

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



KENTUCKY RETIREMENT SYSTEMS

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

A Component Unit of the
Commonwealth of Kentucky

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Commonwealth of Kentucky

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

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

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KENTUCKY RETIREMENT SYSTEMS

Introductory Section

**Comprehensive Annual Financial Report
June 30, 2000**

November 16, 2000

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

I am pleased to present the comprehensive annual financial report (CAFR) of the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), State Police Retirement System (SPRS) and Insurance Fund for the fiscal year ended June 30, 2000.

The CAFR is divided into six sections:

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

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

History

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

As of June 30, 2000, there were more than 228,000 active and retired members in the three systems and approximately \$13.6 billion in assets. A breakdown of membership by system is provided in the statistical section.

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

Major Initiatives

The Kentucky Retirement Systems successfully completed the Year 2000 computer system migration, experiencing only one problem which was fixed with a patch from the vendor within one hour.

Through a budget amendment, the Kentucky Retirement Systems was able to add 25 staff positions. As a result, the agency is beginning to make significant headway in backlogged areas. For example, at least 98% of all telephone inquiries are being handled the same day by the call centers and other calls are being returned within 24 hours. Member requests are being responded to within 60 days on average.

During the 2000 General Assembly, the Kentucky Retirement Systems was successful in obtaining an Excess Benefit Plan for those retirees whose benefits exceed the limitations in Section 415 of the Internal Revenue Code. Also passed was legislation to provide a medical insurance premium reimbursement program for non-Medicare eligible retirees moving outside the coverage areas of the managed care plans offered in Kentucky.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to the Kentucky Retirement Systems for its CAFR for the fiscal year ended June 30, 1999. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additions To Plan Net Assets

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

<i>(dollar amounts expressed in thousand)</i>	2000	1999	<i>Increase (Decrease) Amount</i>	<i>Increase (Decrease) Percentage</i>
Member Contributions	\$ 246,563	\$ 274,864	(\$28,301)	(10.3%)
Employer Contributions	\$ 305,231	\$ 295,303	\$9,928	3.4%
Net Investment Income	\$ 593,417	\$1,684,062	(\$1,090,645)	(64.8%)
Total	\$1,145,211	\$2,254,229	(\$1,109,018)	(49.2%)

The decrease in member contributions is a result of a decrease in the number of service purchases from the previous year. Employer contributions can be attributed to increases in the covered payroll. The decrease in Net Investment Income is a result of the less favorable financial markets than for fiscal year 1999.

Deductions To Plan Net Assets

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

<i>(dollar amounts expressed in thousand)</i>	2000	1999	<i>Increase (Decrease) Amount</i>	<i>Increase (Decrease) Percentage</i>
Retirement Allowances	\$476,610	\$393,582	\$ 83,028	21.1%
Refunds	\$ 21,369	\$ 20,135	\$ 1,234	6.1%
Administrative Expense	\$ 9,772	\$ 8,752	\$ 1,020	11.7%
Other Deductions (Net)	\$180,345	\$146,616	\$ 33,729	23.0%
Total	\$688,096	\$569,085	\$119,011	20.9%

Retirement allowances increased due to a 2.2% cost of living adjustment added to recipients' monthly benefits in July and the increase in the number of retired members. Administrative expenses increased due to equipment purchases, overtime and personnel reclassifications. Other deductions increased as a result of the transfer of approximately \$34 million to the Insurance Fund.

Investments

The Board of Trustees of the Kentucky Retirement Systems has a statutory obligation to invest the systems' funds in accordance with the "prudent person rule." The prudent person rule states that fiduciaries shall discharge their investment duties with the same degree of diligence, care and skill which a prudent person would ordinarily exercise under similar circumstances in a like position.

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

The Board's policies have provided significant returns while holding down investment related expenses. For the fiscal year ending June 30, 2000, the systems' pension funds had a total return of 6.4% and the insurance fund had a total return of 6.4%.

Funding

The Kentucky Retirement Systems' funding objective is to meet long-term benefit promises through contributions that remain fairly level as a percent of member payroll. Funding of the pension benefits for all systems as of June 30, 2000 is greater than 100% using the ratio of assets at actuarial value to the total actuarial accrued liability. The medical insurance benefit, created in 1978, is not at the same level of funding. Total insurance liabilities exceed assets in the Insurance Fund by \$2.8 billion.

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

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

Professional Services

A listing of the Board's contracted consultants can be found in the organizational chart on page 14. A listing of the external investment managers can be found on page 87 in the Investment Section.

Other Information

Kentucky statutes require an annual audit by an independent certified public accountant or the Auditor of Public Accounts. The Charles T. Mitchell Co. performed the audit for the fiscal year ended June 30, 2000. The results of that audit are contained in the Financial Section. It is the opinion of the auditing firm that the general purpose financial statements present fairly the plan net assets.

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

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

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

Pamala S. Johnson
General Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kentucky Retirement Systems

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

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



Ray Brubaker
President

Jeffrey L. Essler
Executive Director

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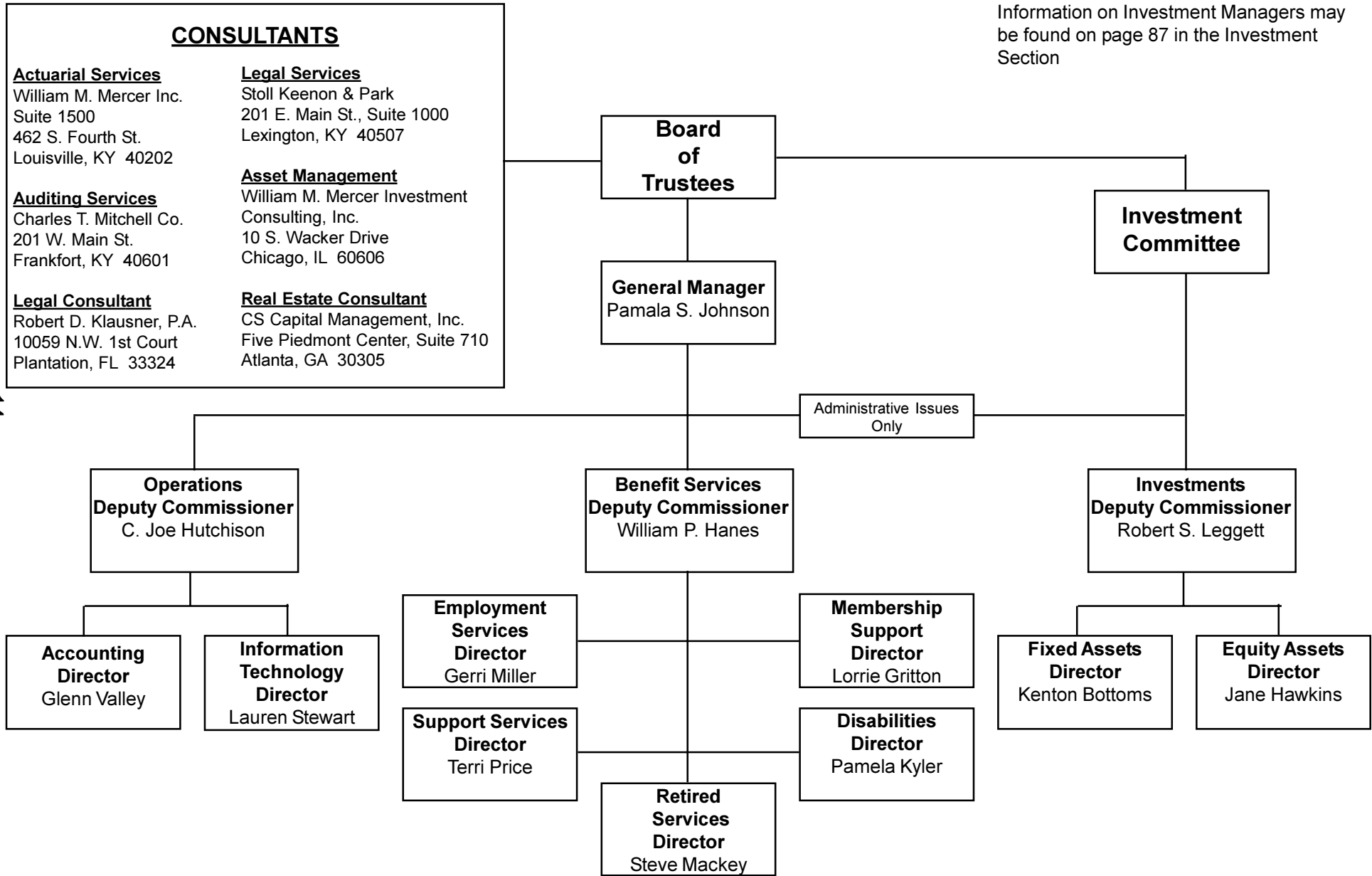
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Term Expires March 31, 2004



Carol Palmore
Frankfort
Secretary of Personnel Cabinet
Ex Officio

KENTUCKY RETIREMENT SYSTEMS ORGANIZATIONAL CHART

Information on Investment Managers may be found on page 87 in the Investment Section



KENTUCKY RETIREMENT SYSTEMS

Financial Section

**Comprehensive Annual Financial Report
June 30, 2000**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kentucky Retirement Systems
Frankfort, Kentucky

We have audited the accompanying general purpose statements of plan net assets of the Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2000 and 1999 and the related statements of changes in plan net assets for the years then ended. These component unit general-purpose financial statements are the responsibility of the Kentucky Retirement System's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the plan net assets of the Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, at June 30, 2000 and 1999 and the changes in its plan net assets for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2000 on our consideration of the Kentucky Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The required supplemental information and the notes thereto listed in the table of contents are supplemental disclosures under Governmental Accounting Standards Board Statement No. 25. This supplementary information is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in our audits of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The financial section supporting schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the System's management. Such schedules as of and for the year ended June 30, 2000 have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

November 2, 2000

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Kentucky Retirement System's financial performance provides an overview of the retirement systems' and insurance fund's financial activities for the fiscal year ended June 30, 2000. Please read it in conjunction with the Retirement Systems' financial statements and Insurance Fund's financial statements, which begin on page 22.

FINANCIAL HIGHLIGHTS – RETIREMENT SYSTEMS

The following highlights are explained in more detail later in this discussion.

- The combined plan net assets of all pension funds administered by Kentucky Retirement Systems increased by \$457 million during the 1999 – 2000 fiscal year.
- Salaries totaling \$3.3 billion requiring both employee and employer pension contributions were reported during the year. The covered payroll increased \$232 million over the prior reporting period. Because of the increase in covered payroll there was a corresponding increase in employer contributions of \$9.9 million with total employer contributions of \$305 million. Contributions paid by employees were \$247 and \$275 million respectively for the years ended June 30, 2000 and June 30, 1999. There was an increase in employee contributions paid on covered payroll. There was also a reduction in contributions paid by employees to purchase elective service credits accounting for the overall decrease in member contributions received compared to prior year receipts.
- Net appreciation in fair value of investments was \$210 million compared to \$1.4 billion for the prior fiscal year. The pension funds realized gains on sales of investments of \$2.068 billion but also experienced less appreciation in the fair value of investments (\$1.858 billion) compared to the prior year caused by less favorable market conditions.
- Investment income net of investment expense from all sources including securities lending was \$383 million representing an increase of approximately \$58 million compared to last fiscal year.
- Pension benefits paid to retirees and beneficiaries increased \$83 million bringing total benefit payments to \$477 million. Refunds of contributions paid to former members upon termination of employment increased slightly from \$20 million to \$21 million.
- Administrative expense and other deductions totaling \$190 million increased \$34 million or (21.8 percent). An increase in employer contributions transferred to the insurance fund of \$34 million accounted for the increase.

FINANCIAL HIGHLIGHTS – INSURANCE FUND

The following highlights are explained in more detail later in this discussion.

- The combined plan net assets of the insurance fund administered by Kentucky Retirement Systems increased by \$171 million during the 1999 – 2000 fiscal year.
- Employer contributions of \$180 million were received. This is an increase of \$34 million over the prior fiscal year.
- Net appreciation in fair value of investments was \$31 million compared to \$67 million for the prior fiscal year. The insurance fund realized gains on sales of investments of \$71 million but also experienced less appreciation in the fair value of investments of (\$40 million) compared to the prior year caused by less favorable market conditions.
- Investment income net of investment expense from all sources including securities lending was \$26.5 million representing an increase of approximately \$5.7 million compared to last fiscal year.
- Premiums paid by the fund for hospital and medical insurance coverage increased \$12 million to total \$66 million for the year.
- Administrative fees paid to the State Personnel Cabinet for administration of the insurance program for retirees not eligible for Medicare totaled \$331 thousand compared to \$148 thousand for the prior year. This fee was not charged until January 1999, therefore, the fiscal year ended June 30, 1999 did not include a full year of charges.

USING THIS FINANCIAL REPORT

Because of the long-term nature of a defined benefit pension plan and postemployment healthcare benefit plan, financial statements alone cannot provide sufficient information to properly reflect the plan's ongoing plan perspective. This financial report consists of two financial statements and two required schedules of historical trend information. The Combined Statements of Plan Net Assets and Combined Statements of Changes in Plan Net Assets (on pages 22-25) provide information about the activities of the pension funds and insurance fund as a whole. Kentucky Retirement Systems is the fiduciary of funds held in trust for five distinct groups of members. The Combining Statements of Plan Net Assets and Combining Statements of Changes in Plan Net Assets (on pages 26-33) provide more detailed information about each plan's assets, liabilities, plan net assets, and changes in plan net assets.

The Schedule of Funding Progress (on pages 50-60) includes historical trend information about the actuarially funded status of each plan from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits and insurance premiums when due. The Schedule of Employer Contributions (on pages 61-66) presents historical trend information about the annual required contributions of employers and the contributions made by employers in relation to the requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans.

KENTUCKY RETIREMENT SYSTEMS AS A WHOLE

Kentucky Retirement Systems' combined plan net assets increased by \$628.4 over a year ago – increasing from \$13,074.8 million to \$13,703.2 million. Plan net assets for the prior fiscal year increased by \$1,864.7 million. Looking at additions to and deductions from plan net assets of the pension funds and insurance fund reveals similar trends. The analysis below focuses on plan net assets (Table 1) and changes in plan net assets (Table 2) of Kentucky Retirement Systems' pension funds and insurance fund.

Table 1
Plan Net Assets
(In Millions)

	<u>Pension Funds</u>		<u>Insurance Fund</u>		<u>Total</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Cash and investments	\$12,884.2	\$13,181.5	\$998.9	\$891.3	\$13,883.1	\$14,072.8
Receivables	<u>138.8</u>	<u>118.9</u>	<u>22.6</u>	<u>21.8</u>	<u>161.4</u>	<u>140.7</u>
Total assets	\$13,023.0	\$13,300.4	\$1,021.5	\$913.1	\$14,044.5	\$14,213.5
Total liabilities	<u>(339.0)</u>	<u>(1,073.5)</u>	<u>(2.3)</u>	<u>(65.2)</u>	<u>(341.3)</u>	<u>(1,138.7)</u>
Plan net assets	<u>\$12,684.0</u>	<u>\$12,226.9</u>	<u>\$1,019.2</u>	<u>\$847.9</u>	<u>\$13,703.2</u>	<u>\$13,074.8</u>

Table 2
Changes In Plan Net Assets
(In Millions)

	<u>Pension Funds</u>		<u>Insurance Fund</u>		<u>Total</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Additions:						
Members' contributions	\$246.6	\$274.9	\$0.0	\$0.0	\$246.6	\$274.9
Employers' contributions	305.2	295.3	180.3	146.1	485.5	441.4
Investment income (net)	<u>593.7</u>	<u>1,684.0</u>	<u>57.8</u>	<u>87.9</u>	<u>651.5</u>	<u>1,771.9</u>
Total additions	1,145.5	2,254.2	238.1	234.0	1,383.6	2,488.2
Program deductions:						
Benefit payments	476.6	393.6	0.0	0.0	476.6	393.6
Refunds	21.4	20.1	0.0	0.0	21.4	20.1
Administrative expense	9.8	8.8	0.3	0.2	10.1	9.0
Healthcare premiums paid	<u>0.0</u>	<u>0.0</u>	<u>66.5</u>	<u>54.2</u>	<u>66.5</u>	<u>54.2</u>
Total program deductions	507.8	422.5	66.8	54.4	574.6	476.9
Other deductions (net)	<u>180.3</u>	<u>146.6</u>	<u>0.0</u>	<u>0.0</u>	<u>180.3</u>	<u>146.6</u>
Total deductions	<u>688.1</u>	<u>569.1</u>	<u>66.8</u>	<u>54.4</u>	<u>754.9</u>	<u>623.5</u>
Increase (decrease) in plan net assets	<u>\$457.4</u>	<u>\$1,685.1</u>	<u>\$171.3</u>	<u>\$179.6</u>	<u>\$628.7</u>	<u>\$1,864.7</u>

Plan net assets of the pension funds increased by 3.7% (\$12,684.0 million compared to \$12,226.9 million). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the pension funds as employees and their beneficiaries. Even though there was an increase in plan net assets for the year the increase was not of the magnitude of the increase for the prior year. This is attributable primarily to the reduced amount of investment income (\$593.7 million compared to \$1,684.4 million) caused by less favorable investment market conditions in general.

Plan net assets of the insurance fund increased by 20% (\$1,019.2 million compared to \$847.9 million). All of these assets are restricted in use to provide hospital and medical insurance benefits to members of the pension funds who receive a monthly retirement allowance. Even though there was an increase in plan net assets for the year just as there was for the pension funds, the increase was not of the magnitude of the increase for the prior year. This reduction in the amount of increase in plan net assets arose primarily because of two factors. First, the amount of investment income (\$57.8 million compared to \$87.9 million) decreased from the prior year as explained above for the pension funds. The second factor was a 22.7% increase in health insurance premiums paid for the year (\$66.5 million compared to \$54.2 million).

Pension Fund Activities

Member contributions decreased (\$28.3 million). Retirement contributions are calculated by applying a percentage factor to salary and are paid in monthly by each member. Members may also pay contributions to repurchase previously refunded service credit or to purchase various types of elective service credit. During the year there was an increase in monthly contributions over the previous year. However, there was a reduction in the number of purchases of elective service purchases causing the overall reduction of member contribution compared to the previous year.

Employer contributions increased \$9.9 million as a result of increase in covered payroll of \$231.9 million.

Net investment income decreased (65%) (\$593.7 million compared to \$1,684.0 million). The primary cause of the reduction in net investment income between fiscal years is less appreciation in the fair value of investments for the year ended June 30, 2000 than for the year ended June 30, 1999. This can be illustrated as follows:

<u>In Millions</u>	
Appreciation in fair value of investments – June 30, 2000	\$2,520.7
Appreciation in fair value of investments – June 30, 1999	<u>4,379.4</u>
Net appreciation in fair value of investments	(1,858.7)
Investment income (net of investment expense)	383.5
Net gain on sale of investments	<u>2,068.9</u>
Investment Income (net) – June 30, 2000	<u>\$593.7</u>

Program deductions increased \$85.3 million caused principally by an increase of \$83 million in benefit payments. Members who were drawing benefits as of June 1999 received an increase of 1.6 % to their retirement allowance in July 1999. Also, there was an increase of 4,299 members and beneficiaries on the retired payroll as of June 30, 2000.

Other deductions (net) increased approximately \$34 million explained by an increase in employer contributions transferred to the insurance fund of \$34 million.

Insurance Fund Activities

As explained above, employer contributions paid into the insurance fund increased by \$34 million over the prior year. An increase in the amount of covered payroll (\$231.9 million) and increases in the percentage of covered payroll paid into the insurance fund by the two major pension funds accounts for the increased employer contributions.

Net investment income decreased (34%) (\$57.8 million compared to \$87.9 million). The primary cause of the reduction in net investment income between fiscal years is less appreciation in the fair value of investments for the year ended June 30, 2000 than for the year ended June 30, 1999. This can be illustrated as follows:

<u>In Millions</u>	
Appreciation in fair value of investments – June 30, 2000	\$179.6
Appreciation in fair value of investments – June 30, 1999	<u>219.3</u>
Net appreciation in fair value of investments	(39.7)
Investment income (net of investment expense)	26.5
Net gain on sale of investments	<u>71.0</u>
Investment Income (net) – June 30, 2000	<u>\$57.8</u>

Program deductions increased \$12.4 million explained almost totally by an increase in payment of healthcare premiums of \$12.3 million. The monthly premium increased for all hospital and medical insurance plans offered to retirees coupled with an increase of 3,100 in the number of retirees receiving premium subsidies.

HISTORICAL TRENDS

Accounting standards require that the statement of plan net assets state asset value at **fair value** and include only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the pension funds and insurance fund is provided in the Schedule of Funding Progress (on pages 50-60). The asset value stated in the Schedule of Funding Progress is the **actuarial value** of assets determined by calculating the ratio of market value to book value of assets over a five-year period. The actuarial accrued liability is calculated using the entry age normal funding method.

