

Approved: 2-10-97

Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 4, 1997 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Kathy Porter, Legislative Research Department
Mark Burenheide, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Janet Henning, Committee Secretary

Conferees appearing before the committee: Meredith Williams, Executive Secretary, KPERS
Paul Schraeder, ASA, Consulting Actuary,
Buck Consultants, Inc.

Others attending: See attached list

Meredith Williams, Executive Secretary, KPERS, informed the Committee that KPERS is the 96th largest retirement system in the United States and 160th largest pension fund in the world. As of January 1, 1997, there were 206,000 persons in the retirement system and they work for 1400 public employers in the State of Kansas; 96% are KPERS members, 4% are KPF members and there are 381 Judges in a third system. School members, teachers, support personnel, and administrators constitute 53% of the membership. Mr. Williams stated 70% of the members are active employees, 23.4% are retired and 6.2% are listed as inactive. The KPERS fund is currently \$114 million ahead of projections for the first half of this fiscal year (Attachment 1).

Rob Woodard, Chief Investment Officer, KPERS, was introduced by Mr. Williams and told the committee that KPERS had exceptional performance over the fiscal year '96 which ended in June, 1996. The total portfolio was up 18.8%.

The Chairman welcomed Paul Schraeder, ASA, Consulting Actuary, Buck Consultants, Inc., to present information regarding the development of a post-retirement benefit adjustments policy for the Kansas Public Employees Retirement System (KPERS) (Attachment 2). The Committee was advised that Buck Consultants was hired by the Kansas Legislature to perform an independent study and review of post-retirement increases.

Mr. Schraeder introduced David Slishinsky, also of Buck Consultants, and informed the Committee that Buck Consultants is an employee-owned international benefit and actuarial firm with offices located in New York and Denver, Colorado. Mr. Schraeder told the Committee the objectives of the study were to analyze the need for post-retirement increases, consider alternatives to the practices which had been followed in the past, analyze and quantify the short-term and long-term costs, consider financing alternatives, and propose policy statements based upon their perspective of the issue (Attachment 2).

Mr. Schraeder stated the Legislature has granted frequent and significant ad hoc post-retirement benefit increases in the past, however, no increases were granted in 1995 or 1996. Currently there is no commitment for KPERS to grant frequent or periodic cost of living or post-retirement increases annually or at some other intervals.

Mr. Schraeder told Committee members of the cost to provide a one-time increase, for state and school only. If, for example, benefits for retired members were improved by 4% and that continued for the rest of that payment period; that cost, based upon retiree information provided, would be \$88 million. If this increase were paid for through an increased contribution rate, it

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 4, 1997.

would raise the contribution rate .03% of pay.

The long-term cost of post-retirement increase policy is very significant and the funding for cost of living benefits are very expensive. Past post-retirement practices have been generous and have maintained the purchasing power of KPERS retirement benefits. However, the initial income replacement levels are significantly less than current amounts. It is unlikely that past practices can be maintained without significant increases in contribution requirements, or exceptional investment return, or delay in meeting actuarially required contributions.

Mr. Schraeder stated it was suggested that in analyzing the needs for post-retirement increases that the cost of living be considered as measured by the CPI -1. Benefits from both KPERS and Social Security should be considered together. If the State of Kansas were to target, as adequate, the 70% income replacement rate to maintain purchasing power, and if benefit increases are to be granted for retirees as in the past, it should be considered for all periodic benefits.

Employees who retired at benefit levels less than current KPERS benefit levels have a greater need than more recent retirees. With regard to financing, it is the recommendation of Buck Consultants that financing for any post-retirement increase not jeopardize or delay the equilibrium point for meeting the actuarial required contributions. The pre-funding of post-retirement increases is a preferred approach to any funding method that shares favorable experience. This is more likely to achieve fairness for both employees and taxpayers.

The Chairman adjourned the meeting at 12:10 P. M.

The next meeting is scheduled for February 7, 1997.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 2-4-97

NAME	REPRESENTING
Cal Dickinson	AARP
Tom [unclear]	AARP
John FOSTER	KPOA
Pat Beckham	Mellinan + Robertson
Ed C Bueffel	KPERS
Kortwood	KPERS
Jan Hancock	"
Basil Covey	KRTA
Helen Stephens	KPOA / KSA
Paul Shelby	OJA
Jerry Sloan	OJA
Scott Stone	KAPE
Ted Roberts	Retired -
Kathie Spauls	DOB
STEVE KEARNEY	KSTA
Sen Tim Huelskamp	
MEGGAN GRIGGS	KSTA

SENATE WAYS AND MEANS COMMITTEE MEETING

KANSAS PUBLIC EMPLOYEES
RETIREMENT SYSTEM



February 4, 1997

Senate Ways and Means Committee

Date 2-4-97

Attachment # 1

SENATE WAYS AND MEANS COMMITTEE
February 4, 1997

Tab A Mission Statement

Tab B Board and Subcommittee Roster

Tab C Plan Summaries

- KPERS
- KP&F
- Judges
- Correctional

Tab D Monthly Reports

- Membership Table
- Operations
- Investment
- Financial
- Litigation

Tab E Comparison with Other Public Pension Systems

- Benefits
- Funding
- Contribution Rates

Tab F Historical Performance

- Membership
- Retirements/Retirement Payrolls
- Retirement Benefits
- Assets
- Benefits/Contributions/Investment Income

Tab G Actuarial Projections

Tab H Internet/Home Page (www.kspress.com/kpers)

Tab I KPERS Papers

Tab J Legislative Package

Fiscal Year 1996 Annual Report

KPERS



MISSION STATEMENT

of the

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Kansas Public Employees Retirement System is a plan of retirement, disability and survivor benefits provided by law for Kansas public servants and their beneficiaries.

The Board of Trustees and the Staff of the Retirement System strive at all times to safeguard the System's assets by adhering to the highest standards of fiduciary and professional care, to comply strictly and fairly with the law, and to conduct business in a courteous, timely and effective manner.

May 13, 1994

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES**

MICHAEL L. JOHNSTON

Chairperson
Kansas Turnpike Authority
9401 East Kellogg
Wichita, KS 67207-1804
(316) 682-4537 Ext. 2242
(316) 682-1201 FAX

VERN R. CHESBRO

Vice Chairperson
34 Rockwood Drive
Ottawa, KS 66067
(913) 242-8255
(913) 242-7919 FAX

JAROLD BOETTCHER

P. O. Box 160
Beloit, KS 67420
(913) 738-5786 Ext. 124
(913) 738-4256 FAX

IVAN CROSSLAND, JR.

Box 45
Columbus, KS 66725
(316) 429-1414
(316) 429-1412 FAX

LES MEREDITH

13841 Goodman
Overland Park, KS 66223
(816) 854-3698
(816) 854-4229 FAX

STUART MURDOCK

4613 W. 113th Terrace
Leawood, KS 66211
(913) 469-5077
(913) 648-5052 FAX

KATHY STOVER

Assistant General Counsel
Investors Fiduciary Trust Co.
127 West 10th, 12th Floor
Kansas City, MO 64105-1716
(816) 435-6941
(816) 435-3372 FAX

SALLY THOMPSON

State Treasurer
Landon Office Building, 201-N
Topeka, KS 66612
(913) 296-3171
(913) 296-7950 FAX

MARJORIE LEE WEBB

10207 Edelweiss
Shawnee Mission, KS 66203
(913) 993-7200 (School)
(913) 262-5785 (Home)
(913) 993-7499 FAX

KPERO

December 17, 1996

**BOARD OF TRUSTEES
COMMITTEE ASSIGNMENTS**

DIRECT PLACEMENT

Vern Chesbro, Chairperson
Jarold Boettcher
Kathy Stover

REAL ESTATE

Marjorie Lee Webb, Chairperson
Ivan Crossland, Jr.
Michael Johnston

PUBLICLY TRADED SECURITIES

Jarold Boettcher, Chairperson
Stuart Murdock
Sally Thompson

PERSONNEL

Les Meredith, Chairperson
Vern Chesbro
Marjorie Lee Webb

LONG RANGE PLANNING

Ivan Crossland, Jr., Chairperson
Michael Johnston
Les Meredith

AUDIT

Kathy Stover, Chairperson
Stuart Murdock

KPERC

August 14, 1996

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of Benefit Provisions - Regular KPERS System
Effective July 1, 1996

MISSION STATEMENT: The Kansas Public Employees Retirement System is a plan of retirement, disability and survivor benefits provided by law for Kansas public servants and their beneficiaries.

The Board of Trustees and the Staff of the Retirement System strive at all times to safeguard the System's assets by adhering to the highest standards of fiduciary and professional care, complying strictly and fairly with the law, and conducting business in a courteous, timely and effective manner.

MEMBERSHIP AND CONTRIBUTIONS

Mandatory for State agencies and school districts but optional for other public entities which are covered by Social Security. The member contributes four percent of gross earnings. The employer rate fluctuates:

FY 97	3.59% — State Agencies and School Districts
	2.63% — Local Employers

RETIREMENT BENEFIT CALCULATION

Annual Benefit at Normal Retirement Age = Final Average Salary x Percentage x Years of Service

1.75% for participating service

.75% to 1% for prior service

For those who are hired on or after July 1, 1993, Final Average Salary = average of three highest years, excluding additional compensation, such as sick and annual leave

For those who were hired prior to July 1, 1993, Final Average Salary = the greater of either:

a four-year Final Average Salary including additional compensation, such as sick and annual leave
or

a three-year Final Average Salary excluding additional compensation, such as sick and annual leave

RETIREMENT AGES

Age 65; age 62 with 10 years of service; any age when combined age and years of service equal 85. **Reduced benefits** are available at age 55 with 10 years of service if member does not have the 85 points. Reduction is 0.6% for each month between ages 55 and 60 and 0.2% for each month between ages 60 and 62.

DISABILITY

Annual benefit equal to two-thirds of member's annual salary less Social Security, one-half of Worker's Compensation, and any other employer provided disability benefits. Minimum monthly benefit is \$100.00. Benefits are payable after member is totally disabled 180 consecutive days. Member receives service credit for period of approved disability. Final Average Salary recalculated if member disabled at least five years.

DEATH

Any Death: Return of actual contributions and interest and 150 percent of member's salary at the time of death to the named beneficiary. If the member had reached age 55 with 10 years of credited service, and the spouse is the sole beneficiary, then the spouse may select a lifetime benefit under any option. If a member with 15 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 been of retirement age; or

Job Related: Spouse receives monthly benefit based on 50 percent of member's Final Average Salary less Worker's Compensation and receives a \$50,000 lump sum payment.

(over)

1-6

Summary of Benefit Provisions - Regular KPERS System
Effective July 1, 1996
(continued)

BENEFITS AFTER RETIREMENT

- Six different survivor options available at retirement, with "pop-up option" to the maximum amount allowed when survivor predeceases the retired member.
- If no survivor option was selected at retirement, return of any contributions and interest remaining in the member's account.
- \$4,000 lump sum death benefit to member's named beneficiary.
- Employment after retirement: A retired member who returns to work for the same employer for whom the member worked during the last two years of KPERS participation may continue to receive retirement benefits and continue to work until earnings equal \$11,280 in a calendar year. At that point, the retired member must:
 - A) Forfeit KPERS retirement benefits for the remainder of the calendar year; or
 - B) Stop working for the remainder of the calendar year.

OPTIONAL GROUP LIFE INSURANCE

Employer must be affiliated for members to have this coverage. Member may elect within 14 days of hire date or coverage may be selected during open enrollment. Minimum \$5,000 - Maximum \$200,000. Amounts applied for by members from \$5,000 - \$15,000 will be approved, regardless of the member's health. Amounts over \$15,000 applied for by members must be underwritten by the insurance carrier. **A member must be actively at work on the effective date to have the additional coverage.** Otherwise, the additional coverage is not effective until the first day following the member's return to active employment.

The Board of Trustees approved an amendment to a contract between KPERS and Security Benefit Life, which made Optional Group Life Insurance available to eligible Retirement System members during predetermined open enrollment periods. The open enrollment periods, which historically occurred each Fall (in even years for local government employees and in odd years for State employees), have been moved to Spring. Each eligible employee will experience a one-time, six-month delay in the opportunity to purchase optional group life insurance. Thus, State employees' Fall 1995 open enrollment period has been moved to Spring 1996, and local government employees' Fall 1996 open enrollment period has been moved to Spring 1997. Thereafter, every other year in the Spring, employees will be entitled, as usual, to apply for additional optional group life insurance coverage.

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

KPERS

July 1, 1996

KANSAS POLICE AND FIREMEN'S RETIREMENT SYSTEM
Summary of Benefit Provisions
Effective July 1, 1996

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MEMBERSHIP AND CONTRIBUTIONS

Optional for local public employers. Mandatory for Kansas Bureau of Investigation and Kansas Highway Patrol.

Member
REGULAR - 7% **BRAZELTON - 7%, less Social Security Rate**

Employer
 Employer rates fluctuate and are determined separately for each employer:

FY 97	Varies	—	Local Employers	12.2%	—	Highway Patrol
	11.0%	—	KBI	9.7%	—	Regents

VESTING

TIER I	TIER II
20 YEARS	15 YEARS

PURCHASE OF SERVICE / RETIREMENT BENEFIT CALCULATION

Annual Benefit at Normal Retirement Age = Final Average Salary x Percentage x Years of Service
 2.5% for each year of service, maximum of 80%

For those who were hired before July 1, 1993, Final Average Salary = average of three highest years of last five, including additional compensation such as sick and annual leave.

For those who are hired on or after July 1, 1993, Final Average Salary = average of three highest of last five years, with no additional compensation included.

Members may purchase up to six years of military service by paying the full actuarial cost in a lump sum, or by payroll deductions (modified double or triple deduction method).

RETIREMENT AGES

Tier I: Age 55 with 20 years of service.	Tier II: Age 50 with 25 years of service Age 55 with 20 years of service Age 60 with 15 years of service
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Transfer Members - Age 50 with 25 years.
Reduced benefits are available at age 50 with 20 years of service.

DISABILITY

Tier I: Job related: 50 percent Final Average Salary plus 10 percent for each eligible dependent with a maximum benefit of 75 percent of Final Average Salary. If no dependents, higher of 50 percent of Final Average Salary or 2.5% for each year of service credit, with a maximum of 80%.	Tier II: 50 percent of Final Average Salary. Service credit to normal retirement. Benefit offset \$1.00 for every \$2.00 of earnings over \$10,000.
Other: 2.5 percent of Final Average Salary per year of service. Minimum benefit 25 percent.	

(over)

Summary of Benefit Provisions - Kansas Police & Fire Retirement System
Effective July 1, 1996
(continued)

DEATH

Job related: Spouse receives 50 percent Final Average Salary until death. Each child until age 18 or 23 if a full-time student receives 10 percent Final Average Salary. Total not to exceed 75 percent of Final Average Salary. If no spouse or children, the beneficiary receives return of member's contributions and interest. **OTHER:** Spouse receives lump sum of 100% Final Average Salary plus monthly benefit of 2.5% per year of service. Maximum 50% of Final Average Salary.

BENEFITS AFTER RETIREMENT

- Possible survivor benefits - Transfer Members
- Six different survivor options available at retirement, with "pop-up option" to the maximum amount allowed when survivor predeceases the retired member.
- If no survivor benefits are payable, return of any contributions and interest remaining in the member's account.
- \$4,000 lump sum death benefit to member's named beneficiary.
- Employment after Retirement: A retired member, who returns to work for the same employer for whom the member worked during the last two years of KP&F participation may continue to receive retirement benefits and continue to work until earnings equal \$11,280 in a calendar year. At that point, the retired member must:
 - A) Forfeit retirement benefits for the remainder of the calendar year; or
 - B) Stop working for the remainder of the calendar year.

OPTIONAL GROUP LIFE INSURANCE

Employer must be affiliated for members to have this coverage. Member may elect within 14 days of hire date or coverage may be selected during open enrollment, which for State employees is in the spring of even-numbered years, and for local government employees is in the spring of odd-numbered years. Minimum \$5,000 - Maximum \$200,000. Amounts applied for by members from \$5,000 - \$15,000 will be approved, regardless of the member's health. Amounts applied for by members over \$15,000 must be underwritten by the insurance carrier. **A member must be actively at work on the effective date to have the additional coverage.** Otherwise, the additional coverage is not effective until the first day following the member's return to active employment.

SPECIAL MEMBERS

- Members who elected to stay under provisions of local plan
- Contribution rate: Three percent - Four percent
- Retirement benefit - 55 percent final monthly salary (most plans-see your Designated Agent for details)
- Retirement Age - 50 with 22 years
- \$4,000 lump sum death benefit to member's named beneficiary
- Possible survivor benefits after retirement.

NOTE: Special Member benefits may vary. See your Designated Agent for details.

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

KPERS

July 1, 1996

RETIREMENT SYSTEM FOR JUDGES
Summary of Benefit Provisions
Effective July 1, 1996

MISSION STATEMENT: The Kansas Public Employees Retirement System is a plan of retirement, disability and survivor benefits provided by law for Kansas public servants and their beneficiaries.

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MEMBERSHIP AND CONTRIBUTIONS

Mandatory for the Kansas Judicial System. Member contributes six percent of gross compensation. Member's contribution rate will drop to two percent (2%) upon reaching the maximum benefit of 70 percent of Final Average Salary. Employer rate:

FY 97 16.00%

RETIREMENT BENEFIT CALCULATION

Annual Benefit at Normal Retirement Age = Final Average Salary (FAS) x Percentage x Years

Hired prior to July 1, 1987: 5% for each year up to ten and 3.5% for each additional year, maximum of 70%

Hired after July 1, 1987: 3.5% for each year, with maximum of 70% of Final Average Salary

Final Average Salary = average of three highest years

RETIREMENT AGES

Age 65; age 62 with 10 years of service; any age when combined age and years of service equal 85 "points." Mandatory retirement at end of term in which age 70 attained. **Reduced benefits** are available at age 55 with 10 years of service if member does not have the 85 "points."

DISABILITY

Benefit = Final Average Salary (FAS) x 3.5% per year of service

Minimum benefit of 25% FAS

Benefits recalculated upon reaching retirement age.

DEATH

Return of actual contributions and interest and 150 percent of member's salary at the time of death to named beneficiary. If age 55, 10 years of credited service, and spouse is sole beneficiary; spouse may select payment under any option. If a judge with 15 or more years of service dies and was not of retirement age and spouse is sole beneficiary, the spouse can elect a survivor option at the time the member would have been of retirement age.

(over)

Summary of Benefit Provisions - Judges Retirement System
Effective July 1, 1996
(continued)

BENEFITS AFTER RETIREMENT

- Six different survivor options available at retirement; with "pop-up option" to the maximum amount allowed when "survivor" predeceases the retired member.
- If no survivor option was selected at retirement, return of any contributions and interest remaining in the member's account.
- \$4,000 lump sum to member's named beneficiary.
- **Employment after Retirement:** Retired judges may enter into an agreement to work for up to 104 days at 25 percent of the current salary of a judge. The agreement is for two years and may be renewed for up to 12 years.

OPTIONAL GROUP LIFE INSURANCE

Employer must be affiliated for members to have this coverage. Member may elect within 14 days of hire date or coverage may be selected during an open enrollment period, which is in the Spring of even-numbered years. Minimum \$5,000 - Maximum \$200,000. Amounts applied for by members from \$5,000 - \$15,000 will be approved, regardless of the member's health. Amounts over \$15,000 applied for by members must be underwritten by the insurance carrier. **A member must be actively at work on the effective date to have the additional coverage.** Otherwise, the additional coverage is not effective until the first day following the member's return to active employment.

The Board of Trustees approved an amendment to a contract between KPERS and Security Benefit Life, which made Optional Group Life Insurance available to eligible Retirement System members during predetermined open enrollment periods. The open enrollment periods, which historically occurred each Fall (in even years for local government employees and in odd years for State employees), have been moved to Spring. Each eligible employee will experience a one-time, six-month delay in the opportunity to purchase optional group life insurance. Thus, State employees' Fall 1995 open enrollment period has been moved to Spring 1996, and local government employees' Fall 1996 open enrollment period has been moved to Spring 1997. Thereafter, every other year in the Spring, employees will be entitled, as usual, to apply for additional optional group life insurance coverage.

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

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Correctional Officers
Summary of Benefit Provisions
Effective July 1, 1996

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MEMBERSHIP AND CONTRIBUTIONS

Mandatory for State agencies. The member contributes four percent of gross earnings. The employer rate fluctuates:

FY 97:	Group A	4.69%
	Group B	3.89%

RETIREMENT BENEFIT CALCULATION

Annual Benefit at Normal Retirement Age = Final Average Salary x Percentage x Years of Service

1.75% for participating service
1% for prior service

For those who are hired on or after July 1, 1993, Final Average Salary = average of three highest years, excluding additional compensation, such as sick and annual leave

For those who were hired prior to July 1, 1993, Final Average Salary = the greater of either:
a four-year Final Average Salary including additional compensation, such as sick and annual leave
or
a three-year Final Average Salary excluding additional compensation, such as sick and annual leave

RETIREMENT AGES

- Group A** Normal Retirement is at age 55; Early Retirement is at age 50 with 10 years of service. Reduction factor is 0.2 percent for each month under age 55.
- Group B** Normal Retirement is at age 60; Early Retirement is at age 55 with 10 years of service. Reduction factor is 0.2 percent for each month under age 60. Members must have been employed in a Group A or Group B position for three years immediately prior to retirement.
- Group C** Normal Retirement is age 65; age 62 with 10 years of service credit, or at any age when the member's age and years of service combined equal 85 "points." * There is no minimum service requirement for retirement at age 65. Group C members may retire with reduced benefits as early as age 55 if they have at least 10 years of service credit. A reduction factor of 0.2 percent for each month between ages 60 and 62, and 0.6 percent for each month between ages 55 and 60, will be applied.

* **NOTE:** Applies only to Group C members.

TOTAL & PERMANENT DISABILITY

Annual benefit equal to two-thirds of member's annual salary less Social Security, one-half of Worker's Compensation, and any other employer-provided disability benefits. Minimum monthly benefit is \$100.00. Benefits are payable after member is totally disabled 180 consecutive days. Member receives service credit for period of approved disability. Final Average Salary recalculated if the member is disabled at least five years.

(over)

Summary of Benefit Provisions - Correctional Officers
Effective July 1, 1996
(continued)

DEATH

Any Death: Return of actual contributions and interest and 150 percent of member's salary at the time of death to the named beneficiary. If a member met the age and service requirements to retire at the time of death and the spouse is the sole named beneficiary, then the spouse may elect to receive monthly benefits under any survivor option in lieu of receiving a return of the contributions plus interest in a lump sum. If a member with 15 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 been of retirement age; or

Job Related: To the spouse and children under age 18 or up to age 23 if full-time students, or dependent parents, in this order of preference, benefits are a \$50,000 lump sum payment and a monthly amount based on 50 percent of final average salary subject to reduction for any benefits received under Worker's Compensation. Benefits are in addition to the insured death benefit and the return of contributions plus interest. Minimum benefit of \$100 per month.

BENEFITS AFTER RETIREMENT

- Six different survivor options available at retirement, with "pop-up option" to the maximum amount allowed when survivor predeceases the retired member.
- If no survivor option was selected at retirement, return of any contributions and interest remaining in the member's account.
- \$4,000 lump sum death benefit to member's named beneficiary.
- Employment after retirement: A retired member who returns to work for the same employer for whom the member worked during the last two years of KPERS participation may continue to receive retirement benefits and continue to work until earnings equal \$11,280 in a calendar year. At that point, the retired member must:
 - A) Forfeit KPERS retirement benefits for the remainder of the calendar year; or
 - B) Stop working for the remainder of the calendar year.

OPTIONAL GROUP LIFE INSURANCE

Member may elect within 14 days of hire date or coverage may be selected during open enrollment, which is in the Spring of even numbered years. Minimum \$5,000 - Maximum \$200,000. Amounts applied for by members from \$5,000 - \$15,000 will be approved, regardless of the member's health. Amounts over \$15,000 applied for by members must be underwritten by the insurance carrier. **A member must be actively at work on the effective date to have the additional coverage.** Otherwise, the additional coverage is not effective until the first day following the member's return to active employment.

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KPERS

July 1, 1996

KPERS MEMBERSHIP

JANUARY 1, 1997

	Active	Inactive	Retired	Total
KPERS				
School	77,613	8,459	23,810	109,882
Non-School	61,348	4,068	21,659	87,075
Total	138,961	12,527	45,469	196,957
KP&F				
Tier I	1,176	63	2,209	3,448
Tier II	4,707	210	305	5,222
Total	5,883	273	2,514	8,670
Judges	240	10	131	381
System Total	145,084	12,810	48,114	206,008

KPERS

71-1

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
MEMBER SERVICES
December, 1996

MEMBER AND EMPLOYER RECORDS

- 871 enrollment applications received and new records created
- 2,104 beneficiary designations received and records updated
- 1,107 member records updated for benefit payments
- 1,750 forms and documents sorted and filed
- 1,623 new member files
- 1,175 staff file requests
- 138 applications for service purchases processed
- 185 applications for service purchases received
- \$233,908 in lump sum purchases received
- 24,000 documents microfilmed and/or jacketed
- 189 transactions received from SBL for optional group life insurance

CLAIMS PROCESSING

- Monthly retirement benefits totalling \$31.3M to 48,114 recipients
- Monthly average benefit to retirants \$651
- Monthly benefits to new retirants range from \$4 to \$2,570 averaging \$589
- 118 new recipients
- 989 withdrawals totalling \$3.8M
- 17 life insurance claims paid totalling \$613,819
- 5 Optional insurance claims paid totalling \$155,000
- 46 disability claims approved
- 125 lump sum death benefit claims paid totalling \$500,000
- 28 active death return of contribution benefits

MEMBERSHIP INFORMATION SERVICES

- 4,533 calls to Infoline December 1, 1996 through December 31, 1996
- 190 individual members counselled in KPERS office
- 20 presentations
- 9 DA workshops and member forums held statewide

EMPLOYER SERVICES

- \$25M employer and employee contributions received and deposited
- Insurance premiums totalling \$2.4M

KPERS

January 8, 1997

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

INVESTMENT PERFORMANCE REPORT

For The Period Ending November 30, 1996

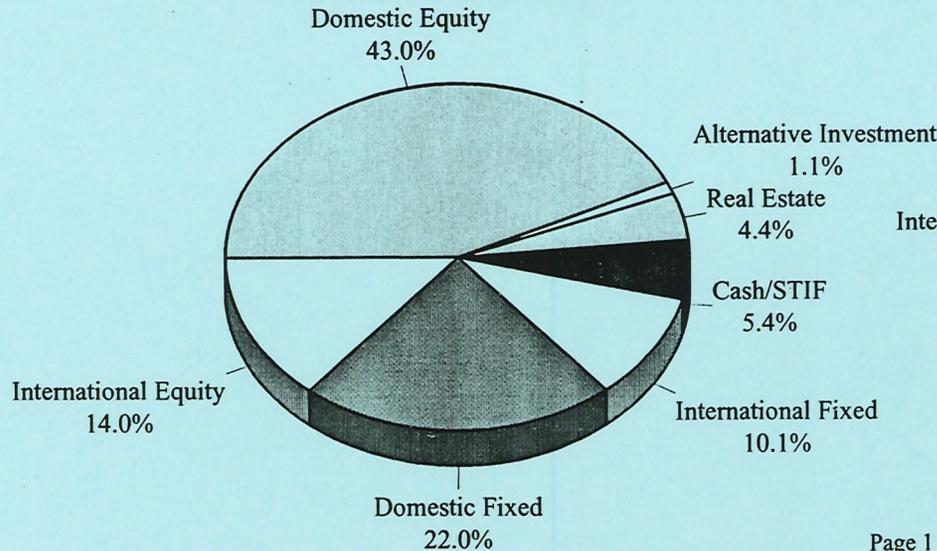
Time-Weighted Return	Latest Quarter*	Fiscal Year to Date (5 Months)*	Latest 12 Months	Latest 3 Years	Latest 5 Years
Total Portfolio	8.6%	6.8%	16.2%	13.5%	13.0%
Domestic Equity Portfolio	12.6%	8.4%	23.7%	20.2%	18.3%
Int'l Equity Portfolio	7.3%	3.4%	17.6%	12.9%	10.7%
Domestic Fixed Portfolio	6.4%	6.6%	6.9%	7.5%	9.8%
Int'l Fixed Portfolio	4.0%	7.3%	10.7%	11.0%	12.5%
Real Estate Portfolio	1.9%	3.2%	11.6%	4.3%	0.3%
Alternative Investment Portfolio	-2.9%	-2.1%	10.1%	35.6%	30.9%
Cash Equivalents Portfolio	2.6%	3.3%	5.3%	5.9%	6.0%

* Not Annualized

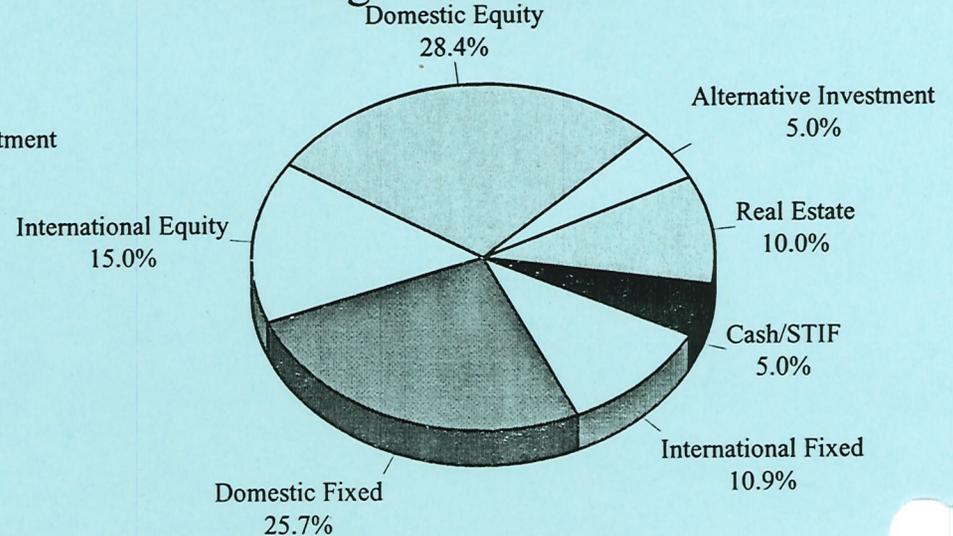
ASSET ALLOCATION

Total Portfolio Net Asset Value \$7,303.4 Million as of 11/30/96

Current Allocation



Target Allocation**



** Target Allocation As Of January 28, 1994

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ASSET CLASS, RELATIVE RETURN COMPARISON
 January 1997

	11/30/96 Net Asset Value (millions) (2)	Time Weighted Total Return (1)				
		Latest Quarter	Fiscal YTD	Latest 12 Months	Latest 3 Years	Latest 5 Years
TOTAL FUND	\$7,303.4	8.6%	6.8%	16.2%	13.5%	13.0%
Policy Index (3)		7.6%	6.9%	13.1%	11.7%	10.9%
Consumer Price Index		0.8%	1.2%	3.3%	2.8%	2.9%
Total Domestic Equity Portfolio	3,129.0	12.6%	8.4%	23.7%	20.2%	18.3%
KPERS Equity Benchmark (4)		15.9%	12.4%	26.2%	20.1%	18.0%
Total International Equity Portfolio	1,044.7	7.3%	3.4%	17.6%	12.9%	10.7%
KPERS International Equity Benchmark (5)		6.0%	3.3%	13.8%	12.7%	8.9%
Total Domestic Fixed Income Portfolio	1,616.0	6.4%	6.6%	6.9%	7.5%	9.8%
Lehman Brothers Aggregate Index		5.8%	5.9%	6.1%	6.6%	7.9%
Total International Fixed Income Portfolio	759.8	4.0%	7.3%	10.7%	11.0%	12.5%
Salomon Non-U.S. Government Bond Index		2.7%	6.2%	5.8%	10.3%	11.4%
Total Real Estate Portfolio	323.1	1.9%	3.2%	11.6%	4.3%	0.3%
NCREIF Real Estate Index (6)		2.3%	NA	9.5%	7.2%	2.0%
Total Alternative Investments Portfolio	71.4	-2.9%	-2.1%	10.1%	35.6%	30.9%
S&P 500 Index + 8%		NA	NA	35.8%	28.9%	26.1%
Total Cash Equivalents Portfolio (7)	359.4	2.6%	3.3%	5.3%	5.9%	6.0%
Merrill Lynch 1-3 Yr. Gov'ts. Index		2.8%	3.6%	5.8%	5.6%	5.9%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The Policy Index reflects the asset allocation policies that have been in place since June 30, 1986. The current allocation is the allocation approved on January 28, 1994. This asset allocation mix is: 28.4% KPERS Equity Benchmark, 15% KPERS International Equity Benchmark, 25.7% Lehman Aggregate Bond Index, 10.9% Salomon Non-U.S. World Government Bond Index, 10% NCREIF Real Estate Index, and 10% U.S. Treasury Bills. The prior allocations and the associated indices are available upon request.
- (4) The KPERS Equity Benchmark is defined as the S&P 500 Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the stocks of companies engaged in business in South Africa were also excluded.
- (5) The KPERS International Equity Benchmark is defined as the Morgan Stanley EAFE Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the Benchmark only excluded the stocks of companies engaged in business in South Africa.
- (6) The NCREIF Real Estate Index is updated quarterly. The returns shown are for the period ending 6/30/96.
- (7) The Total Cash Equivalents return includes the real estate and direct placement funding accounts.

