Area Ret. Teachers
Virginia Kline	Kansas Retired Teachers
Rachel Daniel	Leavenworth Retired Teachers
James T. Johnson	Leav. Area Retired Teachers
Trish Heirn	Security Benefit
Dennis Peerenboom	DEPT. OF AGRICULTURE
Griny McCord	Dep of Agriculture

HOUSE APPROPRIATIONS COMMITTEE MEETING

KANSAS PUBLIC EMPLOYEES RETIREMENT
SYSTEM



January 20, 2000

*House Appropriations
1-20-00
Attachment 1*

HOUSE APPROPRIATIONS COMMITTEE
January 20, 2000

- Tab A** Mission Statement
- Tab B** Board of Trustees
- Tab C** Accomplishments & Initiatives
- Tab D** Monthly Reports
- Tab E** Actuarial Valuation - Milliman & Robertson, Inc.



MISSION STATEMENT

of the

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

July 1, 1998

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES**

VERN R. CHESBRO

Chairperson
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Ottawa, KS 66067
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REGENIA MOORE-LEE

The Security Benefit Group
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JAROLD BOETTCHER

Vice Chairperson
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MARJORIE LEE WEBB

10207 Edelweiss
Shawnee Mission, KS 66203
(913) 262-5785

January 18, 2000

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FISCAL YEAR 1999 ACCOMPLISHMENTS

General

- Agency received Public Pension Principles Achievement Award.
- Received Certificate of Achievement for Excellence in Financial Reporting.
- Unqualified Audit Opinion with no findings or recommendations.

Legislation

- Bank restrictions constitution amendment to appear on ballot.

Benefits Administration

- Paid out over \$552 million in member benefits. Issued over 600,000 monthly retirement checks on a timely basis.
- Conducted expanded series of retirement seminars at locations around the state; developed new handbook and theme; attracted over 5,500 participants; added a series of KP&F seminars and developed handbooks for KP&F and the Retirement System for Judges.
- Processed 3,359 retirement applications, an 11 percent increase from FY 98.
- Answered 82,000 member phone calls.
- Updated & standardized forms; improved distribution, including internet access.
- Developed procedures to implement 1998 legislation including compliance.
- Provided personal assistance to thousands of members, employers, and beneficiaries; a much appreciated service in this age of automation.
- Helped design, test and implement new computer programs to handle the new, more complex service purchases on the AS400; this year's annual statements reflect all the member's service purchases.
- Held Designated Agent's Seminars around the state; hired two additional part time Field Representatives to work in Western Kansas and Central Kansas; met one on one with members around the state to provide individual benefits counseling.
- Developed formal process for reviewing and promulgating administrative regulations; phase one effort is now complete and amendments to existing regulations are in effect.
- Employer affiliation process brought under control with consistent forms and procedures. Governmental issue settled.
- Streamlined administrative appeals process.
- Completed major project revising and updating KPERS internal and external forms and brochures and placing the forms on the KPERS web site. Created "communications web" between KPERS employees to facilitate forms updating.

- First meeting of the Employer Council held in February.
- Successfully completed open enrollment for optional group life insurance for local employers.
- Extensive work with new KU Hospital Authority.

Fiscal Services

- Voucher approval authority increased from \$500 to \$ 1,000.
- Established and enrolled 100 percent of employers in KPERS EFT system; established EFT data and statistics measurement system to track contributions and check for noncompliance; and implemented daily cash management procedures transferring monies received from local employers via EFT, to custodial bank on a same day basis.
- Implemented procedures to improve the FITW reconciliation process.
- Converted to DTC Tradesuite for in-house trade affirmations.
- Implemented new investment trade and accounting software for assets managed in-house.
- Began test operations for a \$800 million in-house index portfolio.
- All investment managers now filing monthly reports electronically, facilitating efficient reconciliation with custodian.
- Completed annual reporting of 1,348 employers and 158,278 members.
- Implementation of procedures for assessing lump sum payables to employers subject to 15 percent rule.
- Implemented improved software functions with Lawson and QED.
- Substantial progress in reconciliation and integration of multifunctional files within agencies.

Human Resources

- Used KSIP savings to award performance bonuses to classified staff.
- Established first incentive compensation program for selected unclassified staff.
- Successfully implemented ShaRP upgrade.

Investments

Total Fund

- Total fund return of 11.2% exceeded the policy index by 60 basis points, implying “value added” of over \$55 million.
- Total fund return in excess of the actuarial discount rate of 3.2%, implying improvement in the health of the System of nearly \$295 million.
- Successfully implemented the new asset allocation. This process involved the movement of over \$2.7 billion dollars, involving thirteen managers and fourteen

portfolios. The transfers between portfolios and custodian were flawless, and occurred at a minimum of expense and negative impact to the total System.

- As a part of the new asset allocation, a cash securitization strategy was internally developed and implemented within the current System structure at no cost. After only six months of operation, this strategy added value in excess of \$7 million.
- A comprehensive risk measurement system was developed internally, allowing the Board to create and monitor a System-wide risk budget. It also creates a platform for greater structural control and analysis of the total System and manager returns, allowing for greater accountability and risk control within the aggregate portfolio. KPERS is one of a handful of public pension plans to have successfully implemented this analysis and technology, and the only one our size in the nation to have done so.
- All but one of the System's managers or investment partners were visited on-site.
- A successful consultant search was initiated and conducted entirely by staff.
- A successful small cap search was initiated and conducted primarily by staff.
- Reports and analysis for the Board and its Committees have been streamlined and improved. Electronic reporting is now available from all managers, augmenting electronic reporting to the Board.

Publicly Traded Securities

- A redundant manager was eliminated, as well as a non-productive domestic equity portfolio.
- A manager warning system and manager tracking enhancements were developed.
- Successfully negotiated a new performance based fee with one domestic manager, substantially improving the System's risk-to-overhead relationship.
- The dedicated cash portfolio was successfully managed internally, providing for operational cash needs of the System and creating substantial fee savings.
- The distributed securities portfolio was productively managed, generating gains on sale of over \$3 million. In addition, an option over-writing program (initiated and managed internally) generated over \$850,000 in premium income for the portfolio. Through internal management of this portfolio, fee savings of approximately \$300,000 were realized.
- Successfully managed investment overhead, holding total security management fees flat year-over-year. As a percent of assets managed, fees declined from 24.5 basis points to 22 basis points.

Real Estate

- A new real estate investment strategy was successfully developed and adopted. This strategy will provide for future investments in a more efficient and effective manner.
- After considerable negotiations, the parking garage at 612 Jackson was successfully purchased, securing parking for the tenants of 611 Kansas, including KPERS employees and customers.
- Ward Parkway shopping center was successfully sold.

- Staff conducted a successful real estate consultant search.
- Successfully retained a proxy voting service for the internally managed REIT portfolios.
- Achieved stated goal in management of the active REIT portfolio, producing returns in excess of the index of 90 basis points, inferring approximately \$777,000 in relative value.
- Achieved stated goal in management of the passive REIT portfolio, producing returns in excess of the index of 110 basis points, inferring approximately \$1.8 million in added value.
- Through internal management of both REIT portfolios, produced fee savings estimated at \$375,000 for the fiscal year.
- Streamlined internal operations, including the dissolution of several redundant title holding companies. Accounting reconciliations were moved from quarterly to monthly, improving efficiency and timeliness of reporting.
- Asset management plans and appraisals were successfully completed without any negative surprises.

Alternative Investments

- Moved ten investments in the direct placement portfolio from external managers to internal management. Successfully filled three Board seats of portfolio companies on behalf of the System.
- Exited ten old investments, representing \$10.9 million in sales proceeds on a \$5 million dollar cost basis. Sold 13 distributed stock positions, and successfully liquidated one older partnership. Four partnerships have deposited their final holdings in escrow in anticipation of distribution.
- As a consequence of internal management efforts and dispositions, one manager was eliminated, generating cost savings of \$360,000 per year. The remaining manager's contract was renegotiated, resulting in savings of \$120,000 per year.
- Met with over 20 partnership groups under investment consideration, with ultimate recommendation and acceptance of 11 partnerships and investment commitments of over \$175 million.
- Stayed on target with regard to pace and diversity of investments in the new program.
- The initial phase of the new program has been nearly completed, resulting in a diversified group of high quality fund managers.
- Developed comprehensive customized reports and reporting for the new portfolio to meet accounting needs, statutory monitoring and annual report demands. Created on-line access to portfolio data with on-site printing capabilities.

Other

- Began search for outside securities litigation counsel to fulfill fiduciary responsibilities under the Private Securities Litigation Reform Act.
- Created Power of Attorney protocol for investment staff.

Information Resources

- Operating systems available over 99 percent of normal business hours.
- Extensive Y2K efforts documented; KPERS is compliant.
- Acquired a facilitator/oversight manager for the Imaging/Workflow project.
- Developed an internet Board book.
- Integrated Records Center operation into the Information Resources work unit.
- Acquired and installed new desktop workstations for 53 staff members.
- Quadrupled the capacity of the network file server; tripled the capacity of the AS400; and installed numerous software upgrades.
- Maintained and improved the KPERS webpage.
- Automated six new service buyback processes.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM FISCAL YEAR 2000 INITIATIVES

Legislation

- Conduct educational campaign on bank restrictions constitutional amendment.
- Participate in plan design debate.
- Amend Retirement Act to provide that all lump sum death benefits are life insurance.

Benefit Administration

- Develop and track performance measures; participate in peer performance evaluation.
- Continue implementation of compliance legislation.
- Develop and implement paperless system with SBL.
- Increase retiree participation in direct deposit program.
- Improve annual statement to include optional insurance information; modify format to self-enclosed mailer.
- Automate roll-overs.
- Continue retirement seminars and develop a series for those 5-10 years from retirement.
- Explore possibility of co-education ventures with Department of Administration and Deferred Compensation.
- Implement an ongoing, random sample member/customer service satisfaction survey.
- Organize two meetings of the Employer Council.
- Emphasis on auditing current employers for eligibility as “governmental.”
- Develop needed administrative regulations.
- Create a QEBA (qualified excess benefit arrangement).
- Complete open enrollment for Optional Group Life Insurance for State Agencies.
- Implement self-directing phone answering system.

Fiscal Services

- Review Optional Group Life Insurance procedures for local units.
- Obtain Business Procurement Card.
- Continue progress in the reconciliation and integration of computer systems.
- Continued development of Internal Investment software, as more investments are brought in-house.
- Training and continuing education for staff with an emphasis on software training in PC applications and AS 400 software.
- Development of Fiscal Service Section performance reporting model.
- Assist in developing proposals for various DB/DC hybrid alternatives.
- Develop plan sponsor comparisons of relevant data using PENDATA.

- Refined EFT procedures to allow employers to post a payment to a date in the future.
- Identify processes for potential E-Commerce and internet applications.
- Seek increased authority for Stars and SHaRP to streamline processing.
- Comprehensive review of personnel and organizational structure.
- Develop consistent procedures to handle adjustments to employer and employee's contributions.

Human Resources

- Award performance-based bonus payments to classified staff using KSIP savings.
- Training and continuing education for staff.
- Restructure new employee orientation program and employee handbook.

Investments

Publicly Traded Securities

- Convert the S&P 500 portfolio to internal management, generating \$250,000 in fee savings, improving our ability to align and manage cash flows and exposures and creating a more challenging and rewarding work environment for the internal managers
- Develop and manage a Treasury Inflation Protected Securities portfolio. The TIPS portfolio will be used as a part of the fixed income portfolio and will provide high real returns and an effective inflation offset for liabilities. Internal management will generate approximately \$300,000 in fee savings, improve our ability to align and manage liability offsets and create a more challenging and rewarding work environment for the internal managers.
- Develop and implement alternative domestic equity strategies to compliment the existing asset allocation strategy and risk/reward platform. These will include modified dynamic completeness portfolios and (potentially) absolute return (option overwrite) strategies.
- Organize and distribute an electronic manager database to include performance, commentary and strategy for use by the Board of Trustees and other interested parties.
- Continue to refine and assess the current risk budget, seeking at all times to achieve the most efficient implementation strategy available. This will include the development of an ongoing monitoring schedule for manager active risk profiles and aggregate asset class risk measures.
- Continue to refine and assess the effectiveness of the internally managed dedicated cash portfolio.

Real Estate

- Identify and acquire additional real properties to help bring the portfolio in line with the NCREIF objectives of diversification and exposure.
- Dispose of non-NCREIF properties or properties with less desirable attributes, including the Overland Park International Trade Center and the Sherman, Texas property.
- Consider non-core opportunities within the adopted strategy as appropriate.
- Continue to improve the performance of the enhanced REIT portfolio.

Alternative Investments

- Reduce pre-1991 portfolio investments.
- Effectively manage the distributed securities portfolio.
- Complete and solidify the core group of general partner relationships; consider and process re-ups as appropriate; develop and implement the AIP Business plan, which will include strategies to improve total performance through the management of the core relationships, monitoring and oversight and overhead management.

Other

- Develop an ongoing liability valuation estimate for communication to the Board regarding surplus objectives.
- Retain counsel for the Private Securities Litigation Reform Act.
- Expand use of Internet to give members access to basic account information.

Information Resources

- Implement imaging and workflow project systems; integrate benefit process programs to streamline workflow.
- Expand use of Internet to give members access to basic account information.
- Allow employers to fill out and transmit forms over e-mail; extract membership information electronically from SHaRP.
- Begin E-Commerce relationship with employers on K-17's and enrollments.

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**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
INVESTMENT PERFORMANCE REPORT
For the Period Ending November 30, 1999**

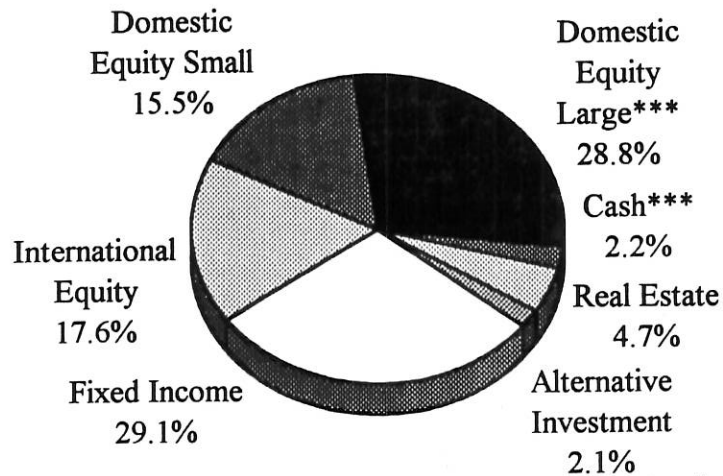
Time-Weighted Return	Latest Quarter*	Fiscal Year to Date*	Latest 12 Months	Latest 3 Years	Latest 5 Years
Total Portfolio	4.9%	3.7%	13.9%	12.9%	15.9%
Domestic Equity Large Cap Portfolio	4.3%	1.1%	20.0%	20.1%	24.3%
Domestic Equity Small Cap Portfolio	11.0%	6.0%	25.0%	9.3%	19.5%
Int'l Equity Portfolio	9.9%	13.6%	28.0%	16.5%	15.2%
Fixed Portfolio	1.0%	1.0%	-0.9%	4.9%	8.3%
Real Estate Portfolio	-2.2%	-3.6%	3.3%	5.5%	4.9%
Alternative Investment Portfolio	2.7%	2.6%	9.2%	24.7%	32.8%
Cash Equivalents Portfolio	1.3%	2.2%	4.7%	5.7%	6.6%

* Not Annualized

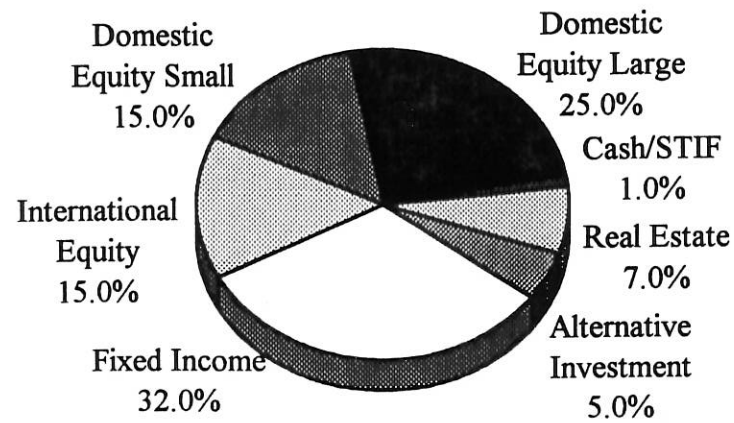
ASSET ALLOCATION

Total Portfolio Net Asset Value \$9,853.9 Million as of 11/30/1999

Current Position



Target Allocation**



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

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM ASSET CLASS, RELATIVE RETURN COMPARISON

