KPERS TRUTHS
(August 14, 2013)

1. KPERS is made up of the following groups: Law Enforcement Personnel, Firefighters, Judges, all Public School Personnel, State Workers (this includes all college employees who are not professors), most County and Municipal workers, and Legislators. KPERS originated in 1962 and merged with the Kansas Teachers Retirement System in 1971. As an employee of each entity, KPERS membership is mandatory and as of December 31, 2011 the system included approximately 281,300 individuals of which 80,527 were retired.

2. We are all (or will be) Kansas Public Retirees. No one under the KPERS umbrella is presently receiving an annual COLA (Cost of Living Adjustment.) The last COLA was enacted in 1998, authorized for those who retired prior to July 1, 1997. If you retired prior to July 1, 1997, you also received a $300 bonus in 2007 and if you retired on/or before July 1, 1998, you also received a $300 bonus in 2008. Of those presently receiving KPERS benefits, **67% do not/have not received** any of these enhancements. (We feel that unless we have this specific number from a good source, we should just say "the vast majority" instead of 70%)

3. Since the last benefit adjustment, which was enacted 14 years ago, according to the CPI (Consumer Price Index) the cost of living has increased by 42.47 percent.

4. The legislature has not met its actuarial recommended rate for at least 19 years.

5. There are 1500 local units of government that pay the employer's share into KPERS every month, plus the State. All will be affected by the new Cash Balance (Tier III) changes in KPERS. This new program is due to become active on January 1, 2015.

6. The Cash Balance Plan will effectively supersede what is referred to a Tier II. Since July 1, 2009, new employees will have been contributing 6% and will have a 2% Annual Benefit Adjustment at retirement. Present KPERS Benefits: Present system 50 to 51% of Final **AVERAGE** Salary for an employee working 29 years. Under the Cash Balance, the projected Best Case Scenario is 43%; Worst Case Scenario is 34%. If the plan was changed to a 401k type plan, the benefit would be "unknown"! Additionally, investment risk would transfer to the employee.

7. The **myth** is that KPERS is like Social Security i.e., Contributions from current employees pay benefits of current retirees. The **FACT is that KPERS benefits are pre-funded**. Current contributions are invested to pay benefits down the road. The KPERS Trust Fund is our money!

8. The greatest concern regarding KPERS financial security is the Unfunded Actuarial Liability (UAL). The present KPERS system and the newly approved Cash Balance system allow all contributions made to KPERS (by employee or employer) to be placed in the KPERS Trust Fund. If further changes were to be made in KPERS to a 401K type plan, the funds deposited in behalf of each employee (whether by the employee or the employer) in such a system would be required by law to be held in separate individual accounts. This would greatly reduce the potential money available in the Trust Fund to be used for investment purposes to reduce the UAL. A change to a 401K type of plan would therefore actually increase the UAL rather than reducing it.

9. BOND ISSUE

   a. "In February, 2004, the State of Kansas issued $500 million in pension obligation bonds, and KPERS received net proceeds of $440.2 million in March of 2004. The proceeds have been invested to assist with financing the State and School group's unfunded actuarial liability. The debt service on the bonds will be paid by the State of Kansas in addition to the State's regular employer contribution."

   b. Following this action, the legislature voted to begin funding the UAL at an increased rate of .6% annually. The goal was to reach the actuarial number at some future date. This plan was derailed by economic down turn once again leaving the trust fund in financial stress.

10. All KPERS retirees have paid in every dime they were required, and they have all met the requirements necessary to receive KPERS benefits as outlined by the Kansas Legislature!

11. The average KPERS benefit is presently approximately $1,100.00 monthly. Under the entire KPERS umbrella, less than 1.22% of recipients receive over $50,000 <u>annually</u> in KPERS benefits while 34% receive $6000 ($500 monthly) or less and 5% receive $1200 ($100 monthly) or less. (KPERS benefits are presently equal to approximately 50% of the retiree’s final average salary for an employee working 29 years.)

12. KPERS benefits paid to retirees place a total of $77,124,754 a MONTH into the Kansas economy. (90% of KPERS retirees still live in Kansas). The approximate Benefit Expenditure Annually is $1.1 Billion, with receipts of $765 Million.

13. The Legislature, for the fiscal year 2013, approved $2.75 million from the KPERS Trust Fund for operating costs for KPERS implementation of the new cash balance plan.

14. Under the new Cash Balance retirement plan, (new legislators who choose this plan), after January 1, 2015, will be allowed to once again annualize their total pay (legislative compensation, daily expenses and non-session expenses) just like under the present system. The only change in the legislature made in their own retirement plan was to reduce the number of annualized days from 372 (31 days x 12 months) to 365!

15. The proposed 2 or 3% employer contribution for the new cash balance plan is inadequate to provide a reasonable benefit. For example, the State is contributing and has contributed 8.5% as employer to the Regents retirement plan (University faculty & administrators) for years. Also, we have recently discovered there is a DC retirement plan available for certain state officials (hired and elected). We have learned that upon employment a one-time offer is made to either choose KPERS or this DC plan. This plan is funded at an 8% level by the state w/no mandatory employee contribution.

16. The reason the KP&F and the Judges are more actuarially sound is because of the different rates of contribution. The Judges contribute 6%. The counties and municipalities contribute 21.28%. For KP&F: Employees contribute 7.15%, with counties and municipalities contributing 14.57% and for State KP&F the State contributes 14.44%. (State statute mandates that counties and municipalities contribute the actuarial recommended amount for local KP&F and the judges.)