

## Retired Member Issue

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## Your Vote, Your Voice

This April, you have the opportunity to vote in the KPERS Board of Trustees election and make your voice heard. Every four years, members elect one board trustee from each of the school and non-school groups. Each candidate is a member, just like you. Elected trustees have a vested interest and a unique perspective to bring to the board room.

### **Non-School Candidates**

- Kenneth G. Abitz
- Jody Boeding
- Bruce Burditt
- August J. Dettbarn
- Anita M. Dickey
- Linda Finger
- Larry D. Fronce
- Ron D. Hagen
- Valerie L. Hamilton
- Lynn F. Hammes
- Ronald Montandon
- Wayne D. Nelson
- Richard Nienstedt
- Kristine A. Polian
- Richard Russell

In late March, non-school members will receive a voting packet in the mail with candidate information and voting instructions. All active and retired non-school members are eligible to vote. You can vote anytime during April by calling the toll-free number in the voting instructions. Voting is easy and only takes one to two minutes. There will be information in the voting packet if you prefer to vote by paper ballot. Voting will end April 30, and we will announce the winner at the May 15 board meeting. Names of the winners also will be published in the summer KPERS Papers and at [www.kpers.org](http://www.kpers.org).

### **School Candidates**

Only one valid nomination petition was received for the school position. According to Kansas Administrative Regulation 80-8-2, Gary Price will be declared elected without an election at the May 2009 board meeting when the Board accepts the election results for the non-school position.

Service

Integrity

Respect

Accountability

Innovation

Teamwork

## Your 1099-R Form Is on the Way

By the end of each January, the Retirement System mails 1099-R tax forms to you. These forms contain important information for your federal tax return. In general, your retirement benefits are subject to federal taxes, but not Kansas state taxes.

For information about how your benefits are taxed, visit the “State and Federal Taxes” section at [www.kpers.org/taxinformation.htm](http://www.kpers.org/taxinformation.htm). You’ll find helpful information, including a sample 1099-R diagram that highlights frequently questioned areas of the form.

If you don’t receive a form by mid-February, please contact the Retirement System. For questions about

your individual tax situation, please consult a qualified tax professional or the Internal Revenue Service.

### 2009 Retirement Benefit Schedule

January 30	July 31
February 27	August 31
March 31	September 30
April 30	October 30
May 29	November 30
June 30	December 31

Benefit payments are mailed or paid by direct-deposit on the last working day of each month.

## Benefits Remain Secure in the Face of Stormy Financial Markets

As upheaval in the financial market continues, it’s only natural for you to be concerned about your benefits. Rest assured, your benefits are dependable and guaranteed by law, even during a bumpy economy. KPERS’ portfolio is built to withstand the ups and downs of the market and to stand the test of time.

**We’re Diversified.** That means we don’t put all our eggs in one basket. KPERS invests in many broad investment sectors, and we intentionally limit the amount we put in any one company. This strategy can help offset some of the potential losses in the portfolio during times of negative volatility like we are experiencing now.

**We’re Long-Term.** KPERS has a steady, long-term investment strategy. Our time horizon is longer than most investors. We have time to wait for the markets to recover. As we weather the storm, we also look for opportunities to invest while prices are low. In the meantime, the System’s total assets are about \$10 billion, enough to pay benefits for years.

**We’re Professional.** KPERS has a professional investment staff and uses 19 different investment managers with proven track records. This team carefully monitors the portfolio every step of the way.

Unlike most financial service providers, we are not in business for a profit. The fiduciary standard is our driving force. That means we put the interest of our members first.

**We’ve Weathered Other Storms.** You’ll probably remember the market weakness after 9/11 in 2001. It was somewhat similar to what is going on now. KPERS’ portfolio had significant losses for two years. But our investment strategy worked. We also weathered the Enron and WorldCom debacles, investment bank failures in the 1990s, the market crash of 1987, and back-to-back years of staggering inflation in the 1970s.

**But This Storm Isn’t Like the Others.** This has been the worst year for the stock market since 1931. We can’t predict how long this market decline will go on. But historically, markets have recovered, even after the Great Depression. It’s important to remember that we have time. Not all benefits are due at once. Most members are still working and contributing and will not retire for years. Those in retirement are paid over a lifetime. After our country works through the financial issues facing us, we expect the stock market to eventually respond. We’ll continue to carefully manage members’ assets and work with the Kansas Legislature and Governor to shore up long-term funding. We are in the position to wait for the storm to pass. Until then, you can count on KPERS for dependable benefits and for us to be a trusted partner during this time of uncertainty.

## Fiscal Year 2008 — A Financial Snapshot for Members

Here are a few highlights of operations and finances for fiscal year 2008. For more detail, please see our Comprehensive Annual Financial Report (CAFR) available at [www.kpers.org](http://www.kpers.org) or by calling 1-888-275-5737.

