

Benefit Wise

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KPERS Earns High Marks for Low-Cost, Great Service

We're proud of our service, but sometimes it helps to take an outside look. Cost Effectiveness Measurement Benchmarking, Inc. (CEM) looked at our business practices and rated us against 15 similar state retirement systems. Results help us set service goals and find cost savings.

Costs

Our administrative cost per member was \$44. This is about half of our peer average of \$90 per member.

Service

Our service score was 81 out of a possible 100, close to the peer median of 82. Higher service means faster turnaround times, more availability and higher quality.

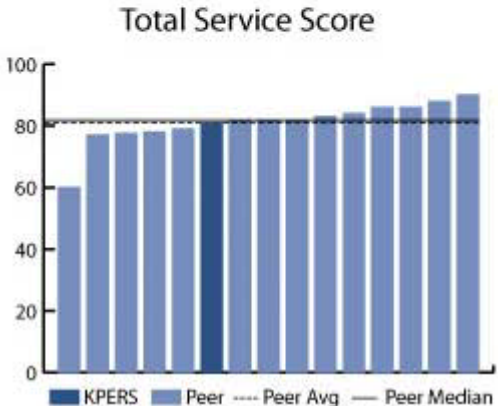
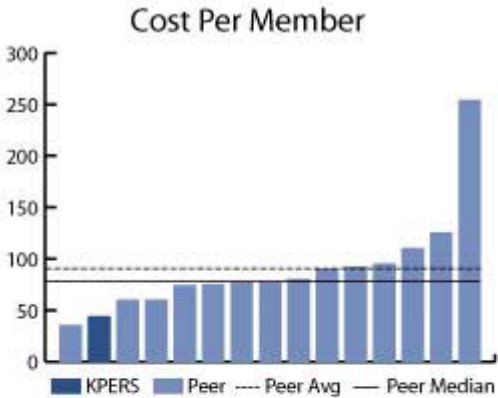
However, a high service score is not always cost-effective. Services that score best on the survey do not always fit what you value most. This is why we also send satisfaction surveys to members. We want to know how we can serve you best.

Our service score has increased since 2007. Key areas that increased our service score include:

- Secure website capability
- Prompt call center service
- More frequent member presentations and one-on-one counseling

Our call center scored particularly high at 90. Our average call wait time (10 seconds) is the lowest by far in our peer group. And when you call, you get a person, not an electronic voice system.

These numbers reflect our commitment to providing excellent customer service while controlling costs.



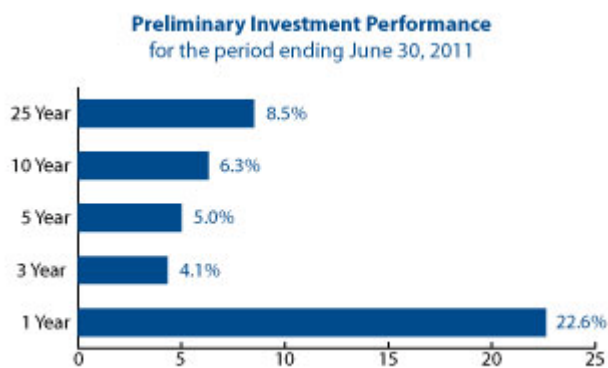
Investments Meet Target Over the Long-Term

Solid investment performance over the long-term is vital to sound funding. KPERS' investment strategy is designed to withstand short-term volatility and economic downturns.

KPERS' 25-year investment return average stands at 8.5 percent, exceeding our 8 percent target. Strong investment performance in 2010 and 2011 has helped regain losses suffered in 2008 and 2009 while growing assets to pay benefits. KPERS' investments returned 14.9 percent for fiscal year 2010, and 22.6 percent for fiscal year 2011.

Yearly returns will vary over time, as financial markets move up and down. KPERS' portfolio is built with an investment horizon of 30 or 40 years. With an eye for the long-term, we continue to have daily conversations with our investment managers about current market conditions and look for opportunities that arise during periods of market volatility.

As a fiduciary, you can count on us to manage investments prudently, for the sole purpose of paying benefits. That's why we are here.



Visit www.kpers.org for [regular investment reports](#) and information on our strategic asset allocation.

New Legislation Is Meaningful Step Toward Retirement Funding Solution

KPERS has worked to address a fundamental long-term funding shortfall over the last decade. Legislation passed in 2011 will be a meaningful and cooperative step toward sustainability, shared between employers and public employees. While the shortfall will continue to grow in the near-term, projections show funding should begin to improve after several years.



Funding Outlook

KPERS' last valuation showed an \$8.3 billion unfunded actuarial liability (UAL) and a funded ratio of 62 percent. The UAL is the gap between the actuarial value of assets and the actuarial liability for service already earned. The funded ratio is the ratio of assets to future liabilities.

