

Active Member Issue

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What “Vesting” Means for You

Once you are vested, you’re in.

“Vesting” is simply working enough years in public service to guarantee a KPERS retirement benefit.

Why is this important?

Once you are vested, you are *guaranteed* a retirement benefit for the rest of your life after you retire, just by keeping your contributions with the Retirement System. You can even leave employment and you still have the guarantee, as long as you don’t take out your money.

How do you vest?

You automatically earn credit for working at your job. Each year you work, you earn another year of service credit. If you’ve worked in another public service job, you might be able to buy that service. All of these years combined count toward vesting.

How long it takes you to vest your benefit depends on which retirement plan you belong to.

- KPERS = 10 years
- KP&F Tier I = 20 years
- KP&F Tier II = 15 years
- Judges = when appointed

The whole is greater than the sum of its parts.

While you continue to work, make contributions and earn credit, your employer also contributes to the Retirement System. KPERS then invests these contributions, so that when it is time for you to retire, money will be available to pay your benefit.

In nearly all cases, over time your vested benefit is more valuable than the amount of your actual contributions.

What You Do Today Makes All the Difference for Tomorrow

How you live and what you can afford to do when you stop working depends on the steps you take today.

To maintain your current standard of living in retirement, you'll need 70 to 80 percent of your current income. Your payments from Social Security and KPERS alone will probably not meet this target.

Social Security will replace 25 to 30 percent of your working income, depending on how much you make. The amount of your KPERS benefit greatly depends on how many years of service you have. You will need to have personal savings to supplement your income. The fewer years of KPERS service you have, the more important personal savings becomes.

for example ...

Example #1 – 20 years of service*

Joe is 62 years old and retiring from KPERS with full benefits after 20 years of service. His current salary is \$32,000. He'll need about \$24,000 annually in retirement to maintain his standard of living.

Social Security	\$ 8,500
KPERS	+ \$11,200
Pension income	\$19,700

Total income needed	\$24,000
Pension income	- \$19,700
Needed from savings	\$ 4,300

Joe can expect to spend 20 years in retirement.

$\$4,300 \times 20 \text{ years} = \mathbf{\$86,000}$ needed in personal savings to fund his retirement.

Example #2 – 10 years of service*

Sue is 62 years old and retiring from KPERS with full benefits after only 10 years of service. Her current salary is \$32,000. She'll need about \$24,000 annually in retirement to maintain her standard of living.

Social Security	\$ 8,500
KPERS	+ \$ 5,600
Pension income	\$14,100

Total income needed	\$24,000
Pension income	- \$14,100
Needed from savings	\$ 9,900

Sue can expect to spend 20 years in retirement.

$\$9,900 \times 20 \text{ years} = \mathbf{\$198,000}$ needed in personal savings to fund her retirement.

**These examples do not take into consideration any cost of living adjustments from Social Security and the Kansas Legislature, as well as the affect of inflation over time.*

Don't be overwhelmed.

Even Joe's \$86,000 savings goal seems impossible for many employees. Don't let that large number stop you from saving. If Joe began saving and investing \$85 a month when he was 32 years old, with a 4 percent return rate, he would have enough money saved to meet his income needs in retirement.

If Joe waited until he was 42 years old, he would need to save \$161 a month to meet the same target.

You have avenues to help you save.

State of Kansas employees can participate in the State's 457 deferred compensation plan. Many local government employers have similar 457 plans. Also, most school districts offer 403(b) annuities. It is easy to get

started, and you can have money automatically deducted from your pay before taxes like most people do with health insurance.

You can also save on your own with an individual retirement account set up directly through a financial institution. Even though your contributions will be with after-tax dollars, you may still be able to take advantage of tax savings on your income tax return.

Retirement planning internet resources

- Social Security Administration: www.ssa.gov
- Employee Benefit Research Institute's Choose to Save Education Program: www.choosetosave.org
- American Savings Educational Council: www.asec.org

Upcoming Board of Trustees Election

KPERs board members provide oversight for Retirement System operations and investments. As an active member, you can run for an elected board position and get involved.

In April 2005, members will elect two board trustees. School members vote for the school position and non-school members (anyone who doesn't work for or didn't retire from a school) vote for the non-school position. Board members in these positions will serve July 1, 2005, to June 30, 2009.

Specific board responsibilities

- Review and accept actuarial assumptions
- Recommend employer contribution rates
- Establish investment policies and guidelines
- Determine the appropriate investment asset allocation mix
- Hire the executive director and monitor performance
- Hire and monitor the performance of service providers, including actuaries, consultants, advisors and custodians

The board usually meets seven times a year in Topeka. Board members also serve on committees, which require additional meetings.

What's your next step?