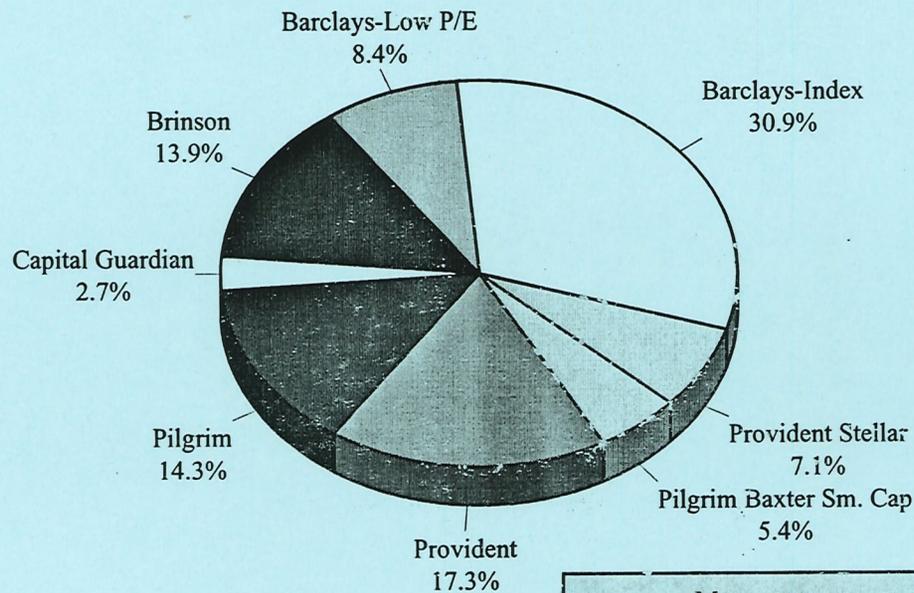
1-17

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

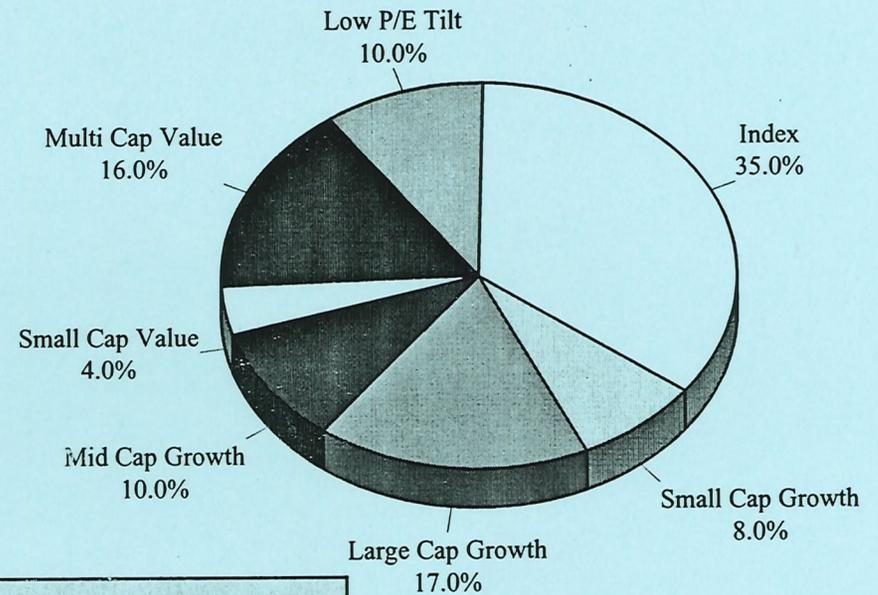
Domestic Equity Diversification By Manager/Style

Total Net Asset Value \$3,129.0 Million as of 11/30/96

Current Allocation



Target Allocation



Manager	Style
Brinson	Multi Cap Value
Capital Guardian	Small Cap Value
Pilgrim	Mid Cap Growth
Provident	Large Cap Growth
Pilgrim Baxter Small Cap	Small Cap Growth
Provident Stellar	Small Cap Growth
Barclays-Index	Index
Barclays-Low P/E	Low P/E Tilt

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DOMESTIC EQUITY PERFORMANCE REPORT
 January 1997

Investment Advisor/Style	11/30/96 Net Asset Value (millions) (2)	Cash (STIF) (millions)	% of Asset Class	% of Total NAV	Time Weighted Total Return (1)				
					Latest Quarter	Fiscal YTD	Latest 12 Months	Latest 3 Years	Latest 5 Years
Brinson Partners (Multi Cap Value)	\$433.8	\$4.6	13.9%	5.9%	12.8%	11.1%	25.9%	20.7%	NA
Provident Investment Counsel (Large Cap Growth)	541.5	13.4	17.3%	7.4%	16.2%	11.4%	21.2%	17.5%	15.6%
Barclays Global Investors (Index)	968.3	1.0	30.9%	13.3%	15.9%	12.3%	26.0%	20.0%	17.6%
Barclays Global Investors (Low P/E Tilt)	262.4	0.2	8.4%	3.6%	18.1%	15.1%	27.6%	21.6%	NA
KPERs Equity Benchmark (3)					15.9%	12.4%	26.2%	20.1%	18.0%
S&P 500 Index					16.7%	13.9%	27.8%	20.9%	18.1%
Pilgrim, Baxter & Associates (Mid-Cap Growth) (4)	447.1	19.4	14.3%	6.1%	7.8%	1.6%	20.2%	22.2%	19.6%
Standard & Poor's Mid Cap Index					10.6%	9.0%	18.8%	16.3%	16.4%
Pilgrim, Baxter Small Cap (Small Cap Growth)	169.0	5.3	5.4%	2.3%	6.5%	1.0%	26.5%	29.1%	NA
Provident Stellar Fund (Small Cap Growth)	223.3	NA	7.1%	3.1%	2.2%	-3.5%	20.6%	25.9%	24.5%
Capital Guardian Trust Company (Small Cap Value)	83.6	3.3	2.7%	1.1%	6.9%	2.8%	19.1%	11.3%	NA
Russell 2000 Index					6.5%	2.9%	16.5%	14.0%	16.9%
Total Domestic Equity Portfolio	\$3,129.0	\$47.2	100.0%	42.8%	12.6%	8.4%	23.7%	20.2%	18.3%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The KPERs Equity Benchmark is defined as the S&P 500 Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the stocks of companies engaged in business in South Africa were also excluded.
- (4) The Pilgrim, Baxter Mid Cap five year return reflects both the Mid-Cap and the Small-Cap portfolios prior to 7/1/92, and only the return for the Mid-Cap portfolio after this date.

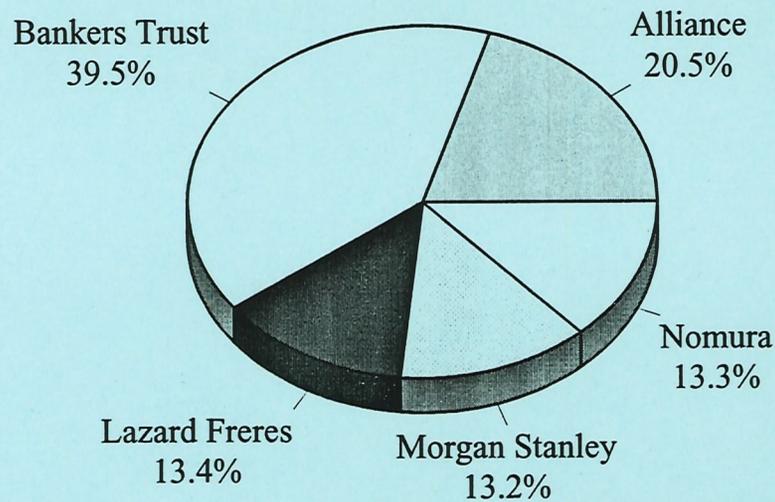
61-1

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

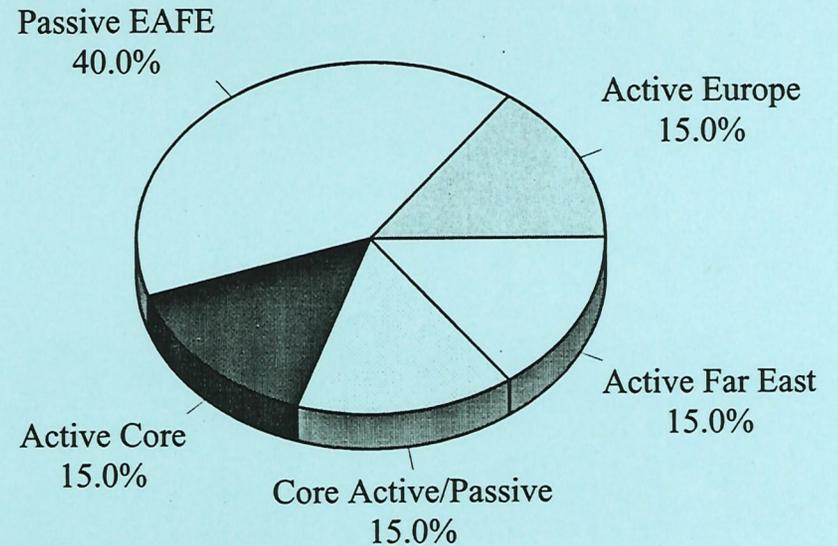
International Equity Diversification By Manager/Style

Total Net Asset Value \$1,044.7 Million as of 11/30/96*

Current Allocation



Target Allocation



Manager	Style
Alliance	Active European
Bankers Trust	Passive EAFE
Lazard Freres	Active Core
Morgan Stanley	Active/Passive Core
Nomura	Active Far East

* The net asset value and the percentages reflect the activity of the currency overlay manager.

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
INTERNATIONAL EQUITY PERFORMANCE REPORT
 January 1997

<u>Investment Advisor/Style</u>	<u>11/30/96 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Lazard Freres Asset Management (Active Core)	\$140.1	\$7.0	13.5%	1.9%	7.6%	4.4%	17.8%	NA	NA
Morgan Stanley Asset Management (Active/Passive Core)	138.2	5.2	13.3%	1.9%	8.4%	3.6%	18.8%	NA	NA
Bankers Trust Company (Passive EAFE)	407.2	0.5	39.2%	5.6%	5.8%	2.9%	13.9%	NA	NA
KPERS International Equity Benchmark (3)					6.0%	3.3%	13.8%	12.7%	8.9%
Nomura Capital Management, Inc. (Active Far East) (4)	139.0	1.4	13.4%	1.9%	2.1%	-5.0%	4.8%	4.9%	5.9%
Pacific Ex-Banking Custom Benchmark (5)					1.7%	-5.0%	3.6%	5.8%	4.9%
MSCI - Pacific Index					1.1%	-6.0%	1.1%	6.2%	5.0%
Alliance Capital Management Corp. (Active European)(4)	214.3	5.0	20.6%	2.9%	8.4%	6.5%	21.9%	19.4%	14.4%
Europe Ex-Banking Custom Benchmark (6)					9.6%	10.8%	23.2%	19.5%	12.8%
MSCI - Europe Index					9.8%	11.6%	22.6%	16.7%	14.4%
Total International Equity Portfolio (7)	\$1,038.8	\$19.1	100.0%	14.2%	7.3%	3.4%	17.6%	12.9%	10.7%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The KPERS International Equity Benchmark is defined as the Morgan Stanley EAFE Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the Benchmark only excluded the stocks of companies engaged in business in South Africa.
- (4) On April 1, 1994, the manager's mandate was changed from an active EAFE mandate to a regional mandate.
- (5) The Pacific Ex-Banking Custom Benchmark is defined as the KPERS International Equity Benchmark prior to April 1, 1994, and the Morgan Stanley Capital International Pacific Ex-Banking Index after April 1, 1994.
- (6) The Europe Ex-Banking Custom Benchmark is defined as the KPERS International Equity Benchmark prior to April 1, 1994, and the Morgan Stanley Capital International Europe Ex-Banking Index after April 1, 1994.
- (7) The performance for the total international equity portfolio includes the currency overlay activities of Pareto Partners.

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
CURRENCY OVERLAY PERFORMANCE REPORT
 January 1997

<u>Investment Advisor/Style</u>	<u>11/30/96 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Bankers Trust with Pareto Partners	\$413.1	\$0.5	NA	5.7%	8.0%	4.5%	19.7%	NA	NA
Bankers Trust	407.2	0.5	NA	5.6%	5.8%	2.9%	13.9%	NA	NA
<hr/>									
Total Currency Overlay Activity (3) (4)	\$5.9	\$0.0	NA	0.1%	2.2%	1.6%	5.8%	NA	NA
<hr/>									
50% Hedged/50% Unhedged Benchmark (5)					1.1%	0.5%	3.1%	NA	NA

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The currency overlay performance is the Bankers Trust with Pareto return, less the return of the Bankers Trust portfolio.
- (4) The Net Asset Value represents the unrealized gain/loss as of the reporting date. In addition, Pareto has realized gains of \$19.4 million.
- (5) The benchmark performance numbers are calculated by Pareto Partners.

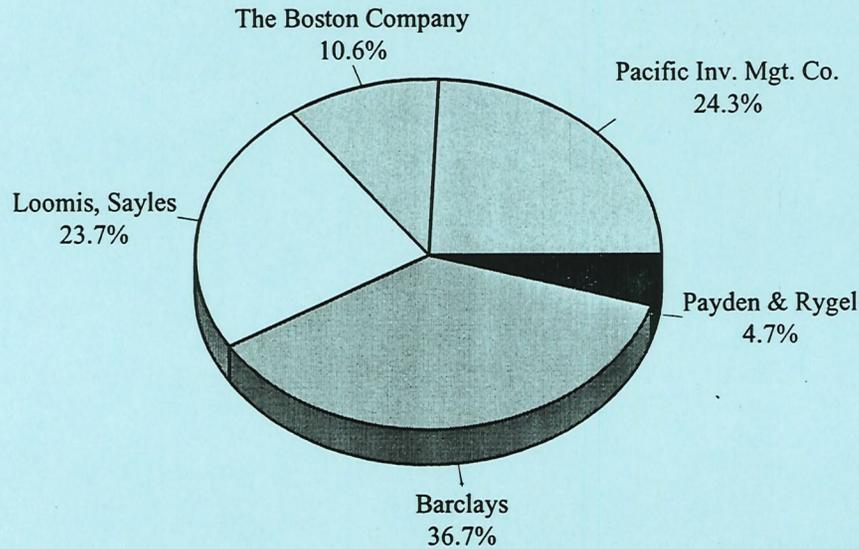
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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

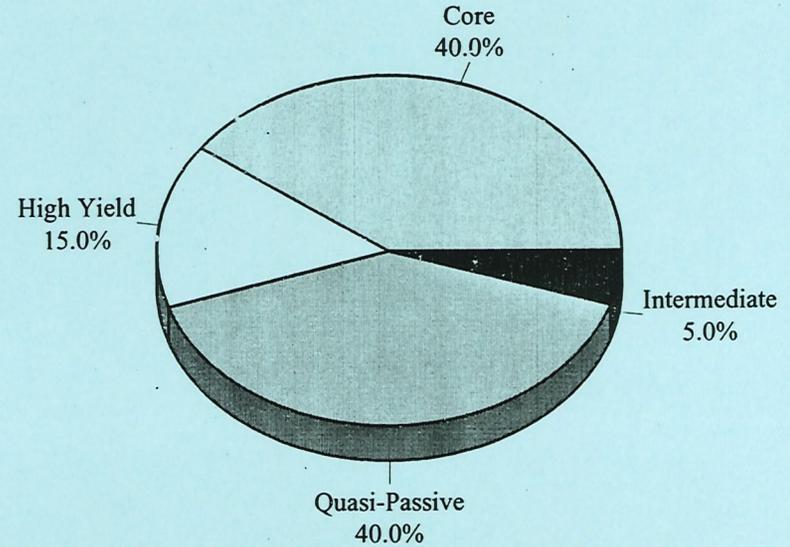
Domestic Fixed Income Diversification By Manager/Style

Total Net Asset Value \$1,616.0 Million as of 11/30/96

Current Allocation



Target Allocation



Manager	Style
Pacific Investment Management Co.	Core
The Boston Company	Core
Loomis, Sayles	High Yield
Barclays	Quasi-Passive
Payden & Rygel	Intermediate

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
DOMESTIC FIXED INCOME PERFORMANCE REPORT

January 1997

<u>Investment Advisor/Style</u>	<u>11/30/96 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Pacific Investment Management Co. (Core)	\$393.1	\$239.1	24.3%	5.4%	7.0%	6.8%	7.1%	7.8%	9.9%
The Boston Company (Core)	171.7	3.0	10.6%	2.4%	5.7%	6.4%	6.0%	NA	NA
Barclays Global Investors (Quasi-Passive)	592.9	0.1	36.7%	8.1%	6.1%	6.2%	6.5%	6.1%	9.4%
Lehman Brothers Aggregate Index					5.8%	5.9%	6.1%	6.6%	7.9%
Loomis. Sayles & Company, Inc. (High Yield)	382.8	3.6	23.7%	5.2%	6.5%	7.4%	8.4%	10.3%	11.7%
Loomis Sayles Customized Benchmark (3)					5.6%	6.5%	9.0%	8.4%	9.7%
Merrill High Yield Bond Index					5.4%	7.2%	12.0%	10.3%	13.3%
Payden & Rygel Investment Counsel (Intermediate)	75.5	0.5	4.7%	1.0%	4.3%	4.7%	4.3%	5.4%	NA
Lehman Brothers Inter. Gov't/Corp. Index					4.5%	4.9%	5.8%	6.0%	7.2%
Total Domestic Fixed Income Portfolio	\$1,616.0	\$246.3	100.0%	22.1%	6.4%	6.6%	6.9%	7.5%	9.8%

NOTES:

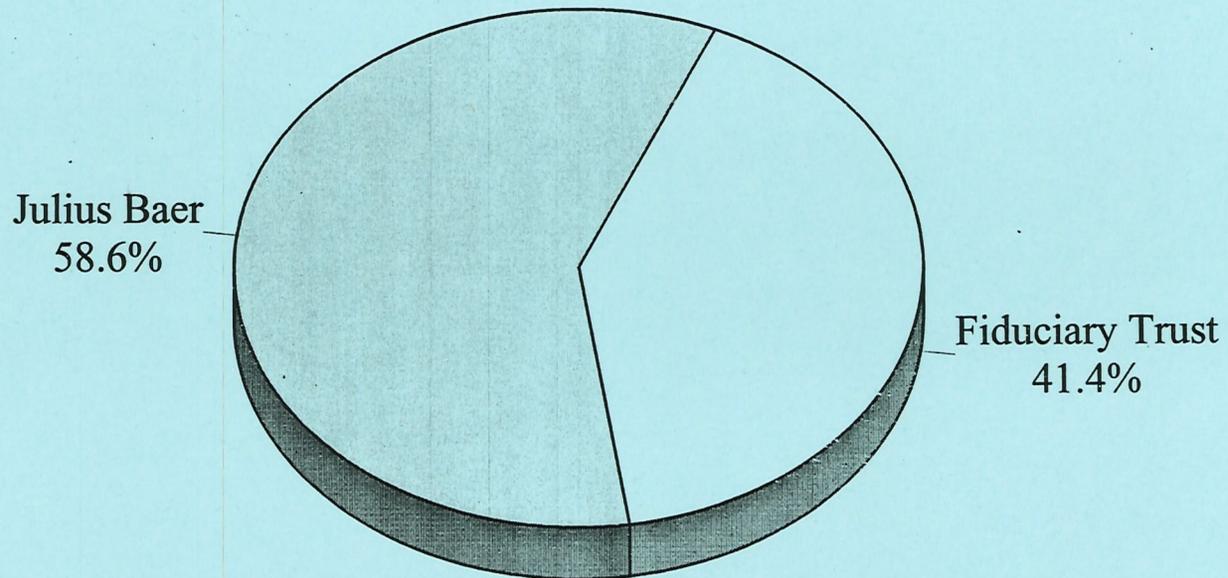
- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
(2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
(3) The Loomis Sayles Customized Benchmark is defined as the Lehman Gov't/Corp. Bond Index through 3/31/93, and a 50% Lehman Aggregate Bond Index/50% Merrill Lynch High Yield Bond Index blend after 3/31/93.

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
International Fixed Income Diversification By Manager

Total Net Asset Value \$759.8 Million as of 11/30/96

Current Allocation



Manager	Style
Julius Baer	Core
Fiduciary Trust	Core

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
INTERNATIONAL FIXED INCOME PERFORMANCE REPORT

January 1997

<u>Investment Advisor/Style</u>	<u>11/30/96 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Julius Baer Investment Management, Inc. (Core)	\$445.4	\$0.0	58.6%	6.1%	4.9%	8.6%	12.8%	12.7%	13.6%
Fiduciary Trust Company International (Core)	314.4	39.0	41.4%	4.3%	3.0%	5.7%	8.1%	NA	NA
Salomon Non-U.S. Government Bond Index					2.7%	6.2%	5.8%	10.3%	11.4%
Total International Fixed Income Portfolio	\$759.8	\$39.0	100.0%	10.4%	4.0%	7.3%	10.7%	11.0%	12.5%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
(2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.

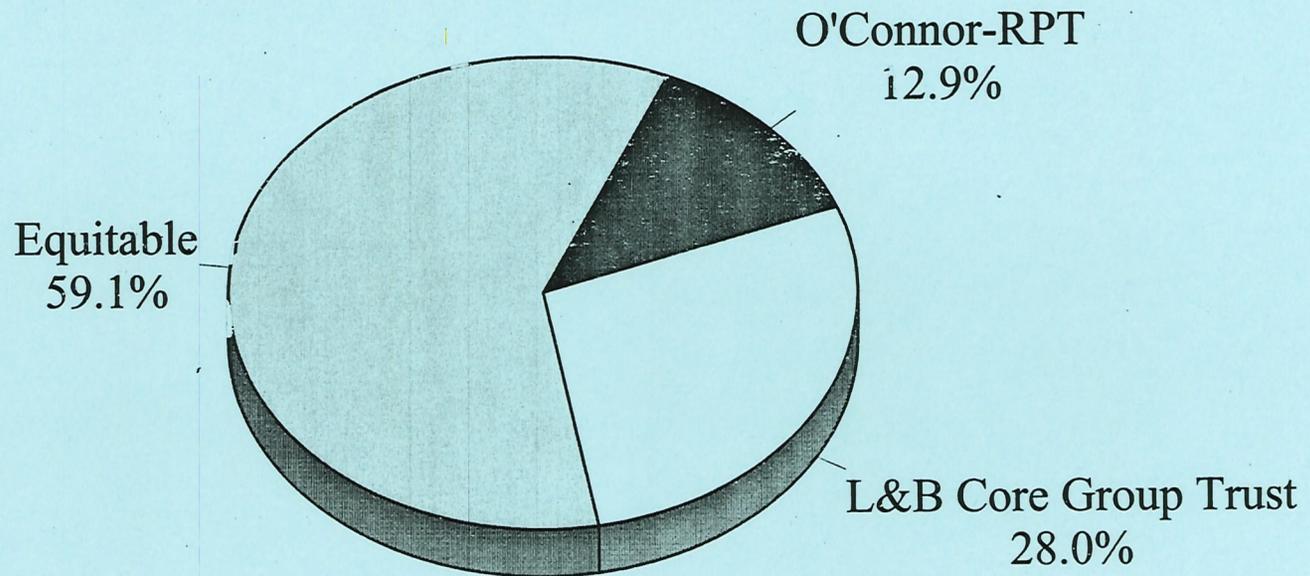
1-26

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Real Estate Diversification By Manager

Total Net Asset Value \$323.1 Million as of 11/30/96

Current Allocation



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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
REAL ESTATE PERFORMANCE REPORT
 January 1997

<u>Investment Advisor/Style</u>	<u>11/30/96 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Equitable Real Estate Investment Management	\$190.9	\$0.0	59.1%	2.6%	2.4%	4.0%	15.4%	3.5%	NA
L & B Core Group Trust	90.6	0.0	28.0%	1.2%	0.9%	1.7%	9.9%	7.5%	4.2%
J.W. O'Connor & Company (3)	41.6	0.0	12.9%	0.6%	1.7%	3.3%	1.1%	2.2%	-4.4%
NCREIF Real Estate Index (4)					2.3%	NA	9.5%	7.2%	2.0%
Total Real Estate Portfolio	\$323.1	\$0.0	100.0%	4.4%	1.9%	3.2%	11.6%	4.3%	0.3%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The J.W. O'Connor returns include the separate account properties (now managed by Equitable) and the Retail Property Trust prior to 1/1/93. After 1/1/93, only the return for RPT is reflected.
- (4) The NCREIF Real Estate Index is updated quarterly. The returns shown are for the period ending 6/30/96.

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ALTERNATIVE INVESTMENTS AND CASH EQUIVALENTS PERFORMANCE REPORT
 January 1997

<u>Investment Advisor/Style</u>	<u>11/30/96 Net Asset Value</u> (millions) (2)	<u>Cash (STIF)</u> (millions)	<u>% of Asset Class</u>	<u>% of Total NAV</u>	<u>Time Weighted Total Return (1)</u>				
					<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
Alternative Investments (3)									
Pacholder/Portfolio Advisors	\$60.7	\$0.0	85.0%	0.8%	-3.3%	-2.3%	9.5%	43.3%	35.5%
Venture Capital Portfolio	10.7	0.0	15.0%	0.1%	-0.6%	-1.0%	13.5%	10.0%	NA
S&P 500 Index + 8%					NA	NA	35.8%	28.9%	26.1%
Total Alternative Investment Portfolio (4)	\$71.4	\$0.0	100.0%	1.0%	-2.9%	-2.1%	10.1%	35.6%	30.9%
Cash Equivalents									
Payden & Rygel Investment Counsel (STIF) (5)	359.4	0.0	100.0%	4.9%	2.6%	3.4%	5.3%	5.9%	6.1%
Merrill Lynch 1-3 Yr. Gov'ts. Index					2.8%	3.6%	5.8%	5.6%	5.9%
Total Cash Equivalents Portfolio (6)	\$359.4	\$12.3	100.0%	4.9%	2.6%	3.3%	5.3%	5.9%	6.0%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) Alternative investment assets are priced at adjusted cost or market value. The values for assets priced at adjusted cost will be updated annually as of June 30. Therefore, total return reflects cash returns on adjusted cost basis, including, gains realized on the sale of assets, as well as the unrealized gain/loss on securities priced at market value. Assets priced at cost recognize realized gains or losses resulting from sales totally in the month of the sale transaction.
- (4) The dollar weighted total returns for the Total Alternative Investment Portfolio are as follows: Latest 12 Months, 11.1%; Latest 3 Years, 36.7%; Latest 5 Years, 30.3%.
- (5) The Payden & Rygel returns reflects both the STIF and STBF portfolios prior to 4/1/93, and only the return for the STIF after this date.
- (6) The Total Cash Equivalents return includes the assets in the real estate and direct placement funding accounts.

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Statement of Revenues and Expenses

Month Ended December 31, 1996

(In Thousands)

Fiscal Year 1997

	Actual		Estimated for Duration of Fiscal Yr	Fiscal Year 1997		
	Current Month	Year- To-Date		Estimated / Actual	Approved Budget	Variance Favorable (Unfavorable)
Operating Revenues						
Contributions	\$ 23,183	\$ 154,874	\$ 147,480	\$ 302,354	\$ 302,354	\$ 0
Employer Insurance	1,900	12,702	12,075	24,777	24,777	0
Realized Investment Income	41,859	338,771	1 224,550	563,321	449,100	114,221
Other	0	25	0	25	0	25
Total Operating Revenues	66,942	506,372	384,105	890,477	776,231	114,246
Benefit Expenses						
Retirement Benefits	31,494	197,540	187,286	384,826	384,826	0
Insurance	2,381	18,193	16,807	35,000	35,000	0
Refunds	3,799	22,096	9,623	31,719	31,719	0
Death Benefits	500	3,211	2,061	5,272	5,272	0
Subtotal of Benefits	38,174	241,040	215,777	456,817	456,817	0
Investment Related Expenses						
Publicly Traded Securities	1,036	6,712	7,019	13,731	12,687	(1,044)
Direct Placement Fees	112	760	672	1,432	2,158	726
Direct Placement Expenses	2	15	35	50	150	100
Real Estate	106	639	734	1,373	1,452	79
Custodial Bank	79	453	472	925	1,071	146
Investment Consultant	15	93	233	326	213	(113)
Litigation	53	601	899	1,500	1,500	0 2
Subtotal of Investment Related Expenses	1,403	9,273	10,064	19,337	19,231	(106)
Administrative Expenses						
Salaries and Wages	226	1,491	1,645	3,136	3,020	(116)
Contractual Services	87	520	841	1,361	1,456	95
Commodities	4	25	45	70	68	(2)
Capital Outlay	1	20	15	35	100	65
Subtotal of Administrative Expenses	318	2,056	2,546	4,602	4,644	42
Total Operating Expenses	39,895	252,369	228,387	480,756	480,692	(64)
Revenues in Excess of Expenses	\$ 27,047	\$ 254,003	\$ 155,718	\$ 409,721	\$ 295,539	\$ 114,182

1 Realized investment income includes interest income, dividends and realized gains on sales of investments. Changes in unrealized investment gain/(loss) for Dec 96 is (\$98,333,012) and \$70,387,415 for the year to date.

