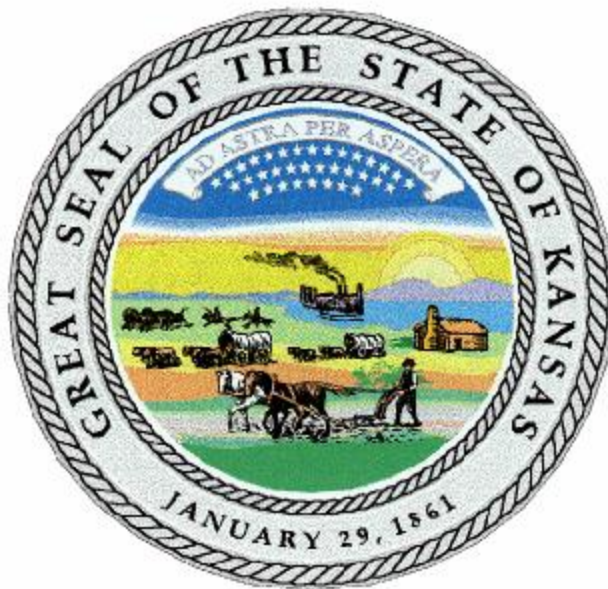


***Kansas Public Employees
Retirement System***



Valuation Report as of December 31, 2005



Kansas Public Employees Retirement System Actuarial Valuation Report

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July 12, 2006

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

Dear Members of Board:

At your request, we have completed an actuarial valuation of the Kansas Public Employees Retirement System as of December 31, 2005 for determining contributions for fiscal year 2009 for the State and 2008 for Local employers. The major findings of the valuation are contained in this report. The report reflects a change in the retirement assumption for Judges. There was no other change in the actuarial assumptions or methods from the prior valuation. There was only one minor change in the benefit provisions. Both the assumption and benefit change are discussed on page one of the report.

In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB) and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting recommendations of the American Academy of Actuaries.

We hereby further certify that all costs, liabilities, rates of interest and other factors for the System have been determined on the basis of actuarial assumptions and methods which are internally consistent, individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix C.



Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work product was prepared exclusively for KPERS for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning KPERS' operations, and uses KPERS' data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We would like to express our appreciation to Glenn Deck, Executive Director of the System, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

I, Patrice A. Beckham F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Brent A. Banister F.S.A., am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We respectfully submit the following report and look forward to discussing it with you.

MILLIMAN, Inc.

Sincerely,

Patrice A. Beckham, F.S.A.
Consulting Actuary

Brent A. Banister, F.S.A.
Actuary

SECTION I BOARD SUMMARY

OVERVIEW

The Kansas Public Employees Retirement System is an umbrella organization which administers the following three statewide pension groups: the Kansas Public Employees Retirement System (KPERs), the Kansas Police and Firemen's Retirement System (KP&F) and the Kansas Retirement System for Judges (Judges). This report presents the results of the December 31, 2005 actuarial valuations for each of the Systems.

The primary purposes of performing actuarial valuations are to:

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

This report reflects one change in the actuarial assumptions. The retirement assumption for the Judges group was changed from a single age to a set of retirement rates.

The 2006 Legislature passed legislation containing the following provisions which impacted KPERs:

- Increases the minimum monthly retirement benefit for former members of the Kansas School Retirement System (KSRS) who retired before January 1, 1971, with at least 20 years of service, from \$500 to \$625 effective July 1, 2006 and to \$750 effective July 1, 2007. The Legislature appropriated \$300,000 to offset the increase in the unfunded actuarial liability for this benefit change.
- Increases the annual earnings limitation for KPERs retirees who return to work for their former employer from \$15,000 to \$20,000.
- Requires that KPERs participating employers pay the actuarial employer contribution rate and statutory employee contribution rate when hiring KPERs retirees who retired from a different KPERs employer (for retirees first employed on or after July 1, 2006).
- Establishes a statutory rate cap on annual employer contribution rate increases for the KPERs correctional officer groups.

In KPERs, State, School and Local employers do not necessarily contribute the full actuarial contribution rate. Based on legislation passed in 1993, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap, which has been changed periodically, is currently 0.60% for the State, School and Local groups.

The valuation results provide a "snapshot" view of the System's financial condition on December 31, 2005. The unfunded actuarial liability for the System as a whole increased by \$409 million due to various factors. A detailed analysis of the change in the unfunded actuarial liability from December 31, 2004 to December 31, 2005 is shown on page 5.



A summary of actuarial and statutory employer contribution rates for the Retirement System (excluding the statutory contribution for the Death and Disability Program) for the last two valuation dates follows:

System	December 31, 2005 Valuation		Difference
	Actuarial	Statutory	
State	7.35%	6.97% ¹	0.38%
School	11.95%	6.97% ¹	4.98%
Local	7.92%	4.91% ¹	3.01%
Police & Fire - Uniform Rates ²	13.86%	13.86%	0.00%
Judges	22.08%	22.08%	0.00%

System	December 31, 2004 Valuation		Difference
	Actuarial	Statutory	
State	6.99%	6.37%	0.62%
School	11.47%	6.37%	5.10%
Local	7.69%	4.31%	3.38%
Police & Fire - Uniform Rates	13.32%	13.32%	0.00%
Judges	22.38%	22.38%	0.00%

¹ By statute, rates are allowed to increase by a maximum of 0.60% plus the cost of any benefit enhancements.

² For KP&F, the statutory contribution rate is equal to the "Uniform" rate. The rate shown is for local employers. The rate for State employers is 13.80% this year, which includes a payment of 0.58% for the debt service payment on the bonds issued for the 13th check. The uniform rate does not include the payment required to amortize the unfunded past service liability or any 15% excess benefit liability determined separately for each employer. (See Table 13.)

Prior actuarial valuation reports have addressed concerns about the long term funding of KPERS. KPERS' long term funding outlook has improved due to legislation, Board action and strong investment performance in the last few years. The statutory contribution rate is projected to converge with the actuarial required contribution (ARC) rate before the end of the amortization period (2033). Therefore the System is in actuarial balance over the long term if all actuarial assumptions are met. However, the shortfall between the actuarial and statutory contribution rates will produce increases in the UAL. As a result, the actuarial contribution rate is expected to increase until the ARC Date (defined as the date at which the actuarial and statutory contribution rates are equal) is reached.

The market value of assets is slightly higher than the actuarial value, and most of the previous investment losses have now been recognized. If the assumed 8% investment return is achieved in 2006, an actuarial gain on assets is expected in the December 31, 2006 valuation. This is due to the use of an asset smoothing method and the delayed reflection of market experience in the actuarial value of assets.

EXPERIENCE - ALL SYSTEMS COMBINED

December 31, 2004 – December 31, 2005

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is December 31, 2005. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System, which are generally in excess of assets. The actuarial process leads to a method of determining the contributions needed by members and employers in the future to balance the System assets and liabilities.

Changes in the Systems' assets and liabilities impacted the change in the actuarial contribution rates between the December 31, 2004 and December 31, 2005 actuarial valuations. On the following pages each component is examined and quantified.



ASSETS

As of December 31, 2005, the System had total funds when measured on a market value basis, of \$11.9 billion, excluding receivables and assets held for the Group Insurance and Optional Life reserves. This was an increase of \$0.7 billion from the December 31, 2004 figure of \$11.2 billion. The components of the change in the market value of assets for the Retirement System (in millions) are set forth below.

	Market Value \$(millions)
Assets, December 31, 2004	\$11,178
• Receivables	0
Adjusted Assets, December 31, 2004	11,178
• Employer and Member Contributions	502
• Benefit Payments and Expenses	(832)
• Investment Income	1,061
Assets, December 31, 2005	\$11,909

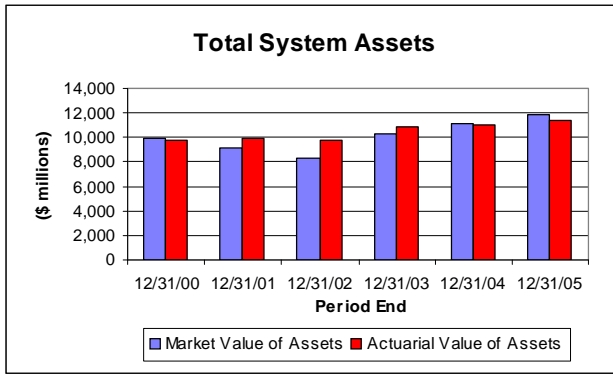
The market value of assets is not used directly in the calculation of contribution rates. An asset valuation method is used to smooth the effect of market fluctuations. The smoothing method calculates the difference between the actual return and the expected return (assumed rate of return) on the market value of assets each year. The difference is recognized equally over a five-year period. See Tables 3A through 3F and 4 for the detailed development of the actuarial value of assets as of December 31, 2005 for each group.

	Actuarial Value \$(millions)
Actuarial Value of Assets 12/31/04	\$10,971
• Employer and Member Contributions	502
• Benefit Payments and Expenses	(832)
• Investment Income	698
Actuarial Value of Assets 12/31/05	11,339

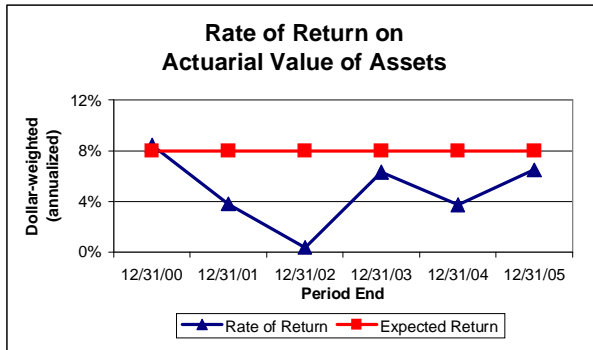
The actuarial value of assets as of December 31, 2005, was \$11.339 billion. The annualized dollar-weighted rate of return for 2005 measured on the actuarial value of assets was approximately 6.5% and measured on the market value of assets, as reported by KPERS, was 9.7%, net of investment and administrative expenses.

Due to the use of an asset smoothing method, there is \$570 million of net deferred investment gain experience that has not yet been recognized. This deferred investment gain will gradually be reflected in the actuarial value of assets. If the actuarial assumed rate of 8% is met in the future, the smoothing method will generate actuarial gains in the next four years.





Strong investment returns from 2003 to 2005 have resulted in the market value of assets exceeding the actuarial value.



The rate of return on the actuarial (smoothed) value of assets has lagged the assumed rate of 8% for the last 5 years. Absent losses in future years, rates of return are expected to be above 8% for the next few years as the deferred investment gains are reflected in the actuarial value of assets.

LIABILITIES

The actuarial liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and asset values at the same date is referred to as the unfunded actuarial liability (UAL). The unfunded actuarial liability will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial liability. Benefit improvements, experience gains and losses, and changes in actuarial assumptions and methods will also impact the total actuarial liability (AL) and the unfunded portion thereof.

This report reflects a change in the retirement assumption for the Judges group. There are two groups of active Judges. The pre-July 1, 1987 hires (Group 1) have a higher benefit multiplier, i.e. 5% per year of service up to 10 and 3.5% thereafter with a maximum benefit of 70%. Those members hired after July 1, 1987 (Group 2) have a 3.5% per year of service multiplier with a 70% maximum benefit. The Judges group has historically used a single retirement age assumption (currently it is age 64). With this type of assumption, there is no dollar amount of normal cost generated in the valuation process for a member who is beyond the assumed retirement age. In the pre-1987 group, there is a large portion of this group who are now beyond age 64 and therefore have no normal cost in the valuation. In the valuation process, the dollar amount of normal cost is divided by the total expected payroll for the upcoming year to develop the normal cost rate. Since the Group 2 normal cost rate is higher than the Group 1 normal cost rate, we expect the normal cost rate for the System in total to increase as the Group 1 members retire from active employment and are replaced with members in Group 2. However, with the single retirement age assumption of age 64 and a significant portion of the group who remain employed after age 64, the calculated normal cost rate would have decreased from 18.71% to 18.24%. In order to prevent an artificial decrease in the normal cost rate in this valuation, which would negatively impact the funding of the Judges System, we recommend that the retirement



assumption be changed from a single assumed retirement age to a set of retirement rates, similar to the retirement assumptions used for the other groups. Our recommended retirement assumption for the Judges is summarized below:

<u>Age</u>	<u>Retirement Rate</u>
Under 62	12.5%
62	30.0%
63	25.0%
64	10.0%
65 to 69	50.0%
70 and beyond	100.0%

There was no other change in the actuarial assumptions or methods from the prior valuation.

The unfunded actuarial liability by group is summarized below:

	<u>State</u>	<u>School</u>	<u>Local</u>	<u>KP&F</u>	<u>Judges</u>
Actuarial Liability	\$3,045	\$8,928	\$2,663	\$1,744	\$ 111
Actuarial Value of Assets	<u>2,574</u>	<u>5,473</u>	<u>1,794</u>	<u>1,403</u>	<u>94</u>
Unfunded Actuarial Liability	\$ 471	\$3,455	\$ 869	\$ 341	\$ 17

See Table 6 for the detailed development of the Actuarial Liability by System. The calculation of the Unfunded Actuarial Liability by System is shown in Table 8.

When the actuarial cost method was changed by the Legislature in 1993, the payment methodology for the unfunded actuarial liability (UAL) for all groups except the Judges System was set in statute as a level percentage of payroll over a 40 year closed period. Payments on the UAL increase four percent each year, the same as the payroll growth assumption. For over half of the amortization period, the payment is less than the interest accruing on the UAL. As a result, the dollar amount of UAL is expected to increase for many years before it begins to decline. In addition, with the planned difference in the statutory and actuarial contribution rates prior to convergence, the unfunded actuarial liability is expected to increase by an additional amount each year.

Other factors influencing the UAL from year to year include actual experience versus that expected based on the actuarial assumptions (both asset and liability), changes in actuarial assumptions, procedures or methods and changes in benefit provisions. The actual experience measured in this valuation is that which occurred during the prior plan year (calendar year 2005). The State and Local groups had a very small net liability gain and the School had a very small net liability loss for the year. KP&F and Judges also had liability gains for the 2005 year. There was an experience loss from investment return on the actuarial value of assets for all groups.

Between December 31, 2004 and December 31, 2005 the change in the unfunded actuarial liabilities for the System as a whole was as follows (in millions):

	<u>\$millions</u>
Unfunded Actuarial Liability, December 31, 2004	\$ 4,743
• effect of contribution cap/time lag	247
• expected increase due to amortization method	84
• loss from investment return	167
• demographic experience ¹	(76)
• all other experience	(8)
• change in actuarial assumptions	(5)
• change in benefit provisions	0
Final Unfunded Actuarial Liability, December 31, 2005	\$5,152

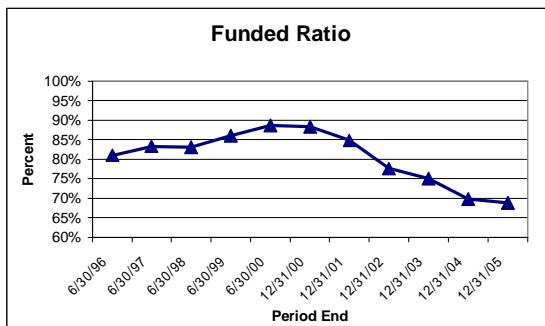
¹Liability gain is about 0.46% of total actuarial liability.



A detailed summary of the change in the unfunded actuarial liability by System is shown on page 11.

An evaluation of the unfunded actuarial liability on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both very large numbers) is reflected. Another way to evaluate the unfunded actuarial liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial liability. The change to the Entry Age Normal actuarial cost method in the 2003 valuation and the change in actuarial assumptions in the 2004 valuation both resulted in an increase in the UAL and a decrease in the funded status. The funded status information is shown below (in millions).

	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
Funded Ratio	88.3%	84.8%	77.6%	75.2%	69.8%	68.8%
Unfunded Actuarial Liability (UAL)	\$1,305	\$1,780	\$2,829	\$3,586	\$4,743	\$5,152



Due to strong investment returns, the funded status of the System generally improved in the last half of the 1990's. Changes in actuarial assumptions and methods, coupled with investment returns below the assumed rate, have significantly reduced the funded ratio over the past five years.

Given the current funded status of the System, the amortization method, the amortization period, and the scheduled increases in employer contribution rates, the unfunded actuarial liability is expected to continue to grow and the funded ratio is expected to decline for many years.

CONTRIBUTION RATES

The funding objective of the System is to establish contribution rates that over time will remain relatively level, as a percentage of payroll, and to pay off the unfunded actuarial liability by the 2033 valuation.

Generally, the actuarial contribution rates to the various Systems consist of:

- a "normal cost" for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date,
- an "unfunded actuarial liability contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets on hand.

There is also a statutory contribution rate that is used to finance the Death and Disability Program. Contributions for the Death and Disability Program are deposited in a separate trust fund, from which benefits are paid. A separate actuarial analysis and report is prepared for the Death and Disability Program on June 30 of each year. Therefore, the death and disability contribution rate is not reflected in this report.

The contribution rates in the December 31, 2005 valuation will set rates for fiscal year end 2009 for the State and 2008 for Local employers.



In KPERS, State, School and Local employers do not necessarily contribute the full actuarial contribution rate. Based on legislation passed in 1993, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap, which has been changed periodically, is currently 0.60% for all groups.

A summary of the actuarial and statutory employer contribution rates for the System is shown below:

System	December 31, 2005 Valuation		Difference
	Actuarial	Statutory	
State	7.35%	6.97% ¹	0.38%
School	11.95%	6.97% ¹	4.98%
Local	7.92%	4.91% ¹	3.01%
Police & Fire -Uniform Rates ²	13.86%	13.86%	0.00%
Judges	22.08%	22.08%	0.00%

¹ By statute, rates are allowed to increase by a maximum of 0.60% plus the cost of any benefit enhancements.

² For KP&F, the statutory contribution rate is equal to the "Uniform" rate. The rate shown is for local employers. The rate for State employers is 13.80% which includes a payment of 0.58% for the debt service payment on the bonds issued for the 13th check. The uniform rate does not include the payment required to amortize the unfunded past service liability or any 15% excess benefit liability determined separately for each employer. (See Table 13.)

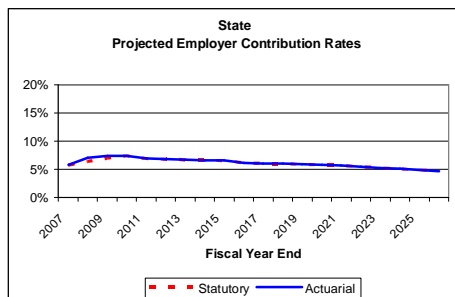
Separate employer contribution rates are calculated for two subgroups of the State. Two Correctional Employee Groups, one with normal retirement age 55 and the other with normal retirement age 60 have higher contribution rates to finance the earlier normal retirement age. The actuarial contribution rates for the Correctional Employee Groups are shown below:

	Actuarial Rate	Statutory Rate
Retirement Age 55:	9.19%	7.44%
Retirement Age 60:	9.04%	7.30%

The change in the actuarial contribution rate from December 31, 2004 to December 31, 2005 and the primary components thereof are shown in the table on page 12.

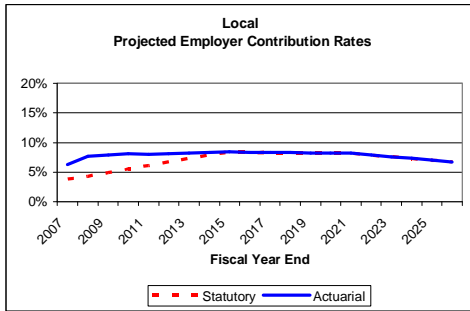
Due to statutory caps, the full actuarial contribution rate is not contributed for the State, School, and Local groups. Based on the current valuation, there is a difference (shortfall) between the actuarial and statutory contribution rates of 0.38%, 4.98% and 3.01% respectively for the State, School and Local groups. Assuming an 8% return on the market value of assets for 2006 and beyond, all other actuarial assumptions are met in the future, and the current level of statutory caps, the ARC Date (statutory and actuarial contribution rates are equal) for the State group is 2010, the School group is 2019 and the Local group is 2015.

Despite a rate of return on the market value of assets of over 9% for 2005, there was an actuarial experience loss on the actuarial value of assets. The impact of negative experience is reflected in an increase in the unfunded actuarial liability (UAL). The result is an actuarial loss that increases the payment on the UAL. As the remainder of the deferred investment experience is recognized in the actuarial value of assets in future years, contribution rates can be expected to decrease slightly, absent unfavorable experience to offset the previously unrecognized gains.

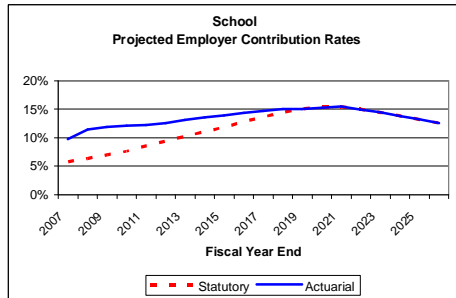


Due to the funded status of the Plan and the increase in amount of the statutory cap, the ARC Date (date at which the statutory contribution rate equals the actuarial required rate) for the State is 2010, if all actuarial assumptions are met.



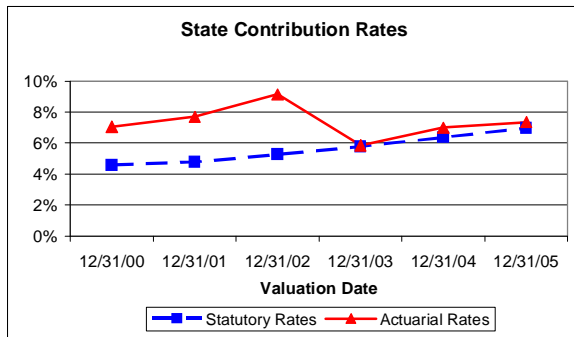


The employer contribution rate is expected to increase each year by the statutory cap for nearly a decade before it stabilizes.

