



**Component Unit Financial Report**

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**Fiscal Year Ending June 30, 1993**

**Kansas Public Employees Retirement System**



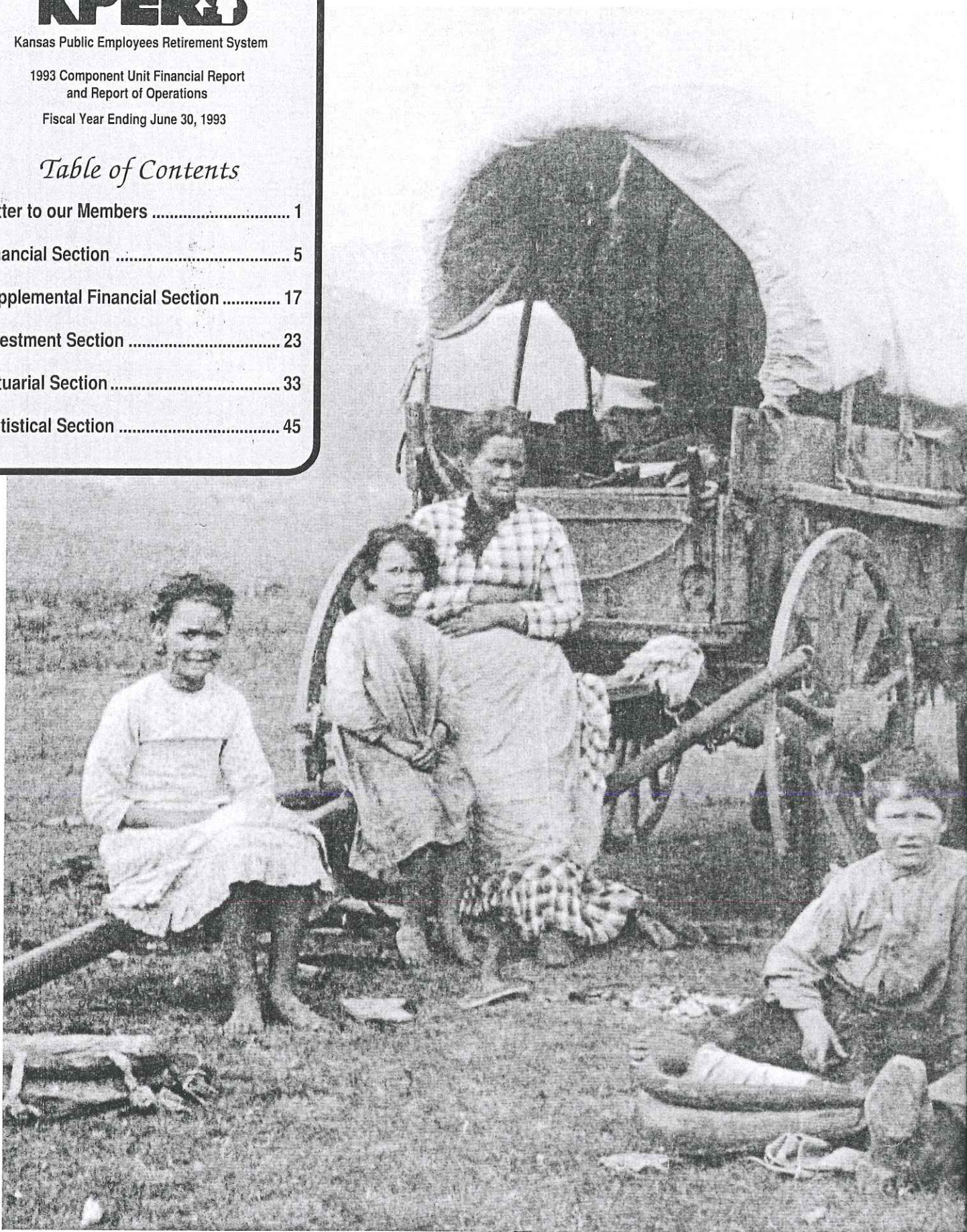
Kansas Public Employees Retirement System

1993 Component Unit Financial Report  
and Report of Operations

Fiscal Year Ending June 30, 1993

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

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

The act further provided that, through June 30, 1993, the Retirement System would be administered by a seven-member Board appointed by the Governor to four-year, overlapping terms. Members serving on the Board during fiscal year 1993 were:

**Walter L. Cobler**, Topeka — Chair

**Jarold Boettcher**, Beloit — Vice-Chair

**Jody Boeding**, Kansas City

**Steven W. Hirsch**, Oberlin

**Michael L. Johnston**, Topeka

**K. Pat Marso**, Coffeyville

**Ruth A. Schrum**, Manhattan

Effective July 1, 1993, the Board was reconstituted as a nine-member Board; four members are appointed by the Governor, two are appointed by legislative leaders, two are elected by Retirement System members, and one is the elected State Treasurer. Those currently serving on the Board are:

**Jarold Boettcher**, Beloit — Chair  
(appointed by the Speaker of House)

**K. Pat Marso**, Coffeyville — Vice-Chair  
(appointed by the Governor)

**Jody Boeding**, Kansas City  
(appointed by the Governor)

**Steven W. Hirsch**, Oberlin  
(appointed by the Governor)

**Michael L. Johnston**, Topeka  
(appointed by the Governor)

**Les Meredith**, Overland Park  
(appointed by the President of the Senate)

**Kathy Stover**, Topeka  
(elected by non-school Retirement System members)

**Sally Thompson**, Topeka  
(State Treasurer - Board member by statute)

**Marjorie Lee Webb**, Shawnee Mission  
(elected by school Retirement System members)



# Kansas Public Employees Retirement System

December 1, 1993

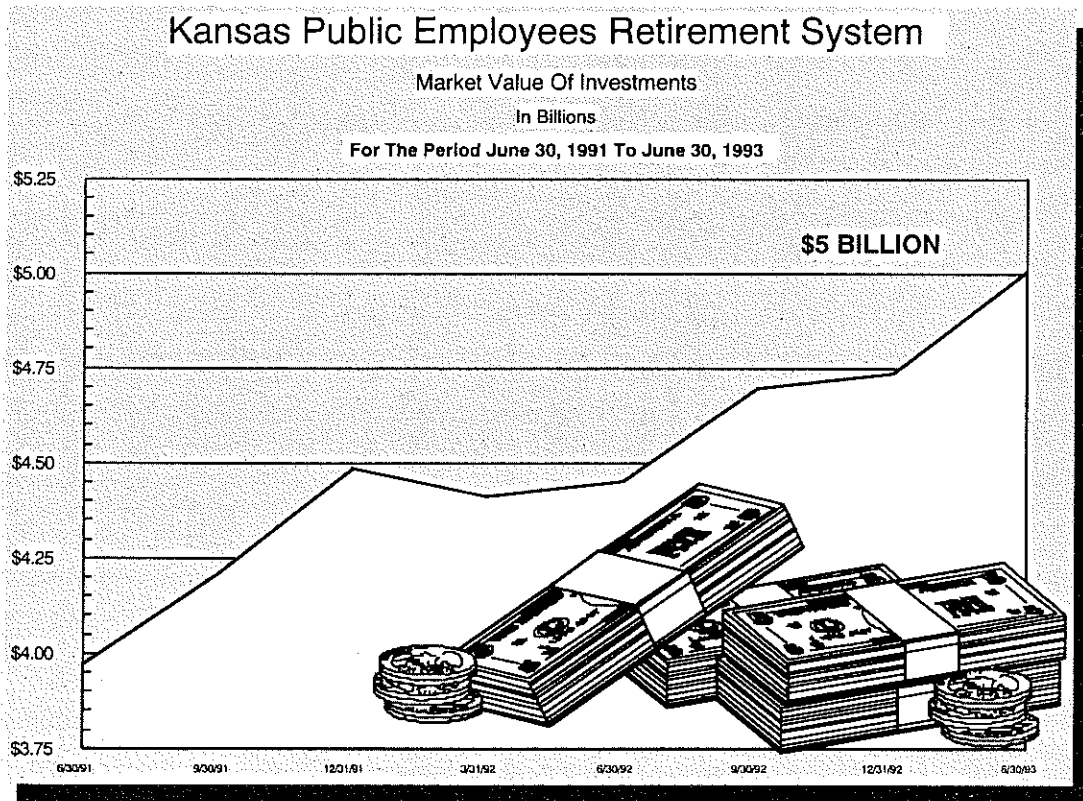
Members  
Kansas Public Employees Retirement System

Dear Members:

I am pleased to submit, on behalf of the Board of Trustees and staff, the Annual Report of the Kansas Public Employees Retirement System. The report covers the operations of the Retirement System for the fiscal year ending June 30, 1993. The Retirement System's fiscal year 1993 operating results and financial position are presented in conformity with generally accepted accounting principles.

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

During this fiscal year the Retirement System achieved historic successes in three areas: sweeping changes to the retirement law which will result in vastly improved member benefits; for the first time ever, members of the Retirement System elected member representatives to serve on the newly reorganized, expanded Board of Trustees; and the market value of the Retirement System's investments reached a new, all-time high of five billion dollars.



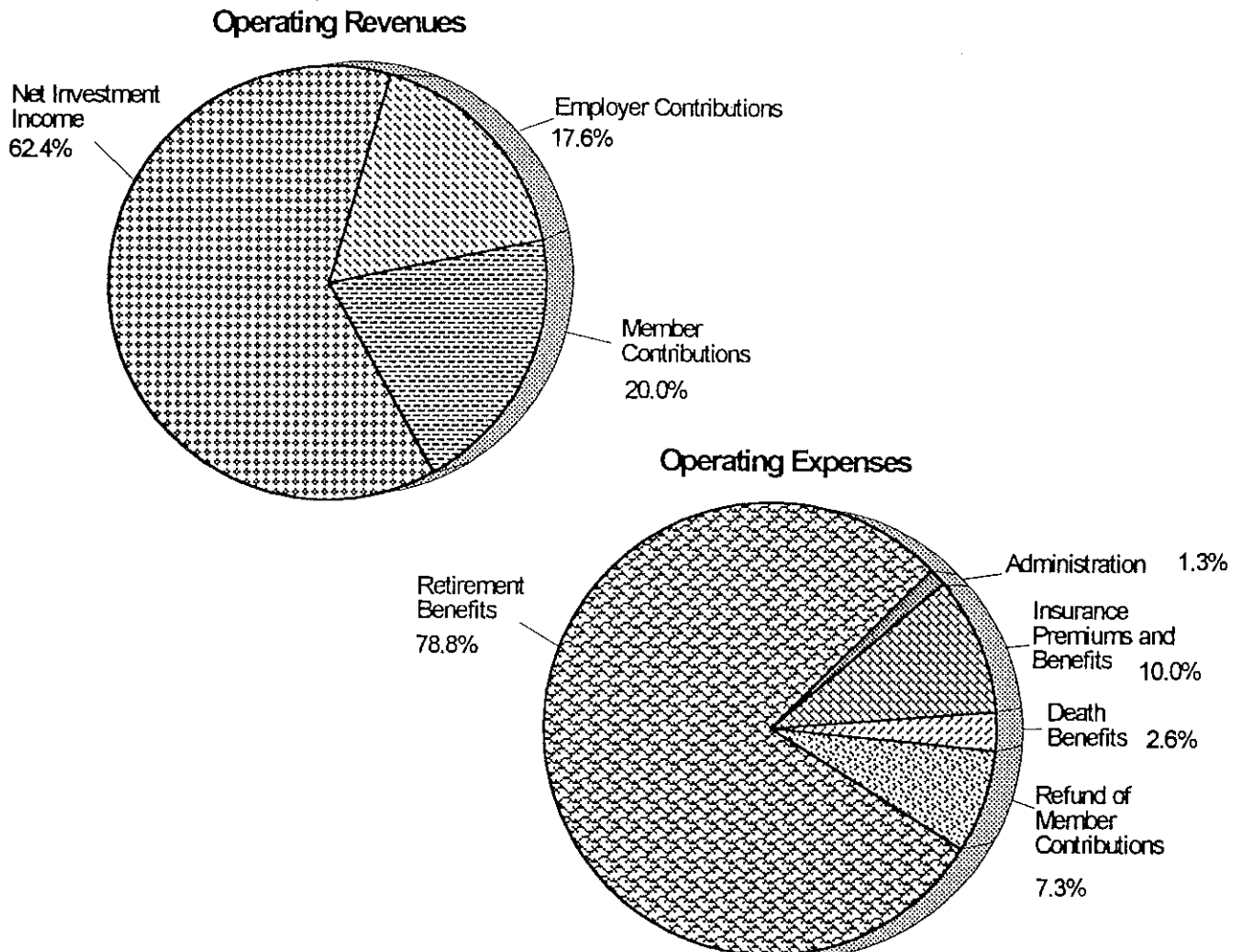
Capitol Tower ■ Suite 200 ■ 400 S.W. 8th Ave. ■ Topeka, Kansas 66603-3925 ■ Phone (913) 296-6666  
KPERS Telephone Facsimile (913) 296-2422  
Call Toll Free 1-800-228-0366

At June 30, 1993, the collective membership of the three systems was 172,567. The membership included 131,179 current and former public servants, and 41,388 retired public servants and beneficiaries. During the course of the year, 2,492 members retired and 25 new public employers joined the Retirement System. At year end, there were 1,272 employers participating in the Retirement System.

The Retirement System's fiscal year 1993 financial operations are summarized in the table on page 3. As indicated, the Retirement System had net reserves of \$4.23 billion at June 30, 1992. During the year, active members contributed more than \$133 million to the System, while employers contributed almost \$117 million. Investments generated over \$435 million in gross income during the fiscal year, including realized gains and losses on publicly traded securities. After subtracting management fees and expenses associated with the investments, fiscal year 1993 Net Investment Income totaled just over \$416 million. Net investment income plus member and employer contributions resulted in total operating revenues of \$666.7 million.

The expenses of the Retirement System totaled nearly \$284 million in fiscal year 1993. Included were \$223 million in monthly benefits to retired members, \$21 million paid to members who withdrew their contributions, more than seven million dollars in death benefits, and over \$28 million in insurance premiums and benefits. The cost of maintaining the Retirement System's administrative operations totaled a little more than \$3.7 million dollars.

Total revenues exceeded expenses by more than \$383 million during the year, thereby increasing the System's net reserves to \$4.62 billion at June 30, 1993. These reserves represent the funds available to pay for current and future member benefits. The following graphics depict the operating expenses and revenues of the Retirement System.



