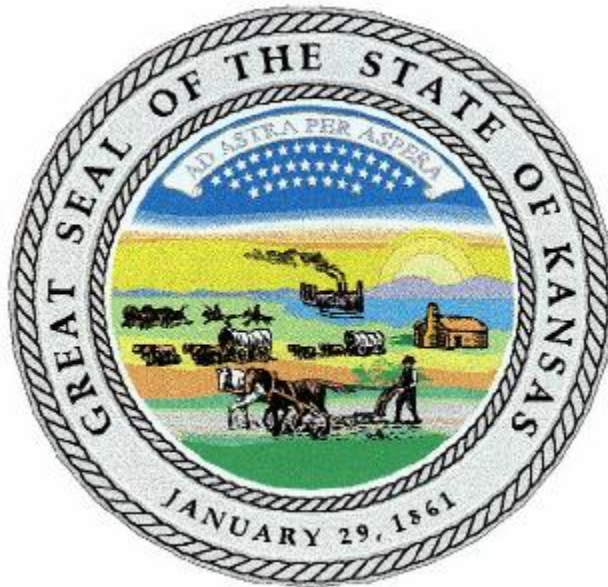


***Kansas Public Employees
Retirement System***



Valuation Report as of December 31, 2006



Kansas Public Employees Retirement System Actuarial Valuation Report

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1120 South 101st Street, Suite 400
Omaha, NE 68124-1088
Phone: (402) 393-9400
Fax: (402) 393-1037
www.milliman.com

July 10, 2007

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, 2006 for determining contributions for fiscal year 2010 for the State and 2009 for Local employers. The major findings of the valuation are contained in this report. There was no change in the actuarial assumptions or methods from the prior valuation. There were two changes in the benefit provisions, which 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, 2006 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.

The 2007 Legislature passed legislation (Senate Bill 362) which contained the following provisions which impacted KPERs:

- All retirees who retired before July 1, 1997, with ten or more years of service and their joint survivors will receive a \$300 one-time cost-of-living payment.
- A new plan design will apply for KPERs members first employed on or after July 1, 2009. The key provisions of the plan design are:
 - ✓ First day membership for all groups (no waiting period)
 - ✓ Five year vesting
 - ✓ Benefit formula equal to 1.75% times Years of Service times Final Average Salary (averaged over five highest years)
 - ✓ Normal retirement at age 65 with five years of service, or age 60 with 30 years of service.
 - ✓ Early retirement at age 55 and 10 years of service with higher reductions for early commencement.
 - ✓ Automatic annual 2 percent cost-of-living adjustments beginning at age 65.
 - ✓ Employee contribution rate of 6 percent.
- Two enhancements will apply to current employees:
 - ✓ Non-school members hired between July 1, 2008 and June 30, 2009 will become members of the current tier on July 1, 2009 (this has no impact on the current valuation results).
 - ✓ Five year vesting, effective July 1, 2009.

The impact of the one-time cost-of-living payment and five year vesting for current employees are reflected in this valuation. Since this valuation only covers current members, the changes for future members do not have an impact on this valuation.

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, 2006. The unfunded actuarial liability for the System as a whole increased by \$212 million due to various factors. A detailed analysis of the change in the unfunded actuarial liability from December 31, 2005 to December 31, 2006 is shown on page 6.



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, 2006 Valuation		Difference
	Actuarial	Statutory	
State	7.34%	7.34% ³	0.00%
School ¹	12.07%	7.57%	4.50%
Local ¹	8.12%	5.53%	2.59%
Police & Fire - Uniform Rates ²	13.49%	13.49%	0.00%
Judges	20.50%	20.50%	0.00%

System	December 31, 2005 Valuation		Difference
	Actuarial	Statutory	
State	7.35%	6.97%	0.38%
School	11.95%	6.97%	4.98%
Local	7.92%	4.91% ⁴	3.01%
Police & Fire - Uniform Rates	13.86%	13.86% ⁵	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 13.38% this year, which includes a payment of 0.53% 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.)

³ The difference between 7.57% and the actuarial contribution rate of 7.34% times actual State payroll for FY 2010 will be deposited to the School assets.

⁴ This rate was recertified to 4.93% to reflect the cost of 2007 COLA for Local members.

⁵ This rate was recertified to 13.88% to reflect the cost of 2007 COLA for members of local employers.

The long term funding outlook for KPERS 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 nearly 10% higher than the actuarial value. If the assumed 8% investment return is achieved in 2007, an actuarial gain on assets is expected in the December 31, 2007 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, 2005 – December 31, 2006

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, 2006. 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, 2005 and December 31, 2006 actuarial valuations. On the following pages each component is examined and quantified.

MEMBERSHIP

Below is a summary of the changes in active members (for KPERS) between the December 31, 2005 and December 31, 2006 actuarial valuations.

	State	School	Local	KP&F	Judges	Total
12/31/2005 (Starting count)	24,124	82,379	35,544	6,772	254	149,073
New actives	2,169	11,094	4,086	639	10	17,998
Nonvested Terminations	718	4,446	1,735	181	0	7,080
Elected Refund	570	1,689	1,186	122	0	3,567
Vested Terminations	<u>383</u>	<u>908</u>	<u>510</u>	<u>56</u>	<u>2</u>	<u>1,859</u>
Total Withdrawals	1,671	7,043	3,431	359	2	12,506
Deaths	21	62	50	9	0	142
Disabilities	80	120	77	15	0	292
Early Retirements	81	212	48	8	1	350
Unreduced Retirements	<u>467</u>	<u>1,641</u>	<u>501</u>	<u>93</u>	<u>4</u>	<u>2,706</u>
Total Retirements	548	1,853	549	101	5	3,056
Other/Transfer	(133)	312	157	38	0	374
12/31/2006 (Ending count)	23,840	84,707	35,680	6,965	257	151,449

ASSETS

As of December 31, 2006, the System had total funds when measured on a market value basis, of \$13.4 billion, including the receivable of \$7 million from the State for the one-time cost-of-living payment and excluding assets held for the Group Insurance and Optional Life reserves. This was an increase of \$1.5 billion from the December 31, 2005 figure of \$11.9 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, 2005	\$11,909
• Employer and Member Contributions	558
• Benefit Payments and Expenses	(895)
• Investment Income	1,790
Assets, December 31, 2006	\$13,362
• Receivables	7
Adjusted Assets, December 31, 2006	\$13,369

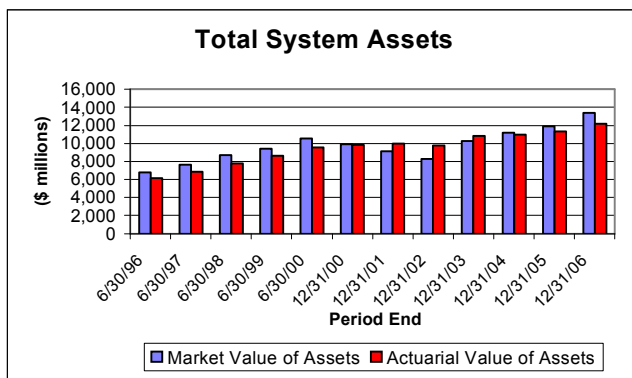


The market value of assets is not used directly in the calculation of contribution rates. An asset valuation method is used to smooth the effect of market fluctuations. The smoothing method calculates the difference between the actual return and the expected return (assumed rate of return) on the market 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, 2006 for each group.

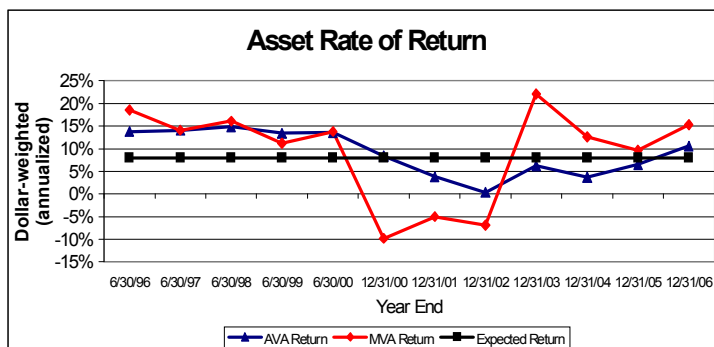
	Actuarial Value \$(millions)
Actuarial Value of Assets 12/31/05	\$11,339
• Employer and Member Contributions	558
• Receivable	7
• Benefit Payments and Expenses	(895)
• Investment Income	1,180
Actuarial Value of Assets 12/31/06	\$12,189

The actuarial value of assets as of December 31, 2006, was \$12.189 billion. The annualized dollar-weighted rate of return for 2006 measured on the actuarial value of assets was approximately 10.6% and measured on the market value of assets, as reported by KPERS, was 15.5%, net of investment and administrative expenses.

Due to the use of an asset smoothing method, there is \$1.2 billion 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 each year in the future, the smoothing method will generate actuarial gains in the next four years.



The actuarial value of assets has been both above and below the market value during the period, which is to be expected when using an asset smoothing method.



The rate of return on the actuarial (smoothed) value of assets has been less volatile than the market value return. Absent losses in future years, rates of return are expected to be above 8% 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.

The liabilities in this report reflect an increase due to two changes in the benefit provisions:

1. A one-time payment of \$300 to retirees and their joint survivors who retired before July 1, 1997 with ten or more years of service;
2. Effective July 1, 2009, members will be 100% vested after five years of service.

The one-time payment to retirees increased the unfunded actuarial liability by approximately \$7 million. The change to full vesting after five years increased the unfunded actuarial liability by \$17 million and also increased the normal cost rate for the State/School group by 0.07% and for the Local group by 0.17%.

The unfunded actuarial liability (\$ million) by group is summarized below:

	<u>State</u>	<u>School</u>	<u>Local</u>	<u>KP&F</u>	<u>Judges</u>
Actuarial Liability	\$3,184	\$9,551	\$2,862	\$1,836	\$ 119
Actuarial Value of Assets	<u>2,730</u>	<u>5,870</u>	<u>1,969</u>	<u>1,515</u>	<u>104</u>
Unfunded Actuarial Liability	\$ 454	\$3,681	\$ 893	\$ 321	\$ 15

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 KPERS' 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 2006). The State and Local groups had a very small net liability gain and the School had a net liability loss for the year, largely from salary experience. KP&F and Judges also had liability gains for the 2006 year. There was an experience gain from investment return on the actuarial value of assets for all groups.



Between December 31, 2005 and December 31, 2006 the change in the unfunded actuarial liabilities for the System as a whole was as follows (in millions):

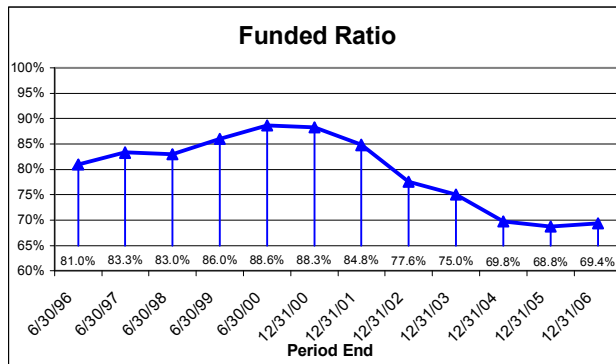
	<u>\$millions</u>
Unfunded Actuarial Liability, December 31, 2005	\$ 5,152
• effect of contribution cap/time lag	258
• expected increase due to amortization method	83
• gain from investment return	(293)
• demographic experience ¹	165
• all other experience	(25)
• change in actuarial assumptions	0
• change in benefit provisions	24
Unfunded Actuarial Liability, December 31, 2006	\$5,364

¹Liability loss is about 0.94% of total actuarial liability.

A detailed summary of the change in the unfunded actuarial liability by System is shown on page 12.

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).

	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Funded Ratio	84.8%	77.6%	75.2%	69.8%	68.8%	69.4%
Unfunded Actuarial Liability (UAL)	\$1,780	\$2,829	\$3,586	\$4,743	\$5,152	\$5,364



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 in the latter part of the period. However, the funded ratio has stabilized around 70%.

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, 2006 valuation will set rates for fiscal year end 2010 for the State and 2009 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. The actuarial contribution rate for the State is less than last year's statutory contribution rate plus the cap of 0.60%. As a result, the difference between 7.57% and 7.34%, or 0.23%, of the expected State payroll for FY 2010 will be deposited into the School assets.

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

System	December 31, 2006 Valuation		Difference
	Actuarial	Statutory	
State	7.34%	7.34%	0.00%
School	12.07%	7.57% ¹	4.50%
Local	8.12%	5.53% ¹	2.59%
Police & Fire -Uniform Rates ²	13.49%	13.49%	0.00%
Judges	20.50%	20.50%	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 13.38% which includes a payment of 0.53% 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.)

³ The difference between 7.57% and the actuarial contribution rate of 7.34% times actual State payroll for FY 2010 will be deposited to the School assets.

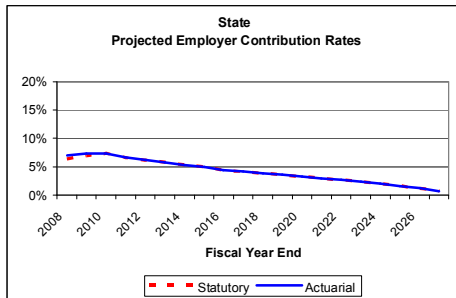
Separate employer contribution rates are calculated for two subgroups of the State. Two Correctional Employee Groups, one with normal retirement age 55 and the other with normal retirement age 60 have higher contribution rates to finance the earlier normal retirement age. The actuarial contribution rates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

	<u>Actuarial Rate</u>	<u>Statutory Rate</u>
Retirement Age 55:	9.27%	8.04%
Retirement Age 60:	9.22%	7.90%

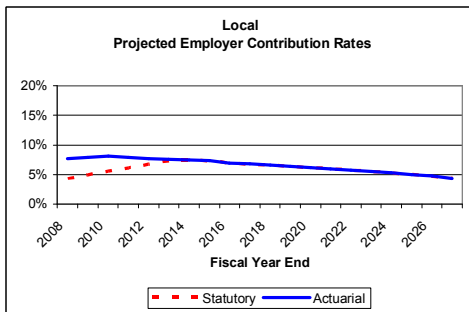
The change in the actuarial contribution rate from December 31, 2005 to December 31, 2006 and the primary components thereof are shown in the table on page 12.

Due to statutory caps, the full actuarial contribution rate is not contributed for the School and Local groups. Based on the current valuation, there is a difference (shortfall) between the actuarial and statutory contribution rates of 4.50% and 2.59% respectively for the School and Local groups. Assuming an 8% return on the market value of assets for 2007 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 School group is 2015 and the Local group is 2014.

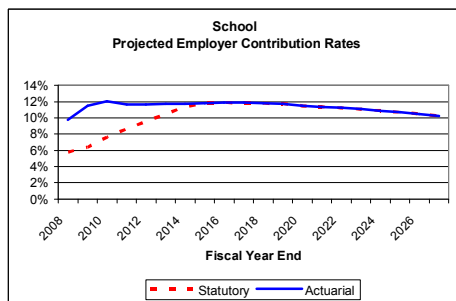
The rate of return on the market value of assets was over 15% for 2006, but the return on the actuarial value of assets was around 10%. This generated an actuarial gain that decreased the UAL. As the remainder of the deferred investment experience is recognized in the actuarial value of assets in future years, the contribution rate for the UAL payment can be expected to decrease, absent unfavorable experience to offset the previously unrecognized gains.



The ARC Date (date at which the statutory contribution rate equals the actuarial required rate) for the State is 2010, based on this year's valuation results.



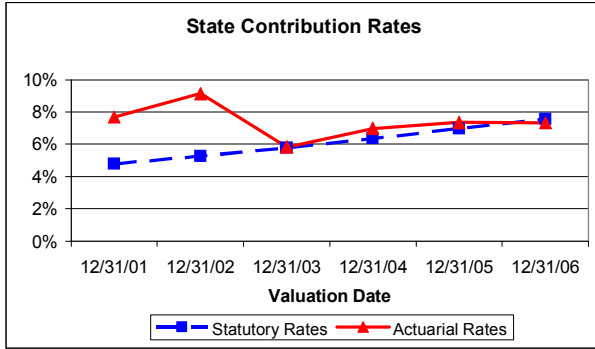
Due to favorable investment experience in the last few years, the ARC date is projected to occur in 2014, assuming all actuarial assumptions are met.



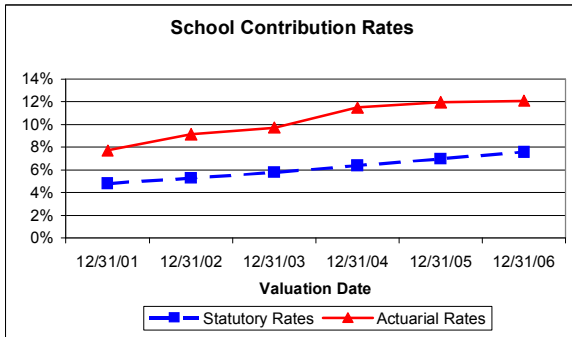
The statutory rate is expected to increase steadily before reaching the ARC Date in 2015. Future experience, especially investment returns, will influence the movement in the ARC Date.

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.