2 Payment for legal expenses under provision of inv manager indemnification agreement are not applied against the appropriation limitation.

KPERC

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule of Actual and Projected Administrative Expenses

Month Ended December 31, 1996

	Salaries and Wages	Contractual Services	Commodities	Capital Outlay	Total
Approved Budget	\$ 3,020,285	\$ 1,456,294	\$ 68,302	\$ 99,500	\$ 4,644,381
Actual Expenses					
July	\$ 229,965	\$ 108,526	\$ 2,912	\$ 1,535	\$ 342,938
August	229,844	86,022	6,505	1,353	323,724
September	233,544	70,301	4,014	2,598	310,457
October	228,464	92,505	4,667	12,477	338,113
November	342,972	75,650	3,587	776	422,985
December	226,446	86,864	3,629	438	317,377
Total Actual Expenses	\$ 1,491,235	\$ 519,868	\$ 25,314	\$ 19,177	\$ 2,055,594
Projected Expenses					
January	246,218	140,301	7,534	0	394,053
February	246,280	140,301	7,534	0	394,115
March	247,985	140,301	7,534	0	395,8
April	257,662	140,301	7,534	15,000	420,497
May	389,067	140,301	7,534	0	536,902
June	258,077	139,865	7,535	0	405,477
Total Projected Expenses	1,645,289	841,370	45,205	15,000	2,546,864
Total Projected and Actual	3,136,524	1,361,238	70,519	34,177	4,602,458
Favorable (Unfavorable) Variance	\$ (116,239)	\$ 95,056	\$ (2,217)	\$ 65,323	\$ 41,923

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KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Legal Expenses

Month Ended December 31, 1996

	Fiscal Year 1997					
	Actual		Estimated for Duration of Fiscal Year	Estimated / Actual	Approved Budget	Variance Favorable (Unfavorable)
	Current Month	Year- To-Date				
EXPENSES ASSOCIATED WITH KPERS LITIGATION						
GENERAL COUNSEL						
Barber, Emerson, Springer, Zinn & Murray, L.C.	\$ 2,992	\$ 19,018	\$ 30,982	\$ 50,000	\$ 50,000	\$ 0
EXPENSES FOR RECOVERY OF INVESTMENT LOSSES						
KPERS Litigation Group	40,000	517,375	732,625	1,250,000	1,250,000	0
Document Depository	10,000	64,951	135,049	200,000	200,000	0
EXPENSES FOR KPERS DEFENSE LITIGATION						
Graydon Head & Ritchey (Mycro-Tek litigation)	0	198	0	198	No Limit@	0
Schroer Rice (Mycro-Tek litigation)	0	0	0	0	No Limit@	0
SUBTOTAL	<u>52,992</u>	<u>601,542</u>	<u>898,656</u>	<u>1,500,198</u>	<u>1,500,000</u>	<u>0</u> ²
LEGAL FEES FOR DIRECT PLACEMENT PORTFOLIO						
Pacholder/Portfolio Advisors	2,208	14,441	25,559	40,000	140,000	100,000
SUBTOTAL	<u>2,208</u>	<u>14,441</u>	<u>25,559</u>	<u>40,000</u>	<u>140,000</u>	<u>100,000</u>
TOTAL *	<u>\$ 55,200</u>	<u>\$ 615,984</u>	<u>\$ 924,214</u>	<u>\$ 1,540,198</u>	<u>\$ 1,640,000</u>	<u>\$ 100,000</u>

* The real estate portfolio legal expenses are budgeted and paid at the property level and are netted against the income distributed to the Retirement System

1 Reimbursable expenses of the Kansas Litigation group includes: airfare, lodging, meals, ground transportation, telephone, office supplies, postage, delivery, professional services, and miscellaneous.

2 Payment for legal expenses under provision of inv manager indemnification agreement are not applied against the appropriation limitation.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule of Mercer Investment Consulting, Inc.

Fiscal Year 1997

	Approved Amount	Actual Year-to-Date
Annual Retainer Services:		
Monthly Retainer Fees	\$ 70,000	\$ 35,000
Review of Asset Allocation		
Review of State of Investment Policy		
Attendance at each of the monthly meetings of the Board of Trustees		
Special Project Fees	\$ 50,000	\$ 4,840
Act in a general investment advisory capacity to review and comment on issues		
Subtotal	\$ 120,000	\$ 39,840
Education Sessions		
Fiduciary Responsibilities	\$ 4,500	\$ -
Alternative Investments	\$ 16,000	\$ -
Risk Management	\$ 6,000	\$ 6,000
Benchmarks	\$ 5,000	\$ -
Active vs Passive Management	\$ 5,000	\$ -
How Many Managers too Many	\$ 5,000	\$ -
Strategy for Real Estate Portfolio	\$ 20,000	\$ 20,000
Strategy for Alternative Investments Portfolio	\$ 25,000	\$ -
Comprehensive Review		
Domestic Managers (\$7,000 per manager, 5 managers assumed)	\$ 35,000	\$ -
International Managers (\$10,000 per manager)		
Refinement of Responsibilities of the Board, Investment Staff and Others in the Oversight of the System's Assets		
	\$ 34,000	\$ -
Rate Schedule of Periodic Services to be provided by Mercer as approved by Board of Trustees		
Asset Allocation and Liability Study	\$ 56,000	
Manager Searches		
Domestic/International Equity/Fixed	\$ 17,000	
Specialty (Real Estate, Alternative Investments or Currency)	\$ 26,000	
Custodial Evaluation and Search	\$ 30,000	
(if local firms are added)	\$ 40,000	
Total	\$ 275,500	\$ 65,840

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Schedule of Allowance For Losses on Alternative Investments

As of December 31, 1996

	<u>Original Cost of Investments</u>	<u>Allowance For Losses</u>	<u>Allowance As Percentage of Cost</u>
Separate Account: Real Estate Investments	\$ 319,384,552	\$ 26,200,514	8.2%
Alternative Investments	91,248,175	32,315,113	35.4%
Totals	<u>\$ 410,632,727</u>	<u>\$ 58,515,627</u>	<u>14.3%</u>

KPERS LITIGATION GROUP

STATUS REPORT

AS OF JANUARY 7, 1996

I. Home Savings Investment, Case No. 92-0922-CV-W-9
United States District Court for the Western District of Missouri
Judge D. Brook Bartlett

A. **Date Filed:** June 5, 1991

B. **Current Petition:** Sixth Amended Complaint

C. **Current Defendants:** Reimer & Koger Associates, Inc.; Kenneth H. Koger; Ronald Reimer; Clifford W. Shinski; Brent Messick; Robert Crew; Thomas S. Morgan and Marilyn J. Feingold, as co-executors of the estate of Frank Morgan, deceased; Sherman Dreiseszun; Leland Gerhart; I.I. Ozar; Sebree; Michael K. Russell; Gage & Tucker; KPMG Peat Marwick; Robert Spence; Shook Hardy & Bacon; C. Patrick McLarney, individually and as the representative class of Shook Hardy partners; Blackwell, Sanders, Metheny, Weary & Lombardi, intervenor.

D. **General Status:** All defendants except Russell and Gage & Tucker have answered the sixth amended complaint. Testimonial discovery has been completed, other than expert witness depositions. The Court granted motions for summary judgment on statute of limitations grounds filed by the Reimer & Koger Defendants, the Morgan Defendants, the Shook Hardy Defendants, the Blackwell Sanders Defendants, and the KPMG/Peat Marwick Defendants. The Court has entered final judgment on all orders granting summary judgment. The Court has also entered a permanent injunction preventing KPERS from filing any actions against these defendants involving its investment in Home Savings. KPERS has appealed these orders.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have served and responded to all interrogatories and requests to produce.

2. **Deposition Discovery:** KPERS has taken the following depositions:

John T. Carper	February 28, March 1, and May 24, 1995
Emily G. Cena	April 24, 1995
Stephen P. Clark	May 23, 1995
Robert W. Crew	April 5, 1995
Sherman W. Dreiseszun	June 1-2, 1995
Stephen M. Ege	May 30, 1995
Rita I. Fair	March 28, 1995
Linda Faucett	April 10, 1995
Joseph D. Geneser, Jr.	January 31, and February 1, 1995

Leland R. Gerhart	May 17, June 19-20-21-22-23, 1995
Raymond Gifford	March 23, 1995
Gary D. Gilson	April 14, 1995
James B. Judd	May 23, 1995
Jeffrey A. Koeppel	May 23, 1995
Kenneth H. Koger	April 19-20-21, 1995
Brent Messick	April 18, 1995
Randall Nay	March 21-22, and June 6, 1995
Jennings J. Newcom	May 24, 1995
I.I. Ozar	June 16, 1995
Philip W. Pistilli	May 5, 1995
Ronald Reimer	April 27, 1995
Robbin E. Reynolds	April 3, 1995
Michael K. Russell	March 13, 1995
Danny L. Schick	February 17, 1995
Frank E. Seabee	May 25-26, 1995
Clifford W. Shinski	May 17, 1995
Robert W. Spence	May 25-26, 1995
Kevin K. Sweeney	May 24, 1995
Stephen G. Taylor	February 3, 1995
David Winetraub	February 15, 1995

The Defendants have taken the following depositions:

Mary S. Allen	April 23, 1992
B.B. Anderson	May 15, 1995
Terry K. Andersen	April 24, 1992
Donald Barry	May 25, 1995
Virgil Basgall	October 27, 1994
Jo Diane Boeding	April 24, 1995
Jarold Boettcher	April 24, 1995
Jack H. Brier	May 4, 1995 and June 30, 1995
Louise A. Brock	May 16, 1995
Eliehue Brunson	June 3, 1995
Walter L. Cobler	June 1, 1995
Rebecca Linn Cook	May 22, 1995
Marshall Crowther	December 6-7-8-14-15, 1994 and January 31, February 1-2, 1995
Mont C. Draper	May 11, 1995
Neva Entrikin	May 2, 1995
Joan Finney	May 23, 1995
Larry D. Fleming	May 10, 1995
Harold Goodman	May 3, 1995
Thomas A. Hamill	May 24, 1995

Jack Hawn	October 25, 1994
Thomas Higgins	February 27, and March 1, 1995
Steve Hirsch	May 8, 1995
Richard Hrdlicka	May 1, 1995
Lawrence M. Jones	May 10, 1995
Elizabeth Miller	June 1, 1995
Michael J. O'Leary	June 8, 1995
Ronald D. Peyton	May 30, 1995
Dorothy Rooney	May 2, 1995
Carl Struby	March 20, 1995
Wayne Tate	May 8, 1995
Randy Tongier	October 26, 1994
Meredith Williams	May 17-18-25, and August 31, 1995
Mark L. Youngers	May 10, 1995

Remaining Depositions:

For KPERS: Defendants' experts.

For Defendants: Plaintiff's experts.

F. Recent Developments: On June 27, 1996, KPERS filed a Renewed Motion for Entry of Default Against Defendant Michael Russell. On November 12, 1996, Michael Russell filed Suggestions in Support and Dispositive Motion, and KPERS responded on November 21, 1996. Russell's reply was is due on December 6, 1996.

On August 2, 1996, the Court entered its Order granting the Reimer & Koger Defendants' motion for attorneys' fees and costs for preparing the R&K Defendants' motion for preliminary injunction and presenting oral argument on the motion. Ken Koger filed his affidavit of costs. KPERS filed its objections on September 23, 1996. KPERS contests that R&K is entitled to any fees. However, in the event the Court ultimately decides R&K is entitled to fees, the R&K Defendants and KPERS have agreed to a reasonable amount of fees. The R&K Defendants and KPERS have agreed that no fees will be paid pending the appeal on the injunction. On November 14, 1996, the district court directed the Reimer & Koger Defendants and the Peat Marwick Defendants to show cause in writing, by December 4, 1996, why the court's order awarding fees should not be withdrawn. ~~If defendants fail to respond to the order, the court will schedule briefing and possibly argument on whether attorneys fees and costs should be issued.~~ Defendants filed their responses to the court's order on December 4, 1996.

~~On November 22, 1996, Judge Whipple denied Boatmen's Motion to Intervene as moot.~~

~~—— All defendants, except Michael Russell, have filed bills of costs. The briefing is complete for all bills of costs.~~

~~—— On October 17, 1996, the Clerk of the District Court advised all parties that no action would be taken on any of the bills of costs until final action had been taken on the appeal.~~

G. Related Cases:

1. *KPERS v. Blackwell Sanders*, Case No. 95-0819-CV-W-9, U.S. District Court for the Western District of Missouri.

This case concerns KPERS' investment in Home Savings. KPERS originally filed this action in the Shawnee County Kansas District Court on January 6, 1995. On September 11, 1995, Blackwell Sanders filed a third-party petition against the RTC. The RTC then removed the case to the United States District Court for the Western District of Missouri, where it was assigned to Judge Bartlett.

The district court enjoined KPERS from bringing any actions against Blackwell Sanders involving the Home Savings investment outside the Western District of Missouri. That order was affirmed by the Eighth Circuit Court of Appeals on February 27, 1996.

On July 17, 1996, KPERS filed a Petition for Writ of Certiorari in the Supreme Court of the United States. (For additional details on KPERS' Petition, see item 3, below.) On September 11, 1996, the Blackwell Sanders Defendants filed a proposed Bill of Costs. All briefing on the proposed bill of costs is complete.

2. *KPERS v. Russell, et al.*, Case No. 95-0820-CV-W-9, U.S. District Court for the Western District of Missouri.

This case concerns KPERS' investment in Home Savings. KPERS originally filed this action in the Shawnee County, Kansas District Court on August 23, 1995, against defendants Michael Russell, Reimer & Koger Associates, Inc., Kenneth H. Koger, Ronald Reimer, Clifford, W. Shinski, Brent Messick, Robert Crew, Shook, Hardy & Bacon, and Patrick McLarney, individually and as a representative of all parties who are partners of Shook, Hardy & Bacon. On September 11, 1995, Shook Hardy filed an answer and third-party petition against the Resolution Trust Corporation. The RTC removed the case to the U.S. District Court for the Western District of Missouri, where it was assigned to Judge Bartlett.

The district court enjoined KPERS from bringing any actions against Shook Hardy involving KPERS' investment in Home Savings. That order was affirmed by the United States Court of Appeals for the Eighth Circuit on February 27, 1996. On July 17, 1996, KPERS filed a Petition for Writ of Certiorari with the Supreme Court of the United States. (For additional details on KPERS' Petition, see item No. 3, below.)

On September 10, 1996, the Shook Hardy Defendants filed a Motion for Summary Judgment. On September 25, 1996, KPERS responded to the motion. Shook Hardy filed its reply on October 7, 1996.

3. *KPERS' appeal of the federal district court order enjoining KPERS from bringing any action outside the Western District of Missouri against defendants in the Home Savings case, and contesting the federal court's retention of jurisdiction over the case.*

On July 17, 1996, KPERS filed a Petition for Writ of Certiorari in the Supreme Court of the United States. On September 20, 1996, the R&K Defendants, Shook Hardy Defendants, Blackwell Sanders Defendants, and Peat Marwick filed their briefs in opposition to KPERS' Petition. KPERS' filed its reply on October 11, 1996.

4. *KPERS' appeal of the federal district court order granting summary judgment to the HSA Defendants, Sebree, Shook Hardy Defendants, R&K Defendants, Blackwell Sanders Defendants, and the Peat Marwick Defendants, and the order permanently enjoining KPERS from filing claims in any other court arising out of KPERS' investment in Home Savings (96-3262 WMKC, 96-3317 WMKC and 96-3680WMKC).*

On October 17, 1996, the U.S. Court of Appeals for the Eighth Circuit assigned a docket number to KPERS' appeal of the district court's order of summary judgment entered in favor of the Peat Marwick Defendants, and consolidated the appeal with the pending appeals of the other orders of summary judgment and the injunction. The Court set the following schedule for the consolidated appeal:

October 28, 1996: KPERS must notify the court of the method of Appendix Preparation and file its Designation of the Record and Statement of Issues.

November 6, 1996: Appellees must file their Designation of Record.

November 26, 1996: Transcript Due.

December 6, 1996: Joint Appendix Due.

December 13, 1996: KPERS' Brief Due.

January 14, 1997: Appellees' Briefs Due.

January 21, 1997: KPERS' Reply Brief Due.

~~On November 20, 1996, KPERS filed a Motion for Leave to File Separate Briefs and for Separate Oral Argument on the appeal of the summary judgment entered in favor of the Peat Marwick Defendants. The Peat Marwick Defendants filed their opposition to KPERS' motion on November 22, 1996, and KPERS replied on November 25, 1996. The Eighth Circuit Court of Appeals denied KPERS' motion on November 25, 1996. On November 27, 1996, KPERS filed a Motion for Leave to File an Overlong Brief (80 pages) and for Extension of Time, until December 13, 1996. On December 3, 1996, the court granted KPERS' motion in part, permitting KPERS to file a brief of 70 pages by December 13, 1996. On December 13, 1996, KPERS filed its brief.~~

II. Christopher Steel Investment, Case No. 92 CV 433
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

A. **Date Filed:** March 30, 1992

B. **Current Petition:** Third Amended Petition

C. **Current Defendants:** Peters, Gamm & West, Inc.; Donald S. Peters; Gary L. Gamm; Richard L. West; Ivan West; Bank IV Wichita, National Association; Chuck Henry and Associates, Inc.; Chuck Henry; and Triplett, Woolf & Garretson.

D. **General Status:** All Defendants have answered the Third Amended Petition. Peters, Gamm, West & Vincent, Inc. filed a counterclaim against KPERS. KPERS has answered the First Counterclaim and has moved to dismiss the Second and Third Counterclaims. Testimonial discovery has commenced. No trial dates or other significant deadlines have been set.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have served and responded to numerous written discovery requests.

On September 17, 1996, KPERS served Defendant Richard West with its First Set of Interrogatories and First Request for Production of Documents. West's response was due on October 19, 1996.

On October 22, 1996, KPERS served Bank IV with its Second Request for Production of Documents. Bank IV's response was due on ~~November 25, 1996~~ December 26, 1996. ~~Bank IV has requested an additional 30 days to respond.~~

On November 21, 1996, KPERS served Triplett, Woolf & Garretson with a Second Set of Interrogatories and Third Request for Production of Documents. Triplett Woolf's responses were due on December 23, 1996.

~~On November 27, 1996, KPERS served its Supplemental Answers to PCVA Defendants' First Interrogatories to KPERS.~~

2. **Deposition Discovery:** KPERS has taken the following depositions:

Boyd Bartusch	July 17-18-19, 1995
Randy Brehm	July 20-21, 1994
R.M. Briley	October 4, 1995

James Colgan	July 19, 1994
Spencer Depew	July 30, 1993 and February 7, 1995
Gary L. Gamm	October 5, 1995
Kenneth Griggs	July 20-21, 1993
Jordan L. Haines	May 8, 1995
Ronald H. Harnden	May 31, 1995
Chuck Henry	April 11-12-13-14-15, 1994
L.L. Lessig	August 26-27, 1996
Richard J. McDonald	May 10, 1995
David Nesbitt	May 3-4, 1995
James Oliver	May 9, 1995
Tad Patton	May 30, 1995
Donald S. Peters	May 2, 1995
Randy Rathbun	February 16, 1995
Charles A. Short	February 28, 1995 and March 1, 1995
Paul Stephenson	April 26-27-28-29, 1994
Brad Stout	September 4, 1996
Sheila Thomas	April 25, 1994
Thomas Triplett	September 2, 1993 and June 12-13, 1995
Charles Trombold	February 6, 1995
Michael Wegeng	July 21-22, 1994
Ivan M. West	May 10, 1995
Richard L. West	October 10-11, 1995, January 8-9, 1996 and April 1-3, 1996
John Woolf	September 4, 1996

The Defendants have taken the following depositions:

Virgil Basgall	May 10, 1994
Teresa Collett	July 1, 1996
Mont C. Draper	October 19, 1995 and April 17, 1996
Larry Fleming	April 17, 1996
Monroe Freedman	June 3-4, 1996
Harold M. Goodman	May 11, 1994
Thomas Hamill	May 1, 1996
John Jaedicke	January 24-25-26-27-28, 1994; February 14-15-16, 1994; and March 9-10, 1994
Timothy W. Mitchell	March 28, 1995
Jay Swanson	March 21-22, 1994
Randy Tongier	August 5 and 31, 1994
George Voorhees, Jr.	February 2-3, 1996
Mark L. Youngers	May 13, 1994

Remaining Depositions:

For KPERS: Defendants' experts:

Geoffrey C. Hazard, Jr.	January 16, 1997
Jack Focht	January 28, 1997
Philip L. Bowman	February 27, 1997

For Defendants: ~~Defendants have scheduled the following depositions:~~ Defendants have postponed the following previously scheduled depositions:

Wayne Tate	February 4, 1997
Eliehue Brunson	February 7, 1997
Neva Entriken	February 13, 1997
Marshall Crowther	February 14-15, 1997

No new deposition dates have been set.

Defendants have indefinitely postponed the deposition of A.R. Lautenbach (KPERS' expert on steel fabrication and project bidding) previously scheduled for November 25, 1996 in Nashville, Tennessee. KPERS' remaining experts are not yet scheduled. Defendants have also identified the following witnesses for deposition, but no dates have been scheduled:

Larry Jones	Meredith Williams
Frank Gaines	Donald Barry
Michael Russell	Curtis Jensen
Richard Hrdlicka	Richard Spence
Elizabeth Miller	August Bogina
Tim Mitchell	Ken Koger
Terry Marlin	Hein Poulos
Ron Peyton	John Carlin
Ron Reimer	

F. Recent Developments: Each of the defendants have filed a motion to strike KPERS' fiduciary and investment standards experts. The motions are fully briefed. No hearing has been set on these motions.

On October 3, 1996, KPERS filed its Answer to PGW's First Counterclaim and its Motion to Dismiss PGW's Second and Third Counterclaims. PGW's response was due October 28, 1996.

III. Affinity Investment, Case No. 92 CV 433A
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

A. **Date Filed:** March 30, 1992

B. **Current Petition:** Second Amended Petition

C. **Current Defendants:** Robert D. Ward; White Eagle Investments; Carol Ward; Soft-Tek International, Inc.; Peters, Gamm & West, Inc.; Donald S. Peters; Gary L. Gamm; Richard L. West; Ivan West; Hershberger, Patterson, Jones & Roth; Fran Jabara

D. **General Status:** All Defendants answered the second amended petition. ~~All discovery is to be completed by October 1, 1996.~~ No trial dates or other significant deadlines have been set.

E. **Status of Discovery:**

1 **Written Discovery:** The parties have exchanged an initial round of written discovery. On October 21, 1996, Hershberger Patterson served KPERS with a second set of interrogatories. KPERS responded on November 22, 1996.

2. **Deposition Discovery:** KPERS has taken the following depositions:

Mike Christianson	August 19, 1996
Gary Gibbs	August 15, 1996
Ron Harnden	March 5, 1996
Fran Jabara	November 17, 1994
Stephen J. Jones	November 9, 1994
John Leiter	August 14, 1996
Jack S. McInteer	September 17, 1996
Michael J. Mildfelt	August 25, 1994
Tad Patton	October 24, 1994 and March 5, 1996
Brian Sullivan	July 13, 1994
Carol A. Ward	August 24, 1994
Robert Ward	April 23, 24 & 25; June 18-19, 1996
Richard L. West	January 20, 1994
Victor J. Wheeler	August 26, 1994

Defendants have taken the following depositions:

Virgil Basgall	May 10, 1994
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Mont C. Draper	October 19, 1995 and April 17, 1996
Larry Fleming	April 17, 1996
Harold M. Goodman	May 11, 1994
Thomas Hamill	May 1, 1996
Timothy W. Mitchell	March 28, 1995
Mark L. Youngers	May 13, 1994

Remaining Depositions:

For KPERS: KPERS will depose the following witnesses:

Dwayne Broddle	January 6, 1997
Lon Yourdan	January 7, 1997
Richard West	January 13 and 14, 1997

KPERS will also depose the following witnesses, but has not yet scheduled the dates:

Richard Grieve	Larry Pape
Ned Irons	Richard Christiansen
Mario Montana	Judith Hancock
Gerald Troy	Amy Wohl

For Defendants: ~~Defendants have scheduled the following depositions:~~ Defendants have postponed the following previously scheduled depositions:

Eliehue Brunson	February 7, 1997
Neva Entriiken	February 13, 1997
Marshall Crowther	February 14-15, 1997

No new deposition dates have been set.

Defendants have also identified the following witnesses as potential deponents:

Tim Mitchell	John Cencioso
Richard Spence	Mike Christianson
Dwayne Broddle	Jamie Clark
Stan Brennon	Jack Deboer
Dick Grieve	Joan Finney
Judy Hancock	Frank Gaines
Don Hartig	Clyde Graeber
David Jabara	Dave Kerr

Fran Jabara	Don Rezac
Steve Jones	Randy Tongier
Jack McInteer	Winton Winter
Mario Montana	Terry Marlin
Larry Pape	Deanne Vieux
Gerald Troy	J. V. Lentell
Jean Walker	Mike Midfelt
Robert Ward	Gary Gamm
Vick Wheeler	David Nesbitt
Jerry Anderson	Don Peters
Robert Derstein	Janice Rupert
B.B. Anderson	Dick West
John Armstrong	Ivan West
Donald Barry	Lon Yourdon
Virgil Basgall	Ron Christy
Jo Diane Boeding	Larry Coons
Jarold Boettcher	Loki Efaw
Jack Brier	Darrel Fergersun
Louise Brock	Gary Gibbs
Walter Cobler	Ron Harnden
Randy Johnson	Steve Harper
Ken Koger	Ned Irons
Jarold Goodman	August Bogina
Jim Linfield	Ray Kinlaw
Jack Hawn	Meredith Williams
John Leiter	Paul Myers
Tim Mitchell	Jay Newcom
Steve Hirsch	Mark Youngers
Richard Hrdlicka	Larry Jones
Phil Martin	Ron Peyton
Elizabeth Miller	Ron Reimer
Dorothy Rooney	Richard Spence
Mike Russell	Amy Wohl
Marjory Sharp	T. Lusk Wands
Tad Patton	John Carlin

F. **Recent Developments:** ~~The parties have agreed to a proposed scheduling order and will file a joint motion to amend the existing scheduling order with the court.~~ On December 9, 1996, the parties filed a Joint Motion to Modify the Scheduling Order and Request for a Status Conference. The parties have agreed to the following schedule:

The parties have agreed to postpone both expert discovery and depositions of witnesses outside the Kansas City/Topeka/Wichita areas until after the

Supreme Court has issued its ruling in the pending Jabara appeal.

The parties agree that depositions of local witnesses and written discovery may proceed during the pendency of the appeal. The parties also agree to complete the depositions for all local witnesses by January 15, 1997.

All fact discovery shall be completed within 90 days after the date the Supreme Court issues an opinion in the pending interlocutory appeal.

Plaintiff shall designate its expert witnesses and submit expert reports within 60 days of the completion of fact discovery.

Defendants shall designate their expert witnesses and submit expert reports within 90 days after plaintiff has designated and submitted expert reports.

Rebuttal expert reports from previously designated experts shall be submitted within 30 days after defendant experts are disclosed.

All expert discovery shall be completed within 60 days of the date of the last submission of expert reports.

On December 6, 1996, the Hershberger Defendants filed a Motion for Determination of Retention of Expert, asking the court for an order allowing them to use Terry J. Kimes of Mize Hauser as a consultant and possibly an expert in this case. On December 26, 1996, KPERS filed its opposition to the motion, and asked the court to disqualify Terry Kimes. The Hershberger Defendants have until January 20, 1997 to respond to KPERS' motion to disqualify.

G. Related Cases:

1. *Jabara's appeal of judgment on statute of limitations defense.*

On April 12, 1996, defendant Fran Jabara filed an Application for Permission to Appeal the trial court's judgment on the statute of limitations defense to the Kansas Court of Appeals. The case was transferred to the Supreme Court, which granted the Application for Leave to Appeal.

The appeal has been fully briefed, but oral argument has not been scheduled.

IV. Sharoff Food Service Investment, Case No. 92 CV 805
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

A. **Date Filed:** June 16, 1992

B. **Current Petition:** First Amended Petition

C. **Current Defendants:** Cohen, Brame & Smith, P. C.; Roger C. Cohen; Reimer & Koger Associates, Inc.; Kenneth H. Koger; Edward B. Hart; Brent A. Messick; Gage & Tucker, Kutak, Rock & Campbell.

D. **General Status:** All defendants have answered the first amended petition and testimonial discovery has commenced. No trial dates or other significant deadlines have been set.

E. **State of Discovery:**

1. **Written Discovery:** The parties have served and responded to interrogatories and requests for production of documents.

2. **Deposition Discovery:** KPERS has taken the following depositions:

Harold Cohen	September 13-14, 1993
Leah Cohen	September 13, 1993
Linda Faucett	December 9, 1993
Garry Fox	February 16, 1993
Lisa Guinn	December 3, 1993
Robert Hottman	December 2, 1993
Lynn Jeffries	December 1, 1993
Michelle Keist	November 30, 1993
Charlotte Padilla	December 3, 1993
Frank Schneider	December 2, 1993
Tom Sullivan	January 25, 1993
Michael Wadhams	September 17, 1993

The Defendants have taken the following depositions:

Virgil Basgall	October 14, 1993
Jack H. Brier	June 16, 1994
John Carlin	October 12, 1993
Matthew Diana	April 26, 1994
Dan Edberg	April 25, 1994
Janice Finney	April 26, 1994

Frank Gaines	October 22, 1993
Harold M. Goodman	June 24, 1994
Leonard Hierath	April 25, 1994
Donald Kauffman	April 25, 1994
David Kerr	October 19, 1993
Donald Rezac	October 18, 1993
Mark L. Youngers	October 20, 1993

Remaining Depositions:

The parties have jointly identified the following witnesses, but no dates have been scheduled:

Garry J. Fox	Kenneth Koger
Edward B. Hart	Brent A. Messick
Leighton Aronson	John C. Morgan
Roger C. Cohen	Stephen B. Searls
Joseph A Witt	Jeffrey R. Davine
Sharon L. Hawke	Robert Casagrande
William T. Stevenson	Philip McCollum
Glenn Grimsley	Anthony Pizzo
Rebecca Willis	Brenda Stevenson Rippee
Ronald Lehman	George Voorhees
Delores Kopel	Kevin Kudney

F. **Recent Developments:** No recent developments.

G. **Related Cases:**

1. *Gage & Tucker appeal of judgments relating to the settlement between KPERS and Gage & Tucker.*

This appeal has been fully briefed by all parties and was argued before the Kansas Supreme Court on May 29, 1996. On December 6, 1996, the Supreme Court reversed Judge Theis' ruling concerning the application of K.S.A. 74-4904a (the settlement statute). The Supreme Court held that the statute applied to non-contractual claims of indemnity, including indemnity from active passive tortfeasors, and indemnity based on principles of vicarious liability. The Court also held the statute was constitutional.

2. *KPERS v. Fox, Adversary No. 92-2117 CEM, District of Colorado.*

KPERS filed this case as an adversary proceeding against Garry J. Fox in District of Colorado bankruptcy court on September 4, 1992. Fox has

answered the Complaint and KPERS has served its first set of written discovery on him. This case has been ordered stayed and administratively closed pending resolution of the Kansas Sharoff case, Case No. 92-CV-805.

3. *Appeal of Entry of Judgment on Statute of Limitations Defense.*

The appeal has been fully briefed, but oral argument has not been scheduled.

