Vested INTEREST
KPERS Newsletter for our Retired Members

Inside this issue

Money Methods to Make Your Savings Last

Retirement planning doesn't end on the day you retire. But your focus does change, evolving from saving and investing to preserving your savings and sustaining your cash flow. Here's a two-pronged strategy to consider.

1. Making Your Savings Last and Battling Inflation

Although you have the peace of mind knowing that your KPERS benefit is guaranteed for the rest of your life, increases in everyday living costs can erode your purchasing power over time. To offset inflation, your retirement income must increase, too. Since you don't receive automatic cost-of-living adjustments (COLAs) from KPERS, this additional income must come from your personal savings and investments.

Financial advisors say that investing too conservatively during retirement is a common pitfall. In an ultra-conservative portfolio, inflation can eat away at your nest egg over time. It might feel safer, but it may not have the staying power you need. Take some time to review your strategy to see what is right for you.

Most financial planners suggest a diversified, well-balanced portfolio that includes stable investments as well as stocks. This approach generally provides inflation protection with a goal of managing risk.

2. Budgeting Keeps Spending in Check

Although many factors could affect your cash flow – inflation, rate of return on savings and investments, taxes, part-time earnings, spending and others – there is only one that you have significant control over. That is spending. And there's one way to control it. A budget.

A budget is great tool for managing money, whatever your age. Here are three very different methods to consider.

The Traditional: Pencil and paper or a budget spreadsheet is a no-frills approach to budgeting. Use a notebook to record expenses or use a ready-made template in a program like Microsoft Excel.

The Tech-Savvy: A web-based system or phone app can be a great way to manage money on the go. Some popular tools are Mint.com, LearnVest and EveryDollar.

The Trendy: Cash is coming back in style. The "Envelope System" is a way to budget with cash. Create envelopes for each category in your budget. Every week or month, add the amount you need for each category. When the cash is gone, you're done spending.

5 Ideas to Reduce Debt in Retirement

A 2016 Employee Benefit Research Institute study showed that debt among retirees is rising. Although more attention is paid to retirement income and prolonging savings, the other side of the balance sheet – reducing debt – is important too. Here are five ways to reduce debt.

1 **Use a proven debt payoff strategy.** Two popular methods are the "Snowball" and the "Avalanche." With the Snowball method, you pay as much as you can to your **smallest** debt first (while making other minimum payments). When that debt is paid, you'll roll that amount plus your minimum payment to your next smallest debt.

The Avalanche method is a similar strategy except that you target the debt with the **highest** interest rate first. Choose the method that works best for you.

2 **Liquidate other assets.** If you have financial assets, like CDs or savings bonds, paying less than your debt interest is costing you, it might make sense to cash them in at maturity and pay off higher-interest debt.

3 **Sell extra assets.** Do you have an extra vehicle you don't drive or a boat collecting dust in the garage? How about hobbies or collections that no longer bring joy like they used to? It might make sense to sell these items and use the proceeds to pay toward your debt.

4 **Consolidate your loans.** Rolling your debt into a single loan generally won't reduce what you owe. But it might lower your interest rate and reduce your monthly payment. This could help you avoid taking extra withdrawals from your tax-deferred savings and protect your nest egg. Something to consider.

5 **Use your home equity.** There are different ways to tap into the equity in your home. One way is to consider downsizing, especially if the sale of your home would free up cash to reduce debt.

We Need Your Current Address

Your benefit payment may be direct-deposited, but it is still important to keep your address up-to-date with us.

To Update Your Address

- Login to your account at kpers.org.
- Call the Retirement System at 1-888-275-5737.
- Complete a Change of Address form and mail. The form is available at kpers.org.

One Thing to Know If You Have a KPERS Joint-Survivor

If you chose a joint-survivor option when you retired, you'll provide a continuing monthly benefit for someone after your death. This benefit will last for the rest of his or her life. Until then, your regular monthly benefits are probably reduced to provide this future benefit. The higher your survivor's benefit is, the lower yours is during retirement. But sometimes things change.

The Pop-Up Contingency Plan

If the person you chose as your joint-survivor dies first, the option is cancelled. You cannot name someone else. Your monthly benefit will "pop up" to what you would have received if you hadn't chosen the joint-survivor option. But it doesn't happen automatically.

What to Do If This Happens

It's important to let us know if your joint-survivor dies. You can then begin receiving a larger benefit each month. Please notify us in writing and include a certified copy of the death certificate. We will return it after processing, if requested.

Although your joint-survivor option will be cancelled, KPERS still provides a $4,000 death benefit to all eligible retirees. Be sure to keep your beneficiary current for this benefit.

Where In the WORLD?

KPERS retirees reside in 49 states, Puerto Rico and 15 foreign countries. Here's the top three states.

