FIDUCIARY

Kansas Public Employees Retirement System

2009 Comprehensive Annual Financial Report

KPERS – a component unit of the State of Kansas

Fiscal year ended June 30, 2009

The fiduciary standard is our driving force.

That means we put the interest of our members first.

It is the highest standard of care and accountability.

A fiduciary relationship is highlighted by good faith, loyalty and trust.

KPERS serves members as a **fiduciary** by holding assets in trust for them, growing those assets and delivering promised benefits when the time comes.

2009 Comprehensive Annual Financial Report

Kansas Public Employees Retirement System

A component unit of the State of Kansas

Fiscal year ended June 30, 2009

Prepared by KPERS staff

611 S. Kansas Ave., Ste 100

Topeka, KS 66603-3869

Glenn Deck, Executive Director

Leland Breedlove, Chief Fiscal Officer

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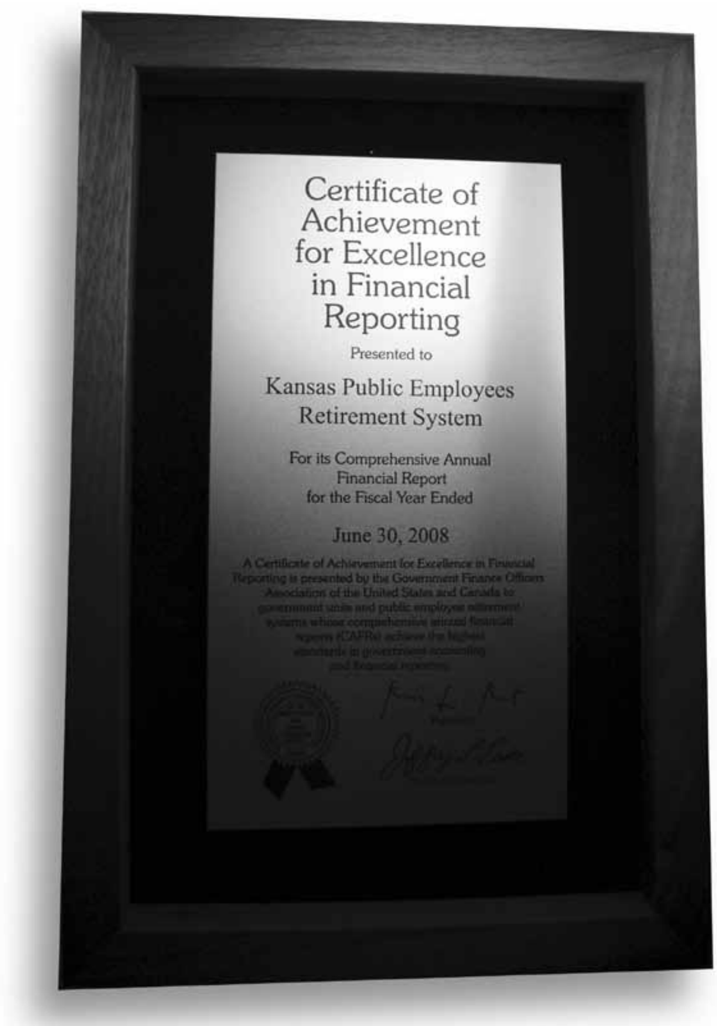

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to KPERS for the 2008 annual report. KPERS has received the award for each of the last 15 consecutive fiscal years.

INTRODUCTION

KANSAS

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

December 7, 2009

I am pleased to present the Kansas Public Employees Retirement System's Comprehensive Annual Financial Report (CAFR) for fiscal year 2009. In addition to informing the Board of Trustees, members and employers, our annual report fulfills KPERS' reporting responsibilities defined in Kansas statute. Printed copies are readily available to the public as well as a full version is posted on our web site, kpers.org.

As the first item in the CAFR, this transmittal letter provides a high-level overview of the Retirement System. The Management's Discussion and Analysis section provides a narrative introduction and analysis of our financial activities over the last two fiscal years. This letter is intended to complement the MD&A and they should be read together.

ENSURING ACCURACY

Responsibility for the preparation, accuracy and completeness of this report, including all disclosures, rests firmly with KPERS management. Information is presented in accordance with generally accepted accounting principles. To the best of our knowledge, the enclosed data is accurate in all material respects and fairly presents our financial position and operating results.

The Retirement System maintains a framework of internal controls to establish reasonable assurance that assets are safeguarded, transactions are completed accurately, and financial statements are fair and reliable. We also have an internal audit program that reports to the Board of Trustees. In addition to internal controls, the independent certified public accounting firms Allen, Gibbs & Houlik, L.C. and Berberich Trahan & Co., PA, conducted an independent audit of the Retirement System for 2009.

OUR PROFILE

The Kansas Legislature created the Kansas Public Employees Retirement System in 1962 to secure a financial foundation for those spending their careers in Kansas public service. The Retirement System provides disability and death benefits while employees are still working, and a dependable pension benefit when they retire.

We have three state-wide defined benefit retirement plans offered by 1,492 state and local employers. Our membership totals almost 270,000, including active, inactive and retired members. The Retirement System paid just over $1 billion in benefit payments for fiscal year 2009. Approximately 85 to 90 percent of those benefits remained in Kansas.

In addition to the defined benefit plans, KPERS also administers the State's Deferred Compensation Plan. The plan is a voluntary 457(b) savings program for State of Kansas employees. Many local public employers also participate.

A nine-member Board of Trustees oversees the Retirement System: four are appointed by the Governor, one is appointed by the President of the Senate, one is appointed by the Speaker of the House of Representatives, two are elected by Retirement System members, and one is the elected State Treasurer. The Board appoints an executive director who manages a staff to carry out daily operations.

The Board approves the System's annual operating budget. As a component unit of the State of Kansas, the budget is also approved by the Kansas Legislature and Governor as part of the regular legislative budgetary process.

INVESTMENTS

On average, investment income funds about 70 percent of Retirement System benefits. KPERS' assets are invested according to the "prudent expert standard of care" for the sole purpose of providing benefits to our members. Our actuarial projections assume an average, long-term investment return of 8 percent. In some years, returns will be below that rate, and in others, returns will exceed it. Healthy returns over time are essential for proper funding.

For the second consecutive year, the Retirement System incurred losses in its investment portfolio. The last year has been the worst year for the stock market since 1931. All equity markets were down substantially, including the S&P with a negative 26.2 percent return for the fiscal year ending June 30, 2009. Reflecting this market turmoil, the KPERS portfolio returned negative 19.6 percent during this same time frame. Since then, KPERS' investments have stabilized. For the first quarter of fiscal year 2010, the portfolio had a return of 13 percent as of September 30, 2009. Unfortunately, earlier losses created a $2.9 billion decrease in assets for the fiscal year and have had a substantial impact on the long-term funding outlook.

For more information about KPERS diversified and disciplined approach to executing our investment strategy and policies, please refer to the investment section in this report, beginning on page 45. This section also provides details about our asset allocation and specific yields.

FINANCIAL POSITION AND FUNDING OUTLOOK

The unprecedented investment market declines in 2009 have had a substantial negative impact on the funding status of the System, reversing forward progress on long-term funding made in previous years.

According to the Retirement System's most recent actuarial valuation (dated December 31, 2008), the System remained in actuarial balance overall. The funded ratio was 59 percent, a marked decrease from 70.8 percent the year before. The System's unfunded actuarial liability (UAL) increased from 5.55 billion in 2007 to $8.28 billion as of December 31, 2008. This UAL amount is the gap between the actuarial value of assets and the actuarial liability for service already earned by public employees. For detailed information on the System's funding projections by plan and group, please see the actuarial section beginning on page 61.

Even with a strong, sustained market recovery, the UAL will continue to increase and the funded ratio will further decline. Investment returns alone cannot fix the funding shortfall. While benefits are safe in the near-term, the System will not have enough assets to provide all the benefits already earned by members and to pay off the UAL in the adopted amortization period ending in 2033. Addressing the long-term funding shortfall is critical and will be costly. The longer we wait to act, the more it will eventually cost. In the meantime, KPERS will continue to carefully manage members' assets and to work with the Kansas Legislature and Governor to develop a plan to protect the long-term financial health of the System.

MAJOR INITIATIVES

Addition of KPERS Tier 2 Benefits for New Members
Staff completed preparation and numerous implementation tasks for a new benefit tier, which began July 1, 2009. Efforts included information system modifications and administrative and communications changes to properly administer the new benefits.

Working After Retirement Legislation
During the 2009 state legislative session, Senate Substitute for House Bill 2072 was passed and signed into law. It became effective May 28, 2009. This legislation affected working after retirement for all KPERS members and had some items that relate specifically to school members.

- Previously, retirees waited 30 days to return to work for any Retirement System employer. Legislation changed the waiting period to 60 days.
- The $20,000 earnings limit was lifted for the next three years for some licensed School members returning to work for the same employer.

Staff completed the necessary tasks to carry out these new requirements.

New Asset Class
Investment staff implemented a new asset class with the "Real Return" portfolio. This new asset class replaced the previous Treasury Inflation Protected Securities (TIPS) portfolio. Real Return assets will provide greater diversification and also provide some protection against inflation.

Technology
Staff completed three important information technology projects: disaster recovery, information security enhancements and platform consolidation.

ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Retirement System for the 2008 CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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. The Retirement System has received the Certificate of Achievement for each of the last 15 consecutive fiscal years. We believe our current report again conforms to the program requirements, and we will submit it to the GFOA for consideration.

This CAFR is the synthesis of work from KPERS staff and advisors under the Board's leadership. The report is an asset to our organization, providing reliable, accurate information on which we base important decisions.

This has been a challenging year for KPERS, facing a serious market recession, a significant funding decline, and the complexity of administering a new benefit tier. We were successful this year with teamwork and dedication to our mission. In everything we do, the fiduciary standard continues to be our driving force. That means we put the interest of our members first. It is the highest standard of care and accountability. Members and employers can count on being served by caring people providing dependable benefits that help members secure today and plan for tomorrow.

I look forward to working in partnership with the Board and staff to continue to meet our fiduciary commitment and to provide excellent service.

Sincerely,

Glenn Deck

Glenn Deck
Executive Director

KPERS
2009

YEAR
IN
REVIEW

KPERS serves members as a **fiduciary** by holding assets in trust for them, growing those assets and delivering promised benefits when the time comes.

$1 billion in retirement benefits

$26 million in disability benefits

$9 million in death benefits

$44 million withdrawals

- 885,000 retirement benefit payments
- 4,893 new pensions
- 87,000 1099R tax forms
- 190,000 annual statements
- 1,400 personalized retirement benefit estimates
- 90,000 incoming calls, 96 percent answered within 20 seconds
- 13,750 e-mails
- 190 group presentations and member education seminars
- 2,500 one-on-one counseling sessions
- 110 employer educational workshops and training sessions

- 97 percent of InfoLine callers surveyed rated overall service as "excellent" or "good"
- Pre-Retirement Seminars received a 97 percent satisfaction rating
- Developed a web portal for new online member account access
- Implemented new online services for Deferred Compensation Plan, including: enrollment, deferral changes, beneficiary designations
- Implemented a new organizational identity, including a new logo
- Hired 13 new investment managers
- Launched the "Real Return" portfolio
- Implemented a new beta overlay program
- Restructured the small-cap portion of the domestic equity portfolio
- Completed the disaster recovery, platform consolidation and security enhancement technology projects
- Maintained 99.9 percent availability for all information systems
- Implemented new Tier 2 KPERS plan design
- Implemented HB 2072, legislation with extensive working after retirement changes

BOARD OF TRUSTEES

OUR ORGANIZATION

Board of Trustees

Executive Director, Glenn Deck

Administration
General Counsel, Laurie McKinnon
Internal Audit
Planning and Research
Human Resources
Communications

Investments
Chief Investment Officer, Vince Smith
- Equity Investments
- Real Estate Investments
- Fixed Income Investments
- Alternative Investments

Fiscal Services
Chief Fiscal Officer, Leland Breedlove
- Corporate Accounting
- Employer Reporting
- Investment Accounting

Member Services
Member Services Officer, Mary Beth Green
- Post-Retirement
- Benefits
- Withdrawals

Information Resources
Chief Information Officer, John Oliver
- Data Control
- Operations

KPERS

2009

OUR GUIDING PRINCIPLE

The fiduciary standard is our driving force. That means we put the interest of our **members first**. It is the highest standard of care and accountability. A fiduciary relationship is highlighted by good faith, loyalty and trust.

Dependable benefits

Trusted partner

Caring people

STAFF

Melvin Abbott
Latricia Anderson
Julie Baker
Yohonna Barraud
Kristen Basso
Steve Beck
Dianna Berry
Kathleen Billings
Anita Bradley
Leland Breedlove
Greg Buchanan
Jason Carreno
Jenne Clark
Lorie Conklin
Tammy Cruz
Andrea Davenport
Glenn Deck
Don Deseck
Yolanda Dickinson
Amy Dunton
Joyce Edington
Jill Emme
Heather Enos
Emily Facer
Daniel Fairbank
Mitchell Fick
Renae Forque
Elaine Gaer
Sue Gamblian
Connie Gardner
Billie Jo Gerisch
David Gerisch
Kay Gleason
Lisa Gonzales
Mary Beth Green
Earlene Hagenmaier
Duane Herrmann
Lisa Hernandez
Denise Hilmes
John Hooker
Taneshia Horton
Ellen Hurless
Melva Janke
Teresa Jurgens
Casey Kidder
Brian King
Shannon Kuehler
Annette Kuti
Donald Lennard
Debra Lewis
Vivian Liu
Faith Loretto
Mandy Lowe
Joyce Mark
Kim Mason
Brian McCammon
Heather McHardie
Laurie McKinnon
Judy McNeal
Noble Morrell
Beverly Murray
Lisa Ngole
John Oliver
Diana Peters
Demetrius Peterson
Linda Porter
Allie Powell
Pamela Price
Cathy Rafferty
Randy Rahberg
Kim Raines
Alberta Rea
Nancy Richardson
Megan Rogers
Steven Rush
Teresa Ryan
MaryAnn Sachs
Marilyn Sawyer
Alan Schuler
Rhonda Shumway
Nici Soria
Robert (Vince) Smith
Mickey Smith
Julie Smith
David Streeter
Amber Tarrant
Cindy Timmons
Carmen Unselt
Christina VanWinkle
Marsha Veal
Jami Vowell
Craig Weltman
Steven Wesley
Amy Whitmer
Alice Wietharn
Max Williams
Carol Wilson
Deanna Winters
Cheri Woolsey
Pat Zimmerman

CONSULTANTS AND ADVISORS

AUDITORS
A joint venture of Allen, Gibbs & Houlik, L.C., Wichita, Kansas, and Berberich Trahan & Co., P.A., Topeka, Kansas

ACTUARY
Milliman, Inc., Omaha, Nebraska

INVESTMENT CONSULTANTS
Pension Consulting Alliance, Inc., Encino, California
The Townsend Group, Cleveland, Ohio
LP Capital Advisors, Sacramento, California

INVESTMENT MANAGERS
Acadian Asset Management, Boston, Massachusetts
AEW Capital Management, LP, Boston, Massachusetts
Alliance Bernstein, New York, New York
Barclays Global Investors, San Francisco, California
Brookfield Redding, LLC, Chicago, Illinois
Capital Guardian Trust Company, Los Angeles, California
Duff & Phelps Investment Management Company, Chicago, Illinois
ING Investment Management Company, Hartford, Connecticut
Loomis, Sayles & Company, LP, Boston, Massachusetts
MacKay Shields, LLC, New York, New York
Mellon Capital Management Corporation, San Francisco, California
Morgan Stanley Asset Management Inc., New York, New York
Morgan Stanley Real Estate Advisor Inc., Atlanta, Georgia
Nomura Asset Management, Inc., New York, New York
Pacific Investment Management Company, Newport Beach, California
Pareto Partners, New York, New York
Payden & Rygel Investment Counsel, Los Angeles, California
Principal Global Investors, Des Moines, Iowa
Quantitative Management Associates, Newark, New Jersey
Russell Investment Group, Tacoma, Washington
Security Investors, LLC, Topeka, Kansas
Systematic Financial Management, LP, Teaneck, New Jersey
TCW Asset Management Company, Los Angeles, California
Wellington Management Company, LLP, Boston, Massachusetts
Western Asset Management Company, Pasadena, California

INVESTMENT CUSTODIAN
Bank of New York Mellon, Everett, Massachusetts

LIFE INSURANCE
Minnesota Life Insurance Company, St. Paul, Minnesota

LONG-TERM DISABILITY
Self Insured, Administered by Disability Consulting Group LLC, Portland, Maine

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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 (the System), a component unit of the State of Kansas, as of June 30, 2009, and the related statement of changes in plan net assets for the year then ended. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2008 financial statements and, in our report dated December 17, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 basic 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, 2009, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2009 on our consideration of the System's internal control over financial reporting and on our tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis included on pages 18 through 21 and the Required Supplementary Information on pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying introductory, investment, actuarial and statistical sections and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The investment and actuarial sections and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Allen, Gibbs & Houlik, L.C. Berberich Trahan & Co., P.A.

December 10, 2009

This section presents management's discussion and analysis of the Kansas Public Employees Retirement System's financial performance during the fiscal year that ended June 30, 2009. It is presented as a narrative overview and analysis in conjunction with the Executive Director's letter of transmittal.

The Kansas Public Employees Retirement System (KPERS, the Retirement System, or the System) is an umbrella organization administering the following three statewide pension groups under one plan, as provided by chapter 74, article 49 of the Kansas Statutes:

- Kansas Public Employees Retirement System (KPERS)
- Kansas Police and Firemen's Retirement System (KP&F)
- Kansas Retirement System for Judges (Judges)

All three systems are part of a governmental, defined benefit, contributory plan covering substantially all Kansas public employees. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer, cost-sharing groups. The State of Kansas and Kansas school districts are required to participate. Participation by local political subdivisions is optional but irrevocable once elected.

Financial Highlights

- The System's net assets decreased by $ 2.95 billion or 22.3 percent from $13,193,063,915 to $10,246,341,129.

- As of December 31, 2008, the date of the most recent actuarial valuation, the Retirement System's funded ratio was 58.8 percent compared with a funded ratio of 70.8 percent for the prior year.

- The unfunded actuarial liability increased from $5.552 billion at December 31, 2007, to $8.279 billion at December 31, 2008.

- On a market value basis, this year's investment return rate was negative 19.6 percent, compared with last year's return of negative 4.4 percent.

- Retirement benefits paid to retirees and beneficiaries increased 5.7 percent from $946 million in fiscal year 2008 to $1 billion in fiscal year 2009.

Overview of the Financial Statements

This discussion and analysis is an introduction to the System's basic financial statements, which comprise the following components:

1) Basic financial statements
2) Notes to the financial statements
3) Required supplementary information
4) Other supplementary schedules

The information available in each of these sections is summarized as follows.

Basic Financial Statements

A Statement of Plan Net Assets as of June 30, 2009, and a Statement of Changes in Plan Net Assets for the fiscal year ended June 30, 2009, are presented with the previous year's comparative information. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year end, as well as the changes in those resources during the year.

Notes to the Basic Financial Statements

The financial statement notes provide additional information that is essential to a full understanding of the data provided in the financial statements. Information available in the notes to the financial statements is described in the paragraphs to follow.

Note 1 provides a general description of the Retirement System, as well as a description of the plan benefits and overview of the contributions that are paid by employers and members. Information regarding a breakdown of the number of participating employers and members is also provided.

Note 2 provides a summary of significant accounting policies, including the basis of accounting, investments, including investing authority, investment risk categorizations, and the method used to value investments, and additional information about cash, securities lending and derivatives. Note 2 also contains information regarding the Retirement System's required reserves. The various reserves include the Members Accumulated Contribution Reserve, Retirement Benefit Accumulation Reserve, Retirement Benefit Payment Reserve, Group Insurance Reserve Fund, the Expense Reserve and the Optional Term Life Insurance Reserve.

Note 3 provides information about System funding policies and employer contributions made to the System by the three different funding groups.

Note 4 provides information about other post employment benefits that the System administers. The Governmental Accounting Standards Board issued GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and it went into effect for periods beginning after December 15, 2005. As part of the reporting requirements declared by this statement, the financial status and activity of the KPERS Death and Disability Plan are displayed separately in the Statement of Net Assets and the Statement of Changes in Plan Net Assets. Required supplemental schedules display the funded status and funding progress of the plan, and the significant methods and assumptions used. As noted in the funding status schedules, the KPERS group insurance reserve fund is 10.9 percent funded as of June 30, 2008, the last date of the actuarial valuation of the Death and Disability Plan.

Note 5 describes System capital expenditure commitments to real estate and alternative investments. This section also generally describes potential System contingencies.

Required Supplementary Information

The required supplementary information consists of schedules and related notes concerning the funded status of the pension plans administered by the Retirement System and other post employment benefits.

Other Supplementary Schedules

Other schedules include detailed information on contributions by employer coverage groups, administrative expenses, an investment income summary, and a schedule of investment fees and expenses.

Financial Analysis of the Retirement System

The System provides benefits to State of Kansas and other local and school employees. Benefits are funded by member and employer contributions and by investment earnings. Net assets held in trust for benefits at June 30, 2009, amounted to $10,246,341,129, a decrease of $2.95 billion, 22.3 percent, from $13,193,063,915 at June 30, 2008. Following are two summary schedules, Plan Net Assets and Changes in Plan Net Assets, comparing information from fiscal years 2008 and 2009.

Summary Comparative Statements of Plan Net Assets

	As of June 30, 2009	As of June 30, 2008
Assets		
Cash and Deposits	$ 1,448,691	$ 406,994
Receivables	1,999,250,191	3,156,838,475
Investments at Fair Value	10,405,411,440	13,527,063,862
Invested Securities Lending Collateral	597,414,351	2,205,187,750
Capital assets and supplies inventory	6,314,640	6,668,232
Total Assets	13,009,839,313	18,896,165,313
Liabilities		
Administrative Costs	1,261,886	602,913
Benefits Payable	2,217,802	1,207,447
Investments Purchased	2,124,750,768	3,484,042,240
Securities Lending Collateral	635,267,728	2,217,248,798
Total Liabilities	2,763,498,184	5,703,101,398
Net Assets	**$10,246,341,129**	**$13,193,063,915**

Summary Comparative Statements of Changes in Plan Net Assets

	Year Ended June 30, 2009	Year Ended June 30, 2008
Additions		
Contributions	$764,190,110	$727,755,738
Net Investment Income (Loss)	(2,571,592,222)	(652,406,020)
Net Investment Income from Securities Lending Activity	(20,617,367)	3,303,038
Total Net Investment Income (Loss)	(2,592,209,589)	(649,102,982)
Other Miscellaneous Income	154,113	225,736
Total Additions	(1,827,865,366)	78,878,492
Deductions		
Monthly Retirement Benefits	999,939,614	945,704,657
Refunds	43,929,423	48,472,690
Death Benefits	9,237,740	8,388,935
Insurance Premiums and Disability Benefits	54,303,258	56,718,131
Administrative	11,447,385	9,603,126
Total Deductions	1,118,857,420	1,068,887,539
Net Increase (decrease)	(2,946,722,786)	(990,009,047)
Net Assets Beginning of Year	$13,193,063,915	$14,183,072,962
Net Assets End of Year	**$10,246,341,129**	**$13,193,063,915**

Additions to the System's net assets held in trust for benefits include employer and member contributions, as well as investment income. Total contributions to the Retirement System increased from $727.8 million in fiscal year 2008 to $764.2 million in fiscal year 2009.

The System recognized a net investment loss of $2.59 billion for the 2009 fiscal year, compared with a net investment loss of $649 million for the 2008 fiscal year. Total return for the portfolio was a negative 19.6 percent, compared with the benchmark return of negative 18.0 percent. System net investments amounted to $10.17 billion at June 30, 2009, which was $2.95 billion less than the $13.115 billion in total System investments at June 30, 2008. The Retirement System's one-, three-, five- and ten-year investment performance against the assumed rate of investment return are shown in the following table. The assumed rate of return is 8 percent.

One Year	Last Three Years	Last Five Years	Last Ten Years
(19.64%)	(3.22%)	2.69%	3.25%

At June 30, 2009, the System held $5.2 billion in U.S. equity and international equity securities, a decrease of approximately $1.8 billion from the 2008 fiscal year. U.S. equity and international equity securities earned returns of approximately negative 27.1 percent and negative 34.2 percent, respectively, for the 2009 fiscal year. These compare with the Retirement System's benchmark returns of negative 26.6 and negative 30.5 percent, respectively.

The System held $3.2 billion in U.S. debt and international debt securities, a decrease of $1.5 billion from the 2008 fiscal year. The TIPS portfolio return for 2009 was negative 1.9 percent, while the benchmark return was negative 1.1 percent. The performance of the System's other fixed income securities during fiscal year 2009 was 3.9 percent, compared with the benchmark of 4.9 percent. Real estate investments decreased $314 million to $641 million at June 30, 2009. Real estate investments returned approximately negative 36.7 percent for the 2009 fiscal year, versus the benchmark real estate return of negative 18.4 percent. The System held $375 million in alternative investments, which was a $28 million decrease from June 30, 2008. Alternative investments earned a return of approximately negative 11.5 percent for the 2009 fiscal year, compared to the benchmark alternative investment return of negative 23.6 percent. At June 30, 2009, the System held $1.02 billion in short-term investments, which was an increase of $527 million from June 30, 2008.

The Retirement System earns additional investment income by lending investment securities to brokers. The brokers provide collateral to the System and generally use the borrowed securities to cover short sales and failed trades. The Retirement System invests cash collateral received from the brokers in order to earn interest. For the fiscal year 2009, net securities lending income amounted to negative $20.6 million, compared with $3.3 million in fiscal year 2008.

Deductions from net assets held in trust for benefits include retirement, death and survivor benefits, and administrative expenses. For the 2009 fiscal year, retirement, death and insurance benefits amounted to $1,107.4 million, an increase of $48.1 million, 4.4 percent, from the 2008 fiscal year. The increase in benefit payments was a result of an increase in the number of retirees. For the 2009 fiscal year, System administrative expenses amounted to $11.447 million compared with $9.603 million in fiscal year 2008. This increase was mainly due to costs associated with developing and securing the System's new information system. The ratio of System administrative expenses to the number of members (approximately $43 per member) continues to be very cost-efficient compared to other statewide retirement plans.

Current Funding Outlook and Projections

The Retirement System's most recent actuarial valuation shows a $2.7 billion increase in the unfunded actuarial liability (UAL), dropping the funded ratio to 59 percent. Given the current funding structure, this means that the System does not have enough assets to provide all the benefits already earned by members and to pay off the UAL in the adopted amortization period ending in 2033.

	UAL (millions)	Funded Ratio
KPERS		
State Group	$1,002	72%
School Group	5,239	52%
Local Group	1,385	59%
KP&F	619	71%
Judges	36	75%
Retirement System Total*	$ 8,279	59%

*May not add due to rounding

The School group is not in actuarial balance. The actuarial required contribution (ARC) date and rate are not projected to meet using the current funding plan. Although ARC is projected to be achieved for the State and Local groups (applying the currently adopted actuarial assumptions), the dates and rates of ARC leaves these groups highly leveraged.

School Group ARC = N/A
State Group ARC = 14.50% in 2022
Local Group ARC = 11.73% in 2021

In spite of the funding shortfall, benefits for current retirees are safe. The Retirement System has about $10 billion in assets to pay benefits for decades.

Importance of Investment Returns

Any future investment returns below the System's assumed investment target of 8 percent would cause a significant, negative impact. Even with a positive financial market experience, investment returns alone cannot fix the funding shortfall. If returns over the next few years are weak or see new lows, the funding status could deteriorate further from current projections.

Next Steps

The KPERS Board of Trustees uses a set of funding standards to guide board members in upholding their fiduciary responsibilities. This last valuation triggered multiple "warning indicators," prompting the Board and staff to complete a comprehensive analysis of the System's funding status, projections and options. In developing options for a long-term plan, we considered the following areas:

- Sustainability
- Cost
- Investments
- Employer contributions
- Employee contributions
- Benefits and benefit adequacy

As the Governor and Legislature are ultimately responsible for benefits and funding, KPERS has presented a range of funding and plan options for consideration by various legislative committees and the governor's office. KPERS' board and staff will continue to work with these stakeholders over the coming months and year to develop a comprehensive long-term plan to address the funding shortfall and to improve the System's long-term financial health. At this time, the State of Kansas is dealing with significant general budget shortfalls that could impact short-term progress.