The pension funds continue to improve their funding position with more than adequate assets to meet pension obligations. The insurance fund continues to have a large unfunded liability for all participating employees groups. However, the funded ratio for all employee groups participating in the pension funds and the insurance fund shows a positive trend over the six-year period displayed.

Annual required contributions of the employers and contributions made by the employers in relation to the required contributions are provided in the Schedule of Employer Contributions (on pages 61-66). This schedule indicates that employers are generally meeting their responsibilities to provide resources to the plans.

	2000		
	<u>Pensions</u>	<u>Post-Employment Healthcare</u>	<u>Total</u>
ASSETS			
Cash	\$	\$	\$
Short Term Investments	<u>867,131</u>	<u>85,503</u>	<u>952,633</u>
Total Cash and Short Term Investments	867,131	85,503	952,633
Receivables			
Investments - accounts receivable	282	10	292
Due from Retirement Fund		900	900
Interest receivable - year end	46,277	3,706	49,982
Accounts receivable - year end	87,222	17,980	105,202
Accounts receivable - alternate plan	4,644		4,644
A/R - alternate plan - year end	<u>327</u>	<u> </u>	<u>327</u>
Total receivables	138,752	22,596	161,347
Investments at fair value			
Corporate and government bonds	2,661,171	224,782	2,885,953
Corporate stocks	7,935,081	669,515	8,604,596
Mortgages	527,838	17,117	544,955
Real estate	<u>590,310</u>	<u> </u>	<u>590,310</u>
Total investments at fair value	11,714,401	911,414	12,625,814
Securities lending collateral invested	<u>302,677</u>	<u>1,979</u>	<u>304,656</u>
Total assets	13,022,960	1,021,491	14,044,451
LIABILITIES			
Investments - accounts payable		191	191
Accounts payable	35,385	130	35,515
Due to Insurance Fund	900		900
Securities lending collateral	<u>302,677</u>	<u>1,979</u>	<u>304,656</u>
Total Liabilities	<u>338,962</u>	<u>2,300</u>	<u>341,262</u>
Plan net assets held in trust for pension			
Benefits	<u>\$12,683,998</u>	<u>\$ 1,019,191</u>	<u>\$13,702,289</u>

(A schedule of funding progress for each plan is presented on pages 50 through 60.)

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

KENTUCKY RETIREMENT SYSTEMS
 COMBINED STATEMENTS OF PLAN NET ASSETS
 As of June 30, 2000 and 1999
 Expressed In Thousands

1999		
Pensions	Post-Employment Healthcare	Total
\$ 612,665	\$ 53,981	\$ 666,646
9	10	19
40,199	3,208	43,407
73,405	18,541	91,946
4,897		4,897
334		334
118,845	21,759	140,603
2,416,700	173,826	2,590,526
8,112,989	579,635	8,692,624
515,558	18,851	534,409
479,790		479,790
11,525,037	772,312	12,297,350
1,043,883	65,058	1,108,941
13,300,430	913,109	14,213,539
29,649	106 71	106 29,721
1,043,883	65,058	1,108,941
1,073,532	65,235	1,138,767
<u>\$12,226,898</u>	<u>\$ 847,874</u>	<u>\$13,074,772</u>

	2000		
	<u>Pensions</u>	<u>Post-Employment Healthcare</u>	<u>Total</u>
ADDITIONS			
Members' contributions	\$ 246,563	\$	\$ 246,563
Employers' contributions	<u>305,231</u>	<u>180,350</u>	<u>485,581</u>
Total contributions	551,794	180,350	732,144
Investment Income:			
From investing activities			
Net appreciation in fair value of investments	210,243	31,230	241,473
Interest	244,948	17,624	262,572
Dividends	99,348	8,819	108,167
Real estate operating income (Net)	<u>40,600</u>	<u> </u>	<u>40,600</u>
Total investing activities income	595,139	57,673	652,812
Investment expense	<u>5,082</u>	<u>83</u>	<u>5,164</u>
Net income from investing activities	590,057	57,590	647,648
From securities lending activities			
Securities lending income	105,560	5,522	111,082
Securities lending expense:			
Custodial Fee	324		324
Security borrower rebate	99,421	5,223	104,643
Security lending agent fee	<u>2,455</u>	<u>119</u>	<u>2,575</u>
Net income from securities lending activities	<u>3,360</u>	<u>179</u>	<u>3,539</u>
Total net investment income	<u>593,417</u>	<u>57,770</u>	<u>651,187</u>
TOTAL ADDITIONS	1,145,211	238,120	1,383,331
DEDUCTIONS			
Benefit payments	476,610		476,610
Refunds	21,369		21,369
Administrative expenses	9,772	331	10,103
Healthcare premiums paid		66,487	66,487
Other deductions (Net)	<u>180,345</u>	<u> </u>	<u>180,345</u>
TOTAL DEDUCTIONS	<u>688,095</u>	<u>66,818</u>	<u>754,914</u>
Net increase	457,116	171,302	628,417
Plan net assets held in trust for pension benefits and post-employment benefits			
Beginning of year	12,226,898	847,874	13,074,772
Prior period adjustment (Note I)	<u>(15)</u>	<u>15</u>	<u> </u>
End of year	<u>\$12,683,998</u>	<u>\$ 1,019,191</u>	<u>\$13,703,189</u>

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

KENTUCKY RETIREMENT SYSTEMS
 COMBINED STATEMENTS OF CHANGES IN PLAN NET ASSETS
 For The Years Ended June 30, 2000 and 1999

Expressed In Thousands

1999		
Pensions	Post-Employment Healthcare	Total
\$ 274,864	\$	\$ 274,864
<u>295,303</u>	<u>146,080</u>	<u>441,383</u>
570,167	146,080	716,247
1,358,855	67,147	1,426,002
191,982	13,907	205,889
102,590	6,796	109,386
<u>33,728</u>	<u> </u>	<u>33,728</u>
1,687,156	87,850	1,775,005
<u>4,598</u>	<u>88</u>	<u>4,686</u>
1,682,557	87,762	1,770,319
67,407	8,059	75,466
64,900	7,759	72,659
<u>1,003</u>	<u>120</u>	<u>1,123</u>
<u>1,505</u>	<u>180</u>	<u>1,685</u>
<u>1,684,062</u>	<u>87,942</u>	<u>1,772,004</u>
2,254,230	234,022	2,488,252
393,582		393,582
20,135		20,135
8,752	148	8,901
	54,276	54,276
<u>146,616</u>	<u> </u>	<u>146,616</u>
<u>569,085</u>	<u>54,424</u>	<u>623,510</u>
1,685,144	179,598	1,864,742
10,544,500	668,276	11,212,776
<u>(2,746)</u>	<u> </u>	<u>(2,746)</u>
<u>\$12,226,898</u>	<u>\$ 847,874</u>	<u>\$13,074,772</u>

ASSETS	<u>KERS HAZARDOUS</u>	<u>KERS NON-HAZARDOUS</u>
Cash and short-term investments		
Cash	\$	\$
Short-term investments	<u>31,704</u>	<u>369,291</u>
Total cash and short-term investments	31,704	369,291
Receivables		
Investments - accounts receivable	6	136
Interest receivable - year end	1,220	21,776
Accounts receivable - year end	2,972	37,555
Accounts receivable - alternate plan A/R - alternate plan - year end	<u> </u>	<u> </u>
Total receivables	4,198	59,468
Investments at fair value		
Corporate and government bonds	70,728	1,251,706
Corporate stocks	165,930	3,827,370
Mortgages	11,383	259,092
Real estate	<u>20,379</u>	<u>266,555</u>
Total investments at fair value	268,420	5,604,723
Securities lending collateral invested	<u>6,137</u>	<u>147,195</u>
Total assets	310,460	6,180,677
LIABILITIES		
Investment - accounts payable		
Accounts payable	1,503	16,027
Due to Insurance Fund	900	
Securities lending collateral	<u>6,137</u>	<u>147,195</u>
Total liabilities	<u>8,540</u>	<u>163,221</u>
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 301,920</u>	<u>\$ 6,017,456</u>

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

KENTUCKY RETIREMENT SYSTEMS
 COMBINING STATEMENTS OF PLAN NET ASSETS
 PENSION FUNDS
 June 30, 2000 and 1999

Expressed In Thousands

<u>CERS HAZARDOUS</u>	<u>CERS NON-HAZARDOUS</u>	<u>STATE POLICE</u>	<u>2000 TOTAL</u>	<u>1999 TOTAL</u>
\$	\$	\$	\$	\$
<u>95,076</u>	<u>347,821</u>	<u>23,238</u>	<u>867,131</u>	<u>612,665</u>
95,076	347,821	23,238	867,131	612,665
28	102	9	282	9
4,705	17,218	1,358	46,277	40,199
11,647	33,569	1,478	87,222	73,405
2,540	2,104		4,644	4,897
<u>186</u>	<u>140</u>	<u> </u>	<u>327</u>	<u>334</u>
19,107	53,133	2,845	138,752	118,845
267,953	996,473	74,311	2,661,171	2,416,700
786,273	2,880,049	275,459	7,935,081	8,112,989
51,353	188,866	17,144	527,838	515,558
<u>64,592</u>	<u>219,223</u>	<u>19,561</u>	<u>590,310</u>	<u>479,790</u>
1,170,171	4,284,611	386,474	11,714,401	11,525,037
<u>30,838</u>	<u>109,765</u>	<u>8,741</u>	<u>302,677</u>	<u>1,043,883</u>
1,315,193	4,795,331	421,299	13,022,960	13,300,430
4,418	12,411	1,026	35,385	29,649
			900	
<u>30,838</u>	<u>109,765</u>	<u>8,741</u>	<u>302,677</u>	<u>1,043,883</u>
<u>35,257</u>	<u>122,177</u>	<u>9,767</u>	<u>338,962</u>	<u>1,073,532</u>
<u>\$1,279,936</u>	<u>\$ 4,673,154</u>	<u>\$ 411,531</u>	<u>\$12,683,998</u>	<u>\$12,226,898</u>

	<u>KERS HAZARDOUS</u>	<u>KERS NON-HAZARDOUS</u>
ADDITIONS		
Members' contributions	\$ 9,375	\$ 107,834
Employers' contributions	<u>21,633</u>	<u>115,055</u>
Total contributions	31,008	222,890
INVESTMENT INCOME		
From Investing Activities		
Net appreciation in fair value of investments	1,650	113,401
Interest	6,782	114,715
Dividends	1,915	47,721
Real estate operating income (Net)	<u>1,436</u>	<u>18,617</u>
Total investing activity income	11,784	294,454
Investment expense	<u>120</u>	<u>2,418</u>
Net income from investing activities	11,664	292,036
From securities lending activities		
Securities lending income	1,862	51,575
Securities lending expense:		
Custodial fee	7	156
Security borrower rebates	1,754	48,575
Security lending agent fees	<u>43</u>	<u>1,200</u>
Net income from securities lending activities	<u>58</u>	<u>1,644</u>
Total net investment income	<u>11,722</u>	<u>293,679</u>
TOTAL ADDITIONS	42,730	516,569
DEDUCTIONS		
Benefit payments	6,224	252,775
Refunds	1,140	7,901
Administrative expenses	295	3,346
Other deductions (Net)	<u>12,048</u>	<u>76,918</u>
Total deductions	<u>19,707</u>	<u>340,939</u>
Net increase	23,023	175,630
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year	278,899	5,841,832
Prior Period Adjustment (Note I)	<u>(2)</u>	<u>(6)</u>
End of year	<u>\$ 301,920</u>	<u>\$ 6,017,456</u>

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

KENTUCKY RETIREMENT SYSTEMS
 COMBINING STATEMENTS OF CHANGES IN PLAN NET ASSETS
 PENSION FUNDS
 June 30, 2000 and 1999

Expressed In Thousands

<u>CERS HAZARDOUS</u>	<u>CERS NON-HAZARDOUS</u>	<u>STATE POLICE</u>	<u>2000 TOTAL</u>	<u>1999 TOTAL</u>
\$ 28,476	\$ 96,676	\$ 4,202	\$ 246,563	\$ 274,864
<u>51,739</u>	<u>106,587</u>	<u>10,216</u>	<u>305,231</u>	<u>295,303</u>
80,215	203,263	14,418	551,794	570,167
14,196	74,300	6,696	210,243	1,358,855
25,308	91,255	6,889	244,948	191,982
9,899	36,305	3,507	99,348	102,590
<u>4,366</u>	<u>14,742</u>	<u>1,439</u>	<u>40,600</u>	<u>33,728</u>
53,769	216,601	18,532	595,139	1,687,156
<u>524</u>	<u>1,849</u>	<u>171</u>	<u>5,082</u>	<u>4,598</u>
53,245	214,752	18,361	590,057	1,682,557
10,336	38,561	3,226	105,560	67,407
32	117	10	324	
9,735	36,318	3,038	99,421	64,900
<u>240</u>	<u>897</u>	<u>75</u>	<u>2,455</u>	<u>1,003</u>
<u>328</u>	<u>1,228</u>	<u>102</u>	<u>3,360</u>	<u>1,505</u>
<u>53,573</u>	<u>215,980</u>	<u>18,463</u>	<u>593,417</u>	<u>1,684,062</u>
133,789	419,244	32,880	1,145,211	2,254,230
49,622	148,015	19,974	476,610	393,582
1,479	10,769	80	21,369	20,135
561	5,501	68	9,772	8,752
<u>28,346</u>	<u>55,214</u>	<u>7,819</u>	<u>180,345</u>	<u>146,616</u>
<u>80,008</u>	<u>219,500</u>	<u>27,941</u>	<u>688,095</u>	<u>569,087</u>
53,780	199,744	4,939	457,116	1,685,144
1,226,158	4,473,415	406,594	12,226,898	10,544,500
<u>(2)</u>	<u>(5)</u>	<u>(1)</u>	<u>(15)</u>	<u>(2,746)</u>
<u>\$1,279,936</u>	<u>\$ 4,673,154</u>	<u>\$411,531</u>	<u>\$12,683,998</u>	<u>\$12,226,898</u>

	<u>KERS HAZARDOUS</u>	<u>KERS NON-HAZARDOUS</u>
ASSETS		
Cash And short-term investments		
Cash	\$	\$
Short-term investments	<u>8,873</u>	<u>33,143</u>
Total cash and short-term investments	8,873	33,143
Receivables		
Investments - accounts receivable	1	4
Due from Retirement Fund	900	
Interest receivable - year end	344	1,394
Accounts receivable - year end	1,044	7,155
Accounts receivable – alternate plan A/R – alternate plan – year end	<u> </u>	<u> </u>
Total receivables	2,288	8,552
Investments, at fair value		
Corporate and government bonds	20,708	84,253
Corporate stocks	65,784	251,094
Mortgages	1,624	6,368
Real estate	<u> </u>	<u> </u>
Total investments, at fair value	88,116	341,716
Security lending collateral invested	<u>193</u>	<u>744</u>
Total assets	99,470	384,156
LIABILITIES		
Accounts payable	11	69
Deferred premium	6	61
Securities lending collateral	<u>193</u>	<u>744</u>
Total liabilities	<u>210</u>	<u>875</u>
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
	<u>\$ 99,260</u>	<u>\$ 383,281</u>

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

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
 COMBINING STATEMENTS OF PLAN NET ASSETS
 POSTEMPLOYMENT HEALTHCARE
 June 30, 2000 and 1999

Expressed In Thousands

<u>CERS HAZARDOUS</u>	<u>CERS NON-HAZARDOUS</u>	<u>STATE POLICE</u>	<u>2000 Total</u>	<u>1999 Total</u>
\$ <u>14,741</u>	\$ <u>23,158</u>	\$ <u>5,588</u>	\$ <u>85,503</u>	\$ <u>53,981</u>
14,741	23,158	5,588	85,503	53,981
1	3	1	10	10
600	1,113	255	900	3,208
2,832	6,288	662	3,706	18,541
<u>3,433</u>	<u>7,404</u>	<u>918</u>	<u>22,596</u>	<u>21,759</u>
36,122	68,248	15,451	224,782	173,826
102,660	203,684	46,292	669,515	579,635
<u>2,782</u>	<u>5,162</u>	<u>1,180</u>	<u>17,117</u>	<u>18,851</u>
141,565	277,095	62,923	911,414	772,312
<u>311</u>	<u>596</u>	<u>136</u>	<u>1,979</u>	<u>65,058</u>
160,049	308,252	69,565	1,021,492	913,109
17	84	9	191	106
33	26	3	130	71
<u>310</u>	<u>596</u>	<u>136</u>	<u>1,979</u>	<u>65,058</u>
<u>361</u>	<u>707</u>	<u>148</u>	<u>2,300</u>	<u>65,235</u>
<u>\$ 159,688</u>	<u>\$ 307,545</u>	<u>\$ 69,416</u>	<u>\$ 1,019,191</u>	<u>\$ 847,874</u>

	<u>KERS Hazardous</u>	<u>KERS Non-Hazardous</u>
ADDITIONS		
Employers' contributions	\$ 12,047	\$ 76,926
Total contributions	12,047	76,926
INVESTMENT INCOME		
From Investing Activities		
Net appreciation in fair value of investments	3,593	11,542
Interest	1,691	6,529
Dividends	<u>863</u>	<u>3,341</u>
Total income from investing activities	<u>6,148</u>	<u>21,412</u>
Investment activities expense	<u>8</u>	<u>31</u>
Net investment activities income	6,140	21,381
From securities lending activities		
Securities lending income	541	2,067
Securities lending expense:		
Security borrower rebates	512	1,955
Security lending agent fees	<u>12</u>	<u>45</u>
Net income from securities lending activities	<u>18</u>	<u>67</u>
Total net investment income	<u>6,157</u>	<u>21,448</u>
Total additions	18,204	98,374
DEDUCTIONS		
Healthcare premiums subsidies	1,570	30,364
Administrative fees	<u>11</u>	<u>140</u>
Total deductions	<u>1,581</u>	<u>30,504</u>
Net increase	16,623	67,870
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	82,635	315,406
Prior Period Adjustment	<u>2</u>	<u>6</u>
End of year	<u>\$ 99,260</u>	<u>\$ 383,281</u>

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

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
 COMBINING STATEMENTS OF CHANGES IN PLAN NET ASSETS
 POSTEMPLOYMENT HEALTHCARE
 June 30, 2000 and 1999

Expressed In Thousands

<u>CERS Hazardous</u>	<u>CERS Non-Hazardous</u>	<u>STATE Police</u>	<u>2000 Total</u>	<u>1999 Total</u>
\$ 28,345	\$ 55,214	\$ 7,818	\$ 180,350	\$ 146,080
28,345	55,214	7,818	180,350	146,080
4,690	9,139	2,266	31,230	67,147
2,948	5,200	1,256	17,624	13,907
<u>1,294</u>	<u>2,711</u>	<u>609</u>	<u>8,819</u>	<u>6,796</u>
<u>8,932</u>	<u>17,050</u>	<u>4,131</u>	<u>57,673</u>	<u>87,850</u>
<u>13</u>	<u>25</u>	<u>6</u>	<u>83</u>	<u>88</u>
8,920	17,025	4,125	57,590	87,762
857	1,667	390	5,522	8,059
811	1,576	369	5,223	7,759
<u>19</u>	<u>36</u>	<u>8</u>	<u>119</u>	<u>120</u>
<u>28</u>	<u>54</u>	<u>13</u>	<u>179</u>	<u>180</u>
<u>8,947</u>	<u>17,079</u>	<u>4,138</u>	<u>57,770</u>	<u>87,942</u>
37,293	72,293	11,955	238,120	234,022
9,597	21,942	3,014	66,487	54,276
<u>52</u>	<u>114</u>	<u>14</u>	<u>331</u>	<u>148</u>
<u>9,649</u>	<u>22,056</u>	<u>3,028</u>	<u>66,818</u>	<u>54,424</u>
27,644	50,237	8,927	171,302	179,598
132,042	257,303	60,488	847,874	668,276
<u>2</u>	<u>5</u>	<u>1</u>	<u>15</u>	<u> </u>
\$ 159,688	\$ 307,545	\$ 69,416	\$ 1,019,191	\$ 847,874

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

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

NOTE A. Summary of Significant Accounting Policies

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

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

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

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

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

NOTE B. Plan Descriptions and Contribution Information

Membership of each Retirement plan consisted of the following at June 30, 2000 and 1999, the date of the latest actuarial valuation:

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	2000			1999		
	Non-Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>	<u>Total</u>	Non-Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>	<u>Total</u>
<u>Number of Members</u>						
Retirees and beneficiaries						
receiving benefits	21,941	780	22,721	23,760	924	24,684
Terminated plan members - vested	2,978	96	3,074	3,073	113	3,186
Terminated plan members - non-vested	11,512	516	12,028	11,886	646	12,532
Active plan members	<u>45,824</u>	<u>3,889</u>	<u>49,713</u>	<u>46,897</u>	<u>4,007</u>	<u>50,904</u>
Total	<u>82,255</u>	<u>5,281</u>	<u>87,536</u>	<u>85,616</u>	<u>5,690</u>	<u>91,306</u>
Number of participating employers			386			391

