KENTUCKY RETIREMENT SYSTEMS

Annual Report June 30, 1995

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

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KENTUCKY RETIREMENT SYSTEMS
Perimeter Park West
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Frankfort, Kentucky 40601

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

Pamala S. Johnson
General Manager
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MEMORANDUM

TO: Members of the Board of Trustees
Frank W. Burke, Chair
John E. King, Vice Chair
Larry C. Conner
E. B. "Gene" Drake
Cattie Lou Miller
Gordon L. Mullis, Jr.
Randy J. Overstreet
Walter J. Pagan
Ralph A. Ruschell

FROM: Pamala S. Johnson, General Manager

DATE: November 16, 1995

SUBJECT: Annual Report for Fiscal Year Ending June 30, 1995

As directed by KRS 61.645, I present the Annual Report for the fiscal year ended June 30, 1995. The four sections of the report provide financial information, actuarial information, investment information and other statistical information. Appropriate certifications from an independent accounting firm and an independent actuarial firm are included.

Copies of this report will be made available to Retirement System members by sending copies to each participating employer in the Kentucky Employees Retirement System, County Employees Retirement System and State Police Retirement System. Copies will also be distributed to legislative personnel, state libraries and other interested parties.

Pamala S. Johnson

Pamala S. Johnson
General Manager

INTRODUCTION

by

Pamala S. Johnson, General Manager

Members of the Retirement Systems,

This report represents a full and complete disclosure of the financial and actuarial status of the Kentucky Employees Retirement System, County Employees Retirement System and State Police Retirement System.

CONTENTS

The pages that follow this introduction provide an introduction to the Board, management and organization of the retirement systems.

The Financial Section is an exact copy of the audit report prepared by Charles T. Mitchell Company. This report is included in accordance with Kentucky Revised Statute 61.645(12).

The Actuarial Section consists of copies of the actuarial report compiled by the firm of William M. Mercer, Inc., containing the information necessary to determine the adequacy of funding and the systems' liabilities is included in the same format as presented to the Board. Only detailed statistical tables were omitted for space reasons.

The Investment Section provides information on the retirement systems' investments. Included are portfolio summaries for the retirement systems and the Insurance Fund. Also shown are comparisons of portfolio growth and income growth, giving a historical perspective.

The Statistical Section provides statistical information on membership, types of payments selected, retirement payments, key financial and actuarial data, source and use of funds and administrative expenses during the 1994-95 fiscal year, as well as historical data in some cases.

INVESTMENTS

The rate of return for the total fund based on market value was 19% for the fiscal year. The rate of return includes appreciation of assets as well as interest and dividend income received throughout the year. This figure should not be confused with the indicated yield based on market value of 3.98% shown in the portfolio summary for all systems combined in the Investment Section of this report. Indicated yield projects the yield of the portfolio forward into the future. It only includes interest and dividends that are projected to be received from securities owned as of June 30, 1995. The indicated yield is calculated based on interest income projected to be received from fixed income investments during the next year and dividends projected to be received from dividend-paying stocks during the next year.

LEGISLATIVE CHANGES

During the Special Session in January 1995, the General Assembly enacted House Bill 1 changing the way the state treats retirement income for income tax purposes.

The pensions of current KERS, CERS and SPRS recipients and those who retire before 1998 will remain exempt. Those retiring after 1997 will see a gradual phasing in of taxation. At the same time a substantial exclusion ($35,000 by 1998) of retirement income from all sources will decrease the tax liability for most retirees in the state, public and private alike.

All types of retirement income will be excluded from income tax, subject to an upper limit or "cap." Public pensions (state, local and federal), which were completely exempt in the past, will be treated differently. Public pension benefits attributable to service after December 31, 1997, will be included with other pension income for tax purposes, but subject to the new exclusion.

Beginning in tax year 1995, retirement income from nonpublic sources will be excludable, subject to the "cap." This includes IRAs, profit-sharing plans, retirement plans, annuities and employee savings plans (including Kentucky Deferred Compensation). As a general rule, any income reported on the federal income tax return as IRA , pension or annuity income (1994 Form 1040 lines 15b or 16b) or for income averaging (federal Form 4972) will be eligible for the exclusion.

WORKLOAD

During the 1994-95 fiscal year, counselors generated nearly 36,000 benefit estimates and service purchase costs.

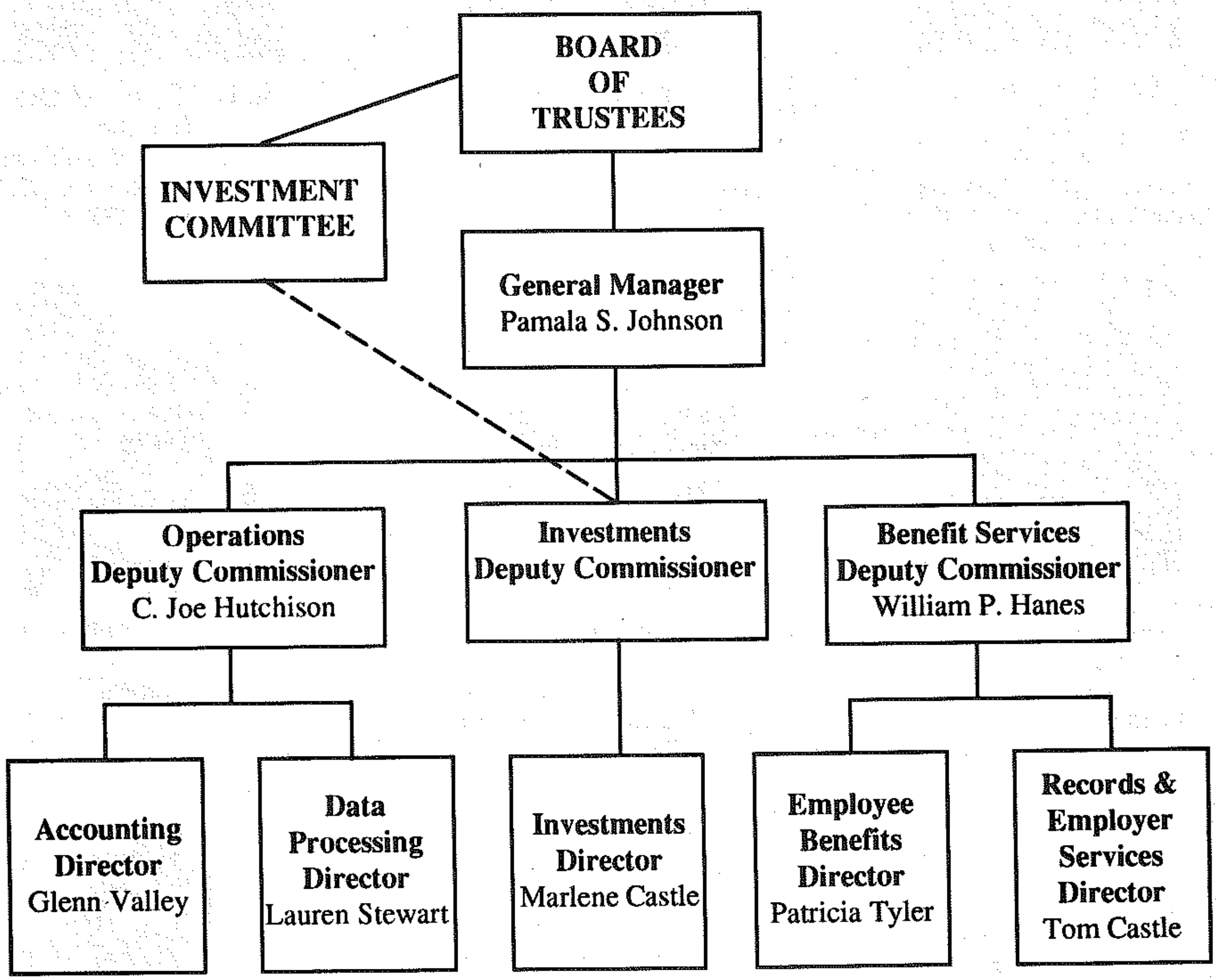
Active members who came to the Frankfort office seeking counseling services increased by 23% over the previous year. The number of retired members visiting the office for assistance rose 30% over the prior year.

The number of members retiring grew 17% over 1993-94.

These are only a few of the statistics that illustrate the challenges facing the retirement systems due to the aging of the workforce. In 1994-95, the average employee's age was 42. This more mature workforce places greater demands for services on the retirement systems, and this trend will continue well into the next century.

BOARD OF TRUSTEES

Kentucky Retirement Systems Organizational Chart



CONTRACTUAL ARRANGEMENTS

ACTUARIAL SERVICES:

William M. Mercer, Inc.
1500 Meidinger Tower
Louisville, KY 40202

ASSET MANAGEMENT:

Mercer Investment Consulting, Inc.
10 South Wacker Drive
Chicago, IL 60606

AUDITING SERVICES:

Charles T. Mitchell Company
201 West Main Street
Frankfort, KY 40601

CUSTODIAN OF SECURITIES:

Farmers Bank & Capital Trust
Farmers Bank Plaza
Frankfort, KY 40601

LEGAL SERVICES:

Johnson, Judy, True and Guarnieri, LLP
326 West Main Street
Frankfort, KY 40601

Stoll Keenon & Park
307 Washington Street
Frankfort, KY 40601

REAL ESTATE CONSULTANT:

Saylor Property Capital, Inc.
Five Peidmont Center, Suite 710
Atlanta, GA 30305

INVESTMENT COUNSELORS:

Heitman Advisory Corporation
Suite 3600
180 North LaSalle Street
Chicago, IL 60601

Investment Counselors of Maryland
803 Cathedral Street
Baltimore, MD 21201

Investment Advisers, Inc.
3700 First Bank Place
Minneapolis, MN 55440

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

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

TCW Realty Advisors
Suite 1800
865 South Figueroa
Los Angeles, CA 90017

The Yarmouth Group, Inc.
Swiss Bank Tower
10 East 50th Street
New York, NY 10022

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

KENTUCKY RETIREMENT SYSTEMS

Financial Section

Annual Report June 30, 1995

FINANCIAL SECTION
INTRODUCTION

The Retirement Systems assets are held in trust for the purpose of providing retirement benefits many years in the future. Since these benefits are guaranteed by Kentucky law to each eligible participant, it is the responsibility of the Board of Trustees to see that the systems are soundly funded and that all investments, receipts, payments and expenses are fully accounted for.

The combined assets of the Kentucky Employees Retirement System, County Employees Retirement System and State Police Retirement System totalled nearly $4.8 billion (book value) as of June 30, 1995, an increase of 8.6% over the previous fiscal year.

To assure that proper accounting methods are being used, the Board generally contracts with a private accounting firm to perform an independent audit of the assets and liabilities of the three systems. The audit for the fiscal year ended June 30, 1995, was performed by the firm of Charles T. Mitchell Co.

In addition to the annual audit, other procedures are employed to insure the safety of the systems' assets. Each year a surprise audit is conducted by the internal auditor of the securities' custodian. Adequate bonding arrangements are in force for those individuals who have access to securities, and the General Manager is under a special fidelity bond. A plan is in place and tested regularly to ensure that the systems assets are protected and programs can be continued in the event of natural disasters.

An exact copy of the audit opinion of Charles T. Mitchell Co., follows along with copies of the audited financial statements and accompanying notes. The financial statements were completed in accordance with the requirements set forth in the National Council on Government Accounting, Statement 1, as adopted in Statement 1 of the Governmental Accounting Standards Board. This statement requires that financial statements be presented on an accrual basis and stipulates that certain disclosures be included in the notes to financial statements.

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

Charles T. Mitchell Company

Certified Public Accountants
201 WEST MAIN, P.O. BOX 698
FRANKFORT, KENTUCKY 40601
TELEPHONE - (502) 227-7395
TELECOPIER - (502) 227-8005

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kentucky Employees Retirement System
Frankfort, Kentucky

We have audited the accompanying balance sheet of the Kentucky Employees Retirement System, a component unit of the Commonwealth of Kentucky, as of June 30, 1995 and the related statements of revenues, expenses, and changes in members' contribution account and retirement allowance account for the year then ended. These component unit financial statements are the responsibility of the Kentucky Employees Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Kentucky Employees Retirement System for the year ended June 30, 1994 were audited by other auditors, whose report dated September 9, 1994 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kentucky Employees Retirement System, at June 30, 1995, and the results of its operations, changes in members' contribution account and changes in retirement allowance account for the year then ended in conformity with generally accepted accounting principles.

Charles T. Mitchell Co.
September 14, 1995

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
BALANCE SHEETS
June 30, 1995 and 1994

ASSETS	1995	1994
Investments (Note 6):		
Bonds (market value - 1995, $697,858,719; 1994, $578,217,589)	$ 677,983,332	$ 589,792,168
Common stocks (market value - 1995, $1,816,352,519; 1994, $1,503,175,560)	1,207,996,240	1,163,394,229
First mortgage real estate loans (market value - 1995, $172,400,938; 1994, $155,509,486)	163,285,748	155,915,344
Real estate investment trusts (market value - 1995, $175,455,725; 1994, $168,298,589)	194,146,190	186,032,359
Securities purchased under agreements to resell (market value approximates cost)	274,540,923	266,423,173
Total investments	2,517,952,433	2,361,557,273
Cash on deposit with State Treasurer	3	66
Members and employers' contributions receivable	13,586,086	8,411,138
Unfunded employers contribution receivable (Note 2)	22,988,438	22,988,438
Accrued investment income	19,271,522	15,035,477
TOTAL ASSETS	2,573,798,482	2,407,992,392
LIABILITIES		
Members' refunds, insurance fund transfers and accrued expenses payable	8,121,702	7,475,550
Unfunded insurance fund transfer payable (Note 2)	6,988,230	6,988,230
Unfunded deferred employer contribution (Note 2)	16,000,208	16,000,208
TOTAL LIABILITIES	31,110,140	30,463,988
NET ASSETS AVAILABLE FOR BENEFITS (Members' Contribution Account - 1995, $604,968,490; 1994, $556,888,548; and Retirement Allowance Account - 1995, $1,937,719,852; 1994 $1,820,639,856)	2,542,688,342	2,377,528,404
FUND BALANCE:		
Actuarial present value of projected benefits payable to current retirees and beneficiaries.	1,333,132,137	1,100,882,062
Actuarial present value of projected benefits payable to terminated vested participants	28,112,055	38,995,536
Actuarial present value of credited projected benefits for active members:		
Members contributions	571,602,568	530,060,261
Employers financed portion	1,091,410,730	1,013,289,059
Total actuarial present value of credited projected benefits	3,024,257,490	2,683,226,918
Unfunded actuarial present value of credited projected benefits	(481,569,148)	(305,698,514)
TOTAL FUND BALANCE	$2,542,688,342	$2,377,528,404

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

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN MEMBERS' CONTRIBUTION ACCOUNT
Years Ended June 30, 1995 and 1994

	1995	1994
REVENUES		
Members' contributions	$ 67,775,231	$ 61,372,065
Interest credited to members' balances transferred from Retirement Allowance Account	20,823,301	19,215,468
Total revenues	88,598,532	80,587,533
EXPENSES		
Refunds to former members	7,820,401	7,902,704
Retired members' balances transferred to Retirement Allowance Account	32,698,189	24,422,105
Total expenses	40,518,590	32,324,809
EXCESS OF REVENUES OVER EXPENSES	48,079,942	48,262,724
MEMBERS' CONTRIBUTION ACCOUNT: BEGINNING OF YEAR	556,888,548	508,625,824
END OF YEAR	$604,968,490	$556,888,548

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

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETIREMENT ALLOWANCE ACCOUNT
Years Ended June 30, 1995 and 1994

	1995	1994
REVENUES		
Employers' contributions	$ 107,581,593	$ 91,537,113
Investment income	125,760,059	101,235,035
Net realized gain on sale of investments	60,515,163	45,267,251
Retired members' balances transferred from Members' Contribution Account	32,698,189	24,422,105
Total revenues	326,555,004	262,461,504
EXPENSES		
Retirement benefits to members	144,364,718	129,799,939
Contributions transferred to the Kentucky Retirement Systems Insurance Fund	40,011,273	31,452,892
Interest credited to members' balances transferred to Members' Contribution Account	20,823,301	19,215,468
Administrative expenses	2,087,624	2,076,306
Investment expenses	2,188,092	2,024,225
Total expenses	209,475,008	184,568,830
EXCESS OF REVENUES OVER EXPENSES	117,079,996	77,892,674
RETIREMENT ALLOWANCE ACCOUNT: BEGINNING OF YEAR	1,820,639,856	1,742,747,182
END OF YEAR	$1,937,719,852	$1,820,639,856

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Kentucky Employees Retirement System (the System) are prepared on the accrual basis, and conform to generally accepted governmental accounting and financial reporting principles in all material respects.

Component Unit

The System 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 System was created by the Kentucky General Assembly pursuant to the provisions of KRS 61.515. The System's administrative budget and employer contribution rates are subject to approval by the Kentucky General Assembly. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

Investments

Investments in bonds and first mortgage real estate loans are stated at amortized cost. Discounts and premiums are amortized using the straight-line method from the date of acquisition to the stated or expected maturity date. Common stocks, securities purchased under agreement to resell and investments in real estate trusts are carried at cost.

Realized gains or losses on investments are recorded for the difference between the proceeds from sale or maturity and the average cost of investments sold or redeemed. Realized gains or losses are also recorded for exchanges of investments, based upon the difference at the time of the exchange between the carrying value and the market value of the investment exchanged.

Expense Allocation

The System, the County Employees Retirement System, and the State Police Retirement System are collectively administered by the Kentucky Retirement Systems. 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.

NOTE 2 - DESCRIPTION OF THE PLAN

The System is a defined benefit plan which covers substantially all regular full-time employees 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. The number of participating state employers was 351 at June 30, 1995.

For the years ended June 30, 1995 and 1994, participating members occupying non-hazardous positions contributed 5% of creditable compensation to the System and members occupying hazardous positions, as defined by statute, contributed 7% of creditable compensation. Employer contribution rates are intended to fund the System's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. Participating employers contributed 8.56% and 7.65% of members' non-hazardous compensation and 17.97% and 15.05% of members' hazardous compensation for 1995 and 1994, respectively.

NOTE 2 - DESCRIPTION OF THE PLAN (CONTINUED)

The actuarial recommended rate for 1994 and 1993 was 8.66% of members' non-hazardous compensation and 17.86% and 17.55%, respectively, of members' hazardous compensation. Those rates were not approved by the Kentucky General Assembly. The System has filed a lawsuit against the State to require that the full funding be made. The System has recorded the difference in contribution rates as a receivable and an offsetting deferral. The insurance fund transfer payable represents the portion of the unpaid balance which is attributable to the insurance fund.

Vesting in a retirement benefit begins immediately upon entry into the system. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

At June 30, membership in the System consisted of:

	1995	1994
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them:		
Non-hazardous positions	28,966	31,170
Hazardous positions	719	730
Total inactive members	29,685	31,900
Current members		
Vested:		
Non-hazardous positions	34,193	31,020
Hazardous positions	2,291	1,989
Nonvested:		
Non-hazardous positions	12,573	14,761
Hazardous positions	1,171	1,252
Total active members	50,228	49,022
Total members	79,913	80,922

Further information regarding the plan agreement, vesting and benefit provisions is contained in the pamphlet Summary Plan Description. Copies of this pamphlet are available from the office of the Kentucky Retirement Systems.

NOTE 3 - FUNDING STATUS AND PROGRESS

Generally accepted governmental accounting and financial reporting principles requires that the financial statements disclose the "pension benefit obligation" determined using the projected unit credit actuarial method. Such obligation is titled "total actuarial present value of credited projected benefits" shown on the balance sheet. State statutes require the use of the entry age normal actuarial cost method to determine the pension benefit obligation. Using this method, the pension benefit obligation at June 30, 1995 and 1994 was $3,240,852,288 and $2,912,050,275, respectively. The System has adopted a five year moving average of market value to book value in determining the actuarial net assets available for benefits. Using this method, the net assets available for benefits at June 30, 1995 and 1994, was $2,983,813,538 and $2,729,048,987, respectively. The resulting unfunded pension benefit obligation was $257,038,750 and $183,001,288 at June 30, 1995 and 1994 respectively.

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of member service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employee Retirement Systems (PERS). The measure is independent of actuarial funding method used to determine contributions to the System (see Note 4).

The pension benefit obligation for 1995 and 1994 was determined by the System's consulting actuary, William M. Mercer, Inc., as part of an actuarial valuation as of June 30, 1995 and 1994, respectively. The significant actuarial assumptions underlying the actuarial computations using the projected unit credit actuarial method and the entry age normal actuarial cost method are the same and are as follows:

Assumed rate of return on investments	- 8% per annum
Mortality basis	- 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees
Employee turnover	- Graduated select and ultimate rates based on 1989 experience study
Retirement age	- Based upon experience, with 20% weight (50% weight for hazardous duty employees), at age 55-64, to the earliest age at which an employee could retire with 100% of the accured benefits
Salary increases	- 6½% per annum

NOTE 4 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial cost method. The System also uses the level percentage of payroll method to amortize the unfunded actuarial accrued liability.

Actuarially determined contribution requirements for the years ended June 30, 1995 and 1994, were determined as part of an actuarial valuation as of June 30, 1994 and 1993, respectively, and were as follows:

	1995	1994
Employer	$104,014,389	$ 99,018,779
Member	56,628,377	55,582,027
Total	$160,642,766	$154,600,806

Such contributions were to consist of:

	1995	1994
Normal cost	108,304,308	106,483,874
Amortization of the unfunded actuarial accrued liability	10,129,368	6,759,902
Administrative expenses	4,090,775	4,172,497
Group hospital and medical insurance premiums	38,118,315	37,184,533
Total	160,642,766	154,600,806

Contributions received consisted of:

	1995	1994
Employer (8.56% and 7.65% of covered payroll for non-hazardous positions and 17.97% and 15.05% of covered payroll for hazardous positions for 1995 and 1994, respectively)	107,581,593	91,537,113
Member (5% of covered payroll for non-hazardous positions and 7% of covered payroll for hazardous positions for 1995 and 1994)	67,775,231	61,372,065
Total	$175,356,824	$152,909,178

NOTE 5 - TEN YEAR HISTORICAL TREND INFORMATION

Ten year historical trend information designed to provide information about the System's progress in accumulating sufficient assets to pay benefits when due is presented below.

Fiscal Year	(1) Net Assets Available For Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded (Funds in Excess of) Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	Unfunded Pension Benefit Obligation of Covered Payroll
1986	$1,079,353,421	$1,110,593,823	97.2%	$ 31,240,402	$ 713,878,356	4.4%
1987	1,264,000,419	1,238,746,096	102.0%	(25,254,323)	757,822,116	N/A
1988	1,426,056,402	1,400,013,802	101.9%	(26,042,600)	803,594,136	N/A
1989	1,588,609,098	1,566,923,178	101.4%	(21,685,920)	822,362,508	N/A
1990	1,799,321,738	1,869,383,399	96.3%	70,061,661	869,109,220	8.1%
1991	1,913,214,931	2,125,370,347	90.0%	212,155,416	982,646,400	21.6%
1992	2,066,846,691	2,317,254,064	89.2%	250,407,373	1,065,985,572	23.5%
1993	2,251,373,006	2,485,620,547	90.6%	234,247,541	1,094,395,992	21.4%
1994	2,377,528,404	2,683,226,918	88.6%	305,698,514	1,115,206,380	27.4%
1995	2,542,688,342	3,024,257,490	84.1%	481,569,148	1,184,917,776	40.6%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Ten year historical trend information relating to revenues and expenses by source and type, respectively, is presented below:

Revenues By Source

Fiscal Year	Members Contributions	Employers Contributions	Investment Income	Net Realized Gain on Disposals of Investments	Total
1986	$29,228,638	$52,686,054	$ 84,346,598	$ 32,275,130	$198,536,420
1987	40,563,400	56,679,470	97,094,173	58,938,113	253,275,156
1988	43,065,763	60,507,339	89,409,521	47,362,518	240,345,141
1989	43,642,903	78,673,797	120,760,531	20,922,372	263,999,603
1990	45,270,305	68,593,246	126,895,778	82,681,267	323,440,596
1991	52,845,103	77,269,700	107,923,634	6,521,702	244,560,139
1992	58,523,130	87,261,933	106,061,993	44,136,334	295,983,390
1993	59,611,966	90,568,496	105,909,575	81,207,989	337,298,026
1994	61,372,065	91,537,113	101,235,035	45,267,251	299,411,464
1995	67,775,231	107,581,593	125,760,059	60,515,163	361,632,046

NOTE 5 - TEN YEAR HISTORICAL TREND INFORMATION (CONTINUED)

Expenses By Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refunds	Investment Expenses	Contributions Transferred To Insurance Fund	Total
1986	$ 43,962,495	$ 838,804	$5,105,361	$ 279,607	$ 3,477,505	$ 53,663,772
1987	52,414,394	1,235,905	5,061,156	272,111	9,644,592	68,628,158
1988	60,060,355	1,122,416	5,860,974	334,270	10,911,143	78,289,158
1989	80,377,963	1,345,174	7,145,907	315,939	12,261,924	101,446,907
1990	90,420,645	1,459,398	5,896,851	440,142	14,510,920	112,727,956
1991	100,824,770	2,091,405	6,438,085	1,351,304	19,961,382	130,666,946
1992	110,034,282	2,130,915	6,451,752	1,733,629	22,001,052	142,351,630
1993	119,619,683	2,205,305	6,749,192	1,827,144	22,370,387	152,771,711
1994	129,799,939	2,076,306	7,902,704	2,024,225	31,452,892	173,256,066
1995	144,364,718	2,087,624	7,820,401	2,188,092	40,011,273	196,472,108

NOTE 6 - INVESTMENTS

The Board of Trustees of the System give priority to the investment of funds in obligations considered to improve the industrial development and enhance the economic welfare of the Commonwealth. Appointed investment managers use the following guidelines and restrictions in the selection of securities and timing of transactions as long as the security is not a prohibited under Kentucky Revised Statutes.

<u>Equity Investments</u>

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

<u>Fixed Income Investments</u>

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

<u>Mortgages</u>

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

<u>Equity Real Estate</u>

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

<u>Guaranteed Insurance Contracts</u>

Investments may be made in guaranteed contracts issued by legal reserve life insurance companies authorized to conduct business in the Commonwealth of Kentucky and such other states as may be required.

NOTE 6 - INVESTMENTS (CONTINUED)

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 the Kentucky Retirement Systems, are considered acceptable:

- Securities Purchased Under Agreements to Resell - Repurchase agreements which are collateralized by U. S. Government issues.
- U. S. Government Issues - All obligations of the U. S. Government and its agencies.
- Certificate of Deposit - Investments may be made in only the 25 largest money center banks in the United States (in terms of total assets) or in banks domiciled in the Commonwealth of Kentucky and having capital and unrestricted surplus of at least $100 million.

The System's investments are categorized below to give an indication of the level of risk assumed by the System at June 30, 1995. 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 2 includes uninsured and unregistered investments that are held by the broker's or dealer's trust department or agent in The System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the System's name. There were no category 3 investments held by the System.

	Category 1	Category 2	Carrying Amount	Market Value
United States Government bonds	$ 454,673,176	$	$ 454,673,176	$ 466,540,961
Corporate bonds	223,310,156		223,310,156	231,317,758
Common stocks	1,207,996,240		1,207,996,240	1,816,352,519
First Mortgage real estate loans	163,285,748		163,285,748	172,400,938
Securities purchased under agreements to resell		274,540,923	274,540,923	274,540,923
	$2,049,265,320	$274,540,923	$2,323,806,243	$2,961,153,099
Real estate investment trusts			194,146,190	175,455,725
Total investments			$2,517,952,433	$3,136,608,824

Investments at June 30, 1995, included approximately $190 million of securities loaned under various collateralized lending programs.

NOTE 7 - 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 present income tax law.

NOTE 8 - TRANSFERS TO INSURANCE FUND

By action of the 1978 General Assembly, the Kentucky Retirement Systems Insurance Fund (the "Insurance Fund") was established to provide a group hospital and medical insurance plan for recipients of a retirement allowance from the System. The Insurance Fund is funded by the transfer of a portion of employer contributions to the System. The percentage of creditable compensation transferred to the Insurance Fund by the System was 3.13% and 2.76% for non-hazardous positions and 7.41% and 6.22% for hazardous positions for 1995 and 1994, respectively.

NOTE 9 - RISKS OF LOSS

The System is 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.

Claims made against the Board of Trustees of Kentucky Retirement Systems or any of its staff as a 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 of all medical expenses related to the illness or injury and up to sixty-six and two-thirds percent (66⅔%) of wages for temporary disability. Each agency pays premiums based on three years' claims experience and number of covered employees. Claims experience is weighted seventy percent (70%) and number of employees is weighted thirty percent (30%). Expectations of current and future obligations are also factored into the premium calculations.

Only claims pertaining to workers' compensation have been filed during the past three fiscal years. There were no claims which were appealed to the Kentucky Workers' Compensation Board which were settled during the year with a liability accruing to the System.

NOTE 10 - CONTINGENCIES

In the normal course of business, the System is 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.

COUNTY EMPLOYEES RETIREMENT SYSTEM

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
County Employees Retirement System
Frankfort, Kentucky

We have audited the accompanying balance sheet of the County Employees Retirement System, a component unit of the Commonwealth of Kentucky, as of June 30, 1995 and the related statements of revenues, expenses, and changes in members' contribution account and retirement allowance account for the year then ended. These component unit financial statements are the responsibility of the County Employees Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the County Employees Retirement System for the year ended June 30, 1994 were audited by other auditors, whose report dated September 9, 1994 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County Employees Retirement System, at June 30, 1995, and the results of its operations, changes in members' contribution account and changes in retirement allowance account for the year then ended in conformity with generally accepted accounting principles.

Charles T. Mitchell Co.
September 14, 1995

COUNTY EMPLOYEES RETIREMENT SYSTEM
BALANCE SHEETS
June 30, 1995 and 1994

	1995	1994
ASSETS		
Investments (Note 6):		
Bonds (market value - 1995, $316,417,707; 1994, $244,115,540)	$ 306,701,621	$ 248,393,172
Common stocks (market value - 1995, $1,730,121,997; 1994, $1,399,795,168)	1,234,100,767	1,161,720,926
First mortgage real estate loans (market value - 1995, $95,081,060; 1994, $78,892,876)	89,022,328	77,862,310
Real estate investment trusts (market value - 1995, $142,160,281; 1994, $121,097,124)	154,331,153	131,719,120
Securities purchased under agreements to resell (market value approximates cost)	299,643,326	249,239,198
Total investments	2,083,799,195	1,868,934,726
Members and employers' contributions receivable	24,618,545	18,164,897
Unfunded employers contribution receivable (Note 2)	10,313,636	36,952,496
Accrued investment income	10,087,754	7,843,912
TOTAL ASSETS	2,128,819,130	1,931,896,031
LIABILITIES		
Members' refunds, insurance fund transfers and accrued expenses payable	5,912,403	4,934,353
NET ASSETS AVAILABLE FOR BENEFITS (Members' Contribution Account - 1995, $493,330,565; 1994, $440,261,655; and Retirement Allowance Account - 1995, $1,629,576,162; 1994 $1,486,700,023)	2,122,906,727	1,926,961,678
FUND BALANCE:		
Actuarial present value of projected benefits payable to current retirees and beneficiaries	949,379,982	766,780,012
Actuarial present value of projected benefits payable to terminated vested participants	21,921,626	32,873,917
Actuarial present value of credited projected benefits for active members:		
Members contributions	471,303,390	426,309,395
Employers financed portion	970,648,003	903,852,738
Total actuarial present value of credited projected benefits	2,413,253,001	2,129,816,062
Unfunded actuarial present value of credited projected benefits	(290,346,274)	(202,854,384)
TOTAL FUND BALANCE	2,122,906,727	1,926,961,678

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

COUNTY EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN MEMBERS' CONTRIBUTION ACCOUNT
Years Ended June 30, 1995 and 1994

	1995	1994
REVENUES		
Members' contributions	$ 72,785,121	$ 65,388,134
Interest credited to members' balances transferred from Retirement Allowance Account	16,386,565	14,707,259
Total revenues	89,171,686	80,095,393
EXPENSES		
Refunds to former members	8,873,491	8,169,994
Retired members' balances transferred to Retirement Allowance Account	27,229,285	26,907,680
Total expenses	36,102,776	35,077,674
EXCESS OF REVENUES OVER EXPENSES	53,068,910	45,017,719
MEMBERS' CONTRIBUTION ACCOUNT: BEGINNING OF YEAR	440,261,655	395,243,936
END OF YEAR	$493,330,565	$440,261,655

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

COUNTY EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETIREMENT ALLOWANCE ACCOUNT
Years Ended June 30, 1995 and 1994

	1995	1994
REVENUES		
Employers' contributions	$ 121,881,279	$ 114,159,833
Investment income	91,233,982	72,862,036
Net realized gain on sales of investments	55,292,565	39,218,929
Retired members' balances transferred from Members' Contribution Account	27,229,285	26,907,680
Total revenues	295,637,111	253,148,478
EXPENSES		
Retirement benefits to members	96,419,226	82,690,680
Contributions transferred to the Kentucky Retirement Systems Insurance Fund	35,002,377	32,729,460
Interest credited to members' balances transferred to Members' Contribution Account	16,386,565	14,707,259
Administrative expenses	2,929,900	2,782,212
Investment expenses	2,022,904	1,741,374
Total expenses	152,760,972	134,650,985
EXCESS OF REVENUES OVER EXPENSES	142,876,139	118,497,493
RETIREMENT ALLOWANCE ACCOUNT: BEGINNING OF YEAR	1,486,700,023	1,368,202,530
END OF YEAR	$1,629,576,162	$1,486,700,023

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the County Employees Retirement System (The System) are prepared on the accrual basis, and conform to generally accepted governmental accounting and financial reporting principles in all material respects.