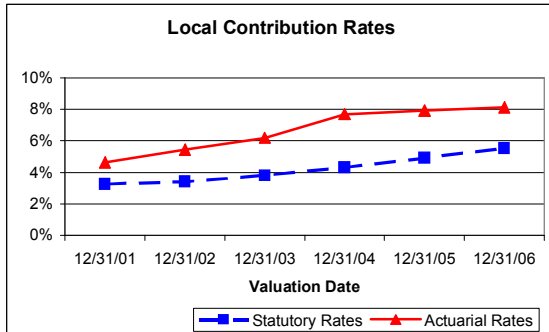




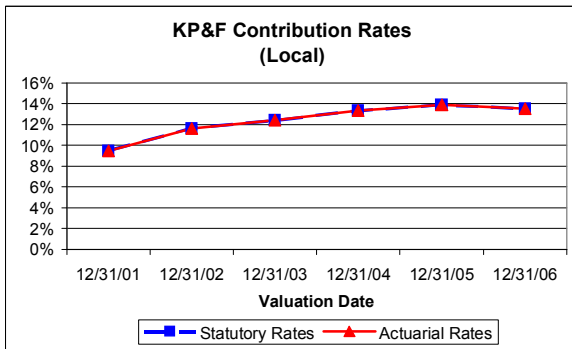
The split of the State group into a separate group with the 2003 valuation, coupled with the bond issue, lowered the actuarial contribution rate. With this valuation, the State's statutory contribution rate is equal to the actuarial contribution rate.



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.

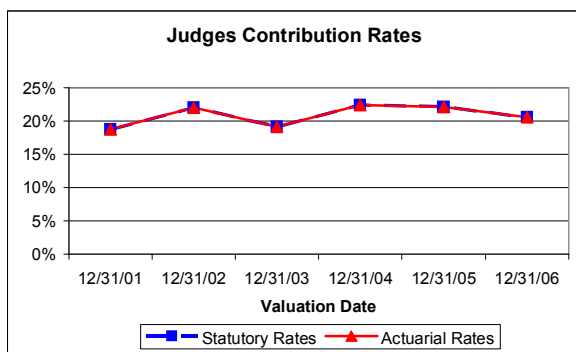


The Local contribution rate has also been impacted by changes in actuarial assumptions and methods as well as investment performance. As a result, the difference between the statutory and actuarial contribution rate increased. Legislation passed in 2004 provided for increased statutory caps, which should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



Investment experience, coupled with a change in actuarial methodology, dramatically increased the contribution rates in the first half of the period. Favorable investment experience in the latter part of the period has helped to stabilize the 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, the Governor 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.

The 2007 Legislature passed SB362 which created a new benefit structure for members first employed on or after July 1, 2009. The change was made partially due to long term funding considerations, but also in response to demographic changes in the membership.

Based on the December 31, 2006 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, 2006 VALUATION

(\$millions)

	State	School	Local	KP&F	Judges	Total
UAL in 12/31/2005 Valuation Report	\$471.0	\$3,455.2	\$868.9	\$340.7	\$16.6	\$5,152.5 ¹
• Effect of contribution cap/timing	16.9	185.5	51.9	2.6	1.2	258.1
• Expected increase due to method	6.7	56.5	14.0	5.7	(0.2)	82.7
• Actual vs. expected experience						
• Investment return	(48.5)	(162.9)	(55.6)	(24.1)	(1.5)	(292.6)
• Demographic experience	10.4	143.5	7.6	3.0	0.2	164.7
• All other experience	(6.8)	(10.8)	(0.1)	(7.0)	(1.5)	(26.2)
• Change in assumptions	0.0	0.0	0.0	0.0	0.0	0.0
• Change in benefit provisions	4.2	13.7	5.9	0.5	0.0	24.4
UAL in 12/31/2006 Valuation Report	\$453.9	\$3,680.7	\$892.6	\$321.5	\$14.9	\$5,363.6

¹May not add due to rounding.

**SUMMARY OF
CHANGES IN ACTUARIAL CONTRIBUTION RATE
BY SYSTEM
AS OF DECEMBER 31, 2006**

Percentage of Payroll	State	School	Local	KP&F ¹	Judges
Actuarial Contribution Rate in 12/31/2005 Valuation	7.35%	11.95%	7.90%	13.86%	22.08%
Adjustment for 2007 COLA	0.00	0.00	0.02	0.02	0.00
Change Due to Amortization of UAL					
• effect of contribution cap/time lag	0.12	0.38	0.24	0.04	0.42
• amortization method	0.00	0.00	0.00	0.00	(0.25)
• investment experience	(0.34)	(0.34)	(0.26)	(0.39)	(0.53)
• liability experience	0.07	0.30	0.04	0.05	0.09
• all other experience	(0.03)	(0.31)	(0.02)	(0.13)	(0.75)
• change in assumptions	0.00	0.00	0.00	0.00	0.00
• change in benefit provisions	0.03	0.03	0.03	0.00	0.00
Change in Normal Cost Rate					
• change in benefit provisions	0.13	0.06	0.17	0.00	0.00
• all other experience	0.01	0.00	0.00	0.04	(0.56) ²
Actuarial Contribution Rate in 12/31/2006 Valuation	7.34%	12.07%	8.12%	13.49%	20.50%

¹Contribution rate for Local employers only.

²A new benefit structure was established for the Judges' System in July, 1987. The normal cost rate is impacted by the change in membership as members hired before July 1, 1987 leave active employment and are replaced with new entrants, with benefits under the current benefit structure.

SUMMARY OF HISTORICAL CHANGES IN TOTAL SYSTEM UAL
as of
DECEMBER 31, 2006 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
Actual Experience vs. Assumed										
• Investment	\$(102)	\$(143)	\$(280)	\$(323)	\$(413)	\$(360)	\$(441)	\$(23)	\$350	\$644
• Other	320	72	136	157	104	46	99	84	(9)	68
Assumption Changes	0	(96)	0	0	350	0	0	(206)	0	0
Changes in Data/Procedures	244	0	0	0	0	21	71	145**	5	177**
Change in Cost Method	0	0	0	0	0	0	0	0	0	0
Effect of Contribution Cap/Lag	*	95	70	63	54	78	66	60	115	143
Amortization Method	*	47	38	35	32	30	22	12	14	21
Change in Benefit Provisions	75	0	0	0	88	0	19	0	0	37
Bond Issue	0	0	0	0	0	0	0	0	0	(41)
Total	\$537	\$(25)	\$(36)	\$(68)	\$215	\$(194)	\$(164)	\$72	\$475	\$1,048

*Not calculated for this year.

Unfunded actuarial liability 6/30/93: \$ 968 million
 Unfunded actuarial liability 12/31/06: \$ 5,364 million

SUMMARY OF HISTORICAL CHANGES IN TOTAL SYSTEM UAL
as of
DECEMBER 31, 2006 VALUATION (continued)

\$(millions)	As Reported on Valuation Date				
	12/31/03	12/31/04	12/31/05	12/31/06	Total
Actual Experience vs. Assumed					
• Investment	\$140	\$456	\$167	\$(293)	\$(630)
• Other	(32)	16	(84)	139	1,116
Assumption Changes	0	437	(5)	(0)	480
Changes in Data/Procedures	(286) ^{***}	0	0	0	377
Change in Cost Method	1,147	0	0	0	1,147
Effect of Contribution Cap/Lag	178	179	247	258	1,606
Amortization Method	47	68	84	83	533
Change in Benefit Provisions	3	1	0	24	247
Bond Issue	(440)	0	0	0	(481)
Total	\$757	\$1,157	\$409	\$211	\$4,395

^{**}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 12/31/06: \$ 5,364 million

SUMMARY OF PRINCIPAL RESULTS

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (STATE)

	12/31/2006 Valuation	12/31/2005 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	23,840	24,124	(1.2) %
Retired Members and Beneficiaries	14,937	14,642	2.0
Inactive Members	5,997	6,293	(4.7)
Total Members	44,774	45,059	(0.6)
Projected Annual Salaries of Active Members	\$ 887,116,943	\$ 859,851,488	3.2
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 162,078,502	\$ 154,694,589	4.8
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 3,184,451,649	\$ 3,045,520,267	4.6
Assets for Valuation Purposes	2,730,530,798	2,574,470,374	6.1
Unfunded Actuarial Liability	453,920,851	471,049,893	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	3.90%	3.76%	
Amortization of Unfunded Actuarial and Debt Service	<u>3.44%</u>	<u>3.59%</u>	
Actuarial Contribution Rate	7.34%	7.35%	
Statutory Employer Contribution Rate*	<u>7.34%</u>	<u>6.97%</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)

	12/31/2006 Valuation	12/31/2005 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	84,707	82,379	2.8 %
Retired Members and Beneficiaries	34,389	32,875	4.6
Inactive Members	23,225	23,644	(1.8)
Total Members	142,321	138,898	2.5
Projected Annual Salaries of Active Members	\$ 2,985,385,666	\$ 2,765,362,690	8.0
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 417,087,582	\$ 388,120,658	7.5
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 9,550,731,974	\$ 8,928,334,248	7.0
Assets for Valuation Purposes	5,870,070,892	5,473,149,354	7.3
Unfunded Actuarial Liability	3,680,661,082	3,455,184,894	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	4.29%	4.23%	
Amortization of Unfunded Actuarial and Debt Service	<u>7.78%</u>	<u>7.72%</u>	
Actuarial Contribution Rate	12.07%	11.95%	
Statutory Employer Contribution Rate*	<u>7.57%</u>	<u>6.97%</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)

	12/31/2006 Valuation	12/31/2005 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	108,547	106,503	1.9 %
Retired Members and Beneficiaries	49,326	47,517	3.8
Inactive Members	29,222	29,937	(2.4)
Total Members	187,095	183,957	1.7
Projected Annual Salaries of Active Members	\$ 3,872,502,609	\$ 3,625,214,178	6.8
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 579,166,084	\$ 542,815,247	6.7
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 12,735,183,623	\$ 11,973,854,515	6.4
Assets for Valuation Purposes	8,600,601,690	8,047,619,728	6.9
Unfunded Actuarial Liability	4,134,581,933	3,926,234,787	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	4.20%	4.12%	
Amortization of Unfunded Actuarial and Debt Service	<u>6.78%</u>	<u>6.74%</u>	
Actuarial Contribution Rate	10.98%	10.86%	
Statutory Employer Contribution Rate*	<u>7.57%</u>	<u>6.97%</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)

	12/31/2006 Valuation	12/31/2005 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	35,680	35,544	0.4 %
Retired Members and Beneficiaries	12,482	12,006	4.0
Inactive Members	10,298	10,177	1.2
Total Members	58,460	57,727	1.3
Projected Annual Salaries of Active Members	\$ 1,318,131,075	\$ 1,260,949,643	4.5
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 102,399,977	\$ 94,612,484	8.2
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 2,862,278,719	\$ 2,663,333,880	7.5
Assets for Valuation Purposes	1,969,679,136	1,794,442,007	9.8
Unfunded Actuarial Liability	892,599,583	868,891,873	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	3.86%	3.69%	
Amortization of Unfunded Actuarial and Supplemental Liability	<u>4.26%</u>	<u>4.23%</u>	
Actuarial Contribution Rate	8.12%	7.92%	
Statutory Employer Contribution Rate*	<u>5.53%</u>	<u>4.93%</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. The rate for the 12/31/05 valuation was recertified to reflect the additional 0.02% contribution to fund the 2007 COLA.

SUMMARY OF PRINCIPAL RESULTS

KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM

	12/31/2006 Valuation	12/31/2005 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	6,965	6,772	2.8 %
Retired Members and Beneficiaries	3,785	3,654	3.6
Inactive Members	1,320	1,293	2.1
Total Members	12,070	11,719	3.0
Projected Annual Salaries of Active Members	\$ 383,199,478	\$ 360,718,148	6.2
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 87,418,444	\$ 81,562,962	7.2
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 1,836,524,837	\$ 1,743,599,187	5.3
Assets for Valuation Purposes	1,514,988,606	1,402,876,287	8.0
Unfunded Actuarial Liability	321,536,231	340,722,900	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	8.07%	8.03%	
Amortization of Unfunded Actuarial and Supplemental Liability	<u>5.42%</u>	<u>5.85%</u>	
Actuarial Contribution Rate (Local Employers)	13.49%	13.88%	
Statutory Employer Contribution Rate*	<u>13.49%</u>	<u>13.88%</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. The contribution rate for Local employers for the 12/31/05 valuation was recertified to reflect the additional 0.02% contribution to fund the 2007 COLA.

SUMMARY OF PRINCIPAL RESULTS

KANSAS RETIREMENT SYSTEM FOR JUDGES

	12/31/2006 Valuation	12/31/2005 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	257	254	1.2 %
Retired Members and Beneficiaries	172	171	0.6
Inactive Members	18	19	(5.3)
Total Members	447	444	0.7
Projected Annual Salaries of Active Members	\$ 25,360,133	\$ 23,468,759	8.1
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 5,546,754	\$ 5,451,122	1.8
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 118,803,324	\$ 110,974,801	7.1
Assets for Valuation Purposes	103,928,012	94,354,943	10.1
Unfunded Actuarial Liability	14,875,312	16,619,858	
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	15.20%	15.76%	
Amortization of Unfunded Actuarial and Supplemental Liability	<u>5.30%</u>	<u>6.32%</u>	
Actuarial Contribution Rate	20.50%	22.08%	
Statutory Employer Contribution Rate*	<u>20.50%</u>	<u>22.08%</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

	12/31/2006 Valuation	12/31/2005 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	151,449	149,073	1.6 %
Retired Members and Beneficiaries	65,765	63,348	3.8
Inactive Members	40,858	41,426	(1.4)
Total Members	258,072	253,847	1.7
Projected Annual Salaries of Active Members	\$ 5,599,193,295	\$ 5,270,350,727	6.2
Annual Retirement Payments for Retired Members and Beneficiaries	\$ 774,531,259	\$ 724,441,815	6.9
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	\$ 17,552,790,504	\$ 16,491,762,383	6.4
Assets for Valuation Purposes	12,189,197,444	11,339,292,965	7.5
Unfunded Actuarial Liability	5,363,593,060	5,152,469,418	

SECTION 2

SCOPE OF THE REPORT

This report presents the actuarial valuation of the Kansas Public Employees Retirement System (KPERS) as of December 31, 2006. 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, 2006, as amended by changes enacted by the 2007 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, 2006 the market value of assets (excluding receivables) for the Retirement System was \$13.362 billion. Table 1 is a comparison, at market values, of System assets as of December 31, 2006, and December 31, 2005, in total and by investment category. Table 2 summarizes the change in the market value of assets from December 31, 2005 to December 31, 2006 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, 2006.



TABLE 1
ANALYSIS OF NET ASSETS AT MARKET VALUE

	December 31, 2006			December 31, 2005		
	<u>Amount</u> (\$ Millions)	<u>% of</u> <u>Total</u>		<u>Amount</u> (\$ Millions)	<u>% of</u> <u>Total</u>	
Cash & Equivalents	\$ 1,117	8.3 %		\$ 994	8.3 %	
Alternative Investments	485	3.6		517	4.3	
Real Estate	1,003	7.5		866	7.3	
Fixed Income	3,143	23.5		2,877	24.1	
Domestic Equity	4,287	32.0		3,752	31.4	
International Equity	3,367	25.1		2,934	24.6	
Subtotal	\$ 13,402	100.0 %		\$ 11,940	100.0 %	
Administrative Reserves	(17)			(14)		
Group Insurance and Optional Life Reserves	(23)			(17)		
Net Assets	\$ 13,362			\$ 11,909		
Receivables	7			0		
Adjusted Net Assets	\$ 13,369			\$ 11,909		

Allocation of Net Assets on December 31, 2006:

State	\$ 2,947
School	6,501
Local	2,176
KP&F	1,633
Judges	111
Total Net Assets	\$ 13,369 ¹

¹ May not add due to rounding



TABLE 2
SUMMARY OF CHANGES IN KPERS ASSETS
DURING PERIOD ENDED DECEMBER 31, 2006

(Market Value)

	State	School	Local	Total KPERS
Market Value of Assets as of January 1, 2006*	\$ 2,680,153,605	\$ 5,773,541,598	\$ 1,897,431,737	\$ 10,351,126,940
Contributions:				
Employee	36,513,943	114,437,898	51,099,834	202,051,675
Employee service purchases	3,343,648	6,938,875	4,624,937	14,907,460
Employer	50,179,652	156,387,310	49,255,856	255,822,818
Miscellaneous	27,620	49,742	0	77,362
Total Contributions	<u>90,064,863</u>	<u>277,813,825</u>	<u>104,980,627</u>	<u>472,859,315</u>
Total Investment Income	<u>359,472,090</u>	<u>919,230,846</u>	<u>301,944,910</u>	<u>1,580,647,846</u>
Total Income	449,536,953	1,197,044,671	406,925,537	2,053,507,161
Less Benefits:				
Annuity Retirement Benefits	(157,916,687)	(399,888,951)	(99,013,788)	(656,819,426)
Partial Lump Sum Benefits	(14,245,018)	(47,752,138)	(12,501,185)	(74,498,341)
Retirant Dividends	(1,160,692)	(2,276,244)	(571,486)	(4,008,422)
Withdrawals	(7,414,791)	(17,610,207)	(12,443,273)	(37,468,271)
Death Benefits	(3,979,349)	(6,466,929)	(3,441,846)	(13,888,124)
Total Benefits	<u>(184,716,537)</u>	<u>(473,994,469)</u>	<u>(127,971,578)</u>	<u>(786,682,584)</u>
Net Increase in Assets	264,820,416	723,050,202	278,953,959	1,266,824,577
Receivables	2,300,000	4,600,000	0	6,900,000
Market Value of Assets as of December 31, 2006*	\$ 2,947,274,021	\$ 6,501,191,800	\$ 2,176,385,696	\$ 11,624,851,517

* Note: Assets exclude insurance and administrative reserves.

