

Active Member Issue

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Service

Integrity

Respect

Accountability

Innovation

Teamwork

Earlier Vesting for *Current* KPERS Members

The Kansas Legislature recently made changes to the overall KPERS plan design for *future* members. If you are currently an active KPERS member, your benefits will not change. However, you may receive certain benefit enhancements from the new plan design.

Effective July 1, 2009:

- The vesting requirement is reduced to five years.
- The “year of service,” or year of waiting, for all non-school employees will be eliminated.

Five-Year Vesting

KPERS members are currently “vested” with ten years of service. When you are vested, it means you have earned enough service credit to guarantee a retirement benefit. Under the new law, KPERS members will vest in half the time, with only five years of service.

- If you are an active member with *at least* five years of service credit on July 1, 2009, you will become vested.
- If you are an active member with *less than* five years of service credit on July 1, 2009, you will become vested when you have five years of service credit.

First-Day Membership

Currently, State and local employees (also called non-school employees) must work for one year before becoming KPERS members. This is called the “year of service.” All employees in their year of service will automatically become KPERS members on July 1, 2009, but will keep the same benefit structure they have now.

Except for these improvements, nothing changes about your benefits. The “85 point rule,” early retirement options and all other eligibility requirements will stay the same for you.

KPERS Benefits Changing for *Future* Members

In April 2007, the Kansas Legislature passed and the Governor signed into law a new plan design providing modified benefits for KPERS members **first employed on or after July 1, 2009**.

New Plan Design Features

- First-day membership in KPERS
- Five-year vesting
- Normal retirement at age 65 with five years of service, or at age 60 with 30 years of service
- Early retirement at age 55 with 10 years of service
- Automatic annual 2 percent cost-of-living adjustments beginning at age 65
- Employee contribution rate of 6 percent

Plan design changes do not apply to KP&F members or the Retirement System for Judges.

Changes Won't Affect *Your* Retirement

Except for the benefit improvements detailed on page 1, these changes for future employees in no way affect your retirement benefits. Benefits for members currently employed by KPERS-participating employers are safe and guaranteed by the State of Kansas. **The “85 point rule,” early retirement options and all other eligibility requirements will stay the same for you.** Anyone working now will receive the benefits they have been promised.

See www.kpers.org/legislation.htm for more information about the new plan design.

State's Deferred Compensation Oversight Moving to KPERS

Many Retirement System members also save through the Kansas Deferred Compensation Plan. Based on new legislation, the plan's oversight is moving to KPERS, beginning January 2008.

The State's Department of Administration oversees the plan now and it is available to all State employees. In addition, many local public employers, like cities and counties, provide the deferred compensation plan for their own employees.

How This Affects Participants

January's transition will not directly affect plan participants or their accounts. ING will continue to provide day-to-day customer service and handle investment transactions. They will be able to answer whatever questions you have about your accounts.

This teaming up by KPERS and ING will offer employees a more coordinated approach to retirement education and planning information. We also hope it will create a more meaningful understanding of the deferred compensation plan as a retirement benefit and how it fits with the Retirement System.

Transition Timeline

Oct 2007	ING unveils investment lineup and plan features
Nov – Dec 2007	Transition planning and member communication
Jan 1, 2008	Plan transfers to KPERS

Deferred Compensation Plan Highlights*			
Assets	\$691 million	• State	\$459 million
		• Local	\$232 million
Total Participants	26,300	• State	15,300
		• Local	11,000
Active Participants	16,400	• State	8,700
		• Local	7,700
Employers	240	• State of Kansas	
		• Local	239
*as of 6/30/07			

Ten Reasons You Should Be Planning for Retirement

1. You'll Need More Than Just Your Pension

While an important part of your retirement income, your Retirement System benefits will be just one part. Your pension was designed to *supplement* Social Security and your personal savings. As you work and earn service credit, it is equally important to save on your own.

2. Social Security's Future is Uncertain

For most members, Social Security is a vital part of retirement income, but the program is facing significant long-term funding challenges. There are no plans to reduce benefits for current retirees or those nearing retirement. However, today's younger workers could face reduced benefits unless changes are made in the near future. In addition, the full retirement age has increased to 67 for those born in 1960 or later.

