



House Financial Institutions and Pensions Committee

KPERS Overview and Member Outreach – Part 1

PRESENTED BY:

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Dependable Benefits. Trusted Partner

KPERS is a fiduciary providing retirement, disability and survivor benefits to our members and their beneficiaries.

KPERS administers three statewide, defined benefit plans for public employees.

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

KPERS partners with more than 1,500 state and local government employers.

- State of Kansas
- 286 school districts
- 105 counties
- 426 cities and townships
- Other employers include libraries, hospitals, community colleges and conservation districts



Covering Today

KPERS Members & Employers

KPERS Benefits & Replacement Ratios

KPERS Board of Trustees

Pension Administration System Modernization

KPERS Website Redesign



KPERS Board of Trustees



KPERS Board of Trustees

The membership and qualifications of the KPERS Board of Trustees are established in K.S.A. 74-4905.

- 4 appointments by the Governor, subject to Senate confirmation
 - No more than two members of the same political party
- 1 appointment by the President of the Senate
- 1 appointment by the Speaker of the House
- 2 members elected by KPERS members
 - one member from the School group and one non-School member
- The State Treasurer

The six appointed members “shall have demonstrated experience in the financial affairs of a public or private organization or entity which employs 100 or more employees or had at least five years' experience in the field of investment management or analysis, actuarial analysis or administration of an employee benefit plan.”



KPERS Board of Trustees

James Zakoura – Overland Park, Chairperson	Special Counsel, Foulston Siefkin LLC	Appointed by the Governor
Ron Johnson – Seneca, Vice Chairperson	Retired President and CEO, Community National Bank	Appointed by the Speaker of the House
Ernie Claudel – Olathe	Retired Teacher and Administrator	Elected Member - School
Emily Hill – Lawrence	Founding Partner, Bowersock Capital Partners	Appointed by the Governor
Steven Johnson – Assaria	Kansas State Treasurer	Ex Officio Statutory Member
Brad Stratton – Overland Park	President, Overland Park Wealth Management	Appointed by the Governor
Ryan Trader – Olathe	Firefighter/Paramedic, City of Olathe	Elected member – Non-School
Sam Williams – Wichita	Retired CFO and Managing Partner, Sullivan, Higdon, and Sink Agency; Former Kansas Secretary of Revenue	Appointed by the President of the Senate
Jo Yun – Prairie Village	Vice President of Finance/Operations and CFO, Reach Healthcare Foundation	Appointed by the Governor



KPERS Board of Trustees

The Board of Trustees act as fiduciaries to the members of the System, the highest legal, ethical and moral standard.

The Board manages the KPERS Trust Fund and is required by statute to “discharge the [B]oard’s duties with respect to the fund **solely in the interest of the members and beneficiaries.**”

The KPERS Trust Fund can only be used for the exclusive purpose of providing benefits to members and beneficiaries, it cannot be diverted for other uses.

- The Legislature does control the appropriation of contributions for the State and School groups, but once the funds have been deposited, they can only be used to pay benefits or administrative expenses.



KPERS Board of Trustees

The Legislature has delegated the administration of the System to the Board of Trustees.

K.S.A. 74-4909 states the KPERS Board of Trustees “shall be responsible for the general administration of the system.”

The statutory duties of the KPERS Board include:

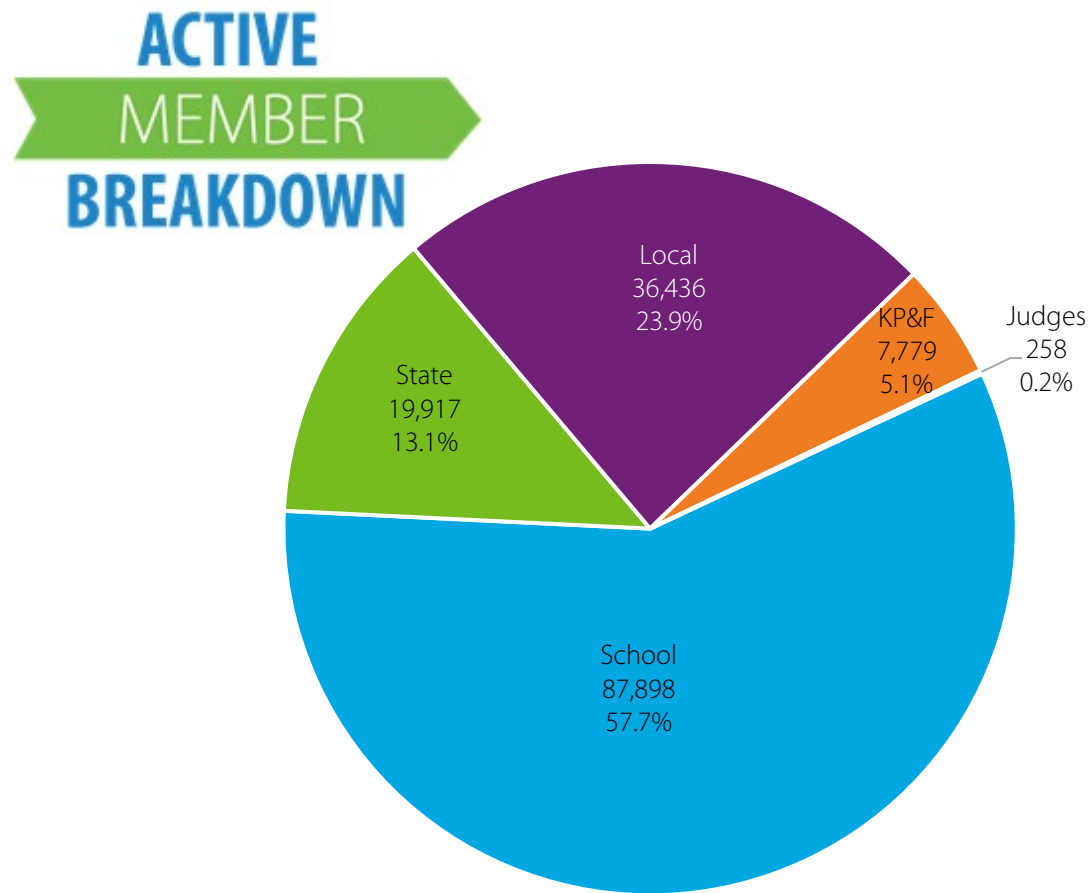
- Appointing officers and employees necessary to administer the System and appoint an Executive Director to oversee the organization.
- Retaining a qualified actuary and adopting necessary actuarial tables.
- Retaining qualified investment council.
- Developing rules and regulations necessary to administer the plan.
- Having a complete and adequate system of accounts and records.



