

KPERS Papers

Kansas Public Employees Retirement System

1962-2002 • 40 years of serving Kansas public servants

February 2002

Active Member Issue

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Privacy & Confidentiality at KPERS

At KPERS we value your trust, both with your retirement finances and your personal information. Please be assured that all KPERS records are kept private and confidential.

Kansas law requires that KPERS accounts be administered in a confidential manner, and specifically provides that no third party may receive information without a member's written consent.

The only exception in the state statute is that "the board may release information to the employer or to other state and federal agencies as the board deems necessary."

KPERS' staff members maintain a strict standard of confidentiality and do not disclose information even to a spouse without written authorization from the member.

Improvements to Serve You Better

In our constant effort to provide quality service to our members and affiliated employers, KPERS is adding two new features to our InfoLine for improved customer service.

New Hours

New InfoLine hours are 8 a.m. to 4 p.m., Monday through Friday. Also, more staff is now available to support the InfoLine, especially during identified peak hours. Monday mornings tend to be the busiest, along with the first business day of each month. Scheduling calls to avoid these busy times will also help us serve you more efficiently.

Better Access

In addition to providing more personal service, KPERS is installing an automated voice response system to answer general questions from members. This provides quicker service for those with simple questions and frees up the lines for those who need more personal, detailed information. It should reduce the number of times a caller gets the busy message and is asked to call back.

Someone with a touch-tone phone can easily navigate through the system following simple instructions. Paths have been customized for retired members, active members and others. Callers who do not have a touch-tone phone can remain on the incoming line for a member service representative.

Callers will receive progressive instructions on the phone line walking them through the system, helping them get the most benefit from this new service.

Technology can be a blessing and a curse. This automated system is not intended to replace personal service and a friendly, informed voice at the other end of the line. We hope this additional service simply supplements what we already offer. Please bear with us as we streamline our new service.

As always, we welcome your written or e-mailed suggestions on how we can improve this and any of the other member services KPERS provides.

Choosing Your Retirement Benefit Option

At retirement, you must select a type of monthly benefit, greatly impacting your financial future. Once you choose, you cannot make a change. Learning about your options can help you make a better decision.

Before choosing a monthly benefit option, members must first decide whether they want to take part of their retirement benefit in a lump sum. This will reduce monthly benefits, no matter which option you choose.

Maximum Monthly Benefit Option

Some retirees select the maximum monthly benefit without any options, based on individual service and certain salaries. When a member dies, the monthly benefit ends with the check for the month in which death occurred. A \$4,000 lump-sum death benefit is paid to the member's beneficiary along with any remaining balance of the member's accumulated contributions.

Joint-Survivor Options

Other members choose to provide a continuing monthly benefit to someone else after their death. In order to provide two monthly benefits, benefits are reduced based on the joint-survivor option they choose and the age difference between members and their joint annuitants.

There are three joint-survivor options. A member can elect to provide a survivor benefit of 50 percent, 75 percent, or a benefit equal to 100 percent of the member's benefit for the remainder of the survivor's life. The reduction to the member's benefit increases as the amount for the joint annuitant increases.

It is important to note that Kansas law says *neither the type of benefit nor the joint annuitant named to receive the survivor benefits can be changed after the member's date of retirement*. If your joint annuitant dies, you can name another person as beneficiary to receive the \$4,000 death benefit, but you cannot name another person to receive monthly benefits after your death. However, your own monthly benefit will be increased to the maximum amount for the rest of your life. This feature is called the "pop-up."

Life-Certain Options

There are three life-certain options. Under these options

a member receives a reduced benefit for life, and if he or she dies within a certain period from retirement (five, ten, or 15 years), the beneficiary or beneficiaries, receive the monthly benefit for the remainder of the guaranteed period. The retiree can change beneficiaries at any time. If the member does not die within the time period elected, the monthly benefits continue at the reduced amount for the member's lifetime and end with the member's death.

Regardless of your benefit option, notify KPERs when your beneficiary dies. We'll send you the form to name a beneficiary for the \$4,000 lump-sum death benefit.

Updating Your Beneficiary Designation

It is important to keep your beneficiary designation up-to-date. Whenever you have a significant life event, you should review your designation. For example:

- marriage or divorce
- birth or death in your family

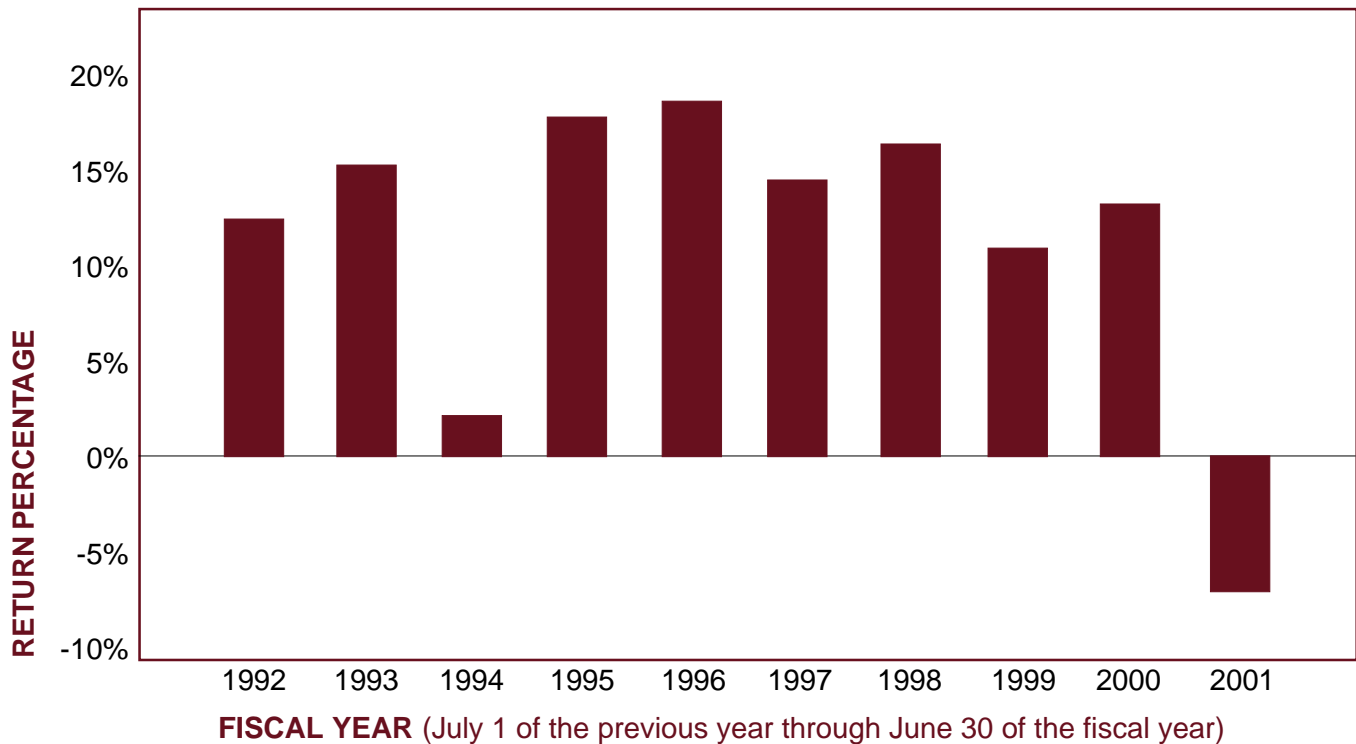
Only members themselves may complete the KPERs 7/99 Designation of Beneficiary form. Because of Kansas Administrative Regulation No. 80-5-10, other persons (even conservators, guardians and those with power of attorney) are not allowed to select or change your KPERs beneficiary.

If you need a KPERs 7/99 Designation of Beneficiary form, visit www.kpers.org or contact your employer's designated agent.

Fax Requests

We are glad to fax information requested by members. It is not always possible to send faxes on the same business day that the request was received. Please call as far in advance as possible to receive information.

KPERS Annual Investment Returns FY 1992–2001



KPERS Investments Ride Out Recent Market Bumps

The sagging United States economy and worldwide uncertainty after the September 11 attacks continue to negatively impact foreign and domestic economies and create weakness in financial markets. In the first half of fiscal year 2002, KPERS’ portfolio suffered as a result.

Fortunately, this market uncertainty does not extend to members’ benefits. KPERS benefits are guaranteed by the state of Kansas. However, long-term total returns are important to help keep the System fiscally strong.

In the past decade the System has done well with a ten-year average annual return of over 11.3 percent through fiscal year 2001. While looking at one-year periods is too short-term for a complete picture, long-term rolling averages provide a clearer snapshot of KPERS’ fund strength and stability. Economists note that over its history, the world’s financial market has continued to gain because worldwide capital and wealth continue to grow.

The key to riding out the bumps in a fluctuating market is planning a diversified and disciplined approach to stocks, bonds, real estate and other investments based on historical performance and executing the plan with an eye for the future.

KPERS target investment allocation plan:

- 32 percent = fixed income
- 25 percent = domestic equity (large)
- 15 percent = domestic equity (small)
- 15 percent = international equity
- 7 percent = real estate
- 5 percent = alternative investment
- 1 percent = cash

The Board of Trustees is committed to a diversified, long-term investment strategy. This allows KPERS to navigate short-term uncertainty and profit from longer-term market returns, ensuring System health and keeping benefits secure for members in the years to come.

Retiring and Not a Leg to *Sit* On?

To achieve a balanced, stable retirement income, most financial experts suggest individuals plan for three sources of income during their retirement years – Social Security, pension benefits, and personal savings and investments – commonly known as the “three-legged stool” theory.

While a crucial part of retirement income, KPERS benefits are just that, a part. The plan was designed to supplement Social Security and personal savings.

As the baby-boomer generation nears retirement age and places a greater demand on Social Security, there is significant debate about the future design of the program. This leaves the “third leg” of the retirement stool with an even greater importance.

Personal savings can come in many forms including savings accounts, certificates of deposit, individual stocks, bonds, mutual funds and individual retirement accounts. Each option offers different benefits and risks as well as different rates of return on investment. When planning for retirement consider your personal financial situation and goals, carefully analyze your options, and create a plan based on your level of comfort with risk.

One of the best ways to accumulate personal savings for retirement is through tax-sheltered plans like 457 deferred compensation plans, 403(b) annuity plans or IRAs. State of Kansas employees are eligible to participate in the state’s 457 plan administered by ING-Aetna Financial Services. Many local government KPERS

members are eligible to participate in a similar 457 plan sponsored by their local government. Also, most school members of KPERS are eligible to participate in a 403(b) plan through their school districts.

With each of the three legs time is of the essence. Social Security and defined benefit pension plans (like KPERS) weigh years of payment into the system heavily. Personal savings and investments have a similar return on contribution. It’s better to get started sooner, even with a small amount of money, than later.

With something as important as your retirement, its critical to plan ahead, so when the time comes, you have three legs for your stool to sit on.

Questions To Ask When Choosing a Financial Planner

- What experience do you have?
- What services do you offer?
- What is your approach to financial planning?
- Will you be the only person working with me?
- How much do you typically charge?

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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