For a complete list of board responsibilities and more detailed information about the position, please visit our web site or contact the Retirement System. To get on the ballot next spring, you need to complete a petition form and have 100 eligible members sign your petition. Download the form at www.kpers.org or call the Retirement System at (888) 275-5737 toll-free, or (785) 296-6166. Completed petitions are due by November 30, 2004.

Remember to vote!

Even if you don't run for election, it is important that you vote. Watch for ballot information in the next issue of KPERs Papers.

***Election*Countdown**

- Now – November 2004: Candidates collect signatures
- November 30, 2004: Candidate petition deadline
- February 2005: KPERs mails voting packets to employers
- April 2005: Voting period
- April 30, 2005: Voting deadline
- May 20, 2005: Winners announced
- July 1, 2005: Trustees take office

KP&F Tier I Benefit Change

New legislation now allows Tier I KP&F members to retire with unreduced benefits after 32 years of service, no matter how old they are.

In the past, KP&F Tier I members had to be 55 years old with at least 20 years of service to retire with full benefits. This new legislation removes the age limit for anyone with 32 years or more of service.

The change does not affect KP&F Tier II members.

Who is a Tier I member?

You are a Tier I member if you were hired before July 1, 1989, and did not choose to become a Tier II member.

Who is a Tier II member?

All new KP&F members are Tier II members. You are a Tier II member if you were hired:

- on or after July 1, 1989.
- before July 1, 1989, and chose Tier II coverage.

If this change applies to you

If this change in legislation affects your retirement eligibility, and you have questions about the retirement process, please call the Retirement System at (888) 275-5737 or visit us on the web at www.kpers.org. KP&F has its own section on the web site, created especially to provide you with specific KP&F information.

Get a Ballpark Estimate of Your Retirement Needs

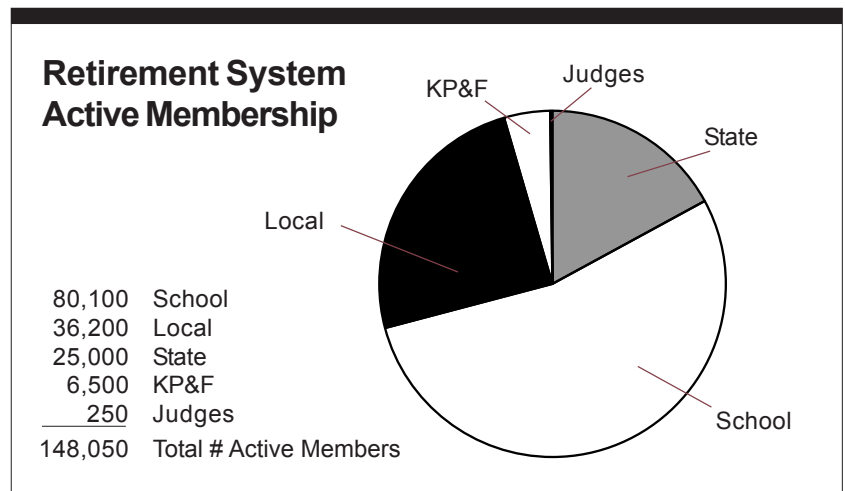
Forget, for a moment, the complexity of planning and saving for a comfortable retirement. The American Savings Education Council (ASEC) has a savings tool that can help – the Ballpark Estimate worksheet.

By simplifying some issues, such as projected Social Security benefits and earnings assumptions on savings, the Ballpark Estimate worksheet offers you a way to get a rough estimate on how much money you'll need for retirement.

According to the annual Retirement Confidence Survey, co-sponsored by ASEC and the Employee Benefit Research Institute, less than half of workers surveyed have tried to determine how much they'll need to save for a comfortable retirement.

An interactive version of the Ballpark Estimate worksheet and tips for completing the

worksheet are available at www.choosetosave.org. The web site also contains many other financial calculators like those for setting up a budget, paying down credit card debt, and home mortgages.



Board of Trustees Selects New Board Member for Partial Term

After an application process and careful consideration, KPERS Board of Trustees selected Jo Diane (Jody) Boeding as the new board member to fill the unexpired term for the elected non-school position.

Boeding is Assistant Counsel for the Unified Government of Wyandotte County/Kansas City, Kansas. She was chosen from 62 applicants. Her term began May 21 and will end June 30, 2005.

KPERS has member elections every four years for both the school and the non-school positions. The next election is scheduled for spring 2005. The term of office for these positions will be July 1, 2005, to June 30, 2009.

If you are interested in becoming a candidate, see the article in the inside of this newsletter about the upcoming election.

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.

KPERS Board of Trustees: Michael Braude, *Chair*
Jarold Boettcher
Don Steffes

Liz Miller, *Vice-Chair*
Bruce Burditt
Marjorie Lee Webb

Jody Boeding
Lynn Jenkins
Doug Wolff

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