KPERS Membership & Employers



Active Membership on 12/31/2021



Total Active Members – 152,288

KPERS has about 152,000 active members.

- Active members range in age from 16 to 90.

KPERS active membership declined about 1% during calendar year 2021, mostly in the State and Local groups.

- The active membership has been virtually flat for more than a decade.

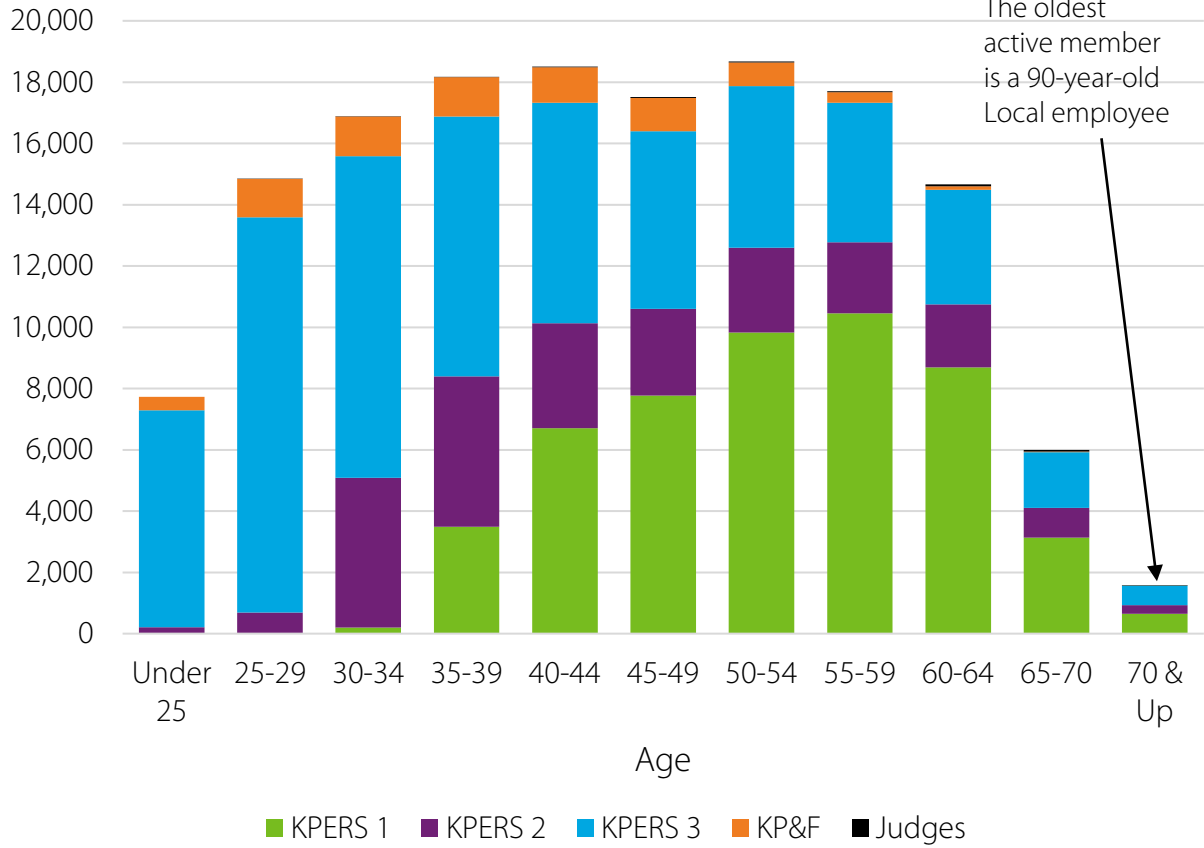
About 70% of the active membership is in the State/School group. The State pays the employer contribution this combined group.

Overall, the KPERS group (State, School and Local) makes up just under 95% of the total membership.