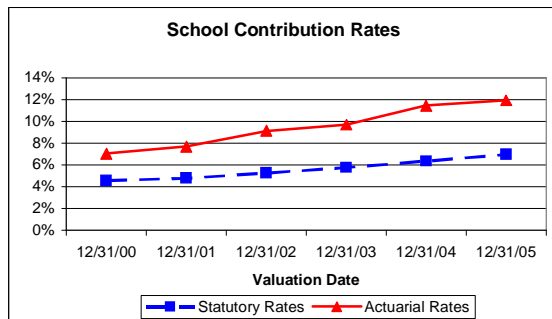


Given the significant difference between the statutory and the actuarial contribution rate, the statutory rate is expected to increase steadily before reaching the ARC Date in 2019.

Historical contribution rates for each group are shown on the following pages. Please note that prior to the December 31, 2003 valuation, one contribution rate was developed for the State and School together as one group. Legislation passed in 2004 split the contribution rate calculations into two separate groups, although the statutory contributions are still determined on a combined basis. Significant changes in funding methods as well as a Pension Obligation Bond issue occurred in 2003 and actuarial assumptions were changed in the 2004 valuation. These changes impact the comparability of contribution rates between various valuation dates.

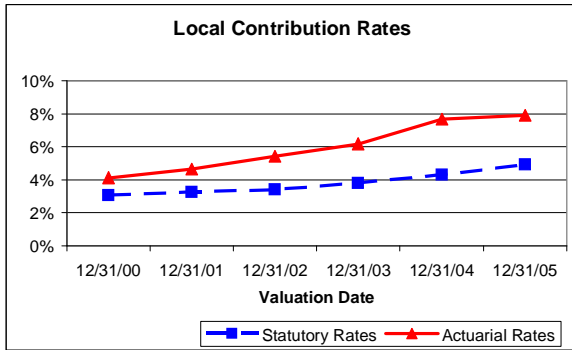


The split of the State group into a separate group with the 2003 valuation, coupled with the bond issue, lowered the actuarial contribution rate. Recognition of unfavorable investment experience in the last few years has resulted in an increase in the contribution rates.

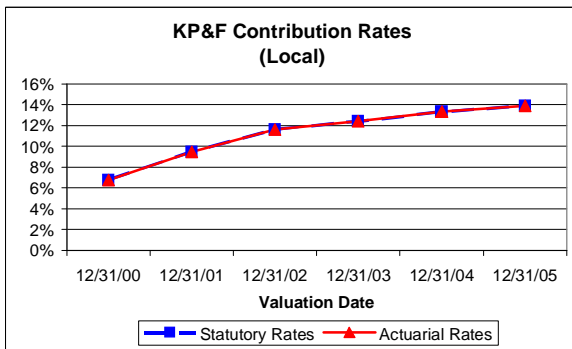


Due to investment experience, changes in actuarial methods and assumptions, and the magnitude of the difference between the actuarial and statutory contribution rates, the funded status of the School group has declined and the actuarial contribution rate has increased.

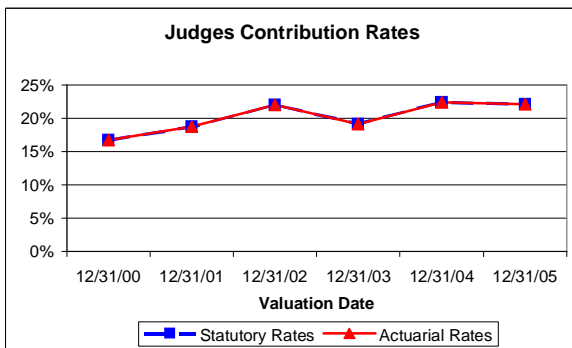




The Local contribution rate has also been impacted by changes in actuarial assumptions and methods as well as investment performance. As a result, the difference between the statutory and actuarial contribution rate has increased. Legislation passed in 2004 provided for increased statutory caps, which should allow the statutory and actuarial rates to converge if all actuarial assumptions are met in future years.



Strong investment returns before 2000 held employer contribution rates at a very low level. Investment experience since then coupled with a change in actuarial methodology has dramatically increased the contribution rates.



Significant changes in the actuarial assumptions in both the December 31, 2000 and 2004 valuations, coupled with investment experience in recent years have generally resulted in higher contribution rates.

In recent years, the Retirement System and the Legislature have given a high priority to the development of a comprehensive plan to address the long-term funding of KPERS. HB2014, which was passed by the 2003 Legislature, increased the statutory cap on the State/School employer contribution rate from 0.20% to 0.40% in FY2006, 0.50% in FY2007 and 0.60% in FY 2008 and beyond. It also authorized the issuance of up to \$500 million in pension obligation bonds (POBs). The POBs were sold and proceeds of \$440.2 million were received on March 10, 2004. The debt service payments on the bonds are paid by the State in addition to the regular KPERS employer contribution rate.



The 2004 Legislature passed SB520, which continued to address issues related to the long term funding of the System. It gave the KPERS Board of Trustees the authority to establish the actuarial cost method and amortization method/period. With this authority, the Board changed both the actuarial cost method and the asset valuation method with the December 31, 2003 actuarial valuation. SB520 also increased the statutory cap for Local employers from 0.15% to 0.40% in FY2006, 0.50% in FY2007 and 0.60% in FY2008 and beyond and also split the State/School group into separate groups for purposes of determining employer contribution rates.

The 2005 Legislature clarified the determination of KPERS State Group and School Group employer contributions by specifying that, in any year in which the State employer rate is less than the combined State/School rate, the Legislature shall appropriate a supplemental amount to the School group, equal to the difference between the State's contributions using the combined rate and contributions using the State Group rate.

Based on the December 31, 2005 actuarial valuation results and the current statutory caps, the statutory contribution rates for the State, School and Local groups are projected to converge with the actuarial required contribution (ARC) rate before the end of the amortization period. As a result, the System is in long term actuarial balance. However, these projections assume that all actuarial assumptions are met exactly in each future year. To the extent that actual experience deviates from that expected, the ARC Date (date at which the statutory and actuarial rates are expected to converge), as well as the ARC rate, will vary. In particular, due to the School group's funded status, the projected ARC Date and rate are very sensitive to changes in the UAL. Unfavorable experience for this group could result in a situation where the statutory contribution rate never reaches the actuarial required contribution (ARC) rate. Key funding measurements should continue to be closely monitored in order to determine whether a change in the contribution cap is needed.



SUMMARY OF CHANGE IN UNFUNDED ACTUARIAL LIABILITY

DECEMBER 31, 2005 VALUATION

\$(millions)	State	School	Local	KP&F	Judges	Total
UAL in 12/31/2004 Valuation Report	\$433.3	\$3,150.9	\$823.7	\$312.7	\$22.0	\$4,742.7 ¹
• Effect of contribution cap/timing	16.6	175.2	50.5	3.7	1.2	247.2
• Expected increase due to method	6.8	55.6	14.4	7.8	(0.2)	84.4
• Actual vs. Expected experience						
• Investment return	50.4	70.1	17.8	26.8	1.7	166.8
• Demographic experience	(35.2)	6.6	(41.7)	(3.3)	(2.4)	(76.0)
• All other experience	(0.8)	(3.2)	4.2	(7.0)	(0.8)	(7.7)
• Change in assumptions	0.0	0.0	0.0	0.0	(4.9)	(4.9)
• Change in benefit provisions	0.0	0.0	0.0	0.0	0.0	0.0
UAL in 12/31/2005 Valuation Report	\$471.1	\$3,455.2	\$868.9	\$340.7	\$16.6	\$5,152.5

¹May not add due to rounding.



**SUMMARY OF
CHANGES IN ACTUARIAL CONTRIBUTION RATE
BY SYSTEM
AS OF DECEMBER 31, 2005**

Percentage of Payroll	State	School	Local	KP&F ¹	Judges
Actuarial Contribution Rate in 12/31/2004 Valuation	6.99%	11.47%	7.69%	13.32%	22.38%
Change Due to Amortization of UAL					
• effect of contribution cap/time lag	0.12	0.38	0.24	0.06	0.45
• amortization method	0.00	0.00	0.00	0.00	(0.34)
• investment experience	0.35	0.15	0.09	0.45	0.64
• liability experience	(0.25)	0.01	(0.20)	(0.06)	(0.90)
• all other experience	0.10	(0.06)	0.09	0.04	(0.23)
• change in assumptions	0.00	0.00	0.00	0.00	(1.84)
• change in benefit provisions	0.00	0.00	0.00	0.00	0.00
Change in Normal Cost Rate	0.04	(0.01)	0.01	0.05	1.92
Actuarial Contribution Rate in 12/31/2005 Valuation	7.35%	11.95%	7.92%	13.86%	22.08%

¹Contribution rate for Local employers only.

SUMMARY OF HISTORICAL CHANGES IN TOTAL SYSTEM UAL
as of
DECEMBER 31, 2005 VALUATION

\$(millions)	As Reported on Valuation Date													
	6/30/94	6/30/95	6/30/96	6/30/97	6/30/98	6/30/99	6/30/00	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	Total
Actual Experience vs. Assumed														
• Investment	\$(102)	\$(143)	\$(280)	\$(323)	\$(413)	\$(360)	\$(441)	\$(23)	\$350	\$644	\$140	\$456	\$167	\$(337)
• Other	320	72	136	157	104	46	99	84	(9)	68	(32)	16	(84)	977
Assumption Changes	0	(96)	0	0	350	0	0	(206)	0	0	0	437	(5)	480
Changes in Data/Procedures	244	0	0	0	0	21	71	145**	5	177**	(286)***	0	0	377
Change in Cost Method	0	0	0	0	0	0	0	0	0	0	1,147	0	0	1,147
Effect of Contribution Cap/Lag	*	95	70	63	54	78	66	60	115	143	178	179	247	1,348
Amortization Method	*	47	38	35	32	30	22	12	14	21	47	68	84	450
Change in Benefit Provisions	75	0	0	0	88	0	19	0	0	37	3	1	0	223
Bond Issue	0	0	0	0	0	0	0	0	0	(41)	(440)	0	0	(481)
Total	\$537	\$(25)	\$(36)	\$(68)	\$215	\$(194)	\$(164)	\$72	\$475	\$1,048	\$757	\$1,157	\$409	\$4,184

*Not calculated for this year.

**Reflects the impact of re-establishing the KP&F Supplemental Actuarial Liability at December 31, 2002. The additional unfunded actuarial liability as of December 31, 2000

for the State/School and Local groups not recognized in the prior valuation due to the phase-in of the change in actuarial procedures is included.

***Change in asset valuation method.

Unfunded actuarial liability 6/30/93: \$ 968 million

Unfunded actuarial liability 12/31/05: \$ 5,152 million



SUMMARY OF PRINCIPAL RESULTS

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (STATE)

	12/31/2005 Valuation	12/31/2004 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	24,124	24,592	(1.9) %
Retired Members and Beneficiaries	14,642	14,410	1.6
Inactive Members	6,293	6,029	4.4
Total Members	45,059	45,031	0.1
Projected Annual Salaries of Active Members	\$ 859,851,488	\$ 851,655,056	1.0
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 154,694,589	\$ 148,286,419	4.3
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 3,045,520,267	\$ 2,952,425,476	3.2
Assets for Valuation Purposes	2,574,470,374	2,519,107,044	2.2
Unfunded Actuarial Liability	471,049,893	433,318,432	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	3.76%	3.72%	
Amortization of Unfunded Actuarial and Debt Service	<u>3.59%</u>	<u>3.27%</u>	
Actuarial Contribution Rate	7.35%	6.99%	
Statutory Employer Contribution Rate*	<u>6.97%</u>	<u>6.37%</u>	

* Statutory Employer Contribution Rate may not exceed last year's rate by more than rate increase limit of 0.60%. This rate does not include the contribution rate for the Death and Disability Program.



SUMMARY OF PRINCIPAL RESULTS

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (SCHOOL)

	12/31/2005 Valuation	12/31/2004 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	82,379	80,602	2.2 %
Retired Members and Beneficiaries	32,875	31,378	4.8
Inactive Members	23,644	24,148	(2.1)
Total Members	138,898	136,128	2.0
Projected Annual Salaries of Active Members	\$ 2,765,362,690	\$ 2,641,861,863	4.7
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 388,120,658	\$ 358,909,034	8.1
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 8,928,334,248	\$ 8,470,506,029	5.4
Assets for Valuation Purposes	5,473,149,354	5,319,627,299	2.9
Unfunded Actuarial Liability	3,455,184,894	3,150,878,730	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	4.23%	4.24%	
Amortization of Unfunded Actuarial and Debt Service	<u>7.72%</u>	<u>7.23%</u>	
Actuarial Contribution Rate	11.95%	11.47%	
Statutory Employer Contribution Rate*	<u>6.97%</u>	<u>6.37%</u>	

* Statutory Employer Contribution Rate may not exceed last year's rate by more than rate increase limit of 0.60%. This rate does not include the contribution rate for the Death and Disability Program.



SUMMARY OF PRINCIPAL RESULTS

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (STATE/SCHOOL)

	12/31/2005 Valuation	12/31/2004 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	106,503	105,194	1.2 %
Retired Members and Beneficiaries	47,517	45,788	3.8
Inactive Members	29,937	30,177	(0.8)
Total Members	183,957	181,159	1.5
Projected Annual Salaries of Active Members	\$ 3,625,214,178	\$ 3,493,516,919	3.8
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 542,815,247	\$ 507,195,453	7.0
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 11,973,854,515	\$ 11,422,931,505	4.8
Assets for Valuation Purposes	8,047,619,728	7,838,734,343	2.7
Unfunded Actuarial Liability	3,926,234,787	3,584,197,162	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	4.12%	4.11%	
Amortization of Unfunded Actuarial and Debt Service	<u>6.74%</u>	<u>6.26%</u>	
Actuarial Contribution Rate	10.86%	10.37%	
Statutory Employer Contribution Rate*	<u>6.97%</u>	<u>6.37%</u>	

* Statutory Employer Contribution Rate may not exceed last year's rate by more than rate increase limit of 0.60%. This rate does not include the contribution rate for the Death and Disability Program.



SUMMARY OF PRINCIPAL RESULTS

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (LOCAL)

	12/31/2005 Valuation	12/31/2004 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	35,544	35,585	(0.1) %
Retired Members and Beneficiaries	12,006	11,613	3.4
Inactive Members	10,177	10,018	1.6
Total Members	57,727	57,216	0.9
Projected Annual Salaries of Active Members	\$ 1,260,949,643	\$ 1,236,051,138	2.0
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 94,612,484	\$ 88,302,227	7.1
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 2,663,333,880	\$ 2,522,397,478	5.6
Assets for Valuation Purposes	1,794,442,007	1,698,668,607	5.6
Unfunded Actuarial Liability	868,891,873	823,728,871	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	3.69%	3.68%	
Amortization of Unfunded Actuarial and Supplemental Liability	<u>4.23%</u>	<u>4.01%</u>	
Actuarial Contribution Rate	7.92%	7.69%	
Statutory Employer Contribution Rate*	<u>4.91%</u>	<u>4.31%</u>	

* Statutory Employer Contribution Rate exceeds last year's rate by the statutory rate increase limit of 0.60%. This rate does not include the contribution rate for the Death and Disability Program.



SUMMARY OF PRINCIPAL RESULTS

KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM

	12/31/2005 Valuation	12/31/2004 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	6,772	6,721	0.8 %
Retired Members and Beneficiaries	3,654	3,558	2.7
Inactive Members	1,293	1,243	4.0
Total Members	11,719	11,522	1.7
Projected Annual Salaries of Active Members	\$ 360,718,148	\$ 349,723,478	3.1
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 81,562,962	\$ 77,962,447	4.6
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 1,743,599,187	\$ 1,657,628,308	5.2
Assets for Valuation Purposes	1,402,876,287	1,344,909,124	4.3
Unfunded Actuarial Liability	340,722,900	312,719,184	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	8.03%	7.98%	
Amortization of Unfunded Actuarial and Supplemental Liability	<u>5.83%</u>	<u>5.34%</u>	
Actuarial Contribution Rate (Local Employers)	13.86%	13.32%	
Statutory Employer Contribution Rate*	<u>13.86%</u>	<u>13.32%</u>	

* The Statutory Employer Contribution Rate is equal to the Actuarial Rate. This is referred to as the "Uniform" rate, and varies for State and Local employers. The total contribution is equal to the appropriate uniform rate plus the payment required to amortize any unfunded past service liability or 15% excess benefit liability, determined separately for each employer.



SUMMARY OF PRINCIPAL RESULTS

KANSAS RETIREMENT SYSTEM FOR JUDGES

	12/31/2005 Valuation	12/31/2004 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	254	251	1.2 %
Retired Members and Beneficiaries	171	166	3.0
Inactive Members	19	18	5.6
Total Members	444	435	2.1
Projected Annual Salaries of Active Members	\$ 23,468,759	\$ 22,724,531	3.3
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 5,451,122	\$ 5,215,006	4.5
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 110,974,801	\$ 111,135,185	(0.1)
Assets for Valuation Purposes	94,354,943	89,114,503	5.9
Unfunded Actuarial Liability	16,619,858	22,020,682	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	15.76%	13.84%	
Amortization of Unfunded Actuarial and Supplemental Liability	<u>6.32%</u>	<u>8.54%</u>	
Actuarial Contribution Rate	22.08%	22.38%	
Statutory Employer Contribution Rate*	<u>22.08%</u>	<u>22.38%</u>	

* Statutory Employer Contribution Rate is equal to the Actuarial Rate.
This rate excludes the contribution for the Death and Disability Program.



SUMMARY OF PRINCIPAL RESULTS

ALL SYSTEMS COMBINED

	12/31/2005 Valuation	12/31/2004 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	149,073	147,751	0.9 %
Retired Members and Beneficiaries	63,348	61,125	3.6
Inactive Members	41,426	41,456	(0.1)
Total Members	253,847	250,332	1.4
Projected Annual Salaries of Active Members	\$ 5,270,350,727	\$ 5,102,016,066	3.3
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 724,441,815	\$ 678,675,133	6.7
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 16,491,762,383	\$ 15,714,092,476	4.9
Assets for Valuation Purposes	11,339,292,965	10,971,426,577	3.4
Unfunded Actuarial Liability	5,152,469,418	4,742,665,899	



SECTION 2

SCOPE OF THE REPORT

This report presents the actuarial valuation of the Kansas Public Employees Retirement System (KPERS) as of December 31, 2005. This valuation was prepared at the request of the System's Board of Trustees.

The reader is encouraged to review the actuarial certification letter, where the guidelines employed in the preparation of this report are outlined. Also included in this letter are comments on the sources and reliability of both the data and the actuarial assumptions upon which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of the System. Sections 4 and 5 describe how the obligations of the System are to be met under the actuarial cost method in use.

This report includes several appendices:

- Appendix A Schedules of valuation data classified by various categories of members.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on December 31, 2005, as amended by changes enacted by the 2006 Legislature.
- Appendix C A summary of the actuarial methods and assumptions used to estimate liabilities and determine contribution rates.
- Appendix D A glossary of actuarial terms.



SECTION 3

ASSETS

Market Value of Assets

The current market value represents the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, market values of assets provide a basis for measuring investment performance from time to time. At December 31, 2005 the market value of assets (excluding receivables) for the Retirement System was \$11.909 billion. Table 1 is a comparison, at market values, of System assets as of December 31, 2005, and December 31, 2004, in total and by investment category. Table 2 summarizes the change in the market value of assets from December 31, 2004 to December 31, 2005 by System.

Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of System assets, nor the book value of assets, representing the cost of investments, may be the best measure of the System's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. The asset smoothing method was implemented with the December 31, 2003 actuarial valuation.

Under the asset smoothing method, the difference between the actual return and the expected return (based on the actuarial assumed rate of return) on the market value of assets is calculated each year and recognized equally over a five year period.

Tables 3A through 3F and Table 4 show the development of the actuarial value of assets (AVA) as of December 31, 2005.