V. Hydrogen Energy Investment, Case No. 92 CV 923
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

A. **Date Filed:** July 9, 1992

B. **Current Petition:** Third Amended Petition

C. **Current Defendants:** Richard Byrd; Donald Clark; Larry Cory; S. Wayne Floyd; Jean Noel, Jr.; Douglas Westerhaus; Reimer & Koger Associates, Inc.; Kenneth H. Koger; Brent A. Messick; Lewis Rice & Fingersh Defendants; Shook, Hardy & Bacon Defendants; Watson, Ess, Marshall & Enggas Defendants

D. **General Status:** All of the recently added defendants have answered the third amended petition. Testimonial discovery has commenced. No trial dates or other significant deadlines have been set.

E. **Status of Discovery:**

1. **Written Discovery:** Defendants Watson & Marshall, Lewis Rice & Fingersh, and Shook, Hardy & Bacon have all responded to KPERS' preliminary discovery requests.

On December 29, 1995, KPERS served contention interrogatories and a second request for production on all defendants. All defendants have responded except Defendants Byrd, Clark, Cory, Floyd and Westerhaus, who have requested an extension of time to respond to the interrogatories.

~~On August 20, 1996, KPERS served its Third Set of Interrogatories on defendant Reimer & Koger Associates, Inc. and Kenneth Koger. Defendants responded on November 22, 1996.~~

On November 27, 1996, the Lewis Rice & Fingersh Defendants served a Second Set of Interrogatories on KPERS. KPERS' response is due on ~~December 30, 1996.~~ January 10, 1997.

2. **Deposition Discovery:** KPERS has taken the following depositions:

Susan Culpepper	November 17, 1993
Edwin Goebel	November 16, 1993
Bruce Moorman	January 19, 1994
Jean Noel, Jr.	November 12, 1993
H. Boone Porter	March 14, 1994
Michael Termini	November 19, 1993

Edward Zeller	November 11, 1993
John Sopinski	November 20, 1996
Dennis P. Huffman	November 20, 1996

The Defendants have taken the following depositions:

Allan Foster	December 13, 1993
Jack Hawn	April 21, 1994 and June 14, 1994
Elizabeth Miller	January 28, 1993
Murlene Priest	December 13, 1993
Meredith Williams	January 27, 1993

Remaining Depositions:

For KPERS: KPERS plans to take the following deposition:

Kenneth Koger February 24 and 25, 1997

Plaintiff intends to take the depositions of H. Boone Porter, Jay Jennings Newcom, Emily Geilker Cena, Dwayne McCune, Brent Messick, Julie Turner and Robert E. Fitzgerald, but has not yet scheduled dates.

For Defendants: Although the Reimer & Koger defendants have identified all former KPERS Trustees as potential deponents, defendants have not scheduled any depositions.

F. Recent Developments: The parties are actively conducting discovery.

G. Related Case:

1. *Appeal of Judgment on Statute of Limitations Defense.*

On May 28, 1996, the case was transferred to the Supreme Court of the State of Kansas. On May 30, 1996, the Supreme Court granted the Application for Leave to Appeal.

The appeal has been fully briefed, but oral argument has not been scheduled.

VI. CTP-IV Investment, Case No. 93 CV 375
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

A. **Date Filed:** April 2, 1993

B. **Current Petition:** First Amended Petition; Cross-Claim; Third-Party Petition.

C. **Current Defendants:** Callan Associates, Inc.; Ronald D. Peyton; Reimer & Koger Associates, Inc.; Kenneth Koger; and Peters, Gamm, West & Vincent, Inc., Third-Party Defendants.

D. **General Status:** All defendants have answered the KPERS petition and written discovery has commenced. No trial date or other significant deadlines have been set.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have exchanged an initial round of written discovery.

2. **Deposition Discovery:** KPERS has taken the following depositions:

Ed Callan	April 9, 1996
Ron Peyton	April 10, 1996, July 17, 1996 and October 21, 1996
Gerald Marxman	April 12, 1996
Francis Kocsis	April 12, 1996
Boone Porter	May 22, 1996
Kenneth Koger	November 5 and 6, 1996

KPERS plans to take the following depositions:

Jack Fingersh	Not yet scheduled
Kenneth Koger	January 29-30 30-31, 1997 (continuation)
<u>Michael Russell</u>	<u>Not yet scheduled</u>

At this time, defendants have not identified any depositions they wish to take.

F. **Recent Developments:** The parties are actively conducting discovery.

On December 18, 1996, the KPERS Board accepted a settlement offer made by the Callan Defendants. Those settlement documents should be completed in January, 1997, and the Callan Defendants will be dismissed if the settlement is thereafter approved by the Court.

VII. Emblem Graphics Investment, Case No. 93 CV 389
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

A. **Date Filed:** April 7, 1993

B. **Current Petition:** Petition

C. **Current Defendants:** Michael K. Russell; Frank L. Victor; George K. Baum & Company; George Kenneth Baum; William D. Thomas; Linde, Thomson, Langworthy, Kohn and Van Dyke, P.C.; Thomas W. Van Dyke; Blackwell, Sanders, Matheny, Weary & Lombardi; Reimer & Koger Associates, Inc.; Kenneth H. Koger.

D. **General Status:** All defendants have answered the petition and testimonial discovery has commenced. Written discovery, without leave of court, has been cut off. No trial date has been set.

E. **Status of Discovery:** ~~Close of fact discovery is set for October 16, 1996, however, several defendants have filed motions to extend fact discovery. The cut-off for fact discovery was October 16, 1996, however, several defendants have filed motions to extend discovery. KPERS has opposed these motions. The parties have agreed to defer certain depositions pending the Court's ruling on KPERS' motion to strike (see below, Recent Developments).~~

1. **Written Discovery:** All interrogatories and requests for production of documents have been responded to by both sides.

2. **Deposition Discovery:** KPERS has taken the following depositions:

George K. Baum	July 10, 1995
John Brungardt	September 21, 1995
Randy Buseman	September 19, 1995
Charles Connely	May 24, 1995
S. Lee Hancock	July 14, 1995
Jerry Lee Haney	June 7, 1995
John Hawley	January 19, 1996
Jill Hough	September 18, 1995
Ken Koger	December 14, 1995
Kathryn Mendicki	September 18, 1995
Brent Messick	January 18, 1996
Tom Olofson	April 17-18, 1995
Jim Olson	June 28, 1995
Joel Pelofsky	April 28, 1995
Larry Redler	September 10, 1996

Michael Russell	May 22, 1995
Jane Stafford	August 16, 1996
William Thomas	July 11, 1995
James Clark Tilden	June 21, 1995
Thomas W. Van Dyke	June 22, 1995
Frank L. Victor	April 25, 1995
Dan Weary	October 5, 1995
Wayne Weber	August 22, 1995
Lorna Wright	June 20, 1995

The Defendants have taken the following depositions:

Jerry Anderson	June 14, 1995
John Bailey	September 7, 1995
Virgil Basgall	November 9, 1995
Louise Brock	October 2, 1995
Eliehue Brunson	November 10, 1995
John Carlin	October 6, 1995
Marshall Crowther	October 12, 1995
Mont C. Draper	October 19, 1995
Neva Entrikin	September 25, 1995
Joan Finney	September 26, 1995
Harold Goodman	October 8, 1996
Larry Fleming	June 25, 1996
Thomas Hamill	November 10, 1995
Jack Hawn	October 10, 1995
Richard Hrdlicka	October 27, 1995
Elizabeth Miller	October 4, 1995
Garret David Smith	September 6, 1995
Wayne Tate	October 20, 1995
Mark Youngers	August 30, 1996

Remaining Depositions:

For KPERS:

~~Dennis O'Hara~~ ————— Not Yet Scheduled
 Defendants' experts to be identified.

For Defendants: Identified but not scheduled, subject to the Court's ruling on KPERS' motion to strike:

Bill Morgan	Not Yet Scheduled
Meredith Williams	Not Yet Scheduled

~~Plaintiff's experts to be identified~~

F. Recent Developments: On September 24, 1996, KPERS filed a motion to strike the offset defense asserted by Blackwell Sanders Defendants and Frank Victor. The Reimer & Koger Defendants and Baum Defendants responded to KPERS' Motion to Strike on October 28, 1996. Blackwell Sanders sought an extension of time to respond to the motion, and filed a response on October 30, 1996. By agreement, any remaining defendants had until November 22, 1996 to file a memorandum in opposition to KPERS' Motion to Strike. No additional memoranda were filed. KPERS' reply is due on ~~December 23, 1996~~ January 22, 1997.

The Baum Defendants, Linde Thomson Defendants and Blackwell Sanders Defendants filed motions to extend the close of fact discovery on October 16, October 21, and October 22, 1996, respectively. KPERS' responded to these motions on November 1, 1996. The Baum Defendants and Blackwell Sanders Defendants filed reply suggestions on November 18 and 19, 1996, respectively. KPERS filed a Motion for Leave to File a Sur-Reply on December 6, 1996.

On October 21, 1996, KPERS filed a Motion for Partial Summary Judgment on Liability Against All Defendants Under Counts II and IV. On ~~November 23, 1996~~, December 20, 1996, the parties filed an Amended Motion for Entry of Agreed Briefing Schedule. The Court and the parties have agreed to the following schedule:

Memorandum in Opposition to KPERS Motion for Partial Summary Judgment shall be due on ~~December 23, 1996~~ January 22, 1997.

KPERS' Reply in Support of Motion for Partial Summary Judgment shall be due on ~~January 31, 1997~~ February 21, 1997.

F. Related Case:

1. *Appeal of Judgment on Statute of Limitations Defense.*

On May 28, 1996, the case was transferred to the Supreme Court of the State of Kansas. On May 30, 1996, the Supreme Court granted the Application for Leave to Appeal.

~~On October 29, 1996, the Linde Thomson Defendants filed a Motion to Exceed the Page Limit and for Extension of Time. On November 12,~~

~~1996, the motion was granted.~~

The appeal has been fully briefed, but oral argument has not been scheduled.

VIII. Tallgrass Investment, Case No. 93 CV 588
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

- A. **Date Filed:** May 20, 1993
- B. **Current Petition:** Petition
- C. **Current Defendants:** Reimer & Koger Associates, Inc.; Kenneth H. Koger; Brent A. Messick
- D. **General Status:** All defendants have answered the petition and written discovery has commenced. Fact depositions are to be completed by May 1, 1996, expert discovery is to be completed by September 1, 1996, and dispositive motions are to be filed by June 15, 1996. No trial dates or other significant deadlines have been set.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have served and responded to interrogatories and requests for production.

On August 20, 1996, KPERS served its Second Set of Interrogatories on Reimer & Koger Associates, Inc., Kenneth Koger and Brent Messick. ~~Defendants responses were due on September 19, 1996. KPERS agreed to an extension of time to respond until November 18, 1996~~ January 6, 1997. Defendants responded on January 6, 1997.

2. **Deposition Discovery:** No depositions have been taken in this case.

Remaining Depositions: KPERS plans to take the following deposition:

Ken Koger April 24-25, 1997

The parties have also identified the following witnesses to be deposed, but none have been scheduled:

David Allen	Steve Volk
Lawrence Chapman	Jack Morgan
Emmett Johnson	Tom Higgins
John Morgan	Richard Ford
Ernest Wassman	Ken Koger
Brent Messick	Rick Henderson

Kent Jennings	Ray Baumgardner
Gary Bosnak	Tom Brandtanner
Keith Summers	Willie Snyder
Jim Worrell	Pat Yulich
John Areher	Paul Clendering
Mark Friedlander	Jim Faroque
Bob Fitzgerald	John Creamer
Richard Lovienae	Marshall Crowther
Ron Peyton	Mike O'Leary
Trustees	Other KPERS Staff
Former government officials	

F. Recent Developments: The parties are negotiating a scheduling order to establish new discovery deadlines.

G. Related Cases:

1. *Gage & Tucker appeal of judgments relating to the settlement between KPERS and Gage & Tucker.*

The appeal has been fully briefed by all parties and oral argument was presented to the Kansas Supreme Court on May 29, 1996. On December 6, 1996, the Supreme Court reversed Judge Theis' ruling concerning the application of K.S.A. 74-4904a (the settlement statute). The Supreme Court held that the statute applied to non-contractual claims of indemnity, including indemnity from active passive tortfeasors, and indemnity based on principles of vicarious liability. The Court also held the statute was constitutional.

2. *Reimer & Koger appeal of summary judgment dismissing Reimer & Koger's Cross-Claim against Gage & Tucker.*

This case has been fully briefed and was transferred to the Kansas Supreme Court. Oral argument was presented on October 21, 1996.

On December 18, 1996, in light of the Court's recent decision regarding the settlement statute, the Court issued an order allowing the parties until January 7, 1997 to submit additional argument in the form of briefs.

3. *Appeal of Motion for Summary Judgment on Statute of Limitations Defense.*

On May 28, 1996, the case was transferred to the Supreme Court of

the State of Kansas. On May 30, 1996, the Supreme Court granted the Application for Leave to Appeal.

The appeal has been fully briefed, but oral argument has not been scheduled.

IX. Mobile Traveler Investment, Case No. 93 CV 787
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

A. **Date Filed:** July 7, 1993

B. **Current Petition:** Petition and Counterclaim

C. **Current Defendants:** Reimer & Koger Associates, Inc.; Christopher Diebel; Kenneth H. Koger; Linde, Thomson, Langworthy, Kohu and Van Dyke, P.C.

D. **General Status:** All defendants have answered the petition. Written discovery has commenced. The parties have agreed to the following deadlines:

September 1, 1996 - the parties will simultaneously exchange preliminary fact witness and exhibit lists.

February 1, 1997 - depositions of all fact witnesses, including business record depositions, will be concluded.

February 15, 1997 - KPERS will identify its expert witnesses.

March 15, 1997 - defendants will identify their expert witnesses.

April 15, 1997 - all expert witness depositions will be concluded.

May 15, 1997 - all dispositive motions will be filed.

E. **Status of Discovery:**

1. **Written Discovery:** The parties have served and responded to all interrogatories and requests for production.

2. **Deposition Discovery:** No depositions have been taken to date. KPERS filed a Notice to Take Deposition Duces Tecum of American Home Assurance Company on November 19, 1996. The Linde Thomson Defendants filed a Motion to Quash the subpoena Duces Tecum. ~~KPERS has filed a motion for additional time, until December 20, 1996, to respond to the motion.~~ On December 20, 1996, KPERS responded to the motion and on January 2, 1997, the Linde Thomson Defendants filed a reply to KPERS' response.

Remaining Depositions:

For KPERS: KPERS plans to take the following deposition:

Ken Koger March 25-26, 1997

KPERS has also identified the following depositions which have not yet been scheduled:

Norman Allen
Arnold Gfeller & Co. employees
Former Linde Thomson partners and associates
Central National Bank of Junction City officers and employees
Victor A. Davis
Terry Matlack
Robert C. Munsen
George K. Baum officers and employees
Glass & Associates officers and employees
Former Mobile Traveler officers and employees
E. C. Rolfs
H. G. Webb
Former employees of Zimmer Corporation

For Defendants: Defendants have not identified any depositions they propose to take.

F. Recent Developments: On June 10, 1996, KPERS filed a Motion for Summary Judgment on Reimer & Koger's Counterclaim against KPERS. The motion has been fully briefed and is ready for oral argument.

On September 9, 1996, R&K also filed a motion for reconsideration of Judge Theis' Order sustaining KPERS' motion for a protective order preventing the deposition of Jack Hawn. On September 20, 1996, KPERS filed its response. No hearing has been scheduled.

On October 3, 1996, KPERS filed three motions to compel discovery from the R&K Defendants, Linde Thomson Defendants, and Defendant Ken Koger. The R&K Defendants responded on November 1, 1996, and the Linde Thomson Defendants responded on November 27, 1996.

X. Peat, Marwick, Mitchell & Co., Case No. 95CV937
Third Judicial District Court of Shawnee County, Kansas, Division 5
Judge James M. MacNish

A. **Date Filed:** August 23, 1995.

B. **Current Petition:** Petition

C. **Current Defendants:** Peat, Marwick, Mitchell & Co., and KPMG Peat Marwick.

D. **Status:** No Answers have been filed to the petition. KPERS has been enjoined from proceeding in this action by virtue of Judge Bartlett's order entered in KPERS v. Reimer & Koger, et. al., 92-0922-CV-W-9. This order was affirmed by the Eighth Circuit Court of Appeals on February 27, 1996. KPERS' petition for rehearing was denied on April 18, 1996.

XI. KPERS v. Boatmen's First National Bank of Kansas City, Case No. 96-4018-DES, United States District Court for the District of Kansas, Topeka, Kansas Senior Judge Dale E. Saffels

A. **Date Filed:** January 17, 1996

B. **Current Petition:** Petition

C. **Current Defendants:** Boatmen's First National Bank of Kansas City

D. **General Status:** This case was originally filed in the Shawnee County District Court and Boatmen's has answered the petition. The following deadlines have been set:

August 16, 1996: Plaintiff shall supplement its initial disclosures required under Fed. R. Civ. P. 26(a)(1) by identifying for each witness the subject matter of the witness' knowledge; and

September 16, 1996: Any dispositive motions based upon findings in other cases involving either of the parties and supportive memoranda shall be filed.

November 1, 1996: Any motions to amend the pleadings or to add parties;

November 20, 1996: Status Conference scheduled at 9:00 a.m. in the United States Magistrate Judge's Courtroom, 470 U.S. courthouse, 444 SE Quincy, Topeka, Kansas;

January 6, 1997: All interrogatories under Rule 33 and all requests for production under Rule 34 shall be served;

January 13, 1997: The parties shall file and serve preliminary lists of proposed witnesses and exhibits;

February 28, 1997: All fact discovery shall be completed and all nondispositive motions shall be filed.

March 31, 1997: Plaintiff shall provide the disclosures pertaining to expert witnesses required under Fed. R. Civ. P. 26(a)(2);

April 30, 1997: Defendant(s) shall provide such expert disclosures;

May 1, 1997: Final lists of proposed witnesses and proposed exhibits shall be filed.

- May 15, 1997: Supplemental expert reports by both parties shall be served;
- June 13, 1997: All expert discovery shall be completed;
- June 19, 1997: The parties shall submit a jointly prepared proposed pretrial order to the U.S. Magistrate Judge;
- June 26, 1997: Final pretrial conference scheduled for 1:30.

E. Status of Discovery:

1. **Written Discovery:** On May 17, 1996, KPERS served Boatmen's with its First Request for Production. Boatmen's responses were due on July 17, 1996.
2. **Deposition Discovery:** On May 17, 1996, KPERS served Boatmen's with its Notice of 30(b)(6) Deposition. KPERS intends to take the following depositions, but no dates have been scheduled:

Sidney Marlow
Ovel Jack
James Shinman

F. Recent Developments: On September 16, 1996, Boatmen's filed a Motion for Summary Judgment. On October 3, 1996, KPERS and Boatmen's filed a Joint Motion to Extend the Briefing Schedule for Boatmen's Motion for Summary Judgment and an Extension of Time to Complete Fact Discovery, requesting that KPERS' response to the Summary Judgment be due on November 18, 1996, Boatmen's reply be due on December 2, 1996, and the fact discovery cut-off date be extended to March 31, 1997.

On October 24, 1996, KPERS filed a Motion for Partial Stay of Briefing and Ruling on Boatmen's Motion for Summary Judgment, pending a decision by the Kansas Supreme Court on the statute of limitations applicable to KPERS' claims.

On November 5, 1996, KPERS filed a motion for a stay of all proceedings pending a decision by the Kansas Supreme Court. Boatmen's has agreed to the motion. On November 18, 1996, the court granted the motion.

XII. Ward Parkway Investment, Case No. 96CV148
Third Judicial District Court of Shawnee County, Kansas, Division 13
Judge Thomas R. Conklin

A. **Date Filed:** February 9, 1996

B. **Current Petition:** Petition

C. **Current Defendants:** J. W. O'Connor & Co., Incorporated, O'Connor Realty Advisors Incorporated, O'Connor Management Incorporated, Jeremiah W. O'Connor, Benjamin G. Gifford, Jay B. Davis, Leonard I. Brumberg, Preston L.C. Johnson, John E. Phelan, Sr., Glenn J. Rufrano, Erwin K. Aulis, Andrew M. Hunt, Bridget Dillon, John E. Phelan, Jr., Theodore V. Morgillo, Tanya E. Segel, Brown, Koralkchik & Fingersh, Lewis, Rice & Fingersh, L.C., Jacob Brown, Robert J. Campbell, William E. Carr, Peter M. DiGiovanni, Jack N. Fingersh, John C. Hickey, Alan G. Keith, Charles F. Miller, C. Robert Monroe, H. Boone Porter, III, Callan Associates, Inc., Ronald D. Peyton, and Susan J. Barlow.

D. **General Status:** All parties, except Susan Barlow, have answered KPERS' petition. Barlow has been given ~~until December 13, 1996 to answer the petition~~ an extension to answer the petition because of the settlement with the Callan Defendants. The O'Connor Defendants filed a counterclaim, and KPERS has responded to the counterclaim.

E. **Status of Discovery:**

1. **Written Discovery:** On May 15, 1996, the O'Connor Defendants served KPERS with its First Request for Production of Documents. KPERS filed its response on September 20, 1996. Most of the documents requested by the O'Connor Defendants have been produced. On November 13, 1996, the O'Connor Defendants served KPERS with interrogatories. KPERS responses were due filed on December 20, 1996.

2. **Deposition Discovery:** On May 14, 1996, the O'Connor Defendants filed a Notice to Take Deposition of the following witnesses to begin around July 29, 1996:

Current KPERS Board Members and Officers

Jarold Boettcher	Leland Breedlove
Vern R. Chesbro	Ivan Crossland, Jr.
Donna Deck	Joan Hancock
Jack Hawn	Michael L. Johnston
Judy Lambert	Les Meredith
Elizabeth Miller	Stuart Murdock

Scott Peppard
Kathy Stover
Marjorie Lee Webb

Bob Schau
Sally Thompson
Meredith Williams

Former KPERS Board Members and Officers

Jerry Anderson
Virgil Basgall
Jack Brier
Eliehue Brunson
Walter Cobler
Marshall Crowther
Mont Draper, III
Joan Finney
Harold Goodman
Steven Hirsch
Larry Jones
K. Pat Marso
Carol Proffer
Michael Russell
Thomas Sullivan
T. Lusk Wands
Janet Williams

Donald Barry
Jody Boeding
Louise Brock
Peggy Campbell
Rebecca Cook
Bob Derstein
Neva Entrikin
Larry Fleming
Thomas Hamill
Richard Hrdlicka
Robert Lane
H. Philip Martin
Dorothy Rooney
Ruth Schrum
Wayne Tate
Nancy Watts

The Townsend Group

Terry Ahern
Michael J. Humphrey
Kevin Lynch

Frank Blaschka
Bill Kelleher

Kansas Legislative Division of Post Audit

Alan Conroy
Ron Green
Barbara J. Hinton

Jim Davis
Leo Hafner
Randall Reeves

Mortgage Investment Trust Corporation

Steve Chase

Lindsay Olsen

Turner Construction Company

Mike George

Emil J. Konrath

CETCO

Timothy J. McCaffery

Kevin P. McCarthy

Buss-Shelger Associates

Ronald Buss

Russell Reynolds

Others

Woodrow Bennett	CIGNA Investments, Inc.
Barton Cohen	Continental Consulting Engineers
Federal Investment Trust	Arvin Gottlieb
Susan Hudson-Wilson	Roger Hunt
Jack Kroh	Bernard Kroll
I. I. Ozar	Roy Perry
John F. Steineger, Jr.	David H. Trahan
Wint Winter	

~~The dates for three depositions have been agreed to as follows:~~ The following depositions have been taken:

Michael L. Johnston	December 16, 1996
Vern R. Chesbro	December 17, 1996
Stuart Murdock	December 19, 1996

On September 25, 1996, KPERS served Plaintiff's Notice of Rule 60-230(b)(6) depositions, requests for production of documents and interrogatories to the Callan, O'Connor and Lewis Rice Defendants. All defendants have responded to this discovery. KPERS is reviewing documents produced by the defendants to determine whether the production complies with the requests.

F. Recent Developments: The Court held a discovery/scheduling conference on September 20, 1996 at 3:00 p.m. At the Court's suggestion, the parties met to work out document production by KPERS. As a result of that meeting, documents currently in the depository were produced at the depository, pursuant to an agreed order giving defendants access to the depository. Documents not previously produced were produced outside the depository. An agreed protective order has been entered as to all documents produced.

Defendants have asked for copies of transcripts of previous depositions and of testimony before the Kansas Joint Legislative Committee. KPERS has complied with those requests.

On December 18, 1996, the KPERS Board accepted a settlement offer made by the Callan Defendants. Those settlement documents should be completed in January, 1997, and the Callan Defendants will be dismissed if the settlement is thereafter approved by the Court.

XIII. Merchandise Mart Investment, Case No. 96CV424
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla Luckert (formerly Division 7, Judge Franklin R. Theis)

A. **Date Filed:** April 16, 1996

B. **Current Petition:** Petition

C. **Current Defendants:** Reimer & Koger Associates, Inc., Kenneth H. Koger, Stinson, Mag & Fizzell, and Michael G. O'Flaherty.

D. **General Status:** All defendants have answered the petition.

E. **Status of Discovery:** ~~No discovery has been initiated at this time.~~ On January 2, 1997, KPERC served Plaintiff's Notice of Rule 60-230(b)(6) depositions to the Reimer & Koger and Stinson, Mag Defendants, and requests for production of documents and interrogatories to all four defendants. Defendants' responses are due on February 4, 1997.

F. **Recent Developments:** On August 29, 1996, this case was reassigned to Judge Marla Luckert.

XIV. Koll Center Investment, Case No. 96CV529
Third Judicial District Court of Shawnee County, Kansas, Division 3
Judge Marla J. Luckert

A. **Date Filed:** May 10, 1996

B. **Current Petition:** Petition

C. **Current Defendants:** Brown, Koralchik & Fingersh; Lewis, Rice & Fingersh, L.C.; Jacob Brown; Robert J. Campbell; William E. Carr; Peter M. DiGiovanni; Jack N. Fingersh; John C. Hickey; Alan G. Keith; Charles F. Miller; C. Robert Monroe; H. Boone Porter, III; J.W. O'Connor & Co. Incorporated; O'Connor Realty Advisors Incorporated; Jeremiah W. O'Connor, Jr.; Benjamin G. Gifford; Jay B. Davis; Leonard I. Brumberg; Preston L.C. Johnson; John E. Phelan, Sr.; Glenn J. Rufrano; Erwin K. Aulis; Callan Associates, Inc.; Ronald D. Peyton; and Susan J. Barlow.

D. **General Status:** The Petition was filed on May 10, 1996. All defendants have answered, except Susan Barlow. Barlow has been given ~~until December 13, 1996 to answer the Petition~~ an extension to answer the Petition because of the settlement with the Callan Defendants. KPERS filed its answer to the O'Connor Defendants' counterclaim on October 11, 1996.

E. **Status of Discovery:**

1. **Written Discovery:** On September 13, 1996, the O'Connor Defendants served KPERS with their First Request for Production of Documents. KPERS responded on October 7, 1996. KPERS is in the process of producing the requested documents. On November 13, 1996, the O'Connor Defendants served KPERS with interrogatories. KPERS' ~~response is due on~~ was filed on December 20, 1996.

On December 4, 1996, KPERS served Plaintiff's Notice of Rule 60-230(b)(6) Depositions, Requests for Production of Documents and Interrogatories on the Callan, O'Connor and Lewis Rice Defendants. The Lewis Rice Defendants filed their responses on December 27, 1996, and the remaining defendants' responses are due by January 6, 1997.

2. **Deposition Discovery:** On September 13, 1996, the O'Connor Defendants filed a Notice to Take Deposition, listing 75 witnesses, beginning around December 2, 1996. (No depositions have been scheduled.)

XV. KPERS v. Lewis, Rice & Fingersh, et al., Case No. 96CV795
Third Judicial District Court of Shawnee County, Kansas, Division 3
Marla Luckert

A. **Dated Filed:** July 17, 1996

B. **Current Petition:** Petition

C. **Current Defendants:** Lewis, Rice & Fingersh, L.C.; Brown, Koralchik & Fingersh; H. Boone Porter, III; Jack N. Fingersh; Alan G. Keith; Robert J. Campbell; William E. Carr; Peter M. DiGiovanni; Charles F. Miller; C. Robert Monroe; and Jacob Brown.

D. **General Status:** The Petition was filed on July 17, 1996. On September 9, 1996, the Lewis Rice Defendants filed their answer.

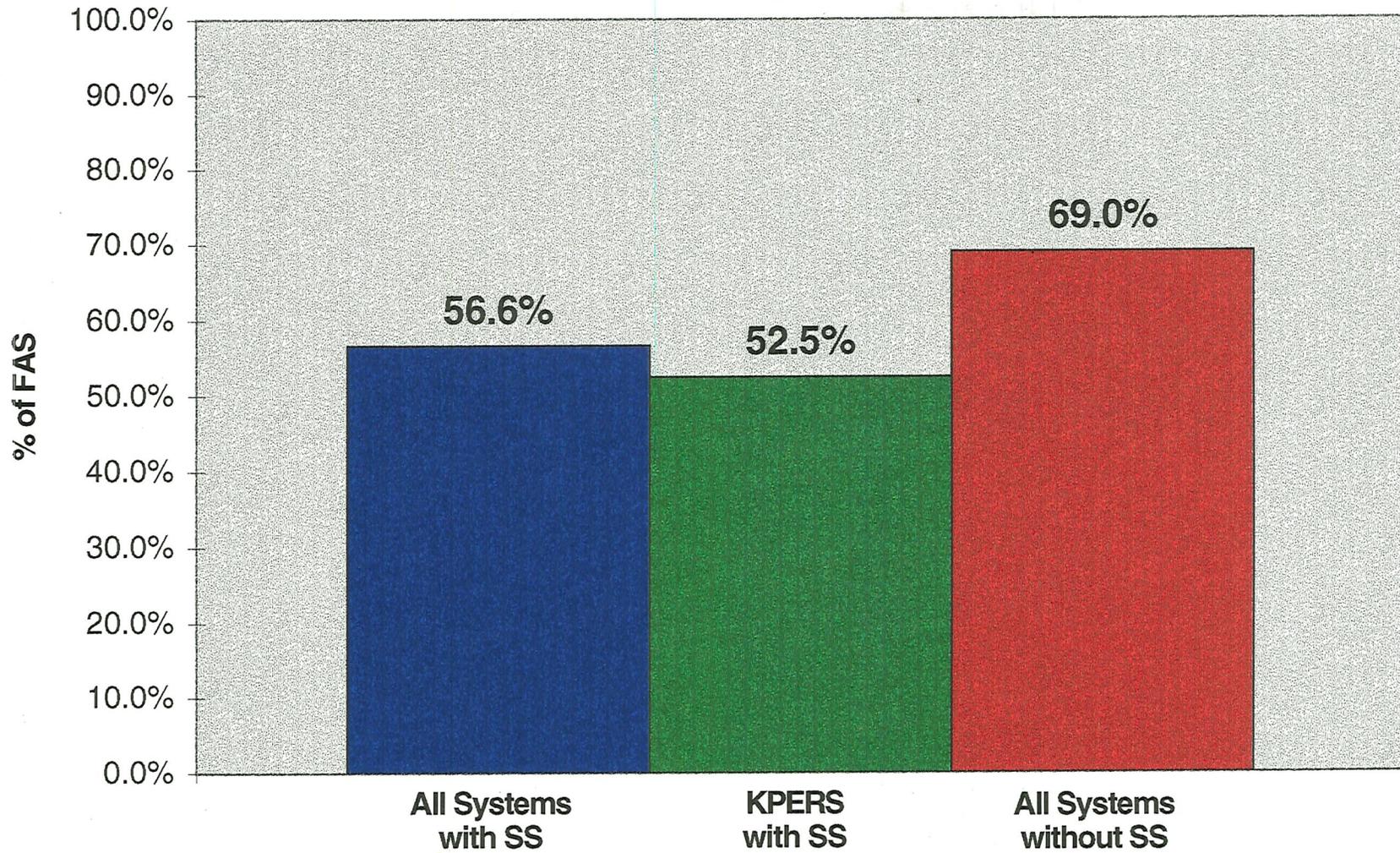
E. **Status of Discovery:**

1. **Written Discovery:** No written discovery has been initiated at this time.