As indicated in the table on page 4, the Retirement System's investment performance continued to improve in fiscal year 1993. The time-weighted rate of return, which includes income and changes in investment value, was 14.7 percent. Investment values used for alternative investment assets reflect adjusted cost basis (original cost less allowance for losses), not market value. Investment values used for publicly traded assets reflect market value. These performance results were independently calculated by CDA Investment Technologies, Inc. The net investment income of \$416 million represents an accounting rate of return (income divided by the average adjusted cost basis of investments) of 9.5 percent.

## Fiscal Year 1993 Operating Results

<b>Reserves - Balance at July 1, 1992</b>		<b>\$ 4,233,472,896</b>
<b>Operating Revenues:</b>		
Contributions		
Members	\$	133,506,738
Employers		116,940,950
Total Contributions		250,447,688
<b>Investment Income</b>		
Gross Investment Income	\$	435,535,025
Less:		
Manager - Custodians Fees, Expenses	(19,265,227)	
Net Investment Income		416,269,798
Total Operating Revenues		666,717,486
<b>Operating Expenses:</b>		
Monthly Retirement Benefits Paid	223,178,255	
Refunds of Contributions to Members	20,812,351	
Death Benefits	7,499,557	
Insurance Premiums and Benefits	28,353,401	
Administrative (KPERs Office) Expenses	3,715,294	
Total Operating Expenses		283,558,858
Revenue in Excess of Expenses		383,158,628
<b>Reserves - Balance at June 30, 1993</b>		<b>\$ 4,616,631,524</b>

The Retirement System maintains a diverse investment portfolio. At June 30, 1993, the carrying value of the publicly traded investments was \$3.99 billion and the carrying value of the non-publicly traded investments (real estate and alternative investments) was \$.57 billion. The total investment portfolio carrying value at year end was \$4.55 billion. At year end, the net asset value for publicly traded investments was \$4.62 billion and the net asset value of real estate investments was \$.34 billion. Combining these net asset values with the carrying value of direct placement investments, which was \$.14 billion, provides a total valuation of \$5.1 billion at year end.

The Retirement System expanded its horizons significantly during the last fiscal year. During the 1993 legislative session, the KPERs Omnibus Retirement Bill was passed into law, providing the most comprehensive package of benefit and funding enhancements in the history of the Retirement System. These historic

revisions will increase pensions received by members of all three systems who are already retired by as much as 15 percent, while future retired members' benefits will go up by about 25 percent. The enhancements are expected to put an additional \$27 million in benefits into the hands of retired members this year. The ripple effect on the Kansas economy is expected to total \$230 million. During fiscal year 1993, for the first time ever, Retirement System members elected two representatives from the membership to serve on the Board of Trustees. Reflecting that change, the Board of Trustees was expanded from seven to nine members this year as well.

### Investment Performance Past Five Years

Fiscal Year	Time-Weighted Rate of Return	Consumer Price Index
1993	14.7%	3.0%
1992	12.8%	3.1%
1991	0.3%	4.5%
1990	12.1%	4.8%
1989	12.0%	5.3%

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

The Retirement System remains financially secure. One indication of a pension fund's strength is the funding status of its pension benefit obligation. This is a standardized disclosure method which is independent of the actuarial funding method used to determine the employers contributions. At June 30, 1993, net assets available for retirement benefits were 85.3 percent of the total pension benefit obligation for all systems combined.

The Board of Trustees and its staff have as their highest priority delivering essential services to Kansas public servants and public employers. The Retirement System is committed to the concepts of fiduciary responsibility, member service and the complete, accurate and timely reporting of performance results. Your questions, comments, and concerns are essential and always appreciated.

Sincerely,



Meredith Williams  
Executive Secretary





# Berberich Trahan & Co., P.A.

Certified Public Accountants

800 SW Jackson Street, Suite 1300  
Topeka, KS 66612-1268

Telephone 913 234 3427  
W A T S 1 800 530 5526  
Telecopier 913 233 1768

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

The Board of Trustees  
Kansas Public Employees Retirement System

We have audited the accompanying balance sheet of the Kansas Public Employees Retirement System as of June 30, 1993, and the related statement of revenues, expenses and changes in fund balance for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Public Employees Retirements System as of June 30, 1993, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental financial section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information for the years ended June 30, 1993 and 1992 has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplemental financial data for each of the years ending June 30, 1984 through 1991 were subjected to auditing procedures by other auditors whose reports stated that such information was fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

*Berberich Trahan & Co., P.A.*

November 24, 1993

# Kansas Public Employees Retirement System

## Balance Sheet As of June 30, 1993

With Comparative Figures for 1992

Assets	1993	1992
Cash and Deposits		
Cash	\$ 683,037	\$ 379,744
Deposits with Insurance Carrier	708,555	1,856,901
Total Cash and Deposits	1,391,592	2,236,645
Receivables		
Contributions	31,184,034	29,561,891
Investment Income	32,419,696	30,059,020
Sale of Investment Securities	161,115,386	93,026,794
Total Receivables	224,719,116	152,647,705
Other Assets		
Fixed Assets and Supplies Inventory	519,695	581,310
Investments		
Investments at Cost	4,658,436,866	4,307,835,759
Allowance For Losses on Investments	(103,080,961)	(125,730,701)
Net Investments	4,555,355,905	4,182,105,058
Total Assets	\$ 4,781,986,308	\$ 4,337,570,718
<b>Liabilities and Reserves</b>		
Liabilities		
Administrative Costs	\$ 762,138	\$ 661,635
Benefits Payable	517,664	623,797
Securities Purchased	164,074,982	102,812,390
Total Liabilities	165,354,784	104,097,822
Reserves		
Members' Accumulated Contributions	1,651,701,055	1,489,300,991
Retirement Benefit Accumulation	1,946,424,483	1,642,467,651
Retirement Benefit Payment	1,855,044,596	1,509,129,600
Retirant Dividend Payment	9,850,417	9,590,109
Administrative Expenses	7,430,637	6,549,783
Optional Term Life Insurance	(46,298)	(10,561)
Group Insurance	113,965,334	109,300,223
Unreserved - Prior Service Cost	(967,738,700)	(532,854,900)
Total Reserves	4,616,631,524	4,233,472,896
Total Liabilities and Reserves	\$ 4,781,986,308	\$ 4,337,570,718

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

# Kansas Public Employees Retirement System

## For the Fiscal Year Ended June 30, 1993

### Statement of Revenues, Expenses, and Changes in Fund Balance With Comparative Totals for 1992

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Reserves

	Members' Accumulated Contribution	Retirement Benefit Accumulation	Retirement Benefit Payment	Retirant Dividend Payment
<b>Operating Revenues:</b>				
Member Contributions	\$ 130,346,856	\$ —	\$ —	\$ —
Employer Contributions	—	96,292,433	—	—
Employer Insurance	—	—	—	—
Investment Income	113,734,600	287,971,528	—	—
Other Income	2,289	30	526,611	395
Total Operating Revenues	244,083,745	384,263,991	526,611	395
<b>Operating Expenses:</b>				
Monthly Retirement	—	—	213,080,377	9,834,057
Refunds of Contributions	20,812,351	—	—	—
Death Benefits	3,045,619	140,070	4,313,868	—
Administrative Expenses	—	—	—	—
Insurance Premium/Benefits	—	—	—	—
Total Operating Expenses	23,857,970	140,070	217,394,245	9,834,057
Revenues in Excess of Expenses Before Transfers	220,225,775	384,123,921	(216,867,634)	(9,833,662)
<b>Reserve Transfers For:</b>				
Benefits Awarded	(57,489,065)	(213,790,673)	271,279,738	—
Unclaimed Accounts	(336,646)	336,646	—	—
Actuarial Adjustments	—	(291,502,892)	291,502,892	—
Dividend Payments	—	(10,093,970)	—	10,093,970
Other	—	—	—	—
Total Reserves Transfers	(57,825,711)	(515,050,889)	562,782,630	10,093,970
<b>Net Change in Reserve Balance</b>	<b>162,400,064</b>	<b>(130,926,968)</b>	<b>345,914,996</b>	<b>260,308</b>
Actuarial Liability Increase	—	434,883,800	—	—
Balance Beginning of Year	1,489,300,991	1,642,467,651	1,509,129,600	9,590,109
Balance End of Year	\$ 1,651,701,055	\$ 1,946,424,483	\$ 1,855,044,596	\$ 9,850,417

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

Administrative Expenses	Optional Term Life Insurance	Group Insurance	Unreserved Prior Service Cost	1993 Totals	1992 Totals
\$ —	\$ 3,159,882	\$ —	\$ —	\$ 133,506,738	\$ 125,377,262
—	—	—	—	96,292,433	92,968,008
—	—	20,115,114	—	20,115,114	18,456,388
4,508,049	—	10,055,621	—	416,269,798	389,074,013
4,078	—	—	—	533,403	509,064
<u>4,512,127</u>	<u>3,159,882</u>	<u>30,170,735</u>	<u>—</u>	<u>666,717,486</u>	<u>626,384,735</u>
—	—	263,821	—	223,178,255	198,662,810
—	—	—	—	20,812,351	23,310,075
—	—	—	—	7,499,557	6,902,906
3,715,294	—	—	—	3,715,294	3,274,890
—	3,111,598	25,241,803	—	28,353,401	26,745,197
<u>3,715,294</u>	<u>3,111,598</u>	<u>25,505,624</u>	<u>—</u>	<u>283,558,858</u>	<u>258,895,878</u>
796,833	48,284	4,665,111	—	383,158,628	367,488,857
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
84,021	(84,021)	—	—	—	—
<u>84,021</u>	<u>(84,021)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>880,854</u>	<u>(35,737)</u>	<u>4,665,111</u>	<u>—</u>	<u>383,158,628</u>	<u>367,488,857</u>
—	—	—	(434,883,800)	—	—
6,549,783	(10,561)	109,300,223	(532,854,900)	4,233,472,896	3,865,984,039
<u>\$ 7,430,637</u>	<u>\$ (46,298)</u>	<u>\$ 113,965,334</u>	<u>\$ (967,738,700)</u>	<u>\$ 4,616,631,524</u>	<u>\$ 4,233,472,896</u>

# NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1993

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## NOTE 1: Plan Description

### A. Plan Membership

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

### B. Plan Benefits

Members (except KP&F members) with 10 or more years of service may retire as early as age 55 (KP&F age 50 with 20 years) with an actuarially reduced monthly benefit. New normal retirement is at age 65, age 62 with 10 years of service credit, or when combined age and years of service equal 85 "points" (KP&F age 60 with 15 years, age 55 with 20 years, or age 50 with 25 years). Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. Upon termination of employment a member may elect to withdraw accumulated contributions, including interest credited to the member's account. A member who withdraws contributions forfeits all rights and privileges accrued during membership. Members choose one of seven options to receive their monthly retirement benefits.

All active members (except KP&F members) are covered by the group life insurance contract. The life insurance benefit is 150 percent of the annual rate of compensation at the time of death. Generally, in cases of death (KPERS) as a result of an on-the-job accident, there is a \$50,000 lump sum benefit and a monthly benefit payable to a surviving spouse, minor children or dependent parents (in this order of preference). Statutory service-connected accidental death benefits are in addition to any life insurance benefit payable to the designated beneficiary(ies). There is a \$4,000 death benefit payable to designated beneficiary(ies) upon the death of a retired member under any system.

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

### C. Contributions

Member contributions (from four percent to seven percent of compensation), employer contributions and net investment income fund the reserves of the Retirement System. Member contribution rates are established by state law, and are paid by the employer in accordance with provisions of section 414 (h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. All of the retirement systems are funded on an actuarial reserve basis. Contribution rates are determined as a level percentage of salary by the System's actuary using the projected unit credit actuarial cost method. Employer contributions for group life and long-term disability are set by statute at 0.6 percent

of covered payroll. A 40-year amortization period commences July 1, 1993, for the KPERS, KP&F, and Judges systems. During 1993, legislation was passed into law deleting the statutory contribution rate for judges for fiscal year 1995 (see Note 3).

## NOTE 2: Summary of Significant Accounting Policies

### A. Reporting Entity

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

### B. Basis of Accounting

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

### C. Prior Year Information

The 1992 balances are presented for comparative purposes only. They do not include all information necessary for a complete presentation.

### D. Investments

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

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

In fulfilling its responsibilities, the Board of Trustees has contracted with 16 investment management firms and a master global custodian located in Boston, Massachusetts.

The Retirement System is presently engaged in the financial futures market. At June 30, 1993, the Retirement System had purchased Treasury note and Treasury bond future contracts with a market value of \$256,536,562. Market value and contract price are compared daily creating a corresponding gain or loss. Investment income of \$40,362,259 has been recognized during fiscal year 1993 from these activities. Margin deposits in the form of U.S. Treasury Notes of \$4,443,023 are included in temporary investments as of June 30, 1993.

The Retirement System currently participates in both domestic and international securities lending activities. The System receives a fee from the brokerage firm in addition to the income which accrues to the System as owner of the securities. The brokerage firm collateralizes the loan with either cash or government securities of approximately 102 percent of market value on domestic securities, and 105 percent of market value on international securities loaned. Daily, the securities on loan are marked to market to determine the adequacy of collateral. Income produced from securities lending activities for fiscal year 1993 was \$963,149. The market value of securities on loan as of June 30, 1993, was \$361,035,898.

International managers utilize forward currency contracts in their management of funds for the Retirement System. All forward foreign currency contracts are carried at market value by the Retirement System, and as of June 30, 1993, the System had sold forward currency contracts with a market value of \$114,745,261, and had bought forward currency contracts with a market value of \$113,470,422. Purchases of forward currency contracts are recorded as securities purchased not paid for, and sales of forward currency contracts are recorded as receivables on the sale of investments.

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

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

All Retirement System investments that can be categorized within these guidelines meet the criteria of category 1. A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditship. "Securities" do not include investments made with another party, real estate or direct investments in mortgages. Investments in mutual funds, limited partnerships, real estate investment trusts, and commingled trust funds also are not considered securities for purposes of credit risk classification. Such investments are shown in the following schedule as "not subject to classification." The schedule distributes by asset class the carrying value of investments as of June 30, 1993.

