

KENTUCKY RETIREMENT SYSTEMS

A Component Unit of the
Commonwealth of Kentucky

Comprehensive Annual Financial Report
For the Year Ended June 30, 1999

Kentucky Employees Retirement Systems
County Employees Retirement System
State Police Retirement System

KENTUCKY RETIREMENT SYSTEMS

A Component Unit of the
Commonwealth of Kentucky

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1999

Prepared by the executive staff of
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The cost of printing this CAFR
is part of the administrative expense of the system.

Table of Contents

Introductory Section	1
Letter of Transmittal	2
Board of Trustees	7
Organizational Chart	8
Financial Section	9
Independent Auditor's Report	10
General Purpose Financial Statements	
Combined Statement of Plan Net Assets for the Years Ended June 30, 1999 and 1998	12-13
Combined Statement of Changes in Plan Net Assets for the Years Ended June 30, 1999 and 1998	14-15
Combining Statements of Plan Net Assets, Pension Funds, June 30, 1999 and 1998	16-17
Combining Statements of Changes in Plan Net Assets, Pension Funds, June 30, 1999 and 1998	18-19
Combining Statements of Plan Net Assets, Postemployment Healthcare, June 30, 1999 and 1998	20-21
Combining Statements of Changes in Plan Net Assets, Postemployment Healthcare, June 30, 1999 and 1998	22-23
Notes to the Financial Statements	24-36
Required Supplementary Information	
Disclosures about Year 2000 Issues	37-38
Schedule of Funding Progress	
Kentucky Employees Retirement System	40-41
County Employees Retirement System	42-43
State Police Retirement System	44
Kentucky Retirement Systems Insurance Fund	
Kentucky Employees Retirement System	46-47
County Employees Retirement System	48-49
State Police Retirement System	50
Schedule of Employer Contributions	
Kentucky Employees Retirement System	51
County Employees Retirement System	52
State Police Retirement System	53

Kentucky Retirement Systems Insurance Fund	
Kentucky Employees Retirement System	54
County Employees Retirement System	55
State Police Retirement System	56
Notes to Required Supplementary Information	57
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	58
Schedule of Administrative Expenses	59
Schedule of Investment Expenses	60
Schedule of Payments to Consultants	60
Investment Section	61
Preface	62
Investment Consultant's Letter	63-66
Target Allocation	67
Actual Allocation	68
Performance Evaluations	69
Time Weighted Annual Returns by Asset Class	70-71
Portfolio Summaries	72-74
List of Largest Assets Held	75-76
Schedule of Fees and Commissions	77
Investment Managers	77
Actuarial Section	78
Actuary's Certification	79-81
Summary of Benefit Provisions	82-86
Summary of Actuarial Assumptions and Methods	87-89
Summary of Member Valuation Data	90-91
Summary of Accrued & Unfunded Liabilities	92-93
Solvency Test	94
Retired Lives Summary	95-97
Beneficiary Summary	98-100
Statistical Section	101
Membership Data	102
Schedule of Participating Employers	103
Schedule of Revenue by Source	104
Schedule of Expenses by Type	105
Analysis of Initial Retirement	106
Schedule of Benefit Expenses by Type	107-109
Recipients by Age	110
Comparison of Average Monthly Benefits by Length of Service	111
Payment Options by Type	112
Total Fiscal Year Retirement Payments by County	113

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KENTUCKY RETIREMENT SYSTEMS

Introductory Section

Comprehensive Annual Financial Report
June 30, 1999



KENTUCKY RETIREMENT SYSTEMS
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601



Kentucky Employees Retirement System
County Employees Retirement System
State Police Retirement System

Pamala S. Johnson
General Manager
Phone 502-564-4646
FAX# 502-564-5656

November 18, 1999

The Board of Trustees
Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124

I am pleased to present the comprehensive annual financial report (CAFR) of the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), State Police Retirement System (SPRS) and Insurance Fund for the fiscal year ended June 30, 1999.

The CAFR is divided into five sections:

- An Introductory Section, containing the administrative organization and letter of transmittal.
- A Financial Section, containing the report of the independent Auditor, the financial statements of the three systems and insurance fund and certain required supplementary information.
- An Investment Section, containing a report on investment activity, investment policies, investment results and various investment schedules.
- An Actuarial Section, containing the Actuary's Certification Letter and the results of the annual actuarial valuation.
- A Statistical Section, containing information about plan participants and recipients.

The management of the systems is responsible for the accuracy of the data as well as the completeness and fairness of the presentation. We present this information to help you and the members of the retirement systems understand the systems' financial and actuarial status. This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standard Board. Transactions of the system are reported on the accrual basis of accounting. Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

History

KERS was created in 1956 by the Kentucky General Assembly in order to supplement the benefits provided by Social Security. When the first actuarial valuation was done June 30, 1957, there were 16,000 employees participating in KERS and assets of \$2.8 million. CERS and SPRS were established in 1958. The first actuarial valuation of SPRS was conducted June 30, 1959. No actuarial valuation of CERS was conducted until June 30, 1960 because the statutes prohibited retirements from the system prior to July 1, 1960. At June 30, 1960, there were 68 counties and 2,617 employees participating in CERS, and SPRS included 415 uniformed state troopers.

As of June 30, 1999, there were more than 220,000 active and retired members in the three systems and approximately \$12.8 billion in assets. A breakdown of membership by system is provided in the statistical section.

The staff of Kentucky Retirement Systems provides detailed benefit estimates to members upon request. Counselors are available at the Frankfort office for individual counseling. In addition, staff conducts individual counseling sessions at sites throughout the state and holds preretirement seminars to help members prepare for retirement.

Major Initiatives

Our year 2000 readiness project was completed. All files and programs necessary to conduct the business of Kentucky Retirement Systems had been reviewed, modified and tested by August 31, 1999. Programs were date tested on our off-site system against the programs currently running and any problems detected were corrected. Computer and telecommunications equipment found to be deficient had been replaced or upgraded by June 30, 1999.

Retirement staff implemented legislation enacted by the 1998 General Assembly which resulted in a dramatic increase in requests.

- Change in final compensation for hazardous members from the average of the five highest years of earnings to the three highest years of earnings.
- Change in the benefit formula factor for KERS nonhazardous members employed from January 1998 to January 1999. This change was a factor in the record 4,016 retirements during the fiscal year.
- Change to allow employees with 20 years service to purchase five years of nonqualified service. This change was a major factor in the nearly 10,000 service purchases made during the fiscal year which totaled more than \$74 million.

As a result of these and other changes, retirement staff worked nearly 37,000 hours of overtime to meet the needs of retiring employees.

The Kentucky Retirement Systems changed its organizational structure in anticipation of future growth and to meet the increasing demands of its membership. The new structure, shown on the organizational chart in the introductory section, should help participating members and employers find the services they need with less confusion. The new structure also incorporates changes that will improve customer service, as soon as the areas can be adequately staffed.

The Investment Division added a third internally managed stock index and a real estate securities index. Over 50% of the total portfolio is now internally managed. As a result of the systems investment policies, the Kentucky Retirement Systems provides its membership a high quality portfolio with superior performance in a very cost efficient manner.

Additions To Plan Net Assets

The collection of employer and employee contributions, as well as income from investments, provide the reserves needed to finance retirement benefits.

<i>dollar amounts expressed in thousand</i>	1999	1998	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	\$ 274,864	\$ 167,789	\$107,075	63.8%
Employer Contributions	\$ 295,303	\$ 287,619	\$ 7,684	2.7%
Net Investment Income	\$1,684,062	\$1,865,554	(\$181,492)	(9.7%)
Total	\$2,254,229	\$2,320,962	(\$ 66,733)	(2.9%)

The increases in member contributions is partly a result of an increase in payroll, but primarily a result of 10,000 service purchases which totaled more than \$74 million. Employer contributions can be attributed to increases in the covered payroll. The decrease in Net Investment Income is a result of the less favorable financial markets than for fiscal year 1998.

Deductions To Plan Net Assets

The Kentucky Retirement Systems administers the retirement programs established by the Kentucky General Assembly. The costs associated with those programs include the monthly retirement allowances of retired members under normal, early or disability retirement; payments to beneficiaries; member refunds and the administrative expenses of the system.

<i>dollar amounts expressed in thousand</i>	1999	1998	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Allowances	\$393,582	\$353,709	\$39,873	11.3%
Refunds	\$ 20,135	\$ 19,439	\$ 696	3.6%
Administrative Expense	\$ 8,752	\$ 6,702	\$ 2,050	30.6%
Total	\$422,469	\$379,850	\$42,619	11.2%

Retirement Allowances increases due to a 1.6% cost of living adjustment added to recipients' monthly benefits in July and the increase in the number of retired members. Administrative expense increased due to equipment purchases, overtime and personnel reclassifications.

Investments

The Board of Trustees of the Kentucky Retirement Systems have a statutory obligation to invest the systems' funds in accordance with the "prudent person rule." The prudent person rule states that

fiduciaries shall discharge their investment duties with the same degree of diligence, care and skill which a prudent person would ordinarily exercise under similar circumstances in a like position.

The Board has managed the funds in recognition of the basic long term nature of the systems. The Board has interpreted this to mean that the assets of the three systems should be actively managed -- that is, investment decisions regarding the particular securities to be purchased or sold shall be the result of the conscious exercise of discretion. The Board has further recognized that proper diversification of assets must be maintained. The asset allocation can be found in the Investment Section of this CAFR.

The Board's policies have provided significant returns while holding down investment related expenses. For the fiscal year ending June 30, 1999, the systems pension funds had a total return of 14.3% and the insurance fund had a total return of 12.1%.

Funding

The Kentucky Retirement Systems' funding objective is to meet long-term benefit promises through contributions that remain fairly level as a percent of member payroll. Funding of the pension benefits for all systems as of June 30, 1999 is greater than 100% using the ratio of assets at actuarial value to the total actuarial accrued liability. The medical insurance benefit, created in 1978, is not at the same level of funding. Total insurance liabilities exceed assets in the Insurance Fund by \$2.6 billion.

The medical insurance liability continues to be the primary funding concern of the Kentucky Retirement Systems.

A detailed discussion of the funding status of the systems can be found in the Financial Section of this report.

Professional Services

A listing of the Board's contracted consultants can be found in the organizational chart on page 8. A listing of the external investment managers can be found on page 77 in the Investment Section.

Other Information

Kentucky statutes require an annual audit by an independent certified public accountant or the Auditor of Public Accounts. The Charles T. Mitchell, Co. performed the audit for the fiscal year ended June 30, 1999. The results of that audit are contained in the Financial Section. It is the opinion of the auditing firm that the general purpose financial statements present fairly the plan net assets.

The compilation of this report reflects the combined efforts of Joe Hutchison, Bob Leggett and Mark Roberts under the leadership of the Board of Trustees. It is intended to provide complete and reliable information to be used in making management decisions, determining compliance with statutory provisions and determining responsible stewardship of the funds.

The report is being mailed to all employers participating in the Kentucky Retirement Systems. They form the link between the systems and its membership. Their cooperation contributes significantly to the success of the Kentucky Retirement Systems. We hope the employers and their employees find this report informative.

On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the staff, the advisors and the many people who have worked so diligently to assure the successful operation of the Kentucky Retirement Systems.

A handwritten signature in black ink, reading "Pamela S. Johnson". The signature is written in a cursive style with a vertical line to its right.

Pamala S. Johnson
General Manager

BOARD OF TRUSTEES



John J. Balbach
Louisville
Appointed by Governor
Term expires March 31, 2000



George B. Boehnlein
Louisville
Elected by CERS members
Term expires March 31, 2001



Larry C. Conner
Lexington
Appointed by Governor
Term expires March 31, 2003



Jane C. Driskell
Louisville
Elected by CERS members
Term expires March 31, 2001



Bobby D. Henson
Frankfort
Elected by KERS members
Term expires March 31, 2002



Susan Smith Horne
Lexington
Elected by KERS members
Term expires March 31, 2002



Randy J. Overstreet
Chair
Elizabethtown
Elected by SPRS members
Term expires March 31, 2003

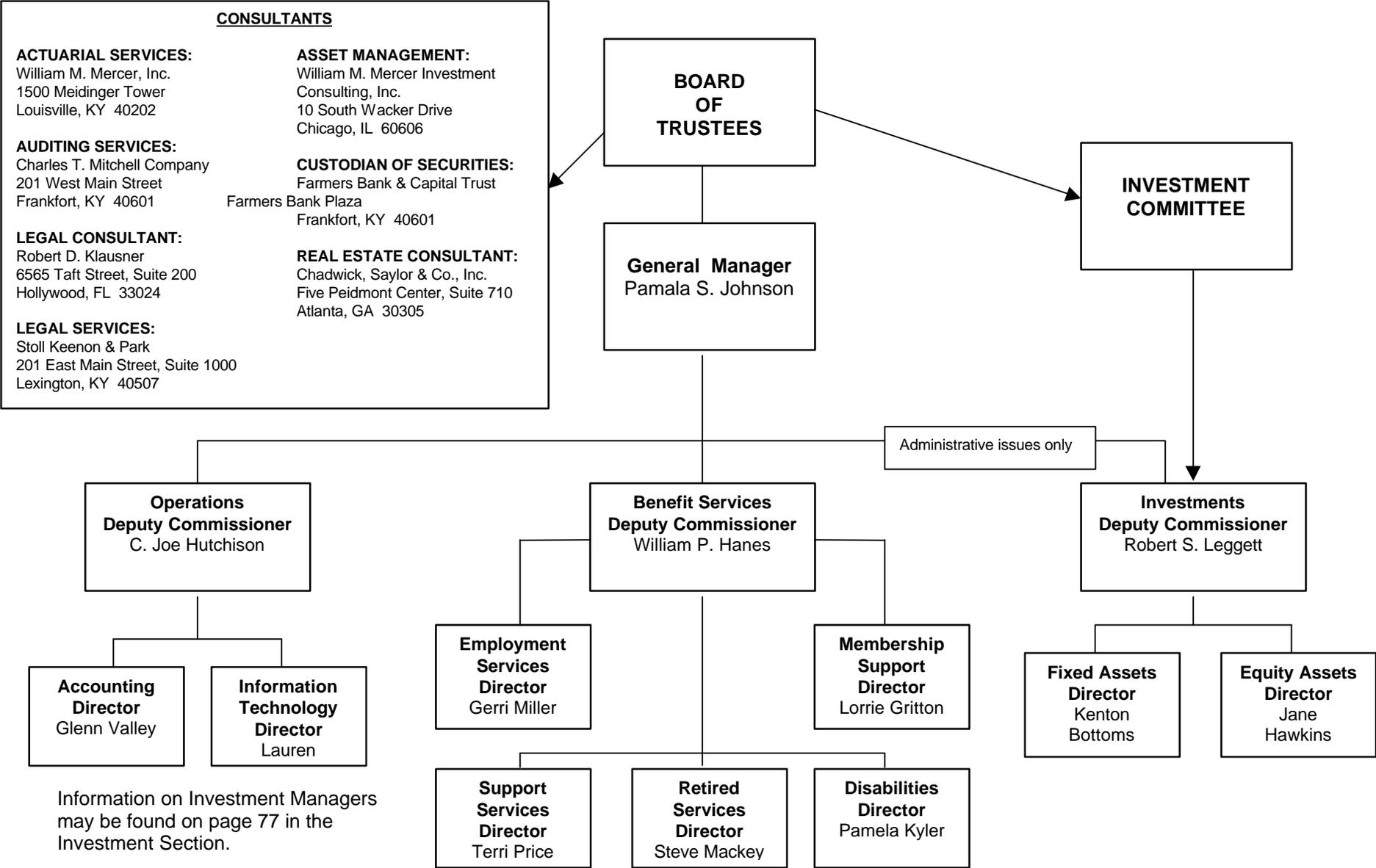


Walter J. Pagan
Wilder
Appointed by Governor
Term expires March 31, 2000



Carol M. Palmore
Frankfort
Secretary of Personnel
Cabinet
Ex Officio

Kentucky Retirement Systems Organizational Chart



KENTUCKY RETIREMENT SYSTEMS

Financial Section

Comprehensive Annual Financial Report
June 30, 1999

Charles T. Mitchell Company, LLP

Certified Public Accountants

201 WEST MAIN, P.O. BOX 698
FRANKFORT, KENTUCKY 40602-0698
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|| C T M

DON C. GILES, C.P.A.
WILLIAM G. JOHNSON, JR., C.P.A.
LARRY T. WILLIAMS, C.P.A.
JAMES CLOUSE, C.P.A.
BERNADETTE SMITH, C.P.A.
KIM FIELD, C.P.A.

CHARLES T. MITCHELL, C.P.A.
CONSULTANT

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kentucky Retirement Systems
Frankfort, Kentucky

We have audited the accompanying general purpose statements of plan net assets of the Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 1999 and 1998 and the related statements of changes in plan net assets for the years then ended. These component unit general purpose financial statements are the responsibility of the Kentucky Retirement System's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the plan net assets of the Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, at June 30, 1999 and 1998 and the changes in its plan net assets for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental schedules of funding progress and employer contributions, included on pages 40 through 56 and the notes thereto on page 57, are supplemental disclosures under Governmental Accounting Standards Board Statement No. 25. This supplementary information is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in our audits of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplemental schedule presented on pages 37 and 38 is presented for information purposes only. We have not audited or reviewed this information and, accordingly, do not express an opinion or any other form of assurance on it.

November 2, 1999

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	<u>1999</u>		
	<u>Pensions</u>	<u>Post-Employment Healthcare</u>	<u>Total</u>
ASSETS			
Cash and short-term investments (Note C)	\$ 612,665	\$ 53,981	\$ 666,646
Receivables			
Investments - accounts receivable	9	10	19
Interest receivable - year end	40,199	3,208	43,407
Accounts receivable - year end	73,405	18,541	91,946
Accounts receivable - alternate plan	4,897		4,897
A/R - alternate plan - year end	<u>334</u>		<u>334</u>
Total receivables	118,845	21,759	140,603
Investments at fair value			
Corporate and government bonds	2,416,700	173,826	2,590,526
Corporate stocks	8,112,989	579,635	8,692,624
Mortgages	515,558	18,851	534,409
Real estate	<u>479,790</u>		<u>479,790</u>
Total investments at fair value	11,525,037	772,312	12,297,350
Securities lending collateral invested	<u>1,043,883</u>	<u>65,058</u>	<u>1,108,941</u>
Total assets	13,300,430	913,109	14,213,539
LIABILITIES			
Investments - accounts payable		106	106
Accounts payable	29,649	71	29,721
Securities lending collateral	<u>1,043,883</u>	<u>65,058</u>	<u>1,108,941</u>
Total liabilities	<u>1,073,532</u>	<u>65,235</u>	<u>1,138,767</u>
Plan net assets held in trust for pension benefits and post-employment benefits	<u>\$12,226,898</u>	<u>\$ 847,874</u>	<u>\$13,074,772</u>

(A schedule of funding progress for each plan is presented on pages 40 through 50.)

The accompanying notes are an integral part of these financial statements.

KENTUCKY RETIREMENT SYSTEMS
 COMBINED STATEMENTS OF PLAN NET ASSETS
 As of June 30, 1999 and 1998

Expressed In Thousands

	1998	
Pensions	Post-Employment Healthcare	Total
\$ 628,526	\$ 52,472	\$ 680,998
128	13	141
35,069	2,248	37,317
48,762	9,029	57,791
6,063		6,063
412		412
90,434	11,290	101,724
1,870,930	127,754	1,998,684
7,295,596	448,102	7,743,698
517,572	28,947	546,519
160,765		160,765
9,844,863	604,803	10,449,666
1,292,359	126,257	1,418,616
11,856,182	794,822	12,651,004
19,321	290	19,611
1,292,359	126,257	1,418,616
1,311,680	126,547	1,438,227
\$10,544,502	\$ 668,275	\$11,212,777

	<u>1999</u>		
	<u>Pensions</u>	<u>Post-Employment Healthcare</u>	<u>Total</u>
ADDITIONS			
Members' contributions	\$ 274,864	\$	\$ 274,864
Employers' contributions	<u>295,303</u>	<u>146,080</u>	<u>441,383</u>
Total contributions	570,167	146,080	716,247
Investment Income:			
From investing activities			
Net appreciation in fair value of investments	1,358,855	67,147	1,426,002
Interest	191,982	13,907	205,889
Dividends	102,590	6,796	109,386
Real estate operating income (Net)	<u>33,728</u>	<u> </u>	<u>33,728</u>
Total investing activities income	1,687,156	87,850	1,775,005
Investment expense	<u>4,598</u>	<u>88</u>	<u>4,686</u>
Net income from investing activities	1,682,557	87,762	1,770,319
From securities lending activities			
Securities lending income	67,407	8,059	75,466
Securities lending expense			
Security borrower rebate	64,900	7,759	72,659
Security lending agent fee	<u>1,003</u>	<u>120</u>	<u>1,123</u>
Net income from securities lending activities	<u>1,505</u>	<u>180</u>	<u>1,685</u>
Total net investment income	<u>1,684,062</u>	<u>87,942</u>	<u>1,772,004</u>
TOTAL ADDITIONS	2,254,230	234,022	2,488,252
DEDUCTIONS			
Benefit payments	393,582		393,582
Refunds 20,135		20,135	
Administrative expenses	8,752	148	8,901
Healthcare premiums paid		54,276	54,276
Other deductions (Net)	<u>146,616</u>	<u> </u>	<u>146,616</u>
TOTAL DEDUCTIONS	<u>569,085</u>	<u>54,424</u>	<u>623,510</u>
Net increase	1,685,144	179,598	1,864,742
Plan net assets held in trust for pension benefits and post-employment benefits			
Beginning of year	10,544,500	668,276	11,212,776
Prior period adjustment (Note J)	<u>(2,746)</u>	<u> </u>	<u>(2,746)</u>
End of year	<u>\$12,226,898</u>	<u>\$ 847,874</u>	<u>\$13,074,772</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY RETIREMENT SYSTEMS
 COMBINED STATEMENTS OF CHANGES IN PLAN NET ASSETS
 For The Years Ended June 30, 1999 and 1998

Expressed In Thousands

	1998	
Pensions	Post-Employment Healthcare	Total
\$ 167,789	\$	\$ 167,789
<u>287,619</u>	<u>94,802</u>	<u>382,421</u>
455,408	94,802	550,210
1,553,476	92,424	1,645,900
186,752	11,488	198,240
106,315	6,365	122,680
<u>22,743</u>	<u> </u>	<u>22,743</u>
1,869,286	110,277	1,979,563
<u>5,391</u>	<u>84</u>	<u>5,475</u>
1,863,895	110,193	1,974,088
71,479	4,100	75,579
68,715	3,941	72,656
<u>1,105</u>	<u>62</u>	<u>1,167</u>
<u>1,659</u>	<u>97</u>	<u>1,756</u>
<u>1,865,554</u>	<u>110,290</u>	<u>1,975,844</u>
2,320,962	205,092	2,526,054
353,709		353,709
19,439		19,439
6,703		6,703
	50,270	50,270
<u>94,804</u>	<u> </u>	<u>94,804</u>
<u>474,655</u>	<u>50,270</u>	<u>524,925</u>
1,846,307	154,822	2,001,129
<u>8,698,195</u>	<u>513,453</u>	<u>9,211,648</u>
<u>\$10,544,502</u>	<u>\$ 668,275</u>	<u>\$11,212,777</u>

ASSETS	<u>KERS HAZARDOUS</u>	<u>KERS NON-HAZARDOUS</u>
Cash and short-term investments		
Cash	\$	\$
Short-term investments	<u>34,078</u>	<u>256,052</u>
Total cash and short-term investments	34,078	256,052
Receivables		
Investments - accounts receivable		4
Interest receivable - year end	909	19,179
Accounts receivable - year end	2,069	32,023
Accounts receivable - alternate plan		
A/R - alternate plan - year end	<u> </u>	<u> </u>
Total receivables	2,978	51,206
Investments at fair value		
Corporate and government bonds	57,433	1,135,735
Corporate stocks	159,754	3,932,630
Mortgages	10,443	254,970
Real estate	<u>15,373</u>	<u>222,820</u>
Total investments at fair value	243,003	5,546,156
Securities lending collateral invested	<u>23,427</u>	<u>491,421</u>
Total assets	303,487	6,344,835
LIABILITIES		
Investment - accounts payable		
Accounts payable	1,161	11,582
Securities lending collateral	<u>23,427</u>	<u>491,421</u>
Total liabilities	<u>24,588</u>	<u>503,003</u>
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 278,899</u>	<u>\$ 5,841,832</u>

(A schedule of funding progress for each plan is presented on pages 40 through 44).