3. You Might Live Longer Than You Think

People are living longer and healthier lives. The average life expectancy at birth has risen 30 years in the last century. If you retire at age 55 in good health, you might reasonably expect to spend 25 to 30 years in retirement. While KPERS and Social Security pay benefits for as long as you are living, your retirement savings also has to last.

4. We're Saving Less

Most of us are not saving enough for retirement. According to the U.S. Department of Commerce's Bureau of Economic Analysis, the national savings rate is at its lowest level since the 1930s, declining from 10 percent in 1970 to negative 1 percent in 2006.

5. You Probably Haven't Calculated Your Retirement Needs

According to the Employee Benefit Research Institute's 2007 Retirement Confidence Survey (RCS), only about four in ten workers have calculated how much they need to save for retirement. For an easy way to estimate your retirement income needs, try the American Savings Education Council's "Ballpark Estimate" worksheet at www.choosetosave.org.

6. Working After Retirement

Many retirees find that part-time work or a new career can be a fulfilling and rewarding way to supplement their income. But counting on your ability to work after retirement may not be the safest bet. The 2007 RCS

reports that even though 60 to 70 percent of workers say they will work after retirement, only about half of those actually do.

If you return to work for the same Retirement System employer, you may be limited to how much you can earn without affecting your retirement benefit.

7. Handling Health Care Costs

Health care costs have risen two to three times faster than inflation over the last few decades, with no sign of slowing down. Without proper planning, you may find health care eating up much of your hard-earned savings. Soaring health care costs may hit extra hard if you retire early, since Medicare coverage doesn't begin until age 65.

8. Long-Term Care Is Often Overlooked

No one can predict whether they'll need long-term care, and those who need it can rarely cover the costs without depleting their savings. Private health insurance and Medicare won't pay for long-term care. Considering long-term care insurance before you need it can provide financial protection for you and your loved ones.

9. Lifestyle in Retirement

It's no surprise that retirees are more active than ever. Although retirees generally expect to eliminate or reduce many expenses, like mortgages, cost of raising children and the daily commute, many find that other expenses like travel and entertainment may go up. When planning for retirement, be honest with yourself about how you will spend your budget.

10. Keep Time on Your Side

Time and compound interest are your most valuable allies when it comes to saving for retirement. Compound interest is at work when your original investment earns interest, and then you continue to earn interest on the interest. The effects can be dramatic as your returns increase exponentially over time. Compound interest is particularly valuable if you can only afford to save modest amounts. It's better to get started sooner, even with a small amount of money, than not at all.

You Have Someone at Your Employer to Help You

When it comes to retirement, you have a valuable resource wherever you work. Every employer that offers KPERS benefits has appointed a designated agent. In fact, your designated agent works for the same employer you do. This person is your local contact for KPERS information. If you've ever wondered who this person is or what they can do for you, look no further.

How to Find Your Designated Agent

Your designated agent is listed on the personalized KPERS annual statement you received this spring. If you don't know who your designated agent is, check with your personnel office.

What Your Designated Agent Can Do For You

The following are some common requests designated agents receive from members.

I have questions about my benefits.

KPERS provides annual training as well as regular memos so that your designated agent has all the information they need to help you get the most from your benefits.

I would like an estimate of my retirement benefits.

If you're nearing retirement, it's a good idea to have KPERS calculate a retirement estimate for you. Your

designated agent can help you complete a Retirement Benefit Estimate Request form, using your most current pay information. KPERS will return an estimate to you through your designated agent.

I'm ready to apply for retirement benefits.

Your designated agent has all the forms you will need. He or she also will provide information that KPERS needs to process your application.

I need a printed KPERS publication or form.

Designated agents regularly keep a supply of our most current publications on hand. If not, they can order one for you directly from us. Most KPERS forms are available at www.kpers.org. If you don't know which form you need, your designated agent can assist you.

I need to know the cost to purchase service credit.

Your designated agent can tell you whether your past service is eligible and help you with the paperwork to get a purchase cost from KPERS. He or she can also tell you about the various payment options that are available.

I'm leaving employment. What options do I have?

If you're ending employment, talk to your designated agent about life insurance conversion and portability options. He or she can also provide information to help you decide whether to withdraw your contributions.



Why Did I Buy My "Year of Service?"