January 2000

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	<u>11/30/99 Net Asset Value</u> (millions) (2)	<u>Time Weighted Total Return (1)</u>				
		<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
TOTAL PORTFOLIO	\$9,853.9	4.9%	3.7%	13.9%	12.9%	15.9%
Policy Index (3)		4.8%	3.0%	11.3%	11.9%	13.6%
Consumer Price Index		0.8%	1.3%	2.5%	2.0%	2.4%
Total Domestic Equity Large Cap Portfolio	2,796.3	4.3%	1.1%	20.0%	20.1%	24.3%
KPERS Equity Benchmark (4)		5.7%	2.7%	22.4%	25.1%	27.4%
Total Domestic Equity Small Cap Portfolio	1,529.2	11.0%	6.0%	25.0%	9.3%	19.5%
KPERS Small Cap Equity Benchmark (5)		7.1%	0.3%	17.9%	10.8%	15.3%
Total International Equity Portfolio	1,719.5	9.9%	13.6%	28.0%	16.5%	15.2%
KPERS International Equity Benchmark (6)		9.2%	12.8%	22.1%	13.1%	12.2%
Total Fixed Income Portfolio	2,949.1	1.0%	1.0%	-0.9%	4.9%	8.3%
Lehman Brothers Long Gov't/Corp. Index		0.6%	-0.5%	-6.5%	5.4%	9.6%
Total Real Estate Portfolio	462.8	-2.2%	-3.6%	3.3%	5.5%	4.9%
NCREIF Real Estate Index (7)		2.6%	NA	13.6%	14.4%	12.1%
Total Alternative Investments Portfolio	196.3	2.7%	2.6%	9.2%	24.7%	32.8%
S&P 500 Index + 4%		NA	NA	24.9%	28.3%	31.5%
Total Cash Equivalents Portfolio	200.7	1.3%	2.2%	4.7%	5.7%	6.6%
Merrill Lynch 0-1 Yr. Treasury Index		1.2%	2.0%	4.7%	5.3%	5.7%

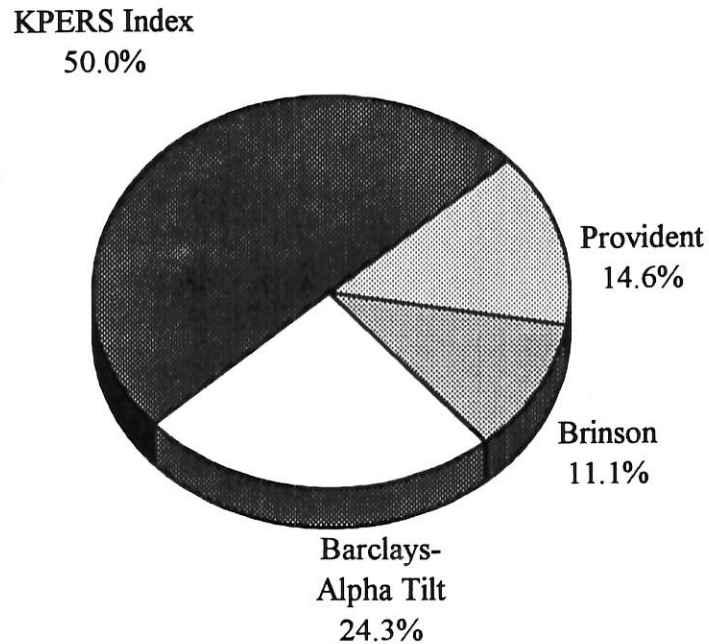
NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The Policy Index reflects the asset allocation policies that have been in place since June 30, 1986. The current allocation is the allocation approved on July 17, 1998. This asset allocation mix is: 25% KPERS Equity Benchmark, 15% KPERS Small Cap Equity Benchmark, 15% KPERS International Equity Benchmark, 32% Lehman Long Gov't/Corp. Bond Index, 7% NCREIF Real Estate Index, 5% S&P 500 Plus 4% and 1% Merrill 0-1 Yr. Treasury Index. The prior allocations and the associated indices are available upon request.
- (4) The KPERS Equity Benchmark is defined as the S&P 500 Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the stocks of companies engaged in business in South Africa were also excluded.
- (5) The KPERS Small Cap Equity Benchmark is defined as the Russell 2000 Index. After 11/30/98, the stocks of banking institutions, savings and loan associations, and credit unions are excluded.
- (6) The KPERS International Equity Benchmark is defined as the Morgan Stanley EAFE Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the Benchmark only excluded the stocks of companies engaged in business in South Africa.
- (7) The NCREIF Real Estate Index is updated quarterly. The returns shown are for the period ending 6/30/99.

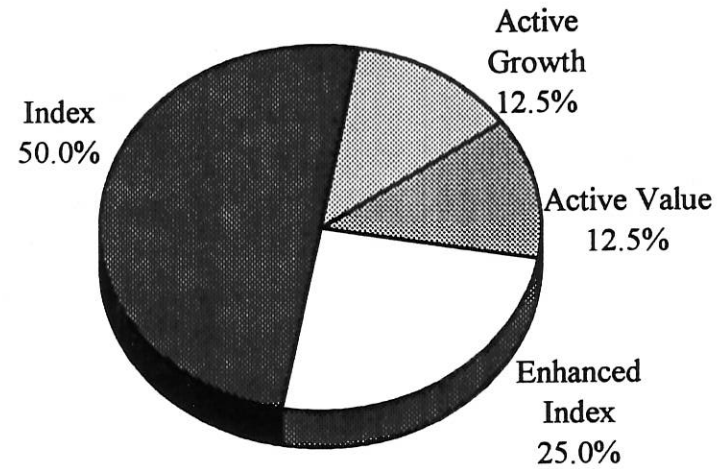
1-15

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Domestic Equity Large Cap Diversification By Manager/Style
Total Net Asset Value \$2,796.3 Million as of 11/30/1999

Current Position



Target Allocation



Manager	Style
Brinson	Active Value
Provident	Active Growth
KPERs Index	Index
Barclays-Alpha Tilt	Enhanced Index

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DOMESTIC EQUITY LARGE CAP PERFORMANCE REPORT

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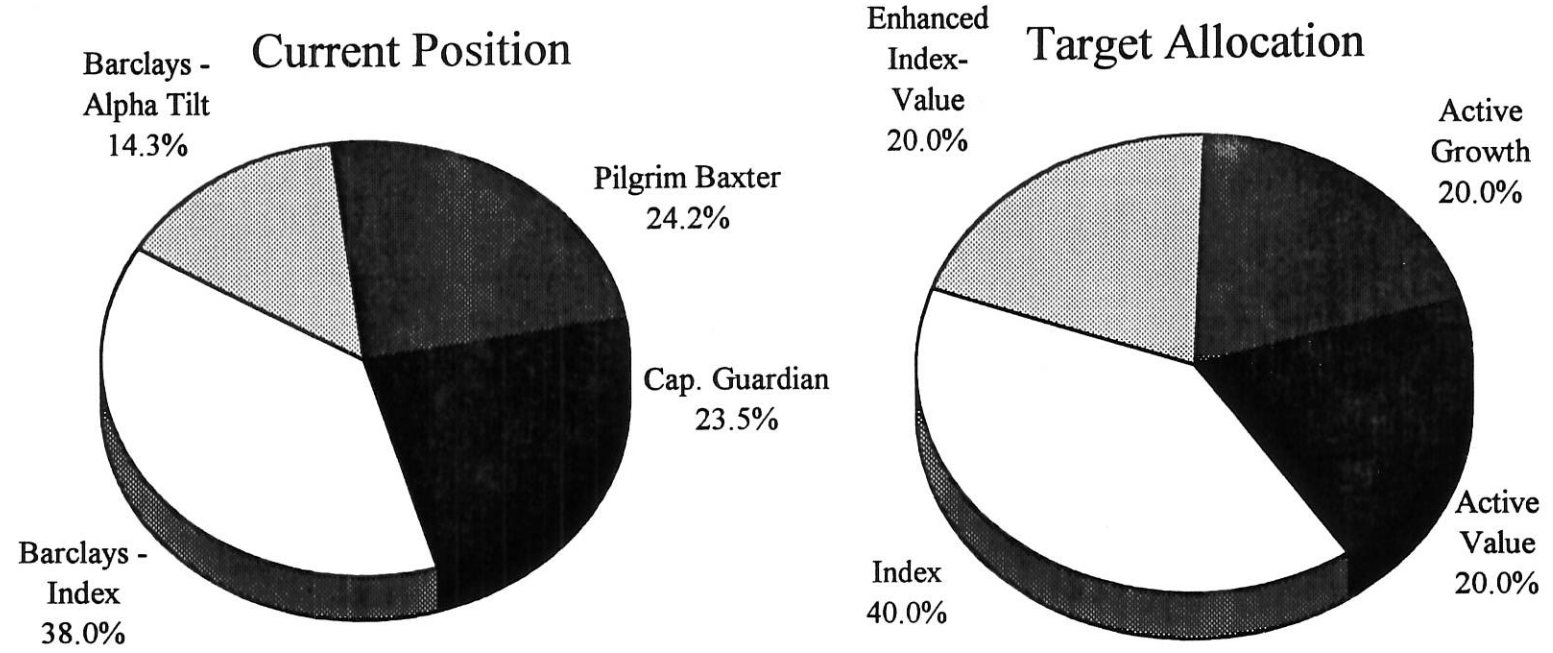
<u>Investment Advisor/Style</u>	<u>11/30/99 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Brinson Partners (Active Value)	\$310.8	\$0.7	11.1%	3.2%	-12.1%	-17.9%	-7.7%	10.7%	18.5%
Provident Investment Counsel (Active Growth)	407.0	11.8	14.6%	4.1%	9.5%	6.5%	33.0%	26.4%	26.7%
KPERS Index (Index) (3)	1,398.2	0.5	50.0%	14.2%	5.6%	2.9%	22.5%	25.2%	27.4%
Barclays Alpha Tilt (Enhanced Index) (4)	680.3	3.2	24.3%	6.9%	7.5%	4.5%	24.5%	25.2%	28.1%
KPERS Equity Benchmark (5)					5.7%	2.7%	22.4%	25.1%	27.4%
S&P 500 Index					5.5%	1.7%	20.9%	24.3%	27.5%
Total Domestic Equity Large Cap Portfolio	\$2,796.3	\$16.2	100.0%	28.4%	4.3%	1.1%	20.0%	20.1%	24.3%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) KPERS Internal Management Team assumed portfolio management duties effective October 1, 1999. The portfolio was previously managed by Barclays Global Investors.
- (4) Effective 5/1/97 the portfolio was changed to an Alpha Tilt (style neutral) strategy from a Low P/E Tilt (value) strategy.
- (5) The KPERS Equity Benchmark is defined as the S&P 500 Index, less the stocks of companies classified as banking institutions, savings and loan associations or credit unions. Prior to January 1, 1994, the stocks of companies engaged in business in South Africa were also excluded.

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Domestic Equity Small Cap Diversification By Manager/Style
Total Net Asset Value \$1,529.2 Million as of 11/30/1999



Manager	Style
Cap. Guardian	Active Value
Pilgrim Baxter	Active Growth
Barclays - Alpha Tilt	Enhanced Index-Value
Barclays - Index	Index

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DOMESTIC EQUITY SMALL CAP PERFORMANCE REPORT

8-18

<u>Investment Advisor/Style</u>	<u>11/30/99 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Capital Guardian (Active Value)	\$358.8	\$13.2	23.5%	3.6%	13.9%	11.0%	37.1%	18.3%	20.1%
Pilgrim, Baxter Small Cap (Active Growth)	370.4	16.1	24.2%	3.8%	25.7%	22.2%	41.0%	14.3%	23.8%
Barclays Alpha Tilt (Enhanced Index Value)	219.4	0.2	14.3%	2.2%	-3.4%	NA	NA	NA	NA
Barclays Global Investors (Index)	580.6	0.7	38.0%	5.9%	7.0%	0.5%	16.8%	NA	NA
KPERS Small Cap Equity Benchmark (3)					7.1%	0.3%	17.9%	10.8%	15.3%
KPERS Small Cap Value Equity Benchmark (4)					-3.7%	NA	NA	NA	NA
Russell 2000 Index					6.4%	-0.3%	15.7%	10.1%	14.8%
Russell 2000 Growth Index					15.6%	7.8%	32.7%	12.3%	15.7%
Russell 2000 Value Index					-3.5%	-9.2%	-1.4%	6.8%	13.1%
Total Domestic Equity Small Cap Portfolio	\$1,529.2	\$30.2	100.0%	15.5%	11.0%	6.0%	25.0%	9.3%	19.5%

NOTES:

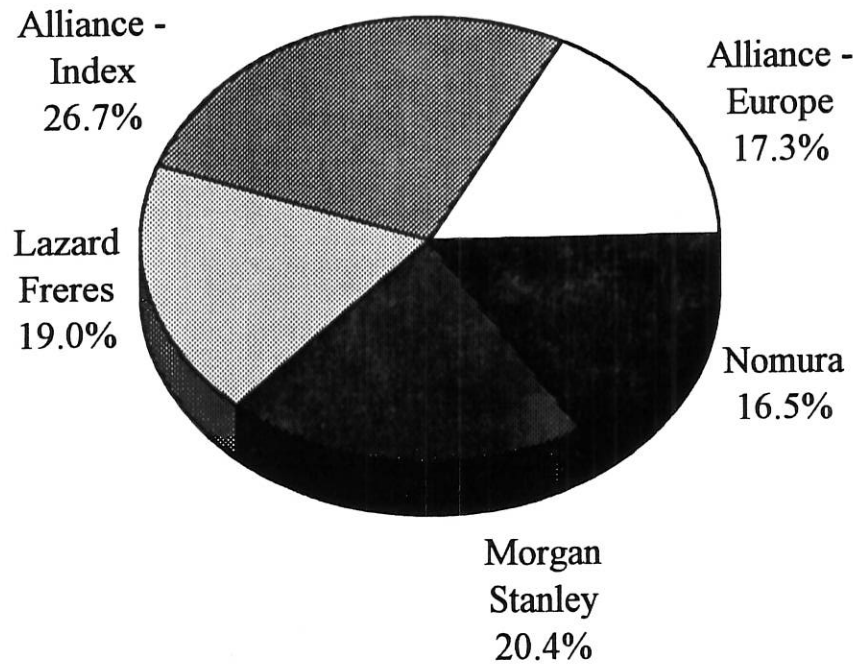
- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The KPERS Small Cap Equity Benchmark is defined as the Russell 2000 Index, less the stocks of companies classified as banking institutions, savings and loan associations or credit unions. Prior to 12/1/98, the stocks of banking institutions, savings and loan associations and credit unions are included.
- (4) The KPERS Small Cap Value Equity Benchmark is defined as the Russell 2000 Value Index, less the stocks of companies classified as banking institutions, savings and loan associations or credit unions.

1-19

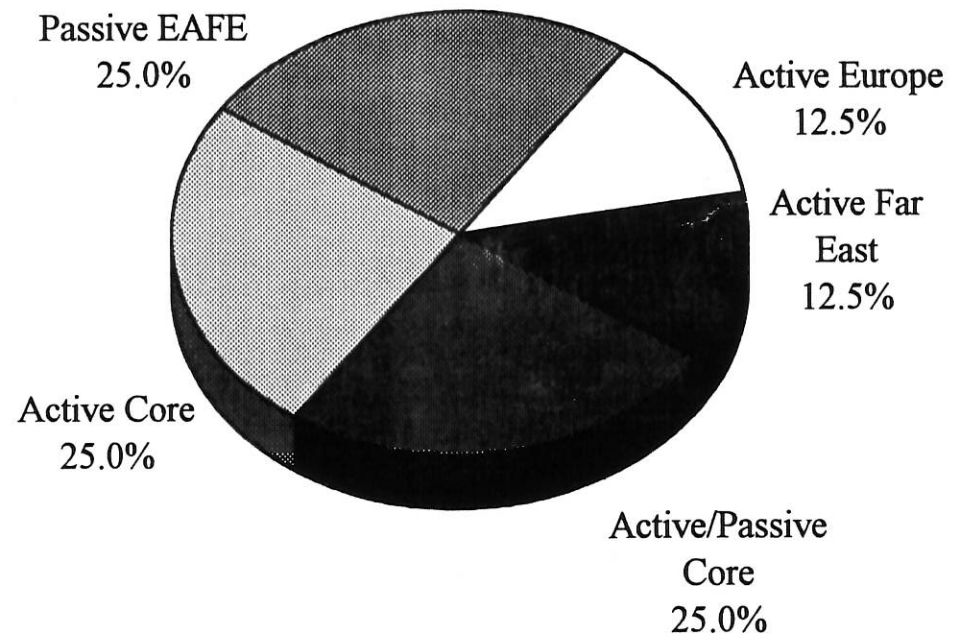
**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
International Equity Diversification By Manager/Style**

Total Net Asset Value* \$1,719.5 Million as of 11/30/1999

Current Allocation



Target Allocation



Manager	Style
Alliance - Europe	Active Europe
Alliance - Index	Passive EAFE
Lazard Freres	Active Core
Morgan Stanley	Active/Passive Core
Nomura	Active Far East

*The net asset value reflects the activity of the currency overlay manager.