Investments:	Asset Classification			Carrying Value	Market Value
	1	2	3		
Subject to Classification:					
Domestic Equities	\$ 1,506,997,305	\$ _____	\$ _____	\$ 1,506,997,305	\$ 1,914,225,958
Domestic Fixed Income	1,401,450,169	_____	_____	1,401,450,169	1,453,949,688
Temporary Investments	16,751,228	_____	_____	16,751,228	16,424,568
International Fixed	139,161,549	_____	_____	139,161,549	140,106,192
International Equities	280,938,187	_____	_____	280,938,187	303,173,176
Total Subject to Classification	<u>\$ 3,345,298,438</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>3,345,298,438</u>	<u>3,827,879,582</u>
Not Subject to Classification:					
Alternative Investments (1)				139,260,012	139,260,012
Real Estate				430,329,327	343,279,267
Mutual Funds					
Temporary Investments				11,864,811	11,864,811
Domestic Equities				28,096,879	104,161,884
Domestic Fixed				441,943,245	478,385,735
International Fixed				158,563,193	166,958,193
Total Not Subject to Classification				<u>1,210,057,467</u>	<u>1,243,909,892</u>
Total Investments				<u>\$ 4,555,355,905</u>	<u>\$ 5,071,789,474</u>

(1) Alternative Investments are presented at historical cost less reductions for declines in value deemed to be other than temporary.

#### E. Furniture, Fixtures, Equipment and Office Supplies

Furniture, fixtures, and equipment are reported on the balance sheet at historical cost, net of accumulated depreciation. These assets are depreciated on a straight line basis over an average useful life of 3 to 10 years with no salvage value. Accumulated depreciation on furniture, fixtures, and equipment as of June 30, 1993, was \$1,225,968. Office supplies inventory in the amount of \$19,676 are included, assuming the first-in, first-out method.

#### F. Compensated Accrued Absences

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

#### G. Reserves

K.S.A. 74-4922 defines the title and use of the required reserves of the Retirement System. The composition of the reserves, credits to the reserves and charges to the reserves are also specified in K.S.A. 74-4922.

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

The **Member's Accumulated Contribution Reserve** represents the accumulation of member contributions plus interest credited to individual members' accounts of non-retired members. At the date of retirement the individual member's account is transferred to the Retirement Benefit Payment Reserve. Upon termination of employment and application for withdrawal, refunds of employee contributions plus accumulated interest are charged to this reserve. Interest is credited to member accounts on June 30 each year, based on the balance in the account as of the previous December 31. The interest crediting rate, defined by statute as the actuarial interest assumption rate, was eight percent (8%) for fiscal years 1993 and 1992. For those who first begin public service careers after June 30, 1993, interest on employee contributions will be credited at the rate of four percent (4%).

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

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

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

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



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

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

#### H. Leases

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

### **NOTE 3: Funding Status**

#### A. Funding Status

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

The pension benefit obligation was determined as of June 30, 1993, the date of the most recent actuarial valuations of the KPERS, KP&F, and Judges Systems. Significant actuarial assumptions used to determine the pension benefit obligation include an assumed long-term investment yield rate of eight percent per year, and projected salary increases of five percent, plus a percentage based on an age-related salary scale. The inflation component of the economic assumptions is an assumed long-term inflation rate of five percent per year. These assumptions are the same as the assumptions used in the actuarial valuations as of June 30, 1992. During 1993, the Kansas Legislature passed into law legislation that provided major benefit enhancements for members of all three retirement systems who retire after June 30, 1993, and a post-retirement benefit increase for all retirees who retired before July 1, 1993. The ad-hoc benefit increase for retirees with 15 or more years of service was the greater of 15 percent or \$50 per month, with a maximum increase of \$200 per month; retirees with fewer than 15 years of service received an increase equal to the greater of five percent or \$10 per month. The comprehensive 1993 retirement legislation also amended the statutory funding provisions applicable to all three retirement systems. For KPERS, the funding method was changed from the frozen initial liability method to the projected unit credit actuarial cost method, and provided that this method be used to determine KPERS employer contribution rates commencing with the 1993 actuarial valuation (except for TIAA members). Under the new method, the unfunded actuarial accrued liability is recalculated each year (rather than being essentially fixed in dollar amount as under the previous method). Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in KPERS' accrued actuarial liabilities, and affect the amount of annual amortization payments required to amortize the unfunded accrued liability over the statutory 40-year amortization period; the annual amortization payments for the Judges system will remain level in dollar amount. For KPERS-TIAA members, the unfunded actuarial accrued liability will be amortized by annual level-dollar payments over a period of ten years from July 1, 1993. Due to these legislative changes the Board of Trustees adjusted the assumptions relative to retirement age and turnover rates. The basic funding objective is an employer contribution rate that remains relatively level as a percentage of payroll throughout the amortization period.

The total pension benefit obligation was approximately \$5,278 million and \$4,082 million as of June 30, 1993 and June 30, 1992, respectively. The increase in the total pension benefit obligation is a direct result of the benefit enhancements. Such increase is partially offset by the changes in the funding method and in the actuarial assumptions.

The unfunded pension benefit obligation of approximately \$775 million at June 30, 1993, is the amount computed by subtracting net assets available for retirement benefits (at book value) from the total pension benefit obligation. The unfunded pension benefit obligation differs from the unfunded past service liability. The unfunded pension benefit obligation as of June 30, 1993, for KPERS, KP&F, and the Judges Systems combined, was approximately \$775 million or about \$192 million less than the unfunded past service liability of \$968 million.

As of June 30, 1993, net assets available for retirement benefits (which excludes reserves for Optional Term Life and Group Insurance) were 85.3 percent of the total pension benefit obligation for all systems combined. The pension benefit obligation at June 30, 1993, is shown below:

	Individual Retirement Systems			
	KPERS	KP&F	Judges	Total
<b>Current Employees</b>				
Members Accumulated Contributions Including Interest	\$ 1,517,585,455	\$ 125,957,000	\$ 8,158,600	\$ 1,651,701,055
Employer Financed Portion				
Vested	635,778,400	61,956,800	6,814,900	704,550,100
Non-Vested	787,694,800	197,606,900	4,515,800	989,817,500
<b>Retirees and Beneficiaries</b>				
Retirees receiving benefits and terminated employees not yet receiving benefits	1,663,392,400	252,872,200	15,766,400	1,932,031,000
<b>Equals the Total Pension Benefit Obligation</b>	<b>4,604,451,055</b>	<b>638,392,900</b>	<b>35,255,700</b>	<b>5,278,099,655</b>
<b>Less Net Assets Available for Benefits at Book Value (1)</b>	<b>3,922,077,437</b>	<b>545,206,041</b>	<b>35,429,010</b>	<b>4,502,712,488</b>
<b>Equals Unfunded Pension Benefit Obligation</b>	<b>\$ 682,373,618</b>	<b>\$ 93,186,859</b>	<b>\$ (173,310)</b>	<b>\$ 775,387,167</b>

(1) As of June 30, 1993, market value of net assets available for benefits was \$4,957,870,436

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

The following unaudited analysis of funding progress provides information about the progress the Retirement System is making in accumulating sufficient assets to pay benefits and is presented as supplementary information according to Statement No. 5 of the Governmental Accounting Standards Board:

**Kansas Public Employees Retirement System  
Analysis of Funding Progress  
All Systems Combined - Stated in Millions**

Year	(1) Net Assets Available for Retirement Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation As a Percent of Covered Payroll (4) / (5)
* 1987 (a)	\$2,589.5	\$2,958.1	87.5%	\$368.6	\$2,304.5	16.0%
1988 (a)	\$2,908.0	\$3,151.1	92.3%	\$243.1	\$2,397.3	10.1%
1989 (a)	\$3,026.7	\$3,610.7	83.8%	\$584.0	\$2,444.6	23.9%
1990 (a)	\$3,458.2	\$3,383.7	102.2%	(\$74.5)	\$2,651.6	(2.8)%
1991 (b)	\$3,759.5	\$3,732.8	100.7%	(\$26.7)	\$2,922.4	(0.9)%
1992 (b)	\$4,124.2	\$4,082.0	101.0%	(\$42.2)	\$3,052.0	(1.4)%
1993 (b)	\$4,502.7	\$5,278.1	85.3%	\$775.4	\$3,122.3	24.8%

**Note:**

- \* Not available prior to January 1, 1987
- (a) The Retirement System's date for actuarial valuations was December 31.
- (b) The Retirement System's date for actuarial valuations was June 30.

**NOTE 4: Commitments and Contingencies**

As of June 30, 1993, the Retirement System was committed for additional funding, totalling \$14,997,674 in the form of capital calls on existing direct placement and real estate holdings in the portfolio.

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

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

# Highlights of Operations - 10 Year Summary

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	1993	1992	1991	1990
<b>Membership Composition</b>				
Number of Retirants	41,388	39,552	39,262	38,243
Number of New Retirants During the Year	2,492	2,476	2,431	2,262
Number of Active and Inactive Members	131,179	125,689	122,186	118,042
Number of Participating Employers	1,272	1,247	1,223	1,188
<b>Financial Results (Millions)</b>				
Retirement / Death Benefits	231	206	187	168
Member Contributions	134	125	124	112
Employer Contributions	117	112	106	101
Investment Income	416	389	122	391
Total Revenue	667	626	352	604
Total Expenses	284	259	236	210
Revenues in Excess of Expenses	383	367	116	395
Total Assets	4,782	4,338	3,969	3,833
<b>Employer Contribution Rate</b>				
KPERS--State / School (a)	3.3%	3.3%	3.2%	3.1%
KPERS--Local (b)	1.8%	2.4%	2.6%	2.0%
KPERS--School (a)	—	—	—	—
KP&F (Average)	9.1%	9.3%	9.1%	13.1%
Judges	7.1%	7.3%	5.4%	5.9%
TIAA	1.6%	1.7%	1.5%	1.5%
Special Elected Officials (c)	7.9%	8.3%	7.9%	7.8%
<b>Past Service Liability (Millions)</b>				
KPERS--State / School	573	395	373	342
KPERS--Local	94	47	40	34
KPERS--School (d)	—	—	—	—
KP&F	272	67	66	69
Judges	5	4	4	4
TIAA	24	20	20	19
Special Elected Officials	—	—	—	2
<b>Funding Ratios (e)</b>				
KPERS--State / School	85.1%	88.3%	88.0%	88.0%
KPERS--Local	87.3%	92.7%	93.1%	93.6%
KPERS--School	—	—	—	—
KP&F	66.7%	88.1%	87.3%	85.9%
Judges	87.9%	89.8%	89.1%	89.1%
TIAA	20.0%	22.6%	21.1%	24.2%
Special Elected Officials	—	—	—	78.5%

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

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

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

1989	1988	1987	1986	1985	1984
37,250	36,171	34,819	33,598	32,675	31,762
2,323	2,640	2,345	2,148	1,984	1,892
114,169	107,107	104,691	102,693	102,100	102,327
1,150	1,126	1,112	1,100	1,078	1,064
152	135	119	106	93	79
97	92	91	83	75	70
91	92	106	100	99	103
230	231	322	395	220	160
419	415	519	578	393	332
194	169	152	138	122	106
225	245	367	440	271	226
3,451	3,177	2,928	2,602	2,108	1,819
3.0%	3.0%	3.9%	4.3%	4.6%	4.6%
3.0%	3.0%	4.1%	4.0%	4.4%	4.4%
11.1%	19.0%	18.7%	18.9%	16.3%	20.8%
6.6%	6.6%	8.7%	8.7%	10.3%	10.4%
1.6%	1.4%	1.5%	1.3%	1.4%	1.4%
7.7%					
316	294	311	72	65	58
30	26				
			231	228	217
70	68	69	70	75	75
3	3	3	3		
19	16	16	15	13	14
87.3%	87.7%	87.9%	93.3%	92.8%	92.7%
93.9%	94.3%				
			83.1%	80.8%	79.0%
84.1%	83.2%	81.0%	79.8%	74.8%	71.4%
88.9%	89.3%	88.3%	89.2%		
21.6%	25.5%	24.1%	27.1%	29.7%	26.3%

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

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

# Kansas Public Employees Retirement System

## For the Fiscal Year Ended June 30, 1993

### Schedule of Contributions Received

#### Kansas Public Employees Retirement System

State / School Contributions		
Members	\$ 96,808,260	
Employers	63,476,753	
Insurance	14,998,108	
Total State / School Contributions		\$ 175,283,121
Local Contributions		
Members	22,483,062	
Employers	9,679,554	
Insurance	3,222,028	
Total Local Contributions		35,384,644
State Contributions - KPERS TIAA		
Employers	2,607,074	
Insurance	1,859,516	
Total TIAA Contributions		4,466,590

**Total Contributions -**

**Kansas Public Employees Retirement System** \$ 215,134,355

#### Kansas Police and Firemen's System

State Contributions		
Members	1,317,336	
Employers	1,623,887	
Total State Contributions		2,941,223
Local Contributions		
Members	9,126,096	
Employers	18,101,447	
Total Local Contributions		27,227,543

**Total Contributions -**

**Kansas Police and Firemen's System** 30,168,766

#### Kansas Retirement System for Judges

State Contributions		
Members	612,100	
Employers	803,719	
Insurance	35,463	
Total State Contributions		1,451,282

**Total Contributions -**

**Kansas Retirement System for Judges** 1,451,282

#### Member Contributions - Optional Life

State	2,402,349	
Local	757,533	
Total Contributions		3,159,882

**Total Contributions -**

**Optional Life Insurance** 3,159,882

**GRAND TOTAL - ALL CONTRIBUTIONS** \$ 249,914,285

# Kansas Public Employees Retirement System

## For the Fiscal Year Ended June 30, 1993

### Schedule of Revenues and Expenses - Budget and Actual With Comparative Amounts for 1992

	1993 BUDGETED	1993 ACTUAL	1992 ACTUAL
<b>Revenues:</b>			
Member Contributions	\$ 130,290,523	\$ 127,758,999	\$ 120,405,712
Optional Term Life Insurance	3,490,793	3,159,882	3,173,256
Purchase of Service Credit	1,854,286	2,587,857	1,798,294
Subtotal - Members	<u>135,635,602</u>	<u>133,506,738</u>	<u>125,377,262</u>
Employer Contributions	97,325,334	96,292,433	92,968,008
Insurance	22,570,432	20,115,114	18,456,388
Investment Income	360,000,000	416,269,798	389,074,013
Other Income	<u>—</u>	<u>533,403</u>	<u>509,064</u>
Total Revenues	<u>615,531,368</u>	<u>666,717,486</u>	<u>626,384,735</u>
<b>Expenses:</b>			
Monthly Retirement Benefits	215,612,521	220,579,933	195,511,138
Retirant Dividend Payments	9,804,981	10,097,879	10,054,578
Refund of Contributions	24,120,000	20,812,351	23,310,075
Insurance	22,570,432	25,241,803	23,684,777
Optional Insurance	3,490,793	3,111,598	3,060,420
Administration	3,823,134	3,715,294	3,274,890
Total Expenses	<u>279,421,861</u>	<u>283,558,858</u>	<u>258,895,878</u>
Capital Outlays	<u>131,036</u>	<u>124,046</u>	<u>201,576</u>
Total Expenses and Capital Outlays	<u>279,552,897</u>	<u>283,682,904</u>	<u>259,097,454</u>
Revenues in Excess of Expenses and Capital Outlays	<u>\$ 335,978,471</u>	<u>\$ 383,034,582</u>	<u>\$ 367,287,281</u>