Simple. I'm working toward our future.

Give yourself credit for the time you've worked.

- Non-school members work for one year before becoming a KPERS member. Purchasing this "year of service" could help you vest your benefit sooner and increase your benefit at retirement.
- Don't wait. Purchase costs are based on salary and age. Now is probably the best time to buy.
- Contact KPERS or your designated agent for details.

New State Laws to Cut Taxes

KPERS Lump-Sum Benefits Stay Tax-Exempt

A new Kansas law will ensure that KPERS partial lump-sum option (PLSO) payments, including earnings, keep their state tax-exempt status, even when rolled over to a qualified retirement plan.

In general, KPERS benefits are exempt from Kansas income taxes. However, the Kansas Department of Revenue previously ruled that payments to KPERS members had to meet two requirements to be exempt from state taxes.

- The payment had to be received directly from KPERS.
- The payment had to be included in the member's federal adjusted gross income in the year that it was received.

This ruling meant that KPERS payments that were rolled over could lose their characterization as KPERS benefits and be subject to state taxes upon withdrawal from the rollover plan. The new law changes this ruling and ensures that PLSO payments that are rolled over keep their state tax-exempt status.

Social Security Exemption

When you retire, you may be able to exempt Social Security benefits from your state income taxes. Beginning this year, eligible retirees will be able to subtract Social Security benefits that are included in federal adjusted gross income when filing their Kansas income tax return. Federal adjusted gross income will determine eligibility for the subtraction.

If you have questions about state income tax, please contact the Kansas Department of Revenue's Taxpayer Assistance Center at (785) 368-8222 or tac@kdor.state.ks.us.

Common Questions About Contributions

Can I borrow money from my KPERS account?

No. State law does not allow us to administer a loan program for our members.

Can I withdraw part of my contributions while I am still working?

No. KPERS is a qualified 401(a) defined benefit pension plan under the Internal Revenue Code. This type of plan is not permitted to allow "in-service distributions."

When can I withdraw my contributions?

You can apply to withdraw your Retirement System contributions 31 days after your last day on payroll if, in the meantime, you have not begun employment with another KPERS employer. When you withdraw, you give up all Retirement System rights, benefits and service credit.

Relocating for Retirement

Although the majority of KPERS retirees stay rooted in Kansas, there are some who venture to other states, neighboring countries and even overseas. If relocating is part of your retirement plan, consider these tips.

Reasons for Relocating

- Lower cost of living
- Proximity to family
- Warmer climate
- Change of scenery

Try Before You Buy

Consider evaluating potential locations based on the five "A's."

Access. Make sure basic necessities like health care, transportation, etc. are convenient.

Amenities. Check availability of enjoyable activities like hobbies, cultural attractions, etc.

Ambience. Do you enjoy the overall surroundings?

Affordability. Cost of living, housing and state tax structure can be important budgeting factors.

Atmosphere. Even in paradise, there are four seasons. Be sure you can tolerate the climate any time of year.

Did You Know?

- About 88 percent of KPERS benefit recipients reside in Kansas.
- KPERS benefit recipients inhabit all 50 states.
- KPERS benefit recipients reside in 15 countries outside the U.S.

Retirement Planning Goes Beyond the Financial Picture

Most traditional retirement planning is financial, but finances alone do not automatically make for a happy retirement. Even though planning and saving for retirement is of vital importance, retirement planning is about more than just saving and spending money. You also need a plan for how you're going to spend your time.

Adjusting to a New Lifestyle

Think about how your time is spent now. You probably balance your time between different aspects of your life, like your career, time with family and recreation. Sometimes it may seem like there aren't enough hours in the day.

For some retirees, the first part of retirement can feel like a long vacation. Free from job responsibilities, they finally have time to rest, travel, enjoy favorite pastimes and experience new ones. For some, this "vacation" phase may last for years. But for others, it quickly passes and they find that their new lifestyle isn't as satisfying as they thought it would be.

Facing Retirement's Psychological Challenges

Adjusting to life without work can be difficult for some. Work often fulfills many basic human needs, such as:

- Sense of belonging
- Power and influence
- Feeling of achievement
- Goals to accomplish
- Social interaction
- Sense of self-worth

Many of your life goals now are likely connected to your career. These long-range goals could include earning a living, supporting a family, buying a home, educating your children and saving for retirement.