02-1

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
INTERNATIONAL EQUITY PERFORMANCE REPORT**

<u>Investment Advisor/Style</u>	<u>11/30/99 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Lazard Freres Asset Management (Active Core)	\$324.5	\$8.0	19.0%	3.3%	3.8%	8.7%	19.4%	14.4%	14.0%
Morgan Stanley Asset Management (Active/Passive Core)	349.2	51.6	20.4%	3.5%	9.1%	12.2%	19.3%	15.5%	14.6%
Alliance Capital Management Corp. (Passive EAFE) (3)	456.4	2.7	26.7%	4.6%	8.4%	12.2%	22.5%	13.1%	12.2%
KPERs International Equity Benchmark (4)					9.2%	12.8%	22.1%	13.1%	12.2%
Nomura Capital Management, Inc. (Active Far East)	282.5	0.3	16.5%	2.9%	13.4%	26.8%	64.6%	11.6%	7.5%
Pacific Ex-Banking Custom Benchmark (5)					14.6%	21.2%	51.3%	4.5%	3.1%
MSCI - Pacific Index					14.0%	21.5%	52.1%	2.3%	1.3%
Alliance Capital Management Corp. (Active European)	296.4	3.7	17.3%	3.0%	14.5%	17.9%	25.0%	23.6%	22.3%
Europe Ex-Banking Custom Benchmark (6)					6.5%	8.8%	11.1%	19.4%	20.1%
MSCI - Europe Index					5.7%	7.7%	9.7%	19.5%	19.9%
Total International Equity Portfolio (7)	\$1,709.0	\$66.3	100.0%	17.3%	9.9%	13.6%	28.0%	16.5%	15.2%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) Alliance assumed portfolio management duties effective August 1, 1999. The portfolio was previously managed by Bankers Trust Company.
- (4) The KPERs International Equity Benchmark is defined as the Morgan Stanley EAFE Index, less the stocks of companies classified as banking institutions, savings and loan associations or credit unions. Prior to January 1, 1994, the Benchmark only excluded the stocks of companies engaged in business in South Africa.
- (5) The Pacific Ex-Banking Custom Benchmark is defined as the Morgan Stanley Capital International Pacific Ex-Banking Index, less the stock of companies classified as banking institutions, savings and loan associations or credit unions.
- (6) The Europe Ex-Banking Custom Benchmark is defined as the Morgan Stanley Capital International Europe Ex-Banking Index, less the stocks of companies classified as banking institutions, savings and loan associations or credit unions.
- (7) The performance for the total international equity portfolio includes the currency overlay activities of Pareto Partners.

12-1

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
CURRENCY OVERLAY PERFORMANCE REPORT**

<u>Investment Advisor/Style</u>	<u>11/30/99 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Currency Overlay Program Assets with Pareto (3)	\$791.4	\$10.7	NA	8.0%	7.6%	8.9%	23.8%	15.8%	15.2%
Currency Overlay Program Assets (3)	780.9	10.7	NA	7.9%	6.4%	10.7%	21.3%	12.3%	11.7%
Total Currency Overlay Activity (4) (5)	\$10.5	\$0.0	NA	0.1%	1.2%	-1.8%	2.5%	3.5%	3.5%
50% Hedged/50% Unhedged Benchmark (6)					0.5%	-1.2%	2.5%	2.8%	2.3%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) As of January 1, 1998, the Currency Overlay Program Assets included the assets in the Passive EAFE and Lazard Freres portfolios. Prior to January 1, 1998, only the assets in the Passive EAFE portfolio were included.
- (4) The currency overlay performance is the Currency Overlay Program Assets with Pareto return, less the return of the Currency Overlay Program Assets portfolio.
- (5) The Net Asset Value represents the unrealized gain/loss as of the reporting date. Since inception, Pareto has realized gains of \$54.7 million.
- (6) The benchmark performance numbers are calculated by Pareto Partners.

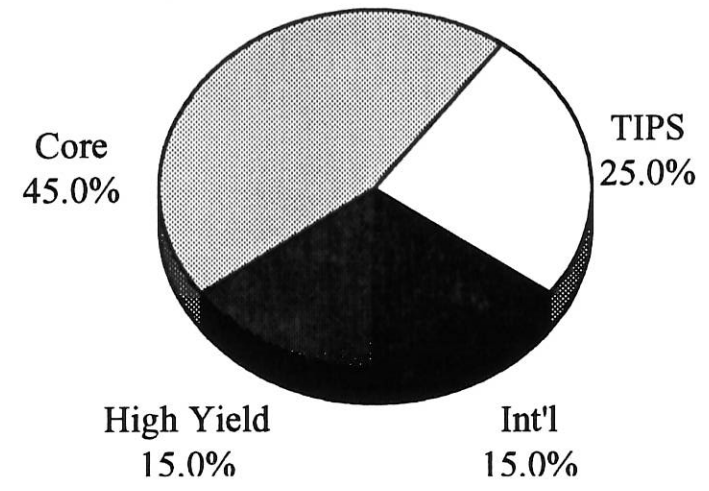
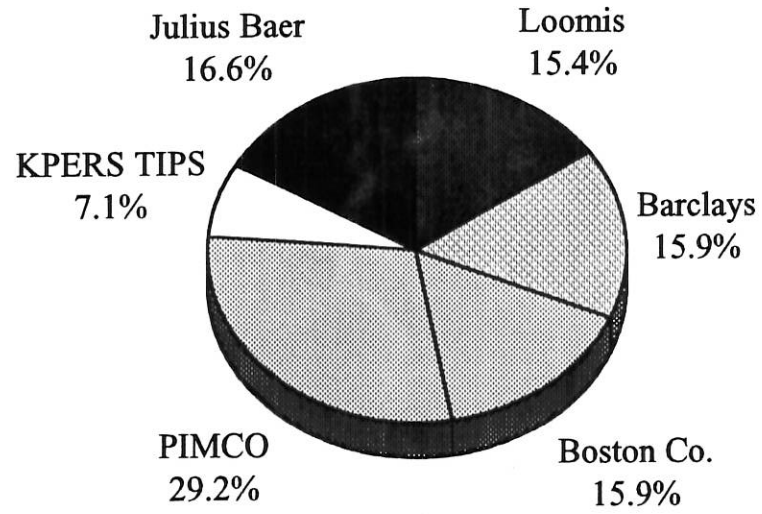
1-22

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Fixed Income Diversification By Manager/Style**

Total Net Asset Value \$2,949.1 Million as of 11/30/1999

Current Position

Target Allocation



Manager	Style
PIMCO	Domestic Core
Boston Co.	Domestic Core
Loomis	High Yield
Barclays	Core Quasi-Pasive
KPERS TIPS	TIPS
Julius Baer	International Core

1-23

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM FIXED INCOME PERFORMANCE REPORT

<u>Investment Advisor/Style</u>	<u>11/30/99 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Pacific Investment Management Co. (Dom. Core)	\$860.1	\$2.0	29.2%	8.7%	1.5%	1.2%	0.0%	6.3%	8.9%
Barclays Global Investors (Core-Quasi Passive)	468.2	0.1	15.9%	4.8%	1.4%	1.2%	0.7%	5.6%	8.2%
Lehman Brothers Aggregate Index					1.5%	1.0%	0.0%	5.6%	8.0%
The Boston Company (Dom. Core)	467.5	0.5	15.9%	4.7%	1.6%	0.7%	-2.4%	4.5%	7.2%
The Boston Company Customized Benchmark (3)					1.4%	0.4%	-3.1%	4.5%	7.3%
Loomis. Sayles & Company, Inc. (High Yield)	454.0	9.7	15.4%	4.6%	-0.1%	-1.0%	-1.1%	6.3%	10.6%
Loomis Sayles Customized Benchmark (4)					0.1%	-0.9%	0.8%	5.3%	8.5%
Salomon High Yield Market Index					0.1%	-0.9%	0.8%	6.0%	9.8%
KPERS TIPS (TIPS)	210.7	21.8	7.1%	2.1%	NA	NA	NA	NA	NA
Lehman Long TIPS Index					NA	NA	NA	NA	NA
Julius Baer Investment Management, Inc. (Int'l. Core)	488.6	0.0	16.6%	5.0%	-0.5%	2.2%	-3.1%	3.1%	8.7%
Salomon Non-U.S. Government Bond Index					0.4%	4.5%	-2.3%	2.1%	5.9%
Total Fixed Income Portfolio	\$2,949.1	\$34.1	100.0%	29.9%	1.0%	1.0%	-0.9%	4.9%	8.3%

NOTES:

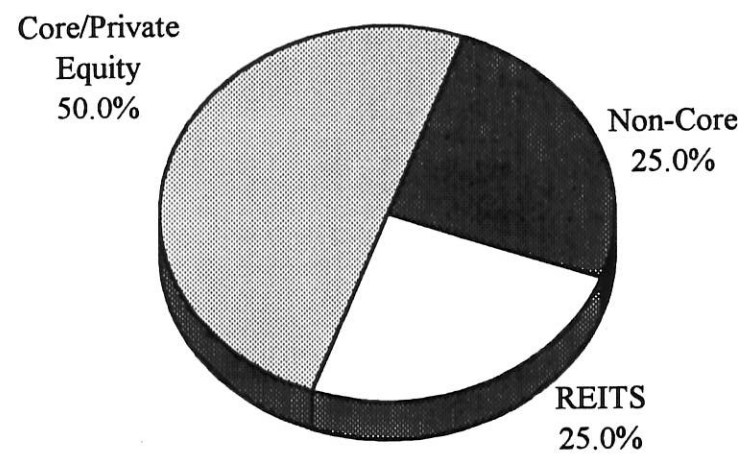
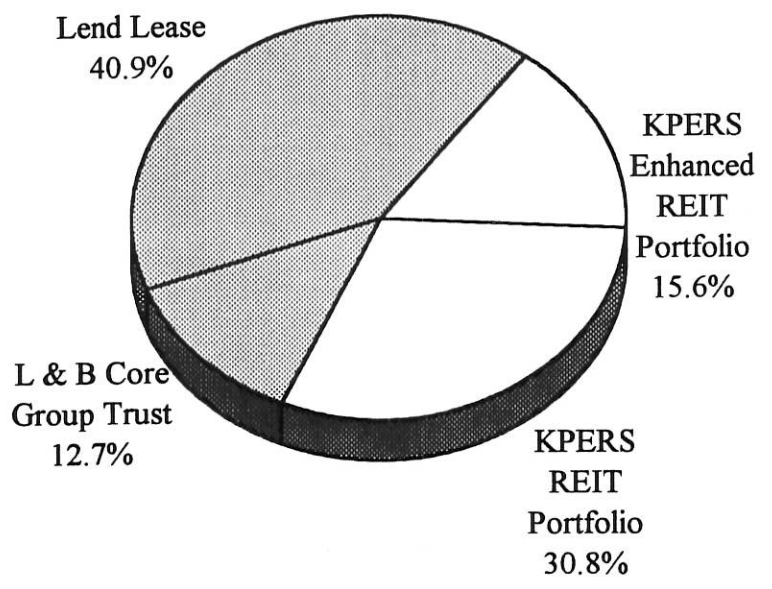
- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The Boston Company Customized Benchmark is defined as the Lehman Aggregate Index through 1/31/99, and the Salomon Large Pension Fund Index after 1/31/99.
- (4) The Loomis Sayles Customized Benchmark is defined as the Lehman Gov't/Corp. Bond Index through 3/31/93, and a 50% Lehman Aggregate Bond Index/50% Merrill Lynch High Yield Bond Index blend through 3/31/97, and the Salomon High Yield Market Index after 3/31/97.

1-24

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM Real Estate Diversification By Manager/Style

Total Real Estate Portfolio \$462.8 Million as of 11/30/1999

Current Position **Target Allocation**



Manager	Style
Lend Lease	Core/Private Equity
L & B Core Group Trust	Core/Private Equity
KPERS REIT Portfolio	REITS
KPERS Enhanced REIT Portfolio	REITS

1-25

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
REAL ESTATE PERFORMANCE REPORT**

<u>Investment Advisor/Style</u>	<u>11/30/99 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Lend Lease	\$189.3	\$0.0	40.9%	1.9%	3.8%	5.5%	15.2%	13.4%	9.2%
L & B Core Group Trust	59.0	0.0	12.7%	0.6%	0.7%	2.1%	14.2%	12.2%	10.0%
NCREIF Real Estate Index (3)					2.6%	NA	13.6%	14.4%	12.1%
KPERS REIT Portfolio	142.5	2.0	30.8%	1.4%	-7.6%	-11.2%	-8.2%	NA	NA
KPERS Enhanced REIT Portfolio	72.0	3.4	15.6%	0.7%	-8.0%	-12.9%	-8.6%	NA	NA
Morgan Stanley REIT Index					-7.8%	-11.5%	-9.1%	0.6%	NA
Total Real Estate Portfolio	\$462.8	\$5.4	100.0%	4.7%	-2.2%	-3.6%	3.3%	5.5%	4.9%

NOTES:

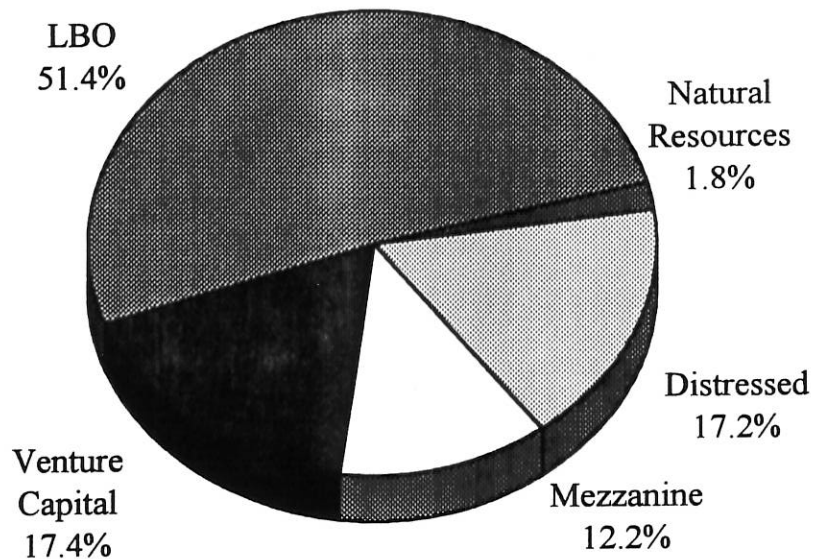
- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The NCREIF Real Estate Index is updated quarterly. The returns shown are for the period ending 6/30/99.

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Alternative Investment Diversification**

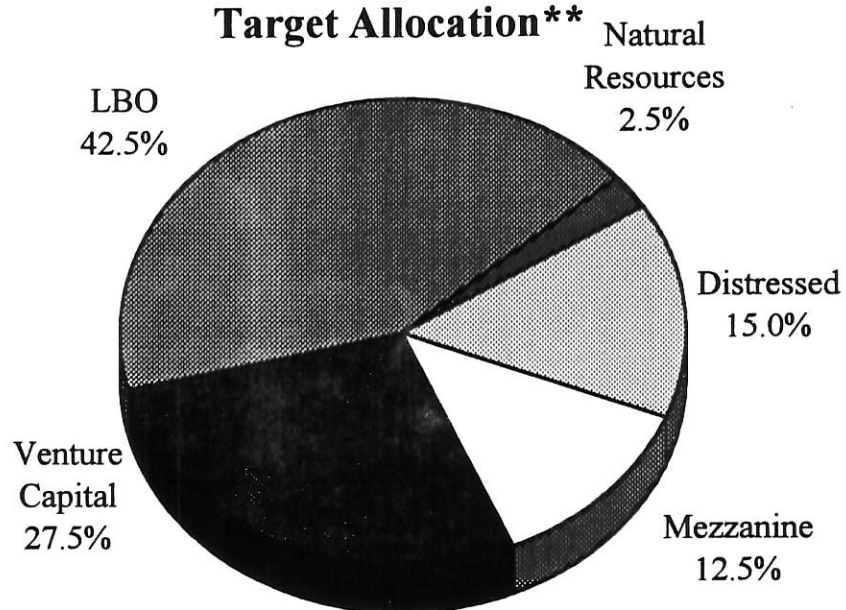
Total Net Asset Value \$196.3 Million as of 11/30/1999

1-26

Current Allocation*



Target Allocation**



Manager	Style
LBO	30-55%
Venture Capital	20-35%
Mezzanine	10-15%
Distressed	10-20%
Natural Resources	0-5%

*The percentages reflect dollars invested in each category.