COUNTY EMPLOYEES RETIREMENT SYSTEM

	2000			1999		
	Non-Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>	<u>Total</u>	Non-Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>	<u>Total</u>
<u>Number of Members</u>						
Retirees and beneficiaries						
receiving benefits	20,687	2,704	23,391	22,708	2,984	25,692
Terminated plan members - vested	3,238	128	3,366	3,500	112	3,612
Terminated plan members - non-vested	19,347	331	19,678	20,512	339	20,851
Active plan members	<u>74,451</u>	<u>7,488</u>	<u>81,639</u>	<u>77,419</u>	<u>7,951</u>	<u>85,370</u>
Total	<u>117,423</u>	<u>10,651</u>	<u>128,074</u>	<u>124,139</u>	<u>11,386</u>	<u>135,525</u>
Number of participating employers			1,144			1,218

STATE POLICE RETIREMENT SYSTEM

	1999	2000
	Hazardous Position <u>Employees</u>	Hazardous Position <u>Employees</u>
<u>Number of Members</u>		
Retirees and beneficiaries receiving benefits	762	797
Terminated plan members - vested	14	9
Terminated plan members - non-vested	72	69
Active plan members	<u>985</u>	<u>1,023</u>
Total	<u>833</u>	<u>1,898</u>
Number of participating employers		1

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

Hospital and medical contracts in force consisted of the following at June 30, 2000 and 1999, the date of the latest actuarial valuation:

	2000					1999				
	<u>Single</u>	Couple and <u>Family</u>	<u>Parent +</u>	Medicare <u>Regular</u>	Medicare <u>High</u>	<u>Single</u>	Couple and <u>Family</u>	<u>Parent +</u>	Medicare <u>Regular</u>	Medicare <u>High</u>
KERS Non-Hazardous	3,845	786	194	1,785	10,519	4,619	955	295	1,802	10,869
KERS Hazardous	213	154	28	34	335	268	175	37	43	375
CERS Non-Hazardous	3,298	704	141	1,988	7,618	3,813	745	186	2,035	8,341
CERS Hazardous	671	1,173	148	22	528	775	1,243	173	23	609
SPRS	<u>161</u>	<u>349</u>	<u>29</u>	<u>5</u>	<u>252</u>	<u>178</u>	<u>347</u>	<u>38</u>	<u>8</u>	<u>264</u>
Totals	8,188	3,164	539	3,834	19,252	9,653	3,465	729	3,911	20,458

NOTE B. Plan Descriptions and Contribution Information (Continued)

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

Non-Hazardous Employees Pension Plan

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

Contributions - For the years ended June 30, 2000 and 1999, plan members were required to contribute 5% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the years ended June 30, 2000 and 1999, the State contributed 8.03% of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 2000 and 1999 was 8.03% of creditable compensation. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

Hazardous Employees Pension Plan

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

Contributions - For the years ended June 30, 2000 and 1999, plan members were required to contribute 7% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the years ended June 30, 2000 and 1999, the State contributed 18.66% of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 2000 and 1999 was 18.91% and 18.66% respectively, of creditable compensation. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

NOTE B. Plan Descriptions and Contribution Information (Continued)

COUNTY EMPLOYEES RETIREMENT SYSTEM

Non-Hazardous Employees Pension Plan

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

Contributions - For the years ended June 30, 2000 and 1999, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the years ended June 30, 2000 and 1999, participating employers contributed 7.28% and 8.22%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 2000 and 1999 was 7.28% and 8.22%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Employees Pension Plan

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

Contributions - For the years ended June 30, 2000 and 1999, plan members were required to contribute 8% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the years ended June 30, 2000 and 1999, participating employers contributed 17.55% and 18.85%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 2000 and 1999 was 17.55% and 18.85%, respectively, of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

NOTE B. Plan Descriptions and Contribution Information (Continued)

STATE POLICE RETIREMENT SYSTEM

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

Contributions - For the years ended June 30, 2000 and 1999, plan members were required to contribute 8% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the years ended June 30, 2000 and 1999, the State contributed 23.41% of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 2000 and 1999 was 25.26% and 23.41%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

Plan Description - The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System (Systems). The Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the year insurance premiums withheld from benefit payments to members of the Systems approximated \$14,952,987 and \$287,371 for KERS and KERS hazardous, respectively, \$14,488,160 and \$1,189,453 for CERS and CERS hazardous, respectively, and \$243,278 for SPRS. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As of June 30, 2000 the Fund had 46,874 retirees and beneficiaries for whom benefits were available.

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

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

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

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

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

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

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	<u>2000</u>	<u>1999</u>
Cash, uninsured, unregistered & uncollateralized	\$	\$
Miscellaneous cash	47	19
Short-Term Investment Pool	139,651,805	
Repurchase agreements purchased with cash collateral	13,680,024	514,848,170
Other repurchase agreements	<u>400,995,739</u>	<u>290,129,980</u>
Total	<u>\$554,327,568</u>	<u>\$804,978,169</u>

COUNTY EMPLOYEES RETIREMENT SYSTEM

	<u>2000</u>	<u>1999</u>
Cash, uninsured, unregistered & uncollateralized	\$	\$
Short-Term Investment Pool	128,053,183	
Repurchase agreements purchased with cash collateral	12,550,439	493,703,282
Other repurchase agreements	<u>442,896,850</u>	<u>309,139,606</u>
Total	<u>\$583,500,472</u>	<u>\$802,842,888</u>

STATE POLICE RETIREMENT SYSTEM

	<u>2000</u>	<u>1999</u>
Cash, uninsured, unregistered & uncollateralized	\$	\$
Short-Term Investment Pool	7,796,698	
Repurchase agreements purchased with cash collateral	944,577	35,331,254
Other repurchase agreements	<u>23,238,262</u>	<u>13,395,174</u>
Total	<u>\$ 31,979,537</u>	<u>\$ 48,726,428</u>

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

	<u>2000</u>	<u>1999</u>
Cash, uninsured, unregistered & uncollateralized	\$	\$
Repurchase agreements purchased with cash collateral	1,979,372	65,057,846
Other repurchase agreements	<u>85,502,549</u>	<u>53,980,841</u>
Total	<u>\$ 87,481,921</u>	<u>\$119,038,686</u>

NOTE B. Plan Descriptions and Contribution Information (Continued)

STATE POLICE RETIREMENT SYSTEM

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

Contributions - For the years ended June 30, 2000 and 1999, plan members were required to contribute 8% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the years ended June 30, 2000 and 1999, the State contributed 23.41% of each employee's creditable compensation. The actuarially determined rate set by the Board for the years ended June 30, 2000 and 1999 was 25.26% and 23.41%, respectively, of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

Plan Description - The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System (Systems). The Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the year insurance premiums withheld from benefit payments to members of the Systems approximated \$14,952,987 and \$287,371 for KERS and KERS hazardous, respectively, \$14,488,160 and \$1,189,453 for CERS and CERS hazardous, respectively, and \$243,278 for SPRS. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As of June 30, 2000 the Fund had 46,874 retirees and beneficiaries for whom benefits were available.

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

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

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

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KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	<u>2000</u>	<u>1999</u>
Cash, uninsured, unregistered & uncollateralized	\$	\$
Miscellaneous cash	47	19
Short-Term Investment Pool	139,651,805	
Repurchase agreements purchased with cash collateral	13,680,024	514,848,170
Other repurchase agreements	<u>400,995,739</u>	<u>290,129,980</u>
Total	<u>\$554,327,568</u>	<u>\$804,978,169</u>

COUNTY EMPLOYEES RETIREMENT SYSTEM

	<u>2000</u>	<u>1999</u>
Cash, uninsured, unregistered & uncollateralized	\$	\$
Short-Term Investment Pool	128,053,183	
Repurchase agreements purchased with cash collateral	12,550,439	493,703,282
Other repurchase agreements	<u>442,896,850</u>	<u>309,139,606</u>
Total	<u>\$583,500,472</u>	<u>\$802,842,888</u>

STATE POLICE RETIREMENT SYSTEM

	<u>2000</u>	<u>1999</u>
Cash, uninsured, unregistered & uncollateralized	\$	\$
Short-Term Investment Pool	7,796,698	
Repurchase agreements purchased with cash collateral	944,577	35,331,254
Other repurchase agreements	<u>23,238,262</u>	<u>13,395,174</u>
Total	<u>\$ 31,979,537</u>	<u>\$ 48,726,428</u>

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

	<u>2000</u>	<u>1999</u>
Cash, uninsured, unregistered & uncollateralized	\$	\$
Repurchase agreements purchased with cash collateral	1,979,372	65,057,846
Other repurchase agreements	<u>85,502,549</u>	<u>53,980,841</u>
Total	<u>\$ 87,481,921</u>	<u>\$119,038,686</u>

NOTE D. Investments

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

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

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

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

Alternative Investments/Equity Real Estate – Subject to the specific approval of the investment committee of the board of trustees, investments may be made for the purpose of creating a diversified portfolio of income-producing properties of publicly or privately traded real estate securities with moderate to low levels of risk. In the construction of the equity real estate portfolio, the board of trustees requires diversification as to the location, age, type, purpose, and cost of holdings. In certain situations where the return appears to justify the investment, the board may invest in other real estate or alternative investments including, without limitation, venture capital, private equity and private placements which the investment committee believes has excellent potential to generate income and which may have a higher degree of risk. However, such investments shall not represent more than 2% of the entire portfolio and shall be undertaken only after approval of the board.

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 are considered acceptable:

Securities Purchased Under Agreement to Resell - Repurchase agreements which are collateralized by U.S. Government and agency issues.

U.S. Government Issues – Investments may be made in notes, other interest-bearing obligations, and purchases of participation in such instruments that are issued or guaranteed in whole or in part by the United States of America or by any agency or instrumentality thereof.

Derivatives – Investments may be made in derivative securities, or strategies which make use of derivative instruments, only if such investments do not cause the portfolio to be in any way leveraged beyond a 100% invested position. Investments in derivative securities which are subject to large or unanticipated changes in duration or cash flow, such as interest only (IO), principal only (PO), inverse floater, or structured note securities are expressly prohibited.

The Retirement Systems and Insurance Fund invest in collateral mortgage obligations (CMOs) and other asset-backed securities to increase return and adjust duration of the portfolio. The Systems and the Fund invest in exchange-traded funds to convert cash held in index funds to short-term equity investments. This practice is intended to make the performance of the index funds more closely track the performance of the index that the funds are intended to replicate.

Note D: Investments (continued)

Derivatives (continued)

Collateral mortgage obligations, asset-backed securities, and exchange-traded funds pose no greater risk than other similar investment grade holdings in the Systems' and the Fund's portfolios. The fair value of CMOs at June 30, 2000 and 1999 was approximately \$29 million and \$48 million respectively; the fair value of asset-backed securities at June 30, 2000 and 1999 was approximately \$428 million and \$312 million respectively; and the fair value of exchange-traded funds at June 30, 2000 and 1999 was approximately \$182 million and \$53 million respectively.

The Retirement Systems' and Insurance Fund's investments are categorized below to give an indication of the level of risk assumed by them at June 30, 2000 and 1999. Category 1 includes investments that are either insured or registered or for which the investments are held by The System or its agent in the System's name. Category 3 includes securities purchased by and held by the System's custodial agent. The agent loans securities owned by the Systems and Fund with the simultaneous receipt of cash collateral. The custodial agent purchases securities with the cash collateral in accordance with the Systems' and Fund's *Statement of Investment Policy*. All securities purchased with cash collateral are segregated by the custodial agent and held in the name of Kentucky Retirement Systems. At June 30, 2000, the systems had a second agent who also loans securities owned by the systems with the simultaneous receipt of cash collateral. The second custodial agent invests cash collateral in a short-term investment pool that holds only U.S. dollar cash and U.S. securities.

KENTUCKY RETIREMENT SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended June 30, 2000 and 1999

Note D: Investments (continued)

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
2000

Investments - Categorized	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Value</u>
U.S. Government Securities	\$ 634,485,980	\$	\$	\$ 634,485,980
Loaned for securities collateral				
Corporate bonds	686,321,643			686,321,643
Loaned for securities collateral				
Corporate stocks	3,843,236,881			3,843,236,881
Loaned for securities collateral	345,323			345,323
Repurchase agreements	<u>400,995,739</u>		<u>13,680,024</u>	<u>414,675,763</u>
Subtotal	<u>\$5,565,385,566</u>	<u>\$</u>	<u>\$ 13,680,024</u>	5,579,065,590
Investments - Not Categorized				
Short Term Investment Pool				139,651,805
Investments held by broker-dealers under securities loans				
U.S. Government Securities				
Corporate bonds				
Corporate stocks				149,717,539
Mortgages				270,145,672
Real Estate Investment				<u>286,933,699</u>
Total Investments				<u>\$6,425,514,305</u>

1999

Investments - Categorized	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Value</u>
U.S. Government Securities	\$ 242,152,177	\$	\$	\$ 242,152,177
Loaned for securities collateral	24,594,020			24,594,020
Corporate bonds	426,849,282			426,849,282
Loaned for securities collateral	9,303,041			9,303,041
Corporate stocks	4,085,771,726			4,085,771,726
Loaned for securities collateral				
Repurchase agreements	<u>290,129,980</u>		<u>514,848,170</u>	<u>804,978,150</u>
Subtotal	<u>\$5,078,800,226</u>	<u>\$ 0</u>	<u>\$514,848,170</u>	5,593,648,395
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				375,081,635
Corporate bonds				113,997,330
Corporate stocks				6,612,613
Mortgages				265,295,392
Real Estate Investment				<u>238,193,165</u>
Total Investments				<u>\$6,592,828,530</u>

KENTUCKY RETIREMENT SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended June 30, 2000 and 1999

Note D: Investments (continued)

COUNTY EMPLOYEES RETIREMENT SYSTEM
2000

Investments - Categorized	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Value</u>
U.S. Government Securities	\$ 613,809,633	\$	\$	\$ 613,809,633
Loaned for securities collateral				
Corporate bonds	649,161,998			649,161,998
Loaned for securities collateral				
Corporate stocks	3,528,716,054			3,528,716,054
Loaned for securities collateral	316,642			316,642
Repurchase agreements	<u>442,896,850</u>		<u>12,550,439</u>	<u>445,447,289</u>
Subtotal	<u>\$ 5,234,901,177</u>	<u>\$</u>	<u>\$ 12,550,439</u>	5,247,451,616
Investments - Not Categorized				
Short-Term Investment Pool				128,053,183
Investments held by broker-dealers under securities loans				
U.S. Government Securities				
Corporate bonds				
Corporate stocks				137,289,538
Mortgages				239,916,469
Real Estate Investment				<u>283,815,607</u>
Total Investments				<u>\$6,036,526,413</u>

1999

Investments - Categorized	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Value</u>
U.S. Government Securities	\$ 236,385,152	\$	\$	\$ 236,385,152
Loaned for securities collateral	24,811,038			24,811,038
Corporate bonds	398,550,824			398,550,824
Loaned for securities collateral	8,873,346			8,873,346
Corporate stocks	3,723,130,806			3,723,130,806
Loaned for securities collateral				
Repurchase agreements	<u>309,139,606</u>		<u>493,703,282</u>	<u>802,842,888</u>
Subtotal	<u>\$4,700,890,772</u>	<u>\$ 0</u>	<u>\$493,703,282</u>	5,194,594,053
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				378,391,350
Corporate bonds				108,731,950
Corporate stocks				6,324,547
Mortgages				233,763,883
Real Estate Investment				<u>223,990,064</u>
Total Investments				<u>\$6,145,795,847</u>

KENTUCKY RETIREMENT SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended June 30, 2000 and 1999

Note D: Investments (continued)

STATE POLICE RETIREMENT SYSTEM
2000

Investments - Categorized	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Value</u>
U.S. Government Securities	\$ 32,384,494	\$	\$	\$ 32,384,494
Loaned for securities collateral				
Corporate bonds	41,817,385			41,817,385
Loaned for securities collateral				
Corporate stocks	266,899,568			266,899,568
Loaned for securities collateral	19,280			19,280
Repurchase agreements	<u>23,238,262</u>	<u> </u>	<u>944,577</u>	<u>24,182,839</u>
Subtotal	<u>\$ 364,358,989</u>	<u>\$</u>	<u>\$ 944,577</u>	365,303,566
Investments - Not Categorized				
Short-Term Investment Pool				7,796,698
Investments held by broker-dealers under securities loans				
U.S. Government Securities				
Corporate bonds				
Corporate stocks				8,540,127
Mortgages				17,124,139
Real Estate Investment				<u>19,560,901</u>
Total Investments				<u>\$ 418,325,431</u>

1999

Investments - Categorized	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Value</u>
U.S. Government Securities	\$ 9,749,046	\$	\$	\$ 9,749,046
Loaned for securities collateral	1,323,612			1,323,612
Corporate bonds	28,997,615			28,997,615
Loaned for securities collateral	482,462			482,462
Corporate stocks	290,677,204			290,677,204
Loaned for securities collateral				
Repurchase agreements	<u>13,395,174</u>	<u> </u>	<u>35,331,254</u>	<u>48,726,428</u>
Subtotal	<u>\$ 344,625,113</u>	<u>\$ 0</u>	<u>\$ 35,331,254</u>	379,956,367
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				20,186,319
Corporate bonds				5,911,977
Corporate stocks				472,503
Mortgages				16,261,447
Real Estate Investment				<u>17,607,157</u>
Total Investments				<u>\$ 440,395,769</u>

KENTUCKY RETIREMENT SYSTEMS
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended June 30, 2000 and 1999

Note D: Investments (continued)

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND
2000

Investments - Categorized	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Value</u>
U.S. Government Securities	\$ 116,859,452	\$	\$	\$ 116,859,452
Loaned for securities collateral				
Corporate bonds	107,649,776			107,649,776
Loaned for securities collateral				
Corporate stocks	667,540,279			667,540,279
Loaned for securities collateral				
Repurchase agreements	<u>85,502,549</u>	<u> </u>	<u>1,979,372</u>	<u>87,481,921</u>
Subtotal	<u>\$ 977,552,056</u>	<u>\$</u>	<u>\$ 1,979,372</u>	979,531,428
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				
Corporate bonds				
Corporate stocks				1,974,710
Mortgages				<u>17,116,661</u>
Total Investments				<u>\$ 998,622,799</u>

1999

Investments - Categorized	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Value</u>
U.S. Government Securities	\$ 4,166,187	\$	\$	\$ 4,166,187
Loaned for securities collateral	5,139,909			5,139,909
Corporate bonds	83,889,167			83,889,137
Loaned for securities collateral	150,474			150,474
Corporate stocks	578,531,895			578,531,895
Loaned for securities collateral				
Repurchase agreements	<u>53,980,841</u>	<u> </u>	<u>65,057,846</u>	<u>119,038,686</u>
Subtotal	<u>\$ 725,858,473</u>	<u>\$ 0</u>	<u>\$ 65,057,846</u>	790,916,318
Investments - Not Categorized				
Investments held by broker-dealers under securities loans				
U.S. Government Securities				78,388,388
Corporate bonds				1,843,881
Corporate stocks				1,102,959
Mortgages				<u>18,851,152</u>
Total Investments				<u>\$ 891,102,698</u>

NOTE E. Securities Lending Transactions

Kentucky Revised Statutes Sections 61.650 and 386.020(2) permit the Retirement Systems and Insurance Fund to lend their securities to broker-dealers and other entities. The borrowers of the securities agree to transfer to the Systems' and the Fund's custodial banks either cash collateral or other securities with a market value of 102 percent of the value of the borrowed securities. The borrowers of the securities simultaneously agree to return the borrowed securities in exchange for the collateral at a later date. Securities lent for cash collateral are presented as unclassified above in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the securities loaned. At year-end, the Systems and Fund have no credit risk exposure to borrowers because the amounts the Systems and Fund owe to borrowers exceed the amounts the borrowers owe the Systems and Fund. The contracts with the custodial banks require them to indemnify the Systems or the Fund if the borrowers fail to return the securities and one or both of the custodial banks have failed to live up to their contractual responsibilities relating to the lending of securities.

All securities loans can be terminated on demand by either party to the transaction, although the average term of the loans was 6 days, 10 days, and 24 days for the three investment portfolios subject to security lending agreements. One custodial bank invests cash collateral in securities that are permitted for investment by state statute and board policy, which at year-end has a weighted-average maturity of 3 days for the Retirement Systems and the Insurance Fund. The other custodial bank invests cash collateral in the agent's short term investment pool as permitted by state statute and Board policy, which at year-end has a weighted-average maturity of 24 days for the Retirement Systems only. Neither the Systems nor the Fund can pledge or sell collateral securities received unless the borrower defaults.