STATEMENT OF PLAN NET ASSETS AS OF JUNE 30, 2009

WITH COMPARATIVE FIGURES FOR 2008

	KPERS Fund	Group Death & Disability Fund	2009 totals	2008 Totals
ASSETS				
Cash and Deposits				
Cash	$1,302,745	$115,336	$1,418,081	$269,784
Deposits with Insurance Carrier	-	30,610	30,610	137,210
Total Cash and Deposits	1,302,745	145,946	1,448,691	406,994
Receivables				
Contributions	72,243,458	-	72,243,458	73,234,185
Investment Income	32,250,384	14,658	32,265,042	56,330,303
Sale of Investment Securities	1,894,741,691	-	1,894,741,691	3,027,273,987
Total Receivables	1,999,235,533	14,658	1,999,250,191	3,156,838,475
Investments at Fair Value				
Domestic Equities	2,879,299,769	-	2,879,299,769	3,941,009,919
International Equities	2,286,971,866	-	2,286,971,866	3,053,973,317
Cash and Equivalents	985,197,974	31,305,522	1,016,503,496	489,270,224
Fixed Income	3,205,743,248	-	3,205,743,248	4,683,905,223
Alternative Investments	375,422,698	-	375,422,698	403,318,841
Real Estate	641,470,363	-	641,470,363	955,586,338
Total Investments at Fair Value	10,374,105,918	31,305,522	10,405,411,440	13,527,063,862
Invested Securities Lending Collateral	597,414,351	-	597,414,351	2,205,187,750
Capital Assets and Supplies Inventory	6,314,640	-	6,314,640	6,668,232
Total Assets	**12,978,373,187**	**31,466,126**	**13,009,839,313**	**18,896,165,313**
LIABILITIES				
Administrative Costs	1,261,886	-	1,261,886	602,913
Benefits Payable	2,217,802	-	2,217,802	1,207,447
Securities Purchased	2,124,750,768	-	2,124,750,768	3,484,042,240
Securities Lending Collateral	635,267,728	-	635,267,728	2,217,248,798
Total Liabilities	**2,763,498,184**	**-**	**2,763,498,184**	**5,703,101,398**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER POST EMPLOYMENT BENEFITS	**$10,214,875,003**	**$31,466,126**	**$10,246,341,129**	**$13,193,063,915**

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, 2009 WITH COMPARATIVE FIGURES FOR 2008

	KPERS Fund	Group Death & Disability Fund	2009 Totals	2008 Totals
ADDITIONS				
Contributions				
Member Contributions	$ 278,619,872	$ -	$278,619,872	$269,603,155
Employer Contributions	449,235,653	36,334,585	485,570,238	458,152,583
Total Contributions	727,855,525	36,334,585	764,190,110	727,755,738
Investments				
Net Appreciation (Depreciation) in Fair Value of Investments	(2,824,249,931)	-	(2,824,249,931)	(1,012,601,549)
Interest	152,897,354	351,362	153,248,716	212,695,996
Dividends	91,464,527	-	91,464,527	137,983,566
Real Estate Income, Net of Operating Expenses	31,062,438	-	31,062,438	40,288,418
Other Investment Income	264,000	-	264,000	264,000
	(2,548,561,612)	351,362	(2,548,210,250)	(621,369,569)
Less Investment Expense	(23,376,342)	(5,630)	(23,381,972)	(31,036,451)
Net Investment Income (Loss)	(2,571,937,954)	345,732	(2,571,592,222)	(652,406,020)
From Securities Lending Activities				
Securities Lending Income	(8,838,220)	-	(8,838,220)	95,645,344
Securities Lending Expenses				
Borrower Rebates	(10,469,638)	-	(10,469,638)	(89,471,546)
Management Fees	(1,309,509)	-	(1,309,509)	(2,870,760)
Total Securities Lending Activities Expense	(11,779,147)		(11,779,147)	(92,342,306)
Net Income from Security Lending Activities	(20,617,367)	-	(20,617,367)	3,303,038
Total Net Investment Income (Loss)	(2,592,555,321)	345,732	(2,592,209,589)	(649,102,982)
Other Miscellaneous Income	110,178	43,935	154,113	225,736
Total Additions	**(1,864,589,618)**	**36,724,252**	**(1,827,865,366)**	**78,878,492**
ADDITIONS				
Monthly Retirement Benefits Paid	(999,939,614)	-	(999,939,614)	(945,704,657)
Refunds of Contributions	(43,929,423)	-	(43,929,423)	(48,472,690)
Death Benefits	(9,237,740)	-	(9,237,740)	(8,388,935)
Insurance Premiums and Disability Benefits	(6,946,461)	(47,356,797)	(54,303,258)	(56,718,131)
Administrative Expenses	(11,085,498)	(361,887)	(11,447,385)	(9,603,126)
Total Deductions	(1,071,138,736)	(47,718,684)	(1,118,857,420)	(1,068,887,539)
NET INCREASE (DECREASE)	**(2,935,728,354)**	**(10,994,432)**	**(2,946,722,786)**	**(990,009,047)**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER POST EMPLOYMENT BENEFITS				
Balance Beginning of Year	**13,150,603,357**	**42,460,558**	**13,193,063,915**	**14,183,072,962**
Balance End of Year	**$10,214,875,003**	**$31,466,126**	**$10,246,341,129**	**$13,193,063,915**

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

NOTE 1: PLAN DESCRIPTION

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:

- Kansas Public Employees Retirement System (KPERS)
- Kansas Police and Firemen's Retirement System (KP&F)
- 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 and the other two are multi-employer, cost-sharing groups. The State of Kansas and Kansas schools are required to participate, while participation by local political subdivisions is optional but irrevocable once elected. Participating membership and employers are as follows:

Membership By Retirement System (1)

	KPERS	KP&F	Judges	Total
Retirees and beneficiaries currently receiving benefits (2)	66,623	3,910	191	70,724
Terminated employees entitled to benefits but not yet receiving them	9,808	149	11	9,968
Inactive members, deferred disabled	2,823	173	—	2,996
Inactive members not entitled to benefits	27,759	1,026	—	28,785
Current employees	148,569	7,242	262	156,073
Total	**255,582**	**12,500**	**464**	**268,546**

1) Represents System membership at December 31, 2008.

2) Number of retirement payees as of December 31, 2008.

Number of Participating Employers

	KPERS	KP&F	Judges
State of Kansas	1	1	1
Counties	105	30	—
Cities	361	57	—
Townships	54	—	—
School Districts	295	—	—
Libraries	121	—	—
Conservation Districts	83	—	—
Extension Councils	73	—	—
Community Colleges	19	—	—
Educational Cooperatives	23	—	—
Recreation Commissions	42	1	—
Hospitals	29	—	—
Cemetery Districts	12	—	—
Other	184	—	—
Total	**1,402**	**89**	**1**

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, age 50 with 25 years, or any age with 32 years of service). Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A . 74-4922.

Active members (except KP&F members) are covered by basic group life insurance. The life insurance benefit is 150 percent of the annual compensation rate 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 spouse, minor children or dependent parents (in this order). Service-connected accidental death benefits are in addition to any life insurance benefit. There is a $4,000 death benefit payable to the beneficiary(ies) when a retired member dies under any of the systems.

Active members (except KP&F and Judges' members) are also covered by the provisions of the disability income benefit plan. Since 2006, annual disability income benefits have been based on 60 percent 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. Members who were approved for disability benefits before 2006 have an annual benefit based on 66 percent of the annual compensation at the time of disability. For both groups, the minimum monthly benefit is $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 be eligible for group life insurance coverage and to accrue participating service credit.

Contributions

Member contributions (from 4 to 7 percent of gross compensation), employer contributions and net investment income fund Retirement System reserves. Member contribution rates are established by state law, and are paid by the employee 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. The contributions and assets of all three systems are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis (see Note 3). For fiscal years beginning in 1995, Kansas legislation placed a statutory limit of 0.1 percent of payroll on increases in contribution rates for KPERS employers. 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 more 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. Legislation passed in 2003 amended the annual increases in future years. The statutory cap for the State/School group increased to 0.4 percent in fiscal year 2006, with subsequent increases of 0.5 percent in fiscal year 2007 and 0.6 percent in fiscal year 2008 and beyond. Legislation passed in 2004 amended the annual increases in future years for local employers. The statutory cap for the Local group increased to 0.4 percent in calendar year 2006, with subsequent increases of 0.5 percent in fiscal year 2007 and 0.6 percent in fiscal year 2008 and beyond. The amortization period for the unfunded liability of all three systems is 40 years from July 1, 1993.

Reporting Entity

The Retirement 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 elected State Treasurer. The Board of Trustees appoints the executive director, who is the Retirement System's managing officer.

Other Employee Benefit Plan

The Board of Trustees of the Retirement System has oversight responsibility, but little administrative involvement and no investment responsibility, for the Kansas Public Employees' Deferred Compensation Plan (IRC Section 457) for state employees. Because the Board of Trustees neither owns the assets nor has custody of them, and their financial transactions are not recorded in the System's accounting system, this program is not included in the System's financial statements.

Measurement Focus and Basis of Accounting

The Retirement System's financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Contributions are due to KPERS when employee services have been performed and paid. Contributions are recognized as revenues when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made.

Use of Estimates

The Retirement System's financial statement preparation conforms with accounting principles generally accepted in the United States. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. This also includes disclosing 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.

Comparative Financial Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Cash and Deposits

Custodial credit risk is when in the event a financial institution or counterparty fails, the Retirement System would not be able to recover the value of deposits that are in the possession of an outside party. The System advances cash deposits to a disability administrator for monthly disability benefits and death benefits for members who are disabled. As of June 30, 2009, the Retirement System's deposit with its disability administrator was $30,610. The Retirement System does not have a deposit policy for custodial credit risk associated with these deposits.

Method Used to Value Investments

Investments are reported at fair market 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. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Fair values of the limited partnership investments are based on valuations of the underlying companies of the limited partnerships as reported by the general partner. Fair value of the commingled funds are determined based on the underlying asset values.

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 Retirement System's investment program is provided in K.S.A. 74-4901 et seq., effective July 1, 1993. 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.

- The annual allowance for new alternative (non-publicly traded) investments is limited to 1 percent of the market value of the total investment assets of the fund as measured from the end of the preceding calendar year.

- Establishes limits on the structure of future investments in real estate or alternative investments.

- Requires that the Board develop investment policies and objectives to invest fund assets.

- Authorizes the Board to hire qualified professionals/firms to assist in investing the fund and requires 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 annually examine the investment program, specific investments, and its policies and practices.

The Retirement System has six permissible investment categories. 1) Equities 2) Real estate 3) Fixed income securities 4) Derivative products 5) Cash equivalents 6) Alternative investments

In fulfilling its responsibilities, the Board of Trustees has contracted with 25 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 rate 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, 2009, the Retirement System had futures contracts with market exposure of approximately $1,946,600,000. Cash equivalents and short-term investments in amounts necessary to settle the economic value of 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, 2009, the maturities of securities in this dedicated bond portfolio are as follows: 44 percent of the fair value of the securities mature within 30 days; 24 percent mature between 31 and 180 days; and 32 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. The Retirement System does incur credit risk as it relates to the credit quality of the securities in the collateral pool. The securities on loan are marked to market daily to ensure the adequacy of the collateral. The fair value of securities on loan as of June 30, 2009, and June 30, 2008, were $790,001,583 and $2,771,834,583, respectively. Collateral held by the Retirement System for June 30, 2009, and June 30, 2008, was $824,712,122 and $2,890,568,438, respectively. Net income produced from securities lending activities for fiscal year 2009 was negative $20,617,367 and for fiscal year 2008 was $3,303,038.

The Retirement System's international investment managers use 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 the 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, 2009, the System had sold forward currency contracts with a fair value of $1,632,444,228 and had bought forward currency contracts with a fair value of $1,661,802,660. 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.

During fiscal year 2009 the Retirement System transitioned its internally managed Treasury Inflation Protected Securities (TIPS) portfolio to external management by Barclay's Global. 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, 2009, the Retirement System had externally managed investments in TIPS with a fair value of approximately $711,221,000.

Custodial Credit Risk

Custodial credit risk is when in the event a financial institution or counterparty fails, the Retirement System would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. One hundred percent (100 percent) of the Systems investments are held in the System's name and are not subject to creditors of the custodial bank.

Concentration Risk

The System has investments in Federal National Mortgage Association issued securities that represent 6.0 percent of the total net asset value. KPERS investment policy does not prohibit holdings above five percent in the debt securities of U.S. government issuers. Government sponsored enterprises (GSEs, such as FNMA) are considered government issuers for the purpose of implementing KPERS investment policy. No other single issuer represents five percent or more of System assets other than the U.S. Government.

Currency Risk

Currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. KPERS investments at June 30, 2009, were distributed among currencies in the following list.

The System's asset allocation and investment policies include active and passive investments in international securities. KPERS' target allocation is to have 22 percent of assets (excluding securities lending collateral) in dedicated international equities. The System also has 5.0 percent of assets targeted to global equities which are expected to be between 40 and 60 percent international. Core Plus bond managers are allowed to invest up to 20 percent of their portfolio in non-dollar securities. The System utilizes a currency overlay manager to reduce risk by hedging up to 50 percent of the foreign currency for selected international equity portfolios. At June 30, 2009, the System's total foreign currency exposure was 8.4 percent hedged.

	USD Equivalent	Currency	Percent
$	133,634,182	Australian Dollar	1.21%
	95,901,736	Brazil Real	0.87%
	263,395,016	British Pound Sterling	2.39%
	172,001,231	Canadian Dollar	1.56%
	2,107,871	Chilean Peso	0.02%
	26,012,527	Chinese Yuan Renminbi	0.24%
	3,778,991	Colombian Peso	0.03%
	6,919,429	Czech Koruna	0.06%
	21,192,377	Danish Krone	0.19%
	1,599,097	Egyptian Pound	0.01%
	791,447,999	Euro Currency Unit	7.17%
	106,777,817	Hong Kong Dollar	0.97%
	2,876,409	Hungarian Forint	0.03%
	3,168,816	Iceland Krona	0.03%
	4,622,387	Indian Rupee	0.04%
	17,357,477	Indonesian Rupian	0.16%
	8,876,144	Israeli Shekel	0.08%
	666,293,557	Japanese Yen	6.04%
	15,842,430	Malaysian Ringgit	0.14%
	43,774,318	Mexican New Peso	0.40%
	1,330,805	Moroccan Dirham	0.01%
	47,065,676	New Taiwan Dollar	0.43%
	24,728,732	New Turkish Lira	0.22%
	11,552,803	New Zealand Dollar	0.10%
	24,911,306	Norwegian Krone	0.23%
	2,763,306	Philippines Peso	0.03%
	9,371,578	Polish Zloty	0.08%
	20,008,493	Russian Rubel	0.18%
	33,681,967	S African Comm Rand	0.31%
	35,821,615	Singapore Dollar	0.32%
	71,269,282	South Korean Won	0.65%
	31,688,013	Swedish Krona	0.29%
	153,148,999	Swiss Franc	1.39%
	14,897,610	Thailand Baht	0.13%
	928,225	Uruguayan Peso	0.01%
	9,712,141	Other Currencies	0.08%
	8,122,365,429	U.S. Dollar*	73.90%
$	**11,002,825,791**		**100.00%**

3) * Includes securities lending collateral of $597,414,351

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Retirement System's investment policies require Core and Core Plus managers to have at least 70 percent of holdings in investment grade securities. Each portfolio is required to maintain a reasonable risk level relative to its benchmark. System assets ($ in thousands) as of June 30, 2009, subject to credit risk are shown with current credit ratings below.

Quality Rating	Commercial Paper	Corporate	Agency	U.S. Govt	Securities Lending Collateral	Total
NR	$614,604	$220,264			$271,998	$1,106,866
AAA	2,308	245,990	1,022	763,903	50,251	1,063,474
AA	7,076	74,632	1,047,685	42,498	69,134	1,241,025
A	2,637	405,274			194,279	602,190
BBB		373,406			11,752	385,158
BB		144,032				144,032
B		68,324				68,324
CCC	-	107,461	-	-	-	107,461
Total	$626,625	$1,639,383	$1,048,707	$806,401	$597,414	$4,718,530

Commercial Paper also includes repurchase agreements and other short-term securities. Agency securities are those implicitly guaranteed by the U.S. Government. U.S. Government securities are treasury securities and agencies explicitly guaranteed. Securities Lending Collateral are securities invested using cash collateral from the securities lending program, not pooled with any other institution's funds. Securities rated A1/P1 are included in AA on this table. The Securities Lending Collateral class has the following policy requirements: to be rated A3/A- or better; Commercial paper must be A1/P1; Asset-backed securities must be AA3/AA- or better; Repurchase agreements must be 102 percent collateralized with A3/A- or A1/P/1 or better securities and held by the custodial bank or third-party custodian. Securities Lending Collateral NR (Not Rated) securities are 100 percent repurchase agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investment policy requires Core and Core+ managers to be within 20 percent of their benchmark duration, and all fixed portfolios shall maintain a reasonable risk level relative to their benchmarks. The same System assets as above are also subject to interest rate risk. These are shown in the following ($ in thousands) grouped by effective duration ranges.

Effective Duration	Commercial Paper	Corporate	Agency	U.S. Govt	Securities Lending Collateral	Total
0 - 1 yr	$ 626,625	$ 767,150	$ 440,525	$ 135,768	$ 597,414	$ 2,567,482
1 - 3 yrs		157,870	351,965	248,722	-	758,557
3 - 5 yrs		228,193	248,520	141,690		618,403
5 - 10 yrs		383,238	103	248,508		631,849
10 - 20 yrs	-	102,932	7,594	31,713	-	142,239
Total	$ 626,625	$1,639,383	$1,048,707	$1,806,401	$ 597,414	$ 4,718,530

Securities Lending Collateral policy limits the maximum average portfolio maturity of 90 days and only floating rate, and fixed rate asset-backed, securities may mature beyond 13 months.

Capital 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, 2009, was $9,451,778. Office supplies inventory in the amount of $20,448 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 50 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 capital asset and are being depreciated. Accumulated depreciation on the administrative portion of the building and garage as of June 30, 2009 was $2,628,942. The office building and garage are being depreciated over a period of 33 years on an accelerated method. At June 30, 2009, the carrying value of the System's administrative headquarters was $1,190,761.

Compensated Accrued Absences

State employees accrue vacation leave based on the number of years employed up to a maximum rate of 6.5 hours per pay period, and may accumulate a maximum of 240 hours. Upon retirement or termination, employees are paid for accrued vacation leave up to their maximum accumulation. State employees earn sick leave at the rate of 3.7 hours per pay period. Employees who terminate are not paid for unused sick leave. Employees who retire are paid a portion of their unused sick leave based on years of service and hours accumulated. The State uses the vesting method to compute the sick leave liability. The compensated absences liability will be liquidated by the State's governmental and internal service funds.

Reserves

K.S.A. 74-4922, K.S.A. 74-4927 and K.S.A. 74-49,110 define the title and use of the required Retirement System reserves. This law requires the actuary to:

- Make an annual valuation of the Retirement System's liabilities and reserves.
- Make a determination of the contributions required to discharge the Retirement System's liabilities.
- Recommend to the Board of Trustees employer contribution rates required to maintain the System on an actuarial reserve basis.

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. After ending employment and applying for withdrawal, employee contributions, plus accumulated interest, are charged to this reserve. Interest is credited to active 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, is 8 percent for those who became members prior to July 1, 1993. For those who first became members after June 30, 1993, interest on employee contributions is credited at the rate of 4 percent per year. The balance at June 30, 2009, was $4,952,024,634, 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, 2009, was $5,573,794,438. The unfunded liability was $8,279,168,326. 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, 2009, was $7,945,452,583. The Expense Reserve represents 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, 2009, was $22,771,676, 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.

Budget

The Retirement System's annual operating budget 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 System has an approved budget.

Retirement System Employees' Pension Plan

As an employer, the Retirement System participates in KPERS, a cost sharing, multi-employer defined benefit pension plan. KPERS provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by Kansas law. Funding is accomplished through member and employer contributions and investment earnings, according to Kansas Law. Upon the completion of a year of service, plan members contribute 4 percent of their annual salary. In fiscal year 2009, the regular employer contribution rate was 6.97 percent of covered payroll. In addition, KPERS contributed an additional 1.0 percent of covered payroll to the group insurance fund. Total payroll was $3,747,048, $3,869,793 and $4,132,578 for 2007, 2008 and 2009, respectively. KPERS contributed $228,516, $258,696 and $282,130 for 2007, 2008 and 2009 respectively, to the employees pension plan and group insurance fund. All contributions required by law were made in fiscal years 2007, 2008 and 2009.

Non-Retirement Funds

Legislation passed in 2000 assigned to the Retirement System the investment responsibilities of non-retirement money. 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. Legislation was also provided to defray the reasonable expenses of administrating these funds. Investments under management for the Treasurer's Unclaimed Property Fund were $171,763,215 at June 30, 2009.

Pending Governmental Accounting Standards Board Statements

GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets was issued June 2007. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets by enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

GASB Statement No. 53 Accounting and Financial Reporting for Derivative Instruments was issued June 2008. Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 3: FUNDING POLICY

Funding

The law governing the Retirement System requires the actuary to make an annual valuation of the System's liabilities and reserves and determine 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, 2006. As a result of this study, the Board of Trustees adopted new assumptions in regard to retirement rates, mortality rates, termination rates and salary growth.

Pension Obligation Bonds

In September 2003, the State of Kansas issued $40,250,000 of Series 2003 H State pension funding bonds. Of the total amount the bond issue, $15,350,000 of the bond proceeds were used for the purpose of financing the unfunded actuarial liability of the TIAA group of members. In addition, the State of Kansas contributed an additional $2 million cash payment.

The remaining bond proceeds of $24,900,000 were used for the purpose of financing the unfunded actuarial liability of those members who retired prior to July 2, 1987, and are entitled to a Retirement Dividend payment pursuant to K.S.A. 74-49,109. Beginning in fiscal year 2005 state's employer contribution rates for the State KPERS, School, State KP&F and Judges groups included an additional amount to finance the debt service payments for this portion of the bonds. In fiscal year 2009 KPERS collected $3,210,947 additional contributions for the debt service payments and transferred these funds to the State of Kansas.

In February, 2004, the State of Kansas issued $500 million in pension obligation bonds, and KPERS received net proceeds of $440.2 million in March 2004. The proceeds have been invested to assist with financing the State and School group's unfunded actuarial liability. The debt service on the bonds will be paid by the State of Kansas in addition to the State's regular employer contributions.

Changes in Unfunded Actuarial Liability

The actuary has estimated the change in the unfunded actuarial liability between December 31, 2007, and December 31, 2008, can be attributed to the following ($ in millions):

Unfunded Actuarial Liability, December 31, 2007	$ 5,552
Effect of contribution cap/time lag	246
Expected increase due to amortization method	71
Loss from investment return	2,332
Demographic experience	110
All other experience	(32)
Change in actuarial assumptions	-
Change in benefit provisions	-
Final Unfunded Actuarial Liability, December 31, 2008	**$ 8,279**

Contributions Required and Contributions Made

KPERS. The actuarially determined contribution rates are computed as a level percentage of payroll by the Retirement System's actuary. For the State/School, Correctional members, the results of December 31, 2004, and December 31, 2005, actuarial valuations provide the basis for Board certification of employer contribution rates for fiscal years 2008 and 2009, respectively. As explained in Note 1, legislation has limited the amounts that employers are required to contribute for State, School, and Local employees, which has resulted in lower employer contribution rates as compared with the actuarially determined rates. The actuarially determined employer contribution rates (not including the 1.0 percent contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows:

State/School

Fiscal Year	Actuarial Rate	Statutory Rate
2008	10.37%	6.37%
2009	10.86%	6.97%

Correctional

2008	8.90% / 8.84%	6.84% / 6.70%
2009	9.19% / 9.04%	7.44% / 7.30%

Included in the fiscal year 2008 and 2009 rates is the bond debt service rate of 0.80 percent collected by KPERS to transfer to the State general fund for the debt service payments of the 13th Check Pension Obligation Bonds.

The results of December 31, 2005, and December 31, 2006, actuarial valuations provide the basis for Board certification of local employer contribution rates for fiscal years beginning in 2008 and 2009, respectively. The actuarially determined employer contribution rates and statutory contribution rates are as follows:

Local

Fiscal Year	Actuarial Rate	Statutory Rate
2008	7.92%	4.93%
2009	8.12%	5.53%

KP&F. The uniform participating service rate for all KP&F employers was 13.88 percent for the fiscal year beginning in 2008 and 13.51 percent for the fiscal year beginning in 2009. 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 22.38 percent of payroll for the fiscal year ended 2008 and 22.08 percent of payroll for the fiscal year ended 2009.

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 4 percent for KPERS members, 7 percent for KP&F members, and 6 percent for Judges members as the member's employee contributions. All required contributions have been made as follows.

Employee Contributions

(expressed in thousands)

	Employer Contributions	Member Contributions (1)	Contributions as a Percent of Covered Payroll
KPERS- State	$ 81,708	$ 41,993	12.3%
KPERS- School	251,030	137,352	11.5
KPERS - Local	85,663	60,674	10.0
KP&F	61,082	30,109	25.3
Judges	6,088	1,473	27.7
Subtotal	**$ 485,571**	**$ 271,601**	**11.5**%

An estimated $527 million of employer & employee contributions were made to cover normal cost, an estimated $194 million was made for the amortization of the unfunded actuarial accrued liability.

1) Member contributions do not include Optional Life Insurance contributions of approximately $7.0 million.

Funding Status and Funding Progress

The funding status of the plan at December 31, 2008, the most recent actuarial valuation date:
(expressed 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)
12/31/08	$11,827,619	$20,106,787	$8,279,168	58.8%	$6,226,526	133%

The schedule of funding progress, presented as required supplement information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

Additional information as of the latest actuarial valuation follows:

	KPERS	KP&F	Judges
Valuation Date	12/31/2008	12/31/2008	12/31/2008
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent closed	Level Percent closed	Level Dollar closed
Remaining amortization period	24 years	24 years	24 years
Asset valuation method	Difference between actual return and expected return on market value recognized evenly over five-year period. Value must be within corridor of 80 percent to 120 percent of market value.		
Actuarial assumptions:			
Investment rate of return (1)	8%	8%	8%
Projected salary increases (1)	4.0% - 12.0%	4.0% - 12.5%	4.5%
Cost of Living Adjustment	none	none	none

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

NOTE 4: OTHER POST EMPLOYMENT BENEFIT PLAN — KPERS DEATH AND DISABILITY PLAN

The Kansas Public Employees Retirement System administers one post employment benefit plan, KPERS Death and Disability Plan. This multiple employer, cost sharing, defined benefit plan, authorized by K.S.A. 74-4927 provides death benefits for beneficiaries of plan participants and long term disability benefits to all members in the KPERS state, school and local coverage groups. In addition, the coverage is extended to other non KPERS members employed at the Board of Regents institutions and other state officials. The plan provides death benefits to the Judges coverage group. In order to carry out legislative intent, within the funds available, the KPERS Board of Trustees may modify plan benefits from time to time.

Summary of Significant Accounting Policies

Basis of Accounting Policies. The Retirement System's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Employer contributions are recognized as revenues when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made.

Method Used to Value Investments. Investments are reported at fair market value. Securities traded on a national or international securities exchange are valued at the last reported sales price at current exchange rates.

Plan Membership and Benefits

Members in the Death and Disability Plan consisted of the following at June 30, 2008, the date of the last actuarial valuation:

- Active plan members, 163,912
- Number of participating employers, 1,397
- Open claims, 2,995

The Death and Disability Plan provides two primary benefits to active members:

1) Group life insurance equal to 150 percent of annual compensation, which is provided through an insurance contract with an insurance carrier.
2) Self-insured long-term disability (LTD) benefits equal to 60 percent (before January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving LTD benefits also receive service credit toward their retirement benefits under KPERS and have their group life insurance coverage continued under the waiver of premium provision. The group life insurance benefit is increased annually for inflation, at a rate equal to the consumer price index less one percent, beginning five years following the date of disability.

Contributions and Funded Status

Prior to fiscal year 2000, employer contributions for group life insurance and long-term disability income benefits were set by statute at 0.6 percent of covered payroll for KPERS and Board of Regents Institutions and 0.4 percent for Judges. 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. Calendar year 2002 and 2003 legislation placed additional moratoriums on contributions. Moratoriums were in effect for the period July 1, 2002, through December 31, 2002, and the period of April 1, 2003, through June 30, 2004. Legislation passed in 2005, increased the insurance contribution rate to 0.8 percent of covered payroll effective July 1, 2005, and to 1.0 percent on July 1, 2006. The rate for Judges remained at 0.4 percent. Again, legislation passed in early 2009 placed a moratorium on contributions related to the group life insurance and disability benefits effective for the period March 1, 2009, through November 30, 2009. For the period ending June 30, 2009, employers contributed over $36 million to the Plan.

The death and disability plan assets are held in the Group Insurance Reserve fund. At June 30, 2009, this reserve held net assets totaling $31,466,126. This reserve fund is funded from deposits from employer contributions and the respective investment income. Administrative expenses for the death and disability plan are funded from the accumulated investment income of the fund.

The funding status of the plan at December 31, 2008, the most recent actuarial valuation date:
(expressed 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)
12/31/08	$38,571	$355,060	$316,489	10.9%	$6,409,426	4.9%

The GASB Statement No. 43 was first effective for fiscal years ending June 30, 2007. The actuarial valuation dated June 30, 2008, is the most recent actuarial valuation. Only the disability benefits and waiver of premium life insurance provision are included in the actuarial valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions of future employment, mortality, and long term disability trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress (on page 39) presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the long term disability benefits provided at the time of the valuation and the historical funding of the plan, which is funded exclusively by the employer. The projections of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the assumption of the total costs by the employer in the future.

The accompanying schedule of employer contributions (on page 39) presents the amount contributed to the plan by employers in comparison to the actuarial required contribution (ARC) as determined by the actuarial valuation dated June 30, 2008, using GASB 43 requirements. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize any unfunded liabilities over 15 years.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. Additional information as of the latest valuation follows:

Actuarial Valuation Information — Death and Disability Plan

Valuation Date 6/30/2008	
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent, open
Remaining amortization period	15 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return (1)	4.5%
Projected salary increases (1)	4.0%–9.8%
Cost of Living Adjustment	none

1) Salary increases and investment rate of return include a 3.5 percent inflation component.

NOTE 5: COMMITMENTS AND CONTINGENCIES

As of June 30, 2009, the Retirement System was committed to additional funding of $7,360,000 in the form of capital expenditures on separate account real estate holdings in the portfolio, $225,459,000 for commitments on venture capital investments, and $205,255,000 for capital calls on core and non-core 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.

REQUIRED SUPPLEMENTARY INFORMATION – RETIREMENT PLAN

Schedule of Employer Contributions*

last ten fiscal years

Year	Annual Required Contribution	Percentage Contributed
2000	$ 217,757,975	77.2 %
2001	249,356,715	77.6
2002	260,482,999	79.7
2003	282,329,785	78.9
2004	338,879,960	69.4
2005	381,791,085	68.6
2006	471,424,006	63.4
2007	531,292,151	63.9
2008	607,662,300	65.1
2009	660,833,664	68.0

*This schedule does not include Death & Disability Insurance contributions as a component of required contributions.

