2001

KPERS

Kansas Public Employees Retirement System

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2001

a component unit
of the state of Kansas

Service

Integrity

Respect

Accountability

Innovation

Teamwork

KPERS

Kansas Public Employees Retirement System

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2001

ANNUAL REPORT Section

Prepared by
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Glenn Deck
Executive Director

Leland Breedlove
Chief Fiscal Officer

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

INTRODUCTORY Section

Service (sur'vis), 1. An act of helpful activity. 2. The supplying of any articles, commodities, activities, etc., required or demanded.

Loretta B. Lynn, Retired Teacher, USD 501, Vice President of the Kansas Association of Retired School Personnel (KARSP)

KPERS 2001

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kansas Public Employees Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Kansas Public Employees Retirement System

November 5, 2001

Board of Trustees and Members
Kansas Public Employees Retirement System

Dear Board of Trustees and Members:

I am pleased to present the 2001 Annual Report of the Kansas Public Employees Retirement System. The annual report covers the operations of the Retirement System for the fiscal year ended June 30, 2001. The System's fiscal year 2001 operating results and financial position are presented in conformity with generally accepted accounting principles. This report was prepared through the combined efforts of the Retirement System's staff members.

The 2001 Annual Report consists of several sections. The first section is the introductory section, which includes this letter; the second is the financial section, and includes the Statement of Plan Net Assets as of June 30, 2001. An annual audit of the Retirement System was conducted by the independent certified public accounting firm Berberich Trahan & Co., P.A. The firm's report on the Retirement System's financial statements is included in the financial section, which is the second section.

The third section of the annual report is the investment section, detailing the performance of the Retirement System's investment portfolio during fiscal year 2001. The fourth and fifth sections of the annual report are the actuarial section, which describes the funding basis, actuarial assumptions, contributions, and funded ratios of the Retirement System; and the statistical section, which provides tables and several graphics concerning membership, benefits, and other statistical data.

The Retirement System management is responsible for the maintenance of a system of adequate internal accounting controls designed to provide the safekeeping of assets and reasonable assurance regarding the reliability of financial records. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner to present fairly the financial position and results of operations of the Retirement System. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the management of the System.

Each year, the Retirement System features a unique theme in its Annual Report. This year's Annual Report theme focuses on the six core values that guide the Retirement System: service, integrity, respect, accountability, innovation and teamwork. Throughout the report, these values are exemplified by Retirement System members and the various positions they hold in public service.

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

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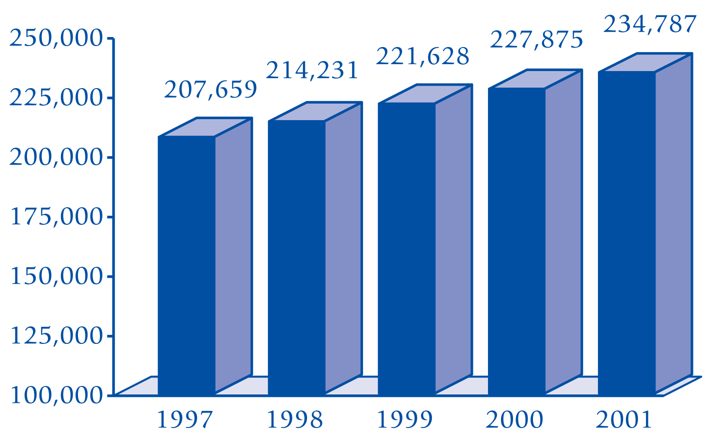
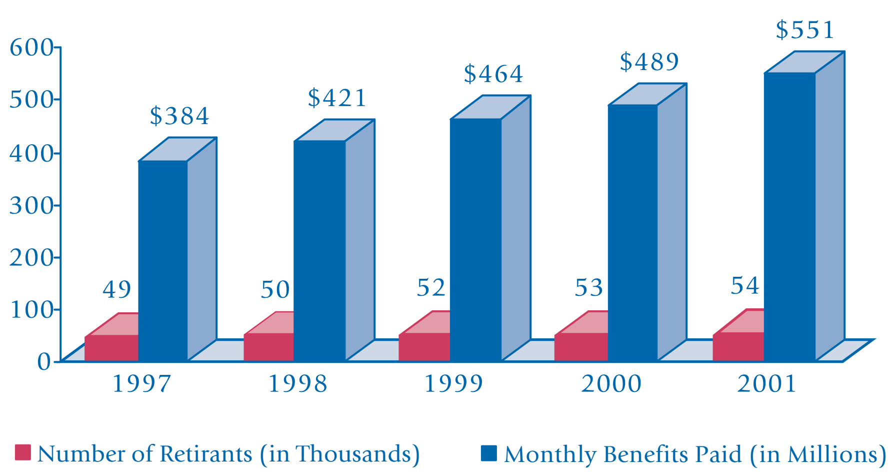
Over the last five years, the Retirement System has undergone significant growth in membership, with a notable increase in the amount and level of benefits paid (with a resulting impact on the Kansas economy). The Retirement System's total membership has grown in the last five years - to 234,787 as of June 30, 2001, from 207,659 as of June 30, 1997 - which is a 13.1 percent increase. Retired members grew in number from 48,559 to 54,302 over the same period, a 11.2 percent increase.

KPERS Membership



At June 30, 2001, the membership of the Retirement System included 151,593 active members, 28,892 former public servants, and 54,302 retired public servants and beneficiaries. Seven new public employers joined the Retirement System, and by the end of fiscal year 2001 the number of public employers in the Retirement System totaled 1,423.

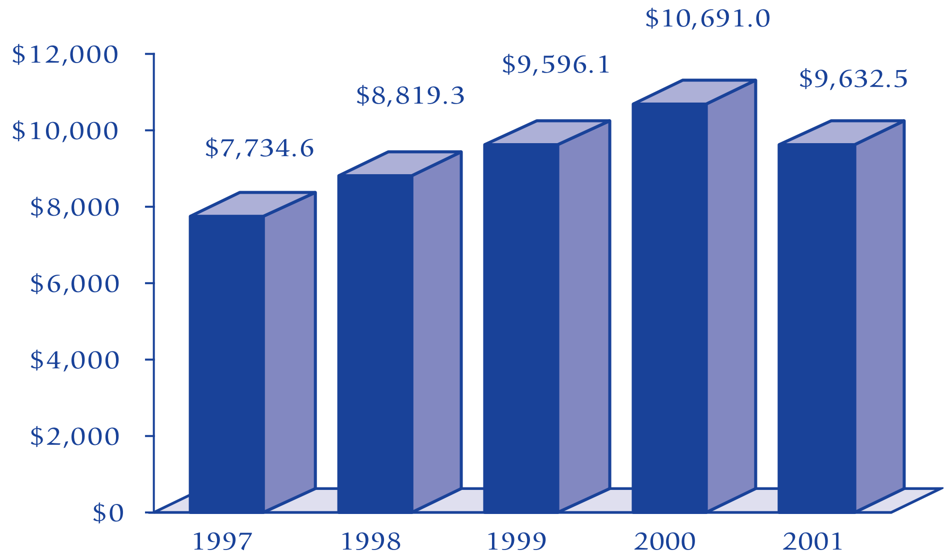
Comparison of Benefits Paid to Retired Members



The total benefits paid to retired members rose to $551 million in fiscal year 2001 from $389 million in fiscal year 1997. The average annual retirement benefit increased by $2,039 over the same five-year period, or approximately 25 percent. At June 30, 2001, the average annual benefit was $9,986. The purchasing power of retired KPERS members has a significant economic impact on the State of Kansas. Eighty-seven percent of KPERS retired members continue to live in Kansas today.

Net Asset Value of Investments

(in Millions)



After six consecutive years of positive performance the System experienced a down year in fiscal year 2001. The Retirement System's aggregate portfolio suffered following the price declines being experienced within the domestic and global stock markets. The total assets of the KPERS aggregate portfolio at June 30, 2001 were slightly in excess of $9.6 billion, a decrease of approximately $1.1 billion from June 30, 2000. This was composed of investment decreases of $798.1 million, benefit payments in excess of contributions of $251.8 million and administrative expenses of $6.8 million. The total return of the portfolio was a negative 7.3 percent. Although KPERS experienced a negative return for fiscal year 2001, the average total return over the last five years has been a positive 9.4 percent. The Retirement System's investment performance as measured by the time-weighted rate of return as compared to the consumer price index for the past five years is shown below.

Investment Performance
Past Five Years

Fiscal Year	Time-Weighted Rate of Return	Consumer Price Index
2001	**(7.3) %**	**3.2 %**
2000	13.8	3.7
1999	11.2	2.0
1998	16.5	1.7
1997	14.4	2.3

Time weighted return includes income and changes in market value. Values used for non-publicly traded securities reflect estimated fair value. Values used for real estate investments reflect appraised values.

The table below presents a synopsis of the System's financial operations for fiscal year 2001. The complete Statement of Changes in Plan Net Assets is on page 14. During the year, active members contributed $204 million to the Retirement System, while employers contributed $193 million.

Fiscal Year 2001 Operating Results

Net Assets at July 1, 2000			$ **10,721,260,275**
Additions:			
Contributions			
Member	$ 204,142,810		
Employer	193,384,289		
Total Contributions		$ 397,527,099	
Investment Income			
Gross Investment Income	$ (774,874,878)		
Less Manager, Custodian Fees, Expenses	(23,251,905)		
Net Investment Income		(798,126,783)	
Other Miscellaneous Income		175,815	
Total Additions (Net Reductions)		(400,423,869)	
Deductions:			
Monthly Retirement Benefits Paid	550,674,064		
Refunds of Contributions	43,967,623		
Death Benefits	8,227,488		
Insurance Premiums and Benefits	46,456,603		
Administrative Expenses	6,843,434		
Total Deductions		656,169,212	
Net Increase			(1,056,593,081)
Net Assets at June 30, 2001			$ **9,664,667,194**

The expenses of the Retirement System totaled nearly $656.2 million in fiscal year 2001. Included were $550.7 million in monthly benefits to retired members, $44.0 million paid to members who withdrew their contributions, $8.2 million in death benefits, and $46.5 million in insurance premiums and benefits. The cost of maintaining the Retirement System's administrative operations totaled $6.8 million.

The Retirement System remains financially secure. One indication of a pension fund's strength is the funding status of its actuarial liability. Upon the recommendation of the System's actuary, the Board approved the change of the date of the annual valuation from June 30 to December 31. At December 31, 2000, assets available for retirement benefits were 88.3 percent of the total actuarial accrued liability, as computed by the System's actuary, Milliman USA. Current Kansas law provides that this unfunded actuarial liability will be amortized over a forty-year period from July 1, 1993. Progress in reducing the unfunded actuarial liability will be accomplished over time by the System's investment performance and the receipt of adequate levels of contributions.

During this fiscal year, the Retirement System has concentrated on delivering services to members and their beneficiaries in a timely, accurate, and cost-effective manner. We have continued to enhance communication and technology to connect with all our members and beneficiaries in a variety of ways.

The Retirement System's goal is to attain fully automated and integrated business systems. In fiscal year 2001, we continued to implement an imaging system that incorporates digital document imaging. This system will integrate existing software applications with electronic records for all members and participating employers. We have also continued to enhance and maintain our web-based applications.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kansas Public Employees Retirement System, for the comprehensive annual financial report for the fiscal year ended June 30, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. The comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Kansas Public Employees Retirement System has received the Certificate of Achievement for each of the last seven consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting this annual report to the GFOA for its consideration.

The Kansas Public Employees Retirement System has as its highest priority delivering essential services to Kansas public servants and public employers. The Retirement System is committed to the concepts of fiduciary responsibility, prompt and courteous member service, and the complete, accurate, and timely reporting of performance results. Your questions, comments, and concerns are essential and always welcome. We appreciate the opportunity to serve you.

Sincerely,

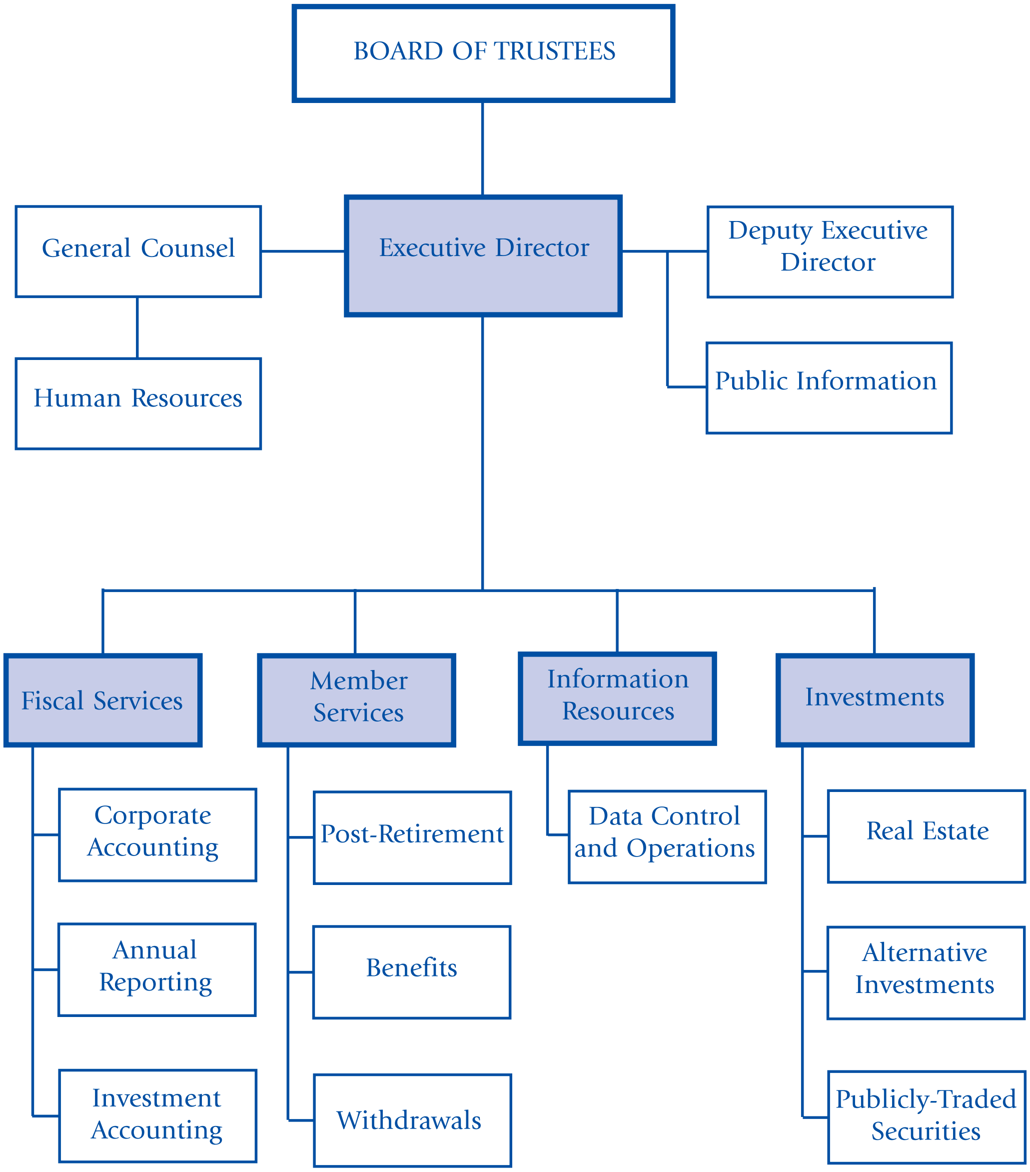
Glenn Deck

Glenn Deck
Executive Director

Board of Trustees

The Kansas Public Employees Retirement System is governed by a nine-member board of trustees. The Board is comprised of four members appointed by the governor, one member appointed by the president of the Senate, one member appointed by the speaker of the House of Representatives, two members elected by Retirement System members, and the state treasurer. Each trustee serves a four-year term.

Organization Chart



A list of the Retirement System's consultants and investment advisors is found on page 80.

Values Statement

Service

We strive to provide excellent service that is timely, accurate, thorough and accessible. Members and employers should receive the best service possible.

Integrity

We conduct business in an honest, ethical and fair environment. We adhere to the highest standards of professional and ethical conduct.

Respect

We acknowledge that our dedicated employees are essential to our success. We value the unique contributions of individuals and encourage mutual respect, civility, diversity and personal development.

Accountability

We take ownership and responsibility for our actions and their results. We are fiscally responsible and performance oriented.

Innovation

We seek creative solutions to long-range situations and everyday issues. We are willing to embrace change and consider new ideas.

Teamwork

We work together to achieve common goals. We are committed to sharing both risks and rewards; we value openness and flexibility.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

FINANCIAL Section

Integrity (in teg're ti), 1. Firm adherence to a code or standard of values. 2. The state of being unimpaired: soundness.

Elwood J. Phelps, Trooper,
Kansas Highway Patrol

KPERS
2001

Berberich Trahan & Co., P.A.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Kansas Public Employees Retirement System:

We have audited the accompanying statement of plan net assets of the Kansas Public Employees Retirement System as of June 30, 2001, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Kansas Public Employees Retirement System as of June 30, 2001, and the changes in plan net assets for the year then ended, in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2001 on our consideration of the System's internal control structure over financial reporting and our tests on its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of employer contributions, funding progress, and actuarial valuation included on pages 24 and 25, are supplemental disclosures under Governmental Accounting Standards Board Statement No. 25, and are not a required part of the financial statements. The supplementary information included on pages 26 through 29 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information for the years ended June 30, 1992 through 2001, has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Berberich Trahan & Co., P.A.