The accompanying notes are an integral part of these financial statements.

KENTUCKY RETIREMENT SYSTEMS
 COMBINING STATEMENTS OF PLAN NET ASSETS
 PENSION FUNDS
 June 30, 1999 and 1998

Expressed In Thousands

<u>CERS HAZARDOUS</u>	<u>CERS NON-HAZARDOUS</u>	<u>STATE POLICE</u>	<u>1999 TOTAL</u>	<u>1998 TOTAL</u>
\$ <u>74,762</u>	\$ <u>234,378</u>	\$ <u>13,395</u>	\$ <u>612,665</u>	\$ <u>628,526</u>
74,762	234,378	13,395	612,665	628,526
1	3		9	128
3,955	14,930	1,226	40,199	35,069
8,413	29,933	968	73,405	48,762
2,546	2,351		4,897	6,063
<u>182</u>	<u>153</u>	<u> </u>	<u>334</u>	<u>412</u>
15,097	47,369	2,194	118,845	90,434
243,155	913,644	66,733	2,416,700	1,870,930
798,862	2,930,593	291,150	8,112,989	7,295,596
50,139	183,736	16,269	515,558	517,572
<u>51,617</u>	<u>172,373</u>	<u>17,607</u>	<u>479,790</u>	<u>160,765</u>
1,143,773	4,200,346	391,759	11,525,037	9,844,863
<u>105,635</u>	<u>388,069</u>	<u>35,331</u>	<u>1,043,883</u>	<u>1,292,359</u>
1,339,267	4,870,162	442,679	13,300,430	11,856,182
7,474	8,678	754	29,649	19,321
<u>105,635</u>	<u>388,069</u>	<u>35,331</u>	<u>1,043,883</u>	<u>1,292,359</u>
<u>113,109</u>	<u>396,747</u>	<u>36,085</u>	<u>1,073,532</u>	<u>1,311,680</u>
<u>\$1,226,158</u>	<u>\$ 4,473,415</u>	<u>\$406,594</u>	<u>\$12,226,898</u>	<u>\$10,544,502</u>

	KERS HAZARDOUS	KERS NON-HAZARDOUS
ADDITIONS		
Members' contributions	\$ 8,323	\$ 141,399
Employers' contributions	<u>19,444</u>	<u>107,515</u>
Total contributions	27,766	248,914
INVESTMENT INCOME		
From Investing Activities		
Net appreciation in fair value of investments	27,750	657,775
Interest	5,325	90,021
Dividends	2,000	49,571
Real estate operating income (Net)	<u>782</u>	<u>16,619</u>
Total investing activity income	35,858	813,985
Investment expense	<u>104</u>	<u>2,191</u>
Net income from investing activities	35,754	811,795
From securities lending activities		
Securities lending income	967	33,191
Securities lending expense		
Security borrower rebates	931	31,956
Security lending agent fees	<u>14</u>	<u>494</u>
Net income from securities lending activities	<u>22</u>	<u>741</u>
Total net investment income	<u>35,775</u>	<u>812,536</u>
TOTAL ADDITIONS	63,542	1,061,450
DEDUCTIONS		
Benefit payments	5,037	204,302
Refunds	893	8,275
Administrative expenses	245	3,139
Other deductions (Net)	<u>10,796</u>	<u>56,900</u>
Total deductions	<u>16,971</u>	<u>272,616</u>
Net increase	46,571	788,834
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year	235,074	5,052,998
Prior Period Adjustment (Note J)	<u>(2,746)</u>	<u> </u>
End of year	<u>\$ 278,899</u>	<u>\$ 5,841,832</u>

The accompanying notes are an integral part of these financial statements

KENTUCKY RETIREMENT SYSTEMS
 COMBINING STATEMENTS OF CHANGES IN PLAN NET ASSETS
 PENSION FUNDS
 June 30, 1999 and 1998

Expressed In Thousands

<u>CERS HAZARDOUS</u>	<u>CERS NON-HAZARDOUS</u>	<u>STATE POLICE</u>	<u>1999 TOTAL</u>	<u>1998 TOTAL</u>
\$ 22,918	\$ 98,566	\$ 3,658	\$ 274,864	\$ 167,789
<u>48,291</u>	<u>110,591</u>	<u>9,463</u>	<u>295,303</u>	<u>287,619</u>
71,209	209,157	13,121	570,167	455,408
133,432	493,703	46,195	1,358,855	1,553,476
20,104	70,891	5,641	191,982	186,752
10,178	37,184	3,657	102,590	106,315
<u>3,137</u>	<u>11,879</u>	<u>1,311</u>	<u>33,728</u>	<u>22,743</u>
166,852	613,657	56,804	1,687,156	1,869,286
<u>474</u>	<u>1,676</u>	<u>153</u>	<u>4,598</u>	<u>5,391</u>
166,378	611,981	56,650	1,682,557	1,863,895
6,335	24,846	2,069	67,407	71,479
6,100	23,922	1,992	64,900	68,715
<u>94</u>	<u>370</u>	<u>31</u>	<u>1,003</u>	<u>1,105</u>
<u>141</u>	<u>555</u>	<u>46</u>	<u>1,505</u>	<u>1,659</u>
<u>166,520</u>	<u>612,536</u>	<u>56,696</u>	<u>1,684,062</u>	<u>1,865,554</u>
237,728	821,693	69,817	2,254,230	2,320,962
43,175	121,932	19,136	393,582	353,709
983	9,941	44	20,135	19,439
465	4,843	61	8,752	6,703
<u>23,553</u>	<u>48,067</u>	<u>7,299</u>	<u>146,616</u>	<u>94,804</u>
<u>68,176</u>	<u>184,782</u>	<u>26,541</u>	<u>569,087</u>	<u>474,655</u>
169,552	636,911	43,276	1,685,144	1,846,307
1,056,606	3,836,504	363,318	10,544,500	8,698,195
<u> </u>	<u> </u>	<u> </u>	<u>(2,746)</u>	<u> </u>
<u>\$1,226,158</u>	<u>\$ 4,473,415</u>	<u>\$406,594</u>	<u>\$12,226,898</u>	<u>\$10,544,502</u>

	<u>KERS HAZARDOUS</u>	<u>KERS NON-HAZARDOUS</u>
ASSETS		
Cash And short-term investments		
Cash	\$	\$
Short-term investments	<u>5,773</u>	<u>19,162</u>
Total cash And short-term investments	5,773	19,162
Receivables		
Investments - accounts receivable	1	4
Interest receivable - year end	313	1,218
Accounts receivable - year end	<u>934</u>	<u>4,871</u>
Total receivables	1,247	6,093
Investments, at fair value		
Corporate and government bonds	17,019	65,341
Corporate stocks	56,795	217,809
Mortgages	<u>1,814</u>	<u>7,076</u>
Total investments, at fair value	75,628	290,227
Security lending collateral invested	<u>6,695</u>	<u>23,691</u>
Total assets	89,343	339,173
LIABILITIES		
Accounts payable	10	44
Deferred premium	3	32
Securities lending collateral	<u>6,695</u>	<u>23,691</u>
Total liabilities	<u>6,708</u>	<u>23,767</u>
PLAN NET ASSETS - POSTEMPLOYMENT HEALTHCARE BENEFITS	<u>\$ 82,635</u>	<u>\$ 315,406</u>

(A schedule of funding progress for each plan is presented on pages 46 through 50).

The accompanying notes are an integral part of these financial statements.

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
 COMBINING STATEMENTS OF PLAN NET ASSETS
 POSTEMPLOYMENT HEALTHCARE
 June 30, 1999 and 1998

Expressed In Thousands

<u>CERS HAZARDOUS</u>	<u>CERS NON-HAZARDOUS</u>	<u>STATE POLICE</u>	<u>1999 TOTAL</u>	<u>1998 TOTAL</u>
\$ <u>8,149</u>	\$ <u>17,079</u>	\$ <u>3,818</u>	\$ <u>53,981</u>	\$ <u>52,472</u>
8,149	17,079	3,818	53,981	52,472
1 462 <u>6,785</u>	3 985 <u>5,326</u>	1 231 <u>626</u>	10 3,208 <u>18,541</u>	13 2,249 <u>9,029</u>
7,248	6,314	857	21,759	11,290
26,224 87,475 <u>2,980</u>	52,720 175,575 <u>5,661</u>	12,521 41,981 <u>1,320</u>	173,826 579,635 <u>18,851</u>	127,754 448,102 <u>28,947</u>
116,679	233,956	55,822	772,312	604,803
<u>10,243</u>	<u>19,625</u>	<u>4,803</u>	<u>65,058</u>	<u>126,257</u>
142,319	276,974	65,301	913,109	794,822
15 19 <u>10,243</u>	30 15 <u>19,625</u>	8 2 <u>4,803</u>	106 71 <u>65,058</u>	290 <u>126,257</u>
<u>10,277</u>	<u>19,670</u>	<u>4,813</u>	<u>65,235</u>	<u>126,547</u>
<u>\$ 132,042</u>	<u>\$ 257,303</u>	<u>\$ 60,488</u>	<u>\$ 847,874</u>	<u>\$ 668,275</u>

	<u>KERS HAZARDOUS</u>	<u>KERS NON-HAZARDOUS</u>
ADDITIONS		
Employers' contributions	\$ 10,774	\$ 56,770
INVESTMENT INCOME		
From Investing Activities		
Net appreciation in fair value of investments	6,623	24,999
Interest	1,392	5,202
Dividends	<u>656</u>	<u>2,542</u>
Total income from investing activities	<u>8,671</u>	<u>32,743</u>
Investment activities expense		
Manager fees	<u>9</u>	<u>33</u>
Net income from investing activities	8,662	32,710
From securities lending activities		
Securities lending income	781	3,025
Securities lending expense:		
Security borrower rebates	752	2,912
Security lending agent fees	<u>12</u>	<u>45</u>
Net income from securities lending activities	<u>17</u>	<u>68</u>
Total net investment income	<u>8,680</u>	<u>32,777</u>
Total additions	19,454	89,547
DEDUCTIONS		
Healthcare premiums subsidies	1,284	24,481
Administrative fees	<u>5</u>	<u>59</u>
Total deductions	<u>1,289</u>	<u>24,540</u>
Net increase	18,165	65,007
PLAN NET ASSETS HELD IN TRUST FOR POSTEMPLOYMENT HEALTHCARE BENEFITS		
Beginning of year	<u>64,470</u>	<u>250,399</u>
End of year	<u>\$ 82,635</u>	<u>\$ 315,406</u>

The accompanying notes are an integral part of these financial statements.

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
 COMBINING STATEMENTS OF CHANGES IN PLAN NET ASSETS
 POSTEMPLOYMENT HEALTHCARE
 June 30, 1999 and 1998

Expressed In Thousands

<u>CERS HAZARDOUS</u>	<u>CERS NON-HAZARDOUS</u>	<u>STATE POLICE</u>	<u>1999 TOTAL</u>	<u>1998 TOTAL</u>
\$ 23,383	\$ 47,902	\$ 7,252	\$ 146,080	\$ 94,802
10,290	20,193	5,041	67,147	92,424
2,088	4,215	1,011	13,907	11,488
<u>1,060</u>	<u>2,025</u>	<u>513</u>	<u>6,796</u>	<u>6,365</u>
<u>13,437</u>	<u>26,434</u>	<u>6,565</u>	<u>87,850</u>	<u>110,277</u>
<u>13</u>	<u>26</u>	<u>6</u>	<u>88</u>	<u>84</u>
13,424	26,407	6,559	87,762	110,193
1,243	2,414	595	8,059	4,100
1,197	2,324	573	7,759	3,941
<u>18</u>	<u>36</u>	<u>9</u>	<u>120</u>	<u>62</u>
<u>28</u>	<u>54</u>	<u>13</u>	<u>180</u>	<u>97</u>
<u>13,452</u>	<u>26,461</u>	<u>6,572</u>	<u>87,942</u>	<u>110,290</u>
36,835	74,363	13,824	234,022	205,092
8,272	17,492	2,747	54,276	50,270
<u>25</u>	<u>52</u>	<u>7</u>	<u>148</u>	
<u>8,297</u>	<u>17,544</u>	<u>2,754</u>	<u>54,424</u>	<u>50,270</u>
28,538	56,819	11,070	179,598	154,822
<u>103,504</u>	<u>200,484</u>	<u>49,418</u>	<u>668,276</u>	<u>513,453</u>
<u>\$ 132,042</u>	<u>\$ 257,303</u>	<u>\$ 60,488</u>	<u>\$ 847,874</u>	<u>\$ 668,275</u>

KENTUCKY RETIREMENT SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended June 30, 1999 and 1998

Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

Under the provisions of Kentucky Revised Statute Section 61.701, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by Kentucky Retirement Systems: (1) Kentucky Employees Retirement System (KERS); (2) County Employees Retirement System (CERS); and (3) State Police Retirement System (SPRS). KRS maintains separate accounting records for five insurance funds which also includes hazardous duty members of the Kentucky Employees and County Employees Retirement Systems. The assets of the various insurance funds are commingled for investment purposes. Legal counsel has advised there is no statutory authority to use the assets of one insurance fund to pay the liabilities of another insurance fund. The following notes apply to the various funds administered by Kentucky Retirement Systems.

NOTE A. Summary of Significant Accounting Policies

Basis of Accounting - KRS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

Component Unit - Kentucky Retirement Systems is a component unit of the Commonwealth of Kentucky. As such, the Commonwealth of Kentucky is the primary government in whose financial reporting entity The System is included.

The Kentucky Employees Retirement System was created by the Kentucky General Assembly pursuant to the provisions of KRS 61.515. The County Employees Retirement System was created by the Kentucky General Assembly pursuant to the provisions of KRS 78.520. The State Police Retirement System was created by the Kentucky General Assembly pursuant to the provisions of KRS 16.510. The Kentucky Retirement Systems Insurance Fund was created by the Kentucky General Assembly pursuant to the provisions of KRS 61.701. The Retirement Systems' and Insurance Fund's administrative budget is subject to approval by the Kentucky General Assembly. Employer contribution rates for KERS and SPRS are also subject to legislative approval. Employer contribution rates for CERS are determined by the Systems' Board of Trustees without further legislative review. The methods used to determine the employer rates for all Retirement Systems are specified in KRS 61.565. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

Expense Allocation - Administrative and investment expenses of the Kentucky Retirement Systems are allocated in proportion to the number of active members participating in each plan and the carrying value of plan investments, respectively.

KENTUCKY RETIREMENT SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended June 30, 1999 and 1998

NOTE B. Plan Descriptions and Contribution Information

Membership of each Retirement plan consisted of the following at June 30, 1999 and 1998, the date of the latest actuarial valuation:

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	<u>1998</u>			<u>1999</u>		
	Non-Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>	<u>Total</u>	Non-Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>	<u>Total</u>
<u>Number of Members</u>						
Retirees and beneficiaries receiving benefits	20,955	671	21,626	21,941	780	22,721
Terminated plan members - vested	2,735	96	2,831	2,978	96	3,074
Terminated plan members - non-vested	10,294	443	10,737	11,512	516	12,028
Active plan members	<u>46,342</u>	<u>3,582</u>	<u>49,924</u>	<u>45,824</u>	<u>3,889</u>	<u>49,713</u>
Total	<u>80,326</u>	<u>4,792</u>	<u>85,118</u>	<u>82,255</u>	<u>5,281</u>	<u>87,536</u>
Number of participating employers			371			386

COUNTY EMPLOYEES RETIREMENT SYSTEM

	<u>1998</u>			<u>1999</u>		
	Non-Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>	<u>Total</u>	Non-Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>	<u>Total</u>
<u>Number of Members</u>						
Retirees and beneficiaries receiving benefits	18,986	2,392	21,378	20,687	2,704	23,391
Terminated plan members - vested	2,839	117	2,956	3,238	128	3,366
Terminated plan members - non-vested	17,243	280	17,523	19,347	331	19,678
Active plan members	<u>71,426</u>	<u>6,800</u>	<u>78,226</u>	<u>74,151</u>	<u>7,488</u>	<u>81,639</u>
Total	<u>110,484</u>	<u>9,589</u>	<u>120,073</u>	<u>117,423</u>	<u>10,651</u>	<u>128,074</u>
Number of participating employers			1,087			1,144

STATE POLICE RETIREMENT SYSTEM

	1998	1999
	Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>
<u>Number of Members</u>		
Retirees and beneficiaries receiving benefits	739	762
Terminated plan members - vested	11	14
Terminated plan members - non-vested	69	72
Active plan members	<u>954</u>	<u>985</u>
Total	<u>1,773</u>	<u>1,833</u>
Number of participating employers	1	1

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

Hospital and medical contracts in force consisted of the following at June 30, 1999 and 1998, the date of the latest actuarial valuation:

	<u>1998</u>					<u>1999</u>				
	<u>Single</u>	<u>Couple and Family</u>	<u>Parent +</u>	<u>Medicare Regular</u>	<u>Medicare High</u>	<u>Single</u>	<u>Couple and Family</u>	<u>Parent +</u>	<u>Medicare Regular</u>	<u>Medicare High</u>
KERS Non-Hazardous	3,588	749	189	1,828	10,278	3,845	786	194	1,785	10,519
KERS Hazardous	169	155	22	27	283	213	154	28	34	335
CERS Non-Hazardous	2,854	696	142	1,918	7,131	3,298	704	141	1,988	7,618
CERS Hazardous	553	1,157	159	21	450	671	1,173	148	22	528
SPRS	<u>151</u>	<u>376</u>	<u>34</u>	<u>4</u>	<u>225</u>	<u>161</u>	<u>349</u>	<u>29</u>	<u>5</u>	<u>252</u>
Totals	7,315	3,133	546	3,798	18,367	8,188	3,164	539	3,834	19,252

NOTE B. Plan Descriptions and Contribution Information (Continued)

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

Non-Hazardous Employees Pension Plan

Plan Description - KERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of any state department, board, or agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent in any plan year. The General Assembly reserves the right to suspend or reduce cost-of-living adjustments if in its judgement the welfare of the Commonwealth so demands.

Contributions - For the years ended June 30, 1999 and 1998, plan members were required to contribute 5% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the years ended June 30, 1999 and 1998, the State contributed 8.03% and 8.89%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 1999 and 1998 was 8.03% and 8.89%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

Hazardous Employees Pension Plan

Plan Description - KERS is a cost-sharing multiple-employer defined benefit pension plan that cover substantially all regular full-time members employed in hazardous duty positions of any state department, board, or agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent in any plan year. The General Assembly reserves the right to suspend or reduce cost-of-living adjustments if in its judgement the welfare of the Commonwealth so demands.

Contributions - For the years ended June 30, 1999 and 1998, plan members were required to contribute 7% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the years ended June 30, 1999 and 1998, the State contributed 18.66% and 17.87%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 1999 and 1998 was 18.66% and 17.87%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

NOTE B. Plan Descriptions and Contribution Information (Continued)

COUNTY EMPLOYEES RETIREMENT SYSTEM

Non-Hazardous Employees Pension Plan

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the State legislature.

Contributions - For the years ended June 30, 1999 and 1998, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the years ended June 30, 1999 and 1998, participating employers contributed 8.22% and 8.65%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 1999 and 1998 was 8.22% and 8.65%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Employees Pension Plan

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the State legislature.

Contributions - For the years ended June 30, 1999 and 1998, plan members were required to contribute 8% and 7%, respectively, of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the years ended June 30, 1999 and 1998, participating employers contributed 18.85% and 18.69%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 1999 and 1998 was 18.85% and 18.69%, respectively, of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

NOTE B. Plan Descriptions and Contribution Information (Continued)

STATE POLICE RETIREMENT SYSTEM

Plan Description - SPRS is a single-employer defined benefit pension plan that covers all full-time State Troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the State legislature.

Contributions - For the years ended June 30, 1999 and 1998, plan members were required to contribute 8% and 7%, respectively, of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the years ended June 30, 1999 and 1998, the State contributed 23.41% and 26.58%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 1999 and 1998 was 23.41% and 26.58%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

Plan Description - The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System (Systems). The Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the year insurance premiums withheld from benefit payments to members of the Systems approximated \$13,266,592 and \$217,359 for KERS and KERS hazardous, respectively, \$12,691,769 and \$918,544 for CERS and CERS hazardous, respectively, and \$228,855 for SPRS. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As of June 30, 1999 the Fund had 46,874 retirees and beneficiaries for whom benefits were available.

The amount of contribution paid by the Fund is based on years of service with the Systems. Years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Percent Paid by Insurance Fund</u>
20 or More	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less Than 4	0%

In prior years, the employers' required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed.

In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within twenty years. The increases commenced with the 1997 valuation and adjustments will be made every other valuation year to coincide with the valuation used by the General Assembly to establish employer contribution rates for the biennium.

