

## Active Member Issue

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## Watch for Your Annual Statement

This spring you will receive a Retirement System annual statement from your designated agent. Generally, your annual statement summarizes your membership and shows your contributions, earned interest and your beneficiary information. Some members also have estimated retirement benefits on their statements.

If you have any questions about your annual statement, please contact us. We are here to help in any way we can.

- (888) 275-5737
- (785) 296-6166
- [kpers@kpers.org](mailto:kpers@kpers.org)

Your annual statement is a tool to help you prepare for your future, and we encourage you to review it carefully. Check that your beneficiary is current and be sure your personal information is correct.

With statement in hand, this will also be an excellent time to review your other retirement savings strategies and possibly set some new goals. It's better to get started sooner rather than later, even with a small amount of money. Make saving for retirement a high priority.

## Are You Within Five Years of Retirement?

Mark your calendar to attend one of the Retirement System's pre-retirement seminars to be held across the state this spring.

Each seminar will cover the steps members need to take to begin receiving retirement benefits. Attendance is free and pre-registration is required.

See inside for more details.

## Long-Term Funding: Where Are We Now?

Over the last two years we have communicated that the Kansas Public Employees Retirement System's financial condition has declined and the System is facing a long-term funding shortfall. Low employer contributions and a weak economy have helped create this funding problem.

Currently, the Kansas Police and Firemen's Retirement System and the Retirement System for Judges do not have a funding shortfall.

### Working on a solution

In 2003, the Legislature took a significant step by authorizing a series of future increases in the state/school group's employer contribution rate. The Legislature also authorized the State to issue pension obligation bonds of up to \$500 million. The bonds were still pending approval by the State Finance Council when we went to print.

These steps focus on funding for the *state/school group* of KPERS, which includes all State employees and anyone who works for a Kansas school district. Funding for the *local group*, employees from Kansas counties and municipalities, was not affected. KPERS is working with state and local leaders to address the growing gap on the local side.

### Future plans

The Legislature's Joint Committee on Pensions, Investments and Benefits was charged with developing funding plan during the 2003 interim. KPERS has been working closely with the Joint Committee on this plan. It is our objective that the KPERS Board, Legislature and Governor will develop a consensus on the funding issues and agree on a comprehensive long-term funding plan bill that would be introduced for consideration in the next legislative session.

### Your benefits are safe

During this time of solving funding issues, remember that benefits for retirees and current employees are safe. The Retirement System operates on a time horizon of 30 to 40 years for its funding and has approximately \$9.7 billion in assets to pay benefits for decades. Also, the State of Kansas is legally obligated to pay retirement benefits to Retirement System members.

## KPERS Annual Report Receives Award

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Retirement System for our annual report.

This is a prestigious award, recognizing conformance to the highest standards in preparing state and local government financial reports. The System has received the award for the last nine consecutive years. See [www.kpers.org](http://www.kpers.org) to download a copy of the report

## Important Tax Information

### You need to claim Retirement System contributions on your Kansas income tax return

The amount you contribute each year from your salary to the Retirement System is subject to Kansas income tax. Your contributions are deducted from your pay on a pre-tax basis for federal income tax purposes. Because of this, you need to make a specific entry on your Kansas income tax return. All members of all Retirement System plans are included.

See the "Schedule S Line-by-Line Instructions" in the 2003 Kansas Income Tax Booklet for more information or contact the Kansas Department of Revenue.

- [tac@kdor.state.ks.us](mailto:tac@kdor.state.ks.us)
- (877) 526-7738
- (785) 368-8222

### You might be eligible for a tax credit

The saver's tax credit may benefit you on your federal income tax return if your household adjusted gross income is less than \$50,000 and you made after-tax contributions to KPERS or any eligible retirement plan.

Refer to page 67 in Publication 590 "Individual Retirement Arrangements" on the Internal Revenue Service web site, [www.irs.gov](http://www.irs.gov), or contact a tax professional.

## Elected Position Open on Retirement System Board of Trustees

The Kansas Public Employees Retirement System has a vacant position on its Board of Trustees. This mid-term vacancy is for the “**non-school**” **elected position** and the term expires June 30, 2005. All *non-school* active and retired members are eligible, including KPERS and KP&F.

Elections are normally held in the spring every four years. Due to this mid-term vacancy, the Board is asking *non-school* members who are interested in becoming a trustee to send a letter of interest and a completed application form *by February 20, 2004*, to the Retirement System. Kansas law provides for the Board to directly fill the position when a vacancy occurs during a term. The Board will review the applications and select a candidate.

