

# Vested Interest

Kansas Public Employees Retirement System • JANUARY 2012 — VOL. 1

## KPERS Study Commission: New Benefit Tier and More Employer Contributions

While retiree benefits are safe, KPERS continues to face a long-term funding shortfall. Last session, the Legislature passed HB 2194, creating benefit and contribution changes for active members and employers. The legislation also required a KPERS Study Commission to review plan design and report to the Legislature.

### Commission Recommendations

The Commission met over the last six months and here are highlights from the results.

- No changes for current retirees
- No changes for vested members
- New tier 3 retirement plan for non-vested members and new hires
- Move all legislators to the new tier 3 plan
- Require employers to make the full actuarial contribution
- Eliminate service purchases
- Consider pension obligation bonds

### Proposed Tier 3 Retirement Plan

The new tier 3 plan has two parts:

1. 6% employee contributions to a defined contribution plan
2. Employer contributions based on employee service to a cash-balance like plan that pays a lifetime annuity benefit at retirement

Each employee would have both parts. This would affect any members who are not vested on the effective date.

### What's Next

Keep in mind that Commission recommendations are just one step. Benefits are designed and funded by the Legislature. The best place to bring concerns about benefits and funding is to your legislator and legislative leadership.

A bill would need to pass for any of these changes to take effect. Final legislation could look like it does now, have different changes or not pass at all. We will continue to provide information on [kpers.org](http://kpers.org) as we move through the process during the legislative session.

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## If You Chose a Joint-Survivor Option When You Retired

If you chose a joint-survivor option when you retired, you'll provide a continuing monthly benefit for someone after your death. This benefit will last for the rest of his or her life.

But if your joint-survivor dies first, the option is cancelled. You cannot choose someone else to receive the benefit. Your monthly payment will "pop up" to the amount you would have received if you hadn't chosen a joint-survivor option.

It's important for you to let us know if your joint-survivor dies. You can then begin receiving a larger benefit payment each month. Please notify us in writing and include a certified copy of the death certificate. We will return the certificate after processing, if requested.

Although your joint-survivor option will be cancelled, KPERS still provides a \$4,000 death benefit to all retirees. Be sure to keep your beneficiary current for this benefit.



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# 1099-R Forms Mailed; Tax Withholding Reminder

## 1099-R Tax Forms Mailed

Each year, KPERs calculates the total benefits you have received and provides this and other information to you on your 1099-R tax form. This form is for your federal tax return. These tax forms are mailed in January.

In general, your retirement benefits are subject to federal taxes, but not Kansas state taxes.

For more 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 also find a sample 1099-R diagram that highlights frequently-questioned areas of the form.

If you don't receive a 1099-R by February, please contact the Retirement System. For questions about your indi-

vidual tax situation, you'll need to consult a qualified tax professional or the Internal Revenue Service.

## Change Your Tax Withholding

You can change the amount of tax taken out of your monthly benefit payment anytime.

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 calculator at [www.irs.gov](http://www.irs.gov) in the "Individuals" section.

## Tax-Time Tools On Our Website

KPERs' Member Web Portal provides convenient access to your account along with some helpful tax tools. Log in to your account at [www.kpers.org](http://www.kpers.org) to:

- Instantly change your tax withholding.
- Print duplicate copies of current and previous 1099-R tax forms.

## 2012 Benefit Payment Dates

January 31	February 29
March 30	April 30
May 31	June 29
July 31	August 31
September 28	October 31
November 30	December 31

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

Get a direct deposit calendar at [www.kpers.org](http://www.kpers.org) or contact us to receive one by mail.

# A Will is the First Step Toward Building A Legacy Plan

Writing a will enables you, and not a probate court, to decide how your last wishes are carried out. But surveys show that 60 to 70 percent of people never write one. Making a will is the first step in the estate planning process.

A simple will can be created in a few minutes with online tools. To be valid, a will should be executed with guidance from an attorney in your state.

## The Four Ps

The information a will contains can be categorized generally as:

- **Persons** in your life for whom you feel responsible and wish to remember.

- **Property** you own, including houses, land, cars, securities, jewelry, furniture, etc.
- **Plans** for the specific property or the percentage you want given to each person or organization you wish to remember.
- **Planners** you want to consult about these decisions – attorney, accountant, financial planner.

## Beneficiaries

There are some things you wish to pass on that a will won't cover. Life insurance or your KPERs \$4,000 death benefit, for instance. You need to name a beneficiary to receive these.

## For More Information

Minnesota Life, KPERs' life insurance provider, has a website with information that goes beyond a standard will, a legacy plan.

A comprehensive legacy plan includes:

- Last wishes for a funeral service and how you want personal property distributed to heirs.
- Locations of important documents and a list of key contacts.
- Legal instruments like healthcare directives, wills and trusts.
- Financial instruments used to fund the estate plan and pay for final expenses.

Visit [www.legacyplanningservices.com](http://www.legacyplanningservices.com) for additional resources.