KENTUCKY RETIREMENT SYSTEMS
 NOTES TO THE FINANCIAL STATEMENTS
 For The Years Ended June 30, 1999 and 1998

NOTE C. Cash and Short-Term Investments and Securities Lending Collateral

The provisions of Governmental Accounting Standards Board Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions" require that cash received as collateral on securities lending transactions and investments made with that cash be reported as assets on the financial statements. In conjunction with the adoption of Governmental Accounting Standard No. 28, the System has reclassified certain other investments, not related to the securities lending program, as short-term. Cash and short-term investments consist of the following:

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	1999	1998
Cash, uninsured, unregistered & uncollateralized	\$	\$
Miscellaneous cash	19	26
Repurchase agreements purchased with cash collateral	514,848,170	637,398,014
Other repurchase agreements	<u>290,129,980</u>	<u>320,504,398</u>
Total	<u>\$804,978,169</u>	<u>\$957,902,438</u>

COUNTY EMPLOYEES RETIREMENT SYSTEM

	1999	1998
Cash, uninsured, unregistered & uncollateralized	\$	\$
Repurchase agreements purchased with cash collateral	493,703,282	611,219,986
Other repurchase agreements	<u>309,139,606</u>	<u>290,361,870</u>
Total	<u>\$802,842,888</u>	<u>\$901,581,856</u>

STATE POLICE RETIREMENT SYSTEM

	1999	1998
Cash, uninsured, unregistered & uncollateralized	\$	\$
Repurchase agreements purchased with cash collateral	35,331,254	43,741,189
Other repurchase agreements	<u>13,395,174</u>	<u>17,659,892</u>
Total	<u>\$ 48,726,428</u>	<u>\$ 61,401,081</u>

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

	1999	1998
Cash, uninsured, unregistered & uncollateralized	\$	\$
Repurchase agreements purchased with cash collateral	65,057,846	126,256,825
Other repurchase agreements	<u>53,980,841</u>	<u>52,472,040</u>
Total	<u>\$119,038,686</u>	<u>\$178,728,865</u>

NOTE D. Investments

The Board of Trustees of the Retirement Systems and Insurance Fund give priority to the investment of funds in obligations considered to improve the industrial development and enhance the economic welfare of the Commonwealth. The Board enters into contracts with investment managers who use the following guidelines and restrictions in the selection and timing of transactions as long as the security is not prohibited by the Kentucky Revised Statutes.

Equity Investments - Investments may be made in common stocks, securities convertible into common stocks and in preferred stocks of publicly traded corporations.

Fixed Income Investments - Publicly traded bonds are to be selected and managed to assure an appropriate balance in quality and maturities consistent with the current market and economic conditions. Investment may be made in any debt instrument issues by the U.S. Government or an agency of the U.S. Government.

Mortgages - Investment may be made in real estate mortgages on a direct basis or in the form of mortgage pool instruments guaranteed by an agency of the U.S. Government or the Commonwealth of Kentucky.

Equity Real Estate - Investments may be made for the purpose of creating a diversified portfolio of income-producing properties with moderate to low levels of risk.

Mutual Fund Investments - Investments may be made in mutual funds which hold common stocks or fixed income securities.

Cash Equivalent Securities - The following short-term investment vehicles, excluding commercial paper which requires specific purchase approval by the Investment Committee of Kentucky Retirement Systems, are considered acceptable:

- Securities Purchased Under Agreement to Resell - Repurchase agreements which are collateralized by U.S. Government securities.
- U.S. Government Issues - All obligations of the U.S. Government and its agencies.

The Retirement Systems' and Insurance Fund's investments are categorized below to give an indication of the level of risk assumed by them at June 30, 1999 and 1998. Category 1 includes investments that are either insured or registered or for which the investments are held by The System or its agent in the System's name. Category 3 includes securities purchased by and held by the System's custodial agent. The agent loans securities owned by the Systems and Fund with the simultaneous receipt of cash collateral. The custodial agent purchases securities with the cash collateral in accordance with the Systems' and Fund's *Statement of Investment Policy*. All securities purchased with cash collateral are segregated by the custodial agent and held in the name of Kentucky Retirement Systems.

KENTUCKY RETIREMENT SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended June 30, 1999 and 1998

NOTE D. Investments (Continued)

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

1999				
	Category 1	Category 2	Market Category 3	Value
Investments - Categorized				
U.S. Government Securities	\$ 242,152,177	\$	\$	\$ 242,152,177
Loaned for securities collateral	24,594,020			24,594,020
Corporate bonds	426,849,282			426,849,282
Loaned for securities collateral	9,303,041			9,303,041
Corporate stocks	4,085,771,726			4,085,771,726
Loaned for securities collateral				
Repurchase agreements	290,129,980	_____	514,848,170	804,978,150
Subtotal	\$4,788,670,246	\$ 0	\$514,848,170	5,593,648,395
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				375,081,635
Corporate bonds				113,997,330
Corporate stocks				6,612,613
Mortgages				265,295,392
Real Estate Investment				238,193,165
Total Investments				\$6,592,828,530
1998				
	Category 1	Category 2	Market Category 3	Value
Investments - Categorized				
U.S. Government Securities	\$ 85,912,514	\$	\$	\$ 85,912,514
Loaned for securities collateral	1,235,712			1,235,712
Corporate bonds	500,838,669			500,838,669
Loaned for securities collateral	5,869,561			5,869,561
Corporate stocks	3,383,570,871			3,383,570,871
Loaned for securities collateral	3,498,944			3,498,944
Repurchase agreements	320,504,398	_____	637,398,014	957,902,412
Subtotal	\$4,301,430,669	\$ 0	\$637,398,014	4,938,828,683
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				305,163,807
Corporate bonds				12,024,325
Corporate stocks				283,935,621
Mortgages				268,124,521
Real Estate Investment				90,677,806
Total Investments				\$5,898,754,763

KENTUCKY RETIREMENT SYSTEMS
 NOTES TO THE FINANCIAL STATEMENTS
 For The Years Ended June 30, 1999 and 1998

NOTE D. Investments (Continued)

COUNTY EMPLOYEES RETIREMENT SYSTEM

	1999			
Investments - Categorized	Category 1	Category 2	Category 3	Market Value
U.S. Government Securities	\$ 236,385,152	\$	\$	\$ 236,385,152
Loaned for securities collateral	24,811,038			24,811,038
Corporate bonds	398,550,824			398,550,824
Loaned for securities collateral	8,873,346			8,873,346
Corporate stocks	3,723,130,806			3,723,130,806
Loaned for securities collateral				
Repurchase agreements	309,139,606	_____	493,703,282	802,842,888
Subtotal	\$4,391,751,166	\$ 0	\$493,703,282	5,194,594,053
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				378,391,350
Corporate bonds				108,731,950
Corporate stocks				6,324,547
Mortgages				233,763,883
Real Estate Investment				223,990,064
Total Investments				\$6,145,795,847
	1998			
Investments - Categorized	Category 1	Category 2	Category 3	Market Value
U.S. Government Securities	\$ 80,261,963	\$	\$	\$ 80,261,963
Loaned for securities collateral	1,508,416			1,508,416
Corporate bonds	422,639,389			422,639,389
Loaned for securities collateral	7,544,586			7,544,586
Corporate stocks	3,094,373,368			3,094,373,368
Loaned for securities collateral	3,251,052			3,251,052
Repurchase agreements	290,361,870	_____	611,219,986	901,581,856
Subtotal	\$3,899,940,644	\$ 0	\$611,219,986	4,511,160,630
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				372,509,015
Corporate bonds				15,455,763
Corporate stocks				263,819,421
Mortgages				232,492,567
Real Estate Investment				62,941,658
Total Investments				\$5,458,379,054

KENTUCKY RETIREMENT SYSTEMS
 NOTES TO THE FINANCIAL STATEMENTS
 For The Years Ended June 30, 1999 and 1998

NOTE D. Investments (Continued)

STATE POLICE RETIREMENT SYSTEM

	1999			
Investments - Categorized	Category 1	Category 2	Market Category 3	Value
U.S. Government Securities	\$ 9,749,046	\$	\$	\$ 9,749,046
Loaned for securities collateral	1,323,612			1,323,612
Corporate bonds	28,997,615			28,997,615
Loaned for securities collateral	482,462			482,462
Corporate stocks	290,677,204			290,677,204
Loaned for securities collateral				
Repurchase agreements	13,395,174	_____	35,331,254	48,726,428
Subtotal	\$ 331,229,939	\$ 0	\$ 35,331,254	379,956,367
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				20,186,319
Corporate bonds				5,911,977
Corporate stocks				472,503
Mortgages				16,261,447
Real Estate Investment				17,607,157
Total Investments				\$ 440,395,769
	1998			
Investments - Categorized	Category 1	Category 2	Category 3	Market Value
U.S. Government Securities	\$ 5,449,379	\$	\$	\$ 5,449,379
Loaned for securities collateral	65,541			65,541
Corporate bonds	34,063,625			34,063,625
Loaned for securities collateral	384,215			384,215
Corporate stocks	243,804,164			243,804,164
Loaned for securities collateral	235,444			235,444
Repurchase agreements	17,659,892	_____	43,741,189	61,401,081
Subtotal	\$ 301,662,260	\$ 0	\$ 43,741,189	346,403,449
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				16,185,636
Corporate bonds				787,100
Corporate stocks				19,106,053
Mortgages				16,848,219
Real Estate Investment				7,146,548
Total Investments				\$ 405,477,005

KENTUCKY RETIREMENT SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended June 30, 1999 and 1998

NOTE D. Investments (Continued)

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

	1999			
Investments - Categorized	Category 1	Category 2	Category 3	Market Value
U.S. Government Securities	\$ 4,166,187	\$	\$	\$ 4,166,187
Loaned for securities collateral	5,139,909			5,139,909
Corporate bonds	83,889,167			83,889,167
Loaned for securities collateral	150,474			150,474
Corporate stocks	578,531,895			578,531,895
Loaned for securities collateral				
Repurchase agreements	53,980,841	_____	65,057,846	119,038,686
Subtotal	\$ 671,877,632	\$ 0	\$ 65,057,846	790,916,318
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				78,388,388
Corporate bonds				1,843,881
Corporate stocks				1,102,959
Mortgages				18,851,152
Total Investments				\$ 891,102,698
	1998			
Investments - Categorized	Category 1	Category 2	Category 3	Market Value
U.S. Government Securities	\$ 109,636	\$	\$	\$ 109,636
Loaned for securities collateral	224,531			224,531
Corporate bonds	66,216,167			66,216,167
Loaned for securities collateral	1,828,322			1,828,322
Corporate stocks	400,901,688			400,901,688
Loaned for securities collateral	574,560			574,560
Repurchase agreements	52,472,040	_____	126,256,826	178,728,866
Subtotal	\$ 522,326,944	\$ 0	\$ 126,256,826	648,583,770
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				55,448,732
Corporate bonds				3,745,482
Corporate stocks				46,624,939
Mortgages				28,943,569
Total Investments				\$ 783,346,492

NOTE E. Securities Lending Transactions

Kentucky Revised Statutes Sections 61.650 and 386.020(2) permit the Systems to lend their securities to broker-dealers and other entities. The borrowers of the securities agree to return the same securities at a later date and, to transfer to the Systems' custodial bank either cash or other securities with a value equal to 102 percent of the value of the borrowed securities. Securities lent for cash collateral are presented as unclassified above in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodial bank requires it to indemnify the System as follows:

- If the bank fails to make a reasonable determination of the creditworthiness of any borrower to whom loans are made and such borrower fails to return loaned securities pursuant to the securities borrowing agreement, the bank shall within one business day credit the System's account with either (i) securities identical to the loaned securities, or (ii) cash, in an amount equal to the market value of the loaned securities on the business day such securities or cash is credited to the account, and shall credit the account with all monies and other distributions paid upon such loaned securities (or the cash equivalent thereof) which are not returned by such borrower.
- If the bank makes a reasonable determination of the creditworthiness of any borrower to whom loans are made but fails to properly perform its mark-to-market obligations and such borrower fails to return loaned securities pursuant to the securities borrowing agreement, the bank shall within one business day credit the System's account with securities identical to loaned securities or cash, in an amount equal to the sum of (i) the difference between the amount of the collateral the bank should have received pursuant to the securities borrowing agreement and the amount of collateral actually received, (ii) five percent of the market value of the loaned securities on the business day such securities or cash is credited to the account, and (iii) all monies and other distributions paid upon such loaned securities (or cash equivalent thereof) which are not returned by such borrower.
- If the bank makes a reasonable determination of the creditworthiness of any borrower to whom loans are made and properly performs its mark-to-market obligations hereunder and such borrower fails to return loaned securities pursuant to the securities borrowing agreement, the bank shall within one business day credit the System's account with securities identical to loaned securities or cash, in an amount equal to the sum of (i) five percent of the market value of the loaned securities on the business day such securities or cash is credited to the account, and (ii) all monies and other distributions paid upon such loaned securities (or the cash equivalent thereof) which are not returned by the borrower.

All securities loans can be terminated on demand by either the Systems or the borrower, although the average term of the loans is one day. Cash collateral is invested in securities which are permitted for investment by state statute and Board policy, which at year-end has a weighted-average maturity of three days for its regular account and two days for its index account. The System cannot pledge or sell collateral securities received unless the borrower defaults.

NOTE F. Risks of Loss

The Systems are exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the provisions of the Kentucky Revised Statutes, the Kentucky Board of Claims is vested with full power and authority to investigate, hear proof, and to compensate persons for damages sustained to either person or property as a result of negligence of the agency or any of its employees. Awards are limited to \$100,000 for a single claim and \$250,000 in aggregate per occurrence. Awards and a pro rata share of the operating cost of the Board of Claims are paid from the fund of the agency having a claim or claims before the Board.

NOTE F. Risks of Loss (Continued)

Claims against the Board of Trustees of Kentucky Retirement Systems or any of its staff as result of actual or alleged breach of fiduciary duty are insured with a commercial insurance policy. Coverage provided is limited to \$5,000,000 with a deductible amount of \$25,000. Defense costs incurred in defending such claims will be paid by the insurance company. However, the total defense cost and claims paid shall not exceed the total aggregate coverage of the policy.

Claims for job-related illnesses or injuries to employees are insured by the state's self-insured workers compensation program. Payments approved by the program are not subject to maximum limitations. A claimant may receive reimbursement for all medical expenses related to the illness or injury and up to sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) of wages for temporary disability. Each agency pays premiums based on fund reserves and payroll.

Only claims pertaining to workers' compensation have been filed during the past three fiscal years. Settlements did not exceed insurance coverage in any of the past three fiscal years. There were no claims which were appealed to the Kentucky Workers Compensation Board.

NOTE G. Contingencies

In the normal course of business, the Retirement Systems and Insurance Fund are involved in various litigation concerning the right of participants or their beneficiaries to receive benefits. The System does not anticipate any material losses as a result of the contingent liabilities.

NOTE H. Income Tax Status

The Internal Revenue Service has ruled that the Plan qualifies under Section 401(a) of the Internal Revenue Code and is, therefore, not subject to tax under income tax law.

NOTE I. E.E.O.C. v. Kentucky State Police, et.al.

The U.S. Equal Employment Opportunity Commission filed suit against the Kentucky State Police charging mandatory retirement of state police officers at age 55 is not a bona fide occupational qualification and thus violates the U.S. Age Discrimination in Employment Act. The suit demanded that all former State Police officers involved be reinstated to their former positions and be made whole with full back-pay and benefits. Kentucky Retirement Systems entered the lawsuit as a third party demanding that if the officers were reinstated they would return retirement benefits paid them, return insurance premiums paid on their behalf, and pay retirement contributions that would have been due had they remained employed. Kentucky Retirement Systems also demanded that the Kentucky State Police pay employer contributions that would have been due had the officers remained employed. The officers were allowed to re-retire with increased retirement benefits calculated from the end of the reinstatement period to each individual officer's date of death or December 31, 1986. The U.S. Age Discrimination Act was amended to again make age a bona fide occupational qualification for hazardous duty jobs effective January 1, 1987.

As a result of final judgment being entered in the case on June 30, 1997, \$9,321,380 and \$307,706 was received respectively by the State Police Retirement System and the State Police Insurance Fund on June 30, 1997. Back pay resulting from increased retirement benefits in the amount of \$11,135,748 has been included in accounts payable as of June 30, 1997. Actual payments to plaintiffs in the case were made in the fiscal year ending June 30, 1998.

NOTE J. PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an overstatement of previously reported investment gains were discovered in the current year. Accordingly, a net adjustment of \$2,745,781 was made during the current year to reduce previously reported Plan Net Assets.

KENTUCKY RETIREMENT SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
DISCLOSURES ABOUT YEAR 2000 ISSUES
For The Year Ended June 30, 1999

Kentucky Retirement Systems had no amounts contracted as of June 30, 1999 to address year 2000 issues. However, twenty percent of the agency's information technology staff was assigned exclusively to testing computer programs as of June 30. An additional twenty-five percent of available staff was assigned to this project shortly thereafter.

All financial records and retirement records are maintained on a mid-range computer system owned by KRS and maintained by KRS staff. This system is also used to calculate retirement benefits due each member at the time of retirement. Individual users communicate with the mid-range system via personal workstations located in each office. There are three systems considered "Mission Critical" in order for KRS to function. A brief description of each system follows:

- Retired Payroll - This system is used to generate monthly benefit payments to approximately 46,000 members that have previously retired from KERS, CERS, or SPRS.
- Investment System - This system is used to record all investment transactions and calculate the performance of the investment portfolio of each retirement system and insurance fund.
- Daily Cash Statement - This system is used to track cash inflow and outflow in order to determine the net cash available for investment on a daily basis.

Program modification and testing was completed for all "Mission Critical" systems prior to June 30, 1999.

The following stages describe the overall status of the year 2000 project:

Awareness Stage

All computer systems and equipment controlled electronically were evaluated for year 2000 issues. The purpose of the evaluation was to determine which systems required replacement or modification, whether the work would be done by agency staff or outside contractors, funds needed to complete the project, and schedules for completion for various phases of the project.

Systems found to be deficient included the telephone system, operating systems on some personal work stations, the operating system which runs the optical disk system, files residing on the mid-range system, and programs running on the mid-range system. The telephone system was scheduled for replacement. It would be necessary for a contractor to complete this work at a cost of \$100,000. It was also necessary for a contractor to modify the optical disk operating system at a cost of \$55,000. Deficient personal work stations would be made compliant through the agency's scheduled upgrade program which replaces twenty-five percent of the inventory annually.

Assessment Stage

A complete inventory of all files and programs residing on the mid-range system was done in July 1997 and again in November 1998 to assure completeness. A risk analysis was also performed in order to assure that all "Mission Critical" systems would receive the highest priority and be operational in year 2000. The inventory revealed 817 files, 1,304 programs, and 1,861 command language procedures needed review for year 2000 standards. A project schedule was established with conversion procedures designated as **Phase 1** of the project and testing procedures designated as **Phase 2** of the project. Phase 1 was scheduled to start November 18, 1998 and be completed by March 31, 1999. Phase 2 was assigned an April 1, 1999 beginning date with a completion date of June 30, 1999.

Remediation Stage

The telephone system and all deficient personal workstations were replaced in July 1998. The operating system for the optical disk system was converted in May 1999. Phase 1 of the project to convert in-house files and programs was completed on schedule.

KENTUCKY RETIREMENT SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
DISCLOSURES ABOUT YEAR 2000 ISSUES CONTINUED
For The Year Ended June 30, 1999

Validation/Testing Stage

Testing of programs and files for the mid-range system was under way as of June 30, 1999 but running approximately six weeks behind schedule due to unforeseen problems. All problems were corrected and completion date revised from June 30, 1999 to August 31, 1999, well in advance of January 1, 2000. The contractor who converted the optical disk operating system tested the system for year 2000 issues at the time of conversion.

The foregoing procedures are designed to give reasonable assurance of computer systems and other electronic equipment continuing to function in the year 2000. Kentucky Retirement Systems does not represent computer systems or other electronic equipment to be year 2000 compliant. It is fully anticipated that there will be problems with systems and equipment attributable to the year 2000 issue. However, it is also anticipated any problems encountered will be corrected in a reasonable period and none will threaten life or the ability to continue monthly benefits to KRS members.