**TABLE 2 (cont.)
SUMMARY OF CHANGES IN KPERS ASSETS
DURING PERIOD ENDED DECEMBER 31, 2006**

(Market Value)

	KPERS	KP&F	Judges	Total
Market Value of Assets as of January 1, 2006*	\$ 10,351,126,940	\$ 1,459,554,937	\$ 98,126,948	\$ 11,908,808,825
Contributions:				
Employee	202,051,675	25,990,707	1,327,777	229,370,159
Employee service purchases	14,907,460	759,279	39,856	15,706,595
Employer	255,822,818	52,347,643	5,146,752	313,317,213
Miscellaneous	77,362	32,070	0	109,432
Total Contributions	<u>472,859,315</u>	<u>79,129,699</u>	<u>6,514,385</u>	<u>558,503,399</u>
Total Investment Income	<u>1,580,647,846</u>	<u>196,239,222</u>	<u>12,811,664</u>	<u>1,789,698,732</u>
Total Income	2,053,507,161	275,368,921	19,326,049	2,348,202,131
Less Benefits:				
Annuity Retirement Benefits	(656,819,426)	(85,524,673)	(5,481,777)	(747,825,876)
Partial Lump Sum Benefits	(74,498,341)	(11,773,912)	(377,535)	(86,649,788)
Retirant Dividends	(4,008,422)	(1,239,648)	(36,467)	(5,284,537)
Withdrawals	(37,468,271)	(3,149,753)	(142,605)	(40,760,629)
Death Benefits	(13,888,124)	(752,972)	(8,000)	(14,649,096)
Total Benefits	<u>(786,682,584)</u>	<u>(102,440,958)</u>	<u>(6,046,384)</u>	<u>(895,169,926)</u>
Receivables	6,900,000	100,000	0	7,000,000
Net Increase in Assets	1,266,824,577	172,927,963	13,279,665	1,453,032,205
Market Value of Assets as of December 31, 2006*	\$ 11,624,851,517	\$ 1,632,582,900	\$ 111,406,613	\$ 13,368,841,030

* 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			
	12/31/2003**	12/31/2004	12/31/2005	12/31/2006
1. Market Value of Assets, beginning of year	\$ 1,983,632,519	\$ 2,370,036,710	\$ 2,553,610,968	\$ 2,680,153,605
2. Contributions during year	100,195,791	76,634,336	80,477,494	90,064,863
3. Benefits during year	(174,607,196)	(162,256,907)	(172,670,110)	(184,716,537)
4. Expected net investment income	155,771,406	186,243,922	200,672,116	210,699,057
5. Transfers and receivables	36,515,432	0	0	2,300,000
6. Expected Value of Assets, end of year	2,101,507,952	2,470,658,061	2,662,090,468	2,798,500,988
7. Market Value of Assets, end of year	2,370,036,710	2,553,610,968	2,680,153,605	2,947,274,021
8. Excess (shortfall) of net investment income	\$ 268,528,758	\$ 82,952,907	\$ 18,063,137	\$ 148,773,033

* 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			
	12/31/2003*	12/31/2004	12/31/2005	12/31/2006
1. Market Value of Assets, beginning of year	\$ 3,899,983,529	\$ 4,991,542,973	\$ 5,427,574,148	\$ 5,773,541,598
2. Contributions during year	196,993,109	232,136,850	247,762,716	277,813,825
3. Benefits during year	(343,292,008)	(401,994,358)	(442,053,181)	(473,994,469)
4. Expected net investment income	306,259,306	392,659,845	426,583,823	454,187,066
5. Transfers and receivables	403,649,568	0	0	4,600,000
6. Expected Value of Assets, end of year	4,463,593,504	5,214,345,310	5,659,867,506	6,036,148,020
7. Market Value of Assets, end of year	4,991,542,973	5,427,574,148	5,773,541,598	6,501,191,800
8. Excess (shortfall) of net investment income	\$ 527,949,469	\$ 213,228,838	\$ 113,674,092	\$ 465,043,780

* 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			
	12/31/2003	12/31/2004	12/31/2005	12/31/2006
1. Market Value of Assets, beginning of year	\$ 5,883,616,048	\$ 7,361,579,683	\$ 7,981,185,116	\$ 8,453,695,203
2. Contributions during year	297,188,900	308,771,186	328,240,210	367,878,688
3. Benefits during year	(517,899,204)	(564,251,265)	(614,723,291)	(658,711,006)
4. Expected net investment income	462,030,712	578,903,767	627,255,939	664,886,123
5. Transfers and receivables	440,165,000	0	0	6,900,000
6. Expected Value of Assets, end of year	6,565,101,456	7,685,003,371	8,321,957,974	8,834,649,008
7. Market Value of Assets, end of year	7,361,579,683	7,981,185,116	8,453,695,203	9,448,465,821
8. Excess (shortfall) of net investment income	\$ 796,478,227	\$ 296,181,745	\$ 131,737,229	\$ 613,816,813

* 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			
	12/31/2003	12/31/2004	12/31/2005	12/31/2006
1. Market Value of Assets, beginning of year	\$ 1,297,926,648	\$ 1,561,501,396	\$ 1,743,287,610	\$ 1,897,431,737
2. Contributions during year	86,210,953	91,862,152	96,419,499	104,980,627
3. Benefits during year	(99,630,311)	(106,730,071)	(117,896,660)	(127,971,578)
4. Expected net investment income	103,307,684	124,336,836	138,620,449	150,892,593
5. Transfers and receivables	0	0	0	0
6. Expected Value of Assets, end of year	1,387,814,974	1,670,970,313	1,860,430,898	2,025,333,379
7. Market Value of Assets, end of year	1,561,501,396	1,743,287,610	1,897,431,737	2,176,385,696
8. Excess (shortfall) of net investment income	\$ 173,686,422	\$ 72,317,297	\$ 37,000,839	\$ 151,052,317

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

	Plan Year End			
	12/31/2003	12/31/2004	12/31/2005	12/31/2006
1. Market Value of Assets, beginning of year	\$ 1,034,446,737	\$ 1,232,406,980	\$ 1,363,065,004	\$ 1,459,554,937
2. Contributions during year	51,088,147	75,287,870	71,931,377	79,129,699
3. Benefits during year	(79,934,661)	(87,682,550)	(93,936,263)	(102,440,958)
4. Expected net investment income	81,624,076	98,106,309	108,181,938	115,849,883
5. Transfers and receivables	0	0	0	100,000
6. Expected Value of Assets, end of year	1,087,224,299	1,318,118,609	1,449,242,056	1,552,093,561
7. Market Value of Assets, end of year	1,232,406,980	1,363,065,004	1,459,554,937	1,632,582,900
8. Excess (shortfall) of net investment income	\$ 145,182,681	\$ 44,946,395	\$ 10,312,881	\$ 80,489,339

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

	Plan Year End			
	12/31/2003	12/31/2004	12/31/2005	12/31/2006
1. Market Value of Assets, beginning of year	\$ 67,137,447	\$ 81,081,078	\$ 90,483,059	\$ 98,126,948
2. Contributions during year	4,123,659	5,090,779	5,729,305	6,514,385
3. Benefits during year	(5,106,275)	(5,275,093)	(5,920,730)	(6,046,384)
4. Expected net investment income	5,332,447	6,479,256	7,231,135	7,868,516
5. Transfers and receivables	0	0	0	0
6. Expected Value of Assets, end of year	71,487,278	87,376,020	97,522,769	106,463,465
7. Market Value of Assets, end of year	81,081,078	90,483,059	98,126,948	111,406,613
8. Excess (shortfall) of net investment income	\$ 9,593,800	\$ 3,107,039	\$ 604,179	\$ 4,943,148

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 12/31/06	\$ 613,816,813	\$ 148,773,033	\$ 465,043,780	\$ 151,052,317	\$ 764,869,130
b. Year ending 12/31/05	131,737,229	18,063,137	113,674,092	37,000,839	168,738,068
c. Year ending 12/31/04	296,181,745	82,952,907	213,228,838	72,317,297	368,499,042
d. Year ending 12/31/03	796,478,227	268,528,758	527,949,469	173,686,422	970,164,649
e. Total	<u>\$ 1,838,214,014</u>	<u>\$ 518,317,835</u>	<u>\$ 1,319,896,179</u>	<u>\$ 434,056,875</u>	<u>\$ 2,272,270,889</u>
2. Deferral of excess (shortfall) of investment income					
a. Year ending 12/31/06 (80%)	491,053,450	119,018,426	372,035,024	120,841,854	611,895,304
b. Year ending 12/31/05 (60%)	79,042,337	10,837,882	68,204,455	22,200,503	101,242,840
c. Year ending 12/31/04 (40%)	118,472,698	33,181,163	85,291,535	28,926,919	147,399,617
d. Year ending 12/31/03 (20%)	159,295,646	53,705,752	105,589,894	34,737,284	194,032,930
e. Total	<u>\$ 847,864,131</u>	<u>\$ 216,743,223</u>	<u>\$ 631,120,908</u>	<u>\$ 206,706,560</u>	<u>\$ 1,054,570,691</u>
3. Market Value of Assets, end of year	\$ 9,448,465,821	\$ 2,947,274,021	\$ 6,501,191,800	\$ 2,176,385,696	\$ 11,624,851,517
4. Actuarial Value of Assets, end of year	\$ 8,600,601,690	\$ 2,730,530,798	\$ 5,870,070,892	\$ 1,969,679,136	\$ 10,570,280,826
(3) - (2e)					
5. Actuarial Value divided by market value	91.0%	92.6%	90.3%	90.5%	90.9%
(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 12/31/06	\$ 764,869,130	\$ 80,489,339	\$ 4,943,148	\$ 850,301,617
b. Year ending 12/31/05	168,738,068	10,312,881	604,179	179,655,128
c. Year ending 12/31/04	368,499,042	44,946,395	3,107,039	416,552,476
d. Year ending 12/31/03	970,164,649	145,182,681	9,593,800	1,124,941,130
e. Total	<u>\$ 2,272,270,889</u>	<u>\$ 280,931,296</u>	<u>\$ 18,248,166</u>	<u>\$ 2,571,450,351</u>
2. Deferral of excess (shortfall) of investment income				
a. Year ending 12/31/06 (80%)	611,895,304	64,391,471	3,954,518	680,241,293
b. Year ending 12/31/05 (60%)	101,242,840	6,187,729	362,507	107,793,076
c. Year ending 12/31/04 (40%)	147,399,617	17,978,558	1,242,816	166,620,991
d. Year ending 12/31/03 (20%)	194,032,930	29,036,536	1,918,760	224,988,226
e. Total	<u>\$ 1,054,570,691</u>	<u>\$ 117,594,294</u>	<u>\$ 7,478,601</u>	<u>\$ 1,179,643,586</u>
3. Market Value of Assets, end of year	\$ 11,624,851,517	\$ 1,632,582,900	\$ 111,406,613	\$ 13,368,841,030
4. Actuarial Value of Assets, end of year (3) - (2e)	\$ 10,570,280,826	\$ 1,514,988,606	\$ 103,928,012	\$ 12,189,197,444
5. Actuarial Value divided by market value (4)/(3)	90.9%	92.8%	93.3%	91.2%

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, 2006. 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 expected 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, 2006 plus the provisions of legislation passed by the 2007 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, 2006

	State	School	Local	Total KPERS
1. Active employees				
a. Retirement Benefit	\$ 1,870,070,924	\$ 6,636,290,362	\$ 2,183,211,331	\$ 10,689,572,617
b. Pre-Retirement Death Benefit	35,430,822	78,447,585	46,094,708	159,973,115
c. Withdrawal Benefit	92,061,287	325,609,952	210,219,772	627,891,011
d. Disability Benefit	118,640,536	219,517,992	119,193,650	457,352,178
e. Total	<u>2,116,203,569</u>	<u>7,259,865,891</u>	<u>2,558,719,461</u>	<u>11,934,788,921</u>
2. Inactive Vested Members	121,913,914	212,525,662	122,767,441	457,207,017
3. Inactive Nonvested Members	10,167,836	33,825,871	21,784,216	65,777,923
4. Disabled Members	73,740,424	89,377,569	49,950,118	213,068,111
5. Retirees	1,260,786,753	3,757,098,419	813,857,205	5,831,742,377
6. Beneficiaries	83,092,009	104,822,180	61,735,303	249,649,492
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>\$ 3,666,572,705</u>	<u>\$ 11,458,847,392</u>	<u>\$ 3,629,313,744</u>	<u>\$ 18,754,733,841</u>

TABLE 5 (cont.)
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF DECEMBER 31, 2006

	KP&F	Judges
1. Active employees		
a. Retirement Benefit	\$ 1,207,302,538	\$ 106,486,547
b. Pre-Retirement Death Benefit	22,584,325	1,815,110
c. Withdrawal Benefit	42,989,767	48,979
d. Disability Benefit	179,481,239	0
e. Total	<u>1,452,357,869</u>	<u>108,350,636</u>
2. Inactive Vested Members	37,860,642	2,051,332
3. Inactive Nonvested Members	10,500,235	0
4. Disabled Members	101,349,871	0
5. Retirees	663,297,708	39,759,028
6. Beneficiaries	<u>80,108,838</u>	<u>8,145,994</u>
7. Total PVFB	<u>\$ 2,345,475,163</u>	<u>\$ 158,306,990</u>

TABLE 6
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL LIABILITIES
AS OF DECEMBER 31, 2006

	State	School	Local	Total KPERS
1. Present Value of Future Benefits	\$ 3,666,572,705	\$ 11,458,847,392	\$ 3,629,313,744	\$ 18,754,733,841
2. Present Value of Future Normal Costs for Active Members				
a. Retirement Benefit	\$ 329,039,042	\$ 1,473,199,862	\$ 523,997,465	\$ 2,326,236,369
b. Pre-Retirement Death Benefit	8,682,841	23,381,298	13,952,270	46,016,409
c. Withdrawal Benefit	103,490,149	340,955,827	187,010,055	631,456,031
d. Disability Benefit	40,909,024	70,578,431	42,075,235	153,562,690
e. Total	<u>482,121,056</u>	<u>1,908,115,418</u>	<u>767,035,025</u>	<u>3,157,271,499</u>
3. Total Actuarial Liability (1) - (2e)	<u>\$ 3,184,451,649</u>	<u>\$ 9,550,731,974</u>	<u>\$ 2,862,278,719</u>	<u>\$ 15,597,462,342</u>

**TABLE 6 (cont.)
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL LIABILITIES
AS OF DECEMBER 31, 2006**

	KP&F		Judges
1. Present Value of Future Benefits	\$ 2,345,475,163	\$	158,306,990
2. Present Value of Future Normal Costs for Active Members			
a. Retirement Benefit	\$ 346,915,419	\$	38,607,956
b. Pre-Retirement Death Benefit	14,166,516		826,251
c. Withdrawal Benefit	54,734,767		69,459
d. Disability Benefit	93,133,624		0
e. Total	508,950,326		39,503,666
3. Total Actuarial Liability (1) - (2e)	\$ 1,836,524,837	\$	118,803,324

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, 2006 actuarial valuation will be used to determine employer contribution rates to the Kansas Public Employees Retirement System for fiscal years beginning in 2009.

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 increase in the unfunded actuarial liability due to the \$300 one-time payment to retirees in 2007 is amortized over 10 years (Local only). The State funded the increased liability for the \$300 one-time payment for its members. 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, 2006 valuation date, twenty-six (26) 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 increase in the unfunded actuarial liability due to the \$300 one-time payment to retirees in 2007 is amortized over 10 years (Local only). The State funded the increased liability for the \$300 one-time payment for its members. 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, 2006 valuation date, twenty-six (26) 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-six (26) 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 FY2010 is shown in Table 9. The total actuarial contribution rates determined as of December 31, 2006, 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 Tables 11A and 11B. Table 12 shows the KP&F individual employer contribution rates for fiscal years beginning in 2008 and 2009 while Tables 13 and 14 show the calculation of the additional contribution rate due to amortization of prior service UAL or excess benefit liability for fiscal years beginning in 2009.

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 2009.