November 2, 2001

Statement of Plan Net Assets as of June 30, 2001
With Comparative Figures for 2000

	2001 Totals	2000 Totals
Assets		
Cash and Deposits		
Cash	$ 39,596	$ 199,178
Deposits with Insurance Carrier	3,734,374	5,343,448
Total Cash and Deposits	3,773,970	5,542,626
Receivables		
Contributions	26,810,833	23,474,103
Investment Income	52,953,550	62,771,216
Sale of Investment Securities	1,622,587,679	1,883,832,369
Total Receivables	1,702,352,062	1,970,077,688
Investments at Fair Value		
Domestic Large Cap Equities	2,382,973,100	2,867,547,825
Domestic Small Cap Equities	1,498,400,502	1,773,426,272
International Equities	1,253,158,792	1,586,982,129
Cash and Equivalents	308,238,418	247,684,985
Fixed Income	3,261,550,326	3,901,390,205
Alternative Investments	482,326,039	381,830,096
Real Estate	672,674,743	575,247,159
Total Investments	9,859,321,920	11,334,108,671
Invested Securities Lending Collateral	1,189,370,279	826,901,317
Fixed Assets and Supplies Inventory	3,149,286	3,363,499
Total Assets	12,757,967,517	14,139,993,801
Liabilities		
Administrative Costs	673,425	571,564
Benefits Payable	930,558	1,510,720
Securities Purchased	1,902,326,061	2,589,749,925
Securities Lending Collateral	1,189,370,279	826,901,317
Total Liabilities	3,093,300,323	3,418,733,526
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page 25.)	$ 9,664,667,194	$ 10,721,260,275

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Changes in Plan Net Assets
For the Fiscal Year Ended June 30, 2001
With Comparative Figures for 2000

	2001 Totals	2000 Totals
Additions		
Contributions		
Member Contributions	$ 204,142,810	$ 192,777,255
Employer Contributions	193,384,289	185,264,106
Total Contributions	397,527,099	378,041,361
Investments		
Net Appreciation in Fair Value of Investments	(1,061,275,002)	997,376,144
Interest	201,483,091	211,532,985
Dividends	37,639,689	55,532,495
Real Estate Income, Net of Operating Expenses	41,997,152	40,748,804
Other Investment Income	556,969	31,508,502
	(779,598,101)	1,336,698,930
Less Investment Expense	(23,251,905)	(25,517,316)
Net Investment Income	(802,850,006)	1,311,181,614
From Securities Lending Activities		
Securities Lending Income	62,950,106	32,446,888
Securities Lending Expenses		
Borrower Rebates	(56,202,763)	(27,320,030)
Management Fees	(2,024,120)	(1,537,974)
Total Securities Lending Activities Expense	(58,226,883)	(28,858,004)
Net Income from Security Lending Activities	4,723,223	3,588,884
Total Net Investment Income	(798,126,783)	1,314,770,498
Other Miscellaneous Income	175,815	245,354
Total Additions (Net Reductions)	(400,423,869)	1,693,057,213
Deductions		
Monthly Retirement Benefits Paid	(550,674,064)	(497,869,985)
Refunds of Contributions	(43,967,623)	(43,631,850)
Death Benefits	(8,227,488)	(8,071,779)
Insurance Premiums and Benefits	(46,456,603)	(42,199,878)
Administrative Expenses	(6,843,434)	(5,689,571)
Total Deductions	(656,169,212)	(597,463,063)
Net Increase	(1,056,593,081)	1,095,594,150
Net Assets held in trust for Pension Benefits		
Balance Beginning of Year	10,721,260,275	9,625,666,125
Balance End of Year	$ 9,664,667,194	$ 10,721,260,275

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR 2001

NOTE 1 - Plan Description

A. Plan Membership

The Kansas Public Employees Retirement System (the Retirement System, or the System) is a body corporate and an instrumentality of the State of Kansas. The Retirement System is an umbrella organization administering the following three statewide pension groups under one plan, as provided by K.S.A. 74, article 49: 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). All three systems are part of a tax-exempt, defined benefit, contributory plan covering substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer, cost-sharing groups. Participation by the State of Kansas is mandatory, whereas participation by local political subdivisions is optional but irrevocable once elected. Participating employers and retirement system membership are as follows:

Number of Participating Employers

	KPERS	KP&F	Judges
State of Kansas	1	1	1
Counties	105	19	—
Cities	352	41	—
Townships	54	—	—
School Districts	304	—	—
Libraries	114	—	—
Conservation Districts	82	—	—
Extension Councils	79	—	—
Community Colleges	44	—	—
Recreation Commissions	36	—	—
Hospitals	29	—	—
Cemetery Districts	14	—	—
Other	147	—	—
Total	1,361	61	1

Membership by Retirement Systems

	KPERS	KP&F	Judges
Retirees and beneficiaries currently receiving benefits	51,078	3,075	149
Terminated employees entitled to benefits but not yet receiving them	6,119	70	10
Inactive members not entitled to benefits	22,070	618	5
Current employees	144,705	6,629	259
Total	223,972	10,392	423

KPERS members' benefits vest with ten years of credited service. KP&F members' benefits vest with 20 years of credited service for Tier I, and with 15 years of credited service for Tier II. Normally, ten years of credited service is required for Retirement System for Judges members to become vested.

B. Plan Benefits

Members (except KP&F members) with ten or more years of credited service, may retire as early as age 55 (KP&F members may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (KP&F members' normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, or age 50 with 25 years). Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. Upon termination of employment members may elect to withdraw the accumulated contributions from their individual accounts, including the interest that has been credited to the account. Members who withdraw their accumulated contributions forfeit all rights and privileges accrued during membership. Members choose one of seven options to receive their monthly retirement benefits. Benefit increases, including ad hoc post-retirement benefit increases, must be approved and passed into law by the Kansas legislature. Benefit increases are under the authority of the legislature and the governor of the State of Kansas.

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

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

C. Contributions

Member contributions (from four percent to seven percent of gross compensation), employer contributions and net investment income fund the reserves of the Retirement System. Member contribution rates are established by state law, and are paid by the employer according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. All of the retirement systems are funded on an actuarial reserve basis (see Note 3). For fiscal years beginning in 1995, State of Kansas legislation placed statutory limitations on annual increases in the contribution rates for KPERS employers of 0.1 percent of payroll over the prior year. During the 1995 legislative session, the statutory limits were increased to 0.2 percent of payroll over the prior year for fiscal years beginning in 1996 for state and school employers. The statutory increase for local units of government was amended to limit increases to no greater than 0.15 percent over the prior year for calendar years beginning in 1997. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The amortization period for the unfunded liability of all three systems is 40 years from July 1, 1993. Employer contributions for group life insurance and long-term disability income benefits are set by statute at 0.6 percent of covered payroll for KPERS and 0.4 percent for Judges.

However, legislation passed in 2000 and 2001 placed a moratorium on contributions related to the group life insurance and disability benefits effective for the period April 1, 2000 through December 31, 2001.

NOTE 2 - Summary of Significant Accounting Policies

A. Reporting Entity

The Kansas Public Employees Retirement System (the Retirement System, or the System) is a component unit of the State of Kansas. A nine-member board of trustees administers the Retirement System: four trustees are appointed by the governor, one by the president of the Senate, one by the speaker of the House of Representatives, two are elected by Retirement System members, and one is the state treasurer. The Board of Trustees appoints the executive director, who is the Retirement System's managing officer.

B. Basis of Accounting

The financial statements of the Retirement System are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international securities exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals. Investments that are not publicly traded are reported at estimated fair value.

E. Cash and Deposits

Cash deposits are classified in three categories of credit risk to give an indication of the level of risk assumed by KPERS. The three categories of credit risk are:

1. Insured or collateralized with securities held by the State Treasurer or its custodian in the name of the State of Kansas;

2. Collateralized with securities held by the pledging financial institution's trust department or custodian in the name of the State of Kansas; and,

3. Uncollateralized.

As of June 30, 2001, the cash deposits of $39,596 held by the State Treasurer were in credit risk category "1." The Retirement System's deposits with its insurance carrier were $3,734,374 at June 30, 2001, and were in credit risk category "3."

F. Investments

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

Statutory authority for the investment program of the Kansas Public Employees Retirement System is provided for in K.S.A. 74-4901, et. seq. The Retirement Act addresses the following areas:

- Establishes the structure of the Board of Trustees, defines the Trustees' responsibilities, imposing the prudent expert standard upon their actions with respect to managing the assets of the Retirement System.
- Requires that the assets be invested to preserve capital and solely to provide benefits to members and the members' beneficiaries.
- Limits the possible allocation of common stock to 60 percent of the total book value of the fund.
- Limits the allocation of private placements and other alternative (non-publicly traded) investments to five percent (5%) of the total investment assets of the fund, but does not require the sale of such investments held unless the sale is in the best interests of members.
- Establishes limits on the structure of future investments in alternative investments.
- Requires that the Board develop investment policies and objectives for the investment and reinvestment of the assets of the fund.
- Authorizes the Board to hire qualified professionals/firms to assist in the investing of the fund and to require that such professionals/firms obtain errors and omissions insurance coverage and fidelity bond insurance coverage.
- Authorizes the Board to pay for the services of retained professionals/firms at the rates fixed by the Board, excluding any reimbursement for expenses and subject to the provisions of the appropriations acts.
- Provides for an annual audit and requires that the Board examine the investment program, specific investments, and its policies and practices annually.

At June 30, 2001, the Retirement System did not have investments (other than those issued by the U.S. government) in any one organization representing five percent (5%) or more of the System's assets.

The Retirement System's permissible investment categories include equities, fixed income securities, cash equivalents, real estate, derivative products, and alternative investments. In fulfilling its responsibilities, the Board of Trustees has contracted with 18 investment management firms and a master global custodian.

Presently the Retirement System has investments in the financial futures market. Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Daily, the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of counterparties to futures contracts is minimal. At June 30, 2001, the Retirement System had futures contracts with a fair value of approximately $108,000,000. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the Statement of Investment Policy.

The Retirement System's Statement of Investment Policy authorizes participation in a securities lending program administered by the master global custodian, Mellon Trust. The System receives income from the loan of the securities, in addition to the income which accrues to the System as owner of the securities. The securities loans are open contracts and therefore could be terminated at any time by either party. The type of securities lent include U.S. Government securities, domestic and international equities, and domestic and international bonds.

The borrower collateralizes the loan with either cash or government securities of 102 percent of fair value on domestic securities, and 105 percent of fair value on international securities loaned. Cash collateral is invested in the Retirement System's name in a dedicated short term investment fund consisting of investment grade debt securities. The System does not have the ability to pledge or sell collateral securities without a borrower default. At June 30, 2001, the maturities of securities in this dedicated bond portfolio are as follows: 67 percent of the fair value of the securities mature within 30 days; 24 percent mature between 31 and 180 days; and 9 percent mature after 180 days. The custodian provides for full indemnification to the Retirement System for any losses that might occur in the event of borrower default. Therefore, the Retirement System does not incur any credit risk as it relates to this activity. The securities on loan are marked to market daily to ensure the adequacy of the collateral. Net income produced from securities lending activities for fiscal year 2000 was $3,588,884 and for fiscal year 2001 was $4,723,223. The fair value of securities on loan as of June 30, 2000 and June 30, 2001 were $1,029,978,406 and $1,171,292,774, respectively.

The Retirement System's international investment managers utilize forward contracts to hedge the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward contracts to enhance returns or to control volatility. The Retirement System also contracts with a currency overlay manager to manage the currency exposure to the System's passive international equity portfolio. Currency risk arises due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counterparties. The Retirement System could incur a loss if its counterparties failed to perform pursuant to terms of their contractual obligations. Controls are established by the investment managers to monitor the creditworthiness of the counterparties.

All forward foreign currency contracts are carried at fair value by the Retirement System. As of June 30, 2001, the System had sold forward currency contracts with a fair value of $1,517,993,933 and had bought forward currency contracts with a fair value of $1,499,152,262. Purchases of forward currency contracts are liabilities reported as Securities Purchased, and sales of forward currency contracts are receivables reported as Sale of Investment Securities.

The Retirement System also participates in option contracts. These contractual agreements give the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by the Retirement System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations.

The Retirement System internally manages a Treasury Inflation Protected Securities (TIPS) portfolio. TIPS are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2001, the Retirement System had invested in TIPS with a fair value of approximately $780,000,000.

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

1. Insured or registered and held by the System's custodial bank in the System's name.
2. Uninsured and unregistered and held by the counterparty's trust department or agent in the System's name.
3. Uninsured and unregistered and held by brokers or dealers not in the System's name.

All Retirement System investments that can be categorized within these guidelines meet the criteria of category 1, with the exception of investments made with securities lending cash collateral, which meet the criteria of category 3. A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditor status. "Securities" do not include investments made with another party, real estate or direct investments in mortgages. Investments in mutual funds, limited partnerships, real estate investment trusts, and commingled trust funds also are not considered securities for purposes of credit risk classification. Such investments are shown in the schedule on the following page as "not subject to classification." The schedule distributes by asset class the fair values of investments.

Investments:	Asset Classification 1		2	3		Fair Value
Subject to Classification:						
Domestic Large Cap Equities	$ 2,349,564,164		—	$ —		$ 2,349,564,164
Domestic Small Cap Equities	1,483,484,788		—	—		1,483,484,788
International Equities	1,070,561,574		—	—		1,070,561,574
Fixed Income	2,345,341,941		—	160,089,240		2,505,431,181
Cash Equivalents						
Corporate Notes	190,029,411	(1)	—	864,969,240	(2)	1,054,998,651
Federal Agency	100,666,310	(1)	—	—		100,666,310
Foreign Currency	14,146,198		—	—		14,146,198
Total Subject to Classification	$ 7,553,794,386		—	$ 1,025,058,480		8,578,852,866
Not Subject to Classification						
Alternative Investments						482,326,039
Real Estate						663,304,776
Mutual Funds						
Cash Equivalents						167,708,298
Securities 0n Loan (3)						1,156,500,220
Total Not Subject to Classification						2,469,839,333
Total Investments						$ 11,048,692,199

1) Fixed securities maturing within 90 days of purchase date.

2) Securities Lending cash collateral invested with maturites within 90 days of fiscal year end.

3) Market value of securities loaned, with cash collateral

G. Fixed Assets and Supplies Inventory

Furniture, fixtures, and equipment are reported on the Statement of Plan Net Assets at historical cost, net of accumulated depreciation. These assets are depreciated on a straight-line basis over an average useful life of three to ten years with no salvage value. Accumulated depreciation on furniture, fixtures, and equipment as of June 30, 2001, was $2,888,277. Office supplies inventory in the amount of $27,490 is included, assuming the first-in, first-out method.

In fiscal year 1999, the Retirement System purchased an office building and garage in Topeka, Kansas. Fifty percent of the floor space of the office building is used as the System's administrative headquarters and the remaining fifty percent is a real estate investment. The administrative portion of the building and garage are reported on the Statement of Plan Net Assets as a fixed asset and are being depreciated. At June 30, 2001 the carrying value of the System's administrative headquarters was $2,907,053.

H. Compensated Accrued Absences

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

I. Reserves

K.S.A. 74-4922 and K.S.A. 74-4927 define the title and use of the required reserves of the Retirement System. The law governing the Retirement System requires the actuary to make an annual valuation of the Retirement System's liabilities and reserves, to make a determination of the contributions required to discharge the Retirement System's liabilities, and to recommend to the Board of Trustees employer contribution rates required to maintain the System on an actuarial reserve basis. The various reserves are:

The Members Accumulated Contribution Reserve represents the accumulation of member contributions plus interest credited to individual member accounts of non-retired members. At the date of retirement the individual member's account is transferred to the Retirement Benefit Payment Reserve. Upon termination of employment and application for withdrawal, refunds of employee contributions plus accumulated interest are charged to this reserve. Interest is credited to member accounts on June 30 each year, based on the balance in the account as of the previous December 31. The interest crediting rate, defined by statute as the actuarial interest assumption rate, was eight percent (8%) for those who became members prior to July 1, 1993. For those who first became members after June 30, 1993, interest on employee contributions will be credited at the rate of four percent (4%) per year. The balance at June 30, 2001, was $3,172,632,253, and was fully funded.

The Retirement Benefit Accumulation Reserve represents the accumulation of employer contributions, net investment income not credited to any other reserve, and the actuarially computed prior service liability not yet funded. The balance at June 30, 2001, was $3,066,615,167. The unfunded liability was $1,304,832,172.

The Retirement Benefit Payment Reserve represents the actuarially computed present value of future benefits for retired members plus interest credited for the current fiscal year, based upon information as of the preceding January 1. The balance at June 30, 2001, was $4,568,168,402, and was fully funded.

The Optional Term Life Insurance Reserve accumulates employee contributions to pay premiums for optional life insurance coverage and is charged annually with the cost of administering the program. The balance at June 30, 2001, was $35,338, and was fully funded.

The Group Insurance Reserve Fund represents employer contributions, which pay 100 percent of the cost of group life insurance and long-term disability coverage. Insurance premiums and benefits consist of: (1) claims paid under the insurance contract; and (2) deposits made by the Retirement System to pay disability benefits to eligible participants. The balance at June 30, 2001, was $140,075,635. There were no contributions to this fund in the fiscal year ended June 30, 2001. An actuarial valuation will be performed in fiscal year 2002 to determine the current funding level.

The Expense Reserve represents an amount of investment income which is sufficient to maintain a year end account balance at two times the most recent fiscal year's administrative expense amount. The System's administrative expenses are financed from this reserve. The balance at June 30, 2001, was $13,687,914, and was fully funded.

The Retirant Dividend Payment Reserve represents an amount which approximates the prior year's retirant dividend payment. Retirant dividend payments (the 13th check) are charged to this reserve. The balance at June 30, 2001, was $8,284,658, and was fully funded.

J. Budget

The annual budget of the operations of the Retirement System is developed by the staff and approved by the Board of Trustees. It is sent to the State Budget Division for analysis and policy decisions and is included in the governor's budget message to the Legislature. The Legislature adopts appropriation and expenditure limitations. When that process is complete, the Retirement System has an approved budget.

K. Non-Retirement Funds

The 2000 legislative session assigned to the Retirement System the investment responsibilities of two funds that consist of non-retirement money. K.S.A. 75-5321(a) established the Senior Service Trust Fund and this fund exists solely to provide income to the nursing facility service payment program, the home and community based nursing facility program and the income eligible (home care) program. The Treasurer's Unclaimed Property Fund was established to provide investment earnings available for periodic transfer to the State Treasury for the credit of the State General Fund. During the 2000 legislative session, management of the investments in this fund was transferred to the Retirement System. Legislation was also provided to defray the reasonable expenses of administrating these funds. At June 30, 2001, investments under management were $66,052,294 for the Senior Services Trust Fund and $87,463,775 for the Treasurer's Unclaimed Property Fund.

NOTE 3 - Funding Policy

A. Funding

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

Every three years, the actuary makes a general investigation of the actuarial experience under the System including mortality, retirement, and employment turnover. The actuary recommends actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation. An actuarial experience study was conducted for the three years ending December 31, 2000. As a result of this study, the Board of Trustees adopted new assumptions in regard to retirement rates, mortality, and withdrawal rates.

After significant research on issues related to how/when the System membership data is updated (once a year as of December 31) and the valuation date being June 30 of the following year, the System's actuary recommended and the Board approved to change the valuation date to December 31. This change was made to enable the liabilities of the System to be more accurately valued.

