

# Benefit Wise

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## Inside This Issue

1. KPERS Is Not Bankrupt
2. Check Out [www.kpers.org](http://www.kpers.org)
3. Small Changes Can Make a Big Difference
4. See the "Big Picture"
5. Do You Have Service to Purchase?
6. Getting to the Heart of Who We Are
7. Life Can Change in an Instant
8. Working After Retirement Changes
9. New Trustees Give Members a Voice
10. KP&F Disability Earnings Limit Removed

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## KPERS Is Not Bankrupt

This recession has affected us all in one way or another. Most investors, including KPERS, saw unprecedented losses. KPERS' investments did better than many others, but market declines still created a \$2.9 billion decrease in assets.

Fortunately, KPERS' investments have stabilized. But not before the losses had a substantial impact on the long-term funding outlook. A loss that big cannot just be absorbed.

In addition, employer contributions not being at the actuarially required rate and benefit enhancements from the 1990s have had a lasting effect on funding.

### How Bad Is It?

The most recent actuarial valuation shows the Retirement System's funded ratio has dropped to 59 percent. Our unfunded liability has increased to \$8.27 billion. The unfunded actuarial liability (UAL) is the gap between assets and the liability for benefits.

Recent news articles have quoted a report issued by the Center for Applied Economics at the University of Kansas calling KPERS bankrupt. KPERS is not bankrupt.

Benefits for current retirees are safe. **The State also has a legal obligation to pay the benefits you've already earned.** Most members, like you, are still working and contributing. And current retirees are paid over a lifetime. So not all benefits are due at once. KPERS has about \$10 billion in assets and pays out about \$1 billion in benefits each year.

While this is not an immediate crisis, it is serious. The UAL will continue to increase and the funded ratio will continue to drop. Investment returns alone can't fix the funding shortfall. The longer we wait to fix the problem, the worse it will get and the more it will cost.

### Where Do We Go From Here?

We are now doing a new top-to-bottom analysis. Contributions and investment returns minus expenses must equal benefits.

**BENEFITS = contributions + investments – expenses**

We will look at all of these areas. We will then develop funding and benefit options for consideration by the Governor and legislative committees this fall. In developing ideas, we will look at factors like:

- What are the legal issues?
- What is sustainable?

- Is it consistent with actuarial standards?
- Does it include shared responsibility?
- Does it support an adequate retirement?

Options could include contribution increases for employers, who have shouldered increases in the past. They pay almost double the employee rate. It could also mean changes to benefits that haven't been earned yet or contribution increases for members. But at this point we need more analysis to fully develop options.

Long-term funding and benefit plan design sound cold and bureaucratic. But we realize they affect members' lives in a very real way. We are going to do our best to keep you informed throughout this process both on our web site and through more frequent newsletters. We are also considering ways to help members be part of the problem-solving process.

There is no easy solution to the challenges we face, but we are in this together.

## Check Out [www.kpers.org](http://www.kpers.org)



**Stay informed.** Timely info about pre-retirement seminars, benefits, legislative changes and other news is posted on our home page. Check back often to get the latest scoop.

**Find out more about your annual statement.** We have a video that highlights the important parts of your annual statement. You'll learn the ins and outs of each section and how to use it in your retirement planning.

**Find current forms.** View, download and print the most recent forms. They can be filled out on your computer. Print, sign and mail. It's as easy as that.

**See any publication.** No need to wait for a printed copy. Choose from a variety of publications designed to deliver the benefit information you need to know.

**Calculate a benefit estimate.** See how different scenarios affect your benefit by varying factors like your retirement date, years of service, final average salary and payment options.

**Find out when you'll have 85 points.** KPER Tier 1 members can retire anytime their age and years of service credit added together equal 85. We have a calculator to make it simple.

**Check our report card.** We're here for you and that includes letting you know how we're managing the System. We publish regular reports on investment performance, finances and service. You can also find annual reports, special long-term funding reports and our strategic plan.

