

KPERS Funding and Investment Assumptions

Earlier this year, the KPERS Board of Trustees lowered its assumed investment rate of return from 7.75% to 7%. Your benefits are not affected by this change. But it is important to KPERS and our long-term funding plan.

The Board made the change based on projected long-term market data from our investment experts and best practices for the System's actuaries. Before making the change, KPERS was an outlier with the highest investment return assumption across all major U.S. public pension plans.

Setting actuarial assumptions is part of the Board's fiduciary duty to you, along with making sure promised benefits are paid. A realistic investment return assumption is key to a sound funding plan.

Our actuary uses different pieces of information to project the cost of benefits in the future and what we'll need in the Trust Fund to pay for them. Some things are known, like what is the benefit structure and at what age members have been retiring. This type of information is called the "experience."

For the things that can't be known ahead of time, the Board selects "assumptions," like future inflation rates, what salaries will be and investment returns in years to come.

The Board chose 7.0% as a long-term target. For some years, future returns will be below that rate and, in other years, returns will be higher. But over time (20 to 40 years), the Board sees 7.0% as a reasonable investment return average.

Lowering the investment return assumption generally increases the unfunded liability and reduces the funded ratio the first year the change goes into effect. This happened for KPERS as we expected. On the positive side, projections show next year's actuarial valuation should show improved funding.

To learn more about KPERS funding, see the "Funding Basics Especially for Members" section on kpers.org.

Vested INTEREST

KPERS Newsletter for our Retired Members

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Want More Information on KPERS Funding?

Attend a **Funding Basics** webinar hosted by KPERS Executive Director Alan Conroy this fall.

Visit kpers.org/funding for more information and the next webinar dates.



Staying True to Our Core Values

The reason we are here is to provide the benefits you have been promised. Plain and simple.

KPERS has six core values that guide us in everything we do. Although they are all important, **service** is at the top of the list.

KPERS Core Values

These guiding principles shape all that we do.

Service	Integrity
Respect	Accountability
Innovation	Teamwork

Our Benefits & Member Services division is dedicated to providing exceptional customer service. Five main activities are at the heart of what we do to serve members. And with those, we've set and worked toward some lofty goals this last fiscal year.

Goal #1 - Achieved 98%

Live person answers 99% of incoming telephone calls
Over the last fiscal year, we've averaged more than **8,200 calls** per month, with a live person answering 98% of the time on average. The average wait time to talk to a knowledgeable person is only **34 seconds**. In addition, we respond to more than **1,800 emails** each month.

Goal #2 - Achieved 100%

Process 100% of retirement applications within 30 days
Retirement means income for new retirees. We know how important this monthly income becomes once retirees stop receiving work wages. In Fiscal Year 2022, we processed an average of **500 retirement applications** per month.

Goal #3 - Achieved 100%

Pay 100% of monthly benefits on time
As a retiree, we know you rely on your monthly benefits. We pay retirement benefits totaling more than **\$159 million** to nearly **113,000 retirees** each month. All benefits paid 100% on time.

Goal #4 - Achieved 100%

Complete 100% of retirement estimates within 30 days
Members nearing retirement rely on timely estimates to make decisions about their upcoming retirement. We prepare more than **100 retirement estimates** each month.

Goal #5 - Achieved 100%

Issue 100% of completed withdrawals within 30 days
Members who leave employment before retiring can withdraw their contributions and interest. KPERS helps these members continue their retirement journey by transferring retirement assets in a timely manner. We pay withdrawn account balances to around **800 members** leaving employment each month.

Refresher On Working After Retirement



Thinking about working after retirement? Here's some things you need to know before you return to the workforce.

Working for a Non-KPERS Employer

There are no rules if you work for a non-KPERS employer.

Working for a KPERS Employer

If you go back to work for a KPERS employer (school, local or State employer **including Regents institutions**), you don't have an earnings limit. But that employer will make contributions to KPERS for hiring a retiree.

Employers have two employer contribution rates, depending on your earnings. A lower statutory rate initially, and a higher rate if you earn more than \$25,000 in a year.

Employers may take into account the contributions they are required to pay when negotiating a retiree's salary. That salary is always between the employer and you. Retirees cannot make contributions to KPERS or earn more KPERS service to increase monthly benefits.

New KPERS Retirees

Kansas law requires a 60-day waiting period (180 days if retiring before age 62). No prearrangements allowed before or during the waiting period.

KP&F and Judges members have different rules for working after retirement. Find more info at kpers.org.

6 Things You Should Know About KPERS

1 COLAs Are Ad Hoc

A cost-of-living adjustment (COLA) is an increase in monthly pension benefits. But COLAs are not automatic.

Unlike your benefit, COLAs are not prefunded. The Legislature must find additional funding before granting any benefit increase.