TABLE 1
ANALYSIS OF NET ASSETS AT MARKET VALUE

	December 31, 2005			December 31, 2004		
	<u>Amount</u> (\$ Millions)	<u>% of Total</u>		<u>Amount</u> (\$ Millions)	<u>% of Total</u>	
Cash & Equivalents	\$ 994	8.3 %		\$ 824	7.3 %	
Alternative Investments	517	4.3		522	4.7	
Real Estate	866	7.3		813	7.2	
Fixed Income	2,877	24.1		2,813	25.1	
Domestic Equity	3,752	31.4		3,802	33.9	
International Equity	2,934	24.6		2,443	21.8	
Subtotal	\$ 11,940	100.0 %		\$ 11,217	100.0 %	
Administrative Reserves	(14)			(14)		
Group Insurance and Optional Life Reserves	(17)			(25)		
Net Assets	\$ 11,909			\$ 11,178		
Receivables	0			0		
Adjusted Net Assets	\$ 11,909			\$ 11,178		

Allocation of Net Assets on December 31, 2005:

State	\$ 2,680
School	5,774
Local	1,897
KP&F	1,460
Judges	98
Total Net Assets	\$ 11,909

TABLE 2
SUMMARY OF CHANGES IN KPERS ASSETS
DURING PERIOD ENDED DECEMBER 31, 2005

(Market Value)

	State	School	Local	Total KPERS
Market Value of Assets as of January 1, 2005*	\$ 2,553,610,968	\$ 5,427,574,148	\$ 1,743,287,610	\$ 9,724,472,726
Receivables	0	0	0	0
Adjusted Market Value of Assets	2,553,610,968	5,427,574,148	1,743,287,610	9,724,472,726
Contributions:				
Employee	34,157,764	107,578,857	48,659,074	190,395,695
Employee service purchases	3,189,918	6,843,861	4,710,799	14,744,578
Employer	43,105,649	133,310,889	43,049,626	219,466,164
Miscellaneous	24,163	29,109	0	53,272
Total Contributions	<u>80,477,494</u>	<u>247,762,716</u>	<u>96,419,499</u>	<u>424,659,709</u>
Total Investment Income	218,735,253	540,257,915	175,621,288	934,614,456
Total Income	<u>299,212,747</u>	<u>788,020,631</u>	<u>272,040,787</u>	<u>1,359,274,165</u>
Less Benefits:				
Annuity Retirement Benefits	(149,911,575)	(369,925,875)	(91,167,228)	(611,004,678)
Partial Lump Sum Benefits	(10,688,637)	(45,466,567)	(9,877,134)	(66,032,338)
Retirant Dividends	(1,274,403)	(2,516,669)	(628,156)	(4,419,228)
Withdrawals	(6,685,607)	(17,915,446)	(12,533,352)	(37,134,405)
Death Benefits	(4,109,888)	(6,228,624)	(3,690,790)	(14,029,302)
Total Benefits	<u>(172,670,110)</u>	<u>(442,053,181)</u>	<u>(117,896,660)</u>	<u>(732,619,951)</u>
Net Increase in Assets	126,542,637	345,967,450	154,144,127	626,654,214
Market Value of Assets as of December 31, 2005*	\$ 2,680,153,605	\$ 5,773,541,598	\$ 1,897,431,737	\$ 10,351,126,940

* Note: Assets exclude insurance and administrative reserves.

**TABLE 2 (cont.)
SUMMARY OF CHANGES IN KPERS ASSETS
DURING PERIOD ENDED DECEMBER 31, 2005**

(Market Value)

	KPERS	KP&F	Judges	Total
Market Value of Assets as of January 1, 2005*	\$ 9,724,472,726	\$ 1,363,065,004	\$ 90,483,059	\$ 11,178,020,789
Receivables	0	0	0	0
Adjusted Market Value of Assets	9,724,472,726	1,363,065,004	90,483,059	11,178,020,789
Contributions:				
Employee	190,395,695	24,672,600	1,177,572	216,245,867
Employee service purchases	14,744,578	652,168	0	15,396,746
Employer	219,466,164	46,590,577	4,551,733	270,608,474
Miscellaneous	53,272	16,032	0	69,304
Total Contributions	<u>424,659,709</u>	<u>71,931,377</u>	<u>5,729,305</u>	<u>502,320,391</u>
Total Investment Income	<u>934,614,456</u>	<u>118,494,819</u>	<u>7,835,314</u>	<u>1,060,944,589</u>
Total Income	1,359,274,165	190,426,196	13,564,619	1,563,264,980
Less Benefits:				
Annuity Retirement Benefits	(611,004,678)	(80,014,063)	(5,346,146)	(696,364,887)
Partial Lump Sum Benefits	(66,032,338)	(8,820,996)	(269,324)	(75,122,658)
Retirant Dividends	(4,419,228)	(1,263,609)	(40,131)	(5,722,968)
Withdrawals	(37,134,405)	(3,373,827)	(19,441)	(40,527,673)
Death Benefits	(14,029,302)	(463,768)	(245,688)	(14,738,758)
Total Benefits	<u>(732,619,951)</u>	<u>(93,936,263)</u>	<u>(5,920,730)</u>	<u>(832,476,944)</u>
Net Increase in Assets	626,654,214	96,489,933	7,643,889	730,788,036
Market Value of Assets as of December 31, 2005*	\$ 10,351,126,940	\$ 1,459,554,937	\$ 98,126,948	\$ 11,908,808,825

* Note: Assets exclude insurance and administrative reserves.

TABLE 3A
CALCULATION OF EXCESS (SHORTFALL) INVESTMENT INCOME FOR
ACTUARIAL VALUE OF NET ASSETS
State*

	Plan Year End			
	12/31/2002**	12/31/2003**	12/31/2004	12/31/2005
1. Market Value of Assets, beginning of year	\$2,200,396,822	\$1,983,632,519	\$2,370,036,710	\$2,553,610,968
2. Contributions during year	95,761,919	100,195,791	76,634,336	80,477,494
3. Benefits during year	(168,745,496)	(174,607,196)	(162,256,907)	(172,670,110)
4. Expected net investment income	173,168,565	155,771,406	186,243,922	200,672,116
5. Transfers and receivables	12,803,341	36,515,432	0	0
6. Expected Value of Assets, end of year	\$2,313,385,151	\$2,101,507,952	\$2,470,658,061	\$2,662,090,468
7. Market Value of Assets, end of year	1,983,632,519	2,370,036,710	2,553,610,968	2,680,153,605
8. Excess (shortfall) of net investment income	(\$329,752,632)	\$268,528,758	\$82,952,907	\$18,063,137

* Includes asset values for the TIAA group

** Prior to 12/31/03, assets were combined for state and school. Numbers prior to this are based on the combined amounts, split in proportion to the 12/31/03 allocation.

TABLE 3B
CALCULATION OF EXCESS (SHORTFALL) INVESTMENT INCOME FOR
ACTUARIAL VALUE OF NET ASSETS
School

	Plan Year End			
	12/31/2002*	12/31/2003*	12/31/2004	12/31/2005
1. Market Value of Assets, beginning of year	\$4,326,159,852	\$3,899,983,529	\$4,991,542,973	\$5,427,574,148
2. Contributions during year	188,275,753	196,993,109	232,136,850	247,762,716
3. Benefits during year	(331,767,426)	(343,292,008)	(401,994,358)	(442,053,181)
4. Expected net investment income	340,463,540	306,259,306	392,659,845	426,583,823
5. Transfers and receivables	25,172,414	403,649,568	0	0
6. Expected Value of Assets, end of year	\$4,548,304,133	\$4,463,593,504	\$5,214,345,310	\$5,659,867,506
7. Market Value of Assets, end of year	3,899,983,529	4,991,542,973	5,427,574,148	5,773,541,598
8. Excess (shortfall) of net investment income	(\$648,320,604)	\$527,949,469	\$213,228,838	\$113,674,092

* Prior to 12/31/03, assets were combined for state and school. Numbers prior to this are based on the combined amounts, split in proportion to the 12/31/03 allocation.

TABLE 3C
CALCULATION OF EXCESS (SHORTFALL) INVESTMENT INCOME FOR
ACTUARIAL VALUE OF NET ASSETS
State/School*

	Plan Year End			
	12/31/2002	12/31/2003	12/31/2004	12/31/2005
1. Market Value of Assets, beginning of year	\$6,526,556,674	\$5,883,616,048	\$7,361,579,683	\$7,981,185,116
2. Contributions during year	284,037,672	297,188,900	308,771,186	328,240,210
3. Benefits during year	(500,512,922)	(517,899,204)	(564,251,265)	(614,723,291)
4. Expected net investment income	513,632,105	462,030,712	578,903,767	627,255,939
5. Transfers and receivables	37,975,755	440,165,000	0	0
6. Expected Value of Assets, end of year	\$6,861,689,284	\$6,565,101,456	\$7,685,003,371	\$8,321,957,974
7. Market Value of Assets, end of year	5,883,616,048	7,361,579,683	7,981,185,116	8,453,695,203
8. Excess (shortfall) of net investment income	(\$978,073,236)	\$796,478,227	\$296,181,745	\$131,737,229

* Includes asset values for the TIAA group

TABLE 3D
CALCULATION OF EXCESS (SHORTFALL) INVESTMENT INCOME FOR
ACTUARIAL VALUE OF NET ASSETS
Local

	Plan Year End			
	12/31/2002	12/31/2003	12/31/2004	12/31/2005
1. Market Value of Assets, beginning of year	\$1,395,342,080	\$1,297,926,648	\$1,561,501,396	\$1,743,287,610
2. Contributions during year	79,874,944	86,210,953	91,862,152	96,419,499
3. Benefits during year	(91,964,349)	(99,630,311)	(106,730,071)	(117,896,660)
4. Expected net investment income	111,153,093	103,307,684	124,336,836	138,620,449
5. Transfers and receivables	900,320	0	0	0
6. Expected Value of Assets, end of year	\$1,495,306,088	\$1,387,814,974	\$1,670,970,313	\$1,860,430,898
7. Market Value of Assets, end of year	1,297,926,648	1,561,501,396	1,743,287,610	1,897,431,737
8. Excess (shortfall) of net investment income	(\$197,379,440)	\$173,686,422	\$72,317,297	\$37,000,839

TABLE 3E
CALCULATION OF EXCESS (SHORTFALL) INVESTMENT INCOME FOR
ACTUARIAL VALUE OF NET ASSETS
KP&F

	Plan Year End			
	12/31/2002	12/31/2003	12/31/2004	12/31/2005
1. Market Value of Assets, beginning of year	\$1,149,732,145	\$1,034,446,737	\$1,232,406,980	\$1,363,065,004
2. Contributions during year	50,858,313	51,088,147	75,287,870	71,931,377
3. Benefits during year	(76,751,521)	(79,934,661)	(87,682,550)	(93,936,263)
4. Expected net investment income	90,962,769	81,624,076	98,106,309	108,181,938
5. Transfers and receivables	2,707,853	0	0	0
6. Expected Value of Assets, end of year	\$1,217,509,559	\$1,087,224,299	\$1,318,118,609	\$1,449,242,056
7. Market Value of Assets, end of year	1,034,446,737	1,232,406,980	1,363,065,004	1,459,554,937
8. Excess (shortfall) of net investment income	(\$183,062,822)	\$145,182,681	\$44,946,395	\$10,312,881

TABLE 3F
CALCULATION OF EXCESS (SHORTFALL) INVESTMENT INCOME FOR
ACTUARIAL VALUE OF NET ASSETS
Judges

	Plan Year End			
	12/31/2002	12/31/2003	12/31/2004	12/31/2005
1. Market Value of Assets, beginning of year	\$74,599,904	\$67,137,447	\$81,081,078	\$90,483,059
2. Contributions during year	3,716,116	4,123,659	5,090,779	5,729,305
3. Benefits during year	(5,194,517)	(5,106,275)	(5,275,093)	(5,920,730)
4. Expected net investment income	5,909,994	5,332,447	6,479,256	7,231,135
5. Transfers and receivables	171,353	0	0	0
6. Expected Value of Assets, end of year	\$79,202,850	\$71,487,278	\$87,376,020	\$97,522,769
7. Market Value of Assets, end of year	67,137,447	81,081,078	90,483,059	98,126,948
8. Excess (shortfall) of net investment income	(\$12,065,403)	\$9,593,800	\$3,107,039	\$604,179

TABLE 4
DEVELOPMENT OF ACTUARIAL VALUE OF NET ASSETS

	State/School	State	School	Local	Total KPERS
1. Excess (shortfall) of investment income					
a. Year ending 12/31/05	\$ 131,737,229	\$ 18,063,137	\$ 113,674,092	\$ 37,000,839	\$ 168,738,068
b. Year ending 12/31/04	296,181,745	82,952,907	213,228,838	72,317,297	368,499,042
c. Year ending 12/31/03	796,478,227	268,528,758	527,949,469	173,686,422	970,164,649
d. Year ending 12/31/02	(978,073,236)	(329,752,632)	(648,320,604)	(197,379,440)	(1,175,452,676)
e. Total	<u>\$ 246,323,965</u>	<u>\$ 39,792,170</u>	<u>\$ 206,531,795</u>	<u>\$ 85,625,118</u>	<u>\$ 331,949,083</u>
2. Deferral of excess (shortfall) of investment income					
a. Year ending 12/31/05 (80%)	105,389,784	14,450,510	90,939,274	29,600,671	134,990,455
b. Year ending 12/31/04 (60%)	177,709,047	49,771,744	127,937,303	43,390,378	221,099,425
c. Year ending 12/31/03 (40%)	318,591,291	107,411,503	211,179,788	69,474,569	388,065,860
d. Year ending 12/31/02 (20%)	(195,614,647)	(65,950,526)	(129,664,121)	(39,475,888)	(235,090,535)
e. Total	<u>\$ 406,075,475</u>	<u>\$ 105,683,231</u>	<u>\$ 300,392,244</u>	<u>\$ 102,989,730</u>	<u>\$ 509,065,205</u>
3. Market Value of Assets, end of year	\$ 8,453,695,203	\$ 2,680,153,605	\$ 5,773,541,598	\$ 1,897,431,737	\$ 10,351,126,940
4. Actuarial Value of Assets, end of year	\$ 8,047,619,728	\$ 2,574,470,374	\$ 5,473,149,354	\$ 1,794,442,007	\$ 9,842,061,735
(3) - (2e)					
5. Actuarial Value divided by market value	95.2%	96.1%	94.8%	94.6%	95.1%
(4)/(3)					

**TABLE 4 (cont.)
DEVELOPMENT OF ACTUARIAL VALUE OF NET ASSETS**

	Total KPERS	KP&F	Judges	Total
1. Excess (shortfall) of investment income				
a. Year ending 12/31/05	\$ 168,738,068	\$ 10,312,881	\$ 604,179	\$ 179,655,128
b. Year ending 12/31/04	368,499,042	44,946,395	3,107,039	416,552,476
c. Year ending 12/31/03	970,164,649	145,182,681	9,593,800	1,124,941,130
d. Year ending 12/31/02	(1,175,452,676)	(183,062,822)	(12,065,403)	(1,370,580,901)
e. Total	<u>\$ 331,949,083</u>	<u>\$ 17,379,135</u>	<u>\$ 1,239,615</u>	<u>\$ 350,567,833</u>
2. Deferral of excess (shortfall) of investment income				
a. Year ending 12/31/05 (80%)	134,990,455	8,250,305	483,343	143,724,103
b. Year ending 12/31/04 (60%)	221,099,425	26,967,837	1,864,223	249,931,485
c. Year ending 12/31/03 (40%)	388,065,860	58,073,072	3,837,520	449,976,452
d. Year ending 12/31/02 (20%)	(235,090,535)	(36,612,564)	(2,413,081)	(274,116,180)
e. Total	<u>\$ 509,065,205</u>	<u>\$ 56,678,650</u>	<u>\$ 3,772,005</u>	<u>\$ 569,515,860</u>
3. Market Value of Assets, end of year	\$ 10,351,126,940	\$ 1,459,554,937	\$ 98,126,948	\$ 11,908,808,825
4. Actuarial Value of Assets, end of year (3) - (2e)	\$ 9,842,061,735	\$ 1,402,876,287	\$ 94,354,943	\$ 11,339,292,965
5. Actuarial Value divided by market value (4)/(3)	95.1%	96.1%	96.2%	95.2%

SECTION 4

SYSTEM LIABILITIES

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the System as of the valuation date, December 31, 2005. In this section, the discussion will focus on the commitments of the System, which are referred to as its liabilities.

Table 4 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries. The analysis is provided for each group.

The liabilities summarized in Table 4 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and, if an optional benefit is chosen, for the lives of the surviving beneficiaries.

The actuarial assumptions used to determine liabilities are based on the results of the 2004 Triennial Experience Study. This set of assumptions, as shown in Appendix C, was adopted by the Board in September 2004 and was first used for the December 31, 2004 valuation.

The liabilities reflect the benefit structure in place as of December 31, 2005 plus the provisions of legislation passed by the 2006 Legislature.

Actuarial Liabilities

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to “breakdown” the present value of future benefits into two components:

- (1) that which is attributable to the past and
- (2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the “past service liability” or the “actuarial liability”. The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the “normal cost”. Table 6 contains the calculation of actuarial liabilities for all groups.



TABLE 5
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF DECEMBER 31, 2005

	State	School	Local	Total KPERs
1. Active employees				
a. Retirement Benefit	\$ 1,798,065,702	\$ 6,212,230,349	\$ 2,050,539,900	\$ 10,060,835,951
b. Pre-Retirement Death Benefit	34,952,957	74,884,283	44,326,702	154,163,942
c. Withdrawal Benefit	85,597,970	291,795,693	190,911,779	568,305,442
d. Disability Benefit	115,670,728	204,185,572	112,691,926	432,548,226
e. Total	<u>2,034,287,357</u>	<u>6,783,095,897</u>	<u>2,398,470,307</u>	<u>11,215,853,561</u>
2. Inactive Vested Members	118,290,440	200,802,315	125,347,061	444,439,816
3. Inactive Nonvested Members	8,710,774	33,426,656	17,459,577	59,597,007
4. Disabled Members	75,559,058	92,599,869	48,689,584	216,848,511
5. Retirees	1,198,893,507	3,487,515,933	747,988,833	5,434,398,273
6. Beneficiaries	79,526,908	99,237,313	56,975,422	235,739,643
7. Unclaimed Account Reserve	<u>668,200</u>	<u>1,331,800</u>	<u>500,000</u>	<u>2,500,000</u>
8. Total PVFB	<u>\$ 3,515,936,244</u>	<u>\$ 10,698,009,783</u>	<u>\$ 3,395,430,784</u>	<u>\$ 17,609,376,811</u>

TABLE 5 (cont.)
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF DECEMBER 31, 2005

	KP&F	Judges
1. Active employees		
a. Retirement Benefit	\$ 1,137,242,879	\$ 98,070,351
b. Pre-Retirement Death Benefit	21,583,387	1,759,425
c. Withdrawal Benefit	40,372,106	47,260
d. Disability Benefit	169,790,159	0
e. Total	1,368,988,531	99,877,036
2. Inactive Vested Members	43,085,301	1,538,654
3. Inactive Nonvested Members	11,492,168	133,965
4. Disabled Members	103,088,291	278,847
5. Retirees	619,701,145	39,118,193
6. Beneficiaries	77,206,097	7,516,491
7. Total PVFB	\$ 2,223,561,533	\$ 148,463,186

TABLE 6
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL LIABILITIES
AS OF DECEMBER 31, 2005

	State	School	Local	Total KPERS
1. Present Value of Future Benefits	\$ 3,515,936,244	\$ 10,698,009,783	\$ 3,395,430,784	\$ 17,609,376,811
2. Present Value of Future Normal Costs for Active Members				
a. Retirement Benefit	\$ 324,289,608	\$ 1,368,155,576	\$ 506,994,807	\$ 2,199,439,991
b. Pre-Retirement Death Benefit	8,721,412	22,259,939	13,727,555	44,708,906
c. Withdrawal Benefit	97,307,382	313,835,382	170,814,028	581,956,792
d. Disability Benefit	40,097,575	65,424,638	40,560,513	146,082,726
e. Total	<u>470,415,977</u>	<u>1,769,675,535</u>	<u>732,096,903</u>	<u>2,972,188,415</u>
3. Total Actuarial Liability (1) - (2e)	<u>\$ 3,045,520,267</u>	<u>\$ 8,928,334,248</u>	<u>\$ 2,663,333,881</u>	<u>\$ 14,637,188,396</u>

**TABLE 6 (cont.)
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL LIABILITIES
AS OF DECEMBER 31, 2005**

	KP&F	Judges	
1. Present Value of Future Benefits	\$ 2,223,561,533	\$ 148,463,186	
2. Present Value of Future Normal Costs for Active Members			
a. Retirement Benefit	\$ 327,480,629	\$ 36,617,593	
b. Pre-Retirement Death Benefit	13,371,252	804,497	
c. Withdrawal Benefit	51,569,436	66,295	
d. Disability Benefit	87,541,029	0	
e. Total	479,962,346	37,488,385	
3. Total Actuarial Liability (1) - (2e)	\$ 1,743,599,187	\$ 110,974,801	

SECTION 5

EMPLOYER CONTRIBUTIONS

The previous two sections were devoted to a discussion of the assets and liabilities of the System. A comparison of Tables 4 and 6 indicates that current assets fall short of meeting the present value of future benefits (total liability). This is expected in all but a fully closed down fund, where no further contributions are anticipated.

In an active system, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost and (2) the payment on the unfunded actuarial liability.

The term "fully funded" is often applied to a system in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, systems are not fully funded, either because of past benefit improvements that have not been completely funded and/or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated. Under these circumstances, an unfunded actuarial liability (UAL) exists.

Description of Rate Components

Commencing with the December 31, 2003 actuarial valuation, the actuarial cost method for all three systems was changed to the traditional Entry Age Normal (EAN) – level percent of pay cost method. Under the EAN cost method, the actuarial present value of each member's projected benefits allocates on a level basis over the member's compensation between the entry age of the member and the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial liability. The unfunded actuarial liability represents the difference between the actuarial liability and the actuarial value of assets as of the valuation date. The unfunded actuarial liability is calculated each year and reflects experience gains/losses.

The contribution rates based on this December 31, 2005 actuarial valuation will be used to determine employer contribution rates to the Kansas Public Employees Retirement System for fiscal years beginning in 2008. In this context, the term "contribution rate" means the percentage, which is applied to a particular active member payroll to determine the actual employer contribution amount (i.e., in dollars) for the group.

KPERS

The law provides for the calculation of separate employer contribution rates for three groups: State, School and Local (for all other covered employers).

Legislation provides that the employer rates of contribution for the State and School recommended by the Board of Trustees for all groups may not increase more than 0.40% in FY2006, 0.50% in FY2007 and 0.60% in FY2008 and later. Contribution rates for the Local group cannot increase more than 0.40% in 2006, 0.50% in 2007 and 0.60% in 2008. Such limits on the increase in the statutory contribution rate do not apply to the increase in the employer



contribution rate for benefit enhancements. Although not shown in these rates, the total contribution rates for KPERS employers include the statutory employer contribution to the KPERS Group Life Insurance.