Consider the activities and interests that will be stimulating and satisfying to you during retirement.

What personal goals will you find rewarding once your career is over?

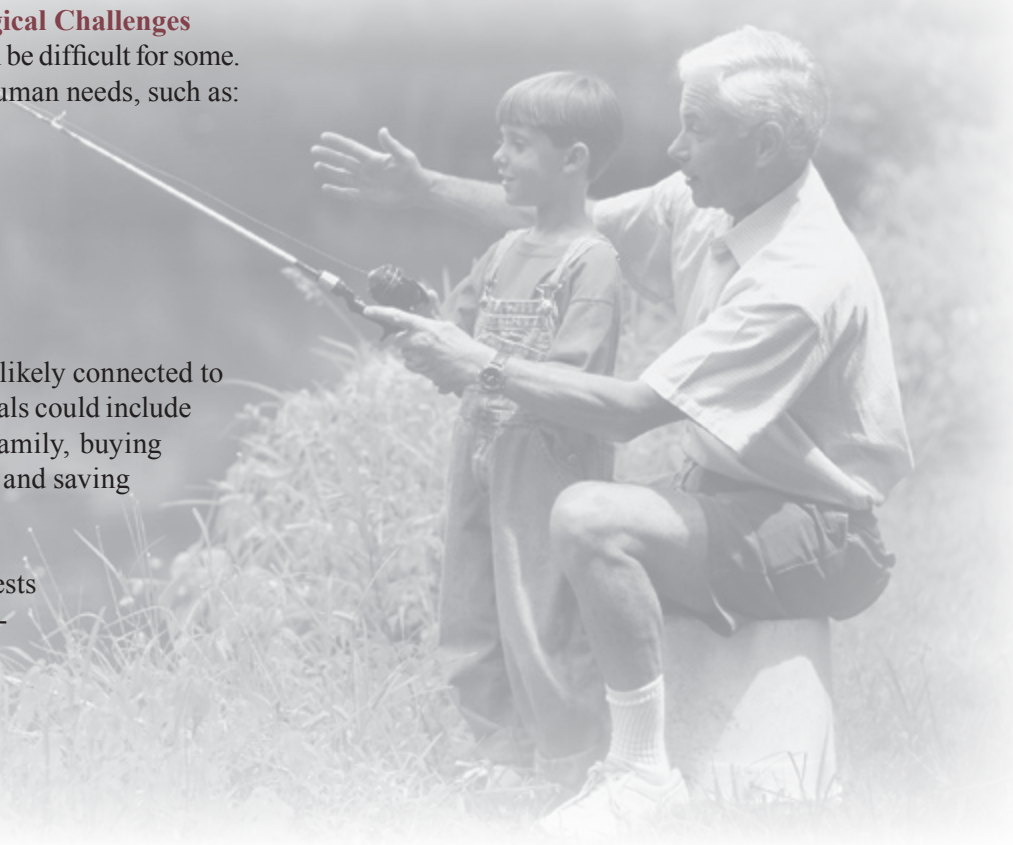
Keys to a Satisfying Retirement Lifestyle

Staying mentally, physically and socially active is key to an enjoyable retirement. Retirement is a stage of your life that could last many years. Planning is essential for adjusting to your new lifestyle and continuing to fulfill the basic human needs that are now at least partially satisfied by your work. Think about activities and personal goals that will contribute to a satisfying retirement lifestyle. Do you want to:

- Travel the world or stay at home?
- Volunteer time for community activities?
- Start a new business or even a new career?
- Rediscover a favorite hobby or take up a new one?

Everyone's vision of retirement is unique. If you're married, share your dreams and goals with your spouse so that both of you can explore and work out differences. What if one wants to travel and the other wants to stay home?

Financial planning for retirement is certainly important, but it's also important to look beyond the financial picture. After all, the ultimate goal for financial security is to be able to enjoy a healthy, happy, and meaningful lifestyle.



Will the Right Person Get Your Life Insurance?

As a KPERS member, you are automatically covered by basic group life insurance equal to 150 percent of your salary. By checking your beneficiary information from time to time, you can be sure the right person will receive your life insurance benefits should anything happen to you.