## Small Changes Can Make a Big Difference



National Save for Retirement Week aims to encourage you to think about retirement savings and to consider if you'll have enough.

Retirement costs are growing. Americans are living longer and paying more for health care. Traditional pensions and Social Security were never intended to be a retiree's only source of income. Statistics have shown that while those benefits help, they may not be enough.

Our theme this year is "Small Changes. Big Difference." Consider the small changes you make everyday that have a positive impact on your life. Things like eating nutritious foods and exercising regularly can help you live a healthier life. In the same way, regular efforts to save for retirement, even small ones, can make a big difference in the long run.

One of the easiest ways to save is through tax-sheltered plans. These include the Kansas Public Employees Deferred Compensation Plan, 403(b) annuity plans or individual retirement accounts (IRAs). If you're not participating in a savings plan, check with your employer to see what's available to you. There is no better time to start than today.

Be sure to watch [www.kpers.org](http://www.kpers.org) for special National Save for Retirement Week messages and events.

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## See the "Big Picture"

A new online calculator combines KPERS and Social Security estimates with your retirement savings to give you "a big picture" of your future retirement income.

My Retirement Outlook (previously My RetirementWIZARD) estimates the income you might expect from all three sources. It has many of the same features as ING's Financial Analysis tool used by the Plan representatives. But you don't have to be part of the State's Deferred Compensation Plan to use the calculator. Much of the information about KPERS and Social Security is preloaded. You can also enter information yourself.

Running "what-if" scenarios can help you see if you're saving enough for retirement, and help you make informed decisions if you're not. If you have an income shortfall, the calculator will show you what you need to save to make up the difference. It will also show you what the impact of a different savings rate would be on your paycheck.

Try the new My Retirement Outlook at <http://www6.ingretirementplans.com/SponsorExtranet/KS/>.

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## Do You Have Service to Purchase?

Not everyone can purchase extra service credit. But if you do, it can increase your retirement benefit and maybe help you to retire earlier. A service purchase is available if you worked in certain types of public service that you don't have KPERS credit for. You must have actually worked for the credit, and you must be an active member to purchase it.

Some types of eligible service include out-of-state public service, military service and Tier 1 "year of service." A complete list of eligible service is at [www.kpers.org](http://www.kpers.org).

If you think you have service credit to purchase, talk to your employer or contact us to see if it's eligible.

### Options to Pay For Your Service

- Pre-tax payroll deduction over a period of time
- Rollover from another retirement plan, like a 457(b) deferred comp plan, a 403(b) annuity, or an individual retirement account (IRA)
- Lump sum (personal check, money order or Discover Card)

### Don't Wait

Service purchase costs are based on your age and salary. It is usually less expensive to buy service early in your career. However, if you're close to retirement, weigh the costs and benefits before deciding to purchase. You may find that the increased benefits will cover the purchase costs over time. When you apply to purchase service credit, we'll first send you a letter with the calculated cost to help with your decision.

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## Getting to the Heart of Who We Are

Your newsletter has a new name. **BenefitWise** is part of a larger verbal and visual identity project at the Retirement System.

Our "identity" expresses who we are as an organization. It includes the words and images that we use to communicate.

A consistent identity can increase awareness and help people utilize services. It also makes the communications process more efficient and cost-effective.

This project has helped us put into words and images the true essence of KPERS — the fiduciary standard is our driving force and at the heart of everything we do. It’s the highest standard of care and accountability, highlighted by good faith, loyalty and trust. We exist for the benefit of our members and to protect their long-term financial interest.

KPERS will always be a trustworthy partner. Members can count on being served by caring people who provide dependable benefits that help them secure today and plan for tomorrow.

## Life Can Change in an Instant



You can’t predict the unexpected, but you can prepare for it.

Your KPERS life insurance is an affordable way to help protect your loved ones. All active KPERS members are covered by basic life insurance equal to 150 percent of your annual salary. If you think you need more life insurance for financial security, many employers offer KPERS’ optional life insurance, too.