2. **Deposition Discovery:** Ken Koger's deposition was taken on November 5, 1996, and will continue on January 30 and 31, 1997.

F. **Recent Developments:** No recent developments.

Comparison of Accrued Benefits at Normal Retirement After 30 Years of Service

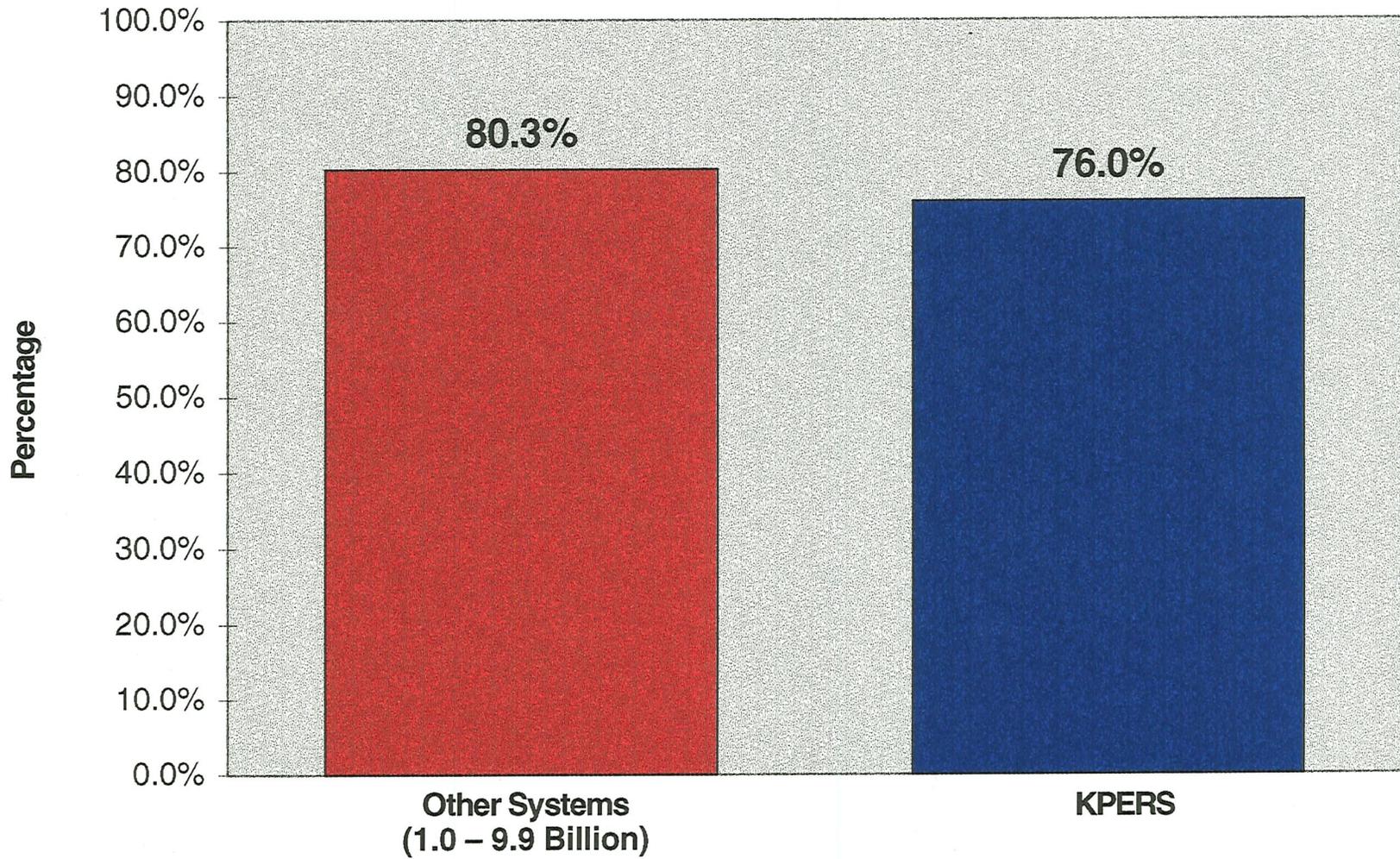


KPERS

January 21, 1997

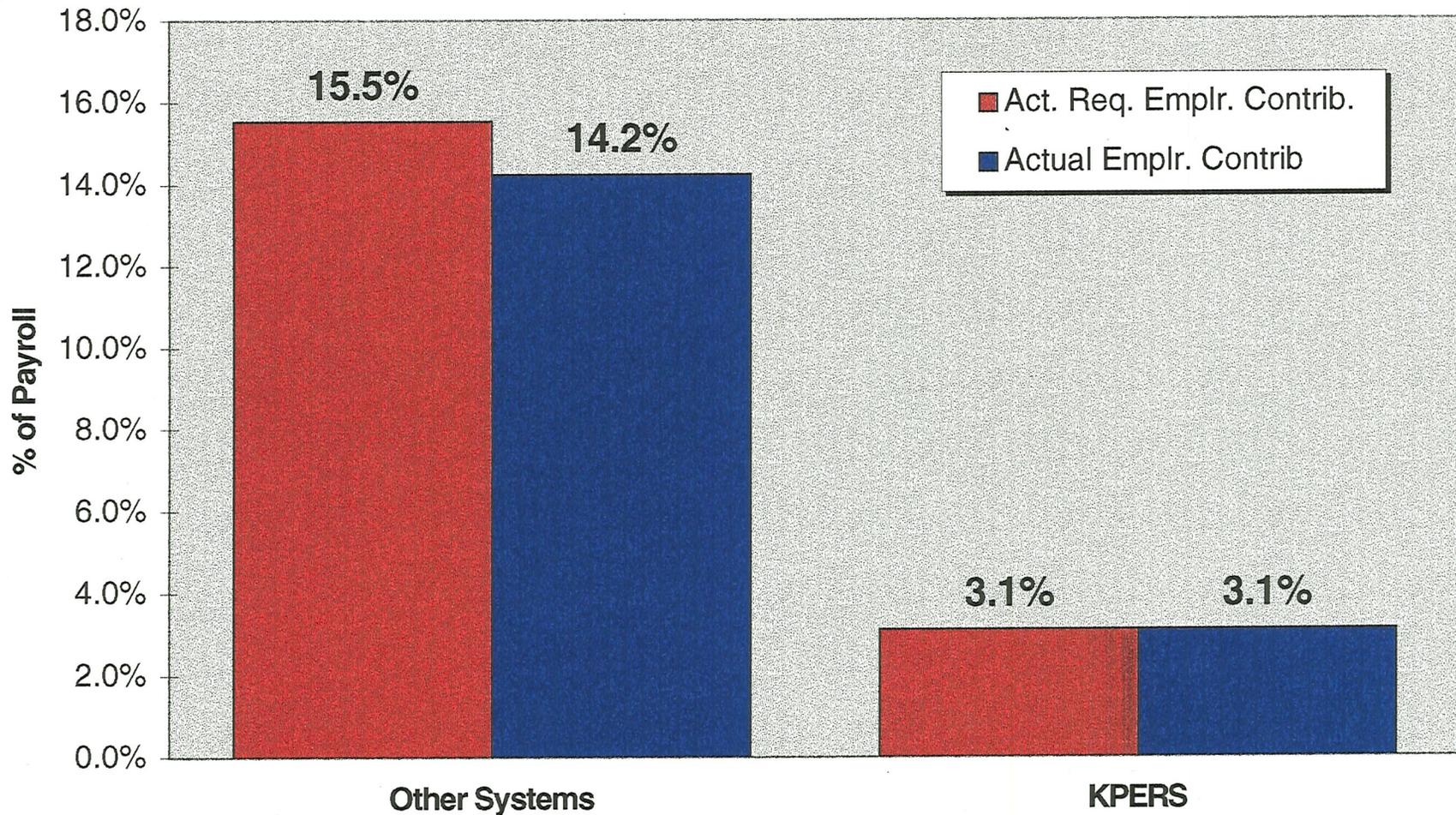
76-1

1994 Actuarial Accrued Liabilities Funding Ratios



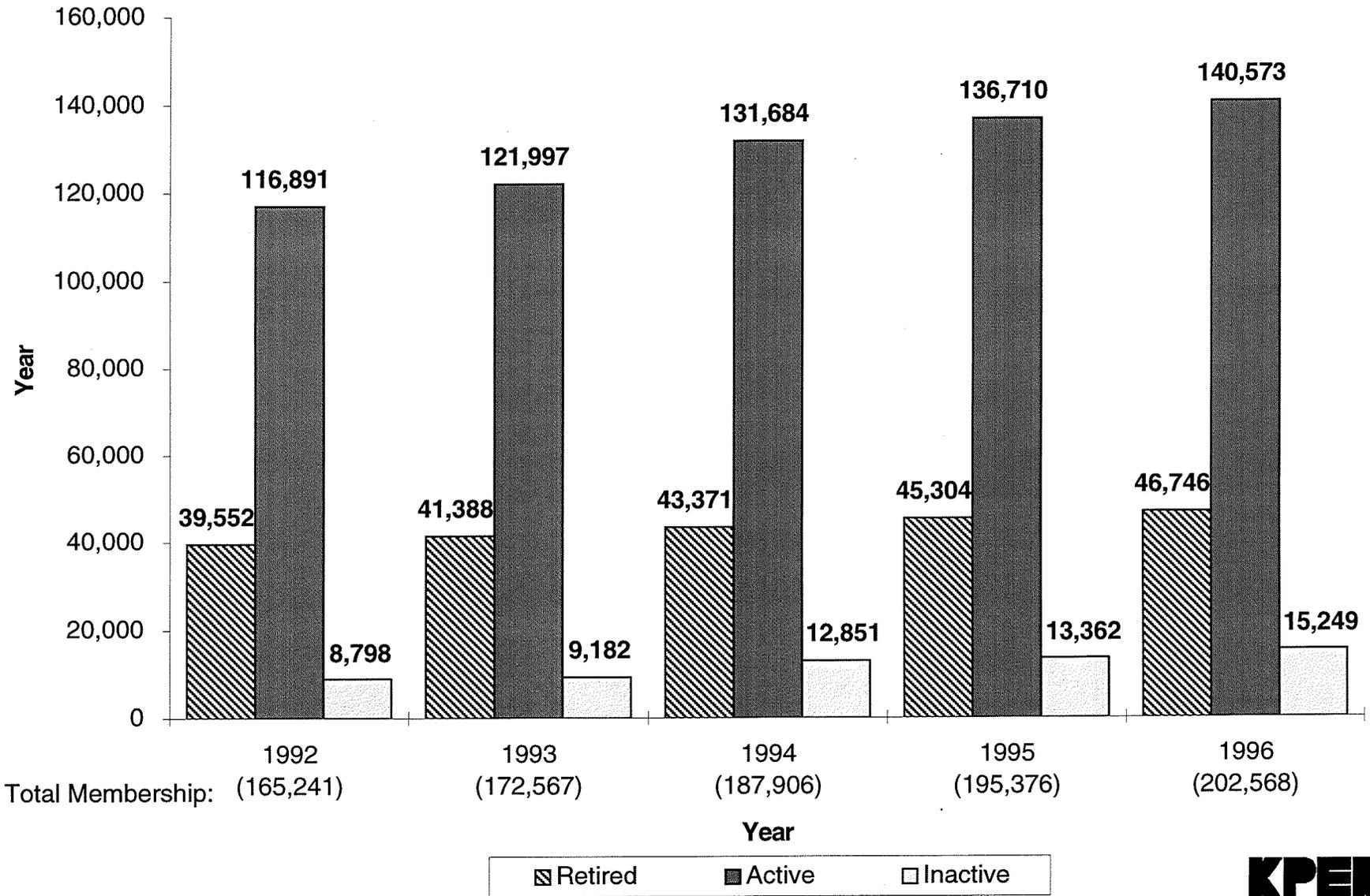
1-75

Comparison of 1994 Actuarially Required Employer's Contributions, Actual Employer's Contributions



16-1

KPERS Membership by Fiscal Year

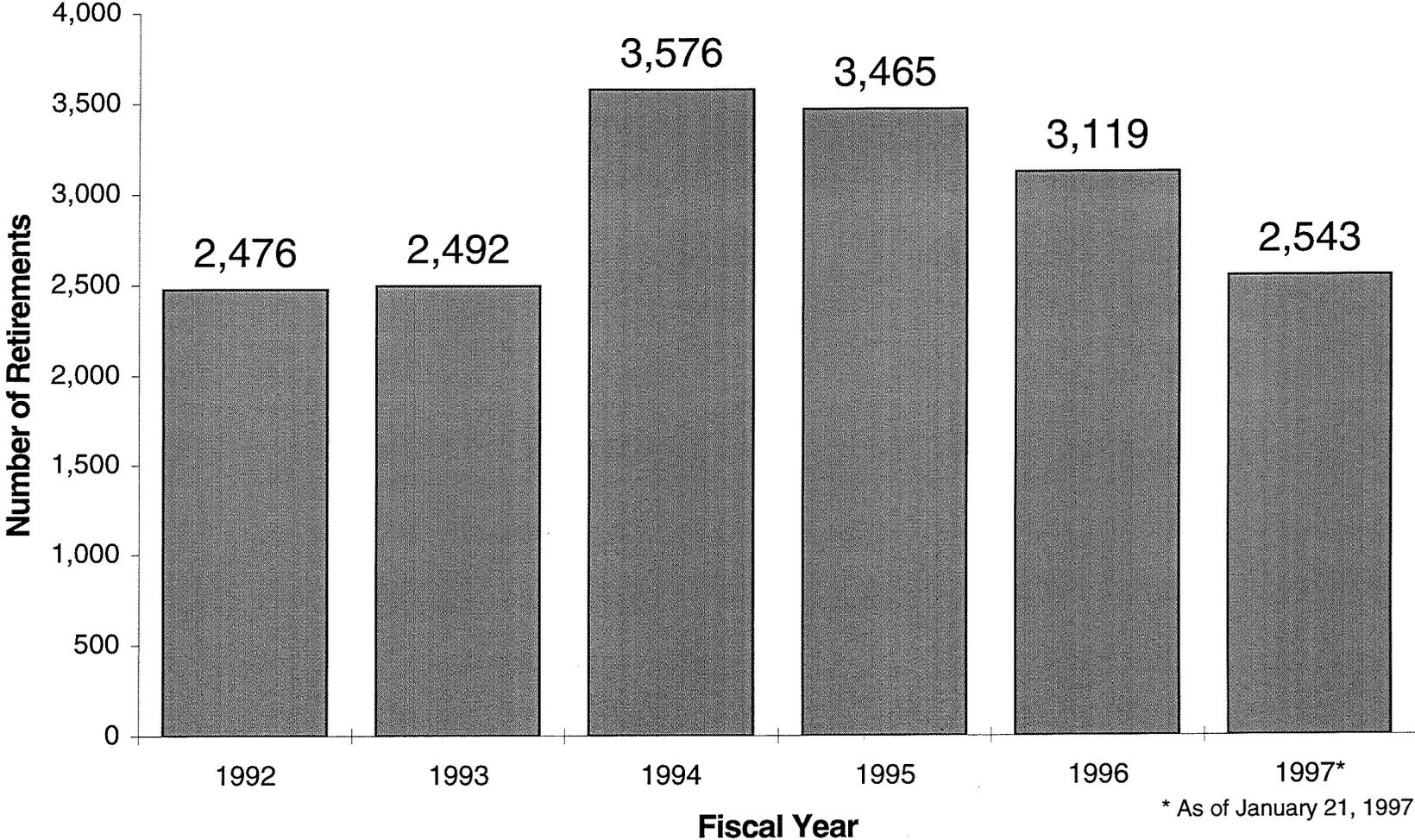


66-1



January 21, 1997

Number of Retirements by Fiscal Year



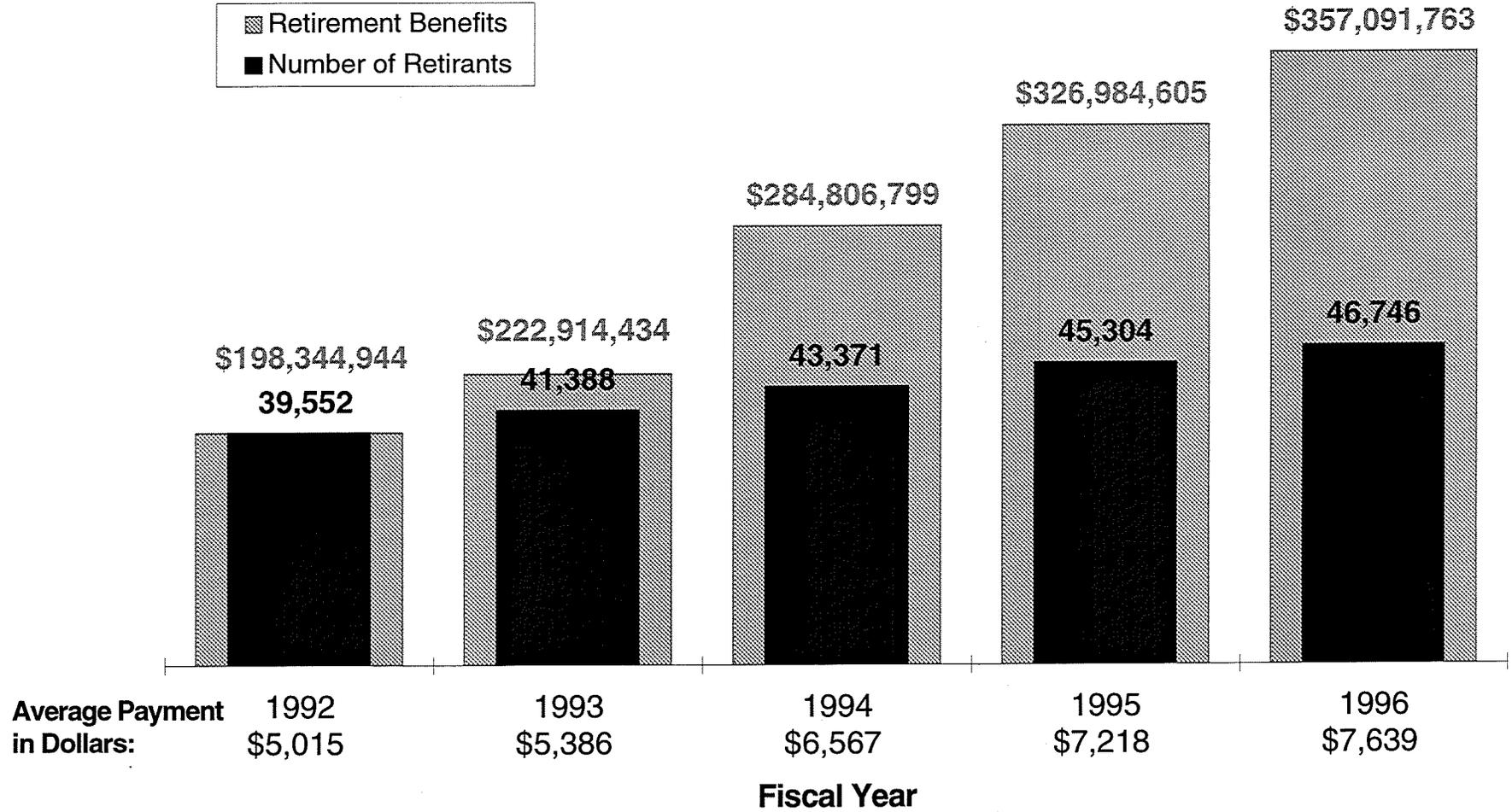
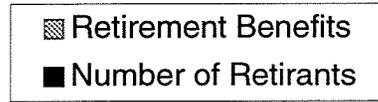
* As of January 21, 1997

86-1



January 21, 1997

Retirement Payroll

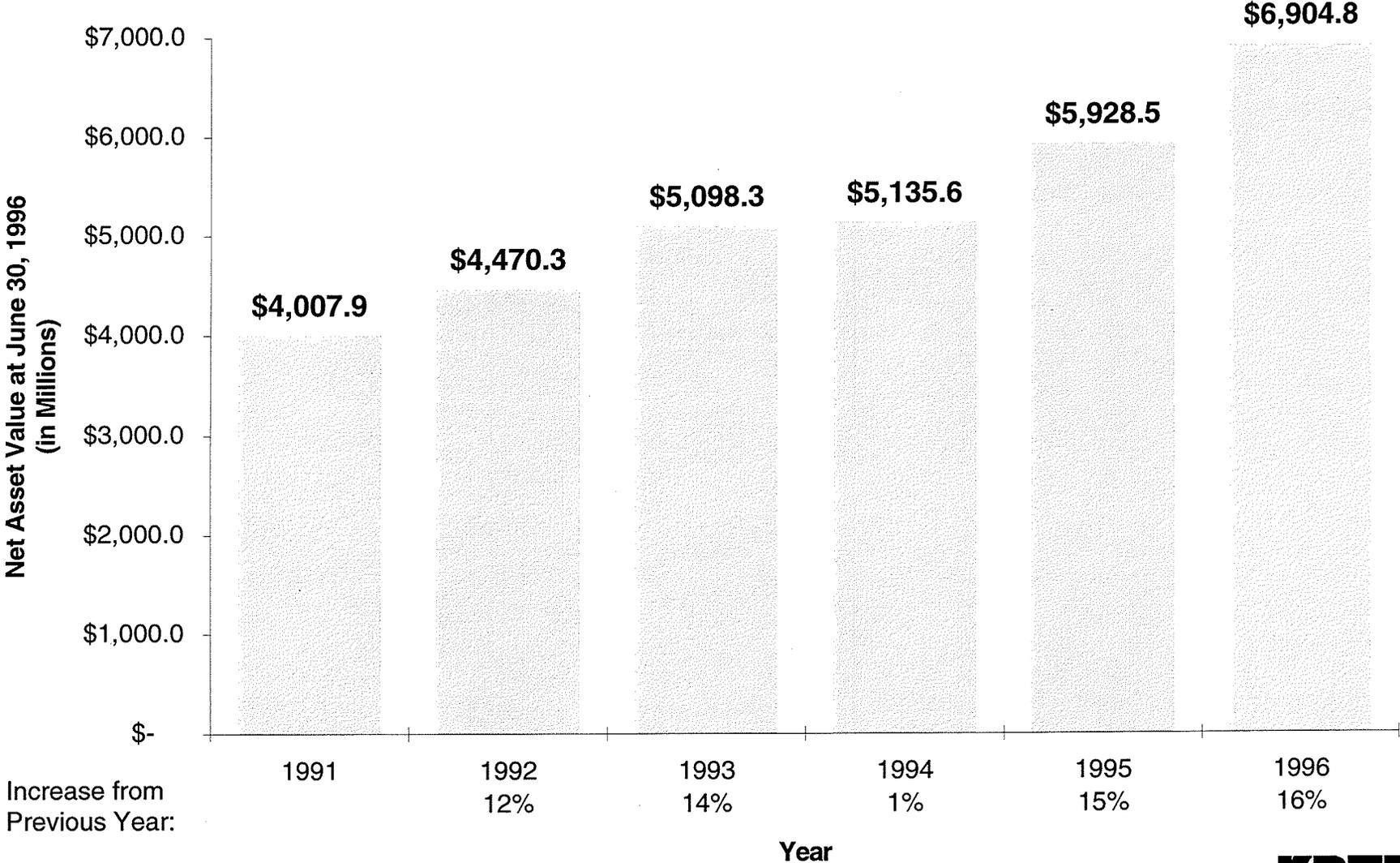


66-1



January 21, 1997

Growth in Net Asset Value

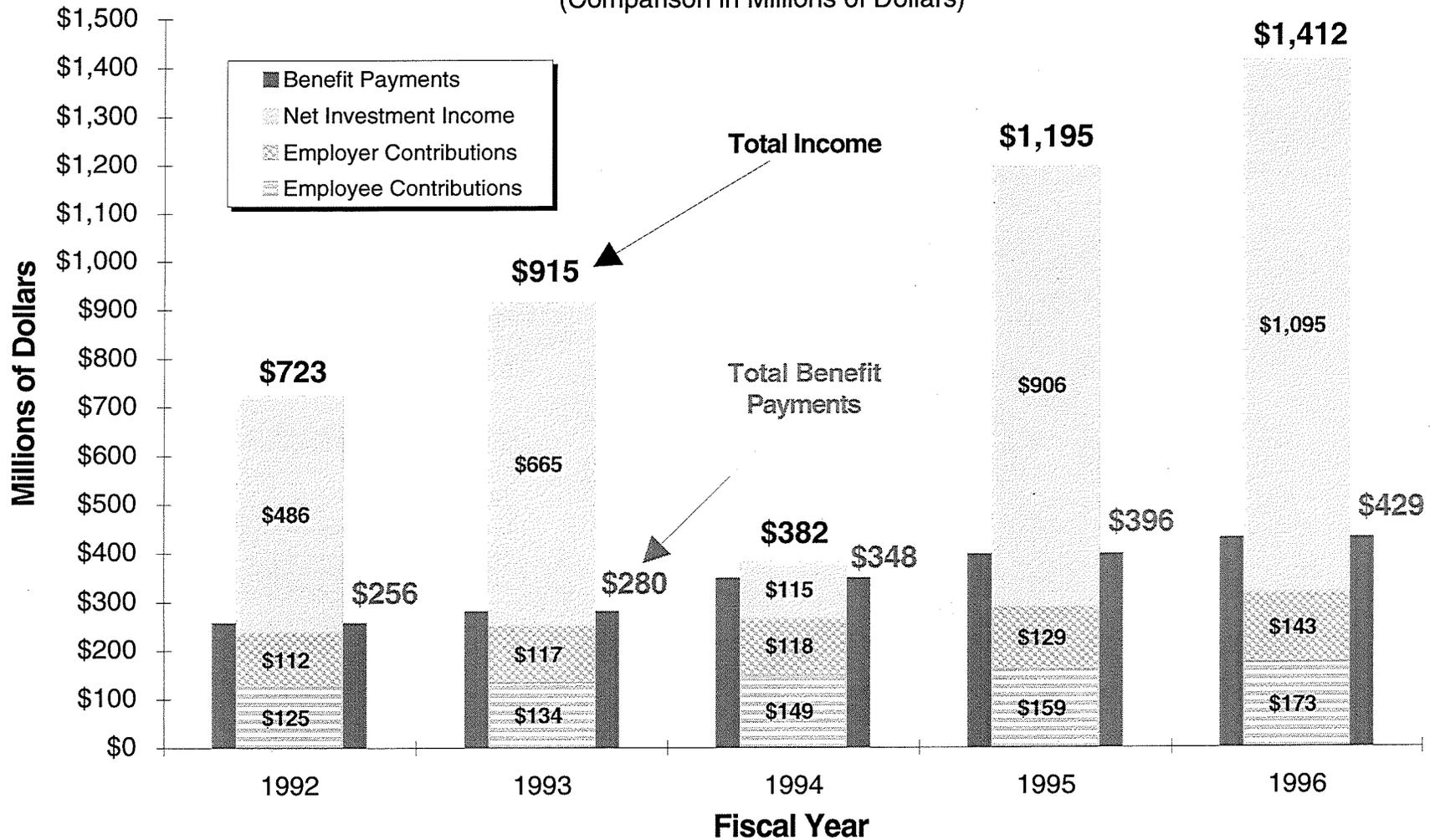


January 21, 1996

08-1

Benefit Payments Compared to Contributions and Investment Income

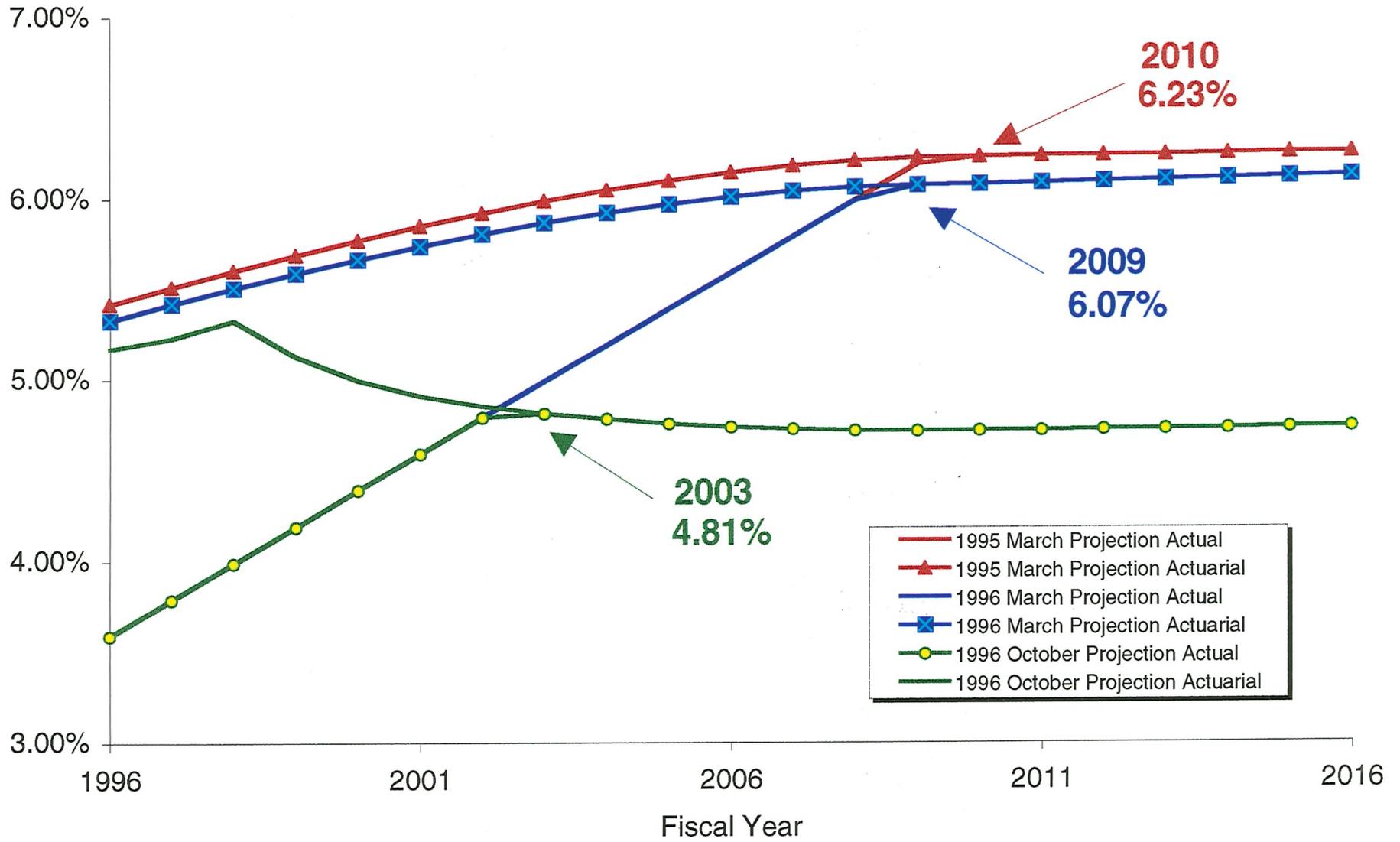
(Comparison in Millions of Dollars)



January 21, 1997

18-1

State/School Contribution Rate Comparison Actual to Actuarial



1-82

Kansas Public Employees Retirement System
Actuarial Projections
State / School

Fiscal Year 1997 rate— 3.59%
 Funding Percent June 30, 1994 77.58%
 Funding Percent June 30, 1995 79.19%
 Funding Percent June 30, 1996 81.48%

	<u>Cap Rate</u>	<u>Effective Fiscal Year</u>	<u>Year of Equilibrium</u>	<u>Rate at Equilibrium</u>	<u>Minimum Funding Percent</u>	<u>Projected Assets 1996</u>	<u>Projected Assets 2015</u>	<u>Projected Unfunded Liability 1996</u>	<u>Projected Unfunded Liability 2015</u>	<u>Projected Funding Percent 2015</u>	<u>Projected UAL/ Payroll 1996</u>	<u>Projected UAL/ Payroll 2015</u>
March 1995 Projection	0.20%	1997	2010	6.23%	76.60%	\$ 4,077.0	\$ 11,296.0	\$ 1,223.0	\$ 2,294.5	83.1%	46.37%	41.29%
March 1996 Projection	0.20%	1997	2009	6.07%	79.00%	\$ 4,289.8	\$ 13,081.9	\$ 1,133.9	\$ 2,162.6	85.8%	40.93%	38.01%
October 1996 Projection	0.20%	1997	2003 (1)	4.81%	81.48%	\$ 4,461.6	\$ 14,403.2	\$ 1,014.1	\$ 953.8	93.8%	37.55%	16.76%

(1) Based upon the most recent projections, the rate at equilibrium is 4.81% in the year 2003 and is projected to decrease to 4.72% in the year 2007.