Reasons for the Funding Shortfall

- Benefit increases in the 1990s, funded mostly through changes that put off paying for them until later
- Employers not contributing at the actuarially-required rate for more than 16 years
- Large investment losses caused by the recession
- Increased liabilities from members living longer and retiring earlier

Earlier Efforts at a Fix

Over the last decade, key steps were taken to improve funding.

- Employer contribution rate increases
- Pension obligation bonds

Plan design changes for future employees

However, unprecedented investment market declines in 2008 and 2009 had a substantial negative impact, reversing the progress made in previous years.

2011 Legislation

To address the shortfall, the 2011 Legislature made changes to future benefits and contributions, affecting both working members and employers. Beginning in 2014, employers will have a series of contribution increases. Members (depending on tier and a possible option election), will have contribution increases or benefit decreases. These changes are a major step toward making KPERS more sustainable.

Certain steps must be completed before the legislation takes effect, including a KPERS study commission during the legislative interim and legislation for consideration during the 2012 session. KPERS will continue to communicate with you as we move through the process.

New Funding Projections

If the legislation is fully implemented, the funded ratio should improve in the coming years. Higher employer and employee contribution rates, along with lower liabilities from benefit changes, are projected to begin lowering the UAL in the next several years. It is expected to continue decreasing until it is paid in full by 2033, when actuarial projections show KPERS with a 100 percent funded ratio.

To meet these projections, long-term investment returns are crucial. KPERS has used an 8 percent return assumption since 1986 and has achieved an 8.5 percent average over those 25 years. The next decade will be critical, as any economic downturns could cause investment returns to decline.

KPERS Study Commission

The legislation also established a 13-member study commission to consider alternative plan designs and to recommend a plan to the Legislature for the long-term sustainability of the System.

[KPERS Study Commission Information from Kansas Legislative Research Department](#)

The Study Commission met once in July and August, and has two-day meetings scheduled for September, October, November and December. Meetings are scheduled for live web-casting.

September 22-23, [Agenda](#) [Live Web-Cast](#)

We will continue to provide information and analysis to support the Legislature and the KPERS Study Commission. As a fiduciary devoted to your long-term financial interest, we will also continue to advocate for policies that promote KPERS' financial health.



A Tool to Help You Prepare For the Unexpected

No one knows your financial affairs better than you. But have you ever wondered how your family would handle these affairs if something happened to you? A little organization and forethought could go a long way toward helping those close to you if the unexpected happens.

KPERS has a simple tool to help. A [Personal Document Locator](#) is a detailed list of where you store your important documents and property, and who your primary advisors and contacts are. This tool can assist your loved ones to take care of your personal business during an already stressful time.

Tips for Using Your Personal Document Locator

- Keep in a safe place to protect your personal information.
- Update annually to ensure accuracy.
- Give a copy to a trusted friend, family member or your attorney, or make sure they know where to find it.

<http://www.kpers.org/forms/personaldocumentlocator.pdf>

Consider Investment Fees When Investing in Mutual Funds

Fees are a necessary part of investing. While stock market highs and lows get the most attention, fees are another factor to consider when selecting your investment options.

Mutual funds are one of the most common tools for retirement investors. But it takes money to run a mutual fund and pay operating expenses. These fees are called the expense ratio, but you won't see a deduction from your account. Mutual funds pool investors' money, and expenses are deducted from the fund's gross returns.

For example: If a fund has an expense ratio of 1 percent, and the fund returns 8 percent, investors will receive a 7 percent return on their investment.

All other factors being equal, it makes sense to choose funds that have the lowest possible expense ratio. The result over the long term could mean more money for your retirement nest egg.

When choosing investments, be sure to look at a fund's prospectus, which outlines fees charged as well as other important information about the investment.

To read more about investment fees, especially how they relate to Kansas Public Employees Deferred Compensation Plan participants, see the recent [Insight 2nd quarter 2011 newsletter](#).

Member Web Portal Calculator Can Give Direction to Your Retirement Planning

Planning for retirement is a lengthy journey. It can be helpful to take a moment to make sure you're on track. You can use our benefit calculators to help you get your bearings.

Login to your online KPERS account to get started.

Key Features

- Your information is pre-loaded.
- You can save estimates for future reference.

Steps

1. [Login](#).
If you're not yet enrolled, follow the directions below.
2. From **Your Homepage**, click on your account, usually "KPERS."
3. Click **Benefit Calculator**, located on the right side of your screen. Click the **New** button to start a new estimate.





Enrolling for Account Access

To access your personal account, you must first enroll. It takes two to three minutes and you'll only have to do it once. Enrollment lets us identify you and protects your personal information. After that, you can login anytime using the user ID and password you set up.

Questions?

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