### Some trustee responsibilities

- Review and accept actuarial assumptions
- Recommend employer contribution rates
- Establish investment policies and guidelines
- Determine appropriate investment asset allocation mix

- Hire and monitor the executive director’s performance
- Hire and monitor the performance of other 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. For a complete list of board responsibilities and more detailed information about the position, please visit [www.kpers.org](http://www.kpers.org) or contact the Retirement System at (888) 275-5737.

### To apply

Send an application and a letter of interest to:

Attn: Board Vacancy  
 Kansas Public Employees Retirement System  
 611 S. Kansas Ave., Suite 100  
 Topeka, KS 66611-3803

You can download an application form at [www.kpers.org](http://www.kpers.org) or contact the Retirement System at (888) 275-3757 to receive one in the mail.

## Investment Returns Regaining Positive Ground

After two years of negative returns, the System returned to positive territory earlier this year and has continued on the upward climb. Positive returns have created a one-year return rate of 22.1\* percent and total assets of over \$9.7 billion. Recent growth was mainly due to positive returns in equity markets and real estate.

Although your benefits are safe regardless of economic conditions, investment returns are important to the System’s overall health. Over the long-term, our goal is to earn an 8 percent investment return. During the last ten years, the portfolio exceeded this target by delivering 8.9 percent.

The Retirement System is willing to accept some short-term volatility to gain the long-term 8 percent

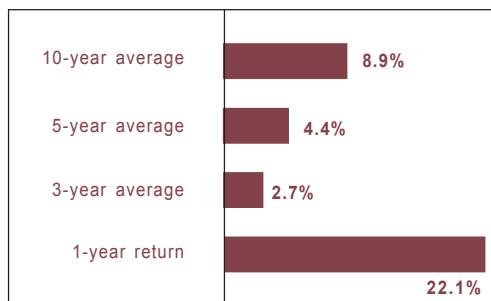
return. Sometimes short-term risk works in the System’s favor and sometimes it works against the System. Returns for the first part of fiscal year 2004 are a good example of these risks working in our favor.

They have also worked against the System in the short-term as evidenced by the negative returns in 2001 and 2002. By accepting these ups and downs, the Retirement System was able to meet the longer-term goal.

Our Board of Trustees is committed to a well-diversified, long-term portfolio. This allows us to navigate short-term uncertainty and profit from longer-term market returns. For more detailed

information on investment performance, see our web site at [www.kpers.org/reports.htm](http://www.kpers.org/reports.htm)

Investment Performance  
 for the period ending December 31, 2003\*



\*preliminary numbers

## Your Military Service Could Equal Additional Service Credit

Service credit is an important factor used to calculate your retirement benefit. You automatically earn service credit for the years you've worked for your current employer in a covered position. Kansas statutes govern the other types of service that can be granted or purchased.

### Purchasing military service

One type of service credit that can be purchased is military service. The maximum amount of credit for all military service is six years. For the Kansas Police and Firemen's Retirement System, purchased military service does not count toward your eligibility to retire, but it does increase the dollar amount of your benefit.

You can purchase year for year of active military service and one quarter of service credit for each year of inactive military service. If you are a member of KPERS and KP&F, military service can be purchased and credited under KPERS for retirement calculations.

Military service can be purchased with a lump-sum payment or by payroll deduction over a period of time.

*Lump-sum payment options include:*

- Personal check
- Money order
- Discover credit card
- Direct rollover or trustee-to-trustee transfer from an eligible retirement plan like a governmental 457(b), 403(b) annuity or an individual retirement account

For more information about purchasing military or any other type of public service credit, see [www.kpers.org](http://www.kpers.org) or contact your designated agent.

### Granted military service

In certain circumstances, Kansas law allows the Retirement System to grant active military service at no cost to you if the military service *interrupts* your public service. You must be employed in a covered position immediately before and immediately after the active military service. This type of service is limited to five years and you must apply for it. Contact your designated agent for more information.

### Safeguarding Your Social Security Number

When corresponding with the Retirement System by postal mail or e-mail, include only the last four digits of your social security number.

The last four digits of your social security number can help us be sure we have the right member account, but will not significantly increase your risk of identity theft.

When calling the Retirement System, it is important that you know your social security number or have it in hand. This helps us access your record and provide faster, more accurate service.

**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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