

Strategic Plan

For Fiscal Years 2016 - 2020



sta·bil·i·ty: the strength to stand or endure



OUR HISTORY

The Retirement System was established in 1962 to provide retirement benefits for public servants employed by the State of Kansas and select local governments. Today, we are an umbrella organization administering three statewide retirement plans that provide not only retirement, but death and disability benefits for those spending their careers in Kansas public service.

- Kansas Public Employees Retirement System
- Kansas Police and Firemen’s Retirement System
- Kansas Retirement System for Judges

	1962	2013
assets	\$3 million	\$16 billion
members	24,300	289,000
employers	184	1,500

Along with the defined benefit plan, KPERS also oversees the State’s Deferred Compensation Plan. The plan is a voluntary 457(b) savings program for State of Kansas employees. In addition, 250 local public employers also participate. The plan has over 24,500 total participants and about \$1 billion in assets.

OUR MEMBERS AND EMPLOYERS

Participating Employers

KPERS is the foundation of retirement income for many Kansans in public service. Over 1,500 employers now participate in order to ensure that their employees enjoy a guaranteed retirement benefit. Participating employers include:

- The State of Kansas.
- All Kansas school districts.
- All counties and most municipalities and townships.
- Other employers such as libraries, hospitals, community colleges and conservation districts.

Membership

Our membership includes people from all walks of life in a variety of jobs. Today, our membership totals just over 289,000 members. That is approximately 1 in every 10 Kansans.

- Our largest participating employer is the State of Kansas.
- More than half of our active members are employed by school districts.
- The estimated economic impact of the Retirement System on the state is more than \$1 billion annually.

OUR MISSION

The Kansas Public Employees Retirement System, in its fiduciary capacity, exists to deliver retirement, disability and survivor benefits to its members and their beneficiaries.

OUR CORE VALUES

Service • Strive to provide excellent service that is timely, accurate, thorough and accessible.

Integrity • Conduct business in an honest, ethical and fair environment while adhering to the highest standards of professional and ethical conduct.

Respect • Acknowledge and value contributions of individual employees and encourage mutual respect, civility, diversity, and personal development.

Accountability • Take ownership and responsibility for our actions and their results.

Innovation • Seek creative solutions to long-range situations and everyday issues. Embrace change and consider new ideas.

Teamwork • Work together to achieve common goals. Share risks and rewards while valuing openness and flexibility.

OUR GOALS

Goal #1

Work with stakeholders to ensure the System is financially sound and that all promised benefits are properly funded.

Goal #2

Invest the System's assets according to the "prudent expert" standard of care for the sole purpose of providing benefits to our members and their beneficiaries.

Goal #3

Serve members and employers in a professional, timely, accurate and cost-effective way and focus on streamlining their experience with ease and simplicity.

Goal #4

Communicate effectively with our members, employers, staff, public officials and other stakeholders.

OUR ENVIRONMENT

Economic Conditions

National

- A long period of U.S. economic recovery is expected to continue at a relatively slow pace of economic growth, with a gradually improving employment situation.
- The current prolonged period of low interest rates is expected to continue near term. However, longer term the U.S. is expected to enter into a period of rising interest rates, as the Federal Reserve Bank tightens monetary policy in order to combat rising inflationary pressures. The rising interest rate environment is expected to create a period of increased volatility for risk-based assets.
- The U.S. dollar is expected to strengthen in the near term relative to major developed currencies, as interest rates rise in the U.S. and decline in Europe and Japan due to central bank easing in those regions.
- Available returns from risk assets are expected to moderate from the high returns of the past few years, as rising interest rates dampen returns from fixed income assets, and equity returns are no longer supported by expanding price/earnings multiples. However, equity returns are expected to continue to be positive, as corporate earnings growth is supported by expanding economic growth.
- The U.S. is expected to become a major producer of oil, as the current domestic energy renaissance continues to develop through the use of new extraction technologies.

Global

- Geopolitical risks around the world are expected to continue to dominate headlines and have an impact on the global financial markets.
- The global economic recovery is expected to continue to progress in a desynchronized manner, with the U.S. leading the global recovery. Europe is expected to continue to struggle with high unemployment, banking system reform, and an environment of historically low inflation or possibly, deflation. Japan is expected to continue to struggle with the implementation of significant structural reforms. The Chinese economy is expected to continue to grow, but at a more measured pace. Growth in emerging market economies is also expected to be desynchronized, and heavily influenced by internal country developments.
- The current situation of “excess global liquidity” is expected to moderate over time, as economic growth improves and central banks move from easing to tightening mode.
- The current low levels of global financial market volatility are expected to moderate over time.