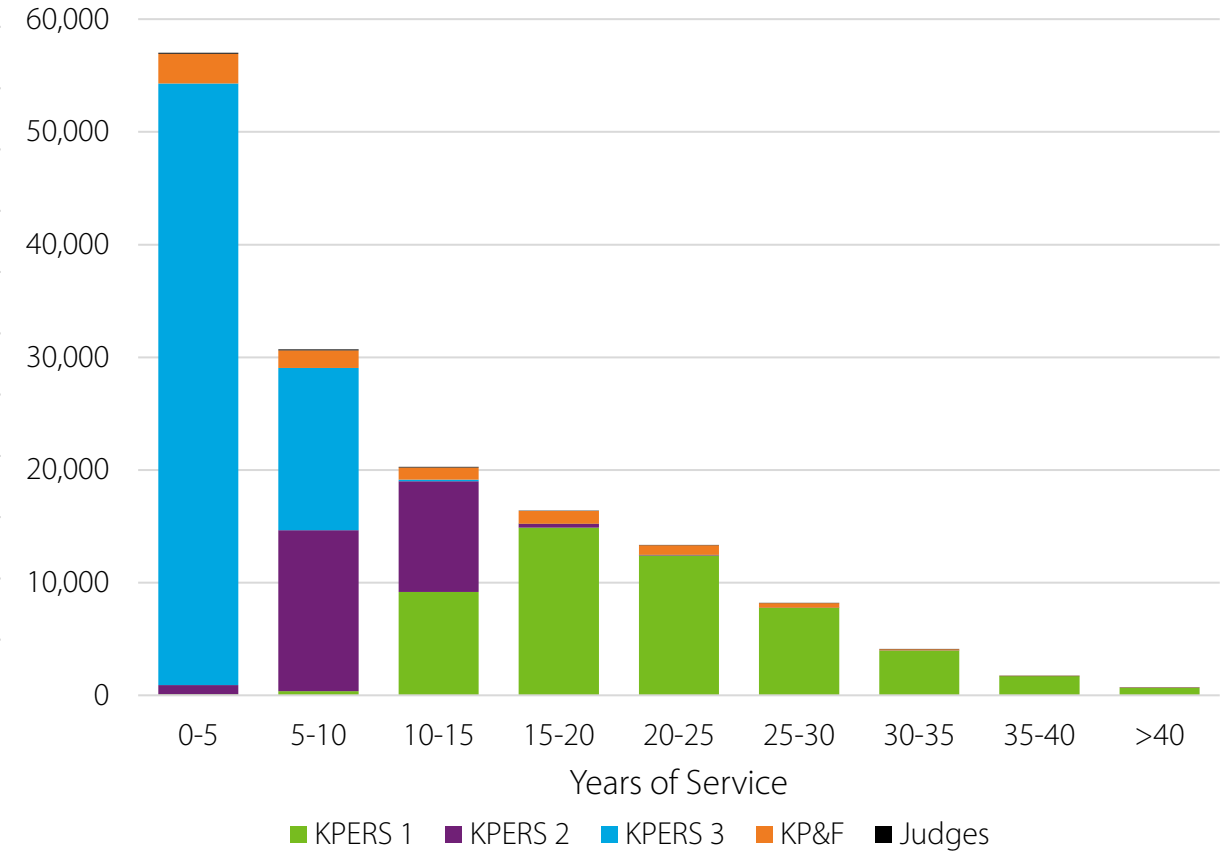


Active Membership on 12/31/2021

Age Distribution



Service Distribution



Total Active Members: 152,288

KPERS 1 – Members before 7/1/2009
 KPERS 2 – Members between 7/1/2009 and 12/31/2014
 KPERS 3 – Members since 1/1/2015



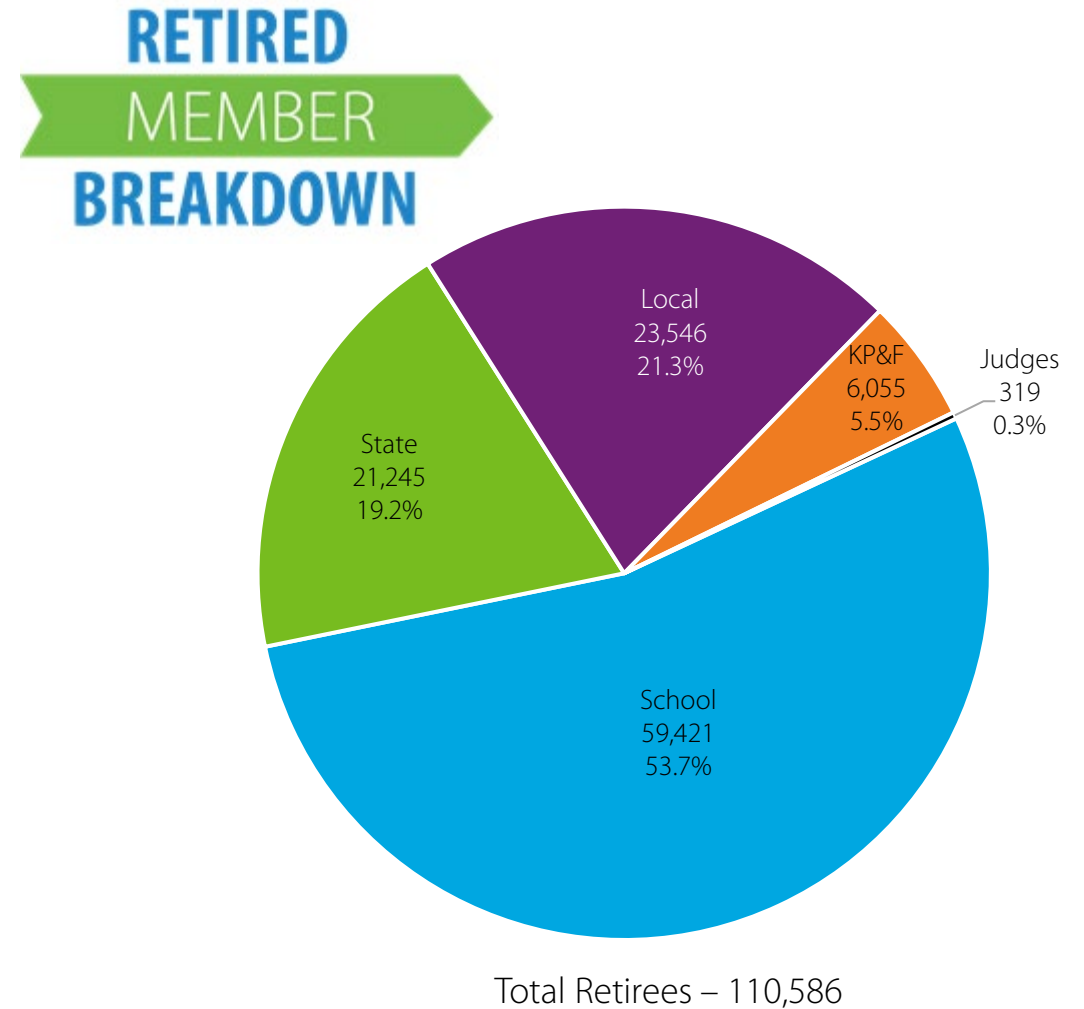
Retired Membership on 12/31/2021

KPERS has almost 111,000 retirees and beneficiaries.

