

KPERS Papers

Kansas Public Employees Retirement System

Serving public employees since 1962

January 2002

Retired 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." Typically this type of release would be in conjunction with a legal proceeding.

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.

Retired members will receive a mailing with specific "how-to" instructions that walk a caller through using 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.

1099-R Tax Statements

January 31, 2002, KPERS will mail each benefit recipient an envelope marked “*Important Tax Return Document Enclosed.*”

Inside are 1099-R forms with data needed to file 2001 tax returns. Benefits are subject to federal taxes, but not Kansas state taxes. Following is a sample of the 1099-R tax statement for 2001 and an explanation of the figures entered on the form.

Box 1 is the total amount KPERS paid you last year. Box 2a is the taxable portion of that total. Box 5 is the portion that is not taxable. So, by subtracting the amount in Box 2a (the taxable amount) from the amount in Box 1 (total distribution), you will arrive at the amount in Box 5 (the nontaxable portion).

If you retired before July 1986, KPERS doesn’t calculate your taxable amount. If you have recovered all your previously taxed contributions under the Internal Revenue Service *Three-Year Rule*, your benefit is fully taxable.

If you retired after June 1986, you were notified at retirement of the percentage or the amount that KPERS had calculated as excludable from tax. If you elected an alternate method to calculate your excludable portion, attach a note to your tax returns stating that you are using a different method to report the taxable amount in Box 2a.

Beneficiaries:

If you are the beneficiary of a retired member who is deceased, your monthly benefit has the same tax status as did the retired member’s benefit.

In the lower left corner of the form, you will find the retirement date, taxed contributions or IRS net investment if you retired after June 1986, total benefits paid through 2001, and 2001 group health insurance premiums for state employees. Additional information and IRS instructions are printed on the reverse side of Copy B and Copy 2 of the 1099-R form. Questions about your individual tax situation should be directed to a qualified tax professional or to the IRS.

Those members retiring July 1, 2001, or later and who elected to receive part of their monthly benefits as a

Partial Lump Sum Option will receive an additional 1099-R for the lump sum payments. The following applies to all PLSO payments.

Direct Rollovers to a Qualified Plan or IRA:

Box 1: Indicates the total amount of the rollover distribution and Box 7 will show the appropriate IRS code for a rollover (G for IRA and H for Qualified Plan).

If you had portions of your PLSO directed to different accounts, you will receive a separate 1099-R for each account.

Payments Made Directly to the Retiring Member:

Box 1: Indicates the gross amount of the PLSO paid directly to you.

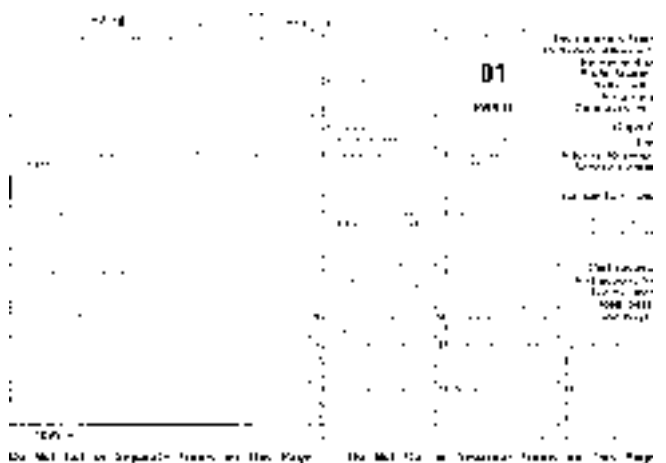
Box 2a: Indicates the taxable amount of the PLSO payment (Box 1 minus Box 5).

Box 4: Indicates the federal tax KPERS withheld from the PLSO payment (20 percent of the amount in Box 2a).

Box 5: Indicates the tax-free amount of the PLSO.

Box 7: Indicates the benefit type. See instructions on the reverse side of the 1099-R form.

Sample 2001 1099-R Tax Form



Federal Tax Withholding Notice

Each year KPERS is required to remind benefit recipients of their ongoing right to start, stop or change federal withholding tax.

Withholding federal tax from benefit checks is not required, but retirees may need to file quarterly estimated tax returns to cover annual tax liabilities. If estimated payments or withheld amounts don't meet the tax obligation, recipients may owe the IRS interest or penalty charges in addition to the taxes owed.

To make a federal withholding tax change, file an IRS W-4P form with KPERS. To receive a form, contact us at (888) 275-5737 or kpers@kpers.org.

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. Whenever possible, please call in advance to receive information.

Investment Update

The sagging United States economy and worldwide uncertainty after the September 11 attacks continued to negatively impact foreign economies and create weakness in international markets. In the first several months of fiscal year 2002, KPERS' portfolio suffered as a result of weaknesses in world-wide economies.

The terrorist attacks fueled uncertainty in the financial markets. Fortunately this uncertainty does not extend to members' retirement benefits. It is important to remember that KPERS benefits are guaranteed by the state of Kansas. Although this is the case, long-term total returns are important to help keep the System fiscally strong.

In the past decade the System has done well with a trailing ten-year average annual return of over 9.8 percent through October 31, 2001.

Our Board of Trustees is committed to a well-diversified, long-term asset allocation process. This allows KPERS to navigate short-term uncertainty and profit from longer-term market returns, ensuring System health and keeping benefits secure for retirees in the years to come.

KPERS Retirees



"I think it would be a great movement if every grandparent across America would give up the rocking chair," said Ivan Biehn, "walk over to the nearest elementary school and ask, 'What can I do to help?'"

Since retiring from the Bureau of Prisons in 1987 and later from Leavenworth's Unified School District 453 in 2001, Biehn dedicates much of his free time to his favorite school project.

Working with taxidermists and museums across the country, Biehn has created a museum of natural history in Leavenworth with fossils, animals, insects and more.

For example, Alaska donated a caribou, and the Old Trail Museum in Montana donated dinosaur bones. The museum offers classes on species' behavioral patterns, habitats and the finality of extinction.

Museum materials are also available for teachers to use in their classrooms to enhance instructional material.

Biehn said he gets a great deal of satisfaction from having seen the museum of natural history come into being, especially knowing how much it means to students. "Retirees would be amazed how many of the small ones need someone to talk to, someone to help them with learning to read and math. As grandparents and great-grandparents we have an awful lot to offer these little ones."



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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;
- divorce;
- a birth in your family;
- a 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.

Now retired members have the option to name a funeral home as beneficiary to receive the \$4,000 lump sum death benefit. If you designate a funeral home as a beneficiary, you need to also name another primary beneficiary. Only the \$4,000 death benefit may be paid to the funeral home. Any additional benefits — such as the retirement benefit for the month of death or a return of excess retirement contributions — must be paid to a beneficiary other than a funeral home.

If you have any questions about beneficiary designation or would like to receive a KPERS 7/99 Designation of Beneficiary form, please call the InfoLine toll-free at (888) 275-5737 or visit our web site at www.kpers.org.

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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