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KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age Normal <u>(b)</u>	Unfunded (Overfunded) AAL (UAAL) <u>(b-a)</u>
<u>Non-Hazardous</u>			
June 30, 1994	\$2,637,660,362	\$2,809,545,625	\$ 171,885,263
June 30, 1995	\$2,872,020,193	\$3,112,989,384	\$ 240,969,191
June 30, 1996	\$3,237,983,129	\$3,295,362,361	\$ 57,379,232
June 30, 1997	\$3,683,995,005	\$3,463,047,650	(\$220,947,355)
June 30, 1998	\$4,356,072,625	\$3,800,014,746	(\$556,057,879)
June 30, 1999	\$5,264,340,397	\$4,327,622,821	(\$936,717,576)
<u>Hazardous</u>			
June 30, 1994	\$ 91,388,625	\$102,504,650	\$ 11,116,025
June 30, 1995	\$111,793,345	\$127,862,904	\$ 16,069,559
June 30, 1996	\$137,312,448	\$120,042,122	(\$17,270,326)
June 30, 1997	\$166,717,238	\$140,918,460	(\$25,798,778)
June 30, 1998	\$212,214,618	\$171,735,076	(\$40,479,542)
June 30, 1999	\$259,839,319	\$204,282,788	(\$55,556,531)

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 1999

Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
0.939	\$1,121,481,440	0.153
0.923	\$1,231,383,460	0.196
0.983	\$1,232,974,460	0.047
1.064	\$1,234,798,738	(0.179)
1.146	\$1,321,004,266	(0.421)
1.216	\$1,330,766,100	(0.704)
0.892	\$ 75,686,614	0.147
0.874	\$ 88,657,986	0.181
1.144	\$ 85,933,543	(0.201)
1.183	\$ 87,757,075	(0.294)
1.236	\$ 93,130,996	(0.435)
1.272	\$103,464,123	(0.537)

COUNTY EMPLOYEES RETIREMENT SYSTEM

	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>
<u>Non-Hazardous</u>			
June 30, 1994	\$1,680,890,826	\$1,748,933,823	\$ 68,042,997
June 30, 1995	\$1,901,448,617	\$1,935,154,223	\$ 33,705,606
June 30, 1996	\$2,237,808,033	\$2,083,374,317	(\$ 154,433,716)
June 30, 1997	\$2,750,196,558	\$2,390,620,093	(\$ 359,576,465)
June 30, 1998	\$3,346,205,003	\$2,663,946,276	(\$ 682,258,727)
June 30, 1999	\$4,072,227,435	\$2,991,420,884	(\$1,080,806,551)
<u>Hazardous</u>			
June 30, 1994	\$ 492,463,946	\$581,410,418	\$ 88,946,472
June 30, 1995	\$ 552,679,443	\$668,421,698	\$ 115,742,255
June 30, 1996	\$ 642,220,505	\$694,942,156	\$ 52,721,651
June 30, 1997	\$ 763,829,310	\$754,308,810	(\$ 9,520,500)
June 30, 1998	\$ 927,057,492	\$865,966,626	(\$ 61,090,866)
June 30, 1999	\$1,124,651,486	\$963,711,775	(\$160,939,711)

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 1999

<u>Funded Ratio</u> <u>(a/b)</u>	<u>Covered Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>% of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
0.961	\$1,050,987,720	0.065
0.983	\$1,167,668,400	0.029
1.074	\$1,137,192,560	(0.136)
1.150	\$1,297,116,204	(0.277)
1.256	\$1,437,594,574	(0.475)
1.361	\$1,346,601,939	(0.803)
0.847	\$183,410,686	0.485
0.827	\$205,738,571	0.563
0.924	\$211,638,457	0.249
1.013	\$225,094,837	(0.042)
1.071	\$236,180,023	(0.257)
1.167	\$256,201,726	(0.628)

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 1999

STATE POLICE RETIREMENT SYSTEM

	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age Normal <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
June 30, 1994	\$205,320,509	\$206,763,310	\$ 1,442,801	0.993	\$36,783,743	0.039
June 30, 1995	\$217,504,443	\$241,690,631	\$ 24,186,188	0.900	\$38,955,271	0.621
June 30, 1996	\$237,515,346	\$244,540,812	\$ 7,025,466	0.971	\$34,698,957	0.202
June 30, 1997	\$279,643,275	\$255,784,758	(\$23,858,517)	1.093	\$41,586,211	(0.574)
June 30, 1998	\$306,318,918	\$294,427,019	(\$11,891,899)	1.040	\$38,727,361	(0.307)
June 30, 1999	\$357,623,196	\$314,021,673	(\$43,601,523)	1.139	\$40,433,405	(1.078)

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KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Targeted Rate (b)	Unfunded AAL (UAAL) (b-a)
<u>KERS</u>			
<u>Non-Hazardous</u>			
June 30, 1994	\$ 80,315,367	\$1,341,024,064	\$1,260,708,697
June 30, 1995	\$102,238,501	\$1,348,616,865	\$1,246,378,364
June 30, 1996**	\$138,382,213	\$1,127,128,023	\$ 988,745,810
June 30, 1997	\$168,479,973	\$1,153,952,891	\$ 985,472,918
June 30, 1998	\$210,105,184	\$1,242,183,993	\$1,032,078,809
June 30, 1999	\$283,704,887	\$1,273,364,800	\$ 989,659,913
<u>KERS</u>			
<u>Hazardous</u>			
June 30, 1994	\$18,768,166	\$103,588,614	\$84,820,448
June 30, 1995	\$25,053,690	\$113,557,236	\$88,503,546
June 30, 1996**	\$34,263,992	\$ 95,266,115	\$61,002,123
June 30, 1997	\$42,684,374	\$120,511,351	\$77,826,977
June 30, 1998	\$54,606,786	\$137,394,162	\$82,787,376
June 30, 1999	\$74,579,649	\$149,158,586	\$74,578,937

** Asset valuation method was changed from book value to a five year average of market to book values. - June 30, 1996 valuation.

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 1999

Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
0.060	\$1,121,481,440	1.124
0.076	\$1,231,383,460	1.012
0.123	\$1,232,974,460	0.802
0.146	\$1,234,798,738	0.798
0.169	\$1,321,004,266	0.781
0.223	\$1,330,766,100	0.743
0.181	\$ 75,686,614	1.121
0.221	\$ 88,657,986	0.998
0.360	\$ 85,933,543	0.710
0.354	\$ 87,757,075	0.887
0.397	\$ 93,130,996	0.889
0.500	\$103,464,123	0.721

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Targeted Rate (b)	Unfunded AAL (UAAL) (b-a)
<u>CERS Non-Hazardous</u>			
June 30, 1994	\$ 65,174,505	\$1,144,860,603	\$1,079,686,098
June 30, 1995	\$ 82,813,551	\$1,217,880,223	\$1,135,066,682
June 30, 1996**	\$110,203,861	\$1,011,215,398	\$ 901,011,537
June 30, 1997	\$134,688,096	\$1,091,055,849	\$ 956,367,753
June 30, 1998	\$168,531,296	\$1,213,339,747	\$1,044,808,451
June 30, 1999	\$231,937,169	\$1,282,874,286	\$1,050,937,117
 <u>CERS Hazardous</u>			
June 30, 1994	\$ 34,340,390	\$406,278,197	\$371,937,807
June 30, 1995	\$ 42,640,389	\$462,012,992	\$419,372,603
June 30, 1996**	\$ 57,332,380	\$375,444,348	\$318,111,968
June 30, 1997	\$ 69,832,681	\$450,304,608	\$380,471,927
June 30, 1998	\$ 87,055,079	\$493,286,363	\$406,231,284
June 30, 1999	\$114,590,223	\$518,280,115	\$403,689,892

** Asset valuation method was changed from book value to a five year average of market to book values. - June 30, 1996 valuation.

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 1999

Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
0.057	\$1,050,987,720	1.027
0.068	\$1,167,668,400	0.972
0.109	\$1,137,192,560	0.792
0.123	\$1,297,116,204	0.737
0.139	\$1,437,594,574	0.727
0.180	\$1,346,601,939	0.780
0.085	\$183,410,686	2.028
0.092	\$205,738,571	2.038
0.153	\$211,638,457	1.503
0.155	\$225,094,837	1.690
0.176	\$236,180,023	1.720
0.221	\$256,201,726	1.576

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 1999

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

<u>SPRS</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Targeted Rate <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
June 30, 1994	\$17,410,672	\$110,193,139	\$92,782,467	0.158	\$36,783,743	2.522
June 30, 1995	\$21,200,195	\$118,995,732	\$97,795,537	0.178	\$38,955,271	2.511
June 30, 1996**	\$27,809,267	\$101,132,886	\$73,323,619	0.275	\$34,698,957	2.113
June 30, 1997	\$33,876,483	\$117,361,754	\$83,485,271	0.289	\$41,586,211	2.008
June 30, 1998	\$41,410,500	\$124,501,076	\$83,090,576	0.333	\$38,727,361	2.146
June 30, 1999	\$53,929,859	\$125,797,150	\$71,867,291	0.429	\$40,433,405	1.777

** Asset valuation method was changed from book value to a five year average of market to book values. - June 30, 1996 valuation.

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 1999

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
 EMPLOYER CONTRIBUTIONS

NON-HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$ 97,120,293	\$ 80,936,678	0.833
June 30, 1995	\$105,406,424	\$ 93,882,993	0.891
June 30, 1996	\$107,885,265	\$ 99,296,569	0.920
June 30, 1997	\$109,773,608	\$102,967,907	0.935
June 30, 1998	\$117,437,279	\$112,082,480	0.954
June 30, 1999	\$106,860,518	\$107,514,778	1.006

HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$13,517,451	\$10,600,435	0.784
June 30, 1995	\$15,931,840	\$13,698,600	0.860
June 30, 1996	\$15,511,004	\$14,420,406	0.930
June 30, 1997	\$15,682,189	\$15,151,328	0.966
June 30, 1998	\$16,642,509	\$15,997,189	0.961
June 30, 1999	\$19,306,405	\$19,443,818	1.007

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 1999

COUNTY EMPLOYEES RETIREMENT SYSTEM
 EMPLOYER CONTRIBUTIONS

NON-HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$ 92,697,117	\$ 83,583,039	0.902
June 30, 1995	\$102,404,519	\$ 88,922,215	0.868
June 30, 1996	\$101,665,015	\$ 95,660,478	0.941
June 30, 1997	\$112,200,552	\$105,773,743	0.942
June 30, 1998	\$124,351,931	\$107,490,256	0.864
June 30, 1999	\$109,074,757	\$110,591,016	1.014

HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$33,912,636	\$30,576,794	0.902
June 30, 1995	\$37,691,306	\$32,959,064	0.874
June 30, 1996	\$38,539,363	\$35,951,348	0.933
June 30, 1997	\$42,070,225	\$39,552,085	0.938
June 30, 1998	\$44,142,046	\$42,297,090	0.958
June 30, 1999	\$46,526,233	\$48,290,617	1.037

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 1999

STATE POLICE RETIREMENT SYSTEM
 EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$ 8,033,569	\$6,081,367	0.757
June 30, 1995	\$ 8,484,458	\$6,874,327	0.810
June 30, 1996	\$ 7,998,110	\$7,089,072	0.886
June 30, 1997	\$11,053,615	\$9,627,692	0.871
June 30, 1998	\$10,293,733	\$9,573,742	0.930
June 30, 1999	\$ 9,465,460	\$9,463,188	0.999

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 1999

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
 EMPLOYER CONTRIBUTIONS

**KERS
 NON-HAZARDOUS**

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$35,102,369	\$27,082,676	0.772
June 30, 1995	\$38,788,579	\$34,378,689	0.886
June 30, 1996	\$38,838,695	\$36,690,182	0.940
June 30, 1997	\$38,896,160	\$37,709,736	0.970
June 30, 1998	\$54,029,074	\$39,503,545	0.731
June 30, 1999	\$56,690,636	\$56,769,539	1.001

**KERS
 HAZARDOUS**

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$ 5,608,304	\$ 4,370,216	0.779
June 30, 1995	\$ 6,613,886	\$ 5,632,584	0.852
June 30, 1996	\$ 6,410,642	\$ 5,931,007	0.930
June 30, 1997	\$ 6,546,678	\$ 6,278,931	0.960
June 30, 1998	\$ 9,341,039	\$ 6,632,037	0.710
June 30, 1999	\$10,760,269	\$10,773,916	1.001

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 1999

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
 EMPLOYER CONTRIBUTIONS

CERS
NON-HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$24,803,310	\$22,277,276	0.898
June 30, 1995	\$27,556,974	\$23,773,207	0.863
June 30, 1996	\$26,837,744	\$25,234,550	0.940
June 30, 1997	\$30,611,942	\$27,504,331	0.898
June 30, 1998	\$48,303,178	\$29,271,074	0.606
June 30, 1999	\$47,939,029	\$47,901,837	0.999

CERS
HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$11,609,896	\$10,452,184	0.900
June 30, 1995	\$13,023,252	\$11,299,170	0.868
June 30, 1996	\$13,396,714	\$12,381,700	0.920
June 30, 1997	\$14,248,503	\$13,305,317	0.934
June 30, 1998	\$20,783,842	\$14,275,040	0.687
June 30, 1999	\$23,647,419	\$23,382,957	0.989

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 1999

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
 EMPLOYER CONTRIBUTIONS

SPRS
HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1994	\$5,201,221	\$3,767,140	0.724
June 30, 1995	\$5,535,544	\$4,463,969	0.806
June 30, 1996	\$4,930,722	\$4,603,921	0.930
June 30, 1997	\$5,909,401	\$5,125,678	0.867
June 30, 1998	\$6,808,270	\$5,120,037	0.752
June 30, 1999	\$7,237,579	\$7,251,787	1.002

KENTUCKY RETIREMENT SYSTEMS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 1999

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

PENSION FUNDS

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Valuation Date	June 30, 1999	June 30, 1999
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed	Level Percent Closed
Amortization Period - Each Benefit Improvement	30 years - Commencing with 1990 Valuation	30 years - Commencing with 1990 Valuation
Asset Valuation Method -	Five-year Average of Market to Book Value	Five-year Average of Market to Book Value
Postretirement Benefit Increase	1.6%	1.6%
Actuarial Assumptions:		
Investment Return	8.25%	8.25%
Projected Salary Increases	6.50%	6.50%
Inflation Rate	3.50%	3.50%

POST-EMPLOYMENT HEALTHCARE

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Valuation Date	June 30, 1999	June 30, 1999
Actuarial Cost Method	Targeted Rate	Targeted Rate
Asset Valuation Method - Started with 1996 Valuation	Five-year Average of Market to Book Value	Five-year Average of Market to Book Value
Actuarial Assumptions:		
Investment Return	8.25%	8.25%
Projected Salary Increases	6.50%	6.50%
Inflation Rate	3.50%	3.50%

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Kentucky Retirement Systems
Frankfort, Kentucky

We have audited the general purpose financial statements of Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated November 2, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Kentucky Retirement Systems' general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kentucky Retirement Systems' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

November 2, 1999

Schedule of Administrative Expenses
Year Ended June 30, 1999

Personal Services:		
Salaries and Per Diem	\$ 4,849,203	
Fringe Benefits	1,424,349	
Tuition Assistance	23,923	
Total Personal Services		\$ 6,297,475
Contractual Services:		
Actuarial	\$ 52,800	
Audit	24,500	
Legal	122,081	
Medical	105,353	
Banking	87,296	
Miscellaneous	28,850	
Total Contractual Services		420,610
Communication:		
Printing	\$ 146,566	
Telephone	93,037	
Postage	413,227	
Travel	65,661	
Total Communication		718,491
Rentals:		
Office Space	\$ 423,996	
Equipment	26,328	
Total Rentals		450,324
Miscellaneous:		
Utilities	\$ 67,651	
Supplies	151,244	
Insurance	43,933	
Maintenance	76,909	
Other	16,626	
Total Miscellaneous		356,363
Capital Outlay:		
Equipment Purchases	\$ 361,812	
Lease Purchases	147,423	
Total Capital Outlay		<u>509,235</u>
Total Administrative Expenses		\$8,752,498

Schedule of Investment Expenses
Year Ended June 30, 1999

Security Lending Fees:		
Broker Rebates	\$72,659,000	
Lending Agent Fees	1,123,000	
Total Security Lending		\$73,782,000
Retirement Funds:		
Investment Management	\$ 3,982,000	
Security Custody	534,000	
Real Estate Consultant	35,400	
Investment Consultant	47,000	
Total Retirement Funds		4,598,400
Insurance Funds:		
Investment Management		87,600
Total Investment Expenses		\$78,468,000

Schedule of Payments to Consultants
Year Ended June 30, 1999

Actuarial Services	\$ 52,800
Medical Review Services	105,353
Death Match Services	495
Total	\$ 158,648

Information on fees paid to investment consultants can be found in the Investment Section of the Comprehensive Annual Financial Report.

KENTUCKY RETIREMENT SYSTEMS

Investment Section

Comprehensive Annual Financial Report
June 30, 1999

INVESTMENT SECTION PREFACE

The Board of Trustees is charged with the responsibility of investing the systems' assets to provide for the benefits of the members of the systems. To achieve that goal the Board follows a policy of preserving capital, while seeking means of enhancing revenues and protecting against undue losses in any particular investment area.

The Board invests the assets of the systems with the goal of paying benefits from investment income and decreasing unfunded liabilities. The Board recognizes its fiduciary duty not only to invest the funds in formal compliance with the Prudent Person Rule, but also to manage the funds in continued recognition of the basic long term nature of the systems. In order to maintain quality while maximizing the long range return, the Board diversifies the investment of the assets among classes of securities.

The assets are managed by the Investment Division staff and by external professional managers based on these investment policies.

Objectives

Long-Term: The total assets of the systems should achieve a return measured over two market cycles (estimated to be six to ten years) which exceeds the rate of inflation for the period, as measured by the National Consumer Price Index, by at least 4%.

Short-Term: The returns of the particular asset classes of the managed funds of the systems, measured on a year-to-year basis, should exceed the returns achieved by comparable unmanaged market indices.

In keeping with its responsibility as trustee and wherever consistent with its fiduciary responsibility, the Board encourages the investment of the systems' assets in securities of corporations which provide a positive contribution to the economy of the Commonwealth of Kentucky.

Investments Performance Review Procedures

At least once each quarter, the Investment Committee, on behalf of the Board of Trustees, reviews the performance of the portfolio for determination of compliance with the Statement of Investment Policy. Each month the Investment Division performs tests to assure compliance with the restrictions imposed by the Investment Policy.

Investment Consulting

The Board employs William M. Mercer Investment Consulting to review the asset allocation guidelines and the performance of both the internally managed and externally managed assets. A letter from that firm follows this introduction and discusses current allocations, performance and significant changes over the fiscal year.

November 10, 1999

The Board of Trustees of the
Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601

Dear Trustees:

Mercer is charged with the duty to advise the Board in its asset management activities, and this is our annual review of the asset management of the Kentucky Retirement Systems. Although we recognize that the Board of Trustees is charged with the responsibility of managing the Fund in a manner consistent with the basic long term nature of the participating systems, our comments focus on the one year fiscal period ended June 30, 1999. In maximizing long term return, the Board must maintain formal compliance with the Prudent Person Rule, and therefore, also seeks to maintain proper and appropriate diversification which is reviewed periodically.

Systems Highlights

During the fiscal year, the equity market provided strong investment returns relative to other asset classes. Therefore, the Systems continued to benefit by the 1996 asset allocation decisions to increase the equity allocations and, in the case of the Retirement Fund, reduce the allocation to real estate. The Funds enjoyed substantial asset growth and investment returns during this period. The Retirement Fund increased from \$10.4 billion to \$11.9 billion and had a 14.3% investment return. The Insurance Fund increased from \$657 million to \$826 million and had a 12.1% investment return. These results were above the median of the Fund's respective comparative composite universes, but just short of their Reference Indexes, 0.6% for the Retirement Fund and 0.9% for the Insurance Fund. These results were achieved at a risk or volatility level similar to the Reference Indexes. Both the comparative universes and the Reference Indexes are constructed according to the individual target asset allocations of the Funds. The composite universe is a comparison using active management in the same asset allocation and the Reference Index is a comparison using unmanaged market indexes also in the same asset allocation.

The asset allocation targets were closely monitored throughout fiscal year 1999. The asset allocation of the Insurance Fund at year end, June 30, 1999, was within reasonable

and allowable range of the targets. The asset allocation of the Retirement Fund at June 30 reflects the Fund in transition, and poised for change in fiscal year 2000.

The year-end asset allocation of the Retirement and Insurance Funds are compared in the table below to their individual asset allocation targets:

<u>Asset Classes</u>	Retirement Fund		Insurance Fund	
	Actual Allocation	Target Asset Allocation	Actual Allocation	Target Asset Allocation
	6/30/99		6/30/99	
Large Cap Equity	68.0%	55%	48.4%	50%
Small Cap Equity*	0	10	22.0	20
Market Bonds	20.0	22	23.7	25
Short-Term Bonds	4.6	5	0	0
Real Estate	4.0	5	0	0
Cash	3.4	3	5.9	5

*The small cap allocation is temporarily held in the internally managed holding/ liquidation account.

The internal management of the large capitalization, small capitalization and REIT portfolios of the Retirement and Insurance Funds continued to provide cost effective investment. The large capitalization portfolios, which have the longest record, have been the most successful with current year and longer term tracking errors that, in our opinion, are attractive. The REIT and small capitalization portfolios in the Retirement Fund have had reasonable results considering dividends are not reinvested – a significant difference from the published indices. Modification to their management approaches are being made in order to enhance portfolio returns while maintaining the Board’s underlying investment strategy.

The calculation methodology for the investment rates of return used by the Systems is known as the original Dietz method. This method is not strictly compliant with the standards of performance presentation established by the Association for Investment Management and Research (AIMR) for investment managers. Please note that it is not incumbent upon the Systems to use AIMR compliant calculation methodologies insofar as they are not an investment manager. As part of a “best practices” approach to fund management established by the

Systems, Mercer monitors the differences in reported return results between the Systems and their investment managers. Discrepancies, when they occur, are researched and resolved.

Investment Manager Highlights

The Retirement Fund

Not all the investment managers for the Retirement Fund produced competitive results during the fiscal year, and so changes were made. Both the active large cap value and the mid-capitalization value portfolios, were discontinued based on continuing weakness in investment returns. The proceeds were initially directed to the internally managed value index portfolio and the internally managed small cap portfolio, respectively.

The growth managers, Northern Trust Quantitative Advisors (NTQA) and Alliance Capital Management, outperformed their market index benchmark and the peer group median. The remaining value portfolio, the internally managed Wilshire Quantum Large Value Index (which is similar to and highly correlated with the S&P 500 Value Index) portfolio was also discontinued during the year in anticipation of the establishment of a core, actively managed portfolio.

The fixed income managers' results were mixed. Lincoln Capital, the index manager, was ahead of its market index, but not peer group benchmark. NAMCO, the active manager, fell behind its benchmarks for the year, as did Weaver Barksdale, the shorter maturity active manager.

In the real estate portfolio, Heitman and CB Richard Ellis returns were below the benchmarks. Lend Lease outperformed both the NCREIF index, and the peer group median.

Transition activities will focus on:

- 1) Improving the Fund's small cap results by establishing a "minicap" portfolio with NTQA, and
- 2) Improving active manager results by establishing an active core equity portfolio with NAMCO.

The Insurance Fund

NAMCO is the Fund's only external investment manager. Their portfolio underperformed the market index benchmark and peer group median over the past fiscal year, but had favorable results for longer time periods.

Summary

The Systems' assets have grown over \$1.6 billion during fiscal 1999 primarily due to investment performance. This is a direct result of the Board's decision to revise the asset allocation targets, and to implement the investment strategy largely through index or passive management. The Board continues to monitor the Systems' results and has initiated changes to improve investment returns.

Sincerely,

WILLIAM M. MERCER INVESTMENT CONSULTING, INC.