Schedules of Funding Progress

($ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
06/30/00	$ 9,568,275	$ 10,801,397	$ 1,233,122	89 %	$ 4,684,768	26 %
12/31/00 (1)	9,835,182	11,140,014	1,304,832	88	4,876,555	27
12/31/01	9,962,918	11,743,052	1,780,134	85	5,116,384	35
12/31/02	9,784,862	12,613,599	2,828,736	78	4,865,903 (2)	58
12/31/03	10,853,462	14,439,546 (3)	3,586,084	75	4,978,132	72
12/31/04	10,971,427	15,714,091	4,742,666	70	5,102,016	93
12/31/05	11,339,293	16,491,762	5,152,469	69	5,270,351	98
12/31/06	12,189,197	17,552,790	5,363,593	69	5,599,193	96
12/31/07	13,433,115	18,984,915	5,551,800	71	5,949,228	93
12/31/08	11,827,619	20,106,787	8,279,168	59	6,226,526	133

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION – DEATH AND DISABILITY PLAN

Schedule of Employer Contributions
fiscal year ended June 30

Year	Annual Required Contribution	Percentage Contributed
2006	$ 71,763,879	82.6 %
2007	76,128,451	82.0
2008	75,414,841	48.2

Schedules of Funding Progress
($ in thousands)

Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/06	(1)	$ 18,724	$ 354,150	$ 335,426	5.3 %	$ 5,716,896	5.9 %
6/30/07		25,568	355,729	330,161	7.2	5,981,324	5.5
6/30/08		38,571	355,060	316,489	10.9	6,409,426	4.9

1) The June 30, 2006 actuarial valuation date was the first valuation performed using actuarial requirements as required by GASB 43.

2) Actuarial Valuation assumes insurance premiums due for the Basic Life Insurance plan are paid by current contributions. The remaining contributions, cash, and investments are reserves for liabilities associated with the long term disability plan.

SCHEDULE OF CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM			
State / School Contributions			
Members	$179,344,570		
Employers	332,737,843		
Total State / School Contributions		$512,082,413	
Local Contributions			
Members	60,673,656		
Employers	85,663,069		
Total Local Contributions		146,336,725	
Total Contributions KPERS			**$658,419,138**
KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM			
State Contributions			
Members	3,168,574		
Employers	6,521,595		
Total State Contributions		9,690,169	
Local Contributions			
Members	26,940,504		
Employers	54,559,941		
Total Local Contributions		81,500,445	
Total Contributions - KP&F			**91,190,614**
KANSAS RETIREMENT SYSTEM FOR JUDGES			
State Contributions			
Members	1,473,347		
Employers	6,087,790		
Total State Contributions		7,561,137	
Total Contributions - Judges			**7,561,137**
OPTIONAL GROUP LIFE INSURANCE			
Member Contributions			
State Employees	3,657,136		
Local Employees	3,362,085		
Total Contributions		7,019,221	
Total Contributions - OGLI			**7,019,221**
GRAND TOTAL - ALL CONTRIBUTIONS			**$764,190,110**

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Salaries and Wages		$ 5,379,250
Professional Services		
Actuarial	$ 278,282	
Audit	36,750	
Data Processing	492,570	
Legal	40,760	
Other Professional Services	592,497	
Total Professional Services		1,440,859
Communication		
Postage	242,707	
Printing	236,897	
Telephone	89,004	
Total Communication		568,608
Building Administration		
Building Management	149,493	
Janitorial Service	42,662	
Real Estate Taxes	83,454	
Utilities	66,624	
Total Building Administration		342,233
Miscellaneous		
Dues and Subscriptions	26,337	
Repair and Maintenance	549,248	
Office and Equipment Rent	17,970	
Supplies	95,299	
Temporary Services	98,167	
Travel	120,381	
Other Miscellaneous	283,644	
Depreciation	2,525,389	
Total Miscellaneous		3,716,435
TOTAL ADMINISTRATIVE EXPENSES		**$11,447,385**

SCHEDULE OF INVESTMENT INCOME BY ASSET CLASS

FOR FISCAL YEAR ENDING JUNE 30, 2009

Asset Classification	Interest, Dividends and Other Transactions	Gains and Losses	Total
Marketable Equity Securities			
Domestic Equities	$ 31,292,426	$ (1,186,195,906)	$ (1,154,903,480)
International Equities	55,572,062	(1,082,443,034)	(1,026,870,972)
Subtotal Marketable Equities	86,864,488	(2,268,638,940)	(2,181,774,452)
Marketable Fixed Income Securities			
Government	57,317,497	30,947,973	88,265,470
Corporate	94,198,007	(142,694,017)	(48,496,010)
Subtotal Marketable Fixed	151,515,504	(111,746,044)	39,769,460
Temporary Investments	1,733,212	6,871,288	8,604,500
Total Marketable Securities	240,113,204	(2,373,513,696)	(2,133,400,492)
Real Estate	31,062,439	(393,204,185)	(362,141,747)
Alternative Investments	4,600,038	(57,532,050)	(52,932,011)
Total Real Estate & Alternative Investments	35,662,476	(450,736,235)	(415,073,758)
Other Investment Income			
Securities Lending	(20,617,367)	-	(20,617,367)
Miscellaneous Income	264,000	-	264,000
Total Other Investment Income	(20,353,367)	-	(20,353,367)
Investment Income	$ 255,422,313	$ (2,824,249,931)	(2,568,827,617)

Manager and Custodian Fees and Expenses	
Investment Manager Fees	(20,810,287)
Custodian Fees & Expenses	(793,094)
Other Investment Expenses	(1,778,591)
Total Investment Fees & Expenses	(23,381,972)
NET INVESTMENT INCOME	$ (2,592,209,589)

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Domestic Equity Managers		
Barclays Global Investors	$ 1,688,998	
ING	489,487	
Loomis, Sayles & Co.	333,923	
Mellon CM LC Index	104,170	
Payden & Rygel Enhanced	426,763	
Quantitative Management Associates	324,495	
Security Global Investors	338,408	
Systematic Financial Management	322,450	
Subtotal Domestic Equity Managers		**4,028,694**
Global Equity Managers		
Capital Guardian Trust Co.	1,435,210	
Wellington Management Co.	654,315	
Subtotal Global Equity Managers		**2,089,525**
International Equity Managers		
Acadian Asset Management	902,905	
Alliance Capital Management (a)	(64,005)	
Barclays Global Investors	2,034,938	
Morgan Stanley Asset Management	1,284,623	
Nomura Capital Management	612,756	
Wellington Int'le	195,262	
Subtotal International Equity Managers		**4,966,479**
Fixed Income Managers		
Barclays Global Investors	220,701	
Loomis, Sayles & Co.	880,336	
MacKay Shields	1,064	
Pacific Investment Management Co.	2,088,093	
TCW	3,193	
Western Asset Management Co.	1,393,854	
Subtotal Fixed Income Managers		**4,587,241**
Foreign Currency Overlay Manager		
Barclays Global Investors	750,000	
Pareto Partners	1,065,291	
Payden & Rygel Investment Counsel	78,750	
Russell	376,200	
Subtotal Foreign Currency Overlay Manager		**2,191,541**
Real Estate & Alternative Investment Managers		
AEW Capital Management	2,518,312	
Brookfield Redding	40,298	
Duff & Phelps	28,710	
Principal	51,682	
Subtotal Real Estate & Alternative Managers		**2,639,002**
Cash Equivalent Manager		
Payden & Rygel Investment Counsel	307,814	
Subtotal Cash Management		**307,814**
Total Investment Management Fees		**20,810,296**
Other Fees and Expenses		
Mellon Trust - Custodian Fees and Other Expenses	793,085	
Consultant Fees	1,418,466	
Legal Expenses	360,125	
Subtotal Other Fees and Expenses		**2,571,676**
TOTAL ALL INVESTMENT FEES AND EXPENSES		**$ 23,381,972**

a) Amount represents an accural adjustment.

INVESTMENT

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. Total assets at the end of the fiscal year were $10.2 billion. KPERS' portfolio is managed for the long term in an effort to generate adequate returns to pay the benefits promised to members. To that end, the assets receive the benefit of a diversified, carefully monitored investment portfolio that includes stocks, bonds, real estate, alternative investments and cash.

Asset Allocation

Portfolio investments are diversified among seven different asset classes and eight sub-portfolios: domestic equity; international equity, global equity, fixed income, "real return" assets, real estate, alternative investments and cash.

The allocation to equity investments (primarily publicly-traded stocks) constitutes the largest portion of the KPERS portfolio. This allocation reflects KPERS' long-term investment orientation as the System expects equities to provide higher relative returns over time. Equity investments allow KPERS to participate in the investment returns produced by companies seeking to grow and profit from their economic activities. KPERS equity investments are made globally, sourcing investment return from both domestic and foreign companies and diversifying the accompanying risk across a broad spectrum of economies, currencies and economic sectors. Managing such a dynamic and diversified portfolio requires significant expertise, and the Board of Trustees has carefully selected several investment managers to construct and manage several sub-portfolios that blend together to provide risk-controlled exposure to equity returns on a global basis.

Fixed income investments, the next largest portion of the portfolio, are made in order to source investment returns from this large, stable conservative asset class; to help protect the System's assets from principal loss; to help diversify total portfolio investment risk and add stability to total returns; and to provide income. The fixed income portfolios are constructed using broad mandates and with global opportunities in mind. While these portfolios principally contain U.S.-based and U.S.-dollar denominated assets, KPERS managers have significant latitude to seek out and capture fixed income returns globally, consistent with the System's belief in global sourcing of return and diversification of risk.

Investments in real return assets, real estate, alternative investments and cash complete the portfolio. The real return asset category is new for the portfolio and presently contains the TIPS assets KPERS has held for many years. TIPS are fixed income investments that have the added feature of inflation protection. Real estate investments generate returns in a different manner than equities or fixed income investments and also provide some inflation protection. KPERS' alternative investments, primarily investments in private partnerships that make venture capital investments, pursue leveraged buyout strategies or own private debt, pursue higher growth and provide diversification of investment risk to the overall portfolio. The investments in this group are primarily domestic in nature but include a growing amount of foreign exposure.

Investment Policy

To guide the implementation of the System's broad investment objectives, the Board of Trustees has adopted a Statement of Investment Policy, Objectives and Guidelines. The Statement compliments the KPERS Statutes and documents the principles and standards which are designed to guide the management of assets of the System. It is binding upon all persons with authority over System assets, including investment managers, custodians, consultants, staff and the Board of Trustees.

The Statement of Investment Policy, Objectives and Guidelines is the product of the Board's careful and prudent study and is reviewed and updated annually. It sets forth the investment policies, objectives, and guidelines which the Board of Trustees judges to be appropriate and prudent, in consideration of the needs of the System, and to comply with K.S.A. 74-4901 et seq., to direct the System's assets. Although the System is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Board intends to abide by the directions of ERISA to the greatest extent desirable. As such, this Statement is written to be consistent with ERISA.

Among other things, the Statement establishes the criteria against which the investment managers retained are to be measured and communicates the investment policies, objectives, guidelines, and performance criteria to the Board, staff, investment advisors, consultants, and all other interested parties. In addition, it serves as a review document to guide ongoing oversight of the investment of the Fund as a yardstick of compliance with K.S.A 74-4901 et seq.

Recent Performance

Following a tough year in fiscal 2008 (negative 4.4 percent return), the KPERS portfolio returned negative 19.6 percent in fiscal 2009, as existing economic and financial stresses bloomed into full crisis. This compares to negative 18.0 for the Policy Index benchmark. Stock markets globally fell on the order of 50 percent from the start of the year to the March 2009 lows, the bond markets became illiquid with credit spreads touching historic levels, and the real estate markets froze with transactions coming to a relative near-halt. In one of the rare times in history, diversification did little to protect the portfolio as most asset classes showed losses in the period. Treasury securities were one of the few assets to show a positive return on the year; even money market funds, in some cases, produced losses. In all, investors and their portfolios faced one of the worst environments since the 1930s.

Authorities around the globe responded with a multitude of coordinated monetary and fiscal stimulus efforts. By the end of the fiscal year, markets were righting themselves and investors were considering what to make of the new landscape.

At times like these, KPERS long-term approach to investing the assets entrusted becomes of significant advantage. The long-term asset allocation set by the Board of Trustees allowed the purchase of equities at advantageous prices during the stock market decline; opportunities afforded by the credit markets were acted upon; and the flexibility provided by investment policy allowed the some of the continuing difficulty in the real estate markets to be side-stepped. With this long-term approach and sound investment policies, the investment portfolio weathered the storm and by the end of the fiscal year, was improving quickly.

The System employs a staff of eight investment professionals to provide oversight and management of the System's assets and external asset managers. Under the oversight of the Chief Investment Officer, responsibility for the portfolio is divided by asset class. The Equity Investment Officer is assigned to publicly-traded equity investments, the Fixed Income Investment Officer to the fixed income portfolios, the Real Estate Investment Officer to the real estate portfolios and the Alternative Investments Officer to the alternative investments. The Chief Investment Officer and the four asset class Investment Officers are supported by a team of three Investment Analysts with research and assistance in managing the portfolio. Comments from the four Investment Officers on their respective areas follow.

EQUITY INVESTMENTS

As of June 30, 2009, the market value of the KPERS publicly-traded equity portfolio was $5.759 billion, including the notional value of derivatives , representing 56.6 percent of the total fund. The portfolio ended the fiscal year slightly overweight to the 55 percent target. The return for the fiscal year, including currency strategies, was negative 29.71 percent.

Highlights

The portfolio experienced significant declines during the last half of 2008 through February 2009, but rebounded strongly into the close of the fiscal year. The group of investment firms that manage money on the System's behalf were updated throughout the year. The Barclays Global Investors Small Cap Growth and Small Cap Value funds were terminated and replaced with one small cap core manager, ING; two small-mid cap managers, Loomis Sayles and Security Global; and one mid cap manager, Systematic Financial. The equity portfolio also included an internally managed large cap index portfolio that was moved to an external manager, Mellon Capital. The allocation to Wellington's global mandate was decreased and the assets were transferred to an international equity mandate managed by Wellington. Also during the fiscal year, the System's Portable Alpha program was expanded and the Payden & Rygel Enhanced Index mandate was terminated. Lastly, staff conducted an comprehensive international portfolio strategy review and is in the process of making significant allocation changes to the portfolio by adding several new managers and terminating at least two of the current managers. Notable highlights for the period:

The international equity component of the equity portfolio had a rate of return of negative 34.2 percent. The portfolio's publicly-traded equities decreased by $1.68 billion, from $7.435 billion to $5.759 billion (which includes the notional value of international equity derivatives exposure).

Portfolio Structure

The publicly-traded equity portfolio has a target allocation of 55 percent of the System's total fund. The investments are grouped into three separate categories based on geographic areas around the world.

The largest category is comprised of domestic equity investments, targeted at 28 percent of the total fund. The System uses several strategies within the domestic equity portfolio, most of which include active portfolio management. The overall portfolio is benchmarked against the Russell 3000 Index, a broad index made up of the largest 3,000 domestic stocks. Sub-portfolios are constructed and benchmarked to more specific and strategy-appropriate benchmarks. While no individual strategy is benchmarked against the broad Russell 3000 Index, collectively the strategies are assembled in such a way to approximate the basic characteristics of the index.

The next largest category is the international equity portfolio, targeted at 22 percent of the total fund. Within this portion of the portfolio, five separate active management strategies are used. Investing in international securities also brings with it currency exposure, and the System utilizes two distinct strategies to manage this and to capitalize on opportunities that present themselves. For the international equity portfolio as a whole, the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI), excluding the United States, is used as a benchmark. This index has a total of 44 countries, 22 developed countries and 22 emerging countries, and is weighted by market capitalization. As of June 30, 2009, countries in this index accounted for over 66 percent of the world's equity capitalization, as reported by MSCI's broadest benchmark, the All Country World Index.

Global equities make up the final category, allocated at 5 percent of the total fund. The global portfolio consists of both domestic and international assets. The System employs two managers, each with a fundamental bottom-up research approach, to identify and invest in the best companies, regardless of their location. The global portfolio is benchmarked against the MSCI All Country World Index.

Market Overview

Equity markets around the world contracted sharply for the year ending June 30, 2009. Among the major developed markets, Ireland performed the worst, returning negative 67.4 percent and Hong Kong performed the best, returning negative 18.5 percent according to the Morgan Stanley Capital International (MSCI) Index returns.

The domestic equities, measured by the Russell 3000 benchmark, returned negative 29.5 percent in the first half of the fiscal year as U.S. stock markets reacted to the global financial crisis that began in the Fall. International equities, measured by the MSCI All Country World ex-US benchmark, fell negative 39.3 percent in the same period on the combination of falling overseas equity markets, and a strengthening U.S. dollar which reduced the value of the currencies these foreign securities are priced in. From the beginning of the fiscal year, volatility measures exploded, such as the Chicago Board Options Exchange Volatility Index (VIX), which increased by over 240 percent to its high for the fiscal year by November. In addition to market indices around the world, the financial crisis claimed many other casualties during the fiscal year. Mortgage lenders Fannie Mae and Freddie Mac both were placed into conservatorship, and Lehman Brothers and AIG, both large financial firms, filed for bankruptcy. The Lehman Brothers bankruptcy was the largest in U.S. history, with Lehman holding $600 billion in assets.

By March 2009, global equity markets bottomed and rallied for the balance of the fiscal year. For the second half of fiscal year 2009, the domestic equity and international equity benchmarks returned 4.2 percent and 14.4 percent, respectively.

Performance

The overall publicly-traded equity portfolio, including currency strategies, returned negative 29.71 percent for the fiscal year. The returns for the equity components included:

Domestic	-27.1 percent
International	-34.2 percent
Global	-31.2 percent

Within domestic equities, the portfolio slightly underperformed the Russell 3000 Index, which returned negative 26.6 percent. The majority of the underperformance was within enhanced index strategy used in both the large capitalization portfolio and the small growth capitalization portfolio. As mentioned previously, changes were made during the fiscal year to improve relative returns, replacing selected managers and re-mixing the asset allocation among managers within the domestic equity portfolio. Taking a longer term view, the returns for the three- and five-year periods have also underperformed the Russell 3000 Index.

The international equity portfolio also underperformed its benchmark, returning negative 34.2 percent , compared to the negative 30.5 percent of the broad MSCI All Country World Index ex-U.S. As previously mentioned, the System uses five distinct strategies to manage this allocation, and during the fiscal year, all but one of the strategies experienced underperformance. The international portfolio has underperformed its benchmark over the latest three years and five years, additionally. Over the past fiscal year, staff and the Board have undertaken a comprehensive strategy review and is in the process of making significant changes in strategies, managers and allocations.

The global equity strategy has been in place for a little more than four years. This component of the portfolio is managed by two active managers. Over the last year, the global portfolio underperformed its benchmark, returning negative 31.2 percent compared to the MSCI All Country World Index's return of negative 28.9 percent. The allocation to global equity strategies was reduced in the last full asset/liability study, and is planned for review in the next formal study.

The equity portfolio continues to be the major driver of the Fund's overall returns. The System reviewed its asset mix relative to a variety of factors, including its liabilities, during fiscal year 2008 and began implementing a variety of changes during fiscal year 2009. As part of the process, additional strategies were considered in an effort to improve the return and risk profile of the equity components, as well as the overall portfolio.

Equity Performance as of June 30, 2009 (gross of fees)

	1-Year	3-Year	5-Year
Domestic Equity Portfolio	-27.1%	-9.2%	-2.1%
Russell 3000 Index	-26.6%	-8.3%	-1.8%
International Equity Portfolio	-34.2%	-6.8%	3.4%
MSCI ACWI Ex US/EAFE Custom Benchmark	-30.5%	-5.4%	4.3%
Global Equity Portfolio	-31.2%	-8.0%	NA
MSCI All Country World Index	-28.9%	-6.5%	NA

Time weighted total rate of return includes income and changes in market value

Investment Advisors

As of June 30, 2009, KPERS had contracts with fifteen external investment advisors for the publicly traded equity portfolio.

Strategy	Investment Advisor
Domestic Equity	Mellon Capital Management
	Barclays Global Investors
	Quantitative Management Associates
	ING Investment Management
	Loomis Sayles & Company
	Security Global Investors
	Systematic Financial Management
Domestic Equity -	Payden & Rygel Investment Counsel
Portable Alpha Portfolios	Nomura Asset Management
	Capital Guardian Trust Company
	Loomis Sayles & Company
International Equity	Barclays Global Investors
	Acadian Asset Management
	Morgan Stanley Asset Management
	Alliance Capital Management
	Wellington Management Company
Global Equity	Wellington Management Company
	Capital Guardian Trust Company
Currency Management/ Overlay	Pareto Partners
	Barclays Global Investors

FIXED INCOME INVESTMENTS

As of June 30, 2009, KPERS fixed income portfolio had a market value of $1.7 billion, representing 16.9 percent of the total fund. This is above the target allocation of 14 percent and within the 4 percent bands around the target allocation. The return for the fixed income portfolio was 3.9 percent for the fiscal year.

Highlights

During the first half part of 2008, the fixed income portfolio's actual allocation had increased as high as 18 percent as a result of falling equity markets reducing the value of the equity portfolios.

The fixed income portfolio was re-aligned in fiscal 2009 from three divisions (Core, Core-Plus and Medium Grade) to two strategy groups (Core-Plus and Strategic) After the collapse in the credit sectors, driven by broader issues financial system-wide, staff made significant, but selective, investments in the investment-grade credit area.

Portfolio Structure

The fixed income portfolio contains two allocations: core plus and strategic. The "core plus" strategy offers managers broad guidelines and consists primarily of traditional investment-grade securities. The "strategic" strategy allocates to more defined strategies, allowing staff and the System's fixed income investment managers to better control and manage the risk/return profile of the portfolio. The core plus allocation uses the Barclays Capital Universal Index as the benchmark, and the strategic allocation uses a 55%/45% blend of the Barclays Capital Universal Index and the Barclays Capital U.S. High Yield 2 Issuer Cap Index as its benchmark.

Fixed Income Strategy Allocation as of June 30, 2009

	Current Position	Target Allocation
Core Plus	84%	70%
Strategic	16%	30%

Market Overview

Fiscal 2009 was a tumultuous year with interest rates falling worldwide and yield curves in the U.S., Europe and the U.K. steepening as investors fled to the safety of government bonds, especially shorter maturities. Financial system-wide liquidity issues, sparked by the sub prime mortgage debacle, produced upheaval in the U.S. financial system and an unprecedented level of intervention by the Federal Reserve and the Treasury.

Interest rates fell throughout the Fall of 2008 as global recession set in, then deepened, capping the most volatile year in financial markets since the 1930s. Deleveraging on a broad scale shook the global financial system and produced a credit contraction that continues to agitate markets and economies worldwide. Yields on the shortest maturity Treasuries dropped more than 300 basis points during the first half of the fiscal year, ending the year close to zero. Yields on Treasury notes and bonds fell as much as 228 basis points, amid a stampede by investors to liquidity and financial. As a result of the flight to quality, all sectors other than Treasuries underperformed for the first half of the fiscal year. Investors had nowhere to hide from poor performance outside of Treasuries.

The global recession and the weak impact of unprecedented cuts in the federal fund rate moved the Fed to employ unconventional monetary policy. The Fed directly purchased Treasuries and other, riskier, assets in order to affect longer-term interest rates and return liquidity to the market. The Fed's purchase of Agency mortgage-backed securities and the introduction of the Term Asset Backed Securities Loan Facility (TALF) and the Public-Private Investment Program (PPIP) were designed to remove distressed mortgage securities from troubled banks' books and to free up more lending. It has taken until the last quarter of the fiscal year to see the policy initiatives start to pay off. Risk appetites have begun to return to the financial markets and valuations in corporate bonds, mortgages and other asset-backed securities recovered to levels seen before the crisis in the Fall of 2008.

Performance

The overall fixed income portfolio returned 3.9 percent for the fiscal year, lagging its benchmark, the Barclays Capital Universal Index, which returned 4.9 percent. The underperformance of the portfolio was primarily due to the corporate credit exposure (25 percent) and high yield exposure (10 percent) at the outset of the fiscal year, which were the two sectors that underperformed most dramatically due to the credit crisis. The first half of the fiscal year was particular challenging for the System's managers due to the lack of liquidity in the market in addition to the 'flight to quality' which caused unprecedented credit spread widening.

Fixed Income Performance as of June 30, 2009 (gross of fees)

	1-Year	3-Year	5-Year
Fixed Income Portfolio	3.9%	5.2%	5.0%
Barclays Capital Universal Index	4.9%	5.9%	5.0%

Time weighted total rate of return includes income and changes in market value

Investment Advisors

As of June 30, 2009, KPERS had contracts with three external investment advisors for the publicly traded fixed income portfolio.

Strategy	Pacific Investment Management Co.
Core Plus	Mellon Capital Management
	Western Asset Management
Strategic	Loomis, Sayles & Company, Inc.

REAL RETURN INVESTMENTS

As of June 30, 2009, KPERS real return portfolio had a market value of $1.3 billion, representing 12.4 percent percent of the total fund. This allocation was below the target allocation of 14 percent and within the 4 percent bands around the target. The portfolio had a negative 0.7 percent return for the fiscal year.

The real return asset class is relatively new in the System's portfolio; receiving an allocation of 14 percent in the asset/liability study concluded in January 2008. Formerly, this portfolio was a 10 percent allocation to long-dated TIPS (Treasury Inflation Protected Securities). The real return portfolio has the similar objective of inflation protection with the context of the broader portfolio, but as compared to the previous TIPS allocation, the real return portfolio has the objective of broadening and diversifying the System's exposure to inflation-related assets and significantly reduces the interest rate exposure imposed by the previous TIPS portfolio as well as significantly increases the yield from these investments.

Highlights

Mid-fiscal year, TIPS securities suffered significant decline in value as investors, fearful of a possible deflationary economic environment, sold TIPS in favor of regular Treasury securities. The System took advantage of the low prices to increase exposure from approximately 11 percent at the time to the full 14 percent allocation and benefited from the subsequent rebound in values into the end of the fiscal year.

Near the end of the fiscal year, TIPS exposure was again adjusted, this time reduced by half to roughly 7 percent, to make an investment of intermediate-term investment grade bonds in the real return portfolio. As discussed elsewhere, credit spreads across the fixed income spectrum widened dramatically in the Spring of 2009 and offered the System the opportunity to significantly increase the yield of the real return portfolio and position for further gains as spreads normalized. This investment grade credit portfolio is expected to be reduced over time, and eventually eliminated, to fund further investments in more typical inflation-related assets.

The System spent significant time in the year researching and completing due diligence for the infrastructure and timber areas for potential investments for this portfolio. One infrastructure-related investment was made.

Portfolio Structure and Allocations

Long term target allocations for the real return portfolio are 50 percent TIPS; 30 percent "real" assets (such as infrastructure, timber, energy investments) and 20 percent absolute return strategies. As this portfolio is newer and these types of investments take longer to research, diligence and acquire, the System expects this portfolio will be constructed over the next two to five years. At fiscal year end, the portfolio was allocated 52 percent TIPS and 48 percent intermediate-maturity investment grade bonds.

Market Overview

The tumultuous year in the financial markets reached TIPS assets in December 2008, when widespread investor concern over a possible deflationary economic environment lead investors to overwhelm the TIPS market with "sell" orders. TIPS fell on the order of 20 percent as nearly all the "inflation premium" was squeezed out of these bonds on the fear that there would be no inflation. TIPS securities became priced well under where reasonable expectations for future inflation might have them, and the System took advantage of the low prices to increase exposure. Prices subsequently rebounded by roughly 30 percent, re-pricing TIPS to more "normal" prices.

In the spring, as TIPS recovered, the credit markets struggled meaningfully, and credit spreads across the fixed income spectrum widened and remained at historic levels. While not typically thought of as "inflation-related" investments, intermediate-maturity investment grade credit investments were trading at attractive cash-yield and total returns and appeared to have "real return"-like attributes. Compared to the TIPS market, these investments offered a compelling alternative. The System switched half of the TIPS investment for a portfolio of intermediate-maturity investment grade credit investments in the final quarter of the fiscal year.

Performance

The overall real return portfolio returned negative 0.7 percent, outperforming the assigned benchmark of negative 1.1 percent. For the bulk of the year, the real return portfolio consisted of TIPS indexed to the Barclay's U.S. TIPS index through a commingled investment fund.

Portfolio	1-Year	3-Year	5-Year
Real Return / TIPS	-0.7%	5.7%	5.4%
Real Return / TIPS Benchmark	-1.1%	5.6%	5.3%

Time weighted total rate of return includes income and changes in market value

Investment Advisors

Strategy	Investment Advisor
TIPS (Index)	Barclay's Global Investors
Investment Grade Credit Securities	Western Asset Management

REAL ESTATE INVESTMENTS

For fiscal 2009 the System targeted 10 percent of total portfolio assets to real estate, two percentage point higher than the previous year. The increased allocation was the result of the asset/liability study completed in January 2008. As of June 30, 2009 the real estate portfolio had a market value of $657.3 million representing 6.5 percent of the total fund, just within the 4 percentage point band around the target allocation.

Highlights

The System made two tactical investments that are specifically intended to take advantage of dislocated real estate capital markets.

The System committed capital to a sector specific investment in Senior Housing which is expected to take advantage of positive demographic trends as baby boomers continue retiring.

Partners Group was replaced as dedicated real estate consultant by The Townsend Group. The System's real estate consultant primarily provides overall plan advice for KPERS Real Estate investments including sourcing, due diligence, expert opinion, reporting and related activities relating to potential real estate investments. The transition of the Systems' passive REIT strategy to an active strategy was completed in early May 2009.

Portfolio Structure

The real estate portfolio is divided into three segments, based on investment type.

The largest segment is "Core" real estate which consists of indirect property investment through private and commingled funds as well as direct ownership of commercial properties in the United States. The Core segment is targeted at 50 percent of the System's real estate assets and is expected to produce steady, growing income with a lesser expectation for capital appreciation. The remaining 50 percent allocation is divided equally between "Non-core" real estate and publicly-traded real estate securities.

The Non-core allocation is implemented using investment funds with a variety of strategies and property types both within the United States, as well as internationally. While also producing income, non-core real estate investments are expected to produce meaningful capital appreciation and typically involve a higher element of development risk and carry higher levels of leverage (debt) than Core investments.