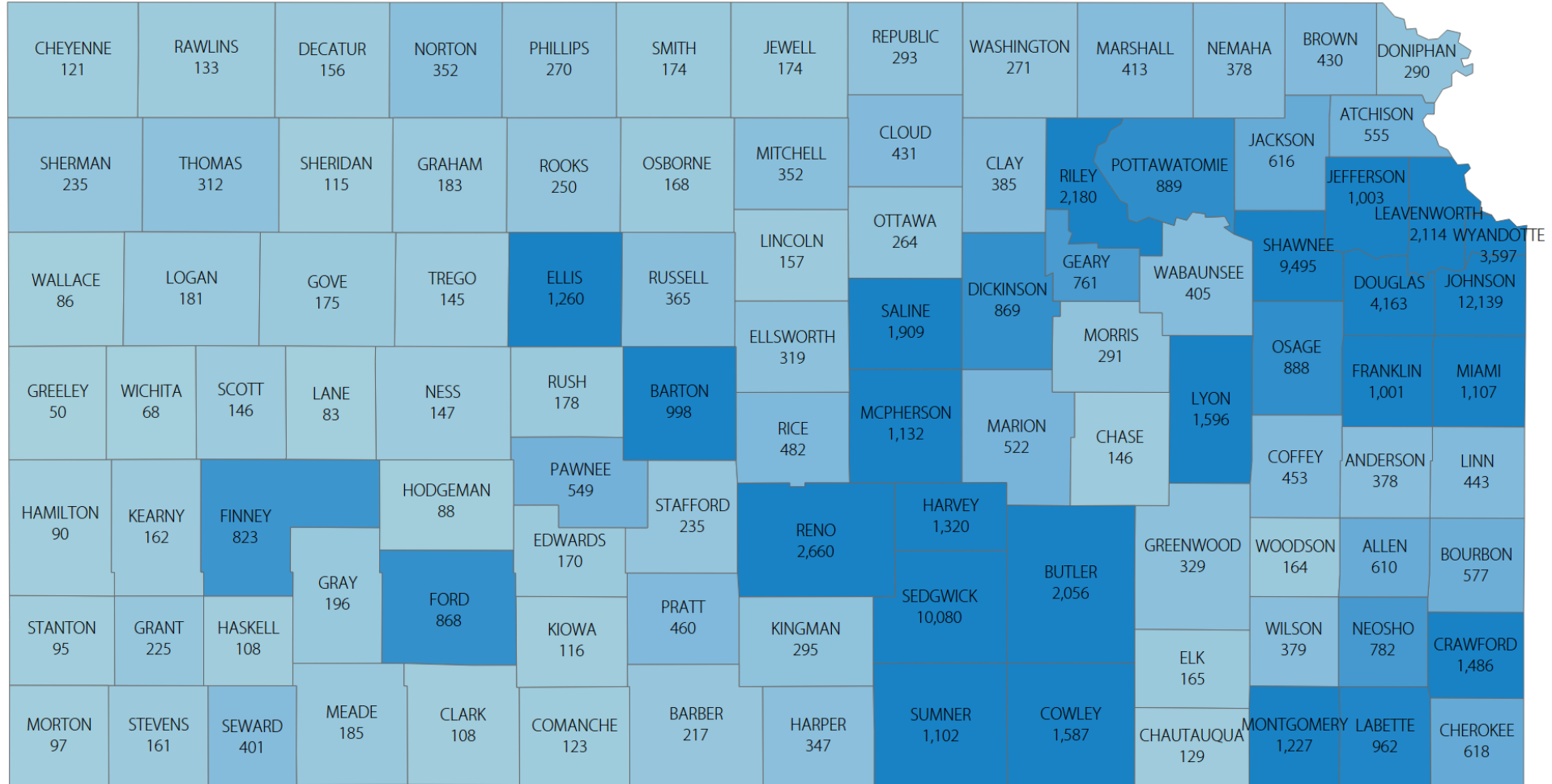
- Retirees range in age from 50 to 111.
- Beneficiaries range in age from 15 to 110.
- The longest length in retirement for a retired member receiving benefits in 2021 was 45 years.

The number of retirees has increased steadily over the past decade, from about 84,000 in 2012 to more than 110,000 in 2021.

About 88% of retirees remain in Kansas.