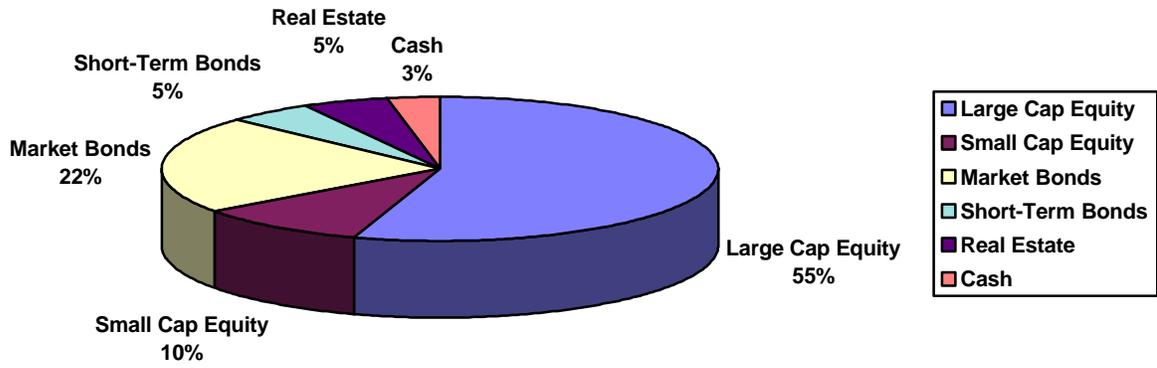


Kristine L. Ford, CFA
(312) 902-7707

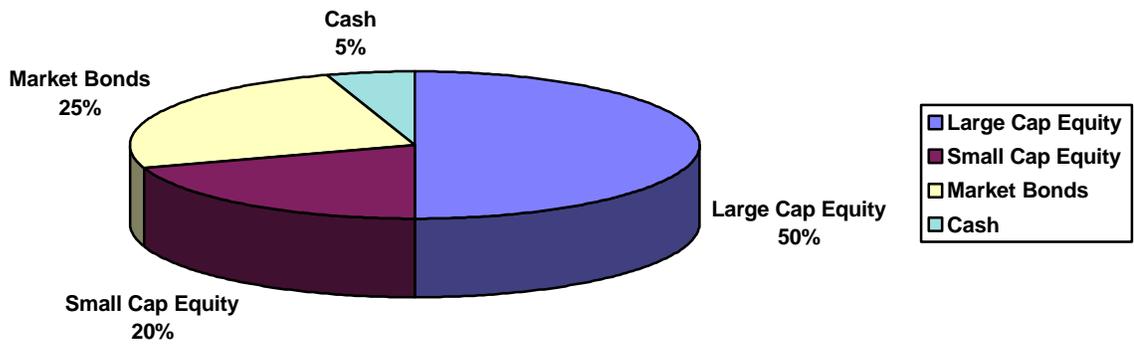
KLF:otj

cc: P. Johnson, Kentucky Retirement System
R. Leggett, Kentucky Retirement System
S. Gagel, Mercer-Louisville

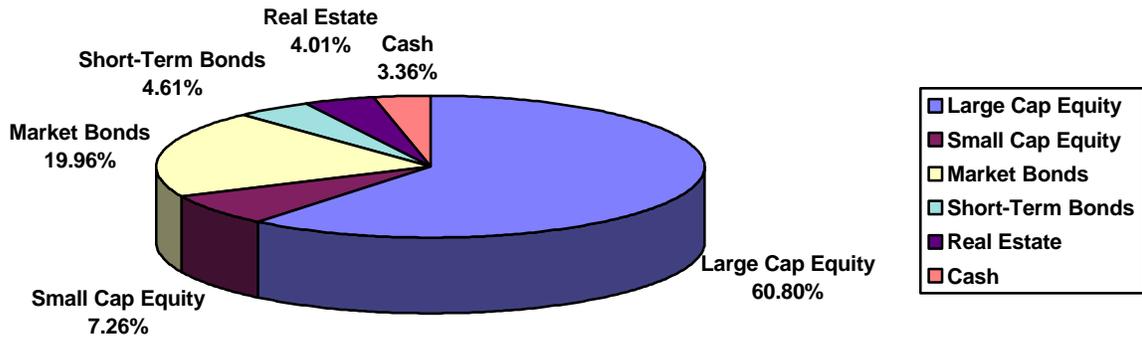
Pension Fund Target Allocation



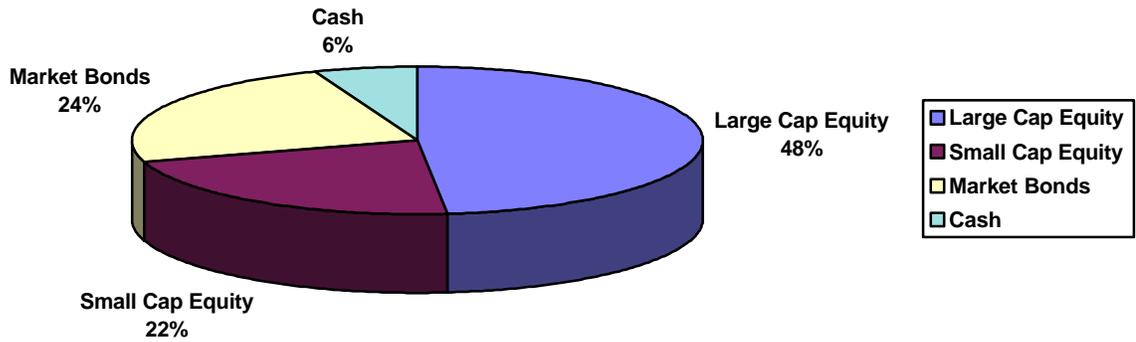
Insurance Fund Target Allocation



Pension Fund Actual Allocation 6/30/99



Insurance Fund Actual Allocation 6/30/99



KENTUCKY RETIREMENT SYSTEMS PERFORMANCE EVALUATION

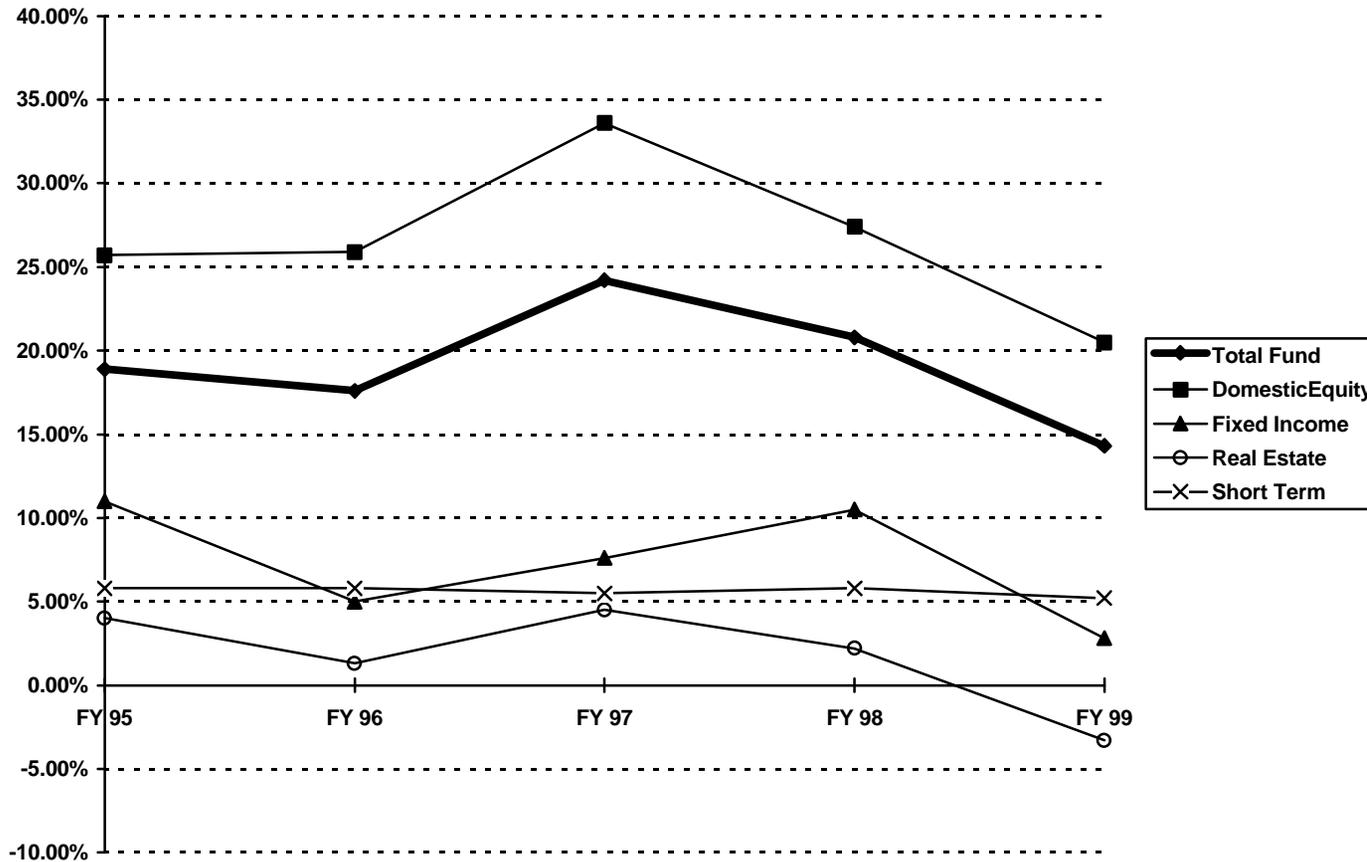
PENSION FUNDS	Fiscal Year	3-Year	5-Year
Total KRS Retirement Fund	14.3%	19.7%	19.1%
Mercer Composite Universe median	11.3%	15.8%	16.3%
CPI	2.0%	2.0%	2.4%
KRS Equities	20.5%	27.1%	26.6%
S&P 500	22.8%	29.1%	27.9%
KRS Fixed Income	2.8%	7.0%	7.4%
Lehman Bros. Govt./Corp. Bond Index	2.7%	7.2%	7.8%
KRS Real Estate	-3.3%	1.1%	1.7%
NCREIF	13.6%	14.4%	12.1%
KRS Cash Reserves	5.2%	5.5%	5.6%
Salomon Bros. 3 Month T-Bill	4.7%	5.1%	5.2%

INSURANCE FUNDS	Fiscal Year	3-Year	5-Year
Total KRS Insurance Fund	12.1%	18.2%	16.1%
Mercer Composite Universe median	9.7%	10.9%	11.6%
CPI	2.0%	2.0%	2.4%
KRS Insurance Fund Equities	16.7%	24.4%	24.9%
S&P 500	22.8%	29.1%	27.9%
KRS Insurance Fund Fixed Income	1.9%	7.5%	7.9%
Lehman Bros. Govt./Corp. Bond Index	2.7%	7.2%	7.8%
KRS Insurance Fund Cash Reserves	4.7%	5.1%	5.2%
Salomon Bros. 3 Month T-Bill	4.7%	5.1%	5.2%

Performance figures were calculated using a time-weighted rate of return.

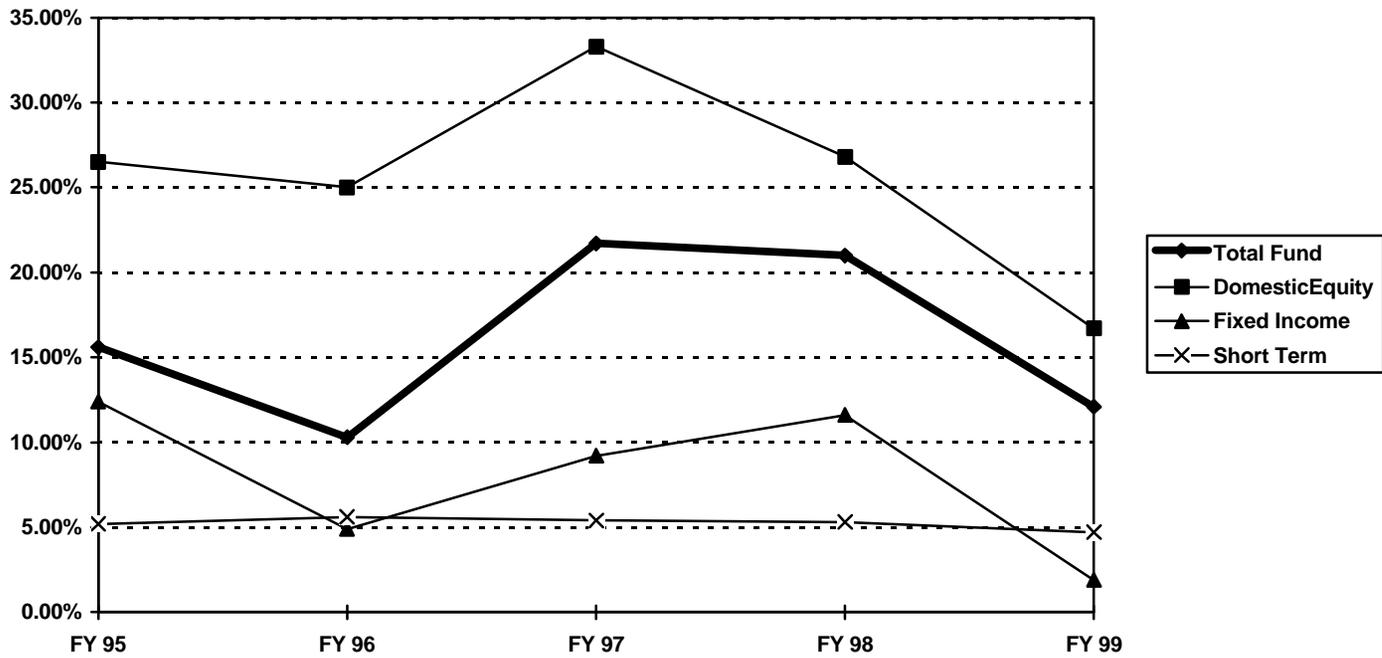
TIME WEIGHTED ANNUAL RETURNS BY ASSET CLASS

RETIREMENT FUNDS



TIME WEIGHTED ANNUAL RETURNS BY ASSET CLASS

INSURANCE FUNDS



**KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARIES
JUNE 30, 1999**

CLASS	KERS NONHAZARDOUS 6/30/1998		KERS NONHAZARDOUS 6/30/1999		% OF MKT VALUE 6/30/99
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 480,959,489	\$ 493,541,518	\$ 532,489,893	\$ 528,197,950	9%
Governments	360,071,976	373,965,846	523,686,187	514,662,527	9%
Mortgages	250,622,788	258,402,931	259,973,020	259,820,870	5%
Short-Term	290,975,677	290,975,677	256,051,873	256,051,873	4%
Real Estate	98,721,661	88,919,415	67,404,588	67,511,862	1%
Reit Real Estate	110,672,038	108,022,529	160,280,603	155,308,250	3%
Equities	1,661,573,085	3,414,382,419	1,862,166,657	3,932,630,070	69%
Total Portfolio	\$3,253,596,714	\$5,028,210,335	\$3,662,052,821	\$5,714,183,402	100%

CLASS	KERS HAZARDOUS 6/30/1998		KERS HAZARDOUS 6/30/1999		% OF MKT VALUE 6/30/99
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 24,914,475	\$ 25,397,271	\$ 29,894,212	\$ 29,453,290	11%
Governments	18,498,286	19,372,456	24,242,150	23,942,790	9%
Mortgages	9,611,844	9,800,070	10,827,580	10,691,760	4%
Short-Term	29,528,720	29,528,720	34,078,106	34,078,106	12%
Real Estate	1,946,099	1,758,391	2,677,450	2,700,233	1%
Reit Real Estate	7,531,966	7,555,320	13,098,029	12,672,820	5%
Equities	74,316,320	140,099,243	82,066,158	159,754,268	58%
Total Portfolio	\$166,347,710	\$233,511,471	\$196,883,685	\$273,293,267	100%

PORTFOLIO SUMMARIES
JUNE 30, 1999

CLASS	CERS NONHAZARDOUS 6/30/1998		CERS NONHAZARDOUS 6/30/1999		% OF MKT VALUE 6/30/99
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 337,320,461	\$ 344,752,585	\$ 412,185,396	\$ 406,451,566	9%
Governments	349,096,060	361,970,274	432,932,670	426,733,052	10%
Mortgages	177,827,074	182,773,127	188,229,953	187,316,698	4%
Short-Term	219,082,494	219,082,494	234,377,505	234,377,505	5%
Real Estate	55,288,791	49,988,435	38,710,772	39,022,378	1%
Reit Real Estate	103,706,987	101,324,246	138,368,834	133,350,426	3%
Equities	1,273,521,412	2,543,352,945	1,426,034,110	2,930,593,441	68%
Total Portfolio	\$2,515,843,279	\$3,803,244,106	\$2,870,839,240	\$4,357,845,066	100%

CLASS	CERS HAZARDOUS 6/30/1998		CERS HAZARDOUS 6/30/1999		% OF MKT VALUE 6/30/99
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 98,913,421	\$ 100,973,340	\$ 116,089,285	\$ 114,480,904	10%
Governments	89,614,929	93,073,198	110,022,482	108,305,038	9%
Mortgages	48,585,650	49,790,225	51,449,888	51,053,201	4%
Short-Term	71,279,376	71,279,376	74,762,100	74,762,100	6%
Real Estate	14,168,612	12,953,223	11,237,219	11,481,235	1%
Reit Real Estate	26,450,397	25,867,563	41,639,319	40,136,026	3%
Equities	349,963,622	690,140,259	397,067,014	798,861,911	67%
Total Portfolio	\$698,976,007	\$1,044,077,184	\$802,267,307	\$1,199,080,415	100%

PORTFOLIO SUMMARIES
JUNE 30, 1999

CLASS	SPRS 6/30/1998		SPRS 6/30/1999		% OF MKT VALUE 6/30/99
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 34,374,542	\$ 35,250,331	\$ 36,157,756	\$ 35,895,145	9%
Governments	20,790,511	21,745,374	27,406,579	27,037,577	7%
Mortgages	16,336,840	16,852,835	16,657,852	16,670,749	4%
Short-Term	17,659,892	17,659,892	13,395,174	13,395,174	3%
Real Estate	7,955,583	7,146,548	5,677,782	5,664,803	1%
Reit Real Estate	8,135,642	8,166,171	12,214,027	11,942,354	3%
Equities	120,693,350	254,936,716	133,936,891	291,149,707	73%
Total Portfolio	\$225,946,360	\$361,757,867	\$245,446,061	\$401,755,509	100%

CLASS	INSURANCE FUND 6/30/1998		INSURANCE FUND 6/30/1999		% OF MKT VALUE 6/30/99
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 69,273,699	\$ 71,789,972	\$ 86,974,132	\$ 85,883,522	10%
Governments	54,005,942	55,782,899	90,230,488	87,694,483	11%
Mortgages	28,621,752	28,943,569	19,236,220	18,851,152	2%
Short-Term	52,472,040	52,472,040	53,980,841	53,980,841	7%
Real Estate	0	0	0	0	0%
Reit Real Estate	0	0	0	0	0%
Equities	270,456,577	448,101,187	347,589,444	579,634,854	70%
Total Portfolio	\$474,830,010	\$657,089,668	\$598,011,125	\$826,044,852	100%

List of Largest Assets Held

Pension Funds
Largest Stock Holdings
(Market Value)
June 30, 1999

RANK	SHARES	STOCK	MARKET VALUE
1	3,519,200	Microsoft Corp.	\$317,387,850
2	1,070,900	General Electric Co.	\$270,951,400
3	1,485,600	IBM	\$192,013,800
4	2,751,350	Cisco Sys. Inc.	\$177,290,116
5	2,609,000	Intel Corp.	\$155,235,500
6	3,200,400	Wal-Mart	\$154,419,300
7	1,978,800	Merck & Co. Inc.	\$145,689,150
8	1,969,160	Bristol Myers Squibb	\$138,702,708
9	1,870,207	Lucent Technologies	\$126,122,085
10	1,063,908	American Intl. Group	\$124,743,213

Pension Funds
Largest Bond Holdings
(Market Value)
June 30, 1999

RANK	PAR	BOND	MARKET VALUE
1	\$225,000,000	FHLB DISC 0.000 Due 07/08/99 Rating AAA	\$224,688,000
2	200,000,000	US Treasury Note 5.750 Due 06/30/01 Rating AAA	\$200,812,500
3	104,905,000	US Treasury Note 6.125 Due 07/31/00 Rating AAA	\$105,691,788
4	87,905,000	US Treasury Bond 7.500 Due 11/15/16 Rating AAA	\$ 98,192,480
5	72,020,000	US Treasury Note 6.500 Due 10/15/06 Rating AAA	\$ 74,315,638
6	54,810,000	US Treasury Note 6.250 Due 02/15/03 Rating AAA	\$ 55,734,919
7	44,200,000	US Treasury Bond 8.125 Due 08/15/21 Rating AAA	\$ 53,772,063
8	49,425,000	US Treasury Bond 6.875 Due 08/15/25 Rating AAA	\$ 53,363,555
9	43,000,000	FHLB DISC 0.000 Due 07/23/99 Rating AAA	\$ 42,831,085
10	37,465,000	US Treasury Bond 6.250 Due 11/15/16 Rating AAA	\$ 42,113,002

A complete list of portfolio holdings is available upon request.

List of Largest Assets Held

Insurance Funds
Largest Stock Holdings
(Market Value)
June 30, 1999

RANK	SHARES	STOCK	MARKET VALUE
1	176,000	Microsoft Corp.	\$15,873,000
2	115,600	General Electric Co.	\$13,052,800
3	65,800	IBM	\$ 8,504,650
4	100,900	Exxon Corp.	\$ 7,781,913
5	159,000	Wal-Mart	\$ 7,671,750
6	124,400	Intel Corp.	\$ 7,401,800
7	108,900	Cisco Sys. Inc.	\$ 7,017,244
8	133,096	Citigroup Inc.	\$ 6,322,060
9	84,000	Merck & Co. Inc.	\$ 6,184,500
10	90,984	Lucent Technologies	\$ 6,135,779

Insurance Funds
Largest Bond Holdings
(Market Value)
June 30, 1999

RANK	PAR	BOND	MARKET VALUE
1	\$14,240,000	US Treasury Note 6.250 Due 02/15/03 Rating AAA	\$14,480,000
2	\$11,200,000	US Treasury Bond 7.500 Due 11/15/16 Rating AAA	\$12,589,500
3	\$10,170,000	US Treasury Note 6.875 Due 05/15/06 Rating AAA	\$10,707,103
4	\$ 8,275,000	US Treasury Note 6.500 Due 05/15/05 Rating AAA	\$ 8,528,422
5	\$ 8,125,000	US Treasury Note 6.500 Due 03/31/01 Rating AAA	\$ 8,383,984
6	\$ 6,105,000	US Treasury Note 7.250 Due 10/15/06 Rating AAA	\$ 6,484,655
7	\$ 5,725,000	US Treasury Bond 6.875 Due 08/15/25 Rating AAA	\$ 6,181,211
8	\$ 6,470,000	FNMA Deb 5.750 Due 02/15/08 Rating AAA	\$ 6,174,806
9	\$ 5,010,000	US Treasury Note 6.125 Due 07/31/00 Rating AAA	\$ 5,047,575
10	\$ 3,675,000	US Treasury Note 8.125 Due 08/15/21 Rating AAA	\$ 4,470,867

A complete list of portfolio holdings is available upon request.