**The midpoint of the range is shown in the graph

LC-1

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ALTERNATIVE INVESTMENTS AND CASH EQUIVALENTS PERFORMANCE REPORT**

<u>Investment Advisor/Style</u>	<u>11/30/99 Net Asset Value (millions) (2)</u>	<u>Cash (STIF) (millions)</u>	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
<u>Alternative Investments (3)</u>									
Pre '91 Direct Placements	\$22.7	\$0.0	11.6%	0.2%	0.4%	-2.5%	35.4%	25.0%	37.3%
Venture Capital Portfolio	5.2	0.0	2.6%	0.1%	11.2%	24.8%	92.4%	101.4%	58.7%
AIP Portfolio	168.4	0.0	85.8%	1.7%	2.9%	2.8%	-2.6%	NA	NA
S&P 500 Index + 4%					NA	NA	24.9%	28.3%	31.5%
Total Alternative Investment Portfolio	\$196.3	\$0.0	100.0%	2.0%	2.7%	2.6%	9.2%	24.7%	32.8%
<u>Cash Equivalents</u>									
Payden & Rygel Investment Counsel (STIF)	165.8	0.0	82.6%	1.7%	1.3%	2.2%	4.5%	5.7%	6.6%
KPERS Dedicated Cash Portfolio	34.9	0.0	17.4%	0.4%	1.3%	2.2%	4.7%	NA	NA
Merrill Lynch 0-1 Yr. Treasury Index					1.2%	2.0%	4.7%	5.3%	5.7%
Total Cash Equivalents Portfolio (4)	\$200.7	\$4.8	100.0%	2.0%	1.3%	2.2%	4.7%	5.7%	6.6%

NOTES:

- 1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- 2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- 3) Alternative investment assets are priced at adjusted cost or market value. The values for assets priced at adjusted cost will be updated annually as of June 30. Therefore, total return reflects cash returns on adjusted cost basis, including, gains realized on the sale of assets, as well as the unrealized gain/loss on securities priced at market value. Assets priced at cost recognize realized gains or losses resulting from sales totally in the month of the sale transaction.
- 4) The Total Cash Equivalents return includes the assets in the direct placement funding account.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Statement of Revenues and Expenses

Month Ended December 31, 1999

(In Thousands)

	Fiscal Year 2000					
	Actual		Estimated for Duration of Fiscal Yr	Estimated / Actual	Variance	
	Current Month	Year- To-Date			Approved Budget	Favorable (Unfavorable)
Operating Revenues						
Contributions	\$ 24,279	\$ 181,309	\$ 187,625	\$ 368,934	\$ 368,934	\$ 0
Employer Insurance	1,682	14,182	12,195	26,377	26,377	0
Realized Investment Income	118,151	670,052	1 315,500	985,552	631,000	354,552
Other	3	38	0	38	0	38
Total Operating Revenues	144,115	865,581	515,320	1,380,901	1,026,311	354,590
Benefit Expenses						
Retirement Benefits	40,586	251,656	243,905	495,561	495,561	0
Insurance	389	22,013	20,116	42,129	42,129	0
Refunds	5,746	24,894	19,877	44,771	44,771	0
Death Benefits	672	3,424	3,688	7,112	7,112	0
Subtotal of Benefits	47,393	301,987	287,586	589,573	589,573	0
Investment Related Expenses						
Publicly Traded Securities	1,717	9,492	9,940	19,432	18,996	(436)
Alternative Investment Fees	145	870	870	1,740	1,500	(240)
Alternative Investment Expenses	0	4	96	100	100	0
Real Estate	100	733	1,229	1,962	1,372	(590)
Custodial Bank	75	450	635	1,085	1,000	(85)
Investment Consultant	74	265	212	477	335	(142)
Litigation	53	225	1,275	1,500	1,500	0
Subtotal of Investment Related Expenses	2,164	12,039	14,257	26,296	24,803	(1,493)
Administrative Expenses						
Salaries and Wages	258	1,751	1,891	3,642	3,642	0
Contractual Services	69	631	2,753	3,384	3,384	0
Commodities	5	30	50	80	80	0
Capital Outlay	0	7	462	469	469	0
Subtotal of Administrative Expenses	332	2,419	5,156	7,575	7,575	0
Total Operating Expenses	49,889	316,445	306,999	623,444	621,951	(1,493)
Revenues in Excess of Expenses	\$ 94,226	\$ 549,136	\$ 208,321	\$ 757,457	\$ 404,360	\$ 353,097

1 Realized investment income includes interest income, dividends and realized gains on sales of investments. Changes in unrealized investment gain/(loss) for December 99 is \$506,086,343 and year to date is \$303,726,064



January 14, 2000

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule of Actual and Projected Administrative Expenses

Month Ended December 31, 1999

	Salaries and Wages	Contractual Services	Commodities	Capital Outlay	Total
Budget (1)	\$ 3,641,860	\$ 3,383,609	\$ 79,803	\$ 468,825	\$ 7,574,097
Actual Expenses					
July	268,864	93,629	7,786	-	370,279
August	262,599	135,624	5,024	2,178	405,425
September	264,386	83,540	3,711	3,425	355,062
October	425,165	100,393	4,256	-	529,814
November	272,010	147,702	4,165	2,519	426,396
December	258,228	69,083	5,351	-	332,662
Total Actual Expenses	1,751,252	629,971	30,293	8,122	2,419,638
Projected Expenses					
January	290,862	458,940	8,252	76,784	834,838
February	290,862	458,940	8,252	76,784	834,838
March	436,293	458,940	8,252	76,784	980,269
April	290,862	458,940	8,252	76,784	834,838
May	290,862	458,940	8,252	76,784	834,838
June	290,867	458,938	8,250	76,783	834,838
Total Projected Expenses	1,890,608	2,753,638	49,510	460,703	5,154,459
Total Projected and Actual	3,641,860	3,383,609	79,803	468,825	7,574,097
Favorable (Unfavorable) Variance	\$ -	\$ -	\$ -	\$ -	\$ -

1 Includes fiscal year 2000 appropriation of \$2,451,255 for the KPERS technology project.



1-29

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Legal Expenses
Month Ended December 31, 1999

	Fiscal Year 2000					
	Actual		Estimated for Duration of Fiscal Year	Estimated / Actual	Approved Budget	Variance Favorable (Unfavorable)
	Current Month	Year- To-Date				
EXPENSES ASSOCIATED WITH KPERS LITIGATION						
GENERAL COUNSEL						
Barber, Emerson, Springer, Zinn & Murray, L.C.	\$ 360	\$ 2,040	\$ 12,960	\$ 15,000	\$ 15,000	\$ 0
EXPENSES FOR RECOVERY OF INVESTMENT LOSSES						
KPERS Litigation Group	42,952	174,180	1,190,820	1,365,000	1,365,000	0
Document Depository	9,098	56,123	63,877	120,000	120,000	0
EXPENSES FOR KPERS DEFENSE LITIGATION						
Graydon Head & Ritchey (Mycro-Tek litigation)	260	1,834	0	1,834	No Limit@	0
Schroer Rice (Mycro-Tek litigation)	0	684	0	684	No Limit@	0
SUBTOTAL	<u>52,670</u>	<u>234,862</u>	<u>1,267,656</u>	<u>1,502,518</u>	<u>1,500,000</u>	<u>0</u>
LEGAL FEES FOR ALTERNATIVE INVESTMENTS PORTFOLIO						
Portfolio Advisors	0	4,257	95,743	100,000	100,000	0
SUBTOTAL	<u>0</u>	<u>4,257</u>	<u>95,743</u>	<u>100,000</u>	<u>100,000</u>	<u>0</u>
TOTAL *	<u>\$ 52,670</u>	<u>\$ 239,119</u>	<u>\$ 1,363,399</u>	<u>\$ 1,602,518</u>	<u>\$ 1,600,000</u>	<u>\$ 0</u>

* The real estate portfolio legal expenses are budgeted and paid at the property level and are netted against the income distributed to the Retirement System

- 1 Reimbursable expenses of the KPERS Litigation Group includes: airfare, lodging, meals, ground transportation, telephone, office supplies, postage, delivery, professional services, and miscellaneous.
- 2 Payment for legal expenses under provision of inv manager indemnification agreement are not applied against the appropriation limitation.



KPERS LITIGATION GROUP

**STATUS REPORT
AS OF JANUARY 11, 2000**

I. Home Savings Investment, Case No. 92-0922-CV-W-9
United States District Court for the Western District of Missouri
Judge D. Brook Bartlett

A. **Date Filed:** June 5, 1991

B. **Current Petition:** Sixth Amended Complaint

C. **Current Defendants:** Reimer & Koger Associates, Inc.; Kenneth H. Koger; Thomas S. Morgan and Marilyn J. Feingold, as co-executors of the estate of Frank Morgan, deceased; Sherman Dreiseszun; Leland Gerhart; I.I. Ozar; Sebree; Michael K. Russell; KPMG Peat Marwick; Robert Spence; Shook Hardy & Bacon; C. Patrick McLarney, individually and as the representative class of Shook Hardy partners; Blackwell, Sanders, Metheny, Weary & Lombardi, intervenor.

D. **General Status:** All defendants except Russell have answered the sixth amended complaint. Testimonial discovery has been completed, other than expert witness depositions. The Court granted motions for summary judgment on statute of limitations grounds filed by the Reimer & Koger Defendants, the Morgan Defendants, the Shook Hardy Defendants, the Blackwell Sanders Defendants, and the KPMG/Peat Marwick Defendants. The Court has entered final judgment on all orders granting summary judgment. The Court has also entered a permanent injunction preventing KPERS from filing any actions against these defendants involving its investment in Home Savings.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have served and responded to all interrogatories and requests to produce.

2. **Deposition Discovery:** KPERS has taken the following depositions:

John T. Carper	February 28, March 1, and May 24, 1995
Emily G. Cena	April 24, 1995
Stephen P. Clark	May 23, 1995
Robert W. Crew	April 5, 1995
Sherman W. Dreiseszun	June 1-2, 1995
Stephen M. Ege	May 30, 1995
Rita I. Fair	March 28, 1995
Linda Faucett	April 10, 1995
Joseph D. Geneser, Jr.	January 31, and February 1, 1995
Leland R. Gerhart	May 17, June 19-20-21-22-23, 1995
Raymond Gifford	March 23, 1995
Gary D. Gilson	April 14, 1995

James B. Judd	May 23, 1995
Jeffrey A. Koepfel	May 23, 1995
Kenneth H. Koger	April 19-20-21, 1995
Brent Messick	April 18, 1995
Randall Nay	March 21-22, and June 6, 1995
Jennings J. Newcom	May 24, 1995
I.I. Ozar	June 16, 1995
Philip W. Pistilli	May 5, 1995
Ronald Reimer	April 27, 1995
Robbin E. Reynolds	April 3, 1995
Michael K. Russell	March 13, 1995
Danny L. Schick	February 17, 1995
Frank P. Sebree	May 25-26, 1995
Clifford W. Shinski	May 17, 1995
Robert W. Spence	May 25-26, 1995
Kevin R. Sweeney	May 24, 1995
Stephen G. Taylor	February 3, 1995
David Winetraub	February 15, 1995

The Defendants have taken the following depositions:

Mary S. Allen	April 23, 1992
B.B. Anderson	May 15, 1995
Jerry K. Andersen	April 24, 1992
Donald Barry	May 25, 1995
Virgil Basgall	October 27, 1994
Jo Diane Boeding	April 24, 1995
Jarold Boettcher	April 24, 1995
Jack H. Brier	May 4, 1995 and June 30, 1995
Louise A. Brock	May 16, 1995
Eliehue Brunson	June 3, 1995
Walter L. Cobler	June 1, 1995
Rebecca Linn Cook	May 22, 1995
Marshall Crowther	December 6-7-8-14-15, 1994 and January 31, February 1-2, 1995
Mont C. Draper	May 11, 1995
Neva Entrikin	May 2, 1995
Joan Finney	May 23, 1995
Larry D. Fleming	May 10, 1995
Harold Goodman	May 3, 1995
Thomas A. Hamill	May 24, 1995
Jack Hawn	October 25, 1994
Thomas Higgins	February 27, and March 1, 1995
Steve Hirsch	May 8, 1995

Richard Hrdlicka	May 1, 1995
Lawrence M. Jones	May 10, 1995
Elizabeth Miller	June 1, 1995
Michael J. O'Leary	June 8, 1995
Ronald D. Peyton	May 30, 1995
Dorothy Rooney	May 2, 1995
Carl Struby	March 20, 1995
Wayne Tate	May 8, 1995
Randy Tongier	October 26, 1994
Meredith Williams	May 17-18-25, and August 31, 1995
Mark L. Youngers	May 10, 1995

Remaining Depositions:

For KPERS: Defendants' experts.

For Defendants: Plaintiff's experts.

F. Recent Developments: On May 20, 1998, KPERS filed a Motion for Relief from Judgment Pursuant to Rule 60(b)(6). On August 19, 1998, the Court denied KPERS' Motion for Relief From Judgment. On August 31, 1998, KPERS filed a Notice of Appeal. On October 5, 1999, the U.S. Court of Appeals issued its opinion, affirming the district court's ruling (see G.3, below).

The Morgan, R&K and Shook Hardy Defendants filed Amended Bills of Costs on October 12 and 21, 1999. On October 28, 1999, KPERS filed its objections. Also on October 28, 1999, the Blackwell Sanders defendants filed a Second Amended Bill of Costs and KPERS filed its objections on November 1, 1999. On November 9 and 10, 1999, respectively, the Morgan Defendants filed a response to KPERS's objections to the amended bills of costs and the Blackwell Sanders defendants filed a reply in support of its second amended bill of costs. On December 10, 1999, KPMG Peat Marwick notified the Clerk that it would not be filing an amended bill of costs, and would rely on its previously filed bill of costs.

On May 3, 1999, the Court entered an order directing the parties to submit a joint proposed scheduling order 30 days after the Eighth Circuit Court of Appeals rules on KPERS's appeal of the Rule 60(b)(6) motion. On November 5, 1999, KPERS filed a motion to extend the time to file a joint scheduling order until the expiration of the time for KPERS to file a petition for *certiorari* with the United States Supreme Court and, if that petition is filed, until 30 days after the Supreme Court rules. On December 15, 1999, the Court issued an Order Granting KPERS's motion.

KPERS has reached an agreement with the Shook Hardy and Blackwell

KPERS has reached an agreement with the Shook Hardy and Blackwell Sanders defendants to settle all claims against those defendants.

G. Related Cases:

1. *KPERS v. Blackwell Sanders, Case No. 95-0819-CV-W-9, U.S. District Court for the Western District of Missouri.*

This case concerns KPERS' investment in Home Savings. KPERS originally filed this action in the Shawnee County Kansas District Court on January 6, 1995. On September 11, 1995, Blackwell Sanders filed a third-party petition against the RTC. The RTC then removed the case to the United States District Court for the Western District of Missouri, where it was assigned to Judge Bartlett.

The district court enjoined KPERS from bringing any actions against Blackwell Sanders involving the Home Savings investment outside the Western District of Missouri.

The Blackwell Sanders Defendants filed a proposed bill of costs. All briefing on the proposed bill of costs is complete.

KPERS has reached an agreement to settle all claims against the Blackwell Sanders defendants.

2. *KPERS v. Russell, et al., Case No. 95-0820-CV-W-9, U.S. District Court for the Western District of Missouri.*

This case concerns KPERS's investment in Home Savings. KPERS originally filed this action in the Shawnee County, Kansas District Court on August 23, 1995, against defendants Michael Russell, Reimer & Koger Associates, Inc., Kenneth H. Koger, Shook, Hardy & Bacon, and Patrick McLarney, individually and as a representative of all parties who are partners of Shook, Hardy & Bacon. On September 11, 1995, Shook Hardy filed an answer and third-party petition against the Resolution Trust Corporation. The RTC removed the case to the U.S. District Court for the Western District of Missouri, where it was assigned to Judge Bartlett.

The district court enjoined KPERS from bringing any actions against Shook Hardy involving KPERS's investment in Home Savings.

In January, 1998, the Court entered final judgment in favor of the Shook Hardy Defendants. On August 19, 1998, the Court denied KPERS's Motion for Relief from Judgment. On August 31, 1998, KPERS filed a

Notice of Appeal. On October 5, 1999, the U.S. Court of Appeals issued its Opinion, affirming the district court's ruling (see G.3, below).

On November 4, 1999, KPERS, Reimer & Koger, Ken Koger and Michael Russell filed a stipulation dismissing all claims against the remaining defendants without prejudice. On November 30, 1999, the Court issued an Order dismissing the case with prejudice. On December 20, 1999, the Court issued an Amended Order dismissing the case without prejudice.

3. KPERS's appeal of the federal district court order denying plaintiff's motion for relief from judgment entered in favor of the defendants in Case No. 92-0922-CV-W-9 and Case No. 95-0819-CV-W-9 (Appeal Case No. 98-3528).

On October 5, 1999, the court issued its Opinion, affirming the district court's ruling.

On December 30, 1998, the Blackwell Sanders Defendants and Peat Marwick Defendants filed Motions for Sanctions and Double Costs. KPERS responded to both Motions and defendants replied. On January 7, 1999, the Court entered an order indicating it would consider the motion with the appeal. Following the Court of Appeals' decision, the Morgan and Shook Hardy Defendants also filed motions for sanctions and double costs.

The Morgan, Peat Marwick, Shook Hardy and Blackwell Sanders Defendants have filed bills of costs. KPERS objected to Blackwell Sanders' Bill of Costs. The R&K Defendants have asked the Court for leave to file a bill of costs and a motion for sanctions.

KPERS has reached an agreement with the Shook Hardy and Blackwell Sanders defendants to settle all claims against those defendants.

On January 3, 1999, KPERS filed a Petition for Certiorari with the United States Supreme Court.

4. KPERS's appeal of the federal district court order awarding costs and fees to the R&K Defendants and Peat Marwick Defendants in Case No. 92-0922-CV-W-9 (Appeal Case Nos. 97-1880WMKC and 97-2811WMKC).

On January 14, 1999, the U.S. Court of Appeals affirmed the District Court Order awarding costs and fees to the R&K and Peat Marwick Defendants. On October 4, 1999, the Court assessed double costs and attorneys' fees against KPERS and its attorneys. On October 13, 1999, the Peat Marwick Defendants submitted a fee affidavit in support of the award. On November 8, 1999, the Court entered an Order granting the R&K

defendants' motion for double costs and damages in the form of attorneys' fees against KPERS and its attorneys. On November 16, 1999, the R&K defendants submitted a fee affidavit in support of the award.

II. Affinity Investment, Case No. 92 CV 433A
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

A. **Date Filed:** March 30, 1992

B. **Current Petition:** Third Amended Petition

C. **Current Defendants:** Robert D. Ward; White Eagle Investments; Carol Ward; Soft-Tek International, Inc.; Hershberger, Patterson, Jones & Roth.

D. **General Status:** Trial of this matter is set for January 10, 2000.

E. **Status of Discovery:**

1. **Written Discovery:** Written discovery is complete.