## Fiscal Year 2011

# A Financial Snapshot for Members

Here are a few highlights of operations and finances for fiscal year 2011. For more details, please see our Comprehensive Annual Financial Report (CAFR) available at [www.kpers.org](http://www.kpers.org) or by calling 1-888-275-5737. The Government Finance Officers Association (GFOA) awarded KPERS a Certificate of Achievement for Excellence in Financial Reporting for our 2010 CAFR. KPERS has received the award for the last 17 consecutive fiscal years.

### Benefits

The Retirement System paid about \$1.3 billion in benefits during the fiscal year.

Retirement, \$1.15 billion      Withdrawal, \$49.6 million  
 Retiree death, \$9.6 million      Death/disability, \$53.5 million

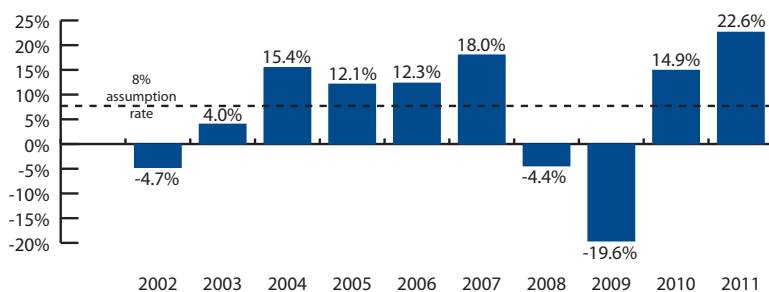
### Investment Performance

Strong investment performance in 2010 and 2011 has offset the negative returns experienced during the 2008-2009 economic recession. The investment portfolio returned 22.6 percent for fiscal year 2011. This return puts KPERS in the top quartile of return performance among its pension peers.

The first half of fiscal year 2012 has been a difficult time for global financial assets, with high volatility in the financial markets. In this environment, KPERS has maintained its well-diversified approach and long-term focus. For more information about our investment strategy, please see the Investment Section in our CAFR.

#### KPERS 10-Year Investment Return Rates

fiscal year, for the period ending June 30, 2011



### Funding

Our most recent actuarial valuation, dated December 31, 2010, showed an overall funded ratio of 62 percent, down somewhat from 64 percent the previous year. The funded ratio is the ratio of assets to future liabilities. The System's unfunded actuarial liability (UAL) increased from \$7.7 billion to \$8.3 billion. The unfunded actuarial liability (UAL) is the gap between the actuarial value of assets and the actuarial liability for service already earned. The modest decline in funding is in spite of strong investment performance the last two years, demonstrating KPERS' fundamental, long-term shortfall. Even with a yearly 8 percent return, the unfunded liability will continue to increase in the coming years with current plan design and funding.

In response to the shortfall, the 2011 Legislature made benefit and contribution changes to the KPERS plan for future service. These changes are a major step toward making the Retirement System more sustainable, but there are still steps to complete in the upcoming legislative session before the law will take effect.

Members need to remember that benefits are safe in the near-term and KPERS has billions of dollars to pay benefits for years. As a fiduciary devoted to the best financial interest of members, KPERS will continue to advocate for policies that promote the long-term financial health of the Retirement System.

### Finances

Plan Net Assets	
Cash and Deposits	\$ 3,207,179
Receivables	3,402,041,265
Net Investments	10,062,633,025
Capital Assets/Supplies	3,604,285
Payables	(2,632,948)
<b>Net Assets</b>	<b>\$ 13,468,852,806</b>
Changes in Plan Net Assets	
Additions	
Contributions	\$ 868,951,933
Net Investment Gain	2,499,490,611
Misc Income	190,770
Total Additions	3,368,633,314
Subtractions	
Benefits	(1,259,893,286)
Admin. Expenses	(9,624,617)
Total Subtractions	(1,269,517,903)
Net Increase	2,099,115,411
Net Assets:	
<b>Beginning of Year</b>	<b>\$ 11,369,737,395</b>
<b>End of Year</b>	<b>\$ 13,468,852,806</b>

## Questions?



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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:** Ron Hagen, *Chair*      Ron Estes      Doug Mays  
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# Identity Theft Isn't Just a Problem for the Living

Identity thieves can strike even after a person dies.

Identity theft is when a person uses someone else's personal information like a name, Social Security number, or credit card number, to commit fraud or other crimes.

There are a few simple things spouses or will executors can do to discourage identity thieves and to minimize the chances that a deceased relative will be victimized.

### Limit obituary information

It's natural to share information about loved ones in an obituary, but identify

thieves often scan newspapers for potential victims. A good rule of thumb is to leave out any information that would likely be needed to apply for a credit card, open a bank account or apply for insurance. Examples include: maiden names, middle name, exact birth date, address.

### Notify credit reporting agencies

Notify the three national credit bureaus (Experian, Trans-Union, Equifax) in writing, along with a copy of the death certificate. The credit bureaus will "flag" the credit file to show the person is deceased. This will help prevent thieves from using the deceased's identity.

### Other Steps

- Cancel the deceased's driver's license with the state's Department of Motor Vehicles.
- Notify the Direct Marketing Association to put the deceased's name on the "Deceased: Do not contact" list.
- Send official copies of the death certificate to all places where the deceased had a financial relationship.
- Monitor the deceased's credit records for 3 to 6 months for any unusual activity.