The publicly-traded real estate securities segment is implemented primarily with asset managers investing actively in domestic and global real estate investment trusts (REITs).

REITs offer publicly-traded equity market liquidity while providing broad exposure to the overall real estate market. Domestic REIT management was outsourced in May 2009, completing the transition to active management in this portion of the portfolio begun with the global REIT mandates of the previous fiscal year.

The real estate portfolio in the whole is structured to produce cash returns with growth potential. Real estate assets, in a manner similar to equities, are also generally thought of as providing some inflation protection, through rising asset values and income streams.

Real Estate Strategy Allocation as of June 30, 2009

	Current Position	Target Allocation
Core Real Estate	45.5%	50.0%
Non-Core Real Estate	23.8%	25.0%
Real Estate Securities	30.7%	25.0%

Market Overview

The end of the fiscal year marked the two-year "anniversary" of the credit crisis which has been compounded by the global recession. For commercial real estate, a loss in jobs and income, wavering consumer and business confidence and increasing levels of indebtedness have caused many commercial real estate tenants to postpone or cancel expansion plans, delay leasing decisions, request rent concessions, or, in some cases, close entirely, thus decreasing occupancy. For example, major retailers closed more than 6,100 locations over the past year while seventeen major retailers declared bankruptcy.

No real estate sector was immune from current economic conditions as unfavorable vacancy trends were evident in all four sectors (multi-family, office, industrial and retail). As a result, rental income and resulting cash flows in the form of net operating income are in many cases significantly impeded which ultimately negatively impacts underlying property values that are based primarily on cash flow. Further complicating any accurate measurement of occupancy is the significant amount of sub-leased space available in the market, which was estimated at over 85 million square feet according to Jones Lang LaSalle. As an additional example, it is estimated that nearly 25 percent of occupied office space in New York has been sub-leased thus implying that a significant decrease in unemployment will be required before business owners revisit expansion plans.

Making matters worse, real estate capital markets are currently significantly impaired as the CMBS (Commercial Mortgage Backed Securities) market virtually shut down over the past year. This represents a significant development as the pace of commercial mortgage originations (CMBS) nearly tripled (from $78 billion to $230 billion) from 2003 to 2007, while at the same time underwriting standards were relaxed. Many of these loans are not likely to be extended under today's underwriting standards. At the same time, balance sheet lenders, a reliable source of commercial real estate financing in the past, have become more conservative and therefore cannot be counted on to bridge the financing gap in most cases. As of mid-year 2009, commercial properties valued at more than $108 billion are in default, foreclosure or bankruptcy. Many of these properties will ultimately be forced on the market (even though many are often times generating sufficient cash flow to service debt) as owners and lenders exhaust financing options.

In the REIT portfolio, the difficult period in the general real estate markets was compounded by the volatility and losses in the stock markets in which REITs trade. In the year ended June 30, 2009, the MSCI US REIT Total Return Index declined 43.7 percent. The Index hit its lows as the stock market hit lows in March 2009, down more than 65 percent from year-beginning valuations. REITs produced a spirited recovery in prices into the close of the fiscal year, within a positive equity market environment and with good investor support. Investors were willing to make both debt and equity capital available to REITs and other higher quality publicly traded real estate companies in this period as more than 40 offerings raising more than $14 billion of equity capital and $3 billion in secured debt were completed by the second quarter of 2009. Many REITs have also shown success in refinancing mortgages and unsecured debt at increasingly lower nominal rates and narrowing spreads. However, the combination of a difficult real estate environment and a weak equity market produced losses significantly greater than their general equity brethren in the fiscal year.

Performance

The overall real estate portfolio returned negative 36.7 percent for the fiscal year versus the System's custom benchmark of negative 19.2 percent. Underperformance versus the benchmark was primarily driven by the financial leverage employed (use of debt in the financing structure) in both the Core and Non-core portfolios compared to the NCREIF Property Index (NPI) benchmark, which is stated without leverage. KPERS' use of leverage in these portfolios is typical among institutional owners of commercial real estate and policy guidelines are not aggressive in nature. Leverage is typically accretive for commercial real estate investing during strong economic times, however, when the economy slips, leverage can negatively impact returns.

In addition to the above, the real estate portfolio was also effected by accounting rule changes. Specifically, private investments (like the Systems' real estate portfolio) could be carried at cost in the past. Now, as a result of accounting rule changes related to FAS-157 that were ostensibly introduced to improve transparency, the Systems' real estate valuations must reflect a value where they could be sold, even though the managers have no intention to sell these assets presently. The managers believe that they have followed the spirit of the rule change by taking appropriate write downs within the real estate portfolio, often ahead of their peers that report to the NPI. The NPI is appraisal-based and during times of market stress, property valuation inherently becomes more difficult as distressed properties represent a poor proxy for the overall market . The NPI therefore typically lags the transaction market on the way down as some market participants may elect to delay valuations for various reasons. While the transaction market is expected to realize most of the downward value adjustment over the course of the next year, the NPI will likely continue to post depreciation well into 2010.

Real Estate Performance as of June 30, 2009 (gross of fees)

	1-Year	3-Year	5-Year
Real Estate Portfolio	-36.7%	-9.6%	2.6%
KPERS Real Estate Benchmark	-19.2%	-1.0%	6.2%

Time weighted total rate of return includes income and changes in market value

Investment Advisors

As of June 30, 2009, KPERS had a contract with one external investment advisor (AEW Capital Management) for the real estate portfolio. In addition, a search was initiated during the year for a general real estate consultant culminating in the selection of The Townsend Group during the fourth quarter of 2008.

ALTERNATIVE INVESTMENTS

For fiscal year 2009, the System's alternative investment portfolio had a market value of $395.3 million representing 3.9 percent of the total fund. The return for the alternative investment portfolio was negative 11.5 percent for the fiscal year exceeding its broad public market benchmark of negative 23.6 percent.

Highlights

The tight credit markets and lack of liquidity produced bifurcated private equity opportunities. In particular, buyout funds made fewer investments during the year than in the past, since they rely on accessing the debt markets to execute their strategy. Conversely, recently formed distressed debt funds took advantage of market dislocations to invest significant amounts of capital.

The portfolio was well positioned to take advantage of the current market opportunities. Historically, strong returns have been achieved by funds that can restructure companies' balance sheets and operations during weak economic cycles. Additionally, the System's re-entry into the asset class after the peak valuations of 2006 and 2007 protected it from the recent negative returns of those vintage year investments.

The new Private Equity Program (PEP) portfolio continued to diversify by committing to five private equity funds, including funds that invested in specific strategies and sectors such as venture capital, energy and financials.

A significant change in the valuation methodology of portfolio companies and funds is expected to cause greater volatility of their returns. The new accounting rule mandates managers to adjust quarter-end valuations to reflect fair market value based on public market comparables or public market valuation models.

Portfolio Structure

The alternative investment portfolio consists primarily of interests in private partnerships that provide equity and debt to companies. The portfolio contains four sub-portfolios based on investment period as well as a distributed securities portfolio. Each portfolio has its own set of directives, guidelines and external consultant/manager who provided advice on investment strategy and investment selection during its investment period.

The largest portfolio is Alternative Investment Portfolio ("AIP") which represents approximately 85 percent of the market value of the asset class. From 1997 to 2001, AIP committed to 53 funds with 35 general partners in five styles: buyout, venture capital, mezzanine, distressed debt and natural resources. AIP continues to have modest investment activity. However, the fund managers are actively pursuing exit strategies for their remaining holdings. In the near future, AIP will decrease in market value primarily due to each fund's distribution of cash and securities.

The next largest portfolio is the newly formed Private Equity Program ("PEP"). The PEP portfolio is actively seeking and making new commitments to private equity funds in three styles: buyout, venture capital/growth equity and special situations, including: distressed debt, mezzanine debt, natural resources and secondary private equity funds. The market value of the PEP portfolio increased to 14 percent of the asset class at the end of the fiscal year compared to slightly under 4 percent at the beginning of the fiscal year. Over the next three to five years, the market value of the PEP portfolio will increase as the System continues to commit to new private equity funds each year. The PEP portfolio is expected to surpass the legacy AIP portfolio as a percentage of the asset class within the next few years.

The remaining portfolios comprise less than one percent of KPERS alternative asset class and represent investments made prior to 1991.

Market Overview

Most private equity funds suffered inertia as tight credit markets and lack of liquidity constrained the pace of making new investments and exiting current investments. Mega buyout funds that were unable to invest in large-scale transactions shifted to buying middle-market companies with low-leverage. A domino effect forced most middle-market buyout funds to invest in growth equity strategies that are typically new companies or late-stage venture capital companies. Exit strategies for funds' portfolio companies were severely impaired as the initial public offering market and merger and acquisition activity was shut down when the global equity markets tumbled.

In the midst of chaos, however, opportunities can arise. Funds with available capital were positioned to take advantage of market dislocations and distressed sellers resulting from the tight credit markets. During the past twelve months, money-center banks liquidated quality assets such as publicly traded debt and syndicated bank loans. Likewise, corporations sold attractive non-core divisions in order to fund working capital needs. As economic stability returns, investments made during similar periods have historically produced some of the highest returns for their investors.

Performance

The overall alternative investment portfolio returned negative 11.5 percent for the fiscal year, exceeding its broad public market benchmark of negative 23.6 percent. The current benchmark is the Russell 3000 return plus 3 percent. For the latest five years, the performance was 11.3 percent compared to its benchmark of 0.4 percent. It is important to note that the return expectation for this asset class is to outperform the broad public equity markets over the long-term which is typically 10 years or longer.

The strong alternative investment portfolio performance was primarily attributed to AIP and its underlying portfolio of mature companies that were less impacted by the volatility in the marketplace and in some instances distributed gains. Likewise, the PEP portfolio investments in distressed and growth equity strategies, which were made after the market peak, experienced less valuation volatility. The portfolio's large buyout funds, however, more closely reflect the negative returns of comparable public markets.

In the near future, returns may moderate slightly as the new PEP portfolio begins to invest. As is typical of private equity's return cycle, value creation in recent investments may take several years. However, the private equity asset class continues to produce the highest long-term returns based on a diversified portfolio of top-tier general partners.

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 two pages. Another schedule, summarizing changes in fair value of investments, is on page 60. A listing of domestic broker commissions paid for the fiscal year and the top ten equities and fixed income holdings are shown on pages 58 and 59.

ALTERNATIVE INVESTMENTS INITIATED ON OR AFTER JULY 1, 1991 (1)

AS OF JUNE 30, 2009

Description	Cost	Market Value
Advanced Technology Ventures VI, L.P.	$10,049,988	$1,810,715
Apax Europe IV, L.P.	1,254,309	1,915,246
Apax Europe V, L.P.	14,156,851	9,783,819
Apollo Investment Fund VII, L.P.	5,757,890	4,806,127
Ares Corporate Opportunities Fund III, L.P.	5,061,356	4,537,149
Battery Ventures V, L.P.	1,079,940	726,532
Battery Ventures VI, L.P.	7,623,048	5,323,541
Beacon Group Energy Fund II, L.P.	1,827,950	1,700,798
Behrman Capital II, L.P.	8,622,289	6,512,311
Behrman Capital III, L.P.	24,008,789	30,239,797
Candover 1997 US #1 Fund, L.P.	-	29,624
Capital Resource Partners IV, L.P.	7,876,875	4,362,846
Cinven Second Fund US, L.P.	924,182	239,556
Clayton Dublier & Rice VI, L.P.	4,385,571	1,431,746
Cypress Merchant Banking II, L.P.	11,679,500	3,655,087
Dominion Fund V, L.P.	4,369,110	2,677,486
El Dorado Ventures IV, L.P.	1,833,722	599,344
El Dorado Ventures V, L.P.	7,344,772	863,316
El Dorado Ventures VI, L.P.	19,026,771	15,577,380
First Reserve Fund XII, L.P.	7,138,666	5,323,000
GTCR Capital Partners, L.P.	2,714,272	368,460
GTCR Fund VII, L.P.	-	906,205
GTCR Fund VII/A, L.P.	200,174	61,849
Halpern Denny Fund III, L.P.	7,692,394	6,321,582
Harvest Partners III, L.P.	8,993,546	673,292
Kelso Investment Associates VI, L.P.	1,122,257	1,529,894
Littlejohn Fund II, L.P.	6,847,082	6,711,736
McCown De Leeuw & Company IV, L.P.	205,308	1,398,593
M.D. Sass Corporate Resurgence Partners, L.P.	3,062,627	3,675,562
M.D. Sass Corporate Resurgence Partners II, L.P.	5,546,529	3,901,916
M.D. Sass Corporate Resurgence Partners III, L.P.	7,050,829	2,652,645
New Enterprise Associates 13, L.P.	300,000	266,517
Oak Hill Capital Partners, L.P.	6,100,518	6,769,705
OCM Opportunities Fund II, L.P.	969,215	28,200
OCM Opportunities Fund III, L.P.	1,249,623	308,940
OCM Opportunities Fund VIIb, L.P.	18,750,000	21,261,114
OneLiberty Fund IV, L.P.	1,740,007	1,654,615
OneLiberty Ventures 2000, L.P.	17,405,629	7,698,583
Pine Brook Capital Partners, L.P.	4,600,000	4,037,572
TA IX, L.P.	16,769,449	25,350,270
TA Subordinated Debt Fund, L.P.	2,902,907	3,772,375
TCV IV, L.P.	10,415,626	6,865,080
Thomas H. Lee Equity Fund IV, L.P.	-	71,788
Thomas H. Lee Equity Fund V, L.P.	15,098,593	18,837,434
TowerBrook Investors III, L.P.	5,018,103	4,776,420
TPG Partners VI, L.P.	1,563,953	372,341
Trinity Ventures VI, L.P.	496,706	173,927

Trinity Ventures VII, L.P.	7,626,823	2,187,381
Trinity Ventures VIII, L.P.	12,483,621	9,006,254
Washington & Congress Capital Partners, L.P. (2)	2,253,110	24,327
VantagePoint Venture Partners III, L.P.	7,771,892	3,786,945
VantagePoint Venture Partners IV, L.P.	25,209,525	22,623,583
Vestar Capital Partners IV, L.P.	11,557,190	12,658,238
VS&A Communications Partners III, L.P.	10,019,779	7,640,797
Warburg, Pincus Equity Partners, L.P.	-	3,801,585
Warburg Pincus Private Equity X, L.P.	18,682,394	12,879,669
Welsh, Carson, Anderson & Stowe IX, L.P.	12,168,652	21,337,564
Welsh, Carson, Anderson & Stowe VIII, L.P.	6,947,152	6,541,323
Willis Stein & Partners II, L.P.	2,056,282	201,209
Willis Stein & Partners III, L.P.	33,983,723	26,677,706
Windjammer Mezzanine & Equity Fund II, L.P.	8,539,424	10,650,459
Windward Capital Partners II, L.P.	-	452,103
	$450,136,497	$ 373,031,178

1) Investment values quoted without spin-offs or distributions.

2) Formerly Triumph Partners III, L.P.

U.S. EQUITY COMMISSIONS

FOR THE FISCAL YEAR ENDING JUNE 30, 2009

Broker Name	Commissions Paid	Shares	Commissions Per Share	Percent of Total Commissions
Banc Of America Secs LLC, Charlotte	$267,223	4,918,301	$0.05	8.5 %
UBS Securities LLC, Stamford	$252,102	8,670,191	0.03	8.1
Morgan Stanley & Co Inc, NY	$216,917	10,666,846	0.02	6.9
Goldman Sachs & Co, NY	$215,376	5,236,210	0.04	6.9
Deutsche Bk Secs Inc, NY	$195,588	5,030,751	0.04	6.2
SG Americas Securities LLC, NY	$182,756	3,110,043	0.06	5.8
Citigroup Gbl Mkts Inc, NY	$158,822	5,040,194	0.03	5.1
Barclays Capital Inc, New Jersey	$145,432	3,308,481	0.04	4.6
Merrill Lynch Pierce Fenner Smith Inc NY	$126,945	7,472,285	0.02	4.1
Liquidnet Inc, Brooklyn	$106,253	5,562,227	0.02	3.4
Credit Suisse, NY	$100,839	6,681,158	0.02	3.2
State Street Global Markets LLC, Boston	$75,217	6,008,701	0.01	2.4
Investment Technology Groups, NY	$67,042	4,096,606	0.02	2.1
Morgan J P Secs Inc, NY	$60,375	2,835,567	0.02	1.9
Knight Securities Broadcort, NY	$50,649	1,773,625	0.03	1.6
Berstein Sanford C & Co, NY	$45,327	3,541,824	0.01	1.5
Weeden & Co, NY	$38,656	1,242,874	0.03	1.2
Jefferies & Co Inc, NY	$35,254	975,660	0.04	1.1
Cantor Fitzgerald &Co Inc, NY	$33,496	949,791	0.04	1.1
Baird, Robert W & Co Unc, Milwaukee	$23,917	629,860	0.04	0.8
Merrill Lynch Pierce Fenner Smith Inc Willmington	$23,496	3,679,904	0.01	0.8
Thomas Weisel Partners, San Francisco	$22,463	611,566	0.04	0.7
Baypoint Trading LLC, NY	$22,263	789,107	0.03	0.7
RBC Capital Markets Corp, Minneapolis	$21,010	659,182	0.03	0.7
Barclays Capital LE, Jersey City	$19,059	611,256	0.03	0.6
Others	$627,341	48,952,160	0.01	20.0
Total Broker Commissions	**$3,133,820**	**143,054,370**	**0.02**	**100.0 %**

LIST OF LARGEST HOLDINGS [1]

AS OF JUNE 30, 2009

EQUITIES

Shares	Security	Fair Value ($)
1,010,935	Royal Dutch Shell	$25,240,186
598,238	Nestle	22,509,217
354,165	Sanofi-Aventis	20,799,741
2,216,052	HSBC	18,338,764
801,916	Telephonica	18,131,897
115,536	Goldman Sachs	17,034,628
122,258	Roche	16,603,840
435,455	Toyota Motor	16,563,402
930,358	BG Group	15,597,390
344,094	Astrazeneca	15,132,955

FIXED INCOME

Par Value	Security	Description	Fair Value ($)
85,800,000	Commit To Pur FNMA Sf Mtg	5.000% 07/01/2039	$87,355,554
79,600,000	Commit To Pur FNMA Sf Mtg	6.000% 07/01/2039	83,182,000
68,496,094	FNMA Pool #0995023	5.500% 08/01/2037	70,967,433
50,000,000	Fed Home Loan Bk	2.750% 03/12/2010	50,812,500
38,882,376	FNMA Pool #0995018	5.500% 06/01/2038	40,218,763
39,000,000	Fed Home Ln Mtg	4.875% 02/09/2020	40,054,365
32,784,000	FNMA	3.250% 02/10/2010	33,352,638
24,700,000	GAZ Capital	8.625% 04/28/2034	23,970,115
24,100,000	US Treasury Bond	4.250% 5/15/2039	23,862,615
22,232,409	FNMA Pool #0995024	5.500% 08/01/2037	23,055,452

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

INVESTMENT SUMMARY

(IN THOUSANDS) (1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	June 30, 2008 Fair Value	Purchases and Other Increases	Sales and Other Decreases	June 30, 2009 Fair Value	Asset Mix Fair Value
Marketable Securities					
International Equities	$3,941,010	$6,882,780	$(7,944,490)	$2,879,300	27.67 %
Total Fixed Income	3,053,974	1,777,606	(2,544,608)	2,286,972	21.98
Total Fixed Income	4,683,905	10,125,431	(11,603,593)	3,205,743	30.81
Temporary Investments (2)	489,270	24,023,578	(23,496,344)	1,016,504	9.77
Total Marketable Securities	12,168,159	42,809,395	(45,589,035)	9,388,519	90.23%
Real Estate and Alternative Investments					
Real Estate	955,586	271,382	(585,498)	641,470	6.16
Direct Placement and Limited Partnerships	403,319	74,177	(102,074)	375,422	3.61
Total Reat Estate and Alternative Investments	1,358,905	345,559	(687,572)	1,016,892	9.77
Total :	**$13,527,064**	**$43,154,954**	**$(46,276,607)**	**$10,405,411**	**100.00** %

1) Amounts include changes in unrealized appreciation and exclude interest and dividend accruals.
Amounts exclude security lending cash collateral of $2,205,187,750 for FY 2008, and FY 2009 cash collateral of $597,414,351

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

ACTUARIAL

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August 13, 2009

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

Dear Members of the Board:

At your request, we performed an actuarial valuation of the Kansas Public Employees Retirement System as of December 31, 2008 for purposes of determining contribution rates for fiscal year 2012 for the State and 2011 for Local employers. The valuation results reflect the benefit provisions in place on December 31, 2008, including any changes passed by the 2009 Legislature. The only change in the benefit provisions since the last valuation is related to working after retirement. Due to the fact that the provision sunsets in three years, it had no impact on the December 31, 2008 valuation. Any effect on retirement experience from the change will be reflected in future valuations. There was no change in the actuarial assumptions or methods from the prior valuation.

In preparing our report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, member data and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

We 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 individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in the valuation to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in our valuation report.

Future actuarial measurements may differ significantly from the current measurements presented in the valuation report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for the System. Actuarial computations presented in the valuation report under GASB Statements

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

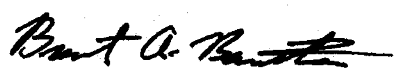
Milliman's work product was prepared exclusively for KPERS for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning KPERS' operations, and uses KPERS' data, which Milliman has not audited. It is not for the use or benefit of any third party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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

We certify that, to the best of our knowledge and belief, the December 31, 2008 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

MILLIMAN, Inc.
Sincerely,

Patrice A. Beckham, FSA, MAAA
Consulting Actuary



Brent A. Banister, FSA, MAAA
Consulting Actuary

The Kansas Public Employees Retirement System is an umbrella organization which administers the following three statewide pension groups: the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Firemen's Retirement System (KP&F) and the Kansas Retirement System for Judges (Judges). This report presents the results of the December 31, 2008 actuarial valuations for each of the Systems. The primary purposes of performing actuarial valuations are to:

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

The valuation results provide a "snapshot" view of the System's financial condition on December 31, 2008. The unfunded actuarial liability for the System as a whole increased by $2.7 billion due to various factors of which the asset loss, even with asset smoothing reflected, was over 85 percent increase. A detailed analysis of the change in the unfunded actuarial liability from December 31, 2007 to December 31, 2008 is shown later in this section.

There was no change in the actuarial assumptions or methods used in the valuation since last year and there was only one change in the benefit provisions. This change, related to working after retirement, is scheduled to sunset in three years, so it had no material impact on this valuation. Any effect from the change on retirement experience that is identified will be reflected in future valuations.

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

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

December 31, 2008 Valuation

System	Actuarial	Statutory	Difference
State	11.13%	8.77%	2.36%
School [1]	14.96%	8.77%	6.19%
Local [1]	10.42%	6.74%	3.68%
KP&F [2]	17.88%	17.88%	0.00%
Judges	26.38%	26.38%	0.00%

December 31, 2007 Valuation

System	Actuarial	Statutory	Difference
State	7.39%	8.17%[3]	(0.78%)
School	12.48%	8.17%	4.31%
Local	8.52%	6.14%	2.38%
KP&F [2]	12.86%	12.86%	0.00%
Judges	19.49%	19.49%	0.00%

1) By statute, rates are allowed to increase by a maximum of 0.6 plus the cost of any benefit enhancements.

2) For KP&F, the statutory contribution rate is equal to the "Uniform" rate. The rate shown is for local employers. The rate for State employers is 14.39 percent this year, which includes a payment of 0.50 percent for the debt service payment on the bonds issued for the 13th check. The uniform rate does not include the payment required to amortize the unfunded past service liability or any 15 percent excess benefit liability determined separately for each employer. (See Table 13.)

3) Any difference between the statutory rate and the actuarial contribution rate times actual State payroll is deposited to the School assets.

Over the last ten years, much time and effort has been devoted to improving the long-term funding outlook for KPERS. As a result of legislative changes, Board action and investment performance from 2003 to 2007, the System's long-term funding outlook improved, although the positive results for the System were highly dependent on attaining the 8 percent investment return assumption in future years.

Modeling indicated that investment returns below the 8 percent assumption could change the long-term funding outlook, particularly for the School group. The unprecedented negative investment experience in 2008 was a significant setback in the System's long-term funding. Despite the 2008 investment loss, the State and Local groups remain in actuarial balance (the statutory contribution rate is projected to converge with the actuarial required contribution (ARC) rate before the end of the amortization period (2033) if all actuarial assumptions are met in future years). For the School group, the statutory and actuarial contribution rates are not projected to converge before 2033 if all assumptions are met in future years. This situation should be closely monitored and further analysis performed in order to determine the appropriate actions to be taken. Plans are in place to perform this analysis in late 2009. As the deferred investment losses are recognized in the next four years, the actuarial contribution rate is expected to increase significantly. As this occurs, the shortfall between the actuarial and statutory contribution rates will grow and will produce increases in the UAL. As a result, the actuarial contribution rate is expected to increase until the ARC Date (defined as the date at which the actuarial and statutory contribution rates are equal) is reached.

The actuarial value of assets is 20 percent higher than the pure market value. This is due to the use of an asset smoothing method and the delayed reflection of market experience in the actuarial value of assets. These deferred losses, which are significant, will be reflected in the actuarial value of assets over the next four years. However, the net impact of the deferred experience on the actuarial value of assets in future years will depend on actual investment experience during that period.

EXPERIENCE - ALL SYSTEMS COMBINED

December 31, 2007 – December 31, 2008

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is December 31, 2008. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System, which are generally in excess of assets. The actuarial process leads to a method of determining the contributions needed by members and employers in the future to balance the System assets and liabilities.

Changes in the Systems' assets and liabilities impacted the change in the actuarial contribution rates between the December 31, 2007 and December 31, 2008 actuarial valuations. On the following pages each component is examined and quantified.

Membership

Below is a summary of the changes in active members between the December 31, 2007 and December 31, 2008 actuarial valuations.

	State	**School**	**Local**	**KP&F**	**Judges**	**Total**
12/31/2007 (Starting count)	24,024	86,468	35,914	7,137	261	153,804
New actives	2,282	10,601	4,078	453	7	17,421
Nonvested Terminations	629	4,793	1,577	158	0	7,157
Elected Refund	343	1,187	804	90	0	2,424
Vested Terminations	299	938	569	60	0	1,866
Total Withdrawals	1,271	6,918	2,950	308	0	11,447
Deaths	36	54	45	8	0	143
Disabilities	78	85	57	20	0	240
Early Retirements	53	253	64	6	0	376
Unreduced Retirements	482	1,622	497	92	8	2,701
Total Retirements	535	1,875	561	98	8	3,077
Other/Transfer	(12)	(189)	(132)	86	2	(245)
12/31/2008 (Ending count)	24,374	87,948	36,247	7,242	262	156,073

Assets

The current market value represents the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, market values of assets provide a basis for measuring investment performance from time to time. At December 31, 2007, the market value of assets (excluding receivables) for the Retirement System was $14.168 billion.

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

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. The asset smoothing method was implemented with the December 31, 2003, actuarial valuation. Under the asset smoothing method, the difference between the actual return and the expected return (based on the actuarial assumed rate of return) on the market value of assets is calculated each year and recognized equally over a five-year period.

As of December 31, 2008, the System had total funds when measured on a market value basis, of $9.9 billion, excluding assets held for the Group Insurance and Optional Life reserves. This was a decrease of $4.3 billion from the December 31, 2007 figure of $14.2 billion.

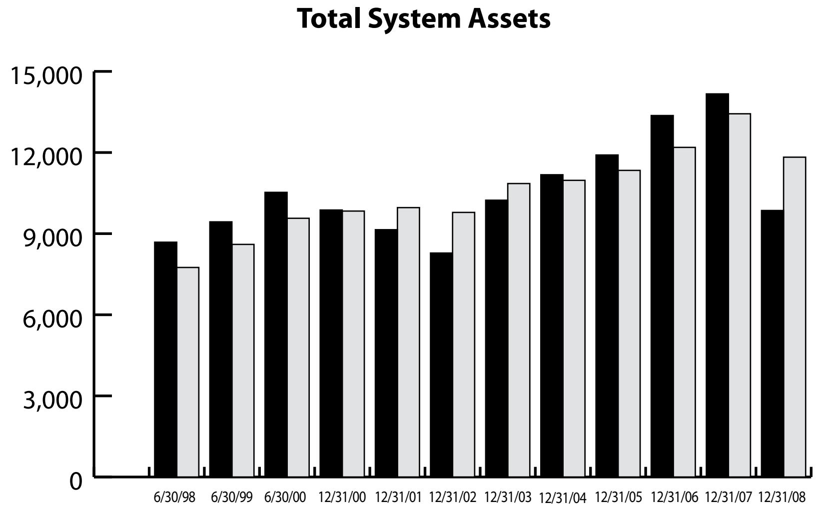
The market value of assets is not used directly in the calculation of contribution rates. An asset valuation method is used to smooth the effect of market fluctuations. The smoothing method calculates the difference between the actual return and the expected return (assumed rate of return) on the market value of assets each year. The difference is recognized equally over a five-year period. The resulting value must be no less than 80 percent of market and no more than 120 percent of market. For this valuation, the actuarial value of assets was limited to 120 percent of market value.