Component Unit

The System 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 System was created by the Kentucky General Assembly pursuant to the provisions of KRS 61.515. The System's administrative budget and employer contribution rates are subject to approval by the Kentucky General Assembly. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

Investments

Investments in bonds and first mortgage real estate loans are stated at amortized cost. Discounts and premiums are amortized using the straight-line method from the date of acquisition to the stated or expected maturity date. Common stocks, securities purchased under agreement to resell and investments in real estate trusts are carried at cost.

Realized gains or losses on investments are recorded for the difference between the proceeds from sale or maturity and the average cost of investments sold or redeemed. Realized gains or losses are also recorded for exchanges of investments, based upon the difference at the time of the exchange between the carrying value and the market value of the investment exchanged.

Expense Allocation

The System, the Kentucky Employees Retirement System, and the State Police Retirement System are collectively administered by the Kentucky Retirement Systems. 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.

NOTE 2 - DESCRIPTION OF THE PLAN

The System is a defined benefit plan which covers substantially all regular full-time employees 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. At June 30, 1995, the number of participating local government employers was:

Board of Education	175
County agencies	230
County attorneys	63
City agencies	169
Libraries	76
Other	279
Total	992

NOTE 2 - DESCRIPTION OF THE PLAN (CONTINUED)

For the years ended June 30, 1995 and 1994, participating members contributed 5% of creditable compensation to the System. Members occupying hazardous positions, as defined by statute, contributed 7% of creditable compensation. Employer contribution rates are intended to fund the System's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. Participating employers contributed and an amount equal to 8.82% of members' non-hazardous compensation for 1995 and 1994 and an amount equal to 18.46% and 18.49% of members' hazardous compensation for 1995 and 1994, respectively.

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

Participating local government employees are permitted to purchase credits for member services rendered from the date of full-time employment to the participation election date of the employer. Receivables for past service credits are amortized in amounts sufficient to fund the related cost plus interest thereon over a period not to exceed thirty years.

At June 30, membership in the System consisted of:

	1995	1994
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them:		
Non-hazardous positions	28,881	28,710
Hazardous positions	2,007	1,875
Total inactive members	30,888	30,585
Current members		
Vested:		
Non-hazardous positions	39,435	33,155
Hazardous positions	4,171	3,736
Nonvested:		
Non-hazardous positions	25,220	29,505
Hazardous positions	1,799	1,928
Total active members	70,625	68,324
Total members	101,513	8,909

Further information regarding the plan agreement, vesting and benefit provisions is contained in the pamphlet <u>Summary Plan Description</u>. Copies of this pamphlet are available from the office of the Kentucky Retirement Systems.

NOTE 3 - FUNDING STATUS AND PROGRESS

Generally accepted governmental accounting and financial reporting principles requires that the financial statements disclose the "pension benefit obligation" determined using the projected unit credit actuarial method. Such obligation is titled "total actuarial present value of credited projected benefits" shown on the balance sheet. State statutes require the use of the entry age normal actuarial cost method to determine the pension benefit obligation. Using this method, the pension benefit obligation at June 30, 1995 and 1994 was $2,603,575,921 and $2,330,344,241, respectively. The System has adopted a five year moving average of market value to book value in determining the actuarial net assets available for benefits. Using this method, the net assets available for benefits at June 30, 1995 and 1994, was $2,454,128,060 and $2,173,354,772 respectively. The resulting unfunded pension benefit obligation was $149,447,861 and $156,989,469 at June 30, 1995 and 1994 respectively.

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of member service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employee Retirement Systems (PERS). The measure is independent of actuarial funding method used to determine contributions to the System (see Note 4).

The pension benefit obligation for 1995 and 1994 was determined by the System's consulting actuary, William M. Mercer, Inc., as part of an actuarial valuation as of June 30, 1995 and 1994, respectively. The significant actuarial assumptions underlying the actuarial computations using the projected unit credit actuarial method and the entry age normal actuarial cost method are the same and are as follows:

Assumed rate of return on investments	- 8% per annum
Mortality basis	- 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees
Employee turnover	- Graduated select and ultimate rates based on 1989 experience study
Retirement age	- Based upon experience, with 20% weight (50% weight for hazardous duty employees), at age 55-64, to the earliest age at which an employee could retire with 100% of the accrued benefits
Salary increases	- 6½% per annum

NOTE 4 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial cost method. The System also uses the level percentage of payroll method to amortize the unfunded actuarial accrued liability.

Actuarially determined contribution requirements for the years ended June 30, 1995 and 1994, were determined as part of an actuarial valuation as of June 30, 1994 and 1993, respectively, and were as follows:

	1995	1994
Employer	$118,657,996	$108,357,009
Member	60,322,358	56,051,670
Total	178,980,354	164,408,679

Such contributions were to consist of:

	1995	1994
Normal cost	130,964,202	122,144,951
Amortization of the unfunded actuarial accrued liability	8,487,434	5,259,804
Administrative expenses	5,711,276	5,475,794
Group hospital and medical insurance premiums	33,817,442	31,528,130
Total	178,980,354	164,408,679

Contributions received consisted of:

	1995	1994
Employer (8.82% of covered payroll for non-hazardous positions for 1995 and 1994 and 18.46% and 18.49% of covered payroll for hazardous positions for 1995 and 1994, respectively)	121,881,279	114,159,833
Member (5% of covered payroll for non-hazardous positions and 7% of covered payroll for hazardous positions for 1995 and 1994)	72,785,121	65,388,134
Total	194,666,400	179,547,967

NOTE 5 - TEN YEAR HISTORICAL TREND INFORMATION

Ten year historical trend information designed to provide information about the System's progress in accumulating sufficient assets to pay benefits when due is presented below.

Fiscal Year	(1) Net Assets Available For Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded (Funds in Excess of) Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	Unfunded Pension Benefit Obligation of Covered Payroll
1986	$ 603,815,800	$ 479,360,458	126.0%	$(124,455,342)	$ 484,796,988	N/A
1987	727,730,727	607,890,713	119.7%	(119,840,014)	544,184,376	N/A
1988	839,578,896	742,334,380	113.1%	(97,244,516)	615,028,632	N/A
1989	1,078,052,635	1,008,842,489	106.9%	(69,210,146)	728,176,932	N/A
1990	1,270,066,267	1,299,219,862	97.8%	29,153,595	790,407,492	3.7%
1991	1,396,227,005	1,508,780,883	92.5%	112,553,878	887,033,040	12.7%
1992	1,554,891,540	1,696,645,283	91.6%	141,753,743	994,447,776	14.3%
1993	1,763,446,466	1,902,106,799	92.7%	138,660,333	1,074,056,004	12.9%
1994	1,926,961,678	2,129,816,062	90.5%	202,854,384	1,156,134,504	17.5%
1995	2,122,906,727	2,413,253,001	88.0%	290,346,274	1,238,568,216	23.4%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Ten year historical trend information relating to revenues and expenses by source and type, respectively, is presented below:

Revenues By Source

Fiscal Year	Members Contributions	Employers Contributions	Investment Income	Net Realized Gain on Disposals of Investments	Total
1986	$28,187,039	$ 61,400,912	$44,216,104	$ 16,705,975	$150,510,030
1987	28,071,411	42,060,265	54,428,479	28,353,575	152,913,730
1988	30,401,026	44,811,097	52,252,320	23,584,203	151,048,646
1989	63,609,817	140,659,744	76,400,250	6,466,883	287,136,694
1990	41,650,282	80,658,140	86,852,951	45,450,457	254,611,830
1991	50,027,929	77,403,269	75,889,593	1,292,434	204,613,225
1992	58,815,250	89,149,505	73,386,287	30,365,722	251,716,764
1993	67,301,254	115,230,643	73,074,069	57,648,299	313,254,265
1994	65,388,134	114,159,833	72,862,036	39,218,929	291,628,932
1995	72,785,121	121,881,279	91,233,982	55,292,565	341,192,947

NOTE 5 - TEN YEAR HISTORICAL TREND INFORMATION (CONTINUED)

Expenses By Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refunds	Investment Expenses	Contributions Transferred To Insurance Fund	Total
1986	$17,329,099	$ 750,409	$4,974,503	$ 141,858	$ 1,541,564	$ 24,737,433
1987	18,065,794	1,116,914	4,382,655	148,337	5,258,103	28,998,803
1988	26,982,299	1,135,267	4,451,755	189,618	6,441,538	39,200,477
1989	31,719,667	1,420,006	5,208,722	183,132	10,131,427	48,662,954
1990	41,158,196	1,551,164	6,346,247	488,486	13,054,106	62,598,199
1991	53,341,986	1,585,753	5,404,817	1,556,937	16,562,994	78,452,487
1992	64,992,604	2,458,990	5,829,864	1,379,762	18,391,009	93,052,229
1993	72,607,003	2,678,882	5,373,355	1,494,244	22,545,855	104,699,339
1994	82,690,680	2,782,212	8,169,994	1,741,374	32,729,460	128,113,720
1995	96,419,226	2,929,900	8,873,491	2,022,904	35,002,377	145,247,898

NOTE 6 - INVESTMENTS

The Board of Trustees of the System give priority to the investment of funds in obligations considered to improve the industrial development and enhance the economic welfare of the Commonwealth. Appointed investment managers use the following guidelines and restrictions in the selection of securities and timing of transactions as long as the security is not a prohibited under Kentucky Revised Statutes.

Equity Investments

Investments may be made in common stocks, securities convertible into common stock 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 current market and economic conditions. Investments may be made in any debt instrument issued by the U. S. Government or an agency of the U. S. Government.

Mortgages

Investments may be made in real estate mortgages on a direct issue basis or in the form of mortgage pool instruments guaranteed by an agency of the U. S. Government or by 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.

Guaranteed Insurance Contracts

Investments may be made in guaranteed contracts issued by legal reserve life insurance companies authorized to conduct business in the Commonwealth of Kentucky and such other states as may be required.

NOTE 6 - INVESTMENTS (CONTINUED)

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 the Kentucky Retirement Systems, are considered acceptable:

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- U. S. Government Issues - All obligations of the U. S. Government and its agencies.
- Certificate of Deposit - Investments may be made in only the 25 largest money center banks in the United States (in terms of total assets) or in banks domiciled in the Commonwealth of Kentucky and having capital and unrestricted surplus of at least $100 million.

The System's investments are categorized below to give an indication of the level of risk assumed by The System at June 30, 1995. 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 2 includes uninsured and unregistered investments that are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the System's name. There were no category 3 investments held by the System.

	Category 1	Category 2	Carrying Amount	Market Value
United States Government bonds	$ 200,532,845	$	$ 200,532,845	$ 206,221,217
Corporate bonds	106,168,776		106,168,776	110,196,490
Common stocks	1,234,100,767		1,234,100,767	1,730,121,997
First mortgage real estate loans	89,022,328		89,022,328	95,081,060
Securities purchased under agreements to resell		299,643,326	299,643,326	299,643,326
	$1,629,824,716	$299,643,326	$1,929,468,042	$2,441,264,090
Real estate investment trusts			154,331,153	142,160,281
Total investments			$2,083,799,195	$2,583,424,371

Investments at June 30, 1995, included approximately $110 million of securities loaned under various collateralized lending programs.

NOTE 7 - 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 present income tax law.

NOTE 8 - TRANSFERS TO INSURANCE FUND

By action of the 1978 General Assembly, the Kentucky Retirement Systems Insurance Fund (the "Insurance Fund") was established to provide a group hospital and medical insurance plan for recipients of a retirement allowance from the System. The Insurance Fund is funded by the transfer of a portion of employer contributions to the System. The percentage of creditable compensation transferred to the Insurance Fund by the System was 2.36% for non-hazardous and 6.33% for hazardous positions for 1995 and 1994.

NOTE 9 - RISKS OF LOSS

The System is 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.

Claims made against the Board of Trustees of Kentucky Retirement Systems or any of its staff as a 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 worker's compensation program. Payments approved by the program are not subject to maximum limitations. A claimant may receive reimbursement of all medical expenses related to the illness or injury and up to sixty-six and two-thirds percent (66⅔%) of wages for temporary disability. Each agency pays premiums based on three years' claims experience and number of covered employees. Claims experience is weighted seventy percent (70%) and number of employees is weighted thirty percent (30%). Expectations of current and future obligations are also factored into the premium calculations.

Only claims pertaining to workers' compensation have been filed during the past three fiscal years. There were no claims which were appealed to the Kentucky Workers' Compensation Board which were settled during the year with a liability accruing to the System.

NOTE 10 - CONTINGENCIES

In the normal course of business, the System is 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.

STATE POLICE RETIREMENT SYSTEM

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CONSULTANT

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
State Police Retirement System
Frankfort, Kentucky

We have audited the accompanying balance sheet of the State Police Retirement System, a component unit of the Commonwealth of Kentucky, as of June 30, 1995 and the related statements of revenues, expenses, and changes in members' contribution account and retirement allowance account for the year then ended. These component unit financial statements are the responsibility of the State Police Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the State Police Retirement System for the year ended June 30, 1994 were audited by other auditors, whose report dated September 9, 1994 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Police Retirement System, at June 30, 1995, and the results of its operations, changes in members' contribution account and changes in retirement allowance account for the year then ended in conformity with generally accepted accounting principles.

Charles T. Mitchell Co.
September 14, 1995

STATE POLICE RETIREMENT SYSTEM
BALANCE SHEETS
June 30, 1995 and 1994

ASSETS	1995	1994
Investments (Note 6):		
Bonds (market value - 1995, $50,589,111; 1994, $42,022,974)	$ 49,187,502	$ 42,769,452
Common stocks (market value - 1995, $135,170,319; 1994, $114,013,602)	87,413,198	86,194,588
First mortgage real estate loans (market value - 1995, $12,934,277; 1994, $8,461,883)	12,331,241	11,862,114
Real estate investment trusts (market value - 1995, $13,098,281; 1994, $13,002,469)	14,602,766	14,494,096
Securities purchased under agreements to resell (market value approximates cost)	15,362,518	17,373,732
Total investments	178,897,225	172,693,982
Members and employers' contributions receivable	650,012	447,842
Unfunded employers contribution receivable (Note 2)	1,405,400	1,405,400
Accrued investment income	1,418,676	1,130,538
TOTAL ASSETS	182,371,313	175,677,762
LIABILITIES		
Members' refunds, insurance fund transfers and accrued expenses payable	583,399	517,424
Unfunded insurance fund transfer payable (Note 2)	642,009	642,009
Unfunded deferred employer contribution (Note 2)	763,390	763,390
TOTAL LIABILITIES	1,988,798	1,922,823
NET ASSETS AVAILABLE FOR BENEFITS (Members' Contribution Account - 1995, $27,845,259; 1994, $28,192,098; and Retirement Allowance Account - 1995, $152,537,256; 1994 $145,562,841)	180,382,515	173,754,939
FUND BALANCE:		
Actuarial present value of projected benefits payable to current retirees and beneficiaries	148,245,319	109,464,440
Actuarial present value of projected benefits payable to terminated vested participants	152,761	307,636
Actuarial present value of credited projected benefits for active members:		
Members contributions	27,588,488	28,070,689
Employers financed portion	56,668,964	61,286,397
Total actuarial present value of credited projected benefits	232,655,532	199,129,162
Unfunded actuarial present value of credited projected benefits	(52,273,017)	(25,374,223)
TOTAL FUND BALANCE	$180,382,515	$173,754,939

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

STATE POLICE RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN MEMBERS' CONTRIBUTION ACCOUNT
Years Ended June 30, 1995 and 1994

	1995	1994
REVENUES		
Members' contributions	$ 2,726,869	$ 2,574,862
Interest credited to members' balances transferred from Retirement Allowance Account	975,225	993,974
Total revenues	3,702,094	3,568,836
EXPENSES		
Refunds to former members	19,135	44,452
Retired members' balances transferred to Retirement Allowance Account	4,029,800	2,596,868
Total expenses	4,048,935	2,641,320
EXCESS OF REVENUES OVER EXPENSES	(346,841)	927,516
MEMBERS' CONTRIBUTION ACCOUNT:		
BEGINNING OF YEAR	28,192,100	27,264,584
END OF YEAR	$27,845,259	$28,192,100

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

STATE POLICE RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETIREMENT ALLOWANCE ACCOUNT
Years Ended June 30, 1995 and 1994

	1995	1994
REVENUES		
Employers' contributions	$ 6,874,327	$ 6,081,367
Investment income	9,195,173	7,664,863
Net realized gain on sales of investments	5,039,832	3,506,024
Retired members' balances transferred from Members' Contribution Account	4,029,800	2,596,868
Total revenues	25,139,132	19,849,122
EXPENSES		
Retirement benefits to members	12,525,984	11,146,563
Contributions transferred to the Kentucky Retirement Systems Insurance Fund	4,463,969	3,767,140
Interest credited to members' balances transferred to Members' Contribution Account	975,225	993,974
Administrative expenses	40,465	32,579
Investment expenses	159,070	152,002
Total expenses	18,164,713	16,092,258
EXCESS OF REVENUES OVER EXPENSES	6,974,419	3,756,864
RETIREMENT ALLOWANCE ACCOUNT:		
BEGINNING OF YEAR	145,562,837	141,805,973
END OF YEAR	$152,537,256	$145,562,837

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of State Police Retirement System (the System) are prepared on the accrual basis, and conform to generally accepted governmental accounting and financial reporting principles in all material respects.

Component Unit

The System 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 System was created by the Kentucky General Assembly pursuant to the provisions of KRS 61.515. The System's administrative budget and employer contribution rates are subject to approval by the Kentucky General Assembly. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

Investments

Investments in bonds and first mortgage real estate loans are stated at amortized cost. Discounts and premiums are amortized using the straight-line method from the date of acquisition to the stated or expected maturity date. Common stocks, securities purchased under agreement to resell and investments in real estate trusts are carried at cost.

Realized gains or losses on investments are recorded for the difference between the proceeds from sale or maturity and the average cost of investments sold or redeemed. Realized gains or losses are also recorded for exchanges of investments, based upon the difference at the time of the exchange between the carrying value and the market value of the investment exchanged.

Expense Allocation

The System, the Kentucky Employees Retirement System, and the County Employees Retirement System are collectively administered by the Kentucky Retirement Systems. 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.

NOTE 2 - DESCRIPTION OF THE PLAN

The System is a defined benefit plan which covers substantially all regular full-time employees of the Kentucky State Police. The Plan provides for retirement, disability and death benefits.

Participating members contributed 7% of creditable compensation to the System. Employer contribution rates are intended to fund the System's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. For the years ended June 30, 1995 and 1994, the employer contributed an amount equal to 21.78% and 19.57% , respectively, of members' compensation.

NOTE 2 - DESCRIPTION OF THE PLAN (CONTINUED)

The actuarial recommended rate for 1994 and 1993 was 21.84% of members' compensation. That rate was not approved by the Kentucky General Assembly. the System has filed a lawsuit against the State to require that the full funding be made. The System has recorded the difference in contribution rates as a receivable and an offsetting deferral. The insurance fund transfer payable represents the portion of the unpaid balance which is attributable to the insurance fund.

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

At June 30, membership in the System consisted of:

	1995	1994
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	667	678
Current members		
Vested:	753	771
Nonvested:	233	196
Total	1,653	1,645

Further information regarding the plan agreement, vesting and benefit provisions is contained in the pamphlet Summary Plan Description. Copies of this pamphlet are available from the office of the Kentucky Retirement Systems.

NOTE 3 - FUNDING STATUS AND PROGRESS

Generally accepted governmental accounting and financial reporting principles requires that the financial statements disclose the "pension benefit obligation" determined using the projected unit credit actuarial method. Such obligation is titled "total actuarial present value of credited projected benefits" shown on the balance sheet. State statutes require the use of the entry age normal actuarial cost method to determine the pension benefit obligation. Using this method, the pension benefit obligation at June 30, 1995 and 1994 was $241,690,631, and $206,763,310, respectively. The System has adopted a five year moving average of market value to book value in determining the actuarial net assets available for benefits. Using this method, the net assets available for benefits at June 30, 1995 and 1994, was $217,504,443, and $205,320,509, respectively. The resulting unfunded pension benefit obligation was $24,186,188 and $1,442,801 at June 30, 1995 and 1994 respectively.

NOTE 3 - FUNDING STATUS AND PROGRESS (CONTINUED)

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of member service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems (PERS). The measure is independent of actuarial funding method used to determine contributions to the System (see Note 4).

The pension benefit obligation for 1995 and 1994 was determined by the System's consulting actuary, William M. Mercer, Inc., as part of an actuarial valuation as of June 30, 1995 and 1994, respectively. The significant actuarial assumptions underlying the actuarial computations using the projected unit credit actuarial method and the entry age normal actuarial cost method are the same and are as follows:

Assumed rate of return on investments	- 8% per annum
Mortality basis	- 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees
Employee turnover	- Graduated select and ultimate rates based on 1989 experience study
Retirement age	- Based upon experience, with 20% weight (50% weight for hazardous duty employees), at age 55-64, to the earliest age at which an employee could retire with 100% of the accrued benefits
Salary increases	- 6½% per annum

NOTE 4 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial cost method. The System also uses the level percentage of payroll method to amortize the unfunded actuarial accrued liability.

NOTE 4 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE (CONTINUED)

Actuarially determined contribution requirements for the years ended June 30, 1995 and 1994, were determined as part of an actuarial valuation as of June 30, 1994 and 1993, respectively, and were as follows:

	1995	1994
Employer	$7,132,983	$6,562,065
Member	2,162,031	2,137,595
Total	9,295,014	8,699,660

Such contributions were to consist of:

Normal cost	4,724,134	4,686,978
Amortization of the unfunded actuarial accrued liability	93,823	(392,064)
Administrative expenses	79,049	77,809
Group hospital and medical insurance premiums	4,398,008	4,326,937
Total	9,295,014	8,699,660

Contributions received consisted of:

Employer (21.78% and 19.57% of covered payroll for 1995 and 1994, respectively)	6,874,327	6,081,367
Member (7% of covered payroll for 1995 and 1994)	2,726,869	2,574,862
Total	9,601,196	8,656,229

NOTE 5 - TEN YEAR HISTORICAL TREND INFORMATION

Ten year historical trend information designed to provide information about the System's progress in accumulating sufficient assets to pay benefits when due is presented below.

Fiscal Year	(1) Net Assets Available For Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded (Funds in Excess of) Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	Unfunded Pension Benefit Obligation of Covered Payroll
1986	$ 96,667,699	$100,048,563	96.6%	$ 3,380,864	$24,524,652	13.8%
1987	110,194,604	106,252,354	103.7%	(3,942,250)	23,859,024	N/A
1988	120,998,549	115,615,315	104.7%	(5,383,234)	24,014,472	N/A
1989	131,350,553	130,093,821	101.0%	(1,256,732)	24,282,216	N/A
1990	145,025,551	147,758,437	98.2%	2,732,886	25,971,132	10.5%
1991	150,818,074	163,020,917	92.5%	12,202,843	29,275,692	41.7%
1992	158,977,890	175,370,196	90.7%	16,392,306	31,285,572	52.4%
1993	169,070,559	184,225,349	91.8%	15,154,790	30,600,684	49.5%
1994	173,754,939	199,129,162	87.3%	25,374,223	30,950,088	82.0%
1995	180,382,515	232,655,532	77.5%	52,273,017	31,442,040	166.3%

NOTE 5 - TEN YEAR HISTORICAL TREND INFORMATION (CONTINUED)

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Ten year historical trend information relating to revenues and expenses by source and type, respectively, is presented below:

Revenues By Source

Fiscal Year	Members Contributions	Employers Contributions	Investment Income	Net Realized Gain on Disposals of Investments	Total
1986	$1,944,859	$4,380,911	$ 7,453,314	$2,698,426	$16,477,510
1987	1,944,780	4,481,033	8,763,083	5,188,413	20,377,309
1988	2,158,349	4,575,097	7,520,682	4,165,099	18,419,227
1989	1,994,453	6,596,928	10,164,070	1,550,779	20,306,230
1990	2,040,017	4,655,297	10,411,631	7,498,946	24,605,891
1991	2,347,772	6,038,636	8,809,299	568,316	17,764,023
1992	2,529,860	6,193,359	8,430,390	3,603,549	20,757,158
1993	2,545,875	6,113,532	8,239,832	6,569,702	23,468,941
1994	2,574,862	6,081,367	7,664,863	3,506,024	19,827,116
1995	2,726,869	6,874,327	9,195,173	5,039,832	23,836,201

Expenses By Type

Fiscal Year	Benefit Payments	Administrative Expenses	Refunds	Investment Expenses	Contributions Transferred To Insurance Fund	Total
1986	$ 4,356,837	$ 17,560	$ 73,447	$ 25,716	$ 352,493	$ 4,826,053
1987	5,107,017	23,379	127,181	23,752	1,569,076	6,850,405
1988	5,693,316	23,810	108,814	28,363	1,760,979	7,615,282
1989	7,742,826	28,418	42,926	26,929	2,113,127	9,954,226
1990	8,504,914	30,397	69,128	23,148	2,303,306	10,930,893
1991	8,959,087	150,807	42,561	29,376	2,789,669	11,971,500
1992	9,372,766	56,665	35,421	133,105	2,999,385	12,597,342
1993	10,220,001	55,702	39,772	139,112	2,921,685	13,376,272
1994	11,146,563	32,579	44,452	152,002	3,767,140	15,142,736
1995	12,525,984	40,465	19,135	159,070	4,463,969	17,208,623

NOTE 6 - INVESTMENTS

The Board of Trustees of the System give priority to the investment of funds in obligations considered to improve the industrial development and enhance the economic welfare of the Commonwealth. Appointed investment managers use the following guidelines and restrictions in the selection of securities and timing of transactions as long as the security is not a prohibited under Kentucky Revised Statutes.

Equity Investments

Investments may be made in common stocks, securities convertible into common stock 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 current market and economic conditions. Investments may be made in any debt instrument issued by the U. S. Government or an agency of the U. S. Government.

Mortgages

Investments may be made in real estate mortgages on a direct issue basis or in the form of mortgage pool instruments guaranteed by an agency of the U. S. Government or by 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.

Guaranteed Insurance Contracts

Investments may be made in guaranteed contracts issued by legal reserve life insurance companies authorized to conduct business in the Commonwealth of Kentucky and such other states as may be required.

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 the Kentucky Retirement Systems, are considered acceptable:

- Securities Purchased Under Agreements to Resell - Repurchase agreements which are collateralized by U. S. Government issues.
- U. S. Government Issues - All obligations of the U. S. Government and its agencies.
- Certificate of Deposit - Investments may be made in only the 25 largest money center banks in the United States (in terms of total assets) or in banks domiciled in the Commonwealth of Kentucky and having capital and unrestricted surplus of at least $100 million.

NOTE 6 - INVESTMENTS (CONTINUED)

The System's investments are categorized below to give an indication of the level of risk assumed by the System at June 30, 1995. 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 2 includes uninsured and unregistered investments that are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the System's name.

	Category 1	Category 2	Carrying Amount	Market Value
United States Government bonds	$ 31,956,907	$	$ 31,956,907	$ 32,850,467
Corporate bonds	17,230,595		17,230,595	17,738,644
Common stocks	87,413,198		87,413,198	135,170,319
First mortgage real estate loans	12,331,241		12,331,241	12,934,277
Securities purchased under agreements to resell		15,632,518	15,362,518	15,362,518
	$148,931,941	$15,362,518	$164,294,459	$214,056,225
Real estate investment trusts			14,602,766	13,098,280
Total investments			$178,897,225	$227,154,505

Investments at June 30, 1995, included approximately $15 million of securities loaned under various collateralized lending programs.

NOTE 7 - 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 present income tax law.

NOTE 8 - TRANSFERS TO INSURANCE FUND

By action of the 1978 General Assembly, the Kentucky Retirement Systems Insurance Fund (the "Insurance Fund") was established to provide a group hospital and medical insurance plan for recipients of a retirement allowance from the System. The Insurance Fund is funded by the transfer of a portion of employer contributions to the System. The percentage of creditable compensation transferred to the Insurance Fund by the System was 14.14% and 12.64% for 1995 and 1994, respectively.

NOTE 9 - RISKS OF LOSS

The System is 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.

Claims made against the Board of Trustees of Kentucky Retirement Systems or any of its staff as a 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 of all medical expenses related to the illness or injury and up to sixty-six and two-thirds percent (66⅔%) of wages for temporary disability. Each agency pays premiums based on three years' claims experience and number of covered employees. Claims experience is weighted seventy percent (70%) and number of employees is weighted thirty percent (30%). Expectations of current and future obligations are also factored into the premium calculations.

Only claims pertaining to workers' compensation have been filed during the past three fiscal years. There were no claims which were appealed to the Kentucky Workers' Compensation Board which were settled during the year with a liability accruing to the System.

NOTE 10 - CONTINGENCIES

In the normal course of business, the System is 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.

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

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CONSULTANT

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kentucky Retirement Systems Insurance Fund
Frankfort, Kentucky

We have audited the accompanying balance sheet of the Kentucky Retirement Systems Insurance Fund, a component unit of the Commonwealth of Kentucky, as of June 30, 1995 and the related statements of revenues, expenses, and changes in fund balance for the year then ended. These component unit financial statements are the responsibility of the Kentucky Retirement Systems Insurance Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Kentucky Retirement Systems Insurance Fund for the year ended June 30, 1994 were audited by other auditors, whose report dated September 9, 1994 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kentucky Retirement Systems Insurance Fund, at June 30, 1995, and the results of its operations and changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

Charles T. Mitchell Co.
September 14, 1995

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
BALANCE SHEETS
June 30, 1995 and 1994

ASSETS	1995	1994
Investments (Note 6):		
Bonds (market value - 1995, $164,575,863; 1994, $95,230,328)	$ 159,991,430	$ 118,800,895
Common stocks (market value - 1995, $82,585,132; 1994, $57,061,535)	59,379,688	48,033,546
First mortgage real estate loans (market value - 1995, $23,018,542; 1994, $2,897,800)	22,633,631	2,822,401
Securities purchased under agreements to resell (market value approximates cost)	23,304,033	37,412,897
Total Investments	265,308,782	207,069,739
Employers' contributions receivable	7,989,035	6,388,401
Unfunded transfer receivable from Kentucky Employees and State Police Retirement Systems	7,630,239	7,630,239
Accrued investment income	4,351,285	2,749,045
TOTAL ASSETS	285,279,341	223,837,424
LIABILITIES		
Payable to Kentucky Retirement Systems	3,702,715	198,085
Unfunded deferred transfer from Kentucky Employees and State Police Retirement Systems	7,630,240	7,630,239
TOTAL LIABILITIES	11,332,955	7,828,324
NET ASSETS AVAILABLE FOR BENEFITS	273,946,386	216,009,100
FUND BALANCE:		
Actuarial present value of projected benefits payable to current retirees and beneficiaries.	758,786,093	620,619,200
Actuarial present value of projected benefits payable to terminated vested participants	84,009,890	62,714,972
Actuarial present value of credited projected benefits for active members	2,418,267,075	2,422,610,445
Total actuarial present value of credited projected benefits	3,261,063,058	3,105,944,617
Unfunded actuarial present value of credited projected benefits	(2,987,116,672)	(2,889,935,517)
TOTAL FUND BALANCE	273,946,386	216,009,100

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

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
Years Ended June 30, 1995 and 1994

	1995	1994
ALLOCATED TO KENTUCKY EMPLOYEES RETIREMENT SYSTEM		
REVENUES		
Employers contributions transferred from Kentucky Employees Retirement System	$40,011,273	$31,452,892
Investment income	6,802,861	4,359,910
Net realized gain on sale of investments	225,650	601,512
Total revenues	47,039,784	36,414,314
EXPENSES		
Insurance premium payments	18,786,714	14,971,055
Investment expenses	44,352	33,300
Total expenses	18,831,066	15,004,355
EXCESS OF REVENUES OVER EXPENSES	28,208,718	21,409,959
FUND BALANCE BEGINNING OF YEAR	99,083,533	77,673,574
FUND BALANCE END OF YEAR	127,292,251	99,083,533
ALLOCATED TO COUNTY EMPLOYEES RETIREMENT SYSTEM		
REVENUES		
Employers contributions transferred from County Employees Retirement System	35,002,377	32,729,460
Investment income	6,676,815	4,585,994
Net realized gain on sale of investments	206,256	651,612
Total revenues	41,885,448	37,967,066
EXPENSES		
Insurance premium payments	15,902,494	12,673,448
Investment expenses	43,910	32,595
Total expenses	15,946,404	12,706,043
EXCESS OF REVENUES OVER EXPENSES	25,939,044	25,261,023
FUND BALANCE BEGINNING OF YEAR	99,514,895	74,253,872
FUND BALANCE END OF YEAR	125,453,939	99,514,895
ALLOCATED TO STATE POLICE RETIREMENT SYSTEM		
REVENUES		
Employers contributions transferred from State Police Retirement System	4,463,969	3,767,140
Investment income	1,187,923	809,338
Net realized gain on sale of investments	61,906	124,614
Total revenues	5,713,798	4,701,092
EXPENSES		
Insurance premium payments	1,916,578	1,569,827
Investment expenses	7,696	6,074
Total expenses	1,924,274	1,575,901
EXCESS OF REVENUES OVER EXPENSES	3,789,524	3,125,191
FUND BALANCE BEGINNING OF YEAR	17,410,671	14,285,480
FUND BALANCE END OF YEAR	21,200,195	17,410,671

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Kentucky Retirement Systems Insurance Fund (the Fund) are prepared on the accrual basis, and conform to generally accepted governmental accounting and financial reporting principles in all material respects.