Schedule of Fees and Commissions
Year Ended June 30, 1999

External Investment Manager Fees –	
– Equities and Fixed Income	
Pension Funds	\$3,982,000
Insurance Funds	87,600
Investment Consulting Fees	82,443
Security Lending Agent Fees	1,123,000
Brokerage Commissions — Equities	2,511,058
Total	<u>\$7,786,101</u>

INVESTMENT MANAGERS

Alliance Capital Management
1345 Avenue of the Americas
New York, NY 10105

Lincoln Capital Management Co.
200 South Wacker Drive, Suite 2100
Chicago, IL 60606

C. B. Richard Ellis
865 South Figueroa Street, Suite 3500
Los Angeles, CA 90017

National Asset Management Corp.
101 South Fifth Street
Louisville, KY 40202

Heitman Capital Management Corp.
180 North LaSalle Street, Suite 3600
Chicago, IL 60601

Northern Trust Quantitative
Advisors, Inc.
50 South LaSalle Street
Chicago, IL 60675

Lend Lease
10 East 50th Street
New York, NY 10022

Weaver C. Barksdale & Associates, Inc.
30 Burton Hills Boulevard, Suite 550
Nashville, TN 37215

KENTUCKY RETIREMENT SYSTEMS

Actuarial Section

Comprehensive Annual Financial Report
June 30, 1999

November 18, 1999

Board of Trustees
Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601

Members of the Board:

The forty-third annual actuarial valuation of the Kentucky Employees Retirement System, the fortieth annual actuarial valuation of the County Employees Retirement System, and the forty-first annual actuarial valuation of the State Police Retirement System have been completed and the reports prepared. The following comments are pertinent to the results of this valuation:

1. The funding objectives for the plan remain unchanged from the prior year's valuation. Relative to the retirement fund, a contribution rate has been established which consists of the normal cost and amortization payment on the unfunded actuarial accrued liability. The normal cost is expected to remain level as a percent of payroll in future years. The amortization of any unfunded actuarial accrued liability is made over 30 years from the establishment of the amortization base using a level percent of payroll amortization method. Each year any actuarial gains or losses, along with any other changes in the accrued liability (such as retiree COLA's, other benefit improvements, changes in actuarial assumptions, etc.) are established as a new amortization base to be amortized over the following 30 years. Overall, the total funding for the retirement fund is expected to remain stable as a percentage of payroll over future years in the absence of benefit improvements. In particular, the current valuation funding rate does not anticipate any future cost of living increases to benefit recipients. Should these cost of living increases occur in the future, the funding rate for the retirement fund will be expected to increase as a percentage of payroll in the absence of material aggregate experience gains.

Relative to the insurance fund, the ultimate target funding is to reach the full amount of the entry age funding level including 30 year level percent of payroll amortization of the unfunded actuarial accrued liability. However, current insurance funding levels are less than this ultimate target rate, and will be systematically increased over the next 20 years until the target funding rate is reached. As such, the insurance funding rate is expected to increase over the next 20 years.

Board of Trustees
November 18, 1999
Page 2

The administrative expenses are also included as part of the total funding amount. This portion of the funding is expected to remain stable as a percentage of payroll over future years.

To the extent that actual experience deviates from expected, an amortization base will be established and amortized over 30 years as a level percentage of payroll.

2. The progress towards achieving the intended funding objectives, both relative to the retirement and insurance funds, can be measured by the relationship of valuation assets of each fund to the accrued liabilities. The funded level for the retirement fund exceeds 100% in the 1999 valuation for all three systems (KERS, CERS, SPRS). This funded level will fluctuate over time with experience deviations, but should remain at or near the 100% funding level in the absence of material retirement benefit improvements. Since 1992, all three systems have had a funded level relative to the retirement fund of at least 90% in all valuations, with this funded level moving above 100% in recent years.

Relative to the insurance fund, the funded level is not anywhere near 100% at this time, and the funding objective is to increase this funded level consistently over future years. Since 1990, the funded level relative to the insurance fund has improved in each succeeding valuation for all three systems, which is the primary objective.

3. Valuations of each system are prepared annually, with the most recent such valuation being as of June 30, 1999.
4. In completing the valuation of these systems, we have relied on employee data as provided by Kentucky Retirement Systems, as well as financial data provided by the plan's auditor. We have reviewed this data for reasonableness, and made some general edit checks to impute certain information that may not have been provided with the original employee data. However, we have not audited this data, nor has there been any reconciliation of data used in the prior year's valuation with this current valuation data.
5. None of the supporting schedules included with this filing have been prepared by me. However, I have reviewed these schedules, and the information included on them is consistent with the information provided in our actuarial valuation report.

Board of Trustees

November 18, 1999

Page 3

6. Any schedules of trend data over the past ten years or less have been based on valuation reports fully prepared by William M. Mercer, with the undersigned having served as actuary in the preparation of each of these valuations.
7. The actuarial assumptions and methods used for the funding calculations of the valuation meet the parameters set for disclosure under GASB Statement No. 25.
8. The information presented in items 1 through 7 of this letter describes the pertinent issues relative to the valuation. There are no other specific issues which need to be raised beyond these items in order to fairly assess the funded position of the plan as presented in the current valuation.

The three Retirement Systems are actuarially sound. Adequate provision is being made for the funding of the Actuarial Accrued Liabilities of the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System as required by the Kentucky Revised Statutes, as appropriate funding rates have been established by the Board for this purpose.

Respectfully Submitted,
WILLIAM M. MERCER, INCORPORATED



By _____
Stephen A. Gagel, F.S.A.

SUMMARY OF BENEFIT PROVISIONS

Normal Retirement Eligibility

The age a participant becomes eligible for an unreduced age or service annuity is:

<u>General Classification</u>		<u>Hazardous Classification</u>	
<u>Age</u>	<u>Service</u>	<u>Age</u>	<u>Service</u>
65	1 Month (benefit based on account balance)	55	1 Month (benefit based on account balance)
	48 Months (benefit based on service & salary)		5 Years (benefit based on service & salary)
Any	27 Years	Any	20 Years

Normal Retirement Annuity

The annuity payable at Normal Retirement Age is based on Final Compensation (FC) and Creditable Service (CS) as follows:

<u>Formula</u>	<u>Group</u>
1.97% x FC x CS	Kentucky Employee Retirement General Participants
2.00% x FC x CS	Kentucky Employees Retirement General Participants who were employed January 1998 through January 1999.
2.20% x FC x CS	Kentucky Employees Retirement General Participants who were employed January 1998 through January 1999 and who retire between February 1999 and January 2009 with 20 or more years of service.
2.20% x FC x CS	County Employee Retirement General Participants
2.49% x FC x CS	Kentucky Employee Retirement Hazardous Duty Participants
2.50% x FC x CS	County Employee and State Police Hazardous Duty Participants

FC for General Participants is the average of the highest five fiscal years (July 1 – June 30) of earnings. These years do not have to be consecutive, but there must be a minimum of 48 months of earnings. FC for Hazardous Duty Participants is the average of the three highest fiscal years of earnings. These years do not have to be consecutive, but there must be a minimum of 28 months of earnings.

Early Retirement

A general participant may elect early retirement if the participant is age 55 or older and has at least 60 months of service credit.

Under early retirement the benefit is calculated the same as under normal retirement, except that benefits are reduced depending on the participant's age or years of service.

The following chart shows reductions for age or service. The retirement office reduces benefits by the lesser of the number of years to reach age 65 or to attain 27 years service.

	<u>Years to Attain Age 65 or 27 Years Service</u>									
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
% of Benefit	95%	90%	85%	80%	75%	71%	67%	63%	59%	55%

A general participant under age 55 may also choose early retirement if the member has at least 25 years of service. The benefits are calculated the same as for normal retirement and are reduced 5% for each year of service credit less than 27.

State Police or hazardous position members of the County Employee or Kentucky Employee Retirement Systems may retire before age 55 if the member is at least age 50 and has at least 15 years of service credit.

Under early retirement, the benefit is calculated the same as under normal retirement, except that the benefits are reduced depending on the member's age or years of service. The following chart shows reductions for age or service. The retirement office reduces benefits by the lesser of the number of years to reach age 55 or to attain 20 years service.

	<u>Years to Attain Age 55 or 20 Years Service</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
% of Benefit	94.5%	89.0%	83.5%	78.0%	72.5%

Voluntary Termination Before Immediate Benefit Eligibility

Participant may either (1) receive a refund of accumulated contributions and interest credited thereon, or (2) if vested, leave contributions on deposit and apply for a retirement annuity on or after the minimum retirement age based upon accrued service at the time of termination. Vesting requirements are included in each benefit described herein.

Disability Benefits

A general employee who is not eligible for an unreduced benefit may retire on account of disability. If the condition for disability (1) did not exist before the employee was employed, or (2) the disability is expected to last at least 12 months or result in death, and (3) the objective medical evidence is sufficient to prove the disability prevents the employee from performing his job or a job of similar duties, the employee will be deemed disabled. The employee must have at least 60 months of service, 12 of which are current service and must apply within 12 months of the last day of paid employment in a regular full-time position. Preexisting conditions can be considered if the employee has credit for 16 years of employment with participating employers or if the condition has been substantially aggravated by an accident or injury arising out of his employment.

Benefits are calculated the same as for normal retirement except that additional years of service may be added to the employees account, depending on the employee's age and years of service.

A hazardous duty employee who is not eligible for an unreduced benefit may retire on account of disability. If the condition for disability: (1) did not exist before the employee was employed; or (2) the disability is expected to last at least 12 months or result in death; and (3) the objective medical evidence is sufficient to prove the employee is totally incapable of working in a hazardous position, but may still be capable of performing other types of work, the employee will be deemed disabled. The employee must have at least 60 months of service, 12 of which are current service and must apply within 12 months of the last day of paid employment in a regular full-time position. Preexisting conditions can be considered if the employee has credit for 16 years of employment with participating employers or if the condition has been substantially aggravated by an accident or injury arising out of his employment. Benefits are calculated the same as for normal retirement except that additional years of service may be added to the employees account, depending on the employee's age and years of service.

If the disability is TOTAL and PERMANENT and results from an act IN LINE OF DUTY, the hazardous duty employee is eligible for a monthly benefit of no less than 25% of the employee's monthly Final Rate of Pay. In addition, each dependent child of such employee is eligible for a monthly benefit equal to 10% of the employee's monthly Final Rate of Pay. Aggregate dependent monthly payments cannot exceed 40 % of the employee's monthly Final Rate of Pay.

Death Before Retirement

If a general employee is employed with a participating agency at the time of death and has at least 60 months service credit 12 of which are current service, the beneficiary is eligible for monthly benefits. If the member is not working for a participating agency, but at the time of death has an account with at least 144 months service credit 12 of which are current service, the beneficiary is eligible for monthly benefits. The beneficiary of a member is also eligible if the member is 65 years old at the time of death and has 48 months service credit 12 of which are current service.

If the named beneficiary is an individual, the beneficiary will have the option of a lifetime monthly benefit. In addition, the beneficiary, as well as multiple beneficiaries, an estate, or trust will be offered: (1) a lump sum actuarial refund, (2) monthly benefit for five years, or (3) monthly benefit for ten years.

Death benefits for hazardous duty employees whose death is not in the line of duty is similar to that of general employees. However, hazardous employees of Kentucky Employees, County Employees, and State Police Retirement Systems are eligible for death in line of duty benefits beginning the first day of employment. If the employee dies in the line of duty and the beneficiary is the employee's spouse, the beneficiary may elect a lump sum payment of \$10,000 and a monthly benefit equal to 25% of the employee's Final Rate of Pay which will continue to remarriage or death. If the beneficiary is a dependent receiving at least 50% of his or her support from the employee, the beneficiary may elect a lump sum payment of \$10,000. The beneficiary

may elect this option or may choose from the benefit options offered under death not in the line of duty. Each dependent child will receive a monthly benefit equal to 10% of the employee's Final Rate of Pay. Aggregate dependent payments cannot exceed 40 % of the employee's monthly Final Rate of Pay.

Post Retirement Adjustments

Annuities are increased July 1 each year by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent. The Kentucky General Assembly reserves the right to suspend or reduce benefit increases if in their judgement the welfare of the State so demands.

Death After Retirement

If the member is receiving a monthly payment based on at least 48 months service credit, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

Hospital and Medical Insurance Benefit

The retirement system provides group rates for medical insurance and, where available, health maintenance organization (HMO) and other managed care coverage for retirees. In addition, the member may pay the cost to obtain coverage for a spouse and dependents at group rates. Participation in the insurance program is optional.

Depending on the member's years of retirement service, the retirement system may pay a portion of the member's monthly premium for medical coverage. If coverage is for the member only, the system pays the same portion of the monthly contribution for both general and hazardous duty members. For hazardous duty members with a spouse the system will pay a portion of the monthly contribution for two-person coverage. For hazardous duty members with a spouse and dependent, the system will pay a portion of the monthly contribution for family coverage based on the member's hazardous duty service. Members may obtain enhanced coverage by paying an additional amount.

Percent of Monthly Contribution Paid by Retirement System

<u>Years of Service</u>	<u>Percent Paid</u>
Less than 4 years	0%
4 to 9 years	25%
10 to 14 years	50%
15 to 19 years	75%
20 or more years	100%

If a hazardous duty member becomes disabled in the line of duty, the retirement system will pay 100% of the monthly contribution for the member, spouse, and dependents. If a

hazardous duty member dies in the line of duty, the retirement system will pay 100% of the monthly contribution for the beneficiary and dependent children.

Interest Credits

Member accounts have been credited with interest on July 1 each year at 3% compounded annually through June 30, 1980; 6% thereafter through June 30, 1986; and 4% thereafter.

Contribution Rates

Employer contribution rates are determined by the entry age normal cost funding method. Actuarial gains and losses reduce or increase the unfunded liability. For years beginning with the 1990 valuation, actuarial gains and losses have been amortized over a period of thirty years using the level percent of payroll method as required by state statute.

Statutory required participant contributions are 5% of creditable compensation for general employees, 8% of creditable compensation for hazardous employees in the State Police and County Employees Retirement Systems, and 7% of creditable compensation for hazardous duty employees of the Kentucky Employees Retirement System.

A SUMMARY PLAN DESCRIPTION WHICH GIVES A MORE DETAILED DESCRIPTION OF PLAN PROVISIONS IS AVAILABLE UPON REQUEST.

THIS INFORMATION CAN ALSO BE FOUND IN KENTUCKY RETIREMENT SYSTEMS' HOME PAGE ON THE INTERNET AT <http://www.kyret.com>

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in making the valuations was 8.25% per year, net of investment related expenses, compounded annually. Adopted 1995.
2. The actuarial value of assets is determined in the following manner for the Retirement Funds:
 - (a) Determine the ratio of the market value of Retirement Fund assets to book value as of the current valuation date and the four preceding valuation dates. All asset values include accrued investment income and member and employer contribution receivables, and exclude member refunds and investment expenses payable.
 - (b) Determine the average ratio of market to book value as of these valuation dates.
 - (c) Apply this average ratio to the book value (as adjusted for accrued investment income and member and employer contribution receivables, and member refunds and investment expenses payable) as of the current valuation date to derive valuation assets. Adopted 1992.

For the Insurance Funds, the revision in the asset valuation method was deferred until the June 30, 1996 valuation. Prior to that time, the actuarial value of assets continued to be determined based on the book value of assets in the respective funds as of the valuation date adjusted for any receivables and/or payables. Adopted 1996.

3. The percentage of participants assumed to retire at sample ages is shown in Schedule 1. Adopted 1995.
4. The mortality table used for active and retired lives was the 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees. Mortality assumptions for disabled lives are based on Social Security Administration Disability Mortality Rates – Actuarial Study No. 75 (current rates used by PBGC for disabled lives receiving Social Security). Sample annual rates of mortality are shown in Schedule 2. Adopted 1995.
5. Select rates of termination before retirement are shown in Schedule 3. Adopted 1995.
6. Annual pay per member is assumed to increase 6.50% per year, compounded annually, which is based on experience rather than the effects of inflation. Adopted 1995.
7. Kentucky Revised Statutes require use of the entry age normal cost funding method to determine the actuarial accrued liability. Actuarial gains and losses reduce or increase the unfunded liability. For years beginning with the 1990 valuation, actuarial gains and losses have been amortized over a period of thirty years using the level percent of payroll method as required by state statute.

8. With respect to cost-of-living adjustments, effective August 1, 1996, and on July 1 of each year thereafter, state statutes require retirement benefits to be increased by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent. The State Legislature reserved the right to suspend or reduce cost-of-living adjustments if in their judgement the welfare of the Commonwealth so demands.
9. The most recent actuarial experience analysis was performed for the period from July 1, 1989 through June 30, 1995. All assumptions used in the most recent actuarial valuation were based on the study performed in 1995.

Assumptions used in determining the actuarial accrued liability for postemployment healthcare benefits are shown in Schedule 4. Adopted 1995.

Schedule 1

Percentage of Participants Assumed to Retire at Sample Ages

Age	55-57	58-59	60-61	62	63-64	65	66-67	68	69	70 & Over
Percent Retiring	.03	.04	.05	.25	.10	.50	.20	.25	.40	1.00

At age 55-64 in lieu of age related rate, 20% are assumed to retire as soon as eligible for unreduced benefits with 27 years service credit.

For hazardous duty participants of the Kentucky Employees Retirement System it is assumed that 50% will retire as soon as eligible for unreduced benefits with 20 years service credit and the balance will continue to age 60.

For hazardous duty participants of the County Employees Retirement System it is assumed that 50% will retire as soon as eligible for unreduced benefits with 20 years service credit and the balance will continue to age 55.

For participants of the State Police Retirement System it is assumed that 60% will retire as soon as eligible for unreduced benefits with 20 years service credit and the balance will continue to age 55.

Schedule 2

Sample Annual Rates of Mortality

<u>Age</u>	<u>Active Mortality*</u>		<u>Disabled Mortality</u>	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
25	0.05%	0.03%	4.83%	2.63%
30	0.06%	0.03%	3.62%	2.37%
40	0.12%	0.07%	2.82%	2.09%
50	0.40%	0.16%	3.83%	2.57%
55	0.61%	0.25%	4.82%	2.95%
60	0.92%	0.42%	6.03%	3.31%

*Plus 0.05% duty death rate prior to retirement for hazardous duty participants.

Schedule 3

Select Rates of Termination Prior to Retirement

<u>Sample Ages</u>	<u>Years of Service</u>	<u>Termination</u>		<u>Disablement</u>	
		<u>General Employees</u>	<u>Hazardous Employees</u>	<u>General Employees</u>	<u>Hazardous Employees</u>
	1	25.00%	**	**	**
	2	8.00%	**	**	**
	3	5.00%	**	**	**
	4	4.00%	**	**	**
	5	3.50%	**	**	**
25	Over 5	2.40%	3.04%	0.033%	0.042%
30		2.40%	3.38%	0.039%	0.050%
40		2.00%	1.50%	0.105%	0.132%
50		1.60%	0.00%	0.423%	0.530%
55		1.20%	0.00%	0.794%	0.992%
60		0.20%	0.00%	1.395%	1.743%

**Same as age-based rates for over five years of service.

Schedule 4

Assumed Medical Premium Growth

<u>Years Increase</u>	<u>1996 – 2005</u>	<u>2006 – 2010</u>	<u>2011 – 2015</u>	<u>Thereafter</u>
	10%	9%	8%	7.5%

SUMMARY OF MEMBER VALUATION DATA

Kentucky Employees Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1994	45,781	\$1,045,848,704	\$22,845	
6/30/1995	46,767	\$1,108,720,440	\$23,707	3.8%
6/30/1996	47,145	\$1,184,165,952	\$25,118	6.0%
6/30/1997	46,073	\$1,208,230,632	\$26,224	4.4%
6/30/1998	46,342	\$1,272,316,548	\$27,455	4.7%
6/30/1999	45,824	\$1,330,937,460	\$29,046	5.8%

Kentucky (Hazardous) Employees Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1994	3,241	\$ 69,357,624	\$21,400	
6/30/1995	3,462	\$ 76,270,512	\$22,031	2.9%
6/30/1996	3,452	\$ 79,514,184	\$23,034	4.6%
6/30/1997	3,532	\$ 84,231,840	\$23,848	3.5%
6/30/1998	3,582	\$ 88,891,680	\$24,816	4.1%
6/30/1999	3,889	\$103,970,148	\$26,734	7.7%

County Employees Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1994	62,660	\$ 991,583,616	\$15,825	
6/30/1995	64,655	\$1,058,609,652	\$16,373	3.5%
6/30/1996	66,273	\$1,126,719,480	\$17,001	3.8%
6/30/1997	69,219	\$1,281,975,348	\$18,521	8.9%
6/30/1998	71,426	\$1,341,570,672	\$18,783	1.4%
6/30/1999	74,151	\$1,449,817,548	\$19,552	4.1%

County (Hazardous) Employees Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1994	5,664	\$164,550,832	\$29,052	
6/30/1995	5,970	\$179,958,564	\$30,144	3.8%
6/30/1996	6,281	\$197,337,300	\$31,418	4.2%
6/30/1997	6,513	\$210,180,588	\$32,271	2.7%
6/30/1998	6,800	\$227,851,248	\$33,508	3.8%
6/30/1999	7,488	\$260,279,940	\$34,760	3.7%

State Police Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1994	967	\$30,908,976	\$31,964	
6/30/1995	986	\$31,442,040	\$31,888	(0.2)%
6/30/1996	1,002	\$32,570,292	\$32,505	1.9%
6/30/1997	943	\$34,948,092	\$37,061	14.0%
6/30/1998	954	\$35,865,072	\$37,594	1.4%
6/30/1999	985	\$40,548,636	\$41,166	9.5%

All Participants

Schedule of Active Member Valuation Data

Valuation Date	Participating Employers	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1994	1,319	118,313	\$2,302,249,752	\$19,459	
6/30/1995	1,344	121,840	\$2,455,001,208	\$20,149	3.5%
6/30/1996	1,367	124,153	\$2,620,307,208	\$21,105	4.8%
6/30/1997	1,412	126,280	\$2,819,566,500	\$22,328	5.8%
6/30/1998	1,841	129,104	\$2,966,495,220	\$22,978	2.9%
6/30/1999	1,531	132,337	\$3,185,553,732	\$24,072	4.8%

SUMMARY OF ACCRUED AND UNFUNDED LIABILITIES

Kentucky Employees Retirement System

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1994	\$2,912,050	\$183,001	6.3%	\$2,729,049	
6/30/1995	\$3,240,852	\$257,039	7.9%	\$2,983,814	\$244,765
6/30/1996	\$3,415,404	\$40,109	1.2%	\$3,375,296	\$391,482
6/30/1997	\$3,603,966	(\$246,746)	(6.9)%	\$3,850,712	\$475,416
6/30/1998	\$3,971,749	(\$596,537)	(15)%	\$4,568,287	\$717,575
6/30/1999	\$4,531,905	(\$992,274)	(21.9)%	\$5,524,179	\$955,892

Kentucky Employees Insurance Fund

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1994	\$1,444,613	\$1,345,529	93.1%	\$ 99,084	
6/30/1995	\$1,462,174	\$1,334,882	91.3%	\$127,292	\$28,209
6/30/1996*	\$1,222,394	\$1,049,748	85.9%	\$172,646	\$45,354
6/30/1997	\$1,274,464	\$1,063,300	83.4%	\$211,164	\$38,518
6/30/1998	\$1,379,578	\$1,114,866	80.8%	\$264,711	\$53,547
6/30/1999	\$1,422,523	\$1,064,238	74.8%	\$358,284	\$93,572

*Change in asset valuation method. See Summary of Actuarial Assumptions and Methods.