NOTE F. Risks of Loss

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

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

Claims for job-related illnesses or injuries to employees are insured by the state's self-insured workers compensation program. Payments approved by the program are not subject to maximum limitations. A claimant may receive reimbursement for all medical expenses related to the illness or injury and up to sixty-six and two-thirds percent (66²/₃%) of wages for temporary disability. Each agency pays premiums based on fund reserves and payroll.

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

NOTE G. Contingencies

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

NOTE H. Income Tax Status

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

NOTE I. PRIOR PERIOD ADJUSTMENT

In the prior year, certain amounts which should have been posted to the Insurance Fund were posted to the Retirement Systems. The error was discovered and corrected in the current year resulting in a \$15,000 increase in the Insurance Fund and a corresponding clearance in the Retirement Systems.

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	Actuarial Value of Assets ____(a)	Actuarial Accrued Liability (AAL) Entry Age Normal ____(b)	Unfunded (Overfunded) AAL (UAAL) ____(b-a)
<u>Non-Hazardous</u>			
June 30, 1995	\$2,872,020,193	\$3,112,989,384	\$240,969,191
June 30, 1996	\$3,237,983,129	\$3,295,362,361	\$57,379,232
June 30, 1997	\$3,683,995,005	\$3,463,047,650	(\$220,947,355)
June 30, 1998	\$4,356,072,625	\$3,800,014,746	(\$556,057,879)
June 30, 1999	\$5,264,340,397	\$4,327,622,821	(\$936,717,576)
June 30, 2000	\$6,806,675,460	\$4,876,825,772	(\$1,929,849,688)
<u>Hazardous</u>			
June 30, 1995	\$111,793,345	\$127,862,904	\$16,069,559
June 30, 1996	\$137,312,448	\$120,042,122	(\$17,270,326)
June 30, 1997	\$166,717,238	\$140,918,460	(\$25,798,778)
June 30, 1998	\$212,214,618	\$171,735,076	(\$40,479,542)
June 30, 1999	\$259,839,319	\$204,282,788	(\$55,556,531)
June 30, 2000	\$336,213,464	\$243,365,557	(\$92,847,907)

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 2000

Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
0.923	\$1,231,383,460	0.196
0.983	\$1,232,974,460	0.047
1.064	\$1,234,798,738	(0.179)
1.146	\$1,321,004,266	(0.421)
1.216	\$1,330,766,100	(0.704)
1.396	\$1,409,504,668	(1.369)
0.874	\$88,657,986	0.181
1.144	\$85,933,543	(0.201)
1.183	\$87,757,075	(0.294)
1.236	\$93,130,996	(0.435)
1.272	\$103,464,123	(0.537)
1.382	\$115,639,439	(0.803)

COUNTY EMPLOYEES RETIREMENT SYSTEM

	Actuarial Value of Assets ____(a)	Actuarial Accrued Liability (AAL) Entry Age Normal ____(b)	Unfunded (Overfunded) AAL (UAAL) ____(b-a)
<u>Non-Hazardous</u>			
June 30, 1995	\$1,901,448,617	\$1,935,154,223	\$33,705,606
June 30, 1996	\$2,237,808,033	\$2,083,374,317	(\$154,433,716)
June 30, 1997	\$2,750,196,558	\$2,390,620,093	(\$359,576,465)
June 30, 1998	\$3,346,205,003	\$2,663,946,276	(\$682,258,727)
June 30, 1999	\$4,072,227,435	\$2,991,420,884	(\$1,080,806,551)
June 30, 2000	\$5,284,033,534	\$3,368,601,134	(\$1,915,432,400)
 <u>Hazardous</u>			
June 30, 1995	\$552,679,443	\$668,421,698	\$115,742,255
June 30, 1996	\$642,220,505	\$694,942,156	\$ 52,721,651
June 30, 1997	\$763,829,310	\$754,308,810	(\$9,520,500)
June 30, 1998	\$927,057,492	\$865,966,626	(\$61,090,866)
June 30, 1999	\$1,124,651,486	\$963,711,775	(\$160,939,711)
June 30, 2000	\$1,445,542,794	\$1,084,553,697	(\$360,989,097)

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 2000

Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
0.983	\$1,167,668,400	0.029
1.074	\$1,137,192,560	(0.136)
1.150	\$1,297,116,204	(0.277)
1.256	\$1,437,594,574	(0.475)
1.361	\$1,346,601,939	(0.803)
1.569	\$1,452,058,248	(1.319)
0.827	\$205,738,571	0.563
0.924	\$211,638,457	0.249
1.013	\$225,094,837	(0.042)
1.071	\$236,180,023	(0.257)
1.167	\$256,201,726	(0.628)
1.333	\$288,575,870	(1.251)

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 2000

STATE POLICE RETIREMENT SYSTEM

<u>Year Ended</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age Normal <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
June 30, 1995	\$217,504,443	\$241,690,631	\$24,186,188	0.900	\$38,955,271	0.621
June 30, 1996	\$237,515,346	\$244,540,812	\$7,025,466	0.971	\$34,698,957	0.202
June 30, 1997	\$279,643,275	\$255,784,758	(\$23,858,517)	1.093	\$41,586,211	(0.574)
June 30, 1998	\$306,318,918	\$294,427,019	(\$11,891,899)	1.040	\$38,727,361	(0.307)
June 30, 1999	\$357,623,196	\$314,021,673	(\$43,601,523)	1.139	\$40,433,405	(1.078)
June 30, 2000	\$459,168,574	\$336,579,763	(\$122,588,811)	1.364	\$43,619,383	(2.810)

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KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

KERS <u>Non-Hazardous</u>	Actuarial Value of Assets _____(a)	Actuarial Accrued Liability (AAL) - Targeted Rate _____(b)	Unfunded AAL (UAAL) _____(b-a)
June 30, 1995	\$102,238,501	\$1,348,616,865	\$1,246,378,364
June 30, 1996**	\$138,382,213	\$1,127,128,023	\$ 988,745,810
June 30, 1997	\$168,479,973	\$1,153,952,891	\$985,472,918
June 30, 1998	\$210,105,184	\$1,242,183,993	\$1,032,078,809
June 30, 1999	\$283,704,887	\$1,273,364,800	\$989,659,913
June 30, 2000	\$399,560,252	\$1,457,475,358	\$1,057,915,106
KERS <u>Hazardous</u>			
June 30, 1995	\$25,053,690	\$113,557,236	\$88,503,546
June 30, 1996**	\$34,263,992	\$ 95,266,115	\$61,002,123
June 30, 1997	\$42,684,374	\$120,511,351	\$77,826,977
June 30, 1998	\$54,606,786	\$137,394,162	\$82,787,376
June 30, 1999	\$74,579,649	\$149,158,586	\$74,578,937
June 30, 2000	\$102,212,237	\$175,167,613	\$72,955,376

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

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 2000

Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
0.076	\$1,231,383,460	1.012
0.123	\$1,232,974,460	0.802
0.146	\$1,234,798,738	0.798
0.169	\$1,321,004,266	0.781
0.223	\$1,330,766,100	0.743
0.274	\$1,409,504,668	0.751
0.221	\$88,657,986	0.998
0.360	\$85,933,543	0.710
0.354	\$87,757,075	0.887
0.397	\$93,130,996	0.889
0.500	\$103,464,123	0.721
0.584	\$115,639,439	0.631

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

	Actuarial Value of Assets ____(a)	Actuarial Accrued Liability (AAL) - Targeted Rate ____(b)	Unfunded AAL (UAAL) ____(b-a)
<u>CERS</u>			
<u>Non-Hazardous</u>			
June 30, 1995	\$82,813,551	\$1,217,880,223	\$1,135,066,682
June 30, 1996**	\$110,203,861	\$1,011,215,398	\$ 901,011,537
June 30, 1997	\$134,688,096	\$1,091,055,849	\$956,367,753
June 30, 1998	\$168,531,296	\$1,213,339,747	\$1,044,808,451
June 30, 1999	\$231,937,169	\$1,282,874,286	\$1,050,937,117
June 30, 2000	\$319,642,694	\$1,466,716,928	\$1,147,074,234
<u>CERS</u>			
<u>Hazardous</u>			
June 30, 1995	\$42,640,389	\$462,012,992	\$419,372,603
June 30, 1996**	\$57,332,380	\$375,444,348	\$318,111,968
June 30, 1997	\$69,832,681	\$450,304,608	\$380,471,927
June 30, 1998	\$87,055,079	\$493,286,363	\$406,231,284
June 30, 1999	\$114,590,223	\$518,280,115	\$403,689,892
June 30, 2000	\$168,657,912	\$599,936,029	\$431,278,117

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

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 2000

Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
0.068	\$1,167,668,400	0.972
0.109	\$1,137,192,560	0.792
0.123	\$1,297,116,204	0.737
0.139	\$1,437,594,574	0.727
0.180	\$1,346,601,939	0.780
0.218	\$1,452,058,248	0.780
0.092	\$205,738,571	2.038
0.153	\$211,638,457	1.503
0.155	\$225,094,837	1.690
0.176	\$236,180,023	1.720
0.221	\$256,201,726	1.576
0.281	\$288,575,870	1.500

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 For The Year Ended June 30, 2000

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

<u>SPRS</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Targeted Rate <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b-a)/c)</u>
June 30, 1995	21,200,195	118,995,732	97,795,537	0.178	38,955,271	2.511
June 30, 1996**	27,809,267	101,132,886	73,323,619	0.275	34,698,957	2.113
June 30, 1997	33,876,483	117,361,754	83,485,271	0.289	41,586,211	2.008
June 30, 1998	41,410,500	124,501,076	83,090,576	0.333	38,727,361	2.146
June 30, 1999	53,929,859	125,797,150	71,867,291	0.429	40,433,405	1.777
June 30, 2000	71,711,712	138,867,085	67,155,373	0.516	43,619,383	1.540

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

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 2000

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

EMPLOYER CONTRIBUTIONS

NON-HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$105,406,424	\$93,882,993	0.891
June 30, 1996	\$107,885,265	\$99,296,569	0.920
June 30, 1997	\$109,773,608	\$102,967,907	0.935
June 30, 1998	\$117,437,279	\$112,082,480	0.954
June 30, 1999	\$106,860,518	\$107,514,778	1.006
June 30, 2000	\$113,183,225	\$115,055,476	1.017

HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$15,931,840	\$13,698,600	0.860
June 30, 1996	\$15,511,004	\$14,420,406	0.930
June 30, 1997	\$15,682,189	\$15,151,328	0.966
June 30, 1998	\$16,642,509	\$15,997,189	0.961
June 30, 1999	\$19,306,405	\$19,443,818	1.007
June 30, 2000	\$21,578,319	\$21,633,272	1.003

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 2000

COUNTY EMPLOYEES RETIREMENT SYSTEM

EMPLOYER CONTRIBUTIONS

NON-HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$102,404,519	\$88,922,215	0.868
June 30, 1996	\$101,665,015	\$95,660,478	0.941
June 30, 1997	\$112,200,552	\$105,773,743	0.942
June 30, 1998	\$124,351,931	\$107,490,256	0.864
June 30, 1999	\$109,074,757	\$110,591,016	1.014
June 30, 2000	\$105,709,840	\$106,587,217	1.008

HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$37,691,306	\$32,959,064	0.874
June 30, 1996	\$38,539,363	\$35,951,348	0.933
June 30, 1997	\$42,070,225	\$39,552,085	0.938
June 30, 1998	\$44,142,046	\$42,297,090	0.958
June 30, 1999	\$46,526,233	\$48,290,617	1.037
June 30, 2000	\$50,645,065	\$51,739,272	1.022

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 2000

STATE POLICE RETIREMENT SYSTEM

EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$8,484,458	\$6,874,327	0.810
June 30, 1996	\$7,998,110	\$7,089,072	0.886
June 30, 1997	\$11,053,615	\$9,627,692	0.871
June 30, 1998	\$10,293,733	\$9,573,742	0.930
June 30, 1999	\$9,465,460	\$9,463,188	0.999
June 30, 2000	\$10,211,298	\$10,215,824	1.000

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 2000

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

EMPLOYER CONTRIBUTIONS

KERS
NON-HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$38,788,579	\$34,378,689	0.886
June 30, 1996	\$38,838,695	\$36,690,182	0.940
June 30, 1997	\$38,896,160	\$37,709,736	0.970
June 30, 1998	\$54,029,074	\$39,503,545	0.731
June 30, 1999	\$56,690,636	\$56,769,539	1.001
June 30, 2000	\$76,818,004	\$76,926,320	1.001

KERS
HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$6,613,886	\$5,632,584	0.852
June 30, 1996	\$6,410,642	\$5,931,007	0.930
June 30, 1997	\$6,546,678	\$6,278,931	0.960
June 30, 1998	\$9,341,039	\$6,632,037	0.710
June 30, 1999	\$10,760,269	\$10,773,916	1.001
June 30, 2000	\$12,026,502	\$12,047,095	1.002

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For The Year Ended June 30, 2000

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

EMPLOYER CONTRIBUTIONS

CERS
NON-HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$27,556,974	\$23,773,207	0.863
June 30, 1996	\$26,837,744	\$25,234,550	0.940
June 30, 1997	\$30,611,942	\$27,504,331	0.898
June 30, 1998	\$48,303,178	\$29,271,074	0.606
June 30, 1999	\$47,939,029	\$47,901,837	0.999
June 30, 2000	\$55,033,008	\$55,213,973	1.003

CERS
HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$13,023,252	\$11,299,170	0.868
June 30, 1996	\$13,396,714	\$12,381,700	0.920
June 30, 1997	\$14,248,503	\$13,305,317	0.934
June 30, 1998	\$20,783,842	\$14,275,040	0.687
June 30, 1999	\$23,647,419	\$23,382,957	0.989
June 30, 2000	\$27,991,859	\$28,345,377	1.013

KENTUCKY RETIREMENT SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For The Year Ended June 30, 2000

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

EMPLOYER CONTRIBUTIONS

SPRS
HAZARDOUS

<u>Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 1995	\$5,535,544	\$4,463,969	0.806
June 30, 1996	\$4,930,722	\$4,603,921	0.930
June 30, 1997	\$5,909,401	\$5,125,678	0.867
June 30, 1998	\$6,808,270	\$5,120,037	0.752
June 30, 1999	\$7,237,579	\$7,251,787	1.002
June 30, 2000	\$7,807,870	\$7,817,613	1.001

KENTUCKY RETIREMENT SYSTEMS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 For The Year Ended June 30, 2000

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

PENSION FUNDS

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Valuation Date	June 30, 2000	June 30, 2000
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed	Level Percent Closed
Amortization Period - Each Benefit Improvement	30 years - Commencing with 1990 Valuation	30 years - Commencing with 1990 Valuation
Asset Valuation Method -	Five-year Average of Market to Book Value	Five-year Average of Market to Book Value
Postretirement Benefit Increase	1.6%	1.6%
Actuarial Assumptions:		
Investment Return	8.25%	8.25%
Projected Salary Increases	6.50%	6.50%
Inflation Rate	3.50%	3.50%

POST-EMPLOYMENT HEALTHCARE

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Valuation Date	June 30, 2000	June 30, 2000
Actuarial Cost Method	Targeted Rate	Targeted Rate
Asset Valuation Method - Started with 1996 Valuation	Five-year Average of Market to Book Value	Five-year Average of Market to Book Value
Actuarial Assumptions:		
Investment Return	8.25%	8.25%
Projected Salary Increases	6.50%	6.50%
Inflation Rate	3.50%	3.50%

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF ADMINISTRATIVE EXPENSES
 For the Year Ended June 30, 2000

SUPPORTING SCHEDULE #1

Personal Services:		
Salaries and Per Diem	\$5,886,632	
Fringe Benefits	1,426,167	
Tuition Assistance	<u>8,611</u>	
Total Personal Services		\$7,321,410
Contractual Services:		
Actuarial	53,900	
Audit	25,000	
Legal	190,243	
Medical	105,745	
Banking	84,794	
Miscellaneous	<u>(22,596)</u>	
Total Contractual Services		437,086
Communication:		
Printing	120,651	
Telephone	86,447	
Postage	386,943	
Travel	<u>59,078</u>	
Total Communication		653,119
Rentals:		
Office Space	430,424	
Equipment	<u>28,269</u>	
Total Rentals		458,693
Miscellaneous:		
Utilities	111,595	
Supplies	117,923	
Insurance	47,487	
Maintenance	325,620	
Other	<u>29,243</u>	
Total Miscellaneous		631,868
Capital Outlay:		
Equipment Purchases	95,280	
Lease Purchases	<u>174,638</u>	
Total Capital Outlay		<u>269,918</u>
TOTAL ADMINISTRATIVE EXPENSES		<u>\$9,772,094</u>

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF INVESTMENT EXPENSES
 For the Year Ended June 30, 2000

SUPPORTING SCHEDULE #2

Retirement Funds

Security Lending Fees:		
Broker Rebates	\$99,420,586	
Lending Agent Fees	2,455,490	
Custodial Fee	<u>324,325</u>	
Total Security Lending		\$102,200,400
Contractual Services:		
Investment Management	4,546,751	
Security Custody	471,573	
Real Estate Consultant	5,000	
Investment Consultant	<u>58,500</u>	
Total Contractual Services		5,081,824

Insurance Funds

Security Lending Fees:		
Broker Rebates	5,222,833	
Lending Agent Fees	<u>119,380</u>	
Total Security Lending		5,342,213
Investment Management		<u>82,547</u>
TOTAL INVESTMENT EXPENSES		<u>\$112,706,984</u>

Information on fees paid to investment professionals can be found in the investment section of the Comprehensive Annual Financial Report.

KENTUCKY RETIREMENT SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PAYMENT TO CONSULTANTS
For the Year Ended June 30, 2000

SUPPORTING SCHEDULE #3

Actuarial Services	\$ 53,900
Medical Review Services	105,745
Audit Services	25,000
Legal Counsel	<u>190,243</u>
TOTAL	<u>\$374,888</u>

KENTUCKY RETIREMENT SYSTEMS

Investment Section

**Comprehensive Annual Financial Report
June 30, 2000**

INVESTMENT SECTION PREFACE

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

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

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

Objectives

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

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

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

Investments Performance Review Procedures

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

Investment Consulting

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

November 6, 2000

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

Dear Trustees:

Mercer is charged with the duty to advise the Board in its asset management activities. This is our annual review of the asset management of the Kentucky Retirement Systems. Although we recognize that the Board of Trustees is charged with the responsibility of managing the Fund in a manner consistent with the basic long term nature of the participating systems, our comments focus on the one year fiscal period ended June 30, 2000. In maximizing long term return, the Board must maintain formal compliance with the Prudent Person Rule. Therefore, it seeks to maintain proper and appropriate diversification for the Fund.

Systems Highlights

During the fiscal year, equity markets cooled considerably compared with the prior year. However, in general terms, the equity market continued to outperform the bond market due to rising interest rates during the year. Therefore, the Systems continued to benefit from the asset allocation changes initiated in 1996. While assets grew during the year, the pace of growth was slowed considerably relative to the prior year. The Retirement Fund increased from \$11.9 billion to \$12.6 billion and had a 6.4% investment return. The Insurance Fund increased from \$826 million to \$997 million and had a 6.4% investment return. These results placed in the bottom halves of the Funds' respective composite universes. They were also below the returns of their Reference Indices, 9.9% for the Retirement Fund and 8.5% for the Insurance Fund. These results were achieved at a risk or volatility level similar to the Reference Indices. Both the comparative universes and the Reference Indices are constructed according to the individual target asset allocations of the Funds. The composite universe is a comparison using active management in the same asset allocation and the Reference Index is a comparison using unmanaged market indexes also in the same asset allocation.

The asset allocation targets were closely monitored throughout fiscal year 2000. The asset allocations of both the Retirement and Insurance Funds at fiscal year end, June 30, 2000, were within reasonable and allowable ranges of their respective targets. The new internally managed ADR portfolio was funded with a “carve out” from the large cap equity allocation.

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

<u>Asset Classes</u>	<u>Retirement Fund</u>		<u>Insurance Fund</u>	
	<u>Actual</u>	<u>Target Asset</u>	<u>Actual</u>	<u>Target Asset</u>
	<u>Allocation</u>	<u>Allocation</u>	<u>Allocation</u>	<u>Allocation</u>
	6/30/00		6/30/00	
Large Cap Equity	41.1%	55%	32.8%	50%
International Equity*	13.0	0	14.0	0
Small Cap Equity	9.3	10	20.9	20
Market Bonds	20.7	22	24.3	25
Short-Term Bonds	4.6	5	0	0
Real Estate	4.8	5	0	0
Cash	6.5	3	8.0	5

*Funding for the international equity (ADR) portfolios came from large cap equity assets.

The internal management of the large capitalization, international (ADR), small capitalization and REIT portfolios of the Retirement and Insurance Funds continued to provide cost effective investment. The large capitalization portfolios, which have the longest record, have been the most successful with current year and longer term tracking errors that, in our opinion, are attractive. The REIT and small capitalization portfolios in the Retirement Fund have had reasonable results considering dividends are not reinvested – a significant difference from the published indices. The ADR portfolio is being managed with assistance from Bank of New York, which provides a customized index for measuring performance.