Component Unit

The Fund 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 Fund is included.

The Fund was created by the Kentucky General Assembly pursuant to the provisions of KRS 61.701. The Fund's administrative budget and employer contribution rates are subject to approval by the Kentucky General Assembly. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

Investments

Investments in bonds and first mortgage real estate loans are stated at amortized cost. Discounts and premiums are amortized using the straight-line method from the date of acquisition to the stated or expected maturity date. Common stocks, securities purchased under agreement to resell and investments in real estate trusts are carried at cost.

Realized gains or losses on investments are recorded for the difference between the proceeds from sale or maturity and the average cost of investments sold or redeemed. Realized gains or losses are also recorded for exchanges of investments, based upon the difference at the time of the exchange between the carrying value and the market value of the investment exchanged.

NOTE 2 - DESCRIPTION OF THE PLAN

The Fund was established to provide accident and health 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 and members receiving benefits pay prescribed portions of the aggregate premiums paid by the Fund. Insurance premiums withheld from benefit payments to members of the Systems approximated $9,759,000 and $8,751,000 for the Kentucky Employees Retirement System, and $8,153,000 and $7,209,000 for the County Employees Retirement System, and $67,000 and $55,000 for the State Police Retirement System in 1995 and 1994, respectively. The Fund pays* the same proportion of medical insurance premiums for the spouse or beneficiary and dependents of retired hazardous members or hazardous members killed in the line of duty. As of June 30, 1995, the Fund had 28,131 retirees for whom benefits were available.

NOTE 2 - DESCRIPTION OF THE PLAN (CONTINUED)

The allocation of the insurance premiums paid by the Fund and amounts withheld from members' benefits is based on the years of service with the Systems, as follows:

Years of Service	Percent Paid by Insurance Fund	Percent Paid by Member through Payroll Deduction
20 or more	100%	0%
15 - 19	75%	25%
10 - 14	50%	50%
4 - 9	25%	75%
Less than 4	0%	100%

In prior years, the medical insurance contribution rate was being increased annually by a percentage that would result in reaching the entry age normal funding rate within a 20 year period measured from 1987. In November 1992, the Board of Trustees elected to adopt a fixed percentage contribution rate and suspend future increases under the current medical premium funding policy until the next experience study could be performed. The next study will be completed for fiscal 1995.

The percentages of employer contributions to the Systems which are in turn transferred to the Fund were as follows:

	1995	1994
Non-Hazardous:		
Kentucky Employees Retirement System	3.13%	2.71%
County Employees Retirement System	2.36%	2.36%
Hazardous:		
Kentucky Employees Retirement System	7.41%	6.22%
County Employees Retirement System	6.33%	6.33%
State Police Retirement System	14.14%	12.64%

The required and actual contributions to the Fund from the Systems were as follows:

	1995	1994
Required contributions:		
Kentucky Employees Retirement System	$38,118,315	$37,184,533
County Employees Retirement System	33,817,442	31,528,130
State Police Retirement System	4,398,008	4,326,937
Total	$76,333,765	$73,039,600
Actual contributions		
Kentucky Employees Retirement System	$40,011,273	$31,452,892
County Employees Retirement System	35,002,377	32,729,460
State Police Retirement System	4,463,969	3,767,140
Total	$79,477,619	$67,949,492

The employer contribution for Kentucky Employees Retirement System and State Police Retirement System were funded at rates less than those determined by actuarial valuation for the years ended June 30, 1994 and 1993. This has the effect of reducing the amount allocated to the Fund. The Systems have filed a lawsuit to require the full funding of the contributions. The Fund has recorded a receivable and an offsetting deferral for the unfunded amount.

NOTE 3 - FUNDING STATUS AND PROGRESS

The "medical benefit obligation" is a standardized measure of the present value of medical benefits, adjusted for the effects of health costs inflation, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Fund's funding status on a going-concern basis. The medical benefit obligation was determined as part of an actuarial valuation performed as of June 30, 1995 and 1994. This obligation is titled "total actuarial present value of projected benefits" on the Balance Sheet and the amounts were $3,261,063,058 and $3,105,944,617 at June 30, 1995 and 1994, respectively.

The significant actuarial assumptions underlying the actuarial computations are as follows:

Actuarial cost method	- Entry age normal cost method
Assumed rate of return on investments	- 8% per annum
Mortality basis	- 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees
Retirement age	- Based upon experience, with 20% weight (50% weight for hazardous duty employees), at age 55-64, to the earliest age at which an employee could retire with 100% of the accrued benefits
Health cost inflation	- 10% per annum

NOTE 4 - INVESTMENTS

The Board of Trustees of the Fund shall give priority to the investment of funds in obligations considered to improve the industrial development and enhance the economic welfare of the Commonwealth. Appointed investment managers use the following guidelines and restrictions in the selection of securities and timing of transactions as long as the security is not a prohibited under Kentucky Revised Statutes.

Equity Investments

Investments may be made in common stocks, securities convertible into common stock 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 current market and economic conditions. Investments may be made in any debt instrument issued by the U. S. Government or an agency of the U. S. Government.

NOTE 4 - INVESTMENTS (CONTINUED)

Mortgages

Investments may be made in real estate mortgages on a direct issue basis or in the form of mortgage pool instruments guaranteed by an agency of the U. S. Government or by 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.

Guaranteed Insurance Contracts

Investments may be made in guaranteed contracts issued by legal reserve life insurance companies authorized to conduct business in the Commonwealth of Kentucky and such other states as may be required.

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 the Kentucky Retirement Systems, are considered acceptable:

- Securities Purchased Under Agreements to Resell - Repurchase agreements which are collateralized by U. S. Government issues.
- U. S. Government Issues - All obligations of the U. S. Government and its agencies.
- Certificate of Deposit - Investments may be made in only the 25 largest money center banks in the United States (in terms of total assets) or in banks domiciled in the Commonwealth of Kentucky and having capital and unrestricted surplus of at least $100 million.

The Fund's investments are categorized below to give an indication of the level of risk assumed by the Fund at June 30, 1995. Category 1 includes investments that are either insured or registered or for which the investments are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments that are held by the broker's or dealer's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Fund's name. There were no category 3 investments held by the Fund.

NOTE 4 - INVESTMENTS (CONTINUED)

	Category 1	Category 2	Carrying Amount	Market Value
United State Government bonds	$103,536,102	$	$103,536,102	$106,820,880
Corporate bonds	56,455,328		56,455,328	57,754,983
Common stocks	59,379,688		59,379,688	82,585,132
First Mortgage real estate loans	22,633,631		22,633,631	23,018,542
Securities purchased under agreements to resell		23,304,033	23,304,033	23,304,033
	$242,004,749	$23,304,033	$265,308,782	$293,483,570

NOTE 5 - CONTINGENCIES

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Kentucky Retirement Systems
Frankfort, Kentucky

We have audited the financial statements of the Kentucky Employees Retirement System, the County Employees Retirement System, the State Police Retirement System, and the Kentucky Retirement Systems Insurance Fund (the "Kentucky Retirement Systems") as of and for the year ended June 30, 1995, and have issued our report thereon dated September 14, 1995.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

In planning and performing our audit of the financial statements of the Kentucky Retirement Systems for the year ended June 30, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Kentucky Retirement Systems is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Contributions and other revenues
- Retirement benefits and other expenses
- Investments
- Member demographics

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal controls structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Trustees, management and the Commonwealth of Kentucky Auditor of Public Accounts. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Charles T. Mitchell Co.

September 14, 1995

Charles T. Mitchell Company

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CHARLES F. WHELAN, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Kentucky Retirement Systems
Frankfort, Kentucky

We have audited the financial statements of the Kentucky Employees Retirement System, the County Employees Retirement System, the State Police Retirement System, and the Kentucky Retirement Systems Insurance Fund (the "Kentucky Retirement Systems") as of June 30, 1995 and for the year then ended, and have issued our report thereon dated September 14, 1995.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Kentucky Retirement Systems is the responsibility of the Kentucky Retirement Systems' management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Kentucky Retirement Systems' compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Kentucky Retirement Systems compiled, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Kentucky Retirement Systems had not compiled, in all material respects, with those provisions.

This report is intended for the information of the Board of Trustees, management, and the Commonwealth of Kentucky Auditor of Public Accounts. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Charles T. Mitchell Co.
September 14, 1995

KENTUCKY RETIREMENT SYSTEMS

Actuarial Section

Annual Report June 30, 1995

ACTUARIAL SECTION
INTRODUCTION

An actuarial valuation is a mathematical means of determining liabilities (the cost of benefits guaranteed each member) and the adequacy of the assets and income of the systems. It is a way of looking into the future, based on past experience, to determine if the contributions being paid by the employee and employer, combined with projected investment income, are sufficient to pay the benefits guaranteed to retirees and current members.

Because pension plans, such as those administered by Kentucky Retirement Systems, must necessarily be oriented toward long-range goals, rather than short term receipts and expenses, the actuarial valuation provides the information that the Board of Trustees needs to make sound judgements on investment decisions. The Board must consider not only the systems' ability to pay current retirees' benefits, but also to pay benefits for all future retirees.

The Board's actuarial consultant, the firm of William M. Mercer, Inc., has performed the actuarial valuations which follow. The following pages represent a copy of the June 30, 1995 valuation, less statistical data too lengthy to include in this report. William M. Mercer, Inc., also conducted the five-year experience study upon which current actuarial assumptions are based. The actuarial assumptions used in these valuations were adopted by the Board of Trustees in December of 1989.

The benefits of the systems are funded in accordance with KRS 61.565 which requires that normal costs be funded as a percentage of payroll and that unfunded liabilities be amortized over a 30-year period. The medical insurance benefits are funded in accordance with KRS 61.702.

WILLIAM M.
MERCER
INCORPORATED

November 1, 1995

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

Members of the Board:

The thirty-ninth annual actuarial valuation of the Kentucky Employees Retirement System, the thirty-sixth annual actuarial valuation of the County Employees Retirement System, and the thirty-seventh annual actuarial valuation of the State Police Retirement System have been completed and the reports prepared. The valuations were made on the basis of data provided by the Retirement System as of June 30, 1995.

On the basis of the assumptions as stated in each report and the data furnished us by the Administration of the Retirement Systems, it is certified that the valuations have been made by the use of generally accepted actuarial principles and that, if the recommendations of the reports are followed, adequate provision will be made for the funding of future benefits.

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

Stephen A. Gagel, F.S.A.
Principal

/cga

1500 Meidinger Tower
Louisville KY 40202

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A Marsh & McLennan Company

THIRTY-NINTH ANNUAL ACTUARIAL VALUATION

JUNE 30, 1995

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

FRANKFORT, KENTUCKY

SECTION I

INTRODUCTION

The results of the thirty-ninth annual actuarial valuation of the Kentucky Employees Retirement System are presented in this report. The actuarial valuation was made on the basis of the data provided by the System as of June 30, 1995.

The purpose of the actuarial valuation is to determine the actuarial condition of the Retirement System and the rate of employer contributions for the ensuing fiscal year required to support the System.

The plan provisions utilized in this valuation are described in the Summary of Principal Plan Provisions beginning on page K-45. The basis of funding, as defined in KRS 61.565, provides that the actuarial valuation method is uniform for all benefits provided by the System. The Entry Age Normal Actuarial cost method has been used for all benefits as explained on page K-2. KRS 61.565 provides that each employer participating in the System shall contribute an amount equal to the Normal Cost contribution rate, and an amount sufficient to amortize the Unfunded Actuarial Accrued Liability over 30 years using the level-percentage-of-payroll method. This is the standard used herein to determine whether the funding of the System is adequate.

The actuarial valuation results are based upon the employee census and asset data supplied by the office of the System, and upon the actuarial assumptions as stated on page K-5.

SECTION II

ACTUARIAL CONSIDERATIONS

Description of Actuarial Methods

The actuarial valuation is the means by which the contingent liabilities and contribution rates of a retirement system are evaluated and determined. It provides a guide to the System to the financing required during years of active service to accumulate the funds needed to provide member's benefits. It also makes it possible to estimate beforehand the cost of proposed changes in the System so that action can be taken in the light of the cost consequences.

The methods of valuation are prescribed by KRS 61.565. The Entry Age Normal Actuarial cost method was used to determine costs of all benefits with the exception of the retiree medical insurance benefit. Under this method the employer's contribution to the retirement system consists of Normal Cost, a payment to fund the Unfunded Actuarial Accrued Liability, medical insurance, and administrative expenses. The Normal Cost represents the contribution (as a level percent of payroll) that completely funds benefits at retirement if made from a person's entry into employment until his retirement. The Actuarial Accrued Liability represents the sum of money and investments that would be held in the fund if the retirement system had been in effect since the date each member was first employed.

The medical insurance contribution rate was originally determined in the 1987 valuation as the level percent of payroll necessary to fund projected medical insurance premiums over the next sixteen years (taking into account the level of reserves in the Insurance Fund). Beginning in 1988, this rate was increased each year by a percentage amount needed to reach the Entry Age Normal funding rate within a 20 year period measured from 1987. This was continued through the 1992 valuation. In the 1992 valuation, an acceleration of the scheduled increases in the medical insurance contribution rate was recommended where possible. This acceleration in these rates was coupled with a deferral of future increases until the time of the next experience study, unless there is a deterioration in the funded position of the medical premium benefit in which case the rate levels will be reviewed to redetermine an appropriate current funding level, or unless recommended contributions are not made in the prior year, in which case the shortfall shall be spread over future years through an increase in the contribution rate.

The amount of the administrative expense was based on the budgeted amount for the twelve months following the date of the valuation, as allocated between Hazardous position and Non-Hazardous position employees.

Actuarial Assumptions

Since the actuarial valuation involves estimates of benefits payable in the future, it is necessary that assumptions be made as to the interest earnings, rates of mortality, withdrawal, retirement, and disability, and the rate at which salaries will increase. In addition, an assumption must be made relative to increases in medical insurance premium rates in order to value the liability for the medical insurance benefit.

It is desirable that the actuarial assumptions be reviewed periodically to see whether past experience and probable future experience justifies the continued use of these actuarial assumptions. Such a study was performed subsequent to the 1989 actuarial valuation and new actuarial assumptions were adopted by the Board for use in the subsequent actuarial valuations, until such time as another experience study is performed. This valuation reflects assumptions based on the 1989 experience study. Actuarial assumptions used for hazardous position employees are similar to actuarial assumptions adopted for the State Police Retirement System (with the exception of the rate of retirement, as indicated on page K-5). The actuarial assumptions as used in this valuation are described beginning on page K-5.

Actuarial Value of Assets

The actuarial value of assets is determined in the following manner for the Retirement Fund:

1. 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 (but not using any valuation dates prior to June 30, 1989). All asset values include accrued investment income and member and employer contribution receivables, and exclude member refunds and investment expenses payable.

2. Determine the average ratio of market to book value as of these valuation dates.

3. 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.

For the Insurance Fund, the actuarial value of assets is determined to be the book value of the assets in that fund as of the valuation date adjusted for any receivables and/or payables.

The different asset valuation methods for the Retirement Fund and the Insurance Fund are a result the following:

1. There is separate book and market value information for the Insurance Fund under all systems dating only from July, 1992. So it is not possible to presently use the same averaging method for the Insurance Fund as used for the Retirement Fund.

2. The magnitude of assets to liabilities for the Insurance Fund is such that the method of valuing assets will only negligibly affect current valuation results. Also, given the current method for transitioning into higher medical premium contribution rates over future years, the asset valuation method used for the Insurance Fund is not as critical as the asset valuation method used for the Retirement Fund.

The derivation of valuation assets for the Retirement Fund as of the current valuation date is as follows:

Non-Hazardous

	Book Value *	Market Value *	Ratio
June 30, 1995	2,447,885,584	3,025,239,596	123.58583%
June 30, 1994	2,299,325,031	2,586,932,571	112.50835%
June 30, 1993	2,185,895,811	2,591,588,544	118.55956%
June 30, 1992	2,014,998,203	2,385,564,675	118.39041%
June 30, 1991	1,872,900,026	2,127,403,199	113.58872%
... Average Ratio =			117.32657%
... Valuation Assets = (Average Ratio x Current Book Value)			2,872,020,193

Hazardous

	Book Value *	Market Value *	Ratio
June 30, 1995	94,802,757	111,369,232	117.47468%
June 30, 1994	78,203,372	84,691,892	108.29698%
June 30, 1993	65,477,196	74,363,956	113.57230%
June 30, 1992	51,848,488	67,592,928	130.36625%
June 30, 1991	40,314,905	48,337,561	119.89997%
... Average Ratio =			117.92204%
... Valuation Assets = (Average Ratio x Current Book Value)			111,793,345

* Reflects accrued investment income and member and employer contribution receivables, and member refunds and investment expenses payable; represents Retirement Fund assets exclusive of amounts in the Insurance Fund

Except for Table VI, the actuarial value of assets excludes any amounts in the Insurance Fund. Table VI uses only assets in the Insurance Fund, excluding all other amounts.

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL ASSUMPTIONS

A. STATEMENT OF ACTUARIAL ASSUMPTIONS

(1) Mortality:

(a) Active & retired lives - 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees.

(b) Disabled lives - Social Security Administration Disability Mortality Rates - Actuarial Study No. 75 (current rates used by PBGC for disabled lives receiving Social Security).

(2) Disablement - Graduated rates based on 1989 experience study.

(3) Termination of employment - Graduated select (non-hazardous only) and ultimate rates based on 1989 experience study.

(4) Retirement - Non-Hazardous:

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

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

Hazardous: Assumed that 50% will retire as soon as eligible for unreduced benefits and balance will continue to age 60.

(5) Marital status

(a) Percentage married - 100%.

(b) Age difference - Males are assumed to be 3 years older than their spouses.

(6) Dependent children - For hazardous position employees under duty related death benefits, it is assumed that the employee is survived by 2 dependent children, each age 6.

(7) Investment return - 8.00% per year, net of investment related expenses, compounded annually.

(8) Compensation progression - 6.50% per year, compounded annually.

(9) Retiree Medical Insurance - It was assumed that future retirees would select medical coverage in the same proportion that current retirees have selected coverage. Monthly premium rates were assumed to be as follows:

Plan Type	7/1/95 Rate	Rate Increase Date	Rate Increase Rate
Single	$168.00*	1/1/96	$184.80**
Family	352.80*	1/1/96	388.08**
Parent Plus	252.00*	1/1/96	277.20**
Medicare	83.45*	1/1/96	91.80**
High Option	150.45*	1/1/96	165.50**

*Actual rates
**Assumed rates

In determining the medical premium funding rate in 1987, medical premiums were assumed to increase at an annual rate of 12%. In determining the target Entry Age Funding rate in valuations subsequent to 1987, it was assumed that medical premiums would grow at an annual rate of 10%. The assumed rate of growth in number of retirees receiving medical insurance was based on assumed retirement and mortality patterns used throughout the valuation.

Reserves in the Insurance Fund were used to offset the liability for premiums.

(10) Missing data - For those active members with incomplete data, the following assumptions were made:

- If reported salary was zero or blank, then monthly salary was assumed to be $700

- If reported age was blank, then assume current age equal to age 18 plus years of service reported

(11) Members with Multiple Service Records - For active members with service in more than one system, the liability has been valued as follows:

- Service under all systems is aggregated for purposes of determining benefit eligibility.

- Future service is projected only under the system in which the member is currently active.

- The actual benefit under each system is determined based only on service (past and projected future service, if applicable) under that system.

- The liability is determined under each system based on the actuarial assumptions used for the system in which the member is currently active. This liability is then included in the valuation of the system in which the service has been earned (or is projected to be earned).

For inactive members with service in more than one system, the benefit attributable to the service under each system is determined, and the liability for that benefit is then included in the valuation of the system in which the service was earned.

B. SAMPLE RATES FOR NON-HAZARDOUS POSITION EMPLOYEES*

(1) Annual Rates of Mortality:

Age	Active Mortality Males	Active Mortality Females	Disabled Mortality Males	Disabled Mortality Females
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%

(2) Annual Rates of Decrement:

Age	Disablement	Ultimate Termination
25	0.02%	3.00%
30	0.03%	3.00%
40	0.07%	2.50%
50	0.28%	2.00%
55	0.53%	1.50%
60	0.93%	0.25%

(3) Select Rates of Termination:

Years of Service	Select Termination
1	25.0%
2	8.0%
3	5.0%
4	4.0%
5	3.5%

(4) Compensation Progression:

Age	Rate of Annual Increase	Compensation at Normal Retirement as Percentage Of Current Annual Compensation
25	6.50%	1,241.6%
30	6.50%	906.2%
40	6.50%	482.8%
50	6.50%	257.2%
55	6.50%	187.7%
60	6.50%	137.0%

*Sample rates for hazardous position employees are included in the State Police Retirement System valuation.

SECTION III

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

RESULTS OF THE 1995 ACTUARIAL VALUATION

Actuarial Balance Sheet

Table I, which follows, is the actuarial balance sheet of the Kentucky Employees Retirement System as of June 30, 1995. The "actuarial balance sheet" of the retirement system displays the fundamental relationship between actual assets, future contributions, and future benefits. The asset side of the balance sheet is comprised of actual fund assets plus the actuarial present value of future contributions on behalf of current members. The actuarial present values of all projected benefit payments to present active and inactive members make up the balance sheet liabilities.

Determination of Contribution Rate

The rate of contribution by the State required to provide 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, the employer share of the Normal Cost, medical insurance and the expenses of administration, is shown in Table II. The required contribution is expressed both in dollars and as a percentage of the estimated annual State payroll as of June 30, 1995.

The actuarial methods applied to determine the Normal Cost for the year commencing July 1, 1995 are described on page K-2. These costs are classified by type of benefit. The Normal Cost contribution rate of the State is determined by reducing the total Normal Cost by the expected employee contributions. A breakdown of actuarial liabilities and costs between Hazardous and Non-Hazardous position employees appears in Table III.

Accountant's Information

Table IV contains a calculation of the accumulated value of plan benefits as specified under FASB Statement No. 35. Under this calculation, the present value of future benefits payable and attributable to the employee's present accrued benefit is computed. The probabilities of termination, disability, mortality and retirement are the same for this calculation as those used in the regular valuation calculations. However, future increases in earnings and additional benefit accruals are not projected beyond the current valuation date.

Table V contains information needed to comply under GASB Statement No. 5. These calculations reflect the present value of benefits attributable to current years of service, but based on projected salary levels at the time a member's final benefits are determined.

Table VI contains information needed to comply under GASB Statement No. 12. These calculations reflect the liabilities for the medical premium benefit provided under the system.

TABLE I
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL BALANCE SHEET - JUNE 30, 1995

Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		$2,991,753,985
Actuarial Present Value of Future Member Contributions		750,447,851
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	$631,133,343	
For Unfunded Actuarial Accrued Liability	257,038,750	
Total		$888,172,093
Total Actuarial Assets		$4,630,373,929

ACTUARIAL LIABILITIES

Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	$1,333,132,137	
Vested Retirement	$22,109,119	
Vested Membership	$6,002,936	
Total - Inactive		$1,361,244,192
Active Members:		
Retirement Benefits	$2,746,087,525	
Disability Benefits	133,936,818	
Withdrawal Benefits (Vested and Refund of Contributions)	203,265,923	
Survivor Benefits	177,899,024	
Total - Active		$3,261,189,290
Refunds and Expenses Payable		$7,940,447
Total Actuarial Liabilities		$4,630,373,929

ACCRUED BENEFIT LIABILITY ** $2,169,885,915

* Values as of June 30, 1995		
Market value of assets:	Non-Hazardous	$3,025,239,596
	Hazardous	$111,369,232
	Total	$3,136,608,828
Actuarial value of assets:		$2,983,813,538
Member's Contribution Account:		$604,968,490

** Present value of accrued benefit deferred to normal retirement date.

TABLE II
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
DETERMINATION OF CONTRIBUTION RATE - JUNE 30, 1995

UNFUNDED ACTUARIAL ACCRUED LIABILITY		PERCENT *	
Total Actuarial Accrued Liability	$3,240,852,288	273.51%	
Assets at Actuarial Value	2,983,813,538	251.82%	
Unfunded Actuarial Accrued Liability	$257,038,750	21.69%	
Contribution - Payment on Unfunded Actuarial Accrued Liability	$14,059,439	1.19%	
NORMAL COST			
Retirement Benefits	$91,309,157	7.71%	
Disability Benefits	5,863,769	0.49%	
Withdrawal Benefits (Vested and Refund of Contributions)	9,590,595	0.81%	
Survivor Benefits	6,272,049	0.53%	
Total Normal Cost	$113,035,570	9.54%	
Less: Employee Contributions	60,226,658	5.08%	
Normal Cost - State	$52,808,912	4.46%	
TOTAL ANNUAL EMPLOYER COST			
Non-Hazardous Duty Cost			
Normal Cost	$45,944,533	4.14%	**
Payment on Unfunded Actuarial Accrued Liability	13,235,103	1.19%	**
Administrative Expense	4,490,318	0.41%	**
Group Hospital and Medical Insurance Premiums	34,922,389	3.15%	**
Total Annual Cost	$98,592,343	8.89%	**
Hazardous Duty Cost			
Normal Cost	$6,864,379	9.00%	***
Payment on Unfunded Actuarial Accrued Liability	824,336	1.08%	***
Administrative Expense	250,622	0.33%	***
Group Hospital and Medical Insurance Premiums	5,689,780	7.46%	***
Total Annual Cost	$13,629,117	17.87%	***

* Based on estimated annual salaries of $1,184,917,776

** Based on estimated annual salaries of $1,108,647,264 for Non-Hazardous Position Employees

*** Based on estimated annual salaries of $76,270,512 for Hazardous Position Employees

TABLE III

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

CLASSIFICATION OF ACTUARIAL LIABILITIES AND COSTS - JUNE 30, 1995

ACTUARIAL ACCRUED LIABILITY	Non-Hazardous Position Employees	Hazardous Position Employees	Total
Active Members			
Retirement Benefits	$1,561,702,528	$72,335,772	$1,634,038,300
Disability Benefits	60,842,050	2,934,547	63,776,597
Withdrawal Benefits (Vested and Refund of Contributions)	78,352,319	669,623	79,021,942
Survivor Benefits	99,021,510	3,749,747	102,771,257
Actuarial Accrued Liability - Actives	$1,799,918,407	$79,689,689	$1,879,608,096
Inactive Members			
Retired Members and Beneficiaries	$1,285,720,762	$47,411,375	$1,333,132,137
Vested Retirement	$21,605,463	$503,656	$22,109,119
Vested Membership	$5,744,752	$258,184	$6,002,936
Actuarial Accrued Liability - Inactives	$1,313,070,977	$48,173,215	$1,361,244,192
Total Actuarial Accrued Liability	$3,112,989,384	$127,862,904	$3,240,852,288
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
Total Actuarial Accrued Liability	$3,112,989,384	$127,862,904	$3,240,852,288
Less Actuarial Value of Assets	2,872,020,193	111,793,345	2,983,813,538
Unfunded Actuarial Accrued Liability			
. Portion Amortized from 1990	$290,111,274	($414,788)	$289,696,486
. Portion Amortized from 1991	114,715,922	9,421,177	124,137,099
. Portion Amortized from 1992	(229,600,980)	(2,401,772)	(232,002,752)
. Portion Amortized from 1993	(61,066,443)	1,975,647	(59,090,796)
. Portion Amortized from 1994	61,150,177	2,811,461	63,961,638
. Portion Amortized from 1995	65,659,241	4,677,834	70,337,075
. Total	$240,969,191	$16,069,559	$257,038,750
NORMAL COST			
Retirement Benefits	$81,147,536	$10,161,621	$91,309,157
Disability Benefits	5,164,674	699,095	5,863,769
Withdrawal Benefits (Vested and Refund of Contributions)	9,221,883	368,712	9,590,595
Survivor Benefits	5,602,167	669,882	6,272,049
Total Normal Cost	$101,136,260	$11,899,310	$113,035,570
Less Employee Contributions	55,191,727	5,034,931	60,226,658
Total Normal Cost - State	$45,944,533	$6,864,379	$52,808,912
ACCRUED BENEFIT LIABILITY *	$2,071,599,426	$98,286,489	$2,169,885,915

* Present value of accrued benefits deferred to normal retirement date.

TABLE IV
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER FASB STATEMENT NO. 35

	Non-Hazardous Position Employees	Hazardous Position Employees	Total
ACTUARIAL PRESENT VALUE OF VESTED ACCUMULATED BENEFITS			
Active Members			
Retirement Benefits	$592,540,380	$20,082,027	$612,622,407
Disability Benefits	14,163,599	1,902,123	16,065,722
Withdrawal Benefits (Vested & Refund of Contributions)	73,362,934	1,919,172	75,282,106
Survivor Benefits	0	0	0
Total - Active Members	$680,066,913	$23,903,322	$703,970,235
Inactive Members			
Retired Members and Beneficiaries	$1,285,720,762	$47,411,375	$1,333,132,137
Vested Retirement	$21,605,463	$503,656	22,109,119
Vested Membership	$5,744,752	$258,184	6,002,936
Total - Inactive Members	$1,313,070,977	$48,173,215	$1,361,244,192
Total Actuarial Present Value of Vested Accumulated Benefits	$1,993,137,890	$72,076,537	$2,065,214,427
ACTUARIAL PRESENT VALUE OF NON-VESTED ACCUMULATED BENEFITS			
Active Members			
Retirement Benefits	$100,854,627	$10,953,471	$111,808,098
Disability Benefits	39,208,286	3,589,729	$42,798,015
Withdrawal Benefits (Vested & Refund of Contributions)	1,705,360	304,343	$2,009,703
Survivor Benefits	52,617,199	3,621,138	$56,238,337
Total Active Members	$194,385,472	$18,468,681	$212,854,153
Inactive Members	$0	$0	$0
Total Actuarial Present Value of Non-Vested Accumulated Benefits	$194,385,472	$18,468,681	$212,854,153

NOTE: All calculations in this Table IV have been developed as specified under FAS Statement No. 35.

TABLE V
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER GASB STATEMENT NO. 5

NUMBER OF MEMBERS	Non-Hazardous Position Employees	Hazardous Position Employees	Total
Inactive Members			
Retired Members and Beneficiaries	18,531	424	18,955
Vested Retirements	2,231	50	2,281
Vested Membership	8,204	245	8,449
Total Inactive Members	28,966	719	29,685
Active Members			
Vested Members	34,193	2,291	36,484
Nonvested Members	12,573	1,171	13,744
Total Active Members	46,766	3,462	50,228
Total Members	75,732	4,181	79,913
UNFUNDED PENSION BENEFIT OBLIGATION			
Pension Benefit Obligation			
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Members Not Members Not Yet Receiving Benefits	$1,313,070,977	$48,173,215	$1,361,244,192
Current Members			
Accumulated Employee Contributions and Credited Interest	543,534,216	28,068,352	571,602,568
Employer Financed - Vested	1,008,823,850	45,601,225	1,054,425,075
Employer Financed - Nonvested	30,769,309	6,216,346	36,985,655
Total Pension Benefit Obligation	$2,896,198,352	$128,059,138	$3,024,257,490
Net Assets at Actuarial Value	$2,872,020,193	$111,793,345	$2,983,813,538
Unfunded Pension Benefit Obligation	$24,178,159	$16,265,793	$40,443,952

NOTE: (1) Pension Benefit Obligation based on Projected Unit Credit Actuarial Cost Method.

(2) Assets at book value on June 30, 1995:

Non-Hazardous	$2,447,885,584
Hazardous	$94,802,757
Total	$2,542,688,341

TABLE VI
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER GASB STATEMENT NO. 12

NUMBER OF MEMBERS		Non-Hazardous Position Employees	Hazardous Position Employees	Total
Inactive Members				
Contracts in Force - Retirees and Dependents				
(1) Single; Pre-Medicare	- 100% Paid	1,846	75	1,921
	- 75% Paid	272	13	285
	- 50% Paid	168	21	189
	- 25% Paid	109	11	120
	- 0% Paid	624	1	625
(2) Family; Pre-Medicare	- 100% Paid	451	90	541
	- 75% Paid	43	2	45
	- 50% Paid	15	8	23
	- 25% Paid	19	5	24
	- 0% Paid	18	0	18
(3) Parent +; Pre-Medicare	- 100% Paid	40	10	50
	- 75% Paid	2	2	4
	- 50% Paid	2	4	6
	- 25% Paid	1	1	2
	- 0% Paid	31	0	31
(4) Medicare Regular	- 100% Paid	36	0	36
	- 75% Paid	274	2	276
	- 50% Paid	430	9	439
	- 25% Paid	422	5	427
	- 0% Paid	679	0	679
(5) Medicare High Option	- 100% Paid	4,409	119	4,528
	- 75% Paid	1,529	25	1,554
	- 50% Paid	1,321	22	1,343
	- 25% Paid	675	11	686
	- 0% Paid	1,588	0	1,588
Vested Retirements		2,231	50	2,281
Vested Membership		8,204	245	8,449
Active Members		46,766	3,462	50,228

UNFUNDED MEDICAL BENEFIT OBLIGATION	Non-Hazardous Position Employees	Hazardous Position Employees	Total
Medical Benefit Obligation			
Retirees, Beneficiaries and Vested Terminated Members	$369,321,918	$27,445,351	$396,767,269
Active Members	979,294,947	86,111,885	1,065,406,832
Total Medical Benefit Obligation	$1,348,616,865	$113,557,236	$1,462,174,101
Net Assets at Actuarial Value *	$102,238,501	$25,053,690	$127,292,191
Unfunded Medical Benefit Obligation	$1,246,378,364	$88,503,546	$1,334,881,910

NOTE: Medical Benefit Obligation based on Entry Age Normal Actuarial Cost Method

* Actuarial value equal to book value for purposes of the Insurance Fund.