KPERC

January 21, 1997

1-83

Address http://zeus.kspress.com/kpers/

Kansas Public Employees Retirement System

Capitol Tower, Suite 200, 400 SW 6th Ave, Topeka, Kansas 66603-3925
Phone (913) 296-6666 Fax (913)296-2422

Board of Trustees Information

Do you need information about your retirement account?
Call the Retirement System's toll-free InfoLine at 1-888-ASK-KPERS(888-275-5737). In Topeka, call 296-6666 and ask for the InfoLine. The InfoLine staff is trained in all aspects of the Retirement System, and is able to answer most questions without transferring your call.

What's New? Membership Statistics and Charts... Litigation Update

We have had 2863 visitors since June 17, 1996.

Recent Communications

- **Meeting Dates** for the KPERS Board of Trustees
- **Frequently Asked Retirement Questions**
- **KPERS Papers** September, 1996, Active Member Bulletin
- **Legislative Bulletin**
- **Litigation** status report from KLG. *Last updated 12/17/1996*
- **Membership** Statistics and Charts *Last updated 12/16/1996*
- **Member Forums** A brief presentation on KPERS & video plus an opportunity for questions & comments
- **Monthly Activity** From KPERS Member Services Section latest information about member and employer records, claims processing, and membership and employer services monthly activity. *Last updated 12/12/1996*
- **1996 Valuation Results** Summary of Valuation Results prepared for Kansas Public Employees Retirement System as of June 30, 1996, by Milliman and Robertson, Inc.
- **5 Year Statistics**

Plan Provisions

KPERS **KP&P** **Correctional Officers** **Judges**

Investment Review



Questions and Comments

FAQs

Comments

Other Public, State, or Retirement Information Resources

- [Florida Retirement System](#)
- [Houston Firemen's Relief and Retirement Fund](#)
- [State Universities Retirement System of Illinois](#)
- [Kansas Governor Bill Graves](#)
- [New York State and Local Retirement Systems](#)
- [Employees Retirement System of Rhode Island](#)
- [Social Security Administration OnLine](#)
- [South Dakota Retirement System](#)
- [Texas Employee Retirement System](#)
- [Utah Retirement Systems](#)
- [Virginia Retirement System](#)

Created March 28, 1996
Last Updated January 13, 1997
by: (kpers@kspress.com)

KPERS Papers

Kansas Public Employees Retirement System

Serving public employees since 1962

January, 1997

Retired Member Issue

Inside this Issue...

1099-R Statements Mailed	2
Retirement System Litigation Update	3
Direct Deposit '97 Schedule	3
Your Right to Change Tax Withholding	3
Where is My Check?	3
FY 1996 Operating Results	4

"It's as Easy as 1-2-3!" to Vote in the 1997 Board of Trustees Election

The Retirement System staff is putting technology to work for you in the second Trustee election. There will be a first-ever, innovative telephone voice-response voting system for those who have touch-tone phones.

It's as easy as 1-2-3!

If you use a touch-tone phone, you will dial the special phone number, enter your social security number and cast your ballot as directed by the new voice-response voting system.

Callers without touch-tone phones may request paper ballots to complete and return.

Callers will provide their Social Security number to confirm their eligibility to vote in the election. KPERS will not disclose social security numbers; their use is only to identify eligible voters.

KPERS Board Member Election Gearing Up for Spring, 1997

Just a couple of months from now, for the second time, the KPERS Board Election will take place. The names of those who successfully completed petitions to become candidates for the two elected positions and the cities where they reside are:

Non-School Trustee Position -

- Carmen Alldritt - Harper;
- Bruce Burditt - Topeka;
- Jerry L. Huff - Topeka;
- James Lampe - Topeka;
- D. Keith Myers - Lawrence;
- Harvey Wallace - Topeka.

School Trustee Position -

- Carmen Gonzales - Winfield;
- Gilmer K. Nellis - Coffeyville;
- J. S. Wagner - Kensington;
- Marjorie Webb - Shawnee Mission;
- William W. Wheat - Parsons;
- Carol A. Wilson - Satanta.

Retirement System members will elect their fellow members to serve as Trustees on the KPERS Board. The Retirement Act specifies that two members of the Board of Trustees are to be elected from the active and retired memberships of the Retirement System. All active and retired members of KPERS, KP&F, and the Retirement System for Judges are automatically registered to vote in the 1997 Board of Trustees election. The law requires one elected trustee be a school member and the other be a non-school member.

"School" members vote to fill one position and "Non-School" members vote to fill the other position.

NOTE:

Inactive members may *neither* vote in the election *nor* serve on the KPERS Board of Trustees, according to Kansas statutes. *Active and retired members only* are eligible to vote, as well as to serve on the KPERS Board.

The Spring, 1997 Trustee election will be conducted as follows:

- Candidate resumes and lists of their qualifications will be made available to eligible voters.
- Voting will begin in March.
- You may cast your vote by either: touch-tone phone, using the new voice-response system; or, if you don't have a touch-tone phone, by calling the Retirement System to receive a paper ballot to complete and return by mail.
- Voting will cease April 30, 1997.
- An election committee, appointed by the Retirement System's Executive Secretary, will certify the election results at the end of the election period.
- The election results will be published in the "KPERS Papers" newsletter, to provide notice to all members of the Retirement System.
- Following the certification of the election results, the newly-elected Trustees will begin their service on the Board of the Retirement System beginning on July 1, 1997.

1099-R Tax Statements Mailed no Later than January 31

You will receive an envelope in the mail, marked "*Important Tax Return Document Enclosed.*" Inside are 1099-R forms with data needed to file your 1996 tax returns. **Your benefit is subject to federal taxes, but it is not subject to Kansas state taxes.** Printed at the bottom of this page is a sample 1099-R tax statement for 1996 and an explanation of the figures entered in the boxes:

Box 1: Shows your total KPERS benefits for 1996 (including the payment issued on December 26, 1996).

Box 2a: Shows taxable portion of your 1996 payments, calculated by KPERS. Depending on the benefit classification, this applies to:

Retired Members:

If you retired before August 1986, KPERS doesn't calculate your taxable amount. If you have recovered your previously-taxed contributions under the IRS Three-Year Rule, your benefit will now become fully taxable.

If you retired after July, 1986, only a portion of your benefit is non-taxable. You were notified at retirement of the percentage or the amount which KPERS had calculated as excludable from tax. If you elected an alternate method to calculate your excludable portion, attach a note to your tax returns stating that you are using a different method to report the taxable amount in Box 2a.

Beneficiaries:

If you are the beneficiary of a retired member who is deceased, your benefit has the same tax status as did the retired member's benefit.

If you receive a lifetime Joint and Survivor benefit because the member died before retirement, through August 20, 1996, you may have been

The Retirement System now has its first-ever Home Page on the Internet. Plan to visit the Retirement System on the World Wide Web soon, at the address on page 4.

entitled to a one-time death benefit exclusion of up to \$5,000, which KPERS could not consider when calculating Box 2a's taxable amount.

Note: The Death Benefit exclusion is no longer available, for any deaths that occurred after August 20, 1996. Consult a qualified tax official or tax professional if you question whether this exclusion may have been applicable to you. **

Box 4: Shows the federal tax KPERS withheld, if any, in 1996.

Box 5: Shows your investment in the contract, if any, that was recovered tax-free this year.

Box 7: Shows type of benefit you receive. See instructions on the reverse of the 1099-R form.

Box 9b: If it's your first year of retirement, it shows your total plan investment.

In the lower right corner of the form, you will find your retirement date, taxable contributions or Internal Revenue Service (IRS) net investment if you retired after July 1986, total

benefits paid through 1996, and 1996 Group Health Insurance premiums for state employees. Additional information and IRS instructions are printed on the reverse side of Copy B and Copy 2 of the 1099-R form.

Questions about your individual tax situation should be directed to a qualified tax professional or to the Internal Revenue Service.

** **A new federal law,** "the Small Business Job Protection Act of 1996" is most famous because it increased the minimum wage. It also made many changes to the Internal Revenue Code affecting retirement and pension plans. One change under the new law is that the KPERS \$4,000 lump sum death benefit, payable upon the death of a retired member, is now subject to income tax on all deaths that occur after August 20, 1996. KPERS will issue an IRS form 1099-R to beneficiaries who received this death benefit in 1996. The 1099-R form will be coded to indicate the taxability of the payment, based upon the retired member's date of death.

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		1996 Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	\$		
		2a Taxable amount	\$	Copy 1 For State, City, or Local Tax Department	
		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		
PAYER'S Federal Identification number	RECIPIENT'S Identification number	3 Capital gain (reported in box 2a)	4 Federal income tax withheld		
RECIPIENT'S name		5 Employee contributions or insurance premiums	6 Net unrealized appreciation in employer's securities		
Street address (including apt. no.)		7 Distribution code	8 Other		
City, state, and ZIP code		9a Your percentage of total distribution %	9b Total employee contributions \$		
Account number (optional)		10 State tax withheld \$	11 State/Payer's state no.	12 State distribution \$	
		13 Local tax withheld \$	14 Name of locality	15 Local distribution \$	

Form 1099-R Department of the Treasury - Internal Revenue Service

1-86

Your Right to Change Tax Withholding

Once each year the Retirement System is required to remind you, as a benefit recipient, of your ongoing right to start, stop, or change your federal withholding tax.

You aren't required to have federal tax deducted from your benefit checks. But you may need to file quarterly estimated tax returns if sufficient tax is not withheld to cover your annual tax liability. If estimated payments or withheld amounts don't meet your obligation, you may owe the IRS interest or penalty charges in addition to the taxes owed.

No action is necessary if your present tax arrangement still fits your needs. If you want to make a change, you may do so by filing an IRS W-4P form with the Retirement System. The address and phone number is on page 4 of this publication.

In December 1996, the Retirement System's 48,114 retired members received a total of \$31.3 million in monthly benefit payments. The average monthly benefit amount was \$651. During 1997, approximately \$385 million in benefits will be paid to KPERS retired members, 85% of whom live in Kansas. These members will add a total of \$327 million to the Kansas economy this year.

Retirement System Litigation Update

Two recent developments in the KPERS litigation effort have received coverage across Kansas. They are:

Court Decision - On December 6, 1996, the Kansas Supreme Court upheld the constitutionality of a statute enacted in 1994 to facilitate and encourage the settlement of KPERS' lawsuits. The statute protects settling defendants from certain cross-claims that might otherwise be brought against them by non-settling defendants. Under the statute, once a defendant settles with KPERS and the

settlement has been judged fair and reasonable by the trial court, other defendants cannot bring certain claims for contribution or indemnity against the settling defendant.

Settlements - At its December 1996 meeting, the KPERS Board of Trustees accepted a \$1.9 million settlement offer from one of its former investment consultants. This agreement is subject to court review under the statute recently upheld by the Kansas Supreme Court. To date, the Retirement System has received actual settlement payments totalling \$12.125 million. Upon receipt, the December settlement agreement will take total payments over \$14 million.

Monthly Schedule - Direct Deposit

If you use, or are considering using, direct deposit for your retirement benefit check, your benefit payments for the next several months should be available on the following dates:

<u>Payment for</u>	<u>Deposited</u>
February, 1997	Feb. 28
March	March 31
April	April 30
May	May 30
June	June 30
July	July 31
August	August 29
September	Sept. 30
October	October 31
November	Nov. 26
December	Dec. 26
January, 1998	Jan. 30

If Your Retirement Benefit Check is Late to Arrive

Should a retirement check mailed to your home ever be late to arrive, please wait until the 10th day of the month to contact the Retirement System. Delayed or misdelivered mail is usually properly forwarded within that time, so "stop payment" orders will not be issued before the 10th day of the month. However, if a check is lost, stolen, or misplaced *after* you receive it, please call the Retirement System office immediately.



Kansas Public Employees
Retirement System
Capitol Tower - Suite 200
400 SW 8th Avenue
Topeka, Kansas 66603-3925

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Topeka, Kansas
Permit No. 157

Fiscal Year 1996 Operating Results

Presented below is a synopsis of the Retirement System's financial operations. The Retirement System had net reserves of \$5.96 billion at June 30, 1995. During the year, active members contributed more than \$173 million to the Retirement System, while employers contributed \$143 million. Investments generated \$1.1 billion in gross income during the fiscal year, including realized gains and losses on publicly traded securities. After subtracting fees and expenses, fiscal year 1996 Net Investment Income totaled \$1.095 billion. Net investment income plus member and employer contributions resulted in total operating revenues of nearly \$1.412 billion. The expenses of the Retirement System totaled \$433 million, with the cost of administrative operations totalling approximately \$4.5 million. Total revenues exceeded expenses by \$978 million during the year, increasing the System's net reserves to over \$6.94 billion at June 30, 1996. These reserves represent the funds available to pay for current and future members' benefits.

Fiscal Year 1996 Operating Results

Net Assets at July 1, 1995			\$ 5,963,642,184
Additions:			
Contributions:			
Member	\$ 173,247,638		
Employer	143,404,285		
Total Contributions		\$ 316,651,923	
Investment Income			
Gross Investment Income	\$ 1,116,744,569		
Less Manager, Custodian Fees, Expenses	(21,742,893)		
Net Investment Income		1,095,001,676	
Other Miscellaneous Income		97,505	
Total Additions		1,411,751,104	
Deductions:			
Monthly Retirement Benefits Paid	357,091,763		
Refunds of Contributions	30,687,458		
Death Benefits	7,010,866		
Insurance Premiums and Benefits	34,108,251		
Administrative Expenses	4,493,293		
Total Deductions		433,391,631	
Net Increase			978,359,473
Net Assets at June 30, 1996			\$ 6,942,001,657

Mission Statement of the Retirement System: The Kansas Public Employees Retirement System is a plan of retirement, disability, and survivor benefits provided by law for Kansas public servants and their beneficiaries.

The Board of Trustees and the Staff of the Retirement System strive at all times to safeguard the System's assets by adhering to the highest standards of fiduciary and professional care, complying strictly and fairly with the law, and conducting business in a courteous, timely and effective manner.

KPERS Board of Trustees: Michael L. Johnston, Chair; Vern R. Chesbro, Vice-Chair; Jarold W. Boettcher, Ivan Crossland, Jr., Les Meredith, Stuart Murdock, Kathy Stover, Sally Thompson, Marjorie Lee Webb

The **KPERS Papers** newsletter is published by the Kansas Public Employees Retirement System, Capitol Tower - Suite 200, 400 SW 8th Avenue, Topeka, Kansas 66603-3925

KPERS Internet E-Mail address is: kpers@kspress.com

KPERS Home Page on the Internet World Wide Web is: <http://www.kspress.com/kpers>

FAX: (913) 296-6638; Phone: (913) 296-6666, or call toll-free: 1-888-ASK-KPERS (1-888-275-5737)

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KPERS Papers

Kansas Public Employees Retirement System

Serving public employees since 1962

September, 1996

Active Member Issue

Inside this Issue...

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New Voice-Response System for Board Election Balloting	3
System's Five-Year Growth	4
Portability Notice	5
Toll-Free Number Alert	6

Plan your part in the 1997 KPERS Board Member Election

Approximately six months from now, you will again have the opportunity to elect a Retirement System member to represent you on the KPERS Board of Trustees. This will be the second Trustee election for members and will be in Spring, 1997. Retirement System members will elect fellow members to serve as Trustees on the KPERS Board. All active and retired members of KPERS, KP&F, and the Retirement System for Judges are automatically registered to vote in the 1997 Board of Trustees election.

The Retirement Act specifies that two members of the Board of

Trustees are to be elected from the active and retired memberships of the Retirement System. "School" members vote to fill one position and "Non-School" members vote to fill one position (see page 5 for definitions of Retirement System membership categories). The law requires one elected trustee be a school member and the other be a non-school member.

NOTE:

Inactive members may *neither* vote in the election *nor* serve on the KPERS Board, according to Kansas law. Those eligible to vote and to serve on the KPERS Board *are active and retired members only*.

Your Board of Trustees - Its Organization & Responsibilities

- Trustees are part of a nine-member Board, where:
 - four are appointed by the Governor;
 - one is appointed by the President of the Senate;
 - one is appointed by the Speaker of the House;
 - two are elected by Retirement System members;
 - and one is the State Treasurer.
- Each Trustee serves a four-year term on the Board.
- An individual may not serve on the Board if the individual or the individual's spouse has a substantial interest in any nonpublicly traded investment held by the Retirement System.
- All members of the Board are subject to a KBI investigation.
- Kansas law requires that the Board meet at least quarterly.
- In the past two years, the Board has met each month, usually for a full day. The Board's schedule may, however, entail an occasional two-day meeting, including a two-day orientation session every other year. Additional training sessions may also be scheduled.
- Board responsibilities, under the "Prudent Expert Standard" of fiduciary care, generally include:
 - wise investment of the System's assets, which total \$7 billion, and which are held in trust for Retirement System members;
 - overseeing the administrative operation of the System; and,
 - administering the insured death and disability program.

...continued on page 3, column 2

The Spring, 1997 Trustee election will be conducted as follows:

- You may obtain a petition form now, from the office of the Retirement System, if you wish to be a Trustee candidate. Please contact us at the address on page 6 of this newsletter.
- Completed petitions, with the required 100 signatures, must be returned to the Retirement System no later than 5:00 p.m., Central Standard Time (CST), on November 30, 1996.
- Candidate listings will be available and voting will start no later than April 1, 1997. (See related story on page 3).
- Votes can be cast either by touch-tone phone using a voice-response system, or by phoning the Retirement System to receive and complete a paper ballot.
- Voting will cease April 30, 1997.
- The Board will certify the newly-elected Trustees following the election.
- Your newly-elected Trustees will begin their Board service July 1, 1997.

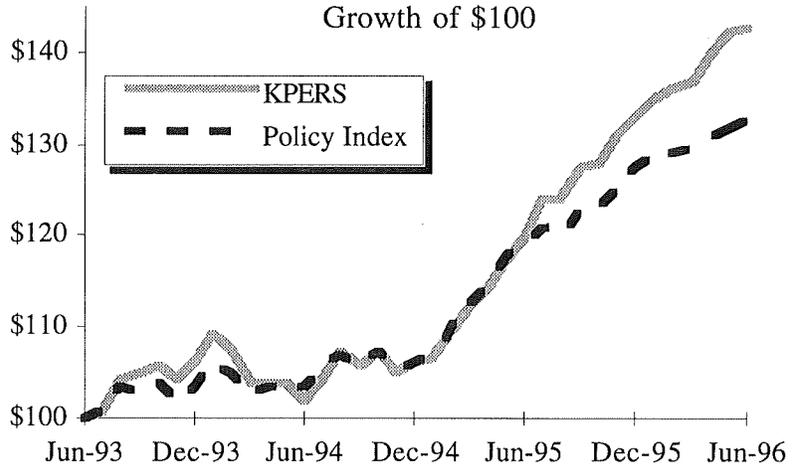
FY 1996 Investment Returns Strong

...by Robert Woodard, Investment Officer

Fiscal year 1996 (which ended June 30, 1996) proved to be successful for the KPERS investment portfolio. The investment portfolio represents all contributions to the plan, from both members and their employers, as well as all net earnings on these assets. These reserves are held in support of both current and future benefits. Total assets at the end of the year grew to nearly seven billion dollars. This money receives the benefit of a well diversified, carefully monitored investment portfolio that includes stocks, bonds, real estate, alternative investments and cash.

For the fiscal year, the domestic stock portion of the portfolio returned 31.8 percent, while the international equity portion of the portfolio returned 21.8 percent. The total fixed income (bond) portion of the portfolio returned 5.89 percent. These lower bond returns reflect both the interest earned and the reduction in principal value due to rising interest rates. Investments in Real Estate returned 11.9 percent, which includes changes in appraised value as well as cash flows. Alternative investments, which include equity investments in companies which do not yet trade on the organized exchanges, returned 16.7 percent. The portion of the portfolio held in cash returned 5.4 percent on the year.

Total Fund vs. Policy Index
For The Latest 3 Years Ending June 30, 1996



Thanks largely to the strong returns posted in the domestic and international stock markets the total portfolio returned 18.8 percent, growing over one billion dollars, net of fees, for the year. While this is an extraordinary number, it is important to consider this return within the context of what the markets did generally. To do so, we create an index of the various components of the portfolio that represents what the average returns should have been, given our exposures. We are pleased to report that the total portfolio exceeded, by a relatively wide margin, the expected returns

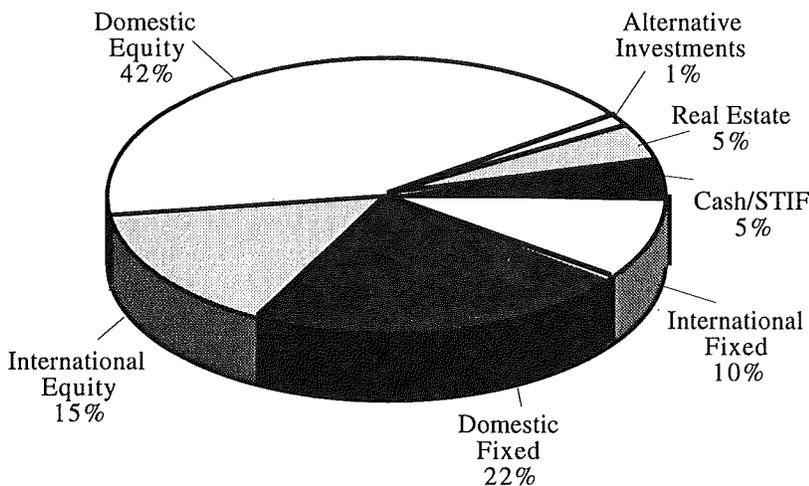
had we been invested in the averages or the policy index. Thus, this performance is gratifying on an absolute and relative basis.

Most things in life, though, average out. These returns seem unlikely to repeat themselves if for no other reason than that they are so far above the historic norms. An exceptional year like 1996 helps balance marginal return years so earnings remain at or above expected long term averages. Looking to FY 1997, several dynamic events likely will influence respective market returns available to the portfolio.

One influential event is the upcoming Presidential election. At this point in the debate, the two primary candidates have fairly diverse opinions on the best approach for managing the domestic economy. Likewise, the bond and stock markets reflect opinions about the relative impact these approaches might have on various segments of business and production. Voting of these opinions by purchases and sales will create market volatility along the way. Internationally, progress on the proposed European Union will likely affect those markets as economic winners and losers are identified within participant countries.

These and a myriad of other less predictable factors will continue to create opportunities for gains and losses. The Board and Staff will continue to monitor events as they unfold, attempting at all times to place the investment portfolio in the most efficient and effective position for long-term total returns.

ASSET ALLOCATION
For The Period Ending June 30, 1996



KPERS Litigation: What Is It About and Why Is It Taking So Long?

...by Joan Hancock, KPERS Counsel

Your Retirement System is a plaintiff in several highly publicized lawsuits. Because of the delays in moving these cases through the legal system, the KPERS side of the story has not been told, but we want you to hear it. There are those who maintain that it is KPERS' fault that these lawsuits are "dragging on." Nothing could be further from the truth. KPERS fervently desires its day in court. It has nothing to lose and everything to gain by getting its case in front of a jury. Defendants do not

want this to happen. Defense delays have involved everything from moving a case out of Kansas, to a Federal court in Missouri, to appealing to the Kansas Supreme Court against a settlement agreement freely entered into by another party.

The lawsuits are an attempt to recover pension-fund money that was lost as a result of certain failed ventures in the past. KPERS was an investor in these ventures — and usually the sole investor. During this period, the focus of certain investment decisions had shifted away from considering solely the exclusive

benefit of KPERS members. Instead, with regard to a small but significant portion of KPERS' assets, the focus moved toward favoring the business interests of a group of often well-connected individuals with entirely private motivations. In some notable instances, decisions were made to put KPERS funds into investments in which no prudent person would ever, under any circumstances, have put his or her own money. In total, your Retirement System lost over \$250 million as a result of investments in these failed ventures.

...continued on page 4

Board election balloting includes new phone-in, voice-response system

The Retirement System staff is putting technology to work for you in the second Trustee election. Voting members will first phone the Retirement System office and provide their social security number to confirm their eligibility to vote in the election. Social security numbers must be used to verify all eligible voters and to enter their votes. New voting methods will be used in this election.

Voice-Response Voting

There will be a first-time, innovative voice-response voting system for those using touch-tone phones. The special, new voice-response phone number will be in place and published ahead of the election. If you use a touch-tone phone, you will call the special number, enter your social security number and cast your ballot as directed by the new voice-response system. *It's as easy as 1-2-3!* Callers without touch-tone phones may request paper ballots to complete and return.

Privacy Act Notice

Your social security number is your voter registration number for this election. The Retirement System's use of social security numbers to maintain member records is authorized by subsection (a)(2)(B) of Section 7 of Pub. L. 93-579 (5 U.S.C. § 552a note) and K.A.R. 80-4-1; therefore, use of social security numbers in this election is mandatory. *Public disclosure of this information is prohibited.*

Board of Trustees - Organization & Responsibilities

... continued from page 1

- More specifically, the Board is responsible for:
 - reviewing & adopting actuarial assumptions, and establishing employer contribution rates;
 - determining an appropriate asset allocation mix;
 - establishing & following Investment Policies and Guidelines;
 - hiring & monitoring the performance of investment managers;
 - hiring & monitoring the performance of other service providers, including actuaries, consultants, advisors, & custodians; and,
 - hiring & monitoring the performance of the Executive Secretary.
- In organizing themselves, the Trustees are responsible for electing the Board Chair, who, in turn, selects the Vice-Chair.
- The Board is further organized into five subcommittees:
 - Direct Placement, Publicly Traded Securities, Real Estate, Personnel, and Long Range Planning. Trustees serve on one or more subcommittees during their tenure on the

Board.

- The six appointed trustees must have substantial experience managing the financial affairs of a public or private organization with 100 or more employees or have had at least five years' experience in investment management or analysis, in actuarial analysis, or in the administration of an employee benefit plan.
- Board members will receive compensation, subsistence allowance, and mileage reimbursement for Board meetings, in the same amount provided to Kansas legislators.

This is a brief overview of the Retirement System's Board and the responsibilities of its Trustees. If you need more information, please contact the Retirement System, at the address on page 6 of the newsletter.

Retirement System Experiences Significant Growth Surge over Last Five Years

Over the last five years, your Retirement System has undergone significant growth, with notable increases in its membership, amount and level of benefits paid (with a resulting impact on the Kansas economy), and member assets. The Retirement System's total membership has swelled in the last five years, from 168,337 as of June 30, 1991, to 202,568

as of June 30, 1996. This is a 20.3 percent increase. Retired members grew in number from 39,522 to 46,746 over the same period, a 15.4 percent increase (see Membership table, page 5).

More importantly, the total benefits paid to retired members rose from \$198 million in fiscal year 1991 to \$356 million in fiscal year 1996. The average individual retirement benefit

increased by \$2,635 per year in this five-year period, or 52.5 percent. The average annual benefit is now \$7,650.

The purchasing power of retired KPERS members makes a tremendous economic impact on the State of Kansas. Eighty-five percent (85%) of KPERS retired members continue to live in Kansas. These members were paid more than \$300 million in retirement benefits last year.

The amount of contributions paid in to the Retirement System by employers and employees has also risen in the last five years, although not as rapidly as benefit payments have grown. Moreover, the difference between total contributions received and total benefits paid continued to widen during this time period.

...see table page 5, story continued page 6

KPERS litigation: what is it about and why is it taking so long?

...continued from page 3

The investments that resulted from these questionable initiatives are held in KPERS' real estate and "alternative investment" portfolios. Alternative investments are investments in companies or ventures that are not traded on public stock exchanges. They include private placements and venture capital partnerships. Through this program, KPERS became the sole shareholder of several companies and the principal creditor of others.

Some of the ventures lost money due to market volatility and other normally expected factors and, as an investor, KPERS has experienced its share of those kinds of losses, as any investor expects to do — and certainly has not filed lawsuits with regard to such losses. However, a few of the alternative and real estate investments have lost significant amounts of money for reasons that are not innocent, and aren't related to legitimate market factors. This is why KPERS brought its lawsuits against those who promoted KPERS' involvement in these investments and/or who participated in these "deals-gone-bad."

Trustees have felt that their fiduciary responsibilities required them to attempt to recover, through lawsuits where necessary, funds that were lost to KPERS on account of past wrongdoing by others. Also, the current board has felt bound to bring lawsuits against professionals — lawyers, accountants, consultants and the

like — who can be shown to have disserved KPERS and participated in breaches of duty on the part of others.

What kinds of breaches of duty has KPERS alleged in its lawsuits?

Following is a short list of some of them:

- Investments were made in companies known to be no longer viable.
- KPERS was provided false financial statements for companies it invested in.
- Material facts concerning the business were withheld.
- Inventories and appraisals were overstated.
- Conflicts of interest existed, where lawyers, accountants and consultants hired to protect KPERS' interests were also serving the owners and managers of companies KPERS was investing in or loaning money to.
- Laws and regulations designed to protect KPERS members were violated.
- A KPERS trustee who urged the investment of KPERS money in a failing savings and loan association was, at the same time, receiving millions of dollars in loans from the owners of the savings and loan association.
- Self-dealing, negligence, and fraud occurred time and time again.