In fiscal year 1993, the Kansas Legislature passed into law legislation that amended the statutory funding method applicable to the Retirement System. For KPERS, the funding method was changed from the frozen initial liability method to the projected unit credit actuarial cost method. The law further provided that this method be used to determine KPERS employer contribution rates commencing with the 1993 actuarial valuation, except for Board of Regents plan members (TIAA and equivalents). Under the new method, the unfunded actuarial accrued liability is recalculated each year (rather than being essentially fixed in dollar amounts as under the previous method). Actuarial gains and losses resulting from differences between actual and assumed experience are reflected in KPERS' accrued actuarial liabilities, and affect the amount of annual amortization payments required to amortize the unfunded accrued liability over the statutory 40-year period from July 1, 1993. The funding methods used by the Retirement System's actuary for the KP&F and the Judges systems were not changed; they were the aggregate cost method with supplemental liability and the frozen initial liability method, respectively. The actuary has estimated the change in the unfunded actuarial liability between June 30, 2000 and December 31, 2000, can be attributed to the following (in millions):

Unfunded Actuarial Liability, June 30, 2000	$ 1,233
Full impact of change in valuation procedures on 6/30/00 UAL	302
Effect of contribution cap/time lag	60
Expected increase due to amortization method	12
Gain from investment return	(23)
Liability experience	96
All other experience	(12)
Change in benefit provisions	0
Change in actuarial assumptions	(206)
Re-establishment of UAL for KP&F	(157)
Unfunded Actuarial Liability, December 31, 2000	$ 1,305

B. Contributions Required and Contributions Made

KPERS. The actuarially determined contribution rates are computed as a level percentage of salary by the Retirement System's actuary. The results of 1997 and 1998 actuarial valuations provide the basis for Board certification of employer contribution rates for fiscal years beginning in 1999 and 2000, respectively. The actuarially determined employer contribution rates derived from the actuarial valuations for fiscal years beginning in calendar years 2000 and 2001 are as follows:

KPERS Membership Groups	Fiscal Year 2000	Fiscal Year 2001
State/School Employees	5.27 %	6.15 %
Certain Correctional Employees	5.82/6.28	7.02/7.64
TIAA Employees	1.82	1.81

As explained in Note 1, legislation has limited the amounts that employers are required to contribute for State/School employees and Local employees, which has resulted in lower employer contribution rates as compared to the actuarial determined rates shown above. For fiscal years ended June 30, 2000 and June 30, 2001, the employer contribution rates for State/School employees were 4.19 percent and 3.98 percent, respectively.

The results of 1998 and 1999 actuarial valuations provide the basis for Board certification of local employer contribution rates for fiscal years beginning in 2000 and 2001, respectively. The actuarially determined employer contribution rates derived from the actuarial valuations for fiscal years beginning in years 2000 and 2001 are 3.89 percent and 3.88 percent, respectively. The actual employer rates for local employees were 3.22 percent in 2000 and 2.77 percent in 2001.

KP&F. The uniform participating service rate for all KP&F employers was 7.35 percent for the fiscal year beginning in 2000 and 6.97 percent for the fiscal year beginning in 2001. KP&F employers also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer.

Judges. The total actuarially determined employer contribution rate was 14.38 percent of payroll for the fiscal year ended 2000 and 15.74 percent of payroll for the fiscal year ended 2001.

The law specifies employee contributions as: Each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct from the compensation of each member an amount equal to four percent (4%) for KPERS members, seven percent (7%) for KP&F members, and six percent (6%) for Judges members as the member's employee contributions. All contributions required to be made have been made as follows:

	(Expressed in Thousands)		
	Employer and Insurance Contributions	**Member Contributions (1)**	**Contributions as a Percent of Covered Payroll**
KPERS- State/School,TIAA	$ 131,929	$ 133,623	8.2 %
KPERS - Local	27,101	42,410	8.9
KP&F	31,133	19,644	22.0
Judges	3,221	1,040	23.1
Total	$ 193,384	$ 196,717	9.1 %

An estimated $329 million of employer and employee contributions were made to cover normal cost, and an estimated $61 million was made for amortization of the unfunded actuarial accrued liability.

1) Member contributions do not include Optional Life Insurance contributions of approximately $7.4 million.

C. Historical Trend Information

Historical trend information, showing the Retirement System's progress in accumulating sufficient assets to pay benefits when due, is presented on page 25 and is titled, "Required Supplemental Information."

NOTE 4 - Commitments and Contingencies

As of June 30, 2001, the Retirement System was committed for additional funding of $7,124,937 in the form of capital expenditures on separate account real estate holdings in the portfolio, $596,859,000 for capital calls on venture capital investments and $70,574,000 for capital calls on real estate property trusts investments.

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

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

NOTE 5 – New Accounting Standards

In June 1999, the Governmental Accounting Standards Board issued GASB No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This Statement is required to be adopted by the System for the fiscal year beginning after June 30, 2001. GASB No. 34 establishes accounting and financial reporting standards for general purpose external financial reporting by state and local governments. GASB No. 34 establishes specific standards for the basic financial statements, management's discussion and analysis, and certain required supplementary information. The System management understands the new requirements for providing management discussion and analysis and certain supplementary information and believes the impact to the financial statements will be minimal.

Required Supplemental Information

Schedules of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1992	$118,116,573	94.3 %
1993	116,407,549	100.0
1994	117,581,812	100.0
1995	129,083,585	100.2
1996 (1)	173,927,737	82.5
1997	199,521,423	74.7
1998	216,270,482	77.3
1999	256,813,541	79.0
2000	234,941,116	80.6
2001	277,096,692	77.6

1) For fiscal years ending after June 30, 1996, the actual contributions for KPERS employers were substantially lower than the actuarially required amount, due to statutory limitations on annual increases as discussed in Note 1C.

Required Supplemental Information

Schedules of Funding Progress

(Dollar amounts 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 Percentage of Covered Payroll ((b - a)/c)
06/30/92	$ 4,101,987	$ 4,634,842	$ 532,855	89 %	$ 3,051,989	17 %
06/30/93 (1)	4,492,542	5,460,281	967,739	82	3,265,869	30
06/30/94 (2)	5,041,703	6,546,924	1,505,221	77	3,487,462	43
06/30/95	5,510,957	6,991,029	1,480,072	79	3,766,917	39
06/30/96	6,158,755	7,603,111	1,444,356	81	3,945,207	37
06/30/97	6,875,918	8,251,986	1,376,068	83	4,108,320	33
06/30/98	7,749,203	9,340,685	1,591,482	83	4,273,627	37
06/30/99	8,601,876	9,999,246	1,397,370	86	4,480,717	31
06/30/00	9,568,275	10,801,397	1,233,122	89	4,684,768	26
12/31/00 (3)	9,835,182	11,140,014	1,304,832	88	4,876,555	27

1) 1993 legislation passed substantial benefit enhancements and changed the actuarial cost method of the KPERS system from the frozen initial liability method of the projected unit cost method. The amortization period was also adjusted to a 40-year period beginning July 1, 1993.

2) Asset valuation method was changed from book value to a market-based method.

3) The actuarial valuation date was changed to a calendar year basis.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	KPERS System	KP&F System	Judges System
Valuation Date	12/31/2000	12/31/2000	12/31/2000
Actuarial cost method	Projected Unit Credit	Aggregate Cost with Supplemental Liabilities (2)	Frozen Initial Liability
Amortization method	Level Percent closed	Level Percent closed	Level Dollar closed
Remaining amortization period	32 years	32 years	32 years
Asset valuation method	Expected value plus 1/3 of difference between market and expected	Expected value plus 1/3 of difference between market and expected	Expected value plus 1/3 of difference between market and expected
Actuarial assumptions:			
Investment rate of return (1)	8%	8%	8%
Projected salary increases (1)	4.0% - 9.8%	4.0% - 12.5%	5.5%
Cost of Living Adjustment	none	none	none

1) Salary increases and investment rate of return include an inflation component of 3.5%.

2) The aggregate cost method used for KP&F does not directly calculate an unfunded actuarial liability each year. A supplemental liability consisting of the additional actuarial liability for benefits provided by 1993 legislation was established in 1993 and was "frozen." Changes to the unfunded actuarial liability after 1993 reflected only scheduled amortization payments, changes in benefit provisions, and assumption changes. As the result of favorable experience from 1993 to 2000 and a change in the actuarial assumptions resulting from the 2001 Experience Study, the supplemental liability was reestablished. The actuarial value of assets exceeds the actuarial liability so the supplemental liability was set to zero. The remaining unfunded actuarial liability amortization bases were established as a result of the 1998 COLA and are being amortized over a 15 year period, beginning in 2000.

Schedule of Contributions

For the Fiscal Year Ended June 30, 2001

Kansas Public Employees Retirement System			
State / School Contributions			
Members	$133,623,367		
Employers	126,913,905		
Insurance *			
Total State / School Contributions		$260,537,272	
Local Contributions			
Members	42,410,286		
Employers	27,101,258		
Insurance *			
Total Local Contributions		69,511,544	
State Contributions - KPERS TIAA			
Employers	5,015,511		
Insurance *			
Total KPERS TIAA State Contributions		5,015,511	
Total Contributions - Kansas Public Employees Retirement System			**$335,064,327**
Kansas Police and Firemen's System			
State Contributions			
Members	1,962,524		
Employers	2,517,286		
Total State Contributions		4,479,810	
Local Contributions			
Members	17,681,271		
Employers	28,615,745		
Total Local Contributions		46,297,016	
Total Contributions - Kansas Police and Firemen's System			**50,776,826**
Kansas Retirement System for Judges			
State Contributions			
Members	1,040,283		
Employers	3,220,584		
Insurance *			
Total State Contributions		4,260,867	
Total Contributions - Kansas Retirement System for Judges			**4,260,867**
Optional Life Insurance			
Member Contributions			
State Employees	4,253,138		
Local Employees	3,171,941		
Total Contributions		7,425,079	
Total Contributions - Optional Life Insurance			**7,425,079**
GRAND TOTAL - ALL CONTRIBUTIONS			**$397,527,099**

* Per 2000 legislation, employers were not required to remit the Group Life and Disability portion of the actual employer contribution rate from April 1, 2000 through June 30, 2001.

Schedule of Administrative Expenses
For the Fiscal Year Ended June 30, 2001

Salaries and Wages		$ 3,788,052
Professional Services		
Actuarial	$ 172,332	
Legal	35,832	
Data Processing	530,714	
Public Relations Consulting	298,777	
Audit	50,500	
Other Professional Services	42,251	
Total Professional Services		1,130,406
Communication		
Postage	227,782	
Telephone	106,419	
Printing	115,026	
Advertising	28,067	
Total Communication		477,294
Building Administration		
Real Estate Taxes	93,754	
Building Management	72,427	
Utilities	63,447	
Janitorial Service	47,457	
Total Building Administration		277,085
Miscellaneous		
Travel	114,345	
Temporary Services	127,813	
Supplies	88,739	
Repair and Service Agreements	73,788	
Dues and Subscriptions	46,302	
Fees-Other Services	38,430	
Office and Equipment Rent	16,664	
Depreciation	664,516	
Total Miscellaneous		1,170,597
Total Administrative Expenses		$ 6,843,434

Schedule of Investment Income by Asset Class

For the Fiscal Year Ended June 30, 2001

Asset Classification	Interest, Dividends and Other Transactions	Gains and (Losses)	Total
Marketable Equity Securities			
Domestic Large Capitalization	$ 25,685,199	$ (522,610,718)	$ (496,925,519)
Domestic Small Capitalization	11,823,161	(257,969,553)	(246,146,392)
International Equities	21,452,785	(352,412,782)	(330,959,997)
Subtotal Marketable Equities	58,961,145	(1,132,993,053)	(1,074,031,908)
Marketable Fixed Income Securities			
Domestic Fixed Income			
Treasury & Agency	72,733,594	149,380,386	222,113,980
Corporate	95,860,144	(19,233,112)	76,627,032
International Fixed Income	20,669,340	(50,031,521)	(29,362,181)
Subtotal Marketable Fixed	189,263,078	80,115,753	269,378,831
Temporary Investments	11,098,991	(29,786,510)	(18,687,519)
Total Marketable Securities	259,323,214	(1,082,663,810)	(823,340,596)
Real Estate	41,997,152	43,195,891	85,193,043
Alternative Investments	(20,200,434)	(21,807,083)	(42,007,517)
Total Real Estate and Alternative Investments	21,796,718	21,388,808	43,185,526
Other Investment Income			
Securities Lending	4,723,223	—	4,723,223
Recoveries from Litigation	20,000	—	20,000
Recaptured Broker Commissions	256,616	—	256,616
Miscellaneous Income	280,353	—	280,353
Total Other Investment Income	5,280,192	—	5,280,192
Investment Income	$ 286,400,124	$ (1,061,275,002)	(774,874,878)

Manager and Custodian Fees and Expenses	
Investment Manager Fees	(21,603,662)
Custodian Fees and Expenses	(975,000)
Other Investment Expenses	(673,243)
Total Investment Fees and Expenses	(23,251,905)
Net Investment Income	$ (798,126,783)

Schedule of Investment Fees and Expenses

For the Fiscal Year Ended June 30, 2001

Domestic Equity Large Capitalization Managers		
Barclays Global Investors	$ 1,710,847	
Provident Investment Counsel	875,878	
Wellington Management Co.	1,089,607	
Subtotal Equity Large Capitalization Managers		**$ 3,676,332**
Domestic Equity Small Capitalization Managers		
Barclays Global Investors	1,953,381	
Capital Guardian Trust Co.	903,909	
Pilgrim, Baxter & Associates	1,316,671	
Subtotal Equity Small Capitalization Managers		**4,173,961**
International Equity Managers		
Alliance Capital Management	676,508	
Lazard Freres Asset Management	1,257,446	
Morgan Stanley Asset Management	1,146,159	
Nomura Capital Management	641,829	
Subtotal International Equity Managers		**3,721,942**
Fixed Income Managers		
The Boston Company	981,954	
Julius Baer Investment Management	699,711	
Loomis, Sayles & Co.	1,188,520	
Pacific Investment Management Co.	1,816,629	
Payden & Rygel Investment Counsel	396,359	
Subtotal Fixed Income Managers		**5,083,173**
Foreign Currency Overlay Manager		
Pareto Partners	1,063,868	
Subtotal Foreign Currency Overlay Manager		**1,063,868**
Real Estate and Alternative Investment Managers		
Lend Lease	1,818,601	
L & B Core Group Trust	401,976	
Portfolio Advisors	1,517,846	
Subtotal Real Estate and Alternative Managers		**3,738,423**
Cash Equivalent Manager		
Payden & Rygel Investment Counsel	145,963	
Subtotal Cash Management		**145,963**
Total Investment Management Fees		**21,603,662**
Other Fees and Expenses		
Mellon Trust - Custodian Fees and Expenses	975,000	
Consultant Fees	540,633	
Litigation Expenses	132,610	
Subtotal Other Fees and Expenses		**1,648,243**
Total		**$ 23,251,905**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

INVESTMENT Section

Respect (re spekt'), 1. Esteem or differential regard felt or shown. 2. The condition of being esteemed or honored.

Paul Schneider, Firefighter, Lawrence-Douglas County Fire and Medical Department, Volunteer at Mission Township Fire Department

KPERS 2001

FISCAL YEAR 2001 INVESTMENT REPORT

Introduction

The Board of Trustees of the Kansas Public Employees Retirement System is charged with the responsibility for investing the assets of the System in a manner consistent with the fiduciary standard of a prudent expert. The standard of a prudent expert dictates that the Board exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The concept of diversification of investments among many different asset classes, with different market cycles, is central to the concept of prudence. All decisions regarding the investment of plan assets are made solely for the benefit of the participants and beneficiaries of the System. The Board of Trustees maintains a written Statement of Investment Policy, Objectives and Guidelines. This document, which is reviewed annually, presents the Board's conclusions as to the most suitable combination of investments, within statutory requirements, which will satisfy the System's ongoing obligations. In addition, it sets forth the criteria against which the System's investment managers will be measured and communicates the policies, objectives, guidelines, and performance expectations to the staff, advisors, consultants, and all other interested parties.

This discussion regarding the investments of the Retirement System describes the objectives, guidelines and general policy governing the System's investment activity. In addition, it provides the returns, by asset category and in total, for the fiscal year ended on June 30, 2001. This report is presented in compliance with the reporting standards as set forth by the Association of Investment Management and Research (AIMR). The data has been gathered and compiled by the staff of the Retirement System using internal records as well as information provided by the System's custodian bank and the external investment managers. All the information presented has received the benefit of rigorous oversight and affirmation, custodial review and internal staff analysis. It represents an accurate snapshot of the System's investments as of June 30, 2001.

Kansas Public Employees Retirement System participants are provided a contractual promise of future and contingent benefits. These benefits are guaranteed, regardless of investment performance. Investment performance is critical nonetheless, as it has a direct impact on future funding costs of the System. Every effort is made to achieve the highest return possible commensurate with an acceptable level of risk. Returns are measured over market cycles of three to five years. Risk, including risk of loss of principal, is measured primarily in statistical terms that capture the variability of potential investment outcomes over varying time periods.

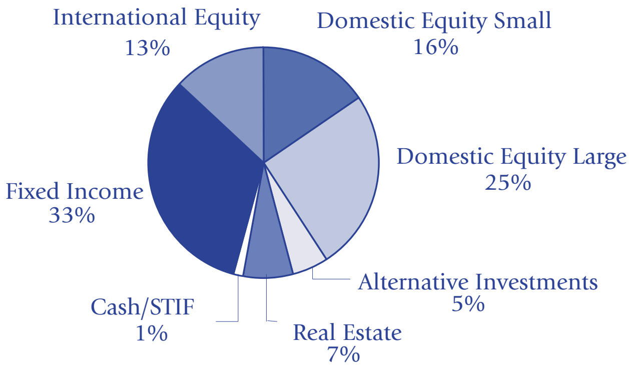
Chief Investment Officer's Review

-Robert Woodard

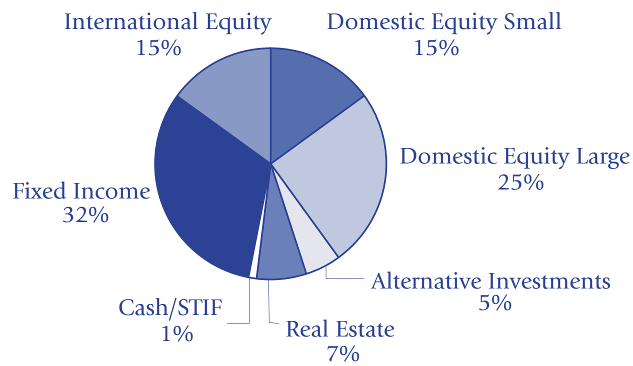
The investment portfolio of the Kansas Public Employees Retirement System represents all contributions to the plan, from both members and their employers, as well as all net earnings on these assets. These reserves are held in support of both current and future benefits to which members have earned entitlement. Total assets at the end of the year were slightly over $9.63 billion. This money receives the benefit of a diversified, carefully monitored investment portfolio that includes stocks, bonds, real estate, alternative investments and cash.