TABLE 7
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NORMAL COST RATE
AS OF DECEMBER 31, 2006

	State	School	State/School	Local
1. Normal Cost at Beginning of Year				
a. Retirement Benefit	\$ 46,450,270	\$ 184,491,880	\$ 230,942,150	\$ 68,955,181
b. Pre-Retirement Death Benefit	1,247,090	3,077,174	4,324,264	1,858,513
c. Withdrawal Benefit	13,920,123	41,420,487	55,340,610	23,173,607
d. Disability Benefit	5,791,280	9,239,573	15,030,853	5,673,609
e. Total	<u>67,408,763</u>	<u>238,229,114</u>	<u>305,637,877</u>	<u>99,660,910</u>
2. Estimated Covered Payroll for 2007	\$ 887,116,943	\$ 2,985,385,666	\$ 3,872,502,609	\$ 1,318,131,075
3. Normal Cost Rate $[(1e) / (2)] * 1.08^{.5}$	<u>7.90%</u>	<u>8.29%</u>	<u>8.20%</u>	<u>7.86%</u>

**TABLE 7 (cont.)
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
NORMAL COST RATE
AS OF DECEMBER 31, 2006**

	KP&F	Judges
1. Normal Cost at Beginning of Year		
a. Retirement Benefit	\$ 36,522,339	\$ 4,728,300
b. Pre-Retirement Death Benefit	1,581,684	98,988
c. Withdrawal Benefit	5,701,872	10,143
d. Disability Benefit	10,012,746	0
e. Total	53,818,641	4,837,431
2. Estimated Covered Payroll for 2007	\$ 383,199,478	\$ 25,360,133
3. Normal Cost Rate $[(1e) / (2)] * 1.08^{.5}$	14.60%	19.82%

TABLE 8
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
UNFUNDED ACTUARIAL LIABILITY CONTRIBUTION RATES
AS OF DECEMBER 31, 2006

	State	School	Local	KPF	Judges
1. Actuarial Liability	\$ 3,184,451,649	\$ 9,550,731,974	\$ 2,862,278,719	\$ 1,836,524,837	\$ 118,803,324
2. Actuarial Value of Assets	<u>2,730,530,798</u>	<u>5,870,070,892</u>	<u>1,969,679,136</u>	<u>1,514,988,606</u>	<u>103,928,012</u>
3. Unfunded Actuarial Liability (UAL)	453,920,851	3,680,661,082	892,599,583	321,536,231	14,875,312
a. UAL for 1998 COLA	12,270,652	30,041,938	8,786,960	7,681,560	0
b. UAL for 13th Check (2003)	0	0	3,081,004	5,770,194	0
c. UAL for 2007 One Time Payment	0	0	1,567,800	458,400	0
d. Prior service and other local employer UAL*	0	0	6,272,302	17,696,094	0
e. Remaining UAL	441,650,200	3,650,619,144	872,891,517	289,929,982	14,875,312
4. Payment to Amortize UAL (assumed mid-year)					
a. UAL for 1998 COLA	2,330,787	5,706,409	1,669,067	1,420,638	** 0
b. UAL for 13th Check (2003)	0	0	585,231	1,096,045	** 0
c. UAL for 2007 One Time Payment	0	0	191,960	56,126	** 0
d. Remaining UAL	<u>27,191,760</u>	<u>224,763,303</u>	<u>53,742,659</u>	<u>15,831,820</u>	<u>** 1,324,126</u>
e. Total	29,522,547	230,469,712	56,188,917	18,404,629	** 1,324,126
5. Total Estimated Payroll for 2007	\$ 887,116,943	\$ 2,985,385,666	\$ 1,318,131,075	\$ 339,738,629	** \$ 25,360,133
6. Amortization Payment as a Percent of Payroll	3.33%	7.72%	4.26%	5.42%	** 5.22%

* 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 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 2010*	920,759,015	3,098,600,231	45,109,012	26,317,057	
Rate of Pay Required	0.11%	0.06%	0.53%	0.08%	

* Assumes 1.5% annual payroll growth

TABLE 10
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL EMPLOYER CONTRIBUTION RATES
FISCAL YEAR COMMENCING IN 2009

	Total Normal Cost	Employee Normal Cost	Employer Normal Cost	Unfunded Actuarial Liability	Debt Service Payment	Total Employer Contribution*
State **	7.90%	4.00%	3.90%	3.33%	0.11%	7.34%
School	8.29%	4.00%	4.29%	7.72%	0.06%	12.07%
State/School **	8.20%	4.00%	4.20%	6.71%	0.07%	10.98%
Local	7.86%	4.00%	3.86%	4.26%	0.00%	8.12%
KP&F Uniform Contribution Rate						
State ***	14.60%	6.53%	8.07%	4.78%	0.53%	13.38%
Local ***	14.60%	6.53%	8.07%	5.42%	0.00%	13.49%
Judges	19.82%	4.62%	15.20%	5.22%	0.08%	20.50%

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

** For Correctional Employees, employer contribution rates of 9.27% and 9.22% 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 11A
LOCAL AFFILIATION COST FACTORS
FOR FISCAL YEAR BEGINNING IN 2009**

Employer	Year Affiliated	Projected 2009 Annual Payroll	Projected 1/1/2009 Unfunded Actuarial Liability	Projected 1/1/2009 Excess Benefit Liability	Payment on 1/1/2009 Unfunded Liabilities ²	Payment on Unfunded Liability as % of Payroll	Total Rate for Years Commencing ¹ in 2009
St. Francis Housing Authority	1999	\$12,892	\$7,838	\$0	\$491	3.81%	9.34%
City of Burden	1999	\$129,799	\$15,461	\$0	\$967	0.75%	6.28%
City of Longton	1999	\$80,495	\$18,793	\$0	\$1,177	1.46%	6.99%
Bourbon County RWD#2	1999	\$190,450	\$108,921	\$0	\$6,822	3.58%	9.11%
Towanda Township	1999	\$46,071	\$8,898	\$0	\$556	1.21%	6.74%
Ness City Public Library	1999	\$37,973	\$3,802	\$0	\$186		
City of Herndon	1999	\$9,375	\$44,946	\$0	\$2,208		
Hays Housing Authority	2000	\$55,709	\$1,747	\$0	\$112	0.20%	5.73%
Haysville Community Library	2000	\$130,277	\$197,889	\$0	\$12,388	9.51%	15.04%
Hamilton County Library	2000	\$89,752	\$13,104	\$0	\$821	0.91%	6.44%
Ellis Public Library	2000	\$19,735	\$4,976	\$0	\$311	1.58%	7.11%
Bucklin Public Library	2000	\$14,413	\$12,384	\$0	\$777	5.39%	10.92%
Elkhart Cemetery District	2000	\$39,495	\$1,747	\$0	\$111	0.28%	5.81%
Clay County Conservation District	2000	\$30,405	\$55,107	\$0	\$3,455	11.36%	16.89%
City of Linn Valley	2000	\$33,097	\$973	\$0	\$61	0.18%	5.71%
City of Blue Mound	2000	\$84,885	\$2,781	\$0	\$171	0.20%	5.73%
Kansas Workers' Risk Coop for Counties	2000	\$289,556	\$50,263	\$0	\$3,136	1.08%	6.61%
Lindsborg Community Library	2002	\$15,995	\$3,476	\$0	\$214	1.34%	6.87%
City of North Newton	2002	\$346,034	\$160,045	\$0	\$9,853	2.85%	8.38%
City of Arcadia	2002	\$43,281	\$15,652	\$0	\$963	2.22%	7.75%
Four County Mental Health	2002	\$5,599,173	\$1,558,174	\$0	\$154,668	2.76%	8.29%
City of Linwood	2003	\$35,837	\$2,347	\$0	\$145	0.40%	5.93%
Cottonwood Inc.	2003	\$5,389,574	\$1,115,509	\$0	\$68,679	1.27%	6.80%
Johnson County Fire District #2 Rural	2003	\$2,028,727	\$436,293	\$0	\$26,861	1.32%	6.85%
Basehor Community Library	2003	\$95,156	\$55,474	\$0	\$3,415	3.59%	9.12%
City of Gypsum	2003	\$37,232	\$4,717	\$0	\$291	0.78%	6.31%
Greenleaf Housing Authority	2003	\$19,623	\$22,140	\$0	\$1,363	6.94%	12.47%
City of Bentley	2004	\$73,133	\$37,617	\$0	\$2,430	3.32%	8.85%
Mulvane Public Library	2004	\$61,798	\$13,489	\$0	\$872	1.41%	6.94%
The Center for Counseling and Consultation	2004	\$2,144,012	\$1,133,962	\$0	\$73,259	3.42%	8.95%

**TABLE 11A (cont.)
LOCAL AFFILIATION COST FACTORS
FOR FISCAL YEAR BEGINNING IN 2009**

Employer	Year Affiliated	Projected 2009 Annual Payroll	Projected 1/1/2009 Unfunded Actuarial Liability	Projected 1/1/2009 Excess Benefit Liability	Payment on 1/1/2009 Unfunded Liabilities²	Payment on Unfunded Liability as % of Payroll	Total Rate for Years Commencing¹ in 2009
Crawford County RWD #2	2005	\$34,288	\$9,401	\$0	\$4,507	13.15%	18.68%
Doniphan County RFD #2	2005	\$68,822	\$9,007	\$0	\$582	0.85%	6.38%
City of Denision	2005	\$45,148	\$19,883	\$0	\$1,285	2.85%	8.38%
Stanton County Recreation Commission	2005	\$24,740	\$24,487	\$0	\$1,582	6.39%	11.92%
City of Salina	NA	\$12,057,253	\$0	\$136,617	\$30,656	0.25%	5.78%
City of Shawnee	NA	\$7,701,792	\$0	\$248,982	\$53,332	0.69%	6.22%
Unified Government - Wyandotte Co./ KCK	NA	\$55,762,752	\$0	\$639,603	\$134,050	0.24%	5.77%
City of Emporia	NA	\$5,412,484	\$0	\$7,793	\$1,622	0.03%	5.56%
City of Leavenworth	NA	\$5,365,773	\$0	\$5,172	\$1,077	0.02%	5.55%
Total		\$103,657,005	\$5,171,305		\$605,453		

¹Basic local employer contribution rates excluding Death and Disability contribution:

FY 2008: 4.93%

FY 2009: 5.53%

²Payments are assumed to be mid-year for Unfunded Actuarial Liability or Excess Benefit Liability

³Payment is a fixed dollar amount, payable mid-year.

**TABLE 11B
LOCAL AFFILIATION COST FACTORS - AFFILIATION AFTER 1/1/06
FOR FISCAL YEAR BEGINNING IN 2009**

Effective for affiliations on or after January 1, 2006, the payment on the unfunded actuarial liability due to affiliation for prior service is amortized as a fixed level dollar payment. No adjustment is made to the employer contribution rate for these payments.

Employer	Year Affiliated	Unfunded Actuarial Liability on Jan 1 Following Affiliation	Annual Payment Due January 1 to Amortize Unfunded Liability	Final Payment Year
Nippawalla Township	2006	\$4,158	\$356	2032
USD 350 Recreation Commission	2006	\$18,382	\$1,574	2032
City of Vermillion	2006	\$3,950	\$338	2032

TABLE 12
KP&F
EMPLOYER CONTRIBUTION RATES FOR FISCAL YEARS
COMMENCING IN CALENDAR YEARS 2008 AND 2009

Employer	Total Rate for Fiscal Year Commencing in 2008¹	Recommended Total Rate for Fiscal Year Commencing in 2009
Douglas County Law Enforcement	17.06 %	16.45 %
Ford County	13.88	13.49
Franklin County Sheriff's Dept	13.88	13.49
Gray County Sheriff's Dept.	13.88	13.49
Harvey County Sheriff's Dept.	13.88	13.49
Johnson County Fire Dept.	13.88	13.49
Johnson County Fire No. 1	13.88	13.49
Johnson County Fire No. 2	13.88	13.49
Johnson County Park Commission	13.88	13.49
Johnson County Sheriff's Dept.	14.09	13.69
Labette County Sheriff's Dept.	16.65	16.00
Reno County Sheriff's Dept.	13.88	13.49
Riley County Law Enforcement	13.88	13.49
Sedgwick County Fire No. 1	13.88	13.49
Sedgwick County Sheriff's Dept.	14.23	13.84
Sedgwick County EMT's	14.33	13.91
Shawnee County Sheriff's Dept.	16.62	16.16
Sumner County Sheriff's Dept.	15.72	15.09
Unified Gov't of Wyandotte County	13.88	13.49
Unified Gov't of Wyandotte Co. - KCK	14.92	15.01
City of Abilene	13.88	13.49
City of Arkansas City	13.88	13.49
City of Atchison	13.88	13.49
City of Bonner Springs	13.88	13.49
City of Chanute	14.29	13.49
City of Cimarron	13.88	13.49
City of Coffeyville	20.08	18.83
City of Concordia	18.98	17.25
City of Derby	13.88	13.49
City of Dodge City	21.15	19.99
City of Emporia	16.74	16.60
City of Erie	13.88	13.49
City of Eudora	13.88	13.49
City of Fairway	13.88	13.49
City of Fort Scott	19.83	19.08

¹ Includes additional 0.02% contribution for local employers for the 2007 one time payment.

TABLE 12 (cont.)
KP&F
EMPLOYER CONTRIBUTION RATES FOR FISCAL YEARS
COMMENCING IN CALENDAR YEARS 2008 AND 2009

Employer	Total Rate for Fiscal Year Commencing in 2008¹	Recommended Total Rate for Fiscal Year Commencing in 2009
City of Herington	15.11 %	14.31 %
City of Hutchinson	13.88	13.49
City of Junction City	13.88	13.49
City of Lawrence	13.88	13.49
City of Leavenworth	14.60	14.67
City of Leawood	14.60	14.18
City of Lenexa	14.01	13.62
City of Manhattan	16.68	16.12
City of Merriam	14.35	13.93
City of McPherson	13.88	13.49
City of Mission	13.88	13.49
City of Newton EMTs	16.16	15.68
City of Newton	13.88	13.49
City of Olathe	13.95	13.56
City of Ottawa	13.88	13.49
City of Parsons	13.88	13.49
City of Pittsburg	16.90	16.28
City of Salina	17.01	17.22
City of Shawnee	14.54	14.11
City of Topeka	13.88	13.49
City of Wellington	17.12	16.73
City of Westwood	13.88	13.49
City of Winfield	17.89	17.31
Board of Regents Campus Police	13.80	13.38
Kansas Bureau of Investigation	14.56	13.38
Kansas Highway Patrol	15.01	13.38
Cowley County Sheriff's Dept	13.88	13.49
City of Gardner Public Safety Officers	13.88	13.49
City of Liberal Police & Firemen	13.88	13.49
City of Oswego	13.88	13.49
Leavenworth County	13.88	13.49
Pottawatomie County	13.88	13.49
City of Roeland Park	13.88	13.49
City of Edwardsville Police	16.15	16.25
City of Garden City	13.88	13.49
City of Lake Quivira	13.88	13.49

¹ Includes additional 0.02% contribution for local employers for the 2007 one time payment.

TABLE 12 (cont.)
KP&F
EMPLOYER CONTRIBUTION RATES FOR FISCAL YEARS
COMMENCING IN CALENDAR YEARS 2008 AND 2009

Employer	Total Rate for Fiscal Year Commencing in 2008¹	Recommended Total Rate for Fiscal Year Commencing in 2009
City of Paola	13.88	13.49
City of Winfield (EMS)	22.36	21.14
Miami County	13.88	13.49
Atchinson County	13.88	13.49
City of Park City	13.88	13.49
Dickinson County	13.88	13.49
Leavenworth County (EMS)	13.88	13.49
City of Basehor	13.88	13.49
City of Edwardsville Firemen	19.40	18.68
City of Marion	13.88	13.49
City of Overbrook	13.88	13.49
Leavenworth County Fire District #1	13.88	13.49
Topeka-Tecumseh Fire District	13.88	13.49
City of Lansing	13.88	13.49
State Fire Marshall	13.80	13.38
Seward County	13.88	13.49
City of Hays	13.88	13.49
Ellis County	13.88	13.49
City of Baldwin City	13.88	13.49
McPherson County	13.88	13.49
City of Spring Hill	13.88	13.49
City of Andover	13.88	13.49

¹ Includes additional 0.02% contribution for local employers for the 2007 one time payment.

TABLE 13A
KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
PRIOR SERVICE LIABILITY
FOR FISCAL YEARS BEGINNING IN 2009

Employer	1/1/2007 Unfunded Prior Service Liability	Payment on Unfunded Liability*
Douglas County Law Enforcement	\$1,606,565	\$181,138
Ford County	0	0
Franklin County Sheriff's Dept	0	0
Gray County Sheriff's Dept.	0	0
Harvey County Sheriff's Dept.	0	0
Johnson County Fire Dept.	0	0
Johnson County Fire No. 1	0	0
Johnson County Fire No. 2	0	0
Johnson County Park Commission	0	0
Johnson County Sheriff's Dept.	336,232	67,758
Labette County Sheriff's Dept.	186,278	16,582
Reno County Sheriff's Dept.	0	0
Riley County Law Enforcement	0	0
Sedgwick County Fire No. 1	0	0
Sedgwick County Sheriff's Dept.	363,132	54,352
Sedgwick County EMT's	138,600	31,177
Shawnee County Sheriff's Dept.	1,306,868	154,845
Sumner County Sheriff's Dept.	89,226	11,639
Unified Gov't of Wyandotte County	0	0
Unified Gov't of Wyandotte Co. - KCK	0	0
City of Abilene	0	0
City of Arkansas City	0	0
City of Atchison	0	0
City of Bonner Springs	0	0
City of Chanute	0	0
City of Cimarron	0	0
City of Coffeyville	719,363	122,214
City of Concordia	73,296	12,471
City of Derby	0	0
City of Dodge City	2,041,489	215,432
City of Emporia	761,314	140,059
City of Erie	0	0
City of Eudora	0	0
City of Fairway	0	0
City of Fort Scott	431,428	73,266
City of Herington	16,383	3,014
City of Hutchinson	0	0
City of Junction City	0	0
City of Lawrence	0	0
City of Leavenworth	65,206	24,838

**TABLE 13A (cont.)
 KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
 PRIOR SERVICE LIABILITY
 FOR FISCAL YEARS BEGINNING IN 2009**

Employer	1/1/2007 Unfunded Prior Service Liability	Payment on Unfunded Liability*
City of Leawood	\$351,044	\$47,701
City of Lenexa	64,139	14,445
City of Manhattan	99,797	86,152
City of Merriam	89,638	14,237
City of McPherson	0	0
City of Mission	0	0
City of Newton EMTs	64,709	7,898
City of Newton	0	0
City of Olathe	53,368	13,718
City of Ottawa	0	0
City of Parsons	0	0
City of Pittsburg	597,106	101,429
City of Salina	1,427,325	242,452
City of Shawnee	121,645	20,681
City of Topeka	0	0
City of Wellington	332,272	56,430
City of Westwood	0	0
City of Winfield	609,540	86,672
Board of Regents Campus Police	0	0
Kansas Bureau of Investigation	0	0
Kansas Highway Patrol	0	0
Cowley County Sheriff's Dept	0	0
City of Gardner Public Safety Officers	0	0
City of Liberal Police & Firemen	0	0
City of Oswego	0	0
Leavenworth County	0	0
Pottawatomie County	0	0
City of Roeland Park	0	0
City of Edwardsville Police	231,839	18,952
City of Garden City	0	0
City of Lake Quivira	0	0
City of Paola	0	0
City of Winfield (EMS)	437,141	39,655
Miami County	0	0
Atchinson County	0	0
City of Park City	0	0
Dickinson County	0	0
Leavenworth County (EMS)	0	0
City of Basehor	0	0
City of Edwardsville Firemen	431,419	37,963
City of Marion	0	0

**TABLE 13A (cont.)
 KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
 PRIOR SERVICE LIABILITY
 FOR FISCAL YEARS BEGINNING IN 2009**

Employer	1/1/2007 Unfunded Prior Service Liability	Payment on Unfunded Liability*
City of Overbrook	\$0	\$0
Leavenworth County Fire District #1	0	0
Topeka-Tecumseh Fire District	0	0
City of Lansing	0	0
State Fire Marshall	0	0
Seward County	0	0
City of Hays	0	0
Ellis County	0	0
City of Spring Hill	0	0
City of Andover	0	0
Total	\$ 13,046,362	\$ 1,897,170

* 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 be made throughout the year.