There are several components of the unfunded actuarial liability which are amortized over different periods. The increase in the unfunded actuarial liability resulting from the 1998 COLA is amortized over 15 years. The increase in the unfunded actuarial liability for Local employers resulting from 2003 legislation which made the 13th check for pre-July 2, 1987 retirees a permanent benefit is funded over a 10 year period beginning in 2005. The remainder of the unfunded actuarial liability is amortized over a period originally set at 40 years beginning July 1, 1993. At the December 31, 2005 valuation date, twenty-seven (27) years remain in that period.

The UAL is amortized as a level percentage of payroll. The payroll growth assumption is 4% so the annual amortization payments will increase 4% each year. As a result, if total payroll grows 4% per year, as assumed, the amortization payment will remain level as a percentage of total current payroll.

The actuarial contribution rate for KPERS is comprised of the normal cost rate and a contribution toward the unfunded actuarial liability. The State and School contribution rate includes an additional contribution necessary to pay the debt service payment on the bonds issued by the State in 2003 to finance the increase in liability from making the 13th check permanent.

Local employers who affiliate with KPERS for prior service on or after January 1, 1999 pay an additional employer contribution to finance their unfunded actuarial liability on their affiliation date.

KP&F

The actuarially determined contribution requirements for employers in KP&F are comprised of:

- (a) a "uniform" rate, determined separately for State and Local employers, which includes the normal cost and a UAL payment for the entire group, plus
- (b) any payment required to amortize the unfunded past service liability or any 15% excess benefit liability, which is determined separately for each participating employer.

For employers who enter KP&F for future service only, the total cost is the uniform contribution rate.

There are several components of the unfunded actuarial liability, which are amortized over different periods. The increase in the unfunded actuarial liability resulting from the 1998 COLA is amortized over 15 years. The increase in the unfunded actuarial liability for Local employers resulting from 2003 legislation which made the 13th check for pre-July 2, 1987 retirees a permanent benefit is funded over a 10 year period beginning in 2005. The remainder of the unfunded actuarial liability is amortized over a period originally set at 40 years beginning July 1, 1993. At the December 31, 2005 valuation date, twenty-seven (27) years remain in that period.

The UAL is amortized as a level percentage of payroll. The payroll growth assumption is 4% so the annual amortization payments will increase 4% each year. As a result, if total payroll grows 4% per year, as assumed, the amortization payment will remain level as a percentage of total current payroll.



Judges

The actuarial contribution rate for the Judges is comprised of the normal cost rate and a contribution toward the unfunded actuarial liability. The UAL is amortized over a 40 year period established in 1993 with payments determined as a level dollar amount. As of this valuation date, twenty-seven (27) years remain. The contribution rate includes an additional contribution necessary to pay the debt service payment on the bonds issued by the State in 2003 to finance the increase in liability from making the 13th check permanent.

Contribution Rate Summary

The normal cost rates for each System are developed in Table 7. Table 8 develops the actuarial contribution rate for the unfunded actuarial liability. Bonds were issued in 2003 by the State to finance the increase in the actuarial liability due to legislation making the 13th check for pre-July 2, 1987 retirees a permanent benefit. The debt service payment on the bonds is to be paid by an additional employer contribution to the System, effective July 1, 2004. The development of this debt service contribution rate for FY2009 is shown in Table 9. The total actuarial contribution rates determined as of December 31, 2005, are presented in Table 10. The contribution rates for local employers who affiliated with KPERS for prior service and are amortizing the payment of that liability over a period of years are shown in Table 11. Table 12 shows the KP&F individual employer contribution rates for fiscal years beginning in 2007 and 2008 while Table 13 shows the calculation of the additional contribution rate due to amortization of prior service UAL or excess benefit liability for fiscal years beginning in 2008.

The rates shown in this report, which are based on the actuarial assumptions and cost methods described in Appendix C, are applicable for determining employer contribution rates for fiscal years commencing in 2008.



TABLE 7
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NORMAL COST RATE
AS OF DECEMBER 31, 2005

	State	School	State/School	Local
1. Normal Cost at Beginning of Year				
a. Retirement Benefit	\$ 44,939,305	\$ 170,588,493	\$ 215,527,798	\$ 65,841,710
b. Pre-Retirement Death Benefit	1,227,581	2,911,398	4,138,979	1,802,160
c. Withdrawal Benefit	12,462,114	37,063,244	49,525,358	20,215,939
d. Disability Benefit	5,555,690	8,518,621	14,074,311	5,398,759
e. Total	<u>64,184,690</u>	<u>219,081,756</u>	<u>283,266,446</u>	<u>93,258,568</u>
2. Estimated Covered Payroll for 2006	\$ 859,851,488	\$ 2,765,362,690	\$ 3,625,214,178	\$ 1,260,949,643
3. Normal Cost Rate $[(1e) / (2)] * 1.08^{-5}$	<u>7.76%</u>	<u>8.23%</u>	<u>8.12%</u>	<u>7.69%</u>

**TABLE 7 (cont.)
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NORMAL COST RATE
AS OF DECEMBER 31, 2005**

	KP&F	Judges
1. Normal Cost at Beginning of Year		
a. Retirement Benefit	\$ 34,334,425	\$ 4,491,581
b. Pre-Retirement Death Benefit	1,482,590	95,952
c. Withdrawal Benefit	5,345,928	9,706
d. Disability Benefit	9,361,551	0
e. Total	50,524,494	4,597,239
2. Estimated Covered Payroll for 2006	\$ 360,718,148	\$ 23,468,759
3. Normal Cost Rate $[(1e) / (2)] * 1.08^{.5}$	14.56%	20.36%

TABLE 8
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
UNFUNDED ACTUARIAL LIABILITY CONTRIBUTION RATES
AS OF DECEMBER 31, 2005

	State	School	Local	KPF		Judges
1. Actuarial Liability	\$ 3,045,520,267	\$ 8,928,334,248	\$ 2,663,333,881	\$ 1,743,599,187		\$ 110,974,801
2. Actuarial Value of Assets	<u>2,574,470,374</u>	<u>5,473,149,354</u>	<u>1,794,442,007</u>	<u>1,402,876,287</u>		<u>94,354,943</u>
3. Unfunded Actuarial Liability (UAL)	471,049,893	3,455,184,894	868,891,874	340,722,900		16,619,858
a. UAL for 1998 COLA	13,518,253	33,096,412	9,680,362	8,474,785		0
b. UAL for 13th Check (2003)	0	0	3,394,261	6,356,878		0
c. Prior service and other local employer UAL*	0	0	5,675,792	22,355,583		0
d. Remaining UAL	457,531,640	3,422,088,482	850,141,459	303,535,654		16,619,858
4. Payment to Amortize UAL (assumed mid-year)						
a. UAL for 1998 COLA	2,241,141	5,486,932	1,604,871	1,365,998	**	0
b. UAL for 13th Check (2003)	0	0	562,721	1,053,890	**	0
c. Remaining UAL	<u>27,557,576</u>	<u>206,115,724</u>	<u>51,204,848</u>	<u>16,190,780</u>	**	<u>1,462,481</u>
d. Total	29,798,717	211,602,656	53,372,440	18,610,668	**	1,462,481
5. Total Estimated Payroll for 2006	\$ 859,851,488	\$ 2,765,362,690	\$ 1,260,949,643	\$ 319,344,773	**	\$ 23,468,759
6. Amortization Payment as a Percent of Payroll	3.47%	7.65%	4.23%	5.83%	**	6.23%

* These obligations are paid directly by the employer and do not enter into the overall amortization rates.

**Only includes local governments. State agencies have a different uniform rate.

**TABLE 9
DEVELOPMENT OF CONTRIBUTION RATES
FOR DEBT SERVICE PAYMENT ON BONDS**

The 2003 Legislature made the retirant dividend (13th check) for pre-July 2, 1987 retirees a permanent benefit. To offset the estimated cost of the benefit enhancement the State issued bonds in the late summer of 2003. The debt service payment on the bonds will come from increased contribution rates for the KPERS State and School groups, the State KP&F group and the Judges.

	State	School	KPF (state)	Judges	Total
Original Bond Issue Proceeds	\$ 7,793,450	\$ 15,068,078	\$ 1,867,119	\$ 171,353	\$ 24,900,000
Scheduled Payments					
FYE 2007	1,005,245	1,943,568	240,832	22,102	3,211,747
FYE 2008	1,006,017	1,945,063	241,017	22,119	3,214,216
FYE 2009	1,004,994	1,943,084	240,772	22,097	3,210,947
FYE 2010	1,004,427	1,941,988	240,636	22,084	3,209,135
FYE 2011	1,005,871	1,944,779	240,982	22,116	3,213,748
FYE 2012	1,004,727	1,942,566	240,708	22,091	3,210,092
FYE 2013	1,004,383	1,941,902	240,625	22,083	3,208,993
FYE 2014	1,005,138	1,943,362	240,806	22,100	3,211,406
Projected Payroll for FYE 2009*	892,459,574	2,870,233,339	42,942,374	24,354,315	
Rate of Pay Required	0.12%	0.07%	0.58%	0.09%	

* Assumes 1.5% annual payroll growth

TABLE 10
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL EMPLOYER CONTRIBUTION RATES
FISCAL YEAR COMMENCING IN 2008

	Total Normal Cost	Employee Normal Cost	Employer Normal Cost	Unfunded Actuarial Liability	Debt Service Payment	Total*
State **	7.76%	4.00%	3.76%	3.47%	0.12%	7.35%
School	8.23%	4.00%	4.23%	7.65%	0.07%	11.95%
State/School **	8.12%	4.00%	4.12%	6.66%	0.08%	10.86%
Local	7.69%	4.00%	3.69%	4.23%	0.00%	7.92%
KP&F Uniform Contribution Rate						
State ***	14.56%	6.53%	8.03%	5.19%	0.58%	13.80%
Local ***	14.56%	6.53%	8.03%	5.83%	0.00%	13.86%
Judges	20.36%	4.60%	15.76%	6.23%	0.09%	22.08%

* Does not include the contribution to the Death and Disability Program.

** For Correctional Employees, employer contribution rates of 9.19% and 9.04% apply for normal retirement ages of 55 and 60, respectively.

*** The total contribution rate for each employer is equal to the appropriate uniform contribution rate (state or local) plus an additional rate, if applicable, required to amortize the unfunded past service liability or the 15% excess benefit liability, determined separately for each employer. (See Table 12)

**TABLE 11
LOCAL AFFILIATION COST FACTORS
FOR FISCAL YEAR BEGINNING IN 2008**

Employer	Total Estimated 2008 Annual Payroll	1/1/2008 Unfunded Actuarial Liability **	Payment on 1/1/2008 Unfunded Liability	Payment on Unfunded Liability as % of Payroll	Total Rate for Years Commencing in 2007*	Total Rate for Years Commencing in 2008*
St. Francis Housing Authority	\$12,865	\$7,712	\$472	3.67%	7.89%	8.58%
City of Burden	\$97,954	\$15,211	\$930	0.95%	5.18%	5.86%
City of Longton	\$73,837	\$18,491	\$1,132	1.53%	5.58%	6.44%
Bourbon County RWD#2	\$151,372	\$107,164	\$6,559	4.33%	8.69%	9.24%
Towanda Township	\$42,616	\$8,753	\$535	1.25%	5.64%	6.16%
Ness City Public Library	\$36,512	\$3,514	\$179	***	***	***
City of Herndon	\$9,014	\$41,538	\$2,123	***	***	***
Hays Housing Authority	\$53,499	\$1,722	\$108	0.20%	4.51%	5.11%
Haysville Community Library	\$151,726	\$194,692	\$11,911	7.85%	11.66%	12.76%
Hamilton County Library	\$55,308	\$12,893	\$789	1.43%	5.32%	6.34%
Ellis Public Library	\$9,980	\$4,895	\$299	3.00%	7.03%	7.91%
Bucklin Public Library	\$14,812	\$12,185	\$747	5.04%	8.92%	9.95%
Elkhart Cemetery District	\$5,192	\$1,720	\$107	2.05%	6.29%	6.96%
Clay County Conservation District	\$29,655	\$54,222	\$3,322	11.20%	16.33%	16.11%
City of Linn Valley	\$31,552	\$957	\$59	0.19%	4.51%	5.10%
City of Blue Mound	\$79,909	\$2,733	\$164	0.21%	4.54%	5.12%
Kansas Workers' Risk Coop for Counties	\$280,882	\$49,441	\$3,015	1.07%	5.37%	5.98%
Lindsborg Community Library	\$21,138	\$3,416	\$206	0.97%	5.47%	5.88%
City of North Newton	\$331,659	\$157,306	\$9,474	2.86%	7.25%	7.77%
City of Arcadia	\$81,052	\$15,384	\$926	1.14%	5.52%	6.05%
Four County Mental Health	\$5,463,462	\$1,585,858	\$148,719	2.72%	7.07%	7.63%
City of Linwood	\$40,382	\$2,307	\$139	0.34%	4.66%	5.25%
Cottonwood Inc.	\$5,252,300	\$1,096,424	\$66,037	1.26%	5.60%	6.17%
Johnson County Fire District #2 Rural	\$1,748,864	\$428,828	\$25,828	1.48%	5.80%	6.39%
Basehor Community Library	\$88,255	\$54,525	\$3,284	3.72%	7.90%	8.63%
City of Gypsum	\$68,944	\$4,636	\$280	0.41%	4.77%	5.32%
Greenleaf Housing Authority	\$17,785	\$21,761	\$1,310	7.37%	11.50%	12.28%

**TABLE 11 (cont.)
LOCAL AFFILIATION COST FACTORS
FOR FISCAL YEAR BEGINNING IN 2008**

Employer	Total Estimated 2008 Annual Payroll	1/1/2008 Unfunded Actuarial Liability **	Payment on 1/1/2008 Unfunded Liability	Payment on Unfunded Liability as % of Payroll	Total Rate for Years Commencing in 2007*	Total Rate for Years Commencing in 2008*
City of Bentley	\$69,514	\$37,079	\$2,336	3.36%	7.55%	8.27%
Mulvane Public Library	\$60,605	\$13,296	\$838	1.38%	5.74%	6.29%
The Center for Counseling and Consultation	\$1,942,772	\$1,117,747	\$70,441	3.63%	7.90%	8.54%
Crawford County RWD #2	\$35,694	\$12,875	\$4,334	12.14%	16.88%	17.05%
Doniphan County RFD #2	\$6,790	\$8,878	\$559	8.23%	5.08%	13.14%
City of Denison	\$44,596	\$19,599	\$1,235	2.77%	6.65%	7.68%
Stanton County Recreation Commission	\$23,661	\$24,137	\$1,521	6.43%	6.73%	11.34%
Nippawalla Township	****	\$4,106	\$356	****	****	****
USD 350 Recreation Commission	****	\$18,153	\$1,574	****	****	****
City of Vermillion	****	\$3,901	\$338	****	****	****
City of Salina	\$11,351,881	\$88,068	\$18,101	0.16%	4.48%	5.07%
City of Shawnee	\$6,994,502	\$60,772	\$12,486	0.18%	4.48%	5.09%
Unified Government - Wyandotte Co./ KCK	\$50,953,500	\$567,525	\$105,644	0.21%	4.52%	5.12%
Total	\$85,734,042	\$5,884,424	\$508,419			

*Basic local employer contribution rates excluding Death and Disability contribution: FY 2007: 4.31% FY 2008: 4.91%

**Includes unfunded actuarial liability for prior service and for excess benefit liability

*** Payment to be fixed dollar amount

**** Amortization payments are made as a fixed amount on January 1.

TABLE 12
KP&F
EMPLOYER CONTRIBUTION RATES FOR FISCAL YEARS
COMMENCING IN CALENDAR YEARS 2007 AND 2008

Employer	Total Rate for Fiscal Year Commencing in 2007	Recommended Total Rate for Fiscal Year Commencing in 2008
Douglas County Law Enforcement	16.71 %	17.04 %
Ford County	13.32	13.86
Franklin County Sheriff's Dept	13.32	13.86
Gray County Sheriff's Dept.	13.32	13.86
Harvey County Sheriff's Dept.	13.32	13.86
Johnson County Fire Dept.	13.32	13.86
Johnson County Fire No. 1	13.32	13.86
Johnson County Fire No. 2	13.32	13.86
Johnson County Park Commission	13.32	13.86
Johnson County Sheriff's Dept.	13.54	14.07
Labette County Sheriff's Dept.	15.63	16.63
Reno County Sheriff's Dept.	13.32	13.86
Riley County Law Enforcement	13.32	13.86
Sedgwick County Fire No. 1	13.32	13.86
Sedgwick County Sheriff's Dept.	13.66	14.21
Sedgwick County EMT's	13.76	14.31
Shawnee County Sheriff's Dept.	16.00	16.60
Sumner County Sheriff's Dept.	14.99	15.70
Unified Gov't of Wyandotte County	13.32	13.86
Unified Gov't of Wyandotte Co. - KCK	17.07	14.90
City of Abilene	13.32	13.86
City of Arkansas City	14.58	13.86
City of Atchison	14.28	13.86
City of Bonner Springs	13.32	13.86
City of Chanute	14.19	14.27
City of Cimarron	13.32	13.86
City of Coffeyville	19.58	20.06
City of Concordia	17.33	18.96
City of Derby	13.32	13.86
City of Dodge City	20.20	21.13
City of Emporia	16.21	16.72
City of Erie	13.32	13.86
City of Eudora	13.32	13.86
City of Fairway	13.64	13.86
City of Fort Scott	19.99	19.81

TABLE 12 (cont.)
KP&F
EMPLOYER CONTRIBUTION RATES FOR FISCAL YEARS
COMMENCING IN CALENDAR YEARS 2007 AND 2008

Employer	Total Rate for Fiscal Year Commencing in 2007	Recommended Total Rate for Fiscal Year Commencing in 2008
City of Herington	14.56 %	15.09 %
City of Hutchinson	19.56	19.64
City of Junction City	13.87	13.86
City of Lawrence	13.58	13.86
City of Leavenworth	14.10	14.58
City of Leawood	14.05	14.58
City of Lenexa	13.45	13.99
City of Manhattan	16.04	16.66
City of Merriam	13.80	14.33
City of McPherson	13.49	13.86
City of Mission	13.32	13.86
City of Newton EMTs	15.42	16.14
City of Newton	13.85	13.86
City of Olathe	13.40	13.93
City of Ottawa	13.32	13.86
City of Parsons	16.25	13.86
City of Pittsburg	16.62	16.88
City of Salina	16.59	16.99
City of Shawnee	14.02	14.52
City of Topeka	13.32	13.86
City of Wellington	16.63	17.10
City of Westwood	13.32	13.86
City of Winfield	17.58	17.87
Board of Regents Campus Police	13.32	13.80
Kansas Bureau of Investigation	14.22	14.56
Kansas Highway Patrol	14.73	15.01
Cowley County Sheriff's Dept	13.32	13.86
City of Gardner Public Safety Officers	13.32	13.86
City of Liberal Police & Firemen	13.32	13.86
City of Oswego	13.32	13.86
Leavenworth County	13.32	13.86
Pottawatomie County	13.32	13.86
City of Roeland Park	13.32	13.86
City of Edwardsville Police	16.71	16.13
City of Garden City	13.32	13.86
City of Lake Quivira	13.32	13.86

TABLE 12 (cont.)
KP&F
EMPLOYER CONTRIBUTION RATES FOR FISCAL YEARS
COMMENCING IN CALENDAR YEARS 2007 AND 2008

Employer	Total Rate for Fiscal Year Commencing in 2007	Recommended Total Rate for Fiscal Year Commencing in 2008
City of Paola	13.32	13.86
City of Winfield (EMS)	22.72	22.34
Miami County	13.32	13.86
Atchinson County	13.32	13.86
City of Park City	13.32	13.86
Dickinson County	13.32	13.86
Leavenworth County (EMS)	13.32	13.86
City of Basehor	13.32	13.86
City of Edwardsville Firemen	19.14	19.38
City of Marion	13.32	13.86
City of Overbrook	13.32	13.86
Leavenworth County Fire District #1	13.32	13.86
Topeka-Tecumseh Fire District	13.32	13.86
City of Lansing	13.32	13.86
State Fire Marshall	13.32	13.80
Seward County	13.32	13.86
City of Hays	13.32	13.86



TABLE 13
KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
FOR FISCAL YEARS BEGINNING IN 2008