It is especially important to review your beneficiary list whenever you have a significant life event. As your life situation changes, so could your choice of beneficiary.

Events That Signal a Beneficiary Review	
<input checked="" type="checkbox"/> Marriage	<input checked="" type="checkbox"/> Birth or adoption
<input checked="" type="checkbox"/> Divorce	<input checked="" type="checkbox"/> Death in the family

You have the option to name separate beneficiaries for your retirement benefits and your group life insurance.

What Your Beneficiary Receives

- **Retirement benefit** = your account balance
- **Life insurance** = basic life insurance and any optional life insurance

You can change beneficiaries anytime by completing a Designation of Beneficiary form (KPERS-7/99). Each time KPERS receives a new form from you, it cancels all those

you have previously submitted. Be sure to fill it out completely each time. You will receive a confirmation letter to verify your beneficiary change.

A Special Benefit for Your Spouse

Sometimes, naming your spouse as the sole primary beneficiary could be best for your family. KPERS has a benefit called the “Surviving Spouse Benefit Option,” created especially for your spouse.

If you die before retirement, your spouse may be able to choose a lifetime monthly benefit instead of just receiving your account balance. For your spouse to have this option, you must name him or her as your sole primary beneficiary and have at least ten years of service. If you are eligible to retire when you pass away, your spouse begins receiving the monthly benefit right away. If you weren’t eligible to retire, but had ten years of service, monthly benefits start when you would have reached age 55.

This is not an automatic benefit. Your spouse will have the option to choose either your account balance or the monthly benefit, whichever is best at the time.

You can name contingent beneficiaries or separate beneficiaries for your life insurance without affecting this option.

Safeguarding Your Personal Information

At the Retirement System we value your trust, both with your retirement finances and your personal information. Please be assured that KPERS records are kept private and confidential. We take this responsibility seriously in the way we conduct business and dispose of documents.

Staff members do not disclose information, even to a spouse, without authorization from a member. We realize this policy may frustrate you at times, but we feel it is necessary to protect you.

Social Security numbers are a hot commodity these days. We are making every effort to remove them from letters

and other communications wherever we can. If a Social Security number really is necessary, we use only the last four digits. Whenever you send us a letter or e-mail, be sure to include only the last four digits yourself. Using just the last four will not significantly increase your identity theft risk.

It would be an extremely rare, unusual case that Retirement System staff would call you for personal information like your Social Security number. Be absolutely certain it’s us before providing anything. We suggest you hang up and call back through our InfoLine call center just to be sure.

Members Rate Redesigned Annual Statements

Earlier this year, you should have received a member annual statement from the Retirement System through your employer. Annual statements show account and beneficiary information. Vested members also have retirement benefit estimates.

Because of our new information system, we were able to make significant design changes and customize content. To find out what members thought about the new statement, we invited 3,600 members to participate in an online survey.

Result Highlights

Agreed statement is valuable tool and resource	87%
Agreed content was clear and easy to understand	81%
Agreed statement was helpful and relevant	86%

Agreed their statement was accurate	83%
Agreed distribution was confidential	89%

We appreciated the positive feedback and are aiming for the 90s next year.

Lessons Learned

About one-fourth of the participants took the time to enter additional comments. Several said they liked the idea of getting their statements online through a secure web site. Others said the design should look more “official.” We will be able to use many of the comments to help us improve.

Tell Us What You Think

We’d like to hear from you. Take a few minutes to add your comments to our online survey at www.kpers.org.

KPERS Briefs

KPERS to Divest From Companies Doing Business in Sudan

Kansas has joined a growing number of states whose pension plans will not invest in companies doing business in Sudan. The legislation is part of a combined effort to pressure the Sudanese government into ending the violence in its Darfur region.

Although KPERS does not invest directly in Sudan or Sudanese companies, the System does invest in companies that have some type of business connection to Sudan. These investments account for about 0.29 percent or \$38.1 million of the System’s total portfolio. The divestment is expected to have minimal effect on the System’s investment returns.

Mission Statement of the Retirement System: The Kansas Public Employees Retirement System, in its fiduciary capacity, exists to deliver retirement, disability and survivor benefits to its members and their beneficiaries.

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