# Kansas Public Employees Retirement System For the Fiscal Year Ended June 30, 1993

## Schedule of Administrative Expenses - Budget and Actual With Comparative Amounts for 1992

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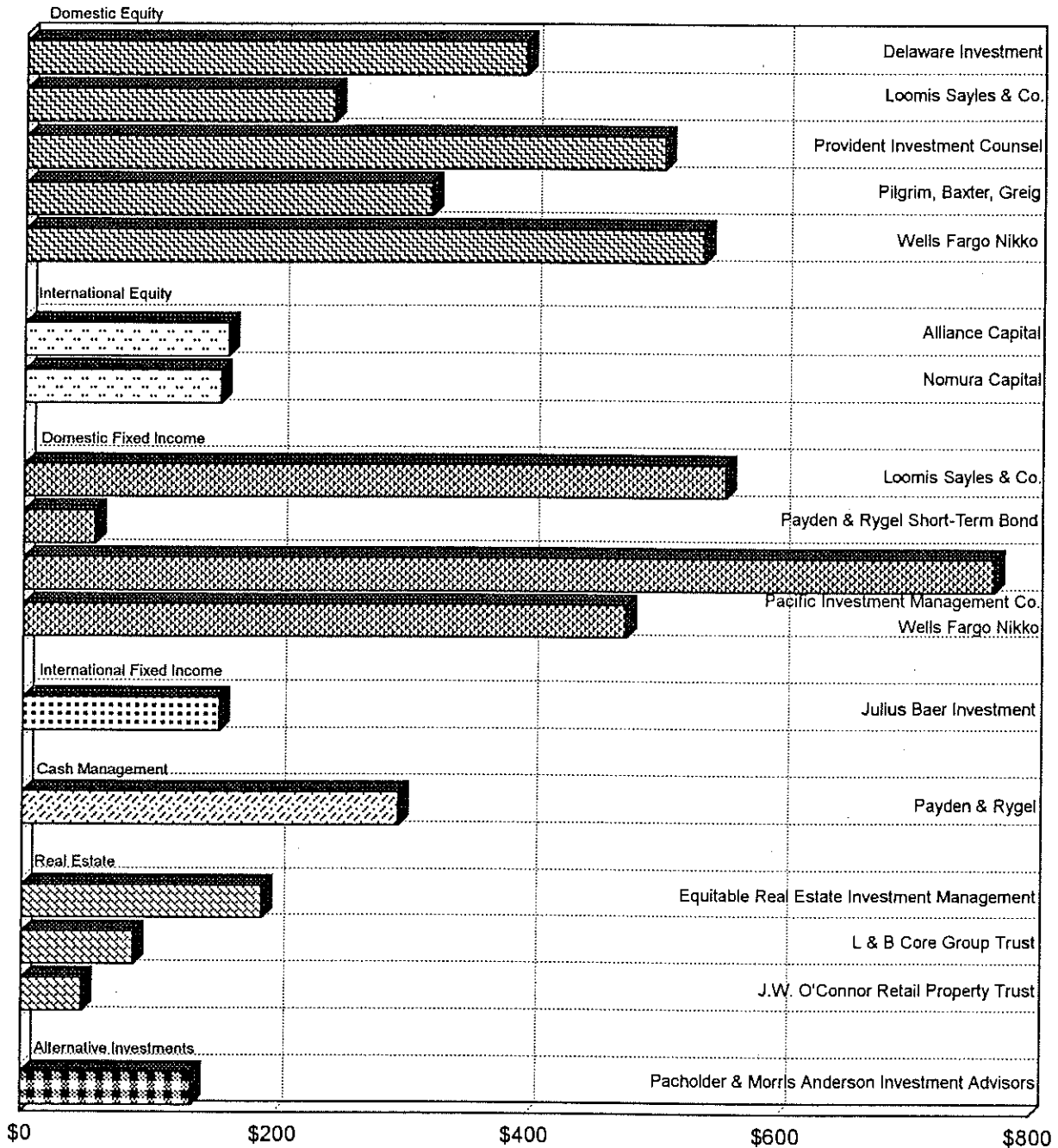
	1993 BUDGETED	1993 ACTUAL	1992 ACTUAL
Salaries and Wages	\$ 2,475,093	\$ 2,290,379	\$ 2,106,607
Postage	233,348	177,452	163,658
Telephone	87,832	123,569	60,041
Freight	3,318	7,033	4,009
Travel	99,152	77,181	73,652
Printing	110,174	118,206	57,235
Actuary	199,000	200,400	180,139
Legal Counsel	50,000	40,648	—
Other Professional Fees	136,652	172,503	118,437
Office and Equipment Rent	9,912	1,373	1,402
Office and Equipment Supplies	46,606	78,409	44,704
Repair and Service Agreements	77,774	80,704	81,292
Dues and Subscriptions	46,371	34,064	19,991
Official Hospitality	3,000	1,020	436
Professional Supplies	9,163	5,469	8,884
Utilities	25,243	24,961	24,338
Janitorial and Building Administration	79,460	89,876	91,176
Capital Outlay	131,036	124,046	201,576
<b>Total Budgeted Expenses</b>	<b>3,823,134</b>	<b>3,647,293</b>	<b>3,237,577</b>
Accruals Adjustments:			
Depreciation	* —	172,664	219,506
Accrued Absences	* —	19,383	19,383
Capital Outlay Adjustment	* —	(124,046)	(201,576)
<b>Total Administrative Expenses</b>	<b>\$ 3,823,134</b>	<b>\$ 3,715,294</b>	<b>\$ 3,274,890</b>

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



# NET ASSET VALUE BY INVESTMENT MANAGER

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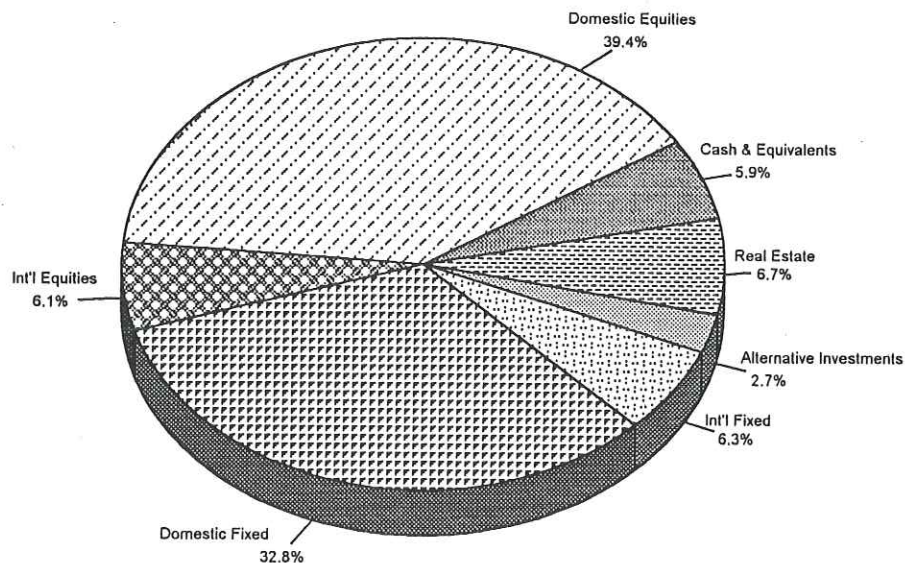
This chart depicts, by investment manager, net asset values of investments held at June 30, 1993. The values exclude cash balances, which are shown as managed by Payden & Rygel. Retirement System assets are diversified among 17 separate portfolios, managed by 16 separate management firms.

# ASSET ALLOCATION

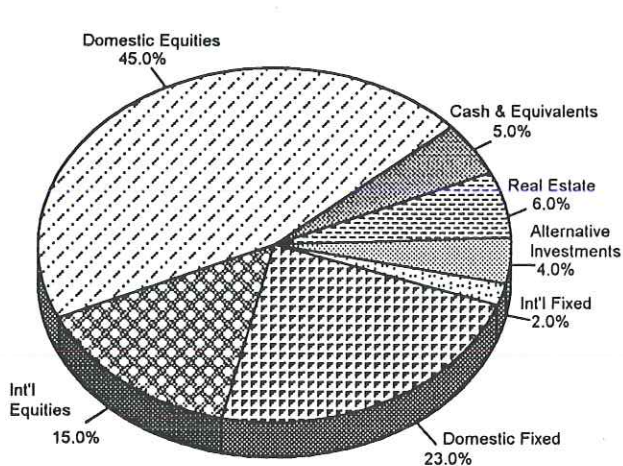
Actual vs. Target

June 30, 1993

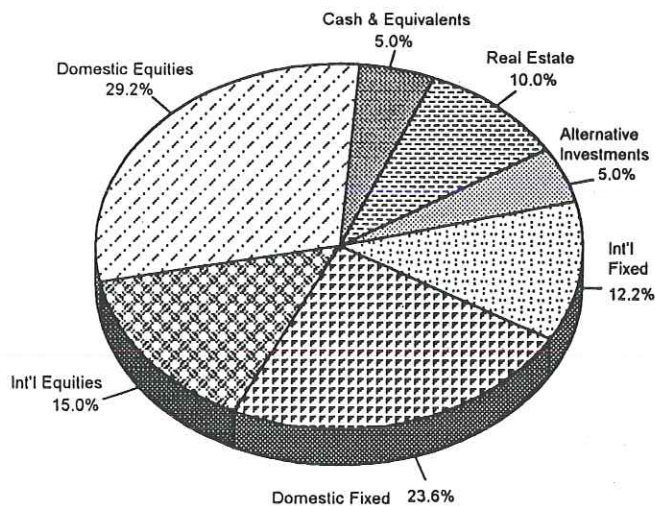
## Actual Allocation



## Target Allocation



Prior to July 1, 1993



Adopted as of July 1, 1993

The Board of Trustees completed an Asset/Liability Study in June of 1993, with the assistance of William M. Mercer Asset Planning, Inc. The Asset/Liability Study was undertaken in 1993 due to the removal of statutory restrictions, which previously limited the Retirement System's allocation to the real estate asset class. The outcome of the Study was the target asset allocation mix shown above, which encompasses an increase in the international equity and fixed income asset classes, as well as a long-term commitment to real estate and venture capital investments. The revised target asset allocation mix will be implemented gradually over time, according to an Asset Transition Plan approved by the Board of Trustees.