Employer	Number of Employees	Total Estimated 2008 Payroll	Excess Benefit Liability	Payment on Excess Benefit Liability	Unfunded Prior Service Liability	Payment on Unfunded Liability*	Total Payment Amount	As Percent of Payroll
Douglas County Law Enforcement	86	\$5,696,763	\$0	\$0	\$1,661,860	\$181,138	\$181,138	3.18 %
Ford County	52	2,268,890	0	0	0	0	0	0.00
Franklin County Sheriff's Dept	43	1,687,668	0	0	0	0	0	0.00
Gray County Sheriff's Dept.	6	273,709	0	0	0	0	0	0.00
Harvey County Sheriff's Dept.	25	1,006,629	0	0	0	0	0	0.00
Johnson County Fire Dept.	157	9,793,064	0	0	0	0	0	0.00
Johnson County Fire No. 1	16	786,141	0	0	0	0	0	0.00
Johnson County Fire No. 2	68	4,887,324	0	0	0	0	0	0.00
Johnson County Park Commission	14	772,057	0	0	0	0	0	0.00
Johnson County Sheriff's Dept.	442	32,460,352	0	0	376,526	67,758	67,758	0.21
Labette County Sheriff's Dept.	16	599,033	0	0	188,436	16,582	16,582	2.77
Reno County Sheriff's Dept.	66	3,231,802	0	0	0	0	0	0.00
Riley County Law Enforcement	92	4,901,808	0	0	0	0	0	0.00
Sedgwick County Fire No. 1	133	7,633,623	0	0	0	0	0	0.00
Sedgwick County Sheriff's Dept.	284	15,690,817	867	145	388,533	54,352	54,497	0.35
Sedgwick County EMT's	130	6,958,042	0	0	158,333	31,177	31,177	0.45
Shawnee County Sheriff's Dept.	108	5,651,704	0	0	1,359,063	154,845	154,845	2.74
Sumner County Sheriff's Dept.	17	633,732	0	0	93,817	11,639	11,639	1.84
Unified Gov't of Wyandotte County	814	3,137,697	0	0	0	0	0	0.00
Unified Gov't of Wyandotte Co. - KCK	(incl.)	48,215,779	3,092,841	501,002	0	0	501,002	1.04
City of Abilene	21	887,265	0	0	0	0	0	0.00
City of Arkansas City	47	2,290,625	0	0	0	0	0	0.00
City of Atchison	41	1,822,013	0	0	0	0	0	0.00
City of Bonner Springs	24	1,214,627	0	0	0	0	0	0.00
City of Chanute	33	1,601,839	0	0	6,321	6,569	6,569	0.41
City of Cimarron	3	126,467	0	0	0	0	0	0.00



**TABLE 13 (cont.)
 KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
 FOR FISCAL YEARS BEGINNING IN 2008**

Employer	Number of Employees	Total Estimated 2008 Payroll	Excess Benefit Liability	Payment on Excess Benefit Liability	Unfunded Prior Service Liability	Payment on Unfunded Liability*	Total Payment Amount	As Percent of Payroll
City of Coffeyville	41	\$1,971,006	\$0	\$0	\$783,677	\$122,214	\$122,214	6.20 %
City of Concordia	6	244,360	0	0	79,867	12,471	12,471	5.10
City of Derby	38	1,804,046	0	0	0	0	0	0.00
City of Dodge City	69	2,962,156	0	0	2,097,568	215,432	215,432	7.27
City of Emporia	98	4,901,473	0	0	839,692	140,059	140,059	2.86
City of Erie	2	80,045	0	0	0	0	0	0.00
City of Eudora	9	457,993	0	0	0	0	0	0.00
City of Fairway	9	601,629	0	0	0	0	0	0.00
City of Fort Scott	30	1,230,638	0	0	469,970	73,266	73,266	5.95
City of Herington	6	244,696	0	0	18,069	3,014	3,014	1.23
City of Hutchinson	155	8,340,506	6,236	1,204	4,482,112	480,644	481,848	5.78
City of Junction City	93	4,243,039	0	0	0	0	0	0.00
City of Lawrence	269	17,932,439	0	0	0	0	0	0.00
City of Leavenworth	115	5,720,048	100,564	16,613	84,276	24,838	41,451	0.72
City of Leawood	104	6,617,413	0	0	370,941	47,701	47,701	0.72
City of Lenexa	171	11,350,252	0	0	73,288	14,445	14,445	0.13
City of Manhattan	65	3,076,387	0	0	175,305	86,152	86,152	2.80
City of Merriam	48	3,028,066	0	0	96,698	14,237	14,237	0.47
City of McPherson	45	2,087,308	0	0	0	0	0	0.00
City of Mission	28	1,592,866	0	0	0	0	0	0.00
City of Newton EMTs	6	346,793	0	0	67,516	7,898	7,898	2.28
City of Newton	63	3,291,408	0	0	0	0	0	0.00
City of Olathe	262	18,782,578	0	0	62,615	13,718	13,718	0.07
City of Ottawa	46	2,484,596	0	0	0	0	0	0.00
City of Parsons	40	1,616,486	0	0	0	0	0	0.00
City of Pittsburg	73	3,360,360	0	0	650,476	101,429	101,429	3.02
City of Salina	165	8,445,448	116,952	22,179	1,554,897	242,452	264,631	3.13



**TABLE 13 (cont.)
 KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
 FOR FISCAL YEARS BEGINNING IN 2008**

Employer	Number of Employees	Total Estimated 2008 Payroll	Excess Benefit Liability	Payment on Excess Benefit Liability	Unfunded Prior Service Liability	Payment on Unfunded Liability*	Total Payment Amount	As Percent of Payroll
City of Shawnee	135	\$9,598,360	\$216,388	\$42,364	\$132,534	\$20,681	\$63,045	0.66 %
City of Topeka	522	30,725,218	0	0	0	0	0	0.00
City of Wellington	34	1,742,205	0	0	361,959	56,430	56,430	3.24
City of Westwood	7	481,440	0	0	0	0	0	0.00
City of Winfield	43	2,159,795	0	0	647,789	86,672	86,672	4.01
Board of Regents Campus Police	125	5,737,382	0	0	0	0	0	0.00
Kansas Bureau of Investigation	76	5,291,639	0	0	38,520	40,031	40,031	0.76
Kansas Highway Patrol	532	33,542,415	0	0	389,264	404,535	404,535	1.21
Cowley County Sheriff's Dept	23	993,332	0	0	0	0	0	0.00
City of Gardner Public Safety Officers	29	1,524,164	0	0	0	0	0	0.00
City of Liberal Police & Firemen	54	2,361,929	0	0	0	0	0	0.00
City of Oswego	5	176,605	0	0	0	0	0	0.00
Leavenworth County	41	1,947,725	0	0	0	0	0	0.00
Pottawatomie County	22	869,330	0	0	0	0	0	0.00
City of Roeland Park	13	711,577	0	0	0	0	0	0.00
City of Edwardsville Police	17	835,848	0	0	232,903	18,952	18,952	2.27
City of Garden City	88	3,670,823	0	0	0	0	0	0.00
City of Lake Quivira	2	83,634	0	0	0	0	0	0.00
City of Paola	15	713,215	0	0	0	0	0	0.00
City of Winfield (EMS)	9	467,537	0	0	442,918	39,655	39,655	8.48
Miami County	45	2,209,630	0	0	0	0	0	0.00
Atchinson County	11	422,994	0	0	0	0	0	0.00
City of Park City	16	753,686	0	0	0	0	0	0.00
Dickinson County	14	539,624	0	0	0	0	0	0.00
Leavenworth County (EMS)	31	1,279,554	0	0	0	0	0	0.00
City of Basehor	9	313,480	0	0	0	0	0	0.00
City of Edwardsville Firemen	15	688,105	0	0	435,992	37,963	37,963	5.52



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**TABLE 13 (cont.)
 KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
 FOR FISCAL YEARS BEGINNING IN 2008**

Employer	Number of Employees	Total Estimated 2008 Payroll	Excess Benefit Liability	Payment on Excess Benefit Liability	Unfunded Prior Service Liability	Payment on Unfunded Liability*	Total Payment Amount	As Percent of Payroll
City of Marion	5	194,526	0	0	0	0	0	0.00
City of Overbrook	2	71,772	0	0	0	0	0	0.00
Leavenworth County Fire District #1	3	115,514	0	0	0	0	0	0.00
Topeka-Tecumseh Fire District	8	430,984	0	0	0	0	0	0.00
City of Lansing	15	670,618	0	0	0	0	0	0.00
State Fire Marshall	10	458,979	0	0	0	0	0	0.00
Total	6,770	\$ 392,835,174	\$ 3,533,848	\$ 583,507	\$ 18,821,735	\$ 2,828,950	\$ 3,412,457	

* Payments are based on a remaining 40-year amortization periods, except for Harvey County Sheriff's Department (20 years) and Sedgwick County EMTs (30 years). Payments are assumed to made throughout the year.
 Payments for excess benefit liability are based on a remaining 15 year amortization period. Payments are assumed to made throughout the year.

SECTION 6

ACCOUNTING AND OTHER INFORMATION

Historically, Government Accounting Standards Board (GASB) Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers", required the disclosure of the funded status of the Plan on an annual basis using the pension benefit obligation (PBO).

In an effort to enhance the understandability and usefulness of the pension information that is included in the financial reports of pension plans for state and local governments, the Governmental Accounting Standards Board (GASB) issued Statement No. 25 - Financial Reporting for Defined Benefit Pension Plans. This Statement, along with GASB Statement No. 27, supersedes GASB Statement No. 5.

GASB Statement No. 25, effective for fiscal years beginning after June 15, 1996, establishes financial reporting standards for defined benefit pension plans. In addition to two required statements regarding plan assets, the statement requires two schedules and accompanying notes disclosing information relative to the funded status of the plan and historical contribution patterns.

- The Schedule of Funding Progress provides information about whether the financial strength of the Plan is improving or deteriorating over time.
- The Schedule of Employer Contributions provides historical information about the annual required contribution (ARC) and the percentage of the ARC that was actually contributed.

In addition to information required by GASB, we also provide an exhibit of the anticipated cash flows from the System.

TABLE 14
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACCOUNTING INFORMATION FOR GASB 25

Schedule of Funding Progress
(\$ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/2000	\$9,835,182	\$11,140,014	\$1,304,832	88%	\$4,876,555	27%
12/31/2001	9,962,918	11,743,052	1,780,134	85%	5,116,384	35%
12/31/2002	9,784,862	12,613,599	2,828,736	78%	4,865,903 ⁽¹⁾	58%
12/31/2003	10,853,462	14,439,546 ⁽²⁾	3,586,084	75%	4,978,132	72%
12/31/2004	10,971,427	15,714,092	4,742,666	70%	5,102,016	93%
12/31/2005	11,339,293	16,491,762	5,152,469	69%	5,270,351	98%

⁽¹⁾ Beginning with the 12/31/02 actuarial valuation, the unfunded liability of the TIAA group was eliminated. Therefore, covered payroll no longer includes the salaries of the non-KPERS unclassified employees of the Board of Regents institutions previously included.

⁽²⁾ Beginning with the 12/31/03 actuarial valuation, the actuarial cost method was changed to the Entry Age Normal (EAN) method.

**TABLE 14 (cont.)
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACCOUNTING INFORMATION FOR GASB 25**

	KPERS System	KP& F System	Judges System
Valuation Date	12/31/05	12/31/05	12/31/05
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	27 years	27 years	27 years
Asset Valuation Method	Difference between actual return and expected return on market value recognized evenly over five-year period.		
Actuarial Assumptions:			
Investment Rate of Return (1)	8.0%	8.0%	8.0%
Projected Salary Increases (1)	4.0% - 9.8%	4.0% - 12.5%	5.5%
Cost of Living Adjustment	None	None	None



TABLE 15
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACCOUNTING INFORMATION FOR GASB 25

Schedule of Employer Contributions
For the Fiscal Year Ended June 30

Year	Annual Required Contribution	Percentage Contributed
2001	\$277,096,692	77.6%
2002	289,519,647	79.7%
2003	311,365,296	78.9%
2004	317,900,432	74.0%
2005	361,792,855	72.4%
2006	*	*

*Due to timing of the actuarial valuation versus the System's fiscal year, this number is not yet available.



TABLE 16
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
PROJECTED BENEFIT PAYMENTS

Year	State	School	Local	Total KPERs	KP&F	Judges	Total
2006	\$170,585,000	\$430,757,000	\$115,058,000	\$716,400,000	\$91,712,000	\$6,169,000	\$814,281,000
2007	181,189,000	463,657,000	124,746,000	769,592,000	97,701,000	7,067,000	874,360,000
2008	190,472,000	499,324,000	133,478,000	823,274,000	104,359,000	7,634,000	935,267,000
2009	200,923,000	537,904,000	143,486,000	882,313,000	111,094,000	8,248,000	1,001,655,000
2010	212,199,000	577,799,000	154,071,000	944,069,000	117,967,000	8,839,000	1,070,875,000
2011	223,621,000	619,894,000	166,195,000	1,009,710,000	124,917,000	9,417,000	1,144,044,000
2012	236,222,000	663,771,000	179,932,000	1,079,925,000	132,380,000	10,019,000	1,222,324,000
2013	249,846,000	708,687,000	195,382,000	1,153,915,000	140,148,000	10,718,000	1,304,781,000
2014	263,980,000	753,827,000	211,818,000	1,229,625,000	148,158,000	11,620,000	1,389,403,000
2015	277,956,000	799,088,000	229,683,000	1,306,727,000	156,710,000	12,578,000	1,476,015,000
2016	292,573,000	845,698,000	249,194,000	1,387,465,000	165,758,000	13,506,000	1,566,729,000
2017	307,145,000	892,044,000	269,854,000	1,469,043,000	175,393,000	14,486,000	1,658,922,000
2018	321,473,000	937,606,000	290,516,000	1,549,595,000	185,084,000	15,493,000	1,750,172,000
2019	335,284,000	981,559,000	311,770,000	1,628,613,000	195,368,000	16,327,000	1,840,308,000
2020	347,852,000	1,024,145,000	332,567,000	1,704,564,000	205,896,000	16,874,000	1,927,334,000
2021	360,020,000	1,065,314,000	353,117,000	1,778,451,000	216,533,000	17,373,000	2,012,357,000
2022	371,318,000	1,105,037,000	374,100,000	1,850,455,000	227,193,000	17,914,000	2,095,562,000
2023	381,252,000	1,143,252,000	394,168,000	1,918,672,000	237,759,000	18,267,000	2,174,698,000
2024	390,248,000	1,180,234,000	413,435,000	1,983,917,000	248,652,000	18,480,000	2,251,049,000
2025	397,933,000	1,215,443,000	431,857,000	2,045,233,000	259,656,000	18,624,000	2,323,513,000
2026	404,488,000	1,248,602,000	449,168,000	2,102,258,000	270,500,000	18,591,000	2,391,349,000
2027	409,050,000	1,279,488,000	465,195,000	2,153,733,000	280,505,000	18,378,000	2,452,616,000
2028	412,041,000	1,308,052,000	479,228,000	2,199,321,000	289,408,000	18,128,000	2,506,857,000
2029	413,478,000	1,334,333,000	491,539,000	2,239,350,000	297,585,000	17,793,000	2,554,728,000
2030	413,243,000	1,358,021,000	502,127,000	2,273,391,000	305,090,000	17,361,000	2,595,842,000

Note: Cash flows exclude refund payouts to current nonvested inactive and assume future retirees elect the normal form of payment.



This work product was prepared solely for KPERs. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

**APPENDIX A
SUMMARY OF MEMBERSHIP DATA**

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTIVE MEMBER DATA

	12/31/2005	12/31/2004
State/School		
Number	106,503	105,194
Average Current Age	45.30	45.31
Average Service	11.19	11.24
Average Pay	\$33,371	\$32,559
State		
Number	24,124	24,592
Average Current Age	47.19	46.82
Average Service	12.79	12.58
Average Pay	\$34,944	\$33,952
School		
Number	82,379	80,602
Average Current Age	44.75	44.84
Average Service	10.72	10.83
Average Pay	\$32,911	\$32,134
Local		
Number	35,544	35,585
Average Current Age	45.33	45.09
Average Service	9.88	9.68
Average Pay	\$34,780	\$34,054
KPERS Total		
Number	142,047	140,779
Average Current Age	45.31	45.25
Average Service	10.86	10.84
Average Pay	\$33,724	\$32,937



**APPENDIX A
SUMMARY OF MEMBERSHIP DATA**

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTIVE MEMBER DATA

	12/31/2005	12/31/2004
KP&F		
Number	6,772	6,721
Tier I	662	703
Tier II	6,110	6,018
Average Current Age	38.90	38.90
Average Service	10.97	10.90
Average Pay	\$52,222	\$51,014
 Judges		
Number	254	251
Average Current Age	55.72	55.51
Average Service	11.59	11.61
Average Pay	\$90,585	\$88,761
 System Total		
Number	149,073	147,751
Average Current Age	45.04	44.98
Average Service	10.86	10.85
Average Pay	\$34,661	\$33,854



SUMMARY OF MEMBERSHIP DATA

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM INACTIVE MEMBER DATA

	12/31/2005	12/31/2004
State		
vested inactive	2,149	2,050
nonvested inactive	3,033	2,869
deferred disabled	1,111	1,110
School		
vested inactive	4,640	4,476
nonvested inactive	17,820	18,554
deferred disabled	1,184	1,118
Local		
vested inactive	2,579	2,345
nonvested inactive	6,794	6,897
deferred disabled	804	776
KPERS Total		
vested inactive	9,368	8,871
nonvested inactive	27,647	28,320
deferred disabled	3,099	3,004
KP&F		
vested inactive	141	115
nonvested inactive	958	941
deferred disabled	194	187
Judges		
vested inactive	14	14
nonvested inactive	5	4
deferred disabled	0	0
System Total		
vested inactive	9,523	9,000
nonvested inactive	28,610	29,265
deferred disabled	3,293	3,191



**APPENDIX A
SUMMARY OF MEMBERSHIP DATA**

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
RETIREE AND BENEFICIARY MEMBER DATA

	12/31/2005	12/31/2004
State		
Number	14,642	14,410
Average Benefit	\$10,565	\$10,291
Average Age	72.88	72.75
School		
Number	32,875	31,378
Average Benefit	\$11,806	\$11,438
Average Age	72.43	72.62
Local		
Number	12,006	11,613
Average Benefit	\$7,880	\$7,604
Average Age	73.20	73.24
KPERS Total		
Number	59,523	57,401
Average Benefit	\$10,709	\$10,374
Average Age	72.70	72.78
KP&F		
Number	3,654	3,558
Average Benefit	\$22,322	\$21,912
Average Age	62.10	61.60
Judges		
Number	171	166
Average Benefit	\$31,878	\$31,416
Average Age	73.40	73.70
System Total		
Number	63,348	61,125
Average Benefit	\$11,436	\$11,103
Average Age	72.09	72.13

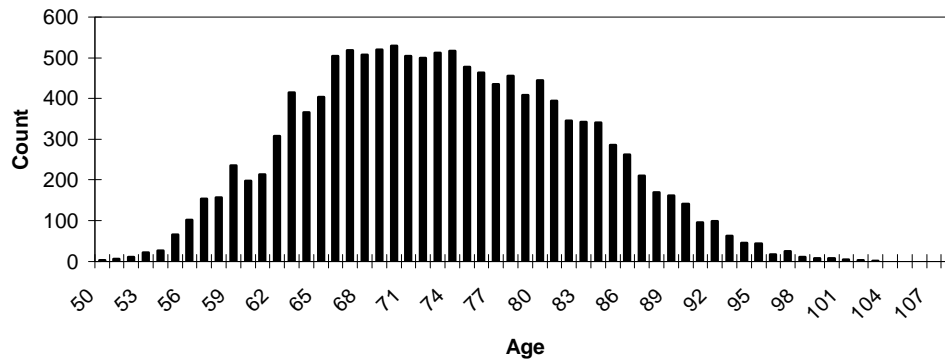


KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DISTRIBUTION OF RETIREES AND BENEFICIARIES

as of December 31, 2005

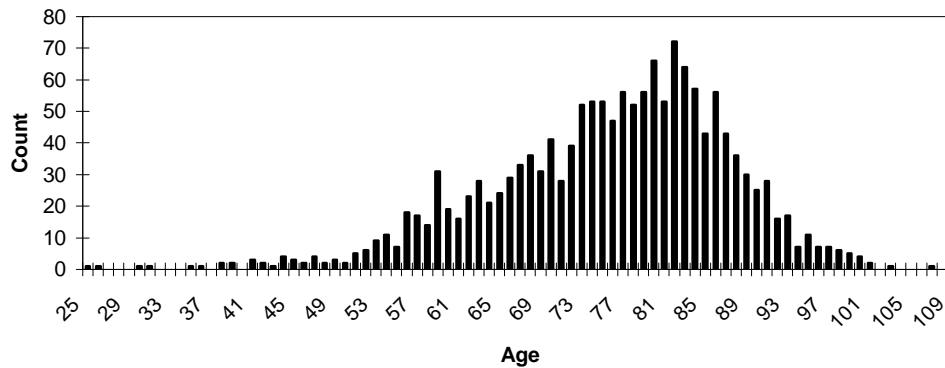
STATE

Retirees



Count: 13,066 Average age: 73.4 Average benefit: \$ 10,956

Beneficiaries



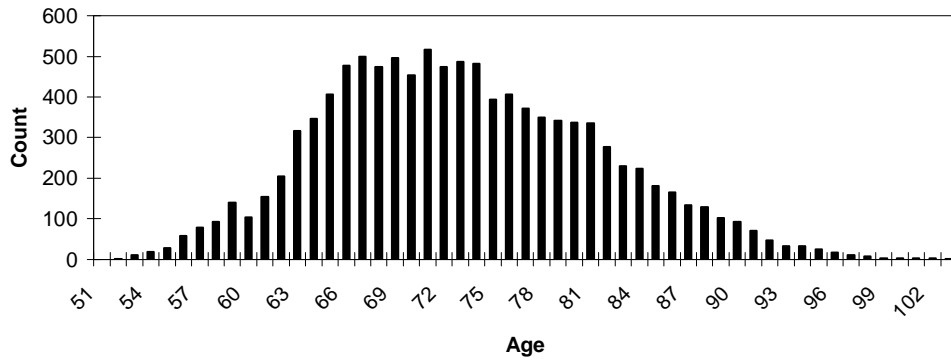
Count: 1,576 Average age: 74.7 Average benefit: \$ 7,330

