

Tier III concerns are just coming into clear focus.

- A. 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. 12-31-2019 (Note on page 3 of this document the Comparison Chart Provided by KPERs at The House Insurance and Pensions Committee, March 24, 2021. This chart is a visual of the best case/worst case scenario of projected benefits.)
- B. ADDITIONALLY – Tier III:
- Has No multiplier
 - Today's KPERs Tier III Membership makes up 33.3% of the active KPERs members. (48,621 of 146,104)
 - Tier III has NO final average salary calculation.
 - 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.
 - Employer Credits Under Tier III
 - Years of service 1-4 3%
 - Years of service 5-11 4%
 - Years of service 12-23 5%
 - Years of service 24+ 6%
 - Additionally, the dividend was reduced. This dividend was to be paid to all in Tier III.**
 - The legislation enacted to establish Tier III called for a 5.25% dividend be paid if certain investment requirements were met.
 - Following year legislation reduced the dividend level to 4.0% level.
 - In the 5 years of Tier III, the 4% dividend has only been paid twice.**
 - Present vesting is 5 years. If you leave (Have a break in service & **do not** take you accumulated funds.) KPERs employment after vesting, you can come back in the Tier you were in. If you leave I or II not vested and come back, you must come back under Tier III.
- C. SUGGEST WAYS TO IMPROVE TIER III:
- Increase the guaranteed minimum benefit amount.
 - Improve annual employee credits.
 - Decrease the required years of service to receive employee credits.
 - Increase PLSO.
 - Disengage Tier III calculations from the investment goals set by KPERs Board.
 - Alter retirement age requirement. Present retirement ages are as follows:
 - Full Retirement at age 60 with 30 years of service

- B. Full Retirement at 65 with 5 years of service
- C. Reduce Retirement at 55 W/10 years of service.

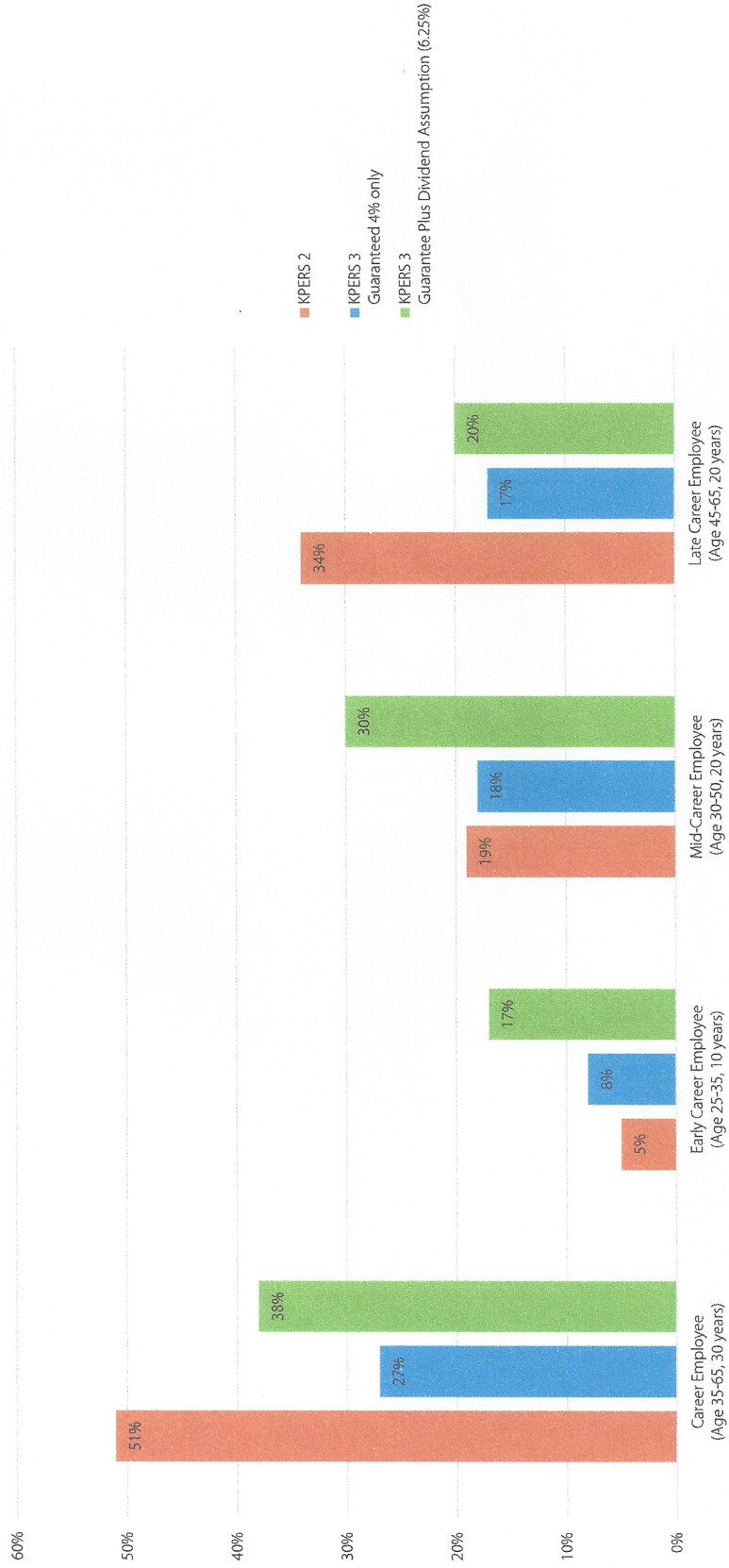
- 7. The dividend amount needs to be considered for improvement.
[See I, 3 above.] The dividend without dividend is 4%. This relates to the worst-case scenario calculation.

Miscellaneous information of note:

1. The 2020 Joint Committee recommended ongoing evaluation of dividend formula "to provide equity as intended!"
2. An informational discussion was held on March 24, 2021, in the House Insurance and Pensions Committee. A presentation was made by KPERS Staff. There have been no bills introduced to address any improvements.
3. KP&F and Judges remain under previous retirement system.

Information last edited, March 28, 2021.

KPERS 3 Replacement Ratios



KPERS 3 Cash Balance Plan