2. **Deposition Discovery:** KPERS has taken the following depositions:

Dwayne Broddle	January 6, 1997
Mike Christianson	August 19, 1996
Gary Gibbs	August 15, 1996
Ron Harnden	March 5, 1996
John Vetter	May 13, 1998
Fran Jabara	November 17, 1994
Stephen J. Jones	November 9, 1994
John Leiter	August 14, 1996
Jack S. McInteer	September 17, 1996
Michael J. Mildfelt	August 25, 1994
Tad Patton	October 24, 1994 and March 5, 1996
Brian Sullivan	July 13, 1994
Carol A. Ward	August 24, 1994
Robert Ward	April 23, 24 & 25; June 18-19, 1996
Richard L. West	January 20, 1994, January 13-14, 1997, April 7, 1998, May 5, 1998
Victor J. Wheeler	August 26, 1994
Lon Yourdon	January 7, 1997
Morris K. Withers	January 13, 1999
P. John Owen	January 21, 1999, February 3, 1999 and June 9, 1999
Norman Benedict	February 16, 1999
John W. Meara	March 1, 1999 & March 4, 1999
Kenneth T. Orr	March 18, 1999

Defendants have taken the following depositions:

Virgil Basgall	May 10, 1994
Jody Boeding	August 8, 1997
Jarold Boettcher	July 11, 1997
Jack Brier	August 8, 1997
Louise Brock	March 28, 1997
Eliehue Brunson	July 10, 1997
John Carlin	January 29, 1998
James Clark	December 11, 1997
Walter Cobler	January 15, 1998
Marshall Crowther	May 8-9, 1997
Mont C. Draper	October 19, 1995 and April 17, 1996
Loki Efaw	February 16, 1998
Neva Entrikin	June 6, 1997
Larry Fleming	April 17, 1996
Renae Forque	June 6, 1997
Harold M. Goodman	May 11, 1994
Richard Grieve	March 4, 1998
Thomas Hamill	May 1, 1996
Mike Hayden	January 30, 1998
Robert J. Harrity	February 24, 1998
Ned Irons	February 26, 1998
Janet Kruzal	April 1, 1998
Geoffrey McCuskey	February 24, 1998
Elizabeth Miller	April 1, 1998
Timothy W. Mitchell	March 28, 1995, July 11, 1997
Mario Montana	March 11, 1998
Carol Proffer	March 27, 1998
Wayne Tate	April 23, 1997
Jerry Tarantino	April 23, 1998
Randy Tongier	July 17, 1997
Mark L. Youngers	January 16, 1998
Jean Walker	February 13, 1998
Amy Wohl	February 27, 1998
Meredith Williams	June 6, 1997
Scott FitzGibbon	September 16, 1998 and June 24, 1999
Mark L. Gordon	October 8, 1998
Joan Finney	December 9, 1998
Marge Petty	January 14, 1999 and February 10, 1999

Remaining Depositions:

For KPERS: Depositions complete.

For Defendants: Depositions complete.

F. Recent Developments: On April 1, 1999, the Hershberger Defendants filed a Motion for Summary Judgment. The motion has been fully briefed and, on August 25, 1999, the Court heard oral argument.

~~The following deadlines are in effect:~~

~~January 10, 2000 ————— Trial Set~~

On October 1, 1999, the Court generally continued the pretrial conference and oral argument on the motions in limine. By agreement, KPERS and Hershberger filed pretrial questionnaires on November 9, 1999. On November 24, 1999, the Ward defendants filed their pretrial questionnaire.

On September 2, 1999, the Hershberger Defendants and KPERS filed motions in limine. On September 30, 1999, the Hershberger Defendants filed a Response to Plaintiff's Motion in Limine, and on October 1, 1999, KPERS filed its Response to Hershberger's Motion in Limine. Hershberger and KPERS filed replies to the motions in limine on October 13 and 19, 1999, respectively. On December 3, 1999, KPERS filed a Motion for Leave to File Surreply to Hershberger's Motion in Limine. On December 20, 1999, the Court granted KPERS's motion to file its surreply. Throughout the month of December, both KPERS and the defendants caused trial subpoenas to be issued to numerous witnesses. On or about January 4, 2000, the Ward Defendants filed an Answer to the Third Amended Petition.

KPERS settled all claims against the Hershberger Defendants.

On December 22, 1999, the Court conducted a final pretrial conference. On January 6, 2000, KPERS and the Ward Defendants attended a mediation with Judge Thomas Conklin in Topeka and reached an agreement to settle all remaining claims.

III. Sharoff Food Service Investment, Case No. 92 CV 805
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

- A. **Date Filed:** June 16, 1992
- B. **Current Petition:** First Amended Petition
- C. **Current Defendants:** Reimer & Koger Associates, Inc.; Kenneth H. Koger; Kutak, Rock & Campbell.
- D. **General Status:** Discovery is closed.
- E. **Status of Discovery:**

1. **Written Discovery:** Discovery is complete.
2. **Deposition Discovery:** KPERS has taken the following depositions:

Harold Cohen	September 13-14, 1993
Leah Cohen	September 13, 1993
Linda Faucett	December 9, 1993
Garry Fox	February 16, 1993
Lisa Guinn	December 3, 1993
Robert Hottman	December 2, 1993
Lynn Jeffries	December 1, 1993
Michelle Keist	November 30, 1993
Charlotte Padilla	December 3, 1993
Frank Schneider	December 2, 1993
Tom Sullivan	January 25, 1993
Michael Wadhams	September 17, 1993
Michelle Keist	November 10, 1998
Gene Hohensee	November 10, 1998
Kevin Cudney	November 11, 1998
Ed Hart	November 25, 1998, November 30, 1998 & December 29, 1998
Robert Crew	December 7, 1998
Brent Messick	January 16, 1999
Roger Cohen	December 14, 1998
Ken Koger	January 14, 1999

The Defendants have taken the following depositions:

Virgil Basgall	October 14, 1993, August 18, 1998
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Jack H. Brier	June 16, 1994
John Carlin	October 12, 1993, January 22, 1999
Matthew Diana	April 26, 1994
Dan Edberg	April 25, 1994
Janice Finney	April 26, 1994
Frank Gaines	October 22, 1993
Harold M. Goodman	June 24, 1994, August 19, 1998
Leonard Hierath	April 25, 1994
Donald Kauffman	April 25, 1994
David Kerr	October 19, 1993
Donald Rezac	October 18, 1993
Mark L. Youngers	October 20, 1993
Marshall Crowther	October 29, 1998
Robert Casagrande	December 15, 1998
Governor Hayden	January 21, 1999
Rob Woodard	February 12, 1999
Meredith Williams	February 15, 1999
Lowell Sachnoff	April 1, 1999
Henry Rose	April 6, 1999

Remaining Depositions:

For KPERS: None scheduled.

For Defendants: None scheduled.

F. Recent Developments: By Journal Entry dated April 23, 1999, the Court continued the July 12, 1999 trial date indefinitely and vacated all deadlines and hearing dates.

On March 10, 1999, the Kutak Rock defendants filed a Motion for Summary Judgment. The motion is fully briefed and the Court has heard oral argument.

F. Related Cases:

F. *KPERS v. Fox, Adversary No. 92-2117 CEM, District of Colorado.*

KPERS filed this case as an adversary proceeding against Garry J. Fox in District of Colorado bankruptcy court on September 4, 1992. Fox has answered the Complaint and KPERS has served its first set of written discovery on him. This case has been ordered stayed and administratively closed pending resolution of the Kansas Sharoff case, Case No. 92-CV-805.

F. Hydrogen Energy Investment, Case No. 92 CV 923
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

A. **Date Filed:** July 9, 1992

B. **Current Petition:** Third Amended Petition

C. **Current Defendants:** Donald Clark; Douglas Westerhaus; Reimer & Koger Associates, Inc.; Kenneth H. Koger; Lewis Rice & Fingersh Defendants; Shook, Hardy & Bacon Defendants; Watson & Marshall.

D. **General Status:** All of the defendants have answered the third amended petition. Testimonial discovery is essentially complete.

E. **Status of Discovery:**

1. **Written Discovery:** Written discovery is complete.

2. **Deposition Discovery:** KPERS has taken the following depositions:

Susan Culpepper	November 17, 1993
Julie Turner Brown	July 29, 1997
Emily Cena	February 5, 1998
Robert E. Fitzgerald	July 10, 1997
Edwin Goebel	November 16, 1993
Alan Keith	August 26, 1997
Kenneth Koger	February 24, 1997, March 25-26, 1997 April 24-25, 1997, June 25-26-27, 1997, and August 8, 1997
Brent Messick	February 27, 1998 and May 8, 1998
Bruce Moorman	January 19, 1994
Jennings Newcom	September 11, 1997
Jean Noel, Jr.	November 12, 1993
H. Boone Porter	March 14, 1994, July 17, 1997
Michael Termini	November 19, 1993
Edward Zeller	November 11, 1993
John Sopinski	November 20, 1996
Dennis P. Huffman	November 20, 1996

The Defendants have taken the following depositions:

Allan Foster	December 13, 1993
Jack Hawn	April 21, 1994 and June 14, 1994

Elizabeth Miller	January 28, 1993, April 1, 1998
Murlene Priest	December 13, 1993
Meredith Williams	January 27, 1993, April 23, 1998
Rebecca Cook	May 14, 1997
Barbara Wisbey	May 13, 1997
Louise Brock	July 9, 1997
Eliehue Brunson	October 28, 1997
Jody Boeding	October 29, 1997
Dorothy Rooney	October 30, 1997
Harold Goodman	November 5, 1997, January 8, 1998
Virgil Basgall	November 6, 1997
Richard Hrdlicka	November 24, 1997, January 8, 1998
Neva Entrikin	November 25, 1997
Ron Peyton	December 10, 1997
Larry Fleming	December 15, 1997
Mont Draper	December 16, 1997
Steve Hirsch	December 22, 1997
John Carlin	January 29, 1998
Mike Hayden	January 30, 1998
Joan Finney	January 7, 1998
Wayne Tate	January 14, 1998
Walt Cobler	January 15, 1998
Mark Youngers	January 16, 1998
Jack Hawn	January 22, 1998
Marshall Crowther	January 19,20, 1998 & February 24, 1998
Jerry Boettcher	February 25, 1998
Tom Hamill	February 26, 1998
Jean Noel, Jr.	February 12, 1998
Janet Kruzel	April 1, 1998
Marty Snyder	April 23, 1998
Meredith Williams	April 23, 1998
Edward Goebel	April 24, 1998
Larry Cory	April 29, 1998
William Morgan	April 28, 1998
Thomas Barnhart	April 27, 1998
Donald Barry	May 21, 1998
Doug Westerhaus	May 9, 1998
Robert Woodard	June 11, 1998
Marc Gertner	November 17-18, 1998 and December 16, 17, 18, 1998
Donald Allen	November 19, 1998, December 15, 1998
Steven Willborn	November 23, 1998, Dec. 10-11, 1998, January 14, 1999 and February 14, 1999
Patrick Moran	December 1, 1998, December 2, 1998

Teresa Collett	December 2, 1998, December 21-22, 1998 and February 24, 1999
Brian Murphy	December 3, 1998
R. Richardson Pettit	December 14-15, 1998

Remaining Depositions:

For KPERS: KPERS has no depositions set at this time.

For Defendants: Defendants have no depositions scheduled.

3. Additional Discovery: On April 22, 1998, the Lewis Rice defendants served KPERS with a discovery request concerning KPERS's new alternative investment program. This request seeks production of documents related to the program and depositions of the following persons:

Janet Kruzell	Jarold Boettcher
Vern Chesbro	Todd Hughes

KPERS anticipates that defendants in certain of the other cases may also wish to participate in this discovery.

F. Recent Developments: At the April 8, 1999 status hearing, the Court continued the trial in this case, set for May 3, 1999, and vacated all deadlines for pretrial orders, pretrial conference, motions in limine, expert discovery and hearings.

On April 21, 1999, Final Judgment Pursuant to K.S.A. 60-254(b) was entered in favor of the Shook Hardy defendants and Watson & Marshall, L.C. On April 26, 1999, KPERS filed a Notice of Appeal of this judgment.

On August 18, 1999, the Lewis Rice Defendants filed a Motion for Entry of Final Judgment as to KPERS's malpractice claim and for interlocutory appeal. On August 30, 1999, KPERS filed a response objecting, in part, to the motion. On September 11, 1999, the Lewis Rice Defendants filed a Reply Memorandum in support of the Motion for Entry of Final Judgment. The parties have submitted the motion to the Court for ruling without oral argument.

KPERS reached an agreement with the Lewis Rice, Shook Hardy and Watson & Marshall defendants to settle all claims against those defendants.

G. Related Cases:

1. *KPERS's appeal of the district court order granting summary judgment to the Shook Hardy Defendants and the Watson & Marshall Defendants (Appeal No. 99-83185-AS).*

The briefing of this appeal is now complete and the parties are awaiting the Court's scheduling of oral argument.

V. CTP-IV Investment, Case No. 93 CV 375
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

- A. **Date Filed:** April 2, 1993
- B. **Current Petition:** First Amended Petition.
- C. **Current Defendants:** Reimer & Koger Associates, Inc.; Kenneth Koger
- D. **General Status:** All defendants have answered the KPERS petition. This case has been consolidated with Case No. 96-CV-795, *KPERS v. Lewis, Rice & Fingersh, et al.*
- E. **Status of Discovery:**
1. **Written Discovery:** Discovery is complete.
 2. **Deposition Discovery:** KPERS has taken the following depositions:

Ed Callan	April 9, 1996
Ron Peyton	April 10, 1996, July 17, 1996 and October 21, 1996
Gerald Marxman	April 12, 1996
Francis Kocsis	April 12, 1996
Boone Porter	May 22, 1996
Kenneth Koger	November 5-6, 1996 and January 30-31, 1997
Deb Jamar	January 27, 1997
Michael Russell	February 14, 1997

For Defendants: Defendants have taken the following depositions:

Eliehue Brunson	October 28, 1997
Jody Boeding	October 29, 1997
Dorothy Rooney	October 30, 1997
Harold Goodman	November 5, 1997 and January 8, 1998
Virgil Basgall	November 6, 1997
Richard Hrdlicka	November 24, 1997 and January 8, 1998
Neva Entrikin	November 25, 1997
Larry Fleming	December 15, 1997
Mont Draper	December 16, 1997

Steve Hirsch	December 22, 1997
Joan Finney	January 7, 1998
Wayne Tate	January 14, 1998
Walt Cobler	January 15, 1998
Mark Youngers	January 16, 1998
Marshall Crowther	January 19-20, 1998, and February 24, 1998
Jack Hawn	January 22, 1998
Elizabeth Miller	January 23, 1998, April 1, 1998
Jerry Boettcher	January 25, 1998
Tom Hamill	January 26, 1998
John Carlin	January 29, 1998
Mike Hayden	January 30, 1998
Ron Peyton	April 2, 1998
Janet Kruzal	April 1, 1998
William Morgan	April 28, 1998
Thomas Barnhart	April 27, 1998
Meredith Williams	April 23, 1998
Martha Snyder	April 23, 1998
Donald Barry	May 21, 1998
Robert Woodard	June 11, 1998
Herbert Bradshaw	June 18, 1998
Frank J. Kocsis	June 19, 1998
Arthur C. Rinsky, Esq.	July 2, 1998
Bonnar Cox	July 2, 1998
James Sullivan	July 6, 1998
Mike Tulley	July 27, 1998

Remaining Depositions:

For KPERs: None.

For Defendants: None.

3. Additional Discovery: It is expected that defendants in this case will participate in the discovery described in section E3 of the Hydrogen Energy case.

F. Recent Developments: On April 14, 1999, the Court filed a Journal Entry of final judgment granting summary judgment in favor of the Lewis Rice Defendants. On April 15, 1999, KPERs filed a Notice of Appeal of this judgment

On April 23, 1999, the Court filed a Journal Entry continuing the September 13, 1999 trial date; vacating all deadlines for pretrial order, conference, motions in

limine and hearing dates; and staying all expert discovery.

G. Related Cases:

1. *KPERS's appeal of the district court order of March 16, 1999, granting summary judgment to the Lewis Rice Defendants in Case No. 93-CV-375 and Case No. 96-CV-795 (Appeal Case No. 99-83136-AS)*

The briefing of this appeal is now complete and the parties are awaiting the Court's scheduling of oral argument.

VI. KPERS v. Lewis, Rice & Fingersh, et al., Case No. 96CV795
Third Judicial District Court of Shawnee County, Kansas, Division 3
Marla Luckert

A. **Dated Filed:** July 17, 1996

B. **Current Petition:** Petition

C. **Current Defendants:** Lewis, Rice & Fingersh, L.C.; Brown, Koralchik & Fingersh; H. Boone Porter, III; Jack N. Fingersh; Alan G. Keith; Robert J. Campbell; William E. Carr; Peter M. DiGiovanni; Charles F. Miller; and Jacob Brown.

D. **General Status:** The Lewis Rice Defendants filed their answer. This case has been consolidated with Case No. 93-CV-375, *KPERS v. Reimer & Koger, et al.*

E. **Status of Discovery:**

1. **Written Discovery:** Discovery is complete, except that it is expected that the defendants in this case will participate in the discovery described in Section E.3. of the Hydrogen Energy case.

