

Vested Interest

Kansas Public Employees Retirement System • AUGUST 2009 — VOL. 2

Tax Changes Could Mean You'll Owe More Next April

Some KPERS retirees and beneficiaries saw an increase in their benefit payment amount beginning last April as a result of a federal tax change. The Internal Revenue Service issued new income tax withholding rates as part of the "Making Work Pay" tax credit, a key part of the federal stimulus plan.

The Making Work Pay tax credit lowered tax obligations with the goal of giving taxpayers more disposable income to spend and stimulate the economy.

However, the tax credit is only for "earned income." The IRS doesn't consider pension benefits as earned income. So, while the amount of taxes you have withheld from your benefit payment may have decreased, your actual tax obligation did not.

With this change, you may not be paying enough in federal income taxes throughout the year. This means you would have to make up the difference when filing your income tax return next year.

If you haven't already, you should review your tax withholding amount. This is something you should do at least annually anyway.

Withholding Know-How

A tax advisor can help you see whether you need to adjust your withholding to better reflect the amount of taxes you likely will owe. You can also use the IRS' withholding calcula-

tor at www.IRS.gov in the "Individuals" section. If you have questions about these tax changes, please contact a tax advisor or the IRS.

Making a Withholding Change Is Easy

You can change the amount of tax taken out of your monthly benefit payment anytime. To make a withholding change, complete a Withholding Election form and send it to KPERS. You can download an IRS W-4P form or KPERS' Substitute W-4P, a simplified version of the IRS form, from our web site at www.kpers.org.

You can also call the InfoLine, 1-888-275-5737, or e-mail kpers@kpers.org to have a form mailed to you.

On Another Tax Note

The \$4,000 retiree death benefit is taxable for federal tax purposes.

See www.kpers.org for more information or call 1-888-275-5737 to receive a Funeral Planning and Retiree Death Benefit flyer.

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Getting to the Heart of Who We Are

Your newsletter has a new name. *Vested Interest* 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.



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Benefits Safe, but Funding Needs a New Solution



A Five-Year Look

	UAL (billions)	Funded Ratio
2004	\$4.74	70%
2005	\$5.15	69%
2006	\$5.36	69%
2007	\$5.55	71%
2008	\$8.28	59%

In this economy, it's only natural for you to be concerned about your benefits. Rest assured your benefits are dependable and guaranteed by law, even in a difficult economy.

Money Is Available for Benefits

The Retirement System has about \$10 billion in assets available to pay benefits. And not all benefits are due at once. Most members are still working and contributing and will not retire for years. Retirees are paid over a lifetime.

A Tough Year for Investments

While you can count on your monthly benefit, last year's unprecedented market declines have affected all long-term investors, including KPERS. The negative impact has reversed the funding progress we've made over the last several years.

All equity markets indexes were down, including the S&P with a -26.2 percent return for the fiscal year ended June 30, 2009. KPERS' portfolio returned -19.2 percent during this same time and lost \$2.9 billion. This has made a big impact on the long-term funding outlook.

The Funding Picture

The most recent actuarial valuation shows the funded ratio has dropped to 59 percent. Our unfunded liability has increased to \$8.27 billion. The unfund-

ed actuarial liability is the gap between assets and the liability for benefits. This means that the System does not have enough assets to provide all the benefits already earned by members and to pay off the UAL within the amortization period, ending in 2033.

While it is not an immediate crisis, it is serious. Investment returns alone can't fix the funding shortfall.

Where Do We Go From Here?

This fall, we will do a top-to-bottom analysis of funding and options. Since contributions and investment returns must equal benefits and expenses, we will look at all of these areas. We'll then develop a funding solution for consideration by the Governor and Legislature.

Any solution needs to be sustainable for both the short and long term. And it needs to be cooperative in the sense that it respects the competing demands of members, employers and taxpayers. Fixing the shortfall is critical and will be costly. We are committed to working on your behalf for policies that keep the System healthy and stable. You can count on KPERS to be a trusted partner during this time of uncertainty.

Newly Elected Trustees Give Members a Voice on the Board

Your Vote: Your Voice

KPERS members elected two new trustees in the 2009 Board of Trustees election 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.

Gary Price, School

- Retired school superintendent
- Executive Director for Insight School of Kansas
- 41 years in public education
- Past president of KASA and Chair of the Council of Superintendents
- 1995 Kansas Superintendent of the Year and 2007 KASA Distinguished Service Award winner
- Member of USA|Kansas, KASA and KARSP

Ron D. Hagen, Non-School

- Senior Special Agent, KBI
- 22 years in state employment
- Board Secretary, Kansas Association of Public Employees
- Executive Vice President, Kansas Organization of State Employees
- President, KBI Agents Association

Working After Retirement Changes

This year's state 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 returning to work. All KPERS retirees must now wait 60 days after their retirement date to go back to work for any Retirement System employer. KP&F retirees still have a 30-day waiting period.

Earnings Limit Lifted for Some School Retirees

The \$20,000 earnings limit has been lifted for the next three years for some licensed school professionals returning to work for the same school district. Your new employer will be able to help you determine if you are in this group.

If you retired on or after March 28, 2009, you must have retired with "full" benefits to be eligible. The earnings limit goes back into effect July 1, 2012.

Especially with these new rules, licensed school member exemptions are complex. We highly encourage you

to see the designated agent at your proposed employer or contact the Retirement System if you want to return to work in a licensed school position.

Also, feel free to contact the InfoLine about any other working after retirement topics or questions. We're here to help.

For Legislative Session 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.

Contact Us



Toll-free, 1-888-275-5737
In Topeka, 296-6166



kpers@kpers.org



www.kpers.org



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Our Mission: In our fiduciary capacity, we exist to deliver retirement, disability and survivor benefits to our members and their beneficiaries.

The fiduciary standard is our driving force. That means we put the interest of our members first. It is the highest standard of care and accountability. A fiduciary relationship is highlighted by good faith, loyalty and trust.

Board of Trustees:

Lon Pishny, <i>Chair</i>	John Edmonds	Dennis McKinney
Rachel Lipman Reiber, <i>Vice Chair</i>	Tammy Edwards	Gary Price
Michael Braude	Ron Hagen	Doug Wolff

Planning Ahead Puts You in the Driver's Seat

The thought of needing long-term care. It's difficult and you don't want to think about it. But the truth is, many people will need some type of long-term care during their lifetime. The U.S. Department of Health and Human Ser-

vices says about 70 percent of people over age 65 will need some form of long-term care.

Medicare May Not Help Where You Think It Will

Long-term care is expensive and complicated. Planning now can help you be better prepared down the road.

There is a common misconception that Medicare pays for long-term care.

But it really only pays for short-term care in a nursing facility after a stay

in the hospital. Without Medicare as a resource, it's all the more important that you plan ahead. That way, you can choose the long-term care services and finance options that are right for you, should the need arise.

Don't Know Where to Start?

The State of Kansas has teamed up with the federal government to provide a program called "Own Your Future." It's an education and outreach effort on long-term care and ways to finance it. Visit www.longtermcare.gov to download or order a free planning kit. You can also order one by calling toll-free 1-866-PLAN-LTC.

Free LTC Planning Kit

www.longtermcare.gov

1-866-PLAN-LTC