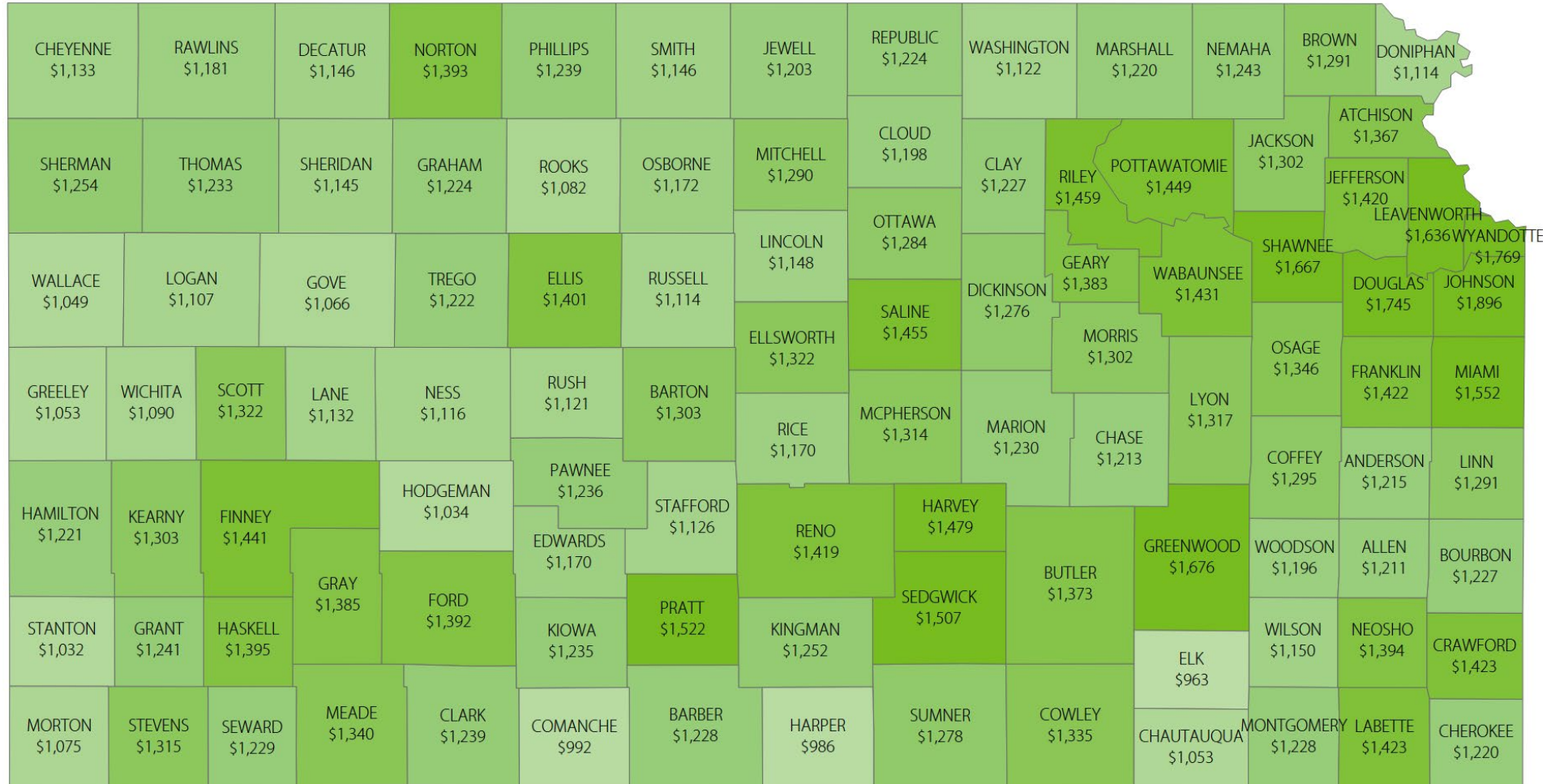
Number of Retirees in Kansas



Note: Includes 91,994 retirees (KPERs, KP&F and Judges) who received a monthly benefit payment in CY 2022. Beneficiaries are not included.



Average Monthly Benefits of Retirees in Kansas



Note: Includes 91,994 retirees (KPERs, KP&F and Judges) who received a monthly benefit payment in CY 2022. Beneficiaries are not included.



KPERS Employers

KPERS more than 1,500 employers affiliated with the System.

KPERS has over 1,400 employers.

- State of Kansas
- 105 counties
- 370 cities
- 286 school districts
- Townships, libraries, conservation districts, extension councils, community colleges, education cooperatives, recreation commissions, and cemetery districts.

KP&F has 116 employers.

- State of Kansas
- 42 counties
- 72 cities

The State of Kansas is the only employer in the Judges plan.



KPERS Employers

The ten largest employers by active membership are:

1. The State of Kansas – 20,889 members
2. USD 259 Wichita – 7,317 members
3. USD 233 Olathe – 4,839 members
4. USD 500 Kansas City – 3,608 members
5. USD 512 Shawnee Mission – 3,399 members
6. Johnson County – 3,171 members
7. USD 229 Blue Valley – 3,160 members
8. Sedgwick County – 2,187 members
9. USD 501 Topeka – 2,197 members
10. Unified Government of Wyandotte County – 1,933 members

These 10 employers represent about 35% of the total active membership.



KPERS Benefits & Replacement Ratios



KPERS Retirement Plans

KPERS is a qualified 401(a) defined benefit plan under the Internal Revenue Code.

- The Internal Revenue Service (IRS) periodically reviews KPERS' plan design to determine if the plan complies with 401(a) requirements.
- Being a qualified plans allows for certain tax advantages. The primary advantage is that member contributions are “picked up” and excluded from taxable income for federal income taxes.
- Maintaining a qualified status is a consideration for policy issues (e.g., working after retirement, withdrawals).



KPERS Retirement Plans

KPERS administers three retirement plans:

1. **KPERS State/School/Local** – The largest of the three retirement plans with more than 1,500 employers and 316,000 active, inactive or retired members. This group covers all state employees, all 105 counties, local school districts, and about 1,100 other local public employers.
2. **Kansas Police and Fire (KP&F)** – This plan covers police officers, firefighters and emergency medical technicians (EMTs) if their employer is affiliated with KP&F. 116 local employers and the State of Kansas offer this plan, covering more than 16,000 active, inactive or retired members.
3. **Judges** – This plan covers all state Judges across Kansas, but not judicial staff. Judges are smallest group with 588 total active, inactive and retired members.



KPERS Retirement Plans

Major plan design changes have created retirement plan subgroups.

- KPERS 1 – Members prior to July 1, 2009. This group is closed to new members.
- KPERS 2 – Created through pension reform legislation in 2007. Applies to members from July 1, 2009 through December 31, 2014. Limited group of employees (i.e. corrections officers) can still be enrolled.
- KPERS 3 – Created through pension reform legislation in 2012. Applies to members since January 1, 2015. KPERS 3 is the largest group of active members.

- KP&F Tier 1 – Members prior to July 1, 1989 who did not elect Tier 2 coverage. Only a few hundred tier 1 members remain.
- KP&F Tier 2 – Members since July 1, 1989.



KPERS Retirement Plans

All KPERS plans are defined benefit retirement plans, often called pensions.

- A pension plan is a retirement fund composed of contributions from the employer, employee and with investment earnings.
- At retirement, the member receives guaranteed regular monthly payments from the fund for life.
- Most KPERS plan follow the traditional pension formula:
 $\text{Years of Service} \times \text{Final Average Salary} \times \text{Multiplier}$
- KPERS 3 is a hybrid Cash Balance plan that uses account balances to determine benefits, but it is still a defined benefit plan.
- Most KPERS members also receive Social Security benefits.



KPERS Retirement Plans

Both Employers and Employees contribute to retirement benefits

- Employees pay a statutory contribution rate.
 - 6% for KPERS 1, 2, 3 and Judges
 - 7.15% for KP&F
- Employers contribute an amount calculated annually by the actuary.
 - 13.11% in FY 2023 for KPERS State/School
 - 8.90% in CY 2022 for KPERS Local
 - 22.99% in FY 2023 for KP&F
 - 17.77% in FY 2023 for Judges
- Total KPERS employer contributions paid by the State for state employees and local schools districts in FY 2023 is estimated to be \$643 million.
- KPERS 3 members do not receive the full employer contribution in their notional accounts, they receive pay credits increasing from 3% to 6%, in 1% increments, based on length of service.



Traditional Defined Benefit Plan

- Membership dates before 7/1/2009
- Final average salary x years of service x multiplier (1.85%)*
- Final average salary = 3 highest years of salary (if membership date after 7/1/93)
- Vesting = 5 years
- Normal retirement:
 - 85 points (age + years of service)
 - Age 62 with 10 years of service
 - Age 65 with 1 year of service

*KPERS 1 multiplier is 1.75% for all service prior to 2014.

20-year KPERS 1 member

Final average salary \$40,000

Service 20 years

Benefit* \$14,200 a year

*Calculated using 15 years at 1.75% multiplier and 5 years at 1.85% multiplier.