2 If Your Contact Info Changes

Notify us if your mailing address, phone number or email address change. You can make most changes by logging in to your account at kpers.org. You can also call KPERS toll-free at 1-888-275-5737 or email us at kpers@kpers.org.

3 When We Will Contact You

You can expect a few things from KPERS in the mail each year. We mail 1099-R tax forms by January 31 each year, and we'll mail you this newsletter twice a year.

We'll also notify you by mail if your benefit amount changes for any reason, such as tax withholding changes.

4 If Your Joint-Survivor Dies First

If you chose a joint-survivor option when you retired, your named survivor receives a continuing monthly benefit after your death. If your survivor dies before you, let us know. Your monthly benefit will "pop-up" to the maximum monthly benefit amount. This is the amount you would have received if you didn't choose a survivor option. You won't be able to name a new joint-survivor.

5 You Have a Death Benefit

All retirees have a \$4,000 death benefit. This benefit is paid to your beneficiary, or you can designate a funeral home to receive the benefit. It is not life insurance, so it is taxable to your beneficiary.

6 In Case Someone Needs to Help

If you want to have someone speak to a KPERS representative for you, please make sure to send a completed "Authorization to Release Information" form, available at kpers.org. Without it, KPERS cannot discuss your retirement business, even with your family members.

Money Matters – Investment Snapshot

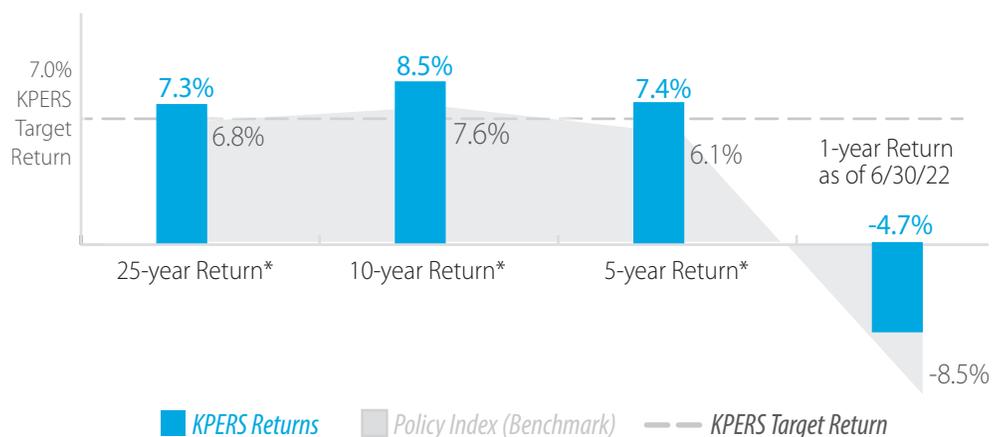
Our actuarial projections currently assume an average, long-term investment return of 7.0%. In some years, returns will be below that rate, and in others, returns will exceed it. While investment returns each year are important, healthy returns over time are essential for proper funding.

KPERS' 25-year investment return average is 7.3%*, exceeding the 7.0% target.

*average annualized total returns

KPERS Returns Over Time

Total assets = \$24.3B



*average annualized total returns as of June 30, 2022

Questions?



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NEXT BENEFIT PAYMENT DATES

September 30, 2022

October 31, 2022

November 30, 2022

December 30, 2022

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.

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Letter From Alan Conroy, Executive Director



This July, KPER received its latest actuarial valuation. This is an annual snapshot of our financial health and helps measure funding over time. So how

is KPER's funding? We are staying on the right path.

As expected, the new report shows a small drop in KPER's funding. This was from KPER's Board reducing the System's long-term investment return assumption from 7.75% to 7.0% earlier this year. Reducing the target was at a "cost" of \$2.7 billion. I know that is a big number. But strong investment

performance for 2021 and additional contributions from pension funding bonds helped ease its impact.

- Funded ratio: 72%, down from 73% last year
- Unfunded actuarial liability: \$9.8B, up from \$8.5B last year

Funding has been improving over the last decade from a low of 56% in 2012. And projections show this trend of growth should continue if actuarial assumptions are met.

Even with the slight decrease, the Retirement System is on the right path and headed in the right direction. The KPER State/School group should reach the 80% funded ratio mark in 2023 and 100% in 2039. 80% in 2023 is good news.

I should also mention other good news on the funding front. With this year's Senate Bill 421, the State is making an additional \$1.25 billion in contributions. While it is not part of this valuation's current funding status, it will improve funding and reduce the cost of the State's contributions in the coming years.

I do need to remind everyone that funding improvements hinge on meeting our investment target over time and full, consistent employer contributions year after year. To the policy makers' credit, this is the sixth year that employers have met that obligation.

As always, we welcome your comments and questions. Please feel free to contact me at 785-296-1017 or aconroy@kpers.org.