2. **Deposition Discovery:** Defendants have taken the following depositions:

Dorothy Rooney	October 30, 1997
Harold Goodman	November 5, 1997, January 8, 1998
Virgil Basgall	November 6, 1997
Richard Hrdlicka	November 24, 1997, January 8, 1998
Neva Entrikin	November 25, 1997
Larry Fleming	December 15, 1997
Mont Drapter	December 16, 1997
Steve Hirsch	December 22, 1997
Joan Finney	January 7, 1998
Wayne Tate	January 14, 1998
Walt Cobler	January 15, 1998
Mark Youngers	January 16, 1998
Jack Hawn	January 22, 1998
Elizabeth Miller	January 23, 1998, April 1, 1998
Jerry Boettcher	January 25, 1998
Tom Hamill	January 26, 1998
John Carlin	January 29, 1998
Mike Hayden	January 30, 1998
Marshall Crowther	January 19-20, 1998, February 24, 1998

Janet Kruzel	April 1, 1998
Ron Peyton	April 2, 1998
Meredith Williams	April 23, 1998
Martha Snyder	April 23, 1998
William Morgan	April 28, 1998
Thomas Barnhart	April 27, 1998
Donald Barry	May 21, 1998
Robert Woodard	June 11, 1998
Herbert Bradshaw	June 18, 1998
Frank J. Kocsis	June 19, 1998
Arthur C. Rinsky, Esq.	July 2, 1998
Bonnar Cox	July 2, 1998
James Sullivan	July 6, 1998
Mike Tulley	July 27, 1998

KPERS has taken the following depositions:

Ken Koger	November 5-6, 1996, and January 30-31, 1997
Brent Messick	May 8, 1998

Since this case was consolidated with the CTP-IV case, all discovery taken in CTP-IV is applicable to this case.

F. Recent Developments: On April 14, 1999, the Court filed a Journal Entry of final judgment in favor of the Lewis Rice defendants. On April 15, 1999, KPERS filed a Notice of Appeal of this judgment.

On April 23, 1999, the Court filed a Journal Entry continuing the September 13, 1999 trial date; vacating all deadlines for pretrial orders, conference, motions in limine and hearing dates; and staying all expert discovery.

KPERS has reached an agreement to settle its claims against the Lewis Rice defendants.

G. Related Cases:

1. *KPERS's appeal of the district court order of March 16, 1999, granting summary judgment to the Lewis Rice Defendants in Case No. 93-CV-375 and Case No. 96-CV-795 (Appeal Case No. 99-83136-AS)*

The briefing of this appeal is now complete and the parties are awaiting the Court's scheduling of oral argument.

VII. Emblem Graphics Investment, Case No. 93 CV 389
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

A. **Date Filed:** April 7, 1993

B. **Current Petition:** Petition

C. **Current Defendants:** Michael K. Russell; Linde, Thomson, Langworthy, Kohn and Van Dyke, P.C.; Thomas W. Van Dyke; Blackwell, Sanders, Matheny, Weary & Lombardi; Reimer & Koger Associates, Inc.; Kenneth H. Koger.

D. **General Status:** The trial of this case has been postponed pending the appeal of the Court's orders granting summary judgment to the Linde Thomson Defendants and Blackwell Sanders.

E. **Status of Discovery:** All discovery is complete.

1. **Written Discovery:** Complete.

2. **Deposition Discovery:** KPERS has taken the following depositions:

George K. Baum	July 10, 1995
John Brungardt	September 21, 1995
Randy Buseman	September 19, 1995
Charles Connely	May 24, 1995
S. Lee Hancock	July 14, 1995
Jerry Lee Haney	June 7, 1995
John Hawley	January 19, 1996
Jill Hough	September 18, 1995
Ken Koger	December 14, 1995
Kathryn Mendicki	September 18, 1995
Brent Messick	January 18, 1996
Tom Olofson	April 17-18, 1995
Jim Olson	June 28, 1995
Joel Pelofsky	April 28, 1995
Larry Redler	September 10, 1996
Michael Russell	May 22, 1995
Jane Stafford	August 16, 1996
William Thomas	July 11, 1995
James Clark Tilden	June 21, 1995
Thomas W. Van Dyke	June 22, 1995
Frank L. Victor	April 25, 1995

Dan Weary	October 5, 1995
Wayne Weber	August 22, 1995
Lorna Wright	June 20, 1995
Francis Hanna	August 17-18, 1998
Barry Alberts	August 25, 1998
Almon Burton	August 26, 1998 and August 28, 1998
Thomas Jorgensen	September 1, 1998
Michael Stabler	September 2, 1998
George Bermant	September 9, 1998
Roland Santoni	September 14, 1998
Fred Lovitch	September 18, 1998
Xcylur Stoakley	September 22, 1998 and October 22, 1998
Christopher Barry	September 24, 1998
Marc Steinburg	September 28, 1998
John Peavey	September 29, 1998 and October 30, 1998
Susan Hoffman	October 8, 1998 and October 16, 1998

The Defendants have taken the following depositions:

Jerry Anderson	June 14, 1995
John Bailey	September 7, 1995
Virgil Basgall	November 9, 1995
Leland Breedlove	May 8, 1997 and January 28, 1998
Louise Brock	October 2, 1995
Eliehue Brunson	November 10, 1995
John Carlin	October 6, 1995
Marshall Crowther	October 12, 1995
Mont C. Draper	October 19, 1995
Neva Entrikin	September 25, 1995
David Evans	July 7, 1998 and August 18, 1998
Joan Finney	September 26, 1995
Harold Goodman	October 8, 1996
Deene Goodlaw	April 21-22, 1998 and August 22, 1998
Larry Fleming	June 25, 1996
Thomas Hamill	November 10, 1995
Jack Hawn	October 10, 1995
Richard Hrdlicka	October 27, 1995
Nancy L. Jacob	June 11-12, 1998
Janet Kruzal	May 8, 1997
Elizabeth Miller	October 4, 1995
Bill Morgan	June 16, 1997
Sheldon Pekin	July 9, 1998 and August 17, 1998
R. Richardson Pettit	June 4-5, 1998
Ron Peyton	December 9, 1997, April 2, 1998

Henry Rose	April 28, 1998
Garret David Smith	September 6, 1995
W. Charles Smithson	March 6, 1998
Wayne Tate	October 20, 1995
Jim Ungerer	January 28, 1998
Meredith Williams	May 7, 1997
Mark Youngers	August 30, 1996
Joseph Wyatt	August 20-21, 1998

Remaining Depositions:

For KPERS: None.

For Defendants: None.

F. Recent Developments: On December 24, 1998, the Court issued a Memorandum Decision and Order granting Blackwell Sanders, Linde Thomson and Thomas W. Van Dyke's motions for summary judgment and denying KPERS' partial motion for summary judgment.

On April 15, 1999, KPERS filed a Notice of Appeal, appealing the court's December 24, 1998 orders granting summary judgment to Blackwell Sanders and the Linde Thomson Defendants and denying KPERS's cross-motion for partial summary judgment.

KPERS has reached an agreement to settle its claims against the Blackwell Sanders defendants.

G. Related Cases:

1. *KPERS's appeal of the district court orders of December 24, 1998, granting summary judgment to defendants Linde Thomson Langworthy Kohn & Van Dyke, P.C. and Thomas W. VanDyke, and denying KPERS's cross-motion for partial summary judgment; and order of December 24, 1998 granting summary judgment to defendant Blackwell Sanders Matheny Weary & Lombardi, L.C. (Appeal Case No. 99-83130-AS)*

The briefing of this appeal is complete and the parties are awaiting the Court's scheduling of oral argument.

On December 28, 1999, the Kansas Society of Certified Public Accountants, Inc. ("KSCPA") filed an application for leave to file a Brief of Amicus Curiae. On January 6, 2000, the Court granted the motion and allowed the KSCPA until January 31, 2000 to file the brief.

VIII. Tallgrass Investment, Case No. 93 CV 588
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

- A. **Date Filed:** May 20, 1993
- B. **Current Petition:** Petition
- C. **Current Defendants:** Reimer & Koger Associates, Inc.; Kenneth H. Koger.
- D. **General Status:** All defendants have answered the petition and written discovery has commenced. No trial dates or other significant deadlines have been set.
- E. **Status of Discovery:**
1. **Written Discovery:** The parties have served and responded to interrogatories and requests for production.
 2. **Deposition Discovery:** No depositions have been taken in this case.

Remaining Depositions: KPERS plans to take the following deposition but a date has not been set.

Ken Koger

The defendants have also identified the following witnesses to be deposed, but none have been scheduled:

David Allen	Steve Volk
Lawrence Chapman	Jack Morgan
Emmett Johnson	Tom Higgins
John Morgan	Richard Ford
Ernest Wassman	Rick Henderson
Brent Messick	Ray Baumgardner
Kent Jennings	Tom Brandtanner
Gary Bosnak	Willie Snyder
Keith Summers	Pat Yulich
Jim Worrell	Paul Clendering
John Areher	Jim Faroque
Mark Friedlander	John Kreamer
Bob Fitzgerald	Marshall Crowther
Richard Lovienae	Mike O'Leary

Ron Peyton
Trustees

Former Government Officials
Other KPERS Staff

F. Recent Developments: On April 23, 1999, the Court filed a Journal Entry granting the R&K defendants' motion to stay trial proceedings, and vacating all deadlines and hearing dates pending further order of the court.

IX. Mobile Traveler Investment, Case No. 93 CV 787
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

A. **Date Filed:** July 7, 1993

B. **Current Petition:** Petition and Counterclaim

C. **Current Defendants:** Reimer & Koger Associates, Inc.; Christopher Diebel; Kenneth H. Koger; Linde, Thomson, Langworthy, Kohn and Van Dyke, P.C.

D. **General Status:** All defendants have answered the petition.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have served and responded to all interrogatories and requests for production. On August 19, 1998, the Linde Thomson Defendants served KPERS with a Second Set of Interrogatories. Further discovery has been stayed.

2. **Deposition Discovery:** KPERS has taken the following depositions:

Charles W. Hess	July 15, 1998
Michael J. Royle	July 16, 1998
Mark G. Stingley	July 16, 1998

Remaining Depositions:

For KPERS: KPERS plans to take the following deposition:

Ken Koger	Not Yet Scheduled
-----------	-------------------

KPERS has also identified the following depositions which have not yet been scheduled:

Norman Allen
Arnold Gfeller & Co. employees
Former Linde Thomson partners and associates
Central National Bank of Junction City officers and employees
Victor A. Davis
Terry Matlack
Robert C. Munsen
George K. Baum officers and employees
Glass & Associates officers and employees

Former Mobile Traveler officers and employees
E. C. Rolfs
H. G. Webb
Former employees of Zimmer Corporation

For Defendants: Defendants have not issued any further deposition notices at this time.

F. Recent Developments: On April 23, 1999, the Court filed a Journal Entry granting the R&K defendants' motion to stay trial proceedings, and vacating all deadlines and hearing dates pending further order of the court.

On November 18, 1999, defendant Linde Thomson filed a Motion for Summary Judgment. On December 6, 1999, KPERS filed a motion for extension of time to respond to the Motion for Summary Judgment.

X. Peat, Marwick, Mitchell & Co., Case No. 95CV937
Third Judicial District Court of Shawnee County, Kansas, Division 5
Judge James M. MacNish

A. **Date Filed:** August 23, 1995.

B. **Current Petition:** Petition

C. **Current Defendants:** Peat, Marwick, Mitchell & Co., and KPMG Peat Marwick.

D. **Status:** No Answers have been filed to the petition. KPERS has been enjoined from proceeding in this action by virtue of Judge Bartlett's order entered in *KPERS v. Reimer & Koger, et. al.*, 92-0922-CV-W-9.

XI. Ward Parkway Investment, Case No. 96CV148
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

A. **Date Filed:** February 9, 1996

B. **Current Petition:** First Amended Petition

C. **Current Defendants:** Brown, Koralchik & Fingersh, Brown, Koralchik & Fingersh, L.C., Lewis, Rice & Fingersh, L.C., Jacob Brown, Robert J. Campbell, William E. Carr, Peter M. DiGiovanni, Jack N. Fingersh, John C. Hickey, Alan G. Keith, Charles F. Miller, H. Boone Porter., III, and Howard M. Potts.

D. **General Status:** All parties have answered KPERS' First Amended Petition.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have served and responded to interrogatories and requests for production. The parties have exchanged requests for admissions on admissibility of documents, and have agreed to defer the deadline for responding until after the close of discovery. On May 27, 1999, the Lewis Rice defendants served Defendant John C. Hickey's First Set of Interrogatories to KPERS. By agreement, the parties have extended the deadline for KPERS's responses to January 14, 2000. On July 23, 1999, KPERS served its Interrogatories Regarding the Lewis Rice Defendants' Answer to KPERS's First Amended Petition. By agreement, the parties have extended the deadline for the Lewis Rice Defendants' responses to January 14, 2000.

2. **Deposition Discovery:** The following depositions have been taken:

Michael L. Johnston	December 16, 1996
Vern R. Chesbro	December 17, 1996
Stuart Murdock	December 19, 1996
Virgil Basgall	March 5, 1997
Sally Thompson	April 2, 1997
Jarold Boettcher	April 4, 1997, May 1, 1998
Benjamin Gifford	April 8, 1997, June 8-10, 1998, and March 4-5, 1999
Neva Enriken	April 15, 1997
Thomas A. Hamill	April 16, 1997
Tom Quinn	May 2, 1997
Terry Ahern	May 7, 1997, and July 21-22, 1998

Jack Fingersh	December 18-19, 1997, and January 29-30, 1998
John Hickey	January 14-15, and 29-30, 1998
Peter DiGiovanni	March 4, 1998
Alan Keith	March 5, 1998
H. Boone Porter	March 10, 1998
R. J. Campbell	March 10, 1998
Eliehue Brunson	April 8, 1998
Anthony Luppino	April 8, 1998
Ron Peyton	April 14-15-1998
Wayne Tate	April 21-22, 1998
Jack Brier	April 30, 1998
Mont Draper	May 6, 1998
Larry Fleming	May 7, 1998
Mark Youngers	May 20, 1998
Walt Cobler	May 19, 1998
Richard Hrdlicka	May 29, 1998
Steven Hirsch	June 19, 1998
Judd Kaiser	July 9, 1998
Frank Blaschka	July 23-24, 1998
Fred Carr	July 25, 1998
Ron Buss	September 14, 1998
Tanya Segal	September 14, 1998
Erwin Aulis	September 17, 1998
Brian Lagree	October 2, 1998
Lauren Roberts	October 2, 1998
John Feeney	October 12, 1998
John Phelan, Jr.	October 13, 1998
Mary Traina	October 14, 1998
Bob Robinson	October 20, 1998
John Phelan, Sr.	October 27-28, 1998
H. Boone Porter	November 2, 1998
Jody Boeding	November 3, 1998
Jeremiah O'Connor	November 18, 1998 & February 3, 1999
Jim Eppelle	December 8, 1998
Joan Finney	December 9, 1998
Andrew Hunt	December 10-11, 1998 & January 29, 1999
Ruth Schrum	December 14, 1998
Meredith Olson	December 14, 1998
Harold Goodman	January 14, 1999
Ron Medin	January 19, 1999
Governor Hayden	January 21, 1999
Governor Carlin	January 22, 1999
Laler DeCosta	January 29, 1999

Glenn Rufrano	February 2, 1999
Steve Partridge	February 5, 1999
Curt Beerman	February 11, 1999
Ron Green	February 11, 1999, March 17, 1999
Meredith Williams	February 16-17, 1999
Rob Woodard	February 23, 1999
Joan Hancock	February 24, 1999
Bob Schau	February 25, 1999
Elizabeth Miller	February 26, 1999
Len Brumberg	March 11, 1999
Julie Shoptaugh	March 18, 1999
Mary Anne Johnston	March 23, 1999
Joseph O'Connor	March 24, 1999
John Weisenfels	March 26, 1999
Dan McNulty	March 26, 1999
Lawrence Jones	April 15, 1999
Marshall Crowther	July 14-15, & September 16, 1999
Steve Walker	August 17-18, & September 8, 1999
Tim McCaffrey	August 24, 1999
Kevin McCarthy	August 25, 1999
C. Dale Albert	September 15, 1999

KPERS has reserved the right to depose the following witnesses:

Roy Perry
Jay Davis

The following third-party witnesses have been subpoenaed by KPERS for documents and testimony:

Stewart Title Company

Lewis Rice has reserved the right to depose the following witnesses:

Barton Cohen
William Shapiro

The parties need to schedule the completion of the following deposition:

Frank Blaschka

F. Recent Developments: On April 8, 1999, the parties entered into a stipulation, approved by the Court, in which all matters, other than discovery are

stayed pending resolution of the appeals in the Emblem, Hydrogen and CTP-IV cases.

The Court extended the deadline for completing fact discovery to August 31, 1999, and the parties have agreed to further extend that deadline to February 29, 2000.

On September 23, 1999, the Lewis Rice Defendants filed a Motion to Compel with respect to certain interrogatory responses submitted by KPERS. KPERS filed its response to the motion on November 12, 1999.

KPERS has reached an agreement to settle its claims against the Lewis Rice defendants.

XII. Merchandise Mart Investment, Case No. 96CV424
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert

A. **Date Filed:** April 16, 1996

B. **Current Petition:** Second Amended Petition

C. **Current Defendants:** Reimer & Koger Associates, Inc., Kenneth H. Koger, Stinson, Mag & Fizzell, and Michael G. O'Flaherty.

D. **General Status:** The defendants have answered the second amended petition. The Court has ordered that fact discovery be completed by September 30, 1999. The previous trial date of November 1, 1999, has been continued generally. The parties have filed an agreed motion to extend discovery through February 29, 2000.

E. **Status of Discovery:**

1. **Written Discovery:** KPERS continues to subpoena relevant documents from third parties. KPERS filed motions to compel against Wells Fargo on June 1, 1998; and Blackwell Sanders on June 5, 1998. Blackwell Sanders produced documents, but the motion is under advisement as to one issue.