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DISTRIBUTION OF RETIREES AND BENEFICIARIES

as of December 31, 2005

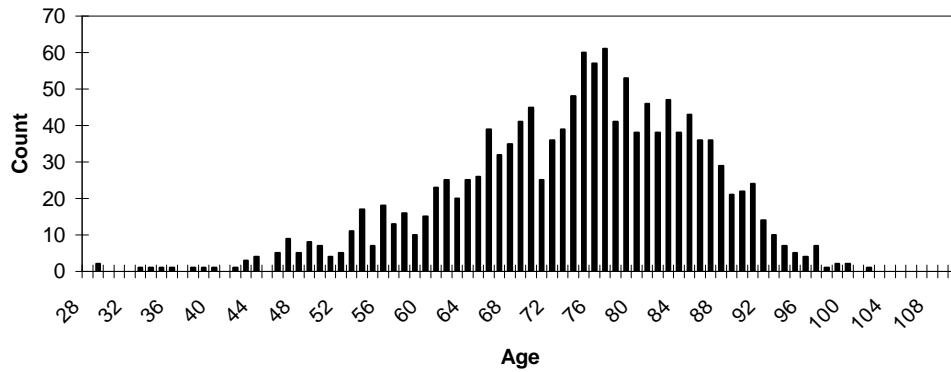
LOCAL

Retirees



Count: 10,634 Average age: 73.1 Average benefit: \$ 8,196

Beneficiaries



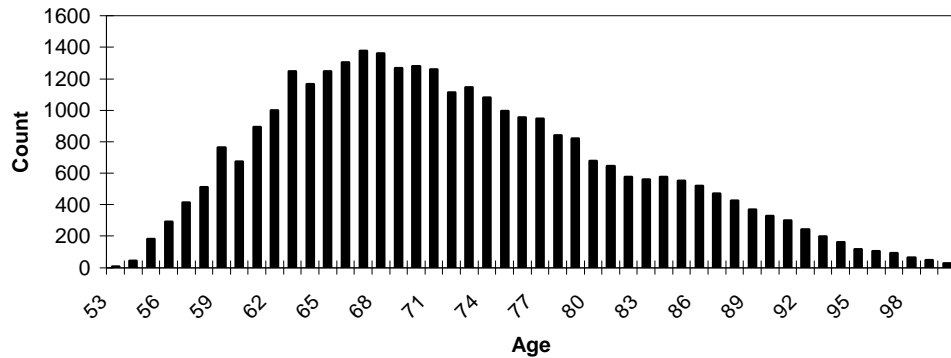
Count: 1,372 Average age: 74.0 Average benefit: \$ 5,449



KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DISTRIBUTION OF RETIREES AND BENEFICIARIES as of December 31, 2005

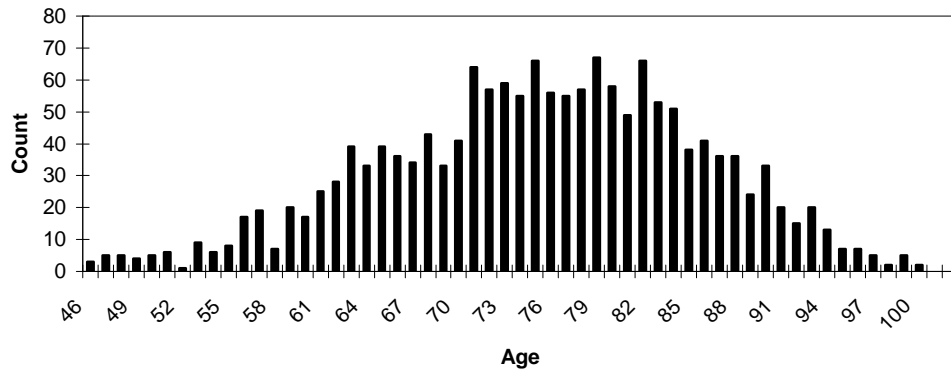
SCHOOL

Retirees



Count: 31,254 Average age: 72.3 Average benefit: \$ 12,007

Beneficiaries

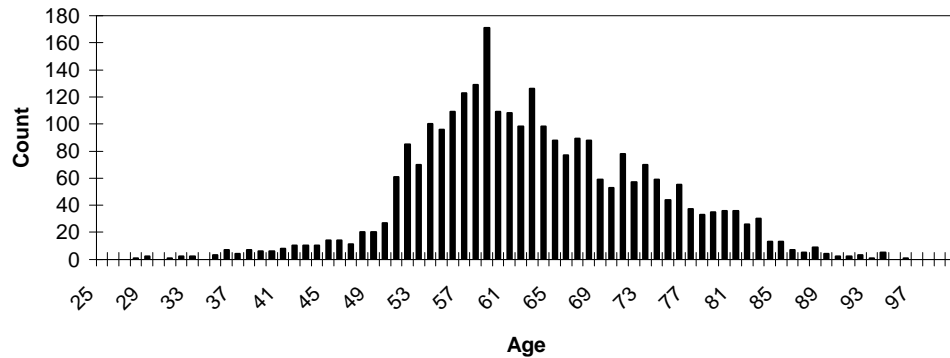


Count: 1,621 Average age: 74.9 Average benefit: \$ 7,926

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DISTRIBUTION OF RETIREES AND BENEFICIARIES as of December 31, 2005

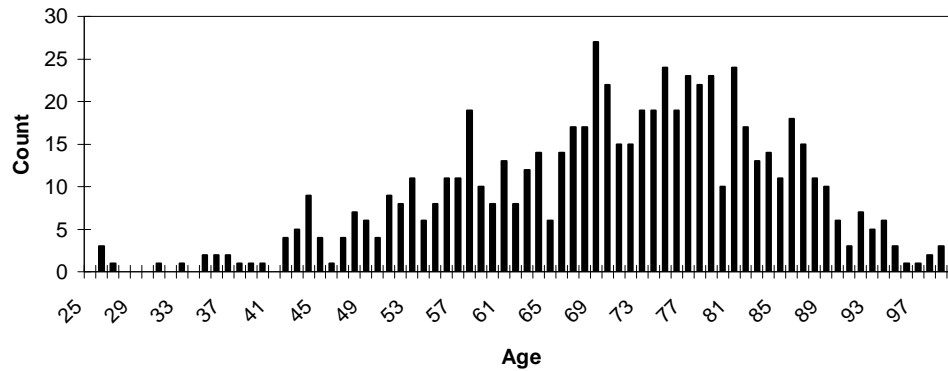
KP&F

Retirees



Count: 2,784 Average age: 63.1 Average benefit: \$ 25,691

Beneficiaries



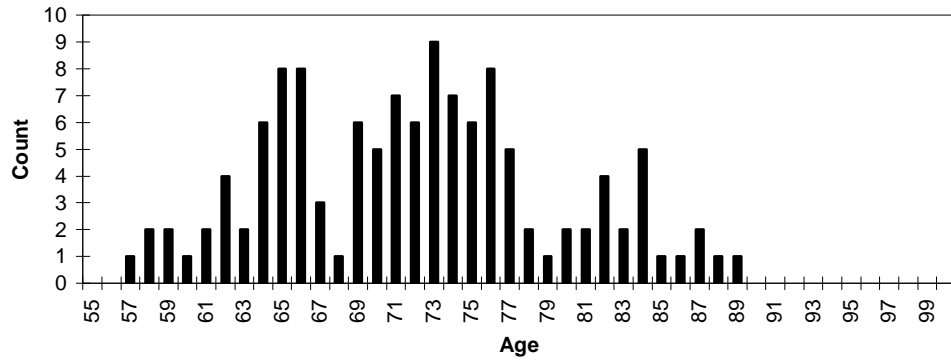
Note: 200 beneficiaries under age 25 not shown on graph

Count: 870 Average non-child age: 70.3 Average benefit: \$11,539

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF RETIREES AND BENEFICIARIES**
as of December 31, 2005

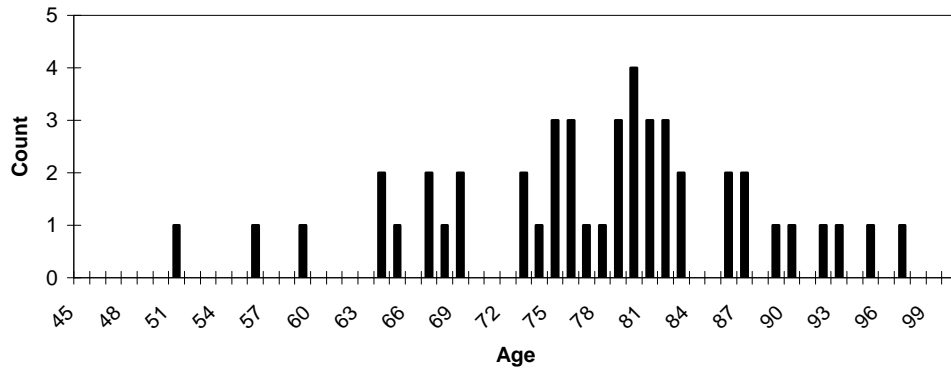
JUDGES

Retirees



Count: 124 Average age: 71.9 Average benefit: \$ 35,446

Beneficiaries



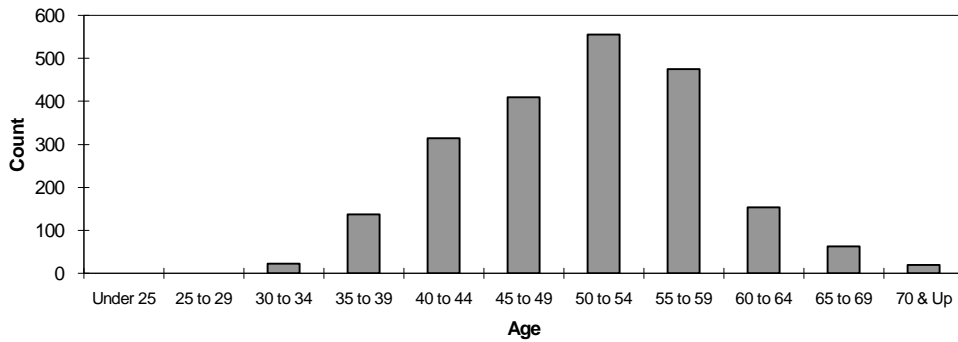
Count: 47 Average age: 77.5 Average benefit: \$ 22,463

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS**
as of December 31, 2005

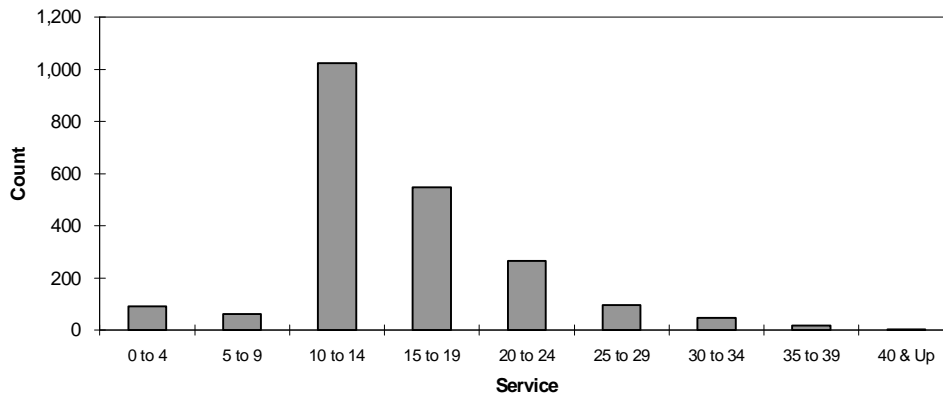
STATE

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	4	4	14	1	0	0	0	0	0	23
35 to 39	13	5	104	15	0	0	0	0	0	137
40 to 44	13	12	199	72	18	0	0	0	0	314
45 to 49	12	13	180	139	53	12	0	0	0	409
50 to 54	17	8	261	146	81	29	13	0	0	555
55 to 59	19	8	191	118	80	31	18	10	0	475
60 to 64	5	6	59	33	23	14	9	4	1	154
65 to 69	4	2	10	21	8	8	7	3	0	63
70 & Up	4	3	6	3	2	1	0	0	0	19
Total	91	61	1,024	548	265	95	47	17	1	2,149

Age Distribution



Service Distribution



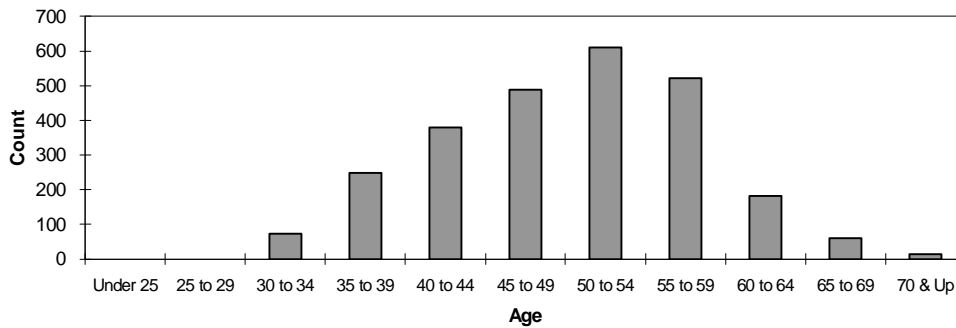
Nonvested: 3,033

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS
as of December 31, 2005**

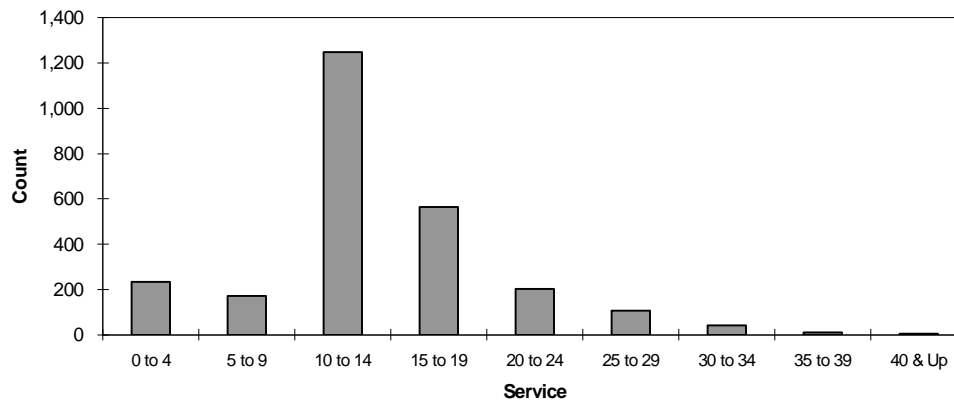
LOCAL

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	36	14	24	0	0	0	0	0	0	74
35 to 39	71	47	122	9	0	0	0	0	0	249
40 to 44	43	33	206	85	11	2	0	0	0	380
45 to 49	33	33	251	113	46	12	0	0	0	488
50 to 54	29	26	275	164	64	36	16	0	0	610
55 to 59	16	13	255	133	51	32	14	7	0	521
60 to 64	3	2	85	43	20	17	10	2	0	182
65 to 69	1	2	23	14	10	5	2	0	4	61
70 & Up	0	0	8	3	1	1	0	0	1	14
Total	232	170	1,249	564	203	105	42	9	5	2,579

Age Distribution



Service Distribution



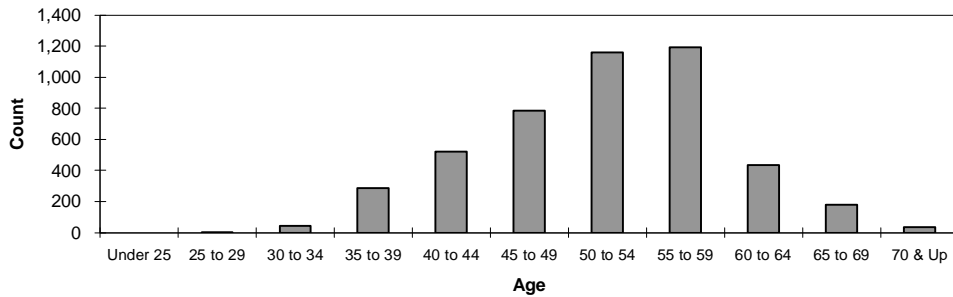
Nonvested: 6,794

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS
as of December 31, 2005**

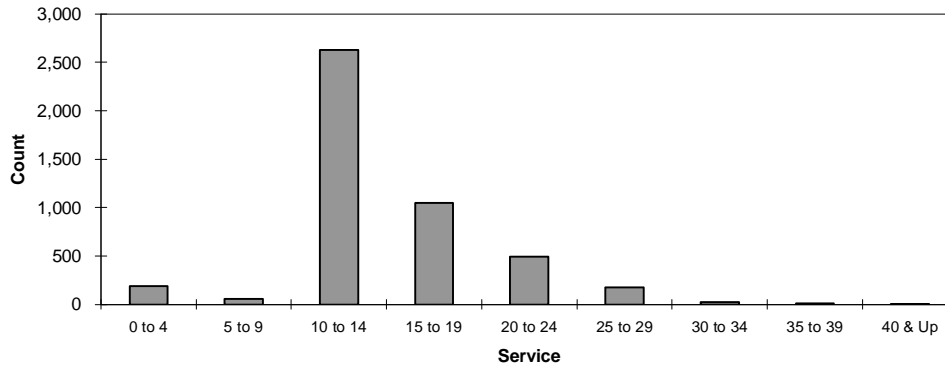
SCHOOL

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	1	0	0	0	0	0	0	0	0	1
30 to 34	3	0	40	0	0	0	0	0	0	43
35 to 39	10	2	257	19	0	0	0	0	0	288
40 to 44	2	5	393	108	13	1	0	0	0	522
45 to 49	7	3	484	196	87	9	0	0	0	786
50 to 54	11	3	624	305	158	48	9	0	0	1,158
55 to 59	6	2	608	305	169	90	9	3	0	1,192
60 to 64	54	8	193	99	52	20	3	5	1	435
65 to 69	81	30	25	15	14	10	2	2	1	180
70 & Up	16	6	7	2	2	0	1	1	0	35
Total	191	59	2,631	1,049	495	178	24	11	2	4,640

Age Distribution



Prior Service Distribution



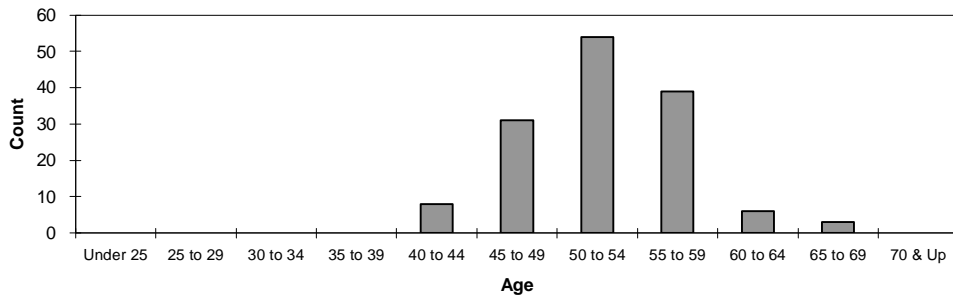
Nonvested: 17,820

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS
as of December 31, 2005**

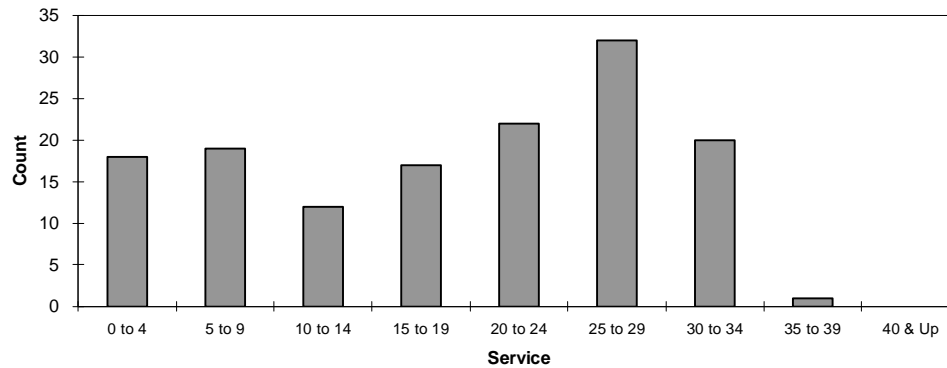
KP&F

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0
40 to 44	3	0	1	2	1	1	0	0	0	8
45 to 49	3	6	7	8	2	5	0	0	0	31
50 to 54	5	6	3	2	14	16	8	0	0	54
55 to 59	5	4	1	4	4	9	11	1	0	39
60 to 64	2	2	0	1	0	0	1	0	0	6
65 to 69	0	1	0	0	1	1	0	0	0	3
70 & Up	0	0	0	0	0	0	0	0	0	0
Total	18	19	12	17	22	32	20	1	0	141