SECTION IV
COMMENTS AND CERTIFICATION

Comments

The total Actuarial Accrued Liability has increased from $2,912,050,275 on June 30, 1994 to $3,240,852,288 on June 30, 1995. The Unfunded Actuarial Accrued Liability has increased from $183,001,288 to $257,038,750. Total actuarial value of assets as of June 30, 1995 was equal to $2,983,813,538.

The Unfunded Actuarial Accrued Liability increased from 16.41% to 21.69% as a percentage of annual payroll and increased from 6.3% to 7.9% as a percentage of the Actuarial Accrued Liability in the year ended June 30, 1995.

The change in contribution rate between the 1994 and 1995 valuations is a function of actual plan experience since the last valuation. A formal gain and loss analysis would identify the portion of the contribution rate change attributable to each element of plan experience and benefit change. However, undertaking such an analysis would be extremely time consuming and expensive. In lieu of the formal analysis, we have estimated the impact of the various components of gain and loss based on changes in statistical averages of each group. The following table shows the results of this computation:

	Non-Hazardous Position Employees	Hazardous Position Employees
June 30, 1994 Contribution Rate	8.75%	18.05%
Change in Unfunded Actuarial Accrued Liability Payment Percentage Due to Covered Payroll Experience	(0.02%)	(0.13%)
Investment Return	(0.25%)	(0.13%)
Salary Increases	0.02%	0.04%
Decrements Experience*	0.35%	0.09%
Change in Group Hospital and Medical Premium Rate	0.00%	0.00%
Change in Administrative Expense Rate	0.04%	(0.05%)
June 30, 1995 Contribution Rate	8.89%	17.87%

*Includes mortality, disability, termination of employment and retirement experience.

The annual State contribution rate required to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses for Non-Hazardous position employees was determined at 5.74%. An additional 3.15% is required to fund medical insurance for retirees, bringing the required contribution up to 8.89%. This exceeds the current 8.75% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 1996 should be increased from the current 8.75% level to 8.89%, and we so recommend.

The annual State contribution rate required to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses for Hazardous position employees was determined at 10.41%. An additional 7.46% is required to fund medical insurance for retirees, bringing the required contribution up to 17.87%. This is less than the current 18.05% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 1996 should be decreased from the current 18.05% level to 17.87%, and we so recommend.

The recommended contribution rates are based on current statutory benefits. The budgeted contribution rates will again be reviewed in the June 30, 1996 valuation.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to retirement related benefits at selected intervals since the inception of the System.

KENTUCKY EMPLOYEES RETIREMENT SYSTEM - RETIREMENT RELATED BENEFITS

July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value Of Assets	Increase in Assets
1956	$ 16,200,000	$ 16,200,000	100.0%	$ 0	$ 0
1961	49,201,024	31,670,465	64.4%	17,530,559	4,479,508
1966	127,889,238	72,137,125	56.4%	55,752,113	9,085,814
1971	185,075,453	59,614,477	32.2%	125,460,976*	18,353,116
1975	296,343,758	77,434,549	26.1%	218,909,209*	26,529,526
1976	387,214,910	130,838,120	33.8%	256,376,790*	37,467,581
1977	446,255,236	149,511,331	33.5%	296,743,905*	40,367,115
1978	507,324,915	168,497,917	33.2%	338,826,998*	42,083,093
1979	592,095,113	202,676,662	34.2%	389,418,451*	50,591,453
1980	710,126,703	249,770,835	35.2%	460,355,868*	70,937,417
1981	692,160,395	164,735,129	23.8%	527,425,266	67,069,398
1982	810,250,589	195,803,691	24.2%	614,446,898	87,021,632
1983	862,291,959	152,196,081	17.7%	710,095,878	95,648,980
1984	1,016,088,830	201,535,007	19.8%	814,553,823	104,457,945
1985	1,104,429,988	169,949,215	15.4%	934,480,773	119,926,950
1986	1,245,083,143	166,635,243	13.4%	1,079,353,421	144,872,648
1987	1,384,259,808	120,259,389	8.7%	1,264,000,419	184,646,998
1988	1,561,743,738	135,687,336	8.7%	1,426,056,402	162,055,983
1989	1,734,607,903	145,998,805	8.4%	1,588,609,098	162,552,696
1990	2,055,489,412	256,167,674	12.5%	1,799,321,738	210,712,640
1991	2,288,611,147	375,396.216	16.4%	1,913,214,931	113,893,193
1992**	2,525,190,930	170,708,609	6.8%	2,354,482,321	441,267,390
1993	2,703,771,076	118,561,539	4.4%	2,585,209,537	230,727,216
1994	2,912,050,275	183,001,288	6.3%	2,729,048,987	143,839,450
1995	3,240,852,288	257,038,750	7.9%	2,983,813,538	244,764,551

*Includes capitalized appreciation of investments.

**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to medical premium benefits since 1990.

KENTUCKY EMPLOYEES RETIREMENT SYSTEM - MEDICAL PREMIUM BENEFITS

July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value Of Assets*	Increase In Assets
1990	719,493,806	686,770,874	95.5%	32,722,932	N/A
1991	804,674,050	758,124,715	94.2%	46,549,335	13,826,403
1992	1,001,703,695	939,238,069	93.8%	62,465,626	15,916,291
1993	1,177,861,283	1,100,187,708	93.4%	77,673,575	15,207,949
1994	1,444,612,678	1,345,529,145	93.1%	99,083,533	21,409,958
1995	1,462,174,101	1,334,881,910	91.3%	127,292,191	28,208,658

*Book value

Certification

On the basis of the actuarial assumptions given and the data furnished by the General Manager of the Kentucky Employees Retirement System, it is certified that the actuarial valuation has been made by the use of accepted actuarial principles and that adequate provision is being made for the funding of future benefits.

Certified by:

Stephen A. Gagel

Stephen A. Gagel, F.S.A.

November 1, 1995

Date

William M. Mercer, Incorporated
1500 Meidinger Tower
Louisville Galleria
Louisville, Kentucky 40202
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SECTION VI

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Effective Date

The state of Kentucky established the Kentucky Employees Retirement System in July, 1956. The plan benefits have been improved several times, most recently as of August 1, 1990.

Plan Year

A plan year is a twelve month period beginning on July 1.

Final Compensation

Final compensation is the average salary during the five highest paid fiscal years. If the months of service credit during the highest five year period is less than forty-eight, one or more additional fiscal years shall be used.

Service

Service means the sum of prior service and current service as defined below:

(a) Prior service is credited for regular full-time employment of at least 100 hours of work per month with a participating agency before July 1, 1956. In some instances prior service credit is granted for time spent in the military.

(b) Current service is obtained for regular full-time employment which averages at least 100 hours of work per month with participating agencies after July 1, 1956. Current service credit may be granted for military service and educational leaves if special criteria are met.

(c) Service is increased by unused sick leave, up to a maximum of six months, for purposes of computing eligibility and the amount of benefits.

Eligibility

Any state department, board, or agency shall participate in the System when directed to do so by the Executive Order of the Governor. Membership in the system consists of:

(a) all persons who become employees of a department after such department first participates,

(b) all persons who are employees on the date a department first participates and who elect within thirty days to become members and make contributions,

(c) all persons who are employees of any credit union whose membership is limited to state government employees,

(d) all persons who were professional staff employees of the Council on Public Higher Education or the Higher Education Assistance Authority and were making contributions to the system on the effective date of their respective Executive Order and filed a written election to continue in the System,

(e) all persons who were professional staff employees of the Kentucky Authority for Educational Television on or after July 1, 1974,

(f) members of the General Assembly and Constitutional officers of the General Assembly serving during the January, 1960 session or thereafter, and

(g) officers and employees of the General Assembly and their assistants if employed by the General Assembly during the January, 1960 session and thereafter, but only after serving during six sessions of the General Assembly.

Normal Retirement Date

A member may elect to retire upon: (1) attaining age 65 for non-hazardous positions, or attaining age 55 for hazardous positions, and (2) having contributed to the System. Upon completion of 27 years of service credit, 15 of which are current service for non-hazardous positions, or completion of 20 years of service credit for hazardous positions, a member may elect to retire with an unreduced benefit.

Early Retirement Date

A member may elect to retire before the normal retirement date at any time after: (1) for non-hazardous positions, attainment of age 55 and completion of 60 months of service credit at least 12 of which are current, or at any age after 25 years of service, or (2) for hazardous positions, attainment of age 50 and completion of 15 years of service credit.

Normal Retirement Benefits

For non-hazardous positions, upon attainment of age 65 and completion of 48 months of service, of which 12 months are current service, a monthly benefit equal to 1.97% of the member's final compensation multiplied by his service will be payable. For hazardous positions, a monthly benefit equal to 2.49% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months are current service. A member, with less than 48 months for non-hazardous positions or 60 months for hazardous positions, who retires on or after the normal retirement date is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

Early Retirement Benefits

A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for an unreduced benefit. If a non-hazardous position employee has 27 or more years of service credit, 15 of which are current, or a hazardous position employee has 20 or more years of service credit, an unreduced benefit is payable.

Minimum Benefit

The normal retirement benefit for members with 10 or more years of service, at least one of which is current service, shall not be less than $512 per year.

Disability Benefits

A member with 60 months of service, 12 of which must be current service, is entitled to a retirement allowance computed in the same manner as the normal retirement benefit with service and final compensation determined as of the disability date. Service credit shall be added on to total service for the period from the last day of paid employment to the 65th birthday (55th for members in a hazardous position) up to a maximum of service credited to the last day of paid employment. Except for members with 25 or more (20 or more for hazardous) years of service on the last day of paid employment, the maximum combined service credit (total service and added service) shall not exceed 25 years (20 years for hazardous members). For non-hazardous position employees with 25 or more years of service credit, additional years of service credit will be added up to a maximum combined limit of 30, or actual service if greater. For hazardous position employees with 20 or more years of service credit, actual service will be used.

A member in a hazardous position who is disabled in the line of duty is entitled to a retirement benefit of not less than 25% of the member's final monthly rate of pay plus 10% of his final monthly rate of pay for each dependent child. The maximum dependent child's benefit is 40% of the member's final monthly rate of pay. A partial disability benefit may be payable to hazardous employees if the disability is not total and permanent. The disability will be reduced to a rate determined by the Board.

Death Benefits

If a member dies prior to retirement, but after 60 months of service, 12 of which are current and who is a contributing member, or after 12 years of service, one of which is current and who is not a contributing member, or after 48 months service if the member is age 65 or over, a benefit will be payable to the beneficiary based on the member's age, years of service and final compensation at the date of death. The benefit will be equal to the amount payable had the employee retired and elected a joint and 100% survivorship payment form.

If a member in a hazardous position dies in the line of duty and has a spouse as beneficiary, a $5,000 lump sum payment will be made and a benefit of 25% of the member's final monthly rate of pay will be payable until death or remarriage. If the member in a hazardous position dies in the line of duty and has a dependent as beneficiary, a lump sum payment of $10,000 will be made. Monthly payments shall be made for each dependent child equal to 10% of the member's final monthly rate of pay, but not greater than 40% of the member's final monthly rate of pay. The beneficiary of a hazardous duty member with 5 or more years of service, one of which is current, may elect a death benefit computed in the same manner as a non-hazardous employee using 2.49% rather than 1.97%.

Upon the death of a retired member, who had a minimum of 48 months of service credit, a death benefit of $2,500 is payable.

Optional Forms of Payment

Joint and survivor annuities which provide a reduced benefit for the life of the member, with the benefit at the same or at a further reduced rate continuing after the member's death until the death of the designated beneficiary may be elected by the member prior to retirement. Other optional forms include a life annuity with 10, 15 or 20 years of payments guaranteed and a Social Security adjustment with or without survivor rights.

Contributions

Members contribute 5% of gross compensation (7% for hazardous positions). On each June 30, interest is credited at the rate to be determined by the Board on the accumulated contributions the member had in his account on the previous June 30. Upon termination a member may withdraw the contributions with interest, but will be entitled to no benefit payments.

Medical Insurance

Recipients of a retirement benefit may elect to participate in a voluntary hospital/medical group insurance plan for themselves as well as any beneficiaries or dependents. The cost of participation for any beneficiaries or dependents is borne by the retiree (except that dependents of hazardous position employees and legislators will have the same percentage paid by the system as the member). The retirement system will pay a portion of the cost of participation for the retiree based on years of service credit as follows:

Less than 4 years	0%
4 - 9 years	25%
10 - 14 years	50%
15 - 19 years	75%
20 or more years	100%

If a hazardous member is disabled in the line of duty, the retirement system will pay 100% of the cost of the member, spouse and eligible dependents. If a hazardous member is killed in the line of duty, the retirement system will pay 100% of the cost of the beneficiary and eligible dependents as long as they remain eligible for a monthly benefit payment.

Increase in Retirement Allowances

The board shall increase retirement allowances each year of the biennium by fifty percent (50%) of the rate margin for the nonhazardous members of the Kentucky Employees Retirement System as determined by the board's actuary in the annual actuarial valuation prior to the biennium with a maximum increase of five percent (5%) per year, as averaged over a five (5) year period. The first period for averaging shall be from July 1, 1986, to August 1, 1990. Each year thereafter, the next year shall be added and the first year shall be dropped from the five (5) year averaging period.

THIRTY-SIXTH ANNUAL ACTUARIAL VALUATION

JUNE 30, 1995

COUNTY EMPLOYEES RETIREMENT SYSTEM

FRANKFORT, KENTUCKY

SECTION I

INTRODUCTION

The results of the thirty-sixth annual actuarial valuation of the County Employees Retirement System are presented in this report. The actuarial valuation was made on the basis of the data provided by the System as of June 30, 1995.

The purpose of the actuarial valuation is to determine the actuarial condition of the Retirement System and the rate of employer contribution for the ensuing fiscal year as required to support the System.

The plan provisions utilized in this valuation are described in the Summary of Principal Plan Provisions beginning on page C-45. The basis of funding is defined in KRS 61.565 and provides that the actuarial valuation method would be uniform for all benefits provided by the System. The Entry Age Normal Actuarial cost method has been used for all benefits. KRS 61.565 provides that each employer participating in the System shall contribute an amount equal to the Normal Cost contribution rate, and an amount sufficient to amortize the Unfunded Actuarial Accrued Liability over 30 years using the level-percentage-of-payroll method. This is the standard used herein to determine whether the funding of the System is adequate.

The actuarial valuation results are based upon the employee census and asset data supplied by the office of the System, and upon the actuarial assumptions as stated on page C-5.

SECTION II

ACTUARIAL CONSIDERATIONS

Description of Actuarial Methods

The actuarial valuation is the means by which the contingent liabilities and contribution rates of a retirement system are evaluated and determined. It provides a guide to the System to the financing required during years of active service to accumulate the funds needed to provide members' benefits. It also makes it possible to estimate beforehand the cost of proposed changes in the System so that action can be taken in the light of the cost consequences.

The methods of valuation are prescribed by KRS 61.565. The Entry Age Normal Actuarial cost method was used to determine costs of all benefits with the exception of the retiree medical insurance benefit. Under this method the employer's contribution to the retirement system consists of Normal Cost, a payment to fund the Unfunded Actuarial Accrued Liability, medical insurance, and administrative expenses. The Normal Cost represents the contribution (as a level percent of payroll) that completely funds benefits at retirement if made from a person's entry into employment until his retirement. The Actuarial Accrued Liability represents the sum of money and investments that would be held in the fund if the retirement system had been in effect since the date each member was first employed.

The medical insurance contribution rate was originally determined in the 1987 valuation as the level percent of payroll necessary to fund projected medical insurance premiums over the next sixteen years (taking into account the level of reserves in the Insurance Fund). Beginning in 1988, this rate was increased each year by a percentage amount needed to reach the Entry Age Normal funding rate within a 20 year period measured from 1987. This was continued through the 1992 valuation. In the 1992 valuation, an acceleration of the scheduled increases in the medical insurance contribution rate was recommended where possible. This acceleration in these rates was coupled with a deferral of future increases until the time of the next experience study, unless there is a deterioration in the funded position of the medical premium benefit in which case the rate levels will be reviewed to redetermine an appropriate current funding level, or unless recommended contributions are not made in the prior year, in which case the shortfall shall be spread over future years through an increase in the contribution rate.

The amount of the administrative expense was based on the budgeted amount for the twelve months following the date of the valuation as allocated between Hazardous position and Non-Hazardous position employees.

Actuarial Assumptions

Since the actuarial valuation involves estimates of benefits payable in the future, it is necessary that assumptions be made as to the interest earnings, rates of mortality, withdrawal, retirement, and disability, and the rate at which salaries will increase. In addition, an assumption must be made relative to increases in medical insurance premium rates in order to value the liability for the medical insurance benefit.

It is desirable that the actuarial assumptions be reviewed periodically to see whether past experience and probable future experience justifies the continued use of these actuarial assumptions. Such a study was performed subsequent to the 1989 actuarial valuation and new actuarial assumptions were adopted by the Board for use in the subsequent actuarial valuations, until such time as another experience study is performed. This valuation reflects assumptions based on the 1989 experience study. Actuarial assumptions used for hazardous position employees are similar to actuarial assumptions adopted for the State Police Retirement System. The actuarial assumptions as used in this valuation are described beginning on page C-5.

Actuarial Value of Assets

The actuarial value of assets is determined in the following manner for the Retirement Fund:

1. 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 (but not using any valuation dates prior to June 30, 1989). All asset values include accrued investment income and member and employer contribution receivables, and exclude member refunds and investment expenses payable.

2. Determine the average ratio of market to book value as of these valuation dates.

3. 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.

For the Insurance Fund, the actuarial value of assets is determined to be the book value of the assets in that fund as of the valuation date adjusted for any receivables and/or payables.

The different asset valuation methods for the Retirement Fund and the Insurance Fund are a result the following:

1. There is separate book and market value information for the Insurance Fund under all systems dating only from July, 1992. So it is not possible to presently use the same averaging method for the Insurance Fund as used for the Retirement Fund.

2. The magnitude of assets to liabilities for the Insurance Fund is such that the method of valuing assets will only negligibly affect current valuation results. Also, given the current method for transitioning into higher medical premium contribution rates over future years, the asset valuation method used for the Insurance Fund is not as critical as the asset valuation method used for the Retirement Fund.

The derivation of valuation assets for the Retirement Fund as of the current valuation date is as follows:

Non-Hazardous

	Book Value *	Market Value *	Ratio
June 30, 1995	1,643,982,397	2,012,950,197	122.44354%
June 30, 1994	1,489,589,016	1,648,810,946	110.68898%
June 30, 1993	1,361,119,578	1,590,519,119	116.85374%
June 30, 1992	1,193,610,120	1,390,358,216	116.48345%
June 30, 1991	1,066,228,951	1,192,427,101	111.83593%
... Average Ratio =			115.66113%
... Valuation Assets = (Average Ratio x Current Book Value)			1,901,448,617

Hazardous

	Book Value *	Market Value *	Ratio
June 30, 1995	478,924,330	580,787,809	121.26922%
June 30, 1994	437,372,661	481,281,456	110.03922%
June 30, 1993	402,326,890	464,975,104	115.57147%
June 30, 1992	361,281,420	425,167,270	117.68313%
June 30, 1991	329,998,054	371,042,415	112.43776%
... Average Ratio =			115.40016%
... Valuation Assets = (Average Ratio x Current Book Value)			552,679,443

* Reflects accrued investment income and member and employer contribution receivables, and member refunds and investment expenses payable; represents Retirement Fund assets exclusive of amounts in the Insurance Fund

Except for Table VI, the actuarial value of assets excludes any amounts in the Insurance Fund. Table VI uses only assets in the Insurance Fund, excluding all other amounts.

COUNTY EMPLOYEES RETIREMENT SYSTEM

ACTUARIAL ASSUMPTIONS

A. STATEMENT OF ACTUARIAL ASSUMPTIONS

(1) Mortality:

(a) Active & retired lives - 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees.

(b) Disabled lives - Social Security Administration Disability Mortality Rates - Actuarial Study No. 75 (current rates used by PBGC for disabled lives receiving Social Security).

(2) Disablement - Graduated rates based on 1989 experience study.

(3) Termination of employment - Graduated select (non-hazardous only) and ultimate rates based on 1989 experience study.

(4) Retirement - Non-Hazardous:

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

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

Hazardous: Assumed that 50% will retire as soon as eligible for unreduced benefits and balance will continue to age 55.

(5) Marital status

(a) Percentage married - 100%.

(b) Age difference - Males are assumed to be 3 years older than their spouses.

(6) Dependent children - For hazardous position employees under duty related death benefits, it is assumed that the employee is survived by 2 dependent children each age 6.

(7) Investment return - 8.00% per year, net of investment related expenses, compounded annually.

(8) Compensation progression - 6.50% per year, compounded annually.

(9) Retiree Medical Insurance - It was assumed that future retirees would select medical coverage in the same proportion that current retirees have selected coverage. Monthly premium rates were assumed to be as follows:

Plan Type	7/1/95 Rate	Rate Increase Date	Rate Increase Rate
Single	$168.00*	1/1/96	$184.80**
Family	352.80*	1/1/96	388.08**
Parent Plus	252.00*	1/1/96	277.20**
Medicare	83.45*	1/1/96	91.80**
High Option	150.45*	1/1/96	165.50**

*Actual rates
**Assumed rates

In determining the medical premium funding rate in 1987, medical premiums were assumed to increase at an annual rate of 12%. In determining the target Entry Age Funding rate in valuations subsequent to 1987, it was assumed that medical premiums would grow at an annual rate of 10%. The assumed rate of growth in number of retirees receiving medical insurance was based on assumed retirement and mortality patterns used throughout the valuation.

Reserves in the Insurance Fund were used to offset the liability for premiums.

(10) Missing data

- For those active members with incomplete data, the following assumptions were made:

  . If reported salary was zero or blank, then monthly salary was assumed to be $700

  . If reported age was blank, then assume current age equal to age 18 plus years of service reported

(11) Members with Multiple Service Records

- For active members with service in more than one system, the liability has been valued as follows:

  . Service under all systems is aggregated for purposes of determining benefit eligibility.

  . Future service is projected only under the system in which the member is currently active.

  . The actual benefit under each system is determined based only on service (past and projected future service, if applicable) under that system.

  . The liability is determined under each system based on the actuarial assumptions used for the system in which the member is currently active. This liability is then included in the valuation of the system in which the service has been earned (or is projected to be earned).

  For inactive members with service in more than one system, the benefit attributable to the service under each system is determined, and the liability for that benefit is then included in the valuation of the system in which the service was earned.

B. SAMPLE RATES FOR NON-HAZARDOUS POSITION EMPLOYEES*

(1) Annual Rates of Mortality:

	Active Mortality		Disabled Mortality	
Age	Males	Females	Males	Females
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%

(2) Annual Rates of Decrement:

Age	Disablement	Ultimate Termination
25	0.02%	3.00%
30	0.03%	3.00%
40	0.07%	2.50%
50	0.28%	2.00%
55	0.53%	1.50%
60	0.93%	0.25%

(3) Select Rates of Termination:

Years of Service	Select Termination
1	25.0%
2	8.0%
3	5.0%
4	4.0%
5	3.5%

(4) Compensation Progression:

Age	Rate of Annual Increase	Compensation at Normal Retirement as Percentage Of Current Annual Compensation
25	6.50%	1,241.6%
30	6.50%	906.2%
40	6.50%	482.8%
50	6.50%	257.2%
55	6.50%	187.7%
60	6.50%	137.0%

*Sample rates for hazardous position employees are included in the State Police Retirement System valuation.

SECTION III

COUNTY EMPLOYEES RETIREMENT SYSTEM

RESULTS OF THE 1995 ACTUARIAL VALUATION

Actuarial Balance Sheet

Table I, which follows, is the actuarial balance sheet of the County Employees Retirement System as of June 30, 1995. The "actuarial balance sheet" of the retirement system displays the fundamental relationship between actual assets, future contributions, and future benefits. The asset side of the balance sheet is comprised of actual fund assets plus the actuarial present value of future contributions on behalf of current members. The actuarial present values of all projected benefit payments to present active and inactive members make up the balance sheet liabilities.

Determination of Contribution Rate

The rate of contribution by the participating Agencies required to provide 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, the employer share of the annual Normal Cost, medical insurance and the administrative costs of the System is shown in Table II. The required contribution is expressed both in dollars and as a percentage of the estimated payroll of the participating Agencies as of June 30, 1995.

The actuarial methods applied to determine the Normal Cost for the year commencing July 1, 1995 are described on page C-2. These costs are classified by type of benefit. The Normal Cost contribution rate of the participating Agencies is determined by reducing the total Normal Cost by the expected employee contributions. A breakdown of actuarial liabilities and costs between Hazardous and Non-Hazardous position employees appears in Table III.

Accountant's Information

Table IV contains a calculation of the accumulated value of plan benefits as specified under FASB Statement No. 35. Under this calculation, the present value of future benefits payable and attributable to the employee's present accrued benefit is computed. The probabilities of termination, disability, mortality and retirement are the same for this calculation as those used in the regular valuation calculations. However, future increases in earnings and additional benefit accruals are not projected beyond the current valuation date.

Table V contains information needed to comply under GASB Statement No. 5. These calculations reflect the present value of benefits attributable to current years of service, but based on projected salary levels at the time a member's final benefits are determined.

Table VI contains information needed to comply under GASB Statement No. 12. These calculations reflect the liabilities for the medical premium benefit provided under the system.

TABLE I
COUNTY EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL BALANCE SHEET - JUNE 30, 1995

Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		$2,459,787,405
Actuarial Present Value of Future Member Contributions		811,723,445
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	$895,709,589	
For Unfunded Actuarial Accrued Liability	149,447,861	
Total		$1,045,157,450
Total Actuarial Assets		$4,316,668,300
ACTUARIAL LIABILITIES		
Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	$949,379,982	
Vested Retirement	$15,736,946	
Vested Membership	$6,184,680	
Total - Inactive		$971,301,608
Active Members:		
Retirement Benefits	$2,828,849,809	
Disability Benefits	137,876,832	
Withdrawal Benefits (Vested and Refund of Contributions)	198,288,580	
Survivor Benefits	174,692,126	
Total - Active		$3,339,707,347
Refunds and Expenses Payable		$5,659,345
Total Actuarial Liabilities		$4,316,668,300
ACCRUED BENEFIT LIABILITY **		$1,711,848,465

* Values as of June 30, 1995

Market value of assets:	Non-Hazardous	$2,012,950,197
	Hazardous	$580,787,809
	Total	$2,593,738,006
Actuarial value of assets:		$2,454,128,060
Member's Contribution Account:		$493,330,565

** Present value of accrued benefit deferred to normal retirement date.

TABLE II
COUNTY EMPLOYEES RETIREMENT SYSTEM
DETERMINATION OF CONTRIBUTION RATE - JUNE 30, 1995

		PERCENT *	
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
Total Actuarial Accrued Liability	$2,603,575,921	210.21%	
Assets at Actuarial Value	2,454,128,060	198.14%	
Unfunded Actuarial Accrued Liability	$149,447,861	12.07%	
Contribution - Payment on Unfunded Actuarial Accrued Liability	$8,378,186	0.68%	
NORMAL COST			
Retirement Benefits	$114,500,486	9.24%	
Disability Benefits	6,820,964	0.55%	
Withdrawal Benefits (Vested and Refund of Contributions)	10,731,635	0.87%	
Survivor Benefits	7,632,831	0.62%	
Total Normal Cost	$139,685,916	11.28%	
Less: Employee Contributions	64,668,731	5.22%	
Normal Cost - State	$75,017,185	6.06%	
TOTAL ANNUAL EMPLOYER COST			
Non-Hazardous Duty Cost			
Normal Cost	$59,769,846	5.65%	**
Payment on Unfunded Actuarial Accrued Liability	2,160,855	0.20%	**
Administrative Expense	4,699,170	0.44%	**
Group Hospital and Medical Insurance Premiums	24,983,188	2.36%	**
Total Annual Cost	$91,613,059	8.65%	**
Hazardous Duty Cost			
Normal Cost	$15,247,339	8.47%	***
Payment on Unfunded Actuarial Accrued Liability	6,217,331	3.45%	***
Administrative Expense	783,195	0.44%	***
Group Hospital and Medical Insurance Premiums	11,391,377	6.33%	***
Total Annual Cost	$33,639,242	18.69%	***

* Based on estimated annual salaries of $1,238,568,216

** Based on estimated annual salaries of $1,058,609,652 for Non-Hazardous Position Employees

*** Based on estimated annual salaries of $179,958,564 for Hazardous Position Employees

TABLE III
COUNTY EMPLOYEES RETIREMENT SYSTEM
CLASSIFICATION OF ACTUARIAL LIABILITIES AND COSTS - JUNE 30, 1995

	Non-Hazardous Position Employees	Hazardous Position Employees	Total
ACTUARIAL ACCRUED LIABILITY			
Active Members			
Retirement Benefits	$1,103,558,433	$334,322,514	$1,437,880,947
Disability Benefits	48,343,536	6,458,881	54,802,417
Withdrawal Benefits (Vested and Refund of Contributions)	52,583,408	4,286,251	56,869,659
Survivor Benefits	71,295,316	11,425,974	82,721,290
Actuarial Accrued Liability - Actives	$1,275,780,693	$356,493,620	$1,632,274,313
Inactive Members			
Retired Members and Beneficiaries	$638,962,817	$310,417,165	$949,379,982
Vested Retirement	$14,493,661	$1,243,285	$15,736,946
Vested Membership	$5,917,052	$267,628	$6,184,680
Actuarial Accrued Liability - Inactives	$659,373,530	$311,928,078	$971,301,608
Total Actuarial Accrued Liability	$1,935,154,223	$668,421,698	$2,603,575,921
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
Total Actuarial Accrued Liability	$1,935,154,223	$668,421,698	$2,603,575,921
Less Actuarial Value of Assets	1,901,448,617	552,679,443	2,454,128,060
Unfunded Actuarial Accrued Liability			
. Portion Amortized from 1990	$105,932,845	$77,561,806	$183,494,651
. Portion Amortized from 1991	68,007,995	33,117,171	101,125,166
. Portion Amortized from 1992	(135,212,742)	(13,986,140)	(149,198,882)
. Portion Amortized from 1993	(29,900,295)	(7,687,656)	(37,587,951)
. Portion Amortized from 1994	60,643,812	1,905,402	62,549,214
. Portion Amortized from 1995	(35,766,009)	24,831,672	(10,934,337)
. Total	$33,705,606	$115,742,255	$149,447,861
NORMAL COST			
Retirement Benefits	$90,708,601	$23,791,885	$114,500,486
Disability Benefits	5,992,231	828,733	6,820,964
Withdrawal Benefits (Vested and Refund of Contributions)	9,194,664	1,536,971	10,731,635
Survivor Benefits	6,449,126	1,183,705	7,632,831
Total Normal Cost	$112,344,622	$27,341,294	$139,685,916
Less Employee Contributions	52,574,776	12,093,955	64,668,731
Total Normal Cost - State	$59,769,846	$15,247,339	$75,017,185
ACCRUED BENEFIT LIABILITY *	$1,223,832,782	$488,015,683	$1,711,848,465

* Present value of accrued benefits deferred to normal retirement date.

TABLE IV
COUNTY EMPLOYEES RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER FASB STATEMENT NO. 35

	Non-Hazardous Position Employees	Hazardous Position Employees	Total
ACTUARIAL PRESENT VALUE OF VESTED ACCUMULATED BENEFITS			
Active Members			
Retirement Benefits	$416,918,440	$108,343,466	$525,261,906
Disability Benefits	10,065,539	3,642,555	13,708,094
Withdrawal Benefits (Vested & Refund of Contributions)	48,660,837	9,848,108	58,508,945
Survivor Benefits	0	0	0
Total - Active Members	$475,644,816	$121,834,129	$597,478,945
Inactive Members			
Retired Members and Beneficiaries	$638,962,817	$310,417,165	$949,379,982
Vested Retirement	$14,493,661	$1,243,285	15,736,946
Vested Membership	$5,917,052	$267,628	6,184,680
Total - Inactive Members	$659,373,530	$311,928,078	$971,301,608
Total Actuarial Present Value of Vested Accumulated Benefits	$1,135,018,346	$433,762,207	$1,568,780,553
ACTUARIAL PRESENT VALUE OF NON-VESTED ACCUMULATED BENEFITS			
Active Members			
Retirement Benefits	$62,584,200	$42,635,680	$105,219,880
Disability Benefits	34,260,204	4,947,374	$39,207,578
Withdrawal Benefits (Vested & Refund of Contributions)	5,825,738	(148,497)	$5,677,241
Survivor Benefits	37,676,754	10,051,251	$47,728,005
Total Active Members	$140,346,896	$57,485,808	$197,832,704
Inactive Members	$0	$0	$0
Total Actuarial Present Value of Non-Vested Accumulated Benefits	$140,346,896	$57,485,808	$197,832,704

NOTE: All calculations in this Table IV have been developed as specified under FAS Statement No. 35.

