NOTES FROM KCPR MEETING
March 11, 2020

- KCPR voted on March 11, 2020, to appoint a subcommittee to study and make recommendations to Tier III.

- Redistricting happens in 2022. Moderate vs Conservative **balance impacts** the Legislative District boundary lines.

BEST AND WORST CASE SCENIERO on Benefits for TIER III

- Not enough have retired to get an overall picture of the Benefits, however, these figures are the best we have at this time.
- These figures are based on 30 years of service. Tier I & Tier II Benefit is equal to 50 to 55% of the employee's final average salary.
- Tier III has a conditional dividend credit built in! Therefore, there is a BEST CASE & WORST CASE (BC/WC) Scenario.
- Original 2012 Legislation – Cash Balance Plan Benefit BC/WC 43% to 34% of final average salary.
- Change Legislation after 2013 Session - Cash Balance Plan Benefit BC/WC 40% to 28% of final average salary.
- Latest Calculation - Cash Balance Plan Benefit BC/WC 38% to 27% of final average salary.

ADDITIONALLY – Tier III:

- Has No multiplier
- Today's KPERS Membership makes up 33.3% of the active KPERS members. (48,621 of 146,104)
- Has No final average salary.
- PLSO Maximum is 30% vs 50% in Tier I. (Tier II PLSO max is also 30%)
- It takes 5 years to determine the 'dividend credit'. (75% of the five-year average net compound rate.)
- Tier III does have a COLA, but it must be "paid" for by the employee! This translates into taking less initial benefit at retirement.

Presently (Tier I & II) the PLSO helps the Trust fund because the money paid in by employee and the investment income is paid out within 3 to 4 years. Trust fund impact has not been determined regarding Tier III.

SUGGEST WAYS TO IMPROVE TIER III:

1. Increase the guaranteed minimum benefit amount.
2. Improve annual employee credits. (Page 11)
3. Decrease the required years of service to receive employee credits.
4. Increase PLSO
5. Alter retirement age requirement.
6. Disengage Tier III calculations from the investment goals set by KPERS Board.

SUGGESTED RESPONSES TO EXCUSES:

1. KPERS never had a COLA built into the statute. (In my opinion, this response is a condescending answer and I will indicate those thoughts to those who use it!) Response: Nor did the Statute have a prohibition against a COLA.
2. KPERS benefit are 'earned benefits'. Benefits are paid an amount calculated using a formula, therefore the benefit is in proportion to what was paid in.
3. ALL employees have paid in every dollar they were required. They have received not contribution variance; in fact, the employee contribution was raised from 4 to 6% per the 2012 legislation.
4. All US retirement systems are approved by the IRS, therefore the KPERS retirement system is NOT a Ponzi scheme!

NORMAL COST CALCULATIONS:

Most of the UAL is a result of the years of underfunding. The approximate actuarial recommendation for this year is approximately $676.5 Million. W/O the UAL the normal cost would be approximately $135 Million.
In percentage comparison this is 23% vs. 2%!!!

FURTHER CLARIFICATION: Under Tier I and II the employee contribution earns a percentage (presently 4%) annually. This amount only comes into play when your leave the system prior to retirement and take your contribution or when you retire and take a PLSO. This is not used in calculating your benefit. That formula is: Years of service x final average salary calculation x the multiplier.