30-year KPERS 1 member

Final average salary \$40,000

Service 30 years

Benefit* \$21,200 a year

*Calculated using 25 years at 1.75% multiplier and 5 years at 1.85% multiplier.



20-year KPERS 2 member

Final average salary \$40,000

Service 20 years

Benefit \$14,800 a year

30-year KPERS 2 member

Final average salary \$40,000

Service 30 years

Benefit \$22,200 a year

Traditional Defined Benefit Plan

- Membership dates between 7/1/2009 and 1/1/2015
- Final average salary x years of service x multiplier (1.85%)
- Final average salary = 5 highest years of salary
- Vesting = 5 years
- Normal retirement:
 - Age 60 with 30 years of service
 - Age 65 with 5 years of service



KPERS 3 Benefits

A cash balance plan is a defined benefit plan with characteristics of a defined contribution (401(k)) plan.

The cash balance plan is more of a “career average” benefit, rather than a benefit based on highest years of salary like a traditional defined benefit.

Risk sharing between the employer and the employee is a key feature of the cash balance plan design.

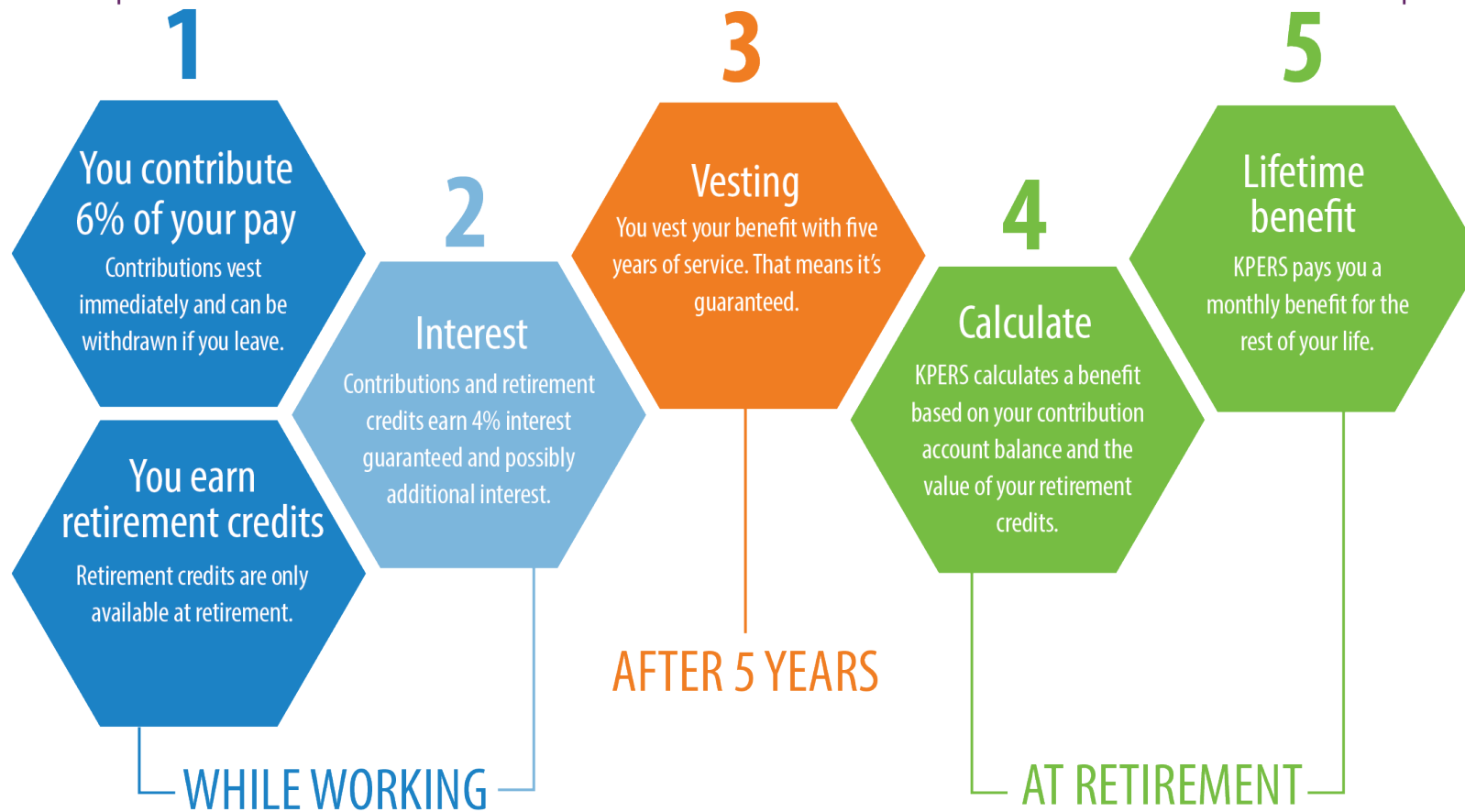
Cash balance plans reward members who join early in their careers and have years to accrue interest.