2. **Deposition Discovery:**

The following depositions have been taken:

Howard H. Mick	March 26, 1998
Ron Peyton	April 2, 1998
Mont Draper	May 5, 1998
Mark Youngers	May 21, 1998
Richard Hrdlicka	May 28, 1998
Michael G. O'Flaherty	July 27-29, 1998
Virgil Basgall	August 18, 1998
Harold Goodman	August 19, 1998
David Frantze	September 8-9, 1998
Catherine Hauber	September 10, 1998
Kenneth Koger	October 20-21, 1998 & October 27-28, 1999
Marshall Crowther	October 29, 1998
Starlette McHale	November 3, 1998
Carol Philpak	November 5, 1998

Carl Circo	November 10, 1998
James Viani	November 11, 1998
Steve Reiter	November 13, 1998
Joan Christopherson	November 16, 1998
Marjorie Webb	November 17, 1998
William Morgan	December 1, 1998
Tom Barnhardt	December 2, 1998
Joan Finney	December 9, 1998
Michael Johnston	January 20, 1999
Governor Hayden	January 21, 1999
Governor Carlin	January 22, 1999
Robert Crew	January 26, 1999
Robbin Reynolds	January 27, 1999
Brent Messick	January 29, 1999
Rau Construction (Gus Meyer)	February 9, 1999
Thomas Rule	February 23, 1999
Stephen Williams	June 28, 1999
Vernon Chesbro	July 20, 1999
Jarold Boettcher	July 21, 1999
Tim Schallenberger	August 19, 1999
Bruce Burditt	August 19, 1999
Jerry Anderson	August 25, 1999
Tom Bash	September 10, 1999
Regina Moore-Lee	September 22, 1999
Russ Gressett	November 15, 1999
David Walter	November 16, 1999
David Trahan	November 17, 1999

The following depositions have been scheduled:

Gordon Vella	December 8, 1999
Michael Maglocchi	December 8, 1999
Randy Lenser	December 8, 1999

The following depositions have been noticed by KPERS, with dates and times to be agreed upon:

Stinson Mag Witnesses:

Marvin Rau
Deanna A. Burns

John C. Noonan

Non-Party Witnesses:

Stephen Adams
Dan Weary
Eileen F. Sollars

Robert Shoemaker
Jack Fingersh
Larry Bridges

The following depositions have been requested by Stinson Mag, with dates and times to be agreed upon:

Michael Russell	Tom Wands	Emery Fager
Meredith Williams	Duane Fager	Robert Woodard
Robert Schau	Gary Fadely	Steve Walker
Larry Carlson	Al Moore, Jr.	Walt Cobler
Robert Derstein	Jack Brier	Neva Entriiken
Wayne Tate	Steve Hirsch	Jody Boeding
Bill Dorsey	Steve Coon	Deborah Field
Mike Klamm	Frank Gaines	Patrick Smith

F. Recent Developments: On April 8, 1999, the Court granted the motion of the Reimer & Koger defendants to stay trial proceedings, and granted the Stinson Mag defendants' motion to stay, in part. The Court also continued the trial date generally, and vacated all deadlines and hearing dates, except for the completion of fact discovery pending resolution of the Emblem, Hydrogen Energy and CTP-IV appeals.

KPERS has reached an agreement to settle its claims against the Stinson Mag defendants.

XIII. Koll Center Investment, Case No. 96CV529
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla J. Luckert

A. **Date Filed:** May 10, 1996

B. **Current Petition:** First Amended Petition

C. **Current Defendants:** Brown, Koralchik & Fingersh; Brown, Koralchik & Fingersh, L.C.; Lewis, Rice & Fingersh, L.C.; Jacob Brown; Robert J. Campbell; William E. Carr; Peter M. DiGiovanni; Jack N. Fingersh; John C. Hickey; Alan G. Keith; Charles F. Miller; H. Boone Porter, III; Joseph Koralchik; and Howard M. Potts.

D. **General Status:** The Court has ordered that fact discovery be completed by January 31, 2000. The parties have petitioned the Court for an extension to June 30, 2000.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have served written discovery requests, which have all been answered.

2. **Deposition Discovery:** The following depositions have been taken:

Eliehue Brunson	April 8, 1998
Ron Peyton	April 14-15, 1998
Wayne Tate	April 21-22, 1998
Jack Brier	April 30, 1998
Jarrold Boettcher	May 1, 1998
Mont Draper	May 6, 1998
Larry Fleming	May 7, 1998
Mark Youngers	May 20, 1998
Richard Hrdlicka	May 28, 1998
Walt Cobler	May 19, 1998
Steven Hirsch	June 19, 1998
Joan Finney	December 9, 1998
Governor Hayden	January 21, 1999
Governor Carlin	January 21, 1999
Barbara Loos	June 15, 1999
Paul Karssen	June 29, 1999
Thomas Foster	September 15, 1999
Mark Shipley	September 16, 1999

KPERS has objected to some of these depositions.

F. Recent Developments: On April 8, 1999, the Court stayed further proceedings not related to fact discovery, pending settlement and/or final resolution of all appeals in the Emblem, Hydrogen Energy and CTP-IV appeals.

KPERS has reached an agreement to settle its claims against the Lewis Rice defendants.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
MEMBER SERVICES
January 1, 2000

MEMBER AND EMPLOYER RECORDS

- 1,325 enrollment applications received and new records created
- 4,436 beneficiary designations received and records updated
- 1,312 member records updated for benefit payments
- 2,950 forms and documents sorted and filed
- 1,078 new member files
- 1,500 staff file requests
- 259 applications for service purchases received
- 174 applications for service purchases processed
- \$438,912 in lump sum purchases received
- 276 transactions received for OGLI coverage

CLAIMS PROCESSING

- Monthly retirement benefits totalling \$40.6M to 52,905 recipients
- Monthly average benefit to retirants \$767
- Monthly benefits to new retirants range from \$4 to \$2,669 averaging \$688
- 108 new recipients
- 1,204 withdrawals totalling \$5.7M
- 40 life insurance claims paid totalling \$1,625,485 averaging \$40,637
- 12 Optional insurance claims paid totalling \$330,000 averaging \$27,500
- 43 disability claims approved
- 168 lump sum death benefit claims paid totalling \$672,000
- 23 active death return of contribution benefits

MEMBERSHIP INFORMATION SERVICES

- 4,993 calls to Infoline December 1, 1999 through December 31, 1999
- 159 individual members counselled in KPERS office
- 11 presentations delivered to 136 members
- 139 personal counseling given at workshop sites



January 12, 2000

KPERS MEMBERSHIP

January 1, 2000

	<u>Active</u>	<u>Inactive</u>	<u>Retired</u>	<u>Total</u>
KPERS				
School	85,139	12,381	26,380	123,900
Non-School	62,103	6,552	23,479	92,134
Total	<u>147,242</u>	<u>18,933</u>	<u>49,859</u>	<u>216,034</u>
KP&F				
Tier I	970	46	2,297	3,313
Tier II	5,537	382	607	6,526
Total	<u>6,507</u>	<u>428</u>	<u>2,904</u>	<u>9,839</u>
Judges	<u>249</u>	<u>13</u>	<u>142</u>	<u>404</u>
System Total	<u>153,998</u>	<u>19,374</u>	<u>52,905</u>	<u>226,277</u>

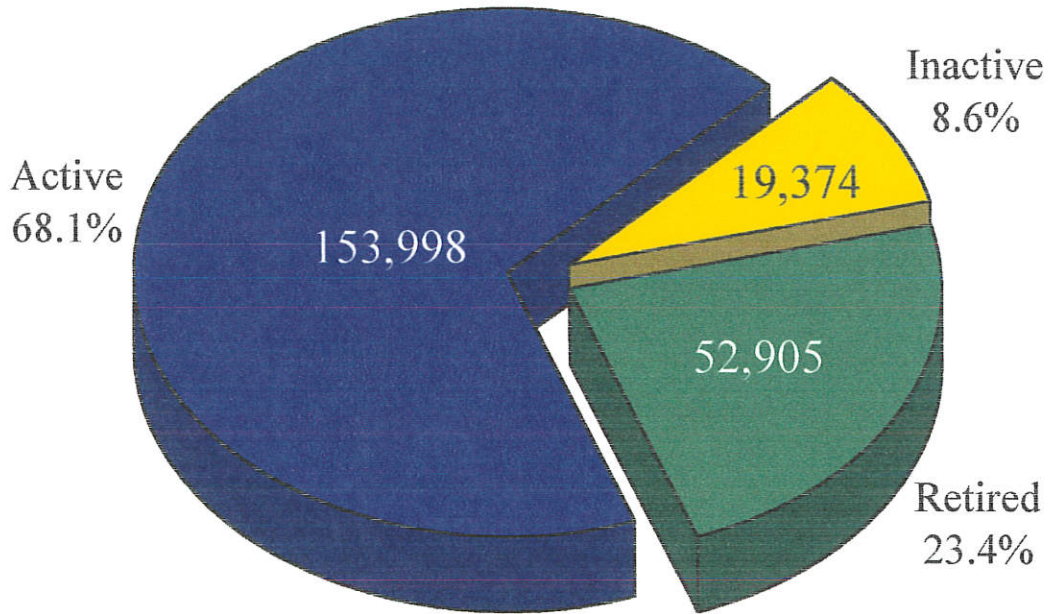


January 3, 2000

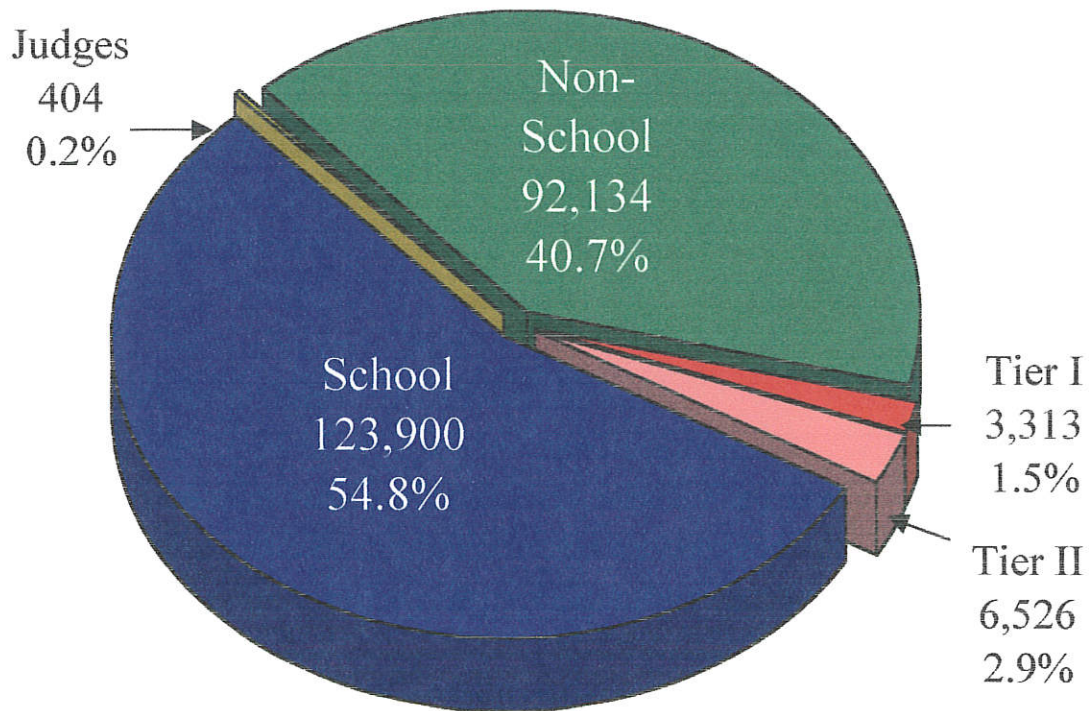
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Membership as of January 1, 2000

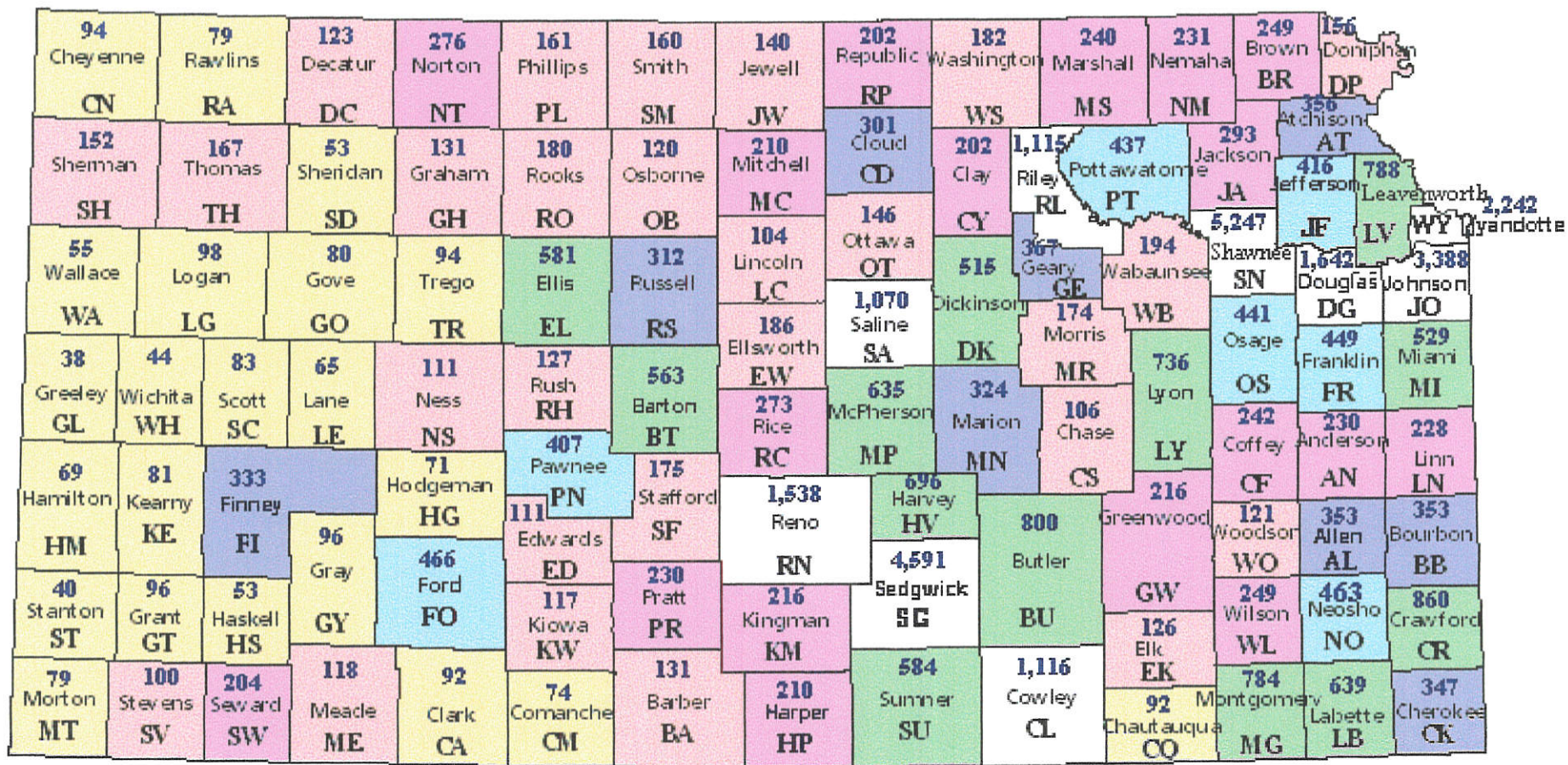
By Member Status

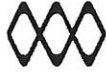


By Member Type



Retirees by County



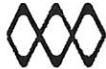


Presentation to The Kansas Legislative Committees

January 20, 2000

Presented By:
Patrice A. Beckham, F.S.A.
Milliman & Robertson, Inc.

1



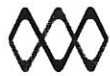
Discussion Topics

- Review 6/30/99 Valuation Results
 - Retirement System
 - Death & Disability Program



2

HOUSE APPROPRIATIONS
1-20-00
Attachment 2

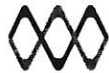


June 30, 1999 Actuarial Valuation

- Determine actuarial contribution rates
- Disclose asset/liability measures
- Analyze experience
- Report on trends



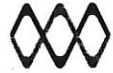
3



Actuarial Cost Method

Mathematical technique which assigns costs to specific years.

4

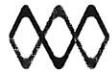


Actuarial Cost Method

Normal Cost: Cost assigned to current year by actuarial cost method.

Actuarial Liability (AL): Portion of actuarial present value of future benefits attributable to prior service under the actuarial cost method.

5



Actuarial Value of Assets

Methodology used to assign a value to the current assets in the Fund for valuation purposes.

6



Unfunded Actuarial Liability (UAL)

UAL=Equals Difference between Actuarial Liability and Actuarial Value of Assets

Impacted by:

- **Experience Gains/Losses**
- **Change in Assumptions**
- **Changes in Benefit Structure**
- **Contributions Actually Made**

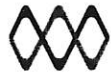
7



Experience Gain/Loss

- **Difference between actual experience and that anticipated by the actuarial assumptions during the period between two valuation dates.**
- **Measured as difference between actual UAL and expected UAL.**

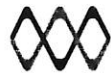
8



Amortization of UAL

- Pay off current present value amount with periodic payments of interest & principal .
- KPERS payment calculated as level % payroll so dollar amount of payment increases 4% each year.
- KPERS amortization period set statutorily at 40 years, measured from 1993.