Why is it taking so long to get these cases to court?

- All litigation takes longer than expected.
- KPERS' lead counsel died, suddenly and unexpectedly, after the litigation was

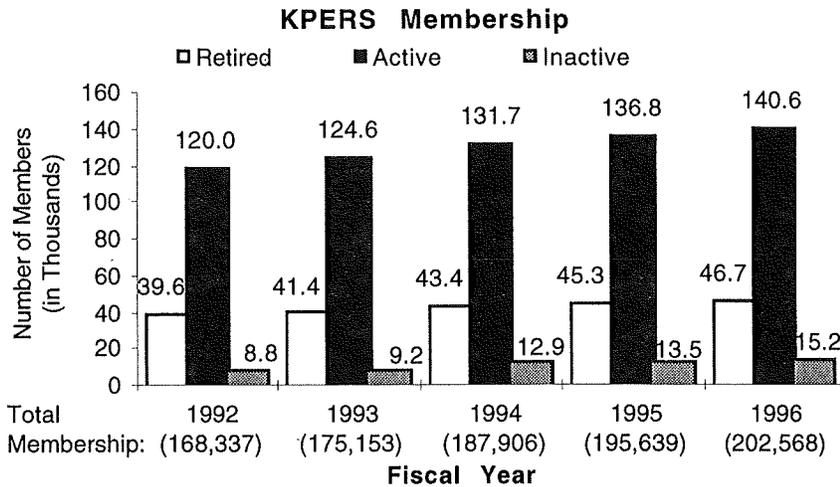
well underway; it took several months to replace him, and time for KPERS' new lawyers to get "up to speed."

There is not a single procedural delay available to defendants in complex litigation that the defendants in these cases have not utilized. (This is their right. But note: after engaging in all their delaying tactics, these still well-connected defendants complain to today's political leaders that this litigation is "dragging on" so long it is not fair — implying, completely incorrectly, that it is KPERS who is causing the delays.)

Is KPERS spending a lot of money on this litigation?

Quite a bit, yes. But KPERS hopes to recover all that it is required to spend in prosecuting these cases. KPERS pays certain expenses of its lawyers in conducting the litigation. Examples would be court reporter fees for depositions, expert witness fees, and lawyer travel expenses. KPERS does NOT pay any hourly legal fees to its lawyers on an as-you-go basis. The lawyers forgo their income until there is some recovery on the cases. That is, they recover their fees from any award KPERS receives as a result of the

...story continued on page 5, column 1



The table above shows the growth in the Retirement System's active, inactive, and retired membership over the last five fiscal years. The table on page 6 shows the amount of benefits paid to members over the past five fiscal years, compared to the amount of contributions and investment income earned by the System.

...story continued on page 6

...**"KPERS Litigation"** continued from page 4

litigation, either by court order or as a settlement. The lawyers' fees are a percentage of what is left after KPERS has been reimbursed for its up-front expenses.

- To date, settlements in the amount of \$12.125 million have been recovered. Up-front expenses returned to KPERS have amounted to \$5.2 million. Contingency fees paid to the attorneys have amounted to \$2.75 million. Thus, the bottom line is that, so far, without having gone before a jury on any of the cases, there has been a net recovery to KPERS of \$4.164 million as of June 30, 1996. That is, more than four million dollars is now in the KPERS trust fund that would not have been there had the KPERS board of trustees not made a decision to pursue these lawsuits. This recovery represents money KPERS owes to its members in constitutionally guaranteed benefits. Having this money in the trust fund represents a savings to Kansas taxpayers who, after all, foot the bill for the employer contributions that must be raised to make up any shortfall in the required Retirement System funding.

- Generally speaking, the lawyers who take on a case like this do so at their own risk: if KPERS does not see any recovery, the lawyers do not receive any fees. But while our lawyers were willing to accept

the risk that they might do their best job and still lose, they were not willing to accept the risk that other factors in Kansas could cause the board of trustees to terminate the litigation and end it without KPERS ever having its day in court. Therefore, their contract provides that, in the event KPERS should say to the lawyers, for some reason not related to their performance, that they are discharged and the litigation is terminated, the lawyers get paid an hourly rate. (They are keeping track of their hours as the litigation goes forward.) Furthermore, should this happen, they will receive twice their stated hourly rate, to compensate for the fact that they have not been paid any fees for several years.

Did these investment losses place retirement benefits in jeopardy?

- No. The KPERS portfolio as a whole has never experienced an overall loss, in any of the years in question.

Think of it this way. If you had \$1,000 to invest for the benefit of someone to whom you were responsible; and you entrusted \$100 each to ten different money managers to invest, solely for the benefit of your charges; and nine of the ten money managers did so well with the money that your fund always experienced growth; but one of them threw away part

Membership Definitions

- Active Member** - An eligible employee who is in the system and who makes the required employee contributions.
- Inactive Member** - Any former employee who has made the required contributions to the system and who hasn't received a refund.
- Retired Member** - A formerly active member who has retired under the system and is receiving monthly benefit payments from it.
- School Member** - A contributing employee of a public school, vo-tech school, or community college that participates in the system.
- Non-School Member** - A contributing employee of the State, or a county, city, township, special district, or instrumentality, or other non-commercial public entity of the system.

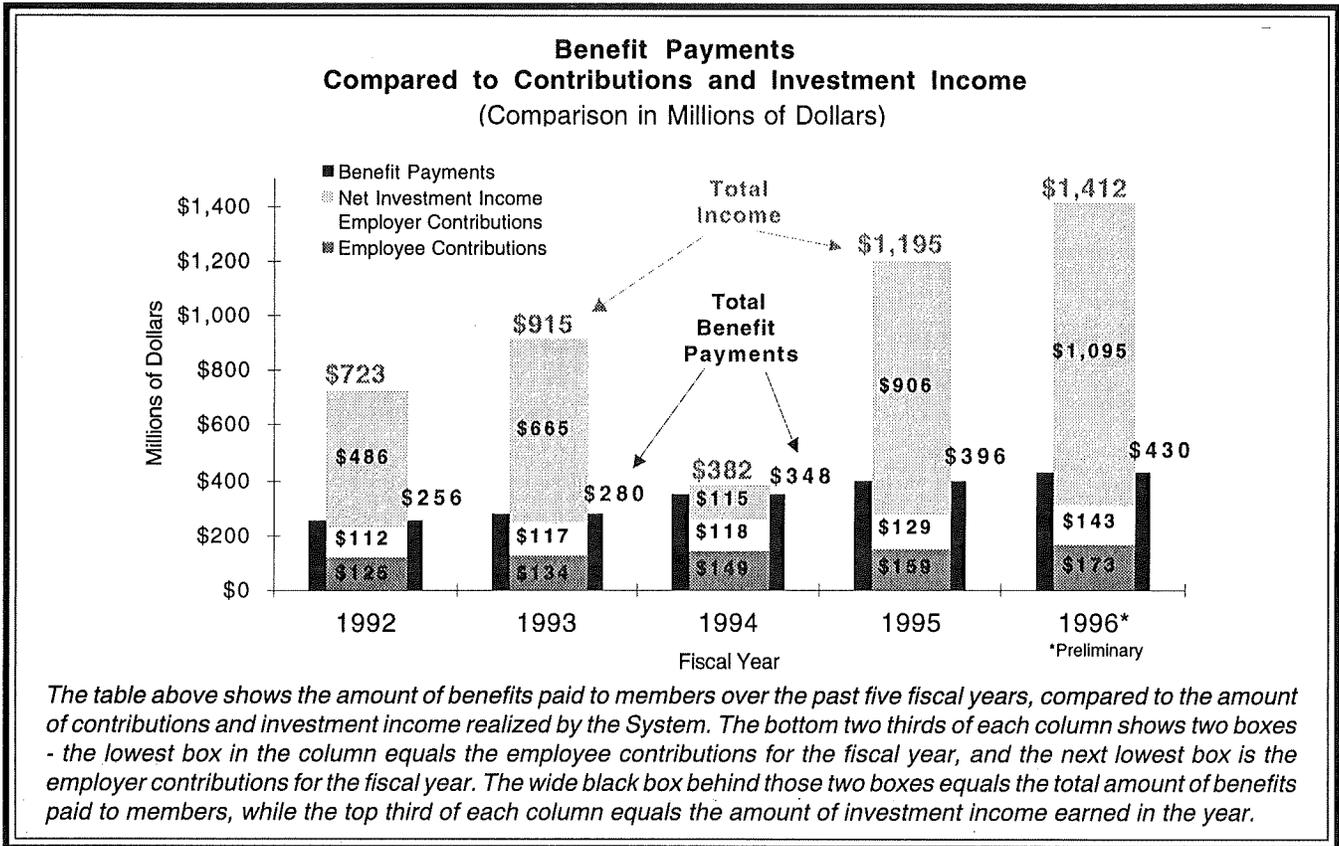
NOTICE: Portability Provision Clarification

Portability provisions allow a member to combine credits under more than one system to become eligible for a benefit from one of the systems. Portability provisions do not apply to you if you have already retired from one system. If you have retired from one system (for example - KP&F), and are working in another (for example - KPERS), you must meet vesting and eligibility requirements from the second system in which you are working, in order to retire from it, and your benefit will be based on your salary in that second system. Your Designated Agent has more information on this subject. Please see your Designated Agent if you believe the information in this notice applies to you.

of the money or gave it to his friends; would you then be able to sue the one who wasted your money? Of course you would. Even if, overall, your fund showed a profit? Absolutely. Because, but for the wrongdoing of the one manager, the fund's assets would be even greater. And, in serving the best interests of your charges, you might be responsible to do so. That is precisely the case with your board of trustees, in suing those who unwisely and illegally invested a significant amount of money — though still a small percentage of the whole — of the KPERS fund.

Retirement System's significant growth over last five years

...continued from page 5



...continued from page 5

As depicted in the table above, benefit payments in fiscal year 1992 totaled \$256 million while contributions received that year totaled \$237 million - a gap of \$19 million. In fiscal year 1996, this difference grew to \$120 million. The increase is largely due to the 1993 benefit enhancement package. It will begin to narrow as employer contribution rates move upward in the years ahead.

Member assets grew at an annualized rate of just over 13 percent in the past five years, increasing from just over \$4 billion to just under \$7 billion. This substantial asset foundation, invested in a prudent, productive fashion, when coupled with the statutory funding mechanism of employer and employee contributions established in Kansas law, ensures the future financial integrity of your Retirement System and your retirement benefits.

The Retirement System office has a new toll-free telephone number, which is 1-888-ASK-KPERS (1-888-275-5737).

Please remember to dial the complete toll-free number, including the "1" at the beginning. Some callers, when dialing, have not dialed the "1" at the beginning of the phone number and have been put through to an Overland Park, Kansas exchange. We appreciate your cooperation in this matter.

Mission Statement of the Retirement System:

The Kansas Public Employees Retirement System is a plan of retirement, disability, and survivor benefits provided by law for Kansas public servants and their beneficiaries.

The Board of Trustees and the Staff of the Retirement System strive at all times to safeguard the System's assets by adhering to the highest standards of fiduciary and professional care, to comply strictly and fairly with the law, and to conduct business in a courteous, timely and effective manner.

KPERS Board of Trustees: Michael L. Johnston, Chair; Vern R. Chesbro, Vice-Chair; Jarold W. Boettcher, Ivan Crossland, Jr., Les Meredith, Stuart Murdock, Kathy Stover, Sally Thompson, Marjorie Lee Webb

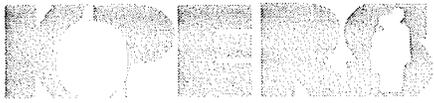
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KPERS Internet E-Mail address is: kpers@kspress.com

KPERS home page on the Internet World Wide Web is: <http://www.kspress.com/kpers>

Phone: (913) 296-6666, or call toll-free: 1-888-ASK-KPERS (888-275-5737); Fax #: (913) 296-6638

1-94



Kansas Public Employees Retirement System

January 21, 1997

Senator David Kerr, Chair
Senate Ways and Means Committee
Room 120-S, Statehouse
Topeka, Kansas

Dear Senator Kerr:

The KPER Board of Trustees has formally endorsed two proposed constitutional amendments and a package of proposed changes to the Retirement Act. The vast majority of the proposed changes are technical in nature and would require only minor, cleanup legislation. Only one of the proposed statutory changes has a fiscal impact; otherwise, employer contribution rates would remain unchanged. One of the proposed constitutional amendments has a very positive fiscal impact; the other would act to protect the assets of the members. The proposed changes are outlined below. The Joint Committee on Pensions, Benefits and Investments has reviewed and voted to introduce, as noted, the majority of the Board's proposed changes.

INVESTMENT RELATED (to be introduced in the Senate)

Bank-free investing mandate. Current constitutional and statutory restrictions prevent the Retirement System from investing in publicly traded equity in any "banking institution, savings and loan association or credit union which positions the system as a shareholder or owner of such banking institution, savings and loan association or credit union." See K.S.A. 74-4921(5)(d). See also Kansas Constitution, Article 13, sec. 2: "State not to be stockholder. The state shall not be a stockholder in any banking institution." No matter the justification for these restrictions at their inception in 1859, they now serve no valid public purpose. In fact, the restrictions act both to limit the Retirement System's earnings in certain market situations and increase its performance measurement expenses. Removing the bank-free restriction would first require passage of a constitutional amendment by a two-thirds majority of both houses of the Legislature and ratification by a simple majority of voters. Removing the existing restrictions would allow the Retirement System to realize, on average, an additional \$12 million per year in investment income.

BENEFIT RELATED (to be introduced in the House)

First day coverage for non-school members. Currently, Judges, KP&F and KPER School employees become members of their respective Systems immediately. KPER non-school employees (State, county, city, etc.) become members after one year of employment. While some employers provide "first day coverage" (life insurance, disability and service-connected death benefits), the employee does not accrue any service credit toward retirement. After one year, the KPER non-school employees experience a reduction in pay when

the KPERS four percent contribution begins. Cost: Approximately \$1.5 million; \$750,000 State General Fund.

Suspend retirement benefits for retired judges elected or appointed to a judgeship. Current law permits a retired judge to be reelected or reappointed and to continue to draw full benefits and a full salary while accruing additional benefits. No cost savings.

Reduce eligibility for KSRS retirement benefits to ten years. Current law provides that a school employee must have worked 12 years prior to 1938 to receive a benefit under KSRS. As most of these individuals are in their nineties, the proposed change would have a negligible cost and no measurable actuarial or employer contribution rate impact.

Purchase of withdrawn service by elected officials at the actuarial rate. This change would bring this purchase in line with all other purchases under KPERS. Minimal cost savings; no measurable actuarial or employer contribution rate impact.

Provide authority to offset estimated social security disability payments. KPERS' disability benefits are offset by social security disability payments. However, some disabled members choose not to apply for such benefits or fail to exhaust their administrative remedies under social security. Change would provide statutory authority to offset estimated social security disability benefits in such instances. Has a positive impact on the group insurance reserve problem. Has a positive impact as KPERS will be paying less disability benefits as more people become eligible for social security. No measurable actuarial or employer contribution rate impact.

Provide total offset for workers compensation. Current law provides for a 50 percent offset for workers compensation. When coupled with the 66 2/3 percent benefit paid under KPERS, this provides a significantly greater benefit than is paid under other statewide disability benefit programs. Positive impact as KPERS will be paying less disability benefits on people also drawing workers compensation. No measurable actuarial or employer contribution rate impact.

Board may appoint benefit appeal hearing officers. Authorize Board to appoint and compensate someone other than a Board member or a KPERS employee as a hearing officer. Minimal administrative cost; no measurable actuarial or employer contribution rate impact.

Purchase in-state non federal public service. Allow members to purchase prior service credit for Kansas public employment with employers who are not participating in KPERS. No cost; no actuarial impact.

EMPLOYER-RELATED (to be introduced in the House)

Separate employer contribution rates for new KPERS' employers. New employers would pay their own prior service liability instead of having it spread across the System as a whole. Minimal cost savings for current employers; measurable actuarial and employer contribution rate impact on new employees.

Member arrearages to be paid by employers. An employer has an obligation to continually monitor the eligibility status of their employees. Current law allows the employer to make the eligibility determination as an employee nears retirement with the resulting actuarial liability spread System-wide. Not applicable to year of service. Minimal cost savings; no measurable actuarial or employer contribution rate impact.

Require employer reporting on retirants earning over \$11,280. Employers are not currently required to report those retired members they have reemployed who earn in excess of the statutory earnings limitation. Minimal cost savings; no measurable actuarial or employer contribution rate impact.

TECHNICAL CORRECTIONS (to be introduced in the Senate)

Provide survivor benefits upon the death of disabled correctional officers. Certain correctional employees were intended to have the same disability survivor provisions as KP&F members. The appropriate language was never included. Minimal cost; no measurable actuarial or employer contribution rate impact.

Clarify prior service. Allow a member to receive credit for broken periods of prior service if employed on March 15 of the year preceding the employer's entry date. No cost; no actuarial or employer contribution rate impact.

Clarify definition of a member. Expand definition to include inactive, non-vested members in the five year protection period. No cost; no actuarial or employer contribution rate impact.

Separate definitions for "beneficiary" and "payments to a beneficiary." Current definition confuses how benefits are to be paid with the definition of who is to be paid. No cost; no actuarial or employer contribution rate impact.

Member may name different beneficiary for life insurance. Under current law the named beneficiary is the beneficiary for all benefits. Change would allow members to name different beneficiaries for life insurance benefits. No cost; no actuarial or employer contribution rate impact.

Allow "year of service" purchase at four percent. Allow employees who had to wait a year to become a member to purchase this year within

twelve months at four percent of compensation. Minimal cost; no measurable actuarial or employer contribution rate impact.

Compensation definition as related to the IRS code. This would allow the Retirement System to more specifically define KPERS' compensation as the IRS code evolves. No cost; no actuarial or employer contribution rate impact.

Certain benefits can be paid under the Uniform Transfer to Minors Act. There are currently no provisions to pay anyone other than a conservator. No cost; no actuarial or employer contribution rate impact.

US public health service only includes the commissioned corps. Correct 1994 legislation intended to cover only the commissioned corps. No cost; no actuarial or employer contribution rate impact.

Remove age 70 requirement from purchase of forfeited service. Remove outdated language relating to members age 70. No cost; no measurable actuarial or employer contribution rate impact.

Remove provisions allowing elected officials to continue coverage after leaving office. Repeal existing provision. No cost; no measurable actuarial or employer contribution rate impact.

Plan compliance. This legislation would codify KPERS' compliance with the Internal Revenue Service Code as well as the Age Discrimination in Employment Act (ADEA) and the Uniformed Services Employment Rights Act of 1994 (USERRA). There might be administrative costs for contract programmers; no measurable actuarial or employer contribution rate impact.

ISSUES NOT ASSIGNED

Protecting Integrity of Retirement Funds. The Retirement System is not addressed in the Kansas Constitution. Trustees believe that the Kansas Constitution, like those in many other states, should provide that member benefits cannot be diminished or impaired, that fund assets cannot be diverted to uses other than administration or payment of benefits, that the actuarial soundness of the System be protected, and that the powers and duties of the Board of Trustees be enumerated. A constitutional amendment would first require passage by a two-thirds majority of both houses of the Legislature and ratification by a majority of the electorate.

Exempt pre-existing conditions from KP&F disabilities and mandate pre-employment physicals. Parameters would be established to allow the System to deny disability claims that occur during the first year of employment and relate to a pre-existing condition. These parameters would be similar to those used by Security Benefit Life for KPERS disabilities. Employers would be required to certify that a new member is mentally and physically capable of performing the duties of a public safety officer. Although this issue was not

Senator David Kerr
January 21, 1997
Page 5

introduced by the Joint Committee, the Board feels very strongly that this legislation is essential. Some cost savings; no measurable actuarial or employer contribution rate impact.

Adjust statutory salary increase assumption for disabled members. For members disabled for five or more years, current law includes a five percent annual salary increase assumption for retirement and life insurance benefits purposes. Capping this assumption at the lower of four percent or the actual rate of inflation would provide a more realistic benefit level. Prospective application only. This proposal was adopted by the Board in December and has not been before the Joint Committee. Some cost savings; no measurable actuarial or employer contribution rate impact.

Please let me know if you or your staff have any questions concerning the Board's proposals. As always, we remain available at your convenience.

Sincerely,

Meredith Williams
Executive Secretary

1-99

**DEVELOPMENT OF A
POST RETIREMENT BENEFIT ADJUSTMENTS POLICY
FOR THE
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**PRESENTATION TO
SENATE WAYS AND MEANS COMMITTEE, AND
HOUSE APPROPRIATIONS COMMITTEE
KANSAS LEGISLATURE**

**BUCK CONSULTANTS
FEBRUARY 4, 1997**

Senate Ways and Means Committee

Date 2-4-97

Attachment # 2

OBJECTIVES OF STUDY

- **Analyze need for Post-Retirement increases**
- **Consider alternatives**
- **Analyze both short-term and long-term costs**
- **Consider financing alternatives**
- **Propose policy statements**

27

BACKGROUND

2-3

- **The Legislature has granted frequent and significant ad hoc Post-Retirement benefit increases in the past**
- **No increases granted in 1995 or 1996**
- **Substantial improvements made to KPERS benefits in the 1980's and 1990's**
- **KPERS contributions are less than actuarially required amounts**

PAST KPERS POST-RETIREMENT INCREASES

2-4

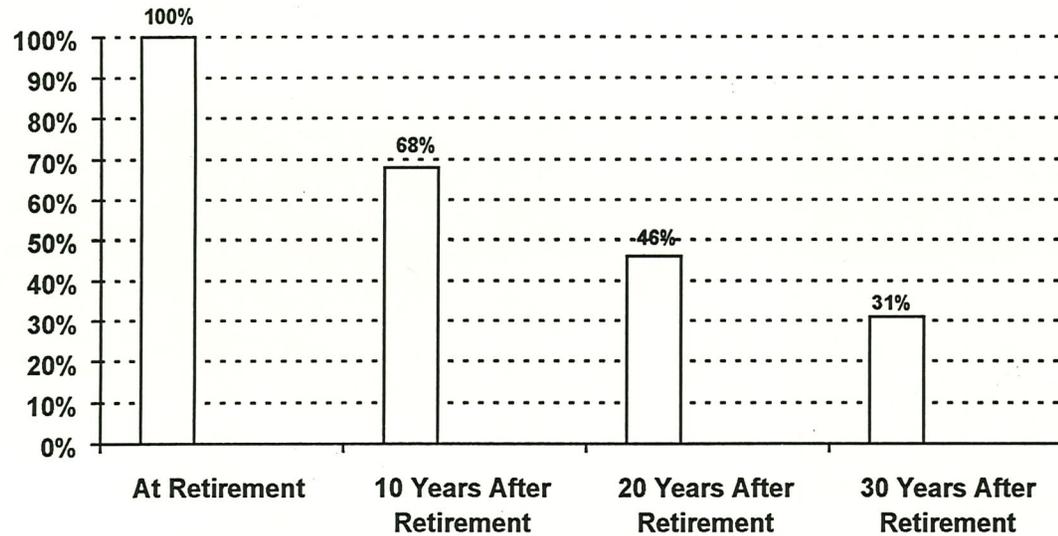
Year	CPI	CPI - 1%	KPERS Increases
'77	6.4%	5.4%	5.0%*
78	5.9	4.9	1.1**
79	6.5	5.5	--
80	9.9	8.9	8.3
81	14.3	13.3	--
82	11.2	10.2	10.0
83	7.4	6.4	--
84	3.5	2.5	10.0
85	3.5	2.5	5.0
86	3.1	2.1	3.0
87	1.3	.3	2.0
88	4.2	3.2	3.0
89	4.0	3.0	4.0
90	4.7	3.7	4.0
91	5.4	4.4	1.0
92	3.7	2.7	4.2***
93	3.0	2.0	14.0***
94	2.6	1.6	4.5***
95	2.8	1.8	--
96	2.6	1.6	--
Compound Annual Rate	5.3%	4.3%	3.6%

- * One time increase only (13th check)
- ** Increases greater for members retiring before 1976
- *** Average Increase

2-5

NEED FOR POST-RETIREMENT BENEFIT INCREASES TO REPLACE LOSS OF PURCHASING POWER

4% Annual Inflation



Purchasing Power of Fixed Benefit

SURVEY OF POST-RETIREMENT INCREASES FOR STATE RETIREMENT SYSTEMS

2-6

Work Place Economics Survey

- Statewide Retirement Plans Covering State Employees
- All 50 States
- 1996

Post-Retirement Benefits	% of Systems
Ad Hoc Only	48%
Automatic - CPI Based*	30%
Automatic - Flat Benefit*	20%
Based on Investment Performance	2%

***Average annual increase is 3.1% assuming 4% inflation**

STATE OF WISCONSIN RETIREMENT RESEARCH COMMITTEE

2-7

- Statewide Retirement Systems
- 83 Systems
- August 1994

Post-Retirement Benefits	% of Systems
Ad Hoc Only	29%
Automatic - CPI Based*	47
Automatic - Flat Benefit*	18
Based on Investment Performance	6

***Average annual increase is 3% assuming 4% inflation**

EXAMPLES

2-8

- **75 % of CPI if age 65 or older
50% of CPI if less than age 65**
- **CPI - Cap of 3.5% plus investment surplus**
- **80% of CPI, maximum of 5%**
- **3.1% automatic**
- **100% of CPI, 5% cap**

TYPES OF POST RETIREMENT INCREASES

2-9

- **Automatic or Ad Hoc**
- **Tied to Index fully or partially
(e.g. - CPI, GNP Deflator, Wages)**
- **Flat \$ or %**
- **To maintain some or all purchasing power**
- **Employee financed**
- **Combination**

POST RETIREMENT BENEFIT INCREASE ELIGIBILITY PRACTICES

2-10

- **Normal and Early retirees only**
- **After fixed age, or number of years of retirement**
- **Deferred Vested members**
 - ◆ **After benefits commence**
 - ◆ **Index considering deferral period**
- **Death and Disability benefits**
- **All periodic payments**

IF POST-RETIREMENT BENEFITS ARE INDEXED:

2-11

- **Most frequently tied to CPI**
- **Consensus that CPI overstates inflation for retirees (at least 1% per year)**

2-12

RETIREMENT INCOME REPLACEMENT NEEDS COMPARED TO BENEFITS AVAILABLE FROM KPERS AND SOCIAL SECURITY

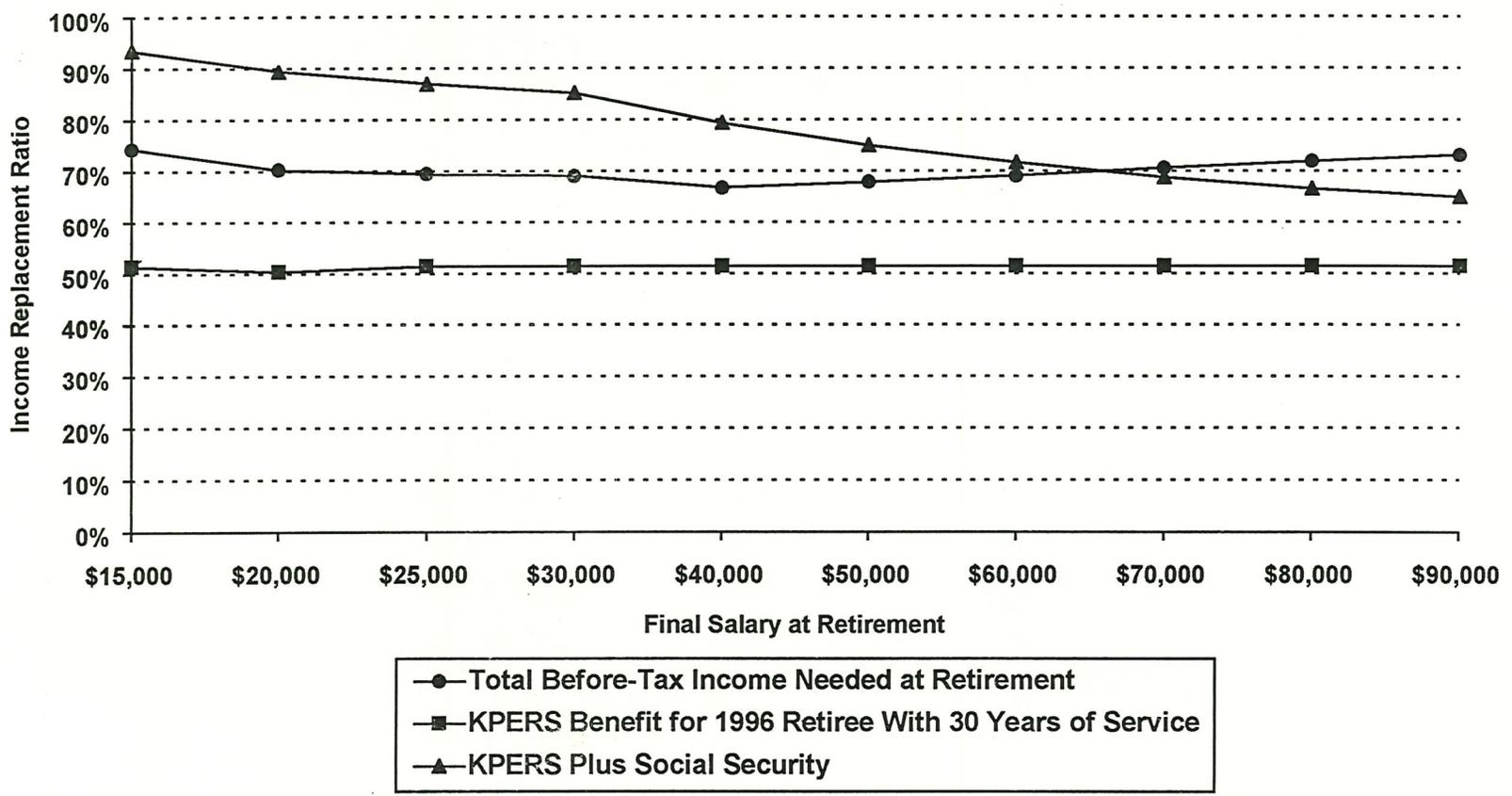
- **Career employee considered retiring at age 62 with 30 years service and final annual salary of \$35,000**
- **Based on Federal and Kansas taxes**
- **Work and Age Related Expenses from the Retiree Project - Georgia State University**
- **Current KPERS benefits and Social Security**
- **Measure of ability of KPERS and Social Security to replace spendable income at time of retirement**

Kansas Public Employees Retirement System

**Income Replacement Ratios Upon Retirement in 1996 as a Function of Taxes and Expenditures
for a Career Employee Retiring at Age 62 with 30 Years of Service
Taxation of Social Security Benefits at 85% with \$34,000 Threshold**