TABLE 13B
KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
PRIOR SERVICE LIABILITY - AFFILIATION AFTER 1/1/06
FOR FISCAL YEAR BEGINNING IN 2009

Effective for affiliations on or after January 1, 2006, the payment on the unfunded actuarial liability due to affiliation for prior service is amortized as a fixed level dollar payment. No adjustment is made to the employer contribution rate for these payments.

Employer	Year Affiliated	Unfunded Actuarial Liability on Jan 1 Following Affiliation	Annual Payment Due January 1 to Amortize Unfunded Liability	Final Payment Year
City of Baldwin City	2007	\$8,765	\$760	2032
McPherson County	2007	\$457	\$63	2017

TABLE 14
KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
FOR FISCAL YEARS BEGINNING IN 2009

Employer	Number of Employees	Total Estimated 2009 Payroll	Projected 1/1/2007 Excess Benefit Liability	Payment on Excess Benefit Liability*	Payment on Unfunded Liability (Table 13)	Total Payment Amount	As Percent of Payroll
Douglas County Law Enforcement	86	\$6,125,771	\$0	\$0	\$181,138	\$181,138	2.96 %
Ford County	52	2,332,582	0	0	0	0	0.00
Franklin County Sheriff's Dept	51	2,288,530	0	0	0	0	0.00
Gray County Sheriff's Dept.	8	380,176	0	0	0	0	0.00
Harvey County Sheriff's Dept.	23	1,058,308	0	0	0	0	0.00
Johnson County Fire Dept.	163	10,763,536	0	0	0	0	0.00
Johnson County Fire No. 1	18	905,393	0	0	0	0	0.00
Johnson County Fire No. 2	67	4,853,240	0	0	0	0	0.00
Johnson County Park Commission	16	853,883	0	0	0	0	0.00
Johnson County Sheriff's Dept.	471	33,943,383	0	0	67,758	67,758	0.20
Labette County Sheriff's Dept.	17	660,345	0	0	16,582	16,582	2.51
Reno County Sheriff's Dept.	67	3,391,834	0	0	0	0	0.00
Riley County Law Enforcement	96	5,237,497	0	0	0	0	0.00
Sedgwick County Fire No. 1	130	7,870,331	0	0	0	0	0.00
Sedgwick County Sheriff's Dept.	278	15,717,971	786	145	54,352	54,497	0.35
Sedgwick County EMT's	131	7,349,830	0	0	31,177	31,177	0.42
Shawnee County Sheriff's Dept.	106	5,789,146	0	0	154,845	154,845	2.67
Sumner County Sheriff's Dept.	19	729,092	0	0	11,639	11,639	1.60
Unified Gov't of Wyandotte County	822	3,291,947	0	0	0	0	0.00
Unified Gov't of Wyandotte Co. - KCK	0	50,851,916	3,932,877	771,287	0	771,287	1.52
City of Abilene	22	910,659	0	0	0	0	0.00
City of Arkansas City	48	2,331,366	0	0	0	0	0.00
City of Atchison	40	1,765,828	0	0	0	0	0.00
City of Bonner Springs	26	1,312,809	0	0	0	0	0.00
City of Chanute	35	1,758,168	0	0	0	0	0.00
City of Cimarron	0	0	0	0	0	0	0.00
City of Coffeyville	46	2,290,248	0	0	122,214	122,214	5.34
City of Concordia	8	331,840	0	0	12,471	12,471	3.76
City of Derby	45	2,166,834	0	0	0	0	0.00



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TABLE 14 (cont.)
KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
FOR FISCAL YEARS BEGINNING IN 2009

Employer	Number of Employees	Total Estimated 2009 Payroll	Projected 1/1/2007 Excess Benefit Liability	Payment on Excess Benefit Liability*	Payment on Unfunded Liability (Table 13)	Total Payment Amount	As Percent of Payroll
City of Dodge City	72	\$3,316,095	\$0	\$0	\$215,432	\$215,432	6.50 %
City of Emporia	91	4,504,699	0	0	140,059	140,059	3.11
City of Erie	2	85,399	0	0	0	0	0.00
City of Eudora	10	555,285	0	0	0	0	0.00
City of Fairway	9	624,536	0	0	0	0	0.00
City of Fort Scott	33	1,311,564	0	0	73,266	73,266	5.59
City of Herington	9	366,705	0	0	3,014	3,014	0.82
City of Hutchinson	155	8,877,978	0	0	0	0	0.00
City of Junction City	99	4,876,152	0	0	0	0	0.00
City of Lawrence	273	20,026,690	0	0	0	0	0.00
City of Leavenworth	116	5,904,851	208,163	44,975	24,838	69,813	1.18
City of Leawood	106	6,863,499	0	0	47,701	47,701	0.69
City of Lenexa	163	11,122,448	0	0	14,445	14,445	0.13
City of Manhattan	66	3,281,673	0	0	86,152	86,152	2.63
City of Merriam	50	3,256,120	0	0	14,237	14,237	0.44
City of McPherson	47	2,181,971	0	0	0	0	0.00
City of Mission	29	1,728,984	0	0	0	0	0.00
City of Newton EMTs	6	359,977	0	0	7,898	7,898	2.19
City of Newton	68	3,571,925	0	0	0	0	0.00
City of Olathe	268	19,718,848	0	0	13,718	13,718	0.07
City of Ottawa	48	2,631,044	0	0	0	0	0.00
City of Parsons	42	1,743,745	0	0	0	0	0.00
City of Pittsburg	73	3,629,094	0	0	101,429	101,429	2.79
City of Salina	160	8,490,838	318,233	74,383	242,452	316,835	3.73
City of Shawnee	141	10,232,966	189,673	42,364	20,681	63,045	0.62
City of Topeka	533	31,828,374	0	0	0	0	0.00
City of Wellington	34	1,743,244	0	0	56,430	56,430	3.24
City of Westwood	7	497,301	0	0	0	0	0.00
City of Winfield	42	2,267,240	0	0	86,672	86,672	3.82
Board of Regents Campus Police	108	5,446,202	0	0	0	0	0.00



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**TABLE 14 (cont.)
 KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
 FOR FISCAL YEARS BEGINNING IN 2009**

Employer	Number of Employees	Total Estimated 2009 Payroll	Projected 1/1/2007 Excess Benefit Liability	Payment on Excess Benefit Liability*	Payment on Unfunded Liability (Table 13)	Total Payment Amount	As Percent of Payroll	%
Kansas Bureau of Investigation	80	\$5,854,661	\$0	\$0	\$0	\$0	0.00	
Kansas Highway Patrol	526	35,220,637	0	0	0	0	0.00	
Cowley County Sheriff's Dept	23	965,057	0	0	0	0	0.00	
City of Gardner Public Safety Officers	31	1,702,973	0	0	0	0	0.00	
City of Liberal Police & Firemen	61	2,619,911	0	0	0	0	0.00	
City of Oswego	5	171,612	0	0	0	0	0.00	
Leavenworth County	45	2,293,838	0	0	0	0	0.00	
Pottawatomie County	24	1,051,483	0	0	0	0	0.00	
City of Roeland Park	15	764,263	0	0	0	0	0.00	
City of Edwardsville Police	14	687,093	0	0	18,952	18,952	2.76	
City of Garden City	81	3,727,440	0	0	0	0	0.00	
City of Lake Quivira	3	119,669	0	0	0	0	0.00	
City of Paola	16	763,800	0	0	0	0	0.00	
City of Winfield (EMS)	9	518,523	0	0	39,655	39,655	7.65	
Miami County	46	2,321,501	0	0	0	0	0.00	
Atchinson County	11	423,246	0	0	0	0	0.00	
City of Park City	18	865,523	0	0	0	0	0.00	
Dickinson County	14	622,043	0	0	0	0	0.00	
Leavenworth County (EMS)	33	1,404,300	0	0	0	0	0.00	
City of Basehor	10	354,812	0	0	0	0	0.00	
City of Edwardsville Firemen	15	731,895	0	0	37,963	37,963	5.19	
City of Marion	5	187,329	0	0	0	0	0.00	
City of Overbrook	2	70,366	0	0	0	0	0.00	
Leavenworth County Fire District #1	4	160,438	0	0	0	0	0.00	
Topeka-Tecumseh Fire District	10	579,505	0	0	0	0	0.00	
City of Lansing	15	690,284	0	0	0	0	0.00	
State Fire Marshall	10	510,511	0	0	0	0	0.00	
Seward County	24	1,151,676	0	0	0	0	0.00	
City of Hays	54	2,524,262	0	0	0	0	0.00	

**TABLE 14 (cont.)
 KP&F EMPLOYER ADDITIONAL CONTRIBUTION RATES
 FOR FISCAL YEARS BEGINNING IN 2009**

Employer	Number of Employees	Total Estimated 2009 Payroll	Projected 1/1/2007 Excess Benefit Liability	Payment on Excess Benefit Liability*	Payment on Unfunded Liability (Table 13)	Total Payment Amount	As Percent of Payroll
Ellis County	0	\$0	\$0	\$0	\$0	\$0	0.00 %
City of Baldwin City	0	0	0	0	**	**	0.00
McPherson County	0	0	0	0	**	**	0.00
City of Spring Hill	0	0	0	0	0	0	0.00
City of Andover	0	0	0	0	0	0	0.00
Total	6,955	\$ 417,366,560	\$ 4,649,732	\$ 933,154	\$ 1,897,170	\$ 2,830,324	

* Payments are based on paying off the liability in 2014.

** See Table 13b for fixed dollar amortization schedule.

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 15
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)
12/31/2001	\$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%
12/31/2006	12,189,197	17,552,791	5,363,593	69%	5,599,193	96%

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

	KPERS System	KP& F System	Judges System
Valuation Date	12/31/06	12/31/06	12/31/06
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	26 years	26 years	26 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 16
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
2002	\$260,482,999	79.7%
2003	282,329,785	78.9%
2004	338,879,960	69.4%
2005	381,791,085	68.6%
2006	471,424,006	63.4%
2007	494,634,657 *	69.2% *

*Due to timing of the actuarial valuation versus the System's fiscal year, the actual number is not yet available. The number shown is an estimate.

The numbers shown in this exhibit are provided by KPERS. Milliman has relied on the accuracy of the numbers as provided and has not verified them.



TABLE 17
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
PROJECTED BENEFIT PAYMENTS

Year	State	School	Local	Total KPERS	KP&F	Judges	Total
2007	\$176,973,000	\$456,903,000	\$119,332,000	\$753,208,000	\$97,232,000	\$6,771,000	\$857,211,000
2008	188,882,000	494,011,000	130,312,000	813,205,000	103,711,000	7,539,000	924,455,000
2009	199,768,000	533,743,000	140,645,000	874,156,000	110,497,000	8,249,000	992,902,000
2010	211,202,000	574,595,000	151,814,000	937,611,000	117,451,000	8,917,000	1,063,979,000
2011	222,848,000	617,877,000	164,183,000	1,004,908,000	124,569,000	9,528,000	1,139,005,000
2012	235,929,000	664,100,000	178,552,000	1,078,581,000	132,122,000	10,161,000	1,220,864,000
2013	249,997,000	711,589,000	194,773,000	1,156,359,000	139,808,000	10,874,000	1,307,041,000
2014	264,321,000	759,125,000	212,003,000	1,235,449,000	147,760,000	11,789,000	1,394,998,000
2015	278,870,000	807,203,000	230,697,000	1,316,770,000	156,235,000	12,755,000	1,485,760,000
2016	293,636,000	855,756,000	250,675,000	1,400,067,000	165,414,000	13,701,000	1,579,182,000
2017	308,521,000	904,652,000	271,909,000	1,485,082,000	175,076,000	14,681,000	1,674,839,000
2018	323,243,000	952,923,000	293,398,000	1,569,564,000	184,927,000	15,723,000	1,770,214,000
2019	337,473,000	999,600,000	315,413,000	1,652,486,000	195,372,000	16,607,000	1,864,465,000
2020	350,537,000	1,045,258,000	337,092,000	1,732,887,000	206,062,000	17,190,000	1,956,139,000
2021	363,192,000	1,089,479,000	358,581,000	1,811,252,000	216,886,000	17,754,000	2,045,892,000
2022	374,896,000	1,132,385,000	380,210,000	1,887,491,000	227,964,000	18,380,000	2,133,835,000
2023	385,368,000	1,173,844,000	401,130,000	1,960,342,000	239,062,000	18,807,000	2,218,211,000
2024	394,601,000	1,214,490,000	421,069,000	2,030,160,000	250,495,000	19,109,000	2,299,764,000
2025	402,792,000	1,253,496,000	440,284,000	2,096,572,000	262,154,000	19,354,000	2,378,080,000
2026	409,751,000	1,290,573,000	458,594,000	2,158,918,000	273,743,000	19,417,000	2,452,078,000
2027	414,785,000	1,325,517,000	475,312,000	2,215,614,000	284,766,000	19,299,000	2,519,679,000
2028	418,147,000	1,358,396,000	490,155,000	2,266,698,000	294,722,000	19,109,000	2,580,529,000
2029	419,999,000	1,389,208,000	503,301,000	2,312,508,000	303,955,000	18,854,000	2,635,317,000
2030	420,108,000	1,417,663,000	514,614,000	2,352,385,000	312,563,000	18,545,000	2,683,493,000
2031	419,086,000	1,444,360,000	524,926,000	2,388,372,000	320,489,000	18,133,000	2,726,994,000

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



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APPENDIX A HISTORICAL SUMMARY OF MEMBERS

The following tables display selected historical data for KPERS, KP&F and Judges as available.

KPERS

Valuation		Active Members						Number			Act/Ret Ratio
		Average						Deferred Disabled*	Inactives	Retired	
Date December 31	Total Count	Number	Age	Entry Age	Service	Annual Pay (\$)	Pay Increase				
2000	222,968	137,086	44.2	34.1	10.1	30,307	N/A		34,667	51,215	2.68
2001	229,185	139,253	44.4	34.2	10.2	31,279	3.2%		37,175	52,757	2.64
2002	234,023	140,498	44.7	34.3	10.4	31,634	1.1%		39,420	54,105	2.60
2003	237,123	141,401	45.0	34.4	10.6	32,111	1.5%	2,933	37,280	55,509	2.55
2004	238,375	140,779	45.3	34.4	10.8	32,937	2.6%	3,004	37,191	57,401	2.45
2005	241,684	142,047	45.3	34.4	10.9	33,724	2.4%	3,099	37,015	59,523	2.39
2006	245,555	144,227	45.4	34.6	10.8	35,284	4.6%	3,007	36,513	61,808	2.33

*Prior to 2003, deferred disabled members were included in the Inactives count.

KP&F

Valuation		Active Members						Number			Act/Ret Ratio
		Average						Deferred Disabled*	Inactives	Retired	
Date December 31	Total Count	Number	Age	Entry Age	Service	Annual Pay (\$)	Pay Increase				
2000	10,083	6,258	38.1	27.7	10.4	44,511	N/A		794	3,031	2.06
2001	10,471	6,405	38.3	27.7	10.6	46,483	4.4%		855	3,211	1.99
2002	10,847	6,548	38.4	27.8	10.6	47,580	2.4%		961	3,338	1.96
2003	11,007	6,464	38.8	27.9	11.0	49,017	3.0%	0	1,087	3,456	1.87
2004	11,528	6,721	38.9	28.0	11.0	51,014	4.1%	187	1,062	3,558	1.89
2005	11,719	6,772	38.9	27.9	11.0	52,222	2.4%	194	1,099	3,654	1.85
2006	12,070	6,965	39.0	28.1	11.0	53,939	3.3%	186	1,134	3,785	1.84

*Prior to 2003, deferred disabled members were included in the Inactives count.