While your basic insurance is automatic, you need to enroll for optional insurance. Check with human resources to see if optional insurance is offered at your employer.

**Enroll and make changes any time** – You can enroll, increase coverage or decrease coverage any time during the year. Proof of good health may be required. Forms are available from your designated agent or at [www.kpers.org](http://www.kpers.org).

**Family status change** – If you experience a qualifying family status change (marriage, a change in marital status, the birth or adoption of a child), you may enroll for or increase your existing coverage by up to \$25,000 (subject to the plan maximum of \$250,000) without proof of good health. The coverage change must be applied for within 30 days of the qualifying event.

**Accelerated death benefit** – If you are diagnosed as terminally ill with 12 months or less to live, you may be eligible to receive up to 100 percent of your life insurance in lieu of the death benefit being paid to your beneficiary.

### How Much Does It Cost?

Use this chart to calculate the monthly premium for your life insurance coverage. Your premiums will increase as you age.

Optional Term Life Insurance coverage			
Rates per \$1,000 of optional life coverage per month			
Your coverage rate is based on your age as of January 1.			
Age	Rate	Age	Rate
< 25	\$0.05	50 – 54	\$0.21
25 – 29	\$0.06	55 – 59	\$0.40
30 – 34	\$0.08	60 – 64	\$0.61
35 – 39	\$0.09	65 – 69	\$1.18
40 – 44	\$0.10	70 – 74	\$1.90
45 – 49	\$0.14	75 and over	\$2.06

Your monthly premium will also include a \$0.20 per-month administrative charge.

Example	
Employee age 34, choosing \$100,000 of coverage	
1. Your coverage amount	\$100,000
2. Divide your coverage amount by \$1,000	\$100,000 divided by 1,000 = 100 units
3. Find rate for your age as of January 1	0.08
4. Multiply the number of units with the rate	100 x 0.08 = \$8.00
5. Add \$0.20 per month administrative charge	\$8.00 + 0.20 = \$8.20
<b>6. Total premium per month</b>	<b>\$8.20</b>

### Questions?

Call Minnesota Life at 1-877-215-1476.

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## Working After Retirement Changes

This year's legislative session brought two major changes to the "Working After Retirement" rules affecting members.

These changes do not affect KP&F or the Retirement System for Judges.

### 60-Day Wait

Legislation changed the waiting period for retirees. All KPERS retirees must now wait 60 days after their retirement date to go back to work for any Retirement System employer.

### Earnings Limit Lifted for Some School Members

The \$20,000 earnings limit has been lifted until July 1, 2012, for some licensed school professionals. Non-licensed positions are not eligible. You will need to retire with "full" retirement to be eligible. This includes if you retire and contract with a third party to return to your school district.

Especially with these new rules, exemptions are complex. We highly encourage you to see your designated agent or contact us if you want to return to work in a licensed school position.

### Other Legislative Info

For information about all the session bills affecting the System, you can download the Final Legislative Summary in the Kansas Legislation section at [www.kpers.org](http://www.kpers.org).

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## New Trustees Give Members a Voice

### Your Vote: Your Voice

KPERS members elected two new board trustees last April.

If you voted, thank you! These board members will be your voice in the Retirement System for the next four years.



Ron Hagen received the highest vote total for the non-school position. Gary Price was the only candidate for the school position. According to regulation, Price was declared elected without an election.

The KPERS board is comprised of nine trustees. Four are appointed by the Governor, two are appointed by legislative leaders, two are elected by members, and one is the elected State Treasurer. The board oversees the Retirement System and safeguards your assets.

KPERS holds board elections every four years for both the school and the non-school positions. The next election is scheduled for April 2013.

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## KP&F Disability Earnings Limit Removed



Recent legislation has eliminated the annual earnings limit for disabled Tier II members of the Kansas Police & Firemen's Retirement System. Disabled Tier II members who are working in a non-public safety job will receive full disability benefits regardless of the amount of money they earn.

Previously, disability benefits were reduced by \$1 for every \$2 of earnings in excess of \$10,000 during the previous calendar year.