# Kansas Public Employees Retirement System For the Fiscal Year Ended June 30, 1993

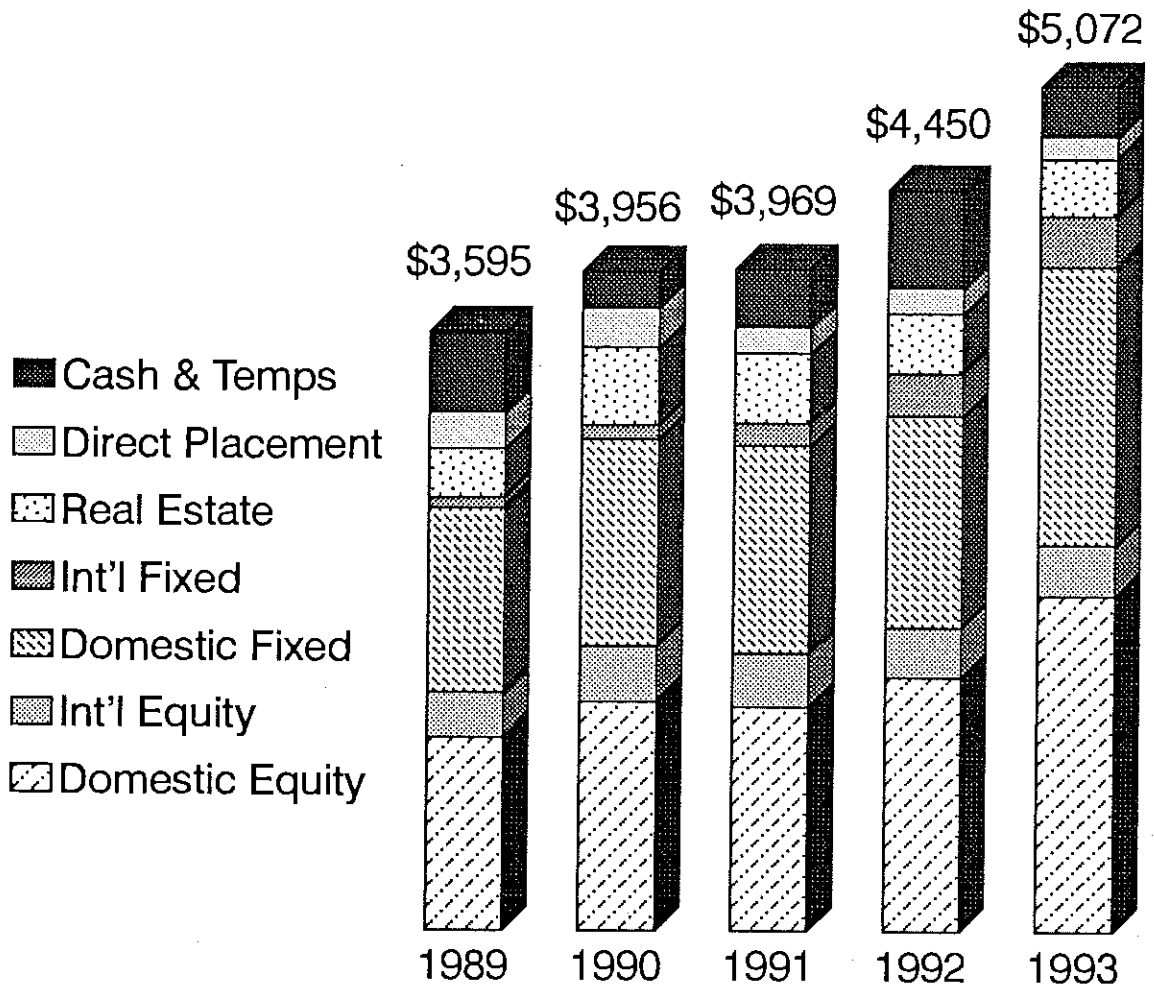
## Schedule of Investment Changes

Asset Classification	Carrying Value (1) Beginning of Year	Purchases And Other Increases	Sales and Other Decreases	Carrying Value End of Year
Marketable Securities				
Domestic Equities	\$ 1,201,490,078	\$ 1,066,077,434	\$ (732,473,328)	\$ 1,535,094,184
International Equities	310,974,524	161,585,103	(191,621,440)	280,938,187
Domestic Fixed Income				
Treasury & Agency	547,458,573	1,166,557,856	(1,228,035,942)	485,980,487
Corporate	(1) 1,224,714,900	834,165,400	(701,467,374)	1,357,412,926
Subtotal	1,772,173,473	2,000,723,256	(1,929,503,316)	1,843,393,413
International Fixed Income				
Treasury & Agency	(1) 81,493,393	317,082,580	(259,414,423)	139,161,550
Corporate	172,237,207	51,971,383	(65,645,397)	158,563,193
Subtotal	253,730,600	369,053,963	(325,059,820)	297,724,743
Cash & Equivalents	60,423,160	3,316,562,227	(3,348,369,348)	28,616,039
Total Marketable Securities	\$ 3,598,791,835	\$ 6,914,001,983	\$ (6,527,027,252)	\$ 3,985,766,566
Real Estate	\$ 475,636,857	\$ 9,137,853	\$ (3,962,754)	\$ 480,811,956
Allowance for Loss Reserves	(44,882,629)	(5,600,000)	—	(50,482,629)
Subtotal	430,754,228	3,537,853	(3,962,754)	430,329,327
Alternative Investments				
Direct Placements & Ltd. Partnerships	233,407,067	5,424,948	(46,973,671)	191,858,344
Allowance for Loss Reserves	(80,848,072)	—	28,249,740	(52,598,332)
Subtotal	152,558,995	5,424,948	(18,723,931)	139,260,012
Total Real Estate and Alternative Investments	\$ 583,313,223	\$ 8,962,801	\$ (22,686,685)	\$ 569,589,339
Total All Asset Classifications	\$ 4,182,105,058	\$ 6,922,964,784	\$ (6,549,713,937)	\$ 4,555,355,905

(1) Certain investments from the previous fiscal year have been reclassified to conform with current fiscal year financial statements.

## PORTFOLIO DISTRIBUTION - FIVE YEAR TREND

### Market Value - Amounts in Millions



- Cash & Temps
- ▨ Direct Placement
- ▩ Real Estate
- ▧ Int'l Fixed
- ▦ Domestic Fixed
- ▥ Int'l Equity
- ▤ Domestic Equity

	1989	1990	1991	1992	1993
(\$ Millions)					
Cash & Temporaries	\$ 485	\$ 217	\$ 344	\$ 589	\$ 295
Direct Placements	219	238	159	152	139
Real Estate	292	467	419	361	343
International Fixed	64	84	137	256	307
Domestic Fixed	1109	1243	1246	1270	1666
International Equity	270	333	321	300	303
Domestic Equity	1156	1374	1343	1522	2019
<b>Total Market Value</b>	<b>\$ 3595</b>	<b>\$ 3956</b>	<b>\$ 3969</b>	<b>\$ 4450</b>	<b>\$ 5072</b>

# Kansas Public Employees Retirement System

## For the Fiscal Year Ended June 30, 1993

### Schedule of Income, Fees and Expenses

	Interest, Dividends, and Other Transactions	Gains and Losses Realized
<b>Domestic Equity Managers</b>		
Delaware Investment Advisors	\$ 16,842,406	\$ 9,311,289
Pilgrim, Baxter, Greig & Associates	4,358,348	37,669,578
Provident Investment Counsel	5,330,268	46,550,674
Wells Fargo Nikko Investment Advisors	12,034,433	2,195,881
Loomis Sayles & Co., Inc.	6,498,170	18,047,875
<b>Subtotal Domestic Equity Managers</b>	<b>45,063,625</b>	<b>113,775,297</b>
<b>Domestic Fixed Income Managers</b>		
Pacific Investment Management Co.	58,360,586	38,588,212
Wells Fargo Nikko Investment Advisors	25,018,787	8,206,575
Loomis Sayles & Co., Inc.,	35,997,044	27,576,290
Other Fixed Income Managers	1,789,526	37,643
<b>Subtotal Domestic Fixed Income Managers</b>	<b>121,165,943</b>	<b>74,408,720</b>
<b>International Equity Managers</b>		
Nomura Capital Management	3,283,569	(8,040,611)
Alliance Capital Management	3,078,812	(10,025,888)
<b>Subtotal International Equity Managers</b>	<b>6,362,381</b>	<b>(18,066,499)</b>
<b>International Fixed Income Manager</b>		
Julius Baer Investment Management	10,886,247	9,078,730
<b>Subtotal International Fixed Income Manager</b>	<b>10,886,247</b>	<b>9,078,730</b>
<b>Direct Placement Managers</b>		
Pacholder Associates / Morris Anderson	14,147,136	10,437,651
<b>Subtotal Direct Placement Managers</b>	<b>14,147,136</b>	<b>10,437,651</b>
<b>Real Estate Managers</b>		
O'Connor Group / Equitable Real Estate	16,918,090	—
L & B Real Estate, Inc.	6,195,225	—
<b>Subtotal Real Estate Managers</b>	<b>23,113,315</b>	<b>—</b>
<b>Cash Management</b>		
Payden & Rygel (a)	13,261,127	10,464,126
<b>Subtotal Cash Management</b>	<b>13,261,127</b>	<b>10,464,126</b>
Security Lending - Boston Safe Deposit and Trust	963,149	—
Recaptured Broker Commission	332,973	—
<b>Custodian Banks</b>		
Boston Safe Deposit and Trust	—	—
<b>Consultants</b>		
CDA Investment Technologies, Inc.	—	—
Mercer Asset Planning	—	—
Townsend Real Estate Consulting	—	—
Litigation	141,104	—
<b>Subtotal Other</b>	<b>1,437,226</b>	<b>—</b>
<b>GRAND TOTALS</b>	<b>\$ 235,437,000</b>	<b>\$ 200,098,025</b>

(a) Amount in Payden & Rygel excludes \$9,356,424 of STIF income allocated to other investment managers.

Investment Manager Fees	Other Investment Expenses	Net Realized Investment Income	Unrealized Income	Total Realized and Unrealized Income
\$ 976,285	\$ —	\$ 25,177,410	\$ 25,282,056	\$ 50,459,466
2,783,829	—	39,244,097	33,639,175	72,883,272
2,144,320	—	49,736,622	14,680,271	64,416,893
117,858	—	14,112,456	21,202,399	35,314,855
538,993	—	24,007,052	12,188,728	36,195,780
6,561,285	—	152,277,637	106,992,629	259,270,266
1,423,436	—	95,525,362	16,668,524	112,193,886
377,881	—	32,847,481	29,412,100	62,259,581
1,263,018	—	62,310,316	(1,412,419)	60,897,897
		1,827,169	285,407	2,112,576
3,064,335	—	192,510,328	44,953,612	237,463,940
545,213	—	(5,302,255)	16,923,967	11,621,712
541,710	—	(7,488,786)	18,250,877	10,762,091
1,086,923	—	(12,791,041)	35,174,844	22,383,803
386,840	—	19,578,137	(5,579,592)	13,998,545
386,840	—	19,578,137	(5,579,592)	13,998,545
2,880,000	844,533 (b)	20,860,254	—	20,860,254
2,880,000	844,533	20,860,254	—	20,860,254
1,264,760	198,338	15,454,992	(5,635,720)	9,819,272
614,493	—	5,580,732	(11,768,685)	(6,187,953)
1,879,253	198,338	21,035,724	(17,404,405)	3,631,319
351,997	—	23,373,256	(7,408,126)	15,965,130
351,997	—	23,373,256	(7,408,126)	15,965,130
—	—	963,149	—	963,149
—	—	332,973	—	332,973
—	673,719	(673,719)	—	(673,719)
—	81,500	(81,500)	—	(81,500)
—	147,665	(147,665)	—	(147,665)
—	310,000	(310,000)	—	(310,000)
—	798,839 (c)	(657,735)	—	(657,735)
—	2,011,723	(574,497)	—	(574,497)
\$ 16,210,633	\$ 3,054,594	\$ 416,269,798	\$ 156,728,962	\$ 572,998,760

(b) Includes \$359,745 expense reclassification adjustment for prior years.

(c) The amount of \$335,889 was expended for defense litigation and the amount of \$462,950 was expended in efforts to recover investment losses.

# Kansas Public Employees Retirement System For the Fiscal Year Ended June 30, 1993

## Analysis of Changes in Investment Cost Allowance Reserves

Description	Total Alternative Investments and Real Estate
Opening Reserves Balance June 30, 1992	\$ 125,730,701
Decrease in Reserves :	
Write-Offs:	
Burst Agritech	(542,211)
Pawnee Industries	(3,893,882)
Van Doren Industries	(300,308)
Tallgrass Technologies	(11,396,214)
Myco Tek Corporation	(4,643,706)
Subtotal Write-Offs	(20,776,321)
Decreases Due to Disposition of Assets and Valuation Adjustments	(1,873,419)
Ending Reserves Balances June 30, 1993	\$ 103,080,961

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### Losses Resulting From Alternative Investments

Description	Alternative Investments	Real Estate	Total
Cumulative Write-Offs Through June 30, 1992	\$ 142,231,951	\$ —	\$ 142,231,951
Asset Write-Offs for Fiscal Year 1993	20,776,321	—	20,776,321
June 30, 1993 Reserves	52,598,332	50,482,629	103,080,961
Total Anticipated Losses	\$ 215,606,604	\$ 50,482,629	\$ 266,089,233

## Rates of Return Last Five Years

	1993	1992	1991	1990	1989
<b>Time Weighted Rate of Return (a)</b>					
Domestic Equities	18.4 %	15.1 %	5.1 %	18.6 %	13.3 %
Domestic Fixed Income	15.9	17.2	10.6	6.0	13.9
International Equities	6.1	2.7	(11.2)	25.6	13.7
International Fixed Income	14.2	28.9	10.6	7.8	0.8
Real Estate	1.6	(13.3)	(1.4)	8.0	5.5
Alternative Investments	20.0	26.5	(37.8)	3.9	8.0
Cash and Equivalents	6.5	9.0	9.3	8.6	8.9
<b>Total Fund</b>	<b>14.7 %</b>	<b>12.8 %</b>	<b>0.3 %</b>	<b>12.1 %</b>	<b>12.0 %</b>
<b>Market Indexes</b>					
Standard & Poor's 500 Index	13.6 %	13.3 %	7.4 %	16.4 %	20.5 %
Standard & Poor's 500 (South Africa Free) Index	15.4	14.7	5.9	14.5	20.4
Standard & Pours 500 (South Africa and Bank Free) Index	14.9	13.1	5.8	N/A	N/A
Lehman Brothers Gov't / Corp Bond Index	13.1	14.2	10.2	7.1	12.3
Lehman Brothers Aggregate Bond Index	11.8	14.0	10.7	7.9	12.2
MSCI EAFE Index	20.7	(0.7)	(11.5)	3.2	9.5
MSCI EAFE Index (South Africa Free)	26.9	(8.9)	(13.0)	(3.8)	6.9
Salomon Non-U.S. World Gov't Bond	9.7	27.3	9.9	7.3	(2.2)
NCREIF Real Estate Index	(3.7)	(6.0)	(1.2)	5.8	6.9
90 Day Treasury Bill Index	3.4	5.2	7.6	8.5	8.5
Consumer Price Index	3.0	3.1	4.5	4.8	5.3
<b>Accounting Rate (b)</b>	<b>9.5 %</b>	<b>9.8 %</b>	<b>3.3 %</b>	<b>7.2 %</b>	<b>7.8 %</b>

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

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

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

**Standard & Poor's 500 (South Africa and Bank Free) Index** is the Standard & Poor's 500 Index less the common stocks of companies which are engaged in business in the Republic of South Africa and are listed in Section I of the Investors Responsibility Research Code (IRRC), and less restricted stocks of banks, savings and loans, and credit unions.

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

**Lehman Brothers Aggregate Bond Index** combines the Government/Corporate Bond Index, the Mortgage-Backed Securities Index and the Asset Backed Securities Index, to provide a measure of the performance of the broad U.S. fixed income market.

**Morgan Stanley Capital International (MSCI) EAFE Index** contains approximately 1053 companies from 20 countries. The index represents the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is market value-weighted and calculated with the net dividends, after foreign taxes have been withheld, reinvested.

**Morgan Stanley Capital International (MSCI) EAFE Index (South Africa Free)** is the MSCI EAFE Index less the common stocks of companies which are engaged in business in the Republic of South Africa and are listed in Section 1 of the Investors Responsibility Research Code (IRRC).

**Salomon Non-U.S. World Government Bond Index** is designed to provide a measure of performance of fixed-rate securities in the international government bond market. The following 13 countries are included in the index: Japan, United Kingdom, Germany, France, Canada, Netherlands, Australia, Austria, Belgium, Denmark, Italy, Spain, and Sweden. All issues must have a maturity of one year or more.