**APPENDIX A
HISTORICAL SUMMARY OF MEMBERS
(continued)**

JUDGES

Valuation		Active Members						Number		Act/Ret Ratio
		Average						Inactives	Retired	
Date December 31	Total Count	Number	Age	Entry Age	Service	Annual Pay (\$)	Pay Increase			
2000	411	247	54.2	43.5	10.8	84,794		14	150	1.65
2001	417	252	54.4	43.9	10.5	85,625	1.0%	18	147	1.71
2002	417	248	55.0	43.9	11.1	86,116	0.6%	15	154	1.64
2003	424	250	55.1	43.8	11.3	86,770	0.8%	15	159	1.56
2004	435	251	55.5	43.9	11.6	88,761	2.3%	18	166	1.51
2005	444	254	55.7	44.1	11.6	90,585	2.1%	19	171	1.47
2006	447	257	56.2	44.2	11.9	96,743	6.8%	18	172	1.49

**APPENDIX A
SUMMARY OF DATA FILE RECONCILIATION**

The following table reconciles the data Milliman received from KPERS to the final membership counts used in the valuation.

Records on the in-pay data file	112,817
Removed deaths prior to 12/31/06	(47,052)
Records used in the valuation	65,765
Records on the not-in-pay data file	207,000
Records removed because the member has received all benefits	(14,693)
Records used in the valuation	192,307

These records are allocated as follows:

	State	School	Local	KP&F	Judges
Active members	23,840	84,707	35,680	6,965	257
Vested inactive members	3,173	6,067	3,196	325	18
Nonvested inactive members	<u>2,824</u>	<u>17,158</u>	<u>7,102</u>	<u>995</u>	<u>0</u>
Total Not-in pay	29,837	107,932	45,978	8,285	275
Retirees and beneficiaries	14,937	34,389	12,482	3,785	172

KPERS is in the process of implementing a new computer information system. The in-pay data supplied for the 12/31/06 valuation was produced under the prior system in a consistent manner with prior years' submissions. The not-in-pay data, however, was developed with the new system. While we did not audit the data, we did a limited review for reasonableness and did not find anything that appeared to have a material impact. We did note that as a result of KPERS data review and programming refinements, a number of inactive records that had been marked as vested inactives in prior years were now marked as nonvested.

**APPENDIX A
SUMMARY OF MEMBERSHIP DATA**

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTIVE MEMBER DATA

	12/31/2006	12/31/2005
State/School		
Number	108,547	106,503
Average Current Age	45.35	45.30
Average Service	11.08	11.19
Average Pay	\$34,976	\$33,371
State		
Number	23,840	24,124
Average Current Age	47.38	47.19
Average Service	12.93	12.79
Average Pay	\$36,482	\$34,944
School		
Number	84,707	82,379
Average Current Age	44.78	44.75
Average Service	10.56	10.72
Average Pay	\$34,553	\$32,911
Local		
Number	35,680	35,544
Average Current Age	45.60	45.33
Average Service	10.08	9.88
Average Pay	\$36,219	\$34,780
KPERS Total		
Number	144,227	142,047
Average Current Age	45.41	45.31
Average Service	10.83	10.86
Average Pay	\$35,284	\$33,724



**APPENDIX A
SUMMARY OF MEMBERSHIP DATA**

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ACTIVE MEMBER DATA

	12/31/2006	12/31/2005
KP&F		
Number	6,965	6,772
Tier I	618	662
Tier II	6,347	6,110
Average Current Age	39.00	38.90
Average Service	10.92	10.97
Average Pay	\$53,939	\$52,222
 Judges		
Number	257	254
Average Current Age	56.15	55.72
Average Service	11.94	11.59
Average Pay	\$96,743	\$90,585
 System Total		
Number	151,449	149,073
Average Current Age	45.14	45.04
Average Service	10.84	10.86
Average Pay	\$36,246	\$34,661



SUMMARY OF MEMBERSHIP DATA

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM INACTIVE MEMBER DATA

	12/31/2006	12/31/2005
State		
inactive vested	2,093	2,149
inactive nonvested	2,824	3,033
deferred disabled	1,080	1,111
School		
inactive vested	4,945	4,640
inactive nonvested	17,158	17,820
deferred disabled	1,122	1,184
Local		
inactive vested	2,391	2,579
inactive nonvested	7,102	6,794
deferred disabled	805	804
KPERS Total		
inactive vested	9,429	9,368
inactive nonvested	27,084	27,647
deferred disabled	3,007	3,099
KP&F		
inactive vested	139	141
inactive nonvested	995	958
deferred disabled	186	194
Judges		
inactive vested	18	14
inactive nonvested	0	5
deferred disabled	0	0
System Total		
inactive vested	9,586	9,523
inactive nonvested	28,079	28,610
deferred disabled	3,193	3,293



**APPENDIX A
SUMMARY OF MEMBERSHIP DATA**

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
RETIREE AND BENEFICIARY MEMBER DATA

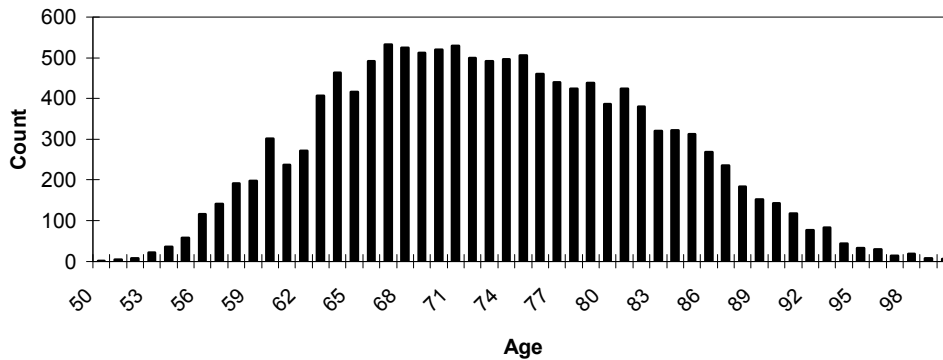
	12/31/2006	12/31/2005
State		
Number	14,937	14,642
Average Benefit	\$10,851	\$10,565
Average Age	72.85	72.88
School		
Number	34,389	32,875
Average Benefit	\$12,129	\$11,806
Average Age	72.24	72.43
Local		
Number	12,482	12,006
Average Benefit	\$8,204	\$7,880
Average Age	73.21	73.20
KPERS Total		
Number	61,808	59,523
Average Benefit	\$11,027	\$10,709
Average Age	72.59	72.70
KP&F		
Number	3,785	3,654
Average Benefit	\$23,096	\$22,322
Average Age	62.50	62.10
Judges		
Number	172	171
Average Benefit	\$32,249	\$31,878
Average Age	73.50	73.40
System Total		
Number	65,765	63,348
Average Benefit	\$11,777	\$11,436
Average Age	72.01	72.09

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DISTRIBUTION OF RETIREES AND BENEFICIARIES

as of December 31, 2006

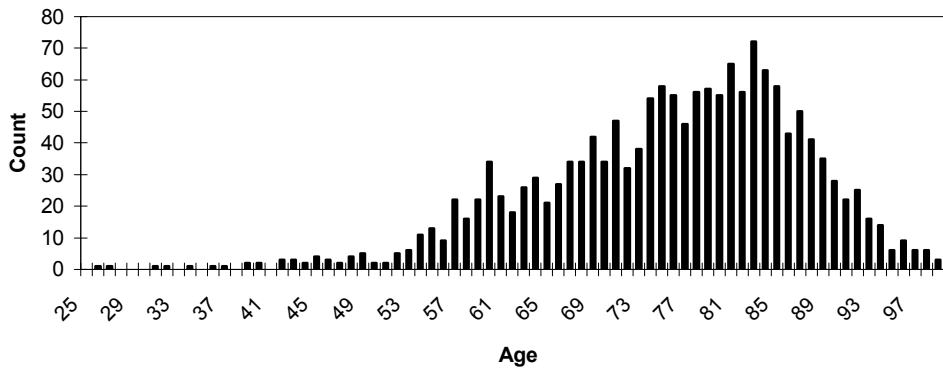
STATE

Retirees



Count: 13,318 Average age: 73.3 Average benefit: \$ 11,261

Beneficiaries

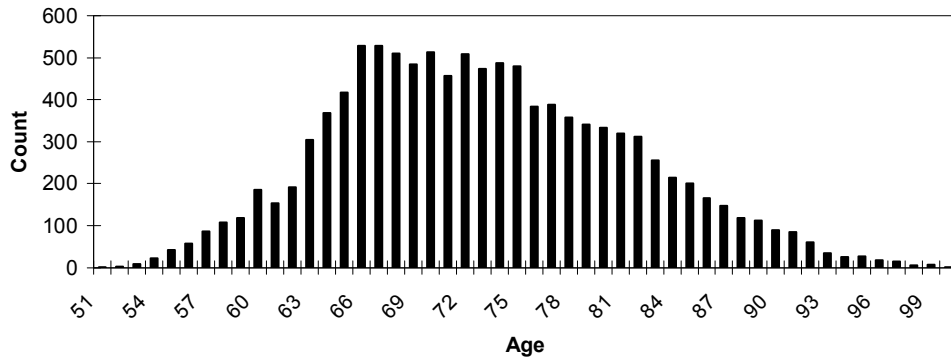


Count: 1,619 Average age: 75.0 Average benefit: \$ 7,475

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DISTRIBUTION OF RETIREES AND BENEFICIARIES as of December 31, 2006

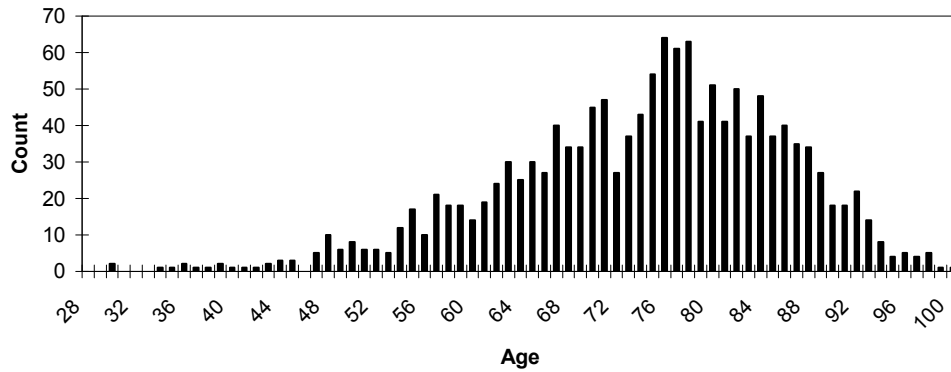
LOCAL

Retirees



Count: 11,057 Average age: 73.1 Average benefit: \$ 8,528

Beneficiaries

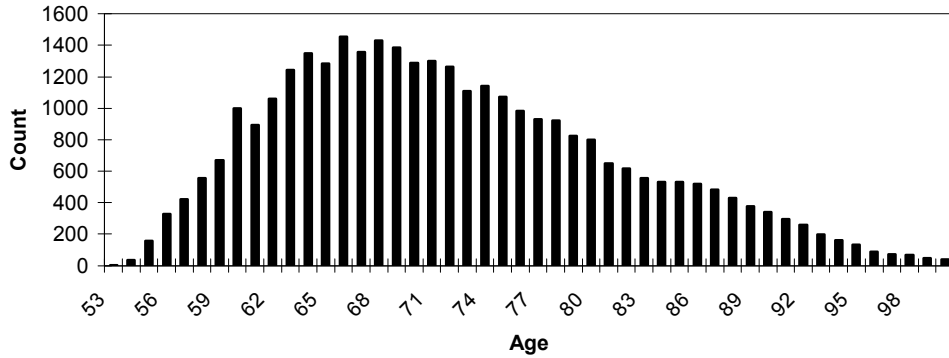


Count: 1,425 Average age: 74.1 Average benefit: \$ 5,691

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DISTRIBUTION OF RETIREES AND BENEFICIARIES as of December 31, 2006

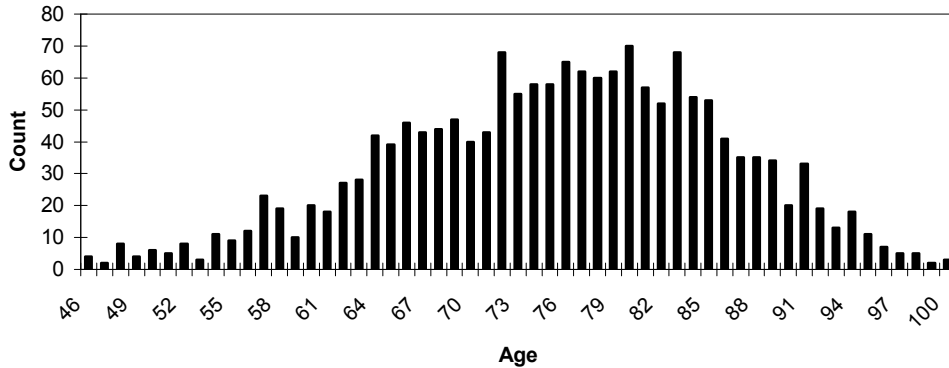
SCHOOL

Retirees



Count: 32,682 Average age: 72.1 Average benefit: \$ 12,343

Beneficiaries

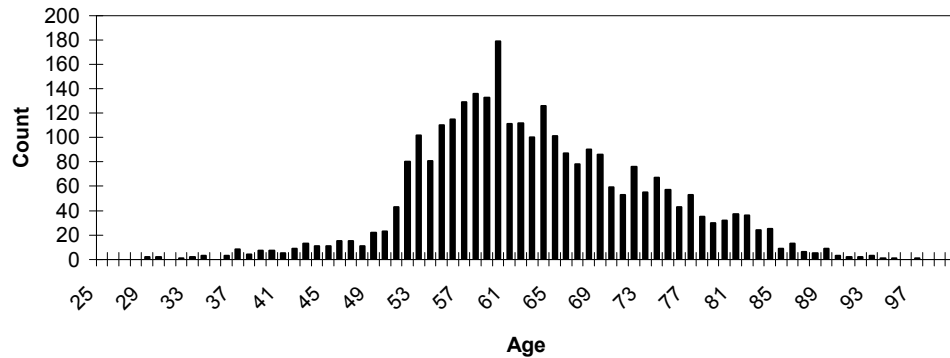


Count: 1,707 Average age: 75.0 Average benefit: \$ 8,016

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM DISTRIBUTION OF RETIREES AND BENEFICIARIES as of December 31, 2006

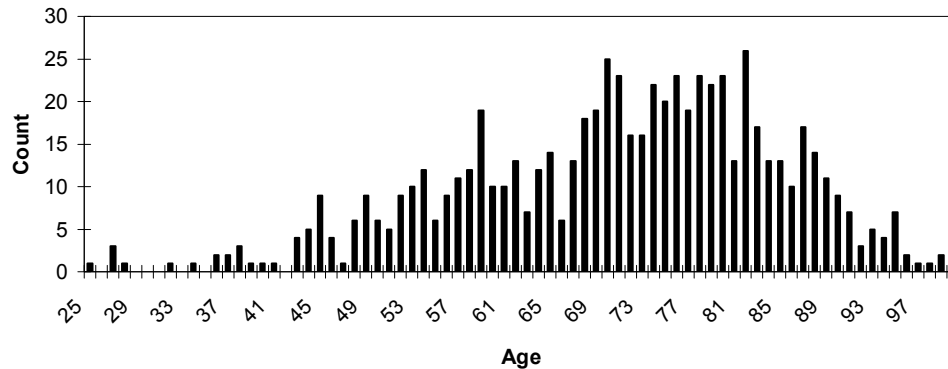
KP&F

Retirees



Count: 2,911 Average age: 63.3 Average benefit: \$ 26,451

Beneficiaries



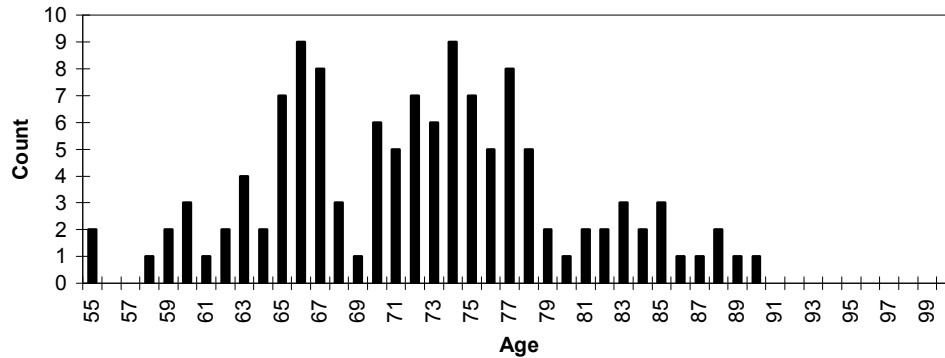
Note: 186 beneficiaries under age 25 not shown on graph

Count: 874 Average non-child age: 70.3 Average benefit: \$11,921

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF RETIREES AND BENEFICIARIES**
as of December 31, 2006

