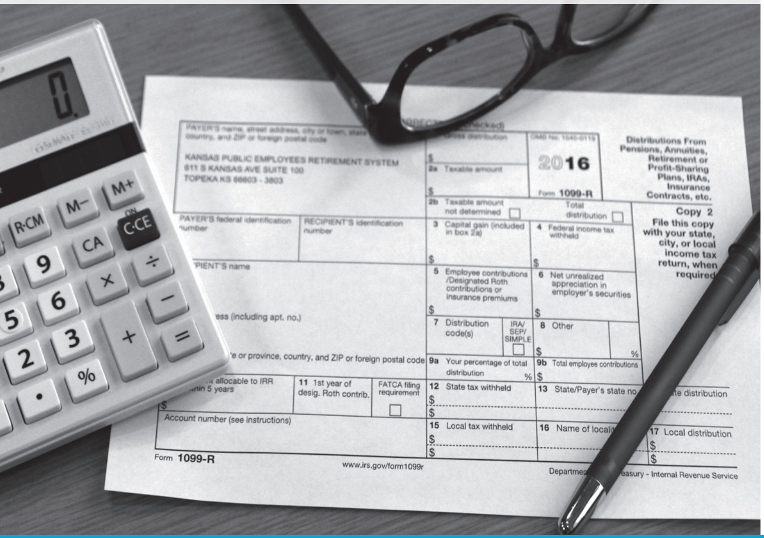
Vested INTEREST

KPERS Newsletter for our Retired Members

Inside this issue

1099-Rs Are Mailed

KPERS mails 1099-R forms every January. You can also download a copy from your KPERS account.



Lifelong Learning Can Benefit Retirees

Many retirees are discovering there is no age limit on learning. Besides gaining knowledge, lifelong learning offers many benefits for retirees, such as maintaining mental health and renewing social connections.

Most retirees who re-enter the classroom aren't aiming for a degree. Instead they are looking to learn new skills or technology, start a new hobby, socialize, and keep in touch with a larger world.

Unique Benefits for Retirees

Mental Benefits

Learning at any age can be beneficial for the brain. Some studies have shown that stimulating your brain through learning can even improve cognitive ability and memory function and help ward off dementia.

Social Connections

Learning can also help build social connections and fend off feelings of isolation. These can be important factors in staying healthy and happy.

Where to Look

Around Town

Your local library is a good place to look for free courses. Many offer computer, photography, art and genealogy classes, to name a few. Community centers and senior centers may also offer general interest courses at reasonable prices. Be sure to check into museums, libraries, theatres and health care providers for other learning opportunities.

Stepping Onto Campus

If you have a local university or community college, find out what they offer for continuing education classes. Many will also let retirees audit a course for little or no cost. You can attend lectures for no credit without doing homework or taking exams. If you don't live near a school, there are numerous online learning programs offered by colleges across the country.

A New Interest

Whether you are interested in learning a new subject or acquiring a new skill, lifelong learning can benefit you in many ways. It's a lifestyle choice that's good for your mind and your body!

A Closer Look At COLA Funding

A cost-of-living adjustment (COLA) is an increase in benefits to help keep pace with inflation. KPERS plan design does not include a COLA. That means it wasn't funded while you were working.

Any benefit changes, like a COLA, must include a means of funding it. Let's take a deeper look at ways a COLA could be funded if passed in the Legislature.

Methods of Funding a COLA

Generally, a COLA can be funded one of two ways: with a lump sum or amortization. Amortization is spreading out payments over time, like a mortgage.

COLA Funding Example

In the last issue, we talked about HB 2100, a COLA bill that did not pass the 2019 Legislature, but could be considered again in 2020. Let's use this bill as an example.

HB 2100 proposed a 1% COLA for members retired at least 5 years, a 2% COLA for members retired at least 10 years and a 3% COLA for members retired at least 15 years. Monthly benefit increases were capped at $150.

KPERS' actuary estimated that the bill, if passed, would increase the Retirement System's unfunded actuarial liability by $185.7 million, unless paid for in an up-front lump sum. If the cost was amortized over 15 years, the actuary estimates that the first year payment for employers would be $17.3 million. Legislators would decide how to fund the COLA, if passed.

Following KPERS Legislation

To keep track of HB 2100 and any other KPERS-related legislation, check our legislation resource page on kpers.org.

You Can Change Your Federal Tax Withholding

You can control the amount of federal taxes withheld from your benefit. If you don't specify, KPERS withholds as if you are married with three exemptions.

Login to your KPERS account at kpers.org to review or change your current withholding. You can also print a W-4P form. Learn more about how your benefits are taxed at kpers.org/taxes.html.

Please consult a tax advisor if you have questions about your taxes or withholding.

What Gets Measured, Gets Managed

Each year, CEM Benchmarking, Inc. evaluates KPERS' services. The results show our commitment to providing excellent customer service while controlling costs. See how KPERS measured up.

Points for Service

Cost per member

Call Center Response

Should You Consider Long-Term Care Insurance?

The thought of needing long-term care is easy to put off until another day. It's difficult to consider and you probably don't want to think about it. But the truth is, many of us will need some type of long-term care during their lifetime.

