



KPERS Decreasing Investment Return Assumption to 7.75%

- Retiree benefits are not affected. They are safe and unchanged.
- Employee contributions are not affected. They are fixed by statute.

KPERS Board of Trustees changed our *assumed* investment rate of return from 8% to 7.75%, as part of its fiduciary duty to oversee the System and make sure promised benefits are paid. The assumption is just that – an assumption. What we estimate our experience to be in the many years to come.

While KPERS' actual 25-year return average is 8.4%, that does not predict long-term future returns.

Why the change?

- We need to reflect the current market environment.
- We want to be in line with the public pension industry.
- It's a matter of fairness. An investment rate assumption that's too high asks future generations to pay more than their fair share.

The effect on members

This change won't affect most active members. But it will affect some. For example:

- The annuitization rate for KPERS 3 members at retirement will decrease from 6% to 5.75%. New employees since January 2015 are KPERS 3 members.
- The interest rate will decrease for pre-July 1993 members from 8% to 7.75% *going forward*. This only affects them if they withdraw instead of retire.

The effect on funding

With the way KPERS' funding is structured, this change will increase *employer* contributions to make up for lowering the estimated rate of return, starting in 2019.

It will also increase the unfunded liability by about 6% (\$565 million). The funded ratio will decrease from 67% to 66%.