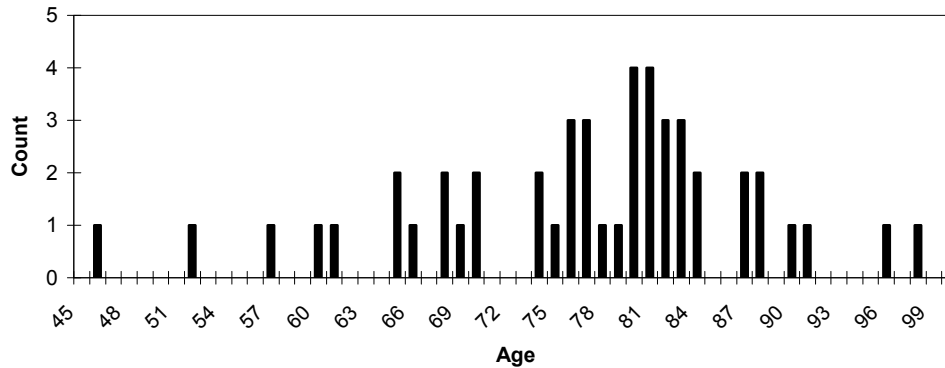
JUDGES

Retirees



Count: 124 Average age: 72.2 Average benefit: \$ 35,625

Beneficiaries



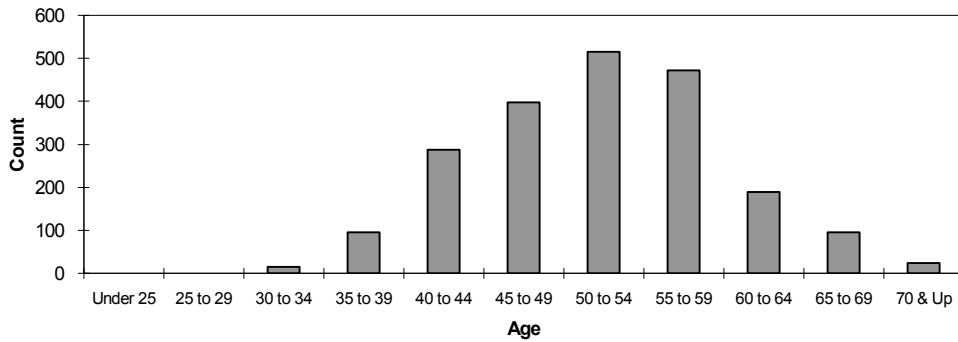
Count: 48 Average age: 76.8 Average benefit: \$ 23,527

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS
as of December 31, 2006**

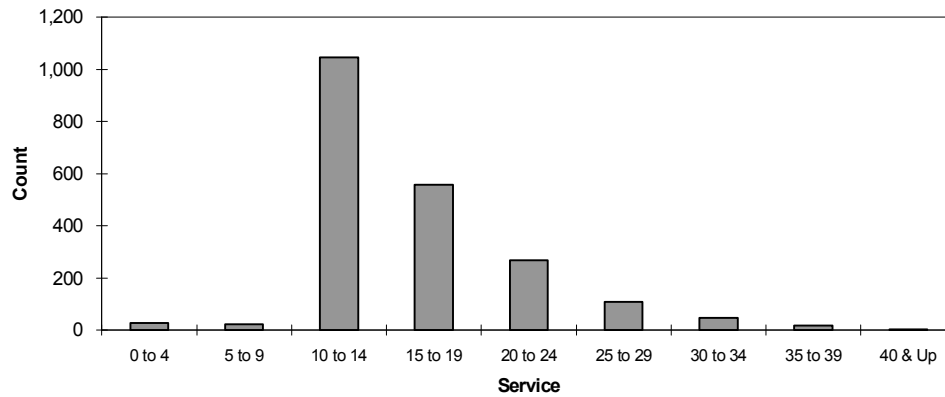
STATE

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	0	0	14	1	0	0	0	0	0	15
35 to 39	0	0	84	12	0	0	0	0	0	96
40 to 44	0	0	203	72	13	0	0	0	0	288
45 to 49	0	1	191	143	49	14	0	0	0	398
50 to 54	3	1	254	143	73	28	13	0	0	515
55 to 59	0	0	211	116	89	36	15	5	0	472
60 to 64	0	2	64	49	31	20	13	9	1	189
65 to 69	15	12	23	18	10	10	6	1	1	96
70 & Up	8	5	3	4	3	0	0	1	0	24
Total	26	21	1,047	558	268	108	47	16	2	2,093

Age Distribution



Service Distribution



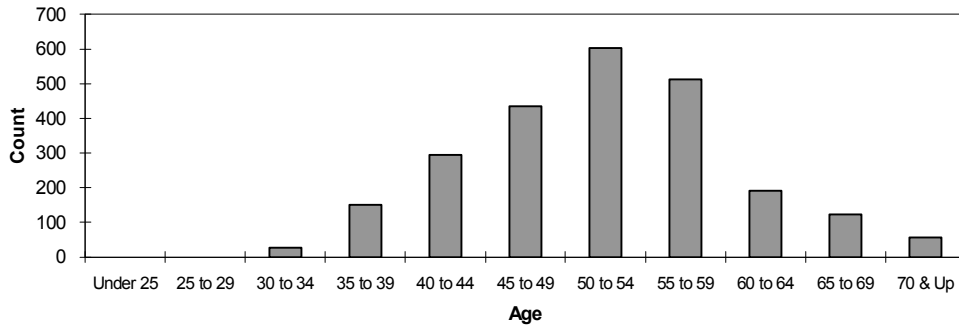
Nonvested: 2,824

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS
as of December 31, 2006**

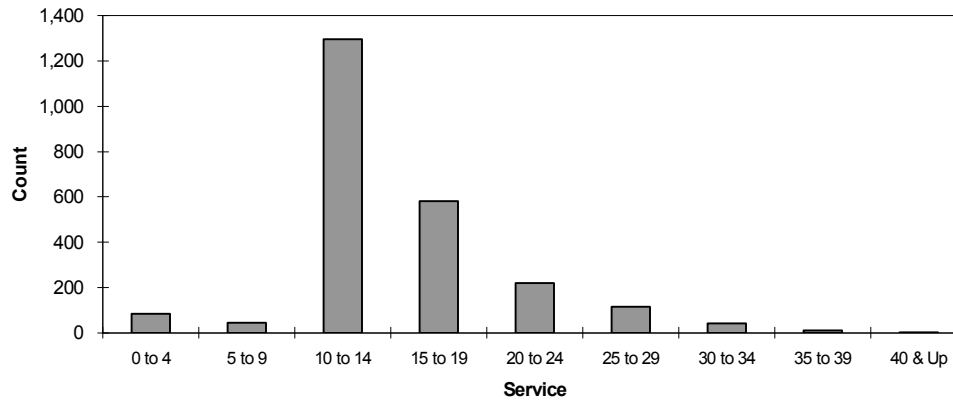
LOCAL

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	0	0	26	0	0	0	0	0	0	26
35 to 39	0	1	141	8	0	0	0	0	0	150
40 to 44	0	1	199	83	11	0	0	0	0	294
45 to 49	0	1	256	118	49	11	0	0	0	435
50 to 54	6	2	292	164	77	46	15	1	0	603
55 to 59	2	1	260	147	51	34	14	4	0	513
60 to 64	0	0	93	52	18	14	11	2	1	191
65 to 69	44	25	23	8	9	9	2	3	0	123
70 & Up	31	12	6	1	3	2	0	1	0	56
Total	83	43	1,296	581	218	116	42	11	1	2,391

Age Distribution



Service Distribution



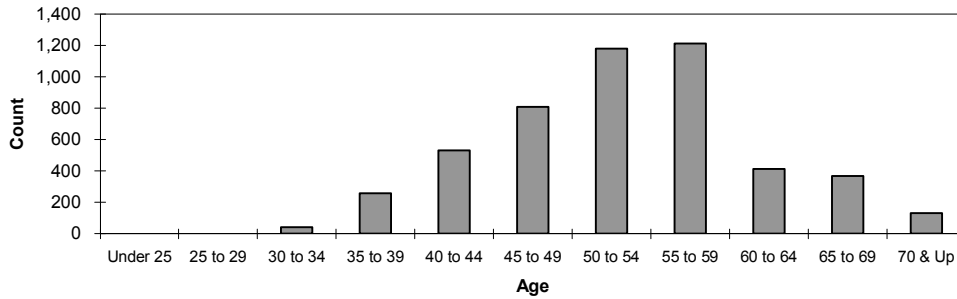
Nonvested: 7,102

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS**
as of December 31, 2006

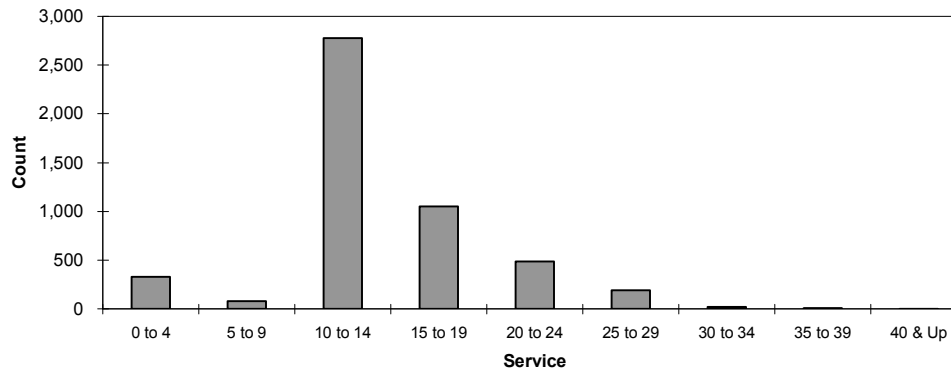
SCHOOL

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	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	41	0	0	0	0	0	0	41
35 to 39	0	0	244	13	0	0	0	0	0	257
40 to 44	0	0	417	102	10	1	0	0	0	530
45 to 49	0	0	510	201	82	16	1	0	0	810
50 to 54	21	1	651	291	156	53	7	0	0	1,180
55 to 59	0	0	657	304	158	89	7	0	0	1,215
60 to 64	0	0	202	120	60	17	5	7	2	413
65 to 69	215	55	45	18	15	12	4	2	2	368
70 & Up	94	23	8	1	4	1	0	0	0	131
Total	330	79	2,775	1,050	485	189	24	9	4	4,945

Age Distribution



Prior Service Distribution



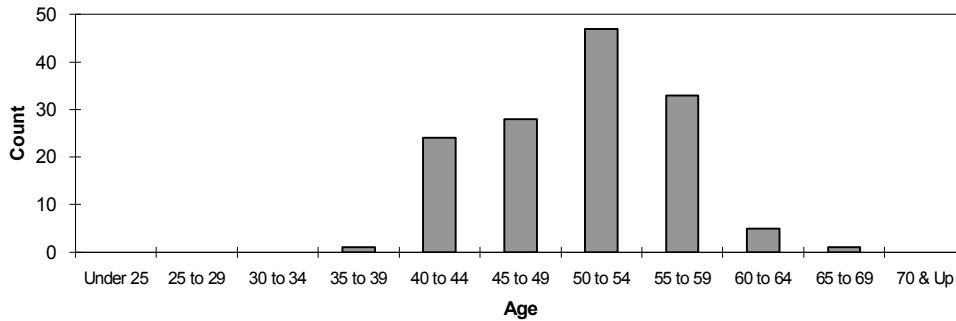
Nonvested: 17,158

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS
as of December 31, 2006**

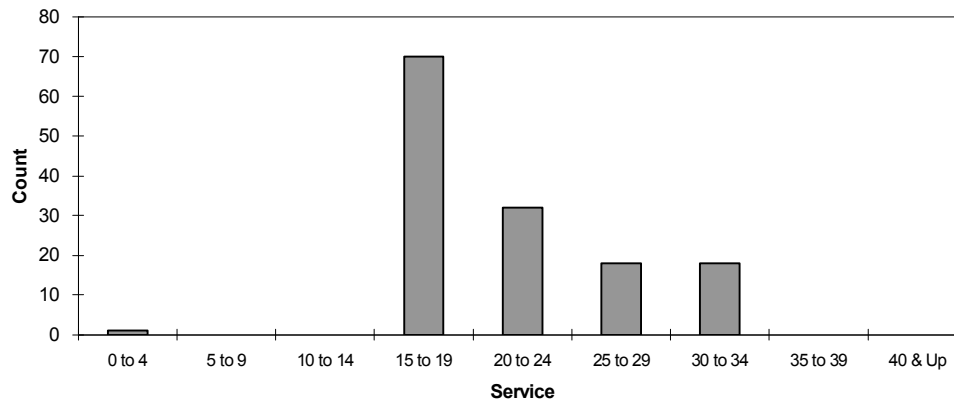
KP&F

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	1	0	0	0	0	0	1
40 to 44	0	0	0	22	2	0	0	0	0	24
45 to 49	1	0	0	19	5	2	1	0	0	28
50 to 54	0	0	0	12	18	9	8	0	0	47
55 to 59	0	0	0	12	6	7	8	0	0	33
60 to 64	0	0	0	4	0	0	1	0	0	5
65 to 69	0	0	0	0	1	0	0	0	0	1
70 & Up	0	0	0	0	0	0	0	0	0	0
Total	1	0	0	70	32	18	18	0	0	139

Age Distribution



Service Distribution



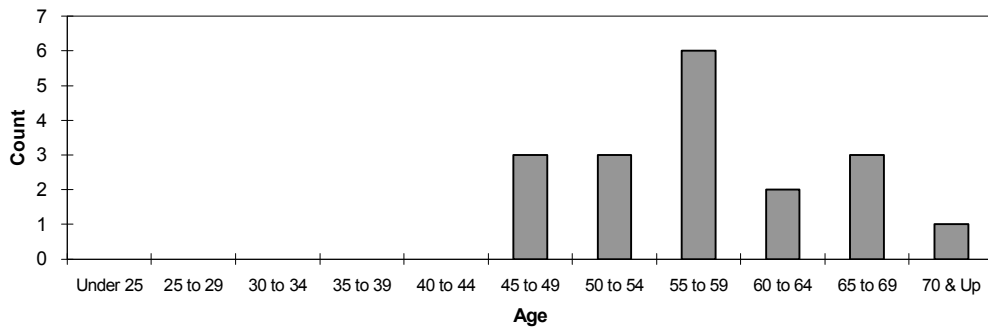
Nonvested: 995

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF INACTIVE VESTED MEMBERS
as of December 31, 2006**

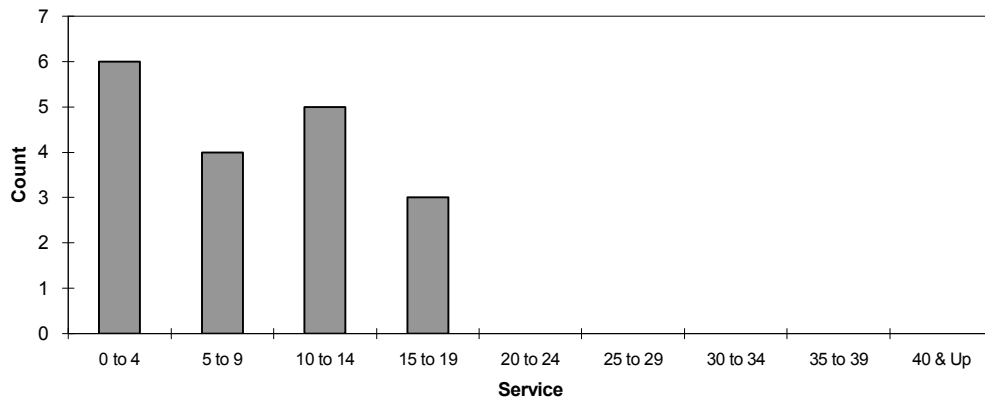
JUDGES

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	0	0	0	0	0	0	0	0	0	0
45 to 49	3	0	0	0	0	0	0	0	0	3
50 to 54	0	1	2	0	0	0	0	0	0	3
55 to 59	2	2	0	2	0	0	0	0	0	6
60 to 64	0	1	1	0	0	0	0	0	0	2
65 to 69	0	0	2	1	0	0	0	0	0	3
70 & Up	1	0	0	0	0	0	0	0	0	1
Total	6	4	5	3	0	0	0	0	0	18