KANSAS	MISSOURI	OKLAHOMA
83,937	3,785	1,462

Investment Expertise, Fiduciary Responsibility

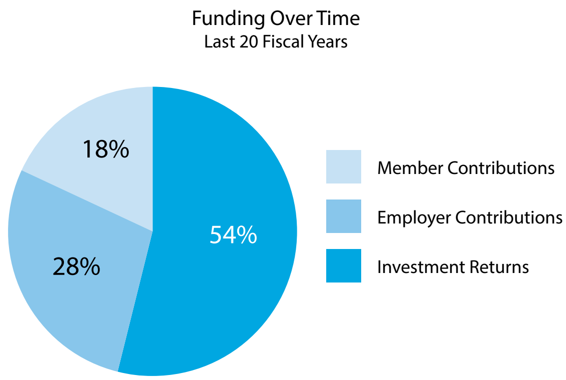
Fiduciary. It's an odd word, but it has a lot of meaning for us at KPERS. It should be important to you as well. You see…KPERS serves members as a fiduciary, holding assets in trust for them, growing those assets through investments and delivering promised benefits when the time comes. For you, that's now in retirement.

The fiduciary standard is the highest standard of care and accountability. It's our driving force, especially for investments. KPERS investments are made and managed for the sole purpose of providing benefits to our members and beneficiaries.

Investments fill a vital role at KPERS. They make up the largest source of assets for paying benefits. Your benefits. They are a vital part of successful funding. Over the years, it is estimated that investment returns have paid for more than 50% of all benefits.

Investment Performance

Over time, solid investment performance is an important component to solid funding. As of May 31, 2018, KPERS had $19.5 billion in assets under management. At that time, our 25-year annualized investment return average was 8.3%, exceeding our 7.75% target.



See Money Matters – Investment Snapshot below for a summary.

For more information on KPERS investments, visit kpers/org/about/investments.html.

More About Member Contributions

During your working career, you made KPERS contributions from your pay. KPERS invested these funds and paid you interest. And over the years, your account grew.

When you retired, your monthly benefits were calculated using a formula. This formula is based on years of service, a multiplier and final average salary. But not your account balance.

Sometimes a retiree dies early in retirement, but there is a guarantee built in. If you die before receiving retirement benefits equal to your contributions, and no survivor benefits are payable, KPERS returns any remaining contributions and interest to your beneficiary. This is why it's so important to keep your beneficiary designation up-to-date.

To update your beneficiary, login to your member account at kpers.org or mail a Designation of Beneficiary – Retired form to KPERS.

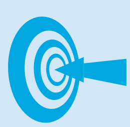
Money Matters – Investment Snapshot

Our actuarial projections currently assume an average, long-term investment return of 7.75%. In some years, returns will be below that rate, and in others, returns will exceed it. While investment returns each year are important, healthy returns over time are essential for proper funding.

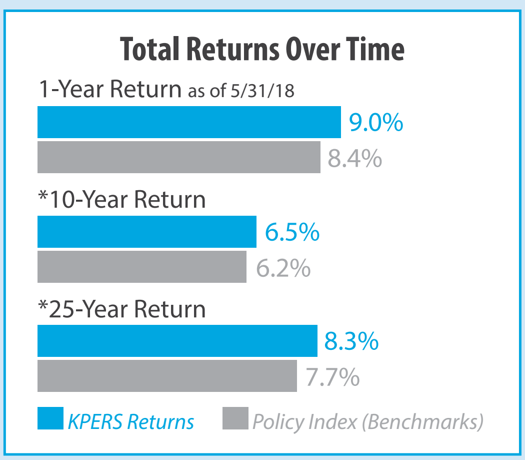
KPERS' 25-year investment return average is 8.3%*, exceeding the 7.75% target.

*average annualized total returns

$19.5 billion
in total assets



return target 7.75%



Questions?

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2018 BENEFIT PAYMENT DATES

July 31	October 31
August 31	November 30
September 28	December 31

Our Mission: In our fiduciary capacity, we exist to deliver retirement, disability and survivor benefits to our members and their beneficiaries.

The fiduciary standard is our driving force. That means we put the interest of our members first. It is the highest standard of care and accountability. A fiduciary relationship is highlighted by good faith, loyalty and trust.

Letter From the Executive Director

The state budget and school funding once again headlined the legislative session earlier this spring.

With a tight budget the last few years, the Legislature struggled to fully fund the State's KPERS obligations. This resulted in several years of delayed or reduced payments to KPERS.

This year, however, was a significant step forward. Legislators and the Governor made KPERS funding an important priority by agreeing to invest *additional* funds to KPERS in the future. This is good news!

In addition to paying the full amount required by state law, the Legislature passed the following additional payments and renewed its commitment to repaying last year's delayed payment.

- $82 million in FY 2019.
- *Conditional* contributions of up to $56 million in FY 2019 and FY 2020. Payments depend on if (and by how much) State revenue exceeds projected estimates. The payments will be the amount that actual revenue receipts exceed consensus revenue estimates in FY 2018 and FY 2019.
- Last year, the Legislature delayed $194 million in contributions with a plan to repay it over 20 years with interest. This plan remains in place.

Assuming all of the FY 2019 payments are made, that will bring the total State/School contributions to $547 million. The additional payments are definitely a step in the right direction. But it is consistent and full employer contributions over time that will make the most difference in the Retirement System's long-term soundness and sustainability.

Keep in mind, yearly budget decisions do not affect your retiree benefits. You will continue to receive your monthly benefits on time and in full.

As always, we welcome your comments and questions. Please feel free to contact me anytime at 785-296-1019 or aconroy@kpers.org.

Alan D. Conroy