KPERS TRUTHS
(October 5, 2016)

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. KPERS total participants, as of December 31, 2014, include approximately 295,151. This includes 154,203 active members, 90,693 retired or beneficiaries and 50,255 inactive. Of the retired, 61% are female, while 39% are male. Of the beneficiaries, 84% are female, while 16% are male.

2. Recent year retirement numbers are as follows: 2013; 2,067, 2014; 2,067 (not a misprint) 2015; 2,236, and 2016; 2,094.

3. 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, **<u>77.4% do not/have not received</u>** 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%.)

4. Information from the 12/31/2015 valuation: Looking at KPERS only (excluding KP&F and Judges) information from the 12/31/2015 valuation, the average **<u>annual</u>** benefit is $13,915, or about $1,160 per month. There are 88,545 retirees and beneficiaries in the KPERS group. Less than 1,000, or 1.1%, receive more than $50,000 in annual retirement benefits. About 4,000 retirees and beneficiaries, or 4.7%, receive less than $1,200 in **<u>annual</u>** retirement benefits. An additional 23,000 receive between $1,200 and $6,000 in **<u>annual</u>** retirement benefits, so a total of **<u>30.7% of KPERS retirees and beneficiaries receive less than $6,000 in annual retirement benefits</u>**. It should be noted that these lower benefit levels would have a higher probability of being associated with some combination of a smaller number of years of service, part-time employment, or a greater number of years since retirement.

5. Since the last benefit adjustment, which was enacted 20 years ago, according to the CPI (Consumer Price Index) the cost of living has increased by 45.00 percent.

6. The legislature has <u>not</u> met its actuarial recommended rate for at least **23** years.

7. 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 became active on January 1, 2015.

8. The Cash Balance Plan will effectively supersede what is referred to as 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 30 years. Under the Cash Balance, the projected Best Case Scenario is 40%; Worst Case Scenario is 28%.

9. 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. Additionally, investment costs would increase dramatically because the total assets of the KPERS Trust Fund could not be invested as a total. The personal accounts would have to be invested individually.

10. 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! Over the last 20 years, 57% of the KPERS Trust Fund has come from investment returns.

11. The underfunding has become such a concern, that two times the legislature and Governor have authorized a bond issue to address the UAL (Unfunded Actuarial Liability).
    BOND ISSUE # 1.
    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.

    BOND ISSUE # 2.
    The 2015 Legislature approved the issue of $1 Billion in revenue bonds. The cost of the bonds is required to be paid by the General Fund, not the KPERS Trust Fund. (The approximate cost is $64 Million annually.)

12. 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 40%; Worst Case Scenario is 28%.**

13. 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!

14. 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 annually 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.)

15. KPERS benefits paid to retirees with Kansas addresses are a total of $1.377 Billion. This is 88% of the $1.565 Billion in total benefit payments in CY 2015.

16. 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.

17. 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 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!

18. 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**.**