The calculation methodology for the investment rates of return used by the Systems is known as the original Dietz method. The Dietz method calculates returns by comparing a portfolio’s end-of-period market value with its start-of-period market value. The end-of-period market value is adjusted for any cash flows that occurred during the period. This method is not strictly compliant with the standards of performance presentation established by the Association for Investment Management and Research (AIMR) for investment managers. Please note that it is not incumbent upon the Systems to use AIMR compliant calculation methodologies insofar as they are not an investment manager. As part of a “best practices” approach to fund management established by the Systems, Mercer and Northern Trust, the System’s custodian, monitor the differences in reported return results between the Systems and their investment managers. Discrepancies, when they occur, are researched and resolved.

Investment Manager Highlights

The Retirement Fund

Three new portfolios were initiated since the end of the prior fiscal year. These include:

- A large cap core equity portfolio managed by National Asset Management (NAMCO);
- A small cap equity portfolio managed by Northern Trust Quantitative Advisors (NTQA); and,
- An international equity (ADR only) portfolio managed internally.

During the fiscal year, growth equities posted the strongest results, both within the large and small cap segments of the market. Overall, small- and mid-cap equities outperformed large cap equities, a reversal of the relative performance seen during the past few years. International equities had strong results, posting returns similar to small- and mid-cap US equities.

Of the Fund's managers, the Alliance large cap growth portfolio posted the strongest performance during the fiscal year, followed by the NAMCO large cap equity portfolio and the internally-managed S&P Index Fund. The results of the new small cap and international equity portfolios have been in line with their benchmarks since inception, though they have not yet had a full year of performance.

The fixed income managers' results were again mixed. NAMCO, the active manager, topped its comparative measures while Lincoln, the passive manager, fell behind its benchmarks for the year. Weaver Barksdale, the shorter maturity active manager, matched the return of its index, though it fell below the Peer Group median.

In the real estate portfolio, Heitman substantially outperformed its benchmarks, while Lend Lease posted competitive results. CB Richard Ellis substantially underperformed the benchmarks. The REIT Index Fund did well relative to its index benchmark, less dividends.

The System will be conducting an Asset/Liability Modeling study, with assistance from Mercer, during the upcoming fiscal year. It is expected that any resulting changes to the Fund's asset allocation will be implemented during the summer of the year 2001.

The Insurance Fund

NAMCO is the Fund's only external investment manager. The portfolio continued to post competitive results relative to its benchmarks. An internally-managed international equity (ADR only) portfolio was initiated during the fiscal year, with funding coming from large cap equities.

Summary

The Systems' assets grew by nearly \$900 million during fiscal year 2000, primarily due to investment gains. These gains were improved by the Board's decision to increase the Fund's allocation to equities and by minimizing costs through the use of internally- and passively-managed portfolios. The Board continues to monitor the Systems' results and has initiated changes to improve investment returns.

Sincerely,

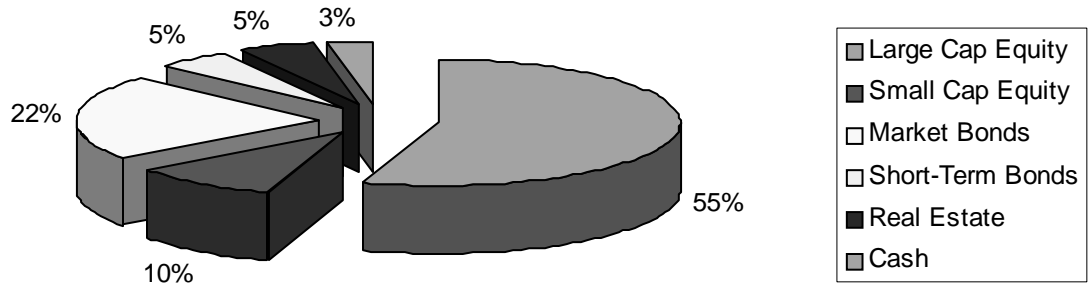
WILLIAM M. MERCER INVESTMENT CONSULTING, INC.

Peter A. Keliuotis, CFA
(312) 902-7574

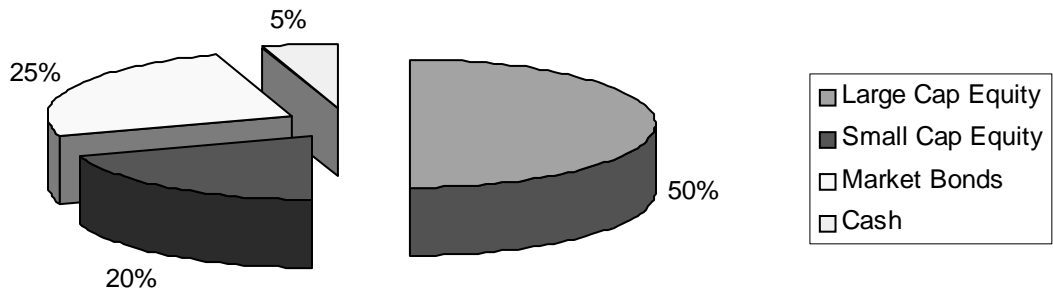
PAK:otj

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

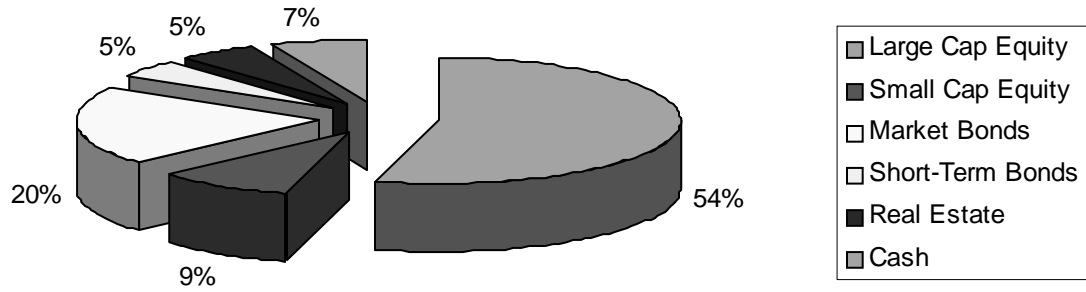
Pension Fund Target Allocation



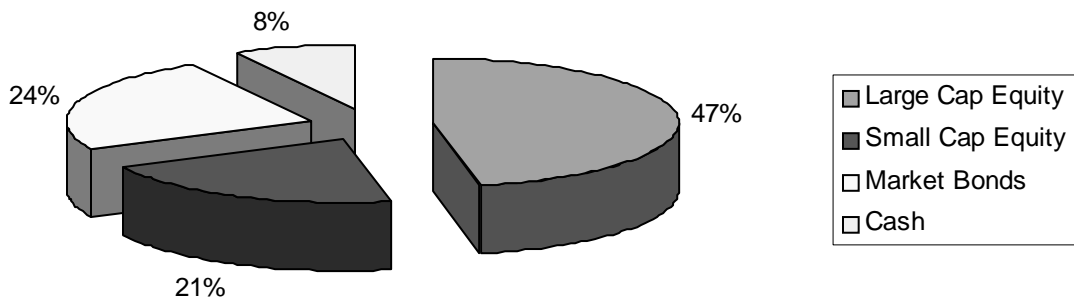
Insurance Fund Target Allocation



Pension Fund Actual Allocation 6/30/00



Insurance Fund Actual Allocation 6/30/00



KENTUCKY RETIREMENT SYSTEMS PERFORMANCE EVALUATION

PENSION FUNDS

	Fiscal Year	3-Year	5-Year
Total KRS Retirement Fund	6.4%	13.7%	16.5%
CPI	3.7%	2.4%	2.5%
KRS Equities	12.4%	19.9%	23.8%
S&P 500	7.3%	19.7%	23.8%
KRS Fixed Income	4.6%	6.0%	6.1%
Lehman Bros. Govt./Corp. Bond Index	4.3%	6.0%	6.1%
KRS Real Estate	4.3%	1.0%	*
WARESI	4.5%	1.2%	*
KRS Cash Reserves	5.8%	5.6%	5.6%
Salomon Bros. 3 Month T-Bill	5.3%	5.1%	5.2%

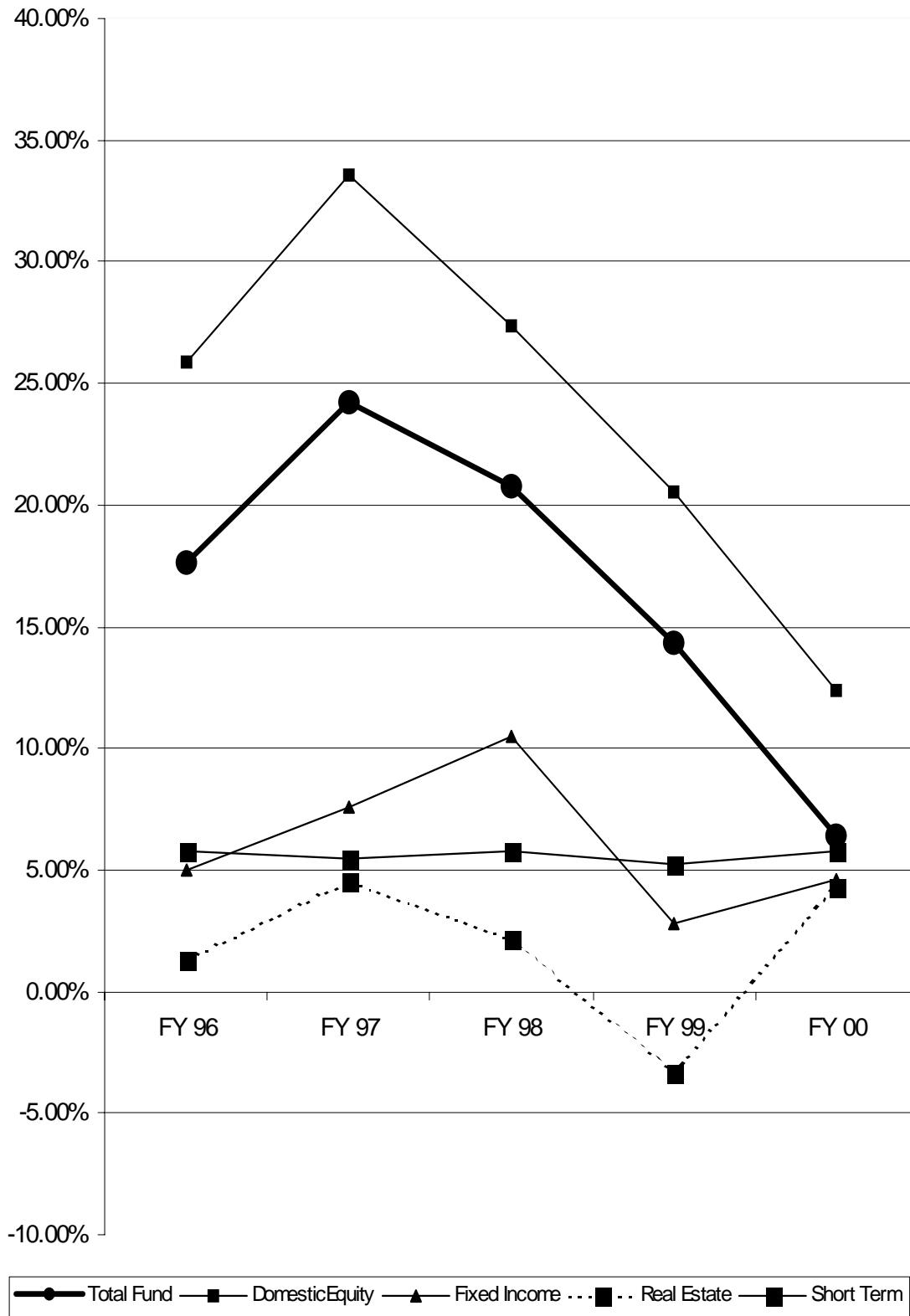
*The current portfolio structure and benchmark have only been in place for the past three years.

INSURANCE FUNDS

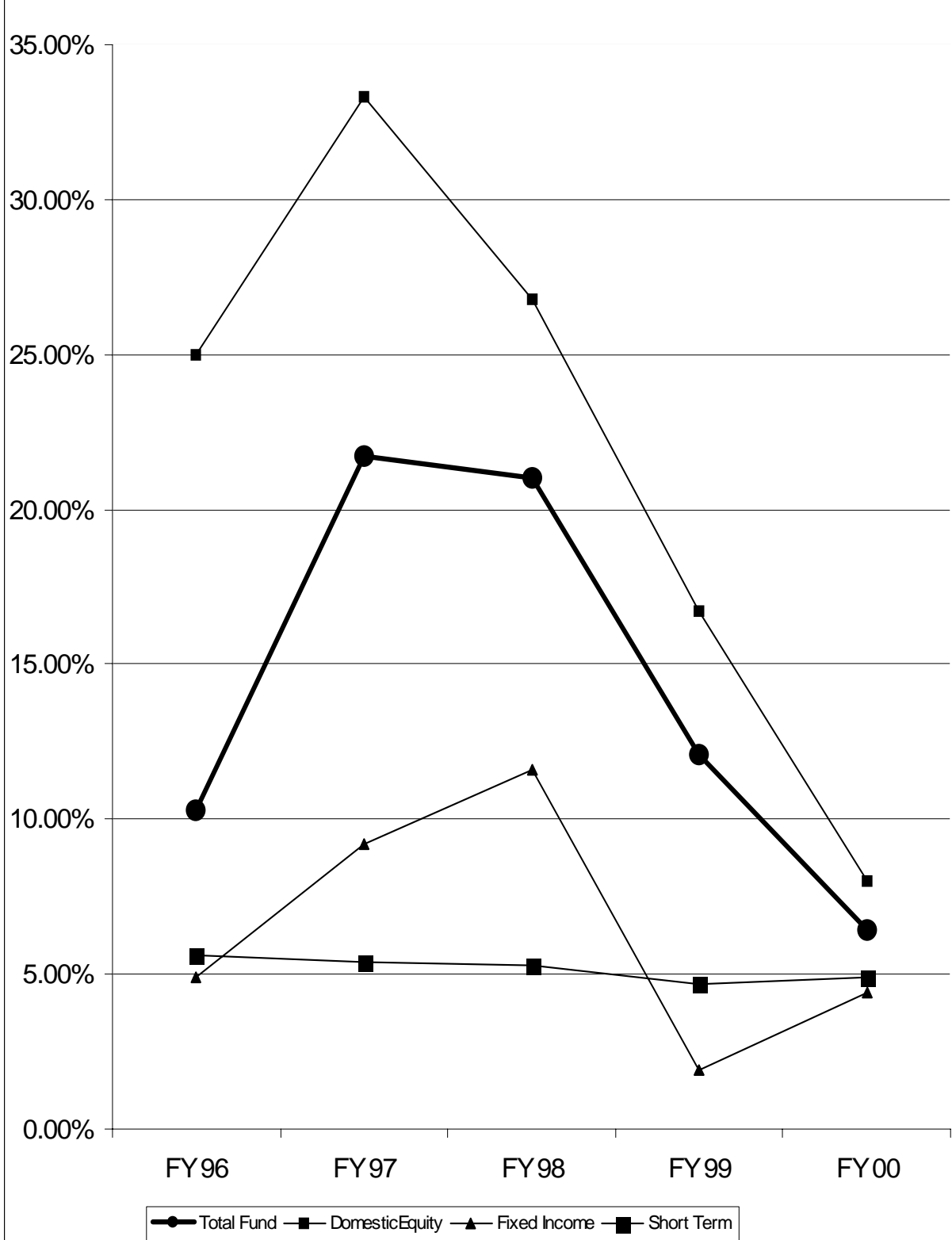
Total KRS Insurance Fund	6.4%	13.0%	14.1%
CPI	3.7%	2.4%	2.5%
KRS Insurance Fund Equities	8.0%	16.9%	21.0%
S&P 500	7.3%	19.7%	23.8%
KRS Insurance Fund Fixed Income	4.4%	5.9%	6.4%
Lehman Bros. Govt./Corp. Bond Index	4.5%	6.0%	6.1%
KRS Insurance Fund Cash Reserves	4.9%	4.9%	5.1%
Salomon Bros. 3 Month T-Bill	5.3%	5.1%	5.2%

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

TIME WEIGHTED ANNUAL RETURNS BY ASSET CLASS RETIREMENT FUNDS



**TIME WEIGHTED ANNUAL RETURNS BY ASSET CLASS
INSURANCE FUNDS**



**KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARIES
JUNE 30, 2000**

CLASS	KERS NONHAZARDOUS 6/30/1999		KERS NONHAZARDOUS 6/30/2000		% OF MKT VALUE 6/30/2000
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 532,489,893	\$ 528,197,950	\$ 665,788,519	\$ 647,673,500	11%
Governments	523,686,187	514,662,527	606,873,909	602,570,265	10%
Mortgages	259,973,020	259,820,870	260,531,097	258,776,437	4%
Short-Term	256,051,873	256,051,873	369,291,371	369,291,371	6%
Real Estate	67,404,588	67,511,862	55,559,021	54,689,568	1%
Reit Real Estate	160,280,603	155,308,250	217,593,169	211,865,186	4%
Equities	1,862,166,657	3,932,630,070	2,565,017,210	3,827,370,073	64%
Total Portfolio	\$3,662,052,821	\$5,714,183,402	\$4,740,654,296	\$5,972,236,400	100%

CLASS	KERS HAZARDOUS 6/30/1999		KERS HAZARDOUS 6/30/2000		% OF MKT VALUE 6/30/2000
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 29,894,212	\$ 29,453,290	\$ 39,843,026	\$ 38,648,145	13%
Governments	24,242,150	23,942,790	31,989,862	31,915,714	11%
Mortgages	10,827,580	10,691,760	11,549,128	11,369,234	4%
Short-Term	34,078,106	34,078,106	31,704,368	31,704,368	11%
Real Estate	2,677,450	2,700,233	2,970,452	2,971,432	1%
Reit Real Estate	13,098,029	12,672,820	17,523,003	17,407,512	6%
Equities	82,066,158	159,754,268	119,806,487	165,929,671	54%
Total Portfolio	\$196,883,685	\$273,293,267	\$255,386,326	299,946,076	100%

**KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARIES
JUNE 30, 2000**

CLASS	CERS NONHAZARDOUS 6/30/1999		CERS NONHAZARDOUS 6/30/2000		% OF MKT VALUE 6/30/2000
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
	Corporates	\$ 532,489,893	\$ 528,197,950	\$ 527,241,544	
Governments	523,686,187	514,662,527	487,003,698	484,212,154	10%
Mortgages	259,973,020	259,820,870	190,477,017	188,628,882	4%
Short-Term	256,051,873	256,051,873	347,820,741	347,820,741	8%
Real Estate	67,404,588	67,511,862	32,508,441	32,282,421	1%
Reit Real Estate	160,280,603	155,308,250	190,995,358	186,941,070	4%
Equities	1,862,166,657	3,932,630,070	1,956,245,617	2,880,048,794	62%
Total Portfolio	\$2,870,839,240	\$4,357,845,066	\$3,732,292,416	\$4,631,045,443	100%

CLASS	CERS HAZARDOUS 6/30/1999		CERS HAZARDOUS 6/30/2000		% OF MKT VALUE 6/30/2000
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
	Corporates	\$ 116,089,285	\$ 114,480,904	\$ 142,443,355	
Governments	110,022,482	108,305,038	130,459,436	129,597,478	10%
Mortgages	51,449,888	51,053,201	51,973,158	51,287,587	4%
Short-Term	74,762,100	74,762,100	95,076,109	95,076,109	8%
Real Estate	11,237,219	11,481,235	9,975,889	10,018,781	1%
Reit Real Estate	41,639,319	40,136,026	56,419,698	54,573,334	4%
Equities	397,067,014	798,861,911	544,363,183	786,273,439	62%
Total Portfolio	\$802,267,307	\$1,199,080,415	\$1,030,710,828	\$1,264,877,347	100%

**KENTUCKY RETIREMENT SYSTEMS
PORTFOLIO SUMMARIES
JUNE 30, 2000**

CLASS	SPRS 6/30/1999		SPRS 6/30/2000		% OF MKT VALUE 6/30/2000
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 36,157,756	\$ 35,895,145	\$ 42,951,811	\$ 41,817,384	10%
Governments	27,406,579	27,037,577	32,512,314	32,384,494	8%
Mortgages	16,657,852	16,670,749	17,213,682	17,124,139	4%
Short-Term	13,395,174	13,395,174	23,238,262	23,238,262	6%
Real Estate	5,677,782	5,664,803	4,797,829	4,690,136	1%
Reit Real Estate	12,214,027	11,942,354	15,445,316	14,870,766	4%
Equities	133,936,891	291,149,707	179,640,170	275,458,975	67%
Total Portfolio	\$245,446,061	\$401,755,509	315,799,384	409,584,156	100%