Age Distribution



Service Distribution



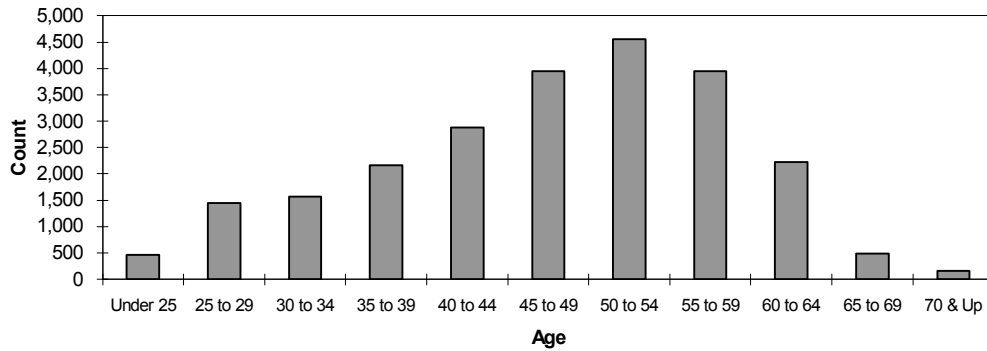
Nonvested: 0

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2006**

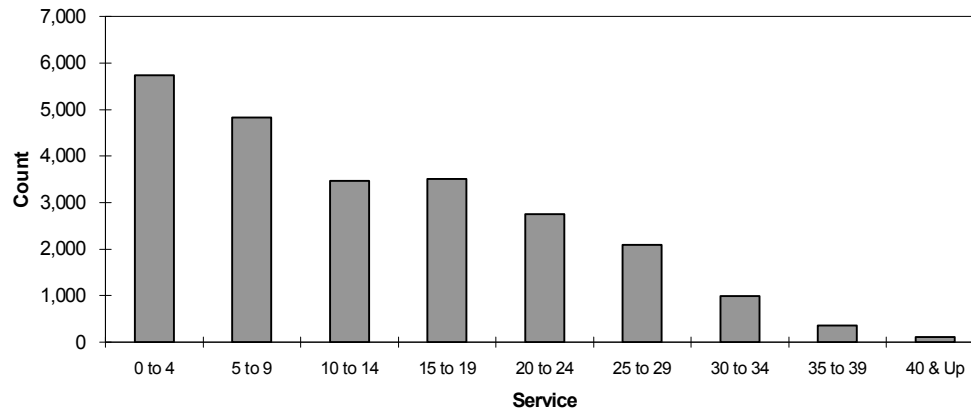
STATE

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	450	11	0	0	0	0	0	0	0	461
25 to 29	1,130	319	4	0	0	0	0	0	0	1,453
30 to 34	755	709	103	2	0	0	0	0	0	1,569
35 to 39	685	718	579	167	10	0	0	0	0	2,159
40 to 44	638	633	564	664	358	28	0	0	0	2,885
45 to 49	657	720	573	708	723	518	44	0	0	3,943
50 to 54	642	712	623	771	667	759	365	17	0	4,556
55 to 59	461	562	577	674	598	506	386	170	10	3,944
60 to 64	241	321	340	414	296	224	163	150	70	2,219
65 to 69	46	104	78	87	68	42	24	11	24	484
70 & Up	32	22	26	23	27	15	9	5	8	167
Total	5,737	4,831	3,467	3,510	2,747	2,092	991	353	112	23,840

Age Distribution



Service Distribution

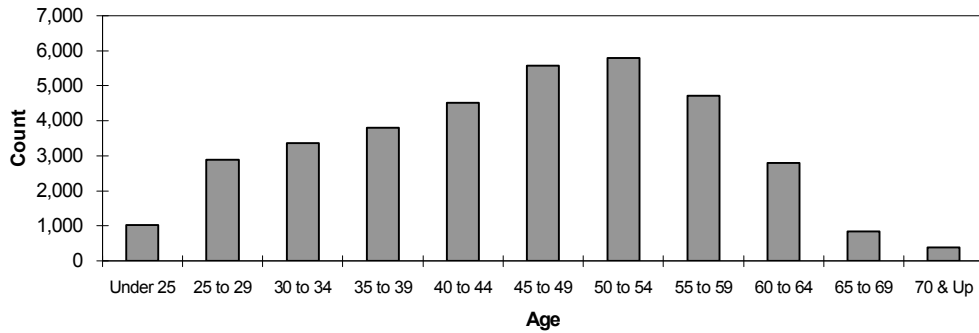


**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2006**

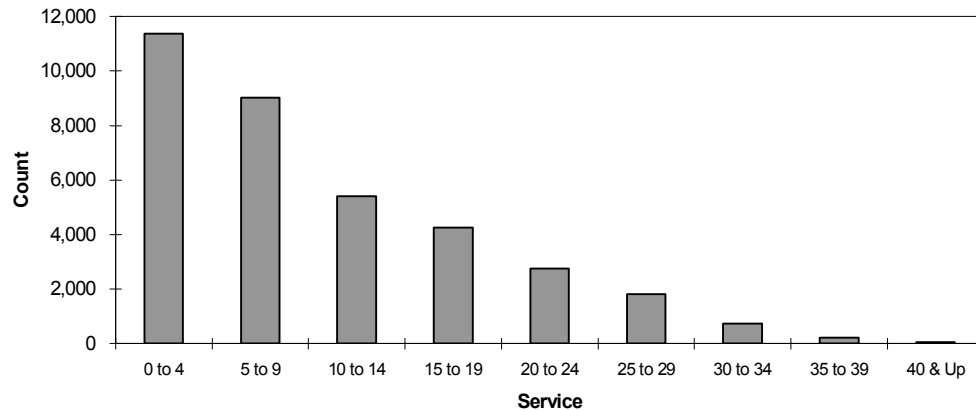
LOCAL

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	997	24	0	0	0	0	0	0	0	1,021
25 to 29	2,236	638	12	0	0	0	0	0	0	2,886
30 to 34	1,618	1,425	312	2	0	0	0	0	0	3,357
35 to 39	1,410	1,288	833	265	9	0	0	0	0	3,805
40 to 44	1,215	1,268	880	788	316	37	0	0	0	4,504
45 to 49	1,168	1,386	991	868	679	450	30	0	0	5,572
50 to 54	1,152	1,209	945	918	673	610	267	21	0	5,795
55 to 59	868	911	750	776	593	450	276	89	2	4,715
60 to 64	475	585	465	464	365	211	132	88	22	2,807
65 to 69	141	196	166	134	96	50	29	12	12	836
70 & Up	89	101	60	48	35	18	12	6	13	382
Total	11,369	9,031	5,414	4,263	2,766	1,826	746	216	49	35,680

Age Distribution



Service Distribution

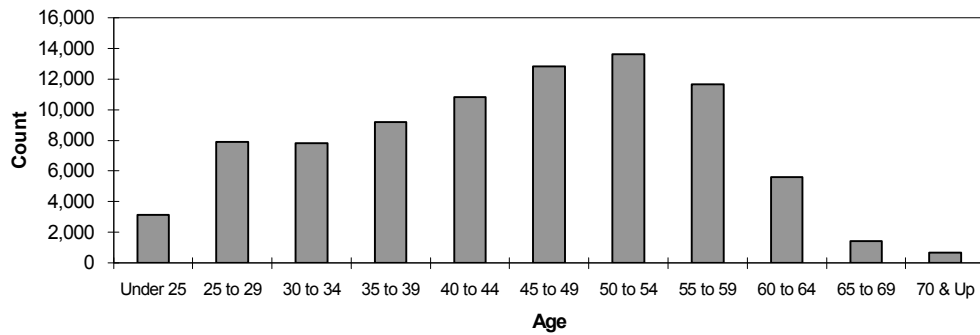


KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2006

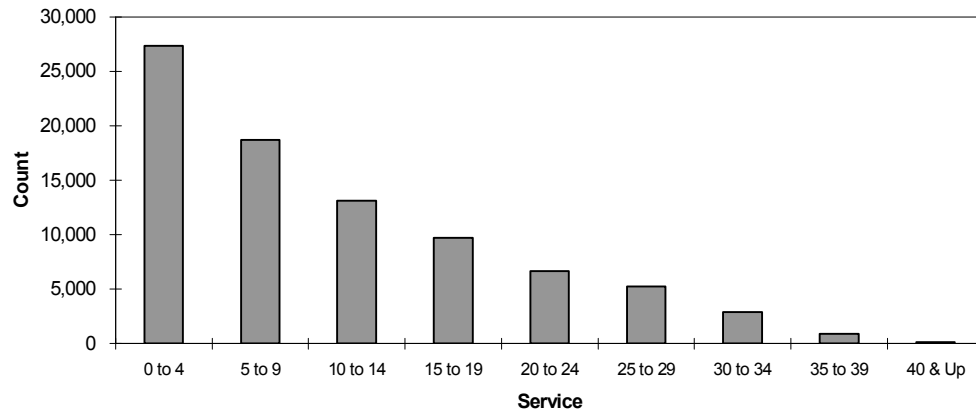
SCHOOL

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	3,093	33	0	0	0	0	0	0	0	3,126
25 to 29	6,073	1,814	12	0	0	0	0	0	0	7,899
30 to 34	3,236	3,586	990	6	0	0	0	0	0	7,818
35 to 39	3,405	2,349	2,658	789	13	0	0	0	0	9,214
40 to 44	3,362	2,615	1,803	2,186	811	29	0	0	0	10,806
45 to 49	2,976	2,903	2,302	1,663	1,898	1,083	13	0	0	12,838
50 to 54	2,224	2,366	2,408	2,031	1,396	2,062	1,131	7	0	13,625
55 to 59	1,533	1,626	1,726	1,982	1,563	1,377	1,356	482	2	11,647
60 to 64	824	909	862	841	805	579	325	373	72	5,590
65 to 69	367	322	248	164	108	92	53	52	41	1,447
70 & Up	256	191	109	50	40	15	12	10	14	697
Total	27,349	18,714	13,118	9,712	6,634	5,237	2,890	924	129	84,707

Age Distribution



Prior Service Distribution

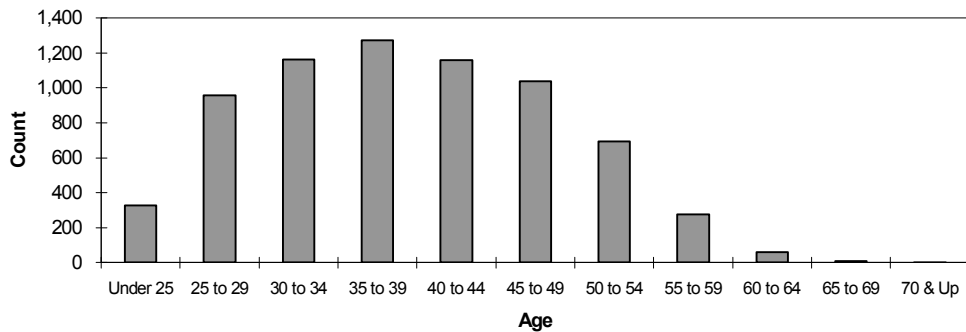


**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2006**

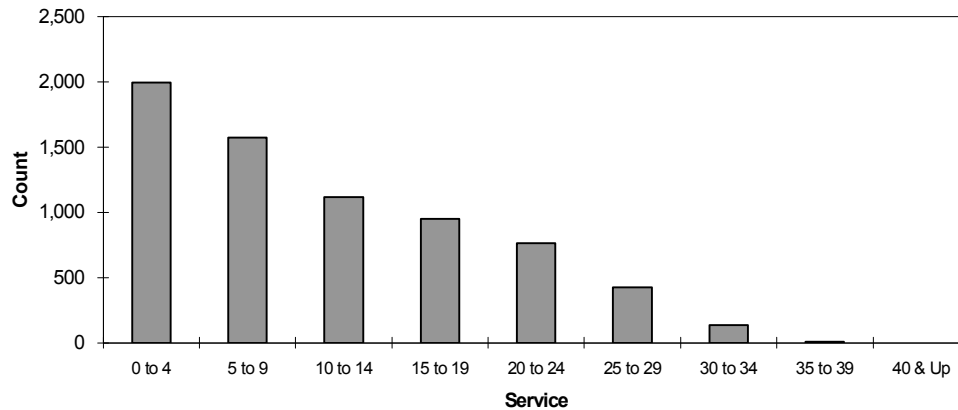
KP&F

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	328	0	0	0	0	0	0	0	0	328
25 to 29	728	230	1	0	0	0	0	0	0	959
30 to 34	394	597	171	1	0	0	0	0	0	1,163
35 to 39	245	403	479	144	3	0	0	0	0	1,274
40 to 44	129	182	246	398	200	5	0	0	0	1,160
45 to 49	81	92	124	233	343	162	3	0	0	1,038
50 to 54	48	42	55	99	168	197	86	0	0	695
55 to 59	28	17	31	58	45	53	42	2	0	276
60 to 64	9	9	8	13	5	9	3	4	0	60
65 to 69	5	0	2	2	0	0	1	0	0	10
70 & Up	0	1	1	0	0	0	0	0	0	2
Total	1,995	1,573	1,118	948	764	426	135	6	0	6,965

Age Distribution



Service Distribution

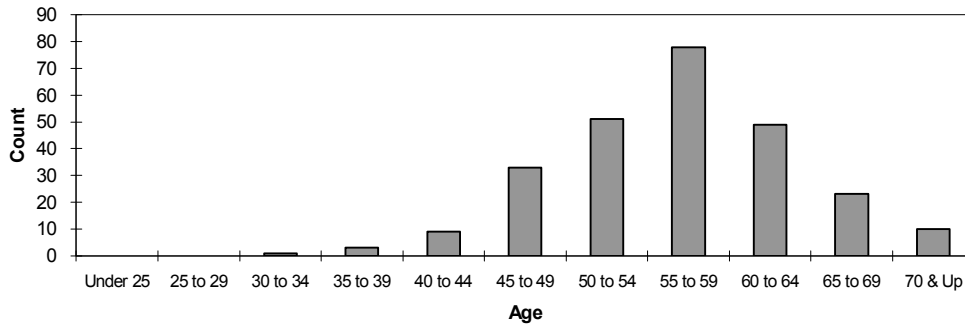


**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2006**

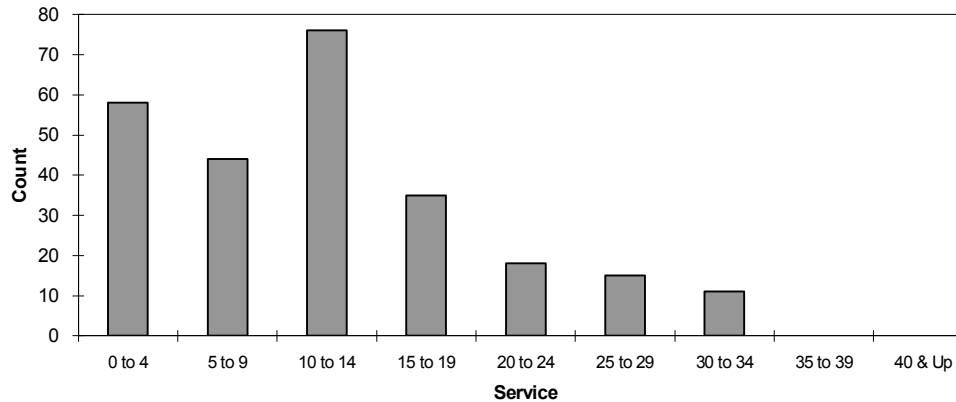
JUDGES

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	1	0	0	0	0	0	0	1
35 to 39	3	0	0	0	0	0	0	0	0	3
40 to 44	8	1	0	0	0	0	0	0	0	9
45 to 49	18	11	3	1	0	0	0	0	0	33
50 to 54	12	14	16	7	2	0	0	0	0	51
55 to 59	10	11	27	14	8	6	2	0	0	78
60 to 64	6	5	19	7	5	4	3	0	0	49
65 to 69	0	2	7	3	3	4	4	0	0	23
70 & Up	1	0	3	3	0	1	2	0	0	10
Total	58	44	76	35	18	15	11	0	0	257

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% per annum
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</u> <u>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)

For members hired before July 1, 1993, there is a load applied to retirement (early or unreduced) to reflect the impact of using a four-year final average pay with add-ons. The loads are as follows:

Corrections Officers	1.0%
Other State Members	2.0%
Local Members	1.3%
Schools Members	0.5%

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%	15.0%	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%	2.3%
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%	9.4%	9.4%	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%	9.3%	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	.031%	.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	1.3%
	20	0.5%
	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	30%	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% per annum														
Rates of Mortality: Post-retirement Pre-retirement	RP-2000 Healthy Annuitants Table (Generational) 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	<table><thead><tr><th><u>Age</u></th><th><u>Rate</u></th></tr></thead><tbody><tr><td>Under 62</td><td>0.0%</td></tr><tr><td>62</td><td>30.0%</td></tr><tr><td>63</td><td>25.0%</td></tr><tr><td>64</td><td>10.0%</td></tr><tr><td>65-69</td><td>50.0%</td></tr><tr><td>70 and up</td><td>100.0%</td></tr></tbody></table>	<u>Age</u>	<u>Rate</u>	Under 62	0.0%	62	30.0%	63	25.0%	64	10.0%	65-69	50.0%	70 and up	100.0%
<u>Age</u>	<u>Rate</u>														
Under 62	0.0%														
62	30.0%														
63	25.0%														
64	10.0%														
65-69	50.0%														
70 and up	100.0%														
Inactive Vested	Assumed to retire at age 62.														

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

TECHNICAL VALUATION PROCEDURES

Data Procedures

In-pay members:

If a birth date is not available, the member is assumed to have retired at 62. If a retirement date is also not available, the member is assumed to be 75.

If a beneficiary birth date is needed but not supplied, males are assumed to be 3 years older than females.

Not in-pay members:

If a birth date is not available, it is assigned according to the following schedule:

<u>System</u>	<u>Active member age at hire</u>	<u>Inactive member age at valuation</u>
KPERS	34.7	50
KP&F	27.5	49
Judges	43.4	54

If gender is not provided, it is assigned randomly with a 40% probability of being male and 60% probability of being female.

Salaries for first year members are annualized assuming they were hired in the middle of the month of membership

Other Valuation Procedures

No actuarial accrued liability in excess of the unclaimed member contribution balance is held for nonvested, inactive members. A reserve is also held for accounts that have been forfeited but could be reclaimed in the future.

Benefits above the projected IRC Section 415 limit for active participants are assumed to be immaterial for the valuation.

The compensation limitation under IRC Section 401(a)(17) is considered in this valuation. On a projected basis, the impact of this limitation is insignificant.

Salary increases are assumed to occur mid-year.

Decrements are assumed to occur mid-year, except that immediate retirement is assumed for those who are at above the age at which retirement rates are 100%. Standard adjustments are made for multiple decrements. Withdrawal does not operate once early or unreduced retirement eligibility is met.

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).