Stock holdings are invested primarily in companies doing business in the United States, but also include an exposure to stocks of companies operating outside the U.S. By diversifying a portion of the total stock portfolio away from the U.S., we expect over time to realize additional returns while simultaneously reducing the risk of adverse total returns. Since global economies generally operate independently, an exposure to foreign markets provides a higher probability of realizing positive results, on average, without as much year to year variability as might exist in a U.S. only portfolio. The Board of Trustees has carefully selected several domestic and international managers to supervise a total of 13 portfolios that make up this portion of the portfolio. By utilizing several managers, the fund enjoys further diversification among manager styles and is less reliant on any one manager's performance.

Current Allocation



Target Allocation**



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

The bond holdings in the portfolio are similarly diversified, as are the managers. As with the equity investments, the portfolio is diversified across both domestic and international opportunities. The Board has chosen four domestic managers and one international manager to supervise these pools.

Additional investments in real estate, alternative investments and cash complete the portfolio. Real estate and alternative investments provide return opportunities as well as diversification to the portfolio. This helps to further smooth the variability of the annual returns of the System. Cash is held primarily to facilitate the settlement of purchases and sales of securities within the portfolio and also provides for the operational needs of the System. During fiscal year 2001, over $550 million in benefits were distributed to members and their families.

After six consecutive years of out performance the System suffered a down year in fiscal year 2001. Total return for the portfolio was negative 7.3 percent and reflected significant losses in all of the equity investments held by the System. The System's total domestic equity investments declined by 18.5 percent for large capitalization companies and 13.6 percent for small capitalization companies. Investments in international equities declined by nearly 20 percent. By comparison broad domestic indexes registered declines approaching 20 percent, with some sectors, such as those representing growth companies, declining by over 30 percent.

Positive returns were provided to the portfolio in the areas of fixed income and real estate. Total fixed income returned over eight percent while real estate added over 15 percent to the portfolio. Throughout much of the 1990's, equities provided exceptionally strong returns to investors. The combination of accelerating earnings and rising price to earning ratios propelled both domestic and international markets to new heights. While the System enjoyed the benefits of this remarkable performance, it sustained a disciplined and diversified approach to investing. Periodic rebalancing removed appreciated assets from the equity areas and used it to sustain investments in fixed income and to expand investments in real estate. A negative year in the equity markets like the one just experienced is a reminder of the importance of this disciplined and diversified approach. The long-term health and stability of the System is not predicated on any single year or single decade of performance, be it exceptionally good or exceptionally disappointing. Like the benefits that the assets are held to eventually pay, the investment strategy will continue to focus on the long-term. This includes the application of prudent diversification and moderation in expectations for returns.

Return, while important, is only one component of the ongoing evaluation of the performance of the investments of the System. Risk is the other important characteristic examined by the Board of Trustees on an ongoing basis. In determining the relationship of risk to return, the statistical measurement of standard deviation is used. Standard deviation is a measure of dispersion or distribution around an average, in this case, the average return. By measuring the standard deviation of the total portfolio (as well as its component classes) over a market cycle, we are able to monitor the risk being assumed versus the return earned.

Investment Performance Report
For the Period Ending June 30, 2001

Time-Weighted Return (1)	Last Year	Latest 3 Years	Latest 5 Years
Total Portfolio	**-7.3%**	**5.5%**	**9.4%**
Policy Index	-6.0%	5.0%	8.8%
Consumer Price Index	3.2%	3.0%	2.6%
Domestic Equity Large Cap Portfolio	**-18.5%**	**2.3%**	**10.9%**
KPERS Equity Benchmark	-19.6%	3.1%	13.6%
Domestic Equity Small Cap Portfolio	**-13.6%**	**7.5%**	**7.5%**
KPERS Small Cap Equity Benchmark	-2.8%	5.5%	9.8%
International Equity Portfolio	**-19.9%**	**2.4%**	**7.0%**
KPERS Int'l Equity Benchmark	-25.6%	-1.0%	3.4%
Fixed Income Portfolio	**8.1%**	**5.2%**	**6.6%**
Lehman Brothers Long Gov't/Corp Index	7.2%	3.7%	5.9%
Real Estate Portfolio	**15.4%**	**7.9%**	**8.7%**
NCREIF Real Estate Index	13.9%	13.8%	13.8%
Alternative Investment Portfolio	**-8.2%**	**3.8%**	**16.1%**
S&P 500 Index + 4%	6.3%	14.8%	23.5%
Cash Equivalents Portfolio	**7.2%**	**6.4%**	**6.3%**
Merrill Lynch 0-1 Yr. Treasury Index	6.6%	5.6%	5.6%

1) Time weighted total return includes income and changes in market value.

In addition to considering the variability of the expected returns of the total portfolio, the System has designed and adopted an extensive program of risk budgeting and management at the asset class and manager levels. This emphasis on risk helps the System understand where specific risks may exist and measure the returns generated by virtue of these positions. Regardless of what future investment markets may provide in the way of total returns, a diligent and disciplined approach to risk helps to improve the overall quality and consistency of total portfolio returns.

Publicly Traded Securities

-Scott Peppard, Deputy Chief Investment Officer

Fiscal year 2001 began with the common stock and bond investments positioned in line with the adopted asset allocation. The asset allocation policy is reviewed annually and addresses the strategic mix of asset classes. The policy is designed to maximize expected return for a desired level of risk.

The fiscal year was highlighted by the passage of an amendment to the State Constitution that lifted the prohibition against investments in the common stock of banking institutions. This allows the System to own more efficient and more cost-effective portfolios.

The publicly traded asset classes represent approximately 88 percent of the total fund's investment performance. These classes are discussed in the following paragraphs.

Large-Capitalization Domestic Equities - Investment returns for the System's large-cap domestic equities were negative for the 2001 fiscal year. The return for the Russell 1000 Index, an index of the 1,000 largest domestic companies, was negative 15.0 percent for the one-year period ending June 30, 2001. After a strong start to the year, investors grew weary of extreme valuations in the face of a moderating economy and returns turned negative during the fall. After a brief bounce in December and January, prices proceeded to deteriorate as corporate revenues and earnings slowed.

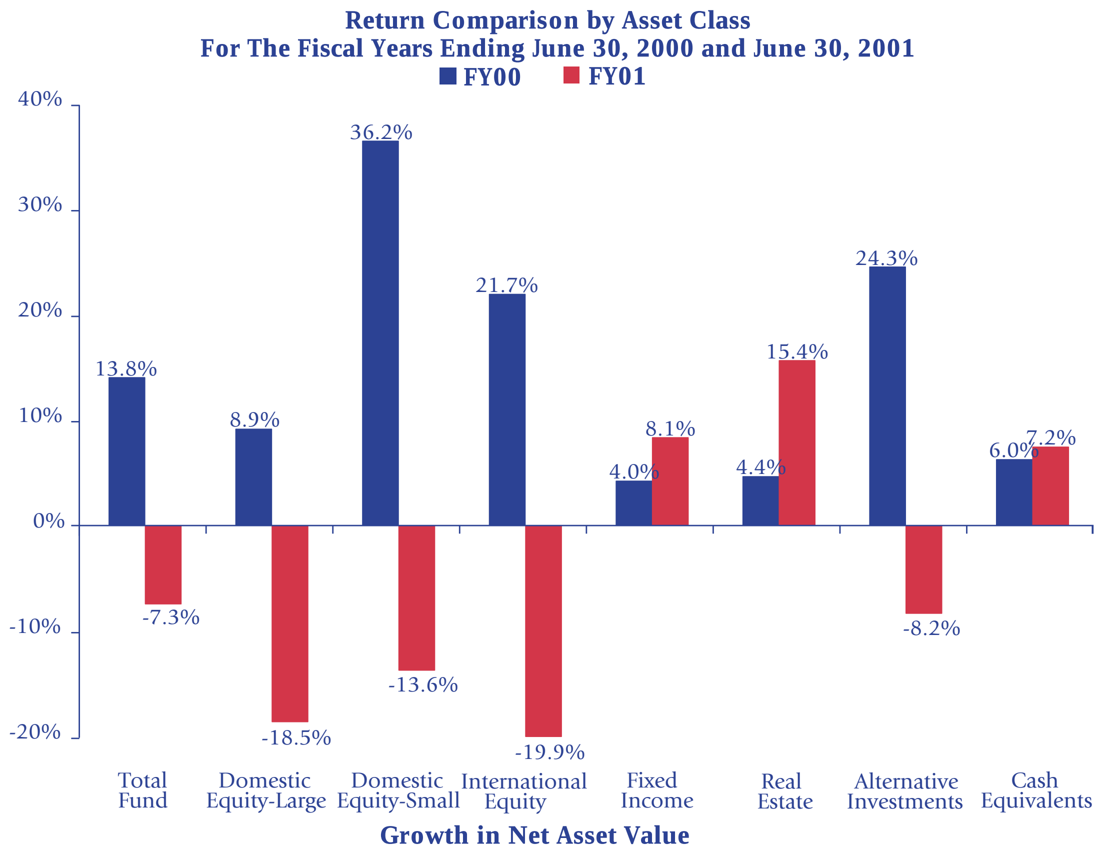
The Systems' large-cap domestic equity portfolio has a target allocation of 25 percent of the total portfolio. It is dispersed among four separate portfolios. KPERS' staff internally manages about one-half of the assets utilizing a passive strategy. A passive strategy involves managing assets with the objective of matching the return of the stated benchmark. Approximately one-quarter of the portfolio is allocated to an enhanced index strategy that is designed to outperform the benchmark while maintaining tightly controlled risk parameters. The remainder of the portfolio is allocated to two investment firms who employ active management strategies. One manager is given a growth style mandate while the other uses a value strategy.

Although the absolute performance of the asset class was disappointing, three of the four portfolios within the domestic large cap portfolio outperformed their assigned benchmark. For the fiscal year, the domestic large-cap portfolio returned negative 18.5 percent, which was 1.1 percent better than the KPERS Equity Benchmark return of negative 19.6 percent. Over the course of the fiscal year the KPERS Equity Benchmark evolved from the Standard and Poor's 500 Index, less stocks classified as banks, savings and loans and credit unions, to the Russell 1000 Index. This change reflected both the lifting of the bank investment restriction and the desire of the Board to adopt a more broadly diversified benchmark with which to measure domestic performance.

Small-Capitalization Domestic Equities - The stocks of smaller companies, as measured by the Russell 2000 Index, performed significantly better than larger (Russell 1000) stocks during the fiscal year. For the fiscal year the Russell 2000 returned .6 percent. Like large stocks, small stocks also performed well early in the fiscal year then became more volatile in the fall. Cumulative performance declined during the fall before rebounding in December and January. Small stocks then turned negative for two months but unlike the large cap sector of the market, they finished the fiscal year with three months of strong positive returns.

The Systems' small-cap domestic equity allocation is targeted at 15 percent of the total fund's allocation. Like the large-cap portfolio, the small-cap portfolio is comprised of four separate portfolios. Within the small stock asset class approximately 40 percent of the assets are managed passively. The balance of the allocation is divided among three actively managed portfolios, each with a specific mandate. These mandates include a risk controlled value style, a growth strategy and an aggressive growth strategy.

For the fiscal year, the domestic small-cap portfolio returned negative 13.6 percent. This return was substantially worse than the negative 2.8 percent return of the KPERS Small Cap Equity Benchmark. While two of the portfolios managed to perform modestly better than their assigned benchmarks, the other two actively managed portfolios dramatically under-performed. As with the large-cap benchmark, the small-cap benchmark changed during the fiscal year. Beginning April 1, 2001, the benchmark changed from the Russell 2000, less stocks classified as banks, savings and loans and credit unions, to the unrestricted Russell 2000 Index.



International Equities - International equities, as represented by the Morgan Stanley Europe Australia and Far East (EAFE) Index, suffered through a very difficult 12-month period. EAFE Index returns, including the currency impact to a United States investor, returned negative 23.3 percent for the fiscal year. About one-half of the negative return was related to currency fluctuations as the U.S. dollar was strong relative to the foreign currencies in which the international equities are denominated.

The System's international equity segment makes up 15 percent of the overall portfolio and is managed in five separate portfolios. A firm specializing in currency manages a portion of the related currency exposure. Of the five separate portfolios, one utilizes a passive EAFE Index strategy to manage approximately 25 percent of the total international allocation. The remaining 75 percent is actively managed in four portfolios. Two are assigned a broad EAFE Index mandate while the remaining two each have a regional mandate, one Pacific Basin and the other European.

Although absolute performance within the international equity portfolio was a disappointing negative 19.9 percent, relative performance was very good. Led by the strong performance of three of the five managers the KPERS portfolio outperformed the benchmark by 5.7 percent. The KPERS International benchmark was also adjusted during the year to reflect the lifting of the bank restriction. The KPERS International Benchmark began the year as the MSCI EAFE Index less restricted bank securities and concluded as simply the MSCI EAFE Index.

Fixed Income Portfolio - With regard to the fixed income investments within the portfolio, the latest fiscal year can best be characterized as a period of declining interest rates across the entire U.S. treasury maturity spectrum. This maturity spectrum, or yield curve, began the fiscal year relatively flat as the yield on the three-month and thirty-year securities were approximately equal. During the first half of the fiscal year the yield curve went through a period of inversion where short-term yields rose above those of the 30-year bond. Beginning in early January, the Federal Reserve Bank began aggressively lowering the Fed Funds rate as the U.S. economy showed signs of weakness. By virtue of the Fed's actions, short-term yields dropped much faster than rates on longer maturity securities. By fiscal year end the yield curve was back to a more normal positive slope with short-term yields lower than the more interest rate sensitive long-term securities.

The System's fixed income portfolio accounts for approximately 32 percent of the total fund and is made up of a variety of securities. Of this allocation 45 percent is targeted to a core bond strategy. Core bonds consist of United States bonds and notes, mortgage securities issued by agencies of the United States government and high-grade corporate securities. In addition to our core exposure, 25 percent of the fixed income portfolio is devoted to Treasury Inflation-Indexed Securities. These securities are issued and guaranteed by the U.S. government and pay a semi-annual interest payment.The principal used to calculate interest payments and the ultimate value of the bond is indexed to the Consumer Price Index, a widely accepted indicator of inflation. In this fashion the bonds are protected from the negative effects of long-term inflation. The System also maintains exposure to high-yield and international bonds, with each targeted at a 15 percent allocation level.

The performance of the System's fixed income portfolio during fiscal year 2001 was positive on both a relative and absolute basis. For the fiscal year the return of the portfolio was 8.1 percent. This compared favorably with the KPERS Fixed Income Benchmark return of 7.2 percent. The KPERS Fixed Income Benchmark is a weighted-average of several indexes representing the various fixed income mandates described above.

Real Estate

- Robert Schau, Real Estate Investment Officer

For fiscal year 2001 the System continued to target seven percent of the total portfolio to real estate investments. The System attained this target in 2001 due to several acquisitions and continuing appreciation. Through a broad exposure to institutional-quality real estate, this allocation is expected to provide a steady source of relatively high current income returns and enhance portfolio diversification by reducing overall return volatility.

The System's long-term investment strategy is focused on direct ownership of office, industrial, retail and multifamily properties. Geographic diversification of the portfolio was further improved this year with investments in Austin, Texas and Princeton, New Jersey. Additional activity included investments in publicly traded real estate investment trusts (REITS) and participation in several non-core investment funds. The non-core funds consist of pooled holdings of real estate properties with higher risk and return expectations.

Historically, the performance of commercial real estate has been highly correlated to overall economic growth. Although the recent economic slowdown is having an adverse impact in terms of occupancy, rental rates and property pricing, new building and development has been much more disciplined than in the last economic cycle. Due to this discipline, real estate is expected to continue to generate positive returns through the balance of the cycle. As noted in previous years, the System does not believe that a correction of the magnitude experienced in the early 1990's will be repeated prior to a recovery. Nonetheless the recent investment focus has been on acquiring properties with defensive characteristics. These characteristics include high and stable occupancy, strong credit tenants and limited competitive development.

For the fiscal year ended June 30, 2001 the portfolio generated a total return (net changes in value plus current income) of 15.4 percent. Of this amount, current income was a healthy 7.8 percent. The total return substantially exceeded the 13.9 percent return of the blended benchmark. The benchmark is comprised of the policy-weighted components for private and public real estate and provides a comparative reference for performance. The majority of the excess performance was attributed to owning a greater proportion of publicly traded Real Estate Investment Trusts that generated a return of approximately 23 percent. Over the past three years, the portfolio has generated an average return of 7.9 percent, a large portion of which came from current income.

Alternative Investments

- Janet Kruzel, Alternative Investment Officer

Alternative investments are traditionally those investments that do not trade publicly on an organized exchange. They may include private equity, venture capital, buyout, mezzanine financing, distressed securities and natural resources. These investments are frequently made in some pooled format, usually as a limited partnership or limited liability corporation. Typically, large institutional investors like KPERS purchase alternative investments in an effort to improve their total portfolio returns and to diversify risk.

The Retirement System has utilized the limited partnership form of investment in the current alternative investment program. Limited partnerships consist of a general partner who selects and manages the investments and limited partners who invest capital in the partnership. The general partner usually invests its capital alongside the limited partners and it shares in the positive or negative returns. The life of the partnership is typically ten to twelve years. Commitments by the limited partners to invest are actually drawn down over several years. As a limited partner the System participates along with other institutional investors, high net worth individuals and other investment entities.

Due to their volatile returns and illiquid nature, alternative investments are appropriate for only a small portion of the System's assets. Kansas statutes limit the System's investment in alternatives to five percent of the total fund. Alternative investments are arguably more risky than publicly traded investments. However, when taken as a small part of a larger portfolio, alternative investments provide an opportunity to earn higher levels of return while diversifying total portfolio risk. This risk reduction is a function of the historically low correlation of the alternative investment returns with those of the System's other asset classes. A low correlation implies that the timing and realization of these returns are more independent of the returns of other asset classes. Thus, the variability or volatility associated with the higher expected returns in alternative investments is lessened in the total portfolio by this lack of correlation.

The current KPERS alternative investment program was launched in fiscal year 1997. At that time the Board of Trustees selected a professional, non-discretionary consultant to assist with the development and execution of a long-term strategy of alternative investments. Expanded policies and guidelines were developed to help ensure that special attention is paid to the disciplined monitoring and oversight necessary to realize the portfolio's objectives. The alternative investment strategy implementation has continued through fiscal year 2001 with the objective of creating investment returns that exceed public equity returns throughout a market cycle by an average of four percent per year.

A rigorous due diligence process is incorporated in the program. This process has resulted in the selection and recommendation of 54 partnership funds to the KPERS Board. The Board reviewed each opportunity and recommendation prior to committing the System as a partner. In achieving success within the program the selection of the best general partners is considered a critical factor. The portfolio is diversified among 36 different managers and several styles of investment. The KPERS portfolio includes strategies focused on investments in various stages of venture capital, buyout, mezzanine, distressed securities and natural resources.