TABLE V
COUNTY EMPLOYEES RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER GASB STATEMENT NO. 5

NUMBER OF MEMBERS	Non-Hazardous Position Employees	Hazardous Position Employees	Total
Inactive Members			
Retired Members and Beneficiaries	15,028	1,767	16,795
Vested Retirements	1,980	66	2,046
Vested Membership	11,873	174	12,047
Total Inactive Members	28,881	2,007	30,888
Active Members			
Vested Members	39,435	4,171	43,606
Nonvested Members	25,220	1,799	27,019
Total Active Members	64,655	5,970	70,625
Total Members	93,536	7,977	101,513
UNFUNDED PENSION BENEFIT OBLIGATION			
Pension Benefit Obligation			
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Members Not Members Not Yet Receiving Benefits	$659,373,530	$311,928,078	$971,301,608
Current Members			
Accumulated Employee Contributions and Credited Interest	370,945,921	100,357,469	471,303,390
Employer Financed - Vested	695,606,129	209,606,871	905,213,000
Employer Financed - Nonvested	53,816,857	11,618,146	65,435,003
Total Pension Benefit Obligation	$1,779,742,437	$633,510,564	$2,413,253,001
Net Assets at Actuarial Value	$1,901,448,617	$552,679,443	$2,454,128,060
Unfunded Pension Benefit Obligation	($121,706,180)	$80,831,121	($40,875,059)

NOTE: (1) Pension Benefit Obligation based on Projected Unit Credit Actuarial Cost Method.

(2) Assets at book value on June 30, 1995:

	Non-Hazardous	$1,643,982,397
	Hazardous	$478,924,330
	Total	$2,122,906,727

TABLE VI
COUNTY EMPLOYEES RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER GASB STATEMENT NO. 12

NUMBER OF MEMBERS		Non-Hazardous Position Employees	Hazardous Position Employees	Total
Inactive Members				
Contracts in Force - Retirees and Dependents				
(1) Single;	- 100% Paid	972	326	1,298
Pre-Medicare	- 75% Paid	383	33	416
	- 50% Paid	289	12	301
	- 25% Paid	178	9	187
	- 0% Paid	422	1	423
(2) Family;	- 100% Paid	311	916	1,227
Pre-Medicare	- 75% Paid	67	14	81
	- 50% Paid	68	8	76
	- 25% Paid	46	5	51
	- 0% Paid	12	0	12
(3) Parent +;	- 100% Paid	18	58	76
Pre-Medicare	- 75% Paid	4	2	6
	- 50% Paid	5	5	10
	- 25% Paid	3	0	3
	- 0% Paid	39	0	39
(4) Medicare Regular	- 100% Paid	21	1	22
	- 75% Paid	198	7	205
	- 50% Paid	488	3	491
	- 25% Paid	605	2	607
	- 0% Paid	430	0	430
(5) Medicare High Option	- 100% Paid	1,804	211	2,015
	- 75% Paid	1,024	39	1,063
	- 50% Paid	1,356	24	1,380
	- 25% Paid	811	9	820
	- 0% Paid	864	2	866
Vested Retirements		1,980	66	2,046
Vested Membership		11,873	174	12,047
Active Members		64,655	5,970	70,625

UNFUNDED MEDICAL BENEFIT OBLIGATION	Non-Hazardous Position Employees	Hazardous Position Employees	Total
Medical Benefit Obligation			
Retirees, Beneficiaries and Vested Terminated Members	$230,506,996	$161,673,673	$392,180,669
Active Members	987,373,237	300,339,319	1,287,712,556
Total Medical Benefit Obligation	$1,217,880,233	$462,012,992	$1,679,893,225
Net Assets at Actuarial Value *	$82,813,551	$42,640,389	$125,453,940
Unfunded Medical Benefit Obligation	$1,135,066,682	$419,372,603	$1,554,439,285

NOTE: Medical Benefit Obligation based on Entry Age Normal Actuarial Cost Method

* Actuarial value equal to book value for purposes of the Insurance Fund.

SECTION VII
COMMENTS AND CERTIFICATION

Comments

The total Actuarial Accrued Liability has increased from $2,330,344,241 on June 30, 1994 to $2,603,575,921 on June 30, 1995. The Unfunded Actuarial Accrued Liability decreased from $156,989,469 to $149,447,861. Total actuarial value of assets as of June 30, 1995 was equal to $2,454,128,060.

The Unfunded Actuarial Accrued Liability decreased from 13.58% to 12.07% as a percentage of annual payroll and from 6.7% to 5.7% as a percentage of the Actuarial Accrued Liability in the year ended June 30, 1995.

The change in contribution rate between the 1994 and 1995 valuations is a function of actual plan experience since the last valuation. A formal gain and loss analysis would identify the portion of the contribution rate change attributable to each element of plan experience and benefit change. However, undertaking such an analysis would be extremely time consuming and expensive. In lieu of the formal analysis, we have estimated the impact of the various components of gain and loss based on changes in statistical averages of each group. The following table shows the results of this computation:

	Non-Hazardous Position Employees	Hazardous Position Employees
June 30, 1994 Contribution Rate	8.94%	18.21%
Change in Unfunded Actuarial Accrued Liability payment Percentage Due to Covered Payroll Experience	(0.02%)	(0.07%)
Investment Return	(0.21%)	(0.38%)
Salary Increases	(0.02%)	0.03%
Decrements Experience*	0.05%	0.75%
Change in Group Hospital and Medical Premium Rate	0.00%	0.00%
Change in Administrative Expense Rate	(0.09%)	0.15%
June 30, 1995 Contribution Rate	8.65%	18.69%

*Includes mortality, disability, termination of employment and retirement experience.

The annual contribution rate required by the participating Agencies to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses for Non-Hazardous position employees is 6.29%. An additional 2.36% is required to fund medical insurance for retirees, bringing the required contribution up to 8.65%. This is less than the current 8.94% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 1996 should be decreased from the current 8.94% level to 8.65%, and we so recommend.

The annual contribution rate required by the participating Agencies to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses for Hazardous position employees is 12.36%. An additional 6.33% is required to fund medical insurance for retirees, bringing the required contribution up to 18.69%. This exceeds the current 18.21% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 1996 be increased from the current 18.21% level to 18.69%, and we so recommend.

The recommended contribution rates are based on current statutory benefits. The budgeted contribution rates will again be reviewed in the June 30, 1996 valuation.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to retirement related benefits at selected intervals since the inception of the System.

COUNTY EMPLOYEES RETIREMENT SYSTEM - RETIREMENT RELATED BENEFITS

July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value Of Assets	Increase in Assets
1960	$ 5,602,131	$ 4,737,680	84.6%	$ 864,451	$ 864,451
1965	12,510,487	6,897,273	55.1%	5,613,214	1,255,742
1971	40,305,948	16,885,927	41.9%	23,420,022*	4,850,170
1975	85,322,085	24,467,454	28.7%	60,854,631*	11,704,780
1976	128,824,236	50,089,614	38.9%	78,734,622*	17,879,991
1977	152,900,347	52,474,756	34.3%	100,425,591*	21,690,969
1978	175,194,867	50,394,913	28.8%	124,799,954*	24,374,363
1979	213,834,377	60,742,472	28.4%	153,091,905*	28,291,951
1980	266,018,621	75,787,680	28.5%	190,230,941*	37,139,036
1981	260,872,162	27,101,917	10.4%	233,770,245	43,539,304
1982	306,087,531	20,552,642	6.7%	285,534,889	51,764,644
1983	340,705,763	0	0.0%	343,155,769	57,620,880
1984	421,336,269	15,148,838	3.6%	406,187,431	63,031,662
1985	463,618,532	0	0.0%	478,043,221	71,855,790
1986	535,948,094	0	0.0%	603,815,800	125,772,579
1987	678,442,760	0	0.0%	727,730,727	123,914,927
1988	829,346,323	0	0.0%	839,578,635	111,848,169
1989	1,113,868,548	35,815,913	3.2%	1,078,052,635	238,473,739
1990	1,432,323,666	162,257,399	11.3%	1,270,066,267	192,013,632
1991	1,654,338,706	258,111,701	15.6%	1,396,227,005	126,160,738
1992**	1,861,978,403	126,939,495	6.8%	1,735,038,908	338,811,903
1993	2,079,930,047	94,249,338	4.5%	1,985,680,709	250,641,801
1994	2,330,344,241	156,989,469	6.7%	2,173,354,772	187,674,063
1995	2,603,575,921	149,447,861	5.7%	2,454,128,060	280,773,288

*Includes capitalized appreciation of investments.
**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to medical premium benefits since 1990.

COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL PREMIUM BENEFITS

July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value Of Assets*	Increase In Assets
1990	700,151,838	670,720,901	95.8%	29,430,937	N/A
1991	823,012,809	780,592,065	94.8%	42,420,744	12,989,807
1992	1,041,905,457	984,949,556	94.5%	56,955,901	14,535,157
1993	1,244,258,042	1,170,004,170	94.0%	74,253,872	17,297,971
1994	1,551,138,800	1,451,623,905	93.6%	99,514,895	25,261,023
1995	1,679,893,225	1,554,439,285	92.5%	125,453,940	25,939,045

*Book value

Certification

On the basis of the actuarial assumptions given and the data furnished by the General Manager of the County Employees Retirement System, it is certified that the actuarial valuation has been made by the use of accepted actuarial principles and that adequate provision is being made for the funding of future benefits.

Certified by:

Stephen A. Gagel

Stephen A. Gagel, F.S.A.

November 1, 1995

Date

William M. Mercer, Incorporated
1500 Meidinger Tower
Louisville Galleria
Louisville, Kentucky 40202
(502) 561-4500

SECTION VI

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Effective Date

The state of Kentucky established the County Employees Retirement System in July, 1958. The plan benefits have been improved several times, most recently as of August 1, 1990.

Plan Year

A plan year is a twelve month period beginning on July 1.

Final Compensation

Final compensation is the average salary during the five highest paid fiscal years. If the months of service credit during the highest five year period is less than forty-eight, one or more additional fiscal years shall be used.

Service

Service means the sum of prior service and current service as defined below:

(a) Prior service is credited for regular full-time employment of at least 100 hours of work per month with a participating agency before July 1, 1958. In some instances prior service credit is granted for time spent in the military.

(b) Current service is obtained for regular full-time employment which averages at least 100 hours of work per month with participating agencies after July 1, 1958. Current service credit may be granted for military service and educational leaves if special criteria are met.

(c) Employers may elect to purchase up to 6 months additional service credit based on an employee's unused sick leave.

Eligibility

Any county or political subdivision or instrumentality, including school boards or urban county government may participate in the System upon approval by the Board. Membership in the system consists of:

(a) all persons who become employees of a county after such county first participates,

(b) all persons who are employees on the date a county first participates and who elect within thirty days to become members and make contributions.

Membership does not include employees of a county who are members of some other state, county, or local retirement system, supported in whole or in part by public funds.

Normal Retirement Date

A member may elect to retire upon: (1) attaining age 65 for non-hazardous positions, or attaining age 55 for hazardous positions, and (2) having contributed to the System. Upon completion of 27 years of service credit, 15 of which are current service for non-hazardous positions, or completion of 20 years of service credit for hazardous positions, a member may elect to retire with an unreduced benefit.

Early Retirement Date

A member may elect to retire before the normal retirement date at any time after: (1) for non-hazardous positions, attainment of age 55 and completion of 60 months of service credit at least 12 of which are current, or at any age after 25 years of service, or (2) for hazardous positions, attainment of age 50 and completion of 15 years of service credit.

Normal Retirement Benefits

For non-hazardous positions, upon attainment of age 65 and completion of 48 months of service, of which 12 months are current service, a monthly benefit equal to 2.20% of the member's final compensation multiplied by his service will be payable. For hazardous positions, a monthly benefit equal to 2.50% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months are current service. A member, with less than 48 months for non-hazardous positions or 60 months for hazardous positions, who retires on or after the normal retirement date is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

Early Retirement Benefits

A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for an unreduced benefit. If a non-hazardous position employee has 27 or more years of service credit, 15 of which are current, or a hazardous position employee has 20 or more years of service credit, an unreduced benefit is payable.

Disability Benefits

A member with 60 months of service, 12 of which must be current service, is entitled to a retirement allowance computed in the same manner as the normal retirement benefit with service and final compensation determined as of the disability date. Service credit shall be added on to total service for the period from the last day of paid employment to the 65th birthday (55th for members in a hazardous position) up to a maximum of service credited to the last day of paid employment. Except for members with 25 or more (20 or more for hazardous) years of service on the last day of paid employment, the maximum combined service credit (total service and added service) shall not exceed 25 years (20 years for hazardous members). For non-hazardous position employees with 25 or more years of service, additional years of service credit will be added up to maximum combined limit of 30, or actual service if greater. For hazardous position employees with 20 or more years of service credit, actual service will be used.

A member in a hazardous position who is disabled in the line of duty is entitled to a retirement benefit of not less than 25% of the member's final monthly rate of pay plus 10% of his final monthly rate of pay for each dependent child. The maximum dependent child's benefit is 40% of the member's final monthly rate of pay. A partial disability benefit may be payable to hazardous employees if the disability is not total and permanent. The disability will be reduced to a rate determined by the Board.

Death Benefits

If a member dies prior to retirement, but after 60 months of service, 12 of which are current and who is a contributing member, or after 12 years of service, one of which is current and who is not a contributing member, or after 48 months service if the member is age 65 or over, a benefit will be payable to the beneficiary based on the member's age, years of service and final compensation at the date of death. The benefit will be equal to the amount payable had the employee retired and elected a joint and 100% survivorship payment form.

If a member in a hazardous position dies in the line of duty and has a spouse as beneficiary, a $5,000 lump sum payment will be made and a benefit of 25% of the member's final monthly rate of pay will be payable until death or remarriage. If the member in a hazardous position dies in the line of duty and has a dependent as beneficiary, a lump sum payment of $10,000 will be made. Monthly payments shall be made for each dependent child equal to 10% of the member's final monthly rate of pay, but not greater than 40% of the member's final monthly rate of pay. The beneficiary of a hazardous duty member with 5 or more years of service, one of which is current, may elect a death benefit computed in the same manner as a non-hazardous employee using 2.50% rather than 2.20%.

Upon the death of a retired member, who had a minimum of 48 months of service credit, a death benefit of $2,500 is payable.

Optional Forms of Payment

Joint and survivor annuities which provide a reduced benefit for the life of the member, with the benefit at the same or at a further reduced rate continuing after the member's death until the death of the designated beneficiary may be elected by the member prior to retirement. Other optional forms include a life annuity with 10, 15 or 20 years of payments guaranteed and a Social Security adjustment with or without survivor rights.

Contributions

Members contribute 5% of gross compensation (7% for hazardous positions). On each June 30, interest is credited at the rate to be determined by the Board on the accumulated contributions the member had in his account on the previous June 30. Upon termination a member may withdraw the contributions with interest, but will be entitled to no benefit payments.

Medical Insurance

Recipients of a retirement benefit may elect to participate in a voluntary hospital/medical group insurance plan for themselves as well as any beneficiaries or dependents. The cost of participation for any beneficiaries or dependents is borne by the retiree (except that dependents of hazardous position employees and legislators will have the same percentage paid by the system as the member). The retirement system will pay a portion of the cost of participation for the retiree based on years of service credit as follows:

Less than 4 years	0%
4 - 9 years	25%
10 - 14 years	50%
15 - 19 years	75%
20 or more years	100%

If a hazardous member is disabled in the line of duty, the retirement system will pay 100% of the cost of the member, spouse and eligible dependents. If a hazardous member is killed in the line of duty, the retirement system will pay 100% of the cost of the beneficiary and eligible dependents as long as they remain eligible for a monthly benefit payment.

Increase in Retirement Allowances

The board shall increase retirement allowances each year of the biennium by fifty percent (50%) of the rate margin for the nonhazardous members of the Kentucky Employees Retirement System as determined by the board's actuary in the annual actuarial valuation prior to the biennium with a maximum increase of five percent (5%) per year, as averaged over a five (5) year period. The first period for averaging shall be from July 1, 1986, to August 1, 1990. Each year thereafter, the next year shall be added and the first year shall be dropped from the five (5) year averaging period.

THIRTY-SEVENTH ANNUAL ACTUARIAL VALUATION

JUNE 30, 1995

STATE POLICE RETIREMENT SYSTEM

FRANKFORT, KENTUCKY

SECTION I

INTRODUCTION

The results of the thirty-seventh annual actuarial valuation of the State Police Retirement System are presented in this report. The actuarial valuation was made on the basis of the data provided by the System as of June 30, 1995.

The purpose of the actuarial valuation is to determine the actuarial condition of the Retirement System and the rate of employer contribution for the ensuing fiscal year as required to support the System.

The plan provisions utilized in this valuation are described in the Summary of Principal Plan Provisions beginning on page S-33. The basis of funding is defined in KRS 61.565 and provides that the actuarial valuation method would be uniform for all benefits provided by the System. The Entry Age Normal Actuarial cost method has been used for all benefits. KRS 61.565 provides that each employer participating in the System shall contribute an amount equal to the Normal Cost contribution rate, and an amount sufficient to amortize the Unfunded Actuarial Accrued Liability over 30 years using the level-percentage-of-payroll method. This is the standard used herein to determine whether the funding of the System is adequate.

The actuarial valuation results are based upon the employee census and asset data supplied by the office of the System, and upon the actuarial assumptions as stated on page S-5.

SECTION II

ACTUARIAL CONSIDERATIONS

Description of Actuarial Methods

The actuarial valuation is the means by which the contingent liabilities and contribution rates of a retirement system are evaluated and determined. It provides a guide to the System as to the financing required during years of active service to accumulate the funds needed to provide members' benefits. It also makes it possible to estimate beforehand the cost of proposed changes in the System so that action can be taken in the light of the cost consequences.

The methods of valuation are prescribed by KRS 61.565. The Entry Age Normal Actuarial cost method was used to determine costs of all benefits with the exception of the retiree medical insurance benefit. Under this method the employer's contribution to the retirement system consists of Normal Cost, a payment to fund the Unfunded Actuarial Accrued Liability, medical insurance, and administrative expenses. The Normal Cost represents the contribution (as a level percent of payroll) that completely funds benefits at retirement if made from a person's entry into employment until his retirement. The Actuarial Accrued Liability represents the sum of money and investments that would be held in the fund if the retirement system had been in effect since the date each member was first employed.

The medical insurance contribution rate was originally determined in the 1987 valuation as the level percent of payroll necessary to fund projected medical insurance premiums over the next sixteen years (taking into account the level of reserves in the Insurance Fund). Beginning in 1988, this rate is being increased each year by a percentage amount needed to reach the Entry Age Normal funding rate within a 20 year period measured from 1987. This was continued through the 1992 valuation. In the 1992 valuation, an acceleration of the scheduled increases in the medical insurance contribution rate was recommended where possible. This acceleration in these rates was coupled with a deferral of future increases until the time of the next experience study, unless there is a deterioration in the funded position of the medical premium benefit in which case the rate levels will be reviewed to redetermine an appropriate current funding level, or unless recommended contributions are not made in the prior year, in which case the shortfall shall be spread over future years through an increase in the contribution rate.

The amount of the administrative expense was based on the budgeted amount for the twelve months following the date of the valuation.

Actuarial Assumptions

Since the actuarial valuation involves estimates of benefits payable in the future, it is necessary that assumptions be made as to the interest earnings, rates of mortality, withdrawal, retirement, and disability, and the rate at which salaries will increase. In addition, an assumption must be made relative to increases in medical insurance premium rates in order to value the liability for the medical insurance benefit.

It is desirable that the actuarial assumptions be reviewed periodically to see whether past experience and probable future experience justifies the continued use of these actuarial assumptions. Such a study was performed subsequent to the 1989 actuarial valuation and new actuarial assumptions were adopted by the Board for use in the subsequent actuarial valuations, until such time as another experience study is performed. This valuation reflects assumptions based on the 1989 experience study.

Actuarial Value of Assets

The actuarial value of assets is determined in the following manner for the Retirement Fund:

1. 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 (but not using any valuation dates prior to June 30, 1989). All asset values include accrued investment income and member and employer contribution receivables, and exclude member refunds and investment expenses payable.

2. Determine the average ratio of market to book value as of these valuation dates.

3. 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.

For the Insurance Fund, the actuarial value of assets is determined to be the book value of the assets in that fund as of the valuation date adjusted for any receivables and/or payables.

The different asset valuation methods for the Retirement Fund and the Insurance Fund are a result the following:

1. There is separate book and market value information for the Insurance Fund under all systems dating only from July, 1992. So it is not possible to presently use the same averaging method for the Insurance Fund as used for the Retirement Fund.

2. The magnitude of assets to liabilities for the Insurance Fund is such that the method of valuing assets will only negligibly affect current valuation results. Also, given the current method for transitioning into higher medical premium contribution rates over future years, the asset valuation method used for the Insurance Fund is not as critical as the asset valuation method used for the Retirement Fund.

The derivation of valuation assets for the Retirement Fund as of the current valuation date is as follows:

	Book Value *	Market Value *	Ratio
June 30, 1995	180,382,515	227,154,505	125.92934%
June 30, 1994	173,754,936	198,164,329	114.04217%
June 30, 1993	169,070,558	202,753,319	119.92231%
June 30, 1992	158,977,890	198,369,414	124.77799%
June 30, 1991	150,818,074	178,297,082	118.21997%
June 30, 1990	145,025,551	165,133,597	113.86517%
... Average Ratio =			120.57956%
... Valuation Assets = (Average Ratio x Current Book Value)			217,504,443

* Reflects accrued investment income and member and employer contribution receivables, and member refunds and investment expenses payable; represents Retirement Fund assets exclusive of amounts in the Insurance Fund

Except for Table V, the actuarial value of assets excludes any amounts in the Insurance Fund. Table V uses only assets in the Insurance Fund, excluding all other amounts.

STATE POLICE RETIREMENT SYSTEM

ACTUARIAL ASSUMPTIONS

A. STATEMENT OF ACTUARIAL ASSUMPTIONS

(1) Mortality:

(a) Active & retired lives - 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year.

(b) Disabled lives - Social Security Administration Disability Mortality Rates - Actuarial Study No. 75 (current rates used by PBGC for disabled lives receiving Social Security).

(2) Disablement - Graduated rates based on 1989 experience study.

(3) Termination of employment - Graduated rates based on 1989 experience study.

(4) Retirement - 50% will retire as soon as eligible for unreduced benefits and balance will continue to age 55.

(5) Marital status

(a) Percentage married - 100%.

(b) Age difference - Males are assumed to be 3 years older than their spouses.

(6) Dependent children - For duty related death benefits, it is assumed that the employee is survived by 2 dependent children, each age 6.

(7) Investment return - 8.00% per year, net of investment related expenses, compounded annually.

(8) Compensation progression - 6.50% per year, compounded annually.

(9) Retiree Medical Insurance - It was assumed that future retirees would select medical coverage in the same proportion that current retirees have selected coverage. Monthly premium rates were assumed to be as follows:

Plan Type	7/1/95 Rate	Rate Increase Date	Rate Increase Rate
Single	$168.00*	1/1/96	$184.80**
Family	352.80*	1/1/96	388.08**
Parent Plus	252.00*	1/1/96	277.20**
Medicare	83.45*	1/1/96	91.80**
High Option	150.45*	1/1/96	165.50**

*Actual rates
**Assumed rates

In determining the medical premium funding rate in 1987, medical premiums were assumed to increase at an annual rate of 12%. In determining the target Entry Age Funding rate in valuations subsequent to 1987, it was assumed that medical premiums would grow at an annual rate of 10%. The assumed rate of growth in number of retirees receiving medical insurance was based on assumed retirement and mortality patterns used throughout the valuation.

Reserves in the Insurance Fund were used to offset the liability for premiums.

(10) Missing data - For those active members with incomplete data, the following assumptions were made:

- If reported salary was zero or blank, then monthly salary was assumed to be $1,713
- If reported age was blank, then assume current age equal to age 18 plus years of service reported

(11) Members with Multiple Service Records

- For active members with service in more than one system, the liability has been valued as follows:

  - Service under all systems is aggregated for purposes of determining benefit eligibility.

  - Future service is projected only under the system in which the member is currently active.

  - The actual benefit under each system is determined based only on service (past and projected future service, if applicable) under that system.

  - The liability is determined under each system based on the actuarial assumptions used for the system in which the member is currently active. This liability is then included in the valuation of the system in which the service has been earned (or is projected to be earned).

  For inactive members with service in more than one system, the benefit attributable to the service under each system is determined, and the liability for that benefit is then included in the valuation of the system in which the service was earned.

B. SAMPLE RATES

(1) Annual Rates of Mortality:

	Active Mortality*		Disabled Mortality	
Age	Males	Females	Males	Females
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.

(2) Annual Rates of Decrement:

Age	Disablement	Ultimate Termination
25	0.03%	3.04%
30	0.03%	3.38%
40	0.09%	1.50%
50	0.35%	0.00%
55	0.66%	0.00%
60	1.16%	0.00%

(3) Compensation Progression:

Age	Rate of Annual Increase	Compensation at Normal Retirement as Percentage Of Current Annual Compensation
25	6.50%	661.4%
30	6.50%	482.8%
40	6.50%	257.2%
50	6.50%	137.0%

SECTION III

STATE POLICE RETIREMENT SYSTEM

RESULTS OF THE 1995 ACTUARIAL VALUATION

Actuarial Balance Sheet

Table I, which follows, is the actuarial balance sheet of the State Police Retirement System as of June 30, 1995. The "actuarial balance sheet" of the retirement system displays the fundamental relationship between actual assets, future contributions, and future benefits. The asset side of the balance sheet is comprised of actual fund assets plus the actuarial present value of future contributions on behalf of current members. The actuarial present values of all projected benefit payments to present active and inactive members make up the balance sheet liabilities.

Determination of Contribution Rate

The rate of contribution by the State required to provide 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, the employer share of the Normal Cost, medical insurance and the administrative costs of the System is shown in Table II. The required contribution is expressed both in dollars and as a percentage of the estimated annual covered payroll as of June 30, 1995.

The actuarial methods applied to determine the Normal Cost for the year commencing July 1, 1995 are described on page S-2. These costs are classified by type of benefit. The Normal Cost contribution rate of the State is determined by reducing the total Normal Cost by the expected employee contributions.

Accountant's Information

Table III contains a calculation of the accumulated value of plan benefits as specified under FASB Statement No. 35. Under this calculation, the present value of future benefits payable and attributable to the employee's present accrued benefit is computed. The probabilities of termination, disability, mortality and retirement are the same for this calculation as those used in the regular valuation calculations. However, future increases in earnings and additional benefit accruals are not projected beyond the current valuation date.

Table IV contains information needed to comply under GASB Statement No. 5. These calculations reflect the present value of benefits attributable to current years of service, but based on projected salary levels at the time a member's final benefits are determined.

Table V contains information needed to comply under GASB Statement No. 12. These calculations reflect the liabilities for the medical premium benefit provided under the system.

TABLE I
STATE POLICE RETIREMENT SYSTEM
ACTUARIAL BALANCE SHEET - JUNE 30, 1995

Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		$218,084,340
Actuarial Present Value of Future Member Contributions		25,722,134
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	$28,974,963	
For Unfunded Actuarial Accrued Liability	24,186,188	
Total		$53,161,151
Total Actuarial Assets		$296,967,625

ACTUARIAL LIABILITIES

Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	$148,245,319	
Vested Retirement	$87,847	
Vested Membership	$64,914	
Total - Inactive		$148,398,080
Active Members:		
Retirement Benefits	$134,441,474	
Disability Benefits	3,224,889	
Withdrawal Benefits (Vested and Refund of Contributions)	4,563,264	
Survivor Benefits	5,760,021	
Total - Active		$147,989,648
Refunds and Expenses Payable		$579,897
Total Actuarial Liabilities		$296,967,625

ACCRUED BENEFIT LIABILITY ** $194,845,017

* Values as of June 30, 1995

Market value of assets:	$227,154,505
Actuarial value of assets:	$217,504,443
Member's Contribution Account:	$27,845,259

** Present value of accrued benefit deferred to normal retirement date.

TABLE II
STATE POLICE RETIREMENT SYSTEM
DETERMINATION OF CONTRIBUTION RATE - JUNE 30, 1995

		PERCENT *
ACTUARIAL ACCRUED LIABILITY		
Active Members		
Retirement Benefits	$87,866,147	279.45%
Disability Benefits	$1,590,800	5.06%
Withdrawal Benefits (Vested and Refund of Contributions)	$740,219	2.35%
Survivor Benefits	$3,095,385	9.84%
Actuarial Accrued Liability - Actives	$93,292,551	296.70%
Inactive Members		
Retired Members and Beneficiaries	$148,245,319	471.49%
Vested Retirement	87,847	0.28%
Vested Membership	64,914	0.21%
Actuarial Accrued Liability - Inactives	$148,398,080	471.98%
Total Actuarial Accrued Liability	$241,690,631	768.68%
UNFUNDED ACTUARIAL ACCRUED LIABILITY		
Total Actuarial Accrued Liability	$241,690,631	768.68%
Less Actuarial Value of Assets	217,504,443	691.76%
Unfunded Actuarial Accrued Liability		
. Portion Amortized from 1990	$10,157,700	32.31%
. Portion Amortized from 1991	$11,022,891	35.06%
. Portion Amortized from 1992	($26,480,334)	-84.22%
. Portion Amortized from 1993	($3,907,965)	-12.43%
. Portion Amortized from 1994	$10,664,604	33.92%
. Portion Amortized from 1995	$22,729,292	72.29%
. Total	$24,186,188	76.92%
Contribution - Payment on Unfunded Actuarial Accrued Liability	$1,205,336	3.83%

TABLE II (CONTINUED)
STATE POLICE RETIREMENT SYSTEM
DETERMINATION OF CONTRIBUTION RATE - JUNE 30, 1995

NORMAL COST		
Retirement Benefits	$3,960,044	12.59%
Disability Benefits	$142,497	0.45%
Withdrawal Benefits (Vested and Refund of Contributions)	$325,885	1.04%
Survivor Benefits	$226,159	0.72%
Total Normal Cost	$4,654,585	14.80%
Less Employee Contributions	2,189,642	6.96%
Total Normal Cost - State Police	$2,464,943	7.84%
TOTAL ANNUAL EMPLOYER COST - STATE POLICE		
Normal Cost	$2,464,943	7.84%
Payment on Unfunded Actuarial Accrued Liability	1,205,336	3.83%
Administrative Expenses	219,295	0.70%
Group Hospital and Medical Insurance Premiums	4,467,914	14.21%
Total Annual Cost	$8,357,488	26.58%

* Based on estimated annual salaries of $31,442,040

TABLE III
STATE POLICE RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER FASB STATEMENT NO. 35

ACTUARIAL PRESENT VALUE OF VESTED ACCUMULATED BENEFITS	
Active Members	
Retirement Benefits	$29,179,231
Disability Benefits	997,225
Withdrawal Benefits (Vested & Refund of Contributions)	2,389,021
Survivor Benefits	0
Total - Active Members	$32,565,477
Inactive Members	
Retired Members and Beneficiaries	$148,245,319
Vested Retirement	$87,847
Vested Membership	$64,914
Total - Inactive Members	$148,398,080
Total Actuarial Present Value of Vested Accumulated Benefits	$180,963,557
ACTUARIAL PRESENT VALUE OF NON-VESTED ACCUMULATED BENEFITS	
Active Members	
Retirement Benefits	$11,874,787
Disability Benefits	883,813
Withdrawal Benefits (Vested & Refund of Contributions)	(232,586)
Survivor Benefits	2,643,782
Total Active Members	$15,169,796
Inactive Members	$0
Total Actuarial Present Value of Non-Vested Accumulated Benefits	$15,169,796

NOTE: All calculations in this Table IV have been developed as specified under FAS Statement No. 35.

TABLE IV
STATE POLICE RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER GASB STATEMENT NO. 5

NUMBER OF MEMBERS	
Inactive Members	
Retired Members and Beneficiaries	590
Vested Retirements	5
Vested Membership	72
Total Inactive Members	667
Active Members	
Vested Members	753
Nonvested Members	233
Total Active Members	986
Total Members	1,653
UNFUNDED PENSION BENEFIT OBLIGATION	
Pension Benefit Obligation	
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Members Not Members Not Yet Receiving Benefits	$148,398,080
Current Members	
Accumulated Employee Contributions and Credited Interest	27,588,488
Employer Financed - Vested	55,868,147
Employer Financed - Nonvested	800,817
Total Pension Benefit Obligation	$232,655,532
Net Assets at Actuarial Value	$217,504,443
Unfunded Pension Benefit Obligation	$15,151,089

NOTE: (1) Pension Benefit Obligation based on Projected Unit Credit Actuarial Cost Method.
(2) Assets at book value on June 30, 1995: $180,382,515

TABLE V
STATE POLICE RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - JUNE 30, 1995
INFORMATION REQUIRED UNDER GASB STATEMENT NO. 12

NUMBER OF MEMBERS
Inactive Members
Contracts in Force - Retirees and Dependents

(1) Single;	- 100% Paid	124
Pre-Medicare	- 75% Paid	3
	- 50% Paid	1
	- 25% Paid	0
	- 0% Paid	0
(2) Family;	- 100% Paid	276
Pre-Medicare	- 75% Paid	3
	- 50% Paid	0
	- 25% Paid	1
	- 0% Paid	0
(3) Parent +;	- 100% Paid	25
Pre-Medicare	- 75% Paid	0
	- 50% Paid	0
	- 25% Paid	0
	- 0% Paid	0
(4) Medicare Regular	- 100% Paid	0
	- 75% Paid	0
	- 50% Paid	2
	- 25% Paid	0
	- 0% Paid	0
(5) Medicare High Option	- 100% Paid	148
	- 75% Paid	4
	- 50% Paid	2
	- 25% Paid	1
	- 0% Paid	1
Vested Retirements		5
Vested Membership		72
Active Members		986

UNFUNDED MEDICAL BENEFIT OBLIGATION

Medical Benefit Obligation	
Retirees, Beneficiaries and Vested Terminated Members	$53,848,045
Active Members	65,147,687
Total Medical Benefit Obligation	$118,995,732
Net Assets at Actuarial Value *	$21,200,195
Unfunded Medical Benefit Obligation	$97,795,537

NOTE: Medical Benefit Obligation based on Entry Age Normal Actuarial Cost Method

* Actuarial value equal to book value for purposes of the Insurance Fund.