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

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

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



# Kansas Public Employees Retirement System For the Fiscal Year Ended June 30, 1993

## Schedule of Investment Income by Asset Class

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Asset Classification	Interest, Dividends and Other Transactions	Gains and Losses	Total
<b>Marketable Securities</b>			
Domestic Equities	\$ 48,662,695	\$ 113,120,174	\$ 161,782,869
International Equities	5,465,385	(16,271,750)	(10,806,365)
Subtotal	<u>54,128,080</u>	<u>96,848,424</u>	<u>150,976,504</u>
<b>Domestic Fixed Income</b>			
Treasury & Agency	17,728,320	52,766,336	70,494,656
Corporate	103,021,645	31,136,951	134,158,596
Subtotal	<u>120,749,965</u>	<u>83,903,287</u>	<u>204,653,252</u>
<b>International Fixed Income</b>			
Treasury & Agency	7,553,802	6,696,687	14,250,489
Corporate	8,149,250	1,977,631	10,126,881
Subtotal	<u>15,703,052</u>	<u>8,674,318</u>	<u>24,377,370</u>
Cash & Equivalents	1,159,905	—	1,159,905
<b>Total Marketable Securities</b>	<u>\$ 191,741,002</u>	<u>\$ 189,426,029</u>	<u>\$ 381,167,031</u>
Real Estate	\$ 25,758,434	\$ 2,214,681	\$ 27,973,115
<b>Alternative Investments</b>			
Direct Placements & Limited Partnerships	16,500,338	8,457,315	24,957,653
<b>Total Real Estate and Alternative Investments</b>	<u>\$ 42,258,772</u>	<u>\$ 10,671,996</u>	<u>\$ 52,930,768</u>
<b>Other Investment Income</b>			
Security Lending	\$ 963,149	\$ —	\$ 963,149
Miscellaneous	474,077	—	474,077
<b>Total Other Investment Income</b>	<u>\$ 1,437,226</u>	<u>\$ —</u>	<u>\$ 1,437,226</u>
<b>Investment Income</b>	<u>\$ 235,437,000</u>	<u>\$ 200,098,025</u>	<u>\$ 435,535,025</u>
<b>Manager and Custodian Fees and Expenses</b>			
Investment Manager Fees			16,210,633
Custodian Fees			673,719
Investment Expenses			<u>2,380,875</u>
<b>Total Investment Fees and Expenses</b>			<u>19,265,227</u>
<b>Net Investment Income</b>			<u>\$416,269,798</u>

## **THE SEGAL COMPANY**

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

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

**November 15, 1993**

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

**Re: 1993 Actuarial Valuations**

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**Dear Trustees:**

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

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

Actuarial valuations were performed as of June 30, 1993 for all retirement systems and coverage groups. A total of over 174,000 individuals were included in the 1993 actuarial valuations.

The 1993 actuarial valuations are based on four basic elements: (1) the present provisions of the retirement acts, as amended by the comprehensive 1993 retirement legislation; (2) the characteristics of active, inactive, and retired members as of January 1, 1993; (3) the book value of assets attributable to each coverage group as of June 30, 1993; and (4) the actuarial assumptions adopted by the Board of Trustees based on our September 1993 actuarial experience investigation reports.

### 1993 Retirement Legislation

The 1993 actuarial valuations take account of all of the benefit enhancements included in the comprehensive 1993 retirement legislation. The legislation provided major benefit enhancements for members of all three retirement systems who retire after June 30, 1993, and a post-retirement benefit increase for all retirees who retired before July 1, 1993. The ad hoc benefit increase for retirees with 15 or more years of service was the greater of 15 % or \$50 a month, with a maximum increase of \$200 a month; retirees with less than 15 years of service received an increase equal to the greater of 5 % or \$10 a month.

The comprehensive 1993 retirement legislation also amended the statutory funding provisions applicable to all three retirement systems. For KPERS, the funding method was changed to the projected unit credit actuarial cost method. For all three systems, the period for amortizing the unfunded actuarial liability was extended to 40 years commencing on July 1, 1993. The annual amortization payments for KPERS and KP&F will increase 4 % for each year remaining in the 40-year amortization period; the annual amortization payments for the Judges System will remain level in dollar amount.

Under the projected unit credit funding method used for KPERS, the unfunded actuarial accrued liability is recalculated each year. Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in KPERS's accrued actuarial liabilities, and affect the amount of annual amortization payments required to amortize the unfunded accrued liability over the statutory 40-year amortization period.

### Actuarial Assumptions

The Board of Trustees adopted the assumptions used in the 1993 actuarial valuations at the October 6, 1993 meeting, based on our reports on the actuarial experience investigations of KPERS and KP&F covering the three-year period ended January 1, 1992.

The Board adopted two changes in actuarial assumptions for KPERS: (1) lower assumed withdrawal rates that take account of 1989-92 turnover experience; and (2) a new retirement age assumption that takes account of 1993 legislation, and in particular the new eligibility requirements for normal retirement (age 62 with 10 years of service or 85 points). For KP&F, the assumptions used in the 1993 actuarial valuation are the same as those used in the 1992 valuation. For the Judges System, the salary increase assumption was changed from an age-related salary scale to a flat 5.5 % per year.

The assumptions used in the 1993 actuarial valuations are reasonably related to the past and anticipated experience of the respective retirement systems and coverage groups.

**Employer Contribution Rates**

The Board of Trustees certified employer contribution rates for fiscal years beginning in 1995 at the November 12, 1993 meeting, based on the results of the 1993 actuarial valuations and the current statutory funding provisions.

**KPERS.** The State/School and Local employer contribution rates were fixed by 1993 legislation as follows: the State/School rate at 3.2% of payroll for fiscal year 1994-95, and the Local rate at 2.2% of payroll for calendar year 1994. The legislation also provides that, for fiscal years beginning in 1995, the rates of contribution certified by the Board may not increase by more than 0.1% of payroll per year.

In accordance with the provisions of K.S.A. 74-4920, as amended by 1993 legislation, the Board certified a State/School rate of 3.3% of payroll for fiscal year 1995-96, and a Local rate of 2.3% of payroll for calendar year 1995. The actuarially-determined employer contribution rates derived from the 1993 actuarial valuation of KPERS exceed the statutory rates by approximately 0.8% of payroll for State/School (4.1% vs. 3.3%), and 0.7% of payroll for Local (3.0% vs. 2.3%). The actual employer contribution rates will increase by 0.1% of payroll each year until they are equal to the actuarially-determined rates.

For KPERS membership groups, the employer contribution rates certified by the Board for fiscal years beginning in 1995 are as follows:

State/School Employees . . . . .	3.3%
Local Employees . . . . .	2.3
Certain Correctional Employees . . . . .	3.6/4.4
TIAA Employees . . . . .	1.7

**KP&F.** The actuarially-determined total contribution rates for employers participating in KP&F consist of: (1) a uniform percentage-of-payroll rate for all participating employers; and (2) the payment required to amortize the unfunded past service liability, which is determined separately for each participating employer that enters KP&F with an unfunded past service liability.

The uniform contribution rate for all KP&F participating employers consists of a rate for benefits accruing after June 30, 1993, and a rate for amortization of the additional actuarial liability for benefits provided by the 1993 legislation which is attributable to service rendered before July 1, 1993. For employers that enter KP&F for future service only or for newly-hired employees only, the uniform rate is the total contribution rate.

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The uniform contribution rate for all employers participating in KP&F is 6.9% of payroll for fiscal years beginning in 1995. Employers participating in KP&F also make contributions to amortize the past service liability, if any, which is determined separately as of the entry date of each participating employer. The table attached to this letter shows, for each KP&F participating employer, the actuarially-determined total employer contribution rate certified by the Board for the fiscal year beginning in 1995.

**Judges.** The Board certified a total State contribution rate for Judges of 10.3% of payroll for fiscal year 1995-96.

**Funded Ratios**

As of June 30, 1993, the actuarial funded ratios - assets as a percentage of the unfunded actuarial liability plus assets - were 85.4% for KPERS (excluding TIAA), 66.7% for KP&F, and 87.9% for Judges.

The major benefit enhancements provided by 1993 legislation reduced the overall funded ratios for the three Kansas Retirement Systems combined, as shown below:

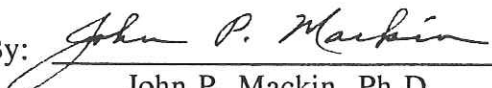
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	Overall Funded Ratios For Kansas Retirement Systems as of June 30	
	<u>1992</u>	<u>1993</u>
Assets (book value) as Percentage of Unfunded Actuarial Liability Plus Assets	88.5%	82.3%
Assets (book value) as Percentage of Total Pension Benefit Obligation (based on projected unit credit actuarial cost method)	100.5%	85.1%

Although the overall funded ratios decreased as a result of the 1993 benefit enhancements, the three Kansas Retirement Systems continue to be funded on an actuarial reserve basis. The maintenance of a consistent actuarial reserve funding policy has enhanced the retirement security of all members of Kansas Retirement Systems.

Sincerely,

THE SEGAL COMPANY

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

JPM:ns  
 Att.

**KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM**  
**Employer Contribution Rates for Fiscal Years**  
**Beginning in Calendar Year 1995**

Employer	Total Employer Contribution Rate	Employer	Total Employer Contribution Rate
Douglas County Law Enforcement	14.1%	Herington	8.8%
Ford County	6.9	Hutchinson	20.1
Gray County Sheriff's Dept.	6.9	Junction City	8.9
Harvey County Sheriff's Dept.	10.4	Kansas City	14.9
		Lawrence	8.1
Johnson County Fire Dept.	6.9	Leavenworth	7.8
Johnson County Fire No. 1*	6.9	Leawood	8.7
Johnson County Fire No. 2	6.9	Lenexa	7.2
Johnson County Park Comm.	6.9	Manhattan	14.2
Johnson County Sheriff's Dept.	7.7	Merriam	8.0
Labette County Sheriff's Dept.*	12.8	McPherson	7.5
Reno County Fire No. 2	6.9	Mission	6.9
Reno County Sheriff's Dept.	6.9	Newton EMTs	8.5
Riley County Law Enforcement	6.9	Newton	8.9
		Olathe	7.1
Sedgwick County Fire No. 1	7.5	Ottawa*	6.9
Sedgwick County Sheriff's Dept.	7.5	Parsons	16.2
Sedgwick County EMTs	7.8	Pittsburg	13.0
Shawnee County Sheriff's Dept.	11.8	Salina	12.9
Sumner County Sheriff's Dept.	11.4	Shawnee	7.5
Wyandotte County Sheriff's Dept.	6.9		
Abilene*	6.9	Topeka	15.9
Arkansas City	10.7	Wellington	13.9
Atchison	9.3	Westwood	6.9
Bonner Springs	6.9	Winfield	14.7
Chanute	8.3		
		Board of Regents	
Cimarron	6.9	Campus Police	6.9
Coffeyville	18.0	Kansas Bureau of	
Concordia	14.3	Investigation	8.4
Derby	8.7	Kansas Highway Patrol	9.8
Dodge City	20.9		
Emporia	10.8		
Erie	6.9		
Eudora	6.9		
Fairway	7.8		
Fort Scott	18.5		

\* Affiliated with KP&F on January 1, 1993.

THE SEGAL COMPANY

## SUMMARY OF PROVISIONS

### Plan Membership

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

### Employee Membership

KPERS - membership is mandatory for all eligible employees of participating employers, except elected officials, whose employment is not seasonal or temporary and requires at least 1,000 hours per year. School employees become KPERS members on date of employment. As of July 1, 1993, school employees who work at least 630 hours per year or 3.5 hours per day for 180 days, including substitute teachers and those who work for multiple employers, are eligible for membership. Non-school employees become KPERS members after one year of continuous employment. First-day coverage for death and disability benefits is provided for state employees and non-school employees of local employers that elect such coverage.

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## KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM SUMMARY OF PROVISIONS

### Normal Retirement

**Eligibility** - (a) Age 65, or (b) age 62 with 10 years of service, or (c) any age when combined age and years of service equal 85 "points." **Benefit** - Based on member's Final Average Salary (FAS). For those who were hired prior to July 1, 1993, Final Average Salary equals the greater of either: a four-year Final Average Salary, including add-ons, such as sick and annual leave; or a three-year Final Average Salary, excluding add-ons, such as sick and annual leave. For those who are hired on or after July 1, 1993, Final Average Salary equals the average of the three highest years of service, excluding add-ons, such as sick and annual leave. **Prior Service** - .75 percent to one percent Final Average Salary per year. (School employees receive .75 percent Final Average Salary for each year of prior service not credited under KSRS.) **Participating service** - 1.75 percent Final Average Salary.

### Early Retirement

**Eligibility** - Age 55 and ten years of service. **Benefit** - Normal retirement benefit reduced 0.2 percent per month from age 60 to age 62, plus 0.6 percent per month from age 55 to age 60.

### Deferred Vesting

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

### Other Benefits

**Withdrawal Benefit** - Members who terminate employment may withdraw contributions with interest. (Former members who return to employment within five years after termination don't incur a break in continuous employment if they haven't withdrawn contributions.) **Disability Benefit** - Disability benefits are provided under the KPERS Death and Disability Benefits Program, which is financed by employer contributions of 0.6 percent of a member's compensation. The long term disability benefit is two-thirds of

the member's annual compensation on the date disability commences, reduced by Social Security benefits and one-half of Workers' Compensation benefits, subject to a minimum benefit of \$100 a month. Members receiving disability benefits continue to receive service credit under KPERS. If a disabled member retires after receiving disability benefits for at least five years immediately preceding retirement, the member's Final Average Salary is adjusted by the actuarial salary increase assumption rates in existence during the member's period of disability. **Death Benefits - Pre-Retirement death** (non-service connected) - Member's accumulated contributions are paid to designated beneficiary. In lieu of receiving member's accumulated contributions, the surviving spouse, of a member who is eligible to retire at death, may elect to receive benefits under any survivor option. The spouse must be the member's sole designated beneficiary to exercise this option. If the member had at least 15 years of service, but had not reached retirement age, the spouse may elect a monthly benefit to begin on the date the member would have been eligible to retire. **Service-connected accidental death** - Member's accumulated contributions; plus lump sum amount of \$50,000; plus annual benefit of 50 percent of Final Average Salary - reduced by value of any Workers' Compensation benefits and subject to a minimum benefit of \$100 a month - payable to spouse, minor children, or dependent parents for life or until youngest child attains age 18 (age 23 for full time students), in this order of preference. **Insured Death Benefit** - An insured death benefit is provided under the KPERS Death and Disability Benefits Program equal to 150 percent of the member's annual compensation on the date of death. (If a disabled member dies after receiving disability benefits for at least five years immediately preceding death, the member's current annual rate of compensation is adjusted by the actuarial salary increase assumption rates in existence during the member's period of disability.) **Post-retirement death** - Lump sum amount of \$4,000. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options, if joint annuitant predeceases the retiree, the reduced option benefit is increased to the amount the retiree would have received if no option had been elected. Benefits payable to a joint annuitant cease at joint annuitant's death. If a member does not select an option, the designated beneficiary receives the excess, if any, of the member's accumulated contributions over total benefits paid to date of death.