Due primarily to the diminution of value in the aggregate investment portfolio, during fiscal year 2001 the System's alternative investment program reached its target allocation of five percent. As such, new commitments to invest in future partnerships have been suspended. As the portfolio matures and value is returned to the System through successful investment exits, or as the total portfolio returns to net investment growth, additional partnerships will be considered for the portfolio.

Additional Investment Schedules

As required by K.S.A. 74-4904, a schedule of alternative investments initiated on or after July 1, 1991, is listed on the following page. Another schedule, summarizing changes in the fair value of investments, is on page 40. A listing of domestic broker commissions paid in fiscal year 2001 and the top ten equities and fixed income holdings at fiscal year end are shown on page 41.

Alternative Investments Initiated On or After July 1, 1991

Shares	Description	As of June 30, 2001 Cost	Market Value
	Included in Alternative Investments Portfolios:		
6,250,000	Advanced Technology VI LP	$ 5,867,321	$ 6,120,188
11,250,000	Apax Europe IV LP	8,843,410	8,943,214
3,150,000	Apax Europe V LP	2,745,780	2,745,780
4,625,000	Battery Ventures V LP	3,610,873	3,924,114
3,445,000	Battery Ventures VI LP	3,220,899	3,160,667
9,688,423	Beacon Group Energy Fund II	7,380,515	7,885,659
14,365,036	Behrman Capital II LP	11,348,118	13,617,681
4,747,447	Behrman Capital III LP	3,996,734	3,996,733
8,831,617	Capital Resource Partners IV	7,538,209	7,407,545
5,530,501	Candover 1997 US #1 Fund LP	6,563,879	6,973,943
7,251,833	Clayton Dubilier & Rice VI LP	6,677,194	7,551,442
3,988,386	Cypress Merchant Banking II	4,141,373	3,598,573
7,300,000	Dominion Fund V LP	6,659,359	6,147,622
4,500,000	El Dorado Ventures IV LP	2,628,732	7,130,210
5,500,000	El Dorado Ventures V LP	4,322,924	5,315,013
1,250,000	El Dorado Ventures VI LP	1,032,044	1,032,044
16,400,000	GTCR Capital Partners LP	16,166,719	16,690,247
15,300,000	GTCR Fund VII LP	14,920,646	14,777,735
1,550,000	GTCR Fund VII/A LP	1,447,929	1,553,522
9,400,000	Halpern Denny Fund III LP	8,953,265	8,953,265
16,773,150	Harvest Partners III LP	15,250,486	17,632,875
8,172,089	Kelso Investment Assoc VI	6,946,742	7,136,179
4,767,426	Littlejohn Fund II LP	4,073,523	4,073,522
14,949,908	McCown De Leeuw & Co IV LP	9,343,060	8,606,079
20,000,000	MD Sass Corp Resurgence	16,302,440	16,313,080
13,518,409	MD Sass Corp Resurgence II	12,172,076	12,449,359
4,672,312	MD Sass Corp Resurgence III	4,672,312	4,646,110
13,653,704	Oak Hill Capital Partners LP	11,474,034	11,646,869
13,000,000	OCM Opportunities Fund II LP	12,000,156	13,440,973
20,000,000	OCM Opportunities Fund III LP	19,925,894	21,087,280
8,000,000	OneLiberty Fund IV LP	6,243,819	12,995,376
4,500,000	OneLiberty Ventures 2000 LP	4,146,490	4,163,279
7,000,000	Pacholder Value Opportunity	4,322,559	1,841,147
5,800,000	TA IX L.P.	5,528,461	5,528,461
2,200,000	TA Subordinated Debt Fund LP	2,186,264	2,231,284
8,976,000	TCV IV LP	8,495,579	7,432,864
4,650,541	The Second Cinven Fund US LP	6,016,696	6,931,349
15,992,906	Thomas H Lee Equity Fund IV LP	14,369,340	19,189,808
3,948,438	Trinity Ventures VI LP	2,830,195	4,692,545
8,700,000	Trinity Ventures VII LP	7,654,968	6,117,823
2,700,000	Trinity Ventures VIII LP	2,433,976	2,433,977
17,257,870	Triumph Partners III LP	12,244,730	12,860,357
8,250,000	Vantagepoint Venture III LP	5,335,521	9,904,208
3,000,000	Vantagepoint Venture IV LP	2,417,405	2,350,608
5,303,351	Vestar Capital Partners IV LP	4,936,291	4,936,290
9,366,239	VS & A Communications III	8,880,106	7,257,056
16,800,000	Warburg Pincus Equity	14,472,601	17,035,150
18,600,000	Welsh Carson VIII LP	15,304,174	16,256,586
7,600,000	Welsh Carson IX LP	5,956,536	5,511,444
19,761,898	Willis Stein & Partners II LP	17,726,563	18,100,910
6,021,317	Willis Stein & Partners III LP	5,596,691	5,478,796
5,413,139	Windjammer Fund II LP	4,520,207	4,742,814
11,801,641	Windward Capital Partners II	10,883,617	10,354,689
	Subtotal	412,729,435	442,904,341
	Included in Fixed Income Portfolios:		
3,050,000	AGCO Corp Del Sr Nt 144A	$ 2,900,750	$ 2,989,000
6,000,000	Felcor Lodging Ltd Sr Nt 144A	5,949,850	5,730,000
	Subtotal	$ 8,850,600	$ 8,719,000
	Total Post 1991 Investments	$ 421,580,035	$ 451,623,341

Investment Summary
(In Thousands) (1)
For the Fiscal Year Ended June 30, 2001

	June 30, 2000 Fair Value	Purchases and Other Increases	Sales and Other Decreases	June 30, 2001 Fair Value	Asset Mix Fair Value
Marketable Securities					
Domestic Equities					
Large Capitalization	$2,867,548	$2,327,308	$(2,811,883)	$2,382,973	24.17 %
Small Capitalization	1,773,427	2,475,259	(2,750,285)	1,498,401	15.20
International Equities	1,586,982	748,910	(1,082,733)	1,253,159	12.71
Total Fixed Income	3,901,390	10,790,652	(11,430,492)	3,261,550	33.08
Temporary (2) Investments	247,685	35,518,550	(35,457,997)	308,238	3.13
Total Marketable Securities	10,377,032	51,860,679	(53,533,390)	8,704,321	88.29
Real Estate and Alternative Investments					
Real Estate	575,247	182,773	(85,345)	672,675	6.82
Direct Placements and Limited Partnerships	381,830	238,058	(137,562)	482,326	4.89
Total Real Estate and Alternative Investments	957,077	420,831	(222,907)	1,155,001	11.71
Total	$11,334,109	$52,281,510	$(53,756,297)	$9,859,322	100.00 %

1) Amounts include changes in unrealized appreciation and exclude interest and dividend accruals. Amounts exclude security lending cash collateral of $826,901,317 for FY 2000, and FY 2001 cash collateral of $1,189,370,279.

2) Temporary Investments include foreign currencies and securities maturing within 90 days of purchase date.

U.S. Equity Commissions
For the Fiscal Year Ending June 30, 2001

Broker Name	Commissions Paid	Shares	Commission Per Share	Percent of Total Commissions
Merrill Lynch Pierce Fenner Smith Inc.	$ 271,820	9,041,440	$ 0.03	12.6 %
Instinet Corp	204,534	10,119,139	0.02	9.5
Investment Technology Groups	171,235	9,336,600	0.02	7.9
Smith Barney Inc	156,422	7,476,120	0.02	7.2
Lynch Jones & Ryan Inc.	130,024	2,263,725	0.06	6.0
Legg Mason Wood Walker Omc.	121,060	2,421,200	0.05	5.6
Bear Stearns & Co, Inc.	98,390	1,968,600	0.05	4.5
Lehman Bros Inc.	98,172	2,145,923	0.05	4.5
BT Alex Brown Inc	87,017	1,709,341	0.05	4.0
Prudential Sec Inc	76,051	2,378,017	0.03	3.5
Credit Suisse First Boston Corp	67,371	1,367,894	0.05	3.1
Goldman Sachs & Co	62,326	3,705,663	0.02	2.9
Morgan Stanley & Co Inc	57,821	2,714,600	0.02	2.7
Capital Instl Investors	53,977	1,870,429	0.03	2.5
Weeden & Co	41,488	926,873	0.04	1.9
Frank Russell Secs Inc	38,478	641,300	0.06	1.8
Warburg Dillon Read LLC	29,096	575,200	0.05	1.3
B Trade Svcs LLC	28,256	1,434,863	0.02	1.3
Jones & Assoc Westlake Village	27,226	710,379	0.04	1.3
Jefferies & Co Inc	25,215	572,720	0.04	1.2
DB Clearing Svcs	24,471	461,450	0.05	1.1
Russell Frank Secs Inc	22,955	459,100	0.05	1.1
Cantor Fitzgerald & Co Inc	21,465	625,466	0.03	1.0
Dresdner Kleinwort Benson	18,762	375,600	0.05	0.9
Thomas & Weisel, Inc.	15,377	295,800	0.05	0.7
Other	214,558	4,592,138	0.05	9.9
Total Broker Commissions	$ 2,163,569	70,189,580	$ 0.03	100 %

List of Largest Holdings [a]
as of June 30, 2001

EQUITIES			FIXED INCOME			
Shares	Security	Fair Value ($)	Par Value[b]	Security	Description	Fair Value ($)
1,337,644	General Elec Co Com	$65,210,145	575,843,088	US Treasury Inflation Indexed 30-Yrs. Bond	3.875% 04/15/2029	$616,509,127
595,262	Exxon Mobil Corp	51,996,136	106,078,230	US Treasury Inflation Indexed 30-Yrs. Bond	3.625% 04/15/2028	108,597,588
901,300	Citigroup Inc Com	47,624,692	52,565,000	US Treasury Inflation Indexed 10-Yrs. Note	4.25% 01/15/2010	55,603,783
1,027,349	Pfizer Inc	41,145,327	55,832,000	Commit To Purchase FNMA SF Mortgage	6.50% 07/01/2031	54,898,559
552,131	Microsoft Corp Com	40,305,563	50,000,000	Federal Natl Mtg Assn Discount Note	Matures 07/02/2001	49,983,583
666,571	AOL Time Warner Inc	35,328,263	50,000,000	Commit To Purchase GNMA SF Mortgage	6.50% 07/15/2031	49,453,000
4,129,610	British Petroleum	33,947,079	47,120,000	Commit To Purchase FNMA SF Mortgage	7.00% 07/01/2031	47,325,914
550,312	Verizon Communications	29,441,692	40,000,000	Credit Suisse Fb Repo	3.96% 07/02/2001	40,000,000
856,619	Equity Office Properties	27,094,859	40,000,000	Dillon Read & Co Repo	3.90% 07/02/2001	40,000,000
1,332,563	GlaxoSmithKline ORD	24,252,647	34,440,000	U S Treasury Notes	6.50% 02/15/2010	36,990,626

(a) A complete listing of the System's holdings is available at the Retirement System office.
Does not include holdings of commingled funds

(b) In Local Currency

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

ACTUARIAL Section

Accountability (a koun'te bil'e ti), 1. The quality or state of being accountable; an obligation or willingness to accept responsibility or to account for one's actions.

Gary W. Rulon,
Chief Judge,
Kansas Court of Appeals

KPERS
2001

A MILLIMAN GLOBAL FIRM

Milliman USA

Consultants and Actuaries

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October 11, 2001

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 conducted our annual actuarial valuation of the Kansas Public Employees Retirement System as of December 31, 2000. The results of the valuation are contained in the following "Board Summary" and include schedules summarizing contribution rates, changes in the System's assets, and unfunded actuarial liabilities. We also provided the information for the years 1994 through 2000 that was used in the Schedule of Funding Progress located in the financial section. The valuation date was changed from June 30 to December 31 pursuant to the action of the Board at their July meeting. This change was made to provide a more accurate valuation of System liabilities because the most complete dataset available is "as of" December 31 of each year. The results of the valuation are contained in the following report.

The valuation results reflect not only the change in the valuation date (and the underlying changes in the dataset) but also the impact of the changes in actuarial assumptions, which were adopted by the Board in September, 2001. There was no change in plan provisions from the prior valuation. The prior valuation reflected the first of a six year phase-in of the impact of certain changes in actuarial procedures/methods. In conjunction with the change in the valuation date to December 31, the prior phase-in of the change actuarial methodology is no longer necessary. All these factors impact the comparability of results from the current and prior valuations.

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.

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 principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. The assumptions comply with the requirements of Statement 25 of the Government Accounting Standards Board.

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 Plan and reasonable expectations of future experience) and which, in combination, offer our best estimate of anticipated experience under the Plan. 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.

Actuarial computations presented in this report are for purposes of determining the actuarial contribution rates for funding the System. Determinations for purposes other than this may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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.

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

Respectfully Submitted,

MILLIMAN USA, Inc.

I, Patrice A. Beckham 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.

Patrice A. Beckham, F.S.A.
Principal

SECTION I

BOARD SUMMARY

OVERVIEW

This report presents the results of the December 31, 2000 actuarial valuations of 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). The primary purposes of performing 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.

A number of changes are first reflected in this valuation, which impact the comparability of the results in this report to the prior valuation. They include:

- Change in the valuation date to December 31
- Change in actuarial assumptions resulting from the Experience Study
- Re-establishing the Supplemental Unfunded Actuarial Liability for KP&F

After significant research and discussion surrounding issues related to how/when the System membership data is updated (once a year as of December 31) and the valuation date (June 30), the Board moved to change the valuation date to December 31 of each year. This action was taken to enable the liabilities of the System to be more accurately valued.

The June 30, 2000 valuation report reflected the first of a six year phase-in of a change in actuarial methodology related to the timing of the valuation date and membership data. With the change to a December 31 valuation date, the phase-in methodology is no longer applicable. The report utilizes the assets and liabilities of the System as directly calculated as of December 31, 2000 by Milliman USA. The impact of the change in the valuation date (and the underlying change in the membership data) coupled with full reflection of liabilities and costs is significant and should be taken into account when comparing the December 31, 2000 valuation results to that of the prior valuation.

The actuarial cost method used for KP&F does not recalculate the unfunded actuarial liability each year. Instead, the amount initially established in 1993 was "frozen" and changes only based on the scheduled amortization payments, changes in benefit provisions, or assumption changes. Experience gains or losses are reflected in the normal cost rate. Due to favorable experience since 1993 and the change in the actuarial assumptions resulting from the 2001 Experience Study, the employer normal cost was below 0%. As a result the Supplemental Unfunded Actuarial Liability (UAL) was recalculated (also called a "fresh start"). The actuarial value of assets was in excess of the actuarial liability under the Projected Unit Credit cost method. As a result, the Supplemental UAL was set to zero. The amortization bases established as a result of the 1998 COLA were maintained, since separate rates for funding the COLA apply to State and Local employers.

The triennial Experience Study covering calendar years 1998, 1999 and 2000 was completed and presented to the Board in September, 2001. Several changes in actuarial assumptions were recommended by Milliman USA and adopted by the Board of Trustees as a result of the experience study. The most significant changes were:

KPERS

- Lower termination of employment rates
- Change to a duration (service) based merit salary scale
- Addition of a liability load for pre-1993 hires to reflect the final average salary provision and experience of this group.

KP&F

- Use of a set of retirement rates for each Tier
- Lower rates of disability
- Separate termination of employment rates for each Tier
- Change to a duration based merit salary scale

Judges

- Assume no termination of employment
- Lower assumed retirement age to age 64

The net effect of the change in assumptions on the unfunded actuarial liability was a decrease of $207 million. The changes also had an impact on the normal cost rate.

The valuation results provide a "snapshot" view of each System's financial condition on December 31, 2000. The unfunded actuarial liability increased by $72 million, due to numerous factors. A detailed analysis of the change in the unfunded actuarial liability from June 30, 2000 to December 31, 2000 is shown on page 49.

CONTRIBUTION RATES

Currently, the full actuarial contribution rate is not made by all employers. Kansas legislation with respect to KPERS provides that the employer rates of contribution for State and Local employers certified by the Board may not increase by more than 0.20% and 0.15% of payroll respectively over the prior year plus the cost of any benefit enhancements granted by the Legislature. The statutory limits do not apply to TIAA, KP&F and Judges. Based on the current valuation, there is a difference between the actuarial and statutory contribution rates of 2.47% and 1.06% respectively for the State/School and Local groups. This shortfall in contribution rates results in an increase in the unfunded actuarial liability from year to year, which would otherwise not occur. A summary of actuarial and recommended employer contribution rates follows:

Milliman USA

	December 31, 2000 Valuation		
System	**Actuarial**	**Recommended**	**Difference**
State/School	7.65%	5.18% [1]	2.47%
Local	4.73%	3.67% [1]	1.06%
TIAA	2.80%	2.80%	0.00%
Police & Fire -Uniform Rates [2]	6.86%	6.86%	0.00%
Judges	17.07%	17.07%	0.00%

	June 30, 2000 Valuation		
System	**Actuarial**	**Recommended**	**Difference**
State/School	6.17%	4.98% [1]	1.19%
Local	4.07%	3.52% [1]	0.55%
TIAA	2.27%	2.27%	0.00%
Police & Fire -Uniform Rates [2]	6.79%	6.79%	0.00%
Judges	12.66%	12.66%	0.00%

[1] Rates, by statute, are allowed to increase by a maximum of 0.20% and 0.15% per year plus the cost of any benefit enhancements for State and Local employers respectively.

[2] For KP&F, the recommended contribution rate is equal to the "Uniform" rate. The rate shown is for local employers. The rate for State employers is 6.55%. 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.

Employer Contribution Rates for Correctional Employee Groups are:

Retirement Age 60: 7.68%
Retirement Age 55: 8.17%

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 year 2033. There was a net increase of $72 million in the unfunded actuarial liability from the June 30, 2000 to the December 31, 2000 valuation. Under current projections, with a level active population, the actuarial and statutory rates for the State/School group are not projected to converge before 2033 if all actuarial assumptions are met. Alternatives are under consideration to address the long term funding of the State/School group. The actuarial and statutory contribution rates are projected to converge before 2033 for the Local group.

EXPERIENCE - ALL SYSTEMS COMBINED
June 30, 2000 – December 31, 2000

Several factors contributed to the change in the Systems' assets, liabilities, and recommended contribution rates between the June 30, 2000 and December 31, 2000 actuarial valuations. On the following pages each component is examined.