KPERS 3 Cash Balance Plan

KPERS 3 RETIREMENT BENEFITS

5 STEPS TO HOW IT WORKS



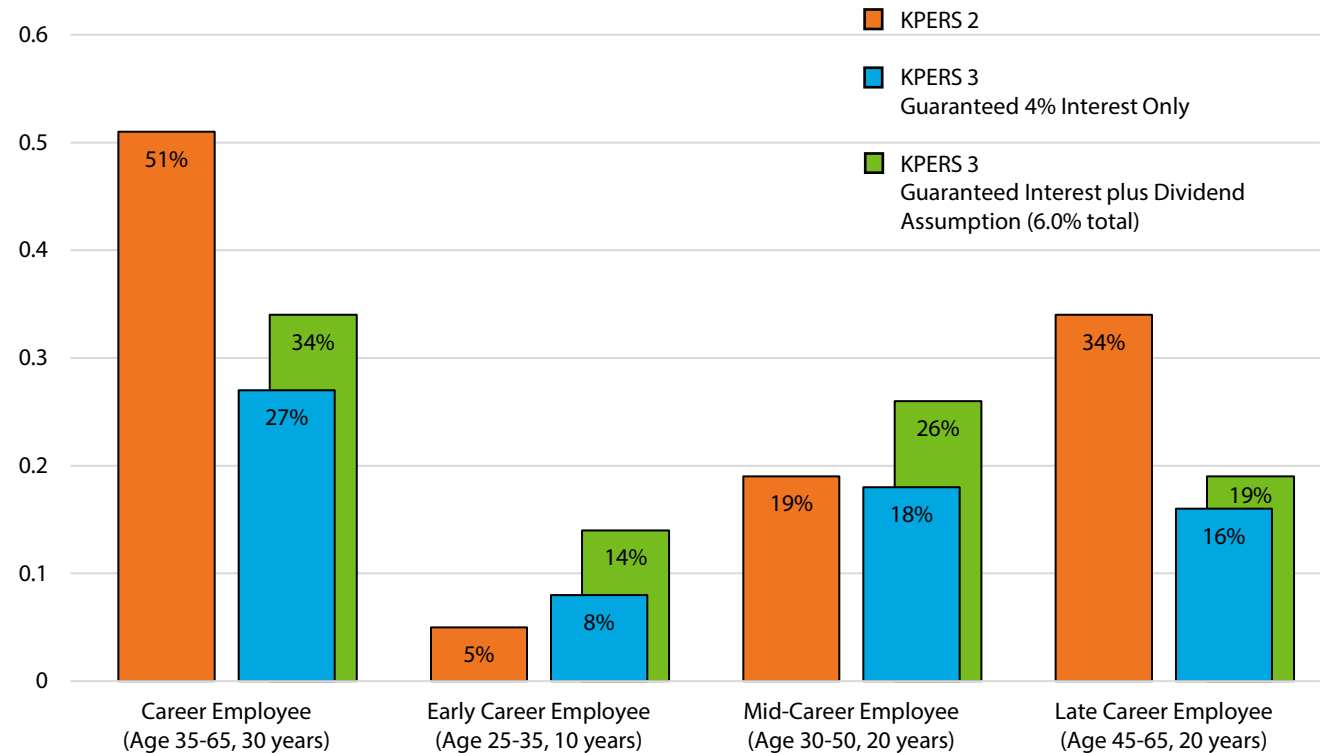
KPERS 3 Replacement Ratios

A replacement ratio is a measure of a person's pre-retirement income that will be replaced by retirement benefits.

Most studies suggest a target of 70% to 80% of pre-retirement income is necessary to maintain a person's lifestyle in retirement.

KPERS benefits are only one part of a person's total replacement ratio, along with Social Security (for most KPERS members) and personal savings.

According to the Center on Budget and Policy Priorities, the average Social Security replacement ratio in 2022 is about 37% for a career worker who retires at 65.



All scenarios assume that the member retires at age 65 and reflects the current set of



20-year KP&F member

Final average salary \$60,000

Service 20 years

Benefit \$30,000 a year

30-year KP&F member

Final average salary \$60,000

Service 30 years

Benefit \$45,000 a year

Traditional Defined Benefit Plan

- Final average salary x years of service x multiplier (2.5%)
- Final average salary = 3 highest of last 5 years of salary
- Vesting = 15 years
- Normal retirement:
 - Age 50 with 25 years of service
 - Age 55 with 20 years of service
 - Age 60 with 15 years of service
- Benefits capped at 90% of final average salary (36 years of service)
- Unlike other coverage groups, death and disability benefits are part of the pension plan design.
 - Disability benefits = 50% of final average salary.
 - Death benefits = Surviving spouse received 50% of final average salary or 100% survivor retirement, whichever is greater.



Judges

Traditional Defined Benefit Plan

- Final average salary x years of service x multiplier (3.5%)
- Final average salary = 3 highest of last 10 years of salary
- Vesting = Immediate
- Normal retirement:
 - 85 points (age + years of service)
 - Age 62 with 10 years of service
 - Age 65 with 1 year of service
- Benefits capped at 70% of final average salary (20 years of service)

10-year Judges Member

Final average salary	\$100,000
Service	10 years
Benefit	\$35,000 a year

20-year Judges Member

Final average salary	\$100,000
Service	20 years
Benefit	\$70,000 a year



KPERS Death and Disability Benefits

100% employer funded with 1% of total payroll contribution

- This contribution has been subject to contribution moratoria by the Governor and the Legislature, including for FY 2021.

Any person unable to perform regular occupation for the first 24 months and unable to perform any occupation after 24 months is entitled to a disability benefit

- Benefit waiting period of 180 days
- Benefits total 60% of compensation at time of disability with a max monthly benefit of \$5,000
- Rehabilitative programs are available to help people return to work without immediately losing all disability benefits

\$4,000 death benefit



Pension Administration System Modernization



Pension Administration System Modernization

The current pension administration system was implemented in 2005 and has become outdated and more difficult to maintain.

A comprehensive needs assessment was completed in 2020 and KPERS engaged with the existing vendor to assess whether a new system is required or upgrades to the existing system were possible.

Initially, we believed it would be possible to “upgrade in place” with the current vendor.

However, the current vendor has not met our expectations for a successful project and budget estimates have now increased to a point where it makes sense to go to the market to assess the cost of a full replacement.



Pension Administration System Modernization

KPERS has initiated the Request for Proposal (RFP) process.

We are working with Segal Consulting to write a comprehensive RFP that covers all the 3,000+ requirements identified during the needs assessment.

We anticipate the RFP being completed this spring and a vendor selected for the new pension administration system in the fall of 2023.

KPERS will need to continue using the existing pension administration system for another 4 years or longer, so the work completed to this point was essential and is not time and resources lost.



Modernization Time and Cost Estimates

The Legislature has continued to support the modernization plan by appropriating the full funding requests for the modernization, including \$6.6 million in FY 2022 and \$9.2 million in FY 2023. The budget requests for FY 2024 and FY 2025 are expected remain at the current level.