CLASS	INSURANCE FUND 6/30/1999		INSURANCE FUND 6/30/2000		% OF MKT VALUE 6/30/2000
	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE	
Corporates	\$ 86,974,132	\$ 85,883,522	\$111,948,037	\$107,649,775	11%
Governments	90,230,488	87,694,483	118,544,148	116,859,452	12%
Mortgages	19,236,220	18,851,152	17,839,206	17,116,662	2%
Short-Term	53,980,841	53,980,841	85,502,549	85,502,549	9%
Real Estate	0	0	0	0	0%
Reit Real Estate	0	0	0	0	0%
Equities	347,589,444	579,634,854	473,694,414	669,514,989	66%
Total Portfolio	\$598,011,125	\$826,044,852	\$807,528,354	\$996,643,427	100%

List of Largest Assets Held

PENSION FUND

Largest Stock Holdings (By Market Value) June 30, 2000

Rank	Shares	Stock	Market Value
1	1,658,100	INTEL CORP	\$214,056,127
2	4,004,400	GENERAL ELECTRIC CO	\$212,258,200
3	3,178,400	CISCO SYS INC	\$202,026,268
4	2,112,330	MICROSOFT CORP	\$168,986,400
5	2,618,125	PFIZER INC	\$149,236,560
6	1,484,721	EXXON MOBIL CORP	\$116,550,599
7	891,685	AMERICAN INTERNATIONAL	\$104,772,988
8	1,680,703	CITIGROUP INC	\$101,292,356
9	1,174,700	MERCK & CO INC	\$ 90,011,388
10	1,418,300	WAL MART	\$ 81,729,537

Largest Bond Holdings (By Market Value) June 30, 2000

Rank	Par	Bond	Market Value
1	\$110,135,000	U S TSY NOTE 5.875 DUE 11/30/01 Rating AAA	\$109,171,319
2	\$ 91,250,000	U S TSY BOND 7.500 DUE 11/15/16 Rating AAA	\$102,770,313
3	\$ 81,625,000	U S TSY BOND 8.125 DUE 08/15/21 Rating AAA	\$ 99,531,076
4	\$ 90,000,000	U S TSY NOTE 6.625 DUE 06/30/01 Rating AAA	\$ 90,140,625
5	\$ 75,530,000	U S TSY NOTE 6.125 DUE 12/31/01 Rating AAA	\$ 75,105,416
6	\$ 75,000,000	U S TSY NOTE 6.250 DUE 06/30/02 Rating AAA	\$ 74,742,188
7	\$ 70,000,000	U S TSY NOTE 6.625 DUE 03/31/02 Rating AAA	\$ 70,131,250
8	\$ 66,315,000	U S TSY NOTE 7.250 DUE 05/15/04 Rating AAA	\$ 68,366,620
9	\$ 50,000,000	U S TSY BOND 6.875 DUE 08/15/25 Rating AAA	\$ 54,359,375
10	\$ 50,000,000	U S TSY NOTE 5.625 DUE 12/31/02 Rating AAA	\$ 49,109,375

List of Largest Assets Held

INSURANCE FUND

Largest Stock Holdings (By Market Value) June 30, 2000

Rank	Shares	Stock	Market Value
1	253,800	GENERAL ELECTRIC CO	\$13,451,400
2	86,200	INTEL CORP	\$11,523,863
3	168,800	CISCO SYS INC	\$10,729,350
4	133,100	MICROSOFT CORP	\$10,648,000
5	65,800	PFIZER INC	\$ 8,504,650
6	160,575	EXXON CORP	\$ 7,707,600
7	114,800	WAL MART STORES INC	\$ 6,615,350
8	88,665	MEDIMMUNE INC	\$ 6,561,210
9	73,450	ORACLE CORP	\$ 6,174,391
10	114,000	NOKIA CORP ADR	\$ 5,692,875

Largest Bond Holdings (By Market Value) June 30, 2000

Rank	Par	Bond	Market Value
1	\$20,895,000	U S TSY NOTE 8.750 DUE 11/30/01 Rating AAA	\$20,712,169
2	\$13,700,000	U S TSY BOND 7.500 DUE 11/15/16 Rating AAA	\$15,429,625
3	\$14,240,000	U S TSY NOTE 6.250 DUE 02/15/03 Rating AAA	\$14,199,950
4	\$10,315,000	U S TSY BOND 8.125 DUE 08/15/21 Rating AAA	\$12,577,853
5	\$10,170,000	U S TSY NOTE 6.875 DUE 05/15/06 Rating AAA	\$10,465,566
6	\$ 8,275,000	U S TSY NOTE 6.500 DUE 05/15/05 Rating AAA	\$ 8,365,508
7	\$ 6,660,000	U S TSY BOND 7.250 DUE 05/15/04 Rating AAA	\$ 6,866,044
8	\$ 6,105,000	U S TSY NOTE 7.250 DUE 08/15/04 Rating AAA	\$ 6,309,136
9	\$ 5,725,000	U S TSY NOTE 6.875 DUE 08/15/07 Rating AAA	\$ 6,224,148
10	\$ 6,000,000	U S TSY NOTE 6.125 DUE 08/15/07 Rating AAA	\$ 5,964,375

Schedule of Fees and Commissions Year Ended June 30, 2000

External Investment Manager Fees –	
– Equities and Fixed Income	
Pension Funds	\$4,546,751
Insurance Funds	82,547
Investment Consulting Fees	63,500
Security Lending Agent Fees	2,574,870
Brokerage Commissions — Equities	3,475,461
Total	\$10,743,129

INVESTMENT MANAGERS

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

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

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

National Asset Management Corp.
Aegon Center
400 West Market Street, Suite 2500
Louisville, KY 40202

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

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

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

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

KENTUCKY RETIREMENT SYSTEMS

Actuarial Section

**Comprehensive Annual Financial Report
June 30, 2000**

November 16, 2000

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

Members of the Board:

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

1. The funding objectives for the plan remain unchanged from the prior year's valuation. Relative to the retirement fund, a contribution rate has been established which consists of the normal cost and amortization payment on the unfunded actuarial accrued liability. The normal cost is expected to remain level as a percent of payroll in future years. The amortization of any unfunded actuarial accrued liability is made over 30 years from the establishment of the amortization base using a level percent of payroll amortization method. Each year any actuarial gains or losses, along with any other changes in the accrued liability (such as retiree COLA's, other benefit improvements, changes in actuarial assumptions, etc.) are established as a new amortization base to be amortized over the following 30 years.

Overall, the total funding for the retirement fund is expected to remain stable as a percentage of payroll over future years in the absence of benefit improvements. In particular, the current valuation funding rate does not anticipate any future cost of living increases to benefit recipients. Should these cost of living increases occur in the future, the funding rate for the retirement fund will be expected to increase as a percentage of payroll in the absence of material aggregate experience gains.

Relative to the insurance fund, the ultimate target funding is to reach the full amount of the entry age funding level including 30-year level percent of payroll amortization of the unfunded actuarial accrued liability. However, current insurance funding levels are less than this ultimate target rate, and will be systematically increased over the 20-year period beginning with 1997 until the target funding rate is reached. As such, the insurance funding rate is expected to increase over the next 20 years.

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

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

2. The progress towards achieving the intended funding objectives, both relative to the retirement and insurance funds, can be measured by the relationship of valuation assets of each fund to the accrued liabilities. The funded level for the retirement fund exceeds 100% in the 2000 valuation for all three systems (KERS, CERS and SPRS). This funded level will fluctuate over time with experience deviations, but should remain at or near the 100% funding level in the absence of material retirement benefit improvements. Since 1992, all three systems have had a funded level relative to the retirement fund of at least 90% in all valuations, with this funded level moving above 100% in recent years.

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

3. Valuations of each system are prepared annually, with the most recent such valuation being as of June 30, 2000.
4. In completing the valuation of these systems, we have relied on employee data as provided by Kentucky Retirement Systems, as well as financial data provided by the plan's auditor. We have reviewed this data for reasonableness, and made some general edit checks to impute certain information that may not have been provided with the original employee data. However, we have not audited this data, nor has there been any reconciliation of data used in the prior year's valuation with this current valuation data.
5. I have prepared none of the supporting schedules included with this filing. However, I have reviewed these schedules, and the information included on them is consistent with the information provided in our actuarial valuation report.

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

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

Respectfully Submitted,
WILLIAM M. MERCER, INCORPORATED

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

SUMMARY OF BENEFIT PROVISIONS

Normal Retirement Eligibility

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

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

Normal Retirement Annuity

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

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

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

Early Retirement

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

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

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

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

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

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

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

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

Voluntary Termination Before Immediate Benefit Eligibility

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

Disability Benefits

A general employee who is not eligible for an unreduced benefit may retire on account of disability. If the condition for disability (1) did not exist before the employee was employed, or (2) the disability is expected to last at least 12 months or result in death, and (3) the objective medical evidence is sufficient to prove the disability prevents the employee from performing his job or a job of similar duties, the employee will be deemed disabled. The employee must have at least 60 months of service, 12 of which are current service and must apply within 24 months of the last day of paid employment in a regular full-time position. Preexisting conditions can be considered if the employee has credit for 16 years of employment with participating employers. Benefits are calculated the same as for normal retirement except that additional years of service may be added to the employees account, depending on the employee's age and years of service.

A hazardous duty employee who is not eligible for an unreduced benefit may retire on account of disability. If the condition for disability: (1) did not exist before the employee was employed; or (2) the disability is expected to last at least 12 months or result in death; and (3) the objective medical evidence is sufficient to prove the employee is totally incapable of working in a hazardous position, but may still be capable of performing other types of work, the employee will be deemed disabled. The employee must have at least 60 months of service, 12 of which are current service and must apply within 24 months of the last day of paid employment in a regular full-time position. Preexisting conditions can be considered if the employee has credit for 16 years of employment with participating employers. Benefits

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

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

Death Before Retirement

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

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

Death benefits for hazardous duty employees whose death is not in the line of duty is similar to that of general employees. However, hazardous employees of Kentucky Employees, County Employees, and State Police Retirement Systems are eligible for death in line of duty benefits beginning the first day of employment. If the employee dies in the line of duty and the beneficiary is the employee's spouse, the beneficiary may elect a lump sum payment of \$10,000 and a monthly benefit equal to 25% of the employee's Final Rate of Pay which will continue to remarriage or death. If the beneficiary is a dependent receiving at least 50% of his or her support from the employee, the beneficiary may elect a lump sum payment of \$10,000. The beneficiary may elect this option or may choose from the benefit options offered under death not in the line of duty. Each dependent child will receive a monthly benefit equal to 10% of the employee's Final Rate of Pay. Aggregate dependent payments cannot exceed 40 % of the employee's monthly Final Rate of Pay.

Post Retirement Adjustments

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

Death After Retirement

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

Hospital and Medical Insurance Benefit

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

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

Percent of Monthly Contribution Paid by Retirement System

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

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

Interest Credits

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

Contribution Rates

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

Statutory required participant contributions are 5% of creditable compensation for general employees, 8% of creditable compensation for hazardous employees.

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

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

Summary of Actuarial Assumptions and Methods

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

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

3. The percentage of participants assumed to retire at sample ages is shown in Schedule 1. Adopted 1995.
4. The mortality table used for active and retired lives was the 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees. Mortality assumptions for disabled lives are based on Social Security Administration Disability Mortality Rates – Actuarial Study No. 75 (current rates used by PBGC for disabled lives receiving Social Security). Sample annual rates of mortality are shown in Schedule 2. Adopted 1995.
5. Select rates of termination before retirement are shown in Schedule 3. Adopted 1995.
6. Annual pay per member is assumed to increase 6.50% per year, compounded annually, which is based on experience rather than the effects of inflation. Adopted 1995.
7. Kentucky Revised Statutes require use of the entry age normal cost funding method to determine the actuarial accrued liability. Actuarial gains and losses reduce or increase the unfunded liability. For years beginning with the 1990 valuation, actuarial gains and losses have been amortized over a period of thirty years using the level percent of payroll method as required by state statute.
8. With respect to cost-of-living adjustments, effective August 1, 1996, and on July 1 of each year thereafter, state statutes require retirement benefits to be increased by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent. The State Legislature reserved the right to suspend or reduce cost-of-living adjustments if in their judgement the welfare of the Commonwealth so demands.

9. The most recent actuarial experience analysis was performed for the period from July 1, 1989 through June 30, 1995. All assumptions used in the most recent actuarial valuation were based on the study performed in 1995.

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

Schedule 1

Percentage of Participants Assumed to Retire at Sample Ages

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

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

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

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

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

Schedule 2

Sample Annual Rates of Mortality

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

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

Schedule 3

Select Rates of Termination Prior to Retirement

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

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

Schedule 4

Assumed Medical Premium Growth

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

SUMMARY OF MEMBER VALUATION DATA

Kentucky Employees Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1995	46,767	\$1,108,720,440	\$23,707	
6/30/1996	47,145	\$1,184,165,952	\$25,118	6.0%
6/30/1997	46,073	\$1,208,230,632	\$26,224	4.4%
6/30/1998	46,342	\$1,272,316,548	\$27,455	4.7%
6/30/1999	45,824	\$1,330,937,460	\$29,046	5.8%
6/30/2000	46,897	\$1,432,316,220	\$30,542	5.2%

Kentucky (Hazardous) Employees Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1995	3,462	\$ 76,270,512	\$22,031	
6/30/1996	3,452	\$ 79,514,184	\$23,034	4.6%
6/30/1997	3,532	\$ 84,231,840	\$23,848	3.5%
6/30/1998	3,582	\$ 88,891,680	\$24,816	4.1%
6/30/1999	3,889	\$103,970,148	\$26,734	7.7%
6/30/2000	4,007	\$115,135,008	\$28,733	7.5%

County Employees Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1995	64,655	\$1,058,609,652	\$16,373	
6/30/1996	66,273	\$1,126,719,480	\$17,001	3.8%
6/30/1997	69,219	\$1,281,975,348	\$18,521	8.9%
6/30/1998	71,426	\$1,341,570,672	\$18,783	1.4%
6/30/1999	74,151	\$1,449,817,548	\$19,552	4.1%
6/30/2000	77,419	\$1,575,632,580	\$20,352	4.1%

County (Hazardous) Employees Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1995	5,970	\$179,958,564	\$30,144	
6/30/1996	6,281	\$197,337,300	\$31,418	4.2%
6/30/1997	6,513	\$210,180,588	\$32,271	2.7%
6/30/1998	6,800	\$227,851,248	\$33,508	3.8%
6/30/1999	7,488	\$260,279,940	\$34,760	3.7%
6/30/2000	7,951	\$291,062,928	\$36,607	5.3%

State Police Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1995	986	\$31,442,040	\$31,888	
6/30/1996	1,002	\$32,570,292	\$32,505	1.9%
6/30/1997	943	\$34,948,092	\$37,061	14.0%
6/30/1998	954	\$35,865,072	\$37,594	1.4%
6/30/1999	985	\$40,548,636	\$41,166	9.5%
6/30/2000	1,023	\$43,596,396	\$42,616	3.5%

All Participants

Schedule of Active Member Valuation Data

Valuation Date	Participating Employers	Active Participants	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/1995	1,344	121,840	\$2,455,001,208	\$20,149	
6/30/1996	1,367	124,153	\$2,620,307,208	\$21,105	4.8%
6/30/1997	1,412	126,280	\$2,819,566,500	\$22,328	5.8%
6/30/1998	1,841	129,104	\$2,966,495,220	\$22,978	2.9%
6/30/1999	1,531	132,337	\$3,185,553,732	\$24,072	4.8%
6/30/2000	1,610	137,297	\$3,457,743,132	\$25,184	4.6%

SUMMARY OF ACCRUED AND UNFUNDED LIABILITIES

Kentucky Employees Retirement System

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1995	\$3,240,852	\$ 257,039	7.9%	\$2,983,814	
6/30/1996	\$3,415,404	\$ 40,109	1.2%	\$3,375,296	\$ 391,482
6/30/1997	\$3,603,966	(\$ 246,746)	(6.9)%	\$3,850,712	\$ 475,416
6/30/1998	\$3,971,749	(\$ 596,537)	(15)%	\$4,568,287	\$ 717,575
6/30/1999	\$4,531,905	(\$ 992,274)	(21.9)%	\$5,524,179	\$ 955,892
6/30/2000	\$5,120,191	(\$2,022,698)	(39.5)%	\$7,142,889	\$1,618,710

Kentucky Employees Insurance Fund

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1995	\$1,462,174	\$1,334,882	91.3%	\$127,292	
6/30/1996*	\$1,222,394	\$1,049,748	85.9%	\$172,646	\$ 45,354
6/30/1997	\$1,274,464	\$1,063,300	83.4%	\$211,164	\$ 38,518
6/30/1998	\$1,379,578	\$1,114,866	80.8%	\$264,711	\$ 53,547
6/30/1999	\$1,422,523	\$1,064,238	74.8%	\$358,284	\$ 93,572
6/30/2000	\$1,632,643	\$1,130,871	69.3%	\$501,772	\$143,488

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

County Employees Retirement System

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1995	\$2,603,576	\$ 149,448	5.7%	\$2,454,128	
6/30/1996	\$2,778,316	(\$ 101,712)	(3.7)%	\$2,880,029	\$ 425,900
6/30/1997	\$3,144,929	(\$ 369,097)	(11.7)%	\$3,514,026	\$ 633,997
6/30/1998	\$3,529,912	(\$ 743,349)	(21.1)%	\$4,273,262	\$ 759,236
6/30/1999	\$3,955,132	(\$1,241,746)	(31.4)%	\$5,196,878	\$ 923,616
6/30/2000	\$4,453,155	(\$2,276,421)	(51.1)%	\$6,729,576	\$1,532,698

County Employees Insurance Fund

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1995	\$1,679,893	\$1,554,439	92.5%	\$125,454	
6/30/1996*	\$1,386,660	\$1,219,124	87.9%	\$167,536	\$ 42,082
6/30/1997	\$1,541,360	\$1,336,840	86.7%	\$204,521	\$ 36,985
6/30/1998	\$1,706,626	\$1,451,039	85.0%	\$255,586	\$ 51,065
6/30/1999	\$1,801,154	\$1,454,627	80.8%	\$346,527	\$ 90,941
6/30/2000	\$2,066,653	\$1,578,352	76.4%	\$488,301	\$141,774

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

State Police Retirement System

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1995	\$241,690	\$ 24,186	10.0%	\$217,504	
6/30/1996	\$244,541	\$ 7,025	2.9%	\$237,515	\$ 20,011
6/30/1997	\$255,785	(\$ 23,859)	(9.3)%	\$279,643	\$ 42,128
6/30/1998	\$294,427	(\$ 11,891)	(4.0)%	\$306,318	\$ 26,675
6/30/1999	\$314,021	(\$ 43,601)	(13.9)%	\$357,623	\$ 51,304
6/30/2000	\$336,580	(\$122,589)	(36.4)%	\$459,169	\$101,546

State Police Insurance Fund

(Expressed in Thousands)

Valuation Date	Actuarial Liability	Unfunded Liability	Percent Unfunded	Actuarial Value of Assets	Increase In Assets
6/30/1995	\$118,996	\$97,796	82.2%	\$21,200	
6/30/1996*	\$101,133	\$73,324	72.5%	\$27,809	\$ 6,609
6/30/1997	\$117,361	\$83,485	71.1%	\$33,876	\$ 6,100
6/30/1998	\$124,501	\$83,090	66.7%	\$41,410	\$ 7,534
6/30/1999	\$125,797	\$71,867	57.1%	\$53,929	\$12,519
6/30/2000	\$138,867	\$67,155	48.4%	\$71,712	\$17,783

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

SOLVENCY TEST

Kentucky Employees Retirement System

(Expressed in Thousands)

Valuation Date	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	(1)	(2)	(3)
6/30/1995	\$604,968	\$1,361,244	\$1,274,640	\$2,983,814	100%	100%	79.8%
6/30/1996	\$654,343	\$1,425,519	\$1,335,543	\$3,375,296	100%	100%	97.0%
6/30/1997	\$691,058	\$1,541,845	\$1,371,063	\$3,850,712	100%	100%	118.0%
6/30/1998	\$752,816	\$1,711,602	\$1,507,332	\$4,568,287	100%	100%	139.6%
6/30/1999	\$862,558	\$1,935,471	\$1,733,877	\$5,524,180	100%	100%	157.2%
6/30/2000	\$900,839	\$2,378,236	\$1,841,116	\$7,142,889	100%	100%	209.9%

County Employees Retirement System

(Expressed in Thousands)