Components of the change in the market value and actuarial value of assets for the Retirement System (in millions)

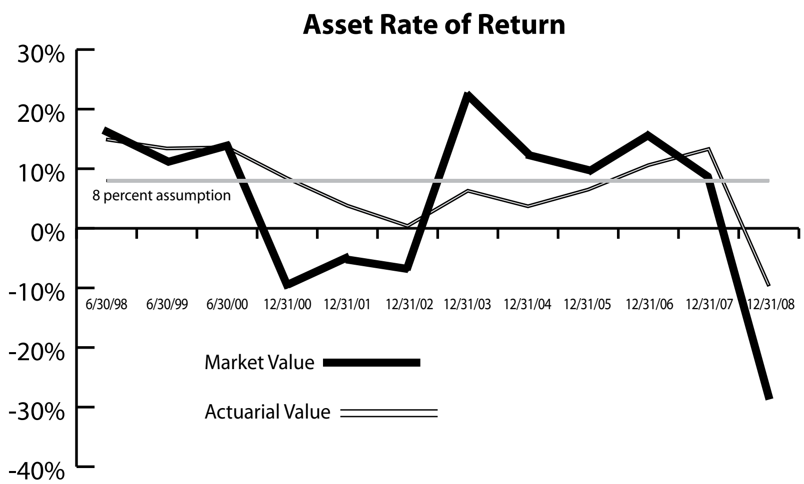
	Market Value $(millions)	Actuarial Value $(millions)
Assets, December 31, 2007	$14,168	$13,433
· Employer & Member Contributions	683	683
· Benefit Payments and Expenses	(1,017)	(1,017)
· Investment Income	(3,978)	407
Preliminary Asset Value December 31, 2008	$9,856	$13,506
Application of Corridor	N/A	(1,678)
Final Asset Value December 31, 2008	$9,856	$11,828

The actuarial value of assets as of December 31, 2008, was $11.828 billion. The annualized dollar-weighted rate of return for 2008, measured on the actuarial value of assets, was approximately negative 9.6 percent and measured on the market value of assets, as reported by KPERS, was negative 28.5 percent, net of investment and administrative expenses.

Due to the use of an asset smoothing method, there is about $2 billion of net deferred investment loss experience that has not yet been recognized. This deferred investment loss will gradually be reflected in the actuarial value of assets over the next four years, but may be offset by actual investment experience if more favorable than assumed.



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



The rate of return on the actuarial (smoothed) value of assets has been less volatile than the market value return. Due to the significant market loss in 2008, rates of return are expected to be below 8 percent over the next few years as the deferred investment losses are reflected in the actuarial value of assets.

Liabilities

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

	State	School	Local	KP&F	Judges
Actuarial Liability	$3,555	$10,938	$3,376	$2,098	$140
Actuarial Value of Assets	2,553	5,699	1,991	1,480	104
Unfunded Actuarial Liability	$1,002	$5,239	$1,385	$619	$36

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

Other factors influencing the UAL from year to year include actual experience versus that expected based on the actuarial assumptions (on both assets and liabilities), changes in actuarial assumptions, procedures or methods and changes in benefit provisions. The actual experience measured in this valuation is that which occurred during the prior plan year (calendar year 2008). The School, Local and KP&F all had a net liability loss for the year. The State and Judges had liability gains for the 2008 year. There was a large experience loss from investment return on the actuarial value of assets for all groups.

Change in the unfunded actuarial liabilities for the System as a whole:

	$ millions
Unfunded Actuarial Liability, December 31, 2007	$ 5,552
effect of contribution cap/time lag	246
expected increase due to amortization method	71
loss from investment return	2,332
demographic experience[1]	110
all other experience	(32)
change in actuarial assumptions	0
change in benefit provisions	0
Unfunded Actuarial Liability, December 31, 2008	$ 8,279

1) Liability loss is about 0.54 percent of total actuarial liability.

An evaluation of the unfunded actuarial liability on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both very large numbers) is reflected. Another way to evaluate the unfunded actuarial liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial liability. There was a change in actuarial assumptions in the 2004 and 2007 valuations, which impacted the UAL and the funded status.

	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
Using Actuarial Value of Assets:						
Funded Ratio (AVA/AL)	75%	70%	69%	69%	71%	59%
Unfunded Actuarial Liability (AL-AVA)	$3,586	$4,743	$5,152	$5,364	$5,552	$8,279
Using Market Value of Assets:						
Funded Ratio (MVA/AL)	71%	71%	72%	76%	75%	49%
Unfunded Actuarial Liability (AL-MVA)	$4,202	$4,536	$4,583	$4,184	$4,817	$10,250

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

Contribution Rates

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

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

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

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

The contribution rates in the December 31, 2008 valuation will set rates for fiscal year end 2012 for the State and 2011 for Local employers.

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

A summary of the actuarial and statutory employer contribution rates for the System is shown in the following table:

December 31, 2008 Valuation

System	Actuarial	Statutory	Difference
State[1]	11.13%	8.77%	2.36%
School[1]	14.96%	8.77%	6.19%
Local[1]	10.42%	6.74%	3.68%
Police & Fire - Uniform Rates[2]	17.88%	17.88%	0.00%
Judges	26.38%	26.38%	0.00%

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

2) For KP&F, the statutory contribution rate is equal to the "Uniform" rate. The rate shown is for local employers. The rate for State employers is 14.39 percent which includes a payment of 0.50 percent for the debt service payment on the bonds issued for the 13th check. The uniform rate does not include the payment required to amortize the unfunded past service liability or any 15 percent excess benefit liability determined separately for each employer.

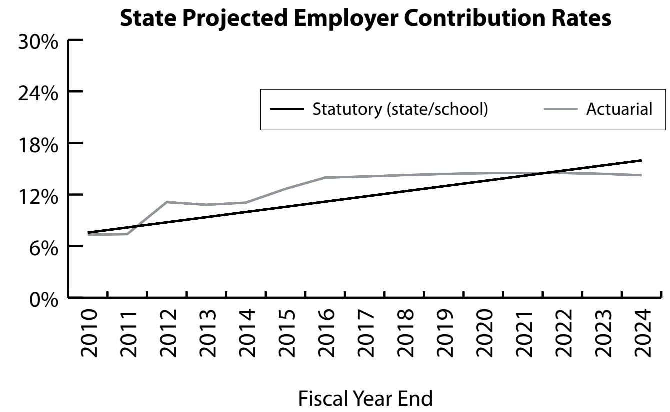
Separate employer contribution rates are calculated for two subgroups of the State. Two Correctional Employee Groups, one with normal retirement age 55 and the other with normal retirement age 60 have higher contribution rates to finance the earlier normal retirement age.

Actuarial contribution rates for the Correctional Employee Groups:

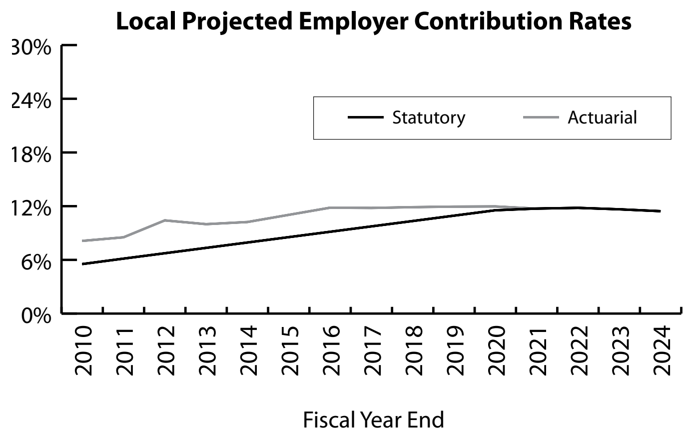
	Actuarial Rate	Statutory Rate
Retirement Age 55:	12.92%	9.24%
Retirement Age 60:	11.86%	9.10%

Due to statutory caps, the full actuarial contribution rate is not contributed for the School and Local groups. Based on the current valuation, there is a difference (shortfall) between the actuarial and statutory contribution rates of 2.36 percent, 6.19 percent and 3.68 percent respectively for the State, School and Local groups. Assuming an 8 percent return on the market value of assets for 2009 and beyond, all other actuarial assumptions are met in the future, and the current level of statutory caps, the ARC Date (statutory and actuarial contribution rates are equal) for the State group is 2022 and the Local group is 2020. The actuarial and statutory rates for School are not projected to converge before the end of the amortization period.

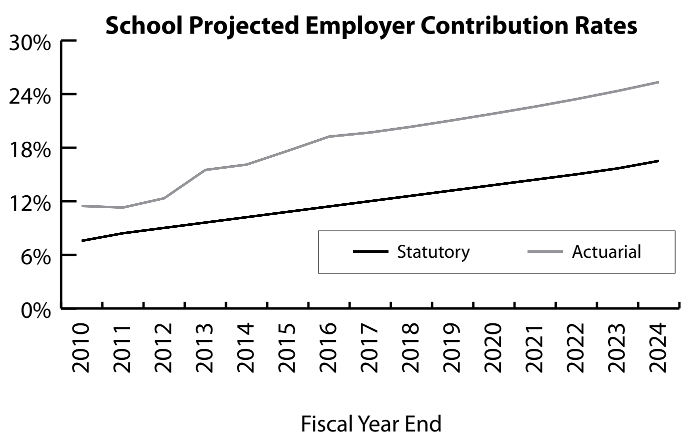
The rate of return on the actuarial value of assets was less than the actuarial assumption, so the experience generated an actuarial loss that increased the UAL. As the remainder of the deferred investment experience is recognized in the actuarial value of assets in the next four years, the contribution rate for the UAL payment can be expected to increase significantly, absent favorable experience to offset the previously unrecognized losses.



Although the State will be contributing the ARC rate in 2010 through 2012, the actuarial rate is expected to exceed the statutory rate from 2013 until 2022.

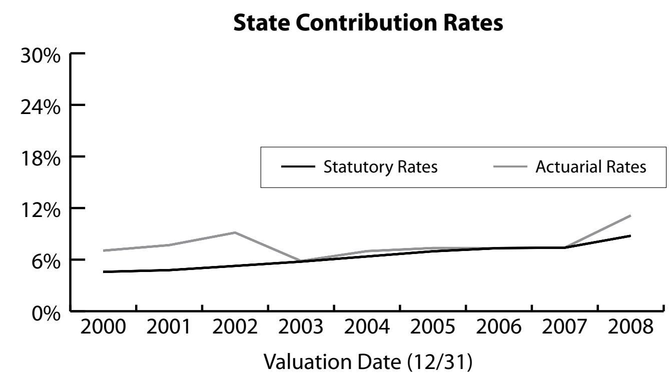


The ARC date is projected to occur in approximately 2020, assuming all actuarial assumptions are met in future years. Actual experience in future years will impact the ARC date.

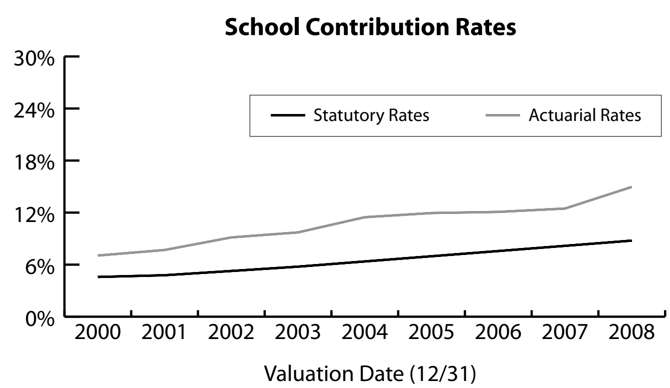


The statutory rate and actuarial contribution rates are not projected to converge before the end of the amortization period. Future experience, especially investment returns, will influence the movement in the ARC Date.

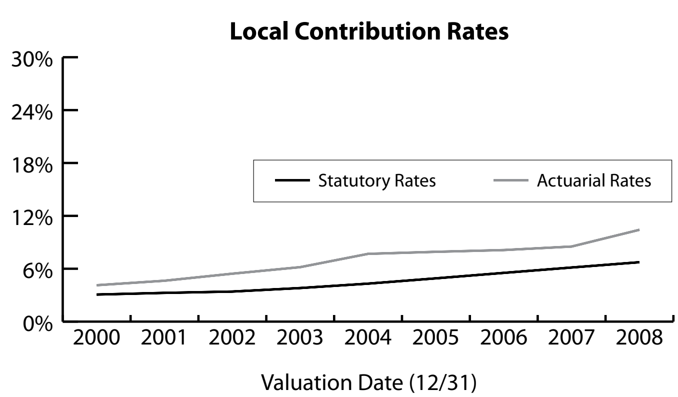
Historical contribution rates for each group are shown on the following pages. Please note that prior to the December 31, 2003 valuation, one contribution rate was developed for the State and School together as one group. Legislation passed in 2004 split the contribution rate calculations into two separate groups, although the statutory contributions are still determined on a combined basis. Significant changes in funding methods as well as a Pension Obligation Bond issue occurred in 2003 and actuarial assumptions were changed in both the 2004 and 2007 valuations. These changes impact the comparability of contribution rates between various valuation dates.



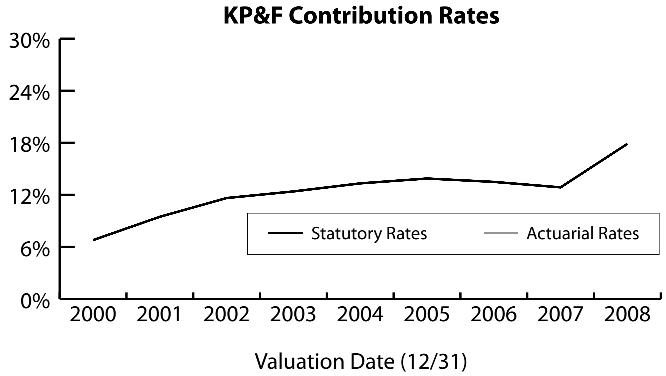
The split of the State group into a separate group with the 2003 valuation, coupled with the bond issue, lowered the actuarial contribution rate. The State's statutory contribution rate in this valuation is less than the actuarial contribution rate due to the impact of the 2008 investment experience.



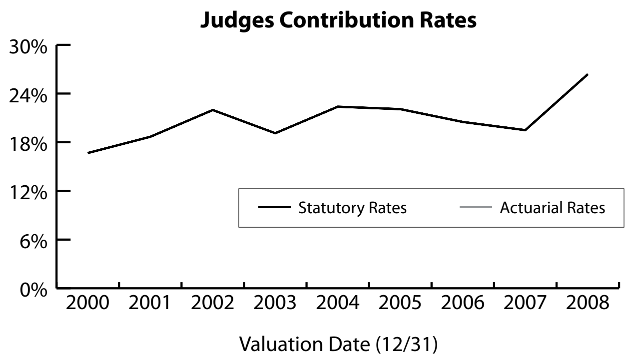
Due to investment experience, changes in actuarial methods and assumptions, and the magnitude of the difference between the actuarial and statutory contribution rates, the funded status of the School group has declined and the actuarial contribution rate has increased.



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



Investment experience, coupled with a change in actuarial methodology, dramatically increased the contribution rates in the first half of the period. Investment experience in 2008 resulted in a significant increase in the contribution rate in this valuation.



Significant changes in the actuarial assumptions in the 2004 valuation and investment experience in 2008, resulted in higher contribution rates.

Comments

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

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

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

The stock market performance in 2008 was the worst year since 1931 and most retirement plans, both public and private, experienced significant asset losses. The investment return on the market value of assets of KPERS for 2008 was about negative 28.5 percent. When compared to the expected return of 8 percent, the assets were around 37 percent lower than expected. Such a dramatic drop in the asset value results in a significant increase in the actuarial contribution rate. When the fixed nature of the employee contribution rate is factored into the calculation, the impact on the employer contribution rate is even more significant.

Retirement plans use several mechanisms to provide more stability in the contribution levels. These include an asset smoothing method, which smoothes out the peaks and valleys of investment returns by recognizing gains and losses over a period of years (KPERS uses 5 years). As a result, the rate of return on the actuarial value of assets for the 2008 plan year was about negative 10 percent as compared to negative 28.5 percent on the pure market value. A significant amount of the investment loss has been deferred (about $2 billion) and will be recognized in future years.

Given the magnitude of the investment loss in 2008, significant increases in the actuarial contribution rate could not be avoided, even with the use of these "stability mechanisms." The normal cost remained relatively stable as a percentage of payroll, but the unfunded actuarial liability increased significantly in the 2008 valuation. The market experience thus far in 2009 has been volatile and year to date returns are below the 8 percent expected return. Investment losses in 2009, in addition to those from 2008 that are not yet recognized, could significantly reduce the System's funded status and increase the actuarial contribution rate in future valuations. The System should be prepared for significantly higher actuarial contribution rates in the next few years, and perhaps longer depending on future rates of return.

As mentioned earlier, the System utilizes an asset smoothing method in the valuation process. While this is a common procedure for public retirement systems, it is important to identify the potential impact of the deferred (unrecognized) investment experience. To illustrate the impact of the deferred losses, the key valuation results are shown below for the State/School and KPF groups using both the actuarial value of assets and the pure market value. The impact would be similar for the other groups.

	State/School		KP&F	
	Actuarial	Market	Actuarial	Market
Actuarial Liability	$14,492	$14,492	$2,098	$2,098
Asset Value	8,252	6,877	1,480	1,233
Unfunded Actuarial Liability	6,240	7,615	618	865
Funded Ratio	57%	47%	71%	59%
Contribution Rate:				
Normal Cost Rate	8.53%	8.53%	14.71%	14.71%
UAL Payment	9.56%	11.62%	9.70%	12.68%
Total	18.09%	20.15%	24.41%	27.39%
Employee Rate	4.00%	4.00%	6.53%	6.53%
Employer Rate	14.09%	16.15%	17.88%	20.86%

The asset smoothing method impacts only the timing of when the actual market experience on the assets will be recognized. Due to the negative return in 2008, the actuarial value of assets after applying the corridor exceeds the pure market value by 20 percent. If there are not significantly higher returns consistently over the next few years, the $2 billion of deferred investment experience will be recognized and the ultimate impact on the employer contribution rate can be expected to be similar to the column shown above based on the market value of assets.

The length and final depth of the market decline is unknown. Historically, markets have recovered and, if this happens, it should help offset some of the current deferred loss. The use of an asset smoothing method defers some of the investment experience from 2008 to later years. Consequently, absent a significant and sustained recovery in the market, part of the unrecognized loss from 2008 will be reflected in the December 31, 2009 and subsequent years' valuations. Actual investment returns over the next few years will determine exactly how the System's funding will be affected and the magnitude of the increase in the unfunded actuarial liability and the actuarial contribution rate.

The negative return in 2008 had a substantial impact on the System's long-term funding outlook. While the System has sufficient assets to pay benefits for many years into the future, the long-term actuarial soundness of the System will be impacted if investment returns do not bounce back, contributions increase, or a combination of both. As a result of the current funded status, the System will face significant funding challenges if investment returns are below the 8 percent expected return. Further study on the long-term financial health of the System is planned for later this year.

SUMMARY OF CHANGE IN UNFUNDED ACTUARIAL LIABILITY

DECEMBER 31, 2008 VALUATION ($MILLIONS)

	State	School	Local	KP&F	Judges	Total	
UAL in 12/31/2007 Valuation Report	**$450.6**	**$3,861.6**	**$940.5**	**$284.3**	**$14.8**	**$5,551.8**	(1)
· Effect of contribution cap/timing	7.5	190.7	50.8	(3.3)	0.1	245.8	
· Expected increase due to method	4.7	51.6	12.1	3.2	(0.2)	71.4	
· Actual vs. expected experience							
· Investment return	549.8	1,072.4	372.7	315.1	22.3	2,332.3	
· Demographic experience	(7.2)	76.9	13.9	26.1	0.5	110.2	
· All other experience	(3.7)	(14.6)	(5.4)	(6.7)	(2.0)	(32.4)	
· Change in assumptions	0.0	0.0	0.0	0.0	0.0	0.0	
· Change in benefit provisions	0.0	0.0	0.0	0.0	0.0	0.0	
UAL in 12/31/2008 Valuation Report	**$1,001.7**	**$5,238.5**	**$1,384.7**	**$618.7**	**$35.5**	**$8,279.2**	

1) May not add due to rounding.

SUMMARY OF CHANGES IN ACTUARIAL CONTRIBUTION RATE BY SYSTEM

AS OF DECEMBER 31, 2008

Percentage of Payroll	**State**	**School**	**Local**	**KP&F (1)**	**Judges**
Actuarial Contribution Rate in 12/31/2007 Valuation	**7.39** %	**12.48** %	**8.52** %	**12.86** %	**19.49** %
Change Due to Amortization of UAL					
· effect of contribution cap/time lag	0.05	0.37	0.23	(0.05)	0.03
· amortization method	0.00	0.00	0.00	0.00	(0.20)
· investment experience	3.65	2.07	1.66	4.77	7.32
· liability experience	(0.05)	0.15	0.06	0.40	0.16
· all other experience	0.05	(0.14)	(0.06)	(0.11)	(0.56)
· change in assumptions	0.00	0.00	0.00	0.00	0.00
· change in benefit provisions	0.00	0.00	0.00	0.00	0.00
Change in Normal Cost Rate					
· change in benefit provisions	0.00	0.00	0.00	0.00	0.00
· change in assumptions	0.00	0.00	0.00	0.00	0.00
· all other experience	0.04	0.03	0.01	0.01	0.14 (2)
Actuarial Contribution Rate in 12/31/2008 Valuation	**11.13** %	**14.96** %	**10.42** %	**17.88** %	**26.38** %

1) Contribution rate for Local employers only.

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

SUMMARY OF HISTORICAL CHANGES IN TOTAL SYSTEM UAL

($ MILLIONS)

	6/30/94	6/30/95	6/30/96	6/30/97	6/30/98	6/30/99	6/30/00	12/31/00	12/31/01
Actual Experience vs. Assumed									
· Investment	$(102)	$(143)	$(280)	$(323)	$(413)	$(360)	$(441)	$(23)	$350
· Other	320	72	136	157	104	46	99	84	(9)
Assumption Changes	0	(96)	0	0	350	0	0	(206)	0
Changes in Data/Procedures	244	0	0	0	0	21	71	145**	5
Change in Cost Method	0	0	0	0	0	0	0	0	0
Effect of Contribution Cap/Lag	*	95	70	63	54	78	66	60	115
Amortization Method	*	47	38	35	32	30	22	12	14
Change in Benefit Provisions	75	0	0	0	88	0	19	0	0
Bond Issue	0	0	0	0	0	0	0	0	0
Total	**$537**	**$(25)**	**$(36)**	**$(68)**	**$215**	**$(194)**	**$(164)**	**$72**	**$475**

*Not calculated for this year.

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

Unfunded actuarial liability 12/31/08: $ 8,279 million

	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	Total
Actual Experience vs. Assumed								
· Investment	$644	$140	$456	$167	$(293)	$(626)	$2,332	$1,085
· Other	68	(32)	16	(84)	139	99	78	1,293
Assumption Changes	0	0	437	(5)	0	384	0	864
Changes in Data/Procedures	177 **	(286)***	0	0	0	0	0	377
Change in Cost Method	0	1,147	0	0	0	0	0	1,147
Effect of Contribution Cap/Lag	143	178	179	247	258	251	246	2,103
Amortization Method	21	47	68	84	83	78	71	682
Change in Benefit Provisions	37	3	1	0	24	2	0	249
Bond Issue	(41)	(440)	0	0	0	0	0	(481)
Total	**$1,048**	**$757**	**$1,157**	**$409**	**$211**	**$188**	**$2,727**	**$8,279**

** Reflects the impact of re-establishing the KP&F Supplemental Actuarial Liability at December 31, 2002. The additional unfunded actuarial liability as of December 31, 2000 for the State/School and Local groups not recognized in the prior valuation due to the phase-in of the change in actuarial procedures is included.

*** Change in asset valuation method.

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

Unfunded actuarial liability 12/31/08: $ 8,279 million

SUMMARY OF PRINCIPAL RESULTS
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (STATE)

	12/31/2008 Valuation	12/31/2007 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	24,374	24,024	1.5%
Retired Members and Beneficiaries	15,621	14,994	4.2
Inactive Members	5,712	6,025	(5.2)
Total Members	**45,707**	**45,043**	1.5
Projected Annual Salaries of Active Members	$972,080,168	$954,472,949	1.8
Annual Retirement Payments for Retired Members and Beneficiaries	$178,648,359	$167,939,366	6.4
2. ASSETS AND LIABILITIES			
a. Total Actuarial Liability	$3,554,600,691	$3,422,120,738	3.9
b. Assets for Valuation Purposes	2,552,895,270	2,971,538,701	(14.1)
c. Market Value of Assets	2,127,412,725	3,094,367,129	(31.2)
d. Unfunded Actuarial Liability (a) - (b)	1,001,705,421	450,582,037	122.3
e. Funded Ratio (a) / (b)	71.8%	86.8%	(17.3)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	4.17%	4.13%	
Amortization of Unfunded Actuarial and Debt Service	6.96%	3.26%	
Actuarial Contribution Rate	11.13%	7.39%	
Statutory Employer Contribution Rate*	8.77%	8.17%	

SUMMARY OF PRINCIPAL RESULTS
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (SCHOOL)

	12/31/2008 Valuation	12/31/2007 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	87,948	86,468	1.7%
Retired Members and Beneficiaries	37,346	35,412	5.5
Inactive Members	24,212	23,653	2.4
Total Members	**149,506**	**145,533**	2.7
Projected Annual Salaries of Active Members	$3,345,545,288	$3,172,108,563	5.5
Annual Retirement Payments for Retired Members and Beneficiaries	$477,612,789	$444,027,093	7.6
2. ASSETS AND LIABILITIES			
a. Total Actuarial Liability	$10,937,800,107	$10,316,004,061	6.0
b. Assets for Valuation Purposes	5,699,278,482	6,454,380,538	(11.7)
c. Market Value of Assets	4,749,398,735	6,863,242,512	(30.8)
d. Unfunded Actuarial Liability (a) - (b)	5,238,521,625	3,861,623,523	35.7
e. Funded Ratio (a) / (b)	52.1%	62.6%	(16.7)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	4.64%	4.61%	
Amortization of Unfunded Actuarial and Debt Service	10.32%	7.87%	
Actuarial Contribution Rate	14.96%	12.48%	
Statutory Employer Contribution Rate*	8.77%	8.17%	

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

SUMMARY OF PRINCIPAL RESULTS
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (STATE/SCHOOL)

	12/31/2008 Valuation	12/31/2007 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	112,322	110,492	1.7 %
Retired Members and Beneficiaries	52,967	50,406	5.1
Inactive Members	29,924	29,678	0.8
Total Members	**195,213**	**190,576**	2.4
Projected Annual Salaries of Active Members	$ 4,317,625,457	$ 4,126,581,512	4.6
Annual Retirement Payments for			
Retired Members and Beneficiaries	$ 656,261,148	$ 611,966,459	7.2
2. ASSETS AND LIABILITIES			
a. Total Actuarial Liability	$ 14,492,400,798	$ 13,738,124,799	5.5
b. Assets for Valuation Purposes	8,252,173,752	9,425,919,239	(12.5)
c. Market Value of Assets	6,876,811,460	$ 9,957,609,641	(30.9)
d. Unfunded Actuarial Liability (a) - (b)	6,240,227,046	4,312,205,560	44.7
e. Funded Ratio (a) / (b)	56.9%	68.6%	(17.0)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	4.53%	4.50%	
Amortization of Unfunded Actuarial and Debt Service	9.56%	6.80%	
Actuarial Contribution Rate	14.09%	11.30%	
Statutory Employer Contribution Rate*	8.77%	8.17%	

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

SUMMARY OF PRINCIPAL RESULTS
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (LOCAL)

	12/31/2008 Valuation	12/31/2007 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	36,247	35,914	0.9%
Retired Members and Beneficiaries	13,501	12,761	5.8
Inactive Members	10,466	10,373	0.9
Total Members	**60,214**	**59,048**	2.0
Projected Annual Salaries of Active Members	$ 1,454,109,452	$ 1,387,401,497	4.8
Annual Retirement Payments for Retired Members and Beneficiaries	$ 118,235,853	$ 108,829,381	8.6
2. ASSETS AND LIABILITIES			
a. Total Actuarial Liability	$ 3,376,131,873	$ 3,147,020,449	7.3
b. Assets for Valuation Purposes	1,991,428,225	2,206,473,161	(9.7)
c. Market Value of Assets	1,659,523,521	2,339,695,800	(29.1)
d. Unfunded Actuarial Liability (a) - (b)	1,384,703,648	940,547,288	47.2
e. Funded Ratio (a) / (b)	59.0%	70.1%	(15.9)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	4.15%	4.14%	
Amortization of Unfunded Actuarial and Supplemental Liability	6.27%	4.38%	
Actuarial Contribution Rate	10.42%	8.52%	
Statutory Employer Contribution Rate*	6.74%	6.14%	

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

SUMMARY OF PRINCIPAL RESULTS
KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM

	12/31/2008 Valuation	12/31/2007 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	7,242	7,137	1.5%
Retired Members and Beneficiaries	3,909	3,755	4.1
Inactive Members	1,348	1,318	2.3
Total Members	**12,499**	**12,210**	2.4
Projected Annual Salaries of Active Members	$ 426,955,831	$ 408,162,049	4.6
Annual Retirement Payments for Retired Members and Beneficiaries	$ 98,058,811	$ 92,223,463	6.3
2. ASSETS AND LIABILITIES			
a. Total Actuarial Liability	$ 2,098,292,549	$ 1,968,168,480	6.6
b. Assets for Valuation Purposes	1,479,595,175	1,683,915,313	(12.1)
c. Market Value of Assets	1,232,995,979	1,749,740,089	(29.5)
d. Unfunded Actuarial Liability (a) - (b)	618,697,374	284,253,167	117.7
e. Funded Ratio (a) / (b)	70.5%	85.6%	(17.6)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	8.18%	8.17%	
Amortization of Unfunded Actuarial and Supplemental Liability	9.70%	4.69%	
Actuarial Contribution Rate (Local Employers)	17.88%	12.86%	
Statutory Employer Contribution Rate*	17.88%	12.86%	

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

SUMMARY OF PRINCIPAL RESULTS
KANSAS RETIREMENT SYSTEM FOR JUDGES

	12/31/2008 Valuation	12/31/2007 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	262	261	0.4%
Retired Members and Beneficiaries	190	180	5.6
Inactive Members	11	14	(21.4)
Total Members	**463**	**455**	1.8
Projected Annual Salaries of Active Members	$ 27,835,460	$ 27,083,186	2.8
Annual Retirement Payments for Retired Members and Beneficiaries	$ 6,682,870	$ 6,092,952	9.7
2. ASSETS AND LIABILITIES			
a. Total Actuarial Liability	$ 139,961,680	$ 131,601,196	6.4
b. Assets for Valuation Purposes	104,421,422	116,807,301	(10.6)
c. Market Value of Assets	87,017,852	120,840,352	(28.0)
d. Unfunded Actuarial Liability (a) - (b)	35,540,258	14,793,895	140.2
e. Funded Ratio (a) / (b)	74.6%	88.8%	(15.9)
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	14.63%	14.49%	
Amortization of Unfunded Actuarial and Supplemental Liability	11.75%	5.00%	
Actuarial Contribution Rate	26.38%	19.49%	
Statutory Employer Contribution Rate*	26.38%	19.49%	

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

SUMMARY OF PRINCIPAL RESULTS
ALL SYSTEMS COMBINED

	12/31/2008 Valuation	12/31/2007 Valuation	% Change
1. PARTICIPANT DATA			
Number of:			
Active Members	156,073	153,804	1.5%
Retired Members and Beneficiaries	70,567	67,102	5.2
Inactive Members	41,749	41,383	0.9
Total Members	268,389	262,289	2.3
Projected Annual Salaries of Active Members	$ 6,226,526,200	$ 5,949,228,244	4.7
Annual Retirement Payments for Retired Members and Beneficiaries	$ 879,238,682	$ 819,112,255	7.3
2. ASSETS AND LIABILITIES			
a. Total Actuarial Liability	$ 20,106,786,900	$ 18,984,914,924	5.9
b. Assets for Valuation Purposes	11,827,618,574	13,433,115,014	(12.0)
c. Market Value of Assets	9,856,348,812	14,167,885,882	(30.4)
d. Unfunded Actuarial Liability (a) - (b)	8,279,168,326	5,551,799,910	49.1
e. Funded Ratio (a) / (b)	58.8%	70.8%	(16.9)

Every three years, KPERS' consulting actuary makes a general investigation of the actuarial experience, including mortality, retirement and employer turnover. The actuary recommends actuarial tables for us in the valuation and in calculating actuarial equivalent values based on such investigation. These assumptions are based on an actuarial experience study conducted for three years ending December 31, 2006.