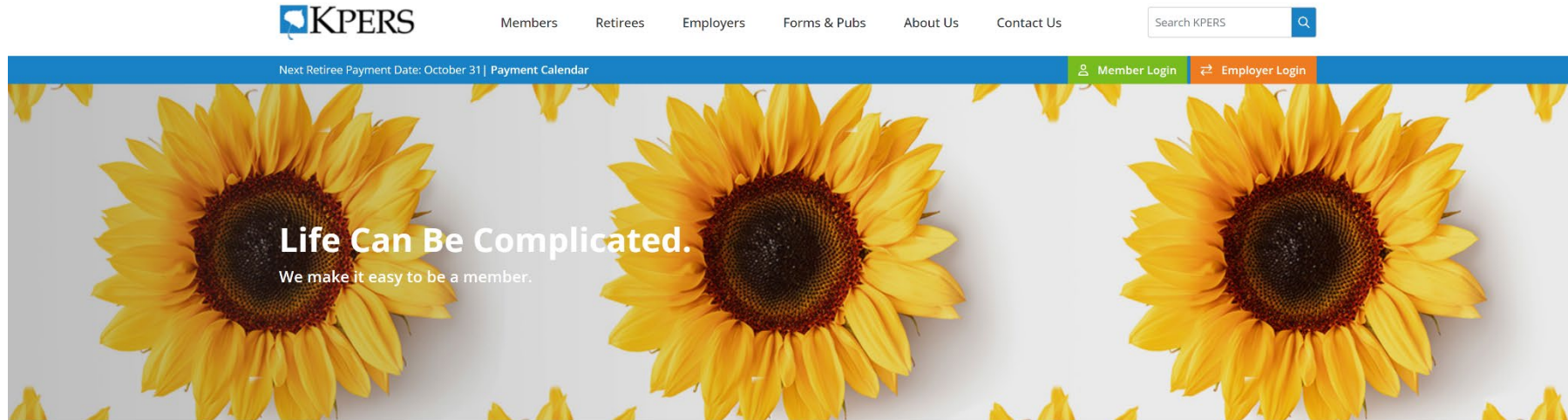
New budget estimates for the pension administration system modernization project will be ready when a vendor is selected in the fall.



KPERS Website Redesign









A New kpers.org Experience Is Here!



Member Resources

Working today for your tomorrow.

 New Member	 Career Stage & Finances	 Benefits Calculators
 Leaving Employment	 Retire Ready	 Name a Beneficiary

Search

I want to find...

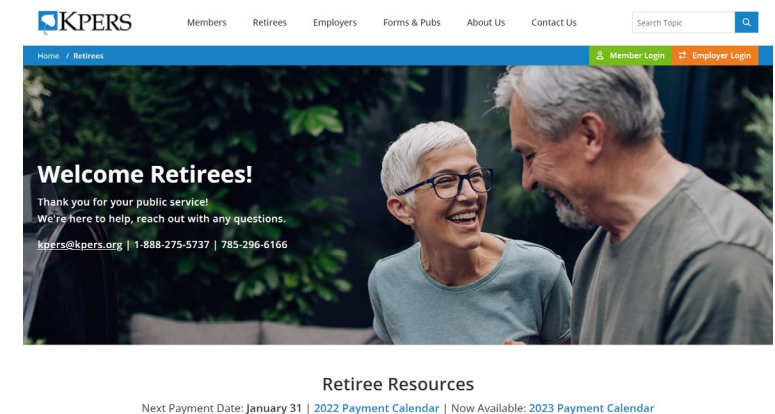
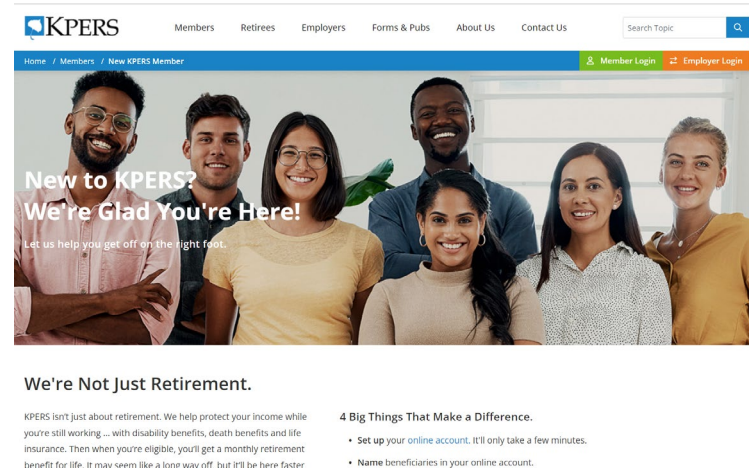
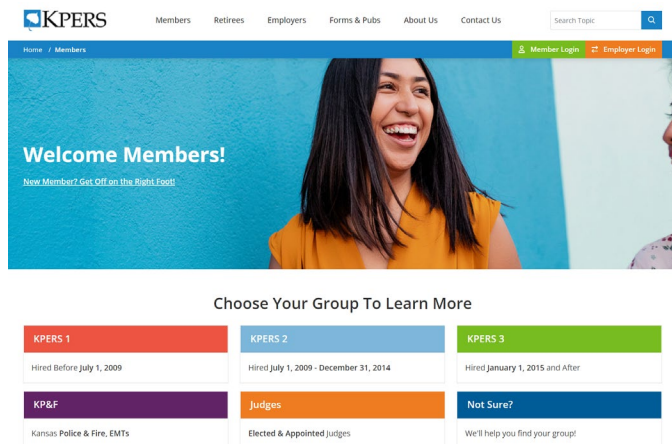
Select an option ▾



A New kpers.org Experience Is Here!

Members

- Retooled Career Stage and Finances section
- Redesigned New Member page for better onboarding and education
- Retiree payment dates on home page, more details in new Retirees section



A New kpers.org Experience Is Here!

Employers

- Revamped Employer Manual in new web format

KPERS

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Welcome Employers!
Thank you for all you do for KPERS and its members.

New Employer Contact Webinars & Workshops Employer Videos Employer Manual

Quick-Vids & Education Opportunities

Top EWP Quick-Vids

- [Verify Service Quarters](#)
- [End Dates](#)
- [Pay Reporting During Covid](#)
- [New kpers.org](#)

Our video series called **The Basics** and our **EWP Quick-Vids** give our Employer Contacts a good understanding and helps with the day-to-day tasks associated with

Education Opportunities

The in-person fall Employer Workshops were a big hit. Thanks to all who were able to attend. And thank you to all of you who attended the Workshop webinars. Next up: KPERS Employer Subject Spotlight. See all educational opportunities [here](#).

- **Fall Employer Workshop Webinar (KPERS 101):** Get slides and recordings of this recent two-partner on the [Employer Education page](#).
- **Subject Spotlight: Disability** presentation coming soon!



Questions?