Valuation Date	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	(1)	(2)	(3)
6/30/1995	\$493,331	\$ 971,302	\$1,138,943	\$2,454,128	100%	100%	86.9%
6/30/1996	\$546,014	\$1,042,290	\$1,190,012	\$2,880,029	100%	100%	108.6%
6/30/1997	\$617,592	\$1,170,196	\$1,357,141	\$3,514,026	100%	100%	127.2%
6/30/1998	\$685,806	\$1,355,013	\$1,489,094	\$4,273,262	100%	100%	150.0%
6/30/1999	\$759,922	\$1,600,392	\$1,594,819	\$5,196,879	100%	100%	177.9%
6/30/2000	\$821,630	\$1,904,182	\$1,727,343	\$6,729,576	100%	100%	231.8%

State Police Retirement System

(Expressed in Thousands)

Valuation Date	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants And Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	(1)	(2)	(3)
6/30/1995	\$27,845	\$148,398	\$ 65,448	\$217,504	100%	100%	63.0%
6/30/1996	\$28,918	\$152,503	\$ 63,120	\$237,515	100%	100%	88.9%
6/30/1997	\$29,910	\$153,693	\$ 72,182	\$279,643	100%	100%	133.1%
6/30/1998	\$30,546	\$183,652	\$ 80,229	\$306,319	100%	100%	114.8%
6/30/1999	\$33,633	\$187,163	\$ 93,226	\$357,623	100%	100%	146.8%
6/30/2000	\$36,111	\$199,749	\$100,720	\$459,169	100%	100%	221.7%

RETIRED LIVES SUMMARY

Kentucky Employees Retirement System

	<u>Nonhazardous Retirees</u>		<u>Hazardous Retirees</u>		<u>Total</u>	
	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>
Basic Form	7,966	\$ 6,216,674	211	\$ 111,522	8,177	\$ 6,328,196
Joint and Survivor						
100 % to Beneficiary	2,161	\$ 1,729,448	90	\$ 52,669	2,251	\$ 1,782,117
66-2/3% to Beneficiary	806	\$ 1,118,246	34	\$ 22,484	840	\$ 1,140,730
50% to Beneficiary	1,307	\$ 1,587,747	52	\$ 42,230	1,359	\$ 1,629,977
Pop-Up Option	2,063	\$ 2,502,589	161	\$ 111,338	2,224	\$ 2,613,927
10 Years Certain	–	–	18	\$ 13,632	18	\$ 13,632
10 Years Certain and Life	2,513	\$ 1,869,092	68	\$ 31,889	2,581	\$ 1,900,981
15 Years Certain and Life	587	\$ 524,565	21	\$ 13,641	608	\$ 538,206
20 Years Certain and Life	411	\$ 426,065	20	\$ 14,660	431	\$ 440,725
Social Security Option						
Basic Form	1,182	\$ 1,602,198	40	\$ 24,866	1,222	\$ 1,627,064
Survivorship Option	1,165	\$ 1,590,700	73	\$ 66,126	1,238	\$ 1,656,826
Dependent Child	1	\$ 185	15	\$ 3,317	16	\$ 3,502
Total	20,162	\$ 19,167,509	803	\$ 508,374	20,965	\$ 19,675,883

RETIRED LIVES SUMMARY

County Employees Retirement System

	<u>Nonhazardous Retirees</u>		<u>Hazardous Retirees</u>		<u>Total</u>	
	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>
Basic Form	9,090	\$ 4,144,775	392	\$ 571,314	9,482	\$ 4,716,089
Joint and Survivor						
100 % to Beneficiary	2,178	\$ 1,155,616	329	\$ 448,683	2,507	\$ 1,604,299
66-2/3% to Beneficiary	580	\$ 566,943	156	\$ 290,342	736	\$ 857,285
50% to Beneficiary	1,071	\$ 874,532	234	\$ 384,430	1,305	\$ 1,258,962
Pop-Up Option	1,945	\$ 1,480,472	811	\$1,345,558	2,756	\$ 2,826,030
10 Years Certain	--	--	44	\$ 86,670	44	\$ 86,670
10 Years Certain and Life	3,049	\$ 1,329,610	129	\$ 177,365	3,178	\$ 1,506,975
15 Years Certain and Life	702	\$ 370,728	40	\$ 50,088	742	\$ 420,816
20 Years Certain and Life	437	\$ 302,794	86	\$ 116,700	523	\$ 419,494
Social Security Option						
Basic Form	479	\$ 457,733	97	\$ 144,589	576	\$ 602,322
Survivorship Option	590	\$ 688,302	292	\$ 405,345	882	\$ 1,093,647
Dependent Child	2	\$ 634	163	\$ 43,436	165	\$ 44,070
Five Years Only	1	\$ 114	--	--	1	\$ 114
Total	20,124	\$11,372,253	2,773	\$4,064,520	22,897	\$15,436,773

RETIRED LIVES SUMMARY

State Police Retirement System

	<u>Number</u>	<u>Monthly Benefits</u>
Basic Form	69	\$ 150,435
Joint and Survivor		
100 % to Beneficiary	106	\$ 215,614
66-2/3% to Beneficiary	54	\$ 137,532
50% to Beneficiary	57	\$ 130,991
Pop-Up Option	154	\$ 357,628
10 Years Certain	7	\$ 13,703
10 Years Certain and Life	22	\$ 53,188
15 Years Certain and Life	11	\$ 22,500
20 Years Certain and Life	27	\$ 51,596
Social Security Option		
Basic Form	35	\$ 73,903
Survivorship Option	171	\$ 353,057
Dependent Child	15	\$ 4,075
Total	728	\$1,564,222

BENEFICIARY SUMMARY

Kentucky Employees Retirement System

	<u>Nonhazardous Retirees</u>		<u>Hazardous Retirees</u>		<u>Total</u>	
	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>
Joint and Survivor						
100 % to Beneficiary	1,871	\$ 968,065	52	\$ 30,313	1,923	\$ 998,378
66-2/3% to Beneficiary	270	\$ 133,607	4	\$ 2,200	274	\$ 135,807
50% to Beneficiary	543	\$ 193,754	6	\$ 956	549	\$ 194,710
Pop-Up Option	158	\$ 118,847	7	\$ 2,729	165	\$ 121,576
5 Years Certain	132	\$ 126,804	15	\$ 5,164	147	\$ 131,968
10 Years Certain	147	\$ 117,631	9	\$ 3,948	156	\$ 121,579
10 Years Certain and Life	136	\$ 105,143	13	\$ 4,646	149	\$ 109,789
15 Years Certain and Life	123	\$ 89,853	1	\$ 158	124	\$ 90,011
20 Years Certain and Life	70	\$ 60,228	4	\$ 889	74	\$ 61,117
Social Security Option						
Basic Form	1	\$ 357	--	--	1	\$ 357
Survivorship Option	130	\$ 135,726	8	\$ 6,351	138	\$ 142,077
Beneficiary Under 60	17	\$ 6,724	--	--	17	\$ 6,724
Dependent Child	--	--	2	\$ 551	2	\$ 551
Total	3,598	\$2,056,739	121	\$57,905	3,719	\$2,114,644

BENEFICIARY SUMMARY

County Employees Retirement System

	<u>Nonhazardous Retirees</u>		<u>Hazardous Retirees</u>		<u>Total</u>	
	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>	<u>Number</u>	<u>Monthly Benefits</u>
Joint and Survivor						
100 % to Beneficiary	1,248	\$ 418,042	73	\$ 70,360	1,321	\$ 488,402
66-2/3% to Beneficiary	144	\$ 46,073	14	\$ 13,950	158	\$ 60,023
50% to Beneficiary	263	\$ 70,781	17	\$ 9,811	280	\$ 80,592
Pop-Up Option	176	\$ 91,721	30	\$ 38,530	206	\$ 130,251
5 Years Certain	184	\$ 88,387	14	\$ 10,734	198	\$ 99,121
10 Years Certain	150	\$ 79,611	18	\$ 28,684	168	\$ 108,295
10 Years Certain and Life	190	\$ 84,681	2	\$ 1,785	192	\$ 86,466
15 Years Certain and Life	114	\$ 60,950	1	\$ 73	115	\$ 61,023
20 Years Certain and Life	63	\$ 34,577	5	\$ 8,022	68	\$ 42,599
Social Security Option						
Basic Form	--	--	--	--	--	--
Survivorship Option	47	\$ 44,011	33	\$ 46,334	80	\$ 90,345
Beneficiary Under 60	5	\$ 987	3	\$ 2,919	8	\$ 3,906
Dependent Child	—	—	1	\$ 284	1	\$ 284
Total	2,584	\$1,019,821	211	\$231,486	2,795	\$1,251,307

BENEFICIARY SUMMARY

State Police Retirement System

	<u>Number</u>	<u>Monthly Benefits</u>
Joint and Survivor		
100 % to Beneficiary	46	\$ 85,744
66-2/3% to Beneficiary	1	\$ 1,143
50% to Beneficiary	8	\$ 10,668
Pop-Up Option	5	\$ 12,863
5 Years Certain	—	—
10 Years Certain	—	—
10 Years Certain and Life	—	—
15 Years Certain and Life	1	\$ 2,927
20 Years Certain and Life	2	\$ 7,114
Social Security Option		
Basic Form	—	—
Survivorship Option	5	\$ 9,688
Beneficiary Under 60	—	—
Dependent Child	1	\$ 243
Total	69	\$130,390

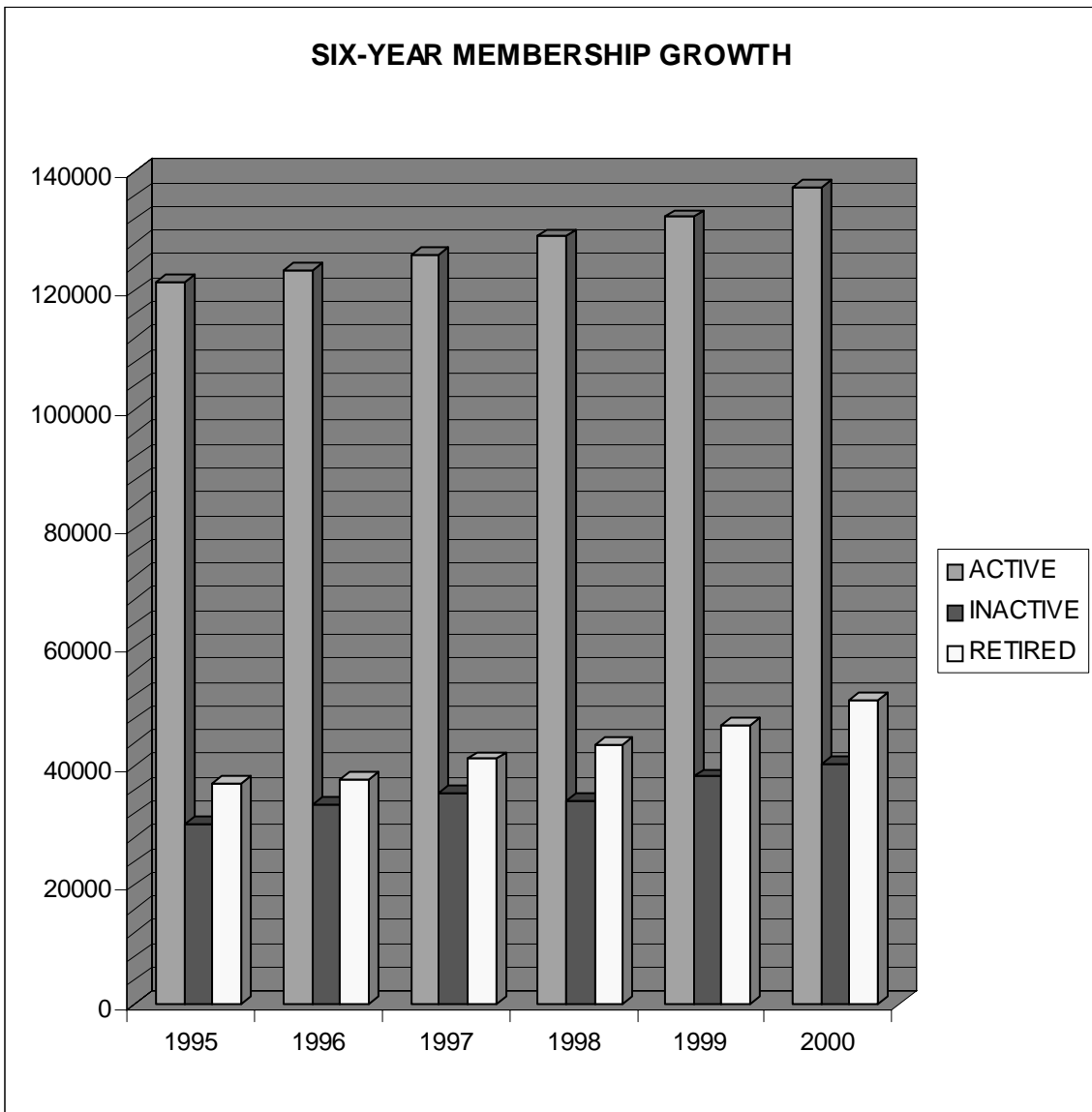
KENTUCKY RETIREMENT SYSTEMS

Statistical Section

**Comprehensive Annual Financial Report
June 30, 2000**

**MEMBERSHIP
AS OF JUNE 30, 2000**

SYSTEM	ACTIVE	INACTIVE	RETIRED	TOTAL
KERS	46,897	14,959	23,760	85,616
KERS Hazardous	4,007	759	924	5,690
CERS	77,419	24,012	22,708	124,139
CERS Hazardous	7,951	451	2,984	11,386
SPRS	1,023	78	797	1,898
TOTAL	137,297	40,259	51,173	228,729



Schedule of Participating Employers

Kentucky Employees Retirement System

Agency Classification	Number of Agencies
Agencies Reporting through State Payroll	211
Other Agencies (universities, mental health boards, health departments)	109
Special Districts and Boards	3
Child Support Offices (county attorneys)	65
Other State-Administered Retirement Systems	3
TOTAL	391

County Employees Retirement System

Agency Classification	Number of Agencies
Area Development Districts	13
Boards of Education	176
Cities	232
County Attorneys	56
County Clerks	10
County Government Agencies	243
Fire Departments	50
Hospitals	2
Jailers	6
Libraries	78
Planning Commissions	8
Police Departments	47
Police & Fire Departments (combined)	38
Sanitation Districts	3
Sheriff Departments	32
Special Districts and Boards	132
Utility Boards	89
Urban County Government Agencies	3
TOTAL	1,218

State Police Retirement System

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

SCHEDULE OF REVENUE BY SOURCE
(expressed in thousands)

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

Year Ending	Member Contributions	Employer Contributions	Investment Income	Total
June 30, 1995	\$ 67,775	\$107,582	\$ 186,275	\$ 361,632
June 30, 1996	\$ 68,933	\$113,717	\$1,173,895	\$1,356,545
June 30, 1997	\$ 69,075	\$118,119	\$ 822,046	\$1,009,240
June 30, 1998	\$ 74,115	\$128,221	\$ 945,424	\$1,147,760
June 30, 1999	\$149,722	\$126,959	\$ 848,311	\$1,124,992
June 30, 2000	\$117,209	\$136,688	\$ 305,401	\$ 559,298

COUNTY EMPLOYEES RETIREMENT SYSTEM

Year Ending	Member Contributions	Employer Contributions	Investment Income	Total
June 30, 1995	\$ 72,785	\$121,881	\$ 146,527	\$ 341,193
June 30, 1996	\$ 72,557	\$131,612	\$1,000,907	\$1,205,076
June 30, 1997	\$ 79,342	\$145,326	\$ 754,520	\$ 979,188
June 30, 1998	\$ 90,963	\$149,824	\$ 853,153	\$1,093,940
June 30, 1999	\$121,484	\$158,882	\$ 779,056	\$1,059,422
June 30, 2000	\$125,152	\$158,326	\$ 269,553	\$ 553,031

STATE POLICE RETIREMENT SYSTEM

Year Ending	Member Contributions	Employer Contributions	Investment Income	Total
June 30, 1995	\$2,727	\$ 6,874	\$14,235	\$23,836
June 30, 1996	\$2,457	\$ 7,089	\$89,875	\$99,421
June 30, 1997	\$2,958	\$ 9,628	\$58,375	\$70,961
June 30, 1998	\$2,711	\$ 9,574	\$66,977	\$79,262
June 30, 1999	\$3,658	\$ 9,463	\$56,696	\$69,817
June 30, 2000	\$4,202	\$10,216	\$18,463	\$32,881

SCHEDULE OF EXPENSES BY TYPE
(expressed in thousands)

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

Year Ending	Benefit Payments	Administrative Expenses	Refunds	Other Deductions (Net)	Total
June 30, 1995	\$144,365	\$2,088	\$7,820	\$40,011	\$194,284
June 30, 1996	\$158,407	\$2,284	\$7,485	\$42,624	\$210,800
June 30, 1997	\$173,352	\$2,701	\$8,262	\$43,988	\$228,303
June 30, 1998	\$193,569	\$2,628	\$9,196	\$46,135	\$251,528
June 30, 1999	\$209,339	\$3,384	\$9,168	\$67,696	\$289,587
June 30, 2000	\$258,999	\$3,641	\$9,041	\$88,966	\$360,647

COUNTY EMPLOYEES RETIREMENT SYSTEM

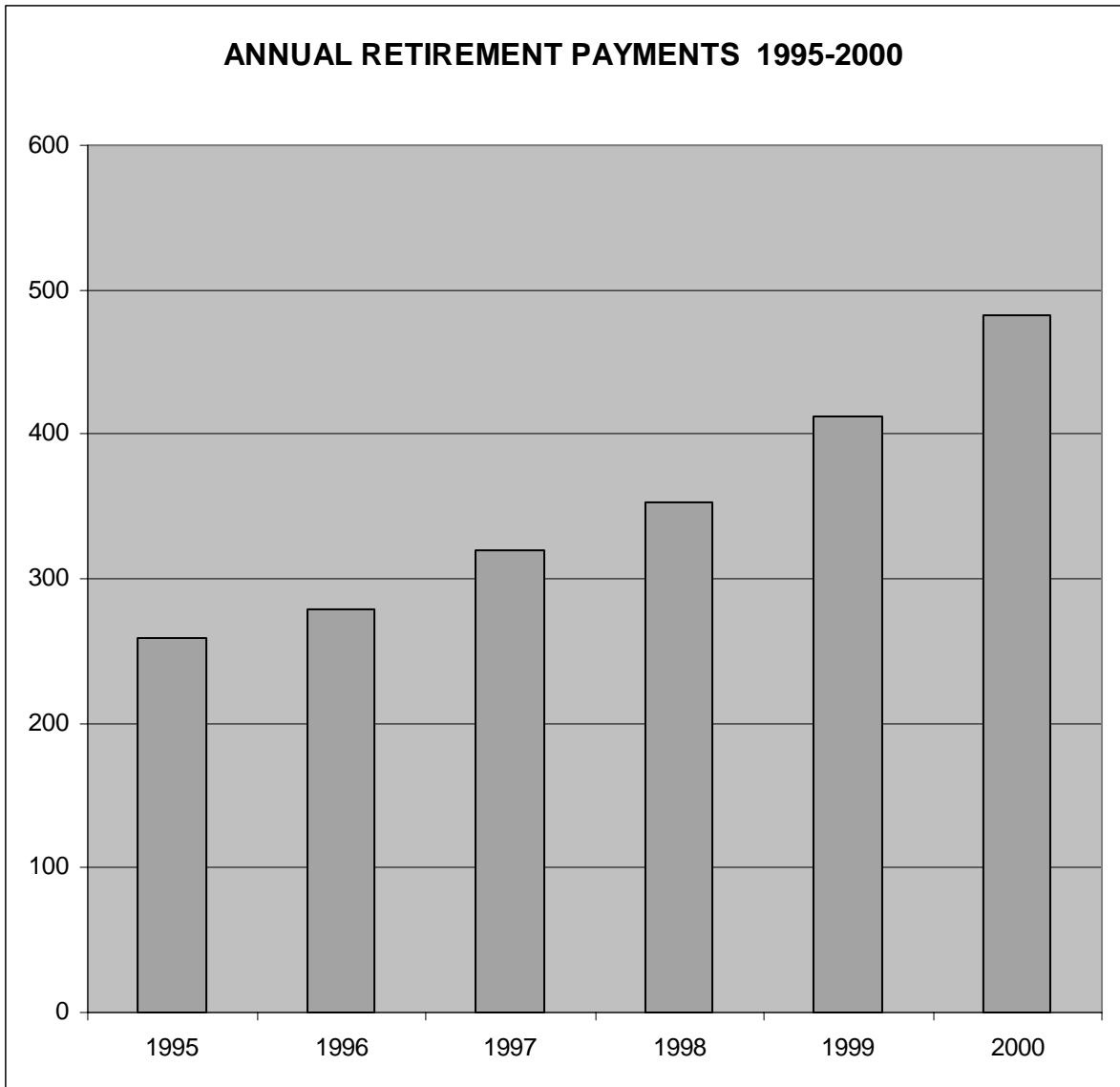
Year Ending	Benefit Payments	Administrative Expenses	Refunds	Other Deductions (Net)	Total
June 30, 1995	\$ 96,419	\$2,930	\$ 8,873	\$35,002	\$143,224
June 30, 1996	\$109,081	\$3,217	\$ 8,944	\$37,622	\$158,864
June 30, 1997	\$124,187	\$3,909	\$ 9,167	\$40,816	\$178,079
June 30, 1998	\$142,405	\$4,030	\$10,173	\$43,549	\$200,157
June 30, 1999	\$165,107	\$5,308	\$10,924	\$71,620	\$252,959
June 30, 2000	\$197,637	\$6,062	\$12,248	\$83,560	\$299,507