County Employees Retirement System

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1994	\$2,330,344	\$156,989	6.7%	\$2,173,355	
6/30/1995	\$2,603,576	\$149,448	5.7%	\$2,454,128	\$280,773
6/30/1996	\$2,778,316	(\$101,712)	(3.7)%	\$2,880,029	\$425,900
6/30/1997	\$3,144,929	(\$369,097)	(11.7)%	\$3,514,026	\$633,997
6/30/1998	\$3,529,912	(\$743,349)	(21.1)%	\$4,273,262	\$759,236
6/30/1999	\$3,955,132	(\$1,241,746)	(31.4)%	\$5,196,878	\$923,616

County Employees Insurance Fund

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1994	\$1,551,139	\$1,451,624	93.6%	\$ 99,515	
6/30/1995	\$1,679,893	\$1,554,439	92.5%	\$125,454	\$25,939
6/30/1996*	\$1,386,660	\$1,219,124	87.9%	\$167,536	\$42,082
6/30/1997	\$1,541,360	\$1,336,840	86.7%	\$204,521	\$36,985
6/30/1998	\$1,706,626	\$1,451,039	85.0%	\$255,586	\$51,065
6/30/1999	\$1,801,154	\$1,454,627	80.8%	\$346,527	\$90,941

*Change in asset valuation method. See Summary of Actuarial Assumptions and Methods.

State Police Retirement System

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1994	\$206,763	\$ 1,443	0.7%	\$205,321	
6/30/1995	\$241,690	\$24,186	10.0%	\$217,504	\$12,184
6/30/1996	\$244,541	\$ 7,025	2.9%	\$237,515	\$20,011
6/30/1997	\$255,785	(\$23,859)	(9.3)%	\$279,643	\$42,128
6/30/1998	\$294,427	(\$11,891)	(4.0)%	\$306,318	\$26,675
6/30/1999	\$314,021	(\$43,601)	(13.9)%	\$357,623	\$51,304

State Police Insurance Fund

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1994	\$110,193	\$92,782	84.2%	\$17,411	
6/30/1995	\$118,996	\$97,796	82.2%	\$21,200	\$ 3,790
6/30/1996*	\$101,133	\$73,324	72.5%	\$27,809	\$ 6,609
6/30/1997	\$117,361	\$83,485	71.1%	\$33,876	\$ 6,100
6/30/1998	\$124,501	\$83,090	66.7%	\$41,410	\$ 7,534
6/30/1999	\$125,797	\$71,867	57.1%	\$53,929	\$12,519

*Change in asset valuation method. See Summary of Actuarial Assumptions and Methods.

SOLVENCY TEST

Kentucky Employees Retirement System

(Expressed in Thousands)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6/30/1994	\$556,889	\$1,139,878	\$1,215,283	\$2,729,049	100%	100%	84.9%
6/30/1995	\$604,968	\$1,361,244	\$1,274,640	\$2,983,814	100%	100%	79.8%
6/30/1996	\$654,343	\$1,425,519	\$1,335,543	\$3,375,296	100%	100%	97.0%
6/30/1997	\$691,058	\$1,541,845	\$1,371,063	\$3,850,712	100%	100%	118.0%
6/30/1998	\$752,816	\$1,711,602	\$1,507,332	\$4,568,287	100%	100%	139.6%
6/30/1999	\$862,558	\$1,935,471	\$1,733,877	\$5,524,180	100%	100%	157.2%

County Employees Retirement System

(Expressed in Thousands)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6/30/1994	\$440,262	\$ 799,654	\$1,090,428	\$2,173,355	100%	100%	85.6%
6/30/1995	\$493,331	\$ 971,302	\$1,138,943	\$2,454,128	100%	100%	86.9%
6/30/1996	\$546,014	\$1,042,290	\$1,190,012	\$2,880,029	100%	100%	108.6%
6/30/1997	\$617,592	\$1,170,196	\$1,357,141	\$3,514,026	100%	100%	127.2%
6/30/1998	\$685,806	\$1,355,013	\$1,489,094	\$4,273,262	100%	100%	150.0%
6/30/1999	\$759,922	\$1,600,392	\$1,594,819	\$5,196,879	100%	100%	177.9%

State Police Retirement System

(Expressed in Thousands)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6/30/1994	\$28,192	\$109,772	\$68,799	\$205,321	100%	100%	97.9%
6/30/1995	\$27,845	\$148,398	\$65,448	\$217,504	100%	100%	63.0%
6/30/1996	\$28,918	\$152,503	\$63,120	\$237,515	100%	100%	88.9%
6/30/1997	\$29,910	\$153,693	\$72,182	\$279,643	100%	100%	133.1%
6/30/1998	\$30,546	\$183,652	\$80,229	\$306,319	100%	100%	114.8%
6/30/1999	\$33,633	\$187,163	\$93,226	\$357,623	100%	100%	146.8%

RETIRED LIVES SUMMARY

Kentucky Employees Retirement System

	<u>Nonhazardous Retirees</u>		<u>Hazardous Retirees</u>		<u>Total</u>	
	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>
Basic Form	7,406	\$5,187,130	171	\$ 80,243	7,577	\$5,267,373
Joint and Survivor						
100 % to Beneficiary	2,053	\$1,499,745	82	\$ 46,118	2,135	\$1,545,863
66-2/3% to Beneficiary	755	\$ 986,726	26	\$ 17,364	781	\$1,004,090
50% to Beneficiary	1,184	\$1,291,775	46	\$ 34,784	1,230	\$1,326,559
Pop-Up Option	1,665	\$1,789,631	123	\$ 77,844	1,788	\$1,867,475
10 Years Certain	–	–	13	\$ 11,127	13	\$ 11,127
10 Years Certain and Life	2,378	\$1,618,964	62	\$ 29,166	2,440	\$1,648,130
15 Years Certain and Life	516	\$ 417,957	19	\$ 11,954	535	\$ 429,911
20 Years Certain and Life	334	\$ 308,075	16	\$ 10,992	350	\$ 319,067
Social Security Option						
Basic Form	1,104	\$1,470,437	39	\$ 19,544	1,143	\$1,489,981
Survivorship Option	1,064	\$1,426,564	66	\$ 61,613	1,130	\$1,488,177
Dependent Child	--	--	15	\$ 3,257	15	\$ 3,257
Total	18,459	\$15,997,004	678	\$404,006	19,137	\$16,401,110

RETIRED LIVES SUMMARY

County Employees Retirement System

	<u>Nonhazardous Retirees</u>		<u>Hazardous Retirees</u>		<u>Total</u>	
	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>
Basic Form	8,306	\$3,566,333	341	\$ 491,906	8,647	\$ 4,058,239
Joint and Survivor						
100 % to Beneficiary	2,040	\$1,005,647	297	\$ 395,056	2,337	\$ 1,400,703
66-2/3% to Beneficiary	516	\$ 472,752	143	\$ 264,341	659	\$ 737,093
50% to Beneficiary	979	\$ 776,709	216	\$ 344,745	1,195	\$ 1,121,454
Pop-Up Option	1,587	\$1,039,815	696	\$1,113,140	2,283	\$ 2,152,955
10 Years Certain	1	\$ 447	52	\$ 117,385	53	\$ 117,832
10 Years Certain and Life	2,848	\$1,160,993	121	\$ 166,945	2,969	\$ 1,327,938
15 Years Certain and Life	619	\$ 320,628	34	\$ 45,094	653	\$ 365,722
20 Years Certain and Life	362	\$ 232,142	74	\$ 104,501	436	\$ 336,643
Social Security Option						
Basic Form	431	\$ 405,232	92	\$ 141,725	523	\$ 546,957
Survivorship Option	530	\$ 608,137	289	\$ 403,585	819	\$ 1,011,722
Dependent Child	2	\$ 634	154	\$ 40,456	156	\$ 41,090
Total	18,221	\$9,589,469	2,509	\$3,628,879	20,730	\$13,218,348

RETIRED LIVES SUMMARY

State Police Retirement System

	<u>Number</u>	<u>Monthly Benefits</u>
Basic Form	66	\$ 137,902
Joint and Survivor		
100 % to Beneficiary	105	\$ 211,724
66-2/3% to Beneficiary	53	\$ 139,967
50% to Beneficiary	55	\$ 129,047
Pop-Up Option	132	\$ 300,813
10 Years Certain	6	\$ 9,565
10 Years Certain and Life	22	\$ 53,188
15 Years Certain and Life	10	\$ 19,775
20 Years Certain and Life	24	\$ 46,014
Social Security Option		
Basic Form	35	\$ 74,920
Survivorship Option	171	\$ 355,769
Dependent Child	17	\$ 4,719
Total	696	\$1,483,403

BENEFICIARY SUMMARY

Kentucky Employees Retirement System

	<u>Nonhazardous Retirees</u>		<u>Hazardous Retirees</u>		<u>Total</u>	
	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>
Joint and Survivor						
100 % to Beneficiary	1,848	\$ 925,524	48	\$28,870	1,896	\$ 954,394
66-2/3% to Beneficiary	245	\$ 112,572	4	\$ 2,200	249	\$ 114,772
50% to Beneficiary	527	\$ 183,990	5	\$ 855	532	\$ 184,845
Pop-Up Option	131	\$ 98,992	5	\$ 2,383	136	\$ 101,375
5 Years Certain	128	\$ 125,073	11	\$ 3,516	139	\$ 128,589
10 Years Certain	144	\$ 114,272	9	\$ 3,948	153	\$ 118,220
10 Years Certain and Life	137	\$ 98,470	10	\$ 2,919	147	\$ 101,389
15 Years Certain and Life	129	\$ 90,499	1	\$ 158	130	\$ 90,657
20 Years Certain and Life	61	\$ 52,224	3	\$ 517	64	\$ 52,741
Social Security Option						
Basic Form	1	\$ 357	--	--	1	\$ 357
Survivorship Option	114	\$ 122,528	6	\$ 3,958	120	\$ 126,486
Beneficiary Under 60	17	\$ 6,724	--	--	17	\$ 6,724
Dependent Child	--	--	--	--	--	--
Total	3,482	\$1,931,225	102	\$49,324	3,584	\$1,980,549

BENEFICIARY SUMMARY

County Employees Retirement System

	<u>Nonhazardous Retirees</u>		<u>Hazardous Retirees</u>		<u>Total</u>	
	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>
Joint and Survivor						
100 % to Beneficiary	1,204	\$405,244	73	\$ 70,005	1,277	\$ 475,249
66-2/3% to Beneficiary	136	\$ 43,297	13	\$ 13,147	149	\$ 56,444
50% to Beneficiary	246	\$ 64,783	15	\$ 9,158	261	\$ 73,941
Pop-Up Option	144	\$ 80,115	21	\$ 29,308	165	\$ 109,423
5 Years Certain	162	\$ 78,721	15	\$ 8,714	177	\$ 87,435
10 Years Certain	145	\$ 75,501	17	\$ 27,207	162	\$ 102,708
10 Years Certain and Life	197	\$ 88,989	1	\$ 1,087	198	\$ 90,076
15 Years Certain and Life	121	\$ 60,558	1	\$ 73	122	\$60,631
20 Years Certain and Life	60	\$ 32,382	4	\$ 6,354	64	\$ 38,736
Social Security Option						
Basic Form	--	--	--	--	--	--
Survivorship Option	46	\$ 45,206	31	\$ 44,434	77	\$ 89,640
Beneficiary Under 60	5	\$ 987	3	\$ 2,919	8	\$ 3,906
Dependent Child	--	--	1	\$ 284	1	\$ 284
Total	2,466	\$975,783	195	\$212,690	2,661	\$1,188,473

BENEFICIARY SUMMARY

State Police Retirement System

	<u>Number</u>	<u>Monthly Benefits</u>
Joint and Survivor		
100 % to Beneficiary	45	\$ 82,427
66-2/3% to Beneficiary	1	\$ 1,143
50% to Beneficiary	7	\$ 9,503
Pop-Up Option	3	\$ 6,886
5 Years Certain	–	–
10 Years Certain	–	–
10 Years Certain and Life	–	–
15 Years Certain and Life	1	\$ 2,927
20 Years Certain and Life	2	\$ 7,114
Social Security Option		
Basic Form	–	–
Survivorship Option	4	\$ 7,842
Beneficiary Under 60	–	–
Dependent Child	3	\$ 842
Total	66	\$118,684

KENTUCKY RETIREMENT SYSTEMS

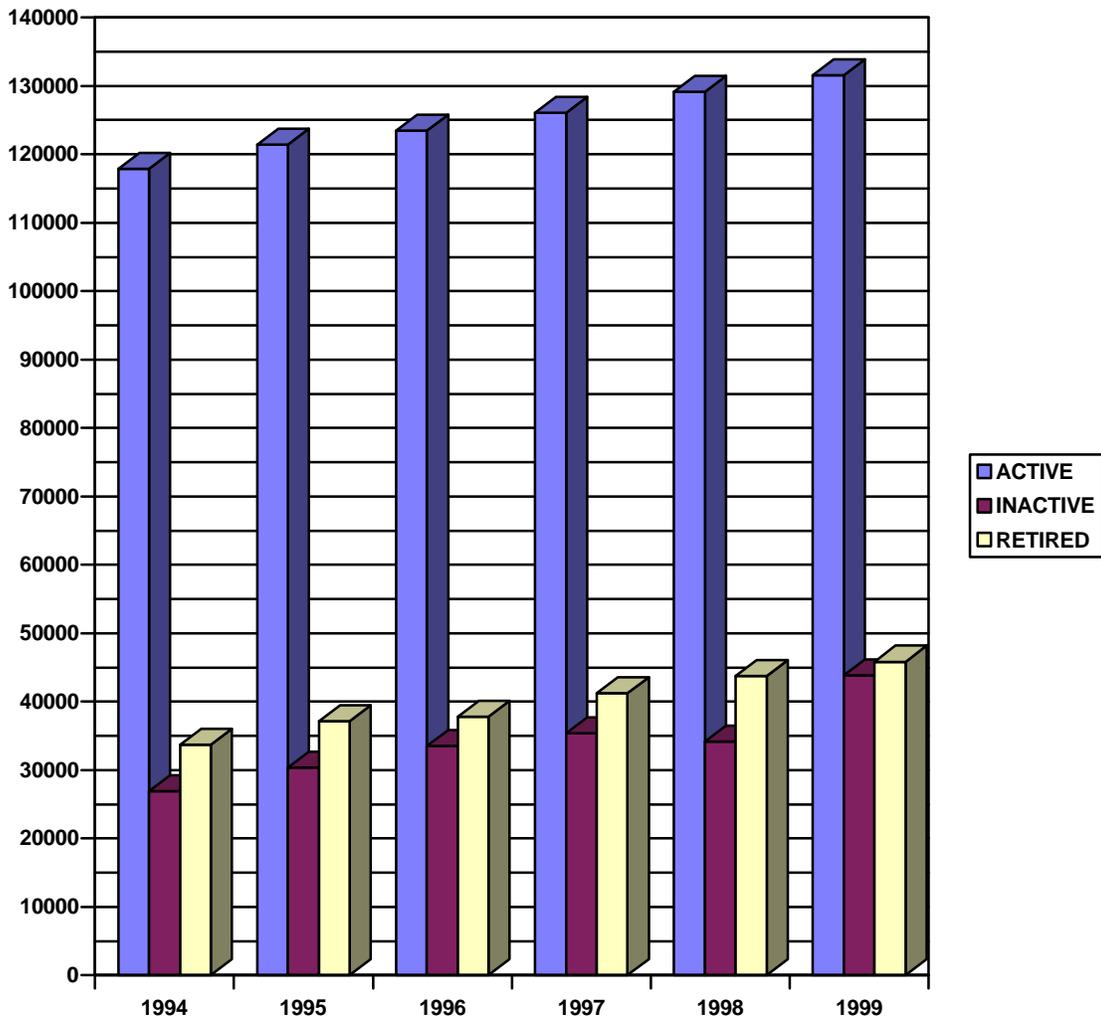
Statistical Section

Comprehensive Annual Financial Report
June 30, 1999

**MEMBERSHIP
AS OF JUNE 30, 1999**

SYSTEM	ACTIVE	INACTIVE	RETIRED	TOTAL
KERS	45,824	14,467	21,964	82,255
KERS Hazardous	3,889	612	780	5,281
CERS	74,151	22,585	20,687	117,423
CERS Hazardous	7,488	459	2,704	10,651
SPRS	985	86	762	1833
TOTAL	132,337	38,209	46,897	217,443

SIX-YEAR MEMBERSHIP TREND



Schedule of Participating Employers

Kentucky Employees Retirement System

Agency Classification	Number of Agencies
Agencies Reporting through State Payroll	209
Other Agencies (universities, mental health boards, health departments)	109
Special Districts and Boards	1
Child Support Offices (county attorneys)	63
State-Administered Retirement Systems	4
TOTAL	386

County Employees Retirement System

Agency Classification	Number of Agencies
Area Development Districts	12
Boards of Education	176
Cities	212
County Attorneys	55
County Clerks	10
County Government Agencies	241
Fire Departments	41
Hospitals	2
Jailers	6
Libraries	78
Planning Commissions	7
Police Departments	41
Police & Fire Departments (combined)	37
Sanitation Districts	2
Sheriff Departments	27
Special Districts and Boards	112
Utility Boards	82
Urban County Government Agencies	3
TOTAL	1,144

State Police Retirement System

Agency Classification	Number of Agencies
Kentucky State Police-Uniformed Officers	1

SCHEDULE OF REVENUE BY SOURCE
(expressed in thousands)

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

Year Ending	Member Contributions	Employer Contributions	Investment Income	Total
June 30, 1994	\$ 61,372	\$ 91,537	\$146,502	\$299,411
June 30, 1995	\$ 67,775	\$107,582	\$186,275	\$361,632
June 30, 1996	\$ 68,933	\$113,717	\$285,100	\$467,750
June 30, 1997	\$ 69,075	\$118,119	\$364,477	\$551,671
June 30, 1998	\$ 74,115	\$128,221	\$434,032	\$636,368
June 30, 1999	\$149,722	\$126,959	\$478,152	\$754,833

COUNTY EMPLOYEES RETIREMENT SYSTEM

Year Ending	Member Contributions	Employer Contributions	Investment Income	Total
June 30, 1994	\$ 65,388	\$114,160	\$112,081	\$291,629
June 30, 1995	\$ 72,785	\$121,881	\$146,527	\$341,193
June 30, 1996	\$ 72,557	\$131,612	\$247,816	\$451,985
June 30, 1997	\$ 79,342	\$145,326	\$325,552	\$550,220
June 30, 1998	\$ 90,963	\$149,824	\$399,916	\$640,703
June 30, 1999	\$121,484	\$158,882	\$436,475	\$716,841

STATE POLICE RETIREMENT SYSTEM

Year Ending	Member Contributions	Employer Contributions	Investment Income	Total
June 30, 1994	\$2,575	\$6,081	\$11,171	\$19,827
June 30, 1995	\$2,727	\$6,874	\$14,235	\$23,836
June 30, 1996	\$2,457	\$7,089	\$20,627	\$30,173
June 30, 1997	\$2,958	\$9,628	\$27,393	\$39,979
June 30, 1998	\$2,711	\$9,574	\$29,001	\$41,286
June 30, 1999	\$3,658	\$9,463	\$33,290	\$46,411

SCHEDULE OF EXPENSES BY TYPE
(expressed in thousands)

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

Year Ending	Benefit Payments	Administrative Expenses	Refunds	Amounts Transferred to Insurance Fund	Total
June 30, 1994	\$129,780	\$2,076	\$7,903	\$31,453	\$171,212
June 30, 1995	\$144,365	\$2,088	\$7,820	\$40,011	\$194,284
June 30, 1996	\$158,407	\$2,284	\$7,485	\$42,624	\$210,800
June 30, 1997	\$173,352	\$2,701	\$8,262	\$43,988	\$228,303
June 30, 1998	\$193,569	\$2,628	\$9,196	\$46,135	\$251,528
June 30, 1999	\$209,339	\$3,384	\$9,168	\$67,696	\$289,587

COUNTY EMPLOYEES RETIREMENT SYSTEM

Year Ending	Benefit Payments	Administrative Expenses	Refunds	Amounts Transferred to Insurance Fund	Total
June 30, 1994	\$ 82,691	\$2,782	\$ 8,170	\$32,729	\$126,372
June 30, 1995	\$ 96,419	\$2,930	\$ 8,873	\$35,002	\$143,224
June 30, 1996	\$109,081	\$3,217	\$ 8,944	\$37,622	\$158,864
June 30, 1997	\$124,187	\$3,909	\$ 9,167	\$40,816	\$178,079
June 30, 1998	\$142,405	\$4,030	\$10,173	\$43,549	\$200,157
June 30, 1999	\$165,107	\$5,308	\$10,924	\$71,620	\$252,959