### Benefits

In total, the Retirement System paid just over \$1 billion in benefits during the fiscal year.

- Retirement, \$946 million
- Retiree death, \$8.3 million
- Withdrawal, \$48.5 million
- Death/disability, \$56.7 million

### Investment Performance

In a difficult investment environment, KPERS' portfolio returned -4.4 percent for the fiscal year ended June 30, 2008. Since then, negative returns have been especially extreme. Equity markets have been down substantially, including the S&P 500 with a -23.8 percent return through October 2008. Reflecting market turmoil, KPERS' portfolio returned -22.0 percent during this same period. Historically, markets have recovered and this should help offset some of the current losses.

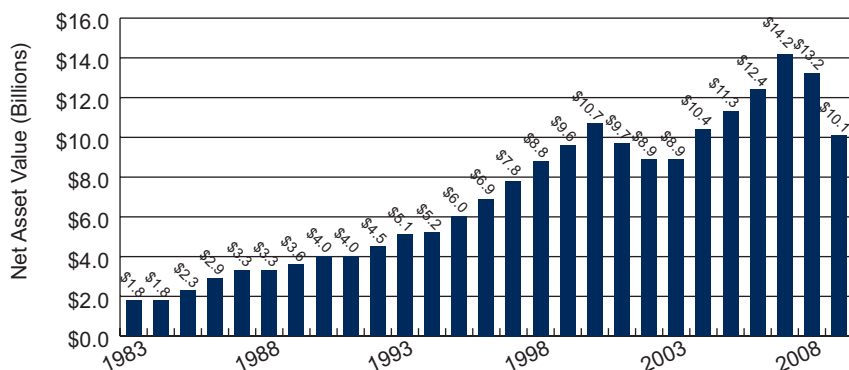
KPERS assumes a long-term investment average of 8 percent. In some years, returns will be below that rate, and in others, returns will exceed it. Even with varying rates of return over the last 25 years, System assets have continued to grow.

### Finances

**Net assets** decreased by \$990 million or 7 percent.

Plan Net Assets	
Cash and Deposits	\$ 406,994
Receivables	73,234,185
Net Investments	13,114,564,864
Capital Assets/Supplies	6,668,232
Payables	(1,810,360)
<b>Net Assets</b>	<b>\$13,193,063,915</b>
Changes in Plan Net Assets	
Additions	
Contributions	\$ 727,755,738
Net Investment Loss	(649,102,982)
Misc Income	225,736
Total Additions	78,878,492
Subtractions	
Benefits	(1,059,284,413)
Administrative Expenses	(9,603,126)
Total Subtractions	(1,068,887,539)
Net Decrease	(990,009,047)
Net Assets:	
<b>Beginning of Year</b>	<b>\$14,183,072,962</b>
<b>End of Year</b>	<b>\$13,193,063,915</b>

KPERS Net Asset Value • FY 1983 - Oct 2008



For information about KPERS' diversified and disciplined investment strategy, please see the Investment Section in our CAFR.

### Funding

As of December 31, 2007, our most recent actuarial valuation, KPERS' overall **funded ratio** was 70.8 percent. The funded ratio is the ratio of actuarial assets to liabilities. The System's unfunded actuarial liability (UAL) increased from \$5.36 billion to \$5.55 billion.

The **unfunded actuarial liability** (UAL) is the gap between the actuarial value of assets and the actuarial liability for service already earned. Since that valuation, we have seen the worst year for the stock market since 1931, yielding unprecedented negative returns. Even with a strong, sustained market recovery, the UAL will significantly increase going forward and the funded ratio will fall.

As we work with the Governor and Legislature over the coming years to address this funding shortfall, members need to remember that benefits are safe and KPERS has billions of dollars to pay benefits for years.



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Jody Boeding      Michael Braude      John Edmonds  
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**Our Mission Statement:** 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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## Check Your Federal Tax Withholding

This is our annual reminder that you can start, stop or change your federal tax withholding at any time.

If you are satisfied with your current withholding, you don't need to do anything. To change your withholding, complete a Withholding Certificate for Pension Benefit Payments form (Substitute W-4P).

You must indicate the number of withholding allowances and your marital status. Under current law, you cannot designate a specific dollar amount to be withheld without first indicating the number of allowances and your marital status. For additional tax information or a withholding form, visit the "Retired Member" section at [www.kpers.org](http://www.kpers.org) or contact the InfoLine at 1-888-275-5737. For questions about your individual tax situation, please contact a qualified tax professional.

### Need Help Estimating Your Tax Withholding?

Try the Internal Revenue Service's withholding calculator at [www.irs.gov/individuals](http://www.irs.gov/individuals). The calculator can help you make sure you don't have too much or too little income tax withheld from your benefit.

## Contact Information

### Office/Mailing Address

611 S. Kansas Ave., Suite 100  
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8 a.m. - 5 p.m., Monday - Friday

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In Topeka: 785-296-6166  
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