Age Distribution



Service Distribution



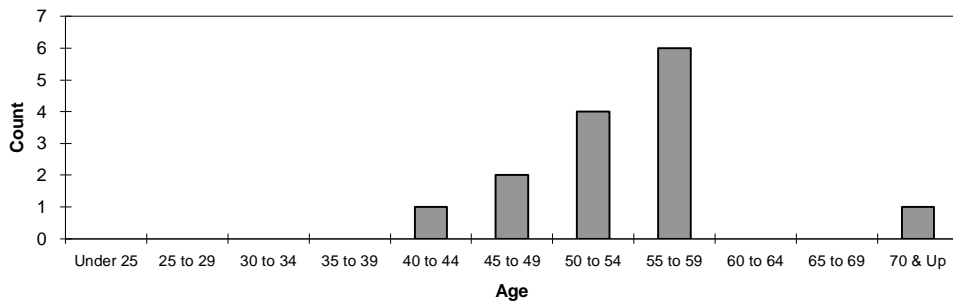
Nonvested: 958

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS**
as of December 31, 2005

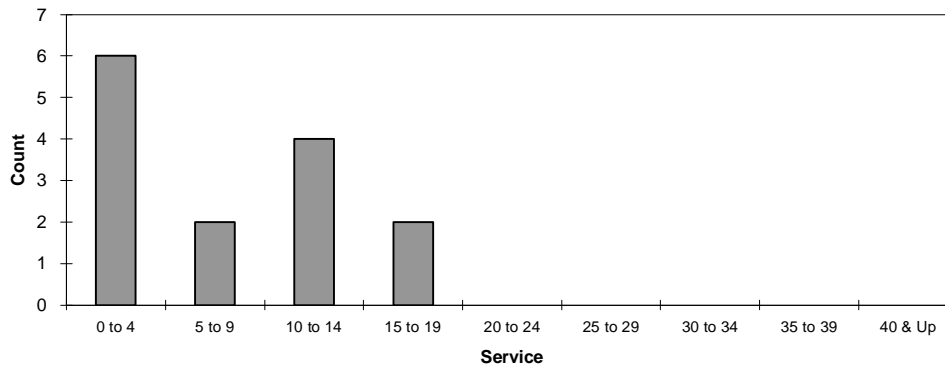
JUDGES

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0
40 to 44	1	0	0	0	0	0	0	0	0	1
45 to 49	2	0	0	0	0	0	0	0	0	2
50 to 54	0	0	3	1	0	0	0	0	0	4
55 to 59	2	2	1	1	0	0	0	0	0	6
60 to 64	0	0	0	0	0	0	0	0	0	0
65 to 69	0	0	0	0	0	0	0	0	0	0
70 & Up	1	0	0	0	0	0	0	0	0	1
Total	6	2	4	2	0	0	0	0	0	14

Age Distribution



Service Distribution



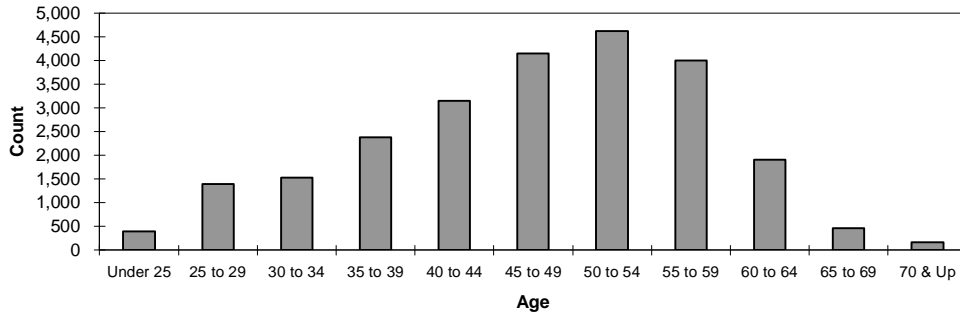
Nonvested: 5

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2005**

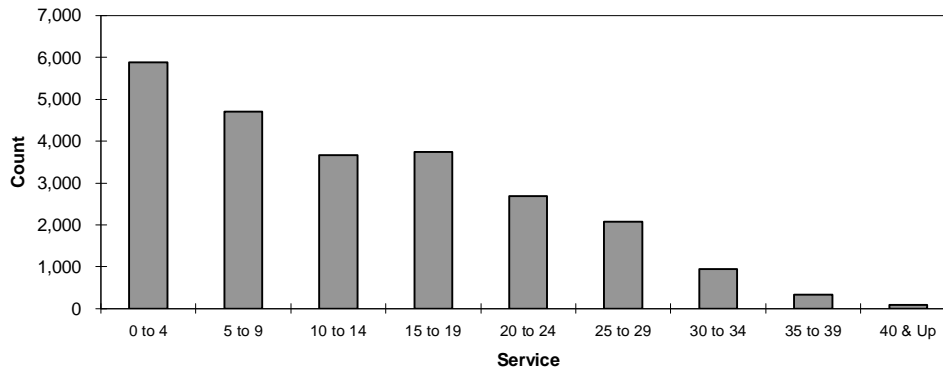
STATE

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	384	11	0	0	0	0	0	0	0	395
25 to 29	1,097	295	2	0	0	0	0	0	0	1,394
30 to 34	716	688	124	2	0	0	0	0	0	1,530
35 to 39	846	707	595	220	7	0	0	0	0	2,375
40 to 44	712	648	621	751	374	44	0	0	0	3,150
45 to 49	707	725	627	759	742	554	35	0	0	4,149
50 to 54	684	687	664	826	629	756	340	25	0	4,611
55 to 59	456	546	621	705	572	500	405	177	15	3,997
60 to 64	206	278	299	358	276	175	141	117	49	1,899
65 to 69	51	95	84	88	51	39	21	12	17	458
70 & Up	31	20	21	33	31	12	8	4	6	166
Total	5,890	4,700	3,658	3,742	2,682	2,080	950	335	87	24,124

Age Distribution



Service Distribution

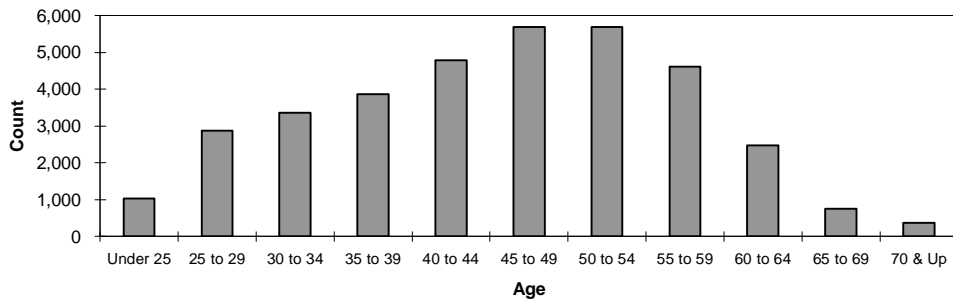


**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2005**

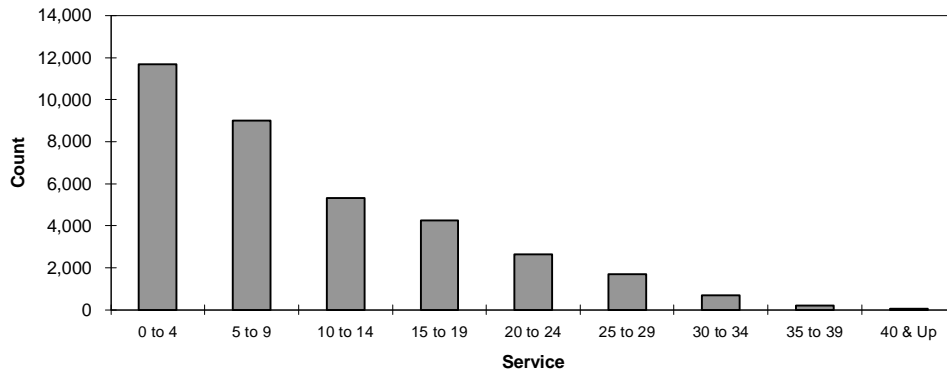
LOCAL

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	1,006	31	0	0	0	0	0	0	0	1,037
25 to 29	2,222	654	5	0	0	0	0	0	0	2,881
30 to 34	1,647	1,397	312	7	0	0	0	0	0	3,363
35 to 39	1,523	1,263	809	260	7	0	0	0	0	3,862
40 to 44	1,308	1,325	906	848	364	44	0	0	0	4,795
45 to 49	1,314	1,422	958	864	682	420	26	0	0	5,686
50 to 54	1,135	1,184	970	910	645	558	265	23	0	5,690
55 to 59	919	904	719	749	548	431	254	92	1	4,617
60 to 64	409	499	435	452	281	195	114	69	26	2,480
65 to 69	121	212	146	110	82	44	22	13	12	762
70 & Up	92	99	49	54	28	22	11	8	8	371
Total	11,696	8,990	5,309	4,254	2,637	1,714	692	205	47	35,544

Age Distribution



Service Distribution

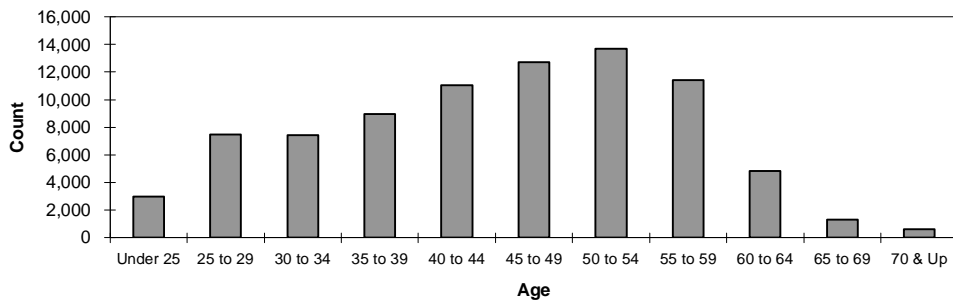


KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2005

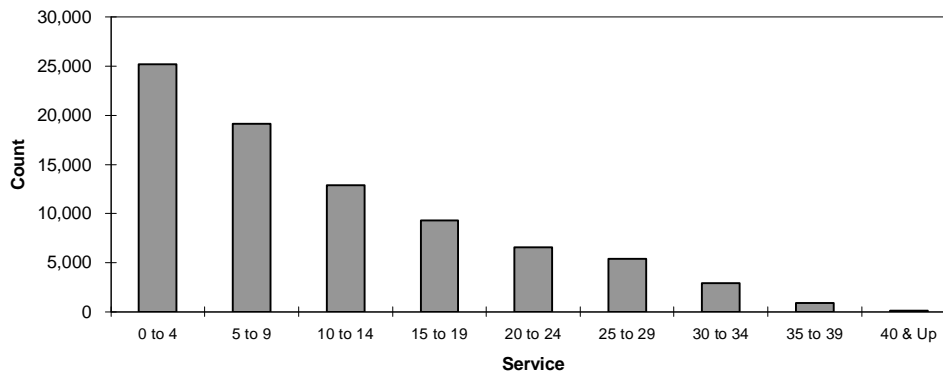
SCHOOL

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	2,950	41	0	0	0	0	0	0	0	2,991
25 to 29	5,628	1,818	11	0	0	0	0	0	0	7,457
30 to 34	2,918	3,605	904	1	0	0	0	0	0	7,428
35 to 39	3,160	2,402	2,607	776	17	0	0	0	0	8,962
40 to 44	3,256	2,879	1,833	2,114	905	36	0	0	0	11,023
45 to 49	2,748	3,044	2,334	1,578	1,865	1,129	15	0	0	12,713
50 to 54	2,034	2,424	2,428	1,994	1,404	2,186	1,190	7	0	13,667
55 to 59	1,364	1,657	1,701	1,899	1,552	1,415	1,351	485	1	11,425
60 to 64	684	798	727	755	674	534	267	322	53	4,814
65 to 69	313	298	238	152	104	84	48	42	31	1,310
70 & Up	163	191	98	48	36	15	13	7	18	589
Total	25,218	19,157	12,881	9,317	6,557	5,399	2,884	863	103	82,379

Age Distribution



Prior Service Distribution

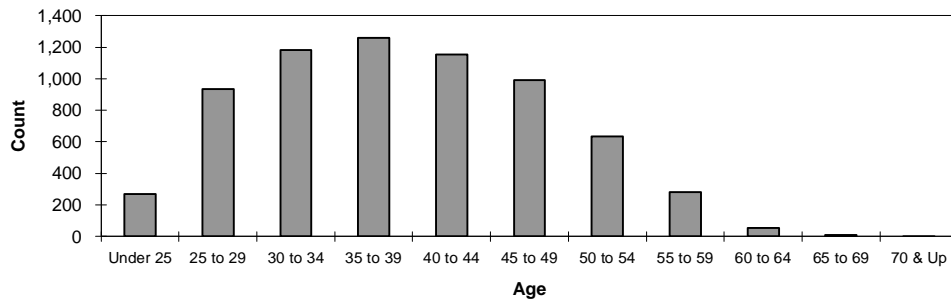


**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2005**

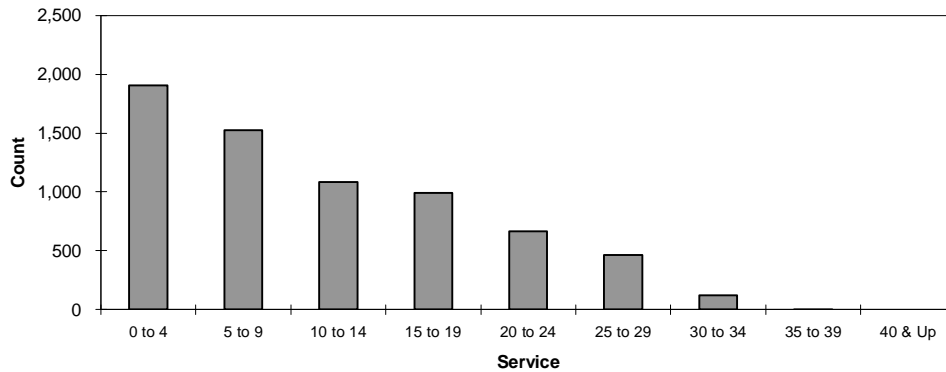
KP&F

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	269	0	0	0	0	0	0	0	0	269
25 to 29	709	224	0	0	0	0	0	0	0	933
30 to 34	398	616	168	1	0	0	0	0	0	1,183
35 to 39	242	383	461	173	2	0	0	0	0	1,261
40 to 44	138	159	233	414	202	9	0	0	0	1,155
45 to 49	70	87	120	224	292	191	5	0	0	989
50 to 54	39	35	49	106	125	204	77	0	0	635
55 to 59	27	14	39	60	42	56	39	3	0	280
60 to 64	13	6	8	13	4	6	3	2	0	55
65 to 69	2	0	4	2	1	0	1	0	0	10
70 & Up	0	1	1	0	0	0	0	0	0	2
Total	1,907	1,525	1,083	993	668	466	125	5	0	6,772

Age Distribution



Service Distribution

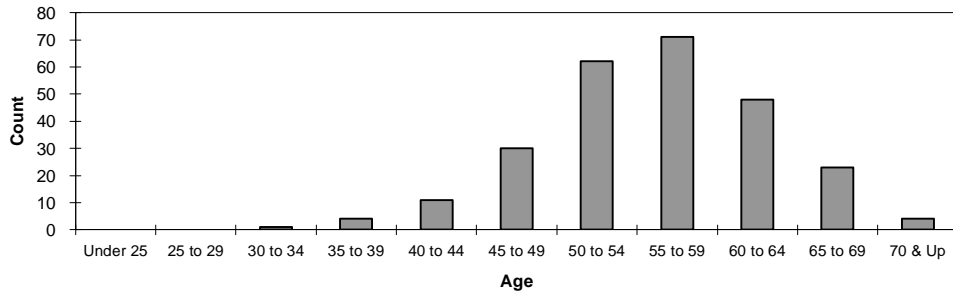


**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2005**

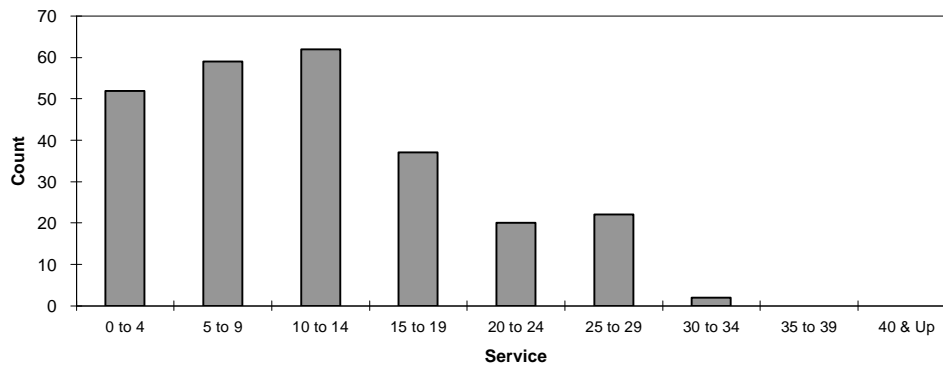
JUDGES

Age	Service									Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	1	0	0	0	0	0	0	0	1
35 to 39	4	0	0	0	0	0	0	0	0	4
40 to 44	9	2	0	0	0	0	0	0	0	11
45 to 49	13	11	5	1	0	0	0	0	0	30
50 to 54	13	17	18	9	5	0	0	0	0	62
55 to 59	6	20	17	13	7	8	0	0	0	71
60 to 64	6	6	14	8	4	10	0	0	0	48
65 to 69	1	2	6	5	4	4	1	0	0	23
70 & Up	0	0	2	1	0	0	1	0	0	4
Total	52	59	62	37	20	22	2	0	0	254

Age Distribution



Service Distribution



APPENDIX B

SUMMARY OF PLAN PROVISIONS

Plan Membership

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

Employee Membership

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

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Summary of Provisions

Normal Retirement

Eligibility- Eligibility is (a) Age 65, or (b) age 62 with ten years of credited service, or (c) any age when combined age and years of credited service equal 85 "points". Age is determined by the member's last birthday and is not rounded up.

Benefits -Benefits are based on the member's years of credited service, Final Average Salary (FAS), and a statutory multiplier. For those who were hired prior to July 1, 1993, Final Average Salary equals the greater of either: a four-year Final Average Salary, including add-ons, such as sick and annual leave; or a three-year Final Average Salary, excluding add-ons, such as sick and annual leave. For those who are hired on or after July 1, 1993, Final Average Salary equals the average of the three highest years of service, excluding add-ons, such as sick and annual leave.

Prior Service Credit - Prior service credit is 0.75% or 1% of Final Average Salary per year [School employees receive 0.75% Final Average Salary for each year of prior service that is not credited under the former Kansas School Retirement System (KSRS)].

Participating Service Credit - Participating service credit is 1.75% of Final Average Salary.

Early Retirement

Eligibility - Eligibility is age 55 and ten years of credited service.

Benefit - The normal retirement benefit is reduced 0.2% per month for each month between the ages of 60 and 62, plus 0.6% for each month between the ages of 55 and 60.

Vesting Requirements

Eligibility - A member must have ten years of credited service. Should the vested member terminate employment, the member must leave accumulated contributions on deposit with the Retirement System to be eligible for future benefits. If a vested member terminates employment and withdraws accumulated contributions, the member forfeits all rights and privileges under the Retirement System.

Benefit - Retirement benefits are payable when the vested member reaches normal retirement age, or reduced benefits are payable when the vested member reaches a specified early retirement age.

Other Benefits

Withdrawal Benefit - Members who terminate employment may withdraw contributions with interest after the last day on the employer's payroll. Withdrawing contributions forfeits all membership rights and benefits, which a member may have accrued prior to withdrawing their contributions from the Retirement System. Former members, who return to covered employment within five years after terminating employment, will not have lost any membership rights or privileges if they *haven't* withdrawn contributions. The Retirement Act provides for withdrawal of contributions 30 days after employment terminates, but it does not allow members to borrow from contributions.

Disability Benefit - Members receiving disability benefits under the KPERS Death and Disability Benefits Program 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 prior to July 1, 1993, 5% per year to July, 1998 and the change in CPI-U less 1%, not to exceed 4% after July, 1998.

Death Benefits - Pre-retirement death (non-service connected) - The member's accumulated contributions plus interest are paid in a lump sum to the designated beneficiary. In lieu of receiving the member's accumulated contributions, the surviving spouse of a member who is eligible to retire at death may elect to receive benefits under any survivor option. The spouse must be the member's sole designated beneficiary to exercise this option. If the member had at least 10 years of credited service, but had not reached retirement age, the spouse may elect to leave the member's contributions on deposit with the System and receive a monthly benefit to begin on the date the member would have been eligible to retire.

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

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

Member Contributions

Member contributions are 4% of compensation. Interest is credited to members' contribution accounts on June 30 each year, based on account balance as of the preceding December 31. Those who became members prior to July 1, 1993, have interest credited to their accounts at the rate of 8% per year. Those who become members on and after July 1, 1993, have interest credited to their accounts at the rate of 4% per year.

Employer Contributions

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

Board of Regents Plan Members (TIAA and equivalents)

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

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 plan operators, (d) correctional industries employees, (e) correctional food service employees, and (f) correctional maintenance employees.

For groups (a) and (b) with at least three consecutive years of credited service, in such positions immediately preceding retirement, normal retirement age is 55 or Rule of 85 and early retirement requirements are age 50 with ten years of credited service. For groups (c), (d), (e), and (f) with at least three consecutive years of service in such positions immediately preceding retirement, normal retirement age is 60 or Rule of 85 and early retirement requirements are 55 with ten years of credited service.

KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM

Normal Retirement

Tier I* - age 55 and 20 years of service or 32 years of service (regardless of age). **Tier II**** - age 50 and 25 years of service, or age 55 and 20 years of service, or age 60 and 15 years of service.

Benefits - Benefits are based on the member's Final Average Salary. For those who were hired prior to July 1, 1993, Final Average Salary equals the average of the highest three of the last five years of credited participating service, including add-ons, such as sick and annual leave. For those who are hired on or after July 1, 1993, Final Average Salary equals the average of the highest three of the last five years of participating service, excluding add-ons, such as sick and annual leave. Benefits are based on a member's years of credited service and a multiplier of 2.5% of Final Average Salary for each year of credited service, to a maximum of 80% of Final Average Salary.

Local Plan - For members covered by local plan provisions on the employer's entry date, normal retirement is at age 50 with 22 years of credited service.



Early Retirement

Eligibility -Members must be at least age 50 and have 20 years of credited service.

Benefit - Normal retirement benefits are reduced 0.4% per month under age 55.