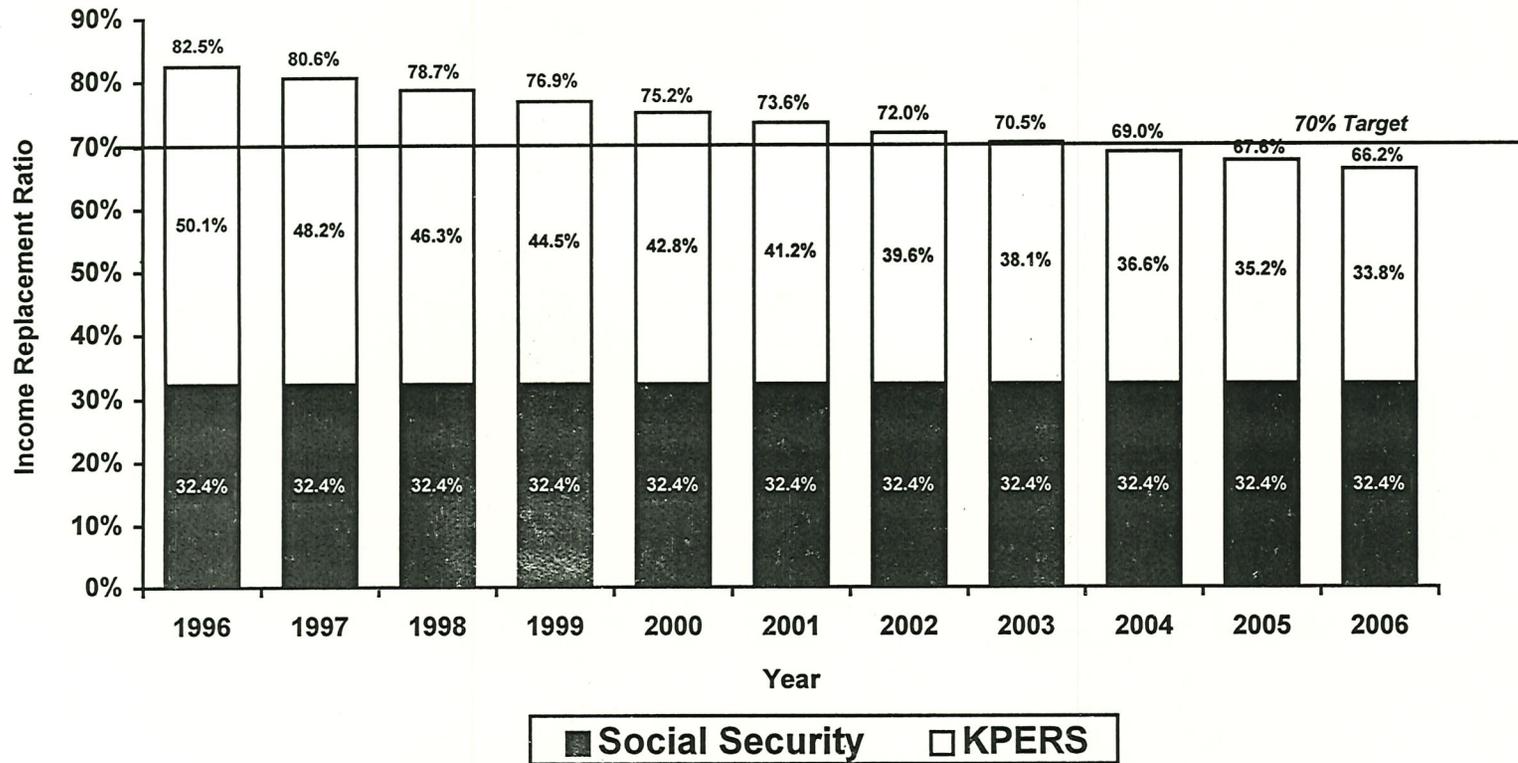
	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	\$80,000	\$90,000
1. Gross Pre-retirement Salary										
<u>As a Percentage of Pre-retirement Salary</u>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2. Less Contribution to KPERS	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
3. Less Social Security Taxes	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.0%	6.3%	5.8%
4. Less Federal Taxes	7.9%	9.5%	10.5%	11.1%	14.5%	17.0%	18.6%	19.9%	21.1%	22.1%
5. Less State and Local Taxes	<u>2.8%</u>	<u>3.3%</u>	<u>3.6%</u>	<u>4.2%</u>	<u>5.2%</u>	<u>5.8%</u>	<u>6.2%</u>	<u>6.5%</u>	<u>6.7%</u>	<u>6.9%</u>
6. Pre-retirement After-Tax Income	77.7%	75.6%	74.3%	73.0%	68.7%	65.6%	63.5%	62.6%	61.8%	61.3%
7. Less Work & Age Related Expenses	<u>3.4%</u>	<u>5.4%</u>	<u>5.9%</u>	<u>5.8%</u>	<u>4.9%</u>	<u>3.7%</u>	<u>2.5%</u>	<u>1.5%</u>	<u>0.4%</u>	<u>-0.5%</u>
8. Income Available for Post-Retirement Consumption	74.3%	70.2%	68.4%	67.2%	63.8%	61.9%	61.0%	61.2%	61.4%	61.7%
9. Plus Post-Retirement Federal Income & Social Security Taxes	0.0%	0.0%	1.0%	1.7%	2.9%	5.8%	8.0%	9.3%	10.4%	11.2%
10. Plus Post-Retirement State and Local Income Taxes	<u>0.0%</u>									
11. Total Before-Tax Income Needed at Retirement	74.3%	70.2%	69.4%	69.0%	66.7%	67.8%	69.0%	70.5%	71.8%	73.0%
12. Social Security Benefit	<u>42.1%</u>	<u>38.0%</u>	<u>35.6%</u>	<u>33.8%</u>	<u>27.9%</u>	<u>23.5%</u>	<u>20.1%</u>	<u>17.3%</u>	<u>15.1%</u>	<u>13.4%</u>
13. Benefit Needed From KPERS to Replace Pre-Retirement Income (Line 11 minus Line 12)	32.3%	32.2%	33.8%	35.2%	38.8%	44.3%	48.8%	53.2%	56.7%	59.6%
14. KPERS Benefit for 1996 Retiree With 30 Years of Service	<u>51.4%</u>									
Deficit / (Surplus) KPERS Benefit (Line 13 minus Line 14)	-19.2%	-19.2%	-17.6%	-16.2%	-12.6%	-7.2%	-2.6%	1.8%	5.2%	8.2%

KPERS INCOME REPLACEMENT NEEDED TO MAINTAIN LIVING STANDARD FOR CAREER EMPLOYEE RETIRING AT AGE 62 WITH 30 YEARS SERVICE



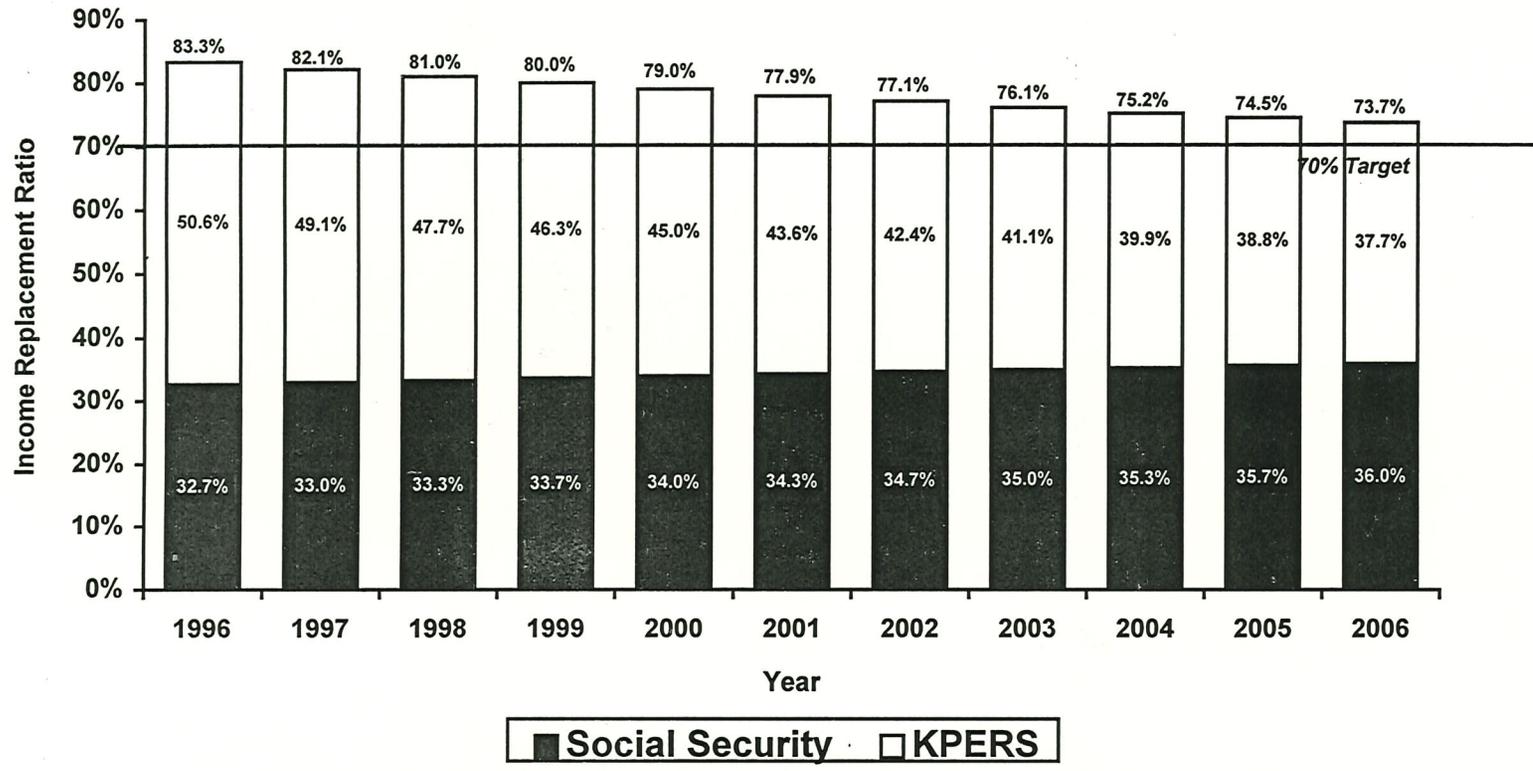
2-15

KPERS CAREER EMPLOYEE RETIRING IN 1995 10 YEAR PROJECTION OF INCOME REPLACEMENT RATE WITHOUT COLA ADJUSTMENTS ON KPERS BENEFIT ASSUMING CPI NEEDED (4%)



2-16

KPERS CAREER EMPLOYEE RETIRING IN 1995 10 YEAR PROJECTION OF INCOME REPLACEMENT RATE WITHOUT COLA ADJUSTMENTS ON KPERS BENEFIT ASSUMING CPI-1% NEEDED (3%)



CONCLUSIONS FOR EMPLOYEES RETIRING WITH CURRENT KPERS BENEFITS

2-17

- **For most employees income replacement need is about 70% of pay**
- **For most employees, the combination of KPERS and Social Security is in excess of income replacement need. Short-fall is at high wage levels**
- **Need for Post-Retirement increases is not immediate**

PAST KPERS RETIREES

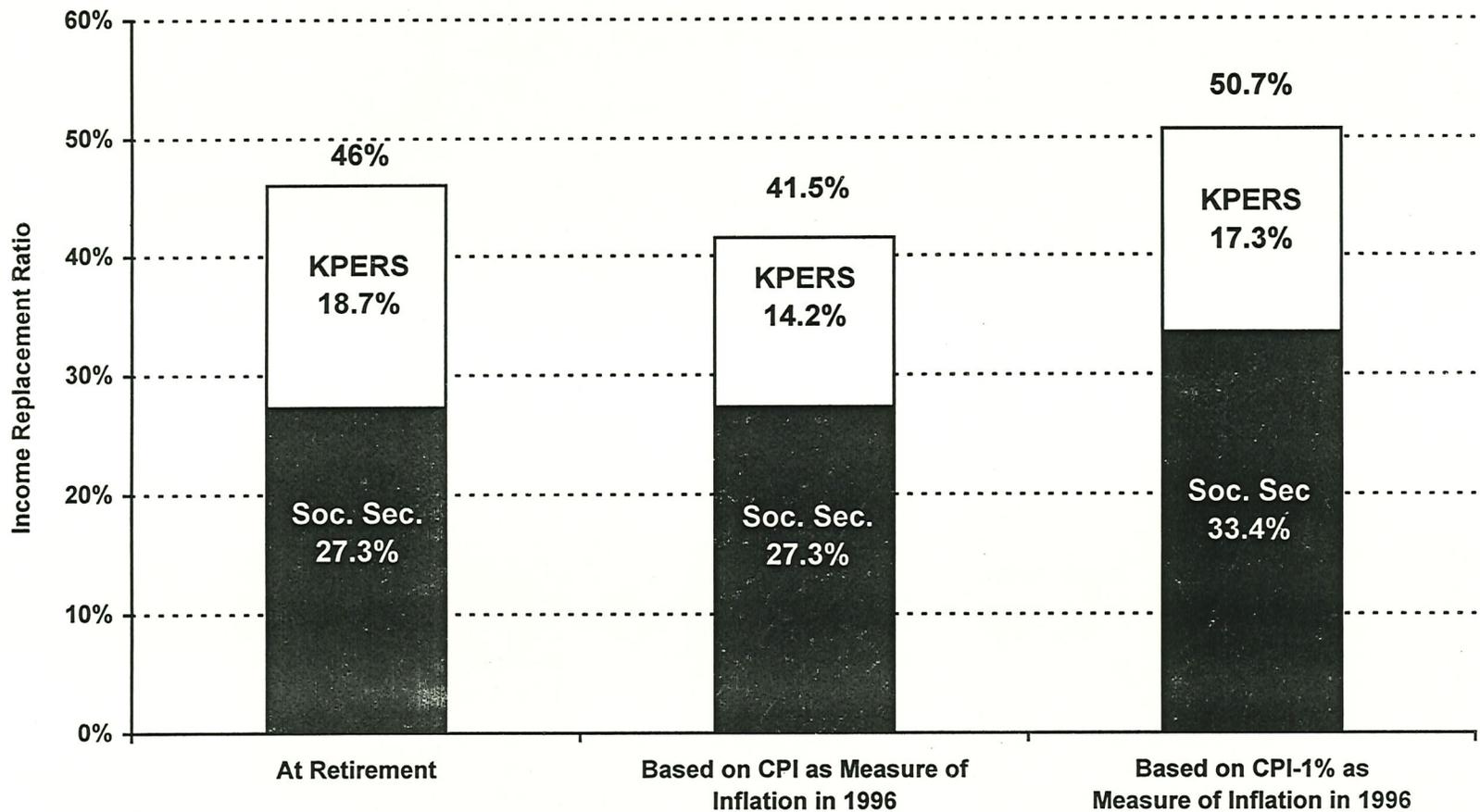
81-2

- **Retired under different conditions**
 - ◆ **KPERS Benefits (lower formula, prior service benefit, early retirement reduction, final average salary)**
 - ◆ **Social Security**
 - ◆ **Frequent Post-Retirement increases**

- **Projections for “Average” employee**
 - ◆ **Initial income replacement**
 - ◆ **Inflation adjusted income replacement today**

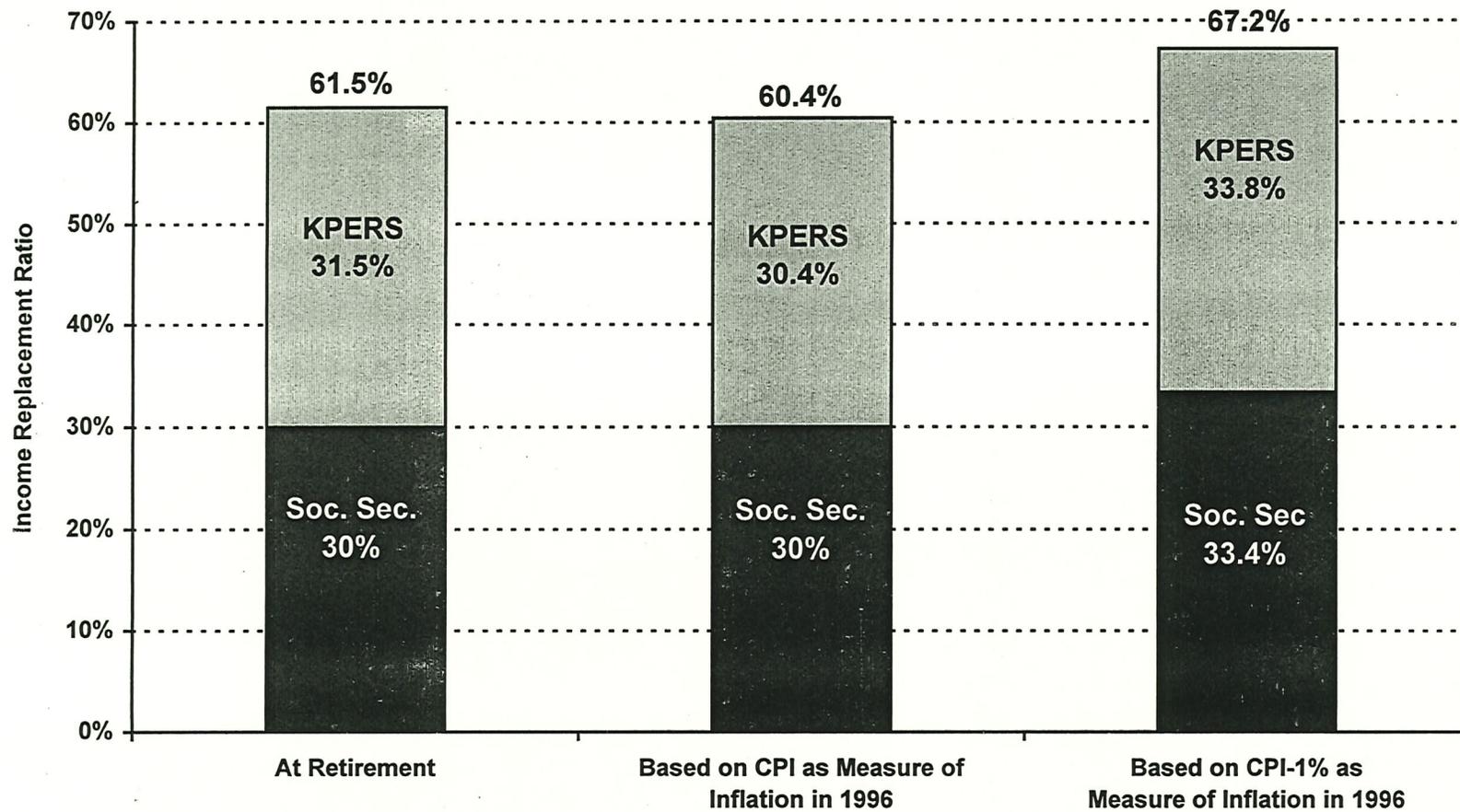
2-19

CAREER KPERS EMPLOYEE RETIRING IN 1975 MEASURE OF LOSS OF PURCHASING POWER



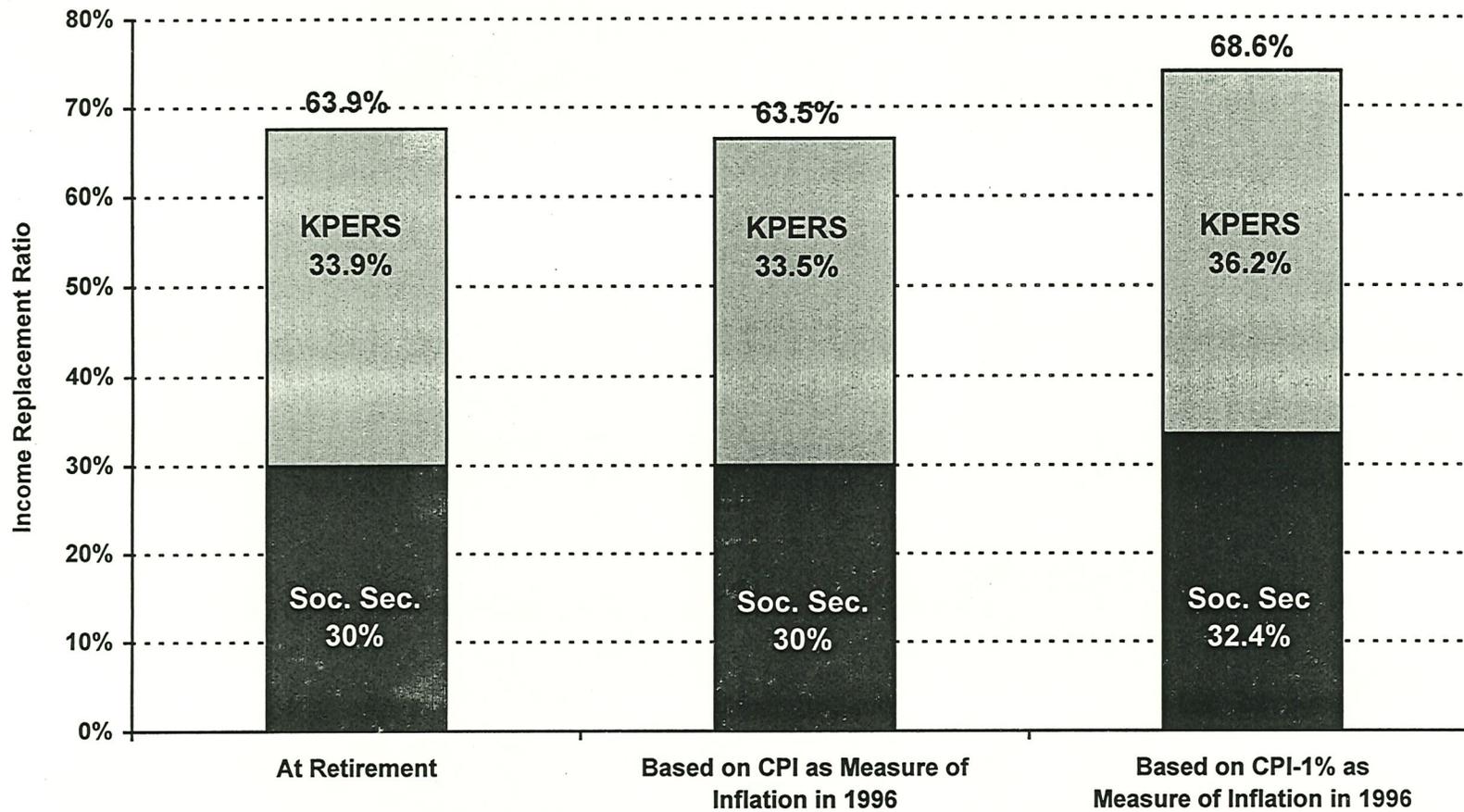
2-80

CAREER KPERS EMPLOYEE RETIRING IN 1985 MEASURE OF LOSS OF PURCHASING POWER



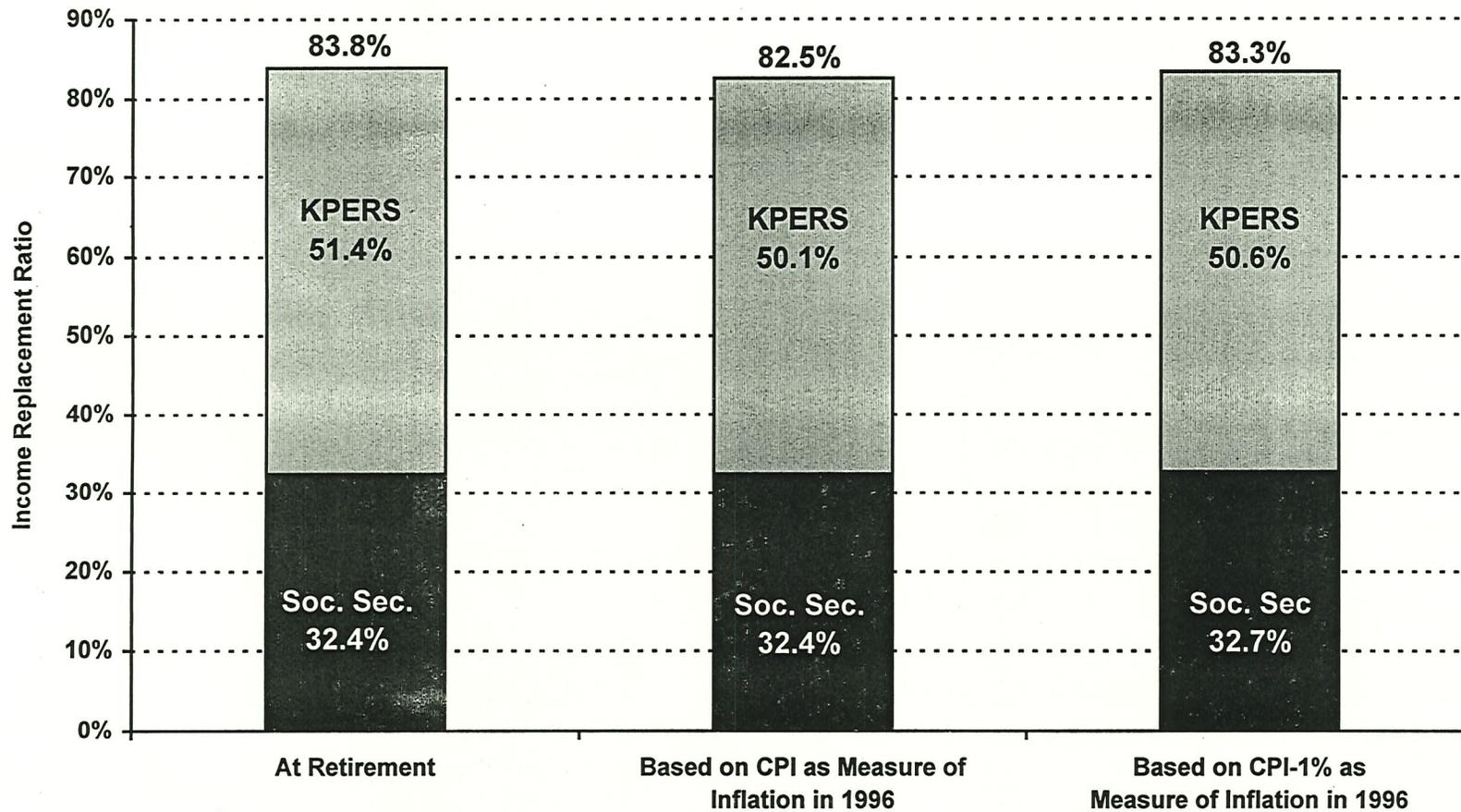
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CAREER KPERS EMPLOYEE RETIRING IN 1988 MEASURE OF LOSS OF PURCHASING POWER



CAREER KPERS EMPLOYEE RETIRING IN 1995 MEASURE OF LOSS OF PURCHASING POWER

2-22



CONCLUSIONS FOR CURRENTLY RETIRED KPERS MEMBER WHO RETIRED WITH LESSER BENEFITS

- **Career employees retiring in the past were not likely to retire at income replacement amounts equal to 70% target**
- **However, purchasing power has been maintained based on CPI as inflation measure, and enhanced based on CPI-1%**
- **More immediate need for continuing Post-Retirement increases, but no significant short-fall currently**

POST-RETIREMENT BENEFITS FINANCING ALTERNATIVES

2-24

Pay-As-You-Go



From Favorable Experience



Appropriations



Advance Funding

FAVORABLE EXPERIENCE EXAMPLES

2-25

- **All or Shared Gains**
(e.g. - 50% of investment gains in excess of actuarially assumed investment return or some higher rate)

- **Interest Dividend**
(e.g. - investment return in excess of actuarial basis for annuity)

ESTIMATED COST OF ONE-TIME INCREASE ONLY (STATE AND SCHOOL ONLY)

2-26

Increase Benefits for Retired Members By	Increase in Unfunded Benefits	Increase in Contribution Rate*
4%	\$88M	.30% of Pay
3%	66M	.22% of Pay
2%	44M	.14% of Pay
1%	22M	.07% of Pay

Note: Investment gain based on actuarial value of assets was \$280M for 1996 fiscal-year.

***Funded over 15 years**

LONG-TERM COST OF POST-RETIREMENT INCREASES

2-27

All Members	Estimated Increase in Contributions as % of Pay*
4% Annual Compound Increase	5.9%
3% Annual Compound Increase	4.2
2% Annual Compound Increase	2.6
1% Annual Compound Increase	1.2
Currently Retired Members Only	Increase in Contributions as % of Pay*
4% Annual Increase	2.3%
3% Annual Increase	1.6
2% Annual Increase	1.0
1% Annual Increase	.5

* Additional Unfunded Liabilities for retired employees funded over 15 years; for active employees over KPERS funding period policy

EMPLOYEE FINANCED POST-RETIREMENT BENEFITS:

2-28

To Receive a Benefit With an Annual Compound Increase of	Employee Could Reduce Initial Pension Amount By:
1%	8.0%
2%	17.2
3%	27.6

Note: A 22% reduction in the KPERS benefit would meet the 70% income replacement target.

PRELIMINARY FINDINGS

2-29

- **CPI probably overstates inflation for retirees by at least 1% per year**
- **KPERS career employees retiring at current benefit levels:**
 - ◆ **Exceed initial income replacement needs**
 - ◆ **Can self-finance some Post-Retirement inflation protection**
 - ◆ **Additional inflation protection required is deferred or modest if moderate inflation occurs**
- **Past Post-Retirement practices have been generous and have maintained purchasing power of KPERS retirement benefits. However, the initial income replacement levels were significantly less than current amounts**
- **It is unlikely that past practices can be maintained without significant increases in contribution requirements, or exceptional investment return, or delay in meeting actuarially required contributions**

SAMPLE POST-RETIREMENT BENEFIT INCREASE POLICY STATEMENTS

2-30

- **Post-Retirement benefit increases are intended to help maintain purchasing power, not to solve inadequate benefits at retirement or correct past wage levels**
- **The need for Post-Retirement KPERS benefit increases will consider:**
 - ◆ **The cost-of-living as measured by the CPI-1%**
 - ◆ **Benefits from both KPERS and Social Security for career employees retiring at age 62 with 30 years of service**
 - ◆ **A 70% income replacement target from Social Security and KPERS for an average retiree**
- **All periodic benefits will be considered for Post-Retirement increases**
- **Employees who retired at benefit levels less than current KPERS benefit levels have a greater need**

SAMPLE POST-RETIREMENT BENEFIT INCREASE POLICY STATEMENTS (CONTINUED)

12-2

- **Financing for any Post-Retirement increases will not jeopardize or delay the equilibrium point for meeting the actuarially required contributions**
- **Until the actuarially required contribution is met, actuarial or investment gains should be used to shorten the period until equilibrium, not to improve benefits.**
- **Pre-funding of Post-Retirement increases is a preferred approach to any funding method that shares favorable experience (e.g. Diet COLA) to achieve fairness for both employees and taxpayers**
- **The long-term costs, affordability and likelihood of Post-Retirement increases will be communicated to employees so that they can adequately plan for their retirement**
- **The strategy will be dynamic and react to changes in KPERS benefits, Social Security, and measures of inflation**

SAMPLE POST-RETIREMENT BENEFIT INCREASE POLICY STATEMENTS (CONTINUED)

2-32

- All proposals for Post-Retirement increases will disclose:
 - ◆ Increase in Unfunded Liabilities
 - ◆ Long-term costs if proposal is continued annually
 - ◆ Delay in meeting equilibrium point

- Targeted annual Post-Retirement increases to meet the above objectives are:
 - ◆ For employees who retire at current KPERS benefit levels
 - If CPI-1% is 3% or more: 1%
 - If CPI-1% is less than 3%: 0

 - ◆ For other retirees
 - If CPI-1% is 3% or more: 2%
 - If CPI-1% is 2%: 1%
 - If CPI-1% is less than 2%: 0