SECTION IV
COMMENTS AND CERTIFICATION

Comments

The total Actuarial Accrued Liability increased from $206,763,310 on June 30, 1994 to $241,690,631 on June 30, 1995. The Unfunded Actuarial Accrued Liability increased from $1,442,801 to $24,186,188. Total actuarial value of assets as of June 30, 1995 was equal to $217,504,443.

The Unfunded Actuarial Accrued Liability increased from 4.66% to 76.92% as a percentage of annual payroll and increased from 0.7% to 10.0% as a percentage of the Actuarial Accrued Liability in the year ended June 30, 1995.

The change in contribution rate between the 1994 and 1995 valuations is a function of actual plan experience since the last valuation. A formal gain and loss analysis would identify the portion of the contribution rate change attributable to each element of plan experience and benefit change. However, undertaking such an analysis would be extremely time consuming and expensive. In lieu of the formal analysis, we have estimated the impact of the various components of gain and loss based on changes in statistical averages of each group. The following table shows the results of this computation:

June 30, 1994 Contribution Rate	23.05%
Change in Unfunded Actuarial Accrued Liability Payment Percentage Due to Covered Payroll Experience	0.02%
Investment Return	(0.55%)
Salary Increases	0.00%
Other Decrements*	3.62%
Change in Group Hospital and Medical Premium Rate	0.00%
Change in Administrative Expense Rate	0.44%
June 30, 1995 Contribution Rate	26.58%

*Includes mortality, disability, termination of employment and retirement experience.

The annual State contribution rate required to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses is 12.37%. An additional 14.21% is required to fund medical insurance for retirees, bringing the required contribution up to 26.58%. This exceeds the current 23.05% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 1996 should be increased from the current 23.05% level to 26.58%, and we so recommend.

The recommended contribution rates are based on current statutory benefits. The budgeted contribution rates will again be reviewed in the June 30, 1996 valuation.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to retirement related benefits at selected intervals since the inception of the System.

STATE POLICE RETIREMENT SYSTEM - RETIREMENT RELATED BENEFITS

July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value Of Assets	Increase in Assets
1958	$ 1,450,000	$ 1,450,000	100.0%	$ 0	$ 0
1963	4,553,258	2,008,476	44.1%	2,544,782	619,167
1968	9,079,139	3,288,103	36.2%	5,791,036	789,709
1971	11,828,727	2,441,888	20.6%	9,386,839*	1,339,726
1974	17,737,434	3,179,448	17.9%	14,557,986*	1,935,105
1975	23,182,081	6,169,445	26.6%	17,012,636*	2,454,650
1976	28,693,129	8,231,367	28.7%	20,461,762*	3,449,126
1977	34,561,413	10,436,161	30.2%	24,125,252*	3,663,490
1978	49,950,102	21,440,957	42.9%	28,509,145*	4,383,893
1979	55,391,206	21,487,985	38.8%	33,903,221*	5,394,076
1980	67,580,562	26,663,397	39.5%	40,917,165*	7,013,944
1981	71,526,728	23,296,425	32.6%	48,230,303	7,313,138
1982	78,713,172	21,383,042	27.2%	57,330,130	9,099,827
1983	81,944,546	16,187,460	19.8%	65,757,086	8,426,956
1984	91,180,668	16,200,151	17.8%	74,980,517	9,223,431
1985	99,269,825	14,253,583	14.4%	85,016,242	10,035,725
1986	105,559,951	8,892,252	8.4%	96,667,699	11,651,457
1987	111,541,989	1,347,385	1.2%	110,194,604	13,526,905
1988	120,128,367	0	0.0%	120,998,549	10,803,945
1989	134,550,773	3,200,220	2.4%	131,350,553	10,352,004
1990	154,007,622	8,982,071	5.8%	145,025,551	13,674,998
1991	170,009,955	19,191,881	11.3%	150,818,074	5,792,523
1992**	182,996,056	0	0.0%	187,791,011	36,972,937
1993	191,653,594	0	0.0%	200,320,968	12,529,957
1994	206,763,310	1,442,801	0.7%	205,320,509	4,999,541
1995	241,690,631	24,186,188	10.0%	217,504,443	12,183,934

*Includes capitalized appreciation of investments.
**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to medical premium benefits since 1990.

STATE POLICE RETIREMENT SYSTEM - MEDICAL PREMIUM BENEFITS

July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value Of Assets*	Increase In Assets
1990	64,784,801	58,268,284	89.9%	6,516,517	N/A
1991	74,163,248	65,231,704	88.0%	8,931,544	2,415,027
1992	88,407,634	76,689,678	86.7%	11,717,956	2,786,412
1993	95,290,099	81,004,620	85.0%	14,285,479	2,567,523
1994	110,193,139	92,782,467	84.2%	17,410,672	3,125,193
1995	118,995,732	97,795,537	82.2%	21,200,195	3,789,523

*Book value

Certification

On the basis of the actuarial assumptions given and the data furnished by the General Manager of the State Police Retirement System, it is certified that the actuarial valuation has been made by the use of accepted actuarial principles and that adequate provision is being made for the funding of future benefits.

Certified by:

Stephen A. Gagel

Stephen A. Gagel, F.S.A.

November 1, 1995

Date

William M. Mercer, Incorporated
1500 Meidinger Tower
Louisville Galleria
Louisville, Kentucky 40202
(502) 561-4500

SECTION VI

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Effective Date

The state of Kentucky established the State Police Retirement System in July, 1958. The plan benefits have been improved several times, most recently as of August 1, 1991.

Plan Year

A plan year is a twelve month period beginning on July 1.

Final Compensation

Final compensation is the average salary during the five highest paid fiscal years. If the months of service credit during the highest five year period is less than forty-eight, one or more additional fiscal years shall be used.

Service

Service means the sum of prior service and current service as defined below:

(a) Prior service is credited for regular full-time employment of at least 100 hours of work per month with a participating agency before July 1, 1958. In some instances prior service credit is granted for time spent in the military.

(b) Current service is obtained for regular full-time employment which averages at least 100 hours of work per month with participating agencies after July 1, 1958. Current service credit may be granted for military service and educational leaves if special criteria are met.

(c) Service is increased by unused sick leave, up to a maximum of six months, for purposes of computing eligibility and the amount of benefits.

Eligibility

The Bureau of State Police shall participate in the System. Membership in the System consists of:

(a) all regular full-time officers of the Kentucky State Police who are entitled to exercise the powers of police officers,

(b) no person who is age 31 or over shall be eligible to become an employee of the Kentucky State Police.

Normal Retirement Date

A member may elect to retire upon attaining age 55 and having contributed to the System. Upon completion of 20 years of service credit, 15 of which are current service, a member may declare the normal retirement date to be some date prior to age 55.

Early Retirement Date

A member may elect to retire before the normal retirement date at any time after attainment of age 50 and completion of 15 years of service credit.

Normal Retirement Benefits

A monthly benefit equal to 2.50% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months are current service. A member who retires on or after the normal retirement date with less than 60 months of service is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

Early Retirement Benefits

A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for an unreduced benefit. If a member has 20 or more years of service credit (15 of which are current), an unreduced benefit is payable.

Disability Benefits

A member with 60 months of service, 12 of which must be current service, is entitled to a retirement allowance computed in the same manner as the normal retirement benefit with service and final compensation determined as of the disability date. Service credit shall be added on to total service for the period from the last day of paid employment to the 55th birthday up to a maximum of service credited to the last day of paid employment. Except for members with 20 or more years of service on the last day of paid employment, the maximum combined service credit (total service and added service) shall not exceed 20 years. For members with 20 or more years of service credit, actual service will be used. The retirement benefit shall not be less than 25% of the member's final monthly rate of pay for those disabled in the line of duty. Ten percent of final monthly rate of pay for each dependent child is also payable if disability occurs in line of duty. The maximum dependent child's benefit is 40% of the member's final monthly rate of pay. A partial disability benefit may be payable if the disability is not total and permanent. The disability will be reduced to a rate determined by the Board.

Death Benefits

If a member dies prior to retirement, but after 60 months of service, 12 of which are current and who is a contributing member, or after 12 years of service, one of which is current and who is not a contributing member, a benefit will be payable to the beneficiary based on the member's age, years of service and final compensation at the date of death. The benefit will be equal to the amount payable had the employee retired and elected a joint and 100% survivorship payment form.

If a member dies in the line of duty and has a spouse as beneficiary, a $5,000 lump sum payment will be made and a benefit of 25% of the member's final monthly rate of pay will be payable until death or remarriage. If the member dies in the line of duty and has a dependent as beneficiary, a lump sum payment of $10,000 will be made. Monthly payments shall be made for each dependent child equal to 10% of the member's final monthly rate of pay, but not greater than 40% of the member's final monthly rate of pay. The beneficiary of a member with 5 or more years of service, one of which is current, may elect a death benefit computed in the same manner as a non-hazardous employee under KERS and CERS, using 2.50% rather than the non-hazardous benefit rate.

Upon the death of a retired member, who had a minimum of 48 months of service credit, a death benefit of $2,500 is payable.

Optional Forms of Payment

Joint and survivor annuities which provide a reduced benefit for the life of the member, with the benefit at the same or at a further reduced rate continuing after the member's death until the death of the designated beneficiary may be elected by the member prior to retirement. Other optional forms include an annuity with 10, 15 or 20 years of payments guaranteed and a Social Security adjustment with or without survivor rights.

Contributions

Members contribute 7% of gross compensation until age 55. On each June 30, interest is credited at the rate to be determined by the Board on the accumulated contributions the member had in his account on the previous June 30. Upon termination a member may withdraw the contributions with interest, but will be entitled to no benefit payments.

Medical Insurance

Recipients of a retirement benefit may elect to participate in a voluntary hospital/medical group insurance plan for themselves as well as any beneficiaries or dependents. The retirement system will pay a portion of the cost of participation for the retiree and dependents based on years of service credit as follows:

Less than 4 years	0%
4 - 9 years	25%
10 - 14 years	50%
15 - 19 years	75%
20 or more years	100%

If a member is disabled in the line of duty, the retirement system will pay 100% of the cost of the member, spouse and eligible dependents. If a member is killed in the line of duty, the retirement system will pay 100% of the cost of the beneficiary and eligible dependents as long as they remain eligible for a monthly benefit payment.

Increase in Retirement Allowances

The board shall increase retirement allowances each year of the biennium by fifty percent (50%) of the rate margin for the nonhazardous members of the Kentucky Employees Retirement System as determined by the board's actuary in the annual actuarial valuation prior to the biennium with a maximum increase of five percent (5%) per year, as averaged over a five (5) year period. The first period for averaging shall be from July 1, 1986, to August 1, 1990. Each year thereafter, the next year shall be added and the first year shall be dropped from the five (5) year averaging period.

KENTUCKY RETIREMENT SYSTEMS

Investment Section

Annual Report June 30, 1995

INVESTMENT SECTION INTRODUCTION

The Kentucky Employees Retirement System, County Employees Retirement System and State Police Retirement System were created to provide retirement benefits to employees of both state and local government agencies in Kentucky. Charged with the responsibility of investing the assets to attain this goal, the members of the Board of Trustees follow a policy of preserving capital, while seeking means of enhancing revenues and protecting against 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 Man 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 Board has set these 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 accomplishing these goals, the Board contracts for the services of professional and experienced advisors. The Board also contracts with the firm of William M. Mercer Asset Planning, Inc. to provide services in the allocation of assets, selection of investment managers, and the review of performance of the managers.

In addition to these contracted advisors, the Investment Division manages an Index Equity Fund of selected common stocks. The aim of this fund is to perform as well as or better than the Standard & Poor 500 Stock Index.

Because the hazardous and nonhazardous groups within the systems have specific financial needs, the investment information is presented for each group separately.

MERCER
INVESTMENT
CONSULTING, INC.

November 16, 1995

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

Members of the Board:

On June 30, 1995, Kentucky Retirement Systems completed its fifth full fiscal year of experience under the current investment structure. The assets in the combined Retirement System funds, excluding the Insurance Fund, grew from just below \$5.0 billion to \$5.9 billion at market value during the fiscal year, primarily due to strong investment performance. During the same period of time, the market value of the assets in the Insurance Fund grew from \$212 million to \$294 million.

Recovering from the difficult environment in fiscal 1994, the stock market rebounded sharply during fiscal 1995, with the majority of the gains occurring in the last 6 months. Steady economic growth and reduced inflationary anxiety bolstered investors' confidence, sending the stock market to all-time record levels. With the S&P 500 advancing by 26.0%, active managers experienced difficulty matching their indexed counterparts, as evidenced by the 22.6% median of the Mercer Equity Universe. Growth-oriented strategies were favored over value-oriented strategies during the year, as is often the case in sharply rising markets. In addition, large capitalization stocks outperformed smaller capitalization issues.

Although interest rates rose during the last six months of calendar 1994, dampening returns, the bond market rallied sharply during the first six months of 1995, allowing the bond market to achieve double-digit returns during the fiscal year as a whole. The broad Lehman Brothers Aggregate Bond Index posted a return of 12.5% during the fiscal year, while the median manager achieved a return of 11.4%. The lag occurred as most managers adopted a more conservative maturity structure than the market during the rise in interest rates.

The Retirement Systems fared well in this environment, achieving a return of 19.0% during the fiscal year. This exceeded both the Reference Index return of 18.6% and the Composite Universe median of 16.8%, which are the primary return benchmarks for the fund. The Insurance Fund, reflecting its inherently more conservative structure, earned 15.6%, and also exceeded its benchmarks.

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The Retirement Systems' manager structure remained similar to the policy established in 1990, although it became necessary to replace one of the equity managers as of June 30, 1995. Equities remained overweighted relative to the targets due to the change of the asset allocation target from book value to market value which occurred during fiscal 1994. The Board elected to reduce this variance over time by directing new contributions to the underweighted asset classes, although the strongly rising equity market has slowed this process. As of June 30, 1995, the allocation of the Retirement Systems' assets was as follows:

	Target Asset Allocation	Allocation at Market Value	Allocation at Book Value
Equities	55.0%	61.9%	52.9%
Fixed Income	25.0%	22.6%	27.2%
Real Estate	10.0%	5.6%	7.6%
Cash Equivalents	10.0%	9.9%	12.3%

The allocation of the Insurance Fund as of June 30, 1995 was reasonably in line with its asset allocation targets, as shown by the following:

	Target Asset Allocation	Allocation at Market Value	Allocation at Book Value
Equities	27.5%	28.1%	22.4%
Fixed Income	62.5%	63.9%	68.8%
Cash Equivalents	10.0%	8.0%	8.8%

Mercer Investment Consulting, Inc. monitors the programs' progress toward their goals during each calendar quarter and also monitors each manager on a quarterly basis. A formal report is presented to the Board annually in April. We are pleased to report that, in our opinion, the performance of both the Retirement Systems and the Insurance Fund were satisfactory relative to their goals during fiscal 1995. More importantly, during the five fiscal years since the assets were restructured, each fund has exceeded its individual return benchmarks.

During fiscal 1996, an asset/liability forecasting study will be performed to determine if the current asset allocation structure of the funds remains appropriate. Pending the outcome of that study, Mercer recommends no changes to either the asset allocation targets or manager structure at the current time. We remain confident that the program will meet the Retirement Systems' and Insurance Fund's goals over the long term.

Respectfully submitted,

MERCER INVESTMENT CONSULTING, INC.

Barbara L. Brightman, CFA
Principal

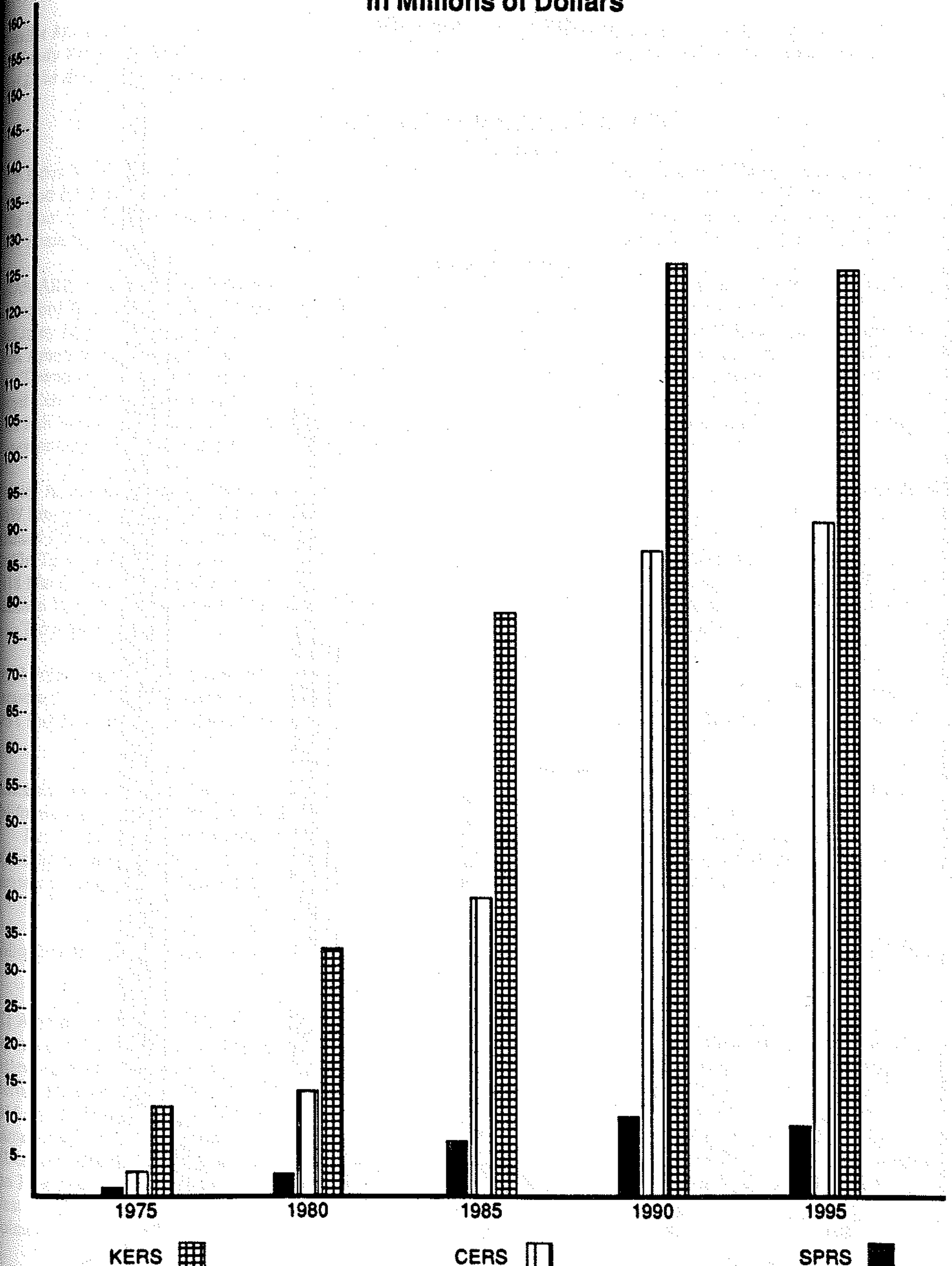
KENTUCKY RETIREMENT SYSTEMS

PERFORMANCE BY CLASS
1991 THROUGH 1995

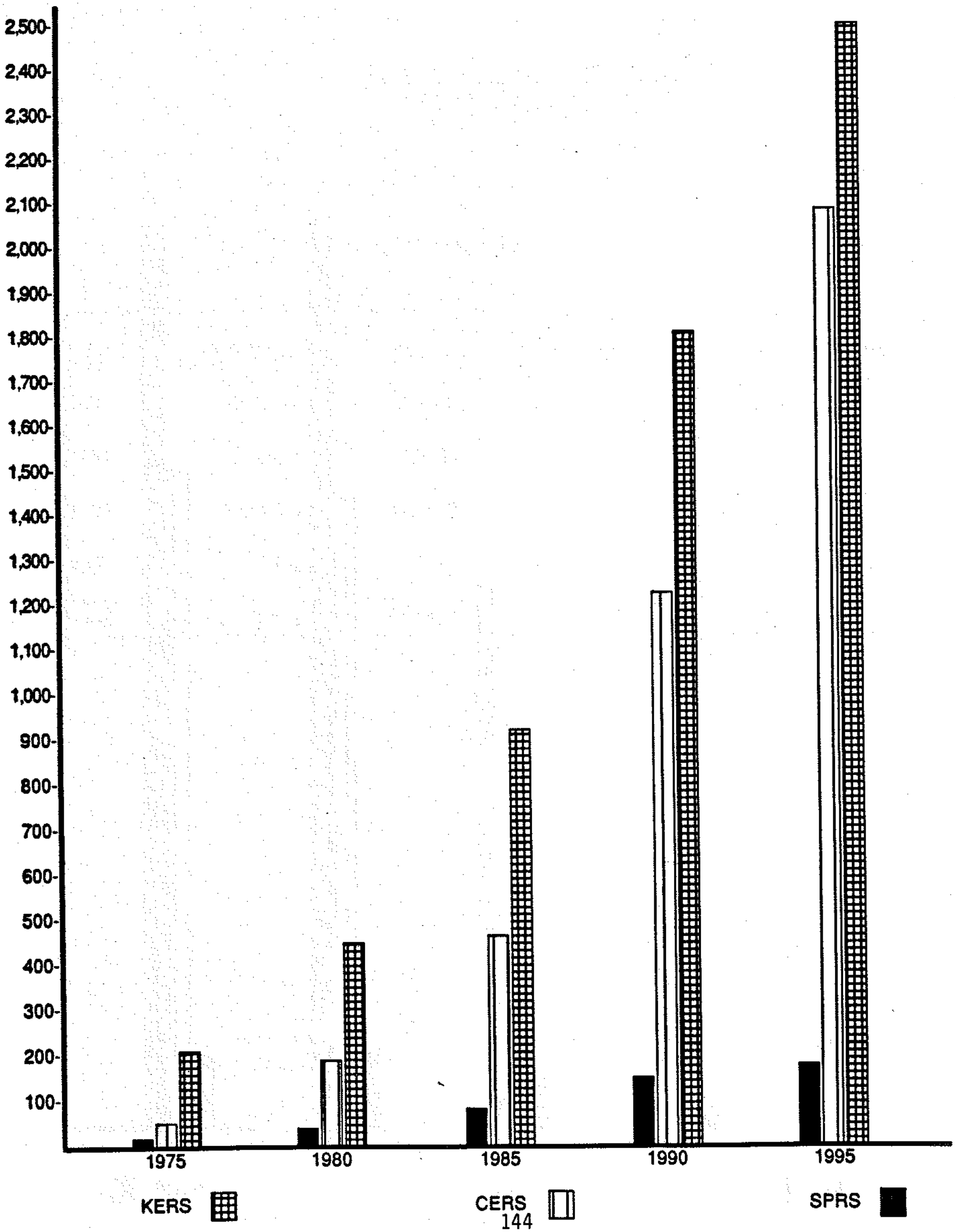
The following chart shows performance by class for the past five fiscal years.

YEAR	STOCKS	BONDS	REAL ESTATE	SHORT TERM	TOTAL PORTFOLIO
1991	6.451%	11.237%	1.480%	7.813%	8.264%
1992	13.705%	13.982%	-2.592%	5.119%	11.668%
1993	16.028%	12.060%	-1.757%	3.484%	12.252%
1994	.831%	-.846%	5.581%	3.767%	1.051%
1995	**25.689%**	**11.042%**	**4.002%**	**5.759%**	**18.973%**

PORTFOLIO INCOME GROWTH
(Interest and Dividends)
6/30/75 through 6/30/95
In Millions of Dollars



PORTFOLIO GROWTH
(At Book Value)
6/30/75 through 6/30/95
In Millions of Dollars



KENTUCKY RETIREMENT SYSTEMS
REAL ESTATE INVESTMENTS

FULLY-OWNED PROPERTIES:

Danville Manor, Danville, KY
Big Sandy Village, Pikeville, KY
East Lake Apartments, Marietta, GA
Perimeter Park West, Building A, Frankfort, KY
Racquet Club Apartments, Lexington, KY

PROPERTIES PARTICIPATED IN:

Heitman Fund I:

CP Industrial Properties, Orlando, FL
Oakwood Mall, Enid, OK
Villa Marina Center, Marina Del Rey, CA
400 Shafer Court, Rosemont, IL
One Financial Plaza, Minneapolis, MN
Water Tower Place, Chicago, IL
Towne Mall, Elizabethtown, KY
East Ohio Building, Cleveland, OH

Heitman Fund II:

ARAMARK Tower, Philadelphia, PA
Rutherford B. Hayes Building, Crystal City, VA
McKinley Mall, Hamburg, NY
West America, Sacramento, CA
East Towne Mall, Knoxville, TN
Lloyd Center Mall, Portland, OR
Blue Ash Business Properties, Blue Ash, OH
Congressional Place, Long Beach, CA
MN-TX Business Center, Eden Prairie, MN
St. Louis Centre, St. Louis, MO
MIL-HREF Properties, Milwaukee, WI
Bank of America Plaza, Reno, NV
Old Capitol Center, Iowa City, IO
Midway Mall, Sherman, TX
I-5/Jamboree Business Center, Tustin, CA

Heitman Fund III:

Chester A. Arthur Building, Washington, DC
MTW Properties, MN, MI, IL, IN, WI
Kinnard Financial Center, Minneapolis, MN
Griffin Towers, Santa Ana, CA
1818 Market Street, Philadelphia, PA
Madison Heights Business Park, Madison Heights/Troy/Novi, MI
Towne Square North/Towne Square Mall/Owensboro, KY/
University Mall, Carbondale, IL
One Corporate Plaza, Blue Ash, OH
Columbia Mall, Bloomsburg, PA
Honey Creek Square, Terre Haute, IN
Eastwood Mall, Niles, OH

Heitman Fund V:

Doral Pointe Apartments, Miami, FL
Sarasota Square Mall, Sarasota, FL
WST Industrial Buildings, Sacremento, CA
Oak View Mall, Omaha, NE
Coronada Center, Albuquerque, NM
Rosemont Apartments, Las Colinas, TX

Other Heitman Investments:

Genessee Valley Center, Flint, MI
California Land Venture (Residential Land Development—Various California Counties)
Westside Pavilion, Los Angeles, CA
Sarasota Square Mall, Sarasota, FL
One O'Hare Centre, Rosemont, IL
Corporate Plaza, Louisville, KY
Ontario Place, Chicago, IL
University Mall, Tampa, FL
Mill Creek Center, Flint, MI

The Yarmouth Group, Inc.

Willowbrook Mall, Houston, TX
Scottsdale Fashion Square, Scottsdale, AZ

TCW Realty Advisors

21 Ardmore Ave., Itasca, IL
Sammamish Highland Center, Seattle, WA
Inglewood Plaza, Seattle, WA
Merritt, Howard County, MD
7465 Candelwood Road, Howard County, MD
Hammond Ferry Road, Baltimore, MD
O'Donnell Business Park, Kent, WA
San Fernando Business Center, San Fernando, CA
West Oaks Mall, Houson, TX
Holmdel Towne Center, Holmdel, NJ
Coral Plaza, Brentwood, CA
Pine Lake Village Center, Seattle, WA
6940 San Tomas, Howard County, MD
Cutter Mill Road, Great Neck, NY
8155 Stayton Drive, Jessup, MD
Imperial Center East-JV, Brea, CA
Loehmann's Plaza-Lakegrove, Lakegrove, NY
Portola Plaza, Mission Viejo, CA
Trabuco Hills Plaza, Mission Viejo, CA

KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARY: JUNE 30, 1995
NONHAZARDOUS STATE EMPLOYEES (KERS)

FIXED INCOME

DESCRIPTION	CORPORATES	GOVERNMENTS	MORTGAGES	SHORT TERM	TOTAL
Par Value	$215,324,563.97	$428,452,261.00	$166,710,567.84	$258,570,763.65	$1,069,058,156.46
% of Par Value	20%	40%	16%	24%	100%
Book Value	$218,002,220.93	$446,278,368.27	$159,508,909.21	$258,570,763.65	$1,082,360.262.06
% of Book Value	20%	41%	15%	24%	100%
Market Value	$225,819,919.92	$457,888,538.40	$168,454,207.86	$258,570,763.65	$1,110,733,429.83
% of Market Value	21%	41%	15%	23%	100%
Potential Gain or Loss	$ 7,817,698.99	$ 11,610,170.13	$ 8,945,298.65	$ 0.00	$ 28,373,167.77
Indicated Annual Income	$ 16,201,583.41	$ 29,817,101.18	$ 12,278,868.50	$ 16,030,201.42	$ 74,327,754.51
Current Yield -- Book Value	7.43	6.68	7.70	6.20	6.87
-- Market Value	7.17	6.51	7.29	6.20	6.69
Yield to Maturity -- Market Value	6.68	6.10	7.27	6.20	6.42
Average Coupon	7.52	6.96	7.37	6.20	6.95
Average Maturity (Years)	8.03	6.64	21.66	.08	7.67

REAL ESTATE

BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
$187,086,965.62	$168,701,272.59	$-18,385,693.03	$12,149,221.17	6.49	7.20

COMMON STOCK

NO. OF SHARES	BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
39,420,883	$1,154,979,282.84	$1,745,804,890.24	$590,825,607.40	$40,188,553.74	3.48	2.30

TOTAL PORTFOLIO

TYPE	BOOK VALUE	PCT.	MARKET VALUE	PCT.	INDICATED INCOME	INDICATED YIELD ON BOOK	INDICATED YIELD ON MARKET
Corporates	$ 218,002,220.93	9%	$ 225,819,919.92	7%	$ 16,201,583.41	7.43	7.17
Governments	$ 446,278,368.27	18%	$ 457,888,538.40	15%	$ 29,817,101.18	6.68	6.51
Mortgages	$ 159,508,909.21	7%	$ 168,454,207.86	6%	$ 12,278,868.50	7.70	7.29
Short Term	$ 258,570,763.65	11%	$ 258,570,763.65	19%	$ 16,030,201.42	6.20	6.20
Real Estate	$ 187,086,965.62	8%	$ 168,701,272.59	6%	$ 12,149,221.17	6.49	7.20
Common Stock	$1,154,979,282.84	47%	$1,745,804,890.24	57%	$ 40,188,553.74	3.48	2.30
Total Portfolio	$2,424,426,510.52	100%	$3,025,239,592.66	100%	$126,665,529.42	5.22	4.19

KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARY: JUNE 30, 1995
HAZARDOUS STATE EMPLOYEES (KERS-H)

FIXED INCOME

DESCRIPTION	CORPORATES	GOVERNMENTS	MORTGAGES	SHORT TERM	TOTAL
Par Value	$5,261,676.80	$8,071,290.00	$3,898,881.51	$15,970,159.81	$33,202,008.12
% of Par Value	16%	24%	12%	48%	100%
Book Value	$5,307,936.02	$8,394,807.43	$3,776,839.00	$15,970,159.81	$33,449,742.26
% of Book Value	16%	25%	11%	48%	100%
Market Value	$5,497,838.42	$8,652,422.64	$3,946,730.33	$15,970,159.81	$34,067,151.20
% of Market Value	16%	25%	12%	47%	100%
Potential Gain or Loss	$ 189,902.40	$ 257,615.21	$ 169,891.33	$ 0.00	$ 617,408.94
Indicated Annual Income	$ 388,401.50	$ 556,297.32	$ 288,010.52	$ 985,273.56	$ 2,217,982.90
Current Yield -- Book Value	7.32	6.63	7.63	6.17	6.63
-- Market Value	7.06	6.43	7.30	6.17	6.51
Yield to Maturity -- Market Value	6.62	6.06	7.28	6.17	6.34
Average Coupon	7.38	6.89	7.39	6.17	6.68
Average Maturity (Years)	7.83	6.57	21.94	.08	5.45

REAL ESTATE

BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
$7,059,224.00	$6,754,452.13	$-304,771.87	$538,762.30	7.63	7.98

COMMON STOCK

NO. OF SHARES	BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
1,854,131	$53,016,956.77	$70,547,628.78	$17,530,672.01	$1,566,088.09	2.95	2.22