ASSETS

As of December 31, 2000, the System had total funds, when measured on a market value basis, of $9.874 billion, excluding assets held for the Group Insurance and Optional Life reserves. This was a decrease of $0.653 billion from the June 30, 2000 figure of $10.527 billion. The components of the change in the market value of assets for the Retirement System (in millions) are set forth on the following page:

Milliman USA

	Market Value
Assets, June 30, 2000	$10,527
• Employer and Member Contributions	193
• Benefit Payments and Expenses	(318)
• Investment Income	(528)
Assets, December 31, 2000	$9,874

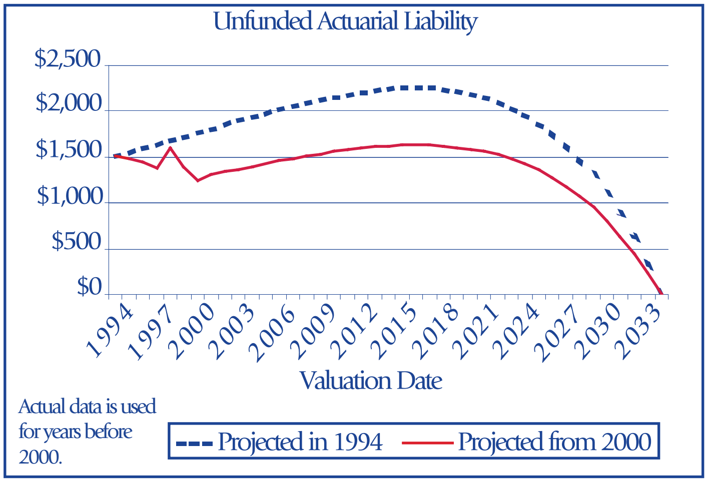
The market value of assets is not used directly in the calculation of contribution rates. An asset valuation method is used to smooth the effect of market fluctuations. The actuarial value of assets is equal to the expected asset value based on the assumed interest rate plus 1/3 of the difference between the actual market value and the expected asset value. The annualized dollar-weighted rate of return, measured on the actuarial value of assets, was 8.4% and, measured on the market value of assets, was (9.8)%. The actuarial value of assets as of December 31, 2000 was $9.835 billion.

LIABILITIES

The actuarial liability is that portion of the present value of projected 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. 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 procedures will also impact the total actuarial liability and the unfunded portion thereof. Between June 30, 2000 and December 31, 2000 the change in the unfunded actuarial liabilities for the System as a whole was as follows (in millions):

(Unfunded) Actuarial Liability, June 30, 2000	(1,233)
• full impact of change in valuation procedures on June 30, 2000 UAL	(302)
Adjusted (Unfunded) Actuarial Liability, June 30, 2000	(1,535)
• effect of contribution cap/time lag	(60)
• expected increase due to amortization method	(12)
• gain from investment return	23
• liability experience	(96)
• all other experience	12
• change in benefit provisions	-
• change in actuarial assumptions	206
• re-establishment of UAL for KP&F	157
(Unfunded) Actuarial Liability, December 31, 2000	(1,305)

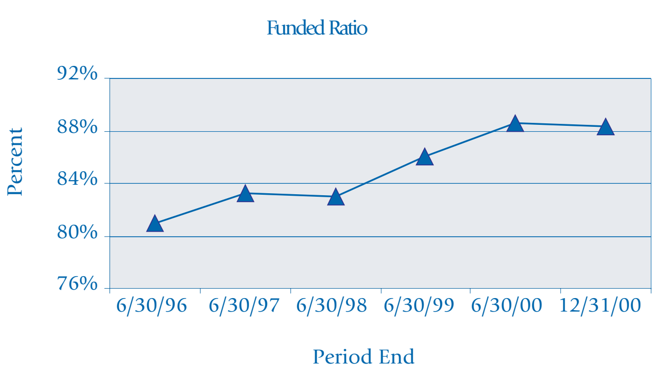
When the actuarial cost method was changed by the Legislature in 1993, the payment methodology for the unfunded actuarial liability (UAL) for most of the groups was set in statute as a level percentage of payroll over a 40 year closed period. Payments on the UAL are assumed to increase four percent each year. With a level percent of pay amortization method and the 40 year amortization period (established in 1993), the dollar amount of UAL is expected to increase for many years before it starts to decrease.



From a historical perspective, the unfunded actuarial liability decreased from June 30, 1994 to June 30, 2000 due to significant gains on the actuarial value of assets. The increase in 1998 was the net result of the changes in the actuarial assumptions and the 1998 COLA, which were larger than the gain from favorable experience. Significant changes resulting from the change in the valuation date result in the December 31, 2000 UAL not being directly comparable to those of prior years. As the graph shows, the current UAL is still less than would have been expected based on 1994 projections (assuming the actuarial contribution rate has been made in all years).

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 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. This information is shown below (in millions).

	6/30/96	6/30/97	6/30/98	6/30/99	6/30/00	12/31/00
Funded Ratio	81.0%	83.3%	83.0%	86.0%	88.6%	88.3%
Unfunded Actuarial Liability (UAL)	1,444	1,376	1,591	1,397	1,233	1,305



The funded status of the Retirement System has generally improved from 1996. The change in the valuation date and associated methodology/dataset resulted in a slight decrease in the funded ratio in the current valuation.

CONTRIBUTIONS

Generally, contributions to the System consist of:

- a "normal cost" for the portion of projected liabilities allocated to service of members during the year following the valuation date by the actuarial cost method (except TIAA),

- 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,

- a "group insurance" contribution which is statutory (except KP&F).

Different actuarial cost methods are used for KPERS, KP&F and Judges, see the next section labeled **Actuarial Assumptions and Methods**.

ACTUARIAL ASSUMPTIONS AND METHODS

Every three years the actuary makes a general investigation of the actuarial experience under the System including mortality, retirement, and employment turnover. The actuary recommends actuarial tables for use in valuation and in calculating actuarial equivalent values based on such investigation. An actuarial experience study was conducted for the three years ending December 31, 2000. As a result of this study, the Board of Trustees adopted the assumptions to be used for the valuations effective December 31, 2000.

A. Actuarial Assumptions (As of December 31, 2000)

KPERS

Rate of Investment Return 8.0%

Implicit Inflation Rate 3.5%

Rates of Mortality
School (Male): 1994 GAM Male Table
School (Female): 1994 GAM Female Table -1
NonSchool (Male): 1994 GAM Male Table +2
NonSchool (Female): 1994 GAM Female Table +1

Disabled Life Mortality 1994 GAM Table Set forward 12 years

Rates of Salary Increase

Years of Service	Rate of Increase* State	School	Local
1	7.8%	9.8%	7.8%
5	5.6%	6.7%	6.2%
10	4.9%	5.1%	5.2%
15	4.4%	4.6%	4.8%
20	4.1%	4.1%	4.6%
25	4.0%	4.0%	4.1%
30	4.0%	4.0%	4.0%

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

Rates of Termination

	School – Male Years of Service				
Age	<2	2	3	4	5 or more
25	23.0%	19.0%	13.0%	10.0%	10.0%
30	20.5%	17.2%	12.5%	10.0%	6.0%
35	19.7%	16.0%	12.0%	10.0%	4.3%
40	19.3%	15.6%	12.0%	10.0%	3.2%
45	18.8%	15.3%	12.0%	10.0%	2.6%
50	18.4%	14.9%	12.0%	10.0%	2.1%

Milliman USA

School - Female Years of Service

Age	<2	2	3	4	5 or more
25	26.0%	20.7%	17.5%	11.3%	11.5%
30	23.5%	16.2%	14.4%	9.2%	8.0%
35	20.0%	13.5%	12.5%	8.0%	4.8%
40	16.5%	11.3%	9.0%	7.3%	3.0%
45	14.0%	10.2%	8.7%	7.1%	2.0%
50	13.4%	9.9%	8.5%	7.0%	2.0%

State - Male Years of Service

Age	<2	2	3	4	5 or more
25	18.0%	19.1%	16.3%	14.0%	10.0%
30	18.0%	15.3%	13.0%	11.1%	10.0%
35	15.0%	13.3%	11.4%	9.8%	5.9%
40	15.0%	12.0%	10.3%	8.8%	4.0%
45	13.0%	11.7%	10.0%	8.5%	3.0%
50	13.0%	11.4%	9.8%	8.4%	2.0%

State - Female Years of Service

Age	<2	2	3	4	5 or more
25	25.0%	23.0%	19.1%	15.0%	16.9%
30	20.5%	18.9%	15.7%	12.3%	10.8%
35	17.8%	16.4%	13.4%	10.7%	6.6%
40	16.3%	15.0%	11.4%	9.8%	4.7%
45	15.8%	14.5%	10.2%	9.5%	3.5%
50	15.5%	14.3%	10.2%	9.3%	3.5%

Local - Male Years of Service

Age	<2	2	3	4	5 or more
25	23.0%	19.5%	16.1%	15.0%	12.0%
30	18.0%	15.3%	12.6%	11.7%	9.5%
35	15.0%	12.0%	10.5%	9.8%	5.7%
40	12.5%	10.6%	8.8%	8.1%	4.1%
45	11.3%	10.0%	7.9%	7.3%	3.6%
50	11.0%	10.0%	7.7%	7.2%	3.2%

Local - Female Years of Service

Age	<2	2	3	4	5 or more
25	25.0%	22.5%	18.8%	15.8%	12.0%
30	20.0%	18.0%	15.0%	12.6%	8.8%
35	17.5%	15.8%	13.1%	11.0%	7.3%
40	15.8%	14.2%	11.9%	10.0%	5.5%
45	15.3%	13.8%	11.5%	9.6%	4.5%
50	15.0%	13.5%	11.3%	9.5%	4.0%

Retirement Rates

School

Rule of 85

Age	1st Year With 85 Points	After 1st Year With 85 Points
53	20%	10%
55	20%	15%
57	25%	15%
59	25%	25%
61	35%	35%

Early Retirement Age	Early Retirement Rate	Normal Retirement Age	Normal Retirement Rate
55	3%	62	40%
56	3%	63	30%
57	3%	64	35%
58	5%	65	40%
59	10%	66	20%
60	10%	67	20%
61	20%	68	20%
		69	20%
		70	100%

State

Rule of 85

Age	1st Year With 85 Points	After 1st Year With 85 Points
53	17%	15%
55	17%	15%
57	17%	15%
59	15%	15%
61	30%	25%

Early Retirement Age	Early Retirement Rate	Normal Retirement Age	Normal Retirement Rate
55	3%	62	40%
56	3%	63	25%
57	3%	64	30%
58	3%	65	45%
59	5%	66	30%
60	7%	67	25%
61	20%	68	25%
69	20%	70	100%

Local **Rule of 85**

Age	1st Year With 85 Points	After 1st Year With 85 Points
53	10%	5%
55	10%	10%
57	10%	10%
59	10%	15%
61	25%	25%

Early Retirement Age	Early Retirement Rate	Normal Retirement Age	Normal Retirement Rate
55	3%	62	35%
56	3%	63	25%
57	3%	64	25%
58	3%	65	40%
59	5%	66	20%
60	5%	67	20%
61	15%	68	20%
69	20%	70	100%

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

Age	Rate
55	10%
58	15%
60	15%
62	35%
65	100%

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

Rates of Disability

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

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

Probability of Vested Members Leaving Contributions With System

Age	School	State	Local
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%

Implicit Inflation Assumption 3.5%

Rates of Mortality 1994 GAM Table*

*70% of preretirement deaths assumed to be service related

Disabled Life Mortality 1994 GAM Table Set forward 12 years

Rates of Salary Increase

Years of Service	Rate of Increase*
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:

Years of Service	Rate
1	13.0%
5	6.0%
10	2.5%
15	1.0%
20	1.0%
25	0.0%

Retirement Rates

Tier I:

Early Retirement Age	Early Retirement Rate	Normal Retirement Age	Normal Retirement Rate
50	5%	55	60%
50	5%	55	60%
51	5%	56	25%
52	10%	57	20%
53	20%	58	35%
54	30%	59	65%
		60	100%

Tier II:

Early Retirement Age	Early Retirement Rate	Normal Retirement Age	Normal Retirement Rate
50	10%	50	45%
51	10%	53	30%
52	10%	55	30%
53	10%	58	20%
54	25%	60	100%

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

Rates of Disability

Age	Rate
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%
Implicit Inflation Assumption	3.5%
Rates of Mortality	1994 GAM Table
Rates of Salary Increase	5.5%
Rates of Termination	None assumed
Disabled Life Mortality	Same as Healthy Lives
Rates of Disability	None assumed
Retirement Age	Age 64 or current age, if greater

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

B. Actuarial Methods

1. Funding Method

KPERS

Under the Projected Unit Credit actuarial cost method, the normal cost for any year is equal to the actuarial present value of the benefits allocated to that year. The actuarial present value of benefits that are allocated to prior years is called the actuarial liability.

The portion of the actuarial liability in excess of plan assets is funded according to a schedule that is intended to amortize such unfunded actuarial liability fully after a period of years. This is in addition to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability, which is recalculated each year.

For KPERS, the unfunded actuarial liability is amortized over a period originally set at 40 years beginning July 1, 1993. The annual amortization payments will increase 4% for each year remaining in the 40-year amortization period. 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 increase in the unfunded actuarial liability resulting from the 1998 COLA is amortized as a level percent of payroll over 15 years.

For the closed group of KPERS-TIAA members, the unfunded actuarial liability is amortized by annual level dollar payments over a period of 10 years from July 1, 1993. This period was extended by one year, effective with the 1998 actuarial valuation.

KP&F

The Aggregate Actuarial Cost Method with Supplemental Unfunded Actuarial Liability (UAL) is used for KP&F. This method develops a normal cost rate on a group, or aggregate, basis. The Supplemental Unfunded Liability was initially established in 1993 to reflect the increase in the actuarial liability (using the Projected Unit Credit cost method) due to the benefit enhancement package passed in that year. The

Supplemental UAL is amortized over 40 years measured from July 1, 1993 with payments increasing 4% per year. A separate amortization base was established for the ad hoc COLA granted in 1998. This UAL is amortized over 15 years with the payment increasing 4% per year. As of December 31, 2000 the Supplemental UAL was re-established with the resulting UAL set to zero. The COLA UAL amortization base/payments remain unchanged.

Judges

The Frozen Entry Age Cost Method is used. The frozen unfunded actuarial liability (UAL) was established in 1993 with payments over 40 years as a level dollar amount. The UAL is frozen and reflects changes only due to a change in plan provisions or actuarial assumptions. Actuarial gains/losses are reflected in the calculation of the normal cost rate.

2. Asset Valuation Method

For actuarial purposes, assets are valued at expected value (based on the actuarial assumed rate of return) at the valuation date (based on the actuarial assumption) plus one-third of the difference between the market value and expected value.

2001 SUMMARY OF PLAN PROVISIONS

NOTE: *In the interest of simplicity, certain generalizations have been made. The text of the law and the rules adopted by the Board of Trustees will control specific situations.*

Plan Membership

The Kansas Public Employees Retirement System (the Retirement System or the System), is a body corporate and an instrumentality of the State of Kansas. The Retirement 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 (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, multi-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 180 days, are eligible for membership. Non-school employees become KPERS members after one year of continuous employment. First-day coverage for death and disability benefits is provided for state employees and non-school employees of local employers that elect such coverage. Those who retire under the provisions of the Retirement System may not become contributing members again.

Retirement: Age and Service Requirements

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. Effective July 1, 2001, at retirement a member may elect to receive a lump sum payment of up to 50 percent of the actuarial present value of the member's monthly benefit. The monthly retirement benefit is then reduced accordingly. 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 percent to one percent (1%) of Final Average Salary per year [School employees receive 0.75 percent 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 percent of Final Average Salary. **Working after Retirement** — Effective July 1, 1998, there is a 30-day waiting period during which a retiring member may not return to work in any capacity for any participating employer.

Early Retirement

Eligibility — Eligibility is age 55 and ten years of credited service. **Benefit** — The retirement benefit is reduced 0.2 percent per month if the member is from age 60 to age 62, plus 0.6 percent per month if the member is from age 55 to age 60.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of Provisions

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. If a vested member who is married terminates employment and wants to withdraw accumulated contributions, the member's spouse must provide consent for the withdrawal of contributions since any benefits to which the spouse may have been entitled in the future would be forfeited as well. **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. Members must wait 30 days after their last day on the payroll before applying to withdraw contributions. Withdrawing contributions forfeits all membership rights and benefits, such as insurance coverage, which a member may have accrued prior to withdrawing 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 does not allow members to borrow from contributions. The employer portion of contributions remains with the System when a member terminates employment and withdraws contributions. The Retirement System will refund contributions only after all contributions have been reported by the member's former employer.

Disability Benefit — Disability income benefits are provided under the KPERS Death and Disability Benefits Program, which is financed by employer contributions of 0.6 percent of a member's compensation. A member must be totally disabled for 180 continuous days. Benefits accrue from the later of the 181st day of continuous disability or from the first day upon which compensation from the employer ceases. The long term disability benefit is two-thirds of the member's annual compensation on the date disability commences, reduced by Social Security benefits (members must apply), Workers' Compensation benefits, and any other employment-related disability benefits, but in no event will the monthly benefit be less than $100 per month. Members receiving disability benefits continue to receive service credit under KPERS, group life insurance coverage, and waiver of optional group life insurance premiums if the member is under age 65 when first disabled. If a disabled member retires after receiving disability benefits for at least five years immediately preceding retirement, the member's Final Average Salary is statutorily adjusted.

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 15 years of credited service, but had not reached retirement age, the spouse may elect a monthly benefit to begin on the date the member would have been eligible to retire.

Service-connected accidental death — The member's accumulated contributions plus interest, a lump sum amount of $50,000, and an annual benefit based on 50 percent 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 a full-time student), in this order of preference. The monthly accidental death benefit is in lieu of any joint/survivor benefit for which the member would have been eligible.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of Provisions

Insured Death Benefit — An insured death benefit is provided under the KPERS Death and Disability Program, equal to 150 percent of the member's annual compensation on the date of death. If a disabled member dies after receiving disability benefits for at least five years immediately preceding death, the member's current annual rate of compensation is statutorily adjusted.

Post-retirement death — A lump sum amount of $4,000 is payable to the member's beneficiary. The beneficiary may, in turn, assign this benefit to a funeral home. The beneficiary for the $4,000 death benefit may be, but is not always, the same person as the member's joint annuitant. A retired member may name a funeral establishment as 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 four percent (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, at the interest rate adopted by the Board for actuarial valuations. Those who became members prior to July 1, 1993, have interest credited to their accounts at the rate of eight percent (8%) per year. Those who become members on and after July 1, 1993, will have interest credited to their accounts at the rate of four percent (4%) per year.

Employer Contributions

Rates are certified by the Board of Trustees, based on 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 one percent (1%) of Final Average Salary for each year of credited prior service. Service after 1961 is counted for purposes of determining eligibility for vesting. These members are also covered by the KPERS Death and Disability Benefits Program.