Why Consider Insurance?

Insurance is a tool you can use to protect yourself against a major loss. Just like your home or your car, the cost of long-term care is expensive. But you probably wouldn't think about going without car or home insurance. If you think about it, the odds may be higher of needing long-term care at some point than totaling your car or losing your home to a fire.

Medicare and Long-Term Care

There is a common misconception that Medicare pays for long-term care. But Medicare really only pays for a short stay in a nursing facility after you've been hospitalized.

Medicaid does provide some long-term care benefits, but only after you've depleted most of your assets. In addition, you may not have the choice of care you want.

Without Medicare as a resource, it's all the more important to plan ahead. Long-term care can be expensive and complicated. Planning ahead allows you to choose the long-term care services and finance options that are right for you.

Top Reasons to Consider Long-Term Care Insurance

1. Protect assets and preserve children's inheritance
2. Financial security/peace of mind
3. More choices for type of care received
4. Make services more affordable
5. Protect family members from having to pay for or provide care

Looking for a Place to Start?

The Long-Term Care Partnership program is a public/private co-operative program. Many states participate, including the State of Kansas. This program helps expand access to private long-term care insurance. Policies offered must meet state and federal requirements. In addition, each dollar that a "Partnership" policy pays out in benefits entitles you to keep a dollar of your assets if you ever need to apply for Medicaid Services.

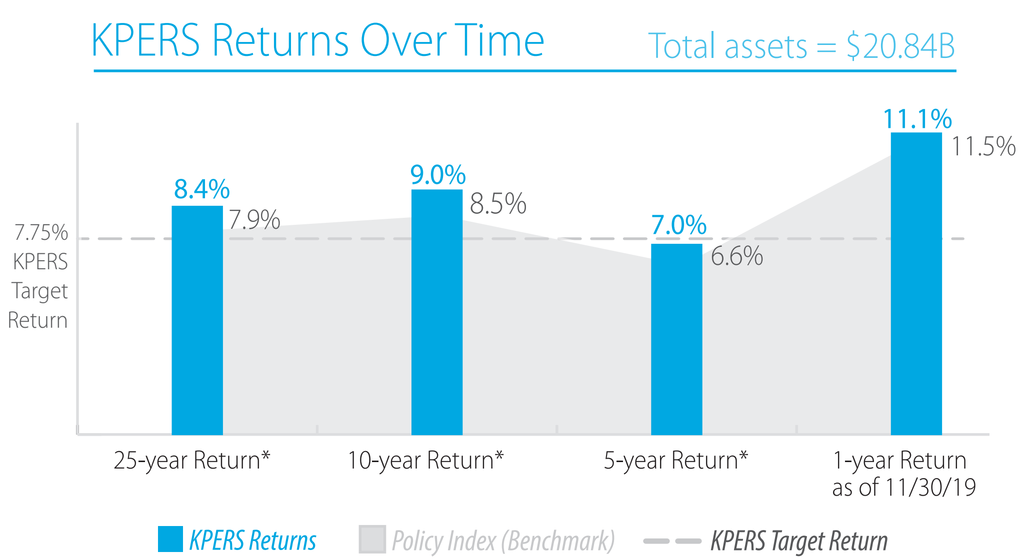
If you live in Kansas, you can contact the Kansas Insurance Department Consumer Hotline toll-free at 800-432-2484 for questions about long-term care insurance. Or contact your own state's insurance department. For more information about long-term care basics, visit longtermcare.gov.

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 8.4%*, exceeding the 7.75% target.

*average annualized total returns



*average annualized total returns as of November 30, 2019

Questions?

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2020 BENEFIT PAYMENT DATES

January 31	July 31
February 28	August 31
March 31	September 30
April 30	October 30
May 29	November 30
June 30	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

You have likely seen information in the news about a proposal to reamortize KPERS' legacy unfunded actuarial liability. The most important thing I can tell you is that reamortization does not impact your retiree benefit. Benefits are secure.

It is not news that KPERS has an unfunded actuarial liability. Having an unfunded liability is not necessarily bad or uncommon. As long as there is a plan to pay for it in a reasonable amount of time. KPERS' unfunded liability is being paid for as part of employer contributions over time. The debt is amortized, much like payments on a home mortgage.

A new legislative session has started and I anticipate a bill will be introduced to reamortize KPERS' legacy State/School unfunded liability, essentially adding ten years to the current payment plan. One proposal is projected to cost the State an additional $4.4 billion. As with refinancing a home mortgage, reamortization helps lower payments in the short-term, but slows funding progress and costs more in the long run.

The KPERS Board of Trustees reviews all actuarial assumptions (including amortization) as part of its regular triennial experience study. They just completed the 12-month process in January. The Board decided to keep the current schedule and study it again in three years. Retirement systems often reamortize within the last ten to 15 years of an amortization period. However, having sound funding first is critical. We are making progress on that path, but we are not there yet.

Reamortization will happen in the future, but now is not the right time. It is important we stay the course we are on. Please feel free to contact me anytime at 785-296-1017 or aconroy@kpers.org.

Alan D. Conroy