Rate of Investment Return 8.0 percent

Implicit Inflation Rate 3.25 percent

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

Rates of Mortality:
Post-retirement

The RP-2000 Healthy Annuitant table was first adjusted by an age setback or set forward. Rates were further adjusted to fit actual experience.

Starting Table
School Males: RP-2000 M Healthy -2
School Females: RP-2000 F Healthy -2
State Males: RP-2000 M Healthy +2
State Females: RP-2000 F Healthy +0
Local Males: RP-2000 M Healthy +2
Local Females: RP-2000 F Healthy -1

Sample Rates

	School		State		Local	
Age	Male	Female	Male	Female	Male	Female
50	0.513%	0.183%	0.547%	0.218%	0.587%	0.204%
55	0.549%	0.226%	0.625%	0.328%	0.670%	0.278%
60	0.662%	0.384%	0.962%	0.577%	1.031%	0.481%
65	1.051%	0.664%	1.597%	0.964%	1.712%	0.817%
70	1.747%	1.074%	2.646%	1.557%	2.837%	1.318%
75	2.917%	1.792%	4.550%	2.614%	4.878%	2.215%
80	5.278%	3.643%	7.037%	4.567%	7.545%	4.171%
85	9.331%	6.751%	11.292%	7.977%	12.108%	7.508%
90	15.661%	11.589%	17.978%	13.563%	19.278%	12.869%
95	24.301%	18.407%	24.888%	20.034%	26.687%	19.742%
100	32.791%	24.186%	30.850%	24.459%	33.080%	24.990%

Pre-retirement

School Males: 70 % of RP-2000 M Employees -2
School Females: 70% of RP-2000 F Employees -2
State Males: 70% of RP-2000 M Employees +2
State Females: 70% of RP-2000 F Employees +0
Local Males: 90% of RP-2000 M Employees +2
Local Females: 90% of RP-2000 F Employees -1

Disabled Life Mortality — RP-2000 Disabled Life Table with same age adjustments as used for Retiree Mortality.

Rates of Salary Increase

Years of Service	Rate of Increase*		
1	12.00%	10.50%	10.50%
5	6.55%	5.60%	6.20%
10	5.10%	4.90%	5.20%
15	4.60%	4.40%	4.80%
20	4.10%	4.10%	4.60%
25	4.00%	4.00%	4.10%
30	4.00%	4.00%	4.00%

*Includes general wage increase assumption of 4.0 percent (composed of 3.25 percent inflation and 0.75 percent productivity)

Rates of Termination

	School		State		Local	
Duration	Male	Female	Male	Female	Male	Female
0	21.00%	23.00%	17.00%	19.00%	20.00%	23.00%
1	18.00%	18.00%	14.50%	15.00%	16.00%	20.00%
2	14.00%	13.00%	12.00%	11.00%	13.20%	17.00%
3	10.00%	11.00%	10.00%	10.00%	11.00%	14.00%
4	8.00%	9.00%	8.00%	9.00%	9.60%	11.50%
5	6.50%	7.25%	7.00%	8.00%	8.30%	9.00%
6	5.50%	6.25%	6.00%	7.00%	7.10%	7.50%
7	5.00%	5.50%	5.20%	6.00%	6.00%	6.50%
8	4.50%	4.90%	4.60%	5.00%	5.00%	5.75%
9	4.00%	4.30%	4.10%	4.60%	4.40%	5.00%
10	3.60%	3.90%	3.90%	4.30%	3.80%	4.25%
11	3.20%	3.50%	3.70%	4.00%	3.50%	3.75%
12	2.90%	3.10%	3.50%	3.70%	3.30%	3.40%
13	2.60%	2.80%	3.30%	3.50%	3.10%	3.20%
14	2.40%	2.50%	3.10%	3.30%	2.90%	3.00%
15	2.20%	2.30%	2.90%	3.10%	2.70%	2.80%
16	2.00%	2.10%	2.70%	2.90%	2.50%	2.60%
17	1.80%	1.90%	2.50%	2.70%	2.30%	2.40%
18	1.60%	1.70%	2.30%	2.50%	2.10%	2.20%
19	1.50%	1.50%	2.10%	2.30%	1.90%	2.00%
20	1.40%	1.30%	1.90%	2.10%	1.80%	1.80%
21	1.30%	1.20%	1.70%	1.90%	1.70%	1.60%
22	1.20%	1.10%	1.50%	1.70%	1.60%	1.40%
23	1.10%	1.00%	1.30%	1.50%	1.50%	1.20%
24	1.00%	0.90%	1.10%	1.40%	1.40%	1.00%
25	0.90%	0.80%	0.90%	1.30%	1.30%	0.90%
26	0.80%	0.70%	0.70%	1.20%	1.20%	0.70%
27	0.70%	0.60%	0.60%	1.10%	1.10%	0.60%
28	0.60%	0.50%	0.50%	1.00%	1.00%	0.50%
29	0.50%	0.50%	0.50%	0.50%	0.90%	0.50%
30	0.50%	0.50%	0.50%	0.50%	0.80%	0.50%
30+	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Retirement Rates

School

1st Year With 85 Points		After 1st Year With 85 Points	
Age	Rate	Age	Rate
53	20%	53	18%
55	20%	55	18%
57	22%	57	18%
59	25%	59	23%
61	30%	61	30%

Early Retirement		Normal Retirement	
Age	Rate	Age	Rate
55	5%	62	30%
56	5%	63	25%
57	8%	64	35%
58	8%	65	35%
59	12%	66-71	25%
60	15%	72-74	20%
61	22%	75	100%

State

1st Year With 85 Points		After 1st Year With 85 Points	
Age	Rate	Age	Rate
53	10%	53	15%
55	15%	55	15%
57	15%	57	12%
59	15%	59	12%
61	30%	61	25%

Early Retirement		Normal Retirement	
Age	Rate	Age	Rate
55	5%	62	30%
56	5%	63	20%
57	5%	64	30%
58	5%	65	35%
59	8%	66-67	25%
60	8%	68-74	20%
61	20%	75	100%

Local

1st Year With 85 Points		After 1st Year With 85 Points	
Age	Rate	Age	Rate
53	11%	53	10%
55	13%	55	10%
57	13%	57	10%
59	15%	59	12%
61	25%	61	25%

Early Retirement		Normal Retirement	
Age	Rate	Age	Rate
55	5%	62	25%
56	5%	63	20%
57	5%	64	30%
58	5%	65	35%
59	5%	66	25%
60	5%	67-74	20%
61	15%	75	100%

Correctional — Normal Retirement at Age 55

Age	Rate
55	10%
58	10%
60	10%
62	45%
65	100%

Correctional employees with an age 60 normal retirement date – Age 62.
Inactive vested members – Age 62.
TIAA employees – Age 66.

Rates of Disability

Age	School	State	Local
25	.025%	.036%	.030%
30	.028%	.102%	.065%
35	.034%	.161%	.097%
40	.058%	.244%	.143%
45	.110%	.376%	.209%
50	.213%	.511%	.363%
55	.362%	.720%	.600%
60	.680%	.920%	850%

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

Probability of Vested Members Leaving Contributions With System

Age	School	State	Local
25	80%	65%	60%
30	80%	65%	60%
35	80%	65%	60%
40	80%	65%	60%
45	82%	75%	64%
50	87%	85%	74%
55	100%	100%	100%

ACTUARIAL ASSUMPTIONS – KP&F

Rate of Investment Return 8.0 percent

Implicit Inflation Rate 3.25 percent

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

Rates of Mortality:

Post-retirement RP-2000 Healthy Annuitant Table

Pre-retirement 90 percent of RP-2000 Employee Table*
*70 percent of preretirement deaths assumed to be service related.

Disabled Life Mortality RP-2000 Disabled Life Table

Rates of Salary Increase

Years of Service	Rate *
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 3.25 percent inflation and 0.75 percent productivity)

Rates of Termination

Tier I 3 percent for ages less than 41
0 percent 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		Normal Retirement	
Age	Rate	Age	Rate
50	5%	55	40%
51	5%	56	30%
52	5%	57	25%
53	10%	58	40%
54	30%	59	35%
		60	55%
		61	20%
		62	100%

Retirement Rates (cont.)

Tier II:

Early Retirement		Normal Retirement	
Age	Rate	Age	Rate
50	10%	50	25%
51	10%	53	25%
52	10%	55	25%
53	15%	58	20%
54	25%	60	20%
		61	40%
		62	35%
		63	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	.56%
47	.76%
52	.96%
57	1.00%

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

ACTUARIAL ASSUMPTIONS - JUDGES

Rate of Investment Return	8.0 percent
Implicit Inflation Assumption	3.25 percent
Rates of Mortality:	
Post-retirement	RP-2000 Healthy Annuitant Table, set back two years
Pre-retirement	70 percent of RP-2000 Employee Table, set back two years
Rates of Salary Increase	4.5 percent
Rates of Termination	None assumed
Disabled Life Mortality	RP-2000 Disabled Life Table, set back two years
Rates of Disability	None assumed
Retirement Age	Age 64 or current age, if greater
Marriage Assumption	70 percent of all members are assumed married with male spouse assumed 3 years older than female.

Funding Method

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

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

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

Asset Valuation Method

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

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

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:

- Kansas Public Employees Retirement System (KPERS)
- Kansas Police and Firemen's Retirement System (KP&F)
- Kansas Retirement System for Judges (Judges)

All three systems are part of a qualified governmental, defined benefit, contributory plan covering 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. The State of Kansas is required to participate, but for local political subdivisions, participation is optional but irrevocable once elected. Certain legislative employees also receive benefit payments.

PLAN PROVISIONS — KPERS (STATE, LOCAL AND SCHOOL)

NOTE: Tier 2 membership became effective July 1, 2009.

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 who work at least 630 hours per year or 3.5 hours per day for 180 days are eligible for membership. Employees become members on their first day of employment in a KPERS-covered position.

Tier 1
Members have Tier 1 coverage if they were employed before July 1, 2009, and were active, contributing members on that date.

Tier 2
Members have Tier 2 coverage if they were first employed on or after July 1, 2009.

KPERS retirees may not become contributing members again.

Board of Regents Plan Members (TIAA and equivalents)
Board of Regents plan members (TIAA and equivalents) do not make contributions to KPERS. They receive prior service benefits for service before 1962. The benefit is 1 percent of FAS 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
f) Correctional maintenance employees

Tier 1 Correctional Members: For groups (a) and (b) with at least three consecutive years of credited service in such positions immediately before 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 before 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."

Tier 2 Correctional Members: For groups (a) and (b) with at least ten years of service including three years in such positions immediately before retirement, normal retirement age is 55 and early retirement age is 50. For groups (c), (d),

(e) and (f) with at least ten years of service including three years in such positions immediately before retirement, normal retirement age is 60 and early retirement age is 55.

Member Contributions

Tier 1 members contribute 4 percent of their gross earnings; Tier 2 members contribute 6 percent. Interest is credited to members' contribution accounts on June 30 each year, based on account balance as of the preceding December 31. Those who became members before July 1, 1993, earn 8 percent interest per year. Those who became members on and after July 1, 1993, earn 4 percent interest.

Employer Contributions

Rates are certified by the Board of Trustees based on results of annual actuarial valuations; however, annual increases are capped by state statute.

Vesting Requirements

A member must have five years of credited service. Should the vested member end employment, the member must leave accumulated contributions on deposit with the Retirement System to be eligible for future benefits. If a vested member ends employment and withdraws accumulated contributions, the member loses all rights and privileges under the Retirement System. If a vested member who is married ends employment and wants to withdraw accumulated contributions, the member's spouse must provide consent for the contribution withdrawal, since any benefits to which the spouse may have been entitled in the future would be lost as well. 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.

Retirement Age and Service Requirements

Tier 1 Eligibility

- Age 65 with one year of service
- Age 62 with ten years of credited service
- Any age when combined age and years of credited service equal 85 "points"

Tier 2 EligibilityAge 65 with five years of credited service

- Age 60 with 30 years of service

Age is determined by the member's last birthday and is not rounded up.

Retirement Benefits

Benefits are based on the member's years of credited service, final average salary (FAS) and a statutory multiplier. At retirement a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced.

Tier 1 members may elect to receive 10, 20, 30, 40, or 50 percent of lifetime benefits in a lump sum. Tier 2 members may elect to receive 10, 20 or 30 percent of lifetime benefits in a lump sum.

Final Average Salary (FAS)

Tier 1: *For those hired on or after July 1, 1993*, FAS is the average of their three highest years, excluding additional compensation, such as sick and annual leave.

For those who were hired before July 1, 1993, FAS is the greater of either a:

- Four-year FAS including additional compensation, such as sicand annual leave; or
- Three-year FAS excluding additional compensation, such as sick
  and annual leave.

Tier 2: FAS is an average of the five highest years of salary, excluding additional compensation, such as payments for unused sick and annual leave.

Participating service credit under both tiers is 1.75 percent of FAS. Prior service credit is 0.75 percent to 1 percent of FAS per year [School employees receive 0.75 percent FAS for each year of prior service that is not credited under the former Kansas School Retirement System (KSRS)].

Early Retirement

Eligibility is age 55 and ten years of credited service. The retirement benefit is reduced based on the member's age at retirement.

Working After Retirement

A member must wait 60 days after his or her retirement date before working for any employer who participates in KPERS. If a retired member then goes to work for an employer he or she worked for during his or her last two years of KPERS participation, the member has a $20,000-per-year earnings limit.

For the three-year period from July 2009 through June 2012, the $20,000 annual earnings limit has been lifted for some licensed school members who return to work for the same employer. As a general rule, members must retire with full (i.e., not early) retirement benefits and must hold a licensed position when they return to work after retirement.

Withdrawal Benefit

If members leave employment they can withdraw their contributions, plus interest, after 30 days. Members lose any rights and benefits when they withdraw from KPERS, such as insurance coverage. Former members who return to covered employment within five years 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 ends employment and withdraws contributions.

Disability Benefit

KPERS Death and Disability Program provides disability income benefits, financed by employer contributions. 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 when compensation from the employer ceases. The current long-term disability benefit is 60 percent of the member's annual compensation on the date disability begins, reduced by Social Security benefits (members must apply), workers' compensation benefits and any other employment-related disability benefits. Members disabled before January 1, 2006, receive a benefit based on two-thirds of their annual compensation on the date the disability began. The minimum monthly benefit is $100. Members receiving disability benefits continue to receive service credit under KPERS and basic group life insurance coverage. Members can also continue any optional insurance coverage. If a disabled member retires after receiving disability benefits for at least five years immediately before retirement, the member's FAS is adjusted by statute.

Non-Service Connected Death Benefit

The active member's designated beneficiary receives the member's accumulated contributions plus interest in a lump sum. If the member had reached age 55 with ten years of credited service and the spouse is the sole beneficiary, then the spouse may choose a lifetime benefit instead of receiving the returned contributions. If a member with ten or more years of service dies and was not of retirement age, and the spouse is the sole beneficiary, then the spouse can elect one of the survivor options at the time the member would have first been of retirement age.

Service-Connected Accidental Death Benefit

The active member's accumulated contributions plus interest, a $50,000 lump sum, and an annual benefit based on 50 percent of FAS (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.

Basic Group Life Insurance for Active Members

KPERS Death and Disability Program provides an insured death benefit equal to 150 percent of the active member's annual compensation on the date of death. If a disabled member dies after receiving disability benefits for at least five years immediately before death, the member's current annual rate of compensation is adjusted by statute.

Death Benefit for Retirees

The retiree's beneficiary receives a $4,000 lump sum. The beneficiary may assign this benefit to a funeral establishment. The beneficiary for the $4,000 death benefit may be, but is not always, the same person as the member's joint annuitant. A retiree 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 dies before the retired member, the reduced benefit payment is increased to the amount the retired member would have received if no retirement option had been selected. Benefits payable to a joint annuitant stop 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.

Employee Membership

Tier I

Members have Tier I coverage if they were employed before 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

Members contribute 7 percent of their gross earnings. For members with 32 years service credit, the contribution rate is reduced to 2 percent of compensation. A few members employed before January 1, 1976, have contributions reduced by their Social Security contributions, not including contributions for Medicare. These members' benefits are reduced by 50 percent of original Social Security benefits accruing from employment with the participating employer.

Employer Contributions

Rates are certified by the Board of Trustees based on results of annual actuarial valuations. KP&F employers contribute at the actuarially required rate.

Retirement Age and Service Requirements

Tier I Eligibility

- Age 55 and 20 years of service
- Any age with 32 years of service

Tier II Eligibility

- Age 50 and 25 years of service
- Age 55 and 20 years of service
- Age 60 and 15 years of service

Benefits

Benefits are based on the member's Final Average Salary (FAS) and years of service. At retirement a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced. Annual benefits at normal retirement age equal FAS x 2.5 percent x years of service (up to 32 years).

For those who were hired before July 1, 1993, FAS is the average of the highest three of the last five years of credited participating service, *including* additional compensation, such as sick and annual leave.

For those who are hired on or after July 1, 1993, FAS is the average of the highest three of the last five years of participating service, *excluding* additional compensation, such as sick and annual leave.

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

A member must wait 30 days after his or her retirement date before working for any employer who participates in KP&F. If a retired member then goes to work for the same state agency or the same police or fire department he or she worked for during his or her last two years of KP&F participation, the member has a $15,000-per-year earnings limit.

Early Retirement

Members must be at least age 50 and have 20 years of credited service. Normal retirement benefits are reduced 0.4 percent per month under age 55.

Vesting Requirements

Tier I Eligibility

The member must have 20 years of credited service; if ending employment, the member must leave contributions with the Retirement System to be eligible for future benefits.

Tier II Eligibility

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 ending employment, the member must leave contributions with the Retirement System to be eligible for future benefits.

Withdrawal Benefit

If members leave employment before retirement they can withdraw their contributions, plus interest, after 30 days. When members withdraw from KP&F they lose any rights and benefits, such as insurance coverage.

If a married vested member ends employment and wants to withdraw accumulated contributions, the member's spouse must consent to the withdrawal, since any of the spouse's future benefits will be forfeited as well. Former members who return to covered employment within five years will not lose any membership rights or privileges if they haven't withdrawn contributions. The Retirement Act does not allow members to borrow from contributions. The employer contributions remain with the System when a member ends employment and withdraws. The Retirement System will refund contributions only after all contributions have been reported by the member's former employer.

Disability Benefits for Tier I Members

Service-Connected Disability

There is no age or service requirement to be eligible for this benefit. A member receives a pension equal to the higher of 50 percent of FAS or 2.5 percent for each year, plus 10 percent of FAS for each dependent child under age 18 (or up to age 23 for full-time students), to a maximum of 75 percent of FAS. If dependent benefits aren't payable, the benefit is 2.5 percent for each year, to a maximum of 80 percent of FAS. When a member receiving service-connected disability benefits dies, 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 FAS. Also, either the spouse or the dependent children receive a pension of half of the member's benefit.

Non Service-Connected Disability

This pension is calculated at 2.5 percent of FAS per year of service, to a maximum benefit of 80 percent of FAS (minimum benefit is 25 percent of FAS). When a member receiving non-service-connected disability benefits dies, the surviving spouse receives a lump-sum payment of 50 percent of FAS. Also, either the spouse or the dependent children receive a pension of half of the member's benefit.

Disability Benefits for Tier II Members

There is no distinction between service-connected and non-service-connected disability benefits. Disability benefits equal 50 percent of FAS. Service credit is granted during the disability period. Disability benefits convert to age and service retirement as soon as the member is eligible for full retirement benefits. If the member is disabled for at least five years immediately before retirement, the member's FAS is adjusted by statute.

Service Connected Death Benefit

There is no age or service requirement, and a pension of 50 percent of FAS goes to the spouse, plus 10 percent of FAS 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 FAS.

Non-Service-Connected Death

A lump sum of 100 percent of FAS goes to the spouse; and a pension of 2.5 percent of FAS 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 the lump-sum payment less refundable contributions and interest is paid to the beneficiary.

Death Benefit for Inactive Members

If an inactive member with 20 or more years of service dies and was not of retirement age, and the spouse is the sole beneficiary, then the spouse can elect one of the survivor options at the time the member would have first been of retirement age. If an inactive member is eligible to retire when he or she dies, and the spouse is the sole beneficiary, the spouse may elect to receive benefits as a joint annuitant under any option instead of receiving the member's contributions.

Death Benefit for Retirees

The retiree's beneficiary may assign this benefit to a funeral establishment. The beneficiary for the $4,000 death benefit may be, but is not always, the same person as the member's joint annuitant. A retiree 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 dies before the retired member, the reduced benefit payment is increased to the amount the retired member would have received if no retirement option had been selected. Benefits payable to a joint annuitant stops 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.

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 FAS. Also, 75 percent of the member's benefit is payable either to the spouse or to dependent children.

PLAN PROVISIONS — JUDGES

Member Contributions
Judges contribute 6 percent of gross earnings. When an active member reaches the maximum retirement benefit level of 70 percent of FAS, the contribution rate is reduced to 2 percent.

Employer Contributions
Rates are certified by the Board of Trustees, based on results of annual actuarial valuations and statutory regulations set by the Legislature.

Vesting Requirements
Judges vest when appointed. There is no minimum service requirement. However, if ending 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.

Retirement Age and Service Requirements
Eligibility
- Age 65 with one year of service
- Age 62 with ten years of credited service
- 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.

Retirement Benefit
The benefit is based on the member's Final Average Salary (FAS), which is the average of the three highest years of service as a judge. At retirement a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced.

The basic formula for those who were members before July 1, 1987, is 5 percent of FAS for each year of service up to ten years, plus 3.5 percent for each additional year, to a maximum of 70 percent of FAS. 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 FAS.

All judges, other than Supreme Court justices, must retire at age 75. Supreme Court justices must retire at the end of the term in which he or she reaches age 70. (just added)

Early Retirement
A member must be age 55 and have ten years of credited service to take early retirement. 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. Normal benefit accrued at termination is payable at age 62 or in a reduced amount at age 55, provided the member has ten years of service credit. Otherwise, benefits are not payable until age 65.

Working 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.

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 FAS for each year of service. The minimum benefit is 50 percent of FAS. Benefits are recalculated when the member reaches retirement age. If a judge is disabled for at least five years immediately before retirement, the judge's FAS is adjusted by statute.

Withdrawal Benefit
If members leave employment they can withdraw their contributions, plus interest, after 30 days. When members

withdraw from KPERS they lose any rights and benefits, such as insurance coverage. Former members who return to covered employment within five years 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 ends employment and withdraws contributions. KPERS will refund contributions only after all contributions have been reported by the member's former employer.

Death Benefit for Active Members

A lump-sum insured death benefit equal to 150 percent of the active 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 ten 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.

Death Benefit for Retirees

The retiree's beneficiary receives a $4,000 lump sum. The beneficiary may assign this benefit to a funeral establishment. A retiree may also directly name a funeral establishment as beneficiary. If the member had selected an option with survivor benefits, benefits are paid to the joint annuitant or to the member's designated beneficiary. Under joint and survivor retirement options, if the joint annuitant dies before the retired member, the reduced benefit payment is increased to the amount the retired member would have received if no retirement option had been selected. Benefits payable to a joint annuitant stop when the joint annuitant dies. If the member did 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.

SHORT TERM SOLVENCY TEST

LAST TEN FISCAL YEARS

Valuation Date	Member Contributions (A)	Retirants and Beneficiaries (B)	Active Member Employer Financed Portion (C)	Assets Available for Benefits	Portions of Accrued Liabilities Covered by Assets (A)	(B)	(C)
06/30/00	$ 2,934,469,051	$ 4,454,897,319	$ 3,412,030,704	$ 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 (1)	100	100	63
12/31/01	3,330,859,571	4,903,096,418	3,509,095,766	9,962,917,897	100	100	49
12/31/02	3,353,870,165	5,247,201,306	4,012,527,155	9,784,862,188	100	100	30
12/31/03	3,595,082,177	5,558,543,751	5,285,920,342	10,853,462,178 (2)	100	100	32
12/31/04	3,817,174,808	5,994,869,531	5,902,048,137	10,971,426,577	100	100	20
12/31/05	4,006,823,805	6,413,679,842	6,071,258,736	11,339,292,965	100	100	15
12/31/06	4,209,698,437	6,872,703,437	6,470,388,630	12,189,197,444	100	100	17
12/31/07	4,423,194,339	7,417,933,822	7,143,786,763	13,433,115,014	100	100	22
12/31/08	4,642,675,652	7,945,452,582	7,518,658,666	11,827,618,574	100	90	0

1) Actuarial valuation date was changed to a calendar year.

2) Actuarial cost method was changed to the Entry Age Normal (EAN) for all three plans.

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 liability 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 deposit (item A) and the liabilities for future benefits to present retired lives (item B) will be fully covered by present assets. 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
06/30/00	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
12/31/01	145,666	1.6	1,435	0.8	4,675	32,094	5.5
12/31/02	147,294	1.1	1,442	0.5	4,866	32,984	2.8
12/31/03	148,145	0.6	1,454	0.8	4,978	32,944	-0.1
12/31/04	147,751	-0.3	1,461	0.5	5,102	33,854	2.7
12/31/05	149,073	0.9	1,474	0.9	5,270	34,661	2.4
12/31/06	151,449	1.6	1,474	0.0	5,599	36,246	4.4
12/31/07	153,804	1.5	1,482	0.5	5,949	37,922	4.4
12/31/08	156,073	1.5	1,492	0.6	6,227	39,113	3.1

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

2) Excludes TIAA salaries.