Correctional Members

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

For groups (a) and (b) with at least three consecutive years of credited service, in such positions immediately preceding retirement, normal retirement age is 55 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 and early retirement requirements are age 55 with ten years of credited service. Both groups are also eligible for full benefits when age and service equal 85 "points."

KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM
Summary of Provisions

Retirement: Age and Service Requirements

Eligibility — TIER I *: age 55 and 20 years of service.
Eligibility — 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. Effective July 1, 2001, at retirement a member may elect to receive a lump sum payment of up to 50 percent of the actuarial present value of the member's monthly benefit. The monthly retirement benefit is then reduced accordingly. 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 service, and a multiplier of 2.5 percent of Final Average Salary for each year of service, to a maximum of 80 percent 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. **Working after Retirement** — Effective July 1, 1998, there is a 30-day waiting period in which a retiring member may not return to work in any capacity for any participating employer.

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 percent per month under age 55.

Vesting Requirements

Eligibility — TIER I *: The member must have 20 years of credited service; if terminating employment, the member must leave contributions on deposit with the Retirement System to be eligible for future benefits.
Eligibility — TIER II **: The member must have 15 years of credited service to be considered vested. To draw a benefit before age 60, however, the member must have 20 years of credited service. If terminating employment, the member must leave contributions on deposit with the Retirement System to be eligible for future benefits.

Other Benefits

Withdrawal Benefits — Members who terminate employment before retirement may withdraw contributions with interest after the last day on the employer's payroll. Effective July 1, 1998, members must wait 30 days after their last day on the payroll before applying to withdraw contributions. Withdrawal of contributions forfeits all membership rights and benefits, which a member may have accrued prior to withdrawing accumulated contributions from the Retirement System. If a vested member (either Tier I or Tier II), who is married, terminates employment and wants to withdraw accumulated contributions, the member's spouse must provide consent for the withdrawal of contributions since any benefits to which the spouse may have been entitled in the future would be forfeited as well. 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 does not allow members to borrow from contributions. The employer portion of contributions remain with the System when a member terminates employment and withdraws contributions. The Retirement System will refund contributions only after all contributions have been reported by the member's former employer.

KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM
Summary of Provisions

Disability Benefits

TIER I *: Service-connected disability — There is no age or service requirement to be eligible for this benefit; there is a pension of 50 percent of Final Average Salary, plus 10 percent 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 percent of Final Average Salary. If dependent benefits aren't payable, the benefit is 2.5 percent for each year, to a maximum of 80 percent of Final Average Salary. Upon the death of a member receiving service-connected disability benefits, the spouse and dependent children receive service-connected death benefits if the member dies within two years of retirement or after two years from the same service-connected cause; if service-connected death benefits aren't payable, the spouse receives a lump sum payment of 50 percent of the member's Final Average Salary. Additionally, a pension of half the member's benefit is payable to either the spouse or to the dependent children.

TIER I*: Non-service-connected disability — This pension is calculated at 2.5 percent of Final Average Salary per year of service, to a maximum benefit of 80 percent of Final Average Salary (minimum benefit is 25 percent of Final Average Salary). Upon the death of a member receiving non-service-connected disability benefits, the surviving spouse receives a lump sum payment of 50 percent 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 II **: There is no distinction between service-connected and non-service-connected disability benefits. Benefit is 50 percent 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 statutorily adjusted. Disability benefits are offset one dollar for each two dollars earned after the first $10,000 earnings.

Death Benefits

TIER I * and TIER II **: Service Connected Death — There is no age or service requirement, and a pension of 50 percent of Final Average Salary goes to the spouse, plus 10 percent of Final Average Salary goes to each dependent child under age 18 [or up to age 23 if full time student(s)], to a maximum of 75 percent of Final Average Salary. **Non-Service-connected Death** — A lump sum of 100 percent of Final Average Salary goes to the spouse; and a pension of 2.5 percent of Final Average Salary per year of service (to a maximum of 50 percent) is payable to the spouse. If there is no spouse, the monthly benefit is paid to the dependent children. If there is no surviving spouse or children, 100 percent of current annual salary, less refundable contributions and interest, are paid to the beneficiary. No other benefits are payable. **Inactive Member Death** — If a member had at least 20 years of credited service, but had not reached retirement age, the surviving spouse (if the spouse is the sole beneficiary) may elect a monthly benefit to begin on the date the member would have been eligible to retire, in lieu of a refund of the member's contributions. If an inactive member is eligible to retire 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** — A lump sum amount of $4,000, is payable. 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 a local plan on the employer's entry date, who dies after retirement, and who had not elected a retirement benefit option), receives a lump sum payment of 50 percent of Final Average Salary. Additionally, a pension benefit of three-fourths of the member's benefit is payable either to the spouse or to dependent children.

KANSAS POLICE & FIREMEN'S RETIREMENT SYSTEM

Summary of Provisions

* **TIER I**	—	Members have Tier I coverage if they were employed prior to July 1, 1989, and if 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.

Member Contributions

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

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

KANSAS RETIREMENT SYSTEM for JUDGES

Summary of Provisions

Employer Contributions

The employer rates are certified by the Board of Trustees based on the results of annual actuarial valuations.

Retirement: Age and Service Requirements

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. **Benefit** — The benefit is based on the member's Final Average Salary, which is the average of the three highest years of service as a judge. Effective July 1, 2001, at retirement a member may elect to receive a lump sum payment of up to 50 percent of the actuarial present value of the member's monthly benefit. The monthly retirement benefit is then reduced accordingly. The basic formula for those who were members prior to July 1, 1987, is five percent (5%) of Final Average Salary for each year of service up to ten years, plus 3.5 percent for each year, to a maximum of 70 percent of Final Average Salary. For those who became members on or after July 1, 1987, the formula is 3.5 percent for each year, to a maximum benefit of 70 percent of Final Average Salary.

Employment after Retirement: Retired judges may enter into an agreement to work for up to 104 days at 25 percent of the current salary of a judge. The agreement is for two years and may be renewed for up to 12 years. Retirement benefits will be suspended in any case where a retired judge is elected or appointed to a judgeship. The judge in that case resumes active participation and will accrue additional service credit. When the judge retires again, the retirement benefit is recalculated.

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 0.2 percent per month if the member is from age 60 to age 62, plus 0.6 percent per month if the member is from age 55 to age 60.

KANSAS RETIREMENT SYSTEM for JUDGES

Summary of Provisions

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 permanently physically or mentally disabled. The disability benefit, payable until age 65, is 3.5 percent of Final Average Salary for each year of service (minimum of 50 percent of Final Average Salary). Benefits are recalculated when the member reaches retirement age. If a judge is disabled for at least five years immediately preceding retirement, the judge's Final Average Salary is statutorily adjusted. **Withdrawal Benefit** — Members who terminate employment may withdraw contributions with interest. Members must wait 30 days after their last day on the payroll before applying to withdraw contributions. The employer portion of contributions remain with the System when a member terminates employment and withdraws contributions. The Retirement Act does not allow members to borrow from contributions. A former member who resumes service as a judge may return the amount refunded without additional interest or penalty and regain credit for service previously credited under the Retirement System. **Pre-retirement Death** — A lump sum insured death benefit equal to 150 percent of the member's annual compensation on the date of the member's death is payable; plus a refund of the member's accumulated contributions. 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. The spouse must be the member's sole designated beneficiary to exercise this option. If the member had at least 15 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. **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 six percent (6%) of compensation. Upon reaching the maximum retirement benefit level of 70 percent of Final Average Salary, the contribution rate is reduced to two percent (2%).

Employer Contributions

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

Short Term Solvency Test
Last Ten Fiscal Years

Valuation Date	Member Contributions (A)	Retirants and Beneficiaries (B)	Active Members Employer Financed Portion (C)	Assets Available for Benefits		Portions of Accrued Liabilities Covered by Assets (A)	(B)	(C)
06/30/92	$1,489,301,000	$1,530,763,300	$1,614,777,700	$4,101,987,000		100 %	100 %	67 %
06/30/93	1,651,701,100	1,864,877,500	1,943,701,800	4,492,541,700		100	100	50 (2)
06/30/94	1,801,791,938	2,388,662,221	2,356,469,874	5,041,702,745	(1)	100	100	36
06/30/95	1,958,992,138	2,678,609,811	2,353,427,051	5,510,957,394		100	100	37
06/30/96	2,159,113,770	3,037,892,830	2,406,103,997	6,158,754,752		100	100	40
06/30/97	2,337,511,704	3,232,733,926	2,681,740,618	6,875,918,348		100	100	49
06/30/98	2,522,614,846	3,841,556,459	2,976,514,154	7,749,203,022		100	100	47
06/30/99	2,725,881,233	4,125,714,368	3,147,650,125	8,601,875,670		100	100	56
06/30/00	2,929,469,325	4,454,897,319	3,417,030,430	9,568,274,828		100	100	64
12/31/00	3,007,338,917	4,576,452,175	3,556,222,919	9,835,181,839	(3)	100	100	63

1) Actuarial valuation method was changed from book value to a market-based method.
2) 1993 legislation passed substantial benefit enhancements and changed the actuarial method of the KPERS System from the frozen initial liability method to the projected unit cost method. The amortization period was also adjusted to a 40 year period beginning July 1, 1993.
3) Actuarial valuation date was changed to a calendar year.

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

Schedule of Active Member Valuation Data (1)

Valuation Date	Number of Active Members(2)	Percentage Change in Membership	Number of Participating Employers	Percentage Increase in Number of Participating Employers	Total Annual Payroll (Millions)(2)	Average Payroll	Percentage Increase in Average Payroll
06/30/92	116,077	1.4 %	1,247	2.0 %	$ 2,700	$ 23,260	4.0 %
06/30/93	119,074	2.6	1,272	2.0	2,835	23,809	2.4
06/30/94	123,178	3.4	1,287	1.2	3,068	24,907	4.6
06/30/95	131,270	6.6	1,309	1.7	3,309	25,208	1.2
06/30/96	134,470	2.4	1,344	2.7	3,464	25,760	2.2
06/30/97	136,241	1.3	1,371	2.0	3,590	26,350	2.3
06/30/98	134,866	-1.0	1,397	1.9	3,765	27,915	5.9
06/30/99	137,969	2.3	1,407	0.7	4,088	28,529	2.2
06/30/00	140,559	1.9	1,416	0.6	4,290	30,471	6.8
12/31/00	143,337	2.0	1,423	0.5	4,455	30,412	-0.2

1) Data provided to actuary reflects active membership information as of January 1.
2) Excludes TIAA salaries.

Schedule of Employer Contribution Rates

Last Ten Fiscal Years (1)

KPERS STATE/SCHOOL

Fiscal Years	Actuarial Determined Rate	Actual Rate
1992	3.60 %	3.30 %
1993	3.30	3.30
1994	3.10	3.10
1995	3.10	3.20
1996	4.11	3.30
1997	5.17	3.59
1998	5.23	3.79
1999	5.33	3.99
2000	5.27	4.19
2001	**6.15**	**3.98** (2)

KPERS LOCAL

Fiscal Years	Actuarial Determined Rate	Actual Rate
1992	1.80 %	1.80 %
1993	1.90	1.90
1994	2.20	2.20
1995	3.05	2.30
1996	3.72	2.48
1997	3.73	2.63
1998	3.86	2.78
1999	3.86	2.93
2000	3.89	3.22
2001	**3.88**	**2.77** (2)

TIAA

Fiscal Years	Actuarial Determined Rate	Actual Rate
1992	1.70 %	1.70 %
1993	1.60	1.60
1994	1.60	1.60
1995	1.70	1.70
1996	1.75	1.75
1997	1.89	1.89
1998	1.66	1.66
1999	1.93	1.93
2000	1.82	1.82
2001	**1.81**	**1.21** (2)

KP&F (UNIFORM RATE)

Fiscal Years	Actuarial Determined Rate	Actual Rate
1992	5.70 %	5.70 %
1993	6.50	6.50
1994	6.80	6.80
1995	6.95	6.95
1996	9.65	9.65
1997	9.73	9.73
1998	9.45	9.45
1999	7.36	7.36
2000	7.35	7.35
2001	**6.97**	**6.97**

JUDGES

Fiscal Years	Actuarial Determined Rate	Actual Rate
1992	7.30 %	7.30 %
1993	7.10	7.10
1994	7.70	7.70
1995	8.00	8.00
1996	10.35	10.35
1997	16.00	16.00
1998	15.67	15.67
1999	15.67	15.67
2000	14.38	14.38
2001	**16.14**	**15.74** (2)

1) Rates shown for KPERS State/School, TIAA and Judges represent the rates for the fiscal years ending June 30. KPERS Local and KP&F rates are reported for the calendar years.
2) Per 2000 and 2001 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from April 1, 2000 through December 31, 2001.

Retirants, Beneficiaries - Changes in Rolls - All Systems
Last Ten Fiscal Years

Fiscal Year Ended June 30	Number at Beginning of Year	Additions: Number Added	Additions: Annual Allowances	Deletions: Number Removed	Deletions: Annual Allowances	Number at End of Year
1992	39,262	2,476	$ 20,430,611	1,383	$ 4,268,325	40,355
1993	40,355	2,492	22,391,028	1,459	4,632,807	41,388
1994	41,388	3,576	41,949,288	1,593	6,120,175	43,371
1995	43,371	3,463	41,898,882	1,530	6,690,418	45,304
1996	45,304	3,119	37,681,571	1,677	7,233,445	46,746
1997	46,746	3,456	42,581,075	1,643	7,829,006	48,559
1998	48,559	3,228	40,731,685	1,716	7,638,945	50,071
1999	50,071	3,328	41,833,222	1,756	9,151,705	51,643
2000	51,643	3,360	44,028,303	1,862	9,563,949	53,141
2001	53,141	3,112	44,919,587	1,951	10,020,387	54,302

Membership Profile
Last Ten Fiscal Years

Fiscal Year	Active	Inactive	Retirees & Beneficiaries	Total Membership
1992	116,891	8,798	39,552	165,241
1993	121,997	9,182	41,388	172,567
1994	131,684	12,851	43,371	187,906
1995	136,710	13,362	45,304	195,376
1996	140,573	15,249	46,746	202,568
1997	141,127	17,973	48,559	207,659
1998	143,080	21,080	50,071	214,231
1999	147,985	22,000	51,643	221,628
2000	149,681	25,053	53,141	227,875
2001	151,593	28,892	54,302	234,787

Summary of Membership Data

Retiree and Beneficiary Member Valuation Data (1)

	12/31/2000	06/30/2000
KPERS		
Number	51,215	50,037
Average Benefit	$8,974	$8,243
Average Age	73.43	73.69
Police & Fire		
Number	3,031	2,958
Average Benefit	$19,881	$19,441
Average Age	67.30	67.40
Judges		
Number	150	142
Average Benefit	$27,474	$27,356
Average Age	74.10	74.00
System Total		
Number	54,396	53,137
Average Benefit	$9,632	$8,918
Average Age	73.09	73.34

Active Member Valuation Data (1)

	12/31/2000	06/30/2000
KPERS		
Number	137,086	134,494
Average Current Age	44.19	44.35
Average Service	10.13	10.37
Average Pay	$30,307	$29,789
Police & Fire		
Number	6,258	6,091
Average Current Age	38.10	38.40
Average Service	10.40	10.80
Average Pay	$44,511	$43,424
Judges		
Number	247	248
Average Current Age	54.22	54.05
Average Service	10.75	10.40
Average Pay	$84,794	$81,772
System Total		
Number	143,591	140,833
Average Current Age	43.94	44.11
Average Service	10.14	10.39
Average Pay	$31,020	$30,471

1) Data provided to actuary reflects active membership information as of January 1.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

STATISTICAL Section

Innovation (in'e va'shen). 1. Something new or different introduced. 2. Act of innovating; introduction of new things or methods.

Alice Bertels, Teacher
USD 501, State Street Elementary School

KPERS
2001

Highlights of Operations - 10 Year Summary

	2001	2000	1999	1998
Membership Composition				
Number of Retirants	54,302	53,141	51,643	50,071
New Retirants During the Year	3,112	3,360	3,328	3,228
Active and Inactive Members	180,485	174,734	169,985	164,160
Participating Employers	1,423	1,415	1,407	1,397
Financial Results (Millions)				
Member Contributions	$ 204	$ 193	$ 185	$ 174
Employer Contributions	193	185	202	167
Retirement / Death Benefits	559	506	473	429
Investment Income (a)	(798)	1,315	954	1,247
Employer Contribution Rate (b)				
KPERS--State / School	3.98 %	4.19 %	3.99 %	3.79 %
KPERS--Local (c)	2.77	3.22	2.93	2.78
KP&F (Uniform Participating) (c)	6.97	7.35	7.36	9.45
Judges	15.74	14.38	15.67	15.67
TIAA	1.21	1.82	1.93	1.66
Special Elected Officials (d)	—	—	—	—
Unfunded Actuarial Liability (Millions)				
KPERS--State / School	$ 1,120	$ 860	$ 973	$ 1,142
KPERS--Local	90	36	76	104
KP&F	62	307	317	313
Judges	10	8	8	8
TIAA	23	23	23	24
Funding Ratios (e)				
KPERS--State / School	86.23 %	88.82 %	86.36 %	83.03 %
KPERS--Local	94.29	97.56	94.41	91.47
KP&F	95.22	79.68	77.28	75.62
Judges	88.66	90.53	89.42	88.21
TIAA	41.18	39.72	34.16	28.83

a) Investment income for prior years has been adjusted to reflect changes in unrealized appreciation.

b) Per 2000 and 2001 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from April 1, 2000 through December 31, 2001. The fiscal year 2001 rates reflect the adjustment to the Actual Rate.

c) KPERS Local and KP&F contribution rates are reported on a calendar year basis.

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

1997	1996	1995	1994	1993	1992
48,559	46,746	45,304	43,371	41,388	39,552
3,456	3,119	3,463	3,576	2,492	2,476
159,100	155,822	150,072	144,535	131,179	128,689
1,371	1,344	1,309	1,287	1,272	1,247
$ 171	$ 173	$ 159	$ 149	$ 134	$ 125
156	143	130	118	117	112
397	364	334	292	231	206
974	1,095	906	115	665	486
3.59 %	3.30 %	3.20 %	3.10 %	3.30 %	3.30 %
2.63	2.48	2.30	2.20	1.90	1.80
9.73	9.65	6.95	6.80	6.50	5.70
16	10.35	8.00	7.70	7.10	7.30
1.89	1.75	1.70	1.60	1.60	1.70
—	—	—	—	7.90	8.30
$ 933	$ 1,014	$ 1,051	$ 1,059	$ 573	$ 395
131	121	123	142	94	47
288	283	279	276	272	67
5	5	5	5	5	4
19	21	22	23	24	20
84.19 %	81.48 %	79.19 %	77.58 %	85.10 %	88.30 %
88.34	87.99	86.51	84.44	87.30	92.70
74.77	72.81	70.72	68.94	66.70	88.10
91.21	90.15	89.10	88.64	87.90	89.80
31.26	25.38	22.62	20.39	20.00	22.60

e) The funding percentage indicates the actuarial soundness of the System, generally, the greater the percentage, the stronger the System.