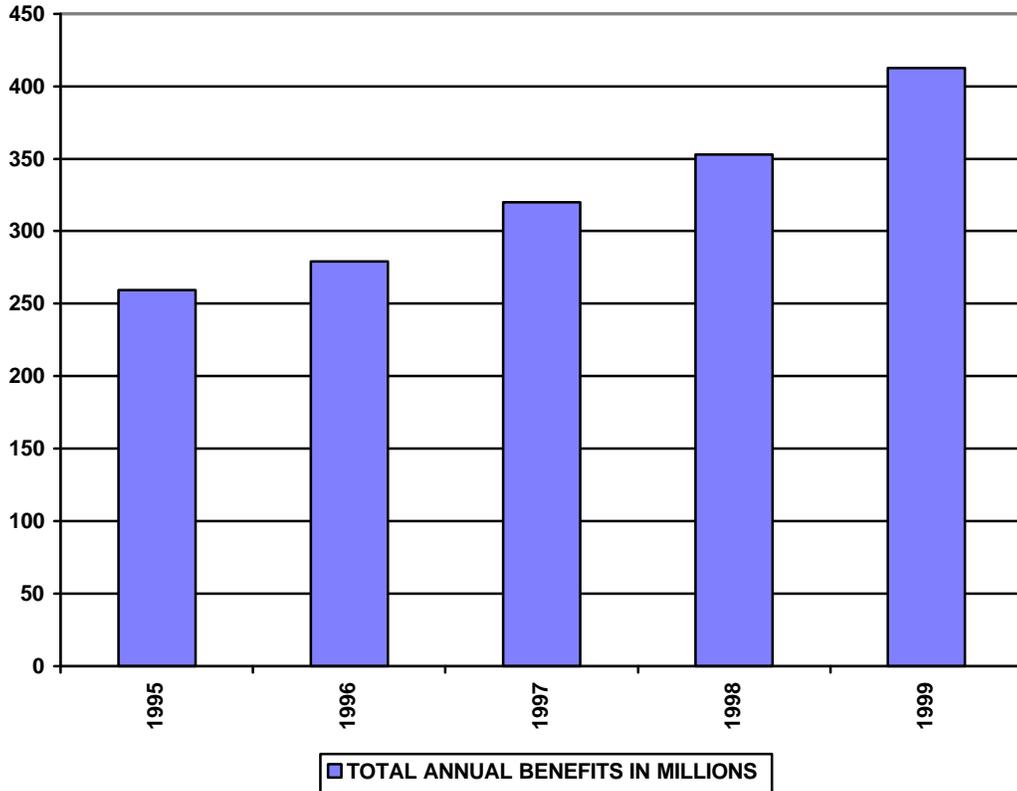
STATE POLICE RETIREMENT SYSTEM

Year Ending	Benefit Payments	Administrative Expenses	Refunds	Amounts Transferred to Insurance Fund	Total
June 30, 1994	\$11,147	\$33	\$44	\$3,767	\$14,991
June 30, 1995	\$12,526	\$40	\$19	\$4,464	\$16,377
June 30, 1996	\$13,711	\$44	\$31	\$4,606	\$18,392
June 30, 1997	\$14,682	\$52	\$57	\$5,126	\$19,917
June 30, 1998	\$17,735	\$47	\$70	\$5,120	\$22,972
June 30, 1999	\$19,136	\$61	\$44	\$7,299	\$26,540

**ANALYSIS OF INITIAL RETIREMENT
1994-1999**

	1994	1995	1996	1997	1998	1999
KERS Retirees	1,339	1,573	1,127	1,523	1,093	1,648
Average Monthly Benefit	\$858	\$914	\$967	\$1,117	\$1,000	\$1,296
CERS Retirees	1,837	1,906	1,344	1,962	1,626	2,349
Average Monthly Benefit	\$688	\$631	\$690	\$737	\$709	\$907
SPRS Retirees	54	77	39	47	46	23
Average Monthly Benefit	\$1,994	\$1,784	\$2,116	\$2,185	\$2,299	\$2,223

ANNUAL RETIREMENT PAYMENTS 1995-1999



SCHEDULE OF BENEFIT EXPENSES BY TYPE

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	NORMAL	EARLY	DISABILITY	DEATH	TOTAL
FY 1993-94					
Average Benefit	\$484	\$686	\$514	\$534	\$606
Retirees	4,235	9,623	1,334		15,192
Beneficiaries	771	759	547	706	2,783
Total Recipients	5,006	10,382	1,881	706	17,975
Monthly Benefits	\$2,420,610	\$7,119,855	\$967,106	\$337,339	\$10,844,910
FY 1994-95					
Average Benefit	\$517	\$737	\$551	\$570	\$651
Retirees	4,311	10,241	1,452		16,004
Beneficiaries	798	792	570	722	2,882
Total Recipients	5,109	11,033	2,022	722	18,886
Monthly Benefits	\$2,643,397	\$8,128,080	\$1,113,901	\$411,780	\$12,297,158
FY 1995-96					
Average Benefit	\$530	\$758	\$567	\$566	\$670
Retirees	4,312	10,717	1,560		16,589
Beneficiaries	815	826	595	733	2,969
Total Recipients	5,127	11,543	2,155	733	19,558
Monthly Benefits	\$2,714,747	\$8,752,259	\$1,221,084	\$414,832	\$13,102,922
FY 1996-97					
Average Benefit	\$562	\$817	\$596	\$600	\$721
Retirees	4,322	11,513	1,694		17,529
Beneficiaries	819	853	622	754	3,048
Total Recipients	5,141	12,366	2,316	754	20,577
Monthly Benefits	\$2,890,662	\$10,108,484	\$1,380,195	\$452,335	\$14,831,676
FY 1997-98					
Average Benefit	\$589	\$859	\$629	\$647	\$760
Retirees	4,248	11,920	1,772		17,940
Beneficiaries	827	890	636	782	3,135
Total Recipients	5,075	12,810	2,408	782	21,075
Monthly Benefits	\$2,989,698	\$11,006,325	\$1,512,760	\$505,747	\$16,014,530
FY 1998-99					
Average Benefit	\$630	\$944	\$662	\$686	\$830
Retirees	4,267	12,755	1,848		18,870
Beneficiaries	807	936	670	866	3,279
Total Recipients	5,074	13,691	2,518	866	22,149
Monthly Benefits	\$3,194,856	\$12,927,270	\$1,665,838	\$594,363	\$18,382,327

The information in the above tables includes only individuals receiving a monthly benefit as of June 30 in the indicated fiscal year. Retired reemployed members and individuals deceased prior to June are not included. As a result, the information for the current year will differ from that shown in the Retired Lives Summary in the Actuarial Section.

SCHEDULE OF BENEFIT EXPENSES BY TYPE

COUNTY EMPLOYEES RETIREMENT SYSTEM

	NORMAL	EARLY	DISABILITY	DEATH	TOTAL
FY 1993-94					
Average Benefit	\$353	\$535	\$485	\$394	\$467
Retirees	4,311	7,848	1,283		13,442
Beneficiaries	505	383	326	528	1,742
Total Recipients	4,816	8,231	1,609	528	15,184
Monthly Benefits	\$1,700,589	\$4,403,993	\$780,642	\$208,204	\$7,093,428
FY 1994-95					
Average Benefit	\$369	\$567	\$513	\$413	\$495
Retirees	4,563	8,721	1,494		14,778
Beneficiaries	528	421	346	552	1,847
Total Recipients	5,091	9,142	1,840	552	16,625
Monthly Benefits	\$1,876,514	\$5,180,389	\$944,147	\$228,228	\$8,229,278
FY 1995-96					
Average Benefit	\$380	\$581	\$528	\$425	\$510
Retirees	4,684	9,384	1,660		15,728
Beneficiaries	549	457	380	562	1,948
Total Recipients	5,233	9,841	2,040	562	17,676
Monthly Benefits	\$1,988,732	\$5,714,564	\$1,076,787	\$238,803	\$9,018,886
FY 1996-97					
Average Benefit	\$405	\$620	\$560	\$446	\$547
Retirees	4,937	10,453	1,942		17,332
Beneficiaries	574	490	406	576	2,046
Total Recipients	5,511	10,943	2,348	576	19,378
Monthly Benefits	\$2,229,937	\$6,790,089	\$1,314,240	\$256,650	\$10,590,916
FY 1997-98					
Average Benefit	\$429	\$650	\$585	\$473	\$576
Retirees	5,095	11,238	2,165		18,498
Beneficiaries	594	544	416	614	2,168
Total Recipients	5,689	11,782	2,581	614	20,666
Monthly Benefits	\$2,438,180	\$7,660,693	\$1,511,141	\$290,517	\$11,900,531
FY 1998-99					
Average Benefit	\$466	\$718	\$604	\$482	\$630
Retirees	5,365	12,609	2,350		20,324
Beneficiaries	603	578	636	727	2,544
Total Recipients	5,968	13,187	2,986	727	22,868
Monthly Benefits	\$2,783,194	\$9,472,665	\$1,802,978	\$350,404	\$14,409,241

The information in the above tables includes only individuals receiving a monthly benefit as of June 30 in the indicated fiscal year. Retired reemployed members and individuals deceased prior to June are not included. As a result, the information for the current year will differ from that shown in the Retired Lives Summary in the Actuarial Section.

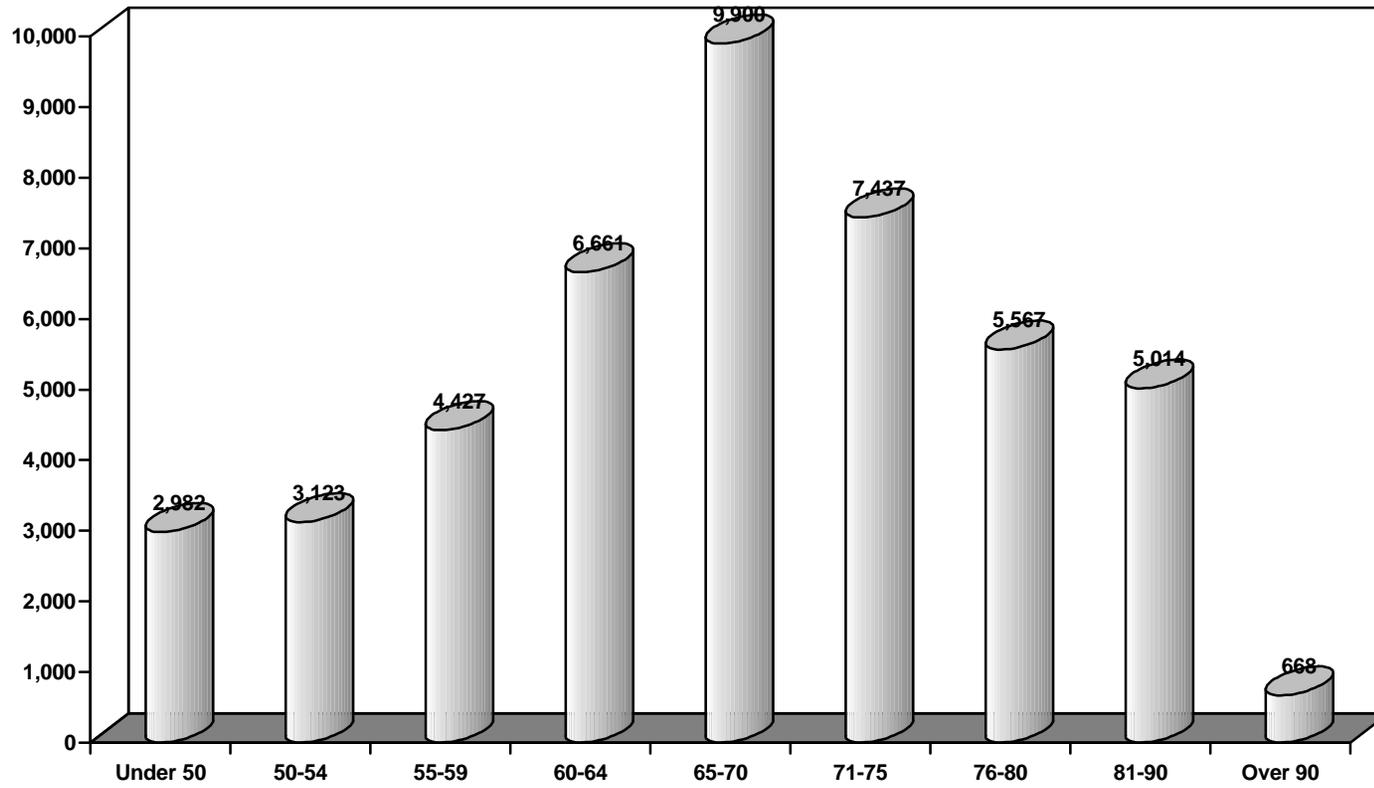
SCHEDULE OF BENEFIT EXPENSES BY TYPE

STATE POLICE RETIREMENT SYSTEM

	NORMAL	EARLY	DISABILITY	DEATH	TOTAL
FY 1993-94					
Average Benefit	\$1,736	\$2,020	\$1,287	\$1,171	\$1,892
Retirees	82	356	28		466
Beneficiaries	12	2	2	18	34
Total Recipients	94	358	30	18	500
Monthly Benefits	\$163,201	\$722,989	\$38,615	\$21,083	\$945,888
FY 1994-95					
Average Benefit	\$1,775	\$2,018	\$1,263	\$1,207	\$1,907
Retirees	82	417	30		529
Beneficiaries	13	3	3	18	37
Total Recipients	95	420	33	18	566
Monthly Benefits	\$168,663	\$847,649	\$41,677	\$21,741	\$1,079,730
FY 1995-96					
Average Benefit	\$1,749	\$2,020	\$1,241	\$1,034	\$1,901
Retirees	84	446	30		560
Beneficiaries	12	4	6	17	39
Total Recipients	96	450	36	17	599
Monthly Benefits	\$167,947	\$908,793	\$44,664	\$17,582	\$1,138,986
FY 1996-97					
Average Benefit	\$1,789	\$2,079	\$1,224	\$1,065	\$1,958
Retirees	86	484	31		601
Beneficiaries	12	4	8	16	40
Total Recipients	98	488	39	16	641
Monthly Benefits	\$175,303	\$1,014,787	\$47,733	\$17,050	\$1,254,873
FY 1997-98					
Average Benefit	\$2,472	\$2,131	\$1,319	\$1,309	\$2,120
Retirees	101	520	33		654
Beneficiaries	20	4	7	20	51
Total Recipients	121	524	40	20	705
Monthly Benefits	\$299,059	\$1,116,767	\$52,744	\$26,178	\$1,494,748
FY 1998-99					
Average Benefit	\$2,495	\$2,175	\$1,024	\$1,237	\$2,102
Retirees	98	550	38		686
Beneficiaries	23	5	23	25	76
Total Recipients	121	555	61	25	762
Monthly Benefits	\$301,845	\$1,206,862	\$62,478	\$30,922	\$1,602,087

The information in the above tables includes only individuals receiving a monthly benefit as of June 30 in the indicated fiscal year. Retired reemployed members and individuals deceased prior to June are not included. As a result, the information for the current year will differ from that shown in the Retired Lives Summary in the Actuarial Section.

RECIPIENTS BY AGE



**COMPARISON OF AVERAGE MONTHLY BENEFITS
BY LENGTH OF SERVICE**

KERS

SERVICE	Under 2 Yrs.	2-5	6-10	11-15	16-20	21-25	26-30	31-35	Over 35
No. of Recipients	619	827	3,538	3,698	3,430	3,379	3,588	2,101	969
Average Pay	\$83	\$151	\$234	\$383	\$588	\$841	\$1,418	\$1,790	\$2,325

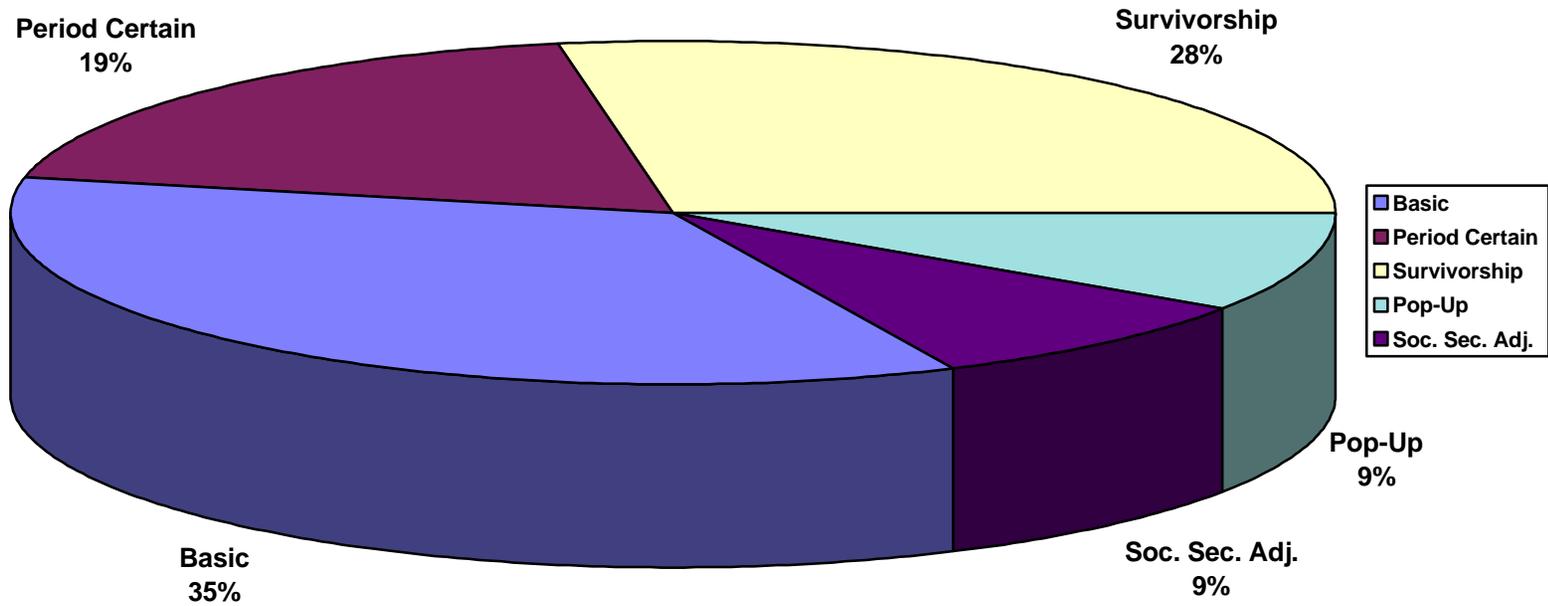
CERS

SERVICE	Under 2 Yrs.	2-5	6-10	11-15	16-20	21-25	26-30	31-35	Over 35
No. of Recipients	788	1,103	5,272	4,961	3,614	3,584	2,349	837	360
Average Pay	\$153	\$130	\$199	\$350	\$569	\$974	\$1,494	\$1,834	\$2,129

SPRS

SERVICE	Under 2 Yrs.	2-5	6-10	11-15	16-20	21-25	26-30	31-35	Over 35
No. of Recipients	42	17	23	26	57	213	245	99	40
Average Pay	\$421	\$288	\$607	\$955	\$1,364	\$1,886	\$2,488	\$3,095	\$3,633

PAYMENT OPTIONS BY TYPE



Basic=single life annuity. Period Certain=includes 10-year certain, as well as, life with 10, 15 and 20 years certain. Survivorship=includes 100%, 66 2/3% and 50% options. Pop-Up=benefit increases to Basic amount if beneficiary dies or divorces member. Soc. Sec. Adj.=provides an increased benefit until age 62 with a reduced benefit after age 62.

**TOTAL FISCAL YEAR RETIREMENT PAYMENTS
BY COUNTY**

Jefferson	\$73,104,989	Grant	\$ 2,020,357	Carroll	\$ 1,132,817
Franklin	\$47,243,624	Grayson	\$ 1,999,005	Casey	\$ 1,086,659
Fayette	\$21,118,512	Bourbon	\$ 1,982,902	Rockcastle	\$ 1,036,342
Warren	\$10,378,720	Carter	\$ 1,942,943	Todd	\$ 1,000,224
Daviess	\$ 9,228,366	Clay	\$ 1,922,118	Powell	\$ 982,767
Christian	\$ 8,121,715	Perry	\$ 1,899,370	Livingston	\$ 969,916
Shelby	\$ 8,099,702	Johnson	\$ 1,874,495	Wolfe	\$ 968,201
Kenton	\$ 7,675,938	Logan	\$ 1,870,372	Washington	\$ 968,017
McCracken	\$ 7,318,809	Trigg	\$ 1,746,051	Lee	\$ 922,184
Pulaski	\$ 6,928,890	Knott	\$ 1,738,596	Metcalfe	\$ 915,178
Madison	\$ 6,076,675	Caldwell	\$ 1,701,717	Simpson	\$ 904,745
Hardin	\$ 5,921,800	Harrison	\$ 1,636,478	Webster	\$ 887,991
Anderson	\$ 5,372,939	Breathitt	\$ 1,609,548	McCreary	\$ 876,454
Campbell	\$ 4,652,025	Taylor	\$ 1,527,620	Ballard	\$ 851,062
Oldham	\$ 4,633,542	Montgomery	\$ 1,527,509	Green	\$ 813,850
Boone	\$ 4,380,104	Lincoln	\$ 1,510,945	Lewis	\$ 807,433
Hopkins	\$ 4,219,525	Letcher	\$ 1,485,352	Butler	\$ 788,011
Boyle	\$ 4,049,331	Muhlenberg	\$ 1,438,917	Trimble	\$ 758,748
Henderson	\$ 3,973,253	Greenup	\$ 1,413,708	Lawrence	\$ 757,780
Boyd	\$ 3,973,093	Lyon	\$ 1,395,846	Magoffin	\$ 749,998
Bullitt	\$ 3,944,682	Knox	\$ 1,392,359	Jackson	\$ 735,222
Calloway	\$ 3,809,888	Larue	\$ 1,379,996	Fulton	\$ 722,224
Pike	\$ 3,761,985	Ohio	\$ 1,350,208	Leslie	\$ 713,897
Scott	\$ 3,530,276	Marion	\$ 1,341,550	McLean	\$ 657,615
Laurel	\$ 3,469,898	Adair	\$ 1,337,488	Owsley	\$ 646,695
Barren	\$ 3,399,674	Estill	\$ 1,316,481	Cumberland	\$ 633,058
Woodford	\$ 3,203,922	Russell	\$ 1,286,665	Clinton	\$ 591,358
Graves	\$ 3,050,073	Bath	\$ 1,268,220	Menifee	\$ 589,402
Rowan	\$ 2,945,493	Garrard	\$ 1,265,765	Nicholas	\$ 585,589
Mercer	\$ 2,935,312	Mason	\$ 1,235,591	Hancock	\$ 575,704
Marshall	\$ 2,886,726	Wayne	\$ 1,224,826	Carlisle	\$ 555,493
Whitley	\$ 2,856,569	Morgan	\$ 1,220,962	Bracken	\$ 548,065
Floyd	\$ 2,724,056	Fleming	\$ 1,218,478	Crittenden	\$ 517,223
Owen	\$ 2,568,810	Union	\$ 1,193,762	Monroe	\$ 505,798
Nelson	\$ 2,563,225	Hart	\$ 1,160,927	Martin	\$ 495,799
Henry	\$ 2,425,877	Pendleton	\$ 1,159,240	Elliott	\$ 489,248
Jessamine	\$ 2,380,061	Allen	\$ 1,150,853	Edmonson	\$ 479,677
Bell	\$ 2,206,746	Meade	\$ 1,147,976	Gallatin	\$ 414,088
Harlan	\$ 2,177,765	Spencer	\$ 1,135,812	Hickman	\$ 403,688
Clark	\$ 2,118,552	Breckinridge	\$ 1,133,777	Robertson	\$ 174,992

Payments to Recipients Living in Other States

\$18,914,720

TOTAL PAYMENTS TO MEMBERS AND BENEFICIARIES FOR FY 1998-99

\$412,723,859

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