Vesting Requirements

Eligibility - Tier I *: The member must have 20 years of service credit; if terminating employment, the member must leave contributions on deposit with the Retirement System to be eligible for future benefits. Unreduced benefits are payable at age 55 or reduced benefits are payable as early as age 50.

Eligibility - Tier II**: The member must have 15 years of service credit to be considered vested. If terminating employment, the member must leave contributions on deposit with the Retirement System to be eligible for future benefits. A vested member may draw unreduced benefits as early as age 50 with 25 years of credited service, age 55 with 20 years of credited service, or age 60 with 15 years of credited service. A reduced benefit is available at age 50 with 20 years of credited service.

Other Benefits

Withdrawal Benefits - Members who terminate employment before retirement may withdraw contributions with interest after the last day on the employer's payroll. Withdrawal of contributions forfeits all membership rights and benefits, which a member may have accrued prior to withdrawing accumulated contributions from the Retirement System. Former members, who return to covered employment within five years after terminating employment, will not have lost any membership rights or privileges if they haven't withdrawn contributions.

Disability Benefits

Tier I*: Service-connected disability - There are no age or service requirements to be eligible for this benefit. There is an annual benefit of 50% of Final Average Salary, plus 10% of Final Average Salary for each dependent child under age 18 (or up to age 23 for full-time students), to a maximum of 75% of Final Average Salary. If dependent benefits aren't payable, the benefit is 50% of Final Average Salary or 2.5% for each year of credited service up to a maximum of 80% of Final Average Salary. Upon the death of a member after two years from the proximate cause of death which is the original service-connected disability, the same benefits are payable. Upon the death of a member after 2 years from a cause different than the disability for which the member is receiving service-connected disability benefits, the surviving spouse receives a lump sum payment of 50% of Final Average Salary. Additionally, a pension benefit of one-half the member's benefit is payable to either the spouse or to the dependent children.

Tier I*: Non-Service-connected disability – An annual benefit of 2.5% times years of credited service times Final Average Salary with a minimum of 25% of FAS and a maximum of 80% of FAS.

Tier II**: There is no distinction between service-connected and non-service-connected disability benefits. Annual benefit of 50% of Final Average Salary. Service Credit is granted during the period of disability. Disability benefits convert to age and service retirement at the earliest date the member is eligible for full retirement benefits. If the member is disabled for at least five years immediately preceding retirement, the member's Final Average Salary is adjusted during the period of Disability.

Death Benefits (Tier I* and Tier II**)

Active Member Service Connected Death - There is no age or service requirement. An annual benefit of 50% of Final Average Salary is payable to the spouse, plus 10% of Final Average Salary for each dependent child under age 18 [or up to age 23 if full time student(s)], to a maximum of 75% of Final Average Salary Active Member.

Active Member Non-Service Connected Death - A lump sum of 100% of Final Average Salary is payable to the spouse and a pension of 2.5% of Final Average Salary per year of credited service (to a maximum of 50%) is payable to the spouse. If there is no spouse, the monthly benefit is paid to the dependent children (age 18 or 23 if a full time student). If there is no surviving spouse or eligible children, the beneficiary will receive a lump sum payment of 100% of the member's current annual pay inclusive of the member's accumulated contributions.

Inactive Member Death - If an inactive member is eligible for retirement when death occurs, and the inactive member's spouse is the sole beneficiary, the spouse may elect to receive benefits as a joint annuitant under any option in lieu of a refund of the member's accumulated contributions.

Post-Retirement Death – There is a lump sum amount of \$4,000 payable, less any death benefit payable under local plan provisions. If the member has selected a retirement option, benefits are paid to the joint annuitant or the designated beneficiary. Under joint and survivor options, if the joint annuitant predeceases the retired member, the benefit is increased to the amount the retired member would have received if no option had been selected. Benefits payable to the joint annuitant cease when the joint annuitant dies. If no option is selected, the designated beneficiary receives the excess, if any, of the member's accumulated contributions over total benefits paid to the date of death. The surviving spouse of a transfer member (who was covered by local plan on the employer's entry date, who dies after retirement, and who has not elected a retirement benefit option) receives a lump sum payment of 50% of Final Average Salary. Additionally, a pension benefit of three-fourths of the member's benefit is payable either to the spouse or dependent children.

Classifications

***Tier I** - Members have Tier I coverage if they were employed prior to July 1, 1989, and they did not elect coverage under Tier II.

****Tier II** - Members have Tier II coverage if they were employed July 1, 1989, or later. This also includes members employed before July 1, 1989 who elected Tier II coverage.

Some KP&F members are considered either Tier I or Tier II Transfer or Brazelton members.

Transfer Member- member who is a former member of a local plan who elected to participate in KP&F. Former Kansas Highway Patrol and former Kansas Bureau of Investigation members are included in this group.

Brazelton member – member who participated in a class action lawsuit, whose contribution is lower, and whose benefits are offset by Social Security.

Member Contributions

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

Brazelton members contribute .008% with a Social Security offset. Benefits payable to these members are reduced by one-half of original 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 JUDGES RETIREMENT SYSTEM

Normal Retirement

Eligibility: - (a) Age 65, or (b) age 62 with ten years of credited service, or (c) any age when combined age and years of credited service equals 85 “points”. Age is determined by the member’s last birthday and is not rounded up.

Benefit - the benefit is based on the member’s Final Average Salary, which is the average of the three highest years of service under any retirement system administered by KPERS. The basic formula for those who were members prior to July 1, 1987, is 5% of Final Average Salary for each year of service up to ten years, plus 3.5% for each year of service greater than ten, to a maximum of 70% of Final Average Salary. For those who became members on or after July 1, 1987, the formula is 3.5% for each year, to a maximum benefit of 70% of Final Average Salary.

Early Retirement

Eligibility - A member must be age 55 and have ten years of credited service to take early retirement.

Benefit - The retirement benefit is reduced to 0.2% per month for each month between the ages of 60 and 62, plus 0.6% per month for each month between the ages of 55 and 60.

Vesting Requirements

Eligibility - There is no minimum service requirement; however, if terminating employment, the member must leave contributions on deposit with the Retirement System in order to be eligible for future benefits. Eligible judges who have service credited under KPERS have vested benefits under both KPERS and the Retirement System for Judges when the combined total credited service equals ten years.

Benefit - Normal benefit accrued at termination is payable at age 62 or in reduced amount at age 55, provided the member has ten years of service credit. Otherwise, benefits are not payable until age 65.

Other Benefits

Disability Benefits - These benefits are payable if a member is defined as totally and permanently disabled as certified by the Supreme Court. The disability benefit, payable until age 65, is 3.5% of Final Average Salary for each year of service (minimum of 25% and maximum of 70% of Final Average Salary). Benefits are recalculated when the member reaches retirement age based on participating service credit for the period of disability. If a judge is disabled for at least five years immediately preceding retirement, the judge’s Final Average Salary is adjusted.

Withdrawal Benefit - Members who terminate employment may withdraw contributions with interest, but forfeit any right to a future benefit.

Pre-retirement Death - A refund of the member’s accumulated contributions is payable. In lieu of receiving the member’s accumulated contributions, the surviving spouse of a member who is eligible to retire at death, may elect to receive benefits under any survivor benefit option. If the member had at least 10 years of credited service, but hadn’t reached retirement age at the time of death, the spouse may elect a monthly benefit to begin on the date the member first would have been eligible to retire as long as the member’s contributions aren’t withdrawn.

Post-retirement Death - A lump sum death benefit of \$4,000 is payable to the member's beneficiary. If the member had selected an option with survivor benefits, those benefits are paid to the joint annuitant or to the member's designated beneficiary. Under retirement options with survivor benefits, if the joint annuitant predeceases the retired member, the retirement benefit is increased to the amount the retired member would have received if no survivor benefits had been elected. Benefits payable to a joint annuitant cease when the joint annuitant dies. If no option was chosen by the retired member, the member's designated beneficiary receives the excess, if any, of the member's accumulated contributions over the total benefits paid to the date of the retired member's death.

Member Contributions

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

Employer Contributions

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

APPENDIX C

ACTUARIAL ASSUMPTIONS AND METHODS

KPERS

Rate of Investment Return	8.0% per annum, net of expenses			
Implicit Inflation Rate	3.5%			
Rates of Mortality (Post-retirement)	RP-2000 Healthy Annuitants Table (Generational) with the following adjustments: School (Male): Male Table -1 School (Female): Female Table -2 State (Male): Male Table +2 State (Female): Female Table +1 Local (Male): Male Table +2 Local (Female): Female Table +0			
Rates of Mortality (Pre-retirement)	RP-2000 Employees Table (Generational) Same age adjustments as above			
Disabled Life Mortality	RP-2000 Disableds Table (Generational) Same age adjustments as above			
Rates of Salary Increase	<u>Years of Service</u>	<u>State</u>	<u>Rate of Increase*</u> <u>School</u>	<u>Local</u>
	1	7.8%	9.8%	7.8%
	5	5.6%	6.7%	6.2%
	10	4.9%	5.1%	5.2%
	15	4.4%	4.6%	4.8%
	20	4.1%	4.1%	4.6%
	25	4.0%	4.0%	4.1%
	30	4.0%	4.0%	4.0%
	*Includes general wage increase assumption of 4.0% (composed of 3.5% inflation and 0.50% productivity)			

Rates of Termination

School – Male					
Years of Service					
Age	<2	2	3	4	5
25	23.0%	18.0%	12.0%	8.5%	8.0%
30	20.5%	16.2%	11.0%	8.5%	8.0%
35	19.7%	15.9%	10.0%	8.5%	7.5%
40	19.3%	14.6%	10.0%	8.0%	7.5%
45	18.8%	14.3%	10.0%	8.0%	7.0%
50	18.4%	13.9%	10.0%	8.0%	7.0%

Age	6	7	8	9	10 or more
25	7.5%	7.4%	7.0%	6.7%	6.0%
30	7.5%	6.9%	6.5%	5.8%	5.0%
35	7.0%	6.4%	5.8%	4.7%	3.6%
40	6.5%	5.9%	4.7%	3.8%	2.5%
45	6.0%	5.5%	4.1%	3.3%	1.9%
50	5.5%	5.5%	4.0%	2.8%	1.4%

School - Female					
Years of Service					
Age	<2	2	3	4	5
25	26.0%	20.7%	17.5%	11.2%	10.6%
30	23.5%	16.2%	14.4%	9.2%	8.9%
35	20.0%	13.5%	12.5%	8.0%	7.3%
40	16.5%	11.2%	9.0%	7.3%	6.5%
45	14.0%	10.2%	8.7%	7.1%	6.2%
50	13.4%	9.9%	8.5%	7.0%	6.1%

Age	6	7	8	9	10 or more
25	10.0%	9.4%	8.7%	8.1%	7.5%
30	8.6%	8.4%	8.1%	7.8%	7.5%
35	6.6%	5.9%	5.1%	4.4%	3.7%
40	5.7%	4.8%	4.0%	3.1%	2.3%
45	5.3%	4.5%	3.6%	2.7%	1.8%
50	5.2%	4.3%	3.4%	2.5%	1.6%

State - Male
Years of Service

Age	<2	2	3	4	5
25	18.0%	18.0%	15.8%	14.0%	13.3%
30	18.0%	15.0%	12.0%	11.2%	11.2%
35	15.0%	12.0%	9.6%	9.6%	9.6%
40	15.0%	10.3%	8.1%	8.1%	8.1%
45	13.0%	10.0%	7.5%	7.0%	7.0%
50	13.0%	10.0%	7.5%	7.0%	7.0%

Age	6	7	8	9	10 or more
25	10.0%	7.0%	5.0%	5.0%	5.0%
30	10.0%	7.0%	5.0%	5.0%	5.0%
35	8.0%	7.0%	5.0%	5.0%	4.8%
40	5.8%	4.5%	3.8%	3.8%	3.5%
45	4.8%	3.2%	3.0%	3.0%	2.2%
50	4.8%	3.0%	3.0%	3.0%	1.4%

State - Female
Years of Service

Age	<2	2	3	4	5
25	25.0%	13.0%	17.6%	15.0%	15.2%
30	20.5%	13.0%	14.9%	12.3%	11.9%
35	17.8%	13.0%	12.6%	10.7%	9.9%
40	16.3%	13.0%	10.6%	9.8%	8.8%
45	15.8%	13.0%	10.2%	9.5%	8.2%
50	15.5%	13.0%	10.2%	9.3%	8.0%

Age	6	7	8	9	10 or more
25	15.3%	15.5%	15.7%	15.7%	15.9%
30	11.5%	11.1%	10.4%	10.4%	9.8%
35	9.1%	8.3%	7.2%	7.2%	6.0%
40	7.8%	6.7%	5.2%	5.2%	3.7%
45	7.0%	5.7%	3.9%	3.9%	2.0%
50	6.8%	5.5%	3.6%	3.6%	1.7%

Local - Male
Years of Service

Age	<2	2	3	4	5
25	23.0%	19.5%	16.1%	14.9%	12.3%
30	18.0%	15.3%	12.6%	11.7%	9.4%
35	15.0%	12.0%	10.5%	9.7%	7.5%
40	12.5%	10.6%	8.7%	8.1%	5.9%
45	11.3%	10.0%	7.9%	7.3%	5.1%
50	11.0%	10.0%	7.7%	7.2%	4.9%

Age	6	7	8	9	10 or more
25	12.6%	11.5%	11.5%	9.0%	8.0%
30	10.1%	9.3%	9.3%	8.0%	7.0%
35	8.2%	7.4%	7.4%	6.8%	5.0%
40	6.7%	6.0%	6.0%	5.5%	3.8%
45	5.8%	5.0%	5.0%	4.3%	2.7%
50	5.6%	4.8%	4.8%	3.8%	2.5%

Local - Female
Years of Service

Age	<2	2	3	4	5
25	25.0%	22.5%	18.8%	15.7%	14.1%
30	20.0%	18.0%	15.0%	12.6%	11.5%
35	17.5%	15.7%	13.1%	11.0%	10.0%
40	15.8%	14.2%	11.9%	10.0%	8.9%
45	15.3%	13.8%	11.5%	9.6%	8.6%
50	15.0%	13.5%	11.2%	9.4%	8.4%

Age	6	7	8	9	10 or more
25	14.5%	10.9%	9.2%	7.6%	6.0%
30	12.5%	9.3%	8.2%	7.1%	6.0%
35	10.4%	8.0%	7.0%	6.0%	5.0%
40	9.3%	6.8%	5.9%	4.8%	3.8%
45	8.0%	6.0%	5.5%	4.4%	3.4%
50	7.8%	6.0%	5.4%	4.4%	3.4%

Retirement Rates

School

		<u>Rule of 85</u>	
<u>Age</u>		<u>1st Year With 85 Points</u>	<u>After 1st Year With 85 Points</u>
53		20%	15%
55		20%	15%
57		22%	15%
59		25%	20%
61		30%	35%

<u>Early Retirement</u>		<u>Normal Retirement</u>	
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
55	5%	62	35%
56	5%	63	25%
57	5%	64	30%
58	5%	65	35%
59	10%	66	25%
60	10%	67-74	20%
61	22%	75	100%

State

		<u>Rule of 85</u>	
<u>Age</u>		<u>1st Year With 85 Points</u>	<u>After 1st Year With 85 Points</u>
53		15%	15%
55		15%	12%
57		15%	12%
59		15%	15%
61		30%	25%

<u>Early Retirement</u>		<u>Normal Retirement</u>	
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
55	5%	62	35%
56	5%	63	20%
57	5%	64	30%
58	5%	65	40%
59	6%	66	30%
60	7%	67-74	20%
61	20%	75	100%



Local

<u>Age</u>	<u>Rule of 85</u>	
	<u>1st Year With 85 Points</u>	<u>After 1st Year With 85 Points</u>
53	11%	10%
55	11%	10%
57	11%	10%
59	11%	12%
61	30%	25%

<u>Early Retirement</u>		<u>Normal Retirement</u>	
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
55	5%	62	30%
56	5%	63	20%
57	5%	64	30%
58	5%	65	35%
59	5%	66-74	20%
60	5%	75	100%
61	15%		

- Inactive vested members – Age 62
- For correctional employees with an age 55 normal retirement date -

<u>Age</u>	<u>Rate</u>
55	10%
58	10%
60	10%
62	40%
65	100%

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

Rates of Disability

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

Indexation of Final Average Salary for Disabled Members: 2.5% per year



Probability of Vested Members Leaving Contributions With System

<u>Age</u>	<u>School</u>	<u>State</u>	<u>Local</u>
25	60%	51%	35%
30	60%	51%	40%
35	65%	53%	47%
40	74%	63%	61%
45	83%	69%	71%
50	88%	83%	82%
55	100%	100%	100%

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

KP & F

Rate of Investment Return	8.0% per annum, net of expenses
Implicit Inflation Assumption	3.5%
Rates of Mortality (Post-Retirement)	RP-2000 Healthy Annuitants Table (Generational) Males and Females +1
Rates of Mortality (Post-Retirement)*	RP-2000 Employees Table (Generational) Males and Females +1
	*70% of preretirement deaths assumed to be service related
Disabled Life Mortality	RP-2000 Disableds Table(Generational) Males and Females +1

Rates of Salary Increase	<u>Years of Service</u>	<u>Rate of Increase*</u>
	1	12.5%
	5	7.0%
	10	4.9%
	15	4.3%
	20	4.0%
	25	4.0%

*Includes general wage increase assumption of 4.0% (composed of 3.5% inflation and 0.50% productivity)

Rates of Termination

Tier I: 3% for ages less than 41; 0% thereafter

Tier II:	<u>Years of Service</u>	<u>Rate</u>
	1	13.0%
	5	6.0%
	10	2.5%
	15	1.0%
	20	1.0%
	25	0.0%

Retirement Rates

Tier I:	<u>Early Retirement</u>		<u>Normal Retirement</u>	
	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
	50	5%	55	50%
	51	5%	56	30%
	52	10%	57	20%
	53	10%	58	40%
	54	30%	59	30%
			60	50%
			61	20%
			62	100%

Tier II:	<u>Early Retirement</u>		<u>Normal Retirement</u>	
	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
	50	10%	50	25%
	51	10%	53	15%
	52	10%	55	30%
	53	10%	58	20%
	54	25%	60	20%
			61	60%
			62	40%
			63	100%

Inactive Vested: Assumed to retire at later of (i) eligibility for unreduced benefits or (ii) age 55.

Rates of Disability**

<u>Age</u>	<u>Rate</u>
22	.06%
27	.07%
32	.15%
37	.35%
42	.60%
47	1.00%
52	1.60%
57	2.55%

**90% assumed to be service-connected under KP & F Tier I.

Marriage Assumption: 80% of all members assumed married with male spouse assumed to be three years older than female.

Judges

Rate of Investment Return	8.0% per annum, net of expenses
Implicit Inflation Assumption	3.5%
Rates of Mortality:	
Post-retirement	RP-2000 Healthy Annuitants Table (Generational)
Pre-retirement	RP-2000 Employees Table (Generational)
Rates of Salary Increase	5.5%
Rates of Termination	None assumed
Disabled Life Mortality	RP-2000 Disableds Table (Generational)
Rates of Disability	None assumed
Retirement Age	
	<u>Age</u> <u>Rate</u>
	Under 62 12.5%
	62 30.0%
	63 25.0%
	64 10.0%
	65-69 50.0%
	70 and up 100.0%

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

Actuarial Methods

1. Funding Method

Under the EAN cost method, the actuarial present value of each member's projected benefits allocates on a level basis over the member's compensation between the entry age of the member and the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial liability. The unfunded actuarial liability represents the difference between the actuarial liability and the actuarial value of assets as of the valuation date. The unfunded actuarial liability is calculated each year and reflects experience gains/losses.

There are several components of the unfunded actuarial liability which are amortized over different periods. The increase in the unfunded actuarial liability resulting from the 1998 COLA is amortized over 15 years. The increase in the unfunded actuarial liability for Local employers resulting from 2003 legislation which made the 13th check for pre-July 2, 1987 retirees a permanent benefit is funded over a 10 year period beginning in 2005. The remainder of the unfunded actuarial liability is amortized over a period originally set at 40 years beginning July 1, 1993.

The UAL is amortized as a level percentage of payroll for all groups except Judges, who use a level dollar payment. The payroll growth assumption is 4% so the annual amortization payments will increase 4% each year. As a result, if total payroll grows 4% per year, as assumed, the amortization payment will remain level as a percentage of total current payroll.

2. Asset Valuation Method

For actuarial purposes, assets are valued using an asset smoothing method. The difference between the actual return and the expected return (based on the actuarial assumed rate of return) on the market value of assets is calculated each year and recognized equally over a five year period.

APPENDIX D

GLOSSARY OF TERMS

Actuarial Accrued Liability	The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as “accrued liability” or “actuarial liability”.
Actuarial Assumptions	Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.
Accrued Service	Service credited under the system which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement system benefit between future normal cost and actuarial accrued liability. Sometimes referred to as the “actuarial funding method”.
Experience Gain (Loss)	The difference between actual experience and actuarial assumptions anticipated experience during the period between two actuarial valuation dates.
Actuarial Present Value	The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
Amortization	Paying off an interest-discounted amount with periodic payments of interest and principal, as opposed to paying off with lump sum payment.
Normal Cost	The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method.

APPENDIX D (continued)

Unfunded Actuarial Accrued Liability The difference between actuarial accrued liability and the valuation assets. Sometimes referred to as “unfunded actuarial liability” or “unfunded accrued liability”.

Most retirement systems have unfunded actuarial accrued liability. They arise each time new benefits are added and each time an actuarial loss is realized.

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability and the trend in its amount (after due allowance for devaluation of the dollar).