MEMBERSHIP PROFILE

LAST TEN YEARS AS OF DECEMBER 31

Valuation Date	Active	Inactive	Retirees & Beneficiaries	Total Membership
1999	140,833	27,664	53,137	221,634
2000	143,591	35,482	54,396	233,469
2001	145,910	38,056	56,115	240,081
2002	147,294	40,404	57,597	245,295
2003	148,145	41,315	59,124	248,584
2004	147,751	41,269	61,125	250,145
2005	149,073	41,232	63,348	253,653
2006	151,449	40,672	65,765	257,886
2007	153,804	41,383	67,102	262,289
2008	156,073	41,749	70,724	268,546

RETIRANTS, BENEFICIARIES - CHANGES IN ROLLS - ALL SYSTEMS

LAST TEN FISCAL YEARS

		Additions		Deletions						
Fiscal Year	Number at Beginning of Year	Number Added	Annual Allowances	Number Removed	Annual Allowances	Number at End of Year	% Change in Number of Retirants	% Change in Additions Allowances	Average Annual Allowance	Year-End Annual Allowances
1999	50,071	3,328	$41,833,222	1,756	$9,151,705	51,643	3.10 %	2.70%	$9,034	$464,709,423
2000	51,643	3,360	44,028,303	1,862	9,563,949	53,141	2.90	5.20	$9,397	$797,869,985
2001	53,141	3,112	44,919,587	1,951	10,020,387	54,302	2.20	2.00	$9,773	$550,674,064
2002	54,302	3,689	45,669,820	1,922	9,552,087	56,069	3.30	1.70	$10,101	$627,704,056
2003	56,069	3,585	48,718,476	2,116	10,942,002	57,538	2.60	6.70	$10,443	$645,716,079
2004	57,538	3,612	50,253,218	2,009	11,940,793	59,141	2.60	3.20	$10,897	$676,918,614
2005	59,141	4,141	59,096,917	2,017	12,333,238	61,265	3.60	17.60	$11,126	$737,563,276
2006	61,265	4,452	66,239,352	1,759	11,185,646	63,765	4.00	12.00	$11,498	$805,978,732
2007	63,765	4,423	67,181,677	2,125	15,218,444	66,063	3.60	1.40	$13,142	$868,179,029
2008	66,063	5,195	73,055,348	2,515	18,681,361	68,743	4.10	8.70	$13,758	$945,739,016
2009	68,743	5,330	81,815,349	2,467	20,966,802	71,606	4.10	8.70	$13,964	$999,939,615

SUMMARY OF MEMBERSHIP DATA

	12/31/2008	12/31/2007
RETIREE AND BENEFICIARY MEMBER VALUATION DATA (1)		
KPERS		
Number	66,468	63,167
Average Benefit	$11,652	$11,411
Average Age	72.41	72.31
Police & Fire		
Number	3,909	3,755
Average Benefit	$25,085	$24,560
Average Age	63.50	63.10
Judges		
Number	190	180
Average Benefit	$35,173	$33,850
Average Age	73.70	73.60
System Total		
Number	70,567	67,102
Average Benefit	$12,460	$12,207
Average Age	71.92	71.80
ACTIVE MEMBER VALUATION DATA (1)		
KPERS		
Number	148,569	146,406
Average Current Age	45.59	45.51
Average Service	10.86	10.83
Average Pay	$38,087	$36,924
Police & Fire		
Number	7,242	7,137
Tier I	536	584
Tier II	6,706	6,553
Average Current Age	39.10	39.10
Average Service	11.06	10.96
Average Pay	$57,800	$56,068
Judges		
Number	262	261
Average Current Age	57.09	56.64
Average Service	11.95	11.85
Average Pay	$104,159	$101,732
System Total		
Number	156,073	153,804
Average Current Age	45.31	45.23
Average Service	10.87	10.83
Average Pay	$39,113	$37,922

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

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

LAST TEN FISCAL YEARS (1)

KPERS State/School

Fiscal Years	Actuarial Rate	Actual Rate
2000	5.27 %	4.19 %
2001	6.15	3.98 (2)
2002	6.00	4.78
2003	6.17	4.98 (3)
2004	7.05	4.58 (3)
2005	8.29	5.47
2006	9.94	6.07
2007	9.75	6.77
2008	11.37	7.37
2009	11.86	7.97 (5)

KPERS Local

Fiscal Years	Actuarial Rate	Actual Rate
2000	3.89 %	3.22 %
2001	3.88	2.77 (2)
2002	4.07	3.52
2003	4.73	3.67 (3)
2004	4.64	3.22 (3)
2005	6.04	4.01
2006	7.04	4.61
2007	8.69	5.31
2008	8.92	5.93
2009	9.12	6.54 (5)

TIAA

Fiscal Years	Actuarial Rate	Actual Rate
1997	1.89 %	1.89 %
1998	1.66	1.66
1999	1.93	1.93
2000	1.82	1.82
2001	1.21	1.21 (2)
2002	2.03	2.03
2003	2.27	2.27 (3) (4)

KP&F (Uniform Rate)

Fiscal Years	Actuarial Rate	Actual Rate
2000	7.35	7.35 %
2001	6.97	6.97
2002	6.79	6.79
2003	6.86	6.86
2004	9.47	9.47
2005	11.69	11.69
2006	12.39	12.39
2007	13.32	13.32
2008	13.88	13.88
2009	13.51	13.51

JUDGES

Fiscal Years	Actuarial Rate	Actual Rate
2000	14.38 %	14.38 %
2001	16.14	15.74 (2)
2002	12.88	12.88
2003	12.66	12.66 (3)
2004	16.67	16.67 (3)
2005	19.22	19.22
2006	22.37	22.37
2007	19.11	19.11
2008	22.38	22.38
2009	22.08	22.08 (5)

1) Rates shown for KPERS State/School, TIAA and Judges represent the rates for the fiscal year ending June 30. KPERS Local and KP&F rates are reported for the calendar years. Rates include Group Life and Disability insurance when applicable.

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.

3) Per 2002 and 2003 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from July 1, 2002 through December 31, 2002 or from April 1, 2003 through June 30, 2004.

4) Per 2003 legislation, members of the TIAA group were made special members of KPERS and no longer have a separate valuation or contribution rate.

5) Per 2009 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from March 1, 2009 through November 30, 2009.

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March 12, 2009

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

Dear Members of the Board:

In accordance with your request, we have performed an actuarial valuation of KPERS Death and Disability Program as of June 30, 2008 for determining contributions beginning July 1, 2008. The major findings of the valuation are contained in this report. This report reflects the benefit provisions and contribution rates in effect as of June 30, 2008.

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

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

We further certify that all costs, liabilities, rates of interest, and other factors used or provided in this report have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System.

Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in the valuation

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Actuarial computations presented in this report are for purposes of analyzing the sufficiency of the statutory contribution rate. Actuarial computations under GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statement 43. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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

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

I, Daniel D. Skwire, F.S.A., am a consulting actuary for Milliman, Inc. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I, Patrice A. Beckham, F.S.A., am a consulting actuary for Milliman, Inc. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN, Inc.

Sincerely,

Daniel D. Skwire, FSA
Consulting Actuary

Patrice Beckham

Patrice A. Beckham, FSA, MAAA
Consulting Actuary

This report contains the June 30, 2008 actuarial valuation for the KPERS Death and Disability Program. This program provides two primary benefits to active members:

Group life insurance equal to 150 percent of annual compensation, which is provided through an insurance contract with Minnesota Life.

Self-insured long term disability (LTD) benefits equal to 60 percent (prior to 1/1/2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving LTD benefits also receive service credit toward their retirement benefits under KPERS (which does not affect calculations for the Death and Disability Program) and have their group life insurance coverage continued under the waiver of premium provision. For those employees covered under the waiver of premium provision, the group life insurance benefit is increased annually for inflation, at a rate equal to the consumer price index less one percent, beginning five years following the date of disability.

The scope of the annual actuarial valuation, on both the GASB 43 and illustrative historical basis, includes the LTD and Waiver benefits described in Item 2 above. They do not include the fully-insured group life insurance benefit, which is provided only during employment and is therefore not classified as an OPEB under GASB 43.

The key results from each section of this report are summarized below.

Actuarial Valuation Under GASB 43

GASB Statement 43 contains requirements for the valuation of other post-employment benefits (OPEB) by state and local government entities. These requirements, which are analogous to pension accounting practices, attribute the cost of OPEB to the time during which the employee is actively working for the employer.

The next table summarizes the calculation of the actuarial liability for active and disabled members. This liability includes the cost of projected LTD benefits, projected waiver benefits, and projected administrative expenses:

Actuarial Liability at 6/30/2008

	Actives	Disabled	Total
PV of Total Projected Benefits	$489,354,057	$231,282,196	$720,636,254
PV of Future Normal Cost	365,576,073	0	365,576,073
Actuarial Liability	$123,777,984	$231,282,196	$355,060,180

NOTE: Totals may not match due to rounding.

As of June 30, 2008, the KPERS Death and Disability Fund has an unfunded actuarial liability of $316,489,213. KPERS has elected to amortize this unfunded actuarial liability over 15 years as a level percent of pay, assuming a 4 percent annual payroll increase.

The annual required contribution (ARC) for the KPERS Death and Disability Program equals the current year normal cost plus the amortization of the unfunded actuarial liability, all adjusted for interest to mid-year. The ARC for 2008-2009 is $59,758,096, representing 0.93% of estimated annual compensation.

Projected Cashflows

Five-Year Cashflow Projection
Expected Benefits and Expenses v. Expected Contributions (millions)
Excludes Group Life Insurance for Active Members

Plan Year	Projected Benefits and Expenses	Projected Contributions
2008-2009	$38.6	$48.1
2009-2010	$41.9	$49.5
2010-2011	$44.6	$51.0
2011-2012	$46.7	$52.5
2012-2013	$48.0	$54.1

The table indicates that the projected contributions are expected to exceed the projected benefits and expenses for each of the next five years, according to the assumptions used for the actuarial valuation, and assuming that the current contribution rate of 1.0 percent (which includes approximately 0.25 percent of payroll for group life insurance) remains unchanged. This pattern would result in a modest increase in plan assets over the 5-year time horizon. KPERS has indicated, however, that it is likely the Legislature will implement a 9-month contribution moratorium commencing in March 2009, which would have the impact of spending down the majority of the plan's existing assets.

The cashflow projections include self-insured benefits only. They do not include the cost of insurance premiums for the fully-insured group life benefit or the projected contributions intended to cover those premiums. Also, the projections are on a "best-estimate" basis consistent with the liability calculations, which means they do not include an explicit margin. To the extent that KPERS requires a more conservative benefit projection for the purpose of determining funding contributions, it may wish to consider adding a margin of 5-10 percent to the benefits and expenses projected.

ACTUARIAL VALUATION UNDER GASB 43

The Governmental Accounting Standards Board (GASB) issued Statement No. 43, Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans, in order to establish uniform standards of financial reporting by state and local governmental entities for other postemployment benefit plans (OPEB plans). The term "other postemployment benefits (OPEB) refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and (b) other types of postemployment benefits like life insurance, disability, and long term care, if provided separately from a pension plan.

The basis for GASB 43 is to attribute the cost of postemployment benefits to the time during which the employee is actively working for the employer. OPEB arises from an exchange of salaries and benefits for employee services and it is part of the compensation that employers offer for services received.

GASB Statement No. 43 establishes standards for measurement, recognition, and display of the assets, liabilities and where applicable, net assets and changes in net assets of such funds. In addition, the statement requires two schedules and accompanying notes disclosing information relative to the funded status of the Plan and employer contributions to the Plan.

- The Schedule of Funding Progress provides historical information about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due.

- The Schedule of Employer Contributions provides historical information about actual contributions made to the plan by participating employers in comparison to annual required contributions (ARC).

GASB 43 was first effective for KPERS Death and Disability Program for the fiscal year ending June 30, 2007. This is the third valuation performed in connection with GASB 43 since it addresses the ARC for the fiscal year ending June 30, 2009. Only the disability benefits and waiver of premium life insurance benefits provided by KPERS Death and Disability Program are subject to GASB 43. The group and optional life insurance programs for active members are not OPEBs under GASB 43.

A number of assumptions have been made in developing the liabilities reported in this report. These assumptions, as well as the actuarial methodology, are described in Appendix C of this report. The projections in this report are estimates, and as such, KPERS' actual liability will vary from these estimates. The projections and assumptions should be updated as actual costs under this program develop.

Actuarial Present Value of Total Projected Benefits

The actuarial present value of total projected benefits reflects all expected payments in the future discounted to the date of the valuation. The present value is an amount of money that, if it were set aside now and all assumptions met, would be exhausted with the ultimate payment to the last plan member's final expense.

Actuarial Present Value of Total Projected Benefits at 6/30/2008

	Actives	Disabled	Total
Disability Income	$368,387,458	$176,409,496	$544,796,954
Waiver of Premium	99,222,726	44,595,948	143,818,673
Administrative Expenses	21,743,874	10,276,753	32,020,627
Total	**$489,354,0578**	**$231,282,196**	**$720,636,254**

NOTE: Totals may not match due to rounding.

The Entry Age Normal Actuarial Cost Method was used to allocate the cost of benefits to years of active service. The objective under this method is to expense each participant's benefit as a level percent of pay over their active working lifetime. At the time the funding method is introduced, there will be a liability which represents the contributions which would have been accumulated if this method of funding had always been used (called the "Actuarial Liability"). The difference between this actuarial liability and the assets (if any) is the unfunded actuarial liability, which is typically amortized over a period of years. The maximum permissible years under GASB 43 is 30. KPERS has chosen to amortize the unfunded actuarial liability over 15 years, as a level percent of pay.

Actuarial Liability at 6/30/2008

	Actives	Disabled	Total
Present Value of Total Projected Benefits	$489,354,057	$231,282,196	$720,636,254
Present Value of Future Normal Cost	365,576,073	0	365,576,073
Actuarial Liability	$123,777,984	$231,282,196	$355,060,180

Actuarial Balance Sheet

The actuarial balance sheet is a demonstration of the basic actuarial equation that the actuarial present value of future benefits to be paid to the active and retired members must equal the current assets plus the actuarial present value of future contributions to be received. Accordingly, the status of the plan in balance sheet form as of June 30, 2008 is shown in the following table:

Actuarial Present Value of Total Projected Benefits	
Active Members	$489,354,057
Disabled Members	231,282,196
Total Actuarial Present Value of Total Projected Benefits	$720,636,254

Assets and Future Employer Contributions	
Assets*	$38,570,967
Unfunded Actuarial Liability	316,489,213
Present Value of Future Normal Costs	365,576,073
Total Assets and Future Employer Contributions	$720,636,254

*Market value

Actuarial Required Contribution

GASB 43 defines the Annual Required Contribution (ARC) as the employer's normal cost plus amortization of any unfunded actuarial liability over a period not to exceed 30 years. KPERS has chosen to amortize the unfunded actuarial liability over 15 years as a level percentage of payroll.

Annual Required Contribution (ARC)

For Fiscal Year Ending June 30, 2009

A.	**Employer Normal Costs**		
	(1)	Normal Cost as of June 30, 2008	$36,642,325
	(2)	Assumed interest (mid year timing assumed)	815,379
	(3)	Normal Cost for FY2009 [(1) + (2)]	$37,457,704
B.	**Determination of Current Year Amortization Payment**		
	(1)	Unfunded Actuarial Liability (see Table 3.3 Item II)	$316,489,213
	(2)	Amortization Period	15 years
	(3)	Amortization Factor	14.5079
Amortization Amount as of June 30, 2008 [(1) / (3)]			21,814,957
Assumed interest (mid year timing assumed)			485,435
Amortization Amount for FY2009 [(4) + (5)]			$22,300,392
C.	**Determination of Annual Required Contribution**		
	(1)	Normal Cost for benefits attributable to service in the current year (A.3.)	$37,457,704
	(2)	Amortization of Unfunded Actuarial Liability (B.6.)	22,300,392
	(3)	Annual Required Contribution (ARC) [(1) + (2)]	$59,758,096
D.	**Annual Required Contribution**		
	(1)	Annual Required Contribution	$59,758,096
	(2)	Estimated Annual Compensation for FY09	6,409,426,283
	(3)	ARC as a Percentage of Payroll	0.93%

The amortization of the Unfunded Actuarial Liability is calculated assuming amortization as a level percent of payroll over 15 years. Payroll is assumed to increase 4 percent per year.

ACTUARIAL ASSUMPTIONS — DEATH AND DISABILITY

Rate of Investment Return GASB 43: 4.5 percent, net of expenses

Implicit Inflation Rate 3.25 percent

Sample Rates

	School		State		Local	
Age	Male	Female	Male	Female	Male	Female
50	0.513%	0.183%	0.547%	0.218%	0.587%	0.204%
55	0.549%	0.226%	0.625%	0.328%	0.670%	0.278%
60	0.662%	0.384%	0.962%	0.577%	1.031%	0.481%
65	1.051%	0.664%	1.597%	0.964%	1.712%	0.817%
70	1.747%	1.074%	2.646%	1.557%	2.837%	1.318%
75	2.917%	1.792%	4.550%	2.614%	4.878%	2.215%
80	5.278%	3.643%	7.037%	4.567%	7.545%	4.171%
85	9.331%	6.751%	11.292%	7.977%	12.108%	7.508%
90	15.661%	11.589%	17.978%	13.563%	19.278%	12.869%
95	24.301%	18.407%	24.888%	20.034%	26.687%	19.742%
100	32.791%	24.186%	30.850%	24.459%	33.080%	24.990%

Pre-retirement

School Males: 70 % of RP-2000 M Employees -1
School Females: 70% of RP-2000 F Employees -2
State Males: 70% of RP-2000 M Employees +2
State Females: 70% of RP-2000 F Employees +1
Local Males: 90% of RP-2000 M Employees +2
Local Females: 90% of RP-2000 F Employees +0

Disabled Life Mortality RP-2000 Disabled Life Table with same age adjustments as used for Retiree Mortality.

Rates of Salary Increase

Years of Service	Rate of Increase*		
1	12.00%	10.50%	10.50%
5	6.55%	5.60%	6.20%
10	5.10%	4.90%	5.20%
15	4.60%	4.40%	4.80%
20	4.10%	4.10%	4.60%
25	4.00%	4.00%	4.10%
30	4.00%	4.00%	4.00%

*Includes general wage increase assumption of 4.0 percent (composed of 3.25 percent inflation and 0.75 percent productivity)

Rates of Termination

Duration	School Male	School Female	State Male	State Female	Local Male	Local Female
0	21.00%	23.00%	17.00%	19.00%	20.00%	23.00%
1	18.00%	18.00%	14.50%	15.00%	16.00%	20.00%
2	14.00%	13.00%	12.00%	11.00%	13.20%	17.00%
3	10.00%	11.00%	10.00%	10.00%	11.00%	14.00%
4	8.00%	9.00%	8.00%	9.00%	9.60%	11.50%
5	6.50%	7.25%	7.00%	8.00%	8.30%	9.00%
6	5.50%	6.25%	6.00%	7.00%	7.10%	7.50%
7	5.00%	5.50%	5.20%	6.00%	6.00%	6.50%
8	4.50%	4.90%	4.60%	5.00%	5.00%	5.75%
9	4.00%	4.30%	4.10%	4.60%	4.40%	5.00%
10	3.60%	3.90%	3.90%	4.30%	3.80%	4.25%
11	3.20%	3.50%	3.70%	4.00%	3.50%	3.75%
12	2.90%	3.10%	3.50%	3.70%	3.30%	3.40%
13	2.60%	2.80%	3.30%	3.50%	3.10%	3.20%
14	2.40%	2.50%	3.10%	3.30%	2.90%	3.00%
15	2.20%	2.30%	2.90%	3.10%	2.70%	2.80%
16	2.00%	2.10%	2.70%	2.90%	2.50%	2.60%
17	1.80%	1.90%	2.50%	2.70%	2.30%	2.40%
18	1.60%	1.70%	2.30%	2.50%	2.10%	2.20%
19	1.50%	1.50%	2.10%	2.30%	1.90%	2.00%
20	1.40%	1.30%	1.90%	2.10%	1.80%	1.80%
21	1.30%	1.20%	1.70%	1.90%	1.70%	1.60%
22	1.20%	1.10%	1.50%	1.70%	1.60%	1.40%
23	1.10%	1.00%	1.30%	1.50%	1.50%	1.20%
24	1.00%	0.90%	1.10%	1.40%	1.40%	1.00%
25	0.90%	0.80%	0.90%	1.30%	1.30%	0.90%
26	0.80%	0.70%	0.70%	1.20%	1.20%	0.70%
27	0.70%	0.60%	0.60%	1.10%	1.10%	0.60%
28	0.60%	0.50%	0.50%	1.00%	1.00%	0.50%
29	0.50%	0.50%	0.50%	0.50%	0.90%	0.50%
30	0.50%	0.50%	0.50%	0.50%	0.80%	0.50%
30+	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Retirement Rates

School

1st Year With 85 Points		After 1st Year With 85 Points	
Age	Rate	Age	Rate
53	20%	53	18%
55	20%	55	18%
57	22%	57	18%
59	25%	59	23%
61	30%	61	30%

Early Retirement		Normal Retirement	
Age	Rate	Age	Rate
55	5%	62	30%
56	5%	63	25%
57	8%	64	35%
58	8%	65	35%
59	12%	66-71	25%
60	15%	72-74	20%
61	22%	75	100%

State

1st Year With 85 Points		After 1st Year With 85 Points	
Age	Rate	Age	Rate
53	10%	53	15%
55	15%	55	15%
57	15%	57	12%
59	15%	59	12%
61	30%	61	25%

Early Retirement		Normal Retirement	
Age	Rate	Age	Rate
55	5%	62	30%
56	5%	63	20%
57	5%	64	30%
58	5%	65	35%
59	8%	66-67	25%
60	8%	68-74	20%
61	20%	75	100%

Local

1st Year With 85 Points		After 1st Year With 85 Points	
Age	Rate	Age	Rate
53	11%	53	10%
55	13%	55	10%
57	13%	57	10%
59	15%	59	12%
61	25%	61	25%

Early Retirement		Normal Retirement	
Age	Rate	Age	Rate
55	5%	62	25%
56	5%	63	20%
57	5%	64	30%
58	5%	65	35%
59	5%	66	25%
60	5%	67-74	20%
61	15%	75	100%

Correctional	Normal Retirement at Age 55	
	Age	Rate
	55	10%
	58	10%
	60	10%
	62	45%
	65	100%

Correctional employees with an age 60 normal retirement date – Age 62.

Inactive vested members – Age 62.

TIAA employees – Age 66.

LTD Claim Incidence Rates		Male			Female		
	Age	Local	School	State	Local	School	State
	25	0.00077	0.00065	0.00083	0.00114	0.00096	0.00122
	30	0.00080	0.00067	0.00086	0.00105	0.00089	0.00113
	35	0.00103	0.00087	0.00111	0.00171	0.00144	0.00184
	40	0.00149	0.00126	0.00161	0.00240	0.00203	0.00258
	45	0.00258	0.00218	0.00277	0.00355	0.00300	0.00382
	50	0.00375	0.00317	0.00404	0.00444	0.00375	0.00478
	55	0.00567	0.00480	0.00611	0.00553	0.00468	0.00595
	60	0.00766	0.00649	0.00825	0.00620	0.00525	0.00668
	65	0.00773	0.00654	0.00833	0.00515	0.00436	0.00555
	70	0.00865	0.00732	0.00931	0.00475	0.00402	0.00511

Claim Termination Rates	Age at Disability	Claim Duration (Months)			
Claim Termination Rates as percent of 1987 Commissioners Group Disability Table (Based on Actual KPERS Experience)		1-12	13-24	25-60	61+
	Under 30	50%	55%	79%	150%
	30-39	50%	55%	79%	150%
	40-49	50%	55%	79%	150%
	50-59	76%	76%	138%	350%
	60 and Over	350%	350%	350%	350%

All claim termination rates are assumed to be 350 percent of the table for attained ages 60 and older.

Projected Future Claim Cost as Percent of Payroll (used in cashflow projections): 0.47 percent in 2007-2008, which increases in future due to aging.

Incurred But Not Reported (IBNR) Reserve:	60 percent of expected claim cost for year
Overpayment Recovery:	65 percent of overpayment balance.
Future Payroll Growth:	4.0 percent long-term growth for actuarial valuation. 3.0 percent near-term growth for cashflow projections.
Administrative Expenses:	4.65 percent of claims.

Waiver of Premium

Claim Termination Rates	Age at Disability	Claim Duration (Months)			
Claim Termination Rates as percent of 1987 Commissioners Group Disability Table (Based on Actual KPERS Experience)		1-12	13-24	25-60	61+
	Under 30	50%	55%	79%	150%
	30-39	50%	55%	79%	150%
	40-49	50%	55%	79%	150%
	50-59	76%	76%	138%	350%
	60 and Over	350%	350%	350%	350%

All claim termination rates are assumed to be 350 percent of the table for attained ages 60 and older.

Mortality: 100 percent of IRS Disabled Mortality Rates from Revenue Ruling 96-7.

Benefit Indexing: Historical indexing is based on actual retirement plan calculations. Indexing for 2006 and later uses a rate of 2.0 percent, which is equivalent to a 3 percent annual assumed increase in the consumer price index, less 1.0% as specified by the plan.

Projected Future Claim Cost as percent of Payroll (used in cashflow projections): 0.12 percent in 2007-2008, which increases in future due to aging.

IBNR: 12.5 percent of expected claim cost for year

EXPERIENCE — KPERS DEATH AND DISABILITY

As of June 30, 2008

Death Claims by Death Benefit Paid

Death Benefit Paid	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
0-9,999	2	2%	1	1%
10,000-19,999	11	10%	6	6%
20,000-29,999	13	12%	7	7%
30,000-39,999	17	16%	29	27%
40,000-49,999	14	13%	20	19%
50,000-59,999	24	23%	16	15%
60,000-69,999	7	7%	12	11%
70,000-79,999	7	7%	12	11%
80,000-89,999	4	4%	1	1%
90,000-99,999	5	5%	1	1%
100,000+	2	2%	2	2%
Total	106	100%	107	100%

Death Claims by Age at Death

Age at Death	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
20-29	1	1%	0	0%
30-39	2	2%	2	2%
40-49	19	18%	9	8%
50-59	44	42%	51	48%
60-64	34	32%	34	32%
65+	6	6%	11	10%
Total	106	100%	107	100%

Active LTD Claims by Age at Disability

Age at Disability	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
<20	1	0%	1	0%
20-29	79	3%	82	3%
30-39	479	15%	485	16%
40-49	1177	38%	1137	38%
50-59	1189	38%	1126	38%
60-64	146	5%	138	5%
65+	26	1%	26	1%
Total	3097	100%	2995	100%

Active LTD Claims by Attained Age

Attained Age	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
<20	0	0%	0	0%
20-29	8	0%	9	0%
30-39	99	3%	105	4%
40-49	613	20%	579	19%
50-59	1507	49%	1441	48%
60-64	775	25%	774	26%
65+	95	3%	87	3%
Total	3097	100%	2995	100%

Active LTD Claims by Net Benefit Amount

Net Monthly Benefit	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
0-499	1207	39%	1177	39%
500-999	1021	33%	973	32%
1,000-1,499	504	16%	496	17%
1,500-1,999	210	7%	212	7%
2,000-2,499	90	3%	75	3%
2,500-2,999	36	1%	40	1%
3,000-3,499	15	0%	10	0%
3,500-3,999	6	0%	6	0%
4,000-4,499	4	0%	3	0%
4,500-4,999	1	0%	1	0%
5,000+	3	0%	2	0%
Total	3097	100%	2995	100%

New LTD Claims by Age at Disability

Age at Disability	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
<20	0	0%	0	0%
20-29	7	2%	5	2%
30-39	27	8%	30	10%
40-49	100	30%	64	22%
50-59	164	49%	146	51%
60-64	31	9%	38	13%
65+	5	1%	6	2%
Total	334	100%	289	100%

New LTD Claims by Attained Age

Attained Age	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
<20	0	0%	0	0%
20-29	5	1%	4	1%
30-39	23	7%	26	9%
40-49	90	27%	56	19%
50-59	161	48%	140	48%
60-64	45	13%	54	19%
65+	10	3%	9	3%
Total	334	100%	289	100%

New LTD Claims by Net Benefit Amount

Net Benefit	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
0-499	89	27%	92	32%
500-999	88	26%	55	19%
1,000-1,499	69	21%	67	23%
1,500-1,999	44	13%	42	15%
2,000-2,499	24	7%	19	7%
2,500-2,999	11	3%	11	4%
3,000-3,499	5	1%	0	0%
3,500-3,999	2	1%	1	0%
4,000-4,499	1	0%	2	1%
4,500-4,999	0	0%	0	0%
5,000+	1	0%	0	0%
Total	334	100%	289	100%

Terminated LTD Claims by Term Reason

Term Reason	2006-2007 Count	2006-2007 % of Claims	2007-2008 Count	2007-2008 % of Claims
Death	135	31%	148	29%
Recovery	42	10%	61	12%
Retirement	205	48%	250	50%
Expiry	49	11%	46	9%
Total	431	100%	505	100%

ACTUARIAL METHODS

Funded Method

Actuarial liabilities and comparative costs shown in this Report were computed using the Entry Age Normal (EAN) Actuarial Cost Method, which consists of the following cost components:

Under the EAN cost method, the actuarial present value of each member's projected benefits is allocated on a level basis over the member's compensation between the entry age of the member and the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial liability. The unfunded actuarial liability represents the difference between the actuarial liability and the actuarial value of assets as of the valuation date. The unfunded actuarial liability is calculated each year and reflects experience gains/losses. The Unfunded Actuarial Liability (UAL) is the difference between the Actuarial Liability and the Valuation Assets. KPERS has chosen to amortize the UAL over 15 years as a level percentage of payroll.

It should be noted that GASB 43 allows a variety of cost methods to be used. This method was selected because it is consistent with the KPERS retirement system funding and because it tends to produce stable costs. Other methods used do not change the ultimate liability, but do allocate it differently between what has been earned in the past and what will be earned in the future. If a different method was used, the normal cost and unfunded actuarial liability would change. Please note that the net effect of the change may result in an increase or decrease in the annual required contribution (ARC). If desired, we can provide more details.

Asset Valuation Method

Assets are valued at market value.

OVERVIEW OF PLAN PROVISIONS

The KPERS Death and Disability Plan is a cost-sharing multiple employer plan that provides long term disability (LTD) and life insurance benefits to eligible employees. Eligible employees consist of all individuals who are:

1) Currently active members of KPERS;
2) Employees of an educational institution under the Kansas Board of Regents as defined in K.S.A. 74-4925;
3) Elected officials.

The plan provides a group life insurance benefit for active members through a fully-insured program with Minnesota Life Insurance Company. Because this benefit is fully-insured, it is not included in the scope of this actuarial valuation. The plan also provides a self-funded LTD benefit and a self-funded life insurance benefit for disabled members (referred to as "group life waiver of premium"). These items are considered "Other Post-Employment Benefits" (OPEB) under GASB accounting rules, and they are included in this actuarial valuation.

KEY PROVISIONS —LONG-TERM DISABILITY

Definition of Disability

For the first 24 months following the end of the benefit waiting period, a member is totally disabled if the member is unable to perform the material and substantial duties of his or her regular occupation due to sickness or injury. Thereafter, the member is totally disabled if the member is unable to perform the material and substantial duties of any gainful occupation due to sickness or injury.

Benefit Waiting Period

For approved claims, benefits begin on the later of (a) the date the member completes 180 continuous days of total disability; or (b) the date the member ceases to draw compensation from his or her employer.

Monthly Benefit

The monthly benefit is 60 percent of the member's monthly rate of compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment.

Maximum Benefit Period

If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs.

Limitation for Mental Illnesses and Substance Abuse

Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically-based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less.

Cost-of-Living Increase

There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

KEY PROVISIONS — GROUP LIFE WAIVER OF PREMIUM

Benefit Amount

Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150 percent of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point.

Accelerated Death Benefit

If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

Conversion Right

If a member retires or disability benefits end, he or she may convert the group life insurance coverage to an individual life insurance policy.

STATISTICAL

The Statistical Section presents several schedules that provide financial trends analysis of the Retirement System's overall financial health and additional analytical information on employers' membership data, retirement benefits and other post employment benefits (OPEB). The schedules beginning on this page through page 122 provide revenues, expenses and funding status information for the past ten fiscal years for KPERS and Death and Disability (OPEB) plans. On page 123 a schedule is presented that allocates the total benefits and type of refunds that were paid. On pages 126 through 128 various schedules are presented to depict the level of monthly benefits by number of retirees, retirement type and options, and years of service. On page 129, information is provided showing the top ten participating employers determined by number of covered active employees. The source of the information in these schedules is derived from the comprehensive annual financial reports, unless otherwise noted.