STATE POLICE RETIREMENT SYSTEM

Year Ending	Benefit Payments	Administrative Expenses	Refunds	Other Deductions (Net)	Total
June 30, 1995	\$12,526	\$40	\$19	\$4,464	\$17,049
June 30, 1996	\$13,711	\$44	\$31	\$4,606	\$18,392
June 30, 1997	\$14,682	\$52	\$57	\$5,126	\$19,917
June 30, 1998	\$17,735	\$47	\$70	\$5,120	\$22,972
June 30, 1999	\$19,136	\$61	\$44	\$7,299	\$26,540
June 30, 2000	\$19,974	\$68	\$80	\$7,819	\$27,941

**ANALYSIS OF INITIAL RETIREMENT
1995-2000**

	1995	1996	1997	1998	1999	2000
KERS Retirees	1,573	1,127	1,523	1,093	1,648	2,323
Average Monthly Benefit	\$914	\$967	\$1,117	\$1,000	\$1,296	\$1,639
CERS Retirees	1,906	1,344	1,962	1,626	2,349	2,485
Average Monthly Benefit	\$631	\$690	\$737	\$709	\$907	\$1,012
SPRS Retirees	77	39	47	46	23	42
Average Monthly Benefit	\$1,784	\$2,116	\$2,185	\$2,299	\$2,223	\$2,664



SCHEDULE OF BENEFIT EXPENSES BY TYPE

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

	NORMAL	EARLY	DISABILITY	DEATH	TOTAL
FY 1994-95					
Average Benefit	\$517	\$737	\$551	\$570	\$651
Retirees	4,311	10,241	1,452		16,004
Beneficiaries	798	792	570	722	2,882
Total Recipients	5,109	11,033	2,022	722	18,886
Monthly Benefits	\$2,643,397	\$8,128,080	\$1,113,901	\$411,780	\$12,297,158
FY 1995-96					
Average Benefit	\$530	\$758	\$567	\$566	\$670
Retirees	4,312	10,717	1,560		16,589
Beneficiaries	815	826	595	733	2,969
Total Recipients	5,127	11,543	2,155	733	19,558
Monthly Benefits	\$2,714,747	\$8,752,259	\$1,221,084	\$414,832	\$13,102,922
FY 1996-97					
Average Benefit	\$562	\$817	\$596	\$600	\$721
Retirees	4,322	11,513	1,694		17,529
Beneficiaries	819	853	622	754	3,048
Total Recipients	5,141	12,366	2,316	754	20,577
Monthly Benefits	\$2,890,662	\$10,108,484	\$1,380,195	\$452,335	\$14,831,676
FY 1997-98					
Average Benefit	\$589	\$859	\$629	\$647	\$760
Retirees	4,248	11,920	1,772		17,940
Beneficiaries	827	890	636	782	3,135
Total Recipients	5,075	12,810	2,408	782	21,075
Monthly Benefits	\$2,989,698	\$11,006,325	\$1,512,760	\$505,747	\$16,014,530
FY 1998-99					
Average Benefit	\$630	\$944	\$662	\$686	\$830
Retirees	4,267	12,755	1,848		18,870
Beneficiaries	807	936	670	866	3,279
Total Recipients	5,074	13,691	2,518	866	22,149
Monthly Benefits	\$3,194,856	\$12,927,270	\$1,665,838	\$594,363	\$18,382,327
FY 1999-2000					
Average Benefit	\$663	\$1,042	\$675	\$698	\$907
Retirees	4,360	14,323	1,977		20,660
Beneficiaries	804	978	689	885	3,356
Total Recipients	5,164	15,301	2,666	885	24,016
Monthly Benefits	\$3,425,223	\$15,949,488	\$1,799,238	\$618,038	\$21,791,987

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

SCHEDULE OF BENEFIT EXPENSES BY TYPE

COUNTY EMPLOYEES RETIREMENT SYSTEM

	NORMAL	EARLY	DISABILITY	DEATH	TOTAL
FY 1994-95					
Average Benefit	\$369	\$567	\$513	\$413	\$495
Retirees	4,563	8,721	1,494		14,778
Beneficiaries	528	421	346	552	1,847
Total Recipients	5,091	9,142	1,840	552	16,625
Monthly Benefits	\$1,876,514	\$5,180,389	\$944,147	\$228,228	\$8,229,278
FY 1995-96					
Average Benefit	\$380	\$581	\$528	\$425	\$510
Retirees	4,684	9,384	1,660		15,728
Beneficiaries	549	457	380	562	1,948
Total Recipients	5,233	9,841	2,040	562	17,676
Monthly Benefits	\$1,988,732	\$5,714,564	\$1,076,787	\$238,803	\$9,018,886
FY 1996-97					
Average Benefit	\$405	\$620	\$560	\$446	\$547
Retirees	4,937	10,453	1,942		17,332
Beneficiaries	574	490	406	576	2,046
Total Recipients	5,511	10,943	2,348	576	19,378
Monthly Benefits	\$2,229,937	\$6,790,089	\$1,314,240	\$256,650	\$10,590,916
FY 1997-98					
Average Benefit	\$429	\$650	\$585	\$473	\$576
Retirees	5,095	11,238	2,165		18,498
Beneficiaries	594	544	416	614	2,168
Total Recipients	5,689	11,782	2,581	614	20,666
Monthly Benefits	\$2,438,180	\$7,660,693	\$1,511,141	\$290,517	\$11,900,531
FY 1998-99					
Average Benefit	\$466	\$718	\$604	\$482	\$630
Retirees	5,365	12,609	2,350		20,324
Beneficiaries	603	578	636	727	2,544
Total Recipients	5,968	13,187	2,986	727	22,868
Monthly Benefits	\$2,783,194	\$9,472,665	\$1,802,978	\$350,404	\$14,409,241
FY 1999-00					
Average Benefit	\$478	\$766	\$612	\$483	\$666
Retirees	5,628	14,179	2,633		22,440
Beneficiaries	620	609	639	771	2,639
Total Recipients	6,248	14,788	3,272	771	25,079
Monthly Benefits	\$2,985,474	\$11,328,818	\$2,003,432	\$372,601	\$16,690,325

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

SCHEDULE OF BENEFIT EXPENSES BY TYPE

STATE POLICE RETIREMENT SYSTEM

	NORMAL	EARLY	DISABILITY	DEATH	TOTAL
FY 1994-95					
Average Benefit	\$1,775	\$2,018	\$1,263	\$1,207	\$1,907
Retirees	82	417	30		529
Beneficiaries	13	3	3	18	37
Total Recipients	95	420	33	18	566
Montly Benefits	\$168,663	\$847,649	\$41,677	\$21,741	\$1,079,730
FY 1995-96					
Average Benefit	\$1,749	\$2,020	\$1,241	\$1,034	\$1,901
Retirees	84	446	30		560
Beneficiaries	12	4	6	17	39
Total Recipients	96	450	36	17	599
Monthly Benefits	\$167,947	\$908,793	\$44,664	\$17,582	\$1,138,986
FY 1996-97					
Average Benefit	\$1,789	\$2,079	\$1,224	\$1,065	\$1,958
Retirees	86	484	31		601
Beneficiaries	12	4	8	16	40
Total Recipients	98	488	39	16	641
Monthly Benefits	\$175,303	\$1,014,787	\$47,733	\$17,050	\$1,254,873
FY 1997-98					
Average Benefit	\$2,472	\$2,131	\$1,319	\$1,309	\$2,120
Retirees	101	520	33		654
Beneficiaries	20	4	7	20	51
Total Recipients	121	524	40	20	705
Monthly Benefits	\$299,059	\$1,116,767	\$52,744	\$26,178	\$1,494,748
FY 1998-99					
Average Benefit	\$2,495	\$2,175	\$1,024	\$1,237	\$2,102
Retirees	98	550	38		686
Beneficiaries	23	5	23	25	76
Total Recipients	121	555	61	25	762
Monthly Benefits	\$301,845	\$1,206,862	\$62,478	\$30,922	\$1,602,087
FY 1999-2000					
Average Benefit	\$2,522	\$2,185	\$1,062	\$1,318	\$2,126
Retirees	98	585	40		723
Beneficiaries	25	5	21	23	74
Total Recipients	123	590	61	23	797
Monthly Benefits	\$310,242	\$1,289,260	\$64,788	\$30,323	\$1,694,613

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

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

KERS

Service in Years	Under 2	2-5	6-10	11-15	16-20	21-25	26-30	31-35	Over 35
Number of Recipients	707	893	3,603	3,768	3,469	3,550	4,300	2,573	1,153
Average Monthly Pay	\$85	\$156	\$240	\$398	\$597	\$858	\$1,467	\$1,909	\$2,505

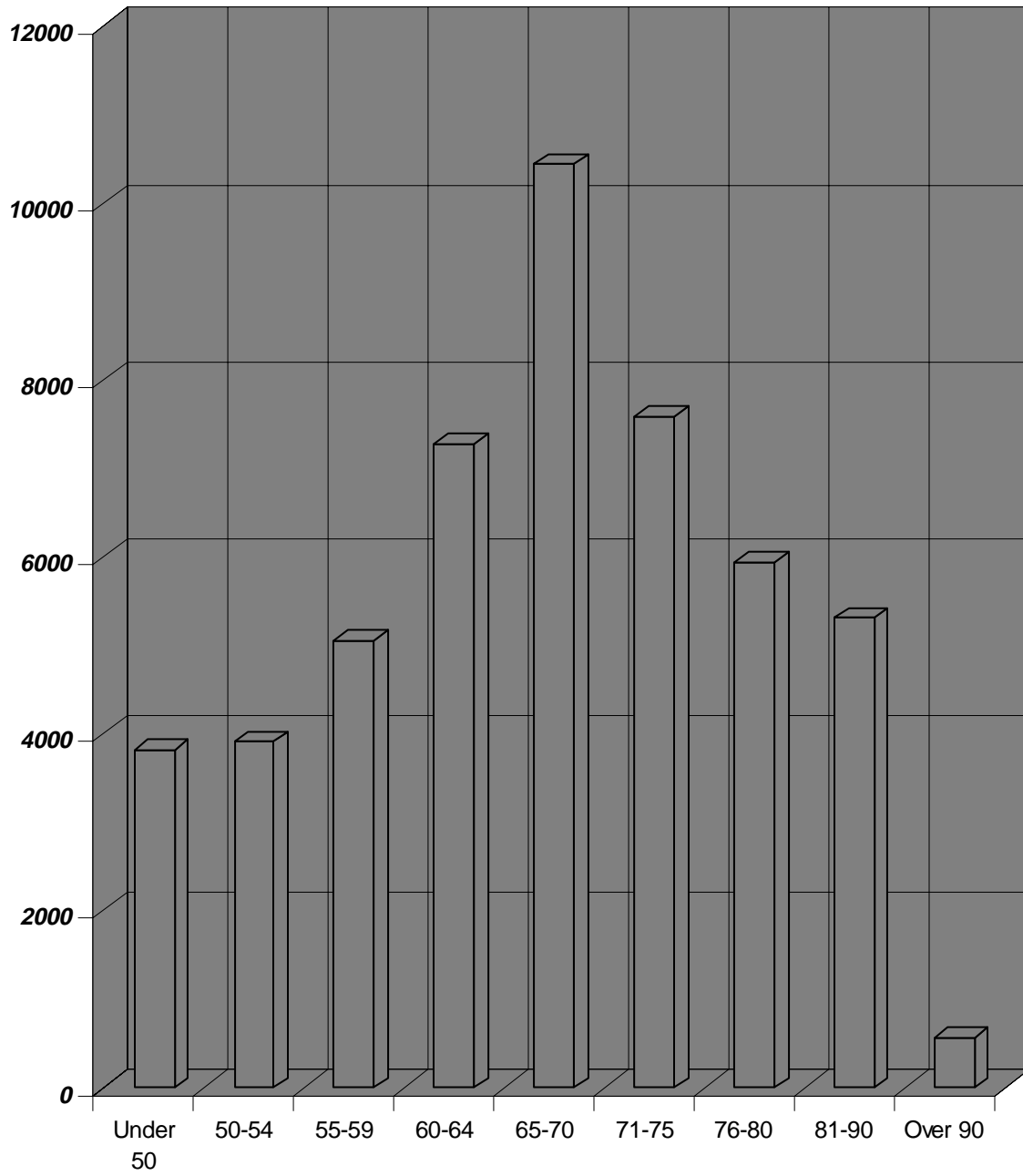
CERS

Service in Years	Under 2	2-5	6-10	11-15	16-20	21-25	26-30	31-35	Over 35
Number of Recipients	917	1,183	5,557	5,258	3,887	3,927	2,989	979	382
Average Monthly Pay	\$155	\$135	\$205	\$358	\$578	\$972	\$1,532	\$1,925	\$2,207

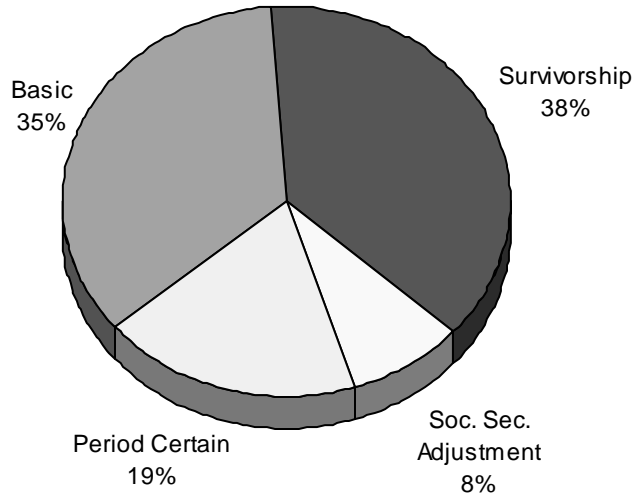
SPRS

Service in Years	Under 2	2-5	6-10	11-15	16-20	21-25	26-30	31-35	Over 35
Number of Recipients	41	21	24	26	59	220	257	108	41
Average Monthly Pay	\$454	\$277	\$626	\$956	\$1,380	\$1,881	\$2,503	\$3,164	\$3,664

AGE OF RECIPIENTS

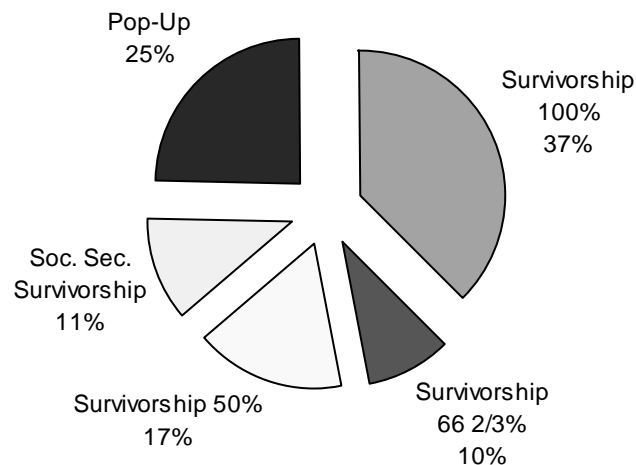


PAYMENT OPTIONS BY TYPE



The Basic option is a single life annuity. Survivorship options include 100%, 66 2/3%, 50% and Pop-Up, which is a 100% survivorship option that increases to the Basic amount if the beneficiary dies or divorces the member prior to the member's death. Social Security Adjustment options provide enhanced benefits prior to age 62 and a reduced benefit after age 62. There are two Social Security Adjustment options: one with 100% survivorship and one with no survivor benefit.

SURVIVORSHIP OPTIONS BY TYPE



TOTAL FISCAL YEAR RETIREMENT PAYMENTS BY COUNTY

Jefferson	\$87,236,453	Bourbon	\$ 2,361,306	Pendleton	\$ 1,222,857
Franklin	\$56,800,550	Carter	\$ 2,352,248	Wolfe	\$ 1,217,833
Fayette	\$25,015,648	Johnson	\$ 2,297,651	Union	\$ 1,212,430
Warren	\$12,110,539	Harlan	\$ 2,275,826	Carroll	\$ 1,209,737
Daviess	\$10,655,085	Grayson	\$ 2,274,976	Livingston	\$ 1,176,125
Shelby	\$10,141,731	Perry	\$ 2,121,594	Washington	\$ 1,097,153
Kenton	\$ 9,034,824	Clay	\$ 2,117,926	Metcalfe	\$ 1,094,184
Christian	\$ 8,981,754	Logan	\$ 2,103,986	Powell	\$ 1,066,668
Pulaski	\$ 8,762,861	Knott	\$ 2,027,275	Todd	\$ 1,042,088
McCracken	\$ 7,913,769	Caldwell	\$ 1,878,216	Lee	\$ 1,004,612
Madison	\$ 7,267,809	Trigg	\$ 1,815,762	Webster	\$ 989,067
Hardin	\$ 6,866,540	Breathitt	\$ 1,814,161	Ballard	\$ 980,076
Anderson	\$ 6,209,169	Harrison	\$ 1,781,004	Simpson	\$ 971,557
Oldham	\$ 5,532,148	Muhlenberg	\$ 1,753,944	McCreary	\$ 966,336
Campbell	\$ 5,519,810	Lincoln	\$ 1,744,046	Butler	\$ 942,414
Boone	\$ 5,453,973	Greenup	\$ 1,744,035	Green	\$ 941,288
Bullitt	\$ 4,872,339	Marion	\$ 1,731,772	Trimble	\$ 914,303
Boyd	\$ 4,527,421	Taylor	\$ 1,720,285	Jackson	\$ 877,355
Hopkins	\$ 4,482,455	Russell	\$ 1,713,643	Lewis	\$ 848,958
Calloway	\$ 4,419,530	Letcher	\$ 1,648,711	Leslie	\$ 831,867
Boyle	\$ 4,393,745	Montgomery	\$ 1,603,658	McLean	\$ 808,533
Pike	\$ 4,383,375	Fleming	\$ 1,562,102	Magoffin	\$ 808,529
Henderson	\$ 4,342,410	Lyon	\$ 1,552,334	Fulton	\$ 788,270
Laurel	\$ 4,330,627	Knox	\$ 1,523,462	Lawrence	\$ 762,868
Scott	\$ 4,011,886	Ohio	\$ 1,495,709	Owsley	\$ 740,470
Barren	\$ 3,729,159	Spencer	\$ 1,482,845	Menifee	\$ 688,410
Woodford	\$ 3,686,060	Morgan	\$ 1,464,080	Clinton	\$ 657,375
Rowan	\$ 3,446,700	Adair	\$ 1,444,912	Cumberland	\$ 656,321
Graves	\$ 3,349,027	Larue	\$ 1,439,485	Nicholas	\$ 638,107
Floyd	\$ 3,337,061	Estill	\$ 1,431,260	Bracken	\$ 631,229
Mercer	\$ 3,285,735	Wayne	\$ 1,412,573	Monroe	\$ 620,189
Marshall	\$ 3,264,011	Mason	\$ 1,398,761	Hancock	\$ 606,862
Whitley	\$ 3,140,683	Hart	\$ 1,358,785	Carlisle	\$ 566,923
Henry	\$ 3,103,442	Meade	\$ 1,344,412	Crittenden	\$ 562,546
Jessamine	\$ 2,991,996	Garrard	\$ 1,331,489	Edmonson	\$ 560,550
Owen	\$ 2,943,233	Bath	\$ 1,329,117	Elliott	\$ 498,183
Nelson	\$ 2,936,436	Rockcastle	\$ 1,310,320	Martin	\$ 495,800
Bell	\$ 2,664,939	Breckinridge	\$ 1,304,741	Gallatin	\$ 473,675
Grant	\$ 2,518,317	Allen	\$ 1,249,392	Hickman	\$ 418,756
Clark	\$ 2,486,140	Casey	\$ 1,225,616	Robertson	\$ 192,787

Payments to Recipients Living in Other States
\$21,647,000

TOTAL PAYMENTS TO MEMBERS AND BENEFICIARIES FOR FY 1999-00
\$482,123,101

KENTUCKY RETIREMENT SYSTEMS

Compliance Section

**Comprehensive Annual Financial Report
June 30, 2000**

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

Board of Trustees
Kentucky Retirement Systems
Frankfort, Kentucky

We have audited the general purpose financial statements of Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

November 2, 2000