#### **Member Contributions**

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

#### **Employer Contributions**

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

#### **TIAA Members**

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

#### **Correctional Members**

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

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



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

#### **Other Benefits - Correctional Members**

**Service-connected disability** - No age or service requirement; benefit of 50 percent Final Average Salary plus 10 percent Final Average Salary for each dependent child under 18, (age 23 for full time students) to a maximum of 75 percent of Final Average Salary; reduced by Social Security and Workers' Compensation benefits but not to less than \$100 a month.

**Non service-connected disability** - Pension of two percent Final Average Salary per year of service to maximum of 50 percent of Final Average Salary; reduced by Social Security and Workers' Compensation benefits but not to less than \$100 a month. Disability benefits for eligible correctional employees apply to disabilities occurring before July 1, 1994, and such employees are not eligible for disability benefits under the KPERS Death and Disability Benefits Program except during the year of service prior to membership.

## **KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM SUMMARY OF PROVISIONS**

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#### **Normal Retirement**

**TIER I** - Age 55 and 20 years of service. (For members covered by local plan on entry date, age 50 and 22 years of service.) **TIER II** - Age 50 and 25 years of service, or age 55 and 20 years of service, or age 60 and 15 years of service. **Benefit** - Based on member's Final Average Salary. For those who were hired prior to July 1, 1993, Final Average Salary equals the average of highest three years of last five years of participating service, including add-ons, such as sick and annual leave. For those who are hired on or after July 1, 1993, Final Average Salary equals the average of the highest three of the last five years of participating service, excluding add-ons, such as sick and annual leave. Two-and-one-half percent of Final Average Salary for each year of service to a maximum of 80 percent of Final Average Salary.

#### **Early Retirement**

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

#### **Deferred Vesting**

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

#### **Other Benefits**

**Withdrawal Benefits** - Members who terminate employment before retirement may withdraw contributions with interest. (Former members who return to covered employment within two years after termination don't incur a break in employment if such members haven't withdrawn contributions.) **Disability Benefits** **TIER 1 - service connected disability** - No age or service requirement; pension of 50 percent of Final Average Salary plus 10 percent of Final Average Salary for each dependent child under age 18 (age 23 for full time students), to maximum of 75 percent Final Average Salary. If dependent benefits are not payable, benefit is 2.5 percent for each year to a maximum of 80 percent Final Average Salary. (Upon death of member receiving service-connected disability benefits, spouse and dependent children receive service-connected death benefits if member dies within two years of retirement or after two years from same service-connected cause; if service-connected death benefits are not payable, spouse receives lump sum of 50 percent Final Average Salary and pension of half the member's benefit is payable either to spouse or dependent children.)

**Non service-connected disability** - Pension of 2.5 percent of Final Average Salary per year of service to maximum of 80 percent Final Average Salary (minimum benefit is 25 percent of Final Average Salary). (Upon death of member receiving non service-connected disability benefits, spouse receives lump sum of 50 percent Final Average Salary and pension of half the member's benefit is payable either to spouse or dependent children.) **TIER II** - No distinction between service-connected and non-service connected disability benefits. Pension is 50 percent of Final Average Salary. Service credit granted during period of disability. Disability benefits convert to age and service retirement at earliest date member is eligible for full retirement benefits. If member is disabled for at least five years immediately preceding retirement, member's Final Average Salary is adjusted by the actuarial salary increase assumption rates in effect during period of disability. Disability benefits offset one dollar for each two dollars earned after the first \$10,000 earnings. **Death Benefits (Service Connected Death)** - No age or service requirement, pension of 50 percent of Final Average Salary to spouse, plus 10 percent of Final Average Salary to each dependent child under age 18 (age 23 for full-time students), to maximum of 75 percent of Final Average Salary. **Non service Connected Death** - Lump sum of 100 percent Final Average Salary to spouse; pension of 2.5 percent of Final Average Salary per year of service (to maximum of 50 percent) is payable to spouse. If there is no spouse, the monthly benefit is paid to the dependent children. **Inactive Member Death** - If an inactive member is eligible to retire at death, and spouse is sole beneficiary, spouse may elect to receive benefits as joint annuitant under the Joint-and-1/2-Survivor Option in lieu of refund of member's accumulated contributions. **Post-Retirement Death** - Lump sum amount of \$4,000, less any death benefit is payable under local plan. If member has selected a retirement option, benefits are paid to joint annuitant or designated beneficiary. Under joint and survivor options, if joint annuitant predeceases retiree, the benefit is increased to the amount retiree would have received if no option had been selected. Benefits payable to joint annuitant cease at joint annuitant's death. If no option is selected, the designated beneficiary receives the excess, if any, of member's accumulated contributions over total benefits paid to date of death. (For transfer members covered by local plan on entry date who die after retirement and who had not elected an option, spouse receives lump sum of 50 percent of Final Average Salary and pension of three-fourths of the member's benefit is payable either to spouse or dependent children).

Tier I - Members employed prior to July 1, 1989 and who did not elect coverage under Tier II. Tier II - Members employed July 1, 1989 or later and those employed before that date who elected coverage.

#### Member Contributions

Member contributions are seven percent of compensation. Contribution rate reduced to two percent of compensation for members with 32 years of service or age 60 with 20 years of service.

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

#### Employer Contributions

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

### KANSAS RETIREMENT SYSTEM FOR JUDGES SUMMARY OF PROVISIONS

#### Normal Retirement

**Eligibility** - Age 65, or age 62 with 10 years of service credit, or any age when combined age and service credit equal 85 "points." **Benefit** - Based on member's Final Average Salary (FAS): average of highest three years of service as a judge. Basic formula for those who were members prior to July 1, 1987 is five percent of Final Average Salary for each year of service up to ten years, plus 3.5 percent for each year, to a maximum of 70 percent Final Average Salary. For those who became members on or after July 1, 1987, the formula is 3.5 percent for each year, to maximum benefit of 70 percent of Final Average Salary.

### Early Retirement

**Eligibility** - Age 55 with 10 years service if member doesn't have the 85 "points." **Benefit** - Normal benefit reduced 0.2 percent per month under age 62 and 0.6 percent per month from age 55-60.

### Deferred Vesting

**Eligibility** - Leave contributions in Retirement System; no minimum service requirement. (Eligible judges who have service credited under KPERS have vested benefits under both KPERS and the Judges' System when the combined total credited service equals 10 years.) Judges who are defeated in an election may continue participation at their own cost until they have 10 years service credit. **Benefit** - Normal benefit accrued at termination is payable at age 62 or in reduced amount at age 55.

### Other Benefits

**Disability Benefits** - Defined as permanently physically or mentally disabled. The disability benefit payable until age 65 is 3.5 percent of Final Average Salary for each year of service (minimum of 25 percent Final Average Salary). Benefits are recalculated upon reaching retirement age. If a judge is disabled for at least five years immediately preceding retirement, the judge's Final Average Salary is adjusted by the actuarial salary increase assumption rates in existence during the period of disability. **Withdrawal Benefit** - Members who terminate employment may withdraw contributions with interest. (A former member who resumes service as a judge may return the amount refunded without interest or penalty and regain credit for service previously credited under the Retirement System.) **Pre-retirement death** - Lump sum insured death benefit equal to 150 percent of the member's annual compensation on the date of death; plus refund of member's accumulated contributions. In lieu of receiving member's accumulated contributions, the surviving spouse, of a member who is eligible to retire at death, may elect to receive benefits under any survivor option. The spouse must be the member's sole designated beneficiary to exercise this option. If the member had at least 15 years' service, but hadn't reached retirement age, the spouse may elect a monthly benefit to begin on the date the member would have been eligible to retire. **Post-retirement death** - Lump sum death benefit of \$4,000. If member has selected an option, benefits are paid to the joint annuitant or designated beneficiary. Under joint and survivor options, if joint annuitant predeceases retiree, the reduced option benefit is increased to amount retiree would have received if no option had been elected. Benefits payable to a joint annuitant cease on joint annuitant's death. If no option, designated beneficiary receives excess, if any, of member's accumulated contributions over total benefits paid to date of death.

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### Member Contributions

Judges contributions are six percent of compensation. Upon reaching maximum retirement benefit of 70 percent of Final Average Salary, the contribution rate is reduced to four percent. Upon reaching age 65 and completing 20 years of service, the contribution rate is reduced to two percent of compensation.

### Employer Contributions

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

### Membership extended to District Magistrate Judges

District magistrate judges could become members of the Retirement System for Judges for future service only if they elected membership in that system by June 18, 1993. Those who elected membership in the Judges' system had the option of bringing all participating service into the plan by paying the full cost of transferring participating service from KPERS to the Judges' system.

# Kansas Public Employees Retirement System

## Solvency Test Last Ten Fiscal Years

Actuarial Valuation *	Member Contributions (A)	Retirants and Beneficiaries (B)	Active Members Employer Financed Portion (C)	Assets Available for Benefits	Portions of Accrued Liabilities Covered by Assets		
					(A)	(B)	(C)
1993	\$1,651,701,100	\$1,932,031,000	\$1,694,367,600	\$4,502,712,488	100%	100%	54%
1992	\$1,489,301,000	\$1,594,158,500	\$998,497,700	\$4,124,183,232	100	100	100
1991	\$1,208,273,400	\$1,434,756,700	\$1,089,781,000	\$3,759,513,400	100	100	100
1990	\$975,736,900	\$1,348,573,100	\$1,059,343,500	\$3,458,171,900	100	100	100
1989	\$943,712,100	\$1,177,842,700	\$1,342,014,500	\$3,026,692,200	100	100	67
1988	\$768,638,100	\$1,038,950,600	\$1,507,564,200	\$2,907,976,500	100	100	73
1987	\$800,461,100	\$895,514,500	\$1,292,397,900	\$2,589,487,600	100	100	69
1986	\$752,313,100	\$899,405,800	\$1,187,074,000	\$2,448,146,300	100	100	67
1985	\$865,909,800	\$753,618,200	\$957,481,200	\$2,001,710,500	100	100	61
1984	\$585,145,900	\$676,969,900	\$839,665,400	\$1,737,442,600	100	100	57

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\* Actuarial valuations prepared as of June 30, beginning in 1991 and prior to 1987, and as of January 1 for fiscal years 1987 through 1990

A short term solvency test, which is one means of determining a system's progress under its funding program, compares the plan's present assets with (1) active member contributions on deposit, (2) the liabilities for future benefits to present retired lives, and (3) the pension benefit obligation for service already rendered by active members. In a system that has been following the level percent of payroll financing discipline, the obligation for active member contributions on deposit (Item A) and the liabilities for future benefits to present retired lives (Item B) will be fully covered by present assets with the exception of rare circumstances. The obligation for service already rendered by active members (Item C) will be fully or partially covered by the remainder of present assets. If the system has been using level cost financing, the funded portion of Item C usually will increase over a period of time. Item C being fully funded is rare.

## Schedule of Active Member Valuation Data

Valuation Date 6/30	Number of Active Members	Percentage Change in Membership	Number of Participating Employers	Percentage Increase in Number of Participating Employers	Total Annual Payroll (Millions)	Percentage Increase in Payroll
1993	121,997	4.4 %	1,272	2.0 %	3,122	2.3 %
1992	116,891	4.5	1,247	2.0	3,052	4.4
1991	111,818	2.0	1,223	2.9	2,922	10.2
1990	109,654	5.7	1,188	3.3	2,652	8.5
1989	103,721	6.8	1,150	2.1	2,445	2.0
1988	97,137	2.9	1,126	1.3	2,397	4.0
1987	94,369	--	1,112	--	2,305	--

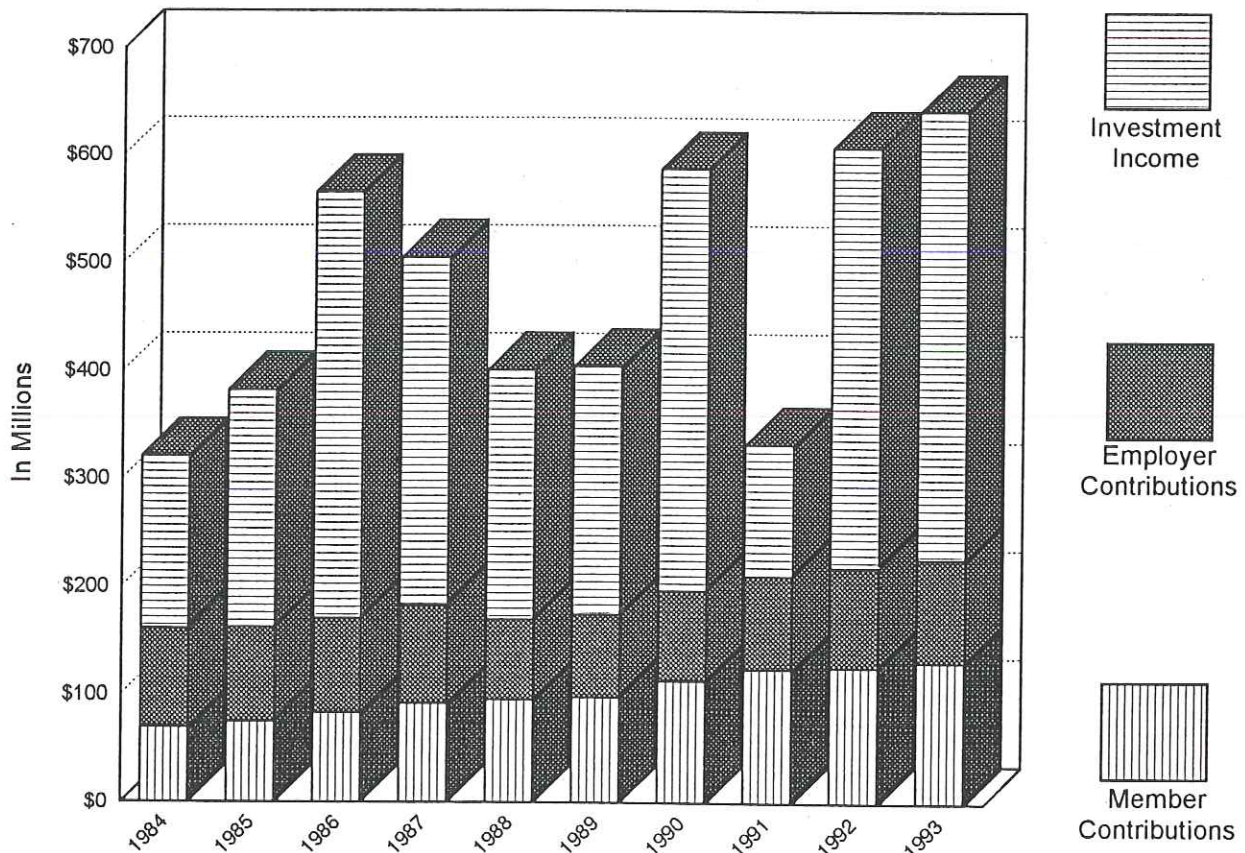
Not available prior to January 1, 1987

# Kansas Public Employees Retirement System For the Fiscal Year Ended June 30, 1993

## Revenues by Source

Fiscal Year	Contributions				Net Investment Income	Total
	Member	Employer	Employer Insurance	Misc		
	\$		\$	\$		
1984	69,733,602	91,872,335	10,559,042	58,808	160,118,331	332,342,118
1985	74,597,350	87,647,259	11,440,485	68,571	219,456,111	393,209,776
1986	83,068,244	87,223,469	12,733,578	91,981	394,697,570	577,814,842
1987	91,298,822	91,646,665	13,669,844	111,941	322,143,084	518,870,356
1988	95,024,218	74,211,045	14,173,341	151,205	231,046,917	414,606,726
1989	97,400,647	76,503,223	14,645,898	95,688	230,348,337	418,993,793
1990	112,356,371	84,157,168	16,629,221	239,264	390,694,191	604,076,215
1991	123,608,209	86,633,756	18,657,509	385,469	122,223,474	351,508,417
1992	125,377,263	92,968,008	18,456,388	509,062	389,074,013	626,384,734
1993	133,506,738	96,292,433	20,115,114	533,403	416,269,798	666,717,486