REVENUES BY SOURCE

LAST TEN FISCAL YEARS

	Retirement Plan				Death & Disability Plan		
Fiscal Year	Member Contributions	Employer Contributions	Misc	Net Investment Income (KPERS)	Employer Insurance (OPEB)	Net Investment Income (OPEB)	Total
2000	$ 192,776,305	$ 168,100,637	$ 245,354	$ 1,290,504,963	$17,164,419	$ 24,265,535	$ 1,693,057,213
2001	204,142,810	193,384,289	175,815	(783,541,397)	– (1)	(14,585,385)	(400,423,869)
2002	209,624,015	207,611,045	137,633	(458,395,669)	13,862,682	(5,351,290)	(32,511,584)
2003	224,746,447	222,882,765	82,257	324,824,742	8,581,558	1,231,901	782,349,670
2004	230,349,955	714,353,221 (2)	182,113	1,335,895,581	– (1)	330,336	2,281,111,203
2005	233,226,034	261,961,687	178,105	1,222,707,749	31,990,734	388,372	1,750,452,681
2006	246,203,381	298,711,909	175,539	1,354,021,324	53,319,639	386,439	1,952,818,231
2007	256,995,275	339,509,022	228,986	2,161,413,409	59,308,991	668,063	2,818,123,746
2008	269,603,155	395,752,214	225,736	(650,071,204)	62,400,369	968,222	78,878,492
2009	278,619,872	449,235,653	154,113	(2,556,613,735)	36,334,585 (3)	351,362	(1,791,918,153)

1) Per 2000 and 2003 legislation, employers were not required to remit the Group Life and Disability Insurance portion of required employer contributions.

2) Pension obligation bonds for $440 million were issued in 2004.

3) Per 2009 legislation, employers were not required to remit the Group Life and Disability Insurance portion of required employer contributions from March 1, 2009 through November 30, 2009.

BENEFITS BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Monthly Retirement Benefits	Retirement Dividend	Death Benefits	Refunds of Contributions Separations	Refunds of Contributions Deaths	Insurance Premiums (1)	Disability, Insurance Premiums (OPEB)
2000	$489,058,357	$8,811,628	$8,071,779	$39,390,011	$4,241,839	$4,924,386	$37,275,492
2001	542,389,577	8,284,487	8,227,488	39,656,724	4,310,899	7,331,729	39,124,874
2002	619,959,068	7,744,988	8,694,809	33,550,967	5,515,970	7,844,273	39,781,491
2003	638,498,630	7,217,449	7,826,064	34,462,966	5,145,980	8,267,916	45,561,319
2004	670,246,402	6,672,212	8,685,182	35,903,879	5,275,591	6,362,986	44,033,406
2005	731,389,840	6,173,436	7,849,884	40,395,640	6,378,293	5,997,113	47,705,996
2006	800,256,846	5,721,885	8,810,923	40,628,580	6,197,596	5,973,688	48,984,269
2007	862,894,416	5,284,613	9,153,582	40,632,701	5,496,510	6,383,962	49,201,924
2008	940,870,530	4,834,127	8,388,935	43,197,593	5,275,097	6,824,361	49,893,770
2009	995,530,221	4,409,393	9,237,740	38,156,001	5,773,422	6,946,461	47,356,797

1) Optional group life insurance for active members.

EXPENSES BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Retirement Plan: Benefits	Refund of Contributions: Separations	Refund of Contributions: Death	Insurance	Administration	Death & Disability Plan: Insurance (OPEB)	Administration (OPEB)*	Total
2000	$505,941,764	$39,390,011	$4,241,839	$4,924,386	$5,689,571	$37,275,492	$ –	$597,463,063
2001	558,901,552	39,656,724	4,310,899	7,331,729	6,843,434	39,124,874	–	656,169,212
2002	636,398,865	33,550,967	5,515,970	7,844,273	6,776,044	39,781,491	–	729,867,610
2003	653,542,143	34,462,966	5,145,980	8,267,916	7,215,024	45,561,319	–	754,195,348
2004	685,603,796	35,903,879	5,275,591	6,362,986	7,231,295	44,033,406	–	784,410,953
2005	745,413,160	40,395,640	6,378,293	5,997,113	7,340,147	47,705,996	–	853,230,349
2006	814,789,655	40,628,580	6,197,596	5,973,688	7,718,879	48,984,269	–	924,292,667
2007	877,332,611	40,632,701	5,496,510	6,383,962	8,552,925	49,201,924	340,619	987,941,252
2008	954,093,592	43,197,593	5,275,097	6,824,361	9,253,050	49,893,770	350,076	1,068,887,539
2009	1,009,177,354	38,156,001	5,773,422	6,946,461	11,085,498	47,356,797	361,887	1,118,857,420

*Administration expenses for the Group Death and Disability Plan prior to fiscal year 2007 are included in the administrative expenses of the Retirement System.

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE FIGURES FOR 2008

ADDITIONS	2009	2008	2007	2006
Contributions				
Member Contributions	$278,619,872	$269,603,155	$256,995,275	$246,203,381
Employer Contributions	485,570,238	458,152,583	398,818,013	352,031,548
Total Contributions	764,190,110	727,755,738	655,813,288	598,234,929
Investments				
Net Appreciation (Depreciation) in Fair Value of Investments	(2,824,249,931)	(1,012,601,549)	1,816,702,680	1,046,279,084
Interest	153,248,716	212,695,996	195,760,216	165,466,523
Dividends	91,464,527	137,983,566	136,434,906	113,162,346
Real Estate Income, Net of Operating Expenses	31,062,438	40,288,418	39,114,763	51,835,809
Other Investment Income	264,000	264,000	261,734	303,028
	(2,548,210,250)	(621,369,569)	2,188,274,299	1,377,046,790
Less Investment Expense	(23,381,972)	(31,036,451)	(30,249,368)	(27,204,510)
Net Investment Income (Loss)	(2,571,592,222)	(652,406,020)	2,158,024,931	1,349,842,280
From Securities Lending Activities				
Securities Lending Income	(8,838,220)	95,645,344	125,998,402	87,911,153
Securities Lending Expenses				
Borrower Rebates	(10,469,638)	(89,471,546)	(120,938,041)	(82,182,198)
Management Fees	(1,309,509)	(2,870,760)	(1,003,820)	(1,163,472)
Total Securities Lending Activities Expense	(11,779,147)	(92,342,306)	(121,941,861)	(83,345,670)
Net Income from Security Lending Activities	(20,617,367)	3,303,038	4,056,541	4,565,483
Total Net Investment Income (Loss)	(2,592,209,589)	(649,102,982)	2,162,081,472	1,354,407,763
Other Miscellaneous Income	154,113	225,736	228,986	175,539
Total Additions	**(1,827,865,366)**	**78,878,492**	**2,818,123,746**	**1,952,818,231**
DEDUCTIONS				
Monthly Retirement Benefits Paid	(999,939,614)	(945,704,657)	(868,179,029)	(805,978,732)
Refunds of Contributions	(43,929,423)	(48,472,690)	(46,129,211)	(46,826,176)
Death Benefits	(9,237,740)	(8,388,935)	(9,153,582)	(8,810,923)
Insurance Premiums and Disability Benefits	(54,303,258)	(56,718,131)	(55,585,886)	(54,957,957)
Administrative Expenses	(11,447,385)	(9,603,126)	(8,893,544)	(7,718,879)
Total Deductions	**(1,118,857,420)**	**(1,068,887,539)**	**(987,941,252)**	**(924,292,667)**
CHANGE IN NET ASSETS	**$(2,946,722,786)**	**$(990,009,047)**	**$1,830,182,494**	**$1,028,525,564**

Pension Obligation bonds issued for $440 million were issued in 2004.

2005	2004	2003	2002	2001	2000
$233,226,034	$230,349,955	$224,746,447	$209,624,015	$204,142,810	$192,777,255
293,952,421	714,353,221	231,464,323	221,473,727	193,384,289	185,264,106
527,178,455	944,703,176	456,210,770	431,097,742	397,527,099	378,041,361
932,881,712	1,087,128,878	85,233,479	(676,384,745)	(1,061,275,002)	997,376,144
132,806,082	132,004,016	145,411,285	159,209,184	201,483,091	211,532,985
130,167,483	91,477,150	76,508,361	24,416,401	37,639,689	55,532,495
43,821,311	39,514,695	31,217,255	44,792,323	41,997,152	40,748,804
412,211	565,492	557,611	667,029	556,969	31,508,502
1,240,088,799	1,350,690,231	338,927,991	(447,299,808)	(779,598,101)	1,336,698,930
(22,070,013)	(18,718,601)	(16,675,173)	(19,758,136)	(23,251,905)	(25,517,316)
1,218,018,786	1,331,971,630	322,252,818	(467,057,944)	(802,850,006)	1,311,181,614
53,059,141	23,020,103	25,878,944	33,310,814	62,950,106	32,446,888
(46,714,331)	(17,697,447)	(20,861,098)	(28,577,302)	(56,202,763)	(27,320,030)
(1,267,475)	(1,068,372)	(1,214,021)	(1,422,527)	(2,024,120)	(1,537,974)
(47,981,806)	(18,765,819)	(22,075,119)	(29,999,829)	(58,226,883)	(28,858,004)
5,077,335	4,254,284	3,803,825	3,310,985	4,723,223	3,588,884
1,223,096,121	1,336,225,914	326,056,643	(463,746,959)	(798,126,783)	1,314,770,498
178,105	182,113	82,257	137,633	175,815	245,354
1,750,452,681	**2,281,111,203**	**782,349,670**	**(32,511,584)**	**(400,423,869)**	**1,693,057,213**
(737,563,276)	(676,918,614)	(645,716,079)	(627,704,056)	(550,674,064)	(497,869,985)
(46,773,933)	(41,179,470)	(39,608,946)	(39,066,937)	(43,967,623)	(43,631,850)
(7,849,884)	(8,685,182)	(7,826,064)	(8,694,809)	(8,227,488)	(8,071,779)
(53,703,109)	(50,396,392)	(53,829,235)	(47,625,764)	(46,456,603)	(42,199,878)
(7,340,147)	(7,231,295)	(7,215,024)	(6,776,044)	(6,843,434)	(5,689,571)
(853,230,349)	**(784,410,953)**	**(754,195,348)**	**(729,867,610)**	**(656,169,212)**	**(597,463,063)**
$897,222,332	**$1,496,700,250**	**$28,154,322**	**$(762,379,194)**	**$(1,056,593,081)**	**$1,095,594,150**

CHANGES IN NET ASSETS-DEATH AND DISABILITY PLAN

LAST THREE FISCAL YEARS (1)

	2009	2008	2007
ADDITIONS			
Contributions			
Employer Contributions	$36,334,585	$62,400,370	$59,308,991
Total Contributions	36,334,585	62,400,370	59,308,991
Investments			
Interest	351,362	968,222	668,063
Less Investment Expense	(5,630)	(6,550)	(6,239)
Net Investment Income	345,732	961,672	(6,239)
Total Net Investment Income	345,732	961,672	(6,239)
Other Miscellaneous Income	43,935	88,781	96,112
Total Additions (Net Reductions) to Plan Net Assets	**36,724,252**	**63,450,823**	**59,398,864**
DEDUCTIONS			
Insurance Premiums and Disability Benefits (OPEB)	(47,356,797)	(49,893,770)	(49,202,924)
Administrative Expenses	(361,887)	(350,076)	(334,380)
Total Deductions to Plan Net Assets	**(47,718,684)**	**(50,243,846)**	**(49,537,304)**
CHANGE IN NET ASSETS	**$(10,994,432)**	**$13,206,977**	**$9,861,560**

1) Information available for current and prior two fiscal years.

BENEFIT AND REFUND DEDUCTIONS FROM NET ASSETS BY TYPE

FOR THE FISCAL YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE FIGURES FOR 2008, 2007 AND 2006

	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Type of Benefit				
Age and service benefits:				
Retirees	$950,746,107	$898,910,097	$823,994,836	$763,960,585
Survivors	49,193,507	46,794,560	44,184,193	42,018,147
Death in service benefits	9,237,740	8,388,935	9,153,582	8,810,923
Insurance Premiums	6,946,461	6,824,361	6,383,962	5,973,688
Insurance Premiums and Disabiltiy benefits (OPEB)	47,356,797	49,893,770	49,202,924	48,984,269
Total Benefits	**$1,063,480,612**	**$1,010,811,723**	**$932,919,497**	**$869,747,612**
Type of Refund				
Death	$5,773,422	$5,275,097	$5,496,510	$6,197,596
Separation	38,156,001	43,197,593	40,632,701	40,628,580
Total Refunds	**$43,929,423**	**$48,472,690**	**$46,129,211**	**$46,826,176**

*Information only available for current year and prior three years.

HIGHLIGHTS OF OPERATIONS - 10 YEAR SUMMARY

	2009	2008	2007	2006	2005
Membership Composition					
Number of Retirants (a)	64,803	61,489	60,166	57,954	61,125
Number of Survivors (b)	5,764	5,613	5,599	5,394	–
New Retirants During the Fiscal Year	4,893	4,780	4,423	4,452	4,141
Active and Inactive Members (a)	197,822	195,187	192,307	190,305	189,020
Participating Employers	1,492	1,482	1,474	1,474	1,461
Financial Results (Millions)					
Member Contributions	$279	$270	$257	$246	$233
Employer Contributions (c)	486	458	399	352	294
Retirement / Death Benefits	1,009	954	877	815	745
Investment Income (d)	(2,592)	(649)	2,162	1,354	1,223
Employer Contribution Rate (e)					
KPERS--State / School	7.97 %	7.37 %	6.77 %	6.07 %	5.47 %
KPERS--Local (f)	6.53	5.93	5.31	4.61	4.01
KP&F (Uniform Participating) (f)	13.51	13.88	13.32	12.39	11.69
Judges	22.08	22.38	19.11	21.97	19.22
TIAA	–	–	–	–	0.60
Unfunded Actuarial Liability (Millions)					
KPERS--State / School	$6,240	$4,312	$4,135	$3,926	$3,584
KPERS--Local	1,385	941	893	869	824
KP&F	619	284	322	341	313
Judges	36	15	15	17	22
TIAA (g)	–	–	–	–	–
Funding Ratios (h)					
KPERS--State / School	56.90 %	68.60 %	67.50 %	67.21 %	68.60 %
KPERS--Local	59.00	70.10	68.80	67.38	67.30
KP&F	70.50	85.50	82.40	80.46	81.10
Judges	74.60	88.70	87.40	85.02	80.10
TIAA	–	–	–	–	–

a) Membership information taken from System's actuarial valuation.

b) This is the number of joint annuitants as of December 31st, per the System's records, starting December 31, 2005.

c) Pension obligation bonds for $440 million were issued in 2004.

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

e) Rates include Group Life and Disability contributions where applicable. 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. Per 2002 and 2003 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from July 1, 2002 through December 31, 2002 or from April 1, 2003 through June 30, 2004. Per 2009 legislation, employers were not required to remit the Group Life and Disability portion of the Actual Rate from March 1, 2009 through November 30, 2009.

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

g) Legislation provided for bonds to be issued December 31, 2002 to fully fund the existing unfunded liability for the TIAA group.

h) The funding percentage indicates the actuarial soundness of the System. Generally, the greater the percentage, the stronger the System.

	2004	2003	2002	2001	2000
Membership Composition					
Number of Retirants (a)	59,124	57,597	56,115	54,396	51,639
Number of Survivors (b)	–	–	–	–	–
New Retirants During the Fiscal Year	3,612	3,585	3,689	3,112	3,360
Active and Inactive Members (a)	189,460	187,698	183,966	179,073	163,755
Participating Employers	1,454	1,442	1,435	1,423	1,415
Financial Results (Millions)					
Member Contributions	$230	$225	$210	$204	$193
Employer Contributions (c)	714	231	221	193	185
Retirement / Death Benefits	686	654	636	559	506
Investment Income (d)	1,336	326	(464)	(798)	1,315
Employer Contribution Rate (e)					
KPERS--State / School	4.58 %	4.98 %	4.78 %	3.98 %	4.19 %
KPERS--Local (f)	3.22	3.67	3.52	2.77	3.22
KP&F (Uniform Participating) (f)	9.47	6.86	6.79	6.97	7.35
Judges	16.67	12.66	12.88	15.74	14.38
TIAA	–	2.27	2.03	1.21	1.82
Unfunded Actuarial Liability (Millions)					
KPERS--State / School	$2,734	$2,239	$1,506	$1,120	$860
KPERS--Local	588	340	185	90	36
KP&F	249	232	59	62	307
Judges	15	17	10	10	8
TIAA (g)	–	–	20	23	23
Funding Ratios (h)					
KPERS--State / School	74.07 %	75.64 %	82.46 %	86.23 %	88.82 %
KPERS--Local	73.69	81.71	89.12	94.29	97.56
KP&F	84.04	84.16	95.53	95.22	79.68
Judges	84.92	82.21	88.94	88.66	90.53
TIAA	–	–	48.32	41.18	39.72

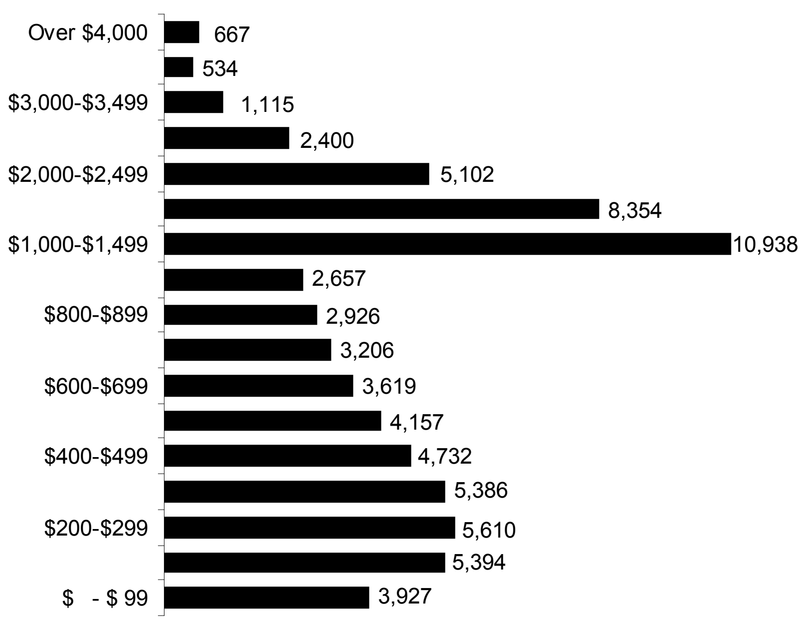
NUMBER OF RETIRED MEMBERS AND SURVIVORS BY TYPE OF BENEFIT

AS OF DECEMBER 31, 2008

Monthly Benefit	Number of Retirees	Normal Retirement	Early Retirement	Service Connected Death/Disability	Nonservice Connected Death/Disability
$ - 99	3,927	3,549	370	4	4
$100-199	5,394	3,470	1,858	55	11
$200-299	5,610	3,163	2,388	54	5
$300-399	5,386	3,066	2,260	45	15
$400-499	4,732	2,769	1,901	46	16
$500-599	4,157	2,587	1,530	31	9
$600-699	3,619	2,309	1,267	30	13
$700-799	3,206	2,107	1,057	33	9
$800-899	2,926	2,020	847	52	7
$900-999	2,657	1,973	625	42	17
$1,000-1,499	10,938	9,284	1,357	216	81
$1,500-1,999	8,354	7,907	241	127	79
$2,000-2,499	5,102	4,940	62	55	45
$2,500-2,999	2,400	2,325	38	19	18
$3,000-3499	1,115	1,073	22	12	8
$3,500-3,999	534	520	3	9	2
$4,000 or More	667	653	10	4	—
Totals	**70,724**	**53,715**	**15,836**	**834**	**339**

RETIREE MONTHLY BENEFIT AMOUNTS

AS OF DECEMBER 31, 2008



NUMBER OF RETIRED MEMBERS AND SURVIVORS BY TYPE OF PAYMENT OPTION

AS OF DECEMBER 31, 2008

Monthly Benefit	Maximum No Survivor	Joint 1/2 to Survivor	Joint Same to Survivor	Life Certain w/10 Yrs	Joint 3/4 to Survivor	Widowed Children Survivor	Life Certain w/5 Yrs	Life Certain w/15 Yrs
$ - 99	3,183	242	320	49	32	4	31	66
$100-199	3,929	598	571	82	88	37	28	61
$200-299	4,052	615	631	94	125	16	30	47
$300-399	3,755	588	685	81	150	40	28	59
$400-499	3,355	513	576	78	115	38	14	43
$500-599	2,897	456	525	48	132	30	16	53
$600-699	2,486	403	479	56	107	43	13	32
$700-799	2,195	372	387	45	128	33	15	31
$800-899	1,926	394	362	46	123	44	10	21
$900-999	1,700	399	343	40	112	33	10	20
$1,000-1,499	6,782	1,723	1,392	118	608	209	38	68
$1,500-1,999	5,200	1,385	904	62	561	179	24	39
$2,000-2,499	3,198	915	447	38	361	108	22	13
$2,500-2,999	1,409	453	225	25	199	75	6	8
$3,000-3499	592	234	125	8	92	57	3	4
$3,500-3,999	277	106	55	4	57	33	–	2
$4,000 or More	288	168	83	4	90	31	2	1
Totals	47,224	9,564	8,110	878	3,080	1,010	290	568

AVERAGE BENEFIT FOR NEW RETIREES BY YEARS OF SERVICE - FIVE YEAR SUMMARY

BY CALENDAR YEAR

Service Credit		**2004**	**2005**	**2006**	**2007**	**2008**
Less Than 5		238	170	187	213	203
	Average FAS*	$47,644.90	$25,256.68	$32,969.26	$23,028.60	$24,286.91
	Average Benefit	$155.64	$90.24	$113.95	$115.70	$130.90
	Average Years	2.24	2.45	2.37	2.75	2.67
5-9.99		226	256	288	369	341
	Average FAS*	$26,505.53	$20,182.66	$20,093.39	$27,678.21	$27,224.87
	Average Benefit	$262.46	$206.62	$205.12	$262.41	$277.67
	Average Years	6.79	7.02	7.00	7.70	7.73
10-14.99		589	563	635	739	736
	Average FAS*	$23,833.24	$24,246.67	$24,492.77	$30,848.84	$32,265.54
	Average Benefit	$408.74	$419.72	$423.98	$452.70	$471.14
	Average Years	11.76	11.87	11.87	12.25	12.19
15-19.99		558	616	675	670	765
	Average FAS*	$29,693.54	$28,426.67	$28,566.71	$36,089.59	$37,387.87
	Average Benefit	$730.09	$704.33	$706.55	$782.89	$783.99
	Average Years	16.86	16.99	16.96	17.43	17.40
20-24.99		498	517	564	621	730
	Average FAS*	$31,693.26	$33,270.91	$33,508.65	$40,199.79	$41,860.17
	Average Benefit	$1,013.59	$1,063.56	$1,071.16	$1,103.23	$1,154.33
	Average Years	21.93	21.92	21.92	22.21	22.34
25-29.99		655	716	755	806	754
	Average FAS*	$38,516.02	$39,604.88	$39,373.33	$46,579.86	$49,038.10
	Average Benefit	$1,513.76	$1,562.33	$1,553.77	$1,661.34	$1,738.41
	Average Years	26.95	27.05	27.06	27.50	27.47
30-34.99		735	853	884	853	751
	Average FAS*	$42,559.75	$44,484.18	$44,267.48	$52,495.79	$54,546.48
	Average Benefit	$1,965.64	$2,064.90	$2,053.55	$2,129.22	$2,227.64
	Average Years	31.67	31.83	31.81	32.03	32.06
35-39.99		300	283	298	295	270
	Average FAS*	$45,085.95	$43,401.42	$43,029.51	$55,511.76	$56,508.71
	Average Benefit	$2,391.34	$2,322.88	$2,301.72	$2,457.18	$2,541.95
	Average Years	36.37	36.70	36.68	36.97	37.03
40-44.99		61	70	74	65	67
	Average FAS*	$37,838.23	$44,380.96	$43,857.36	$52,419.96	$53,281.02
	Average Benefit	$2,298.83	$2,674.97	$2,645.33	$2,670.39	$2,862.03
	Average Years	41.66	41.33	41.36	41.74	41.84
45-49.99		10	7	7	5	6
	Average FAS*	$34,306.67	$29,042.65	$29,042.65	$48,951.13	$42,007.13
	Average Benefit	$2,341.43	$1,966.49	$1,966.49	$2,441.43	$2,464.83
	Average Years	46.80	46.43	46.43	45.90	48.17
50 and Over		9	1	2	2	2
	Average FAS*	$30,129.38	$61,661.49	$40,939.59	$46,757.32	$37,202.08
	Average Benefit	$2,328.75	$4,496.15	$3,015.03	$2,000.50	$3,535.44
	Average Years	53.00	50.00	50.50	51.13	56.50
Total		**3,879**	**4,052**	**4,366**	**4,638**	**4,625**
	Average FAS*	$37,166.22	$38,021.36	$37,694.15	$40,858.89	$41,992.17
	Average Benefit	$1,182.66	$1,243.14	$1,217.05	$1,236.65	$1,252.78
	Average Years	21.82	22.42	22.14	21.86	21.57

*Average Final Average Salary

Source: Data provided by KPERS Information Resources and Member Services divisions.

PRINCIPAL PARTICIPATING EMPLOYERS-RETIREMENT PLAN*

Participating Govts.	2009 Covered Employees	2009 Rank	2009 % of Total System	2008 Covered Employees	2008 Rank	2008 % of Total System	2007 Covered Employees	2007 Rank	2007 % of Total System	2006 Covered Employees	2006 Rank	2006 % of Total System
State of Kansas	25,775	1	16.41%	25,299	1	16.35%	25,069	1	16.55%	25,134	1	16.86%
USD 259, Wichita	6,850	2	4.36%	6,748	2	4.36%	6,590	2	4.35%	6,546	2	4.39%
USD 233, Olathe	4,625	3	2.94%	4,307	3	2.78%	4,277	3	2.82%	4,155	3	2.79%
USD 512, Shawnee Mission	4,167	4	2.65%	4,128	4	2.67%	4,007	4	2.65%	3,968	4	2.66%
USD 500, Kansas City	3,324	5	2.12%	3,337	5	2.16%	3,334	5	2.20%	3,436	5	2.30%
Johnson County	2,476	8	1.58%	3,137	6	2.03%	3,002	6	1.98%	3,229	6	2.17%
USD 229, Blue Valley	2,983	6	1.90%	2,930	7	1.89%	2,809	7	1.85%	2,770	7	1.86%
USD 501, Topeka Public Schools	2,529	7	1.61%	2,548	8	1.65%	2,469	8	1.63%	2,544	8	1.71%
Sedgwick County	1,847	9	1.18%	2,313	9	1.50%	2,309	9	1.52%	2,434	9	1.63%
USD 497, Lawrence	1,766	10	1.12%	1,712	10	1.11%	1,692	10	1.12%	1,736	10	1.16%
All Other (a)	100,723		64.13%	98,231		63.50%	95,891		63.33%	93,121		62.47%
Total (1,492 employers)	**157,065**		**100.00%**	**154,690**		**100.00%**	**151,449**		**100.00%**	**149,073**		**100.00%**

*Information only available for current and prior three years.

a) In 2009, "All Other" consisted of:

Type	Number	Employees
School districts	288	50,359
Cities and Counties	553	27,566
Post-Secondary Education(b)	47	11,435
Other	594	11,363
Total "All Other"	**1,482**	**100,723**

b) Not including State Board of Regents institutions.

Source: Data provided by KPERS Information Resources and Member Services divisions.

PRINCIPAL PARTICIPATING EMPLOYERS-DEATH AND DISABILITY PLAN*

	2009			2008			2007		
Participating Government	Covered Employees	Rank	% of Total System	Covered Employees	Rank	% of Total System	Covered Employees	Rank	% of Total System
State of Kansas	38,230	1	23.38%	40,431	1	24.67%	37,871	1	23.79%
USD 259, Wichita	6850	2	4.19%	6,748	2	4.12%	6,590	2	4.14%
USD 233, Olathe	4625	3	2.83%	4,307	3	2.63%	4,277	3	2.69%
USD 512, Shawnee Mission	4167	4	2.55%	4,128	4	2.52%	4,007	4	2.52%
USD 500, Kansas City	3324	5	2.03%	3,337	5	2.04%	3,334	5	2.09%
Johnson County	2476	6	1.51%	3,137	6	1.91%	3,002	6	1.89%
USD 229, Blue Valley	2983	7	1.82%	2,930	7	1.79%	2,809	7	1.76%
USD 501, Topeka Public Schools	2529	8	1.55%	2,548	8	1.55%	2,469	8	1.55%
Sedgwick County	1847	9	1.13%	2,313	9	1.41%	2,309	9	1.45%
USD 497, Lawrence	1766	10	1.08%	1,712	10	1.04%	1,692	10	1.06%
All Other (a)	94,685		57.92%	92,321		56.32%	90,826		57.06%
Total (1,492 employers)	163,482		100.00%	163,912		100.00%	159,186		100.00%

*Information available for years 2009 and prior two years. State of Kansas includes the Board of Regents.

a) In 2009, "All Other" consisted of:

Type	Number	Employees
School districts	288	50,359
Cities and Counties	553	27,566
Post-Secondary Education(b)	47	11,435
Other	594	11,363
Total "All Other"	**1,482**	**100,723**

b) Not including State Board of Regents institutions.

Source: Data provided by KPERS Information Resources and Member Services divisions.

2009 Comprehensive Annual Financial Report

Kansas Public Employees Retirement System
611 S. Kansas Ave., Ste 100 • Topeka, KS 66603-3869