TOTAL PORTFOLIO

TYPE	BOOK VALUE	PCT.	MARKET VALUE	PCT.	INDICATED INCOME	INDICATED YIELD ON BOOK	INDICATED YIELD ON MARKET
Corporates	$ 5,307,936.02	6%	$ 5,497,838.42	5%	$ 388,401.50	7.32	7.06
Governments	$ 8,394,807.43	9%	$ 8,652,422.64	8%	$ 556,297.32	6.63	6.43
Mortgages	$ 3,776,839.00	4%	$ 3,946,730.33	4%	$ 288,010.52	7.63	7.30
Short Term	$15,970,159.81	17%	$ 15,970,159.81	14%	$ 985,273.56	6.17	6.17
Real Estate	$ 7,059,224.00	8%	$ 6,754,452.13	6%	$ 538,762.30	7.63	7.98
Common Stock	$53,016,956.77	56%	$ 70,547,628.78	63%	$1,566,088.09	2.95	2.22
Total Portfolio	$93,525,923.03	100%	$111,369,232.11	100%	$4,322,833.29	4.62	3.88

KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARY: JUNE 30, 1995
NONHAZARDOUS COUNTY EMPLOYEES (CERS)

FIXED INCOME

DESCRIPTION	CORPORATES	GOVERNMENTS	MORTGAGES	SHORT TERM	TOTAL
Par Value	$80,132,356.25	$145,087,316.00	$71,216,317.93	$233,798,263.52	$530,234,253.70
% of Par Value	15%	28%	13%	44%	100%
Book Value	$81,228,617.49	$150,458,857.54	$67,104,562.89	$233,798,263.52	$532,590,301.44
% of Book Value	15%	28%	13%	44%	100%
Market Value	$84,370,596.59	$154,697,065.09	$71,882,305.97	$233,798,263.52	$544,748,231.17
% of Market Value	15%	28%	13%	44%	100%
Potential Gain or Loss	$ 3,141,979.10	$ 4,238,207.55	$ 4,777,743.08	$ 0.00	$ 12,157,929.73
Indicated Annual Income	$ 6,045,079.76	$ 10,030,675.83	$ 5,232,724.25	$ 14,408,686.92	$ 35,717,166.76
Current Yield -- Book Value	7.44	6.67	7.80	6.16	6.71
-- Market Value	7.16	6.48	7.28	6.16	6.56
Yield to Maturity -- Market Value	6.65	6.10	7.26	6.16	6.36
Average Coupon	7.54	6.91	7.35	6.16	6.74
Average Maturity (Years)	8.17	6.26	22.40	.08	5.99

REAL ESTATE

BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
$118,701,367.41	$108,779,329.40	$ -9,922,038.01	$8,088,408.31	6.81	7.44

COMMON STOCK

NO. OF SHARES	BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
31,218,924	$964,579,182.74	$1,353,949,814.67	$389,370,631.93	$30,711,940.75	3.18	2.27

TOTAL PORTFOLIO

TYPE	BOOK VALUE	PCT.	MARKET VALUE	PCT.	INDICATED INCOME	INDICATED YIELD ON BOOK	INDICATED YIELD ON MARKET
Corporates	$ 81,228,617.49	5%	$ 84,370,596.59	4%	$ 6,045,079.76	7.44	7.16
Governments	$ 150,458,857.54	9%	$ 154,697,065.09	8%	$10,030,675.83	6.67	6.48
Mortgages	$ 67,104,562.89	4%	$ 71,882,305.97	4%	$ 5,232,724.25	7.80	7.28
Short Term	$ 233,798,263.52	14%	$ 233,798,263.52	12%	$14,408,686.92	6.16	6.16
Real Estate	$ 118,701,367.41	7%	$ 108,779,329.40	5%	$ 8,088,408.31	6.81	7.44
Common Stock	$ 964,579,182.74	61%	$1,353,949,814.67	67%	$30,711,940.75	3.18	2.27
Total Portfolio	$1,615,870,851.59	100%	$2,007,477,375.24	100%	$74,517,515.82	4.61	3.71

KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARY: JUNE 30, 1995
HAZARDOUS COUNTY EMPLOYEES (CERS-H)

FIXED INCOME

DESCRIPTION	CORPORATES	GOVERNMENTS	MORTGAGES	SHORT TERM	TOTAL
Par Value	$24,661,192.77	$48,522,483.00	$23,013,350.22	$65,845,062.65	$162,042,088.64
% of Par Value	15%	30%	14%	41%	100%
Book Value	$24,940,157.02	$50,073,987.78	$21,917,764.87	$65,845,062.65	$162,776,972.32
% of Book Value	15%	31%	14%	40%	100%
Market Value	$25,825,893.77	$51,524,151.54	$23,198,753.56	$65,845,062.65	$166,393,861.52
% of Market Value	16%	31%	14%	39%	100%
Potential Gain or Loss	$ 885,736.75	$ 1,450,163.76	$ 1,280,988.69	$ 0.00	$ 3,616,889.20
Indicated Annual Income	$ 1,835,832.96	$ 3,302,234.94	$ 1,681,385.45	$ 4,057,681.47	$ 10,877,134.82
Current Yield -- Book Value	7.36	6.59	7.67	6.16	6.68
-- Market Value	7.11	6.41	7.25	6.16	6.54
Yield to Maturity -- Market Value	6.63	6.05	7.23	6.16	6.35
Average Coupon	7.44	6.81	7.31	6.16	6.71
Average Maturity (Years)	8.31	6.21	22.42	.08	6.34

REAL ESTATE

BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
$35,629,786.04	$33,380,951.46	$ -2,248,834.58	$2,453,866.31	6.89	7.35

COMMON STOCK

NO. OF SHARES	BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
8,792,558	$269,521,584.40	$376,172,181.85	$106,650,597.45	$8,602,000.35	3.19	2.29

TOTAL PORTFOLIO

TYPE	BOOK VALUE	PCT.	MARKET VALUE	PCT.	INDICATED INCOME	INDICATED YIELD ON BOOK	INDICATED YIELD ON MARKET
Corporates	$ 24,940,157.02	5%	$ 25,825,893.77	4%	$ 1,835,832.96	7.36	7.11
Governments	$ 50,073,987.78	11%	$ 51,524,151.54	9%	$ 3,302,234.94	6.59	6.41
Mortgages	$ 21,917,764.87	5%	$ 23,198,753.56	4%	$ 1,681,385.45	7.67	7.25
Short Term	$ 65,845,062.65	14%	$ 65,845,062.65	11%	$ 4,057,681.47	6.16	6.16
Real Estate	$ 35,629,786.04	8%	$ 33,380,951.46	6%	$ 2,453,866.31	6.89	7.35
Common Stock	$269,521,584.40	57%	$376,172,181.85	66%	$ 8,602,000.35	3.19	2.29
Total Portfolio	$467,928,342.76	100%	$575,946,994.83	100%	$21,933,001.48	4.69	3.81

KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARY: JUNE 30, 1995
STATE POLICE (SPRS)

FIXED INCOME

DESCRIPTION	CORPORATES	GOVERNMENTS	MORTGAGES	SHORT TERM	TOTAL
Par Value	$17,015,370.65	$30,646,650.00	$12,807,886.15	$15,362,517.61	$75,832,424.41
% of Par Value	23%	40%	17%	20%	100%
Book Value	$17,191,050.68	$31,956,906.97	$12,331,240.96	$15,362,517.61	$76,841,716.22
% of Book Value	22%	42%	16%	20%	100%
Market Value	$17,738,644.25	$32,850,466.83	$12,934,277.05	$15,362,517.61	$78,885,905.74
% of Market Value	23%	42%	16%	19%	100%
Potential Gain or Loss	$ 547,593.57	$ 893,559.86	$ 603,036.09	$ 0.00	$ 2,044,189.52
Indicated Annual Income	$ 1,261,705.54	$ 2,158,866.95	$ 934,758.42	$ 952,253.78	$ 5,307,584.69
Current Yield -- Book Value	7.34	6.76	7.58	6.20	6.91
-- Market Value	7.11	6.57	7.23	6.20	6.73
Yield to Maturity -- Market Value	6.59	6.12	7.22	6.20	6.43
Average Coupon	7.42	7.04	7.30	6.20	7.00
Average Maturity (Years)	7.25	7.02	21.23	.08	8.07

REAL ESTATE

BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
$14,602,765.76	$13,098,280.96	$-1,504,484.80	$932,807.29	6.39	7.12

COMMON STOCK

NO. OF SHARES	BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
3,066,120	$87,452,744.05	$135,170,318.76	$47,717,574.71	$3,133,040.18	3.58	2.32

TOTAL PORTFOLIO

TYPE	BOOK VALUE	PCT.	MARKET VALUE	PCT.	INDICATED INCOME	INDICATED YIELD ON BOOK	INDICATED YIELD ON MARKET
Corporates	$ 17,191,050.68	10%	$ 17,738,644.25	8%	$1,261,705.54	7.34	7.11
Governments	$ 31,956,906.97	18%	$ 32,850,466.83	14%	$2,158,866.95	6.76	6.57
Mortgages	$ 12,331,240.96	7%	$ 12,934,277.05	6%	$ 934,758.42	7.58	7.23
Short Term	$ 15,362,517.61	9%	$ 15,362,517.61	7%	$ 952,253.78	6.20	6.20
Real Estate	$ 14,602,765.76	8%	$ 13,098,280.96	6%	$ 932,807.29	6.39	7.12
Common Stock	$ 87,452,744.05	48%	$135,170,318.76	59%	$3,133,040.18	3.58	2.32
Total Portfolio	$178,897,226.03	100%	$227,154,505.46	100%	$9,373,432.16	5.24	4.13

KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARY: JUNE 30, 1995
INSURANCE FUND
ALL SYSTEMS COMBINED

FIXED INCOME

DESCRIPTION	CORPORATES	GOVERNMENTS	MORTGAGES	SHORT TERM	TOTAL
Par Value	$54,465,120.00	$ 98,376,125.60	$22,806,082.44	$23,304,032.76	$198,951,360.80
% of Par Value	27%	49%	12%	12%	100%
Book Value	$56,455,328.26	$103,536,102.00	$22,633,631.52	$23,304,032.76	$205,929,094.54
% of Book Value	28%	50%	11%	11%	100%
Market Value	$57,754,982.98	$106,820,880.40	$23,018,541.86	$23,304,032.76	$210,898,438.00
% of Market Value	27%	51%	11%	11%	100%
Potential Gain or Loss	$ 1,299,654.72	$ 3,284,778.40	$ 384,910.34	$ 0.00	$ 4,969,343.46
Indicated Annual Income	$ 4,176,673.08	$ 7,512,735.50	$ 1,751,077.97	$ 1,463,219.49	$ 14,903,706.04
Current Yield -- Book Value	7.40	7.26	7.74	6.28	7.24
-- Market Value	7.23	7.03	7.61	6.28	7.07
Yield to Maturity -- Market Value	6.82	6.28	7.57	6.28	6.57
Average Coupon	7.67	7.64	7.68	6.28	7.49
Average Maturity (Years)	12.21	9.93	26.43	.08	11.29

COMMON STOCK

NO. OF SHARES	BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
1,859,904	$59,379,687.92	$82,585,131.57	$23,205,443.65	$2,203,615.81	3.71	2.67

TOTAL PORTFOLIO

TYPE	BOOK VALUE	PCT.	MARKET VALUE	PCT.	INDICATED INCOME	INDICATED YIELD ON BOOK	INDICATED YIELD ON MARKET
Corporates	$ 56,455,328.26	21%	$ 57,754,982.98	20%	$ 4,176,673.08	7.40	7.23
Governments	$103,536,102.00	39%	$106,820,880.40	36%	$ 7,512,735.50	7.26	7.03
Mortgages	$ 22,633,631.52	9%	$ 23,018,541.86	8%	$ 1,751,077.97	7.74	7.61
Short Term	$ 23,304,032.76	9%	$ 23,304,032.76	8%	$ 1,463,219.49	6.28	6.28
Common Stock	$ 59,379,687.92	22%	$ 82,585,131.57	28%	$ 2,203,615.81	3.71	2.67
Total Portfolio	$265,308,782.46	100%	$293,483,569.57	100%	$17,107,321.85	6.45	5.83

KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARY: JUNE 30, 1995
ALL SYSTEMS COMBINED

FIXED INCOME

DESCRIPTION	CORPORATES	GOVERNMENTS	MORTGAGES	SHORT TERM	TOTAL
Par Value	$342,395,160.44	$660,780,000.00	$277,647,003.65	$589,546,767.24	$1,870,368,931.33
% of Par Value	18%	35%	15%	32%	100%
Book Value	$346,669,982.14	$687,162,927.99	$264,639,316.93	$589,546,767.24	$1,888,018,994.30
% of Book Value	18%	37%	14%	31%	100%
Market Value	$359,252,892.95	$705,612,644.50	$280,416,274.77	$589,546,767.24	$1,934,828,579.46
% of Market Value	19%	36%	15%	30%	100%
Potential Gain or Loss	$ 12,582,910.81	$ 18,449,716.51	$ 15,776,957.84	$ 0.00	$ 46,809,585.16
Indicated Annual Income	$ 25,732,603.17	$ 45,865,176.22	$ 20,415,747.14	$ 36,434,097.15	$ 128,447,623.68
Current Yield -- Book Value	7.42	6.67	7.71	6.18	6.80
-- Market Value	7.16	6.50	7.28	6.18	6.64
Yield to Maturity -- Market Value	6.66	6.09	7.26	6.18	6.40
Average Coupon	7.52	6.94	7.35	6.18	6.87
Average Maturity (Years)	8.04	6.54	21.89	.08	7.06

REAL ESTATE

BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
$363,080,108.83	$330,714,286.54	$ -32,365,822.29	$24,163,065.38	6.66	7.31

COMMON STOCK

NO. OF SHARES	BOOK VALUE/ COST	MARKET VALUE	POTENTIAL GAIN OR LOSS	INDICATED INCOME	CURRENT YIELD ON COST	CURRENT YIELD ON MARKET
84,152,616	$2,529,549,750.80	$3,681,644,834.30	$1,152,095,083.50	$84,201,623.11	3.33	2.29

TOTAL PORTFOLIO

TYPE	BOOK VALUE	PCT.	MARKET VALUE	PCT.	INDICATED INCOME	INDICATED YIELD ON BOOK	INDICATED YIELD ON MARKET
Corporates	$ 346,669,982.14	7%	$ 359,252,892.95	6%	$ 25,732,603.17	7.42	7.16
Governments	$ 687,162,927.99	14%	$ 705,612,644.50	12%	$ 45,865,176.22	6.67	6.50
Mortgages	$ 264,639,316.93	6%	$ 280,416,274.77	5%	$ 20,415,747.14	7.71	7.28
Short Term	$ 589,546,767.24	12%	$ 589,546,767.24	10%	$ 36,434,097.15	6.18	6.18
Real Estate	$ 363,080,108.83	8%	$ 330,714,286.54	6%	$ 24,163,065.38	6.66	7.31
Common Stock	$2,529,549,750.80	53%	$3,681,644,834.30	61%	$ 84,201,623.11	3.33	2.29
Total Portfolio	$4,780,648,853.93	100%	$5,947,187,700.30	100%	$236,812,312.17	4.95	3.98

KENTUCKY RETIREMENT SYSTEMS

Statistical Section

Annual Report June 30, 1995

STATISTICAL SECTION
INTRODUCTION

This section presents statistical information about the retirement systems. Some of this information is in the form of graphs which illustrate trends in membership and benefits. Information is presented as of June 30, 1995, though some of the information is inclusive of all activity since the inception of the systems.

RETIREMENT PAYMENTS

Table 1 shows average monthly benefits being paid based on years of service credit. Tables 2, 3 and 4 show the benefits paid by each system under the options selected by the members or beneficiaries. These tables do not include dependent children, reemployed members or members whose payments ceased during the year due the option selected or death.

Members who have accounts in the Kentucky Employees Retirement System, County Employees Retirement System, State Police Retirement System, Kentucky Teachers' Retirement System or Legislators Retirement Plan may have their accounts combined at the time of retirement to determine eligibility for benefits and the salary to be used in calculating those benefits. Each system then pays a benefit based on actual service in the system. For this reason, a member may benefit from even a small amount of service in one of these systems. However, these small payments from a particular system, while part of the member's larger total benefit, tend to distort the statistics presented here.

In addition, the monthly benefits shown include all living retirees or beneficiaries who were drawing a payment from the systems during the year. About 15,700 recipients are over age 70, and there are hundreds of accounts on which benefits have been paid for more than 20 years. Since benefit factors and salaries were lower years ago, these also contribute to a lower "average" benefit.

Following are some statistics on those members who retired in fiscal year 1994-95. The averages are based on those members retiring during the fiscal year--KERS: 1,573, CERS: 1,906 and SPRS: 77--but does not include members who took a lump sum payment or members who died.

SYSTEM	AVERAGE FINAL COMP.	AVERAGE MO. BENEFIT	SERVICE RANGES/% OF RETIREES			
			Under 20	20-25	25-30	30+
KERS	$26,682	$ 913.71	48%	19%	22%	11%
CERS	$19,712	$ 630.61	63%	21%	12%	4%
SPRS	$39,077	$1,784.31	21%	51%	23%	5%

The following table provides a comparison of retirees in the three systems based on years of service at the time of retirement. Table 1 indicates the average monthly benefits for these same service ranges.

SERVICE RANGES IN YEARS/PERCENTAGE OF RETIREES

	UNDER 2	2-5	6-10	11-15	16-20	21-25	26-30	31-35	35+
KERS	2%	3%	18%	19%	17%	15%	13%	9%	4%
CERS	2%	5%	26%	24%	15%	14%	8%	4%	2%
SPRS	1%	2%	4%	4%	8%	33%	33%	14%	1%

Table 5 presents a county-by-county summary of total retirement payments over the fiscal year. The retired payroll exceeded $1 million in 52 counties last year and nearly $248 million to the state of Kentucky. This gives an indication of the importance of retirees' income to their communities and shows that a majority of retirees remain in Kentucky.

DISABILITY RETIREMENTS

During the fiscal year 1994-95, there were 615 applications for disability retirement. Of those, 451 or 73% were approved for disability retirement. The figures in Tables 2, 3 and 4, show that 3,895 or 11% of the current 36,077 recipients are drawing a disability benefit. Disability recipients are subject to an annual medical and financial review.

MEMBERSHIP

Table 6 provides a picture of the membership of the three systems and the change over time. The County Employees Retirement System continues to grow. Following are the membership totals for the systems, showing the numbers of members in hazardous positions. These figures include all member and beneficiary accounts at June 30, 1995, and will exceed the number of members and beneficiaries indicated in Tables 2, 3 and 4, because retired member accounts whose payments have ceased are included (such as retired reemployed members, discontinued disability retirees, hazardous members whose 10 Year Certain payments have ceased or members deceased since January 1).

	ACTIVE	INACTIVE	RETIRED	TOTAL
KERS	46,609	12,324	19,044	77,977
KERS-HAZARDOUS	3,428	608	433	4,469
CERS	64,454	16,871	15,443	96,768
CERS-HAZARDOUS	5,960	432	1,678	8,070
SPRS	975	157	566	1,698
TOTAL	**121,426**	**30,392**	**37,164**	**188,982**

FINANCIAL AND ACTUARIAL STATISTICS

Tables 7, 8 and 9 provide a compilation of important information about each system drawn from the Auditor's and Actuary's reports. These tables provide a summary of assets and liabilities and show the determination of the current employer contribution rates. Five years of historical data is given .

SOURCE AND USE OF FUNDS

Table 10 provides a breakdown of each dollar, its source and where it is spent, since the inception of the retirement systems.

ADMINISTRATIVE EXPENSE

Table 11 provides a five-year history of administrative expenses.

ANALYSIS OF MONTHLY RETIREMENT BENEFITS
AS OF JUNE 30, 1995
AVERAGE MONTHLY BENEFIT IN DOLLARS PER YEARS OF SERVICE

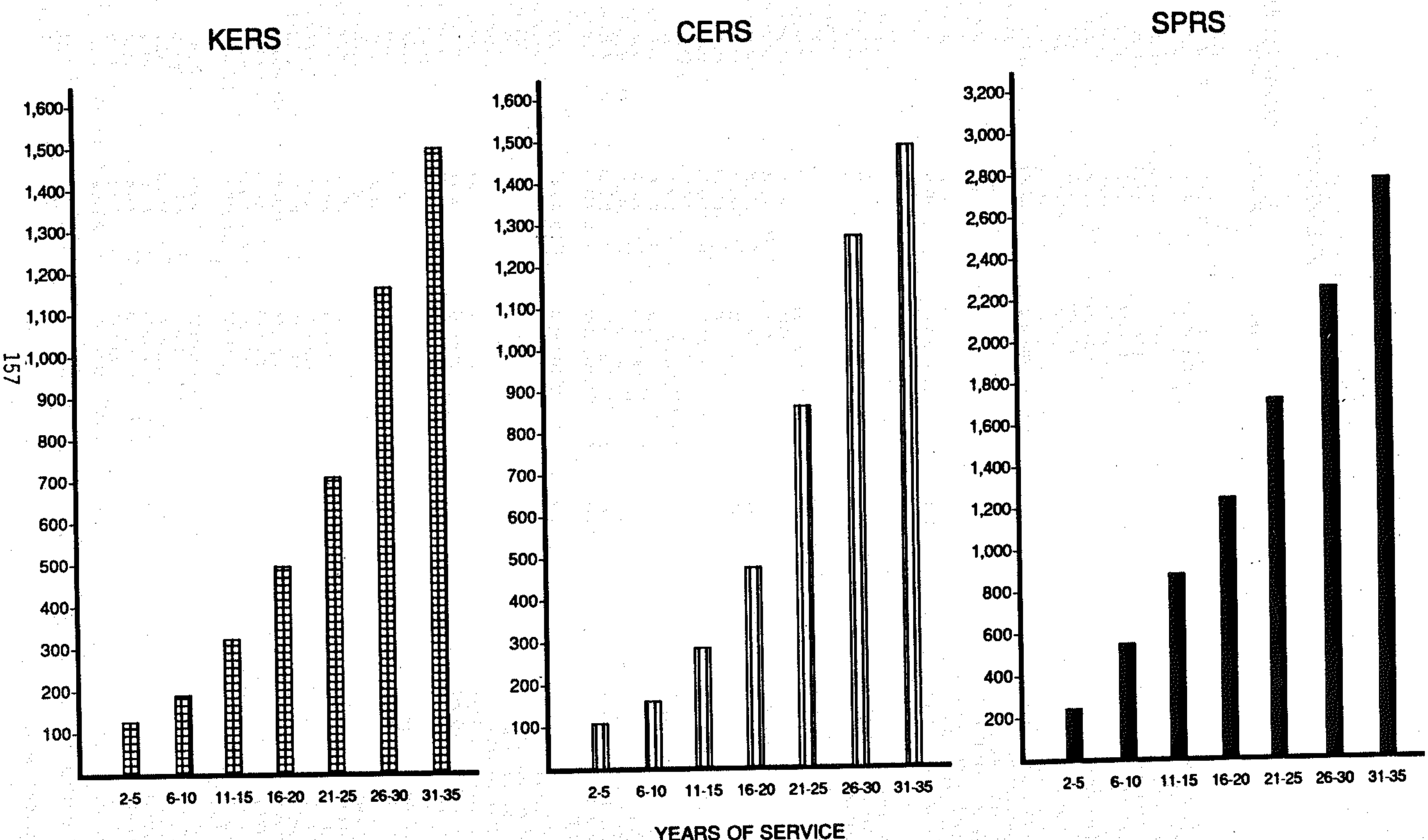


TABLE 2
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
RETIREMENT BENEFITS BY PLAN
FOR THE PERIOD ENDING JUNE 30, 1995

	NUMBER OF CASES	TOTAL	AVERAGE	MONTHLY BENEFITS LOW	HIGH
NORMAL					
Basic	2,214	$1,102,566.43	$ 497.99	$ 2.08	$4,626.76
Life--10 Years Certain (Member)	633	321,023.89	507.14	1.50	3,700.72
Life--10 Years Certain (Beneficiary)	36	20,446.64	567.96	42.87	2,291.53
10 Years Certain	3	1,111.55	370.51	175.11	660.07
Life--15 Years Certain (Member)	83	58,045.14	699.33	41.85	3,748.07
Life--15 Years Certain (Beneficiary)	18	9,140.07	507.78	85.22	1,167.00
Survivorship 100% (Member)	596	295,397.35	495.63	2.86	4,073.83
Survivorship 100% (Beneficiary)	461	155,806.79	337.97	2.51	2,904.56
Pop-Up	209	153,452.38	734.22	6.68	4,543.33
Pop-Up (Basic)	12	14,968.35	1,247.36	192.87	4,320.28
Survivorship 66 2/3% (Member)	186	132,277.89	711.17	8.83	3,224.67
Survivorship 66 2/3% (Beneficiary)	75	28,500.28	380.00	24.78	2,166.09
Survivorship 50% (Member)	349	246,810.80	707.19	3.44	4,392.84
Survivorship 50% (Beneficiary)	208	69,772.52	335.44	28.25	1,673.50
Social Security Basic--Under 62	8	9,433.58	1,179.19	636.29	1,945.77
Social Security Survivorship--Under 62	12	16,895.75	1,407.97	617.09	2,603.89
Social Security Survivorship--Over 62	6	7,747.56	1,291.26	775.90	2,160.36
TOTALS AND AVERAGES	5,109	$2,643,396.97	$ 517.40	$ 1.50	$4,626.76
EARLY					
Basic	3,924	$2,269,185.84	$ 578.28	$ .82	$4,191.36
Life--10 Years Certain (Member)	1,371	743,272.36	542.13	1.65	3,730.55
Life--10 Years Certain (Beneficiary)	51	23,403.40	458.89	44.98	2,284.00
10 Years Certain	3	6,383.36	2,127.78	1,811.89	2,301.00
Life--15 Years Certain (Member)	235	161,862.21	688.77	.53	2,753.93
Life--15 Years Certain (Beneficiary)	28	14,807.30	528.83	48.77	2,573.01
Life--20 Years Certain (Member)	140	108,063.20	771.88	19.54	3,022.64
Life--20 Years Certain (Beneficiary)	7	6,218.28	888.32	142.05	2,064.06
Survivorship 100% (Member)	1,188	716,071.24	602.75	2.83	5,342.34
Survivorship 100% (Beneficiary)	429	162,928.46	379.78	17.74	3,391.01
Pop-Up	645	601,664.82	932.81	1.53	3,809.91
Pop-Up (Basic)	31	32,574.98	1,050.80	40.40	4,151.14
Survivorship 66 2/3% (Member)	425	504,010.66	1,185.90	11.90	3,825.56
Survivorship 66 2/3% (Beneficiary)	89	41,147.61	462.33	39.36	1,627.60
Survivorship 50% (Member)	646	648,553,.25	1,003.95	8.60	4,387.30
Survivorship 50% (Beneficiary)	188	57,285.58	304.71	6.75	1,549.18
Social Security Basic--Under 62	783	961,777.49	1,228.32	5.47	3,998.75
Social Security Survivorship--Under 62	474	748,929.30	1,580.01	3.99	4,161.94
Social Security Survivorship--Over 62	376	319,940.75	850.90	3.27	3,381.96
TOTALS AND AVERAGES	11,033	$8,128,080.09	$ 736.70	$ .53	$5,342.34
DISABILITY					
Basic	549	$ 317,576.51	$ 578.46	$ 4.42	$2,534.41
Life--10 Years Certain (Member)	227	127,698.19	562.54	3.88	1,654.75
Life--10 Years Certain (Beneficiary)	66	45,949.34	696.20	35.69	1,914.09
10 Years Certain (Member)	1	593.73	593.73	593.73	593.73
10 Years Certain (Beneficiary)	1	864.54	864.54	864.54	864.54
Life--15 Years Certain (Member)	50	32,350.86	647.01	109.49	1,669.54
Life--15 Years Certain (Beneficiary)	37	22,950.94	620.29	199.16	1,318.76
Life--20 Years Certain (Member)	66	40,756.58	617.52	2.79	1,991.83
Life--20 Years Certain (Beneficiary)	28	21,256.03	759.14	175.11	1,309.72
Survivorship 100% (Member)	204	98,940.54	485.00	43.71	2,841.05
Survivorship 100% (Beneficiary)	311	123,473.63	397.02	6.52	1,763.94
Pop-Up	130	79,220.07	609.38	4.45	1,764.05
Pop-Up (Basic)	1	900.59	900.59	900.59	900.59
Survivorship 66 2/3% (Member)	43	30,583.95	711.25	3.13	1,921.86
Survivorship 66 2/3% (Beneficiary)	43	13,706.51	318.75	5.15	1,112.05
Survivorship 50% (Member)	107	66,556.67	622.02	103.39	3,310.88
Survivorship 50% (Beneficiary)	84	19,969.57	237.73	1.84	765.17
Social Security Basic--Under 62	38	43,222.84	1,137.44	158.17	2,683.96
Social Security Survivorship--Under 62	24	22,038.80	918.28	15.86	1,849.79
Social Security Survivorship--Over 62	12	5,290.63	440.88	85.48	1,167.28
TOTALS AND AVERAGES	2,022	$1,113,900.52	$ 550.89	$ 1.84	$3,310.88
DEATH BEFORE RETIREMENT					
Life Annuity	510	$ 254,451.83	$ 498.92	$ 2.41	$3,129.23
In Line of Duty Spousal Benefit	1	395.19	395.19	395.19	395.19
5 Years Certain	69	58,241.90	844.08	35.87	3,806.39
10 Years Certain	122	91,202.76	747.56	55.71	2,943.63
Social Security Basic--Under 62	1	324.58	324.58	324.58	324.58
Social Security Basic--Under 60	19	7,163.39	377.02	17.48	1,039.54
TOTALS AND AVERAGES	722	$ 411,779.65	$ 570.33	$ 2.41	$3,806.39
SYSTEM TOTALS AND AVERAGES	**18,886**	**$12,297,157.23**	**$651.12**	**$ .53**	**$5,342.34**

Not included in totals are payments to 5 dependent children of disabled or deceased hazardous duty members.

TABLE 3
COUNTY EMPLOYEES RETIREMENT SYSTEM
RETIREMENT BENEFITS BY PLAN
FOR THE PERIOD ENDING JUNE 30, 1995

	NUMBER OF CASES	TOTAL	AVERAGE	MONTHLY BENEFITS LOW	HIGH
NORMAL					
Basic	2,324	$ 709,184.00	$ 305.15	$ .41	$4,964.88
Life--10 Years Certain (Member)	778	238,355.38	306.36	12.85	3,528.42
Life--10 Years Certain (Beneficiary)	59	17,422.15	295.29	15.12	1,010.93
10 Years Certain (Member)	19	37,885.53	1,993.97	21.47	4,463.55
10 Years Certain (Beneficiary)	2	6,838.38	3,419.19	3,277.72	3,560.66
Life--15 Years Certain (Member)	95	29,079.18	306.09	30.66	1,288.05
Life--15 Years Certain (Beneficiary)	20	5,528.56	276.42	63.68	1,219.08
Life--20 Years Certain	3	4,920.62	1,640.20	836.75	2,216.04
Survivorship 100% (Member)	598	199,827.80	334.16	4.99	3,588.70
Survivorship 100% (Beneficiary)	300	70,566.27	235.22	8.55	2,521.95
Pop-Up	262	144,047.41	549.79	1.99	3,512.99
Pop-Up (Basic)	7	2,605.65	372.23	38.35	739.22
Survivorship 66 2/3% (Member)	164	125,490.95	765.18	32.34	4,241.61
Survivorship 66 2/3% (Beneficiary)	44	12,223.20	277.80	25.03	1,300.99
Survivorship 50% (Member)	256	174,974.88	683.49	35.34	4,102.87
Survivorship 50% (Beneficiary)	103	24,533.86	238.19	36.97	1,539.39
Social Security Basic--Under 62	6	10,895.22	1,815.87	1,086.34	2,821.06
Social Security Survivorship--Under 62	18	26,462.16	1,470.12	35.16	2,735.46
Social Security Survivorship--Over 62	33	35,672.64	1,080.98	.06	2,882.49
TOTALS AND AVERAGES	5,091	$1,876,513.84	$ 368.59	$ .06	$4,964.88
EARLY					
Basic	3,437	$1,319,729.22	$ 383.97	$ 2.67	$4,365.60
Life--10 Years Certain (Member)	1,337	464,606.97	347.49	2.54	3,058.81
Life--10 Years Certain (Beneficiary)	56	14,727.43	262.98	4.75	1,282.79
10 Years Certain	27	72,099.68	2,670.35	1,352.24	5,130.84
Life--15 Years Certain (Member)	291	151,456.49	520.46	25.70	3,277.76
Life--15 Years Certain (Beneficiary)	23	8,636.16	375.48	55.06	1,524.31
Life--20 Years Certain (Member)	178	136,863.25	768.89	30.91	3,608.33
Life--20 Years Certain (Beneficiary)	5	4,773.44	954.68	47.26	2,795.57
Survivorship 100% (Member)	995	485,657.17	488.09	2.21	4,066.35
Survivorship 100% (Beneficiary)	223	67,968.91	304.79	7.01	1,682.33
Pop-Up	887	801,722.89	903.85	4.48	5,536.26
Pop-Up (Basic)	33	32,799.25	993.91	67.38	2,164.43
Survivorship 66 2/3% (Member)	282	272,793.01	967.35	44.38	3,269.97
Survivorship 66 2/3% (Beneficiary)	34	9,490.99	279.14	50.26	867.43
Survivorship 50% (Member)	469	404,164.07	861.75	24.66	3,591.39
Survivorship 50% (Beneficiary)	80	21,999.53	274.99	30.99	1,375.76
Social Security Basic--Under 62	284	275,025.59	968.39	.29	3,903.31
Social Security Survivorship--Under 62	385	567,217.10	1,473.29	46.33	4,267.44
Social Security Survivorship--Over 62	116	68,657.44	591.87	.20	3,160.64
TOTALS AND AVERAGES	9,142	$5,180,388.59	$ 566.65	$ .20	$5,536.26
DISABILITY					
Basic	561	$ 280,314.17	$ 499.66	$ 4.82	$2,211.93
Life--10 Years Certain (Member)	226	106,744.85	472.32	21.77	1,882.78
Life--10 Years Certain (Beneficiary)	63	26,018.30	412.98	71.67	1,272.06
10 Years Certain	6	9,087.00	1,514.50	944.97	2,105.67
Life--15 Years Certain (Member)	61	38,514.72	631.38	61.97	1,629.87
Life--15 Years Certain (Beneficiary)	30	12,766.34	425.54	54.30	1,117.27
Life--20 Years Certain (Member)	77	46,158.64	599.46	4.45	1,813.45
Life--20 Years Certain (Beneficiary)	23	10,187.75	442.94	33.81	1,417.87
Survivorship 100% (Member)	222	119,451.90	538.07	11.15	1,534.26
Survivorship 100% (Beneficiary)	173	61,632.08	356.25	49.16	1,279.67
Pop-Up	152	91,175.28	599.83	60.08	2,236.82
Pop-Up (Basic)	1	485.48	485.48	485.48	485.48
Survivorship 66 2/3% (Member)	38	24,944.41	656.43	69.55	1,505.50
Survivorship 66 2/3% (Beneficiary)	21	6,461.60	307.69	28.34	866.42
Survivorship 50% (Member)	103	62,964.97	611.31	6.02	2,121.72
Survivorship 50% (Beneficiary)	36	7,025.99	195.16	58.36	434.34
Social Security Basic--Under 62	24	14,658.70	610.77	129.00	1,566.58
Social Security Survivorship--Under 62	20	24,842.97	1,242.14	424.63	2,497.19
Social Security Survivorship--Over 62	3	711.41	237.13	60.26	478.11
TOTALS AND AVERAGES	1,840	$ 944,146.56	$ 513.12	$ 4.45	$2,497.19
DEATH BEFORE RETIREMENT					
Life Annuity	303	$ 100,270.24	$ 330.92	$ 12.86	$2,373.15
In Line of Duty Spousal Benefit	1	711.35	711.35	711.35	711.35
5 Years Certain	108	66,888.44	619.33	103.92	4,264.29
10 Years Certain	133	56,091.22	421.73	14.20	2,820.86
Social Security Basic--Under 60	7	4,266.45	609.49	42.13	1,554.01
TOTALS AND AVERAGES	552	$ 228,227.70	$ 413.45	$ 12.86	$4,264.29
SYSTEM TOTALS AND AVERAGES	**16,625**	**$8,229,276.69**	**$494.99**	**$ .06**	**$5,536.26**

Not included in totals are payments to 100 dependent children of disabled or deceased hazardous duty members.