## Contribution and Investment Income History



# Kansas Public Employees Retirement System For the Fiscal Year Ended June 30, 1993

## Expenses by Type

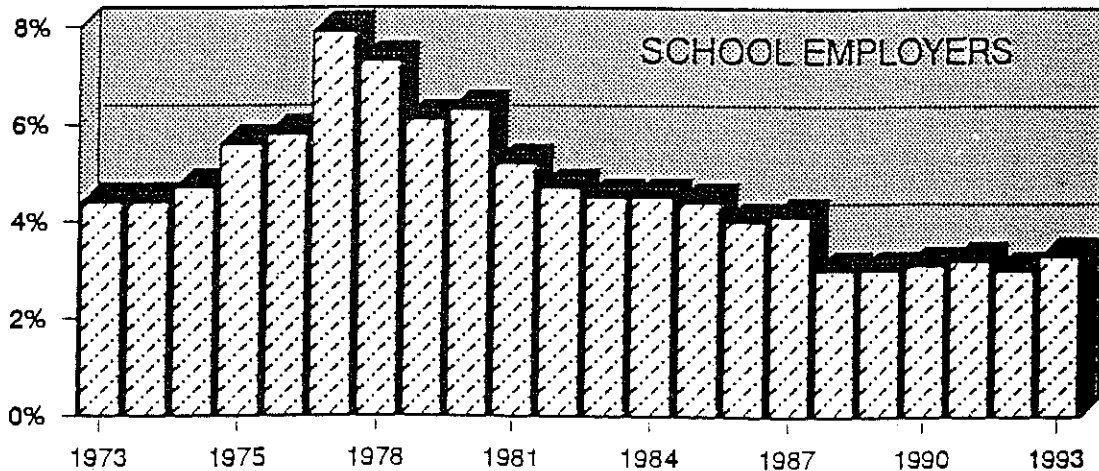
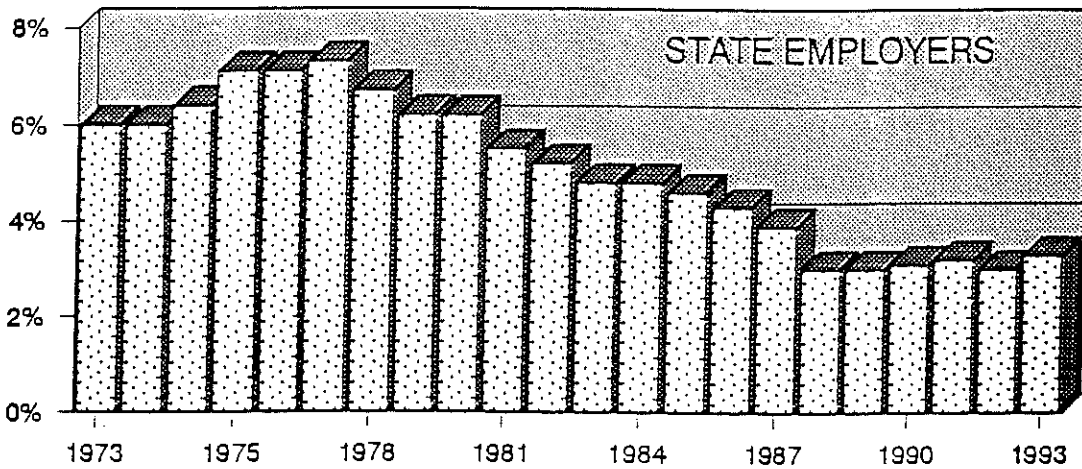
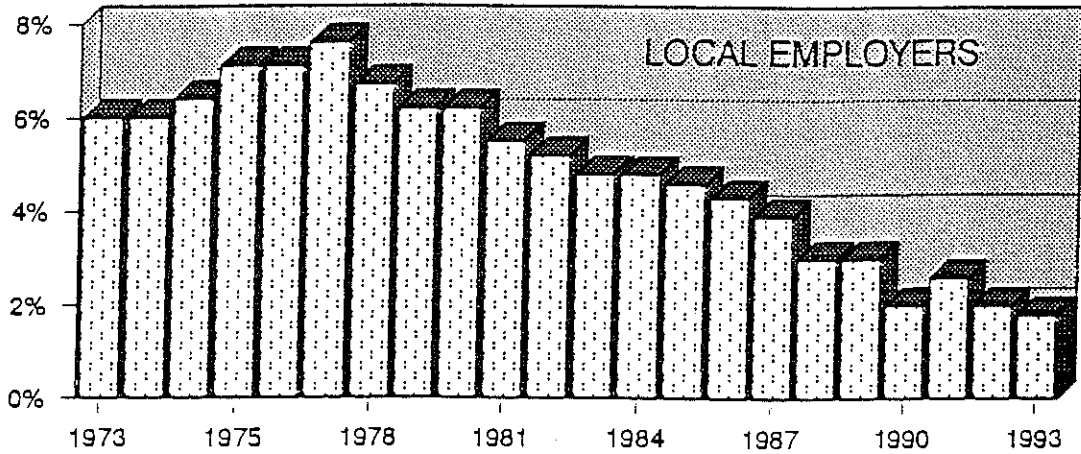
Fiscal Year	Benefits	Withdrawals	Insurance	Administration	Total
1984	\$ 78,793,624	\$ 16,680,144	\$ 8,536,629	\$ 2,154,754	\$ 106,165,151
1985	92,654,383	17,699,344	9,361,611	2,257,359	121,972,697
1986	106,394,070	17,718,546	11,371,587	2,094,299	137,578,502
1987	118,541,073	16,850,300	13,519,657	2,547,931	151,458,961
1988	135,105,984	17,270,090	14,162,853	2,653,107	169,192,034
1989	151,532,348	19,209,745	19,809,732	3,255,155	193,806,980
1990	165,424,924	23,225,663	17,826,637	3,152,205	209,629,429
1991	184,121,534	24,568,119	23,956,850	3,309,277	235,955,780
1992	205,565,716	23,310,075	26,745,197	3,274,890	258,895,878
1993	230,677,812	20,812,351	28,353,401	3,715,294	283,558,858

## Membership Profile

Fiscal Year	Active	Inactive	Retirees & Beneficiaries	Total Membership
1984	90,391	11,936	30,855	133,182
1985	90,283	11,817	32,675	134,775
1986	91,939	10,754	33,598	136,291
1987	94,369	10,322	34,819	139,510
1988	97,137	9,970	36,171	143,278
1989	103,721	10,448	37,250	151,419
1990	109,654	8,388	38,243	156,285
1991	111,818	10,368	39,262	161,448
1992	116,891	8,798	39,552	165,241
1993	121,997	9,182	41,388	172,567

# KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

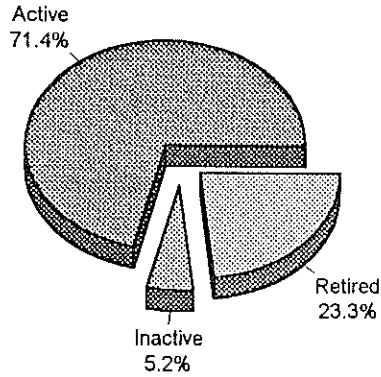
## Historical Employer Contribution Rates



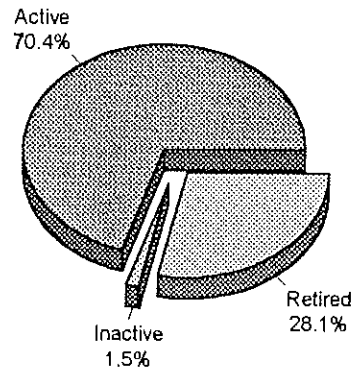
# KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

## Membership Profile by System

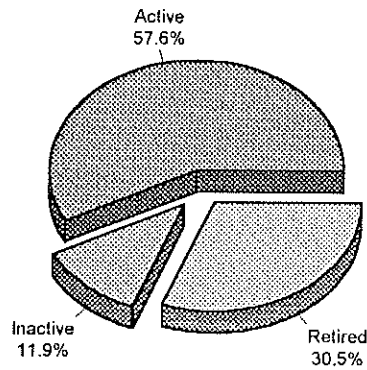
KPERS (School/Non-School)



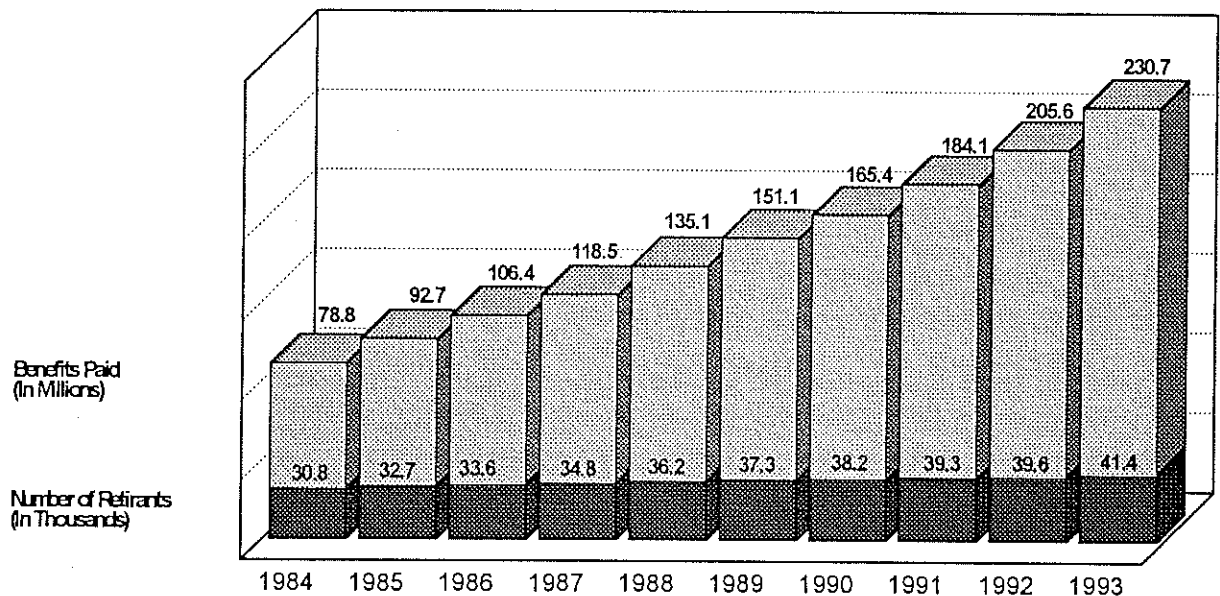
KP & F



Judges



## Comparison of Benefits Paid to Number of Retirants





## Kansas Public Employees Retirement System Staff

Cathy A. Adams	Barb Huerter
Brenda Alfrey	Joanna L. Huffman
William A. Anderson	Melva Janke
Yohonna Darneece Barraud	Sharran Johnson
Annie Barron	Dean Kelley
Dianna Berry	Deanna Kirk
Ranona Boyd	Shirley Knox
Leland C. Breedlove	Janet M. Kruzal
William R. Brown	Judy Lambert
Rosemary Butler	Jim Long
Ron Campbell	Debra J. Lewis
Roque Chang	April Lynn
Virgil V. Clifton	Priscilla A. Martinez
Cathy Colpitts	Judy McNeal
Ernie Cramer	Mitchell McNeely
Margaret Danner	Elizabeth B. A. Miller
Donna Deck	Janice Minger
Arvella Dellett	Florence Morris
Don Deseck	Velma Morris
Yolanda Dickinson	Craig Pearman
Kevin W. Doel	Scott T. Peppard
Jill Emme	Claudia Perney
Mitchell Fick	Diana J. Peters
Evelyn Fitzpatrick	Linda S. Porter
Renae E. Forque	Diane Potter
Connie Gardner	Jerry L. Quick
Kay Gleason	Kim Raines
Linda A. Grame	Randall W. Rahberg
Jerry W. Grant	Norma Reed
Barbara J. Grimes	Robert D. Schau
Earlene Hagans	Cora Schulte
Joan T. Hancock	Susan Sebring
James R. Handley	Ann Selders
Jack L. Hawn	Kay Simecka
Duane Herrmann	Mable Van Dam
Lisa Hernandez	David E. Westphal
Kim Hewett	Meredith Williams
Arlene Hill	Barbara Wisbey
John L. Hooker	Corinna M. Woodward
David D. Howland	Pat Zimmerman