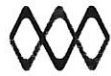
9



Retirement System

UAL (\$M)	<u>AL</u>	<u>AVA</u>	<u>UAL</u>
• State/School	\$7,131	\$6,159	\$973
• Local	1,359	1,283	76
• TIAA	35	12	23
• KP&F	1,397	1,079	317
• Judges	<u>77</u>	<u>69</u>	<u>8</u>
TOTAL	9,999	8,602	1,397

10



Retirement System

Funded Ratio

1994	77.7%
1995	78.8%
1996	81.0%
1997	83.3%
1998	83.0%
1999	86.0%

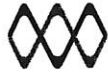
11



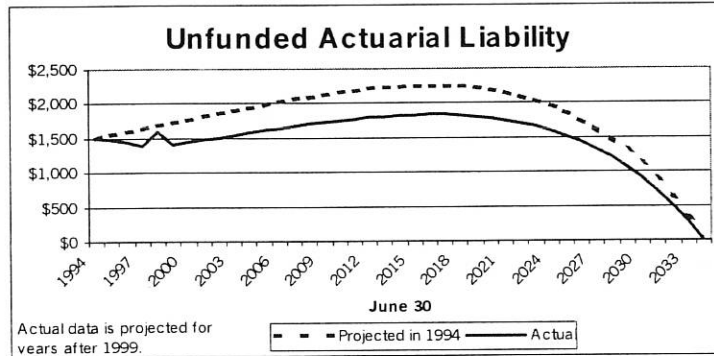
Change in Unfunded Actuarial Liability

(Unfunded) Actuarial Liability 6/30/98	(1,591)
⊗ Effect contribution cap and time lag	(78)
⊗ Expected increase due to amortization method	(30)
⊗ Investment gain	369
⊗ Refinement in data/procedures	(21)
⊗ Liability loss from actual experience	(46)
(Unfunded) Actuarial Liability 6/30/99	(1,397)

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Amortization of UAL



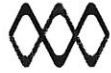
13



Change in State /School Rate

Actuarial Contribution Rate, 6/30/98	6.15%
Change in amortization of UAL:	
• Effect of contribution cap/time lag	0.12%
• Amortization method	0.00%
• Investment gain	(0.52)%
• Refinement in data/procedures	0.09%
• Liability loss from experience	0.06%
 Change in normal cost rate	 0.10%
Actuarial Contribution Rate, 6/30/99	6.00%

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Actuarial Contribution Rates

<u>System</u>	<u>1999</u>	<u>1998</u>
State/School	6.00%	6.15%
Local	3.88%	3.89%
TIAA	2.03%	1.81%
KP & F	6.89%	7.35%
Judges	15.68%	16.14%
Combined	5.33%	5.45%

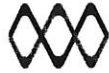
15



Recommended Contribution Rates

<u>System</u>	<u>1999</u>	<u>1998</u>
State/School	4.78%	4.58%
Local	3.37%	3.22%
TIAA	2.03%	1.81%
KP & F	6.89%	7.35%
Judges	15.68%	16.14%
Combined	4.42%	4.28%

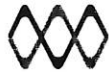
16



Shortfall

<u>System</u>	<u>1999</u>	<u>1998</u>
State/School	1.22%	1.57%
Local	0.51%	0.67%
TIAA	0%	0%
KP & F	0%	0%
Judges	0%	0%
Combined	.91%	1.17%

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Convergence of Rates

	<u>1999</u> <u>Valuation*</u>	<u>1998</u> <u>Valuation*</u>
State/School	FYB 2004 5.30%	FYB 2004 5.32%
Local	FYB 2003 3.50%	FYB 2002 3.40%

*Fiscal year to which the rate applies is the fiscal year beginning two years after the valuation date.

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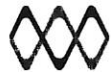


Death & Disability Program

Primary Benefits:

- **Group life of 150% salary**
- **LTD of 66 2/3% of salary and waiver of premium provision**

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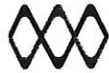


Death & Disability Program

Contributions:

- **0.60% of payroll**
- **0.40% (Judges)**
- **No KP&F coverage**
- **Used to pay life insurance premiums, disability benefits, and admin expense**

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Death & Disability Program

Funding of Benefits:

- **Life Insurance**

- ✦ Fully insured
- ✦ No reserve necessary

- **Disability Benefits**

- ✦ Self-insured
- ✦ Reserve needed to cover disability claims incurred but not paid

21



Death & Disability Program

Normal Cost = Expected life premium for current year plus present value of reserves for members expected to become disabled during the next plan year.

Normal Cost = 0.62% of Payroll

22



Death & Disability Program

Classifications of Reserve:

- (1) Future benefits on Approved Claims - Disability Payt
- (2) Future benefits on Approved Claims - WP Benefit
- (3) Future benefits for IBNR Claims - Disability Payt
- (4) Future benefits for IBNR Claims - WP Benefit
- (5) Prior payments for IBNR Claims - Disability Payt

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Death & Disability Program

	6/30/99 <u>Reserve</u>
Approved Claims	
● Disability Payments	\$105.2
● WP Benefit	27.1
IBNR Claims	
● Disability Payments	11.3
● WP Benefits	4.1
IBNR Claims	
● Prior Payments	<u>0.7</u>
TOTAL	\$148.4

24

 **Death & Disability Program**

Group Ins. Fund (MV)	\$189.6
SBL Balance	<u> .3</u>
	189.9
Actuarial Reserve	\$148.4
Overfunding	\$41.5
Funded Ratio	128%

25

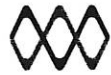
 **Death & Disability Program**

Long-Term Actuarial Rate:

Normal Cost	0.62%
Amortization of Overfunding*	<u>(0.05)%</u>
Actuarial Contr Rate	0.57%

*Over 40 years

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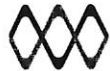


Death & Disability Program

Asset Smoothing Method:

- will be used in 2000
- same method as Retirement System
- smoothing applied from 1995: same date as Retirement System

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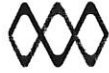


Death & Disability Program

Impact of Smoothing Method (1999):

	<u>MV</u>	<u>AVA</u>
Funded Ratio	128%	115%
Overfunding	\$41	\$22
Actuarial Contr. Rate	0.57%	0.60%

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Death & Disability Program

Main Cost Factors

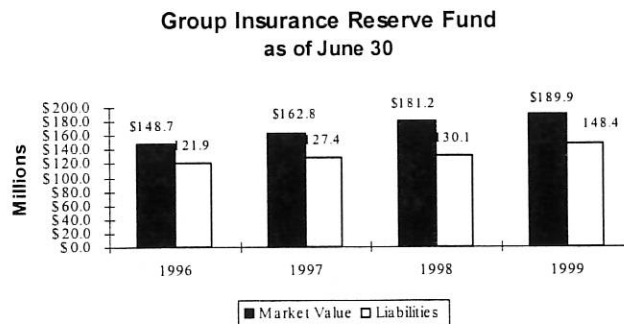
- Disability Rates
- Recovery Rates
- Mortality Rates
- Investment Return

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Death & Disability Program

Historical Information - Funded Status



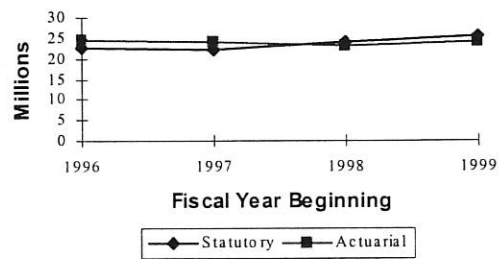
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Death & Disability Program

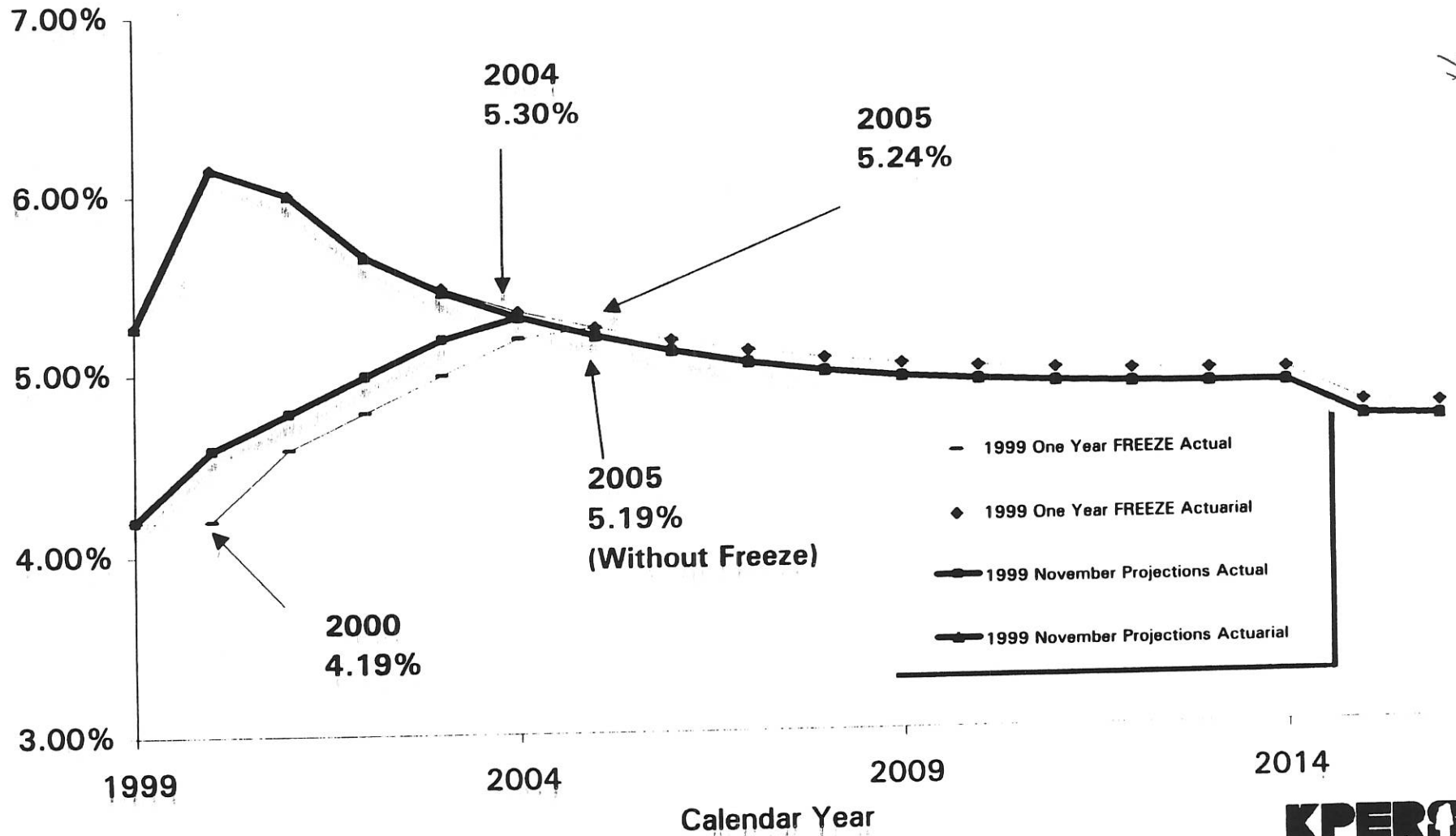
Historical Information - Contribution Rates

Group Insurance Reserve Fund
Contribution Requirements



Kansas Public Employees Retirement System State/School Contribution Rate Comparison One Year Freeze

*House Appropriations
1-20-00
Attachment 3*



Kansas Public Employees Retirement System
Projected Impact of One Year Freeze of State School Contribution Rate
Unfunded Actuarial Liability

<u>Fiscal Year</u>	<u>One Year Freeze</u>	<u>Current Projections</u>	<u>Changes in UAL</u>
	Unfunded (1) Actuarial Liability	Unfunded Actuarial Liability	
2000	\$ 972.55	\$ 972.55	\$ -
2001	\$ 829.40	\$ 829.40	\$ -
2002	\$ 736.47	\$ 724.09	\$ (12.37)
2003	\$ 667.63	\$ 647.67	\$ (19.96)
2004	\$ 617.89	\$ 589.46	\$ (28.42)
2005	\$ 579.23	\$ 541.39	\$ (37.84)
2006	\$ 545.51	\$ 500.17	\$ (45.34)
2007	\$ 517.39	\$ 470.17	\$ (47.22)
2008	\$ 497.01	\$ 448.38	\$ (48.63)
2009	\$ 482.25	\$ 432.63	\$ (49.62)
2010	\$ 471.46	\$ 420.95	\$ (50.51)
2011	\$ 463.17	\$ 411.85	\$ (51.31)
2012	\$ 456.22	\$ 404.18	\$ (52.03)
2013	\$ 449.70	\$ 397.04	\$ (52.67)
2014	\$ 442.90	\$ 389.70	\$ (53.19)
2015	\$ 435.19	\$ 381.59	\$ (53.61)
2016	\$ 426.05	\$ 372.17	\$ (53.89)
2017	\$ 425.87	\$ 371.86	\$ (54.01)
2018	\$ 425.48	\$ 371.51	\$ (53.97)
2019	\$ 424.79	\$ 371.05	\$ (53.74)
2020	\$ 422.82	\$ 369.54	\$ (53.28)
2021	\$ 419.26	\$ 366.67	\$ (52.59)
2022	\$ 413.72	\$ 362.11	\$ (51.61)
2023	\$ 405.89	\$ 355.56	\$ (50.33)
2024	\$ 395.40	\$ 346.69	\$ (48.71)
2025	\$ 381.88	\$ 335.18	\$ (46.70)
2026	\$ 364.90	\$ 320.63	\$ (44.27)
2027	\$ 343.97	\$ 302.62	\$ (41.35)
2028	\$ 318.57	\$ 280.66	\$ (37.91)
2029	\$ 288.06	\$ 254.20	\$ (33.86)
2030	\$ 251.74	\$ 222.59	\$ (29.15)
2031	\$ 208.73	\$ 185.05	\$ (23.69)
2032	\$ 157.98	\$ 140.60	\$ (17.38)
2033	\$ 98.09	\$ 87.98	\$ (10.10)
2034	\$ 26.97	\$ 25.28	\$ (1.69)

(1) Beginning of Year



December 1, 1999

Kansas Public Employees Retirement System
Projected Impact of One Year Freeze of State School Contribution Rate
Level of Contributions

Fiscal Year	<u>One Year Freeze</u>		<u>Current Projections</u>		Changes in Contributions
	Cont Rate	Projected Contributions	Projected Contributions		
2000	4.19%	\$ 222.65	4.19%	\$ 222.65	\$ -
2001	4.19%	\$ 231.55	4.58%	\$ 243.45	\$ (11.90)
2002	4.58%	\$ 253.19	4.78%	\$ 259.54	\$ (6.35)
2003	4.78%	\$ 269.92	4.98%	\$ 276.52	\$ (6.60)
2004	4.98%	\$ 287.58	5.18%	\$ 294.44	\$ (6.86)
2005	5.18%	\$ 306.22	5.30%	\$ 310.52	\$ (4.31)
2006	5.24%	\$ 320.55	5.19%	\$ 318.87	\$ 1.68
2007	5.16%	\$ 330.49	5.10%	\$ 328.21	\$ 2.28
2008	5.10%	\$ 341.18	5.03%	\$ 338.40	\$ 2.78
2009	5.05%	\$ 352.72	4.98%	\$ 349.76	\$ 2.96
2010	5.01%	\$ 365.27	4.94%	\$ 362.15	\$ 3.12
2011	4.99%	\$ 378.75	4.91%	\$ 375.50	\$ 3.25
2012	4.97%	\$ 393.12	4.90%	\$ 389.72	\$ 3.40
2013	4.96%	\$ 408.32	4.89%	\$ 404.78	\$ 3.54
2014	4.95%	\$ 424.34	4.88%	\$ 420.64	\$ 3.70
2015	4.95%	\$ 441.15	4.88%	\$ 437.29	\$ 3.85
2016	4.76%	\$ 448.30	4.69%	\$ 444.28	\$ 4.02
2017	4.75%	\$ 465.47	4.67%	\$ 461.28	\$ 4.20
2018	4.73%	\$ 483.28	4.66%	\$ 478.91	\$ 4.38
2019	4.73%	\$ 502.64	4.66%	\$ 498.07	\$ 4.57
2020	4.73%	\$ 522.88	4.66%	\$ 518.11	\$ 4.77
2021	4.74%	\$ 544.06	4.66%	\$ 539.08	\$ 4.98
2022	4.74%	\$ 566.15	4.67%	\$ 560.95	\$ 5.20
2023	4.75%	\$ 589.19	4.67%	\$ 583.75	\$ 5.43
2024	4.76%	\$ 613.21	4.68%	\$ 607.54	\$ 5.68
2025	4.76%	\$ 638.27	4.69%	\$ 632.34	\$ 5.93
2026	4.77%	\$ 664.42	4.69%	\$ 658.21	\$ 6.21
2027	4.78%	\$ 691.71	4.70%	\$ 685.22	\$ 6.50
2028	4.79%	\$ 720.23	4.71%	\$ 713.42	\$ 6.80
2029	4.80%	\$ 750.05	4.72%	\$ 742.92	\$ 7.14
2030	4.81%	\$ 781.31	4.73%	\$ 773.82	\$ 7.49
2031	4.83%	\$ 814.17	4.75%	\$ 806.28	\$ 7.89
2032	4.85%	\$ 848.92	4.77%	\$ 840.58	\$ 8.33
2033	4.88%	\$ 886.14	4.80%	\$ 877.27	\$ 8.86
2034	4.93%	\$ 927.40	4.85%	\$ 917.82	\$ 9.58
Total contributions		<u>\$17,784.78</u>		<u>\$17,672.27</u>	<u>\$ 112.51</u>



December 1, 1999