Expenses by Type

Fiscal Year	Benefits	Withdrawals	Insurance	Administration	Total
1992	$205,565,716	$23,310,075	$26,745,197	$3,274,890	$258,895,878
1993	230,677,812	20,812,351	28,353,401	3,715,294	283,558,858
1994	292,375,535	22,900,621	33,129,180	3,596,637	352,001,973
1995	333,924,392	26,542,254	35,873,212	4,312,658	400,652,516
1996	364,102,629	30,687,458	34,108,251	4,493,293	433,391,631
1997	396,660,948	36,761,626	36,048,625	4,659,099	474,130,298
1998	428,997,161	41,510,908	37,639,743	4,702,566	512,850,378
1999	472,571,948	40,860,950	41,892,190	5,442,410	560,767,498
2000	505,941,764	43,631,850	42,199,878	5,689,571	597,463,063
2001	558,901,552	43,967,623	46,456,603	6,843,434	656,169,212

Revenues by Source

	Contributions					
Fiscal Year	Member	Employer	Employer Insurance	Misc.	Net Investment Income	Total
1992	$ 125,377,263	$ 92,968,008	$ 18,456,388	$ 509,062	$ 485,575,396	$ 722,886,117
1993	133,506,738	96,292,433	20,115,114	533,403	664,759,162	915,206,850
1994	149,049,696	95,622,052	21,959,761	525,570	114,634,694	381,791,773
1995	159,250,384	106,496,039	22,881,197	533,638	906,231,045	1,195,392,303
1996	173,247,638	119,319,684	24,084,601	97,505 (1)	1,095,001,676	1,411,751,104
1997	171,120,750	133,053,259	23,226,519	92,827	974,302,417	1,301,795,772
1998	173,954,587	142,931,373	24,173,870	173,035	1,247,347,928	1,588,580,793
1999	185,180,551	175,581,182	26,071,503	210,116	953,992,725	1,341,036,077
2000	192,776,305	168,100,637	17,164,419	245,354	1,314,770,498	1,693,057,213
2001	204,142,810	193,384,289	— (2)	175,815	(798,126,783)	(400,423,871)

1) In Fiscal Year 1996, refund of current year benefit payments were accounted as a reduction to benefit expenses.

2) Per 2000 legislation, employers were not required to remit the Group Life and Disability Insurance portion of required employer contributions.

Schedule of Benefits by Type

Fiscal Year	Monthly Retirement Benefits	Retirement Dividend	Death Benefits	Refunds of Contributions	Disability Insurance Premiums/ Benefits
1992	$188,608,232	$ 9,736,712	$6,902,906	$23,310,075	$27,063,063
1993	213,080,377	9,834,057	7,499,557	20,812,351	28,617,222
1994	273,821,219	10,985,580	7,345,897	22,900,621	33,352,019
1995	315,965,280	11,019,325	6,742,192	26,542,254	36,070,807
1996	346,390,529	10,701,234	7,010,866	30,687,458	34,108,251
1997	378,656,752	10,173,553	7,830,644	36,761,625	36,048,625
1998	411,626,428	9,673,950	7,682,253	41,510,908	37,639,743
1999	455,265,896	9,443,527	7,862,525	40,860,950	41,892,190
2000	489,058,357	8,811,628	8,071,779	43,631,850	42,199,878
2001	542,389,577	8,284,487	8,227,488	43,967,623	46,456,603

Schedule of Retired Members and Survivors by Type of Benefit
June 30, 2001

Amount of Monthly Benefits	Number of Retirants	Type of Retirement				Option Type Selected								
		1,3,5	2,4	6,8	7,9	1	2	3	4	5,8	6,7	9	0	Other
$ - 99	3,071	2,587	466	9	9	2,495	268	169	36	29	11	20	32	11
$100-199	5,889	3,518	2,263	89	19	4,282	750	497	108	72	72	33	37	38
$200-299	6,041	3,129	2,805	94	13	4,361	663	593	130	110	80	40	44	20
$300-399	5,532	3,010	2,437	62	23	3,871	603	646	126	138	50	52	39	7
$400-499	4,381	2,442	1,872	44	23	3,104	496	520	76	103	26	29	27	
$500-599	3,611	2,162	1,401	34	14	2,513	416	433	67	101	8	45	26	2
$600-699	3,042	1,802	1,189	36	15	2,072	344	413	63	91	9	26	22	2
$700-799	2,595	1,563	977	38	17	1,738	320	329	55	104	9	23	16	1
$800-899	2,090	1,309	705	60	16	1,373	267	274	43	97	14	7	15	
$900-999	1,795	1,244	476	58	17	1,142	247	253	32	89	12	5	14	1
$1,000-1,999	12,184	10,693	992	357	142	6,994	2,057	1,755	157	982	120	45	73	1
$2,000 or More	4,071	3,932	65	54	20	1,901	912	477	47	683	12	23	16	
Totals	54,302	37,391	15,648	935	328	35,846	7,343	6,359	940	2,599	423	348	361	83

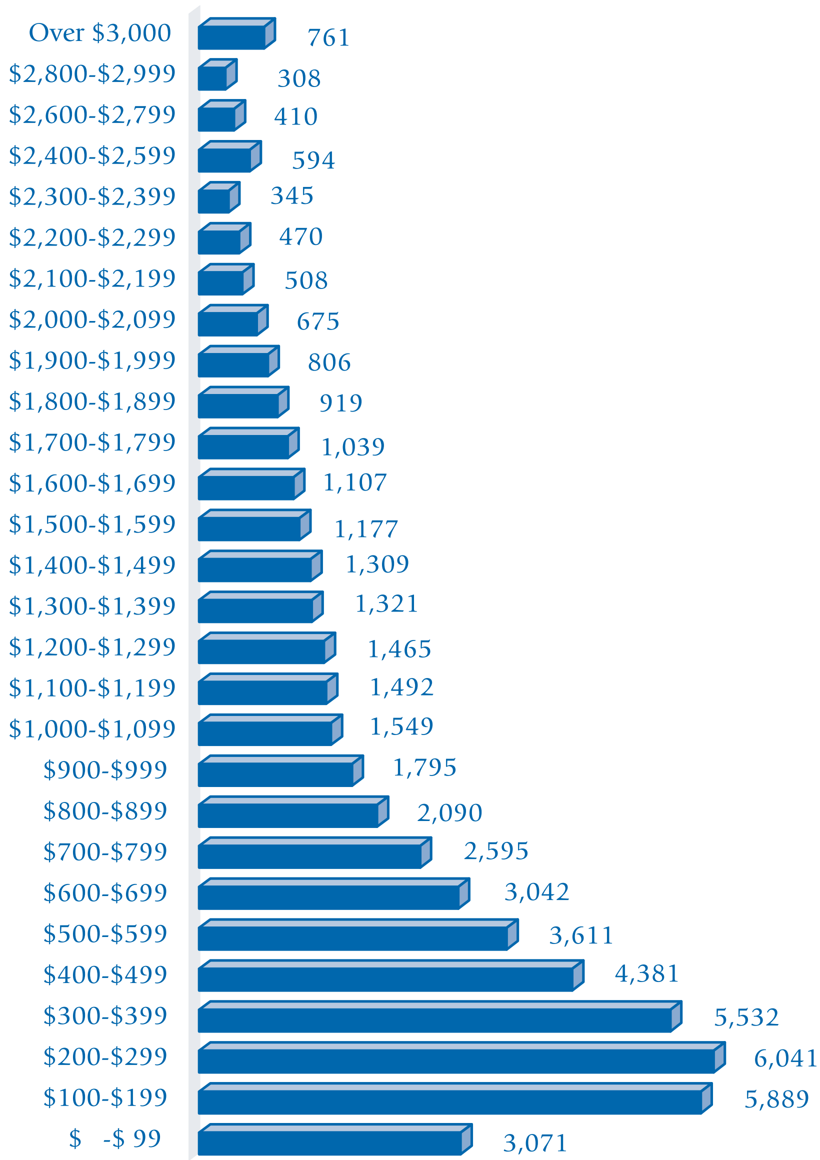
Type of Retirement (1)	
1, 3, 5	Normal
2, 4	Early
6, 8	Service-Connected Death and Disability
7, 9	Non-Service Connected Death and Disability

Option Type Selected (2)	
1	Maximum, No Survivor Benefit
2	Joint, 1/2 to Survivor
3	Joint, Same to Survivor
4	Life w/10 Years Certain
5, 8	Joint, 3/4 to Survivor
6, 7	Widowed, Children, Survivor
9	Life w/5 Years Certain
0	Life w/15 Years Certain

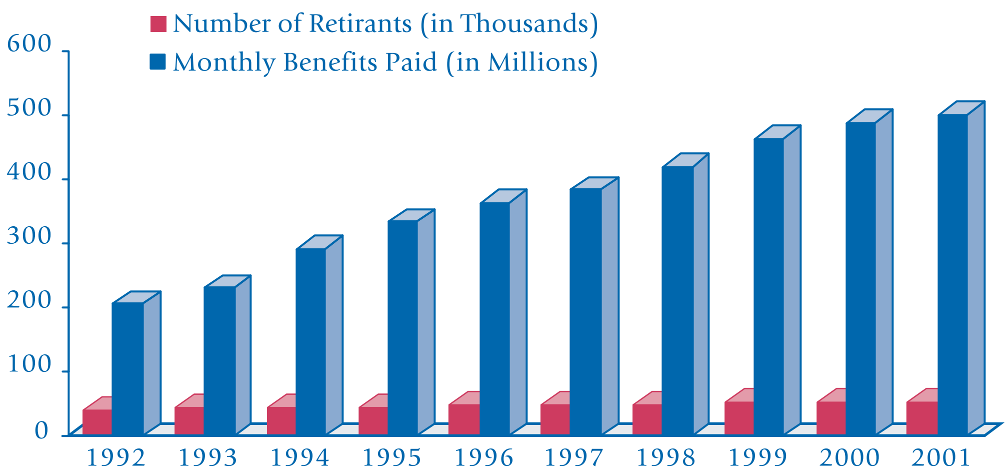
Average Benefit by Years of Service - Five Year Summary
New Retirees

Service Credit	Calendar Year 1996	1997	1998	1999	2000
Less Than 5	147	160	182	159	150
Average Benefit	$ 100.65	$ 117.53	$ 50.16	$ 76.38	$ 84.08
Average Years	2.49	2.88	2.63	2.46	2.30
5-9.99	196	215	244	237	249
Average Benefit	$ 249.47	$ 246.81	$ 229.48	$ 253.02	$ 281.88
Average Years	7.06	7.21	6.74	7.01	7.01
10-14.99	500	553	527	527	559
Average Benefit	$ 359.97	$ 401.78	$ 398.61	$ 387.82	$ 423.63
Average Years	11.85	11.80	11.81	11.75	11.91
15-19.99	494	515	486	490	466
Average Benefit	$ 591.87	$ 617.75	$ 605.01	$ 646.49	$ 640.33
Average Years	16.97	17.05	17.00	17.04	16.87
20-24.99	464	502	476	450	431
Average Benefit	$ 851.83	$ 872.38	$ 869.81	$ 913.36	$ 917.57
Average Years	21.96	21.95	21.90	21.84	21.94
25-29.99	510	500	496	510	527
Average Benefit	$1,396.09	$1,471.01	$1,443.16	$1,464.29	$ 1,574.01
Average Years	27.10	26.99	27.04	26.94	27.08
30-34.99	509	575	564	617	633
Average Benefit	$1,729.45	$1,798.24	$1,801.47	$1,861.44	$ 1,960.60
Average Years	31.85	31.91	31.91	31.80	31.83
35-39.99	268	273	260	268	234
Average Benefit	$1,874.62	$1,946.01	$1,991.97	$2,146.47	$ 2,119.73
Average Years	36.84	36.81	36.64	36.79	36.71
40-44.99	113	113	81	79	73
Average Benefit	$1,925.92	$2,172.84	$2,064.07	$2,177.81	$ 2,350.35
Average Years	41.54	41.37	41.32	41.65	41.49
45-49.99	14	13	8	13	11
Average Benefit	$2,050.13	$2,111.18	$2,067.15	$2,604.31	$ 2,338.06
Average Years	46.00	46.08	46.00	45.62	46.18
50 and Over	1	1	3	5	-
Average Benefit	$1,921.82	$2,161.62	$2,513.91	$3,421.89	$ -
Average Years	54.00	50.00	52.00	52.00	-
Total Number	**3,216**	**3,420**	**3,327**	**3,355**	**3,333**
Average Benefit	**$1,018.11**	**$1,060.24**	**$1,029.24**	**$1,102.19**	**$ 1,133.32**
Average Years	**22.25**	**22.09**	**21.59**	**21.99**	**21.78**

Benefit Amount as of June 2001



Comparison of Benefits Paid to Retired Members



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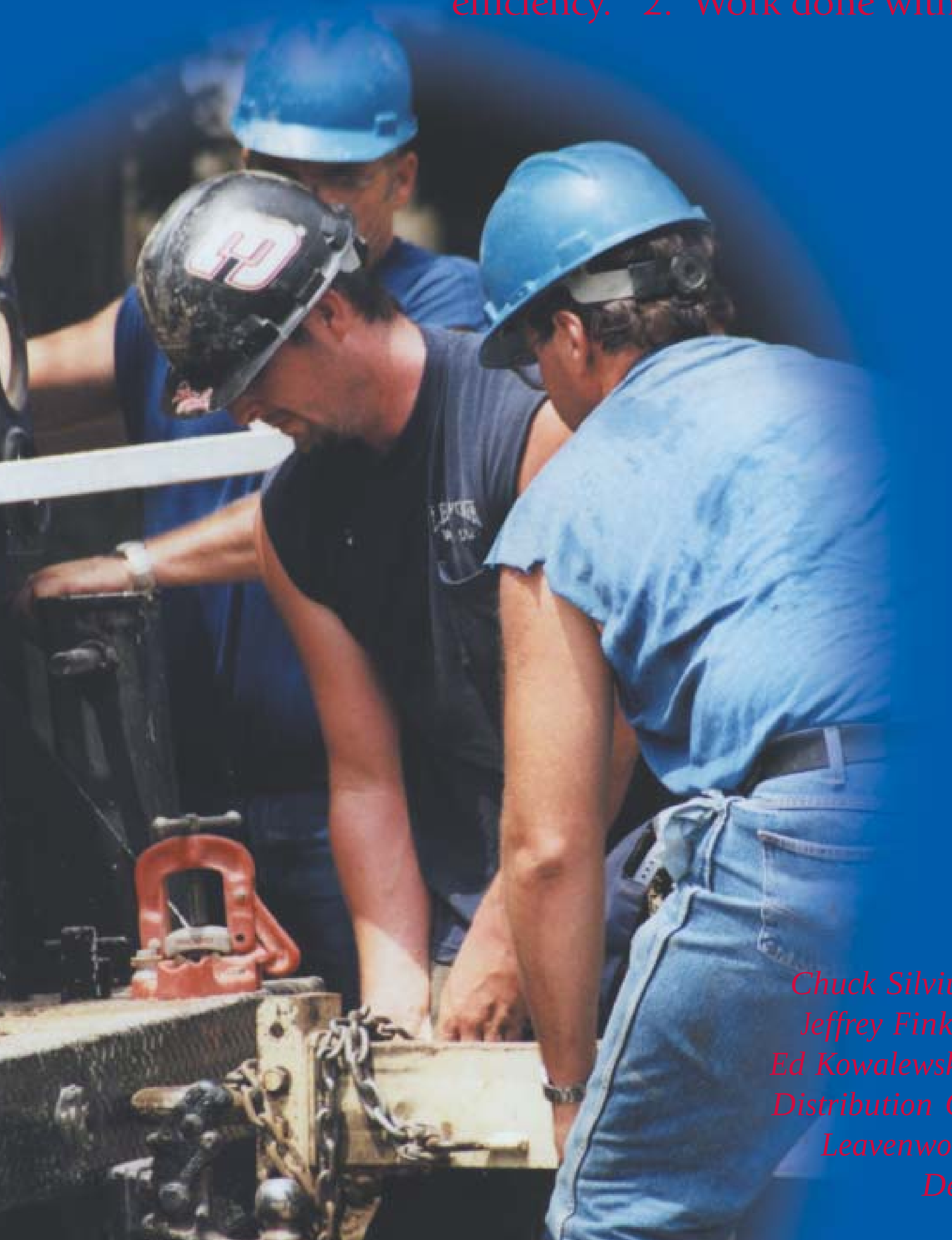
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2001

CONSULTANTS AND STAFF

Teamwork (tem'wurk'), 1. The work of a team with reference to coordination of effort and to collective efficiency. 2. Work done with a team.



Chuck Silvius (back), Jeffrey Fink (center), Ed Kowalewski (front), Distribution Operators, Leavenworth Water Department

KPERS 2001

CONSULTANTS

Actuary—Milliman USA, Omaha, Nebraska
Auditors—Berberich Trahan & Co., P.A., Topeka, Kansas
Investment Consultant—Pension Consulting Alliance, Inc., Encino, California

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Julius Baer Investment Management, Inc., New York, New York
Barclays Global Investors, San Francisco, California
The Boston Company, Boston, Massachusetts
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LIFE INSURANCE AND LONG TERM DISABILITY BENEFITS

Life—Security Benefit Group, Topeka, Kansas
Disability—Self Insured, Administered by Security Benefit Group, Topeka, Kansas

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Yohonna Barraud
Barbara Beach
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Leland Breedlove
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Acknowledgments

In producing the 2001 Comprehensive Annual Financial Report, the Retirement System acknowledges the invaluable assistance provided by the staff of the State of Kansas Division of Printing. We also recognize the professional contributions made by the Topeka Capital-Journal, the Kansas Highway Patrol, and Brad Stauffer, Director of Communications for Topeka Public Schools, USD 501. Most of all, we thank our members who graciously agreed to be featured in this Annual Report. All photographs are reprinted with permission of their owners.

Finally, the Retirement System wishes to express its appreciation for the contributions made by Kelly Brainard (design and layout) and John Hooker (photographs) of our staff.

Americans with Disabilities Act Information

The Retirement System staff will make every effort to accommodate persons with disabilities. Please let us know about specific needs in advance, particularly if large-print materials or tape-recorded information is needed. The Kansas Relay Center can also help those who need to communicate via a Telecommunications Device for the Deaf (TDD). Both speech/hearing disabled and hearing Kansans can access the Kansas Relay Center by calling toll-free: 1-800-766-3777.

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