TABLE 4
STATE POLICE RETIREMENT SYSTEM
RETIREMENT BENEFITS BY PLAN
FOR THE PERIOD ENDING JUNE 30, 1995

	NUMBER OF CASES	TOTAL	AVERAGE	MONTHLY BENEFITS LOW	HIGH
NORMAL					
Basic	7	$ 8,663.76	$1,237.68	$ 113.46	$2,607.13
Life--10 Years Certain	8	16,392.14	2,049.01	611.14	4,475.39
10 Years Certain	1	353.79	353.79	353.79	353.79
Life--20 Years Certain	2	5,661.92	2,830.96	2,688.60	2,973.32
Survivorship 100% (Member)	24	43,817.19	1,825.71	101.18	3,987.42
Survivorship 100% (Beneficiary)	6	7,988.11	1,331.35	551.02	2,579.18
Pop-Up Option	2	4,337.28	2,168.64	1,023.14	3,314.14
Survivorship 66 2/3% (Member)	7	15,923.58	2,274.79	1,614.37	3,104.69
Survivorship 66 2/3% (Beneficiary)	2	2,621.14	1,310.57	869.34	1,751.80
Survivorship 50% (Member)	12	24,017.65	2,001.47	1,044.22	3,724.77
Survivorship 50% (Beneficiary)	5	4,219.32	843.86	581.99	1,105.15
Social Security Survivorship--Over 62	19	34,667.52	1,824.60	158.17	3,410.48
TOTALS AND AVERAGES	95	$168,663.40	$1,775.40	$ 101.18	$4,475.39
EARLY					
Basic	26	$ 54,211.04	$2,085.04	$ 161.26	$3,846.64
Life--10 Years Certain	13	29,785.42	2,291.18	1,514.09	3,608.62
10 Years Certain (Member)	6	15,351.32	2,558.55	19.42	3,704.32
Life--15 Years Certain	5	10,957.63	2,191.52	1,359.29	3,805.39
Life--20 Years Certain	12	22,436.56	1,869.71	408.58	2,566.35
Survivorship 100% (Member)	53	100,647.68	1,899.01	210.99	4,246.13
Survivorship 100% (Beneficiary)	1	2,139.25	2,139.25	2,139.25	2,139.25
Pop-Up	74	134,685.57	1,820.07	57.16	3,531.57
Pop-Up (Basic)	3	9,941.44	3,313.81	2,345.49	4,260.32
Survivorship 66 2/3% (Member)	26	55,610.74	2,138.87	1,256.28	4,095.01
Survivorship 66 2/3% (Beneficiary)	1	1,038.35	1,038.35	1,038.35	1,038.35
Survivorship 50% (Member)	26	48,221.07	1,854.65	141.86	5,010.96
Survivorship 50% (Beneficiary)	1	927.36	927.36	927.36	927.36
Social Security Basic--Under 62	28	57,971.37	2,070.40	201.87	3,166.44
Social Security Survivorship--Under 62	130	277,126.10	2,131.73	212.43	3,859.62
Social Security Survivorship--Over 62	15	26,598.26	1,773.21	305.97	3,287.41
TOTALS AND AVERAGES	420	$847,649.16	$2,018.21	$ 19.42	$5,010.96
DISABILITY					
Basic	10	$ 9,859.57	$ 985.95	$ 328.88	$1,589.21
Life--10 Years Certain (Member)	1	1,370.97	1,370.97	1,370.97	1,370.97
10 Years Certain (Member)	1	1,396.53	1,396.53	1,396.53	1,396.53
Life--15 Years Certain (Member)	1	1,450.04	1,450.04	1,450.04	1,450.04
Life--20 Years Certain (Member)	2	4,149.99	2,074.99	1,321.75	2,828.24
Survivorship 100% (Member)	12	14,396.29	1,199.69	62.13	2,499.48
Survivorship 100% (Beneficiary)	3	3,392.71	1,130.90	866.81	1,623.87
Survivorship 50% (Member)	1	1,720.40	1,720.40	1,720.40	1,720.40
Social Security Basic--Under 62	1	1,754.42	1,754.42	1,754.42	1,754.42
Social SecuritySurvivorship--Under 62	1	2,185.84	2,185.84	2,185.84	2,185.84
TOTALS AND AVERAGES	33	$ 41,676.76	$1,262.93	$ 62.13	$2,828.24
DEATH BEFORE RETIREMENT					
Life Annuity	16	$ 16,585.45	$1,036.59	$ 87.38	$2,335.21
10 Years Certain	2	5,155.06	2,577.53	996.62	4,158.44
TOTALS AND AVERAGES	18	$ 21,740.51	$1,207.80	$ 87.38	$4,158.44
SYSTEM TOTALS AND AVERAGES	**566**	**$1,079,729.83**	**$1,907.64**	**$19.42**	**$5,010.96**

Not included in totals are payments to 16 dependent children of disabled or deceased members.

TABLE 5
RETIREMENT PAYMENTS BY COUNTY

Jefferson	$46,623,828	Harlan	$ 1,342,612	Allen	$ 678,758
Franklin	$31,735,706	Bell	$ 1,270,008	Breckinridge	$ 675,872
Fayette	$13,158,240	Johnson	$ 1,183,846	Webster	$ 665,668
Warren	$ 6,441,886	Trigg	$ 1,171,254	Hart	$ 648,252
Daviess	$ 5,681,391	Logan	$ 1,140,760	Livingston	$ 645,817
Kenton	$ 4,977,039	Carter	$ 1,131,725	Casey	$ 642,315
Christian	$ 4,879,390	Caldwell	$ 1,119,368	Metcalfe	$ 609,024
Shelby	$ 4,736,356	Grayson	$ 1,116,330	Wolfe	$ 587,948
McCracken	$ 4,341,802	Clark	$ 1,083,589	Simpson	$ 579,276
Pulaski	$ 4,258,716	Adair	$ 1,022,508	Butler	$ 571,234
Hardin	$ 3,457,620	Lincoln	$ 1,004,239	Washington	$ 569,092
Anderson	$ 3,437,305	Perry	$ 1,003,385	Lawrence	$ 554,004
Madison	$ 3,387,055	Larue	$ 989,522	Trimble	$ 552,444
Hopkins	$ 2,978,881	Muhlenberg	$ 968,948	Powell	$ 525,560
Oldham	$ 2,913,809	Knott	$ 954,882	Lewis	$ 520,711
Boyd	$ 2,860,968	Montgomery	$ 935,592	Lee	$ 517,131
Boyle	$ 2,736,257	Ohio	$ 882,919	Ballard	$ 490,502
Calloway	$ 2,623,965	Marion	$ 881,520	McCreary	$ 483,131
Campbell	$ 2,594,883	Harrison	$ 859,053	Magoffin	$ 479,684
Henderson	$ 2,513,664	Wayne	$ 858,685	Green	$ 453,268
Bullitt	$ 2,360,134	Bath	$ 851,526	Fulton	$ 442,610
Barren	$ 2,332,383	Knox	$ 847,131	Leslie	$ 419,624
Pike	$ 2,224,438	Breathitt	$ 844,437	Monroe	$ 410,854
Laurel	$ 2,175,287	Taylor	$ 840,509	Carlisle	$ 388,361
Woodford	$ 2,138,942	Lyon	$ 840,024	Jackson	$ 387,935
Boone	$ 2,066,319	Garrard	$ 836,932	McLean	$ 385,245
Mercer	$ 2,029,875	Letcher	$ 825,240	Cumberland	$ 381,650
Scott	$ 2,008,860	Union	$ 818,142	Edmonson	$ 380,407
Graves	$ 1,976,683	Morgan	$ 796,197	Owsley	$ 359,452
Rowan	$ 1,843,167	Fleming	$ 773,836	Nicholas	$ 336,912
Whitley	$ 1,823,140	Greenup	$ 772,695	Martin	$ 328,730
Owen	$ 1,760,490	Spencer	$ 767,842	Bracken	$ 325,107
Marshall	$ 1,718,842	Carroll	$ 763,443	Crittenden	$ 322,534
Floyd	$ 1,712,583	Russell	$ 758,585	Menifee	$ 320,801
Henry	$ 1,578,627	Meade	$ 753,669	Hancock	$ 304,066
Nelson	$ 1,556,517	Estill	$ 748,037	Clinton	$ 263,762
Grant	$ 1,483,758	Mason	$ 716,082	Gallatin	$ 257,204
Clay	$ 1,480,592	Todd	$ 712,056	Hickman	$ 253,665
Jessamine	$ 1,362,379	Rockcastle	$ 700,708	Elliott	$ 252,724
Bourbon	$ 1,350,548	Pendleton	$ 682,679	Robertson	$ 116,872

PAYMENTS TO RETIREES LIVING IN OTHER STATES
$11,292,918

TOTAL PAYMENTS FOR FISCAL YEAR ENDING JUNE 30, 1995
$259,273,965

TABLE 6
MEMBERSHIP GROWTH
6/30/75 through 6/30/95

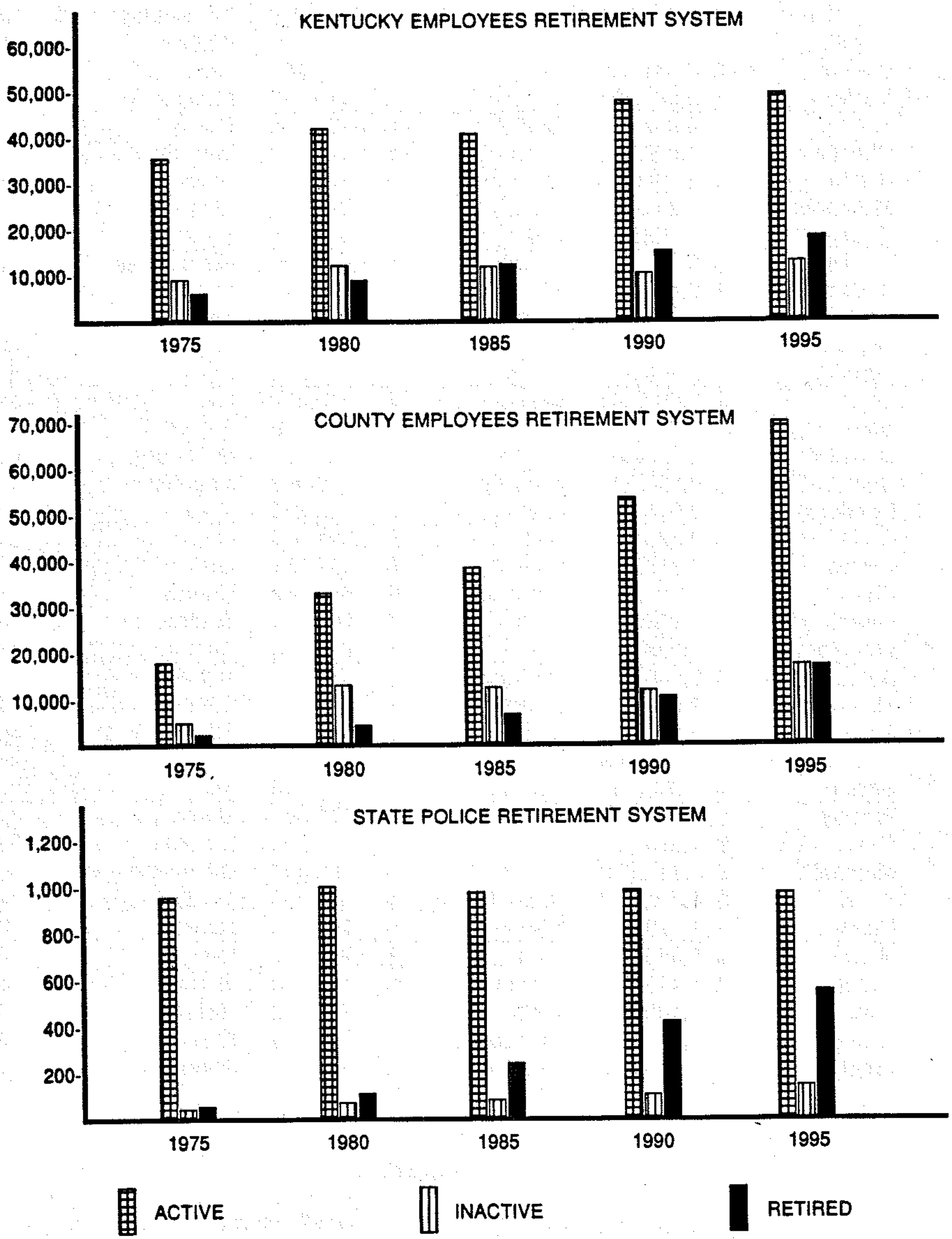


TABLE 7
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
FINANCIAL AND ACTUARIAL STATISTICS

FINANCIAL STATISTICS	6/30/91	6/30/92	6/30/93	6/30/94	6/30/95
Total Assets at Book Value	$1,917,816,462	$2,072,356,055	$2,269,585,643	$2,407,992,392	$2,573,798,482
Investment Income	$ 107,923,634	$ 106,061,993	$ 105,909,575	$ 101,235,035	$ 125,760,059
Total Retirement Payments	$ 100,824,770	$ 110,034,282	$ 119,619,683	$ 129,799,939	$ 144,364,718
Total Refund Payments	$ 6,438,085	$ 6,451,752	$ 6,749,192	$ 7,902,704	$ 7,820,401
ACTUARIAL STATISTICS:					
Total Assets at Actuarial Value		$2,354,482,321	$2,585,209,537	$2,729,048,987	$2,983,813,538
Total Accrued Liability	$2,288,611,147	$2,525,190,930	$2,703,771,076	$2,912,050,275	$3,240,852,288
Unfunded Past Service Liability	$ 375,396,216	$ 170,708,609	$ 118,561,539	$ 183,001,288	$ 257,038,750
Percent Unfunded	16.4%	6.8%	4.4%	6.3%	7.9%
Accrued Benefit Liability	$1,447,994,399	$1,576,337,372	$1,702,993,305	$1,859,518,636	$2,169,885,915
Estimated Annual Salaries	$ 982,646,400	$1,065,985,572	$1,094,395,992	$1,115,206,380	$1,184,917,776
Contribution for Unfunded					
Past Service Liability	$ 18,683,469	$ 8,652,449	$ 6,759,902	$ 10,129,368	$ 14,059,439
Medical Benefit Obligation	$ 804,674,050	$1,001,703,695	$1,177,861,283	$1,444,612,678	$1,462,174,101
Insurance Fund Assets (Book)	$ 46,549,335	$ 62,465,626	$ 77,673,575	$ 99,083,533	$ 127,292,191
Percent Unfunded	94.2%	93.8%	93.4%	93.1%	91.3%
ACTUARIAL COST-NONHAZARDOUS:					
Normal	9.32%	9.32%	9.43%	9.32%	9.14%
Past Service	1.99%	.84%	.62%	.91%	1.19%
Administrative	.38%	.38%	.38%	.37%	.41%
Hospital/Medical Insurance	1.97%	3.12%	3.13%	3.15%	3.15%
TOTAL COST	13.66%	13.66%	13.56%	13.75%	13.89%
CONTRIBUTION RATES-NONHAZARDOUS:					
Member	5.00%	5.00%	5.00%	5.00%	5.00%
Employer	7.65%	**8.66%	**8.66%	8.56%	**8.75%
TOTAL RATES	12.65%	13.66%	13.66%	13.56%	13.75%
ACTUARIAL COST-HAZARDOUS:					
Normal	16.77%	16.62%	16.56%	16.39%	16.00%
Past Service	.65%	.46%	.60%	.82%	1.08%
Administrative	.39%	.40%	.40%	.38%	.33%
Hospital/Medical Insurance	6.74%	7.38%	7.41%	7.46%	7.46%
TOTAL COST	24.55%	24.86%	24.97%	25.05%	24.87%
CONTRIBUTION RATES-HAZARDOUS:					
Member	7.00%	7.00%	7.00%	7.00%	7.00%
Employer	15.05%	*17.55%	*17.86%	17.97%	**18.05%
TOTAL RATES	22.05%	24.55%	24.86%	24.97%	25.05%

*The contribution rate shown is the rate adopted by the Board of Trustees. The actual employer rates paid by state agencies were 7.65% for nonhazardous employees and 15.05% for hazardous employees in accordance with provisions in the state budget.

**The contribution rate shown is the rate adopted by the Board of Trustees. The actual employer rates paid by state agencies were 8.56% for nonhazardous employees and 17.97% for hazardous employees in accordance with provisions in the state budget.

TABLE 8
COUNTY EMPLOYEES RETIREMENT SYSTEM
FINANCIAL AND ACTUARIAL STATISTICS

FINANCIAL STATISTICS:	6/30/91	6/30/92	6/30/93	6/30/94	6/30/95
Total Assets at Book Value	$1,396,277,329	$1,558,427,245	$1,767,918,632	$1,931,896,031	$2,128,819,130
Investment Income	$ 75,889,593	$ 73,386,287	$ 73,074,069	$ 72,862,036	$ 91,233,982
Total Retirement Payments	$ 53,341,986	$ 64,992,604	$ 72,607,003	$ 82,690,680	$ 96,419,226
Total Refund Payments	$ 5,404,817	$ 5,829,864	$ 5,373,355	$ 8,169,994	$ 8,873,491
ACTUARIAL STATISTICS:					
Total Assets at Actuarial Value		$1,735,038,908	$1,985,680,709	$2,173,354,772	$2,454,128,060
Total Accrued Liability	$1,654,338,706	$1,861,978,403	$2,079,930,047	$2,330,344,241	$2,603,575,921
Unfunded Past Service Liability	$ 258,111,701	$ 126,939,495	$ 94,249,338	$ 156,989,469	$ 149,447,861
Percent Unfunded	15.6%	6.8%	4.5%	6.7%	5.7%
Accrued Benefit Liability	$1,067,833,003	$1,196,294,816	$1,347,836,822	$1,528,093,078	$1,711,848,465
Estimated Annual Salaries	$ 887,033,040	$ 994,447,776	$1,074,056,004	$1,156,134,504	$1,238,568,216
Contribution for Unfunded Past Service Liability	$ 12,846,219	$ 6,464,013	$ 5,259,804	$ 8,487,434	$ 8,378,186
Medical Benefit Obligation	$ 823,012,809	$1,041,905,457	$1,244,258,042	$1,551,138,800	$1,679,893,225
Insurance Fund Assets (Book)	$ 42,420,744	$ 56,955,901	$ 74,253,872	$ 99,514,895	$ 125,453,940
Percent Unfunded	94.8%	94.5%	94.0%	93.6%	92.5%
ACTUARIAL COST-NONHAZARDOUS:					
Normal	10.68%	10.69%	10.78%	10.68%	10.65%
Past Service	1.03%	.22%	.09%	.37%	.20%
Administrative	.53%	.55%	.54%	.53%	.44%
Hospital/Medical Insurance	1.58%	2.36%	2.36%	2.36%	2.36%
TOTAL COST	13.82%	13.82%	13.77%	13.94%	13.65%
CONTRIBUTION RATES-NONHAZARDOUS:					
Member	5.00%	5.00%	5.00%	5.00%	5.00%
Employer	7.95%	8.82%	8.82%	8.82%	8.94%
TOTAL RATES	12.95%	13.82%	13.82%	13.82%	13.94%
ACTUARIAL COST-HAZARDOUS:					
Normal	15.57%	15.57%	15.82%	15.69%	15.47%
Past Service	3.94%	3.28%	2.86%	2.90%	3.45%
Administrative	.29%	.31%	.31%	.29%	.44%
Hospital/Medical Insurance	5.67%	6.33%	6.33%	6.33%	6.33%
TOTAL COST	25.47%	25.49%	25.32%	25.21%	25.69%
CONTRIBUTION RATES-HAZARDOUS:					
Member	7.00%	7.00%	7.00%	7.00%	7.00%
Employer	16.10%	18.47%	18.49%	18.46%	18.21%
TOTAL RATES	23.10%	25.47%	25.49%	25.46%	25.21%

TABLE 9
STATE POLICE RETIREMENT SYSTEM
FINANCIAL AND ACTUARIAL STATISTICS

FINANCIAL STATISTICS:	6/30/91	6/30/92	6/30/93	6/30/94	6/30/95
Total Assets at Book Value	$151,253,690	$159,420,001	$170,188,992	$175,677,762	$182,371,313
Investment Income	$ 8,809,299	$ 8,430,390	$ 8,239,832	$ 7,664,863	$ 9,195,173
Total Retired Payments	$ 8,959,087	$ 9,372,766	$ 10,220,001	$ 11,146,563	$ 12,525,984
Total Refund Payments	$ 42,561	$ 35,421	$ 39,772	$ 44,452	$ 19,135
ACTUARIAL STATISTICS:					
Total Assets at Actuarial Value		$187,791,011	$200,320,968	$205,320,509	$217,504,443
Total Accrued Liability	$170,009,955	$182,996,056	$191,653,594	$206,763,310	$241,690,631
Unfunded Past Service Liability	$ 19,191,881	$ 0	$ 0	$ 1,442,801	$ 24,186,188
Percent Unfunded	11.3%	0.0%	0.0%	0.7%	10.0%
Accrued Benefit Liability	$142,286,585	$154,375,127	$165,774,200	$181,983,533	$194,845,017
Estimated Annual Salaries	$ 29,275,692	$ 31,285,572	$ 30,600,684	$ 30,950,088	$ 31,442,040
Contribution for Unfunded Past Service Liability	$ 934,625	$ 0	$ 0	$ 93,823	$ 1,205,336
Medical Benefit Obligation	$ 74,163,248	$ 88,407,634	$ 95,290,099	$110,193,139	$118,995,732
Insurance Fund Assets (Book)	$ 8,931,544	$ 11,717,956	$ 14,285,479	$ 17,410,672	$ 21,200,195
Percent Unfunded	88.0%	86.7%	85.0%	84.2%	82.2%
ACTUARIAL COST:					
Normal	15.32%	15.25%	15.67%	15.28%	14.84%
Past Service	3.19%	-.79%	-1.28%	.30%	3.83%
Administrative	.25%	.27%	.25%	.26%	.70%
Hospital/Medical Insurance	10.00%	14.11%	14.14%	14.21%	14.21%
TOTAL COST:	28.84%	28.84%	28.78%	30.05%	33.58%
CONTRIBUTION RATES:					
Member	7.00%	7.00%	7.00%	7.00%	7.00%
Employer	19.57%	*21.84%	*21.84%	21.78%	**23.05%
TOTAL RATES	26.57%	28.84%	28.84%	28.78%	30.05%

*The contribution rate shown is the rate adopted by the Board of Trustees. The actual employer rates paid by the Kentucky State Police was 19.57% in accordance with provisions in the state budget.
**The contribution rate shown is the rate adopted by the Board of Trustees. The actual employer rates paid by the Kentucky State Police was 21.78% in accordance with provisions in the state budget.

TABLE 10

KENTUCKY RETIREMENT SYSTEMS
STATEMENT OF SOURCE AND USE OF FUNDS
BY SYSTEM SINCE INCEPTION THROUGH JUNE 30, 1995

BREAKDOWN PER DOLLAR						TOTAL AMOUNTS				
KERS	CERS	SPRS	KERS-H	CERS-H		KERS	CERS	SPRS	KERS-H	CERS-H
					SOURCE OF FUNDS					
$ .24	$ .27	$ .19	$.33	$.23	Member Contributions	$ 951,742,070.44	$ 617,208,717.74	$ 55,698,734.08	$ 42,405,642.36	$154,572,983.16
.26	.31	.24	.35	.38	Employer Contributions	1,044,519,931.51	716,661,314.87	72,599,856.94	44,681,013.92	254,722,290.72
.38	.31	.43	.23	.27	Investment Income	1,508,960,507.69	714,188,737.34	129,167,430.49	28,885,566.16	176,552,598.81
.00	.00	.00	.00	.00	Special Appropriation	1,864,578.48	187,810.16	506,100.14	30,318.35	39,452.86
.00	.00	.00	.00	.03	Alternate & Term. Participation	230,360.40	11,396,762.91	0.00	3,740.98	18,354,343.37
.12	.11	.14	.09	.09	Other Receipts	490,665,548.98	243,421,990.96	40,809,274.16	11,158,985.19	60,249,514.17
$1.00	$1.00	$1.00	$1.00	$1.00	TOTAL SOURCES	$3,997,982,997.50	$2,303,065,333.98	$298,781,395.81	$127,165,266.96	$664,491,183.09
					USE OF FUNDS					
$ .61	$ .71	$ .60	$ .74	$ .72	Invested Assets	$2,448,055,019.18	$1,644,214,439.54	$180,386,017.06	$ 94,814,578.51	$478,945,344.94
.30	.20	.34	.15	.21	Retirement Payments	1,191,892,984.27	455,803,211.17	100,734,214.89	18,740,391.79	143,756,422.12
.03	.04	.01	.04	.02	Refunds	130,185,486.02	80,349,176.84	2,518,796.89	4,978,887.80	12,120,266.99
.05	.04	.04	.06	.04	Interest to Members	192,208,769.99	95,322,523.80	13,480,503.10	7,336,692.16	24,853,451.55
.01	.01	.01	.01	.01	Administration of Prof. Services	35,276,416.01	27,343,141.91	1,661,863.87	1,291,718.73	4,795,417.16
.00	.00	.00	.00	.00	Other Disbursements	364,322.03	32,840.72	0.00	2,997.97	20,280.33
$1.00	$1.00	$1.00	$1.00	$1.00	TOTAL USES	$3,997,982,997.50	$2,303,065,333.98	$298,781,395.81	$127,165,266.96	$664,491,183.09

KERS-H= Hazardous
CERS-H= Hazardous

TABLE 11
KENTUCKY RETIREMENT SYSTEMS
ADMINISTRATIVE EXPENSE
BY FISCAL YEAR

	1990-91	1991-92	1992-93	1993-94	1994-95
PERSONNEL COSTS:					
Salaries & Fringe Benefits	$2,425,450.41	$2,857,136.01	$3,009,894.08	$3,196,712.55	$3,269,293.87
CONTRACTUAL SERVICES:					
Auditor	$ 22,400.00	$ 22,145.00	$ 21,118.00	$ 47,621.56	$ 23,050.00
Actuary	48,500.00	47,767.00	42,950.00	45,705.00	46,854.00
Legal Services	96,829.28	92,729.83	76,513.67	44,728.69	61,843.87
Medical	60,526.13	62,728.97	71,733.54	84,702.10	106,397.57
Investment Consultant	26,527.26	55,000.00	40,000.00	56,098.00	73,746.81
Real Estate Consultant					72,333.17
Security Custody & Banking Services	146,672.59	162,215.87	182,489.34	273,675.36	299,110.08
Investment Advisors	2,763,875.98	3,252,869.65	3,516,025.30	3,675,077.50	4,005,095.27
Miscellaneous	541.66	0.00	572.00	342.00	495.00
TOTAL	$5,591,323.31	$6,552,592.33	$6,961,295.93	$7,424,662.76	$4,688,925.77
OPERATING EXPENSES:					
Postage & Freight	$ 214,728.45	$ 320,829.38	$ 284,364.41	$ 365,484.93	$ 330,192.65
Utilities	28,846.58	29,683.56	31,847.41	53,070.76	46,295.76
Telephone	27,226.63	38,743.05	68,108.93	50,558.15	45,751.51
Travel	41,914.97	32,723.24	34,958.23	29,370.50	32,353.84
Printing & Duplicating	56,962.67	47,113.25	97,305.83	55,133.41	64,580.16
Maintenance-Equipment	29,321.58	64,253.76	48,523.86	61,663.94	58,940.36
Maintenance-Bldg. & Grnds.	1,771.40	1,063.32	1,228.90	320.84	1,021.04
Laundry	337.94	584.62	1,696.17	2,582.59	2,040.17
Assessed Car Rental	4,448.92	4,457.04	5,105.19	3,526.72	1,093.91
Supplies-Office	23,831.52	29,097.93	33,795.37	14,949.50	32,471.82
Supplies-Data Processing	27,787.80	38,806.81	40,555.50	25,550.49	39,904.99
Rental-Building	179,725.00	193,550.04	371,040.00	374,311.43	376,447.09
Rental-Data Processing	3,639.48	10,506.13	7,055.14	8,943.97	14,390.09
Rental-Office Equipment	18,154.29	14,974.68	26,764.67	17,850.28	28,779.52
Insurance	56,826.00	56,011.00	49,488.10	52,044.25	52,125.00
Bonds	1,776.25	1,776.25	1,776.25	0.00	1,776.25
Dues & Subscriptions	4,703.03	4,105.02	5,206.35	7,437.95	8,652.70
Employee Training Expense	8,828.15	11,673.27	12,436.16	14,421.11	16,199.86
Miscellaneous	6,963.95	3,506.56	16,538.44	8,369.07	8,165.45
Photo Supplies (Micrographics)	20,106.38	13,484.24	46,298.60	5,300.41	15,895.19
Furniture Office Equipment	6,660.14	2,968.75	5,434.59	714.59	9,285.90
Lease Purchase Office Equipment	155,294.88	77,294.88	77,294.88	83,736.12	70,853.64
Conference Expenses	4,919.50	3,620.50	1,415.00	2,058.00	5,317.50
TOTAL	$ 924,775.51	$1,000,827.28	$1,268,237.98	$1,237,399.01	$1,262,534.40
Capital Outlay	216,250.02	24,646.00	95,506.14	151,931.47	195,065.56
TOTAL ADMINISTRATIVE EXPENSE	$6,732,348.84	$7,578,065.61	$8,325,040.05	$8,813,993.24	$9,415,819.60

DISTRIBUTION OF COST BY SYSTEM

	1990-91	1991-92	1992-93	1993-94	1994-95
Kentucky Employees Retirement System	$3,393,103.82	$3,760,236.16	$3,996,019.22	$4,124,776.92	$4,277,034.06
County Employees Retirement System	*3,170,936.30	*3,621,557.56	4,135,879.90	4,498,042.18	4,939,349.10
State Police Retirement System	168,308.72	196,271.90	193,140.93	191,174.14	199,436.44
	$6,732,348.84	$7,578,065.61	$8,325,040.05	$8,813,993.24	$9,415,819.60

*CERS portion of administrative expense, excluding investment fees, is greater than 50%. Inclusion of investment fees changed the distribution. KERS portfolio is larger and, thus, has higher fees.