State

Increasing costs for schools and Medicaid will place a high demand on uncertain state revenues during the implementation of a new state tax structure. At the same time, KPERS employer contribution rates are projected to continue to increase as the state reaches the Actuarially Required Contribution (ARC) rate and continues to pay down the Unfunded Actuarial Liability.

Demographic Trends

Active Membership

Active membership will likely continue to be stable to slightly declining. Compensation growth of public employees is unlikely to occur in the face of renewed budget challenges at the state level. Savings, personal debt, and financial literacy will be crucial to new and existing members as changes in plan design at the state level occur and the long-term outlook of social security remains unknown.

Baby Boomers

Baby Boomers will continue to reach retirement eligibility in large numbers. The baby boomers who delayed retirement due to the economic downturn in 2008 could intensify this trend in the next five years.

Life Expectancy

Life expectancy is expected to continue improving and will increase the benefits paid to retirees and their beneficiaries.

Generational Issues

Diversity in membership and employers is increasing, with different expectations from employees under age 30. Technology and online transactions will become more of an expectation for younger members while older members prefer paper and in-person transactions.

KPERS

Staff retirements create a demand for highly qualified candidates during a period of increasing competition from other public and private organizations for those same candidates.

Expectations for Service and Convenience

Members

Demand for more personalized communication and electronic access to information continues to increase.

Employers

On-demand assistance and help options, further development of easily accessed electronic information while maintaining high levels of security. Concerns regarding rising employer contribution rates in the midst of widespread government funding difficulties.

STRATEGIC INITIATIVES

Long-Term Funding and Retirement Plan Design

Sustainable Funding

- Continue evaluating funding status and projections, analyzing adjustments to employer contribution rates or future plan design as needed to ensure financial stability.
- Continuously monitor funding status of all plans as economic conditions change to ensure financial stability.

Plan Design

- Continuously review and analyze proposed plan design options consistent with sustainable funding solutions.

Death & Disability Program

- Monitor short and long-term financial viability.
- As needed, evaluate scope and design of plan in light of funding status.
- Evaluate program administration in light of funding status and industry best practice standards.

Investment Management

- Continue to proactively monitor and manage our investment managers and portfolios.
- Seek to diversify equity risk by evaluating new investment strategies for potential investment.
- Proactively forecast and manage liquidity to meet cash flow needs.
- Ensure that staffing levels are adequate to effectively monitor and manage an increasingly complex investment portfolio

Service

- Leverage technology to meet increasing service demands of our members and employers.
- Monitor business process to ensure efficient, effective methods for delivering services that place a premium on ease and simplicity for members and employers.
- Collect feedback from our members and employers to focus our service to meet their needs.
- Improve the accuracy of our data through cooperative efforts with our employers.
- Encourage web-based transactions and redirect resources to transactions requiring one-on-one assistance.
- Continue improving annual statements and updating member beneficiary records.

Communication & Education

- Develop communication and education targeted by life and career stage.
- Tailor communication and education delivery according to what members need when they need it.
- Help members increase their financial literacy and retirement readiness, and understand the Retirement System's role in their retirement.
- Focus outreach efforts to reinforce stakeholder understanding and to strengthen partnerships with individual employers and employer groups.
- Continuing developing training, course offerings, staff support and technology resources for employers.

Technology

- Protect the privacy of our member and employers.
- Expand digital capability of the Retirement System.
- Utilize technology to provide service, communication and education to our members and employers consistent with demand and mindful of best practices.
- Maintain and update the technology system used to pay benefits and administer the Retirement System.
- Capture institutional knowledge through Intranet or knowledge management software.

Risk Management

- Identify, assess and manage risk through the use of enterprise risk management.
- Emphasize fiduciary responsibility and statutory compliance.
- Maintain security levels needed to ensure protection of systems, data and member privacy.
- Maintain a viable and tested disaster recovery plan.
- Respond proactively to ever increasing changes in the regulatory environment.

Staffing

- Recruit, develop and retain a quality workforce.
- Provide fair and competitive compensation and incentives to our employees.
- Develop future agency leaders by emphasizing professional development and job enrichment opportunities.
- Develop a plan to manage the transition between key agency positions and future agency leaders.
- Assess current methods and develop any needed resources for effective internal communication to keep staff informed and further a culture of teamwork and respect.